ICICI Bank Limited

Instrument	Amount	Rating Action
	In crore	
Unsecured Redeemable Bonds Programme	20000 (Outstanding as at Mar-15 is 7,950)	[ICRA]AAA with stable outlook reaffirmed
Lower Tier II Bonds Programme	7000 (Outstanding as at Mar-15 is 7,000)	[ICRA]AAA with stable outlook reaffirmed
Lower Tier II Bonds Programme	4000 (Outstanding as at Mar-15 is 4,000)	[ICRA]AAA with stable outlook reaffirmed
Lower Tier II Bonds Programme	4000 (Outstanding as at Mar-15 is 3,965)	[ICRA]AAA with stable outlook reaffirmed
Lower Tier II Bonds Programme	2000 (Outstanding as at Mar-15 is 1,934)	[ICRA]AAA with stable outlook reaffirmed
Lower Tier II Bonds Programme	2000 (Outstanding as at Mar-15 is 1,111)	[ICRA]AAA with stable outlook reaffirmed
Lower Tier II Bonds Programme	1500 (Outstanding as at Mar-15 is 1,377)	[ICRA]AAA with stable outlook reaffirmed
Lower Tier II Bonds Programme	1500 (Outstanding as at Mar-15 is 567)	[ICRA]AAA with stable outlook reaffirmed
Lower Tier II Bonds Programme	600 (Outstanding as at Mar-15 is 338)	[ICRA]AAA with stable outlook reaffirmed
Lower Tier II Bonds Programme	450 (Outstanding as at Mar-15 is 95)	[ICRA]AAA with stable outlook reaffirmed
Term Deposits Programme	NA	MAAA with stable outlook reaffirmed
Certificate of Deposits Programme	50,000	[ICRA]A1+ reaffirmed
Long Term Borrowings	146	[ICRA]AAA with stable outlook reaffirmed
Subordinated Debt Programme taken over from erstwhile Bank of Rajasthan Limited assumed by ICICI Bank consequent upon merger	212	[ICRA]AAA with stable outlook reaffirmed
Long Term Bonds Programme	1,371	[ICRA]AAA with stable outlook reaffirmed

ICRA has reaffirmed rating of [ICRA]AAA (pronounced ICRA triple A) with a stable outlook to Rs 23,050 crores of Lower Tier II Bonds Programme, Rs 20,000 crores Unsecured redeemable long term bonds programme and Rs 146 crores of long term bonds of ICICI Bank Limited (IBL). ICRA also has reaffirmed rating of [ICRA]AAA(stable) to the debts taken over by IBL from the erstwhile ICICI Limited and erstwhile The Bank of Rajasthan Limited (long term bonds of Rs 1,371 crores and sub debt of Rs 212 crores). Further, ICRA has reaffirmed rating of MAAA (pronounced M triple A) rating with stable outlook outstanding to the Term Deposit Programme and [ICRA] A1+ (pronounced ICRA A one plus) rating to Rs. 50,000 crore Certificates of Deposit Programme of IBL.

The highest credit quality ratings are supported by IBL's strong position in the Indian financial system, strong operating performance, its sound capitalization levels (CRAR: 15.77%; Tier 1 Capital :11.79%) as on December 31, 2015 and its extensive corporate relationships, besides its retail franchise. ICRA has taken note of the increase in slippages in Q3FY16 and the expected increase in Q4FY16 post the "asset quality review" exercise by RBI. In light of the bank's exposure to stressed sectors, the pace of fresh NPA generation as well as recoveries from the existing stock of Gross NPAs and standard restructured advances (estimated at around 7.3% as on December 31, 2015) would be a key monitorable. Going forward, the ratings would be sensitive to the bank's ability to improve its asset quality indicators.

The loan book of the bank stood at Rs. 434,800 crore as on Dec 31, 2015 as against Rs. 387,522 crore as on March 31, 2015, indicating an annualised growth of ~16%. In 9MFY16, retail segments grew by ~21% on an annualized basis over Mar-15 while growth in corporate segment improved to ~16% in 9MFY16. As at December 2015, wholesale advances constituted 28.8% of the Bank's overall advances (28.8% as at March 2015), retail advances constituted 43.8% (42.5% as at March 2015), overseas advances constituted 22.8% (24.3% as at March 2015) and the SME advances accounted for 4.6% (4.4% as at March 2015).

Headline asset quality of the Bank has deteriorated with Gross NPAs at 4.72% as at December 2015 as compared to 3.78% as at March 2015. The bank reported an increase in slippages in Q3FY16 post the "asset quality review" exercise by RBI resulting into an increase in Gross NPA to 4.72% and Net NPA to 2.28% (3.77% and 1.65% as at September 2015). The company has a net restructured book of Rs 11,294 crores as on Dec-15. Provisioning cover has declined to 53% as at December 2015 as compared to 59% as at March 2015. Consequently Net NPA as a % of net worth stands higher at 11.1% as at December 2015 as compared to 7.6% as at March 2015. In ICRA's view, while retail advances asset quality has held up well, the same for the wholesale book shall remain a key monitorable.

CASA stood at ~45% as at December 2015 and remains stable as compared ~45% in March 2015 and ~43% in March 2014. CASA ratio remains one of the highest amongst peer group and a significant credit positive in light of more granularity of depositor base as well as lowering the cost of borrowings. As at December 31, 2015, the bank has 4,156 branches and 13,372 ATMs.

Net Interest Margins for the bank remained largely stable at ~3.1% in 9MFY16 as compared to FY15. Historically, fee income (transaction based income, treasury income and forex income) has been a strong source of income for the Bank. Accounting for ~35% of the total income, it remains one of the highest in peer group. Credit provisions for the bank have increased in Q3FY16 to 1.7% (0.6% in H1FY16 and 0.6% in FY15) on account of higher slippages. Overall the bank reported PAT%ATA of 1.78% in 9MFY16 (1.80% in FY15). Profitability for the bank in Q3FY16 has been augmented by the profit of Rs 1243 crores on sale of 4% shareholding in ICICI Life. Going ahead, profitability for the bank is expected to be further supported by monetization of its investments.

The performance of the subsidiaries of the Bank has also been stable over the past 12 – 24 months. In FY15, ICICI Bank Canada has repatriated ~CAD 80 million (~Rs 400 crore) and ICICI Bank UK has repatriated USD 75 million (~Rs 480 crore) to the parent. Of the other subsidiaries, ICICI Lombard has been reporting profits in last 3 years. Most importantly, all the major subsidiaries require no major capitalization over the near to medium term and the Bank may continue to repatriate capital from the international subsidiaries into India. Robust internal accruals have ensured that capitalization of the Bank remains strong at 15.77% (Tier I ratio of 11.79%) as at December 2015 as compared to regulatory requirements. As per the management, they do not envisage any capital requirement and the Bank is well capitalized.

Bank Profile

IBL is the largest private sector bank in India. For the year ended March 31, 2015, IBL reported net profit of Rs. 11,175 crore on total assets of Rs. 6.46 lakh crore and had a regulatory capital adequacy of 17.20% (Tier I:12.88%).

For the nine months period ended Dec-15, IBL reported net profits of Rs. 9,024 crore on total assets of Rs. 7.02 lakh crore and a regulatory capital adequacy of 15.77 % (Tier1: 11.79%). The bank reported Gross NPA% at 4.72% and Net NPA% at 2.28% as on Dec-15. With a presence in the banking, insurance, asset management, investment banking and private equity sectors, the ICICI Group is an important and large player in the Indian financial system.

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