

ICICI Bank Techno-Funda stock outlook

Stock Details	
NSE Scrip code	ICICIBANK
BSE Scrip code	532174
CMP (As on 21.11.2022)	NSE: 921, BSE: 921.20
Market cap (in Cr)	637096.3
52-weekHigh/Low	943.2 / 642.2
FY25 Target price (3 year horizon)	1,285.89
FY23 Target price (1 year horizon)	973.26

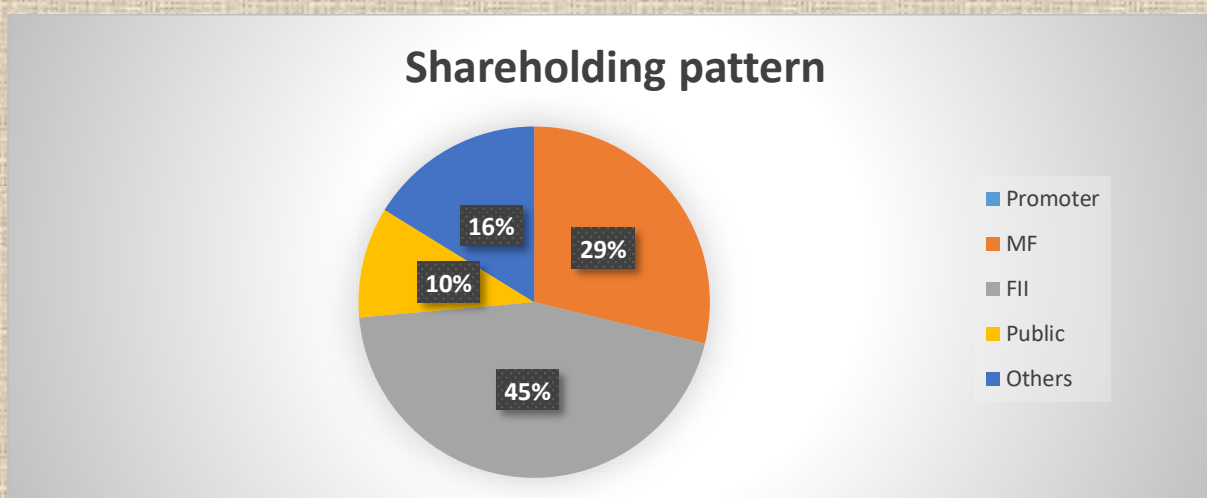
Industry Overview and competitive positioning

As per the Reserve Bank of India (RBI), India's banking sector is adequately capitalised and well-regulated. The economic situation of the country is better than other nations of the world. Indian banks are generally resilient and have responded well to global headwinds.

The fintech services have been a major growth driver for the banking sector, making banking and finance more streamlined through automation.

Business Description:

ICICI Bank is the second largest private banking entity of the country. The company offers a range of financial products and services to retail, rural, small and medium enterprises and corporate customers. The Bank delivers products and services through various channels including branches, ATMs, mobile phones and the internet.



Quarterly Highlights:

1. Improving core earnings by leveraging digital resource:

- 8 million activations of iMobile Pay by non-ICICI Bank account holders.
- The value of transactions by non-ICICI Bank account holders in Q2 was 4.4 times the value of transactions in Q2 of last year.
- NII rises by 26.5% yoy driven by healthy loan book growth
- Operating margin grew to 57% from 55% yoy which goes in tandem with the bank's pursuit of enhancing core earnings in a risk-calibrated manner.

2. Enhanced Balance sheet:

- The net NPA ratio declined qoq to 0.61% from 0.70%
- The provisioning coverage ratio on NPAs was 80.6% Vs 79.6% in previous quarter

3. Growth in deposits:

- Total period-end deposits grew by 11.5% yoy

4. Granular growth in loan portfolio:

- Total advances grew by 22.7% YoY and 4.8% qoq
- The retail loan portfolio saw a rise of 24.6% yoy and 6.0% qoq driven by growth in personal loans and credit card numbers.
- The business-banking and SME portfolios grew yoy by 42.6% and 10.8% respectively owing to the Bank's digital offerings and platforms such as InstaBIZ and Merchant STACK.

5. Increased participation by foreign investors:

- For the September quarter, the bank's stock witnessed highest buying by FIIs at Rs 7,615 crore, an increase in holdings to 44.75% from 43.54% in the previous quarter.

