

# ICICI Bank

## BUY

Robust Credit growth; Strong profitability growth

### Summary

ICICI Bank's (one of our top picks) credit growth improved to 21% YoY vs 17% YoY (FY22). Bank reported strong profitability growth at 50% YoY led by lower provisions (down 60% YoY). Asset quality improved with GNPA at 3.4% vs 3.6% QoQ led by better recoveries and upgrades. Also, restructured assets stood at 0.8% vs 1.0% QoQ. During Q1FY23, NII grew by 21% YoY against a loan growth of 21% YoY; margins remain stable sequentially. PPop grew by 16% YoY led by increase in operating expenses (up 25% YoY). Lower credit costs led by better recoveries resulted in best return ratios in last few years; RoA at 2%. We revised estimates upwards as credit growth remains robust and maintain 'BUY' with a new TP of Rs.1,000 (Rs.950), valuing parent business at Rs.870 (2.4X P/ABV FY24E) and rest for the subsidiaries.

### Key Highlights and Investment Rationale

- Advances growth at 21% YoY vs 17% (FY22):** Advances growth remains strong at 21% YoY (17% FY22). Robust growth was led by domestic advances growth at 22% YoY; overseas book reported positive growth (up 14% YoY). Retail / SME portfolio continue to grow strongly at 24%/32% YoY respectively while corporate book grew slowly at 14% YoY. Deposit growth stood at 13% YoY (14% YoY FY22); Avg CASA ratio at 45.8% vs 43.7% YoY.
- Asset quality improved:** Asset quality improved as GNPA stood at 3.4% vs 3.6% QoQ; NNPA declined to 0.7% as PCR stood at 80% which is the highest among its peers. Restructured assets stood at 0.8% vs 1% QoQ. Contingent provisions stood 85bn (0.95% of advances) provides the cushion on the P&L.
- NIMs remain stable:** NIMs remain stable QoQ at 4% led by decline in cost of deposits (down 2bps QoQ). However, need to watch out for margin improvement going forward as repricing of loans reflects in yields.

TP	Rs.1,000
<b>CMP</b>	<b>Rs.800</b>
Potential upside/downside	25%
Previous Rating	BUY

Price Performance (%)			
	-1m	-3m	-12m
Absolute	14.4	7.0	18.2
Rel to Sensex	7.1	9.0	12.4

V/s Consensus		
EPS (Rs)	FY23E	FY24E
IDBI Capital	42	49
Consensus	41	49
% difference	3.5	0.4

Key Stock Data	
Bloomberg/Reuters	ICICIBC IN/ICBK.BO
Sector	Banking
Shares o/s (mn)	6,957
Market cap. (Rs mn)	5,565,288
3-m daily average value (Rs mn)	387.6
52-week high / low	Rs860 / 642
Sensex / Nifty	56,072 / 16,719

Shareholding Pattern (%)	
Promoters	0.0
FII	43.5
DII	42.3
Public	14.2

### Financial snapshot

(Rs mn)

Year	FY2020	FY2021	FY2022	FY2023E	FY2024E
NII	3,32,670	3,89,894	4,74,660	5,55,985	6,52,398
Change (yoy, %)		17%	22%	17%	17%
Net Profit	79,308	1,61,927	2,33,395	2,90,831	3,40,935
Change (yoy, %)		104%	44%	25%	17%
EPS (Rs)	12	23	34	42	49
Change (yoy, %)		91%	43%	24%	17%
ABV (Rs)	165	186	222	277	358
PER (x)	65	34	24	19	16
P/ABV (x)	4.86	4.30	3.60	2.89	2.23
ROE (%)	7.05	12.27	14.68	15.29	14.62
ROA (%)	0.77	1.39	1.77	1.93	1.97
GNPA (%)	6.04	5.34	3.83	3.55	3.47
NNPA (%)	1.54	1.24	0.81	0.81	0.93
CAR (%)	16.11	19.12	19.85	19.89	20.91

