



Consistent Outperformer!

Est. Vs. Actual for Q1FY24: NII – **BEAT** ; PPOP – **INLINE**; PAT – **BEAT**

Changes in Estimates post Q1FY24

FY24E/FY25E: NII 1.7%/0.5%; PPOP 1.3%/0.5%; PAT 5.6%/4.9%

Recommendation Rationale

- **Buoyancy in credit growth to persist** – The management has indicated that the demand in the retail and SME segments continues to remain encouraging. Similarly, amidst intense competition, the bank has seen an improvement in the opportunities in the corporate segment. It will continue to pursue growth in this segment by adopting a larger ecosystem approach and considering risk-adjusted returns. The bank is also comfortable growing its unsecured portfolio. We expect ICICIB's growth momentum to sustain and expect the bank to deliver a healthy advances growth of ~17%-18% CAGR over FY23-25E.
- **Deposit repricing to keep NIMs under pressure** – Post the bank's stellar show on NIMs in FY23, margin pressure is expected to surface going into FY24. With deposit repricing continuing (albeit with a lag) and incremental deposits sourced at higher rates, the bank expects CoF to continue its upward trajectory over the next couple of quarters. Incremental TD rates have largely stabilised and wholesale deposit rates have moderated. However, a sharper increase in CoF and no benefit flowing in from lending yield improvement should result in margin contraction.
- **Well-placed to deliver RoA of 2%+ despite NIM pressure** – Despite the moderation, NIMs are expected to remain healthy at 4.5% in FY24 (at FY23 level). Given the growth opportunities, the bank will continue to invest in the franchise and beef up its teams to drive business growth, thereby keeping Opex growth slightly higher. However, its C-I Ratio is likely to remain stable. Strong asset quality metrics should keep credit costs benign and enable ICICIB to deliver a strong earnings growth of ~19% CAGR over FY23-25E.

Sector Outlook: Positive

Company Outlook: We continue to like ICICIB for its (1) Strong retail-focused liability franchise, (2) Buoyant growth prospects, (3) Stable asset quality along with adequate provision buffers, (4) Adequate capitalization and (5) Potential to deliver robust return ratios.

Current Valuation: 3.0x FY25E ABV; **Earlier Valuation:** 3.0x Sep'24E ABV

Current TP: Rs 1,250/share; **Earlier TP:** Rs 1,150/share

Recommendation: We maintain our **BUY** recommendation on the stock.

Alternative BUY Ideas from our Sector Coverage

HDFC Bank (TP – Rs 2,050/share), **Kotak Mahindra Bank** (TP – Rs 2,300/share)

Financial Performance:

- Healthy credit growth (+18%/4% YoY/QoQ, in line with our expectations) was visible across segments - Retail loan (+22%/4% YoY/QoQ), business banking portfolio (+30%/4% YoY/QoQ), SME (+29%/5% YoY/QoQ) and Corporate (+19%/3% YoY/QoQ). Deposits grew by 18%/5% YoY/QoQ, led by TD deposit growth of 26%/10% YoY/QoQ. CASA deposits grew by 9% YoY but were flat QoQ. CASA ratio stood at 43.3% vs. 46.9%/45.8% YoY/QoQ.
- NII grew by 38%/3% YoY/QoQ. NIMs contracted by ~12bps QoQ. Non-interest income reported growth of 17%/7% YoY/QoQ, which was driven by fee income growth of 14% YoY/flat QoQ and a treasury gain of ~Rs 2.5 Bn. Opex grew by 26%/7% YoY/QoQ, which was led by higher employee expense (+36%/14% YoY/QoQ), resulting in C-I Ratio inching up to 40.2% vs. 39.2% QoQ. PPOP grew by 37%/2% YoY/QoQ. Credit costs continued to remain benign at ~50bps vs. 52/65bps YoY/QoQ, aiding earnings growth of 40%/6% YoY/QoQ.
- Asset quality improved with GNPA and NNPA down 65/5bps and 22/0bps YoY/QoQ respectively. Slippages during the quarter were higher on a QoQ basis at Rs 53.2 Bn (including Rs 6.7 Bn from the KCC portfolio).

Outlook:

ICICIB has been a consistently outperforming over the past few quarters. The bank has entered FY24 on a strong footing and we expect the momentum to continue. No major asset quality challenges are visible and the benign credit cost trajectory should continue. Additionally, the bank continues to hold adequate provision buffers, which is comforting. Despite margin pressures and higher Opex growth we expect ICICIB to deliver a healthy PPOP/Earnings growth of 15/16% CAGR over FY23-25E and a consistent RoA/RoE of 2-2.2%/17-18% over FY24-25E.

