

ICICI Bank

Refer to important disclosures at the end of this report

Super-normal performance is the 'New Normal'

- ICICI Bank yet again reported beat on profitability at Rs83.1bn (vs. est. of Rs 80.7bn), led by strong growth, superior margin delivery, and contained opex. Unlike other banks, ICICI continues to build contingent buffer (Rs15bn in 3Q, taking it to Rs115bn/1.1% of loans) to smoothen its profitability trajectory and help absorb any futuristic asset-quality hiccups.
 - Credit growth moderated a bit as the overseas book declined but remained healthy at 20% yoy/4% qoq. However, deposit growth lagged at 10% yoy, leading to higher LDR. This coupled with asset re-pricing and favorable loan composition boosted margins to an all-time high of 4.65%, up 34 bps qoq /69bps yoy. We believe margins have peaked and should ease a bit as funding cost catches up.
 - We believe ICICI is best placed among large PVBs to deliver growth and absorb any macro/asset-quality shock, given healthy provisions/capital buffers. Thus, we expect the bank to deliver the best-ever RoA/RoE of 2.1-2.2%/17-18% over FY23-25E because of strong margins and lower LLP.
 - ICICI remains our top pick in the banking space, given its superior financial performance, top-management stability/credibility, and strong capital/provision buffers. We retain our BUY rating with a revised TP of Rs1,250/share, valuing the bank now at 2.9x Dec-24E and subsidiary value at Rs220/share.
- Superior margin delivery, but needs to ramp-up deposit growth:** ICICI reported some moderation in credit growth due to deceleration in the overseas corporate credit book, but it still reported healthy 20% yoy/4% qoq growth. Retail growth remained healthy at 23% yoy/5% qoq despite strong base, while SME engine continued to fire at a strong pace. However, deposit growth lagged at 10% yoy/3% qoq with CASA ratio too moderating a bit to 45%, leading to a 10bps qoq rise in CoF. However, better loan yields and favorable loan composition led to the highest-ever NIMs for the bank at 4.7%, up 34bps qoq. We believe margins have peaked and should ease a bit as funding cost catches up, but would still remain well past 4.2-4.3% in the near-medium term.
 - Bank continues to build counter-cyclical buffer to absorb any future asset-quality shock:** Gross slippages were higher at Rs57bn/2.8% of loans due to higher retail/corporate slippages as well from the KCC book. However, recovery/upgrades were equally strong, leading to a 12bps qoq reduction in the GNPA ratio to 3.1%. The restructured pool declined to Rs50bn/0.5% (vs. 0.7% in Q2), for which the bank carries provision cover of 31%. The bank continues to strengthen its balance sheet and make it shock-proof, as it made additional contingency provision of Rs15bn in Q3; now the contingency buffer stands at a high of Rs115bn/1.1% of loans. The FB/NFB exposure rated below BB declined to Rs55.8bn/0.6% of loans in Q3, from Rs76.4bn/0.8% of loans in Q2.
 - ICICI remains our top pick in the banking space:** ICICI remains our top pick in the banking space, given its superior financial performance (best-ever RoA/RoE of 2.1-2.2%/17-18% over FY23-25E), top-management stability/credibility, and strong capital/provision buffers. We retain BUY with a revised TP of Rs1,250/share, valuing the bank now at 2.9x Dec-24E and subsidiary value at Rs220/share. **Key risks:** Slow macro/consumption hampering the bank's growth and asset quality.

Financial Snapshot (Standalone)

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Net income	579,578	659,836	810,698	935,878	1,103,449
Net profit	161,926	233,395	315,402	372,097	435,408
EPS (Rs)	24.2	33.7	45.3	53.3	62.4
ABV (Rs)	206.7	234.7	271.4	315.9	368.1
RoA (%)	1.4	1.8	2.1	2.2	2.1
RoE (%)	12.6	15.0	17.5	17.7	17.8
PE (x)	26.9	19.3	14.4	12.2	10.4
P/ABV	3.4	2.9	2.5	2.1	1.8

Source: Company, Emkay Research

CMP	Target Price
Rs 871 as of (January 21, 2023)	Rs 1,250 (▲) 12 months
Rating	Upside
BUY (■)	43.6 %

