

Steady Performance; Positive outlook maintained

QIFY25 Result Update | Sector: Bank | July 29, 2024

BUY

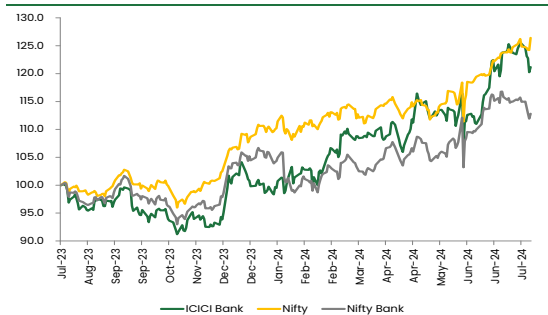
CMP (Rs)	1,218
Target Price (Rs)	1,396
Potential Upside	14.6%
Sensex	81,534
Nifty	24,880

Key Stock data

BSE Code	532174
NSE Code	ICICIBANK
Bloomberg	ICICIB:IN
Shares o/s, Cr (FV 2)	702.2
Market Cap (Rs Cr)	8,55,075
3M Avg Volume	1,71,34,257
52 week H/L	1,258/899

Shareholding Pattern

(%)	Dec-23	Mar-24	Jun-24
FII	43.7	44.8	45.5
DII	46.5	45.6	44.5
Public	9.8	9.6	10.1

1 year relative price performance

1 year forward P/Adj. BV (x)

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Single digit top-line growth: ICICI Bank reported net interest income growth of 2.4% QoQ/7.3% YoY to Rs 195.5bn in QIFY25 as the bank saw moderation in its margins with steady growth in assets. Owing to single digit top-line growth, its pre-provision operating profit grew by 0.6% QoQ/11% YoY to Rs 154.1bn. The bank saw increase in provision and contingencies by 85.4% QoQ/3.1% YoY as the bank credit cost start to normalize. Due to such increase in provisions, PAT was reported at 3.3% QoQ/14.6% YoY to Rs 110.6bn.

All segments contributed to advances growth: During the quarter, the bank's loan book increased by 3.3% QoQ/15.7% YoY to Rs 12,232bn. The growth across all segments contributed to this advances growth. Retail/Business Banking/SME were the key segment which reported a growth of 17%/36%/24% YoY. The bank continues to grow at healthy pace and the bank expects the growth momentum to continue in coming quarter as well which will be driven by the all segment. The corporate segment which was lagging is also picking up pace as private capital expenditure is also gaining momentum.

Term led deposits growth: Deposits during the quarter increased by 0.9% QoQ/15.1% YoY to Rs 14,262bn. The bank's deposit mobilization is growing at a healthy pace as compared to its peers. The growth in deposits was mainly led by the term deposits which increased by 3.1% QoQ/20% YoY while CASA deposits saw decline on sequential basis by 2% QoQ while increasing 8.6% YoY. CASA deposits saw moderation on the quarterly basis mainly due to decline in the current deposits by 9% QoQ while on increasing 9% YoY. CASA ratio during the quarter was 40.9% which declined on YoY basis by 236bps and 125bps on QoQ basis. Going forward, the management expects deposits mobilization to continue at a healthy pace as the bank is strategically well placed to gather deposits with growing branch count and its online presence.

Marginal dip in margins: The bank experienced a decline in its margins as the net interest margin dropped by 4bps QoQ and 42bps YoY to 4.34%. This decline was primarily due to a moderation in interest-earning assets by 5bps QoQ /YoY, while the cost of funds remained flat for the quarter at 5.05%. The bank managed to sustain margins through a healthy asset and liability mix and expects to maintain this in a healthy range going forward.

Valuation and outlook: ICICI Bank experienced single-digit top-line growth during the quarter, driven by steady growth in advances and stabilization in the cost of funds. However, its advances and deposits are growing at a steady pace and in a sustained manner which is aiding the bank to grow its business with robust asset quality. The bank is expected to improve on its margins and generate healthy returns. Financially, we expect NII/PPOP/PAT to grow at 11%/7%/8% CAGR over FY24-26E. We maintain **Buy** rating on ICICI Bank and increase our target price of **Rs 1,396** valuing the bank at 2.5x of its FY26E Adj. BV.

