

**Growth momentum continues; Positive outlook ahead**

QIFY24 Result Update | Sector: Bank | July 24, 2023

**BUY**

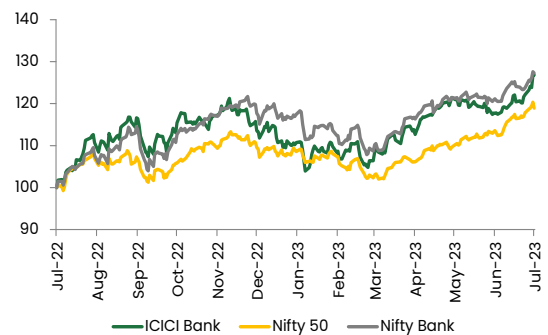
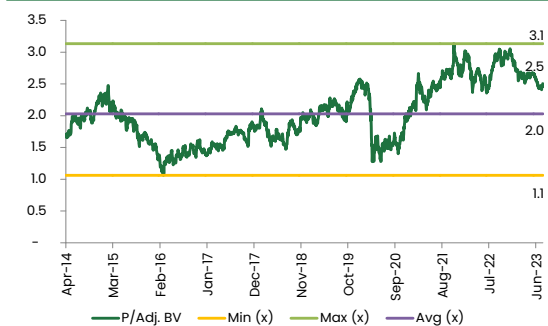
<b>CMP (Rs)</b>	997
<b>Target Price (Rs)</b>	1,252
<b>Potential Upside</b>	26%
<b>Sensex</b>	66,684
<b>Nifty</b>	19,745

**Key Stock data**

<b>BSE Code</b>	532174
<b>NSE Code</b>	ICICIBANK
<b>Bloomberg</b>	ICICIBC:IN
<b>Shares o/s, Cr (FV 2)</b>	699.7
<b>Market Cap (Rs Cr)</b>	697,414
<b>3M Avg Volume</b>	17,81,532
<b>52 week H/L</b>	1,002/780

**Shareholding Pattern**

(%)	Dec-22	Mar-23	Jun-23
<b>FII</b>	45.1	44.2	44.5
<b>DII</b>	44.7	45.6	45.5
<b>Public</b>	10.2	10.2	10.0

**1 year relative price performance**

**1 year forward P/Adj. BV**

**Research Analyst**
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**Solid top-line growth and steady margins:** ICICI Bank's QIFY24 interest earned increased by 7% QoQ/41% YoY which was driven mainly by increase in advances growth of 4% QoQ/18% YoY while yield on interest earning assets improved by 14bps QoQ/155bps YoY. Its operating margins declined by 43bps QoQ/257bps YoY as employee cost increased. However, net profit after tax growth remained strong at 5.8% QoQ/39.7% YoY as provision remained stable while declined on yearly basis.

**Loan book growth remains robust:** The loan book of ICICI Bank increased by 4% QoQ/18% YoY in QIFY24 as the bank continues to increase its loan book size. On granular basis, the growth remained broad based with retail, SMEs and business banking being the main drivers of growth. On retail front, the personal loans/credit card loans continued to grow by 39%/45% YoY. The bank remains confident on the growth of unsecured loans and no risk from any loan segment.

**Term led deposits growth:** Deposits growth in the quarter was 5% QoQ/18% YoY which was the highest surge in the last 2 FYs. The growth in deposits was mainly led by term deposits growth of 10% QoQ/26% YoY while CASA growth remained moderated. The growth in deposits was mainly due to repricing of deposits rates in the quarter. The management expects cost of deposits to increase further in the next 1-2 quarters. The moderation of CASA deposits impacted the CASA ratio which stood at 43.3% declining by 255bps QoQ/356bps YoY.

**Margins remained subdued:** The re-pricing of the cost of deposits led to increase in term deposits in the overall deposit mix which impacted the Net Interest Margin (NIM). Hence, NIM was slightly under pressure during the quarter as it declined by 12bps QoQ. Going forward, we expect NIM may remain slightly under pressure as the re-pricing of deposits continues while yields on advances remain stable. The management is seeing cost of deposits stabilizing on the incremental deposits.

