

Operating leverage and larger market share to allow further growth in H2FY25

CMP: INR 1,255

Rating: Buy

Target Price: INR 1,570

Stock Info

BSE	532174
NSE	ICICIBANK
Bloomberg	ICICIBC IN
Reuters	ICBK.BO
Sector	Banks
Face Value (INR)	2
Equity Capital (INR Bn)	14
Mkt Cap (INR Bn)	8,878
52w H/L (INR)	1,362 / 908
Avg Yearly Vol (in 000')	15,412

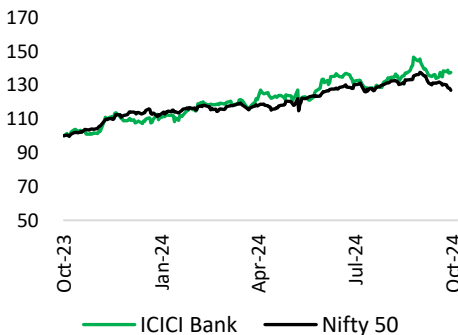
Shareholding Pattern %

(As on Sept, 2024)

Promoters	NIL
Public & Others	100

Stock Performance (%)	1m	6m	12m
ICICI Bank	-3.6	8.6	38.0
Nifty 50	-7.6	6.8	27.0

ICICI Bank Vs Nifty 50



Abhishek Jain
abhishek.jain@arihantcapital.com
Anmol Das
anmol.das@arihantcapital.com
Harshit Jain
harshit.jain@arihantcapital.com

ICICI Bank reported profit of INR 117 bn (up 6.2% QoQ/14.5% YoY), driven by better operating profit growth at INR 167 bn (up 4.4% QoQ/17.5% YoY) as Provisions stabilized, down by 7.4% QoQ/up 111.6% YoY to INR 12.3 bn. NII for the quarter grew moderately by 2.5% QoQ/9.5% YoY to INR 200 bn, led by strong growth in retail advances of 4.4% QoQ / 15.0% YoY. NIM of the bank declined by 9 bps QoQ to 4.27%. Operating Expenses stayed flat sequentially, down 0.3% QoQ/up 6.6% YoY. Asset quality of the bank was stable with GNPA coming down by 18 bps QoQ at 1.97% and NNPA down by 1 bps to 0.42% from 0.43% in Q1FY25.

NIMs declined sequentially, driven by increasing cost of funds: NIM of the bank came at 4.27% v/s 4.36% in Q1FY25, down by 9 bps QoQ. Cost of deposits increased by 4 bps QoQ at 4.88%. Further, yield on advances decreased by 7 bps to 9.73% from 9.80% in Q1FY25, whereas the overall cost of funds increased by 4 bps QoQ at 5.09%. Going forward, cost of funds is expected to stabilize as we don't expect competitive pricing as necessary for growth during the H2FY25 with the festive seasons. We expect the bank to focus growth in high yield assets in the retail space while trying to maintain their spreads.

Loan growth remained strong driven by Retail Portfolio: Loan growth for the quarter was at 4.4% QoQ/15.0% YoY to INR 12,772 bn led by retail loan growth of 14.2% YoY while Business banking grew by 30% YoY. Within retail, PL grew by 17.3% YoY, Credit cards by 27.9% YoY, Vehicle loans by 8.4% YoY and Mortgage Loans grew by 13.2% YoY. Retail Loans made 53% of the Bank's gross advances. The encouraging thing was that the Bank maintained double digit growth of the domestic Corporate Credit book growing it at 11.8% YoY.

Operating Expenses expected to increase at below 10% YoY for FY25: Total operating expenditure stood at INR 105 bn, down 0.3% QoQ/up 6.6% YoY, and 8.5% YoY for the H1FY25. Going into the H2FY25, even with marginal increases, the expenses are expected to remain under check, thereby reflecting significant improvement in overhead expense management and Operational efficiency.

Slippages & Asset Quality turning of high quality: The Slippages saw significant reduction in the Rural and Retail segment, from 53.0 bn in Q1FY25 to INR 43.4 bn in Q2FY25. Going ahead, we expect these to remain intact in H2 as well.

