Sector: Banks | RESULT REVIEW Q3FY22 | Declared On: 22 Jan 2022

ICICI Bank Limited

RECOMMENDATION SNAPSHOT					
*CMP	Initiation Price	Target	Potential Upside	Recommendation	MCap (Rsbn)
Rs798	Rs535	Rs904	13%	BUY	5535

**as on 24th Jan 2022*

About the Company:

The ICICI Bank Limited (ICICI) is one of India's leading private sector bank, with well-diversified portfolio offering a wide range of banking and financial services. Apart from banking services; it offers life and general insurance, asset management, securities broking and private equity services through its specialized subsidiaries. The core business consists of commercial banking operations for Indian corporates and retail customers. Products and services include loan products, fee and commission-based products and services, deposit products, foreign exchange and derivatives products to India's leading corporations, mid-sized companies and SME's. Other offerings include agriculture and rural banking products

Results: Quick Glance

- The standalone Net Interest Income (NII) for the quarter came in at Rs122.36bn as compared to Rs93.12bn in the same quarter last year; a growth of 23.44%.
- Net interest margin (NIM) for the quarter stood at 3.96% compared with 4.00% in the Sept quarter and 3.67% in the year-ago quarter.
- The Net Profit for the quarter stood at Rs61.94bn as compared to Rs49.40bn in the corresponding period of last year, growth of 25.39%.
- CAR- Base III for the quarter stands at 17.91% v/s 18.04% in the previous quarter. Gross NPA for the quarter stood at 4.13% v/s 4.38% in the previous quarter. Net NPA for the quarter stood at 0.85% v/s 0.63% in the previous quarter.

Financials:

Performance (Q3FY22)						
Q/E (Rs bn)	**Q3FY22**	**Q3FY21**	**Y-o-Y**	**Q2FY22**	**Q-o-Q**	**Comments**
Interest Earned (A)	220.83	197.30	11.93%	212.34	4.00%	
Interest Expense (B)	98.47	98.17	0.30%	95.44	3.17%	
Net Interest Income (C) =(A)-(B)	122.36	99.12	23.44%	116.90	4.67%	led by 16% loan growth, double the industry average, with retail growing 19%, business banking growing 39% and SME loans growing 34% year on year
Fees and Other Income (D)	49.87	46.86	6.42%	47.97	3.96%	
Total Income (E) =(A)+(D)	270.70	244.16	10.87%	260.31	3.99%	
Net Income (F)=(E)-(B)	172.23	145.99	17.98%	164.87	4.47%	
Employee Cost	24.85	19.50	27.43%	23.85	4.20%	
Other Operating Expenses	45.90	38.29	19.87%	41.88	9.61%	
Total Operating Expenses	70.75	57.79	22.42%	65.72	7.65%	
Operating Profit/PPOP	101.48	88.20	15.06%	99.15	2.36%	
Provisions & Contingencies	20.07	27.42	(26.79%)	27.13	(26.02%)	Covid-19 related provisions stood at Rs64.25bn the same level as Sept, 2021. There was no writeback of Covid-19 related provisions during the quarter
Profit Before Tax (PBT)	**81.41**	**60.78**	**33.94%**	**72.01**	**13.05%**	
Tax	19.47	11.38	71.03%	16.90	15.20%	
Profit After Tax (PAT)	**61.94**	**49.40**	**25.39%**	**55.11**	**12.39%**	Strong growth in loans and fee income, also helped by drop in provisions as recoveries outpaced fresh slippages during the quarter

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Financials (contd.):

Balance Sheet items/Key Ratios						
Q/E (Rs in 'bn)	**Q3FY22**	**Q3FY21**	**Y-o-Y**	**Q2FY22**	**Q-o-Q**	**Comments**
Advances (Rs bn)	8139.92	699.02	1064.48%	7649.37	6.41%	Retail loan portfolio grew by 19.0% y-o-y
Deposits (Rs bn)	10174.67	8743.48	16.37%	9774.49	4.09%	
CASA(%)	44.90	41.80	310bps	44.10	80bps	
Book Value per share (Rs)	234.90	206.80	13.59%	226.10	3.89%	
CD Ratio(%)	77.00	75.60	140bps	75.00	200bps	
Capital Adequacy Ratio-Base III(%)	17.91	18.04	(13bps)	18.33	(42bps)	
Tier-I (%)	16.93	16.24	69bps	17.34	(41bps)	Supports healthy loan growth
Profitability						
Yield on Advances(%)	8.19	8.44	(478bps)	8.34	(468bps)	
Cost of Funds(%)	3.66	4.11	(15bps)	3.71	25bps	
NIM(%)	3.96	3.67	29bps	4.00	(4bps)	
Cost/Income(%)	41.10	40.50	60bps	39.90	120bps	
Tax Rate(%)	23.9%	18.7%	5bps	23.50	-	
Asset Quality						
Return on Assets (%)	1.90	1.70	20bps	1.79	11bps	
Return on Equity (%)	15.4	14.00	140bps	14.1	130bps	
Gross NPA (Rs bn)	370.53	348.60	6.29%	414.37	(10.58%)	Better recoveries has led to fall in the overall gross NPA as well as retail gross NPA.
Net NPA (Rs bn)	73.44	48.61	51.09%	81.61	(10.01%)	
Gross NPA (%)	4.13	4.38	(25bps)	4.82	(69bps)	The bank had recoveries of Rs4200cr during the quarter, also sold Rs100cr loans to ARC
Net NPA (%)	0.85	0.63	22bps	0.99	(14bps)	
Provision Coverage Ratio (%)	79.90	77.60	230bps	80.10	(20bps)	The Bank continues to hold Covid-19 provisions of Rs64.25bn or about 0.8% of total loans