**Asset quality improvement:** Asset quality improved as GNPA/NNPA declined by 4%/19% YoY and GNPA/NNPA ratio stood at 2.76%/0.48%. The management remain confident on the asset quality front and expects the asset quality to improve going forward. Also, they believe that the growth in unsecured loans is at comfortable level and remain assured of their underwriting practices.

**Valuation:** We remain positive on the bank on the back of its robust loan growth, growing deposits and increasing profitability. We expect the bank to continue to its growth momentum path while maintaining the asset quality. The bank is also expanding in terms of its branch size and employee count which will drive further business. We expect margin to improve in the second half of the year. We estimate NII/PPOP/PAT to grow at a CAGR of 18%/19%/23% over FY23-25E. We maintain **Buy** rating on the bank while revising our target price upwards to **Rs 1,252** valuing the bank at 2.7x of its FY25E Adj. BV on standalone basis.

**Financial Summary - standalone**

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Total income	1,049	1,291	1,464	1,803
Net interest income	475	621	689	871
Pre-provision operating profit (PPOP)	393	491	551	697
Margin (%)	37%	38%	38%	39%
Net profit after tax	233	319	372	479
Margin (%)	22%	25%	25%	27%
ABVPS	233	277	330	398
P/ABV	4.3	3.6	3.0	2.5

Source : RBL Research

**Con-call highlights:** 1) During the quarter there was a gross addition of Rs 6.7bn from Kisan Credit Card (KCC) portfolio. The bank sees higher NPA additions from KCC portfolio in the 1st and 3rd quarter of the fiscal year. 2) The bank expects cost of deposits to increase further in the next 1-2 quarters. 3) The management remains confident of the asset quality and sees no risk from any loan segment. 4) Retail term deposits contributes 75-80% of the total term deposit and continues to be the prime driver of the term deposits. 5) The bank continues to investment in its franchise wherever it sees an opportunity which led to increase in operating expenses. 6) The management expects yield on unsecured loans to remain stabilized going forward and also sees competition in the segment from other banks and NBFCs.

Net interest income growth remained strong at 38% YoY in Q1FY24

Net profit after tax increased by 39.7% YoY as margin improved by 52bps

NIM (%) declined on QoQ basis due to interest rate re-pricing

RoA (%)/RoE (%) increased by 41bps/300bps YoY in Q1FY24

**Income Statement - standalone**

Particulars, Rs cr	Q1FY24	Q1FY23	Y-o-Y %	Q4FY23	Q-o-Q %
Interest earned	333.3	236.7	40.8	310.2	7.4
Other income	54.4	46.7	16.5	50.9	6.8
<b>Total income</b>	<b>387.6</b>	<b>283.4</b>	<b>36.8</b>	<b>361.1</b>	<b>7.3</b>
<b>Core Operating Income</b>	<b>234.1</b>	<b>178.4</b>	<b>31.2</b>	<b>227.9</b>	<b>2.7</b>
Interest expended	151.0	104.6	44.3	133.5	13.1
<b>Net interest income</b>	<b>182.3</b>	<b>132.1</b>	<b>38.0</b>	<b>176.7</b>	<b>3.2</b>
<b>Net interest margin (%)</b>	<b>4.8</b>	<b>4.0</b>	<b>77bps</b>	<b>4.9</b>	<b>-12bps</b>
Total expenditure	246.2	180.3	36.6	222.8	10.5
<b>Operating profit/(loss)</b>	<b>141.4</b>	<b>103.1</b>	<b>37.2</b>	<b>138.3</b>	<b>2.3</b>
<b>Core operating profit</b>	<b>138.9</b>	<b>102.7</b>	<b>35.2</b>	<b>138.7</b>	<b>0.2</b>
<b>Core operating profit excl. dividend income</b>	<b>136.0</b>	<b>99.3</b>	<b>37.0</b>	<b>135.9</b>	<b>0.0</b>
Provisions and contingencies	12.9	11.4	13.0	16.2	(20.2)
<b>Profit before tax</b>	<b>128.5</b>	<b>91.6</b>	<b>40.2</b>	<b>122.1</b>	<b>5.2</b>
Tax expense	32.0	22.6	41.5	30.8	3.7
<b>Net profit after tax</b>	<b>96.5</b>	<b>69.0</b>	<b>39.7</b>	<b>91.2</b>	<b>5.8</b>
Margin (%)	24.9	24.4	52bps	25.3	-37bps
<b>EPS</b>	<b>13.8</b>	<b>13.1</b>	<b>5.6</b>	<b>13.1</b>	<b>5.6</b>
<b>BVPS</b>	<b>301.5</b>	<b>255.7</b>	<b>17.9</b>	<b>287.4</b>	<b>4.9</b>

