

25th January 2024

CMP – ₹1,029/-

View – Buy

Key Highlights – Q3FY24

- Loan book grew 18.5% YoY and 3.9% QoQ to ₹11,538bn.
- Overall deposits increased by 18.7% YoY and 2.9% QoQ to ₹13,323bn.
- During the quarter, NIM compression of 10bps was observed on sequential basis to 4.4%.
- Yield on advances remained largely flat sequentially while the cost of funding rose 18bps sequentially.
- Asset quality improvement continued as GNPA fell to 2.30% (-18bps QoQ) while NNPA remained stable at 0.44%.
- Provisions related to investment in Alternate Investment Funds was ₹6.3bn.

Important Statistics

Nifty	21,425.20
Sensex	70,953.11
M.CAP (₹ tn)	₹6.39
52 Week H/L (₹)	1,008.70/796.00
NSE Code	ICICIBANK
BSE Code	532174
Bloomberg Code	ICICIB:IN

Shareholding Pattern
Dec'23

FII's	43.7%
DII	46.5%
Public	9.8%

Q3FY24 Result Update
Key Segmental numbers – Q3FY24
Advances

- ICICI Bank continues its strong and all-inclusive growth momentum with total advances increasing by 18.5% YoY and 3.9% sequentially to ₹11,538bn.
- Retail segment remains the key driver of the healthy loan book growth, which increased by 21.4% YoY / 4.5% QoQ and stood at ₹6,426bn.
- The business banking portfolio also witnessed strong growth of 31.9% YoY and 6.5% QoQ to ₹882bn.
- The SME segment, comprising of borrowers with a turnover of less than ₹2.5bn, grew by 27.5% YoY and 6.7% QoQ to ₹579bn.

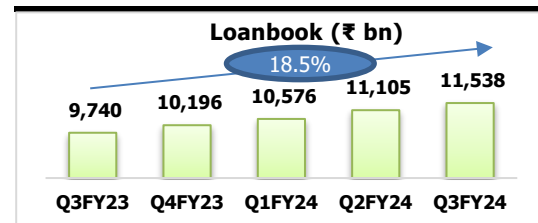
Loan Portfolio	YoY Growth %
Overall Domestic Advances	18.8%
Retail Loans	21.4%
Rural Loans	18.2%
Business Banking	31.9%
SME Loans	27.5%
Corporate Loans	13.3%
Overseas Loans	10.5%

Source: Company, Way2wealth

Deposits and Margins

- Overall deposits increased by 18.7% YoY and 2.9% QoQ to ₹13,323bn.
- Current account deposits increased by 5.3% YoY (degrew 1.2% QoQ) in Q3FY24 to ₹1,534bn while the savings account deposits increased by 3.1% YoY (grew 0.6% QoQ) to ₹3,746bn, thus leading to a CASA ratio of 39.4% (fell by ~135bps QoQ)
- Total term deposits increased by 31.2% YoY and 4.9% QoQ to ₹8,043bn by end-Q3FY24.
- During Q3FY24, ICICI Bank added about 123 branches taking the total branch network to 6,371 while number of ATMs/cash recycling machines stood at 17,037 increasing by 110.

Key Ratios	Q3FY23	Q2FY24	Q3FY24
NIM	4.7%	4.5%	4.4%
CASA Ratio	44.6%	40.8%	39.4%
Cost of Deposits	3.7%	4.5%	4.7%
Cost to Income	38.2%	40.9%	40.6%



Source: Company, Way2wealth

Operational performance

- The bank's core operating profit increased by 10.3% YoY to ₹146bn in Q3FY24.
- The Bank's operating expenses increased by 22.3% YoY in Q3FY24 to ₹101bn led by 31% YoY rise in employee expenses. Despite focus on branch expansion and adoption of 'Customer 360' initiatives, cost to income ratio has moderated slightly to 40.6%.

