

Quality performance once again vs peers

BFSI - Banks ▶ Result Update ▶ October 27, 2024

TARGET PRICE (Rs): 1,450

ICICI Bank posted a 3% beat on PAT at Rs117bn and a superior RoA of 2.4% among peers, primarily due to healthy NII and better fees/treasury gains. Defying industry and peer trends, the bank clocked healthy credit growth at 15% YoY/4% QoQ, driven by some pick-up in corporate, business banking, and non-PL retail book. Deposit growth was equally healthy at 16% YoY/5% QoQ, while the bank maintains reasonable LCR at 120%. Amid most peers reporting higher NPAs, ICICIB continues to witness steady improvement in GNPA ratio to ~2%, while sustaining healthy specific PCR at 79%/contingent buffer @1% of loans amid rising stress in unsecured loans across industry. Management has indicated being cautious on unsecured loans (mainly PL), but believes that overall stress levels remain well below tolerable levels. ICICIB remains our preferred pick in the banking space, given its superior returns profile (RoA: >2%), top-management credibility, and strong capital/provision buffers. We retain BUY on ICICIB with TP of Rs1,450, rolling forward on 2.6x Sep-26E ABV (deserving premium over HDFCB @2.3x) and subsidiaries at Rs215/sh.

ICICI Bank: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net profit	318,965	408,883	465,663	510,540	570,347
Loan growth (%)	18.7	16.2	14.1	15.1	17.0
NII growth (%)	30.9	19.6	10.7	12.0	14.6
NIM (%)	4.4	4.5	4.3	4.2	4.2
PPOP growth (%)	25.1	18.4	14.8	14.1	17.0
Adj. EPS (Rs)	45.8	58.4	66.2	72.4	80.9
Adj. EPS growth (%)	36.0	27.5	13.4	9.5	11.7
Adj. BV (Rs)	272.3	317.9	376.9	435.3	501.5
Adj. BVPS growth (%)	19.3	16.7	18.6	15.5	15.2
RoA (%)	2.1	2.4	2.3	2.2	2.1
RoE (%)	17.5	18.9	18.1	17.0	16.5
P/E (x)	22.7	17.6	15.5	14.1	12.7
P/ABV (x)	3.8	3.3	2.7	2.4	2.0

Source: Company, Emkay Research

Better-than-peer growth trajectory

Defying industry and peer trends, ICICIB reported healthy credit growth at 15% YoY/4% QoQ. This is mainly driven by some pick up in corporate book, BuB book growing at 30% YoY, and retail also growing at a healthy pace – 14.2% YoY, despite conscious slowdown in the PL book. Deposit growth outpaced industry trend as well at 16% YoY/5% QoQ, leading to a decline in LDR at 85% (-50bps). This, coupled with slight moderation in loan yields (as growth in unsecured loans eases and possibly lower penal interest) and rising CoF led to 9 bps QoQ compression in NIM to 4.27%. Going forward, the bank guides to turn cautious on unsecured loans, while continues to inch-up secured loan growth.

Strong show on asset quality amid deterioration seen across banks

ICICIB reported a decline in gross slippages at Rs51bn/1.8% of loans from seasonally higher delinquencies in 1Q due to KCC. This, coupled with higher write-offs led to lower GNPA/NNPA ratios at 2%/0.4% of loans, respectively. Management indicated that stress in unsecured loans has increased over the past 3-4 quarters, but is unlikely to surge as it has taken corrective measures with respect to underwriting, customer quality, and other filters. Additionally, the bank sustains high PCR of 79% and contingent provision buffer at Rs131bn/1% of loans, providing comfort amid rising system-level risks. Bank guides for LLP at 0.4-0.5% of loans in FY25E vs 0.1% earlier, as benign asset quality scenario is already behind.

