




Estimate change 
TP change 
Rating change 

Bloomberg	ICICIBC IN
Equity Shares (m)	6,957
M.Cap.(INRb)/(USDb)	6322.6 / 76.5
52-Week Range (INR)	936 / 642
1, 6, 12 Rel. Per (%)	-1/17/23
12M Avg Val (INR M)	11362

Financials & Valuations (INR b)

Y/E March	FY22	FY23E	FY24E
NII	474.7	592.6	694.9
OP	392.5	469.9	555.1
NP	233.4	309.0	367.9
NIM (%)	4.0	4.3	4.3
EPS (INR)	33.7	44.5	52.9
EPS Gr (%)	39.2	32.1	19.0
ABV/Sh (INR)	223.3	267.7	317.1
Cons. BV/Sh (INR)	262.0	305.5	358.0

Ratios

RoE (%)	15.0	17.0	17.2
RoA (%)	1.8	2.1	2.1

Valuations

P/BV (x) (Cons)	3.5	3.0	2.5
P/ABV (x)	3.3	2.7	2.3
P/E (x)	21.8	16.5	13.8

*Adjusted for Investment in subsidiaries

Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	0.0	0.0	0.0
DII	38.0	36.3	32.9
FII	53.0	54.6	59.2
Others	9.1	9.1	7.9

FII Includes depository receipts

CMP: INR907

TP: INR1,100 (+21%)

Buy

Another enthralling quarter

Robust business growth; prudently scales up contingent provisions

- ICICIBC reported another quarter of magical performance, with the bank reporting in line earnings (RoA of 2.1%), despite making contingent provisions of INR15b. Core PPOP grew 24% YoY. NIM expanded by 30bp QoQ to 4.31%.
- Asset quality continues to demonstrate exemplary performance as the bank further improved its GNPA/NNPA ratio, while PCR improved to 81%. The bank now has a total contingency buffer of INR100b.
- Business growth remains strong and was broad-based, with an increase of 23% YoY and 5% QoQ, led by both the Retail and Corporate segment. The bank continues to invest in technology and digital initiatives to further boost the pace and sustain the momentum.
- With a floating rate book of 70%, the bank is well-placed in a rising interest rate environment. We expect ICICIBC to deliver a FY24E RoA/RoE of 2.1%/17.2%. **ICICIBC remains our top pick in the sector.**

Margin expands by 30bp QoQ to 4.31%; deposits grew 4% QoQ

- PAT grew 37% YoY (in line) to INR75.6b in 2QFY23, aided by healthy NII growth, strong fee income, and controlled provisions. The bank reported a 2QFY23 annualized RoA/RoE of 2.1%/16.6%.
- NII grew 26% YoY (4% beat), aided by a 30bp QoQ expansion in margin to 4.31% and healthy (23% YoY) loan growth.
- Other income rose 5% YoY and 8% QoQ to INR44.8b, impacted by a treasury loss of INR850m (a gain of INR360m in 1QFY23). Fee income grew a healthy 18% YoY. A lower duration AFS portfolio helped minimize the MTM impact in 2QFY23.
- OPEX rose 24% YoY (5% miss) as the bank continues to invest in its employees and in technology initiatives to build its franchise. PPOP rose 18% YoY and core PPOP grew at 24% YoY (in line).
- On the business front, advances grew 23% YoY and 5% QoQ, led by 24%/25% YoY growth in Domestic/Retail loans. Growth was led by Home loans, Credit Cards, and Personal loans. The SME book grew 27% YoY. The Corporate book saw a healthy pick-up, up 22% YoY and 5% QoQ.
- On the liability front, deposits grew 12% YoY and 4% QoQ and CASA deposits grew 13% YoY and 3% QoQ. Average CASA mix declined by 80bp QoQ to 45%.
- Fresh slippages moderated to INR43.7b (2.3% annualized). However, higher recoveries restricted increase in net slippages to INR6.1b.
- GNPA/NNPA ratio improved by 22bp/9bp QoQ to 3.2%/0.6%, while PCR improved to ~81%. Restructuring book moderated to INR67.1b (0.7% of loans). The bank created an additional contingent provision of INR15b, taking the contingency buffer to INR100b (1.1% of loans).

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Highlights from the management commentary

- The management aims to grow core operating profit in a risk calibrated manner, with a 360 degree focus on the customer.
- It continues to invest in people and tech and operate within the strategic framework of 'One Bank, One RoE'.
- While the cost-to-income ratio improved in 2QFY23, the bank is ready to incur a higher OPEX as it sees multiple growth opportunities.
- The management expects credit cost to significantly undershoot normalized credit levels for some time as it does not see any stress in the Corporate or Retail book.

ICICIBC remains our top Buy in the sector

ICICIBC reported a strong performance, led by a combination of impressive core PPOP growth, healthy NII growth, and controlled provisions (despite the creation of contingent provisions), underpinned by pristine asset quality. A stable mix of a high-yielding portfolio (Retail/Business Banking) and a low-cost liability franchise is fueling steady NII growth, resulting in a margin expansion to 4.31%. The bank sees a strong recovery in business trends across segments, while asset quality trends remain steady, with an industry best PCR ~81%. The additional COVID-19 provision buffer (1.1% of loans) renders further comfort. We expect the bank to deliver a FY24 RoA/RoE of 2.1%/17.2%. **We reiterate our Buy rating with a SoTP-based TP of INR1,100 (2.9x FY24E ABV). ICICIBC remains our top pick in the sector.**

Quarterly performance (INR b)

