

South Indian Bank

BSE SENSEX	S&P CNX
28,889	8,730
Bloomberg	SIB IN
Equity Shares (m)	1,343.9
M.Cap.(INR b)/(USD b)	38.6/0.6
52-Week Range (INR)	35/20
1, 6, 12 Rel. Per (%)	-1/-25/3
Avg Val (INR m)/Vol '000	160/5,682
Free float (%)	100.0

Financials & Valuation (INR b)

Y/E Mar	2015E	2016E	2017E
NII	13.7	15.9	19.2
OP	9.3	9.7	12.0
NP	3.8	4.9	6.3
NIM (%)	2.6	2.7	2.8
EPS (INR)	2.8	3.7	4.7
EPS Gr. (%)	-25.4	29.8	27.5
BV/Sh (INR)	26.2	29.0	32.5
RoE (%)	11.2	13.3	15.2
RoA (%)	0.7	0.8	0.9
Payout (%)	23.3	23.3	23.3
NII	13.7	15.9	19.2

Valuations

P/E (x)	10.2	7.9	6.2
P/BV (x)	1.1	1.0	0.9
P/ABV (x)	1.2	1.0	0.9
Div Yield (%)	2.0	2.5	3.2

CMP: INR29

TP: INR37 (+28%)

Buy

Weak operating performance; asset quality deteriorates further

South Indian Bank (SIB's) 3QFY15 PAT declined 38% YoY to INR8.8b led by interest income reversals (INR380m) and higher NPA provisions (57bp annualized). Strong trading gains of INR784m, accounted for ~60% of PBT, aided profitability. Non-interest income grew 90% YoY to INR1.6b (1.2% of assets).

Disappointment came from a sharp increase in slippages to INR1.6b (2% of loans annualized; mostly corporate accounts) from INR0.8b (1% of loans) in the previous quarter. Thus, GNPA's in absolute terms increased 20% QoQ.

Other highlights: (a) core operational performance was weak as NIM declined by 38bp QoQ to 2.5%; NII declined 9% YoY and 11% QoQ, (b) fees growth remained muted at +6% YoY (-2% QoQ) and (c) loans grew 9% YoY (+3% QoQ). Proportion of gold loans (-10% QoQ and -20% YoY) has declined to 14% of loans from a near term high of 24% in 1QFY14. (d) GNPA's and NNPA's percentage increased to 1.8% (1.6% in 2QFY15) and 1% (0.9% in 2QFY15) respectively. Reported PCR stood at 60.4% versus 62.9% in the previous quarter.

Valuation and view: While slippages increased QoQ, sequential decline in fresh restructuring restricted overall stress additions during the quarter. SIB continues to focus on improving the recovery and diversify the loan mix, which will aid earnings in the ensuing quarters. While earnings growth will be weak in FY15, improvement in loan growth and asset quality to lead to core PPP and earnings CAGR of 29%/21% over FY15E/17E. RoA to improve to 0.9% and RoE to improve to 15% by FY17E. Maintain **Buy** with a target price of INR37 (1.1x FY17E BV of INR32.5).

Quarterly Performance

									(INR Million)	
	FY14				FY15				FY14	FY15E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	12,251	12,372	12,501	13,026	13,447	13,123	13,068	13,896	50,151	53,534
Interest Expense	8,976	8,811	8,997	9,379	10,038	9,540	9,869	10,356	36,163	39,802
Net Interest Income	3,276	3,561	3,505	3,647	3,409	3,584	3,199	3,540	13,988	13,732
% Change (YoY)	10.4	19.6	-0.6	9.3	4.1	0.6	-8.7	-2.9	9.2	-1.8
Other Income	1,177	695	846	966	1,212	936	1,603	1,733	3,685	5,485
Net Income	4,453	4,256	4,351	4,613	4,620	4,520	4,803	5,274	17,672	19,216
% Change (YoY)	19.8	14.9	3.9	1.5	3.8	6.2	10.4	14.3	9.4	8.7
Operating Expenses	1,938	2,136	2,192	2,563	1,977	2,411	2,608	2,928	8,829	9,924
Operating Profit	2,516	2,120	2,159	2,049	2,643	2,109	2,194	2,346	8,843	9,292
% Change (YoY)	21.2	6.2	-8.3	-0.6	5.1	-0.5	1.6	14.5	4.2	5.1
Other Provisions	1,054	198	20	283	946	957	860	994	1,554	3,757
Profit Before Tax	1,462	1,922	2,139	1,766	1,697	1,152	1,335	1,352	7,289	5,535
Tax Provisions	314	655	726	520	431	389	455	455	2,214	1,730
Net Profit	1,148	1,268	1,413	1,246	1,267	763	879	897	5,075	3,806
Operating Parameters										
NIM (Reported,%)	2.9	3.2	2.9	3.0	2.7	2.9	2.5		3.0	
NIM (Cal, %)	3.0	3.2	3.0	3.0	2.7	2.9	2.5	2.7	2.9	2.7
Deposit Growth (%)	17.3	13.0	14.7	7.3	6.7	7.4	8.5	8.0	7.3	8.0
Loan Growth (%)	15.7	12.7	14.7	13.9	9.8	11.4	9.2	8.0	13.9	8.0
CD Ratio (%)	71.6	73.0	74.6	76.3	73.7	75.8	75.1	76.3	76.3	76.3
Tax Rate (%)	21.5	34.1	33.9	29.5	25.4	33.8	34.1	33.7	30.4	31.3
Asset Quality										
Gross NPA (INR b)	4.9	6.1	5.5	4.3	5.2	5.5	6.6	7.3	4.3	7.3
Gross NPA (%)	1.6	1.9	1.7	1.2	1.5	1.6	1.8	1.9	1.2	1.9

