ICICI Bank Limited

Earnings conference call - Quarter ended March 31, 2025 (Q4-2025)

April 19, 2025

Moderator:

Ladies and gentlemen, good day and welcome to ICICI Bank Limited Q4-FY2025 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sandeep Bakhshi, Managing Director and CEO of ICICI Bank. Thank you and over to you sir.

Mr. Bakhshi's opening remarks

Thank you. Good evening to all of you and welcome to the ICICI Bank Earnings Call to discuss the results for Q4 of FY2025. Joining us today on this call are Sandeep Batra, Rakesh, Ajay, Anindya and Abhinek.

At ICICI Bank, our strategic focus continues to be on growing profit before tax excluding treasury through the 360-degree customer centric approach and by serving opportunities across ecosystems and micromarkets. We continue to operate within our strategic framework to strengthen our franchise. Maintaining high standards of governance, deepening coverage and enhancing delivery capabilities are focus areas for our risk calibrated profitable growth.

The profit before tax excluding treasury grew by 13.2% year-on-year to 165.34 billion Rupees in this quarter and by 11.4% year-on-year to 607.13 billion Rupees in FY2025. The core operating profit increased by 13.7% year-on-year to 174.25 billion Rupees in this quarter and by 12.5% year-on-year to 653.96 billion Rupees in FY2025. The profit after tax grew by 18.0% year-on-year to 126.30 billion Rupees in this quarter. For the fiscal year 2025, the profit after tax grew by 15.5% year-on-year to 472.27 billion Rupees. The consolidated profit after tax grew by 15.7% year-on-year to 135.02 billion Rupees in this quarter and by 15.3% year-on-year to 510.29 billion Rupees in FY2025. The Board has recommended a dividend of 11 Rupees per share for FY2025, subject to requisite approvals.

Total deposits grew by 14.0% year-on-year and 5.9% sequentially at March 31, 2025. During the quarter, average deposits grew by 11.4% year-on-year and 1.9% sequentially and average current and savings account deposits grew by 10.0% year-on-year and 0.5% sequentially. The Bank's average liquidity coverage ratio for the quarter was about 126%.

The domestic loan portfolio grew by 13.9% year-on-year and 2.2% sequentially at March 31, 2025. The retail loan portfolio grew by 8.9% year-on-year and 2.0% sequentially. Including non-fund based outstanding, the retail portfolio was 43.8% of the total portfolio. The rural portfolio grew by 5.1% year-on-year and declined by 1.5% sequentially. The business banking portfolio grew by 33.7% year-on-year and 6.2% sequentially. The domestic corporate portfolio grew by 11.9% year-on-year and declined by 0.4% sequentially. The overall loan portfolio including the international branches portfolio grew by 13.3% year-on-year and 2.1% sequentially at March 31, 2025.

The net NPA ratio was 0.39% at March 31, 2025 compared to 0.42% at December 31, 2024 and 0.42% at March 31, 2024. The total provisions during the quarter were 8.91 billion Rupees or 5.1% of core operating profit and 0.27% of average advances. The provisioning coverage ratio on non-performing loans was 76.2% at March 31, 2025. In addition, the Bank continues to hold contingency provisions of 131.00 billion Rupees or about 1.0% of total advances at March 31, 2025.

The capital position of the Bank continued to be strong with a CET-1 ratio of 15.94% and total capital adequacy ratio of 16.55% at March 31, 2025, after reckoning the impact of proposed dividend.

Looking ahead, we see many opportunities to drive risk calibrated profitable growth. We believe our focus on customer 360 degree, extensive franchise and collaboration within the organisation, backed by our focus on enhancing delivery systems and simplifying processes will enable us to deliver holistic solutions to customers in a seamless manner and grow market share across key segments. We will continue to make investments in technology, people, distribution and building our brand. We are laying strong emphasis on strengthening our operational resilience for seamless delivery of services to customers. We will remain focused on maintaining a strong balance sheet with prudent provisioning and healthy levels of capital. The principles of “Return of Capital”, “Fair to Customer, Fair to Bank” and “One Bank, One Team” will continue to guide our operations. We remain focused on delivering consistent and predictable returns to our shareholders.

I now hand the call over to Anindya.

Anindya’s opening remarks

Thank you, Sandeep. I will talk about loan growth, credit quality, P&L details, technology initiatives, portfolio trends and the performance of subsidiaries.

