

### Banking Sector Oct 23, 2023

CMP **930**

Sensex **64572**

### Stock Statistics

Reuters code ICBK.NS  
Bloomberg code ICICIBC IN

Equity Cap (INR cr) **1400.83**  
Face Value (INR) **2.0**  
INR / USD **82.1**  
Market cap (INR cr) **6,51,254**  
Market cap (USD bn) **78.3**  
52 Wk High/Low (INR) **1009/796**

### Shareholding Pattern (%) – Sep'23

Promoter 0.00  
Foreign Institutional Investor 42.45  
MF / FI / UTI / Banks 45.52  
Public & Others 10.82  
Bodies & Corporate 1.21

### ICICI Bank Stock Update

Q1FY24 Results

#### ▪ Margins Performance

- Net interest margin came down to 4.53% (vs 4.78% in Q1 FY2024 and 4.31% in Q2 FY2023).
- The sequential movement in NIM reflects the lagged impact of increase in term deposit rates over the last year, on the cost of deposits.

#### ▪ Loan Growth taction healthy, led by Retail:

- Domestic loan portfolio grew by 19.3% YoY / 4.8% QoQ led by retail loan portfolio;
- Retail loan grew by 21.4% YoY / 5.5% QoQ (was 46% of total loans Including non-fund based outstanding)
- Business banking portfolio grew by 30.3% YoY / 10.6% QoQ.
- The SME portfolio grew by 29.4% YoY / 7.2% QoQ. The rural portfolio grew by 17.3% YoY /3.5% QoQ.

#### ▪ Surplus Liquidity surplus maintained: The Bank's average liquidity coverage ratio for the quarter was about 122%.

#### ▪ Headline Asset Quality performance improvement continues: The GNPA / NNPA ratio declined to 2.48% / 0.43% (from 2.76% / 0.48% in Q1 FY2024) and the slippages too moderated to Rs 4687 cores, from 5318 crores.

#### ▪ PAT helped by lower provisions QoQ: The sequential decline in provisions reflects higher NPA additions from kisan credit card portfolio in Q1 of this year, and corporate recoveries and upgrades as well as recoveries from written-off accounts.

#### ▪ Deposit growth healthy, but CASA growth lags:

- Total deposits grew by 18.8% YoY / 4.5% QoQ.
- But growth led by Term deposits (TD) which grow by 31.8% YoY / 9.2% QoQ
- Average current Account (CA) and savings account (SA) deposits grew by 7.1% YoY / 1.1% QoQ.

#### Valuations

- At CMP, the bank is available at 2.3x / 2.0x P/AVBPS (net of subsidiary value of Rs 180) which we opine are reasonably attractive.
- While the business case continues to be strong, the upsides from here will also be dependent on the sustaining of the ROA trajectory of 2+% for FY2024 by the bank.

## Key Conference Call Highlights

- **Economic Update:** The underlying growth momentum is visible with expansion in manufacturing and services PMI, real estate buoyancy, increasing steel and cement output, higher tax collections and demand for travel.
- **Unsecured Loans outlook:** ICICI Bank portfolio trends are currently stable and are consistent with management expectations. As per industry outlook, some research has highlighted a difference in behavior in smaller and larger ticket size, and therefore Bank is also monitoring the category. But as for now, for the bank's portfolio the numbers are comfortable and growth outlook doesn't change.
- **Recovery and upgrades normal run-rate:** As the portfolio grows the same mix between recovery and upgrades of Retail loans is expected to hold.
- **Branch Expansion:** Looking at branch network capacity and market potential of each geography and hence would be growing with own growth aspirations. Would not be responding to HDFCBANK's aggressive expansion and market share gains potential.
- **Margins Outlook:**
  - Currently the deposits rates are still catching up, but expect to see some COD increase in Q3 as well which will have some moderation on NIMs.
  - But FY2024E NIMs will be stable as compared to FY2023.
- **Cost of Funds:**
  - The cost of deposits was 4.53% in Q2 compared to 4.31% in the previous quarter, reflecting primarily the increase in term deposit rates over the last year
  - However, rates on incremental retail term deposits have largely stabilized.
  - Of the total domestic loans, interest rates on 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.
- **Mortgages:** It is still very competitive, and overall on loan pricing there is reasonable high competition intensity in the market.
- **Secured Portfolio:** Don't think will be expanding the loan mix of secured book, in view of potential risk from the unsecured book. CC will continue to expand, PL will grow with the credit filter in place (may grow slower as credit conditions are not very favorable in that segment).
- **International NIM:** The international book is very small, mainly do short term WC finance etc, and the lending rates are at some spread over the funding cost. Hence, would not be looking too aggressively on that book.
- **Network addition and Opex:**
  - ICICI Bank has increased branch count by 174 in Q2 FY2024 taking to total 6,248 branches and Bank had about 139,000 employees.
  - The technology expenses were about 9.2% of our operating expenses in H1 of this year.

