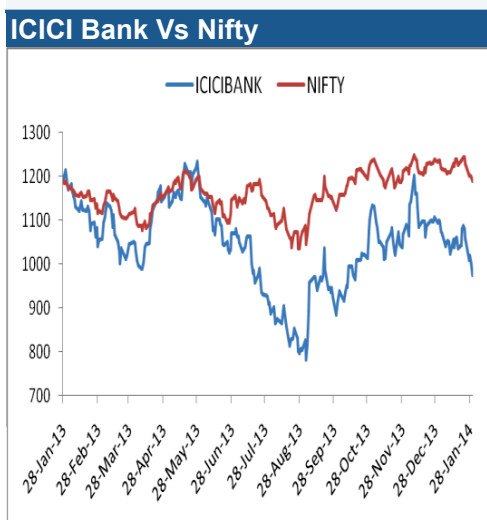


Result update	ACCUMULATE
CMP	981
Target Price	1094
Previous Target Price	1118
Upside	12
Change from Previous	-2.147

Market Data	
BSE Code	532174
NSE Symbol	ICICIBANK
52wk Range H/L	358/127
Mkt Capital (Rs Cr)	11104
Average Daily Volume	19.54 lakhs
Nifty	6073

Stock Performance			
	1M	1yr	YTD
Absolute	-11.3	-18.1	-18.1
Rel.to Nifty	-7.6	-18.1	-18.1

Share Holding Pattern-%			
	Current	4QFY13	3QFY1
Promoters	66.7	64.1	64.1
FII	11.0	13.2	13.6
DII	15.4	15.3	15.6
Others	6.9	7.4	6.7



Bank's profit growth of 12.6% YoY despite of 21.6% YoY growth in NII and 28.6% growth in operating profit was largely due to higher tax provisions made of bank (32.4% of PBT versus 27.9% of PBT in 2QFY14). During quarter, bank has created special reserve for deferred tax liability to the tune of Rs.215 Cr as per recent RBI guideline dated 20th December 2013. Adjusting the same, profit grew by 22% YoY which was quite impressive. But bank's cost of fund increased higher than loan yield which would restrict margin expansion. We lower our book value estimates to Rs.643 from earlier of Rs.657. Accordingly we reduce our target price to Rs.1094 from earlier of Rs.1118.

Healthy NII growth on the back of higher loan growth and margin expansion

During quarter, bank reported NII growth of 21.6% YoY to Rs.4256 cr on the back of higher than expected loan growth and loan yield led by credit deposits ratio and expansion NIM. Other income registered growth of 26.5% YoY to Rs.2801 cr versus Rs.2166 cr in previous quarter and Rs.2215 Cr in last quarter in corresponding quarter. Healthy NII along with higher support from other income, revenue of the bank grew by 23.5% YoY to Rs.7057 Cr.

Stable operating leverage led healthy operating profit growth

Operating leverage (opex to total assets) was remained very impressive and was stable at 0.46% versus 0.43% in 3QFY13. Cost to income ratio of the bank improved by 250 bps YoY to 37.4% as against 39.6%. Operating expenses increased by 15.7% YoY in which employee cost and other operating expenses increased by 6% and 23% YoY respectively. Healthy revenue growth and controlled operating expenses led operating profit growth of 28.6% YoY to Rs.4440 cr.

Asset quality by and large stable sequentially but provision declined

Bank reported deterioration in asset quality (GNPA) in sequential basis by 3.7% in absolute term. In percentage to gross advance, GNPA stood at 3.07% versus 3.1% in previous quarter (marginally improved). Provisions were declined by 0.6% QoQ taking net NPA increased by 15.3% QoQ. In percentage to net advance, this ratio stood at 0.94% versus 0.85% in previous quarter. Lower provisions made PCR to 70.1% versus 73.1% in previous quarter.

