ICICI Bank

29 April 2024

Revise estimates,TP on better than expected results

RESULT UPDATE

Sector: Banks **Rating: BUY**

CMP: Rs 1,110 **Target Price: Rs 1,275**

Stock Info

Sensex/Nifty	73,730/22,419
Bloomberg	ICICIBC IN
Equity shares	7,022mn
52-wk High/Low	Rs 1125/898
Face value	Rs 2
M-Cap	Rs 7,777bn/ USD 94bn
3-m Avg volume	USD 193mn

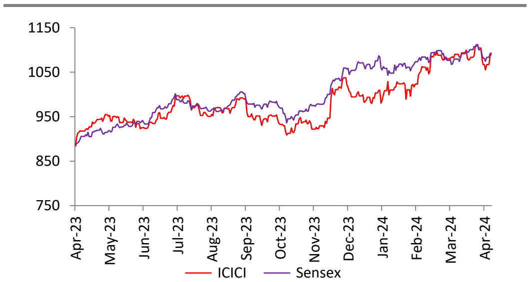
Financial Snapshot (Rs bn)

Y/E March	FY24	FY25E	FY26E
NII	743	845	954
PPP	581	663	744
PAT	409	443	486
EPS (Rs)	58	63	69
EPS Gr. (%)	27.5	8.3	9.8
BV/Sh (Rs)	333	377	426
Adj. BV/Sh (Rs)	327	370	419
Ratios			
NIM (%)	4.5	4.4	4.3
C/I ratio (%)	40.2	40.3	40.8
RoA (%)	2.4	2.2	2.1
RoE (%)	18.7	17.5	17.1
Payout (%)	17.2	19.5	19.5
Valuations			
P/E (x)	16	14.8	13.4
P/BV (x)	2.8	2.5	2.2
P/Adj. BV	2.9	2.5	2.2
Div. Yield (%)	1.1	1.3	1.5

Shareholding pattern (%)

	Sep'23	Dec'23	Mar'24
Promoter	-	-	-
–Pledged	-	-	-
FII	44.4	43.6	44.8
DII	45.5	46.2	45.4
Others	10.1	10.1	9.9

Stock Performance



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ICICI Bank reported 4QFY24 PAT of Rs 107bn (+4% qoq, +17% yoy) which was in-line with estimates. In contrast to our estimates – the credit growth was a tad soft for a 4Q (at 2.7%qoq) whilst operating expenses declined sharper than expected resulting in core PPOP growth of 6%qoq/13%yoy, ex of one-offs. The bank had one-offs from (i) Rs 3.4bn foreign currency translation loss related to the closure of the bank's offshore unit in Mumbai (ii) reversal of AIF provision of Rs 1.16bn. Excluding these one-offs, the earnings were 2% above estimates.

Other key highlights were: 1) Net Advances growth (2.7% qoq, 16% yoy) was led by 4-5% qoq growth in retail, SME, rural and business banking while domestic corporate advances growth continued to remain muted (0.8% qoq, 10% yoy) 2) Deposit mobilization was strong at 6% qoq, 20% yoy, on strong seasonality in 4Q and was led by CASA growth of 13% qoq, 10% yoy. 3) C-D ratio declined to 83.8% (-277bps qoq). 4) Reported NIMs at 4.4% were largely stable qoq (ex. 4bps impact of IT refund in 3Q). Spread of yield on advances over CoF, at 4.83%, have also remained stable qoq reflecting ability to pass on rates and improved NIM outlook 5) other income declined by -7.4% qoq due to Rs 3.4bn foreign currency translation loss related to the closure of the bank's offshore unit in Mumbai 6) CIR declined to 39.2% (-136bps qoq) due to optimization in personal loan sourcing costs and normalization of seasonally higher promotional spends in the previous quarter 7) Credit costs, excluding the one-off from Rs 1.16bn AIF provision reversal, normalized to 29bps vs 15bps in 3QFY24 8) RoA /RoE of 2.34% / 18.4% in 4QFY24.

