

Retail Equity Research ICICI Bank Limited

Banking

BSE CODE: 532174

NSE CODE: ICICIBANK

Bloomberg CODE: ICICIB:IN

SENSEX: 73,878

BUY

12 Months Investment Period

Rating as per Large Cap

CMP Rs. 1,142 TARGET Rs. 1,274 RETURN 12% 
(Closing: 03-05-24)

KEY CHANGES:

TARGET 

RATING 

EARNINGS 

Strong performance to continue

ICICI Bank Ltd operates a network of banks located throughout India. The Group specializes in retail and corporate banking, in addition to Forex and treasury operations. ICICI Bank also provides a wide variety of investment banking, insurance and financial services to its clients.

- In Q4FY24, the bank's net interest income (NII) grew 8.1% YoY to Rs. 19,093cr. Net interest margin (NIM) contracted 50bps YoY to 4.4%, due to rising cost of deposits.
- PAT for the quarter stood at Rs. 10,708cr, rising 17.4% YoY, due to lower operating expenses and provisions.
- ICICI Bank reported a strong quarter, with an increase in its loan book and net profit. Asset quality of the bank continues to improve due to healthy recovery. Also, with better asset mix and granularisation of deposits, the bank has been able to manage NIM well. Therefore, we continue to remain optimistic about the company's long-term growth prospects and reiterate our BUY rating on the stock with an SOTP-based target price of Rs. 1,274.

Strong YoY growth in PAT led by lower provisioning

In Q4FY24, ICICI Bank's interest income grew 22.3% YoY to Rs. 37,948cr (up 3.4% QoQ), driven by higher yield on advances. Interest expense rose 41.2% YoY to Rs. 18,856cr (up 4.7% QoQ). As a result, NII grew 8.1% YoY to Rs. 19,093cr (up 2.2% QoQ). NIM shrank 50bps YoY to 4.4% (down 3bps QoQ), due to rising cost of deposits. Pre-provisioning profit stood at Rs. 15,039cr (up 8.8% YoY), partly offset by 8.7% YoY (down 3.5% QoQ) growth in operating expenses. Provisioning more than halved YoY as no contingency provisions were made during the quarter. Thus, PAT grew 17.4% YoY to Rs. 10,708cr (up 4.2% QoQ).

Key concall highlights

- The management expects overall opex to moderate considering that major employee and technology expenses have already been incurred.
- In Q4FY24, the bank added 152 branches, taking the overall branch additions for FY24 to ~6,523.

Strengthening balance sheet

Advances rose 16.2% YoY to Rs. 1,184,406cr (up 2.7% QoQ), led by strong growth in retail and domestic corporate loans. Retail loans grew 19.4% YoY, driven by mortgages (up 14.9% YoY), personal loans (up 32.5% YoY) and credit cards (up 35.6% YoY). While domestic corporate loans increased 10.0% YoY on rising economic activity, the overseas book fell 1.9% YoY, which constitutes ~3% of advances. Further, deposits increased 19.6% YoY to Rs. 1,412,825cr (up 6.0% QoQ). This growth was mainly due to term deposits (up 27.7% YoY). Additionally, asset quality continued to improve, with gross NPA declining 14bps QoQ to 2.16%, due to healthy recoveries and upgrades and higher write-offs.

Valuation

Strong growth momentum in advances and deposits is expected to continue, as the bank with its technological advancement and better reach is well-equipped to capitalise on growing demand. Although margins are expected to remain under pressure in the near term due to deposit re-pricing, the bank is expected to offset this with higher yielding segments and keep margins range bound. Additionally, healthy asset quality, adequate capitalisation, and digital transformation auger well for the bank's future performance. Hence, we reiterate our BUY rating on the stock with a SOTP-based target price of Rs. 1,274.

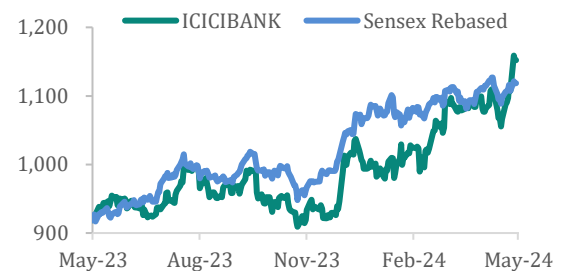
Company Data

Market Cap (cr)	Rs. 799,837
Outstanding Shares (cr)	700.4
Free Float	100.0%
Dividend Yield	0.7%
52 week high	Rs. 1,169
52 week low	Rs. 899
6m average volume (lacs)	6.0
Beta	0.9
Face value	Rs. 2

