

Target: Rs. 805
CMP Rs. 598.80 (FY24 P/Bv 1.8X)
BUY
Index Details

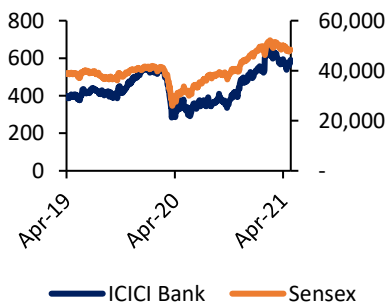
Sensex	48,944.14
Nifty	14,653.05
Industry	Banking

Scrip Details

Mkt Cap (Rs Cr)	4,14,224.4
O/S Share (Cr)	691.76
52 Wk H/L (Rs)	679/285
Div Yield (%)	0.35
FVPS (Rs)	2.00

Shareholding Pattern

Shareholder	%
Promoters	0.00
Institutional	89.94
Public	10.06
Total	100.00

ICICI Bank Ltd. vs. Sensex

Key Financials (in ₹ crores)

	Net Int Income	Non-Int Income	PPOP	PAT	EPS ₹	BVPS ₹	RoAA (%)	RoAE (%)	P/E (x)	P/BV (x)
FY20	33,267.1	16,448.6	28,101.3	7,930.8	12.3	180.0	0.8	7.1	48.2	3.3
FY21	38,989.4	18,968.5	36,397.1	16,192.7	23.4	213.2	1.4	12.3	25.2	2.8
FY22E	46,395.5	21,269.9	43,461.0	23,277.6	35.1	248.3	1.9	15.2	17.6	2.4
FY23E	52,650.5	24,203.1	50,330.3	27,142.8	40.4	288.7	1.9	15.0	14.8	2.1
FY24E	59,552.5	27,785.0	58,064.0	31,373.1	45.4	334.1	1.9	14.6	13.2	1.8

ICICI Bank Ltd (ICICI) delivered a solid performance for Q4FY21 with superlative growth across all parameters. One of the single-most important take away is the Bank's ability to grow its loan book without compromising on asset quality and retaining profitability in the most trying times. We reaffirm our BUY recommendation on the stock with a revised price target of INR 805, which represents a potential upside of 34.4% from the CMP of INR 598.8 (FY24 P/Adj BV 1.9x) over a period 24 months.

Our optimism stems from the following:

Granular retail growth to remain robust; Corporate lending starts trending up.

One of the hallmarks of FY21 has been the strong retail credit growth witnessed by the bank. Retail lending grew at 19.9% YoY in FY21 led by strong growth across mortgages (+21.7%YoY), Business Banking (+40.5% YoY), vehicular loans (+10% YoY), jewel loans for rural segments and digital platforms such as InstaBiz and TradeOnline.

The corporate lending which was subdued since FY16 has seen a clear bump-up in Q4FY21 with a 10.1% YoY growth to INR 1,76,635 Cr, driven by strong uptick in the capex cycle. In our opinion, the quality of the corporate lending has improved substantially compared to the past as can be seen from the extremely selective approach of lending to high rated corporates and PSUs. This is evident from the improved share of lending to higher rated category as seen in the chart below.

Improved share of lending to higher rated category

Rating Category	FY17	FY18	FY19	FY20	Q3FY21	FY21
(Figures in %)						
AA- and above	37.2	42.4	45.1	44.4	49.2	50.3
A+, A, A-	19.0	20.1	22.0	25.8	22.8	23.0
A- and above	56.2	62.5	67.1	70.2	72.0	73.3
BBB+, BBB, BBB-	28.7	27.5	28.2	26.6	24.3	23.8
BB and below	9.2	4.0	2.2	1.4	1.6	1.5
Non-performing loans	5.4	5.4	2.3	1.5	1.9*	1.2
Unrated	0.5	0.6	0.2	0.3	0.2	0.3
Other Total	43.8	37.5	32.9	29.8	26.1	26.8

*Includes gross loans amounting to Rs. 82.80 billion not classified as non-performing pursuant to the Supreme Court's interim order

Source: Company Presentation

In line with its conscious strategy, to preserve risk capital the bank has gone slow on International lending. As a result, International lending book has degrown by 30.3% YoY to INR 37,590 Cr.

