

India

ADD (no change)

Consensus ratings*: Buy 49 Hold 3 Sell 0

Current price: Rs1,407
 Target price: ▲ Rs1,650
 Previous target: Rs1,500
 Up/downside: 17.3%
 InCred Research / Consensus: 8.6%

Reuters: ICBK.NS
 Bloomberg: ICICIB IN
 Market cap: US\$117,354m
 Rs10,019,080m
 Average daily turnover: US\$182.3m
 Rs15565.3m
 Current shares o/s: 1,405.1m
 Free float: 100.0%

*Source: Bloomberg

Key changes in this note

- We revisit our estimates to build in lower margins factoring in ~50bp rate cut.
- We cut the risk-free rate by 25bp.
- We introduce FY28F estimates.

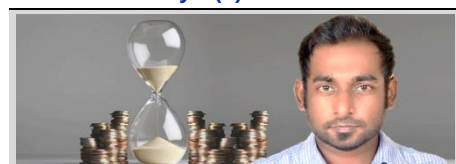


Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	7.4	14.8	33.3
Relative (%)	5.1	10.8	24.0

Major shareholders	% held
LIC	7.1
SBI MF	6.5
ICICI Pru AMC	4.5

Research Analyst(s)



Bhavik SHAH

T (91) 22 4161 1551

E bhavik.shah@incredresearch.com

Rishabh JOGANI

T (91) 22 4161 1569

E rishabh.jogani@incredresearch.com

ICICI Bank

Sustained best-in-class delivery continues

- 4QFY25 earnings were strong, mainly led by better headline margin (~4.4%; up 16bp QoQ), contained opex (11% YoY) and lower credit cost (~27bp).
- Margins had multiple favorable/seasonal one-offs. Core margin could be closer to ~4.3%, in our view. Domestic loans/deposits grew by 14% YoY.
- We raise our target price to Rs1,650 (17% upside) as we cut the risk-free rate by 25bp. The stock appears attractive at 2.2x FY27F core BV.

Better margins, contained opex & low credit cost drive earnings beat

ICICI Bank posted 4QFY25 PAT of Rs126bn (+18% YoY; annualized RoA of 2.5%), which was above our estimate. This was led by beat on core PPOp (+12% YoY) and much lower credit cost (at just 27bp), partly owing to recovery from the sale of NPAs. Adjusted for that, credit cost would be ~35bp. Gross slippage moderated to Rs51bn (1.7% annualized) vs. Rs61bn last quarter (partly led by seasonal agri loan slippage). Core PPOp beat was led by NII (10% YoY; 1% above our estimate) and contained opex (11% YoY; 2% QoQ). Core fee income grew by 16% YoY (2% QoQ). Headline margin improved by 16bp QoQ to 4.41% led by multiple one-off favourable/seasonal factors. Average balance sheet grew by 11% YoY (flat QoQ). Loan book grew by 13% YoY (2% QoQ) led by the domestic book (14% YoY; 2% QoQ) while overseas loans declined (down 8% YoY). Avg. deposit growth moderated to 11% YoY vs. 14% last quarter. Avg. term deposits grew by 12% YoY while avg. CASA grew by 10% YoY. Retail deposits (per LCR) grew by 10% YoY (+3% QoQ).

Margins had multiple one-off levers; core margin close to ~4.3%

Margins were up 16bp QoQ at 4.41%. This was led by the full-quarter benefit on CRR cut, interest on IT refund, seasonally lower interest reversal from slippage (vs. 3Q which includes agri loans) and lesser number of days in 4Q. We believe the core margin should be close to 4.3%. Factoring in the recent savings account rate cut (by 25bp) and a reduction in term deposit card rates, we build in full-year margin compression of ~10bp to ~4.2% in FY26F (assuming 50bp repo rate cut). We expect a increase in share of unsecured loans to also aid margins over the medium term. Management highlighted that asset quality in the unsecured segment has stabilized and it may take a few quarters for it to start showing an improving trend.

