

RESULT UPDATE

LARGE CAP

Share Data

Reuters code	ICBK.BO
Bloomberg code	ICICIBC IN
Market cap. (US\$ mn)	24,495
6M avg. daily turnover (US\$ mn)	107.2
Issued shares (mn)	1,115
Target price (Rs)	1,019

Performance (%)	1M	3M	12M
Absolute	6	16	130
Relative	4	11	45

Valuation ratios

Yr to 31 Mar	FY11E	FY12E
EPS (Rs)	43.1	54.0
+/- (%)	19.3	25.4
ABV (Rs)	472.8	508.6
+/- (%)	7.3	7.6
PER (x)	22.7	18.1
PABV(x)	2.1	1.9
Dividend Yield (%)	1.4	1.6

Major shareholders (%)

FII's	37
MF's	7
BFSI's	18
Public & Others	38

Financial highlights

(Rs mn)	4QFY09	4QFY10	YoY (%)	FY09	FY10	YoY (%)	FY11E	YoY (%)	FY12E	YoY (%)
Interest Earned	75,297	58,270	(22.6)	310,926	257,069	(17.3)	286,746	11.5	345,207	20.4
Interest Expended	53,909	37,920	(29.7)	227,259	175,926	(22.6)	196,008	11.4	237,935	21.4
Net Interest Income	21,388	20,349	(4.9)	83,666	81,144	(3.0)	90,738	11.8	107,272	18.2
Other Income	16,737	18,908	13.0	76,037	74,777	(1.7)	84,249	12.7	95,745	13.6
Total Income	92,034	77,178	(16.1)	386,963	331,846	(14.2)	370,994	11.8	440,952	18.9
Total Net Income	38,125	39,258	3.0	159,703	155,920	(2.4)	174,986	12.2	203,017	16.0
Staff Expenses	4,574	5,827	27.4	19,717	19,258	(2.3)	22,965	19.3	29,411	28.1
Other operating expenses	11,996	9,442	(21.3)	50,734	39,340	(22.5)	44,552	13.2	53,653	20.4
Operating Profit	21,555	23,989	11.3	89,252	97,322	9.0	107,469	10.4	119,952	11.6
Provision & Contingencies	10,845	9,898	(8.7)	38,083	43,869	15.2	42,545	(3.0)	37,411	(12.1)
Provision for tax	3,272	4,026	23.0	13,588	13,203	(2.8)	16,880	27.8	22,286	32.0
Reported Profit	7,438	10,066	35.3	37,581	40,260	7.1	48,043	19.3	60,255	25.4

ICICI Bank

Maintain Outperformer

Price: Rs 978

BSE Index: 17,694

24 April 2010

4QFY10 Result – Looking for growth ahead

- ICICI Bank's (ICBK) standalone net profit at Rs 10.06 bn (35.3% YoY) has been strong on lower base, but substantially lower than our estimates. NII declined (4.9% YoY); however, other income surprised positively (13% YoY growth) supported by better fee-income (13.3% YoY) and higher than expected treasury gains of Rs 1.96 bn. NIMs remained sequentially flat at about 2.6%.
- Key positives:** a) CASA ratio improved further by 210 bps QoQ to 41.7% (28.7% YoY), on the back of strong growth of 7.6% QoQ (34.4% YoY) and reduction in term deposits by 24.3% YoY. b) Fresh NPA formation continues to decline (~Rs 7 bn from Rs 7.5 bn in 3QFY10 and Rs 12.5 bn in 4QFY10) and NPA coverage improved to 59.5% against 51.2% QoQ. RBI has allowed extension to improve its NPA coverage by FY11-end (earlier 1HFY11). c) The bank's insurance subsidiary has reported substantial accounting profit of Rs 3.56 bn in 4QFY10 and Rs 2.58 bn for FY10.
- Key negatives:** a) Gross NPAs increased 6.2% QoQ to Rs 94.8 bn, as there were no write-offs during the quarter, resulting in to increase in gross NPA ratio by 22 bps to 5.1% on falling credit base. b) Disbursements have picked up (~Rs 70 bn in 4QFY10) but running down of unsecured portfolio led to meagre loan growth of 1.1% QoQ in 4QFY10.