Financial Summary - standalone

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Net interest income	17,592	20,616	24,820	28,949
Pre-provision operating profit	14,346	15,864	19,769	23,256
Profit after tax	7,390	8,977	11,456	13,438
Net Interest Margin (%)	5.2	5.0	5.1	5.1
Credit cost (%)	1.7	1.1	1.1	1.1
Adj. BVPS (Rs)	631.9	726.1	848.1	990.4
P/Adj. BV (x)	2.3	2.0	1.7	1.4
RoE (%)	14.4	15.2	16.8	16.9
RoA (%)	1.8	2.0	2.0	2.1

Source : RBL Research

Asset quality remains steady: Asset quality for ICICI Bank continue to remain healthy and at cyclical lows. During the quarter, GNPA/NNPA saw marginal uptick by 36bps/8bps YoY to 2.5%/0.5% due to 5bps increase in slippages during the quarter but they remain robust around 0.48%. The bank remains confident of its credit quality and sees no sign of stress in any of its segments. Its credit assessment remains strong and the bank credit quality check remains intact. Due to this, Provision Coverage Ratio (PCR) during the quarter was 79.7%, declining by 60bps QoQ/270bps YoY.

Con-call highlights:

- On the unsecured side, particularly with personal loans (PL), the bank is adjusting its strategy and has gradually slowed down advance growth in this segment as part of this approach.
- While the calibration is underway, the bank does not see any stress in its personal loan or unsecured book as asset quality continue to remains robust.
- The management expects that credit cost should normalize going ahead gradually, from current cyclical lows.
- The bank expects that the NIMs will be "range-bound" in the future unless there is any shock, and the bank expects a "shallow" rate cut by the RBI.
- The bank is currently allocating approximately 9.5% of its total operating expenses to IT in order to support and grow its digital programs.

Financial summary - standalone

Particulars, Rs bn	Q1FY25E	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
Interest earned	390.0	333.3	17.0	379.5	2.8
Other income	70.0	54.4	28.8	56.5	23.9
Total income	460.0	387.6	18.7	436.0	5.5
Core Operating Income	259.4	234.1	10.8	250.2	3.7
Interest expended	194.4	151.0	28.8	188.6	3.1
Net interest income	195.5	182.3	7.3	190.9	2.4
Net interest margin (%)	4.4	4.8	-42bps	4.4	-4bps
Total expenditure	299.7	246.2	21.7	285.6	5.0
Operating profit/(loss)	160.2	141.4	13.3	150.4	6.6
Core operating profit	154.1	138.9	11.0	153.2	0.6
Core operating profit excl. dividend income	145.2	136.0	6.8	148.4	(2.1)
Provisions and contingencies	13.3	12.9	3.1	7.2	85.4
Profit before tax	146.9	128.5	14.4	143.2	2.6
Tax expense	36.3	32.0	13.6	36.1	0.6
Net profit after tax	110.6	96.5	14.6	107.1	3.3
Margin (%)	24.0	24.9	-85bps	24.6	-52bps
EPS (Rs)	15.7	13.8	14.0	15.3	3.1
BVPS (Rs)	361.0	301.5	19.7	339.5	6.3

Source : RBL Research

Ratios (%) - standalone

Particulars	Q1FY25E	Q1FY24	YoY (bps)	Q4FY24	QoQ (bps)
Net interest margin (NIM)	4.4	4.8	(42.0)	4.4	(4.0)
Yield on total	8.7	8.7	(5.0)	8.7	(5.0)
Cost of funds	5.1	4.6	45.0	5.1	-
Interest spread	3.6	4.1	(50.0)	3.7	(5.0)
Cost-to-income	39.7	40.2	(50.0)	39.2	50.0
RoA	2.4	2.4	(3.0)	2.4	-
RoE	18.0	18.9	(90.0)	18.5	(50.0)

Source : RBL Research

Net interest income increased by 2.4% QoQ/7.3% YoY

PAT increased by 3.3% QoQ/14.6% YoY

NIMs contracted by 4bps QoQ/42bps YoY

RoA/RoE stood at 2.4%/18.0%

Advances/deposits increased by 3.3%/0.9% QoQ

Ratios (%) - standalone

Particulars	Q1FY25E	Q1FY24	YoY (bps)	Q4FY24	QoQ (bps)
Advances (Rs Bn)	12,232	10,576	15.7	11,844	3.3
Deposits (Rs Bn)	14,262	12,387	15.1	14,128	0.9
Credit-deposit ratio (%)	85.8	85.4	39bps	83.8	193bps
CASA (%)	40.9	43.3	-236bps	42.2	-125bps

Source : RBL Research

Asset quality saw marginal deterioration as GNPA/NNPA increased by 36bps/8bps YoY

