

ICICI Bank

BUY

CMP Rs570

Target Rs675

Upside 19.0%

Robust at the core; Reiterate BUY

ICICI Bank's stronger-than-expected core PPOP growth performance (22% yoy v/s avg. 18% yoy in preceding 5 quarters) highlights a) structural growth capabilities in chosen products across segments, b) pricing power on both sides of the balance sheet and c) improving revenue and cost productivity. Growth propellers remain safer and secured products like Home Loans (up 8% qoq /22% yoy), high-rated corporate loans and SME/Business Banking loans; and the traction continues to come along with margin and capital efficiency. The bank endures to utilize a portion of core PPOP for cushioning the future through creation of addition/contingency provisions.

The resilient portfolio performance (mild NPA addition & restructuring in Covid 1st phase) reflects robust underwriting and portfolio selection; along with a strong balance sheet (comforting capital, NPL coverage and additional buffer) should assuage concerns on the impact of the second pandemic wave. The 0-90 overdue portfolio in retail and SME segments stands near the pre-Covid level. In most likelihood, the credit cost in FY22 may not be significantly higher than the normalized range of 1.2-1.3%. We estimate material RoA expansion over FY21-24 and a 20%+ earnings CAGR. The core bank trades at 1.7x FY23 P/ABV. We retain BUY and 12m PT of Rs675.

Conference call highlights

- ✓ Slippages were 55bn in Q4 (annualized delinquency ratio of 3%) - Retail slippages were Rs44bn and Corporate & SME at slippages at Rs12bn (Rs11bn downgrade from BB & Below).
- ✓ NPA addition and restructuring due to Covid was much lower than bank's expectation - Superior portfolio performance reflects robustness of underwriting and portfolio selection.
- ✓ Strength of the balance sheet provide comfort to the Management - Robust capital, portfolio, NPL coverage and additional Covid buffer.
- ✓ Loans under various resolution/restructuring Rs40bn (0.5% of loans) - of which, Rs20bn in Retail - Rs7-8bn provisions held on restructured book, way higher than regulatory requirement.
- ✓ 0-90 overdue portfolio in Retail was marginally higher than pre-Covid level - it was 1.5% and 4% higher as of Dec and Sept respectively.

Exhibit 1: Financial Summary

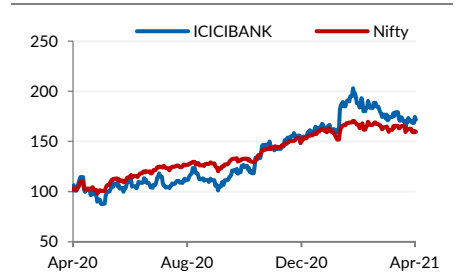
Y/e 31 Mar (Rs mn)	FY21	FY22E	FY23E	FY24E
Operating income	579,579	627,369	724,607	837,955
PPOP	363,971	379,419	441,944	515,720
Net profit	161,926	201,592	249,489	291,699
yoy growth (%)	104.2	24.5	23.8	16.9
EPS (Rs)	23.4	29.1	36.1	42.2
Adj. BVPS (Rs)	200.0	223.1	258.8	297.9
P/E (x)	24.3	19.6	15.8	13.5
P/adj.BV (x)	2.9	2.6	2.2	1.9
ROE (%)	12.3	12.8	13.8	14.1
ROA (%)	1.4	1.5	1.7	1.7
Tier-1 (%)	19.1	19.4	19.3	19.1

Source: Company, YES Sec - Research;

Stock data (as on Apr 23, 2021)

Sensex:	14,341
52 Week h/l (Rs)	679 / 286
Market cap (Rs/USD mn)	3942459 / 52552
Outstanding Shares	6,917
6m Avg t/o (Rs mn):	14,397
Div yield (%):	-
Bloomberg code:	ICICIBC IN
NSE code:	ICICIBANK

Stock performance



	1M	3M	1Y
Absolute return	-2.8%	6.8%	61.5%

Shareholding pattern

Promoter	0.0%
FII+DII	89.9%
Others	9.6%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	675	675

Δ in earnings estimates

	FY22e	FY23e	FY24e
EPS (New)	29.1	36.1	42.2
EPS (Old)	30.9	36.2	42.6
% change	-5.8%	-0.3%	-0.9%

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- ✓ 1.2-1.3% would be the normalized credit cost for the bank.
- ✓ Retail collections would have witnessed some impact in April - but bank confident about the behavior of portfolio in coming months.
- ✓ Strong retail growth of recent years driven by digital capabilities - the bank could capture retail growth opportunity better than others with an improved underwriting.
- ✓ Corporate restructuring at <1% of total book and incremental delinquencies have been trending down.
- ✓ Corporate portfolio profitability has improved over the years due to tapping of ancillary lending and fee income opportunities.
- ✓ Over the medium term, the core cost/income ratio would improve on the back of better revenue productivity and margins.
- ✓ ICICI Home Finance NPLs higher due to focus on affordable housing and some legacy pain.

