



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 | ✓ | ↔ | ✓ |

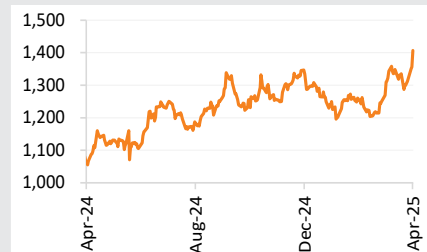
Company details

| | |
|-------------------------------|------------------|
| Market cap: | Rs. 10,01,949 cr |
| 52-week high/low: | Rs. 1,409/1,048 |
| NSE volume: (No of shares) | 118.5 lakh |
| BSE code: | 532174 |
| NSE code: | ICICIBANK |
| Free float: (No of shares) | 711.2 cr |

Shareholding (%)

| | |
|-----------|------|
| Promoters | - |
| FII | 45.7 |
| DII | 45.0 |
| Others | 9.4 |

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

| (%) | 1m | 3m | 6m | 12m |
|--------------------|-----|------|------|------|
| Absolute | 7.2 | 14.9 | 11.2 | 31.9 |
| Relative to Sensex | 1.2 | 12.3 | 14.3 | 24.4 |

Source: Mirae Asset Sharekhan Research, Bloomberg

ICICI Bank

NIMs and asset quality power Q4

| Banks | Sharekhan code: ICICIBANK | | |
|----------------|---------------------------|----------------|---------------------------|
| Reco/View: Buy | ↔ | CMP: Rs. 1,407 | Price Target: Rs. 1,650 ↑ |
| ↑ Upgrade | ↔ Maintain | ↓ Downgrade | |

Summary

- ICICI Bank reported yet another steady Q4, with earnings beating estimates (up 18% y-o-y) on better NIMs and stable asset quality. Yet, the RBI's repo rate cuts would pinch NIMs going ahead.
- Core operating profits grew by 13% y-o-y (better than estimates). Credit cost (27 bps annualised) continued to remain lower. Net slippage ratio was at 0.4% annualised versus 0.9% q-o-q.
- Loan growth was modest at 2% q-o-q, while deposit growth rose 6% q-o-q due to seasonality, but avg. deposit growth was subdued at 2% q-o-q.
- The bank expects better deposit growth and is reasonably confident to report 15-16% RoE over the next 2 years. We maintain a Buy with a revised PT of Rs. 1,650. Stock trades at 2.4x/2.1x its FY2026E/FY2027E core BV estimates.

ICICI Bank reported yet another steady quarter with strong return ratio amid a challenging environment. Net interest income (NII) at Rs. 21,193 crore (above estimates) grew by 11 y-o-y/4% q-o-q. Net interest margins (NIMs) improved by 16 bps q-o-q to 4.41% vs expectation of 2-5 bps decline however given the repo rate cut of 50 bps so far. NIMs would be lower from the next quarter. Core fee income grew by 16% y-o-y/2% q-o-q. Treasury gains stood at Rs. 239 crore vs gain of Rs. 371 crore q-o-q and loss of Rs. 281 crore in Q4FY24. Other income (excluding treasury gains) stood at Rs. 715 crore vs Rs. 517 crore q-o-q and Rs. 494 crore y-o-y. Total operating expenses growth stayed under control, rising 11% y-o-y/ 2% q-o-q. Cost to average assets was stable at 2.1%. Operating profit grew by 17% y-o-y/5% q-o-q (above estimates) led by higher NIMs and contained opex. Core PPOp (ex. treasury gains & other income) grew by 13% y-o-y/ 4% q-o-q. Credit cost remained benign. Total credit cost stood at 27 bps vs 38 bps q-o-q. PBT grew by 17% y-o-y/ 7% q-o-q. PAT came in at Rs. 12,630 crore (above estimates) led by higher PPOp and lower provisions, grew by 18% y-o-y/ 7% q-o-q. Net advances grew by 13% y-o-y/ 2% q-o-q, with retail loans growing by 9% y-o-y/2% q-o-q; business banking grew by 34% y-o-y/6% q-o-q and rural loans grew by 5% y-o-y/ down 2% q-o-q. The domestic wholesale corporate book grew by 12% y-o-y/ flat q-o-q. Overseas book fell by 8% y-o-y. Total deposits grew by 14% y-o-y/6% q-o-q. CASA grew by 13% y-o-y/ 9% q-o-q. CASA ratio at 41.8% versus 42.2% q-o-y. Term deposits grew by 15% y-o-y/ 4% q-o-q. Avg. LCR was stable at 123% q-o-q. Headline asset quality ratio improved by 29 bps/ 3 bps q-o-q respectively, GNPA/ NNPA ratio at 1.67%/ 0.39% ; PCR at 77% vs 79% q-o-q. Slippages fell by 15% q-o-q, reported at Rs. 5,142 crore (1.7% annualised versus 2.1% q-o-q). Net slippages reported were also lower at Rs. 1,325 crore vs Rs. 2,693 crore q-o-q. The restructured book stood at 0.15% of advances vs 0.16% q-o-q. The BB and below-rated book was lower at Rs. 1,956 crore vs Rs. 2,107 crore q-o-q. Total contingent provisions were stable q-o-q at Rs. 13,100 crore (1.0% of advances).