B&K's view

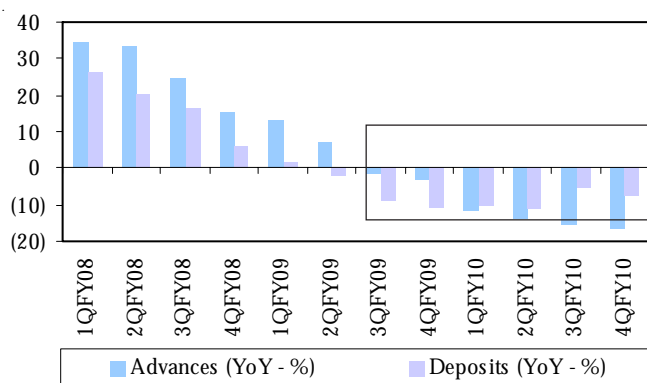
With continued focus on the bank's 4C strategy, the bank is set to return to a growth path expecting a ~13-14% credit growth in FY11 (lower than industry due to flat overseas loan book expectation). CASA ratio is likely to remain at elevated levels (above 37-38%) considering banks continued focus on branch expansion, coupled with retail deposits, which will help the bank to improve its NIMs by ~10-15 bps in FY11-12E. We estimate 22.4% profit CAGR over FY10-12E and 267 bps improvement in core RoE to 13.1%, on the back of better core-income, controlled cost and relatively lower NPA provisioning. We revise our SOTP based target price to Rs 1,019 based on FY12 estimates. **Maintain Outperformer.**

Business growth trends

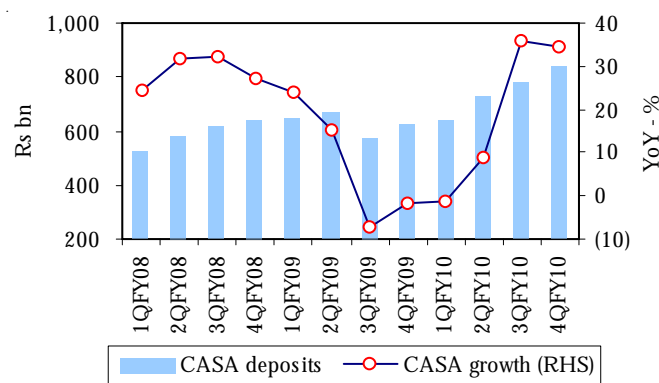
(Rs bn)	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10	YoY (%)	QoQ (%)
Deposits	2,183	2,102	1,978	1,977	2,020	(7.5)	2.2
Advances	2,183	1,981	1,909	1,793	1,812	(17.0)	1.1
Total Business	4,367	4,083	3,887	3,769	3,832	(12.2)	1.7
CASA	627	640	729	782	782	24.9	0.0
CASA ratio (%)	28.7	30.4	36.9	39.6	41.7	-	-

Key performance charts

Advances declined 17% YoY, however, improved 1.1% QoQ after a gap of three quarters

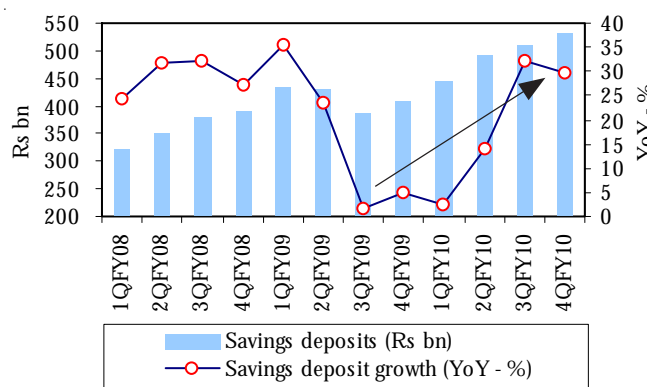


CASA continued to grow at a strong pace of 34%YoY

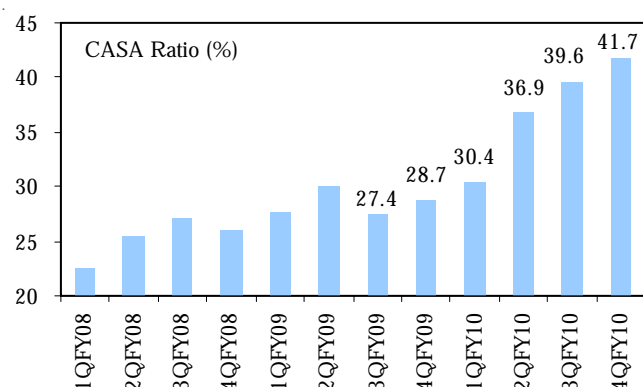


Source: Company, B&K Research

Savings deposits continue to grow at a strong pace (29.7% YoY)

