ANAND RATHI

India I Equities

Banks

Initiating Coverage

24 March 2009

ICICI Bank

Value, with lots of negatives cooked in; Initiate at Buy

Rating: **Buy**
Target Price: Rs430
Share Price: Rs355

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- **Buy.** We initiate coverage on the ICICI Bank with a Buy and a target of Rs430. We expect on-going fundamental improvements and adequate NPA coverage to lead to stable RoEs over FY09-11. We believe the subsidiaries have value, and are not reflected in the stock price.
- **Fundamental improvements underway.** The bank has been slowing asset growth and placing greater emphasis on protecting margins, improving productivity and maintaining credit quality. These measures would improvement fundamentals.
- **Subsidiaries have value, not reflected.** Key subsidiaries of the bank (in life insurance, general insurance, asset management and the securities business) are leaders in their businesses. In our view, the current price does not reflect the value of the subsidiaries, which we estimate at Rs105.
- **Adequate NPA coverage.** At 51%, ICICI's NPA coverage is not the best, but should hold it in good stead when asset quality is under duress. The coverage ratio is expected to be +50% over FY09-FY11, with net NPAs at ~3.2% in FY10.
- **Valuation.** Our fair value of Rs325 (standalone bank) is based on the two-stage DDM (CoE: 15%; beta: 1.3; Rf: 6.5%). We value its subsidiaries at Rs105 a share. At our target price of Rs430, ICICI would trade at 1.1x FY10e ABV. Its target multiple is at a 40% discount to HDFC Bank's and a 5% premium to the sector.

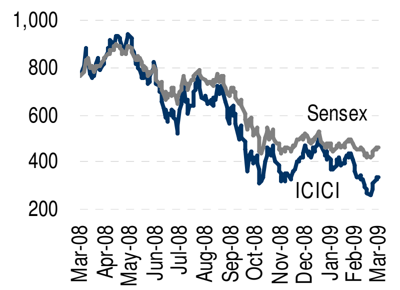
Key data	ICICIBC IN/ ICBK.BO
52-week high/low	Rs971/252
Sensex/Nifty	9471/2939
3-m average volume	US$115.7m
Market cap	Rs392bn/US$7.7bn
Shares outstanding	1113m
Free float	92%
Promoters	8%
Foreign Institutions	37%
Domestic Institutions	14%
Public	41%

Key financials

Year end 31 Mar	FY07	FY08	FY09e	FY10e	FY11e
Net interest income (Rsm)	56,371	73,041	80,404	86,893	91,329
Net profit (Rsm)	31,102	41,577	40,850	44,561	47,483
EPS (Rs)	34.6	37.4	36.7	40.0	42.7
Growth (%)	20.9	8.0	(1.8)	9.1	6.6
PE (x)	10.3	9.5	9.7	8.9	8.3
PABV (x)	1.4	0.9	0.9	0.9	0.9
RoE (%)	11.3	9.6	8.5	8.7	8.7
RoA (%)	0.9	0.9	1.0	1.0	1.0
Dividend yield (%)	3.1	3.4	3.4	3.4	3.4
Net NPA (%)	1.0	1.5	2.2	3.2	4.5

Source: Company, Anand Rathi Research ; Note: Price as on 24 March 2009

Relative price performance



Source: Anand Rathi Research

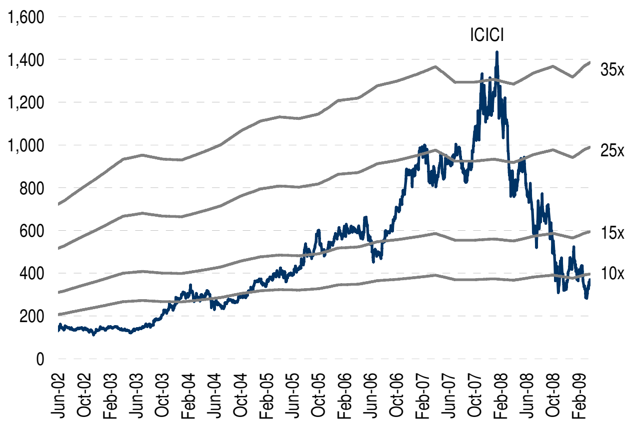
Quick Glance – Financials and Valuations

Fig 1 – Income statement (Rsm)

Year end 31 Mar	FY07	FY08	FY09e	FY10e	FY11e
Net interest income	56,371	73,041	80,404	86,893	91,329
NII growth (%)	65.9	19.7	29.6	10.1	8.1
Non-interest inc	69,279	88,108	80,295	88,474	97,401
Total income	125,650	161,149	160,698	175,367	188,730
Total income growth (%)	40.9	28.3	(0.3)	9.1	7.6
Op. expenses	66,906	81,542	67,493	71,901	75,492
Operating profit	58,744	79,607	93,205	103,467	113,238
Operating profit growth (%)	50.1	35.5	17.1	11.0	9.4
Provisions	22,663	29,468	38,373	43,653	49,502
PBT	36,081	50,139	54,832	59,813	63,736
Tax	9,443	15,695	13,982	15,252	16,253
PAT	26,638	34,444	40,850	44,561	47,483
PAT growth (%)	22.4	29.3	18.6	9.1	6.6
FDEPS (Rs/share)	34.6	37.4	36.7	40.0	42.7
DPS (Rs/share)	10.0	11.0	11.0	11.0	11.0

