

Steady quarter

ICICI Bank delivered a beat on PAT at 103bn (+8% vs JMFe) on the back of lower opex (+4% QoQ), provision (-55% QoQ) and healthy loan growth. NIMs witnessed contraction by 25bps QoQ primarily on account of TD repricing. Loan growth of +18% YoY/+5% QoQ was broad based with retail segments growing at +20% YoY/+5% QoQ. Deposits growth momentum continued at +19% YoY/ +5% QoQ, led by time deposits (+32% YoY, +9%QoQ). Average CASA ratio stood at 40.8% vs 42.6% QoQ. Going forward, management expects cost of deposits to continue to increase over the next couple of quarters (at 4.53% for 2Q24, +22bps QoQ, 98bps YoY) as deposit repricing plays out. In our view, this could lead to margin compression even further from current levels although, we expect NII growth of 17% for FY24 (implying largely stable NIMs for FY24 vs FY23). Asset quality continues to be in fine fettle with credit costs at 23bps and GNPA/NNPA at 2.63%/0.45% (vs 2.94%/0.51% QoQ). We expect ICICI Bank to deliver avg. RoA/ RoE of 2.2%/ 17.9% over FY24-FY25E and value the bank on SoTP basis with a target price of INR 1155 (core bank valued at 2.7x FY25E BVPS).

- Robust loan and deposit momentum; supported by healthy operational performance:** Loan growth of +18% YoY/+5% QoQ was broad based with retail segments growing at +20% YoY/+5% QoQ. Within retail the growth was driven by strong traction in personal loans (+10% QoQ), business banking (+11% QoQ) and credit cards (+6% QoQ). Domestic corporate loan growth moderated to +15% YoY/+3% QoQ. Deposits growth momentum continued at +19% YoY/ +5% QoQ, led by time deposits (+32% YoY, +9%QoQ) whereas; CASA deposits degrew (4% YoY, -2% QoQ). Average CASA ratio stood at 40.8% vs 42.6% QoQ. NIMs witnessed contraction by 25bps QoQ primarily on account of TD repricing. Mgmt. expects NIMs to contract further as some portion of deposits are yet to be repriced; none the less they are expected to end the year around 4.5% similar to FY23. PAT stood at 103bn (beat on JMFe by +8%) on the back of lower opex (+4% QoQ), provision (-55% QoQ) and healthy loan growth. We expect loan CAGR of 17% over FY23-25.
- Asset quality in fine fettle with lower credit costs:** Gross slippages moderated to 1.83% (INR 47bn vs 53bn QoQ) vs 2.18% QoQ partly due to lower additions from the agriculture portfolio on account of seasonally strong quarter and net slippages were at INR1.2bn (0.05% of loans) due to benefits of upgrades/recoveries. Gross slippages across segments has been comfortable with retail, rural, business banking contributing INR 43.64bn as against corporate and SME at INR 3.23bn. ICICI Bank has undertaken a sale of NPA worth INR 1.79bn in 2Q24 which included INR 0.14bn in cash and INR 0.53bn via SR's. Management indicated despite strong growth in unsecured portfolio over the last few years, they are not seeing any concerning trends. Credit costs stood at 23bps (vs 53bps QoQ). We build avg. credit costs of 51bps over FY24/FY25.
- Valuation and view:** We believe ICICI Bank firmly remains on a path to deliver 2.2%/17.9% avg RoA/ RoE over FY24-25E with stable asset quality and continued growth

Sameer Bhise

sameer.bhise@jmfl.com | Tel: (91 22) 66303489

Akshay Jain

akshay.jain@jmfl.com | Tel: (91 22) 66303099

Apurva Deshmukh

apurva.deshmukh@jmfl.com | Tel: (91 22) 66303263

Mayank Mistry

mayank.mistry@jmfl.com | Tel: (91 22) 62241877

Gayathri Shivaram

gayathri.shivaram@jmfl.com | Tel: (91 22) 66301889

Shreyas Pimple

shreyas.pimple@jmfl.com | Tel: (91 22) 66301881

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,155
Upside/(Downside)	23.8%
Previous Price Target	1,155
Change	0.0%