Shareholding (%)	Q2FY24	Q3FY24	Q4FY24
Promoters	0.0	0.0	0.0
FII's	44.4	43.6	44.8
MFs/Insti	45.8	46.5	45.6
Public	9.5	9.5	9.3
Others	0.3	0.3	0.3
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	11.2%	24.0%	23.7%
Absolute Sensex	3.5%	16.4%	21.6%
Relative Return*	7.7%	7.6%	2.1%

*Over or under performance to benchmark index



Standalone (cr)	FY24A	FY25E	FY26E
Net Interest Income	74,306	83,596	97,626
Growth (%)	19.6	12.5	16.8
NIM (%)	4.7	4.4	4.4
Pre-Provision Profit	58,131	65,927	77,172
Net Profit	40,888	45,645	52,170
Growth (%)	28.2	11.6	14.3
Adj.EPS	57.3	64.0	73.1
Growth (%)	27.7	11.6	14.3
BVPS	340.4	395.6	458.9
P/E	20.1	18.0	15.7
P/B	3.4	2.9	2.5
RoE (%)	18.7	17.8	17.5
RoA (%)	2.4	2.2	2.2



Quarterly Financials (Standalone)

Profit & Loss Account

Rs. cr	Q4FY24	Q4FY23	YoY Growth (%)	Q3FY24	QoQ Growth (%)	FY24	FY23	YoY Growth (%)
Interest Income	37,948	31,021	22.3	36,695	3.4	142,891	109,231	30.8
Interest Expense	18,856	13,354	41.2	18,016	4.7	68,585	47,103	45.6
Net Interest Income (NII)	19,093	17,667	8.1	18,679	2.2	74,306	62,129	19.6
Non-Interest Income	5,649	5,088	11.0	6,097	(7.4)	22,958	19,831	15.8
Total Net Income	24,742	22,755	8.7	24,776	(0.1)	97,263	81,960	18.7
Total Income	43,597	36,109	20.7	42,792	1.9	165,849	129,063	28.5
Operating Expenses	9,703	8,928	8.7	10,052	(3.5)	39,133	32,873	19.0
Total Expenditure	28,558	22,283	28.2	28,068	1.7	107,718	79,976	34.7
Pre-Provision Profit	15,039	13,826	8.8	14,724	2.1	58,131	49,087	18.4
Provisions	718	1,620	(55.6)	1,049	(31.5)	3,643	6,666	(45.3)
Profit Before Tax	14,320	12,207	17.3	13,674	4.7	54,488	42,421	28.4
Tax	3,613	3,085	17.1	3,403	6.2	13,600	10,525	29.2
Minority Interests	-	-	-	-	-	-	-	-
Net Profit	10,708	9,122	17.4	10,272	4.2	40,888	31,897	28.2
Adj.	-	-	-	-	-	-	-	-
Adj. PAT	10,708	9,122	17.4	10,272	4.2	40,888	31,897	28.2
Adj. EPS (Rs.)	15.0	12.8	17.1	14.4	4.1	57.3	44.9	27.7

SOTP Valuation

Particulars	Basis	Multiple	% Holding	Value (Rs. cr.)	Value/share (Rs.)
ICICI Bank	FY26E ABV	2.5x	100%	804,961	1149
Life Insurance	Geojit TP		51.27%	46,457	66
General Insurance	Geojit TP		48.02%	40,029	57
Securities	FY26E EPS	15.0x	74.85%	4,221	6
Others	FY26E EPS	11.0x	100%	18,477	26
Total value of subsidiaries				109,184	156
(20% holding discount)				(21,837)	(31)
Total Value				892,308	1,274

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Net Interest Income (NII)	84,714	100,109	83,596	97,626	(1.3)	(2.5)
Net Interest Margin (%)	4.5	4.6	4.4	4.4	(3)	(4.7)
Pre-Provision Profit	66,472	77,933	65,927	77,172	(0.8)	(1.0)
Net Profit	45,480	52,326	45,645	52,170	0.4	(0.3)
EPS (Rs)	63.8	73.4	64.0	73.1	0.4	(0.3)