A. Loan growth

Sandeep covered the loan growth across various segments. Coming to the growth across retail products, the mortgage portfolio grew by 11.0% year-on-year and 2.8% sequentially. Auto loans grew by 4.6% year-on-year and 0.4% sequentially. The commercial vehicles and equipment portfolio grew by 7.0% year-on-year and 2.9% sequentially. Personal loans grew by 4.2% year-on-year and 0.6% sequentially. The credit card portfolio grew by 11.7% year-on-year and 0.9% sequentially. The personal loans and credit card portfolio were 9.1% and 4.3% of the overall loan book respectively at March 31, 2025.

The overseas loan portfolio, in US dollar terms, declined 10.2% year-on-year at March 31, 2025. The overseas loan portfolio was about 2.3% of the overall loan book at March 31, 2025. Of the overseas corporate portfolio, about 91% comprises Indian corporates.

B. Credit quality

The gross NPA additions were 51.42 billion Rupees in the current quarter compared to 60.85 billion Rupees in the previous quarter. Recoveries and upgrades from gross NPAs, excluding write-offs and sale, were 38.17 billion Rupees in the current quarter compared to 33.92 billion Rupees in the previous quarter. The net additions to gross NPAs were 13.25 billion Rupees in the current quarter compared to 26.93 billion Rupees in the previous quarter.

The gross NPA additions from the retail and rural portfolios were 43.39 billion Rupees in the current quarter compared to 53.04 billion Rupees in the previous quarter. Recoveries and upgrades from the retail and rural portfolios were 30.39 billion Rupees compared to 27.86 billion Rupees in the previous quarter. The net additions to gross NPAs in the retail and rural portfolios were 13.00 billion Rupees compared to 25.18 billion Rupees in the previous quarter.

The gross NPA additions from the corporate and business banking portfolios were 8.03 billion Rupees compared to 7.81 billion Rupees in the previous quarter. Recoveries and upgrades from the corporate and business banking portfolios were 7.78 billion Rupees compared to 6.06 billion Rupees in the previous quarter. There were net additions to gross NPAs of 0.25 billion Rupees in the corporate and business banking portfolios compared to net additions of 1.75 billion Rupees in the previous quarter.

The gross NPAs written-off during the quarter were 21.18 billion Rupees. Further, there was sale of NPAs of 27.86 billion Rupees in the current quarter compared to 0.58 billion Rupees in the previous quarter. These were fully provided NPAs, and in lieu of sale, the Bank received 16.05 billion Rupees of security receipts and 3.14 billion Rupees in cash, with the balance 8.67 billion Rupees being written-off, which is in addition to the write-offs mentioned earlier. The Bank continues to hold 100% provisions against these security receipts.

The non-fund based outstanding to borrowers classified as non-performing was 30.75 billion Rupees as of March 31, 2025 compared to 31.60 billion Rupees as of December 31, 2024. The provisions on this non-fund based outstanding was 16.60 billion Rupees at March 31, 2025 compared to 17.12 billion Rupees at December 31, 2024.

The total fund based outstanding to all standard borrowers under resolution as per various guidelines declined to 19.56 billion Rupees or about 0.1% of the total loan portfolio at March 31, 2025 from 21.07 billion Rupees at December 31, 2024. Of the total fund based outstanding under resolution at March 31, 2025, 17.55 billion Rupees was from the retail and rural portfolios and 2.01 billion Rupees was from the corporate and business banking portfolios. The Bank holds provisions of 6.43 billion Rupees against these borrowers, which is higher than the requirement as per RBI guidelines.

Moving on to the P&L details:

C. P&L details

Net interest income increased by 11.0% year-on-year to 211.93 billion Rupees in this quarter. The net interest margin was 4.41% in this quarter compared to 4.25% in the previous quarter and 4.40% in Q4 of last year. The impact of interest on tax refund was about 2 basis points in the current quarter compared to about 1 basis point in the previous quarter and nil in Q4 of last year. The net interest margin was 4.32% in FY2025.

The domestic NIM was 4.48% in this quarter compared to 4.32% in the previous quarter and 4.49% in Q4 of last year. The cost of deposits was 5.00% in this quarter compared to 4.91% in the previous quarter. Of the total domestic loans, interest rates on about 53% of the loans are linked to the repo rate, 15% to MCLR and other older benchmarks and 1% to other external benchmarks. The balance 31% of loans have fixed interest rates.

Non-interest income, excluding treasury, grew by 18.4% year-on-year to 70.21 billion Rupees in Q4 of 2025.

