

ICICI Bank | BUY

Steady Quarter

ICICI Bank reported a beat in PAT at INR 110.6bn (+15%YoY, +3.3% QoQ, +5.9% JMFe) led majorly by treasury gains of INR 6.1bn coming in largely from redemption of security receipts. Margins held up well at 4.36% (-4bps QoQ) with NII growth of +7.3% YoY, +2.4% QoQ. Employee costs were elevated at INR 44bn (+17.5% YoY, +12.5% QoQ) which led to a PPOp of INR 160bn (+13%, +6.6% QoQ). Credit costs were higher at 47bps of total advances (vs 26bps QQ) due to higher slippages coming in from kisan credit card portfolio of INR 7.2bn (a usual Q1). Gross slippages were up +21bps QoQ. Deposit growth was subdued at +0.9% QoQ as CASA deposits de-grew at -2% QoQ whereas, TDs grew +3.1% QoQ. This resulted in CASA ratio of 40.9% vs 42.2% QoQ (daily avg. CASA 39.6% vs 38.9% QoQ). Loan growth was strong at +15.7% YoY/+3.3% QoQ which was spread across the segments while deposits were flattish QoQ (+18% YoY, +3.3% QoQ on avg balances). The bank remains well capitalised with CET-1 at 15.24% supported by LDR at 85.8% and LCR of 123%. ICICI Bank continues to deliver healthy risk-adjusted margins and is well-placed on LDR as well. While there could be some moderation on headline growth metrics given systemic issues around liquidity/deposit growth, we believe ICICI Bank should still deliver healthy growth amongst peers. Also, recent emerging issues around unsecured asset quality should not see any meaningful dent to ICICI Bank's RoA metrics, in our view. We maintain our BUY rating on the bank with a revised target price of INR 1,400 (core bank valued at 2.6x FY26E BVPS) with subs valued at INR 186.

- Strong loan growth:** ICICI Bank witnessed healthy loan growth of +15.7% YoY/+3.3% QoQ at INR 12.2bn. Growth was spread across segments with Retail/SME/ Domestic Corporate/ Overseas loans growing at +3.3%/ +4%/+3.1%/+3.3% QoQ. Within retail, business banking (+8.9% QoQ), credit cards (+4.2% QoQ), rural loans (+3.4% QoQ) and home loans (+2.5% QoQ) continued to drive growth. Mgmt highlighted that PL growth would continue to slow down to 20% YoY (+25% in 1QFY25) due to new RWA guidelines. Domestic book grew at +16.8% YoY/ +3.2% QoQ. Deposits growth was subdued at +15.1% YoY/ +0.9% QoQ due to intensified competition to maintain LDR ratio into the guided range by RBI. CASA deposits de-grew at -2% QoQ whereas, TDs grew +3.1%QoQ. This resulted in CASA ratio of 40.9% vs 42.2% QoQ (daily avg. CASA 39.6% vs 38.9% QoQ). Currently, bank's LDR stands balanced at 85.8%. We expect ICICI to continue with its growth momentum with advances/deposit CAGR at 16% over FY24-26E.
- Higher treasury gains aid PAT:** Moderation in margins remains within comfortable range at 4.36% (-4bps) as YoA was down -8bps and CoD was up +2bps QoQ. Higher non-interest income led by treasury gains of INR 6.13bn and higher employee costs (+12.5% YoY, +18% QoQ) led to PPOp of INR 160.2bn (+13% YoY/ +6.6% QoQ). Mgmt continues to guide for 10-13% YoY growth in opex going forward. Credit cost stood at 47bps (-6bps YoY, +21bps QoQ) which resulted in PAT of INR 110bn (+3.3% QoQ/ +14.6% YoY). We expect earnings CAGR of 17% over FY25A-26E.



