ICICI Bank

BSE SENSEX	S&P CNX
81,526	24,642

Stock Info

Bloomberg	ICICIBC IN
Equity Shares (m)	7046
M.Cap.(INRb)/(USDb)	9368 / 110.4
52-Week Range (INR)	1362 / 970
1, 6, 12 Rel. Per (%)	3/13/13
12M Avg Val (INR M)	18257
Free float (%)	100.0

Financials Snapshot (INR b)

Y/E March	FY24	FY25E	FY26E
NII	743	813	908
OP	581	663	748
NP	409	458	507
NIM (%)	4.7	4.4	4.2
EPS (INR)	58.4	65.3	72.2
EPS Gr (%)	27.5	11.8	10.7
ABV/Sh (INR)	315	370	432
Cons. BV/Sh (INR)	363	433	513
Ratios			
RoA (%)	2.4	2.3	2.2
RoE (%)	18.9	18.0	17.1
Valuations			
P/BV (x) (Cons)	3.7	3.1	2.6
P/ABV (x)*	3.4	2.9	2.5
P/E (x)	22.7	20.4	18.4
Adj P/E (x)*	18.3	16.4	14.8

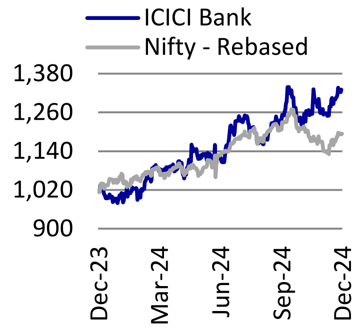
* Adjusted for Investment in subsidiaries

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	0.0	0.0	0.0
DII	35.9	36.2	36.8
FII	56.6	56.1	55.2
Others	7.5	7.7	7.9

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR1,328 TP: INR1,550 (+17%) Buy

Well poised to deliver sustainable growth and profitability!

Asset quality steady; Estimate RoA to sustain at 2.1% for FY27E

We met with Mr. Rakesh Jha (Executive Director – Retail, Corporate Banking and Small Enterprises) and Mr. Abhinek Bhargava (Head – Investor Relations) from ICICI Bank (ICICIBC) to discuss the bank's business outlook and other key focus areas. Following are the key takeaways from the discussion:

Loan growth remains healthy; focusing on delivering profitable growth

ICICIBC has delivered a robust ~17% CAGR in loans over FY22 to FY24, driven by Retail, Business Banking and SME segments while leveraging data analytics for onboarding and credit assessment. Business Banking segment continues to witness strong traction even as the overall economic environment has softened, as the bank has revamped its strategy, enhanced resources and streamlined internal processes. As a result, the segment has posted ~30% YoY growth in 2QFY25. Overleveraging remains a concern for the industry mainly in unsecured lending segments and the unwinding process is ongoing, which may take a few more quarters and continue to put pressure on the segment's growth in the near term. The bank continues to focus on risk management, especially in unsecured lending, and has tightened underwriting standards, which resulted in slower growth in these segments. We estimate ICICIBC to deliver a 17% CAGR in its loan portfolio over FY24-27E.

Building a granular retail franchise; CD ratio comfortable but CASA accretion remains tough

ICICIBC delivered industry-leading deposit growth of ~20% YoY in FY24 (~15.7% in 1HFY25), driven by enhancements in digital banking and robust branch network. The bank has focused on mobilizing low-cost deposits, particularly through corporate salary accounts and transaction banking, while increasing its presence in regions with lower market share. ICICIBC prioritizes profitable growth, with a balance sheet primarily funded by retail deposits, though it continues to engage in the wholesale segment to foster corporate relationships. Despite high competitive pressure on deposit rates, the bank has adjusted its pricing strategies to address specific needs related to maturity outflows, maintaining a CD ratio of around 85%. While the recent draft LCR guidelines could require adjustments, potentially impacting the bank's LCR by ~10-11% and NIMs by ~12bp (our calculation, please refer to our note "Assessing impact of draft LCR guidelines" published on 19th Nov'24 for details), ICICIBC remains confident of sustaining a healthy deposit growth trajectory (with some industry-wide pressure on CASA deposits). We estimate a ~16% CAGR in deposits over FY24-27E.

