

HOLD
 TP: Rs 1,352 | ▲ 12%

ICICI BANK

| Banking

| 29 July 2024

Modest business; other income increases aid PAT

- Moderate business growth led to subdued NII (2%/7% QoQ/YoY), while PAT grew 3%/15% QoQ/YoY aided by higher other income (24% QoQ)
- Reported NIM declined 4bps QoQ to 4.36%, on account of higher interest reversal from KCC, while asset quality remained stable
- Increase estimates; raise TP to Rs 1,352 (from Rs 1,272) and continue to value at 2.7x FY26E (Jun'26) ABV on consistent performance. HOLD

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Broad-based growth: ICICIBC credit growth moderated to 16% YoY (+3% QoQ) due to slowdown in retail book (+2%QoQ). Corporate and SME grew +3%/+4% QoQ; bank witnessed competitive rate and weak retail which led to flat margin. However, Business Banking outpaced others with +9% QoQ growth. Within Retail, PL (25%), CC (31%) and auto (15%) saw traction YoY, while home (14%), CV (14%) and 2-wheeler (-25%) remained subdued. Deposits growth stayed modest at 15% YoY (+1% QoQ), led by TDs, leading to a 125bps drop in CASA ratio to 41%. Slowing deposits led to a 193bps rise in LDR to 86%, indicating better potential.

NIM dipped QoQ: NII grew 2% QoQ (7% YoY) mainly due to slowdown in credit offtake, while NIM declined 4bps QoQ to 4.36% on weak retail and higher interest reversal on KCC (yield decline 8bps QoQ). Management expects margin to improve as seasonality impact is behind it. Other income up 24% QoQ due to higher treasury (gain of Rs 6.1bn vs. loss of Rs 2.8bn in Q4) and dividend gain.

Higher provision and opex dragged PAT: Opex rose 8.5% QoQ due to higher staff cost on account of annual increment led to 44bps rise in C/I ratio of 39.7%. Further, provision normalised with higher stress from KCC and unsecured retail book and hampered PAT (grew 3%/15% QoQ/YoY). Credit costs increased 20bps QoQ to 45bps despite Rs 3.9bn of AIF provision reversal. We expect it to normalise over FY25/FY26 at 52bps/70bps vs. 33bps in FY24.

Asset quality steady: Despite higher slippages on seasonality and lower upgrades and recovery, GNPA/NNPA/PCR remained flat at 2.1%/0.4%/80%. Total provisions stood at 1.9% of loans and the bank sees no major asset quality concerns.

Maintain HOLD: We trimmed loan estimates by 1%/2%, deposits by 2%/4% for FY25/FY26, and raised PAT by 12%/6% mainly on lower provision factoring in ongoing business dynamics. Given ICICIBC's sturdy and improved performance, we raise our SOTP-based TP to Rs 1,352 from Rs 1,272 set at 2.7x FY26E (Jun'26) ABV using the GGM. We value subsidiaries at Rs 233/sh. With the recent price rise, we believe major positives have been priced in and we retain our HOLD rating.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	ICICIBC IN/Rs 1,207
Market cap	US\$ 101.5bn
Free float	100%
3M ADV	US\$ 237.9mn
52wk high/low	Rs 1,258/Rs 899
Promoter/FPI/DII	0%/45%/44%

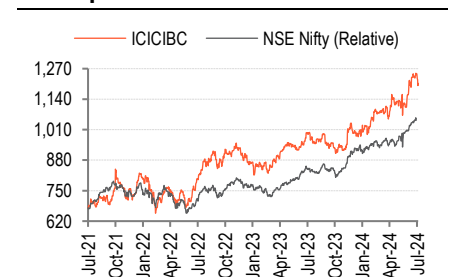
Source: NSE | Price as of 26 Jul 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
NII (Rs mn)	74,306	83,710	95,339
NII growth (%)	19.6	12.7	13.9
Adj. net profit (Rs mn)	40,888	46,751	51,337
EPS (Rs)	58.4	66.5	73.0
Consensus EPS (Rs)	58.4	68.0	74.5
P/E (x)	20.7	18.2	16.5
P/BV (x)	3.6	3.0	2.6
ROA (%)	2.4	2.3	2.2
ROE (%)	18.6	18.0	17.0

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

Stock performance



Source: NSE



Fig 1 – Quarterly snapshot: Income statement

(Rs mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)
Income Statement							
Interest Income	258,442	271,189	285,575	294,234	301,085	16.5	2.3
Income on investments	66,180	70,203	72,107	77,820	81,566	23.2	4.8
Int. on bal. with RBI & inter-bank funds & Others	8,655	7,812	9,264	7,430	7,307	(15.6)	(1.7)
Interest income	333,276	349,204	366,946	379,484	389,958	17.0	2.8
Interest expense	151,012	166,125	180,160	188,556	194,429	28.8	3.1
Net interest income	182,265	183,079	186,786	190,928	195,529	7.3	2.4
Growth YoY (%)	38.0	23.8	13.4	8.1	7.3	(3,070bps)	(79bps)
Non-interest income	54,353	57,767	60,971	56,488	70,019	28.8	24.0
Growth YoY (%)	16.5	14.3	21.4	11.0	28.8	1,232bps	1,780bps
Total income	236,617	240,846	247,756	247,416	265,548	12.2	7.3
Growth YoY (%)	32.4	21.4	15.3	8.7	12.2	(2,014bps)	349bps
Staff expenses	38,837	37,254	38,127	37,202	43,705	12.5	17.5
Other operating expenses	56,389	61,299	62,393	59,826	61,595	9.2	3.0
Operating expenses	95,226	98,553	100,520	97,028	105,300	10.6	8.5
Pre-Provisioning Profit (PPoP)	141,391	142,293	147,236	150,388	160,248	13.3	6.6
Growth YoY (%)	37.2	21.8	10.9	8.8	13.3	(2,382bps)	457bps
Provisions	12,924	5,826	10,494	7,185	13,322	3.1	85.4
Growth YoY (%)	13.0	(64.6)	(53.5)	(55.6)	3.1	(992bps)	5,872bps
PBT	128,467	136,466	136,743	143,203	146,927	14.4	2.6
Tax	31,985	33,856	34,027	36,127	36,336	13.6	0.6
PAT	96,482	102,610	102,715	107,075	110,591	14.6	3.3
Growth YoY (%)	39.7	35.8	23.6	17.4	14.6	(2,511bps)	(276bps)
Per Share							
FV (Rs)	2.0	2.0	2.0	2.0	2.0	0.0	0.0
EPS (Rs)	13.8	14.7	14.7	15.3	-	54.5	40.5
Book Value (Rs)	302	309	323	339	361	28.4	29.6

