

**“Business As Usual” earnings,
Competitive pricing to benefit margins**

CMP: INR 1,011

Rating: Buy

Target Price: INR 1,283

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)	7,076
52w H/L (INR)	1,044 / 796
Avg Yearly Vol (in 000')	16,663

Shareholding Pattern %

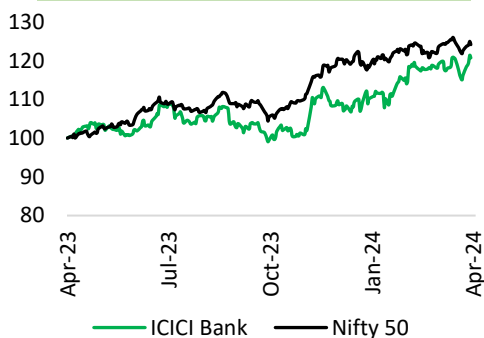
(As on March, 2024)

Promoters	NIL
Public & Others	100

Stock Performance (%)

	1m	6m	12m
ICICI Bank	1.0	20.1	20.5
Nifty 50	-0.2	17.1	23.5

ICICI Bank Vs Nifty 50



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ICICI Bank reported profit of INR 107 bn (up 4.2% QoQ/17.4% YoY), driven by better operating profit growth at INR 150 bn (up 2.1% QoQ/8.8% YoY) and a decline in Provisions by 31.5% QoQ/55.6% YoY to INR 7.18 bn. NII for the quarter grew moderately by 2.2% QoQ/8.1% YoY to INR 191 bn, led by strong growth in retail advances of 19.4% YoY/3.7% QoQ. NIM of the bank declined by 3 bps QoQ to 4.40%. Operating profit increased by 2.1% QoQ/8.8% YoY to INR 150 bn, driven by better performance on other income front which grew by 11% YoY/down 7.4% QoQ to INR 56 bn. Asset quality of the bank was stable with marginal decline in GNPA by 14bps QoQ at 2.16% and NNPA decreased marginally to 0.42% from 0.44% in Q3FY24.

NIMs declined sequentially, driven by increasing cost of funds: NIM of the bank came at 4.40% v/s 4.43% in Q3FY24, down by 3 bps QoQ. Cost of deposits increased by 10 bps QoQ at 4.82%. Further, yield on advances increased by 9 bps to 9.88% from 9.79% in Q3FY24, whereas the overall cost of funds increased 9 bps QoQ to 5.05% against 4.96% in Q3FY24. Going forward, cost of funds are expected to rise further, which will put the NIMs under more pressure. We expect the bank to focus growth in high yield assets while trying to maintain their spreads.

Loan growth remained strong driven by Retail portfolio: Loan growth for the quarter was at 2.7% QoQ/16.2% YoY to INR 11.84 tn led by retail loan growth of 19.4% YoY, business banking by 29.3% YoY and SME advances by 24.6% YoY. Within retail, PL grew by 32.5% YoY, Credit cards by 35.6% YoY and Vehicle loans by 16.6% YoY. Mortgage book which formed 59.4% of retail loans grew by 14.9% YoY.

Increase in OPEX led by increasing employee costs: Total operating expenditure stood at INR 97 bn as against INR 101 bn in Q3FY24 (down 3.5% QoQ, +8.7% YoY). Further, cost of deposits increased by 10 bps to 4.82%, and will increase furthermore in the subsequent quarters. The Cost to Income ratio decreased sequentially by 136 bps to 39.22% while the bank opened 152 branches in Q4FY24 against 123 branches opened during Q3FY24.

Valuation & View: ICICI bank has reported a rather stable set of numbers amidst increase in interest rate costs for all banks. We believe the bank has to focus on increasing its high yielding assets even more going ahead so as to beat the impact of rising Cost of Deposits. In domestic business, we believe there are opportunities of slightly better growth in the corporate segment, while the rural and vehicle loans could have better yields. The Group's subsidiary companies meanwhile performed in a muted manner in their respective businesses, especially the insurance subsidiaries not gaining much momentum. We continue to maintain our positive stance on its leveraging capabilities, market share position, granular liability franchise and improving return ratios. We upgrade the stock to Buy from our earlier Accumulate rating with a revised target price of INR 1,283, based on SOTP basis with the bank valued at 1.8x 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

Q4FY24 - Quarterly Performance (Standalone)

Q4FY24 - Quarterly Performance (Standalone)					
Income Statement (INR Bn.)	Q4FY24	Q3FY24	Q4FY23	Q-o-Q	Y-o-Y
Interest Income	379	367	310	3.4%	22.3%
Interest Expense	189	180	134	4.7%	41.2%
Net Interest Income	191	187	177	2.2%	8.1%
Non Interest Income	56	61	51	-7.4%	11.0%
Total Income	247	248	228	-0.1%	8.7%
Employee Costs	37	38	34	-2.4%	9.4%
Other Operating Expenses	60	62	55	-4.1%	8.2%
Operating Expenses	97	101	89	-3.5%	8.7%
Pre-Provision Profit	150	147	138	2.1%	8.8%
Provisions	7	10	16	-31.5%	-55.6%
Profit Before Tax	143	137	122	4.7%	17.3%
Tax Expense	36	34	31	6.2%	17.1%
Net Profit	107	103	91	4.2%	17.4%
Balance Sheet Analysis					
Deposits	14,128	13,323	11,808	6.0%	19.6%
CASA (%)	42.2%	39.4%	45.8%	278bps	-366bps
Advances	11,844	11,538	10,196	2.7%	16.2%
Total Assets	18,715	17,832	15,842	5.0%	18.1%
Capital Adequacy Ratio (%)	16.33%	14.61%	18.34%	172bps	-201bps
Spread Analysis					
Cost of Deposits (%)	4.82%	4.72%	3.98%	10bps	84bps
NIM (%)	4.40%	4.43%	4.90%	-3bps	-50bps
Asset Quality					
Gross NPA	2,79,617	2,87,746	311837	-2.8%	-10.3%
Net NPA	53,778	53,785	51551	0.0%	4.3%
GNPA (%)	2.16%	2.30%	2.81%	-14bps	-65bps
NNPA (%)	0.42%	0.44%	0.48%	-2bps	-6bps
Key Ratios					
Cost to Income Ratio (%)	39.22%	40.57%	39.24%	-136bps	-2bps
C/D Ratio (%)	83.83%	86.60%	86.35%	-277bps	-252bps
RoA (%) (annualized)	2.36%	2.32%	2.39%	4bps	-3bps