Change in Estimates

EPS Chg FY23E/FY24E (%)	3.8/1.5
Target Price change (%)	2.0
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY23E	FY24E
Emkay	45.3	53.3
Consensus	43.9	50.5
Mean Consensus TP (12M)	Rs 1,100	

Stock Details

Bloomberg Code	ICICIBC IN
Face Value (Rs)	2
Shares outstanding (mn)	6,978
52 Week H/L	958 / 642
M Cap (Rs bn/USD bn)	6,076 / 74.89
Daily Avg Volume (nos.)	11,687,510
Daily Avg Turnover (US\$ mn)	130.6

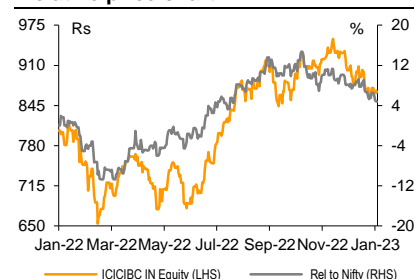
Shareholding Pattern Dec '22

Promoters	-%
FIIs	56.0%
DIIIs	36.1%
Public and Others	7.9%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(4)	(2)	11	7
Rel. to Nifty	(2)	(5)	2	6

Relative price chart



Source: Bloomberg

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Heet Khimawat

heet.khimawat@emkayglobal.com
+91 22 6612 1275

Dixit Sankharva

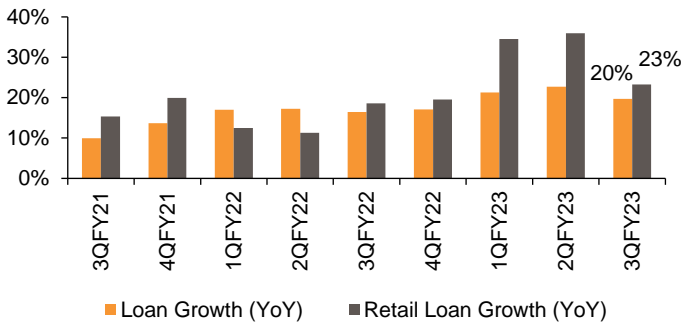
dixit.sankharva@emkayglobal.com
+91 22 6612 1281

Soumya Jain

soumya.jain@emkayglobal.com
+91 22 6612 1262

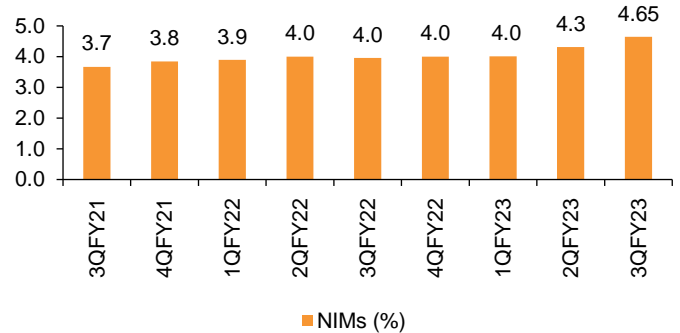
Story in charts

Exhibit 1: Credit growth moderated a bit due to deceleration in overseas book, although continues to remain at healthy levels



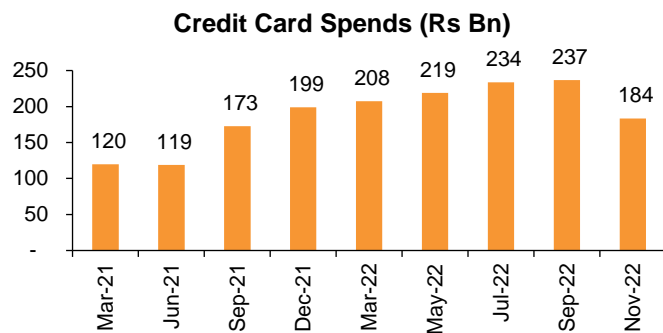
Source: Company, Emkay Research

Exhibit 2: Bank reported the highest-ever margins benefitting from the healthy yield on loans and asset re-pricing



