

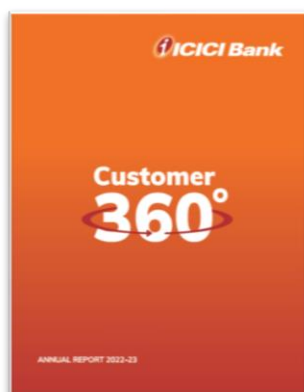
BSE SENSEX  
67,127

S&P CNX  
19,996

**CMP: INR978**

**TP: INR1,150 (+18%)**

**Buy**



Bloomberg	ICICIBC IN
Equity Shares (m)	6984
M.Cap.(INRb)/(USDb)	6848.7 / 82.5
52-Week Range (INR)	1009 / 796
1, 6, 12 Rel. Per (%)	0/1/-4
12M Avg Val (INR M)	14598
Free float (%)	100.0

#### Financials Snapshot (INR b)

Y/E March	FY23	FY24E	FY25E
NII	621	736	835
OP	491	565	646
NP	319	389	440
NIM (%)	4.7	4.7	4.5
EPS (INR)	45.8	55.7	63.0
EPS Gr (%)	36.0	21.6	13.2
ABV/Sh (INR)	267	314	368
Cons. BV/Sh. INR	309	368	439

#### Ratios

RoE (%)	17.5	18.2	17.7
RoA (%)	2.1	2.3	2.2

#### Valuations

P/BV (x) (Cons)	3.2	2.7	2.2
P/ABV (x)	3.0	2.5	2.2
P/E (x)	17.4	14.3	12.6

## Delivering all-round performance

### Strengthens technological leadership further; balance sheet robust

- ICICIBC's Annual Report highlights the progress the bank is making towards sustainable growth. This is evident from its strong contingency buffers and robust underwriting and risk-monitoring mechanisms, all of which contribute to safeguarding the company's balance sheet.
- The bank further strengthened its retail franchise with the segment registering 23% YoY growth (18% YoY growth in home loans). Additionally, the bank sustained robust traction in its liabilities. The bank maintains one of the highest proportions of Retail deposits, with a strong CASA mix.
- SME and Business Banking portfolio grew 19% YoY/35% YoY each in FY23, with its mix rising to 12% of loans (8% in FY18).
- The bank continues to strengthen its digital capabilities and launched an array of new products (iLens, Insta Export Packing Credit, Neo Remittance System) besides enhancing InstaBIZ and Merchant Stack tools. The bank now offers superior digital experience to Corporates in over 20 key industries.
- The concentration of the top 20 advances/exposures improved 156bp/181bp to 10.3%/10.2% in FY23. On the liability side, concentration of the top 20 depositors improved further by ~179bp to 3.5%.
- Ahead of the new growth cycle, the bank is well-positioned with a superior margin, strong asset quality, and robust capitalization levels. We estimate ICICIBC to deliver RoA/RoE of 2.2%/17.7% in FY25.
- We estimate earnings growth to moderate to 17% CAGR over FY23-25, affected largely by a decline in margins and limited opex/credit cost levers. We retain our BUY rating with SoTP-based TP of INR1,150 (2.6x FY25E ABV).

### Retail growth remains steady; SME and Bus. Banking mix rises to ~12%

ICICIBC remains focused on building a diversified and granular portfolio, and saw healthy growth across Retail, SME, and Business Banking portfolios. The bank also witnessed a recovery in its corporate book, which grew 19% YoY in 1QFY24. The bank has increased its focus on higher yielding Retail loans such as Personal Loans and Credit Cards. The share of Unsecured Retail loans rose to 12.3% of loan book from 5.9% in FY18. Around 60% of loans in this portfolio are extended to its existing customers, with a notable preference toward the Salaried segment (85% of portfolio). ICICIBC has adopted data analytics-driven processes for onboarding, credit assessment, and customer monitoring.

### Liability traction steady; digital offering aiding business growth

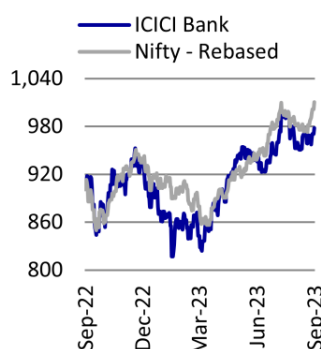
The bank continues to see a strong growth in Retail Deposits and has successfully maintained a robust liability franchise. Total deposits/CASA clocked ~16%/~13% CAGR over FY18-23. CASA ratio has declined to 45.8% in FY23, due to higher growth in Term Deposits. The growth in its deposit franchise was supported by continuous efforts to strengthen its digital platforms and simplify processes to provide a seamless banking experience to customers. While its liability franchise stands strong, the management intends to maintain a healthy and stable funding profile to deliver benefits on the cost of funds. The access to quality and granular low-cost deposits has helped ICICIBC maintain its competitive advantage in the cost of funds over its peers.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on [www.motilalosal.com/Institutional-Equities](http://www.motilalosal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

**Stock Performance (1-year)****Shareholding pattern (%)**

As On	Jun-23	Mar-23	Jun-22
Promoter	0.0	0.0	0.0
DII	36.7	36.9	38.0
FII	55.3	54.8	53.0
Others	8.0	8.3	9.1

FII Includes depository receipts

The bank continues to strengthen its digital capabilities and launched an array of new products (iLens, Insta Export Packing Credit, Neo Remittance System) besides enhancing InstaBIZ and Merchant Stack tools. The bank now offers superior digital experience to Corporates in over 20 key industries.

**Corporate & Retail segment PBT grew 74%/54% YoY**

Segmental profitability suggests Retail PBT grew 54% YoY and contributed ~41% to total profits, aided by lower provisions and revenue growth of 23% YoY. Revenue from the Corporate segment grew 27% YoY, while the bank reported a strong uptick in PBT, which grew 74% YoY to INR158b, underscoring the structural improvement in the corporate segment. This segment now contributes ~37% to total profits vs. 30% in FY22.

**Capitalization levels healthy; RWA density, concentration ratio improves**

ICICIBC's Tier-I ratio stood healthy at 17.6% (CET-1 of 17.1%), with a total CAR of 18.3% in FY23. The management's focus on lending to better-rated corporates has resulted in further improvement in RWA density, which moderated ~32bp to ~68% in FY23 (~227bp over FY21-23). The concentration of the top 20 advances/exposures improved 156bp/181bp to 10.3%/10.2% in FY23. On the liability side, concentration of the top 20 depositors improved ~179bp to 3.5%.

**Asset quality pristine; estimate ~40bp credit cost over FY23-25**

ICICIBC has made significant progress toward improving its asset quality, with the best in class PCR of ~83%, which coupled with contingent provisions of ~INR131b (1.2% of loans), will keep credit cost benign. An improvement in underwriting, led by increasing adoption of analytics, a lower BB and below book (0.5% of loans), and controlled restructuring (0.4% of loans) will keep slippages under control. We expect GNPA/NNPA to moderate to 2.3%/0.5% by FY25 and credit cost to undershoot its long-term trends at 0.4% over FY24-25. The mix of D-3 and Loss assets constitutes ~47% of NPAs vs. 20% in FY19, which positions the bank well to benefit from further recoveries in written-off/NPA pool. GNPA's in the Priority and non-Priority sector have also improved, with major improvement seen in the Industry and Services sector (*refer Exhibit 39*).

**Healthy subsidiary performance**

ICICIBC's subsidiaries reported healthy trends over FY23:

- **ICICI Prudential Life Insurance:** The company has achieved a balanced product mix, reducing the share of ULIPs to 27% in FY23 from 80% in FY19. The VNB margin also improved to 32%/30% in FY23/1QFY24 vs 22% in FY20.
- **ICICI Lombard General Insurance:** PAT grew 36% YoY to INR17.3b (16% CAGR over FY17-FY23) with 17% YoY increase in gross written premium (13% CAGR over FY17-FY23). The combined ratio improved to 105% vs. 109% in FY22.
- **ICICI Securities:** It maintains a leadership position in the equity brokerage space and is the second largest non-bank mutual fund distributor with revenue of INR34.3b as on FY23. PAT registered a CAGR of 22% over FY17-FY23 to INR11.4b in FY23.

- **ICICI Prudential AMC:** PAT registered a CAGR of 21% over FY17-FY23, while AUM grew 13% over the same period. PAT, as a percentage of average AUM, remained stable at 0.30% in FY23.

#### Other highlights

- Contingent liabilities grew 11% YoY in FY23 (27% CAGR over FY21-FY23), primarily due to an increase in interest rate swaps and futures (up 13% YoY) forward exchange contracts (up 44% YoY). This led to a rise in the proportion of contingent liabilities to ~270% of total assets from 274% in FY22.
- The bank purchased/sold priority sector lending certificates (PSLCs) worth INR716b/INR741b (vs. INR715b/INR1.01t in FY22).
- Fees from bancassurance moderated to INR9.7b from INR11.4b in FY23. Fee from the sale of life insurance declined to INR3.8b in FY23, however, fees from the sale of mutual fund and other products and the sale of non-life insurance increased to INR4.9b/1.0b in FY23.

#### Valuation and view

ICICIBC has been reporting a robust performance, led by a strong core PPOP, controlled provisions, and steady asset quality. A healthy mix of a high yielding portfolio (Retail/Business Banking) and a low-cost liability franchise has helped sharp margin recovery over FY23. The bank is witnessing strong traction across key segments such as Retail, SME, and Business Banking. Asset quality trends remain steady, while additional COVID-19 provision buffer (1.2% of loans) renders further comfort. Ahead of the new growth cycle, the bank is well-positioned with a superior margin, strong RoE and asset quality, and robust capitalization levels. We estimate ICICIBC to deliver RoA/RoE of 2.2%/17.7% in FY25. We estimate earnings growth to moderate to 17% CAGR over FY23-25. This moderation is primarily due to a decline in margins and limited levers available for managing the opex/credit cost, resulting in a gradual stock performance. We retain our BUY rating on the stock with SoTP-based TP of INR1,150 (2.6x FY25E ABV). **ICICIBC continues to be one of our preferred picks in the sector.**

**Focus on granular Retail Deposits; maintains a robust liability profile**

**Superior digital offerings to drive customer loyalty**

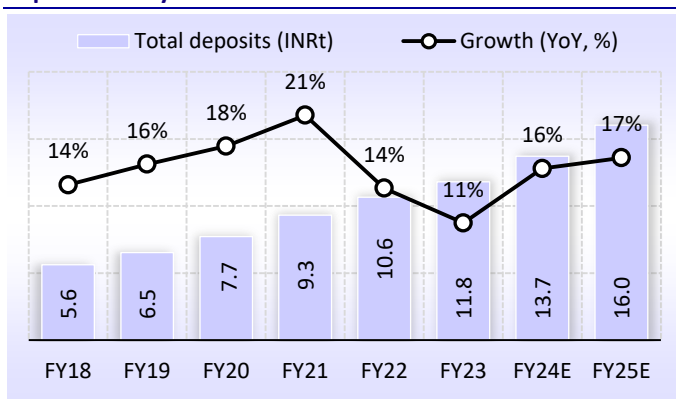
Successfully maintains a robust liability franchise with an emphasis on a granular deposit base

Superior digital platform, with robust branch expansion plan to drive healthy liability growth

ICICI Bank continues to witness strong growth in Retail deposits and has successfully maintained a robust liability franchise over the past few years. Total deposits/CASA clocked ~16%/~13% CAGR over FY18-23. CASA ratio has declined to 45.8% in FY23 from 49.6% in FY18. In FY23, a shift of deposits from CASA to TD occurred due to rising interest rates, resulting in a modest 4% YoY growth in CASA deposits vs. a 17% YoY growth in Term deposits. The growth in deposit franchise was supported by continuous improvement in digital platforms and simplification of processes to provide a seamless banking experience to customers. The management’s focus is on garnering CASA and Retail Term deposits to maintain a healthy and stable funding profile, so as to maintain competitive cost of funds. Among its peers, ICICIBC has one of the best liability profiles (Refer Exhibit 7). ICICIBC has launched several digital innovations, with powerful functionalities and seamless access to digital channels. These tools have the ability to offer customized solutions, enable data-driven cross-sell and up-sell, onboard new customers, and provide value-added features. In addition to the above technological developments, the bank is also planning to add 700-800 branches in FY24 to expand its reach and align its focus toward a micro-market approach (Refer Exhibit 6). Over 90% of financial and non-financial savings account transactions took place digitally in FY23. The bank is focusing on a 360-degree customer-centric approach by providing various products and solutions to offer a holistic banking experience.

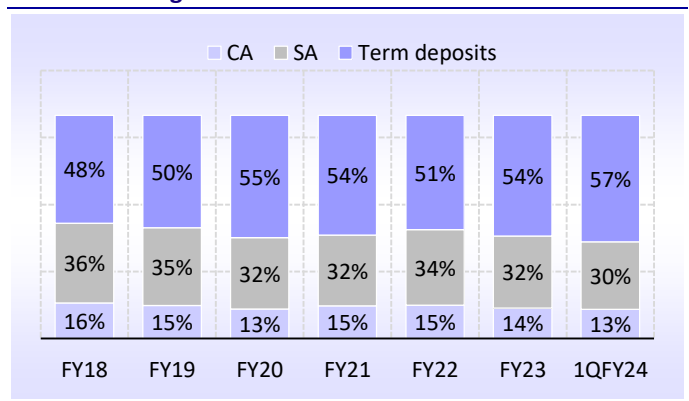
The bank has a strong international presence with six business centers and nine representative offices outside India. It is repositioning its international franchise to focus on deposits from non-resident Indians.