Key positives

- Core operating profits grew by 13% y-o-y /4% q-o-q led by higher NIMs and contained opex.
- Credit cost stayed lower at 27 bps annualised resulting in steady return ratio.

Key negatives

- Loan growth was modest at 2% q-o-q.
- Period-end deposit rose 6% q-o-q, but avg. deposit growth was subdued at 2% q-o-q.

Management Commentary

- The bank guided that the muted credit growth was due to lower system growth, lagged impact of tightening in unsecured retail segment few quarters ago and cautious pricing. There are no concerns on asset quality which is holding back growth. The bank continues to see good growth opportunity.
- Bank expects better deposit growth going forward as liquidity is improving substantially.
- Retail unsecured NPA formation have stabilised but will take another couple of quarters to reduce.
- NIMs rose by 16 bps q-o-q due to higher yields. This was attributable to - one-off gains related to the day count adjustment, interest from tax refunds and better collections from NPAs.
- However, near-term pressure on margins would be visible as lending rates reprice faster than deposit rates.

Our Call

Valuation – Maintain Buy with a revised PT of Rs. 1,650: ICICI Bank currently trades at 2.4x/2.1x its FY2026E/FY2027E core BV estimates. Overall, we see ICICI Bank relatively well-positioned in the sector in terms of asset quality/ growth and profitability despite a volatile macro environment. It continues to outperform peers on most key operating metrics, exhibiting strong franchise strength and thus current valuation premium to peers is likely to sustain. We believe the bank is likely to sustain RoA over ~2% in 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)

| Particulars | FY23 | FY24 | FY25 | FY26E | FY27E |
|---------------------|--------|--------|--------|--------|----------|
| Net Interest Income | 62,129 | 74,306 | 81,164 | 87,997 | 1,03,434 |
| Net profit | 31,897 | 40,888 | 47,227 | 48,255 | 56,806 |
| EPS (Rs.) | 44.9 | 58.2 | 65.9 | 67.3 | 79.3 |
| P/E (x) | 25.6 | 19.7 | 17.4 | 17.0 | 14.5 |
| P/Core BV (x) | 4.0 | 3.4 | 2.8 | 2.4 | 2.1 |
| RoE | 17.2 | 18.6 | 17.8 | 15.3 | 15.5 |
| RoA | 2.1 | 2.4 | 2.4 | 2.1 | 2.2 |

Source: Company; Mirae Asset Sharekhan estimates

Results

| Particulars | Q4FY25 | Q4FY24 | Q3FY25 | Y-o-Y (%) | Rs cr Q-o-Q (%) |
|------------------------------------|---------------|---------------|---------------|-------------|--------------------|
| Interest Inc. | 42,431 | 37,948 | 41,300 | 12% | 3% |
| Interest Expenses | 21,238 | 18,856 | 20,929 | 13% | 1% |
| Net Interest Income | 21,193 | 19,093 | 20,371 | 11% | 4% |
| NIM (%) | 4.41 | 4.40 | 4.25 | +1 bps | +16 bps |
| Core Fee Income | 6,306 | 5,436 | 6,180 | 16% | 2% |
| Other Income | 954 | 213 | 888 | 348% | 7% |
| Net Income | 28,453 | 24,742 | 27,439 | 15% | 4% |
| Employee Expenses | 4,105 | 3,720 | 3,929 | 10% | 4% |
| Other Opex | 6,684 | 5,983 | 6,623 | 12% | 1% |
| Total Opex | 10,789 | 9,703 | 10,552 | 11% | 2% |
| Cost to Income Ratio | 37.9% | 39.2% | 38.5% | | |
| Pre Provision Profits | 17,664 | 15,039 | 16,887 | 17% | 5% |
| Provisions & Contingencies – Total | 891 | 718 | 1,227 | 24% | -27% |
| Profit Before Tax | 16,774 | 14,320 | 15,660 | 17% | 7% |
| Tax | 4,144 | 3,613 | 3,867 | 15% | 7% |
| Effective Tax Rate | 25% | 25% | 25% | | |
| Reported Profits | 12,630 | 10,708 | 11,792 | 18% | 7% |
| Basic EPS (Rs) | 17.87 | 15.26 | 16.72 | 17% | 7% |
| Diluted EPS (Rs) | 17.60 | 14.99 | 16.45 | 17% | 7% |
| RoA (%) | 2.5 | 2.4 | 2.4 | | |
| Advances | 13,41,766 | 11,84,406 | 13,14,366 | 13% | 2% |
| Deposits | 16,10,348 | 14,12,825 | 15,20,309 | 14% | 6% |
| Gross NPA | 24,166 | 27,962 | 27,745 | -14% | -13% |
| Gross NPA Ratio (%) | 1.67 | 2.16 | 1.96 | | |
| Net NPA | 5,589 | 5,378 | 5,898 | 4% | -5% |
| Net NPAs Ratio (%) | 0.39 | 0.42 | 0.42 | | |
| PCR – Calculated | 76.9% | 80.8% | 78.7% | | |