Key Data – ICICIB IN

Current Market Price	INR933
Market cap (bn)	INR6,533.3/US\$78.6
Free Float	91%
Shares in issue (mn)	6,949.8
Diluted share (mn)	
3-mon avg daily val (mn)	INR15,972.1/US\$192.2
52-week range	1,009/796
Sensex/Nifty	65,398/19,543
INR/US\$	83.1

Price Performance

%	1M	6M	12M
Absolute	-2.8	5.3	2.8
Relative*	-1.9	-3.9	-6.8

* To the BSE Sensex

Financial Summary

	(INR mn)				
Y/E March	FY21A	FY22A	FY23A	FY24E	FY25E
Net Profit	161,927	233,395	318,965	386,915	438,004
Net Profit (YoY) (%)	104.2%	44.1%	36.7%	21.3%	13.2%
Assets (YoY) (%)	12.1%	14.7%	12.3%	16.4%	16.0%
ROA (%)	1.4%	1.8%	2.1%	2.3%	2.2%
ROE (%)	12.6%	15.0%	17.5%	18.2%	17.9%
EPS	23.4	33.6	45.7	55.4	62.7
EPS (YoY) (%)	91.1%	43.5%	36.0%	21.3%	13.2%
PE (x)	39.9	27.8	20.4	16.8	14.9
BV	209	240	282	326	376
BV (YoY) (%)	19.2%	15.1%	17.3%	15.7%	15.2%
P/BV (x)	4.47	3.88	3.31	2.86	2.48

Source: Company data, JM Financial. Note: Valuations as of 20/Oct/2023

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

momentum. ICICI Bank has underperformed Bank NIFTY by -1%/+0.5%/-4% over the last 3/6/12 months and hence we expect favourable growth and good execution to benefit ICICI Bank. Maintain BUY with a target price of INR 1,155 valuing the core banking business at 2.7x FY25E BVPS.

ICICI Bank – 2Q24 Trends

Exhibit 1. ICICI Bank: 2Q24 Result summary

Earnings Table (Rs. mn.)	2Q'23	1Q'24	2Q'24	YoY (%)	QoQ (%)
NII	1,47,868	1,82,265	1,83,079	23.8	0.4
Fee based Income	44,800	48,430	52,040	16.2	7.5
Trading Profits	-850	2,520	-850	0.0	(133.7)
Misc Income	6,599	3,403	6,577	(0.3)	93.3
Non-Interest income	50,549	54,353	57,767	14.3	6.3
Total Income	1,98,417	2,36,617	2,40,846	21.4	1.8
Employee Cost	28,885	38,837	37,254	29.0	(4.1)
Other Operating Expenses	52,728	56,389	61,299	16.3	8.7
Total Operating Expenses	81,614	95,226	98,553	20.8	3.5
Operating Profit	1,16,803	1,41,391	1,42,293	21.8	0.6
Total Provisions	16,445	12,924	5,826	(64.6)	(54.9)
PBT	1,00,358	1,28,467	1,36,466	36.0	6.2
Tax	24,780	31,985	33,856	36.6	5.9
PAT (Pre-Extraordinaries)	75,578	96,482	1,02,610	35.8	6.4
Extraordinaries (Net of Tax)	0	0	0		
Reported Profit	75,578	96,482	1,02,610	35.8	6.4
Balance sheet (Rs. bn.)					
Deposits	10,900	12,387	12,947	18.8	4.5
Net Advances	9,386	10,576	11,105	18.3	5.0
Total Assets	14,887	16,470	17,208	15.6	4.5
Low-cost Deposits (%)	46.6%	43.3%	40.8%	(5.84)	(2.54)
Loan-Deposit ratio (%)	86.1%	85.4%	85.8%	(0.33)	0.40
Key Ratios					
Credit Quality					
Gross NPAs (Rs. mn.)	3,25,709	3,18,224	2,98,369	(8.4)	(6.2)
Net NPAs (Rs. mn.)	60,993	53,818	50,465	(17.3)	(6.2)
Gross NPA (%)	3.38%	2.94%	2.63%	(0.75)	(0.31)
Net NPA (%)	0.65%	0.51%	0.45%	(0.20)	(0.05)
Coverage Ratio (%)	81.3%	83.1%	83.1%	1.81	(0.00)
Capital Adequacy					
Tier I (%)	16.17%	16.00%	15.35%	(0.82)	(0.65)
CAR (%)	16.93%	16.71%	16.07%	(0.86)	(0.64)
Du-pont Analysis					
NII / Assets (%)	4.07%	4.51%	4.35%	0.28	(0.16)
Non-Interest Inc. / Assets (%)	1.39%	1.35%	1.37%	(0.02)	0.03
Operating Cost / Assets (%)	2.25%	2.36%	2.34%	0.09	(0.02)
Operating Profits / Assets (%)	3.22%	3.50%	3.38%	0.16	(0.12)
Provisions / Assets (%)	0.45%	0.32%	0.14%	(0.31)	(0.18)
ROA (%)	2.08%	2.39%	2.44%	0.36	0.05