ICICI Bank remains our preferred pick in the banking sector

ICICIB remains our preferred pick in the banking space, given its superior returns profile (RoA: >2%), top-management credibility, and strong capital/provision buffers. We retain BUY on ICICIB with TP of Rs1,450, rolling forward on 2.6x Sep-26E ABV (deserving premium over HDFCB @2.3x) and subsidiaries at Rs215/sh. Key risks: Higher middle/senior management attrition leading to business dislocation, and slower-than-expected growth/margin trajectory owing to macro disruptions.

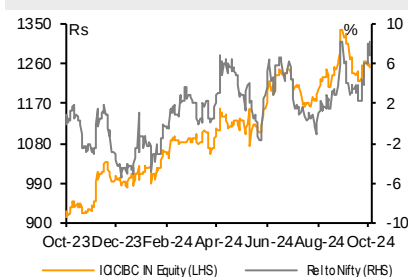
Target Price – 12M	Sep-25
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	15.5
CMP (25-Oct-24) (Rs)	1,255.5

Stock Data	Ticker
52-week High (Rs)	1,362
52-week Low (Rs)	899
Shares outstanding (mn)	7,048.3
Market-cap (Rs bn)	8,849
Market-cap (USD mn)	105,241
Net-debt, FY25E (Rs mn)	NA
ADTV-3M (mn shares)	15
ADTV-3M (Rs mn)	18,210.1
ADTV-3M (USD mn)	216.6
Free float (%)	100.0
Nifty-50	24,181
INR/USD	84.1
Shareholding, Sep-24	
Promoters (%)	-
FPIs/MFs (%)	37.3/35.6

Price Performance

(%)	1M	3M	12M
Absolute	(5.2)	4.8	37.0
Rel. to Nifty	2.0	5.8	8.4

1-Year share price trend (Rs)



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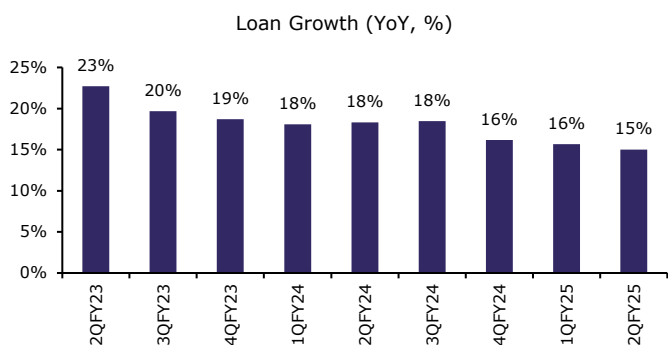
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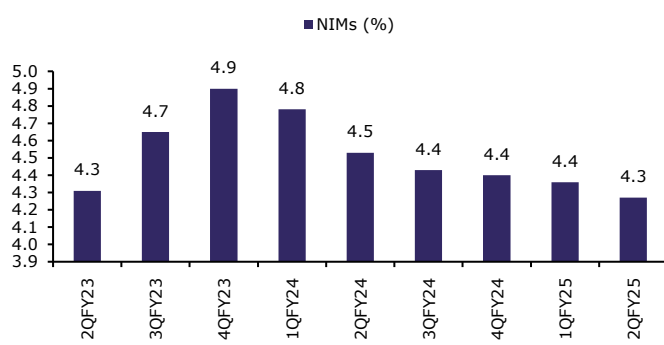
Story in Charts

Exhibit 1: Credit growth remains healthy vs peers



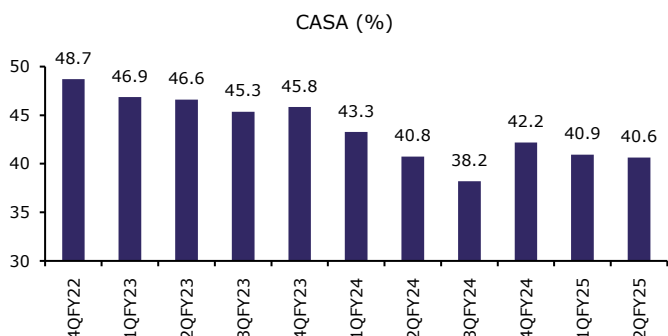
Source: Company, Emkay Research

Exhibit 2: Margin compression led by elevated CoD and some moderation in loan yields