We expect the margin impact to be moderate compared to our earlier estimates due to the bank's ability to pass on rates reflected in largely stable spreads and the management's focus on maintaining pricing discipline. We lower our fee income estimates on lower business growth, for some retail segments like PL, which is offset by reduced opex. We reduce credit cost estimates as asset quality continues to remain benign. Overall, we increase our FY25/FY26 PAT estimates by 5% resulting in 10bps of RoA improvement. We maintain our BUY rating with a Mar'26 TP of 1,275 (from 1,175) valuing the standalone bank at 2.6x Mar'26 adj BVPS (vs 2.5x earlier) with Rs 180/sh value of subsidiaries. In our view, a tad higher multiple is also justified considering that large peer private banks face idiosyncratic issues like HDFCB with its merger related uncertainties, Kotak with its ongoing regulatory scrutiny and Axis with growth headwinds. ICICI bank remains our preferred pick.

Advances growth driven by retail. Corporate advances growth remains subdued: Net Advances growth of 2.7% qoq, 16% yoy was led by 4-5% qoq growth in retail, SME, rural and business banking while domestic corporate advances growth continued to remain muted at 0.8% qoq, 10% yoy. Consequently, retail mix improved to 56.3% (+56bps qoq). Retail loan growth (3.7% qoq, 19% yoy) continued to be led by unsecured credit (personal loans, credit cards) which grew by 5.5% qoq, 33% yoy. Share of retail unsecured credit in the total portfolio improved to 14% (+184bps) in FY24. That said, growth in unsecured credit moderated from 8-9% qoq growth seen in the previous quarters. This was mainly due to price increases, optimization of sourcing costs and tightening of credit filters impacting incremental disbursements. Within secured credit, home loans increased by 3% qoq, 15% yoy and vehicle loans increased by 2.4% qoq, 17% yoy. The bank has seen slight moderation in competitive intensity in the credit market due to increasing lending rates.

Investors are advised to refer disclosures made at the end of the research report.

NIMs and spreads largely stable on pass-through of higher rates: Given the strong seasonality in 4Q, deposit mobilization was strong at 6% qoq, 20% yoy and was led by CASA growth of 13% qoq, 10% yoy with CA growth of 26% qoq, 20% yoy. This was likely a period end phenomenon as while period end CASA ratio increased to 42.2% (+255bps qoq), quarterly average CASA ratio declined to 39% (-50bps qoq). TD growth was muted at 2% qoq, 28% yoy. On reported basis, NIMs (4.4%) declined 3bps qoq (stable excluding 4bps IT refund in 3Q) as (i) yields increase of 3bps qoq was more than offset by 9bps qoq increase in cost of funds (ii) C-D ratio declined 277bps qoq to 83.8%. Spreads at 4.83% also remained stable qoq reflecting ability to pass on rates and maintaining pricing discipline. However, on calculated basis, NIMs declined by 10bps qoq as yields declined by 10bps qoq while cost of funds remained stable qoq. The difference in the calculated vs reported trends could be due to higher flows during the quarter end. **Going forward, management indicated of slight moderation in NIMs due to (i) flow through of 10bps increase in retail card rates done in 4Q (ii) normalization/outflow in volatile CA deposits mobilized in 4Q (iii) further increase in retail deposit rates on increased competitive intensity (iv) moderation in higher yielding unsecured retail advances (v) C-D ratio to largely remain around current levels given heightened regulatory scrutiny**. **Our NIM estimates, over FY25/26E, factor 20bps decline vs earlier 37bps of decline.**

NII in-line, lower other income offset by lower opex, PPOP in-line: While NII growth of +2% qoq, +8% yoy was in-line with estimates, other income declined by -7.4% qoq due to one-off impact from Rs 3.4bn foreign currency translation loss related to the closure of the bank's offshore unit in Mumbai. This was offset by lower opex (CIR at 39.2%, -136bps qoq) on optimization in personal loan sourcing costs and normalisation of seasonally higher promotional spends in 3Q. **Going forward, the bank expects further moderation in opex growth due to moderation in headcount additions and productivity gains from tech investments.** While reported PPOP was in-line with estimates, PPOP excluding one-offs was 3% higher than estimates.