**Exhibit 1: Total deposits clocked ~16% CAGR over FY18-23; expect healthy traction to continue**



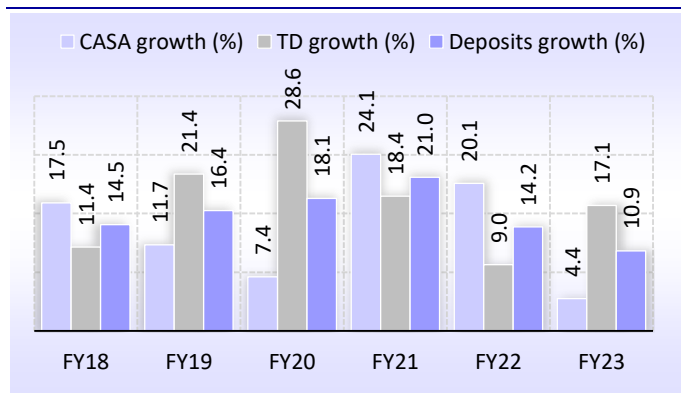
Source: Company, MOFSL

**Exhibit 2: CASA ratio deteriorates to 43.3% in 1QFY24; TD mix rises on higher rate differential vs SA rates**



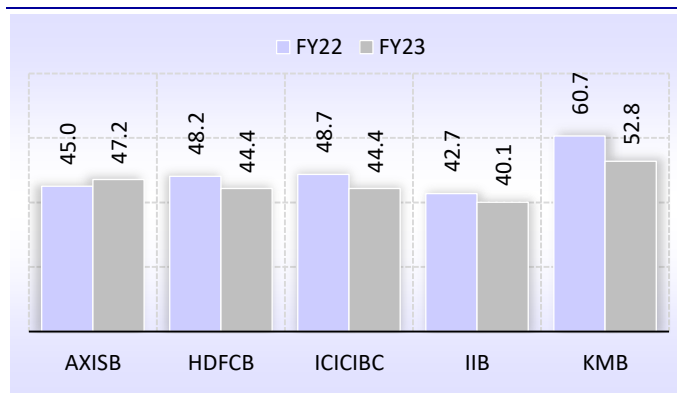
Source: Company, MOFSL

**Exhibit 3: CASA growth has moderated in FY23 as compared to earlier trends**



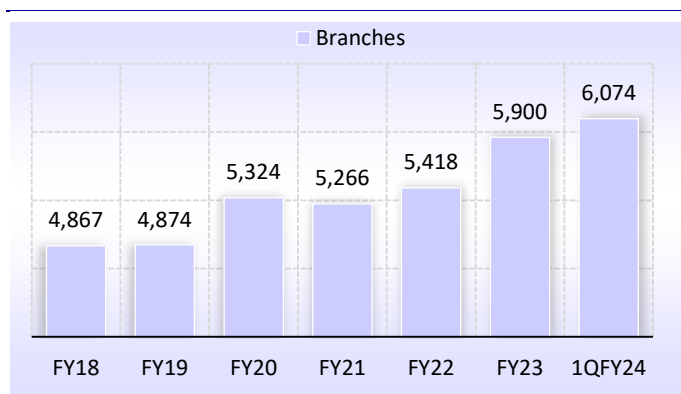
Source: Company, MOFSL

**Exhibit 4: CASA ratio thus witnessed a decline for most banks in FY23**



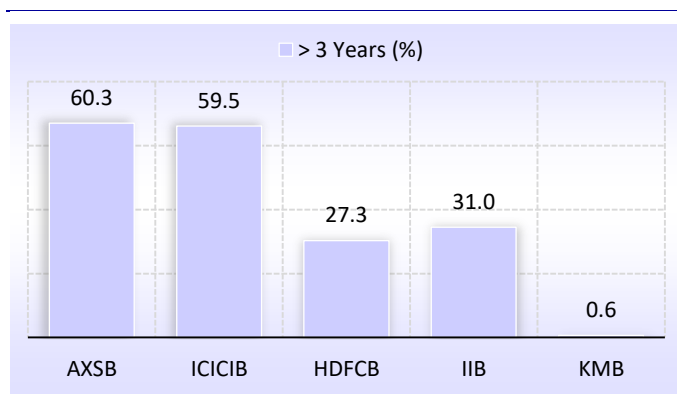
Source: Company, MOFSL

**Exhibit 5: ICICIBC is planning to add ~700 to 800 branches in FY24**



Source: Company, MOFSL

**Exhibit 6: ICICIB has maintained healthy liability duration compared to its peers**



Source: Company, MOFSL

**Cost of Funds to increase in FY24, thereby pressurizing margins**

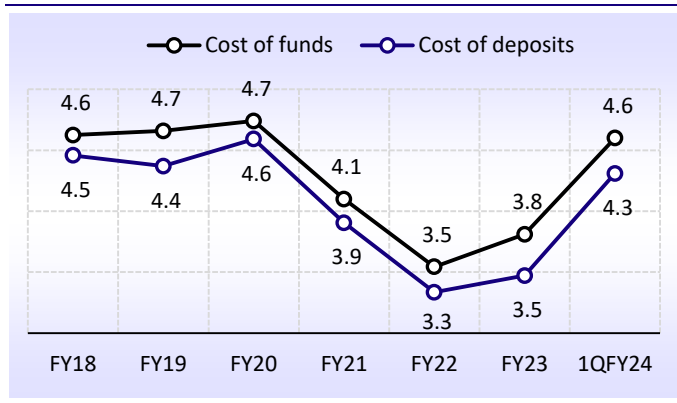
Amidst the backdrop of rising interest rates, all banks raised their deposit interest rates in FY23, resulting in an uptick in the cost of funds. In 1QFY24, the overall cost of funds for ICICI Bank increased 93bp YoY to reach 4.6%, and we estimate this trend to persist in the coming quarters. The rise in funding cost was primarily driven by an 85bp YoY increase in deposit costs, reaching 4.3% in 1QFY24. The shift of deposits from CASA to TD and intense competition in garnering CASA deposits were the primary factors contributing to this increase. ICICIBC has maintained its competitive edge in the cost of funds, aided by its access to high-quality, granular, and low-cost deposits. This positioning strengthens its ability to compete effectively in rate-sensitive lending segments, specifically mortgages, which forms ~1/3<sup>rd</sup> of its loan book.

Margin trajectory set to reverse and we estimate FY24 NIMs to be broadly comparable to FY23

NII grew 31% YoY from INR475b in FY22 to INR621b in FY23, led by 52bp YoY margin expansion to 4.48% and a 15.8% YoY increase in the average interest-earning assets. Yield on average interest earning assets increased 66bp YoY to 7.87% in FY23, whereas the cost of funds increased 22bp to 3.9% in FY23. The bank expects that the full impact of rise in interest rates will reflect in the cost of domestic term deposits in FY24.

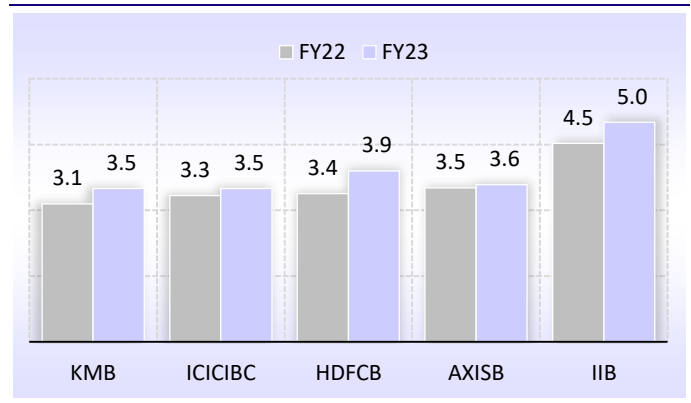
We estimate NIMs to moderate successively over FY24 after having reached a peak in 4QFY23. The bank has reported 12bp QoQ moderation in margins to 4.8% in 1QFY24, and this trend is expected to continue, resulting in FY24 NIMs resembling those of FY23. Despite the increasing costs, the bank is benefiting from healthy pricing power in a robust demand environment, healthy growth in BB/SME segments, and higher-yielding retail assets such as personal loans and credit cards. Additionally, lower interest reversals, along with controlled loan delinquencies, would help ICICIBC maintain superior margins compared to peers.

**Exhibit 7: Cost of funds to witness further increase in FY24E to ~4.7%**



Source: MOFSL, Company

**Exhibit 8: ICICIBC enjoys a lower cost of deposits over its peers, which is a key competitive advantage**



Source: MOFSL, Company

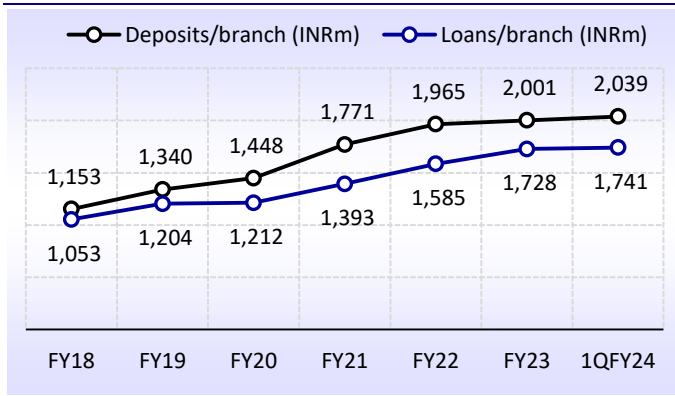
ICICI Bank added ~23k new employees (21% of FY22 workforce), the productivity gains of which will be evident in the upcoming years

**Investment in business to improve productivity in the upcoming years**

ICICIBC’s business per branch has improved to INR3.7b in FY23 from ~INR2.2b in FY18 (11% CAGR). Business per employee registered a CAGR of 9% over FY18-FY22, reaching INR182m. However, it moderated in FY23 to INR171m as the bank added ~23k new employees (21% of FY22 workforce), the benefits of which will be evident in the upcoming years. Out of its 6,074 branches as on 1QFY24, 51% are in rural and semi-urban regions, with 651 branches in villages that were previously unbanked.

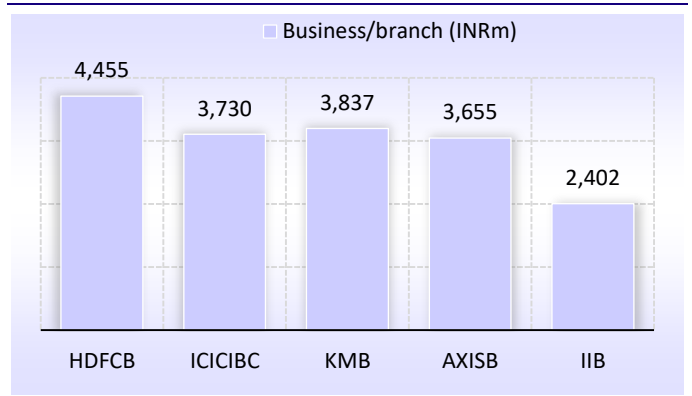
Over the last few years, Private Banks have been focusing on improving branch productivity and leveraging technology. Thus, branch productivity (savings deposits per branch) of most Private Banks has seen healthy growth. **Savings deposits per branch for ICICIBC have clocked a CAGR of 9% over FY18-23 to INR644m, indicating higher productivity and operational efficiency at the branch level.** The same still remains below HDFCB and KMB, thus offering scope to bridge this gap.

