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<http://www.asiamoney.com/brokers>

**CMP: INR 677**

**Rating: Buy**

**Target Price: INR 810**

**Stock Info**

BSE	532174
NSE	ICICIBANK
Bloomberg	ICICIBC IN
Reuters	ICBK.BO
Sector	Banks
Face Value (INR)	2
Equity Capital (INR Cr)	1,383
Mkt Cap (INR Cr)	468,639
52w H/L (INR)	679 / 334
Avg Yearly Vol (in 000')	26,059

**Shareholding Pattern %**

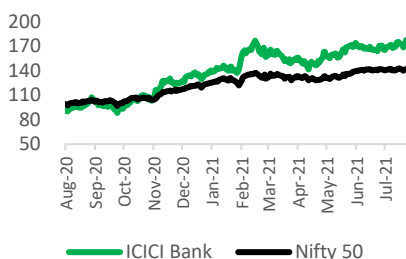
(As on June, 2021)

Promoters	NIL
FII	48.0
DII	41.7
Public & Others	10.3

**Stock Performance (%)**

	1m	3m	12m
ICICI Bank	8.3	18.7	72.5
Nifty 50	1.1	10.6	41.4

**ICICI Bank Vs Nifty**



**Raju Barnawal**

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ICICI Bank reported another quarter of strong performance in terms of operating performance, loan growth and on margins front. However, GNPA of the bank increased by 19bps due to higher slippages in retail segment. Profit for the quarter grew strongly by 78% YoY/5% QoQ to INR 4,616 cr, higher than our estimate of INR 4,285 cr. NII for the quarter grew by 18% YoY/5% QoQ to INR 10,936 cr led by strong advances growth of 17% YoY. Core PPOP grew by 23% YoY to INR 8,605 cr. Other income for the quarter decreased by 35% YoY/3% QoQ to INR 3,996 cr as base quarter had a profit of INR 3,036 cr from stake sale. Restructured pool increased marginally from 55bps to 65bps on QoQ basis. Overall, Covid provision buffer stands at INR 6,425 cr (0.9% of advances) which provides comfort over balance sheet. GNPA for the quarter stood at 5.15%/1.16% vs. 4.96%/1.14% in Q4FY21.

**NIM at multi quarter high:** NIM of the bank improved further by 5bps QoQ to 3.89%. NIM improvement was benefitted from continued decline in cost of funds and high growth in retail book. Cost of funds of the bank declined by 13bps QoQ with 15bps decline in cost of deposits.

**Strong loan growth led gaining market share position:** Total loan growth was at 17% YoY/0.7% QoQ (+14% YoY in Q4FY21) was mainly led by retail loan growth of 22% YoY and Corporate book growth of 11% YoY. SME book grew by 43% YoY and declined by 2% QoQ. Domestic loan book for the quarter grew strongly by 20% YoY (vs. 18% in Q4FY21) while overseas book declined by 15% YoY as per bank's strategy. Within retail, mortgage lending segment grew by 24% YoY whereas vehicle loans grew by 9% YoY. Deposits grew by 15.5% YoY, primarily driven by CASA growth of 25% YoY.

**High retail slippages led to increase in GNPA; restructuring quantum low:** Slippages for the quarter came in at INR 7,231 cr, of which INR 6,773 cr was from retail segment (INR 961 cr from KCC and INR 1,130 cr from jewel loan). Corporate and SME slippages was lower at INR 458 cr vs. INR 1,168 cr QoQ. Higher slippages was offset by strong recoveries of INR 3,627 cr (Retail recovery accounted for ~62%). Management stated that slippages to be lower in Q2FY22 and recoveries may remain healthy. The bank has made provision policy more conservative that resulted in higher provisions of INR 1,130 cr for the quarter. This was offset by write-back of covid provisions of INR 1,050 cr. As on Jun'21, total covid provision stood at INR 6,425 cr (0.9% of loans).

