

Institutional Equities  
 India Research

# ICICI Bank

## RESULT REVIEW

 Bloomberg: ICICIBC IN  
 Reuters: ICBK.BO

**BUY**

## Numbers in line

ICICI Bank's operating numbers are in line with our expectations with sequential NIMs improvement of 7bps to 3.1% and credit growth of 16.5%. GNPA ratio has improved by 23bps sequentially to 3.3%. Slippages were contained within 1.2%. Fee Income has grown only by 4% reflecting moderation in corporate activity. It made treasury gains of Rs2.5bn as against loss of Rs0.7bn in Q3FY12. PAT is up 30% on a YoY basis.

- Moderate credit growth driven by corporate:** Credit grew at a moderate rate of 16.5% primarily driven by domestic corporate book growth of 27%. International segment grew only by 6% on account of excess liquidity maintained for bond redemption. Retail book has resumed a decent growth of 17%. Within retail higher growth is seen in secured segments like housing and auto.
- NIMs to improve:** NIMs have improved by 7bps on a sequential basis to 3.1%, primarily driven by 10bps expansion in international segment to 1.3%. Average CASA is stable on a sequential basis at 37.4%. Management has guided further expansion in NIMs in the international segment and to settle at 1.4-1.5%
- Improvement in Asset quality:** GNPA has improved by 23bps sequentially to 3.3%. Slippages were contained within 1.2%. Provision coverage slightly fell to 77.7%. Restructured book was flat sequentially at 1.5% of loan book. Management has guided additional restructuring of Rs9-10bn over next quarter.

## Outlook & Valuation

At the CMP, the stock – after adjusting for subsidiaries – trades at 13.6x & 11.3x FY14E & FY15E earnings, and at 1.7x & 1.5x P/ABV FY14E & FY15E, respectively. Based on 15% premium to historical mean valuation gap to HDFC Bank implying 2x P/ABV FY15E for parent & Rs. 200 for its stake in subsidiaries, we reiterate our "BUY" recommendation on ICICI Bank with target price of Rs. 1,520 per share.

## Key Financials

(Rs mn)	FY11	FY12	FY13E	FY14E	FY15E
Net Interest Income	90,169	107,342	137,599	153,966	176,069
Pre-Provision Profit	90,476	103,866	130,525	140,610	166,584
PAT	51514	64653	82264	85553	103251
EPS (Rs)	44.7	56.1	71.4	74.2	89.6
ABV (Rs)	457.4	498.5	555.7	606.2	663.3
P/E	22.5	18.0	14.1	13.6	11.3
P/ABV	2.2	2.0	1.8	1.7	1.5
Gross NPA (%)	4.5	3.6	3.2	2.7	2.5
Net NPA (%)	1.1	0.7	0.7	0.5	0.6
ROA (%)	1.3	1.5	1.6	1.5	1.6
ROE (%)	9.7	11.3	13.1	12.4	13.7

Source: Company, Karvy Institutional Research

## Recommendation

CMP:	Rs1,191
Target Price:	Rs1,520
Previous Target Price	Rs1,110
Upside (%)	28%

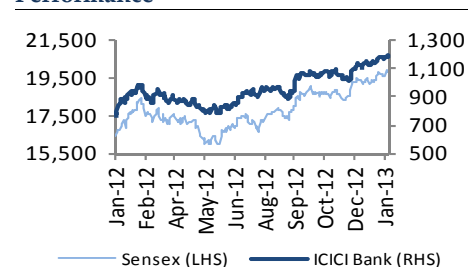
## Stock Information

Market Cap. (Rs bn / US\$ mn)	1,370/25,707
52-week High/Low (Rs)	1,232/767
3m ADV (Rs mn /US\$ mn)	3,105/58.3
Beta	1.3
Sensex/ Nifty	19,895/6,035
Share outstanding (mn)	1,150

## Stock Performance (%)

	1M	3M	12M	YTD
Absolute	2.8	12.7	33.9	4.6
Rel. to Sensex	1.2	5.1	16.4	2.2

## Performance



Source: Bloomberg

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**Exhibit 1: Quarterly Snapshot**