**Exhibit 9: Business/branch consistently improves, standing at INR3,781m as on 1QFY24**



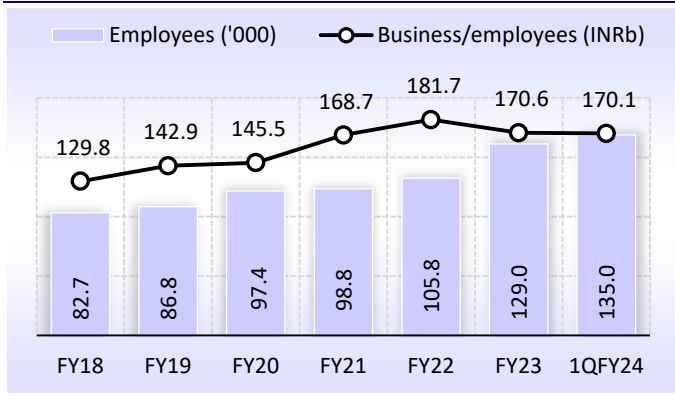
Source: Company, MOFSL

**Exhibit 10: ICICIB business per branch stands in line with other large private peers**



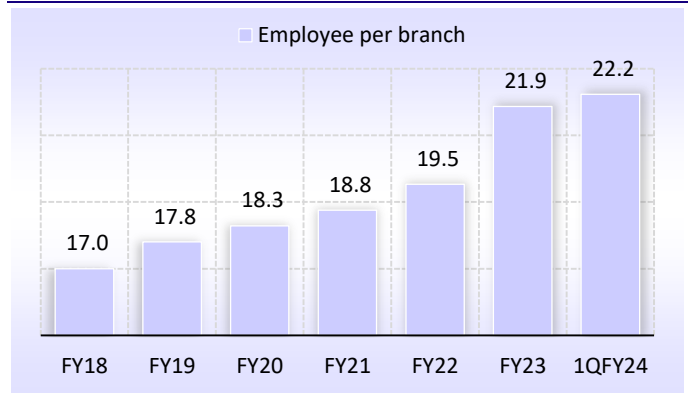
Source: Company, MOFSL

**Exhibit 11: Business/employee stands at INR170m as on 1QFY24 from INR130m in FY18**



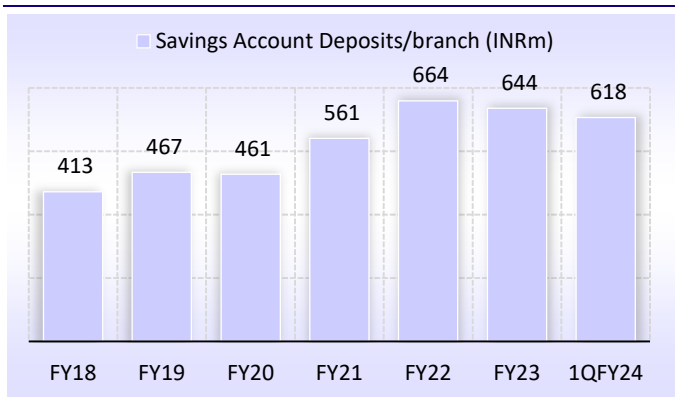
Source: Company, MOFSL

**Exhibit 12: Employee per branch inches up due to aggressive employee addition in FY23**



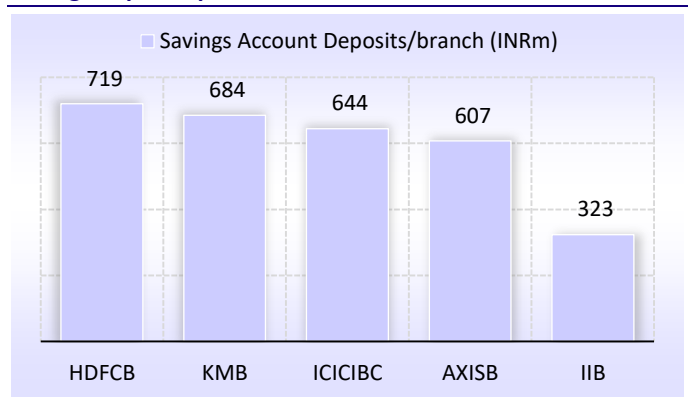
Source: Company, MOFSL

**Exhibit 13: Savings deposit/branch has registered a CAGR of 9% over FY18-23**



Source: Company, MOFSL

**Exhibit 14: Adequate scope for further improvement in savings deposits per branch**



Source: Company, MOFSL

## Retail segment remains the key growth driver

### SME and Business Banking emerge as strong growth frontiers; mix rises to 12%

The management's focus is on growing its core operating profit in a risk-calibrated manner. It is not constrained by any target on loan mix

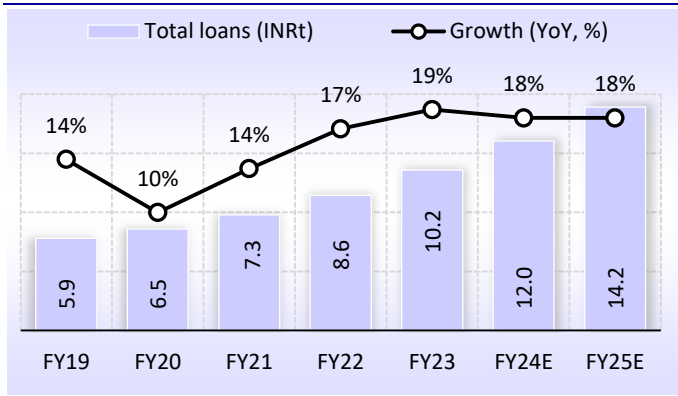
Retail, SME, and Business Banking are acting as growth enablers for ICICIB

A superior digital platform and offerings will drive robust growth in SME and Business Banking

- ICICIB pursued a strategy focused on building a diversified and granular loan portfolio, resulting in a robust loan growth of 18.7% YoY in FY23 (18.1% YoY in 1QFY24). This growth was primarily driven by Retail, Business Banking, and SME portfolios. It is underpinned by a commitment to managing risk and reward effectively, with a key emphasis on maintaining a return of capital and containing provisions below a defined percentage of core operating profit. The management does not have any target for loan mix or segment-wise loan growth.
- The Retail portfolio remains a key driver of growth, led by its strategy of building a diversified and granular loan book. **Retail loans grew 23% YoY in FY23 and constitute 53.4% of total loans.** Including non-fund based outstanding, its contribution stood at 45.7% of the total portfolio.
- SME and Business Banking are key growth drivers for the future. **Growth in the portfolio will be driven by digital offerings and platforms such as InstaBIZ and Merchant Stack, and tools to increase efficiency and remove bottlenecks. The SME and Business Banking portfolio grew 28% YoY in FY23 and constitutes 12% of total loans.**
- The management's focus in these businesses is on parameterized and program-based lending. The bank is leveraging its digital tools and data analytics, and has built various scorecards such as **Unicore and Infinity** to cater to variety of customer needs. To enhance portfolio quality, ICICIB had adopted data analytics-driven onboarding processes, credit assessment, and customer monitoring for these clients. It combines qualitative and quantitative assessment to arrive at a final credit decision.
- **The approach of ICICIB in Wholesale/domestic Corporate banking** is to deepen its partnership and support clients through their life cycle. This includes lending for both working capital and capex requirements, along with providing support for various client activities across trade, treasury, and the supply chain. With the aim of evolving into a business partner for the client rather than merely a capital provider, the bank is now offering its entire suite of products and specialized teams. This approach enhances client servicing and boosts Corporate fee income. **The bank's domestic Corporate portfolio grew 21% YoY in FY23 and constitutes 23% of total loans.**
- **ICICIB has identified six main ecosystems in the rural market, which includes farmers, dealers, self-employed persons, corporates, institutions, and micro-entrepreneurs.** These ecosystems are offered a range of products through an extensive network of branches, ATMs, field staff, and correspondents, providing last-mile access, and thus greater convenience.
- Its international presence consists of business centers in six overseas locations and representative offices in nine locations outside India. The bank focuses on NRIs, MNCs, Global In-house Centers, and the funds ecosystem within this vertical. It continues to reduce its non-India linked exposure gradually. **In FY23, the bank continued its strategy of reducing the non-India linked exposures, and hence, reduced this book by 52.3% YoY.**

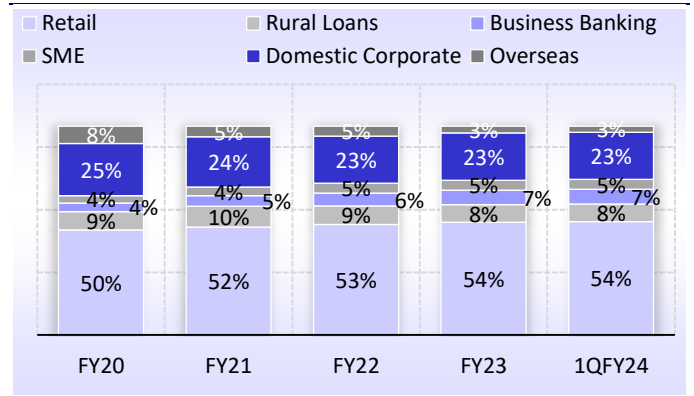


**Exhibit 15: Estimate 18% loan CAGR over FY24/FY25, leading to a loan book of INR14.2t by FY25**



Source: Company, MOFSL

**Exhibit 16: Retail growth steady; SME and BB are new growth frontiers, forming 12% of the loan mix**

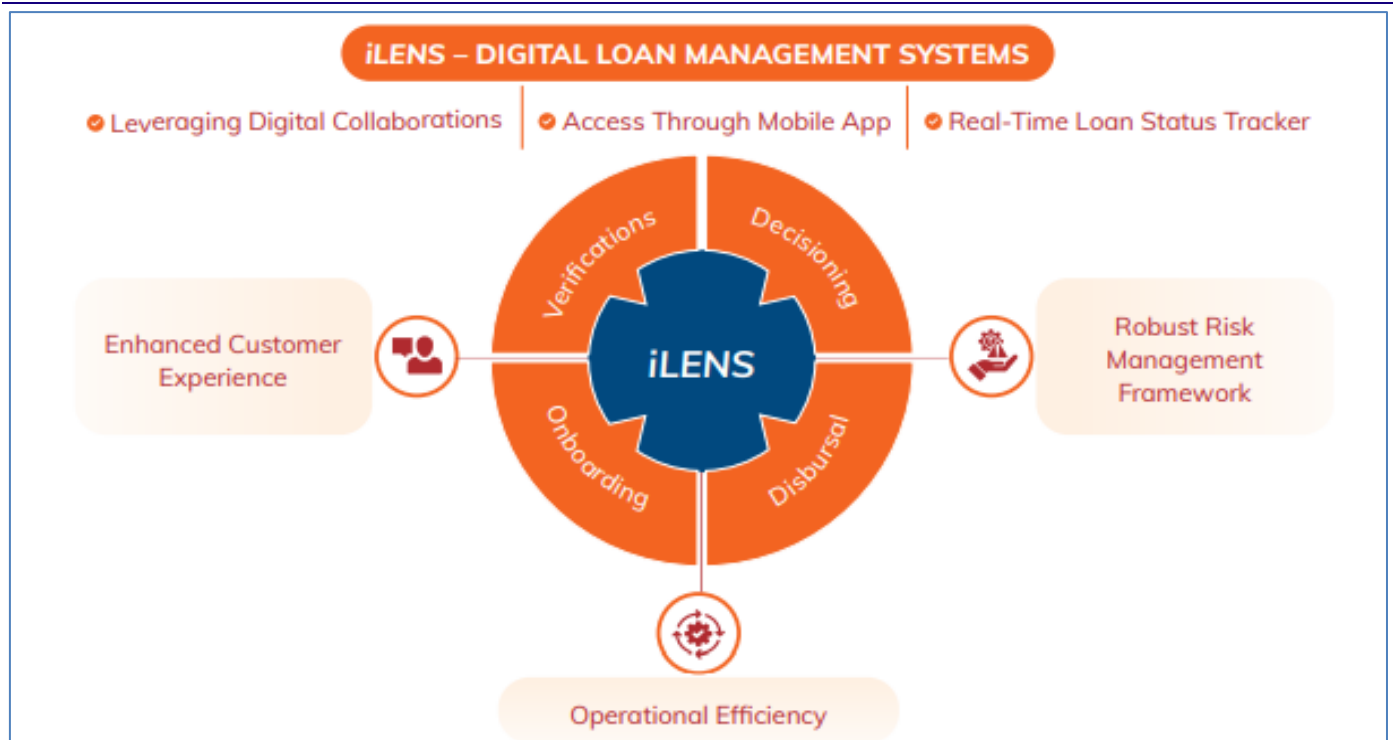


Source: Company, MOFSL

The bank has launched several digital lending solutions to tap the growing demand for mortgages and auto loans and offer improved customer experience.

- **ICICIB has introduced iLens – an integrated, end-to-end digital lending platform** covering all stages, starting from application to disbursement with the objective of providing superior transaction experience. Mortgage is the first retail product, which went live on the iLens platform and other retail products are in the process of being on-boarded. Its Mortgage portfolio includes Home loans (~70%), Top-up loans offered to its existing Home loan customers (6%), Office Premises loans (~5%), and Loan Against Property (~17%). **The bank has a liability relationship with ~ 90% of its Mortgage customers. The Home loan book is granular, with an average ticket size of INR3.5m, and is built conservatively (average LTV of 65%).**
- It launched instant Car loans, an industry-first proposition for pre-approved customers. This product won the ‘Best Automobile/Car Loan Product Award’ in CY21. **75% of Auto loan customers have a liability relationship with the bank and 85% of new car loans are sourced and processed digitally.**

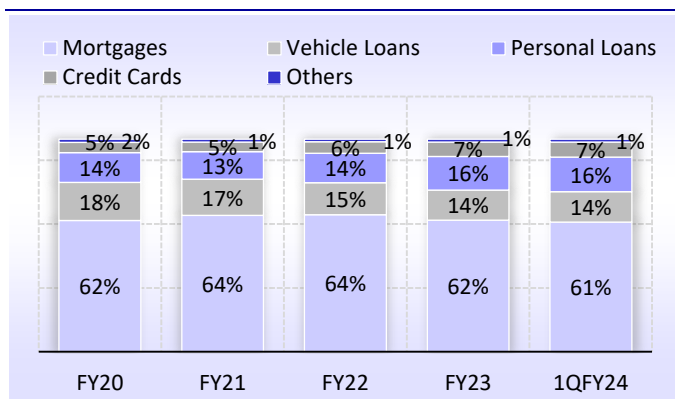
**Exhibit 17: iLens platform providing end-to-end digital experience to customers**



Credit Cards are a strong focus area. Over 4m Amazon co-branded Credit Cards have been issued till Mar'23

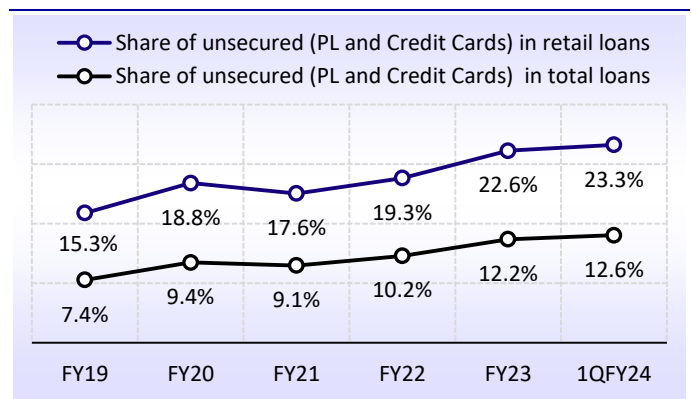
- The management continues to strengthen its presence in the digital payments ecosystem. The bank has key partnerships with Amazon, MakeMyTrip, and Emirates to offer co-branded Credit Cards. **Amazon pay credit cards has continued to see healthy traction with ICICIB issuing more than 4m cards till Mar'23.** Value of credit card transactions in FY23 was 1.3x times the value in FY22. The bank is a **leader in FASTag with a market share of about 29% in FY23**, while collections through FASTag are higher by 28% YoY. In addition to the above, ICICIB was one of the banks to participate in the first pilot for retail digital rupee in Dec'22.
- **Personal loan/Credit Card portfolio grew 37%/45% YoY in 1QFY24. The share of Unsecured Retail loans increased to 12.3%** of the total loan book in FY23 from 5.9% in FY18. In terms of the Retail portfolio, the share of Unsecured Retail loans of its Retail portfolio grew to 23.3% in 1QFY24 from 13% in FY18.

