

ICICI Bank
Analysts Conference Call
Q3-2006 results

Moderator

Good evening ladies and gentlemen. I am Sunil, the moderator for this conference. Welcome to the ICICI Bank Conference Call. For the duration of the presentation all participants' lines will be in the listen-only mode. I will be standing by for the question and answer session. I would now like to hand over the floor to Ms. Vishakha Mulye of ICICI Bank. Thank you and over to Ms. Mulye.

Vishakha Mulye

Good evening ladies and gentlemen. This is Vishakha here from ICICI Bank. I am the CFO of the bank and I have Rakesh Jha and Anindya Banerjee with me. What I will do is, I will quickly give you the highlights of our performance this quarter and then probably I can take the questions.

Our profit after tax for the Q3 of this year has grown by 24% from Rs. 518 crores to Rs. 640 crores. Our net interest income has increased by 59% from Rs. 733 crores to Rs. 1,167 crores. Our fee income has increased by 52% from Rs. 558 crores to Rs. 846 crores. Our fee to income ratio is healthy at 36%, which is probably the highest in the industry. Our core operating profit has increased by almost 79% from Rs. 572 crores to Rs. 1,026 crores. Our profit after tax has increased by 26% to Rs. 1,750 crores for the nine months.

Coming to the balance sheet side, our year-on-year growth in retail portfolio is about 70%, which constitutes approximately 64% of our loan book today. Our wholesale, agri, SME, and the international portfolio has grown by on a year-on-year basis 43%. The international portfolio now constitutes approximately 13% of our portfolio. The deposit growth year on year is around 63% and the reduction in the net NPL ratio to 0.8% from 2.29% last year. And net worth because of our recent issue has increased to Rs. 21,052 crores.

There are two important things that I want to highlight; one is that the RBI changed the guideline during this quarter for making the standard asset provision. They have increased the standard asset provision from 0.25 to 0.4%, which is a 15 basis point increase. Because of this, there is an increase in the standard asset provision of around Rs. 170 crores on the outstanding portfolio as on September 30, 2005. What we have done is that instead of taking this through the P&L, we had provisions in our books which are maintained at more than what is required under the RBI regulations. We have reassessed these provisions as on December 31, 2005, and have therefore allocated out of the total provision Rs. 170 crores towards the 15 basis point incremental provision that we have to make on the standard assets.

There is also a change in the accounting policy that we have done. As you know, on the retail side we follow the model of DMA, where we have the direct marketing agents who go and actually source the retail assets for us and also fulfill the lead that is generated. We make certain payments to these DMAs and we also on the other side, when we sell the car of a manufacturer get certain amount from the manufacture for selling his car, what we call a subvention. It is also something that we get in addition to the yield from the customer. If you look at both the DMA and the subvention, it is actually an adjustment to the yield and therefore the right accounting treatment would have been to actually amortize both these subvention and DMA. However, because of the peculiarity that we have on the banking regulation act, the DMA commission which is approximately Rs. 300 crores per quarter for us is actually provided upfront in our P&L, and the subvention is taken as an adjustment to the yield over the life of the asset. What we have done now in this quarter is that we have actually going by the matching concept, we said that since we are booking the DMA upfront, event the subvention should be booked upfront and the impact of this change in the policy is Rs. 50 crores on the PAT for the nine month period.

I will be happy to take any questions that you have.

Moderator

Thank you very much madam. We will now begin the Q&A interactive session. Participants who wish to ask questions, please press *1 on your telephone keypad. On pressing *1, participants will get a chance to present their questions on a first-in-line basis. Participants are requested to use only handsets while asking a question. To ask a question, please press *1 now. First in line, we have Ms. Mahrukh of UBS.

Mahrukh

Hi.

Vishakha Mulye

Hi.

Mahrukh

I had a few questions, basically on HTM, why was the provision so high during the quarter as, it was much higher quarter on quarter. It appeared at the last call that probably it would stay stable quarter on quarter. That is one question on the HTM. And the second is on how much of your total trading gains how much were equity capital gains?

Vishakha Mulye

That is the treasury?

Mahrukh

That is right.

Vishakha Mulye

See treasury as you know that this quarter we actually divested part of our holding in the Federal Bank. It has also reflected in our treasury income this year, and of course partly from the proprietary trading, total would be approximately Rs. 120 crores which would be there on account of the equity.

Rakesh Jha

On the HTM amortization, we have mentioned that the number actually depends on the kind of portfolio that we are having at any point of time. There has been an increase, I think, of about Rs. 30 crores from Q2 to Q3. Of course, compared to last year, because the transfer to the HTM securities of Rs. 20,000 crores worth of securities happened only in December last year, so to that extent last year to this year may not be exactly be comparable, but Q2 to Q3 it has gone up by about Rs. 30 crores.

Mahrugh

Right, but would it stay stable in the next quarter or it will go on fluctuating?

Rakesh Jha

It can fluctuate.