Y/E Mar (Rsmn)	Q3FY13	Q3FY12	Q2FY13	YoY (%)	QoQ (%)
Interest Income	101,383	85,919	100,263		
Interest Expenses	66,393	58,799	66,551		
<b>Net Interest Income</b>	<b>34,990</b>	<b>27,120</b>	<b>33,712</b>	<b>29.0</b>	<b>3.8</b>
<i>NIM (%)</i>	<i>3.0</i>	<i>2.6</i>	<i>3.0</i>	<i>39 bps</i>	<i>-1 bps</i>
Non Interest Income	22,146	18,919	20,430		
<b>Operating Income</b>	<b>57,136</b>	<b>46,039</b>	<b>54,142</b>	<b>24.1</b>	<b>5.5</b>
Staff Cost	8,707	8,366	9,159		
Other Op Exp	13,905	10,802	13,050		
Total Operating Expenses	22,612	19,168	22,209		
<i>Cost to Income (%)</i>	<i>39.6</i>	<i>41.6</i>	<i>41.0</i>		
<b>Operating Profit</b>	<b>34,524</b>	<b>26,871</b>	<b>31,933</b>	<b>28.5</b>	<b>8.1</b>
Provisions	3,687	3,411	5,079		
<b>PBT</b>	<b>30,837</b>	<b>23,460</b>	<b>26,854</b>	<b>31.4</b>	<b>14.8</b>
Tax	8,335	6,179	7,293		
<i>-effective tax rate</i>	<i>27.0</i>	<i>26.3</i>	<i>27.2</i>		
<b>PAT</b>	<b>22,502</b>	<b>17,281</b>	<b>19,561</b>	<b>30.2</b>	<b>15.0</b>
EPS (Rs)	19.5	15.0	17.0		
BV (Rs)	582.0	529.0	559.0		
Deposits	2,864,181	2,605,894	2,814,382	9.9	1.8
Advances	2,867,660	2,461,575	2,750,756	16.5	4.2

Source: Company, Karvy Institutional Research

**Exhibit 2: Earnings Revision**

	Revised Estimate		Earlier Estimate		% Revision	
	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E
Net Interest Income (Rs mn)	153,966	176,069	155,306	177,870	-0.9	-1.0
NIMs	2.9	2.9	3.0	3.0	<b>-3 bps</b>	<b>-3 bps</b>
Operating Profit (Rs mn)	137,107	160,840	137,176	161,182	-0.1	-0.2
Profit after tax (Rs mn)	85,553	103,251	85,748	103,659	-0.2	-0.4
EPS (Rs)	74.2	89.6	74.4	89.9	-0.2	-0.4
ABV (Rs)	606.2	663.3	602.1	660.0	0.7	0.5

Source: Company, Karvy Institutional Research

**Exhibit 3: Annexure I - Income Statement**

<b>(Rs bn)</b>	<b>Q3FY12</b>	<b>Q4FY12</b>	<b>Q1FY13</b>	<b>Q2FY13</b>	<b>Q3FY13</b>
Int Adv	56.9	61.3	64.6	68.5	70.7
Int Inv	24.7	26.2	27.0	27.4	27.4
Other	4.3	4.3	3.9	4.3	3.3
<b>Total Int Inc</b>	<b>85.9</b>	<b>91.7</b>	<b>95.5</b>	<b>100.3</b>	<b>101.4</b>
Total Int Exp	58.8	60.7	63.5	66.6	66.4
<b>NII</b>	<b>27.1</b>	<b>31.0</b>	<b>31.9</b>	<b>33.7</b>	<b>35.0</b>
Fee Income	17.01	17.28	16.47	17.09	17.71
Lease/Other Income	2.56	3.42	2.54	1.62	1.93
Treasury	-0.7	1.6	-0.2	1.7	2.5
<b>Non-Int</b>	<b>18.9</b>	<b>22.3</b>	<b>18.8</b>	<b>20.4</b>	<b>22.1</b>
<b>Op.Inc</b>	<b>46.0</b>	<b>53.3</b>	<b>50.7</b>	<b>54.1</b>	<b>57.1</b>
Staff Cost	8.4	11.0	9.4	9.2	8.7
DMA Exp	0.4	0.5	11.4	12.6	13.2
Other op exp	10.4	10.7	11.4	12.6	13.2
<b>Op.Exp</b>	<b>19.2</b>	<b>22.2</b>	<b>21.2</b>	<b>22.2</b>	<b>22.6</b>
<b>Op.Profit</b>	<b>26.9</b>	<b>31.1</b>	<b>29.5</b>	<b>31.9</b>	<b>34.5</b>
Provisions	3.4	4.7	4.7	5.1	3.7
<b>PBT</b>	<b>23.5</b>	<b>26.4</b>	<b>24.8</b>	<b>26.9</b>	<b>30.8</b>
Taxes	6.2	7.4	6.7	7.3	8.3
<b>PAT</b>	<b>17.3</b>	<b>19.0</b>	<b>18.2</b>	<b>19.6</b>	<b>22.5</b>

