

### ICICI Bank

**BUY**  
**CMP Rs842**

ICICI Bank, the largest private sector bank has been consolidating its balance sheet for the next phase of credit cycle. The significant moderation in loan book, deterioration in asset quality and concerns pertaining to international exposure has hampered bank's valuation over the past few quarters. With material reduction in these apprehensions, valuation is likely to re-rate, however not significantly due to continuance of low return ratios. The improvement in economic environment as reflected in better IIP numbers and strong GDP growth points towards a substantial revival in credit demand soon. ICICI Bank with dominant market share in niche segments would be a key beneficiary of credit up-cycle. We recommend BUY.

#### Loan book shrinks, likely to pick up in FY11

For the past few quarters, ICICI Bank has been consciously reducing its loan book exposure especially the unsecured loans. It has adopted a selective lending stance and plans to lend towards secured loans including home loans, commercial vehicle, commercial and project financing. Bank's NIM is set to improve on the back of increasing CASA % in deposits. We expect the loan book to witness a 16% CAGR over FY10-12.

#### The 4Cs strategy has played well so far

The long articulated 4Cs strategy has started to prove beneficial. The bank has been witnessing surge in low cost deposit franchise on back of rapid branch expansion; its credit quality has improved as the management has adopted a selective lending stance; cost has declined over the past few quarters and the bank has sufficient capital to feed the next phase of credit cycle.

#### Valuations to improve; recommend BUY

Based on SOTP valuation we arrive at a fair value of Rs992 for ICICI Bank, implying an upside of 18% from current levels. We value the core banking business at Rs786 using our proprietary Bank 20 valuation model by assigning a FY11 P/BV multiple of 1.7x (a significant discount to peers and the bank's mean valuation in previous cycle). Other banking and non-banking subsidiaries are also facing improving business environment and we value them at Rs206, 22% of SOTP valuation of the bank.

#### Financials

Y/e 31 Mar (Rs m)	FY09	FY10E	FY11E	FY12E
Total op. income	159,703	158,122	174,832	201,639
yoy growth (%)	(0.9)	(1.0)	10.6	15.3
Operating profit (pre-provisions)	89,252	87,727	95,315	110,768
Net profit	37,581	36,894	40,786	47,318
yoy growth (%)	(9.6)	(1.8)	10.6	16.0
EPS (Rs)	33.8	33.1	36.6	42.5
BVPS (Rs)	404	438	466	496
P/BV (x)	2.1	1.9	1.8	1.7
ROE (%)	7.8	7.3	7.7	8.4
ROA (%)	1.0	1.0	1.0	1.0
CAR (%)	15.5	15.2	15.2	14.2

Source: Company, India Infoline Research

#### SOTP Valuation ñ FY11E

Business	Basis	Multiple (x)	Stake (%)	Value of stake (Rs bn)	Value/Share	% in total	
Core Business (based on Bank 20 valuation methodology)						786	78
<b>Other banking subsidiaries</b>							
ICICI UK	BV	0.5	100	13	12	1	
ICICI Canda	BV	0.5	100	17	15	2	
ICICI Eurasia	BV	0.5	100	2	2	0	
<b>Non-banking subsidiaries</b>							
ICICI Pru. Life Ins	NBAP	14.0	74	131	117	12	
ICICI Lombard Ins	PAT	12.0	74	16	14	1	
ICICI Pru. AMC	AuM	5.5	51	32	28	3	
ICICI Securities	PAT	5.0	100	7	6	1	
ICICI PD	PAT	5.0	100	8	7	1	
ICICI Venture Fund	AuM	5.0	100	5	5	0	
<b>Total</b>					<b>992</b>	<b>100</b>	

Source: India Infoline Research

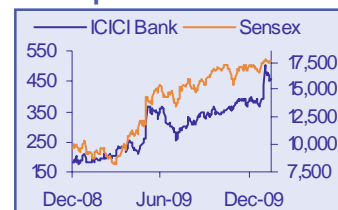
Based on SOTP valuation we arrive at a fair value of Rs992, implying an upside of 18% from current levels. We value the core banking business based on our proprietary Bank 20 valuation model and ascribe a FY11 P/BV multiple of 1.7x to arrive at core banking value of Rs786 implying 78% of total SOTP.

