

August 2, 2010

HOLD

Price Rs904	Target Price Rs900
Sensex	17,868

Price Performance

(%)	1M	3M	6M	12M
Absolute	5	(4)	9	20
Rel. to Sensex	4	(6)	(0)	3

Source: Bloomberg

Stock Details

Sector	Banks
Reuters	ICBK.BO
Bloomberg	ICICIBC@IN
Equity Capital (Rs mn)	11156
Face Value(Rs)	10
No of shares o/s (mn)	1116
52 Week H/L	1,010/691
Market Cap (Rs bn/USD mn)	1,009/21,685
Daily Avg Volume (No of sh)	4371361
Daily Avg Turnover (US\$m)	82.2

Shareholding Pattern (%)

	J'10	M'10	D'09
Promoters	-	-	-
FII/NRI	67.6	66.1	66.1
Institutions	23.7	25.0	24.8
Private Corp	2.6	2.6	2.8
Public	6.0	6.3	6.4

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- ICICI Bank's Q1FY11 NII at Rs19.9bn was in line with our estimates. With lower than expected provisions, PAT at Rs10.3bn was better than expected
- As expected the slippages have come down during the quarter. Net slippages were down to Rs3.5bn with retail slippages at Rs2bn
- Provision cover stood at 65%, guidance to take it to 70% by FY11. Earning asset growth of 15% for FY11, domestic to contribute with 20% growth
- Valuations at 2.0x FY11E/1.8x FY12E ABV not very attractive. Maintain HOLD rating

NII flat as NIMs and balance sheet size remain flat

ICICI Bank's NII for Q1FY11 remained flat yoy at Rs19.9bn as NIMs remained stable at 2.6% and balance sheet size also remained flat qoq.

Yield analysis

%	Q1FY10	Q2FY10	Q3FY10	Q4FY10	Q1FY11	YoY (bps)	QoQ (bps)
Yield on advances*	9.8	9.2	8.6	8.5	8.3	-150	-20
Yield on investments*	5.8	5.6	5.6	5.1	5.3	-46	20
Yield on assets*	7.6	7.3	6.7	6.5	6.4	-125	-9
Cost of funds*	5.5	5.0	4.5	4.2	4.2	-132	-1
NIM*	2.1	2.2	2.3	2.3	2.2	6	-7
NIM (Reported)	2.4	2.5	2.6	2.6	2.6	20	0

Source: Company, Emkay Research

Note:* Calculated on basis of average quarterly balances

Advances grow sequentially despite seasonally weak quarter

The advances book grew by 2% qoq despite first quarter being in lean quarter. The growth was driven by INR depreciation led growth in overseas advances and project finance led growth in large corporate loans.

Advances mix

Rs bn	Q1FY10	Q2FY10	Q3FY10	Q4FY10	Q1FY11	YoY (%)	QoQ (%)	% of total
Retail Advances	960	864	807	790	763	-20.5	-3.4	41.4
International	515	515	466	453	479	-6.9	5.8	26.0
Rural	158	115	125	181	166	4.7	-8.4	9.0
SME	79	76	72	72	74	-6.9	1.8	4.0
Others	268	338	323	315	362	34.8	14.7	19.6
Total	1,981	1,909	1,793	1,812	1,844	-6.9	1.8	100.0

Source: Company, Emkay Research

Valuation table

Y/E March 31	Net income	Net profit	EPS (Rs)	ABV (Rs)	RoA (%)	RoE (%)	PE (x)	P/ABV (x)
FY09	159,703	37,581	33.8	404.0	1.0	7.8	27.5	2.3
FY10	155,920	39,307	35.3	428.5	1.1	8.0	26.3	2.2
FY11E	160,840	51,434	46.2	469.6	1.4	9.6	20.1	2.0
FY12E	190,068	63,317	56.9	520.2	1.7	10.9	16.3	1.8