Source: Company, Anand Rathi Research

Fig 4 – PE Band



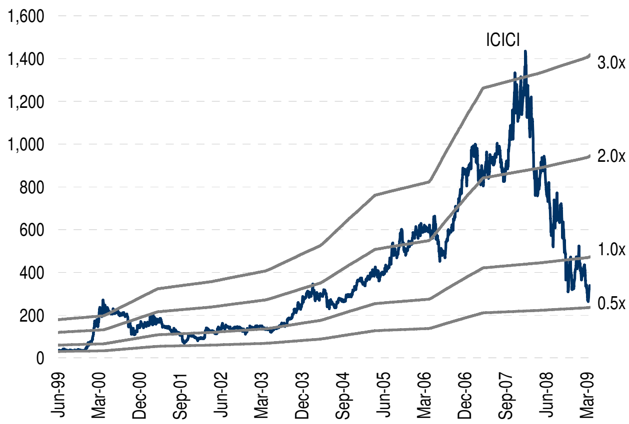
Source: Anand Rathi Research

Fig 2 – Balance sheet (Rsm)

Year end 31 Mar	FY07	FY08	FY09e	FY10e	FY11e
Share capital	8,993	11,127	11,127	11,127	11,127
Reserves & surplus	3,500	3,500	3,500	3,500	3,500
Deposits	234,139	453,575	482,043	512,830	546,539
Borrowings	2,305,102	2,444,311	2,146,904	2,392,743	2,589,109
Minority interests	894,847	1,085,438	1,366,779	1,615,775	1,912,135
Total Liabilities	3,446,581	3,997,951	4,010,353	4,535,975	5,062,409
Advances	1,958,656	2,256,161	2,200,577	2,445,384	2,611,670
Investments	912,578	1,114,543	1,051,983	1,136,553	1,198,757
Cash & Bank Bal	371,213	380,411	517,172	681,880	948,237
Fixed & Other Assets	204,133	246,835	240,621	272,159	303,745
Total Assets	3,446,581	3,997,951	4,010,353	4,535,975	5,062,409
No. of shares (m)	899	1,113	1,113	1,113	1,113
Deposits growth (%)	39.6	6.0	(12.2)	11.5	8.2
Advances growth (%)	34.0	15.2	(2.5)	11.1	6.8

Source: Company, Anand Rathi Research

Fig 5 – Price-to-Book Band



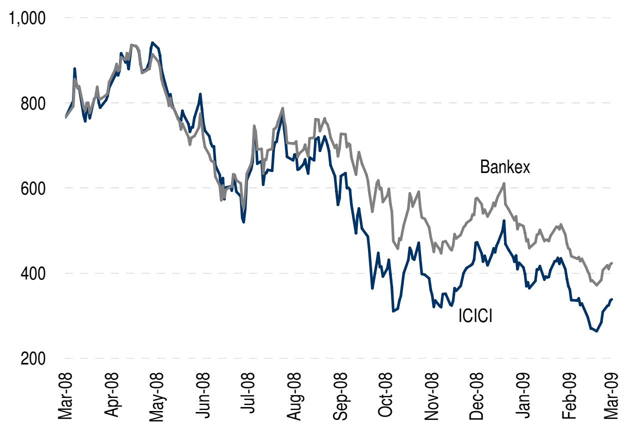
Source: Anand Rathi Research

Fig 3 – Ratios

Year end 31 Mar	FY07	FY08	FY09e	FY10e	FY11e
Interest spread (%)	1.9	1.8	1.3	1.3	1.2
NIM (%)	2.0	2.1	2.2	2.2	2.0
Other inc / Total inc (%)	55.1	54.7	50.0	50.5	51.6
Cost-Income (%)	53.2	50.6	42.0	41.0	40.0
Provisions / Loans (%)	51.7	53.9	52.0	49.8	48.4
Dividend Payout (%)	29.0	29.5	30.1	27.6	25.9
Credit-Deposit (%)	85.0	92.3	102.5	102.2	100.9
Investment-Deposit (%)	39.6	45.6	49.0	47.5	46.3
Gross NPA (%)	2.1	3.4	4.5	6.3	8.7
Net NPA (%)	1.0	1.5	2.2	3.2	4.5
BV (Rs)	270.3	417.6	443.2	470.9	501.2
Adj BV (Rs)	248.2	386.3	400.0	401.0	396.4
CAR (%)	11.7	14.0	15.8	15.5	16.0
- Tier 1 (%)	7.4	11.8	12.2	11.7	11.6
Dividend Yield (%)	2.8	3.1	3.1	3.1	3.1

Source: Company, Anand Rathi Research

Fig 6 – Bankexvs ICICI Bank



Source: Anand Rathi Research

Investment Argument and Valuation

We initiate coverage on the ICICI Bank with a Buy and a target price of Rs430. We expect on-going fundamental improvements at the bank and adequate NPA coverage to lead to stable RoEs over FY09-11. We believe the subsidiaries have value, and are not reflected in the stock price.

