

Good results, outlook positive !!!

CMP: INR 870

Rating: BUY

Target Price: INR 1042

Stock Info

BSE	532174
NSE	ICICIBANK
Bloomberg	ICICIBC IN
Reuters	ICBK.BO
Sector	BFSI
Face Value (INR)	2
Equity Capital (INR mn)	13,956
Mkt Cap (INR bn)	6138
52w H/L (INR)	958 / 642
Avg Yearly Vol (in 000')	10868

Shareholding Pattern %

(As on Dec, 2022)

Promoters	-
Public & Others	100

Stock Performance (%)	1m	3m	12m
ICICIBANK	-0.4	-3.5	8.8
Nifty	4.4	2.6	-0.1

ICICI Bank posted good numbers – PAT came in at INR 83.1 bn, up by 34.2% yoy and 10% qoq led by strong core income i.e. healthy asset growth and sizeable margin expansion.

NII surged by 34.6% yoy to INR 164.7 bn led by continued higher growth in advances and all time high margins.

Core fee income growth slowed down to 3.7% yoy growth vs. 17.6% yoy growth seen in last quarter. Dividend income from subsidiaries and associates reported fall of 14.4% yoy to INR 5.2 bn.

On the liability side, total deposits growth was at par with the industry levels at 10.3% yoy. Total CASA deposits growth (45.3% share) was at 5.9% yoy while growth in average savings deposits was decent at 11.4%, average current account deposit growth was at 7.9% yoy.

Valuations – Asset growth is running high while there is good visibility of this growth continuing ahead as well. Margins are running of ahead of our and street expectations which is likely to plateau over next 2 quarters led by rise in deposit costs. Slippages have increased during the quarter, however, we are comfortable with the overall asset quality profile of the bank. Incremental higher growth during the quarter has come from the better rated assets.

In our view, ICICI Bank is in one of the best position currently – strong balance-sheet along with solid PAT levers viz. margin expansion + healthy asset growth. Also, the bank being one of the large private sector banks has ability to ride on corporate credit demand revival. On the whole, PAT is estimated to grow by 21% CAGR during FY22- 24e. On the return ratio side, ROA (calculated) would grow to 2% in FY24e from 1.8% in FY22 and ROE to 16.6% from 14.7% for the same period. It is trading at 2.9x FY24e ABV (standalone 2.3x FY24e ABV) on FY24e ROE/ROA 16.6%/2% levels. We retain BUY rating on the stock with revised TP of INR 1042, upside of 20% from the current levels.

Exhibit 1: Financial Performance

(Rs.mn)	FY21	FY22	FY23e	FY24e	FY25e
PAT	161927	233395	283198	340029	373321
yoy (%)	101.9	44.1	21.3	20.1	9.8
BV (Rs)	213.2	245.0	271.1	318.8	371.3
ABV (Rs)	196.1	234.9	258.9	304.5	355.7
P/ABV (x)	4.4	3.7	3.4	2.9	2.4
ROE (%)	12.3	14.7	15.8	16.6	15.6
ROA (%)	1.4	1.8	1.9	2.0	1.9
Gross NPAs (%)	5.6	3.9	3.4	3.3	3.2
PCR (%)	77.6	79.5	75.5	74.1	75.5

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

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Higher advances growth momentum sustained led by both retail & corporate loans - Advances grew at 19.7% yoy to INR 9740.5 bn (vs. 22.8% yoy seen in Q2FY23). Within this, domestic loans showed stupendous growth of 21.4% yoy. Retail loans (53.7% share) grew by 23.4% yoy and corporate loans (42.7% share) grew by 18.2% yoy. And business banking loans showed 37.9% yoy growth, rural loans 12.5% yoy. Within retail loans, mortgages (19.1% yoy), personal loans (42.1%), credit cards (51.5% yoy), two-wheeler loans (30.4% yoy), dealer funding loans (42.5%), loans against shares (29.6% yoy) are witnessing much higher growth from last couple of quarters. Going forward, management highlighted that credit growth outlook for retail loans, SME & business banking loans is better for these segments, while corporate credit demand depends on the government capex and private investments in future. FY23 credit demand was also partially driven by demand shifting from bond mkt to banks and higher demand from the NBFCs as well.

Margins reached all time high levels of 4.65% - Advances yields rose by >50 bps qoq to 9.13% levels (reported) due to hike in the lending rates and also portfolio mix shifting to more towards high-yielding unsecured book viz. personal loans and credit cards. Due to slower repricing of deposits and higher advances yields, margins quarter rose to all-time high levels of 4.65%, up by 34 bps qoq and 70 bps yoy. Management highlighted that margins would plateau in next 2 quarters – as deposit cost also starts repricing at higher pace.

Asset quality profile largely stable - Gross slippages were higher at INR 57.2 bn vs. INR 43.4 bn qoq led by both retail (INR 41.6 bn vs. INR 36.6 bn qoq) & corporate slippages (INR 15.6 bn vs. INR 7.1 bn). In % terms, gross NPAs/Net NPAs came down to 3.1%/0.6% vs. 3.2%/0.6% qoq. while PCR improved to 82.6% levels.

