

## ICICI Bank

BUY

Strong profitability growth; RoA above 2%

## Summary

ICICI Bank (one of our top picks) reported strong profitability growth at 59% YoY (13% QoQ) led by lower provisions (down 63% YoY; 46% QoQ). Asset quality improved with GNPA at 3.6% vs 4.13% QoQ led by better recoveries and upgrades. Also, restructured assets stood at 1.0% vs 1.2% QoQ led by prepayment in construction sector. During Q4FY22, NII grew by 21% YoY against a loan growth of 17% YoY; margins remain stable sequentially. PPOP grew by 21% YoY led by increase in operating expenses (up 17% YoY). Lower credit costs led by better recoveries resulted in best return ratios in last few years; RoA at 2% plus. We maintain 'BUY' with a TP of Rs.950, valuing parent business at Rs.817 (2.3X P/ABV FY24E) and rest for the subsidiaries.

## Key Highlights and Investment Rationale

- Advances growth at 17% YoY (FY22):** Advances growth remains strong at 17% YoY (16.4% Q3FY22). Robust growth was led by domestic advances growth at 17.5% YoY; overseas book reported positive growth (up 10% YoY). Retail / SME portfolio continue to grow strongly at 19.7%/34% YoY respectively while corporate book grew slowly at 9.7% YoY. Deposit growth stood at 14.2% YoY (16% YoY Q3FY22); Avg CASA ratio at 45% vs 42.5% YoY.
- Asset quality improved; BB & Below book at 2.2%:** Asset quality improved as GNPA stood at 3.6% vs 4.13% QoQ; NNPA declined to 0.76% as PCR stood at 79% which is the highest among its peers. BB & below book declined by 9% QoQ. Restructured assets stood at 1.0% vs 1.2% QoQ. Covid-19 related provisions stood 74.5bn (0.9% of advances) provides the cushion on the P&L.
- NIMs remain stable:** NIMs remain stable QoQ at 4% led by improvement in yield on advances (up 12bps QoQ). However, need to watch out for margin pressure going forward as cost of funds have bottomed out.

TP	Rs.950
CMP	Rs.747
Potential upside/downside	27%
Previous Rating	BUY

Price Performance (%)			
	-1m	-3m	-12m
Absolute	4.1	(7.1)	31.1
Rel to Sensex	4.9	(4.0)	11.6

V/s Consensus			
EPS (Rs)	FY22E	FY23E	FY24E
IDBI Capital	33.6	38.8	45.7
Consensus	32.6	39.7	47.2
% difference	3.2	(2.3)	(3.2)

Key Stock Data	
Bloomberg/Reuters	ICICIBC IN/ICBK.BO
Sector	Banking
Shares o/s (mn)	6,949
Market cap. (Rs mn)	5,193,705
3-m daily average value (Rs mn)	579.5
52-week high / low	Rs860 / 547
Sensex / Nifty	57,197 / 17,172

Shareholding Pattern (%)	
Promoters	0.0
FII	44.0
DII	41.7
Public	14.3

## Financial snapshot

(Rs mn)

Year	FY2020	FY2021	FY2022	FY2023E	FY2024E
NII	3,32,670	3,89,894	4,74,660	5,38,192	6,34,289
Change (yoy, %)		17%	22%	13%	18%
Net Profit	79,308	1,61,927	2,33,395	2,69,802	3,17,464
Change (yoy, %)		104%	44%	16%	18%
EPS (Rs)	12.3	23.4	33.6	38.8	45.7
Change (yoy, %)		90%	44%	16%	18%
ABV (Rs)	164.6	186.0	222.3	277.2	352.0
PER (x)	61.0	31.9	22.2	19.2	16.4
P/ABV (x)	4.5	4.0	3.4	2.7	2.1
ROE (%)	7.1	12.3	14.7	14.3	13.9
ROA (%)	0.8	1.4	1.8	1.8	1.9
GNPA (%)	6.0	5.3	3.8	3.5	3.4
NNPA (%)	1.5	1.2	0.8	0.6	0.6
CAR (%)	16.1	19.1	17.3	18.0	18.7