Source: IDBI Capital Research

### Conference Call Highlights

- Fee Income grew by 31.8% YoY and stood at 42.43 Bn. Fee income from Retail, Rural, Business Banking and SME constituted around 79% of the total fee income.
- Dividend income declined on a YoY basis due to low final dividend from ICIC Life offset in part by higher dividend from ICIC AMC and ICICI securities.
- Employee expenses increased YoY as ESOP amount to 1.29 Bn were accounted for in Q1FY23 (not accounted in Q1FY22), addition of employees (7,250 in last 12 months) as well as promotions and increments during the qtr.
- Average current account deposit increased 23% YoY and 2.9% QoQ while average saving account deposits grew by 19.1% YoY and 4.4% QoQ. Major Portion of the retail term deposit in 12-18 months bracket.
- Growth in SME and business banking portfolio was driven by leveraging on bank network and cross selling to existing current account customers and digital offering such as InstaBiz and merchant stack.
- Additions from KCC portfolio to GNPA stood at 7.55 Bn during Q1FY23. Higher NPA additions from KCC portfolio is seen during Q1 and Q3 of financial year.
- Unsecured Portfolio has been built based on cross selling to existing customers or through very strong partnership such as Amazon based on strong profile. The bank is not expecting any cap on such portfolio.
- Witnessed 7.3 Mn activations in iMobile Pay by Non ICICI Account holders as on 30th June'22 and value of transactions increased 35% QoQ.
- Launched Campus Power during Q1FY23, an online platform which provides various services such as loans, bank statement, foreign exchange remittances and value added services to the students for higher education in India and abroad.
- Around 33% of Mortgage and 44% of Personal Loan by volume were done digitally during Q1FY23.
- Spends on credit card by value increased by 12.6% QoQ and was 2x as compared to Q1FY22 led by higher discretionary spend, higher activation rate through digital onboarding including Amazon Pay Credit Card and diversification through commercial cards.

## Exhibit 1: Quarterly Snapshot

(Rs mn)

Year-end: March	Q1FY23	Q1FY22	Q4FY22	YoY (%)	QoQ (%)
Interest Income	2,36,715	2,03,834	2,26,749	16.1	4.4
Interest Expenses	1,04,615	94,477	1,00,703	10.7	3.9
<b>Net Interest Income</b>	<b>1,32,100</b>	<b>1,09,357</b>	<b>1,26,046</b>	<b>20.8</b>	<b>4.8</b>
<b>NIM (%)</b>	<b>4.01</b>	<b>3.89</b>	<b>4.00</b>	<b>12 bps</b>	<b>1 bps</b>
Non-Interest Income	46,652	39,959	47,374	16.7	(1.5)
<b>Operating Income</b>	<b>1,78,752</b>	<b>1,49,316</b>	<b>1,73,420</b>	<b>19.7</b>	<b>3.1</b>
Staff Cost	28,492	23,744	24,289	20.0	17.3
Other Op Exp	47,171	36,628	46,201	28.8	2.1
Total Operating Expenses	75,663	60,372	70,490	25.3	7.3
<i>Cost to Income (%)</i>	<i>42.3</i>	<i>40.4</i>	<i>40.6</i>	<i>190 bps</i>	<i>168 bps</i>
<b>Operating Profit</b>	<b>1,03,089</b>	<b>88,944</b>	<b>1,02,929</b>	<b>15.9</b>	<b>0.2</b>
Provisions	11,438	28,517	10,690	(59.9)	7.0
<b>PBT</b>	<b>91,651</b>	<b>60,427</b>	<b>92,240</b>	<b>51.7</b>	<b>(0.6)</b>
Tax	22,601	14,267	22,053	58.4	2.5
<i>-effective tax rate</i>	<i>24.7</i>	<i>23.6</i>	<i>23.9</i>	<i>105 bps</i>	<i>75 bps</i>
<b>PAT</b>	<b>69,049</b>	<b>46,160</b>	<b>70,187</b>	<b>49.6</b>	<b>(1.6)</b>
EPS (Rs)	9.9	6.7	10.1	48.9	(1.7)
BV (Rs)	255.7	220.0	245.3	16.2	4.2
Deposits	1,05,03,490	92,62,239	1,06,45,716	13.4	(1.3)
Advances	89,56,248	73,85,979	85,90,204	21.3	4.3

