

ICICI BANK | Banking

Market share in credit card spends growing continuously

LKP

ICICI Bank contributes ~7% of banking credit with consistently improving asset quality and strong growth across segments. The GNPA cycle peaked at the end of FY18 (GNPA ratio at 8.8%), now reduced to 4.8% (as on 2QFY22). With lower delinquencies and strong recoveries, the NPA ratio shall inch down further and estimated to be 2.5% as on FY24 end. By means of higher liquidity (LCR: 133%) and healthy capital cushion (CET 1: 17.3%), the bank is well - positioned for sustainable, prudent and healthy growth with improvement in economic activities.

ICICI winning "credit card spend" market share: It is important to emphasize that the market share in credit card spends for ICICI rose from 11.1% in 1HFY19 to 12.1% in 2HFY19, a rise of ~100 bps. In fact, ICICI's spends market share had remained in a tight range of 11.1-11.4% over all half-year periods over FY17-19. ICICI's market share in spends expanded further to 13.5% in 1HFY20 and then to 13.9% in 5M-Jul-Nov20. Moreover, "Buy Now Pay Later" (BNPL) is growing rapidly (~25%). As on Sep -21, ICICI Bank has "spend share" of 21.5%.

Strong deposit franchise: ICICI Bank is among the prime beneficiaries of the focus towards retail as well as commercial deposits to larger banks. ICICI bank's domestic credit growth at 16% CAGR (FY14-FY21) has been well supported by strong liability franchise as deposits grew at 16% CAGR (FY14-FY21). Deposit growth was lower than industry in FY12-15; however FY16 onwards deposit growth has outpaced the industry growth by more than 500bps each year led by digital initiatives along with branch expansion and focus on retail term deposits. CASA deposit grew by 17% CAGR (FY14-FY21) while term deposits grew by 15% CAGR (FY14-FY21). CASA ratio has constantly improved from a low of 43% in FY14 to 52% in FY18, however in last 2 years focus has shifted towards retail term deposits which resulted in CASA share declining to 46% as of FY21 and further to 44% in Q2FY22.

Credit quality maintained; likely to improve further: In the recent quarter, the bank's GNPA/NNPA/PCR stood at 4.82%/0.99%/80.1% against 5.15%/1.16%/78.4% in the previous quarter. The total covid provisioning stood ₹64.3bn. The total additional provision contains covid provision (₹64.3bn), General Provision (₹67bn) and Provision on Non-fund based NPA (₹18bn). The PCR including all provisions (Cumulative + Covid + General + Contingencies) stood at 116% of GNPL. The contingent provision (excluding PCR) stood 1.95% of the loans. We expect the standard asset contingent provision to be adequate to face the stress emerging from the restructuring (1.3% of portfolio) and also expects credit cost normalization to 1.2% - 1.3%. We estimate the GNPA/NNPA ratio of 2.5%/0.7% as on FY24E with PCR of above 70%.

Key Financials (₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
NII	3,32,671	3,89,894	4,61,698	5,46,829	6,50,460
Operating Profit	2,81,013	3,63,971	4,22,892	4,89,921	5,70,352
Reported Profits	79,308	1,61,927	2,31,279	2,75,243	3,32,171
Net Worth	11,33,861	14,44,125	16,75,440	19,50,683	22,82,854
Loan & Advances	64,52,900	73,37,291	84,37,885	97,87,946	1,14,51,897
Int. Bearing Liabilities	93,38,658	1,02,41,531	1,15,79,285	1,33,90,030	1,55,39,242

Key Ratios (%)	FY20	FY21	FY22E	FY23E	FY24E
NIM's	3.5	3.6	3.8	3.9	4.0
Cost / Income	43.5	37.2	37.8	38.5	39.2
Gross NPA	5.5	5.0	4.2	3.1	2.5
Tier 1	16.0	19.5	14.7	14.7	14.5
Adj. RoA	0.8	1.4	1.8	1.8	1.9
Adj. RoE	7.1	12.3	14.6	14.9	15.5