Source : RBL Research

**Ratios - standalone**

Particulars	Q1FY24	Q1FY23	Y-o-Y %	Q4FY23	Q-o-Q %
<b>Net interest margin (NIM)</b>	<b>4.8</b>	<b>4.0</b>	<b>77bps</b>	<b>4.9</b>	<b>-12bps</b>
Yield on total interest-earning assets	8.7	7.2	155bps	8.6	14bps
Cost of funds	4.6	3.7	93bps	4.3	31bps
Interest spread	4.1	3.5	62bps	4.3	-17bps
<b>Cost-to-income</b>	<b>40.2</b>	<b>42.3</b>	<b>-210bps</b>	<b>39.2</b>	<b>100bps</b>
<b>RoA</b>	<b>2.4</b>	<b>2.0</b>	<b>41bps</b>	<b>2.4</b>	<b>0bps</b>
<b>RoE</b>	<b>18.9</b>	<b>15.9</b>	<b>300bps</b>	<b>18.9</b>	<b>0bps</b>

Source : RBL Research

CASA ratio (%) declined as term deposit showed higher growth

Balance Sheet	Q1FY24	Q1FY23	Y-o-Y %	Q4FY23	Q-o-Q %
Advances (Rs Bn)	10,575.8	8,956.3	18.1	10,196.4	3.7
Deposits (Rs Bn)	12,387.4	10,503.5	17.9	11,808.4	4.9
<b>Credit-deposit ratio (%)</b>	<b>85.4</b>	<b>85.3</b>	<b>11bps</b>	<b>86.3</b>	<b>-97bps</b>
<b>CASA (%)</b>	<b>43.3</b>	<b>46.9</b>	<b>-356bps</b>	<b>45.8</b>	<b>-255bps</b>

Source : RBL Research

GNPA/NNPA declined by 65bps/22bps YoY

Asset Quality	Q1FY24	Q1FY23	Y-o-Y %	Q4FY23	Q-o-Q %
GNPA (Rs Bn)	318.2	331.6	(4.0)	311.8	2.0
<b>GNPA (%)</b>	<b>2.8</b>	<b>3.4</b>	<b>-65bps</b>	<b>2.8</b>	<b>-5bps</b>
NNPA (Rs Bn)	53.8	66.6	(19.1)	51.6	4.4
<b>NNPA (%)</b>	<b>0.5</b>	<b>0.7</b>	<b>-22bps</b>	<b>0.5</b>	<b>0bps</b>
Provision Coverage Ratio (%)	82.4	79.6	280bps	82.8	-40bps

