

Above estimates on lower provisions

ICICI Bank's core performance was in line with our estimate (PPP in line); though led by lower provisions the bottom-line was above expectations at 17.3bn (up 20.3% YoY). Asset quality remains comfortable with 1) GNPA stable QoQ 2) slippages under control (1.4%) 3) Credit costs under control at 60 bps and PCR healthy at ~79%. While the restructured portfolio has increased by 11% QoQ (with additional Rs13bn under consideration), it remains comfortable at 1.2% of advances. We maintain our fair value estimate and recommend Buy and believe that ICICI Bank is one of the safest bets in the current asset quality cycle that also offers decent upside.

- **NIM expands 10bps QoQ, Loan growth @ 19%:** NII grew by a healthy 17% yoy (in-line) to Rs27.1bn led by a credit growth (19% yoy) and 10 bps QoQ expansion in reported NIM. The NIM expansion is more due to lower cost of funds for Q3FY12 while blended yields were largely flat QoQ. While the management guided for a NIM of ~2.8%, we believe that NIM could surprise on the upside based on 1) lower share of low-yielding international book 2) benefit of lower losses on security receipts related to loans sold 3) reversal of domestic interest rate cycle in FY2013.
- **Asset quality stable, restructuring on rise but comfortable:** Asset quality matrices continue to remain healthy with 1) GNPA improving by ~30 bps QoQ 2) PCR maintaining strong 79% 3) Slippage rate contained at 1.4% and 4) credit costs contained at 0.6%. Management aims to contain credit costs at ~70bp for FY12 and ~75bp for FY13, including potential losses on Rs13bn in loans already in the restructuring pipeline. While the restructured portfolio has increased by 11% QoQ (with additional Rs13bn under consideration), it remains comfortable at 1.2% of advances.

Y/E March (Rsmn)	Q3FY12	Q3FY11	% YoY	% QoQ	Q3FY12E	Var %
Net Interest Income	27,120	23,117	17.3	8.2	26,627	1.9
Non-Interest Income	18,919	17,488	8.2	8.8	19,050	(0.7)
Net Total Income	46,039	40,605	13.4	8.4	45,677	0.8
Operating Expenses	19,168	17,179	11.6	1.3	19,500	(1.7)
Pre-Provisioning Profit	26,871	23,426	14.7	14.2	26,177	2.7
Provisions	3,411	4,643	(26.5)	7.0	4,500	(24.2)
Profit Before Tax	23,460	18,783	24.9	15.3	21,677	8.2
Tax	6,179	4,413	40.0	16.2	5,636	9.6
Profit After Tax	17,281	14,370	20.3	15.0	16,041	7.7
Advances (Rsbn)	27,120	23,117	17.3	8.2	26,627	1.9

Source: Company, Centrum Research

- **Loan growth healthy but challenges remain:** Loan growth benefitted from rupee depreciation which propped up the overseas loan book (reported 38% YoY, ex-Re depreciation at 16.5%). The domestic loan book was primarily driven by domestic corporate loans (up 23.8% YoY) while retail book growth was tepid at ~4.5% YoY. Given the anticipated weakness in overall domestic loan demand coupled with significant run-offs in overseas book, maintaining loan growth is likely to be a challenge for the bank during FY13.
- **Lackluster non-interest income growth:** Non-interest income grew by a tepid 8% YoY during the quarter led by continued weakness in retail loan off-take and third party distribution. Dividend flow from insurance subsidiary saved the day and is likely to continue over quarters to come.
- **Maintain Buy:** Not withstanding the challenges on loan growth, we draw significant comfort on asset quality front led by a limited restructured portfolio, strong PCR and relatively conservative loan book build up in the past 2 years. Potential upside surprise on NIMs and contained credit costs should help the bank deliver RoA of ~1.4% for FY12 & FY13. At current price, the stock trades at 13.6x FY13 EPS and 1.7x FY13 ABVS. We maintain Buy.