Source: Company, JM Financial

Exhibit 2. ICICI Bank: Net ex- NPL stress

ICICI Bank stressed exposure outside NPLs (INR mn)	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24
BB and below outstanding													
Gross restructured loans	2,080	1,640	14,050	32,690	32,420	36,920	23,890	22,890	21,980	8,790	7,740	7,270	6,820
Non-Fund o/s to restructured loans													
Non-Fund o/s to existing NPLs	42,380	44,070	44,050	41,010	37,140	36,380	36,400	36,700	35,160	38,690	37,800	37,040	38,860
Borrowers with o/s greater than >1bn	80,800	95,230	79,160	72,440	58,470	52,340	58,810	38,050	32,550	26,060	18,010	15,030	21,910
Borrowers with o/s less than <1bn	36,410	39,670	37,760	34,620	26,250	29,160	25,380	21,150	21,850	20,960	21,290	20,460	19,160
Total BB and below outstanding (total of above)	1,61,670	1,80,610	1,75,020	1,80,760	1,54,280	1,54,800	1,44,480	1,18,790	1,11,540	94,500	84,840	79,800	86,750
As a % of loans (a)	2.5%	2.6%	2.4%	2.4%	2.0%	1.9%	1.7%	1.3%	1.2%	1.0%	0.8%	0.8%	0.8%
Security receipts	18,800	18,440	17,290	17,130	16,200	10,170	8,070	6,060	5,220	4,900	2,110	1,540	1,520
As a % of loans (b)	0.3%	0.3%	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%
Ex-NPL stress outstanding (a + b)	2.8%	2.8%	2.6%	2.7%	2.2%	2.0%	1.8%	1.4%	1.2%	1.0%	0.9%	0.8%	0.8%