Valuation & Recommendation:

The stock currently trades at 2.8x Sep'24E ABV. We **reiterate our BUY recommendation**, valuing the stock at 3x FY25E ABV to the core book and a subsidiary value of Rs 165, to arrive at a target price of Rs 1,250/share, implying an upside of 25% from the CMP.

Key Financials (Standalone)

(Rs Bn)	Q1FY24	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Interest Income	182.3	+3.2	+38.0	178.4	+2.1
PPOP	141.4	+2.3	+37.2	141.0	+0.3
Net Profit	96.5	+5.8	+39.7	91.7	+5.2
NNPA (%)	0.5	-	-22 bps	0.5	-
RoA (%)	2.4	-	+41 bps	-	-

Source: Company, Axis Research

(CMP as of 21 July, 2023)

CMP (Rs)	997
Upside/Downside (%)	25%
High/Low (Rs)	1,002/787
Market cap (Cr)	6,97,430
Avg. daily vol. (6m) Shrs.	1,83,87,438
No. of shares (Cr)	699.7

Shareholding (%)

	Dec-22	Mar-23	Jun-23
Promoter	0.0	0.0	0.0
FIIs	43.1	42.3	42.6
MFs / UTI	28.7	29.4	29.2
Others	28.2	28.3	28.2

Financial & Valuations

Y/E Mar (Rs Bn)	FY23	FY24E	FY25E
NII	621	722	821
PPOP	491	564	656
Net Profit	319	377	436
EPS (Rs)	45.7	54.0	62.5
ABV (Rs)	270.0	312.7	361.3
P/ABV (x)	3.7	3.2	2.8
RoA (%)	2.1	2.2	2.2
NNPA (%)	0.5	0.5	0.5

Change in Estimates (%)

Y/E Mar	FY24E	FY25E
NII	1.7	0.5
PPOP	1.3	0.5
PAT	5.6	4.9

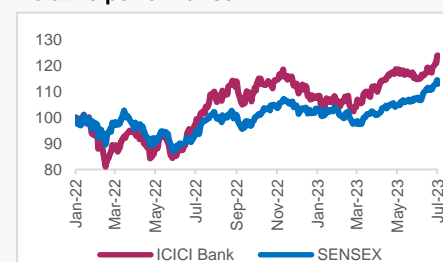
ESG disclosure Score**

Environmental Disclosure	9.0
Social Disclosure Score	26.8
Governance Disclosure Score	83.6
Total ESG Disclosure Score	39.8
Sector Average	39.1

Source: Bloomberg, Scale: 0.1-100

**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2022 disclosures

Relative performance



Source: AceEquity, Axis Securities

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Key Risks to our Estimates and TP

- The key risk to our estimates remains a slowdown in overall credit momentum which could potentially derail earnings momentum for the bank.

Valuation

	Per Share Value	Multiple
ICICI Bank Core Book	1,084	3x FY25E ABV
<i>Subsidiaries</i>		
ICICI Pru Life	67	1.9x FY25E EV
ICICI Lombard	53	33x FY25E EPS
ICICI AMC	39	5% of Sep'24E AUM
ICICI UK + ICICI Canada	3	0.75x FY25E BV
ICICI Securities	27	16x FY25E EPS
Others	17	(I Ventures, Home Finance etc.)
Total Val of Sub.	206	
Less: 20% holding discount	41	
Net Value of Sub.	165	
Total Value	1,250	
CMP	997	
<i>Potential Upside</i>	25%	

Source: Company, Axis Securities

Change in Estimates

Rs Bn	Revised		Old		% Change	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
NII	722	821	710	817	1.7	0.5
PBP	564	656	557	653	1.3	0.5
Provisions	59	73	79	97	-24.7	-24.8
PAT	377	436	357	416	5.6	4.9