Source: Company, Emkay Research

Key financials – Quarterly

Rs mn	Q1FY10	Q1FY10	Q1FY10	Q1FY10	Q1FY10	YoY (%)	QoQ (%)
Net Interest Income	19,853	20,361	20,581	20,349	19,910	0.3	-2.2
Other Income	20,900	18,238	14,710	18,910	16,800	-19.6	-11.2
Fee Income	13,190	13,870	14,220	15,210	14,130	7.1	-7.1
Net Income	40,753	38,599	35,291	39,259	36,710	-9.9	-6.5
Total Operating Expenses	15,460	14,245	13,624	15,269	14,835	-4.0	-2.8
As % Of Net Income	37.9	36.9	38.6	38.9	40.4		
Employee Expenses	4,665	4,496	4,270	5,827	5,756	23.4	-1.2
As % Of Net Income	11.4	11.6	12.1	14.8	15.7		
Other Expenses	10,520	9,541	9,041	8,984	8,721	-17.1	-2.9
As % Of Net Income	25.8	24.7	25.6	22.9	23.8		
Operating Profit	25,292	24,353	21,667	23,991	21,876	-13.5	-8.8
As % Of Net Income	62.1	63.1	61.4	61.1	59.6		
Provisions	13,237	10,713	10,022	9,898	7,978	-39.7	-19.4
Prov for NPA	13,237	10,713	10,022	9,898	7,978	-39.7	-19.4
PBT	12,056	13,640	13,665	14,093	13,897	15.3	-1.4
Total Tax	3,273	3,239	2,656	4,036	3,643	11.3	-9.7
Adjusted PAT	8,783	10,401	9,382	10,057	10,255	16.7	2.0
Extra Ordinary Items	0	0	0	0	0		
Reported PAT	8,783	10,401	11,009	10,057	10,255	16.7	2.0
Reported EPS	7.9	9.3	9.9	9.0	9.2	16.5	1.9

Source: Company, Emkay Research

Pace of decline in retail loans slowing down

The pace of decline in the retail loans has been coming down over last few quarters and in Q1F11 the decline was at 3.4% qoq. However, with disbursements of Rs35bn, the home loans remained flat qoq.

Retail advances mix

Rs bn	Q1FY10	Q2FY10	Q3FY10	Q4FY10	Q1FY11	YoY (%)	QoQ (%)	% of total
2-wheelers	10	9	8	8	0	-100.0	-100.0	0.0
Cars	115	95	81	79	76	-33.8	-3.4	10.0
CV	134	121	113	126	122	-9.2	-3.4	16.0
Personal loans	80	60	56	47	38	-52.1	-19.5	5.0
Credit cards	67	59	48	40	38	-43.2	-3.4	5.0
Mortgages	535	492	484	474	473	-11.5	-0.2	62.0
Others	19	28	16	16	15	-20.5	-3.4	2.0
Total	960	864	807	790	763	-20.5	-3.4	

Source: Company, Emkay Research

Bank continues to shed term deposits; CASA mix improves

The deposits have declined by 0.5% qoq. There was a marginal redemption of term deposits leading to 42bps improvement in CASA.

CASA Mix

Rs bn	Q1FY10	Q2FY10	Q3FY10	Q4FY10	Q1FY11	YoY (%)	QoQ (%)
Savings Deposits	195	236	272	310	281	44.5	-9.3
Current Deposits	445	493	511	532	565	27.1	6.1
CASA	639	729	782	842	846	32.4	0.5
Term deposits	1,463	1,249	1,194	1,178	1,163	-20.5	-1.3
Total Deposits	2,102	1,978	1,977	2,020	2,009	-4.4	-0.5
CASA (%)	30.4	36.9	39.6	41.7	42.1	1,171	42

Source: Company, Emkay Research

Fee income keeps traction

The pick up in fee income continued as it grew by 7% yoy. The fee income as % of assets continued to be strong at 1.6% vs 1.4% average for FY10.

Fee income

Rs mn	Q1FY10	Q2FY10	Q3FY10	Q4FY10	Q1FY11	YoY (%)	QoQ (%)
Fee/Commission income	13,190	13,870	14,220	15,210	14,130	7.1	-7.1
Trading gains/(losses)	7,140	2,968	-260	1,960	1,040	-85.4	-46.9
Others	570	1,400	750	1,740	1,630	186.0	-6.3
Total	20,900	18,238	14,710	18,910	16,800	-19.6	-11.2

Source: Company, Emkay Research

Improvement in slippages continues

The moderation in slippages continued during the quarter as ICICI Bank added Rs3.5bn of loss assets. The reported provision cover stood at 65%. The bank is expected to meet 70% PCR by end of FY11.

