

Banking Sector July 24, 2023

CMP	997
Sensex	66503

Stock Statistics

Reuters code	ICBK.NS
Bloomberg code	ICICIBC IN

Equity Cap (INR cr)	699,665
Face Value (INR)	2.0
INR / USD	82.1
Market cap (INR cr)	697,
Market cap (USD bn)	154.1
52 Wk High/Low (INR)	1758/1338

Shareholding Pattern (%) – Jun'23

Promoter	0.00
Foreign Institutional Investor	44.53
MF / FI / UTI / Banks	45.25
Public & Others	8.95
Bodies & Corporate	1.27

ICICI Bank Stock Update Q1FY24 Results

ICICI Bank posted modest results for the Q1 FY2024

▪ Robust Operational Performance

- Net interest income (NII) increased by 38.0% YoY and 3.2% QoQ to Rs 182.27 bn in Q1 FY2024 on back of healthy credit growth and reasonable NIMs.
- The net interest margin (NIM) was 4.78% in Q1 FY2024 as compared to 4.01% in Q1 FY2023 and 4.90% in Q4 FY2023
- Non-interest income, excluding treasury gains, increased by 12.0% YoY to Rs 51.83 bn in Q1 FY2024 led by Fee income, which grew by 14.1% YoY to Rs 48.43 bn in Q1 FY2024 from Rs 42.43 bn in Q1 FY2023.
- Fees from retail, rural, business banking and SME customers constituted about 78% of total fees in Q1-2024.

▪ Advances growth led by Retail, Business Banking:

- The domestic loan portfolio grew by 20.6% YoY and 4% QoQ at June 30, 2023.
- The retail loan portfolio grew by 21.9% YoY and 4.5% QoQ. Including non-fund based outstanding, the retail portfolio was 45.9% of the total portfolio.
- The business banking portfolio grew by 30.4% year-on-year and 3.8% sequentially. The SME portfolio grew by 28.5% YoY and 5.5% QoQ.
- The rural portfolio grew by 17.6% YoY and 3.6% QoQ.
- The domestic corporate portfolio grew by 19.3% YoY and 2.8% QoQ, driven by the growth across well-rated financial and nonfinancial corporates.
- The overall loan portfolio, including the international branches portfolio, grew by 18.1% YoY and 3.7% QoQ.

▪ Strong Deposits pace:

- Total deposits grew by 17.9% year-on-year and 4.9% sequentially. Term deposits increased by 25.8% year-on-year and 9.8% sequentially at June 30, 2023.
- During the quarter, the average current and savings account deposits grew by 6.6% YoY and 2.6% QoQ.
- The bank's liquidity coverage ratio for the quarter was about 124%.

Valuations

- At CMP, the stock is available at ~18x / 15x FY2024E EPS and 3.3x / 2.7x ABVPS for FY2024E / FY2025E respectively.

Key Conference Call Highlights

▪ Margins:

- The net interest margin (NIM) was 4.78% in Q1 FY2024, down 12BPS QoQ (from 4.90% in Q4 FY2023) and up by 77BPS YoY (was 4.01% in Q1 FY2023).
- The sequential movement in the NIM reflects the lagged impact of increase in deposit rates over the last year on the cost of deposits.

▪ Advances growth led by Retail, Business Banking:

- The Total Advances grew to Rs 10,575.83 billion, where the domestic loan portfolio grew by 20.6% YoY and 4% QoQ at June 30, 2023.
- The retail loan portfolio grew by 21.9% YoY and 4.5% QoQ. Including non-fund based outstanding, the retail portfolio was 45.9% of the total portfolio.
- The business banking portfolio grew by 30.4% year-on-year and 3.8% sequentially. The SME portfolio grew by 28.5% YoY and 5.5% QoQ.
- The rural portfolio grew by 17.6% YoY and 3.6% QoQ.
- The domestic corporate portfolio grew by 19.3% YoY and 2.8% QoQ, driven by the growth across well-rated financial and nonfinancial corporates.
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▪ Asset Quality now normalizing, higher slippages due to KCC and lower recoveries:

- During the quarter, there were net additions of INR 18.07 billion to gross NPAs, excluding write-off and sale,
- Higher slippages were due to mainly the seasonal higher additions in the Kisan credit card portfolio (Rs 6.66 bn) and lower recoveries and upgrades from the corporate portfolio compared to the last couple of quarters.
- The net additions to gross NPAs in the current quarter were of INR 18.07 billion (compared to INR 0.14 billion in the previous quarter).
- The net additions to gross NPAs were INR 19.32 billion in the retail, rural and business banking portfolio and there were net deletions of gross NPAs of INR 1.25 billion in the corporate and SME portfolio.

