

CMP: INR 1,348

Rating: Buy

Target Price: INR 1,638

Stock Info

BSE	532174
NSE	ICICIBANK
Bloomberg	ICICIBC IN
Reuters	ICBK.BO
Sector	Banks
Face Value (INR)	2
Equity Capital (INR Bn)	14
Mkt Cap (INR Bn)	9,650
52w H/L (INR)	1,494/ 1,188
Avg Yearly Vol (in 000')	12,059

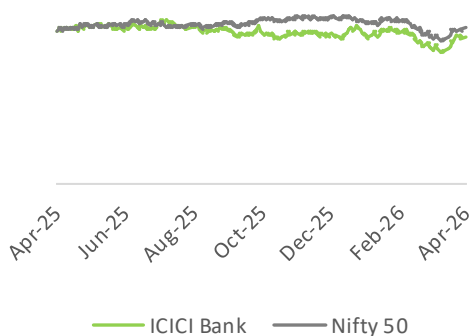
Shareholding Pattern %

(As on March, 2026)

Promoters	NIL
Public & Others	100

Stock Performance (%)	3m	6m	12m
ICICI Bank	-2.5%	-5.0%	-4.5%
Nifty 50	-4.8%	-4.8%	1.0%

ICICI Bank Vs Nifty 50



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ICICI Bank reported a strong performance in Q4FY26, with Net Interest Income coming in above our estimates and PAT higher than expected, supported by a decline in provisions, which boosted profitability, while asset quality improved meaningfully with GNPA declining to 1.40% in Q4 FY26 from 1.67% in Q4 FY25. Net Interest Income for Q4FY26 stood at INR 229.79 bn against our estimates of INR 227.02 bn, up by 4.77% QoQ and 8.43% YoY, while PPOP came in at INR 181.99 bn versus our estimate of INR 183.30 bn, registering a growth of 4.86% QoQ and 3.03% YoY. Provisions stood at INR 0.96 bn against our estimates of INR 10.22 bn, sharply declining by 96.24% QoQ and 89.20% YoY, and PAT stood at INR 137.02 bn compared to our estimates of INR 129.81 bn, growing by 21.06% YoY and 8.49% QoQ. GNPA came in at 1.40%, down 13 bps QoQ and 27 bps YoY against our estimates of 1.49%, while NNPA stood at 0.33% against our estimates of 0.35%, declining by 4 bps QoQ and 6 bps YoY. Deposits increased to INR 17,946.25 bn, up 8.14% QoQ and 11.44% YoY, while advances rose to INR 15,538.93 bn, up 5.98% QoQ and 15.81% YoY.

Operating Investments to Drive Medium-Term Operating Leverage: Operating expenses grew ~12% YoY, driven by branch expansion, technology investments, and employee cost normalization. While this has led to near-term pressure on cost ratios, we view these as strategic investments for future growth. The bank added ~528 branches in FY26 and continues to invest in digital capabilities, with technology accounting for ~11% of opex. These investments are expected to drive Higher customer acquisition, improved cross-sell enhanced productivity. The bank remains focused on ensuring revenue growth outpaces opex growth, implying positive operating leverage ahead. We expect cost-to-income ratio to improve gradually over FY27–FY28, supported by scale benefits.

Margin Stability Likely to Sustain Despite Rate Cycle Headwinds: The bank reported stable NIM of ~4.32%, demonstrating resilience despite repo-linked loan repricing and deposit cost dynamics. With ~56% of loans linked to external benchmarks, margin sensitivity to rate cycles remains, but has been effectively managed through liability optimization and pricing discipline. Cost of deposits declined sequentially to ~4.43%, indicating easing funding pressures. Strong CASA growth (~11.3% YoY) and comfortable liquidity (LCR ~125%) further support margin stability. The bank expects margins to remain range-bound. We expect NIMs to sustain in the ~4.2–4.3% range over FY27, supported by favorable mix and gradual deposit repricing. Key monitorables include cost of funds trajectory, CASA ratio trends, and competitive intensity in deposits.

Asset Quality Remains a Key Differentiator: The Bank continues to report industry-leading asset quality, with Net NPA at ~0.33% and consistent improvement across periods. Slippages have moderated, with gross NPA additions declining YoY, while net additions remain well controlled. Retail stress, particularly in unsecured portfolios, has meaningfully moderated, aided by regulatory tightening and improved underwriting standards. Corporate asset quality remains strong, with negligible exposure to weak-rated borrowers (~0.2% of advances). Provisioning remains conservative, with PCR at ~75.8% and contingency buffer (~0.9% of advances) providing adequate cushion against macro uncertainties. While we believe asset quality is near cyclical best levels, we expect credit costs to remain benign (~40–60 bps range), supporting earnings stability.