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)

Lower growth in deposits led by muted growth in term deposits

In balance sheet front, bank's deposits grew by 11% YoY lower than expectation largely due to lower growth in term deposits. Demand deposits and saving deposits grew by 9.3% and 11.8% YoY taking overall CASA deposits growth to 16% YoY. In percentage to total deposits, CASA stood at 42.9% versus 40.9% in last quarter. But in sequential basis, bank reported 40 bps declined in CASA and borrowing also increased by 4%. Overall cost of fund was increased by 32 bps in sequential basis which restricted margin expansion despite of improvement in loan yield.

Higher loan growth led by retail loan followed by overseas and corporate loan

Loan grew by 16% YoY higher than expectation. Incremental loan growth came from retail advances which grew by 22% YoY followed by overseas and corporate loan. Retail loan now constituted 39% of total loan versus 37% in last quarter. Retail loans are generally high yield in nature and higher loan constitute would result of margin sustaining at current level. We are susceptible about the margin improvement because of higher cost of fund as bank reported lower CASA and higher borrowing as a percentage to NDTL in sequential basis.

Margin expansion marginally on account of higher cost of fund than deposits

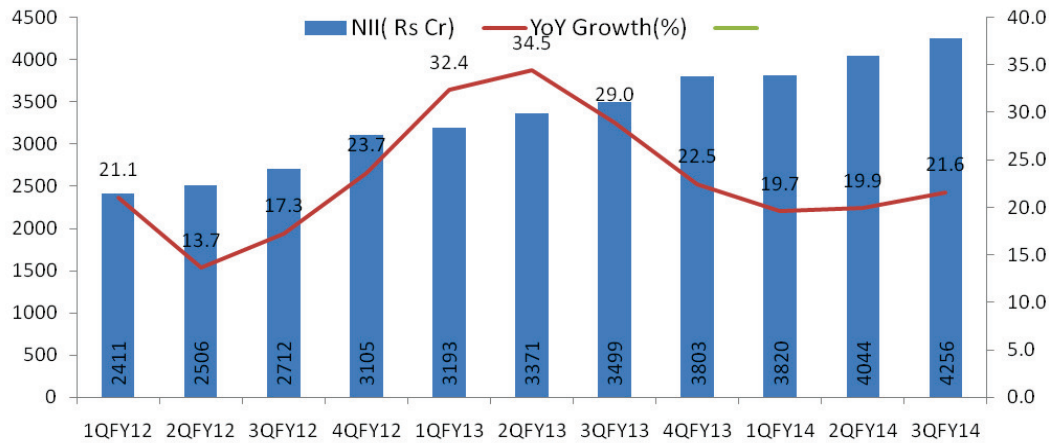
NIM improved marginally from previous quarter to 3.32% from 3.31% largely due to higher cost of fund than loan yield. Sequentially, cost of fund increased to 9.1% from 8.8% in previous quarter due to higher borrowing cost along with lower CASA ratio. Loan yield improved to 9.9% from 9.7% in previous quarter. We believe NIM of the bank would be highest as increasing cost of fund would cushion loan yield improvement.