Source: IDBI Capital Research

### Conference Call Highlights

- Total deposits grew by 14.2% YoY as on 31st March'22. During the Quarter, average current account deposit increased by 23.6% YoY and average saving account deposit grew by 22.7% YoY.
- Retail loan portfolio excluding rural loans grew by 19.7% YoY and 6% QoQ as on 31st March'22.
- Retail loan portfolio excluding rural loan grew by 19.7% YoY and 6% QoQ. Mortgage portfolio grew by 20.3% YoY, Auto Loan by 11.3%, Commercial Loan and Equipment Portfolio declined by 1.3% YoY. Personal loan and Credit Card Portfolio was 31.9% YoY (879.35 Bn or 10.2% of the overall loan book).
- Have exposure to an Indian Oil Refinery which is rated AA- externally, were sanctioned Russia entity owns 49% stake. The exposure is non-fund based in nature.
- The GNPA additions were 42.04 Bn in Q4 FY22 vs. 40.18 Bn in Q3 FY22. The GNPA additions from Retail, rural and Business banking portfolio was 37.36 Bn and from corporate and SME portfolio was 4.68 Bn.
- Recoveries and upgrades from NPA excluding write off and sales were 46.93 Bn in Q4 FY22 vs. 42.09 Bn in Q3 FY22.
- The bank continued to carry Covid related provision of 64.25 Bn as contingency provision.
- Provision Coverage Ratio on NPA was 79.2% as on 31st March'22. LCR for Q4 was 130%, reflecting continuous surplus liquidity.
- The Capital Adequacy position of bank continued to be strong with CET 1 ratio of 17.6%. The Tier 1 ratio was 18.35% and the total capital adequacy ratio was 19.16% as on 31st March'22.
- All the digital offering provide end to end seamless digital journey, personalized solutions and value added features to customers and enable more data driven cross sell and up sell.
- There has been 6.3 Mn activation of I Mobile Pay by non ICICI Bank Customers. The value of transactions by non ICICI account holders in the current quarter was 4.9 times of what it was in Q3 FY22. The value of transactions through these supply chain platforms in Q4-2022 was 2.7 times the value of transactions in Q4-2021.
- Recently tied up with Emirates Skywards, the award-winning loyalty programme of Emirates and FlyDubai, to launch a range of cobranded credit cards that enable customers to earn reward points on travel, lifestyle and everyday spends.

## Exhibit 1: Quarterly Snapshot

(Rs mn)

Year-end: March	Q4FY22	Q4FY21	Q3FY22	YoY (%)	QoQ (%)
Interest Income	2,26,749	1,98,417	2,20,826	14.3	2.7
Interest Expenses	1,00,703	94,105	98,466	7.0	2.3
<b>Net Interest Income</b>	<b>1,26,046</b>	<b>1,04,311</b>	<b>1,22,360</b>	<b>20.8</b>	<b>3.0</b>
<b>NIM (%)</b>	<b>4.0</b>	<b>3.8</b>	<b>4.0</b>	<b>16 bps</b>	<b>4 bps</b>
Non-Interest Income	47,374	41,114	49,871	15.2	(5.0)
<b>Operating Income</b>	<b>1,73,420</b>	<b>1,45,425</b>	<b>1,72,231</b>	<b>19.3</b>	<b>0.7</b>
Staff Cost	24,289	20,084	24,848	20.9	(2.3)
Other Op Exp	46,201	39,942	45,900	15.7	0.7
Total Operating Expenses	70,490	60,027	70,749	17.4	(0.4)
<i>Cost to Income (%)</i>	<i>40.6</i>	<i>41.3</i>	<i>41.1</i>	<i>-63 bps</i>	<i>-43 bps</i>
<b>Operating Profit</b>	<b>1,02,929</b>	<b>85,398</b>	<b>1,01,483</b>	<b>20.5</b>	<b>1.4</b>
Provisions	10,690	28,835	20,073	(62.9)	(46.7)
<b>PBT</b>	<b>92,240</b>	<b>56,564</b>	<b>81,410</b>	<b>63.1</b>	<b>13.3</b>
Tax	22,053	12,538	19,471	75.9	13.3
<i>-effective tax rate</i>	<i>23.9</i>	<i>22.2</i>	<i>23.9</i>	<i>174 bps</i>	<i>-1 bps</i>
<b>PAT</b>	<b>70,187</b>	<b>44,026</b>	<b>61,938</b>	<b>59.4</b>	<b>13.3</b>
EPS (Rs)	10.1	6.4	8.9	58.7	13.2
BV (Rs)	245.3	213.3	234.8	15.1	4.5
Deposits	1,06,45,716	93,25,222	1,01,74,667	14.2	4.6
Advances	85,90,204	73,37,291	81,39,916	17.1	5.5