The other banking subsidiaries - ICICI Bank UK Plc, ICICI Bank Canada and ICICI Bank - Eurasia continue to weather the financial crisis. We assign a 0.5x multiple on its FY11 book to arrive at a combined value of Rs29 (3.0% of total SOTP value). This cheap valuations trigger for re-rating with improvement in business outlook.

The life insurance business continues to remain in doll-drum and we value this business at 18% NBAP margin and a 14x multiple to arrive at a business value of Rs177bn. With 74% stake in this business, ICICI bank stake is valued at Rs131bn or Rs117 per share. If we introduce the enterprise value (EV) into the SOTP valuation, the business valuation increases by 27% or to Rs149 per share.

Other non-banking subsidiaries - ICICI Lombard, ICICI securities, ICICI securities PD, ICICI Prudential AMC, ICICI venture account for Rs60 per share or 6% of the total SOTP value.

#### Share price chart



Source: Company, India Infoline Research

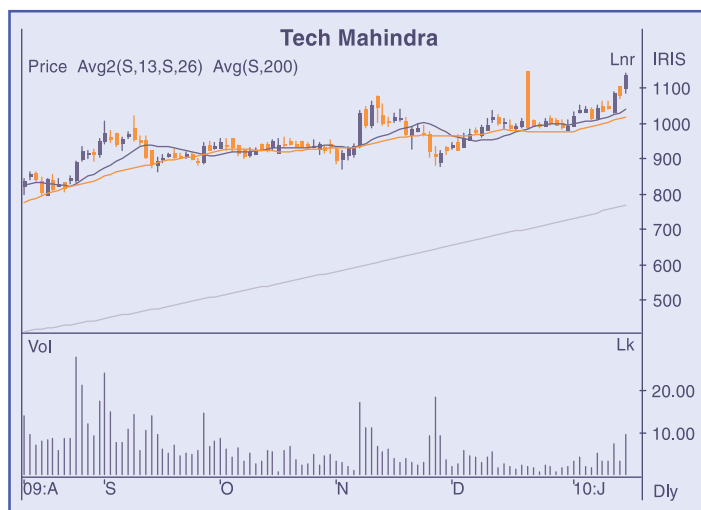
#### Shareholding pattern

December '09	(%)
FII & MF	61.2
Non promoter corp hold	2.8
Public & others	36.1

# India Infoline Weekly Wrap

## Technical ideas

**Tech Mahindra** **BUY**  
CMP Rs1,137



Since January 2009, Tech Mahindra has been in a structural uptrend. The stock is moving in an upward-pricing channel over the last four months. An extension of this upward channel over the next few days projects a near-term target of around Rs1,250

Immediate resistance for the stock would be around its 52-week high of Rs1,149 created in December 2009. On Friday, the stock attempted to break past the above resistance (52-week high) with impressive volumes.

We continue to remain positive on the stock from technical perspective as the stock has given a close above its key moving averages. The daily momentum oscillators i.e. RSI and MACD are suggesting strength in the current upmove. We recommend traders to buy the stock between the range of Rs1,125-1,150 with a strict stop loss of Rs1,100 for a target of Rs1,230 and Rs1,250.

