

ICICI Bank

BUY

Credit growth slows down further; NIMs improved

Summary

ICICI Bank reported slowdown in credit growth to 13% YoY vs 14% YoY (Q3FY25) vs 15% YoY (Q2FY25); while deposit growth remains stable at 14% YoY (vs ~14% YoY Q3FY25). We expect 14.5% CAGR (FY25-27E) loan growth. NIMs improved post decline in last 6 quarters led by rise in yields. However, need to watch out for impact of rate cut on NIMs. Asset quality improved due to lower slippages. Bank reported strong profitability growth at 18% YoY led by lower operating expenses. PPOp grew by 18% YoY led by higher non-interest income (up 29% YoY). Lower credit costs led by better recoveries resulted in best return ratios in last few years; RoA at 2.49% (Q4FY25). We have revised estimates upwards led by better margins. We maintain 'BUY' rating with a new TP of Rs1,615 (Rs1,490), valuing parent business at Rs1,402 at 2.6X P/ABV FY27E and rest for the subsidiaries.

Key Highlights and Investment Rationale

- **Credit growth slows down:** Credit growth slowed to 13% YoY (14% YoY Q3FY25); while overseas book de-grew by 8% YoY. Business banking continues to grow strongly at 34% YoY while retail book growth declined to 9% YoY vs 10.5% YoY (Q3FY25). Deposit growth remain stable 14% YoY (14% YoY Q3FY25); Avg CASA ratio at 38.4% vs 38.9% YoY.
- **NIMs surprised positively QoQ:** NIMs improved by 16bps QoQ to 4.41% led by rise in yields. Management highlighted that NIMs could be impacted with rate cut scenario during FY26.
- **Asset quality improved:** Asset quality improved as GNPA stood at 1.67% vs 1.96% QoQ; slippages declined by 15% QoQ while write offs increased by 5% QoQ. PCR stood at 76.2% which is the highest among its peers.
- **Outlook:** ICICI Bank focuses on 'customer 360' to deliver consistent and predictable return to shareholders, which has helped improve its operational efficiency. We remain positive on ICICIB given its ability to maintain RoA above 2%.

TP	Rs.1,615
CMP	Rs.1,407
Potential upside/downside	15%
Previous Rating	BUY

Price Performance (%)			
	-1m	-3m	-12m
Absolute	12.5	12.6	31.8
Rel to Sensex	6.1	10.6	24.1

V/s Consensus		
EPS (Rs)	FY26E	FY27E
IDBI Capital	73.3	83.3
Consensus	71.6	81.8
% difference	2.4	1.8

Key Stock Data	
Bloomberg/Reuters	ICICIB IN/ICBK.BO
Sector	Banking
Shares o/s (mn)	7,127
Market cap. (Rs mn)	10,025,689
3-m daily average value (Rs mn)	183.0
52-week high / low	Rs1,373 / 1,048
Sensex / Nifty	78,553 / 23,852

Shareholding Pattern (%)	
Promoters	0.0
FII	45.7
DII	41.3
Public	13.0

Financial snapshot

Year	FY2023	FY2024	FY2025	FY2026E	FY2027E
NII	6,21,286	7,43,057	8,11,644	9,04,117	10,26,195
Change (yoy, %)	31%	20%	9%	11%	14%
Net Profit	3,18,965	4,08,883	4,72,264	5,21,953	5,93,257
Change (yoy, %)	37%	28%	16%	11%	14%
EPS (Rs)	45.7	58.2	66.3	73.3	83.3
Change (yoy, %)	36%	27%	14%	11%	14%
ABV (Rs)	267.9	321.5	391.7	454.3	530.2
PER (x)	30.8	24.2	21.2	19.2	16.9
P/ABV (x)	5.3	4.4	3.6	3.1	2.7
ROE (%)	17.2	18.6	17.8	16.5	16.2
ROA (%)	2.1	2.4	2.4	2.3	2.3
GNPA (%)	2.9	2.3	1.8	1.7	1.7
NNPA (%)	0.5	0.5	0.4	0.3	0.3
CAR (%)	18.3	16.3	16.6	16.9	17.1

Source: IDBI Capital Research

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Conference Call Highlights

Operational Aspects

- The impact of interest on tax refund was about 2 bps in the current quarter compared to about 1 bp in the previous quarter and nil in Q4 of last year.
- Largest component driving the yield was the benefit of the day count convention. Secondly, the absence of non-accrual of KCC in Q4 vs Q3, and lastly due to the interest on income tax refund.
- The bank has continuously invested in 3 key areas: Distribution, credit underwriting models & processes, and digital footprint.
- Cash portion from sale of NPAs would be reflected as a write back in provisions.
- Increase in RWA was also due to the increase in market risk as the bank took some larger positions as the interest rate environment turned favourable.
- Increase in the net worth also includes the additional investment in ICICI Securities.

Advances and Deposits

- The builder portfolio including construction, finance, lease, rental, discounting, term loans and working capital was Rs.606.24 bn at March 31, 2025 compared to Rs.586.36 bn at December 31, 2024. The builder portfolio was about 4.6% of our total loan portfolio.
- About 1.7% of the builder portfolio at March 31, 2025, was either rated BB and below. BB and below internally or was classified as non-performing compared to 1.7% at December 31, 2024.
- Of the total domestic loans, interest rates on about 53% of the loans are linked to the repo rate, 15% to MCLR and other older benchmarks and 1% to other external benchmarks. The balance 31% of loans have fixed interest rates.
- There is a competition in the housing loan market with some of the peers offering lower rates.
- Slowdown in vehicle financing is on account of both underlying demand and due to pricing.

- Deposit growth has remained strong for the bank. The transmission of repo rate cut has started to reflect in the deposit rate.
- The management believes that the pressure on CASA deposits seems to be behind for the bank as well as for the industry.