	FY22				FY23E				FY22	FY23E	FY23	v/s
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	Est.
Net Interest Income	109.4	116.9	122.4	126.0	132.1	147.9	154.7	158.0	474.7	592.6	142.6	4%
% Change (YoY)	17.8	24.8	23.4	20.8	20.8	26.5	26.4	25.3	21.7	24.9	22.0	
Other Income	40.0	48.0	49.9	47.4	46.7	50.5	52.3	54.1	185.2	203.7	49.4	2%
Total Income	149.3	164.9	172.2	173.4	178.8	198.4	207.0	212.1	659.8	796.3	192.0	3%
Operating Expenses	60.4	65.7	70.7	70.5	75.7	81.6	83.2	85.9	267.3	326.4	78.0	5%
Operating Profit	88.9	99.1	101.5	102.9	103.1	116.8	123.8	126.2	392.5	469.9	114.0	2%
% Change (YoY)	-17.5	20.0	15.1	20.5	15.9	17.8	22.0	22.6	7.8	19.7	14.9	
Provisions	28.5	27.1	20.1	10.7	11.4	16.4	17.7	17.7	86.4	63.3	15.7	5%
Profit before Tax	60.4	72.0	81.4	92.2	91.7	100.4	106.1	108.5	306.1	406.6	98.3	2%
Tax	14.3	16.9	19.5	22.1	22.6	24.8	25.5	24.8	72.7	97.6	23.6	5%
Net Profit	46.2	55.1	61.9	70.2	69.0	75.6	80.6	83.8	233.4	309.0	74.7	1%
% Change (YoY)	77.6	29.6	25.4	59.4	49.6	37.1	30.2	19.4	44.1	32.4	35.5	
Operating Parameters												
Deposit	9,262	9,774	10,175	10,646	10,503	10,900	11,476	12,030	10,646	12,030	10,959	-1%
Loan	7,386	7,649	8,140	8,590	8,956	9,386	9,879	10,308	8,590	10,308	9,406	0%
Deposit Growth (%)	15.5	17.3	16.4	14.2	13.4	11.5	12.8	13.0	14.2	13.0	12.1	(61)
Loan Growth (%)	17.0	17.2	16.4	17.1	21.3	22.7	21.4	20.0	17.1	20.0	23.0	(27)
Asset Quality												
Gross NPA (%)	5.2	4.8	4.1	3.6	3.4	3.2	3.1	2.7	3.6	2.7	3.2	0
Net NPA (%)	1.2	1.0	0.9	0.8	0.7	0.6	0.6	0.5	0.8	0.5	0.7	(4)
PCR (%)	78.4	80.3	80.2	79.5	79.9	81.3	80.3	82.2	79.2	82.2	80.1	117

Source: MOFSL, Company

Quarterly snapshot (INR b)

Profit and Loss (INRb)	FY21				FY22				FY23		Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	YoY	QoQ
Interest Income	199.2	196.2	197.3	198.4	203.8	212.3	220.8	226.7	236.7	260.3	23	10
Loans	145.8	140.4	140.3	146.4	149.8	157.4	162.3	168.8	176.3	199.3	27	13
Investment	41.9	43.1	41.2	39.1	40.4	41.0	40.5	42.2	45.8	51.2	25	12
Others	11.6	12.7	15.7	12.9	13.6	14.0	18.0	15.8	14.6	9.8	-30	-33
Interest Expenses	106.4	102.6	98.2	94.1	94.5	95.4	98.5	100.7	104.6	112.5	18	8
Net Interest Income	92.8	93.7	99.1	104.3	109.4	116.9	122.4	126.0	132.1	147.9	26	12
Other Income	61.4	40.3	46.9	41.1	40.0	48.0	49.9	47.4	46.7	50.5	5	8
Trading profits	37.6	5.4	7.7	-0.3	2.9	4.0	0.9	1.3	0.4	-0.9	NM	NM
Fee Income	21.0	31.4	36.0	38.2	32.2	38.1	42.9	43.7	42.4	44.8	18	6
Others	2.8	3.5	3.2	3.2	4.9	5.9	6.1	2.4	3.9	6.6	12	71
Total Income	154.2	133.9	146.0	145.4	149.3	164.9	172.2	173.4	178.8	198.4	20	11
Operating Expenses	46.5	51.3	57.8	60.0	60.4	65.7	70.7	70.5	75.7	81.6	24	8
Employee	21.7	19.7	19.5	20.1	23.7	23.8	24.8	24.3	28.5	28.9	21	1
Others	24.8	31.7	38.3	39.9	36.6	41.9	45.9	46.2	47.2	52.7	26	12
Operating Profits	107.8	82.6	88.2	85.4	88.9	99.1	101.5	102.9	103.1	116.8	18	13
Core Operating Profits	70.1	77.2	80.5	85.6	86.0	95.2	100.6	101.6	102.7	117.7	24	15
Provisions	75.9	30.0	27.4	28.8	28.5	27.1	20.1	10.7	11.4	16.4	-39	44
PBT	31.8	52.7	60.8	56.6	60.4	72.0	81.4	92.2	91.7	100.4	39	10
Taxes	5.8	10.1	11.4	12.5	14.3	16.9	19.5	22.1	22.6	24.8	47	10
PAT	26.0	42.5	49.4	44.0	46.2	55.1	61.9	70.2	69.0	75.6	37	9
Balance Sheet (INR b)												
Loans	6,312	6,526	6,990	7,337	7,386	7,649	8,140	8,590	8,956	9,386	23	5
Investments	3,019	2,896	2,753	2,813	2,948	2,852	2,848	3,102	3,213	3,330	17	4
Deposits	8,016	8,329	8,743	9,325	9,262	9,774	10,175	10,646	10,503	10,900	12	4
Borrowings	1,649	1,364	1,116	916	891	830	1,096	1,072	1,155	1,299	57	13
Total Assets	11,386	11,630	11,932	12,304	12,207	12,760	13,542	14,113	14,156	14,887	17	5
Asset Quality (INR b)												
GNPA	403.9	389.9	348.6	413.7	431.5	414.4	370.5	339.2	331.6	325.7	-21	-2
NNPA	86.7	71.9	48.6	91.8	93.1	81.6	73.4	69.6	66.6	61.0	-25	-8
Deposits Break Up												
CASA Deposits	3,406	3,646	3,954	4,316	4,251	4,507	4,807	5,184	4,921	5,078	13	3
% of total Deposits	42	44	45	46	46	46	47	49	47	47		
Savings	2,448	2,571	2,787	2,955	3,066	3,186	3,346	3,600	3,518	3,625	14	3
% of total Deposits	31	31	32	32	33	33	33	34	33	33		
Current	958	1,075	1,167	1,362	1,185	1,321	1,460	1,585	1,403	1,454	10	4
% of total Deposits	12	13	13	15	13	14	14	15	13	13		
Term Deposits	4,610	4,684	4,789	5,009	5,011	5,267	5,368	5,461	5,582	5,822	11	4
% of total Deposits	58	56	55	54	54	54	53	51	53	53		
Loan Break Up												
Agriculture												
SME Loans	209	233	271	303	298	331	364	405	394	419	27	6
Corporate Loans	1,588	1,574	1,701	1,766	1,739	1,705	1,861	1,924	1,981	2,087	22	5
Retail Loans	3,787	3,984	4,238	4,519	4,552	4,780	5,024	5,315	5,549	5,855	22	6
of which												
- Housing	2,011	2,117	2,258	2,437	2,494	2,647	2,783	2,931	3,051	3,186	20	4
- Personal Loans	440	445	464	493	495	526	570	629	684	744	41	9
- Credit Cards	147	155	173	173	172	198	228	251	280	334	68	19
- Others	1,189	1,267	1,344	1,416	1,392	1,409	1,444	1,505	1,535	1,592	13	4
International Loans	470	423	431	376	401	387	407	413	458	380	-2	-17
Loan Mix (%)												
SME Loans	3.3	3.6	3.9	4.1	4.0	4.3	4.5	4.7	4.4	4.5	13	7
Corporate Loans	25.2	24.1	24.3	24.1	23.5	22.3	22.9	22.4	22.1	22.2	-6	11
Retails	60.0	61.1	60.6	61.6	61.6	62.5	61.7	61.9	62.0	62.4	-11	42
International Loans	7.5	6.5	6.2	5.1	5.4	5.1	5.0	4.8	5.1	4.0	-101	-106