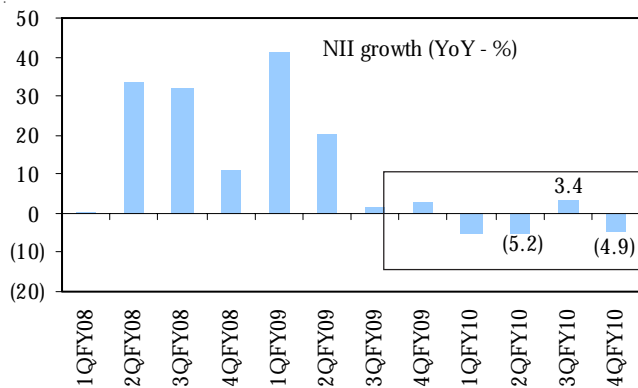


CASA ratio improved to 41.7%



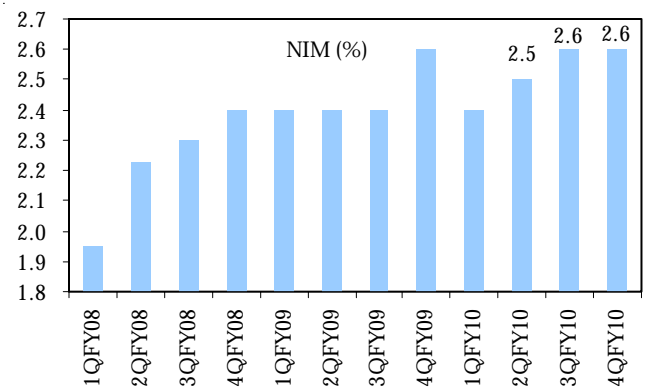
Source: Company, B&K Research

NII declined on account of decline in loan book and falling overseas book NIMs

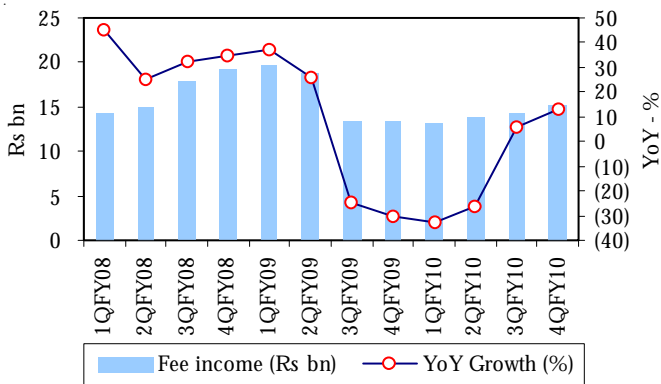


Source: Company, B&K Research

Margins remained sequentially flat at 2.6%, domestic NIMs improves to 3%

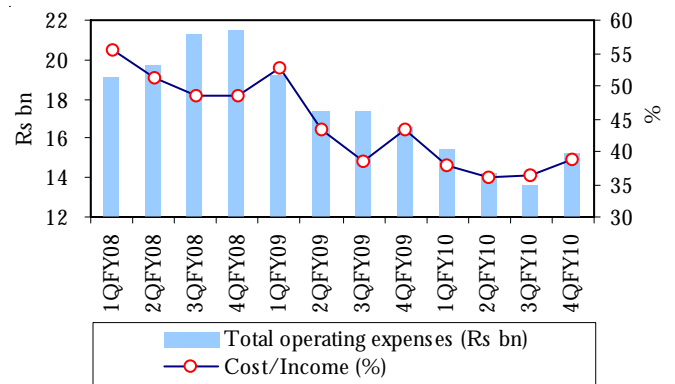


Fee income continued its strong traction and is likely to improve with pick up in credit growth

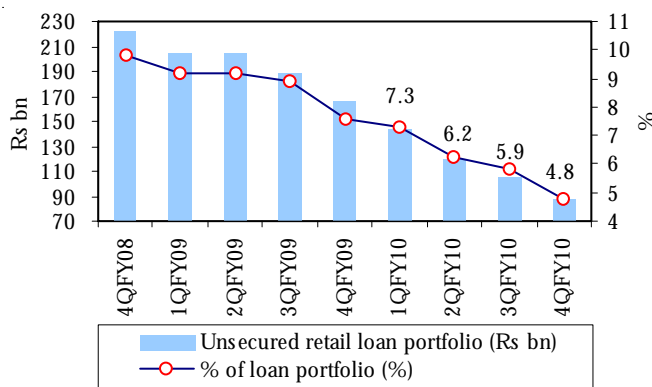


Source: Company, B&K Research

Cost-income ratio continues to remain well below ~40% as bank controls costs, cost/assets improves to 1.6%