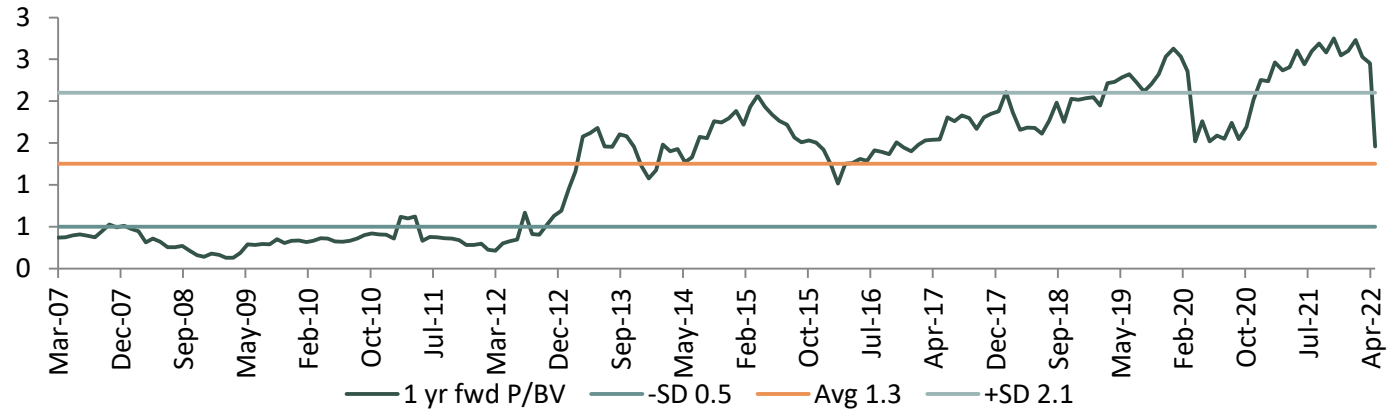
Source: Company; IDBI Capital Research

**Exhibit 2: ROE Decomposition**

(%)	FY20	FY21	FY22	FY23E	FY24E
NII	3.23	3.35	3.59	3.60	3.73
Fees	1.13	0.92	1.19	1.02	1.04
Other Income	0.47	0.71	0.21	0.26	0.27
Net Revenue	4.82	4.98	5.00	4.88	5.04
Op.Exp	2.10	1.85	2.02	1.89	1.87
Op.Profit	2.72	3.13	2.97	2.99	3.17
Provisions	1.36	1.39	0.65	0.60	0.68
PBT	1.36	1.73	2.32	2.39	2.50
Tax	0.59	0.34	0.55	0.59	0.63
ROA	0.77	1.39	1.77	1.80	1.87
Leverage (x)	9.17	8.82	8.31	7.93	7.44
ROE	7.05	12.27	14.68	14.29	13.89

