

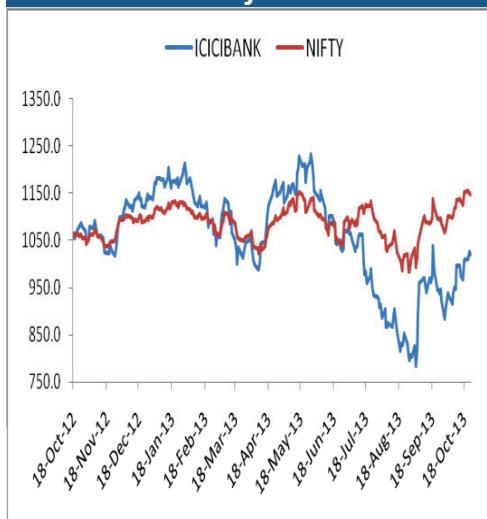
Result update	ACCUMULATE
CMP	1022
Target Price	1100
Previous Target Price	1160
Upside	8
Change from Previous	

Market Data	
BSE Code	532174
NSE Symbol	ICICIBANK
52wk Range H/L	1236/876
Mkt Capital (Rs Cr)	104958
Average Daily Volume	60.25
Nifty	6144

Stock Performance			
	1M	1yr	YTD
Absolute	9.0	-4.1	-4.1
Rel.to Nifty	4.1	-11.9	-11.9

Share Holding Pattern-%			
	Current	4QFY13	3QFY1
Promoters			
FII	39.2	37.9	37.1
DII	23.0	24.1	24.9
Others	37.8	37.9	38.0

ICICI Bank Vs Nifty



During quarter bank reported healthy operating metrics and stable asset quality. Bank witnessed strong traction in CASA deposits and in most challenging environment, ICICI bank able to maintain NIM at 3%+ level. Moreover bank's focus to improve CASA deposits and optimizing cost of fund would help to expand margin going forward. Bank's management revised margin in upward basis by 20 bps from earlier of 10 bps in full year basis. At the current price of Rs.1022, bank is trading at 1.6 times of one year forward book. Looking at industry, we believe bank to trade in range of 1.6 to 1.8 times of one year forward book. We have accumulate rating on the stock with price target of Rs.1100

NII growth on the back of healthy loan growth and margin improvement

The net interest income of the bank grew by 20% YoY to Rs.4044 cr in 2QFY14 supported healthy loan growth, sequentially improvement in NIM and credit deposits ratio at 103%. The total income grew by 14.7% YoY to Rs.6210 led by fee income of Rs.1994 cr versus Rs.1709 cr in 2QFY13. However treasury profit declined to Rs.79 cr versus gain of Rs.172 cr in 2QFY13.

Declined in cost income ratio led robust growth in operating profit

Cost income ratio declined to 37.4% versus 41% in 2QFY13 and 39.5% in 1QFY14 led operating profit growth of 22% YoY to Rs.3888 cr as against expectation of Rs.3504 cr. With the declined of CI ratio, operating expenses increased mere by 4.6% YoY to Rs.2322 cr in which employee cost declined by 9.8% YoY whereas other operating expenses increased by 15.6% YoY. During the quarter bank added 157 branches and 196 ATMs taking overall branch network to 3507 and ATM network to 11098.

Sequentially stable asset quality helps to make lower provision

On asset quality front, Axis bank reported 17 bps improvements in GNPA on sequential basis to 3.16%. In absolute term GNPA remain flat sequentially whereas provision declined by 3% QoQ. This led net NPA increased by 9.5% sequentially. In percentage term NPA stood at 0.85% versus 0.82% in 1QFY14. Provision coverage ratio (without technical write off) was declined by 300 bps to 73.1% as against regulatory requirement of 70%. During quarter bank made loan loss provision of Rs.625 cr versus Rs.593 cr in 1QFY14 and Rs.508 cr in 2QFY13. This provision included of Rs.279 cr mark to market to its investment portfolio. ICICI bank made all loss provision against investment portfolio during the quarter and not availed the option permitted by RBI to monetize over next three quarters.

