

# Asset quality comfort very high; ROE of +15%

Having met with management today at our 2011 Asian Stars Conference in Singapore, these are some of our takeaways...

## Asset quality comfort high

The most positive takeaway, in our view, is that asset quality comfort is very high. Moreover, management believes that asset quality is comfortable even at the sector level. It does not see any extra stress at the sector level.

## Loan growth of 20% in FY12

Volume growth of ~20% in FY12 to be driven by domestic corporates (sanctions of Rs150bn), mortgages and auto loans.

## Margins flat to higher (more so in FY13)

Margins may be under pressure QoQ (in 1Q) due to higher agri. lending. However, management is confident of maintaining CASA at about the 45% level, which would feed into margins more so in FY13 and as domestic loans re-price and margins in overseas businesses rise.

## ROE at 15%

ROE to rise to +15% by FY12 and management feels long-term ROE could reach 18%.

Equity | India | Banks-Retail  
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## Bank of America Merrill Lynch



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## Stock Data

Price (Common / ADR)	Rs1,032 / US\$45.66
Price Objective	Rs1,400 / US\$60.00
Date Established	31-Oct-2010 / 31-Oct-2010
Investment Opinion	C-1-7 / C-1-7
Volatility Risk	HIGH / HIGH
BofAML Ticker / Exchange	ICIJF / BSE
BofAML Ticker / Exchange	IBN / NYS
Bloomberg / Reuters	ICICIBC IN / ICBK.BO

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Refer to important disclosures on page 4 to 7. Analyst Certification on Page 2. Price Objective Basis/Risk on page 2. Link to Definitions on page 2. 11052103

## Price objective basis & risk

### ICICI Bank (ICIJF / IBN)

We set our PO at Rs1400. ICICI Bank appears amongst the better positioned banks to both capitalize on growth and best positioned in terms of asset quality. We believe the bank trading at 2.0-2.1x FY12e (bk. biz.) can trade up to +2.5-2.6x, which is a premium to theoretical multiples, led by earnings trajectory of +30% (topline) and a sharp unwinding of credit costs, especially where most banks asset quality continues to see-saw. Add to this subs (non-bank) value of Rs237/shr, we get out PO of Rs1400. Risks are sharp rise in interest rates could hurt margins (35% of total deosits wholesale for ICICI Bank) and slowdown in macro growth could lead to lower volume growth and earnings trajectory for FY12.

## Link to Definitions

### Financials

Click [here](#) for definitions of commonly used terms.

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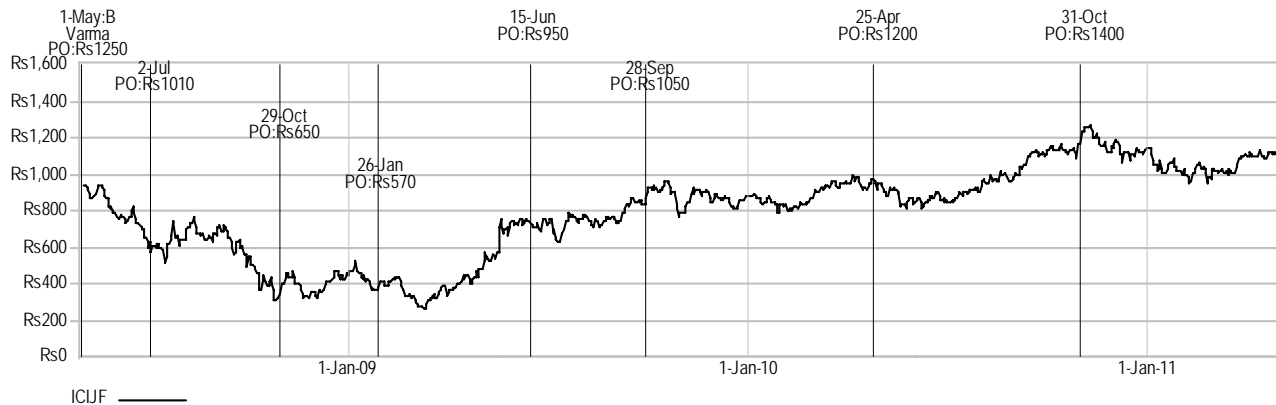
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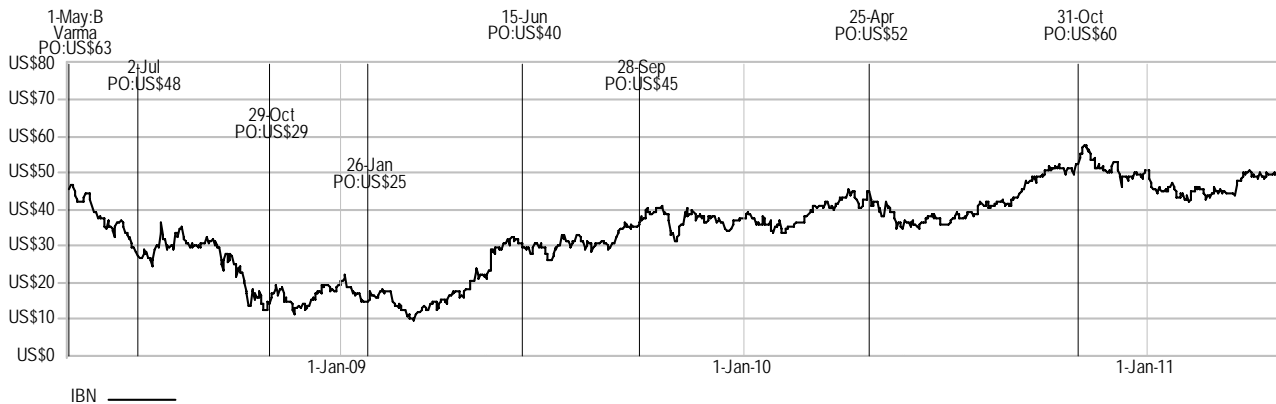
### ICIJF Price Chart



B : Buy, N : Neutral, S : Sell, U : Underperform, PO : Price objective, NA : No longer valid, NR: No Rating

Prior to May 31, 2008, the investment opinion system included Buy, Neutral and Sell. As of May 31, 2008, the investment opinion system includes Buy, Neutral and Underperform. Dark Grey shading indicates that a security is restricted with the opinion suspended. Light grey shading indicates that a security is under review with the opinion withdrawn. The current investment opinion key is contained at the end of the report. Chart is current as of April 30, 2011 or such later date as indicated.

### IBN Price Chart



B : Buy, N : Neutral, S : Sell, U : Underperform, PO : Price objective, NA : No longer valid, NR: No Rating

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### Investment Rating Distribution: Banks Group (as of 01 Apr 2011)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	122	48.80%	Buy	50	49.02%
Neutral	69	27.60%	Neutral	33	58.93%
Sell	59	23.60%	Sell	25	44.64%

### Investment Rating Distribution: Global Group (as of 01 Apr 2011)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	2009	53.66%	Buy	912	49.89%
Neutral	955	25.51%	Neutral	439	50.93%
Sell	780	20.83%	Sell	257	35.11%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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