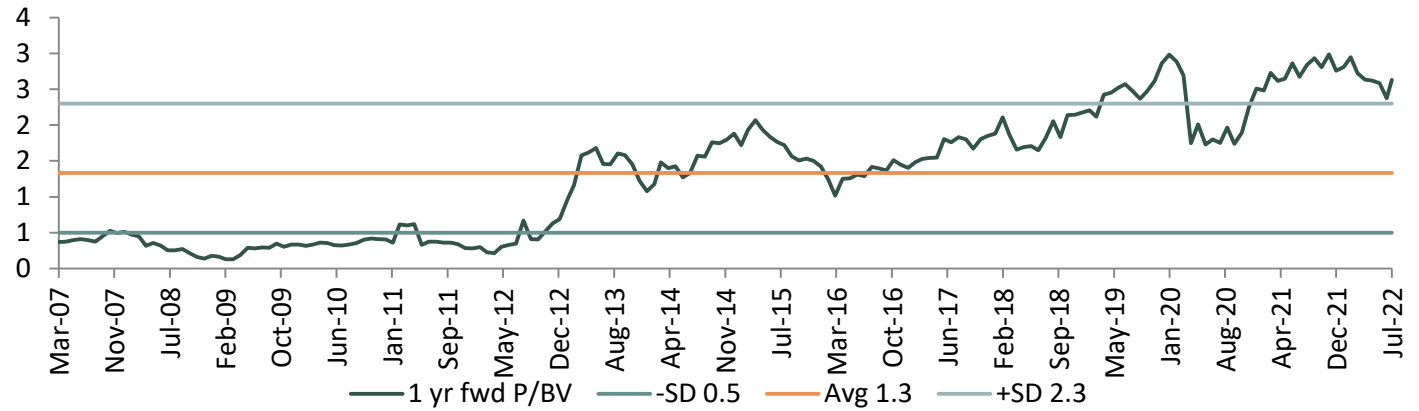
Source: Company; IDBI Capital Research

**Exhibit 2: ROE Decomposition**

(%)	FY20	FY21	FY22	FY23E	FY24E
NII	3.23	3.35	3.59	3.68	3.77
Fees	1.13	0.92	1.19	1.13	1.09
Other Income	0.47	0.71	0.21	0.20	0.26
Net Revenue	4.82	4.98	5.00	5.00	5.12
Op.Exp	2.10	1.85	2.02	2.01	2.02
Op.Profit	2.72	3.13	2.97	2.99	3.10
Provisions	1.36	1.39	0.65	0.42	0.47
PBT	1.36	1.73	2.32	2.57	2.63
Tax	0.59	0.34	0.55	0.65	0.66
ROA	0.77	1.39	1.77	1.93	1.97
Leverage (x)	9.17	8.82	8.31	7.94	7.43
ROE	7.05	12.27	14.68	15.29	14.62