Source: MOFSL, Company

Quarterly snapshot (INR b)

Ratios	FY21				FY22				FY23		Change (bp)	
Asset Quality Ratios (%)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	YoY	QoQ
GNPA	5.5	5.2	4.4	5.0	5.2	4.8	4.1	3.6	3.4	3.2	-163	-22
NNPA	1.2	1.0	0.6	1.1	1.2	1.0	0.9	0.8	0.7	0.6	-38	-9
PCR (Calculated)	78.5	81.6	86.1	77.8	78.4	80.3	80.2	79.5	79.9	81.3	97	134
Credit Cost	5.0	1.9	1.6	1.7	1.7	1.5	1.1	0.5	0.6	0.8	-76	21
Business Ratios (%)												
Fees to Total Income	13.6	23.4	24.7	26.2	21.6	23.1	24.9	25.2	23.7	22.6	-54	-116
Cost to Core Income	39.8	39.9	41.8	41.2	41.2	40.8	41.3	41.0	42.4	41.0	11	-146
Tax Rate	18.3	19.3	18.7	22.2	23.6	23.5	23.9	23.9	24.7	24.7	122	3
CASA	42.5	43.8	45.2	46.3	45.9	46.1	47.2	48.7	46.9	46.6	50	-30
Dom. Loan/Deposit (Rep)	72.9	73.3	75.0	74.7	75.4	74.3	76.0	76.8	80.9	82.6	832	171
Loan / Deposit	78.7	78.4	79.9	78.7	79.7	78.3	80.0	80.7	85.3	86.1	785	84
Profitability Ratios (%)												
Yield on loans	9.3	8.9	8.4	8.5	8.3	8.3	8.2	8.3	8.1	8.6	29	51
Yield On Investments	6.4	6.7	6.6	5.9	5.4	5.7	5.8	5.7	5.9	6.6	93	68
Yield on Funds	7.9	7.5	7.3	7.3	7.3	7.3	7.2	7.2	7.2	7.6	33	40
Cost of funds	4.6	4.4	4.1	4.0	3.8	3.7	3.7	3.7	3.7	3.8	7	11
Margins	3.7	3.6	3.7	3.8	3.9	4.0	4.0	4.0	4.0	4.3	31	30
RoA (cal)	1.0	1.5	1.7	1.5	1.5	1.8	1.9	2.1	2.0	2.1	27	8
RoE (Cal)	8.9	13.2	14.0	12.3	12.3	14.1	15.4	17.1	15.9	16.6	250	70
Other Details												
Branches	5,324	5,288	5,267	5,266	5,268	5,277	5,298	5,418	5,534	5,614	337	80
ATM	15,661	15,158	14,655	14,136	14,141	14,045	13,846	13,626	13,379	13,254	-791	-125
Subsidiaries PAT (INR m)											Change (%)	
I Sec	1,930	2,780	2,670	3,290	3,110	3,510	3,800	3,400	2,740	3,000	-15	9
I Sec PD	3,460	260	1,320	660	1,240	1,610	30	420	200	920	-43	360
I Venture	260	-80	-20	-120	10	-90	-80	160	-80	0	-100	-100
Pru AMC	2,570	2,820	3,580	3,480	3,800	3,830	3,340	3,570	3,050	4,060	6	33
ICICI Home Finance	10	20	30	150	170	460	480	530	400	600	30	50
ICIC Life Insurance	2,880	3,030	3,060	640	-1,860	4,450	3,110	1,850	1,560	1,990	-55	28
ICICI General Insurance	3,980	4,160	3,140	3,460	1,520	4,460	3,180	3,130	3,490	5,910	33	69
Consolidation adj.	-9,902	-6,683	-8,196	-6,726	-6,520	-12,420	-10,438	-6,057	-6,559	-11,988	-3	83
Subsidiaries PAT	5,188	6,307	5,584	4,834	1,470	5,811	3,422	7,003	4,801	4,492	-23	-6
ICICI Bank	25,992	42,513	49,396	44,026	46,160	55,110	61,938	70,187	69,049	75,578	37	9
Consol Profit	31,180	48,820	54,980	48,860	47,630	60,920	65,360	77,190	73,850	80,070	31	8