Nitin Aggarwal - Research Analyst (Nitin.Aggarwal@MotilalOswal.com)
Research Analyst: Dixit Sankharva (Dixit.sankharva@motilaloswal.com) | **Disha Singhal** (Disha.Singhal@MotilalOswal.com)

Pace of NIM compression has moderated; potential turn in rate cycle to further impact margins

ICICIBC continues to focus on strengthening its retail deposit base even as the CASA ratio declined to 40.6% in 2QFY25 due to elevated rate differential; however, LDR has remained favorable at ~85%. Although NIMs have contracted by ~27bp to 4.27% over the past year, the pace of compression has slowed, with a 13bp decline in 1HFY25 vs. a 37bp decline in 1HFY24. The bank expects margins to remain broadly stable in the near term; however, a turn in the rate cycle will dent margins as ~51% of the loan book is linked to repo (16% linked to MCLR and 32% is fixed rate book), which will get repriced promptly. We thus estimate margins to moderate further by ~20bp during FY26E to 4.2% from 4.4% in FY25 and remain watchful given the possibility of a 75-100bp cut in the repo rate in CY25 vs. our earlier view of a 50bp cut.

Fee growth steady; operating efficiency to keep cost ratios under control

ICICIBC reported ~16% growth in core fees in FY24, driven by strategic initiatives in Retail and Business Banking, which accounted for ~78% of overall fees. The bank has significant growth potential in fee income (especially transaction-related fees), while it remains discreet about the distribution of third-party products. The bank's focus on enhancing transaction banking, foreign exchange services and derivatives has strengthened fee income, alongside growth in credit card market share and spending volumes. With ongoing improvements in technology and efficient data analytics boosting digital transactions, a gradual recovery in the corporate portfolio is expected to further enhance fee growth. During 2QFY25, employee expenses declined; however, the bank expect overall opex to increase slightly due to festival spending and continued investments in manpower and technology. In 2QFY25, the cost-to-assets ratio remained stable at ~2.1%, while the C/I ratio improved to 38.6%. We estimate the C/I ratio to remain steady at ~39% by FY27, factoring in ~14% CAGR in operating expenses over FY25-27E. The bank is focusing on leveraging technology to increase volumes in the Retail/Business Banking segments with an aim of improving business productivity.

Asset quality steady; robust underwriting to enable controlled credit cost

ICICIBC has made significant progress in enhancing its asset quality and now maintains a best-in-class PCR of ~79% and contingent provisions of INR131b (1% of loans), which position it well for a favorable credit cost outlook. Over the past three years, the bank has seen a steady decline in slippages (1.8% annualized rate in 2QFY25), supported by strong underwriting and robust digital monitoring capabilities. Delinquencies have increased in unsecured loans (~14% of total loans) due to overleveraging (as reflected in the stress seen in the overall industry), while the secured retail loans have been performing well. ICICIBC expect credit cost to normalize upward on a calibrated basis. The bank’s substantial investments in technology, particularly in analytics and digital capabilities, have strengthened its early delinquency models, effectively managing slippages. We estimate GNPA/NNPA ratios to remain stable at ~1.8%/0.4% by FY27E, with credit cost averaging at ~50bp over FY26-27E.

Other highlights:

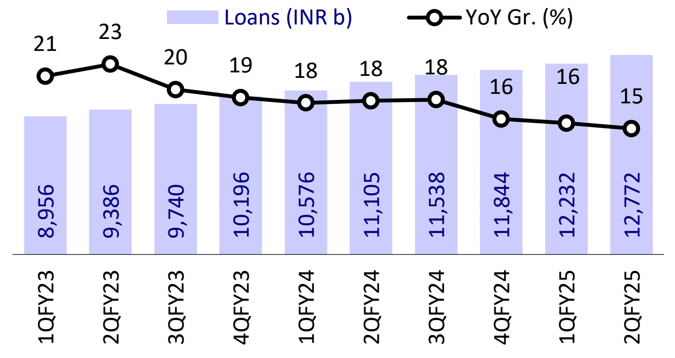
- ICICIBC aims to strengthen its relationship with quality customers and improve its client penetration. The bank sees healthy opportunities to grow the business by better targeting clients with the underlying core philosophy of "One Bank One Team" and "Return of Capital vs Return on Capital."
- The bank remains comfortable with the current credit-deposit ratio and keeps a watch on LCR rather than the CD ratio. ICICIBC's focus remains on balancing loan growth with deposit mobilization amid a challenging environment.
- Other than third-party product distribution, the bank believes it has significant potential in growing its fee income base, led by transaction banking fees. The bank is actively focusing on opportunities in the NRI segment.
- While the overall asset quality trends remain healthy, the credit cost normalization is likely to continue and the bank will continue to closely monitor and take necessary precautions as the impact of overleveraging plays out over the next few quarters.

