

**All round strong performance; Maintain Buy**

**CMP: INR 759**

**Rating: Buy**

**Target Price: INR 942**

**Stock Info**

BSE	532174
NSE	ICICIBANK
Bloomberg	ICICIBC IN
Reuters	ICBK.BO
Sector	Banks
Face Value (INR)	2
Equity Capital (INR Cr)	1,387
Mkt Cap (INR Cr)	526,497
52w H/L (INR)	766 / 388
Avg Yearly Vol (in 000')	20,284

**Shareholding Pattern %**

(As on September, 2021)

Promoters	NIL
FII	47.3
DII	42.5
Public & Others	10.2

**Stock Performance (%)**

	1m	3m	12m
ICICI Bank	8.0	15.8	83.9
Nifty 50	3.2	14.5	52.3

**ICICI Bank Vs Nifty**



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ICICI Bank reported another quarter of stellar performance on all fronts with improvement in asset quality and all time high margin. Profit for the quarter grew strongly by 30% YoY/19% QoQ to INR 5,511 cr, was higher than our as well as consensus estimate. NII for the quarter grew by 25% YoY/7% QoQ to INR 11,690 cr, led by strong advances growth of 17% YoY. Core PPOP grew by 23% YoY to INR 9,518 cr supported by strong other income growth of 19% YoY. Headline NPA ratio of the bank improved with GNPA reduction of 33bps QoQ and NNPA decreased by 17bps QoQ led by strong recoveries. Restructured pool of the bank increased from 65bps to 130 bps on QoQ basis. Bank has not utilized any covid provision during the quarter and continues to hold provision buffer of INR 6,425 cr (0.8% of advances) which provides comfort over balance sheet.

**NIM at all time high:** NIM of the bank improved further by 11bps QoQ at 4% (In line with HDFC Bank). NIM improvement was benefitted from decline in cost of funds and low interest reversal. Cost of funds of the bank declined by 11bps QoQ. Yield on advances of the bank improved by 8bps QoQ at 8.34%.

**Loan growth remained strong leading to continuously market share gaining position:** Total loan growth was at 17% YoY/4% QoQ (vs +1% QoQ in Q1FY22) was mainly led by retail loan growth of 22% YoY and SME portfolio growth of 42% YoY/11% QoQ. Corporate growth remained stable at 11.5% YoY as capex in private sector remained slow. Within retail, mortgage lending continue to leading retail portfolio which grew by 25% YoY/6% QoQ. Growth in business banking was robust at 43% YoY/12% QoQ. Domestic loan book for the quarter grew strongly by 20% YoY while overseas book declined by 9% YoY as per bank's strategy. Deposits growth has picked up a strong traction and grew by 17% YoY/6% QoQ with CASA ratio of 46.1% an improvement of 21bps QoQ.

**Strong recovery led to an improvement in asset quality:** Slippages for the quarter came in at INR 5,578 cr (slippage ratio at 2.9% vs. 3.9% QoQ), of which INR 4,624 cr was from retail and INR 954 cr from Corporate and SME. Recoveries during the quarter was higher at INR 5,482 cr (vs. INR 3,627 cr in Q1FY22). Hence, net addition to the NPA was lower at INR 96 cr vs. INR 3,604 cr in the previous quarter leading to GNPA/NNPA reduction of 33bps/17bps QoQ. BB and below rated book of the bank decreased from 1.9% to 1.7% of the total advances.

**Valuation & View; remains top pick in banking space:** Post transformation, ICICI Bank has shown a strong performance in the past three years with industry leading growth, margins at peak, conservative policy stance with well cushioned balance sheet, strong liability franchise, sharp reduction in NPA and faster adoption of technology. We believe, bank is well positioned to deliver RoA/RoE of 1.7%/14% by FY24E and valuation gap with HDFC bank to narrow with improving performance. The bank continuously leveraging digital capabilities to gain market share. We maintain our Buy rating on the stock with a revised SOTP based target price of INR 942 (INR 810 earlier), based on 2.6x FY24E P/ABV for standalone bank and INR 156 for subsidiaries.

