

Sustaining superior earnings profile

ICICI Bank's PAT at INR102.7bn, grew 24% YoY (flat QoQ) was in line with our estimates. The bank delivered healthy NIMs of 4.43% (-10bps QoQ) and a 2.9% QoQ deposit growth to drive a 13% YoY NII growth (+2% QoQ). PPOP grew 10.9% YoY (+3.5% QoQ) to INR147.2bn and was tad higher than estimates of INR was at 147bn (vs +2.3% JMFe) on the back of continued loan growth momentum (+4% QoQ), lower opex (+2% QoQ) and higher other income (+6% QoQ). Credit costs for 3QFY24 were higher at 39bps (vs 23bps QoQ) as the bank created provisions of INR6.3bn on AIF investments while core credit costs remained under control (slippage ratio at 2.15% vs 1.8% QoQ). Loans grew 4% QoQ (+19% YoY) with retail loans growing by 4.5% QoQ (21% YoY) on a gross basis. Domestic corporate loans grew 13.3% YoY (2.9% QoQ) with continued strong growth seen in SME, business banking and rural segments. ICICI has been generating RoAs higher than 2% despite declining margins and has also delivered healthy growth momentum. We believe this should ensure that stock will continue to trade higher than peers. We expect ICICI Bank to deliver RoA/ RoE of 2.2%/17.6% by FY26E and value the bank on SoTP basis with a target price of INR 1330 (core bank valued at 2.7x FY26E BVPS) with subs valued at INR 140. ICICI Bank remains our top pick in the sector.

- Sustained growth momentum:** Loan growth remained strong at +19% YoY/+4% QoQ. Growth was led by retail segments growing at +20% YoY/+4% QoQ. Within retail, personal loans (+6.4% QoQ), business banking (+6.5% QoQ) and credit cards (+11.5% QoQ) continued to clock higher growth. Domestic book grew at +19% YoY/+4% QoQ whereas, overseas book grew at +11% YoY/ +7% QoQ. Domestic corporate loan growth remained steady at +13% YoY/+3% QoQ. Deposits growth remained healthy at +19% YoY/ +3% QoQ admist rising competition. This was led by TDs at +31% YoY, +5%QoQ whereas CASA deposits grew at 4% YoY, flat QoQ. Daily average CASA ratio stood at 39.4% vs 40.8% QoQ. Bank remains comfortable on liquidity with its LCR at 120% and LDR at 87%. Mgmt. mentioned that they try and maintain their LDR at ~85% on their domestic book. We expect advances CAGR at 17% and deposits CAGR at 16% over FY23A-26E.
- NIMs soften further but remain healthy:** NIMs witnessed contraction of 10bps QoQ to 4.43%. Cost of deposits increased by +19bps QoQ during the quarter. While core loan yields remained largely stable, reported yield on advances declined 2bps QoQ primarily due to interest reversals on KCC loans. Mgmt. expects a slight NIM contraction incrementally due to pending deposit repricing, but expects to end the year ~ 4.5%, mirroring FY23. PPOP stood at 147bn (+11% YoY/ +4% QoQ) on the back of higher other income (+6% QoQ) and lower opex (+2% QoQ). We expect earnings CAGR of 16% over FY23A-26E aided by stable asset quality and continued growth momentum with a minor decline in margins.
- Asset quality in fine fettle:** Gross slippages were higher QOQ at 2.15% led by impact on the Kisan credit card portfolio though net slippages were contained due to two large

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,330
Upside/(Downside)	31.9%
Previous Price Target	1,330
Change	0.0%

Key Data – ICICIBC IN

Current Market Price	INR1,009
Market cap (bn)	INR7,076.5/US\$85.2
Free Float	91%
Shares in issue (mn)	6,949.8
Diluted share (mn)	
3-mon avg daily val (mn)	INR14,551.0/US\$175.2
52-week range	1,044/796
Sensex/Nifty	71,424/21,572
INR/US\$	83.1