E: MOSL Estimates

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com); +91 22 3982 5415

Vallabh Kulkarni (Vallabh.Kulkarni@MotilalOswal.com); +91 22 3982 5430

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NIM declined QoQ due to interest reversals of INR380m on account of slippages and RLs

Margin disappointment led by asset quality pressures

- n NIM declined 38bp QoQ to 2.5% in 3QFY15. Decline was mainly on account of (a) interest income reversal of INR380m on account of slippages and restructured loans (2) increase in investment book with higher lower yielding RIDF bonds (3) run-down of higher yielding gold loan portfolio.
- n Overall yield on advances declined 11.45% from 11.87% in 2QFY15. While, the cost of deposits inched up to 8.01% (+15bp).
- n As a result, NII declined 11% QoQ to INR3.2b (-9% YoY). Management has guided for stable NIM over the remainder of FY15.
- n CASA deposits increased by 1% QoQ and 8% YoY, led by a decline in CA deposits and tepid growth in SA. On YoY basis, this is slowest growth in CASA over the last 25 quarters. Resultantly, CASA ratio declined to 21.5% (-58bp QoQ).

Proportion of gold loans in the overall book has declined to 14%

Loan growth remains weak; Gold loans continue to be a drag

- n Loans grew 9% YoY (+3% QoQ), marginally lower than the industry growth. Growth during the quarter, was mainly driven by Agriculture (+10% QoQ and +50% YoY), MSME (+18% QoQ and +39% YoY) and SME (+6% QoQ and 25% YoY).
- n Corporate loans increased 5% QoQ (-8% YoY) mainly led by working capital facilities and disbursements in existing infrastructure accounts (+7% QoQ).
- n Growth during the quarter, was impacted by 5% QoQ decline in retail loans, especially retail gold loans (-22% QoQ).
- n Overall gold loans (Retail + Agri + SME) declined further to INR 51b (-10% QoQ and -20% YoY). Proportion of gold loans in the overall book has declined to 14% from a near term high of 24% in 1QFY14.
- n However, gold portfolio decline, lower bill discounting and rating downgrade of certain corporate led to higher RWA growth of 19% YOY vs. ~10% asset growth.

GNPA up 20% QoQ; Gross stress additions inch up

Asset quality deteriorates further led higher corporate slippages

- n Disappointment came in from sharp increase in slippages to INR1.6b (2% of loans annualized) from INR0.8b (1% of loans) in the previous quarter. Fresh slippages include – (a) INR 400m infrastructure account (slipped from RL), (b) INR500m Tyre manufacturing company, (c) INR290m Iron & Steel account and (d) Two CRE accounts of INR130m.
- n Even though incremental restructured loans during the quarter were lower at INR590m as compared to INR942m in 2QFY15, elevated slippages led to an increase in gross stress additions to INR2.2b v/s INR1.7b in 2QFY15.
- n GNPA increased 20% YoY to INR6.6b during the quarter. GNPA% and NNPA% increased to 1.8% (1.6% in 2QFY15) and 1% (0.9% in 2QFY15). Reported PCR declined to 60.4% from 62.9% in the previous quarter.