Asset Quality

- There was sale of NPAs of Rs.27.86 bn in Q4FY25, compared to Rs.0.58 bn in the previous quarter. These were fully provided NPAs and in lieu of sale the bank received Rs.16.05 bn of security receipt and Rs.3.14 bn in cash, with the balance Rs.8.67 bn being written-off.
- In terms of asset quality, the corporate and business banking portfolio continues to behave well.
- The NPL formation in the unsecured segment seems to have stabilised. However, it may take couple of quarters to be absorbed in credit costs.
- Including the impact of KCC provision, the credit costs would have been 40 bps.

Future Outlook

- The bank remains conscious on the spreads in some segments due to the downward rate cycle.
- There would be an impact on margins going into FY26 due to the rate cut scenario.
- The growth in unsecured retail loan portfolio seems to have bottomed out and the bank expects improvement in the coming quarters.
- The bank is meeting the PSL and MSME requirements. However, there are some shortfalls in weaker sections and small farmers, which the bank will address through buyouts or purchase of PSLC certificate.

Subsidiaries

- The APE of ICICI Life was Rs.104.07 bn in FY25 compared to Rs.90.46 bn in FY24. VNB margin was 22.8% in FY25 vs 24.6% in FY24.
- The gross direct premium income of ICICI General was RS.247.76 bn in FY24 compared to RS.268.33 bn in FY25.

- The profit after tax of ICICI AMC was Rs.6.92 bn in this quarter compared to Rs.5.29 bn in Q4 of last year.
- The profit after tax of ICICI securities on a consolidated basis was Rs.3.85 mn in Q4 vs Rs.5.37 bn YoY. ICICI Securities has been delisted from stock exchanges on March 24, 2025 and become a wholly owned subsidiary of the bank.
- ICICI Home Finance had a profit after tax of Rs.2.41 bn in the current quarter compared to Rs.1.69 bn in Q4 of last year.
- ICICI Bank Canada had a profit after tax of CAD12.5 mn in this quarter compared to CAD19.9 mn in Q4 of last year. ICICI Bank UK had a profit after tax of \$6 mn in this quarter compared to \$9.5 mn in Q4 of last year.

Exhibit 1: Quarterly Snapshot

(Rs mn)

Year-end: March	Q4FY25	Q4FY24	Q3FY25	YoY (%)	QoQ (%)
Interest Income	4,24,308	3,79,484	4,12,998	11.8	2.7
Interest Expenses	2,12,379	1,88,556	2,09,292	12.6	1.5
Net Interest Income	2,11,929	1,90,928	2,03,706	11.0	4.0
NIM (%)	4.41	4.40	4.25	1 bps	16 bps
Non-Interest Income	72,601	56,488	70,681	28.5	2.7
Operating Income	2,84,530	2,47,416	2,74,387	15.0	3.7
Staff Cost	41,052	37,202	39,291	10.3	4.5
Other Op Exp	66,836	59,826	66,231	11.7	0.9
Total Operating Expenses	1,07,888	97,028	1,05,521	11.2	2.2
<i>Cost to Income (%)</i>	<i>37.9</i>	<i>39.2</i>	<i>38.5</i>	<i>-130 bps</i>	<i>-54 bps</i>
Operating Profit	1,76,643	1,50,388	1,68,866	17.5	4.6
Provisions	8,907	7,185	12,267	24.0	(27.4)
PBT	1,67,736	1,43,203	1,56,599	17.1	7.1
Tax	41,440	36,127	38,675	14.7	7.1
<i>-effective tax rate</i>	<i>24.7</i>	<i>25.2</i>	<i>24.7</i>	<i>-52 bps</i>	<i>1 bps</i>
PAT	1,26,296	1,07,075	1,17,924	18.0	7.1
EPS (Rs)	17.7	15.2	16.7	16.3	6.2
BV (Rs)	410.0	339.4	384.7	20.8	6.6
Deposits	1,61,03,480	1,41,28,250	1,52,03,088	14.0	5.9
Advances	1,34,17,662	1,18,44,064	1,31,43,661	13.3	2.1