- **Balance Sheet buffer:** At the end of September, the total provisions, other than specific provisions on fund-based outstanding to borrowers classified as non-performing, were Rs 22,910 crores or 2.1% of loans.
- **Corporate exposure upgraded:**
  - The loan and non-fund based outstanding to performing corporate and SME borrowers rated BB and below was Rs 4,789 crores (was Rs 4,276 crores at Q1 FY2024 and Rs 7638 crores at Q2 FY2023).
  - The increase during the quarter was due to the upgrade of one borrower from non-performing status.
  - Other than this account, the maximum single borrower outstanding in the BB and below portfolio was less than Rs 500 crores at September 30, 2023.
- **Strong Capital Position:**
  - The capital position of the bank continued to be strong with a CET1 ratio of 16.77%,
  - Tier-1 ratio stood at 15.35% and total capital adequacy ratio of 16.07%. This was excluding profits for H1 FY2024.
- **Restructured Assets:**
  - Total fund-based outstanding under resolution was Rs 3536 Crores
  - Of which, Rs 3000 crores (~84%) was from the retail, rural and business banking portfolio and Rs 536 crores (~16%) was from the corporate and SME portfolio.
  - The bank holds provisions of Rs 1107 crore against these borrowers, which is over and above the requirement as per RBI guidelines.

**RESULT TABLE**

(INR mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	YoY (%)	QoQ (%)
<b>Profit &amp; Loss</b>							
Interest Income	2,36,715	2,60,330	2,85,056	3,10,211	3,33,276	40.8%	7.4%
Interest Expenses	1,04,615	1,12,462	1,20,407	1,33,543	1,51,012	44.3%	13.1%
<b>Net Interest Income</b>	<b>1,32,100</b>	<b>1,47,868</b>	<b>1,64,650</b>	<b>1,76,668</b>	<b>1,82,265</b>	<b>38.0%</b>	<b>3.2%</b>
Other Income	46,652	50,549	50,236	50,878	54,353	16.5%	6.8%
<i>Treasury Income</i>	360	110	230	240	490	36.1%	104.2%
Operating Expenses	75,663	81,614	82,174	89,282	95,226	25.9%	6.7%
<i>Staff Cost</i>	28,492	28,885	29,212	34,010	38,837	36.3%	14.2%
<i>Other opex</i>	47,171	52,728	52,962	55,272	56,389	19.5%	2.0%
<b>Operating Profit</b>	<b>1,03,089</b>	<b>1,16,803</b>	<b>1,32,712</b>	<b>1,38,264</b>	<b>1,41,391</b>	<b>37.2%</b>	<b>2.3%</b>
Provisions	11,438	16,445	22,574	16,198	12,924	13.0%	-20.2%
<b>Profit Before Tax</b>	<b>91,651</b>	<b>1,00,358</b>	<b>1,10,138</b>	<b>1,22,066</b>	<b>1,28,467</b>	<b>40.2%</b>	<b>5.2%</b>
Tax	22,601	24,780	27,019	30,847	31,985	41.5%	3.7%
<b>Net Profit</b>	<b>69,049</b>	<b>75,578</b>	<b>83,119</b>	<b>91,219</b>	<b>96,482</b>	<b>39.7%</b>	<b>5.8%</b>
Equity	13,915	13,938	13,810	13,968	13,995	0.6%	0.2%
<b>EPS</b>	<b>9.9</b>	<b>10.8</b>	<b>12.0</b>	<b>13.1</b>	<b>13.8</b>	<b>38.9%</b>	<b>5.6%</b>
<b>Ratios</b>							
Yield On Advances (%)	8.46	9.09	9.68	10.12	10.36	190 bps	24 bps
Cost of Funds (%)	3.70	3.84	4.01	4.33	4.72	101 bps	39 bps
<b>NIM - R (%)</b>	<b>4.01</b>	<b>4.31</b>	<b>4.65</b>	<b>4.90</b>	<b>4.78</b>	<b>77 bps</b>	<b>-12 bps</b>
Cost - Income Ratio (%)	42.3	41.1	38.2	39.2	40.2	-209 bps	100 bps
Tax Rate (%)	24.7	24.7	24.5	25.3	24.9	23 bps	-38 bps
Credit / Deposit (%)	85.3	86.1	86.8	86.3	85.4	10 bps	-98 bps
CASA (%)	46.9	46.6	45.3	45.8	43.3	-357 bps	-255 bps
<b>Balance Sheet Details</b>							
Advances	89,56,250	93,85,630	97,40,475	1,01,96,390	1,05,75,826	18.1%	3.7%
Deposits	1,05,03,490	1,09,00,080	1,12,20,495	1,18,08,407	1,23,87,366	17.9%	4.9%
<b>Business Volumes</b>	<b>1,94,59,740</b>	<b>2,02,85,710</b>	<b>2,09,60,970</b>	<b>2,20,04,797</b>	<b>2,29,63,192</b>	<b>18.0%</b>	<b>4.4%</b>
CASA	49,21,140	50,78,400	50,88,420	54,12,620	53,62,260	9.0%	-0.9%
<b>CAR (%)</b>	<b>18.0</b>	<b>16.9</b>	<b>16.3</b>	<b>18.3</b>	<b>16.7</b>	<b>-134 bps</b>	<b>-164 bps</b>
<i>CAR - Tier - I</i>	17.3	16.2	15.5	17.6	16.0	-125 bps	-160 bps
<b>Asset Quality</b>							
Gross NPA	3,31,632	3,25,709	3,25,282	3,11,837	3,18,224	-4.0%	2.0%
Net NPA	66,562	60,993	56,512	51,551	53,818	-19.1%	4.4%
Gross NPA (%)	3.5	3.3	3.1	2.9	2.8	-70 bps	-4 bps
Net NPA (%)	0.7	0.7	0.6	0.5	0.5	-23 bps	0 bps
Provision Coverage (Calc)	79.9	81.3	82.6	83.5	83.1	315 bps	-39 bps
Slippage	58,250	43,660	57,230	42,970	53,180	-8.7%	23.8%
Slippage (%)	2.80	1.99	2.50	1.80	2.13	-67 bps	33 bps

