Sector: Banks **RESULT REVIEW Q4&FY25** **Declared On: 19 April 2025**

ICICI Bank Limited

RECOMMENDATION SNAPSHOT				
***CMP**	**MCap (Rsbn)**	**Recommendation**	**Target**	**Potential Upside**
Rs1416	**10,086**	**Accumulate**	**Rs1590**	**12%**

**as on 22nd April, 2025*

About the Company:

The ICICI Bank Limited (ICICI) is one of India's leading private sector bank, with well-diversified portfolio offering a wide range of banking and financial services. Apart from banking services; it offers life and general insurance, asset management, securities broking and private equity services through its specialized subsidiaries. The core business consists of commercial banking operations for Indian corporates and retail customers. Products and services include loan products, fee and commission-based products and services, deposit products, foreign exchange and derivatives products to India’s leading corporations, mid-sized companies and SME’s. Other offerings include agriculture and rural banking products

Results: Quick Glance:

- The standalone **Net Interest Income** (NII) for the quarter came in at Rs211.93bn as compared to Rs190.93bn in Q4FY24; a growth of 11.0%
- **Net Interest Margin (NIM)** for the quarter stood at 4.41% compared with 4.25% in Dec quarter and 4.40% in Q4FY24
- The Net Profit for the quarter stood at Rs126.30bn as compared to Rs107.08bn in Q4FY24, growth of 17.9%
- Capital Adequacy Ratio- Base III for the quarter stands at 16.55%
- Gross NPA for the quarter stood at 1.67% v/s 1.96% in Q3FY25 and 2.16% in Q4FY24
- Net NPA for the quarter stood at 0.39% v/s 0.42% in Q3FY25 and 0.42% in Q4FY24
- For the full year, NII and PAT grew by 9.2% and 15.5% respectively while NIM for FY25 stood at 4.32%
- The Board has recommended a dividend of Rs11 per equity share for FY25

Financials:

Performance (Q4&FY25)						
Q/E (Rs bn)	**Q4FY25**	**Q4FY24**	**Y-o-Y**	**Q3FY25**	**Q-o-Q**	**Comments**
Interest Earned (A)	424.31	379.48	11.81%	413.00	2.74%	
Interest Expense (B)	212.38	188.56	12.63%	209.29	1.47%	
Net Interest Income (C) =(A)-(B)	211.93	190.93	11.00%	203.71	4.04%	Growth was attributed to the healthy credit demand and efficient lending practices
Fees and Other Income (D)	72.60	56.49	28.52%	70.68	2.72%	Fee income growth was 16% on a y-o-y basis
Total Income (E) =(A)+(D)	496.91	435.97	13.98%	483.68	2.74%	There was a treasury gain of Rs2,390mn during the quarter. Fees from retail, rural and business banking customers constituted about 80% of total fees in the quarter
Net Income (F)=(E)-(B)	284.53	247.42	15.00%	274.39	3.70%	
Employee Cost	41.05	37.20	10.35%	39.29	4.48%	
Other Operating Expenses	66.84	59.83	11.72%	66.23	0.91%	
Total Operating Expenses	107.89	97.03	11.19%	105.52	2.24%	10.7% of the opex expenses was related to tech expenses in FY25
Operating Profit/PPOP	176.64	150.39	17.46%	168.87	4.61%	Aided by tighter cost growth
Provisions & Contingencies	8.91	7.18	23.97%	12.27	(27.39%)	The rise in provisions has been moderate for the quarter
Profit Before Tax (PBT)	167.74	143.20	17.13%	156.60	7.11%	
Tax	41.44	36.13	14.70%	38.67	7.15%	
Profit After Tax (PAT)	**126.30**	**107.08**	**17.95%**	**117.92**	**7.10%**	Profit growth was led by expansion in the NIMs, healthy fee income and cautious approach towards risk coverage

Financials (contd.):

