

**BUY**

TP: Rs 1,090 | ▲ 17%

ICICI BANK

| Banking

| 23 October 2023

## Sustained outperformance; raise to BUY

- Q2 NII grew 24% YoY despite higher deposit cost, while dividends from subsidiaries offset absence of treasury gains
- Reported NIM dipped 25bps QoQ (FY24 guidance intact at 4.5%); credit cost at 22bps beat our estimate
- Sustained outperformance across metrics; raise from HOLD to BUY with a new TP of Rs 1,090 (vs. Rs 1,015)

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**Broad-based growth:** ICICIBC's Q2FY24 loans rose 18.3% YoY (+5% QoQ) backed by SME (+29% YoY), business banking (+30%) and retail (+21%) business. The corporate book lent support, rising 15% YoY. Within retail, personal loans (+40% YoY), credit cards (+30%) and auto (+24%) saw traction while the home (+16%), commercial vehicle (+12%) and rural (+17%) segments were subdued. Deposit growth held strong at 18.8% YoY (+4.5% QoQ) led by term deposits (+32% YoY/+9% QoQ), inducing a 255bps QoQ drop in CASA ratio. We broadly retain our loan growth estimates while raising deposit growth to 19%/17% from 15%/16% for FY24/FY25.

**NII rises 24% YoY:** NII grew 24% YoY (flat QoQ) despite an increased cost of deposits. Though NIM dipped 25bps QoQ to 4.5%, management maintained its full-year guidance at 4.5% as it expects a better performance from the high-yield retail book. Other income grew 6.3% QoQ supported by higher dividends from subsidiaries that offset the absence of treasury gains in Q2.

**Lower provisions buoy PAT:** Higher opex led to a 67bps QoQ increase in C/I ratio to 41%. The bank posted PPOP growth of 22% YoY (flat QoQ) and PAT growth of 36% YoY (+6% QoQ) as controlled slippages and higher upgrades lowered provisions, bringing credit cost down to 22bps from 73bps in Q2FY23 and 51bps in Q1FY24. We lower our FY24/FY25 credit cost estimate to 42bps/54bps from 69bps each.

**Stable asset quality:** The absence of agriculture loan slippages and improved upgrades and recoveries led to lower credit cost and helped GNPA/NPPA improve sequentially to 2.5%/0.4% from 2.8%/0.5% in Q1 with PCR of 83%, flat QoQ. Total provisions stood at 2.2% of loans and the bank sees no major asset quality concerns.

**Upgrade to BUY:** After the recent price correction, the stock is trading at 2.3x FY25E P/ABV. We have a revised SOTP-based TP of Rs 1,090 (vs. Rs 1,015), which is now set at 2.8x FY25E ABV (vs. 2.7x) using the Gordon Growth Model, with subsidiaries valued at Rs 174/sh. The bank's continued outperformance across metrics over the past 3-4 quarters is likely to fetch a valuation premium and hence we upgrade our rating from HOLD to BUY.

## Key changes

Target	Rating
▲	▲

Ticker/Price	ICICIBC IN/Rs 930
Market cap	US\$ 79.0bn
Free float	100%
3M ADV	US\$ 186.8mn
52wk high/low	Rs 1,009/Rs 796
Promoter/FPI/DII	0%/44%/45%

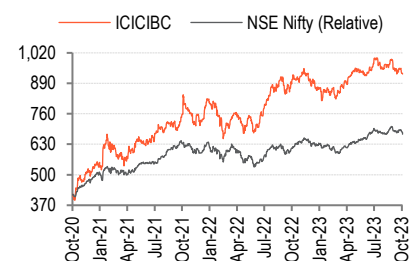
Source: NSE | Price as of 23 Oct 2023

## Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Net interest income	62,129	71,825	85,143
NII growth (%)	30.9	15.6	18.5
Adj. net profit (Rs mn)	31,897	38,231	43,132
EPS (Rs)	45.8	54.7	61.8
Consensus EPS (Rs)	45.8	55.2	61.0
P/E (x)	20.3	17.0	15.1
P/BV (x)	3.2	2.8	2.4
ROA (%)	2.1	2.2	2.2
ROE (%)	17.2	17.7	17.4