New avenues of growth showing ramping up smartly

Government promoted ECLGS 1.0 and ECLGS 2.0 have seen good traction along with substantial increases in credit card spends and encouraging response to the new initiatives like Easypay (Merchant acquisition platform), iMobile and iMobile Pay (customers of other banks), the co-branded Amazon Pay credit card, partnership with third party players in P2P and P2M space.

This has not only led to a surge in transaction volumes, but also enabled the bank monetise these opportunities for CASA deposits and cross-sell.

This has led to a strong overall credit growth of 13.7% YoY to INR 7,33,729.1 Cr. With all investments expected to bear fruit in the near future, we expect advances to grow at a 13.6% CAGR to INR 10,74,763.6 Cr by FY24. Sustained by a 15.8% CAGR growth in retail lending to INR 7,60,244.9 Cr, coupled with green shoots in corporate lending to INR 2,38,316.8 Cr (10.5% CAGR) should drive the growth.

NIMs to expand marginally

We believe that the rate cut cycle may have bottomed out and this, coupled with the inflationary undertones, should lead to a gradual uptrend in the interest rates from H2FY22. Traditionally, we have observed that lending rates tend to rise more than deposits rates and this should help NIMs to expand by 15 bps to 3.8% over the forecasted period.

Deposits to closely track advances growth

Ample liquidity, flight to safe and dependable franchises and lack of alternate investment opportunities has enabled ICICI Bank grow its deposits without efforts. In FY21, the deposits of the bank grew by 21% YoY to INR 9,32,522.2 Cr (18.4% growth in TDs to INR 5,00,899.2 Cr and 24.1% growth in CASA deposits to INR 4,31,623.0 Cr). CASA Ratio stood at a comfortable 46.3% (+ 117 bps).

Going ahead, we expect deposits to grow at 9.8% CAGR to INR 12,35,360.4 Cr by FY24. CASA ratio is expected to sustain the current levels.

Cost to Income ratio to subsidise

The cost to income ratio in FY21 at 37.2% declined by 628 bps YoY, on the back of cost control measures introduced to navigate through pandemic times and lower employee retiral provisioning. Going ahead, we expect significant operating leverage to kick in leading to a material 368 bps improvement in cost to income to 33.5% by FY24.

Asset Quality

The bank, for the period ended FY21 reported GNPA and NNPA of 4.96% and 1.14% respectively, which was lower as compared to the proforma GNPA and NNPA of 5.42% and 1.26%. While retail slippage increased in FY21 during a pandemic year, a decline in corporate and SME slippage marks the end to the corporate stress problems for the bank despite a challenging year. Going ahead, we expect the GNPA and NNPA to settle at 5.1% and 1.2% given the bank's focus on lending to lower risk profiles.

Reduction in Corporate Slippages seen as positive sign

Particulars (Rs. In Cr)	Q4FY21	Q4FY20	YoY (%)	Q3FY21	QoQ (%)	FY20	FY21	YoY (%)
Opening Gross NPA	34,860	43,454	-19.8	38,989	-10.6	46,292	41,409	-10.5
Add: Gross Addition (1)	11,818	5,306		471		14,295	16,123	
Retail	9,956	1,294	669.4	394	2,426.9	5,785	12,825	121.7
Corporate and SME	1,862	4,012	-53.6	77	2,318.2	8,510	3,298	-61.2
Less: Recoveries (2)	2,560	1,883		1,776		7,673	6,463	
Retail	820	974	-15.8	933	-12.1	2,720	2,797	2.8
Corporate and SME	1,740	909	91.4	843	106.4	4,953	3,666	-26.0
Net Additions (1-2)	9,258	3,423		-1,305		6,622	9,660	
Less: Writeoff	2,745	5,455		2,736		11,300	9,608	
Sale of NPA	-	13		88		205	88	
Closing GNPA	41,373	41,409		34,860		41,409	41,373	
Pro forma NPA	-	-		8,280		-	-	
Total	41,373	41,409		43,140		41,409	41,373	

Source: Company Presentation

Capital Adequacy

In FY21 Tier 1 capital stood at 18.1%, which should take care of growth over the forecast period. We expect Tier 1 capital adequacy to sustain at current levels over the forecast period given the strong growth in bottom line and bank's strategy of lending in a risk calibrated approach to higher rated corporates, PSU and retail customers.