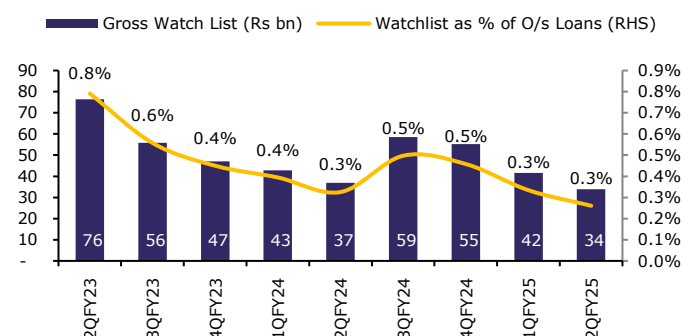
Source: Company, Emkay Research

Exhibit 3: CASA ratio remains largely stable QoQ



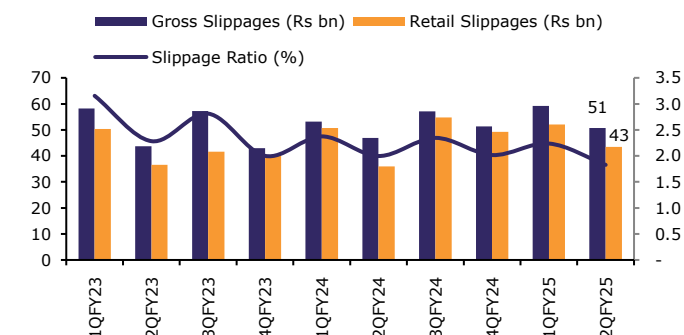
Source: Company, Emkay Research

Exhibit 4: Corporate watch-list remains well in control



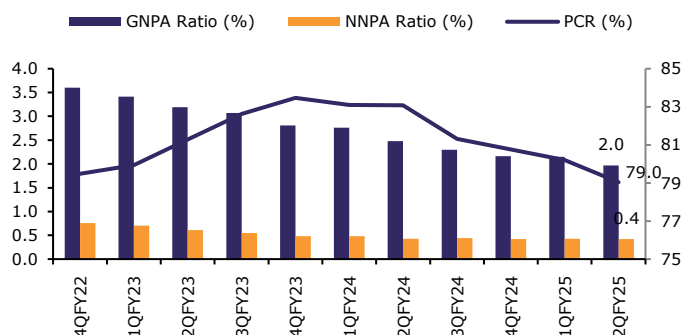
Source: Company, Emkay Research; Note: Bank has reclassified the nos.

Exhibit 5: Slippages improved QoQ, but remain range bound...