Valuation & View: The bank's well-diversified loan mix, improving traction in high-yield segments (rural and business banking), and industry-leading asset quality (NNPA ~0.33%) provide strong earnings visibility. Margin outlook remains range-bound but resilient (~4.2–4.3%), aided by a strong liability franchise and comfortable liquidity. While near-term opex investments may keep cost ratios elevated, these are growth-oriented and should drive operating leverage over the medium term. Additionally, strong capital adequacy (~16%+ CET1) provides ample headroom for growth and market share gains, while the subsidiary ecosystem offers incremental valuation upside. We maintain our positive view on ICICI Bank, supported by its ability to deliver consistent, high-quality earnings growth driven by stable margins, strong loan growth (~15–16%), and structurally low credit costs (sub-50 bps). **We maintain our BUY rating on the stock with a revised target price of INR 1,638, valuing the standalone bank at 2.23x FY29E P/ABV.**

Particulars (INR bn)	FY25	FY26	FY27e	FY28e	FY29e
NII	812	881	1,022	1,194	1,396
PAT	472	501	576	677	804
BV (Rs)	407	467	539	632	743
ABV (Rs)	399	460	531	624	735
P/ABV (x)	3.4	2.9	2.5	2.2	1.8
ROE (%)	17.9	16.1	16.0	16.1	16.3
ROA (%)	2.4	2.2	2.3	2.4	2.5
PCR (%)	76.2	76.1	76.0	74.9	76.5

Q3FY26 - Quarterly Performance (Standalone)

Income Statement (INR Bn.)	Q4FY26	Q3FY26	Q4FY25	Q-o-Q	Y-o-Y
Interest Income	433	420	424	3.1%	2.0%
Interest Expense	203	200	212	1.3%	-4.4%
Net Interest Income	230	219	212	4.8%	8.4%
Non Interest Income	73	74	73	-0.8%	0.7%
Total Income	303	293	285	3.4%	6.4%
Employee Costs	45	44	41	1.0%	8.8%
Other Operating Expenses	76	75	67	1.3%	14.0%
Operating Expenses	121	119	108	1.2%	12.1%
Pre-Provision Profit	182	174	177	4.9%	3.0%
Provisions	1	26	9	-96.2%	-89.2%
Profit Before Tax	181	148	168	22.3%	7.9%
Tax Expense	44	35	41	26.4%	6.2%
Net Profit	137	113	126	21.1%	8.5%

Balance Sheet Analysis

Deposits	17,946	16,596	16,103	8.1%	11.4%
CASA (%)	41.4%	37.3%	41.8%	412bps	-40bps
Advances	15,539	14,662	13,418	6.0%	15.8%
Total Assets	23,725	21,906	21,182	8.3%	12.0%
Capital Adequacy Ratio (%)	17.05%	15.40%	16.33%	165bps	72bps

Spread Analysis

Cost of Deposits (%)	4.43%	4.55%	4.82%	-12bps	-39bps
NIM (%)	4.32%	4.30%	4.40%	2bps	-8bps

Asset Quality

Gross NPA	230,520	237,579	241,662	-3.0%	-4.6%
Net NPA	54,590	57,320	55,894	-4.8%	-2.3%
GNPA (%)	1.40%	1.53%	1.67%	-13bps	-27bps
NNPA (%)	0.33%	0.37%	0.39%	-4bps	-6bps

Key Ratios

Cost to Income Ratio (%)	39.91%	40.77%	37.92%	-85bps	200bps
C/D Ratio (%)	86.59%	88.34%	83.32%	-176bps	326bps
RoA (%) (annualized)	2.40%	2.11%	2.36%	29bps	4bps

Source: Arianth Research, Company Filings

Q4FY26 Concall Highlights**OUTLOOK:**

The bank remains focused on “risk-calibrated profitable growth” across segments. Growth outlook remains positive but subject to global uncertainties. Margins expected to remain range-bound, with benefits from deposit repricing offset by asset yield moderation. The bank sees no immediate signs of stress across portfolios, including business banking and corporate segments.

