ICICI Bank Ltd.

Market Capital:	₹ 4,48,805.04 Cr.
CASA%:	45.11
No. Of Shares:	₹ 692.23 Cr.
Div. Yield:	0.31%

52 Week High:	₹ 679.30
52 Week Low:	₹ 323.20
Face Value:	₹ 2

ICICI Bank Ltd. Buy

We recommend a Buy position on ICICI bank Ltd with a medium to long-term view owing to Strong demand in the overall industry, with a push in Advances, Insurance, and Housing Finance and backed with Strong Financials.
The ICICI bank stock has moved from Rs.166.68 to Rs.609.85 in the span of five years gaining a return of 265.9%.
ICICI BANK has also recovered the covid drop from Rs.283.9 to Rs 609.85 registering a gain of 115.1% in just 11 months.

Per Share Ratio	Mar 2020	Mar 2019	Mar 2018
Interest Earned (Rs.Cr)	84,835	71,981	62,162
Total Income (Rs.Cr)	149,610	131,306	118,969
Total expenditure (Rs.Cr)	116,183	103,436	90,017
Deposits	800,784	681,316	585,796
Advances	706,246	646,961	566,854
EPS	14.81	6.61	12.02
Net Profit Margin (%)	13.23	7.90	14.63
ROE (%)	7.98	9.82	7.16
ROCE(%)	2.60	2.39	3.10
CASA(%)	44.83	48.77	51.32
Capital Adequacy Ratios(%)	16.0	17.0	18.0
Net NPA (%)	1.54	2.29	5.00

Peer
Comparison

Company	MCAP	CASA	CAR	ROE	p/E	P/B
HDFC BANK	8,42,962.45 Cr	42.23%	18.52%	16.40%	28.23	4.53
KOTAK MAHINDRA	3,80,669.41 Cr	56.11%	17.89%	13.08%	58.13	6.4
AXIS BANK	2,27,631.45Cr.	41.20%	17.53%	2.15%	76.45	2.33
BANDHAN BANK	55,774.50 Cr	36.84%	27.43%	22.91%	21.29	3.35
ICICI BANK	4,21,537.36 Cr	45.11%	16.11%	7.25	32.4	3.13

1. HDFC BANK -
   Leader of the private banking sector in India. The fundamentals of HDFC bank is the result of the work and sweat of Mr Aditya Puri and his management across these years. Recently the company valued above Rs 8 lakh Crore market capitalisation.

   Total Advances - 9,93,702.88 Cr.
   Total Deposits - 11,47,502.29 Cr.
   Total Interest Income - 1,14,812.65 Cr.
   Total Branches - 5,416(including four overseas)
   Total ATM - 14,901(ATMs + Cash Deposit & Withdrawal Machines)

   Currently, Mr Sashidhar Jagdishan has been appointed to be the new CEO of the HDFC bank. He has been a part of HDFC bank since 1996. According to the annual report of FY20: -
   - Domestic Retail grew Deposits 24.0 per cent to ` 879,145 crore from ` 709,085 crore
   - income by the third-party business grew by 28%.

2. Kotak Mahindra bank
   As of February 2021, it is the third-largest Indian private sector bank by market capitalization, known for its management under Mr Uday Kotak. In February 2003, Kotak Mahindra Finance Ltd. (KMFL) got the license and became the first non-banking institution to be converted as a private sector bank.

Total Advances - 2,19,748.19 Cr.
Total Deposits - 2,62,820.52Cr.
Total Interest Income - 26,929.61Cr.
Total Branches - 1600
Total ATM - 2519

2. AXIS BANK -
Axis bank is the 4 largest private banks in India and was established in 1993 in Ahmedabad. The overseas operations of the Bank are spread over nine international offices and focus on corporate lending, trade finance, syndication, investment banking and liability businesses.

Total Advances - 5,71,424.16 Cr.
Total Deposits - 6,40,104.94Cr.
Total Interest Income - 62,635.16Cr.
Total Branches - 4500+
Total ATM - 17,477

3. BANDHAN BANK -
One of the fastest-growing banks in India, the major focus of Bandhan Bank is MSME and the retail sector gaining over 70% of their total profit from these sectors. After successfully establishing themselves in the north-eastern and eastern coastal region they have started focusing on the rest of India too. Certainly, due to the law passed by the Assam government related to the MSME they faced huge losses in their bills which might affect them in the long-term period.

