

Results highlights

ICICI Bank reported strong 3Q earnings at INR14.3bn, substantially above consensus expectations (at INR13.7bn) and in line with our estimates (at INR14.2bn). This robust growth was due to lower than credit costs which helped asset quality to improve constantly. Key positives that emerged from the result were negligible slippage formation, stable CASA, pick up in loan growth QoQ, while higher opex and guidance of lower margins in 4Q remained key negatives.

Upward trajectory in loan growth maintained; margins stable QoQ

Loan growth momentum was maintained with a growth of 6.4% QoQ and 15% YoY (YoY numbers boosted by base impact) driven primarily by disbursements to large corporates. Retail loan book marginally expanded (1.6% QoQ) on account of lower disbursements in housing loans. Management is confident of achieving 18% loan growth in FY11e and further 20% in FY12e. Margins remained stable QoQ at 2.6%. However, management is guiding some pressure in margins during 4Q (15-20bps) backed by higher funding costs and lower asset yields related to priority sector lending.

Asset quality stable; steady growth in core fee income

Asset quality remained stable with absolute GNPA posting a flat growth and net NPA declining by 8.7% QoQ. Credit costs continued to decrease at 0.9% in 3Q as against 1.35% in the previous quarter. Management is guiding credit costs to be at 100bps over the entire credit cycle which should provide a fillip to RoA. Core fee income growth steady at 14% QoQ driven by fees on overseas loan syndication of Indian corporates. Staff costs registered a growth of 28% QoQ (78% YoY) on account of higher bonuses, additional staffing at new branches and full impact of integration of eBOR employees. Management expects cost-to-income and cost-to-asset ratios to be at 42% and 1.8%, respectively in FY12e.

Valuation and outlook

We maintain our earnings estimates for FY11e and FY12e (reduced margin assumptions have been offset by lower credit costs in FY12e) as well TP of INR1,320/share based on 2.5 FY12e P/BV on core book. We reiterate a BUY recommendation and continue to believe that the bank is well-poised with strong fundamentals to participate in the next credit cycle.

Quarterly financials

INRM	3QFY10	2QFY11	3QFY11	QoQ (%)	YoY (%)
Interest income	60,896	63,091	66,960	6.1	10.0
Non fund income	16,731	15,779	17,488	10.8	4.5
Net interest income	20,581	22,044	23,117	4.9	12.3
Net revenue	37,312	37,823	40,605	7.4	8.8
Operating expenses	13,624	15,704	17,179	9.4	26.1
Operating profit	23,688	22,119	23,426	5.9	(1.1)
Provisions	10,022	6,411	4,643	(27.6)	(53.7)
PBT	13,667	15,708	18,783	19.6	37.4
Tax	2,656	3,345	4,413	31.9	66.1
PAT	11,011	12,363	14,370	16.2	30.5

Source: Company, Antique

Current Reco	: BUY
Previous Reco	: BUY
CMP	: INR1,084
Target Price	: INR1,320
Potential Upside	: 22%

Market data

Sector	:	Financials
Market Cap (INRbn)	:	1,245
Market Cap (USDbn)	:	27
O/S Shares	:	1,149
Free Float (m)	:	634
52-wk HI/LO (INR)	:	1279/712
Avg Daily Vol ('000)	:	4,190
Bloomberg	:	ICICIBC IN
Reuters	:	ICICIBC.BO

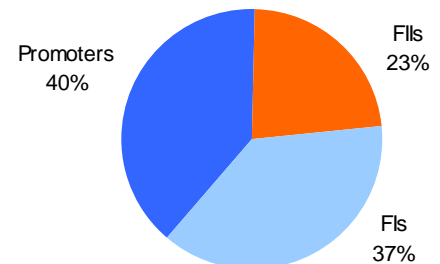
Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	(3)	(4)	19	29
Relative	2	1	12	14