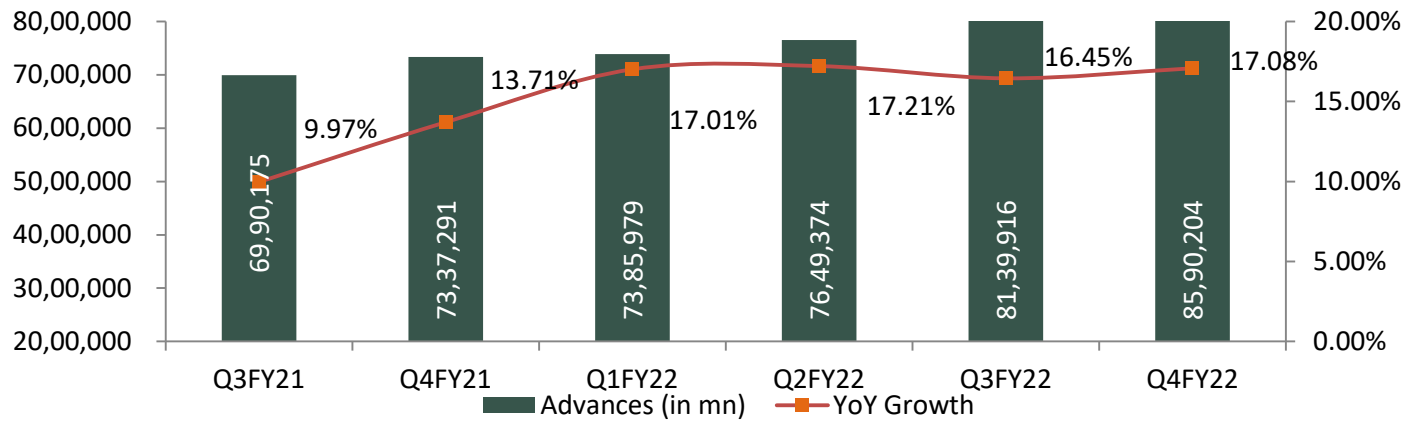
Source: Company; IDBI Capital Research

**Exhibit 3: One-year forward P/ABV**



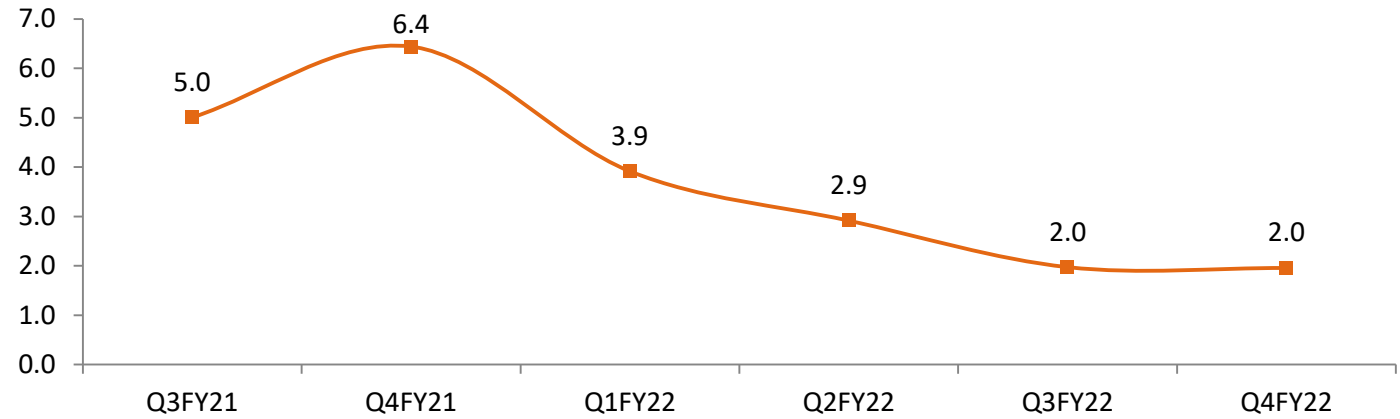
Source: Company; IDBI Capital Research

**Exhibit 4: Advances growth growing stronger**



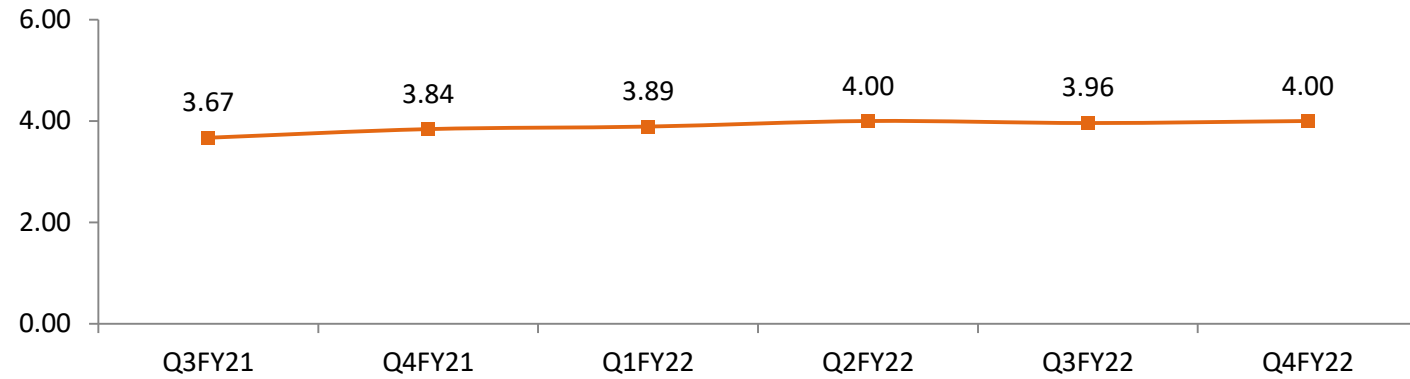
Source: Company; IDBI Capital Research

**Exhibit 5: Slippage ratio remained stable QoQ**



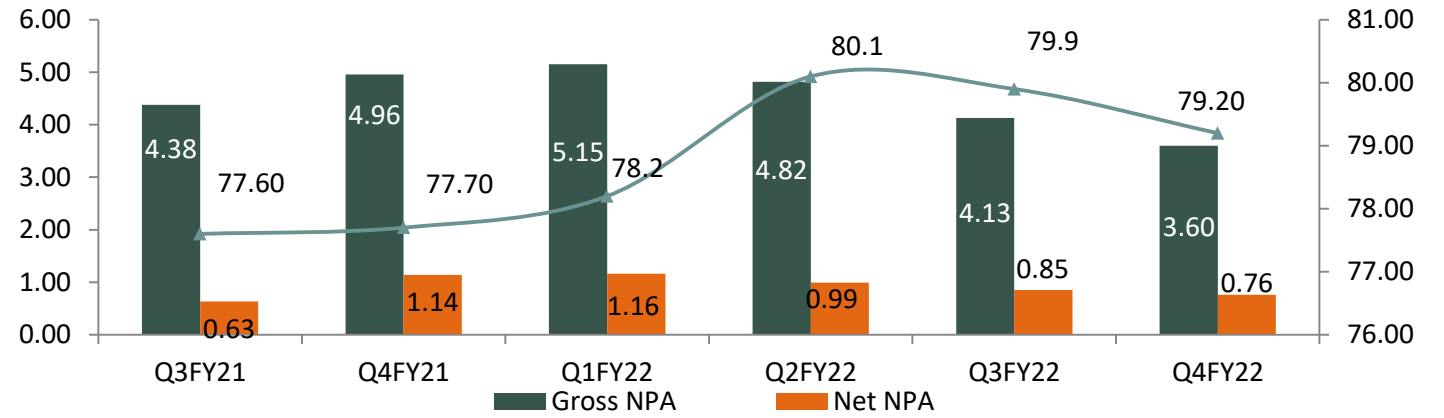
Source: Company; IDBI Capital Research

**Exhibit 6: Net Interest margins highest at 4%**



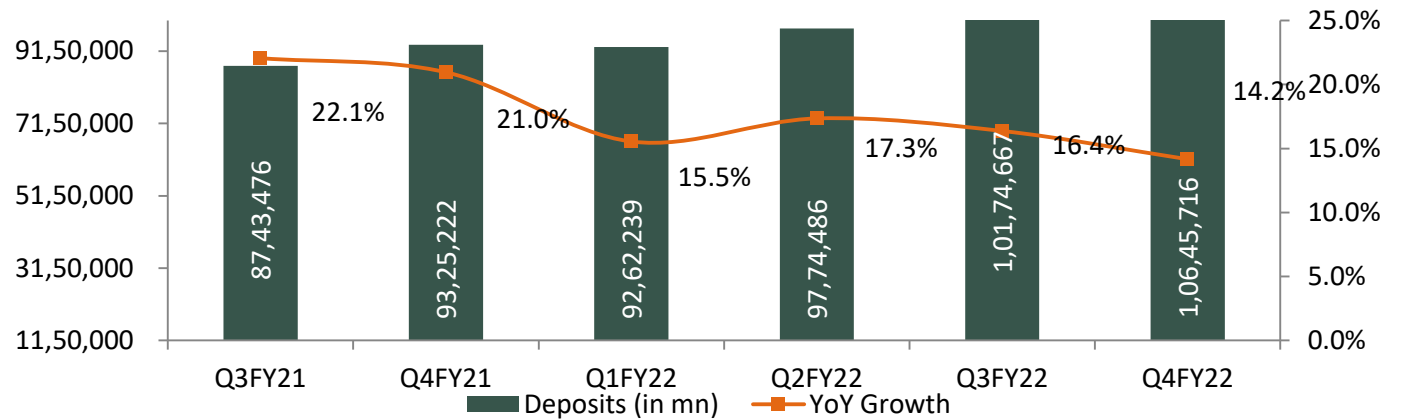
Source: Company; IDBI Capital Research

**Exhibit 7: Asset Quality continue to improve**



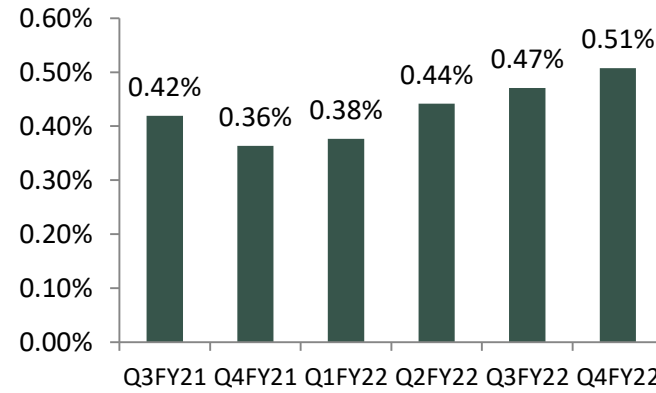
Source: Company; IDBI Capital Research

**Exhibit 8: Deposits growth in line with advances growth**



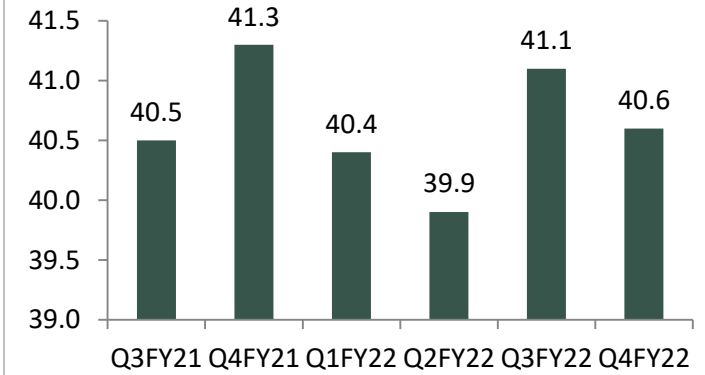
