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ICICI Bank

Reco: Buy

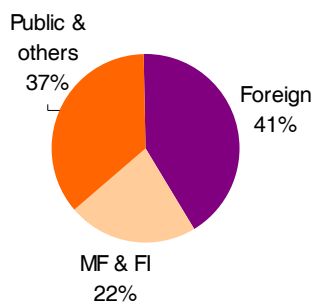
Stock Update

Price target revised to Rs424
CMP: Rs362

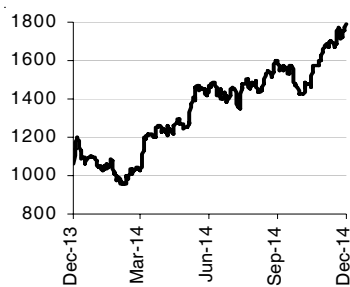
Company details

Price target:	Rs424
Market cap:	Rs209,499 cr
52 week high/low:	Rs366/189
NSE volume: (no. of shares)	25.0 lakh
BSE code:	532174
NSE code:	ICICIBANK
Sharekhan code:	ICICIBANK
Free float: (no. of shares)	115.7 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	9.0	13.5	25.0	67.9
Relative to Sensex	6.8	8.2	8.2	21.1

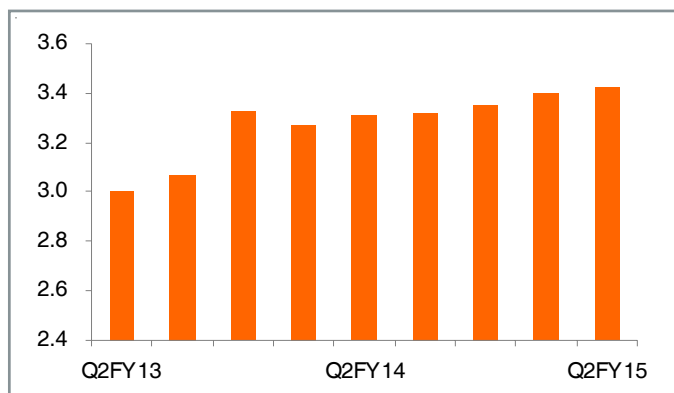
Key points

- ICICI Bank continues to deliver a strong operating performance (with PPP growth of ~25% over the past eight quarters) led by a healthy loan growth and an expansion in the margins, and a check on the opex growth. We believe the given sharp improvement in its liability profile and the net interest margins will sustain at high levels. In addition, the likely pick-up in fee income (especially the corporate fees due to the recovery in economy) could improve the operating profits.
- Even as the asset quality has shown a marginal stress in recent times, it remains significantly better than the PSU banks. The management expects the stressed loan formation to be lesser in FY2015 vs FY2014, and the credit cost to be contained to 90BPS in FY2015. Any recovery in the economy or policy initiatives by the government will result in an improvement in the asset quality by FY2016.
- ICICI Bank is a structural growth story and it is likely to benefit from the recovery in economy due to its improved liability base, increase in branch network and healthy capital position. We have revised our estimates and valuation multiple upwards (2.1x FY2017E BV for ICICI Bank [stand-alone]) on increasing visibility on the interest rates and a likely pick-up in the economy. This results in the revision of our SoTP-based price target to Rs424. We maintain our Buy rating.

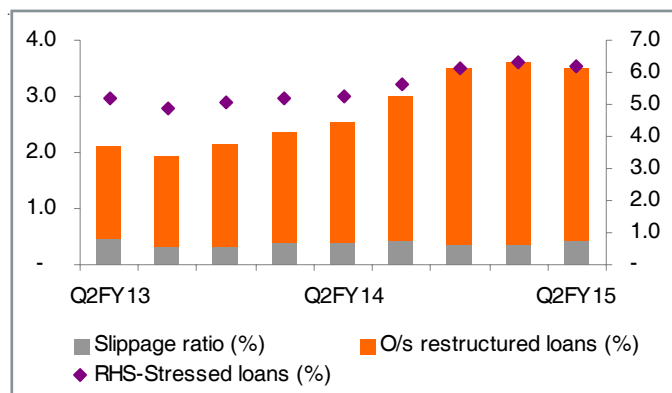
Valuations

Particulars	FY2013	FY2014	FY2015E	FY2016E	FY2017E
Net Interest Income (NII)	13,866.4	16,475.6	19,203.1	22,566.7	26,750.2
Net profit (Rs cr)	8,325.5	9,810.5	10,997.8	13,052.2	15,831.6
EPS (Rs)	14.4	17.0	19.0	22.6	27.4
EPS growth (%)	28.7	17.7	12.1	18.7	21.3
P/E (x)	25.1	21.3	19.0	16.0	13.2
BVPS (Rs)	115.6	126.8	136.8	151.4	169.4
P/BV (x)	3.1	2.9	2.6	2.4	2.1
RoE (%)	13.1	14.0	14.5	15.7	17.1
RoA (%)	1.6	1.7	1.7	1.8	1.8

