



3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✓	✗	✗
+ Positive		= Neutral	- Negative

What has changed in 3R MATRIX

	Old		New
RS	✓	↔	✓
RQ	✓	↔	✓
RV	✓	↔	✓

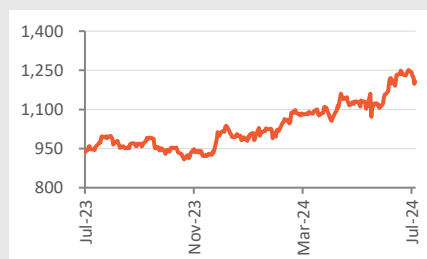
Company details

Market cap:	Rs. 8,50,021 cr
52-week high/low:	Rs. 1,258 / 899
NSE volume: (No of shares)	160.9 lakh
BSE code:	532174
NSE code:	ICICIBANK
Free float: (No of shares)	703.8 cr

Shareholding (%)

Promoters	-
FII	45.5
DII	44.7
Others	9.8

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-0.8	9.0	19.6	21.3
Relative to Sensex	-4.2	-1.3	4.6	-0.6

Sharekhan Research, Bloomberg

ICICI Bank

Q1 in-line, other income keeps return ratios steady

Bank	Sharekhan code: ICICIBANK		
Reco/View: Buy	↔	CMP: Rs. 1,208	Price Target: Rs. 1,450
↑ Upgrade	↔ Maintain	↓ Downgrade	

Summary

- Core earnings were broadly in line but reported earnings were above estimates mainly led by higher treasury gains and other income which resulted in steady state RoA at ~2.36%.
- Core PPOP growth (excluding treasury gains & dividend income) was soft, grew by 7% y-o-y on expected lines. Credit cost stayed lower. Overall, asset quality trends were broadly stable including unsecured retail except seasonality in agri portfolio was seen.
- Deposit growth (1% q-o-q) was lower than loan growth 3% q-o-q. The bank guided that competitive intensity in deposit rates remain elevated thus it will take a view on pricing only on need based depending upon the maturity outflows, as the CD ratio is still reasonable at ~86%.
- Overall, we see ICICI Bank relatively well-positioned among large private peers despite gradual normalisation of the business matrix. We maintain a Buy with a revised PT of Rs. 1,450. Stock trades at 2.5x/2.1x its FY2025E/FY2026E core BV estimates.

Q1FY25 numbers were in-line. Net interest income (NII) at Rs. 19,553 crore (in line) grew by 7% y-o-y/2% q-o-q. Net interest margin (NIM) marginally fell by 4 bps q-o-q to 4.36%. The bank has guided that NIMs pressure is likely to persist in the near term but the pace of contraction would depend upon deposit rate hikes if any, given competitive intensity in deposit rates remain elevated. Core fee income grew by 13% y-o-y/1% q-o-q. Treasury gains stood at Rs. 613 crore versus a loss of Rs. 281 crore q-o-q and a gain of Rs. 252 crore in Q1FY24. Other income excluding treasury gains grew by 164% y-o-y/ 82% q-o-q mainly due to higher dividend income. Total operating expenses grew by 11% y-o-y/ 9% q-o-q. Opex growth was higher, mainly led by staff cost due to increments and variable pay. Operating profit grew by 13% y-o-y/7% q-o-q mainly led by other income and treasury gains. Core PPOP (ex. treasury gains & dividend income) grew by 7% y-o-y/ down 2% q-o-q. Credit cost remained lower but gradual normalisation is seen led by a normalisation in recoveries/ slippages. Total credit cost stood at 44 bps vs 25 bps qoq. Adjusted for reversal in provisions on account of AIF, core credit cost stood at 50 bps. PBT grew by 14% y-o-y/ 3% q-o-q. PAT came in at Rs. 11,059 crore (above estimates mainly led by other income and treasury gains) up 15% y-o-y/ 3% q-o-q. Net advances grew by 16% y-o-y/ 3% q-o-q, with retail loans growing by 17% y-o-y/2% q-o-q; business banking grew by 36% y-o-y/9% q-o-q, SME grew by 24% y-o-y/ 4% q-o-q, Rural loans grew by 17% y-o-y/ 3% q-o-q. The domestic wholesale corporate book grew by 10% y-o-y/ 3% q-o-q. Total deposits grew by 15% y-o-y/1% q-o-q. CASA grew by 9% y-o-y/ 2% q-o-q. CASA ratio at 40.9% vs 43.3% y-o-y. Term deposits grew by 20% y-o-y/ 3% q-o-q. Headline asset quality trends remained stable q-o-q, with GNPA/NNPA ratio at 2.15%/0.43% but the slippages ratio was higher at 2.2% versus 2.0% q-o-q (calculated as a % of 12-month trailing loans). Net slippages were at Rs. 2,624 crore versus Rs. 1,221 crore q-o-q mainly led by lower recoveries and marginally higher slippages. The restructured book stood at 0.22% of advances vs 0.26% q-o-q. BB and below-rated book (from corporate and SME) stood at Rs. 5,286 crore vs Rs. 5,528 crore q-o-q. Total contingent provisions remained stable at Rs. 13,100 crore (1.1% of loans).