Conference call highlights

P&L related

- n Interest Income reversals of INR380m, out of which INR300 was from one single infra a/c (which slipped from RLs)
- n FITL provision of INR500m in 9MFY15; INR250m to be provided in 4QFY15
- n Employee wage hike: 11%

Balance Sheet

- n Breakup of NRI deposits (INR107b): FCNR (INR8.6b), NR savings (INR23b), NR Term (INR75.7b)
- n Overall yield on loans at 11.4% in 3QFY15: Agri (10.5-11%), MSME (11.5-12%), Gold (12.5%) and corporate loans (~11%)
- n Breakup of Investments (INR148b): HTM (INR105b) and AFS (INR9.5b; duration of 4.7 years)
- n Corporate book in consortium type lending is ~30%
- n Retail: (a) Home loans - 10% linked to NRIs working in middle east countries (b) Gold loan portfolio has declined on account of lower valuation of gold during renewals and lower LTV of 62% vs 75% earlier. Decline in exposure towards pawn gold brokers has also impacted growth.
- n Going forward, bank to focus on Home, Auto, MSME , Agri and small ticket Corporate loans

Asset Quality

- n Slippages include – (a) INR 400m infrastructure account (slipped from RL), (b) INR500m Tyre manufacturing company, (c) INR290m Iron & Steel account and (d) Two CRE accounts of INR130m
- n Restructured loans holding up well with 1 small account in pipeline

Others

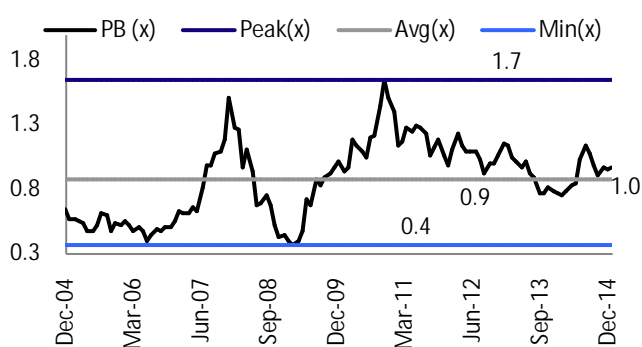
- n **FY15 guidance:** Loan growth marginally above industry growth, CASA at 22%, GNPA at 1.8%
- n Capital: Immediate plans to raise Tier 2 bonds; Equity capital raising of ~INR10b planned
- n **Branch additions:** To add 25 branches and 25 extension counters annually
- n Added 200 employees in marketing in 3QFY15; Total employees: ~7,700

Maintain Buy with a TP of
INR37 (1.1x FY17E BV)

Valuation and view

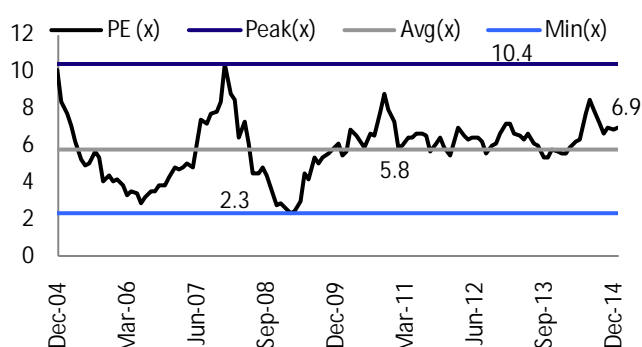
- n While slippages increased QoQ, sequential decline in fresh restructuring restricted overall stress additions during the quarter.
- n SIB continues to focus on improving the recovery and diversify the loan mix which will aid earnings in the ensuing quarters.
- n While earnings growth will be weak in FY15, improvement in loan growth and asset quality to lead to core PPP and earnings CAGR of 29%/21% over FY15/17. RoAs to improve to 0.9% and RoEs to improve to 15% by FY17.
- n We expect SIB to report EPS of INR3.7/INR4.7 and BV of INR28/32 in FY16E/17E. The stock currently trades at P/BV 0.9x FY17E BV. Maintain **Buy** with a TP of INR37 (1.1x FY17E BV of 32.5).