Asset Quality continues to remain benign: Asset quality continued to remain benign with GNPA (2.2%, -14bps qoq) and NNPA 0.4% (-2bps qoq) improving sequentially as gross slippages declined to 1.79% (vs 2.07% in 3Q). In 4Q, the bank had one-time reversal of AIF provision of Rs 1.16bn (4bps of average net advances) on clarification from RBI. Credit costs excluding the one-off reversal, normalized to 29bps vs 15bps in 3QFY24 (ex AIF provisions of Rs 6.3bn, 22 bps impact). **Going forward, management guided for slight increase in credit costs on normalization of credit cost cycle.** In FY24, within the corporate book, share of BBB+ and below rated corporates has increased to 32.3% vs 26.5% in FY23 due to reduction in finely priced corporate exposures and reduction in NBFC lending as a fallout of the increase in regulatory risk weight. However, asset quality of this portfolio remains stable.

Valuation and recommendation: We expect the margin impact to be moderate compared to our earlier estimates due to the bank's ability to pass on rates reflected in largely stable spreads and the management's focus on maintaining pricing discipline. We lower our fee income estimates on lower business growth, for some retail segments like PL, which is offset by reduced opex. We reduce credit cost estimates as asset quality continues to remain benign. Overall, we increase our FY25/FY26 PAT estimates by 5% resulting in 10bps of RoA improvement. We maintain our BUY rating with a Mar'26 TP of 1,275 (from 1,175) valuing the standalone bank at 2.6x Mar'26 adj BVPS (vs 2.5x earlier) with Rs 180/sh value of subsidiaries. In our view, a tad higher multiple is also justified considering that large peer private banks face idiosyncratic issues like HDFCB with its merger related uncertainties, Kotak with its ongoing regulatory scrutiny and Axis with growth headwinds. ICICI bank remains our preferred pick.

Key takeaways from 4QFY24 earnings call:

Balance sheet

- Including proposed dividend, CAR / Tier-1 stood at 16.33% / 15.6%.
- Overseas loan book declined by 2% qoq, 14% yoy
- Loan book mix: 49% of outstanding net advances are repo linked (similar to 3Q), 2% EBLR linked (similar to 3Q), 17% MCLR (vs 18% qoq), 32% fixed rates (31% in 3Q)
- LCR was at 123% ,stable qoq
- Domestic C-D ratio was 82.3% vs 84.6% / 84.5% in qoq/yoy
- Loans to NBFCs declined to Rs 694bn (5.9% of net advances) vs (6.4% / 7.1% in qoq / yoy) due to prepayment by a few borrowers on price increases due to higher risk weights

P&L

- Overseas NIM declined to 1.21% in 4Q vs 1.47% in 3Q. However, it increased to 1.32% in FY24 vs 0.61% in FY23
- Fees from retail, rural, business banking and SME customers constituted 77% of total fees in 4Q vs 79% in 3Q.
- Dividend income from subsidiaries/associates was Rs4.84bn, 77% qoqmainly due to higher dividend from ICICI Bank Canada, IPRU AMC and ICICI securities

Opex

- Employee additions were 180 in 4Q and 12,000 employees in FY24
- Branch additions were 152 in 4Q and 620 in FY24. O/s branches were 6,523
- Nonemployee expenses increased by 8.3% yoy in 4Q, primarily due to retail business related and other technology expense
- Opex is likely to increase in 1Q due to annual increments and promotions.

Asset Quality

- There was sale of gross NPAs of Rs 3.27 bn in 4Q vs Rs 0.36 billion in 3Q. The sale includes Rs 0.21 bn in cash and Rs 0.64 bn of security receipts. As these NPAs were fully provided, the bank continues to hold provisions against the security receipts.
- Net Investments in SRs was Rs. 0.29bn as of Mar’24 vs Rs1.42bn as of Dec’23
- The fund and non-fund based outstanding to performing corporate and SME borrowers rated BB and below was Rs 55.28 vs Rs 58.5bn qoq. Other than 2 accounts, the maximum single borrower outstanding in the BB and below portfolio was less than INR 5 billion as of 4Q’FY24.
- The company holds provisions of Rs 9bn on this portfolio (16% of the O/s BB and below portfolio)