**Valuation & View:** We raise our FY22/23E earnings estimates by 7%/6% respectively to factor in high NII growth. In line with the management commentary, we believe, slippages may decline and recovery to remain healthy in coming quarter. We continue to maintain our positive stance on the stock due to its strong liability franchise, well cushioned balance sheet, adequate capital and gaining market position. We raise our target multiple to 2.6x to its FY23E ABV of INR 259 for standalone bank and use a SOTP approach to value its subsidiaries, arriving at a fair value of INR 810 (INR 687 earlier). We reiterate our 'BUY' rating on stock. ICICI Bank is our top pick in banking space.

ICICI Bank (Rs Cr)	FY19A	FY20A	FY21A	FY22E	FY23E
NII	27,015	33,267	38,989	45,458	52,577
PPOP	23,438	28,101	36,397	39,663	46,102
PAT	3,363	7,931	16,193	20,286	27,151
BVPS (INR / Share)	168.1	180.0	213.2	241.6	279.8
NIM (%)	3.2%	3.5%	3.6%	3.7%	3.7%
RoA (%)	0.3%	0.7%	1.3%	1.4%	1.7%
RoE (%)	3.1%	6.8%	11.0%	12.1%	14.0%
P/ABV (x)	4.6	4.3	3.5	3.0	2.6

Source: Company, Arihant Research

## Q1FY22 - Quarterly Performance (Standalone)

Quarterly Result Update (INR Cr)	Q1FY22	Q4FY21	Q1FY21	Q-o-Q	Y-o-Y
Interest Income	20,383	19,842	19,924	2.7%	2.3%
Interest Expended	9,448	9,411	10,645	0.4%	-11.2%
<b>Net Interest Income</b>	<b>10,936</b>	<b>10,431</b>	<b>9,280</b>	<b>4.8%</b>	<b>17.8%</b>
Other Income	3,996	4,111	6,143	-2.8%	-34.9%
Operating Income	14,932	14,542	15,422	2.7%	-3.2%
Operating Expenses	6,037	6,003	4,646	0.6%	29.9%
Employee Expenses	2,374	2,008	2,166	18.2%	9.6%
Other Operating Expenses	3,663	3,994	2,480	-8.3%	47.7%
<b>PPOP</b>	<b>8,894</b>	<b>8,540</b>	<b>10,776</b>	<b>4.2%</b>	<b>-17.5%</b>
Provisions	2,852	2,883	7,594	-1.1%	-62.4%
PBT	6,043	5,656	3,183	6.8%	89.9%
Tax Expenses	1,427	1,254	583	13.8%	144.6%
<b>Net Income</b>	<b>4,616</b>	<b>4,403</b>	<b>2,599</b>	<b>4.8%</b>	<b>77.6%</b>
<b>Balance Sheet Analysis</b>					
Advances	7,38,598	7,33,729	6,31,215	0.7%	17.0%
Deposits	9,26,224	9,32,522	8,01,622	-0.7%	15.5%
Total Assets	12,20,654	12,30,433	11,38,613	-0.8%	7.2%
CASA Deposits	4,25,101	4,31,623	3,40,616	-1.5%	24.8%
CASA (%)	45.9%	46.3%	42.5%	-39bps	341bps
CAR (%)	18.71%	19.12%	16.00%	-41bps	271bps
<b>Spreads</b>					
<b>NIMs (%)</b>	<b>3.89%</b>	<b>3.84%</b>	<b>3.69%</b>	<b>5bps</b>	<b>20bps</b>
Cost of Funds	3.82%	3.95%	4.61%	-13bps	-79bps
Yield on Average Advances	8.26%	8.45%	9.14%	-19bps	-88bps
<b>Asset Quality</b>					
GNPA	43,388	41,373	40,386	4.9%	7.4%
NNPA	9,546	9,180	8,675	4.0%	10.0%
GNPA (%)	5.15%	4.96%	5.46%	19bps	-31bps
NNPA (%)	1.16%	1.14%	1.23%	2bps	-7bps
Provision Coverage Ratio	78.1%	77.8%	78.52%	29bps	-42bps
<b>Returns &amp; Expenses</b>					
RoA (annualised)	1.54%	1.51%	0.95%	3bps	59bps
RoE (annualised)	12.3%	12.3%	8.76%	0bps	354bps
Cost / Income Ratio	40.4%	41.3%	30.12%	-84bps	1031bps