Y/E Mar (Rsmn)	NII	NonInt. Inc.	Adj PAT	YoY %	EPS (Rs)	P/E (x)	Adj BV (Rs)	P/Adj BV (x)	ROE (%)	ROA (%)
FY10	81,144	74,777	40,250	7.1	36.1	24.5	428.5	2.1	10.6	1.1
FY11	90,169	66,479	51,514	28.0	44.7	19.8	457.4	1.9	12.8	1.4
FY12E	104,838	72,709	62,892	22.1	54.6	16.2	488.8	1.8	14.2	1.5
FY13E	138,869	86,881	75,780	20.5	65.8	13.5	531.0	1.7	15.4	1.5
FY14E	161,408	105,296	90,463	19.4	78.5	11.3	581.9	1.5	16.4	1.6

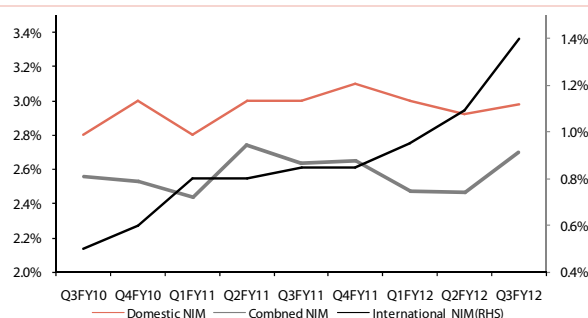
Source: Company, Centrum Research Estimates

Key Data

Reco (Prev)	Buy (Buy)	Bloomberg Code	ICICIBC IN
Target (Prev)	Rs1,100 (Rs1,100)	Reuters Code	ICBK.BO
CMP	Rs902*	Current Shares O/S (mn)	1,152.6
Upside (%)	22%	Diluted Shares O/S(mn)	1,152.6
Price Performance (%)*		Mkt Cap (Rsbn/USDbn)	1,039.8/21
	1M 6M 1Yr	52 Wk H / L (Rs)	1,139/641
ICICIBC	31.8 (13.7) (9.3)	Daily Vol. (3M NSE Avg.)	5,864,108
NIFTY	12.6 (5.6) (3.9)	Face Value (Rs)	10
		USD = Rs49.5	

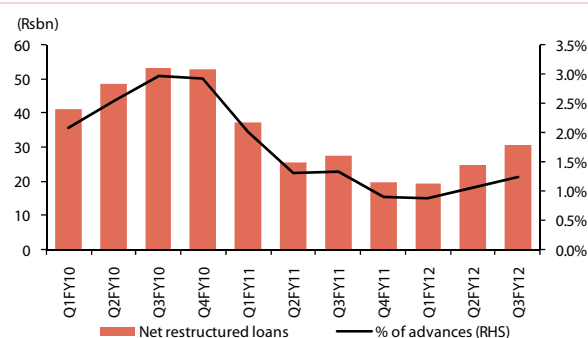
Source: Bloomberg, Centrum Research
*as on 31 January 2012

NIM improved by 10bps QoQ to 2.7%



Source: Company, Centrum Research

Restructured assets on rise but still comfortable



Source: Company, Centrum Research

Earning Revision

Particulars	FY12E			FY13E		
	Current	Earlier	Chg (%)	Current	Earlier	Chg (%)
NII	104,838	102,382	2.4	138,869	126,447	9.8
PPOP	100,694	103,988	(3.2)	133,594	127,511	4.8
PAT	62,892	62,121	1.2	75,780	75,050	1.0

Source: Company, Centrum Research

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Financials

Exhibit 1: Income Statement

Y/E March (Rsmn)	FY10	FY11	FY12E	FY13E	FY14E
Interest Income	257,069	259,741	330,233	398,159	478,900
Interest Expense	175,926	169,572	225,394	259,290	317,492
Net Interest Income	81,144	90,169	104,838	138,869	161,408
YoY Growth (%)	(3.0)	11.1	16.3	32.5	16.2
Non Interest Income	74,777	66,479	72,709	86,881	105,296
YoY Growth (%)	(2.2)	(11.1)	9.4	19.5	21.2
Fee & Other Income	67,460	64,303	74,709	84,881	102,796
Treasury gain	7,316	2,176	(2,000)	2,000	2,500
Total Net Income	155,920	156,648	177,548	225,750	266,703
Total Operating Expenses	58,598	66,173	76,853	92,155	107,951
YoY Growth (%)	(16.8)	12.9	16.1	19.9	17.1
Employee Expenses	19,258	28,169	32,040	40,627	49,346
Other Operating Expenses	39,340	38,003	44,813	51,529	58,605
PPP (Pre-excep)	97,322	90,476	100,694	133,594	158,752
Pre-provision Profit	97,322	90,476	100,694	133,594	158,752
Provisions & Contingencies	43,869	22,898	16,838	31,190	36,504
NPA Provisions	43,622	19,769	16,338	28,188	33,197
Other Provisions	247	3,129	500	3,001	3,308
Profit Before Tax	53,453	67,577	83,856	102,405	122,248
Taxes	13,203	16,063	20,964	26,625	31,784
Net Profit	40,250	51,514	62,892	75,780	90,463
Adj Net Profit	40,250	51,514	62,892	75,780	90,463