Valuation & View: ICICI bank has reported a spectacular set of numbers for Q2FY25 reflecting strength of larger banks over smaller banks. The Group's subsidiary companies to posted healthy Profits for the Q2 and H1FY25, which included the Insurance, AMC and Securities subsidiaries. We continue to maintain our positive stance on the bank's leveraging capabilities, market share position, granular liability franchise and improving return ratios. We maintain our Buy ratings on the stock with a revised target price of INR 1,570, based on SOTP basis with the bank valued at 2.2x FY27E P/ABV for the standalone bank (upgraded from earlier 2.0x P/ABV).

Particulars (INR bn)	FY23	FY24	FY25e	FY26e	FY27e
NII	621.3	717.5	824.8	1,070.0	1,284.0
PAT	319.0	408.9	493.4	592.1	710.5
BV (Rs)	286.3	318.8	371.3	503.4	513.0
ABV (Rs)	274.1	304.5	355.7	486.3	494.0
P/ABV (x)	3.6	3.1	2.6	2.1	2.0
ROE (%)	17.2	16.6	15.6	17.2	17.2
ROA (%)	2.1	2.4	2.5	2.6	2.8
PCR (%)	75.5	74.1	75.5	77.0	77.0

Q2FY25 - Quarterly Performance (Standalone)

Income Statement (INR Bn.)	Q2FY25	Q1FY25	Q2FY24	Q-o-Q	Y-o-Y
Interest Income	405	390	349	4.0%	16.1%
Interest Expense	205	194	166	5.4%	23.3%
Net Interest Income	200	196	183	2.5%	9.5%
Non Interest Income	72	70	58	2.5%	24.2%
Total Income	272	266	241	2.5%	13.0%
Employee Costs	41	44	37	-5.4%	11.0%
Other Operating Expenses	64	62	61	3.3%	3.8%
Operating Expenses	105	105	99	-0.3%	6.6%
Pre-Provision Profit	167	160	142	4.4%	17.5%
Provisions	12	13	6	-7.4%	111.6%
Profit Before Tax	155	147	136	5.4%	13.5%
Tax Expense	37	36	34	3.0%	10.6%
Net Profit	117	111	103	6.2%	14.5%
Balance Sheet Analysis					
Deposits	14,978	14,261	12,947	5.0%	15.7%
CASA (%)	40.6%	40.9%	43.5%	-28bps	-284bps
Advances	12,772	12,232	11,105	4.4%	15.0%
Total Assets	19,769	18,927	17,208	4.4%	14.9%
Capital Adequacy Ratio (%)	15.35%	15.96%	16.07%	-61bps	-72bps
Spread Analysis					
Cost of Deposits (%)	4.88%	4.84%	4.53%	4bps	35bps
NIM (%)	4.27%	4.36%	4.53%	-9bps	-26bps
Asset Quality					
Gross NPA	2,71,212	2,87,186	2,98,369	-5.6%	-9.1%
Net NPA	56,851	56,848	50,465	0.0%	12.7%
GNPA (%)	1.97%	2.15%	2.48%	-18bps	-51bps
NNPA (%)	0.42%	0.43%	0.43%	-1bps	-1bps
Key Ratios					
Cost to Income Ratio (%)	38.57%	39.65%	40.92%	-108bps	-235bps
C/D Ratio (%)	85.28%	85.77%	85.77%	-49bps	-50bps
RoA (%) (annualized)	2.40%	2.36%	2.41%	4bps	-1bps

Source: Arian Research, Company Filings

Key Concall Highlights**Guidance:**

- The Bank does not expect the Retail Deposits rate to go much higher than current levels.
- The Other Operating Expenses has grown by 8.5% for the H1FY25, and the Management expects it to increase slightly by a percentage point or so considering the H2 Festive season spendings and Technology costs to increase in H2FY25.
- On the Overall loan portfolio, the Management expects the Credit Costs to remain between 40-50 bps for the full year FY25.