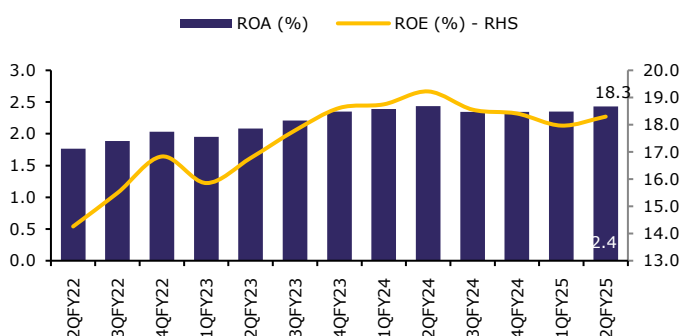
Source: Company, Emkay Research

Exhibit 6: ...while higher w-offs led to improvement in NPA ratios



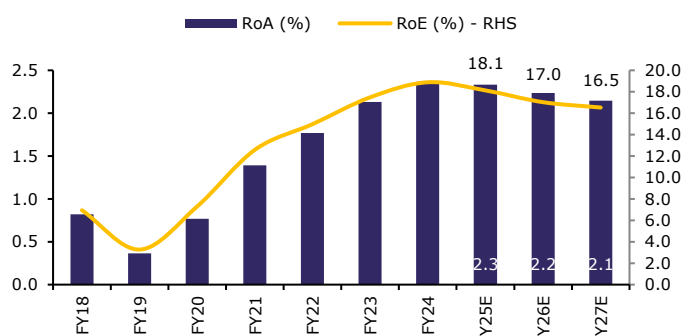
Source: Company, Emkay Research

Exhibit 7: Return ratios remain strong, led by healthy core profitability and contained LLP

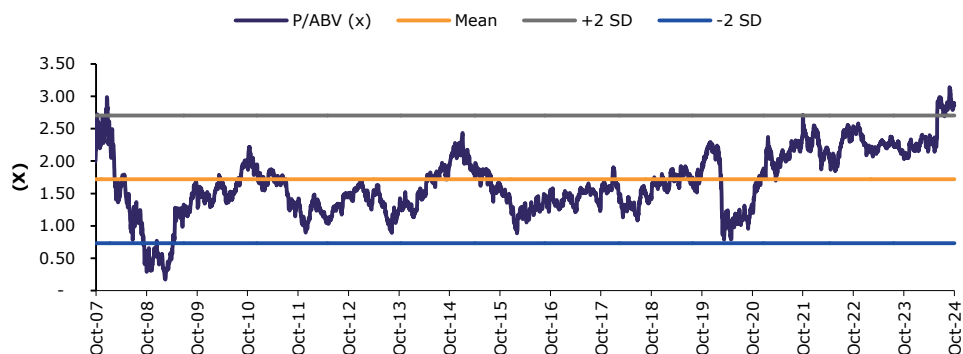


Source: Company, Emkay Research

Exhibit 8: Healthy margins, fees, better cost management, and contained LLP to protect the >2% RoA trajectory



Source: Company, Emkay Research

Exhibit 9: The stock is trading at 2.9x its one-year forward P/ABV, adjusted for its subsidiaries' valuation

Source: Bloomberg, Emkay Research

Exhibit 10: ICICI Bank – SOTP-based valuation

	Stake	Value per share (Rs)	Basis of valuation
ICICI Standalone (A)		1,235	2.9x Sept-26E ABV (adj. for investments)
Non-Banking subsidiaries			
ICICI Prudential Life Insurance	53%	89	2x Sept-26E EV
ICICI Lombard General Insurance	51%	64	30x Sept-26E PAT
ICICI Asset Management Company	51%	51	7% of Sept-26E AUM
ICICI Securities	75%	36	15x Sept-26E PER
Other Subsidiaries	100%	27	
Value of Non-Banking business		266	
Value post Holding Co. discount (20%) (B)		215	
Value of the bank (A+B)		1,450	
Current market price		1,256	
Upside		15%	
Contribution of subs to TP		15%	

Source: Emkay Research

Exhibit 11: Actuals vs Estimates (Q2FY25)

(Rs mn)	Actuals	Estimates		Variation		Comments
		Emkay	Consensus	Emkay	Consensus	
Net income	272,246	268,977	268,832	1%	1%	Higher other income led to an in-line number
PPOP	167,232	159,427	159,458	5%	5%	In-line net income and muted opex led to a PPOP beat
PAT	117,459	114,320	110,533	3%	6%	PPOP beat partly offset by higher provisions led to a PAT beat