Vishakha Mulye

Because, Mahrugh, as we said, it depends on the composition of the portfolio and what are the kind of securities that we hold, so it all depends on that and hence it is something that can fluctuate.

Mahrugh

Okay, can I just ask one more question on securitization, I mean how much was in the income booked and how much assets were securitized?

Vishakha Mulye

See again as we had said that you know the securitization is approximately 11% of NII this time. In the past, we had said that it would be in the region of around 15%, so it is in the ballpark of that region. The total assets that we would have securitized in this quarter would be Rs. 3800 crores and in the first half it was around Rs. 7500 crores, so together it is Rs. 11,000 plus.

Mahrugh

OK thanks.

Moderator

Thank you very much Ms. Mahrukh. Next in line, we have Mr. Sandeep from Deutsche Bank.

Sandeep

Hi Vishakha, hi Rakesh, can you hear me?

Vishakha Mulye

Yes.

Sandeep

Okay great. Let me start off by asking some of your data that you normally used to give out in the presentation earlier, assets yield, funding cost, and cost of deposits?

Rakesh Jha

The yield on interest selling assets, you want for Q3 or nine months?

Sandeep

Q3.

Rakesh Jha

On Q3, it is about 8.1%.

Sandeep

Which is same as last quarter?

Rakesh Jha

Yeah, last quarter was just slightly below that. And the cost of funds is about 5.7%.

Sandeep

Again same as last quarter, but you know, we have been reading in the press that interest rates are moving up and that seems to be the call that all the corporates are making?

Rakesh Jha

In terms of the deposit costs, clearly for the third quarter, while our total cost of deposit is the same as Q2, but we had a higher level of lower cost deposits in the third quarter. If you look at our savings current ratio, you know, that has gone up, at December 31, 2005, it is about 26% of our total deposits, our savings and current deposits, compared to 22.5% at September 30, 2005.

Sandeep

Sorry, did you say 26%?

Rakesh Jha

26.5% yeah.

Sandeep

Okay, CASA?

Rakesh Jha

Yes.

Sandeep

The other question was on NPL provision, how much of the total provision is NPL provision? I mean, out of Rs. 395 crores, how much is NPL provision?

Rakesh Jha

Of the Rs. 395 crores, we have given the breakup, on the investments only the amortization expense is there. There is no other depreciation or...

Sandeep

Yeah, so everything else other than Rs. 220 crores is loans?

Rakesh Jha

Yeah.

Sandeep

Okay, thanks a lot.

Moderator

Thank you very much Mr. Sandeep. Next in line, we have Mr. Shrikant from BRICS Securities.

Shrikant

Yeah hi, I had two questions, one was on your investment yields. I notice that the investment yields has gone up. Is there any shift in the portfolio, which is why you are seeing more amortization as well as higher investment yields, am I right in interpreting that way? Hello...

Vishakha Mulye

Hello, yes.

Shrikant

Yeah, did you get the question?

Vishakha Mulye

Yeah you are right...

Shrikant

Okay, and you had those NPA auction in this December, and could you just tell us how much you realized on that and how is it being getting reflected either in the P&L or how is it being accounted for?

Vishakha Mulye

We auctioned Rs. 258 crores of net asset portfolio. The loss on this account was around Rs. 50 crores we have booked this quarter.

Shrikant

There is a loss on this account of Rs. 50 crores?

Vishakha Mulye

Yeah

Shrikant

Okay, also this Rs. 50 crores has been netted off from the trading profit line or from the provision line.

Vishakha Mulye

Provisions.

Shrikant

Okay, and you had this Rs. 50 crores because of the change in accounting method for accounting for subventions, in which line is that accounted for?

Rakesh Jha

Net interest income.

Shrikant

In the fee income?

Vishakha Mulye

NII, net interest income.

Shrikant

Okay, thanks.

Moderator

Thank you very much Mr. Shrikant. Next in line, we have Mr. Hiren from SSKI Securities.

Hiren

Hello!

Vishakha Mulye

Hello!

Hiren

Yeah, again some data first, what is the cost of deposits per se for the quarter?

Vishakha Mulye

4.9%

Hiren

4.9%, which is the same as last quarter right?

Vishakha Mulye

Yeah.

Hiren

Could you give me the figure for last year vis-a-vis?

Vishakha Mulye

Again 4.3%.

Hiren

4.3% it was?

Rakesh Jha

Yeah.

Hiren

Okay. Another thing is any breakups in terms of retail advances?

Vishakha Mulye

Retail and corporate are approximately 50:50.

Hiren

No, within the retail advances.

Rakesh Jha

The retail advances are Rs. 78,500 crores, 64% of the total advance.

Hiren

No, within that any breakup in terms of mortgages or auto something?

Vishakha Mulye

Mortgages is approximately 50% of our portfolio. The auto and auto related would be around 30% and the balance is all personal loan, credit cards, and all the others.

Hiren

Madam, your even the corporate advances growth is pretty high, is it mainly because of the international operations or is it that are you becoming active in the domestic side also?

