

Commendable growth in a weaker environment, expect record Profits in FY25 from Subsidiaries as well

CMP: INR 1,207

Rating: Buy

Target Price: INR 1,459

Stock Info

BSE	532174
NSE	ICICIBANK
Bloomberg	ICICIBC IN
Reuters	ICBK.BO
Sector	Banks
Face Value (INR)	2
Equity Capital (INR Bn)	1,4
Mkt Cap (INR Bn)	8,496
52w H/L (INR)	1,258 / 899
Avg Yearly Vol (in 000')	15,806

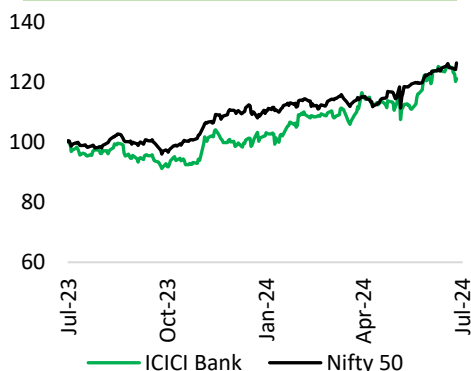
Shareholding Pattern %

(As on June, 2024)

Promoters	NIL
Public & Others	100

Stock Performance (%)	1m	6m	12m
ICICI Bank	1.5	19.7	22.2
Nifty 50	3.4	14.3	26.4

ICICI Bank Vs Nifty 50



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ICICI Bank reported profit of INR 111 bn (up 3.3% QoQ/14.6% YoY), driven by better operating profit growth at INR 160 bn (up 6.6% QoQ/13.3% YoY) despite Provisions increasing by 85.4% QoQ/3.1% YoY to INR 13 bn. NII for the quarter grew moderately by 2.4% QoQ/7.3% YoY to INR 196 bn, led by strong growth in retail advances of 2.4% QoQ / 17.1% YoY. NIM of the bank declined by 4 bps QoQ to 4.36%. Operating profit increased by 6.6% QoQ/13.3% YoY to INR 160 bn, driven by better performance on other income front which grew by 24% QoQ / up 28.8% YoY to INR 70 bn. Asset quality of the bank was stable with marginal decline in GNPA by 1 bps QoQ at 2.15% and NNPA increased marginally to 0.43% from 0.42% in Q4FY24.

NIMs declined sequentially, driven by increasing cost of funds: NIM of the bank came at 4.36% v/s 4.4% in Q4FY24, down by 4 bps QoQ. Cost of deposits increased by 2 bps QoQ at 4.84%. Further, yield on advances decreased by 8 bps to 9.80% from 9.88% in Q4FY24, whereas the overall cost of funds stayed flat QoQ at 5.05%. Going forward, cost of funds to stabilize, which will give some relief on the NIMs front for the bank. We expect the bank to focus growth in high yield assets in the retail space while trying to maintain their spreads.

Loan growth remained strong driven by Retail portfolio: Loan growth for the quarter was at 3.3% QoQ/15.7% YoY to INR 12,232 bn led by retail loan growth of 17.1% YoY, business banking by 35.6% YoY and SME advances by 23.5% YoY. Within retail, PL grew by 24.9% YoY, Credit cards by 31.3% YoY and Vehicle loans by 13.3% YoY. Mortgage book which formed 59.5% of retail loans grew by 14.2% YoY.

Increase in OPEX led by increasing employee costs: Total operating expenditure stood at INR 105 bn as against INR 97 bn in Q4FY24 (up 8.5% QoQ, +10.6% YoY). Further, cost of deposits increased by 2 bps to 4.84%, and will increase furthermore in the subsequent quarters as incremental deposits come at higher rates for all the banks. The Cost to Income ratio increased sequentially by 44 bps to 39.65% while the bank opened 64 branches in Q1FY25. The Employee Cost for the Bank spiked 17.5% QoQ/12.5% YoY.