Retain ADD rating; raise TP to Rs1,650 as risk-free rate cut by 25bp

ICICI Bank continues to post strong growth and profitability. RoA will moderate to the 2.2% levels over FY26F-27F as margin/credit cost normalize. RoE should be ~16% over FY25F-27F. We expect 11% earnings CAGR over FY25F-27F. We raise our target price to Rs1,650 (Rs1,500 earlier) as we trim our risk-free rate assumption by 25bp. We also revisit our earnings estimates to build ~50bp rate cut. Core valuation at 2.2x FY27F core book looks attractive. We believe, stock's rerating hereon will hinged on its volume growth outcomes. Key downside risks are lower-than-expected deposit growth, weak margin progression, and worsening asset quality trend.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Net Interest Income (Rsm)	740,397	811,644	884,210	1,031,235	1,199,464
Total Non-Interest Income (Rsm)	232,238	285,067	308,209	350,820	399,679
Operating Revenue (Rsm)	972,635	1,096,711	1,192,419	1,382,055	1,599,142
Total Provision Charges (Rsm)	(36,429)	(46,826)	(69,878)	(81,361)	(94,759)
Net Profit (Rsm)	408,883	472,270	487,864	577,845	681,184
Core EPS (Rs)	29.11	33.15	34.25	40.56	47.82
Core EPS Growth	28%	14%	3%	18%	18%
FD Core P/E (x)	48.33	42.43	41.08	34.68	29.42
DPS (Rs)	10.00	9.50	11.00	12.50	12.50
Dividend Yield	0.71%	0.68%	0.78%	0.89%	0.89%
BVPS (Rs)	169.7	205.0	234.5	269.6	311.1
P/BV (x)	8.29	6.86	6.00	5.22	4.52
ROE	18.6%	17.8%	15.6%	16.1%	16.5%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly results summary

Rs m	4QFY24	3QFY25	4QFY25	YoY (%)	QoQ (%)
Net Interest Income	190,928	203,706	211,929	11%	4%
Adj. Net Interest Income	190,928	203,227	210,968	10%	4%
Other Income	56,488	70,681	72,601	29%	3%
--Core Fee	54,360	61,800	63,060	16%	2%
--Treasury Income	-2,810	3,710	2,390	NA	-36%
--Misc. Income	4,938	5,171	7,151	45%	38%
Total income	247,416	274,387	284,530	15%	4%
--Core Revenue	245,288	265,027	274,028	12%	3%
Operating Expenses	97,028	105,521	107,888	11%	2%
--Staff Expenses	37,202	39,291	41,052	10%	4%
--Other Operating Expenses	59,826	66,231	66,836	12%	1%
Operating Profit	150,388	168,866	176,643	17%	5%
--Core PPoP	148,260	159,506	166,141	12%	4%
Provisions	7,185	12,267	8,907	24%	-27%
PBT	143,203	156,599	167,736	17%	7%
Tax	36,127	38,675	41,440	15%	7%
PAT	107,075	117,924	126,296	18%	7%
EPS	61	67	71		
Advances	11,844,064	13,143,661	13,417,662	13%	2%
Deposits	14,128,250	15,203,088	16,103,480	14%	6%
LD Ratio	84%	86%	83%		
CASA Ratio	42%	40%	42%		
Margins (%)	4.40	4.25	4.41	0.01	0.16
Core Margin (%)	4.40	4.24	4.39	-0.01	0.15
Overall Provisions (in bp)	25	38	27		
---Credit cost (in bp)	25	38	36		
GNPA	279,617	277,453	241,662	-14%	-13%
GNPA Ratio (%)	2.16%	1.96%	1.67%		
NNPA	53,778	58,978	55,894	4%	-5%
NNPA Ratio (%)	0.42	0.42	0.39		
PCR	225,839	218,476	185,768	-18%	-15%
PCR Ratio (%)	81%	79%	77%		
Slippage	51,390	60,850	51,420	0%	-15%
--% of trailing loans	2.1%	2.1%	1.7%		
CET-1 Ratio (%)	15.6%	15.9%	15.9%		
RoA	2.4%	2.4%	2.5%		
RoE	18.5%	17.6%	17.9%		

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our revised earnings estimates

Y/E Mar (Rs bn)	FY26F			FY27F			FY28F		
	Earlier	Revised	% change	Earlier	Revised	% change	Earlier	Revised	% change
Net Interest Income	941	884	-6.0%	1,123	1,031	-8.2%	NA	1,199	NA
Non-Interest Income	325	308	-5.1%	377	351	-7.0%	NA	400	NA
PPOP	773	717	-7.2%	919	848	-7.8%	NA	998	NA
PAT	523	488	-6.8%	611	578	-5.4%	NA	681	NA
EPS (Rs)	74.2	68.5	-7.7%	86.6	81.1	-6.3%	NA	95.6	NA
BV (Rs)	442.5	468.5	5.9%	510.7	538.7	5.5%	NA	621.8	NA
Net Advances	15,911.4	15,484.1	-2.7%	18,700.6	18,021.9	-3.6%	NA	20,988.0	NA
Deposits	17,990.5	18,477.9	2.7%	20,825.1	21,249.6	2.0%	NA	24,437.0	NA