Source: Emkay Research

Exhibit 12: Quarterly Summary

(Rs mn)	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	YoY (%)	QoQ (%)	FY24	FY25E	YoY (%)
Interest Earned	349,204	366,946	379,484	389,957	405,374	16	4	1,428,909	1,651,189	16
Interest Expenses	166,125	180,160	188,556	194,429	204,894	23	5	685,852	828,722	21
Net Interest Income	183,079	186,786	190,928	195,529	200,480	10	3	743,059	822,467	11
Global NIMs (reported)	4.53	4.43	4.40	4.36	4.27	-26bps	-9bps	4.53	4.33	-20bps
Non-interest Income	57,767	60,971	56,488	70,019	71,767	24	2	229,577	281,668	23
Operating Expenses	98,553	100,520	97,028	105,300	105,015	7	0	391,327	436,613	12
Pre Provisioning Profit	142,293	147,236	150,388	160,248	167,232	18	4	581,309	667,521	15
Provision & Contingencies	5,826	10,494	7,185	13,322	12,331	112	-7	36,430	48,289	33
PBT	136,466	136,743	143,203	146,927	154,901	14	5	544,879	619,233	14
Income Tax Expense (Gain)	33,856	34,027	36,127	36,336	37,442	11	3	135,996	153,570	13
Net Profit/(Loss)	102,610	102,715	107,075	110,591	117,459	14	6	408,883	465,663	14
Gross NPA (%)	2.48	2.30	2.16	2.15	1.97	-51bps	-18bps	2.32	2.02	-24bps
Net NPA (%)	0.43	0.44	0.42	0.43	0.42	-1bps	-1bps	0.45	0.45	0bps
Deposits (Rs bn)	12,947	13,323	14,128	14,261	14,978	16	5	14,128	16,276	15
Net Advances (Rs bn)	11,105	11,538	11,844	12,232	12,772	15	4	11,844	13,512	14

Source: Company, Emkay Research

Exhibit 13: Revision in estimates

Y/E Mar (Rs mn)	FY25E			FY26E			FY27E		
	Earlier	Revised	Change	Earlier	Revised	Change	Earlier	Revised	Change
Net income	1,094,584	1,104,134	0.9%	1,244,076	1,252,861	0.7%	1,450,261	1,451,238	0.1%
PPOP	656,213	667,521	1.7%	748,530	761,651	1.8%	885,244	891,214	0.7%
PAT	463,263	465,663	0.5%	507,960	510,540	0.5%	568,866	570,347	0.3%
EPS (Rs)	65.9	66.2	0.4%	72.2	72.4	0.4%	80.8	80.9	0.1%
BV (Rs)	395.5	395.3	-0.1%	455.7	455.7	0.0%	523.5	523.6	0.0%

Source: Emkay Research

Exhibit 14: Key Assumptions

(%)	FY24	FY25E	FY26E	FY27E
Loan Growth	16.2	14.1	15.1	15.1
Deposit Growth	19.6	15.2	16.8	16.8
NIM	4.5	4.3	4.2	4.2
GNPA	2.3	2.0	1.9	1.9
Credit Cost	0.3	0.4	0.6	0.6
Yield on Advances	10.1	10.1	9.9	9.6
Cost of Deposits	4.6	4.8	4.7	4.5