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,400
Upside/(Downside)	16.0%
Previous Price Target	1,330
Change	5.3%

Key Data – ICICIB IN

Current Market Price	INR1,207
Market cap (bn)	INR8,496.7/US\$101.5
Free Float	90%
Shares in issue (mn)	6,949.8
Diluted share (mn)	
3-mon avg daily val (mn)	INR20,561.7/US\$245.6
52-week range	1,258/899
Sensex/Nifty	81,333/24,835
INR/US\$	83.7

Price Performance

%	1M	6M	12M
Absolute	0.6	19.5	21.2
Relative*	-2.2	5.7	-1.4

* To the BSE Sensex

Financial Summary

	(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Profit	2,33,395	3,18,965	4,08,883	4,77,550	5,60,726
Net Profit (YoY) (%)	44.1%	36.7%	28.2%	16.8%	17.4%
Assets (YoY) (%)	14.7%	12.3%	18.4%	15.8%	15.8%
ROA (%)	1.8%	2.1%	2.4%	2.4%	2.4%
ROE (%)	15.0%	17.5%	18.8%	18.6%	18.7%
EPS	33.6	45.7	58.2	68.0	79.8
EPS (YoY) (%)	43.5%	36.0%	27.5%	16.8%	17.4%
PE (x)	35.9	26.4	20.7	17.8	15.1
BV	240	282	337	393	459
BV (YoY) (%)	15.1%	17.3%	19.7%	16.4%	16.8%
P/BV (x)	5.02	4.28	3.58	3.07	2.63

Source: Company data, JM Financial. Note: Valuations as of 26/Jul/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.

- **Steady Asset quality:** Asset quality remained largely stable as GNPA/NNPA stood at 2.3%/0.46% (-2bps/+1 QoQ). Gross slippages were higher at 2.08% vs 1.87% QoQ due to higher slippages of INR 7.2bn from kisan credit cards portfolio. Management believes that credit costs (adjusted for seasonal impact of agri slippages) should be contained ~50bps of loans. Given ICICI Bank's focus on ETB customers in unsecured categories and strong risk focus, we build avg. credit cost of 52bps over FY25-26E. Also, ICICI Bank's excess provisions (at ~1.1% of loans) offer significant comfort.
- **Valuation and view:** ICICI Bank continues to deliver healthy risk-adjusted margins and is well-placed on LDR as well. While there could be some moderation on headline growth metrics given systemic issues around liquidity/deposit growth, we believe ICICI Bank should still deliver healthy growth amongst peers. Also, recent emerging issues around unsecured asset quality also should not see any meaningful dent to ICICI Bank's RoA metrics, in our view. We maintain our BUY rating on the stock with the bank a revised target price of INR 1,400 (core bank valued at 2.6x FY26E BVPS) with subs valued at INR 186.

ICICI Bank – 1Q25 Trends

Exhibit 1. ICICI Bank: 1Q25 Result summary

Earnings Table (Rs. mn.)	1Q'24	4Q'24	1Q'25	YoY (%)	QoQ (%)
NII	182,265	190,928	195,529	7.3	2.4
Fee based Income	48,430	54,360	54,900	13.4	1.0
Trading Profits	2,520	-2,810	6,130	143.3	(318.1)
Misc Income	3,403	4,938	8,989	164.2	82.0
Non-Interest income	54,353	56,488	70,019	28.8	24.0
Total Income	236,617	247,416	265,548	12.2	7.3
Employee Cost	38,837	37,202	43,705	12.5	17.5
Other Operating Expenses	56,389	59,826	61,595	9.2	3.0
Total Operating Expenses	95,226	97,028	105,300	10.6	8.5
Operating Profit	141,391	150,388	160,248	13.3	6.6
Total Provisions	12,924	7,185	13,322	3.1	85.4
PBT	128,467	143,203	146,927	14.4	2.6
Tax	31,985	36,127	36,336	13.6	0.6
PAT (Pre-Extraordinaries)	96,482	107,075	110,591	14.6	3.3
Extraordinaries (Net of Tax)	0	0	0		
Reported Profit	96,482	107,075	110,591	14.6	3.3
Balance sheet (Rs. bn.)					
Deposits	12,387	14,128	14,261	15.1	0.9
Net Advances	10,576	11,844	12,232	15.7	3.3
Total Assets	16,470	18,715	18,927	14.9	1.1
Low-cost Deposits (%)	43.3%	42.2%	40.9%	(2.36)	(1.25)
Loan-Deposit ratio (%)	85.4%	83.8%	85.8%	0.39	1.93
Key Ratios					
Credit Quality					
Gross NPAs (Rs. mn.)	318,224	279,617	287,186	(9.8)	2.7
Net NPAs (Rs. mn.)	53,818	53,778	56,848	5.6	5.7
Gross NPA (%)	2.94%	2.32%	2.30%	(0.63)	(0.01)
Net NPA (%)	0.51%	0.45%	0.46%	(0.04)	0.01
Coverage Ratio (%)	83.1%	80.8%	80.2%	(2.88)	(0.56)
Capital Adequacy					
Tier I (%)	16.00%	15.60%	15.24%	(0.76)	(0.36)
CAR (%)	16.71%	16.33%	15.96%	(0.75)	(0.37)
Du-pont Analysis					
NII / Assets (%)	4.51%	4.18%	4.16%	(0.36)	(0.02)
Non-Interest Inc. / Assets (%)	1.35%	1.24%	1.49%	0.14	0.25
Operating Cost / Assets (%)	2.36%	2.12%	2.24%	(0.12)	0.11
Operating Profits / Assets (%)	3.50%	3.29%	3.41%	(0.09)	0.11
Provisions / Assets (%)	0.32%	0.16%	0.28%	(0.04)	0.13
ROA (%)	2.39%	2.34%	2.35%	(0.04)	0.01

