

ICICI Bank

OUTPERFORM

ICICI Bank Shines in Q2 FY25: Strong Growth & Upgraded Target

Choice

October 28, 2024

ICICI Bank delivered an impressive performance in Q2 FY25, exceeding market expectations with robust business growth, strengthened asset quality, and disciplined cost management. The bank reported a 14.5% YoY surge in PAT to ₹117.46 bn, slightly above consensus estimates, primarily driven by lower credit costs and well-contained operating expenses. NIMs stood at 4.27%, slightly trailing previous quarters due to elevated deposit costs. While some margin pressure may persist into FY25, the bank's vigorous loan growth and superior asset quality are expected to provide a cushion and sustain profitability. PPOP Growth Stays Healthy: PPOP grew by 8.8% YoY and 2.1% QoQ driven by NII growth and lower Opex growth. NII rose by 8.1% YoY and 2.2% QoQ. Opex grew by 8.7% YoY and declined 3.5% QoQ. Other income was below than estimates, it rose by 11.0% YoY and dropped by 7.7% QoQ.

- **Loan growth continues to remain a key highlight**, with net advances increasing 15% YoY and 4.4% QoQ, led by a stellar 30% expansion in the business banking segment. Retail loans grew by a healthy 14.2% YoY, underpinned by strong demand in personal loans (17.3% YoY) and credit cards (27.9% YoY). The bank's deposit base expanded by 15.7% YoY, with term deposits rising 15.9% YoY and 5.5% QoQ, further fortifying its liquidity position.
- **Asset quality shows remarkable improvement**: GNPA's declined to 1.97%, reaching the lowest level in over a decade, highlighting the bank's strong asset quality improvement. The provision coverage ratio (PCR) remained robust at 78.5%, reflecting ICICI Bank's prudent approach to provisioning and effective risk management. Gross slippages reduced to ₹50.73 bn, down from ₹59.16 bn in the previous quarter, while credit costs stayed low at 0.38% of average advances. Furthermore, the bank's restructured loan book continued its downward trend, decreasing to ₹25.46 bn, indicating successful resolution efforts on stressed assets.
- **Operational efficiency remained a standout**, with PPOP rising 12.1% YoY, driven by a 9.5% YoY growth in NII, reaching ₹200.48 bn. The cost-to-income ratio improved to 38.6%, demonstrating the bank's strong focus on cost control and efficiency enhancement. Operating expenses grew by a modest 6.6% YoY, considerably outperforming the industry average. Employee costs saw an increase of 11% YoY, while non-employee expenses were well-managed, growing by only 3.8% YoY, underscoring the bank's disciplined approach to managing operational costs.

View and Valuation: ICICI Bank's performance in Q2 FY25 reinforces its status as one of India's top-performing banks, underpinned by a well-executed growth strategy and solid fundamentals. The management's focus on leveraging digital platforms, expanding in high-growth segments like business banking, and maintaining prudent risk management ensures the bank remains resilient amid margin pressures. With a disciplined approach to cost control and a strong balance sheet, ICICI Bank is well-positioned to continue delivering consistent earnings growth. RoA stood at 2.39%, maintaining its track record of staying above 2% for 10 consecutive quarters, while RoE was 18.1%, highlighting the bank's ability to generate value for shareholders. We upgrade our BUY rating to **OUTPERFORM**, and revise the target price to ₹1,585, valuing the core business at ₹1374 (P/ABV 3x FY26E) and subsidiaries at ₹211 per share.

Financial Snapshot (Rs bn)

Year end: March	FY22	FY23	FY24	FY25E	FY26E
NII	475	621	743	788	884
Gr. (%)	21.7	30.9	19.6	6.0	12.1
NIM (%)	4.00	4.90	4.40	4.37	4.20
PPOP	393	491	581	648	715
A.PAT	233	319	409	446	482
Eq./As. (%)	12.1	12.7	12.7	13.1	13.2
RoE (%)	17.4	19.3	19.1	17.3	16.1
CASA(%)	48.7	45.8	42.2	40.9	39.8
GNPA (%)	3.5	2.9	2.2	1.84	1.47
P/ABV (x)	5.3	4.5	3.8	3.2	2.8