Exhibit 1: Quarterly performance

P&L (INR, mn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)
Interest income	3,79,484	3,10,211	22%	3,66,946	3.4%
Interest expenses	1,88,556	1,33,543	41%	1,80,160	4.7%
NII	**1,90,928**	**1,76,668**	**8%**	**1,86,786**	**2.2%**
Other income	56,488	50,870	11%	60,971	-7.4%
Operating income	2,47,416	2,27,538	9%	2,47,756	-0.1%
Operating expenses	97,028	89,282	9%	1,00,520	-3.5%
- Staff expenses	37,202	34,010	9%	38,127	-2.4%
PPOP	**1,50,388**	**1,38,256**	**9%**	**1,47,236**	**2.1%**
Provisions	7,185	16,198	-56%	10,494	-31.5%
Profit before tax	1,43,203	1,22,058	17%	1,36,743	4.7%
Taxes	36,127	30,847	17%	34,027	6.2%
Profit after tax	**1,07,075**	**91,211**	**17%**	**1,02,715**	**4.2%**
Key Ratios (%)	**4QFY24**	**4QFY23**	**YoY (bps)**	**3QFY24**	**QoQ (bps)**
Net Advances growth (YoY, %)	16.2%	18.7%	-254 bp	18.5%	-229 bp
Net Advances growth (QoQ, %)	2.7%	4.7%	-203 bp	3.9%	-124 bp
Deposit growth (YoY, %)	19.6%	10.9%	872 bp	18.7%	91 bp
Deposit growth (QoQ, %)	6.0%	5.2%	80 bp	2.9%	314 bp
Avg. CASA Ratio	38.9%	43.6%	-470 bp	39.4%	-50 bp
CD Ratio	83.8%	86.3%	-252 bp	86.6%	-277 bp
NIM (reported)	4.4%	4.9%	-50 bp	4.4%	-3 bp
Cost to Income	39.2%	39.2%	-2 bp	40.6%	-136 bp
Credit costs	0.29%	0.6%	-36 bp	0.15%	14 bp
GNPA (%)	2.2%	2.8%	-65 bp	2.30%	-14 bp
NNPA (%)	0.4%	0.5%	-6 bp	0.4%	-2 bp
PCR (%)	80.8%	83.5%	-270 bp	81.3%	-54 bp
CAR	16.3%	18.3%	-201 bp	14.6%	172 bp
Tier-I	15.6%	17.6%	-200 bp	13.9%	166 bp

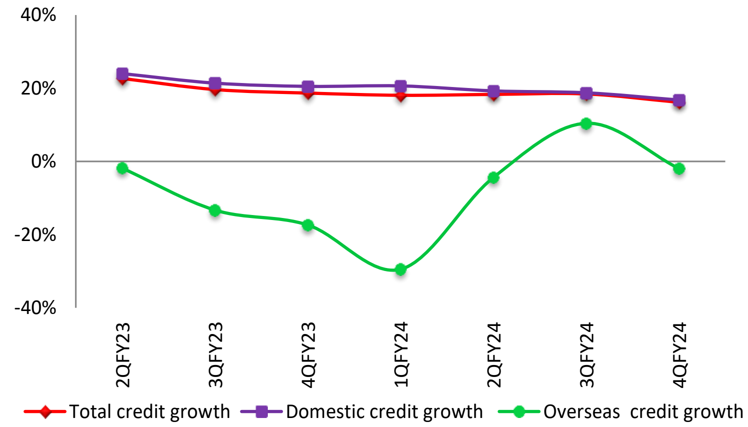
Source: Company, Systematix Institutional Research

Exhibit 2: DuPont analysis

Du Pont (% of average assets)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Net interest income	**4.6%**	**4.5%**	**4.3%**	**4.3%**	**4.2%**
Other income	1.3%	1.3%	1.4%	1.4%	1.2%
Total income	5.9%	5.9%	5.7%	5.7%	5.4%
Operating expenses	2.3%	2.4%	2.3%	2.3%	2.1%
Employee expenses	0.9%	1.0%	0.9%	0.9%	0.8%
PPOP	3.6%	3.5%	3.4%	3.4%	3.3%
Provisions	0.4%	0.3%	0.1%	0.2%	0.2%
PBT	3.1%	3.2%	3.2%	3.1%	3.1%
PAT (RoAA)	**2.3%**	**2.4%**	**2.4%**	**2.3%**	**2.3%**
Leverage	7.9	7.8	7.9	7.9	7.9
ROE	**18.6%**	**18.7%**	**19.2%**	**18.6%**	**18.4%**

