

Financials - Banks

Company name

Axis Bank

Bank of Baroda

Bank of India

Canara Bank

Federal Bank

HDFC Bank

ICICI Bank

Indian Bank

Indusind Bank

ING Vysya Bank

Kotak Mahindra Bank

Oriental Bank of Commerce

Punjab National Bank

State Bank of India

Union Bank of India

- Post decisive mandate for development focused NDA government at the centre; hopes have increased for the faster economic revival. Our industry interaction suggests that issues faced by infrastructure segment and state-owned banks are being given the top most priority by the new government. Worst for the Indian economy is behind in our view. Our economist expects gradual recovery in GDP growth to 5.5% in FY15 and 6.5%+ in FY16 from 4.8% in FY14. This in turn would lead to improvement in business parameters for banks.
- Growth improvement coupled with better liquidity conditions and capital markets would lead to acceleration in de-leveraging and deceleration in incremental stress addition. This would result in margin expansion and reduction of credit cost primarily for state owned banks. Positive budget announcement and policy reforms in important sectors would be the key for the further re-rating.
- Despite the run up in stock prices by 30- 100%+, private banks are still trading at PBV multiple of 15%+ LPA and state-owned banks at a discount of 10% over LPA. Private banks would continue to command premium valuation driven by improved visibility on growth, healthy core operations and return ratios, top managements' continuity, lower asset quality issues, adequate capitalization, strengthening liability franchise and low hanging fruits (ability to capture market share from state-owned banks due to superior service). Our Top picks: **ICICIB, SBIN, HDFCB, PNB, OBC** and **INBK**.

Bulk lenders are expected to be the key beneficiaries with the improvement in systemic liquidity.

Stress addition is likely to be higher QoQ, partially on account of seasonal factors.

Key takeaways from 1QFY15 results

- For private banks, NIMs are expected to remain stable QoQ and seasonality of fall in NIMs to moderate, with the improvement in ALM and liability profile. Bulk lenders are expected to be the key beneficiaries with the improvement in systemic liquidity.
- Fee income growth is expected to be moderate as new sanctions are yet to pick up. Retail focused banks are likely to perform better.
- Operating leverage benefit is expected to continue for private banks. However, higher staff related expenses would dent opex growth for state-owned banks. SBIN performance on opex is expected to surprise positively.
- Trading income and MTM reversals are likely to be moderate YoY as yields have moved in a narrow range (down only by 5-20bp QoQ) during the quarter. Equity trading gains are expected to be healthy.
- Stress addition is likely to be higher QoQ, partially on account of seasonal factors. Gradual improvement is expected from 2HFY15. Additional slippages due to formation of JLF on SMA accounts can't be ruled out. Media reports suggest reduction in referrals to CDR cell and high sale to ARCs.
- Provisioning to remain elevated driven by NPA provisions and provisions for un-hedged forex exposures.

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Investors are advised to refer through disclosures made at the end of the Research Report.

Expected quarterly performance summary (INR m)

Sector	CMP		Net Interest Income			Operating Profit			Net Profit		
	(INR)	Reco	Jun-14	Var % YoY	Var % QoQ	Jun-14	Var % YoY	Var % QoQ	Jun-14	Var % YoY	Var % QoQ
Private Banks											
Axis Bank	1,935	Buy	32,414	13.1	2.4	28,639	0.7	-11.8	16,558	17.5	-10.1
Federal Bank	129	Buy	5,750	12.8	-8.0	3,748	-6.4	-10.8	2,156	104.1	-22.2
HDFC Bank	856	Buy	51,972	17.6	4.9	39,198	18.6	3.7	23,074	25.1	-0.8
ICICI Bank	1,462	Buy	45,061	17.9	3.4	44,439	16.5	-0.2	26,573	16.8	0.2
IndusInd Bank	569	Buy	8,268	21.7	5.8	7,172	11.8	-0.3	4,160	24.2	5.0
ING Vysya Bank	662	Buy	4,777	12.3	1.4	3,318	1.5	32.7	1,832	4.6	31.7
Kotak Mahindra Bank	884	Neutral	9,990	9.0	3.4	6,927	-11.1	14.1	4,234	5.1	4.0
Private Banks aggregate			158,231	16.0	3.3	133,441	10.2	-1.0	78,588	20.1	-2.3
PSU Banks											
Bank of Baroda	875	Buy	32,602	12.8	4.4	23,429	-3.8	-8.6	11,063	-5.3	-4.4
Bank of India	305	Neutral	29,261	15.3	-4.0	20,400	-6.4	2.2	6,244	-35.2	12.0
Canara Bank	448	Buy	24,689	24.0	-2.6	18,087	-4.7	-3.9	6,821	-13.9	11.7
Indian Bank	185	Buy	11,728	6.9	8.8	7,348	-14.5	4.5	2,997	-5.6	10.5
Oriental Bank	322	Buy	13,432	2.8	2.6	9,763	-10.3	-29.4	2,961	-16.2	-4.6
Punjab National Bank	980	Buy	42,736	9.4	6.8	29,891	0.5	-5.8	11,293	-11.4	40.1
State Bank	2,699	Buy	132,172	14.8	2.4	85,214	12.8	-19.8	33,055	2.0	8.7
Union Bank	228	Buy	20,550	7.6	0.1	12,263	-13.1	-7.1	3,744	-33.2	-35.3
PSU Banks Aggregate			307,170	13.1	2.2	206,393	1.2	-12.7	78,178	-9.8	6.6

NII growth for state-owned banks is expected to be at 13% YoY (2% QoQ), while private banks' growth is expected to be at 16% YoY (3% QoQ)

Expect non-core income to be a drag on profitability due to lower trading gains

Loan and deposit growth expected to be ~14% YoY

Margins to be stable QoQ; Bulk borrowers to benefit

NIMs are expected to be stable for most banks as liquidity condition has eased and short terms rates have declined. 6M/12M CD rates on an average basis for 1QFY15 are stable/lower compared to 9.5/9.5% in 4QFY14 and 9.2/9.2% in 3QFY14. However, for few state-owned banks reported NIMs may be lower due to higher share of interest on IT refunds in 4QFY14. NII growth for state-owned banks is expected to be at 13% YoY (2% QoQ), while private banks' growth is expected to be at 16% YoY (3% QoQ) led by healthy loan growth and stable NIMs.

Lower trading income would lead to weak non-interest income

Non-interest income is expected to be a drag on overall profitability of the banks (YoY growth) due to lower share of trading income. In 1QFY14, banks benefitted from sharp volatility in the interest rate which led to sharp increase in trading income. Bond yields have remained in a narrow range and have declined by 5-20bps since end of 4QFY14. Thus, opportunity to earn trading income through bond gains was lower and we expect trading gains for banks to be subdued during the quarter. Some banks with high equity portfolio can benefit from positive capital markets performance during 1QFY15. Core fee-based income growth is expected to be moderate.

Moderate business growth performance

Overall business growth is expected to be moderate with loan growth for the industry for the fortnight ended June 13, 2014 at 13.9%. However, deposits growth declined marginally to 13.9%. We expect pick up in loan growth in 2HFY15 driven by improving sentiments and stable interest rates (expect it to decline once inflation eases out). Retail segment is expected to remain key focus for both private and public sector banks.

Stress addition to remain elevated, however aggressive sale to ARC may contain headline GNPA

Asset quality issues to persist; sale to ARCs to the rescue

While sentiments have improved and expectation on recovery has firmed up, it would take two/three quarters to translate into ground reality. Hence we continue to build high slippages (at similar levels of 4QFY14) for most of the banks. However, the reprieve for banks would be increasing sale to ARC, which can help contain headline GNPA. For private banks, we expect asset quality to remain stable; however, there may be some rise in restructured pool for corporate lenders.

Elevated credit cost, provisioning on account of un-hedged forex exposure to keep overall provisions high

Provisions to remain high

Banks MTM position is unlikely to be altered significantly. This along with elevated credit cost and provisioning on account of un-hedged forex exposure will keep overall provisioning high. Thus, lower non-interest income coupled with high provisions will keep earnings growth subdued for PSU banks. While PPP growth is expected to be flat YoY, PAT is expected to decline 10% YoY. For private banks, credit cost is expected to be stable/rise marginally. We expect NII, PPP and PAT growth of 16% YoY, 10% YoY and 20% YoY, respectively.

Sector strategy

Our interactions with banks' management indicate fresh impairment would remain at a high level for next few quarters. Increased recovery efforts and sale of loans to ARCs will help contain headline stressed assets numbers. Budget will be critical as it could materially alter the outlook on medium to long term growth. Also policy reforms in important segments like infrastructure where banks have high exposure would be the key. Kick start in reforms would lead to declining stress on the books, resulting in lower provisioning and higher profitability.

Top picks: ICICIBC, SBIN, HDFCB, PNB, OBC and INBK.

Despite the recent rally in stocks, valuations for state-owned banks are below LPA and for private banks just above LPA. We prefer banks with i) strong capitalization (risk of dilution low) and liability franchise (emerge stronger in the upturn of economy), ii) managements stability, iii) P&L strength (to absorb credit cost risk), iv) levered to interest rate reversal cycle (earnings cushion) and v) those who have recognized stress upfront (risk of setback remains low). Our top picks are **ICICIBC, SBIN, HDFCB, PNB, OBC and INBK.**

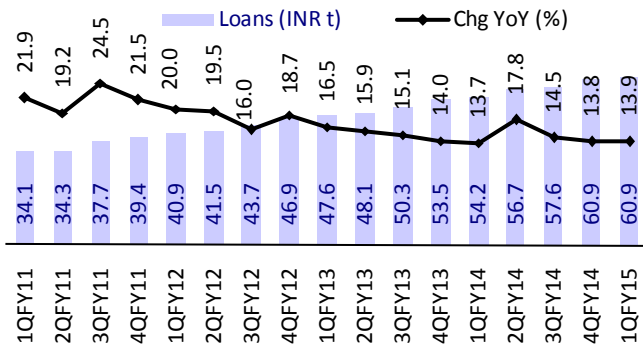
Revision in target prices

	CMP (INR)	Upside on new TP (INR)	Reco	EPS (INR)		BV (INR)		TP (INR)		RoA (%)	
				FY15	FY16	FY15	FY16	Old	New	FY15	FY16
Private Banks											
ICICIB*	1,462	28	Buy	99	120	580	668	1,454	1,865	1.78	1.84
HDFCB	856	21	Buy	44	56	215	258	825	1,033	1.97	2.01
AXSB	1,935	34	Buy	145	174	932	1,080	1,740	2,592	1.66	1.70
KMB*	884	-4	Neutral	39	47	275	318	852	852	1.88	1.89
VYSB	662	19	Buy	40	48	402	439	655	791	1.19	1.21
FB	129	23	Buy	11	12	89	99	118	158	1.13	1.15
J&KBK	1,604	18	Buy	258	280	1,372	1,576	1,891	1,891	1.47	1.37
SIB	33	22	Buy	4	5	27	31	31	40	0.96	0.96
PSU Banks											
SBIN (cons)*	2,699	37	Buy	259	344	2,097	2,378	3,240	3,685	0.78	0.92
PNB	980	35	Buy	119	158	1,056	1,196	1,320	1,320	0.73	0.84
BOI	305	15	Neutral	53	67	437	496	350	350	0.56	0.61
BOB	875	37	Buy	118	149	859	974	1,200	1,200	0.73	0.81
CBK	448	40	Buy	60	83	562	626	560	626	0.53	0.62
UNBK	229	39	Buy	28	34	291	319	290	319	0.47	0.51
OBC	322	24	Buy	45	55	460	502	400	400	0.57	0.60
INBK	185	45	Buy	29	36	270	298	235	269	0.67	0.72
CRPBK	407	1	Neutral	45	62	638	687	275	412	0.32	0.38
ANDB	102	13	Neutral	11	13	156	165	66	115	0.35	0.36
IDBI	108	12	Neutral	8	10	143	151	76	121	0.38	0.42
DBNK	84	17	Neutral	13	16	128	141	56	98	0.53	0.55

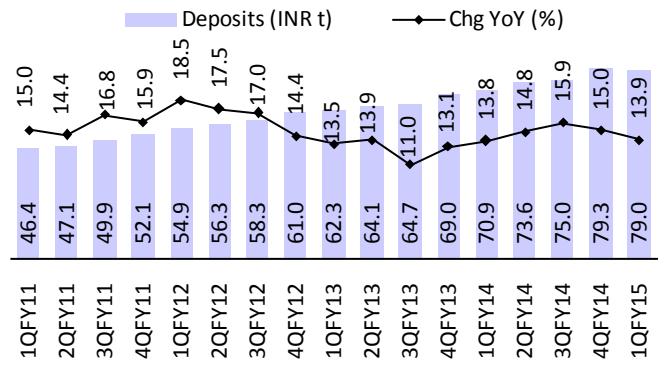
*Multiples adj. for value of key ventures/Investments; For ICICI Bank BV is adjusted for investments in subsidiaries

Source: Company, MOSL

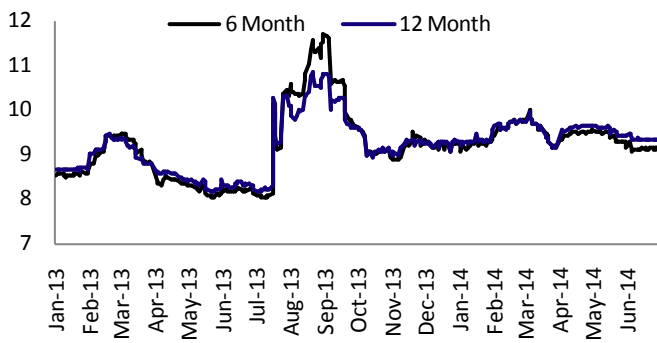
Loan growth remains stable



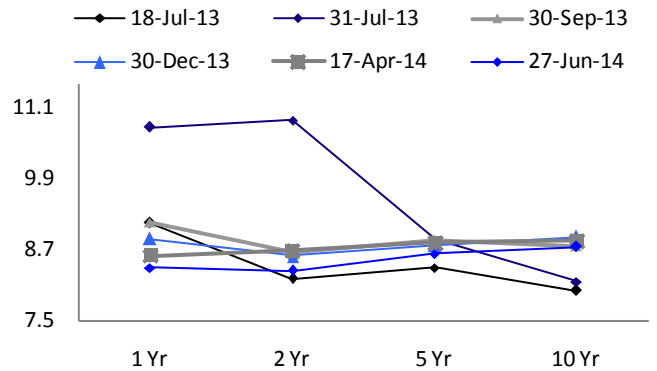
Deposit growth moderates



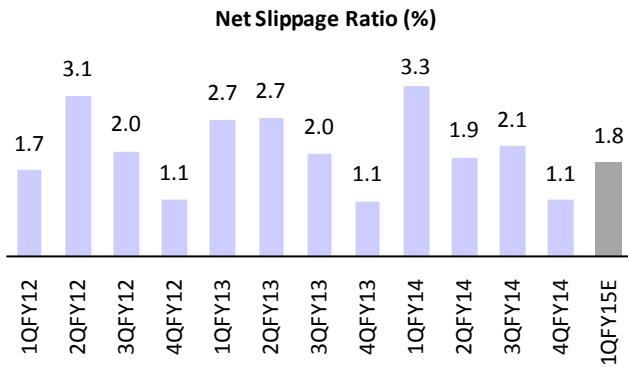
CD rates: Interest remain stable during the quarter (%)



Yield curve declines marginally (%)

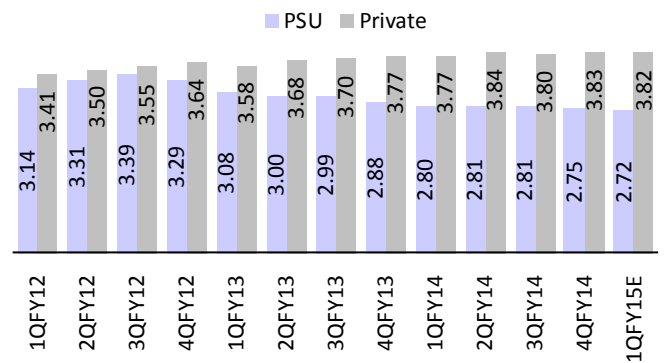


Net slippage ratio to remain high (% annualized)



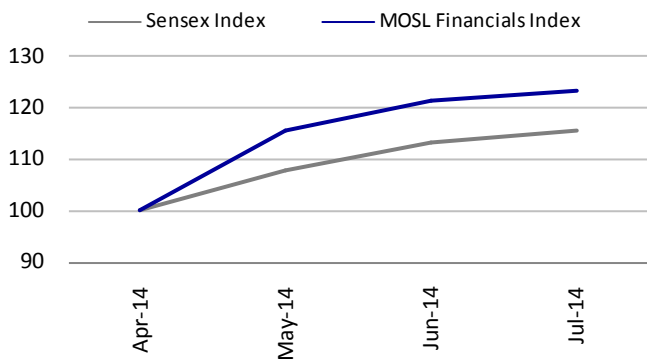
Source: MOSL, Company

NIMs expected to remain stable (%)