Valuation & View: ICICI bank has reported a spectacular set of numbers amidst most banks facing immense pressure on NIMs. The bank has clearly rowed past well in terms of passing on higher interest rates for their products while maintaining CASA at stable levels. The Bank has achieved 10.3% growth in Domestic Corporate lending is commendable when Peer banks are not growing due to Pricing concerns. The Group's subsidiary companies meanwhile performed much better with the Insurance, AMC and Securities subsidiaries posting highest ever quarterly profits. We continue to maintain our positive stance on the bank's leveraging capabilities, market share position, granular liability franchise and improving return ratios. We maintain our Buy ratings on the stock with a revised target price of INR 1,459, based on SOTP basis with the bank valued at 2.0x FY27E P/ABV for the standalone bank.

Particulars (INR bn)	FY23	FY24	FY25e	FY26e	FY27e
NII	621.3	717.5	824.8	1,070.0	1,284.0
PAT	319.0	408.9	493.4	592.1	710.5
BV (Rs)	286.3	318.8	371.3	503.4	513.0
ABV (Rs)	274.1	304.5	355.7	486.3	494.0
P/ABV (x)	3.6	3.1	2.6	2.1	2.0
ROE (%)	17.2	16.6	15.6	17.2	17.2
ROA (%)	2.1	2.4	2.5	2.6	2.8
PCR (%)	75.5	74.1	75.5	77.0	77.0

Q1FY25 - Quarterly Performance (Standalone)

Q1FY25 - Quarterly Performance (Standalone)					
Income Statement (INR Bn.)	Q1FY25	Q4FY24	Q1FY24	Q-o-Q	Y-o-Y
Interest Income	390	379	333	2.8%	17.0%
Interest Expense	194	189	151	3.1%	28.8%
Net Interest Income	196	191	182	2.4%	7.3%
Non Interest Income	70	56	54	24.0%	28.8%
Total Income	266	247	237	7.3%	12.2%
Employee Costs	44	37	39	17.5%	12.5%
Other Operating Expenses	62	60	56	3.0%	9.2%
Operating Expenses	105	97	95	8.5%	10.6%
Pre-Provision Profit	160	150	141	6.6%	13.3%
Provisions	13	7	13	85.4%	3.1%
Profit Before Tax	147	143	128	2.6%	14.4%
Tax Expense	36	36	32	0.6%	13.6%
Net Profit	111	107	96	3.3%	14.6%
Balance Sheet Analysis					
Deposits	14,261	14,128	12,387	0.9%	15.1%
CASA (%)	40.9%	42.2%	43.3%	-125bps	-236bps
Advances	12,232	11,844	10,576	3.3%	15.7%
Total Assets	18,927	18,715	16,470	1.1%	14.9%
Capital Adequacy Ratio (%)	15.96%	16.33%	0.00%	-37bps	1596bps
Spread Analysis					
Cost of Deposits (%)	4.84%	4.82%	4.31%	2bps	53bps
NIM (%)	4.36%	4.40%	4.76%	-4bps	-40bps
Asset Quality					
Gross NPA	2,87,186	2,79,617	3,18,224	2.7%	-9.8%
Net NPA	56,848	53,778	53,818	5.7%	5.6%
GNPA (%)	2.15%	2.16%	2.76%	-1bps	-61bps
NNPA (%)	0.43%	0.42%	0.48%	1bps	-5bps
Key Ratios					
Cost to Income Ratio (%)	39.65%	39.22%	40.24%	44bps	-59bps
C/D Ratio (%)	85.77%	83.83%	85.38%	193bps	39bps
RoA (%) (annualized)	2.36%	2.36%	2.39%	0bps	-3bps

Source: Arian Research, Company Filings

Key Concall Highlights

Guidance:

- The Management of the bank expects credit-deposit ratio to remain around low to mid 80's range in the future as well.
- Credit cost is expected to normalise upwards but to remain below long term average.