Source: MOFSL, Company



Highlights from the management commentary

With respect to Operating environment, Balance sheet and P&L

- The bank aims to grow core operating profit in a risk calibrated manner with a 360 degree focus on customer
- To achieve the stated objective, the bank is looking to augment its technology offering and strengthen the franchise
- Deposit momentum in the system has been slower than overall credit growth. Thus, the pace of deposit growth has slowed down across banks
- Going forward, the Bank expects a faster re-pricing in cost of deposits
- Business Bank, SME, Retail and Corporate drove the growth in 2QFY23 while rural segment was slower. Overseas book declined 2% YoY.
- The bank aims to build a granular loan book. Retail portfolio (including non-fund based) stands at 44% of the total loans
- The growth in SME and Business Banking was driven by leveraging branch network, cross-sell and tech offerings like Insta-Biz
- There are several opportunities to grow core operating profit

- The bank continues to invest in people and tech and operate within the strategic framework of 'One Bank One RoE'
- It has added ~10K employees and 340 branches in the last 12 months. This is based on assessment of market opportunity of business growth
- While cost to income ratio improved in 2QFY23, the bank is ready to incur higher opex for investments as it sees multiple growth opportunities

With respect to Digital Initiatives

- Technological expenses forms 9% of Opex and the bank aims to maintain it at around these levels
- The bank continues to see increasing digital adoption by the customers
- Value of transaction by non-ICICI Bank customers on various platforms of ICICI Bank has gained strong traction
- More than 3.5m amazon co-brand cards has been issued since launch
- Value and volume of financial transactions on InstaBIZ for SME and Business banking as well as supply chain platforms has seen a tremendous increase
- The bank is offering more than 20 industry customized stacks for greater ease and convenience
- The bank will continue to leverage technological capabilities to drive growth which will aid in gaining market share
- The bank continues to invest in digital initiatives to maintain leadership

With respect to Asset Quality

- Net additions came in at INR6.1b to gross NPA, driven by gross slippages of INR36b in Retail, Rural and Business Banking and INR7b in Corporate and SME, offset by recoveries of INR38b.
- The bank has written off accounts worth INR11.3b in 2QFY23
- In Retail, focus should be on net slippages as these are unlike corporate slippages which tend to be stickier
- The Bank expects credit cost to significantly undershoot the normalized credit levels for some time as it does not see any stress in Corporate or Retail
- The Bank is not looking to maintain any specific level of contingent provision
- As at Sep'22, total provisions stood at INR200.6b or 2.1% of loans.

Key exhibits

Exhibit 1: Net stressed loans declined to 1.5% of total loans

INR b	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23
GNPA	431	414	371	339	332	326
Security Receipts	17	16	10	8	6	5
BB & below (fund and non-fund based)	140	127	118	108	82	76
Stress loans	588	558	499	455	420	407
Specific provisions	338	333	297	270	265	265
Net stressed loans	250	225	202	186	155	143
Gross stressed loans (% of advances)	8.0	7.3	6.1	5.3	4.7	4.3
Net stressed loans (% of advances)	3.4	2.9	2.5	2.2	1.7	1.5

Blended Margin expanded
30bp QoQ to 4.31%

Deposit growth at 12% YoY, Domestic NIM improves 31bp QoQ to 4.45%

- Deposits grew 11.5% YoY/3.8% QoQ to INR10.9t, within which CASA/Term deposits grew ~13%/~11% YoY. On a sequential basis, CASA deposits grew 3% while term deposits grew 4% QoQ. CA/SA deposits rose 10%/14% YoY. Average CASA mix declined 80bp QoQ to 45.0%.
- NIM expanded 30bp QoQ to 4.31%. The cost of deposits increased 9bp QoQ to 3.55%. Domestic margin expanded 31bp QoQ to 4.45%, while overseas NIM improved 18bp QoQ to 0.51%.

Domestic loan growth stood
at ~24% YoY, led by ~25%
growth in the Retail book,
which now constitutes
62.4% of total loans

Loan growth robust at 23% YoY (+4.8% QoQ); Retail loans rose 25% YoY

- Loan book grew 22.7% YoY (+4.8% QoQ) to INR9.4t, led by 25% growth in Retail loans. Domestic loans increased ~224% YoY, while international loans declined ~2% YoY. The proportion of international loans in overall loans stood at ~4%.
- Retail loans grew ~25% YoY and 5.5% QoQ, within which Home/Personal loans grew 4.4%/8.7% QoQ. Growth in Credit Cards/Vehicle loan book stood at ~19%/3% QoQ.
- SME loans grew 27% YoY/6% QoQ and constituted 4.5% of total loans.
- Corporate loans grew 23% YoY (+5.0% QoQ)

Quantum of BB & below
exposure stood at INR76.4b
(0.8% of loans)

BB & below pool stood at 0.8% of loans; PCR improves to ~81%

- Total slippages moderated to INR43.7b in 2QFY23 (v/s INR58.3b in 1QFY23), with Retail slippages at INR36.6b and Corporate & SME slippages at INR7.1b.
- ICICIB's absolute GNPA/NNPA fell 2%/8% QoQ to INR325.7b/INR61b. GNPA/NNPA ratio thus moderated to 3.2%/0.6% v/s 3.4%/0.7% in Jun'22. PCR improves to ~81%.
- The bank made further contingent provision of INR15b. Thus, in addition to reported PCR, the bank is carrying additional provisions of INR100b (1.1% of loans), along with provision of INR20.24b on non-fund based outstanding to NPAs. ICICIB holds INR80b in general provisions on standard assets and other provisions.
- Total restructuring for the bank moderated to INR67.1b (0.7% of loans in 2QFY23 v/s 0.8% of loans in 1QFY23), on which it is carrying provisions of INR20.6b. Restructuring breakup – Retail & Business Banking (INR47.4b) and Corporate & SME (INR19.7b).
- BB & below portfolio declined to INR76.4b (0.8% of loans) v/s INR82.1b in 1QFY23.