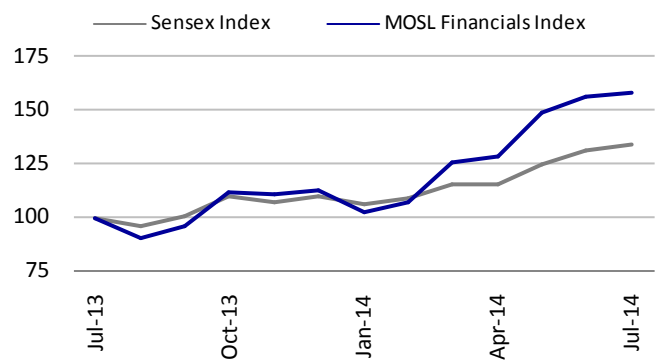
Source: MOSL, Company

Relative Performance - 3m (%)



Source: Bloomberg, MOSL

Relative Performance - 1Yr (%)



Source: Bloomberg, MOSL

Comparative valuation

Sector / Companies	CMP (INR)	Reco	EPS (INR)			PE (x)			PB (x)			RoE (%)		
			FY15E	FY16E	FY17E	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E
Banks-Private														
Axis Bank	1,935	Buy	145.3	173.7	212.2	13.2	11.1	9.1	2.1	1.8	1.5	16.6	17.2	18.1
Federal Bank	129	Buy	10.6	12.5	15.2	12.1	10.4	8.5	1.4	1.3	1.2	12.5	13.2	14.5
HDFC Bank	856	Buy	44.5	55.9	70.0	19.2	15.3	12.2	4.0	3.3	2.7	22.4	23.6	24.5
ICICI Bank	1,462	Buy	99.1	119.9	148.7	12.3	9.9	7.8	2.1	1.8	1.5	15.7	16.6	17.9
IndusInd Bank	569	Buy	33.4	42.3	54.2	17.2	13.5	10.6	2.9	2.5	2.1	18.4	19.9	21.4
ING Vysya Bank	662	Buy	40.3	47.6	56.5	16.3	13.8	11.7	1.6	1.5	1.4	10.4	11.3	12.2
J&K Bank	1,604	Buy	258.4	279.5	305.0	6.2	5.7	5.2	1.2	1.0	0.9	20.2	19.0	18.1
Kotak Mahindra Bank	884	Neutral	39.4	46.5	56.0	22.6	19.1	15.9	3.2	2.8	2.4	15.4	15.7	16.2
South Indian Bank	33	Buy	4.2	4.9	5.8	7.6	6.5	5.6	1.2	1.0	0.9	16.4	16.8	17.3
Private Bank Aggregate						15.6	12.9	10.5	2.8	2.4	2.1	17.6	18.5	20.0
Banks-PSU														
Andhra Bank	102	Neutral	10.8	12.8	13.4	9.5	8.0	7.7	0.7	0.6	0.6	7.1	8.0	7.9
Bank of Baroda	875	Buy	118.2	149.2	184.6	7.4	5.9	4.7	1.0	0.9	0.8	14.5	16.3	17.7
Bank of India	305	Neutral	53.4	66.9	87.2	5.7	4.5	3.5	0.7	0.6	0.5	12.9	14.3	16.3
Canara Bank	448	Buy	60.3	82.9	107.8	7.4	5.4	4.2	0.8	0.7	0.6	11.2	14.0	16.2
Corporation Bank	407	Neutral	45.3	61.9	74.2	8.8	6.5	5.4	0.6	0.6	0.5	7.3	9.3	10.4
Dena Bank	84	Neutral	13.0	15.6	18.9	6.5	5.4	4.5	0.7	0.6	0.5	10.6	11.6	12.8
IDBI Bank	108	Neutral	8.2	10.4	12.4	13.2	10.3	8.7	0.8	0.7	0.7	5.9	7.1	8.0
Indian Bank	185	Buy	29.0	36.5	44.2	6.2	5.0	4.1	0.7	0.6	0.5	11.2	12.8	14.0
Oriental Bank	322	Buy	44.5	54.7	72.5	7.3	6.0	4.5	0.7	0.6	0.6	10.0	11.4	13.7
Punjab National Bank	980	Buy	118.9	157.9	185.3	8.3	6.3	5.4	0.9	0.8	0.7	11.8	14.0	14.5
State Bank	2,699	Buy	259.4	344.3	454.4	10.0	7.6	5.7	1.2	1.1	0.9	12.7	15.6	17.9
Union Bank	229	Buy	28.0	34.3	39.2	8.3	6.7	5.9	0.8	0.7	0.7	10.0	11.3	11.7
PSU Bank Aggregate						8.9	6.7	5.2	1.0	0.9	0.8	11.5	13.8	16.2
Sector Aggregate						12.1	9.7	7.9	1.8	1.6	1.4	15.0	16.6	18.4

Source: Company, MOSL

Axis Bank

Buy

Bloomberg	AXSB IN
Equity Shares (m)	471.30
M.Cap. (INR b)/(USD b)	905.04/15.06
52-Week Range (INR)	1,990/764
1, 6, 12 Rel. Per (%)	-3/29/16

Financial and Valuation Summary (INR b)

Y/E March	2014	2015E	2016E	2017E
NII	119.5	128.5	151.2	183.4
OP	114.6	120.6	144.6	176.3
NP	62.2	68.3	81.6	99.7
NIM (%)	3.6	3.4	3.4	3.4
EPS (INR)	132.3	145.3	173.7	212.2
EPS Gr. (%)	19.6	9.8	19.6	22.1
ABV/Sh. (INR)	794.7	916.3	1,063.5	1,240.2
RoE (%)	17.4	16.6	17.2	18.1
RoA (%)	1.7	1.7	1.7	1.7
Payout (%)	17.7	17.5	17.5	17.5
Valuations				
P/E(X)	14.5	13.2	11.1	9.1
P/BV (X)	2.4	2.1	1.8	1.5
P/ABV (X)	2.4	2.1	1.8	1.6
Div. Yield (%)	1.0	1.1	1.4	1.7

CMP: INR1935

- Loan growth is expected to be ~17% YoY, whereas deposit growth is expected to be higher at 19% YoY.
- 1Q is generally weak from NIM perspective as impact of PSL (low yielding), which gets build in 4Q, runs off in ensuing quarters. However, led by benefit of FCNR (B) deposit raised, NIM decline is expected to be moderate QoQ.
- Fee income growth is expected to improve to ~15% YoY albeit on a lower base as growth in large/mid-corporate and retail fees rebound.
- Slippages in 4Q were significantly lower than quarterly run-rate. We remain conservative and factor higher slippage ratio and credit cost.
- While PPP growth is expected to be flat (due to higher trading gains in 1QFY14), lower provisioning would help earnings grow 18%

Key issues to watch out

- Provisioning for un-hedged forex exposures
- Over last three quarters, profitability of the bank was helped by repatriation of profits from international subsidiaries which could further aid earnings.
- Bank had guided for gross stress addition of INR65b for FY15. Any revision in the same remains critical.

Quarterly Performance

(INR Million)

	FY14				FY15E				FY14	FY15E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	72,778	76,090	77,891	79,652	82,569	85,054	88,055	87,948	306,412	343,625
Interest Expense	44,126	46,723	48,051	47,995	50,155	51,408	53,465	60,068	186,895	215,096
Net Interest Income	28,652	29,367	29,840	31,658	32,414	33,646	34,590	27,880	119,517	128,529
% Change (Y-o-Y)	31.4	26.2	19.6	18.8	13.1	14.6	15.9	-11.9	23.6	7.5
Other Income	17,813	17,661	16,444	22,134	17,025	19,175	21,080	25,933	74,052	83,213
Net Income	46,465	47,028	46,284	53,792	49,439	52,821	55,670	53,813	193,569	211,743
Operating Expenses	18,030	19,530	20,134	21,314	20,801	22,704	23,160	24,454	79,008	91,119
Operating Profit	28,436	27,498	26,150	32,477	28,639	30,116	32,510	29,359	114,561	120,624
% Change (Y-o-Y)	44.8	26.2	10.7	16.0	0.7	9.5	24.3	-9.6	23.1	5.3
Other Provisions	7,123	6,875	2,025	5,052	3,740	5,704	4,048	4,469	21,075	17,961
Profit before Tax	21,313	20,623	24,125	27,425	24,899	24,412	28,462	24,890	93,486	102,663
Tax Provisions	7,224	7,000	8,084	9,002	8,341	8,178	9,535	8,338	31,310	34,392
Net Profit	14,089	13,623	16,041	18,423	16,558	16,234	18,927	16,552	62,177	68,271
% Change (Y-o-Y)	22.1	21.3	19.1	18.5	17.5	19.2	18.0	-10.2	20.0	9.8
Operating Parameters										
NIM (Reported,%)	3.9	3.8	3.7	3.9					3.8	
NIM (Cal, %)	3.7	3.7	3.6	3.7	3.6	3.7	3.7	2.8	3.6	3.4
Deposit Growth (%)	7.1	8.4	7.3	11.2	19.0	14.5	15.8	15.0	11.2	15.0
Loan Growth (%)	15.8	16.9	17.8	16.8	17.0	19.2	19.2	18.0	16.8	18.0
CD Ratio (%)	83.1	78.8	80.6	81.9	81.7	82.1	82.9	84.0	81.9	84.0
Core CASA ratio (%)	38.9	39.4	38.0	39.0					39.0	
Asset Quality										
OSRL (INR b)	42.1	48.1	55.0	60.8					60.8	
OSRL (%)	2.1	2.4	2.6	2.6					2.6	
Gross NPA (INR b)	24.9	27.3	30.1	31.5	33.1	33.6	34.1	32.4	31.5	32.4
Gross NPA (on customer assets, %)	1.1	1.2	1.3	1.2	1.3	1.3	1.2	1.1	1.2	1.1

Bank of Baroda

Bloomberg	BOB IN
Equity Shares (m)	429.42
M.Cap. (INR b)/(USD b)	377.16/6.28
52-Week Range (INR)	1,009/429
1, 6, 12 Rel. Per (%)	-3/11/26

Financial and Valuation Summary (INR b)

Y/E March	2014	2015E	2016E	2017E
NII	120	139	167	196
OP	93	106	128	152
NP	45	51	64	79
NIM (%)	2.1	2.1	2.2	2.2
EPS (INR)	105	118	149	185
EPS Gr. (%)	-0.6	12.1	26.3	23.7
BV/Sh. (INR)	768	859	974	1,115
ABV/Sh. (INR)	677	769	889	1,038
ROE (%)	14.4	14.5	16.3	17.7
ROA (%)	0.8	0.7	0.8	0.8
Div. Payout (%)	27.7	23.2	23.2	23.2

Valuations

P/E(X)	8.3	7.4	5.9	4.7
P/BV (X)	1.1	1.0	0.9	0.8
P/ABV (X)	1.3	1.1	1.0	0.8
Div. Yield (%)	2.5	2.7	3.4	4.2

CMP: INR875

Buy

- Loan and deposit growth is expected to be above industry growth rates of 22% YoY and 20% YoY, respectively.
- NIMs are expected to be stable at 2.3% QoQ.
- Fee income is expected to grow at 16% YoY. However lower share of non-core income (trading, recoveries) will translate into 23% YoY decline in non-interest income.
- Slippages have declined in the past two quarters however, on a conservative basis we factor in higher slippage ratio and credit cost. Further, provisioning for un-hedged forex exposures of corporate will also increase provisioning charge.
- PPP growth is expected to be weak mainly due to subdued non-interest performance. Provisioning expense is expected to remain elevated hence earnings are expected to decline 5% YoY.

Key issues to watch out

- Outlook on asset quality and restructuring: Management has guided for an improvement in asset quality.
- Expected sale to ARC.
- Improvement in domestic CD ratio which is currently at ~70%.
- Change in management with Mr. Mundra set to retire in July 2014.

Quarterly Performance

(INR Million)

	FY14				FY15E				FY14	FY15E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	94,869	94,735	96,907	102,886	105,678	109,476	113,611	119,167	389,397	447,932
Interest Expense	65,978	65,787	66,336	71,643	73,076	75,633	78,280	81,838	269,744	308,827
Net Interest Income	28,891	28,948	30,571	31,243	32,602	33,843	35,330	37,330	119,653	139,105
% Change (YoY)	3.3	1.1	7.6	11.0	12.8	16.9	15.6	19.5	5.7	16.3
Other Income	12,306	9,739	9,321	13,263	9,483	12,021	12,019	14,783	44,627	48,307
Net Income	41,197	38,687	39,892	44,506	42,085	45,864	47,350	52,113	164,281	187,412
Operating Expenses	16,836	17,596	18,073	18,866	18,656	19,834	20,844	22,560	71,371	81,894
Operating Profit	24,361	21,090	21,819	25,640	23,429	26,030	26,506	29,553	92,910	105,518
% Change (YoY)	8.7	-11.0	-2.7	19.5	-3.8	23.4	21.5	15.3	3.2	13.6
Other Provisions	10,179	8,608	7,619	11,532	9,600	10,732	10,318	11,256	37,937	41,907
Profit before Tax	14,182	12,482	14,201	14,109	13,828	15,299	16,188	18,297	54,973	63,612
Tax Provisions	2,503	801	3,722	2,536	2,766	3,060	3,238	3,659	9,562	12,722
Net Profit	11,679	11,681	10,478	11,573	11,063	12,239	12,950	14,638	45,411	50,889
% Change (YoY)	2.5	-10.2	3.6	12.5	-5.3	4.8	23.6	26.5	1.3	12.1
Operating Parameters										
NIM (Reported, %)	2.4	2.3	2.4	2.3					2.3	
NIM (Calculated, %)	2.2	2.2	2.3	2.1	2.1	2.2	2.2	2.2	2.1	2.1
Deposit Growth (%)	22.0	18.8	21.5	20.0	20.6	18.5	19.7	11.0	20.0	11.0
Loan Growth (%)	12.4	16.3	17.7	21.0	22.3	18.0	19.4	15.0	21.0	15.0
CASA Ratio (%)	31.2	32.7	32.3	31.8					31.8	
Tax Rate (%)	17.7	6.4	26.2	18.0	20.0	20.0	20.0	20.0	17.4	20.0
Asset Quality										
OSRL (INR B)	207.2	215.3	211.7	224.5					224.5	
OSRL (%)	6.4	6.3	6.0	5.7					5.7	
Gross NPA (INR B)	97.6	108.9	119.3	118.8	124.6	129.6	131.1	130.6	118.8	130.6
Gross NPA (%)	3.0	3.2	3.3	2.9	3.2	3.2	3.1	2.9	2.9	2.9

E: MOSL Estimates

Bank of India

Bloomberg	BOI IN
Equity Shares (m)	642.26
M.Cap. (INR b)/(USD b)	195.31/3.25
52-Week Range (INR)	357/127
1, 6, 12 Rel. Per (%)	-8/3/3

CMP: INR305

Neutral

Financial and Valuation Summary (INR b)

Y/E March	2014	2015E	2016E	2017E
NII	108.3	126.9	147.3	178.2
OP	84.2	95.3	109.4	134.2
NP	27.3	34.4	43.0	56.1
NIM (%)	2.3	2.3	2.3	2.3
EPS (INR)	42.4	53.4	66.9	87.2
EPS Gr. (%)	-7.9	25.9	25.1	30.4
ROE (%)	11.7	12.9	14.3	16.3
ROA (%)	0.5	0.6	0.6	0.7
BV/Sh. (INR)	390	437.2	496.1	572.2
ABV/Sh. (INR)	315	359	430	522
Div. Payout (%)	13.7	14.5	14.5	14.5
Valuations				
P/E(X)	7.2	5.7	4.5	3.5
P/BV (X)	0.8	0.7	0.6	0.5
P/ABV (X)	1.0	0.8	0.7	0.6
Div. Yield (%)	1.6	2.2	2.7	3.6

- Business growth is expected to be above industry average with loan and deposit growth of 23%+ YoY and 18% YoY, respectively.
- Factored in NIM (calculated) decline of 15bp+ QoQ as bank had one-off income of INR3.8b on interest on IT refund in 4QFY14.
- Fee income is expected to be healthy. However lower trading income and recoveries would lead to steep decline in non-interest income (-27% YoY).
- While slippages will remain elevated, it is expected to be lower on a sequential basis (4.9% in 4QFY14). Credit cost is also expected to remain high. Provisioning for unhedged forex exposures will increase the provisioning charge.
- Lower non-interest income would result in 6% YoY decline in PPP. Further higher provisioning expense is expected to translate into 35%+ YoY decline in earnings.

Key issues to watch out

- Outlook on balance sheet growth given weak capitalization levels (CET 1 of less than 7.2%). Further capital infusion and asset monetization plan to increase Tier I ratio.
- Bank has been aggressive in offloading loans to ARCs. Hence, quantum of loans sold and future pipeline for asset sale.