Source: Emkay Research

Exhibit 15: Key Ratios and Trends

	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Loans (Rs bn)	9,386	9740	10,196	10,576	11,105	11,538	11,844	12,231	12,772
- growth YoY (%)	22.7	19.7	18.7	18.1	18.3	18.5	16.2	15.7	15.0
Composition (%)									
Corporate- Domestic & others	23	23	22	23	22	22	21	21	21
Overseas	4	4	3	3	3	3	3	3	3
SME/BuB	4	5	16	5	16	5	17	17	18
Retail	69	70	54	71	55	72	56	55	54
Rural	9	9	9	9	8	8	9	6	6
Deposit (Rs bn)	10,900	11,220	11,808	12,387	12,947	13,323	14,128	14,261	14,978
- growth YoY (%)	11.5	10.3	10.9	17.9	18.8	18.7	19.6	15.1	15.7
CASA (%)	46.6	45.3	45.8	43.3	40.8	38.2	42.2	40.9	40.6
CA (%)	13.3	13.0	13.7	13.0	12.0	10.9	13.7	12.3	12.2
SA (%)	33.3	32.4	32.2	30.3	28.8	27.3	28.5	28.6	28.4
Asset Quality/Capital (%)									
GNPA	3.2	3.1	2.8	2.8	2.5	2.3	2.2	2.2	2.0
NNPA	0.6	0.6	0.5	0.5	0.4	0.4	0.4	0.4	0.4
PCR	81.3	82.6	83.5	83.1	83.1	81.3	80.8	80.2	79.0
Slippages (Rs mn)	43,660	57,230	42,970	53,180	46,870	57,140	51,390	59,160	50,730
Slippages	2.3	2.8	2.0	2.4	2.0	2.3	2.0	2.2	1.8
Restructured loans (% of loans)	0.7	0.5	0.4	0.4	0.3	0.3	0.3	0.2	0.2
CAR	16.9	16.3	18.3	16.7	17.6	16.7	16.3	16.0	15.4
Tier I	16.2	15.5	17.6	16.0	16.9	16.0	15.6	15.2	14.7
ROE Decomposition (%)									
NII	4.1	4.4	4.6	4.5	4.3	4.3	4.2	4.2	4.1
Other Income (Ex Treasury)	1.4	1.3	1.3	1.3	1.4	1.4	1.2	1.4	1.3
Treasury	(0.0)	0.0	(0.0)	0.1	(0.0)	0.0	0.0	0.1	0.1
Opex	2.2	2.2	2.3	2.4	2.3	2.3	2.1	2.2	2.2
PPOP	3.2	3.5	3.6	3.5	3.4	3.4	3.3	3.4	3.5
Provisions	0.5	0.6	0.4	0.3	0.1	0.2	0.2	0.3	0.3
PBT	2.8	2.9	3.1	3.2	3.2	3.1	3.1	3.1	3.2
Tax	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8
ROA	2.1	2.2	2.3	2.4	2.4	2.3	2.3	2.4	2.4
ROE	16.8	17.8	18.6	18.7	19.2	18.6	18.4	18.0	18.3

Source: Company, Emkay Research; Note: The Bank has reclassified its loan composition with The portfolio comprises borrowers with turnover of upto Rs7.5bn and incorporates business banking, SME, mid-corporate, rural business credit and dealer funding portfolios earlier reported separately/ grouped under other portfolios. Accordingly, we have reclassified the loan composition for Q4FY23, Q2FY24, Q4FY24, Q1FY25, and Q2FY25.

ICICI Bank: Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	1,092,313	1,428,909	1,651,189	1,851,751	2,097,735
Interest Expense	471,027	685,851	828,722	930,367	1,041,949
Net interest income	621,286	743,059	822,467	921,383	1,055,786
NII growth (%)	30.9	19.6	10.7	12.0	14.6
Other income	198,314	229,577	281,668	331,478	395,452
Total Income	819,600	972,636	1,104,134	1,252,861	1,451,238
Operating expenses	328,732	391,327	436,613	491,210	560,024
PPOP	490,868	581,309	667,521	761,651	891,214
PPOP growth (%)	25.1	18.4	14.8	14.1	17.0
Core PPOP	490,427	573,179	648,405	738,712	865,981
Provisions & contingencies	66,656	36,430	48,289	82,741	132,773
PBT	424,212	544,879	619,233	678,910	758,441
Extraordinary items	0	0	0	0	0
Tax expense	105,247	135,996	153,570	168,370	188,093
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	318,965	408,883	465,663	510,540	570,347
PAT growth (%)	36.7	28.2	13.9	9.6	11.7
Adjusted PAT	318,965	408,883	465,663	510,540	570,347
Diluted EPS (Rs)	45.6	58.2	65.9	72.2	80.6
Diluted EPS growth (%)	36.0	27.5	13.4	9.5	11.7
DPS (Rs)	8.0	10.0	11.0	12.0	13.0
Dividend payout (%)	17.5	17.2	16.6	16.6	16.1
Effective tax rate (%)	24.8	25.0	24.8	24.8	24.8
Net interest margins (%)	4.4	4.5	4.3	4.2	4.2
Cost-income ratio (%)	40.1	40.2	39.5	39.2	38.6
Shares outstanding (mn)	6,983.9	7,023.4	7,047.3	7,047.3	7,047.3