Price Performance

%	1M	6M	12M
Absolute	0.2	1.3	15.9
Relative*	-0.2	-5.4	-1.6

* To the BSE Sensex

Financial Summary

	(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Profit	233,395	318,965	413,587	447,536	503,686
Net Profit (YoY) (%)	44.1%	36.7%	29.7%	8.2%	12.5%
Assets (YoY) (%)	14.7%	12.3%	16.6%	16.1%	15.5%
ROA (%)	1.8%	2.1%	2.4%	2.2%	2.2%
ROE (%)	15.0%	17.5%	19.4%	18.0%	17.6%
EPS	33.6	45.7	59.2	64.1	72.1
EPS (YoY) (%)	43.5%	36.0%	29.7%	8.2%	12.5%
PE (x)	30.0	22.1	17.0	15.7	14.0
BV	240	282	330	382	440
BV (YoY) (%)	15.1%	17.3%	17.1%	15.6%	15.2%
P/BV (x)	4.20	3.58	3.06	2.64	2.29

Source: Company data, JM Financial. Note: Valuations as of 20/Jan/2024

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.

upgrades during the quarter. Provisions on AIF investments of INR6.3bn resulted into higher reported credit costs (39bps vs 23bps QoQ). Headline asset quality continued to improve with GNPA/NNPA at 2.44%/ 0.47% (vs 2.63%/0.45% QoQ). Mgmt. expects net additions on retail side to gradually normalise upwards with credit cost well within comfortable levels. Management indicated despite strong growth in unsecured portfolio over the last few years, they are not seeing any concerning trends. We build avg. credit costs of 47bps over FY24-FY26E.

- **Valuation and view:** ICICI Bank continues to deliver superior earnings profile (RoA consistently above 2% along with healthy growth momentum. The moderation in margins remains within comfortable levels and asset quality remains in strong shape. These should ensure that ICICI Bank will retain its valuation premium over large private bank peers. We expect ICICI Bank to deliver RoA/ RoE of 2.2%/17.6% by FY26E and value the bank on SoTP basis with a target price of INR 1330 (core bank valued at 2.7x FY26E BVPS) with subs valued at INR 140. ICICI Bank remains our top pick in the sector.

ICICI Bank – 3Q24 Trends

Exhibit 1. ICICI Bank: 3Q24 Result summary

Earnings Table (Rs. mn.)	3Q'23	2Q'24	3Q'24	YoY (%)	QoQ (%)
NII	164,650	183,079	186,786	13.4	2.0
Fee based Income	44,480	52,040	53,130	19.4	2.1
Trading Profits	360	-850	1,230	241.7	(244.7)
Misc Income	5,396	6,577	6,611	22.5	0.5
Non-Interest income	50,236	57,767	60,971	21.4	5.5
Total Income	214,886	240,846	247,756	15.3	2.9
Employee Cost	29,212	37,254	38,127	30.5	2.3
Other Operating Expenses	52,962	61,299	62,393	17.8	1.8
Total Operating Expenses	82,174	98,553	100,520	22.3	2.0
Operating Profit	132,712	142,293	147,236	10.9	3.5
Total Provisions	22,574	5,826	10,494	(53.5)	80.1
PBT	110,138	136,466	136,743	24.2	0.2
Tax	27,019	33,856	34,027	25.9	0.5
PAT (Pre-Extraordinaries)	83,119	102,610	102,715	23.6	0.1
Extraordinaries (Net of Tax)	0	0	0		
Reported Profit	83,119	102,610	102,715	23.6	0.1
Balance sheet (Rs. bn.)					
Deposits	11,220	12,947	13,323	18.7	2.9
Net Advances	9,740	11,105	11,538	18.5	3.9
Total Assets	15,217	17,208	17,832	17.2	3.6
Low-cost Deposits (%)	45.3%	40.8%	39.6%	(5.72)	(1.12)
Loan-Deposit ratio (%)	86.8%	85.8%	86.6%	(0.21)	0.83
Key Ratios					
Credit Quality					
Gross NPAs (Rs. mn.)	325,282	298,369	287,746	(11.5)	(3.6)
Net NPAs (Rs. mn.)	56,512	50,465	53,785	(4.8)	6.6
Gross NPA (%)	3.25%	2.63%	2.44%	(0.81)	(0.18)
Net NPA (%)	0.58%	0.45%	0.47%	(0.11)	0.01
Coverage Ratio (%)	82.6%	83.1%	81.3%	(1.32)	(1.78)
Capital Adequacy					
Tier I (%)	15.51%	15.35%	13.94%	(1.57)	(1.41)
CAR (%)	16.26%	16.07%	14.61%	(1.65)	(1.46)
Du-pont Analysis					
NII / Assets (%)	4.38%	4.35%	4.26%	(0.11)	(0.08)
Non-Interest Inc. / Assets (%)	1.33%	1.37%	1.39%	0.06	0.02
Operating Cost / Assets (%)	2.18%	2.34%	2.29%	0.11	(0.05)
Operating Profits / Assets (%)	3.53%	3.38%	3.36%	(0.17)	(0.02)
Provisions / Assets (%)	0.60%	0.14%	0.24%	(0.36)	0.10
ROA (%)	2.21%	2.44%	2.35%	0.14	(0.09)