Source: Company and Anvil Research

## Profit & Loss Statement

Y/E March (Rs mn)	FY2022	FY2023	FY2024E	FY2025E	FY2026E
Interest Income	8,63,745	10,92,313	14,03,214	16,33,835	19,42,895
Interest Expenses	3,89,085	4,71,027	5,49,673	6,18,563	6,96,560
<b>Net Interest Income</b>	<b>4,74,661</b>	<b>6,21,286</b>	<b>8,53,541</b>	<b>10,15,273</b>	<b>12,46,336</b>
Other Income	1,85,175	1,98,315	2,51,338	2,97,070	3,51,146
Operating Income	6,59,836	8,19,601	11,04,879	13,12,343	15,97,482
Operating Expenses	2,67,333	3,28,732	4,51,010	5,33,756	6,45,042
<b>Operating Profit</b>	<b>3,92,503</b>	<b>4,90,868</b>	<b>6,53,869</b>	<b>7,78,587</b>	<b>9,52,439</b>
Provisions and Contingencies	86,410	66,656	59,250	1,27,437	1,48,713
<b>Profit before Tax</b>	<b>3,06,093</b>	<b>4,24,212</b>	<b>5,94,619</b>	<b>6,51,150</b>	<b>8,03,727</b>
Provision for Tax	72,694	1,05,247	1,28,438	1,40,648	1,73,605
<b>Profit after Tax</b>	<b>2,33,399</b>	<b>3,18,965</b>	<b>4,66,181</b>	<b>5,10,501</b>	<b>6,30,122</b>

Source: Company and Anvil Research

## Balance Sheet

Y/E March (Rs mn)	FY2022	FY2023	FY2024E	FY2025E	FY2026E
<b>Sources of Funds</b>					
Equity Capital	13,900	13,968	13,968	13,968	13,968
Reserver & Surplus	16,88,556	19,85,577	24,00,060	28,58,863	34,88,985
<b>Net Worth</b>	<b>17,02,456</b>	<b>19,99,545</b>	<b>24,14,028</b>	<b>28,72,831</b>	<b>35,02,953</b>
ESOP's & Warrants	2,664	7,609	7,609	7,609	7,609
Deposits	1,06,45,716	1,18,08,407	1,35,98,657	1,55,40,409	1,77,60,722
Borrowings	10,72,314	11,93,255	12,72,890	10,39,202	11,37,982
Other Liabilities	6,89,828	8,33,251	9,83,236	11,60,218	13,69,058
<b>Total Liabilities</b>	<b>1,41,12,977</b>	<b>1,58,42,067</b>	<b>1,82,76,420</b>	<b>2,06,20,269</b>	<b>2,37,78,324</b>
<b>Application of Funds</b>					
Cash & Balance with Bank	6,01,208	6,85,262	7,81,379	8,91,352	10,17,247
Bal. with Banks/ Short Notice	10,77,015	5,09,121	8,22,913	7,35,394	10,55,911
Advances	85,90,204	1,01,96,383	1,20,31,732	1,41,73,380	1,66,96,242
Investments	31,02,410	36,23,297	37,31,996	38,43,956	39,59,275
Fixed Assets	93,738	95,998	1,24,815	1,35,867	1,46,919
Other Assets	6,48,401	7,32,005	7,83,583	8,40,320	9,02,731
<b>Total Assets</b>	<b>1,41,12,977</b>	<b>1,58,42,066</b>	<b>1,82,76,420</b>	<b>2,06,20,269</b>	<b>2,37,78,324</b>