Exhibit 1: One year forward P/BV



Source: MOSL, Company

Exhibit 2: One year forward P/E



Source: MOSL, Company

Exhibit 3: DuPont Analysis: Gradual improvement in RoA led by lower provisions and improvement in core profitability (%)

	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15E	FY16E	FY17E
Net interest income	2.9	2.9	2.4	2.8	2.5	2.7	2.8	2.8	2.7	2.4	2.5	2.6
Fee income	0.7	0.7	0.7	0.7	0.6	0.5	0.6	0.6	0.6	0.6	0.6	0.6
Core income	3.6	3.6	3.2	3.5	3.0	3.3	3.4	3.5	3.2	3.0	3.1	3.2
Operating costs	2.2	1.8	1.6	1.8	1.6	1.6	1.7	1.7	1.7	1.7	1.8	1.8
Cost to core income ratio	61.5	49.8	50.9	50.4	52.4	48.8	50.3	49.2	52.0	58.3	58.1	55.7
Employee Costs	1.4	1.1	1.0	1.1	1.0	1.0	1.0	1.0	1.0	1.1	1.1	1.1
Other Expenses	0.9	0.7	0.7	0.6	0.6	0.6	0.7	0.7	0.7	0.6	0.7	0.7
Core Operating Profit	1.4	1.8	1.6	1.7	1.4	1.7	1.7	1.8	1.6	1.2	1.3	1.4
Treasury Income	0.1	0.3	0.2	0.2	0.3	0.1	0.1	0.1	0.1	0.4	0.2	0.2
Operating Profit	1.5	2.1	1.7	1.9	1.8	1.8	1.8	1.9	1.7	1.6	1.5	1.6
Provisions	0.9	0.9	0.3	0.3	0.2	0.3	0.2	0.4	0.3	0.7	0.4	0.4
PBT	0.7	1.2	1.5	1.6	1.6	1.5	1.6	1.5	1.4	1.0	1.1	1.3
Tax	0.2	0.3	0.5	0.6	0.6	0.5	0.5	0.3	0.4	0.3	0.4	0.4
Tax Rate	26.2	28.9	35.0	35.4	36.4	34.3	29.8	23.4	30.4	31.3	32.0	32.0
ROA	0.5	0.9	1.0	1.0	1.0	1.0	1.1	1.1	1.0	0.67	0.78	0.86
Leverage (x)	18.5	17.9	16.3	15.3	16.7	18.4	19.7	18.4	17.2	16.9	17.1	17.6
ROE	9.3	15.3	15.8	15.9	17.0	18.5	21.6	20.5	16.6	11.2	13.3	15.2

Source: MOSL, Company

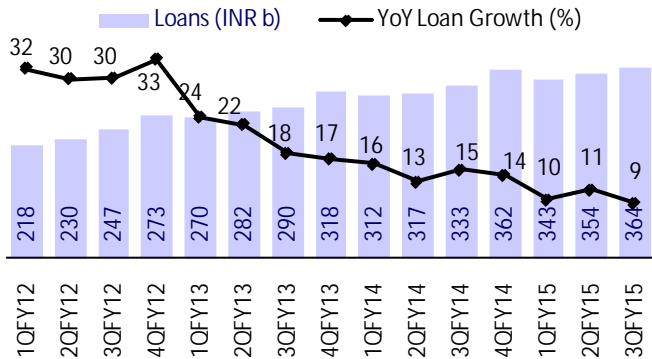
Exhibit 4: DuPont Analysis: Higher credit costs and interest income reversals impacted profitability

	1QFY13	2QFY13	3QFY13	4QFY13	1QFY14	2QFY14	3QFY14	4QFY14	1QFY15	2QFY15	3QFY15
Interest income	10.42	10.11	10.38	9.95	9.86	9.93	9.90	9.83	9.88	9.78	9.59
Interest expenses	7.53	7.30	7.13	7.10	7.22	7.07	7.12	7.08	7.38	7.11	7.24
Net interest income	2.89	2.81	3.25	2.85	2.64	2.86	2.77	2.75	2.51	2.67	2.35
Fee income	0.45	0.56	0.45	0.81	0.45	0.52	0.56	0.61	0.51	0.57	0.55
Core Income	3.34	3.37	3.70	3.66	3.09	3.38	3.33	3.36	3.02	3.24	2.90
Operating cost	1.60	1.61	1.69	2.12	1.56	1.71	1.74	1.93	1.45	1.80	1.91
- Employee Expenses	0.98	0.96	1.00	1.39	0.94	0.99	1.01	1.22	1.07	1.01	1.14
- Other Expenses	0.62	0.66	0.69	0.73	0.62	0.72	0.73	0.72	0.38	0.79	0.78
Core operating profit	1.74	1.76	2.01	1.54	1.53	1.66	1.59	1.43	1.57	1.44	0.98
Fx and other non core Income	0.28	0.12	0.16	0.22	0.50	0.04	0.11	0.12	0.38	0.13	0.63
Operating Profit	2.02	1.88	2.17	1.76	2.02	1.70	1.71	1.55	1.94	1.57	1.61
Provisions	0.25	0.53	0.42	0.56	0.85	0.16	0.02	0.21	0.70	0.71	0.63
Tax	0.58	0.44	0.57	-0.12	0.25	0.53	0.57	0.39	0.32	0.29	0.33
ROAA	1.20	0.92	1.18	1.31	0.92	1.02	1.12	0.94	0.93	0.57	0.65
Leverage (x)	18.41	16.55	15.01	15.71	16.23	15.65	15.26	15.72	15.88	15.22	15.08
ROAE	22.07	15.17	17.72	20.64	15.00	15.92	17.07	14.78	14.78	8.66	9.73

