

**ICICI BANK LTD**

**BUY**

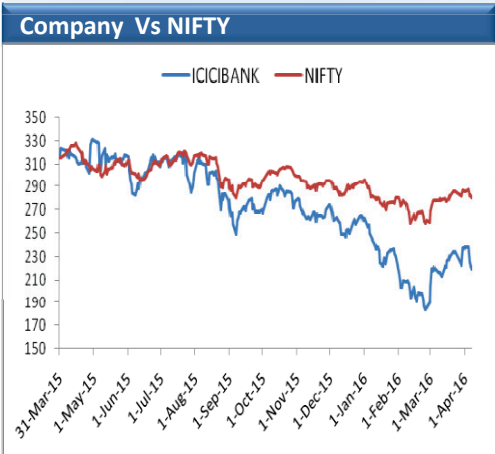
8-Apr-16

| Company Update        |     | BUY |
|-----------------------|-----|-----|
| CMP                   | 221 |     |
| Target Price          | 260 |     |
| Previous Target Price | 260 |     |
| Upside                | 18% |     |
| Change from Previous  | -   |     |

| Market Data         |           |
|---------------------|-----------|
| BSE Code            | 532174    |
| NSE Symbol          | ICICIBANK |
| 52wk Range H/L      | 346/181   |
| Mkt Capital (Rs Cr) | 125,756   |
| Av. Volume(,000)    | 6,341     |
| Nifty               | 7546      |

| Stock Performance |    |      |      |
|-------------------|----|------|------|
|                   | 1M | 3M   | 12M  |
| Absolute          | 2% | -16% | -30% |
| Rel.to Nifty      | 1% | -14% | -19% |

| Share Holding Pattern-% |        |        |        |
|-------------------------|--------|--------|--------|
|                         | 2QFY16 | 1QFY16 | 4QFY15 |
| Promoters               |        |        |        |
| FII                     | 38%    | 40%    | 41%    |
| DII                     | 24%    | 22%    | 22%    |
| Others                  | 38%    | 37%    | 37%    |



*In asset side, bank management feels that growth will be driven by retail segment (45% of total loan) and is likely to growth at 20-25%. On non retail segment, domestic loan (33% of total loan) will growth at 10-15% while international book (22% of total loan) will grow at very slow at single digit. Overall loan is expected to grow at 13-15% in next year as per bank's management. NIM may moderate due to NPL recognition, however other factors like fee should grow and costs are also under control. We maintain "Buy" at value bank at Rs. 260 which would be 1.96 times of FY16E book value.*

The bank is expected to report higher NPL ratio in the this quarter too due to bank has to make 50% of residual provisions against bad loan what RBI had asked to recognize in 3QFY16. As per management about Rs. 60 bn of slippages may come in next quarter, therefore we are expecting higher provisions. The management is not seeing sharp recovery of NPL as of now and believes that recovery would happen with improving economic environment. The management guided that fresh non-performing asset additions in FY2016 will be lower than FY2015 and loan loss provisions will be within 90-100BPS for FY2016.