Source : RBL Research

Interest earned increased by 40.8% YoY driven by strong loan growth

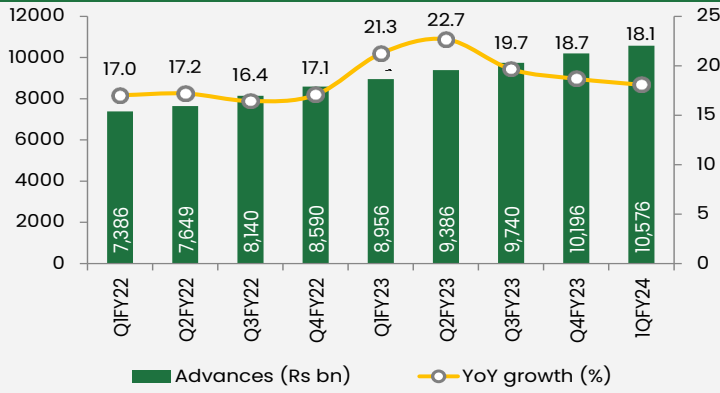
Particulars, Rs bn	Q1FY24	Q1FY23	Y-o-Y %	Q4FY23	Q-o-Q %
Interest/discount on advances/bills	258.4	176.3	46.6	242.0	6.8
Income on investments	66.2	45.8	44.4	58.4	13.3
Interest on balances with RBI and others	4.1	4.8	(14.3)	5.5	(25.1)
Others	4.5	9.7	(53.5)	4.3	5.0
<b>Interest earned</b>	<b>333.3</b>	<b>236.7</b>	<b>40.8</b>	<b>310.2</b>	<b>7.4</b>
Other income	54.4	46.7	16.5	50.9	6.8
<b>Total income</b>	<b>387.6</b>	<b>283.4</b>	<b>36.8</b>	<b>361.1</b>	<b>7.3</b>
Interest expended	151.0	104.6	44.3	133.5	13.1
<b>Net interest income</b>	<b>182.3</b>	<b>132.1</b>	<b>38.0</b>	<b>176.7</b>	<b>3.2</b>
<b>Margin (%)</b>	<b>54.7</b>	<b>55.8</b>	<b>-112bps</b>	<b>57.0</b>	<b>-226bps</b>
Employee cost	38.8	28.5	36.3	34.0	14.2
Other operating expenses	56.4	47.2	19.5	55.3	2.0
Operating expenses	95.2	75.7	25.9	89.3	6.7
Total expenditure	246.2	180.3	36.6	222.8	10.5
<b>Operating profit/(loss)</b>	<b>141.4</b>	<b>103.1</b>	<b>37.2</b>	<b>138.3</b>	<b>2.3</b>
<b>Margin (%)</b>	<b>36.5</b>	<b>36.4</b>	<b>10bps</b>	<b>38.3</b>	<b>-181bps</b>
<b>Core operating profit</b>	<b>138.9</b>	<b>102.7</b>	<b>35.2</b>	<b>138.7</b>	<b>0.2</b>
<b>Margin (%)</b>	<b>35.8</b>	<b>36.3</b>	<b>-43bps</b>	<b>38.4</b>	<b>-257bps</b>
Provisions and contingencies	12.9	11.4	13.0	16.2	(20.2)
<b>Profit before tax</b>	<b>128.5</b>	<b>91.6</b>	<b>40.2</b>	<b>122.1</b>	<b>5.2</b>
Tax expense	32.0	22.6	41.5	30.8	3.7
Tax rate (%)	24.9	24.7	24bps	25.3	-37bps
<b>Net profit after tax</b>	<b>96.5</b>	<b>69.0</b>	<b>39.7</b>	<b>91.2</b>	<b>5.8</b>
<b>Margin (%)</b>	<b>24.9</b>	<b>24.4</b>	<b>52bps</b>	<b>25.3</b>	<b>-37bps</b>
<b>EPS (Rs.)</b>	<b>13.8</b>	<b>13.1</b>	<b>5.6</b>	<b>13.1</b>	<b>5.6</b>