Vishakha Mulye

See, it is mainly international, but the international which are India linked corporates because that extent, you know, it is actually an increase in the corporate assets. It is only that they are booked in the international books.

Hiren

Okay, and lastly are you seeing any increase in the corporate loan rates in the last quarter? Have you seen any increase in lending rate?

Vishakha Mulye

Corporate loan rate?

Hiren

Yeah, the lending interest rate?

Vishakha Mulye

As you know that our PLR has increased by 25 basis point on the corporate side clearly because of the hardening of the interest rate in the market, we think incremental rate that we are seeing on the corporate side have gone up.

Hiren

Okay, and lastly madam, can you give breakup in terms of...

Pathik

Hi Vishakha, this is Pathik.

Vishakha Mulye

Yeah Pathik.

Pathik

Can you give us the breakup of percentage of bulk deposits that you would have raised, in your overall deposits what is the current breakup of bulk deposits and how has it moved over the last two-three quarters?

Vishakha Mulye

What is your definition Pathik, because if you are saying corporate deposits, then 50% is corporate and 50% is retail.

Pathik

Okay, now bulk deposits we say, pick a numbers there maybe two crores and above, something like that?

Vishakha Mulye

50% would be the good number to go by.

Pathik

50% of your total deposits today?

Vishakha Mulye

Yeah.

Pathik

And what was that number in March?

Vishakha Mulye

More or less same.

Pathik

So, the cost of that piece would have gone up certainly right significantly because the way the rates are moving....?

Vishakha Mulye

The increase in our deposit, this quarter has been approximately Rs. 13,000 crores, so out of that approximately say Rs. 6,500 crores are these bulk deposits as you were defining. If you see, actually the rate of interest on the deposits had gone up in the last month, which is in December and we were not much in the market in a big way because we got our money of issue at the same time, so to that extent actually we got quite beautifully hedged in terms of our increase in the cost of the deposit in the last month where we saw people going actually in the market and borrowing at a high rate because of this large money that came in and not only that, you know, the money which is only Rs. 8,000 crores of equity that we got, because our issue was oversubscribed, we got a float which actually stayed with us for a very long time because we were the collecting banker.

Pathik

Fair enough, but what happens to that now, because if that ratio remains where it is, the costs are still high right of bulk deposits so would we see cost of deposits going up from here?

Vishakha Mulye

We would see a little growing, but you know, my sense again Pathik is that December was the worst month because people were actually stocking the liquidities with the anticipation of this IMD payout, there we saw the interest rates really going crazy because everybody wanted to be liquid and stock deposit, of course the momentum has continued in January because the auction which happened of Rs. 10,000 crore, people were not expecting that to happen, but clearly one sees going forward the tightening clearly in the market, so to that extent of course the interest rate on these deposits we would see slightly going up, but on the other side, the increase in the yield is also happening. So, net-net my sense is that the NIM and the spread should get protected.

Pathik

HDFC has said that it might increase its loan rates later this month or maybe I am not sure whether it already has, would you also be looking at increasing your home loan rates?

Vishakha Mulye

If you look at corporate, we have already increased by 25 basis points. See home loan side Pathik we have not taken a decision as yet.

Pathik

Ok thanks.

Moderator

Thank you very much Mr. Hiren. Next in line, we have Mr. Sheshadri of Alchemy.

Sheshadri

Hello!

Vishakha Mulye

Hi Sheshadri.

Sheshadri

Hi, Vishakha, Hi Rakesh, just one procedural feedback, we can hear barely half the things which you are saying, we are missing a lot of numbers, so can you take up with the conference call service provider later and maybe give us a transcript of the call.

Vishakha Mulye

Sorry about it Sheshadri, we will also take it up with them

Sheshadri

Yeah, because we had another conference call in the morning and we had the same problem, so it is obviously nothing to do with you guys. Few questions, what is the yield on your retail loans at gross level?

Rakesh Jha

We do not disclose that on a quarterly basis.

Sheshadri

Okay, and I am sorry to go back to this because I missed the numbers. You sold Rs. 258 crores of net assets in terms of net sales of NPAs in the auction, so what was the total sale, I am just trying to get a hang of your reduction in gross NPAs from Rs. 4,000 to Rs. 2,700 crores, how much of that was through sale.

Rakesh Jha

That was basically largely through sales only because Rs. 258 crores was the net number and there would be a decrease of close to about Rs. 1200-1300 crores in gross NPAs.

Sheshadri

Okay, so that was largely from the sales, and there was a loss of Rs. 50 crores on that you said?

Vishakha Mulye

Rs. 50 crores yes.

Sheshadri

And taken in which line. I am sorry, I missed some of this.

Vishakha Mulye

Provision.

Sheshadri

In the provisions line. Okay, and the net effect of the increase in standard assets from 0.25 to 0.4% was Rs. 70 crores, is that right?

Vishakha Mulye

Rs. 170 crores.

Sheshadri

The net negative impact was Rs. 170 crores?