Source: MOSL, Company

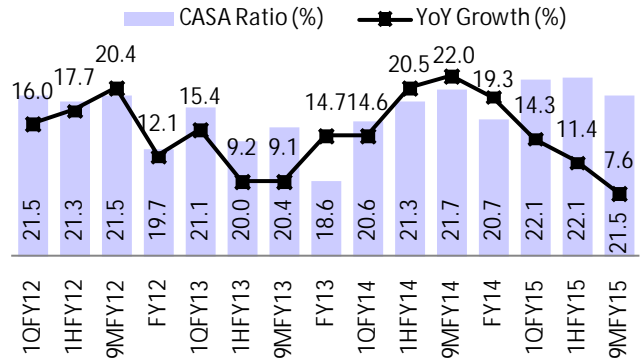
Story in charts

Exhibit 5: Loan growth continues to moderate led by slowdown in gold loans



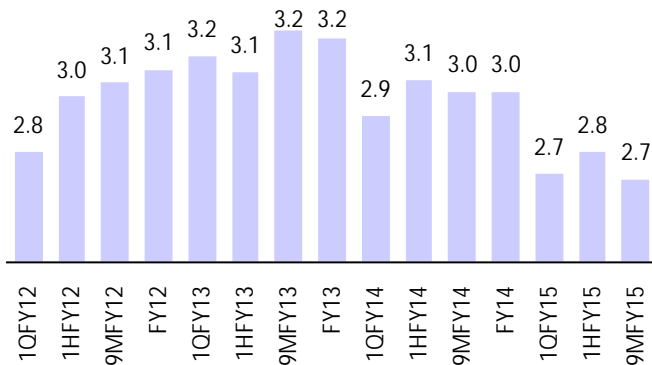
Source: Company, MOSL

Exhibit 6: Slowest growth in CASA during the last 25 quarters



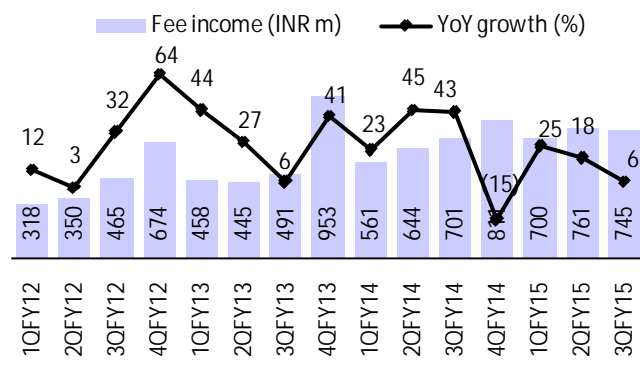
Source: Company, MOSL

Exhibit 7: Interest reversals dent NIM QoQ (%)