Balance Sheet items/Key Ratios						
Q/E (Rs in 'bn)	**Q4FY25**	**Q4FY24**	**Y-o-Y**	**Q3FY25**	**Q-o-Q**	**Comments**
Advances (Rs bn)	13417.66	11844.06	13.29%	13143.66	2.08%	
Deposits (Rs bn)	16103.48	14128.25	13.98%	15203.09	5.92%	Reported a healthy growth of 14.0% on a y-o-y basis and 5.9% sequentially to Rs16,103bn at the end of Q4FY25
CASA (%)	38.40	38.90	(50bps)	39.00	(60bps)	It largely remained flat on a q-o-q basis
Book Value per share (Rs)	410.10	339.50	20.80%	384.80	6.57%	
CD Ratio(%)	82.40	82.30	10bps	85.40	(300bps)	
Capital Adequacy Ratio-Basel III (%)	16.55	16.33	22bps	14.71	184bps	
Tier-I (%)	15.94	15.60	34bps	14.04	190bps	
Profitability						
Yield on Advances (%)	9.86	9.88	(2bps)	9.65	21bps	
Cost of Funds (%)	5.18	5.05	(64bps)	5.09	(68bps)	
NIM (%)	4.41	4.40	1bps	4.25	16bps	The NIMs are expected to see some pressure in the near term with anticipated rate cuts likely to happen in the near future
Cost/Income (%)	37.90	39.20	(130bps)	38.50	(60bps)	
Tax Rate (%)	24.7%	25.2%	(1bps)	24.7%	0bps	
Return on Assets (%)	2.49	2.36	13bps	2.36	13bps	
Return on Equity (%)	18.20	18.50	(30bps)	17.60	60bps	
Gross NPA (Rs bn)	241.66	279.62	(13.58%)	277.45	(12.90%)	There have been net addition to the GNPA of Rs13.25bn with Rs7.14bn from Kisan credit card portfolio
Net NPA (Rs bn)	55.89	53.78	3.92%	58.98	(5.24%)	
Gross NPA (%)	1.67	2.16	(49bps)	1.96	(29bps)	The asset quality for the lender has shown an improvement during the quarter; further stability to be maintained going forward as well
Net NPA (%)	0.39	0.42	(3bps)	0.42	(3bps)	
Provision Coverage Ratio (%)	76.20	80.30	(410bps)	78.20	(200bps)	The provisions of Rs8.91bn during the quarter is 0.27% of average advances. There was a decline as the bank sold NPAs amounting to ~Rs28bn

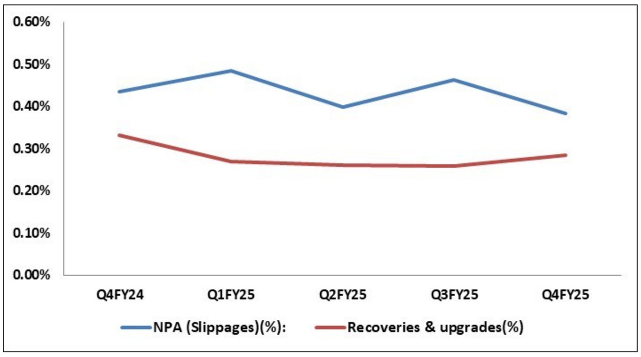
Conference Call Highlights:

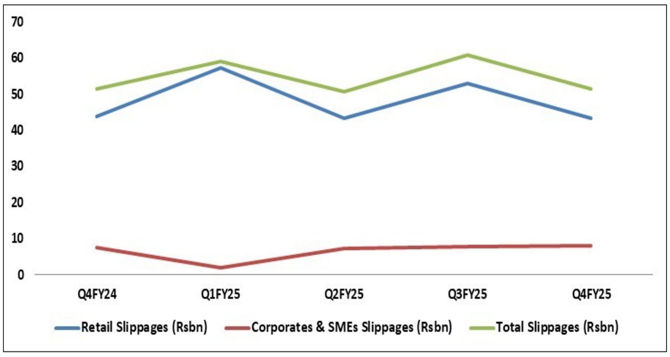
- The Bank had a network of 6,983 branches with addition of 241 branches in Q4FY25 (460 in FY25) and 16,285 ATMs at 31st March, 2025
- Fee income increased by 28.5% on a y-o-y basis to Rs72.60bn in Q4FY25. Fees from retail, business banking and SME customers constituted about 80.0% of total fees in Q4FY25
- 1.7% of the builder portfolio was internally rated BB and below or NPA by the bank as compared to 1.7% in 31st Dec, 2024
- The maximum single borrower outstanding is less than Rs5bn as on 31st March, 2025
- Domestic loan grew by 13.9% on a y-o-y basis. Within the domestic loan book, retail loans grew by 8.9% to Rs7172.23bn. Out of this, mortgage loans are at Rs4395.84bn (61.2%), followed by rural loans (10.9%) and vehicle loan (13.4%)
- On deposit growth, the liquidity has improved over the last couple of months and ICICI in specific has seen a strong deposit growth
- The Management indicated that, the rate cut cycle are expected to have some impact on the margins as loans will get repriced faster than deposits, which will impact margins
- Of the total domestic loan, the interest rate for about 53% of loans are linked to repo rate, ~15% are linked to MCLR and other older benchmark and 1% to other external benchmark. The balance 31% of loan has a fixed interest rate
- There was no one-off seen in the yield advances for the quarter under reference; but the Management indicated the benefit was on account of day count convention (expected to reverse in Q4FY25 which took place), KCC non-accrual and 2bps interest on IT refunds
- **Asset quality:** There was a net addition of Rs13.25bn to the gross NPAs in Q4FY25. The total provisions during the quarter were Rs8.91bn of which Rs131bn were made as contingency on prudent basis. The provision coverage ratio on NPAs stood at 76.2%
- Fund based outstanding to all borrowers under resolution was Rs19.56bn out of which retail portfolio was around Rs17.55bn and Rs2.01bn was from corporate and SME portfolio, thus contributing to 0.1% of total advances as on 31st March, 2025
- Gross non-performing asset ratio stood at 1.67% against 1.96% as on 31st Dec, 2024. Net NPA ratio for the quarter stood at 0.39%
- The Bank has written off accounts worth Rs21.18bn in Q4FY25. In Q4FY25, there was sale of NPAs of Rs27.86bn (USD326mn) which consists of Rs16.05bn (USD188mn) of security receipts and Rs3.14bn (USD37mn) in cash; the balance has been w/off in addition to the w/offs undertaken during the quarter under review. The Bank continues to hold 100% provisions against these security receipts
- The impact of interest on income tax refund was at 2bps in Q4FY25 as against 1bps in Q3FY25 and NIL in Q4FY24
- The Bank had a treasury gain of Rs2,390mn during the quarter
- The dividend income during the quarter from the subsidiaries was Rs6.75bn v/s Rs4.84bn in Q4FY24 and Rs26.19bn in FY25 as against Rs20.37bn in FY24. This was higher on account of dividends from ICICI Canada, ICICI Prudential Asset Management and ICICI Securities Primary Dealership
- Pursuant to the scheme of arrangement amongst ICICI Bank Ltd and ICICI Securities Ltd and their respective shareholders, ICICI Securities Ltd has been delisted from stock exchanges on 24th March, 2025 and became a WoS of the Bank

Digital Initiatives:

- The technology expenses stood at ~10.7% of the total opex in FY25
- The Bank continues to enhance the use of technology in its operations to provide simplified solutions to customers and make investments in its digital channels. The Bank expects to further strengthen system resilience and simplify processes
- The growth is driven by leveraging branch network and digital platforms such as InstaBIZ, Merchant STACK and Trade Online and efforts towards process decongestion such as e-signing of disbursement documents through EazySign

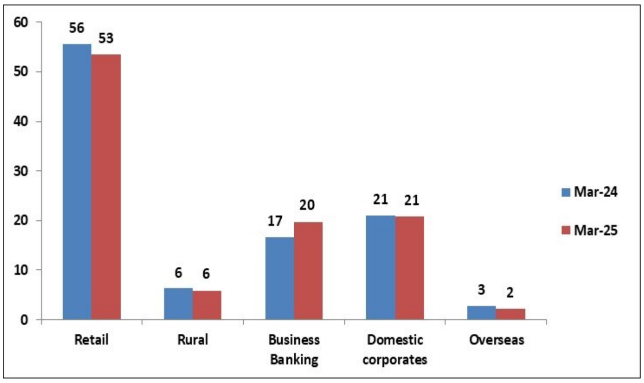
Exhibit 1: Asset Quality and Profitability Trends