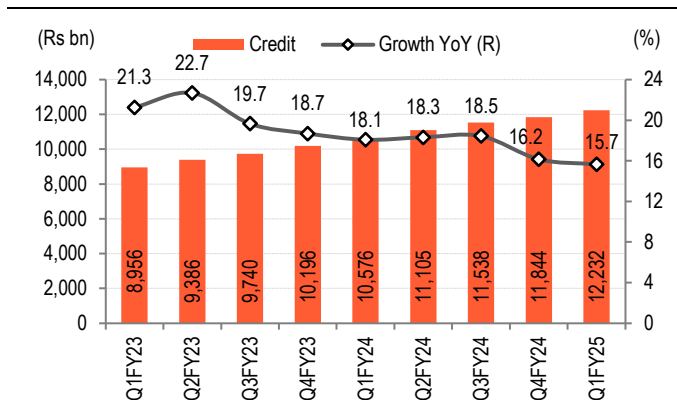
Source: Company, BOBCAPS Research

Fig 2 – Quarterly snapshot: Balance sheet & other metrics

(Rs mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)
Deposits	12,387,366	12,947,417	13,323,145	14,128,250	14,261,495	15.1	0.9
Growth YoY (%)	17.9	18.8	18.7	19.6	15.1	(281bps)	(452bps)
Advances	10,575,826	11,105,421	11,537,710	11,844,064	12,231,543	15.7	3.3
Growth YoY (%)	18.1	18.3	18.5	16.2	15.7	(243bps)	(50bps)
Investment	3,981,395	4,132,531	4,366,498	4,619,423	4,752,556	19.4	2.9
Equity	2,109,659	2,160,489	2,268,366	2,383,993	2,539,945	20.4	6.5
Assets	16,470,003	17,207,796	17,832,221	18,715,146	18,926,971	14.9	1.1
Growth YoY (%)	16.3	15.6	17.2	18.1	14.9	(143bps)	(322bps)
Yield (%)							
Yield on Funds	8.70	8.74	8.83	8.73	8.68	(3bps)	(6bps)
Cost of Funds	4.56	4.81	5.02	5.03	5.04	48bps	1bps
Spread	4.14	3.93	3.81	3.70	3.63	(51bps)	(7bps)
Net Interest Margin	4.76	4.58	4.50	4.39	4.35	(41bps)	(4bps)
Ratios (%)							
Other Income / Net Income	40.2	40.9	40.6	39.2	39.7	(59bps)	44bps
Cost to Income ratio	40.2	40.9	40.6	39.2	39.7	(59bps)	44bps
CASA ratio	43.3	40.8	39.6	42.2	40.9	(236bps)	(125bps)
C/D ratio	85.4	85.8	86.6	83.8	85.8	39bps	193bps
Investment to Assets	24.2	24.0	24.5	24.7	25.1	94bps	43bps
Assets Quality							
GNPA	318,224	298,369	287,746	279,617	287,186	(9.8)	2.7
NNPA	53,818	50,465	53,785	53,778	56,848	5.6	5.7
Provision	264,406	247,905	233,962	225,839	230,338	(12.9)	2.0
GNPA (%)	2.76	2.48	2.30	2.16	2.15	(61bps)	(1bps)
NNPA (%)	0.48	0.43	0.44	0.42	0.43	(5bps)	1bps
Provision (%)	83.1	83.1	81.3	80.8	80.2	(288bps)	(56bps)
Others (nos)							
Branches	6,074	6,248	6,371	6,523	6,587	513	64
ATMs	16,731	16,927	17,037	17,190	17,102	371	(88)
Employees	135,000	139,300	141,000	141,180	144,255	9,255	3,075