Valuation and view: Reiterate BUY with a TP of INR1,550

ICICIBC is poised for a superior performance, driven by healthy loan growth, strong asset quality, and industry-leading return ratios. While we anticipate margins to remain in pressure in the near term due to a potential rate cut and rising costs of funds, the bank's operating leverage is emerging as a key driver of earnings growth. With robust deposit inflows and a favorable CD ratio—the lowest among large private banks—ICICIBC is well-positioned for profitable growth. Its asset quality outlook remains steady, supported by robust underwriting standards, strong PCR, and a high contingency buffer of ~1% of loans. We estimate ICICIBC to achieve a CAGR of 15%/12% in PPoP/PAT over FY25-27E, leading to RoA/RoE of 2.1%/16.7% in FY27. ICICIBC remains our top buy in the sector and we reiterate our BUY rating with a TP of INR1,550, based on 2.7x Sep'26E ABV.

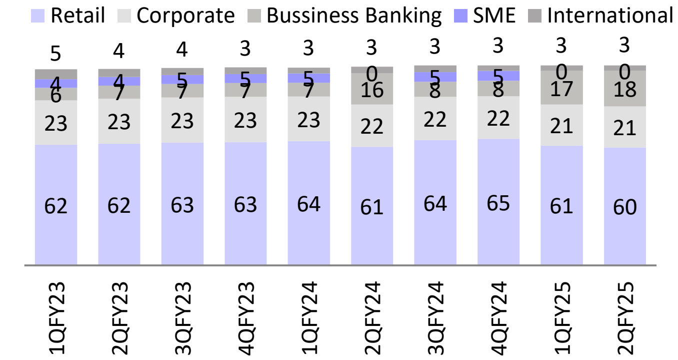
STORY IN CHARTS

Exhibit 1: Overall loan book grew 15.0% YoY (~4.4% QoQ)