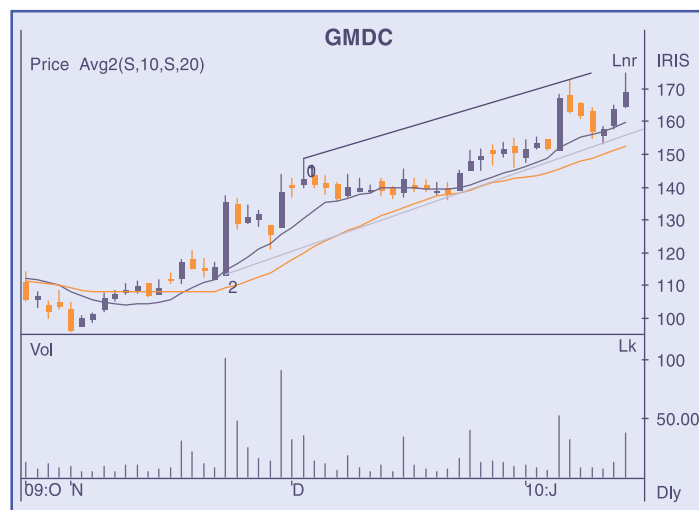
### Positive open interest build-up

Company	Price % chg	OI % chg	Vol (lacs)
UCOBank	5.7	36.5	1,462.2
BEML	5.1	20.4	851.9
BEL	0.0	18.9	96.8
Fin Tech	3.0	16.0	371.2
Bosch Ltd	1.3	15.5	406.3

### Technically strong

Company	CMP (Rs)	10 days Moving Average (Rs)	Total Traded Qty (lacs)	10 days Average Traded Qty (lacs)
R Com	192	179	202.1	59.6
Wipro	736	693	41.8	19.5
BEML	1,207	1,139	6.3	1.4
Aban	1,507	1,424	26.9	24.4
Cipla	350	340	34.0	16.5

**GMDC** **BUY**  
CMP Rs171



On the daily chart, the stock has formed a bullish price channel. In the above pattern, the stock slopes up and is bound by an upper and lower trend line. The upper trend line marks resistance and the lower trend line resembles support. As shown in the above chart, the lower support line was formed from the last week of November '09. Subsequent lows in the December and January confirmed the support line.

The upper resistance line is drawn from first week of December '09 onwards. Since then, the stock has been moving back and forth between the two parallel lines as shown in the above chart. On Friday, the stock rallied by over 3% confirming the bullish set up. We expect the stock to break past the critical resistance levels of Rs172-175.

A break above resistance is likely to lead to acceleration in the stock price. We recommend traders to buy the stock in the range of Rs167-173 with a stop loss of Rs161 on all long positions for a target of Rs186 and Rs189.

### Negative open interest build-up

Company	Price % chg	OI % chg	Vol (lacs)
IOB	(0.3)	19.1	123.2
MCDOWELL-N	(3.8)	18.9	35.5
TataChem	(2.2)	17.8	120.6
IB Real Estate	(1.0)	14.2	8.2
Mphasis	(0.7)	13.9	95.1

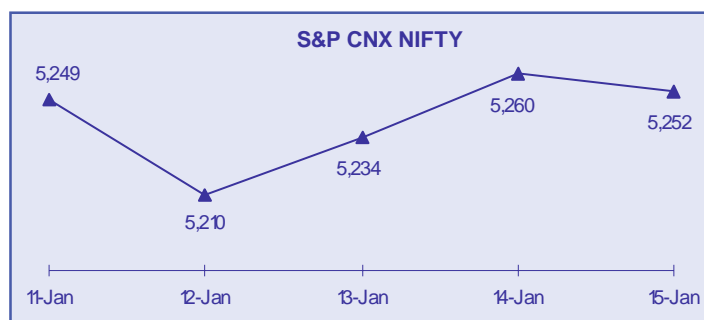
### Technically weak

Company	CMP (Rs)	10 days Moving Average (Rs)	Total Traded Qty (lacs)	10 days Average Traded Qty (lacs)
SAIL	237	243	37.3	104.8
BPCL	617	632	5.3	9.3
JSL	121	123	3.1	12.8
Hindalco	167	170	56.0	172.1
SRF	207	211	2.2	6.6