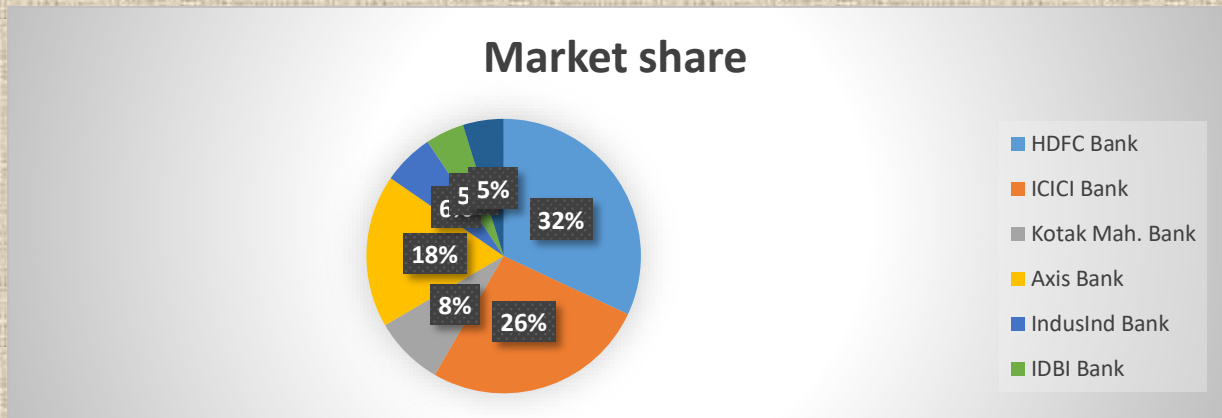
Market leader in FASTag -

ICICI Bank continues to be the leading bank in electronic toll collections through FASTag with a market share of close to 33%. Its electronic toll collections through FASTag increased 51.9% yoy.

ICICI's market share in credit card transactions by value increased to 20.1% in fiscal 2022 from 14.6% in fiscal 2021.

Dominant position in market share

ICICI Bank has second highest share in the private banking domain -



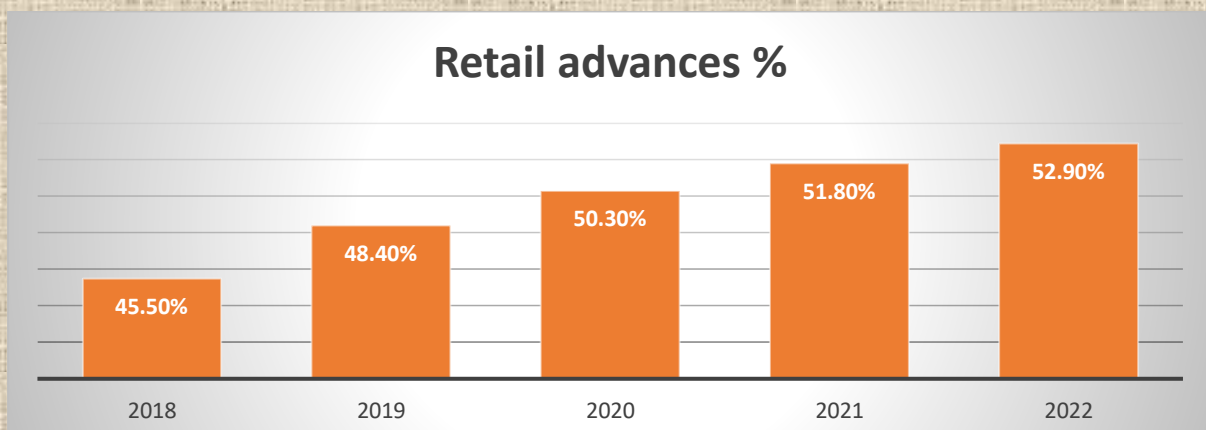
Returns comparison -

Over the last 1 year, stock return (22.25%) has surpassed returns from peers, Bank Nifty and Nifty 50.