- Fee income increased by 16.0% year-on-year to 63.06 billion Rupees in this quarter. Fees from retail, rural and business banking customers constituted about 80% of the total fees in this quarter.

- Dividend income from subsidiaries was 6.75 billion Rupees in this quarter compared to 4.84 billion Rupees in Q4 of last year. Dividend income from subsidiaries was 26.19 billion Rupees in FY2025 compared to 20.73 billion Rupees in FY2024. The year-on-year increase in dividend income was primarily due to higher dividend from ICICI Bank Canada, ICICI Prudential Asset Management Company and ICICI Securities Primary Dealership.

On Costs: The Bank's operating expenses increased by 11.2% year-on-year in this quarter and 8.3% year-on-year in FY2025. Employee expenses increased by 10.3% year-on-year and non-employee expenses increased by 11.7% year-on-year in this quarter. Our branch count has increased by 241 in Q4 and 460 in FY2025. We had 6,983 branches as of March 31, 2025. The technology expenses were about 10.7% of our operating expenses in FY2025.

The total provisions during the quarter were 8.91 billion Rupees or 5.1% of core operating profit and 0.27% of average advances compared to the provisions of 12.27 billion rupees in the previous quarter. The total provisions during FY2025 increased by 28.5% year-on-year to 46.83 billion Rupees. The Bank, on a prudent basis, continues to hold provision against the security receipts guaranteed by the government, which will be reversed on actual receipt of recoveries or approval of claims, if any.

The provisioning coverage on non-performing loans was 76.2% as of March 31, 2025. In addition, we hold 6.43 billion Rupees of provisions on borrowers under resolution. Further, the Bank continues to hold contingency provision of 131.00 billion Rupees as of March 31, 2025. At the end of March, the total provisions, other than specific provisions on fund-based outstanding to borrowers classified as non-performing, were 226.51 billion Rupees or 1.7% of loans.

The profit before tax excluding treasury grew by 13.2% year-on-year to 165.34 billion Rupees in Q4 of this year and by 11.4% year-on-year to 607.13 billion Rupees in FY2025.

Treasury gains were 2.39 billion Rupees in Q4 as compared to a treasury loss of 2.81 billion Rupees in Q4 of the previous year. The treasury loss in Q4 of previous year includes the transfer of negative balance of 3.40 billion Rupees in Foreign Currency Translation Reserve related to Bank's Offshore Banking Unit in Mumbai to profit and loss account in view of the proposed closure of the Unit.

The tax expense was 41.43 billion Rupees in this quarter compared to 36.13 billion Rupees in the corresponding quarter last year. The profit after tax grew by 18.0% year-on-year to 126.30 billion Rupees in this quarter. The profit after tax grew by 15.5% year-on-year to 472.27 billion Rupees in FY2025.

D. Technology initiatives

We continue to enhance the use of technology in our operations to provide simplified solutions to customers and make investments in our digital channels. We expect to further strengthen system resilience and simplify our processes.

E. Portfolio information

We have provided details on our retail, rural and business banking portfolios on slides 25 to 28 of the investor presentation.

The loans and non-fund based outstanding to performing corporate borrowers rated BB and below were 28.54 billion Rupees at March 31, 2025 compared to 21.93 billion Rupees at December 31, 2024. This portfolio was about 0.2% of our advances at March 31, 2025. Other than two accounts, the maximum single borrower outstanding in the BB and below portfolio was less than 5.00 billion Rupees at March 31, 2025. The Bank holds provision of 4.38 billion Rupees against this portfolio at March 31, 2025.

The total outstanding to NBFCs and HFCs was 918.38 billion Rupees at March 31, 2025 compared to 893.60 billion Rupees at December 31, 2024. The total outstanding loans to NBFCs and HFCs were about 6.8% of our advances at March 31, 2025.

The builder portfolio including construction finance, lease rental discounting, term loans and working capital was 616.24 billion Rupees at March 31, 2025 compared to 586.36 billion Rupees at December 31, 2024. The builder portfolio was about 4.6% of our total loan portfolio. Our portfolio largely comprises well-established builders and this is also reflected in the sequential increase in the portfolio. About 1.7% of the builder portfolio at March 31, 2025 was either rated BB and below internally or was classified as non-performing, compared to 1.7% at December 31, 2024.