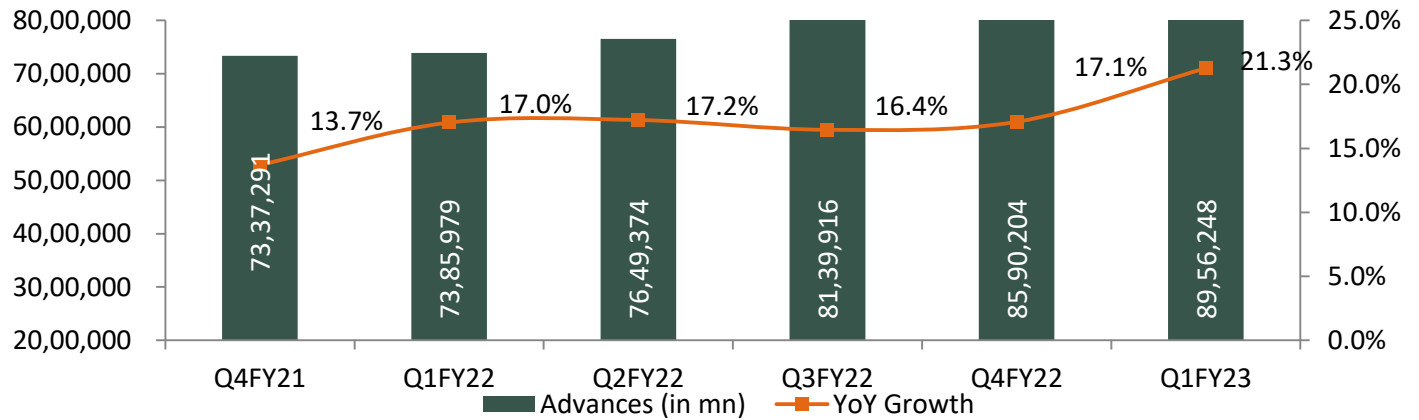
Source: Company; IDBI Capital Research

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



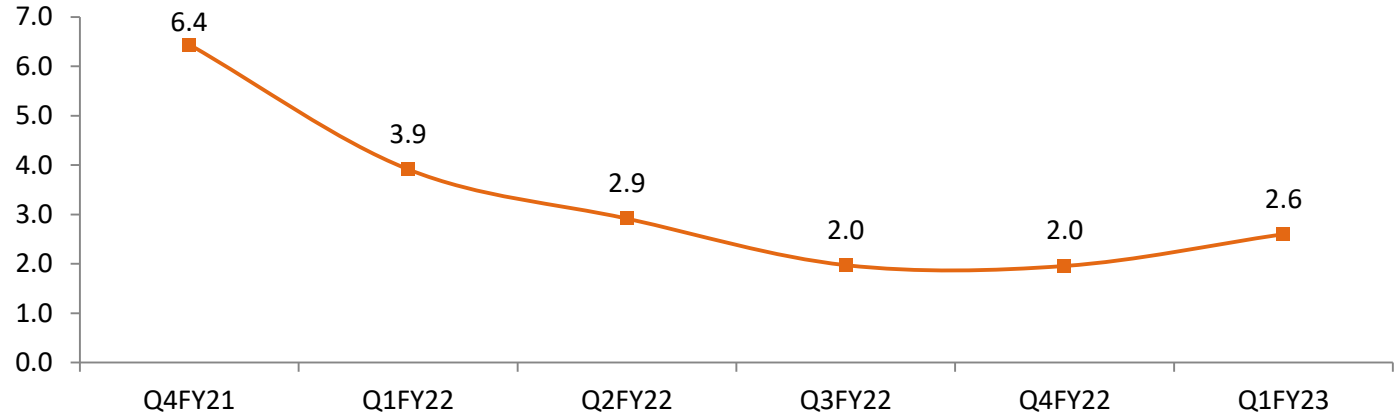
Source: Company; IDBI Capital Research

**Exhibit 4: Advances growth continued to grow stronger**



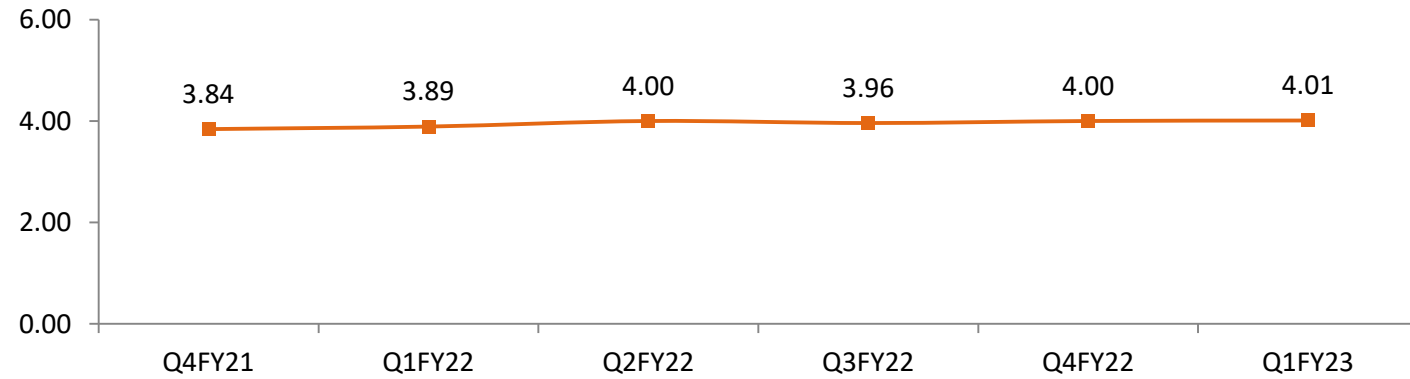
Source: Company; IDBI Capital Research

**Exhibit 5: Slippage ratio increased sequentially**



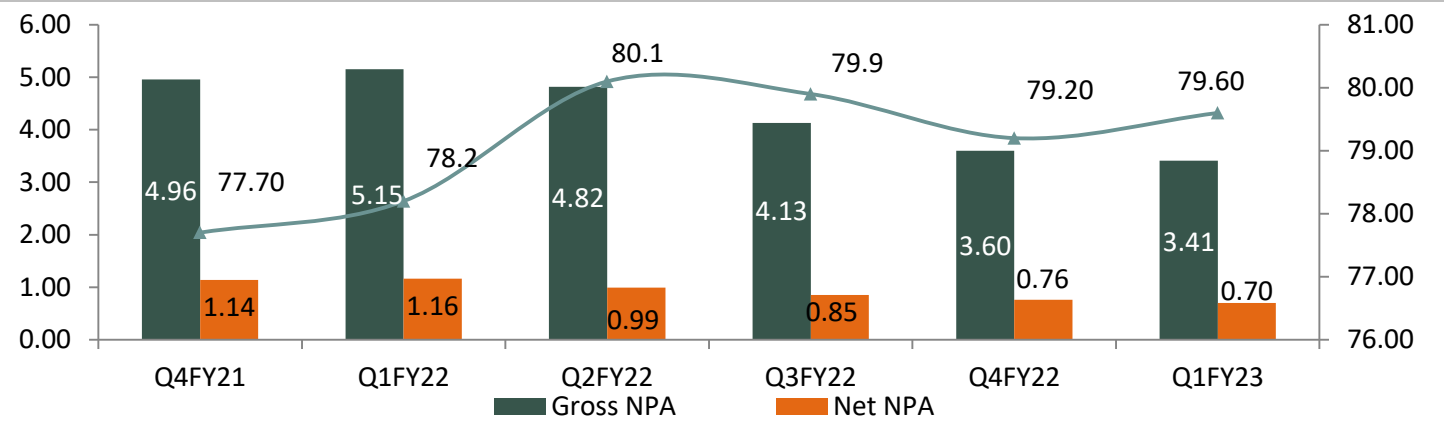
Source: Company; IDBI Capital Research

**Exhibit 6: Net Interest margins continues to witness up-tick**



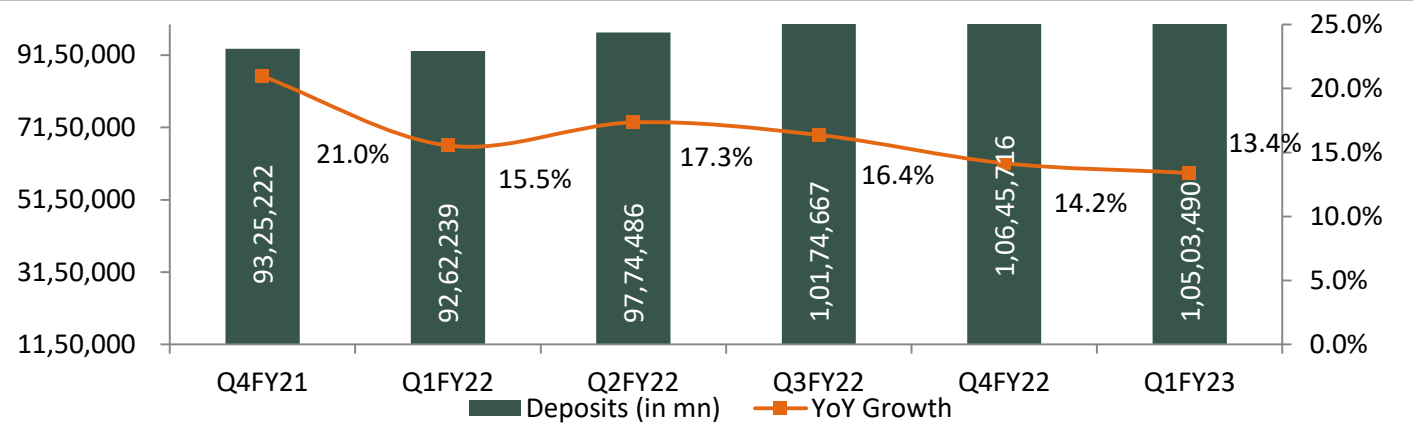
Source: Company; IDBI Capital Research

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



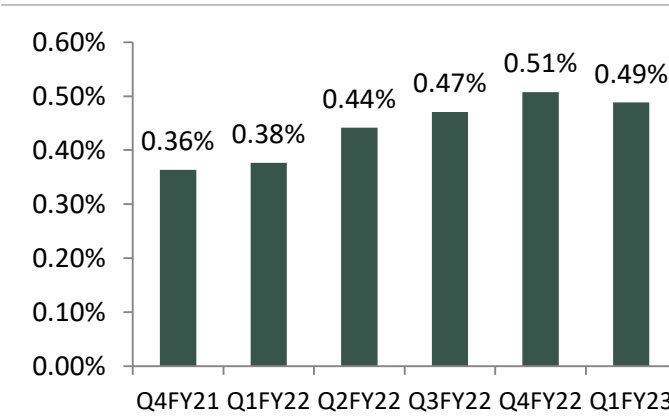
Source: Company; IDBI Capital Research

**Exhibit 8: Deposits growth continued to witness downtick on a QoQ basis**



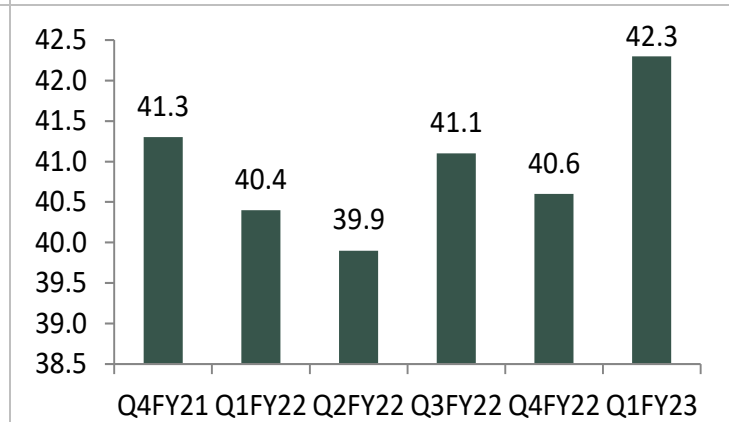
Source: Company; IDBI Capital Research

**Exhibit 9: RoA (non-annualized); remained stable**



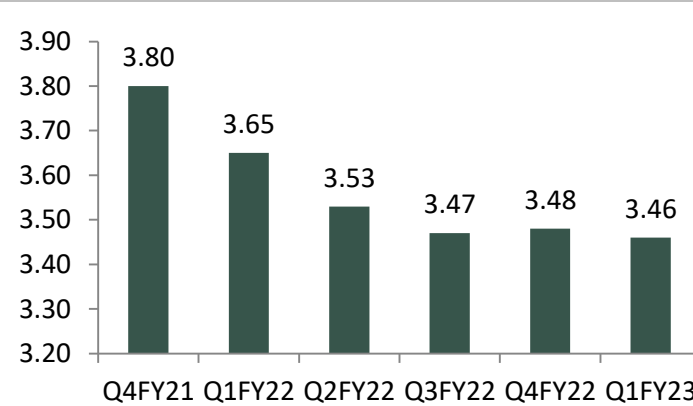