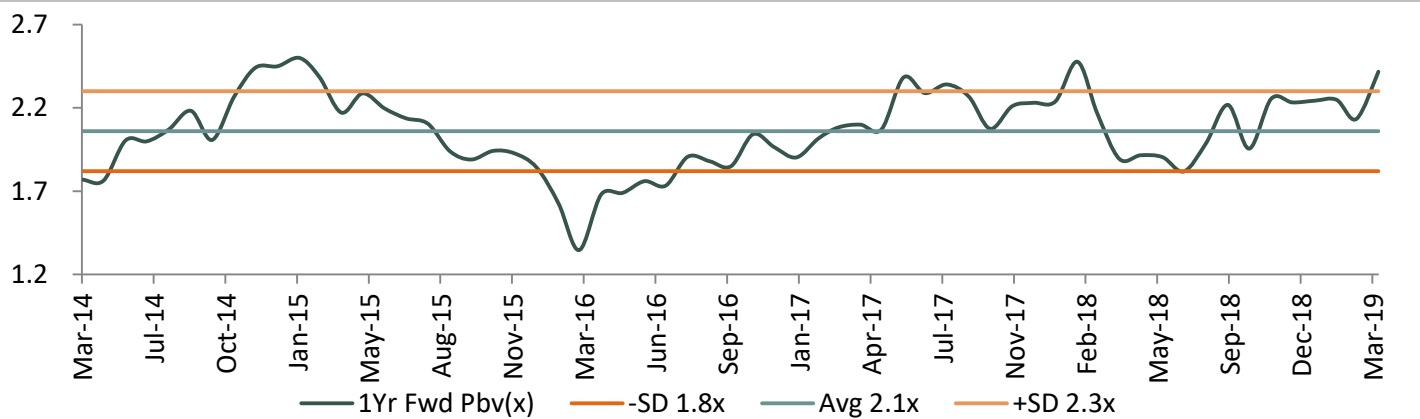
Source: Company; IDBI Capital Research

Exhibit 2: ROE Decomposition

(%)	FY23	FY24	FY25	FY26E	FY27E
NII	4.1	4.3	4.1	4.0	4.0
Fees	1.0	1.0	1.2	1.2	1.2
Other Income	0.3	0.4	0.2	0.2	0.2
Net Revenue	5.5	5.6	5.5	5.4	5.4
Op.Exp	2.2	2.3	2.1	2.1	2.1
Op.Profit	3.3	3.4	3.4	3.3	3.4
Provisions	0.4	0.2	0.2	0.2	0.2
PBT	2.8	3.2	3.1	3.1	3.1
Tax	0.7	0.8	0.8	0.8	0.8
ROA	2.1	2.4	2.4	2.3	2.3
Leverage (x)	8.1	7.9	7.5	7.1	6.9
ROE	17.2	18.6	17.8	16.5	16.2

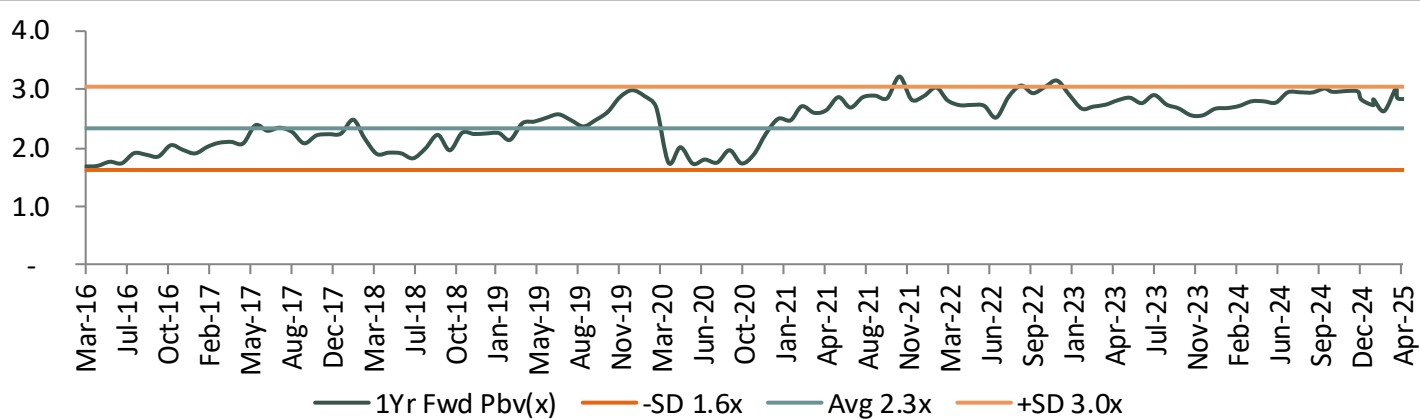
Source: Company; IDBI Capital Research

Exhibit 3: One-year forward P/ABV (FY14-19)



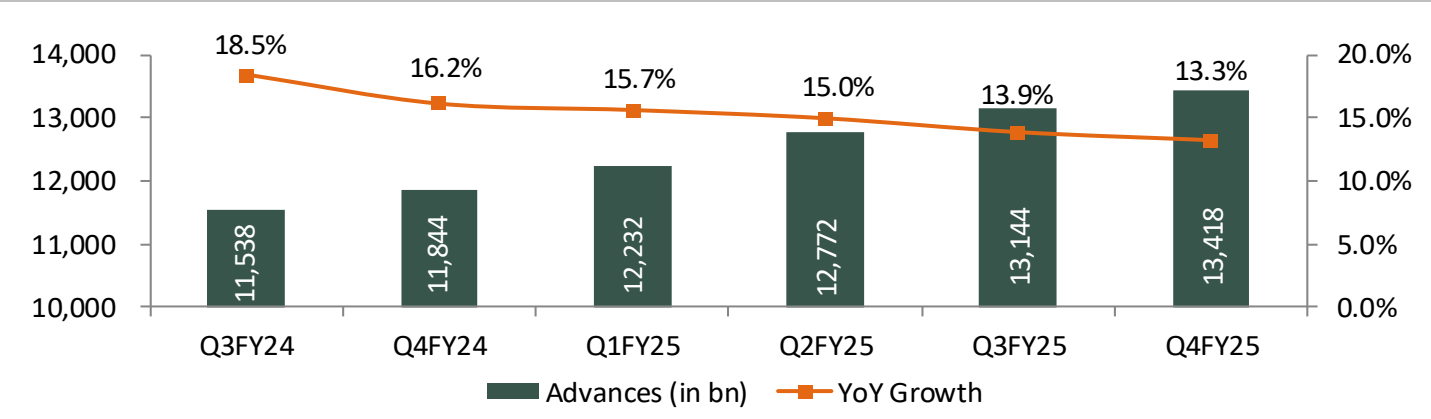
Source: Company; IDBI Capital Research

Exhibit 4: One-year forward P/ABV (FY16-25)