Vishakha Mulye

That is right, and what we did was we reassessed our provision on the portfolio basis and have allocated from the total provision to the standard assets.

Sheshadri

Okay, so what was the net impact on the P&L?

Rakesh Jha

It was broadly neutral.

Sheshadri

Broadly neutral, so there was no net... Okay, and this DMA impact of Rs. 50 crores, which you said are for the first nine months, was it a different number in this quarter or the entire nine months impact was taken in this quarter itself?

Rakesh Jha

Entire in this quarter itself.

Sheshadri

So, that is a Rs. 50 crore impact in this quarter itself?

Rakesh Jha

Okay.

Sheshadri

Okay, and in the treasury income, if you could just give me what the profit on sale of equities was, I missed that number as well?

Vishakha Mulye

Around Rs. 120 crores.

Sheshadri

Okay. Thanks Vishakha. Thanks.

Moderator

Thank you very much Mr. Sheshadri. Next in line, we have Mr. Sandeep of First Global.

Sandeep

Hi Vishakha.

Vishakha Mulye

Hi.

Sandeep

Your fee income has grown up by around 52% on YoY, can I know the basic component of this fee income and what could we expect. This growth will continue in the fee income for the coming quarters as well.

Vishakha Mulye

See, clearly as we had articulated before that there are three main fee income sources, on the retail side, corporate side, and international side, and we have seen the increase in all the lines for the retail, corporate, and international and we believe that going forward, of course the momentum should continue because clearly, you know, on the corporate side, we have actually seen credit picking up and therefore the disbursement on the corporate side as is reflected in our international book is going up quite well, so we expect the momentum to continue in the future.

Sandeep

Okay, thank you.

Moderator

Thank you very much Mr. Sandeep. Next in line, we have Ms. Bhairavi from IL&FS

Bhairavi

Hello!

Vishakha Mulye

Yes Bhairavi.

Bhairavi

Yeah, I have a small question, could you give me the breakup of your fee income between corporate, retail, and international please?

Rakesh Jha

Retail is about 60%, corporate is slightly below 30%, and international is about 12%.

Bhairavi

So, international actually has gone up 10% to 12%, am I right from last quarter?

Vishakha Mulye

11%.

Bhairavi

Was it 11%, I cannot hear you clearly.

Vishakha Mulye

It was around 10-11%. It is now 12%.

Bhairavi

Okay, thank you very much.

Moderator

Thank you very much Ms. Bhairavi. Participants are requested to use only handsets while ask a question. Next in line, we have Mr. Amit from Deutsche Bank.

Amit

Hi Vishakha, Hi, Rakesh, Hi, Anindya. Hello, can you hear me?

Vishakha Mulye

Yeah we can hear you.

Amit

Okay, a question on the gross NPAs basically. What was the amount of new NPAs during the quarter, if you can give me that?

Rakesh Jha

As I said, basically the addition would have only been on the retail side and that gross retail NPAs are running at about 1.45% that is same as the earlier quarter. In fact, there was no major addition in NPA.

Amit

Okay, and I was just trying to reconcile the provisions number, if I get it right, out of Rs. 395 crores, Rs. 220 crore was for amortization of premium, Rs. 500 crore was the loss on sale of NPAs...

Vishakha Mulye

Rs. 50 crore.

Amit

It is Rs. 50 crore and Rs. 125 crore in the balance is the NPAs provision right?

Rakesh Jha

Yeah.

Vishakha Mulye

That is right.

Amit

Okay fine, and one more thing on the insurance subsidiaries, was there any capital infusion in either ICICI Lombard or ICICI Prudential during the quarter?

Rakesh Jha

Rs. 74 crores in ICICI Prudential.

Amit

Okay, and nothing in Lombard right?

Okay, fine. Thank you.

Moderator

Thank you very much Mr. Amit. Next in line, we have Ms. Tabassum from Kotak.

Tabassum

Hi Vishakha!

Vishakha Mulye

Hi Tabassum.

Tabassum

Hi, just two clarifications. Since you have used the excess provision which was there in retail portfolio, are you now not having any access provision or this is part of the provision which has been used and if you have access what is the balance amount which will be there?

Rakesh Jha

No Tabassum, what we said was that we have utilized the excess provisions that we had on our total loan portfolio over and above the RBI guidance. We have not utilized all the provisions that we have in excess of RBI guidelines, and in future also we will continue to make provisions, which are at levels higher than RBI guidelines.

Vishakha Mulye

And even this 40 basis point in the future we would take it through P&L.

Tabassum

Okay.

Vishakha Mulye

Whatever was related to the period before December 31, 2005, we have reassessed and earmarked this from our existing provision. Going forward, we will take 40 basis points through our P&L, and also we would continue to make provisions, which are higher than the RBI guideline.

Tabassum

Just another clarification on the subvention. Now Rs. 50 crores is adding to the profit, which means to net interest income, the addition would have been higher in the third quarter right, more than Rs. 50 crores?

