

ICICI Bank Result Synopsis

Buy

CMP: Rs.1152

Target: Rs. 1471

**NII up 22.5%, NIMs improve 30bps to 3.33%; Fee income remains weak;
PAT up 21% at Rs.2304cr; Asset quality stable**

Key Highlights:

NII up 22.5% YoY

ICICI Bank reported robust NII growth of 22.5% to Rs.3803.2cr in Q413, driven by improved spreads. Advances grew in line with industry, up 14.4% to Rs.2902.5bn while Deposit also maintained pace, growing 14.5% to Rs.2926.1bn. Domestic NIMs came in at 3.7% compared to 3.43% in Q313 while International NIMs were flat sequentially at 1.3%. Consequently global NIMs have improved to 3.33% compared to 3.01% in Q412 and 3.07% Q313. The management has guided for 10bps improvement in NIMs for FY14. The bank continues to focus on utilizing the liquidity on the international B/s to boost margins.

Fee Income remains under strain

ICICIBK, on account of sluggish credit off-take especially on the corporate side, has been witnessing weak traction in fee income. Fee income rose merely 2.7%YoY to Rs.1775cr aided by healthy retail growth in retail banking fees. Other non-interest income came in at Rs.340cr vs. Rs.342cr in last year and Rs.193cr in Q313, of which, dividend from ICICI Bank UK accounted for Rs.109cr. Treasury income came in Rs.93cr, down 41.1%YoY weighed down by MTM losses in the equity portfolio. Overall other income declined 0.9%YoY to Rs.2208cr.

Cost: Income improves YoY

Operating expenses grew 8.4% YoY to Rs.2407cr significantly slower than pace seen in previous quarters. Employee expenses dipped 9.4% while other opex grew 25.8%YoY, partly driven by the 205 branches added during the quarter. Cost to Income ratio improved to 40.0% compared to 41.7% in Q412 while inched up marginally from 39.6% in Q313. PPOP consequently grew 15.8%YoY to Rs.3604cr.

Asset Quality stable

ICICIBK reported stable asset quality. Gross NPAs in absolute terms declined 1.6%QoQ to Rs.9607.8 while NNPA rose to 2.2%QoQ to Rs.2230.6cr. Slippages during the quarter came in at Rs.779cr compared to Rs.852cr in Q313 although higher than the Rs.635cr last year. GNPA ratio came in 3.22% versus 3.31% in Q313 and 3.62% last year. Credit costs on annualized basis stood at 64bps / 66bps in FY13 significantly lower than 75bps guided for FY14. NNPA ratio came in at 0.77% vs. 0.76%/0.73% in Q313/Q412 respectively. Overall provisions declined 2%YoY to Rs.460cr. Net Profit in Q413 grew 21.2%YoY to Rs.2304.07cr. The bank restructured 788cr in Q413. The restructured book on account of change in manner of reporting from facility wise to borrower-wise has widened to Rs.5315cr versus Rs.4562cr (revised) at the end of Q313.

Performance Snapshot

Description Rs.cr	Q413	Q412	Q313	YoY%
NII	3803	3105	3499	22.5
PPOP	3604	3112	3452	15.8
PAT	2304	1902	2250	21.2
NIMs	3.33	3.01	3.07	32bps

Subsidiaries performance

ICICI Life reported PAT of Rs.354cr vs. Rs.328cr last year. APE in Q413 grew 18.6%YoY to Rs.1277cr. The new business margins in Q413 stood at 15%. ICICI Life has maintained its leadership in the private sector with market share of 7.2% for Apr-Feb 2013.

ICICI General reported PAT of Rs.27cr compared to loss of Rs.613cr in Q312. Despite the recognition of residual impact of actuarial valuation of third party pool liability in Q413, the ICICI General remained profitable. ICICIBK infused Rs.74cr of capital in ICICI General during the quarter, given the erosion of profitability on account of impact of third party motor pool losses. During April-Feb 2013, ICICI general maintained leadership with market share of 9.8%.

ICICI Bank UK balance sheet stood at \$3.6bn compared to \$3.98bn at the end of Q313. The profitability during the quarter got hit on account of higher provisions for impaired assets. Q413 PAT stood at \$0.3mn compared to \$10.5mn in corresponding quarter last year. Capital adequacy for ICICI Bank UK stood at 30.8%. The subsidiary repatriated \$100mn to parent ICICIBK during the quarter.

ICICI Bank Canada total assets stood at CAD 5.4bn versus CAD5.3bn at end of Q313. PAT came in at CAD 11.2mn compared to CAD 10.3mn in corresponding quarter last year. The capital adequacy ratio was at 33.2%.

PAT	Rs.bn	
	Q413	Q412
ICICI Home Finance	0.64	0.66
ICICI Securities	0.16	0.33
ICICI Securities PD	0.39	-0.03
ICICI Venture	0.04	0.07
ICICI Prudential Asset Management	0.31	0.21

Consolidated FY13 PAT grew 25.7% to Rs.9604cr compared to Rs.7643cr last year. Consolidated ROE stood at 14.7% compared to 13% in FY12.