Source: Company, CEBPL

CMP (Rs)	1255
Target Price (Rs)	1585
Potential Upside (%)	26.3

*CMP as on 25th Oct 2024

Company Info

BB Code	ICICIBC IN
ISIN	INE090A01021
Face Value (Rs)	2
52 Week High (Rs)	1361
52 Week Low (Rs)	899
Mkt Cap (Rs bn)	8849
Mkt Cap (\$ bn)	105
Shares o/s (bn)	7.1
FY25E ABVPS (Rs)	389.5
FY26E ABVPS (Rs)	450

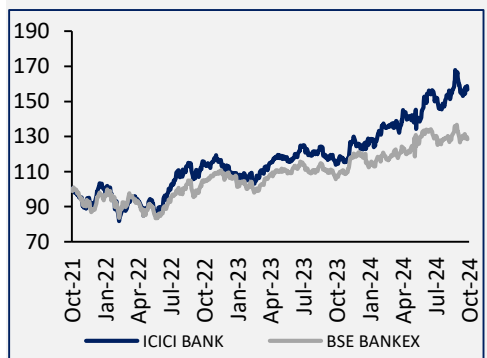
Shareholding Pattern (%)

	Jun-23	Mar-23	Dec-22
Promoters	-	-	-
FPIs'	46.2%	45.5%	44.8%
DIIs'	44.4%	45.0%	45.6%
Public	9.3%	9.6%	9.6%

Relative Performance (%)

YTD	1Y	2Y	3Y
BSE Bankex	34.6	35.2	56.7
ICICIBC IN	19.5	22.4	28.4

Rebased Price Performance



Quarterly Snapshot (Q2FY25)

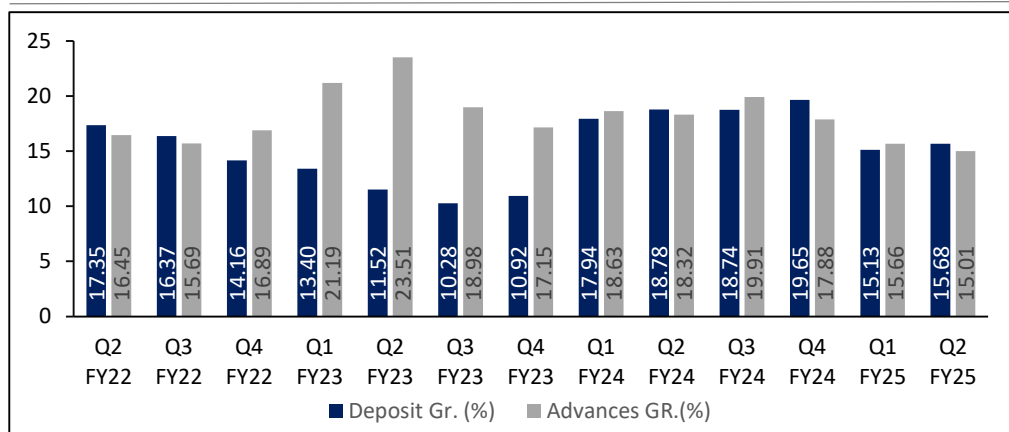
Particulars	(Rs bn)	YoY (%)	QoQ (%)
NII	200	9.5	0.4
NIM (%)	4.27	-26 bps	-9 bps
Fee income	60	14.2	6.3
Opex	105	6.6	2.0
PPOP	167	17.5	-0.3
PAT	117	14.5	-0.6
Advances	12772	15.0	4.4
Deposits	14978	15.7	5.0
GNPA	271	-9.1	-5.6
Slippages	57	12.7	0.0