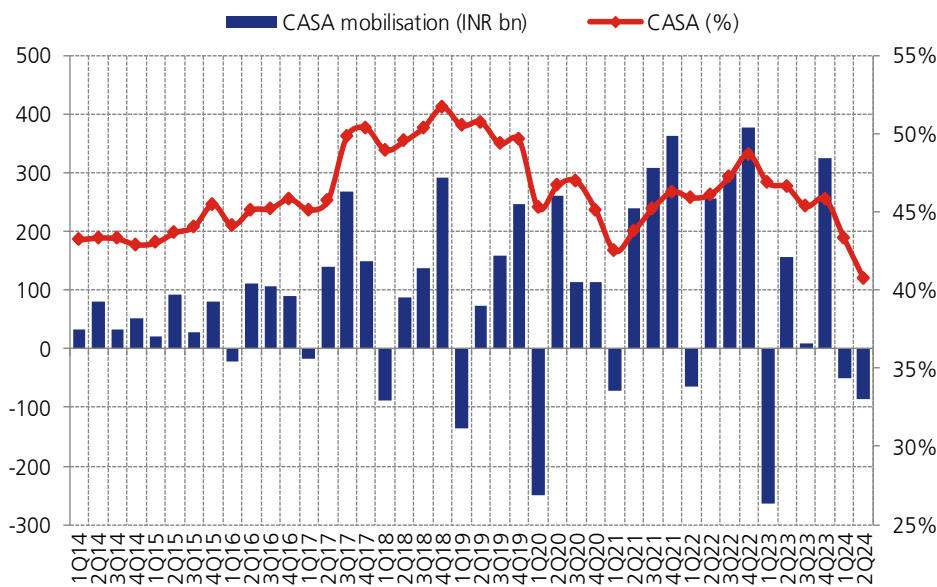
Source: Company, JM Financial

Exhibit 3. ICICI Bank: Deposit mix

Deposits Mix (Rs bn)	2Q'23	1Q'24	2Q'24	YoY (%)	QoQ (%)
Current	1,454	1,610	1,553	6.8%	-3.6%
Saving	3,625	3,752	3,723	2.7%	-0.8%
Time	5,822	7,025	7,671	31.8%	9.2%
Total Deposits	10,900	12,387	12,947	18.8%	4.5%
Current	13.3%	13.0%	12.0%	-1.3%	-1.0%
Saving	33.3%	30.3%	28.8%	-4.5%	-1.5%
CASA	46.6%	43.3%	40.8%	-5.8%	-2.5%
Time	53.4%	56.7%	59.2%	5.8%	2.5%
Total	100%	100%	100%		