Source: Company, Centrum Research Estimates

Exhibit 2: Balance Sheet

Y/E March (Rsmn)	FY10	FY11	FY12E	FY13E	FY14E
Cash & balance with RBI	275,143	209,070	332,280	284,395	419,160
Inter-bank borrowings	113,594	131,831	153,027	190,356	221,377
Loans & Advances	1,812,056	2,163,659	2,563,936	3,025,444	3,585,152
Investments	1,208,928	1,346,860	1,382,926	1,788,047	1,870,630
Total Int Earning Assets	3,409,721	3,851,419	4,432,169	5,288,243	6,096,318
Fixed Assets	32,127	47,443	45,417	57,211	67,800
Other Assets	192,149	163,475	171,879	189,445	195,391
Total Assets	3,633,997	4,062,337	4,615,252	5,532,614	6,254,206
Deposits	2,020,166	2,256,021	2,707,225	3,275,743	3,898,134
Other Int Bearing Liab	942,636	1,095,543	1,126,427	1,388,794	1,387,656
Interest Bearing Liab	2,962,802	3,351,564	3,833,652	4,664,537	5,285,790
Other non int Liab	155,012	159,864	187,240	218,675	252,798
Total Liabilities	3,117,814	3,511,428	4,020,892	4,883,212	5,538,588
Equity	516,179	550,909	594,360	649,402	715,618
Total Liabilities	3,633,993	4,062,337	4,615,252	5,532,614	6,254,206

Source: Company, Centrum Research Estimates

Exhibit 4: Key Ratios

Y/E March (Rsmn)	FY10	FY11	FY12E	FY13E	FY14E
BS Structure Ratios (%)					
Loans/Deposits	89.7	95.9	94.7	92.4	92.0
Investments / Deposits	59.8	59.7	51.1	54.6	48.0
CASA Ratio	41.7	45.1	41.1	42.0	42.5
Loan Growth	(17.0)	19.4	18.5	18.0	18.5
Deposit Growth	(7.5)	11.7	20.0	21.0	19.0
Operating Ratios (%)					
NIM	2.5	2.7	2.7	3.1	3.0
Non-int income/Net income	48.0	42.4	41.0	38.5	39.5
Emp Costs (% of Opex)	32.9	42.6	41.7	44.1	45.7
Cost/Income	37.6	42.2	43.3	40.8	40.5
Operating cost growth	(16.8)	12.9	16.1	19.9	17.1
Total prov as % of avg. loans	2.2	1.2	0.7	1.1	1.1
Tax Rate (%)	24.7	23.8	25.0	26.0	26.0
Credit Quality Ratios (%)					
Gross NPA	5.1	4.5	4.1	4.1	4.1
Net NPA	1.9	0.9	1.2	1.2	1.3
Slippage	1.5	1.6	1.5	1.8	1.8
NPA coverage ratio	59.5	76.0	71.3	70.5	69.9
Profitability Ratios (%)					
RoAE	10.6	12.8	14.2	15.4	16.4
RoAA	1.1	1.4	1.5	1.5	1.6
Valuations Ratios					
BVPS (Rs)	463.0	478.3	516.0	563.8	621.3
Price/BV (x)	1.9	1.9	1.7	1.6	1.4
Adjusted BVPS (Rs)	428.5	457.4	488.8	531.0	581.9
Price/Adj. BV (x)	2.1	1.9	1.8	1.7	1.5
EPS (Rs)	36.1	44.7	54.6	65.8	78.5
P/E (x)	24.5	19.8	16.2	13.5	11.3
Dividend Yield (%)	1.4	1.6	1.7	1.8	2.1

Source: Company, Centrum Research Estimates

Appendix A

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