Vishakha Mulye

That is right.

Tabassum

Okay, and have you actually written off the ADR and the local issuance cost in this quarter or is it amortized?

Vishakha Mulye

We take it through our share premium account.

Tabassum

Okay, so that is adjusted through that. It is not reflected here. Okay thanks.

Moderator

Thank you very much Ms. Tabassum. Next in line, we have Mr. Anand of HSBC.

Anand

Yeah Hi, I actually had a question on your shareholding pattern that you reported for January 13, 2006, does this reflect the green shoe option, what I mean is are these numbers after considering those green shoe shares having been issued?

Rakesh Jha

No it does not.

Vishakha Mulye

It has taken to consideration the green shoe that we had for the ADS. It has not taken into consideration the green shoe that we had the domestic market. We exercised our green shoe only yesterday, but the allotment will happen tomorrow, so on January 13, 2006, it was not considered.

Anand

And the net increase can one assume it would be to the extent of the difference between that Rs. 874 crores that you reported there and what is something like Rs. 875 crores in the statement giving the results?

Rakesh Jha

No, the green shoe was basically for Rs. 750 crores about 14 million shares.

Vishakha Mulye

8.90 or 8.89 would be our share capital after exercising this green shoe even in the domestic market. At the moment, as we said that the allotment would actually get completed tomorrow, today's share capital is not reflective of that 750 crores that we have actually taken in the domestic market.

Anand

And when would one know what might be the impact of that on the shareholding pattern in general and specifically say on the FII holding?

Vishakha Mulye

Share capital will increase from Rs. 875 crores to Rs. 889 crores

Rakesh Jha

It will impact the foreign holding by little less than 1%.

Anand

Less than 1%?

Rakesh Jha

Yeah.

Anand

And we should take Rs 889 crores as the paid up share capital after that is done fully?

Vishakha Mulye

That is right.

Anand

Okay, I just had one more question. You now have Rs.12,000 crores of loans made in international branches and you do say that part of it reflects the foreign currency loans made to Indian corporates, but is it possible to have some kind of a profile of what these loans, you know, what are they consisting of?

Vishakha Mulye

See, these are basically, you know, what we do is that for the higher rated clients, first of all, the higher rated clients who want to either borrow in the international market or want to do an acquisition in the international market are these clients that we support, so they are all corporates, existing relationship corporates with probably with a higher rating who go and borrow in the international market or want to actually acquire a company for which we would have given the finance to these corporate.

Anand

Just one more detail, is it possible to know how much of this Rs. 12,000 crores is actually foreign currency funding?

Vishakha Mulye

All of it....

Anand

Okay, it is obviously all..

Vishakha Mulye

Because from overseas branches you cannot get money in India.

Anand

Yeah sure. Thanks a lot.

Moderator

Thank you very much Mr. Anand. Next in line, we have Mr. Sampath of ABN AMRO.

Sampath

Hi Vishakha and Rakesh. Can you give me some kind of a guidance on what kind of a growth rates that you are looking at retail as well as the overall loan book and how your margin will behave going forward given those growth rates?

Vishakha Mulye

I think, it will be difficult for us to make any forward statement here, but I think whatever growth rate that we have seen in the past, if one could go by that trend. Our view is that looking at the way India is growing and the GDP growth etc., the growth should continue.

Sampath

So, that means that would you also continue to grow at 70% for next year as well from the retail front?

Rakesh Jha

No obviously, there would be some effect of base and so on, but the systemic growth factors are certainly very strong and we see ourselves participating in that as we have been doing.

Sampath

Can I also say that you guys that given your current market position, would you grow in line with the market?

Vishakha Mulye

Yeah that is a good assumption.

Sampath

Okay. Thank you very much.

Moderator

Thank you very much Mr. Sampath. Next in line, we have a followup question from Ms. Mahrukh of UBS.

Mahrukh

Hi just a few more follow questions. Firstly, was there any one off in the core fees as in that fees the non-interest income excluding trading gains, you know, there was some newspaper report that suggested that probably ICICI Bank could have earned one billion or so from the ARCIL payout, so was there any extraordinary component there?

Rakesh Jha

No, we have got some redemptions from ARCIL, but that is not reflected in the income statement.

Mahrukh

Oh, but then the quarter-on-quarter growth in core fees was really strong, so is that sustainable, I mean, that is stronger than previous quarters probably?

Rakesh Jha

Yeah in fact you know even at the time of the second quarter, we had mentioned that the Q2 in the previous year was up a higher level, that is why the Q2 growth on fee income number appeared lower, though we have been growing at 40-50% for the last few quarters.

Mahrukh

Okay, and could you just breakdown the low cost deposits into savings and current this quarter and last if possible?

Rakesh Jha

Yeah, the savings deposits is about Rs. 19,000 crores at December 31, 2005, and current is about Rs. 16,000 crores.

Mahrukh

Thanks and September?

Rakesh Jha

September savings was about Rs. 14,500 crores, and current was about 12,500 crores.