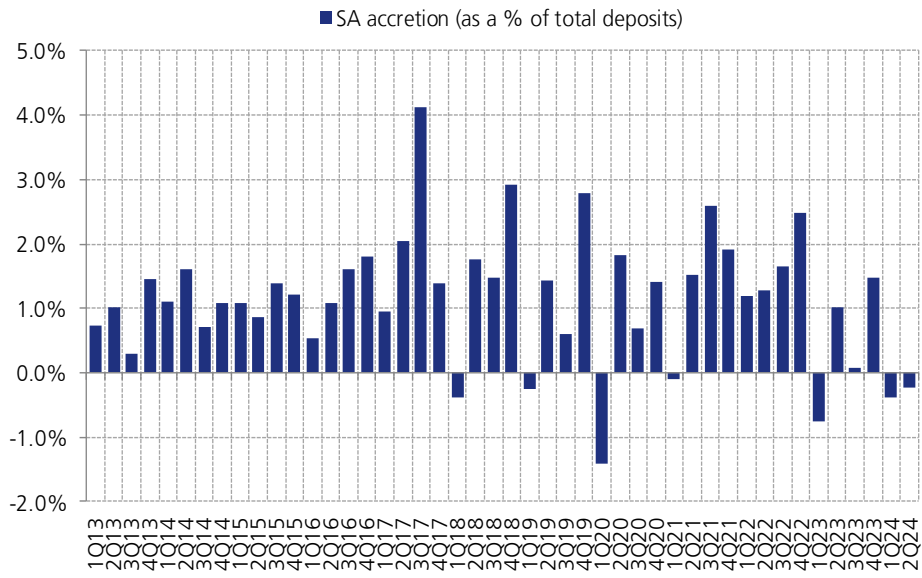
Source: JM Financial, Company

Exhibit 4. ICICI Bank: CASA Trends



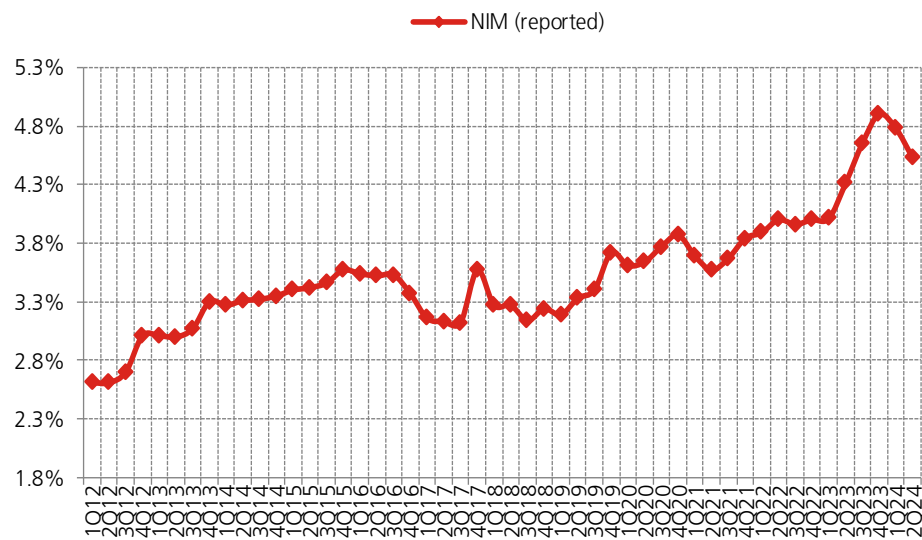
Source: Company, JM Financial

Exhibit 5. ICICI Bank: SA accretion



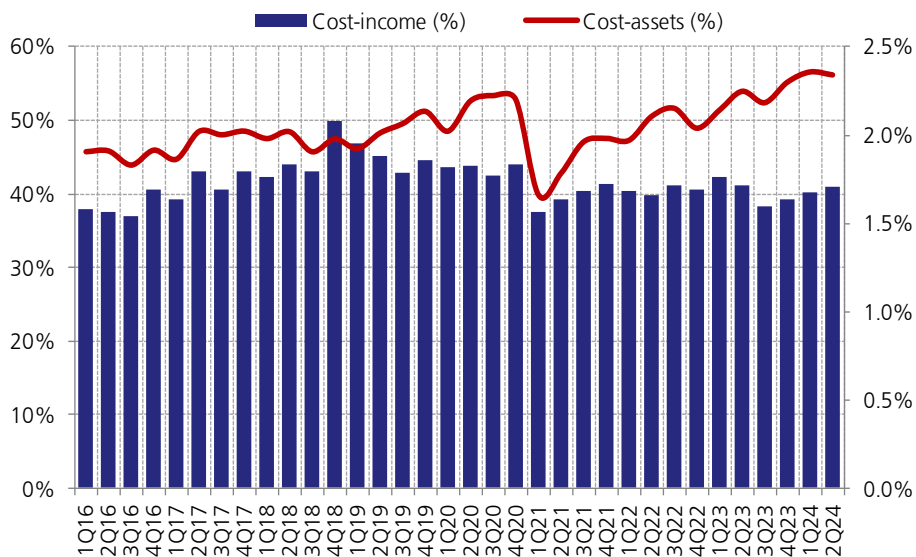
Source: Company, JM Financial

Exhibit 6. ICICI Bank: Reported Global NIM (%)