Valuation & View

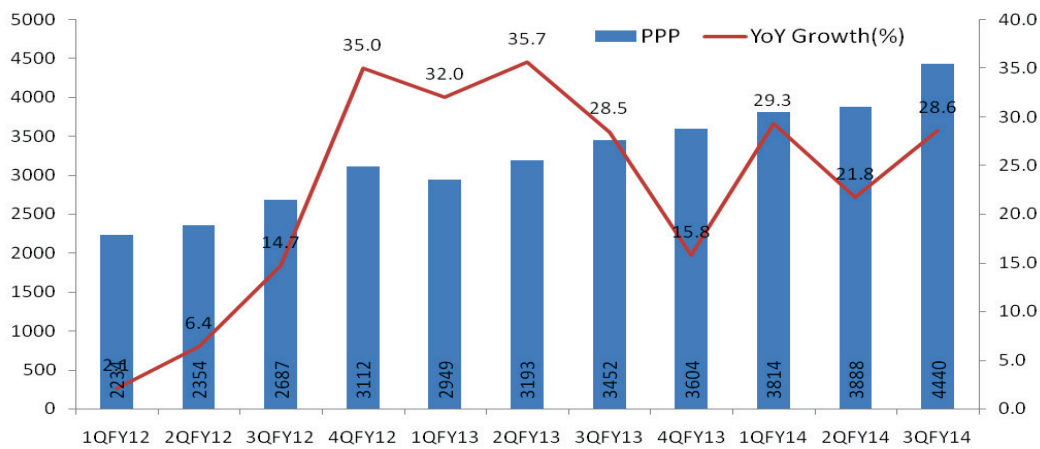
Bank's profit growth of 12.6% YoY despite of 21.6% YoY growth in NII and 28.6% growth in operating profit largely due to higher tax provisions made of bank (32.4% of PBT versus 27.9% of PBT in 2QFY14). During quarter, bank has created special reserve for deferred tax liability to the tune of Rs.215 Cr as per recent RBI guideline dated 20th December 2013. Adjusting the same, profit grew by 22% YoY which was quite impressive. But bank's cost of fund increased higher than loan yield would restrict margin expansion. We lower our book value estimates to Rs.643 from earlier of Rs.657. Accordingly we reduce our target price to Rs.1094 from earlier of Rs.1118.

ICICI BANK

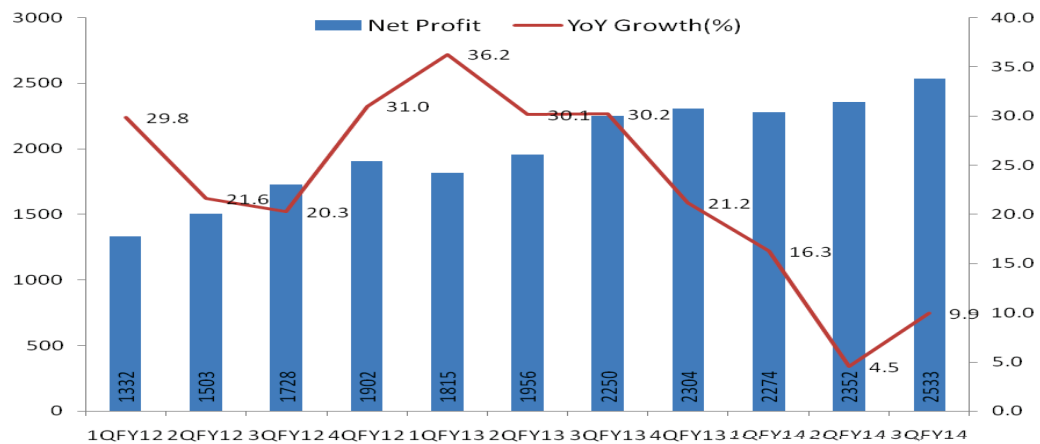
Chart Focus



NII growth on account of higher than expected loan growth and margin expansion



Healthy revenue growth and impressive operating leverage led operating profit



Despite of higher revenue growth and operating profit growth, net profit muted because of higher tax provisions against DTL

ICICI BANK

Quarterly Result

Quarterly Result

	3QFY14	2QFY14	3QFY13	% YoY	% QoQ	3QFY14E	Variation
Interest/discount on advances / bills	8224	7737	7066	16.4	6.3	7971	-3.1
Income on investments	2923	2839	2742	6.6	2.9	3012	3.0
Interest on balances with Reserve Bank of India	34	47	136	-75.3	-28.5	52	55.8
Others	275	190	194	42.1	44.7	236	-14.1
Total Interest Income	11456	10813	10138	13.0	5.9	11271	-1.6
Others Income	2801	2166	2215	26.5	29.3	2325	-17.0
Total Income	14257	12980	12353	15.4	9.8	13597	-4.6
Interest Expended	7200	6770	6639	8.4	6.4	6766	-6.0
NII	4256	4044	3499	21.6	5.2	4505	5.9
Other Income	2801	2166	2215	26.5	29.3	2325	-17.0
Total Income	7057	6210	5714	23.5	13.6	6831	-3.2
Employee	997	872	941	6.0	14.4	0	-100.0
Other Expenses	1620	1451	1321	22.7	11.7	0	-100.0
Operating Expenses	2617	2322	2261	15.7	12.7	2596	-0.8
PPP(Rs Cr)	4440	3888	3452	28.6	14.2	4235	-4.6
Provisions	695	625	369	88.4	11.2	657	-5.4
PBT	3745	3263	3084	21.4	14.8	3578	-4.5
Tax	1212	911	834	45.4	33.1	1073	-11.5
Net Profit	2533	2352	2250	12.6	7.7	2504	-1.1