ICICI Bank (Rs Cr)	FY20A	FY21A	FY22E	FY23E	FY24E
NII	33,267	38,989	45,948	53,901	62,776
PPOP	28,101	36,397	39,750	46,179	53,361
PAT	7,931	16,193	20,352	26,223	31,327
EPS (INR / Share)	12.3	23.4	29.4	37.9	45.3
BVPS (INR / Share)	180.0	213.2	241.7	278.6	322.9
NIM (%)	3.5%	3.6%	3.7%	3.8%	3.8%
RoA (%)	0.7%	1.3%	1.4%	1.6%	1.7%
RoE (%)	6.8%	11.0%	12.2%	13.6%	14.0%
P/ABV (x)	4.8	3.9	3.4	2.9	2.5

Source: Company, Arihant Research

## Q2FY22 - Quarterly Performance (Standalone)

Quarterly Result Update (INR Cr)	Q2FY22	Q1FY22	Q2FY21	Q-o-Q	Y-o-Y
Interest Income	21,234	20,383	19,622	4.2%	8.2%
Interest Expended	9,544	9,448	10,256	1.0%	-6.9%
<b>Net Interest Income</b>	<b>11,690</b>	<b>10,936</b>	<b>9,366</b>	<b>6.9%</b>	<b>24.8%</b>
Other Income	4,797	3,996	4,028	20.1%	19.1%
Operating Income	16,487	14,932	13,394	10.4%	23.1%
Operating Expenses	6,572	6,037	5,133	8.9%	28.0%
Employee Expenses	2,385	2,374	1,967	0.4%	21.2%
Other Operating Expenses	4,188	3,663	3,166	14.3%	32.3%
<b>PPOP</b>	<b>9,915</b>	<b>8,894</b>	<b>8,261</b>	<b>11.5%</b>	<b>20.0%</b>
Provisions	2,713	2,852	2,995	-4.8%	-9.4%
PBT	7,201	6,043	5,266	19.2%	36.8%
Tax Expenses	1,690	1,427	1,014	18.5%	66.6%
<b>Net Income</b>	<b>5,511</b>	<b>4,616</b>	<b>4,251</b>	<b>19.4%</b>	<b>29.6%</b>
<b>Balance Sheet Analysis</b>					
Advances	7,64,937	7,38,598	6,52,608	3.6%	17.2%
Deposits	9,77,449	9,26,224	8,32,936	5.5%	17.3%
Total Assets	12,76,002	12,20,654	11,62,971	4.5%	9.7%
CASA Deposits	4,50,704	4,25,101	3,64,580	6.0%	23.6%
CASA (%)	46.1%	45.9%	43.8%	21bps	234bps
CAR (%)	18.33%	18.71%	18.47%	-38bps	-14bps
<b>Spreads</b>					
<b>NIMs (%)</b>	<b>4.00%</b>	<b>3.89%</b>	<b>3.57%</b>	<b>11bps</b>	<b>43bps</b>
Cost of Funds	3.71%	3.82%	4.35%	-11bps	-64bps
Yield on Average Advances	8.34%	8.26%	8.75%	8bps	-41bps
<b>Asset Quality</b>					
GNPA	41,437	43,148	38,989	-4.0%	6.3%
NNPA	8,161	9,306	7,188	-12.3%	13.5%
GNPA (%)	4.82%	5.15%	5.17%	-33bps	-35bps
NNPA (%)	0.99%	1.16%	1.00%	-17bps	-1bps
Provision Coverage Ratio	80.4%	78.4%	81.56%	197bps	-116bps
<b>Returns &amp; Expenses</b>					
RoA (annualised)	1.79%	1.54%	1.50%	25bps	29bps
RoE (annualised)	14.1%	12.3%	13.20%	180bps	90bps
Cost / Income Ratio	39.9%	40.4%	38.32%	-57bps	154bps