Rating	Buy
Current Market Price (₹)	722
12 M Price Target (₹)	1,028
Potential upside (%)	42

Stock Data

FV (₹) :	2
Market Cap Full (₹ bn) :	5,021
Market Cap Free Float (₹ bn) :	5,021
52-Week High / Low (₹) :	867 / 472
2-Year High / Low (₹) :	867 / 268
1 Year Avg. Dly Traded Volume (in lakh)	192
BSE Code / NSE Symbol	532174 / ICICIBANK
Bloomberg :	ICICIB IN

Shareholding Pattern (%)

	Sep-21	Jun-21	Mar-21	Dec-20
FPIs	47.29	48.01	47.78	47.43
MFs	27.21	26.26	26.07	26.35
Insurance	12.38	12.56	12.85	13.40
Others	13.12	13.17	13.30	12.82

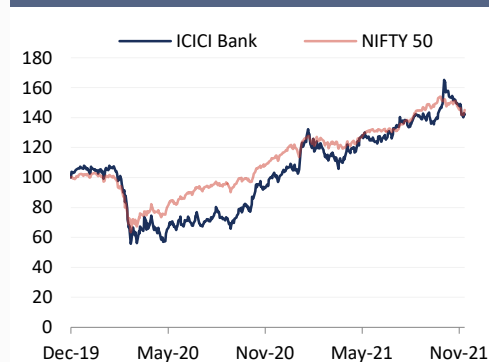
Source: BSE

Price Performance (%)

(%)	1M	3M	6M	1YR
ICICI Bank	-9.8%	-0.4%	11.4%	50.3%
Nifty 50	-2.7%	1.0%	11.7%	32.7%

* To date / current date : December 2, 2021

ICICI Bank vs Nifty 50



Management change a key for growth: ICICI Bank in FY19 went through a leadership change almost after a decade, Mr. Sandeep Bakshi the new MD & CEO had laid down the clear focus mainly on achieving superior returns to shareholders through strong core operating performance. ROA and ROE dipped from highs of 2% and 15% in FY16 to lows of 0.4% and 3.2% respectively in FY19 as the bank went through a difficult period. However, under the able leadership of Mr. Bakshi and clear laid down objectives, ROA and ROE quickly revived to 1.4% and 12.6% in FY21 and further improved to 1.8% and 14% respectively in 2QFY22 (annualized). We estimate a ROA/ROE of 2%/16% at the end of FY24E.

Outlook and Valuation

We expect its loan book to grow cautiously at CAGR of 16% over FY21-23E, led by balanced growth across segments. In our opinion, the bank's credit cost will normalise by FY22E and estimate return ratio ROA/ROE of 1.8% and 14.6% in FY22E. We value the standalone entity at 3.3x FY23E BVPS (₹273) and its investment in subsidiaries and JVs (₹127 per share); we arrive at a target price of ₹1,028.