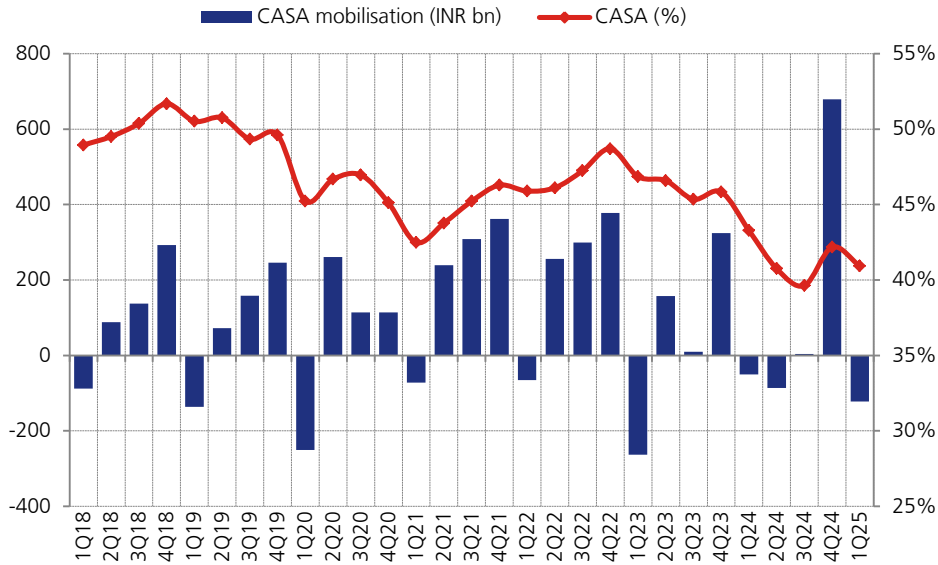
Source: Company, JM Financial

Exhibit 2. ICICI Bank: Deposit mix

Deposits Mix (Rs bn)	1Q'24	4Q'24	1Q'25	YoY (%)	QoQ (%)
Current	1,610	1,936	1,760	9.3%	-9.1%
Saving	3,752	4,023	4,076	8.6%	1.3%
Time	7,025	8,170	8,425	19.9%	3.1%
Total Deposits	12,387	14,128	14,261	15.1%	0.9%
Current	13.0%	13.7%	12.3%	-0.7%	-1.4%
Saving	30.3%	28.5%	28.6%	-1.7%	0.1%
CASA	43.3%	42.2%	40.9%	-2.4%	-1.2%
Time	56.7%	57.8%	59.1%	2.4%	1.2%
Total	100%	100%	100%		