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

## Q1FY22 – Key Concall Highlights

- Ultra frequency index which comprises of several high frequency indicators declined from 107.9 in Mar'21 to 70.9 in May'21 and improved to 99.6 in July 1<sup>st</sup> week indicating strong rebound in economic actives.
- On corporate side, utilization levels on working capital loans are improving as capacity utilization have improved. Capex demand is robust in PSUs while it is close to normal for private sector.
- Retail disbursements moderated in April and May on account of covid restrictions while pick up seen in June and July.
- Mastercard impact on bank is negligible as bank has already shifted large part of the cards to Visa.
- Bank has delayed auction notice to the customers in default due to difficulties faced by customers. Management expects near complete recoveries form mortgage portfolio. Similarly, recoveries in Jewel loans are expected in full.
- GNPA additions are expected to decline in Q2FY22 with meaningful decline is expected from H2FY22 onwards.
- From retail and business banking portfolio NPA addition, excluding rural portfolio, proportion of mortgage slippages was similar while CV and CE was higher and credit card and personal loans was lower in Q1FY22 as compared to FY21.
- The bank has disbursed INR 132 bn under the ECLGS scheme 1.0, INR 17 bn under the ECLGS scheme 2.0 and INR 3 bn under ECLGS 3.0 as of 17<sup>th</sup> July 2021.
- BB and below book stood flat QoQ at 1.5%. A- and above category loan share improved to 73.3% vs. 73.2% QoQ.

## Valuation - Sum of the Parts

Entity	Valuation methodology	Holding	Intrinsic Value per Share
ICICI Bank - Standalone banking business / Parent	2.6x FY23E ABV	100.0%	675
ICICI Prudential Life Insurance	2.0x FY23E EV	51.3%	67
ICICI Lombard General Insurance	Current MCAP	51.9%	54
ICICI Prudential AMC	5% of FY23E AUM	51.0%	22
ICICI Securities	9x FY23E P/E	79.2%	4
ICICI Home Finance	1x FY23E BV	100.0%	3
ICICI Bank UK Plc	0.5x FY23E BV	100.0%	2
ICICI Bank Canada	0.5x FY23E BV	100.0%	2
Others			5
Holding co. discount (%)			15.0%
<b>Value of subs (INR per share)</b>			<b>136</b>
<b>Value of total (INR per share)</b>			<b>810</b>

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

## Key Financials

Profit & Loss Statement (in INR Cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Interest Income	63,401	74,798	79,118	89,188	1,03,414
Interest Expended	36,386	41,531	40,129	43,729	50,837
<b>Net Interest Income</b>	<b>27,015</b>	<b>33,267</b>	<b>38,989</b>	<b>45,458</b>	<b>52,577</b>
Other Income	14,512	16,449	18,969	18,020	20,183
Operating Income	41,527	49,716	57,958	63,478	72,760
Operating Expenses	18,089	21,614	21,561	23,815	26,658
Employee Expenses	6,808	8,271	8,092	9,461	10,527
Other Operating Expenses	11,281	13,343	13,469	14,353	16,131
<b>PPOP</b>	<b>23,438</b>	<b>28,101</b>	<b>36,397</b>	<b>39,663</b>	<b>46,102</b>
Provisions	19,661	14,053	16,214	12,972	10,377
PBT	3,777	14,048	20,183	26,692	35,725
Tax Expenses	413	6,117	3,990	6,406	8,574
<b>Net Income</b>	<b>3,363</b>	<b>7,931</b>	<b>16,193</b>	<b>20,286</b>	<b>27,151</b>