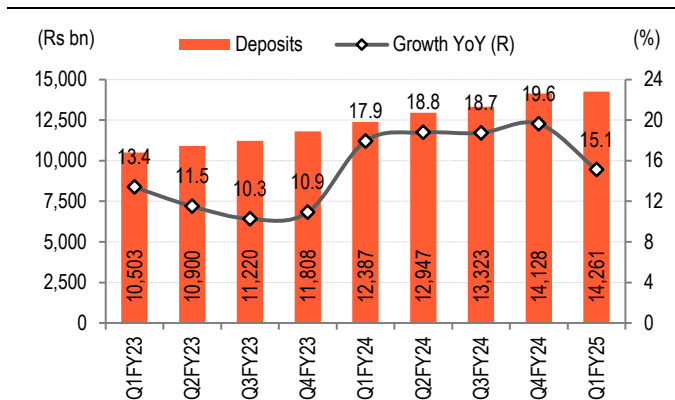
Source: Company, BOBCAPS Research

Fig 3 – Credit growth decelerated on deposit constraints



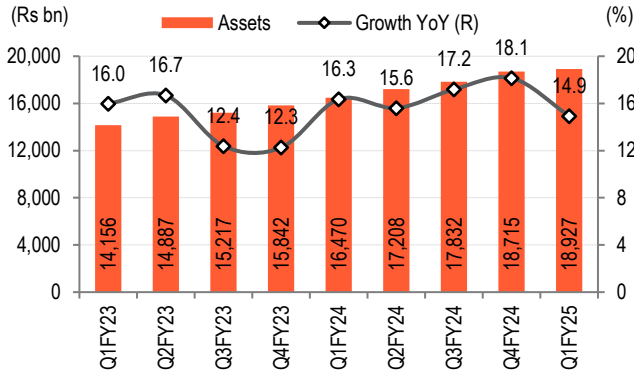
Source: Company, BOBCAPS Research

Fig 4 – QoQ drop in deposit was led by CASA



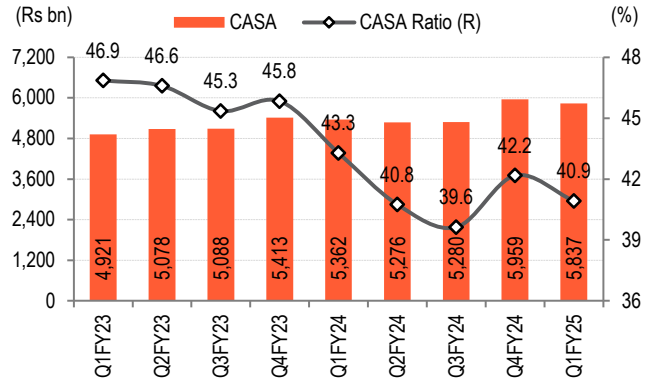
Source: Company, BOBCAPS Research

Fig 5 – Asset growth at 15% YoY



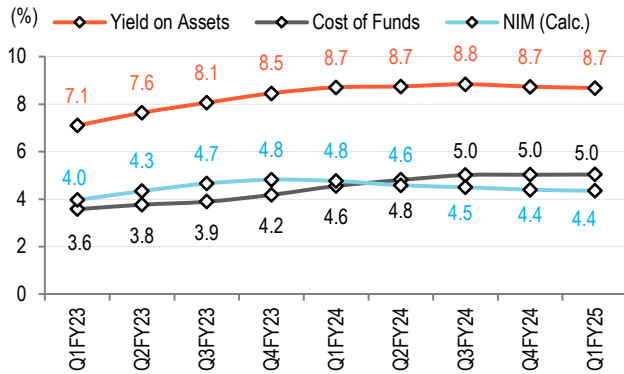
Source: Company, BOBCAPS Research

Fig 6 – CASA declined 125bps QoQ on low CASA mobilisation



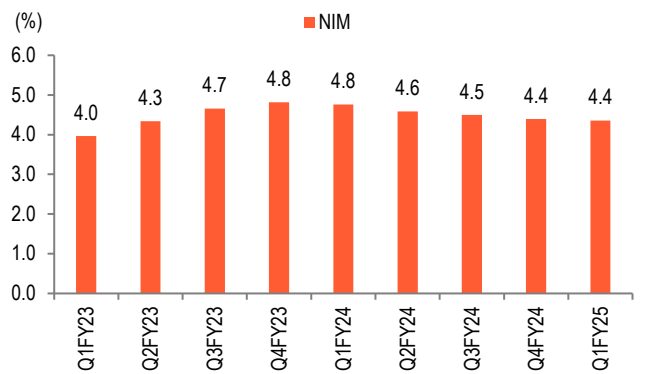
Source: Company, BOBCAPS Research

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



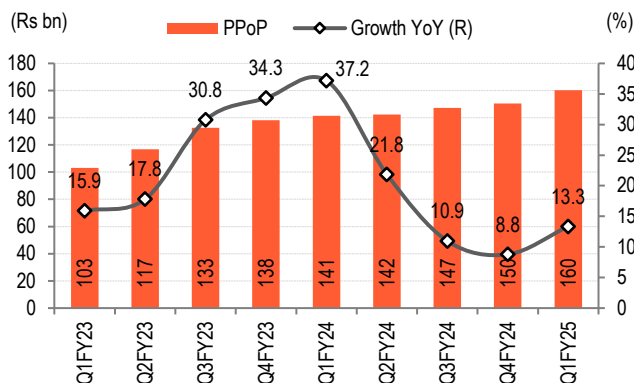
Source: Company, BOBCAPS Research

Fig 8 – ... leading to 4bps QoQ NIM (calc.) contraction



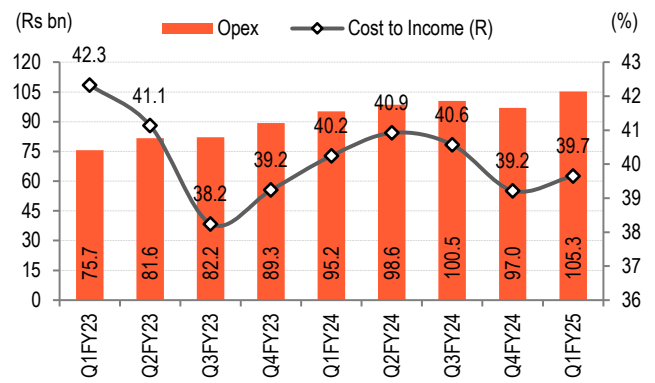
Source: Company, BOBCAPS Research

Fig 9 – PPOP moderated on lower topline



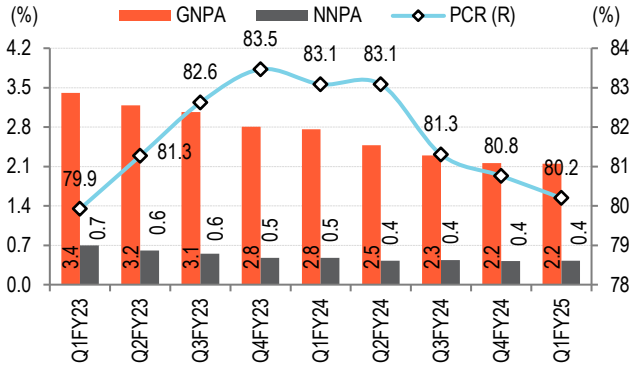
Source: Company, BOBCAPS Research

Fig 10 – C/I ratio increased 44bps with increase in annual staff cost



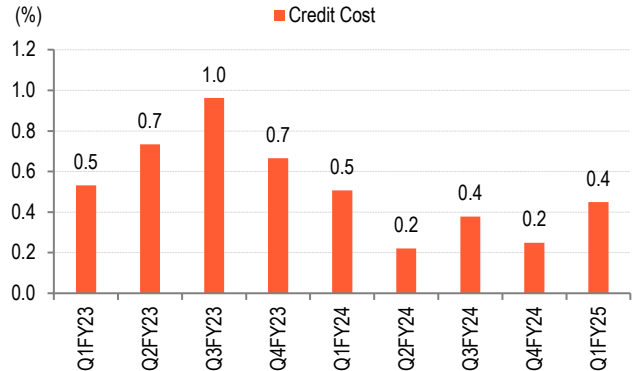
Source: Company, BOBCAPS Research

Fig 11 – Asset quality remained stable despite seasonality impact



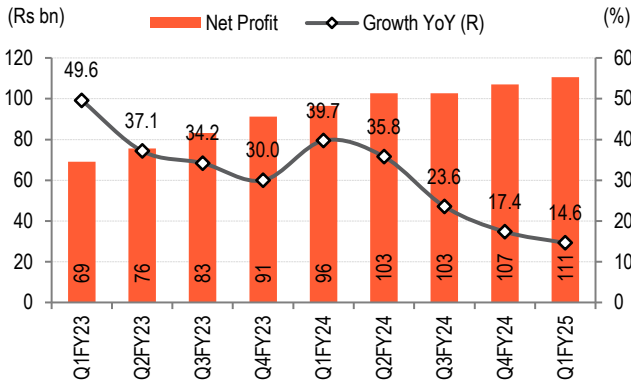
Source: Company, BOBCAPS Research

Fig 12 – Credit cost getting normalised, guidance range ~50bps



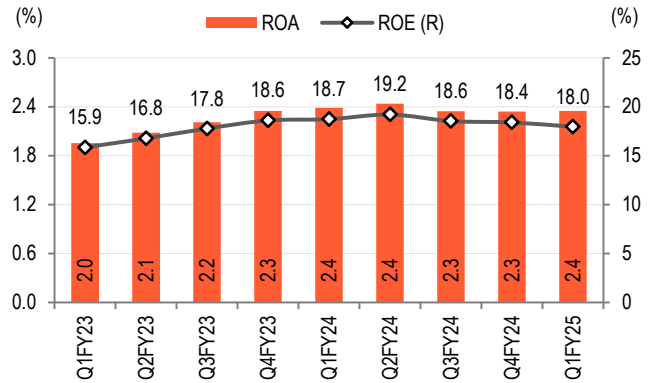
Source: Company, BOBCAPS Research

Fig 13 – PAT grew 15% YoY led by higher other income



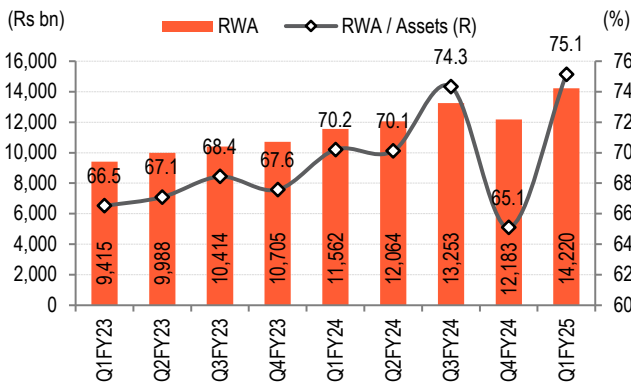
Source: Company, BOBCAPS Research

Fig 14 – Return ratios remained healthy



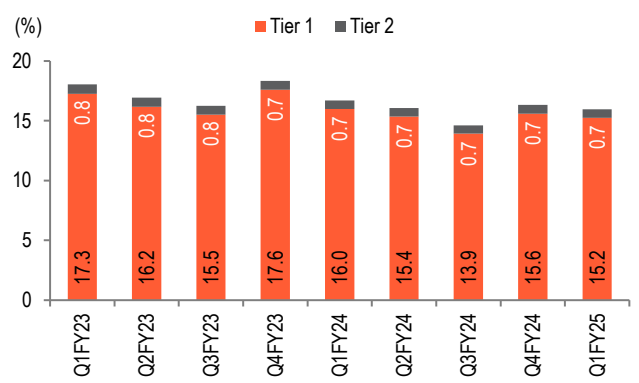
Source: Company, BOBCAPS Research

Fig 15 – RWA increased with increase in risk weight



Source: Company, BOBCAPS Research

Fig 16 – CAR remained healthy to fund growth



Source: Company, BOBCAPS Research

Earnings call highlights

Asset quality