Key Highlights:

- NII came at INR 196 bn against our estimates of INR 213 bn (up 2.4% QoQ/up 7.3% YoY) which was driven by good loan book growth as well as improvement in margins.
- PPOP came at INR 160 bn against our estimate of INR 172 bn (up 6.6% QoQ / up 13.3% YoY).
- Provisions decreased in the quarter to INR 13 bn against our estimate of INR 7.5 bn (up 85.4% QoQ/ up 3.1% QoQ).
- PAT came at INR 111 bn against our estimate of INR 123 bn (up 3.3% QoQ/ up 14.6% YoY).
- NIMs for Q1FY25 stood at 4.36%, down 4 bps QoQ / down 40 bps YoY.
- Cost of Deposits increased to 4.84%, up 2 bps QoQ / up 53 bps YoY.
- Asset Quality: GNPA ratio decreased by 1 bps QoQ / down 61 bps YoY at 2.15% against our estimates of 2.05% and NNPA went up by 1 bps QoQ / down 5 bps YoY to 0.43% against our estimates of 0.45% for Q1FY25.
- Balance Sheet: Advances at INR 12,232 bn grew by 3.3% QoQ / up 15.7% YoY against Deposits at INR 14,261 bn which also went up by 0.9% QoQ / up 15.1% YoY.
- Cost to income ratio increased by 44 bps QoQ and down by 59 bps YoY to 39.65%. The bank had higher employee expenses owing to wage hike.
- CASA ratio declined by 125 bps QoQ / down 236 bps YoY to 40.9%.
- Non-interest income was up 24% QoQ / 28.8% YoY in which fee income was up 13.4% YoY while treasury income was the key driver as it was up by 143% YoY to INR 6.13 bn.
- In Q1FY25, Retail loans increased by 17.1% YoY and formed 54.4% of total advances, while Business Banking and SME loans also registered a strong growth of 35.6% YoY and 23.5% YoY respectively.
- Within the retail space, mortgage and vehicle loans were up 14.2% YoY and 13.3% YoY respectively, while personal loans and credit cards showed robust growth of 24.9% YoY and 31.3% YoY respectively.
- Domestic corporate book was up around 10.3% YoY and formed 21.3% of total loans.
- Exposure towards NBFCs increased owing to better opportunism towards higher rated borrowers.
- In the domestic loan portfolio, 31% is fixed rate, 50% is repo linked, 17% is MCLR linked and 2% is other external benchmark linked.
- Slippages for the quarter stood at INR 59.16 bn as compared to INR 51.39 bn QoQ, of which INR 7.12 bn slippage came from Kisan credit card segment.
- Slippages from the corporate & SME segment stood at INR 1.84 bn v/s INR 2.11 bn in Q4FY24.
- Recoveries and upgrades during the quarter stood at INR 32.92 bn while write-offs amounted to INR 17.53 bn.
- Recoveries from retail, rural and business banking segment stood at INR 29.33 bn.
- The Bank has contingent provision of INR 131 bn on its balance sheet while the provision coverage ratio for the bank stood at 79.7% v/s 80.7% in Q4FY24.
- Loans under RBI resolution framework stand at 0.2% v/s 0.3% of total advances in Q4FY24.
- Fund and non-fund exposure to BB and below rated Corporate and SME segment was at INR 52.86 bn v/s INR 55.28 bn in Q4FY24.