Quarterly Performance

(INR Million)

	FY14				FY15E				FY14	FY15E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	85,412	92,393	97,692	103,604	104,544	108,685	112,929	119,263	379,101	445,420
Interest Expense	60,042	67,121	70,501	73,131	75,283	77,825	80,790	84,622	270,796	318,520
Net Interest Income	25,370	25,272	27,190	30,473	29,261	30,860	32,139	34,640	108,305	126,900
% Change (Y-o-Y)	24.1	15.1	17.8	23.1	15.3	22.1	18.2	13.7	20.0	17.2
Other Income	11,808	11,003	10,971	9,137	8,586	10,546	11,687	13,878	42,918	44,696
Net Income	37,178	36,274	38,162	39,610	37,847	41,406	43,825	48,518	151,224	171,596
Operating Expenses	15,374	15,249	16,722	19,649	17,448	18,413	19,063	21,330	66,995	76,254
Operating Profit	21,804	21,025	21,440	19,961	20,400	22,993	24,762	27,188	84,229	95,342
% Change (Y-o-Y)	30.3	13.4	15.5	-3.8	-6.4	9.4	15.5	36.2	12.9	13.2
Other Provisions	6,946	12,323	14,037	15,473	11,846	12,052	12,418	11,950	48,779	48,266
Profit before Tax	14,858	8,702	7,402	4,488	8,553	10,941	12,344	15,238	35,451	47,076
Tax Provisions	5,217	2,484	1,544	-1,087	2,309	2,954	3,333	4,114	8,158	12,711
Net Profit	9,642	6,218	5,858	5,575	6,244	7,987	9,011	11,124	27,293	34,366
% Change (Y-o-Y)	8.6	106.0	-27.1	-26.3	-35.2	28.5	53.8	99.5	-0.7	25.9
Operating Parameters										
NIM (Cal, %)	2.3	2.2	2.2	2.4	2.2	2.3	2.3	2.4	2.3	2.3
Deposit Growth (%)	22.4	29.9	30.1	24.9	18.4	17.1	17.0	15.0	24.9	15.0
Loan Growth (%)	17.1	29.4	27.2	28.4	25.0	18.3	16.2	15.9	28.4	15.9
CASA Ratio (Reported, %)	31.4	30.4	31.0	30.0					30.0	
Tax Rate (%)	35.1	28.5	20.9	-24.2	27.0	27.0	27.0	27.0	23.0	27.0
Asset Quality										
OSRL (INR b)	162.3	175.0	163.9	135.6					135.6	
OSRL (%)	5.2	5.2	4.6	3.6					3.6	
Gross NPA (INR b)	94.1	98.8	100.2	118.7	122.2	127.8	132.0	134.5	118.7	134.5
Gross NPA (%)	3.0	2.9	2.8	3.2	3.2	3.2	3.2	3.1	3.2	3.1

E: MOSL Estimates

Canara Bank

Bloomberg	CBK IN
Equity Shares (m)	461.26
M.Cap. (INR b) /(USD b)	212.94/3.54
52-Week Range (INR)	498/190
1, 6, 12 Rel. Per (%)	-2/37/-9

Financial and Valuation Summary (INR b)

Y/E March	2014	2015E	2016E	2017E
NII	89.4	104.3	125.4	154.0
OP	68.0	75.1	93.7	118.5
NP	24.4	27.8	38.2	49.7
NIM (%)	2.1	2.1	2.2	2.2
EPS (INR)	52.9	60.3	82.9	107.8
EPS Gr. (%)	-18.5	14.0	37.5	30.0
BV/Sh. (INR)	515.9	562.1	625.7	708.4
ABV/Sh. (INR)	431.8	469.7	539.2	640.8
ROE (%)	10.5	11.2	14.0	16.2
ROA (%)	0.5	0.5	0.6	0.7
Div. Payout (%)	24.2	23.2	23.2	23.2
Valuations				
P/E(X)	8.5	7.4	5.4	4.2
P/BV (X)	0.9	0.8	0.7	0.6
P/ABV (X)	1.0	1.0	0.8	0.7
Div. Yield (%)	2.5	2.7	3.7	4.8

CMP: INR448

Buy

- Loan growth is expected to be above industry average at 22% YoY, whereas deposit growth is expected to be 13.5% YoY.
- Reported NIM is expected to decline QoQ, however this is on account of one-off interest income of INR1b booked in 4QFY14. Hence, adjusted NIM is expected to be stable QoQ.
- Lower trading income will drag overall non-interest income. Core fee based income is expected to be healthy.
- We expect pressure on asset quality to continue resulting into higher credit cost.
- Strong NII growth and containment in opex growth will keep the core operating performance healthy. Expect 23% YoY growth in Core PPP.

Key issues to watch out

- Outlook on asset quality- slippages, restructuring pipeline and sale to ARCs
- Capital raising plans
- Business growth outlook, especially on bulk deposit proportion and strategy to improve low cost CASA deposits.

Quarterly Performance

(INR million)

	FY14				FY15E				FY14	FY15E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	92,696	96,545	100,839	105,397	107,366	109,829	113,721	119,879	395,476	450,795
Interest Expense	72,785	74,633	78,569	80,045	82,677	84,568	87,189	92,108	306,032	346,541
Net Interest Income	19,911	21,912	22,270	25,352	24,689	25,262	26,532	27,772	89,444	104,255
% Change (Y-o-Y)	8.0	12.0	12.0	21.3	24.0	15.3	19.1	9.5	13.5	16.6
Other Income	12,383	7,730	8,514	10,700	9,391	9,622	9,728	11,945	39,328	40,686
Net Income	32,294	29,642	30,784	36,052	34,080	34,884	36,260	39,717	128,772	144,941
Operating Expenses	13,311	15,392	14,876	17,231	15,994	16,799	17,951	19,100	60,810	69,843
Operating Profit	18,983	14,250	15,909	18,821	18,087	18,085	18,309	20,617	67,962	75,098
% Change (Y-o-Y)	36.2	11.1	4.9	10.9	-4.7	26.9	15.1	9.5	15.4	10.5
Other Provisions	9,162	6,740	10,515	10,913	9,342	9,863	9,889	10,361	37,330	39,455
Profit before Tax	9,821	7,509	5,393	7,908	8,745	8,222	8,420	10,256	30,632	35,643
Tax Provisions	1,900	1,250	1,300	1,800	1,924	1,809	1,852	2,256	6,250	7,841
Net Profit	7,921	6,259	4,093	6,108	6,821	6,413	6,568	8,000	24,382	27,802
% Change (Y-o-Y)	2.2	-5.3	-42.4	-15.8	-13.9	2.5	60.4	31.0	-15.1	14.0
Operating Parameters										
NIM (Rep, %)	2.2	2.2	2.2	2.3					2.2	
NIM (Cal, %)	2.0	2.2	2.1	2.3	2.2	2.1	2.2	2.2	2.1	2.2
Deposit Growth (%)	14.2	16.3	26.2	18.2	13.4	14.5	14.1	15.0	18.2	15.0
Loan Growth (%)	10.8	30.3	31.8	24.3	22.9	12.5	15.4	16.0	24.3	16.0
CD Ratio (%)	65.4	71.8	70.4	71.6	70.9	70.5	71.2	72.2	71.6	72.2
CASA Ratio (%)	23.1	24.3	23.1	24.5					24.5	
Tax Rate (%)	19.3	16.6	24.1	22.8	22.0	22.0	22.0	22.0	20.4	22.0
Asset Quality										
OSRL (INR b)	172.7	180.5	184.5	202.5					202.5	
OSRL (%)	6.9	6.4	6.4	6.7					6.7	
Gross NPA (INR b)	73.3	74.8	80.7	75.7	79.6	84.4	85.5	86.7	75.7	86.7
Gross NPA (%)	2.9	2.6	2.8	2.5	2.5	2.6	2.5	2.5	2.5	2.5

E: MOSL Estimates

Federal Bank

Bloomberg	FB IN
Equity Shares (m)	854.92
M.Cap. (INR b)/(USD b)	112.38/1.87
52-Week Range (INR)	136/44
1, 6, 12 Rel. Per (%)	10/33/29

CMP: INR129

Buy

- Business growth is expected to remain muted as bank continues to tread on the path of risk aversion. Loan growth is expected to be 8% YoY and deposit growth to be at 7% YoY.
- Reported NIM is expected to decline 30bp+ QoQ as one off interest on IT refund is expected to be lower, however adjusted NIM is expected to improve by 10bp QoQ.
- Fee income growth is expected to be moderate at 12% YoY. However, lower trading income is expected to result into 10% YoY decline in non-interest income.
- Slippages run-rate is expected to continue at ~2%, however, loans sale to ARCs could contain GNPA increase.
- We factor credit cost of 50bp for 1QFY15 as against negligible credit cost in last three quarters, but significantly lower than 2.2% in 1QFY14 and aid earnings growth (100%+ YoY)

Financial and Valuation Summary (INR b)

Y/E March	2014	2015E	2016E	2017E
NII	22.3	24.5	28.6	34.3
OP	14.8	16.1	18.9	23.3
NP	8.4	9.1	10.7	13.0
NIM (%)	3.3	3.3	3.3	3.3
EPS (INR)	9.8	10.6	12.5	15.2
EPS Gr. (%)	0.2	8.2	17.2	21.9
BV/Sh. (INR)	81.3	89.4	98.9	110.6
ABV/Sh. (INR)	78.8	85.6	94.3	106.5
ROE (%)	12.6	12.5	13.2	14.5
ROA (%)	1.2	1.1	1.1	1.2
Payout (%)	23.6	23.2	23.2	23.2
Valuations				
P/E(X)	13.1	12.1	10.4	8.5
P/BV (X)	1.6	1.4	1.3	1.2
P/ABV (X)	1.7	1.5	1.4	1.2
Div. Yield (%)	1.5	1.6	1.9	2.4

Key issues to watch out

- Outlook on asset quality in the corporate segment. Sale of loans to ARCs.
- Strategy on balance sheet growth, with consolidation in corporate segment now largely over.

Quarterly Performance

(INR Million)

	FY14				FY15E				FY14	FY15E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	16,533	17,144	17,397	18,387	18,129	18,733	19,418	20,784	69,461	77,064
Interest Expense	11,437	11,661	11,941	12,136	12,379	12,658	13,037	14,463	47,175	52,537
Net Interest Income	5,096	5,484	5,456	6,251	5,750	6,076	6,381	6,320	22,286	24,527
% Change (YoY)	3.7	8.4	9.7	30.3	12.8	10.8	17.0	1.1	12.9	10.1
Other Income	2,158	1,434	1,563	1,784	1,907	1,951	2,041	2,408	6,938	8,306
Net Income	7,254	6,918	7,018	8,035	7,657	8,026	8,422	8,728	29,225	32,833
Operating Expenses	3,249	3,378	3,459	3,835	3,909	4,151	4,260	4,462	14,421	16,782
Operating Profit	4,005	3,539	3,559	4,200	3,748	3,875	4,163	4,266	14,804	16,052
% Change (YoY)	15.6	1.2	-9.7	13.7	-6.4	9.5	17.0	1.6	1.4	8.4
Other Provisions	2,451	110	73	550	667	791	760	848	2,679	3,067
Profit before Tax	1,554	3,429	3,486	3,650	3,081	3,084	3,403	3,418	12,125	12,985
Tax Provisions	498	1,171	1,185	877	924	925	1,021	1,025	3,728	3,896
Net Profit	1,057	2,258	2,301	2,773	2,156	2,159	2,382	2,392	8,397	9,090
% Change (YoY)	-44.5	5.0	9.2	24.9	104.1	-4.4	3.5	-13.7	0.2	8.2
Operating Parameters										
NIM (Reported,%)	3.1	3.3	3.2	3.6					3.3	
NIM (Cal, %)	3.1	3.3	3.3	3.6	3.3	3.4	3.4	3.2	3.3	3.3
Deposit Growth (%)	12.7	14.7	11.9	3.7	7.4	11.0	13.6	15.0	3.7	15.0
Loan Growth (%)	8.5	16.3	5.4	-1.5	6.8	7.6	14.5	16.0	-1.5	16.0
CD Ratio (%)	72.4	74.3	72.1	72.7	72.0	72.0	72.7	73.4	72.7	73.4
CASA Ratio (%)	29.0	30.7	30.4	30.8					30.8	
Asset Quality										
Gross NPA (INR b)	14.8	14.7	12.0	10.9	11.4	11.9	12.1	12.2	10.9	12.2
Gross NPA (%)	3.5	3.4	2.8	2.5	2.5	2.6	2.5	2.4	2.5	2.4

E: MOSL Estimates

HDFC Bank

Bloomberg	HDFCB IN
Equity Shares (m)	2,407.70
M.Cap. (INR b)/(USD b)	1,981.77/32.97
52-Week Range (INR)	858/528
1, 6, 12 Rel. Per (%)	-2/2/-6

Financial and Valuation Summary (INR b)

Y/E March	2014	2015E	2016E	2017E
NII	184.8	225.8	276.0	348.6
OP	143.6	182.2	225.9	285.2
NP	84.8	106.7	134.0	167.8
NIM (%)	4.6	4.6	4.6	4.6
EPS (INR)	35.3	44.5	55.9	70.0
EPS Gr. (%)	25.0	25.8	25.6	25.2
BV/Sh. (INR)	181.3	215.4	258.2	311.9
ABV/Sh. (INR)	178.9	211.0	252.5	305.5
RoE (%)	21.3	22.4	23.6	24.5
RoA (%)	1.9	2.0	2.0	2.0
Payout (%)	22.7	23.4	23.4	23.4
Valuations				
P/E (x)	24.2	19.2	15.3	12.2
P/BV (x)	4.7	4.0	3.3	2.7
P/ABV (x)	4.8	4.0	3.4	2.8
Div. Yield (%)	0.8	1.0	1.3	1.6

CMP: INR856

Buy

- We expect a healthy loan growth of 28% YoY and 9% QoQ driven by improving macro environment and a well balanced portfolio. Deposit growth is expected to be at 26% YoY and 4% QoQ.
- NIM is expected to remain stable at 4.6% QoQ (though lower by 16bp YoY). Consequently, NII is expected to grow 18% YoY.
- Fee income growth is expected to be at 19% YoY. However, lower income from sale of investments would drag non-interest income growth lower to 9% YoY.
- Asset quality remains best in class with lowest net stressed loans. However, with a conservative approach we expect provisions to be at INR4.5b.
- Strong operating performance coupled with healthy asset quality would lead to a 25% YoY earnings growth.

Key issues to watch out

- Performance on retail loan portfolio especially in segments like CV where commentary from the industry experts has been improving.
- Performance of branches opened in the unbanked areas during FY14 and branch expansion strategy for FY15.
- Capital raising plans

Quarterly Performance

(INR Million)

	FY14				FY15E				FY14	FY15E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	96,630	100,933	105,907	107,886	113,541	119,583	126,086	132,361	411,355	491,571
Interest Expense	52,443	56,168	59,559	58,359	61,569	65,263	68,526	70,457	226,529	265,815
Net Interest Income	44,187	44,765	46,348	49,527	51,972	54,320	57,560	61,904	184,826	225,756
% Change (Y-o-Y)	21.0	15.3	16.4	15.3	17.6	21.3	24.2	25.0	16.9	22.1
Other Income	19,256	18,444	21,483	20,014	20,944	22,513	25,942	25,490	79,196	94,890
Net Income	63,443	63,209	67,830	69,541	72,915	76,833	83,502	87,395	264,023	320,645
Operating Expenses	30,382	29,342	28,951	31,747	33,717	34,155	34,727	35,886	120,422	138,485
Operating Profit	33,061	33,867	38,880	37,794	39,198	42,678	48,775	51,509	143,601	182,160
% Change (Y-o-Y)	23.6	26.9	24.6	27.6	18.6	26.0	25.5	36.3	25.7	26.9
Other Provisions	5,271	3,859	3,888	2,861	4,500	5,200	4,750	8,457	15,880	22,907
Profit before Tax	27,790	30,007	34,991	34,933	34,698	37,478	44,025	43,052	127,721	159,253
Tax Provisions	9,351	10,184	11,734	11,667	11,624	12,555	14,748	13,626	42,937	52,554
Net Profit	18,439	19,823	23,257	23,266	23,074	24,923	29,277	29,426	84,784	106,700
% Change (Y-o-Y)	30.1	27.1	25.1	23.1	25.1	25.7	25.9	26.5	26.1	25.8
Operating Parameters										
NIM (Reported,%)*	4.6	4.3	4.2	4.4					4.4	
NIM (Cal, %) #	4.8	4.8	4.6	4.6	4.6	4.6	4.7	4.7	4.6	4.6
Deposit Growth (%)	17.8	14.2	22.9	24.0	26.0	28.2	21.8	21.0	24.0	21.0
Loan Growth (%)	21.2	16.0	22.9	26.4	27.7	27.9	25.0	26.0	26.4	26.0
CD Ratio (%)	85.3	85.8	85.0	82.5	86.5	85.6	87.2	85.9	82.5	85.9
CASA Ratio (%)	44.7	45.0	41.1	44.8					44.8	43.8
Tax Rate (%)	33.6	33.9	33.5	33.4	33.5	33.5	33.5	31.7	33.6	33.0
Asset Quality										
OSRL (INR B)	5.2	5.4	5.9	6.1					6.1	
OSRL (%)	0.2	0.2	0.2	0.2					0.2	
Gross NPA (INR B)	27.2	29.4	30.2	29.9	32.6	36.2	39.4	41.1	29.9	41.1
Gross NPA (%)	1.0	1.1	1.0	1.0	1.0	1.1	1.1	1.1	1.0	1.1