- ICICIBC's slippages increased to Rs 59.2bn during Q1FY25 vs. 51.4bn bn in Q4, mainly due to higher slippages (Rs 7.2 bn) from the Kisan Credit Card (KCC) which is seasonal in nature, while slippages from Retail, Rural and Business Banking (Rs 57.3bn vs. Rs 49.3bn) along with slippages from Corporate and SME (Rs 1.8bn vs. Rs 2.1bn) remained high. Write-off during the quarter remained high at Rs 17.5bn vs. Rs 17.1bn leading to an increase in GNPA.
- GNPA ratio declined by 1bps QoQ to 2.15% and the NNPA ratio increased by 1bps to 0.43%, while PCR declined 56bps QoQ to 80.2%.
- Covid-based restructured advances declined to Rs 27.3bn (0.2% of total loans) vs. Rs 30.6bn in Q4.
- Credit cost increased to 45bps from 25bps in Q4FY24 and 51bps from the year ago period.
- Total provisions (Rs 234 bn), including contingent (Rs 131bn), general (Rs 74.8bn) and others for fund-based restructured and non-fund-based NPA stood at 1.9% of gross loans, which provide an additional cushion toward the mandated requirement.
- NPA sales totalled Rs 1.1bn vs. Rs 3.2bn in Q4.
- The AIF provision of Rs 3.9bn was reversed during the quarter.
- Bank's BB and Below book stood at Rs 52.9bn (43bps of advances) vs. Rs 55.3bn in Q4, while Outstanding loans to NBFCs and HFCs totalled Rs 854bn as of Q1 vs. Rs 771bn as of Q4 or 7% of the loan book. Management expects to continue lending to NBFCs but would look at optimising cost.
- The builder portfolio including construction finance, lease rental, discounting, term loans and working capital was Rs 521.3bn at Q1 compared to Rs 482.9bn in Q4FY24. The builder portfolio was about 4.3% of total loan portfolio.

Loans

- During Q1, ICICIBC's loans increased 15.7% YoY (3.3% QoQ), wherein the corporate/retail segments grew 10.3%/17.1% YoY (+3.1%/+2.4% QoQ). The bank's focus area of SMEs outpaced overall growth at 23.5% YoY (+4% QoQ) and business banking also clocked robust growth of 35.6% YoY (+8.9% QoQ). The rural portfolio increased by 16.9% YoY and 3.4% sequentially.
