

CMP	Rs. 1,114	Absolute	Buy
Target	Rs. 1,287	Relative	Outperform

Margins and Earnings exceed expectations; Future visibility improves; Reiterate Buy/O-PF

ICICI Bank posted good result this quarter exceeding our estimates with good loan growth, expanded NIMs and 5% higher than estimated PAT. As this year's loan book growth was partially supplemented by BoR's acquisition, FY12E should be the first full-fledged growth year for ICICI bank and we expect ICICI to grow inline with the sector thus arresting market share loss.

ICICI bank's NIMs expanded 14bps qoq, against our expectations of decline due to unexpected benefit from premature withdrawal of deposits. Premature withdrawal reduces the tenure of the deposits for which lower interest rates would apply, and also the rate applicable would be the original interest rate for the tenure when the deposit was initiated bringing down the cost of deposits, reversing the effect of increased cost of new deposits. But the renewed deposits will be at higher cost much earlier than anticipated causing CoD to rise in the coming quarter higher than expected causing stress on NIMs. But we believe this could be partly mitigated by rising spreads in international business and thus we don't expect NIM to drop beyond previous quarter's levels.

As the bank's outstanding general provisions should take care of gen. provision requirement at least for next one year provision cost should come down boosting profit. Any incremental provisions made would bring down Net NPAs. Restructured advances have been coming down due to repayment after moratorium (currently at 0.9% of advances) thus bringing down stressed assets and we don't see any unexpected things to happen.

With improving profitability and a strong Tier I cushion before hitting market for capital, we believe ICICI Bank is well positioned for distinctive growth in the coming years and we continue our Buy rating on the stock.

Highlights of the quarter's performance

- **Growth in-line with Industry:** Advances grew by 19.4% yoy and 4.7% (in-line with industry) sequentially; Deposits grew 11.7% yoy 3.6% qoq; CASA has grown 5.7% qoq, CASA stands at 45.1%;
- **NII up 23.3% yoy; PAT up 44.4% yoy :** Loan growth and improved NIMs at 2.8% contributed towards the 8.6% NII growth qoq. NII grew 23.3% yoy; Core fee income grew 10% qoq and 18% yoy. PAT grew 44.4% yoy on a low base 1% qoq as operating expenses increase qoq;
- **Asset Quality :** Gross NPAs declined marginally qoq; On increased loan base now Gross NPAs are at 4.5%; Net NPAs have declined substantially at 16% qoq; Net NPAs form 1.1% of advances; Coverage is at 76%.

Financial summary

Year	NII (Rs. mn)	PAT (Rs. mn)	ROE (%)	ROA (%)	ABV (Rs.)	P/ABV (x)
FY10	81,144	40,250	8.0	1.1	413	2.7
FY11E	90,169	51,515	9.7	1.3	457	2.4
FY12E	102,868	64,536	11.3	1.5	493	2.3

4QFY11 Update

Date	May 2, 2011
-------------	-------------

Market Data

SENSEX	19136
Nifty	5750
Bloomberg	ICICIBC IN
Shares o/s	1,152mn
Market Cap	Rs. 1,284bn
52-wk High-Low	Rs. 1,279-712
3m Avg. Daily Vol	Rs. 4,769mn
Index member	BSE SENSEX

Latest shareholding (%)

Promoters	0.0
Institutions	89.8
Public	10.2

Stock performance (%)