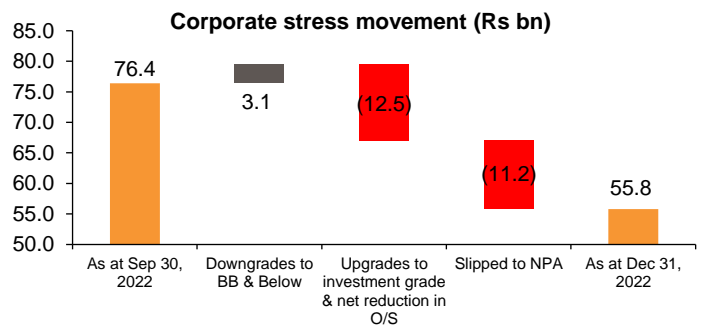
Source: Company, Emkay Research

Exhibit 3: Credit card spends have moderated a bit in Nov



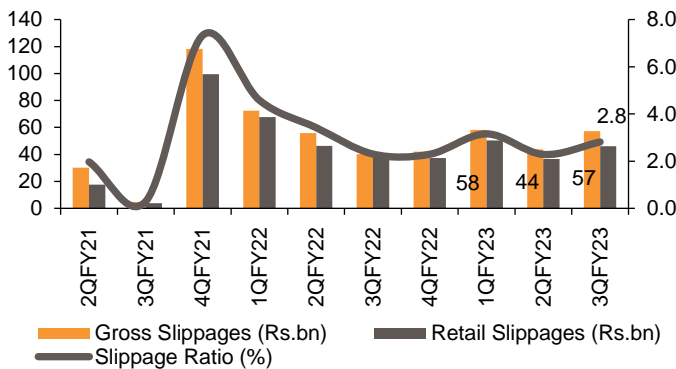
Source: RBI, Emkay Research

Exhibit 4: Corporate watch-list (<BB portfolio) further declined to Rs55.8bn/0.6% of loans due to upgrades and slippages into NPA



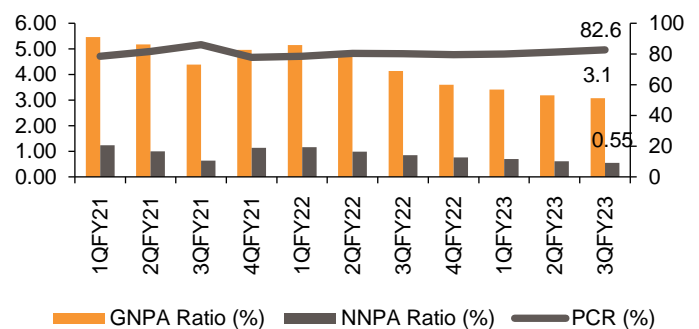
Source: Company, Emkay Research

Exhibit 5: Slippages were higher, mainly from KCC card portfolio...



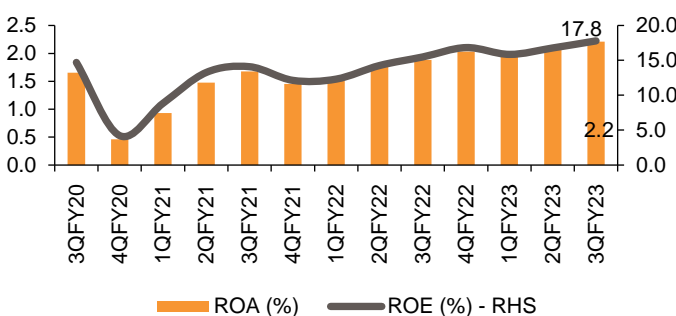
Source: Company, Emkay Research

Exhibit 6: ...but healthy recoveries and upgrades led to a 12bps reduction in GNPA to 3.1%



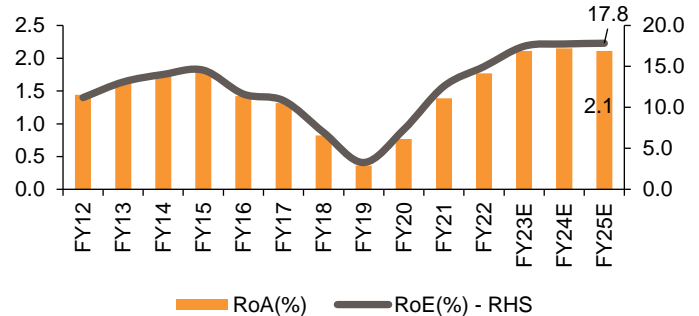
Source: Company, Emkay Research

Exhibit 7: Return ratios remain strong, led by healthy core profitability and lower LLP