Source: Axis Securities

Results Review

(Rs Bn)	Q1FY24	Q1FY23	% YoY	Q4FY23	% QoQ
Net Interest Income	182	132	38.0	177	3.2
Non-Interest Income	54	47	16.5	51	6.8
Operating expenses	95	76	25.9	89	6.7
<i>O/W Staff Cost</i>	39	28	36.3	34	14.2
Pre provision profits	141	103	37.2	138	2.3
Provisions and contingencies	13	11	13.0	16	-20.2
PBT	128	92	40.2	122	5.2
Provision for Tax	32	23	41.5	31	3.7
PAT	96	69	39.7	91	5.8
Advances	10,576	8,956	18.1	10196	3.7
<i>Retail</i>	5,828	4,779	21.9	5,578	4.5
<i>Rural</i>	906	770	17.6	874	3.6
<i>Business Banking</i>	749	574	30.4	721	3.8
<i>SME</i>	506	394	28.5	482	5.0
<i>Corporate</i>	2,414	2,023	19.3	2,348	2.8
<i>Overseas</i>	323	458	-29.5	341	-5.4
Deposits	12,387	10,503	17.9	11808	4.9
CASA Ratio	43.3	46.9	-356 bps	45.8	-255 bps
CD Ratio (%)	85.4	85.3	11 bps	86.3	-97 bps
CAR (%)	16.7	18.0	-133 bps	18.3	-163 bps
Tier I (%)	16.0	17.3	-125 bps	17.6	-160 bps
Reported NIM (%)	4.8	4.0	77 bps	4.9	-12 bps
Core Cost-to-Income (%)	40.2	42.3	-208 bps	39.2	101 bps
Gross NPA (%)	2.8	3.4	-65 bps	2.8	-5 bps
Net NPA (%)	0.5	0.7	-22 bps	0.5	0 bps
Coverage Ratio (%)	82.4	79.6	280 bps	82.8	-40 bps

Source: Company, Axis Securities

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E March	FY22	FY23	FY24E	FY25E
Net Interest Income	475	621	722	821
Other Income	185	198	230	276
Total Income	660	820	952	1,097
Total Operating Exp	267	329	388	441
PPOP	393	491	564	656
Provisions & Contingencies	86	67	59	73
PBT	306	424	505	583
Provision for Tax	73	105	127	147
PAT	233	319	377	436

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY22	FY23	FY24E	FY25E
SOURCES OF FUNDS				
Share Capital	14	14	14	14
Reserves	1,691	1,993	2,296	2,646
Shareholder's Funds	1,705	2,007	2,310	2,660
Total Deposits	10,646	11,808	13,703	16,005
Borrowings	11,718	13,002	15,158	17,836
Other Liabilities & Provisions	690	833	960	1,126
Total Liabilities	14,113	15,842	18,429	21,623
APPLICATION OF FUNDS				
Cash & Bank Balance	1,678	1,194	1,304	1,523
Investments	3,102	3,623	4,177	4,879
Advances	8,590	10,196	12,022	14,134
Fixed Assets & Other Assets	742	828	926	1,087
Total Assets	14,113	15,842	18,429	21,623