▪ Provisions:

- The provisioning coverage ratio on NPA was 82.4%.
- Also, ICICI Bank continues to hold contingency provisions of INR 131 billion or about 1.2% of total loans.
- The non-fund based outstanding to borrowers classified as NPA were INR 37.04 billion (compared to INR 37.80 billion as on Q4 FY2023). The bank holds provisions amounting to INR 19.64 billion (53%) against this non-fund based outstanding.

- **Strong Capital Position:**

- The capital position of the bank continued to be strong with a CET1 ratio of 16.66%,
- Tier 1 ratio stood at 16.76% and total capital adequacy ratio of 17.47%. This was including profits for Q1 FY2024.

- **Restructured Assets:**

- Total fund-based outstanding under resolution was INR 39.46 billion
- Of which, INR 34.06 billion (86%) was from the retail, rural and business banking portfolio and INR 5.4 billion (14%) was from the corporate and SME portfolio.
- The bank holds provisions of INR 12.24 billion against these borrowers, which is higher than the requirement as per RBI guidelines.

- **Opex:**

- Operating expenses increased by 25.9% YoY
- Employee expenses up by 36.3% YoY year-on-year, reflecting the annual increments
- and promotions, and the increase in number of employees over the last 12 months.
- Non-employee expenses increased by 19.5% YoY primarily due to retail business-related expenses and technology expenses.
- The technology expenses were about 9% of the operating expenses in this quarter
- Branch and Employee additions
- The branch count increased by 174 in Q1 FY2024, total had 6,074 branches.
- The bank had about 135,000 employees and has added about 27,650 in the last 12 months.

Key Conference Call Highlights

- **Focus on Core PBT:** The strategic focus of the management continues to be on growing the PBT (core PPOP less provisions excluding treasury gains) through customer-centric approach and by serving opportunities across ecosystems and micro markets.
- **Traction on Digital:** There were about 230,000 registrations by non-ICICI Bank account holders on InstaBIZ till June 30, 2023.
- **Outlook on Cost of Funds:**
 - Cost of Funds expected to continue to increase in coming quarters.
 - Bank has 75-80% of total deposits as Retail deposits. Retail deposits, have seen largely stable pricing since last ~6 months and would help contain the rise in CoF
- **Opex:**
 - Employee costs have risen mainly due to incentives payments and also number of employee additions
 - Based on their business plans, ICICI bank expects to continue to hire, and that will start contributing to revenues also at some point.
- **NIMs:** Going forward, as the deposit repricing happens, and there being lesser yield rise to offset it, the outlook on margins is that it will come off further in Q2 and Q3 FY2024.
- **Outlook on CC and PL:**
 - On credit cards (CC) and personal loans (PL), bank has not moderated or diluted any risk filters.
 - Bank's stance on risk has been consistent,
 - The risk on the portfolio, it believes, is well within its tolerance range.
- **Composition of Loans:** Of the total domestic loans, interest rates on 46% are linked to the repo rate, 3% to other external benchmarks (EBLR), and 20% to MCLR and other older benchmarks, the balance 31% of loans have fixed interest rate.