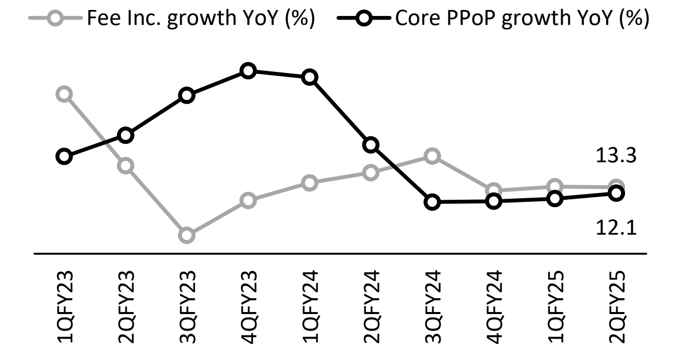
Source: MOFSL, Company

Exhibit 2: Retail loans continued to drive loan growth



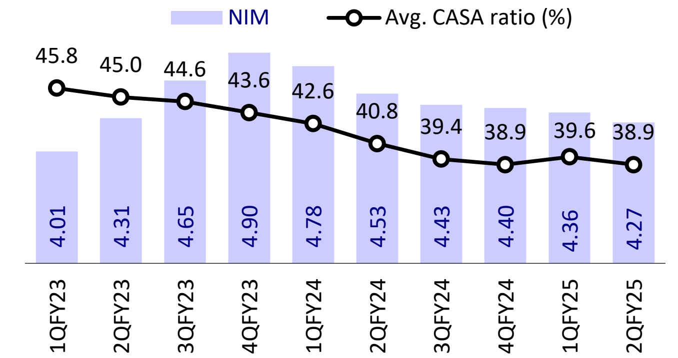
Source: MOFSL, Company

Exhibit 3: Fee grew 13.3% YoY; Core PPoP grew 12.1% YoY



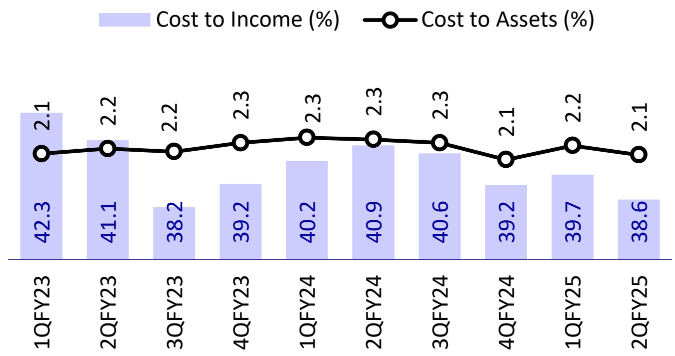
Source: MOFSL, Company

Exhibit 4: NIMs declined 9bp QoQ to 4.27%



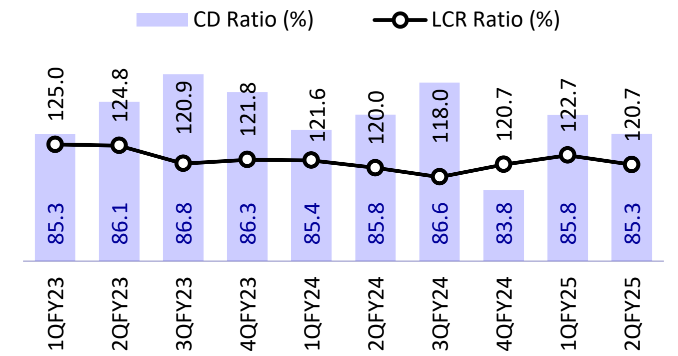
Source: MOFSL, Company

Exhibit 5: C/I ratio stood well under control at 38.6%



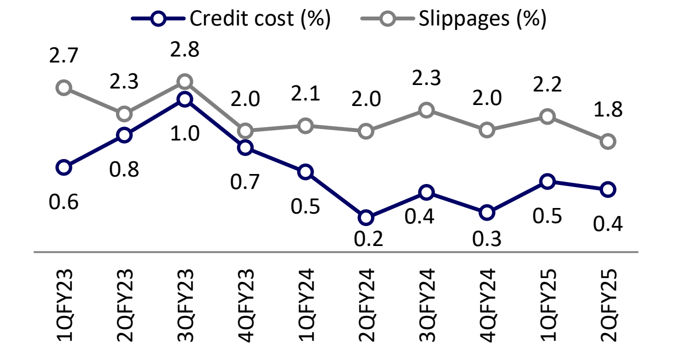
Source: MOFSL, Company

Exhibit 6: CD ratio declined to 85.3% vs 85.8% in 1Q



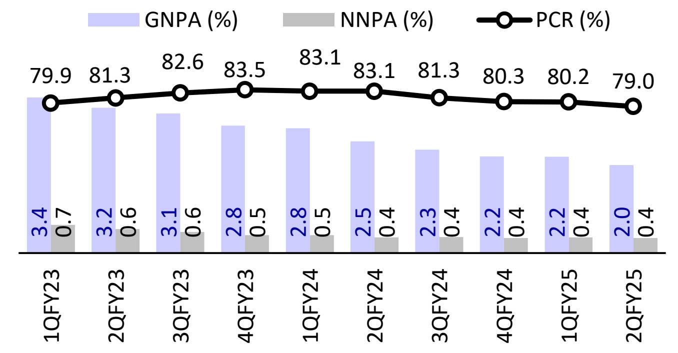
Source: MOFSL, Company

Exhibit 7: Credit cost stood at 0.4% in 2QFY25



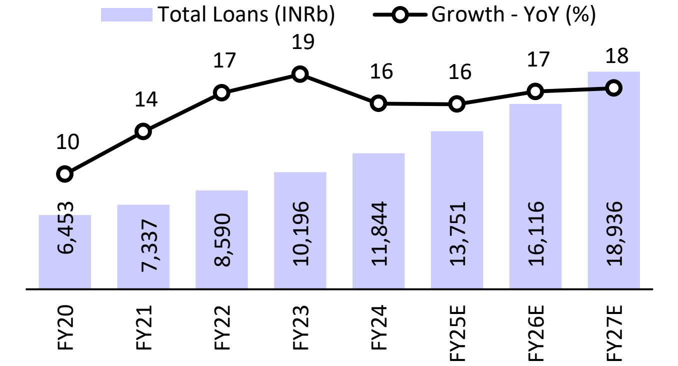
Source: MOFSL, Company

Exhibit 8: GNP/NNPA ratios declined to 1.97%/0.42%



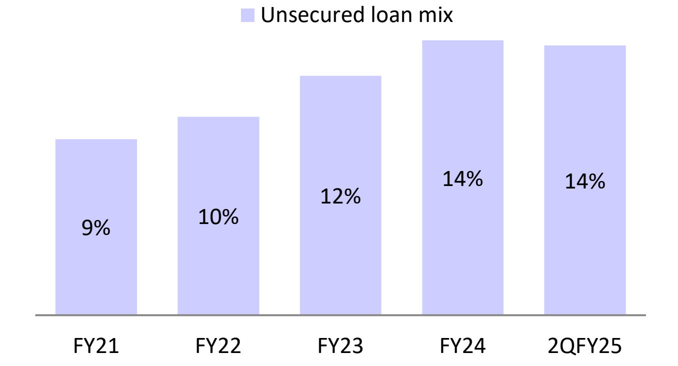
Source: MOFSL, Company

