ICICI Bank Limited

Earnings conference call - Quarter ended June 30, 2025 (Q1-2026)

July 19, 2025

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Moderator:

Ladies and gentlemen, good day and welcome to ICICI Bank Limited Q1-FY2026 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 Q1 of FY2026. 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 the framework of our values to strengthen our franchise. Maintaining high standards of governance, deepening coverage and enhancing delivery capabilities with a focus on simplicity and operational resilience, are key drivers for our risk calibrated profitable growth.

The profit before tax excluding treasury grew by 11.4% year-on-year to 156.90 billion Rupees in this quarter. The core operating profit increased by 13.6% year-on-year to 175.05 billion Rupees in this quarter. The profit after tax grew by 15.5% year-on-year to 127.68 billion Rupees in this quarter.

Total deposits grew by 12.8% year-on-year and were flat sequentially at June 30, 2025. During the quarter, average deposits grew by 11.2% year-on-year and 3.1% sequentially and average current and savings account deposits grew by 8.7% year-on-year and 3.9% sequentially. The Bank's average liquidity coverage ratio for the quarter was about 128%.

The domestic loan portfolio grew by 12.0% year-on-year and 1.5% sequentially at June 30, 2025. The retail loan portfolio grew by 6.9% year-on-year and 0.5% sequentially. Including non-fund based outstanding, the retail portfolio was 43.2% of the total portfolio. The rural portfolio declined by 0.4% year-on-year and 1.5% sequentially. The business banking portfolio grew by 29.7% year-on-year and 3.7% sequentially. The domestic corporate portfolio grew by 7.5% year-on-year and declined by 1.4% sequentially. The overall loan portfolio including the international branches portfolio grew by 11.5% year-on-year and 1.7% sequentially at June 30, 2025. The overseas loan portfolio was about 2.4% of the overall loan book at June 30, 2025.

The net NPA ratio was 0.41% at June 30, 2025 compared to 0.43% at June 30, 2024. During the quarter, there were net additions of 30.34 billion Rupees to gross NPAs, excluding write-offs and sale. The total provisions during the quarter were 18.15 billion Rupees or 10.4% of core operating profit and 0.53% of average advances. The provisioning coverage ratio on non-performing loans was 75.3% at June 30, 2025. In addition, the Bank continues to hold contingency provisions of 131.00 billion Rupees or about 1.0% of total advances at June 30, 2025.

The capital position of the Bank continued to be strong with a CET-1 ratio of 16.31% and total capital adequacy ratio of 16.97% at June 30, 2025, including profits for Q1 of FY2026.

Looking ahead, we see many opportunities to drive risk calibrated profitable growth and grow market share across key segments. We remain focused on maintaining a strong balance sheet, prudent provisioning and healthy levels of capital while delivering sustainable 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 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 10.3% year-on-year and 1.9% sequentially. Auto loans grew by 2.2% year-on-year and declined by 0.7% sequentially. The commercial vehicles and equipment portfolio grew by 5.9% year-on-year and 1.1% sequentially. Personal loans grew by 1.4% year-on-year and declined by 1.3% sequentially. The credit card portfolio grew by 1.5% year-on-year and declined by 5.4% sequentially. The personal loans and credit card portfolio were 8.8% and 4.0% of the overall loan book respectively at June 30, 2025.

Within the corporate portfolio:

- The total outstanding to NBFCs and HFCs was 874.17 billion Rupees at June 30, 2025 compared to 918.38 billion Rupees at March 31, 2025. The total outstanding loans to NBFCs and HFCs were about 6.4% of our advances at June 30, 2025.

- The builder portfolio including construction finance, lease rental discounting, term loans and working capital was 628.33 billion Rupees at June 30, 2025 compared to 616.24 billion Rupees at March 31, 2025. 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 1.9% of the builder portfolio at June 30, 2025 was either rated BB and below internally or was classified as non-performing.