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

## Stock performance



Source: NSE



**Fig 1 – Quarterly snapshot: Income statement**

(Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	QoQ (%)	YoY (%)
<b>Income Statement</b>							
Interest Income	199,289	221,803	241,995	258,442	271,189	4.9	36.1
Income on investments	51,234	53,436	58,398	66,180	70,203	6.1	37.0
Int. on bal. with RBI & inter-bank funds & Others	9,808	9,818	9,819	8,655	7,812	(9.7)	(20.4)
<b>Interest income</b>	<b>260,330</b>	<b>285,056</b>	<b>310,211</b>	<b>333,276</b>	<b>349,204</b>	<b>4.8</b>	<b>34.1</b>
Interest expense	112,462	120,407	133,543	151,012	166,125	10.0	47.7
<b>Net interest income</b>	<b>147,868</b>	<b>164,650</b>	<b>176,668</b>	<b>182,265</b>	<b>183,079</b>	<b>0.4</b>	<b>23.8</b>
Growth YoY (%)	26.5	34.6	40.2	38.0	23.8	(1,416bps)	(268bps)
Fee Income	44,800	44,480	48,300	48,430	52,040	7.5	16.2
Trading gains/(losses)	(850)	360	(400)	2,520	(850)	(133.7)	0.0
Others	6,599	5,396	2,978	3,403	97	(48.4)	(11.3)
<b>Non-interest income</b>	<b>50,549</b>	<b>50,236</b>	<b>50,878</b>	<b>54,353</b>	<b>57,767</b>	<b>6.3</b>	<b>14.3</b>
Growth YoY (%)	5.4	0.7	7.4	16.5	14.3	(223bps)	891bps
Non-interest income (Ex-Trading income)	51,399	49,876	51,278	51,833	58,617	13.1	14.0
<b>Total income</b>	<b>198,417</b>	<b>214,886</b>	<b>227,545</b>	<b>236,617</b>	<b>240,846</b>	<b>1.8</b>	<b>21.4</b>
Growth YoY (%)	20.3	24.8	31.2	32.4	21.4	(1,099bps)	104bps
Staff expenses	28,885	29,212	34,010	38,837	37,254	(4.1)	29.0
Other operating expenses	52,728	52,962	55,272	56,389	61,299	8.7	16.3
Operating expenses	81,614	82,174	89,282	95,226	98,553	3.5	20.8
<b>Pre-Provisioning Profit (PPoP)</b>	<b>116,803</b>	<b>132,712</b>	<b>138,264</b>	<b>141,391</b>	<b>142,293</b>	<b>0.6</b>	<b>21.8</b>
Growth YoY (%)	17.8	30.8	34.3	37.2	21.8	(1,533bps)	401bps
Pre-Provisioning Profit (Ex- Trading income)	117,653	132,352	138,664	138,871	143,143	3.1	21.7
Growth YoY (%)	23.6	31.6	36.4	35.2	21.7	(1,352bps)	(195bps)
<b>Provisions</b>	<b>16,445</b>	<b>22,574</b>	<b>16,198</b>	<b>12,924</b>	<b>5,826</b>	<b>(54.9)</b>	<b>(64.6)</b>
Growth YoY (%)	(39.4)	12.5	51.5	13.0	(64.6)	(7,756bps)	(2,518bps)
PBT	100,358	110,138	122,066	128,467	136,466	6.2	36.0
Tax	24,780	27,019	30,847	31,985	33,856	5.9	36.6
<b>PAT</b>	<b>75,578</b>	<b>83,119</b>	<b>91,219</b>	<b>96,482</b>	<b>102,610</b>	<b>6.4</b>	<b>35.8</b>
Growth YoY (%)	37.1	34.2	30.0	39.7	35.8	(396bps)	(138bps)
<b>Per Share</b>							
FV (Rs)	2.0	2.0	2.0	2.0	2.0	0.0	0.0
EPS (Rs)	10.9	11.9	13.1	13.8	14.7	27.1	33.5
Book Value (Rs)	262	274	287	302	309	15.1	16.7

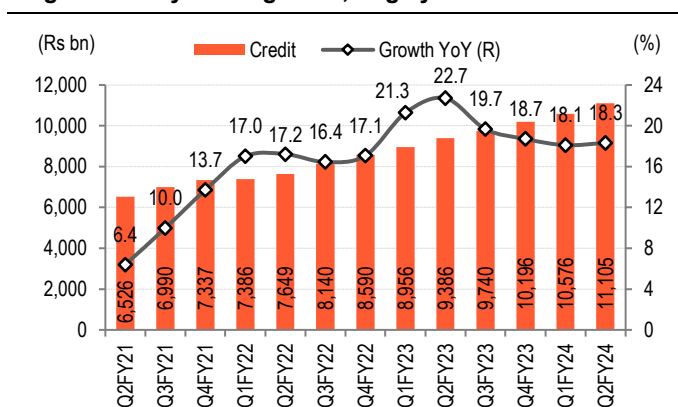
Source: Company, BOBCAPS Research

**Fig 2 – Quarterly snapshot: Balance sheet & other metrics**

(Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	QoQ (%)	YoY (%)
Deposits	10,900,080	11,220,495	11,808,407	12,387,366	12,947,417	4.5	18.8
Growth YoY (%)	11.5	10.3	10.9	17.9	18.8	85bps	727bps
Advances	9,385,628	9,740,475	10,196,383	10,575,826	11,105,421	5.0	18.3
Growth YoY (%)	22.7	19.7	18.7	18.1	18.3	24bps	(437bps)
Investment	3,330,308	3,370,506	3,623,297	3,981,395	4,132,531	3.8	24.1
Equity	1,839,007	1,926,642	2,021,122	2,123,654	2,174,498	2.4	18.2
Assets	14,886,742	15,217,481	15,842,067	16,470,003	17,207,796	4.5	15.6
Growth YoY (%)	16.7	12.4	12.3	16.3	15.6	(76bps)	(108bps)
<b>Yield (%)</b>							
Yield on Funds	7.64	8.06	8.46	8.70	8.74	4bps	110bps
Cost of Funds	3.77	3.90	4.19	4.56	4.81	25bps	104bps
Spread	3.87	4.16	4.27	4.14	3.93	(21bps)	6bps
Net Interest Margin	4.34	4.65	4.82	4.76	4.58	(18bps)	25bps
<b>Ratios (%)</b>							
Other Income / Net Income	25.5	23.4	39.2	40.2	40.9	67bps	1544bps
Cost to Income ratio	41.1	38.2	39.2	40.2	40.9	67bps	(21bps)
CASA ratio	46.6	45.3	45.8	43.3	40.8	(254bps)	(584bps)
C/D ratio	86.1	86.8	86.3	85.4	85.8	40bps	(33bps)
Investment to Assets	22.4	22.1	22.9	24.2	24.0	(16bps)	164bps
<b>Assets Quality</b>							
GNPA	325,709	325,282	311,837	318,224	298,369	(6.2)	(8.4)
NNPA	60,993	56,512	51,551	53,818	50,465	(6.2)	(17.3)
Provision	264,716	268,770	260,286	264,406	247,905	(6.2)	(6.4)
GNPA (%)	3.19	3.07	2.81	2.76	2.48	(28bps)	(71bps)
NNPA (%)	0.61	0.55	0.48	0.48	0.43	(5bps)	(18bps)
Provision (%)	81.3	82.6	83.5	83.1	83.1	0bps	181bps
Slippages	2.21	2.74	1.96	2.32	1.96	(36bps)	(25bps)
<b>Others</b>							
Branches	5,614	5,718	5,900	6,074	6,248	174	634
ATMs	13,254	13,186	16,650	16,731	16,927	196	3,673