**Exhibit 18: Mortgage and Vehicle loans dominate the Retail portfolio with a share of ~75%**



Source: Company, MOFSL

**Exhibit 19: Mix of Credit Cards and Personal loans has increased and constitutes 23% of total Retail loans**



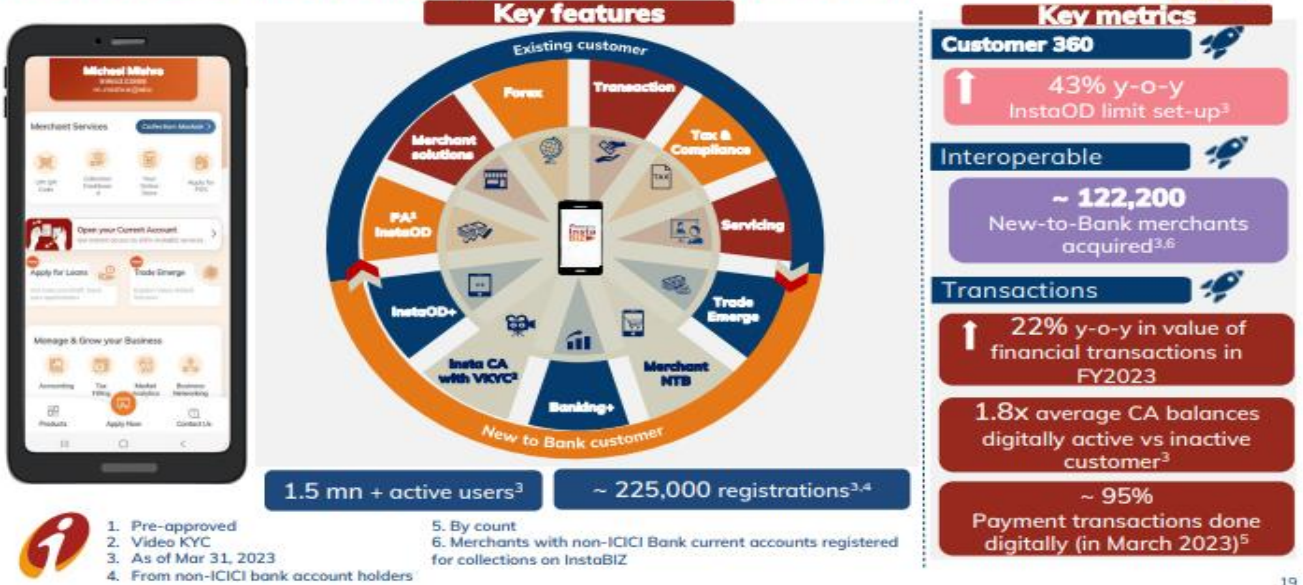
Source: Company, MOFSL

The management aspires to build a focused SME and Business Banking book by leveraging its digital capabilities

- The SME and Business Banking segments are key growth drivers for the future. **The SME portfolio comprises exposures to companies with a turnover of up to INR2.5b**, while the Business Banking portfolio comprises small business customers with an average loan ticket size of INR10-15m. The average ticket size of incremental sanctions in SME is ~INR95m. **~90% of the business banking book is fully collateralized with a collateral cover >100%.**
- The bank has been building this book by leveraging its distribution network and extensive use of digital platforms, such as InstaBIZ, Merchant Stack, and Trade Online and efforts toward process decongestion such as e-signing of disbursements documents through EazySign. The management is conscious of the risks involved and is focused on enhancing portfolio quality. To reduce concentration risks, the bank is shifting toward a strategy of granular and collateralized-lending based growth. The primary collateral within the portfolio typically takes the form of a charge on current assets, often backed by property.
- In order to further strengthen its digital offerings for its SME and Business Banking customers, it **introduced a new version of InstaBIZ**. This version offers a host of services that can also be experienced by non-ICICIB account holders. **This app has 1.5m+ active users and INR0.23m registrations as on FY23.**

Exhibit 20: InstaBIZ to serve as a growth engine for the SME and Business Banking segment

### InstaBIZ: Universal app for small business

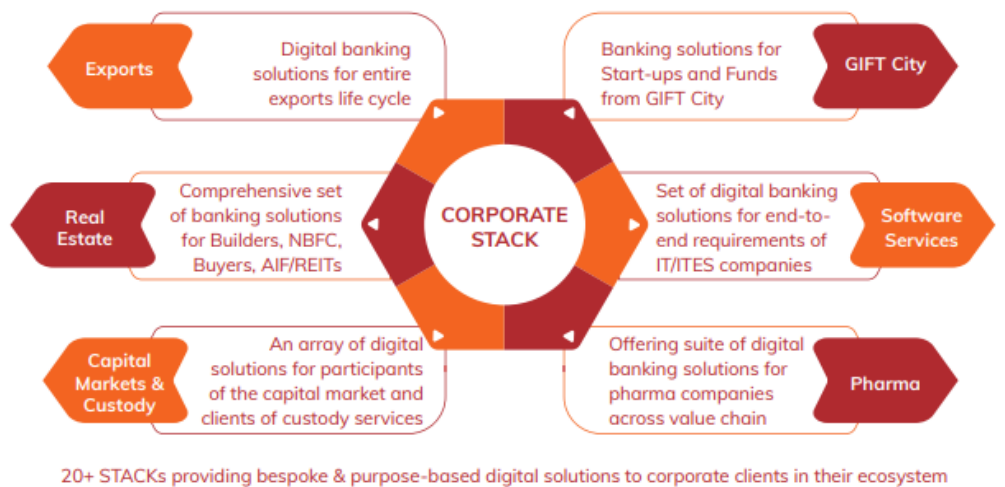


Source: Company, MOFSL

The Corporate segment is poised for a revival after undergoing several challenges over the past few years

- ICICIBC offers digital products and services for large corporates and their ecosystems, including platforms for domestic and international trade and industry-specific solutions across the value chain. **During the year, the bank launched Instant Export Packing Credit (Insta EPC), an industry-first product for digitally meeting the export finance requirements of exporters with no disruptions in supply chain.**
- The bank has launched customized stacks for Corporates in over 20 key industries. These stacks offer customized and comprehensive digital banking services and solutions to Corporates and their ecosystems.

Exhibit 21: ICICIBC offers several tools to enhance the digital experience of Corporates



Source: Company, MOFSL

The management aims to maximize risk-calibrated core operating profit by emerging as a partner for all Corporate Banking needs, thereby generating a strong fee income

- In Corporate Banking, the management’s approach has been to deepen engagement and emerge as a business partner throughout their life cycle. It provides support through a wide range of lending solutions and other products across trade, treasury, bonds, commercial papers, channel financing, supply-chain solutions, and various other activities. This furthers the bank’s strategy of maximizing its risk-calibrated core operating profit.
- Incremental sanctions are undertaken in a granular manner to well-established and higher-rated business groups. **Due to this focus, there is a significant improvement in quality, with ~74% of the portfolio lent to ‘A- and above’ in FY23 vs. ~46% in FY18.**

**Exhibit 22: A- and above book constituted ~74% of loans as compared to ~46% in FY18**

Advances rating profile (%)	FY18	FY19	FY20	FY21	FY22	FY23
AA- and above	21.2	25.3	27.3	35.3	36.1	46.9
A+, A, A-	25.1	32.5	36.9	33.7	35.7	26.6
<b>A- and above</b>	<b>46.3</b>	<b>57.7</b>	<b>64.2</b>	<b>69.1</b>	<b>71.8</b>	<b>73.5</b>
BBB+, BBB, BBB-	34.5	33.4	29.8	25.6	24.5	24.3
BB and below <sup>#</sup>	6.9	4.1	3.0	3.6	2.9	1.2
Unrated	1.3	0.4	0.5	0.5	0.8	1.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Note: Based on internal ratings of the company, excluding its Retail and Rural portfolio

Source: Company, MOFSL

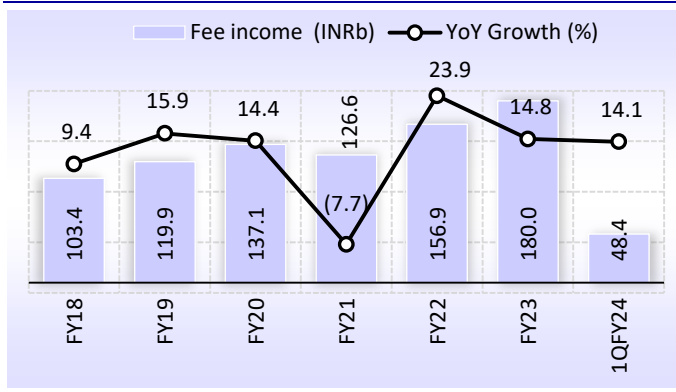
- The management is focused on reducing concentration risks to make its portfolio more granular. **The exposure of the top 20 advances to its total exposure has fallen to 10.3% in FY23 from 14.1% in FY18.**

**Fee income gaining granularity; Retail & SME forms 78% of total fees**

- Fee income grew 14.8% YoY to INR180b in FY23, led by a rise in transaction banking fees, foreign exchange services and derivatives products, and lending-linked fees offsetting a decrease in fee income from third-party distribution.
- Retail, rural, SME and business banking customers contributed ~78% to overall fees in 1QFY24, signifying the granularity in fee income.
- The management’s focus on the Credit Cards business and market share gain in cards-in-force as well as spends led to a growth in fees. Efficient use of data analytics, with an increase in the volume of digital transactions, has helped boost volumes for several Retail segments.
- A gradual revival in the Corporate portfolio will drive fee income as loan activity picks up, aided by a new investment cycle. This will result in demand for other Corporate Banking services, thus boosting overall fee income.
- Fee to average asset comparison of ICICIBC are broadly similar to other lenders, while the Bancassurance fee of ICICIBC is lower than that of HDFC bank and Axis bank.

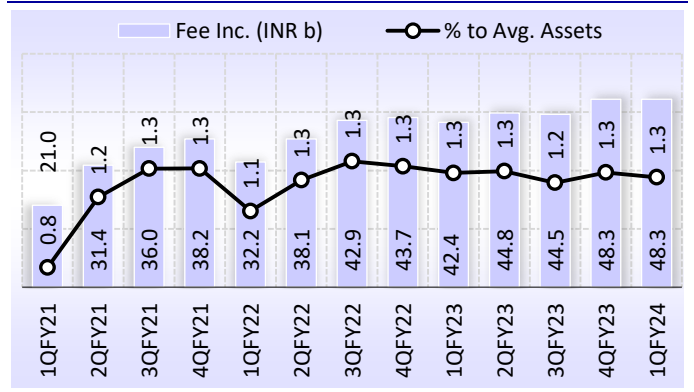
Fees from Retail, Rural, SME and Business Banking constitute ~78% of total fees

**Exhibit 23: Fee income grew 14% YoY in 1QFY24 to INR14.1b**



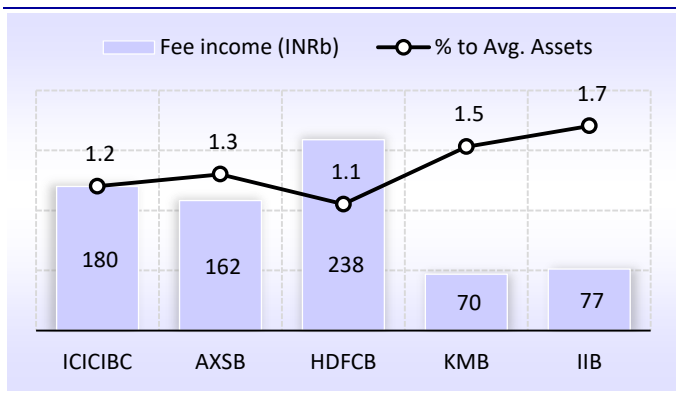
Source: Company, MOFSL

**Exhibit 24: Core fee income constitutes ~1.3% of average assets**



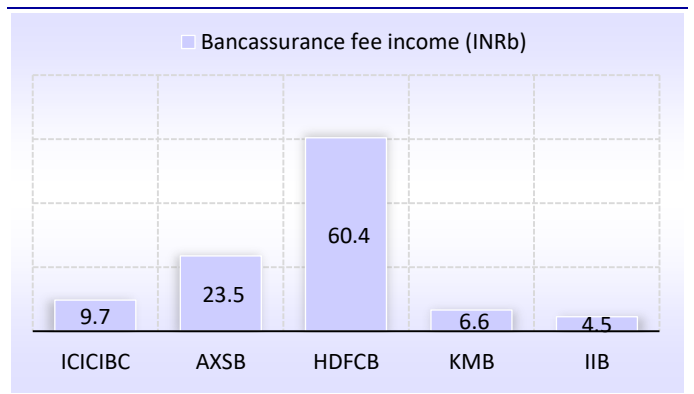
Source: Company, MOFSL

**Exhibit 25: Fee income to average asset of ICICBC compared to peers FY23**



Source: Company, MOFSL

**Exhibit 26: Bancassurance fee income of ICICBC stands at INR9.7b in FY23**



Source: Company, MOFSL

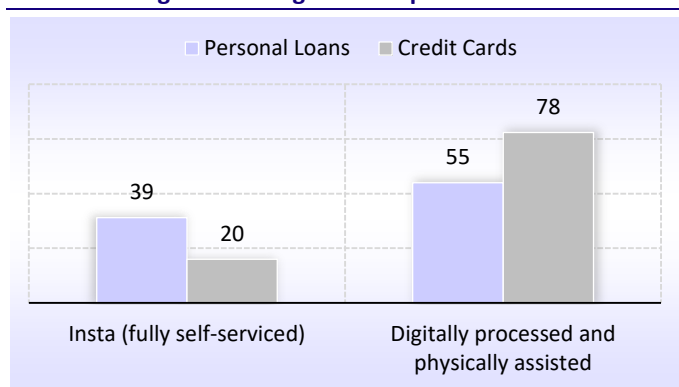
## Building strong digital capability

### Digital leadership across channels; Focus on Bank to Bank-tech

Focus remains on building digital platform to provide a full bouquet of services and end-to-end solutions