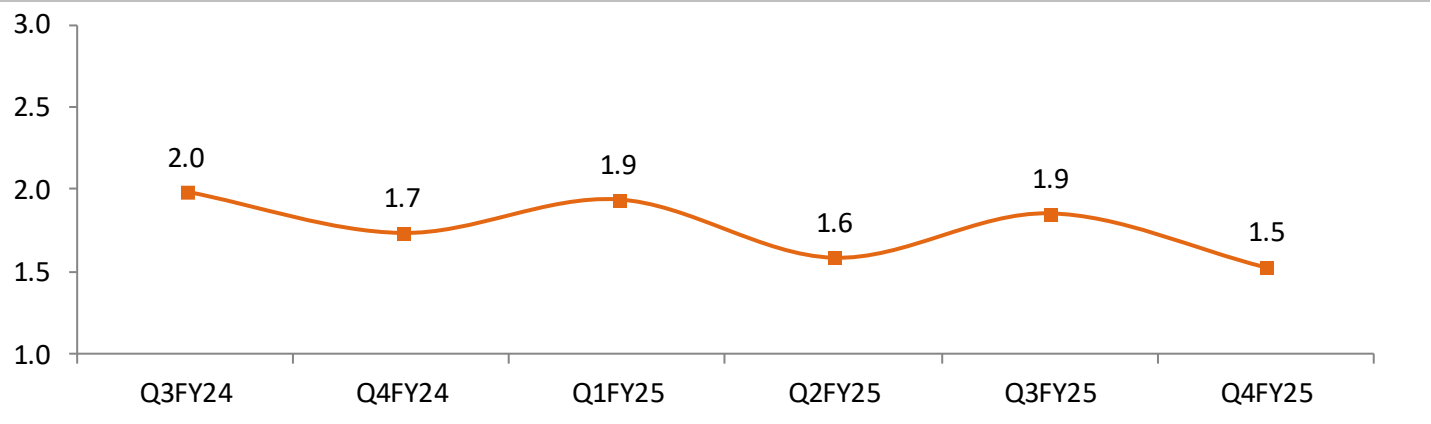
Source: Company; IDBI Capital Research

Exhibit 5: Advances growth slowed down during the quarter



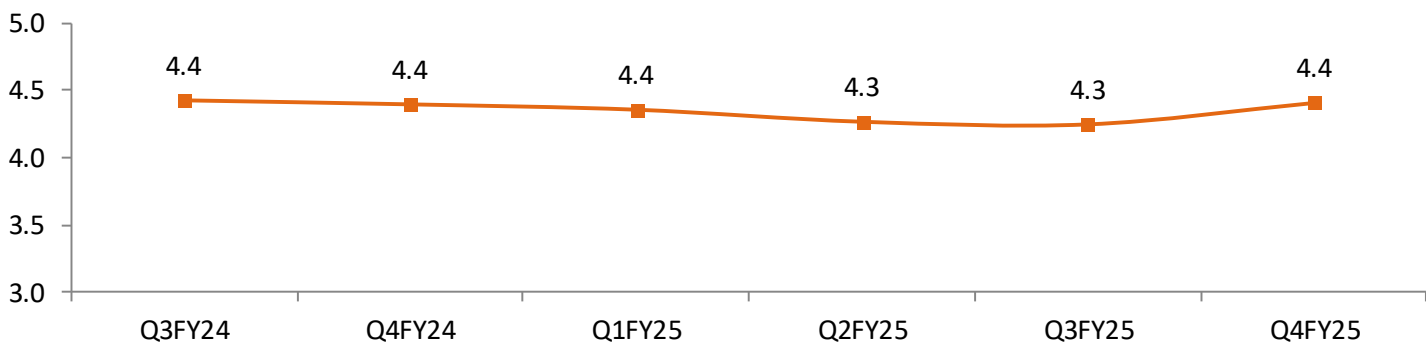
Source: Company; IDBI Capital Research

Exhibit 6: Slippage ratio decreased on a sequential basis



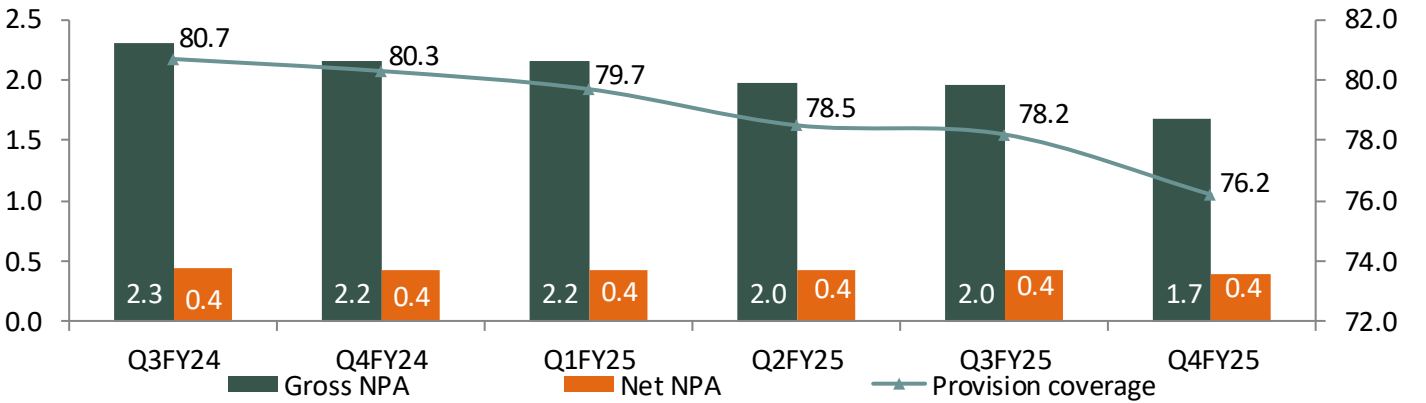
Source: Company; IDBI Capital Research

Exhibit 7: Net Interest margins increased on a sequential basis



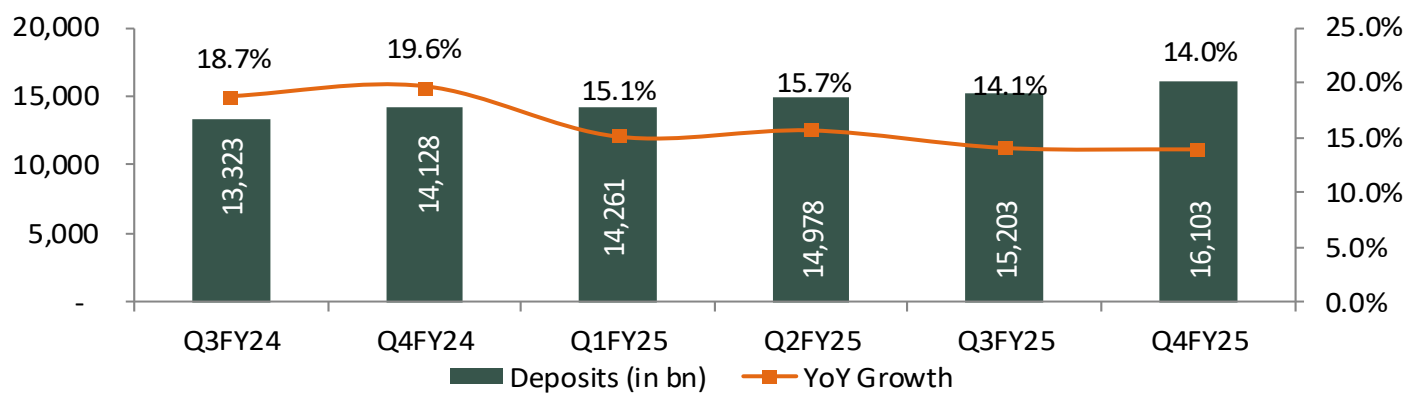
Source: Company; IDBI Capital Research

Exhibit 8: Asset Quality improved on a QoQ basis



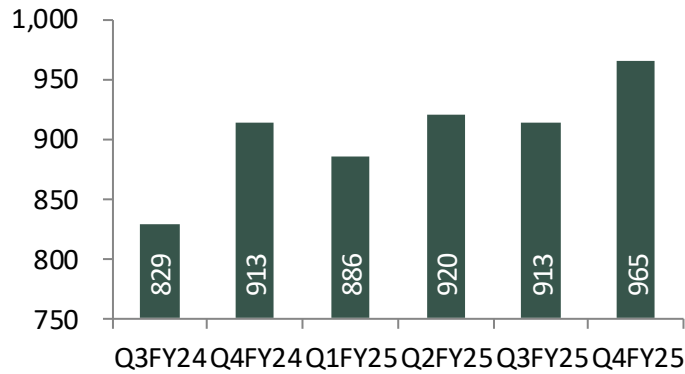
Source: Company; IDBI Capital Research

Exhibit 9: Deposits growth (YoY) remained stable during the quarter



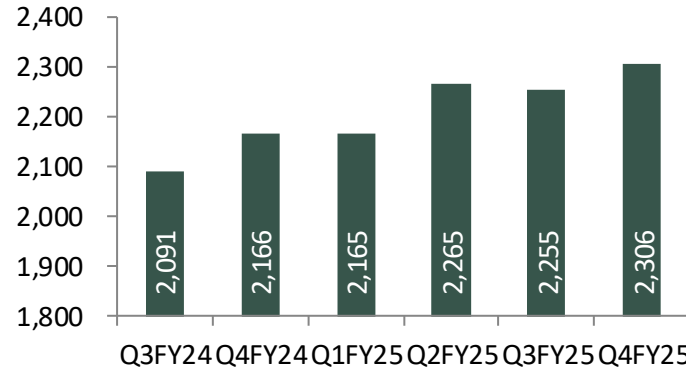
Source: Company; IDBI Capital Research

Exhibit 10: CASA Per Branch



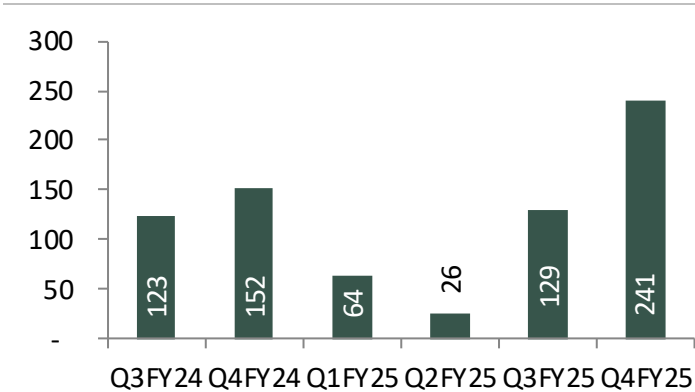
Source: Company; IDBI Capital Research

Exhibit 11: Deposits Per Branch



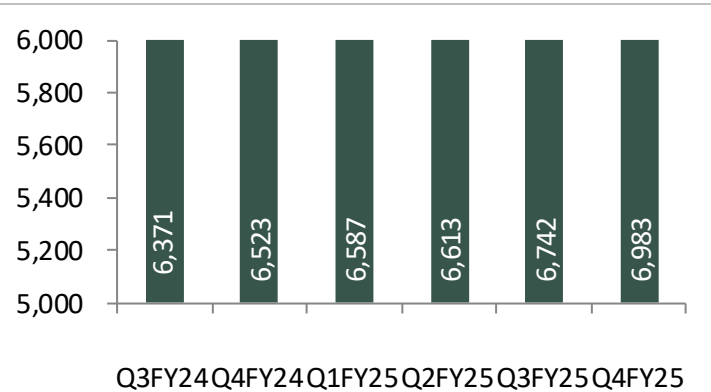
Source: Company; IDBI Capital Research

Exhibit 12: Incremental no of Branches per qtr



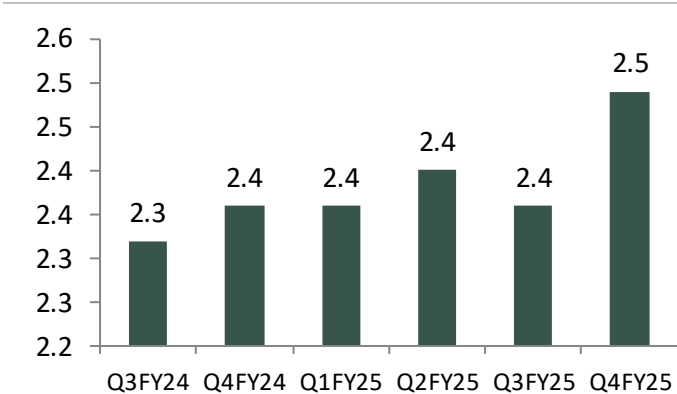
Source: Company; IDBI Capital Research

Exhibit 13: Added around 241 new branches in Q4FY25



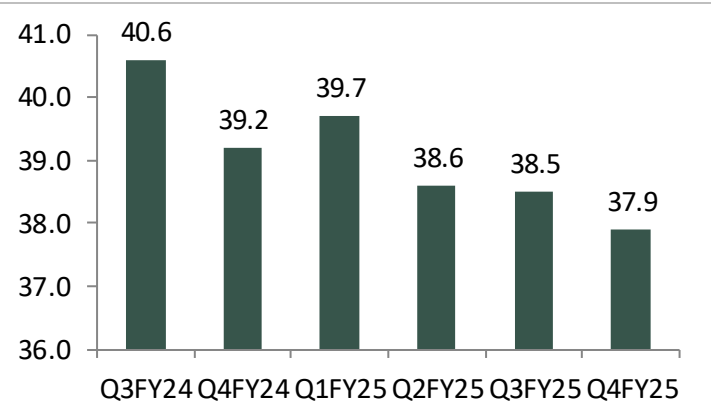