Asset quality

Rs mn	Q1FY10	Q2FY10	Q3FY10	Q4FY10	Q1FY11	YoY (%)	QoQ (%)
Gross NPAs	96,950	94,710	90,700	96,270	99,770	2.9	3.6
Net NPAs	46,670	45,580	44,160	39,010	35,140	-24.7	-9.9
Gross NPAs (%)	4.9	5.0	5.1	5.3	5.4		
Net NPAs (%)	2.2	2.2	2.2	1.9	1.6		
Net NPAs/Net worth (%)	9.3	8.9	8.5	7.6	6.7		
Provision cover (%)	51.9	51.9	51.3	59.5	64.8		

Source: Company, Emkay Research

Liquidation of overseas book continues but focus on client assets

The performance of UK and Canada banking subsidiaries continued to remain stable as the profit stood at USD9.0mn and CAD6.5mn for Q1FY11 respectively.

During Q1FY11, the UK subsidiary's assets degrew by 6.8% qoq, however the loans to customers grew by 6.8% qoq. Going forward, the strategy would be to add India linked customer assets on the book. Same was case with Canada subsidiary with 8.8% qoq drop in assets with 7% qoq growth in loans.

UK subsidiary asset book

USD bn	Q1FY10	Q2FY10	Q3FY10	Q4FY10	Q1FY11	YoY (%)	QoQ (%)
Cash & liquid securities	1.3	1.0	0.8	1.3	0.8	-37.7	-34.2
Loans & advances	3.8	4.0	3.9	3.8	3.9	3.0	2.2
India linked investments	0.4	0.4	0.5	0.4	0.3	-16.9	-6.8
Bonds/notes of fin inst	2.1	2.2	1.9	1.4	1.2	-40.1	-11.7
Asset backed securities	0.2	0.2	0.2	0.1	0.1	-16.9	-6.8
Other assets & investments	0.5	0.3	0.3	0.4	0.4	-16.9	11.9
Total	8.3	8.0	7.5	7.4	6.9	-16.9	-6.8

Source: Company, Emkay Research

Canada subsidiary asset book

CAD bn	Q1FY10	Q2FY10	Q3FY10	Q4FY10	Q1FY11	YoY (%)	QoQ (%)
Cash & liquid securities	1.1	0.6	0.8	1.2	0.7	-36.9	-43.5
India linked investments	0.2	0.2	0.2	0.2	0.2	-17.5	-8.8
Federally insured mortgage	0.8	0.9	0.9	0.6	0.4	-55.6	-36.1
Loans to customers	3.8	3.5	3.5	3.3	3.5	-6.5	7.0
Asset backed securities	0.1	0.1	0.1	0.1	0.1	-17.5	-8.8
Other assets & investments	0.3	0.5	0.3	0.3	0.4	15.6	6.4
Total	6.3	5.8	5.8	5.7	5.2	-17.5	-8.8

Source: Company, Emkay Research

Other subsidiaries' performance continues to be stable

The performance of subsidiaries remained stable during the quarter as the profit excluding the life insurance business improved by 6% yoy.

Profit after tax

Rs bn	FY10	FY09
ICICI Prudential Life Insurance#	-1,160	-360
ICICI Lombard General Insurance	330	380
ICICI Securities Ltd	320	190
ICICI Securities PD	250	160
ICICI Venture	110	670
ICICI Prudential Asset Management	340	140
ICICI Home Finance Company	570	270
Total	760	1,450

Source: Company, Emkay Research

Performance would be much better at the end of the year as Rs2.4bn of surplus in non-participatory policies not included as not approved yet by actuaries

Capital adequacy remains comfortable

The bank is comfortably placed with Capital adequacy at 20.4% and tier I at 14.0%.

Valuations and view

We believe that FY11 will be much better and expect a balance sheet growth of 15%, earnings growth of 25% and core RoE of 12% (10% in FY10) as the credit costs come down. However, the valuations at 2.0x FY11 ABV and 1.8x FY12 ABV are not very attractive. We maintain our HOLD rating on the stock with price target to Rs900.