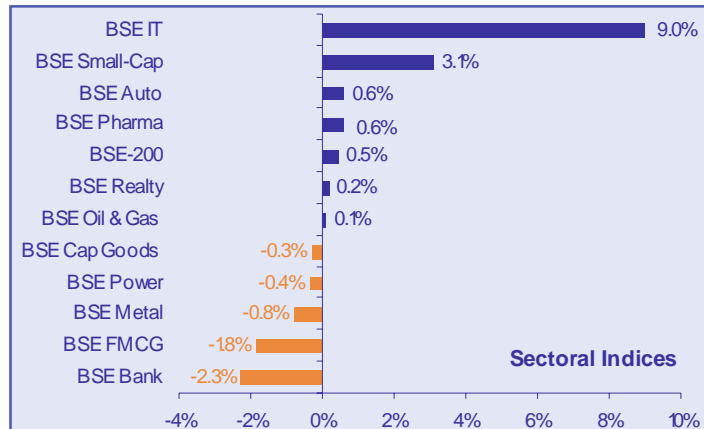
# India Infoline Weekly Wrap

## Market review

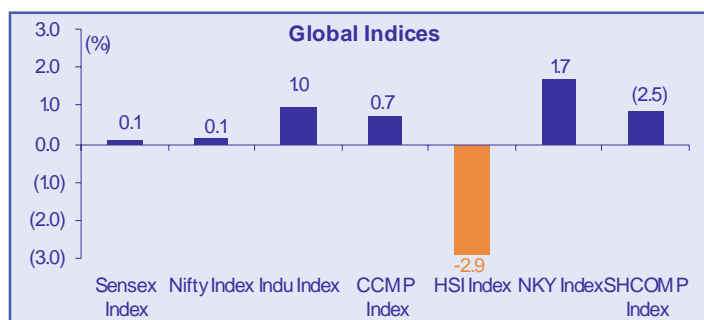
Key indices continued to trade in a narrow range despite Infosys' stellar results and strong IIP numbers. Meanwhile, India's inflation stood at 7.31% in December 2009 as compared to 4.78% in the previous month, putting pressure on the RBI to suck out excess money from the system to control prices. Finally, the BSE Sensex and the NSE Nifty closed flat during the week.



IT stocks rose during the week after Infosys announced its Q3 earnings, beating most expectations and raising hopes that other software firms may also come out with forecast-beating numbers. Fears of a probable hike in policy interest rates unnerved investors, and dragged the banking stocks lower.



Disappointing results from Alcoa and China's surprising hike in the CRR weighed heavily on the global markets. In the US, President Barack Obama announced a levy on the banking industry to pay for the financial bail-out. In Europe, the ECB left key rates unchanged at record lows.



\*As per previous close

## FII & MF activity

Date	(Rs cr)	
	FII Net Investment	MF Net Investment
07-Jan	302	(422)
08-Jan	151	(158)
11-Jan	4,744	55
12-Jan	(262)	(263)
13-Jan	(44)	(394)
<b>Total 2009</b>	<b>2,603</b>	<b>(725)</b>

## BSE Sensex & BSE 200 Top Five Gainers

BSE Sensex			BSE 200		
Company	CMP (Rs)	% Chg	Company	CMP (Rs)	% Chg
TCS	791	13.1	Dish TV	50	19.5
Wipro	736	10.2	NMDC	478	14.2
Infosys	2,676	8.6	Bombay Dyeing	579	13.2
ACC	981	7.5	Madras Cements	132	11.3
R Com	192	5.9	REC Ltd	267	11.0

## BSE Sensex & BSE 200 Top Five Losers

BSE Sensex			BSE 200		
Company	CMP (Rs)	% Chg	Company	CMP (Rs)	% Chg
SBI	2,143	(6.2)	United Brew	281	(6.9)
Hindalco	167	(3.9)	Balrampur Chini	135	(6.1)
ICICI Bank	842	(3.6)	IFCI	54	(5.9)
HUL	256	(3.6)	United Spirits	1,273	(5.8)
Reliance Infra	1,126	(3.3)	Educomp Sol	733	(5.3)