Source: Company, JM Financial

Exhibit 7. ICICI Bank: Cost ratios



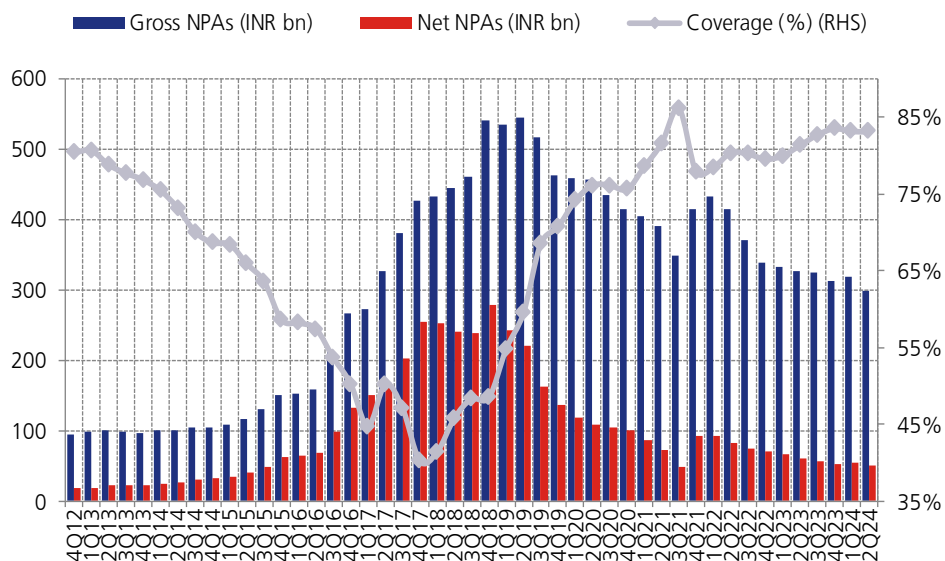
Source: Company, JM Financial

Exhibit 8. ICICI Bank: Trends in loan mix and margins

	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24
Domestic loan mix (%)	90.2%	91.1%	91.6%	92.5%	93.5%	93.8%	94.9%	94.6%	95.0%	95.0%	95.2%	94.9%	96.0%	96.4%	96.7%	96.9%	96.7%
Overseas loan mix (%)	9.8%	8.9%	8.4%	7.5%	6.5%	6.2%	5.1%	5.4%	5.0%	5.0%	4.8%	5.1%	4.0%	3.6%	3.3%	3.1%	3.3%
Domestic NIM (%)	3.92%	4.04%	4.14%	3.91%	3.72%	3.78%	3.94%	3.99%	4.09%	4.06%	4.12%	4.14%	4.45%	4.79%	5.02%	4.88%	4.61%
Overseas NIM (%)	0.41%	0.38%	0.28%	0.33%	0.26%	0.34%	0.44%	0.27%	0.26%	0.28%	0.35%	0.33%	0.51%	0.63%	1.03%	1.00%	1.56%
Global NIM (%)	3.64%	3.77%	3.87%	3.69%	3.57%	3.67%	3.84%	3.89%	4.00%	3.96%	4.00%	4.01%	4.31%	4.65%	4.90%	4.78%	4.65%

Source: Company, JM Financial

Exhibit 9. ICICI Bank: NPL trends



Source: Company, JM Financial

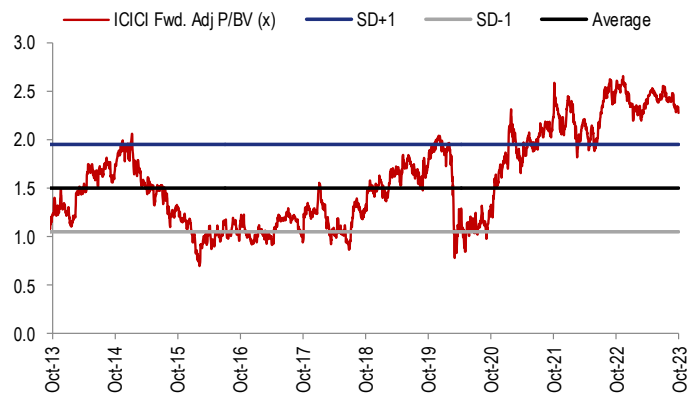
Valuation Summary

Exhibit 10. ICICI Bank: Valuation Summary

ICICI Bank SOTP	Holding (%)	Valuation Methodology	Value per Share	Contribution to TP (%)
ICICI Bank - Parent	100.0%	2.7x FY25E fully adj BV	1,027	89%
ICICI Prudential Life	51.2%	Market cap post 20% holdco	44	4%
ICICI Prudential MF	51.3%	24x FY25E PAT	31	3%
ICICI Bank UK	100.0%	0.5x FY23 book	2	0%
ICICI Bank Canada	100.0%	0.5x FY23 book	2	0%
ICICI HF	100.0%	1x FY23 book	3	0%
ICICI Lombard	48.0%	Market cap post 20% holdco	38	3%
ICICI Securities	74.8%	Market cap post 20% holdco	19	2%
ICICI Sect. Primary	100.0%	15x FY23 PAT	3	0%
Less: Cost of investments			-13	-1%
Total (Rs.)			1,155	100%

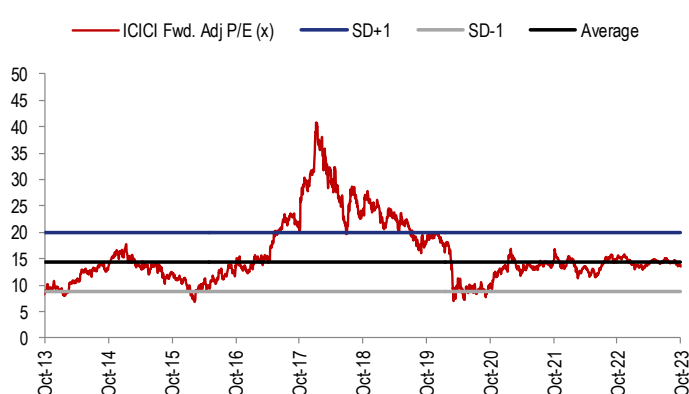
Source: Company, JM Financial

Exhibit 11. ICICI Bank (banking business) : One year fwd price to book (x)



Source: Bloomberg, JM Financial

Exhibit 12. ICICI Bank (banking business) : One year fwd Price to earnings (x)



