

ICICI Bank Result Synopsis

Buy

CMP: Rs.1182

Target: Rs. 1394

Robust NII growth, up 29%, NIMs improve; Fee income remains sluggish; PAT up 30.2%; Asset quality stable

Key Highlights:

ICICI Bank witnessed healthy 29% rise in Net interest income to Rs.3499cr on account of higher yields (60bps YoY) and stable cost of funds(-3bps YoY). NIMs consequently rose to 3.07% compared to 3.0% in Q213 and 2.70% in Q212. Domestic NIMs improved 3.47% vs. 3.43% in Q213 and 2.98% last year. International NIMs improved to 1.31% versus 1.22% in Q213 due to reduction in excess liquidity maintained in international branches to satiate large bond redemption in Oct.2012.

Advances grew 16.5% to Rs.2.86lk cr, ahead of industry growth of 15.1%. Loan book growth was dominated by retail (+17.1%) and large corporate book(+26.6%). Past sanctions and working capital loans continue to drive large corporate book. Retail loan (33.7% of overall advances) growth was driven by Home loans (+18.5%), Vehicle (13.2%). The bank remains focused on driving the secured loan portfolio. Unsecured loans (personal+ credit card) grew 14.3%YoY. ICICI reiterated its focus on extending unsecured credit only to existing customers and expects to maintain the unsecured book at ~1.5% of overall advances.

Deposits growth struggled, growing merely 9.9% YoY to Rs.2.86lk cr with term loan growth continuing to drive deposit growth. Savings account deposits grew 11% YoY while CA deposits declined 11% YoY (high base effect due to NHAI bond receipts available last year). CASA deposits grew 3%YoY and 2.4% QoQ. CASA share stood at 40.9% compared to 40.7% in Q213 and 43.3% last year. Average CASA stood at 37.4%, dipping below comfort band of 38-40%.

Other income for the bank grew 17.1%YoY to Rs.2214.6cr. Fee income remained subdued at Rs.1771cr up 4% YoY. ICICI received Rs.90cr in form of dividend from ICICI Life much higher than Rs.75cr per quarter guided earlier. The bank had received dividends for two quarters together in Q312. Treasury income grew to Rs.251 cr compared to Rs.65cr last year.

Operating Expenses grew 18% to Rs.2261cr. Cost to income ratio improved to 39.6% compared to 41.6% last year and 41% in Q213, on account of robust income growth. PPOP consequently grew 28%YoY to Rs.3452cr. Provisions grew merely 8% at Rs.368.7cr and sharply lower than the Rs.508cr in Q213 (due to exposure to media account). Net profit consequently grew 30%YoY to 2250.2 cr.

Performance Snapshot

Description Rs.cr	Q313	Q312	Q213	YoY%
NII	3499	2712	3371	29.0
PPOP	3452	2687	3193	28.5
PAT	2250	1728	1956	30.2
NIMs	3.07	2.70	3.00	37bps

ICICI Bank witnessed stable asset quality with Gross NPAs remaining flat YoY at Rs.9763cr while declining 2.7%QoQ. Fresh slippages came in at Rs.852cr compared to 877cr in Q312, largely from the SME sector. Slippage ratio improved to 1.21% compared to 1.97% in Q213 and 1.46% in Q312. Net NPAs grew 7% YoY and 2.2% QoQ at Rs.2181.5cr. Credit costs on annualized basis stood at 53bps in Q3 and 66bps for 9MFY13, well within the guidance for full year at 75bps.

In terms of ratio, Gross NPA ratio further improved to 3.31% vs. 3.54% and 3.82% in Q213 and Q312 respectively. Net NPA ratio declined to 0.76% versus 0.78% and 0.83% in Q213 and Q312 respectively.

ICICI restructured loans amounting to Rs.353cr during the Q313. The net restructured book stand at 4169cr compared to Rs.4158cr at the end of Q212. The restructured book accounts for 1.2% of advances. The bank has a pipeline of Rs.900-1000cr in CDR.

Subsidiaries performance

ICICI Life reported PAT of Rs.397cr vs. Rs.367cr last year. APE in Q313 grew 5.1%YoY to Rs.904bn. The new business margins in Q3 stood at 15%. ICICI Life has maintained its leadership in the private sector with market share of 6.6% for Apr-Dec 2012.

ICICI General reported PAT of Rs.95cr compared to Rs.101cr in Q312. The company expects to have some impact on profitability in Q413 on account of the actuarial valuation of liabilities for the third party motor pool over the period FY07-12 and any share of the declined pool accruing to the company. ICICI General is expected to remain profitable despite the expected impact in Q4.

ICICI Bank UK balance sheet grew to \$3.98bn compared to \$3.81bn at the end of Q213. The management remains focused on rationalizing the excess capital available, but is looking at lending opportunities to high rated entities. Q313 PAT stood at \$5.4mn compared to \$7.7mn last year. Capital adequacy for ICICI Bank UK stood at 31.5%.

ICICI Bank Canada total assets remained flat QoQ and YoY at CAD 5.3bn. Q313 PAT came in at CAD 8.3mn compared to CAD 6.6mn in corresponding quarter last year. The Capital adequacy ratio was at 34.5%.

PAT	Q313	Q312
ICICI Home Finance	0.53	0.67
ICICI Securities	0.28	0.17
ICICI Securities PD	0.23	0.49
ICICI Venture	0.04	0.53
ICICI Prudential Asset Management	0.28	0.22

Consolidated Q313 PAT grew 21.7% to Rs.2645cr compared to Rs.2174cr last year. Consolidated ROE stood at 15.7% (annualized) compared to 14.2% in Q312.