Asset quality

Particulars	Q1FY25E	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
GNPA (Rs Bn)	287.2	318.2	(9.8)	279.6	2.7
GNPA (%)	2.5	2.8	-24bps	2.2	36bps
NNPA (Rs Bn)	56.9	53.8	5.6	53.8	5.7
NNPA (%)	0.5	0.5	2bps	0.4	8bps
Provision Coverage Ratio (%)	79.7	82.4	-270bps	80.3	-60bps

Source : RBL Research

Interest earned increased by 2.8% QoQ/17% YoY

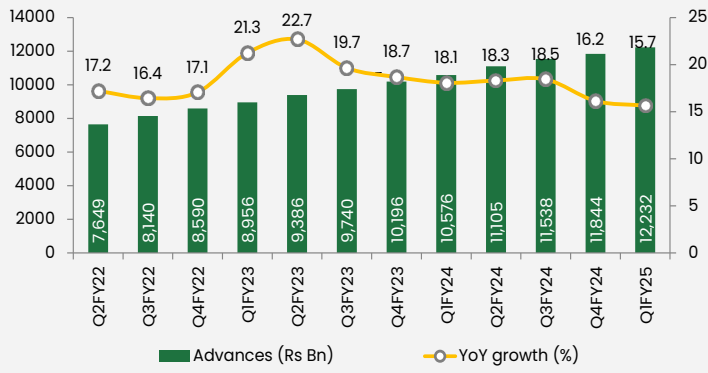
Income statement - standalone

Particulars, Rs bn	Q1FY25E	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
Interest/discount on advances/bills	301.1	258.4	16.5	294.2	2.3
Income on investments	81.6	66.2	23.2	77.8	4.8
Interest on balances with RBI and others	4.4	4.1	7.3	4.3	3.0
Others	2.9	4.5	(36.5)	3.1	(8.0)
Interest earned	390.0	333.3	17.0	379.5	2.8
Other income	70.0	54.4	28.8	56.5	23.9
Total income	460.0	387.6	18.7	436.0	5.5
Interest expended	194.4	151.0	28.8	188.6	3.1
Net interest income	195.5	182.3	7.3	190.9	2.4
Margin (%)	50.1	54.7	-455bps	50.3	-17bps
Employee cost	43.7	38.8	12.5	37.2	17.5
Other operating expenses	61.6	56.4	9.2	59.8	3.0
Operating expenses	105.3	95.2	10.6	97.0	8.5
Total expenditure	299.7	246.2	21.7	285.6	5.0
Operating profit/(loss)	160.2	141.4	13.3	150.4	6.6
Margin (%)	34.8	36.5	-164bps	34.5	34bps
Core operating profit	154.1	138.9	11.0	153.2	0.6
Margin (%)	33.5	35.8	-232bps	35.1	-163bps
Provisions and contingencies	13.3	12.9	3.1	7.2	85.4
Profit before tax	146.9	128.5	14.4	143.2	2.6
Tax expense	36.3	32.0	13.6	36.1	0.6
Tax rate (%)	24.7	24.9	-17bps	25.2	-50bps
Net profit after tax	110.6	96.5	14.6	107.1	3.3
Margin (%)	24.0	24.9	-85bps	24.6	-52bps
EPS (Rs)	15.7	13.8	14.0	15.3	3.1