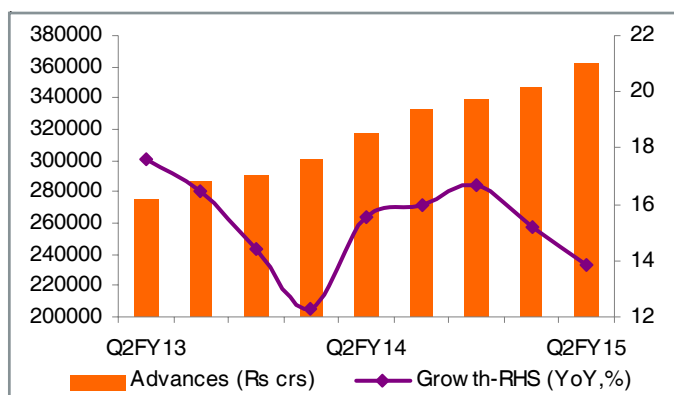
NIM (%)



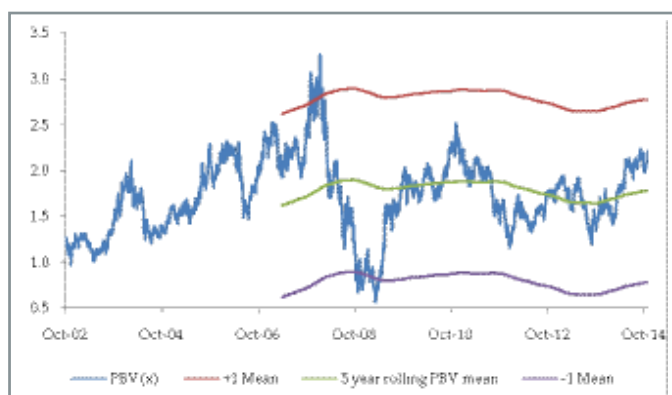
Stressed asset formation



Advances growth



One-year forward P/BV band



Financials

Profit and Loss statement

Particulars	FY13	FY14	FY15E	FY16E	FY17E
Net interest income	13,866	16,476	19,203	22,567	26,750
Non-interest income	8,346	10,428	11,353	13,121	15,305
Net total income	22,212	26,903	30,556	35,688	42,055
Operating expenses	9,013	10,309	11,701	13,314	15,159
Pre-provisioning profit	13,199	16,595	18,855	22,374	26,897
Provisions	1,803	2,626	3,077	3,621	4,150
Profit before tax	11,397	13,968	15,779	18,753	22,747
Tax	3,071	4,158	4,781	5,701	6,915
Profit after tax	8,325	9,810	10,998	13,052	15,832

Rs cr

Balance sheet

Particulars	FY13	FY14	FY15E	FY16E	FY17E
Liabilities					
Networth	66,706	73,213	79,005	87,456	97,807
Deposits	292,614	331,914	388,339	458,240	548,972
Borrowings	145,341	154,759	166,651	200,607	233,186
Other liabilities & provisions	32,134	34,756	39,202	44,367	50,390
Total liabilities	536,795	594,642	673,197	790,670	930,355
Assets					
Cash & balances with RBI	19,053	21,822	19,999	23,599	27,998
Balances with banks & money at call	22,365	19,708	23,300	29,786	32,938
Investments	171,394	177,022	198,423	226,609	260,048
Advances	290,249	338,703	399,669	477,605	573,126
Fixed assets	4,647	4,678	4,912	5,158	5,416
Other assets	29,087	32,709	26,893	27,914	30,830
Total assets	536,795	594,642	673,197	790,670	930,355