Financial Performance and Profitability

- PBT (excluding treasury) grew 10.1% YoY to INR 182.09 Bn in Q4FY26, a stable core profitability despite treasury volatility. For FY26, PBT (ex-treasury) grew by 7.1% YoY to INR 650.21 Bn.
- Core operating profit increased by 5.1% YoY to INR 183.05 Bn in Q4.
- PAT grew by 8.5% YoY to INR 137.02 Bn in Q4FY26, while FY26 PAT stood at INR 501.47 Bn, up 6.2% YoY, reflecting steady bottom-line growth.
- The bank reported consolidated PAT of INR 147.55 Bn in Q4 (up ~9% YoY), supported by subsidiary performance. The board recommended a dividend of INR 12/share.

Loan Growth and Portfolio Mix

- The overall loan book grew by 15.8% YoY and 6% QoQ. Retail loan growth remained moderate at 9.5% YoY, with retail contributing 41.7% of total portfolio (including non-fund exposure).
- High-growth segments included rural portfolio growth of 25.6% YoY and 18% QoQ, driven partly by gold loans and business banking growth of 24.4% YoY.
- Corporate loan growth was relatively muted at 9% YoY. Domestic loans grew 15.3% YoY, while overseas exposure remained low at 2.7% of total loans.

Segment Performance:

- Mortgage portfolio grew 13.2% YoY, supported by stabilization in benchmark rates and improved pricing flexibility.
- Auto loans grew marginally by 1.7% YoY. Personal loans grew 7.2% YoY, reflecting controlled expansion amid earlier stress in unsecured lending.
- Credit card portfolio declined by 5.6% YoY, due to lower revolver rates and moderated spends.
- Commercial vehicle & equipment financing grew 11.6% YoY, showing recovery in economic activity.

Deposit Growth and Funding Profile:

- Total deposits grew 11.4% YoY and 8.1% QoQ, trailing loan growth but adequate from a liquidity perspective.
- CASA deposits grew 11.3% YoY, supporting low-cost funding stability.
- The bank maintained a strong Liquidity Coverage Ratio (LCR) of ~126%.
- Average deposit growth is broadly aligned with average loan growth, reducing concerns around funding mismatch.

Asset Quality and Credit Cost:

- Net NPA ratio improved to 0.33% (vs 0.39% YoY), reflecting strong asset quality trends.
- Provisioning during Q4 was extremely low at INR 0.96 Bn, equivalent to 0.03% of average advances, driven by recoveries and lower slippages.
- PCR stood at 75.8%, indicating adequate buffers. The bank holds contingency provisions of INR 131 billion (~0.9% of advances), providing additional cushion.
- Credit cost for FY26 was 38 bps (sub-50 bps guidance maintained).

Margins:

- NII grew 8.4% YoY to INR 229.79 billion. NIM remained stable at 4.32%.
- Cost of deposits declined to 4.43% (vs 4.55% QoQ), reflecting easing funding costs.
- 56% of loans are linked to external benchmarks, ensuring faster transmission of rate changes.
- Non-interest income grew 5.6% YoY, with 78% of fees coming from retail, rural, and business banking segments.

Slippages and NPA Movement:

- Gross NPA additions declined to INR 42.42 Bn (vs INR 51.42 Bn YoY).
- Net NPA additions reduced to INR 11.74 Bn, improving credit trends.
- Retail + rural net additions declined significantly to INR 8.52 Bn (vs INR 13 Bn YoY).
- Corporate + business banking saw higher net additions at INR 3.22 Bn vs INR 0.25 Bn YoY, though still manageable.
- Recoveries and upgrades remained strong at INR 30.68 Bn during the quarter.

Other Highlights:

- Operating expenses increased by 12% YoY, higher than revenue growth due to investments. Employee expenses grew 8.8% YoY, while non-employee expenses rose 14% YoY.
- The bank added 528 branches in FY2026, taking total network to 7,511 branches.
- Technology expenses accounted for ~11% of total operating costs.
- The bank maintains a strong CET1 ratio of 16.35%. Total capital adequacy ratio stood at 17.18%, well above regulatory requirements.
- ICICI Life VNB grew to INR 26.29 billion with margins at 24.7%. ICICI General Insurance PAT increased to INR 27.72 billion in FY26. AMC and Securities businesses showed steady profit growth, enhancing consolidated earnings.