Valuation

We reaffirm our BUY recommendation on the stock with a revised price target of INR 805, which represents a potential upside of 34.37% from the CMP of INR 598.8.

Our rationale for a re-rating of the stock stems from the fact that over the forecast period:

- ICICI Bank's ROE is expected to be amongst the best in class at 13.6% for FY24.
- Asset quality to improve materially due to selective lending to high rated corporates and risk calibrated accounts.
- Strong growth in lending
- Expansion in NIMs
- Comfortable capital adequacy

- **Stringent cost control measures**
- **Transition to digital banking.**

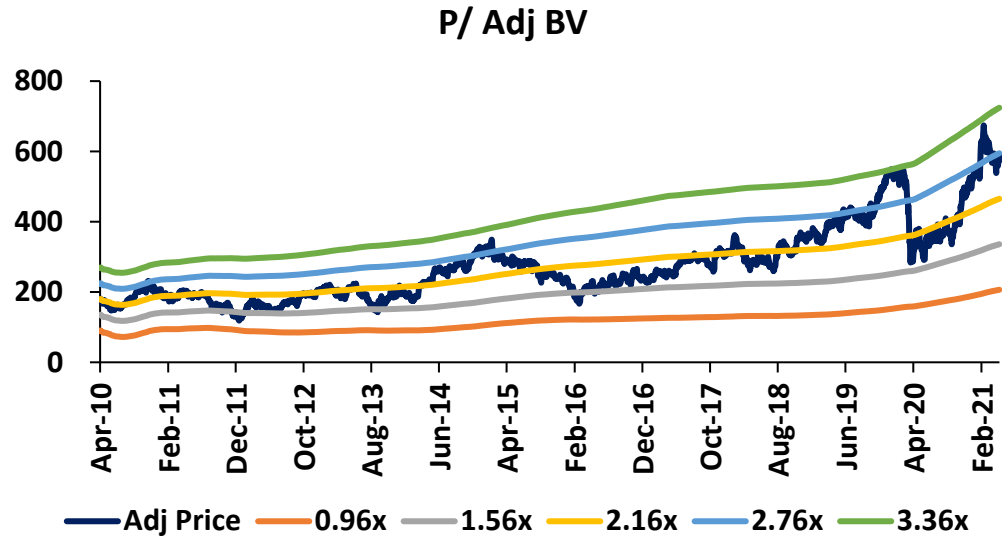
Sum of the parts valuation	ICICI Bank's stake	Value attributable to ICICI Bank (crores)	Value per share	Valuation Methodology
Core business	100%	4,80,039	694	2.2x FY24E ABV
ICICI Prudential Life insurance Company	51%	39,102	57	1.7x FY24E EV
ICICI Lombard General Insurance	52%	23,192	34	20x FY24E PAT
ICICI Asset management	51%	10,822	16	5% of FY24E AUM
ICICI Securities	75%	11,974	17	13.5x FY24E PAT
ICICI Home Finance	100%	2,018	3	1x FY24E BV
Banking subsidiary	100%	8,553	12	1x FY24E BV
Total Value of Subsidiaries		95,661	138	
Less: Hold co discount at 20%		19,132	28	
Discounted value of Subsidiaries		76,529	111	
Target value for ICICI Bank		5,56,568	805	

Source: Ventura Research

Risk Factors:

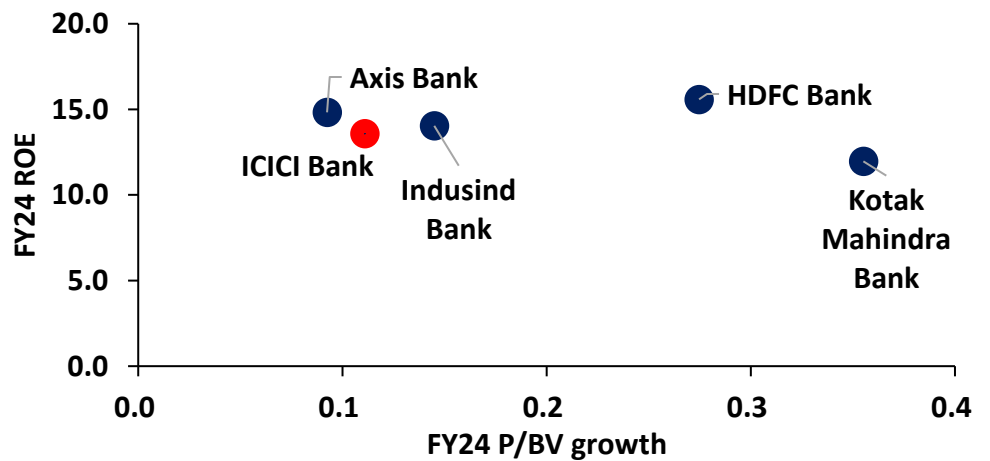
- **A slower-than-expected uptick in India's economic growth amid the ongoing Covid-19 outbreak and possible impact of 2nd wave could adversely affect the lending growth.**
- **The bank's exposure to unsecured retail assets like Personal loans (10.1% of total book) and Credit Cards (3.5% of total book) could affect the asset quality going ahead.**
- **Continued slippages from the retail segment can impact the earnings of the bank, if not managed properly.**