Source: Company, Emkay Research

Asset quality and other metrics					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Asset quality					
Gross NPLs	299,860.7	273,139.6	277,669.9	305,297.9	355,170.3
Net NPLs	51,500.7	53,778.6	61,087.4	76,324.5	88,792.6
GNPA ratio (%)	2.9	2.3	2.0	1.9	1.9
NNPA ratio (%)	0.5	0.5	0.5	0.5	0.5
Provision coverage (%)	82.8	80.3	78.0	75.0	75.0
Gross slippages	183,093.8	189,987.9	226,514.9	276,279.6	332,482.7
Gross slippage ratio (%)	1.8	1.6	1.7	1.8	1.8
LLP ratio (%)	0.7	(0.1)	0.1	0.4	0.8
NNPA to networth (%)	2.4	2.1	2.0	2.2	2.3
Capital adequacy					
Total CAR (%)	18.3	16.3	16.9	16.7	16.3
Tier-1 (%)	17.6	15.6	16.2	16.1	15.7
CET-1 (%)	17.1	16.1	16.6	16.4	16.0
RWA-to-Total Assets (%)	67.6	73.4	75.0	76.0	77.0
Miscellaneous					
Total income growth (%)	23.0	28.5	16.5	13.0	14.2
Opex growth (%)	23.0	19.0	11.6	12.5	14.0
Core PPOP growth (%)	27.2	16.9	13.1	13.9	17.2
PPOP margin (%)	38.0	35.1	34.5	34.9	35.7
PAT/PPOP (%)	65.0	70.3	69.8	67.0	64.0
LLP-to-Core PPOP (%)	13.6	6.4	7.4	11.2	15.3
Yield on advances (%)	9.0	10.1	10.1	9.9	9.6
Cost of funds (%)	3.8	4.8	5.0	4.9	4.7

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	13,968	14,047	14,095	14,095	14,095
Reserves & surplus	1,993,186	2,369,946	2,799,098	3,221,852	3,697,741
Net worth	2,007,154	2,383,993	2,813,193	3,235,947	3,711,836
Deposits	11,808,407	14,128,250	16,276,333	19,009,435	22,568,954
Borrowings	1,193,255	1,249,677	1,421,795	1,538,959	1,659,483
Interest bearing liab.	13,834,913	16,331,153	18,377,809	21,271,773	24,950,550
Other liabilities & prov.	833,251	953,226	679,681	723,379	722,113
Total liabilities & equity	15,842,066	18,715,146	21,191,001	24,507,720	28,662,385
Net advances	10,196,383	11,844,064	13,511,595	15,558,431	18,204,885
Investments	3,623,297	4,619,422	5,315,361	6,112,109	7,132,496
Cash, other balances	1,194,383	1,399,260	1,415,850	1,746,614	2,059,417
Interest earning assets	15,014,063	17,862,745	20,242,807	23,417,154	27,396,799
Fixed assets	95,998	108,598	116,428	128,071	140,878
Other assets	732,005	743,802	831,767	962,495	1,124,709
Total assets	15,842,067	18,715,146	21,191,001	24,507,720	28,662,385
BVPS (Rs)	277.8	323.6	383.4	443.4	510.9
Adj. BVPS (Rs)	272.3	317.9	376.9	435.3	501.5
Gross advances	10,444,743	12,063,425	13,728,178	15,787,404	18,471,263
Credit to deposit (%)	86.3	83.8	83.0	81.8	80.7
CASA ratio (%)	45.8	42.2	40.3	40.5	40.5
Cost of deposits (%)	3.3	4.5	4.8	4.7	4.7
Loans-to-Assets (%)	64.4	63.3	63.8	63.5	63.5
Net advances growth (%)	18.7	16.2	14.1	15.1	17.0
Deposit growth (%)	10.9	19.6	15.2	16.8	18.7
Book value growth (%)	17.9	16.5	18.5	15.6	15.2