Key Highlights:

- Net Interest Income for Q2FY25 stood at INR 200.5 bn against our estimates of INR 199.7 bn, up by 2.5% QoQ / up by 9.5% YoY.
- PPOP came at INR 167.2 bn against our estimates of INR 170.6 bn, up 4.4% QoQ / up by 17.5% YoY.
- Provisions stood at INR 12 bn against our estimates of INR 6.2 bn decreasing by 7.4% QoQ / up by 111.6% YoY.
- PAT stood at INR 117.5 bn against our estimates of INR 117.3 bn increasing by 6.2% QoQ / up by 14.5% YoY.
- GNPA came at 1.97% down 18 bps QoQ / down 51 bps YoY against our estimates of % while NNPA was at 0.42% against our estimates of % down 1 bps QoQ / down 1 bps YoY.
- Deposits increased by 5.0% QoQ / up 15.7% YoY to INR 14,978 bn.
- Advances increased by 4.4% QoQ / up 15.0% YoY to INR 12,772 bn.
- Term Deposits drove the overall deposits growth with Term Deposits growing by 5.9% QoQ / 15.9% YoY.
- The Bank's Liquidity Coverage Ratio stood at 120% on account of healthy growth of deposits.
- The Bank's PCR stood at 78.5% at the end of Q2FY25. This included the INR 131 bn of contingent Provisions which make up 1% of total loans.
- Treasury gains in Q2FY25 was INR 6.80 bn against Treasury Loss of INR 0.85 bn in Q2FY24.
- The Management acknowledged that their bank has also seen an increase in delinquencies in the unsecured and Credit Card Portfolio over the last year as is seen across other banks as well.
- The Total Outstanding to NBFCs and HFCs was INR 883.27 bn as of Q2FY25, making up 6.9% of total gross advances of the bank. The Management said that the increase in disbursements sequentially was due to the NBFCs having vintage relationships and owned by large Corporate groups.
- The Annualized Premium Equivalent of ICICI Prudential Life Insurance was INR 44.67 bn for H1FY25 against INR 35.23 bn as of H1FY24.
- The VNB stood at INR 10.58 bn as of H1FY25 against INR 10.15 bn in H1FY24. The VNB Margins for H1FY25 was 23.7% compared to 28.8% in H1FY24.
- The GDPI of ICICI Lombard for H1FY25 stood at INR 67.21 bn against INR 60.86 bn in H1FY24.
- The ICICI AMC posted a PAT of INR 6.94 bn in Q2FY25 against INR 5.77 bn in Q2FY24.
- ICICI Securities posted a PAT of INR 5.29 bn against INR 4.24 bn in Q2FY24.

Source: Arianth Research, Company Filings

Key Financials

Profit & Loss Statement (Rs. Bn)	FY23	FY24	FY25E	FY26E	FY27E
INTEREST EARNED	1,092.3	1,428.9	1,714.7	2,057.6	2,469.2
Interest/Discount on advances/Bills	839.4	1,109.4	1,331.3	1,597.6	1,917.1
Income from Investment	208.9	286.3	343.6	412.3	494.7
Interest on Balances with RBI & Others	18.5	17.9	21.5	25.8	31.0
Others	25.5	15.2	18.3	22.0	26.3
INTEREST EXPENDED	471.0	685.9	823.0	987.6	1,185.2
Net Interest Income (NII)	621.3	743.1	891.7	1,070.0	1,284.0
OTHER INCOME	198.3	229.6	275.5	330.6	396.7
TOTAL INCOME	819.6	972.6	1,167.2	1,400.6	1,680.7
Employee Expenses	120.6	151.4	181.7	218.0	261.7
Other Operating Expenses	208.1	239.9	287.9	345.5	414.6
Operating Expenses	328.7	391.3	469.6	563.5	676.2
OPERATING PROFIT	490.9	581.3	697.6	837.1	1,004.5
PROVISIONS	66.7	36.4	40.1	48.1	57.7
Profit Before Tax (PBT)	424.2	544.9	657.5	789.0	946.8
PROVISIONS FOR TAXES	105.2	136.0	164.1	196.9	236.3
PAT	319.0	408.9	493.4	592.1	710.5

