

Another strong quarter with improving asset quality; Maintain Buy

CMP: INR 805

Rating: Buy

Target Price: INR 968

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)	5,58,699
52w H/L (INR)	860 / 512
Avg Yearly Vol (in 000')	17,023

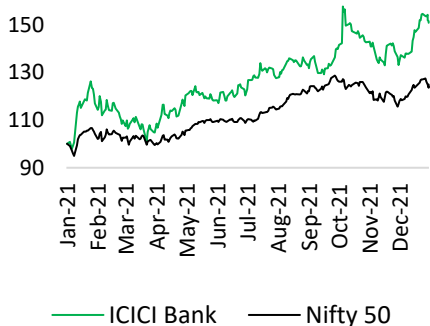
Shareholding Pattern %

(As on December, 2021)

Promoters	NIL
FII	45.3
DII	28.2
Public & Others	26.5

Stock Performance (%)	1m	3m	12m
ICICI Bank	11.7	6.5	45.6
Nifty 50	5.1	(3.1)	20.8

ICICI Bank Vs Nifty 50



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ICICI Bank reported another quarter of stellar performance on most counts with improvement in asset quality. Profit for the quarter grew strongly by 25% YoY/12% QoQ to INR 6,194 cr, was higher than our estimate of INR 5,726 cr. NII for the quarter grew by 23% YoY/5% QoQ to INR 12,236 cr, led by strong advances growth of 16% YoY. Core PPOP grew by 25% YoY to INR 10,060 cr supported by strong fee income growth of 19% YoY. Headline NPA ratio of the bank improved further with GNPA reduction of 69bps QoQ and NNPA decreased by 14bps QoQ led by negative net slippages, strong recoveries and write off. Restructured pool of the bank remained flat at INR 9,684 cr or 120 bps of advances. Bank has not utilized any covid provision during the quarter and continue to hold provision buffer of INR 6,425 cr (0.8% of advances) which provides comfort over balance sheet position.

NIM declined marginally due to decline in yield: NIM of the bank declined by 4bps QoQ at 3.96%. NIM decline was due to 15bps decline in yield on advances partly offset by 6bps decline in cost of deposits. Yield on advances of the bank stood at 8.2% vs 8.34% QoQ. Compression in yield was due to high level of competition seen in the system on lending rate front.

Loan growth continued to remained strong: Total loan growth for the quarter was at 16% YoY/6% QoQ (vs +4% QoQ in Q2FY22) was mainly led by retail loan growth of 20% YoY and SME portfolio growth of 34% YoY/10% QoQ. Corporate advances growth was quite high at 9% sequentially and 13% YoY. Within retail, mortgage lending continue to leading retail portfolio which grew by 23% YoY/5% QoQ. Growth in business banking was robust at 39% YoY/9% QoQ. Growth in credit cards and personal loan was quite robust at 32% YoY/23% YoY. Domestic loan book for the quarter grew strongly by 19% YoY while overseas book declined by 6% YoY as per bank's strategy. Deposits growth remained strong at 16% YoY/4% QoQ with CASA ratio of 47.2% an improvement of 113bps QoQ.

Strong recovery led to an improvement in asset quality: Slippages for the quarter came in at INR 4,018 cr (slippage ratio at 2% vs. 2.9% QoQ), of which INR 3,853 cr was from retail and INR 165 cr from Corporate and SME. Recoveries during the quarter was continue to be higher at INR 4,209 cr (vs. INR 5,482 cr in Q2FY22). Hence, net addition to the NPA was negative at INR 191 cr. Negative NPL addition and higher write off of INR 4,088 cr has led to GNPA/NNPA reduction of 69bps/14bps QoQ at 4.1%/0.9%. BB and below rated book of the bank declined further to 1.5% from 1.7% of advances.