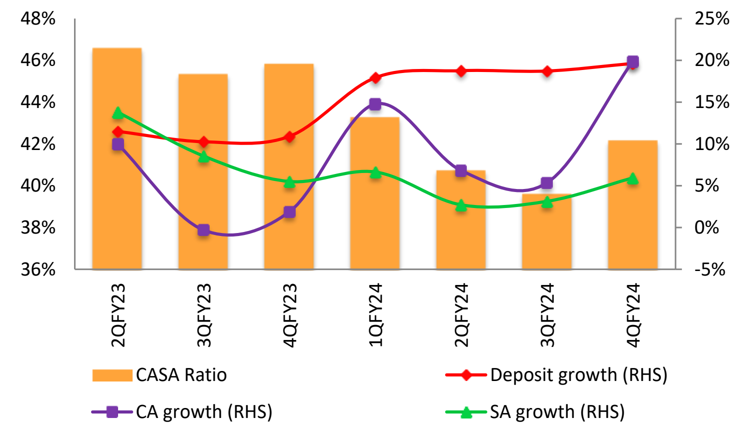
Source: Company, Systematix Institutional Research

Exhibit 3: Credit growth driven by retail. Corporate growth was remained flattish qoq



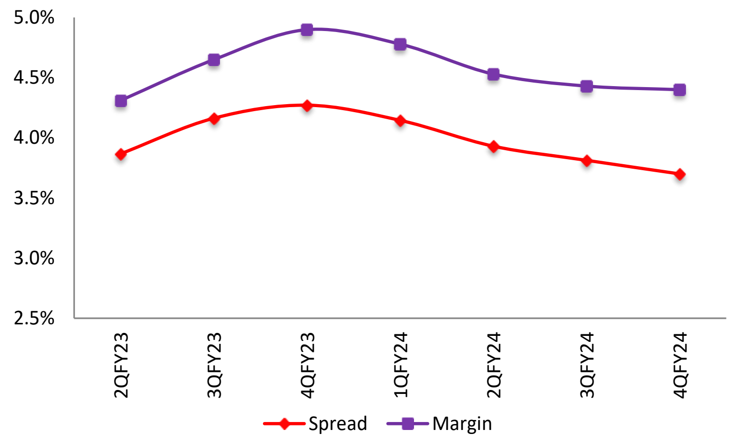
Source: Company, Systematix Institutional Research

Exhibit 4: Deposit growth was led by strong growth CASA



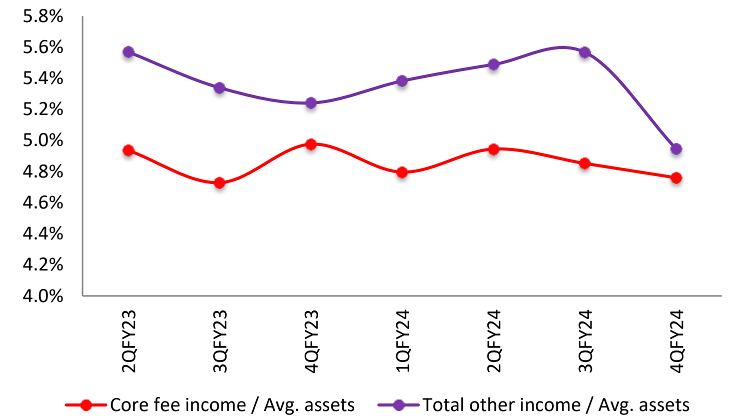
Source: Company, Systematix Institutional Research

Exhibit 5: Margins and spreads remained stable qoq



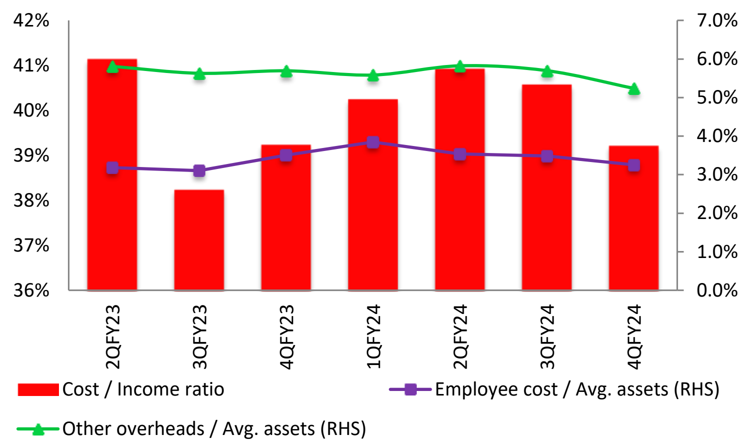
Source: Company, Systematix Institutional Research