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

## Q2FY22 – Key Concall Highlights

- Margin for the quarter improved due to lower net GNPL addition and lower cost of funds. Management has not given any guidance on NIM trajectory but endeavor will be to protect NIM at 3.9% level.
- Focus area of the bank remains to grow operating profit on risk calibrated approach rather than focusing on loan growth number.
- Employee cost has one time impact of INR 125 cr of ESOP cost as per RBI guidelines. Other OPEX has also increased due to increased business sourcing, PSLC buyouts, technology costs and promotion and advertisements.
- Mortgages disbursements back to the pre-covid level. Also, disbursements in personal loans & auto loans were close to pre-covid level.
- Credit card spends grew by 47% QoQ as spends across categories improved to level prior to the covid.
- Bank is seeing steady uptick in credit enquiries.
- Bank has sanctioned 32% of mortgages loan & 40% of personal loans by volume through digital, while 95% OD facilities in business banking current account were end to end digital. Also, 40% of asset-liability accounts opened were through digital channels.
- Capex in private corporates remains slow but PSU & Govt is seeing good traction on capex.
- Total restructuring stood at INR 96.84 bn or about 1.3% of the total loan as on Q2FY22 (INR 69.92 bn from Retail and INR 26.92 bn from Corporate and SME). Bank holds INR 19.5 bn (20%) provision against this book.
- 87% slippages were from retail/business banking. Retail slippages saw better recoveries from the jewel portfolio which slipped last quarter.

## Valuation - Sum of the Parts

Entity	Valuation methodology	Holding	Intrinsic Value per Share
ICICI Bank - Standalone banking business / Parent	2.6x FY24E ABV	100.0%	785
ICICI Prudential Life Insurance	2.0x FY24E EV	51.3%	79
ICICI Lombard General Insurance	Current MCAP	48.1%	55
ICICI Prudential AMC	5% of FY24E AUM	51.0%	26
ICICI Securities	2x FY24E P/E	74.9%	23
ICICI Home Finance	1x FY24E BV	100.0%	3
ICICI Bank UK Plc	0.5x FY24E BV	100.0%	2
ICICI Bank Canada	0.5x FY24E BV	100.0%	2
Others			5
Holding co. discount (%)			20.0%
<b>Value of subs (INR per share)</b>			<b>156</b>
<b>Value of total (INR per share)</b>			<b>942</b>

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

## Key Financials

Profit & Loss Statement (in INR Cr)	FY20A	FY21A	FY22E	FY23E	FY24E
Interest Income	74,798	79,118	89,498	1,04,472	1,22,388
Interest Expended	41,531	40,129	43,550	50,572	59,612
<b>Net Interest Income</b>	<b>33,267</b>	<b>38,989</b>	<b>45,948</b>	<b>53,901</b>	<b>62,776</b>
Other Income	16,449	18,969	17,451	19,545	21,891
Operating Income	49,716	57,958	63,399	73,446	84,667
Operating Expenses	21,614	21,561	23,648	27,267	31,306
Employee Expenses	8,271	8,092	8,879	10,208	12,166
Other Operating Expenses	13,343	13,469	14,770	17,059	19,140
<b>PPOP</b>	<b>28,101</b>	<b>36,397</b>	<b>39,750</b>	<b>46,179</b>	<b>53,361</b>
Provisions	14,053	16,214	12,972	11,674	12,141
PBT	14,048	20,183	26,779	34,504	41,220
Tax Expenses	6,117	3,990	6,427	8,281	9,893
<b>Net Income</b>	<b>7,931</b>	<b>16,193</b>	<b>20,352</b>	<b>26,223</b>	<b>31,327</b>

