

**CMP: INR 933**

**Rating: Buy**

**Target Price: INR 1,132**

**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)	6,533
52w H/L (INR)	1,008/ 796
Avg Yearly Vol (in 000')	14,600

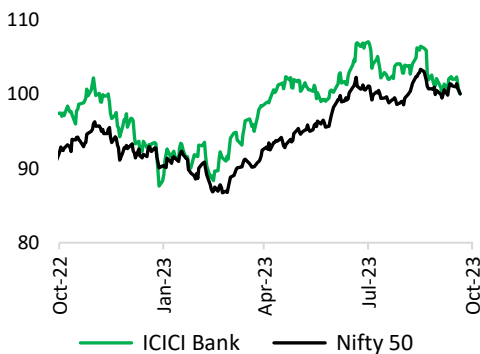
**Shareholding Pattern %**

(As on June, 2023)

Promoters	NIL
Public & Others	100

Stock Performance (%)	1m	6m	12m
ICICI Bank	7.87	14.90	24.90
Nifty 50	5.64	8.98	18.72

**ICICI Bank Vs Nifty 50**



Abhishek Jain  
[abhishek.jain@arihantcapital.com](mailto:abhishek.jain@arihantcapital.com)  
Anmol Das  
[anmol.das@arihantcapital.com](mailto:anmol.das@arihantcapital.com)  
Harshit Jain  
[harshit.jain@arihantcapital.com](mailto:harshit.jain@arihantcapital.com)

ICICI Bank reported profit of INR 103 bn (+35.8% YoY/+6.4% QoQ), driven by better operating profit growth at INR 142 bn (+21.8% YoY, +0.6% QoQ) and decline by 64% YoY / down 55% QoQ in provisions to INR 6 bn. NII for the quarter grew strongly by 23.8% YoY/0.4% QoQ to INR 183 bn, led by strong growth in retail advances of 21.4% YoY%. NIM of the bank declined by 25 bps QoQ at 4.53%. Operating profit increased by 21.8% YoY/0.6% QoQ to INR 142 bn, driven by better performance on other income and NII front. Other income for the quarter grew by 14.3% YoY to INR 58 bn. Asset quality of the bank was stable with marginal decline in GNPA by 28bps QoQ at 2.48% and NNPA further dipped at 0.43%.

**NIM declined sequentially, driven by increasing cost of funds:** NIM of the bank came at 4.53% v/s 4.78% in Q1FY23, down by 25 bps QoQ. Cost of deposits increased by 22bps QoQ at 4.53%. Further, yield on advances decrease marginally by 5 bps to 9.81%, whereas the overall cost of funds increased 18 bps QoQ to 4.78%. Going forward, cost of funds are expected to rise further, which will put the NIMs under more pressure. We expect the bank to check growth in the near term while trying to maintain their spreads.

**Loan growth remained strong driven by Retail portfolio:** Loan growth for the quarter was at 18.3% YoY/5% QoQ was led by retail loan growth of 21.4% YoY and business banking growth of 30.3% YoY/10.6% QoQ. SME advances grew by 29.4% YoY and by 7.2% QoQ. Within retail, PL grew by 40.4% YoY, Credit cards was up by 29.5% YoY and Mortgage portfolio up by 16.2% YoY. Domestic book growth was at 20.6% YoY while overseas book declined by 4.4% YoY.

**Increase in OPEX led by increasing employee costs:** Total operating expenditure stood at INR 99 bn as against INR 95 bn in Q1FY23 (+20.8% YoY, +3.5% QoQ). The increase in employee cost seen in previous quarter due to increments and incentives, came down sequentially to INR 37 bn down 4.1% QoQ. Further, cost of deposits increased 22 bps to 4.53%, and will increase furthermore in the subsequent quarters. The Cost to Income ratio increased sequentially by 67 bps as the bank opened 174 new branches during the quarter.