Exhibit 6: Other income impacted by Rs 3.4bn foreign currency translation loss, materialized due to closure of unit



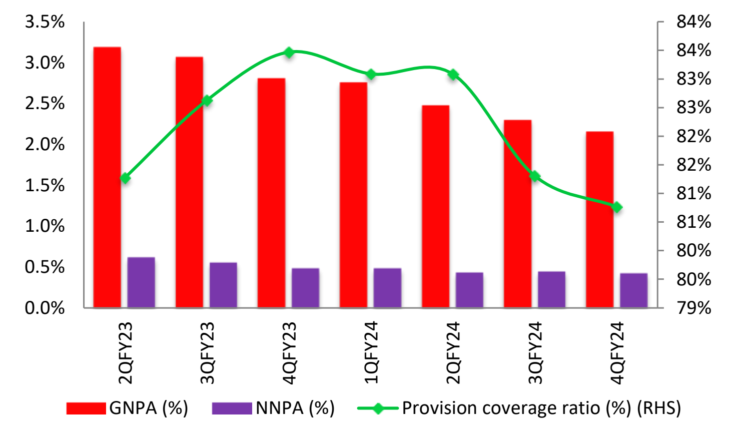
Source: Company, Systematix Institutional Research

Exhibit 7: C/I to moderate on rationalization of sourcing costs



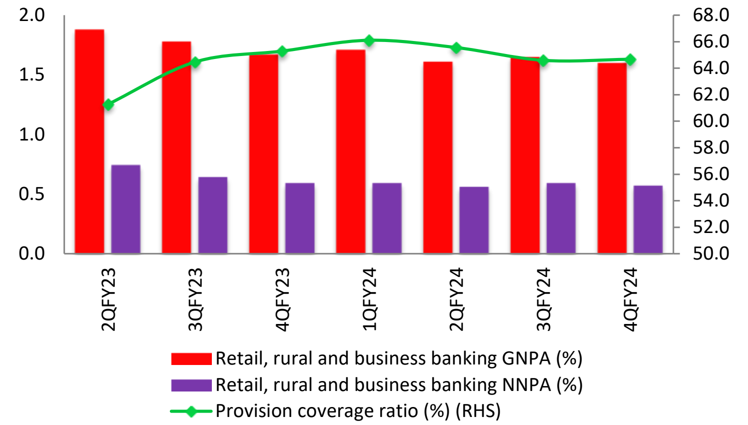
Source: Company, Systematix Institutional Research

Exhibit 8: GNPA, NNPA stable qoq



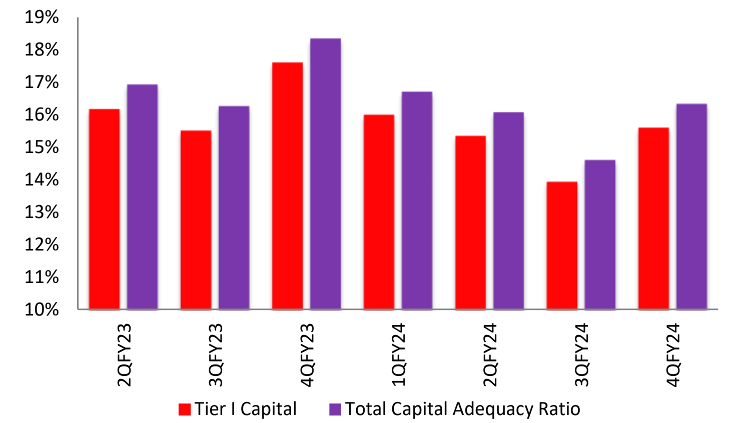
Source: Company, Systematix Institutional Research