Rs cr

Key ratios

Particulars	FY13	FY14	FY15E	FY16E	FY17E
Per share data (Rs)					
Earnings	14.4	17.0	19.0	22.6	27.4
Dividend	20.0	23.0	28.6	33.9	41.1
Book value	115.6	126.8	136.8	151.4	169.4
Adj. book value	100.4	109.7	116.9	131.8	149.4
Spreads (%)					
Yield on advances	10.1	10.0	9.8	9.7	9.7
Cost of deposits	6.2	5.7	5.7	5.7	5.7
Net interest margins	2.9	3.1	3.2	3.2	3.3
Operating ratios (%)					
Credit to deposit	99.2	102.0	102.9	104.2	104.4
Cost to income	40.6	38.3	38.3	37.3	36.0
CASA	41.9	42.9	42.6	42.1	42.0
Non-interest income/total income	37.6	38.8	37.2	36.8	36.4
Assets/Equity (x)	8.1	8.1	8.3	8.8	9.3
Return ratios (%)					
RoE	13.1	14.0	14.5	15.7	17.1
RoA	1.6	1.7	1.7	1.8	1.8
Asset quality ratios (%)					
Gross NPA	3.2	3.0	3.3	3.1	3.0
Net NPA	0.8	1.0	1.2	1.0	0.9
Growth ratios (%)					
Net interest income	29.2	18.8	16.6	17.5	18.5
Pre-provisioning profit	27.1	25.7	13.6	18.7	20.2
Profit after tax	28.8	17.8	12.1	18.7	21.3
Advances	14.4	16.7	18.0	19.5	20.0
Deposits	14.5	13.4	17.0	18.0	19.8
Valuation ratios (x)					
P/E	25.1	21.3	19.0	16.0	13.2
P/BV	3.1	2.9	2.6	2.4	2.1
P/ABV	3.6	3.3	3.1	2.7	2.4
Capital adequacy (%)					
CAR	18.7	17.7	16.4	15.3	14.3
Tier I	12.8	12.8	12.2	11.6	11.2

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Bank of Baroda

Reco: Buy

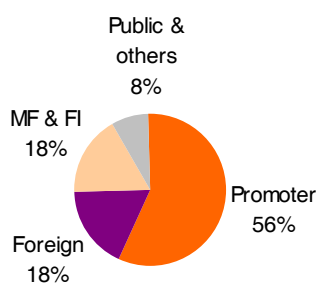
Stock Update

Price target revised to Rs1,236
CMP: Rs1,085

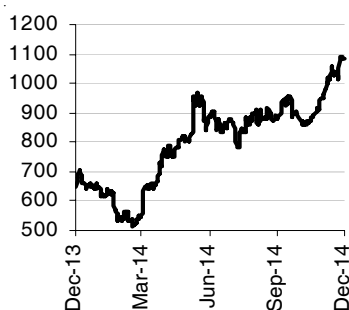
Company details

Price target:	Rs1,236
Market cap:	Rs45,662 cr
52 week high/low:	Rs1,107/509
NSE volume: (no. of shares)	12.3 lakh
BSE code:	532134
NSE code:	BANKBARODA
Sharekhan code:	BANKBARODA
Free float: (no. of shares)	18.8 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	14.6	22.9	26.8	73.1
Relative to Sensex	12.3	17.2	9.7	24.9