Source: Company; IDBI Capital Research

**Exhibit 9: RoA (non-annualized); reached highest levels**



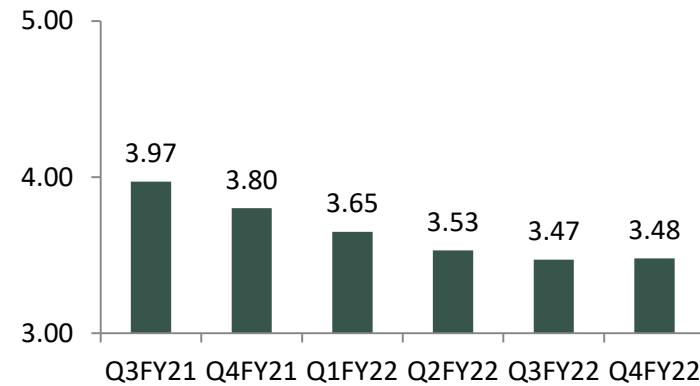
Source: Company; IDBI Capital Research

**Exhibit 10: Cost to Income Ratio remained declined moderately**



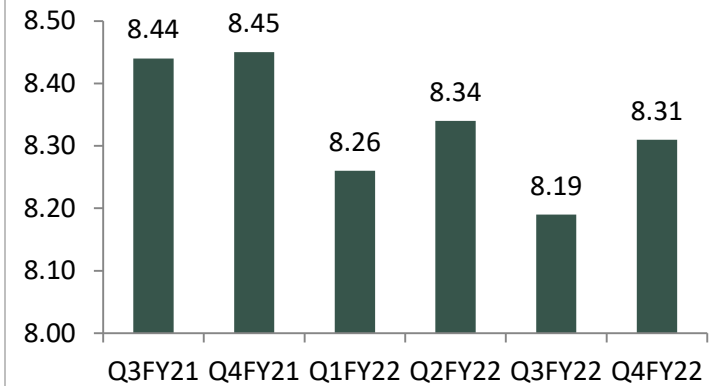
Source: Company; IDBI Capital Research

**Exhibit 11: Cost of Deposits remained muted**



Source: Company; IDBI Capital Research

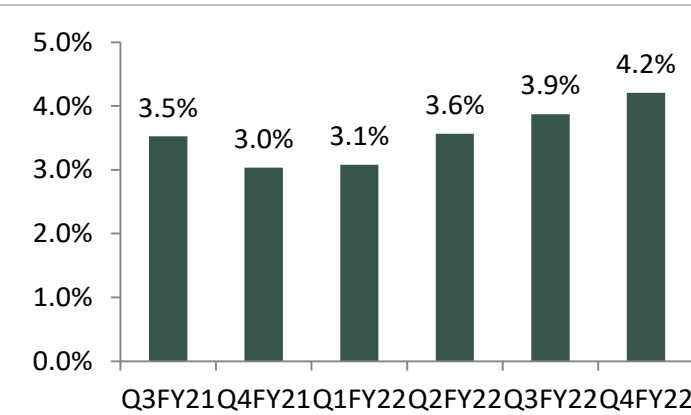
**Exhibit 12: Yield on Advances**



Source: Company; IDBI Capital Research

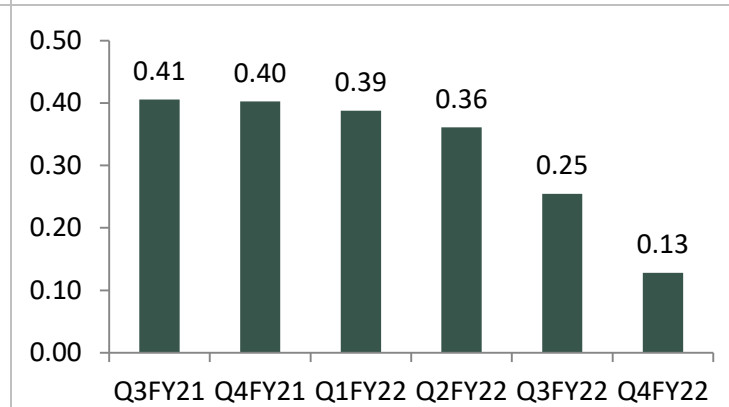


**Exhibit 13: Return on Equity (non-annualized)**



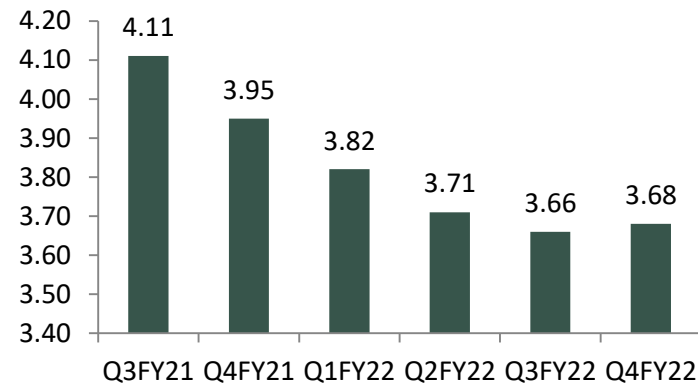
Source: Company; IDBI Capital Research