Exhibit 9: Expect 17% loan CAGR over FY25-27E



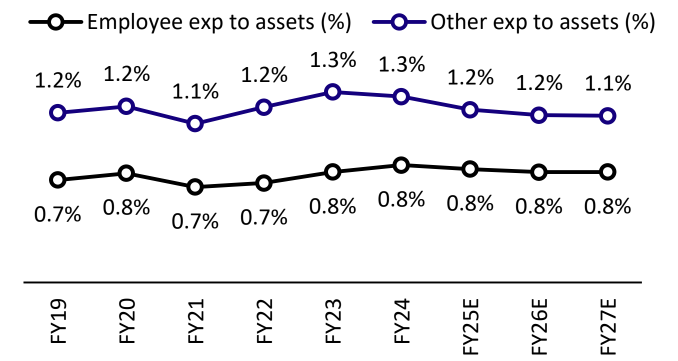
Source: Company, MOFSL

Exhibit 10: Unsecured loan mix at 14% of total portfolio



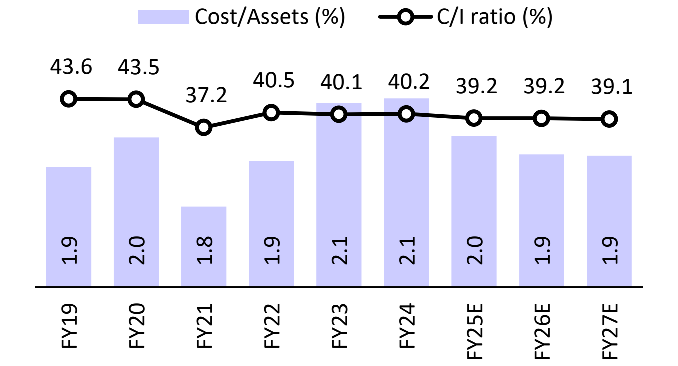
Source: Company, MOFSL

Exhibit 11: Expense ratios stable over the past years, despite continuous investments in technology



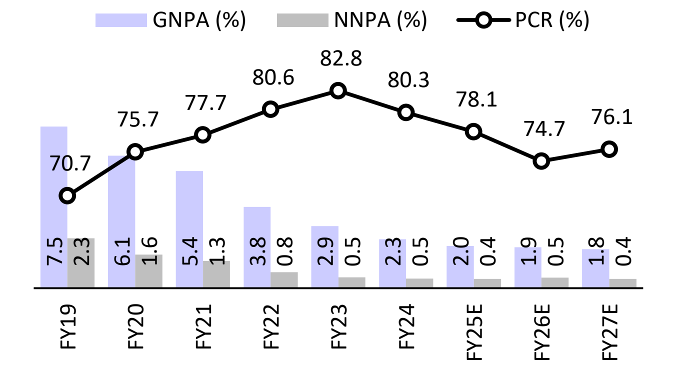
Source: Company, MOFSL

Exhibit 12: Expect C/I ratio to moderate to ~38% by FY27



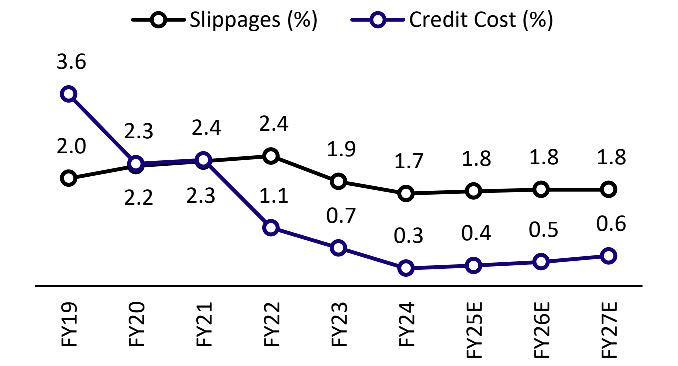
Source: Company, MOFSL

Exhibit 13: Asset quality witnessed constant moderation



Source: Company, MOFSL

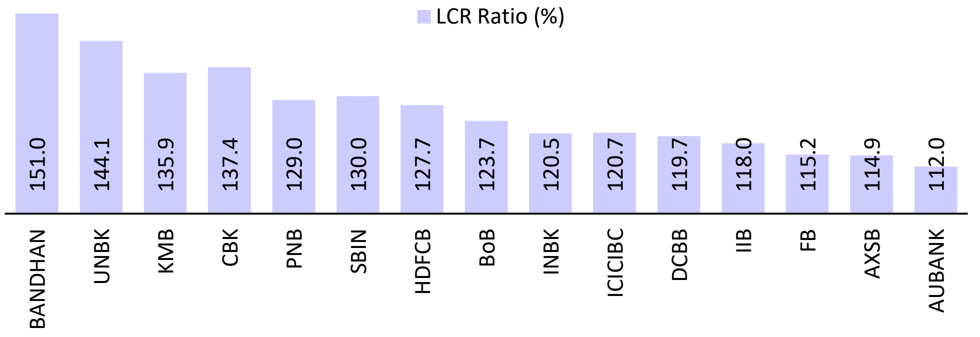
Exhibit 14: Avg credit cost (FY23-27E) stands at 50bp



Source: Company, MOFSL

LCR ratio of ICICI Bank is comfortable at 120.7% among peers; however, the recent RBI draft guideline would require some calibration on growth.