Mahrukh

Okay, thanks.

Moderator

Thank you very much Ms. Mahrukh. Next in line, we have a question from Mr. Manish of Motilal Oswal.

Manish

Hi Vishakha, Hi Rakesh.

Vishakha Mulye

Hi Manish.

Manish

Just wanted to understand, what money was raised from the issue in the month of December and what is the money that you raised in January, you know, you had exercised green shoe options at different levels?

Rakesh Jha

At December 31, 2005, if you see the amount which was still remaining to come in was the Rs. 750 crores of domestic green shoe option, which have just now come in and about Rs. 500 crores of the partly paid shares on the retail side, which has not come in till December 31, 2005, so in aggregate about Rs. 1,300 crores is not there in the net worth at December 31, 2005.

Manish

The whole issue was for Rs. 8,000 crores if I am not wrong.

Rakesh Jha

Yeah.

Vishakha Mulye

That is right.

Manish

And can you just approximately give me the date when you had got the remaining. You got in the month of December right, or you got earlier than that?

Rakesh Jha

Which remaining?

Manish

Out of the Rs. 6,700 crores which you have raised when actually did you get the money?

Rakesh Jha

The share allotment happened on December 16, 2005.

Manish

Okay, so you would have got the money sometime in the first or the second week of December?

Rakesh Jha

Yeah second week.

Anindya Banerjee

In fact the money on the ADR which was about Rs. 2,250 crores we would have got on December 16, and the money on the domestic issue we would have got in the second week of December

Manish

Okay. Thanks.

Moderator

Thank you very much Mr. Manish. Next in line, we have Mr. Sachin of JP Morgan.

Sachin

Hi everybody and congrats. I just wanted to check the number on your customers for both second and the third quarter, what is the total number of customers you have?

Vishakha Mulye

17 million customer accounts and Q2 it was 15.8 million customers.

Sachin

Great. Thanks a lot.

Moderator

Thank you very much Mr. Sachin. Next in line, we have a question from Ms. Sohini of ASK Raymond James.

Sohini

Yeah, there is stupendous growth in the international advances of around Rs. 12,000 crores, so I just want to ask as to what are the spreads on this, and going ahead as these grow, you know, in your overall composition does that mean its contribution to the ROE will be lower?

Vishakha Mulye

See as we have, you know said before also what we are looking at is, the return on equity in our international business because it will be incorrect if we just look at the yield on the international asset and do not take into consideration the related fees that we get, so by taking into consideration both, we get a return of equity on our international business upward of 20%, however, the fees of course we get at various stages so partly they would be booked in the domestic book and partly in the international branches, so I think it will be correct to say that we just, you know, one should look at the yields and not look at the total profitability because that is the clear business model that we are following on our international side.

Sohini

Okay and what will be spread there, I mean, for the lending that you do in international right now?

Vishakha Mulye

Yeah that is what you as I said that it would be incorrect because it is not correct to look at the way we look at it is, we look at it as the return on equity because these corporates that we lend to, all the money which is lend to them is actually carried on our books, what we do is just to give an example, suppose if there is a corporate who wants to acquire an asset in the international market typically we come in and you know we give him an underwritten offer. He is willing to pay us that kind of money because at that stage he does not want to go to number of bankers and also need that kind of support to put a bid, also of course if he gets the bid we get the asset and then we of course go ahead and syndicate that in the international market and part is held in our books. If that does not happen then again we get a drop dead fees, so you get the fees at the time when you actually issue a letter to him, when you go and actually sell down these loans in the market, so it is at the various stage and therefore we look at it as a complete profitability rather than just looking at the yield.

Sohini

Okay, and the growth was very high, so going ahead also since this is a small business for you, so can we see similar growth rates at least for the next year and after that?

Vishakha Mulye

Yeah, we can assume, well as we said again we do not want to make any forward statements, but clearly there is a momentum that we are seeing now on the corporate side clearly there is a capital expenditure plans that we are getting in the corporate because if you see in the last two-two and a half years, actually the corporates has not undertaken any projects and actually not undertaken a major capital expansion plans, but today with the corporates are actually talking about these plans and we have seen the credit growth in the market itself was upward of 30%. Going forward, my sense is that we should see a good momentum.

Sohini

Thank you very much.

Moderator

Thank you very much Ms. Sohini. Next in line, we have Mr. Arun Malhotra of Smith Management.

Arun Malhotra

Hi good evening this is Arun. I just wanted to check on you have opened around 96 branches in last year, have these branches broken even.

Vishakha Mulye

Typically, our branches breakeven in around 12 to 18 months period and these are no exceptions

Arun Malhotra

And going forward, how many branches you plan to open in the coming year?

Rakesh Jha

It is subject to RBI approval, so it is difficult to give a number, but we would plan to significantly expand our branch network over the next two to three years.

Arun Malhotra

Fine. In terms of the strategy for the branch network, how has been the business in the B and C grade cities. What have been the experience in the past one year?