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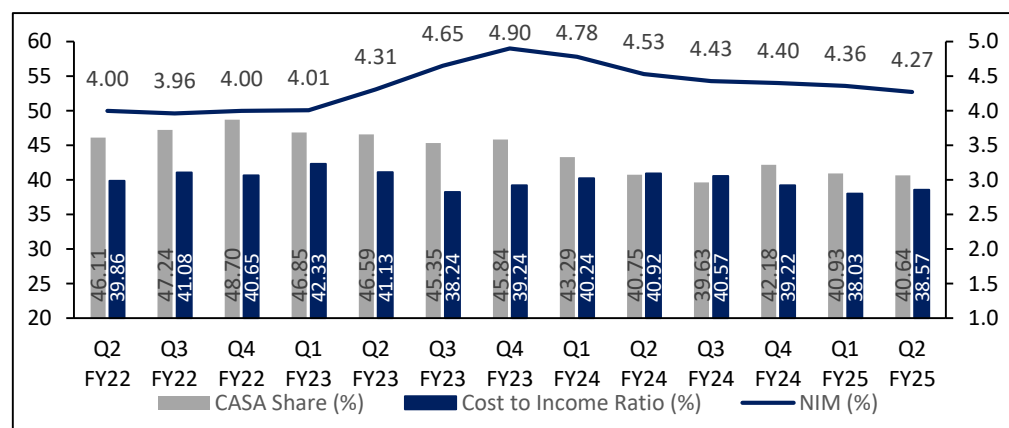
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Net advances grew by 15.01% YoY, deposits growth at 15.01% YoY



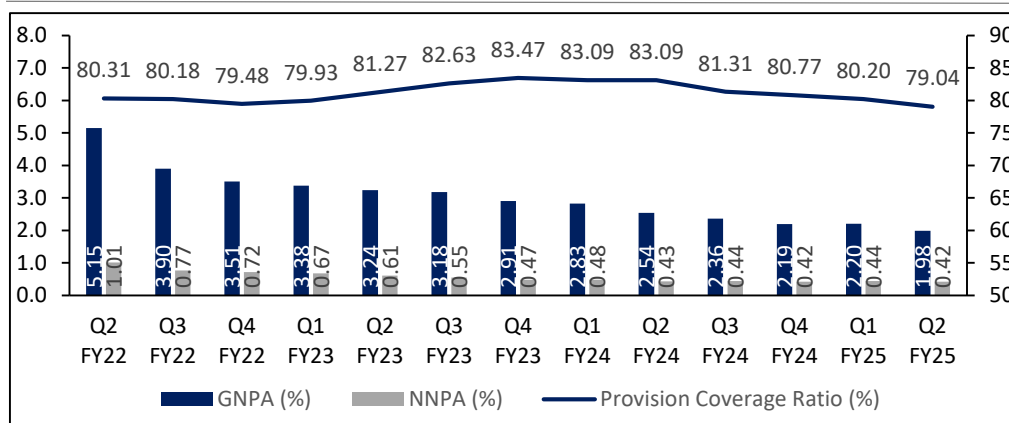
Source: Company, CEBPL

Trend in CASA, C/I and NIM – C/I Declines, NIM Faces Higher Cost Pressure



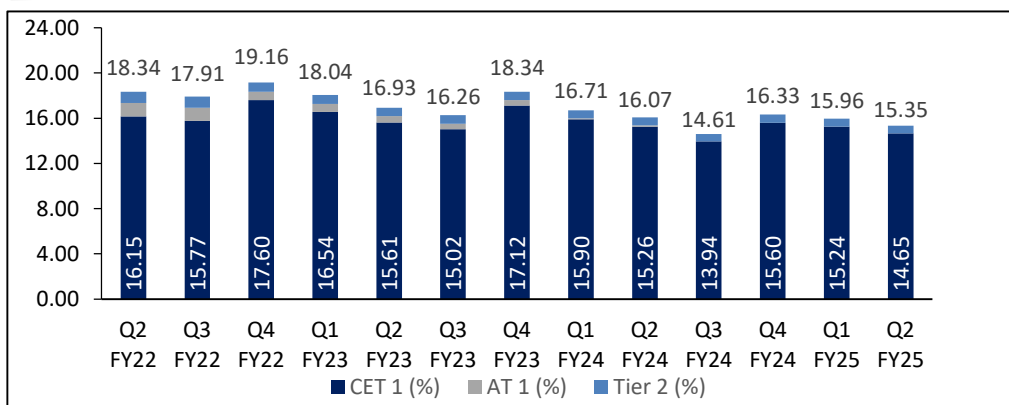
Source: Company, CEBPL

Sustained decline in GNPA, PCR falls below 80%, lowest GNPA ratio and healthy PCR