**Exhibit 14: Credit Cost (non-annualized) continues to decline**



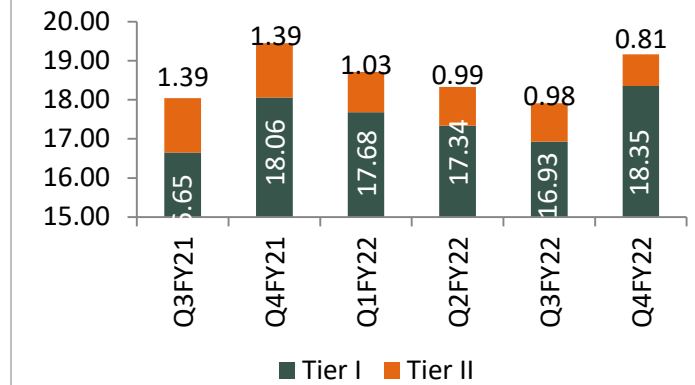
Source: Company; IDBI Capital Research

**Exhibit 15: Cost of funds inched up slightly**



Source: Company; IDBI Capital Research

**Exhibit 16: CAR remains comfortable**



Source: Company; IDBI Capital Research

## Financial Summary

### Profit & Loss Account

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Net interest income</b>	<b>2,70,148</b>	<b>3,32,670</b>	<b>3,89,894</b>	<b>4,74,660</b>	<b>5,38,192</b>	<b>6,34,289</b>
<i>Change (yoy, %)</i>		23%	17%	22%	13%	18%
Fees	1,02,319	1,16,451	1,06,707	1,56,870	1,53,077	1,77,570
Other Income	42,803	48,035	82,978	28,306	39,602	45,141
Net Revenue	4,15,270	4,97,156	5,79,579	6,59,836	7,30,871	8,57,000
Operating expenses	1,80,890	2,16,144	2,15,608	2,67,333	2,83,420	3,17,346