PROFIT & LOSS

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Interest Income	86,375	109,231	142,891	166,238	192,443
Interest Exp.	38908	47103	68585	82642	94817
Net Int. Income	47,466	62,129	74,306	83,596	97,626
% Change	21.7	30.9	19.6	12.5	16.8
Non-Int. Income	18,518	19,831	22,958	26,709	30,919
Net Income	65,984	81,960	97,263	110,305	128,545
Total Income	104,892	129,063	165,849	192,947	223,362
Operating Exp.	26,733	32,873	39,133	44,378	51,373
Total Exp.	65,642	79,976	107,718	127,020	146,190
Pre-Prov. Profit	39,250	49,087	58,131	65,927	77,172
Provisions	8,641	6,666	3,643	5,100	7,650
PBT	30,609	42,421	54,488	60,827	69,521
Tax	7,269	10,525	13,600	15,182	17,352
Tax Rate (%)	23.7	24.8	25.0	25.0	25.0
Minority Interests	-	-	-	-	-
Net Profit	23,339	31,897	40,888	45,645	52,170
% Change	44.1	36.7	28.2	11.6	14.3
Adj.	-	-	-	-	-
Adj. Net Profit	23,339	31,897	40,888	45,645	52,170
No. of Shares (cr)	693.4	696.6	700.4	700.4	700.4
Adj. EPS (Rs.)	33.0	44.9	57.3	64.0	73.1
% Change	39.3	36.1	27.7	11.6	14.3
DPS (Rs.)	5.0	8.0	10.0	11.2	12.8

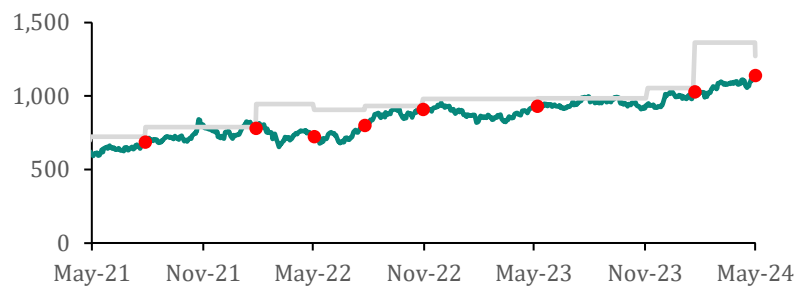
BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash & Balances	60,121	68,526	89,712	96,889	104,640
Investments	310,241	362,330	461,942	538,163	621,578
Advances	859,020	1,019,638	1,184,406	1,426,025	1,668,450
Fixed Assets	9,374	9,600	10,860	11,783	12,784
Other Assets	172,542	124,113	124,594	142,075	162,308
Total Assets	1,411,298	1,584,207	1,871,515	2,214,935	2,569,760
Capital	1,390	1,397	1,405	1,405	1,405
Reserves & Surplus	168,856	198,558	235,589	274,231	318,582
Deposits	1,064,572	1,180,841	1,412,825	1,695,390	1,975,129
Borrowings	107,231	119,325	124,968	139,964	156,759
Other Liabilities	69,249	84,086	96,728	103,946	117,885
Total Liabilities	1,411,298	1,584,207	1,871,515	2,214,935	2,569,760
BVPS (Rs.)	245.3	287.4	340.4	395.6	458.9
Adj. BVPS (Rs.)	235.3	280.0	332.7	388.3	452.0
% Change	17.7	19.0	18.8	16.7	16.4

RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Valuation					
P/E (x)	22.1	19.5	20.1	18.0	15.7
P/BV (x)	3.0	3.1	3.4	2.9	2.5
Div. Yield (%)	0.7	0.9	0.9	1.0	1.1
Profitability & Return (%)					
Yield on Advances	8.0	8.9	10.1	10.1	10.0
Cost of Deposits	3.5	3.8	4.8	4.9	4.8
Spread	4.5	5.1	5.2	5.2	5.2
NIM	4.0	4.5	4.7	4.4	4.4
ROE	14.7	17.2	18.7	17.8	17.5
ROA	1.8	2.1	2.4	2.2	2.2
Capital Adequacy (%)					
CAR	19.2	18.3	16.3	16.6	16.5
Tier I	18.4	17.6	15.6	15.9	15.8
Tier II	0.8	0.7	0.7	0.7	0.7
Asset Quality (%)					
GNPA	3.6	2.8	2.2	2.1	1.8
NNPA	0.8	0.5	0.4	0.4	0.3
Operating Ratios (%)					
Credit/Deposit	80.7	86.3	83.8	84.1	84.5
Cost/Income	40.5	40.1	40.2	40.2	40.0
CASA	48.7	45.8	42.2	42.0	41.4

Recommendation Summary (Last 3 Years)



Source: Bloomberg, Geojit research

Dates	Rating	Target
28-Jan-22	BUY	944
4-May-22	BUY	907
27-Jul-22	BUY	932
31-Oct-22	HOLD	980
8-May-23	HOLD	983
4-Nov-23	BUY	1,054
23-Jan-24	BUY	1,362
03-May-24	BUY	1,274

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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