

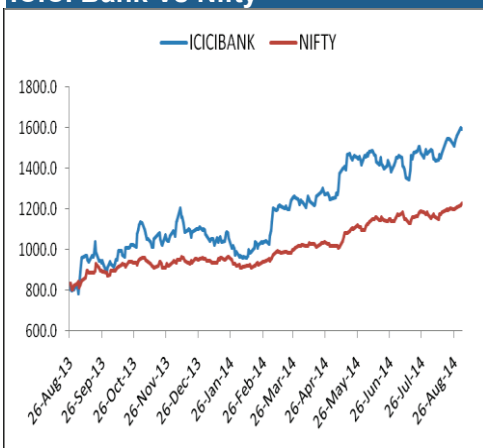
| Result update | BUY |
|-----------------------|------|
| CMP | 1600 |
| Target Price | 1830 |
| Previous Target Price | 1600 |
| Upside | 14 |
| Change from Previous | 14 |

| Market Data | |
|----------------------|-----------|
| BSE Code | 532174 |
| NSE Symbol | ICICIBANK |
| 52wk Range H/L | 1617/777 |
| Mkt Capital (Rs Cr) | 184042 |
| Average Daily Volume | 27.28 cr |
| Nifty | 8083 |

| Stock Performance | 1M | 1yr | YTD |
|-------------------|-----|------|------|
| Absolute | 7.8 | 91.6 | 91.6 |
| Rel.to Nifty | 3.1 | 43.9 | 43.9 |

| Share Holding Pattern-% | Current | 4QFY13 | 3QFY1 |
|-------------------------|---------|--------|-------|
| Promoters | - | - | - |
| FII | 39.9 | 38.4 | 37.6 |
| DII | 23.2 | 24.6 | 25.1 |
| Others | 39.9 | 37.0 | 37.4 |

ICICI Bank Vs Nifty



In our earlier result update note dated 4th August 2014, we had Buy rating on the stock in which we had given the price target of Rs.1600/share. Now the stock has reached that level and still we advice our clients to stay invested. We believe that bank has every potential to grow further on the basis of fundamental and we increased our price target to Rs. 1830/share means bank would trade at 2.5 times of one year forward book which is the highest in historical band. In medium term, bank is expected to report ROE in range of 13-15% but composition of retail loan from few quarter has increased handsomely that would narrow the valuation multiple of bank to HDFC bank. In the subsequent section we will discuss the loan composition of bank and will compare it with HDFC bank. In many cases HDFC bank is in better place but gradually ICICI bank is improving its portfolio that would be justifies of our price to book value multiple.

ICICI bank's loan grew handsomely in last few years; retail loan composition improved significantly that would help to narrow valuation gap between bank and HDFC bank

From the period of FY12-14, ICICI bank loan has grown up at CAGR of 15.5% and in June quarter it reported loan growth of 15.2% YoY backed by retails loan. At present bank's corporate loan consists of 56% which has come down from 60% in 1QFY14 and in the same time retail loan composition increased to 44% from 40%. In HDFC bank case loan composition of retail and corporate were 54% and 46% respectively. This has created huge difference in term of their margin. At the end of June quarter, ICICI bank margin was 3.4% while HDFC bank's margin was 4.7%.

Term loan composition was higher implied liquidity risk ,interest rate risk and credit risk.

This was the headline numbers but if we go beyond the numbers different story has come to light as ICICI bank's loan consists of 81% of term loan in compare to 55% in HDFC bank that implying higher risk such as liquidity risk, interest risk and credit risk. Term loan are generally high tenure in nature and mostly demanded from corporate side, that why there are some risk associates with them. But in deposits composition we can see there is less mismatch. Deposits maturing more than 3 years bucket contain 15% of total deposits in compare to 10% in the case of HDFC bank.

