Sharekhan by BNP PARIBAS

Powered by the Sharekhan 3R Research Philosophy

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		↔	

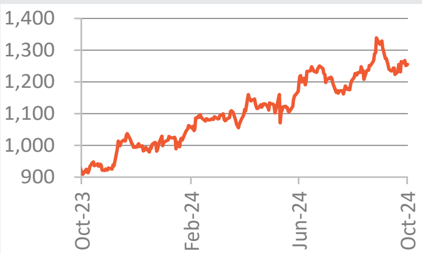
Company details

Market cap:	Rs. 8,84,911 cr
52-week high/low:	Rs. 1,361/ 899
NSE volume: (No of shares)	155.5 lakh
BSE code:	532174
NSE code:	ICICIBANK
Free float: (No of shares)	704.8 cr

Shareholding (%)

Promoters	-
FII	46.2
DII	44.2
Others	9.6

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-3.9	4.1	13.4	37.6
Relative to Sensex	3.3	6.4	5.7	13.1

Sharekhan Research, Bloomberg

Stock Update

Result Update

ICICI Bank Ltd

Steady Q2, exhibiting strong franchise strength

Bank	Sharekhan code: ICICIBANK
Reco/View: Buy ↔	CMP: Rs. 1,256 / Price Target: Rs. 1,500 ↑

↑ Upgrade ↔ Maintain ↓ Downgrade

Summary

- Core operating profits grew by 12% y-o-y /4% q-o-q (better than estimates) led by better loan growth, strong fee income and contained opex growth. Credit cost stayed lower at 39 bps annualised vs 44 bps q-o-q and 21 bps y-o-y resulting in steady RoA at 2.4%.
- Bank is reasonably confident of reporting a 40-50 bps credit cost on an overall basis as risk is still within internal estimates despite increase in delinquencies and credit costs in unsecured retail segment in the last 3-4 quarters, resulting in stable asset quality.
- NIMs declined by 9 bps q-o-q to 4.27% (on expected lines). NIMs are expected to be stable in H2 vs H1 untill rate cut cycle starts. Loans and deposit growth was healthy at ~15% y-o-y/16% y-o-y respectively.
- The bank is relatively well-positioned as it continues to outperform peers on most of the parameters exhibiting strong franchise strength and thus current valuation premium to peers is likely to sustain. We maintain a Buy with a revised PT of Rs. 1,500. Stock trades at 2.6x/2.2x its FY2025E/FY2026E core BV estimates.

ICICI Bank reported yet another steady quarter with stable return ratio amidst sectoral headwinds. Net interest income (NII) at Rs. 20,048 crore (in line) grew by 10% y-o-y/3% q-o-q. Net interest margins (NIMs) declined by 9 bps q-o-q to 4.27%. NIMs are expected to remain stable in H2 vs H1 untill rate cut cycle starts as retail deposit rates have largely peak out. Core fee income grew by 13% y-o-y/7% q-o-q. Treasury gains stood at Rs. 680 crore vs gain of Rs. 613 crore q-o-q and a loss of Rs. 85 crore in Q2FY24. Other income excluding treasury gains stood at Rs. 600 crore vs Rs. 899 crore and Rs. 658 crore mainly comprising of dividend income. Total operating expenses growth moderated, grew by 7% y-o-y/ flat q-o-q. Cost to average assets improved to 2.17% vs 2.24% q-o-q and 2.34% y-o-y. Operating profit grew by 18% y-o-y/4% q-o-q (above estimates). Core PPoP (ex. treasury gains) grew by 12% y-o-y/ 4% q-o-q. Credit cost remained lower within the guided range despite asset quality challenges popping up in unsecured retail at the sector level. Total credit cost stood at 39 bps vs 44 bps q-o-q. PBT grew by 14% y-o-y/ 5% q-o-q. PAT came in at Rs. 11,746 crore (above estimates) led by healthy PPoP growth and lower provisions, grew by 14% y-o-y/ 6% q-o-q. Net advances grew by 15% y-o-y/ 4% q-o-q, with retail loans growing by 14% y-o-y/3% q-o-q; business banking grew by 30% y-o-y/11% q-o-q and rural loans grew by 17% y-o-y/ 2% q-o-q. The domestic wholesale corporate book grew by 12% y-o-y/ 5% q-o-q. Total deposits grew by 16% y-o-y/5% q-o-q. CASA grew by 15% y-o-y/ 4% q-o-q. CASA ratio at 40.6% vs 40.9% q-o-q. Term deposits grew by 16% y-o-y/ 6% q-o-q. Headline asset quality trends improved q-o-q, with GNPA/NNPA ratio at 1.97%/0.42% vs 2.15%/ 0.43% in last quarter led by higher technical write offs. PCR was at 79% vs 80% q-o-q. Slippages were down by 14% q-o-q, reported at Rs. 5,073 crore (1.8% annualized vs 2.2% q-o-q). Net slippages reported were also lower at Rs. 1,754 crore vs Rs. 2,624 crore q-o-q. The restructured book stood at 0.20% of advances vs 0.22% q-o-q. BB and below-rated book (from corporate and SME) stood at Rs. 3,386 crore vs Rs. 4,164 crore q-o-q. Total contingent provisions remained stable q-o-q at Rs. 13,100 crore (1% of loans).

Key positives

- Deposit growth was healthy at 16% y-o-y/ 5% q-o-q led by healthy CASA growth at 15% y-o-y/ 4% q-o-q and term deposits growth (16% y-o-y/ 6% q-o-q) largely comprising of retail term deposits.
- Credit cost & slippages were lower despite asset quality challenges popping up in unsecured retail segment at the sector level.
- Loan growth remained healthy at 16% y-o-y/ 4% q-o-q.

Key negatives

- NIMs declined by 9 bps q-o-q to 4.27% although on expected lines.

Management Commentary

- Management reiterated that its focus remains on growing PBT ex-treasury on a sustainable basis.
- NIMs are expected to be stable in H2 versus H1 untill rate cut cycle starts.
- Overall quality of portfolio is stable.
- Bank is reasonably confident to report 40-50 bps credit cost on an overall basis as risk is still within internal estimates despite increase in delinquencies and credit costs in unsecured retail segment in the last 3-4 quarters.
- Focus remains on acquiring higher customer wallet share rather than driving any particular type of deposits leading to healthy CASA growth.

Our Call

Valuation – Maintain Buy with a revised PT of Rs. 1,500: ICICI Bank currently trades at 2.6x/2.2x/ xx its FY2025E/FY2026E core BV estimates. Overall, we see ICICI Bank relatively well-positioned in the sector in terms of asset quality/ growth and profitability. It continues to outperform peers on most of the parameters exhibiting strong franchise strength and thus current valuation premium to peers is likely to sustain. We believe bank is likely to sustain RoA over ~2% in near to medium term. 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) Rs cr

Particulars	FY22	FY23	FY24	FY25E	FY26E
Net Interest Income	47,466	62,129	74,306	82,546	94,861
Net profit	23,339	31,897	40,888	46,109	51,678
EPS (Rs.)	33.0	44.9	58.2	65.7	73.6
P/E (x)	31.2	22.9	17.7	15.7	14.0
P/Core BV (x)	4.2	3.6	3.0	2.6	2.2
RoE	14.7	17.2	18.6	17.7	16.7
RoA	1.8	2.1	2.4	2.3	2.2

Source: Company; Sharekhan estimates