Valuation & View: ICICI Bank has posted another quarter of strong performance in terms of loan growth, asset quality, operating front and balance sheet comfort. We continue to maintain our positive stance on the bank led by its leveraging digital capabilities, gaining market share position, strong liability franchise, sharp reduction in NPA and faster adoption of technology. We increase our FY22 earnings estimate by 9% to factor in the lower credit cost. We maintain our Buy rating on the stock with a revised SOTP based target price of INR 968 (INR 942 earlier), based on 2.6x FY24E P/ABV for standalone bank and INR 163 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	22,200	27,887	33,057
EPS (INR / Share)	12.3	23.4	32.1	40.3	47.8
BVPS (INR / Share)	180.0	213.2	244.3	283.7	330.5
NIM (%)	3.5%	3.6%	3.7%	3.8%	3.8%
RoA (%)	0.7%	1.3%	1.6%	1.7%	1.8%
RoE (%)	6.8%	11.0%	13.1%	14.2%	14.5%
P/ABV (x)	5.1	4.2	3.6	3.1	2.6

Q3FY22 - Quarterly Performance (Standalone)

Quarterly Result Update (INR Cr)	Q3FY22	Q2FY22	Q3FY21	Q-o-Q	Y-o-Y
Interest Income	22,083	21,234	19,730	4.0%	11.9%
Interest Expended	9,847	9,544	9,817	3.2%	0.3%
Net Interest Income	12,236	11,690	9,912	4.7%	23.4%
Other Income	4,987	4,797	4,686	4.0%	6.4%
Operating Income	17,223	16,487	14,599	4.5%	18.0%
Operating Expenses	7,075	6,572	5,779	7.6%	22.4%
Employee Expenses	2,485	2,385	1,950	4.2%	27.4%
Other Operating Expenses	4,590	4,188	3,829	9.6%	19.9%
PPOP	10,148	9,915	8,820	2.4%	15.1%
Provisions	2,007	2,713	2,742	-26.0%	-26.8%
PBT	8,141	7,201	6,078	13.0%	33.9%
Tax Expenses	1,947	1,690	1,138	15.2%	71.0%
Net Income	6,194	5,511	4,940	12.4%	25.4%
Balance Sheet Analysis					
Advances	8,13,992	7,64,937	6,99,017	6.4%	16.4%
Deposits	10,17,467	9,77,449	8,74,348	4.1%	16.4%
Total Assets	13,54,196	12,76,002	11,93,217	6.1%	13.5%
CASA Deposits	4,80,656	4,50,704	3,95,416	6.6%	21.6%
CASA (%)	47.2%	46.1%	45.2%	113bps	202bps
CAR (%)	17.91%	18.33%	18.04%	-42bps	-13bps
Spreads					
NIMs (%)	3.96%	4.00%	3.67%	-4bps	29bps
Cost of Funds	3.66%	3.71%	4.11%	-5bps	-45bps
Yield on Average Advances	8.19%	8.34%	8.44%	-15bps	-25bps
Asset Quality					
GNPA	37,053	41,437	34,860	-10.6%	6.3%
NNPA	7,344	8,161	4,861	-10.0%	51.1%
GNPA (%)	4.13%	4.82%	4.38%	-69bps	-25bps
NNPA (%)	0.85%	0.99%	0.63%	-14bps	22bps
Provision Coverage Ratio	80.3%	80.3%	86.06%	-3bps	-578bps
Returns & Expenses					
RoA (annualised)	1.90%	1.79%	1.70%	11bps	20bps
RoE (annualised)	15.4%	14.1%	14.00%	130bps	140bps
Cost / Income Ratio	41.1%	39.9%	39.59%	121bps	149bps