Vishakha Mulye

See in the B and C, again you know something like as we go into these cities, we have various point of contact, one is of course our branches, the seconds is the DMAs. We have seen the momentum from this quite well because now if the credit growth has to happen and actually the retail has to grow, the growth actually has to come from these cities because in the A class cities now there are lot of banks actually willing to lend so our belief is that going forward, we would see the credit growth coming from these cities as well.

Arun Malhotra

Okay and just last thing, could you also give me a sense of cross sell momentum and the cross sell opportunities specially on the insurance side, like when you sell a life insurance what kind of fees you get from Prudential Insurance you subsidiary company and do you book that in your fee income or how is that accounted for?

Vishakha Mulye

See typically on the cross sell, actually we very actively encourage the cross sell within the organization where today almost 30-40% of our home loans that we do are crossed sell to our existing customer. We also cross sell our insurance policies. The ratio would be again 30-40% and there is a lot of focus that we are bringing in for this cross sell. Our endeavor would be to take this cross sell ratio to something like 60-75%. The fees that we get from the cross sell of course is booked as a retail fee and gets reflected in the fee based income.

Arun Malhotra

Okay thank you.

Moderator

Thank you very much Mr. Arun. Next in line, we have Mr. Jatinder of Refco-Sify securities

Jatinder

Hi everyone, a couple of questions. Just again on the equity, you should have an equity capital of somewhere about Rs. 889 crores right?

Vishakha Mulye

That is right.

Jatinder

And what would be the exact amount of collection in terms of reserves that will be increased because of this dilution including this domestic green shoe option.

Anindya Banerjee

Rs. 8,000 crores will be the total capital.

Jatinder

Rs. 8,000 crores minus the increase in the equity capital?

Anindya Banerjee

Correct, the increase in reserves will be Rs. 8000 crores minus the increase in equity capital which will be about Rs. 148 crores.

Jatinder

Right, on the number of employees we had something like 18,000 towards March?

Vishakha Mulye

Today it would be around 24,000 and odd.

Jatinder

Right, madam could you please give us some ideas as to where the incremental deployment has been taken to because you have seen retail obviously taking off large chunk of this total employee additions, what is the next focus like in the next round of growth which you say is going to be again high, do you look at agri and SMEs still being the same in terms of proportion to your total advances or do you see that growing and probably retail taking a breather in terms of total percentage in your advances portfolio?

Vishakha Mulye

See what we had said was our ultimate goal would be that 25% of our balance sheet, which I am talking in the medium term should be from international business, around 30% or 40% would be retail and balance would be corporate and agri and the SME and the others.

Jatinder

But is there a increased focus only in terms of probably entering of further into SME markets and agricultural markets?

Vishakha Mulye

Of course, you know as we had articulated we had said that there are three growth horizons that we had clearly articulated, taking corporate as a base. Our first growth horizon was retail, our second growth horizon is international, and our third growth horizon is actually the agri and rural. We have big plans there and we have started rolling out our agri strategy.

Jatinder

In terms of rolling out your agriculture asset book what would be the strategy, you would actually have branches in rural India lowest end of the segment and then probably grow or ...?

Vishakha Mulye

The way we would like to look at agri is that there are two things that one has to watch up, one is that you have to actually if you have to be in this business then you need to have a point of presence nearer to the farmer or your ultimate customers and therefore if you actually go and roll it out, the strategy on the ground, in that fashion your operating cost can actually go up very substantially. The way we are going ahead with is that we are tying up with the partners in this like microfinance institutions, the NGOs. We are also trying to cultivate something what we call it as a credit franchisees and we would be actually distributing our products through this. We also are rolling our something called kiosk, which is this entrepreneur model, where there is an entrepreneur who would then set up this Kiosk. It is a small, a shop kind of thing where there is an internet connect and this person then distributes our products, so clearly we are trying to partner in it, which would bring down our cost of operations as well as what we have learnt from the experience of the Indian banks. If you have to be in this business you have to ensure that your delinquencies are also very low and you have to actually curtail your delinquencies and you have to be near to the ultimate customer who is the farmer and therefore we think that again, lending through the microfinance institution kind of thing can help us in that way. We have rolled out a model there. We actually give them the credit screen etc., and the microfinance institution actually go and sell this product. We follow two models, one is where they actually give loans to these customers and then we securitize the loans from their book to our book and secondly when they actually acts as our agent and originate the loan which is directly booked on our books, so that clearly is going to be our strategy as we go forward. We do not have any plans to actually put up a infrastructure on the ground for rolling ourselves.

Jatinder

Madam what could be the lending rates for say in this segment, which seems to be a new playground?

Vishakha Mulye

See if you look at this, traditionally this particularly market is dominated by the money lenders, so the rates are upward of 25%-30%. The banks coming in now whatever, it all depends upon what your operating cost is and you know what is the

kind of, you get a very good yield in this market, but one should understand that this is a market that everybody is testing. Also, to that extent there is the cost of servicing this customers and also the delinquency as we go forward could be very high. The rates that we get are actually very very lucrative and should cover both this substantially.