B. Credit quality

The gross NPA additions were 62.45 billion Rupees in the current quarter compared to 59.16 billion Rupees in Q1 of last year. There were gross NPA additions of about 7.67 billion Rupees from the kisan credit card portfolio in the current quarter. We typically see higher NPA additions from the kisan credit card portfolio in the first and third quarter of a fiscal year. Recoveries and upgrades from gross NPAs, excluding write-offs and sale, were 32.11 billion Rupees in the current quarter compared to 32.92 billion Rupees in Q1 of last year. The net additions to gross NPAs were 30.34 billion Rupees in the current quarter compared to 26.24 billion Rupees in Q1 of last year.

The gross NPA additions from the retail and rural portfolios were 51.93 billion Rupees in the current quarter compared to 52.04 billion Rupees in Q1 of last year. These include the KCC NPAs mentioned earlier. Recoveries and upgrades from the retail and rural portfolios were 25.25 billion Rupees in the current quarter compared to 25.32 billion Rupees in Q1 of last year. The net additions to gross NPAs in the retail and rural portfolios were 26.68 billion Rupees in the current quarter compared to 26.72 billion Rupees in Q1 of last year.

The gross NPA additions from the corporate and business banking portfolios were 10.52 billion Rupees in the current quarter compared to 7.12 billion Rupees in Q1 of last year. Recoveries and upgrades from the corporate and business banking portfolios were 6.86 billion Rupees in the current quarter compared to 7.60 Rupees in Q1 of last year. There were net additions to gross NPAs of 3.66

billion Rupees in the current quarter in the corporate and business banking portfolios compared to net deletions of 0.48 billion Rupees in Q1 of last year.

The gross NPAs written-off during the quarter were 23.59 billion Rupees. Further, there was sale of NPAs of 1.08 billion Rupees in the current quarter compared to 1.14 billion Rupees in Q1 of last year. The sale of NPA includes about 0.60 billion Rupees in cash in the current quarter.

The non-fund based outstanding to borrowers classified as non-performing was 32.98 billion Rupees as of June 30, 2025 compared to 30.75 billion Rupees as of March 31, 2025 and 35.43 billion Rupees as of June 30, 2024.

The total fund based outstanding to all standard borrowers under resolution as per various guidelines declined to 17.88 billion Rupees or about 0.1% of the total loan portfolio at June 30, 2025 from 19.56 billion Rupees at March 31, 2025 and 27.35 billion Rupees at June 30, 2024. Of the total fund based outstanding under resolution at June 30, 2025, 16.22 billion Rupees was from the retail and rural portfolios and 1.66 billion Rupees was from the corporate and business banking portfolios.

The loans and non-fund based outstanding to performing corporate borrowers rated BB and below were 29.95 billion Rupees at June 30, 2025 compared to 28.54 billion Rupees at March 31, 2025 and 41.64 billion Rupees at June 30, 2024. This portfolio was about 0.2% of our advances at June 30, 2025. Other than two accounts, the maximum single borrower outstanding in the BB and below portfolio was less than 5.00 billion Rupees at June 30, 2025.

At the end of June, the total provisions, other than specific provisions on fund-based outstanding to borrowers classified as non-performing, were 226.64 billion Rupees or 1.7% of loans. This includes the contingency provisions of 131.00 billion Rupees as well as general provision on standard assets, provisions held for non fund based outstanding to borrowers classified as non performing, fund and non-

fund based outstanding to standard borrowers under resolution and the BB and below portfolio.
Moving on to the P&L details:

C. P&L details

Net interest income increased by 10.6% year-on-year to 216.35 billion Rupees in this quarter. The net interest margin was 4.34% in this quarter compared to 4.41% in the previous quarter and 4.36% in Q1 of last year. From Q1-2026, the Bank has changed its convention of computation of NIM and other return ratios from actual number of days to number of months. While the full year NIM would remain unchanged, the revised convention eliminates the quarter-to-quarter volatility in NIM computation due to difference in the number of days. This impact on reported ratios in this quarter was negligible. The impact of interest on tax refund was about 7 basis points in the current quarter compared to about 2 basis points in the previous quarter and nil in Q1 of last year.