Relative Performance

Return (%)	1 Yr	3Yr	5 Yr
ICICI Bank	20%	92%	190%
Nifty 50	19%	50%	98%
Sensex	17%	46%	96%

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➤ Asset Quality

- The improving trend in asset quality continues with GNPA coming in at 2.30%, falling 18 bps QoQ in Q3FY23 while NNPA remained stable at 0.44%. As per new RBI guidelines, provision related to investments in Alternate Investment Funds to the tune of ₹6.3bn was set aside.
- However, during the quarter, fresh slippages rose by 22% on QoQ basis to ₹57bn.
- The bank continued to hold contingency provisions of ₹131bn as on Dec 31, 2023.
- At end-Q3FY24, the bank holds a CET-1 ratio of 13.94%, a Tier 1 ratio of 13.94% and a total capital adequacy ratio of 14.61%.

Asset Quality	Q3FY23	Q2FY24	Q3FY24
GNPA ratio	3.1%	2.5%	2.3%
NNPA ratio	0.6%	0.4%	0.4%
PCR	82.0%	82.6%	80.7%
Fresh Slippages (₹ bn)	57	47	57

Source: Company, Way2wealth

View

ICICI Bank posted a stable quarter with an all-round performance while facing some stringent regulatory changes announced during the quarter. Post implementing RBI guidelines pertaining to increase in risk weights on unsecured and NBFC lending, CET-1 ratio (including 9MFY24 profits) stands at 16% highlighting strong capital position the bank currently holding. Management has clarified that ~6.8% of portfolio consists of lending towards NBFCs and HFCs. Exposure to NBFCs is monitored very closely and in-fact couple of NBFCs have made pre-payments during the quarter. On unsecured lending front, bank has increased product pricing of personal loans.

Amid high interest rate scenario and liquidity crunch, cost of funds increased by ~20 bps sequentially. However, bank's ability to limit NIMs contraction to 10bps, showcase resilient borrowings mix and robust franchise it has developed over the years. Additionally, bank's strong focus on strengthening distribution reach via branch expansion would certainly enhance capabilities to capture CASA deposit market, thus, improving control over cost of deposits.

At CMP of ₹1,029, the stock is traded at a P/BV ~2.8x FY25E. Resilient performance in-terms of loan book growth, asset quality improvement and branch network expansion, digital advancements with focus on customer centric approach highlights strong underlying fundamentals of the bank. Given the price underperformance by the bank and healthy quarterly performance, we believe these levels could act as strong support to the stock, and thus to it is expected to generate good returns over the medium term and we maintain our stance to **Buy** the stock and **add on dips**.

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Quarterly Performance

(₹ bn)

Particulars	Q3FY24	Q3FY23	YoY Chng	Q2FY24	QoQ Chng	9MFY24	9MFY23	YoY Chng
Net interest earned	367	285	29%	349	5%	1,049	782	34%
Net interest expensed	180	120	50%	166	8%	497	337	47%
Net interest income	187	165	13%	183	2%	552	445	24%
NIM	4.4%	4.7%	-22 bps	4.5%	-10 bps	4.6%	4.3%	24 bps
Non-interest income	60	50	20%	59	2%	170	148	15%
Fee income	53	44	19%	52	2%	154	132	17%
Dividend income from subsidiaries/associates	7	5	26%	6	0%	16	15	5%
Operating expense	101	82	22.3%	99	2%	294	239	23%
Core operating profit	146	132	10%	143	2%	428	353	21%
Total net provision	11	23	-53%	6	80%	29	50	-42%
Treasury income	1	0		(1)		3	(0)	
Profit before tax	137	110	24%	136	0%	402	302	33%
Provision for taxes	34	27	26%	34	1%	100	74	34%
Profit after tax	103	83	24%	103	0%	302	228	33%
Advances	11,538	9,740	18.5%	11,105	3.9%	11,538	9,740	18%
Deposits	13,323	11,220	18.7%	12,947	2.9%	13,323	11,220	19%
BVPS	323	274	18%	309	5%	323	274	18%
ROE	18.5%	17.6%	90 bps	19.1%	-60 bps	18.8%	16.7%	210 bps
ROAA	2.3%	2.2%	13 bps	2.4%	-8 bps	2.4%	2.1%	30 bps
EPS	14	11	35%	14	6%	42	32	32%

Source: Company, Way2wealth

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Disclosure of Interest Statement ICICI Bank Ltd. as on January 25, 2024

Name of the Security	ICICI Bank Ltd.
Name of the analyst	Prasad Hase
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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