Source: Company and Anvil Research

**Key Ratios**

Y/E March (INR mn)	FY2022	FY2023	FY2024E	FY2025E	FY2026E
<b>Valuation</b>					
EPS (Rs)	34	46	67	73	90
Book Value (Rs)	240	282	341	407	497
Adj. Book Value (Rs)	230	267	324	387	473
P/E (x)	27.8	20.4	14.0	12.8	10.3
P/BV (x)	3.9	3.3	2.7	2.3	1.9
P/ABV (x)	4.0	3.5	2.9	2.4	2.0
<b>Profitability (%)</b>					
RoANW	14.7	17.2	21.1	19.3	19.8
RoAA	1.8	2.2	2.9	2.7	3.0
Cost / Income Ratio	40.5	40.1	40.8	40.7	40.4
Cost / Avg. Earning Assets	2.0	2.2	2.6	2.7	2.9
Avg. yield on Advances	8.0	8.9	10.0	10.3	10.7
Avg. yield on Investments	5.2	5.9	6.5	6.0	6.0
Avg. cost on Deposits	3.3	3.5	3.8	3.8	3.8
Spread	3.4	3.9	4.8	4.9	5.3
Net Interest Margin	3.8	4.3	5.3	5.5	5.9
<b>Growth (%)</b>					
Net Interest Income	21.7	30.9	37.4	18.9	22.8
Other Income	18.5	23.5	19.0	19.0	19.0
Operating Profit	7.8	25.1	33.2	19.1	22.3
Net Profit	44.1	36.7	46.2	9.5	23.4
Credit	17.1	18.7	18.0	17.8	17.8
Deposit	14.2	10.9	15.2	14.3	14.3
C/D ratio	80.7	86.3	88.5	91.2	94.0
Investment / Deposit Ratio	29.1	30.7	27.4	24.7	22.3
<b>Asset Quality</b>					
Gross NPA (INR mn)	3,39,195	3,11,837	3,65,765	4,61,308	6,01,168
Net NPA (INR mn)	69,609	1,01,964	1,20,317	1,41,734	1,66,962
Gross NPA (%)	3.76	3.00	2.98	3.18	3.51
Net NPA (%)	0.81	1.00	1.00	1.00	1.00
<b>Dividend</b>					
DPS (Rs)	5.0	6.3	6.3	6.3	6.3
<b>Capital Adequacy (%)</b>					
<b>CAR</b>	19.8	19.8	20.9	22.1	23.5
<b>Efficiency</b>					
Avg. Business per Emp. (INR mn)	181.7	198.5	221.2	245.9	273.8
Avg Profit per Emp. (INR mn)	2.21	2.88	4.02	4.22	5.01

Source: Company and Anvil Research

**Anvil Share & Stock Broking Pvt Ltd is registered as below:**

**SEBI Regn No.:- U67120MH1997PTC109640**

**Cash Segment – BSE Regn No. – INB011209950**

**NSE Regn No. – INB231046831**

**F&O Segment - BSE Regn No. – INF011209950**

**NSE Regn No. – INF231046831**

**Under SEBI (Research Analyst) Regulations, 2014 – INH000000818**

**This report is intended for distribution to institutional investors. Recipients who are not institutional investors should seek advice of their independent financial advisor prior to taking any investment decision based on this report or for any necessary explanation of its contents.**

**Analyst Certification – The views expressed in this research report accurately reflect the personal views of the analyst about the subject securities or issues and no part of the compensation of the research analyst was, is or will be directly or indirectly related to the specific recommendations and views expressed by research analyst in this report. The research analysts, strategists or research associates principally responsible for preparation of most research receive compensation based upon various factors including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.**

**DISCLAIMER:**

We, **Anvil Share & Stock Broking Pvt Ltd**, **our Analysts** & **our Associates** hereby solemnly declare & disclose that we:

- Do not have any financial interest of any nature in the company referred in this research report.
- Do not individually or collectively hold 1% or more of the securities of the company referred in this research report.
- Do not have any other material conflict of interest in the company referred in this research report.
- Do not act as a market maker in securities of the company referred in this research report.
- Do not have any directorships or other material relationships with the company referred in this Research report.
- Do not have any personal interests in the securities of the company referred in this research report.
- Do not have any past significant relationships with the company referred in this research report, Including Investment Banking or other advisory assignments or relationships.

**This is not an Exchange traded product and the Anvil Share and Stock Broking Pvt Ltd is acting as distributor of Research. All disputes with respect to the distribution of research would not have access to Exchange investor redresses forum or Arbitration mechanism.**