Exhibit 2: ICICIBC's total exposure: BB & below stood at 0.8% of total loans in 2QFY23

INR b	1Q FY22	2Q FY22	3Q FY22	4Q FY22	1Q FY23	2Q FY23
Fund and non-fund o/s to restructured loans	40.8	32.4	36.9	23.9	22.9	22.0
Borrowers with o/s greater than INR1b	64.3	58.5	52.3	58.8	38.1	32.6
Borrowers with o/s less than INR1b	34.6	36.3	29.2	25.4	21.2	21.9
BB and below outstanding	139.8	127.1	118.4	108.1	82.1	76.4

Of the other borrowers, ~90% were rated A- and above (excluding exposure to state electricity boards)

Exhibit 3: Exposure to the Power sector stood at INR425b in 2QFY23

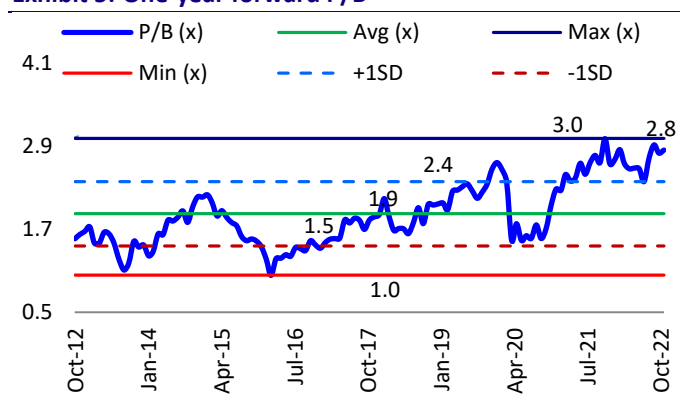
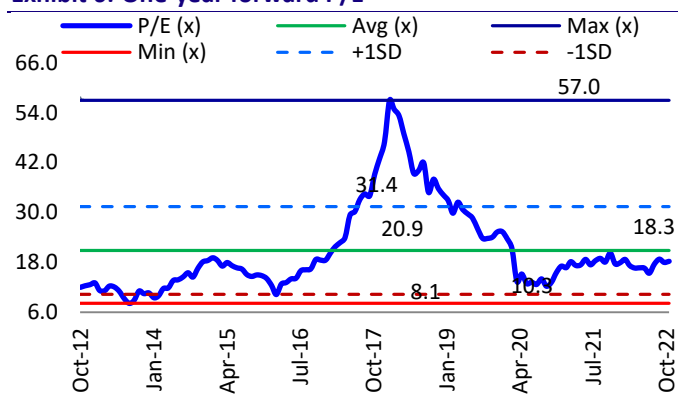
INR b	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	%
Gross restructured loans	80.6	77.1	75.8	73.2	66.3	64.0	15
Other borrowers*	305.3	326.0	301.4	327.5	308.1	361.3	85
Total power sector exposure	385.9	403.2	377.2	400.7	374.4	425.3	100

Valuation and view: Firing on all cylinders! Our top pick in the sector; BUY

- **Robust liability franchise:** ICICIBC continues to witness strong growth in Retail deposits and has succeeded in building a robust liability franchise over the past few years. Total/CASA deposits clocked ~17%/16% CAGR each over FY17-22, thus leading to a healthy CASA mix. The bank enjoys one of the lowest funding costs among Private Banks, which enables it to underwrite profitable business without taking undue Balance Sheet risk.
- **Asset quality improved** backed by a moderation in slippages and higher recoveries/upgrades. GNPA/NNPA moderated to 3.2%/0.6% v/s 3.4%/0.7% in 1QFY23. BB & below pool witnessed a decline, while the restructuring book decreased to ~0.7% of loans. However, the bank is carrying ~31% provisions, higher than the regulatory requirement. We expect slippages to moderate significantly over FY22-24E. PCR remained healthy at ~81%, which, along with the additional provision buffer of INR100b, should keep its credit cost under check. We estimate a credit cost of 0.6% each in FY23E/FY24E for ICICIBC.
- **Maintain BUY with a TP of INR1,100:** ICICIBC reported a strong performance driven by a combination of impressive core PPOP growth, healthy NII growth and controlled provisions (despite creation of contingent provisions) underpinned by pristine asset quality. A stable mix of high-yielding portfolio (Retail/Business Banking) and a low-cost liability franchise is fueling steady NII growth resulting in margin expansion to 4.31%. The bank is seeing a strong recovery in business trends across segments while asset quality trends remain steady with industry best PCR ~81%. The additional COVID-19 provision buffer (1.1% of loans) renders further comfort. **We estimate the bank to deliver a FY24 RoA/RoE of 2.1%/17.2%, respectively. Reiterate BUY with an SoTP-based TP of INR1,100 (2.9x FY24E ABV).**

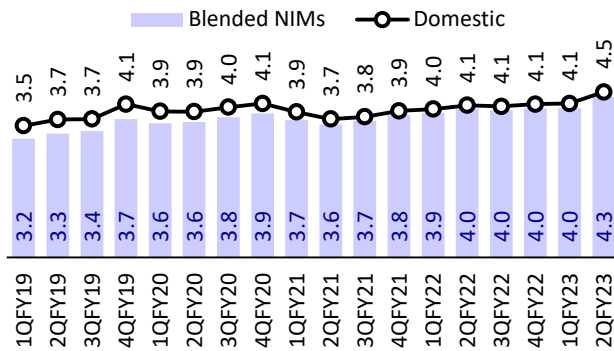
Exhibit 4: SoTP-based target price; implies 21% potential upside from current level

	Stake (%)	Total Value INR b	Value Per Share INR	% of Total Value	Rationale
ICICI Bank	100	6,449	925	84.1	2.9x FY24E ABV
ICICI Pru Life Insurance	51	497	72	6.5	2.3x FY24E Embedded Value
ICICI Lombard Gen. Ins	48	334	48	4.4	35x FY24E PAT
ICICI Pru AMC	51	368	53	4.8	30x FY24E PAT
ICICI Securities	75	186	27	2.4	17x FY24E PAT
ICICI Bank UK	100	30	4	0.4	0.8x FY24E Net-worth
ICICI Bank Canada	100	33	5	0.4	0.8x FY24E Net-worth
Others (Ventures, Home Finance, PD)	100	69	10	0.9	
Total Value of Ventures		1,517	218	19.8	
Less: 20% holding Discount		303	44	4.0	
Value of Key Ventures (Post Holding Co. Disc)		1,213	175	15.9	
Target Price Post 20% Holding Co. Disc.		7,663	1,100		