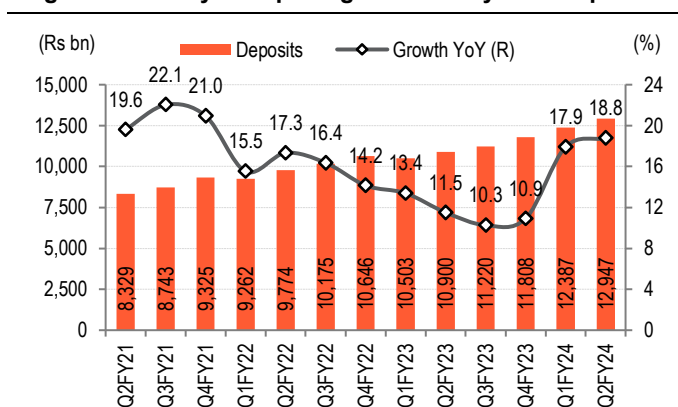
Source: Company, BOBCAPS Research

**Fig 3 – Steady credit growth, largely broad-based**



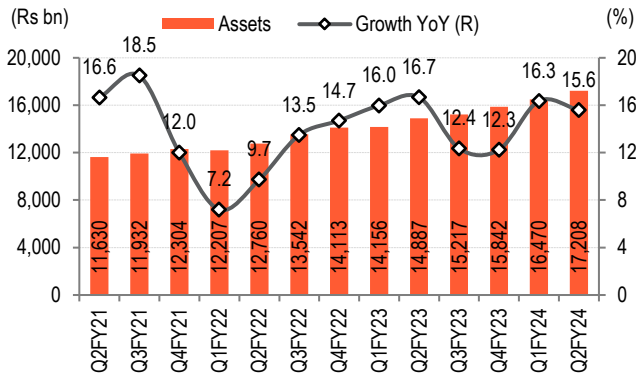
Source: Company, BOBCAPS Research

**Fig 4 – Recovery in deposit growth led by term deposits**



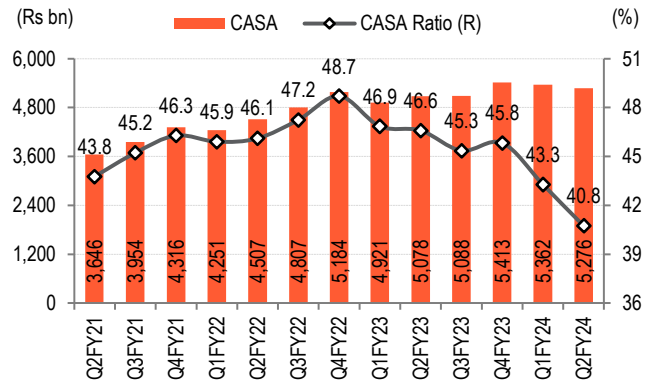
Source: Company, BOBCAPS Research

**Fig 5 – Asset growth at 15.6% YoY**



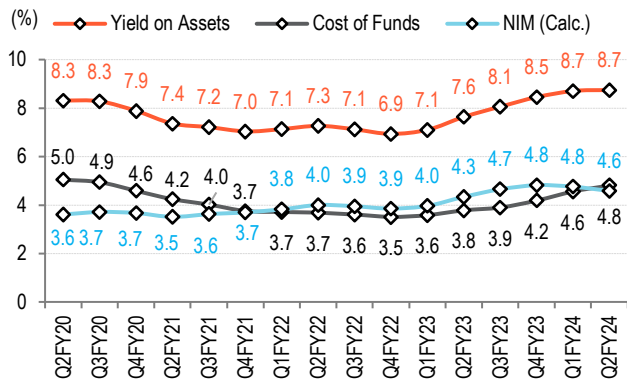
Source: Company, BOBCAPS Research

**Fig 6 – CASA down 254bps sequentially**



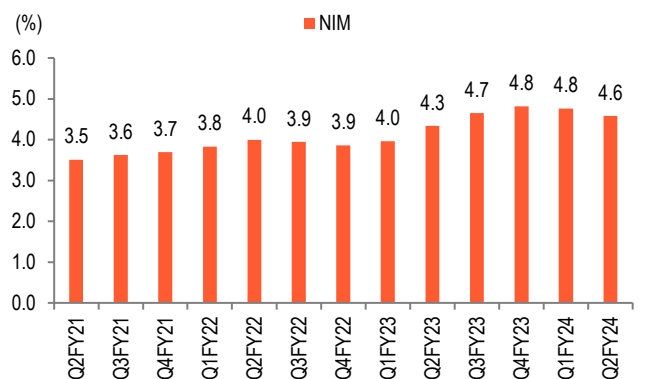
Source: Company, BOBCAPS Research

**Fig 7 – Deposit repricing pushed up cost of funds...**



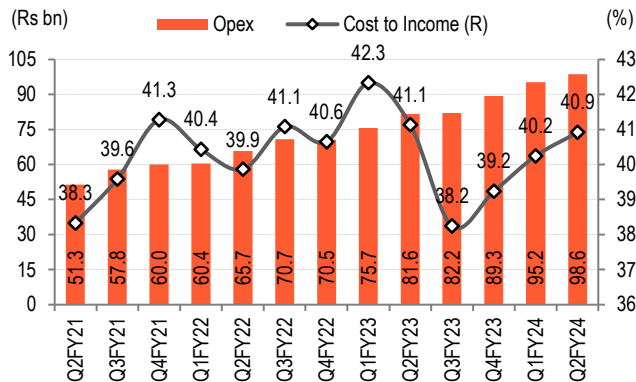
Source: Company, BOBCAPS Research

**Fig 8 – ...leading to 25bps QoQ NIM contraction**



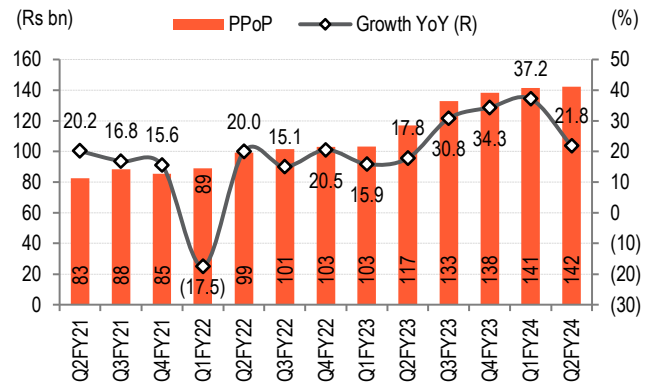
Source: Company, BOBCAPS Research

**Fig 9 – Higher other expenses raised opex**



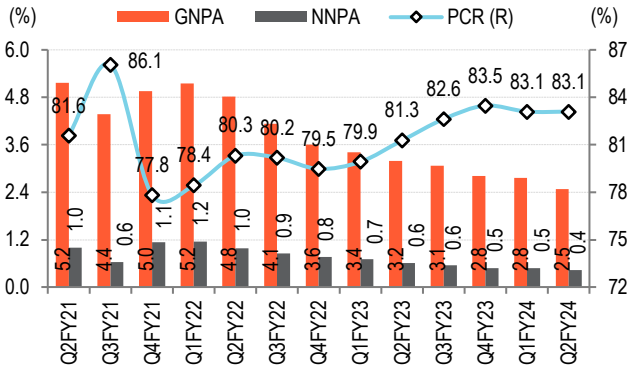
Source: Company, BOBCAPS Research

**Fig 10 – PPOP flat QoQ on increase interest expense**



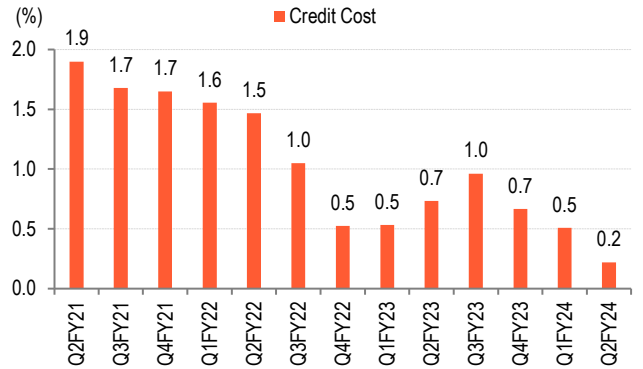
Source: Company, BOBCAPS Research

**Fig 11 – Asset quality improved on lower slippages**



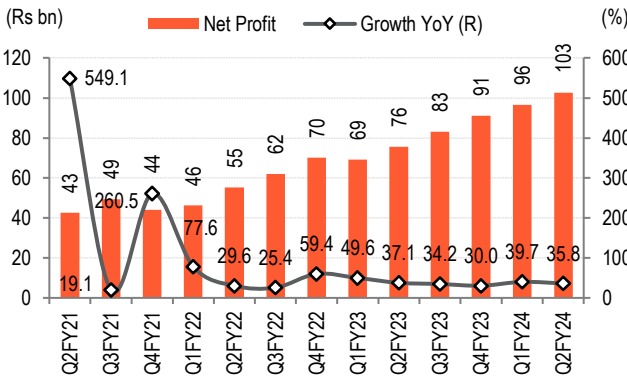
Source: Company, BOBCAPS Research

**Fig 12 – Credit cost declined 29bps QoQ**



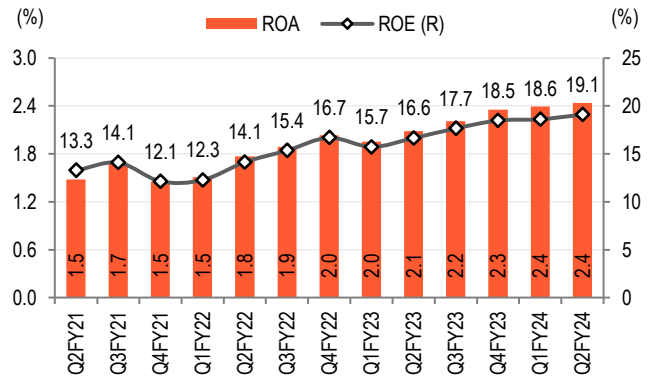
Source: Company, BOBCAPS Research

**Fig 13 – PAT grew 36% YoY led by lower provisions**



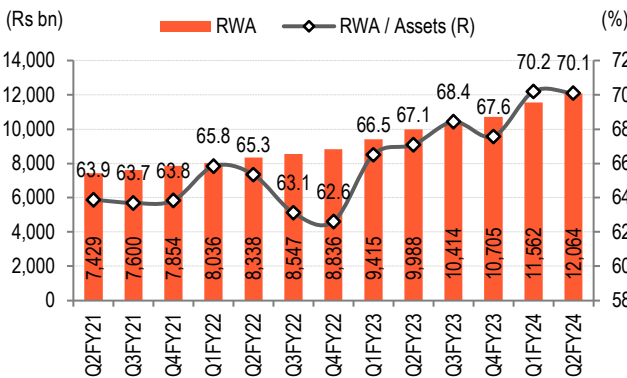
Source: Company, BOBCAPS Research

**Fig 14 – Return ratios the highest in last 12 quarters**



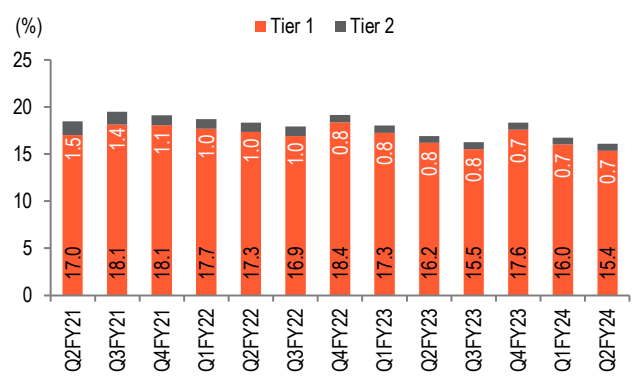
Source: Company, BOBCAPS Research

**Fig 15 – Higher retail share led to rise in risk-weighted assets**



Source: Company, BOBCAPS Research

**Fig 16 – Well capitalised to fund credit demand**



Source: Company, BOBCAPS Research

## Earnings call highlights

### Asset quality

- ICICIBC's asset quality continued to improve in Q2FY24 with slippages down to Rs 46.9bn from Rs 53.2bn in Q1, mainly due to a better performance from the agricultural segment. Corporate slippages stood at Rs 3.2bn vs. Rs 2.5bn in Q1.