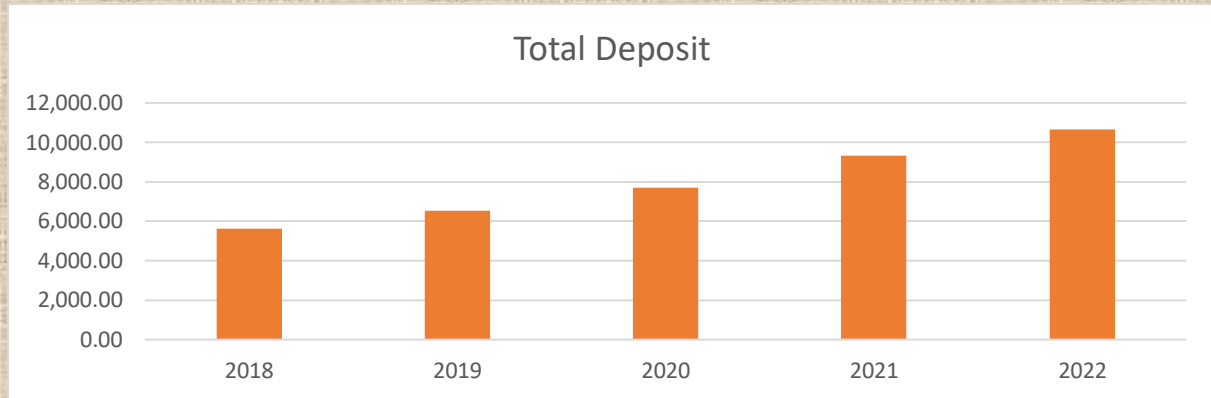
Increasing share of retail advances -

The share of retail in the bank's loan book has been rising consistently over the years. Retail loans are preferable as their chances of slipping to non-performing are comparatively very low.



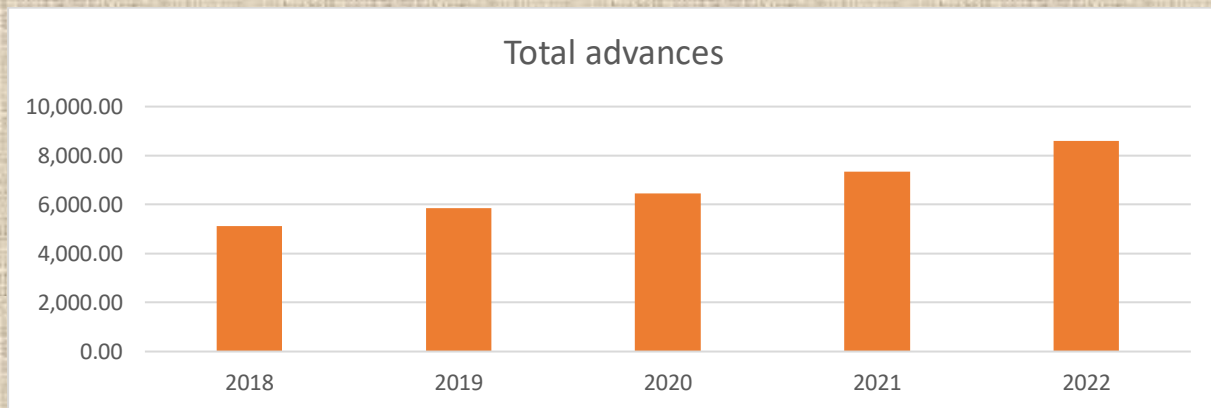
Consistent growth in deposit franchise

Total deposits increased by 14.2% during the fiscal year owing to digital platforms and process simplification to provide a hassle-free banking experience to customers.