Valuation Band Chart



Source: Ventura Research

Peer comparison

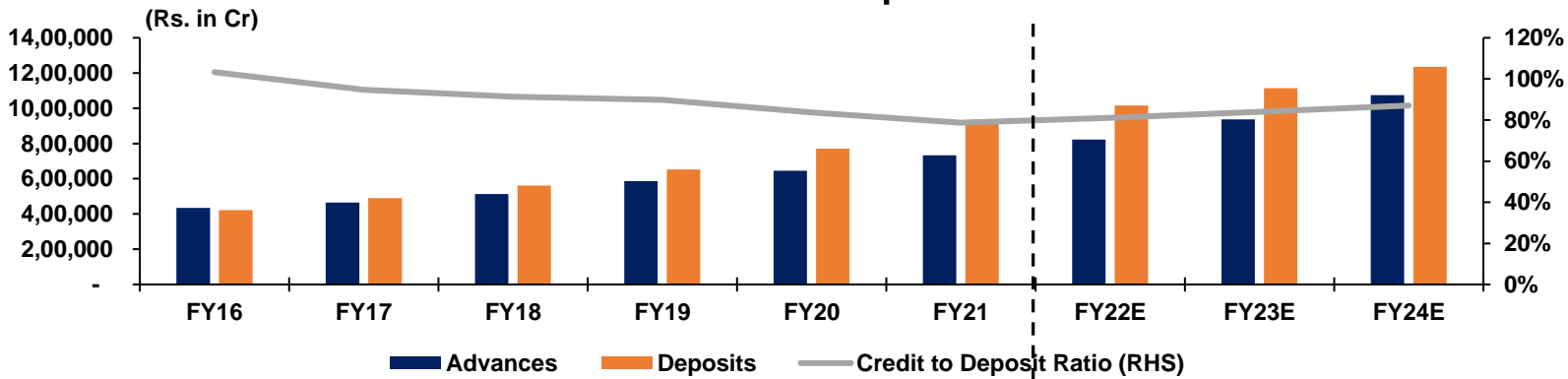


Source: Ventura Research

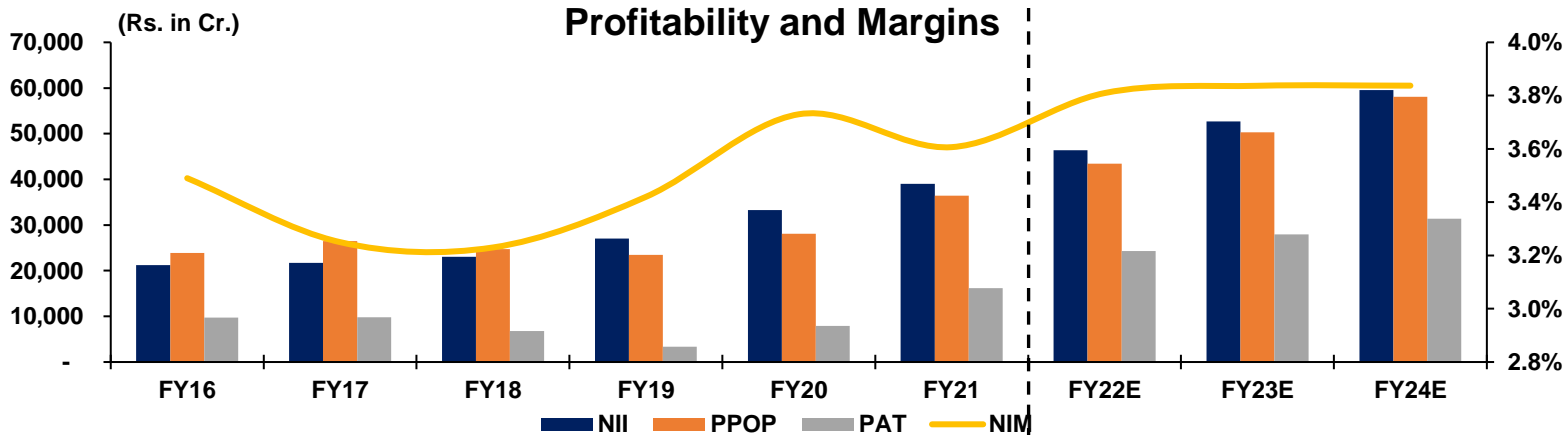
Story of ICICI Bank Ltd. in pictorial format

Performance charts of ICICI Bank Ltd.

