



Prabhudas  
Lilladher

Fulfilling investors' needs since 1944

Rajesh Malhani  
91-22-6632 2236

Senior Research Analyst  
RajeshMalhani@PLIndia.com

Q1 FY08  
Result Update

# ICICI Bank

BUY

Rs 985

July 23, 2007

## Somewhat weaker performance but attractive valuations

Company Details				Result Snapshot	
Market Cap:	Rs 1,090,161m			35% growth in advances to Rs. 1982.8 bn	
52 Week High/Low:	Rs 1,010 / 478			Retail advances have grown at somewhat lesser pace at 29% to Rs. 1274.2 bn	
Bloomberg Code:	ICICIBC@IN			Retail loan disbursement has come down by 15% to Rs. 135 bn and home loan disbursement has come down by 29%	
Reuters Code:	ICBK.BO / NS			Deposits have gone up by 26% to Rs. 2307.9 bn	
Shares O/s:	1,107m			NII up by 16% to Rs. 17143 mn	
Average Volume (3 months):	1.9m			Net profit going up by 25% to Rs. 7751 mn	
Price Performance				Net NPAs at 1.3% compared to 0.98% as on Q4FY07.	
(%)	1m	3m	12m	Stock trades at 2.4x FY 09 ABV. Though there is some deterioration in asset quality but bank has also seen slow down in retail loan specially home loan disbursements which will help in preventing further deterioration in asset quality in future. Given the attractive valuation of core banking business, we reiterate our Buy rating on the stock.	
Absolute	3.7	7.7	103.2		
Relative to Sensex	(3.6)	(4.3)	48.9		

### Q1 FY08 Result Snapshot

(Rs m)

Y/e March	Q1 FY08	Q1 FY07	yoy gr. (%)	Q4 FY07	qoq gr. (%)	FY07	FY08E	yoy gr. (%)
Net Int. Income	17,143	14,753	16.2	18,747	(8.6)	66,358	78,674	18.6
Op. Profit	15,242	9,648	58.0	17,881	(14.8)	58,744	68,890	17.3
Net Profit	7,751	6,200	25.0	8,251	(6.1)	31,102	37,086	19.2
Deposits	2,307,884	1,830,065	26.1	2,305,102	0.1	2,305,102	2,960,573	28.4
Advances	1,982,773	1,471,842	34.7	1,958,656	1.2	1,958,656	2,507,080	28.0

### Key Ratios

Y/e March	FY06	FY07	FY08E	FY09E
EPS (Rs)	32.2	34.8	37.0	40.5
EPS growth (%)	16.9	7.8	6.3	9.4
BV/S (Rs)	249.5	270.9	423.3	449.6
ABV/S (Rs)	237.7	248.8	391.6	403.9
P/E (x)	30.6	28.3	26.6	24.3
P/BV (x)	3.9	3.6	2.3	2.2
P/ABV (x)	4.1	4.0	2.5	2.4
DPS (Rs)	8.5	10.0	10.4	12.6
Dividend Payout ratio (%)	34.1	33.9	35.0	35.0
Dividend yield (%)	0.9	1.0	1.1	1.3

(Stock price as on July 20, 2007)



## Result Highlights

ICICI Bank has reported 35% growth in advances to Rs. 1982.8 bn in Q1 FY 08. This is in line with the 34% growth reported in FY 07.

But retail advances have grown at somewhat lesser pace at 29% to Rs. 1274.2 bn. This is less than the 38.5% growth reported in FY 07. This is due to decline in disbursements in retail loans across the segment.

Overall retail loan disbursement has come down by 15% to Rs. 135 bn and home loan disbursement has come down by 29% to Rs. 45 bn in Q1 FY 08. Total home loan portfolio has grown by 11% year on year while there is a sequential decline of 14% in Q1 FY 08.

Deposits have gone up by 26% to Rs. 2307.9 bn in Q1 FY08. Share of low cost deposits remains at 22%.

