

## **Issuer rating of [SL] AAA assigned to ICICI Bank Limited (Sri Lanka Branch)**

ICRA Lanka has assigned an Issuer Rating of [SL] AAA (pronounced S L triple A)<sup>1</sup> to ICICI Bank (Sri Lanka Branch). The rating factors in strong financial and operational support from the parent ICICI Bank (rated [ICRA] AAA/Stable), comfortable capitalization levels with a large proportion of the assets being deployed into Sovereign Securities/ cash equivalents. The credit strengths are partially offset by small scale of the Sri Lankan operations, modest profitability and high credit concentration in the advances book.

ICICI Bank (Sri Lanka branch) commenced operations in January 2006 with focus on retail lending and remittance business, which was the banks India strategy at that point in time when ICICI Bank had started aggressive retail lending across various product categories. Subsequently, in line with the bank's global strategy, retail operations have been curtailed CY2008 onwards. Going forward, the strategy is to scale up the corporate book; and secured retail operations.

The bank had a total asset base of Rs. LKR 11356 million as on June 30, 2011 with the loan book (largely in the form of short term loans to India linked corporate) accounting to Rs. LKR 2997 million while bulk of the remainder of the assets were deployed in liquid investments (government securities and interbank lending). With a high proportion of high credit quality investments book at ~3/4th of the balance sheet, the regulatory capital adequacy of ICICI Bank Sri Lanka stood at 49.62% as on June 30, 2011.

On the liability front, apart from Rs. LKR 3064 million Net Worth as on June 30, 2011, the Sri Lankan operations has access to funds from the ICICI group to manage its operations. In addition it has built a local franchise that enables it raise deposits from corporate and retail segments.

The Interest Income on Loans and Advances for ICICI Bank stood at Rs. LKR 103 million in FY<sup>2</sup>11 as compared to Rs. LKR 264 million for FY10, driven by significant reduction in average advances base during the period. On account of sharp decline in Interest income in FY11, the operating income (Net Interest Income + Fee Based Income) witnessed decline from Rs. LKR 494 million in FY10 to Rs. LKR 362 million in FY11. Driven largely by decline in operating income, the Profit Before Tax declined from Rs. LKR 247 million in FY10 to Rs. LKR 94 million in FY11. Consequently, the bank reported modest Net Profits of Rs. LKR 18 million for FY11 as compared to Rs. LKR 108 million in FY10. For the quarter Apr-Jun 2011, the bank reported Net Profit of Rs. LKR 9 million supported by improved fee income in Q1FY12<sup>3</sup>.

### **ICICI Bank Profile**

ICICI Bank is the largest private sector bank and the second largest commercial bank in India. For the year ended March 31, 2011, ICICI Bank reported net profits of INR<sup>4</sup> 51.51 billion on assets of INR 406 billion and had a regulatory capital adequacy of 19.54% (Tier I:13.17%). For the six months period ended September 30, 2011, ICICI bank reported net profits of INR 28.35 billion on total assets of INR 4407 billion and a regulatory capital adequacy of 18.99 % (Tier1: 13.14%). 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.

**November 2011**

<sup>1</sup> For complete rating scale and definitions please refer to ICRA Lanka's Website [www.icralanka.com](http://www.icralanka.com) or other ICRA Rating Publications

<sup>2</sup> FY indicates the 12 month period from April to March

<sup>3</sup> The fee income stood at Rs. 12 million for Q1FY12 (an annualized increase of 84% compared to fee income of Rs. 25 million for FY11), driven mainly by increase in remittance income.

<sup>4</sup> 1 INR= 2.13 LKR as on Nov 21, 2011

**ICICI Bank Limited (Sri Lanka Branch)**

<b>Key Financial Indicators</b>	<b>Jun-11</b>	<b>Mar-11</b>	<b>Mar-10</b>	<b>Mar-09</b>
	3M	12M	12M	12M
Total Assets	11,356.84	9,818.03	6,433.50	5,442.39
Deposits	1,862.46	1,909.48	1,217.16	1,109.18
Advances	2,997.03	2,548.97	1,019.20	3,581.67
Equity Capital	2,501.31	2,501.31	2,501.31	2,501.31
Net Worth	3,064.10	3,055.30	3,040.39	2,934.24
Total Income	140.63	485.56	633.39	1,455.27
Net Profit	9.43	17.84	107.72	189.34
Net Interest Margins	3.17%	4.14%	7.90%	3.39%
Core Fee based Income/ Avg. Total Assets	0.13%	0.16%	0.33%	0.56%
Operating Expenses/Avg. Total Assets	2.58%	3.02%	4.36%	2.32%
Operating Profits/Avg. Total Assets	1.03%	1.43%	3.96%	1.63%
Profit after Tax / Average Total Assets	0.09%	0.22%	1.81%	1.06%
Net Non-Performing Assets (NPA)/Loans (%)	1.49%	1.49%	4.13%	0.83%
Capital/Risk Assets (%)	49.62%	58.55%	116.20%	
Total Deposits/Total Liabilities (%)	16.40%	19.45%	18.92%	20.38%
Loans/Deposits (%)	160.92%	133.49%	83.74%	322.91%
Investments/ Deposits (%)	162.34%	158.26%	249.88%	142.72%
Savings Deposits/Total Deposits (%)	15.12%	14.13%	16.68%	17.25%
Term Deposits/Total Deposits (%)	76.01%	79.41%	73.07%	72.11%

Note: Amounts in Rs. LKR million

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