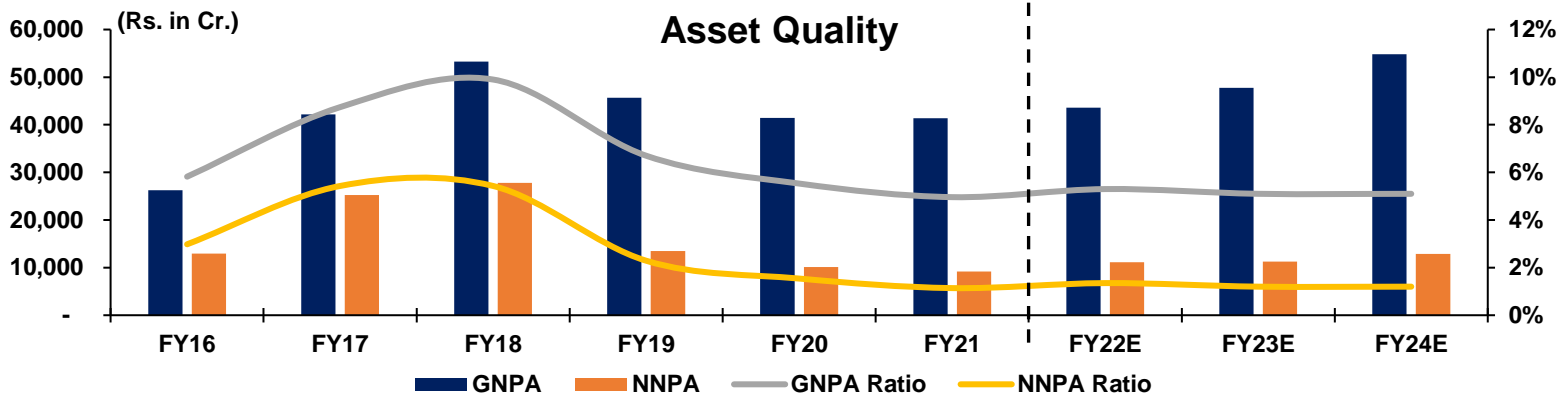
Advances and Deposits



Profitability and Margins



Asset Quality



Source: Company Reports, Ace Equity and Ventura Research

Quarterly Financials

Particulars (Rs. In Cr.)	FY17	FY18	FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	FY21
Interest Earned	54,156.3	54,965.9	63,401.2	17,980.1	18,565.3	19,064.3	19,188.7	74,798.3	19,924.4	19,622.5	19,729.8	19,841.7	79,118.3
Interest Expended	32,419.0	31,940.1	36,386.4	10,242.6	10,507.9	10,519.0	10,261.8	41,531.3	10,644.6	10,256.4	9,817.3	9,410.5	40,128.8
Net Interest Income	21,737.3	23,025.9	27,014.8	7,737.4	8,057.4	8,545.3	8,926.9	33,267.1	9,279.8	9,366.1	9,912.5	10,431.1	38,989.4
NIM (%)	3.3	3.2	3.4	3.6	3.6	3.8	3.9	3.7	3.7	3.6	3.7	3.8	3.7
Operating Profit	26,486.8	24,741.5	23,437.9	6,288.5	6,874.1	7,548.6	7,390.1	28,101.3	10,776.5	8,261.1	8,819.8	8,539.8	36,397.1
Provisions and Contingencies	15,208.1	17,307.0	19,661.1	3,495.7	2,506.9	2,083.2	5,967.4	14,053.2	7,594.0	2,995.3	2,741.7	2,883.5	16,214.4
Profit Before Tax	11,278.6	7,434.6	3,776.8	2,792.7	4,367.2	5,465.4	1,422.7	14,048.0	3,182.5	5,265.8	6,078.0	5,656.4	20,182.7
Profit After Tax	9,801.1	6,777.4	3,363.3	1,908.0	655.0	4,146.5	1,221.4	7,930.8	2,599.2	4,251.3	4,939.6	4,402.6	16,192.7
Advances	4,64,232	5,12,395	5,86,647	5,92,415	6,13,359	6,35,654	6,45,290	6,45,290	6,31,215	6,52,608	6,99,017	7,33,729	7,33,729
Deposits	4,90,039	5,60,975	6,52,920	6,60,732	6,96,273	7,16,345	7,70,969	7,70,969	8,01,623	8,32,936	8,74,348	9,32,522	9,32,522
CASA (%)	50.4	51.7	49.6	45.2	46.7	47.0	45.1	45.1	42.5	43.8	45.2	46.3	46.3
Capital Adequacy Ratio (Basel III)	17.4	18.4	16.9	16.2	16.1	16.5	16.1	16.1	16.3	19.3	19.5	19.1	19.1
Tier 1	14.4	15.9	15.1	14.6	14.6	15.0	14.7	14.7	14.9	17.9	18.1	18.1	18.1
Tier 2	3.0	2.5	1.8	1.6	1.5	1.5	1.4	1.4	1.4	1.4	1.4	1.1	1.1
GNPA (%)	8.7	9.9	6.7	6.5	6.4	6.0	5.5	5.5	5.5	5.2	4.4	5.0	5.0
NNPA (%)	5.4	5.4	2.3	1.8	1.6	1.5	1.5	1.5	1.4	1.1	0.7	1.1	1.1
Provision Coverage Ratio (%)	53.6	60.5	70.7	74.1	76.1	76.1	75.6	75.6	78.5	81.6	86.1	77.8	77.8

Source: Company Reports and Ventura Research

Q4FY21 conference call highlights:

- For the quarter ended March 2021, high frequency indicator index rose from 106 to 108 in March from Jan, indicating above pre-covid levels activity levels owing to robust industrial activities. However, this dropped to 92.3 in April due to impacted mobility on account of restrictions.
- Disbursements in mortgages continued to increase QoQ driven by digitising the entire underwriting process.
- Till 19th April 2021, the bank has disbursed ~INR 127 billion under the ECLGS 1.0 scheme and ~INR 15 billion under the ECLGS 2.0 scheme.
- The core operating profit increased by 19.8% YoY to INR 85.65 billion in Q421. This is after an estimated impact of INR 1.75 billion of the required refund of interest on interest and related amounts charged during the moratorium period.
- The liquidity coverage ratio for the quarter was 138%, reflecting continued significant surplus liquidity.
- Impact of interest reversal of INR 1.75 bn, on net interest margin is about 6 bps.
- The Bank has made additional Covid-19 related provision of INR 10 billion and thus at March 31, 2021, the outstanding Covid-19 related provisions stood at INR 74.75 billion.