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Key highlights

- Domestic loans grew by +14% YoY (2% QoQ) and were mainly led by business banking (+34% YoY; 6% QoQ) while retail loans grew by 8% YoY (+2% QoQ) and corporate loans grew by 12% YoY (flat QoQ).
- The business banking book grew by 34% YoY (6% QoQ). Management remains comfortable with the business banking book's build-up and indicated that customer profile/asset quality remains strong. The bank alluded that it had to be prudent on spreads in certain segments, given the repo rate downcycle, which had some impact on growth. However, it continues to remain comfortable on the asset quality front and is not worried about delivering growth in the current environment.

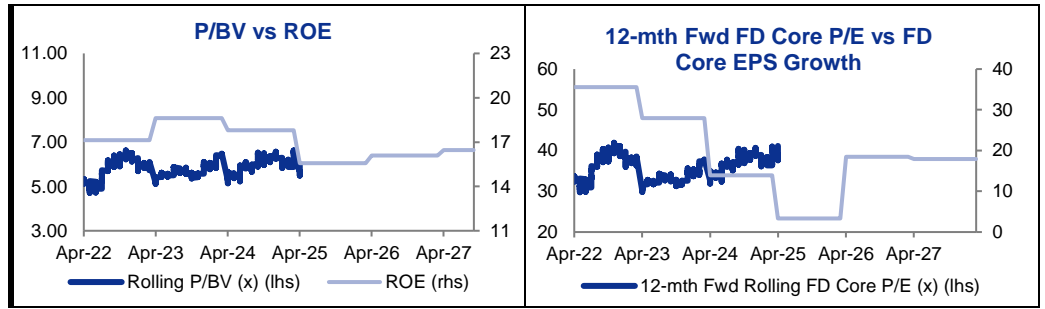
- Gross slippage moderated to Rs51bn (1.7% annualized) vs. Rs61bn last quarter (partly led by seasonal agri loan slippage). Recovery and upgrades were healthy (Rs38bn vs. Rs 34bn last quarter). The write-offs were steady QoQ (Rs21bn vs. Rs20bn). Also, the bank sold a lumpy NPA account during the quarter (Rs28bn).
- Headline GNPA's declined by 13% QoQ to Rs242bn and the GNPA ratio moderated QoQ to 1.67% vs. 1.96% last quarter. PCR remains healthy at 77%, vs. 78% last quarter. Net NPL ratio was at 0.4%. Outstanding contingent provisions stand at Rs137bn (1% of loans).
- Loan yields increased by 20 QoQ and the cost of deposits increased by 9bp QoQ. Management indicated that it is partly owing to a lesser number of days during the quarter ended Mar 2025.

