MIRAE ASSET Sharekhan

ICICI Bank

Exhibiting leadership

Banks	Sharekhan code: ICICIBANK
Reco/View: **Buy** ↔	CMP: **Rs. 1,286** / Price Target: **Rs. 1,550** ↑

↑ Upgrade ↔ Maintain ↓ Downgrade

Summary

- We reiterate our BUY rating with a revised PT of Rs. 1,550. The bank is relatively well-positioned in the current cycle as it continues to outperform peers on most of the parameters exhibiting strong franchise strength despite sectoral headwinds.
- Loan growth to outpace system growth despite growth moderation in unsecured retail loans in H2FY2025, led by business banking and corporate segments. LDR is at a comfortable level (c. at ~85%) and focus remains on balancing incremental loan growth with incremental deposit mobilisation. NIMs are expected to be stable in H2FY2025 vs. H1 until the rate cut cycle starts.
- Stress in the unsecured retail segment is expected to stabilise over the next couple of quarters. The bank is still confident that normalisation of credit costs will be gradual, keeping credit cost still far lower than the long-term averages as portfolio risk is still within internal limits despite increased delinquencies in unsecured retail.
- Stable return ratios, strong liability franchise, and steady growth should help the bank to sustain premium valuation to its peers. The stock trades at 2.6x/2.2x/1.9x its FY2025E/FY2026E/ FY2027E core BV estimates.

ICICI Bank remains our top pick in the private banks space and is well positioned to deliver superior performance despite cyclicals headwinds. A steady loan growth trajectory and stable asset quality would help the bank to sustain stable return ratios. NIMs are expected to be stable in H2FY2025 vs. H1 until the rate cut cycle starts. Lower interest rate cycle will negatively impact margins, as ~51% of the loan book is linked to repo, which will get repriced immediately, rest ~17% is linked to MCLR and ~32% is fixed rate book. Opex growth would lag income growth, which would ultimately offset the impact of lower NIM. The asset-quality outlook continues to remain stable as there are no signs of alarming stress along with higher contingent provisions, which should keep credit cost lower. Stress in the unsecured retail segment is expected to stabilise over the next couple of quarters. The bank is still confident that normalisation of credit costs will be gradual, keeping credit cost still far lower than the long-term averages as portfolio risk is still within internal limits despite the increase in delinquencies in unsecured retail. Deposit growth/LCR is healthy, and LDR remains the lowest among large private banks, thus loan growth outlook continues to remain steady for the bank. We believe the bank is likely to sustain RoA at over ~2% in the near to medium term despite cyclical headwinds.

Focus on delivering steady growth: Loan growth is likely to outpace system growth despite growth moderation in unsecured retail loans in H2FY2025, led by business banking and corporate segments. The bank has taken a few corrective actions in the unsecured loans segment—including increasing pricing, rationalising sourcing payouts, and tightening credit filters resulting in growth moderation. The 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. Demand from the corporate sector is here and loan book is also much more diversified here. Focus is on the mid-corporate segment. The current competitive environment is comfortable to deliver 15-16% loan growth in FY2025E and is expected to be broad based.

NIMs to remain broadly stable until the rate cuts cycle starts: NIMs are expected to be broadly stable in H2FY2025 vs. H1 until the rate cut cycle starts. Of course, the lower interest rate cycle will negatively impact margins as ~51% of the loan book is linked to repo, which will get repriced immediately, rest ~17% is linked to MCLR and ~32% is fixed rate book. On the positive side, opex growth would lag income growth, which would ultimately offset the impact of lower NIMs.

Credit cost to normalize gradually: Normalisation of credit cost is expected to be gradual until we see a major economic downturn. Additionally, the bank has non-NPA provisions of ~1.0% of loans outside the PCR. The asset quality is holding up well and the overall portfolio is still not showing worrying signs, including unsecured retail loans. Increased deliquesces in the unsecured retail segment is expected to stabilise over the next couple of quarters. Credit cost would be still far lower than the long-term averages, as portfolio risk is still within internal limits despite the increase in delinquencies in unsecured retail. Overleveraging remains a key 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 customer segment that the bank has focus on is holding up well on income and leverage. Business banking, corporate segment, other secured retail loans are holding up well.