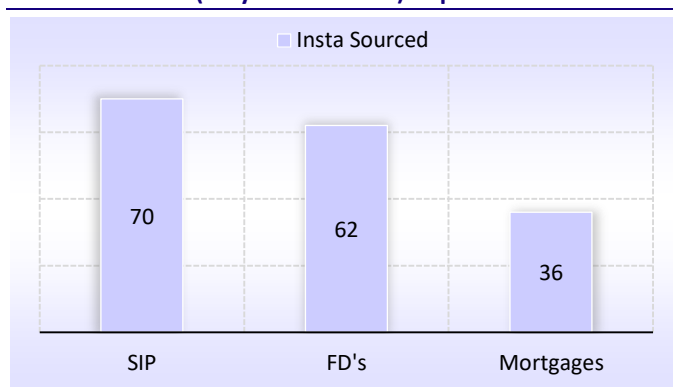
- The theme “**Bank to Bank Tech**” highlights the digital and technological transformation that the bank is undertaking, which is being integrated into every aspect, from delivering value to customers to optimizing internal operations.
- The Bank’s mobile applications, **iMobile Pay and InstaBIZ**, have now become universal and open architecture, enabling the bank to expand the number of people and businesses that it can serve.
- While strengthening the digital offerings for SME and business banking customers, the bank introduced the new version of InstaBIZ, offering a host of services that can now be experienced by non-ICICI Bank account holders too.
- It has been creating intuitive customer journeys and offering personalized solutions to suit their life stages and business needs. Key services being offered include instant digital account opening, loan solutions, payment solutions, investments and insurance solutions.
- **In FY23, the Bank launched STACKs for export and real estate sectors.** The export STACK, 'Digital solutions for Exporters', is a comprehensive set of banking and value-added services on a single platform. It aims to digitize the entire export life cycle – from discovery of export markets, export finance, foreign exchange services to the receipt of export incentives.
- Also, the Bank launched **Instant Export Packing Credit (Insta EPC)** an industry-first product aimed at instantly and digitally meeting the export finance requirements of exporters and ensuring no disruptions in supply chain. The process automates the entire scrutiny cycle through integrations with various internal and external applications.
- The bank also launched a new platform, **Neo Remittance System (NRS)** for outward remittances by business centers with advanced functionalities such as rate booking and smart repeat transactions for transfers by both, residents (including non-account holders) and non-residents.
- The bank also **introduced iLens**, an integrated, end-to-end digital lending solution for mortgages, which covers all the facets of the loan life cycle starting from sales till disbursement, including property appraisal. It also introduced digital processing of home loan applications for Non-Resident Indian (NRI) customers.

**Exhibit 27: Digital sourcing of Retail products in FY23**



Source: MOFSL, Company

**Exhibit 28: Insta (fully self-served) of products in FY23**



Source: MOFSL, Company

~94% of payment transactions are done digitally

**Other important milestones:**

- iMobile PAY has more than 28m users. The total value of transactions done through this app stood at close to INR9t in FY23. It has witnessed ~9m activations from the Non-ICICI customers. Digital channels account for over 90% of financial and non-financial savings account transactions.
- There has been 43% YoY growth in active merchants and 61% YoY growth in spends. **Average ticket size for mobile banking transaction stands at 3.2x of industry.** Balances of digitally active customer stands at 1.8x vs. inactive customers.
- The bank **has crossed 1.5m customers in InstaBIZ** with the value of transactions up 22% YoY. There was a 47% increase in trade online transactions. The volume of UPI P2M transactions increased 55% YoY and the value of these transactions grew more than 100% in FY23.
- The bank is a **market leader in FASTag** with a market share of 29%. Its electronic toll collections through FASTag increased 28% in FY23.
- **36% of mortgage sanctions, by volume, were end-to-end digital in FY23.**
- ICICIBC credit card business is showing robust performance with the value of credit cards transactions growing 1.3x over FY22. The bank has issued over 4m Amazon Pay credit cards till Mar'23 and is the third largest credit card issuer with a total card base of 13.5m (market share of 17.4%) and spends market share of ~17%.

**Exhibit 29: Market share in credit cards spends**

Spends - Market Share (%)	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	3MFY24
HDFCB	30.0	30.6	29.4	28.6	28.0	28.8	30.9	26.4	27.9	28.5
SBI Cards	11.1	12.0	13.2	16.6	17.1	17.8	19.4	19.1	18.2	17.8
ICICIBC	11.2	10.9	10.9	11.1	11.1	12.2	14.6	20.0	17.9	17.1
AXSB	7.1	7.5	8.7	9.6	10.2	10.4	8.4	8.6	9.4	12.1

Source: Company, MOFSL

ICICIBC has a market share of ~17.4% in credit cards – 3<sup>rd</sup> largest player

**Exhibit 30: ICICIBC is the third largest issuer in terms of outstanding credit cards**

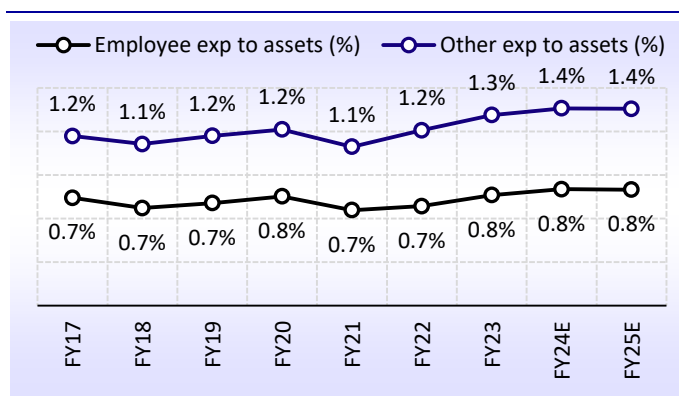
Market Share (%)	FY20	FY21	FY22	FY23	Apr'23	May'23	Jun'23
HDFCB	25.1	24.2	22.5	20.6	21.0	21.2	21.5
SBIN	18.3	19.1	18.7	19.7	19.8	20.1	20.3
ICICIBC	15.8	17.1	17.6	16.9	17.1	17.2	17.4
AXSB	12.1	11.5	12.3	14.2	14.4	14.6	14.7
KMB	4.0	3.9	4.3	5.8	5.9	6.0	6.1

Source: Company, MOFSL

**Operating efficiency to enable stable cost ratios**

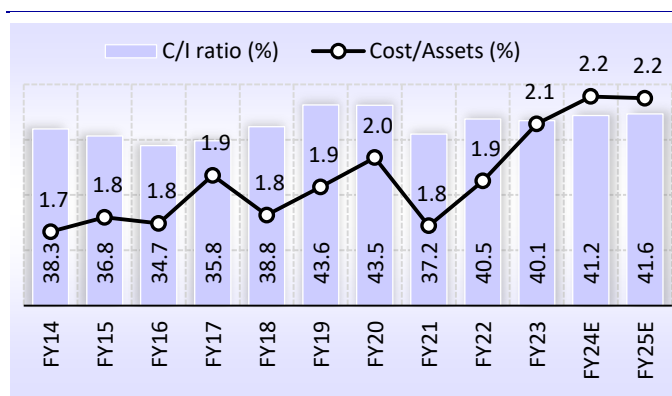
- ICICIB has been continuously focusing on enhancing the technology capabilities to support its business growth and expand new verticals. However, despite the regular investments in the business, the average cost-to-assets ratio stood stable in the ~1.8-2.1% range over FY15-23, while the C/I ratio witnessed moderation to 40.1% in FY23 (vs. 43.5% in FY20).
- The bank is focusing strongly on leveraging technology to increase volumes in the Retail/SME segments with an aim to maintain control over its cost metrics. We estimate C/I ratio to increase slightly to ~42%, while cost to average assets to sustain at ~2.2% by FY25E.

**Exhibit 31: Expense ratios remain broadly stable over the past many years, despite continuous investment in tech**



Source: Company, MOFSL

**Exhibit 32: We estimate C/I ratio to increase marginally to 41.6%, while cost to avg. assets sustains at ~2.2% by FY25E**



Source: Company, MOFSL

**Corporate/Retail segment profitability grew 74%/54%**

- Segmental profitability suggests Retail PBT grew 54% YoY and contributed ~41% to the total profits, supported by lower provisions and revenue growth at 23% YoY.
- Corporate segment revenues surged 27% YoY, with a strong uptick in PBT, which grew 74% YoY to INR158b. This underscores the notable structural improvement in the corporate segment, which now accounts for ~37% of total profits vs 30% in FY22. Treasury performance was also healthy as the bank reported a 45% YoY growth in PBT to INR143b, which contributed ~34% to the total profits.

**Exhibit 33: Segmental trends across business segments – Corporate and Retail see healthy uptick in profits**

INR b	Assets				Revenue				PBT			
	FY20	FY21	FY22	FY23	FY20	FY21	FY22	FY23	FY20	FY21	FY22	FY23
Retail	3,513	4,125	4,877	6,040	726	757	846	1,038	90	77	114	175
<b>YoY growth</b>	<b>14%</b>	<b>17%</b>	<b>18%</b>	<b>24%</b>	<b>23%</b>	<b>4%</b>	<b>12%</b>	<b>23%</b>	<b>9%</b>	<b>-14%</b>	<b>47%</b>	<b>54%</b>
Corporate	3,073	3,259	3,791	4,329	399	372	400	506	9	58	91	158
<b>YoY growth</b>	<b>7%</b>	<b>6%</b>	<b>16%</b>	<b>14%</b>	<b>17%</b>	<b>-7%</b>	<b>7%</b>	<b>27%</b>	<b>LP</b>	<b>528%</b>	<b>56%</b>	<b>74%</b>
Treasury	4,131	4,598	5,181	5,085	619	669	675	848	51	111	98	143
<b>YoY growth</b>	<b>24%</b>	<b>11%</b>	<b>13%</b>	<b>-2%</b>	<b>15%</b>	<b>8%</b>	<b>1%</b>	<b>26%</b>	<b>-2%</b>	<b>119%</b>	<b>-11%</b>	<b>45%</b>

Source: MOFSL, Company



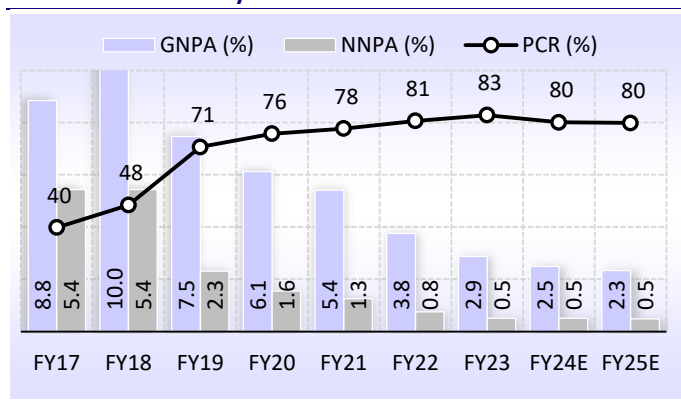
## Asset quality remains pristine; PCR best in class at ~83%

### Restructured book has moderated to 0.4% of loans

- In FY23, asset quality of the bank improved further with controlled slippages, constant decline in BB & below pool, and lower restructuring levels. Slippage ratio stood at 1.9%, which coupled with healthy upgrades and write-offs led to a decline in GNPA's to INR311.8b (2.9% of loans) in FY23 vs. INR339.2b (3.8%) in FY22.
- Further, the bank has further raised its PCR to ~83% in FY23 vs. 81% in FY22. NNPL ratio, thus improved and moderated to 0.5% in FY23 vs. 0.8% in FY22, while restructured book declined to INR45.1b (0.4% of loans) in 1QFY24.
- Despite a sharp rise in interest rates, ICICIBank is not witnessing any unusual behavior in its mortgage portfolio and anticipates the overall stress to remain manageable.
- In FY23, of the total slippages of INR186.4b, 95% came from the Retail, Rural and Business banking segment, while slippages from the corporate segment was negligible. Furthermore, the BB & below book declined to INR47b (0.5% of the loans) vs. INR108b in FY22. Thus, stressed loans declined to 0.9% (excl. NNPA).
- We believe that improvement in underwriting, led by increasing adoption of analytics, lower BB & Below book, and controlled restructuring places ICICIBank well to keep the slippages under control. The mix of Doubtful 3 and loss assets combined forms ~47% of the NPAs vs. 20% in FY19, which signifies the diminishing requirement of aging provisions and high recovery prospects from fully provided/written-off accounts, which will keep credit cost under check. We estimate GNPA/NNPA to moderate to 2.3%/0.5% by FY25E and credit cost to undershoot long-term trends at average 0.4%.