Source: Company, CEBPL

Trend in CRAR



Source: Company, CEBPL

Sequential Operating Performance

Particulars (Rs bn)	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	YoY (%)	QoQ (%)
Interest Earned	349	367	379	386	405	16.1	5.0
Interest Expended	166	180	189	186	205	23.3	10.0
NII	183	187	191	200	200	9.5	0.4
Other Income	58	61	56	71	72	24.2	0.9
Fees & commissions	52	53	54	56	60	14.2	6.3
Total Income	407	428	436	457	477	17.2	4.4
OPEX	99	101	97	103	105	6.6	2.0
PPOP	142	147	150	168	167	17.5	-0.3
P&C (incl NPA)	6	10	7	13	12	111.6	-7.5
PBT	136	137	143	154	155	13.5	0.3
Tax	34	34	36	36	37	10.6	3.0
Net Profit	103	103	107	118	117	14.5	-0.6
Outstanding Shares	7	7	7	7	7	0.6	0.1
Dil. EPS (Rs)	15	15	15	17	17	13.8	-0.7
Balance Sheet items/ratios (Rs bn)							
Deposits	12,947	13,323	14,128	14,262	14,978	15.7	5.0
CA Deposits	1,553	1,534	1,936	1,760	1,831	17.9	4.0
SB Deposits	3,723	3,746	4,023	4,076	4,256	14.3	4.4
CASA	5,276	5,280	5,959	5,837	6,087	15.4	4.3
Term Deposits	7,671	8,043	8,170	8,425	8,890	15.9	5.5
Advances	11,105	11,538	11,844	12,232	12,772	15.0	4.4
CD (%)	85.8	86.6	83.8	85.8	85.3	-50 bps	-49 bps
CASA Share (%)	40.8	39.6	42.2	40.9	40.6	-11 bps	-28 bps
CAR(%)	16.1	14.6	16.3	16.0	15.3	-73 bps	-61 bps
Tier 1 (%)	15.4	13.9	15.6	15.2	14.7	-70 bps	-59 bps
CET 1 (%)	15.3	13.9	15.6	15.2	14.7	-61 bps	-59 bps
Operating ratios (%)							
Credit cost (Annualized)	0.15	0.26	0.17	0.31	0.27	12 bps	-3 bps
CoD (Dom.)	4.53	4.72	4.82	4.84	4.88	35 bps	4 bps
YoA (Dom.)	9.81	9.79	9.88	9.80	9.73	-8 bps	-7 bps
NIM	4.53	4.43	4.40	4.36	4.27	-26 bps	-9 bps
NIM(Domestic)	0.00	0.00	0.00	0.00	0.00	0 bps	0 bps
YoI	6.92	6.79	6.93	6.74	6.97	5 bps	23 bps
0	40.92	40.57	39.22	38.03	38.57	-235 bps	54 bps
Assets Quality							
Gross NPAs	298	288	280	287	271	-9.1	-5.6
Net NPAs	50	54	54	57	57	12.7	0.0
GNPA (%)	2.54	2.36	2.19	2.20	1.98	-55 bps	-22 bps
NNPA (%)	0.43	0.44	0.42	0.44	0.42	-1 bps	-2 bps
Coverage Ratio(%)	83.09	81.31	80.77	80.20	79.04	-405 bps	-117 bps
RoA(%) (average) - annualized	2.62	2.53	2.52	2.73	2.60	-1 bps	-13 bps
Slippages							
Gross slippages	47	57	51	59	51	8.2	-14.2
R&U	46	54	39	33	33	-27.4	0.8
Write-offs	21	14	20	19	34	59.5	79.5
Slippages (Net Addition to GNPA)	47	57	51	59	51	8.2	-14.2
Slippages (%)	1.95	0.51	0.45	0.50	0.41	-154 bps	-80 bps
Advances Break-Out							
Gross Advances	11,105	11,538	11,844	12,232	12,772	15.0	4.4
Domestic Advances	10,742	11,148	11,510	11,886	12,431	15.7	4.6
Corporate Credit	2,406	2,473	2,493	2,564	2,690	11.8	4.9
Agriculture Advances	676	711	743	775	788	16.5	1.7
International	363	390	335	346	342	-6.0	-1.2
Retail Advances	6,071	6,362	6,589	6,741	6,935	14.2	2.9
Home	3,704	3,841	3,959	4,060	4,191	13.2	3.2
Auto	870	905	926	941	943	8.4	0.3
Other Retail	1,044	1,111	1,167	1,184	1,225	17.3	3.5
Business Banking	1,793	1,884	1,979	2,106	2,330	30.0	10.7
Domestic Advances segments (% wise)							
Corporate Credit	22.4	22.2	21.7	21.6	21.6		
Business Banking	16.7	16.9	17.2	17.7	18.7		
Agriculture Advances	6.3	6.4	6.5	6.5	6.3		
Retail Advances	56.5	57.1	57.2	56.7	55.8		
Network (in num)							
Branches	6,248	6,371	6,523	6,587	6,613		