SOTP Valuations of ICICI Bank

	Shareholding of ICICI Bank	Valuation Per share	Valuation Criteria
Value of banking business (1)		883	2.9x FY24e ABV of Rs.
Subsidiaries			
ICICI Pru Life	51.3%	62	2x FY24e EV
ICICI Lombard	48.1%	52	35x FY24e PAT of Rs21.5 bn
ICICI AMC	30.0	42	30x FY24e PAT of Rs19.2 bn
ICICI Securities	74.9%	25	10x FY24e PAT of Rs23.3 bn
Home Finance	100.0%	2	1x FY24e ABV of Rs16.9 bn
Overseas subsidiaries		3	0.5x current FY22 BV
Total of subsidiaries		187	
Less: 15% holding co. discount		28	
Sub value post discount		159	
Total of (1) + (2)		1042	
CMP (Rs)		870	
Upside		19.8	

Source: Arianth Research, Company Filings

Exhibit 2: Q3FY23 - Quarterly Performance (Standalone)

(in Mn)	Q3FY23	Q3FY22	yoy (%)	Q2FY23	qoq (%)	9MFY23	9MFY22	yoy (%)
Interest earned	285056	220826	29.1	260330	9.5	782102	636997	22.8
-Interest/discount on advances/bills	221803	162342	36.6	199289	11.3	597435	469569	27.2
-Income on investments	53436	40503	31.9	51233	4.3	150487	121899	23.5
-Interest on bal. with RBI	4701	5476	-14.2	3483	35.0	12998	9479	37.1
-Others	5117	12505	-59.1	6325	-19.1	21183	36050	-41.2
Interest expenses	120407	98466	22.3	112462	7.1	337484	288381	17.0
Net Interest Income (NII)	164650	122360	34.6	147868	11.3	444618	348615	27.5
Other Income	50236	49871	0.7	50549	-0.6	147437	137801	7.0
Total income	214886	172231	24.8	198416	8.3	592055	486417	21.7
Operating expenses	82174	70749	16.1	81614	0.7	239451	196843	21.6
-Employee cost	29212	24848	17.6	28885	1.1	86589	72438	19.5
-Other operating expenses	52962	45900	15.4	52728	0.4	152862	124405	22.9
Operating profit	132712	101483	30.8	116803	13.6	352604	289574	21.8
Provision for contingencies	22574	20073	12.5	16445	37.3	50458	75725	-33.4
PBT	110138	81410	35.3	100357	9.7	302147	213849	41.3
Provision for taxes	27019	19471	38.8	24780	9.0	74400	50641	46.9
Net profit	83119	61938	34.2	75578	10.0	227746	163208	39.5
Equity	13956	13889	0.5	13938	0.1	13956	13889	0.5
EPS	60	45	33.5	54	9.8	163	118	38.9
Ratios (%)								
Int. exp/Int earned (%)	42.2	44.6	-	43.2	-	43.2	45.3	-
Cost/Income ratio (%)	38.2	41.1	-	41.1	-	40.4	40.5	-
Gross NPAs (Rs)	325282	370527	-12.2	325709	-0.1	325282	370527	-12.2
Net NPAs (Rs)	56512	73439	-23.0	60993	-7.3	56512	73439	-23.0
Gross NPAs (%)	3.07	4.13	-	3.19	-	3.1	4.1	-
Net NPAs (%)	0.55	0.9	-	0.6	-	0.6	0.9	-
ROA (%)	2.2	1.9	-	2.1	-	1.5	1.5	-
CAR (%)	16.3	17.9	-	16.9	-	16.3	17.9	-
Balance Sheet (Rs.mn)								
Sources of Funds								
Capital	13,956	13,889	0.5	13,938	0.1	13,956	13,889	0.5
Reserves and Surplus	18,92,374	16,14,827	17.2	18,06,030	4.8	18,92,374	16,14,827	17.2
Deposits	1,12,20,495	1,01,74,667	10.3	1,09,00,080	2.9	1,12,20,495	1,01,74,667	10.3
Advances	97,40,475	81,39,916	19.7	93,85,628	3.8	97,40,475	81,39,916	19.7

Source: Arianth Research, Company Filings

Profit & Loss Statement (Rs. Mn)	FY22	FY23e	FY24e	FY25e
INTEREST EARNED	863746	1070541	1276441	1488964
Interest/Discount on advances/Bills	638336	784561	952218	1122924
Income from Investment	164093	218145	249897	285865
Interest on Balances with RBI & Others	15608	17554	19018	19336
Others	45709	50280	55308	60839
INTEREST EXPENDED	389085	467998	558937	664184
Interest on Deposits	300481	358484	427401	507324
Interest on RBI/Inter-Bank Borrowings	8000	9000	10000	12000
Others	80603	100514	121536	144860
Net Interest Income (NII)	474661	602543	717504	824779
OTHER INCOME	185175	195613	221326	249331
TOTAL INCOME	659836	798155	938830	1074111
Payment to and provisions for employees	96730	110272	124608	143299
Operating Expenses excluding employees pr	170603	204724	235432	287228
OPERATING EXPENSES	267333	314996	360040	430526
OPERATING PROFIT	392503	483159	578790	643584
PROVISIONS	86414	111995	133143	154304
Provision for Non Performing Assets	85664	100898	118002	137208
Profit Before Tax (PBT)	306089	371164	445647	489281
PROVISIONS FOR TAXES	72694	87966	105618	115960
PAT	233395	283198	340029	373321
(% change)	44.1	21.3	20.1	9.8
EPS	33.6	40.7	48.9	53.7
Total Paid-Up Capital	13900	13900	13900	13900