F. Consolidated results

The consolidated profit after tax grew by 15.7% year-on-year to 135.02 billion Rupees in this quarter. The consolidated profit after tax grew by 15.3% year-on-year to 510.29 billion Rupees in FY2025.

The details of the financial performance of key subsidiaries are covered in slides 36 to 38 and 57 to 62 in the investor presentation.

The annualised premium equivalent of ICICI Life was 104.07 billion Rupees in FY2025 compared to 90.46 billion Rupees in FY2024. The value of new business was 23.70 billion Rupees in FY2025 compared to 22.27 billion Rupees in FY2024. The value of new business margin was 22.8% in FY2025 compared to 24.6% in FY2024. The profit after tax of ICICI Life was 11.89 billion Rupees in FY2025 compared to 8.52 billion Rupees in FY2024 and was 3.86 billion Rupees in current quarter compared to 1.74 billion Rupees in Q4 of last year.

Gross Direct Premium Income of ICICI General was 268.33 billion Rupees in FY2025 compared to 247.76 billion Rupees in FY2024. The combined ratio stood at 102.8% in FY2025 compared to 103.3% in FY2024. Excluding the impact of CAT losses of 0.94 billion Rupees in FY2025 and 1.37 billion Rupees in FY2024, the combined ratio was 102.4% and 102.5% respectively. The profit after tax was 25.08 billion Rupees in FY2025 compared to 19.19 billion Rupees in FY2024. The profit after tax was 5.10 billion Rupees in this quarter compared to 5.19 billion Rupees in Q4 of last year.

The profit after tax of ICICI AMC, as per Ind AS was 6.92 billion Rupees in this quarter compared to 5.29 billion Rupees in Q4 of last year.

The profit after tax of ICICI Securities, as per Ind AS on a consolidated basis, was 3.81 billion Rupees in this quarter compared to 5.37 billion Rupees in Q4 of last year. Pursuant to the Scheme of Arrangement amongst ICICI Bank Limited and ICICI Securities Limited and their respective shareholders, ICICI Securities Limited has been delisted from stock exchanges on March 24, 2025 and became a wholly-owned subsidiary of the Bank.

ICICI Bank Canada had a profit after tax of 12.5 million Canadian dollars in this quarter compared to 19.9 million Canadian dollars in Q4 last year.

ICICI Bank UK had a profit after tax of 6.0 million US dollars in this quarter compared to 9.5 million US dollars in Q4 of last year.

As per Ind AS, ICICI Home Finance had a profit after tax of 2.41 billion Rupees in the current quarter compared to 1.69 billion Rupees in Q4 of last year.

With this, we conclude our opening remarks and we will now be happy to take your questions.

Moderator:

Thank you very much. The first question is from the line of Mahrukh Adajania from Nuvama Wealth Management. Please go ahead.

Mahrukh Adajania:

First of all, congratulations on a very strong set. I just had a few questions. Firstly, on loan growth. So, have you tightened or have you been cautious on some segments, especially PLCC, overall retail, corporate growth? Because while the loan growth is good, it's a tad lower than your last few quarters. So, is there any cautious approach? And if there is why? Or is this the general demand that the Bank is presented with? So, that's my first question and then I have another question on deposits.

Anindya Banerjee:

So as far as the loan growth is concerned, I don't think anything specific incrementally in terms of caution on the credit side. I think we are pretty comfortable with what we are underwriting. Of course, on personal loans and cards, as you know, we had tightened a few quarters ago, and that is showing up in the volumes over the last couple of quarters and the loan growth. But other than that, no specific caution on the credit side. I would say it's largely a function of what is happening in the system. And also, I guess, on the pricing side, some consciousness given that during this quarter, we were at the sort of cusp of the downward movement in benchmark rates. So, we had to be a little more disciplined in terms of the spreads etc. that we were charging over the benchmark. But other than that no specific caution on the credit side.

Mahrukh Adajania:

Okay, thanks. And on deposit growth, my question was that obviously banks are cutting deposit rates to transmit policy rates. But there has been a lot of tightness in deposits, not recently, but over the last one and a half years. So, with the liquidity situation improving, is there confidence that a sustained deposit growth will now flow through?

Anindya Banerjee:

I guess that's reflected in what is happening. We have seen liquidity improve substantially over the last couple of months with all the measures that the central bank has taken. And deposit growth for us has continued to be quite strong. You would have seen the numbers for the fourth quarter have also been pretty strong for us. And as the repo rate has fallen by 50 bps, so that will start to see a transmission into deposit rates, which is what has started. So, I think that's in the natural course of things.