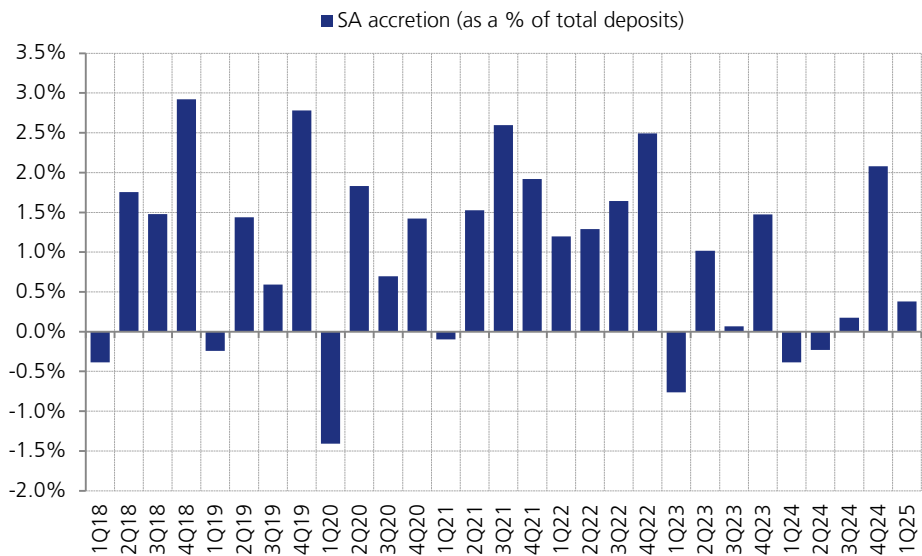
Source: JM Financial, Company

Exhibit 3. ICICI Bank: CASA Trends



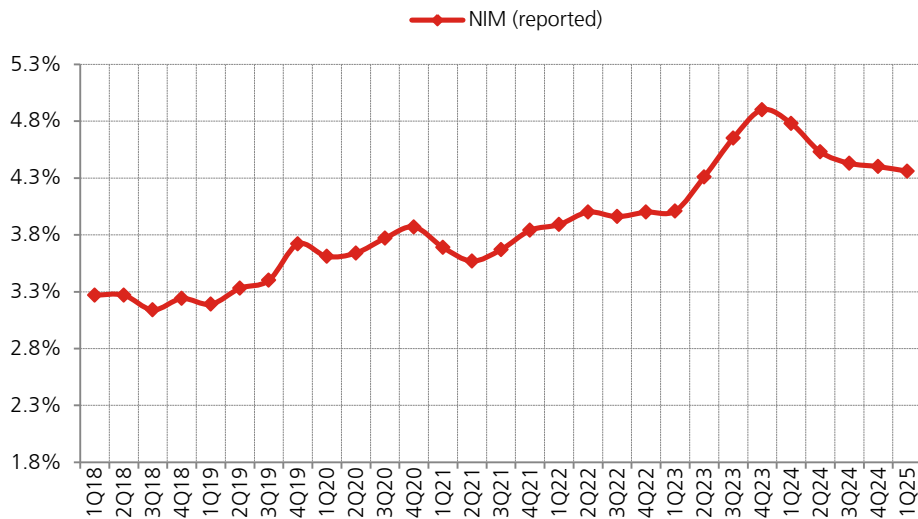
Source: Company, JM Financial

Exhibit 4. ICICI Bank: SA accretion



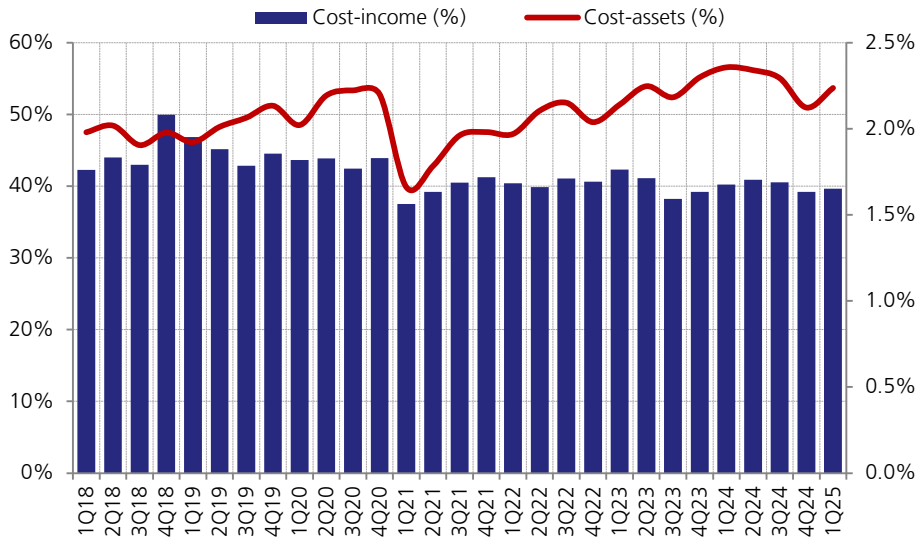
Source: Company, JM Financial

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



Source: Company, JM Financial

Exhibit 6. ICICI Bank: Cost ratios



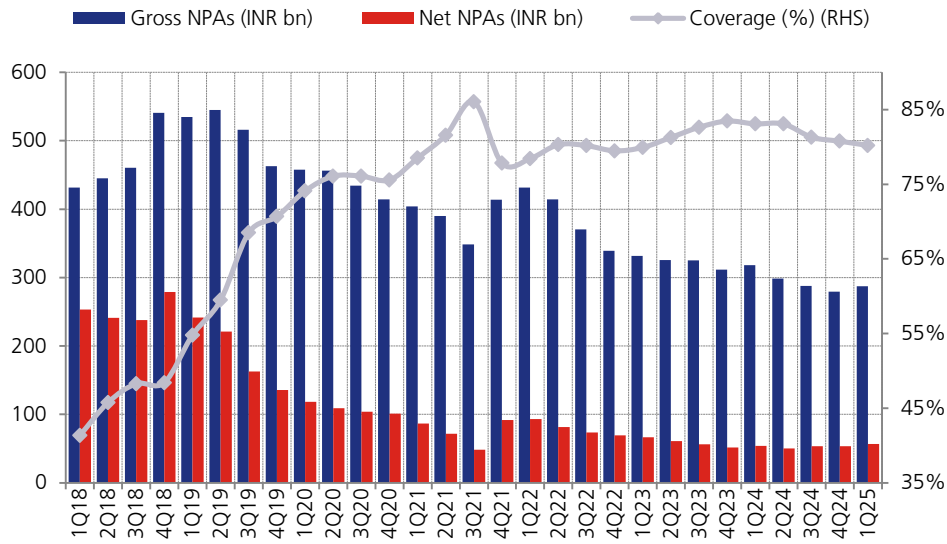
Source: Company, JM Financial

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

	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25
Domestic loan mix (%)	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%	97.2%	97.2%
Overseas loan mix (%)	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%	2.8%	2.8%
Domestic NIM (%)	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%	4.49%	4.44%
Overseas NIM (%)	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%	1.21%	1.32%
Global NIM (%)	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%	4.40%	4.36%