Figure 3: Financial summary

ICICI Bank					Per Share Data and Valuations				
Profit and Loss Statement					Year end-March				
Rs B (Year end-March)	FY25	FY26F	FY27F	FY28F	Per Share Data (Rs)	FY25	FY26F	FY27F	FY28F
Interest Income	1,633	1,831	2,102	2,404	EPS	66.9	68.5	81.1	95.6
Interest Expense	821	946	1,071	1,205	Book Value	409.6	468.5	538.7	621.8
Net Interest Income	812	884	1,031	1,199	Book Value (Ex Subs Investments)	402.8	461.8	532.0	615.1
--Fee Income	199	228	263	302	Core PPOP	88.8	95.9	114.0	135.0
--Forex Income	40	46	53	61	DPS	9.5	11.0	12.5	12.5
--Capital Gains	19	5	5	5	Valuations				
--Miscellaneous Inc.	27	29	30	32	PE Core	17.4	17.0	14.3	12.1
Total Non Interest Income	285	308	351	400	PE headline	21.0	20.5	17.3	14.7
Total Operating Income	1,097	1,192	1,382	1,599	Price to Book headline	3.4	3.0	2.6	2.3
--Employee Exp	165	179	193	208	P/PPOP (Core)	13.1	12.1	10.2	8.6
--DMA Expenses	38	44	51	58	Dividend Yield	0.7%	0.8%	0.9%	0.9%
--Other Expenses	220	253	291	335	Price to Book (Core)	2.9	2.5	2.2	1.9
Total Operating Expenses	424	476	535	601	Ratio Analysis				
Operating Profit	673	717	848	998	Year end-March	FY25	FY26F	FY27F	FY28F
--Specific Provisions	44	62	71	83	Margins				
Total provisions	47	70	81	95	Net Interest Margin (Reported)	4.32%	4.20%	4.3%	4.3%
Profit Before Tax	626	647	766	903	Average yield on assets	8.6%	8.4%	8.4%	8.4%
Provision for Tax	154	159	188	222	Cost of earning assets	4.3%	4.4%	4.3%	4.2%
Net Profit	472	488	578	681	Growth Ratios				
Balance Sheet Data					Net Interest Income	10%	9%	17%	16%
Rs B (Year end-March)	FY25	FY26F	FY27F	FY28F	Non Interest Income	23%	8%	14%	14%
Shareholders' equity	2,921	3,341	3,840	4,433	Operating expenses	8%	12%	12%	12%
Deposits	16,103	18,478	21,250	24,437	Core Operating Profit	12%	9%	19%	18%
Borrowings	1,235	1,421	1,634	1,879	Net Profit	16%	3%	18%	18%
Other Liabilities & Prov.	923	1,084	1,274	1,497	EPS	15%	2%	18%	18%
Total Liabilities	21,182	24,324	27,998	32,245	Deposits	14%	15%	15%	15%
Cash & Balances with RBI	1,856	1,393	1,602	1,842	Advances	13%	15%	16%	16%
Investments	5,048	6,434	7,169	7,982	Total Assets	13%	15%	15%	15%
Advances	13,418	15,484	18,022	20,988	Profitability Ratios				
Total Assets	21,182	24,324	27,998	32,245	Return On Equity	17.9%	15.7%	16.2%	16.6%
Earning Assets	20,321	23,312	26,793	30,812	Return on Assets	2.4%	2.2%	2.2%	2.3%
Average IEA	18,901	21,707	24,942	28,684	Efficiency Ratios				
Asset Quality					Cost Income Ratio	39%	40%	39%	38%
Provisions/Avg Advances (bps)	39	49	49	49	Expenses/Avg Assets	2.1%	2.1%	2.0%	2.0%
Gross NPL	242	224	231	268	Capital Adequacy				
Net NPL	56	38	36	62	CET 1 Ratio	15.9%	16.7%	16.8%	17.1%
Reserve Coverage	186	186	195	206	Tier 1 Ratio	15.9%	16.7%	16.8%	17.1%
Gross NPL Ratio	1.8%	1.4%	1.3%	1.3%	Capital Adequacy Ratio	16.6%	17.2%	17.3%	17.5%
Net NPL Ratio	0.4%	0.2%	0.2%	0.3%					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Net Interest Income	740,397	811,644	884,210	1,031,235	1,199,464
Total Non-Interest Income	232,238	285,067	308,209	350,820	399,679
Operating Revenue	972,635	1,096,711	1,192,419	1,382,055	1,599,142
Total Non-Interest Expenses	(391,327)	(423,723)	(475,703)	(534,554)	(601,231)
Pre-provision Operating Profit	581,308	672,988	716,716	847,501	997,911
Total Provision Charges	(36,429)	(46,826)	(69,878)	(81,361)	(94,759)
Operating Profit After Provisions	544,878	626,162	646,838	766,140	903,152
Pretax Income/(Loss) from Assoc.					
Operating EBIT (incl Associates)	544,878	626,162	646,838	766,140	903,152
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	544,878	626,162	646,838	766,140	903,152
Exceptional Items					
Pre-tax Profit	544,878	626,162	646,838	766,140	903,152
Taxation	(135,996)	(153,892)	(158,974)	(188,295)	(221,968)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	408,883	472,270	487,864	577,845	681,184
Minority Interests					
Pref. & Special Div					
FX And Other Adj.					
Net Profit	408,883	472,270	487,864	577,845	681,184
Recurring Net Profit					