**Valuation & View:** ICICI bank has reported a positive set of numbers in a seasonally weak quarter with still improving asset quality, robust credit growth, and improving profitability. Going forward, we might see a slight pressure on NIMs along side some check on the credit book growth of the bank as increased cost of deposits start straining the spreads. While the retail book may remain largely stable, the increased EMIs in mortgage and wholesale book, will make the Management prefer a better asset quality with minor checks on growth front temporarily. The Group's subsidiary companies meanwhile will keep positioning them well in respective businesses where Profit growth have ticked up this year substantially. We continue to maintain our positive stance on its leveraging capabilities, market share position, granular liability franchise and improving return ratios. We maintain our Buy rating on the stock with target price of INR 1,232, based on SOTP valuation with the bank valued at 2.2x FY26E P/ABV for standalone bank.

Particulars (INR bn)	FY21	FY22	FY23	FY24e	FY25e	FY26e
NII	389.9	474.7	621.3	717.5	824.8	953.7
PAT	161.9	233.4	319.0	340.0	373.3	432.3
BV (Rs)	213.2	245.0	286.3	318.8	371.3	379.0
P/ABV (x)	4.0	3.3	3.6	3.3	2.8	2.8
ROA (%)	1.4	1.8	2.1	2.0	1.9	2.3
PCR (%)	77.6	79.5	75.5	74.1	75.5	77.0

## Q2FY24 - Quarterly Performance (Standalone)

Income Statement (INR bn.)	Q2 FY24	Q1 FY24	Q2 FY23	Q-o-Q	Y-o-Y
Interest Income	349	333	260	4.8%	34.1%
Interest Expense	166	151	112	10.0%	47.7%
<b>Net Interest Income</b>	<b>183</b>	<b>182</b>	<b>148</b>	0.4%	23.8%
Non Interest Income	58	54	51	6.3%	14.3%
<b>Total Income</b>	<b>241</b>	<b>237</b>	<b>198</b>	1.8%	21.4%
Employee Costs	37	39	29	-4.1%	29.0%
Other Operating Expenses	61	56	53	8.7%	16.3%
Operating Expenses	99	95	82	3.5%	20.8%
<b>Pre-Provision Profit</b>	<b>142</b>	<b>141</b>	<b>117</b>	0.6%	21.8%
Provisions	6	13	16	-54.9%	-64.6%
<b>Profit Before Tax</b>	<b>136</b>	<b>128</b>	<b>100</b>	6.2%	36.0%
Tax Expense	34	32	25	5.9%	36.6%
<b>Net Profit</b>	<b>103</b>	<b>96</b>	<b>76</b>	6.4%	35.8%
<b>Balance Sheet Analysis</b>					
Deposits	12,947	12,387	10,900	4.5%	18.8%
CASA (%)	40.8%	42.6%	45.0%	-180bps	-420bps
Advances	11,105	10,576	9,386	5.0%	18.3%
Total Assets	17,208	16,470	14,887	4.5%	15.6%
Capital Adequacy Ratio (%)	16.07%	16.71%	16.93%	-64bps	-86bps
<b>Spread Analysis</b>					
Cost of Deposits (%)	4.53%	4.31%	3.55%	22bps	98bps
NIM (%)	4.53%	4.78%	4.31%	-25bps	22bps
<b>Asset Quality</b>					
Gross NPA	299	318	326	-6.14%	-8.29%
Net NPA	50	54	61	-6.23%	-17.26%
GNPA (%)	2.48%	2.76%	3.19%	-28bps	-71bps
NNPA (%)	0.43%	0.48%	0.61%	-5bps	-18bps
<b>Key Ratios</b>					
Cost to Income Ratio (%)	40.92%	40.24%	41.13%	67bps	-21bps
C/D Ratio (%)	85.77%	85.38%	86.11%	40bps	-33bps
RoA (%) (annualized)	2.41%	2.39%	2.06%	2bps	35bps