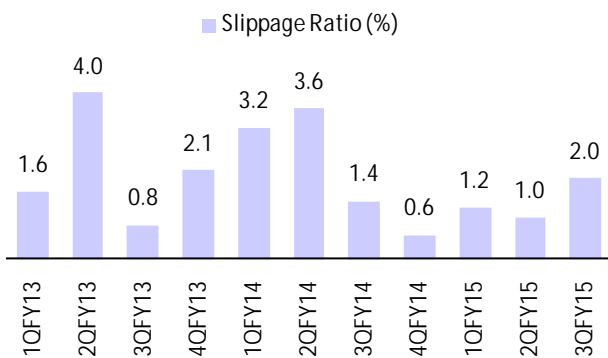
Source: Company, MOSL

Exhibit 8: Muted fee growth led by slowdown in loan growth



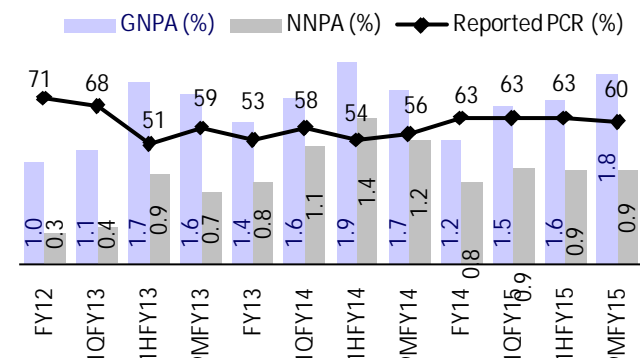
Source: Company, MOSL

Exhibit 9: Rising trend in slippages is concerning



Source: Company, MOSL

Exhibit 10: Reported PCR declined to 60%



Source: Company, MOSL

Exhibit 11: Quarterly Snapshot (INR b)

	FY14				FY15			Variation (%)		Cumulative Numbers		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	QoQ	YoY	9MFY13	9MFY14	YoY Gr (%)
Profit and Loss (INR m)												
Net Interest Income	3,276	3,561	3,505	3,647	3,409	3,584	3,199	-11	-9	10,341	10,191	-1
Other Income	1,177	695	846	966	1,212	936	1,603	71	89	2,719	3,751	38
Trading profits	518	26	43	111	458	121	784	548	1,723	587	1,363	132
Forex Income	98	25	102	44	54	54	74	37	-27	225	182	-19
Others	561	644	701	811	700	761	745	-2	6	1,907	2,206	16
Total Income	4,453	4,256	4,351	4,613	4,620	4,520	4,803	6	10	13,060	13,943	7
Operating Expenses	1,938	2,136	2,192	2,563	1,977	2,411	2,608	8	19	6,266	6,996	12
Employee	1,172	1,233	1,274	1,611	1,459	1,349	1,550	15	22	3,679	4,358	18
Others	766	903	918	953	518	1,061	1,058	0	15	2,587	2,638	2
Operating Profits	2,516	2,120	2,159	2,049	2,643	2,109	2,194	4	2	6,794	6,947	2
Provisions	1,054	198	20	283	946	957	860	-10	4,156	1,271	2,763	117
NPA provisions	1,101	303	-107	-3	824	255	514	102	-580	1,297	1,592	23
Provisions on Invst.	-20	-142	-36	-87	50	53	-35	-166	-4	-198	68	NA
Others	-28	37	163	373	72	650	381	-41	133	172	1,102	540
PBT	1,462	1,922	2,139	1,766	1,697	1,152	1,335	16	-38	5,523	4,184	-24
Taxes	314	655	726	520	431	389	455	17	-37	1,694	1,275	-25
PAT	1,148	1,268	1,413	1,246	1,267	763	879	15	-38	3,829	2,909	-24
Asset Quality												
GNPA	4,926	6,143	5,546	4,326	5,173	5,532	6,613	20	19	5,546	6,613	19
NNPA	3,484	4,399	3,919	2,817	3,105	3,184	3,796	19	-3	3,919	3,796	-3
GNPA (%)	1.6	1.9	1.7	1.2	1.5	1.6	1.8	25	14	1.7	1.8	14
NNPA (%)	1.1	1.4	1.2	0.8	0.9	0.9	0.9	0	-28	1.2	0.9	-28
PCR (Calculated, %)	29	28	29	35	40	42	43					
Credit Cost (bp)	140	39	-13	0	94	29	57					
Ratios (%)												
Non Int. to Total Income	26.4	16.3	19.4	20.9	26.2	20.7	33.4			20.8	26.9	
Cost to Core Income	50.5	50.8	52.1	57.5	48.1	55.5	66.1			48.0	50.2	
Tax Rate	21.5	34.1	33.9	29.5	25.4	33.8	34.1			30.7	30.5	
Loan/Deposit	71.9	73.4	75.0	76.6	74.1	76.2	75.7					
CASA Reported	20.6	21.3	21.7	20.7	22.1	22.1	21.5					
CAR	13.7	12.2	12.4	12.4	12.2	12.1	11.4					
Tier I	11.9	10.5	10.8	10.8	10.6	10.7	10.0					
Reported NIMs (%) - Cumulative												
Yield on loans	12.4	12.4	12.3	12.4	12.1	11.9	11.5					
Cost of Deposits	8.2	8.0	8.2	8.2	8.0	7.9	8.0					
Margins	2.9	3.2	2.9	3.0	2.7	2.9	2.5					
Balance Sheet (INR B)												
Gross Advances	313	319	335	364	345	356	367	3	9	335	367	9
Deposits	436	435	446	475	465	467	485	4	9	446	485	9
CASA Deposits	90	93	97	98	103	103	104	1	8	97	104	8