Quarterly Financial Statement

(INR mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	YoY (%)	QoQ (%)
Profit & Loss							
Interest Income	2,36,715	2,60,330	2,85,056	3,10,211	3,33,276	40.8%	7.4%
Interest Expenses	1,04,615	1,12,462	1,20,407	1,33,543	1,51,012	44.3%	13.1%
Net Interest Income	1,32,100	1,47,868	1,64,650	1,76,668	1,82,265	38.0%	3.2%
Other Income	46,652	50,549	50,236	50,878	54,353	16.5%	6.8%
<i>Treasury Income</i>	360	110	230	240	490	36.1%	104.2%
Operating Expenses	75,663	81,614	82,174	89,282	95,226	25.9%	6.7%
<i>Staff Cost</i>	28,492	28,885	29,212	34,010	38,837	36.3%	14.2%
<i>Other opex</i>	47,171	52,728	52,962	55,272	56,389	19.5%	2.0%
Operating Profit	1,03,089	1,16,803	1,32,712	1,38,264	1,41,391	37.2%	2.3%
Provisions	11,438	16,445	22,574	16,198	12,924	13.0%	-20.2%
Profit Before Tax	91,651	1,00,358	1,10,138	1,22,066	1,28,467	40.2%	5.2%
Tax	22,601	24,780	27,019	30,847	31,985	41.5%	3.7%
Net Profit	69,049	75,578	83,119	91,219	96,482	39.7%	5.8%
Equity	13,915	13,938	13,810	13,968	13,995	0.6%	0.2%
EPS	9.9	10.8	12.0	13.1	13.8	38.9%	5.6%
Ratios							
Yield On Advances (%)	8.46	9.09	9.68	10.12	10.36	190 bps	24 bps
Cost of Funds (%)	3.70	3.84	4.01	4.33	4.72	101 bps	39 bps
NIM - R (%)	4.01	4.31	4.65	4.90	4.78	77 bps	-12 bps
Cost - Income Ratio (%)	42.3	41.1	38.2	39.2	40.2	-209 bps	100 bps
Tax Rate (%)	24.7	24.7	24.5	25.3	24.9	23 bps	-38 bps
Credit / Deposit (%)	85.3	86.1	86.8	86.3	85.4	10 bps	-98 bps
CASA (%)	46.9	46.6	45.3	45.8	43.3	-357 bps	-255 bps
Balance Sheet Details							
Advances	89,56,250	93,85,630	97,40,475	1,01,96,390	1,05,75,826	18.1%	3.7%
Deposits	1,05,03,490	1,09,00,080	1,12,20,495	1,18,08,407	1,23,87,366	17.9%	4.9%
Business Volumes	1,94,59,740	2,02,85,710	2,09,60,970	2,20,04,797	2,29,63,192	18.0%	4.4%
CASA	49,21,140	50,78,400	50,88,420	54,12,620	53,62,260	9.0%	-0.9%
CAR (%)	18.0	16.9	16.3	18.3	16.7	-134 bps	-164 bps
<i>CAR - Tier - I</i>	17.3	16.2	15.5	17.6	16.0	-125 bps	-160 bps
Asset Quality							
Gross NPA	3,31,632	3,25,709	3,25,282	3,11,837	3,18,224	-4.0%	2.0%
Net NPA	66,562	60,993	56,512	51,551	53,818	-19.1%	4.4%
Gross NPA (%)	3.5	3.3	3.1	2.9	2.8	-70 bps	-4 bps
Net NPA (%)	0.7	0.7	0.6	0.5	0.5	-23 bps	0 bps
Provision Coverage (Calc)	79.9	81.3	82.6	83.5	83.1	315 bps	-39 bps
Slippage	58,250	43,660	57,230	42,970	53,180	-8.7%	23.8%
Slippage (%)	2.80	1.99	2.50	1.80	2.13	-67 bps	33 bps

Source: Company and Anvil Research

Profit & Loss Statement

Y/E March (Rs mn)	FY2022	FY2023	FY2024E	FY2025E
Interest Income	8,63,745	10,92,313	13,32,272	15,76,264
Interest Expenses	3,89,085	4,71,027	5,45,014	6,22,196
Net Interest Income	4,74,661	6,21,286	7,87,258	9,54,068
Other Income	1,85,175	1,98,315	2,51,338	2,97,070
Operating Income	6,59,836	8,19,601	10,38,596	12,51,138
Operating Expenses	2,67,333	3,28,732	4,33,731	5,17,491
Operating Profit	3,92,503	4,90,868	6,04,866	7,33,647
Provisions and Contingencies	86,410	66,656	1,15,981	1,34,662
Profit before Tax	3,06,093	4,24,212	4,88,885	5,98,985
Provision for Tax	72,694	1,05,247	1,05,599	1,29,381
Profit after Tax	2,33,399	3,18,965	3,83,285	4,69,604