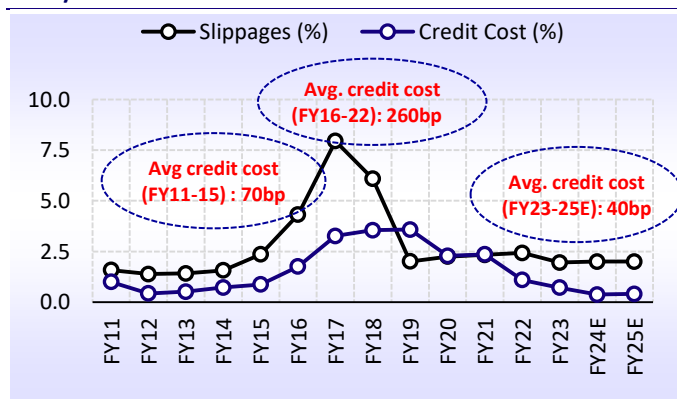
Net stressed loans declined to 0.8% of loans; restructuring book stands controlled at 0.4% of loans

**Exhibit 34: Asset quality witnessing constant improvement; PCR remains industry best at ~83%**



Source: Company, MOFSL

**Exhibit 35: Slippages and total credit costs moderated to 1.9%/0.7% in FY23**



Source: Company, MOFSL

**Exhibit 36: ICICIBank's total exposure: BB & below stood at 0.5% of total loans in FY23**

INR b	FY20	FY21	FY22	FY23
Fund and non-fund o/s to restructured loans	1.8	14.1	23.9	7.7
Borrowers with o/s greater than INR1b	81.3	79.2	58.8	18.0
Borrowers with o/s less than INR1b	32.9	37.8	25.4	21.3
<b>BB and below outstanding</b>	<b>116.1</b>	<b>131.0</b>	<b>108.1</b>	<b>47.0</b>

Source: MOFSL, Company

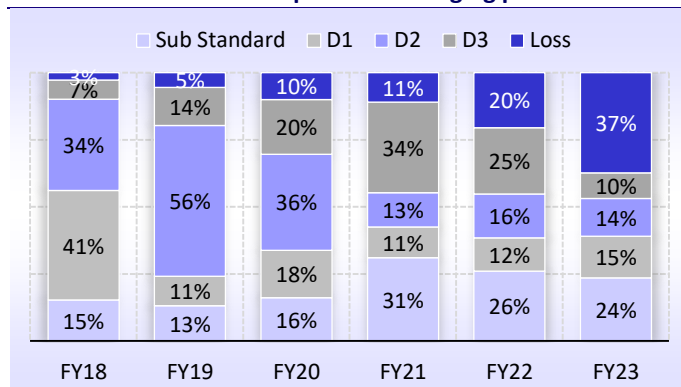
- GNPA for the non-priority sector declined to 3.2% vs. 4.2% in FY22, led by a decline in the industry sector to 9.3% vs. 10.9% in FY22 (21% in FY19). For the priority sector, GNPA ratio declined to 1.9% vs. 2.7% in FY22. Agriculture GNPA declined to 4.6% vs 5.3% in FY22.

**Exhibit 37: Net stressed loans (ex-NNPA) moderated to 0.9% vs. 2.2% in FY22**

INR b	FY22	FY23	1Q24
GNPA	339.2	311.8	318.2
Security Receipts	8.1	2.1	1.5
BB and below (FB and NFB based)	108.1	47.0	42.8
<b>Stress loans</b>	<b>455.3</b>	<b>378.9</b>	<b>362.5</b>
Specific Provisions	269.6	260.3	264.4
<b>Net Stress Loans</b>	<b>185.8</b>	<b>118.6</b>	<b>98.1</b>
<b>Gross Stress loans (% of loans)</b>	<b>5.3</b>	<b>3.7</b>	<b>3.4</b>
<b>Net Stress loans (% of loans)</b>	<b>2.2</b>	<b>1.2</b>	<b>0.9</b>

Source: Company, MOFSL

**Exhibit 38: Higher proportion of Loss and D-3 category accounts reflect lower requirement of aging provisions**



Source: Company, MOFSL

**Exhibit 39: GNPA for priority and non-priority sector improved with sharp improvement in Industry and Services segment**

INR b	FY20		FY21		FY22		FY23	
	O/s advances	GNPA (%)	O/s advances	GNPA (%)	O/s advances	GNPA (%)	O/s advances	GNPA (%)
<b>Priority Sector</b>								
Agriculture	466	4.2%	481	4.3%	561	5.3%	631	4.6%
Industry	508	1.1%	547	1.6%	793	1.2%	758	0.8%
Services	261	3.1%	306	5.3%	459	2.2%	1039	1.3%
Personal loans	697	1.5%	741	3.4%	715	2.6%	415	1.7%
<b>Total (A)</b>	<b>1,932</b>	<b>2.3%</b>	<b>2,073</b>	<b>3.4%</b>	<b>2,529</b>	<b>2.7%</b>	<b>2,842</b>	<b>1.9%</b>
<b>Non-Priority Sector</b>								
Agriculture	NA	NA	NA	NA	NA	NA	NA	NA
Industry	1,586	15.8%	1,593	13.3%	1,637	10.9%	1,700	9.3%
Services	1,212	6.8%	1,401	4.2%	1,534	2.7%	1,879	2.0%
Personal loans	2,032	1.5%	2,588	2.6%	3,157	1.5%	4,025	1.3%
<b>Total (B)</b>	<b>4,830</b>	<b>7.5%</b>	<b>5,582</b>	<b>6.1%</b>	<b>6,328</b>	<b>4.2%</b>	<b>7,604</b>	<b>3.2%</b>
<b>Total (A+B)</b>	<b>6,763</b>	<b>6.0%</b>	<b>7,655</b>	<b>5.3%</b>	<b>8,857</b>	<b>3.8%</b>	<b>10,447</b>	<b>2.9%</b>

Source: Company, MOFSL

- **Contingent provisions and lower SR book provide comfort:** The bank held contingent provisions of ~INR131b (1.2% of loans) and holds cumulative standard and other assets provisions of INR223b (2.1% of loans). Further, the net SR book stood at INR1.5b as on 1QFY24.
- **Sensitive sector exposure:** The bank's Commercial Real Estate exposure increased to INR941b in FY23 (from INR714b in FY22), corresponding to 9% of total loans; exposure to Capital Markets increased to INR250b.

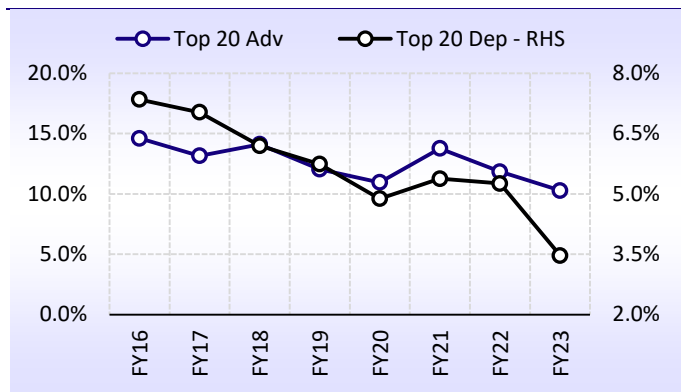
#### Improvement in RWA density; concentration ratios too improved

- As on FY23, Tier-1 ratio for the bank stands healthy at 17.6% (CET-1 of 17.1%), while total CAR stands at 18.3%. The bank's focus on lending to better rated corporates has resulted in an improvement in RWA density, which moderated ~32bp to ~68% in FY23 (~227bp over FY21-23).
- Further, concentration of top-20 advances/exposure improved 156bp/181bp to 10.3%/10.2% during the year.

Focus on granularization reflected by lower concentration ratios and improved RWA density

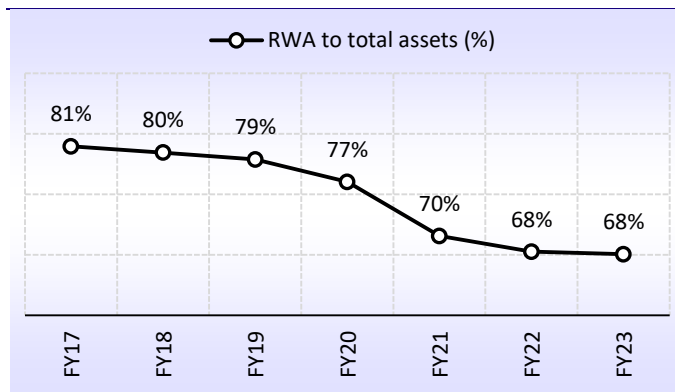
- On the liability side, the concentration of the top-20 depositors improved 179bp YoY to 3.5%.

**Exhibit 40: Concentration ratios of top 20 advances/deposits improved to 10.3%/3.5% in FY23**



Source: MOFSL, Company

**Exhibit 41: RWA density improved slightly to 68% in FY23**



Source: MOFSL, Company

### Other highlights from the Annual Report

- The contingent liabilities grew ~11% YoY in FY22 (27% CAGR over FY21-23), primarily due to an increase in interest rate swaps/futures (up 13% YoY) and forward exchange contracts (up 44% YoY). Contingent liabilities thus form ~270% of total assets vs. 274% in FY22.
- **Fraud accounts:** The total number of reported cases during the year stood at 6,642, involving a sum of INR3.9b vs INR31b in FY22. The bank has allocated INR1.6b in provisions for these cases.
- **PSLC purchase continues in FY23 – remains net seller though:** The bank purchased priority sector lending certificates (PSLCs) worth INR716b (vs. INR715b in FY22) and sold PSLCs worth INR741b (INR1.01t in FY22).
- **Bancassurance fee:** Fees from bancassurance moderated to INR9.7b (from INR11.4b in FY22). Fee from the sale of life insurance declined to INR3.8b in FY23; however, fees from the sale of mutual fund and other products and the sale of non-life insurance increased to INR4.9b/1.0b in FY23.

**Exhibit 42: Bancassurance fee income – FY23**

INR b	FY19	FY20	FY21	FY22	FY23
Sale of Life Insurance	9.8	8.5	6.4	5.8	3.8
Sale of Non-Life Insurance	1.4	1.8	1.2	0.9	1.0
Sale of MF and Others	3.2	1.5	2.0	4.7	4.9
<b>Total</b>	<b>14.3</b>	<b>11.8</b>	<b>9.5</b>	<b>11.4</b>	<b>9.7</b>

Source: MOFSL, Company

**Exhibit 43: Provision for credit card and debit card reward points**

INR m	FY19	FY20	FY21	FY22	FY23
Opening provision	1,893	2,086	2,435	2,613	3,278
Provision made during the year	1,892	1,667	4,036	7,878	12,378
Utilization/Write back	1,699	1,318	3,858	7,212	10,931
<b>Closing Provision</b>	<b>2,086</b>	<b>2,435</b>	<b>2,613</b>	<b>3,278</b>	<b>4,726</b>

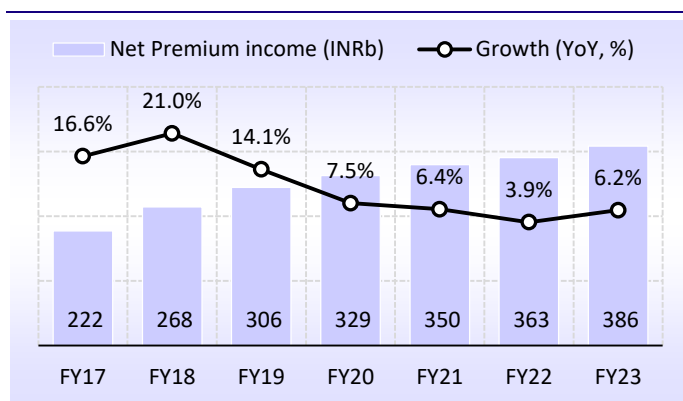
Source: MOFSL, Company

## Healthy performance from subsidiaries

Successful transformation from singular focus on ULIPs to a well-diversified product mix

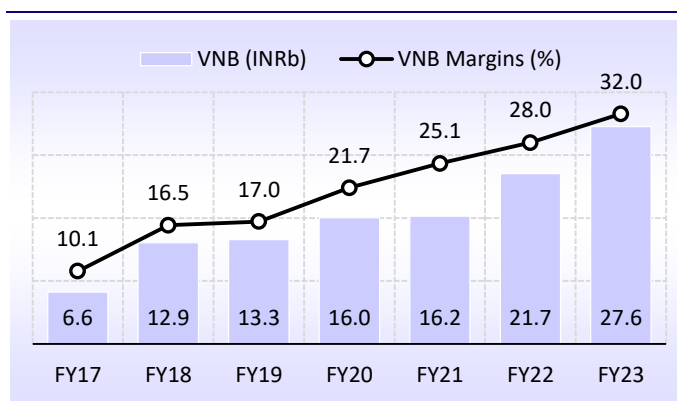
**ICICI Prudential Life Insurance:** IPRU has successfully transformed and diversified its product mix over the last few years. Having shed its singular focus on ULIPs, its balanced product mix is now evident from the decline in the share of ULIPs to 27% in FY23 from 80% of APE in FY19. The share of non-linked savings has increased from 9% in FY20 to 51% in FY23, respectively. As a result, VNB margins improved to 32% in FY23 vs 22% in FY20 and are likely to remain resilient, aided by recovery in protection business and continued strength in the annuity segment. In 1QFY24, VNB margins stood at 30%.