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 remaining 31% of loans have fixed interest rates. In comparison to the first quarter, the impact of transmission of repo rate cuts on external benchmark linked loans is expected to be higher in the second quarter. This impact would be partially set off by reduction in savings' account interest rates in May and June and gradual repricing of term deposits.

The domestic NIM was 4.40% in this quarter compared to 4.48% in the previous quarter and 4.44% in Q1 of last year. The cost of deposits was 4.85% in this quarter compared to 5.00% in the previous quarter and 4.84% in Q1 of last year.

Non-interest income, excluding treasury, grew by 13.7% year-on-year to 72.64 billion Rupees in Q1 of FY2026.

- Fee income increased by 7.5% year-on-year to 59.00 billion Rupees in this quarter. Fees from retail, rural and business banking customers constituted about 79% of the total fees in this quarter.

- Dividend income from subsidiaries was 13.36 billion Rupees in this quarter compared to 8.94 billion Rupees in Q1 of last year. The year-on-year increase in dividend income was primarily due to higher dividend from ICICI Securities, ICICI Prudential Asset Management and ICICI Lombard General Insurance and receipt of dividend from ICICI Securities Primary Dealership in the current quarter compared to Q2 of last year.

On Costs: The Bank's operating expenses increased by 8.2% year-on-year in this quarter compared to 8.3% in FY2025. Employee expenses increased by 8.5% year-on-year in this quarter, reflecting mainly the impact of annual increments and promotions that take place during the first quarter of every fiscal year. Non-employee expenses increased by 8.0% year-on-year in this quarter. Our branch count has increased by 83 in the first quarter. We had 7,066 branches as of June 30, 2025. The technology expenses were about 10.7% of our operating expenses in this quarter. 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 continue to further strengthen system resilience and simplify our processes.

The total provisions during the quarter were 18.15 billion Rupees as compared to the provisions of 13.32 billion Rupees in Q1 of last year. Provisions in Q1 of last year included the impact of release of AIF related provisions of 3.89 billion Rupees.

The provisions during the quarter were 10.4% of core operating profit and 0.53% of average advances. Adjusting for the seasonality of KCC provisioning which occurs only in Q1 and Q3, the credit cost to advances would be about 50 basis points.

The profit before tax excluding treasury grew by 11.4% year-on-year to 156.90 billion Rupees in Q1 of this year.

Treasury gains were 12.41 billion Rupees in Q1 of current year as compared to 6.13 billion Rupees in Q1 of the previous year, primarily reflecting realised and mark-to-market gains in fixed income securities and equities.

The tax expense was 41.63 billion Rupees in this quarter compared to 36.34 billion Rupees in the corresponding quarter last year. The profit after tax grew by 15.5% year-on-year to 127.68 billion Rupees in this quarter.

D. Consolidated results

The consolidated profit after tax grew by 15.9% year-on-year to 135.58 billion Rupees in this quarter.

The details of the financial performance of key subsidiaries are covered in slides 34 to 35 and 54 to 59 in the investor presentation.

The annualised premium equivalent of ICICI Life was 18.64 billion Rupees in Q1-2026 compared to 19.63 billion Rupees in Q1-2025. The value of new business was 4.57 billion Rupees in Q1-2026 compared to 4.72 billion Rupees in Q1-2025. The value of new business margin was 24.5% in Q1-2026 compared to 22.8% in FY2025. The profit after tax of ICICI Life was 3.02 billion Rupees in Q1-2026 compared to 2.25 billion Rupees in Q1-2025.

Gross Direct Premium Income of ICICI General increased to 77.35 billion Rupees in Q1-2026 from 76.88 billion Rupees in Q1-2025. The combined ratio stood at 102.9% in Q1-2026 compared to 102.3% in Q1-2025. The profit after tax increased to 7.47 billion Rupees in this quarter from 5.80 billion Rupees in Q1 of last year. With effect from October 1, 2024, long-term products are accounted on

1/n basis, as mandated by IRDAI, hence Q1 numbers are not fully comparable with prior periods.