	1m	3m	12m
ICICI Bank	1	12	17
Sensex	-1	6	9
Bankex	-1	10	17

Ganeshram Jayaraman
ganeshram@sparkcapital.in
 +91 44 4344 0031

Sreekanth Akula
sreekanth@sparkcapital.in
 +91 80 4146 7401

ICICI Bank

Quarterly Financial Results

CMP	Rs. 1,114	Absolute	Buy
Target	Rs. 1,287	Relative	Outperform

Standalone financial results

Rs. mn\Period	31-Mar-11	31-Mar-10	yoy Growth	31-Dec-10	qoq Growth	FY11	FY12E	yoy Growth
Interest Earned	71,565	58,270	22.8%	66,960	6.9%	259,741	311,641	20.0%
Interest Expended	46,467	37,920	22.5%	43,842	6.0%	169,572	208,773	23.1%
Net Interest Income	25,097	20,349	23.3%	23,117	8.6%	90,169	102,868	14.1%
Other Income	16,407	18,908	-13.2%	17,488	-6.2%	66,480	75,286	13.2%
Fee Income	17,910	15,210	17.8%	16,250	10.2%	64,190	71,169	10.9%
Trading Gains	-1,960	1,960	-200.0%	210	-1033.3%	-2,150	2,117	-198.4%
Total Income	41,504	39,258	5.7%	40,605	2.2%	156,649	178,154	13.7%
Operating Expenses	18,455	15,269	20.9%	17,179	7.4%	66,173	74,805	13.0%
Pre-Provision Profit	23,049	23,989	-3.9%	23,426	-1.6%	90,477	103,349	14.2%
Provisions	3,836	9,898	-61.2%	4,643	-17.4%	22,868	14,335	-37.3%
PBT	19,213	14,091	36.3%	18,783	2.3%	67,608	89,015	31.7%
PAT	14,521	10,056	44.4%	14,370	1.1%	51,515	64,536	25.3%
EPS (Rs.)	12.6	9.0	39.8%	12.5	1.0%	44.7	56.0	25.3%
NIM%	2.8%	2.6%		2.7%		2.7%	2.6%	
CASA%	45.1%	41.7%		44.2%		45.1%	45.0%	
ROA%	1.5%	1.2%		1.5%		1.3%	1.5%	
Gross NPA %	4.5%	5.2%	5.8%	4.8%	-1.5%	4.6%	3.8%	-3.9%
Net NPA %	1.1%	2.1%	-37.3%	1.4%	-16.2%	1.1%	1.0%	0.7%
Advances	2,163,659	1,812,056	19.4%	2,066,920	4.7%	2,163,659	2,551,875	17.9%
Deposits	2,256,021	2,020,166	11.7%	2,177,468	3.6%	2,256,021	2,692,058	19.3%

ICICI Bank

Business Overview

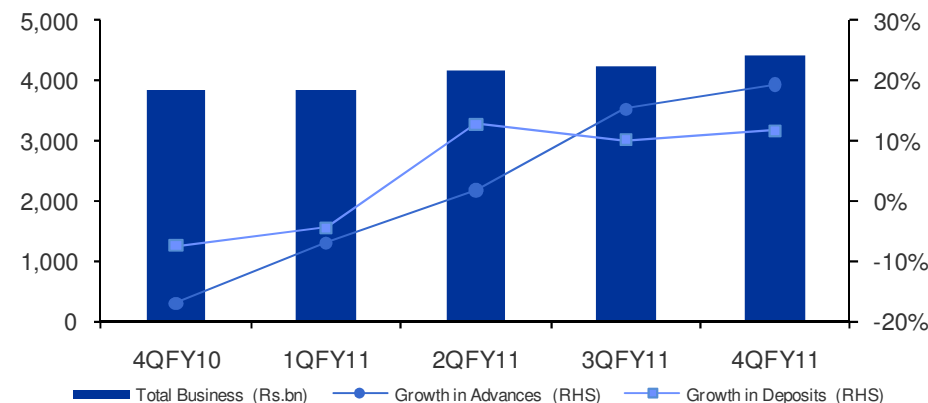
CMP	Rs. 1,114	Absolute	Buy
Target	Rs. 1,287	Relative	Outperform

Key estimate revision

	FY11	FY12E		
		Old	New	Change
NII	90,169	100,949	102,868	2%
NIM (%)	2.7%	2.6%	2.6%	
PAT	51,515	64,467	64,536	0%
ROA (%)	1.3%	1.4%	1.5%	
ABV	457	495	493	0%

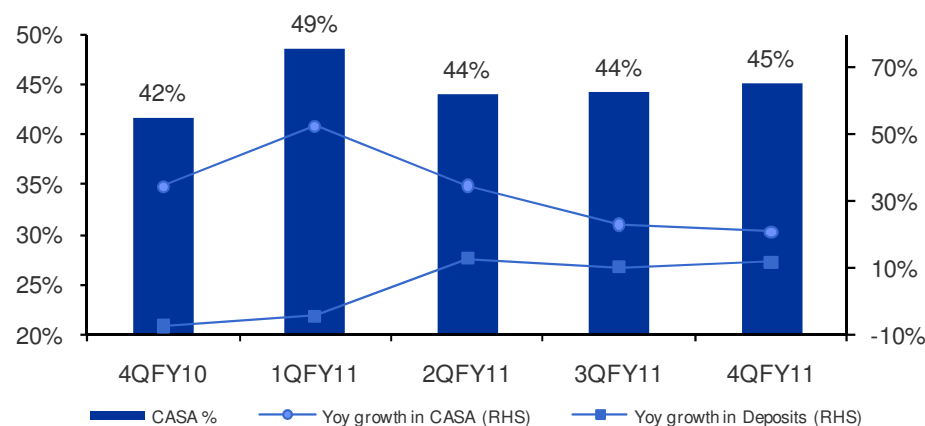
All figures in Rs. mn, except ABV, which is in Rs.