Key Financials

Income Statement (Rs. Mn)

(Year Ending Mar 31)	FY09	FY10	FY11E	FY12E
Net interest income	83,666	81,144	78,058	90,629
Other income	76,037	74,777	82,781	99,439
Net income	159,703	155,920	160,840	190,068
Operating expenses	70,451	58,598	63,131	70,044
Pre provision profit	89,252	97,322	97,709	120,024
PPP excl treasury	71,248	90,005	92,709	115,024
Provisions	38,113	43,899	27,251	33,289
Profit before tax	51,140	53,423	70,457	86,735
Tax	13,558	13,173	19,023	23,419
Tax rate	26.51%	24.66%	27.00%	27.00%
Profit after tax	37,581	40,250	51,434	63,317

Balance Sheet (Rs. Mn)

(Year Ending Mar 31)	FY09	FY10	FY11E	FY12E
Liabilities				
Equity	11,133	11,149	11,156	11,156
Reserves	484,197	505,035	543,059	592,966
Net worth	495,330	516,184	554,215	604,122
Deposits	2,183,478	2,020,166	1,756,012	2,338,497
Borrowings	1,114,203	1,102,319	1,148,593	1,205,301
Total liabilities	3,793,011	3,638,668	3,458,820	4,147,920
Assets				
Cash and bank	299,666	388,737	241,923	322,171
Investments	1,004,582	1,172,574	849,638	1,041,383
Customer assets	2,209,109	1,848,410	2,122,396	2,539,604
Others	279,652	228,947	244,865	244,771
Total assets	3,793,011	3,638,668	3,458,820	4,147,920

Key Ratios (%)

(Year Ending Mar 31)	FY09	FY10	FY11E	FY12E
NIM	2.1	2.2	2.2	2.4
Non-ll/avg assets	2.0	2.0	2.3	2.6
Fee income/avg assets	1.4	1.3	1.6	1.8
Opex/avg assets	6.8	5.5	5.5	5.6
Provisions/avg assets	1.8	1.6	1.8	1.8
PBT/avg assets	1.3	1.5	2.0	2.1
Tax/avg assets	0.4	0.4	0.5	0.6
RoA	1.0	1.1	1.4	1.7
RoAE	7.8	8.0	9.6	10.9
GNPA (%)	4.3	4.7	5.4	5.4
NNPA (%)	2.1	2.1	1.5	1.0
Tier I (%)	9.3	10.2	10.1	9.6

Valuations Table

(Year Ending Mar 31)	FY09	FY10	FY11E	FY12E
Net profit (Rs mn)	37,581	39,307	51,434	63,317
Shares in issue (mn)	1,113	1,115	1,116	1,116
EPS (Rs)	33.8	35.3	46.1	56.8
PER (x)	27.5	26.3	20.1	16.3
FDEPS(Rs)	33.8	35.3	46.2	56.9
FDPER (x)	27.5	26.3	20.1	16.3
Book value (Rs)	444.9	463.0	496.8	541.5
P/BV (x)	2.1	2.0	1.9	1.7
Adj book value (Rs)	404.0	428.5	469.3	519.8
P/ABV (x)	2.3	2.2	2.0	1.8
P/PPP (x)	11.6	10.6	10.6	8.6
Dividend yield (%)	1.3	1.5	1.3	1.3

Recommendation History: ICICI Bank – ICICIB IN

Date	Reports	Reco	CMP	Target
19.05.2010	ICICI Bank Company Update	Hold	889	900
26.04.2010	ICICI Bank Q4FY10 Result Update	Hold	976	900
22.01.2010	ICICI Bank Q3FY10 Result Update	Hold	854	800
03.11.2009	ICICI Bank Q2FY10 Result Update	Hold	790	750

Recent Research Reports

Date	Reports	Reco	CMP	Target
29.07.2010	Corporation Bank Q1FY11 Result Update	Accumulate	565	600
27.07.2010	Union Bank of India Q1FY11 Result Update	Reduce	321	300
23.07.2010	Allahabad Bank Q1FY11 Result Update	Accumulate	185	220
22.07.2010	Punjab National Bank Q1FY11 Result Update	Accumulate	1,056	1,100

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