Exhibit 1: Income Statement

FY Ending (₹ mn)	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Net Interest Income	2,12,240	2,17,373	2,30,259	2,70,148	3,32,671	3,89,894	4,61,698	5,46,829	6,50,460
<i>Growth (yoy %)</i>	11.5	2.4	5.9	17.3	23.1	17.2	18.4	18.4	19.0
NIM (%)	3.4	3.2	3.1	3.2	3.5	3.6	3.8	3.9	4.0
Yield on Advance	9.5	8.8	8.4	8.7	9.3	8.3	8.4	8.5	8.6
Yield on Funds	8.5	8.0	7.3	7.6	7.9	7.3	7.2	7.4	7.5
Cost of Funds (CoF)	5.6	5.3	4.6	4.7	4.7	4.1	3.9	3.9	3.8
Interest Spread	2.9	2.7	2.7	2.9	3.2	3.2	3.3	3.5	3.6
Other Income - Total	1,53,220	1,38,225	1,20,877	1,45,122	1,64,486	1,89,685	2,17,768	2,50,018	2,87,057
<i>Growth (yoy %)</i>	25.8	-9.8	-12.6	20.1	13.3	15.3	14.8	14.8	14.8
Total Opex	1,26,836	1,47,551	1,57,039	1,80,891	2,16,144	2,15,608	2,56,574	3,06,926	3,67,165
<i>Growth (yoy %)</i>	10.3	16.3	6.4	15.2	19.5	-0.2	19.0	19.6	19.6
C/I Ratio (%)	34.7	41.5	44.7	43.6	43.5	37.2	37.8	38.5	39.2
Pre Provision Profits	2,38,625	2,08,047	1,94,096	2,34,379	2,81,013	3,63,971	4,22,892	4,89,921	5,70,352
<i>Growth (yoy %)</i>	21.0	-12.8	-6.7	20.8	19.9	29.5	16.2	15.9	16.4
Provisions as % PPP	31.9	42.8	49.3	47.3	28.3	28.0	17.7	16.3	14.5
Credit Cost (As % of Op. AUM)	3.0	3.4	3.3	3.8	1.7	2.5	1.6	1.5	1.4
Effective Tax Rate (%)	20.3	8.7	5.1	10.9	43.5	19.8	23.5	23.5	23.5
Reported Profits	97,252	98,011	67,774	33,633	79,308	1,61,927	2,31,279	2,75,243	3,32,171
<i>Growth (yoy %)</i>	-13.0	0.8	-30.8	-50.4	135.8	104.2	42.8	19.0	20.7
RoA	1.4	1.3	0.8	0.4	0.8	1.4	1.8	1.8	1.9
RoE	11.4	10.3	6.6	3.2	7.1	12.3	14.6	14.9	15.5

Source: Company, LKP Research

Exhibit 2: Balance Sheet

FY Ending (₹ mn)	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	11,632	11,651	12,860	12,897	12,948	13,834	13,871	13,871	13,871
Growth (yoy %)	0.3	0.2	10.4	0.3	0.4	6.8	0.3	0.0	0.0
Reserves (ex Revel. Reserve)	8,57,482	9,57,376	10,08,644	10,40,294	11,20,913	14,30,291	16,61,569	19,36,812	22,68,983
Net Worth - Ex Revaluation	8,69,114	9,69,027	10,21,504	10,53,191	11,33,861	14,44,125	16,75,440	19,50,683	22,82,854
Growth (yoy %)	8.1	11.5	5.4	3.1	7.7	27.4	16.0	16.4	17.0
Deposits	42,14,257	49,00,391	56,09,752	65,29,197	77,09,690	93,25,222	1,08,26,632	1,25,86,629	1,46,37,966
Growth (yoy %)	16.6	16.3	14.5	16.4	18.1	21.0	16.1	16.3	16.3
Borrowings	17,48,074	14,75,562	18,28,586	16,53,200	16,28,968	9,16,310	7,52,654	8,03,402	9,01,276
Growth (yoy %)	1.4	-15.6	23.9	-9.6	-1.5	-43.7	-17.9	6.7	12.2
Interest Bearing Liabilities	59,62,331	63,75,952	74,38,338	81,82,396	93,38,658	1,02,41,531	1,15,79,285	1,33,90,030	1,55,39,242
Growth (yoy %)	11.7	6.9	16.7	10.0	14.1	9.7	13.1	15.6	16.1
Investments	16,04,118	16,15,065	20,29,942	20,77,327	24,95,315	28,12,865	31,70,699	35,59,064	40,03,838
Growth (yoy %)	1.4	0.7	25.7	2.3	20.1	12.7	12.7	12.2	12.5
Loan & Advances	43,52,639	46,42,321	51,23,953	58,66,466	64,52,900	73,37,291	84,37,885	97,87,946	1,14,51,897
Growth (yoy %)	12.3	6.7	10.4	14.5	10.0	13.7	15.0	16.0	17.0
Total Assets	72,06,951	77,17,915	87,91,894	96,44,593	1,09,83,652	1,23,04,327	1,38,99,725	1,59,34,753	1,83,95,594
Growth (yoy %)	11.5	7.1	13.9	9.7	13.9	12.0	13.0	14.6	15.4