E: MOSL Estimates; * Reported on total assets; # Cal. on interest earning assets

ICICI Bank

Bloomberg	ICICIB IN
Equity Shares (m)	1,156.01
M.Cap. (INR b) /(USD b)	1,662.00/27.65
52-Week Range (INR)	1,590/759
1, 6, 12 Rel. Per (%)	-4/12/2

Financial and Valuation Summary (INR b)

Y/E March	2014	2015E	2016E	2017E
NII	164.8	190.5	227.3	279.2
OP	165.9	191.8	230.2	285.4
NP	98.1	114.4	138.5	171.8
NIM (%)	3.2	3.3	3.4	3.4
EPS (INR)	85	99	120	149
EPS Gr (%)	17.7	16.6	21.1	24.0
BV/Sh (INR)*	508	580	668	777
ABV/Sh (INR)*	488.2	556.6	639.7	743.7
RoE (%)	15.2	15.7	16.6	17.9
RoA (%)	1.7	1.8	1.8	1.9
Div. Payout (%)	31.4	31.3	31.3	31.3

* BV adj for invt in subsidiaries, Prices adj for sub value

Quarterly Performance

	FY14				FY15E				FY14	FY15E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	104,207	108,133	114,550	114,893	118,528	122,539	126,886	132,729	441,782	500,682
Interest Expense	66,002	67,698	71,999	71,327	73,467	75,855	78,510	82,311	277,026	310,143
Net Interest Income	38,205	40,435	42,551	43,565	45,061	46,684	48,377	50,417	164,756	190,539
% Change (YoY)	19.7	19.9	21.6	14.5	17.9	15.5	13.7	15.7	18.8	15.6
Other Income	24,843	21,665	28,010	29,761	27,966	29,977	30,750	31,528	104,279	120,221
Net Income	63,048	62,100	70,561	73,326	73,027	76,661	79,127	81,945	269,034	310,760
Operating Expenses	24,906	23,221	26,170	28,791	28,588	29,621	29,849	30,916	103,089	118,974
Operating Profit	38,142	38,879	44,390	44,535	44,439	47,040	49,278	51,029	165,946	191,786
% Change (YoY)	29.3	21.8	28.6	23.6	16.5	21.0	11.0	14.6	25.7	15.6
Other Provisions	5,932	6,248	6,946	7,138	6,478	7,598	6,973	7,291	26,264	28,339
Profit before Tax	32,210	32,631	37,444	37,397	37,961	39,443	42,305	43,738	139,682	163,447
Tax Provisions	9,468	9,110	12,122	10,877	11,388	11,833	12,692	13,122	41,577	49,034
Net Profit	22,742	23,521	25,322	26,520	26,573	27,610	29,614	30,617	98,105	114,413
% Change (YoY)	25.3	20.2	12.5	15.1	16.8	17.4	16.9	15.4	17.8	16.6

E: MOSL Estimates

CMP: INR1462

Buy

- Loan is expected to grow 4% QoQ and 17% YoY. Retail loan growth has picked up over last few quarters, which is expected to remain a key driver of loan growth.
- Margins are expected to remain stable QoQ at 3.3% (up 15bp YoY). Consequently, NII is expected to grow 3% QoQ and 18% YoY.
- Fee income is expected to grow ~16% YoY, whereas non-interest income is expected to increase 13% YoY, led by lower contribution from profit on sale of investments.
- GNPA is expected to remain stable QoQ, however, restructuring portfolio is likely to increase. Management had guided for incremental restructuring of INR15b at the end of FY14. Further provisioning for un-hedged forex exposures will also lead to higher provisioning expenses.

Key issues to watch out

- Performance on asset quality and restructuring pipeline
- Outlook on domestic loan growth and areas of focus.
- Guidance on margins and opex growth – which has been one of the drivers of profitability in recent quarters.

Indian Bank

Bloomberg	INBK IN
Equity Shares (m)	464.85
M.Cap. (INR b) /(USD b)	83.81/1.39
52-Week Range (INR)	199/61
1, 6, 12 Rel. Per (%)	0/33/26

Financial and Valuation Summary (INR b)

Y/E March	2014	2015E	2016E	2017E
NII	44	52	61	73
OP	29	33	39	47
NP	12	13	17	21
NIM (%)	2.7	2.8	2.8	2.8
EPS (INR)	25	29	36	44
EPS Gr. (%)	-32.2	16.3	25.7	21.3
BV/Sh. (INR)	248	270	298	332
ABV/Sh (INR)	210	227	258	289
RoE (%)	10.3	11.2	12.8	14.0
RoA (%)	0.7	0.7	0.7	0.7
Div. Payout (%)	20.8	23.2	23.2	23.2
Valuations				
P/E (x)	7.3	6.2	5.0	4.1
P/ BV (x)	0.7	0.7	0.6	0.5
P/ABV (x)	0.9	0.8	0.7	0.6
Div. Yield (%)	2.6	3.2	4.0	4.9

CMP: INR185

Buy

- Loan growth is expected to be near industry growth rate at ~15% YoY.
- We factor ~10bp QoQ improvement in margins. Consequently, NII is expected to grow 9% QoQ and 7% YoY.
- Fee income is expected to grow in line with loan growth; however, profit on sale of investments is expected to be significantly lower than INR3.1b reported in 1QFY14. Other income is expected to decline 45%+ YoY and impact earnings.
- We factor in slippage ratio of 3% versus 3.3% in 4QFY14. Further, asset sale to ARCs may help contain headline GNPA, which is currently not factored in our estimates.
- PPP is expected to decline 14% YoY led by weak non-interest income performance. However, lower base will help PAT (de-growth of 6% YoY versus -31% YoY in 1QFY14 and -7% YoY in 4QFY14).

Key issues to watch out

- Business growth outlook.
- Comments on capital raising though not an immediate requirement.
- Pipeline of sale of assets to ARCs. Outlook on asset quality a key.
- Implementation of retail focuses strategy guided by management.

Quarterly Performance

(INR Million)

	FY14				FY15E				FY14	FY15E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	36,658	38,013	38,698	39,107	40,625	42,304	44,219	46,049	152,492	173,197
Interest Expense	25,690	27,077	27,791	28,330	28,897	29,908	31,030	31,626	108,888	121,460
Net Interest Income	10,968	10,937	10,907	10,777	11,728	12,396	13,189	14,423	43,604	51,737
% Change (Y-o-Y)	-4.9	-2.4	-4.6	-2.8	6.9	13.3	20.9	33.8	-3.7	18.7
Other Income	5,297	2,769	2,426	3,241	2,853	3,732	3,162	4,332	13,717	14,080
Net Income	16,265	13,706	13,332	14,018	14,582	16,128	16,351	18,755	57,321	65,816
Operating Expenses	7,672	6,649	7,010	6,984	7,234	7,780	8,441	9,424	28,315	32,880
Operating Profit	8,593	7,056	6,323	7,034	7,348	8,348	7,909	9,331	29,006	32,936
% Change (Y-o-Y)	2.3	-22.3	-15.5	24.6	-14.5	18.3	25.1	32.7	-1.4	14.8
Other Provisions	3,681	2,250	2,379	5,939	3,067	3,556	2,909	4,145	14,249	13,674
Profit before Tax	4,912	4,807	3,943	1,095	4,281	4,792	5,000	5,186	14,757	19,262
Tax Provisions	1,738	1,749	1,298	-1,618	1,284	1,438	1,500	1,557	3,167	5,779
Net Profit	3,174	3,058	2,645	2,713	2,997	3,355	3,500	3,629	11,589	13,484
% Change (Y-o-Y)	-31.3	-38.4	-20.0	-7.1	-5.6	9.7	32.3	33.8	-26.7	16.3
Operating Parameters										
NIM (Rep, %)	2.7	2.6	2.7	2.6					2.7	
NIM (Cal, %)	2.9	2.8	2.7	2.6	2.7	2.8	2.8	3.0	2.7	2.8
Deposit Growth (%)	17.8	16.4	16.6	14.3	10.7	11.7	13.1	16.0	14.3	16.0
Loan Growth (%)	15.7	15.1	12.1	15.7	14.9	18.0	21.6	16.0	15.7	16.0
Tax Rate (%)	35.4	36.4	32.9	-147.8	30.0	30.0	30.0	30.0	21.5	30.0
Asset Quality										
Gross NPA (INR b)	37.2	41.8	38.3	45.6	49.2	51.5	52.4	52.7	45.6	52.7
Gross NPA (%)	3.4	3.8	3.4	3.7	3.9	3.9	3.8	3.7	3.7	3.7

E: MOSL Estimates

Indusind Bank

Bloomberg	IIB IN
Equity Shares (m)	526.15
M.Cap. (INR b)/(USD b)	302.96/5.04
52-Week Range (INR)	587/318
1, 6, 12 Rel. Per (%)	2/15/-12

CMP: INR569

Buy

Financial and Valuation Summary (INR b)

Y/E March	2014	2015E	2016E	2017E
NII	28.9	35.7	44.4	55.7
OP	26.0	32.0	39.8	51.2
NP	14.1	17.6	22.2	28.5
NIM (%)	3.9	4.1	4.1	4.1
EPS (INR)	26.8	33.4	42.3	54.2
EPS Gr. (%)	32.0	24.7	26.7	28.1
BV/Sh. (INR)	168.1	195.7	230.6	275.3
ABV/Sh. (INR)	165.8	192.4	226.0	270.0
RoE (%)	17.3	18.4	19.9	21.4
RoA (%)	1.8	1.8	1.9	1.9
Payout (%)	15.3	17.5	17.5	17.5
Valuations				
P/E (X)	21.4	17.2	13.5	10.6
P/BV (X)	3.4	2.9	2.5	2.1
P/ABV (X)	3.5	3.0	2.5	2.1
Div. Yield (%)	0.6	0.9	1.1	1.4

- Loan and deposit growth is expected to be above industry average at 25% YoY and 16% YoY, respectively.
- Margins expected to remain stable at 3.7% QoQ as systemic interest rates have cooled off.
- Focus on investment banking and forex segment will aid healthy growth of ~25% YoY in fee income.
- PPP is expected to grow ~12% YoY, however, lower provisions (primarily on account of absence of floating provisions of INR500m) will keep earnings growth strong at 24% YoY.
- Slippages are expected to rise but will be manageable. NNPA is expected to be contained below 40bp versus 33bp in FY14. Also, credit costs are expected to be stable QoQ at 55bp.

Key issues to watch out

- Implementation of planning cycle 3 strategy, with focus on its branch expansion strategy.
- Traction in CASA deposit growth.
- CV/CE industry performance will be a key for growth and asset quality.
- Management succession plan as Mr. Sobti is expected to retire in Jan-15.

Quarterly Performance

									(INR Million)	
	FY14				FY15E				FY14	FY15E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	19,122	20,186	21,435	21,793	22,807	23,690	24,491	25,089	82,535	96,077
Interest Expense	12,327	13,186	14,134	13,981	14,540	14,976	15,350	15,497	53,628	60,363
Net Interest Income	6,795	6,999	7,301	7,812	8,268	8,714	9,141	9,592	28,907	35,714
% Change (YoY)	40.4	37.3	26.4	18.1	21.7	24.5	25.2	22.8	29.5	23.5
Other Income	4,706	4,167	4,803	5,229	5,014	5,557	5,963	6,260	18,905	22,794
Net Income	11,501	11,167	12,104	13,041	13,281	14,271	15,105	15,852	47,812	58,508
Operating Expenses	5,085	5,288	5,630	5,851	6,109	6,374	6,797	7,213	21,853	26,493
Operating Profit	6,416	5,879	6,474	7,191	7,172	7,897	8,307	8,639	25,960	32,015
% Change (YoY)	58.8	40.0	37.1	32.3	11.8	34.3	28.3	20.1	41.1	23.3
Other Provisions	1,321	889	1,262	1,206	916	1,486	1,578	1,530	4,676	5,510
Profit before Tax	5,095	4,991	5,212	5,985	6,256	6,411	6,729	7,108	21,283	26,505
Tax Provisions	1,747	1,688	1,743	2,025	2,096	2,148	2,288	2,414	7,203	8,945
Net Profit	3,348	3,302	3,469	3,961	4,160	4,263	4,441	4,694	14,080	17,559
% Change (YoY)	41.7	32.0	29.8	28.8	24.2	29.1	28.0	18.5	32.7	24.7
Operating Parameters										
NIM (Reported,%)	3.7	3.7	3.7	3.8					3.7	
NIM (Cal, %)	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.9	4.1
Deposit Growth (%)	23.5	11.1	10.1	11.8	16.3	26.9	27.5	25.0	11.8	25.0
Loan Growth (%)	27.3	24.2	23.7	24.3	24.9	25.2	25.0	25.0	24.3	25.0
CASA Ratio (%)	30.0	31.8	32.2	32.5					32.5	
Asset Quality										
OSRL (%)	0.3	0.3	0.3	0.3					0.3	
Gross NPA (INR b)	5.1	5.5	6.3	6.2	7.2	8.0	8.7	9.2	6.2	9.2
Gross NPA (%)	1.1	1.1	1.2	1.1	1.2	1.3	1.3	1.3	1.1	1.3

E: MOSL Estimates; Quarterly calculated margins based on total assets, yearly on interest earning assets

ING Vysya Bank

Bloomberg	VYSB IN
Equity Shares (m)	189.72
M.Cap. (INR b)/(USD b)	126.59/2.11
52-Week Range (INR)	723/406
1, 6, 12 Rel. Per (%)	-1/-13/-30

CMP: INR662
Buy
Financial and Valuation Summary (INR b)

Y/E March	2014	2015E	2016E	2017E
NII	17.5	20.1	23.7	28.2
OP	11.3	13.8	16.4	19.7
NP	6.6	7.6	9.0	10.7
NIM (%)	3.3	3.4	3.4	3.4
EPS (INR)	34.9	40.3	47.6	56.5
EPS Gr. (%)	-11.9	15.5	18.1	18.7
BV/Sh. (INR)	369.5	401.5	439.4	484.4
ABV/Sh. (INR)	365.7	397.4	433.7	478.0
RoE (%)	11.4	10.4	11.3	12.2
RoA (%)	1.1	1.2	1.2	1.2
Payout (%)	20.2	20.3	20.3	20.3
Valuations				
P/E(X)	18.9	16.4	13.9	11.7
P/BV (X)	1.8	1.6	1.5	1.4
P/ABV (X)	1.8	1.7	1.5	1.4
Div. Yield (%)	0.9	1.1	1.3	1.5

- Loan growth is expected to be below industry growth rate at 11% YoY led by repayment of one large account in 2QFY14; adjusted for this YoY growth would have been 17% YoY. Deposit growth is expected to be lower at 3% YoY primarily helped by capital infusion in 2QFY14.
- NIM is expected to moderate by 5bp+ QoQ (up 17b YoY). Consequently, NII is expected to grow 12% YoY (largely flat QoQ).
- Fee income growth is expected to be ~10% YoY. However, lower contribution from non-core income is expected to result into 6% YoY decline in non-interest income.
- Asset quality performance is expected to remain healthy, though there may be some pressure on account of increased stress in mid-corporate and SME segment.
- PPP growth is expected to be flat whereas earnings are expected to grow 5% YoY.

Key issues to watch out

- Branch expansion and trajectory of cost to average assets.
- Traction in SA deposits and if any plans to raise SA deposit rates.
- Performance of SME and outlook on LAP.