Key Highlights – Q2FY25

NII growth in single digit due to rise in cost of fund

Fee income grew at 14.2% YoY and 6.3% QoQ, driving non-interest income

PAT grew by 14.5% YoY as operating leverage supports PPOP

Advances grew by 15% YoY on the back of strong growth in driven by retail agri loans and business banking.

Moderated deposit growth during the quarter, CASA plunges by 28 bps QoQ

Credit cost moderates falling 3 bps on account of lower slippages during the quarter

C/I ratio came in at 38.57%, it declined by 235 bps YoY.

PCR at 80% over the last 4 quarters

Fresh slippage ratio improve 154 bps YoY and 80 bps QoQ

Business Banking witness a robust growth during the quarter

During quarter, bank added 26 branches

CIER Estimates vs Actual for Q4FY24

India - Banking: ICICI Bank

Result Snapshot (Rs bn)	Q2 FY25	Q2 FY24	YoY (%)	Q1 FY25	QoQ (%)	EST.	Dev. (%)
NII	200	183	9.51	200	0.41	205	-2.2
NIM (%)	4.27	4.53	-26 bps	4.36	-9 bps	4.29	2 bps
Other Income	72	58	24.24	71	0.93	65	10.4
Total Income	477	407	17.24	457	4.39	460	3.7
OPEX	105	99	6.56	103	1.97	107	-1.9
PPOP	167	142	17.53	168	-0.33	163	2.6
P&C	12	6	111.64	13	-7.47	13	-3.7
PAT	117	103	14.48	118	-0.56	112	5.1
Deposits	14978	12947	15.68	14262	5.02	15021	-0.3
Advances	12772	11105	15.01	12232	4.42	12941	-1.3
GNPA	271	298	-9.10	287	-5.56	291	-6.8

Source: Company, CEBPL

Change in Estimates for FY24E & FY25E

(Rs bn)	Old		Revised		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
NII	795	918	788	884	-0.9	-3.7
Other Income	230	291	230	291	0.0	0.0
OPEX	432	507	431	494	-0.3	-2.6
P&C	60	77	60	76	-0.5	-1.2
PAT	450	498	446	482	-0.8	-3.0
Adj. BVPS (Rs/sh)	390	453	389	450	-0.2	-0.6
Deposits	15,935	18,439	15,894	18,177	-0.3	-1.4
Advances	14,051	16,180	13,937	15,971	-0.8	-1.3
GNPA	215	244	204	211	-4.7	-13.7

Source: Company, CEBPL

Management Call - Highlights

Profit Growth:

- Profit before tax (excluding treasury): Grew by 7.9% year-on-year to ₹148.10 billion.
- Core operating profit: Increased by 12.1% year-on-year to ₹160.43 billion.
- Profit after tax: Grew by 14.5% year-on-year to ₹117.46 billion.

Loan Portfolio:

- Overall loan growth: The total loan portfolio grew by 15% year-on-year.
- Retail loans: Increased by 14.2% year-on-year, representing 44.9% of the total portfolio.
- Rural loans: Increased by 16.5% year-on-year.
- Business banking portfolio: Grew by 30% year-on-year and 10.7% quarter-on-quarter.

Deposits Growth:

- Total deposits: Increased by 15.7% year-on-year, with term deposits growing by 15.9%.
- Current and savings account (CASA): Grew by 10.4% year-on-year.

Asset Quality:

- Net NPA ratio: Improved to 0.42% from 0.43% in the previous quarter.
- Provisioning: The bank held a provision coverage ratio of 78.5% and contingency provisions amounting to ₹131 billion.

