

CMP: INR 570

Rating: Buy

Target Price: INR 687

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)	392,545
52w H/L (INR)	679 / 286
Avg Yearly Vol (in 000')	33,783

Shareholding Pattern %

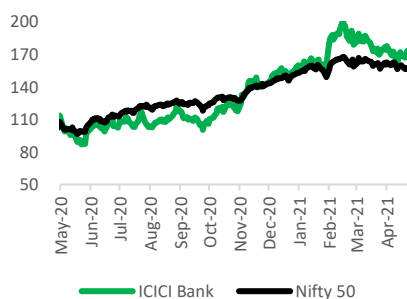
(As on March, 2021)

Promoters	NIL	
FII	47.78	
DII	41.73	
Public & Others	10.49	

Stock Performance (%)

	3m	6m	12m
ICICI Bank	6.8	36.7	61.5
Nifty	-0.2	20.2	54.0

ICICI Bank Vs Nifty



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ICICI Bank reported another strong performance during Q4FY21 with 3.6x YoY jump in its net profit at INR 4,403 cr vs. our estimate of INR 4,191 cr. NII for the quarter grew by 17% YoY/5% QoQ to INR 10,431 cr led by strong advances growth of 14% YoY. Operating profit for the quarter grew by 16% YoY to INR 8,540 cr. Other income for the quarter decreased by 3% YoY/12% QoQ to INR 4,111 cr was impacted due to treasury loss. Treasury loss for the quarter stood at INR 25 cr. vs. profit of INR 242 cr in Q4FY20 and INR 766 cr profit in Q3FY21. Asset quality of the bank panned out strongly. GNPA during the quarter improved by 46bps QoQ to 4.96% vs. proforma GNPA of 5.42% in Q3FY21 led by lower slippages.

Strong improvement seen on margins: Despite having a compound interest waiver impact, NIM of the bank improved by 17bps QoQ to 3.84%. Estimated amount of INR 175 cr on refund of interest on interest has been reduced from interest income. NIM improvement was benefitted from continued decline in cost of funds and high growth in retail book.

Loan growth picked up strongly: Total loan growth was at 14% YoY/5% QoQ (vs. 10% YoY in Q3FY21) with retail loan book growth of 20% YoY, Corporate at 10% YoY and SME loan book growth of 33% YoY. Domestic loan book for the quarter grew strongly by 18% YoY (vs. 13% in Q3FY21) while overseas book declined by 30% YoY as per bank's strategy. Within retail, mortgage lending segment grew by 22% YoY whereas Vehicle loans grew by 10% YoY. Deposits growth of the bank continue to be strong at 21% with CASA ratio of 46.3% vs. 45.2% in previous quarter.

Strong Asset quality; Provisioning buffer gives more comfort: Slippages for the quarter stood at INR 5,523 cr (Retail: INR 4,355 cr, Corporate and SME: INR 1,168 cr) vs proforma slippages of INR 8,280 cr in Q3FY21. Reported GNPA/NNPA for the quarter stood at 4.96%/1.14% vs. proforma GNPA/NNPA of 5.42%/1.26% in Q3FY21. Restructuring book stood at INR 3,927 cr or 0.5% of loans (INR 2,012 cr from Retail and INR 1,915 from Corporate & SME). The bank has made additional covid provision of INR 1,000 cr and utilized earlier covid provision made on proforma slippages of INR 3,509 cr. As on Mar'21, total covid provision stood at INR 7,475 cr (1% of loans).

Valuation & View: ICICI Bank's Q4FY21 operating performance was good with strong business growth and improvement in asset quality. The bank's focus towards more granular growth in its loan book, comfort over provisioning buffer build up, strong liability franchise, adequate capital position should help the bank to deliver 1.6% ROA/14% ROE by FY23E with gaining market share position. We continue to value the bank 2.2x to its FY23E ABV of INR 256 for standalone bank and use a SOTP approach to value its subsidiaries, arriving at a fair value of INR 687 (INR 647 earlier). We maintain our Buy rating on stock. ICICI Bank is one of our preferred pick in banking space.

