

Arihant Capital values your support in the AsiaMoney Brokers Poll 2023 for Institutional team. We request your ballot

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CMP: INR 1000

Rating: Buy

Target Price: INR 1,238

Stock Info

BSE	532174
NSE	ICICIBANK
Bloomberg	ICICIBC IN
Reuters	ICBK.BO
Sector	Banks
Face Value (INR)	2
Equity Capital (INR Cr)	1,400
Mkt Cap (INR Cr)	7,00,037
52w H/L (INR)	1002/ 780
Avg Yearly Vol (in 000')	14,600

Shareholding Pattern %

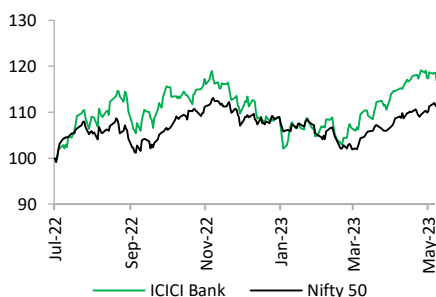
(As on June, 2023)

Promoters	NIL
Public & Others	100

Stock Performance (%)

	1m	6m	12m
ICICI Bank	7.87	14.90	24.90
Nifty 50	5.64	8.98	18.72

ICICI Bank Vs Nifty 50



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ICICI Bank reported profit of INR 96.48 bn (+40% YoY/+5.8% QoQ), driven by better operating profit growth at INR 141.39 bn (+37.2% YoY, +2.3% QoQ) and 20% QoQ decline in provisions. NII for the quarter grew strongly by 38% YoY/3.2% QoQ to INR 182.26 bn, led by strong growth in retail advances of 21% YoY/4% QoQ. NIM of the bank declined by 12 bps QoQ at 4.78%. Operating profit increased by 37.2% YoY/2.3% QoQ to INR 141.39 bn, driven by better performance on other income and NII front. Other income for the quarter grew by 16.5% YoY to INR 54.35 bn. Asset quality of the bank was stable with marginal decline in GNPA by 5bps QoQ at 2.76% and NNPA remained stable at 0.48%.

NIM declined, driven by increasing cost of funds: NIM of the bank came at 4.78% v/s 4.9% in Q4FY23, down by 12 bps QoQ. Cost of deposits increased by 33bps QoQ at 4.31%. Further, yield on advances increase by 11 bps to 9.86%, whereas the overall cost of funds increased 31 bps QoQ to 4.6%. Going forward, cost of funds are expected to rise, which will put the NIMs under pressure. We expect the NIMs to reduce going forward.

Loan growth remained strong driven by Retail portfolio: Loan growth for the quarter was at 18% YoY/10% QoQ was led by retail loan growth of 22% YoY/4.5% QoQ and business banking growth of 30.4% YoY/3.8% QoQ. SME advances grew by 28.5% YoY and by 5% QoQ. Within retail, PL grew by 38.6% YoY/7.65% QoQ, Credit cards was up by 45% YoY/7.6% QoQ and Mortgage portfolio up by 16.6% YoY/3.18% QoQ. Domestic book growth was at 21% YoY while overseas book declined by 29.5% YoY.

Increase in OPEX led by increasing employee costs : Total operating expenditure stood at INR 95.22bn as against 89.28bn in Q4FY23 (+26% YoY, +6.7% QoQ). The increase in employee cost was due to yearly increments, promotions and new hiring of employees. This is expected to increase going forward due to increase in work force by the bank. Further, finance cost, which is currently at INR 151.01 bn (up 44% YoY, 13% QoQ) is also expected to increase in coming quarters due to increase in cost of deposits in the future. This in turn will increase the cost to income ratio of the bank, which is currently at 40.1% for the quarter.

Valuation & View: ICICI bank has reported a positive set of numbers in a seasonally weak quarter with stable asset quality, robust credit growth, and improving profitability. Bank's profitability increased by 5.8% QoQ. Going forward, we might see a slight pressure on NIMs, driven by the increasing cost of funds, which is expected to increase for coming few quarters. The unsecured loan book is growing faster than the secured book. We expect this growth momentum to continue. The bank continues its focus on retail loan book growth. We continue to maintain our positive stance on the stock led by its leveraging digital capabilities, gaining market share position, granular liability franchise and improving return ratios. We maintain our Buy rating on the stock with target price of INR 1,238, based on 3.5x FY25E P/ABV for standalone bank.