Financials

| | Rs, Cr | | | | |
|--------------|--------|-------|-------|-------|-------|
| | 2011 | 2012 | 2013 | 2014 | 2015E |
| NII | 10739 | 10734 | 13866 | 16476 | 20759 |
| Total Income | 42252 | 18237 | 22212 | 26904 | 32697 |
| PPP | 10950 | 10386 | 13199 | 16595 | 20111 |
| Net Profit | 6093 | 6465 | 8325 | 9812 | 11581 |
| EPS | 52.9 | 56.0 | 72.2 | 85.0 | 100.2 |

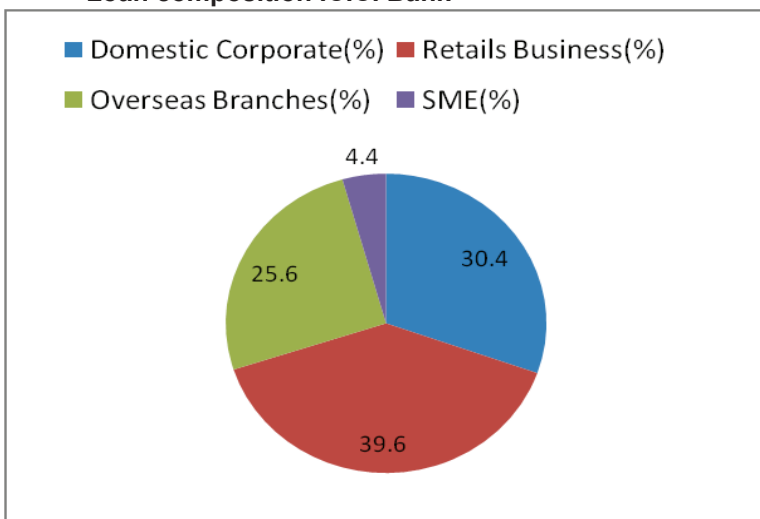
(Source: Company/Eastwind)

ICICI BANK

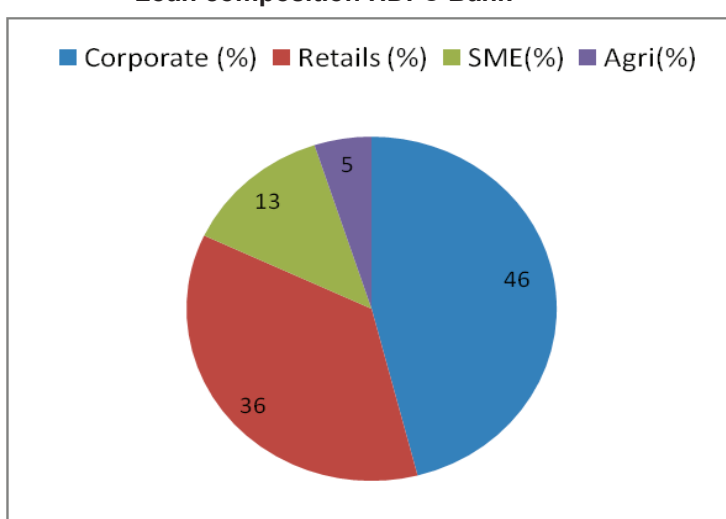
Higher percentage of loans is secure by tangible assets but beyond numbers have different story

In term of securities collateral, ICICI bank seems better as its 85% of loan are secured by tangible assets while only 76% in the case of HDFC bank. But again it is headline numbers, if we go beyond the numbers about 46% of house loans are there in retail portfolio which was not secure by tangible assets but in HDFC bank case only 13% of housing loans are in retail portfolio. HDFC Bank's retail portfolio are well diversified which gave it edge for better ROE. But ICICI bank is better than Axis Bank and Yes Bank (we compare it because both the banks have large corporate exposure).

