



Stock Idea Note - ICICI Bank Ltd

Company Overview

ICICI Bank is India's second-largest private sector bank by assets, with a consolidated balance sheet of Rs. 27.5 lakh crores as of December 2025. It operates across retail, SME, business banking, and corporate segments. The bank is supported by a domestic network of 7,385 branches and a limited presence in 14 international markets. The franchise is well-diversified, with a granular loan mix. Retail loans contribute 51% of the book, led by mortgages (32%). Business banking (~21%) and corporate (~20%) form the rest. The rural and overseas portfolios remain relatively smaller. Under MD & CEO Sandeep Bakhshi, the bank has shifted away from earlier growth-led expansion to a more disciplined approach focused on risk-calibrated growth and core operating profitability. The "Customer-360" framework aims to deepen relationships across micro-markets and drive cross-sell across products. The operating model is supported by ongoing investment in digital infrastructure, with platforms such as iMobile Pay, InstaBIZ, and iLens enabling customer engagement and onboarding. On the liability side, the bank maintains a stable retail franchise, with a CASA ratio of 39% and cost of deposits of 4.55%, supporting margin stability. Asset quality has improved materially, with gross NPA at 1.53% and net NPA at 0.37%, supported by a provisioning coverage ratio of 75%. The bank also maintains strong capital levels, with a CET1 ratio of 16.5%, providing headroom for growth.

Investment Rationale

Stable asset quality with conservative buffers and controlled credit costs

ICICI Bank's asset quality remains stable, supported by disciplined underwriting and conservative provisioning. The bank's net NPA ratio has shown consistent improvement, declining from 0.41% in Q1FY26 and reaching a record low of 0.37% in Q3FY26. Further improvement is expected over the medium term. Incremental stress remains contained with strong recoveries. The provisioning spike of Rs. 12.8 bn in Q3FY26 was technical in nature, driven by PSL-related reclassification in the agricultural book (Rs. 200-250bn exposure) rather than underlying credit deterioration. The borrower behaviour and cash flows remain intact in this segment. The bank maintains a provision coverage ratio of 75%, providing an additional buffer against unforeseen stress. The upcoming Expected credit loss (ECL) transition is expected to have limited impact at the point of transition due to the existing high levels of provisions and contingency buffers. Thus, the credit costs are expected to remain range-bound at 45-50 bps over FY27-28. Management expects the NIM to remain range-bound at the current levels of 4.3%. While there will be impact from repo and MCLR repricing, this is expected to be balanced by retail deposit repricing. Capitalisation remains strong, with CET1 at 16.5%. Overall, the credit profile appears stable, with limited downside risk in case of incremental stress.

Broad-based growth recovery supported by granular mix and liability strength

ICICI Bank is witnessing a broad-based recovery in loan growth, with advances increasing 11.1% YoY in 9MFY26. Growth is led by business banking and secured retail segments such as mortgages and CV/CE loans, while corporate lending is also gaining traction despite a competitive pricing environment. The business banking segment continues to scale, delivering 22%+ growth in recent quarters, and the management has highlighted it as a key opportunity even at 21% of the loan book. The portfolio mix remains granular, which reduces concentration risk and supports stable credit outcomes. Management remains comfortable with asset quality across both secured and unsecured portfolios, while leveraging distribution strength and digital platforms to gain market share. On the liability side, despite system-wide liquidity tightness and pricing pressures, the bank has maintained stability, with the C/D ratio at 87.4% versus 85.4% in Q3FY25. The Customer 360 initiative continues to improve engagement, driving traction in current accounts and diversified sourcing across salary accounts, transaction banking, and digital channels. Margins are expected to remain stable at ~4.3-4.5%, supported by disciplined pricing and a balanced loan mix. Operating efficiency remains intact, with C/I expected to normalize at 39-40% despite continued investment in technology (11% of opex). This combination of improving credit demand and stable funding supports sustainable earnings visibility.