The profit after tax of ICICI AMC, as per Ind AS was 7.82 billion Rupees in this quarter.

The profit after tax of ICICI Securities, as per Ind AS on a consolidated basis, was 3.91 billion Rupees in this quarter compared to 5.27 billion Rupees in Q1 of last year.

ICICI Bank Canada had a profit after tax of 7.8 million Canadian dollars in this quarter compared to 20.3 million Canadian dollars in Q1 last year.

ICICI Bank UK had a profit after tax of 5.9 million US dollars in this quarter compared to 7.7 million US dollars in Q1 of last year.

As per Ind AS, ICICI Home Finance had a profit after tax of 2.14 billion Rupees in the current quarter compared to 1.17 billion Rupees in Q1 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. We will now begin with the question and answer session. The first question is from the line of Mahrukh Adajania from Nuvama Wealth. Please go ahead.

Mahrukh Adajania:
My first question was on margins regarding the change in method. Now fourth quarter is the quarter where you see the biggest positive impact of the old method. So your margin decline even adjusted for the interest on tax refund

appears to be just four to five basis points. Is that a correct assessment? That is my first question. Or if you could give a like-to-like comparison of margins for the fourth quarter, that would be even better. And then my second question is on growth because that is an obvious challenge for the sector and nothing seems to be growing much other than low yield corporate loans. In home loans, there is intense competition. When do you see growth reviving and where do you see ICICI's loan growth to settle? Would mid-teens still be possible? Yes. Those are my questions.

Anindya Banerjee:
Thanks, Mahrukh. On the first one, yes, the reported margin for Q4 would have been a few basis points lower. So, the kind of range that you spoke of is probably correct. But equally, the same Q3 to Q4 spike will not happen in the current year. We will have a more even spread of reported margin through the year.

On the growth side, I think as you know, in the first quarter, there have been a number of global events, etc., which I guess had some impact on the sentiment. But the substantial monetary easing that has taken place starting from Q4 particularly and carrying through into Q1, will also have some positive impact hopefully as we go along. So, I think it is too early to say. We will have to wait for another quarter to really form a view about how it is going to go.

Mahrukh Adajania:
Okay. Thanks a lot.

Moderator:
We will take our next question from the line of Kunal Shah from Citigroup. Please go ahead.

Kunal Shah:

So, sorry again to touch upon on margin. Fair to say maybe the unwinding which was expected to come in the first quarter, maybe because of this day benefit that would not have been there in this particular quarter. Otherwise, any which way was like we are comparing 4.41% to 4.34%. So, maybe like four-five basis points of unwinding is not really there in this quarter and thereafter maybe adjusting for interest on income tax refund, we have seen like 14 bps kind of a decline in NIMs on a quarter-on-quarter basis. Would that be correct?

Anindya Banerjee:

No, that would not be correct because there is no unwinding in the first quarter. NIM typically declines from Q4 to Q1 because of the higher number of days in Q1 and then there is a pickup again in Q4. So, the Q4 NIM, if we had used an equal month basis would have been lower than the reported number of 4.41%. But I think that is why even in our previous calls we have focused attention on the previous year's full year NIM of 4.3% as the anchor for further discussion. But we thought that it would also be good to eliminate that one confusion point.

Kunal Shah:

Yes. So, the only thing was maybe unwinding I just meant to say that the benefit which was there in the fourth quarter that have been relatively lower in the first quarter by say four-five basis points, which goes away, which is not there in the computation now?

Anindya Banerjee:

No. If you look at, for example, the reported margins for this year and on the new basis and Q1 last year on the old basis are almost the same. There is no real impact. That impact largely comes later in the year. So, the first quarter is not impacted at all. If you are looking at a sequential analysis, then on a like-to-like basis, the reported margin for Q4 would have been a little bit lower.