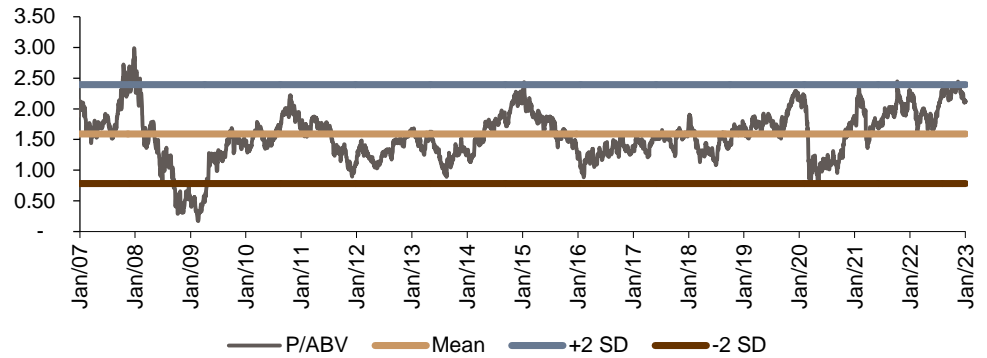
Source: Company, Emkay Research (Note - ROA,ROE are annualized)

Exhibit 8: RoE to improve to a decadal high of ~18%, led by strong core profitability and lower provisions



Source: Company, Emkay Research

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Exhibit 9: The stock is trading at 2.1x its one-year forward P/ABV, adjusted for the subsidiary's valuation, and still has scope for a re-rating


Source: Bloomberg, Emkay Research

Exhibit 10: ICICI Bank's SOTP valuation

ICICI Bank – SOTP valuation	Stake (%)	Value per share (Rs)	Basis of valuation
ICICI Standalone (A)		1031	2.9x Dec'24E ABV (adj for investments)
Non-Banking Subsidiaries			
ICICI Prudential Life Insurance	53%	66	2.1x Dec 24E EV
ICICI Lombard General Insurance	48%	74	35x Dec 24E PAT
ICICI Asset Management Company	51%	42	7% of Dec 24E AUM
ICICI Securities	75%	69	25x Dec 24E PE
Other Subsidiaries	100%	25	
Value of Non-Banking Business		276	
Value Post Holding Co. discount (20%) (B)		220	
Value of the bank (A+B)		1250	
Current market price		870	
Upside (%)		44%	
Contribution of subs to TP (%)		18%	

Source: Emkay Research

Exhibit 11: Actual vs Estimates (Q3FY23)

Rs mn	Actuals	Estimates		% Variation		Comments
		Emkay	Consensus	Emkay	Consensus	
Net income	2,14,886	2,10,631	2,09,650	2%	2%	Better margins, partly offset by lower other income, led to beat
PPOP	1,32,712	1,25,732	1,26,289	6%	5%	Higher net income and contained opex led to beat
PAT	83,119	80,799	82,421	3%	1%	Higher PPOP, partly offset by higher LLP, led to beat