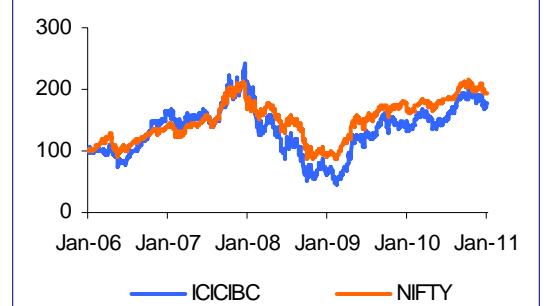
Source: Bloomberg

Shareholding pattern



Source: BSE

Price performance vs Nifty

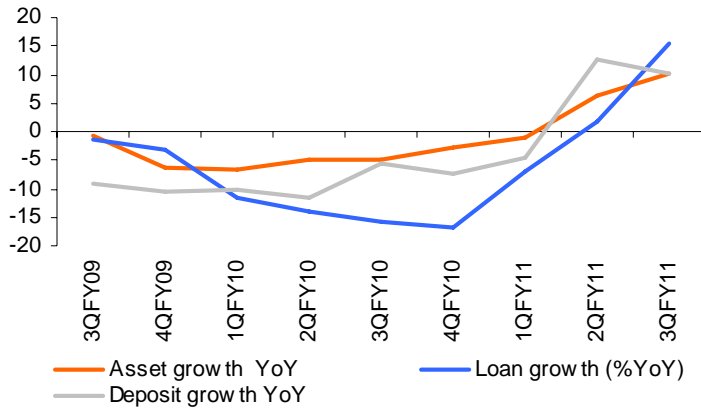


Source: Bloomberg

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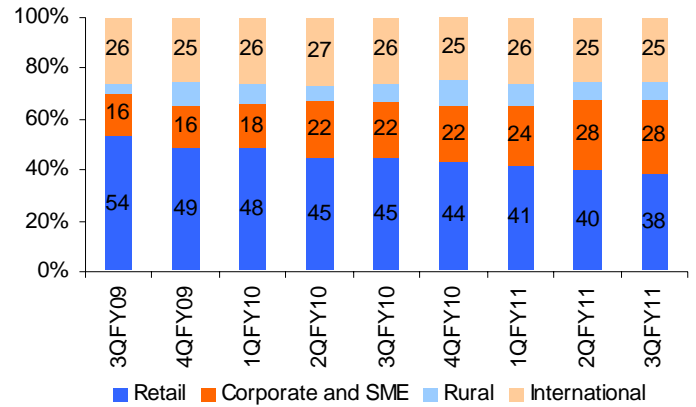
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Growth in loan book finally arrives

