

BFSI | Q2FY24 Result Update

Robust quarter

- Steady quarter with NII growth at 24% YoY, healthy NIM at 4.5% (-25 bps QoQ) & low credit costs aiding PAT growth of 35% YoY. Marginal net slippages aided credit costs of 25 bps for the quarter.
- Loan growth was robust at 5% QoQ 18% YoY, with strong sequential growth across SME including BB (9%), unsecured retail (9%), and overseas book (13%). Deposits growth was healthy at 5% QoQ.
- Tweaking earnings and rolling over to Sep-25E, maintain BUY with a SOTP based TP of Rs1200 (3.1x including subs) against RoA/RoE of 2%/16% for FY24E. We value the standalone bank at 2.8x PBV.

Full year NIM to settle at similar levels as FY23

Margin decline at 25 bps in Q2 was in line with expectations. NIMs to normalize at lower levels as CoF increase over the next few quarters. However, rising share of unsecured retail (up 180 bps YoY to over 13% of advances) to aid NIM. Full year NIM to be stable YoY as per management. We factor in NIMs of 4.32%/4.16% for FY24/25E against 4.38% in FY23 and 3.8% in FY22.

Growth trends healthy; Marginal net slippages aid credit costs

Loan growth was led by unsecured retail and SME, with 3% sequential growth in corporate book. Unsecured portfolio trends are quite stable as per management and credit filters are at the upper end of spectrum. This gives the bank confidence to grow unsecured retail book at the same rate as earlier. Slippages at 1.8% along with improved recoveries helped credit costs of 25 bps for the quarter. Credit costs also benefit from high PCR at 83% and contingent buffers of 1.2%. We factor in CC of 35/45 bps for FY24E/25E against 65bps for FY23 (negligible ex of contingent provisions).

Outlook and View

The bank stands out for its superior liability mix, strong digital capabilities, & improved core PPoP metrics. Rolling over to Sep-25E, maintain BUY with a SOTP based TP of Rs 1200, valuing the standalone bank at 2.8x PBV (3.1x including subsidiaries). The bank trades at 2.4x Sep-25E PBV against RoA/RoE of 2%/16%.

Q2FY24 Result (Rs Mn)

Particulars	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)
Net interest income	183,079	147,868	23.8	182,265	0.4
Other income	57,767	50,549	14.3	54,353	6.3
Total Net Income	240,846	198,417	21.4	236,617	1.8
Operating expenses	98,553	81,614	20.8	95,226	3.5
Pre-provision profits	142,293	116,803	21.8	141,391	0.6
Provisions	5,826	16,445	(64.6)	12,924	(54.9)
Tax expense	33,856	24,780	36.6	31,985	5.9
Reported Net Profit	102,610	75,578	35.8	96,482	6.4
			(bps)		(bps)
Advances Growth YoY (%)	18.3	22.7	(437.0)	18.1	24
NIM (%)	4.6	4.5	16	4.9	(27)
RoA (%)	2.5	2.1	40	2.4	10
RoE (%)	19.8	17.2	262	18.8	96
Gross NPA (%)	2.5	3.2	(71)	2.8	(28)

CMP	Rs 933
Target / Upside	Rs 1,200 / 29%
NIFTY	19,543

Scrip Details

Equity / FV	Rs 13,968mn / Rs 2
Market Cap	Rs 6,527bn
	USD 79.4bn
52-week High/Low	Rs 1,009/ 796
Avg. Volume (no)	15,963,400
Bloom Code	ICICIBC IN

Price Performance	1M	3M	12M
Absolute (%)	(3)	(6)	3
Rel to NIFTY (%)	(3)	(6)	(9)

Shareholding Pattern

	Mar'23	Jun'23	Sep'23
Promoters	0.2	0.3	0.3
MF/Banks/FIs	44.2	45.0	45.0
FIs	45.1	44.5	44.5
Public / Others	10.5	10.2	10.2

Valuation (x)

	FY24E	FY25E	FY26E
P/E	17.6	16.7	14.7
P/ABV	2.9	2.6	2.3
ROAA	2.2	2.0	2.0
ROAE	17.2	15.8	15.9

Estimates (Rs bn)