Source: MOSL, Company

Corporate profile: South India Bank

Company description

One of the earliest banks in Southern part of India, South Indian Bank (SIB) was incorporated in 1928 at Thrissur in Kerala. Under the RBI Act, SIB was the first private sector bank in Kerala to become a Scheduled Commercial Bank in 1946. Currently, the bank is led by Mr. V. G. Mathew, MD & CEO. The bank has a strong presence in South India (~75% of branches). As on December 2014, the bank had a network of 810 branches and 1,108 ATMs.

Exhibit 12: Sensex rebased

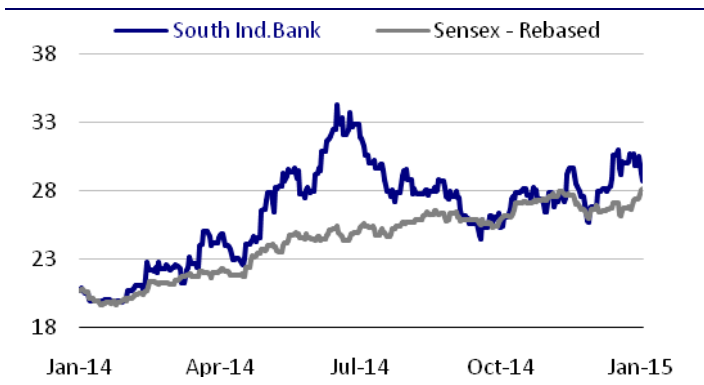


Exhibit 13: Shareholding pattern (%)

	Dec-14	Sep-14	Dec-13
Promoter	0.0	0.0	0.0
DII	9.9	10.7	12.1
FII	32.1	40.6	44.0
Others	58.0	48.7	44.0

Note: FII Includes depository receipts

Exhibit 15: Top management

Name	Designation
V.G. Mathew	MD & CEO
Joseph George Kavalam	Senior Vice President
Varughese A.G	Senior Vice President
Thomas Joseph K	Chief General Manager

Exhibit 17: Auditors

Name	Type
S R Batliboi & Associates LLP	Statutory

Exhibit 14: Top holders

Holder Name	% Holding
First Carlyle Ventures Mauritius	4.9
LIC of India	4.4
India Capital Fund Ltd	4.4
Yusuffali Musaliam Veettil Abdul Kader	3.7
Cx Securities Ltd	3.3

Exhibit 16: Directors

Name	Name
Amitabha Guha	John Joseph Alapatt*
V G Mathew	Francis Alapatt*
Mohan Alapatt*	Cheryan Varkey
K Thomas Jacob*	Ranjana Salgaocar
Salim Gangadharan*	Parayil George John Tharakan

*Independent

Exhibit 18: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY15	2.8	3.5	-20.6
FY16	3.7	4.4	-16.8
FY17	4.7	5.5	-14.1