**Exhibit 44: Net Premiums registered a CAGR of 8% over FY18-23**



Source: Company, MOFSL

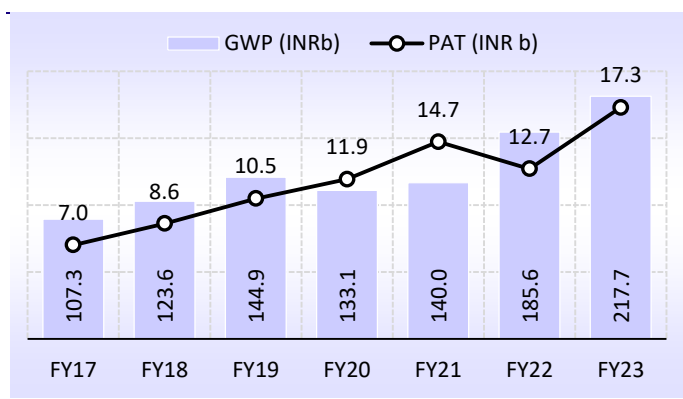
**Exhibit 45: VNB Margins improved to 32% in FY23 from 10% in FY17**



Source: Company, MOFSL

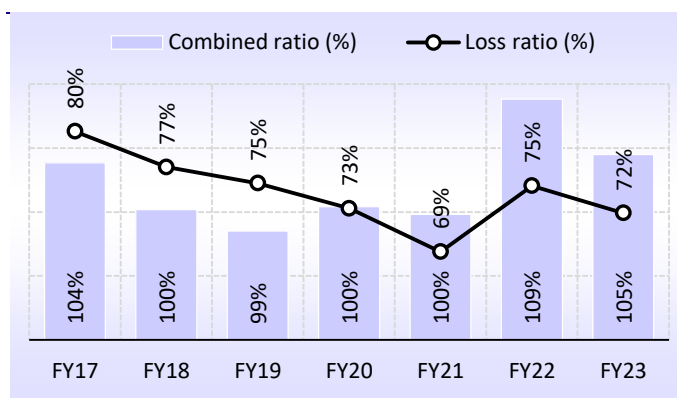
**ICICI Lombard General Insurance:** ICICI Lombard reported PAT growth of 36% YoY to INR17.3b (15% PAT CAGR over FY18-23) aided by healthy investment income even as gross written premium grew 17% YoY (12% CAGR over FY18-FY23). The combined ratio improved to 105% vs 109% in FY22. The market share in GDPI remains broadly stable at 8.2% in FY23 (8.1% in FY22).

**Exhibit 46: GWP/PAT registered a CAGR of 12%/15% over FY18-23**



Source: MOFSL

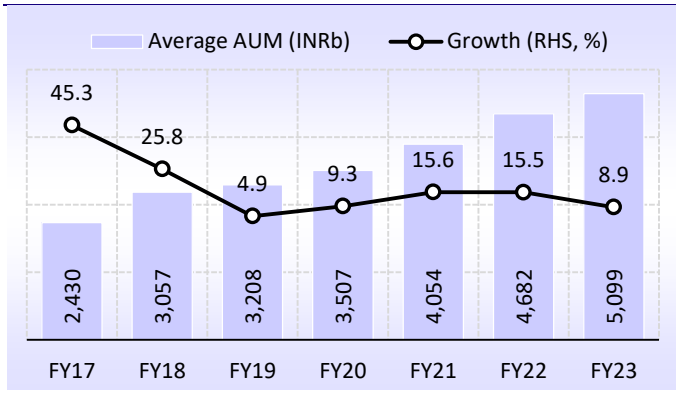
**Exhibit 47: Combined ratio improves to 105%, but remains higher than historical trend**



Source: Source: MOFSL

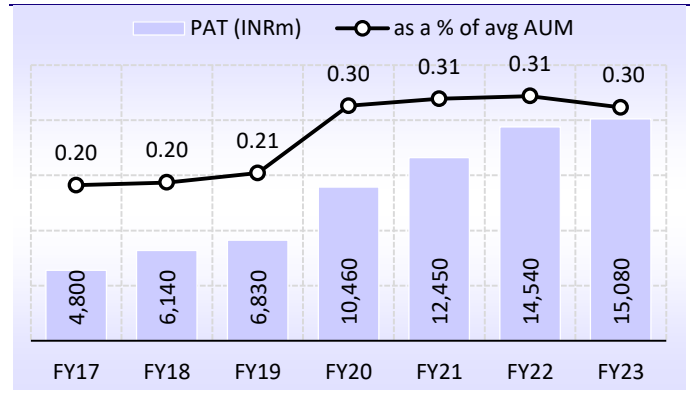
**ICICI Prudential Asset Management Co. Ltd:** In terms of AUM, IPRU AMC ranks second with an AUM of ~INR5.1t as at Mar’23. IPRU AMC’s PAT has registered a CAGR of 20% over FY18-23, while AUM registered a CAGR of 11% over a similar period. PAT as a percentage of average AUM remained stable at 0.30% in FY23. In FY23, the AUM and PAT growth was modest at 9%/4% YoY to INR15.1b.

**Exhibit 48: AUM has clocked a CAGR of 11% over FY18-23**



Source: Company, MOFSL

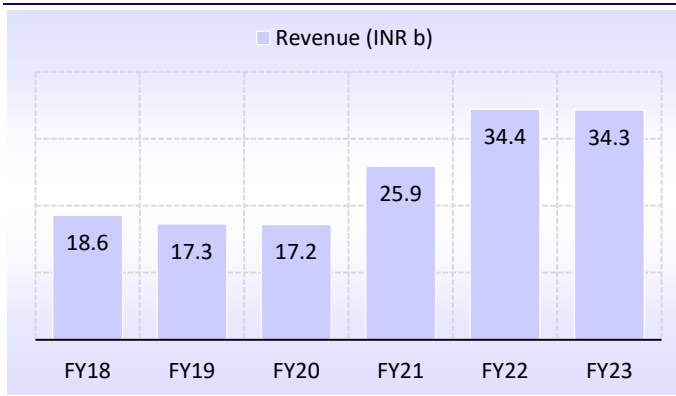
**Exhibit 49: ...PAT has registered a CAGR of 20% over FY18-23**



Source: Company, MOFSL

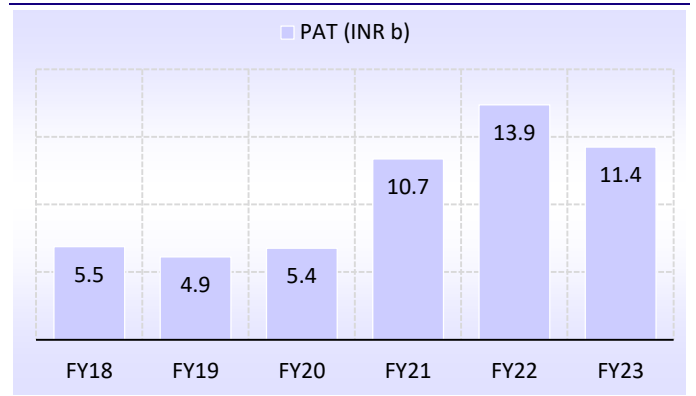
**ICICI Securities Ltd:** It has been a leader in margin trade funding (MTF) with 23% market share. In the distribution business, it is the second largest non-bank mutual fund distributor with a revenue of INR34.3b as on FY23. In FY23, the company added ~10k new clients, with total AUM standing at INR3.2t.

**Exhibit 50: Revenues registered a CAGR of 13% over FY18-23**



Source: Company, MOFSL

**Exhibit 51: While PAT clocked a CAGR of 16% over FY18-23**



Source: Company, MOFSL

## Valuations and view

- **Robust liability franchise:** ICICIBank once again posted strong growth in Retail deposits and has succeeded in building a robust liability franchise over the past few years. Total deposits/CASA deposits clocked ~16%/13% CAGR over FY18-23. ICICIBank has maintained its competitive edge in the cost of funds over its peers, aided by its access to high-quality, granular, and low-cost deposits. This positioning strengthens its ability to compete effectively in rate-sensitive lending segments, specifically mortgages, which forms ~1/3<sup>rd</sup> of its loan book.
- **Asset quality improved,** backed by controlled slippages and healthy recoveries and upgrades. GNPA/NNPA moderated to 2.9%/0.5% in FY23 vs. 3.8%/0.8% in FY22. BB and below pool declined, while the restructuring book fell to ~0.4% of loans. PCR remained healthy at ~83%. We estimate GNPA/NNPA to moderate to 2.3%/0.5% by FY25E and credit cost to undershoot long-term trends at avg 0.4%.
- **Maintain BUY with a TP of INR1,150:** ICICIBank has been reporting a robust performance, led by a strong core PPOP, controlled provisions, and steady asset quality. A healthy mix of a high yielding portfolio (Retail/Business Banking) and a low-cost liability franchise has helped sharp margin recovery over FY23. The bank is witnessing strong traction across key segments such as Retail, SME, and Business Banking. Asset quality trends remain steady, while additional COVID-19 provision buffer (1.2% of loans) renders further comfort. Ahead of the new growth cycle, the bank is well-positioned with a superior margin, strong RoE and asset quality, and robust capitalization levels. We estimate ICICIBank to deliver RoA/RoE of 2.2%/17.7% in FY25. We estimate earnings growth to moderate to 17% CAGR over FY23-25. This can be primarily attributed to a decline in margins and limited available levers to reduce opex/credit costs. Consequently, this is expected to result in a gradual stock performance. We retain our BUY rating with a SoTP-based TP of INR1,150 (2.6x FY25E ABV). **ICICIBank remains one of our preferred picks in the sector.**

### Exhibit 52: ICICI Bank — SOTP-based FY25E

	Stake (%)	Total Value INR b	Value Per Share INR	% of Total Value	Rationale
<b>ICICI Bank</b>	<b>100</b>	<b>6,744</b>	<b>966</b>	<b>84.0</b>	❖ <b>2.6x FY25E ABV</b>
ICICI Pru Life Insurance	51	432	68	5.9	❖ 1.9x FY25E Embedded Value
ICICI Lombard Gen. Ins	48	339	56	4.8	❖ 34x FY25E PAT
ICICI Pru AMC	51	401	62	5.4	❖ 30x FY25E PAT
ICICI Securities	75	154	23	2.0	❖ 15x FY25E PAT
ICICI Bank UK	100	30	4	0.4	❖ 0.8x FY25E Net-worth
ICICI Bank Canada	100	35	5	0.4	❖ 0.8x FY25E Net-worth
Others (Ventures, Home Finance, PD)	100	74	12	1.0	
<b>Total Value of Ventures</b>		<b>1,465</b>	<b>230</b>	<b>20.0</b>	
Less: 20% holding Discount		293	46	4.0	
<b>Value of Key Ventures (Post Holding Co. Disc)</b>		<b>1,172</b>	<b>184</b>	<b>16.0</b>	
<b>Target Price Post 20% Holding Co. Disc.</b>		<b>7,916</b>	<b>1,150</b>		

Source: MOFSL, Company

**Exhibit 53: DuPont Analysis — Estimate RoA/RoE to remain steady at ~2.2%/18%**

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Interest Income	6.66	6.88	7.25	6.79	6.54	7.29	8.13	8.09
Interest Expense	3.87	3.95	4.03	3.45	2.95	3.14	3.84	3.90
<b>Net Interest Income</b>	<b>2.79</b>	<b>2.93</b>	<b>3.23</b>	<b>3.35</b>	<b>3.59</b>	<b>4.15</b>	<b>4.30</b>	<b>4.19</b>
Core Fee Income	1.32	1.26	1.28	1.27	1.04	1.19	1.16	1.13
Trading and others	0.79	0.31	0.32	0.36	0.36	0.13	0.17	0.20
<b>Non Interest income</b>	<b>2.11</b>	<b>1.57</b>	<b>1.59</b>	<b>1.63</b>	<b>1.40</b>	<b>1.32</b>	<b>1.32</b>	<b>1.33</b>
<b>Total Income</b>	<b>4.90</b>	<b>4.50</b>	<b>4.82</b>	<b>4.98</b>	<b>5.00</b>	<b>5.47</b>	<b>5.62</b>	<b>5.52</b>
<b>Operating Expenses</b>	<b>1.90</b>	<b>1.96</b>	<b>2.10</b>	<b>1.85</b>	<b>2.02</b>	<b>2.19</b>	<b>2.32</b>	<b>2.28</b>
Employee cost	0.72	0.74	0.80	0.69	0.73	0.81	0.86	0.84
Others	1.19	1.22	1.29	1.16	1.29	1.39	1.46	1.44
<b>Operating Profits</b>	<b>3.00</b>	<b>2.54</b>	<b>2.72</b>	<b>3.13</b>	<b>2.97</b>	<b>3.28</b>	<b>3.30</b>	<b>3.24</b>
<b>Core operating Profits</b>	<b>2.21</b>	<b>2.23</b>	<b>2.41</b>	<b>2.77</b>	<b>2.61</b>	<b>3.14</b>	<b>3.13</b>	<b>3.04</b>
<b>Provisions</b>	<b>2.10</b>	<b>2.13</b>	<b>1.36</b>	<b>1.39</b>	<b>0.65</b>	<b>0.45</b>	<b>0.28</b>	<b>0.31</b>
NPA	1.73	1.82	0.85	0.93	0.47	-0.04	0.24	0.26
Others	0.37	0.31	0.51	0.47	0.19	0.49	0.04	0.04
<b>PBT</b>	<b>0.90</b>	<b>0.41</b>	<b>1.36</b>	<b>1.73</b>	<b>2.32</b>	<b>2.83</b>	<b>3.01</b>	<b>2.93</b>
Tax	0.08	0.04	0.59	0.34	0.55	0.70	0.74	0.72
<b>RoA</b>	<b>0.82</b>	<b>0.36</b>	<b>0.77</b>	<b>1.39</b>	<b>1.77</b>	<b>2.13</b>	<b>2.27</b>	<b>2.21</b>
Leverage	8.3	8.9	9.4	9.0	8.5	8.2	8.0	8.0
<b>RoE</b>	<b>6.8</b>	<b>3.2</b>	<b>7.3</b>	<b>12.6</b>	<b>15.0</b>	<b>17.5</b>	<b>18.2</b>	<b>17.7</b>
<b>Core RoE</b>	<b>7.6</b>	<b>3.6</b>	<b>8.0</b>	<b>13.6</b>	<b>15.9</b>	<b>18.4</b>	<b>19.0</b>	<b>18.3</b>