Source: Arihant Research, Company Filings

Balance Sheet (INR mn)	FY22	FY23e	FY24e	FY25e
Application of funds				
Cash & bank balances	601208	736287	891349	1081077
Bal. with banks and money at call & short nt	1077015	1117258	1120160	1154685
Advances	8590200	10089832	11800245	13720762
Investments	3102410	3361154	3778761	4273764
Fixed Assets	93738	100300	105315	111634
Other Assets	648406	583561	554383	537752
TOTAL ASSETS	14112977	15988392	18250214	20879673

Sources of funds	FY22	FY23e	FY24e	FY25e
Total Paid-Up Capital	13900	13900	13900	13900
RESERVES & SURPLUS	1688556	1870184	2201838	2566785
ESOPs	2664	2664	2664	2664
DEPOSITS	10645716	12047327	13573590	15398347
BORROWINGS	1072314	1225144	1475652	1743457
OTHER LIABILITIES & PROVISIONS	689828	829173	982570	1154520
TOTAL LIABILITIES	14112977	15988392	18250214	20879673

Source: Arian Research, Company Filings

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Key Ratios				
(A) Efficiency Ratios (%)	FY22	FY23e	FY24e	FY25e
Int. exp/Int. earned	45.0	43.7	43.8	44.6
NII / Total Income	71.9	75.5	76.4	76.8
Other income / Total Income	28.1	24.5	23.6	23.2
Fee income / Other income	63.6	69.2	69.1	69.3
Fee income / Total Income	17.8	17.0	16.3	16.1
Cost / Income	40.5	39.5	38.3	40.1
Cost/Income (excluding trading gains)	42.4	40.3	39.1	40.8
C-D ratio	80.7	83.8	86.9	89.1
I-D ratio	29.1	27.9	27.8	27.8
Loan / Assets ratio	60.9	63.1	64.7	65.7
Deposits / Assets ratio	75.4	75.4	74.4	73.7
CASA / Total Deposits	48.7	50.6	52.2	53.6
B) Spreads (%)	FY22	FY23e	FY24e	FY25e
Yield on Assets	7.0	7.5	7.8	7.9
Yield on Advances	8.0	8.4	8.7	8.8
Yield on Investments	5.5	6.8	7.0	7.1
Cost of Funds	3.5	3.7	3.9	4.1
Cost of Deposits	3.0	3.2	3.3	3.5
Cost of Earning Assets	3.2	3.3	3.4	3.5
Net Interest Spread	3.5	3.8	3.9	3.8
Net Interest Margin	3.8	4.2	4.4	4.4
C) Solvency	FY22	FY23e	FY24e	FY25e
Gross NPAs (Rs)	339200	347835	384264	442963
Net NPAs (Rs)	69609	85089	99661	108375
Provisions (Rs mn)	269591	262746	284603	334588
Gross NPAs / Gross Advances (%)	3.9	3.4	3.3	3.2
Net NPAs / Net Advances (%)	0.8	0.8	0.8	0.8
PCR (%)	79.5	75.5	74.1	75.5
<i>Delinquency rate(%)</i>	2.6	2.8	2.9	3.0
Credit cost (%) (incl NPA provisions)	1.0	1.0	1.0	1.0
D) Measures of Investment	FY22	FY23e	FY24e	FY25e
EPS (Rs)	33.6	40.7	48.9	53.7
BV (Rs) (adjusted for revaluation reserve)	245.0	271.1	318.8	371.3
Adjusted BV (Rs) (adjusted for revaluation reserve)	234.9	258.9	304.5	355.7
DPS (Rs)	5.0	6.0	7.0	8.0
Avg. ROE (%)	14.7	15.8	16.6	15.6
Avg. ROA (%)	1.8	1.9	2.0	1.9
PAT / Avg. RWA (%)	2.7	6.2	51.5	56.6
Pre-tax ROA (%)	2.3	2.5	2.6	2.5
Pre-provisioning operating ROA (%)	3.0	3.2	3.4	3.3
Pre-provisioning operating ROE (%)	24.7	26.9	28.2	26.8
P/E (x)	25.9	21.4	17.8	16.2
P/BV (x)	3.6	3.2	2.7	2.3
P/ABV (x)	3.70	3.36	2.86	2.45

Source: Arian Research, Company Filings

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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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