- GNPA ratio improved by 28bps QoQ to 2.5% and the NNPA ratio improved by 5bps to 0.4%. PCR was flat at 83.1%.
- Covid-based restructured advances declined to Rs 35.3bn (0.3% of total loans) from Rs 39.5bn in Q1.
- Credit cost improved to 22bps from 51bps in Q1FY24 and 73bps in Q2FY23.
- Total provisions, including contingent (Rs 131bn), general (Rs 66bn) and others for fund-based restructured and non-fund-based NPA, stood at 2.2% of gross loans, which provides an additional cushion toward the mandated requirement.
- NPA sales totalled ~Rs 1.8bn during the quarter.
- The bank did not witness any delinquencies in the small-ticket unsecured book, but still plans to raise ticket size in the business.

### Loans

- During Q2, ICICIBC's loans increased 18% YoY (5% QoQ) wherein the corporate/retail segments grew 15%/21% YoY (3%/5% QoQ). The bank's focus area of SMEs outpaced overall growth at 29% YoY (7% QoQ) and business banking also clocked robust growth of 30% YoY (11% QoQ). The rural portfolio increased by 17% YoY and 3.5% sequentially.
- In the retail segment, loans in the two-wheeler (+25% YoY, -5.3% QoQ), personal (+40% YoY, +10% QoQ) and credit card (+6% YoY, +30% QoQ) segments grew the fastest.

### Deposits

- Deposits increased 19% YoY (4.5% QoQ) in Q2 led by strong growth in term deposits at 32% YoY (9% QoQ) whereas low-cost CASA was subdued at 4% (-2% QoQ). This resulted in a lower CASA ratio of 40.8% as against 43.3% in Q1FY24 and 46.6% in Q2FY23.

### NIM

- NIM declined 25bps QoQ to 4.5%, reflecting the lag in deposit repricing over the last year, offset in part by higher loan and investment yields.
- Per management, cost of deposits for the quarter increased to 4.53% from 4.31% in Q1, mainly due to the accretion of term deposits though the rates on incremental retail term deposits have largely stabilised.

- Management expects deposit rates and cost of funds to continue to rise over the next 1-2 quarters due to both repricing and higher deposit inflows. Nevertheless, it retains its NIM guidance at 4.5% for FY24 (flat YoY).