	FY24E	FY25E	FY26E
NII	691.9	763.2	879.7
PPoP	530.4	576.4	671.8
PAT	370.8	390.6	444.3
Adj BV (Rs)	317.6	361.0	408.3

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Risks to our view: Lower than expected growth metrics, higher than expected opex, and pressure on margins

Exhibit 1: Actual v/s estimates

Particulars (Rs mn)	Actual	Estimated	% Variance
NII	183,079	180,807	1.3
Operating Profit	142,293	135,454	5.0
PAT	102,610	91,967	11.6

Source: Company, DART

Exhibit 2: Changes in estimates

Particulars (Rs mn)	Previous		Revised		Change %	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Net Op Rev	923,149	1,027,992	923,149	1,027,992	-	-
PPOP	522,096	566,780	530,421	576,355	1.6	1.7
PAT	362,206	383,770	370,844	390,580	2.4	1.8

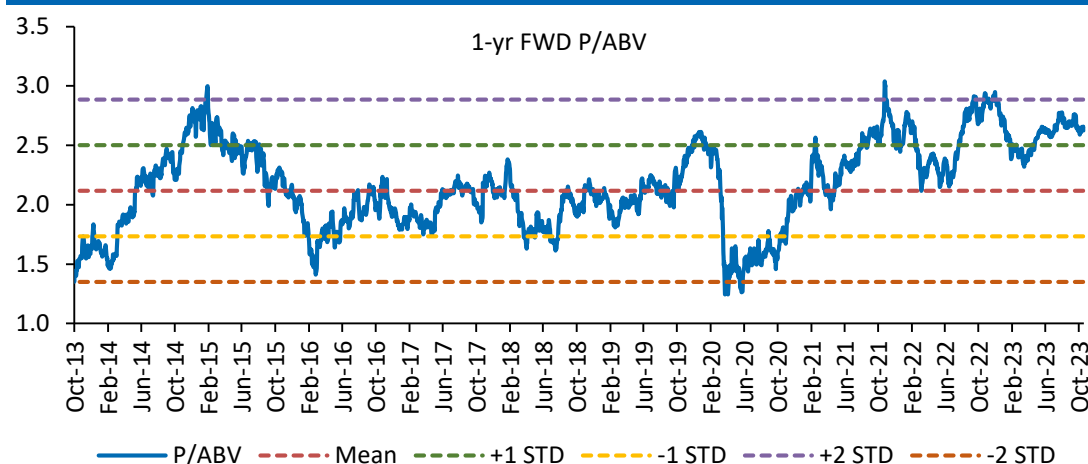
Source: DART, Company

Exhibit 3: SOTP Valuation

Entity	Stake	Per Share Value	Methodology
ICICI Standalone (A)*		1042	2.8x Sep25E P/ABV
Foreign Banking Subsidiaries		9	1x Net Worth
ICICI Home Finance	100%	4	1x Net Worth
ICICI Prudential Life Insurance	51%	63	1.8x EV
ICICI Lombard General Insurance	48%	48	27 x Earnings
ICICI AMC	51%	35	8% of AUM
ICICI Securities	75%	23	16x Earnings
Other Subsidiaries		9	
Value of Subsidiaries (B)		190	
Holdco. Discount	15%		
Value of the bank (A+B)		1200	
Contribution of subs to total (%)		13%	

Source: DART, Company; *adjusted for investment in subsidiaries

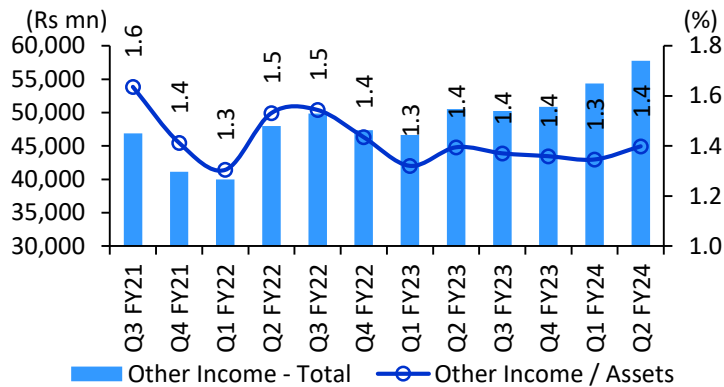
Exhibit 4: The stock currently trades at 2.6x 1-year forward P/ABV