Source: Company, Emkay Research

Exhibit 12: Quarterly Summary

Rs (mn)	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	YoY (%)	QoQ (%)	FY22	FY23E	YoY (%)
Interest Earned	220,826	226,749	236,715	260,330	285,056	29	9	863,745	1,084,105	26
Interest Exp	98,466	100,703	104,615	112,462	120,407	22	7	389,085	476,897	23
Net Interest Income	122,360	126,046	132,100	147,868	164,650	35	11	474,661	607,208	28
Global NIMs (reported)	3.96	4.00	4.01	4.31	4.65	69bps	34bps	3.84	4.32	47bps
Non-interest Income	49,871	47,374	46,652	50,549	50,236	1	-1	185,175	203,490	10
Operating Expenses	70,749	70,490	75,663	81,614	82,174	16	1	267,333	328,014	23
Pre Provisioning Profit	101,483	102,929	103,089	116,803	132,712	31	14	392,503	482,684	23
Provision & Contingencies	20,073	10,690	11,438	16,445	22,574	12	37	86,414	61,024	-29
PBT	81,410	92,240	91,651	100,358	110,138	35	10	306,089	421,660	38
Income Tax Expense (Gain)	19,471	22,053	22,601	24,780	27,019	39	9	72,694	106,258	46
Net Profit/(Loss)	61,938	70,187	69,049	75,578	83,119	34	10	233,395	315,402	35
Gross NPA (%)	4.13	3.60	3.41	3.19	3.07	-106bps	-12bps	3.76	2.89	-87bps
Net NPA (%)	0.85	0.76	0.70	0.61	0.55	-30bps	-6bps	0.81	0.74	-7bps
Deposits (Rs in bn)	10,175	10,646	10,503	10,900	11,220	10	4	10,646	11,729	10
Net Advances (Rs in bn)	8,140	8,590	8,956	9,386	9,740	20	5	8,590	10,221	19

Source: Company, Emkay Research

Exhibit 13: Revision in estimates

Y/E March (Rs mn)	FY23E			FY24E			FY25E		
	Earlier	Revised	% change	Earlier	Revised	% change	Earlier	Revised	% change
Net income	807,865	810,698	0.35%	967,203	935,878	-3.24%	1,152,301	1,103,449	-4.24%
PPOP	470,685	482,684	2.5%	567,808	556,129	-2.1%	679,185	665,645	-2.0%
PAT	303,405	315,402	4.0%	365,579	372,097	1.8%	432,744	435,408	0.6%
EPS (Rs)	43.6	45.3	3.8%	52.5	53.3	1.5%	62.2	62.4	0.3%
BV (Rs)	277.1	278.0	0.3%	321.6	323.3	0.5%	374.8	376.7	0.5%

Source: Company, Emkay Research

Exhibit 14: Key assumptions

	FY22A	FY23E	FY24E	FY25E
Loan Growth %	17.1	19.0	20.6	20.7
Deposit Growth %	14.2	10.2	18.1	19.7
NIM %	3.8	4.3	4.3	4.2
GNPA %	3.8	2.9	2.3	2.0
Credit Cost %	0.7	0.6	0.5	0.6
Yield on Advances	8.1	8.9	9.3	9.6
Cost of Deposits	3.3	3.6	4.3	4.7