Loan composition ICICI Bank

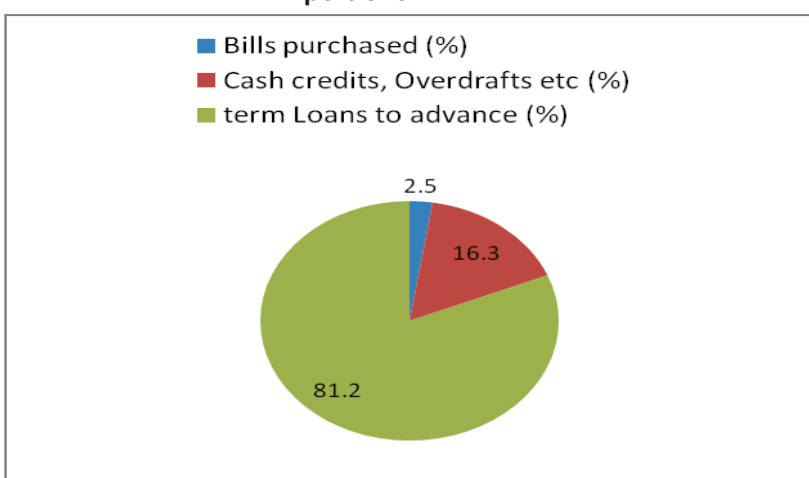


Loan composition HDFC Bank

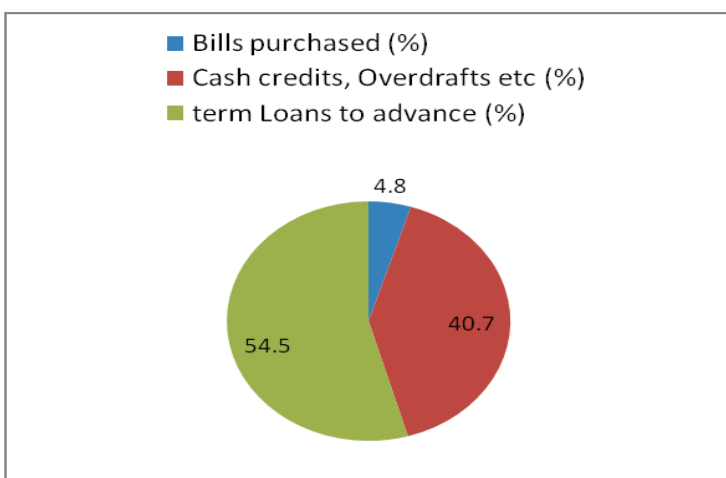


Retail loan (Retail +SME) much below than HDFC bank that has created margin differences

Higher term loan composition in ICICI bank loan portfolio



Diversified loan composition in HDFC bank

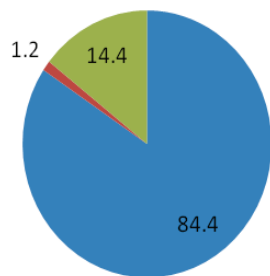


Higher portion of term loan implied that higher loan towards corporate side, given liquidity risk, interest rate risk and credit risk.

ICICI BANK

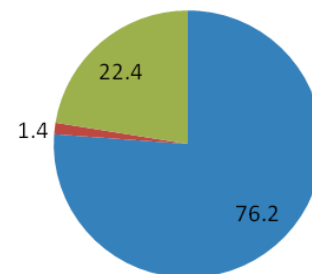
ICICI bank loan are secure by tangible assets

- Secured by tangible assets (%)
- Covered by Bank/ Government Guarantees (%)
- Unsecured (%)



HDFC bank loan are less secure by tangible assets

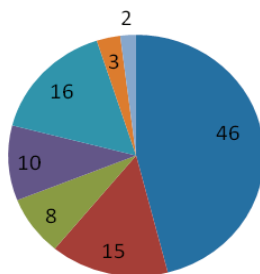
- Secured by tangible assets (%)
- Covered by Bank/ Government Guarantees (%)
- Unsecured (%)



Higher portion of loans are secured by tangible assets, that is the good sense in term of protecting asset quality but most of retail segment was not secure. Lower percentage of secure assets is due to higher retail exposure in HDFC bank case.