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	22.4	17.6	15.5	14.1	12.7
P/B (x)	3.6	3.1	2.6	2.2	2.0
P/ABV (x)	3.8	3.2	2.7	2.4	2.0
P/PPOP (x)	17.4	14.7	12.9	11.3	9.7
Dividend yield (%)	0.6	0.8	0.9	1.0	1.0
DuPont-RoE split (%)					
NII/avg assets	4.1	4.3	4.1	4.0	4.0
Other income	1.3	1.3	1.4	1.5	1.5
Fee income	1.2	1.2	1.2	1.2	1.3
Opex	2.2	2.3	2.2	2.1	2.1
PPOP	3.3	3.4	3.3	3.3	3.4
Core PPOP	3.3	3.3	3.2	3.2	3.3
Provisions	0.4	0.2	0.2	0.4	0.5
Tax expense	0.7	0.8	0.8	0.7	0.7
RoA (%)	2.1	2.4	2.3	2.2	2.1
Leverage ratio (x)	8.2	8.0	7.8	7.7	7.7
RoE (%)	17.5	18.9	18.1	17.0	16.5

Quarterly data					
Rs mn, Y/E Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
NII	183,079	186,786	190,928	195,529	200,480
NIM(%)	4.5	4.4	4.4	4.4	4.3
PPOP	142,293	147,236	150,388	160,248	167,232
PAT	102,610	102,715	107,075	110,591	117,459
EPS (Rs)	58.4	58.5	61.0	62.8	66.7

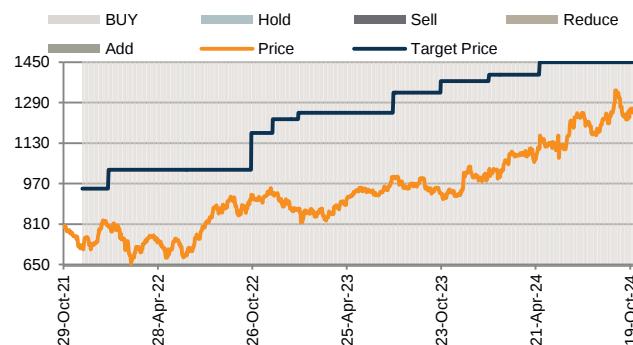
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
06-Sep-24	1,208	1,450	Buy	Anand Dama
27-Jul-24	1,207	1,450	Buy	Anand Dama
28-Apr-24	1,108	1,450	Buy	Anand Dama
22-Jan-24	1,009	1,400	Buy	Anand Dama
30-Nov-23	935	1,375	Buy	Anand Dama
22-Oct-23	933	1,375	Buy	Anand Dama
23-Jul-23	997	1,330	Buy	Anand Dama
13-Jul-23	956	1,250	Buy	Anand Dama
24-Apr-23	905	1,250	Buy	Anand Dama
09-Mar-23	856	1,250	Buy	Anand Dama
22-Jan-23	870	1,250	Buy	Anand Dama
04-Dec-22	931	1,225	Buy	Anand Dama
24-Oct-22	926	1,170	Buy	Anand Dama
24-Jul-22	800	1,025	Buy	Anand Dama
24-Apr-22	748	1,025	Buy	Anand Dama
23-Jan-22	805	1,025	Buy	Anand Dama
04-Dec-21	716	950	Buy	Anand Dama

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

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