Employee expenses	68,082	82,712	80,918	96,728	1,07,149	1,12,871
Other expenses	1,12,808	1,33,432	1,34,690	1,70,605	1,76,271	2,04,474
<b>Pre-Provision Profit</b>	<b>2,34,380</b>	<b>2,81,012</b>	<b>3,63,971</b>	<b>3,92,503</b>	<b>4,47,452</b>	<b>5,39,654</b>
<i>Change (yoy, %)</i>		20%	30%	8%	14%	21%
Provision	1,96,611	1,40,532	1,62,143	86,414	90,098	1,15,237
PBT	37,769	1,40,480	2,01,828	3,06,089	3,57,354	4,24,417
Taxes	4,135	61,172	39,901	72,694	87,552	1,06,953
<i>Effective tax rate (%)</i>	11%	44%	20%	24%	25%	25%
<b>Net profit</b>	<b>33,634</b>	<b>79,308</b>	<b>1,61,927</b>	<b>2,33,395</b>	<b>2,69,802</b>	<b>3,17,464</b>
<i>Change (yoy, %)</i>		136%	104%	44%	16%	18%
EPS	5	12	23	34	39	46
Return on Equity (%)	3.2	7.1	12.3	14.7	14.3	13.9
Return on Assets (%)	0.4	0.8	1.4	1.8	1.8	1.9