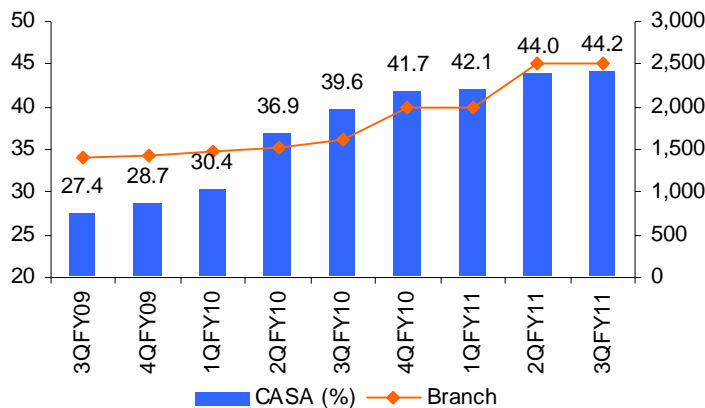


Source: Company, Antique

Well-diversified loan book

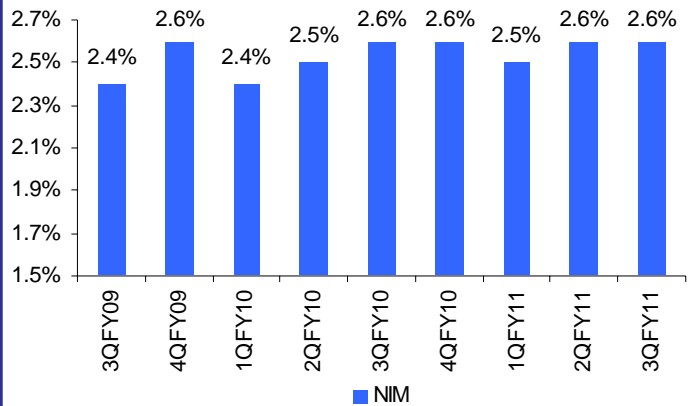


CASA ratio stable QoQ

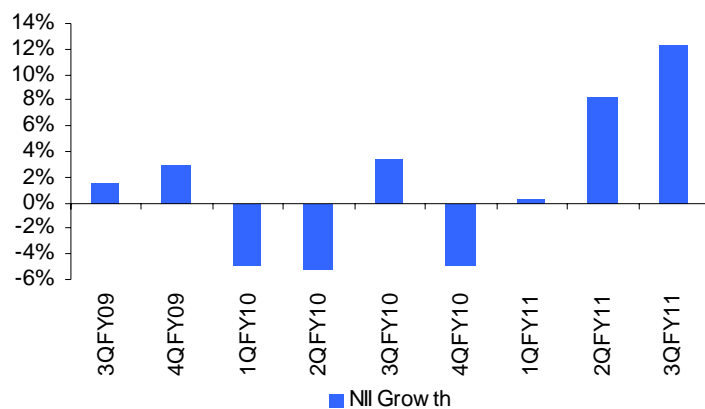


Source: Company, Antique

Resilience in margins

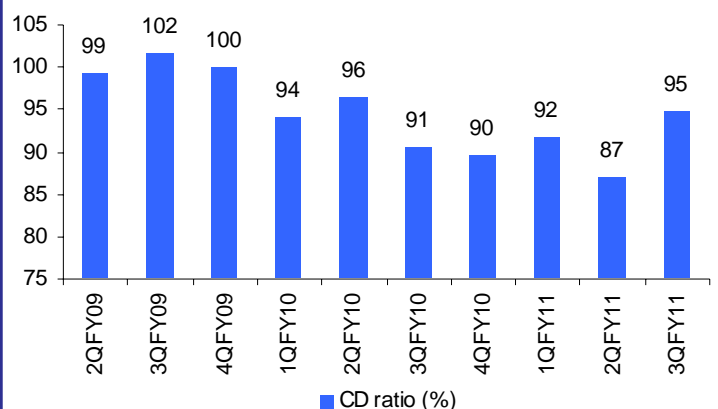


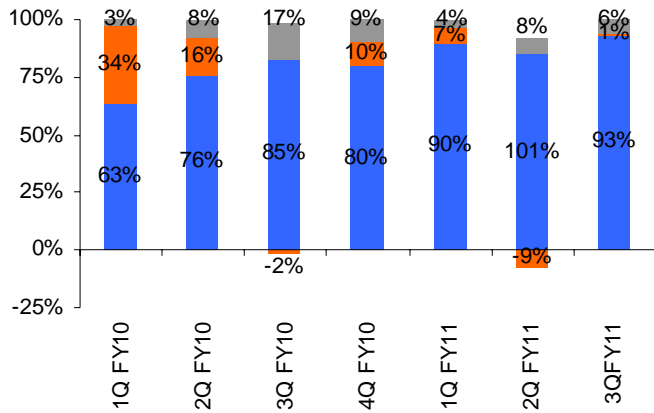
Growth in NII maintained



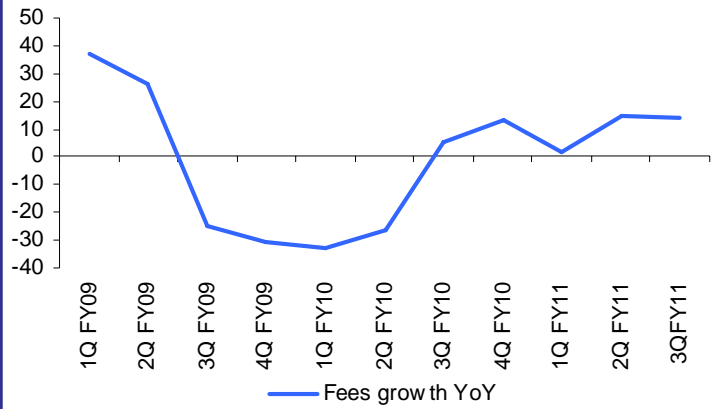
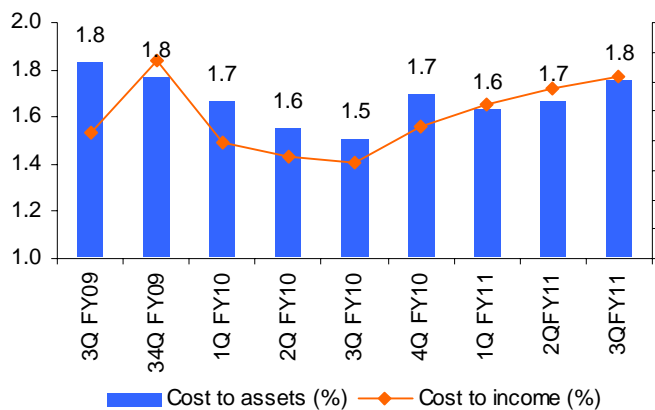
Source: Company, Antique