Source: Arianth Research, Company Filings

Q4FY24 – Key Concall Highlights**Guidance:**

- The Management expects the NIMs to moderate further in the subsequent quarters due to competition in the market.
- The Opex to Income ratio would be lower in FY25 compared to FY24.

Key Highlights:

- In Q4FY24, NII grew by 2.2% QoQ/8.1% YoY to INR 191 bn, PPOP grew by 2.1% QoQ/8.8% YoY to INR 150 mn and Net Profits increased by 4.2% QoQ/17.4% YoY to INR 107 bn, respectively.
- For full year FY24, the NII/PPOP/Net Income grew by 12.7%/14.4%/28.2% respectively.
- In FY24, the bank's advances grew by 15.7% and deposits grew by 14.95%.
- Non-interest income was up 11% YoY in which fee income was up 12.5% YoY. Fees from retail, rural and business banking formed 77% of total fees income.
- The bank had a treasury loss of INR 2.81 bn during the quarter versus INR 0.4 bn loss last year.
- Cost to income ratio declined 2 bps YoY / 136 bps QoQ to 39.22%.
- Provisions declined 31.5% QoQ/55.6% YoY, as a result net profit increased by 17.4% YoY to INR 107 bn in Q4FY24.
- Retail loans increased by 19.4% YoY and formed 54.9% of total advances, while Business Banking and SME loans also registered a strong growth of 29.3% YoY and 24.6% YoY respectively.
- Within the retail space, mortgage and vehicle loans were up 14.9% YoY and 16.6% YoY respectively, while personal loans and credit cards showed robust growth of 32.5% YoY and 35.6% YoY respectively.
- Total outstanding to NBFCs stood at INR 693.64 bn v/s INR 725.93 bn YoY.
- In the domestic loan portfolio, 32% is fixed rate, 49% is repo linked, 17% is MCLR linked and 2% is other external benchmark linked.
- Deposits for the quarter jumped by 19.6% YoY and 6% QoQ to INR 14.1 trillion in which CASA deposits increased 12.9% QoQ to INR 5.95 trillion.
- Due to faster growth in deposits, the credit-deposit ratio was down 252 bps YoY to 83.8%.
- CASA ratio for the quarter increased by 255 bps sequentially to 42.2% in Q4FY24.
- In Q4 FY24, the asset quality performance for ICICI Bank was healthy as GNPA and NNPA ratios declined sequentially by 11 bps and 2 bps respectively to 2.16% and 0.42%.
- Slippages for the quarter stood at INR 51.39 bn as compared to INR 57.14 bn QoQ.
- Slippage from retail, rural and business banking segment stood at INR 49.28 bn v/s INR 40.20 bn YoY.
- Corporate and SME slippages stood at INR 2.11 bn v/s INR 2.77 bn YoY and INR 2.32 bn QoQ.
- Recoveries and upgrades during the quarter stood at INR 39.18 bn while write-offs amounted to INR 17.07 bn.
- NPA sale to ARC stood at INR 3.27 bn for the quarter.
- 2.7% of the builder portfolio worth INR 482.92 bn was either internally rated BB and below or classified as non-performing as on March 2024.
- Recoveries and upgrades from retail, rural and business banking segment stood at INR 32.17 bn.
- The bank has contingent provision of INR 131 bn on its balance sheet.
- The provision coverage ratio for the bank stood at 80.3% v/s 80.7% QoQ.
- Loans under RBI resolution framework stands at 0.3% of total advances as on Q4FY24.
- A & above book now forms 67.7% of total loans (ex-retail and rural) versus 69.8% QoQ.

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	0.00
Deposits (%)	10.92	14.95	13.44	13.56	0.00
Total assets (%)	12.0%	16.0%	14.0%	20.0%	20.0%
NII (%)	30.89	12.72	13.49	17.38	0.00
Pre-provisioning profit (%)	25.06	14.41	9.26	13.73	0.00
PAT (%)	36.66	2.35	7.35	11.79	0.00
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	46.74	50.18	56.09	0.00
BVPS (INR)	286.31	320.41	369.38	443.48	0.00
ABVPS (INR)	274.12	306.03	353.81	426.38	0.00
P/E (x)	21.90	21.39	19.93	17.83	0.00
P/BV (x)	3.49	3.12	2.71	2.25	0.00
P/ABV (x)	3.65	3.27	2.83	2.35	0.00

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%

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