Source: Company, Karvy Institutional Research

**Exhibit 4: Annexure II – Balance Sheet**

<b>Balance Sheet</b>	<b>Q3FY12</b>	<b>Q4FY12</b>	<b>Q1FY13</b>	<b>Q2FY13</b>	<b>Q3FY13</b>
Deposits (Rs bn)	2,606	2,555	2,678	2,814	2,864
Growth %	19.7	13.3	16.1	14.8	9.9
Advances (Rs bn)	2,462	2,537	2,684	2,751	2,868
Growth %	19.1	17.3	21.6	17.6	16.5
Deposits Break-up (Rs bn)					
Current	400	350	308	338	357
Savings	735	760	779	806	815
Term	1,471	1,445	1,591	1,670	1,693
Advances Break-up (Rs bn)					
Corporate	650	584	671	784	823
SME	116	134	142	138	143
Agri	175	223	207	187	198
International	697	695	752	710	737
Retail	825	901	913	933	966
Housing	548	576	595	614	649
Auto	80	87	91	95	99
CV	142	178	167	161	153
Personal	10	10	10	9	12
Credit Cards	25	25	26	26	28
Others	21	23	24	27	26
Investments (Rs bn)	1,498	1,596	1,551	1,579	1,668
CD Ratio %	94.5	99.3	100.2	97.7	100.1
CASA %	43.6	43.5	40.6	40.7	40.9
Gross NPA (Rs bn)	98.2	95.6	99.1	100.5	98.0
Gross NPA %	3.8	3.6	3.5	3.5	3.3
Net NPA (Rs bn)	20.8	18.9	19.4	21.4	21.9
Net NPA %	0.8	0.7	0.7	0.8	0.8
PCR %	78.8	80.2	80.4	78.7	77.7
PCR (Incl tech w/off) %	78.9	80.4	80.6	78.7	77.7
Restructuing % of loan book	1.2	1.7	1.6	1.5	1.5
Spread Analysis % (Calculated)					
Yield On Advance	9.5	9.8	9.9	10.1	10.1
Yield On Investment	6.6	6.8	6.9	7.0	6.8
Yield On Asset	8.8	9.1	9.1	9.4	9.1
Cost of Funds	6.0	6.0	6.1	6.2	5.9
NIMs	2.8	3.1	3.1	3.1	3.2
NIMs (Disclosed)	2.7	3.0	3.0	3.0	3.1
Capital Adequacy %					
Tier I	13.1	12.7	12.8	12.8	13.3
Tier II	5.8	5.8	5.8	5.5	6.3
Total CAR	18.9	18.5	18.5	18.3	19.5
Branches	2,552	2,752	2,755	2,772	2,895

Source: Company, Karvy Institutional Research

**Exhibit 5: Income Statement**

	FY11	FY12	FY13E	FY14E	FY15E
Interest Income	259,741	335,427	394,160	433,020	478,401
Interest expense	169,572	228,085	256,561	279,054	302,332
<b>Net interest income</b>	<b>90,169</b>	<b>107,342</b>	<b>137,599</b>	<b>153,966</b>	<b>176,069</b>
Fees	55,146	54,351	57,069	65,629	75,473
Other Income	13,355	21,433	21,086	22,238	23,504
Net Revenue	158,670	183,126	215,754	241,832	275,046
Operating Expense	66,172	78,504	90,139	104,726	114,206
-Employee Exp	28,169	35,153	37,290	42,287	47,954
-Other Exp	38,003	43,351	52,848	62,439	66,252
<b>Operating Profit</b>	<b>92,498</b>	<b>104,622</b>	<b>125,616</b>	<b>137,107</b>	<b>160,840</b>
Investment Profit	-2,022	-756	4,909	3,503	5,743
<b>Pre-provision Profit</b>	<b>90,476</b>	<b>103,866</b>	<b>130,525</b>	<b>140,610</b>	<b>166,584</b>
Provisions	22,899	15,892	19,358	26,540	28,916
-Loan Loss Provisions	19,769	9,932	19,263	23,816	26,031
-Provisions for investment	2,038	4,132	-850	895	1,056
-Other Provisions	1,092	1,828	945	1,828	1,828
PBT	67,577	87,974	111,167	114,070	137,668
Taxes	16,063	23,321	28,903	28,518	34,417
<b>PAT</b>	<b>51,514</b>	<b>64,653</b>	<b>82,264</b>	<b>85,553</b>	<b>103,251</b>