- Of the loan book, 48% is linked to the repo rate, 3% to other EBLR, 18% to MCLR and other older rates, and the remaining 31% is fixed rate.

### Operating expenses

- Opex increased 21% YoY for the quarter driven by other operating expenses (16% YoY), primarily related to retail business and technology. Employee expenses grew 29% YoY as the bank added 4,000 employees over the quarter (29,000 in the past 12 months).
- Technology costs formed 9.2% of overall expenses in H1.
- The bank added 174 branches during Q2 and expects the same run-rate for the next two quarters.

**Fig 17 – Loan book trend**

(Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	QoQ (%)	YoY (%)
Corporate	2,160,060	2,261,830	2,348,180	2,413,880	2,489,750	3.1	15.3
SME	419,250	454,240	482,210	506,150	542,640	7.2	29.4
Business Banking	635,720	668,830	721,120	748,710	828,330	10.6	30.3
Retail	5,065,150	5,292,360	5,578,170	5,827,930	6,148,720	5.5	21.4
Rural	799,040	829,060	874,310	905,540	937,570	3.5	17.3
Domestic Loans	9,005,720	9,387,820	9,855,290	10,253,110	10,742,060	4.8	19.3
Overseas Loans	379,910	352,650	341,100	322,730	363,360	12.6	(4.4)
<b>Total Loans</b>	<b>9,385,630</b>	<b>9,740,470</b>	<b>10,196,390</b>	<b>10,575,840</b>	<b>11,105,420</b>	<b>5.0</b>	<b>18.3</b>
<b>Total Loans (Reported)</b>	<b>9,385,628</b>	<b>9,740,475</b>	<b>10,196,383</b>	<b>10,575,826</b>	<b>11,105,421</b>	<b>5.0</b>	<b>18.3</b>

Source: Company, BOBCAPS Research

**Fig 18 – Loan book distribution**

(%)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	QoQ (%)	YoY (%)
Corporate	23.0	23.2	23.0	22.8	22.4	(41bps)	(60bps)
SME	4.5	4.7	4.7	4.8	4.9	10bps	42bps
Business Banking	6.8	6.9	7.1	7.1	7.5	38bps	69bps
Retail	54.0	54.3	54.7	55.1	55.4	26bps	140bps
Rural	8.5	8.5	8.6	8.6	8.4	(12bps)	(7bps)
Domestic Loans	96.0	96.4	96.7	96.9	96.7	(22bps)	78bps
Overseas Loans	4.0	3.6	3.3	3.1	3.3	22bps	(78bps)
<b>Total Loans</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>0bps</b>	<b>0bps</b>