Higher increase in cost of funds compared to yield on advances has resulted in NII going up by 16% to Rs. 17143 mn in Q1 FY 08. Bank expects some of its high cost bulk deposits to move out of balance sheet in coming quarters resulting in higher NII growth.

Fee income has gone up by 35% to Rs. 14280 mn. Retail segment forms 55% of total fee income.

Despite lower NII growth, healthy fee income growth and high treasury gains have resulted in net profit going up by 25% to Rs. 7751 mn in Q1 FY 08.

Since Q4 FY 06 ICICI Bank's gross NPAs are sequentially going up every quarter and stand at Rs. 60430 mn as on Q1 FY 08 compared to Rs. 48500 mn as on Q4FY 07. 64% of gross NPAs are in retail assets. Within retail gross NPAs 54% are non collateralized.

Net NPAs too are sequentially going up every quarter since Q4 FY 06 and stand at Rs. 27420 mn as on Q1 FY 08 compared to Rs. 20190 mn as on Q4FY 07. 71% of net NPAs are in retail assets. Within retail net NPAs 46% are non collateralized.

Net NPAs at 1.3% of customer assets are higher than 0.98% reported in Q4FY 08.

Capital adequacy stands at 11.03%. But recently completed domestic cum ADR issue will propel it to comfortable level.

Stock trades at 2.4x FY 09 ABV. Though there is some deterioration in asset quality but bank has also seen slow down in retail loan specially home loan disbursements which will help in preventing further deterioration in asset quality in future. Given the attractive valuation of core banking business, we reiterate our Buy rating on the stock.



Q1 FY08 Result Overview

(Rs m)

Y/e March	Q1 FY08	Q1 FY07	yoy gr. (%)	Q4 FY07	qoq gr. (%)	FY07	FY08E	yoy gr. (%)
Interest on Advances	54,492	34,372	58.5	47,034	15.9	160,963	227,753	41.5
Interest on Investments	19,140	13,425	42.6	16,187	18.2	59,885	78,175	30.5
Others	2,029	2,590	(21.7)	3,395	(40.2)	9,094	9,423	3.6
Total Interest Earned	75,661	50,386	50.2	66,616	13.6	229,943	315,350	37.1
Fee and other Income	15,203	9,930	53.1	13,879	9.5	48,139	67,824	40.9
Treasury Income	1,950	180	983.3	4,460	(56.3)	11,152	4,461	(60.0)
Total non interest Income	17,153	10,110	69.7	18,339	(6.5)	59,292	72,285	21.9
Total Income	92,814	60,497	53.4	84,955	9.3	289,235	387,636	34.0
Int. Expanded	58,519	35,634	64.2	47,869	22.2	163,585	236,676	44.7
<b>Net Int. Income</b>	<b>17,143</b>	<b>14,753</b>	<b>16.2</b>	<b>18,747</b>	<b>(8.6)</b>	<b>66,358</b>	<b>78,674</b>	<b>18.6</b>
Net Total Income	34,295	24,863	37.9	37,087	(7.5)	125,650	150,959	20.1
Op. expenses	19,053	15,215	25.2	19,206	(0.8)	66,906	82,070	22.7
<b>Op. Profit</b>	<b>15,242</b>	<b>9,648</b>	<b>58.0</b>	<b>17,881</b>	<b>(14.8)</b>	<b>58,744</b>	<b>68,890</b>	<b>17.3</b>
<b>Core Op Profit</b>	<b>13,292</b>	<b>9,468</b>	<b>40.4</b>	<b>13,421</b>	<b>(1.0)</b>	<b>47,592</b>	<b>64,429</b>	<b>35.4</b>
Provisions	5,523	2,163	155.4	8,763	(37.0)	22,264	23,663	6.3
PBT	9,720	7,486	29.8	9,117	6.6	36,480	45,227	24.0
Prov. for taxes	1,969	1,286	53.1	866	127.3	5,378	8,141	51.4
<b>Net Profit</b>	<b>7,751</b>	<b>6,200</b>	<b>25.0</b>	<b>8,251</b>	<b>(6.1)</b>	<b>31,102</b>	<b>37,086</b>	<b>19.2</b>
<i>Income tax rate (%)</i>	<i>20.3</i>	<i>17.2</i>		<i>9.5</i>		<i>14.7</i>	<i>18.0</i>	
<i>Int. on advances % total</i>	<i>58.7</i>	<i>56.8</i>		<i>55.4</i>		<i>55.7</i>	<i>58.8</i>	
<i>Other income % total</i>	<i>18.5</i>	<i>16.7</i>		<i>21.6</i>		<i>20.5</i>	<i>18.6</i>	
<i>Cost/Income ratio (%)</i>	<i>55.6</i>	<i>61.2</i>		<i>51.8</i>		<i>53.2</i>	<i>54.4</i>	
<i>CAR (%)</i>	<i>11.0</i>	<i>12.5</i>		<i>11.7</i>		<i>12.7</i>	<i>112.7</i>	
EPS	8.6	7.0	23.5	9.2	(6.5)	34.8	37.0	6.3
Deposits	2,307,884	1,830,065	26.1	2,305,102	0.1	2,305,102	2,960,573	28.4
Advances	1,982,773	1,471,842	34.7	1,958,656	1.2	1,958,656	2,507,080	28.0