Source : RBL Research

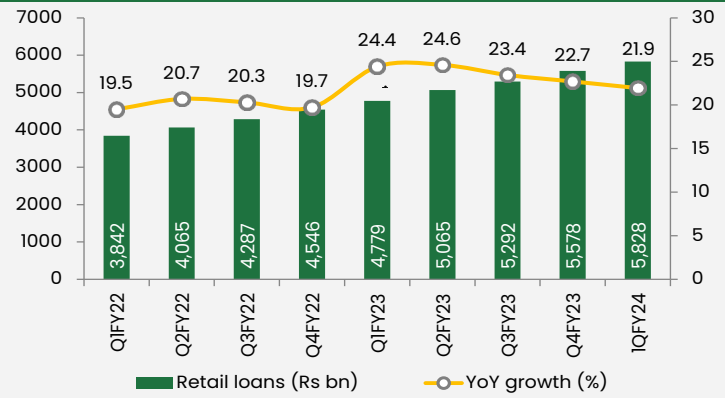
Provisions and contingencies increased by 13% YoY in Q1FY24

Story in charts

Advances growth remained stable in Q1FY24

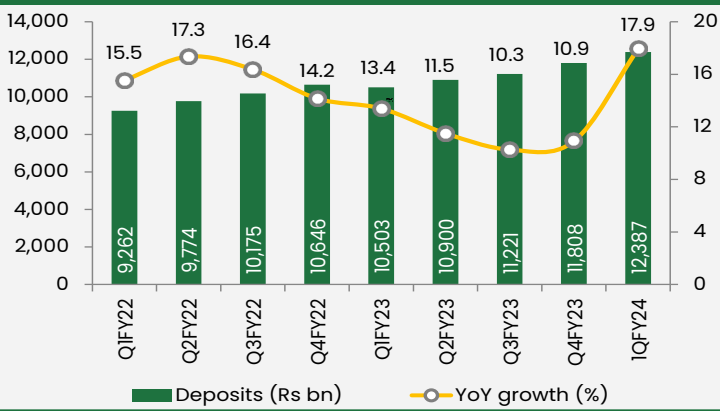


Retail loans growth remains robust

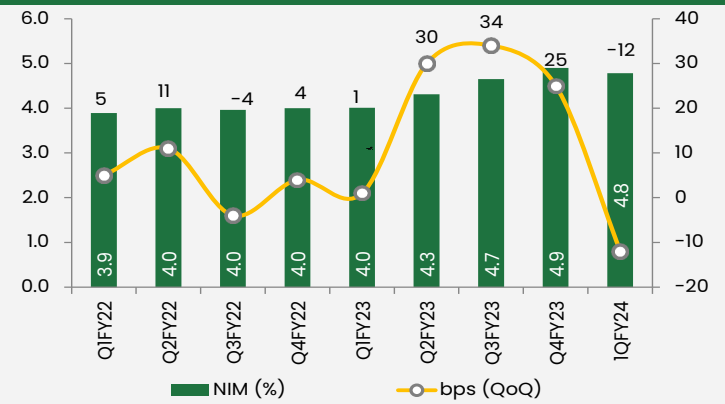


Source : RBL Research

Deposit showed strong growth in Q1FY24

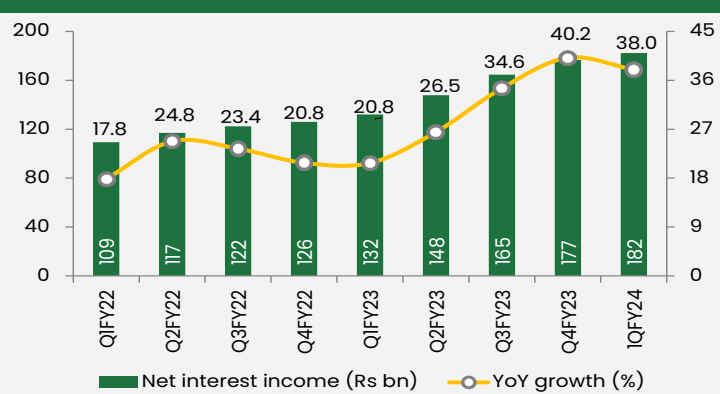


NIM (%) declined by 12bps due to interest rate re-pricing

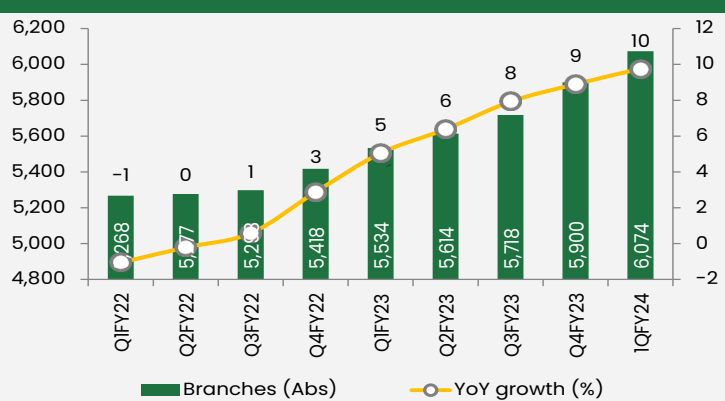


Source : RBL Research

Net interest income increased by 38% YoY in Q1FY24

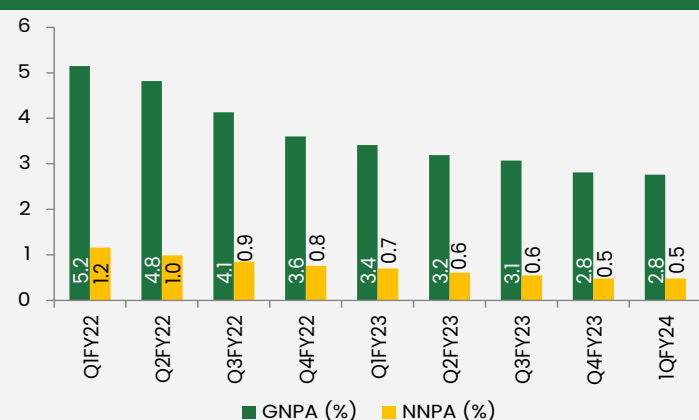


Branches increased by 10% YoY in Q1FY24

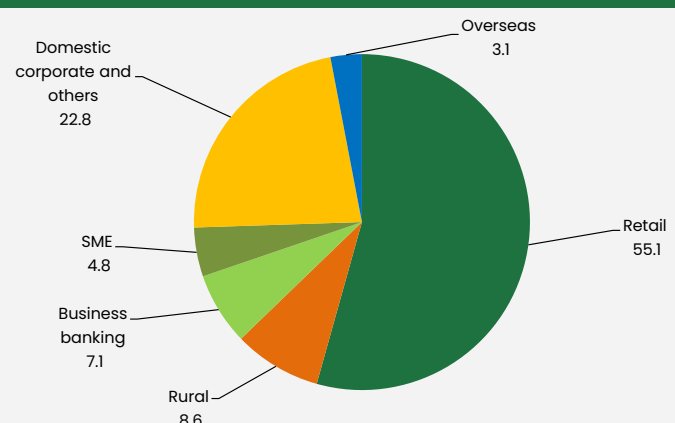


Source : RBL Research

Improving asset quality with declining GNPA (%) / NNPA (%)



Loan book mix (%) in Q1FY24



Source : RBL Research

**Income Statement – standalone**

Particulars, Rs bn	FY22	FY23	FY24E	FY25E
Interest earned	864	1,092	1,239	1,550
Interest expended	389	471	550	679
<b>Net interest income</b>	<b>475</b>	<b>621</b>	<b>689</b>	<b>871</b>
YoY (%)	22%	31%	11%	26%
Other income	185	198	226	253
<b>Total income</b>	<b>1,049</b>	<b>1,291</b>	<b>1,464</b>	<b>1,803</b>
YoY (%)	7%	23%	13%	23%
Operating expenses	267	329	363	427
<b>Operating profit/(loss)</b>	<b>393</b>	<b>491</b>	<b>551</b>	<b>697</b>
YoY (%)	8%	25%	12%	26%
Provisions and contingencies	86	67	62	67
Profit before tax	306	424	490	630
Tax expense	73	105	118	151
Tax rate (%)	24%	25%	24%	24%
<b>Net profit after tax</b>	<b>233</b>	<b>319</b>	<b>372</b>	<b>479</b>
YoY (%)	44%	37%	17%	29%