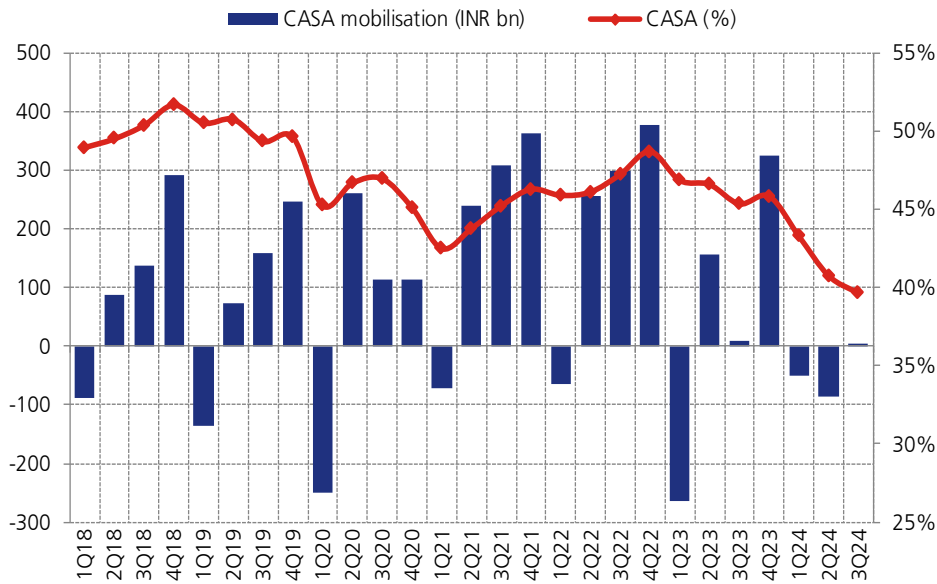
Source: Company, JM Financial

Exhibit 2. ICICI Bank: Deposit mix

Deposits Mix (Rs bn)	3Q'23	2Q'24	3Q'24	YoY (%)	QoQ (%)
Current	1,456	1,553	1,534	5.3%	-1.2%
Saving	3,632	3,723	3,746	3.1%	0.6%
Time	6,132	7,671	8,043	31.2%	4.9%
Total Deposits	11,220	12,947	13,323	18.7%	2.9%
Current	13.0%	12.0%	11.5%	-1.5%	-0.5%
Saving	32.4%	28.8%	28.1%	-4.3%	-0.6%
CASA	45.3%	40.8%	39.6%	-5.7%	-1.1%
Time	54.7%	59.2%	60.4%	5.7%	1.1%
Total	100%	100%	100%		