Mahrukh Adajania:

Thanks a lot. Thank you.

Moderator:

Thank you. The next question is from the line of Kunal Shah from Citigroup. Please go ahead.

Kunal Shah:

Hello. So, the question was on margin. When we look at it in terms of the yields particularly, there has been 21 basis points expansion. So partly, obviously, there could be some elements of lower reversals on KCC. But besides that, anything else to look into this? Was there maybe in the recovery, there was any one-off interest or something which was there besides the interest on income tax refund? Was there any other one-off in the yield on advances?

Anindya Banerjee:

So, there was no one-off in the yield on advances. I think probably the largest component driving up the yield was what we had spoken of in, I think, Q2 and Q3 last year, which is the benefit of the day count, which brought down the yield in Q2 vis-a-vis Q1. And we had mentioned at that time that this would reverse out largely in Q4, which has happened. So that is one factor. The second factor is what you alluded to, the absence of the KCC non-accrual in Q4 relative to Q3. We did speak about the 2 bps of interest on tax refund. Other than that, I think nothing one-off in that sense. There would be some better returns on liquidity deployment, a little better interest collection on NPLs, things like that, but no single item that requires to be called out, I would say.

Kunal Shah:

Yes, so this derecognition would be then significant component of it because it was thought to be like earlier when you indicated it seemed like there is a benefit of 3 to 4 odd basis points which is coming in margin. But then it seems like that component was quite high.

Anindya Banerjee:

I'm sorry, what component?

Kunal Shah:

This derecognition.

Anindya Banerjee:

Yes, I think the larger number is really on account of the day count convention. So, as we had said, I think, the margin number to focus on in our mind is really the 4.3% for the full year. That would be a more representative number.

Kunal Shah:

And in terms of also going forward, in fact, you have always been indicating that maybe if it's a shallow rate-cut cycle, we should be able to manage the margins. But now if we expect like say 100 bps kind of a repo rate-cut over say 4 MPCs, would you still believe it to be shallow rate? And maybe from here on in terms of the margin trajectory, if we have to look at it, how do we see it on the repricing of the yields? Do we follow like a monthly reset and business banking happens immediately and maybe that will entirely flow through? And are there any levers available to improve margins or maybe to take care of the EBLR repricing impact?

Anindya Banerjee:

So, whether the rate-cut was relatively less or more, there would be some impact on margins because the deposit rates would, the deposit repricing would occur with a lag while the loan repricing would be immediate. Indeed, the expectations of the rate cut have gone up compared to where they were, say, a couple of months ago and a higher level of rate-cut is now expected. At the same time, as we spoke earlier, the deposit rates have also started falling. So, we will have to see as we go along how we manage through this. But there would be an impact on margins definitely. What that will be, we will have to see as we go through the year, because there are a number of factors that will come into play. I think, overall, we have to look at the overall risk adjusted PPOP and what are all the levers starting with growth, margins and other aspects that we have to optimise and that's what we will keep continuing to do.

Kunal Shah:

Thanks and all the best.

Moderator:

Thank you. The next question is from the line of Anand Swaminathan from Bank of America. Please go ahead.

Anand Swaminathan:

I had a couple of questions. One is on the elasticity of savings rate cuts. What, according to you, is the kind of modeling you have done in going ahead with the concerted all banks have done at 25 bps rate cut? And is there theoretically a base limit that we should think about for savings rate cuts? Or can it kind of continue to mirror the repo rate cuts over the next few quarters? That's my first question.

Anindya Banerjee:

We will have to see as we go along. I don't think we can say that there is sort of any kind of direct relationship. I would say the repo rate has fallen by 25 bps and significant actions have also happened on liquidity in the system. And we will have to see how it goes on from here. I don't think that there is any direct relation in that sense, which is quantifiable at this stage.

Anand Swaminathan:

Okay, theoretically there is no limit to how much savings rate can go down from here?

Anindya Banerjee:

It's a rate which each bank can set for itself in that sense. So, it can move as per what a bank thinks is optimal.

Anand Swaminathan:

Okay, my second question is on the business banking side. The loan growth has been exceptionally good, especially it seems to have accelerated in the last few quarters. Can you help us understand what is the risk in this business? How are you assessing the incremental risk? Like how much riskier is it versus your corporate book? If you can give us something in terms of how much is the self-funded nature of the business? Is it going to contribute to a slightly higher average credit cost down the line? Some color on this to get a better understanding would be good. Thank you.