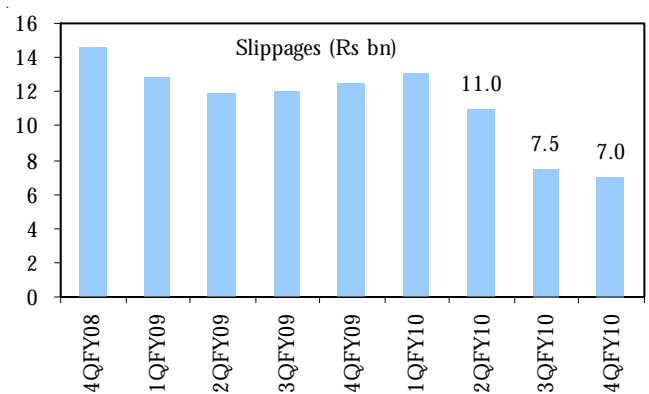


Bank's unsecured retail portfolio has fallen below 5% on account of aggressive run-offs...

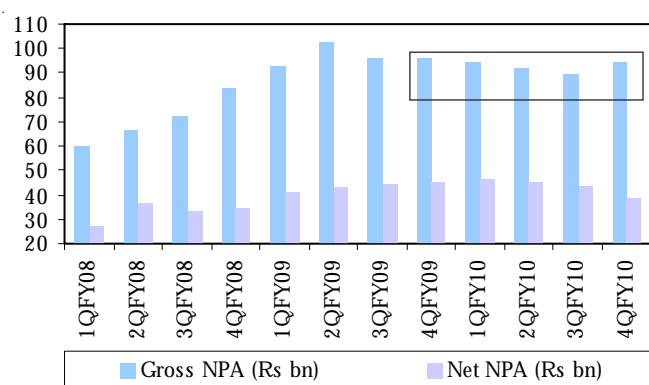


Source: Company, B&K Research

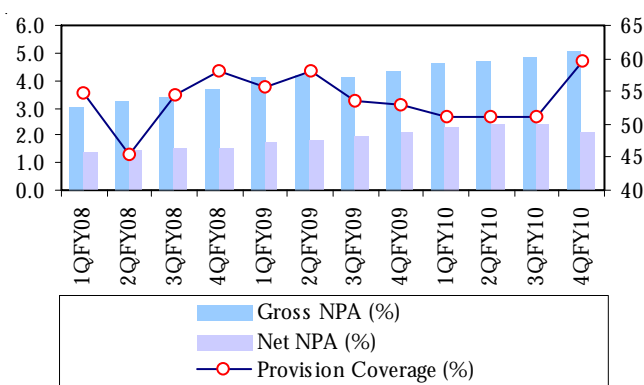
...which led to lower slippages in last few quarters



Gross NPAs increased marginally due to higher retail NPA formation and no write/offs and sell downs in 4QFY10



GNPA ratio increased by 22 bps to 5.1% on declining credit base. Provision coverage improved by 830 bps QoQ to 59.5%



Source: Company, B&K Research

Consolidated and other subsidiaries results

- Consolidated profit for FY10 increased 31% YoY to Rs 46.7 bn, whereas, increased 79% QoQ to Rs 13.4 bn. Apart from strong standalone and insurance business profit, other major domestic subsidiaries AMC business registered a PAT of Rs 0.2 bn, general insurance business – Rs 0.15 bn and ICICI home finance – Rs 0.6 bn.

ICICI Prudential

- As a major positive surprise, life insurance subsidiary reported a statutory profit of Rs 3.56 bn in 4QFY10 against a loss of Rs 2.15 bn YoY, taking the full year profit to Rs 2.58 bn.** New business premium on APE basis recorded 0.8% YoY growth to Rs 53.5 bn. NBAP margin for the quarter stood at 19% against 18.9% in 3QFY10 and new business profit (NBP) increased 71.2% YoY to Rs 5 bn (FY10 Rs 10.2 bn). Expense ratio continued to remain below 10% at ~9.1%.