Source: Company, JM Financial

Exhibit 8. ICICI Bank: NPL trends



Source: Company, JM Financial

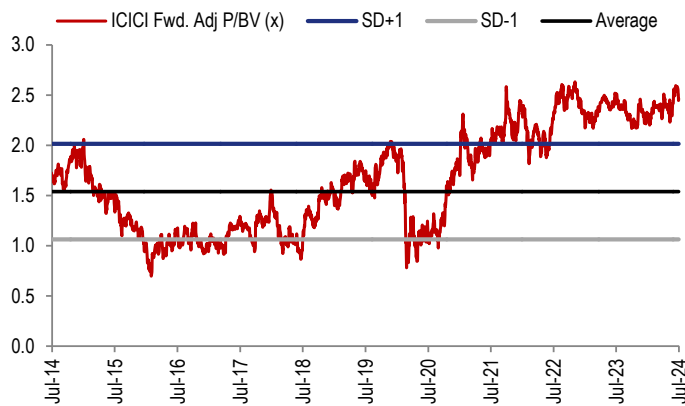
Valuation Summary

Exhibit 9. ICICI Bank: SOTP valuation summary

ICICI Bank SOTP	Holding (%)	Valuation Methodology	Value per Share	Contribution to TP (%)
ICICI Bank - Parent	100.0%	2.6x FY26E fully adj BV	1,211	87%
ICICI Prudential Life	51.2%	Market cap post 20% holdco discount	61	4%
ICICI Prudential MF	51.3%	24x FY26E PAT post 20% holdco	38	3%
ICICI Bank UK	100.0%	1x FY24 book	4	0%
ICICI Bank Canada	100.0%	1x FY24 book	4	0%
ICICI HF	100.0%	1x FY24 book	4	0%
ICICI Lombard	51.3%	Market cap post 20% holdco discount	57	4%
ICICI Securities	74.7%	Market cap post 20% holdco discount	21	2%
ICICI Sec Primary Dealership	100.0%	15x FY24 PAT	9	1%
Less: Cost of investments			-13	-1%
Total (Rs.) – rounded off			1,400	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	FY24A	FY25E	FY26E	
Net Interest Income	4,74,661	6,21,286	7,43,057	8,75,123	10,15,658	
Profit on Investments	7,026	441	90	6,000	5,000	
Exchange Income	29,634	30,279	34,158	38,907	46,804	
Fee & Other Income	1,48,515	1,67,595	1,95,330	2,18,941	2,53,812	
Non-Interest Income	1,85,175	1,98,314	2,29,578	2,63,848	3,05,616	
Total Income	6,59,836	8,19,600	9,72,635	11,38,971	13,21,274	
Operating Expenses	2,67,333	3,28,732	3,91,327	4,39,311	4,93,016	
Pre-provisioning Profits	3,92,503	4,90,868	5,81,308	6,99,660	8,28,258	
Loan-Loss Provisions	41,570	15,962	36,429	63,275	81,033	
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	36,429	63,275	81,033	
PBT	3,06,089	4,24,212	5,44,878	6,36,384	7,47,225	
Tax	72,694	1,05,247	1,35,996	1,58,835	1,86,499	
PAT (Pre-Extraordinaries)	2,33,395	3,18,965	4,08,883	4,77,550	5,60,726	
Extra ordinaries (Net of Tax)	0	0	0	0	0	
Reported Profits	2,33,395	3,18,965	4,08,883	4,77,550	5,60,726	
Dividend paid	34,794	55,871	70,234	87,793	98,328	
Retained Profits	1,98,600	2,63,094	3,38,649	3,89,757	4,62,398	

Source: Company, JM Financial

Key Ratios					
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Growth (YoY) (%)					
Deposits	14.2%	10.9%	19.6%	16.0%	16.0%
Advances	17.1%	18.7%	16.2%	16.0%	16.0%
Total Assets	14.7%	12.3%	18.4%	15.8%	15.8%
NII	21.7%	30.9%	19.6%	17.8%	16.1%
Non-interest Income	21.0%	7.1%	15.8%	14.9%	15.8%
Operating Expenses	24.0%	23.0%	19.0%	12.3%	12.2%
Operating Profits	19.9%	25.1%	18.4%	20.4%	18.4%
Core Operating profit	23.5%	27.2%	18.5%	19.3%	18.7%
Provisions	-46.7%	-22.9%	-45.3%	73.7%	28.1%
Reported PAT	44.1%	36.7%	28.2%	16.8%	17.4%
Yields / Margins (%)					
Interest Spread	3.41%	3.89%	3.86%	3.84%	3.87%
NIM	3.82%	4.38%	4.52%	4.53%	4.55%
Profitability (%)					
Non-IR to Income	28.1%	24.2%	23.6%	23.2%	23.1%
Cost to Income	40.5%	40.1%	40.2%	38.6%	37.3%
ROA	1.77%	2.13%	2.37%	2.37%	2.40%
ROE	15.0%	17.5%	18.8%	18.6%	18.7%
Assets Quality (%)					
Slippages	2.66%	2.15%	2.06%	2.00%	2.00%
Gross NPA	3.76%	2.87%	2.25%	2.27%	2.22%
Net NPAs	0.81%	0.51%	0.45%	0.52%	0.57%
Provision Coverage	79.2%	82.8%	80.1%	77.5%	75.0%
Specific LLP	0.47%	0.11%	0.27%	0.44%	0.49%
Net NPAs / Networth	4.1%	2.6%	2.3%	2.6%	2.8%
Capital Adequacy (%)					
Tier I	18.35%	17.60%	15.60%	15.95%	16.30%
CAR	19.16%	18.34%	16.33%	16.60%	16.89%