Our Call

Valuation - Maintain BUY with a revised PT of Rs. 1,550: ICICI Bank currently trades at 2.6x/2.2x/1.9x its FY2025E/FY2026E/FY2027E core BV estimates. Overall, we see ICICI Bank relatively well-positioned in the sector in terms of asset quality/growth and profitability. The bank continues to outperform peers on most of the parameters exhibiting strong franchise strength; and thus, the current valuation premium to peers is likely to sustain. We believe the bank is likely to sustain RoA over ~2% in the near to medium term. The bank has been delivering predictable earnings with healthy growth on a sustained basis, which is a key positive.

Key Risks

Lower loan growth and higher-than-anticipated credit costs; slower growth in retail deposits; and lower-than-expected margins.

Valuation (Standalone) Rs cr

Particulars	FY23	FY24	FY25E	FY26E	FY27E
Net Interest Income	62,129	74,306	81,586	94,604	1,08,945
Net profit	31,897	40,888	45,235	50,044	57,752
EPS (Rs.)	44.9	58.2	64.4	71.3	82.2
P/E (x)	23.7	18.2	16.5	14.9	12.9
P/Core BV (x)	3.7	3.1	2.6	2.2	1.9
RoE	17.2	18.6	17.4	16.3	16.0
RoA	2.1	2.4	2.3	2.2	2.2

Source: Company; Mirae Asset Sharekhan estimates

3R MATRIX

	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)	✓		

\+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		↔	
RQ		↔	
RV		↔	

Company details

Market cap:	Rs. 9,07,449 cr
52-week high/low:	Rs. 1361/970
NSE volume: (No of shares)	142.0 lakh
BSE code:	532174
NSE code:	ICICIBANK
Free float: (No of shares)	705.8 cr

Shareholding (%)