ICICI Bank Limited

Conference Call Highlights:

- The Bank had a network of 5,298 branches and 13,846 ATMs at December 31, 2021.
- Fee income increased by 19% y-o-y to Rs42.91bn in Q3FY22. Fees from retail, business banking and SME customers constituted about 76% of total fees in Q3FY22.
- 11% of the builder portfolio was internally rated BB and below or NPA by the bank while for HFCs and NBFCs, as compared to 13% in Sept 2021.
- BB and below outstanding as on 31st December, 2021 was Rs118.42bn. Excluding 3 accounts (1 in construction and 1 each in telecom and power) maximum single borrow outstanding is less than Rs6bn.
- Domestic loan grew by 17.9% y-o-y while the overseas loan book de-grew 5.5% y-o-y. Within the domestic loan book, retail loans grew by 18.6% to Rs5024.20bn. Out of this, mortgage loans are at Rs2782.67bn (55.4%), followed by rural loans (14.7%) and vehicle loan (13.1%).
- **Disbursements:** Disbursements across various retail products increased or were at a similar level compared to the previous quarter.
- As on 15th Jan, 2022 ICICI Bank disbursed around Rs145bn under Emergency Credit Line Guarantee Scheme 1.0 and Rs21bn under Emergency Credit Line Guarantee Scheme 2.0 and Rs2bn under Emergency Credit Line Guarantee Scheme 3.0.
- **Asset quality:** The net additions to gross NPAs during the quarter were Rs0.96bn. The provisions during the quarter were Rs20.07bn (20.0% of the core operating profit). The provision coverage ratio on NPAs was 79.9%. The Bank continues to hold Covid-19 provisions of Rs64.25bn or about 0.8% of total loans as of December 31, 2021.
- Fund based outstanding to all borrowers under resolution was Rs96.84bn out of which retail portfolio was around Rs64.74bn and Rs32.10bn was from corporate and SME portfolio, thus contributing to 1.2% of total loan portfolio as on 31st December, 2021.
- Gross non-performing asset ratio stood at 4.13% against 4.82% as on Sept 30th. Net NPA ratio, stood at 0.85%.
- The overseas non-India linked corporate portfolio reduced by 57.8% y-o-y or about USD941mn and 15.8% sequentially or about USD129mn at December 31, 2021.
- The bank has also repatriated USD170mn from its Canadian subsidiary in January which will boost the bank's capital adequacy ratio from 19.79% at the end of December 2021. It has also repatriated USD200mn from its UK subsidiary earlier in the fiscal.
- **Digital Initiatives:**

⇒ There has been a significant increase in adoption of the mobile banking app, iMobile Pay. There have been 53 lakh activations from non-ICICI Bank account holders as of end-December 2021. The value of transactions by non-ICICI Bank account holders increased by 73% sequentially in Q3FY22.

⇒ The business banking and SME franchise continues to grow on the back of digital offerings and platforms like InstaBIZ. The value of financial transactions on InstaBIZ grew by about 68% year-on-year in Q3FY22.

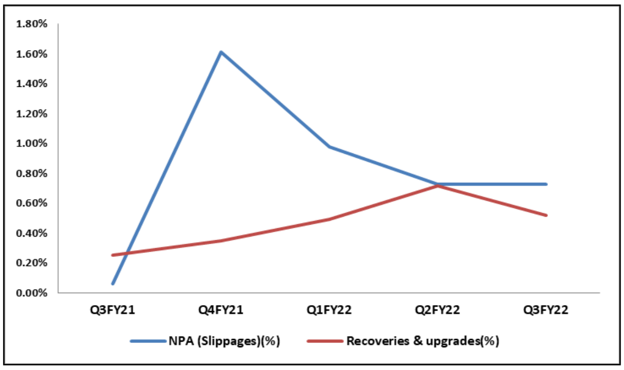
⇒ The value of the Bank's merchant acquiring transactions through Unified Payments Interface (UPI) in Q3FY22 was 2.2 times the value of transactions in Q3FY21 and grew by 34% sequentially.