Total Advances - 66,629.95 Cr.
Total Deposits - 57,081.50Cr.
Total Interest Income - 10,885.49Cr.
Total Branches - 1018
Total ATM - 485
Banking Outlets - 4,559

Investment
Hypothesis

- Increment in advances due to the pandemic
  On the one hand, the Covid-19 pandemic has negatively affected most industries. Still, on the other hand, it has significantly boomed others such as the chemical, pharmaceutical, biotech, and healthcare industries. The pandemic has created a never-ending demand for certain products such as sanitizers, masks, vaccines, medicines, medical equipment, etc. This never-ending demand has created pressure over the concerned companies, for which to be met, they either lack the funds or the proper infrastructure. The companies have turned towards banks for their fund requirements in their hour of need resulting in an increase in advancements, even in pandemic scenarios. Overall, the amount of advances has increased, resulting in the better quarter and year-on-year performance of the bank.

- Moat - subsidiaries
  ICICI bank's subsidiaries are x-factor in their profit earning. Earnings through the dividends of the subsidiaries grew by 18% on a Y-o-Y basis from Rs.1,078 Cr in fiscal 2019 to Rs.1,273Cr. In Fiscal 2020. Performance of the subsidiaries are also enhancing yearly which is the moat for this company

According to the annual report of FY20

Subsidiaries	% of shareholding
ICICI prudential life insurance	52.87%
ICICI Lombard	55.86%
ICICI securities	77.2%
ICICI prudential asset management	51%
ICICI home finance	100%
ICICI securities primary dealership limited	100%
ICICI venture	100%
ICICI bank UK	100%
ICICI bank Canada	100%

- ## Highly Efficient Management:-

  ICICI has continued to impress with its performance over the years, given the management's focus on risk calibrated growth, higher liquidity stance, strengthening capital and granular loan book growth.

- ## Geographical Advantage:-

  ICICI bank has deeply penetrated the Indian banking system with its branches covering the whole nation. ICICI Bank saw an increase from 4874 branches and 14987 ATM s to 5288 branches and 15158 ATM s in a year, which is massive growth for a bank as large as ICICI bank. They have a stronghold in the densely populated north Indian states and are still expanding. Moreover, the bank has started creating its mark in India's less reachable states, such as Arunachal Pradesh (6 Branches), Nagaland (7 Branches as of now), etc. With a stature as large as that of ICICI Bank, we expect them to expand more in these less reached areas of India and strengthen their grip in their current vital regions as well.

  > IBL's international footprint consists of branches in the United States, Singapore, Bahrain, Hong Kong, Sri Lanka, Dubai International Finance Centre, South Africa, China, Offshore Banking Unit (OBU) and IFSC (International Financial Services Centre) Banking Unit (IBU) and representative offices in the United Arab Emirates, Bangladesh, Malaysia and Indonesia. The bank also has wholly-owned subsidiaries in the United Kingdom and Canada with branches across both countries. ICICI Bank UK also has an offshore branch in Germany.

- ## Balanced Business Model
  The ICICI bank has a safe and balanced business model. Almost 50% of the branches are in rural and semi-urban areas.

Retail Business

- The retail loan portfolio increased by 15.6% year-on-year on March 31, 2020. The retail loan portfolio as a proportion of the total loan portfolio increased from 60.1% on March 31, 2019, to 63.2% on March 31, 2020. The share of the retail portfolio was 53.3% of the total portfolio on March 31,

2020. Average savings account deposits increased by 11% year-on-year and average current account deposits increased by 17.1% year-on-year. Total term deposits grew by 28.6% year-on-year.

- Rural Inclusive and SME Banking:-

Introduced a unique mobile app name Mera iMobile which allows them to use over 135 services. The app is available in English and 11 vernacular languages. During fiscal 2020, the app had processed a total of 16.8 million financial and non-financial transactions. Banks offer farming finance which comprises working capital loans through the Kisan Credit Card and gold loans, and term loans for farm equipment, dairy livestock purchase and farm development

During the year, 30.0 million Aadhaar-enabled transactions aggregating to about `90.00 billion were facilitated through various tie-ups. ICICI Foundation has also been started to improve facilities in the village area.
Launched an app called InstaBiz for SME's startup's and more to avail all the benefits.