Fundamental improvements underway

The bank is now slowing asset growth and placing greater emphasis on protecting margins, improving productivity and maintaining credit quality. In our view, these measures would lead to significant improvement in fundamentals ahead.

Subsidiaries have value, not reflected

Key subsidiaries of the bank – in life insurance, general insurance, asset management and the securities business – are leaders in their businesses. In our view, these hold considerable value and the current price does not reflect the value of the subsidiaries, which we estimate at Rs105.

Adequate NPA coverage

At 51%, ICICI's NPA coverage is not the best but should hold it in good stead when asset quality is under stress. The coverage ratio is expected to be +50% over FY09-FY11, with net NPAs at ~3.2% in FY10.

Valuation

Our fair vlaue of Rs325 (standalone bank) is based on the two-stage DDM (CoE: 15%; beta: 1.3; Rf: 6.5%). We value its subsidiaries at Rs105 a share. At our target price of Rs430, ICICI would trade at 1.1x FY10e ABV. Its target multiple is at a 40% discount to HDFC Bank's and a 5% premium to the sector.

Risks to our target price

- A sharp rise in NPAs is the key risk. In our earnings estimates, we have factored in a sharp rise in NPAs. Further deterioration in asset quality, more than our NPA estimates, pose downside risk to our target.
- The global financial turmoil could increase the marked-to-market provisions. ICICI's international assets comprise ~26% of consolidated assets, or Rs1,150bn (including US$8.7bn in the UK and C$5.5bn in Canada, both approximately Rs600bn). Growth in the UK has been affected following the global financial problems; it is strong in Canada (and has increased US$1bn qoq in 2QFY09). The international book has been a significant cause of concern since Jan '08. The bank has now quit the riskier CDO/CDS exposure to international companies. However, if global financial markets continue to be turbulent, there could be incrementally higher MTM losses ahead.

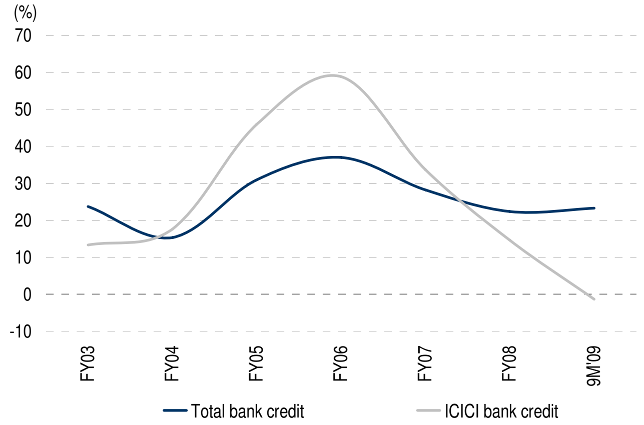
Fundamental improvements underway

ICICI bank is now slowing asset growth, and placing increased emphasis on protecting margins, improving productivity and maintaining credit quality. In our view, these efforts would lead to significant improvement in fundamentals ahead.

Credit growth now restrained

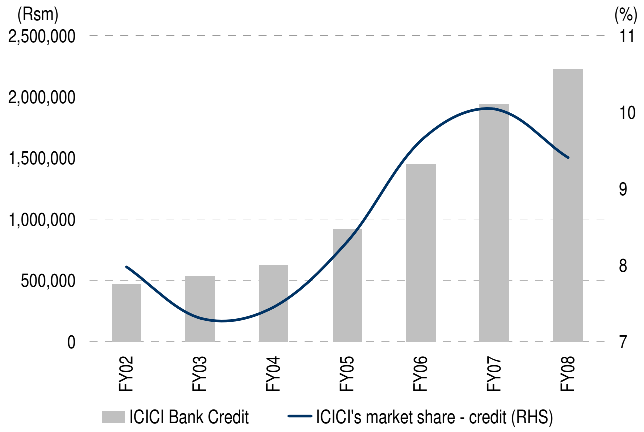
ICICI's credit has had a CAGR of ~34.4% over the last five years, much faster than the industry's 26.5%. In this period, the bank focused on volume growth, sacrificing margins. However, in the light of the present roiled macro-economic situation, there has been a shift towards modest asset growth. This is obvious from ICICI's credit growth in FY09 so far. Its loan book slipped ~1% yoy and ~4% qoq in 3QFY09 to Rs2,125bn.