Source: Company; IDBI Capital Research

**Exhibit 10: Cost to Income Ratio witnessed sharp uptick QoQ**



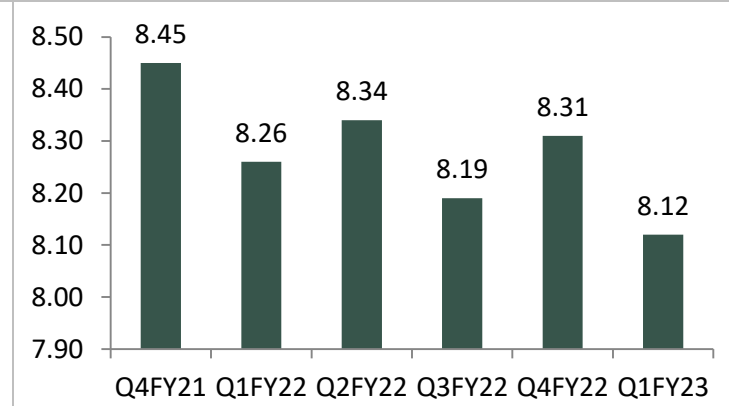
Source: Company; IDBI Capital Research

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



Source: Company; IDBI Capital Research

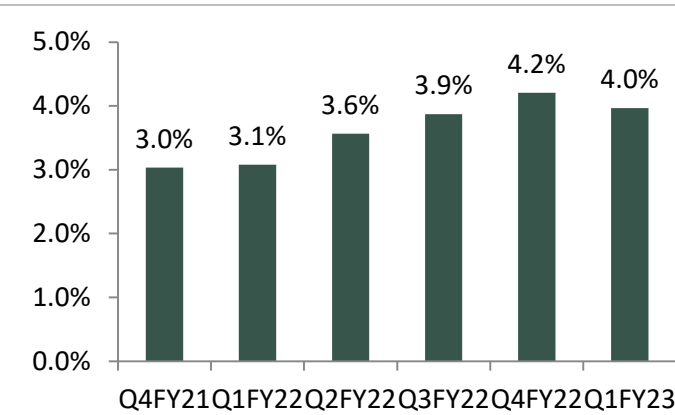
**Exhibit 12: Yield on Advances**



Source: Company; IDBI Capital Research

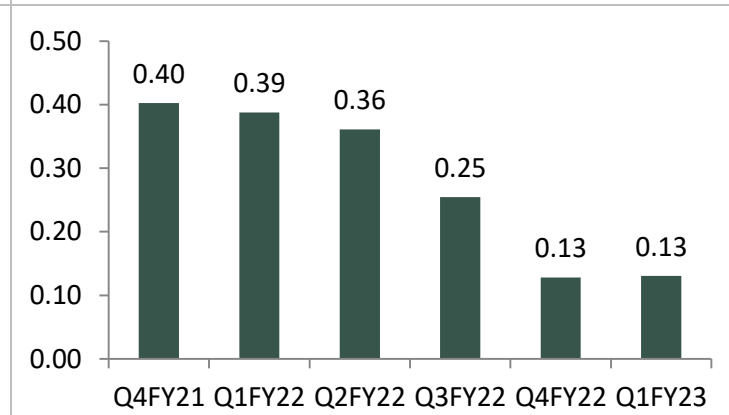


**Exhibit 13: Return on Equity (non-annualized)**



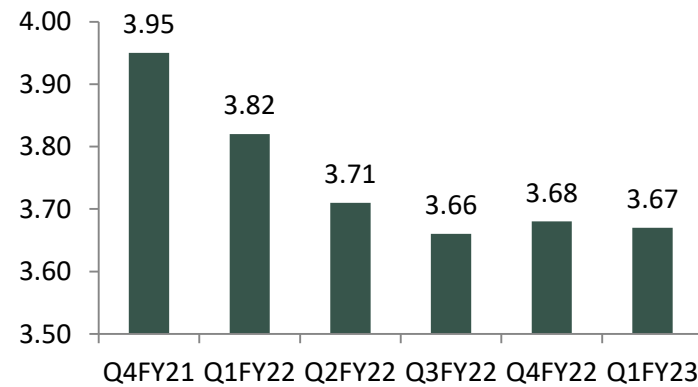
Source: Company; IDBI Capital Research

**Exhibit 14: Credit Cost (non-annualized) remained stable QoQ**



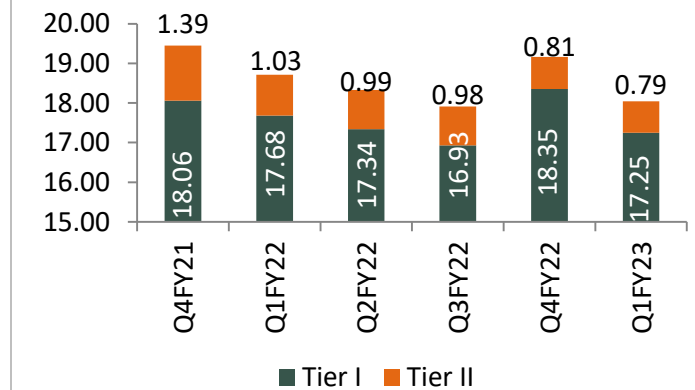
Source: Company; IDBI Capital Research

**Exhibit 15: Cost of funds improved by 1 bps QoQ**



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>5,55,985</b>	<b>6,52,398</b>
<i>Change (yoy, %)</i>		23%	17%	22%	17%	17%
Fees	1,02,319	1,16,451	1,06,707	1,56,870	1,70,086	1,89,259
Other Income	42,803	48,035	82,978	28,306	29,702	45,238