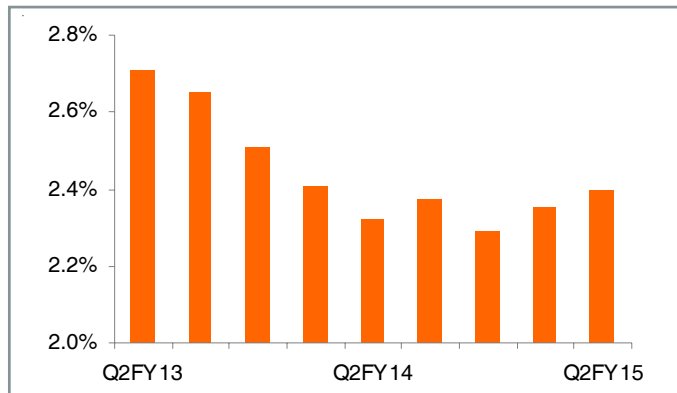
Key points

- Despite a tough macro environment, Bank of Baroda (BoB) reported a stable performance at the operating level. The bank's focus on reduction in bulk deposits (preferential rate deposits and CDs) and calibrated growth in advances have contributed to an increase in margins (domestic NIMS at 3.02% as on Q2FY2015). We expect its net interest income to grow by 19.3% CAGR over FY2014-2017.
- While the asset quality is a concern for the public sector banks, BoB is relatively better placed than its peers. As on Q2FY2015, the stressed loans (gross NPAs + restructured loans) were at a 9.1% compared with the sector average of 11.9%. The NPAs provision coverage is also reasonable at 65.4% and better provided on wage revisions' front.
- BoB's capital position (tier-1 CAR of 9.3%) is relatively better compared with the other PSBs and hence suitably placed in the recovery cycle. We expect BoB's earnings to grow at a CAGR of an 18.1% over FY2014-2017 resulting in a RoA of 0.8% by FY2017. We have rolled over our valuations to FY2017 estimates resulting in revision in the price target to Rs1,236 (1.04x FY2017E BV). We maintain our Buy rating on the stock.

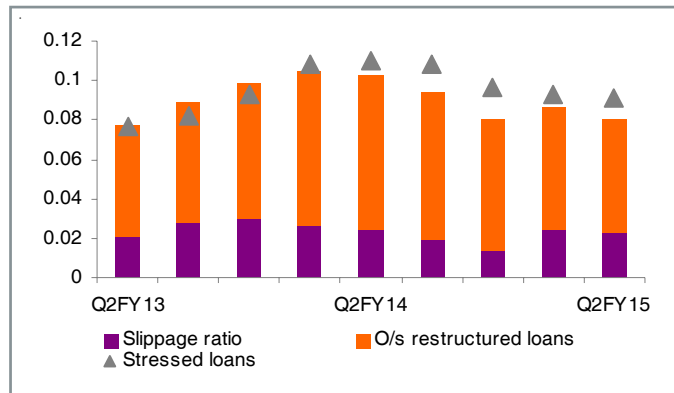
Valuations

Particulars	FY2013	FY2014	FY2015E	FY2016E	FY2017E
Net interest income (Rs cr)	11,315.3	11,965.3	14,451.0	17,337.0	20,338.5
Net profit (Rs cr)	4,480.7	4,541.1	5,035.1	6,217.5	7,491.8
EPS (Rs)	106.0	105.4	116.9	144.4	174.0
EPS growth (%)	-12.7	-0.6	10.9	23.5	20.5
PE (x)	10.2	10.3	9.3	7.5	6.2
Book value (Rs/share)	756.7	835.6	927.9	1,041.8	1,179.1
RoE (%)	15.1	13.4	13.3	14.7	15.7
RoA (%)	0.9	0.8	0.7	0.8	0.8