**3QFY16 performance highlights**

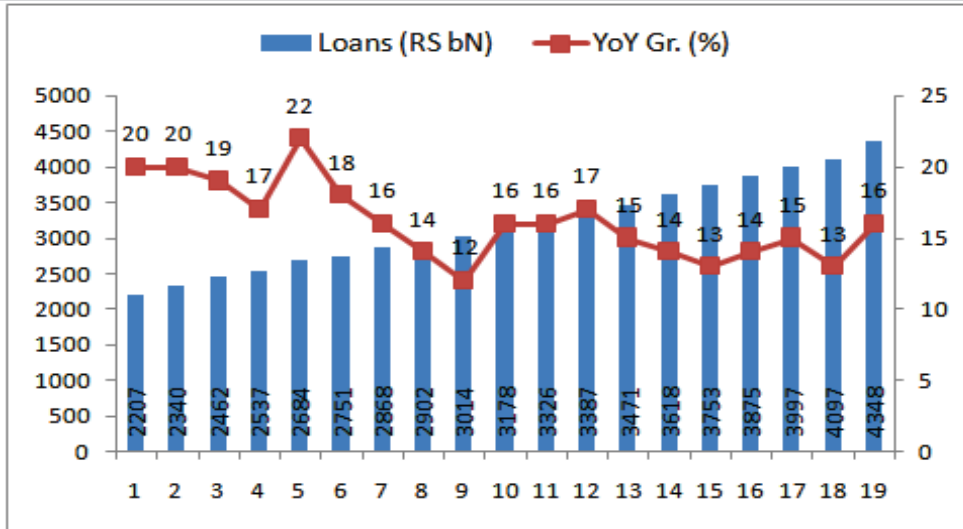
Previous quarter performance was steady as bank reported NII growth at 13.3% YoY, on back of 7bps (YoY) improvement in NIM (3.53% in Q3FY16) along with healthy loan growth (15.8% YoY). Margin was remained stable at sequentially basis despite of cut in base rate (35bps on September 16, 2015). Net profit was marginally below than street expectations and was at Rs. 30.2 bn (4.5% YOY). Robust non-interest income along with containment in operating expenditure (C/I ratio at 37%) helped in reporting healthy operating profit.

The loans grew by 15.8% YoY largely driven by a strong growth in the retail segment which was at 24.05% YoY and constituted 45% of the loan book versus 40% in Q3FY2015. Domestic loans grew 20% YoY (+7% QoQ) whereas, International loans grew 3% YoY. Within retail, the segments home loan, auto loan and personal loans showed a strong growth of 23.8%, 17% and 41.8% respectively. On the other hand, corporate advances grew at 15.04% YoY. The CASA growth remains moderate at +18% YoY. Management has guided for average CASA balance of 38-40% for FY16.

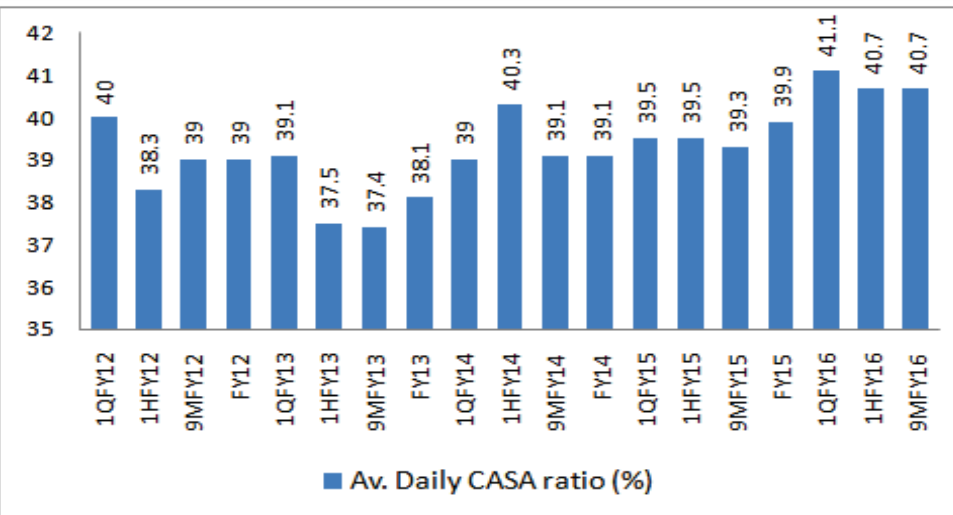
|            | Rs, Cr |       |       |       |       |
|------------|--------|-------|-------|-------|-------|
| Financials | 2012   | 2013  | 2014  | 2015  | 2016E |
| NII        | 12982  | 16599 | 19769 | 22646 | 25177 |
| PPP        | 12093  | 15712 | 19187 | 22875 | 24232 |
| Net Profit | 7643   | 9604  | 11041 | 12247 | 13416 |
| EPS        | 13.26  | 16.65 | 19.12 | 21.13 | 23.13 |
| P/B        | 2.5    | 2.2   | 1.8   | 1.5   | 1.3   |