Quarterly Performance
(INR Million)

	FY14				FY15E				FY14	FY15E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	13,086	13,173	12,733	13,061	13,500	13,994	14,527	15,050	52,051	57,072
Interest Expense	8,832	8,770	8,572	8,348	8,724	9,072	9,435	9,760	34,521	36,992
Net Interest Income	4,254	4,403	4,161	4,713	4,777	4,922	5,092	5,290	17,531	20,080
% Change (Y-o-Y)	23.9	19.4	3.3	11.2	12.3	11.8	22.4	12.2	13.9	14.5
Other Income	2,445	1,847	2,146	2,234	2,300	2,430	2,555	2,868	8,671	10,153
Net Income	6,699	6,250	6,307	6,947	7,077	7,352	7,647	8,157	26,202	30,233
Operating Expenses	3,430	3,487	3,564	4,447	3,758	4,069	4,200	4,381	14,927	16,408
Operating Profit	3,269	2,764	2,743	2,500	3,318	3,283	3,447	3,776	11,274	13,824
% Change (Y-o-Y)	50.3	21.4	4.2	-12.1	1.5	18.8	25.7	51.0	13.6	22.6
Other Provisions	681	181	230	406	625	500	500	776	1,498	2,651
Profit before Tax	2,588	2,583	2,513	2,094	2,693	2,783	2,947	2,999	9,777	11,173
Tax Provisions	837	820	839	703	862	891	943	880	3,199	3,575
Net Profit	1,751	1,763	1,673	1,391	1,832	1,892	2,004	2,120	6,578	7,598
% Change (Y-o-Y)	34.6	17.4	3.1	-18.3	4.6	7.4	19.7	52.4	7.3	15.5
Operating Parameters										
NIM (Reported,%)	3.6	3.5	3.4	3.7					3.5	
NIM (Cal, %)	3.4	3.5	3.3	3.6	3.6	3.6	3.5	3.5	3.5	3.5
Deposit Growth (%)	14.1	10.7	3.4	-0.3	2.7	8.7	16.2	15.0	-0.3	15.0
Loan Growth (%)	13.0	9.4	7.8	12.8	10.6	16.2	17.8	20.0	12.8	20.0
CD Ratio (%)	80.7	82.1	87.4	86.9	86.9	87.8	88.6	90.7	86.9	90.7
CASA Ratio (%)	30.2	32.5	34.7	33.4						
Asset Quality										
Gross NPA (INR B)	5.9	5.7	5.8	6.4	7.0	7.4	8.0	8.5	6.4	8.5
Gross NPA (%)	1.8	1.7	1.7	1.8	1.9	1.9	1.9	1.9	1.8	1.9
Net NPA (%)	0.19	0.19	0.21	0.28	0.29	0.28	0.28	0.26	0.28	0.26

E: MOSL Estimates

Kotak Mahindra Bank

Bloomberg	KMB IN
Equity Shares (m)	770.47
M.Cap. (INR b)/(USD b)	681.75/11.34
52-Week Range (INR)	972/588
1, 6, 12 Rel. Per (%)	-2/1/-7

CMP: INR884
Neutral

Lending business

- For the standalone bank, loan growth is expected to be moderate at 10% YoY and deposit growth at 16% YoY.
- Margins are expected to stable QoQ. Credit cost (including standard asset provisioning) expected to be ~50bp (1.4% in 1QFY14).
- Profit from the lending business is expected to increase 7%+ YoY, led by both standalone bank (expect PAT growth of ~5% YoY) and Kotak Prime (PAT growth to be healthy at 13% YoY).

Capital Market and Asset Management business

- Profitability of Kotak Securities is expected to be strong YoY basis with improving capital market activities.
- In Asset Management business, profitability is expected to improve and profit from this business is expected to be INR165m as compared to loss of INR20m reported in 1QFY14.

Financial and Valuation Summary (INR b)

Y/E March	2014	2015E	2016E	2017E
NII	37.2	42.1	50.0	62.0
OP	25.8	29.0	34.0	42.4
NP	15.0	17.8	21.5	26.8
NIM (%)	4.6	4.8	4.7	4.7
EPS (INR)	33.0	39.4	46.5	56.0
EPS Gr. (%)	12.6	19.4	18.0	20.5
Cons. BV.(INR)	236.3	274.6	319.7	374.1
Cons. RoE (%)	15.0	15.4	15.7	16.2
RoA (%)	1.8	1.9	1.9	1.9
Payout (%)	2.9	2.9	2.9	2.9

Valuations

P/E(X) (Cons.)	27.0	22.6	19.1	15.9
P/BV (X) (Cons.)	3.8	3.2	2.8	2.4
P/ABV (X) (Cons.)	3.9	3.3	2.8	2.4
Div. Yield (%)	0.1	0.1	0.1	0.2

Key issues to watch out

- With strong capital base, strategy for loan growth amidst improving sentiments on the economy would be a key.
- Asset quality performance in the CV segment.
- With improving sentiments in the capital markets, performance of its subsidiary businesses and their contribution to overall profit.

Quarterly Performance

(INR Million)

Y/E March	FY14				FY15E				FY14	FY15E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Kotak Bank (standalone)										
Net Interest Income	9,167	9,241	9,127	9,665	9,990	10,190	10,703	11,222	37,201	42,105
% Change (Y-o-Y)	27.1	21.9	10.9	7.0	9.0	10.3	17.3	16.1	16.0	13.2
Operating Profit	7,788	6,065	5,847	6,071	6,927	6,894	7,356	7,801	25,772	28,977
% Change (Y-o-Y)	73.7	25.8	2.1	-7.1	-11.1	13.7	25.8	28.5	19.5	12.4
Net Profit	4,028	3,525	3,400	4,072	4,234	4,314	4,475	4,806	15,025	17,829
% Change (Y-o-Y)	42.6	25.7	-6.0	-6.7	5.1	22.4	31.6	18.0	10.4	18.7
Other Businesses										
Kotak Prime	1,170	1,250	1,230	1,260	1,320	1,380	1,430	1,495	4,915	5,625
Kotak Mah. Investments	40	110	110	160	105	110	115	113	418	443
Kotak Mah. Capital Co	40	-20	70	50	30	35	40	50	139	155
Kotak Securities	310	400	460	440	550	500	550	574	1,595	2,174
International subs	-100	10	90	60	20	25	25	25	70	95
Kotak AMC & Trustee Co.	70	170	120	40	100	120	130	131	410	481
Kotak Investment Advisors	10	40	70	50	45	50	55	80	180	230
Kotak OM Life Insurance	710	440	600	650	675	675	650	629	2,390	2,629
Con.adj and MI	-3	-96	-237	-149	-55	-55	-55	-60	-492	-225
Conso. PAT	6,275	5,829	5,913	6,633	7,024	7,154	7,415	7,844	24,650	29,436
% Change (Y-o-Y)	41.5	16.1	2.4	-0.3	11.9	22.7	25.4	18.3	12.6	19.4

E: MOSL Estimates

Oriental Bank of Commerce

CMP: INR322
Buy

Bloomberg	OBC IN
Equity Shares (m)	299.85
M.Cap. (INR b)/(USD b)	98.59/1.64
52-Week Range (INR)	377/121
1, 6, 12 Rel. Per (%)	-11/26/29

Financial and Valuation Summary (INR b)

Y/E March	2014	2015E	2016E	2017E
NII	51	57	66	80
OP	42	42	49	59
NP	11	13	16	22
EPS (INR)	38	45	55	73
EPS Gr. (%)	-16.5	17.2	22.9	32.5
BV/Sh. (INR)	426	460	502	558
ABV/Sh. (INR)	342	373	421	477
RoE (%)	9.2	10.0	11.4	13.7
RoA (%)	0.5	0.6	0.6	0.7
Div. Payout (%)	23.2	23.2	23.2	23.2
Valuations				
P/E (x)	8.6	7.3	6.0	4.5
P/BV (x)	0.8	0.7	0.6	0.6
P/ABV (x)	1.0	0.9	0.8	0.7
Div. Yield (%)	2.3	2.7	3.4	4.5

- Bank is expected to continue its cautious stance on loan and deposit growth at 12% and 11% (YoY), respectively. However, growth would gradually pick up with improving macro environment.
- NIM is expected to be stable at 2.6% QoQ.
- Fee income growth is expected to be ~15% YoY. However, lower trading income would drag the overall non-interest income lower by 24% YoY.
- Asset quality pressure is expected to continue in 1QFY15, hence we factor slippage ratio of 3.3% and credit cost of 1.1%.
- Sale to ARCs may help contain rise in GNPA (4.1% in 1QFY15 versus 4% in FY14).
- PAT is expected to decline 16% YoY driven by weak PPP performance and high provisions.

Key issues to watch out

- Business growth outlook and de-bulking of liability franchise.
- Outlook on restructuring pipeline and sale of assets to ARCs.

Quarterly Performance
(INR Million)

Y/E March	FY14				FY15E				FY14	FY15E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	47,177	46,758	47,232	49,008	49,877	50,867	52,266	54,422	190,175	207,431
Interest Expense	34,106	33,949	34,927	35,921	36,445	37,025	37,980	39,438	138,904	150,888
Net Interest Income	13,070	12,809	12,304	13,087	13,432	13,842	14,286	14,983	51,271	56,543
% Change (YoY)	16.1	10.7	2.2	7.8	2.8	8.1	16.1	14.5	9.1	10.3
Other Income	5,381	3,119	3,408	7,545	4,088	4,113	4,338	6,193	19,453	18,732
Net Income	18,451	15,928	15,712	20,632	17,520	17,955	18,624	21,176	70,724	75,275
Operating Expenses	7,568	7,677	7,128	6,795	7,757	8,016	8,098	9,039	29,169	32,910
Operating Profit	10,883	8,251	8,584	13,837	9,763	9,939	10,526	12,137	41,555	42,364
% Change (YoY)	21.4	-10.4	-7.3	46.2	-10.3	20.5	22.6	-12.3	12.6	1.9
Other Provisions	5,327	5,505	5,611	9,307	5,532	5,402	5,508	6,843	25,751	23,285
Profit before Tax	5,555	2,746	2,973	4,530	4,231	4,537	5,017	5,294	15,804	19,079
Tax Provisions	2,022	232	730	1,427	1,269	1,361	1,505	1,588	4,410	5,724
Net Profit	3,534	2,514	2,243	3,103	2,961	3,176	3,512	3,706	11,394	13,356
% Change (YoY)	-9.7	-16.8	-31.3	0.8	-16.2	-39.6	10.2	35.7	-14.2	17.2
Operating Parameters										
NIM (Rep, %)	2.9	2.8	2.7	2.7					2.8	
NIM (Cal, %)	2.8	2.7	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Deposit Growth (%)	11.5	6.7	8.3	10.0	10.9	14.9	13.6	14.5	10.0	14.5
Loan Growth (%)	12.4	9.2	8.4	8.1	11.5	13.2	13.5	14.9	8.1	14.9
CASA Ratio (%)	23.5	24.5	24.2	24.3					24.3	
Tax Rate (%)	36.4	8.4	24.6	31.5	30.0	30.0	30.0	30.0	27.9	30.0
Asset Quality										
OSRL (INR b)	102.7	94.1	96.9	106.6					106.6	
OSRL (%)	8.0	7.3	7.2	7.6					7.6	
Gross NPA (INR b)	43.0	48.9	51.8	56.2	58.0	58.8	58.9	58.8	56.2	58.8
Gross NPA (%)	3.4	3.8	3.9	4.0	4.1	4.0	3.9	3.6	4.0	3.6

E: MOSL Estimates

Punjab National Bank

Bloomberg	PNB IN
Equity Shares (m)	362.07
M.Cap. (INR b)/(USD b)	360.17/5.99
52-Week Range (INR)	1,068/402
1, 6, 12 Rel. Per (%)	-2/37/25

Financial and Valuation Summary (INR b)

Y/E March	2014	2015E	2016E	2017E
NII	161	176	209	245
OP	114	122	149	176
NP	33	43	57	67
NIM (%)	3.3	3.2	3.3	3.2
EPS (INR)	92	119	158	185
EPS Gr. (%)	-31.3	28.7	32.8	17.4
BV/Sh. (INR)	951	1,056	1,196	1,359
ABV/Sh. (INR)	773	883	1,050	1,228
ROE (%)	10.2	11.8	14.0	14.5
ROA (%)	0.6	0.7	0.8	0.8
Div. Payout (%)	12.6	11.6	11.6	11.6
Valuations				
P/E(X)	10.7	8.3	6.3	5.4
P/BV (X)	1.0	0.9	0.8	0.7
P/ABV (X)	1.3	1.1	0.9	0.8
Div. Yield (%)	1.0	1.2	1.6	1.9

CMP: INR980

Buy

- Loan and deposit growth both is expected to be 16%+ YoY, partially driven by lower base as bank was in consolidation mode last year.
- Margins are expected to improve 10bp+ QoQ led by lower slippages (translating into lower interest income reversals) and continued benefit on account of reduction in bulk deposits and rising CASA ratio.
- Fee income is expected to grow 12% YoY. However, weak trading income is expected to result into a decline of 7% YoY in other income.
- Performance on the slippages has been volatile. We have factored in a slippage ratio of 3.5% and credit cost of 1.2%.
- PPP is expected to be flat YoY. PAT is expected to decline 11% YoY due to higher provisioning expense.

Key issues to watch out

- Balance sheet growth and traction in focus loan segments.
- Margins and traction in fee income.
- Outlook on asset quality as net stressed loans is one of the highest in the industry.

Quarterly Performance

(INR Million)

Y/E March	FY14				FY15E				FY14	FY15E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	104,045	107,335	109,839	111,013	113,979	117,696	121,231	124,747	432,233	477,653
Interest Expense	64,970	67,180	67,628	70,995	71,243	74,205	77,354	79,245	270,773	302,048
Net Interest Income	39,075	40,155	42,211	40,018	42,736	43,491	43,876	45,502	161,460	175,605
% Change (YoY)	5.8	10.1	13.1	6.0	9.4	8.3	3.9	13.7	8.7	8.8
Other Income	13,421	8,993	9,384	13,969	12,489	11,380	12,813	14,038	45,767	50,720
Net Income	52,496	49,149	51,596	53,987	55,225	54,871	56,689	59,540	207,227	226,325
Operating Expenses	22,758	23,800	24,572	22,253	25,334	25,676	26,115	26,944	93,382	104,068
Operating Profit	29,738	25,348	27,024	31,734	29,891	29,195	30,574	32,596	113,845	122,257
% Change (YoY)	4.7	0.1	0.8	11.3	0.5	15.2	13.1	2.7	4.4	7.4
Other Provisions	10,665	18,987	15,900	21,387	13,758	15,148	15,580	16,295	66,939	60,781
Profit before Tax	19,073	6,361	11,123	10,347	16,133	14,047	14,994	16,301	46,905	61,476
Tax Provisions	6,320	1,306	3,569	2,284	4,840	4,214	4,498	4,890	13,479	18,443
Net Profit	12,753	5,055	7,554	8,064	11,293	9,833	10,496	11,411	33,426	43,033
% Change (YoY)	2.4	-52.6	-42.1	-28.7	-11.4	94.5	38.9	41.5	-29.6	28.7
Operating Parameters										
NIM (Rep, %)	3.5	3.5	3.6	3.2					3.4	
NIM (Cal, %)	3.5	3.5	3.6	3.2	3.3	3.3	3.2	3.2	3.3	3.2
Deposit Growth (%)	3.0	1.2	9.0	15.3	16.0	15.8	16.1	15.0	15.3	15.0
Loan Growth (%)	3.6	6.5	9.7	13.1	16.8	16.3	16.4	15.0	13.1	15.0
Tax Rate (%)	33.1	20.5	32.1	22.1	30.0	30.0	30.0	30.0	28.7	30.0
Asset Quality										
Gross NPA (INR B)	150.9	165.3	166.0	188.8	199.5	207.0	211.4	214.9	188.8	214.9
Gross NPA (%)	4.8	5.1	5.0	5.3	5.5	5.5	5.4	5.2	5.3	5.2

E: MOSL Estimates

State Bank of India

Bloomberg	SBIN IN
Equity Shares (m)	746.57
M.Cap. (INR b)/(USD b)	2,001.41/33.30
52-Week Range (INR)	2,834/1,453
1, 6, 12 Rel. Per (%)	-2/33/7

Financial and Valuation Summary (INR b)

Y/E March	2014	2015E	2016E	2017E
NII	492.8	563.3	680.1	821.7
OP	321.1	381.5	479.6	610.4
NP	108.9	149.7	205.6	269.0
NIM (%)	3.2	3.2	3.2	3.2
EPS (INR)	190	259	344	454
EPS Gr. (%)	-27.5	36.6	32.7	32.0
BV (INR)	1,885	2,097	2,378	2,749
ABV (INR)	1,506	1,732	2,053	2,528
RoE (%)	10.5	12.7	15.6	17.9
RoA (%)	0.6	0.8	0.9	1.0
Div. Payout (%)	18.4	18.4	18.3	18.3
Valuations				
Cons. P/E (x)	13.7	10.0	7.6	5.7
Cons. P/BV (x)	1.4	1.2	1.1	0.9
Cons P/ABV (x)	1.7	1.5	1.3	1.0
Div. Yield (%)	1.1	1.5	2.0	2.6

CMP: INR2699

Buy

- Loan and deposit growth to remain healthy at 16% and 14% (YoY), respectively. NIM is expected to be stable at 3.2% QoQ and consequently, NII growth to be 15% YoY.
- Improving fee based income has been a key focus of the new management and traction is expected to pick up in 1Q.
- We have factored a slippage ratio of 3.5% and credit cost of 1.1% as asset quality stress is expected to continue. Further, provisioning for un-hedged forex exposures would also dent earnings.
- Core operating profit growth is expected to be ~30% YoY driven by healthy NII growth, strong fee income performance and operating cost containment. However, earnings growth is expected to be lower at 3% YoY due to higher provisioning requirement.

Key issues to watch out

- Progress and update on new strategy formulated by the management in the last analyst meet.
- Outlook on opex control and fee income growth.
- Performance on asset quality, pipeline of sale of loans to ARCs and restructuring.