Wholesale Banking and Treasury:-
Wholesale Banking includes all advances to trusts, partnership firms, companies and statutory bodies, by the Bank which are not included in the Retail Banking segment, as per RBI guidelines for the Bank.
Income from treasury-related activities decreased from Rs.13.66 billion in fiscal 2019 to `Rs.12.93 billion in fiscal 2020

- Digitalization

With the latest internet boom experienced by the Indian Population, Banks are expected to provide as many services online as possible. Internet Banking is a significant factor that is expected to change India's whole banking scenario. ICICI bank
has the potential to become an influential leader in the field of Internet Banking. ICICI bank was one of the first banks to develop their mobile apps to make internet banking experience more feasible and practical for the Indian Population. Presently ICICI bank offers almost all the facilities online that a branch offers, from Insta Loans to

Insurance to instant fund transfers. Over 88% of savings account transactions were done through digital channels during fiscal 2020.

Feature of icici stack -
Transact digitally, avail instant loans, insurances, API banking and many
more.
InstaBIZ - it allows customers to avail of over 115 products and services.
iMOBILE - Offers over 270 services.
They have also started WhatsApp banking for corporates.
16.8 million transactions processed on Mera iMobile in fiscal 2020.

- Strong Fundamentals - The Total Consolidated Assets Crossed Rs.13.77 trillion in FY20 with operating profit of Rs.268.08 billion with a decent CAR of 16.11%.

COMPANY OVERVIEW

ICICI bank is the second-largest private bank in India on the basis of market capitalisation. ICICI Bank was established by the Industrial Credit and Investment Corporation of India (ICICI) in 1994. The initial equity capital was owned 75% by ICICI and 25% by SCICI, Pursuant to the merger of SCICI into ICICI, ICICI Bank became a wholly-owned subsidiary of ICICI. The name of the bank was Changed from ICICI Banking Corporation LRD to ICICI Bank Ltd on September 10, 1999.

On March 10, 2001, ICICI bank acquired Bank of Madura, In May 2003, the bank acquired the Transamerica Apple Distribution Finance Pvt Ltd (currently known as ICICI Distribution Finance Pvt Ltd).In May 2005, ICICI Bank acquired a Russian Bank Called Investitsionno-kreditny Bank, Also in august 2005 bank acquired an additional stake of 6% in ICICI Prudential AMC Ltd and ICICI Prudential Trust Ltd. In April 2007, ICICI bank merged with Sangli Bank Ltd. The Year 2007-10 was the expansion era for ICICI bank. ICICI Bank issued Bonus shares in the ratio of 1:10 on 3 May 2017. Also, this year ICICI bank issued the IPO of ICICI Lombard General Insurance Company.

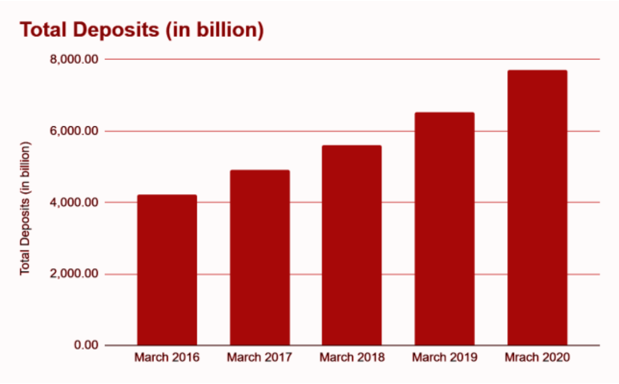
The total balance sheet size of Rs.10,98,365 crore as of March 31, 2020. The bank had a total business (advances + deposits) in excess of Rs.14 lakh crore as of March 31, 2020.
More importantly, the balance-sheet of the bank has now strengthened given reduced NPAs, lower concentration of large borrowers, rise in granular retail loans, an increase in lending to better-rated corporates. All these factors haven't played out in one year but have taken >5-6 yrs. With a strong balance sheet, the bank is well-placed to participate in multi-year strong credit growth.