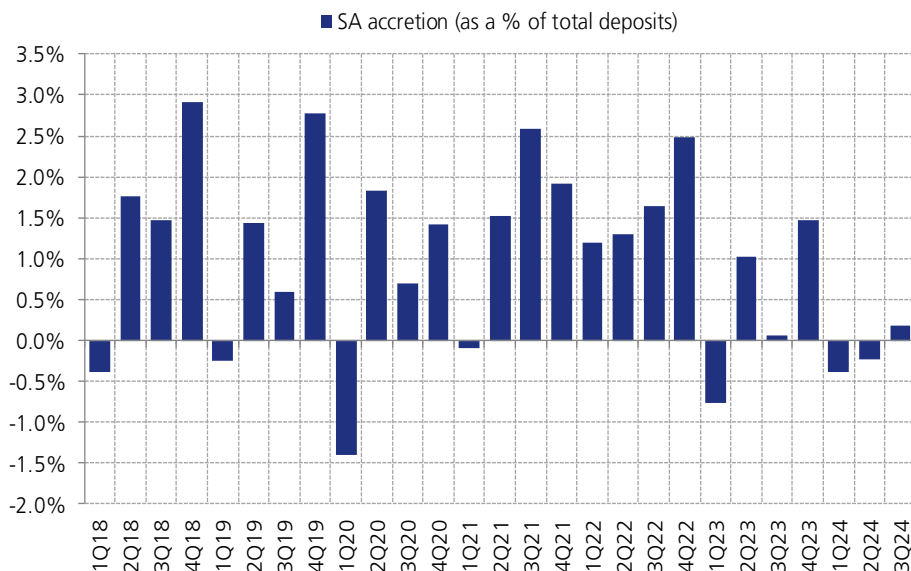
Source: JM Financial, Company

Exhibit 3. ICICI Bank: CASA Trends



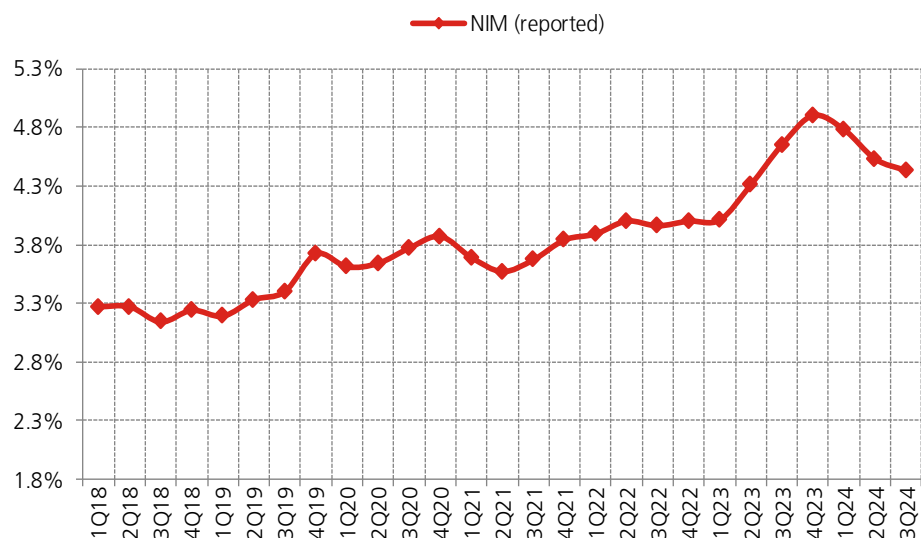
Source: Company, JM Financial

Exhibit 4. ICICI Bank: SA accretion



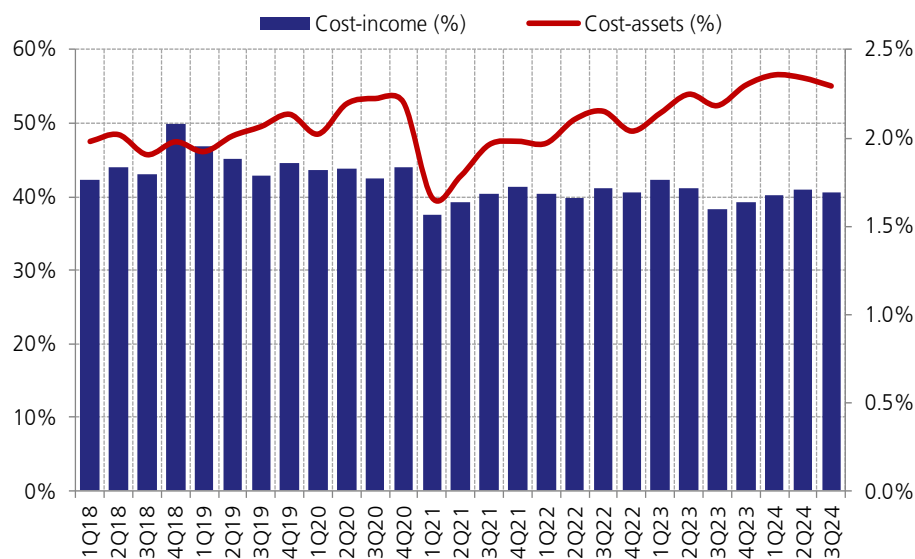
Source: Company, JM Financial

Exhibit 5. ICICI Bank: Reported Global NIM (%)