Net Revenue	4,15,270	4,97,156	5,79,579	6,59,836	7,55,773	8,86,896
Operating expenses	1,80,890	2,16,144	2,15,608	2,67,333	3,04,131	3,49,400
Employee expenses	68,082	82,712	80,918	96,728	1,15,146	1,26,742
Other expenses	1,12,808	1,33,432	1,34,690	1,70,605	1,88,984	2,22,658
<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>4,51,642</b>	<b>5,37,496</b>
<i>Change (yoy, %)</i>		20%	30%	8%	15%	19%
Provision	1,96,611	1,40,532	1,62,143	86,414	62,830	81,700
PBT	37,769	1,40,480	2,01,828	3,06,089	3,88,812	4,55,796
Taxes	4,135	61,172	39,901	72,694	97,981	1,14,860
<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>2,90,831</b>	<b>3,40,935</b>
<i>Change (yoy, %)</i>		136%	104%	44%	25%	17%
EPS	5	12	23	34	42	49
Return on Equity (%)	3.15	7.05	12.27	14.68	15.29	14.62
Return on Assets (%)	0.36	0.77	1.39	1.77	1.93	1.97

## Balance Sheet

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
Capital	12,894	12,948	13,834	13,900	13,915	13,915
Reserves	10,70,740	11,52,063	14,61,226	16,91,220	20,85,474	25,49,373
