Stock Update

Result Update

MIRAE ASSET Sharekhan

ICICI Bank

Q1 braves sectoral headwinds

Banks	Sharekhan code: ICICIBANK
Reco/View: Buy ↔	CMP: **Rs. 1,427**	Price Target: **Rs. 1,700** ↑

↑ Upgrade ↔ Maintain ↓ Downgrade

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		↔	

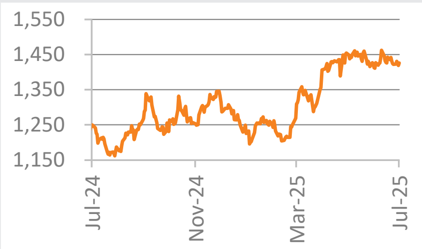
Company details

Market cap:	Rs. 10,18,207 cr
52-week high/low:	Rs. 1,471/ 1,153
NSE volume: (No of shares)	107.8 lakh
BSE code:	532174
NSE code:	ICICIBANK
Free float: (No of shares)	711.0 cr

Shareholding (%)

Promoters	-
FII	45.8
DII	45.0
Others	9.2

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	1.1	1.4	16.5	14.3
Relative to Sensex	0.7	-2.6	9.8	12.7

Source: Mirae Asset Sharekhan Research, Bloomberg

Summary

- Q1FY26 was yet another healthy quarter, with earnings beating estimates (up 15% y-o-y) on better NIM outcomes and higher other income.
- Asset quality continues to hold up well, except seasonality seen in the agri-loan portfolio.
- Loan growth remained modest at 2% q-o-q, while deposit growth was flat q-o-q. The bank expects better growth trends ahead.
- We maintain a Buy rating with a revised PT of Rs. 1,700 as ICICI Bank continues to outperform sector on most key operating metrics, exhibiting strong franchise strength. Stock trades at 2.4x/2.1x its FY2026E/ FY2027E core BV estimates.

ICICI Bank reported yet another healthy quarter with strong return ratio amid a challenging environment. Net interest income (NII) at Rs. 21,634 crore (above estimates) grew by 11 y-o-y/2% q-o-q. Net interest margins (NIMs) declined by 7 bps q-o-q to 4.34% vs expectation of a 10-12 bps decline. The cost of funds (CoF) declined 16 bps q-o-q while yield on advances declined by 33 bps q-o-q. The impact of interest on ITR refund was about ~7 bps versus 2 bps q-o-q and nil y-o-y. In comparison to Q1, the impact of transmission of repo rate cuts on external benchmark linked loans is expected to be higher in Q2, but the same would be partially offset by lower deposit rates as reduction in savings account interest rates has been taken in May and June while gradual repricing of term deposits will also help. Core fee income grew by 7% y-o-y/down 6% q-o-q. Treasury gains stood at Rs. 1,241 crore vs gain of Rs. 239 crore q-o-q and Rs. 281 crore y-o-y. Other income excluding treasury gains at Rs. 1,364 crore vs Rs. 715 crore q-o-q and Rs. 899 crore y-o-y. Total operating expenses grew 8% y-o-y/ 6% q-o-q. Sequential rise in opex was due to higher staff cost (16% q-o-q) on account of annual increment. Operating profit grew by 17% y-o-y/6% q-o-q (above estimates) led by higher NII and other income. Core PPoP (ex-treasury gains) grew by 14% y-o-y. Credit cost remained benign. Total credit cost stood at 54 bps vs 27 bps q-o-q. PBT grew by 15% y-o-y/ 1% q-o-q. PAT came in at Rs. 12,768 crore (above estimates) led by higher PPoP, grew by 15% y-o-y/ 1% q-o-q. Net advances grew by 12% y-o-y/ 2% q-o-q, with retail loans growing by 7% y-o-y/1% q-o-q; business banking grew by 30% y-o-y/4% q-o-q and rural loans grew by flat y-o-y/ 2% q-o-q. The domestic wholesale corporate book grew by 8% y-o-y/ down 1% q-o-q. Overseas book fell by 5% y-o-y. Total deposits grew by 13% y-o-y/flat q-o-q. CASA grew by 14% y-o-y/ down 2% q-o-q. CASA ratio at 41.2% versus 40.9% q-o-y. Term deposits grew by 12% y-o-y/ 1% q-o-q. Headline asset-quality ratio were stable q-o-q with GNPA/ NNPA ratio at 1.67%/ 0.42%; PCR at 76% versus 77% q-o-q. Slippages increased by 21% q-o-q, reported at Rs. 6,245 crore (2.0% annualized vs 1.7% q-o-q); Net slippages reported were also higher at Rs. 3,034 crore vs Rs. 1,325 crore q-o-q. A sharp increase in slippages was attributable to seasonality seen in the agri-loan portfolio. The restructured book stood at 0.13% of advances vs 0.15% q-o-q. BB and below rated book marginally increased to Rs. 2,995 crore vs Rs. 2,854 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 14% y-o-y led by better NII growth than expected.

Key negatives

- Loan growth remained modest at 2% q-o-q, while deposit growth was flat q-o-q.

Management Commentary

- In comparison to the Q1, the impact of transmission of repo rate cuts on loan book is expected to be higher in the Q2 as June 2025 repo cut will flow into numbers, but it would be partially offset by lower deposit rates as reduction in savings account interest rates has been taken in May and June while gradual repricing of term deposits will also help.
- ICICI Bank expects better deposit growth going forward.
- Credit cost should remain at ~50 bps level in near term. Asset quality continues to hold up well. Bank is not worried about business banking portfolio asset quality.
- Expect unsecured retail loan growth to pick up and trends in loans disbursed in the past 12 months are comfortable.