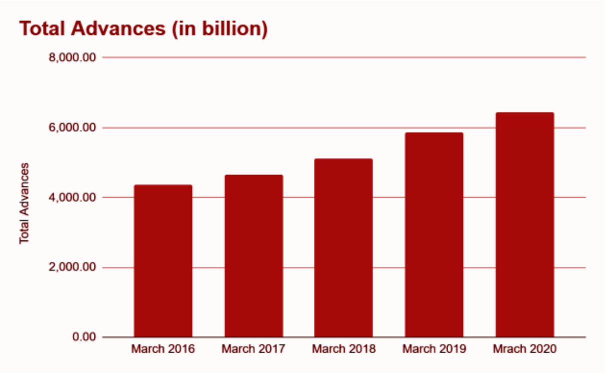
From Annual Report of FY20:-

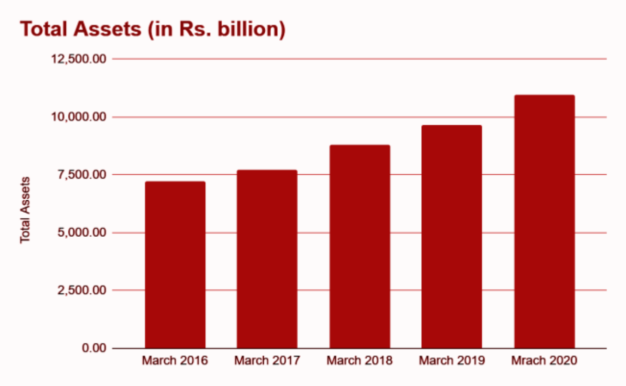
- Operating expenses increased by 19.5% from Rs.180.89 billion in fiscal 2019 to Rs. 216.15 billion in fiscal 2020 primarily due to an increase in staff cost and other administrative expenses.
- Provisions and contingencies (excluding provision for tax) decreased by 28.5% from Rs.196.61 billion in fiscal 2019 to Rs.140.53 billion in fiscal 2020(excluding covid provisions)
- Depreciation on owned property increased by 21.9% from Rs.7.77 billion in fiscal 2019 to Rs.9.47 billion in fiscal 2020 primarily due to higher

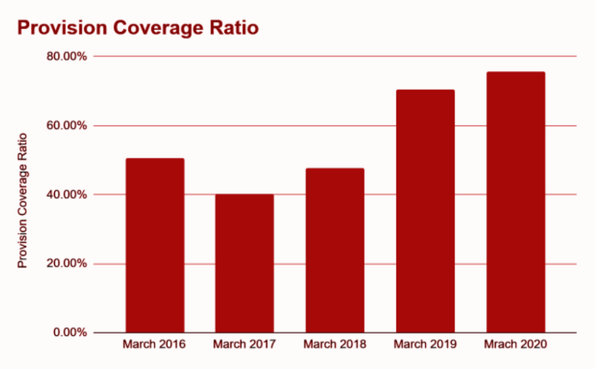
capitalisation of IT systems and software which attracts higher depreciation rates.

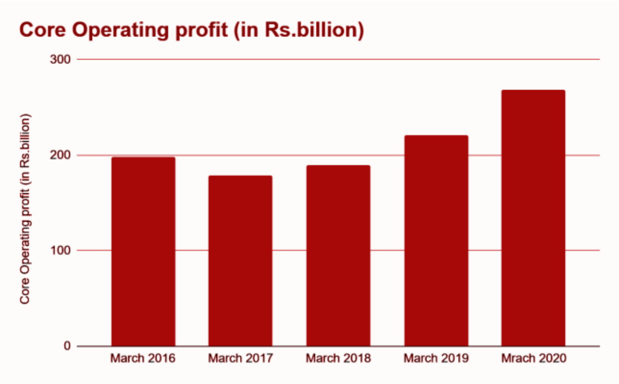
- Employee expenses increased by 21.5% from Rs.68.08 billion in fiscal 2019 to Rs. 82.71 billion in fiscal 2020 primarily due to an increase in employee base, annual increments and promotions, provision for retirement
- Total investments increased by 20.1% from Rs.2,077.33 billion at March 31, 2019 to Rs. 2,495.31 billion at March 31, 2020 primarily due to an increase in investments in government securities by ` 404.09 billion and commercial papers by ` 33.95 billion, offset, in part, by a decrease in investment in bonds and debentures by ` 22.48 billion.

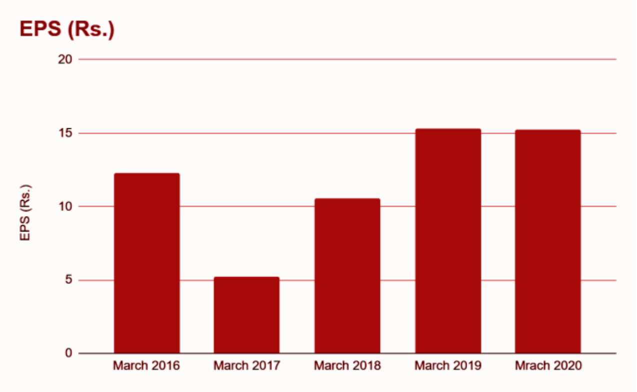

Total Deposits (in billion)
Total Deposits (in billion)
8,000.00
6,000.00
4,000.00
2,000.00
0.00
March 2016
March 2017
March 2018
March 2019
Mrach 2020