Financials

	Rs, Cr				
	2011	2012	2013	2014E	2015E
NII	10739	10734	13866	17734	21111
Total Income	42252	18237	22212	27035	30413
PPP	10950	10386	13199	16762	18856
Net Profit	6093	6465	8325	10658	11955
EPS	52.9	56.0	72.2	92.3	103.6

(Source: Company/Eastwind)

Healthy NII growth and declined CI ratio along with stable margin help to boost up profit

With the support of healthy NII growth and declined operating expenses led net profit of 20.2% YoY to Rs.2352 cr from Rs.1884 cr of expectation. ROA and ROE remain stable at 1.7% and 13% sequentially but improved from 1.6% and 12.1% in YoY basis.

Modest deposits growth and strong traction in CASA deposits growth

On business growth parameters, bank's total business grew by 13% YoY to Rs.6268 bn as against Rs.5556 bn. Deposits grew by moderate pace with 10% YoY while current deposits and saving deposits grew by 19% and 16% YoY respectively taking overall CASA ratio to 43.3%. Loan grew by 16% YoY to Rs.3178 bn. Incremental loan growth came from retail advance as the result mortgages and auto portfolio up by 23% and 27% respectively on year on year basis.

Margin improvement on the back of optimizing cost of fund and loan yield improvement

During quarter bank reported 4 bps QoQ and 31 bps YoY improvement in NIM to 3.31%. Despite of challenging environment, bank able to maintain its margin at the current level. Bank's management guided NIM for FY14 to be at current level. On calculated basis yield on loan increased to 9.7% from 9.6% and cost of fund declined to 10.1% from 10.4% sequentially. Cost of fund likely to decline as bank's strong traction in CASA deposits trend to continue as per management.

Other highlight

CAR (Capital Adequacy Ratio) as per Basel 111 was 16.5% in which tier 1 capital was 11.33%. This CAR was not inclusion of 2HFY14's profit and this ratio would have been 17.2% and tier 1 of 12.04%, if including the profit during the 1HFY14 which was much higher than regulatory requirement and would support further growth without capital infusion.

Valuation & View

During quarter bank reported healthy operating metrics and stable asset quality. Bank witnessed strong traction in CASA deposits and in most challenging environment, ICICI bank able to maintain NIM at 3%+ level. Moreover bank's focus to improve CASA deposits and optimizing cost of fund would help to expand margin going forward. Bank's management revised margin in upward basis by 20 bps from earlier of 10 bps in full year basis. At the current price of Rs.1017, bank is trading at 1.6 times of one year forward book. Looking at industry, we believe bank to trade in range of 1.6 to 1.8 times of one year forward book. We have accumulate rating on the stock with price target of Rs.1100

ICICI BANK

Quarterly Result

Quarterly Result(Rs Cr)

	2QFY14	1QFY14	2QFY13	% YoY Gr	% QoQ Gr
Interest/discount on advances / bills	7737	7196	6849	13.0	7.5
Income on investments	2839	2885	2745	3.4	-1.6
Interest on balances with Reserve Bank of India	47	58	149	-68.4	-18.5
Others	190	283	284	-33.0	-32.7
Total Interest Income	10813	10421	10026	7.8	3.8
Others Income	2166	2484	2043	6.0	-12.8
Total Income	12980	12905	12069	7.5	0.6
Interest Expended	6770	6600	6655	1.7	2.6
NII	4044	3820	3371	19.9	5.8
Other Income	2166	2484	2043	6.0	-12.8
Total Income	6210	6305	5414	14.7	-1.5
Employee	872	1089	966	-9.8	-20.0
Other Expenses	1451	1401	1255	15.6	3.5
Operating Expenses	2322	2491	2221	4.6	-6.8
PPP(Rs Cr)	3888	3814	3193	21.8	1.9
Provisions	625	593	508	23.0	5.3
PBT	3263	3221	2685	21.5	1.3
Tax	911	947	729	24.9	-3.8
Net Profit	2352	2274	1956	20.2	3.4
Balance Sheet(Rs Cr)					
Net Worth	73103	70079	64462	13.4	4.3
Deposits	309046	291185	281438	9.8	6.1
Investment	168829	174625	157914	6.9	-3.3
Loan	317786	301370	275076	15.5	5.4
Asset Qaulity					
GNPA(Rs Cr)	2698	2463	2134	26.4	9.5
NPA(Rs Cr)	7331	7547	7902	-7.2	-2.9
%GNPA	3.2	3.3	3.6		
%NPA	0.8	0.8	0.8		

Source: Company/Eastwind