(Source: Company/Eastwind)

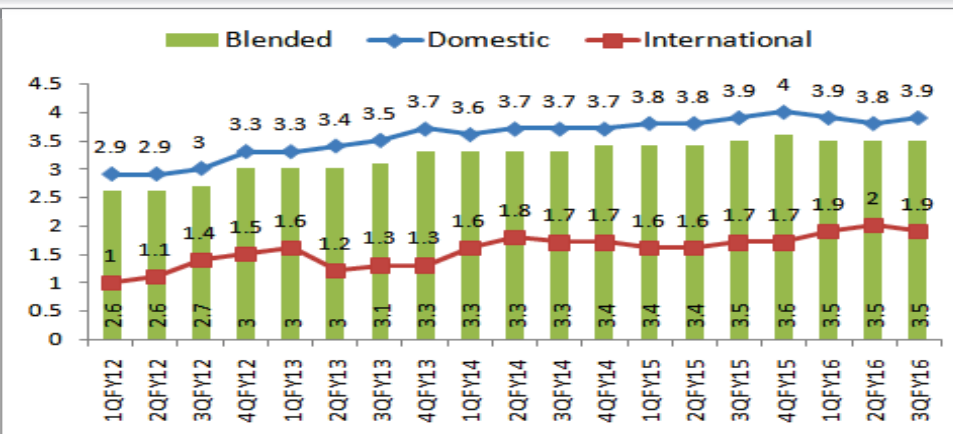
Domestic loan gr. at 20% YoY; corporate loan growth improved to +15% YoY v/s 7% YoY in 2QFY16



