

Curtain Raiser Nandita Mehta nandita.mehta@jmmorganstanley.com	ICICI Bank Limited
Sector: Banking	

The Issue	ICICI Bank Limited
Transaction	Domestic Public Issue of shares – 100% Book Building
Issue Size	Follow on Issue of (*) equity shares of Rs 10 each <i>(including a greenshoe option)</i> . The Follow – on Domestic Issue and an issue of American Depository Shares of upto (*) million <i>(including a greenshoe option)</i> will comprise 25% of ICICI Bank’s authorised equity share capital.
Exchanges	Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE),
Book Running Lead Manager	JM Morgan Stanley Private Limited, DSP Merrill Lynch Limited, Enam Financial Consultants Pvt Limited, Goldman Sachs (India) Securities Private Limited,
Co- Book Running Lead Manager	ICICI Securities Primary Dealership Limited
Registrar	Karvy Computershare Private Limited

The combined issue i.e the Domestic Issue + Issue of American Depository Shares will be approximately Rs 20,125 crores

Objects of the Issue

Requirement of Funds	(in Rs. million)
Augment their capital base to meet their future capital adequacy requirements arising out of growth in their businesses and for other general corporate purposes	(*)
Total	(*)

Company Overview

They are a private sector commercial bank and, together with their subsidiaries, offer products and services in the areas of commercial banking to retail and corporate customers (both domestic and international), treasury and investment banking and other products like insurance and asset management.

International Presence:

Subsidiaries - United Kingdom *(branch in Antwerp – Belgium)*, Canada, Russia

Branches – Singapore, Dubai, Sri Lanka, Hong Kong, Bahrain

Approval from the RBI and Qatar Financial Centre Regulatory Authority to setup a branch in Qatar

Representative Offices – United States, China, United Arab Emirates, Bangladesh, South Africa, Malaysia, Thailand, Indonesia

Subsidiaries

- ICICI Securities and ICICI Securities Primary Dealership: Equity underwriting and brokerage and primary dealership in Government securities. ICICI Securities owns ICICIDirect.com, a leading online brokerage platform.
- ICICI Venture Funds Management Company: Venture Capital and Private Equity Fund Management
- ICICI Prudential Life Insurance Company, ICICI Lombard General Insurance Company and ICICI Prudential Asset Management Company: Provide a wide range of life and general insurance and asset management products and services to retail and corporate customers

Business Strategy

- Focus on quality growth opportunities by:
 - ➔ maintaining and enhancing their strong retail franchise;
 - ➔ maintaining and enhancing their strong corporate franchise;
 - ➔ building an international presence;
 - ➔ building a rural banking franchise;
 - ➔ strengthening their insurance and asset management businesses.
- Emphasize conservative risk management practices and enhance asset quality;
- Use technology for competitive advantage
- Attract and retain talented professionals.

Fiscal Year ended 2007:

- ➔ 2nd largest bank in India
- ➔ Largest bank in the private sector in terms of total assets (*Rs 3,446.58 billion*)
- ➔ 710 branches, 45 extension counters and 3,271 automated teller machines, or ATMs, across several Indian states.

April 19th 2007:

Sangli Bank an unlisted private sector bank with 198 branches and extension counters merged with ICICI Bank

Issue Structure

Issue Size

		# of Shares	Price Band	
			(*)	(*)
Follow-On Issue		(*)	(*)	(*)
Reservation for existing retail shareholders		(*)	(*)	(*)
Net Issue		(*)	(*)	(*)
QIBs	50% of the Net Issue	(*)	(*)	(*)
Non Institutional	15% of the Net Issue	(*)	(*)	(*)
Retail Individual Investors	35% of the Net Issue	(*)	(*)	(*)

Equity Shares outstanding prior to the Issue	(*) Equity Shares of Rs 10 each
Equity Shares outstanding after the Issue and after the issue of equity shares (assuming the Green Shoe Option is fully exercised)	(*) Equity Shares of Rs 10 each
Equity Shares outstanding after the Issue (assuming the Green Shoe Option is not exercised)	(*) Equity Shares of Rs 10 each

Financials

(in billions, except per share data)

<i>Extracts of the Profits and Loss</i>	Year ended March 31				
	2003	2004	2005	2006	2007
Total interest income	95.25	93.08	97.79	143.06	229.94
Total interest expense	(79.44)	(70.15)	(65.71)	(95.97)	(163.58)
Net interest income	15.81	22.93	32.08	47.09	66.36
Total other income	30.23	29.57	31.39	41.81	59.29
Total income	46.04	52.50	63.47	88.90	125.65
Operating expenses ⁽⁶⁾	(15.35)	(19.98)	(25.17)	(35.48)	(49.79)
Direct market agency expense	(3.19)	(6.00)	(8.54)	(11.77)	(15.24)
Depreciation on leased assets	(3.15)	(2.79)	(2.97)	(2.77)	(1.88)
Operating profit before provisions	24.35	23.73	26.79	38.88	58.74
Profit before tax	7.80	19.02	25.27	30.96	36.48
Profit after tax	Rs. 12.06	Rs. 16.37	Rs. 20.05	Rs. 25.40	Rs. 31.10
Dividend per share (Rs)	7.50	7.50	8.50	8.50	10.00
Dividend tax per share (Rs)..	0.96	0.96	1.19	1.19	1.70
Earnings per share (basic) ⁽⁷⁾	19.68	26.66	27.55	32.49	34.84
Earnings per share (diluted) ⁽⁷⁾	19.65	26.44	27.33	32.15	34.64