Source: Company and Anvil Research

Balance Sheet

Y/E March (Rs mn)	FY2022	FY2023	FY2024E	FY2025E
Sources of Funds				
Equity Capital	13,900	13,956	13,956	13,956
Reserver & Surplus	16,88,556	19,93,186	22,87,496	27,57,100
Net Worth	17,02,456	20,07,142	23,01,452	27,71,056
ESOP's & Warrants	2,664	2,664	2,664	2,664
Deposits	1,06,45,716	1,20,84,273	1,39,17,251	1,59,05,244
Borrowings	10,72,314	11,65,694	12,68,413	13,81,404
Other Liabilities	6,89,828	8,13,997	9,60,516	11,33,409
Total Liabilities	1,41,12,977	1,60,73,770	1,84,50,297	2,11,93,777
Application of Funds				
Cash & Balance with Bank	6,01,208	7,92,370	10,51,838	14,04,127
Bal. with Banks/ Short Notice	10,77,015	7,98,482	9,00,395	9,37,290
Advances	85,90,204	1,04,80,049	1,23,45,498	1,45,42,997
Investments	31,02,410	31,95,482	32,91,347	33,90,087
Fixed Assets	93,738	1,20,565	1,32,134	1,43,703
Other Assets	6,48,401	6,86,822	7,29,085	7,75,574
Total Assets	1,41,12,977	1,60,73,770	1,84,50,297	2,11,93,777

Source: Company and Anvil Research

Key Ratios

Y/E March (INR mn)	FY2022	FY2023	FY2024E	FY2025E
Valuation				
EPS (Rs)	34	46	55	67
Book Value (Rs)	240	283	325	393
Adj. Book Value (Rs)	230	268	308	372
P/E (x)	29.8	21.9	18.2	14.9
P/BV (x)	4.2	3.5	3.1	2.5
P/ABV (x)	4.3	3.7	3.3	2.7
Profitability (%)				
RoANW	14.7	17.2	17.8	18.5
RoAA	1.8	2.2	2.3	2.5
Cost / Income Ratio	40.5	40.1	41.8	41.4
Cost / Avg. Earning Assets	2.0	2.2	2.5	2.6
Avg. yield on Advances	8.0	8.8	9.4	9.8
Avg. yield on Investments	5.2	6.2	6.0	6.0
Avg. cost on Deposits	3.3	3.4	3.7	3.7
Spread	3.4	3.8	4.3	4.5
Net Interest Margin	3.8	4.3	4.8	5.0
Growth (%)				
Net Interest Income	21.7	30.9	26.7	21.2
Other Income	18.5	23.5	19.0	19.0
Operating Profit	7.8	25.1	23.2	21.3
Net Profit	44.1	36.7	20.2	22.5
Credit	17.1	22.0	17.8	17.8
Deposit	14.2	13.5	15.2	14.3
C/D ratio	80.7	86.7	88.7	91.4
Investment / Deposit Ratio	29.1	26.4	23.6	21.3
Asset Quality				
Gross NPA (INR mn)	3,39,195	3,11,837	3,65,765	4,67,521
Net NPA (INR mn)	69,609	1,04,800	1,23,455	1,45,430
Gross NPA (%)	3.76	2.92	2.91	3.15
Net NPA (%)	0.81	1.00	1.00	1.00
Dividend				
DPS (Rs)	5.0	6.3	6.3	6.3
Capital Adequacy (%)				
CAR	19.8	20.2	20.2	21.2
Efficiency				
Avg. Business per Emp. (INR mn)	181.7	203.6	226.7	252.0
Avg Profit per Emp. (INR mn)	2.21	2.88	3.31	3.89

Source: Company and Anvil Research

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