Exhibit 2: Result Table

(Rs mn)	Q4 FY21	Q3 FY21	% qoq	Q4 FY20	% yoy
Total Interest Income	198,417	197,298	0.6	191,887	3.4
Interest expended	(94,105)	(98,173)	(4.1)	(102,618)	(8.3)
Net Interest Income	104,311	99,125	5.2	89,269	16.9
Other income	41,114	46,863	(12.3)	42,550	(3.4)
Total Income	145,425	145,987	(0.4)	131,819	10.3
Operating expenses	(60,027)	(57,790)	3.9	(57,918)	3.6
PPOP	85,398	88,198	(3.2)	73,901	15.6
Provisions	(28,835)	(27,417)	5.2	(59,674)	(51.7)
PBT	56,564	60,780	(6.9)	14,227	297.6
Tax	(12,538)	(11,385)	10.1	(2,013)	522.9
PAT	44,026	49,396	(10.9)	12,214	260.5

Source: Company, YES Sec - Research

Exhibit 3: Business Data

(Rs mn)	Q4 FY21	Q3 FY21	% qoq	Q4 FY20	% yoy
Loans	7,337,291	6,990,175	5.0	6,452,900	13.7
Domestic Corporate	1,766,350	1,700,840	3.9	1,604,700	10.1
Retail Business	4,892,200	4,587,780	6.6	4,080,030	19.9
Home Loans	2,436,540	2,257,570	7.9	2,002,240	21.7
Vehicle Loans	641,540	624,490	2.7	583,310	10.0
Unsecured Loans	666,560	636,560	4.7	609,420	9.4
SME	302,840	270,930	11.8	228,510	32.5
Overseas Branches	375,900	430,610	(12.7)	539,670	(30.3)
Deposits	9,325,222	8,743,476	6.7	7,709,690	21.0
CA	1,361,700	1,167,410	16.6	1,022,270	33.2
SA	2,954,530	2,786,740	6.0	2,455,910	20.3
Others	5,008,992	4,789,326	4.6	4,231,510	18.4
Investments	2,812,865	2,752,606	2.2	2,495,315	12.7
Borrowings	916,310	1,116,081	(17.9)	1,628,968	(43.7)
Total assets	17,313,318	16,721,497	3.5	15,215,161	13.8
RWA	7,854,030	7,599,830	3.3	7,594,900	3.4

Source: Company, YES Sec - Research

Exhibit 4: Key Ratios

(%)	Q4 FY21	Q3 FY21	chg qoq	Q4 FY20	chg yoy
NIM (%)	3.8	3.7	0.2	3.9	(0.0)
Yield on advances (%)*	8.5	8.4	0.1	9.6	(1.1)
Yield on investment (%)*	5.9	6.6	(0.7)	6.3	(0.4)
Cost of funds (%)*	3.8	4.3	(0.4)	4.7	(0.8)
CASA (%)	46.3	45.2	1.1	45.1	1.2
C/D (%)	78.7	79.9	(1.3)	83.7	(5.0)
Non-interest income (%)	28.3	32.1	(3.8)	32.3	(4.0)
Cost to Income (%)	41.3	39.6	1.7	43.9	(2.7)
Prov. / Avg. Adv. (%)*	1.7	1.6	0.0	3.9	(2.2)
RoE (%)*	13.3	15.3	(2.0)	4.3	9.0
RoA (%)*	1.1	1.3	(0.2)	0.3	0.7
CAR (%)	19.1	19.5	(0.4)	16.1	3.0
Gross NPA (%)	5.0	4.4	0.6	5.5	(0.6)
Net NPA (%)	1.1	0.6	0.5	1.4	(0.3)

Source: Company, YES Sec – Research; *Calculated

Exhibit 5: Non-Interest income – break-up

(Rs mn)	Q4 FY21	Q3 FY21	% qoq	Q4 FY20	% yoy
Fee income	38,150	36,010	5.9	35,980	6.0
Treasury Income	(250)	7,660	(103.3)	2,420	(110.3)
Lease & Misc. Income	3,214	3,193	0.7	4,150	(22.6)
Total non-interest income	41,114	46,863	(12.3)	42,550	(3.4)