Source: Company, JM Financial

Exhibit 6. ICICI Bank: Cost ratios



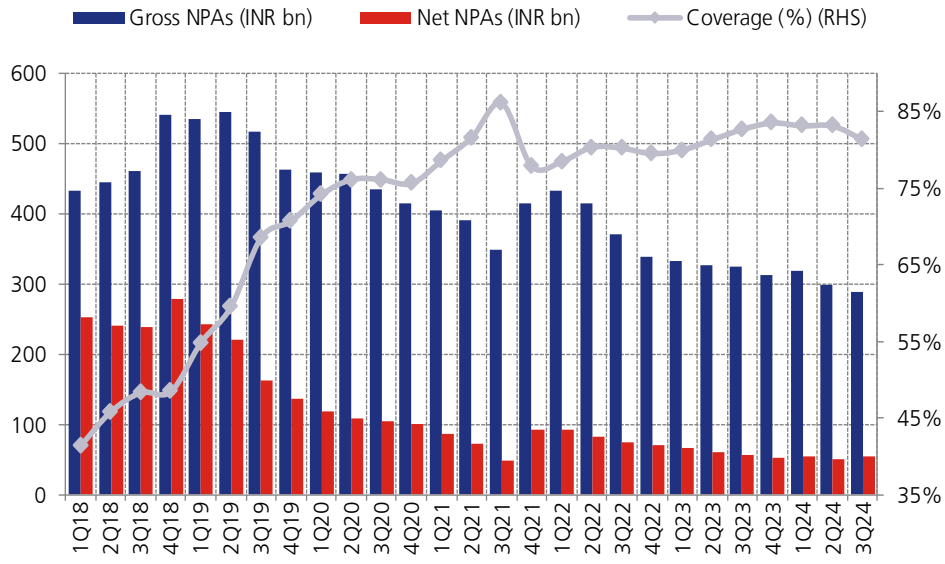
Source: Company, JM Financial

Exhibit 7. ICICI Bank: Trends in loan mix and margins

	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
Domestic loan mix (%)	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%	96.6%
Overseas loan mix (%)	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%	3.4%
Domestic NIM (%)	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%	4.52%
Overseas NIM (%)	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%	1.47%
Global NIM (%)	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%	4.53%	4.43%

Source: Company, JM Financial

Exhibit 8. ICICI Bank: NPL trends



Source: Company, JM Financial

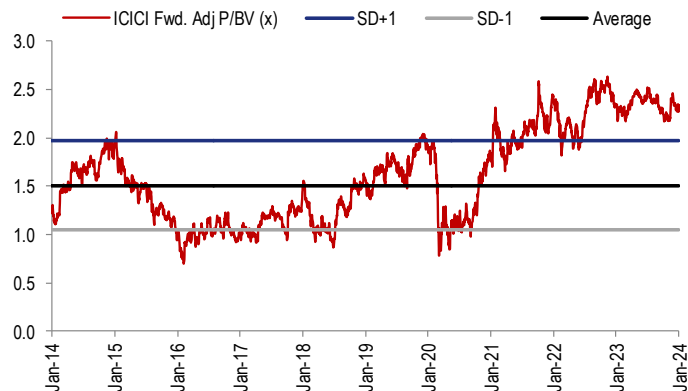
Valuation Summary

Exhibit 9. ICICI Bank: Valuation Summary

ICICI Bank SOTP	Holding (%)	Valuation Methodology	Value per Share	Contribution to TP (%)
ICICI Bank - Parent	100.0%	2.7x FY26E fully adj BV	1,190	89%
ICICI Prudential Life	51.2%	Market cap post 20% holdco	46	3%
ICICI Prudential MF	51.3%	24x FY26E PAT post 20% holdco	34	3%
ICICI Bank UK	100.0%	1x 1HFY24 book	4	0%
ICICI Bank Canada	100.0%	1x 1HFY24 book	4	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	21	2%
ICICI Sect. Primary	100.0%	15x FY23 PAT	3	0%
Less: Cost of investments			-13	-1%
Total (Rs.)			1,330	100%

