

ICICI BANK LTD.

BUY

ICICI Bank Ltd. has reported strong performance for Q3FY12 with 17%Y-o-Y rise in NII to Rs 27.12bn as against 14% Y-o-Y growth during the previous quarter.

The key takeaways from the result are:

- **Balance sheet growth remained strong:-** With the 19% Y-o-Y growth in advances to Rs 2,461bn and 20% Y-o-Y growth in deposits to Rs 2,605bn, the total business increased to Rs 5,067bn as on December 31st 2011. The credit to deposit ratio stood at 94%, one of the highest in the industry.
- **NII increased by 17%:-** Substantial improvement in the asset quality led to better than estimated growth in the interest income, which grew by 28% Y-o-Y to Rs 85.91bn. Fee based income increased by 18% Y-o-Y to Rs 18.91bn. As a result, the total income went up by 24% Y-o-Y to Rs 104.82bn. Controlled cost of funds led to the improvement in NII. The interest expended during the quarter increased by 34% Y-o-Y to Rs 58.79bn as against 38% Y-o-Y increase in the previous quarter. Thus, NII increased by 17% Y-o-Y to Rs 27.12bn.
- **Operating profit increased by 14% Y-o-Y:-** Operating expenses stood at Rs 19bn which increased by only 1% Q-o-Q. Better top line performance and controlled operating expenses lifted operating profit to Rs 26.87bn.
- **Improvement in asset quality:-** Gross NPA declined by 5% Y-o-Y and 3% Q-o-Q to Rs 97.23bn. GNPA ratio declined to 3.82% from 4.14% reported in the previous quarter. Net NPA position also improved sequentially as NNPA ratio declined to 0.83% from 0.93%.

Based on a consolidated FY13 P/Adj. book value multiple of 1.7, the fair value per share for the company works out to Rs 1,029

Recommendations	<= 1 year	1 - 2 yrs	2 - 5 yrs
Strong Buy			
Buy			
Hold			
Reduce			
Sell			

Strong Buy – Expected Returns > 20% p.a.

Buy – Expected Returns from 10 to 20% p.a.

Hold – Expected Returns from 0 % to 10% p.a.

Reduce – Expected Returns from 0 % to 10% p.a. with possible downside risk

STOCK DATA

BSE / NSE Code	532174 / ICICIBANK
CMP Rs (31st Jan.12)	902
Market Cap (Rs mn)	1,005,631
52 Week High-low	1,139 / 641

STOCK RETURN (%)

	30D	3M	6M	1Y
ICICI Bank	31.8%	-3.1%	-13.1%	-11.6%
Sensex	11.3%	-2.9%	-5.5%	-6.2%
Nifty	12.4%	-2.4%	-5.2%	-5.6%

Total business stood at Rs 5,067bn; advances up by 19% Y-o-Y and deposits up by 20% Y-o-Y

Financial Snapshot

Projections (Rs Mn)	Q3FY11*	Q3FY12*	% chg	FY10A	FY11A	% chg	FY12E	FY13E
Interest Earned	66,960	85,910	28.30%	301,537	300,814	-0.24%	380,887	421,663
Interest Expenditure	43,840	58,790	34.10%	207,292	193,425	-6.69%	264,819	301,449
Net Interest Income	23,120	27,120	17.30%	94,245	107,389	13.95%	116,068	120,214
Non-Interest Income	17,490	18,910	8.12%	294,461	315,133	7.02%	295,067	333,123
Total Income	84,450	104,820	24.12%	595,998	615,947	3.35%	675,954	754,786
PAT	14,370	17,281	20.26%	48,434	63,183	30.45%	80,217	85,263
EPS Rs				42	55	31%	72	76
BVPS Rs				460	491	7%	568	635
Adj BVPS Rs				426	469	10%	542	605
NIM %	2.6%	2.7%		2.2%	2.3%		2.3%	2.2%
RoE %				9.4%	11.2%		12.7%	12.0%
PER x							12.5	11.8
Price/ BV							1.6	1.4
Price/ Adj BV							1.7	1.5

* Standalone results

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OTHER HIGHLIGHTS

Improvement in asset quality

With the decline in gross NPA by 5% Y-o-Y, the asset quality of the bank improved during the quarter. GNPA as on December 2011 stood at Rs 97.23bn. As a result, its GNPA ratio also declined to 3.82%. Despite having exposure to the ailing sectors like aviation infrastructure, improvement in the asset quality augers well for the bank.

Asset quality improved substantially; GNPA ratio declined to 3.95%

Domestic corporate advances remained the main driver for the credit growth

The bank has been continuously increasing its domestic corporate advances exposure. During the past few quarters, its contribution in the overall advance book of the bank has been increasing. It stood at 26% for the quarter under review. However the management has stated that, improvement in the asset quality and NIM is likely to help the bank to shift focus towards unsecured portfolios. This includes advances such as personal loans & credit cards. Currently these portfolios constitute only 1% and 3% respectively of its retail advances.

Corporate advances constituted 24% of the advances

Impressive subsidiaries performance

Domestic subsidiaries continued to post impressive performance during the quarter. Its online broking arm ICICI Securities reported Rs0.18bn PAT, while ICICI Prudential AMC, ICICI Lombard General Insurance reported Rs 0.22bn and Rs 1.01bn profit respectively. ICICI Prudential Life Insurance reported Rs 5.99bn profit and declared dividend for the first time since its inception.

Going forward, the focus is likely to shift towards retail lending

Based on a consolidated FY13 P/Adj. book value multiple of 1.70, the fair value per share for the company works out to Rs 1,029. We upgrade our rating from 'HOLD' to the "BUY" on the stock.

Subsidiaries continued to report good numbers

Financial Analysis and Projections(Consolidated)					
Particulars (Rs Mn)	FY2009	FY2010	FY2011	FY2012E	FY2013E
Interest Earned	362,507	301,537	300,814	380,887	421,663
Interest Expenditure	264,873	207,292	193,425	264,819	301,449
Net Interest Income	97,635	94,245	107,389	116,068	120,214
Other Income	283,759	294,461	315,133	295,067	333,123
Operating income	381,394	388,706	422,522	411,134	453,337
Total income	646,267	595,998	615,947	675,954	754,786
Operating expenses	331,741	322,950	338,624	304,179	339,654
PBT	49,653	65,756	83,898	106,955	113,684
Less:Tax	15,859	17,322	20,715	26,739	28,421
Profit After Tax	33,794	48,434	63,183	80,217	85,263
EPS (Rs)	32	42	55	72	76
BVPS	420	460	491	568	635
Adjusted Book Value (Rs)	379	426	469	542	605
Net Interest Margin (%)	2.2%	2.2%	2.3%	2.3%	2.2%
RoA (%)	0.7%	1.0%	1.2%	1.4%	1.3%
RoE (%)	7.2%	9.4%	11.2%	12.7%	12.0%
Valuation Ratios (x)				FY2012E	FY2013E
P/E				12.5	11.8
Price/ BV				1.6	1.4
Price/Adjusted BV				1.7	1.5
<i>EPS & BVPS adjusted for dilution on BOR amalgamation</i>					