Balance Sheet (in INR Cr)	FY19A	FY20A	FY21A	FY22E	FY23E
<b>Equity &amp; Liabilities</b>					
Share Capital	1,289	1,295	1,383	1,383	1,383
Reserves & Surplus	1,07,074	1,15,206	1,46,123	1,65,717	1,92,176
Net Worth	1,08,363	1,16,501	1,47,506	1,67,100	1,93,559
Employee Stock Options	5	3	3	3	3
Deposits	6,52,920	7,70,969	9,32,522	10,82,649	12,62,084
Borrowings	1,65,320	1,62,897	91,631	96,213	1,01,023
Other Liabilities and Provisions	37,851	47,995	58,770	63,846	70,930
<b>Total Capital &amp; Liabilities</b>	<b>9,64,459</b>	<b>10,98,365</b>	<b>12,30,433</b>	<b>14,09,811</b>	<b>16,27,600</b>
<b>Assets</b>					
Cash & Balances with RBI	37,858	35,284	46,031	49,061	54,543
Balances with Other Banks & Call Money	42,438	83,872	87,097	1,20,347	1,46,339
Investments	2,07,733	2,49,531	2,81,287	2,95,351	3,10,118
Advances	5,86,647	6,45,290	7,33,729	8,51,126	10,04,328
Fixed Assets	7,931	8,410	8,918	9,456	10,027
Other Assets	81,852	75,978	73,371	84,470	1,02,244
<b>Total Assets</b>	<b>9,64,459</b>	<b>10,98,365</b>	<b>12,30,433</b>	<b>14,09,811</b>	<b>16,27,600</b>

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

Ratios	FY19A	FY20A	FY21A	FY22E	FY23E
<b>Growth rates</b>					
Advances (%)	14.5%	10.0%	13.7%	16.0%	18.0%
Deposits (%)	16.4%	18.1%	21.0%	16.1%	16.6%
Total assets (%)	9.7%	13.9%	12.0%	14.6%	15.4%
NII (%)	17.3%	23.1%	17.2%	16.6%	15.7%
Pre-provisioning profit (%)	-5.3%	19.9%	29.5%	9.0%	16.2%
PAT (%)	-50.4%	135.8%	104.2%	25.3%	33.8%
<b>Balance sheet ratios</b>					
Credit/Deposit (%)	89.8%	83.7%	78.7%	78.6%	79.6%
CASA (%)	49.6%	45.1%	46.3%	45.9%	45.7%
Advances/Total assets (%)	60.8%	58.8%	59.6%	60.4%	61.7%
Leverage (x) (Asset/Shareholder's Fund)	8.90	9.43	8.34	8.44	8.41
CAR (%)	16.9%	16.8%	19.1%	20.7%	21.4%
CAR - Tier I (%)	15.1%	15.0%	18.1%	18.9%	19.6%
<b>Operating efficiency</b>					
Cost/income (%)	43.6%	43.5%	37.2%	37.5%	36.6%
Opex/total assets (%)	1.9%	2.0%	1.8%	1.7%	1.6%
Opex/total interest earning assets	0.8%	0.9%	0.7%	0.8%	0.7%
<b>Profitability</b>					
NIM (%)	3.2%	3.5%	3.6%	3.7%	3.7%
RoA (%)	0.3%	0.7%	1.3%	1.4%	1.7%
RoE (%)	3.1%	6.8%	11.0%	12.1%	14.0%
<b>Asset quality</b>					
Gross NPA (%)	7.9%	6.4%	5.6%	5.1%	4.8%
Net NPA (%)	2.3%	1.6%	1.3%	1.1%	1.0%
PCR (%)	70.9%	75.6%	77.8%	79.1%	79.3%
<b>Per share data / Valuation</b>					
EPS (INR)	5.22	12.25	23.41	29.33	39.25
BVPS (INR)	168	180	213	242	280
ABVPS (INR)	147	158	194	222	259
P/E (x)	129.8	55.3	28.9	23.1	17.2
P/BV (x)	4.0	3.8	3.2	2.8	2.4
P/ABV (x)	4.6	4.3	3.5	3.0	2.6
<b>Profitability</b>					
Return on Equity	3.1%	6.8%	11.0%	12.1%	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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