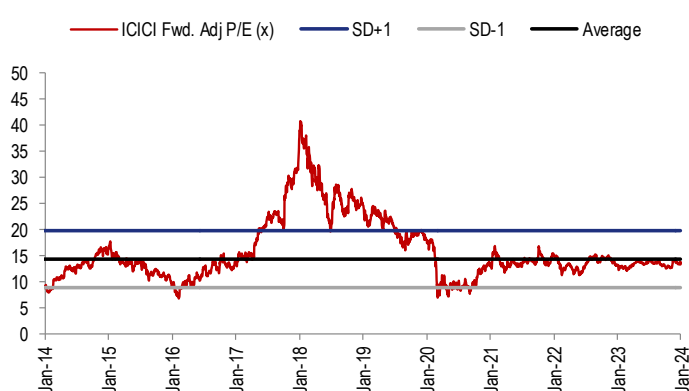
Source: Company, JM Financial

Exhibit 10. ICICI Bank (banking business) : One year fwd price to book (x)



Source: Bloomberg, JM Financial

Exhibit 11. 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	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Interest Income	474,661	621,286	748,977	862,603	1,005,354	
Profit on Investments	7,026	441	5,000	6,000	5,000	
Exchange Income	29,634	30,279	34,445	39,898	47,944	
Fee & Other Income	148,515	167,595	190,832	218,941	253,812	
Non-Interest Income	185,175	198,314	230,278	264,839	306,756	
Total Income	659,836	819,600	979,254	1,127,442	1,312,111	
Operating Expenses	267,333	328,732	394,512	460,021	529,193	
Pre-provisioning Profits	392,503	490,868	584,742	667,421	782,917	
Loan-Loss Provisions	41,570	15,962	34,686	72,214	113,033	
Provisions on Investments	3,771	12,995	0	0	0	
Others Provisions	41,073	37,699	0	0	0	
Total Provisions	86,414	66,656	34,686	72,214	113,033	
PBT	306,089	424,212	550,056	595,208	669,885	
Tax	72,694	105,247	136,469	147,671	166,199	
PAT (Pre-Extraordinaries)	233,395	318,965	413,587	447,536	503,686	
Extra ordinaries (Net of Tax)	0	0	0	0	0	
Reported Profits	233,395	318,965	413,587	447,536	503,686	
Dividend paid	34,794	55,871	76,823	87,298	97,774	
Retained Profits	198,600	263,094	336,764	360,238	405,912	

Source: Company, JM Financial

Key Ratios					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Deposits	14.2%	10.9%	17.0%	16.5%	16.0%
Advances	17.1%	18.7%	18.0%	17.0%	16.0%
Total Assets	14.7%	12.3%	16.6%	16.1%	15.5%
NII	21.7%	30.9%	20.6%	15.2%	16.5%
Non-interest Income	21.0%	7.1%	16.1%	15.0%	15.8%
Operating Expenses	24.0%	23.0%	20.0%	16.6%	15.0%
Operating Profits	19.9%	25.1%	19.1%	14.1%	17.3%
Core Operating profit	23.5%	27.2%	18.2%	14.1%	17.6%
Provisions	-46.7%	-22.9%	-48.0%	108.2%	56.5%
Reported PAT	44.1%	36.7%	29.7%	8.2%	12.5%
Yields / Margins (%)					
Interest Spread	3.41%	3.89%	3.98%	3.93%	3.95%
NIM	3.82%	4.38%	4.61%	4.56%	4.58%
Profitability (%)					
Non-IR to Income	28.1%	24.2%	23.5%	23.5%	23.4%
Cost to Income	40.5%	40.1%	40.3%	40.8%	40.3%
ROA	1.77%	2.13%	2.42%	2.25%	2.18%
ROE	15.0%	17.5%	19.4%	18.0%	17.6%
Assets Quality (%)					
Slippages	2.66%	2.15%	2.20%	2.20%	2.40%
Gross NPA	3.76%	2.87%	2.44%	2.46%	2.60%
Net NPAs	0.81%	0.51%	0.50%	0.56%	0.66%
Provision Coverage	79.2%	82.8%	80.0%	77.5%	75.0%
Specific LLP	0.47%	0.11%	0.25%	0.49%	0.68%
Net NPAs / Networth	4.1%	2.6%	2.6%	3.0%	3.5%
Capital Adequacy (%)					
Tier I	18.35%	17.60%	17.82%	17.85%	17.89%
CAR	19.16%	18.34%	18.47%	18.44%	18.42%

