



Prabhudas
Lilladher

Fulfilling investors' needs since 1944

Rajesh Malhani
91-22-6632 2236

Senior Research Analyst
RajeshMalhani@PLIndia.com

Q4 FY07
Result Update

ICICI Bank

Outperformer

Rs 934

April 30, 2007

Moderate growth with margin improvement

Company Details				Result Snapshot			
Market Cap:	Rs 839,669m			34% growth in advances to Rs. 1958.6 bn			
52 Week High/Low:	Rs 1,007 / 440			40% growth in deposits to Rs. 2305.1 bn			
Bloomberg Code:	ICICIBC@IN			NIM improved from 2.6% in Q3 FY 07 to 2.66% in Q4 FY 07			
Reuters Code:	ICBK.BO / NS			NII growth at 36% to Rs. 18747 mn			
Shares O/s:	899m			Net profits up by only 4% to Rs. 8251 mn in Q4 FY 07, though for full year growth remains healthy at 22%.			
Average Volume (3 months):	1.7m			Net NPAs at 0.98% as on FY 07			
Price Performance				Capital adequacy at 11.69%. equity issue of Rs. 200 bn planned			
(%)	1m	3m	12m	Stock trades at 2.3x FY 09 ABV. Given the management track record of highly profitable growth, we maintain Outperformer rating on the stock.			
Absolute	6.6	(5.2)	64.8				
Relative to Sensex	0.6	(2.6)	47.2				

Q4 FY07 Result Snapshot

(Rs m)

Y/e March	Q4FY07	Q4FY06	yoy gr. (%)	Q3FY07	FY06	FY07	yoy gr. (%)
Net Int. Income	18,747	13,741	36.4	17,088	47,087	66,358	40.9
Op. Profit	17,881	12,385	44.4	19,761	38,884	58,744	51.1
Net Profit	8,251	7,899	4.5	9,101	25,401	31,102	22.4
Deposits	2,305,102	1,650,832	39.6	1,968,928	1,650,832	2,305,102	39.6
Advances	1,958,656	1,461,631	34.0	1,727,631	1,461,631	1,958,656	34.0

Valuation Ratios

Y/e March	FY06	FY07E	FY08E	FY09E
EPS (Rs)	32.2	34.8	38.5	43.8
EPS growth (%)	16.9	7.8	10.9	13.6
BV/S (Rs)	249.5	264.0	420.7	449.2
ABV/S (Rs)	237.7	241.6	395.2	413.6
P/E (x)	29.0	26.9	24.2	21.3
P/BV (x)	3.7	3.5	2.2	2.1
P/ABV (x)	3.9	3.9	2.4	2.3
DPS (Rs)	8.5	10.8	10.9	13.6
Dividend Payout ratio (%)	34.1	35.2	35.0	35.0
Dividend yield (%)	0.9	1.2	1.2	1.5

(Stock price as on April 27, 2007)



Result Highlights

ICICI Bank has reported 34% growth in advances to Rs. 1958.6 bn, which is significantly less than 60% growth in FY 06 and even 41% growth in Q3 FY 07.

Retail advances have grown by 39% to Rs. 1276.9 bn, which is again less than the 64% growth in FY 06 and 50% growth in Q3 FY 07. Share of retail advances at 65% has marginally improved from 63% as on FY 06 but has marginally come down from 68% as on Q3 FY 07.

Deposits have gone up by 40% to Rs. 2305.1 bn, which is less than the 65% growth in FY 06 and also 47% growth in Q3 FY 07. Share of low cost remains largely unchanged at 22%.

NIM has marginally improved from 2.6% in Q3 FY 07 to 2.66% in Q4 FY 07 though for full year it has come down from 2.74% in FY 06 to 2.57% to FY 07.

NII growth at 36% to Rs. 18747 mn is in line with business growth. Though bank has booked profit from 5% stake sale in NSE, there is no increase in treasury profits compared to Q3 FY 07.

As per RBI guidelines, bank has started reporting amortisation of premium on SLR securities as deduction from other income instead of earlier practice of reporting under provisions.

Fee income has gone up by lower 29% to Rs. 11.1 bn in Q4 FY 07, though for full year growth remains high at 45%.

Due to new guidelines from RBI, ICICI Bank has seen impact of Rs. 3100 mn on higher provisions on standard assets.

These additional provisions have dragged down the bottomline performance with net profits growing by only 4% to Rs. 8251 mn in Q4 FY 07 though, for full year, profit growth remains healthy at 22%.

Gross NPAs have gone up sequentially quarter on quarter in FY 07, though in percentage terms, asset quality remains healthy with gross NPAs around 2.44% and net NPAs at 0.98% as on FY 07. Home loan portfolio with net NPAs at 0.71% is better placed than the overall loan portfolio.

Capital adequacy at 11.69% with tier - I at 7.4% has come down from 13.37% as on Q3 FY 07. This is partly because of high business growth and partly due to US\$ 750 mn of capital raised as upper tier - II capital not being included under tier - II capital pending certain clarification sought by RBI over terms of issue. Including this, CAR would turn out to be 12.81%.