Margins & Income:

- Net interest margin (NIM): Reported at 4.27%, a slight drop from previous quarters due to competitive pricing and market conditions.
- Non-interest income: Excluding treasury, grew by 10.8% year-on-year to ₹64.96 billion.
- Fee income: Increased by 13.3% year-on-year, with 78% of fees generated from retail, rural, and business banking customers.

Digital & Operational Performance:

- Digital transactions: About 72% of trade transactions were done digitally in Q2 FY25.
- Branches: Increased by 90 in H1 FY25, bringing the total to 6,613 branches.

Treasury Gains:

- The bank reported treasury gains of ₹6.80 billion, primarily driven by realized and mark-to-market gains on equity and fixed-income portfolios.

Subsidiary Performance:

- ICICI Life: Reported an annualized premium equivalent of ₹44.67 billion in H1 FY25.
- ICICI General Insurance: Achieved gross direct premium income of ₹67.21 billion, with a combined ratio of 104.5%.
- ICICI AMC and ICICI Securities: Reported strong profitability growth.

Capital Adequacy:

- CET 1 ratio: Stood at 15.96%, and total capital adequacy ratio was 16.66%, reflecting a strong capital position.

Forward-looking Guidance:

- ICICI Bank will focus on risk-calibrated profitable growth and deepening customer relationships.
- Continued investment in technology, people, distribution, and brand-building.
- Emphasis on operational resilience and maintaining a strong balance sheet with prudent provisioning.

View & Valuation

ICICI Bank's performance in Q2 FY25 reinforces its status as one of India's top-performing banks, underpinned by a well-executed growth strategy and solid fundamentals. The management's focus on leveraging digital platforms, expanding in high-growth segments like business banking, and maintaining prudent risk management ensures the bank remains resilient amid margin pressures. With a disciplined approach to cost control and a strong balance sheet, ICICI Bank is well-positioned to continue delivering consistent earnings growth. RoA stood at 2.39%, maintaining its track record of staying above 2% for 10 consecutive quarters, while RoE was 18.1%, highlighting the bank's ability to generate value for shareholders. We upgrade our BUY rating to **OUTPERFORM**, and revise the target price to ₹1,585, valuing the core business at ₹1374 (P/ABV 3x FY26E) and subsidiaries at ₹211 per share.