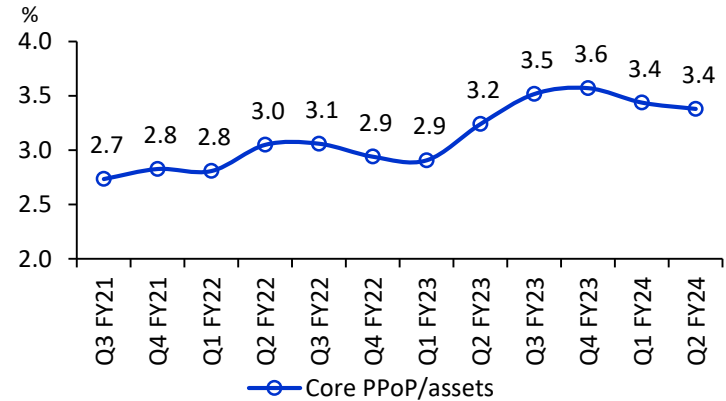
Source: DART, Company

Earnings Call KTAs

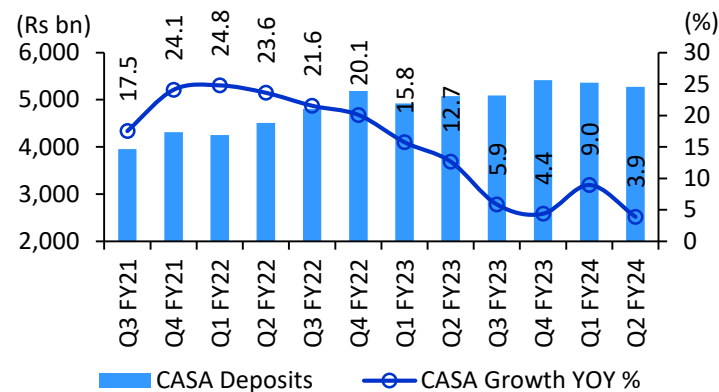
- **NIM outlook:** Will continue to see rise in CoF and impact on NIM in next quarter. Full year NIM to be stable YoY. ICRR impact on NIM was marginal, a few basis points.
- **Asset quality:** Unsecured portfolio trends are quite stable. Delinquencies and CC are well within our expectations. Minimal presence in smaller ticket segments. As things stand, numbers are comfortable which is why we are growing the portfolio at the same rate as earlier. Retail NPA has improved QoQ for us. Recoveries and upgrades have no one offs as such. Credit filters have not been diluted and in general are on the upper end of spectrum. A corporate borrower was upgraded in Q2 from BB category, resulting in release of provisions.
- **Branch Strategy:** looking at our network and aligning the same with our growth aspiration.
- **Retail book:** Competition is high on HL loan pricing, we trying to make sure we optimize on the overall book. PL rates have come off in last few years led by newer players and favorable portfolio performance. Mortgage book ATS has increased over time.
- **Advances:** Of the total loans, 48% are linked to the repo rate, 3% to other external benchmarks and 18% to MCLR and other older benchmarks. The balance 31% of loans have fixed interest rates.
- **Opex:** Retail business related and tech related expenses contributed to rise in other opex. Tech expenses were 9% of opex in H1. Employee count is 139,000.
- **Others:** Around 70% of trade transaction in Q2 were done digitally, up 77% YoY.