Source: Arianth Research, Company Filings

Key Financials

Profit & Loss Statement (Rs. Bn)	FY23	FY24	FY25E	FY26E	FY27E
INTEREST EARNED	1,092.3	1,428.9	1,714.7	2,057.6	2,469.2
Interest/Discount on advances/Bills	839.4	1,109.4	1,331.3	1,597.6	1,917.1
Income from Investment	208.9	286.3	343.6	412.3	494.7
Interest on Balances with RBI & Others	18.5	17.9	21.5	25.8	31.0
Others	25.5	15.2	18.3	22.0	26.3
INTEREST EXPENDED	471.0	685.9	823.0	987.6	1,185.2
Net Interest Income (NII)	621.3	743.1	891.7	1,070.0	1,284.0
OTHER INCOME	198.3	229.6	275.5	330.6	396.7
TOTAL INCOME	819.6	972.6	1,167.2	1,400.6	1,680.7
Employee Expenses	120.6	151.4	181.7	218.0	261.7
Other Operating Expenses	208.1	239.9	287.9	345.5	414.6
Operating Expenses	328.7	391.3	469.6	563.5	676.2
OPERATING PROFIT	490.9	581.3	697.6	837.1	1,004.5
PROVISIONS	66.7	36.4	40.1	48.1	57.7
Profit Before Tax (PBT)	424.2	544.9	657.5	789.0	946.8
PROVISIONS FOR TAXES	105.2	136.0	164.1	196.9	236.3
PAT	319.0	408.9	493.4	592.1	710.5

Balance Sheet (INR Bn)	FY23	FY24	FY25E	FY26E	FY27E
Assets					
Cash & Bank balances	685	897	1,081	1,297	1,557
Bal. with banks and money at call & short notice	509	502	1,155	1,386	1,663
Advances	10,196	11,844	13,721	16,465	19,758
Investments	3,623	4,619	4,274	5,129	6,154
Fixed Assets	96	109	107	128	154
Other Assets	732	744	675	809	971
TOTAL ASSETS	15,842	18,715	21,012	25,214	30,257
Equity & Liability					
Total Paid-Up Capital	14	14	14	17	20
RESERVES & SURPLUS	1,986	2,356	2,688	3,226	3,871
ESOPs	8	14	8	9	11
DEPOSITS	11,808	14,128	15,398	18,478	22,174
BORROWINGS	1,193	1,250	1,743	2,092	2,511
OTHER LIABILITIES & PROVISIONS	833	953	1,160	1,392	1,671
TOTAL LIABILITIES	15,842	18,715	21,012	25,214	30,257

Source: Arianth Research, Company Filings

Ratios	FY23	FY24	FY25E	FY26E	FY27E
Growth rates					
Advances (%)	18.70	15.73	16.28	16.65	17.03
Deposits (%)	10.92	14.95	13.44	13.56	13.68
Total assets (%)	12.0%	16.0%	14.0%	20.0%	20.0%
NII (%)	30.89	12.72	13.49	17.38	28.17
Pre-provisioning profit (%)	25.06	14.41	9.26	13.73	28.11
PAT (%)	36.66	28.19	20.67	20.00	20.00
Balance sheet ratios					
CASA (%)	45.84%	48.30%	48.30%	47.00%	47.00%
Advances/Total assets (%)	64.00%	68.00%	70.00%	70.00%	70.00%
Operating efficiency					
Cost/income (%)	40.10%	42.00%	42.00%	41.50%	41.50%
Profitability					
NIM (%)	4.48%	4.35%	4.25%	4.40%	4.40%
RoA (%)	2.16%	2.30%	2.23%	2.30%	2.30%
RoE (%)	17.30%	14.60%	16.50%	17.20%	17.20%
Asset quality					
Gross NPA (%)	2.81%	2.30%	2.20%	2.30%	2.30%
Net NPA (%)	0.48%	0.50%	0.63%	0.65%	0.65%
PCR (%)	82.80%	85.00%	87.00%	88.00%	88.00%
Per share data / Valuation					
EPS (INR)	45.67	58.55	70.65	84.78	101.73
BVPS (INR)	286.31	332.21	401.65	503.39	513.03
ABVPS (INR)	274.12	317.84	386.08	486.29	494.04
P/E (x)	26.43	20.62	17.08	14.24	11.86
P/BV (x)	4.22	3.63	3.01	2.40	2.35
P/ABV (x)	4.40	3.80	3.13	2.48	2.44

Source: Arianth Research, Company Filings

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Absolute Return**Research Analyst
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