- In the retail segment, Mortgage loan grew by 14.2% YoY (2.5% QoQ), CV/CE segment by 13.9% YoY (2.2% QoQ), personal loans by 24.9% YoY (1.5% QoQ), credit cards by 31.3% YoY (4.2% QoQ) and auto by 14.8% YoY (1.7% QoQ).
- The personal loan and credit card portfolio were 9.7% and 4.4% of the overall loan book, respectively, at Q1FY25.

Deposits

- Deposits increased 15.1% YoY (1% QoQ) in Q1 led by strong growth in term deposits at 20% YoY (3.1% QoQ), whereas low-cost CASA declined 2% QoQ and rose 9% YoY (104% YoY in Q4). This resulted in a 125bps decline in CASA ratio to 40.9% and adversely impacted margin.
- The LCR stood at 123%.

NIM

- Reported NIM declined 4bps QoQ to 4.36%, reflecting the lag in deposit repricing over the last year, offset in part by higher loan and investment yields.
- NIM saw nil impact from interest on an income tax refund in Q1 vs a 3bps positive impact a year ago.
- According to management, the cost of deposits for the quarter increased by 2bps to 4.84% from 4.82% in Q4, mainly due to upward repricing of term deposits, while yield on advances came down by 8bps QoQ mainly due to non-accrual in the KCC portfolio.
- Management expected deposit mobilisation environment to continue to remain challenging while highly competitive intensity in corporate loan portfolio also helped the bank calibrate growth in both assets and liability. However, ICICIB also indicated that with market being much more rate competitive in segments like SME and corporate there would be relatively less potential for rise in yield. However, it maintained its margin guidance at the current level.
- Of the loan book, 50% is linked to the repo rate, 2% to other EBLR, 17% to MCLR and other older rates, and the balance 31% is fixed rate.

Operating expenses

- Opex increased by 8.5% QoQ, wherein both employee expenses and other expenses increased by 17.5% and 3.0% QoQ respectively. Higher employee expenses were on the back of annual increments and promotions.
- The technology expenditure stood at 9.3% of opex.
- The bank added 64 branches and 513 branches over the past 12 months.