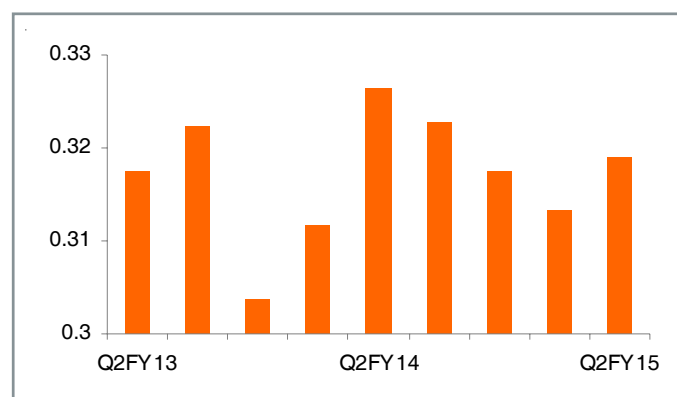
NIM



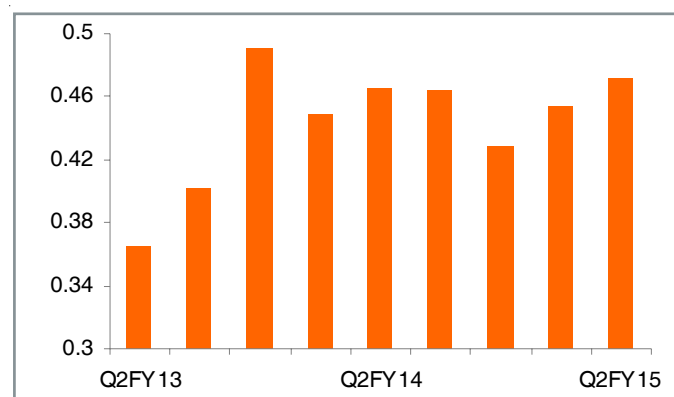
Stressed asset formation



CASA ratio



Cost to income ratio



One-year forward P/BV SD band



Financials

Profit and Loss statement

Rs cr

Particulars	FY13	FY14	FY15E	FY16E	FY17E
Net interest income	11,315	11,965	14,451	17,337	20,339
Non-interest income	3,631	4,463	4,761	5,403	6,163
Net total income	14,946	16,428	19,212	22,740	26,501
Operating expenses	5,947	7,137	8,250	9,483	10,894
Pre-provisioning profit	8,999	9,291	10,962	13,257	15,608
Provisions	4,168	3,794	4,423	5,076	5,750
Profit before tax	4,831	5,497	6,539	8,181	9,858
Tax	351	956	1,504	1,963	2,366
Profit after tax	4,481	4,541	5,035	6,218	7,492

Balance sheet

Rs cr

Particulars	FY13	FY14	FY15E	FY16E	FY17E
Liabilities					
Networth	31971	35986	39960	44868	50782
Deposits	473883	568894	665606	775431	911132
Borrowings	26579	36813	41405	44839	51050
Other liabilities & provisions	14703	17812	18184	18326	20876
Total liabilities	547137	659505	765155	883465	1033841
Assets					
Cash & balances with RBI	13452	18629	28621	32568	38268
Balances with banks & money at call	71947	112249	115616	119085	122657
Investments	121394	116113	136293	156319	181173
Advances	328186	397006	466482	555113	663360
Fixed assets	2453	2733	2998	3354	3771
Other assets	9706	12776	15144	17026	24612
Total assets	547137	659505	765155	883465	1033841

Key ratios

Particulars	FY13	FY14	FY15E	FY16E	FY17E
Per share data (Rs)					
Earnings	106.0	105.4	116.9	144.4	174.0
Dividend	21.5	21.5	21.0	26.0	31.3
Book value	756.7	835.6	927.9	1,042	1,179
Adj. book value	657.5	695.4	754.3	867.2	996.6
Spreads (%)					
Yield on advances	8.4	7.7	7.9	7.9	7.7
Cost of deposits	5.2	4.8	4.8	4.8	4.7
Net interest margins	2.4	2.1	2.2	2.2	2.3
Operating ratios (%)					
Credit to Deposit	69.3	69.8	70.1	71.6	72.8
Cost to income	39.8	43.4	42.9	41.7	41.1
Non-interest income/ total income	24.3	27.2	24.8	23.8	23.3
Assets/Equity (x)	16.7	17.8	18.8	19.4	20.0
Return ratios (%)					
RoE	15.1	13.4	13.3	14.7	15.7
RoA	0.9	0.8	0.7	0.8	0.8
Asset quality ratios (%)					
Gross NPA	2.4	2.9	2.8	2.7	2.6
Net NPA	1.3	1.5	1.6	1.4	1.2
Growth ratios (%)					
Net interest income	9.7	5.7	20.8	20.0	17.3
Pre-provisioning profit	4.9	3.2	18.0	20.9	17.7
Profit after tax	-10.5	1.3	10.9	23.5	20.5
Advances	14.2	21.0	17.5	19.0	19.5
Deposits	23.1	20.0	17.0	16.5	17.5
Valuation ratios (x)					
P/E	10.2	10.3	9.3	7.5	6.2
P/BV	1.4	1.3	1.2	1.0	0.9
P/ABV	1.7	1.6	1.4	1.3	1.1
Capital adequacy (%)					
CAR	13.3	12.3	9.9	9.5	9.0
Tier-I	10.1	9.3	7.7	7.5	7.4

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Selan Exploration Technology

Reco: Buy

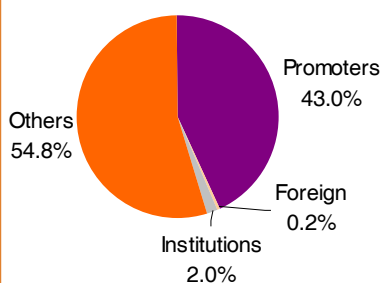
Stock Update

Crude meltdown to dent earnings but growth story intact; price target revised down to Rs550 **CMP: Rs380**