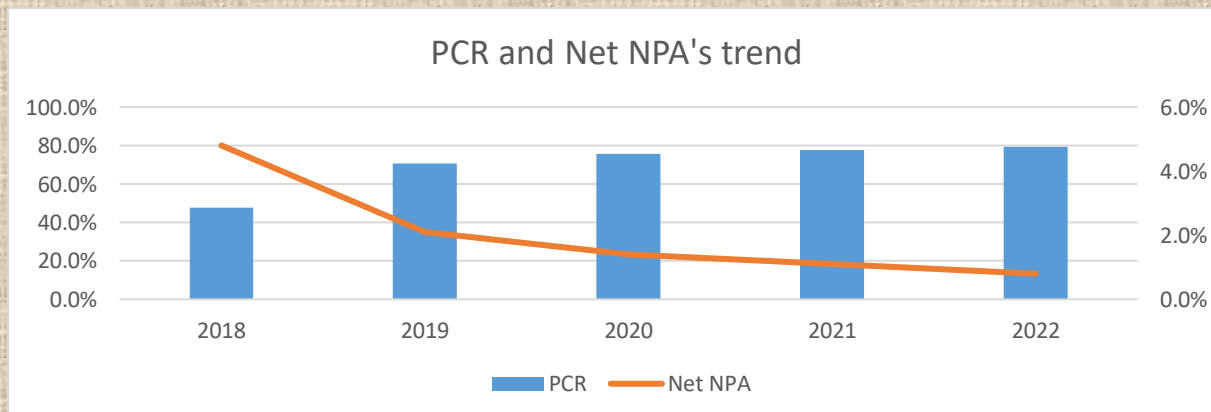
Steady growth in advances

Total advances increased by 17.1% from 7,337.29 billion at March 31, 2021 to 8,590.20 billion at March 31, 2022 primarily due to an increase in domestic advances by 17.5%.



Improving asset quality -

The PCR (Provisional Coverage ratio) has been on the rise and Net NPA's declining over the years –



Quarterly Financials

QUARTERS (In Rs. Cr)	Sep-21	Jun-22	Sep-22	Y-O-Y	Q-O-Q
Interest income	21,234.00	23,672.00	26,033.00	23%	10.0%
Interest expense	9,544.00	10,462.00	11,246.00	18%	7.5%
Net interest income	11,690.00	13,210.00	14,787.00	26%	11.9%
Other Income	4,797.00	4,665.00	5,055.00	5%	8.4%
Provision	2,713.00	1,144.00	1,645.00	-39%	43.8%
Operating expense	6,572.20	7,566.30	8,161.40	24.18%	7.9%
Profit before tax	7,201.80	9,164.70	10,035.60	39%	9.5%
Tax	1,690.30	2,260.10	2,478.00	47%	9.6%
Net profit	5,511.50	6,904.60	7,557.60	37%	9.5%
OPM	55%	56%	57%		

Annual Financials and estimates:

ANNUAL (In Rs Cr.)	Mar-21	Mar-22	Y-O-Y	Mar-23 E	Y-O-Y	Mar-24 E
Interest Income	79,118.00	86,375.00	9.2%	94,068.46	8.9%	1,02,308.86
Interest Expense	40,129.00	38,908.00	-3.0%	42,373.55	8.9%	48,020.82
Net Interest Income	38,989.00	47,467.00	21.7%	51,694.91	8.9%	54,288.04
Non-interest income	18,969.00	18,518.00	-2.4%	21,135.89	14.1%	22,987.40
Depreciation	1,072.00	1,171.00	9.2%	1211.07	3.4%	1344.23
Operating Expenses	36,703.00	34,204.00	-6.8%	34,965.80	2.2%	35,512.96
Profit before tax	20,183.00	30,610.00	51.7%	36,653.92	19.7%	40,418.24
Tax	3,990.00	7,269.00	82.2%	7,972.23	9.7%	8,790.97
Net profit	16,193.00	23,341.00	44.1%	28,681.70	22.9%	31,627.28
EPS	26.58	37.11	39.6%	41.14	10.9%	45.36
OPM	49%	55%		55%		53%

Outlook – Banking sector is well capitalized, economic growth offers positive outlook

The Indian economy is expected to grow at 9.2%, which is the highest rate among all other large economies. This calls for enhanced spending on infrastructure, speedy implementation of projects which offer tremendous growth potential for the banking sector. The Union Budget 2021-22 laid out policies to bolster the banking sector. National Asset reconstruction company (NARCL) will take over, 15 Non performing loans (NPLs) worth Rs. 50,000 crores (US\$ 6.70 billion) from the banks. According to India Ratings & Research (Ind-Ra), credit growth is expected to hit 10% in 2022-23 which will be a double digit growth in eight years.

Pickup in corporate credit cycle, extensive fintech adoption, rising NIM owing to repo rate hikes present an upbeat outlook for the Indian banking sector.

ICICI Bank witnessed strong topline and bottom line growth due to cost efficiency achieved through digitalisation and growth across verticals. Its asset quality continued to improve owing to moderation in slippages.

A more accelerated rise in retail FD rates recently, is expected to increase the bank's retail FD inflows in the upcoming quarter. A consistently flourishing loan book, improving asset quality and promising fintech story provides a strong outlook for the bank in the 3-5 year horizon. We value ICICI Bank share price at 973.26 based on FY24 EPS x 21.45 and at 1285.89 based on FY26 EPS x 20.8.

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