<b>Networth</b>	<b>10,83,634</b>	<b>11,65,011</b>	<b>14,75,060</b>	<b>17,05,120</b>	<b>20,99,389</b>	<b>25,63,288</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>1,44,25,406</b>
Current deposits	9,62,694	10,22,275	13,61,701	15,84,800	18,54,564	21,63,811
Saving deposits	22,76,709	24,55,909	29,54,533	35,99,570	39,06,947	45,58,428
Term deposit	32,89,794	42,31,506	50,08,987	54,61,346	66,02,246	77,03,167
Borrowings	16,53,198	16,28,968	9,16,310	10,72,314	9,95,337	10,44,174
Other liabilities	3,78,562	4,79,983	5,87,735	6,89,828	6,30,095	5,11,304
<b>Total Liab. &amp; Equity</b>	<b>96,44,591</b>	<b>1,09,83,653</b>	<b>1,23,04,326</b>	<b>1,41,12,977</b>	<b>1,60,88,578</b>	<b>1,85,44,172</b>
Cash	8,02,962	11,91,558	13,31,283	16,78,224	15,25,375	17,72,773
Advances	58,66,466	64,52,900	73,37,290	85,90,204	1,03,08,245	1,19,57,565
Investments	20,77,327	24,95,315	28,12,863	31,02,410	34,97,976	40,41,713
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>1,09,83,653</b>	<b>1,23,04,326</b>	<b>1,41,12,977</b>	<b>1,60,88,578</b>	<b>1,85,44,172</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	16.7