Fig 7 – Credit growth, %, ICICI vs Industry



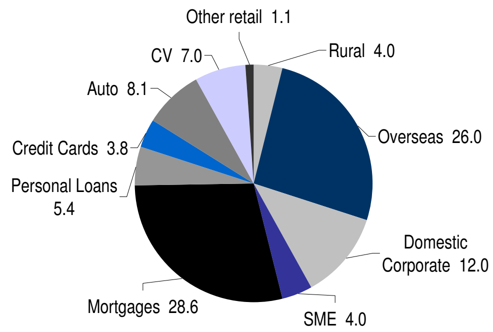
Source: Reserve Bank of India, Company, Anand Rathi Research

Fig 8 – Credit portfolio



Source: Company, Anand Rathi Research

Fig 9 – Sector exposure (FY08)

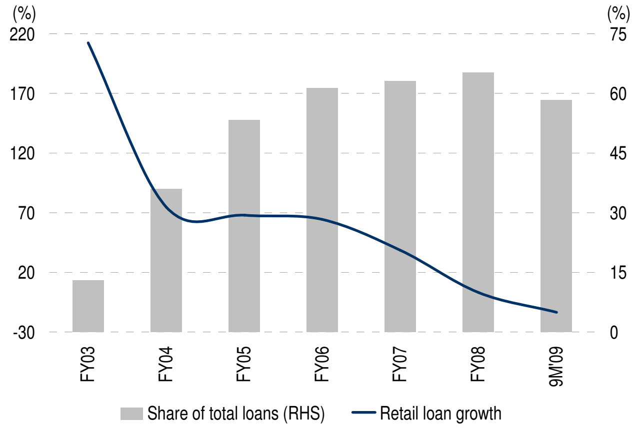


Source: Source: Company, Anand Rathi Research

Retail portfolio shrinking

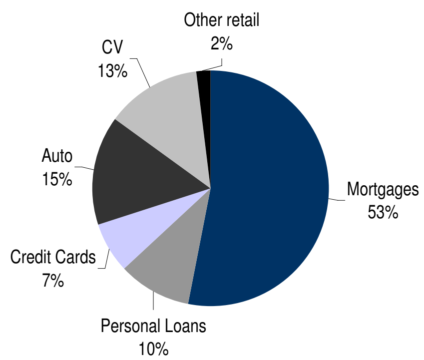
In the last few years the retail segment had been the mainstay of the bank. Growth here has now been slower than in the bank's overall portfolio. Management has consciously decided to shrink the retail portfolio, which has declined ~13% yoy and ~6.5% qoq, and now constitutes ~54% of credit compared to ~63% a year ago. In our view, the bank has shied away from increasing retail loans, keeping profitability as the focus. With its cost of funds higher than other large players, and expected deterioration in retail assets, this is a prudent move.

Fig 10 – Retail loan growth / % of total assets



Source: Company, Anand Rathi Research

Fig 11 – Retail loans break-up (9MFY09)



Source: Company, Anand Rathi Research

International business – short-term woes, long-term potential

In the past few quarters the international business has become the significant growth driver for the bank. Growth has been helped to an extent by the rupee depreciation. The international business accounted for ~26% of the advances book in 9MFY09 (21% a year earlier).

Spreads under pressure

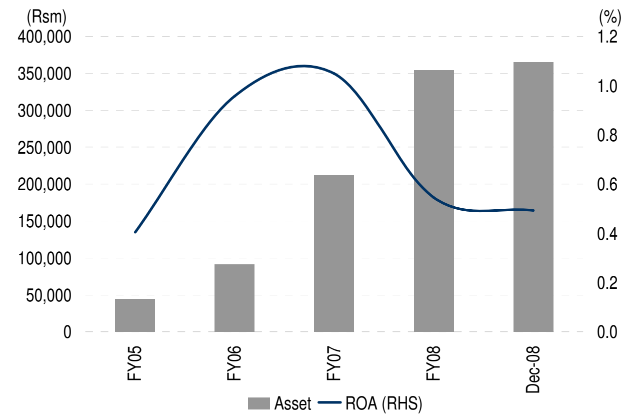
Through its UK and Canada subsidiaries, ICICI has been able to build a respectable deposit franchise. Retail deposits in the UK subsidiary alone amount to ~Rs20bn (US$5bn). Average tenure of these deposits is a couple of months, as ~65% of retail deposits in the UK are primarily savings deposits. These are invested in short-term debt securities, as the behavioral pattern of these deposits has yet to be firmly established. Hence, spreads generated by the bank on retail deposits are marginal.

Management is of the view that the bank needs at least another 12 months to fully comprehend this behavioral pattern of retail deposits. Until then, spreads will come under short-term pressure. In the long term, we expect improving spreads, as retail deposits are disbursed as loans.

RoA not to show dramatic improvement

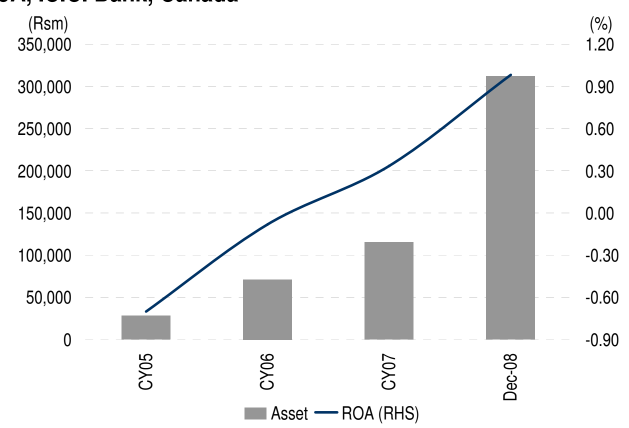
Its international business is still not generating the same returns on assets as its domestic business, because of low margins, slowing business volumes and consequently lower fee income. Hence, we expect the RoA to be subdued till business volumes and/or spreads improve substantially.

