

Sector	Banking
Recommendation	BUY
Upside	30%

ICICI Bank | CMP: ₹720-740 | Target: ₹949

Stock Data

Sensex	56319
52 Week h/l (₹)	867/489
Market cap (₹ Cr)	508,785
BSE code	532174
NSE code	ICICIBANK
FV (₹)	2.0
Div. yield (%)	0.27%

Profile

ICICI Bank is India's second-largest private bank with a loan book size of Rs7.34tn in FY21. It enjoyed a ~6.7% market share in system loans as of FY21. The bank has a strong distribution network of 5,266 branches and 14,136 ATMs. The bank and its specialised subsidiaries offer a wide range of banking products and financial services to corporate and retail customers. The Group is among the top players in life and non-life businesses among private players. Investment banking was set up in 1995 in a JV with JP Morgan.

Shareholding Pattern

	Mar-21	Jun-21	Sep-21
FII+DII	47.81	48.03	47.31
Government	41.70	41.70	42.49
Public	10.49	10.27	10.20

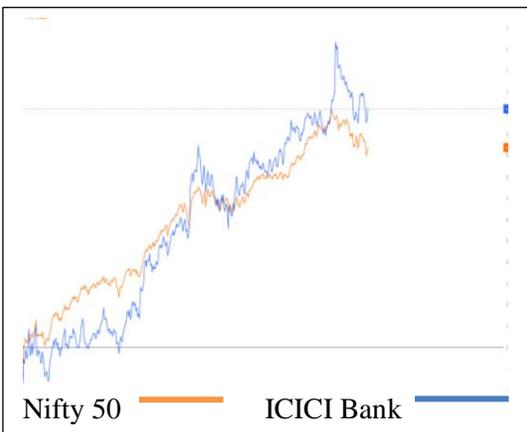
Investment Rationale

Focus on core operating profits: With its '360 degrees' approach and open architecture initiatives, the Bank is focussing on generating revenues and optimising costs across the ecosystem of customers. This is likely to further accelerate core operating-profit growth, further to which the Bank illustrated multiple examples during the analyst meet.

Significant thrust on digitalisation: Digital sourcing has seen significant growth in the last two years. Digital contribution in savings a/c, FD value, loan approvals & disbursements, and cards sourced stood at 28/25/23/45%, respectively, as of Oct-2021; these products have seen 1.5-2.3x growth YoY. Various initiatives on payment platforms have led to +1% market share in volumes across UPI/NEFT/RTGS, to 16/9/12%, respectively. For products like FASTag, the Bank is striving to increase use cases, like fuel payments, parking payments, etc.

Banking on open architecture and fintech partnership: iMobile Pay, InstaBIZ 2.0, revamped 3-in-1 accounts, etc are based on the open architecture, which helps the Bank to capture new customers from competition and, based on digital footprints, the Bank is able to effectively cross-sell other products. Fintech partnerships for customer acquisition are also yielding results; e.g. Amazon Credit card (60%+ customers are new to the Bank). The message for all Fintech partnerships is clear – that it is symbiotic and both should work towards the common goal of resolving customer issues. Bank has the option to cross sell to such customers.

Share Price Data



Analyst – Sanjiv Bhasin
Jayesh Bhanushali

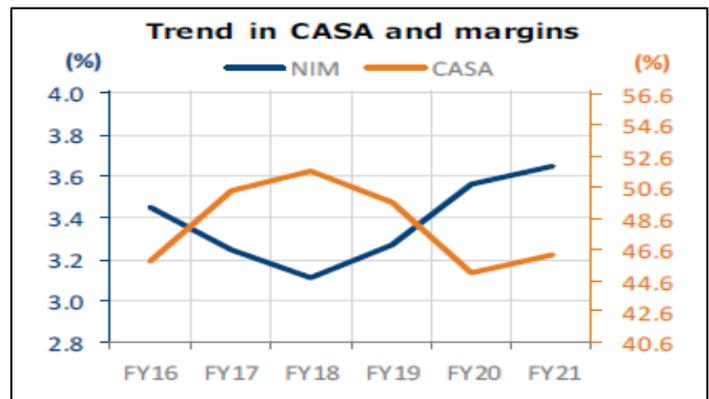
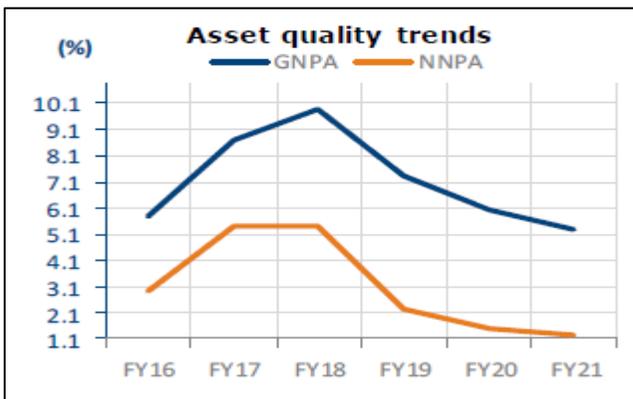
research@iifl.com
21st December, 2021