CD ratio gathering steam

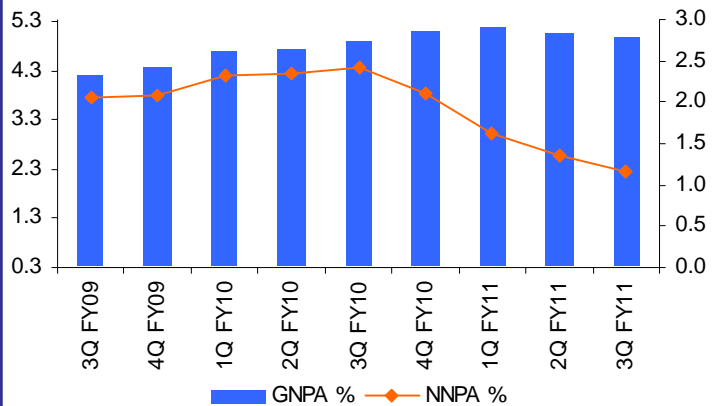
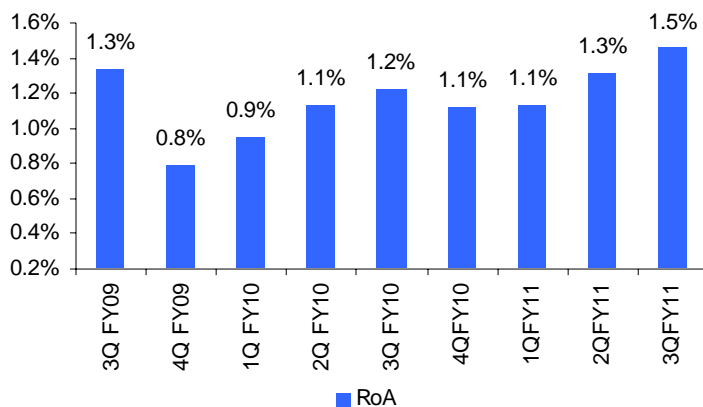


Core fee income driven by corporate segment


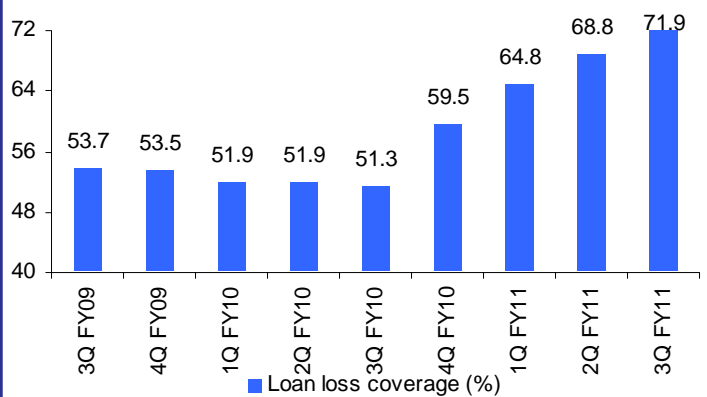
Source: Company, Antique

Fee income showing traction

Cost ratios inching upwards


Source: Company, Antique

Asset quality continues to improve

Resulting in rapidly improving RoA


Source: Company, Antique

Coverage ratio in a comfort zone


SOTP valuation

	Basis	Multiple (x)	Stake (%)	Value/share (INR)
Core Banking business	BV	2.5	100	1,015
ICICI Canada	BV	1	100	55
ICICI Bank UK	BV	1	100	24
Life Insurance	NBAP	12%	74	125
General Insurance	BV	1.1	74	13
AMC	Market value	5%	51	21
ICICI Ventures	% of AUM	10%	100	11
ICICI Securities	PE	15	100	11
ICICI PD	BV	1.4	100	23
ICICI Home finance	BV	1.5	100	25
Total				1,320

Source: Antique

Financials

Profit and loss account (INRm)