Anindya Banerjee:

I think last quarter we had a fairly extensive commentary on this in the earnings call. So, the way we have built this business over the last several years, I think we have invested in, I would say, three aspects, one certainly in the distribution, so equipping more and more of our branches to deal with the business banking or self-employed segment customers. Second, investing in our credit underwriting models and processes for this segment to be able to understand and assess the credit and deliver credit in a timely manner. And third, I think on the digital side, because our technology offerings, digital offerings, and transaction banking capabilities for this segment have been pretty good. And that has driven growth in the business, I would say holistically, both on the lending side as well as on the fee and current account side.

And in terms of, I would say, the risk profile of this business, it is a fairly granular portfolio and pretty well diversified geographically and industry-wise and so on. Secondly, I think, it's not in that sense a particularly high yield business. So, this is not the sort of mid-teens lending rate kind of business. It's pretty at the higher end of the quality spectrum and pretty much competed for amongst the banks. But it's also a business where we have a very much better scope to do the customer-360, because you are really doing a lot of things for the business and the owner. In terms of the credit performance, it has actually been quite good. In fact, if we look back five years, I think at the onset of the pandemic, when of course we were also, the portfolio was relatively more recently built for us. This would have been one of the portfolios that we would have been most concerned about, but it is probably the portfolio which surprised significantly on the upside. Even if you look at a systemic level, ECLGS utilization and so on, relative to this portfolio has been marginal. So, it has behaved well. Currently, credit costs are pretty low, I would say almost mirroring what we are seeing on the corporate side. But of course, it is something that has to be tightly monitored as we go along. So, we will keep monitoring it and managing the portfolio dynamically.

Anand Swaminathan:

And what will be the average yield on this business versus your corporate business just to understand how much more profitable this is?

Anindya Banerjee:

We don't really give the segment-wise yield. It would be somewhat higher. But I think more importantly, it is the holistic P&L of the business in terms of the full customer-360, the liability side and the transaction banking and the ability to manage delivery cost and credit cost which yields the bigger benefit. And of course, the granularity of it.

Moderator:

Thank you. Ladies and gentlemen, in order to ensure that the management is able to address questions from all the participants, please limit your question to two per participant. If you have a follow-up question, I would request you to rejoin the queue. The next question is from the line of Nitin Aggarwal from Motilal Oswal Financial Services. Please go ahead.

Nitin Aggarwal:

Good evening, everyone and congratulations on a very strong performance. So, first question is around asset quality. If I look back, the normalisation trend that started at the beginning of the year has reached a fair degree of stability. So just wanted to know your views, how comfortable you feel about asset quality now versus how the situation was six months back? And how is that trending now in unsecured retail products?

Anindya Banerjee:

Actually, we were always quite comfortable. So, we were never too worried. But I would say that what we have been saying holds true. I think the corporate portfolio continues to behave extremely well as does business banking. On the retail side, the secured products, I think, are behaving quite well. On unsecured, I think that generally the NPL formation has broadly stabilised. We would hope for it to come down, but let us wait for that to happen. Maybe it will take another couple of quarters. And all of that is getting absorbed in the credit costs that we are reporting. This quarter, of course, we had a very low credit cost of some 30 basis points. But even if we kind of were to try and adjust out the fact that there were KCC provisions in the previous quarter and we had some writeback this quarter and so on, it will still be just about 40 odd bps or so. So, things are quite stable. Of course, as we go into the year, I think what happens to the overall economy globally and in India and this whole trade related issues is something we will have to watch out for. But as of today, we are very comfortable with the portfolio.

Nitin Aggarwal:

Right. And I mean, the second question is around growth again. So, we have seen a very healthy growth, continued growth across business banking, but the retail growth has moderated if you compare over the prior years. Now looking forward with other banks becoming more and more aggressive in lending in certain products, where ICICI Bank is? So, how do you see the trend about the overall loan growth? Will it remain skewed in favor of select products which are PPOP and the profitability thresholds or one can expect more broad based growth?

Anindya Banerjee:

So we are really focused on the risk adjusted PPOP and of course I think as we focus on that, if we want to make tactical calls on pricing etc. in a particular customer or segment or product for a particular period of time, I think our funding franchise gives us the flexibility to do that. But overall, we are quite focused on the overall PPOP. I think we would continue to see pretty healthy growth on the business banking side as things currently stand. Retail, we will see how the market evolves. And I think as the rate environment stabilises during the year, pricing may also stabilise. So, that's where I would look at it. On the unsecured side, probably the growth has bottomed-out. And we may see some improved growth from here is what we feel.