Source: Company, JM Financial

Balance Sheet						(INR mn)
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Equity Capital	13,900	13,968	14,047	14,047	14,047	
Reserves & Surplus	16,88,556	19,85,577	23,55,893	27,45,651	32,08,049	
Deposits	1,06,45,716	1,18,08,407	1,41,28,250	1,63,88,769	1,90,10,973	
Borrowings	10,72,314	11,93,255	12,49,676	14,18,391	15,83,871	
Other Liabilities	6,89,828	8,33,251	9,53,227	10,96,211	12,60,643	
Total Liabilities	14,112,977	15,842,067	18,715,146	21,663,069	25,077,583	
Investments	31,02,410	36,23,297	46,19,420	51,50,162	59,11,317	
Net Advances	85,90,204	1,01,96,383	1,18,44,064	1,37,39,114	1,59,37,372	
Cash & Equivalents	16,78,224	11,94,383	13,99,260	18,45,419	20,81,134	
Fixed Assets	61,782	65,374	1,08,598	1,23,538	2,00,621	
Other Assets	6,48,401	7,32,005	7,43,801	8,04,837	9,47,139	
Total Assets	14,112,977	15,842,067	18,715,146	21,663,069	25,077,583	

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
NII / Assets	3.60%	4.16%	4.30%	4.33%	4.35%
Other Income / Assets	1.41%	1.33%	1.33%	1.31%	1.31%
Total Income / Assets	5.01%	5.48%	5.63%	5.64%	5.65%
Cost / Assets	2.03%	2.20%	2.27%	2.18%	2.11%
PBP / Assets	2.98%	3.28%	3.37%	3.47%	3.54%
Provisions / Assets	0.66%	0.45%	0.21%	0.31%	0.35%
PBT / Assets	2.32%	2.84%	3.16%	3.15%	3.20%
Tax rate	23.7%	24.8%	25.0%	25.0%	25.0%
ROA	1.77%	2.13%	2.37%	2.37%	2.40%
RoRWAs	2.80%	3.26%	3.35%	3.22%	3.27%
Leverage	8.4	8.0	7.9	7.8	7.8
ROE	15.0%	17.5%	18.8%	18.6%	18.7%

Source: Company, JM Financial

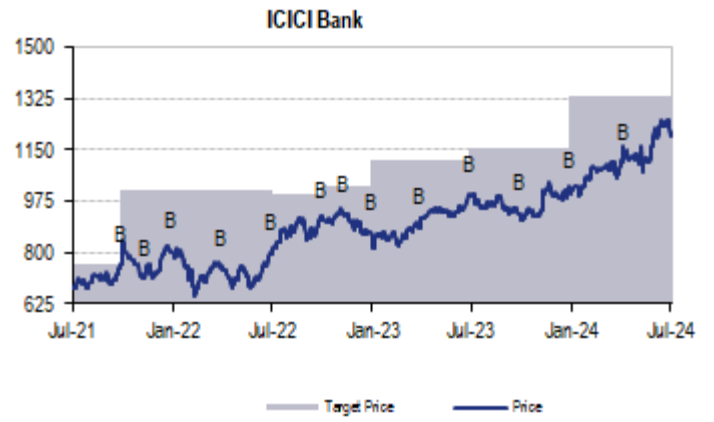
Valuations					
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Shares in Issue	6,949.8	6,983.9	7,023.4	7,023.4	7,023.4
EPS (INR)	33.6	45.7	58.2	68.0	79.8
EPS (YoY) (%)	43.5%	36.0%	27.5%	16.8%	17.4%
PER (x)	35.9	26.4	20.7	17.8	15.1
BV (INR)	240	282	337	393	459
BV (YoY) (%)	15.1%	17.3%	19.7%	16.4%	16.8%
ABV (INR)	240	282	337	393	459
ABV (YoY) (%)	15.1%	17.3%	19.7%	16.4%	16.8%
P/BV (x)	5.02	4.28	3.58	3.07	2.63
P/ABV (x)	5.02	4.28	3.58	3.07	2.63
DPS (INR)	5.0	8.0	10.0	12.5	14.0
Div. yield (%)	0.4%	0.7%	0.8%	1.0%	1.2%

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
1-Nov-20	Buy	475	
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
22-Jan-24	Buy	1,330	15.2
28-Apr-24	Buy	1,330	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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