Exhibit 5: Margins moderate due to rise in cost of funds


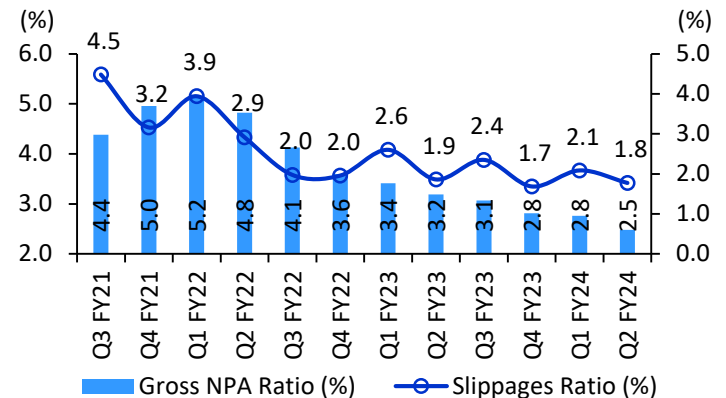
Source: Company, DART

Exhibit 6: Core PPOp at robust levels


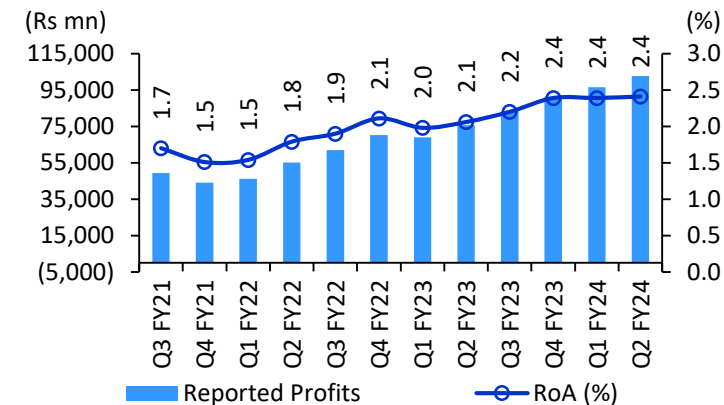
Source: Company, DART

Exhibit 7: CASA growth has moderated


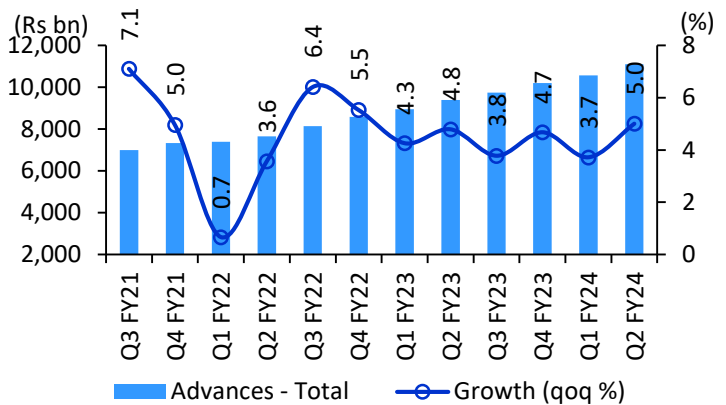
Source: Company, DART

Exhibit 8: Slippages normalizing at lower levels


Source: Company, DART

Exhibit 9: Low credit costs helped RoA


Source: Company, DART

Exhibit 10: Loan growth led by Retail and SME


Source: Company, DART

Exhibit 11: Exposure to Select Sectors

Particulars (Rs bn)	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	QoQ % / bps	YoY % / bps
NBFCs	636	660	726	749	601	(19.7)	(5.5)
as % of loans	6.8	6.8	7.1	7.1	5.4	(166.7)	(136.2)
HFCs	100	105	109	125	85	(32.2)	(14.8)
as % of loans	1.1	1.1	1.1	1.2	0.8	(41.9)	(29.7)
Builder Loans	320	360	399	427	269	(36.9)	(15.7)
as % of loans	3.4	3.7	3.9	4.0	2.4	(161.2)	(97.9)
Power	425	439	477	463	401	(13.5)	(5.8)
as % of loans	4.5	4.5	4.7	4.4	3.6	(77.0)	(92.3)