(Source: Draft Red Herring Prospectus)

(Rs in billions)

<i>Extracts of the Balance Sheet</i>	At March 31				
	2003	2004	2005	2006	2007
Assets:					
Cash in hand and balance with RBI	48.86	54.08	63.45	89.34	187.07
Balance with banks and money at call and short notice	16.03	30.63	65.85	81.06	184.14
Total investments	354.62	434.36	504.87	715.47	912.58
Advances	532.79	626.48	914.05	1,461.63	1,958.66
Fixed and leased assets	40.61	40.56	40.38	39.81	39.23
Others assets	75.21	66.18	87.99	126.58	164.90
Total assets	Rs.1,068.12	Rs.1,252.29	Rs.1,676.59	Rs.2,513.89	Rs.3,446.58
Liabilities and capital:					
Total deposits	481.69	681.09	998.19	1,650.83	2,305.10
Borrowings ⁽⁴⁾	343.02	307.40	335.44	385.22	512.56
Unsecured redeemable debenture/bonds (subordinated debt)	97.50	91.06	82.09	101.44	194.05
Other liabilities and provisions	73.07	89.14	131.87	150.84	188.24
Preference share capital suspense	-	-	-	-	-
Preference share capital	3.50	3.50	3.50	3.50	3.50
Equity capital	6.13	6.16	7.37	8.90	8.99
Total reserves and surplus	63.21	73.94	118.13	213.16	234.14
Total liabilities and capital	Rs.1,068.12	Rs.1,252.29	Rs.1,676.59	Rs.2,513.89	Rs.3,446.58
Contingent liabilities Total	Rs.894.37	Rs.2,029.42	Rs.2,681.54	Rs.3,950.34	Rs.5,629.60

(Source: Draft Red Herring Prospectus)

Ratio Analysis & Peer Group Comparison

	Year ended March 31				
	2003	2004	2005	2006	2007
	(in percentages)				
Return on average equity	18.3	21.8	17.9	16.4	13.4
Return on average assets	1.2	1.4	1.5	1.3	1.1
Dividend payout ratio	38.1	33.2	31.6	29.8	28.9
Cost to average assets	1.5	1.8	1.9	1.8	1.8
Tier I capital adequacy ratio	7.1	6.1	7.6	9.2	7.4
Tier II capital adequacy ratio	4.0	4.3	4.2	4.2	4.3
Total capital adequacy ratio	11.1	10.4	11.8	13.4	11.7 ⁽⁸⁾
Net non-performing assets ratio	4.92	2.87	2.03	0.71	0.98
Allowance as a % of gross non-performing assets	62.6	69.7	61.4	63.7	58.4
Average equity to total average assets	6.27	6.59	8.34	7.83	8.15
Book value per share ⁽⁷⁾	113.10	127.27	168.63	248.56	269.81

(Source: Draft Red Herring Prospectus)

Particulars	Price Per Share	NAV (Rs)	EPS (Rs)	P/E (times)
ICICI Bank	842.95	269.81	34.84	24.2
State Bank of India	1,123.30	526.3 *	74.1 *	15.2
Punjab National Bank	506.80	287.8 *	50.4 *	10.1
Canara Bank	220.20	171.2 *	34.4 *	6.4
Union Bank	113.45	81.0 *	15.1 *	7.5
Bank of Baroda	251.00	213.8 *	27.0 *	9.3
HDFC Bank	1,011.80	201.4	35.7	28.3
Bank of India	195.40	112.9	23.0	8.5
<i>Peer Group (Simple) Average</i>				13.7

(1) Price per share has been taken as the closing price on May 10, 2007, which is one day prior to filing of Draft Red Herring Prospectus.

(2) NAV has been calculated as per data for latest fiscal year i.e. year ended March 31, 2007. The data marked with a "*" indicates data for year ended March 31, 2006.

(3) Trailing twelve months (TTM) EPS for period ended March 31, 2007. The data marked with a "*" indicates data for period ended December 31, 2006.

(Source: Draft Red Herring Prospectus)

JM Morgan Stanley Financial Services Private Limited
Apeejay House, 3rd Floor, 3, Dinshaw Vachha Road,
Churchgate, Mumbai 400020
Tel: 91 22 67043568 Fax: 91 22 66541511/12

Registered Office
141, Maker Chambers III, Nariman Point, Mumbai 400 021, India
Tel: 91 22 5630 3030 Fax: 91 22 5630 1689

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