Exhibit 1: Financial Performance

(Rs.bn)	FY21	FY22	FY23	FY24e	FY25e
NII	389.9	474.7	621.3	717.5	824.8
PAT	161.9	233.4	319.0	340.0	373.3
BV (Rs)	213.2	245.0	286.3	318.8	371.3
ABV (Rs)	196.1	234.9	274.1	304.5	355.7
P/ABV (x)	4.0	3.3	2.9	2.6	2.2
ROE (%)	12.3	14.7	17.2	16.6	15.6
ROA (%)	1.4	1.8	2.1	2.0	1.9
PCR (%)	77.6	79.5	75.5	74.1	75.5

Q1FY24 - Quarterly Performance (Standalone)

Particulars (in Bn)	Q1FY24	Q1FY23	yoy (%)	Q4FY23	qoq (%)
Interest earned	333.28	236.72	40.8	310.21	7.4
- Interest/discount on advances /bills	258.44	176.34	46.6	242.00	6.8
- Income on investment	66.18	45.82	44.4	58.40	13.3
- Interest on bal. wid RBI and other inter bank funds	4.13	4.81	-14.3	5.51	-25.1
- Others	4.53	9.74	-53.5	4.31	5.0
Other Income	54.35	46.65	16.5	50.88	6.8
TOTAL INCOME	387.63	283.37	36.8	361.09	7.3
Interest expended	151.01	104.62	44.3	133.54	13.1
Operating expenses	95.22	75.66	25.9	89.28	6.7
- Employee Cost	38.84	28.49	36.3	34.01	14.2
- Other Operating Expenses	56.39	47.17	19.5	55.27	2.0
TOTAL EXPENDITURE	246.23	180.28	36.6	222.83	10.5
Provisions and Contingencies	12.92	11.44	13.0	16.20	-20.2
Tax expense	31.98	22.60	41.5	30.85	3.7
PAT	96.48	69.05	39.7	91.22	5.8

Source: Arian Research, Company Filings

Q1FY24 – Key Concall Highlights

- PAT came at INR 96.48 bn as compared to INR 91.21 bn in last quarter (up 40% YoY, up 5.8% QoQ).
- The increase in profitability was majorly driven by increase in retail portfolio, fee income and decrease in provisions. This was however, offset by the increasing cost of funds and employee cost, leading to marginal growth in profitability at 5% QoQ.
- The retail portfolio stood at INR 5827.93 bn, grew by 21.9% YoY and 4.5% sequentially, and comprised 54.3% of the total loan portfolio.
- Fee income grew by 14.1% year-on-year to INR 48.43 bn in Q1-2024 from INR in 48.3 bn Q4-2023. Fees from retail, rural, business banking and SME customers constituted about 78% of total fees in Q1-2024.
- Provisions stood at INR 12.9 bn (down 20.3 QoQ, up 13% YoY).
- Employee cost increased to INR 38.8 bn (up 14.2% QoQ, 36.3% YoY), owing to yearly increments, promotions and new hiring of employees. We expect it to increase going forward.
- Cost to income ratio stood at 40.2%, up 100 bps QoQ, which is expected to increase going forward, owing to the increasing finance cost and EE cost.
- NIMs stood at 4.78% during the quarter, down 12 bps QoQ, led by increasing cost of funds.
- Yield on advances increase by 11 bps to 9.86%, whereas cost of funds increased 31 bps to 4.6%.