⇒ The Bank had launched ICICI STACK for corporates and has created more than 20 industry specific STACKs which provide bespoke and purpose based digital solutions to corporate clients and their ecosystems. The volume of transactions through these solutions in Q3FY22 was 3.7 times y-o-y.

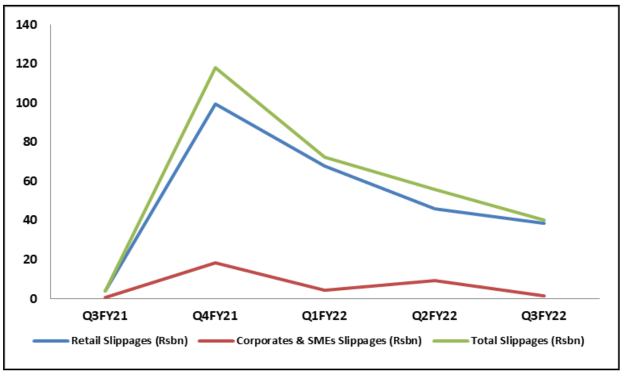
⇒ The bank said it is the market leader in electronic toll collections through FASTag, having a market share of 39% by value in electronic toll collections through FASTag in Q3, with a 42% y-o-y growth in collections.

⇒ The value of credit card spends in Q3FY22 was 2.2x the value of credit card spends in Q3FY21 and grew by 27% sequentially.

Exhibit 1: Asset Quality and Profitability Trends

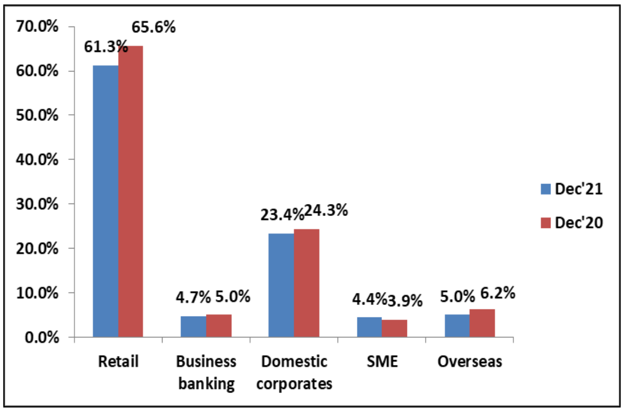


Source: Press Release, Progressive Research



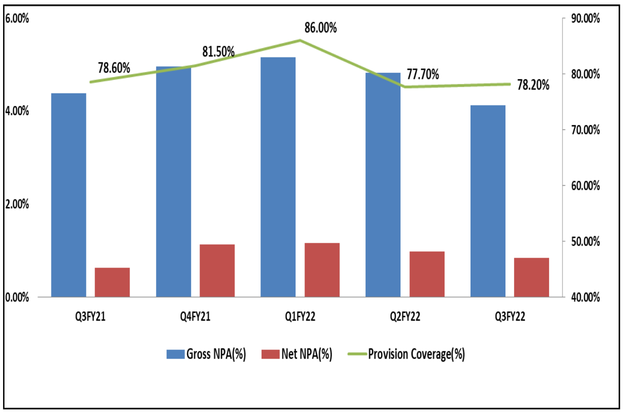
Source: Press Release, Progressive Research

Exhibit 2: Bifurcation of Loan Book



Source: Press Release, Progressive Research

Exhibit 3: GNPA, NNPA and PCR (%)



Source: Press Release, Progressive Research

Outlook and Recommendations:

The bank has reported a quarter with all round performance, clocking record, highest ever quarterly profits on the back of strong growth in loans and fee income and also helped by a drop in provisions (27% reduction in provisions for bad loans) and as recoveries outpaced fresh slippages. The interest earnings from lending also helped as the impact of pandemic eased. The asset quality of the bank has also improved with GNPAs in absolute terms falling on q-o-q basis. The bank provides most of its loans to retail sector, and has been growing rapidly aided by the mortgage and car loans. The bank has been growing its loan portfolio in a granular manner with focus on risk and reward. The bank is confident of the book it has built, the franchise it has and optimistic that opportunities will come from the overall growth in the economy. It bets on the adequate provisioning to meet situations and absorb any adversity without impairing the profitability. The bank continues with a steady performance amidst the uncertain economic environment as well led by strong core PPOP, controlled provisions, and steady asset quality. Margin expansion is led by the healthy mix of the high yielding portfolio (Retail/Business Banking) and a low cost liability franchise. Overall, we feel that the bank has all its rationales in place be it the consistent outperformance across business and financial parameters, higher retail/digital orientation, strong capital/provision buffers and management stability/credibility to mention a few. We continue with our positive stance, maintaining Buy for a target of Rs904.

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