View:

ICICI Bank has delivered robust NII and PAT growth, by deftly driving balance sheet growth while keeping asset quality stable. This reiterates our confidence in the management to consistently deliver strong core performance. We see ICICI Bank as best placed in terms of 1) stable low cost deposit base 2) well capitalized 3) large branch network 4) top-notch management to deliver efficient growth.

The bank remains focused on secured retail loans to drive loan book growth. Given the weak industrial growth, corporate loan book is expected to be driven by past sanctions and working capital loans. The bank has managed to sustain CASA at healthy levels, and has reiterated its confidence of sustaining its low cost deposit base on an average basis within the comfort band of 38-40%. The management has not witnessed any trend of CASA customers preferring higher returns over transaction convenience. This definitely provides comfort as far as stability of low cost funding base is concerned. We expect advances and deposits to grow 18% in FY14e.

The bank remains fairly confident of asset quality and expects credit cost to remain within 75bps for FY13. Stressed assets currently accounts for 4.5% of loan book which is significantly higher than peers Axis (3.5%) and HDFC Bank(1.3%), hence valuation gap (disc) versus peers is bound to remain. The management has guided for restructuring pipeline of 900-1000cr in Q413. We see the bank's measured approach to boost credit with pricing discipline and strong focus on quality of borrowers, highly reassuring. Risk weighted assets grew 12%YoY compared to advances growth of 16.5 percent. The bank is well capitalized, with a CRAR of 19.53% with tier-1 ratio of 13.25%.

Overall we expect ICICIBK to deliver healthy 19% and 18% growth in NII and PAT over FY12-14e on CAGR basis. At CMP, ICICI core bank business is trading at 2.0x (adj. for value of subsidiaries). We have tweaked our SOTP target to Rs. 1394 (vs. 1402 earlier) to factor in lower traction (vs. earlier assumed) in Life insurance business, valuing the standalone bank at Rs.1210 (2.5x FY14e ABV*) and value the subsidiaries at Rs.184 (vs.192 earlier). Maintain BUY.

*BV adj. for NPA and value of investment in subsidiaries

ICICI Bank SOTP (FY14e) Valuation	ICICI Stake	Value /shr	Valuation Methodology
ICICI Bank -Standalone	100%	1210	P/BV Multiple 2.5x FY14ABV
<i>Subsidiaries</i>			
ICICI Pru Life	74%	92	16x FY14NBAP+EV
ICICI General	74%	18	2x FY14 BV
ICICI Bank Canada	100%	37	0.8x FY14 BV
ICICI Bank UK	100%	25	0.8x FY14 BV
ICICI Home Finance	100%	21	1.5x FY14 BV
ICICI Bank AMC	51%	13	4% of FY14AUM
ICICI Primary Dealership	100%	7	1x FY14 BV
ICICI Securities	100%	8	10x FY14 PAT
ICICI Venture	100%	10	12% of AUM
Total Value of Key Subsidiaries		230	
Holding Co. disc		20%	
Value of Key Subsidiaries		184	
Value of Bank		1394	

Quarterly (Rs.cr)	Q313	Q312	YoY
NII	3499	2712	29%
Other Income	2215	1892	17%
Fee Income	1771	1701	4%
Operating Inc	5714	4604	24%
Operating Exp	2261	1917	18%
C/I	39.6%	41.6%	-206bps
PPOP	3453	2687	29%
Provisions	369	341	8%
PBT	3084	2346	32%
Tax	834	618	35%
PAT	2250	1728	30%

Asset Quality	Q313	Q213	Q113	Q412	Q312
Gross NPA%	3.31	3.54	3.54	3.62	3.82
Net NPA%	0.76	0.78	0.39	0.73	0.83
PCR%	77.7	78.7	80.6	80.4	78.9
Advances%	17	18	22	17	19
Deposits%	10	15	16	13	20
Business%	13	16	19	15	19
NIMs%	3.07	3.00	3.01	3.01	2.70
CASA%	40.9	40.7	40.6	43.5	43.6

All figures in Rs.cr

Profit & Loss	FY11	FY12	FY13e	FY14e
NII	9016	10734	12829	15179
Other Income	6648	7503	8703	10183
Total Opex	6617	7850	8828	10399
PPOP	9048	10386	12704	14964
Provisions	2287	1583	2413	2648
PBT	6761	8803	10292	12316
Tax	1609	2338	2738	3276
PAT	5151	6465	7554	9040
EPS	44.73	56.08	65.53	78.42

Balance sheet	FY11	FY12	FY13e	FY14e
Sources of Funds				
Share Capital	1152	1152	1152	1152
Reserves& Surplus	53939	59250	64470	70916
Deposits	225602	255500	301490	355758
Borrowings	109554	140165	162591	195110
Other Liabilities	15986	17577	17577	17577
Total Liabilities	406234	473647	547281	640513
Application of Funds				
Cash and Bal with RBI	20907	20461	19438	18466
Bal. with Bks and money at call	13183	15768	18133	19947
Investments	134686	159560	183494	211018
Advances	216366	253728	299399	353290
Net Block	4744	4615	5076	5584
Other Assets	16347.47	19515.39	21740	32208
Total	406234	473647	547281	640513

Key Figures	FY11	FY12	FY13e	FY14e
EPS	44.73	56.08	65.53	78.42
BV	478.3	524.0	569.3	625.2
ABV	457.4	507.8	551.0	602.1
NIMs (reported)	2.6%	2.7%		
NIMs (calculated)	2.5%	2.6%	2.7%	2.7%
GNPA	4.5%	3.6%	3.7%	3.8%
NNPA	1.1%	0.7%	0.7%	0.7%
CAR	19.5%	18.5%	19.0%	18.5%

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RATINGS

Buy	Accumulate	Neutral	Reduce	Sell
>15%	+5>15%	+5%/-5%	-5%<-15%	>-15%

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