Source: Bloomberg, JM Financial

Financial Tables (Standalone)

Profit & Loss						(INR mn)
Y/E March	FY21A	FY22A	FY23A	FY24E	FY25E	
Net Interest Income	389,894	474,661	621,286	729,939	851,880	
Profit on Investments	15,039	7,026	441	5,000	6,000	
Exchange Income	19,171	29,634	30,279	34,445	39,898	
Fee & Other Income	118,776	148,515	167,595	190,832	218,941	
Non-Interest Income	152,986	185,175	198,314	230,278	264,839	
Total Income	542,880	659,836	819,600	960,217	1,116,719	
Operating Expenses	215,608	267,333	328,732	394,512	460,021	
Pre-provisioning Profits	327,272	392,503	490,868	565,705	656,698	
Loan-Loss Provisions	105,929	41,570	15,962	51,122	74,169	
Provisions on Investments	-1,578	3,771	12,995	0	0	
Others Provisions	57,793	41,073	37,699	0	0	
Total Provisions	162,144	86,414	66,656	51,122	74,169	
PBT	165,128	306,089	424,212	514,583	582,529	
Tax	39,900	72,694	105,247	127,668	144,526	
PAT (Pre-Extraordinaries)	125,227	233,395	318,965	386,915	438,004	
Extra ordinaries (Net of Tax)	36,699	0	0	0	0	
Reported Profits	161,927	233,395	318,965	386,915	438,004	
Dividend paid	13,852	34,749	55,871	76,823	90,790	
Retained Profits	148,075	198,646	263,094	310,092	347,213	

Source: Company, JM Financial

Key Ratios					
Y/E March	FY21A	FY22A	FY23A	FY24E	FY25E
Growth (YoY) (%)					
Deposits	21.0%	14.2%	10.9%	17.0%	16.5%
Advances	13.7%	17.1%	18.7%	18.0%	17.0%
Total Assets	12.1%	14.7%	12.3%	16.4%	16.0%
NII	17.2%	21.7%	30.9%	17.5%	16.7%
Non-interest Income	-7.0%	21.0%	7.1%	16.1%	15.0%
Operating Expenses	-0.2%	24.0%	23.0%	20.0%	16.6%
Operating Profits	16.5%	19.9%	25.1%	15.2%	16.1%
Core Operating profit	18.0%	23.5%	27.2%	14.3%	16.1%
Provisions	15.4%	-46.7%	-22.9%	-23.3%	45.1%
Reported PAT	104.2%	44.1%	36.7%	21.3%	13.2%
Yields / Margins (%)					
Interest Spread	3.22%	3.41%	3.89%	3.87%	3.88%
NIM	3.61%	3.82%	4.38%	4.49%	4.50%
Profitability (%)					
Non-IR to Income	28.2%	28.1%	24.2%	24.0%	23.7%
Cost to Income	39.7%	40.5%	40.1%	41.1%	41.2%
ROA	1.39%	1.77%	2.13%	2.26%	2.20%
ROE	12.6%	15.0%	17.5%	18.2%	17.9%
Assets Quality (%)					
Slippages	2.53%	2.66%	2.15%	2.20%	2.25%
Gross NPA	5.34%	3.76%	2.87%	2.62%	2.57%
Net NPAs	1.24%	0.81%	0.51%	0.54%	0.52%
Provision Coverage	77.7%	79.2%	82.8%	80.0%	80.0%
Specific LLP	1.50%	0.47%	0.11%	0.41%	0.53%
Net NPAs / Networth	6.3%	4.1%	2.6%	2.8%	2.8%
Capital Adequacy (%)					
Tier I	18.06%	18.35%	17.60%	17.63%	17.61%
CAR	19.12%	19.16%	18.34%	18.28%	18.20%