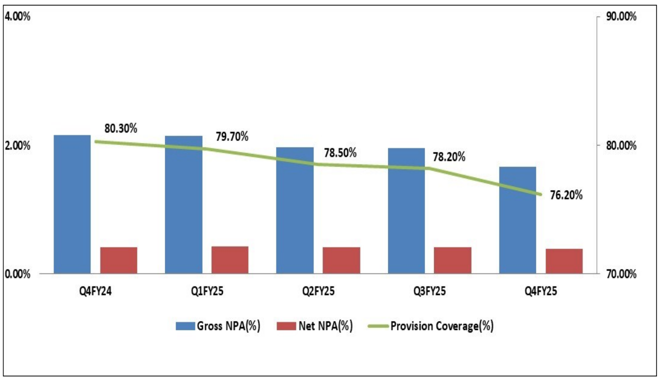
Source: Q4FY25 Press Release, Progressive Research

Exhibit 2: Bifurcation of Loan Book (Rs bn)



Source: Q4FY25 Press Release, Progressive Research

Exhibit 3: GNPA, NNPA and PCR (%)



Source: Q4FY25 Press Release, Progressive Research

Outlook and Recommendations:

Despite the headwinds and uncertainties, the Bank has delivered strong performance clocking earnings growth of ~18.0% on a y-o-y basis. The NIMs stood strong at 4.4%, improvement of 10bps but had one-offs like lower slippages, the day count, CRR cut and interest on IT refund. The Bank has reported loan growth of 13% on a y-o-y basis. Although currently the asset quality is stable; with slippages at 1.5%; for FY26E the NIMs are headed towards pressure and headwinds to tackle for growth. The slippages have stabilized over the past few quarters and the Management expects decline over the next couple of quarters. Slippages were lower q-o-q, mainly driven by the KCC portfolio (~20bps impact during Q3FY25) because slippages there tend to be higher in the first and third quarters. The net slippage ratio stood at ~0.9% during Q4FY25 against 1.3% in Q3FY25 and (0.1%) in Q4FY24. It has reaffirmed that there are no worrying signs of asset quality in its portfolio at the current juncture. The net income reported growth of 15% on a y-o-y basis and the tighter cost growth boosted the operating profit growth for the Bank. The fee income grew by 16% on a y-o-y basis. The GNPL ratio declined ~30bps on a q-o-q basis to 1.6%, while net NPL ratio was flat on a q-o-q basis at ~0.3%. The provision coverage ratio for the Bank declined ~200bps q-o-q to ~76.2%, mainly because it sold NPAs amounting to ~Rs28bn, which already carried a provision coverage of 100%. The Bank did not add further to the contingency provision buffer, which now stands at ~Rs131bn (~100bps of net advances). It had reversed AIF-related provision amounting to ~Rs3.89bn (~3bps of advances, un-annualized) in Q1FY25, resulting in a marginally lower credit cost. The Management has reiterated that the credit cost is currently running low because of healthy recoveries from the bad loans. It is likely to normalize upwards, but does not see any reason for a dramatic increase from current levels. The Management indicated that it remains quite comfortable with what the Bank has been underwriting. Overall loan growth was at 13% on a y-o-y basis with domestic loan book growing at 13-14% on a y-o-y basis (depending on gross or net of BRDS/IBPC). The Management had indicated that they had taken a few portfolio actions in the unsecured loans segment (especially personal loans portfolio) including increasing pricing, rationalizing sourcing payouts and tightening credit filters. These tweaks have resulted in some moderation in growth in the personal loans portfolio from ~40% earlier.

Outlook and Recommendations (contd.):

During the month of April 2025, ICICI Bank has cut its pricing on savings account deposits by ~25bps to 2.75%; in line with the cut by its leading peer. Similarly, ICICI Bank has cut the peak term deposit rate in 1-3 year maturity bucket by ~20bps to ~7.05%. The cut in deposit rates is expected to offset some of the NIM impact from repo rate cuts in the near term. Going forward for FY26E, uncertainty would be in the form of NIM contraction that looks inevitable and the tough global environment for growth. On the NIM cycle, steeper cuts in deposit rates are needed. We continue to bet on the fact that the Bank despite growing well above the industry average, has not had a challenge on asset quality compared to its peers. It has maintained superior liability franchise, both from growth and quality of deposits (CASA/cost of funds) perspective. This has led the Bank to deliver higher and better quality growth, resulting in best-in-class profitability metrics while not compromising on asset quality metrics. Going forward if not outperformance but stable returns are expected. We have tweaked the numbers to reflect the revised rate cycle. We maintain an Accumulate on the stock for a target of Rs1590.

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