Source: Company, YES Sec – Research

Exhibit 6: Rating profile

(%)	Q4 FY21	Q3 FY21	chg qoq	Q4 FY20	chg yoy
AA- and Above	50.3	49.2	1.1	44.4	5.9
A+, A, A-	23	22.8	0.2	25.8	-2.8
A- and above	73.3	72	1.3	70.2	3.1
BBB+, BBB, BBB-	23.8	24.3	-0.5	26.6	-2.8
BB and below	1.5	1.6	-0.1	1.4	0.1
Others	1.4	2.1	-0.7	1.8	-0.4

Source: Company, YES Sec – Research

Exhibit 7: Movement of Corporate and SME – BB and below

(Rs mn)	Q4 FY21	Q3 FY21	% qoq	Q4 FY20	% yoy
Opening	136,540	161,670	(15.5)	174,030	(21.5)
Slippage to NPA	(10,670)	(2,270)	370.0	(17,260)	(38.2)
Upgrades to Invest. grade	(6,760)	(1,180)	472.9	(12,970)	(47.9)
Downgrades	11,870	22,390	(47.0)	22,880	(48.1)
Closing	130,980	180,610	(27.5)	166,680	(21.4)

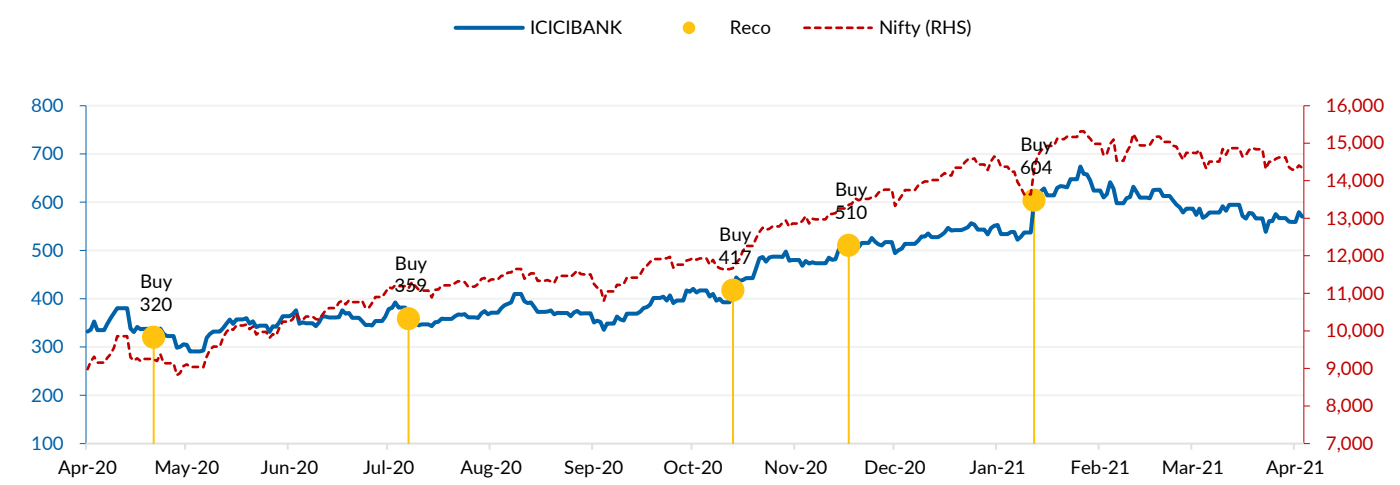
Source: Company, YES Sec – Research

Exhibit 8: Subsidiaries PAT

(Rs mn)	Q4 FY21	Q3 FY21	% qoq	Q4 FY20	% yoy
ICICI Prudential Life	640	3,060	(79.1)	1,790	(64.2)
ICICI Lombard General	3,460	3,140	10.2	2,820	22.7
ICICI Pru. Asset Mgmt.	3,480	3,580	(2.8)	2,170	60.4
ICICI Sec. (Consolidated)	3,290	2,670	23.2	1,560	110.9
ICICI Sec. PD	660	1,320	(50.0)	260	153.8
ICICI Home Finance	150	30	400.0	640	(76.6)
ICICI Venture	(120)	(20)	500.0	(70)	71.4
ICICI Bank UK (USD mn)	3	2	27.3	(7)	(141.2)
ICICI Canada (CAD mn)	5	5	-	(8)	(168.0)

Source: Company, YES Sec - Research

Recommendation Tracker



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