Source: Company, LKP Research

Exhibit 3: Per Share Data

FY Ending	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Earnings Per Share (₹)	15	15	11	5	12	23	33	40	48
EPS (% YoY)	-13.2	0.6	-31.1	-50.5	134.9	91.1	42.5	19.0	20.7
Book Value (₹)	136	151	159	163	175	209	242	281	329
BVPS (% YoY)	7.7	11.3	5.1	2.8	7.2	19.2	15.7	16.4	17.0

Source: Company, LKP Research

Exhibit 4: Profitability Ratios

FY Ending	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Yield on Advance	9.5	8.8	8.4	8.7	9.3	8.3	8.4	8.5	8.6
Yield on Funds	8.5	8.0	7.3	7.6	7.9	7.3	7.2	7.4	7.5
Cost of Funds (CoF)	5.6	5.3	4.6	4.7	4.7	4.1	3.9	3.9	3.8
Interest Spread	2.9	2.7	2.7	2.9	3.2	3.2	3.3	3.5	3.6
NIM's	3.4	3.2	3.1	3.2	3.5	3.6	3.8	3.9	4.0
C/I Ratio (%)	34.7	41.5	44.7	43.6	43.5	37.2	37.8	38.5	39.2
Provisions as % PPP	31.9	42.8	49.3	47.3	28.3	28.0	17.7	16.3	14.5
Credit Cost (As % of Op. AUM)	3.0	3.4	3.3	3.8	1.7	2.5	1.6	1.5	1.4
Effective Tax Rate (%)	20.3	8.7	5.1	10.9	43.5	19.8	23.5	23.5	23.5
RoA	1.4	1.3	0.8	0.4	0.8	1.4	1.8	1.8	1.9
RoE	11.4	10.3	6.6	3.2	7.1	12.3	14.6	14.9	15.5

Source: Company, LKP Research

Exhibit 5: Balance Sheet Ratios

FY Ending	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Credit / Deposit	103.3	94.7	91.3	89.8	83.7	78.7	77.9	77.8	78.2
Investment Deposit	38.1	33.0	36.2	31.8	32.4	30.2	29.3	28.3	27.4
CASA	47.0	51.1	52.1	50.0	45.5	46.7	47.0	47.0	47.0

Source: Company, LKP Research

Exhibit 6: Credit Quality

FY Ending	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Slippage Ratio (%)	4.3	7.7	6.2	2.1	2.4	2.5	2.2	1.9	1.7
Gross NPA	2,62,213	4,21,594	5,40,630	4,56,760	4,08,291	4,08,414	3,57,872	3,04,291	2,85,564
Net NPA	1,29,631	2,52,168	2,78,236	1,34,497	99,232	91,177	83,709	86,667	84,670
Gross NPAs Ratio (%)	5.8	8.7	8.8	6.7	5.5	5.0	4.2	3.1	2.5
Net NPAs Ratio (%)	3.0	5.4	4.8	2.1	1.5	1.2	1.0	0.9	0.7
PCR (%)	50.6	40.2	48.5	70.6	75.7	77.7	76.6	71.5	70.3

Source: Company, LKP Research

Exhibit 7: Detailed RoA Tree (%)