Promoters	
FII	46.2
DII	44.2
Others	9.6

Price chart

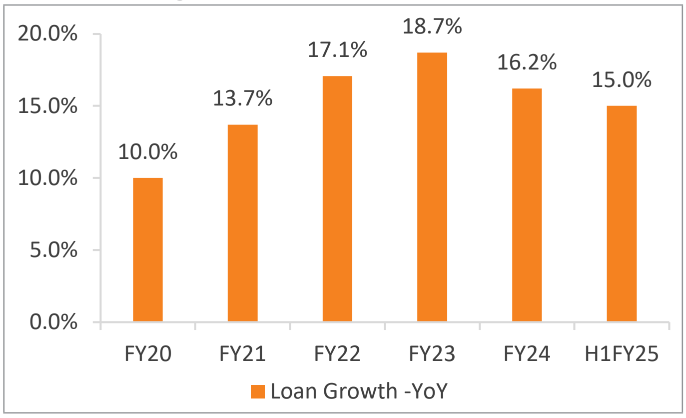
Price performance

(%)	1m	3m	6m	12m
Absolute	2.7	-4.1	10.9	27.4
Relative to Sensex	1.9	3.3	9.9	16.4

Source: Mirae Asset Sharekhan Research, Bloomberg

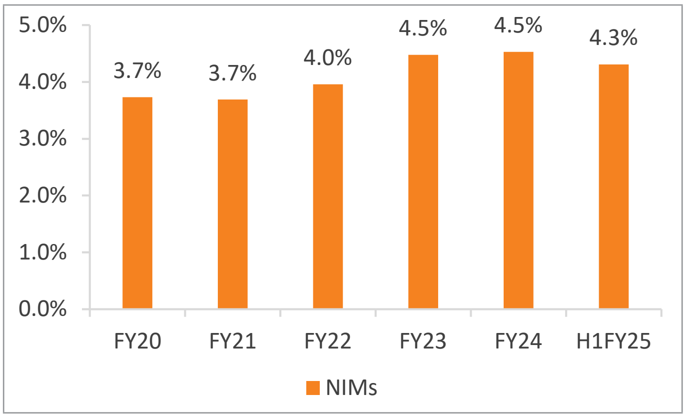
Financials in charts

Trend in Loan growth



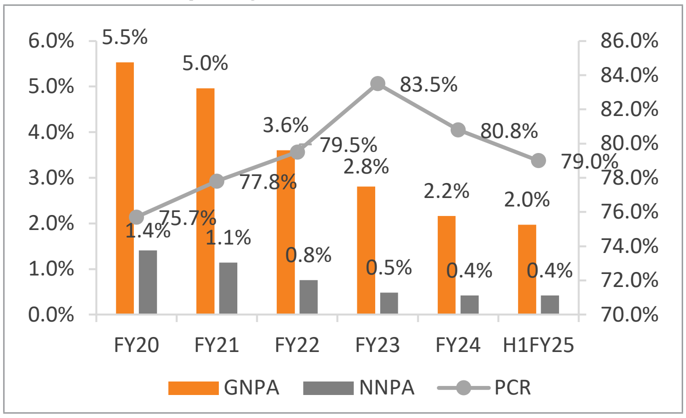
Source: Company; Mirae Asset Sharekhan Research

Trend in NIMs



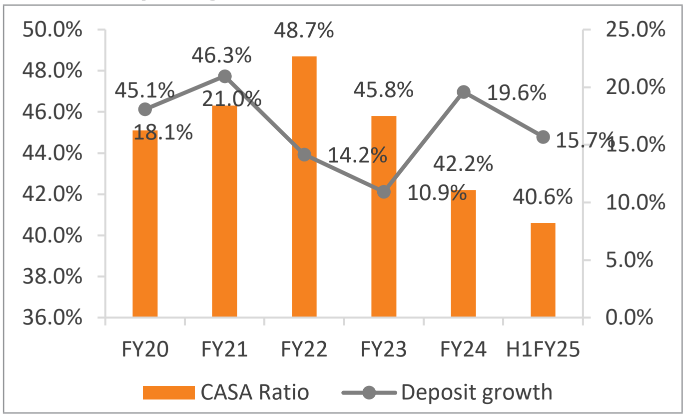
Source: Company; Mirae Asset Sharekhan Research

Trend in Asset quality



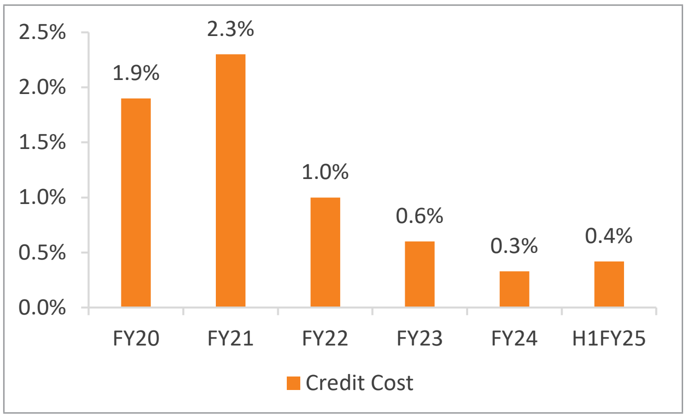
Source: Company; Mirae Asset Sharekhan Research

Trend in Deposit growth & CASA ratio



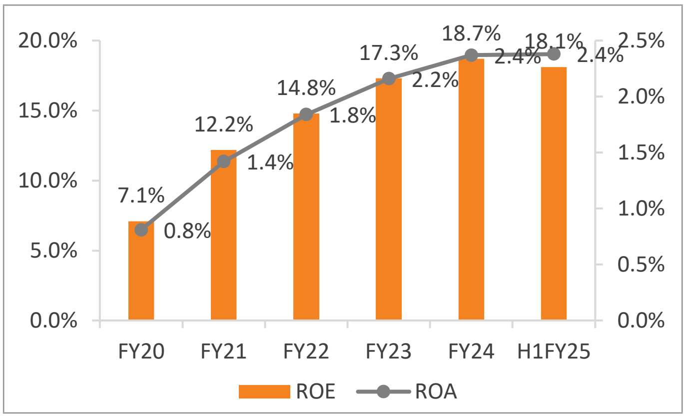
Source: Company; Mirae Asset Sharekhan Research

Trend in Credit Cost



Source: Company; Mirae Asset Sharekhan Research

Trend in Return ratio



Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

Sector Outlook – Deposit mobilisation and asset quality to be in focus

System credit growth is slowing and has declined to ~10.6% y-o-y from 16.4% in FY2024 as per the latest fortnight data, mainly driven by slower deposit growth and a high credit-deposit ratio. Deposit growth at 10.8% has started to outpace loan growth marginally. However, deposit growth continues to remain range bound and is mainly led by time deposits rather than CASA. Margins are expected to be under pressure due to elevated cost of term deposits, while a reversal in the rate cycle should further lead to yield pressure. Overall, the asset-quality outlook is stable to positive for the sector, except for the unsecured retail loans and MFI segments. We believe banks with a robust capital base, strong asset quality, and healthy retail deposit franchises are well-placed to capture growth opportunities.