View:

ICICI bank has reported healthy NII and bottom-line growth driven by the improved net interest margins and tight control on expenses and asset quality. The bank has guided for 10 bps improvement in FY14 NIMs over the 3.1% reported for FY13.

The bank remains confident of achieving domestic credit growth of 20% driven by the retail loan segment. The management expects retail loan book to grow 25% however the focus remains on secured loans. Corporate loan book growth is expected to moderate from the levels seen in FY13, driven by working capital demand, balance sheet funding and off-take from existing project approvals. On the liability side, the bank remains confident of sustaining its large low cost CASA deposit base, at current levels (38.1% avg. CASA). We expect business to grow 18% CAGR over FY13-15e.

The bank is in the process of receiving further capital from its overseas subsidiaries which are highly capitalized. We believe this should provide further room to expand domestic loan book as well as improve return ratios as capital efficiency improves. Risk weighted assets have grown 11% compared to balance sheet growth of 13%. The bank's strategy of focusing on secured loans is a clear reflection of management concentration on improving asset quality. The bank has guided credit costs to be 75bps for FY14.

Overall we expect ICICIBK to deliver healthy 17% and 14% growth in NII and PAT over FY13-15e on CAGR basis. At CMP, ICICI core bank business is trading at 1.7x FY15e ABV (adj. for value of subsidiaries). We have a SOTP target to Rs. 1471, valuing the standalone bank at Rs.1286 (2.3x FY15e ABV*) and value the subsidiaries at Rs.185. Maintain BUY.

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

ICICI Bank SOTP (FY15e) Valuation	ICICI Stake	Value /shr	Valuation Methodology
ICICI Bank -Standalone	100%	1286	P/BV Multiple 2.3x FY15ABV
<i>Subsidiaries</i>			
ICICI Pru Life	74%	77	15x FY15NBAP+EV
ICICI General	74%	27	1.5x FY15 BV
ICICI Bank Canada	100%	42	0.8x FY15 BV
ICICI Bank UK	100%	24	0.8x FY15 BV
ICICI Home Finance	100%	22	1.5x FY15 BV
ICICI Bank AMC	51%	15	4% of FY15AUM
ICICI Primary Dealership	100%	7	1x FY15 BV
ICICI Securities	100%	6	10x FY15 PAT
ICICI Venture	100%	11	12% of AUM
Total Value of Key Subsidiaries		231	
Holding Co. disc		20%	
Value of Key Subsidiaries		185	
Value of Bank		1471	

Quarterly (Rs.cr)	Q413	Q412	YoY
NII	3803	3105	23%
Other Income	2208	2228	-1%
Fee Income	1775	1728	2.7%
Operating Exp	2407	2222	8.3%
C/I	40.7%	42.9%	-225bps
PPOP	3604	3111	16%
Provisions	460	469	-2%
PBT	3144	2642	19%
Tax	840	740	14%
PAT	2304	1902	21%

Asset Quality	Q413	Q313	Q213	Q113	Q412
Gross NPA%	3.22	3.31	3.54	3.54	3.62
Net NPA%	0.77	0.76	0.78	0.39	0.73
PCR%	76.8	77.7	78.7	80.6	80.4
Advances%	14	17	18	22	17
Deposits%	15	10	15	16	13
Business%	14	13	16	19	15
NIMs%	3.33	3.07	3.00	3.01	3.01
CASA%	41.9	40.9	40.7	40.6	43.5

All figures in Rs.cr

Profit & Loss	FY12	FY13	FY14e	FY15e
NII	10734	13866	16206	18899
Other Income	7503	8346	9598	11037
Total Opex	7850	9013	10322	12124
PPOP	10386	13199	15482	17812
Provisions	1583	1803	2584	3050
PBT	8803	11396	12899	14763
Tax	2338	3071	3470	3971
PAT	6465	8325	9429	10791
EPS	56.1	72.2	81.7	93.5

Balance sheet	FY12	FY13	FY14e	FY15e
Sources of Funds				
Share Capital	1152	1154	1154	1154
Reserves& Surplus	59250	65548	72025	79597
Deposits	255500	292614	344018	401517
Borrowings	140165	145341	159876	191851
Other Liabilities	17577	32134	32134	32134
Total Liabilities	473647	536795	609206	706251
Application of Funds				
Cash and Bal with RBI	20461	19053	18100	17195
Bal. with Bks and money at call	15768	22365	24601	24601
Investments	159560	171394	197103	226668
Advances	253728	290249	345397	414476
Net Block	4615	4647	4879	5367
Other Assets	19515	29087	19125	17943
Total	473647	536795	609206	706251

Key Figures	FY12	FY13	FY14e	FY15e
EPS	56.1	72.2	81.7	93.5
BV	524.0	578.1	634.3	700.0
ABV	507.8	558.9	618.0	683.2
NIMs (reported)	2.7%	3.1%		
NIMs (calculated)	2.6%	2.9%	3.0%	3.0%
GNPA	3.6%	3.3%	2.7%	2.3%
NNPA	0.7%	0.8%	0.6%	0.5%
CAR	18.5%	18.7%	18.5%	18.5%

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RATINGS

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

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