Our Call

Valuation – Maintain Buy with a revised PT of Rs. 1,700: 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 challenging macro environment. It continues to outperform peers on most key operating metrics and is exhibiting strong franchise strength. Though loan growth has moderated with moderation in the industry growth, gradual pick-up is expected in H2FY26. 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) Rs cr

Particulars	FY23	FY24	FY25	FY26E	FY27E
Net Interest Income	62,129	74,306	81,164	87,079	1,00,982
Net profit	31,897	40,888	47,227	48,974	55,143
EPS (Rs.)	44.9	58.2	65.9	68.3	76.9
P/E (x)	25.8	19.9	17.5	16.9	15.0
P/Core BV (x)	4.0	3.4	2.8	2.4	2.1
RoE	17.2	18.6	17.8	15.5	15.0
RoA	2.1	2.4	2.4	2.2	2.2

Source: Company; Mirae Asset Sharekhan estimates

Results Rs cr

Particulars	1QFY26	1QFY25	4QFY25	Y-o-Y	Q-o-Q
Interest Inc.	42,947	38,996	42,431	10%	1%
Interest Expenses	21,312	19,443	21,238	10%	0%
Net Interest Income	**21,634**	**19,553**	**21,193**	**11%**	**2%**
NIM (%)	4.34	4.36	4.41		
Core Fee Income	5,900	5,490	6,306	7%	-6%
Other Income	2,605	1,512	954	72%	173%
Net Income	**30,139**	**26,555**	**28,453**	**13%**	**6%**
Employee Expenses	4,743	4,371	4,105	9%	16%
Other Opex	6,650	6,159	6,684	8%	0%
Total Opex	**11,394**	**10,530**	**10,789**	**8%**	**6%**
Cost to Income Ratio	37.8%	39.7%	37.9%		
Pre Provision Profits	**18,746**	**16,025**	**17,664**	**17%**	**6%**
Provisions & Contingencies - Total	1,815	1,332	891	36%	104%
Profit Before Tax	**16,931**	**14,693**	**16,774**	**15%**	**1%**
Tax	4,163	3,634	4,144	15%	0%
Effective Tax Rate	25%	25%	25%		
Reported Profits	**12,768**	**11,059**	**12,630**	**15%**	**1%**
Basic EPS (Rs)	17.91	15.73	17.87	14%	0%
Diluted EPS (Rs)	17.63	15.46	17.60	14%	0%
RoA (%)	2.4	2.4	2.5		
Advances	13,64,157	12,23,154	13,41,766	12%	2%
Deposits	16,08,517	14,26,149	16,10,348	13%	0%
Gross NPA	**24,733**	**28,719**	**24,166**	**-14%**	**2%**
Gross NPA Ratio (%)	1.67	2.15	1.67		
Net NPA	**5,971**	**5,685**	**5,589**	**5%**	**7%**
Net NPAs Ratio (%)	0.41	0.43	0.39		
PCR - Calculated	75.9%	80.2%	76.9%		

Source: Company; Mirae Asset Sharekhan Research

SOTP valuation

Subsidiary/Associate/JV	Per share value (Rs.)
Core Bank Value	1,430
ICICI Prudential Life Insurance	62
ICICI Lombard General Insurance	65
ICICI Prudential AMC	55
ICICI Securities	66
ICICI Home Finance	10
ICICI Bank UK Plc	4
ICICI Bank Canada	3
ICICI Venture	3
ICICI PD business	2
Sum of subs/ associates	**270**
Fair Value	**1,700**

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

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

System credit growth has further declined to ~9% y-o-y from 16% year ago as per the latest fortnight data, mainly driven by slower deposit growth, slower growth in secured retail segment and stress in the unsecured retail segment. Deposit growth for the system has been broadly at ~10% y-o-y. However, deposit growth is mainly led by time deposits rather than CASA. Margins are expected to be under pressure due to lower repo rates. Overall, asset quality outlook is stable to positive for the sector, except for the unsecured retail loans and the MFI segment but it appears that stress in unsecured segment has also broadly peaked out. 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 capitalization vs peers 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. 1,700

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 challenging macro environment. It continues to outperform peers on most key operating metrics and is exhibiting strong franchise strength. Though loan growth has moderated with moderation in the industry growth, gradual pick-up is expected in H2FY26. 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.

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	1,427	10,18,207	16.9	15.0	2.4	2.1	15.5	15.0	2.2	2.2
HDFC Bank	1,957	15,01,325	18.9	17.3	2.3	2.1	13.0	12.6	1.7	1.7
Axis Bank	1,099	3,40,605	11.1	9.6	1.4	1.3	13.9	14.5	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 7,066 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 vs peers 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. Sandeep Batra	Executive Director
Mr. Rakesh Jha	Executive Director
Mr. Ajay Kumar Gupta	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	5.52
2	SBI Funds Management Ltd	4.94
3	ICICI Prudential Asset Management	3.69
4	HDFC Asset Management Co Ltd	3.07
5	Blackrock Inc	2.88
6	Vanguard Group Inc/The	2.34
7	NPS Trust A/c Uti Retirement Solut	2.10
8	UTI Asset Management Co Ltd	1.96
9	Nippon Life India Asset Management	1.86
10	Republic of Singapore	1.84

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

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