ICICI Bank (INR Cr)	FY19A	FY20A	FY21A	FY22E	FY23E
NII	27,015	33,267	38,989	43,828	50,669
PPOP	23,438	28,101	36,397	38,033	44,194
PAT	3,363	7,931	16,193	19,047	25,701
BVPS (INR / Share)	168.1	180.0	213.2	239.8	275.9
NIM (%)	3.2%	3.5%	3.6%	3.6%	3.6%
RoA (%)	0.3%	0.7%	1.3%	1.4%	1.6%
RoE (%)	3.1%	6.8%	11.0%	11.5%	13.5%
P/ABV (x)	3.9	3.6	2.9	2.6	2.2

Q4FY21 - Quarterly Performance (Standalone)

Quarterly Result Update (INR Cr)	Q4FY21	Q3FY21	Q4FY20	Q-o-Q	Y-o-Y
Interest Income	19,842	19,730	19,189	0.6%	3.4%
Interest Expended	9,411	9,817	10,262	-4.1%	-8.3%
Net Interest Income	10,431	9,912	8,927	5.2%	16.9%
Other Income	4,111	4,686	4,255	-12.3%	-3.4%
Operating Income	14,542	14,599	13,182	-0.4%	10.3%
Operating Expenses	6,003	5,779	5,792	3.9%	3.6%
Employee Expenses	2,008	1,950	2,235	3.0%	-10.1%
Other Operating Expenses	3,994	3,829	3,557	4.3%	12.3%
PPOP	8,540	8,820	7,390	-3.2%	15.6%
Provisions	2,883	2,742	5,967	5.2%	-51.7%
PBT	5,656	6,078	1,423	-6.9%	297.6%
Tax Expenses	1,254	1,138	201	10.1%	522.9%
Net Income	4,403	4,940	1,221	-10.9%	260.5%
Balance Sheet Analysis					
Advances	7,33,729	6,99,017	6,45,290	5.0%	13.7%
Deposits	9,32,522	8,74,348	7,70,969	6.7%	21.0%
Total Assets	12,30,433	11,93,217	10,98,365	3.1%	12.0%
CASA Deposits	4,31,623	3,95,416	3,47,818	9.2%	24.1%
CASA (%)	46.3%	45.2%	45.1%	106bps	117bps
CAR (%)	19.12%	18.04%	16.11%	108bps	301bps
Spreads					
NIMs (%)	3.84%	3.67%	3.87%	17bps	-3bps
Cost of Funds	3.95%	4.11%	4.92%	-16bps	-97bps
Yield on Average Advances	8.45%	8.44%	9.41%	1bps	-96bps
Asset Quality					
GNPA	41,373	34,860	41,409	18.7%	-0.1%
NNPA	9,180	4,861	10,114	88.9%	-9.2%
GNPA (%)	4.96%	4.38%	5.53%	58bps	-57bps
NNPA (%)	1.14%	0.63%	1.41%	51bps	-27bps
Provision Coverage Ratio	77.9%	86.1%	75.58%	-814bps	234bps
Returns & Expenses					
RoA (annualised)	1.51%	1.70%	0.49%	-19bps	102bps
RoE (annualised)	12.3%	14.0%	4.19%	-170bps	811bps
Cost / Income Ratio	41.3%	39.6%	43.94%	169bps	-266bps

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

Q4FY21 – Key Concall Highlights

- Retail EMI products & Credit cards overdue were 1.5% was 4% higher than pre-covid levels, while rural overdue was 2.5% higher vs. pre-covid levels. Corporate book overdue stood same at pre-covid levels.
- Excluding NPAs, the total fund based outstanding to all borrowers, including MSME borrowers was INR 3927 cr or about 0.5% of the total loan portfolio at March 31, 2021. The Bank holds provisions of INR 716 cr, which is higher than the requirement as per RBI guidelines
- Bank has made additional contingent provisions of INR 1,000 cr during the quarter, taking the total covid provisions at INR 7,475 cr.
- Total non-specific provision as a proportion of advances stood at 1.9%.
- Retail portfolio growth was strong on the back of increasing penetration in existing customer base, digital infrastructure and market share gains.
- Credit card spends improved significantly driven by electronic spends, wellness and jewellery.
- Retail portfolio growth strategy includes utilizing existing customer base to source retail assets products via cross selling.
- Corporate portfolio growth was drive by higher rated corporates and PSUs, primarily for working capital loans.
- On the credit front, the bank aims to focus on granular loan growth.
- Disbursements in Auto finance continue to rise since September'20 levels.
- The bank has disbursed INR 127 bn under the ECLGS scheme 1.0 and INR 15 bn under the ECLGS scheme 2.0.
- Management expect margin improvement going ahead although in Q4FY21 it might be affect to certain extent due to NPA recognition.
- BB and below book stood at 1.5% vs 1.6% in previous quarter. A- and above category loan share improved to 73.2% vs. 72% QoQ.