Total business up 4% qoq, Loans up 5%, Deposits up 3% qoq



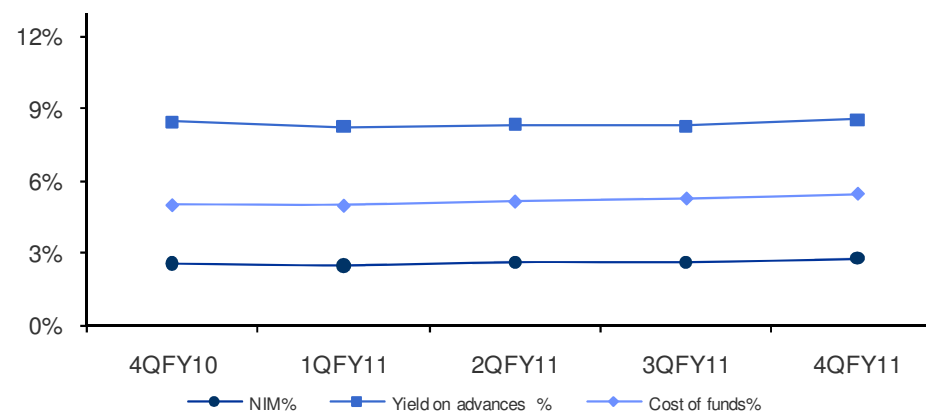
Source: Company, Spark Research

CASA steadily improving; CASA % at 45% now



Source: Company, Spark Research

NIMs at 2.8% have expanded by 14bps



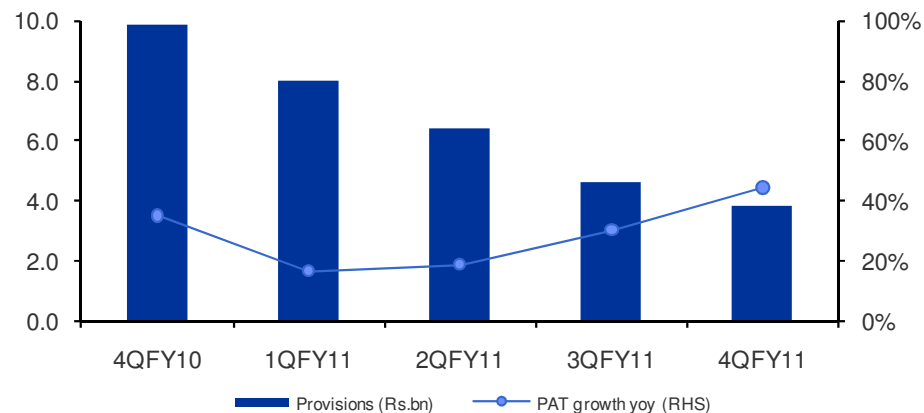
Source: Company, Spark Research

ICICI Bank

Business Overview (Contd.)

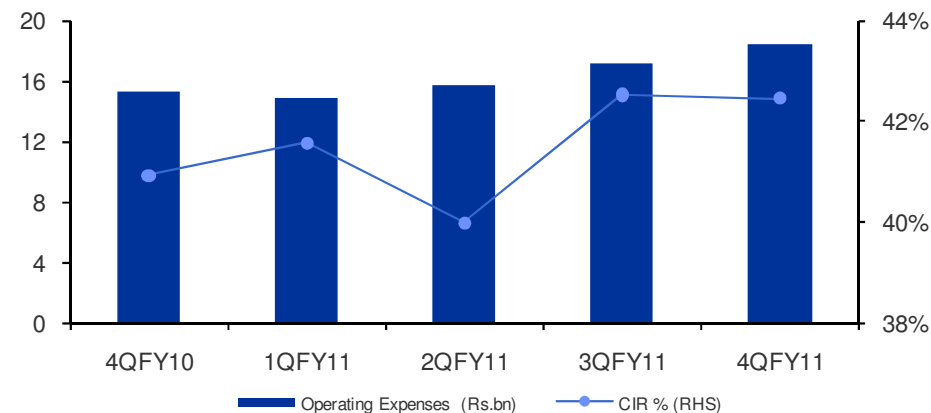
CMP	Rs. 1,114	Absolute	Buy
Target	Rs. 1,287	Relative	Outperform