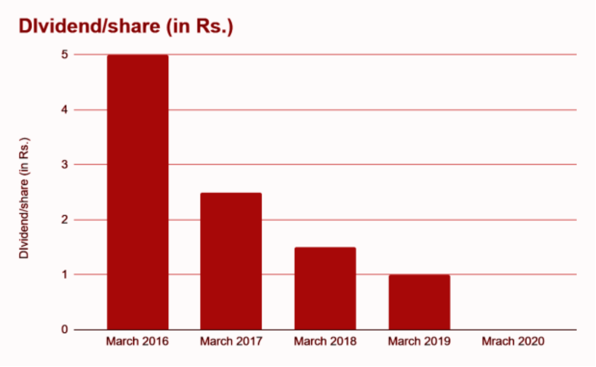

Total Advances (in billion)
Total Advances
8,000.00
6,000.00
4,000.00
2,000.00
0.00
March 2016
March 2017
March 2018
March 2019
Mrach 2020

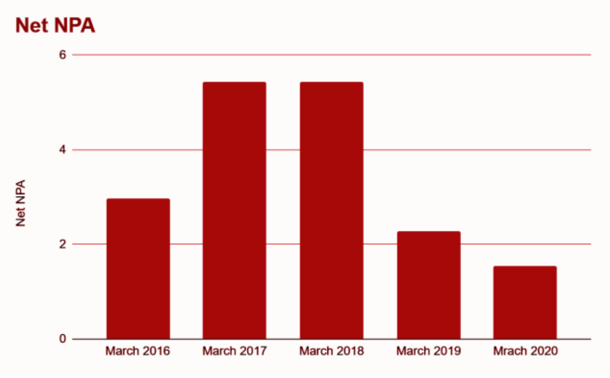

Total Assets (in Rs. billion)
Total Assets
12,500.00
10,000.00
7,500.00
5,000.00
2,500.00
0.00
March 2016
March 2017
March 2018
March 2019
Mrach 2020


Provision Coverage Ratio
Provision Coverage Ratio
80.00%
60.00%
40.00%
20.00%
0.00%
March 2016
March 2017
March 2018
March 2019
March 2020


Core Operating profit (in Rs.billion)
Core Operating profit (in Rs.billion)
300
200
100
0
March 2016
March 2017
March 2018
March 2019
Mrach 2020


EPS (Rs.)
EPS (Rs.)
20
15
10
5
0
March 2016
March 2017
March 2018
March 2019
Mrach 2020


DIvidend/share (in Rs.)
DIvidend/share (in Rs.)
5
4
3
2
1
0
March 2016
March 2017
March 2018
March 2019
Mrach 2020


Net NPA
Net NPA
6
4
2
0
March 2016
March 2017
March 2018
March 2019
March 2020

Credit Risks:
The quantity of net non-performing assets (NPAs) of Indian banks has been increasing significantly. The RBI has, over the years, taken significant measures, both regulatory and structural, in order to tackle this issue. However, the rise in NPAs continues to be one of the most fundamental threats to the banking sector.

- Corporate Advances:
  The proportion of corporates in advances is quite high, so defaulting by any wholesale loan/corporate would give a big blow to the balance sheet.
- Covid Related Provisions:
  The Covid-19 pandemic situation has severely handicapped the economic condition of the general population and most of the small businesses. The financial pressure developed over the middle and lower class has worsened during the second wave of the pandemic. Moreover, there is a high chance of many small businesses failing. It is highly probable that banks may not recover many of the personal loans and the loans allotted to these small businesses on time or even entirely. This scenario, if arisen, may exacerbate the NPA problem already faced by the Banking sector.
  In the recent quarter, ICICI bank made additional provisions for covid of Rs. 1000 Cr. bringing the total Covid-19 related provisions to Rs 7,475 crore clearly shows the management's concern. Though it is a significant issue, the Executive Director of the bank is quite confident in the bank's portfolio and believes the bank will not be majorly affected by the scenario.

Market Risks:
Banks hold certain amounts of securities to make their portfolios effective. So if banks hold a large amount of equity, then it is called equity risk. Banks, by definition, hold foreign exchange which exposes them to foreign risk. Thirdly, banks hold commodities to hedge their portfolio and which makes them face the commodities risk as well.