Source: Company; IDBI Capital Research

Exhibit 14: RoA increased during the quarter



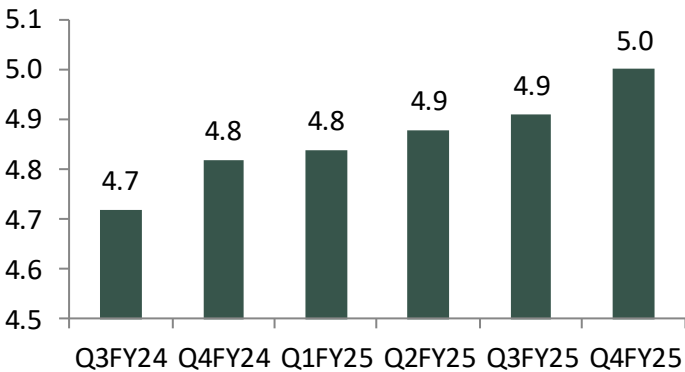
Source: Company; IDBI Capital Research

Exhibit 15: Cost to Income Ratio improved sequentially



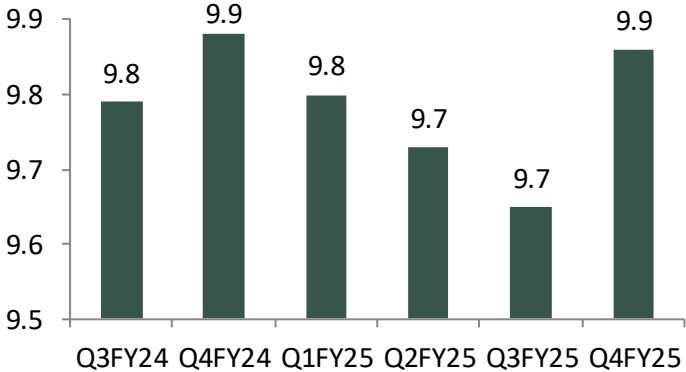
Source: Company; IDBI Capital Research

Exhibit 16: Cost of Deposits slightly increased sequentially



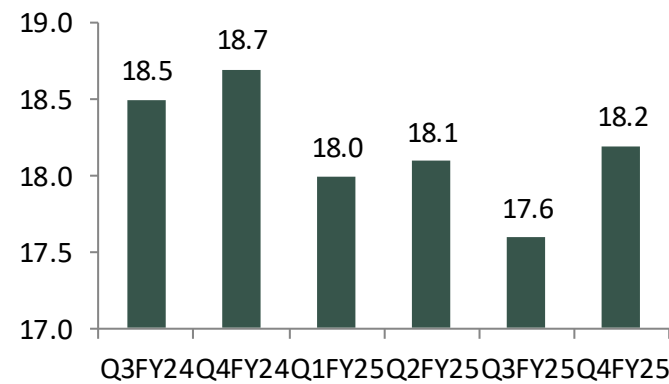
Source: Company; IDBI Capital Research

Exhibit 17: Yield on Advances increased QoQ



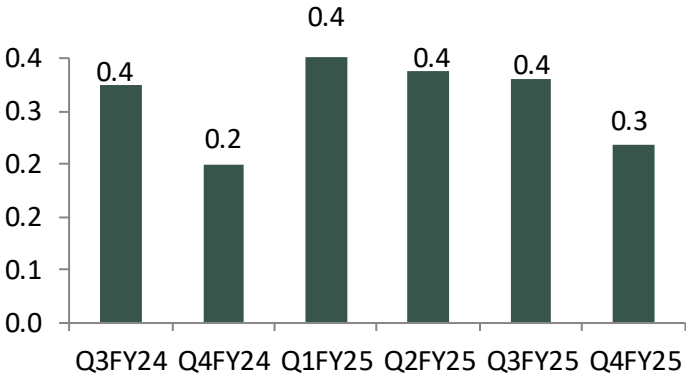
Source: Company; IDBI Capital Research

Exhibit 18: Return on Equity increased during the quarter

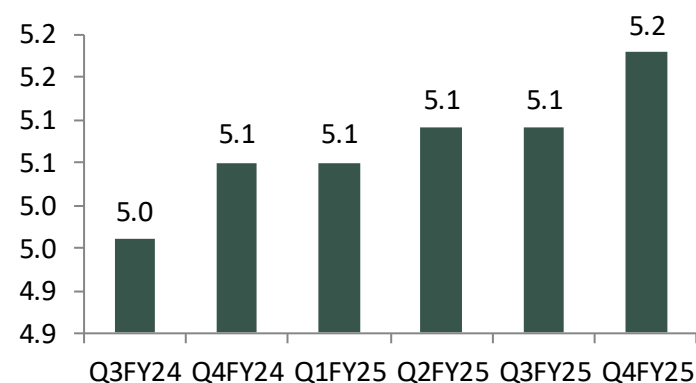


Source: Company; IDBI Capital Research

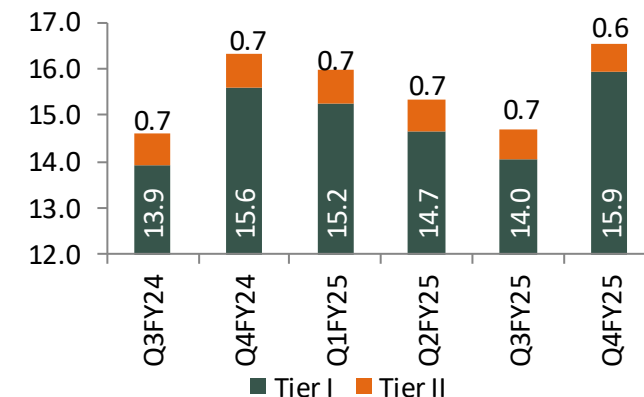
Exhibit 19: Credit Cost improved on a sequential basis



Source: Company; IDBI Capital Research

Exhibit 20: Cost of funds increased on a sequential basis

Source: Company; IDBI Capital Research

Exhibit 21: CAR (%) remains comfortable

Source: Company; IDBI Capital Research

Exhibit 22: Statement of Standard Assets & Other Provisions

Product Wise Advances (In Mn)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Contingency Provisions	1,31,000	1,31,000	1,31,000	1,31,000	1,31,000