Exhibit 5: One-year forward P/B**Exhibit 6: One-year forward P/E**

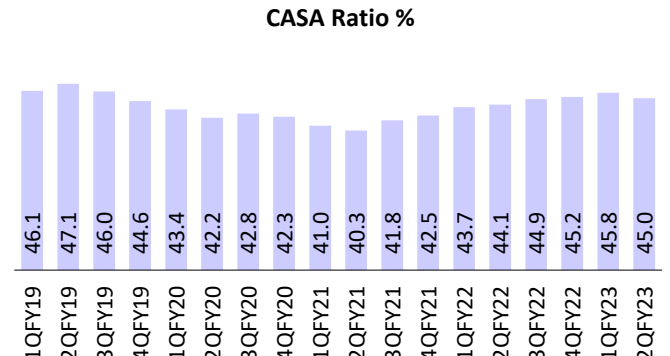
Story in charts

Exhibit 7: Domestic NIM expanded 31bp QoQ to 4.45%



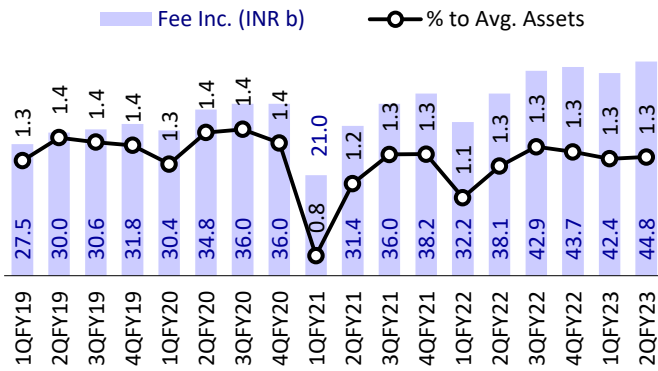
Source: MOFSL, Company

Exhibit 8: Average CASA ratio moderated 80bp QoQ



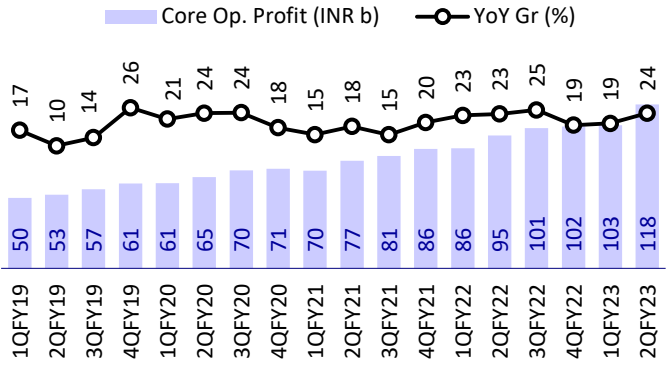
Source: MOFSL, Company

Exhibit 9: Fee income grew 18% YoY



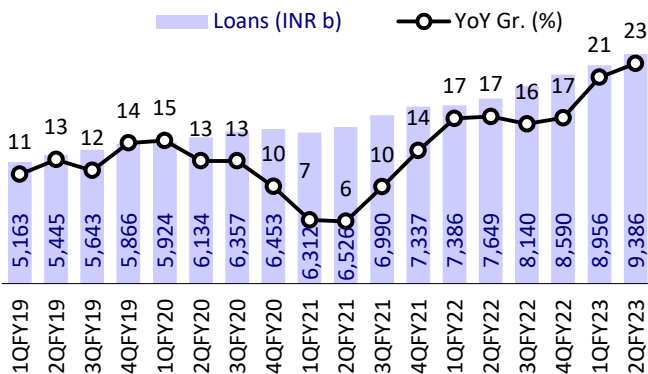
Source: MOFSL, Company

Exhibit 10: Core operating profit grew 24% YoY



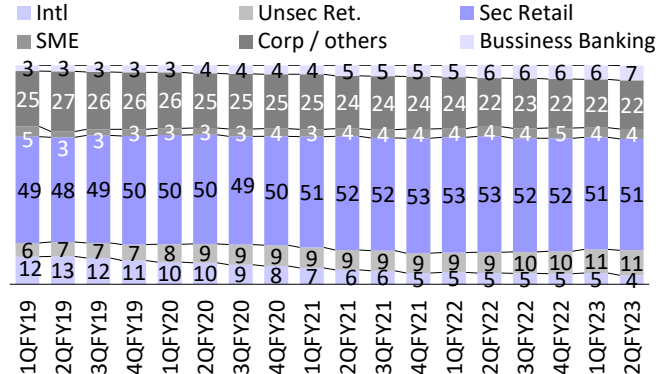
Source: MOFSL, Company

Exhibit 11: Overall loan book grew 23% YoY (+4.8% QoQ)

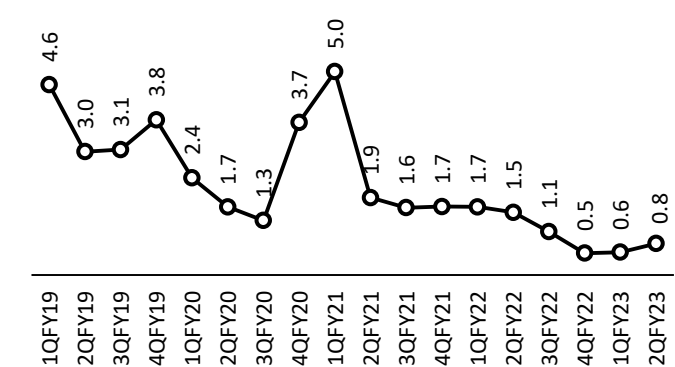


Source: MOFSL, Company

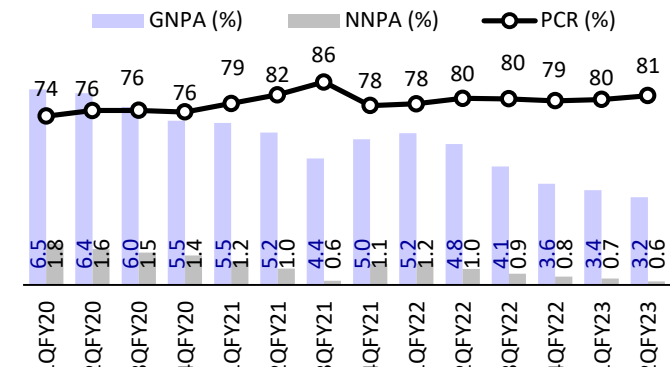
Exhibit 12: Retail loans continued to drive loan growth