Balance Sheet (INR Bn)	FY23	FY24	FY25E	FY26E	FY27E
Assets					
Cash & Bank balances	685	897	1,081	1,297	1,557
Bal. with banks and money at call & short notice	509	502	1,155	1,386	1,663
Advances	10,196	11,844	13,721	16,465	19,758
Investments	3,623	4,619	4,274	5,129	6,154
Fixed Assets	96	109	107	128	154
Other Assets	732	744	675	809	971
TOTAL ASSETS	15,842	18,715	21,012	25,214	30,257
Equity & Liability					
Total Paid-Up Capital	14	14	14	17	20
RESERVES & SURPLUS	1,986	2,356	2,688	3,226	3,871
ESOPs	8	14	8	9	11
DEPOSITS	11,808	14,128	15,398	18,478	22,174
BORROWINGS	1,193	1,250	1,743	2,092	2,511
OTHER LIABILITIES & PROVISIONS	833	953	1,160	1,392	1,671
TOTAL LIABILITIES	15,842	18,715	21,012	25,214	30,257

Source: Arianth Research, Company Filings

Ratios	FY23	FY24	FY25E	FY26E	FY27E
Growth rates					
Advances (%)	18.70	15.73	16.28	16.65	17.03
Deposits (%)	10.92	14.95	13.44	13.56	13.68
Total assets (%)	12.0%	16.0%	14.0%	20.0%	20.0%
NII (%)	30.89	12.72	13.49	17.38	28.17
Pre-provisioning profit (%)	25.06	14.41	9.26	13.73	28.11
PAT (%)	36.66	28.19	20.67	20.00	20.00
Balance sheet ratios					
CASA (%)	45.84%	48.30%	48.30%	47.00%	47.00%
Advances/Total assets (%)	64.00%	68.00%	70.00%	70.00%	70.00%
Operating efficiency					
Cost/income (%)	40.10%	42.00%	42.00%	41.50%	41.50%
Profitability					
NIM (%)	4.48%	4.35%	4.25%	4.40%	4.40%
RoA (%)	2.16%	2.30%	2.23%	2.30%	2.30%
RoE (%)	17.30%	14.60%	16.50%	17.20%	17.20%
Asset quality					
Gross NPA (%)	2.81%	2.30%	2.20%	2.30%	2.30%
Net NPA (%)	0.48%	0.50%	0.63%	0.65%	0.65%
PCR (%)	82.80%	85.00%	87.00%	88.00%	88.00%
Per share data / Valuation					
EPS (INR)	45.67	58.55	70.65	84.78	101.73
BVPS (INR)	286.31	332.21	401.65	503.39	513.03
ABVPS (INR)	274.12	317.84	386.08	486.29	494.04
P/E (x)	26.43	20.62	17.08	14.24	11.86
P/BV (x)	4.22	3.63	3.01	2.40	2.35
P/ABV (x)	4.40	3.80	3.13	2.48	2.44

Source: Arianth Research, Company Filings

Arihant Research DeskEmail: research@arihantcapital.com

Tel. : 022-42254800

Head Office

#1011, Solitaire Corporate Park
 Building No. 10, 1st Floor
 Andheri Ghatkopar Link Road
 Chakala, Andheri (E)
 Mumbai – 400093
 Tel: (91-22) 42254800
 Fax: (91-22) 42254880

Registered Office

Arihant House
 E-5 Ratlam Kothi
 Indore - 452003, (M.P.)
 Tel: (91-731) 3016100
 Fax: (91-731) 3016199

Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Absolute Return**Research Analyst
Registration No.**

INH000002764

Contact

SMS: 'Arihant' to 56677

Websitewww.arihantcapital.com**Email Id**research@arihantcapital.com

Disclaimer: This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way is responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
 Andheri Ghatkopar Link Road, Chakala, Andheri (E)
 Tel. 022-42254800 Fax. 022-42254880