Company Outlook – Well positioned in the sector

The bank is positioned well with superior margins, strong RoE, asset quality, contingency buffers, and robust capitalisation in this upcycle. A strong liability franchise indicates a robust business outlook for the bank. We find ICICI Bank to be an attractive franchise with a strong balance sheet and a better return ratio matrix, which makes it attractive over the medium term. Moreover, its well-performing subsidiaries, which are strong players in their respective fields, add value to the overall business. The franchise is looking towards a more predictable performance, which is a key positive.

Valuation – Maintain Buy with a revised PT of Rs. 1,550

ICICI Bank currently trades at 2.6x/2.2x/1.9x its FY2025E/FY2026E/FY2027E core BV estimates. Overall, we see ICICI Bank relatively well-positioned in the sector in terms of asset quality/growth and profitability. The bank continues to outperform peers on most of the parameters exhibiting strong franchise strength; and thus, the current valuation premium to peers is likely to sustain. We believe the bank is likely to sustain RoA over ~2% in the near to medium term. The bank has been delivering predictable earnings with healthy growth on a sustained basis, which is a key positive.

SOTP Valuation

Subsidiary/Associate/JV	Per share value (Rs.)
Core Bank Value	1,322
ICICI Prudential Life Insurance	72
ICICI Lombard General Insurance	48
ICICI Prudential AMC	49
ICICI Securities	42
ICICI Home Finance	7
ICICI Bank UK Plc	3
ICICI Bank Canada	3
ICICI Venture	2
ICICI PD business	2
Sum of subs/ associates	228
Fair Value	**1,550**

Source: Company; Mirae Asset Sharekhan estimates

Peer Comparison

Companies	CMP (Rs/Share)	MCAP (Rs Cr)	P/E (x)		P/B (x)		RoE (%)		RoA (%)	
			FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
ICICI Bank	1,286	9,07,449	16.5	14.9	2.6	2.2	17.4	16.3	2.3	2.2
HDFC Bank	1,772	13,54,709	17.0	15.9	2.3	2.0	14.6	13.7	1.8	1.8
Axis Bank	1,072	3,31,811	11.2	9.8	1.7	1.4	16.1	15.9	1.7	1.7

Source: Company; Mirae Asset Sharekhan Research

About the company

ICICI Bank is India's second-largest private bank and has a leadership position in other financial services businesses through its subsidiaries. The bank offers the entire spectrum of financial services to customer segments covering large and mid-corporates, MSME, agri, and retail businesses. The bank currently has 6,613 branches with 50% of branches in rural and semi-urban areas.

Investment theme

The bank is positioned well with superior margins, strong RoE, asset quality, contingency buffers, and robust capitalisation levels in the current cycle. Moreover, its well-performing subsidiaries, which are strong players in their respective fields, add value to the overall business. The franchise is looking towards a more predictable performance, which is a key positive.

Key Risks

Lower loan growth and higher-than-anticipated credit costs; slower growth in retail deposits; and lower-than-expected margins.

Additional Data

Key management personnel

Sandeep Bakhshi	Managing Director and CEO
Rakesh Jha	Executive Director
Sandeep Batra	Executive Director
Anindya Banerjee	Chief Financial Officer

Source: Company

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Life Insurance Corporation of India	5.97
2	SBI Funds Management Ltd.	5.31
3	ICICI Prudential Asset Management Co. Ltd.	3.58
4	HDFC Asset Management Co. Ltd.	3.00
5	BlackRock Inc.	2.82
6	Vanguard Group Inc.	2.28
7	Republic of Singapore	2.05
8	NPS Trust A/c Uti Retirement Solutions Ltd.	2.04
9	UTI Asset Management Co. Ltd.	1.90
10	Nippon Life AMC Ltd.	1.76

Source: Bloomberg

Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

DISCLAIMER

This information/document has been prepared by Sharekhan Ltd. (SHAREKHAN) and is intended for use only by the person or entity to which it is addressed to. This Document may contain confidential and/or privileged material and is not for any type of circulation and any review, retransmission, or any other use is strictly prohibited. This information/ document is subject to changes without prior notice.