Provisions have been coming down; PAT growth steadily improving



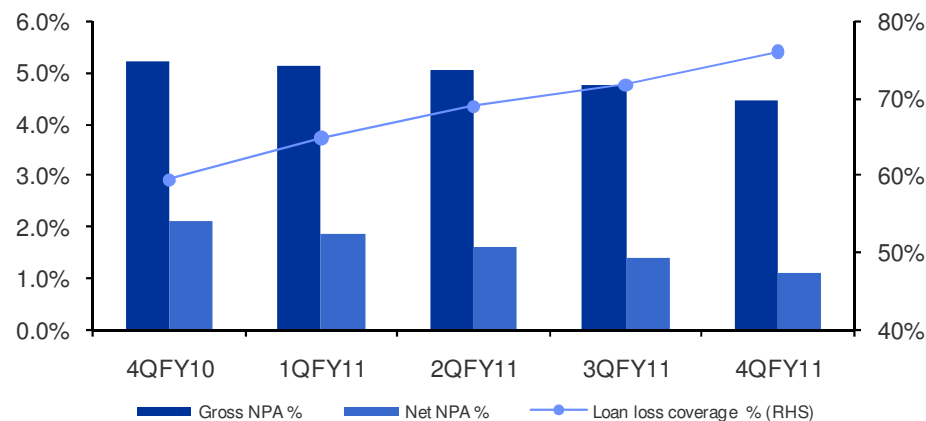
Source: Company, Spark Research

Operating expenses higher due to bonus expenses; CIR stable



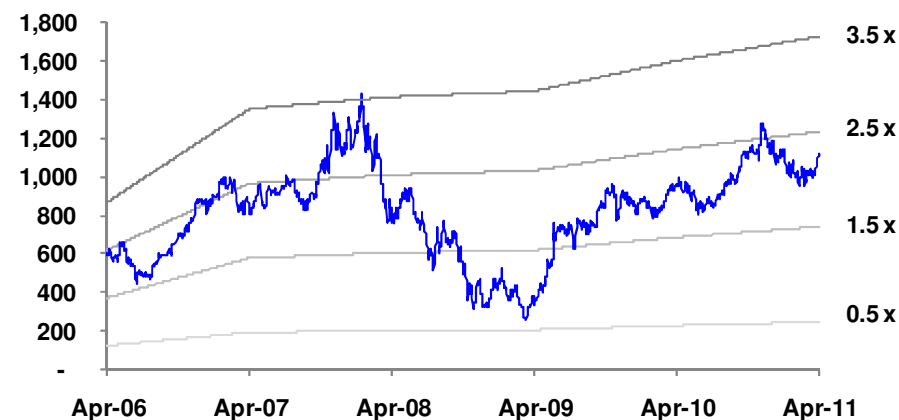
Source: Company, Spark Research

Asset quality improved qoq; Net NPAs decline; PCR highest at 76%



Source: Company, Spark Research

ICICI Bank - P/ABV Band



Source: Bloomberg, Company, Spark Research

ICICI Bank

Financial Summary

CMP	Rs. 1,114	Absolute	Buy
Target	Rs. 1,287	Relative	Outperform

Abridged Financial Statements				
Rs.mn	FY09	FY10	FY11	FY12E
Profit & Loss				
Net Interest Income	83,665	81,144	90,169	102,868
Other Income	76,037	74,777	66,480	75,286
Fee Income	56,259	56,490	64,190	71,169
Treasury Income	12,864	11,810	-2,150	2,117
Total Income	159,702	155,920	156,649	178,154
Operating Expenses	70,451	58,598	66,173	74,805
Pre-Provision Profit	89,251	97,322	90,477	103,349
Provisions	38,083	43,869	22,868	14,335
PBT	51,169	53,453	67,608	89,015
PAT	37,580	40,250	51,515	64,536
Balance Sheet				
Net worth	495,333	516,184	550,909	592,537
Deposits	2,183,478	2,020,166	2,256,021	2,692,058
CASA	626,680	842,150	1,016,470	1,211,290
Borrowings & Current Liabilities	1,114,201	1,097,647	1,255,401	1,437,663
Total Liabilities & Networth	3,793,012	3,633,997	4,062,332	4,722,258
Cash with RBI & other banks	299,658	388,737	340,901	432,587
Advances	2,183,103	1,812,056	2,163,659	2,551,875
Investments	1,030,580	1,208,928	1,346,860	1,483,942
Fixed & Current Assets	279,652	224,276	210,917	253,854
Total Assets	3,792,999	3,633,997	4,062,337	4,722,258
Other Information				
Shares outstanding (mn)	1,113	1,115	1,152	1,152
Current market price (Rs.)			1,114	
Market capitalisation (Rs. mn)			1,283,646	
Earnings per share (Rs.)	33.8	36.1	44.7	56.0
Dividend per share (Rs.)	11.0	12.0	14.0	17.0

Key Metrics				
	FY09	FY10	FY11	FY12E
Growth ratios				
ABV per share	5%	2%	11%	8%
Advances	-3%	-17%	19%	18%
Deposits	-11%	-7%	12%	19%
NII	15%	-3%	11%	14%
PAT	-8%	7%	28%	25%
EPS	-8%	7%	24%	25%
Asset Quality				
Gross NPA (Rs.mn)	96,493	94,807	100,343	96,389
Gross NPA	4.4%	5.2%	4.6%	3.8%
Net NPA	2.1%	3.1%	1.1%	1.0%
Slippage	2.2%	1.8%	0.7%	0.6%
Coverage	52.8%	40.8%	76.0%	74.8%
Grow th in Gross NPA	27.3%	-1.7%	5.8%	-3.9%
Asset-Liability Profile				
Leverage (x)	6.3	5.9	6.3	6.9
CD ratio	100.0%	89.7%	95.9%	94.8%
CASA	28.7%	41.7%	45.1%	45.0%
Tier I CAR	11.8%	14.0%	13.2%	12.5%
Profitability and Efficiency				
Net Interest Margin	2.5%	2.5%	2.7%	2.6%
ROA	1.0%	1.1%	1.3%	1.5%
ROE	7.8%	8.0%	9.7%	11.3%
Valuation				
Book Value per share (Rs.)	445	463	478	514