Fig 17 – Loan book trend

(Rs mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)
Corporate	2,413,880	2,489,750	2,562,410	2,582,790	2,663,040	10.3	3.1
SME	506,150	542,640	579,180	600,950	625,140	23.5	4.0
Business Banking	748,710	828,330	882,390	932,280	1,014,970	35.6	8.9
Retail	5,827,930	6,148,720	6,425,720	6,662,610	6,823,430	17.1	2.4
Rural	905,540	937,570	980,360	1,024,460	1,058,800	16.9	3.4
Domestic Loans	10,253,110	10,742,060	11,148,210	11,509,550	11,885,870	15.9	3.3
Overseas Loans	322,730	363,360	389,510	334,510	345,670	7.1	3.3
Total Loans	10,575,840	11,105,420	11,537,720	11,844,060	12,231,540	15.7	3.3
Total Loans (Reported)	10,575,826	11,105,421	11,537,710	11,844,064	12,231,543	15.7	3.3

Source: Company, BOBCAPS Research

Fig 18 – Loan book distribution

(%)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)
Corporate	22.8	22.4	22.2	21.8	21.8	(105bps)	(3bps)
SME	4.8	4.9	5.0	5.1	5.1	32bps	4bps
Business Banking	7.1	7.5	7.6	7.9	8.3	122bps	43bps
Retail	55.1	55.4	55.7	56.3	55.8	68bps	(47bps)
Rural	8.6	8.4	8.5	8.6	8.7	9bps	1bps
Domestic Loans	96.9	96.7	96.6	97.2	97.2	23bps	0bps
Overseas Loans	3.1	3.3	3.4	2.8	2.8	(23bps)	0bps
Total Loans	100.0	100.0	100.0	100.0	100.0	0bps	0bps

Source: Company, BOBCAPS Research

Fig 19 – Retail book trend

(Rs mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)
Mortgage	3,556,460	3,703,510	3,841,320	3,959,210	4,059,960	14.2	2.5
Auto Finance	524,650	553,610	578,740	592,190	602,040	14.8	1.7
Commercial Vehicle & Equipment	281,950	294,670	304,480	314,260	321,180	13.9	2.2
Two-wheelers	23,400	22,150	21,790	19,900	17,500	(25.2)	(12.1)
Auto Finance	830,000	870,430	905,010	926,350	940,720	13.3	1.6
Personal Loans	947,950	1,044,280	1,110,990	1,166,770	1,183,770	24.9	1.5
Credit Cards	407,200	432,300	481,970	513,210	534,720	31.3	4.2
Others	86,320	98,200	86,430	97,080	104,260	20.8	7.4
Total Retail Loans	5,827,930	6,148,720	6,425,720	6,662,620	6,823,430	17.1	2.4

Source: Company, BOBCAPS Research

Fig 20 – Retail loan book distribution

(%)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)
Mortgage	33.6	33.3	33.3	33.4	33.2	(44bps)	(24bps)
Auto Finance	5.0	5.0	5.0	5.0	4.9	(4bps)	(8bps)
Commercial Vehicle & Equipment	2.7	2.7	2.6	2.7	2.6	(4bps)	(3bps)
Two-wheelers	0.2	0.2	0.2	0.2	0.1	(8bps)	(2bps)
Auto Finance	7.8	7.8	7.8	7.8	7.7	(16bps)	(13bps)
Personal Loans	9.0	9.4	9.6	9.9	9.7	71bps	(17bps)
Credit Cards	3.9	3.9	4.2	4.3	4.4	52bps	4bps
Others	0.8	0.9	0.7	0.8	0.9	4bps	3bps
Total Retail Loans	55.1	55.4	55.7	56.3	55.8	68bps	(47bps)

Source: Company, BOBCAPS Research

Fig 21 – Trend in deposits

(Rs mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)
CA Deposits	1,610,330	1,553,040	1,534,110	1,935,720	1,760,280	9.3	(9.1)
SA Deposits	3,751,930	3,723,260	3,745,840	4,023,000	4,076,430	8.6	1.3
CASA Deposits	5,362,260	5,276,300	5,279,950	5,958,720	5,836,710	8.8	(2.0)
Term Deposits	7,025,106	7,671,117	8,043,195	8,169,530	8,424,785	19.9	3.1
Total Deposits	12,387,366	12,947,417	13,323,145	14,128,250	14,261,495	15.1	0.9

Source: Company, BOBCAPS Research

Fig 22 – Deposit distribution

(%)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)
CA Deposits	13.0	12.0	11.5	13.7	12.3	(66bps)	(136bps)
SA Deposits	30.3	28.8	28.1	28.5	28.6	(170bps)	11bps
CASA Deposits	43.3	40.8	39.6	42.2	40.9	(236bps)	(125bps)
Term Deposits	56.7	59.2	60.4	57.8	59.1	236bps	125bps
Total Deposits	100.0	100.0	100.0	100.0	100.0	0bps	0bps

Source: Company, BOBCAPS Research

Valuation methodology

ICICIBC's business growth was moderate during Q1FY25, leading to subdued NII (2.4%/7.3% QoQ/ YoY) while other income increased (24%/28% QoQ/YoY) backed by higher treasury and dividend gain. Total income rose 7.3%/12.2% QoQ/YoY. However, opex on higher staff cost due to annual increment and promotion cost PPOP increased 6.6%/13.3% QoQ/YoY. The bank expects business growth to improve hereon as seasonality impact is behind it, and expects both margin and C/I ratio to improve with rebound in volume.

Considering the market's competitive intensity and elevated interest rate and constraint towards deposit mobilisation, we trim our loan book estimates for FY25/FY26 by 1%/2% and deposit estimates by 2%/4%. However, we expect a rise in PPOP (7%/5%) supported by higher other income and relatively lower opex. We factor in lower credit cost for FY25 and lower our provision by 20%/1% for FY25E/FY26E, leading to 11%/6% rise in PAT each year. Also, we factor in credit costs of 55bps/69bps over FY25E/FY26E with PAT CAGR of 12% (9% earlier) over FY24-FY26. We maintain our NIM estimates at 4.3% in line with management guidance through our forecast period.