Quarterly Performance

(INR Million)

Y/E March	FY14				FY15E				FY14	FY15E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	317,183	339,217	348,531	358,576	368,475	378,391	393,796	412,968	1,363,508	1,553,630
Interest Expense	202,065	216,707	222,367	229,548	236,303	240,304	250,175	263,534	870,686	990,316
Net Interest Income	115,119	122,510	126,165	129,028	132,172	138,086	143,621	149,434	492,822	563,314
% Change (YoY)	3.6	11.4	12.9	16.5	14.8	12.7	13.8	15.8	11.2	14.3
Other Income	44,743	32,782	42,148	65,857	42,706	43,664	48,713	70,586	185,529	205,668
Net Income	159,862	155,292	168,312	194,885	174,878	181,750	192,334	220,020	678,351	768,982
Operating Expenses	84,349	92,175	92,128	88,606	89,664	97,472	98,405	101,923	357,259	387,464
Operating Profit	75,513	63,117	76,185	106,278	85,214	84,278	93,929	118,097	321,092	381,517
% Change (YoY)	-7.6	-14.2	-2.2	36.9	12.8	33.5	23.3	11.1	3.3	18.8
Other Provisions	28,659	30,287	41,496	58,911	36,603	34,563	40,865	49,311	159,354	161,342
Profit before Tax	46,854	32,829	34,689	47,367	48,611	49,715	53,064	68,786	161,739	220,175
Tax Provisions	14,443	9,079	12,345	16,960	15,555	15,909	16,981	22,011	52,827	70,456
Net Profit	32,411	23,750	22,343	30,407	33,055	33,806	36,084	46,774	108,912	149,719
% Change (YoY)	-13.6	-35.1	-34.2	-7.8	2.0	42.3	61.5	53.8	-22.8	37.5
Operating Parameters										
NIM (Reported, %)	3.2	3.2	3.2	3.1					3.2	
NIM (Cal, %)	3.2	3.3	3.3	3.2	3.2	3.3	3.3	3.3	3.2	3.2
Deposit Growth (%)	14.0	14.0	16.7	15.9	13.7	14.5	14.0	15.0	15.9	15.0
Loan Growth (%)	15.7	19.0	17.5	15.7	16.3	15.2	15.6	16.0	15.7	16.0
CASA Ratio (%)	44.7	43.6	43.9	44.4					44.4	
Tax Rate (%)	30.8	27.7	35.6	35.8	32.0	32.0	32.0	32.0	32.7	32.0
Asset Quality										
OSRL (INR B)	330	392	394	431					431	
OSRL (%)	3.1	3.6	3.4	3.6					3.6	
Gross NPA (INR B)	609	642	678	616	641	644	633	599	616	599
Gross NPA (%)	5.6	5.6	5.7	5.0	4.9	4.8	4.5	4.2	5.0	4.2

E: MOSL Estimates

Union Bank of India

Bloomberg	UNBK IN
Equity Shares (m)	630.31
M.Cap. (INR b)/(USD b)	147.93/2.46
52-Week Range (INR)	260/97
1, 6, 12 Rel. Per (%)	3/56/0

CMP: INR228

Buy

Financial and Valuation Summary (INR b)

Y/E March	2014	2015E	2016E	2017E
NII	79	88	100	114
OP	52	54.5	59.9	66.7
NP	17	17.7	21.7	24.8
NIM (%)	2.5	2.5	2.5	2.5
EPS (INR)	27	28.0	34.3	39.2
EPS Gr. (%)	-25.7	4.5	22.7	14.2
BV/Sh. (INR)	267	291	319	351
ABV/Sh. (INR)	208	227	258	296
RoE (%)	10.4	10.0	11.3	11.7
RoA (%)	0.5	0.5	0.5	0.5
Div. Payout (%)	17.3	17.4	17.4	17.4

Valuations

P/E(X)	8.6	8.3	6.7	5.9
P/BV (X)	0.9	0.8	0.7	0.7
P/ABV (X)	1.1	1.0	0.9	0.8
Div. Yield (%)	1.7	1.8	2.2	2.5

- Loan growth expected to be a tad higher than industry average at 17% YoY, whereas deposit growth to be moderate at 12% YoY.
- Margin is expected to be marginally lower at 2.5% QoQ owing to lower yields on loans and slowing CASA growth impacting cost of funds.
- Non-interest income expected to decline 19% YoY primarily driven by slowdown in fee income growth to ~10% YoY (19% YoY in 1QFY14) and lower trading income.
- Asset quality performance remains a key, as slippage ratio is expected to increase to 2.5%. The bank guided for restructuring of INR18b in 1QFY15, which needs to be watched.
- Earnings are expected to decline 33% driven by weak PPP performance (down 13% YoY) and higher provisioning.

Key issues to watch out

- CASA ratio and margins are on a continuous decline. Trends and efforts to improve the same needs to be watched.
- Outlook on balance sheet growth, slippages and restructuring.
- Strategy to improve fee income performance.

Quarterly performance

(INR Million)

	FY14				FY15E				FY14	FY15E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	68,573	72,711	75,503	76,707	78,420	80,650	83,516	87,074	293,494	329,661
Interest Expense	49,482	53,167	55,868	56,185	57,870	59,317	61,097	63,491	214,701	241,774
Net Interest Income	19,091	19,545	19,635	20,522	20,550	21,333	22,419	23,584	78,793	87,886
% Change (YoY)	4.8	5.6	3.8	3.7	7.6	9.2	14.2	14.9	4.5	11.5
Other Income	7,563	6,112	6,799	7,743	6,140	6,864	7,680	9,501	28,215	30,186
Net Income	26,654	25,656	26,434	28,265	26,690	28,198	30,099	33,085	107,009	118,072
Operating Expenses	12,536	13,407	13,818	15,067	14,427	15,455	16,034	17,698	54,828	63,614
Operating Profit	14,118	12,249	12,616	13,198	12,263	12,743	14,065	15,387	52,181	54,458
% Change (YoY)	11.4	-3.7	-7.1	-21.7	-13.1	4.0	11.5	16.6	-6.5	4.4
Other Provisions	6,816	9,368	6,104	9,205	7,271	7,148	7,796	8,606	31,511	30,820
Profit before Tax	7,302	2,882	6,512	3,993	4,992	5,595	6,270	6,781	20,670	23,638
Tax Provisions	1,700	801	3,023	-1,797	1,248	1,399	1,567	1,695	3,708	5,910
Net Profit	5,602	2,081	3,489	5,790	3,744	4,196	4,702	5,086	16,962	17,729
% Change (YoY)	9.5	-62.5	15.4	-26.7	-33.2	101.6	34.8	-12.2	-21.4	4.5

Operating Parameters

NIM (Reported, %)	2.6	2.5	2.5	2.6					2.6	
NIM (Cal, %)	2.6	2.5	2.4	2.5	2.5	2.5	2.6	2.6	2.5	2.5
Deposit Growth (%)	22.3	27.0	19.1	12.9	11.8	7.9	11.9	11.0	12.9	11.0
Loan Growth (%)	16.0	25.7	20.0	10.1	17.1	9.7	10.1	12.0	10.1	12.0
Tax Rate (%)	23.3	27.8	46.4	-45.0	25.0	25.0	25.0	25.0	17.9	25.0

Asset Quality

Gross NPA (INR b)	70.9	80.6	87.8	95.6	101.0	103.5	105.3	107.3	95.6	107.3
Gross NPA (%)	3.5	3.6	3.9	4.1	4.3	4.3	4.2	4.2	4.1	4.2

E: MOSL Estimates

Company name

Bajaj Finance
HDFC
IDFC
LIC Housing Finance
Mahindra Financial Services
Power Finance Corporation
Rural Electrification Corporation
Shriram Transport Finance

NBFCs: Seasonally weak quarter

Monsoon impact Key monitorable

- NBFCs under our coverage universe are expected to deliver 10% YoY PAT growth. For retail NBFCs, the quarter will be marred by seasonal weakness, translating into an increase in slippages and margins compression. Lower collection efficiencies due to general elections and weak monsoon will impact the reported asset quality of SHTF and MMFS. However, positive election outcome, improving macro-economic environment, stable liquidity/interest rates led to a sharp rally in stocks. With incremental data points indicating bottoming out of the cycle, growth (moderating over last three to four quarters) and asset quality outlook is expected to improve for NBFCs. **Top picks are HDFC, SHTF, LICHF, and POWF.**
- **Housing finance companies:** HFCs are expected to deliver 15-18% growth on the back of healthy growth in individual segment. Seasonality will impact QoQ asset quality and disbursement growth however margins are expected to be stable YoY. Led by DTL creation on special reserves, tax rate is likely to increase YoY, leading to lower PAT growth v/s PBT growth. On the back of expected improvement in growth, profitability and RoE, we revise HDFC and LICHF's target price to INR 1185 (FY16 SOTP Based) and INR400 (2x FY16E BV) respectively.
- **Infrastructure finance companies:** Outlook on infrastructure financing segment is improving with the new government placing thrust on removing bottlenecks for stalled projects and clearing several new projects. Nevertheless, near term performance is likely to be muted as the initiatives will deliver results with a lag. While the reforms initiated on discoms are showing results and is a relief for state-owned NBFCs like RECL and POWF, fuel availability remains the most critical issue for power sector with a resolution still not in sight. Among infrastructure finance companies, we expect growth to remain healthy for RECL and POWF at +18%. IDFC will likely report a sequential decline in loan book due to rundown of short term loans to the telecom sector. Moreover, due to the transition into a bank, the balance sheet will shrink over the next 12-18 months.
- **Asset finance companies:** Retail asset finance companies (AFCs) delivered strong performance both in terms of growth and asset quality during the cycle. Among AFCs under our coverage, we expect BAF to report healthy AUM growth and stable asset quality, with the seasonality factor playing out. While SHTF is likely to deliver lower growth due to underlying stress in the CV segment, margins are likely improve during the quarter; asset quality will remain a key monitorable. While MMFS performed impressively during this cycle, continued challenges in South India, poor monsoon and weak collections during the election period could impact growth in collections and asset quality. MMFS is likely to deliver 18% AUM growth (compared to +30% delivered since last 16 quarters). SHTF is our preferred pick in this segment with a revised target price of INR 1,115 (2.2x FY16 Consol BV). We have also revised BAF's target price to INR2,685 (2.4x FY16E BV).

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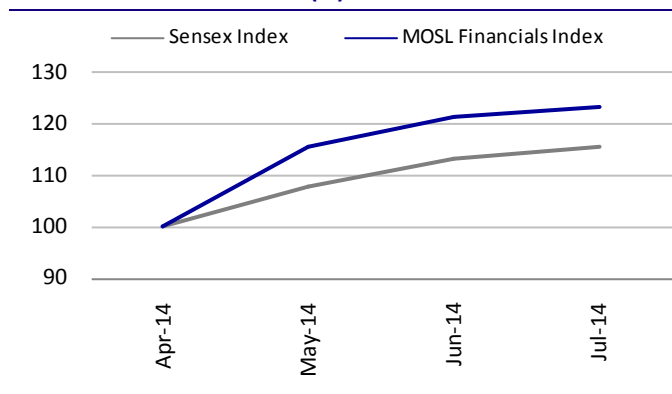
Investors are advised to refer through disclosures made at the end of the Research Report.

Expected quarterly performance summary (INR m)

Sector	CMP		Net Interest Income			Operating Profit			Net Profit		
	(INR)	Reco	Jun-14	Var % YoY	Var % QoQ	Jun-14	Var % YoY	Var % QoQ	Jun-14	Var % YoY	Var % QoQ
Financials - NBFC											
Bajaj Finance	2,289	Buy	6,433	7.8	3.6	3,519	6.4	3.8	1,903	8.3	4.5
HDFC	1,005	Buy	17,818	17.1	-16.8	19,928	21.7	-16.4	13,211	12.6	-23.3
IDFC	133	Neutral	7,036	2.6	5.3	8,269	-6.3	-0.8	4,323	-22.4	67.6
Indiabulls Housing	373	Buy	14,678	11.8	11.0	6,030	27.4	28.0	4,462	28.1	-1.2
LIC Housing Fin	324	Buy	5,197	14.3	-2.5	4,915	11.4	-1.6	3,241	4.4	-12.4
M & M Financial	275	Neutral	13,330	116.3	74.8	4,698	12.9	-13.6	1,781	-6.9	-42.7
Power Finance Corp	318	Buy	23,114	19.0	3.0	22,704	18.2	4.8	15,805	24.0	12.9
Rural Electric. Corp.	369	Buy	18,694	16.0	5.4	19,700	20.4	9.8	13,397	12.8	7.4
Shriram Transport Fin.	939	Buy	9,544	5.9	4.6	7,294	-0.7	5.7	3,117	-8.6	5.7
NBFC Sector Aggregate			115,845	20.1	5.5	97,058	14.5	-0.2	61,241	10.1	-1.8

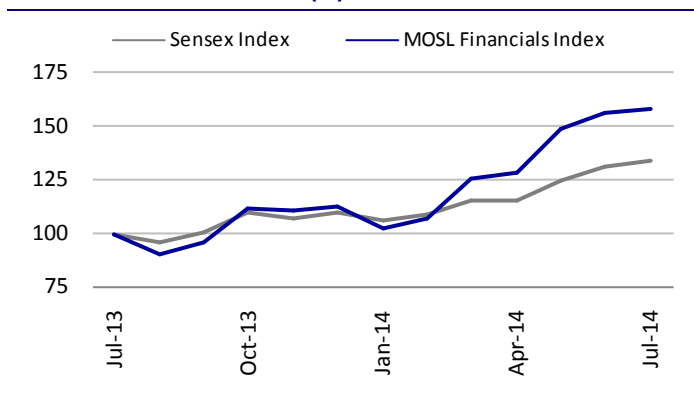
Source: Company, MOSL

Relative Performance - 3m (%)



Source: Bloomberg, MOSL

Relative Performance - 1Yr (%)



Source: Bloomberg, MOSL

Comparative valuation

Sector / Companies	CMP		EPS (INR)			PE (x)			PB (x)			RoE (%)		
	(INR)	Reco	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E
NBFC														
Bajaj Finance	2,289	Buy	171.4	198.9	234.2	12.7	10.9	9.3	2.3	2.0	1.7	19.7	19.4	19.5
Dewan Housing	354	Buy	54.0	64.5	78.5	6.5	5.5	4.5	1.1	0.9	0.8	17.3	17.8	18.5
HDFC	1,005	Buy	38.5	45.8	54.0	26.1	22.0	18.6	5.1	4.6	4.1	25.5	24.2	25.3
IDFC	133	Neutral	12.7	13.1	13.5	10.5	10.2	9.9	1.2	1.1	1.0	12.2	11.6	10.9
Indiabulls Housing	373	Buy	55.6	66.4	80.3	6.7	5.6	4.6	1.9	1.7	1.5	31.0	32.4	33.7
LIC Housing Fin	324	Buy	28.3	33.1	39.6	11.5	9.8	8.2	1.9	1.6	1.4	17.6	17.8	18.4
M & M Financial	275	Neutral	18.7	21.2	24.8	14.7	12.9	11.1	2.6	2.3	2.0	19.3	19.0	19.4
Power Finance Corp	318	Buy	50.9	60.1	69.8	6.2	5.3	4.6	1.3	1.1	0.9	21.8	21.9	21.6
Rural Electric. Corp.	369	Buy	57.2	66.0	78.4	6.4	5.6	4.7	1.5	1.2	1.0	25.3	24.1	23.8
Shriram Transport Fin.	939	Buy	68.4	82.8	94.6	13.7	11.3	9.9	2.2	1.9	1.6	16.2	17.0	17.9
NBFC Aggregate						12.2	10.4	8.9	2.5	2.2	1.9	20.5	20.8	21.1

Source: Company, MOSL

Bajaj Finance

Bloomberg	BAF IN
Equity Shares (m)	50.14
M.Cap. (INR b) /(USD b)	105.61/1.77
52-Week Range (INR)	2,225/966
1, 6, 12 Rel. Per (%)	-1/14/18

CMP: INR2,289

Buy

Financial and Valuation Summary (INR b)

Y/E March	2014	2015E	2016E	2017E
NII	22.2	27.7	33.9	41.9
PPP	13.5	16.8	20.6	24.6
PAT	7.2	8.6	10.0	11.7
EPS (INR)	143	171	199	234
EPS Gr. (%)	21	19	16	18
BV/Sh. (INR)	796	939	1,106	1,301
RoA on AUM (%)	3.4	3.1	2.9	2.7
RoE (%)	19.5	19.7	19.4	19.5
Payout (%)	14.0	14.0	14.0	14.0
Valuations				
P/E (x)	16.0	13.4	11.5	9.8
P/BV (x)	2.9	2.4	2.1	1.8
Div. Yield (%)	0.7	1.0	1.2	1.4

- AUM is expected to grow at a healthy pace at +30% YoY, as 1Q is seasonally a strong period due to strong consumer demand (primarily air conditioners).
- We expect NII to grow at 8% YoY and 4% QoQ. Margins are likely to decline YoY due to changing loan mix towards low yielding mortgage assets.
- Asset quality is expected to remain stable. As of March 2014, GNPA's were 1.18% and NNPA's were 0.28%.
- We expect provisions of INR0.8b v/s INR639m during 4QFY13 and INR622m during the last quarter.
- We expect net profit to grow at 8% YoY to INR1.93b.
- The stock trades at 2.3x FY15E and 2x FY16E BV. Maintain **Buy**.

Key issues to watch out

- Business growth momentum, as the company has been growing its AUMs at 30%+ rate for the past 16 quarters.
- Margin trends, as changing product mix is exerting some pressure on margins.
- Asset quality trends in CE and two-wheeler business.
- Performance of new businesses such as rural lending and lifestyle financing.