Source: Arian Research, Company Filings

## Q2FY24 – Key Concall Highlights

- The Business Banking grew by 30.3% YoY and SME grew by 29.4% YoY, were the best performing.
- Bank is holding contingent Provisions of Rs 131 bn.
- GNPA written off during the quarter stood at INR 19.22 bn.
- ICICI Lombard generated Profits of INR 5.91 bn, ICICI Pru AMC generated INR 4.06 bn profits, ICICI Securities Profits at INR 3 bn and ICICI Pru Life Insurance Profits at INR 1.99 bn, among the subsidiaries with large profit contributions. ICICI Pru AMC AUM grew by 22% to INR 5,816 bn.
- Management iterates that the delinquencies in the smaller ticket size loans is stable for their Portfolio. However, they point out that their presence in that segment is much small compared to the industry of the small ticket size loans. They also reiterate that there is hardly any concern regarding the retail Portfolios in their book, and instead it has remained stable.
- \*The Bank added 174 new branches taking the total branch network to 6,248. Not looking at any other bank to compete in terms of branch expansion. ICICI Bank is going for branch expansion at its own pace that is comfortable for their growth outlook.\*
- Management says that they are not targeting any particular rate of loan growth in the retail book, and instead choose to prefer better credit rating and exclude loan applications that come up over their credit filters.
- The Management says that the Cost of Funds uptick in the industry is largely due to the repricing of the time incremental time deposits rather than the ICRR, which might have affected only 3-4 bps for large banks.

## Key Financials

Profit & Loss Statement (Rs. Bn)	FY21	FY22	FY23	FY24e	FY25e	FY26e
<b>INTEREST EARNED</b>	<b>791.2</b>	<b>863.7</b>	<b>1,092.3</b>	<b>1,257.8</b>	<b>1,459.0</b>	<b>1,750.8</b>
Interest/Discount on advances/Bills	572.9	638.3	839.4	956.9	1,122.9	1,347.5
Income from Investment	165.4	164.1	208.9	259.1	285.9	343.0
Interest on Balances with RBI & Others	16.3	15.6	18.5	13.8	19.3	23.2
Others	36.6	45.7	25.5	28.0	30.8	37.0
<b>INTEREST EXPENDED</b>	<b>401.3</b>	<b>389.1</b>	<b>471.0</b>	<b>557.5</b>	<b>664.2</b>	<b>797.0</b>
<b>Net Interest Income (NII)</b>	<b>389.9</b>	<b>474.7</b>	<b>621.3</b>	<b>700.3</b>	<b>794.8</b>	<b>953.7</b>
OTHER INCOME	189.7	185.2	198.3	221.3	249.3	299.2
<b>TOTAL INCOME</b>	<b>579.6</b>	<b>659.8</b>	<b>819.6</b>	<b>921.6</b>	<b>1,044.1</b>	<b>1,252.9</b>
Employee Expenses	80.9	96.7	120.6	124.6	143.3	172.0
Other Operating Expenses	134.7	170.6	208.1	235.4	287.2	344.7
Operating Expenses	215.6	267.3	328.7	360.0	430.5	516.6
<b>OPERATING PROFIT</b>	<b>364.0</b>	<b>392.5</b>	<b>490.9</b>	<b>561.6</b>	<b>613.6</b>	<b>736.3</b>
PROVISIONS	162.1	86.4	66.7	133.7	154.3	169.7
<b>Profit Before Tax (PBT)</b>	<b>201.8</b>	<b>306.1</b>	<b>424.2</b>	<b>427.9</b>	<b>459.3</b>	<b>566.6</b>
PROVISIONS FOR TAXES	39.9	72.7	105.2	101.4	108.9	134.3
<b>PAT</b>	<b>161.9</b>	<b>233.4</b>	<b>319.0</b>	<b>326.5</b>	<b>350.4</b>	<b>432.3</b>

Balance Sheet (INR Bn)	FY21	FY22	FY23	FY24e	FY25e	FY26e
<b>Assets</b>						
<b>Cash &amp; bank balances</b>	<b>460.3</b>	<b>1,095.2</b>	<b>685.3</b>	<b>891.3</b>	<b>1,081.1</b>	<b>1,297.3</b>
Bal. with banks and money at call & short notice	871.0	583.0	509.1	1,120.2	1,154.7	1,385.6
Advances	7,337.3	8,590.2	10,196.4	11,800.2	13,720.8	16,464.9
Investments	2,812.9	3,102.4	3,623.3	3,778.8	4,273.8	5,128.5
Fixed Assets	88.8	93.7	96.0	100.8	106.8	128.2
Other Assets	734.1	648.4	732.0	695.4	674.5	809.5
<b>TOTAL ASSETS</b>	<b>12,304.3</b>	<b>14,113.0</b>	<b>15,842.1</b>	<b>18,386.7</b>	<b>21,011.7</b>	<b>25,214.0</b>
<b>Equity &amp; Liability</b>						
Total Paid-Up Capital	13.8	13.9	14.0	14.0	14.0	16.8
RESERVES & SURPLUS	1,461.2	1,688.6	1,985.6	2,328.5	2,688.1	3,225.7
ESOPs	0.0	2.7	7.6	7.6	7.6	9.1
DEPOSITS	9,325.2	10,645.7	11,808.4	13,573.6	15,398.3	18,478.0
BORROWINGS	916.3	1,072.3	1,193.3	1,475.7	1,743.5	2,092.1
OTHER LIABILITIES & PROVISIONS	587.7	689.8	833.3	987.4	1,160.2	1,392.2
<b>TOTAL LIABILITIES</b>	<b>12,304.3</b>	<b>14,113.0</b>	<b>15,842.1</b>	<b>18,386.7</b>	<b>21,011.7</b>	<b>25,214.0</b>