ICICIBC's CET1 stood at 15.2% as of Q1FY25 while CAR stood at 16.0%, still above the regulatory requirement. We believe the bank's profits would be sufficient to fund growth, though it may opt to raise capital in FY25.

Maintain HOLD: We trim loan estimates by 1%/2%, deposits by 2%/4% for FY25/26, and raise PAT by 12%/6% mainly on lower provision factoring in ongoing business dynamics. Given ICICIBC's sturdy and improved performance, we raise our SOTP-based TP to Rs 1,352, from Rs 1,272, set at 2.7x FY26E (Jun'26) ABV using the Gordon Growth Model. We value subsidiaries at Rs 233/sh. With the recent price rise, we believe major positives have been priced in and we recommend HOLD.

Fig 23 – Revised estimates

(Rs mn)	New		Old		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Loan	13,762,802	15,964,851	13,869,399	16,241,066	(0.8)	(1.7)
Deposits	16,318,128	18,765,847	16,628,950	19,472,500	(1.9)	(3.6)
Assets	21,305,497	24,607,161	21,617,357	25,103,997	(1.4)	(2.0)
NII	837,104	953,386	825,849	950,435	1.4	0.3
PPOP	681,945	773,637	637,118	735,310	7.0	5.2
Provision	70,821	102,560	88,711	103,881	(20.2)	(1.3)
PAT	467,510	513,374	419,531	483,043	11.4	6.3

Source: BOBCAPS Research

Fig 24 – Key operational assumptions

Parameter (%)	FY24P	FY25E	FY26E	FY27E
Advances	16.2	16.2	16.0	16.0
Net Interest Income	19.6	12.7	13.9	13.7
PPOP	18.4	17.3	13.4	14.9
PAT	28.2	14.3	9.8	14.7
NIM	4.5	4.4	4.4	4.3
GNPA	2.9	2.2	2.2	2.2
CAR	18.4	15.7	16.3	16.2

Source: Company, BOBCAPS Research

Fig 25 – Valuation summary

Business	Valuation	Holdings (%)	Value (Rs/Sh)
ICICI Bank	2.7x FY26E ABV	100	1,119
ICICI Prudential Life	Market cap	51.15	76
ICICI Lombard General	Market cap	51.81	71
ICICI Securities	Market cap	74.64	26
ICICI Prudential AMC	7.5% of AUM	51	41
ICICI Home Finance	1.5x FY25E P/B	100	8
ICICI Bank CANADA & UK	-	100	11
Total	-	-	1,352

Source: Company, BOBCAPS Research

Fig 26 – Key valuation assumptions

Gordon growth model	(%)
Return on Equity (RoE)	17.3
Cost of Equity (Ke)	12.4
Growth (Period 1)	13.8
Growth (Long Term)	6.9
Initial High Growth Period (yrs)	10.0
Dividend Payout (Period 1)	20.0
Dividend Payout (Long Term)	60.0
Factor 1	2.1
Factor 2	13.2
Justified P/BV (x)	2.7

Source: Company, BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- any sudden delinquency in the mid-corporate and SME segments, resulting in
- the inability to manage cost of funds, which may drag NIM as well as overall profitability.

Key upside risks to our estimates are:

- bank being able to maintain credit cost at lower level vs. normalisation of the same;
- able to improve margin, despite competitive rate environment, and thus profitability.

Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Axis Bank	AXSB IN	43.5	1,177	1,222	HOLD
Bandhan Bank	BANDHAN IN	3.7	193	222	BUY
Canara Bank	CBK IN	12.3	114	140	BUY
DCB Bank	DCBB IN	0.5	125	172	BUY
Federal Bank	FB IN	5.8	198	242	BUY
HDFC Bank	HDFCB IN	145.7	1,618	1,872	BUY
ICICI Bank	ICICIB IN	101.5	1,207	1,352	HOLD
IDFC First Bank	IDFCBK IN	6.0	74	96	BUY
Indusind Bank	IIB IN	13.1	1,404	1,844	BUY
Kotak Mahindra Bank	KMB IN	43.1	1,814	2,040	BUY
RBL Bank	RBK IN	1.7	236	276	BUY
State Bank of India	SBIN IN	91.9	862	969	BUY

Source: BOBCAPS Research, NSE | Price as of 26 Jul 2024

Glossary

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

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24P	FY25E	FY26E	FY27E
Net interest income	62,129	74,306	83,710	95,339	108,370
NilI growth (%)	30.9	19.6	12.7	13.9	13.7
Non-interest income	19,831	22,958	28,726	32,368	37,411
Total income	81,960	97,263	112,436	127,707	145,781
Operating expenses	32,873	39,133	44,242	50,343	56,908
PPOP	49,087	58,131	68,194	77,364	88,873
PPOP growth (%)	25.1	18.4	17.3	13.4	14.9
Provisions	6,666	3,643	7,082	10,256	11,897
PBT	42,421	54,488	61,112	67,108	76,976
Tax	10,525	13,600	14,361	15,770	18,089
Reported net profit	31,897	40,888	46,751	51,337	58,887
Adjustments	0	0	0	0	0
Adjusted net profit	31,897	40,888	46,751	51,337	58,887