Quarterly performance

(INR Million)

Y/E March	FY14				FY15E				FY14	FY15E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Income from operations	8,837	8,742	10,274	10,032	10,434	10,851	12,479	14,933	37,886	48,696
Other Operating Income	446	875	429	679	703	727	753	498	2,429	2,681
Operating Income	9,283	9,617	10,703	10,711	11,136	11,578	13,231	15,430	40,314	51,376
YoY Growth (%)	32.4	30.7	29.7	28.7	20.0	20.4	23.6	44.1	30.3	27.4
Interest expenses	3,314	3,821	4,097	4,501	4,703	4,891	5,375	6,052	15,732	21,021
Net Income	5,969	5,796	6,607	6,211	6,433	6,687	7,856	9,378	24,582	30,355
YoY Growth (%)	36.4	31.5	31.1	22.8	7.8	15.4	18.9	51.0	30.2	23.5
Total Income	6,010	5,819	6,722	6,450	6,683	6,787	7,946	9,539	25,001	30,956
Operating Expenses	2,703	2,769	2,979	3,061	3,164	3,250	3,207	4,493	11,511	14,114
Operating Profit	3,307	3,050	3,743	3,389	3,519	3,538	4,739	5,047	13,071	16,241
YoY Growth (%)	38.8	25.2	29.9	19.6	6.4	16.0	26.6	48.9	26.2	24.3
Provisions and Cont.	639	523	795	622	800	1,000	1,000	1,005	2,578	3,805
Profit before Tax	2,669	2,527	2,948	2,768	2,719	2,538	3,739	4,041	10,493	12,436
Tax Provisions	911	857	1,007	947	816	761	1,122	1,747	3,722	4,446
Net Profit	1,757	1,670	1,941	1,821	1,903	1,776	2,617	2,294	7,190	8,592
YoY Growth (%)	26.7	29.8	20.8	11.2	8.3	6.3	34.8	26.0	21.6	19.5
Loan Growth (%)	32.8	29.0	32.2	37.2					37.2	27.0
Cost to Income Ratio (%)	45.3	47.8	45.1	49.3	49.2	48.6	40.8	47.9	46.8	46.5
Tax Rate (%)	34.1	33.9	34.2	33.5	34.5	35.5	36.5	37.5	35.5	35.7

E: MOSL Estimates

HDFC**Buy**

Bloomberg	HDFC IN
Equity Shares (m)	1,566.94
M.Cap. (INR b) /(USD b)	1,579.94/26.48
52-Week Range (INR)	1,011/632
1, 6, 12 Rel. Per (%)	6/3/-17

CMP: INR1005

- HDFC's loan growth (net of sell-downs) is likely to remain healthy at +16% YoY and 4% QoQ.
- Spreads should largely be stable at 2.3% levels. HDFC has not changed the home loan rates during the quarter.
- NII is likely to remain strong at INR17.8b, registering a growth of 17% YoY.
- Non-interest income is likely to grow at 45% YoY on the back of increase in dividend income from subsidiaries.
- Barring seasonal increase, asset quality remained healthy over the past several quarters and the trend is likely to continue. In 4QFY14, GNPA's were 0.69% on 90-day overdue basis.
- We model provisions of INR500m v/s INR300m seen in 1QFY14.
- Creation of DTL on special reserves will increase the tax rate to 32%
- The stock trades at 5.1x FY15 AP/ABV and 4.6x FY15E AP/AEPS (price adjusted for value of other businesses and book value adjusted for investments made in those businesses). Maintain Buy

Financial and Valuation Summary (INR b)

Y/E March	2014	2015E	2016E	2017E
NII	70.0	82.0	98.2	116.3
PAT	54.4	60.0	71.4	84.3
Adj. EPS (INR)	29.7	32.6	39.0	46.0
BV/Sh. (INR)	179.1	197.0	219.0	245.4
ABV/Sh. (INR)	125.6	143.2	165.2	191.6
RoAA (%)	2.6	2.4	2.5	2.5
Core RoE (%)	25.6	25.5	24.2	25.3
Payout (%)	46.8	47.6	46.4	46.4

Valuations

AP/E (x)	25.9	22.3	17.2	14.6
P/BV (x)	5.6	5.1	4.6	4.1
AP/ABV (x)	6.1	5.1	4.1	3.5
Div. Yield (%)	1.4	1.6	1.8	2.1

Key issues to watch out

- Loan growth and movement in spreads (on individual loans).
- Asset quality trends
- Dividend income from subsidiaries

Quarterly performance

Y/E March	(INR Million)								FY14	FY15E
	FY14				FY15E					
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	52,844	56,245	58,418	62,816	61,812	65,590	67,814	73,769	230,323	268,985
Interest Expense	37,633	40,457	40,798	41,406	43,994	46,413	48,270	48,346	160,294	187,023
Net Interest Income	15,211	15,789	17,620	21,410	17,818	19,177	19,544	25,423	70,030	81,962
YoY Change (%)	16.6	27.1	14.5	8.1	17.1	21.5	10.9	18.7	13.3	17.0
Profit on Sale of Inv.	0	868	346	1,276	750	900	1,200	1,640	2,490	4,490
Other operating income	2,726	2,347	1,434	2,111	3,250	2,900	2,100	2,615	8,617	10,865
Net Operating Income	17,936	19,003	19,400	24,797	21,818	22,977	22,844	29,678	81,136	97,317
YoY Change (%)	16.0	12.3	12.8	11.4	21.6	20.9	17.8	19.7	12.4	19.9
Other Income	80	80	111	275	100	120	150	177	547	600
Total Income	18,016	19,083	19,511	25,072	21,918	23,097	22,994	29,855	81,683	97,917
Operating Expenses	1,635	1,720	1,684	1,241	1,990	1,790	2,190	1,370	6,281	7,340
Pre Provisioning Profit	16,381	17,363	17,827	23,831	19,928	21,307	20,804	28,485	75,403	90,578
YoY Change (%)	15.4	12.3	12.5	12.2	21.7	22.7	16.7	19.5	12.2	20.1
Provisions	300	150	250	300	500	500	600	714	1,000	2,314
PBT	16,081	17,213	17,577	23,531	19,428	20,807	20,204	27,771	74,403	88,263
YoY Change (%)	16.5	13.5	13.8	12.1	20.8	20.9	14.9	18.0	13.2	18.6
Provision for Tax	4,350	4,550	4,800	6,300	6,217	6,658	6,465	8,904	20,000	28,244
PAT	11,731	12,663	12,777	17,231	13,211	14,149	13,739	18,867	54,403	60,019
YoY Change (%)	17.1	11.0	12.1	10.8	12.6	11.7	7.5	9.5	12.2	10.3

E: MOSL Estimates

IDFC

Neutral

Bloomberg	IDFC IN
Equity Shares (m)	1,516.83
M.Cap. (INR b) /(USD b)	205.45/3.44
52-Week Range (INR)	147/76
1, 6, 12 Rel. Per (%)	-2/2/-27

Financial and Valuation Summary (INR b)

Y/E March	2014	2015E	2016E	2017E
NII	27.2	27.5	27.2	26.5
PPP	31.9	32.8	33.7	34.5
Cons. PAT	18.0	19.3	19.9	20.4
EPS (INR)	11.9	12.7	13.1	13.5
EPS Gr. (%)	-1.9	7.0	3.2	2.8
BV/Sh. (INR)	99.2	108.7	118.4	128.4
ABV/Sh. (INR)	89.5	98.9	108.7	118.7
RoAA (%)	2.6	2.8	3.0	3.3
Core RoE (%)	13.1	12.8	11.9	11.2
Payout (%)	25.5	25.6	25.6	25.6
Valuations				
P/E (x)	11.2	10.5	10.1	9.9
P/BV (x)	1.3	1.2	1.1	1.0
P/ABV (x)	1.2	1.1	1.0	0.9
Div. Yield (%)	2.0	2.1	2.2	2.2

* Adj for value of subs

CMP: INR133

- IDFC has consciously moderated its loan growth in the wake of new banking licence. Loan growth is likely to decline 2% on a YoY basis and 5% QoQ due to closure of short term loans.
- We expect margins to decline 5bp on a YoY basis, translating into sub 2% YoY growth in NII.
- Other operating income is expected to decline sequentially due to lower loan related fees. However, we expect revenue from fixed income and broking to improve sequentially.
- Cost to income ratio on a 12-month rolling basis is likely to remain stable at 15%.
- Asset quality is expected to remain stable; we model provisions of INR2b v/s INR592m in 1QFY14 and INR4.8b during the last quarter.
- The stock trades at 1.1x FY15E and 1x FY16E ABV. Maintain Buy.

Key issues to watch out

- Loan growth guidance in the wake of run-down of book due to transition to bank.
- Asset quality trends and restructured book.
- Movement in spreads and asset quality trends.

Quarterly performance

(INR Million)

	FY14				FY15E				FY14	FY15E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net interest income	6,860	6,860	6,640	6,680	7,036	6,782	6,586	6,504	27,040	27,216
% Change (YoY)	10.8	6.7	0.8	3.9	2.6	-1.1	-0.8	-2.6	5.5	0.6
Infra Loans	6,310	6,420	6,100	6,050	6,402	6,172	5,993	5,918	24,880	24,972
Treasury	550	440	540	630	633	610	593	585	2,160	2,243
Other operating income	2,715	1,061	996	2,296	2,000	2,155	2,335	2,419	7,068	6,353
Asset management	930	1,040	870	1,170	1,100	1,200	1,350	1,422	4,010	4,180
IB and Broking	130	80	190	370	200	225	225	236	770	840
Fixed Income	1,390	-180	-300	110	300	305	310	305	1,020	-70
Loan related/others	265	121	236	646	400	425	450	456	1,268	1,403
Principal investments	630	960	890	580	550	650	900	1,190	1,880	2,020
Other Income	6	6	22	146	5	10	15	20	180	179
Net Income	10,211	8,886	8,548	9,703	9,591	9,597	9,836	10,132	37,348	36,728
% Change (YoY)	32.3	4.5	2.2	-4.3	-6.1	8.0	15.1	4.4	7.5	-1.7
Operating Expenses	1,384	1,375	1,315	1,364	1,322	1,432	1,738	1,766	5,438	5,375
Operating profit	8,826	7,512	7,233	8,339	8,269	8,165	8,098	8,366	31,910	31,352
% Change (YoY)	34.6	3.4	2.9	-2.8	-6.3	8.7	12.0	0.3	8.4	-1.7
Provisions	592	501	365	4,825	2,000	1,500	1,000	444	6,283	7,691
PBT	8,234	7,011	6,868	3,513	6,269	6,665	7,098	7,922	25,627	23,661
Tax	2,627	2,099	1,811	848	1,881	2,000	2,129	2,362	7,385	6,638
PAT	5,607	4,912	5,057	2,666	4,388	4,666	4,969	5,560	18,242	17,023
Less: Consol Adjustments	34	44	50	86	65	65	65	55	215	246
Consol PAT	5,573	4,868	5,007	2,579	4,323	4,601	4,904	5,505	18,027	16,777
% Change (YoY)	46.7	2.3	10.0	-50.9	-22.4	-5.5	-2.1	113.4	-1.8	-6.9

E: MOSL Estimates, * FY11 asset mgmt fees includes carry income which is clubbed in principal investments in FY10

LIC Housing Finance

Bloomberg	LICHF IN
Equity Shares (m)	504.66
M.Cap. (INR b) /(USD b)	165.38/2.77
52-Week Range (INR)	353/152
1, 6, 12 Rel. Per (%)	-7/27/1

Financial and Valuation Summary (INR b)

Y/E March	2014	2015E	2016E	2017E
NII	19.0	22.8	26.6	31.8
PPP	18.5	21.9	25.6	30.6
Adj. PAT	12.0	14.3	16.7	20.0
Adj. EPS (INR)	23.8	28.3	33.1	39.6
EPS Gr. (%)	17.4	18.9	16.9	19.6
BV/Sh (INR)	149.2	172.0	198.7	230.6
RoAA (%)	1.5	1.5	1.4	1.4
RoE (%)	17.2	17.6	17.8	18.4
Payout (%)	20.0	20.3	20.3	20.3
Valuations				
P/E (x)	13.6	11.5	9.8	8.2
P/BV (x)	2.2	1.9	1.6	1.4
Div. Yield (%)	1.4	1.6	1.8	2.2

CMP: INR324

Buy

- LICHF's loan growth is likely to remain healthy at +17% YoY on the back of healthy retail growth and some uptick in developer segment.
- Individual loan segment is likely to grow by +17% YoY and 3% QoQ, while the developer segment is expected to grow +6% YoY. Share of builder loan is likely to remain below 3% of overall book.
- We expect margins to remain flat on a YoY basis at 2.3%. During the quarter, LICHF did not revise rates, despite competitive pressures.
- Barring seasonal uptick, asset quality is likely to remain stable. We model provisioning reversal of INR150m (v/s provisioning reversal of INR223m in 4QFY14).
- Creation of DTL on special reserves will increase the tax rate to 32%
- We expect net profit to grow at 4% YoY to INR3.2b.
- The stock trades at 1.9x FY15E and 1.6x FY16E BV. Maintain Buy.

Key issues to watch out

- **Asset quality in the developer category; outlook on performance in the developer portfolio.**
- **Margin trends - margins have been under pressure for the past few quarters. Though margins bounced back in the last quarter, sustaining/improving them will be key.**

Quarterly performance

(INR Million)

Y/E March	FY14				FY15E				FY14	FY15E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	21,303	22,237	23,120	24,074	24,971	26,122	26,863	27,742	90,733	105,698
Interest Expenses	16,755	17,703	18,543	18,743	19,774	20,565	20,976	21,587	71,744	82,901
Net Interest Income	4,547	4,534	4,577	5,331	5,197	5,558	5,887	6,155	18,989	22,798
YoY Growth (%)	29.7	28.2	23.8	15.7	14.3	22.6	28.6	15.5	23.7	20.1
Fees and other income	477	787	644	705	450	600	700	1,067	2,613	2,817
Net Income	5,024	5,321	5,221	6,037	5,647	6,158	6,587	7,222	21,602	25,615
YoY Growth (%)	25.6	30.7	24.4	19.0	12.4	15.7	26.2	19.6	24.6	18.6
Operating Expenses	613	744	733	1,043	732	882	930	1,143	3,133	3,687
Operating Profit	4,411	4,577	4,488	4,993	4,915	5,276	5,657	6,079	18,470	21,928
YoY Growth (%)	26.8	34.9	27.4	21.0	11.4	15.3	26.1	21.7	27.2	18.7
Provisions and Cont.	171	341	-75	-223	150	150	150	147	215	597
Profit before Tax	4,240	4,237	4,563	5,216	4,765	5,126	5,507	5,932	18,255	21,331
Tax Provisions	1,135	1,136	1,297	1,516	1,525	1,640	1,762	1,898	5,083	6,826
Net Profit	3,105	3,101	3,266	3,700	3,241	3,486	3,745	4,034	13,172	14,505
YoY Growth (%)	36.3	27.6	38.2	17.0	4.4	12.4	14.7	9.0	28.7	10.1
Loan Growth (%)	22.1	20.4	18.9	17.4	17.2	17.2	17.3	18.2	17.4	18.2
Borrowings Growth (%)	22.6	20.6	20.3	19.3	16.8	15.1	16.0	18.5	19.3	18.5
Cost to Income Ratio (%)	12.2	14.0	14.0	17.3	13.0	14.3	14.1	15.8	14.5	14.4
Tax Rate (%)	26.8	26.8	28.4	29.1	32.0	32.0	32.0	32.0	27.8	32.0

E: MOSL Estimates

Mahindra Financial Services

CMP: INR275
Neutral

Bloomberg	MMFS IN
Equity Shares (m)	568.76
M.Cap. (INR b) /(USD b)	163.21/2.74
52-Week Range (INR)	356/213
1, 6, 12 Rel. Per (%)	-14/-38/-31

Financial and Valuation Summary (INR b)

Y/E March	2014	2015E	2016E	2017E
NII	27.3	33.1	37.6	42.8
PPP	18.5	22.9	25.7	28.9
PAT	8.9	10.6	12.0	14.0
EPS (INR)	15.7	18.7	21.2	24.8
EPS Gr. (%)	0.4	19.0	13.4	16.9
BV/Sh. (INR)	90.4	103.9	119.2	137.1
ABV/Sh. (INR)	83.8	95.4	108.2	123.2
RoA on AUM (%)	3.1	3.0	2.9	3.0
RoE (%)	18.6	19.3	19.0	19.4
Payout (%)	28.3	28.1	28.1	28.1
Valuations				
P/E (x)	17.5	14.7	12.9	11.1
P/BV (x)	3.0	2.6	2.3	2.0
P/ABV (x)	3.3	2.9	2.5	2.2
Div. Yield (%)	1.4	1.6	1.9	2.2

- MMFS' AUM growth is likely to moderate to 19% YoY and 3% QoQ on the back of +10% sequential decline in disbursements.
- We expect NII to grow at 17% YoY to INR7.3b. Margins are likely to decline 25bp on a YoY basis to 8.9%; margins stood at 9.7% during the last quarter.
- Asset quality is likely to remain weak as collections were impacted due to the elections. MMFS is likely to report GNPA's of above 5% v/s 4.2% during 1QFY14.
- We expect provisions of INR2b v/s INR1.2b during 1QFY14 and INR0.7b during the last quarter.
- We expect net profit to decline 7% YoY to INR1.8b.
- The stock trades at 2.9x FY15E and 2.5x FY16E ABV. Maintain **Neutral**.