Source: DART, Company

Quarterly Financials

Profit and Loss (Rs mn)	Q2FY24	Q2FY23	% YoY / bps	Q1FY24	% QoQ / bps	1HFY24	1HFY23	% YoY / bps
Interest Income	349,204	260,330	34.1	333,276	4.8	682,480	497,046	37.3
Yield on Advances (%)	9.81	8.63	118	9.86	(5)	9.84	8.38	146
Yield on Assets (%)	8.64	7.59	105	8.74	(10)	8.69	7.39	130
Interest Expenses	166,125	112,462	47.7	151,012	10.0	317,136	217,078	46.1
Cost of Dep. (%)	4.53	3.55	98	4.31	22	4.42	3.51	92
Cost of Fund (%)	4.78	3.78	100	4.60	18	4.69	3.73	97
Net Interest Income	183,079	147,868	23.8	182,265	0.4	365,344	279,968	30.5
NII to Net Operative Income	76.0	74.5	149	77.0	(101)	76.5	74.2	229
NIM (%)	4.53	4.31	22	4.78	(25)	4.66	4.16	50
Dom. NIM (%)	4.61	4.45	16	4.88	(27)	4.75	4.30	45
Int. NIM (%)	1.56	0.51	105	1.00	56	1.28	0.42	86
Fee income	52,040	44,800	16.2	47,334	9.94	99,374	87,230	13.9
Profit on Sale / Rev of Investments	(850)	(850)	-	2,520	(133.7)	1,670	(490)	(440.8)
Other Income – Total	57,767	50,549	14.3	54,353	6.3	112,119	97,201	15.3
Other Inc to Net Oper. Income (%)	24.0	25.5	(149)	23.0	101	23.5	25.8	(229)
Net Operating Revenue	240,846	198,417	21.4	236,617	1.8	477,463	377,169	26.6
Employee Expenses	37,254	28,885	29.0	38,837	(4.1)	76,091	57,377	32.6
Empl. Cost/Oper. Exps. (%)	15.5	14.6	91	16.4	(95)	15.9	15.2	72
Other Opex	61,299	52,728	16.3	56,389	8.7	117,688	99,900	17.8
Other Opex/ Assets (%)	0.4	0.4	1	0.3	2	0.7	0.7	2
Total Opex	98,553	81,614	20.8	95,226	3.5	193,779	157,277	23.2
Cost to Income Ratio (%)	40.9	41.1	(21)	40.2	67	40.6	41.7	(111)
Pre Provision Profits	142,293	116,803	21.8	141,391	0.6	283,684	219,892	29.0
Provisions & Contingencies - Total	5,826	16,445	(64.6)	12,924	(54.9)	18,751	27,883	(32.8)
NPA Provisions as % PPP	4.1	14.1	(998)	9.1	(505)	6.6	12.7	(607)
Profit Before Tax	136,466	100,358	36.0	128,467	6.2	264,947	192,009	38.0
Tax	33,856	24,780	36.6	31,985	5.9	65,841	47,381	39.0
Effective Tax Rate (%)	24.8	24.7	12	24.9	(8.8)	24.9	24.7	17
Reported Profits	102,610	75,578	35.8	96,482	6.4	199,106	144,628	37.7
RoA (%)	2.41	2.06	35	2.39	2.0	2.40	2.02	38
Basic EPS	14.69	10.86	35.3	13.81	6.4	28.51	20.79	37.1

Balance Sheet Analysis	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	QoQ % / bps	YoY % / bps
Net Worth	1,774,910	1,819,968	1,906,331	1,999,545	21,00,498	2,149,709	2.3	18.1
CET1 (%)	16.5	15.6	15.0	17.1	15.9	15.3	(64)	(35)
Tier 1 (%)	17.3	16.2	15.5	17.6	16.0	15.4	(65)	(82)
Total CAR (%)	18.0	16.9	16.3	18.3	16.7	16.1	(64)	(86)
RWA - Total	9,415,420	9,987,590	10,413,780	10,705,150	1,15,62,200	12,064,060	4.3	20.8
Advances - Total	8,956,248	9,385,628	9,740,475	10,196,383	1,05,75,826	11,105,421	5.0	18.3
Investments	3,212,522	3,330,308	3,370,506	3,623,297	39,81,395	4,132,531	3.8	24.1
Total Assets	14,155,808	14,886,742	15,217,481	15,842,067	1,64,70,003	17,207,796	4.5	15.6
RoA (%)	1.98	2.06	2.20	2.39	2.39	2.41	2	35
Deposits	10,503,490	10,900,080	11,220,495	11,808,407	1,23,87,366	12,947,417	4.5	18.8
Saving Deposit	3,518,140	3,624,840	3,632,160	3,797,760	37,51,930	3,723,260	(0.8)	2.7
Current Deposit	1,403,000	1,453,560	1,456,260	1,614,860	16,10,330	1,553,040	(3.6)	6.8
CASA Deposits	4,921,140	5,078,400	5,088,420	5,412,620	53,62,260	5,276,300	(1.6)	3.9
Avg CASA Ratio(%)	45.8	45.0	44.6	43.6	42.6	40.8	(180)	(420)
Term Deposits	5,582,350	5,821,680	6,132,075	6,395,787	70,25,106	7,671,117	9.2	31.8

