

ICICI Bank

Consistent performance adds to growth leadership

ICICI Bank (ICICIB) clocked another steady quarter on the back of consistent loan growth (+18% YoY) and lower credit costs (23bps of loans), maintaining its robust asset quality alongside a healthy PCR (~83%). Loan growth was driven by healthy deposit growth (+19% YoY), largely retail TDs as the CASA ratio eased to 40.8% (-222bps QoQ), resulting in a 22-bps QoQ spike in the cost of deposits. With limited yield reflation despite improving retail mix, NIMs softened by 25bps QoQ to 4.53% and are likely to trend further lower. We tweak our FY24E/FY25E forecasts to factor in the elevated cost of funds and opex intensity, largely offset by normalised credit costs (>40bps for each of FY24-25); we maintain BUY with a SOTP-based TP of INR1,190 (standalone at 2.9x Mar-25 ABVPS).

- Loan growth offset by NIM compression:** Loan growth was healthy across segments with the unsecured book (13% of loans) clocking a 37% YoY growth. As expected, NII remained flat sequentially, despite strong growth numbers due to sharp moderation in NIMs on the back of a steep jump in funding costs. With limited reflation from repo-linked (48%) and MCLR (18%) portfolios, the yields remained relatively flat on a sequential basis (-5bps QoQ).
- Benign asset quality offsets elevated opex and funding costs:** Asset quality was impressive as slippages and recoveries improved relative to Q1FY24, led by lower slippages in the retail book and stronger recoveries in the corporate portfolio, translating into lower credit costs. However, given the sustained competitive intensity for low-cost deposits and the bulk of the asset repricing behind, we expect NIM compression to continue. With a focus on investments in tech and digital transformation, we expect opex ratios to stay elevated.
- Sustained growth leadership:** ICICIB has been demonstrating reasonable consistency in sustaining growth leadership across segments, especially in unsecured loans, which has witnessed growth in excess of 35% for six straight quarters, while simultaneously managing a superior asset quality. Coupled with incremental investments around digital and physical channels, we are confident of the bank's ability to drive productivity and efficiency gains on its way to deliver and sustain RoAs in excess of 2%.

Financial summary

(INR bn)	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	FY23	FY24E	FY25E	FY26E
NII	183.1	147.9	23.8%	182.3	0.4%	621.3	705.7	803.4	924.3
PPOP	142.3	116.8	21.8%	141.4	0.6%	490.9	560.6	633.2	731.5
PAT	102.6	75.6	35.8%	96.5	6.3%	319.0	376.0	428.5	491.2
EPS (INR)	14.7	10.6	37.8%	13.5	8.6%	45.7	53.7	61.2	70.2
ROAE (%)						17.2	17.6	17.4	17.2
ROAA (%)						2.1	2.2	2.2	2.2
ABVPS (INR)						270.2	304.4	353.5	412.2
P/ABV (x)						3.4	3.1	2.6	2.3
P/E (x)						20.4	17.3	15.2	13.3

Source: Company, HSIE Research

Change in estimates

(INR bn)	FY24E			FY25E		
	Old	New	Δ	Old	New	Δ
Net advances	11,852	11,875	0.2%	13,765	13,784	0.1%
NIM (%)	4.7	4.6	-8 bps	4.6	4.5	-9 bps
NII	717.4	705.7	-1.6%	817.4	803.4	-1.7%
PPOP	577.2	560.6	-2.9%	658.7	633.2	-3.9%
PAT	376.5	376.0	-0.1%	432.8	428.5	-1.0%
Adj. BVPS (INR) (standalone)	311.9	304.4	-2.4%	361.9	353.5	-2.3%

Source: Company, HSIE Research

BUY

CMP (as on 20 Oct 2023)	INR 933
Target Price	INR 1,190
NIFTY	19,543

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR1,200	INR 1,190
	FY24E	FY25E
EPS %	-0.1%	-1.0%

KEY STOCK DATA

Bloomberg code	ICICIB IN
No. of Shares (mn)	7,004
MCap (INR bn) / (\$ mn)	6,533/79,888
6m avg traded value (INR mn)	16,572
52 Week high / low	INR 1,009/796

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(6.3)	4.3	5.0
Relative (%)	(3.1)	(5.4)	(5.5)

SHAREHOLDING PATTERN (%)

	Jun-23	Sep-23
Promoters	0	0
FIs & Local MFs	45.3	45.5
FPIs	44.5	44.4
Public & Others	10.2	10.1
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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