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook

Positive

Stock

CMP (INR)	1,246
Target Price (INR)	1,433
NSE Symbol	ICICIBANK
BSE Code	532174
Bloomberg	ICICIB IN
Reuters	ICBK.BO

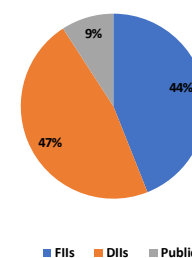
Key Data

Nifty	23,114
52WeekH/L(Rs.)	1,500/1,204
O/s Shares (Cr.)	716
Market Cap (Rs, Cr.)	8,95,431
Face Value (Rs.)	2

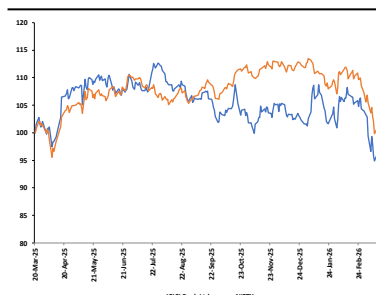
Average volume

3 months	1,50,84,984
6 months	1,38,38,817
1 year	1,21,51,889

Share Holding Pattern (%)



Relative Price Chart



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Valuation and Outlook

ICICI Bank, India's second-largest private sector bank, has emerged as one of the most structurally strong franchises in the sector, supported by a well-diversified loan mix and a consistent focus on profitability-led growth. Under Sandeep Bakhshi, the bank has transitioned towards a more disciplined, risk-calibrated operating model, moving away from earlier growth volatility. A strong liability franchise, improving asset quality, and robust capitalisation position the bank to deliver stable earnings across cycles. ICICI Bank's asset quality remains a key strength, with net NPAs at a record low of 0.37%, supported by disciplined underwriting and strong recovery trends. Incremental stress remains contained. The recent Q3FY26 provisioning which affected the bank was one time and largely technical (PSL-related). The bank continues to maintain healthy provision buffers (75% PCR), which is expected to limit the impact of the upcoming ECL transition. Credit costs are likely to normalize within the guided range of 45-50bps. Margins are expected to remain broadly stable despite rate cycle movements, supported by balanced repricing dynamics. Overall, the credit profile appears well-contained with limited downside risk. ICICI Bank is witnessing a broad-based recovery in growth, with advances rising 11% YoY over 9MFY26, led by business banking and secured retail segments, while corporate lending is also gradually improving. The business banking portfolio continues to scale strongly (20%+ growth), and along with a granular loan mix, helps diversify risk and support stable credit outcomes. On the liability side, the bank has maintained relative stability despite system-wide liquidity pressures, aided by strong customer engagement and diversified deposit sourcing under its "Customer 360°" approach. Margins are expected to remain range-bound, supported by a balanced mix and disciplined pricing. Margins remained stable during 9MFY26, with NIM at 4.31% vs 4.29% in 9MFY25, supported by a relatively controlled cost of deposits (4.68% vs 4.88%). Operating efficiency improved slightly, with the cost-to-income ratio stable at 39.7%. Profitability moderated, with RoA at 2.29% vs 2.37% and RoE at 15.8% vs 17.9%, impacted by higher provisioning. Overall, adjusting for the one off, the core operating performance remains resilient. **We maintain a Buy rating on the stock, with a target price of Rs. 1,433 (which is 15% upside from current levels). This valuation is based on a (P/BV) multiple of 2.5x times the estimated FY27E book value.**

Key Financials

YE March (INR. Mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Net Interest Income	47,466	62,129	74,306	81,164	88,469	97,758
Growth (Y-o-Y)	21.7%	30.9%	19.6%	9.2%	9.0%	10.5%
Pre-Provision operating profit	39,250	49,087	58,131	67,299	74,357	82,744
PPOP Growth (Y-o-Y)	7.8%	25.1%	18.4%	15.8%	10.5%	11.3%
Net Profit	23,339	31,896	40,888	47,227	50,551	56,386
Growth (Y-o-Y)	44.1%	36.7%	28.2%	15.5%	7.0%	11.5%
EPS	32.6	44.5	57.1	66.0	70.6	78.8

Key Ratios

NIM (%)	3.5%	4.1%	4.2%	4.3%	4.3%	4.3%
ROA (%)	1.8%	2.1%	2.4%	2.4%	2.4%	2.4%
RoE (%)	15.0%	17.5%	19.0%	18.2%	17.8%	18.0%
BVPS (%)	240	282	333	402	507	573

Valuation Ratios

P/E (x)	38.2	28.0	21.8	18.9	17.6	15.8
P/BV (x)	5.2	4.4	3.7	3.1	2.5	2.2

Source: Bloomberg, BP Equities Research



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