Recommendation in reports based on technical and derivatives analysis is based on studying charts of a stock's price movement, trading volume, outstanding positions, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals. However, this would only apply for information/document focused on technical and derivatives research and shall not apply to reports/documents/information focused on fundamental research.

This information/document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this report at the same time. SHAREKHAN will not treat recipients as customers by virtue of their receiving this information/report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable and SHAREKHAN has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavour to update the information herein on reasonable basis, SHAREKHAN, its subsidiaries and associated companies, their directors and employees ("SHAREKHAN and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent SHAREKHAN and affiliates from doing so. 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. Recipients of this report should also be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved) and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. We do not undertake to advise you as to any change of our views. Affiliates of Sharekhan may have issued other recommendations/ reports that are inconsistent with and reach different conclusions from the information presented in this recommendations/report.

This information/recommendation/report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject SHAREKHAN and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

The analyst certifies that the analyst might have dealt or traded directly or indirectly in securities of the company and that all the views expressed in this document accurately reflect his or her personal views about the subject company or companies and its or their securities and do not necessarily reflect those of SHAREKHAN. The analyst and SHAREKHAN further certifies that either he or his relatives or Sharekhan associates might have direct or indirect financial interest or might have actual or beneficial ownership of 1% or more in the securities of the company at the end of the month immediately preceding the date of publication of the research report. The analyst and SHAREKHAN encourages independence in research report/ material preparation and strives to minimize conflict in preparation of research report. The analyst and SHAREKHAN does not have any material conflict of interest or has not served as officer, director or employee or engaged in market making activity of the company. The analyst and SHAREKHAN has not been a part of the team which has managed or co-managed the public offerings of the company, and no part of the analyst's compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this document. Sharekhan Ltd or its associates or analysts have not received any compensation for investment banking, merchant banking, brokerage services or any compensation or other benefits from the subject company or from third party in the past twelve months in connection with the research report.

Either SHAREKHAN or its affiliates or its directors or employees / representatives / clients or their relatives may have position(s), make market, act as principal or engage in transactions of purchase or sell of securities, from time to time or may be materially interested in any of the securities or related securities referred to in this report and they may have used the information set forth herein before publication. SHAREKHAN may from time to time solicit from, or perform investment banking, or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall SHAREKHAN, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

Forward-looking statements (if any) are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment. These statements are not a guarantee of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or result expressed or implied by such forward-looking statements. Sharekhan/its affiliates undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader/investors are cautioned not to place undue reliance on forward-looking statements and use their independent judgement before taking any investment decision.

Investment in securities market are subject to market risks, read all the related documents carefully before investing. The securities quoted are for illustration only and are not recommendatory. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on www.sharekhan.com

---

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited, Research Analyst Regn No.: INH000006183. CIN: - U99999MH1995PLC087498.

Registered Office: The Ruby, 18th Floor, 29 Senapati Bapat Marg, Dadar (West), Mumbai – 400 028, Maharashtra, INDIA. Tel: 022-6115000.

Correspondence/Administrative Office Address - Gigaplex IT Park, Unit No 1001, 10th Floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai – 400708. Tel: 022 61169000 / 61150000, Fax No. 61169699.

Other registrations of Sharekhan Ltd.: SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD) / MCX - Commodity: INZ000171337; BSE – 748, NSE – 10733, MCX – 56125, DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669 (date of initial registration: 03/07/2004, and valid till 02/07/2026); IRDAI Registered Corporate Agent (Composite) License No. CA0950, valid till June 13, 2027.

Compliance Officer: Ms. Binkle R. Oza; Tel: 022-62263303; email id: complianceofficer@sharekhan.com

For any complaints/grievance, email us at igc@sharekhan.com or you may even call Customer Service desk on - 022- 41523200/022-69920600.