International banking subsidiaries

4QFY10	Total Assets	Total Deposits	CAR	Profit / Loss
ICICI UK	US\$ 7.4 bn	US\$ 7.4 bn	17.3	Net profit of US\$ 12.2 mn against US\$ 7.3 mn in 3QFY10
ICICI Canada	CAD 5.7 bn	CAD 5.7 bn	23.4	Net profit of CAD 7.9 mn against CAD 4.8 mn in 3QFY10
ICICI Eurasia	US\$ 406 mn	US\$ 406 mn	26.6	

ICICI UK

- ICICI UK total assets declined by US\$ 0.1 bn QoQ to US\$ 7.4 bn. Total retail deposits stood at 66% of total deposits.

Net profit during the quarter was at US\$ 5 mn against US\$ 7 mn during previous quarter. For FY10, profit stood at US\$ 37 mn against US\$ 6.8 mn in FY09. The UK subsidiary reported a MTM write-back of US\$ 43.1 mn (post tax) in 4QFY10 and US\$ 166.7 mn in FY10. These MTM write-back were added to reserves. CAR stood at 17.3% in FY10.

ICICI Canada

- ICICI Canada's total assets stood at CAD 5.7 bn. Term deposits contribute about 66% of total liabilities and thus balance sheet continues to remain largely funded out of retail term deposits.

- Net profit during the quarter was at CAD 8 mn, with profit for FY10 at CAD 35 mn. CAR stood at 23.4% in FY10.

ICICI Eurasia

- ICICI Eurasia assets declined to US\$ 406 mn from US\$ 459 mn in 3QFY10. The loans to corporates and banks fell significantly to US\$ 138 mn in 4QFY10 against US\$ 247.9 mn in the previous quarter. ICICI Eurasia is largely funded by borrowings which stood at US\$ 318 mn as on 4QFY10.

Valuation

On a standalone basis, at the current market price of Rs 975, the stock is trading at 22.6x FY11E and 18x FY12E earnings. On a P/ABV, the stock is trading at 2.1x FY11E and 1.9x FY12E ABV. Excluding the value of subsidiaries and unrealised gains on investments (Rs 309 per share) and adjusting for investment in subsidiaries, the stock is trading at 1.8x FY11E and 1.7x FY12E ABV. We maintain our Outperformer rating with a target price of Rs 1,019.

SOTP valuation

(Rs mn)	Basis of Val.	Value	ICICI's stake (%)	Value to ICICI	Value per share (Rs)
ICICI Prudential Life Insurance	16x FY12E NBAP	230,904	74	170,869	153
ICICI Lombard General Insurance	15x FY12E Earnings	27,233	74	20,152	18
ICICI Prudential AMC	4% of FY12E AUM	46,650	51	23,791	21
Value per share from JVs		304,786		214,813	193
Value per share from JVs @ 10% holding company discount				182,591	174
Domestic subsidiaries					
ICICI Securities Ltd.	15x FY12E PE	30,849	100	30,849	28
ICICI Securities Primary Dealership Ltd.	15x FY12E PE	30,312	100	30,312	27
ICICI Venture	10% of FY12E FUM	1,532	100	1,532	1
ICICI Home Finance	2x FY12E BV	31,128	100	31,128	28
Overseas banking subsidiaries					
ICICI Bank UK	1x FY10E BV	26,699	100	26,699	24
ICICI Bank Canada	1x FY10E BV	43,605	100	43,605	39
Value per share from subsidiaries (excl. ICICI Fin. Serv.)				164,126	147
Value per share from subsidiaries @ 10% holding company discount				139,507	133
Value per share from listed subsidiaries					2
ICICI Bank (Standalone business)					
ABV FY12E (1.8x FY12E ABV)	394.8	714			
Value per share from standalone business					714
Value per share					1,019

Income Statement

Yr end 31 Mar (Rs mn)	FY09	FY10	FY11E	FY12E
Interest income	310,925	257,069	286,746	345,207
Interest expense	(227,259)	(175,926)	(196,008)	(237,935)
Net interest income	83,666	81,144	90,738	107,272
<i>Growth (%)</i>	<i>14.5</i>	<i>(3.0)</i>	<i>11.8</i>	<i>18.2</i>
Non-interest income	76,037	74,777	84,249	95,745
Operating income	159,703	155,920	174,986	203,017
Operating expenses	(70,451)	(58,598)	(67,517)	(83,065)
Pre-provisions profit	89,252	97,322	107,469	119,952
Core operating profit	71,248	85,512	98,611	112,866
<i>Growth (%)</i>	<i>17.2</i>	<i>20.0</i>	<i>15.3</i>	<i>14.5</i>
Provisions & Contingencies	(38,083)	(43,869)	(42,545)	(37,411)
Pre-tax profit	51,170	53,453	64,924	82,542
(before non-recurring items)				
Pre-tax profit	51,170	53,453	64,924	82,542
(after non-recurring items)				
Tax (current + deferred)	(13,588)	(13,203)	(16,880)	(22,286)
Net profit	37,581	40,250	48,043	60,255
Adjusted net profit	37,581	40,250	48,043	60,255
<i>Growth (%)</i>	<i>(9.6)</i>	<i>7.1</i>	<i>19.4</i>	<i>25.4</i>
Net income	37,581	40,250	48,043	60,255