Exhibit 15: LCR ratio of ICICI Bank is comfortable at 120.7% across peers



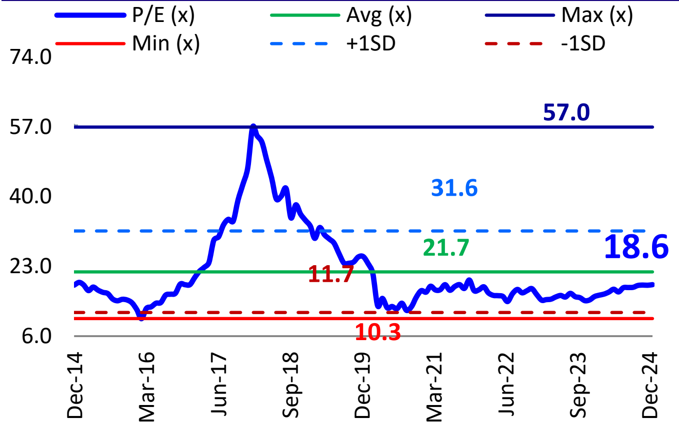
Source: MOFSL, Company

Exhibit 16: SoTP-based target price

	Stake (%)	Total Value INR b	Value Per Share INR	% of Total Value	Rationale
ICICI Bank	**100**	**9,095**	**1,291**	**83.2**	**2.6x Sep26E ABV**
ICICI Pru Life Insurance	51	684	97	6.3	2.0x Sep'26E EV
ICICI Lombard General Insurance	48	546	78	5.0	35x Sep'26E PAT
ICICI Pru AMC	51	601	86	5.5	30x Sep'26E PAT
ICICI Securities	75	273	39	2.5	15x Sep'26E PAT
Others (Ventures, Home Finance, PD, Overseas subs)	100	175	25	1.6	
Total Value of Ventures		**2,280**	**325**	**20.9**	
Less: 20% holding Discount		456	65	4.2	
Value of Key Ventures (Post Holding Co. Disc)		**1,824**	**260**	**16.8**	
Target Price Post 20% Holding Co. Disc.		**10,919**	**1,550**		

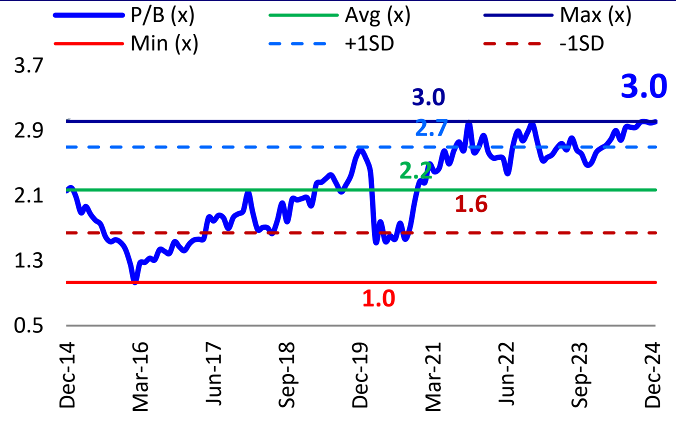
Source: MOFSL, Company

Exhibit 17: One-year forward P/E



Source: MOFSL, Company

Exhibit 18: One-year forward P/B



Source: MOFSL, Company

Exhibit 19: DuPont Analysis

Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	6.54	7.29	8.27	8.13	7.96	7.88
Interest Expense	2.95	3.14	3.97	4.10	4.09	4.01
Net Interest Income	**3.59**	**4.15**	**4.30**	**4.02**	**3.87**	**3.87**
Core Fee Income	1.04	1.19	1.15	1.10	1.15	1.15
Trading and others	0.36	0.13	0.18	0.28	0.23	0.24
Non Interest income	**1.40**	**1.32**	**1.33**	**1.37**	**1.37**	**1.39**
Total Income	**5.00**	**5.47**	**5.63**	**5.40**	**5.25**	**5.26**
Operating Expenses	**2.02**	**2.19**	**2.26**	**2.12**	**2.06**	**2.05**
Employee cost	0.73	0.81	0.88	0.84	0.82	0.82
Others	1.29	1.39	1.39	1.28	1.24	1.23
Operating Profits	**2.97**	**3.28**	**3.36**	**3.28**	**3.19**	**3.20**
Core operating Profits	**2.61**	**3.14**	**3.18**	**3.00**	**2.96**	**2.96**
Provisions	**0.65**	**0.45**	**0.21**	**0.26**	**0.31**	**0.39**
PBT	**2.32**	**2.83**	**3.15**	**3.02**	**2.88**	**2.81**
Tax	0.55	0.70	0.79	0.75	0.71	0.70
RoA	**1.77**	**2.13**	**2.37**	**2.27**	**2.16**	**2.11**
Leverage	8.5	8.2	8.0	7.9	7.9	7.9
RoE	**15.0**	**17.5**	**18.9**	**18.0**	**17.1**	**16.7**
Core RoE	**15.9**	**18.4**	**19.8**	**18.8**	**17.8**	**17.3**