Exhibit 9: Retail GNPA stable qoq but likely to normalize upwards



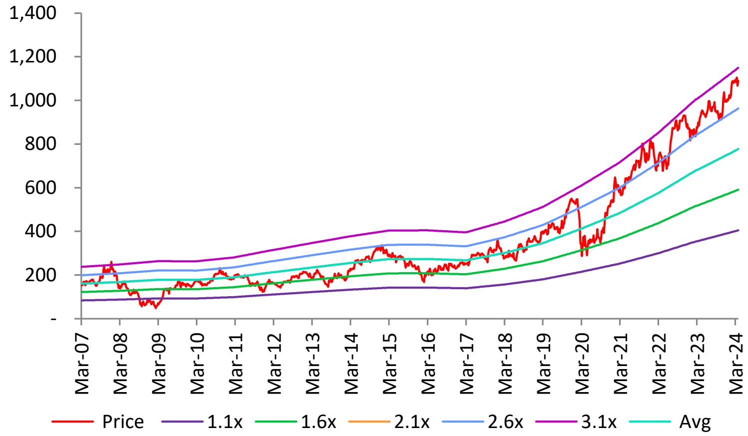
Source: Company, Systematix Institutional Research

Exhibit 10: Capital ratios improved qoq



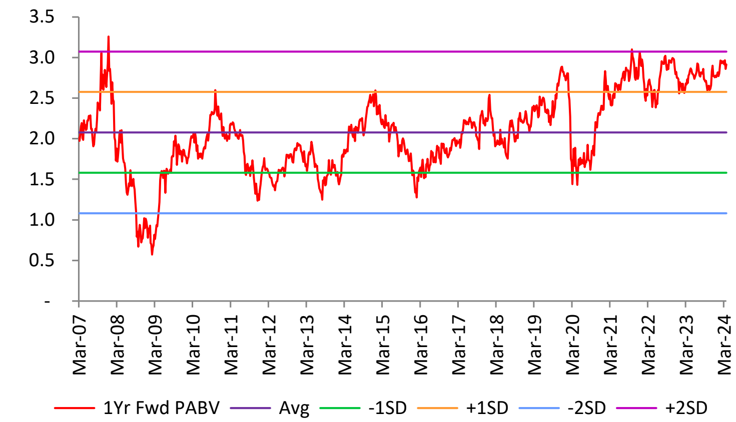
Source: Company, Systematix Institutional Research

Exhibit 11: 1-year forward P/ABV (x) multiple trajectory



Source: Company, Systematix Institutional Research

Exhibit 12: 1-year forward P/ABV (x)



Source: Company, Systematix Institutional Research

FINANCIALS

Profit & Loss Statement

YE: Mar (Rs bn)	FY22	FY23	FY24	FY25E	FY26E
Interest Income	864	1,092	1,429	1,680	1,909
Interest Expenses	389	471	686	836	955
Net Interest Income	**475**	**621**	**743**	**845**	**954**
Change (%)	21.7	30.9	19.6	13.7	13.0
Commission, Ex. & Br. Inc.	126	148	175	205	238
Add: Other income	185	198	230	266	303
Net Income	**660**	**820**	**973**	**1,111**	**1,258**
Change (%)	13.8	24.2	18.7	14.2	13.2
Operating Expenses	256	329	391	448	513
Operating Profit	**404**	**491**	**581**	**663**	**744**
Change (%)	11.1	21.4	18.4	14.1	12.2
Provisions	86	67	36	75	98
PBT	**318**	**424**	**545**	**589**	**647**
Tax	73	105	136	146	160
Tax Rate (%)	23.7	24.8	25.0	24.8	24.8
PAT	**245**	**319**	**409**	**443**	**486**
Change (%)	51.4	30.1	28.2	8.3	9.8
Proposed Dividend	35	56	70	86	95