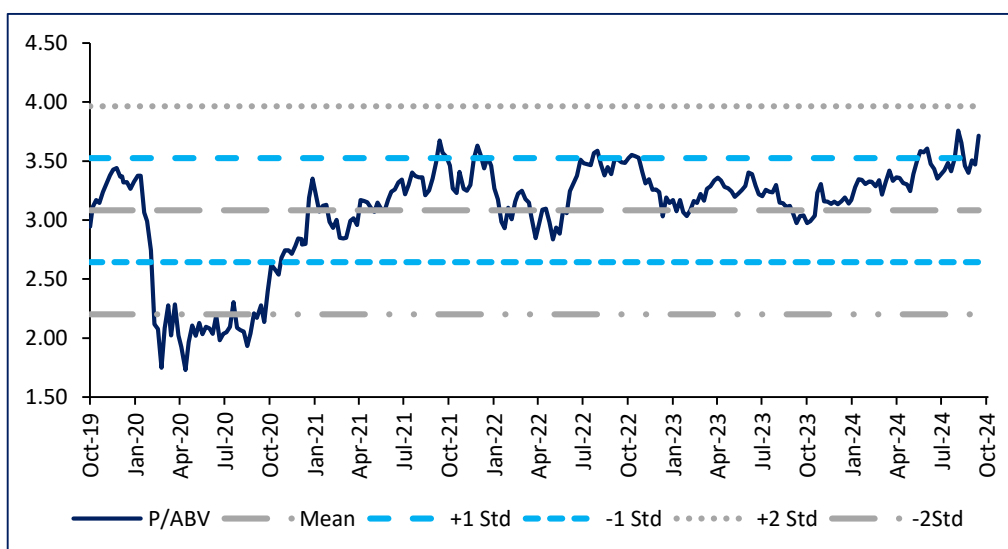
Key risks to investment

- Increasing share of retail unsecured book
- Rising competition from PSU banks

SOTP Valuation	Holding (%)	Value/Share (Rs/Sh)	Basis	Value (Rs bn)
ICICIB IN	100	1374	3x FY26E ABV	9,680
ICICI Securities	0.75	29	current market cap (CMC)	271
ICICI Prudential life insurance	0.51	78	CMC	1,074
ICICI Lombard General insurance	0.48	65	CMC	954
ICICI AMC	0.51	49	5% of AUM	673
Others incl. overseas banking subsidiaries		37	20 P/ExFY22	326
Value of subsidiaries		25	CMC	177
Less: Holding company discount (20%)		282		
Value of subsidiaries after holding discount		25%		
		211		
SOTP Value per Share		1585		

Source: Company, CEBPL

12M forward P/Adjusted Book Value



Source: Company, CEBPL

Financial Summary (Standalone in INR Bn.)

Profit & Loss Statement

Income Statement	FY22	FY23	FY24	FY25E	FY26E
Interest Earned	864	1,092	1,429	1,603	1,767
Growth (%)	35.6	39.7	36.2	12.2	10.2
Interest Expended	389	471	686	815	883
Growth (%)	34.9	39.6	37.9	18.8	8.4
Net Interest Income	475	621	743	788	884
Net Interest Margin (%)	4	4.9	4.4	4.37	4.20
Other Income	185	198	230	291	325
% of Interest Income	17.7	15.4	13.8	18.1	18.4
Total Income	1,049	1,291	1,658	1,893	2,092
Growth (%)	35.4	38.8	35.7	14.2	10.5
Operating & Other expenses	267	329	391	431	494
PPOP	393	491	581	648	715
P&C	86	67	36	60	76
P&C % of Advances	1.0	0.7	0.3	0.4	0.5
Operating Profit before Tax	306	424	545	588	638
Growth (%)	43.1	40.4	35.7	7.8	8.6
Pre-tax Margin %	29.2	32.9	32.9	31.0	30.5
Tax	73	105	136	142	156
% of PBT	23.7	24.8	25.0	24.1	24.4
Reported PAT	233	319	409	446	482
Net Profit Margin %	22.3	24.7	24.7	23.6	23.1
Extraordinary Income	0	0	0	0	0
Adjusted PAT	233	319	409	446	482
Growth (%)	44.1	36.7	28.2	9.1	8.2

Balance Sheet

Balance Sheet	FY22	FY23	FY24	FY25E	FY26E
Cash with RBI and Banks	1,095	685	897	820	927
Investments	3,102	3,623	4,619	5,640	6,516
Advances	8,590	10,196	11,844	13,937	15,971
Fixed assets	94	96	109	118	128
Other assets	648	732	744	705	654
TOTAL ASSETS	14,113	15,842	18,715	21,220	24,197
Capital	14	14	14	14	14
Reserves and Surplus	1,691	1,993	2,370	2,764	3,184
Deposits	10,646	11,808	14,128	15,894	18,177
Borrowings	1,072	1,193	1,250	1,344	1,395
Other liabilities and provisions	690	833	953	1,203	1,426
TOTAL CAPITAL AND LIABILITIES	14,113	15,842	18,715	21,220	24,197