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24P	FY25E	FY26E	FY27E
Equity capital	1,397	1,405	1,407	1,407	1,407
Reserves & surplus	199,319	236,995	279,588	322,096	370,854
Net worth	200,715	238,399	280,996	323,503	372,262
Deposits	1,180,841	1,412,825	1,631,813	1,876,585	2,158,072
Borrowings	119,325	124,968	133,590	142,808	152,662
Other liab. & provisions	83,325	95,323	84,151	117,820	162,855
Total liab. & equities	1,584,207	1,871,515	2,130,550	2,460,716	2,845,851
Cash & bank balance	119,438	139,926	128,681	157,878	193,664
Investments	362,330	461,942	527,317	584,751	664,458
Advances	1,019,638	1,184,406	1,376,280	1,596,485	1,851,923
Fixed & Other assets	82,800	85,240	98,272	121,602	135,807
Total assets	1,584,207	1,871,515	2,130,550	2,460,716	2,845,851
Deposit growth (%)	10.9	19.6	15.5	15.0	15.0
Advances growth (%)	18.7	16.2	16.2	16.0	16.0

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24P	FY25E	FY26E	FY27E
EPS	45.8	58.4	66.5	73.0	83.7
Dividend per share	8.0	10.0	11.4	12.5	14.4
Book value per share	287.4	339.4	399.3	459.7	529.0

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24P	FY25E	FY26E	FY27E
P/E	26.4	20.7	18.2	16.5	14.4
P/BV	4.2	3.6	3.0	2.6	2.3
Dividend yield (%)	0.7	0.8	0.9	1.0	1.2

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24P	FY25E	FY26E	FY27E
Net interest income	4.1	4.3	4.2	4.2	4.1
Non-interest income	1.3	1.3	1.4	1.4	1.4
Operating expenses	2.2	2.3	2.2	2.2	2.1
Pre-provisioning profit	3.3	3.4	3.4	3.4	3.3
Provisions	0.4	0.2	0.4	0.4	0.4
PBT	2.8	3.2	3.1	2.9	2.9
Tax	0.7	0.8	0.7	0.7	0.7
ROA	2.1	2.4	2.3	2.2	2.2
Leverage (x)	8.1	7.9	7.7	7.6	7.6
ROE	17.2	18.6	18.0	17.0	16.9

Ratio Analysis

Y/E 31 Mar	FY23A	FY24P	FY25E	FY26E	FY27E
YoY growth (%)					
Net interest income	30.9	19.6	12.7	13.9	13.7
Pre-provisioning profit	25.1	18.4	17.3	13.4	14.9
EPS	36.0	27.5	13.9	9.7	14.7
Profitability & Return ratios (%)					
Net interest margin	4.4	4.5	4.4	4.4	4.3
Fees / Avg. assets	0.2	0.0	0.2	0.2	0.3
Cost-Income	40.1	40.2	39.3	39.4	39.0
ROE	17.2	18.6	18.0	17.0	16.9
ROA	2.1	2.4	2.3	2.2	2.2
Asset quality (%)					
GNPA	3.2	2.5	1.9	1.9	1.9
NNPA	0.7	0.4	0.4	0.5	0.5
Slippage ratio	3.0	1.8	1.8	1.8	2.3
Credit cost	0.7	0.3	0.6	0.7	0.7
Provision coverage	79.2	82.8	80.8	76.4	75.0
Ratios (%)					
Credit-Deposit	86.3	83.8	84.3	85.1	85.8
Investment-Deposit	30.7	32.7	32.3	31.2	30.8
CAR	18.3	18.4	15.7	16.3	16.2
Tier-1	17.6	17.6	15.1	15.7	15.6

Source: Company, BOBCAPS Research

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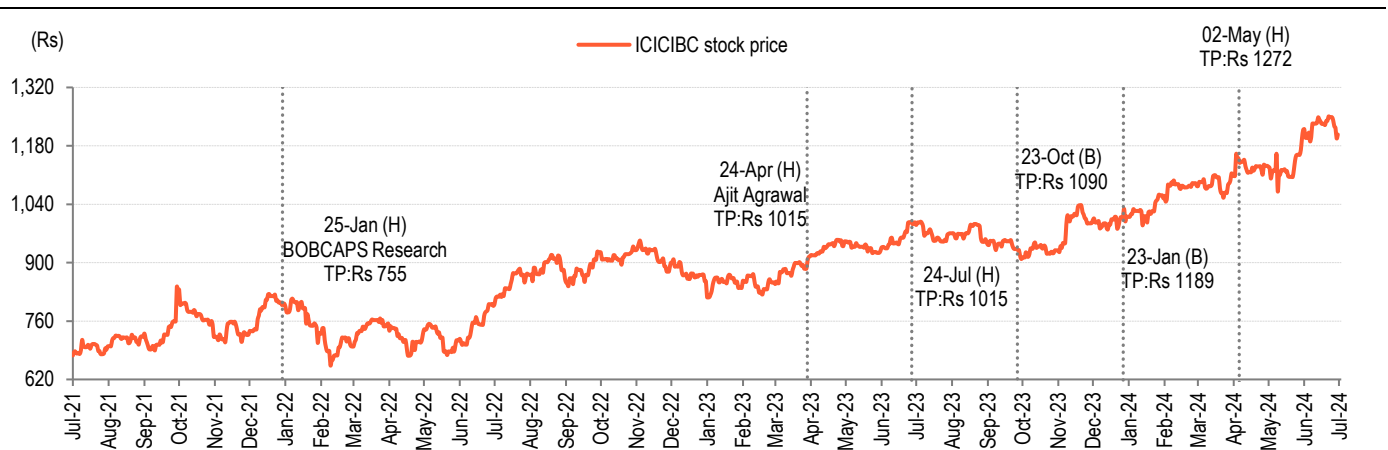
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- BUY** – Expected return >+15%
- HOLD** – Expected return from -6% to +15%
- SELL** – Expected return <-6%

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)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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