Fig 12 – RoA, ICICI Bank, UK



Source: Company, Anand Rathi Research

Fig 13 – RoA, ICICI Bank, Canada



Source: Company, Anand Rathi Research

Credit growth to moderate

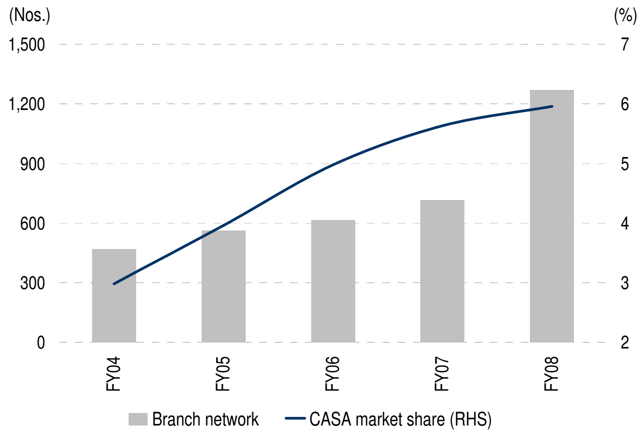
The economic slowdown continuing through FY09 and FY10 could severely hit credit growth and raise the risks in asset quality. Indian banks are now far more cautious in this downturn than previously, and are cutting down on credit lines. Rising consumer credit concerns have made ICICI more risk averse towards consumer credit. In the light of the worrisome economic conditions and the overall slowdown in demand for consumer credit, we expect credit growth for the bank at a modest CAGR of 13.6% over FY09-11.

Liability focus - CASA

With its cautious approach to asset growth, the bank is now focusing on increasing its share of retail deposits, primarily low-cost deposits or CASA. This has resulted in it reducing bulk deposits, shrinking the overall deposit base 9% yoy (6% qoq) in Dec '08. Part of the shrinkage is attributed to the bank's image taking a severe hit on bankruptcy rumors.

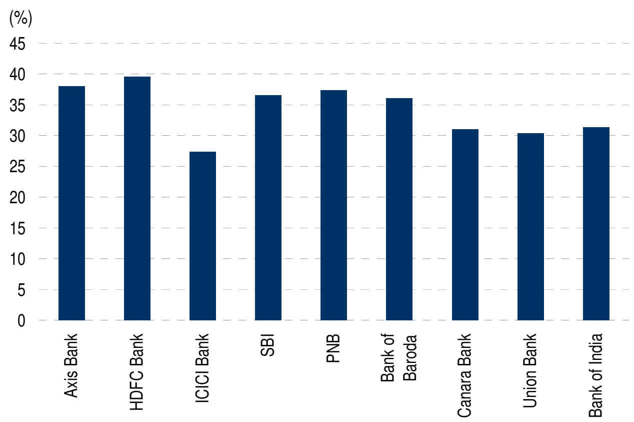
In 3QFY09, the bank's CASA share declined ~260bps qoq to 27.4%. Management is aiming at a CASA share of ~35% by Mar '10. The task is daunting, but not impossible. With asset growth slowing, we believe the bank now has an immense opportunity to alter its deposit profile in favor of low-cost deposits. After an intensive exercise by the bank to regain confidence, retail deposit mobilization is slowly picking up. We expect the bank's CASA share to be ~31% in FY10.

Fig 14 – CASA market share trend vs increase in branch network



Source: Company, Anand Rathi Research

Fig 15 – CASA, %, peer comparison



Source: Company, Anand Rathi Research

Productivity to improve

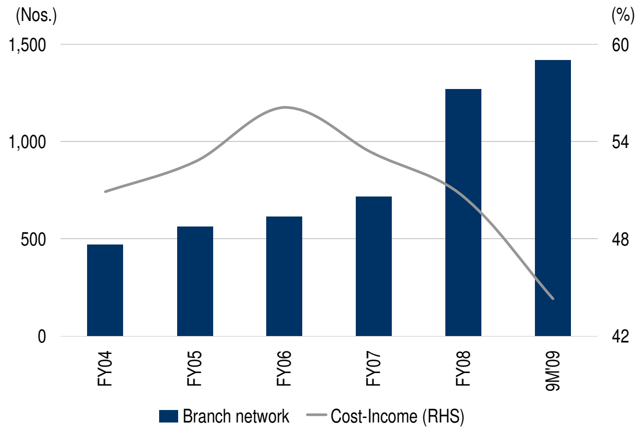
Given the pressure on revenue and profitability, the bank has been focusing on reducing costs. In our view, reduction in costs would be driven by slowing retail asset growth, as it impacts direct marketing costs and lower incentive payouts to employees.