Financials and valuations

Income Statement						(INR b)
Y/E March	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Interest Income	863.7	1,092.3	1,428.9	1,642.1	1,865.5	2,142.0
Interest Expended	389.1	471.0	685.9	829.2	957.8	1,090.1
Net Interest Income	**474.7**	**621.3**	**743.1**	**812.9**	**907.7**	**1,051.9**
-growth (%)	21.7	30.9	19.6	9.4	11.7	15.9
Other Income	185.2	198.3	229.6	277.8	322.2	377.0
Total Income	**659.8**	**819.6**	**972.6**	**1,090.6**	**1,229.9**	**1,428.9**
-growth (%)	13.8	24.2	18.7	12.1	12.8	16.2
Operating Exp.	267.3	328.7	391.3	428.0	482.3	558.0
Operating Profits	**392.5**	**490.9**	**581.3**	**662.7**	**747.6**	**870.9**
-growth (%)	7.8	25.1	18.4	14.0	12.8	16.5
Core PPoP	**385.5**	**490.4**	**573.2**	**653.5**	**737.4**	**859.4**
-growth (%)	23.5	27.2	16.9	14.0	12.8	16.5
Provisions	86.4	66.7	36.4	53.2	73.1	106.6
PBT	**306.1**	**424.2**	**544.9**	**609.4**	**674.5**	**764.3**
Tax	72.7	105.2	136.0	151.1	167.3	189.5
Tax Rate (%)	23.7	24.8	25.0	24.8	24.8	24.8
PAT	**233.4**	**319.0**	**408.9**	**458.3**	**507.2**	**574.7**
-growth (%)	44.1	36.7	28.2	12.1	10.7	13.3

Balance Sheet						
Y/E March	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Equity Share Capital	13.9	14.0	14.0	14.0	14.0	14.0
Reserves & Surplus	1,688.6	1,985.6	2,355.9	2,754.5	3,195.0	3,703.0
Net Worth	**1,702.5**	**1,999.5**	**2,369.9**	**2,768.6**	**3,209.1**	**3,717.1**
Deposits	**10,645.7**	**11,808.4**	**14,128.2**	**16,304.0**	**18,945.2**	**21,995.4**
- CASA Deposits	5,184.4	5,412.6	5,958.7	6,489.0	7,653.9	8,908.2
Borrowings	1,072.3	1,193.3	1,249.7	1,524.2	1,733.6	1,972.3
Other Liabilities & Prov.	689.8	833.3	953.2	1,105.7	1,293.7	1,513.7
Total Liabilities	**14,110.3**	**15,834.5**	**18,701.1**	**21,702.5**	**25,181.6**	**29,198.4**
Current Assets	1,678.2	1,194.4	1,399.3	1,538.1	1,642.9	1,749.1
Investments	**3,102.4**	**3,623.3**	**4,619.4**	**5,450.9**	**6,361.2**	**7,379.0**
-growth (%)	10.3	16.8	27.5	18.0	16.7	16.0
Loans	**8,590.2**	**10,196.4**	**11,844.1**	**13,751.0**	**16,116.1**	**18,936.4**
-growth (%)	17.1	18.7	16.2	16.1	17.2	17.5
Net Fixed Assets	**93.7**	**96.0**	**108.6**	**112.0**	**120.9**	**130.6**
Other Assets	648.4	732.0	743.8	850.5	940.5	1,003.3
Total Assets	**14,113.0**	**15,842.1**	**18,715.1**	**21,702.5**	**25,181.6**	**29,198.4**

Asset Quality						
GNPA	332.9	299.9	273.1	272.9	309.7	346.4
NNPA	64.4	51.5	53.8	59.8	78.4	79.4
GNPA Ratio (%)	3.76	2.87	2.26	1.95	1.89	1.80
NNPA Ratio (%)	0.75	0.51	0.45	0.43	0.49	0.42
Slippage Ratio (%)	2.4	1.9	1.7	1.8	1.8	1.8
Credit Cost (%)	1.1	0.7	0.3	0.4	0.5	0.6
PCR (Excl Technical write off) (%)	80.6	82.8	80.3	78.1	74.7	77.1