Wholesale banking – Focus on risk calibrated ROE expansion: Strategic priorities are: a) omni channel customer experience via products and processes; b) capturing the customer ecosystem opportunity; and c) efficiency and scalability. Bank has clear focus on the entire ecosystem of the corporate, aimed at improving risk calibrated core-operating profits via products (payments, loans, liabilities, investments), value chain (employees, dealers/distributors, vendors, investors, etc.) and opex minimisation (digital, direct sourcing, etc). The Bank is also working with Fintech partners like Saverisk, ePayLater, Porfios and Refyne, to provide bespoke ecosystem solutions. A focussed corporate ecosystem approach has led to 2.3x/1.3x growth in liability/operating profit and assets, over FY19.

SME banking; multiple opportunities at play: Digitalisation and improving compliance are leading to a strong opportunity in increasing penetration in the SME business. With the account aggregator system, this process is likely to accelerate. Bank provides a comprehensive platform for small businesses, via: a) InstaBIZ app (likely to move to open architecture soon); b) modular platforms, with specific solutions; and c) providing BaaS, with the tie-ups with Fintechs. InstaBIZ has +1mn active customers with +20% penetration in cross-sell products.

Risks
New Covid wave: Lockdowns related to new wave of covid due to increase in new omicron variant cases could have an impact on the asset quality of the company.

Outlook & Valuation:
 ICICI Bank’s analyst meet focussed on giving an in-depth idea about a) customer journey, from acquisition via various channels to deepening relationships, to customised solutions and tech platforms leading to better risk management; b) partnership with fintechs to expand the pie and provide solutions to customer needs; c) single-point focus being on risk calibrated core operating profit across divisions. On wholesale and SME banking, the Bank is seeing growth opportunities emerging, with expected capex revival and formalization /increasing compliance in the economy. The analyst meet builds our confidence on ICICIBC, to compete with fintech players with best-in-class tech platforms. Its journey of capturing profitable market share in focussed areas continues to gain momentum. Reiterate BUY, with Sep-2023 SOTP of Rs 949/share.



Financial Summary

Consolidated (INR in bn)	FY20	FY21	FY22ii	FY23ii	FY24ii
Net Interest Income	332.7	389.9	473.0	548.8	631.0
Total Asset growth (%)	13.9	12.0	11.3	15.0	15.5
Net Interest margin (%)	3.7	3.7	4.0	4.2	4.2
PAT	79.3	161.9	228.3	269.7	304.9
ROE (%)	6.8	12.4	14.7	15.5	15.6
P/B (x)	3.2	2.6	2.3	2.1	1.8
Cost to income ratio (%)	43.5	37.2	40.4	40.8	41.5
Total prov charges/avg loans (%)	2.3	2.4	1.2	1.1	1.1

DISCLAIMER

Recommendation Parameters for Fundamental/Technical Reports:

Buy – Absolute return of over +10%

Accumulate – Absolute return between 0% to +10%

Reduce – Absolute return between 0% to -10%

Sell – Absolute return below -10%

Please refer to <http://www.indiainfoline.com/research/disclaimer> for recommendation parameter, analyst disclaimer and other disclosures.

Investments in securities market are subject to market risks, read all the related documents carefully before investing. There is no assurance or guarantee that the investment objectives shall be achieved. IIFL does not guarantee any assured returns on the investments recommended herein. Past performance of securities/instruments is not indicative of their future performance. IIFL makes no representation/s or warranty/is, express or implied, as to the accuracy, completeness or reliability of any information compiled herein, and hereby disclaims any liability with regard to the same, including, without limitation, any direct, indirect, incidental or consequential loss. You shall verify the veracity of the information on your own before using the information provided in the document. Investors are requested to review the prospectus carefully and obtain expert professional advice. IIFL group, associate and subsidiary companies are engaged in providing various financial services and for the said services (including the service for acquiring and sourcing the units of the fund) may earn fees or remuneration.

IIFL Group | IIFL Securities Ltd., IIFL House, Sun Infotech Park, Road No. 16V, Plot No. B-23, MIDC, Thane Industrial Area, Wagle Estate, Thane - 400604. CIN: 99999MH1996PLC132983 Tel.: (91-22)2580 6650. Customer Service: 40071000. Stock Broker SEBI Regn: INZ000164132. NSE: 10975 BSE: 179 MCX: 55995 NCDEX: 01249 Depository: INDP1852016. MF Distributor ARN: 47791. PMS SEBI Regn.: INP000002213. Investment Adviser SEBI Regn. INA00000623. Research Analyst SEBI Regn: INH000000248. Loan products are offered by IIFL Finance Ltd. & IIFL Home Finance Ltd. Kindly refer to www.indiainfoline.com for detailed disclaimer and risk factors.

For Research related queries, write at research@iifl.com

For Sales and Account related information, write to customer care: cs@iifl.com or call on 91-22 4007 1000