Provision on Non-Fund based o/s to NPAs	20,900	19,640	19,110	17,120	16,600
Provisions on Fund based o/s to standard borrowers under resolution	9,750	8,630	8,120	6,910	6,430
General provisions on other Standard Assets and Other Provisions	72,940	74,760	73,680	70,660	72,480
Total Provisions	2,34,590	2,34,030	2,31,910	2,25,690	2,26,510
Total Provisions as a % of Net Advances	2.0	1.9	1.8	1.7	1.7

Source: Company; IDBI Capital Research

Exhibit 23: Composition of Advances-In Mn

Product Wise Advances (In Mn)	Q4FY25	Q4FY24	Q3FY25	YoY (%)	QoQ (%)
Domestic book	1,31,09,810	1,15,09,550	1,28,27,780	13.9	2.2
Retail	71,72,230	65,88,520	70,32,650	8.9	2.0
Rural Loan	7,83,400	7,45,670	7,94,960	5.1	(1.5)
Business banking	26,33,670	19,70,400	24,80,480	33.7	6.2
Corporate and others	27,96,510	24,98,500	28,06,800	11.9	(0.4)
Overseas book	3,07,850	3,34,510	3,15,880	(8.0)	(2.5)
Total Loan Book	1,34,17,660	1,18,44,060	1,31,43,660	13.3	2.1

Source: Company; IDBI Capital Research

Exhibit 24: Composition of Advances-In %

Product Wise Advances (In %)	Q4FY25	Q4FY24	Q3FY25	YoY (%)	QoQ (%)
Domestic book	97.7	97.2	97.6	53 bps	11 bps
Retail	53.5	55.6	53.5	-217 bps	-5 bps
Rural Loan	5.8	6.3	6.0	-46 bps	-21 bps
Business banking	19.6	16.6	18.9	299 bps	76 bps