Key Financials

Profit & Loss Statement (Rs. Bn)	FY21	FY22	FY23	FY24e	FY25e
INTEREST EARNED	791.2	863.7	1,092.3	1,257.8	1,459.0
Interest/Discount on advances/Bills	572.9	638.3	839.4	956.9	1,122.9
Income from Investment	165.4	164.1	208.9	259.1	285.9
Interest on Balances with RBI & Others	16.3	15.6	18.5	13.8	19.3
Others	36.6	45.7	25.5	28.0	30.8
INTEREST EXPENDED	401.3	389.1	471.0	557.5	664.2
Net Interest Income (NII)	389.9	474.7	621.3	700.3	794.8
OTHER INCOME	189.7	185.2	198.3	221.3	249.3
TOTAL INCOME	579.6	659.8	819.6	921.6	1,044.1
Payment to and provisions for employees	80.9	96.7	120.6	124.6	143.3
Operating Expenses excluding employees provision	134.7	170.6	208.1	235.4	287.2
OPERATING EXPENSES	215.6	267.3	328.7	360.0	430.5
OPERATING PROFIT	364.0	392.5	490.9	561.6	613.6
PROVISIONS	162.1	86.4	66.7	133.7	154.3
Profit Before Tax (PBT)	201.8	306.1	424.2	427.9	459.3
PROVISIONS FOR TAXES	39.9	72.7	105.2	101.4	108.9
PAT	161.9	233.4	319.0	326.5	350.4

Balance Sheet (INR Bn)	FY21	FY22	FY23	FY24e	FY25e
Assets					
Cash & bank balances	460.3	1,095.2	685.3	891.3	1,081.1
Bal. with banks and money at call & short notice	871.0	583.0	509.1	1,120.2	1,154.7
Advances	7,337.3	8,590.2	10,196.4	11,800.2	13,720.8
Investments	2,812.9	3,102.4	3,623.3	3,778.8	4,273.8
Fixed Assets	88.8	93.7	96.0	100.8	106.8
Other Assets	734.1	648.4	732.0	695.4	674.5
TOTAL ASSETS	12,304.3	14,113.0	15,842.1	18,386.7	21,011.7
Equity & Liability					
Total Paid-Up Capital	13.8	13.9	14.0	14.0	14.0
RESERVES & SURPLUS	1,461.2	1,688.6	1,985.6	2,328.5	2,688.1
ESOPs	0.0	2.7	7.6	7.6	7.6
DEPOSITS	9,325.2	10,645.7	11,808.4	13,573.6	15,398.3
BORROWINGS	916.3	1,072.3	1,193.3	1,475.7	1,743.5
OTHER LIABILITIES & PROVISIONS	587.7	689.8	833.3	987.4	1,160.2
TOTAL LIABILITIES	12,304.3	14,113.0	15,842.1	18,386.7	21,011.7

Source: Arianth Research, Company Filings

Ratios	FY21	FY22	FY23	FY24E	FY25E
Growth rates					
Advances (%)	13.70%	17.10%	18.7%	15.73%	16.28%
Deposits (%)	21.00%	14.20%	10.92%	14.95%	13.44%
Total assets (%)	12.00%	14.70%	12.00%	12.00%	12.00%
NII (%)	17.20%	21.70%	30.89%	12.72%	13.49%
Pre-provisioning profit (%)	29.50%	7.80%	25.06%	14.41%	9.26%
PAT (%)	104.20%	44.10%	36.66%	2.35%	7.35%
Balance sheet ratios					
CASA (%)	46.30%	48.70%	45.84%	48.30%	48.30%
Advances/Total assets (%)	59.60%	60.90%	64.00%	68.00%	70.00%
Operating efficiency					
Cost/income (%)	37.20%	40.50%	40.10%	42.00%	42.00%
Profitability					
NIM (%)	3.60%	3.80%	4.48%	3.90%	3.90%
RoA (%)	1.30%	1.70%	2.16%	1.80%	1.80%
RoE (%)	11.00%	13.70%	17.30%	14.60%	14.60%
Asset quality					
Gross NPA (%)	5.00%	3.60%	2.81%	3.30%	3.30%
Net NPA (%)	1.10%	0.80%	0.48%	0.90%	0.90%
PCR (%)	77.80%	73.20%	82.80%	85.00%	85.00%
Per share data / Valuation					
EPS (INR)	23.41	33.58	45.67	46.74	50.18
BVPS (INR)	213	245	286.31	320.41	369.38
ABVPS (INR)	194	226	274.12	306.03	353.81
P/E (x)	34.2	23.8	21.90	21.39	19.93
P/BV (x)	3.8	3.3	3.49	3.12	2.71
P/ABV (x)	4.1	3.5	3.65	3.27	2.83

Source: Arianth Research, Company Filings

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Absolute Return**Research Analyst
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