Key Management Personnel

Key Person	Designation	Details
Mr. Sandeep Bakhshi	Managing Director & CEO	Mr. Sandeep Bakhshi is the Managing Director and CEO of ICICI Bank since October 15, 2018. Prior to his appointment as MD & CEO, he was a Wholetime Director and the Chief Operating Officer (COO) of the Bank. Mr. Bakhshi has been with the ICICI Group for 32 years and has handled various assignments across the group in ICICI Limited, ICICI Lombard General Insurance, ICICI Bank and ICICI Prudential Life Insurance.
Mr. Girish Chandra Chaturvedi	Chairman	Mr. Chaturvedi completed M.Sc. (Social Policy in Developing Countries) from London School of Economics, University of London, United Kingdom and M.Sc (Physics) from University of Allahabad.
Mr. Anup Bagchi	Executive Director	Mr. Anup Bagchi is an Executive Director on the Board of ICICI Bank since February 1, 2017. Prior to this, Mr. Bagchi was the Managing Director & CEO of ICICI Securities Limited. Under his leadership, ICICI Securities won several prestigious awards in the financial services space.
Ms. Vishakha Mulye	Executive Director	Ms. Vishakha Mulye is an Executive Director on the Board of ICICI Bank since January 2016. She heads the Domestic and International Wholesale Banking, Markets and Commercial Banking businesses at the Bank. Ms. Mulye, a Chartered Accountant, has been with the ICICI Group since 1993. In her career, she has handled several responsibilities in the areas of strategy, treasury & markets, proprietary equity investing and management of long-term equity investments, structured finance, management of special assets and corporate & project finance.