Corporate and others	20.8	21.1	21.4	-25 bps	-51 bps
Overseas book	2.3	2.8	2.4	-53 bps	-11 bps
Total Loan Book	100	100	100		

Source: Company; IDBI Capital Research

Exhibit 25: Composition of Retail Loan Book

Product Wise Retail Advances (In Mn)	Q4FY25	Q4FY24	Q3FY25	YoY (%)	QoQ (%)
Mortgages	43,95,840	39,59,210	42,77,450	11.0	2.8
Vehicle loans	9,65,430	9,26,350	9,56,250	4.2	1.0
Auto finance	6,19,440	5,92,190	6,17,080	4.6	0.4
CV/CE	3,36,320	3,14,260	3,26,930	7.0	2.9
2W	9,670	19,900	12,240	(51.4)	(21.0)
Personal Loans	12,15,550	11,66,770	12,08,630	4.2	0.6
Credit Cards	5,73,410	11,66,770	5,68,470	(50.9)	0.9
Loan against shares and Others	22,000	22,980	21,850	(4.3)	0.7
Total Retail Loan Book	71,72,230	72,42,080	70,32,650	(1.0)	2.0

Source: Company; IDBI Capital Research

Exhibit 26: Composition of Retail Loan Book

Product Wise Retail Advances (In %)	Q4FY25	Q4FY24	Q3FY25	YoY (%)	QoQ (%)
Mortgages	61.3	54.7	60.8	662 bps	47 bps
Vehicle loans	13.5	12.8	13.6	67 bps	-14 bps
Auto finance	8.6	8.2	8.8	46 bps	-14 bps
CV/CE	4.7	4.3	4.6	35 bps	4 bps
2W	0.1	0.3	0.2	-14 bps	-4 bps
Personal Loans	16.9	16.1	17.2	84 bps	-24 bps
Credit Cards	8.0	16.1	8.1	-812 bps	-9 bps
Loan against shares and Others	0.3	0.3	0.3	-1 bps	0 bps
Total Retail Loan Book	100	100	100		