Source: Company, JM Financial

Balance Sheet						(INR mn)
Y/E March	FY21A	FY22A	FY23A	FY24E	FY25E	
Equity Capital	13,834	13,900	13,968	13,968	13,968	
Reserves & Surplus	1,430,291	1,656,599	1,954,953	2,265,044	2,612,258	
Deposits	9,325,222	10,645,716	11,808,407	13,815,836	16,095,449	
Borrowings	916,310	1,072,314	1,193,255	1,354,428	1,537,809	
Other Liabilities	587,704	689,828	833,251	958,238	1,101,974	
Total Liabilities	12,273,391	14,081,021	15,811,442	18,407,515	21,361,458	
Investments	2,812,865	3,102,410	3,623,297	4,189,580	4,880,240	
Net Advances	7,337,291	8,590,204	10,196,383	12,031,732	14,077,126	
Cash & Equivalents	1,331,283	1,678,224	1,194,383	1,251,677	1,417,260	
Fixed Assets	57,840	61,782	65,374	72,426	79,776	
Other Assets	734,112	648,401	732,005	862,100	907,055	
Total Assets	12,273,391	14,081,021	15,811,442	18,407,515	21,361,458	

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY21A	FY22A	FY23A	FY24E	FY25E
NII / Assets	3.36%	3.60%	4.16%	4.27%	4.28%
Other Income / Assets	1.32%	1.41%	1.33%	1.35%	1.33%
Total Income / Assets	4.67%	5.01%	5.48%	5.61%	5.62%
Cost / Assets	1.86%	2.03%	2.20%	2.31%	2.31%
PBP / Assets	2.82%	2.98%	3.28%	3.31%	3.30%
Provisions / Assets	1.40%	0.66%	0.45%	0.30%	0.37%
PBT / Assets	1.42%	2.32%	2.84%	3.01%	2.93%
Tax rate	24.2%	23.7%	24.8%	24.8%	24.8%
ROA	1.39%	1.77%	2.13%	2.26%	2.20%
RoRWAs	2.10%	2.80%	3.26%	3.34%	3.25%
Leverage	8.5	8.4	8.0	8.1	8.1
ROE	12.6%	15.0%	17.5%	18.2%	17.9%

Source: Company, JM Financial

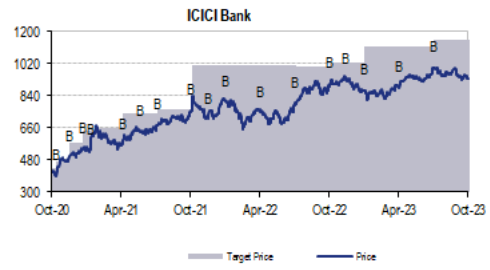
Valuations					
Y/E March	FY21A	FY22A	FY23A	FY24E	FY25E
Shares in Issue	6,917.1	6,949.8	6,983.9	6,983.9	6,983.9
EPS (INR)	23.4	33.6	45.7	55.4	62.7
EPS (YoY) (%)	91.1%	43.5%	36.0%	21.3%	13.2%
PER (x)	39.9	27.8	20.4	16.8	14.9
BV (INR)	209	240	282	326	376
BV (YoY) (%)	19.2%	15.1%	17.3%	15.7%	15.2%
ABV (INR)	209	240	282	326	376
ABV (YoY) (%)	19.2%	15.1%	17.3%	15.7%	15.2%
P/BV (x)	4.47	3.88	3.31	2.86	2.48
P/ABV (x)	4.47	3.88	3.31	2.86	2.48
DPS (INR)	2.0	5.0	8.0	11.0	13.0
Div. yield (%)	0.2%	0.5%	0.9%	1.2%	1.4%

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
13-Apr-20	Buy	425	
10-May-20	Buy	425	0.0
26-Jul-20	Buy	435	2.4
1-Nov-20	Buy	475	9.2
6-Dec-20	Buy	575	21.1
11-Jan-21	Buy	645	12.2
31-Jan-21	Buy	660	2.3
25-Apr-21	Buy	740	12.1
10-Jun-21	Buy	740	0.0
25-Jul-21	Buy	760	2.7
23-Oct-21	Buy	1,010	32.9
6-Dec-21	Buy	1,010	0.0
23-Jan-22	Buy	1,010	0.0
24-Apr-22	Buy	1,010	0.0
23-Jul-22	Buy	1,000	-1.0
22-Oct-22	Buy	1,025	2.5
4-Dec-22	Buy	1,025	0.0
22-Jan-23	Buy	1,115	8.8
23-Apr-23	Buy	1,115	0.0
23-Jul-23	Buy	1,155	3.6

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com

Compliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: sahil.salastekar@jmfl.com

Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: instcompliance@jmfl.com

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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