Source: Arianth Research, Company Filings

Ratios	FY21A	FY22	FY23	FY24E	FY25E	FY26E
<b>Growth rates</b>						
Advances (%)	13.70	17.10	18.70	15.73	16.28	16.65
Deposits (%)	21.00	14.20	10.92	14.95	13.44	13.56
Total assets (%)	12.0%	14.7%	12.0%	16.0%	14.0%	20.0%
NII (%)	17.20	21.70	30.89	12.72	13.49	16.14
Pre-provisioning profit (%)	29.50	7.80	25.06	14.41	9.26	12.13
PAT (%)	104.20	44.10	36.66	2.35	7.35	9.65
<b>Balance sheet ratios</b>						
CASA (%)	46.30%	48.70%	45.84%	48.30%	48.30%	47.00%
Advances/Total assets (%)	59.60%	60.90%	64.00%	68.00%	70.00%	70.00%
<b>Operating efficiency</b>						
Cost/income (%)	37.20%	40.50%	40.10%	42.00%	42.00%	41.50%
<b>Profitability</b>						
NIM (%)	3.60%	3.80%	4.48%	4.35%	4.25%	4.40%
RoA (%)	1.30%	1.70%	2.16%	2.30%	2.23%	2.30%
RoE (%)	11.00%	13.70%	17.30%	14.60%	16.50%	17.20%
<b>Asset quality</b>						
Gross NPA (%)	5.00%	3.60%	2.81%	2.30%	2.20%	2.30%
Net NPA (%)	1.10%	0.80%	0.48%	0.50%	0.63%	0.65%
PCR (%)	77.80%	73.20%	82.80%	85.00%	87.00%	88.00%
<b>Per share data / Valuation</b>						
EPS (INR)	23.41	33.58	45.67	46.74	50.18	55.02
BVPS (INR)	213	245	286.31	320.41	369.38	379.02
ABVPS (INR)	194	226	274.12	306.03	353.81	361.93
P/E (x)	34.2	23.8	21.90	21.39	19.93	18.18
P/BV (x)	3.8	3.3	3.49	3.12	2.71	2.64
P/ABV (x)	4.1	3.5	3.65	3.27	2.83	2.76

Source: Arian Research, Company Filings

**Arihant Research Desk**Email: [research@arihantcapital.com](mailto:research@arihantcapital.com)

Tel. : 022-42254800

**Head Office**

#1011, Solitaire Corporate Park  
 Building No. 10, 1<sup>st</sup> Floor  
 Andheri Ghatkopar Link Road  
 Chakala, Andheri (E)  
 Mumbai – 400093  
 Tel: (91-22) 42254800  
 Fax: (91-22) 42254880

**Registered Office**

Arihant House  
 E-5 Ratlam Kothi  
 Indore - 452003, (M.P.)  
 Tel: (91-731) 3016100  
 Fax: (91-731) 3016199

**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  
Registration No.**

INH000002764

**Contact**

SMS: 'Arihant' to 56677

**Website**[www.arihantcapital.com](http://www.arihantcapital.com)**Email Id**[research@arihantcapital.com](mailto:research@arihantcapital.com)

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Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,  
 Andheri Ghatkopar Link Road, Chakala, Andheri (E)  
 Tel. 022-42254800 Fax. 022-42254880