Source: Company; IDBI Capital Research

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
Net interest income	4,74,661	6,21,286	7,43,057	8,11,644	9,04,117	10,26,195
<i>Change (yoy, %)</i>	22%	31%	20%	9%	11%	14%
Fees	1,26,397	1,47,766	1,68,753	2,38,700	2,61,296	2,99,269
Other Income	58,779	50,549	60,825	46,361	48,604	54,444
Net Revenue	6,59,836	8,19,600	9,72,635	10,96,705	12,14,017	13,79,908
Operating expenses	2,67,333	3,28,732	3,91,327	4,23,723	4,63,196	5,26,187
Employee expenses	96,727	1,20,599	1,51,420	1,65,409	1,86,800	2,09,623
Other expenses	1,70,606	2,08,133	2,39,907	2,58,314	2,76,396	3,16,564
Pre-Provision Profit	3,92,503	4,90,868	5,81,308	6,72,982	7,50,821	8,53,720
<i>Change (yoy, %)</i>	8%	25%	18%	16%	12%	14%
Provision	86,414	66,656	36,429	46,826	53,023	60,595
PBT	3,06,089	4,24,212	5,44,878	6,26,156	6,97,798	7,93,125
Taxes	72,694	1,05,247	1,35,996	1,53,892	1,75,845	1,99,867
<i>Effective tax rate (%)</i>	24%	25%	25%	25%	25%	25%
Net profit	2,33,395	3,18,965	4,08,883	4,72,264	5,21,953	5,93,257
<i>Change (yoy, %)</i>	44%	37%	28%	16%	11%	14%
EPS	33.6	45.7	58.2	66.3	73.3	83.3
Return on Equity (%)	14.7	17.2	18.6	17.8	16.5	16.2
Return on Assets (%)	1.8	2.1	2.4	2.4	2.3	2.3

Balance Sheet

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
Capital	13,900	13,968	14,047	14,246	14,246	14,246
Reserves	16,91,219	19,93,186	23,69,947	29,06,517	33,78,470	39,21,727
Networth	17,05,118	20,07,154	23,83,994	29,20,763	33,92,716	39,35,973
Deposits	1,06,45,716	1,18,08,407	1,41,28,250	1,61,03,480	1,83,57,647	2,11,10,952
Current deposits	15,84,797	16,14,860	19,35,723	23,29,570	27,53,647	31,66,643
Saving deposits	35,99,569	37,97,759	40,22,999	44,07,720	51,40,141	59,11,066
Term deposit	54,61,350	63,95,788	81,69,528	93,66,190	1,04,63,859	1,20,33,242
Borrowings	10,72,314	11,93,255	12,49,676	12,35,383	12,87,478	14,89,190
Other liabilities	6,89,828	8,33,252	9,53,227	9,22,774	6,41,484	5,43,393
Total Liab. & Equity	1,41,12,976	1,58,42,067	1,87,15,146	2,11,82,400	2,36,79,324	2,70,79,508
Cash	16,78,223	11,94,383	13,99,260	18,55,620	19,57,997	22,51,682
Advances	85,90,204	1,01,96,383	1,18,44,064	1,34,17,662	1,52,96,134	1,75,90,554
Investments	31,02,410	36,23,297	46,19,423	50,47,567	55,36,141	63,19,140
Fixed Assets	93,738	95,998	1,08,598	1,28,387	1,41,226	1,55,349
Other Assets	6,48,401	7,32,005	7,43,801	7,33,163	7,47,827	7,62,783
Total assets	1,41,12,976	1,58,42,067	1,87,15,146	2,11,82,400	2,36,79,324	2,70,79,508

Financial Ratios

(%)

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
Growth						
Deposits	14.2	10.9	19.6	14.0	14.0	15.0
Advances	17.1	18.7	16.2	13.3	14.0	15.0
NII	21.7	30.9	19.6	9.2	11.4	13.5
Pre-Provision Profit	7.8	25.1	18.4	15.8	11.6	13.7
Net Profit	44.1	36.7	28.2	15.5	10.5	13.7
Spreads						
Yield on Assets	7.2	7.9	9.0	8.8	8.7	8.7
Cost of Funds	3.5	3.8	4.8	5.0	4.9	4.9
NIM	3.9	4.5	4.7	4.4	4.3	4.3
CASA	48.7	45.8	42.2	41.8	43.0	43.0
Operating Efficiency						
Cost-to-Income	40.5	40.1	40.2	38.6	38.2	38.1
Cost-to-Assets	2.0	2.2	2.3	2.1	2.1	2.1
Asset Quality						
GNPA	3.8	2.9	2.3	1.8	1.7	1.7
NNPA	0.8	0.5	0.5	0.4	0.3	0.3
Provision Coverage	79.2	82.8	80.3	76.9	80.0	81.6
Credit Cost	1.1	0.7	0.3	0.4	0.4	0.4
Capital Adequacy						
CAR	19.2	18.3	16.3	16.6	16.9	17.1
Tier I	18.4	17.6	15.6	15.9	16.2	16.4
Valuation						
EPS	33.6	45.7	58.2	66.3	73.3	83.3
ABV	223.8	267.9	321.5	391.7	454.3	530.2
P/E	41.9	30.8	24.2	21.2	19.2	16.9
P/ABV	6.3	5.3	4.4	3.6	3.1	2.7
ROE	14.7	17.2	18.6	17.8	16.5	16.2
ROA	1.8	2.1	2.4	2.4	2.3	2.3
RORWA	2.8	3.3	3.3	3.2	3.0	3.0

Source: Company; IDBI Capital Research

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Key to Ratings Stocks:

BUY: 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

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