Nitin Aggarwal:

And lastly on the PSL frontline, I see there's stronger growth in business banking, but slightly toned-down growth in retail and rural. How is the Bank faring on the PSL front?

Anindya Banerjee:

So, I think it's pretty similar to what we have seen in past quarters. We meet our overall PSL requirement. We also meet our MSME requirement. In fact, overall and MSME, we have some surplus in the some of the categories like the small farmer and weaker section etc., we do have shortfalls which we have addressed through either buyouts or through purchase of the PSLC certificates. So pretty much the same continues.

Nitin Aggarwal:

Okay, sure. Thanks so much and wish you all the best.

Moderator:

Thank you. The next question is from the line of MB Mahesh from Kotak Securities. Please go ahead.

MB Mahesh:

Hi, a couple of questions. First one is on the income, if any, which moves on the interest income line on recovery of bad loans. Let us say the security receipts have come in on cash-basis. Does anything of it move to the interest income line as well?

Anindya Banerjee:

So that the cash, the cash portion of the NPA sale would be reflected as a writeback in provisions, not as interest income.

MB Mahesh:

And there is nothing there in the interest income line from...

Anindya Banerjee:

There will always be some interest recovery on NPLs in any quarter. It may vary a little quarter to quarter, but it will always be there.

MB Mahesh:

So the second one is on the current differential that exists on, let's say, some of the benchmark loans between, let's say, private sector banks and public sector banks. How much does it hurt you right now? Some color on, because the transmission seems to be a bit clear from the private sectors bank side in comparison to public banks atleast?

Anindya Banerjee:

Are you talking about competition, I mean the lending rates?

MB Mahesh:

Yes. Because when I look at some of the housing...

Anindya Banerjee:

Yes, clearly it is an issue. I think in retail, it's not just about pricing because you really need the distribution scale, processing capacity to back up your pricing. So, I wouldn't say it's just about pricing. But certainly there are very large, capable competitors who are also priced meaningfully below us. It does create some challenges in terms of growth, but I guess that's part of life. So, we will have to keep dealing with it as we go along and look at how we can drive other levers to continue to maintain profitable growth.

MB Mahesh:

And one clarification, unsecured loans, today you would say that you have well passed the peak in terms of fresh slippages?

Anindya Banerjee:

I would say it has, it's broadly stable. We are yet to see it coming down meaningfully. But I think more importantly, the behavior of portfolios originated more recently, say what we originated post making some of the credit changes, which we did maybe 18 months ago, the behaviour of those portfolios gives us a fair degree of comfort on building the portfolio incrementally.

Moderator:

Thank you. The next question is from the line of Harsh Modi from JP Morgan. Please go ahead.

Harsh Modi:

Thanks for the opportunity to ask question. I just want to understand on RWA growth, it's 17% year-on-year for growth of around 13%. Could you please explain what drove the faster growth in risk-weighted assets? I have a follow-up question after that. Thank you.

Anindya Banerjee:

It is an evolving mix of the different categories of loans and how one classifies them, what you can justify, in which risk-weight category. In the year end, I think market risk also went up because we did take some larger positions as the interest rate environment turned favorable for taking trading positions.

Harsh Modi:

Got it. Thanks. The follow up is on just the use of capital. You have significant capital generation. CET-1 is at 15.94. And the way it seems, your incremental RWA of 2.4 trillion growth versus profit of almost half a trillion. So, let's say over the next two to three years, how do you see the use of capital at the Bank, assuming, given your competitive position and the modes, you may be able to generate significant amount of capital over next two to three years? Thank you.

Anindya Banerjee:

Two, three things. One, clearly I think that there is a certain expectation among stakeholders, market etc. of the level of capital that a large private sector bank should be maintaining. And I think our capital levels are not out of line with most of our peers in that context. And as far as the capital generation that will happen in future and how much of that is absorbed by growth, we will see as we go along. But I think that maintaining a certain level of capital is important from a strategic perspective and a market confidence perspective.

Harsh Modi:

Right. Thanks for that. That was exactly my question that organically seems growth would be you're already doing quite well, focused on, as you said, risk-adjusted PPOP. And given the excess capital generation, because right now your RWA growth is just 5x of your net profit. So, is there any possibility of for strategic purposes, what are the places that you may incrementally allocate capital over the next two to three years?