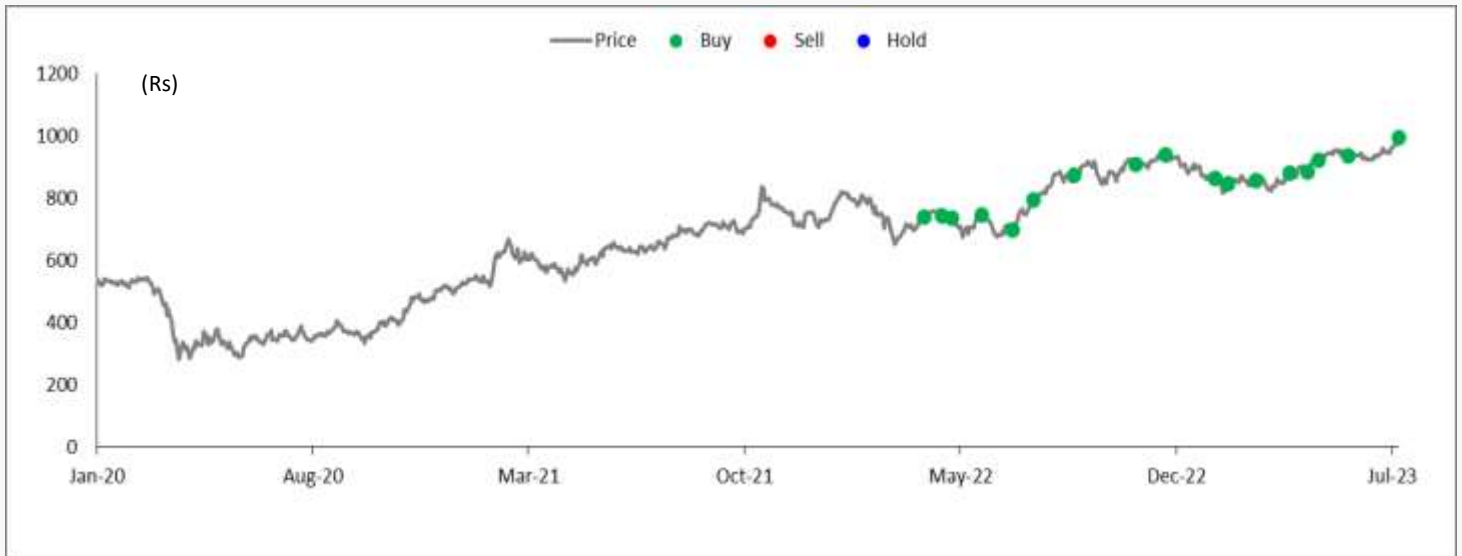
Source: Company, Axis Securities

Ratio Analysis
(%)

Y/E March	FY22	FY23	FY24E	FY25E
VALUATION RATIOS				
EPS	33.6	45.7	54.0	62.5
Earnings Growth (%)	43.7	36.0	18.3	15.6
BVPS	245.3	287.4	330.8	380.9
Adj. BVPS	225.7	270.0	312.7	361.3
ROAA (%)	1.7	2.1	2.2	2.2
ROAE (%)	14.7	17.2	17.5	17.4
P/E (x)	29.7	21.8	18.4	16.0
P/ABV (x)	4.4	3.7	3.2	2.8
PROFITABILITY				
NIM (%)	4.0	4.5	4.5	4.4
Cost-Income Ratio	40.5	40.1	40.7	40.2
BALANCE SHEET STRUCTURE RATIOS				
Loan Growth (%)	17.1	18.7	17.9	17.6
Deposit Growth (%)	14.2	10.9	16.0	16.8
C/D Ratio (%)	80.7	86.3	87.7	88.3
Equity/Assets (%)	12.1	12.7	12.5	12.3
Equity/Advances (%)	19.8	19.7	19.2	18.8
CAR	19.2	18.3	17.4	16.4
CAR Tier I	18.4	17.6	16.7	15.8
ASSET QUALITY				
Gross NPLs (%)	3.9	3.1	2.7	2.6
Net NPLs (%)	0.8	0.5	0.5	0.5
Coverage Ratio (%)	79.5	83.5	82.8	82.1
Credit Costs	1.1	0.7	0.5	0.6
ROAA TREE				
Net Interest Income	3.6	4.1	4.2	4.1
Non-Interest Income	1.4	1.3	1.3	1.3
Operating Cost	2.0	2.2	2.3	2.2
Provisions	0.7	0.4	0.3	0.4
Tax	0.6	0.7	0.7	0.7
ROAA	1.7	2.1	2.2	2.2
Leverage (x)	8.3	8.1	7.9	8.1
ROAE	14.7	17.2	17.5	17.4

Source: Company, Axis Securities

ICICI Bank Price Chart and Recommendation History



Date	Reco	TP	Research
04-Apr-22	BUY	990	Top Picks
02-May-22	BUY	1,000	Top Picks
22-Apr-22	BUY	1,000	Result Update
01-Jun-22	BUY	1,000	Top Picks
01-Jul-22	BUY	1,000	Top Picks
22-Jul-22	BUY	1,000	Result Update
01-Sep-22	BUY	1,000	Top Picks
01-Oct-22	BUY	1,000	Top Picks
25-Oct-22	BUY	1,150	Result Update
01-Nov-22	BUY	1,150	Top Picks
01-Dec-22	BUY	1,150	Top Picks
01-Jan-23	BUY	1,150	Top Picks
23-Jan-23	BUY	1,150	Result Update
01-Feb-23	BUY	1,150	Top Picks
01-Mar-23	BUY	1,150	Top Picks
01-Apr-23	BUY	1,150	Top Picks
24-Apr-23	BUY	1,150	Result Update
02-May-23	BUY	1,150	Top Picks
01-Jun-23	BUY	1,150	Top Picks
01-Jul-23	BUY	1,150	Top Picks
24-Jul-23	BUY	1,250	Result Update

Source: Axis Securities

About the Analyst

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BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
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UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
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