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

Q3FY22 – Key Concall Highlights

- NIM guidance remain in the range of 3.8-3.9%. NIM during the quarter declined marginally due to decline in yield on advances. Also, there was impact of interest on income tax refund of INR 181 cr in Q3FY22.
- Deposits cost have bottomed for Banks but there is pressure on the lending side.
- Overseas book of the bank increased by 5% sequentially as bank has been increasing the India linked overseas exposure.
- Of the total domestic loan book, 30% has fixed interest rates, 38% has interest rate linked to repo rate, 7% has interest rate linked to other external benchmarks and 25% has interest rate linked to MCLR and other older benchmarks.
- Till Jan 15, 2022, the Bank has disbursed INR 145 bn under ECLGS 1.0 scheme, INR 21 bn under ECLGS 2.0 scheme and INR 2 bn under ECLGS 3.0 scheme. This portfolio is behaving normally.
- Provision includes INR 465 cr of higher provision against security receipts and INR 447 cr of higher provisions against loans under resolution on a prudent basis in Q3FY22. It has not utilized any covid provision.
- Credit card spends grew by 27% QoQ as spends across categories improved to level prior to the covid. Market share of ICICI Bank in credit cards has increased from 20.1% to 20.8%.
- Total restructuring stood flat sequentially. There was nil addition in restructured portfolio.
- 76% of fee income are coming from retail, SME and Business banking portfolio.
- Personal loan disbursements increased sequentially and crossed pre-Covid levels. Healthy YoY and QoQ growth seen in retail credit card spends.

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%	805
ICICI Prudential Life Insurance	2.0x FY24E EV	51.3%	79
ICICI Lombard General Insurance	Current MCAP	48.1%	51
ICICI Prudential AMC	5% of FY24E AUM	51.0%	39
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%
Value of subs (INR per share)			163
Value of total (INR per share)			968

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
Net Interest Income	33,267	38,989	45,948	53,901	62,776
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
PPOP	28,101	36,397	39,750	46,179	53,361
Provisions	14,053	16,214	10,539	9,485	9,865
PBT	14,048	20,183	29,211	36,693	43,496
Tax Expenses	6,117	3,990	7,011	8,806	10,439
Net Income	7,931	16,193	22,200	27,887	33,057

Balance Sheet (in INR Cr)	FY20A	FY21A	FY22E	FY23E	FY24E
Equity & Liabilities					
Share Capital	1,295	1,383	1,383	1,383	1,383
Reserves & Surplus	1,15,206	1,46,123	1,67,631	1,94,827	2,27,192
Net Worth	1,16,501	1,47,506	1,69,015	1,96,210	2,28,575
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
Total Capital & Liabilities	10,98,365	12,30,433	14,11,726	16,27,320	18,76,114
Assets					
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	79,047	84,722	75,499
Total Assets	10,98,365	12,30,433	14,11,726	16,27,320	18,76,114

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

Ratios	FY20A	FY21A	FY22E	FY23E	FY24E
Growth rates					
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%	14.7%	15.3%	15.3%
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%	37.1%	25.6%	18.5%
Balance sheet ratios					
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%	60.8%	62.8%	65.3%
Leverage (x) (Asset/Shareholder's Fund)	9.4	8.3	8.4	8.3	8.2
CAR (%)	16.8%	19.1%	20.9%	21.7%	19.3%
CAR - Tier I (%)	15.0%	18.1%	19.1%	19.9%	17.5%
Operating efficiency					
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%
Profitability					
NIM (%)	3.5%	3.6%	3.7%	3.8%	3.8%
RoA (%)	0.7%	1.3%	1.6%	1.7%	1.8%
RoE (%)	6.8%	11.0%	13.1%	14.2%	14.5%
Asset quality					
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%	1.0%	0.8%	0.7%
Per share data / Valuation					
EPS (INR)	12.25	23.41	32.10	40.32	47.79
BVPS (INR)	180	213	244	284	330
ABVPS (INR)	158	194	225	263	310
P/E (x)	65.7	34.4	25.1	20.0	16.8
P/BV (x)	4.5	3.8	3.3	2.8	2.4
P/ABV (x)	5.1	4.2	3.6	3.1	2.6
Profitability					
Return on Equity	6.8%	11.0%	13.1%	14.2%	14.5%

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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