Key issues to watch out

- Asset quality trends as the last quarter was an election period.
- Margin and growth trends.

Quarterly performance
(INR Million)

Y/E March	FY14				FY15E				FY14	FY15E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Operating Income	10,925	12,031	12,658	13,602	13,330	14,130	14,978	16,244	49,216	58,682
Other Income	60	96	53	104	150	150	150	147	314	597
Total income	10,985	12,127	12,711	13,706	13,480	14,280	15,128	16,391	49,530	59,279
YoY Growth (%)	30.9	30.5	27.0	21.8	22.7	17.8	19.0	19.6	27.2	19.7
Interest Expenses	4,761	5,253	5,891	5,975	6,154	6,400	6,560	6,436	21,880	25,551
Net Income	6,224	6,875	6,820	7,732	7,326	7,880	8,567	9,955	27,650	33,728
Operating Expenses	2,064	2,250	2,528	2,293	2,628	2,508	2,648	3,089	9,134	10,873
Operating Profit	4,160	4,625	4,292	5,439	4,698	5,372	5,919	6,866	18,516	22,855
YoY Growth (%)	28.1	27.6	13.2	16.4	12.9	16.2	37.9	26.2	20.7	23.4
Provisions	1,252	1,262	1,796	748	2,000	1,800	1,500	1,559	5,058	6,859
Profit before Tax	2,907	3,363	2,496	4,691	2,698	3,572	4,419	5,307	13,459	15,997
Tax Provisions	995	1,151	854	1,584	917	1,214	1,503	1,804	4,585	5,439
Net Profit	1,912	2,212	1,641	3,107	1,781	2,358	2,917	3,503	8,873	10,559
YoY Growth (%)	18.7	17.9	-18.0	-2.4	-6.9	6.6	77.7	12.7	2.3	19.0
AUM growth (%)	34.8	30.2	27.1	23.1	19.1	16.0	15.6	16.0	23.1	16.0
Cost to Income Ratio (%)	33.2	32.7	37.1	29.7	35.9	31.8	30.9	31.0	33.0	32.2
Provi./Operating Profits (%)	30.1	27.3	41.9	13.7	42.6	33.5	25.3	22.7	27.3	30.0
Tax Rate (%)	34.2	34.2	34.2	33.8	34.0	34.0	34.0	34.0	34.1	34.0

E: MOSL Estimates; We have not included EO inc. of INR154m in 4QFY13 for presentation purpose; According taxes have been adj.

Power Finance Corporation

Bloomberg	POWF IN
Equity Shares (m)	1,320.04
M.Cap. (INR b)/(USD b)	417.53/7.00
52-Week Range (INR)	344/97
1, 6, 12 Rel. Per (%)	-1/76/98

CMP: INR318

Buy

Financial and Valuation Summary (INR b)

Y/E March	2014	2015E	2016E	2017E
NII	79.2	95.0	112.7	131.6
PPP	80.3	96.4	114.4	133.6
Adj. PAT	56.0	67.2	79.4	92.1
Adj. EPS (INR)	42.4	50.9	60.1	69.8
EPS Gr. (%)	24.0	20.0	18.1	16.1
BV/Share (INR)	214.8	252.4	296.9	348.7
Adj. RoAA (%)	3.2	3.3	3.2	3.1
RoE (%)	21.3	21.8	21.9	21.6
Payout (%)	25.5	25.5	25.5	25.5
Valuations				
P/E (x)	7.5	6.2	5.3	4.6
P/BV (x)	1.48	1.26	1.07	0.91
Div. Yield (%)	2.8	3.4	4.1	4.7

- Loan growth is expected to remain healthy at 18% YoY. On a sequential basis, loans and borrowings are expected to grow by 5% and 7% respectively.
- NII is expected to grow at a healthy 19% YoY on the back of healthy loan growth.
- We expect MTM loss of INR500m during the quarter, compared with a gain of INR160m incurred in 4QFY14.
- We expect NIM to remain flat at 4.75% YoY.
- Barring a couple of accounts, asset quality at large remained healthy. However, it will remain a key monitorable given issues related to fuel linkages.
- The stock trades at 1.3x FY15E and 1.1x FY16E BV. Maintain Buy.

Key issues to watch out

- Growth trends and asset quality performance against the backdrop of challenging fuel linkages issues hurting power generation companies.
- Movement in spreads and yields on assets.
- Overall disbursement trends and disbursements to SEBs for transnational finance.

Quarterly performance

(INR Million)

Y/E March	FY14				FY15E				FY14	FY15E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	49,590	52,230	54,180	54,990	57,465	59,878	62,393	68,134	210,990	218,865
Interest Expenses	30,160	31,120	32,570	32,560	34,351	36,240	38,052	44,271	126,410	130,601
Net Interest Income	19,430	21,110	21,610	22,430	23,114	23,638	24,341	23,863	84,580	88,264
YoY Gr %	39.4	43.1	28.8	29.0	19.0	12.0	12.6	6.4	35.2	19.9
Other Income	100	220	140	100	50	50	50	100	560	510
Net Operational Income	19,530	21,330	21,750	22,530	23,164	23,688	24,391	23,963	85,140	88,774
YoY Gr %	39.2	43.1	28.9	28.7	18.6	11.1	12.1	6.4	34.5	4.3
Exchange gain/(loss)	-1,070	-1,350	-290	160	-500	-500	-500	-1,000	-2,550	-1,980
Total Net Income	18,460	19,980	21,460	22,690	22,664	23,188	23,891	22,963	82,590	86,794
YoY Gr %	39.2	36.2	30.8	28.9	22.8	16.1	11.3	1.2	33.3	5.1
Operating Expenses	319	721	402	869	460	565	715	914	2,310	2,654
YoY Gr %	11.8	105.6	3.4	103.9	44.1	-21.6	78.0	5.3	59.3	14.9
Operating Profit	18,141	19,259	21,058	21,822	22,204	22,623	23,176	22,049	80,280	84,139
YoY Gr %	39.8	34.5	31.4	27.1	22.4	17.5	10.1	1.0	32.7	4.8
Adjusted PPP (For Forex)	19,211	20,609	21,348	21,662	22,704	23,123	23,676	23,049	82,830	86,323
YoY Gr %	39.8	41.6	29.5	26.8	18.2	12.2	10.9	6.4	0.0	4.2
Provisions	910	1,370	510	1,910	1,200	1,400	1,500	1,497	4,700	4,990
PBT	17,231	17,889	20,548	19,912	21,004	21,223	21,676	20,552	75,580	79,149
YoY Gr %	33.0	24.7	35.9	15.3	21.9	18.6	5.5	3.2	26.6	4.7
Tax	5,230	5,159	5,206	5,800	5,566	5,624	5,744	5,446	21,395	21,731
Tax Rate %	30.4	28.8	25.3	29.1	26.5	26.5	26.5	26.5	28.3	27.5
PAT	12,001	12,730	15,343	14,112	15,438	15,599	15,932	15,106	54,185	57,419
YoY Gr %	23.5	22.7	37.2	9.0	28.6	22.5	3.8	7.0	22.6	6.0
Adjusted PAT (For Forex)	12,746	13,691	15,559	13,998	15,805	15,966	16,299	15,841	55,994	59,053
YoY Gr %	23.8	29.8	35.0	8.7	24.0	16.6	4.8	13.2	23.8	5.5

E: MOSL Estimates; Quarterly and annual numbers may vary due to differences in classification

Rural Electrification

Bloomberg	RECL IN
Equity Shares (m)	987.46
M.Cap. (INR b)/(USD b)	365.21/6.12
52-Week Range (INR)	381/146
1, 6, 12 Rel. Per (%)	9/50/52

Financial and Valuation Summary (INR b)

Y/E March	2014	2015E	2016E	2017E
NII	67.7	79.7	92.0	109.2
PPP	68.4	80.6	93.3	110.8
PAT	46.8	55.7	64.3	76.3
EPS (INR)	48.9	57.2	66.0	78.4
EPS Gr. (%)	26.4	17.0	15.5	18.7
BV/Sh. (INR)	204.0	248.1	299.0	359.4
RoAA (%)	3.6	3.5	3.4	3.4
RoE (%)	25.6	25.3	24.1	23.8
Payout (%)	23.2	23.2	23.2	23.2
Valuations				
P/E (x)	7.5	6.5	5.6	4.7
P/BV (x)	1.8	1.5	1.2	1.0
Div. Yield (%)	2.6	3.1	3.5	4.2

CMP: INR369

Buy

- Loan growth is expected to remain healthy at +17% YoY and +4.5% QoQ.
- RECL's margins stood at 4.9% (the highest in last four years) led by an improvement in yields, while it also maintained a tight leash on cost of funds. However, in the current quarter, we factor 10bp moderation in margins.
- Barring a couple of accounts, asset quality at large remained healthy. However, it will remain a key monitorable given the uncertain macro environment. We model provisions of INR1b during the quarter.
- We expect PAT to grow by 15% YoY to INR13.2b.
- The stock trades at 1.5x FY15E and 1.2x FY16E BV. Maintain Buy.

Key issues to watch out

- Growth trends and asset quality performance against the backdrop of a challenging macro environment.
- Movement in spreads and yield on assets.
- Overall disbursements trends and disbursements to SEBs for transnational finance.

Quarterly performance

(INR Million)

Y/E March	FY14				FY15E				FY14	FY15E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	39,141	41,672	43,290	43,962	45,720	47,092	48,504	51,789	168,064	193,106
Interest Expenses	23,020	25,194	25,938	26,234	27,026	28,095	29,207	29,111	100,385	113,439
Net Interest Income	16,121	16,478	17,352	17,728	18,694	18,996	19,297	22,679	67,679	79,666
YoY Gr (%)	42.8	30.1	23.2	26.2	16.0	15.3	11.2	27.9	30.0	17.7
Other Operational Income	675	432	476	464	500	600	700	739	2,116	2,539
Net Operational Income	16,796	16,910	17,828	18,192	19,194	19,596	19,997	23,418	69,795	82,205
YoY Gr (%)	39.9	28.3	23.8	23.2	14.3	15.9	12.2	28.7	28.0	17.8
Other Income	130	140	290	470	300	300	300	334	1,028	1,234
Total Net Income	16,926	17,050	18,118	18,662	19,494	19,896	20,297	23,751	70,823	83,439
YoY Gr (%)	39.1	27.9	24.6	25.1	15.2	16.7	12.0	27.3	28.4	17.8
Operating Expenses	564	514	599	715	660	665	665	825	2,392	2,815
YoY Gr (%)	23.8	-12.1	18.3	9.0	17.0	29.4	11.0	15.4	8.6	17.7
% to Income	3.3	3.0	3.3	3.8	3.4	3.3	3.3	3.5	3.4	3.4
Operating Profit	16,362	16,536	17,519	17,947	18,834	19,231	19,632	22,927	68,431	80,624
YoY Gr %	39.7	29.8	24.8	25.8	15.1	16.3	12.1	27.7	29.2	17.8
Provisions	560	340	754	1,475	1,000	1,100	1,100	1,133	3,120	4,333
PBT	15,802	16,196	16,765	16,472	17,834	18,131	18,532	21,793	65,311	76,291
YoY Gr (%)	34.9	27.1	21.6	24.7	12.9	11.9	10.5	32.3	26.5	16.8
Tax	4,343	5,088	4,484	4,560	4,658	4,733	4,833	6,374	18,474	20,599
Tax Rate (%)	27.5	31.4	26.7	27.7	26.1	26.1	26.1	29.2	28.3	27.0
PAT	11,459	11,108	12,281	11,912	13,175	13,399	13,699	15,419	46,837	55,692
YoY Gr (%)	31.8	17.3	20.2	24.1	15.0	20.6	11.5	29.4	22.7	18.9

E:MOSL Estimates; Quarterly and annual numbers would not match due to differences in classification

Shriram Transport Finance

Bloomberg	SHTF IN
Equity Shares (m)	226.88
M.Cap. (INR b) /(USD b)	213.68/3.58
52-Week Range (INR)	1,021/465
1, 6, 12 Rel. Per (%)	-6/16/4

Financial and Valuation Summary (INR b)

Y/E March	2014	2015E	2016E	2017E
Net Inc.	36.5	40.5	47.4	57.0
PPP	28.6	31.3	36.6	44.3
PAT	12.6	14.4	17.4	21.3
Cons.PAT	13.6	15.5	18.7	21.4
EPS (INR)	55.7	63.3	76.9	93.9
EPS Gr. (%)	-7.1	13.6	21.4	22.1
Cons.EPS (INR)	60.1	68.4	82.8	94.6
Cons.EPS Gr.(%)	-7.1	13.9	21.0	14.3
BV/Sh. (INR)	364.6	418.6	484.3	564.4
Cons. BV (INR)	374.9	434.0	505.6	586.4
RoA on AUM (%)	2.2	2.2	2.4	2.5
RoE (%)	16.3	16.2	17.0	17.9
Payout (%)	14.5	14.5	14.5	14.5
Valuations				
P/Cons. EPS (x)	15.6	13.7	11.3	9.9
P/Cons. BV (x)	2.5	2.2	1.9	1.6
Div. Yield (%)	0.7	0.8	1.0	1.2

CMP: INR939

Buy

- AUM likely to grow at 3.2%/2% YoY/QoQ. We expect disbursements to decline 6% YoY and increase 12% QoQ.
- Calculated margins on AUM are expected to improve YoY at 7.2%. Hence, NII (including securitization income) should grow 6% YoY.
- While incremental data points indicate a revival in CV cycle, given the weak monsoon and election period, asset quality continues to be a key monitorable.
- We factor higher provisions of INR2.8b v/s INR2.4b in 1QFY14 and INR2.5b reported during the last quarter.
- We expect PAT to decline 8.6% YoY to INR3.1b.
- The stock trades at 2.1x FY15E and 1.8x FY16E consolidated BV. Maintain Buy.

Key issues to watch out

- Business growth, momentum and management commentary on the same.
- Movement in borrowing costs and margins.
- Asset quality trends, given a weak CV cycle.

Quarterly performance

(INR Million)

Y/E March	FY14				FY15E				FY14	FY15E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	13,856	15,598	16,832	16,379	17,034	17,630	18,071	17,674	62,664	70,410
Interest expenses	8,702	9,836	10,434	10,011	10,411	10,828	11,044	10,355	38,982	42,638
Net Interest Income	5,154	5,762	6,398	6,368	6,623	6,803	7,027	7,319	23,683	27,772
YoY Growth (%)	90.7	41.0	36.3	26.4	28.5	18.1	9.8	14.9	42.8	17.3
Securitisation income	3,859	3,262	2,919	2,756	2,921	3,097	3,282	3,460	12,796	12,761
Net Income (Incl. Sec.)	9,013	9,024	9,318	9,124	9,544	9,899	10,309	10,780	36,479	40,533
YoY Growth (%)	12.3	4.0	4.1	2.2	5.9	9.7	10.6	18.1	5.3	11.1
Fees and Other Income	823	419	171	242	400	400	400	621	1,655	1,821
Net Operating Income	9,837	9,443	9,488	9,367	9,944	10,299	10,709	11,401	38,134	42,354
YoY Growth (%)	12.7	5.0	2.6	-1.4	1.1	9.1	12.9	21.7	4.4	11.1
Operating Expenses	2,488	2,185	2,421	2,467	2,650	2,600	2,750	3,007	9,561	11,007
Operating Profit	7,348	7,258	7,067	6,900	7,294	7,699	7,959	8,394	28,573	31,347
YoY Growth (%)	8.3	2.0	-2.5	-7.5	-0.7	6.1	12.6	21.7	-0.3	9.7
Provisions	2,503	2,533	2,800	2,458	2,825	2,725	2,625	2,582	10,293	10,757
Profit before Tax	4,845	4,725	4,268	4,442	4,469	4,974	5,334	5,812	18,280	20,591
Tax Provisions	1,435	1,457	1,254	1,493	1,352	1,505	1,614	1,758	5,638	6,229
Net Profit	3,410	3,268	3,014	2,950	3,117	3,470	3,721	4,054	12,642	14,362
YoY Growth (%)	6.0	-3.2	-12.9	-17.0	-8.6	6.2	23.5	37.4	-7.1	13.6
AUM Growth (%)	25.2	22.0	14.7	6.9	3.2	3.2	7.1	11.2	6.9	11.2
Securitisation Inc. / Net Inc. (%)	39.2	34.5	30.8	29.4	29.4	30.1	30.6	30.4	33.6	30.1
Cost to Income Ratio (%)	25.3	23.1	25.5	26.3	26.6	25.2	25.7	26.4	25.1	26.0
Tax Rate (%)	29.6	30.8	29.4	33.6	30.3	30.3	30.3	30.3	30.8	30.3

E: MOSL Estimates; * Quarterly nos and full year nos will not tally due to different way of reporting financial nos

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