Source: Company, BOBCAPS Research

**Fig 19 – Retail book trend**

(Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	QoQ (%)	YoY (%)
Mortgage	3,186,130	3,313,790	3,446,960	3,556,460	3,703,510	4.1	16.2
Auto Finance	446,140	472,630	496,870	524,650	553,610	5.5	24.1
Commercial Vehicle & Equipment	262,320	265,320	275,410	281,950	294,670	4.5	12.3
Two-wheelers	17,720	18,980	21,910	23,400	22,150	(5.3)	25.0
Auto Finance	726,180	756,930	794,190	830,000	870,430	4.9	19.9
Personal Loans	743,550	809,320	880,550	947,950	1,044,280	10.2	40.4
Credit Cards	333,940	345,460	378,410	407,200	432,300	6.2	29.5
Others	75,350	66,850	78,050	86,320	98,200	13.8	30.3
<b>Total Retail Loans</b>	<b>5,065,150</b>	<b>5,292,350</b>	<b>5,578,160</b>	<b>5,827,930</b>	<b>6,148,720</b>	<b>5.5</b>	<b>21.4</b>

Source: Company, BOBCAPS Research

**Fig 20 – Retail loan book distribution**

(%)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	QoQ (%)	YoY (%)
Mortgage	33.9	34.0	33.8	33.6	33.3	(28bps)	(60bps)
Auto Finance	4.8	4.9	4.9	5.0	5.0	2bps	23bps
Commercial Vehicle & Equipment	2.8	2.7	2.7	2.7	2.7	(1bps)	(14bps)
Two-wheelers	0.2	0.2	0.2	0.2	0.2	(2bps)	1bps
Auto Finance	7.7	7.8	7.8	7.8	7.8	(1bps)	10bps
Personal Loans	7.9	8.3	8.6	9.0	9.4	44bps	148bps
Credit Cards	3.6	3.5	3.7	3.9	3.9	4bps	33bps
Others	0.8	0.7	0.8	0.8	0.9	7bps	8bps
<b>Total Retail Loans</b>	<b>54.0</b>	<b>54.3</b>	<b>54.7</b>	<b>55.1</b>	<b>55.4</b>	<b>26bps</b>	<b>140bps</b>

Source: Company, BOBCAPS Research

**Fig 21 – Trend in deposits**

(Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	QoQ (%)	YoY (%)
CA Deposits	1,453,560	1,456,260	1,614,860	1,610,330	1,553,040	(3.6)	6.8
SA Deposits	3,624,840	3,632,160	3,797,760	3,751,930	3,723,260	(0.8)	2.7
CASA Deposits	5,078,400	5,088,420	5,412,620	5,362,260	5,276,300	(1.6)	3.9
Term Deposits	5,821,680	6,132,075	6,395,787	7,025,106	7,671,117	9.2	31.8
<b>Total Deposits</b>	<b>10,900,080</b>	<b>11,220,495</b>	<b>11,808,407</b>	<b>12,387,366</b>	<b>12,947,417</b>	<b>4.5</b>	<b>18.8</b>

Source: BOBCAPS Research, Company

**Fig 22 – Deposit distribution**

(%)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	QoQ (%)	YoY (%)
CA Deposits	13.3	13.0	13.7	13.0	12.0	(100bps)	(134bps)
SA Deposits	33.3	32.4	32.2	30.3	28.8	(153bps)	(450bps)
CASA Deposits	46.6	45.3	45.8	43.3	40.8	(254bps)	(584bps)
Term Deposits	53.4	54.7	54.2	56.7	59.2	254bps	584bps
<b>Total Deposits</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>0bps</b>	<b>0bps</b>

Source: BOBCAPS Research, Company



## Valuation methodology

ICICIBC's strong Q2FY24 performance was supported by healthy business growth across segments. We broadly retain our loan growth estimates for FY24/FY25 while raising deposit growth assumptions to 19%/17% from 15%/16%. Post Q2, we also lower our credit cost estimates for these years to 42bps/54bps from 69bps each and expect GNPA/NNPA to improve to 2.2%/0.4% in FY25 with PCR steady at 83%. The bank's cumulative provisions at 2.2% of loans lend further confidence on asset quality. We continue to estimate NIM at 4.5% all through our forecast period and model for a PAT CAGR of 16.3% over FY23-FY25.

ICICIBC is well capitalised with CAR of 16.1% (tier-1 at 15.3%) at end-Q2FY24 and we model for levels of 15.9%/15.3% over FY24/FY25. Given continued strong growth, a favourable portfolio mixes and expected lower provision needs, we believe ICICIBC will deliver healthy return ratios and pencil in ROA/ROE of 2.2%/17.4% for FY25.

After the recent price correction, the stock is trading at 2.3x FY25E P/ABV. Based on our revised estimates, we have a new SOTP-based TP of Rs 1,090 (vs. Rs 1,015), which is now set at 2.8x FY25E ABV (vs. 2.7x) using the Gordon Growth Model, with subsidiaries valued at Rs 174/sh. The bank's sustained outperformance across metrics over the past 3-4 quarters is likely to fetch a valuation premium and hence we upgrade our rating from HOLD to BUY.