Management has planned Rs. 200 bn equity issue (both domestic and ADR) in FY 08. Though this will lead severe dilution of earning as well return ratios in near term, management expects it to improve going forward as it sees huge lending opportunities due to huge investments planned in India in next few years.

Stock trades at 2.3x FY 09 ABV. Though dilution worry may weigh down the stock in near term, but given the management track record of effectively utilizing the capital raised and achieve high profitable growth leads us to maintain **Outperformer** rating on the stock.



Q4 FY07 Result Overview

(Rs m)

Y/e March	Q4FY07	Q4FY06	yoy gr. (%)	Q3FY07	FY06	FY07	yoy gr. (%)
Interest on Advances	47,034	29,888	57.4	41,655	102,066	160,963	57.7
Interest on Investments	16,187	10,435	55.1	15,426	36,928	59,885	62.2
Others	3,395	1,160	192.6	1,165	4,068	9,094	123.6
Total Interest Earned	66,616	41,483	60.6	58,247	143,061	229,943	60.7
Total non interest Income	18,339	13,591	34.9	19,806	41,809	59,292	41.8
Total Income	84,955	55,075	54.3	78,052	184,870	289,235	56.5
Int. Expanded	47,869	27,742	72.5	41,159	95,974	163,585	70.4
Net Int. Income	18,747	13,741	36.4	17,088	47,087	66,358	40.9
Net Total Income	37,087	27,332	35.7	36,894	88,896	125,650	41.3
Op. expenses	19,206	14,947	28.5	17,133	50,012	66,906	33.8
Op. Profit	17,881	12,385	44.4	19,761	38,884	58,744	51.1
Core Op Profit	13,421	9,020	48.8	16,661	31,921	53,870	68.8
Provisions	8,763	3,545	147.2	8,910	7,918	22,264	181.2
PBT	9,117	8,840	3.1	10,852	30,966	36,480	17.8
Prov. For taxes	866	941	(7.9)	1,751	5,565	5,378	(3.4)
Net Profit	8,251	7,899	4.5	9,101	25,401	31,102	22.4
<i>Income tax rate (%)</i>	<i>9.5</i>	<i>10.6</i>		<i>16.1</i>	<i>18.0</i>	<i>14.7</i>	
<i>Int. on advances % total</i>	<i>55.4</i>	<i>54.3</i>		<i>53.4</i>	<i>55.2</i>	<i>55.7</i>	
<i>Other income % total</i>	<i>21.6</i>	<i>24.7</i>		<i>25.4</i>	<i>22.6</i>	<i>20.5</i>	
<i>Cost/Income ratio</i>	<i>51.8</i>	<i>54.7</i>		<i>46.4</i>	<i>56.3</i>	<i>53.2</i>	
<i>CAR</i>	<i>11.7</i>	<i>13.4</i>		<i>13.4</i>	<i>13.4</i>	<i>11.7</i>	
EPS	9.2	8.9	3.4	10.2	32.2	34.8	7.8
Deposits	2,305,102	1,650,832	39.6	1,968,928	1,650,832	2,305,102	39.6
Advances	1,958,656	1,461,631	34.0	1,727,631	1,461,631	1,958,656	34.0



Key Numbers

(Rs m)

Y/e March	FY06	FY07E	FY08E	FY09E
Market Price	934	934	934	934
Equity Capital	8,898	8,993	10,993	10,993
Market Capitalisation	830,794	839,669	1,026,399	1,026,399
Balance sheet size	2,513,890	3,332,575	4,505,120	5,691,240
<i>Market cap to balance sheet size (%)</i>	<i>33.0</i>	<i>25.2</i>	<i>22.8</i>	<i>18.0</i>
Deposits	1,650,832	2,305,102	3,126,645	4,226,799
Net Advances	1,461,631	1,958,656	2,546,161	3,259,087
Investments	715,474	946,467	1,182,542	1,436,414
Networth	225,560	240,966	466,003	497,286
NII	47,087	66,358	89,612	120,575
<i>NII Growth (%)</i>	<i>65.9</i>	<i>40.9</i>	<i>35.0</i>	<i>34.6</i>
Operating profits	38,884	58,744	78,799	105,643
PAT	25,401	31,102	38,518	48,127
<i>PAT growth (%)</i>	<i>26.7</i>	<i>22.4</i>	<i>23.8</i>	<i>24.9</i>
<i>RoA (%)</i>	<i>1.2</i>	<i>1.1</i>	<i>1.0</i>	<i>0.9</i>
<i>RoE (%)</i>	<i>14.6</i>	<i>13.5</i>	<i>11.0</i>	<i>10.1</i>
<i>Treasury gain as % of OP</i>	<i>17.9</i>	<i>8.3</i>	<i>3.1</i>	<i>2.4</i>
<i>Treasury gain as % of PBT</i>	<i>22.5</i>	<i>13.4</i>	<i>4.7</i>	<i>3.8</i>
<i>Cost - Income ratio (%)</i>	<i>56.3</i>	<i>53.2</i>	<i>53.3</i>	<i>53.3</i>
Net NPAs	10,527	20,174	28,008	39,109
<i>% of Net NPA</i>	<i>0.7</i>	<i>1.0</i>	<i>1.1</i>	<i>1.2</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.