Despite the increase in the number of branches (1,400; up from 950 a year ago), the bank has done a creditable job in controlling costs. Operating expenses declined 10.3% in 9MFY09, of which direct marketing agent (DMA) expenses plunged 59.8% yoy.

We expect operating expenses to register a compound annual decline of 1.2% over FY09–11, improving productivity. Slowing retail disbursement and a shift in focus from direct selling agents (DSAs) to its own branches should lead to considerable savings in DMA expenses. Modest wage hikes, focus on employee productivity and rationalization in headcount should lead to a slower increase in employee expenses.

We expect that the measures the bank has taken to contain costs would improve its intrinsic profitability. We expect the cost-to-income and cost-to-assets percentages in FY10 at 41% and 1.7% respectively.

Fig 16 – Cost-income, %, vs branches



Source: Company, Anand Rathi Research

Subsidiaries have value, not reflected

Key subsidiaries of the bank – in life insurance, general insurance, asset management and the securities business – are leaders in their businesses. In our view, the market price does not reflect the full value of the subsidiaries. This we estimate at Rs105.

Fig 17 – ICICI Bank subsidiaries – Valuation

	Stake %	Value for ICICI Bank Rsm	Per share value Rs	Valuation Method
ICICI Prudential Life Insurance	74	123,506	85.0	12x FY10E NBAP (18% NBAP margin)
ICICI Lombard General Insurance	74	13,986	12.6	10x FY10E earnings
ICICI Asset management	51	12,116	10.9	5% of Jan2009 AUM - Rs475bn
ICICI Securities	50	7,656	6.9	9x FY10E Earnings
ICICI Ventures	100	12,740	11.4	10% of AUM US$2.6bn
ICICI Home Finance	100	-	20.0	1x FY10EBV
ICICI Securities Primary Dealer	100	-	4.0	1x BV
ICICI Bank UK	100	-	13.0	0.5x FY10BV
ICICI Bank Canada	100	-	12.0	0.5x FY10BV
Total Value of Subsidiaries			**175.8**	
Less: Holding company discount (40%)			70.3	
Net value of subsidiaries			**105.5**	
Value of the bank			324.8	0.8 FY10ABV
Total			**430.2**	

Source: Anand Rathi Research

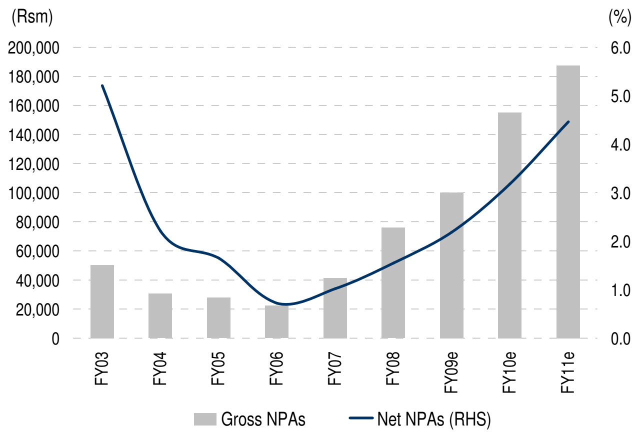
Adequate NPA coverage

At 51%, ICICI's NPA coverage is not the best but should hold it in good stead when asset quality is under stress. The coverage ratio is expected to be +50% over FY09-FY11, with net NPAs at ~3.2 in FY10.

Asset quality deteriorating

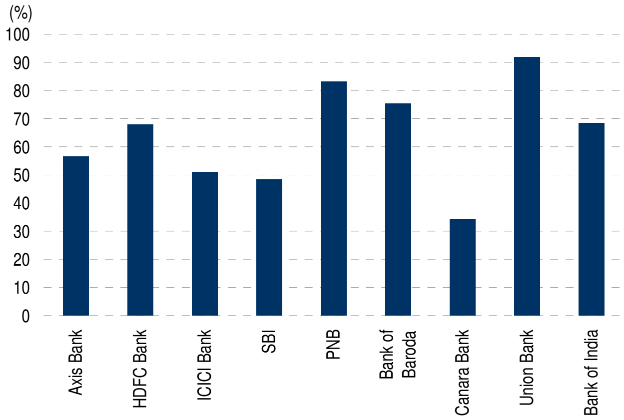
ICICI's asset quality has so far been comfortable but is gradually deteriorating. In 9MFY09, gross NPAs slid 5.4% yoy. The coverage level is not the highest among large-cap banks, though adequate enough at 51%. In the past several quarters, NPAs have risen – absolutely and percent-wise – because of the quicker pace of credit growth. Gross and net NPAs now stand at 4.1% and 2.1%, respectively.