## Balance Sheet

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
Capital	12,894	12,948	13,834	13,900	13,900	13,900
Reserves	10,70,740	11,52,063	14,61,226	16,91,220	20,56,244	24,87,518
<b>Networth</b>	<b>10,83,634</b>	<b>11,65,011</b>	<b>14,75,060</b>	<b>17,05,120</b>	<b>20,70,144</b>	<b>25,01,418</b>
<b>Deposits</b>	<b>65,29,197</b>	<b>77,09,690</b>	<b>93,25,221</b>	<b>1,06,45,716</b>	<b>1,23,63,757</b>	<b>1,43,56,684</b>
Current deposits	9,62,694	10,22,275	13,61,701	15,84,800	18,54,564	21,53,503
Saving deposits	22,76,709	24,55,909	29,54,533	35,99,570	39,06,947	45,36,712
Term deposit	32,89,794	42,31,506	50,08,987	54,61,346	66,02,246	76,66,469
Borrowings	16,53,198	16,28,968	9,16,310	10,72,314	7,63,111	8,26,441
Other liabilities	3,78,562	4,79,983	5,87,735	6,89,828	6,16,925	5,21,557
<b>Total Liab. &amp; Equity</b>	<b>96,44,591</b>	<b>1,09,83,652</b>	<b>1,23,04,326</b>	<b>1,41,12,977</b>	<b>1,58,13,937</b>	<b>1,82,06,101</b>
Cash	8,02,963	11,91,558	13,31,283	16,78,224	15,94,342	18,49,437
Advances	58,66,466	64,52,900	73,37,290	85,90,204	99,64,637	1,15,58,979
Investments	20,77,327	24,95,315	28,12,863	31,02,410	34,97,976	40,25,563
Fixed Assets	79,314	84,103	88,776	93,738	95,613	97,525
Other Assets	8,18,522	7,59,777	7,34,114	6,48,401	6,61,369	6,74,597
<b>Total assets</b>	<b>96,44,591</b>	<b>1,09,83,652</b>	<b>1,23,04,326</b>	<b>1,41,12,977</b>	<b>1,58,13,937</b>	<b>1,82,06,101</b>

## Financial Ratios

(%)

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Growth</b>						
Deposits	16.4	18.1	21.0	14.2	16.1	16.1
Advances	14.5	10.0	13.7	17.1	16.0	16.0
NII	17.3	23.1	17.2	21.7	13.4	17.9
Pre-Provision Profit	-5.3	19.9	29.5	7.8	14.0	20.6
Net Profit	-50.4	135.8	104.2	44.1	15.6	17.7
<b>Spreads</b>						
Yield on Assets	7.8	8.2	7.6	7.3	7.2	7.2
Cost of Funds	4.7	4.7	4.1	3.5	3.5	3.5
NIM	3.3	3.6	3.7	4.0	4.0	4.0
CASA	49.6	45.1	46.3	48.7	46.6	46.6
<b>Operating Efficiency</b>						
Cost-to-Income	43.6	43.5	37.2	40.5	38.8	37.0
Cost-to-Assets	2.0	2.1	1.9	2.0	1.9	1.9
<b>Asset Quality</b>						
GNPA	7.4	6.0	5.3	3.8	3.5	3.4
NNPA	2.3	1.5	1.2	0.8	0.6	0.6
Provision Coverage	70.6	75.7	77.7	79.5	84.6	83.6
Credit Cost	3.6	2.3	2.4	1.1	1.0	1.1
<b>Capital Adequacy</b>						
CAR	16.9	16.1	19.1	17.3	18.0	18.7
Tier I	15.1	14.7	18.1	16.0	16.7	17.3
<b>Valuation</b>						
EPS	5.2	12.3	23.4	33.6	38.8	45.7
ABV	147.2	164.6	186.0	222.3	277.2	352.0
P/E	143.2	61.0	31.9	22.2	19.2	16.4
P/BV	4.4	4.2	3.5	3.0	2.5	2.1
ROE	3.2	7.1	12.3	14.7	14.3	13.9
ROA	0.4	0.8	1.4	1.8	1.8	1.9
RORWA	0.8	1.1	2.1	2.6	2.5	2.5

Source: Company; IDBI Capital Research



# Notes

Dealing

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**Key to Ratings Stocks:****BUY:** 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.**IDBI Capital Markets & Securities Ltd.****Equity Research Desk**

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