Source: Company, Systematix Institutional Research

Balance Sheet

YE: Mar (Rs bn)	FY22	FY23	FY24	FY25E	FY26E
Capital	14	14	14	14	14
Reserves & Surplus	1,689	1,986	2,356	2,661	3,010
Net Worth	**1,705**	**2,007**	**2,384**	**2,689**	**3,038**
Change (%)	15.6	17.7	18.8	12.8	13.0
Deposits	**10,646**	**11,808**	**14,128**	**16,351**	**18,897**
Change (%)	14.2	10.9	19.6	15.7	15.6
CASA Ratio (%)	48.7	45.8	42.2	41.2	41.2
Borrowings	**1,072**	**1,193**	**1,250**	**1,375**	**1,512**
Other Liabilities	690	833	953	1,077	1,239
Total Liabilities	**14,113**	**15,842**	**18,715**	**21,492**	**24,687**
Change (%)	14.7	12.3	18.1	14.8	14.9
Investments	3,102	3,623	4,619	5,474	6,448
Cash & Bank balance	1,678	1,194	1,399	1,431	1,486
Loans	**8,590**	**10,196**	**11,844**	**13,710**	**15,842**
Change (%)	17.1	18.7	16.2	15.8	15.6
Fixed Assets	94	96	109	115	122
Other Assets	648	732	744	762	788
Total Assets	**14,113**	**15,842**	**18,715**	**21,492**	**24,687**

Source: Company, Systematix Institutional Research

Dupont

YE: Mar (%)	FY22	FY23	FY24	FY25E	FY26E
Interest Income	6.5	7.3	8.3	8.4	8.3
Interest Expended	2.9	3.1	4.0	4.2	4.1
Net Interest Income	**3.6**	**4.1**	**4.3**	**4.2**	**4.1**
Commission, Ex. & Br. Inc.	1.0	1.0	1.0	1.0	1.0
Other Fee Income	0.4	0.3	0.3	0.3	0.3
Net Operating Income	**4.9**	**5.5**	**5.6**	**5.5**	**5.4**
Profit on sale of investment	0.1	0.0	0.0	0.0	0.0
Net Income	5.0	5.5	5.6	5.5	5.4
Operating Expenses	2.0	2.2	2.3	2.2	2.2
Operating Income	**3.0**	**3.3**	**3.4**	**3.3**	**3.2**
Provisions	0.7	0.4	0.2	0.4	0.4
PBT	**2.3**	**2.8**	**3.2**	**2.9**	**2.8**
Tax	0.6	0.7	0.8	0.7	0.7
PAT	**1.8**	**2.1**	**2.4**	**2.2**	**2.1**
Leverage	8	8	8	8	8
RoE	**14.7**	**17.2**	**18.7**	**17.5**	**17.1**

Source: Company, Systematix Institutional Research

Ratios

YE: Mar	FY22	FY23	FY24	FY25E	FY26E
Spreads Analysis (%)					
Yield on Advances	8.0	8.9	10.1	10.1	9.9
Yield on Earning Assets	7.0	7.7	8.7	8.7	8.6
Cost of Deposits	3.3	3.5	4.6	4.8	4.8
Cost of Funds	3.5	3.8	4.8	5.0	5.0
NIM	3.8	4.4	4.5	4.4	4.3
Profitability Ratios (%)					
Cost/Income	40.5	40.1	40.2	40.3	40.8
PPOP / Avg. assets	3.0	3.3	3.4	3.3	3.2
RoE	14.7	17.2	18.7	17.5	17.1
RoA	1.8	2.1	2.4	2.2	2.1
Asset Quality (%)					
GNPA (Rs bn)	333	300	280	302	346
NNPA (Rs bn)	69	52	54	58	66
GNPA	3.8	2.9	2.3	2.2	2.1
NNPA	0.8	0.5	0.5	0.4	0.4
PCR	79.2	82.8	80.8	80.8	80.8
Capitalisation (%)					
CAR	19.2	18.3	16.3	19.6	19.3
Tier I	18.3	17.6	15.6	18.9	18.6
Tier II	0.8	0.7	0.7	0.7	0.7
Average Leverage on Assets (x)	8.3	8.1	7.9	8.0	8.1
Valuations					
Book Value (Rs)	240	282	333	377	426
Adj. Book Value (Rs)	233	276	327	370	419
Price-BV (x)	3.9	3.3	2.8	2.5	2.2
Price-Adj. BV (x)	4.2	3.4	2.9	2.5	2.2
EPS (Rs)	34	46	58	63	69
EPS Growth (%)	43.5	36.0	27.5	8.3	9.8
Price-Earnings (x)	27.7	20.4	16.0	14.8	13.4
Dividend (Rs)	5	8	10	12	14
Dividend Yield (%)	0.5	0.9	1.1	1.3	1.5

Source: Company, Systematix Institutional Research

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