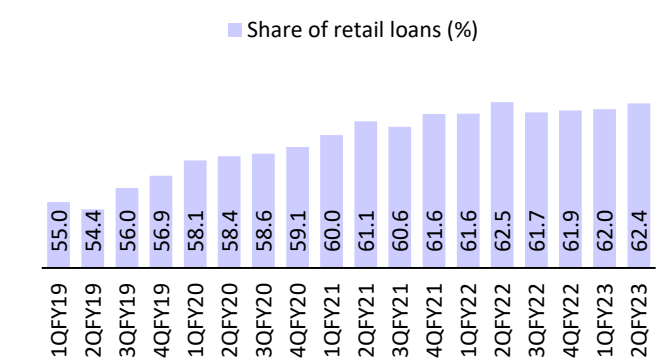
Source: MOFSL, Company

Exhibit 13: Credit cost stable at 0.8% despite creation of further contingent provisions of INR15b

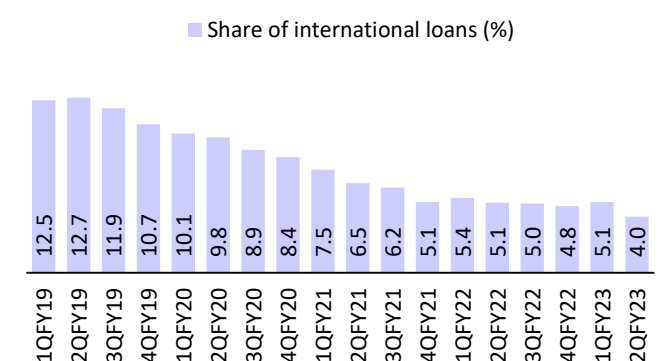
Source: MOFSL, Company

Exhibit 14: GNPA/NNPA ratio moderated 22bp/9bp QoQ to 3.2%/0.6% as of Sep'22; PCR improves to ~81%

Source: MOFSL, Company

Exhibit 15: Share of Retail loans stood at 62.4% of total loans

Source: MOFSL, Company

Exhibit 16: Share of International loans declined to 4.0% of total loans

Source: MOFSL, Company

Exhibit 17: DuPont Analysis – Return ratios to pick up further, led by moderation in credit cost and pick up in NII

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Interest Income	6.66	6.88	7.25	6.79	6.54	7.23	7.58
Interest Expense	3.87	3.95	4.03	3.45	2.95	3.28	3.54
Net Interest Income	2.79	2.93	3.23	3.35	3.59	3.95	4.04
Core Fee Income	1.32	1.26	1.28	1.27	1.04	1.19	1.16
Trading and others	0.79	0.31	0.32	0.36	0.36	0.17	0.27
Non-Interest income	2.11	1.57	1.59	1.63	1.40	1.36	1.43
Total Income	4.90	4.50	4.82	4.98	5.00	5.31	5.48
Operating Expenses	1.90	1.96	2.10	1.85	2.02	2.18	2.25
Employee cost	0.72	0.74	0.80	0.69	0.73	0.78	0.82
Others	1.19	1.22	1.29	1.16	1.29	1.40	1.43
Operating Profits	3.00	2.54	2.72	3.13	2.97	3.13	3.23
Core operating Profits	2.21	2.23	2.41	2.77	2.61	2.96	2.96
Provisions	2.10	2.13	1.36	1.39	0.65	0.42	0.41
NPA	1.73	1.82	0.85	0.93	0.47	0.38	0.36
Others	0.37	0.31	0.51	0.47	0.19	0.04	0.05
PBT	0.90	0.41	1.36	1.73	2.32	2.71	2.82
Tax	0.08	0.04	0.59	0.34	0.55	0.65	0.68
RoA	0.82	0.36	0.77	1.39	1.77	2.06	2.14
Leverage	8.3	8.9	9.4	9.0	8.5	8.3	8.0
RoE	6.8	3.2	7.3	12.6	15.0	17.0	17.2
Core RoE	7.6	3.6	8.0	13.6	15.9	17.8	17.9

Financials and valuations

Income Statement						(INR b)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Interest Income	549.7	634.0	748.0	791.2	863.7	1,084.2	1,303.6
Interest Expended	319.4	363.9	415.3	401.3	389.1	491.6	608.7
Net Interest Income	230.3	270.1	332.7	389.9	474.7	592.6	694.9
Growth (%)	5.9	17.3	23.1	17.2	21.7	24.9	17.3
Other Income	174.2	145.1	164.5	189.7	185.2	203.7	246.5
Total Income	404.5	415.3	497.2	579.6	659.8	796.3	941.4
Growth (%)	-1.9	2.7	19.7	16.6	13.8	20.7	18.2
Operating Exp.	157.0	180.9	216.1	215.6	267.3	326.4	386.3
Operating Profits	247.4	234.4	281.0	364.0	392.5	469.9	555.1
Growth (%)	-6.6	-5.3	19.9	29.5	7.8	19.7	18.1
Core PPP	189.5	221.0	264.6	312.2	385.5	466.4	551.2
Growth (%)	6.1	16.6	19.7	18.0	23.5	21.0	18.2
Provisions & Cont.	173.1	196.6	140.5	162.1	86.4	63.3	71.0
PBT	74.3	37.8	140.5	201.8	306.1	406.6	484.1
Tax	6.6	4.1	61.2	39.9	72.7	97.6	116.2
Tax Rate (%)	8.8	10.9	43.5	19.8	23.7	24.0	24.0
PAT	67.8	33.6	79.3	161.9	233.4	309.0	367.9
Growth (%)	-30.9	-50.4	135.8	104.2	44.1	32.4	19.0