Liquidity risk:
This kind of risk arises if almost all or close to complete people come up to withdraw their money at the same time. This might happen because banks do not keep all the money idle. They keep a certain amount of money as reserve and the rest is put in securities or is given as loans. So there's a chance of a bank run if a lot of people wish to withdraw at the same time. These bank runs have been faced frequently by the modern banks.

Operational Risks:
Operational risk generally covers the risks that may arise due to failure of a certain operation or operations. These risks might not look large but since banks conduct several operations, big or small which make this kind of considerable.

Covid related Provisions :-
In the recent quarter, the bank made additional provisions for covid of Rs. 1000 Cr. bringing the total Covid-19 related provisions to Rs 7,475 crore. Though the executive director of the bank is quite confident on the portfolio of the bank

Business risk:
Banks are advanced and thus they use a certain strategy in their model. There is a risk that arises with their choice of strategy. They might choose the wrong strategy due to which a bank may suffer losses and end up being acquired or may even collapse.

Reputational risk:
People want to keep their money in such banks or places where their money is least vulnerable to losses. Hence, reputation in a banking industry plays a very important role. This reputation if tattered due to any reason, default, or some major news may cause a decline in the number of people operating through that bank.
Banks have over years tried to mitigate risk of this sort by not participating in malpractices and maintaining transparency.

Strategic focus:
Enhanced spending on infrastructure, speedy implementation of projects and continuation of reforms are expected to provide further impetus to growth in the banking sector. All these
factors suggest that India's banking sector is poised for a robust growth as rapidly growing businesses will turn to banks for their credit needs.
Also, the advancement in technology has brought mobile and internet banking services to the fore. The banking sector is laying greater emphasis on providing improved services to their clients and upgrading their technology infrastructure to enhance customer's overall experience as well as give banks a competitive edge.

Sector
Overview

Indian banking sector comprises 12 private sector banks, 22 public sector banks, 45 foreign banks, 56 rural regional banks, 1485 urban cooperative banks and 96,000 rural cooperative banks.
Indian banking sector is sufficiently capitalised, and is resilient to a downturn. Credit, market and liquidity risk factors suggest that this is a potential sector which is by far quite stable and hasn't seen a major crunch. Indian banking industry has recently witnessed the roll out of innovative banking models like payments and small finance banks. RBI's new measures may go a long way in helping the restructuring of the domestic banking industry.

The digital payment system has evolved among the top 25 countries globally.
The Assets of public sector banks stood at Rs. 107.83 lakh crore (US$ 1.52 trillion) in FY20.
During FY16-FY20, bank credit grew at a CAGR of 3.57%. As of FY20, total credit extended surged to US$ 1,698.97 billion.
During FY16-FY20, deposits grew at a CAGR of 13.93% and reached US$ 1.93 trillion by FY20. Credit to non-food industries stood at Rs. 103.46 trillion (US$ 1.40 trillion) as of November 20, 2020.
The sector is also growing digitally stronger.
In November 2020, Unified Payments Interface (UPI) recorded 2.21 billion transactions worth Rs. 3.90 lakh crore (US$ 53.06 billion).
According to the RBI, India's foreign exchange reserve reached US$ 574.82 billion as of November 27, 2020.

Related to
Industry

Real estate:
Falling real estate prices tend to put downward pressure on the banking sector, not only because of increases in bad debt expenses for real estate loans, but also because of a deterioration in the balance sheets of borrowers who rely on real estate as collateral.
A sudden drop in real estate prices can lead to a worsening of the banks' asset quality and the profitability of the banking system, if the banks are heavily involved in real estate lending. Therefore, the banking system's capital and lending capacity can be reduced seriously by a sharp fall in real estate prices.

Agriculture Sector:
This sector employs over 60% of India's population contributing 18% to the GDP of India. Banking sector lends over 15% of their total portfolio to the agriculture sector which is little less when compared to the mandatory 18%. This advance plays a major role in boosting the agri sector.
As per new times Banks have changed their role from just providing credit to new roles like marketing, training, consultancy, insurance and financing for infrastructure via private-public participation (HDFC Bank and NAFED) &(SBI and Cargill India).
Every sector depends upon the banking sector and the banking sector also depends on every other sector, As different sectors need credit for expansion, boosting their profits and banks need to give advances to attain the required interest.