Anindya Banerjee:

We will, I think, believe that our franchise gives us sufficient opportunity to grow and leverage the capital. If at a stage we feel that we are, we can always look at other things like maybe increasing payouts or things like that. But for the time being, I think we believe that given the franchise that we have, we have a lot of runway for growth.

Harsh Modi:

Got it. Thank you.

Moderator:

The next question is from the line of Param Subramanian from Investec Capital. Please go ahead.

Param Subramanian:

Thanks for taking my question. Firstly, on the net-worth movement in the quarter, so it's up Rs. 20,000 crore quarter-on-quarter, which is higher than the PAT. So, is that the AFS mark to market that's happened?

Anindya Banerjee:

One of the main items this quarter would be the issue of shares, the recording of the additional investment in ISec. So, we would have issued shares to the minority shareholders of ISec that would have, while it's capital neutral, it would have increased the net-worth by a substantial amount. That would be the biggest item.

Param Subramanian:

Okay, not as much as that. Secondly, broadly the outlook on CASA, right? So, over the last year, the CASA ratio for the Bank is almost flat YoY, which is a great outcome given the context. But if you compare with, say, the pre-covid period, CASA used to be 48%, 49%, we are lower. And we are looking at, like you pointed out, a very accommodative RBI on liquidity. Do you think this has legs to go up going ahead, seeing the scenario as it is building up, say, from a macro perspective?

Anindya Banerjee:

Yes, I think that we basically have to look at the total quantum and cost of funding that is available to us. And that should be superior to our competitors because CASA trends will not vary very widely across the large banks. So, that is the right way to look at it rather than, I think, too much about what is going to be the CASA growth for us. I think we have to really look at what is the total quantum of funding and the cost of that funding and its deployability because very volatile CASA may not help also and its deployability and really look at it from that perspective, which is what we do. And not really, we wouldn't have a specific outlook on CASA per se.

Param Subramanian:

Okay. Would you think that the worst of the CASA pressures for yourself and the sector are largely behind?

Anindya Banerjee:

Logically, that should be so.

Param Subramanian:

Okay, perfect. Thanks, Anindya. All the best. Thank you.

Moderator:

Thank you. The next question is from the line of Piran from CLSA. Please go ahead.

Piran:

Hi team, congrats on the quarter. Firstly, just on the previous question of Param, why do you say that the CASA pressure is over? Sorry, I missed that.

Anindya Banerjee:

I said logically that should be so given the monetary easing, the improvement in system liquidity and to the extent that it was a factor, the sort of some calm in capital markets, but it's something we will have to see as we go ahead.

Piran:

Okay, okay, that's the reason. Just moving on to my questions, firstly on vehicle growth slowdown, how do we really interpret this? Is this just a function of more competition at the counter or are you all intentionally scaling back due to asset quality or pricing or is it just something else?

Anindya Banerjee:

I think it's more the underlying demand and maybe at the margin a little bit on the pricing side, nothing on asset quality per se.

Piran:

Okay. And Anindya, just on cost of deposit, it was inching up 2-3 bps a quarter, which was understandable. This quarter's up almost 10 bps and the CASA ratio probably, or the drop in CASA ratio explains maybe 2-3 bps of that. What explains the rest?

Anindya Banerjee:

Yes, it would be partly a number of days.

Piran:

Okay. And just my last question, out of your buildup portfolio of Rs. 60,000 crores, how much would be LRD?

Anindya Banerjee:

We have not given that breakup. There will be some component of LRD there.

Piran:

But would it be significant or more minor?

Anindya Banerjee:

I don't think it'll be minor, but we have not given the breakup. I mean, it'll be a reasonable number.

Piran:

Okay, fair enough. That's all from my end. And if I could just squeeze in one humble suggestion, if we could move our calls and our results releases to either a weekday or a Saturday morning, it would be great. You know, times like this when it's literally clashing and in a minute, we've got an HDFC Bank call, it doesn't do justice to either of the banks. So, if you could take that suggestion, it would be great. Yes, I'm done. Thank you.

Moderator:

Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments.

Anindya Banerjee:

Thank you everyone and we will be happy to take any other questions offline. Thank you.

Moderator:

On behalf of ICICI Bank, that concludes this conference. Thank you for joining us and you may now disconnect your lines.