Balance Sheet (in INR Cr)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Equity &amp; Liabilities</b>					
Share Capital	1,295	1,383	1,383	1,383	1,383
Reserves & Surplus	1,15,206	1,46,123	1,65,783	1,91,314	2,21,950
Net Worth	1,16,501	1,47,506	1,67,166	1,92,698	2,23,333
Employee Stock Options	3	3	3	3	3
Deposits	7,70,969	9,32,522	10,82,649	12,59,153	14,61,120
Borrowings	1,62,897	91,631	96,213	1,01,023	1,06,074
Other Liabilities and Provisions	47,995	58,770	63,846	70,930	80,341
<b>Total Capital &amp; Liabilities</b>	<b>10,98,365</b>	<b>12,30,433</b>	<b>14,09,877</b>	<b>16,23,808</b>	<b>18,70,871</b>
<b>Assets</b>					
Cash & Balances with RBI	35,284	46,031	49,061	54,543	59,521
Balances with Other Banks & Call Money	83,872	87,097	1,20,347	1,46,339	1,78,951
Investments	2,49,531	2,81,287	2,95,351	3,10,118	3,25,624
Advances	6,45,290	7,33,729	8,58,463	10,21,571	12,25,885
Fixed Assets	8,410	8,918	9,456	10,027	10,633
Other Assets	75,978	73,371	77,199	81,210	70,257
<b>Total Assets</b>	<b>10,98,365</b>	<b>12,30,433</b>	<b>14,09,877</b>	<b>16,23,808</b>	<b>18,70,871</b>

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

Ratios	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Growth rates</b>					
Advances (%)	10.0%	13.7%	17.0%	19.0%	20.0%
Deposits (%)	18.1%	21.0%	16.1%	16.3%	16.0%
Total assets (%)	13.9%	12.0%	14.6%	15.2%	15.2%
NII (%)	23.1%	17.2%	17.8%	17.3%	16.5%
Pre-provisioning profit (%)	19.9%	29.5%	9.2%	16.2%	15.6%
PAT (%)	135.8%	104.2%	25.7%	28.9%	19.5%
<b>Balance sheet ratios</b>					
Credit/Deposit (%)	83.7%	78.7%	79.3%	81.1%	83.9%
CASA (%)	45.1%	46.3%	45.9%	45.8%	45.8%
Advances/Total assets (%)	58.8%	59.6%	60.9%	62.9%	65.5%
Leverage (x) (Asset/Shareholder's Fund)	9.4	8.3	8.4	8.4	8.4
CAR (%)	16.8%	19.1%	20.7%	21.3%	18.8%
CAR - Tier I (%)	15.0%	18.1%	18.9%	19.5%	17.0%
<b>Operating efficiency</b>					
Cost/income (%)	43.5%	37.2%	37.3%	37.1%	37.0%
Opex/total assets (%)	2.0%	1.8%	1.7%	1.7%	1.7%
Opex/total interest earning assets	0.9%	0.7%	0.7%	0.7%	0.7%
<b>Profitability</b>					
NIM (%)	3.5%	3.6%	3.7%	3.8%	3.8%
RoA (%)	0.7%	1.3%	1.4%	1.6%	1.7%
RoE (%)	6.8%	11.0%	12.2%	13.6%	14.0%
<b>Asset quality</b>					
Gross NPA (%)	6.4%	5.6%	5.1%	4.7%	4.3%
Net NPA (%)	1.6%	1.3%	1.1%	1.0%	0.8%
PCR (%)	75.6%	77.8%	79.1%	79.3%	80.4%
Credit cost (%)	1.7%	1.7%	1.2%	0.9%	0.8%
<b>Per share data / Valuation</b>					
EPS (INR)	12.25	23.41	29.42	37.91	45.29
BVPS (INR)	180	213	242	279	323
ABVPS (INR)	158	194	222	258	302
P/E (x)	62.0	32.4	25.8	20.0	16.8
P/BV (x)	4.2	3.6	3.1	2.7	2.4
P/ABV (x)	4.8	3.9	3.4	2.9	2.5
<b>Profitability</b>					
Return on Equity	6.8%	11.0%	12.2%	13.6%	14.0%

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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