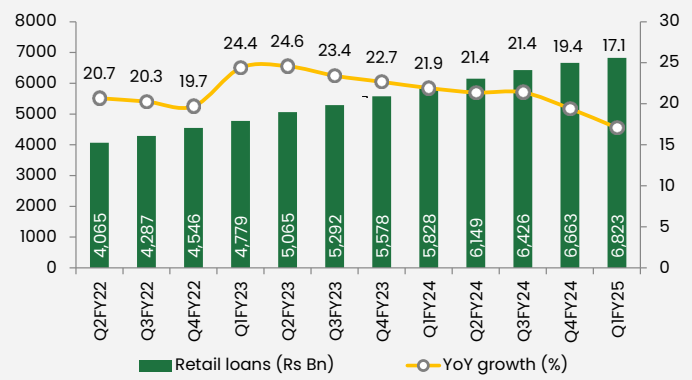
Source : RBL Research

Story in charts

Advances increased by 3.2% QoQ/15.7% YoY

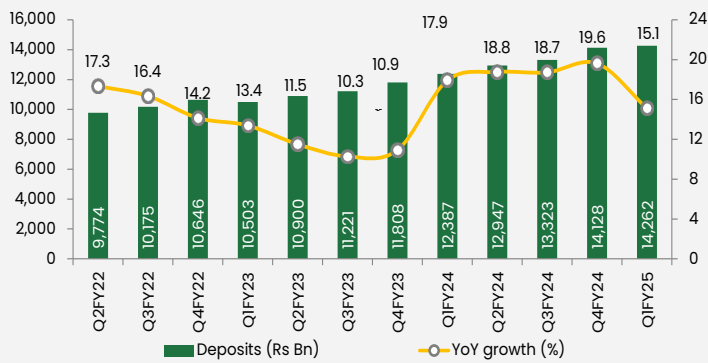


Retail loan grew by 2.4% QoQ/17.1% YoY

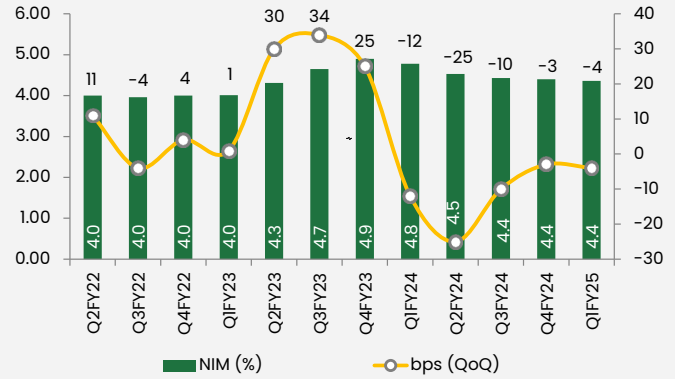


Source : RBL Research

Deposits increased by 0.9% QoQ/15.1% YoY

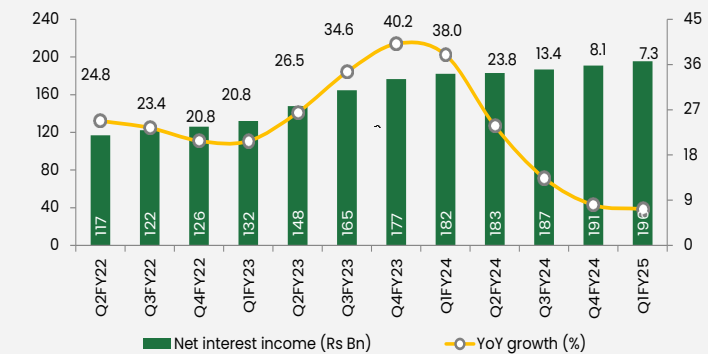


NIMs contracted by 4bps QoQ/42bps YoY

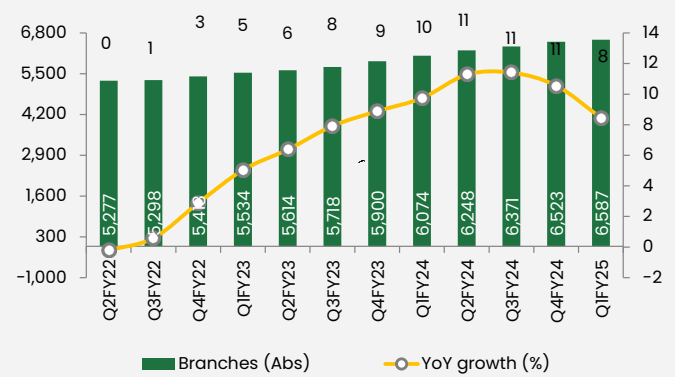


Source : RBL Research

Net interest income increased by 2.4% QoQ/7.3% YoY

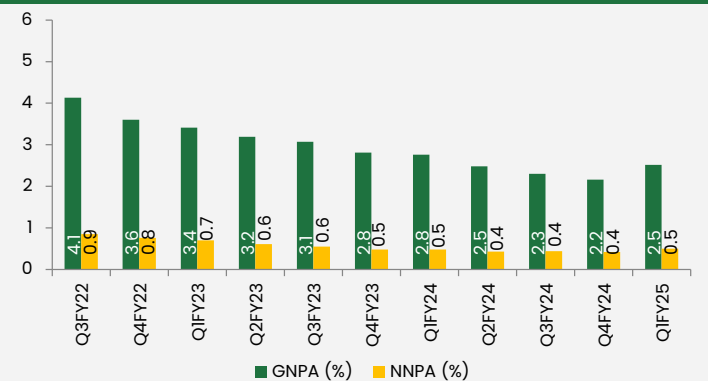


Steady growth in branch count

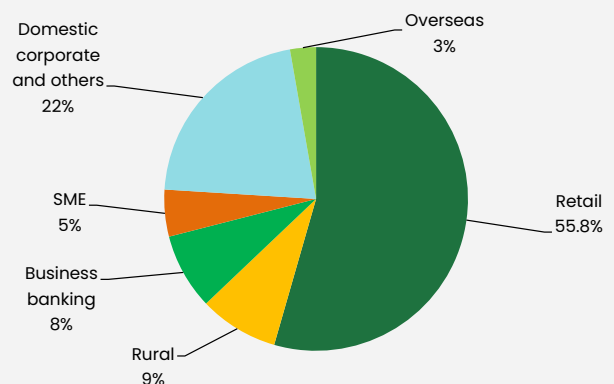


Source : RBL Research

GNPA/NNPA stood at 2.5%/ .5%



Retail loans having 56% share in loan book



Source : RBL Research

Income statement – standalone

Particulars, Rs bn	FY23	FY24	FY25E	FY26E
Interest earned	1,092	1,429	1,574	1,817
Interest expended	471	686	716	869
Net interest income	621	743	858	947
YoY (%)	30.9	19.6	15.5	10.4
Other income	198	230	237	272
Total income	1,291	1,658	1,811	2,089
YoY (%)	23.0	28.5	9.2	15.3
Operating expenses	329	391	449	526
Operating profit/(loss)	491	581	647	693
YoY (%)	25.1	18.4	11.3	7.2
Provisions and contingencies	67	36	39	39
Profit before tax	424	545	608	655
Tax expense	105	136	140	151
Tax rate (%)	24.8	25.0	23.0	23.0
Net profit after tax	319	409	468	504
YoY (%)	36.7	28.2	14.5	7.7

Source : RBL Research

Balance sheet – standalone

Particulars, Rs bn	FY23	FY24	FY25E	FY26E
Capital	14	14	14	14
Reserves and surplus	1,986	2,356	2,863	3,406
Net worth	2,000	2,370	2,877	3,420
Deposits	11,808	14,128	16,585	19,604
Borrowings	1,193	1,250	1,644	2,069
Other liabilities and provisions	833	953	1,073	1,247
Total Capital and Liabilities	15,842	18,715	22,193	26,353