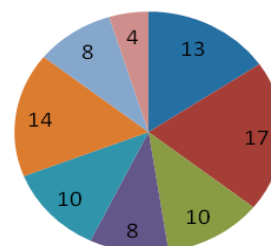
Retail exposure of ICICI bank

- Home
- SME
- CV
- Auto
- Agri
- Personal loan
- credit card



Retail exposure of HDFC bank

- Home
- SME
- CV
- Auto
- Agri
- Personal loan
- credit card
- Others



HDFC bank's retail portfolio was well diversified and more difficult also in order to build and generate. Thus HDFC bank has sustainable high ROE than other private banks. But ICICI bank is also in better position than Yes Bank and Axis Bank

ICICI BANK

| Yearly Result | 2012 | 2013 | 2014 | 2015E | 2016E |
|---|---------------|---------------|---------------|---------------|---------------|
| Interest/discount on advances / bills | 22130 | 27341 | 31428 | 36202 | 41514 |
| Income on investments | 9684 | 11009 | 11557 | 13483 | 14976 |
| Interest on balances with Reserve Bank of India | 491 | 543 | 200 | 334 | 299 |
| Others | 1238 | 1182 | 993 | 1487 | 1196 |
| Total Interest Income | 33543 | 40076 | 44178 | 51505 | 57984 |
| Others Income | 7503 | 8346 | 10428 | 11939 | 13249 |
| Total Income | 41045 | 48421 | 54606 | 63444 | 71234 |
| Interest Expended | 22808 | 26209 | 27703 | 30747 | 35991 |
| NII | 10734 | 13866 | 16476 | 20759 | 21993 |
| Other Income | 7503 | 8346 | 10428 | 11939 | 13249 |
| Total Income | 18237 | 22212 | 26903 | 32697 | 35242 |
| Employee | 3515 | 3893 | 4220 | 5640 | 6185 |
| Other Expenses | 4335 | 5120 | 6089 | 6947 | 7559 |
| Operating Expenses | 7850 | 9013 | 10309 | 12587 | 13744 |
| PPP(Rs Cr) | 10386 | 13199 | 16595 | 20111 | 21498 |
| Provisions | 1583 | 1803 | 2626 | 2998 | 3312 |
| PBT | 8803 | 11397 | 13968 | 17112 | 18185 |
| Tax | 2338 | 3071 | 4158 | 5531 | 5456 |
| Net Profit | 6465 | 8325 | 9810 | 11581 | 12730 |
| Balance Sheet | | | | | |
| Equity Capital | 1153 | 1154 | 1155 | 1156 | 1156 |
| Reserve & Surplus | 59252 | 65552 | 72058 | 83645 | 93716 |
| Net Worth | 60405 | 66706 | 73213 | 84801 | 94872 |
| Deposits | 255500 | 292614 | 331914 | 373770 | 423429 |
| Borrowings | 140165 | 145341 | 154759 | 175892 | 199261 |
| Other liabilities and provisions | 32999 | 32134 | 34756 | 52492 | 52237 |
| Total Liability | 489069 | 536795 | 594642 | 686955 | 769798 |
| Cash in hand | 20461 | 19053 | 21822 | 21986 | 24908 |
| Money at call & money with RBI | 15768 | 22365 | 19708 | 24735 | 24908 |
| Investment | 159560 | 171394 | 177022 | 203375 | 230395 |
| Advances | 253728 | 290249 | 338703 | 394535 | 441641 |
| Fixed Assets | 4615 | 4647 | 4678 | 5497 | 6227 |
| Others Assets | 34937 | 29087 | 32709 | 36827 | 41720 |
| Total Assets | 489069 | 536795 | 594642 | 686955 | 769798 |
| Eastwind Calculation | | | | | |
| Yield on Advances | 8.7 | 9.4 | 9.3 | 9.2 | 9.4 |
| Yield on Investments | 6.4 | 6.7 | 6.8 | 6.6 | 6.5 |
| Cost of deposits | 5.6 | 5.8 | 8.3 | 8.2 | 8.5 |
| Cost of Borrowings | 6.1 | 6.4 | 6.4 | 6.4 | 6.4 |
| Cost of fund | 5.8 | 6.0 | 5.7 | 5.9 | 5.9 |
| Valuation | | | | | |
| Book Value | 524 | 578 | 634 | 734 | 821 |
| P/BV | 1.7 | 1.5 | 2.2 | 2.2 | 1.9 |
| P/E | 7.3 | 9.4 | 7.1 | 7.2 | 8.0 |

Source: Company/Eastwind