Source : RBL Research

**Balance Sheet – standalone**

Particulars, Rs bn	FY22	FY23	FY24E	FY25E
Capital	14	14	14	14
Reserves and surplus	1,689	1,986	2,356	2,828
Net worth	1,702	2,000	2,370	2,842
Deposits	10,646	11,808	13,719	16,153
Borrowings	1,072	1,193	1,460	1,823
Other liabilities and provisions	690	833	842	980
<b>Total Capital and Liabilities</b>	<b>14,113</b>	<b>15,842</b>	<b>18,399</b>	<b>21,806</b>
Current assets	1678	1194	1239	1448
Investments	3,102	3,623	4,034	4,574
Advances	8,590	10,196	12,270	14,950
Fixed assets	94	96	98	100
Other assets	648	732	758	735
<b>Total assets</b>	<b>14,113</b>	<b>15,842</b>	<b>18,398</b>	<b>21,806</b>

Source : RBL Research

**DuPont Analysis - standalone**

Particulars, Rs bn	FY22	FY23	FY24E	FY25E
Interest earned	864	1,092	1,239	1,550
Interest expended	389	471	550	679
Net interest income	475	621	689	871
Other income	185	198	226	253
<b>Total income</b>	<b>1,049</b>	<b>1,291</b>	<b>1,464</b>	<b>1,803</b>
Employee cost	97	121	140	171
Other operating expenses	171	208	223	256
<b>Operating expenses</b>	<b>267</b>	<b>329</b>	<b>363</b>	<b>427</b>
Provisions and contingencies	86	67	62	67
<b>Profit before tax</b>	<b>306</b>	<b>424</b>	<b>490</b>	<b>630</b>
Tax expense	73	105	118	151
<b>RoA</b>	<b>1.8%</b>	<b>2.2%</b>	<b>2.2%</b>	<b>2.4%</b>
<b>Standalone return on equity</b>	<b>14.8%</b>	<b>17.3%</b>	<b>17.0%</b>	<b>18.3%</b>

Source : RBL Research

**Key ratios - standalone**

Particulars	FY22	FY23	FY24E	FY25E
<b>Efficiency Ratios (x)</b>				
Loan/Deposit Ratio	80.7	86.3	89.4	92.6
CASA Ratio (%)	48.7	45.8	43.6	41.6
Cost/Assets	1.9	2.1	2.0	2.0
Cost/Total Income	40.5	40.1	39.7	38.0
Interest exp/Interest earned	45.0	43.1	44.4	43.8
Employee/Operating Cost	36.2	36.7	38.6	40.1
<b>Valuation Ratios (x)</b>				
P/E	29.6	21.8	18.7	14.6
P/BV	4.1	3.5	2.9	2.4
P/ABV	4.3	3.6	3.0	2.5

Source : RBL Research

**ICICI Bank's SOTP Valuation**

Company	Stake (%)	Value per share (Rs)	Valuation Basis
<b>ICICI Standalone</b>		<b>1,095</b>	<b>2.7x Mar-25E ABV (adj. for investments)</b>
Value of Subsidiaries			
ICICI Prudential Life Insurance	51%	72	1.9x Mar-25E P/EV
ICICI Prudential AMC	51%	59	35x Mar-25E P/E
ICICI Lombard General Insurance	48%	41	39x Mar-25E P/E
Other subsidiaries	100%	25	
Value of non-banking business		197	
Holding Discount (20%)		40	
Value post discount		157	
<b>Value of ICICI Bank</b>		<b>1,252</b>	
Current Market Price		997	
<b>Upside</b>		<b>26%</b>	
Contribution of subs to TP (%)		13%	

Source : RBL Research

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**Statements on ownership and material conflicts of interest, compensation– Research Analyst (RA)**

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? <b>[If answer is yes, nature of Interest is given below this table]</b>		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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