**Fig 23 – Revised estimates**

(Rs mn)	New		Old		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Loan	12,092,910	14,269,634	12,062,321	14,233,539	0.3	0.3
Deposits	14,004,771	16,399,586	13,579,668	15,752,415	3.1	4.1
Assets	18,452,378	21,570,467	18,373,203	21,408,939	0.4	0.8
NII	718,249	851,428	723,297	821,325	(0.7)	3.7
PPOP	546,565	635,001	569,007	652,760	(3.9)	(2.7)
Provision	46,808	71,179	76,793	90,721	(39.0)	(21.5)
PAT	382,314	431,324	376,544	429,960	1.5	0.3

Source: BOBCAPS Research

**Fig 24 – Key operational assumptions**

Parameter (%)	FY23	FY24E	FY25E	FY26E
Advances	18.7	18.6	18.0	17.0
Net Interest Income	30.9	15.6	18.5	19.0
PPOP	25.1	11.3	16.2	18.8
PAT	36.7	19.9	12.8	17.3
NIM	4.4	4.4	4.5	4.6
GNPA	3.2	2.4	2.2	2.2
CAR	18.3	15.9	15.6	15.3

Source: Company, BOBCAPS Research

**Fig 25 – Valuation summary**

Business	Valuation	Holdings (%)	Value (Rs/Sh)
ICICI Bank	2.8x FY25E ABV	100	916
ICICI Prudential Life	Market cap	51.24	56
ICICI Lombard General	Market cap	48.02	48
ICICI Securities	Market cap	74.79	23
ICICI Prudential AMC	8% of AUM	51	32
ICICI Home Finance	1.5x FY25E P/B	100	5
ICICI Bank CANADA & UK	-	100	11
<b>Total</b>	-	-	<b>1,090</b>

Source: Company, BOBCAPS Research

**Fig 26 – Key valuation assumptions (Gordon growth model)**

Particulars (%)	
Return on Equity (RoE)	17.6
Cost of Equity (Ke)	12.4
Growth (Period 1)	14.1
Growth (Long Term)	7.0
Initial High Growth Period (yrs)	10.0
Dividend Payout (Period 1)	20.0
Dividend Payout (Long Term)	60.0
Factor 1	2.2
Factor 2	13.8
Justified P/BV Multiple (x)	2.8

Source: Company, BOBCAPS Research

## Key risks

- Inability of the bank to manage a higher cost of funds with faster deposit repricing would represent a key downside risk to our estimates.
- Inability to sustain its high growth rate business model (both at credit and deposit front) in mid-term

## Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Axis Bank	AXSB IN	36.1	964	1,155	BUY
DCB Bank	DCBB IN	0.4	117	144	BUY
Federal Bank	FB IN	3.7	143	180	BUY
HDFC Bank	HDFCB IN	138.2	1,506	1,929	BUY
ICICI Bank	ICICIB IN	79.0	930	1,090	BUY
Indusind Bank	IIB IN	13.6	1,435	1,755	BUY
Kotak Mahindra Bank	KMB IN	42.1	1,741	2,122	HOLD
RBL Bank	RBK IN	1.7	231	233	HOLD
State Bank of India	SBIN IN	60.1	553	729	BUY

Source: BOBCAPS Research, NSE | Price as of 23 Oct 2023

## Glossary

Glossary of Abbreviations			
<b>AUCA</b>	Advance Under Collection Account	<b>LCR</b>	Liquidity Coverage Ratio
<b>ARC</b>	Asset Reconstruction Company	<b>MCLR</b>	Marginal Cost of Funds-based Lending Rate
<b>BRDS</b>	Bills Rediscounting Scheme	<b>MTM</b>	Mark to Market
<b>CASA</b>	Current Account and Savings Account	<b>NII</b>	Net Interest Income
<b>CAR</b>	Capital Adequacy Ratio	<b>NIM</b>	Net Interest Margin
<b>CET1</b>	Common Equity Tier 1	<b>NNPA</b>	Net Non-Performing Assets
<b>CD</b>	Credit-Deposit Ratio	<b>PCR</b>	Provision Coverage Ratio
<b>C/I</b>	Cost-Income Ratio	<b>PPOP</b>	Pre-Provision Operating Profit
<b>CRB</b>	Commercial and Rural Banking	<b>PSU</b>	Public Sector Unit
<b>EBLR</b>	External Benchmark-based Lending Rate	<b>RWA</b>	Risk-weighted Assets
<b>ECL</b>	Expected Credit Loss	<b>SLR</b>	Statutory Liquidity Ratio
<b>GNPA</b>	Gross Non-Performing Assets	<b>SMA</b>	Special Mention Account
<b>IBPC</b>	Interbank Participation Certificate	<b>SME</b>	Small and Medium-sized Enterprises

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
<b>Net interest income</b>	<b>47,466</b>	<b>62,129</b>	<b>71,825</b>	<b>85,143</b>	<b>101,293</b>
Nil growth (%)	21.7	30.9	15.6	18.5	19.0
Non-interest income	18,518	19,831	23,320	27,015	31,587
Total income	65,984	81,960	95,145	112,158	132,880
Operating expenses	26,733	32,873	40,489	48,658	57,432
PPOP	39,250	49,087	54,656	63,500	75,448
PPOP growth (%)	7.8	25.1	11.3	16.2	18.8
Provisions	8,641	6,666	4,681	7,118	9,290
PBT	30,609	42,421	49,976	56,382	66,158
Tax	7,269	10,525	11,744	13,250	15,547
<b>Reported net profit</b>	<b>23,339</b>	<b>31,897</b>	<b>38,231</b>	<b>43,132</b>	<b>50,611</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>23,339</b>	<b>31,897</b>	<b>38,231</b>	<b>43,132</b>	<b>50,611</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Equity capital	1,390	1,397	1,397	1,397	1,397
Reserves & surplus	169,122	199,319	229,904	264,410	304,899
Net worth	170,512	200,715	231,301	265,806	306,295
Deposits	1,064,572	1,180,841	1,400,477	1,639,959	1,918,752
Borrowings	107,231	119,325	108,586	118,359	133,272
Other liab. & provisions	68,983	83,325	104,874	132,923	164,169
<b>Total liab. &amp; equities</b>	<b>1,411,298</b>	<b>1,584,207</b>	<b>1,845,238</b>	<b>2,157,047</b>	<b>2,522,488</b>
Cash & bank balance	167,822	119,438	139,391	159,623	186,832
Investments	310,241	362,330	404,529	465,602	542,974
Advances	859,020	1,019,638	1,209,291	1,426,963	1,669,547
Fixed & Other assets	74,214	82,800	92,027	104,859	123,135
<b>Total assets</b>	<b>1,411,298</b>	<b>1,584,207</b>	<b>1,845,238</b>	<b>2,157,047</b>	<b>2,522,488</b>
Deposit growth (%)	14.2	10.9	18.6	17.1	17.0
Advances growth (%)	17.1	18.7	18.6	18.0	17.0