Source: Company, JM Financial

Balance Sheet						(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Equity Capital	13,900	13,968	13,968	13,968	13,968	
Reserves & Surplus	1,656,599	1,954,953	2,291,717	2,651,954	3,057,866	
Deposits	10,645,716	11,808,407	13,815,836	16,095,449	18,670,721	
Borrowings	1,072,314	1,193,255	1,354,428	1,537,809	1,717,619	
Other Liabilities	689,828	833,251	958,238	1,101,974	1,267,270	
Total Liabilities	14,081,021	15,811,442	18,434,187	21,401,154	24,727,444	
Investments	3,102,410	3,623,297	4,189,580	4,880,240	5,598,532	
Net Advances	8,590,204	10,196,383	12,031,732	14,077,126	16,329,467	
Cash & Equivalents	1,678,224	1,194,383	1,251,677	1,417,260	1,586,003	
Fixed Assets	61,782	65,374	72,531	79,924	87,401	
Other Assets	648,401	732,005	888,667	946,603	1,126,041	
Total Assets	14,081,021	15,811,442	18,434,187	21,401,154	24,727,444	

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
NII / Assets	3.60%	4.16%	4.37%	4.33%	4.36%
Other Income / Assets	1.41%	1.33%	1.34%	1.33%	1.33%
Total Income / Assets	5.01%	5.48%	5.72%	5.66%	5.69%
Cost / Assets	2.03%	2.20%	2.30%	2.31%	2.29%
PBP / Assets	2.98%	3.28%	3.41%	3.35%	3.39%
Provisions / Assets	0.66%	0.45%	0.20%	0.36%	0.49%
PBT / Assets	2.32%	2.84%	3.21%	2.99%	2.90%
Tax rate	23.7%	24.8%	24.8%	24.8%	24.8%
ROA	1.77%	2.13%	2.42%	2.25%	2.18%
RoRWAs	2.80%	3.26%	3.57%	3.32%	3.23%
Leverage	8.4	8.0	8.0	8.0	8.0
ROE	15.0%	17.5%	19.4%	18.0%	17.6%

Source: Company, JM Financial

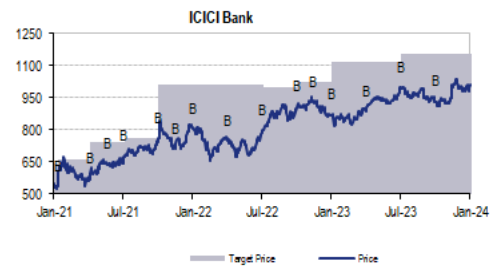
Valuations					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Shares in Issue	6,949.8	6,983.9	6,983.9	6,983.9	6,983.9
EPS (INR)	33.6	45.7	59.2	64.1	72.1
EPS (YoY) (%)	43.5%	36.0%	29.7%	8.2%	12.5%
PER (x)	30.0	22.1	17.0	15.7	14.0
BV (INR)	240	282	330	382	440
BV (YoY) (%)	15.1%	17.3%	17.1%	15.6%	15.2%
ABV (INR)	240	282	330	382	440
ABV (YoY) (%)	15.1%	17.3%	17.1%	15.6%	15.2%
P/BV (x)	4.20	3.58	3.06	2.64	2.29
P/ABV (x)	4.20	3.58	3.06	2.64	2.29
DPS (INR)	5.0	8.0	11.0	12.5	14.0
Div. yield (%)	0.5%	0.8%	1.1%	1.2%	1.4%

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
10-May-20	Buy	425	
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
22-Oct-23	Buy	1,155	0.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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

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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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