FY Ending	FY20	FY21	FY22E	FY23E	FY24E
Yields / Margins					
Yield on Advance	9.3	8.3	8.4	8.5	8.6
Yield on Funds	7.9	7.3	7.2	7.4	7.5
Cost of Funds (CoF)	4.7	4.1	3.9	3.9	3.8
Interest Spread	3.2	3.2	3.3	3.5	3.6
NIM's	3.5	3.6	3.8	3.9	4.0
Interest Income / Assets	7.3	6.8	6.8	6.9	7.0
Interest Exp. / Assets	4.0	3.4	3.2	3.2	3.2
NII / Assets	3.2	3.3	3.5	3.7	3.8
Fee Income / Assets	1.1	0.9	0.9	0.9	0.9
Other Non Core Income / Assets	0.3	0.6	0.6	0.6	0.6
Other Income / Assets	1.6	1.6	1.7	1.7	1.7
Net Operating Income / Assets	4.8	5.0	5.2	5.3	5.5
Operating Ratios					
NII to Net Operative Income	66.9	67.3	68.0	68.6	69.4
Other Income to Net Operative Income	33.1	32.7	32.0	31.4	30.6
Empl. Cost/Oper. Exps.	38.3	37.5	37.5	37.3	37.1
Other Op. Exps./Oper. Exps.	61.7	62.5	62.5	62.7	62.9
C/I Ratio (%)	43.5	37.2	37.8	38.5	39.2
Provisions as % PPP	28.3	28.0	17.7	16.3	14.5
Credit Cost (As % of Op. AUM)	1.7	2.5	1.6	1.5	1.4
Effective Tax Rate (%)	43.5	19.8	23.5	23.5	23.5
Employee Exp. / Assets	0.8	0.7	0.7	0.8	0.8
Other Opex/ Assets	1.3	1.2	1.2	1.3	1.3
Total Opex / Assets	2.1	1.9	2.0	2.1	2.1
Operating Profits / Assets	2.7	3.1	3.2	3.3	3.3
Exceptional Items / Assets	-	-	-	-	-
Op Profit ex Except Items / Assets	2.7	3.1	3.2	3.3	3.3
Provisions / Assets	1.4	1.4	0.9	0.9	0.8
Profit Before Tax / Assets	1.4	1.7	2.3	2.4	2.5
Tax Expenses / Assets	0.6	0.3	0.5	0.6	0.6
RoA	0.8	1.4	1.8	1.8	1.9
Leverage (x)	9.7	8.5	8.3	8.2	8.1
RoE	7.1	12.3	14.6	14.9	15.5
Adj. RoA	0.8	1.4	1.8	1.8	1.9
Adj. RoE	7.1	12.3	14.6	14.9	15.5

Source: Company, LKP Research

DISCLAIMERS AND DISCLOSURES

LKP Sec. Ltd. (CIN-L67120MH1994PLC080039, www.Lkpsec.com) and its affiliates are a full-fledged, brokerage and financing group. LKP was established in 1992 and is one of India's leading brokerage and distribution house. LKP is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX). LKP along with its subsidiaries offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, insurance broking and services rendered in connection with distribution of primary market issues and financial products like mutual funds etc.

LKP hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years. However, SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on LKP for certain operational deviations in ordinary/routine course of business. LKP has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

LKP offers research services to clients. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by LKP and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

Research Analyst or his/her relative's financial interest in the subject company. (NO)

LKP or its associates may have financial interest in the subject company.

LKP or its associates and Research Analyst or his/her relative's does not have any material conflict of interest in the subject company. The research Analyst or research entity (LKP) has not been engaged in market making activity for the subject company.

LKP or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report: (NO)

LKP or its associates may have received any compensation including for investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

LKP or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

LKP or its associates may have received any compensation or other benefits from the Subject Company or third party in connection with the research report.

Subject Company may have been client of LKP or its associates during twelve months preceding the date of distribution of the research report and LKP may have co-managed public offering of securities for the subject company in the past twelve months.

Research Analyst has served as officer, director or employee of the subject company: (NO)

LKP and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject LKP or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person.

Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom.

All trademarks, service marks and logos used in this report are trademarks or registered trademarks of LKP or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

All material presented in this report, unless specifically indicated otherwise, is under copyright to LKP. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of LKP.