Valuation - Sum of the Parts

Entity	Valuation methodology	Holding	Intrinsic Value per Share
ICICI Bank - Standalone banking business / Parent	2.2x FY23E ABV	100.0%	562
ICICI Prudential Life Insurance	1.9x FY23E EV	52.9%	64
ICICI Lombard General Insurance	Current MCAP	55.9%	51
ICICI Prudential AMC	4% of FY23E AUM	51.0%	17
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%
Value of subs (INR per share)			123
Value of total (INR per share)			687

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	45,360	52,745
Net Interest Income	27,015	33,267	38,989	43,828	50,669
Other Income	14,512	16,449	18,969	18,020	20,183
Operating Income	41,527	49,716	57,958	61,848	70,852
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
PPOP	23,438	28,101	36,397	38,033	44,194
Provisions	19,661	14,053	16,214	12,972	10,377
PBT	3,777	14,048	20,183	25,061	33,817
Tax Expenses	413	6,117	3,990	6,015	8,116
Net Income	3,363	7,931	16,193	19,047	25,701

Balance Sheet (in INR Cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Equity & Liabilities					
Share Capital	1,289	1,295	1,383	1,383	1,383
Reserves & Surplus	1,07,074	1,15,206	1,46,123	1,64,478	1,89,487
Net Worth	1,08,363	1,16,501	1,47,506	1,65,861	1,90,870
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
Total Capital & Liabilities	9,64,459	10,98,365	12,30,433	14,08,572	16,24,911
Assets					
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	83,231	99,555
Total Assets	9,64,459	10,98,365	12,30,433	14,08,572	16,24,911

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

Ratios	FY19A	FY20A	FY21A	FY22E	FY23E
Growth rates					
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%	14.5%	15.4%
NII (%)	17.3%	23.1%	17.2%	12.4%	15.6%
Pre-provisioning profit (%)	-5.3%	19.9%	29.5%	4.5%	16.2%
PAT (%)	-50.4%	135.8%	104.2%	17.6%	34.9%
Balance sheet ratios					
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%	61.8%
Leverage (x) (Asset/Shareholder's Fund)	8.90	9.43	8.34	8.49	8.51
CAR (%)	16.9%	16.8%	19.1%	20.6%	21.1%
CAR - Tier I (%)	15.1%	15.0%	18.1%	18.8%	19.3%
Operating efficiency					
Cost/income (%)	43.6%	43.5%	37.2%	38.5%	37.6%
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%
Profitability					
NIM (%)	3.2%	3.5%	3.6%	3.6%	3.6%
RoA (%)	0.3%	0.7%	1.3%	1.4%	1.6%
RoE (%)	3.1%	6.8%	11.0%	11.5%	13.5%
Asset quality					
Gross NPA (%)	7.9%	6.4%	5.6%	4.6%	3.7%
Net NPA (%)	2.3%	1.6%	1.3%	1.1%	1.0%
PCR (%)	70.9%	75.6%	77.8%	76.9%	73.5%
Credit cost (%)	2.6%	1.7%	1.7%	1.2%	0.8%
Per share data / Valuation					
EPS (INR)	5.22	12.25	23.41	27.54	37.16
BVPS (INR)	168	180	213	240	276
ABVPS (INR)	147	158	194	221	256
P/E (x)	109.3	46.5	24.3	20.7	15.3
P/BV (x)	3.4	3.2	2.7	2.4	2.1
P/ABV (x)	3.9	3.6	2.9	2.6	2.2
Profitability					
Return on Equity	3.1%	6.8%	11.0%	11.5%	13.5%

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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