Balance Sheet Employment

(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Gross Loans/Cust Deposits					
Avg Loans/Avg Deposits	85.0%	83.6%	83.6%	84.3%	85.4%
Avg Liquid Assets/Avg Assets	95.1%	95.7%	95.9%	95.8%	95.6%
Avg Liquid Assets/Avg IEAs	108.6%	109.3%	108.0%	106.4%	106.4%
Net Cust Loans/Assets					
Net Cust Loans/Broad Deposits					
Equity & Provns/Gross Cust Loans					
Asset Risk Weighting					
Provision Charge/Avg Cust Loans	0.33%	0.37%	0.48%	0.49%	0.49%
Provision Charge/Avg Assets	0.21%	0.23%	0.31%	0.31%	0.31%
Total Write Offs/Average Assets					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Gross Loans	11,844,064	13,417,660	15,484,117	18,021,906	20,988,028
Liquid Assets & Invst. (Current)	4,619,423	5,047,568	6,434,485	7,169,449	7,981,772
Other Int. Earning Assets					
Total Gross Int. Earning Assets	16,463,487	18,465,228	21,918,602	25,191,354	28,969,800
Total Provisions/Loan Loss Reserve					
Total Net Interest Earning Assets	16,463,487	18,465,228	21,918,602	25,191,354	28,969,800
Intangible Assets					
Other Non-Interest Earning Assets	743,801	742,092	880,918	1,060,119	1,274,550
Total Non-Interest Earning Assets	852,399	861,551	1,012,322	1,204,663	1,433,549
Cash And Marketable Securities	1,399,260	1,855,620	1,392,903	1,601,838	1,842,114
Long-term Investments					
Total Assets	18,715,146	21,182,398	24,323,826	27,997,856	32,245,462
Customer Interest-Bearing Liabilities	14,128,250	16,103,480	18,477,918	21,249,606	24,437,046
Bank Deposits					
Interest Bearing Liabilities: Others					
Total Interest-Bearing Liabilities	15,291,200	17,253,130	19,800,016	22,770,018	26,185,520
Banks Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	1,039,952	1,008,507	1,182,852	1,387,387	1,627,345
Total Liabilities	16,331,153	18,261,636	20,982,868	24,157,404	27,812,866
Shareholders Equity	2,383,993	2,920,763	3,340,959	3,840,451	4,432,598
Minority Interests					
Total Equity	2,383,993	2,920,763	3,340,959	3,840,451	4,432,598

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Income Growth	19.4%	9.6%	8.9%	16.6%	16.3%
Operating Profit Growth	18.7%	15.8%	6.5%	18.2%	17.7%
Pretax Profit Growth	29%	15%	3%	18%	18%
Net Interest To Total Income	76.1%	74.0%	74.2%	74.6%	75.0%
Cost Of Funds	4.86%	5.05%	5.11%	5.03%	4.92%
Return On Interest Earning Assets	9.4%	9.3%	9.1%	8.9%	8.9%
Net Interest Spread	4.56%	4.30%	3.96%	3.89%	3.96%
Net Interest Margin (Avg Deposits)	5.71%	5.37%	5.11%	5.19%	5.25%
Net Interest Margin (Avg RWA)					
Provisions to Pre Prov. Operating Profit	6%	7%	10%	10%	9%
Interest Return On Average Assets	4.29%	4.07%	3.89%	3.94%	3.98%
Effective Tax Rate	25.0%	24.6%	24.6%	24.6%	24.6%
Net Dividend Payout Ratio	17.2%	14.3%	16.1%	15.4%	13.1%
Return On Average Assets	2.37%	2.37%	2.14%	2.21%	2.26%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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InCred Research Services Private Limited

Research Analyst SEBI Registration Number: INH000011024

Registered Office: Unit No 1203, 12th Floor, B Wing, The Capital, C-70, G Block, BKC, Bandra (E), Mumbai – 400051

Phone: +91-22-6844-6100

Corporate Office: 05th floor, Laxmi Towers, Plot No. C-25, G Block, Bandra – Kurla Complex, Bandra (East), Mumbai – 400051

Phone: +91-22-4161-1500

Name of the Compliance Officer: Mr. Yogesh Kadam

Email ID: compliance@incredresearch.com, Phone No: +91-22-41611539

For any queries or grievances, you may contact the Grievance Officer.

Name of the Grievance Officer: Mr. Rajarshi Maitra

Phone no. +91-022-41611546

Email ID: rajarshi.maitra@incredresearch.com

CIN: U74999MH2016PTC287535

Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.