Adj Book Value per share (Rs.)	404	413	457	493
P/ABV (x)	2.8	2.7	2.4	2.3
P/E (x)	33.0	30.9	24.9	19.9

CMP	Rs. 1,114	Absolute	Buy
Target	Rs. 1,287	Relative	Outperform

Absolute Rating Interpretation

BUY	Stock expected to provide positive returns of > 15% over a 1-year horizon
ADD	Stock expected to provide positive returns of <=15% over a 1-year horizon
REDUCE	Stock expected to fall <=15% over a 1-year horizon
SELL	Stock expected to fall >15% over a 1-year horizon

Relative Rating Interpretation

OUTPERFORM	Stock expected to outperform sector index /sector peers in our coverage
UNDERPERFORM	Stock expected to underperform sector index/ sector peers in our coverage

Recommendation History

Date	CMP	Target price	Absolute Rating	Relative Rating
7-Apr-11	1,115	1,287	Buy	O-PF

Analyst Certification

The Research Analyst(s) who prepared the research report hereby certify that the views expressed in this research report accurately reflect the analyst(s) personal views about the subject companies and their securities. The Research Analyst(s) also certify that the Analyst(s) have not been, are not, and will not be receiving direct or indirect compensation for expressing the specific recommendation(s) or view(s) in this report.

Spark Disclaimer

This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Nothing in this document should be construed as investment or financial advice, and nothing in this document should be construed as an advice to buy or sell or solicitation to buy or sell the securities of companies referred to in this document. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose.

This document does not constitute or form part of any offer for sale or subscription or incitation of any offer to buy or subscribe to any securities. This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. Spark Capital Advisors (India) Private Limited makes no representation or warranty, express or implied, as to the accuracy, completeness or fairness of the information and opinions contained in this document. Spark Capital Advisors (India) Private Limited, its affiliates, and the employees of Spark Capital Advisors (India) Private Limited and its affiliates may, from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. This report has been prepared on the basis of information, which is already available in publicly accessible media or developed through the independent analysis of Spark Capital Advisors (India) Private Limited

Copyright in this document vests exclusively with Spark Capital Advisors (India) Private Limited.