Source: Company, Emkay Research

Exhibit 15: Key ratios and trends

	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23
Loans (Rs mn)	6,990,175	7,337,291	7,385,979	7,649,374	8,139,916	8,590,204	8,956,248	9,385,628	9,740,475
growth (YoY)	10.0	13.7	17.0	17.2	16.4	17.1	21.3	22.7	19.7
Composition %									
- Corporate - Domestic	24	24	24	23	24	23	23	23	23
- Overseas	6	5	5	5	5	5	5	4	4
- SME	4	4	4	4	4	5	4	4	5
- Retail + Rural + BB	66	67	67	68	68	68	68	69	70
- Retail	51	52	52	52	53	53	53	54	54
- Rural	10	10	10	9	9	9	9	9	9
- Business Banking	5	5	5	6	6	6	6	7	7
Deposit (Rs mn)	8,743,476	9,325,222	9,262,239	9,774,486	10,174,667	10,645,716	10,503,490	10,900,080	11,220,495
growth (YoY)	22.1	21.0	15.5	17.4	16.4	14.2	13.4	11.5	10.3
CASA (%)	45.2	46.3	45.9	46.1	47.2	48.7	46.9	46.6	45.3
CA (%)	13.4	14.6	12.8	13.5	14.4	14.9	13.4	13.3	13.0
SA (%)	31.9	31.7	33.1	32.6	32.9	33.8	33.5	33.3	32.4
Asset Quality/Capital									
GNPA %	4.4	5.0	5.2	4.8	4.1	3.6	3.4	3.2	3.1
NNPA %	0.6	1.1	1.2	1.0	0.9	0.8	0.7	0.6	0.6
PCR %	86.1	77.8	78.4	80.3	80.2	79.5	79.9	81.3	82.6
Slippages (Rs mn)	4,710	118,180	72,310	55,780	40,180	42,040	58,250	43,660	57,230
Slippages %	0.3	7.3	4.6	3.4	2.3	2.3	3.2	2.3	2.8
Restructured loans (% of loans)	0.5	0.5	0.7	1.3	1.2	1.0	0.8	0.7	0.5
CAR %	18.0	19.1	18.7	18.3	19.4	19.2	18.0	16.9	16.3
Tier I %	16.7	18.1	17.7	17.3	18.4	18.4	17.3	16.2	15.5
ROE Decomposition %									
NII	3.4	3.4	3.6	3.7	3.7	3.6	3.7	4.1	4.4
Other Income (Ex Treasury)	1.3	1.4	1.2	1.4	1.5	1.3	1.3	1.4	1.3
Treasury	0.3	(0.0)	0.1	0.1	0.0	0.0	0.0	(0.0)	0.0
Opex	2.0	2.0	2.0	2.1	2.2	2.0	2.1	2.2	2.2
PPOP	3.0	2.8	2.9	3.2	3.1	3.0	2.9	3.2	3.5
Provisions	0.9	1.0	0.9	0.9	0.6	0.3	0.3	0.5	0.6
PBT	2.1	1.9	2.0	2.3	2.5	2.7	2.6	2.8	2.9
Tax	0.4	0.4	0.5	0.5	0.6	0.6	0.6	0.7	0.7
ROA	1.7	1.5	1.5	1.8	1.9	2.0	2.0	2.1	2.2
ROE	14.1	12.1	12.3	14.3	15.5	16.8	15.9	16.8	17.8

Source: Company, Emkay Research

Key Financials (Standalone)**Income Statement**

Y/E March (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Net interest income	389,893	474,661	607,208	697,720	814,591
Other income	189,685	185,175	203,490	238,158	288,858
Fee income	104,868	126,397	149,148	180,469	220,172
Net income	579,578	659,836	810,698	935,878	1,103,449
Operating expenses	215,608	267,333	328,014	379,749	437,804
Pre provision profit	363,970	392,503	482,684	556,129	665,645
PPP excl treasury	312,232	385,477	479,972	552,061	658,323
Provisions	162,144	86,414	61,024	58,673	83,549
Profit before tax	201,826	306,089	421,660	497,456	582,097
Tax	39,900	72,694	106,258	125,359	146,688
Tax rate	20	24	25	25	25
Profit after tax	161,926	233,395	315,402	372,097	435,408

Balance Sheet

Y/E – March (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Equity	13,834	13,900	13,956	13,956	13,956
Reserves	1,461,258	1,691,220	1,957,136	2,272,782	2,644,774
Net worth	1,475,092	1,705,120	1,971,092	2,286,738	2,658,730
Deposits	9,325,222	10,645,716	11,729,498	13,858,273	16,590,717
Borrowings	743,851	933,807	1,167,258	1,400,710	1,680,852
Total liabilities	12,304,327	14,112,977	15,751,127	18,862,291	22,372,097
Cash and bank	460,312	601,208	673,353	754,156	844,654
Investments	2,812,865	3,102,410	3,434,253	4,059,752	4,828,915
Loans	7,337,291	8,590,204	10,221,330	12,325,106	14,870,389
Others	734,112	648,401	757,429	900,465	1,072,320
Total assets	12,304,327	14,112,977	15,751,127	18,862,291	22,372,097

Key Ratios (%)

Y/E – March	FY21	FY22	FY23E	FY24E	FY25E
NIM	3.6	3.8	4.3	4.3	4.2
Non-ll/avg. assets	1.6	1.4	1.4	1.4	1.4
Fee income/avg. assets	0.9	1.0	1.0	1.0	1.1
Opex/avg assets	1.9	2.0	2.2	2.2	2.1
Provisions/avg assets	1.4	0.7	0.4	0.3	0.4
PBT/avg assets	1.7	2.3	2.8	2.9	2.8
Tax/avg assets	0.3	0.6	0.7	0.7	0.7
RoA	1.4	1.8	2.1	2.2	2.1
RoAE	12.6	15.0	17.5	17.7	17.8
GNPA (%)	5.3	3.8	2.9	2.3	2.0
NNPA (%)	1.2	0.8	0.7	0.6	0.6