Kunal Shah:

Yes. So, would that have been like eight-nine basis points, how much it would have been lower?

Anindya Banerjee:

I think I answered that. The range that Mahrukh quoted was probably the correct range.

Kunal Shah:

Okay. Got it. Perfect. Yes. And secondly, with respect to the credit cost, so we have been indicating that it would normalize in a gradual manner. This quarter would have KCC slippages. But excluding that when we look at the credit cost, so would we say like now we have reached or maybe there is a further normal gradualisation, which has still to happen from the current levels adjusting for KCC? Because we are already seeing like 50, there would be some impact of KCC. So, do we expect further normalization? Or maybe this is more like clean credit cost, which we are seeing now?

Anindya Banerjee:

I think we have always said that currently, the underlying level would be more like about 50 basis points. Can that inch up? It could, but I don't see any major movement.

Kunal Shah:

Okay. Got it. Thanks. Yes.

Moderator:

Next question is from the line of Harsh Modi from JP Morgan. Please go ahead.

Harsh Modi:

A couple of questions. First is, if I see your mix on corporate creditors, the AA- mix has been reducing over the last few years and BBB- has been increasing. Is that the sweet spot on RORWA, that's why you are doing it? And any risks around that? That is the first one.

The second one is on business banking. Very good numbers. What went right? And going forward, if you think about the mix of credit growth over the next, let's say, a couple of years, where should we see the incremental delta coming from? Any granularity you can provide would be great.

Anindya Banerjee:

So, on the first question, I think the decline in the proportion of the very high rated is partly a function of demand and partly a function of pricing. And in some cases, we may have in earlier periods of very easy liquidity built up some portfolio there and that has gradually run off as the funding environment got tighter. Currently, of course, as you would know that overall credit growth itself has come down. And in this particular segment, there is fairly high price competition. So, we would really look at this segment as we look at all the other corporate borrowers from a Customer 360 perspective and look at the totality of our relationship with the borrower. And in that context, if lending makes sense, we would do it.

As far as the increase in the proportion, I think we are comfortable with the entire A bucket. So, to answer your question, that is probably the segment where you do have the right balance of risk-reward, although we have competition in those segments also. I think on the lower-rated origination in BBB and below, we have fairly tight controls and limits on how we approach that segment and it is quite calibrated. So, overall, I think the reduction in the proportion of the high rated is really a function of demand and pricing.

On your second question on business banking, I think we have spoken about it in the past couple of calls. To keep it short, I would say it's a combination of distribution, process and technology, the digital interfaces and capabilities that we offer to the customers and also a fairly tight focus on monitoring of the credit and managing the portfolio in a disciplined way.

The last part of your question was around mix going forward. I think basis the visibility and the market share opportunity, one would expect the business banking piece to grow faster than the overall loan book and therefore that proportion should gradually go up.

Harsh Modi:
Right. And one more is on the liability side. It seems you have been gaining market share on CASA deposits nationwide. Now with rate cuts, how do you see behaviour changing, any early signs of higher degree of competition, more preponderance of sweep accounts and so on and so forth? So, do you see market share stabilizing or you still see CASA market share growing for the Bank over the next, let us say, 12 months period?

Anindya Banerjee:
So, the current account is purely the result of presence in the transaction flows of corporates, businesses, capital markets players and so on. The savings account is the result of being sort of the primary bank or the transacting bank of the retail customer. And that is how money comes in, goes out and some level of float stays in those accounts. I do not think that there is any particular change in the competitive scenario. If you see in the quarter, I think rate actions taken by all the large banks have been more or less in the same line given the decline in the overall interest rates and the policy environment. And we would continue to focus on this segment through increasing customer acquisition, increasing our share of the customers' wallet and trying to become the primary banker. So, we would hope that we will continue to do reasonably well.

Moderator:

Next question is from the line of Nitin Aggarwal from Motilal Oswal.