Balance Sheet							
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	12.9	12.9	12.9	13.8	13.9	13.9	13.9
Reserves & Surplus	1,038.7	1,070.8	1,152.1	1,461.2	1,688.6	1,980.9	2,328.0
Net Worth	1,051.6	1,083.7	1,165.0	1,475.1	1,702.5	1,994.8	2,341.9
Deposits	5,609.8	6,529.2	7,709.7	9,325.2	10,645.7	12,029.7	14,074.7
Growth (%)	14.5	16.4	18.1	21.0	14.2	13.0	17.0
Of which CASA Deposits	2,899.3	3,239.4	3,478.2	4,316.2	5,184.4	5,666.0	6,671.4
Growth (%)	17.5	11.7	7.4	24.1	20.1	9.3	17.7
Borrowings	1,828.6	1,653.2	1,629.0	916.3	1,072.3	1,072.5	1,162.5
Other Liabilities & Prov.	302.0	378.5	479.9	587.7	689.8	793.3	912.3
Total Liabilities	8,791.9	9,644.6	10,983.6	12,304.3	14,110.3	15,890.3	18,491.4
Current Assets	841.7	803.0	1,191.6	1,331.3	1,678.2	1,492.6	1,626.1
Investments	2,029.9	2,077.3	2,495.3	2,812.9	3,102.4	3,598.8	4,102.6
Growth (%)	25.7	2.3	20.1	12.7	10.3	16.0	14.0
Loans	5,124.0	5,866.5	6,452.9	7,337.3	8,590.2	10,308.2	12,318.4
Growth (%)	10.4	14.5	10.0	13.7	17.1	20.0	19.5
Net Fixed Assets	79.0	79.3	84.1	88.8	93.7	101.2	109.3
Other Assets	717.3	818.5	759.8	734.1	648.4	389.4	335.0
Total Assets	8,791.9	9,644.6	10,983.7	12,304.3	14,113.0	15,890.3	18,491.4

Asset Quality							
GNPA	540.6	462.9	414.5	414.6	339.1	283.9	311.4
NNPA	278.9	135.8	100.5	92.5	70.6	50.5	60.9
GNPA Ratio (%)	10.0	7.5	6.1	5.4	3.8	2.7	2.5
NNPA Ratio (%)	5.4	2.3	1.6	1.3	0.8	0.5	0.5
Slippage Ratio (%)	6.1	2.0	2.2	2.3	2.4	2.0	2.0
Credit Cost (%)	3.5	3.6	2.3	2.4	1.1	0.6	0.6
PCR (Excl. Technical write off) (%)	48.4	70.7	75.7	77.7	79.2	82.2	80.4

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Yield and Cost Ratios (%)							
Avg. Yield - Earning Assets	7.7	7.9	8.2	7.6	7.3	7.9	8.1
Avg. Yield on loans	8.4	8.7	9.3	8.3	8.0	8.8	8.9
Avg. Yield on Investments	6.3	6.2	6.4	6.2	5.5	6.5	6.8
Avg. Cost-Int. Bear. Liab.	4.6	4.7	4.7	4.1	3.5	4.0	4.3
Avg. Cost of Deposits	4.5	4.4	4.6	3.9	3.3	3.8	4.1
Interest Spread	3.0	3.3	3.5	3.5	3.7	3.9	3.8
Net Interest Margin	3.2	3.4	3.7	3.7	4.0	4.3	4.3

Capitalisation Ratios (%)

CAR	17.9	16.5	15.8	18.9	18.9	18.3	17.9
Tier I	15.6	14.7	14.4	17.8	18.0	17.6	17.3
Tier II	2.3	1.7	1.4	1.1	0.9	0.7	0.6

Business and Efficiency Ratios (%)

Loan/Deposit Ratio	91.3	89.8	83.7	78.7	80.7	85.7	87.5
CASA Ratio %	51.7	49.6	45.1	46.3	48.7	47.1	47.4
Cost/Assets	1.8	1.9	2.0	1.8	1.9	2.1	2.1
Cost/Total Income	38.8	43.6	43.5	37.2	40.5	41.0	41.0
Cost/Core Income	45.3	45.0	45.0	40.8	41.0	41.2	41.2
Int. Expended/Int. Earned	58.1	57.4	55.5	50.7	45.0	45.3	46.7
Other Inc./Net Income	43.1	34.9	33.1	32.7	28.1	25.6	26.2
Emp. Cost/Op. Exp.	37.7	37.6	38.3	37.5	36.2	35.9	36.4

Valuation	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
RoE (%)	6.8	3.2	7.3	12.6	15.0	17.0	17.2
Core RoE (%)	7.6	3.6	8.0	13.6	15.9	17.8	17.9
RoA (%)	0.8	0.4	0.8	1.4	1.8	2.1	2.1
RoRWA (%)	1.0	0.5	1.0	1.9	2.6	2.9	2.9
Standalone ABV	115.3	135.5	151.3	187.3	223.3	267.7	317.1
ABV Growth (%)	-4.0	17.5	11.6	23.8	19.2	19.8	18.5
Adjusted Price-ABV (x)	6.4	5.4	4.8	3.9	3.3	2.7	2.3
Consol Book Value (INR)	172.1	177.2	189.9	227.8	262.0	305.5	358.0
BV Growth (%)	-4.2	3.0	7.2	19.9	15.0	16.6	17.2
Price-Consol BV (x)	5.3	5.1	4.8	4.0	3.5	3.0	2.5
EPS (INR)	11.1	5.2	12.3	24.2	33.7	44.5	52.9
EPS Growth (%)	-34.3	-52.8	135.0	97.0	39.2	32.1	19.0
Adj. Price-Earnings (x)	66.2	140.2	59.7	30.3	21.8	16.5	13.8

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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