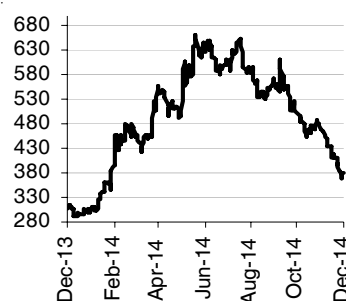
Company details

Price target:	Rs550
Market cap:	Rs623 cr
52 week high/low:	Rs677/289
NSE volume: (no. of shares)	55,352
BSE code:	530075
NSE code:	SELAN
Sharekhan code:	SELAN
Free float: (no. of shares)	0.9 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-20.3	-32.8	-39.2	25.3
Relative to Sensex	-21.9	-36.0	-47.4	-9.6

Key points

- Q2 performance remained subdued, in expected line:** In Q2FY2015, the net revenues (which adjusted for the petroleum profit) of Selan Exploration Technology (Selan) remained negative as the realisation of crude oil prices turned weaker while the production volume was flat to negative during this period. Weaker realisation reflected on its profitability during this quarter as earnings declined by 19% YoY and 8% QoQ to Rs9.6 crore. Globally, the average crude oil prices turned weaker and slipped from ~\$110 to below \$90 per barrel during Q2.
- Material ramp-up in production volumes from FY2016:** The flat volume growth was largely expected by the Street in this quarter but all eyes are watching for the production uptick from the ongoing drilling work. We believe that the company is taking steps to commercialise some of the 11 wells drilled earlier in 2014 and would result in volume pick-up from Q4 of this year. However, the material change in production volumes is only expected to materialise from the next fiscal. The management has retained its broader guidance of production volumes of 5-6 lakh barrels annually in the next 24-36 months (up from close to 1.65 lakh barrel bases in FY2014; about 3-4x jump in the production volumes) and has an oil field development (drilling) program to support the same.
- Revising estimates; delay in ramp-up and correction in crude prices:** We have fine-tuned our FY2015 and FY2016 estimates to factor in the revised production ramp-up schedule and the sharp decline in crude oil prices. We are factoring in the average realisation of \$80-85 per barrel range over FY2016-2017 which accounts for certain amount of pullback from the recent plunge below \$70 per barrel which is not likely to be sustainable. In this note, we have also done a sensitivity analysis to show the changes in our price target with a change in the average crude oil prices globally.
- Valuation; negatives discounted the risk-reward favourable:** Selan's exploration share price now discounts most of the negatives with a sharp decline in the crude oil prices as one of the key external changes affecting its earnings and valuations. We retain our bullish stance based on two reasons: First, purely on our confidence of the management's ability to execute the set target of exponential jump in the production volumes over the next two to three years; and second, our view that the recent plunge in crude oil prices is not sustainable and the crude oil prices would eventually stabilise around \$80-85 per barrel sooner than later. Consequently, we retain our Buy recommendation with a price target of Rs550.

Results

Particulars	Q2FY15	Q2FY14	YoY %	Q1FY15	QoQ %
Net sales	25.7	26.9	-4.6	28.0	-8.2
Less : profit petroleum paid to Gol	2.4	2.7	-11.8	2.7	-11.8
Adj. net sales	23.3	24.2	-3.8	25.3	-7.8
Operating profit	11.5	15.1	-23.8	13.5	-14.9
Adj. operating profit	19.0	20.1	-5.4	20.2	-5.6
Other income	2.9	3.3	-9.8	3.0	-1.0
Depreciation	0.6	0.4	62.9	0.5	9.6
PBT	13.8	18.0	-23.0	15.9	-13.1
Tax	4.3	6.1	-30.5	5.5	-22.3
Adj PAT	9.6	11.8	-19.1	10.4	-8.3
EPS adj (Rs)	5.8	7.2	-19.1	6.4	-8.3
Margins (%)			Chng. BPS		Chng. BPS
OPM	49.2	62.2	-1293.1	53.3	-409.2
NPM	41.1	48.8	-778.9	41.3	-22.6
Tax rate	30.8	34.1	-332.9	34.4	-362.0

Sensitivity analysis on earnings and price target with respect to the crude oil price

We have done a sensitivity analysis to measure the potential impact on the earnings of Selan with change in crude oil prices. In case the crude oil prices remain around \$70 per barrel, the earnings per share (EPS) could be around Rs23 while the same could be around Rs29, if the crude oil price bounces back and settles around \$85 per barrel in FY2016. Nevertheless, we keep our assumption of dollar at Rs60 constant.