Source: Company Reports

Financials and Projections

Y/E March (₹ crore)	FY20	FY21	FY22E	FY23E	FY24E	Y/E March (₹ crore)	FY20	FY21	FY22E	FY23E	FY24E
Income Statement						Ratio Analysis					
Interest Income	74,798.3	79,118.3	92,514.9	1,04,554.7	1,18,250.3	Efficiency Ratio (%)					
Interest Expense	41,531.3	40,128.8	46,119.3	51,904.2	58,697.8	Int Expended / Int Earned	55.5	50.7	49.9	49.6	49.6
Net Interest Income	33,267.1	38,989.4	46,395.5	52,650.5	59,552.5	Int Income / Total Funds	6.8	6.4	6.7	6.7	6.7
YoY change (%)	23.1	17.2	19.0	13.5	13.1	NII / Total Income	36.5	39.7	40.8	40.9	40.8
Non Interest Income	16,448.6	18,968.5	21,269.9	24,203.1	27,785.0	Other Inc. / Total Income	18.0	19.3	18.7	18.8	19.0
Total Net Income	49,715.7	57,958.0	67,665.4	76,853.6	87,337.5	Ope. Exp. / Total Income	23.7	22.0	21.3	20.6	20.0
Total Operating Expenses	21,614.4	21,560.8	24,204.4	26,523.2	29,273.5	Net Profit / Total Funds	0.7	1.3	1.8	1.8	1.8
Pre Provision profit	28,101.3	36,397.1	43,461.0	50,330.3	58,064.0	Credit / Deposit	83.7	78.7	81.0	84.0	87.0
YoY change (%)	19.9	29.5	19.4	15.8	15.4	Investment / Deposit	32.4	30.2	31.8	32.8	32.4
Provisions	14,053.2	16,214.4	12,341.2	14,043.1	16,121.5	NIM	3.7	3.6	3.8	3.8	3.8
Profit Before Tax	14,048.0	20,182.7	31,119.8	36,287.2	41,942.6	Solvency					
YoY change (%)	272.0	43.7	54.2	16.6	15.6	Gross NPA (Rs. Cr)	41,409.0	41,373.4	43,605.6	47,746.6	54,812.9
Taxes	6,117.2	3,990.0	6,846.3	8,346.1	10,569.5	Net NPA (Rs. Cr)	10,114.0	9,180.2	11,107.1	11,234.5	12,897.2
Net profit	7,930.8	16,192.7	24,273.4	27,941.2	31,373.1	Gross NPA (%)	5.5	5.0	5.3	5.1	5.1
YoY change (%)	135.8	104.2	49.9	15.1	12.3	Net NPA (%)	1.5	1.1	1.4	1.2	1.2
Balance Sheet						Capital Adequacy Ratio (%)	16.1	19.1	18.9	18.9	18.8
Cash & Balances with RBI	35,284.0	46,031.2	46,486.0	51,007.4	56,537.2	Tier I Capital (%)	14.7	18.1	18.0	18.0	18.0
Inter bank borrowing	83,871.8	87,097.1	94,869.4	1,04,096.8	1,15,382.0	Tier II Capital (%)	1.4	1.1	1.0	0.9	0.9
Investments	2,49,531.5	2,81,286.5	3,23,479.5	3,65,531.9	4,00,257.4	Per Share Data (₹)					
Loan and Advances	6,45,290.0	7,33,729.1	8,22,747.7	9,36,208.1	10,74,763.6	EPS	12.3	23.4	35.1	40.4	45.4
Other Assets	75,977.7	73,411.2	82,317.7	93,669.7	1,07,532.5	Book Value	180.0	213.2	248.3	288.7	334.1
Total Assets	10,98,365.1	12,30,432.7	13,80,817.9	15,62,692.0	17,68,191.0	Adj Book Value of Share	164.3	200.0	232.3	272.5	315.4
Deposits	7,70,969.0	9,32,522.2	10,15,737.9	11,14,533.5	12,35,360.4	Valuation Ratio					
Borrowings	1,62,896.8	91,631.0	1,30,430.7	1,81,846.8	2,30,507.6	Price/Earnings (x)	48.9	25.6	17.1	14.8	13.2
Other Liability	47,995.0	58,770.4	62,866.7	66,588.0	71,226.2	Price/Book Value (x)	3.3	2.8	2.4	2.1	1.8
Equity	1,294.8	1,383.4	1,383.4	1,383.4	1,383.4	Price/Adj.Book Value (x)	3.6	3.0	2.6	2.2	1.9
Reserves	1,15,206.2	1,46,122.7	1,70,396.1	1,98,337.2	2,29,710.3	Return Ratio					
Share warrant O/s	3.5	3.1	3.1	3.1	3.1	RoAA (%)	0.8	1.4	1.9	1.9	1.9
Total Liabilities	10,98,365.1	12,30,432.7	13,80,817.9	15,62,692.0	17,68,191.0	RoAE (%)	7.1	12.3	15.2	15.0	14.6
	0.0	0.0	0.0	0.0	0.0	Growth Ratio (%)					
Dupont Analysis						Interest Income	18.0	5.8	16.9	13.0	13.1
% of Average Assets						Interest Expenses	14.1	-3.4	14.9	12.5	13.1
Net Interest Income	3.2	3.3	3.6	3.6	3.6	Other Income	13.3	15.3	12.1	13.8	14.8
Non Interest Income	1.6	1.6	1.6	1.6	1.7	Total Income	17.1	7.5	16.0	13.2	13.4
Net Income	4.8	5.0	5.2	5.2	5.2	Net profit	135.8	104.2	49.9	15.1	12.3
Operating Expenses	2.1	1.9	1.9	1.8	1.8	Deposits	18.1	21.0	8.9	9.7	10.8
Operating Profit	2.7	3.1	3.3	3.4	3.5	Advances	10.0	13.7	12.1	13.8	14.8
Provisions & Contingencies	1.4	1.4	0.9	1.0	1.0						
Taxes	0.6	0.3	0.5	0.6	0.6						
ROAA	0.8	1.4	1.9	1.9	1.9						

Source: Company Reports, Ace Equity and Ventura Research

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