Key positives

- Loan growth remained healthy at 16% y-o-y/ 3% q-o-q.
- Credit cost stayed lower.

Key negatives

- Net slippages were at Rs. 2,624 crore vs Rs. 1,221 crore q-o-q mainly led by lower recoveries and marginally higher slippages.
- CASA flows were muted by a 9% q-o-q fall in current account balances.

Management Commentary

- Competitive intensity in deposit rates remain elevated thus bank will take a view on pricing only on need based depending upon the maturity outflows, as the CD ratio is still at reasonable levels.
- Bank does not envisage any challenge in growing loan book however corporate segment is seeing higher competitive intensity.
- Impact of draft LCR norms would result in the average LCR dropping by 10-14% from the current levels. Avg. LCR stood at 123% during Q1.
- Credit cost would normalise gradually over the next couple of quarters but will likely remain below long term average trend.

Our Call

Valuation – Maintain Buy with a revised PT of Rs. 1,450: ICICI Bank currently trades at 2.5x/2.1x its FY2025E/ FY2026E core BV estimates. Overall, we see ICICI Bank relatively well-positioned among large private peers in terms of growth as well as profitability. We believe bank is likely to sustain RoA over ~2% in near to medium term despite normalisation of NIMs and credit cost. The bank has been delivering predictable earnings with healthy growth on sustained basis which is a key positive.

Key Risks

Lower loan growth and higher-than-anticipated credit costs; slower growth in retail deposits; and lower-than-expected margins.

Valuation (Standalone)

Particulars	FY22	FY23	FY24	FY25E	FY26E
Net Interest Income	47,466	62,129	74,306	83,886	97,906
Net profit	23,339	31,897	40,888	45,471	51,230
EPS (Rs.)	33.0	44.9	57.3	64.7	72.9
P/E (x)	30.8	22.7	17.7	15.7	13.9
P/Core BV (x)	4.1	3.5	3.0	2.5	2.1
RoE	14.7	17.2	18.6	17.5	16.6
RoA	1.8	2.1	2.4	2.3	2.2