Balance Sheet

Net Worth	74057	73103	67119	10.3	1.3	75608	2.1
Deposits	316970	309046	286418	10.7	2.6	318387	0.4
Borrowings	150940	145356	147149	2.6	3.8	153387	1.6
Investment	171985	168829	166842	3.1	1.9	3012	-98.2
Loan	332632	317786	286766	16.0	4.7	328689	-1.2

Asset Quality

GNPA (Rs Cr)	10448	10078	9803	6.6	3.7		
NPA (Rs Cr)	3121	2707	2185	42.8	15.3		
% GNPA	3.1	3.1	3.4				
% NPA	0.9	0.9	0.8				
PCR(w/o technical write-off)(%)	70.1	73.1	77.7				

Source: Company/Eastwind

ICICI BANK

Financials & Assupion

Quarterly Result	2011	2012	2013	2014E	2015E
Interest/discount on advances / bills	19098	22130	27341	31646	34992
Income on investments	9181	9684	11009	11785	13220
Interest on balances with Reserve Bank of India	469	491	543	184	184
Others	1334	1238	1182	946	946
Total Interest Income	30081	33543	40076	44561	49342
Others Income	31513	7503	8346	9302	9302
Total Income	61595	41045	48421	53863	58644
Interest on deposits	11315	14304	16889	18217	20402
Interest on RBI/Inter bank borrowings	1683	1469	2087	0	0
Others	6345	7035	7234	10146	11364
Interest Expended	19343	22808	26209	27812	28840
NII	10739	10734	13866	16749	20502
Other Income	31513	7503	8346	9302	9302
Total Income	42252	18237	22212	26051	29804
Employee	4393	3515	3893	4451	5096
Other Expenses	26910	4335	5120	5441	6229
Operating Expenses	31302	7850	9013	9892	11325
PPP(Rs Cr)	10950	10386	13199	16159	18478
Provisions	4631	1583	1803	2592	2853
PBT	0	8803	11397	13567	15626
Tax	0	2338	3071	4071	4688
Net Profit	6093	6465	8325	9496	10938
Balance Sheet					
DEPOSITS	259106	255500	292,614	321,875	360,500
Deposits Growth	7.3	-1.4	14.5	10.0	12.0
Borrowings	125839	140165	145,341	158,535	177,560
Borrowings Growth(%)	8.8	11.4	3.7	9.1	12.0
Investment	209653	159560	171,394	187,360	209,843
Growth(%)	12.5	-23.9	7.4	9.3	12.0
Advances	256019	253728	290,249	339,592	380,343
Growth(%)	13.4	-0.9	14.4	17.0	12.0
Eastwind Calculation					
Yield on Advances	7.5	8.7	9.4	9.3	9.2
Yield on Investments	4.7	6.4	6.7	6.3	6.3
Cost of deposits	4.4	5.6	5.8	5.7	8.0
Cost of Borrowings	6.4	6.1	6.4	6.4	6.4
Cost of fund	5.0	5.8	6.0	0.0	5.9
Valuation					
Book Value	480	524	578	643	682
P/BV	2.3	1.7	1.5	1.6	1.5
P/E	5.5	7.3	9.4	9.2	10.6

Source: Company/Eastwind