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

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

Deposit mobilisation and asset quality to be in focus System credit growth is slowing and has declined to ~11.4% y-o-y from 16.4% in FY2024 as per the latest fortnight data, mainly driven by slower deposit growth, slowdown in unsecured retail segment and a high credit-deposit ratio. Deposit growth at 10.3% is lagging loan growth and stays rangebound at 10-12%. Moreover, deposit growth is mainly led by time deposits rather than CASA. Margins are expected to be under pressure due to the elevated cost of term deposits, while a lower interest rate cycle will lead to yield pressure. Overall, asset quality outlook is stable to positive for the sector, except for the unsecured retail loans and MFI segment. 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 amid challenging environment

The bank is positioned well with superior margins, strong RoE, asset quality, contingency buffers, and robust capitalisation in this cycle. 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 more predictable performance, which is a key positive.

■ Valuation – Maintain Buy with a revised PT of Rs. 1,650

ICICI Bank currently trades at 2.4x/2.1x its FY2026E/FY2027E core BV estimates. Overall, we see ICICI Bank relatively well-positioned in the sector in terms of asset quality/ growth and profitability despite a volatile macro environment. It continues to outperform peers on most key operating metrics, exhibiting strong franchise strength and thus current valuation premium to peers is likely to sustain. We believe the bank is likely to sustain RoA over ~2% in 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 | 1,390 |
| ICICI Prudential Life Insurance | 62 |
| ICICI Lombard General Insurance | 66 |
| ICICI Prudential AMC | 57 |
| ICICI Securities | 52 |
| ICICI Home Finance | 10 |
| ICICI Bank UK Plc | 4 |
| ICICI Bank Canada | 4 |
| ICICI Venture | 3 |
| ICICI PD business | 2 |
| Sum of subs/ associates | 260 |
| Fair Value | 1,650 |

Source: Company; Mirae Asset Sharekhan Research

Peer valuation

| Particulars | CMP (Rs / Share) | MCAP (Rs Cr) | P/E (x) | | P/B (x) | | RoE (%) | | RoA (%) | |
|-------------|------------------|--------------|---------|-------|---------|-------|---------|-------|---------|-------|
| | | | FY26E | FY27E | FY26E | FY27E | FY26E | FY27E | FY26E | FY27E |
| ICICI Bank | 1,407 | 10,01,949 | 17.0 | 14.5 | 2.4 | 2.1 | 15.3 | 15.5 | 2.1 | 2.2 |
| HDFC Bank | 1,907 | 14,58,934 | 17.5 | 15.4 | 2.2 | 1.9 | 13.5 | 13.5 | 1.8 | 1.8 |
| Axis Bank | 1,191 | 3,68,797 | 11.9 | 10.3 | 1.6 | 1.4 | 14.7 | 14.7 | 1.6 | 1.7 |

Source: Company; Mirae Asset Sharekhan Research

About 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 has currently 6,983 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 this 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

| Name | Designation |
|----------------------|-------------------------|
| Mr. Sandeep Bakhshi | Managing Director & CEO |
| Mr. Rakesh Jha | Executive Director |
| Mr. Anindya Banerjee | Chief Financial Officer |

Source: Company Website

Top 10 shareholders

| Sr. No. | Holder Name | Holding (%) |
|---------|------------------------------------|-------------|
| 1 | Life Insurance Corp of India | 5.75 |
| 2 | SBI Funds Management Ltd | 5.01 |
| 3 | ICICI Prudential Asset Management | 3.71 |
| 4 | HDFC Asset Management Co Ltd | 3.07 |
| 5 | Vanguard Group Inc/The | 3.02 |
| 6 | Blackrock Inc | 2.82 |
| 7 | NPS Trust A/c Uti Retirement Solut | 2.05 |
| 8 | Republic of Singapore | 2.02 |
| 9 | UTI Asset Management Co Ltd | 1.92 |
| 10 | Nippon Life India Asset Management | 1.86 |

Source: Bloomberg

Mirae Asset Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a position in the companies mentioned in the article.

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 external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating 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.

Chief Compliance Officer: Mr. Joby John Meledan; 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.