Source: Company; Sharekhan estimates

Key result highlights

- ♦ **NIM outlook:** Net interest income (NII) at Rs. 19,553 crore (in line) grew by 7% y-o-y/2% q-o-q. Net interest margin (NIM) marginally declined by 4 bps q-o-q to 4.36%. The bank has guided that NIMs are likely to stay stressed in the near term but the pace of contraction would depend upon the increase in deposit rates if any, given competitive intensity in deposit rates remain elevated.
- ♦ **Lower credit cost sustained:** Credit cost remained lower but gradual normalisation is seen led by normalisation in recoveries/ slippages. Total credit cost stood at 44 bps versus 25 bps q-o-q. Adjusted for reversal in provisions on account of AIF, core credit cost stood at 50 bps. Credit cost is on the path to normalise gradually over the next couple of quarters but will likely remain below long term average trend.
- ♦ **Loan growth remained healthy and calibrated:** Advances growth remained healthy and calibrated, grew by 16% y-o-y/ 3% q-o-q with the retail book growing by 17% y-o-y. Rural loans grew by 17% y-o-y. In the retail loan segment, mortgages grew by 14% y-o-y, vehicle loans grew by 13% y-o-y, personal loans increased by 25% y-o-y, while credit cards grew by 31% y-o-y. Business banking and SME grew by 36% y-o-y and 24% y-o-y, respectively. The wholesale domestic corporate book grew by 10% y-o-y. Overseas loan portfolio was ~3% of the overall loan book grew by 7% y-o-y. Quarterly average LCR was at 123% stable q-o-q. The bank does not envisage any challenge in growing loan book however corporate segment is seeing higher competitive intensity.
- ♦ **Deposit growth muted:** Total deposits grew by 15% y-o-y/1% q-o-q (lower than loan growth). CASA grew by 9% y-o-y/ 2% q-o-q. CASA ratio at 40.9% versus 43.3% y-o-y. Term deposits grew by 20% y-o-y/ 3% q-o-q. Competitive intensity in deposit rates remain high and thus the bank will take a view on pricing only on need based depending upon the maturity outflows, as the CD ratio currently is still at reasonable levels.
- ♦ **Asset quality broadly stable:** Headline asset quality trends remained stable q-o-q, with GNPA/NNPA ratios at 2.15%/0.43% however, slippages ratio was higher at 2.2% versus 2.0% q-o-q (calculated as a percentage of 12-month trailing loans). Net slippages were at Rs. 2,624 crore vs Rs. 1,221 crore q-o-q mainly led by lower recoveries and higher slippages in agri portfolio due to seasonality. The restructured book stood at 0.22% of advances versus 0.26% q-o-q. BB and below-rated book (from corporate and SME) stood at Rs. 5,286 crore versus Rs. 5,528 crore q-o-q. Total contingent provisions remained stable at Rs. 13,100 crore (1.1% of loans). Unsecured retail book showed stable trends.

Results (Standalone)

					Rs cr
Particulars	Q1FY25	Q1FY24	Q1FY24	Y-o-Y (%)	Q-o-Q (%)
Interest Inc.	38,996	33,328	37,948	17	3
Interest Expenses	19,443	15,101	18,856	29	3
Net Interest Income	19,553	18,226	19,093	7	2
NIM (%)	4.36	4.78	4.40	-9	-1
Core Fee Income	5,490	4,843	5,436	13	1
Other Income	1,512	592	213	155	611
Net Income	26,555	23,662	24,742	12	7
Employee Expenses	4,371	3,884	3,720	13	17
Other Opex	6,159	5,639	5,983	9	3
Total Opex	10,530	9,523	9,703	11	9
Cost to Income Ratio	39.7%	40.2%	39.2%		
Pre Provision Profits	16,025	14,139	15,039	13	7
Provisions & Contingencies - Total	1,332	1,292	718	3	85
Profit Before Tax	14,693	12,847	14,320	14	3
Tax	3,634	3,198	3,613	14	1
Effective Tax Rate	25%	25%	25%		
Reported Profits	11,059	9,648	10,708	15	3
Basic EPS (Rs)	15.73	13.80	15.26	14	3
Diluted EPS (Rs)	15.46	13.54	14.99	14	3
RoA (%)	2.4	2.4	2.4		
Advances	12,23,154	10,57,583	11,84,406	16	3
Deposits	14,26,149	12,38,737	14,12,825	15	1
Gross NPA	28,719	31,822	27,962	-10	3
Gross NPA Ratio (%)	2.15	2.76	2.16		
Net NPA	5,685	5,382	5,378	6	6
Net NPAs Ratio (%)	0.43	0.48	0.42		
PCR - Calculated	80.2%	83.1%	80.8%		