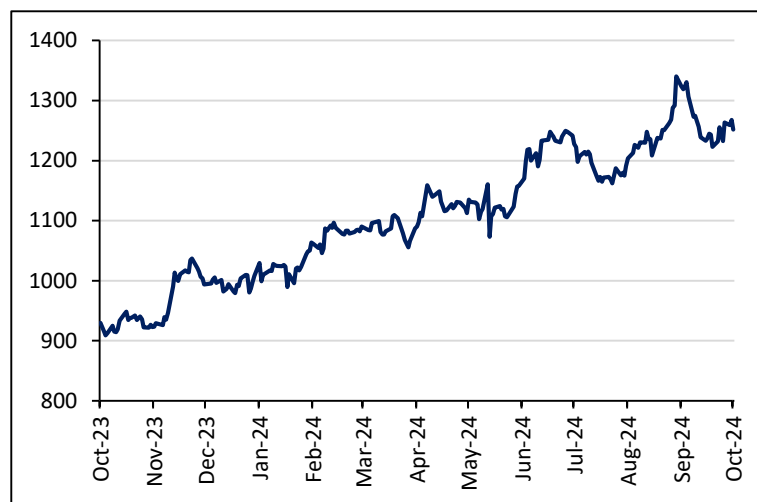
Source: Company, CEBPL

Financial Ratios

Financial Ratios	FY22	FY23	FY24	FY25E	FY26E
Return / Profitability Ratios (%)					
Net interest margin (NIM)	4.0	4.9	4.4	4.4	4.2
Yield on Advances	8.3	8.9	9.8	9.7	9.3
Yield on Investments	5.7	6.7	6.9	6.6	6.3
EPS (Diluted) (Rs)	33.6	45.7	58.2	63.3	68.5
RoA	1.8	2.1	2.4	2.2	2.1
RoE	14.7	17.2	18.6	17.3	16.1
Cost of Deposits	3.5	4.0	4.8	4.8	4.3
Operating ratios (%)					
Credit to Deposit (C/D)	80.7	86.3	83.8	87.7	87.9
Cost to Income (C/I)	40.5	40.1	40.2	39.9	40.8
CASA Share	48.7	45.8	42.2	40.9	39.8
Investment / Deposit	29.1	30.7	32.7	35.5	35.8
Non Interest Income / Total Income	17.7	15.4	13.8	15.4	15.5
Capital adequacy (%)					
Tier-1	17.6	17.1	15.6	16.5	16.7
Tier-2	18.3	17.6	15.6	17.0	17.2
CAR (BASEL III)	19.2	18.3	16.3	17.8	18.0
Equity / Assets	12.1	12.7	12.7	13.1	13.2
Loans / Assets	60.9	64.4	63.3	65.7	66.0
Investments / Assets	22.0	22.9	24.7	26.6	26.9
Dividend pay-out	14.9	17.5	17.2	18.2	19.0
Asset Quality ratios (%)					
Gross NPA	3.9	3.1	2.4	1.8	1.5
Net NPA	0.7	0.5	0.4	0.2	0.2
Coverage Ratio	79.5	83.5	80.8	87.0	88.6
Slippage Ratio	2.7	2.2	1.9	2.3	1.7
Credit cost	1.0	0.7	0.3	0.4	0.5
Per Share Data (Rs)					
EPS (Diluted)	33.6	45.7	58.2	63.3	68.5
DPS	5.0	8.0	10.0	11.5	13.0
BVPS	245.3	287.4	339.4	394.3	453.8
Adjusted BVPS	235.3	280.0	331.8	389.5	450.0
Valuation ratios (x)					
P/E (x)	37.4	27.5	21.6	19.8	18.3
P/BV (x)	5.1	4.4	3.7	3.2	2.8
P/ABV (x)	5.3	4.5	3.8	3.2	2.8
Growth ratios (%)					
Advances	17.1	18.7	16.2	17.7	14.6
Deposits	14.2	10.9	19.6	12.5	14.4
Net Interest Income (NII)	21.7	30.9	19.6	6.0	12.1
Interest Earned	9.2	26.5	30.8	12.2	10.2
PAT	44.1	36.7	28.2	9.1	C

Source: Company, CEBPL

Historical Recommendations and Target price: ICICIB IN



ICICIB IN

Date	Rating	CMP	Target Price
28-Apr-21	OUTPERFORM	621	735
29-Jul-21	OUTPERFORM	685	800
27-Jan-22	OUTPERFORM	794	915
25-Apr-22	OUTPERFORM	747	950
25-Jul-22	OUTPERFORM	800	1,025
24-Oct-22	OUTPERFORM	907	1,075
22-Jan-23	OUTPERFORM	870	1,075
23-Apr-23	OUTPERFORM	884	1,085
24-Jul-23	OUTPERFORM	997	1,175
29-Apr-24	BUY	1,107	1,284
28-Oct-24	OUTPERFORM	1255	1585

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OUTPERFORM	The security is expected to generate more than 25% returns over the next 12 months
BUY	The security is expected to generate greater than 5% to less than 25% returns over the next 12 months
REDUCE	The security expected to show downside or upside returns by 0% to 5% over the next 12 months
SELL	The security expected to show Below 0% next 12 months

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