Fig 18 – NPAs



Source: Company, Anand Rathi Research

Fig 19 – Coverage (peer comparison)



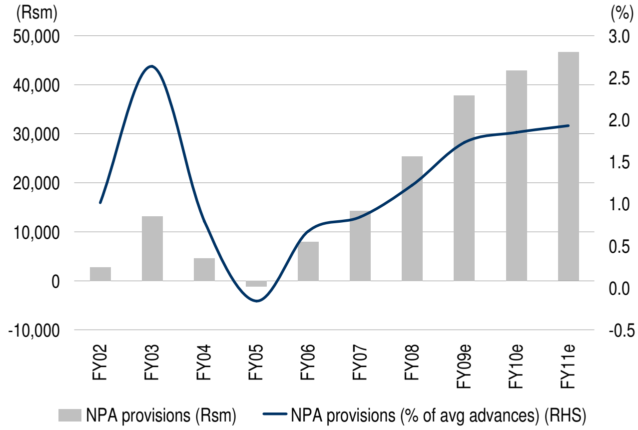
Source: Company, Anand Rathi Research

Asset quality concerns legitimate

In the present roiled macro-economic conditions, concerns regarding asset quality are valid. Accordingly, we have factored in a 54.9% yoy increase in gross NPAs in FY10. The impact of an economic slowdown, in our view, would be reflected in higher NPAs in FY10, rather than in FY09, as banks are planning to reschedule their loans, especially to SME customers. With the window of restructuring available, we expect some of the NPAs to further spill over to FY11.

With its adequate NPA coverage, we expect ICICI Bank to be comfortable even with the expected rising delinquencies. The coverage ratio is expected to be +50% over FY09-FY11, with net NPAs at ~3.2% in FY10.

Fig 20 – Loan-loss provisions (absolute and percent)



Source: Company, Anand Rathi Research

Financials

We expect a 6.6% CAGR in ICICI Bank's NII over FY09-11 and 7.8% in its PAT. The RoE is expected to come in at 8.7% in FY10 and 8.7% in FY11.

Business growth to decelerate

ICICI is likely to register business growth of 11.3% in FY10 and 7.5% in FY11. We expect an 8.9% CAGR in advances over FY09-11, with deposits at a CAGR of 9.8%. Within advances, we expect faster growth in its international loans, increasing 16.2% yoy and accounting for ~23% of overall loans at the bank in FY10.

NIM to be stable

In 3QFY09, ICICI Bank reported a stable NIM, at 2.4%. The cost of funds increased 43bps qoq due to a surge in wholesale borrowing costs and deterioration in CASA. However, the rise in yields and cut in reserve requirements (SLR and CRR) offset the increase in costs, keeping the NIM stable.

We expect NIM to be stable, at 2.2% in FY10 and 2% in FY11 The bank would attempt to increase its CASA share and protect margins. However, in our view, it is unlikely to increase substantially in the short term, since it faces confidence issues in retail deposit mobilization. This could slow down CASA mobilization. We expect the bank's CASA share to be ~31% in FY10.

The increasing share of CASA and falling cost of deposits, and further cuts in the SLR and CRR could lead to the actual NIM turning out better than our estimates.

Non-interest income to grow slower

Fee-based income for the bank has improved in the past few years (at a 36.7% CAGR through FY05-08), driven by increasing volumes of business and forex income. Deeper penetration into the retail segment aided the growth in processing fees. This contributed to fee-income growth.

We expect these segments to sustain healthy contributions, though at a much slower pace than before, aided by the bank's retail customer relationships, large branch and ATM network and fees from non-funded exposures. The fees linked to asset origination are expected to grow at a much slower pace, in line with modest business growth. Slowing growth in its international business may bring down the fees associated with it. We estimate fee income at a 13.4% CAGR over FY09-11.

We expect ICICI to register treasury income over FY09-11, though at levels much lower than in the past. We have conservatively factored in treasury income at 68bps of average G-Secs, compared to ~288bps in the previous downturn (FY02-FY04). Treasury income would be much lower than in the past because banks have lower SLR holdings now (~29% vs 34% then), excess SLR is now ~5% (vs ~9% then) and banks would protect their NIMs to an extent by holding high-yield investments.

We estimate ICICI Bank's non-interest income to have a CAGR of 10.1% over FY09-11. Growth could surprise on the upside on the back of better-than-expected treasury gains.

Cost-to-income to improve

We expect the cost-to-income ratio to further decrease, as we expect the bank to leverage its branches further. We believe that the focus on raising cost efficiency would likely cushion earnings decline from falling growth in operating income.

The rise in employee expenses is expected to slow due to lower wage hikes, employee rationalization and greater focus on productivity. Initiatives to contain other operating expenses, advertisements and the decline in direct marketing expenses would result in an overall slowdown in operating expenses. We expect the cost-to-income and cost-to-assets percentages in FY10 at 41% and 1.7%, respectively.

Increasing NPA coverage

In the current macro-economic environment, asset quality concerns are genuine. Accordingly, we have factored in a 54.9% yoy increase in gross NPAs in FY10. We expect the loan-loss provisions to increase from an average of 91bps over the past three years to 170bps in FY09, 185bps in FY10 and 193bps in FY11.

With an adequate NPA coverage, we expect ICICI Bank to be comfortable with increasing expected delinquencies. The coverage ratio is expected to be +50% over FY09-FY11, with net NPAs at ~3.2% in FY10.