Movement of NPA (Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	QoQ % / bps	YoY % / bps
Gross Advances	9,725,264	10,210,301	10,595,518	11,097,402	11,529,851	12,031,024	4.3	17.8
Gross NPA	331,632	325,709	325,282	311,837	318,224	298,369	(6.2)	(8.4)
Gross NPA Ratio (%)	3.41	3.19	3.07	2.81	2.76	2.48	(28)	(71)
PCR - Calculated (%)	79.9	81.3	82.6	83.5	83.1	83.1	(0)	181
Net Advances	9,508,786	9,841,593	10,348,795	10,739,729	11,212,021	11,735,977	4.7	17.4
Net NPA	66,562	60,993	56,512	51,551	53,818	50,465	(6.2)	(17.3)
Net NPA Ratio (%)	0.70	0.61	0.55	0.48	0.48	0.43	(5)	(18)

Loan Book Analysis (Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	QoQ % / bps	YoY % / bps
Home Loans	3,050,760	3,186,130	3,313,790	3,446,960	35,56,460	3,703,510	4.1	16.2
Rural & Other	769,980	799,040	829,060	874,310	9,05,540	937,570	3.5	17.3
Personal Loans	683,750	743,550	809,320	880,550	9,47,950	1,044,280	10.2	40.4
Credit Cards	280,100	333,940	345,460	378,410	4,07,200	432,300	6.2	29.5
Vehicle Loans	702,300	726,180	756,930	794,190	8,30,000	870,430	4.9	19.9
Retails - Other	62,500	75,350	66,850	78,050	86,320	98,200	13.8	30.3
Retail Loans	5,549,390	5,864,190	6,121,410	6,452,470	67,33,470	7,086,290	5.2	20.8
SME & Business Banking	967,810	1,054,970	1,123,070	1,203,330	12,54,860	13,70,970	9.3	30.0
Domestic corporate	2,022,920	2,160,060	2,261,830	2,348,182	24,13,880	2,489,750	3.1	15.3
Overseas	457,630	379,910	352,650	341,100	3,22,730	363,360	12.6	(4.4)
Advances - Total	8,956,248	9,385,628	9,740,475	10,196,383	1,05,75,826	1,11,05,421	5.0	18.3

Financial Performance

Profit and Loss Account (Rs Mn)

Particulars	FY23A	FY24E	FY25E	FY26E
Interest Income	1,092,313	1,297,175	1,499,619	1,732,327
Interest expenses	471,027	605,306	736,384	852,665
Net interest income	621,286	691,870	763,235	879,662
Other incomes	198,315	231,279	264,757	304,222
Total expenses	328,732	392,728	451,637	512,042
- Employee cost	120,599	147,131	169,201	192,889
- Other	208,133	245,597	282,437	319,153
Pre provisioning profit	490,868	530,421	576,355	671,841
Provisions	54,210	42,468	62,433	87,198
Profit before taxes	436,658	487,953	513,921	584,644
Tax provision	105,247	117,109	123,341	140,314
Profit after tax	331,411	370,844	390,580	444,329
Adjusted profit	331,411	370,844	390,580	444,329

Balance Sheet (Rs Mn)

Particulars	FY23A	FY24E	FY25E	FY26E
Sources of Funds				
Equity Capital	13,968	13,968	13,968	13,968
Reserves & Surplus	1,993,186	2,305,872	2,617,428	2,966,744
Minority Interest	0	0	0	0
Net worth	2,007,154	2,319,839	2,631,396	2,980,712
Borrowings	1,193,255	1,482,655	1,729,922	2,001,459
- Deposits	11,808,407	13,343,892	15,569,297	18,013,132
- Other interest bearing liabilities	0	0	0	0
Current liabilities & provisions	833,251	881,120	845,142	806,180
Total Liabilities	15,842,067	18,027,506	20,775,758	23,801,483
Application of Funds				
Cash and balances with RBI	1,194,383	1,114,878	1,285,156	1,472,147
Investments	3,623,297	4,099,031	4,639,117	5,252,374
Advances	10,196,383	11,827,804	13,720,253	15,778,291
Fixed assets	95,998	107,387	121,065	136,979
Other current assets, loans and advances	732,005	878,406	1,010,167	1,161,692
Total Assets	15,842,067	18,027,506	20,775,758	23,801,483