### Per Share

Y/E 31 Mar (Rs)	FY22A	FY23A	FY24E	FY25E	FY26E
EPS	33.7	45.8	54.7	61.8	72.5
Dividend per share	5.0	8.0	10.9	12.4	14.5
Book value per share	245.3	287.4	331.2	380.6	438.6

### Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23A	FY24E	FY25E	FY26E
P/E	27.6	20.3	17.0	15.1	12.8
P/BV	3.8	3.2	2.8	2.4	2.1
Dividend yield (%)	0.5	0.9	1.2	1.3	1.6

### DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23A	FY24E	FY25E	FY26E
Net interest income	3.6	4.1	4.2	4.3	4.3
Non-interest income	1.4	1.3	1.4	1.4	1.4
Operating expenses	2.0	2.2	2.4	2.4	2.5
Pre-provisioning profit	3.0	3.3	3.2	3.2	3.2
Provisions	0.7	0.4	0.3	0.4	0.4
PBT	2.3	2.8	2.9	2.8	2.8
Tax	0.6	0.7	0.7	0.7	0.7
ROA	1.8	2.1	2.2	2.2	2.2
Leverage (x)	8.3	8.1	7.9	8.1	8.2
ROE	14.7	17.2	17.7	17.4	17.7

### Ratio Analysis

Y/E 31 Mar	FY22A	FY23A	FY24E	FY25E	FY26E
<b>YoY growth (%)</b>					
Net interest income	21.7	30.9	15.6	18.5	19.0
Pre-provisioning profit	7.8	25.1	11.3	16.2	18.8
EPS	36.5	36.0	19.6	12.8	17.3
<b>Profitability &amp; Return ratios (%)</b>					
Net interest margin	3.8	4.4	4.4	4.5	4.6
Fees / Avg. assets	0.2	0.2	0.3	0.3	0.3
Cost-Income	40.5	40.1	42.6	43.4	43.2
ROE	14.7	17.2	17.7	17.4	17.7
ROA	1.8	2.1	2.2	2.2	2.2
<b>Asset quality (%)</b>					
GNPA	4.6	3.2	2.4	2.2	2.2
NNPA	1.1	0.7	0.4	0.4	0.4
Slippage ratio	2.7	3.0	1.8	2.3	2.6
Credit cost	1.1	0.7	0.4	0.5	0.6
Provision coverage	77.7	79.2	82.8	83.0	83.0
<b>Ratios (%)</b>					
Credit-Deposit	80.7	86.3	86.3	87.0	87.0
Investment-Deposit	29.1	30.7	28.9	28.4	28.3
CAR	19.2	18.3	15.9	15.6	15.3
Tier-1	18.3	17.6	15.2	15.0	14.8

Source: Company, BOBCAPS Research

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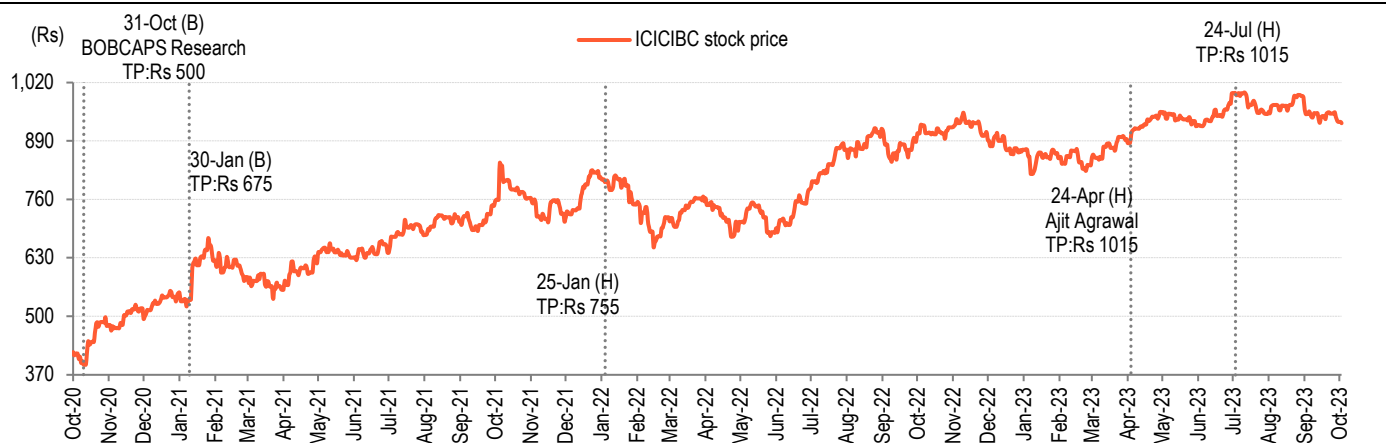
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- HOLD** – Expected return from -6% to +15%
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**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

### Ratings and Target Price (3-year history): ICICI BANK (ICICIB IN)



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