Current assets	1,194	1,399	2,134	2,984
Investments	3,623	4,619	4,967	5,794
Advances	10,196	11,844	14,032	16,474
Fixed assets	96	109	111	119
Other assets	732	744	948	983
Total assets	15,842	18,715	22,192	26,353

Source : RBL Research

DuPont Analysis – standalone

Particulars, Rs bn	FY23	FY24	FY25E	FY26E
Interest earned	1,092	1,429	1,574	1,817
Interest expended	471	686	716	869
Net interest income	621	743	858	947
Other income	198	230	237	272
Total income	1,291	1,658	1,811	2,089
Employee cost	121	151	175	210
Other operating expenses	208	240	274	316
Operating expenses	329	391	449	526
Provisions and contingencies	67	36	39	39
Profit before tax	424	545	608	655
Tax expense	105	136	140	151
RoA (%)	2.2	2.4	2.3	2.1
RoE (%)	17.3	18.7	17.8	15.9

Source : RBL Research

Asset Quality

Particulars, Rs bn	FY23	FY24	FY25E	FY26E
GNPA	312	280	324	386
NNPA	52	54	59	69
GNPA (%)	2.8	2.2	2.5	2.5
NNPA (%)	0.5	0.4	0.5	0.5
PCR (%)	82.8	80.3	81.6	82.2
Slippage ratio (%)	1.8	1.6	2.7	2.7

Source : RBL Research

Efficiency ratio (%) – standalone

Particulars	FY23	FY24	FY25E	FY26E
Loan/Deposit Ratio	86.3	83.8	84.6	84.0
CASA Ratio	45.8	42.2	40.1	38.1
Cost/Assets	2.1	2.1	2.0	2.0
Cost/Total Income	40.1	40.2	40.9	43.1
Interest exp/Interest earned	43.1	48.0	45.5	47.9
Employee/Operating Cost	36.7	38.7	39.0	39.9

Source : RBL Research

Valuation Ratios (%)

Particulars	FY23	FY24	FY25E	FY26E
P/E	26.6	20.9	18.0	16.7
P/BV	4.2	3.5	2.9	2.5
P/ABV	4.4	3.7	3.0	2.5

Source : RBL Research

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S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

Nature of Interest (if answer to F (a) above is Yes :

.....

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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