YE 31st Mar	2008	2009	2010	2011e	2012e
Net interest income	73,041	83,666	81,144	91,646	111,426
YoY growth (%)	29.6	14.5	(3.0)	12.9	21.6
Other income	88,108	76,037	74,777	78,186	91,137
YoY growth (%)	27.2	(13.7)	(1.7)	4.6	16.6
Trading profits	19,458	18,180	8,662	2,000	2,500
Nontrading income	68,650	57,857	66,115	76,186	88,637
Net revenue	161,149	159,703	155,920	169,831	202,563
YoY growth (%)	28.3	(0.9)	(2.4)	8.9	19.3
Operating expenses	81,542	70,451	58,598	68,000	82,125
YoY growth (%)	21.9	(13.6)	(16.8)	16.0	20.8
Provisions	29,047	38,083	43,869	26,131	27,197
PBT	50,561	51,169	53,453	75,700	93,240
YoY growth (%)	38.6	1.2	4.5	41.6	23.2
Provision for tax	8,984	13,588	13,203	20,818	24,988
PAT	41,577	37,580	40,250	54,883	68,252
YoY growth (%)	33.7	(9.6)	7.1	36.4	24.4

Balance sheet (INRm)

YE 31st Mar	2008	2009	2010	2011e	2012e
Advances	2,256,160	2,183,110	1,812,056	2,117,294	2,480,570
Corporate	292,070	357,022	446,277	535,532	696,192
Retail	1,316,630	1,062,000	790,000	908,500	1,067,488
International	477,460	545,778	451,367	473,935	497,632
YoY growth (%)	15.2	(3.2)	(17.0)	16.8	17.2
SLR portfolio	753,875	633,838	684,036	690,139	811,907
Cash and bank balances	380,411	299,660	388,737	428,895	508,725
Total assets	3,997,950	3,792,975	3,633,997	4,092,745	4,761,452
Net worth	464,702	495,333	516,184	555,699	604,841
Deposits	2,444,311	2,183,478	2,020,166	2,391,912	2,915,820
YoY growth (%)	6.0	(10.7)	(7.5)	18.4	21.9
- Current (%)	10.1	9.9	15.3	13.0	13.0
- Savings (%)	16.0	18.8	26.3	25.0	25.0
- Term (%)	73.9	71.3	58.3	62.0	62.0
Borrowings	863,986	928,055	939,136	974,621	1,044,701

Per share data (INR)

YE 31st Mar	2008	2009	2010	2011e	2012e
Shares outstanding (m)	1,113	1,113	1,115	1,115	1,115
EPS (INR)	39.2	33.8	36.1	49.2	61.2
Book value per share (INR)	438.7	444.9	463.0	498.4	542.5
Adjusted book value per share (100% coverage ratio)	405.7	404.0	428.5	471.5	513.3

Source: Company, Antique

Growth ratios (%)

YE 31st Mar	2008	2009	2010	2011e	2012e
Total assets	16	(5)	(4.2)	13	16
Advances	15	(3)	(17)	17	17
Deposits	6	(11)	(7)	18	22
Book value	62	1	4	8	9
EPS	13	(14)	7	36	24

Valuation (x)

YE 31st Mar	2008	2009	2010	2011e	2012e
P/E	25.7	29.9	28.0	20.5	16.5
P/BV	2.3	2.3	2.2	2.0	1.9
P/ABV	2.5	2.5	2.4	2.1	2.0

Operating ratios (%)

YE 31st Mar	2008	2009	2010	2011e	2012e
Operating cost to income	50.6	44.1	37.6	40.0	40.5
Operating expenses/avg. assets	2.2	1.8	1.6	1.8	1.9

Profitability ratios (%)

YE 31st Mar	2008	2009	2010	2011e	2012e
Net interest margin	1.96	2.15	2.19	2.37	2.52
Return on avg. assets	1.1	1.0	1.1	1.4	1.5
Return on avg. net worth	11.7	7.8	8.0	10.2	11.8

Asset quality and capital (%)

YE 31st Mar	2008	2009	2010	2011e	2012e
Gross NPAs	3.4	4.4	5.2	4.7	4.4
Net NPAs	1.5	2.1	2.1	1.4	1.3
Provisioning coverage	54	53	59	70	70
Loan loss provisions/avg loans	1.2	1.7	2.2	1.3	1.2
Tier I capital adequacy	11.8	12.2	13.5	13.8	11.8
Total CAR	0.1	14.7	16.0	16.3	14.3

Source: Company Antique

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