Advances	14.5	10.0	13.7	17.1	20.0	16.0
NII	17.3	23.1	17.2	21.7	17.1	17.3
Pre-Provision Profit	-5.3	19.9	29.5	7.8	15.1	19.0
Net Profit	-50.4	135.8	104.2	44.1	24.6	17.2
<b>Spreads</b>						
Yield on Assets	7.8	8.2	7.6	7.3	7.4	7.5
Cost of Funds	4.7	4.7	4.1	3.5	3.7	3.8
NIM	3.3	3.6	3.7	4.0	4.1	4.1
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	40.2	39.4
Cost-to-Assets	2.0	2.1	1.9	2.0	2.0	2.0
<b>Asset Quality</b>						
GNPA	7.4	6.0	5.3	3.8	3.5	3.5
NNPA	2.3	1.5	1.2	0.8	0.8	0.9
Provision Coverage	70.6	75.7	77.7	79.5	77.7	73.7
Credit Cost	3.6	2.3	2.4	1.1	0.7	0.7
<b>Capital Adequacy</b>						
CAR	16.9	16.1	19.1	19.8	19.9	20.9
Tier I	15.1	14.7	18.1	18.3	18.4	19.4
<b>Valuation</b>						
EPS	5.2	12.3	23.4	33.6	41.8	49.0
ABV	147.2	164.6	186.0	222.3	277.3	358.5
P/E	153.3	65.3	34.2	23.8	19.1	16.3
P/BV	4.8	4.4	3.8	3.3	2.7	2.2
ROE	3.2	7.1	12.3	14.7	15.3	14.6
ROA	0.4	0.8	1.4	1.8	1.9	2.0
RORWA	0.5	1.1	2.1	2.8	3.0	2.9

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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