Jatinder

So is it close to about 20-25% what you mentioned earlier?

Vishakha Mulye

Because as I said that the model that we are following is lending through microfinance institution, so what we do is that they probably lend at those rates, we go ahead and securitize the loans in our books at 8.5%, 9%, 10% the difference between the rate that we charge to the microfinance institution and what we get from the customer actually acts like a positive first default guarantee for us.

Jatinder

Okay that is great, so in per se, if had to just repeat the whole thing, you would look at loan growth being strong and you would have agri and SME contributing probably higher at about 35-40% if I am not mistaken, right?

Vishakha Mulye

I said you know, 25% should be international, I said 40% approximately in the end stage should be retail and the balance would be corporate, agri, and the others.

Jatinder

Okay, I think the voice quality is very bad.

Vishakha Mulye

We will try to take care of this from the next. I am sorry about it.

Jatinder

Sure. Thanks.

Moderator

Thank you very much Mr. Jatinder. Next in line, we have Mr. Punit from Enam Securities.

Punit

Just to take this agri thing further, can you share with us the outstanding agri portfolio as of now till Q3?

Vishakha Mulye

It is around Rs. 8,000 crores.

Punit

Rs. 8,000 crores, and approximate yields on this portfolio if possible?

Vishakha Mulye

We normally do not disclose. Our total yield is around 8.5% on the total portfolio.

Punit

Okay, thanks. Also just to need to get a sense on your infrastructure lending, has there been any fresh disbursement happening on the infrastructure front or you are keeping the same old portfolio?

Vishakha Mulye

See, there is not much of disbursements have happened, but we clearly are seeing the momentum coming in the infrastructure lending again. You must have seen this airport government is now trying to resolve. We clearly see pipeline for the infrastructure projects, but I must say that not much of a disbursement which has happened.

Punit

Okay, so that means the outstanding portfolio will still be quite small proportion maybe Rs. 4,000-5,000 crores which was there earlier?

Vishakha Mulye

Yeah that is right, no major disbursements have happened.

Punit

Okay, just one question on your total cost of fund, I believe you said around 5.7%?

Rakesh Jha

Yeah.

Punit

So for 2007 total how much amount will you redeem now for high cost borrowing in 2007?

Rakesh Jha

About Rs. 5,000 crores.

Punit

Around Rs. 5,000 crores okay and average yield will still be around 10% upwards?

Rakesh Jha

Yeah.

Punit

Okay. Thanks a lot.

Moderator

Thank you very much Mr. Punit.

Vishakha Mulye

If there are no more questions, can we...

Moderator

Madam, there are two more questions.

Vishakha Mulye

Okay.

Moderator

Next in line, we have Mr. Vishal of Edelweiss.

Vishal

Hi everybody, regarding your NBAP margins from last year's 21% where are they in this quarter?

Rakesh Jha

Yeah it is about 26%.

Vishal

26%, so that has gone up in fact.

Rakesh Jha

Yeah.

Vishal

And, anything from subsidiaries in form of dividend?

Rakesh Jha

Yes there would be.

Vishal

How much that will be?

Rakesh Jha

That is part of the other income, a separate line item.

Vishal

Could you repeat that sorry..

Vishakha Mulye

Rs. 25 crores in the quarter.

Vishal

Rs. 25 crores. Okay thanks.

Moderator

Thank you very much Mr. Vishal. Next in line, we have Mr. Siddharth of Principal Mutual.

Pawan Sachdev

Hi madam. This is Pawan Sachdev from Principal Mutual Fund. My question is that in the BoT space in road especially we are seeing lot of momentum where in all the projects will be under BoT scheme of things so is ICICI Bank trying to take part in that space aggressively or not?

Vishakha Mulye

See we normally look at the viability of the project and of course we do our own appraisal and if the project is found viable of course it is supported, so again in this case as well. We would carry out our own appraisal and if it support worthy of course we will support the project.

Pawan Sachdev

But you are not looking at equity stakes in such projects?

Vishakha Mulye

See again, we are in the market with a combination because you know when we provide finance, we provide as a combination of loan and equity, so depending upon the structure of the project, either a loan is given as an equity. I am unable to comment specifically about this project because I do not have the details, but I am saying that if it is viable definitely we will support the project and the financial assistance can be in the form of equity or debt.

Pawan Sachdev

Thank you madam.

Moderator

Thank you very much Mr. Pawan. At this moment, I would like to handover the floor back to Ms. Vishakha Mulye for final remarks.

Vishakha Mulye

Okay. Thank you very much for joining us on the call. If you have any further queries, of course you have our numbers, so please feel free to call us. Thank you. Bye.

Moderator

Ladies and gentlemen, thank you for choosing WebEx Conferencing Service. That concludes this conference call. Thank you for your participation. You may now disconnect you lines. Thank you and have a nice evening.