Nitin Aggarwal:

Congrats on another set of good numbers. I have three questions. One is around the decline in cost of deposits that we have reported in the quarter. So, it seems fairly sharp 15 basis points decline. So, is it like the unwinding that we have done in respect to the high cost deposits that has resulted in this kind of decline and has it played out fully or this will continue along with the SA cut benefits in Q2 also?

Anindya Banerjee:

There is no unwinding. As I said, the impact of the equal month convention on the reported NIM for the quarter and other ratios for the quarter is negligible. So, as far as the decline in deposits cost, it is clearly the reduction in the savings account deposit rate, large part of it was 25 basis points that was there in April, the benefit of that has been there for pretty much the full quarter. And then on the higher value deposits, there was another cut in May, which also helped. In addition, of course, for the retail term deposits also gradually, the incremental rates repricing would reflect. Plus during the quarter, we saw a reasonable reduction in our wholesale deposit book given the continued strong growth in CASA and retail term deposits and the high liquidity that we were running. The runoff of the wholesale deposit book also helped in the funding cost.

Nitin Aggarwal:

Yes. Actually I was referring to the wholesale deposit unwinding that we have done. So, the benefit of that has played out fully in this quarter or do you expect that to continue?

Anindya Banerjee:

It is difficult to really say. We have not been aggressively raising wholesale deposits. So, as I said in the opening remarks, we would continue to see a gradual benefit of deposits cost repricing in Q2. But there will also be a higher impact of the 50 bps repo cut of June.

Nitin Aggarwal:

Right. And second question, Anindya, is around the unsecured retail growth. So, how are we looking at that segment? Because while we have been able to deliver healthy growth, but because of the systemic softness in the overall credit demand, the overall growth has come down as well. And our unsecured retail segments have not been able to contribute as you know. So, how are we seeing at those segments given the asset quality has seen some stabilisation. So how do we look at those segments in terms of their contribution going forward?

Anindya Banerjee:

We can do more on both personal loans and credit cards. In personal loans, I think as we may have commented in the past, we are quite comfortable with the quality of origination done over the last 12 to 15 months. So, I think we can see volumes pick up and see some better growth there. And similarly, on cards also going forward, maybe some better customer acquisition is also something we can see. So, I think we are quite focused on both the segments. We could do better there than what we have done in Q1.

Nitin Aggarwal:

Right. And lastly, on the business banking, that is a segment which has been growing very well for us and very good yields. But how do you really ensure that we don’t go on to see some challenges in respect to asset quality because the kind of growth on a very decent base that the segment is at now, so how do we ensure that we don’t get into sort of asset quality challenges in the segment? Any tightening that we have done in the recent quarters? So, we have talked about the underwriting being tightened in the past. Are we looking at this on a continuous basis as the environment is getting tougher around some of these segments?

Anindya Banerjee:
As I said, we monitor the portfolio continuously. Just to put the numbers in context, if you look at the gross NPA additions to the corporate and business banking portfolios in the quarter were about 10 billion Rupees on an aggregate portfolio of about 5.6 trillion. The business banking portfolio alone is now about 2.7 trillion. So, I think the current sort of credit behaviour and asset quality is extremely benign. And we will probably see some increase going forward, but credit costs today are negligible. So, they may go up slightly. But the portfolio is granular and tightly monitored.

Nitin Aggarwal:
Right. Thanks, Anindya. This is really helpful.

Moderator:
We will take our next question from the line of MB Mahesh from Kotak Securities. Please go ahead.

MB Mahesh:
Anindya, on this question on margins, just on the yield side, with the drop of 25 basis points that you have seen, is it possible to kind of quantify how much of the repo rate cuts have flown through the loan book?

Anindya Banerjee:
We have not quantified it. If you look at the February cut, I think it would have largely flown through almost entirely. The April cut also would have substantially flown through. Maybe we have a little bit more to happen in Q2. The June cut, I would say has not flown through much and most of that will come through in Q2.