## Bulk deals

Date	Institution	Scrip name	B/S	Qty (lacs)	Price
11-Jan	Citigroup GI	Magma Fincorp	B	6.6	185
11-Jan	Citigroup GI	Shri Lakshmi C	B	2.0	118
11-Jan	Pru ICICI AMC	Spureme Infra	S	1.9	194
12-Jan	Deutsche Sec	Northgate Tech	S	2.2	32
12-Jan	HSBC	Prithvi Info	S	1.3	75

## Book closures and record dates

Company	Date	Purpose
Supreme Inds	19-Jan-10	Int Dividend
Infra Infote	30-Jan-10	Bonus issue
-	-	-

# India Infoline Weekly Wrap

## Mutual fund round-up

### India Infoline picks

Mutual Funds	Assets (Rs Cr)	NAV (Rs)	Absolute return (%) as on January 14, 2010							
			1wk	1mth	3mth	6mth	1yr	2yr	3yr	5yr
DSP-BR Equity Fund - RP (G)	1,552	15.0	0.6	7.0	9.3	37.9	103.8	0.3	--	--
Fidelity Special Situations(G)	1,129	16.5	1.1	5.6	7.6	31.0	110.6	(9.7)	24.0	--
HDFC Prudence Fund (G)	3,418	178.7	1.4	5.3	7.8	32.1	98.2	10.7	52.9	222.5
ICICI Prudential Dynamic Plan (G)	1,753	93.3	0.8	5.7	10.5	34.3	93.0	0.7	37.9	283.8
ICICI Prudential Tax Plan (G)	1,011	124.4	0.7	6.4	14.1	45.9	129.8	(2.9)	29.9	202.7

### Fund this week: ICICI Prudential Tax Plan

Fund snapshot		Asset allocation (%)	
Fund Manager	Sankaran Naren	Equity	91.6
Latest NAV	Rs124.4	Debt	0.0
NAV 52 high/low	Rs124/48	Cash/call	8.4
Latest AUM (cr)	Rs1,011	<b>Top 5 holdings (%)</b>	
Type	Open-ended	Cadila Healthcare Ltd.	5.4
Class	Equity - diversified	Infosys Technologies Ltd.	5.0
Options	Growth & dividend	Bharti Airtel Ltd.	4.8
Min investment	Rs500	Zuari Industries Ltd.	4.5
Entry load	Nil	Reliance Industries Ltd.	4.2
Exit load	Nil	<b>Top 3 sectors (%)</b>	
Benchmark	S&P Nifty	IT - Software	12.2
No. of stocks	59	Pharmaceuticals	10.4
Expense ratio	2.0%	Bank - Private	7.5

### NFO update

Fund Name	Close	Type	Class
Kotak Nifty ETF	19-Jan	OE	ETF
IDFC Asset Allocation Fund	25-Jan	OE	FOF
Fidelity Global Real Asset Fund	29-Jan	OE	FOF

### Dividend update

Mutual Fund	Dividend %	Record date	Class
Sahara Bk & Financial Srv	40.0	19-Jan	Eq - Them
Fortis Equity Fund	1.0	20-Jan	Eq - Div
IDFC Tax Advantage	25.0	20-Jan	Eq - ELSS

## Commodity, debt and currency graphs



\* As per previous close

India Infoline Ltd, One India Bull Center, Jupiter Mill Compound, 841, Senapati Bapat Marg, Nr, Elphinstone Road, Lower Parel (W), Mumbai 400 013.

The information in this newsletter is generally provided from the press reports, electronic media, research, websites and other media. The information also includes information from interviews conducted, analysis, views expressed by our research team. Investors should not rely solely on the information contained in this publication and must make their own investment decisions based on their specific investment objectives and financial position and using such independent advisors as they believe necessary. The materials and information provided by this newsletter are not, and should not be construed as an advice to buy or sell any of the securities named in this newsletter. India Infoline may or may not hold positions in any of the securities named in this newsletter as a part of its business. Past performance is not necessarily an indication of future performance. India Infoline does not assure for accuracy or correctness of information or reports in the newsletter.