Source: MOFSL, Company

## Financials and valuations

Income Statement							(INR b)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Interest Income	549.7	634.0	748.0	791.2	863.7	1,092.3	1,393.2	1,613.4
Interest Expended	319.4	363.9	415.3	401.3	389.1	471.0	657.0	778.0
<b>Net Interest Income</b>	<b>230.3</b>	<b>270.1</b>	<b>332.7</b>	<b>389.9</b>	<b>474.7</b>	<b>621.3</b>	<b>736.2</b>	<b>835.4</b>
Growth (%)	5.9	17.3	23.1	17.2	21.7	30.9	18.5	13.5
Other Income	174.2	145.1	164.5	189.7	185.2	198.3	226.9	265.4
<b>Total Income</b>	<b>404.5</b>	<b>415.3</b>	<b>497.2</b>	<b>579.6</b>	<b>659.8</b>	<b>819.6</b>	<b>963.1</b>	<b>1,100.8</b>
Growth (%)	-1.9	2.7	19.7	16.6	13.8	24.2	17.5	14.3
Operating Exp.	157.0	180.9	216.1	215.6	267.3	328.7	398.2	455.3
<b>Operating Profits</b>	<b>247.4</b>	<b>234.4</b>	<b>281.0</b>	<b>364.0</b>	<b>392.5</b>	<b>490.9</b>	<b>564.8</b>	<b>645.5</b>
Growth (%)	-6.6	-5.3	19.9	29.5	7.8	25.1	15.1	14.3
<b>Core PPP</b>	<b>189.5</b>	<b>221.0</b>	<b>264.6</b>	<b>312.2</b>	<b>385.5</b>	<b>490.4</b>	<b>564.3</b>	<b>645.0</b>
Growth (%)	6.1	16.6	19.7	18.0	23.5	27.2	15.1	14.3
Provisions & Cont.	173.1	196.6	140.5	162.1	86.4	66.7	48.5	61.1
<b>PBT</b>	<b>74.3</b>	<b>37.8</b>	<b>140.5</b>	<b>201.8</b>	<b>306.1</b>	<b>424.2</b>	<b>516.4</b>	<b>584.4</b>
Tax	6.6	4.1	61.2	39.9	72.7	105.2	127.5	144.4
Tax Rate (%)	8.8	10.9	43.5	19.8	23.7	24.8	24.7	24.7
<b>PAT</b>	<b>67.8</b>	<b>33.6</b>	<b>79.3</b>	<b>161.9</b>	<b>233.4</b>	<b>319.0</b>	<b>388.8</b>	<b>440.1</b>
Growth (%)	-30.9	-50.4	135.8	104.2	44.1	36.7	21.9	13.2

Balance Sheet								
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	12.9	12.9	12.9	13.8	13.9	14.0	14.0	14.0
Reserves & Surplus	1,038.7	1,070.8	1,152.1	1,461.2	1,688.6	1,985.6	2,315.0	2,692.3
<b>Net Worth</b>	<b>1,051.6</b>	<b>1,083.7</b>	<b>1,165.0</b>	<b>1,475.1</b>	<b>1,702.5</b>	<b>1,999.5</b>	<b>2,329.0</b>	<b>2,706.2</b>
<b>Deposits</b>	<b>5,609.8</b>	<b>6,529.2</b>	<b>7,709.7</b>	<b>9,325.2</b>	<b>10,645.7</b>	<b>11,808.4</b>	<b>13,697.8</b>	<b>16,026.4</b>
Growth (%)	14.5	16.4	18.1	21.0	14.2	10.9	16.0	17.0
<b>Of which CASA Deposits</b>	<b>2,899.3</b>	<b>3,239.4</b>	<b>3,478.2</b>	<b>4,316.2</b>	<b>5,184.4</b>	<b>5,412.6</b>	<b>5,903.7</b>	<b>6,955.4</b>
Growth (%)	17.5	11.7	7.4	24.1	20.1	4.4	9.1	17.8
Borrowings	1,828.6	1,653.2	1,629.0	916.3	1,072.3	1,193.3	1,393.1	1,602.8
Other Liabilities & Prov.	302.0	378.5	479.9	587.7	689.8	833.3	999.9	1,149.9
<b>Total Liabilities</b>	<b>8,791.9</b>	<b>9,644.6</b>	<b>10,983.6</b>	<b>12,304.3</b>	<b>14,110.3</b>	<b>15,834.5</b>	<b>18,419.8</b>	<b>21,485.3</b>
Current Assets	841.7	803.0	1,191.6	1,331.3	1,678.2	1,194.4	1,437.2	1,562.7
<b>Investments</b>	<b>2,029.9</b>	<b>2,077.3</b>	<b>2,495.3</b>	<b>2,812.9</b>	<b>3,102.4</b>	<b>3,623.3</b>	<b>4,239.3</b>	<b>4,959.9</b>
Growth (%)	25.7	2.3	20.1	12.7	10.3	16.8	17.0	17.0
<b>Loans</b>	<b>5,124.0</b>	<b>5,866.5</b>	<b>6,452.9</b>	<b>7,337.3</b>	<b>8,590.2</b>	<b>10,196.4</b>	<b>12,031.7</b>	<b>14,197.4</b>
Growth (%)	10.4	14.5	10.0	13.7	17.1	18.7	18.0	18.0
<b>Net Fixed Assets</b>	<b>79.0</b>	<b>79.3</b>	<b>84.1</b>	<b>88.8</b>	<b>93.7</b>	<b>96.0</b>	<b>103.7</b>	<b>112.0</b>
Other Assets	717.3	818.5	759.8	734.1	648.4	732.0	607.9	653.2
<b>Total Assets</b>	<b>8,791.9</b>	<b>9,644.6</b>	<b>10,983.7</b>	<b>12,304.3</b>	<b>14,113.0</b>	<b>15,842.1</b>	<b>18,419.8</b>	<b>21,485.3</b>

Asset Quality								
GNPA	540.6	462.9	414.5	414.6	332.9	299.9	297.2	330.7
NNPA	278.9	135.8	100.5	92.5	64.4	51.5	52.0	57.7
GNPA Ratio (%)	10.0	7.5	6.1	5.4	3.8	2.9	2.4	2.3
NNPA Ratio (%)	5.4	2.3	1.6	1.3	0.8	0.5	0.4	0.4
Slippage Ratio (%)	6.1	2.0	2.2	2.3	2.4	1.9	2.0	2.0
Credit Cost (%)	3.5	3.6	2.3	2.4	1.1	0.7	0.4	0.4
PCR (Excl Technical write off) (%)	48.4	70.7	75.7	77.7	80.6	82.8	82.5	82.6

E: MOFSL Estimates



## Financials and valuations

### Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Yielded and Cost Ratios (%)</b>								
<b>Avg. Yield - Earning Assets</b>	<b>7.7</b>	<b>7.9</b>	<b>8.2</b>	<b>7.6</b>	<b>7.4</b>	<b>8.2</b>	<b>8.9</b>	<b>8.7</b>
Avg. Yield on loans	8.4	8.7	9.3	8.3	8.0	8.9	9.7	9.5
Avg. Yield on Investments	6.3	6.2	6.4	6.2	5.5	6.2	6.8	6.7
<b>Avg. Cost-Int. Bear. Liab.</b>	<b>4.6</b>	<b>4.7</b>	<b>4.7</b>	<b>4.1</b>	<b>3.5</b>	<b>3.8</b>	<b>4.7</b>	<b>4.8</b>
Avg. Cost of Deposits	4.5	4.4	4.6	3.9	3.3	3.5	4.5	4.6
<b>Interest Spread</b>	<b>3.0</b>	<b>3.3</b>	<b>3.5</b>	<b>3.5</b>	<b>3.9</b>	<b>4.4</b>	<b>4.2</b>	<b>4.0</b>
<b>Net Interest Margin</b>	<b>3.2</b>	<b>3.4</b>	<b>3.7</b>	<b>3.7</b>	<b>4.1</b>	<b>4.7</b>	<b>4.7</b>	<b>4.5</b>

### Capitalisation Ratios (%)

CAR	17.9	16.5	15.8	18.9	18.9	18.3	17.9	17.6
Tier I	15.6	14.7	14.4	17.8	18.0	17.6	17.4	17.2
Tier II	2.3	1.7	1.4	1.1	0.9	0.7	0.5	0.4

### Business and Efficiency Ratios (%)

Loan/Deposit Ratio	91.3	89.8	83.7	78.7	80.7	86.3	87.8	88.6
CASA Ratio %	51.7	49.6	45.1	46.3	48.7	45.8	43.1	43.4
Cost/Assets	1.8	1.9	2.0	1.8	1.9	2.1	2.2	2.1
Cost/Total Income	38.8	43.6	43.5	37.2	40.5	40.1	41.4	41.4
Cost/Core Income	45.3	45.0	45.0	40.8	41.0	40.1	41.4	41.4
Int. Expended/Int.Earned	58.1	57.4	55.5	50.7	45.0	43.1	47.2	48.2
Other Inc./Net Income	43.1	34.9	33.1	32.7	28.1	24.2	23.6	24.1
Empl. Cost/Op. Exps.	37.7	37.6	38.3	37.5	36.2	36.7	37.1	37.0

### Valuation

	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
RoE (%)	6.8	3.2	7.3	12.6	15.0	17.5	18.2	17.7
Core RoE (%)	7.6	3.6	8.0	13.6	15.9	18.4	19.0	18.3
RoA (%)	0.8	0.4	0.8	1.4	1.8	2.1	2.3	2.2
RoRWA (%)	1.0	0.5	1.0	1.9	2.6	3.1	3.3	3.2
Book Value (INR)	161.0	165.5	177.3	210.8	242.8	285.0	331.1	385.1
BV Growth (%)	-4.6	2.8	7.1	18.9	15.2	17.4	16.2	16.3
Price-BV (x)	<b>4.9</b>	<b>4.8</b>	<b>4.5</b>	<b>3.8</b>	<b>3.3</b>	<b>2.8</b>	<b>2.4</b>	<b>2.1</b>
Adj BV (adjusted for NPA)	130.6	150.7	166.4	201.4	236.3	279.8	325.9	379.3
ABV Growth (%)	-5.3	15.4	10.4	21.0	17.3	18.4	16.5	16.4
Price-ABV (x)	<b>6.1</b>	<b>5.3</b>	<b>4.8</b>	<b>3.9</b>	<b>3.4</b>	<b>2.8</b>	<b>2.4</b>	<b>2.1</b>
Standalone ABV	115	136	151	187	224	267	314	368
ABV Growth (%)	-4.0	17.5	11.6	23.8	19.6	19.3	17.5	17.2
Adjusted Price-ABV (x)	<b>6.9</b>	<b>5.9</b>	<b>5.3</b>	<b>4.2</b>	<b>3.5</b>	<b>3.0</b>	<b>2.5</b>	<b>2.2</b>
Consol Book Value (INR)	172	177	190	228	262	309	368	439
BV Growth (%)	-4.2	3.0	7.2	19.9	15.0	18.1	19.0	19.2
Price-Consol BV (x)	<b>5.7</b>	<b>5.5</b>	<b>5.2</b>	<b>4.3</b>	<b>3.7</b>	<b>3.2</b>	<b>2.7</b>	<b>2.2</b>
EPS (INR)	11.1	5.2	12.3	24.2	33.7	45.8	55.7	63.0
EPS Growth (%)	-34.3	-52.8	135.0	97.0	39.2	36.0	21.6	13.2
Adj. Price-Earnings (x)	<b>71.8</b>	<b>152.1</b>	<b>64.7</b>	<b>32.8</b>	<b>23.6</b>	<b>17.4</b>	<b>14.3</b>	<b>12.6</b>
Dividend Per Share (INR)	2.3	1.5	1.0	0.0	2.0	5.0	8.5	9.0
Dividend Yield (%)	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>	<b>0.0</b>	<b>0.2</b>	<b>0.5</b>	<b>0.9</b>	<b>0.9</b>

E: MOFSL Estimates

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NOTES

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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