Government policies:
The Indian banking sector is appreciably affected by the schemes and the policies that the ruling government of the country issues. The "Pradhan Mantri Jan-Dhan Yojna" scheme is an excellent recent example. This scheme led to a financial burden on the Government-owned banks on the one hand, while led to the opening of a large number of bank accounts on the other hand.
Moreover, the country's Annual Budget presented by the government also plays an essential factor in the country's banking sector. The money allocated to the banking sector annually by the government helps the banks cover losses and expand their infrastructure. It can be understood well by the following –

In the Union Budget of 2021, Rs.20000 crores were allocated for the recapitalization of PSBs in FY22. This would be helpful for banks in compensating for the negative consequences of pandemic and to give fresh loans.

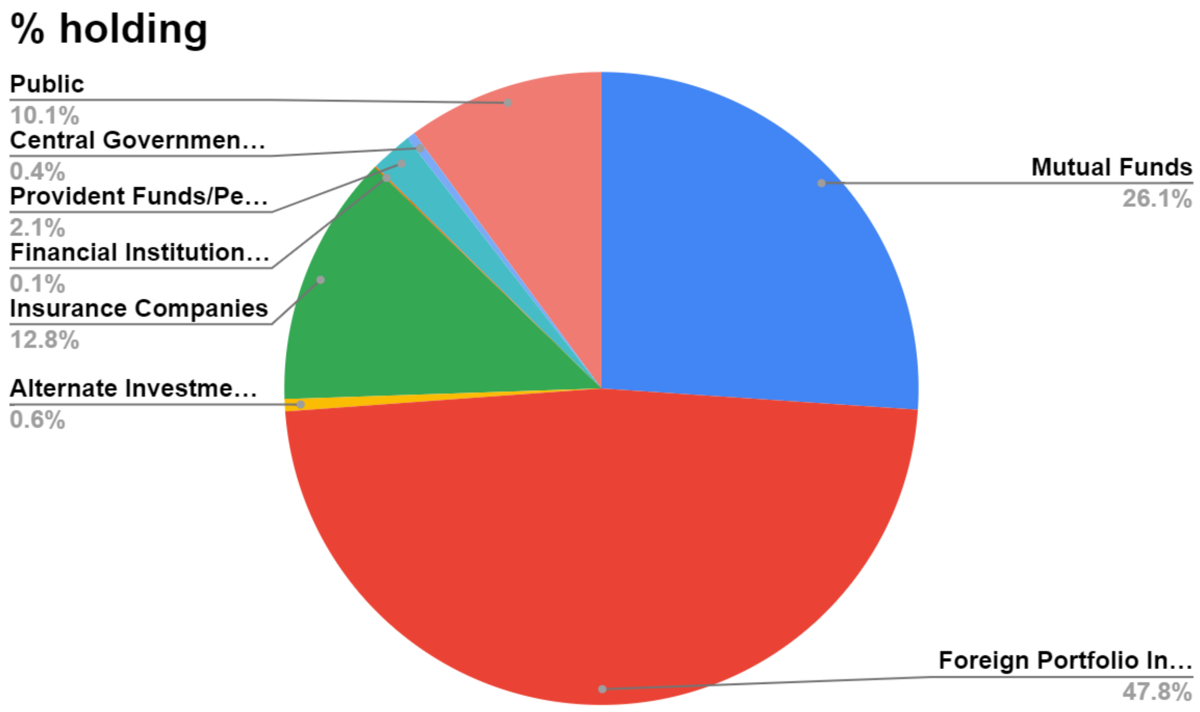
The setting up of Bad bank (Asset Reconstruction Company (ARC) and an Asset Management Company (AMC)) was also announced. This reduces the huge burden of Non-Performing Assets on the banking system.