E – Estimates

Important Ratios

Particulars	FY23A	FY24E	FY25E	FY26E
(A) Margins (%)				
Yield on advances	8.9	9.2	9.3	9.3
Yields on interest earning assets	7.7	8.1	8.2	8.2
Yield on investments	6.2	6.4	6.4	6.4
Costs of funds	3.8	4.4	4.6	4.6
Cost of deposits	3.5	4.1	4.3	4.2
NIMs	4.4	4.3	4.2	4.2
(B) Asset quality and capital ratios (%)				
GNPA	2.8	2.3	2.1	2.0
NNPA	0.5	0.5	0.4	0.4
PCR	84.0	83.0	83.0	81.0
Slippages	2.1	2.0	1.9	1.9
NNPA to NW	2.6	2.4	2.3	2.4
CASA	46.3	46.0	47.0	47.0
CAR	18.4	17.9	17.1	16.6
Tier 1	17.6	17.3	16.7	16.3
Credit - Deposit	86.3	88.6	88.1	87.6
(C) Dupont as a percentage of average assets				
Interest income	7.3	7.7	7.7	7.8
Interest expenses	3.1	3.6	3.8	3.8
Net interest income	4.1	4.1	3.9	3.9
Non interest Income	1.3	1.4	1.4	1.4
Total expenses	2.2	2.3	2.3	2.3
- cost to income	40.1	42.5	43.9	43.3
Provisions	0.4	0.3	0.3	0.4
Tax	0.7	0.7	0.6	0.6
RoA	2.2	2.2	2.0	2.0
Leverage	8.0	7.9	8.1	8.1
RoE	17.9	17.2	15.8	15.9
RoRwa	3.1	2.9	2.6	2.6
(D) Measures of Investments				
EPS - adjusted	47.5	53.1	55.9	63.6
BV	281.9	325.4	369.3	418.5
ABV	274.5	317.6	361.0	408.3
DPS	8.0	10.0	12.0	12.0
Dividend payout ratio	0.0	0.0	0.0	0.0
(E) Growth Ratios (%)				
Net interest income	30.9	11.4	10.3	15.3
PPoP	25.1	8.1	8.7	16.6
Adj PAT	42.0	11.9	5.3	13.8
Advances	18.7	16.0	16.0	15.0
Total borrowings	11.3	24.3	16.7	15.7
Total assets	12.3	13.8	15.2	14.6
(F) Valuation Ratios				
Market Cap (Rs. mn)	6,527,105	6,527,105	6,527,105	6,527,105
CMP (Rs.)	933	933	933	933
P/E (x)	19.7	17.6	16.7	14.7
P/BV (x)	3.3	2.9	2.5	2.2
P/ABV (x)	3.4	2.9	2.6	2.3
Div Yield (%)	0.9	1.1	1.3	1.3

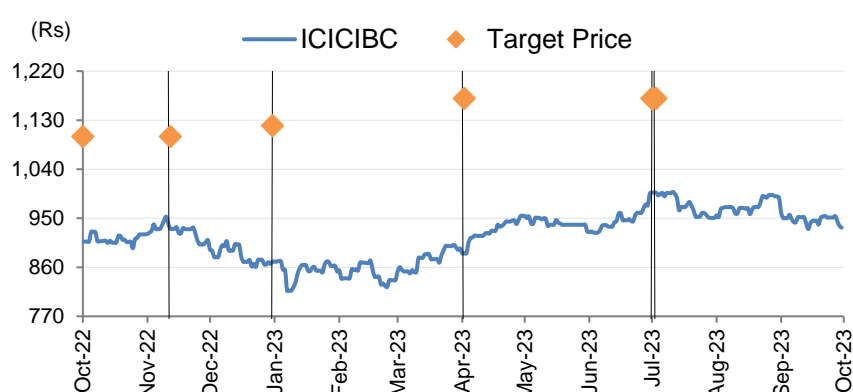
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Oct-22	BUY	1,100	907
Dec-22	BUY	1,100	931
Jan-23	BUY	1,120	870
Apr-23	BUY	1,170	886
Jul-23	BUY	1,170	997
Jul-23	BUY	1,170	997

*Price as on recommendation date

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