Balance Sheet

Yr end 31 Mar (Rs mn)	FY09	FY10P	FY11E	FY12E
Cash and balance with RBI/Banks	299,666	388,737	479,470	574,393
Investments	1,030,583	1,208,928	1,379,778	1,547,635
Advances	2,183,108	1,812,056	2,061,130	2,437,138
Fixed assets (Net block)	38,016	41,266	44,398	47,251
Other assets	241,636	183,010	207,181	233,930
Total assets	3,793,010	3,633,997	4,171,958	4,840,346
Deposits	2,183,478	2,020,166	2,424,680	2,944,899
Borrowings	676,737	662,337	695,279	764,457
Other liabilities & provisions	437,464	435,314	505,386	544,340
Total liabilities	3,297,679	3,117,817	3,625,345	4,253,696
Share capital	11,133	11,149	11,149	11,149
Reserves & surplus	484,197	505,031	535,464	575,501
Shareholders' funds	495,330	516,180	546,613	586,650
Totalequity & liabilities	3,793,010	3,633,997	4,171,958	4,840,346

Key Ratios

Yr end 31 Mar	FY09	FY10P	FY11E	FY12E
Operational & financial ratios (Rs)				
Adjusted EPS	33.8	36.1	43.1	54.0
DPS	11.0	12.0	13.5	15.5
Adjusted Book NAV/share	417.9	440.6	472.8	508.6
Profitability ratios (%)				
Yield on investment	6.9	5.8	6.3	6.5
Yield on advances	10.2	8.9	9.6	10.1
Yield on earning assets	8.7	7.5	7.9	8.2
Cost of deposits	6.8	5.5	5.7	6.1
Cost of funds	7.1	5.8	6.1	6.4
Performance ratios (%)				
RoA	1.0	1.1	1.2	1.3
RoE	7.5	7.7	8.7	10.3
Asset quality ratios (%)				
Gross NPLs	4.3	5.1	4.6	4.2
Net NPLs	2.1	2.1	1.4	1.2
Net NPLs/Net worth	8.9	7.2	5.2	4.9
Loan provisions/Net int. income	44.8	51.5	45.8	32.5
Loan provisions/Avg loans	1.7	2.0	2.1	1.5
Provisions cover	52.8	59.5	70.0	72.0
Provisions cover [incl General Provisions]	72.6	77.6	88.8	92.7
Capitalisation ratios (%)				
Tier I cap.adequacy	11.8	14.0	12.8	12.0
Total cap.adequacy	15.5	19.4	17.5	16.0
Equity/Total assets	0.3	0.3	0.3	0.2
Loans/Assets	57.6	49.9	49.4	50.4
Investments/Assets	27.2	33.3	33.1	32.0
Loans/Deposits	100.0	89.7	85.0	82.8
Investments/Deposits	47.2	59.8	56.9	52.6
Efficiency ratios (%)				
Cost/Income	44.1	37.6	38.6	40.9
Cost/Core income	49.7	40.7	40.6	42.4
Cost/Assets	1.8	1.6	1.7	1.8
Productivity ratios (Rs mn)				
Staff cost per employee	0.5	0.6	0.6	0.7
Assets per employee	102.5	104.6	112.8	119.5
Optg revenue per employee	4.3	4.5	4.7	5.0
Optg expense per employee	1.9	1.7	1.8	2.1
Adjusted net profit per employee	1.0	1.2	1.3	1.5
Valuation ratios (x)				
PER	29.0	27.1	22.7	18.1
Price/Adjusted book	2.3	2.2	2.1	1.9
Yield (%)	1.1	1.2	1.4	1.6

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 2. **OUTPERFORMER:** 0 to +25%
 3. **UNDERPERFORMER:** 0 to -25%
 4. **SELL:** Potential downside of < -25% (absolute returns)
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