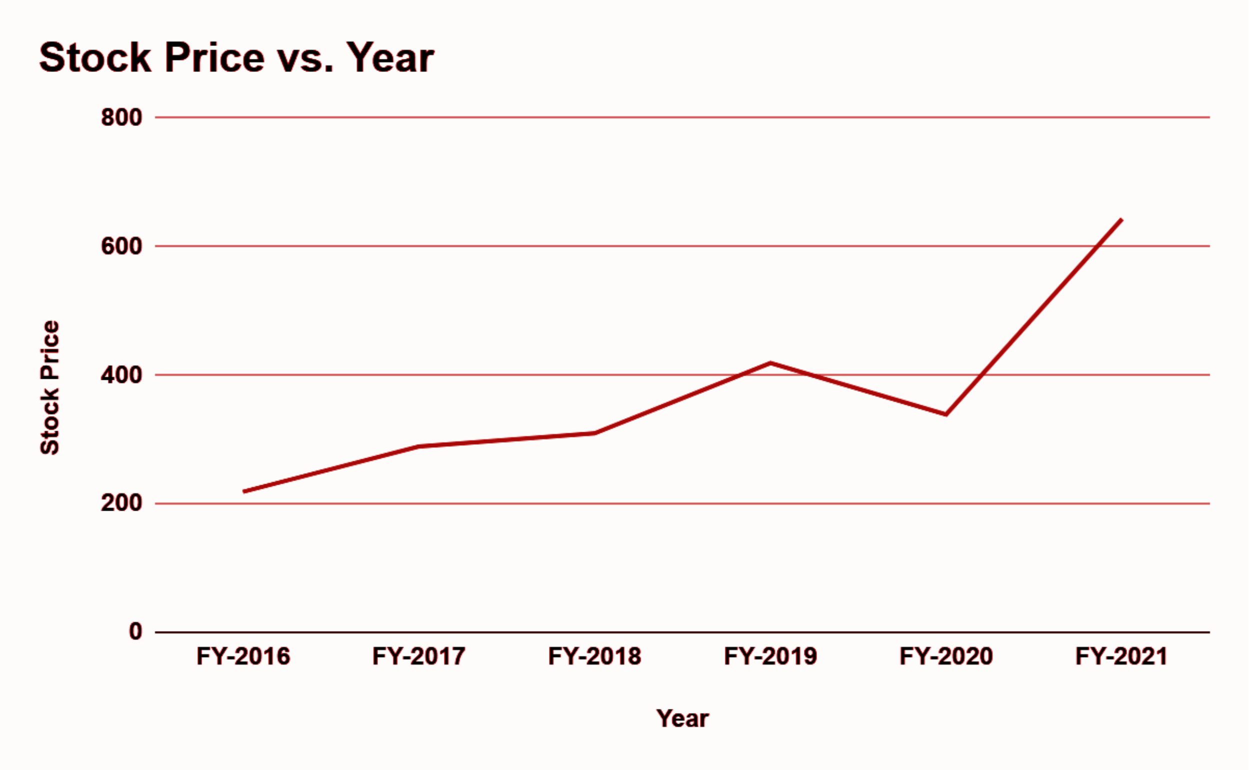
Regulatory Bodies

The Indian banking sector is regulated by the Reserve Bank of India Act 1934 (RBI Act) and the Banking Regulation Act 1949 (BR Act). The Reserve Bank of India (RBI), India's central bank, issues various guidelines, notifications, and policies from time to time to regulate the banking sector. In addition, the Foreign Exchange Management Act 1999 (FEMA) regulates cross-border exchange transactions by Indian entities, including banks. These guidelines, notifications, and policies issued by the several bodies strongly determine how India's banking sector will perform in both good and bad ways.

Share Holding Pattern as of March 31, 2021

Name of shareholder	% holding
Mutual Funds	26.07
Foreign Portfolio Investor	47.78
alternate Investment funds	0.62
Insurance Companies	12.85
Financial Institutions / Banks	0.08
Provident Funds/Pension Funds	2.12
Central Government/State Government(s)/President of India	0.43
Public	10.06


% holding
Public
10.1%
Central Governmen…
0.4%
Provident Funds/Pe…
2.1%
Financial Institution…
0.1%
Insurance Companies
12.8%
Alternate Investme…
0.6%
Mutual Funds
26.1%
Foreign Portfolio In…
47.8%


Stock Price vs. Year
800
600
400
200
0
Stock Price
FY-2016
FY-2017
FY-2018
FY-2019
FY-2020
FY-2021
Year

Summing Up

We recommend a Buy position on ICICI Bank Ltd. with a medium to long-term view owing to following

- Balanced Business Model
- Efficient Management
- Subsidiaries
- Geographical Advantage
- Digitization
- Strong fundamentals
- Quality Shareholders

The banking sector possesses a huge potential growth as the government continues to invest heavily in infrastructure and many other corporates have projects which require funds, so they would certainly turn to banks for their credit needs. Hence, we can conclude that Every other industry is related to the banking sector for advances.

We would also give insights on the fact that there is an increment in Covid provisions which is in total is of Rs.7475 Cr. Considering this to be one of the major threats to this bank.
Earlier NPA's were the issue for this bank which has been sorted in 2020.

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