Source: Company; Sharekhan Research

SOTP Valuation

Particulars	Per share (Rs)
Core Bank Value	1,260
ICICI Prudential Life Insurance	48
ICICI Lombard General Insurance	60
ICICI Prudential AMC	48
ICICI Securities	22
ICICI Home Finance	3
ICICI Bank UK Plc	5
ICICI Bank Canada	5
ICICI Venture	4
ICICI PD business	4
Sum of subs/ associates	239
Holding Co. discount @20%	49
Value of subs/ associates post holdco discount	190
Fair Value	1,450

Source: Company; Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Deposit mobilisation to be in focus; banks with a superior liability franchise placed better

System-level credit offtake (ex-HDFC Ltd) grew by ~16% y-o-y in the fortnight ending June 14, 2024, indicating loan growth has been healthy and sustaining given distinct signs of improved macros, revival of private capex, and healthy demand. On the other hand, deposits rose by ~12%. Gap between advances and deposits growth has been reducing very gradually. We are seeing strong traction in loan growth and but deposit growth remains a constraint. Margins are expected to stay stressed due to lower CASA flows, higher deposits rates and an inability to pass on rates on asset book. Overall, the asset-quality outlook is stable to positive for the sector. We believe banks with a robust capital base and strong retail deposit franchises are well-placed to capture growth opportunities

■ Company Outlook – Well positioned among large peers

The bank is positioned well with superior margins, strong RoE, asset quality, contingency buffers, and robust capitalisation in this upcycle. A strong liability franchise indicates a robust business outlook for the bank. We find ICICI Bank to be an attractive franchise with a strong balance sheet and a better return ratio matrix, which makes it attractive over the medium term. Moreover, its well-performing subsidiaries, which are strong players in their respective fields, add value to the overall business. The franchise is looking towards more predictable performance, which is a key positive.

■ Valuation – Maintain Buy with a revised PT of Rs. 1,450

ICICI Bank currently trades at 2.5x/2.1x its FY2025E/FY2026E core BV estimates. Overall, we see ICICI Bank relatively well-positioned among large private peers in terms of growth as well as profitability. We believe bank is likely to sustain RoA over ~2% in near to medium term despite normalisation of NIMs and credit cost. The bank has been delivering predictable earnings with healthy growth on sustained basis which is a key positive.

Peer valuation

Particulars	CMP (Rs / Share)	MCAP (Rs Cr)	P/E (x)		P/B (x)		RoE (%)		RoA (%)	
			FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
ICICI Bank	1,208	8,50,021	15.7	13.9	2.5	2.1	17.5	16.6	2.3	2.2
HDFC Bank	1,618	12,30,842	15.9	14.2	2.2	1.9	14.6	14.2	1.8	1.8
Axis Bank	1,178	3,63,998	12.8	11.2	1.9	1.6	16.1	15.9	1.7	1.7

Source: Company, Sharekhan estimates

About company

ICICI Bank is India's second-largest private bank and has a leadership position in other financial services businesses through its subsidiaries. The bank offers the entire spectrum of financial services to customer segments covering large and mid-corporates, MSME, agri, and retail businesses. The bank has currently 6,587 branches with 51% of branches in rural and semi-urban areas.

Investment theme

The bank is positioned well with superior margins, strong RoE, asset quality, contingency buffers, and robust capitalisation levels in this upcycle. Moreover, its well-performing subsidiaries, which are strong players in their respective fields, add value to the overall business. The franchise is looking towards a more predictable performance, which is a key positive.

Key Risks

Lower loan growth and higher-than-anticipated credit cost; slower growth in retail deposits; and lower-than-expected margins.

Additional Data

Key management personnel

Mr. Sandeep Bakhshi	Managing Director & CEO
Mr. Rakesh Jha	Executive Director
Mr. Anindya Banerjee	Chief Financial Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Life Insurance Corporation of India	5.84
2	SBI Funds Management Ltd	5.40
3	ICICI Prudential Asset Management	3.58
4	BlackRock Inc	2.94
5	HDFC Asset Management Co Ltd	2.92
6	Republic of Singapore	2.32
7	NPS Trust A/c Uti Retirement Solut	2.10
8	UTI Asset Management Co Ltd	1.83
9	Nippon Life India Asset Management	1.52
10	FMR LLC	1.52

Source: Bloomberg

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Understanding the Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Sharekhan Research

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