Source: Company, Karvy Institutional Research

**Exhibit 6: Balance Sheet**

	FY11	FY12	FY13E	FY14E	FY15E
Equity Capital	11,518	11,528	11,528	11,528	11,528
Reserves & Surplus	539,388	581,788	649,139	706,368	777,250
<b>Shareholder's Funds</b>	<b>550,906</b>	<b>593,316</b>	<b>660,667</b>	<b>717,896</b>	<b>788,778</b>
<b>Deposits</b>	<b>2,256,021</b>	<b>2,555,000</b>	<b>2,963,800</b>	<b>3,556,560</b>	<b>4,267,872</b>
-Current deposits	347,775	349,731	390,611	479,525	586,222
-Saving deposits	668,690	760,463	883,103	1,060,931	1,274,325
-Term deposit	1,239,556	1,444,806	1,690,086	2,016,104	2,407,326
Borrowings	1,095,543	1,401,649	1,552,200	1,681,586	1,836,848
-Sub ordinate debt	363,913	376,147	421,312	460,128	506,707
Other liabilities	159,867	175,794	152,028	132,063	103,495
<b>Total liabilities</b>	<b>4,062,337</b>	<b>4,725,759</b>	<b>5,328,695</b>	<b>6,088,105</b>	<b>6,996,993</b>
Cash/Equivalent	340,901	362,293	410,644	480,754	564,885
Advances	2,163,659	2,537,277	2,966,517	3,470,363	4,074,978
Investments	1,346,860	1,595,600	1,677,360	1,825,550	2,003,378
Fixed Assets	47,442	46,147	49,747	53,347	56,947
Other assets	163,475	195,154	224,427	258,091	296,805
<b>Total assets</b>	<b>4,062,337</b>	<b>4,736,471</b>	<b>5,328,695</b>	<b>6,088,105</b>	<b>6,996,993</b>

Source: Company, Karvy Institutional Research

**Exhibit 7: Ratios**

<i>Ratio's</i>	<b>FY11</b>	<b>FY12</b>	<b>FY13E</b>	<b>FY14E</b>	<b>FY15E</b>
<i>Growth (%)</i>					
NII growth	11.1	19.0	28.2	11.9	14.4
Pre-provision profit growth	-7.0	14.8	25.7	7.7	18.5
PAT growth	28.0	25.5	27.2	4.0	20.7
<i>Business (%)</i>					
Deposit growth	11.7	13.3	16.0	20.0	20.0
Advance growth	19.4	17.3	16.9	17.0	17.4
Business growth	15.3	15.2	16.5	18.5	18.7
CD	95.9	99.3	100.1	97.6	95.5
CASA	45.1	43.5	43.0	43.3	43.6
<i>Operating efficiency (%)</i>					
Cost-to-income	41.7	42.9	41.8	43.3	41.5
Cost-to-assets	1.9	2.0	2.0	2.0	1.9
<i>Productivity (Rs mn)</i>					
Business per branch	1,747.6	1,850.4	1,943.1	2,096.3	2,284.5
Business per employee	77.6	87.4	99.8	112.6	127.3
Profit per branch	20.4	23.5	27.0	25.5	28.3
Profit per employee	0.9	1.1	1.4	1.4	1.6
<i>Spreads (%)</i>					
Yield on advances	8.3	9.4	9.7	9.2	8.7
Yield on investments	6.2	6.6	6.7	6.7	6.7
Cost of deposits	4.7	5.9	6.1	5.9	5.6
Yield on assets	7.6	8.4	8.6	8.3	8.0
Cost of funds	5.1	6.0	5.8	5.6	5.2
NIMs	2.6	2.7	3.0	2.9	2.9
<i>Capital adequacy (%)</i>					
Tier I	13.2	12.7	12.6	11.9	11.4
Tier II	6.4	5.8	5.8	5.6	5.3
Total CAR	19.5	18.5	18.4	17.5	16.7
<i>Asset Quality (%)</i>					
Gross NPA	4.5	3.6	3.2	2.7	2.5
Net NPA	1.1	0.7	0.7	0.5	0.6
Provision coverage	76.0	80.4	79.5	80.5	76.9
Slippage	1.4	1.3	1.6	1.4	1.4
Credit-cost	1.0	0.4	0.7	0.7	0.6
<i>Return (%)</i>					
ROE	9.7	11.3	13.1	12.4	13.7
ROA	1.3	1.5	1.6	1.5	1.6
<i>Per share</i>					
EPS	44.7	56.1	71.4	74.2	89.6
BV	478.3	514.7	573.1	622.7	684.2
ABV	457.4	498.5	555.7	606.2	663.3
<i>Valuation</i>					
P/E	22.5	18.0	14.1	13.6	11.3
P/BV	2.1	2.0	1.8	1.6	1.5
P/ABV	2.2	2.0	1.8	1.7	1.5

Source: Company, Karvy Institutional Research

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Stock Ratings		Absolute Returns
Buy	:	> 15%
Hold	:	5-15%
Sell	:	< 5%

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## Disclosures Appendix

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The following analyst(s), who is (are) primarily responsible for this report, certify (ies) that the views expressed herein accurately reflect his (their) personal view(s) about the subject security (ies) and issuer(s) and that no part of his (their) compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report.

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## Karvy Stock Broking Limited

### Institutional Equities

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Karvy Stock Broking Research is also available on: Bloomberg - KRVY <GO>, Thomson Publisher & Reuters.