Crude oil sensitivity to FY2016 earnings

Crude oil (\$/barrel)	70	80	85	90
USD/Rs	60	60	60	60
Revenue (Rs cr)	99	114	120	128
EBITDA (Rs cr)	73	86	94	100
PAT (Rs)	38	44	48	51
EPS (Rs)	23	27	29	31

We have evaluated the potential effect on our price target if the crude oil prices remain low. We have built in crude oil at \$85 per barrel for FY2016 in our base model while considering the crude oil to be around \$70-75 per barrel for the H2FY2015. We retain our assumption of dollar at Rs60 and production volume of around 2,50,000 barrels in FY2016. Based on these assumptions and assigning an enterprise value (EV) to earnings before interest, tax, depreciation and amortisation (EBITDA) multiple of 9x for FY2016, we have arrived at our revised price target of Rs550.

Crude oil sensitivity to price target

EV to EBITDA	Crude oil (USD/bbl)			
	70	80	85	90
7x	354	413	449	476
9x	443	518	563	598
11x	532	623	678	720

Valuation

Particulars	FY2012	FY2013	FY2014	FY2015E	FY2016E
Net sales (Rs cr)	92.7	97.1	101.3	89.0	120.5
Operating profit (Rs cr)	73.0	75.4	81.5	66.0	94.1
Operating profit margin (%)	78.7%	77.7%	80.5%	74.1%	78.1%
Net profit (Rs cr)	45.1	45.2	44.5	35.6	48.2
EPS (Rs)	26.8	26.9	27.2	21.7	29.4
Y-o-Y change (%)	42.2%	0.1%	1.2%	-20.0%	35.3%
PER (x)	14.4	14.2	14.1	17.6	13.0
Price/BV (x)	3.1	2.7	2.4	2.2	1.9
EV/EBIDTA(x)	7.4	6.8	6.1	7.9	5.8
EV/Sales (x)	5.8	5.3	4.9	5.8	4.6
Div yield (%)	0.8	1.3	1.3	1.1	1.5
RoCE (%)	28.6	26.6	23.0	16.0	19.4
RoNW (%)	23.9	20.3	17.8	12.9	15.7

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Automobiles

Apollo Tyres
Ashok Leyland
Bajaj Auto
Gabriel India
M&M
Maruti Suzuki India
Rico Auto Industries
TVS Motor Company

Banks & Finance

Allahabad Bank
Andhra Bank
Axis (UTI) Bank
Bajaj Finserv
Bajaj Finance
Bank of Baroda
Bank of India
Capital First
Corp Bank
Federal Bank
HDFC
HDFC Bank
ICICI Bank
IDBI Bank
LIC Housing Finance
Punjab National Bank
PTC India Financial Services
SBI
Union Bank of India
Yes Bank

Consumer goods

GSK Consumers
Godrej Consumer Products
Hindustan Unilever
ITC
Jyothy Laboratories
Marico
Zydus Wellness

IT / IT services

CMC
Firstsource Solutions
HCL Technologies
Infosys
Persistent Systems
Tata Consultancy Services
Wipro

Capital goods / Power

Bharat Heavy Electricals
CESC
Crompton Greaves
Finolex Cables
Greaves Cotton
Kalpataru Power Transmission
PTC India
Triveni Turbines
Thermax
V-Guard Industries

Infrastructure / Real estate

Gayatri Projects
ITNL
IRB Infra
Jaiprakash Associates
Larsen & Toubro
Pratibha Industries
Punj Lloyd

Oil & gas

Oil India
Reliance Ind
Selan Exploration Technology

Pharmaceuticals

Aurobindo Pharma
Cadila Healthcare
Cipla
Divi's Labs
JB Chemicals & Pharmaceuticals
Glenmark Pharmaceuticals
Ipca Laboratories
Lupin
Sun Pharmaceutical Industries
Torrent Pharma

Agri-Inputs

UPL

Building materials

Grasim
Orient Paper and Industries
Shree Cement
The Ramco Cements
UltraTech Cement

Discretionary consumption

Cox & Kings
Century Plyboards (India)
Eros International Media
KKCL
Raymond
Relaxo Footwears
Speciality Restaurants
Sun TV Network
Zee Entertainment Enterprises

Diversified / Miscellaneous

Aditya Birla Nuvo
Bajaj Holdings
Bharti Airtel
Bharat Electronics
Gateway Distriparks
Max India
Ratnamani Metals and Tubes
Supreme Industries
Technocraft Industries (India)

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