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Yiled and Cost Ratios (%)						
Avg. Yield - Earning Assets	**7.4**	**8.2**	**9.1**	**8.9**	**8.6**	**8.5**
Avg. Yield on loans	8.0	8.9	10.1	9.6	9.4	9.1
Avg. Yield on Investments	5.5	6.2	6.9	7.2	7.0	7.0
Avg. Cost-Int. Bear. Liab.	**3.5**	**3.8**	**4.8**	**5.0**	**5.0**	**4.9**
Avg. Cost of Deposits	3.3	3.5	4.5	4.8	4.8	4.7
Interest Spread	**3.9**	**4.4**	**4.3**	**3.9**	**3.6**	**3.6**
Net Interest Margin	**4.07**	**4.67**	**4.75**	**4.40**	**4.20**	**4.17**
Capitalisation Ratios (%)						
CAR	18.9	18.3	16.3	16.4	16.1	15.7
Tier I	18.0	17.6	15.6	15.7	15.5	15.2
-CET-1	17.6	17.1	15.6	15.7	15.5	15.2
Tier II	0.9	0.7	0.7	0.6	0.6	0.5
Business Ratios (%)						
Loan/Deposit Ratio	80.7	86.3	83.8	84.3	85.1	86.1
CASA Ratio	48.7	45.8	42.2	39.8	40.4	40.5
Cost/Assets	1.9	2.1	2.1	2.0	1.9	1.9
Cost/Total Income	40.5	40.1	40.2	39.2	39.2	39.1
Cost/Core Income	41.0	40.1	40.6	39.6	39.5	39.4
Int. Expended/Int.Earned	45.0	43.1	48.0	50.5	51.3	50.9
Other Inc./Net Income	28.1	24.2	23.6	25.5	26.2	26.4
Empl. Cost/Op. Exps.	36.2	36.7	38.7	39.6	39.7	39.8
Efficiency Ratios (INRm)						
Employee per branch (in nos)	19.0	21.9	20.8	21.0	21.1	21.3
Staff cost per employee	0.9	0.9	1.1	1.2	1.2	1.3
CASA per branch	956.9	917.4	913.5	926.2	1,002.3	1,070.2
Deposits per branch	1,964.9	2,001.4	2,165.9	2,327.2	2,481.0	2,642.6
Business per Employee	186.7	170.6	191.1	204.8	217.2	230.5
Profit per Employee	2.3	2.5	3.0	3.1	3.1	3.2

Valuation	FY22	FY23	FY24	FY25E	FY26E	FY27E
RoE (%)	15.0	17.5	18.9	18.0	17.1	16.7
Core RoE (%)	15.9	18.4	19.8	18.8	17.8	17.3
RoA (%)	1.8	2.1	2.4	2.3	2.2	2.1
RoRWA (%)	2.6	3.1	3.3	3.1	2.9	2.7
Book Value (INR)	242.8	285.0	337.0	391.8	454.5	526.8
-growth (%)	15.2	17.4	18.3	16.2	16.0	15.9
Price-BV (x)	**4.4**	**3.7**	**3.2**	**2.7**	**2.4**	**2.0**
Adjusted Book Value	224.0	267.1	315.0	370.0	431.7	504.6
-growth (%)	19.6	19.3	17.9	17.5	16.7	16.9
Adjusted Price-ABV (x)	**4.8**	**4.0**	**3.4**	**2.9**	**2.5**	**2.1**
Consol Book Value (INR)	262	306	363	433	513	606
-growth (%)	15.0	16.8	18.5	19.5	18.4	18.1
Price-Consol BV (x)	**5.1**	**4.3**	**3.7**	**3.1**	**2.6**	**2.2**
EPS (INR)	33.7	45.8	58.4	65.3	72.2	81.8
-growth (%)	39.2	36.0	27.5	11.8	10.7	13.3
Price-Earnings (x)	**39.5**	**29.0**	**22.7**	**20.4**	**18.4**	**16.2**
Adj. Price-Earnings (x)	**31.7**	**23.3**	**18.3**	**16.4**	**14.8**	**13.1**
Dividend Per Share (INR)	2.0	5.0	8.0	9.0	9.5	9.5
Dividend Yield (%)	**0.2**	**0.4**	**0.6**	**0.7**	**0.7**	**0.7**

E: MOFSL Estimates

NOTES

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Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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Contact Person	**Contact No.**	**Email ID**
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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