MB Mahesh:

Sorry, just to answer the previous question, you said that the bulk of the benefit on the cost of deposit side has come from the savings account given that the contribution of wholesale is fairly small?

Anindya Banerjee:

That is just computable, 25 bps cut on the portfolio that would have yielded a reasonable benefit.

MB Mahesh:

And the second question is on the demand environment. When you say that you are ready to accelerate, portfolio is good, is it a question of demand being an issue on the ground or is it a problem with pricing?

Anindya Banerjee:

I think maybe there is some pricing, but probably we also need to focus a little more on the distribution and the throughput. I would not say that in some of these segments, it is purely demand, if you are talking about PL and cards. In other segments, of course, overall loan growth in the system is what it is. So that reflects some softness in demand.

MB Mahesh:

Perfect. And last one question. Are you allowed to restructure any standard assets let's say, in a default book in the SMA-0, 1 and 2, are you allowed to restructure it and classify it as standard?

Anindya Banerjee:

No.

MB Mahesh:

Okay. Thank you.

Moderator:

Next question is from the line of Piran Engineer from CLSA.

Piran Engineer:

Congrats on the quarter. Just firstly a couple of clarifications on previous question. So, Nitin's question on 15 bps reduction in cost of deposits, that also includes the number of days thing, right? Like core deposit cost would not have gone down 15 bps, correct QoQ?

Anindya Banerjee:

As I said, the margins for the first quarter on both basis, there would be a negligible difference, which is what we have mentioned in our opening remarks. Relative to the fourth quarter, the decline in margins would have been somewhat lower on a comparable basis.

Piran Engineer:

But then, Anindya, how do I think about it in the context of you versus peers where your margins are down, say, 5-6 bps, core NIM. HDFC, Axis are down 12-13 bps. Is it just a more delayed pass-through of the repo rate cuts, is that how I should simplistically put it? Because all of you all have cut SA rates at approximately the same time and by the same amount.

Anindya Banerjee:

I cannot really comment on others. I think, to begin with, we have been always saying that we have to look at the full year margin of last year of 4.3% and the repo rate cut and the lagged repricing of deposits will create some pressure on that. In the first quarter, I think we had the upfront benefit of the savings deposit rate cut, and we also had 6-7 basis points of the benefit of interest on income tax refund. As we go into Q2, the full impact of the 50 bps repo cut of June will come into effect. We will also have some continuing repricing of term deposits as well as the benefit of the savings rate cut that happened in May and June. And then in Q3, I guess, unless there is any change in the policy stance, the benefit of the CRR cut will also kick in.

Piran Engineer:
Okay. That is helpful. Just secondly, if I have to compare retail term deposits today versus wholesale term deposits today and even adjusted for the outflow rate and the LCR competition, would wholesale rates be similar to TD rates now or lower?

Anindya Banerjee:
No, lower. They would be lower.

Piran Engineer:
It will be lower, right? So, then why are we trimming wholesale deposits when it is lower? That is what I look at.

Anindya Banerjee:
I think it is a function of the overall liquidity that we are carrying if you look at the CASA and the term deposits. What has gone down is the deposits that were raised in the past at higher rates. If we get deposits at the rates we are quoting now, we will take them.

Piran Engineer:
Lastly on vehicle loans, I mean, our growth has gone down to 2%-3%, of course, demand has slowed down, there is no doubt about it. But it’s not slowed down so much also. Is this more a function of us just being cautious on pricing and that’s why we are choosing not to grow here?

Anindya Banerjee:

So, the price competition has always been a part of it and of course, the underlying asset class also is not growing at that pace.

Piran Engineer:

Okay, Got it. Thank you.

Moderator:

Ladies and gentlemen, we will take that as the last question for today. I now hand the conference over to management for closing comments. Over to you, sir.

Anindya Banerjee:

Thank you very much for taking time on a Saturday, and we are happy to clear any other doubts offline. Thank you.

Moderator:

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