The sharp rise in provisions is expected to partly offset operating-profit growth and any treasury gains. However, ICICI would obtain some relief from the cut in provisioning requirement on standard assets from 50-200bps to 40bps.

Fig 21 – Income Statement

Year end 31 Mar (Rs m)	FY07	FY08	FY09e	FY10e	FY11e
Interest Income	219,956	307,883	319,264	327,855	351,412
Interest Expended	163,585	234,842	238,861	240,962	260,083
Net Interest Income	56,371	73,041	80,404	86,893	91,329
Growth (%)	19.7	29.6	10.1	8.1	5.1
Non-interest Income	69,279	88,108	80,295	88,474	97,401
Total Income	125,650	161,149	160,698	175,367	188,730
Non-interest income / Total Income (%)	55.1	54.7	50.0	50.5	51.6
Operating Expenses	66,906	81,542	67,493	71,901	75,492
Employee Expenses	16,168	20,789	49,945	51,768	52,844
Other Expenses	50,738	60,753	17,548	20,132	22,648
Pre-provisioning profit	58,744	79,607	93,205	103,467	113,238
Growth (%)	50.1	35.5	17.1	11.0	9.4
Provisions	22,663	29,468	38,373	43,653	49,502
Profit Before Tax	36,081	50,139	54,832	59,813	63,736
Taxes	4,979	8,562	13,982	15,252	16,253
Tax Rate (%)	13.8	17.1	25.5	25.5	25.5
Profit After Tax	31,102	41,577	40,850	44,561	47,483
Growth (%)	22.4	33.7	(1.8)	9.1	6.6
Number of Shares	899	1,113	1,113	1,113	1,113
Earnings Per Share	34.6	37.4	36.7	40.0	42.7

Source: Anand Rathi Research

Fig 22 – Balance Sheet

As at 31 Mar (Rs m)	FY07	FY08	FY09e	FY10e	FY11e
Share Capital	12,493	14,627	14,627	14,627	14,627
Reserves and Surplus	234,139	453,575	482,043	512,830	546,539
Net Worth	246,633	468,202	496,669	527,457	561,166
Deposits	2,305,102	2,444,311	2,146,904	2,392,743	2,589,109
Other Liabilities & Provisions	894,847	1,085,438	1,366,779	1,615,775	1,912,135
Total Loans	3,199,949	3,529,749	3,513,683	4,008,518	4,501,243
Total Liabilities	3,446,581	3,997,951	4,010,353	4,535,975	5,062,409
Advances	1,958,656	2,256,161	2,200,577	2,445,384	2,611,670
Investments	912,578	1,114,543	1,051,983	1,136,553	1,198,757
Cash & Bank Balances	371,213	380,411	517,172	681,880	948,237
Fixed & Other Assets	204,133	246,835	240,621	272,159	303,745
Total Assets	3,446,581	3,997,951	4,010,353	4,535,975	5,062,409

Source: Anand Rathi Research

Company Background & Management

ICICI bank is India's largest private sector bank and second largest bank overall. It was founded in 1994 by erst ICICI, which was then the country's leading development finance institution. Headquartered in Mumbai, the bank is present across the entire spectrum of financial services through its subsidiaries and joint ventures. The bank has a network of 1,416 branches and about 4,644 ATMs in India and operates in 18 countries.

Background

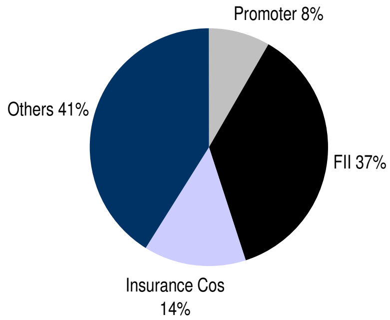
ICICI Bank was originally promoted in 1994 by ICICI Limited, an Indian financial institution, and was its wholly-owned subsidiary. ICICI's shareholding in ICICI Bank was reduced to 46% through a public offering of shares in India in fiscal 1998. In October 2001, the Boards of Directors of ICICI and ICICI Bank approved the merger of ICICI and two of its wholly-owned retail finance subsidiaries, ICICI Personal Financial Services Limited and ICICI Capital Services Limited, with ICICI Bank.

ICICI Bank's equity shares are listed in India on the Bombay Stock Exchange and the National Stock Exchange of India and its American Depositary Receipts (ADRs) are listed on the New York Stock Exchange (NYSE).

Management

ICICI is ably led by Mr K.V. Kamath (MD and CEO) and Ms Chanda Kochhar (JMD and CFO), who is set to take over the reins from Mr Kamath this calendar year.

Fig 23 - Shareholding Pattern (%)



Source: Bloomberg, Company

Appendix 1

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report.

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Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps (>US$2bn) and Mid/Small Caps (<US$2bn) as described in the Ratings Table below.

Ratings Table

	Buy	Hold	Sell
Large Caps (>US$1bn)	>20%	5-20%	<5%
Mid/Small Caps (<US$1bn)	>30%	10-30%	<10%

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