Key Financials

Profit & Loss Statement (Rs. Bn)	FY25	FY26	FY27E	FY28E	FY29E
INTEREST EARNED	1,633	1,699	1,908	2,153	2,448
Interest/Discount on advances/Bills	1,264	1,306	1,434	1,575	1,798
Income from Investment	330	336	422	521	589
Interest on Balances with RBI & Others	22	29	20	21	24
Others	17	29	32	35	38
INTEREST EXPENDED	821	819	886	959	1,052
Net Interest Income (NII)	812	881	1,022	1,194	1,396
OTHER INCOME	285	308	318	355	397
TOTAL INCOME	1,097	1,188	1,340	1,549	1,792
Employee Expenses	165	180	184	203	223
Other Operating Expenses	258	293	338	382	431
Operating Expenses	424	472	522	585	654
OPERATING PROFIT	673	716	818	965	1,138
PROVISIONS	47	54	63	78	84
Profit Before Tax (PBT)	626	662	755	887	1,054
PROVISIONS FOR TAXES	154	161	179	210	250
PAT	472	501	576	677	804

Balance Sheet (INR Bn)	FY25	FY26	FY27E	FY28E	FY29E
Assets					
Cash & Bank balances	1,199	1,210	374	1,246	1,912
Bal. with banks and money at call & short notice	656	1,093	1,202	1,323	1,455
Advances	13,418	15,539	17,428	19,635	22,168
Investments	5,048	4,922	6,648	7,073	8,022
Fixed Assets	128	139	129	137	145
Other Assets	733	822	945	1,039	1,143
TOTAL ASSETS	21,182	23,725	26,726	30,453	34,846
Equity & Liability					
Total Paid-Up Capital	14	14	14	14	14
RESERVES & SURPLUS	2,886	3,333	3,846	4,514	5,310
ESOPs	21	27	30	32	36
DEPOSITS	16,103	17,946	19,424	21,944	24,901
BORROWINGS	1,235	1,250	1,866	2,131	2,451
OTHER LIABILITIES & PROVISIONS	923	1,155	1,546	1,817	2,135
TOTAL LIABILITIES	21,182	23,725	26,726	30,453	34,846

Source: Arianth Research, Company Filings

Ratios	FY24	FY25	FY26	FY27E	FY28E	FY29E
Growth rates						
Advances (%)	16.2%	13.3%	15.8%	12.2%	12.7%	12.9%
Deposits (%)	19.6%	14.0%	11.4%	8.2%	13.0%	13.5%
Total assets (%)	18.1%	13.2%	12.0%	12.6%	13.9%	14.4%
NII (%)	19.6%	9.2%	8.5%	16.0%	16.8%	16.9%
Pre-provisioning profit (%)	18.4%	15.8%	6.4%	14.2%	18.0%	17.9%
PAT (%)	28.2%	15.5%	6.2%	14.8%	17.6%	18.8%
Balance sheet ratios						
CASA (%)	42.2%	47.5%	52.7%	54.8%	56.4%	58.1%
Advances/Total assets (%)	63.3%	63.3%	65.5%	65.2%	64.5%	63.6%
Operating efficiency						
Cost/income (%)	40.2%	38.6%	39.7%	39.0%	37.7%	36.5%
Profitability						
NIM (%)	4.7%	4.3%	4.0%	4.2%	4.4%	4.5%
RoA (%)	2.4%	2.4%	2.2%	2.3%	2.4%	2.5%
RoE (%)	18.7%	17.9%	16.1%	16.0%	16.1%	16.3%
Asset quality						
Gross NPA (%)	2.4%	1.8%	1.5%	1.3%	1.3%	1.4%
Net NPA (%)	0.5%	0.4%	0.4%	0.3%	0.3%	0.3%
PCR (%)	83.9%	76.2%	76.1%	76.0%	74.9%	76.5%
Per share data / Valuation						
EPS (INR)	58.2	66.3	70.0	80.4	94.5	112.3
BVPS (INR)	337.4	407.1	467.4	539.0	632.4	743.4
ABVPS (INR)	329.8	399.3	459.7	531.0	624.0	734.6
P/E (x)	23.1	20.3	19.2	16.8	14.3	12.0
P/BV (x)	4.0	3.3	2.9	2.5	2.1	1.8
P/ABV (x)	4.1	3.4	2.9	2.5	2.2	1.8

Source: Arian Research, Company Filings

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Stock Rating Scale**Absolute Return**

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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