Per Share Data (Rs)	FY21	FY22	FY23E	FY24E	FY25E
EPS	24.2	33.7	45.3	53.3	62.4
BVPS	215.7	241.3	278.5	323.3	376.7
ABVPS	206.7	234.7	271.4	315.9	368.1
DPS	0.0	5.0	7.0	8.0	9.0

Valuations (x)	FY21	FY22	FY23E	FY24E	FY25E
PER	26.9	19.3	14.4	12.2	10.4
P/BV	3.1	2.7	2.3	2.0	1.7
P/ABV	3.4	2.9	2.5	2.1	1.8
P/PPOP	16.5	15.4	12.6	10.9	9.1
Dividend Yield (%)	0.0	0.6	0.8	0.9	1.0

Source: Company, Emkay Research

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Growth (%)	FY21	FY22	FY23E	FY24E	FY25E
NII	17.2	21.7	27.9	14.9	16.8
PPOP	29.5	7.8	23.0	15.2	19.7
PAT	104.2	44.1	35.1	18.0	17.0
Loans	13.7	17.1	19.0	20.6	20.7

Quarterly (Rs mn)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
NII	122,360	126,046	132,100	147,868	164,650
NIM (%)	4.0	4.0	4.0	4.3	4.7
PPOP	101,483	102,929	103,089	116,803	132,712
PAT	61,938	70,187	69,049	75,578	83,119
EPS (Rs)	8.92	10.10	9.92	10.85	11.91

Source: Company, Emkay Research

Shareholding Pattern (%)	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Promoters	-	-	-	-	-
FII	56.8	55.1	53.5	54.7	56.0
DII	35.0	36.1	37.8	37.2	36.1
Public and Others	8.2	8.8	8.7	8.1	7.9

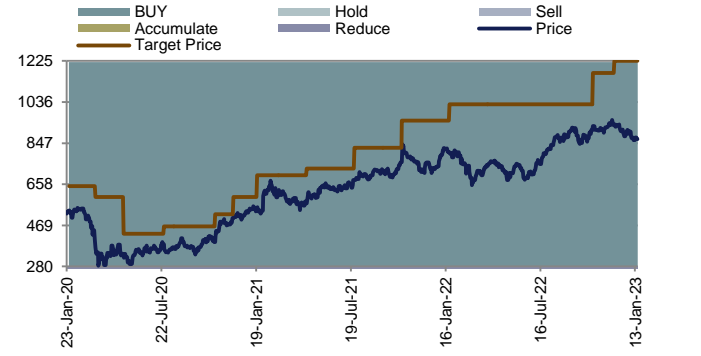
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
4-Dec-22	931	1,225	12m	Buy	Anand Dama
24-Oct-22	926	1,170	12m	Buy	Anand Dama
24-Jul-22	800	1,025	12m	Buy	Anand Dama
24-Apr-22	748	1,025	12m	Buy	Anand Dama
23-Jan-22	805	1,025	12m	Buy	Anand Dama
4-Dec-21	716	950	12m	Buy	Anand Dama
24-Oct-21	759	950	12m	Buy	Anand Dama
25-Aug-21	691	825	12m	Buy	Anand Dama
25-Jul-21	677	825	12m	Buy	Anand Dama
25-Apr-21	570	730	12m	Buy	Anand Dama
31-Jan-21	537	700	12m	Buy	Anand Dama
20-Jan-21	551	700	12m	Buy	Anand Dama
6-Dec-20	502	600	12m	Buy	Anand Dama
1-Nov-20	393	520	12m	Buy	Anand Dama
26-Jul-20	382	465	12m	Buy	Anand Dama
10-May-20	338	430	12m	Buy	Anand Dama
11-Apr-20	343	600	12m	Buy	Anand Dama
17-Mar-20	367	600	12m	Buy	Anand Dama
27-Jan-20	537	650	12m	Buy	Anand Dama

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 22 Jan 2023 15:49:18 (SGT)

Dissemination Date: 22 Jan 2023 15:50:18 (SGT)

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Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com