## Key Figures

(Rs m)

Y/e March	FY06	FY07	FY08E	FY09E
Market Price	985	985	985	985
Equity Capital	8,898	8,993	11,068	11,068
Market Capitalisation	876,620	885,988	1,090,327	1,090,327
Balance sheet size	2,513,890	3,446,581	4,503,905	5,410,673
Market cap to balance sheet size (%)	34.9	25.7	24.2	20.2
Deposits	1,650,832	2,305,102	2,960,573	3,733,356
Net Advances	1,461,631	1,958,656	2,507,080	3,158,920
Investments	715,474	912,578	1,134,525	1,373,375
Networth	225,560	246,633	471,989	501,098
NII	47,087	66,358	78,674	92,936
<i>NII Growth (%)</i>	<i>65.9</i>	<i>40.9</i>	<i>18.6</i>	<i>18.1</i>
Operating profits	38,884	58,744	68,890	90,223
PAT	25,401	31,102	37,086	44,784
<i>PAT growth (%)</i>	<i>26.7</i>	<i>22.4</i>	<i>19.2</i>	<i>20.8</i>
<i>RoA (%)</i>	<i>1.2</i>	<i>1.0</i>	<i>0.9</i>	<i>0.9</i>
<i>RoE (%)</i>	<i>14.6</i>	<i>13.4</i>	<i>10.4</i>	<i>9.3</i>
<i>Treasury gain as % of OP</i>	<i>19.3</i>	<i>19.0</i>	<i>6.5</i>	<i>4.4</i>
<i>Treasury gain as % of PBT</i>	<i>24.2</i>	<i>30.6</i>	<i>9.9</i>	<i>7.4</i>
<i>Cost - Income ratio (%)</i>	<i>56.3</i>	<i>53.2</i>	<i>54.4</i>	<i>52.8</i>
<i>CAR (%)</i>	<i>13.8</i>	<i>12.4</i>	<i>112.4</i>	<i>212.4</i>
Net NPAs	10,527	19,920	35,099	50,543
<i>% of Net NPA</i>	<i>0.7</i>	<i>1.0</i>	<i>1.4</i>	<i>1.6</i>

This document has been prepared by the Research Division of Prabhudas Lilladher Pvt. Ltd. Mumbai, India (PL) and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security. The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accept any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein. Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor. Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication. We may from time to time solicit or perform investment banking or other services for any company mentioned in this document.