Avg. daily CASA ratio close to high levels ever



Trend in NIM



## Financials Snap Shot

| INCOME STATEMENT                              |               |               |               |               | RATIOS   |        |        |        |        |
|---|---------------|---------------|---------------|---------------|--|--------|--------|--------|--------|
|   | FY13          | FY14          | FY15          | FY16E         |  | FY12   | FY13   | FY14   | FY15   |
| Interest / discount on advances / bills       | 29562         | 33721         | 38060         | 42416         | <b>Business Ratios</b>                                     |        |        |        |        |
| Income on Investments                         | 13319         | 14245         | 15132         | 13331         | Total Business Growth%                                     | 0.0    | 12.3   | 15.8   | 10.4   |
| Intt. on bal.with RBI & other inter-bar       | 757           | 428           | 366           | 278           | Credit-Deposit(%)  | 103.6  | 104.8  | 107.7  | 113.6  |
| Others  | 1247          | 1086          | 1406          | 3237          | CASA   | 43.26  | 41.20  | 41.14  | 41.32  |
| Total Interest Income                         | 44885         | 49479         | 54964         | 59261         | <b>Earnings Ratios</b>                                     |        |        |        |        |
| Total Interest expended                       | 28285         | 29711         | 32318         | 33906         | Interest Expended / Interest Earned (%)                    | 65.8   | 63.0   | 60.0   | 58.8   |
| Net Interest Income                           | 16599         | 19769         | 22646         | 25356         | Cost Income Ratio  | 74.3   | 70.3   | 67.3   | 68.3   |
| Other Income                                  | 29320         | 30085         | 35252         | 39908         | Spread Analysis As Calculated                              | 0.0    | 0.0    | 0.0    | 0.0    |
| Total Income                                  | 45919         | 49853         | 57898         | 65263         | Yield on Advances (%)                                      | 10.3   | 10.3   | 10.3   | 10.2   |
| Total Operating Expenses                      | 30207         | 30666         | 35023         | 38660         | Cost of Deposits (%)                                       | 0.0    | 0.0    | 0.0    | 0.0    |
| Pre Provisioning Profit                       | 15712         | 19187         | 22875         | 26603         | NIM%   | 2.9    | 3.0    | 3.2    | 3.4    |
| Provisions (other than tax) and Contingencies | 2095          | 2900          | 4536          | 6758          | Spread%  | 2.2    | 2.3    | 2.5    | 2.7    |
| Profit Before Tax                             | 13617         | 16287         | 18339         | 19844         | Return Ratios  | 0.0    | 0.0    | 0.0    | 0.0    |
| Tax   | 3487          | 4610          | 5397          | 4862          | Return on Assets% as reported                              | 0.0    | 0.0    | 0.0    | 0.0    |
| Minority Interest                             | 526           | 636           | 695           | 695           | Return on Avg.Net worth % as reported                      | 12.6   | 14.0   | 14.6   | 14.6   |
| Net profit after minority interest            | 9604          | 11041         | 12247         | 14287         | <b>Asset Quality</b>                                       | 0.0    | 0.0    | 0.0    | 0.0    |
| Source: Eastwind/Company                      |               |               |               |               | Gross NPA as % of Gross Advances                           | 3.6    | 3.2    | 3.0    | 3.8    |
|   |               |               |               |               | Net NPA as % of Gross Advances                             | 0.7    | 0.8    | 1.0    | 1.6    |
|   |               |               |               |               | Restructured Assets to Advances Ratio(%)                   | 1.6    | 1.8    | 3.1    | 2.8    |
|   |               |               |               |               | Capital Adequacy Ratio                                     | 0.0    | 0.0    | 0.0    | 0.0    |
|   |               |               |               |               | Capital Adequacy Ratio (%)                                 | 0.0    | 18.5   | 18.7   | 17.7   |
|   |               |               |               |               | Tier I Capital (%)   | 0.0    | 12.7   | 12.8   | 12.8   |
|   |               |               |               |               | Source: Eastwind/Company                                   |        |        |        |        |
| BALANCE SHEET                                 |               |               |               |               | Valuation  |        |        |        |        |
|   | FY13          | FY14          | FY15          | FY16E         |  | FY12   | FY13   | FY14   | FY15   |
| Capital                                       | 1154          | 1155          | 1160          | 1160          | Profit before taxes  | 10392  | 13090  | 15651  | 17644  |
| Reserves & Surplus                            | 67604         | 75268         | 83537         | 94438         | Net cash flow before changes in Working Capital            | 13226  | 16217  | 19036  | 22716  |
| Deposits                                      | 314771        | 359513        | 385955        | 430340        | Adjustments for:   |        |        |        |        |
| Borrowings                                    | 172888        | 183542        | 211252        | 228212        | Cash Flow from Operating Activities                        | -6814  | 17494  | 6765   | -12273 |
| Other Liabilities & Provisions                | 118401        | 128278        | 144167        | 152914        | Cash Flow From Investing Activities :                      | -21263 | -19148 | -16668 | -12932 |
| <b>Total Capital &amp; Liabilities</b>        | <b>674817</b> | <b>747756</b> | <b>826072</b> | <b>907064</b> | Cash Flow From Financing Activities                        | 29439  | 9283   | 7872   | 24827  |
| Cash & Balances with Reserve Bank of India    | 19306         | 22097         | 25838         | 27233         | Net Increase/(Decrease) In Cash And Cash Equivalents       | 1771   | 8215   | -1113  | -621   |
| Balances with Banks and Money at Call         | 30065         | 26161         | 21800         | 28615         | Cash & Cash Equivalents At The Beginning Of Financial Year | 39385  | 41156  | 49371  | 48258  |
| Investments                                   | 255667        | 267609        | 302762        | 264368        | Cash & Cash Equivalents At The Year Of End                 | 41156  | 49371  | 48258  | 47637  |
| Advances                                      | 329974        | 387342        | 438490        | 506487        | Source: Eastwind/Company                                   |        |        |        |        |
| Fixed Assets                                  | 5473          | 5507          | 5871          | 6064          |  |        |        |        |        |
| Other Assets                                  | 34337         | 39046         | 31319         | 74304         |  |        |        |        |        |
| <b>Total Assets</b>                           | <b>674822</b> | <b>747762</b> | <b>826079</b> | <b>907071</b> |  |        |        |        |        |
| Source: Eastwind/Company                      |               |               |               |               |  |        |        |        |        |