Exhibit 19: Financials: Valuation metrics

	Rating	CMP (INR)	Mcap (USDb)	EPS (INR)		P/E (x)		BV (INR)		P/BV (x)		RoA (%)		RoE (%)	
				FY16	FY17	FY16	FY17	FY16	FY17	FY16	FY17	FY16	FY17	FY16	FY17
ICICIBC*	Buy	368	34.6	22.8	27.0	13.5	11.1	133	152	2.3	2.0	1.8	1.8	15.6	16.2
HDFCB	Buy	1,020	39.8	52.5	63.8	19.4	16.0	254	303	4.0	3.4	2.0	2.0	22.4	22.9
AXSB	Buy	547	20.9	36.7	42.4	14.9	12.9	220	256	2.5	2.1	1.8	1.7	17.9	17.8
KMB*	Neutral	1,389	17.4	49.2	60.4	28.2	23.0	371	427	3.7	3.3	1.9	1.9	14.3	15.0
YES	Buy	855	5.8	60.4	76.2	14.2	11.2	330	391	2.6	2.2	1.7	1.7	19.7	21.1
IIB	Buy	842	7.2	43.2	53.2	19.5	15.8	228	272	3.7	3.1	2.0	2.0	20.5	21.3
VYSB	Neutral	978	3.0	43.8	55.5	22.4	17.6	434	478	2.3	2.0	1.1	1.1	10.5	12.2
FB	Buy	145	2.0	12.9	15.1	11.2	9.6	100	112	1.4	1.3	1.2	1.2	13.6	14.3
JKBK	Buy	158	1.2	19.5	23.5	8.1	6.7	144	162	1.1	1.0	1.1	1.2	14.3	15.4
SIB	Buy	29	0.6	5.2	5.7	5.5	5.0	31	35	0.9	0.8	1.1	1.0	18.2	17.4
Private Aggregate			132.4			18.0	15.1			3.0	2.6				
SBIN (cons)*	Buy	326	39.5	29.9	37.2	10.5	8.4	232	263	1.4	1.2	0.8	0.9	13.2	14.8
PNB	Buy	216	6.3	28.8	38.1	7.5	5.7	235	268	0.9	0.8	0.8	0.9	13.0	15.1
BOI	Neutral	302	3.2	61.2	76.8	4.9	3.9	478	545	0.6	0.6	0.6	0.6	13.6	15.0
BOB	Neutral	1,128	7.9	142.1	168.4	7.9	6.7	972	1,101	1.2	1.0	0.8	0.8	15.5	16.3
UNBK	Buy	247	2.6	36.1	47.3	6.8	5.2	321	360	0.8	0.7	0.6	0.6	11.8	13.9
INBK	Buy	216	1.6	30.2	33.1	7.2	6.5	291	317	0.7	0.7	0.6	0.6	10.8	10.9
CRPBK	Neutral	388	1.1	82.4	109.5	4.7	3.5	703	789	0.6	0.5	0.5	0.6	12.3	14.7
ANDB	Buy	94	0.9	18.6	24.0	5.0	3.9	169	186	0.6	0.5	0.5	0.6	11.4	13.5
IDBI	Neutral	77	2.0	14.4	19.7	5.3	3.9	157	173	0.5	0.4	0.6	0.7	9.5	11.9
DBNK	Neutral	60	0.5	13.6	16.8	4.4	3.6	137	150	0.4	0.4	0.5	0.5	10.3	11.7
Public Aggregate			65.6			9.7	7.7			1.1	1.0				
HDFC*	Buy	1,284	32.6	38	46	23.3	17.8	166	192	5.4	4.3	2.5	2.5	23.8	24.8
LICHF	Buy	484	4.0	32	39	14.9	12.4	197	229	2.5	2.1	1.4	1.4	17.6	18.4
DEWH	Buy	481	1.0	63	79	7.7	6.1	358	417	1.3	1.2	1.4	1.4	18.7	20.4
IHFL	Buy	589	3.5	64	79	9.2	7.5	215	246	2.7	2.4	4.2	4.3	32.4	34.3
IDFC	Neutral	170	4.4	13	14	13.2	11.8	110	120	1.3	1.2	2.3	2.3	11.7	12.0
RECL	Buy	324	5.2	67	78	4.8	4.2	301	361	1.1	0.9	3.5	3.4	24.5	23.4
POWF	Buy	287	6.2	57	69	5.0	4.1	292	344	1.0	0.8	3.1	3.1	21.2	21.7
SHTF	Buy	1,107	4.1	79	93	14.0	11.9	498	578	2.2	1.9	2.3	2.5	16.5	17.9
MMFS	Neutral	268	2.5	17	21	15.5	12.5	113	129	2.4	2.1	2.6	2.8	16.1	17.7
BAF	Buy	3,810	3.1	219	267	17.4	14.3	1,137	1,360	3.4	2.8	2.9	2.9	21.0	21.4
NBFC Aggregate			66.4			14.4	12.1			2.7	2.3				

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

Financials and valuations

Income Statement						(INR Million)		
Y/E March	2010	2011	2012	2013	2014	2015E	2016E	2017E
Interest Income	19,357	24,460	35,834	44,343	50,151	53,534	58,175	65,562
Interest Expense	13,674	16,549	25,617	31,535	36,163	39,802	42,324	46,337
Net Interest Income	5,683	7,911	10,217	12,808	13,988	13,732	15,852	19,225
Change (%)	8.7	39.2	29.2	25.4	9.2	-1.8	15.4	21.3
Non Interest Income	2,085	1,967	2,471	3,349	3,685	5,485	5,280	5,850
Net Income	7,768	9,878	12,688	16,158	17,672	19,216	21,131	25,075
Change (%)	13.0	27.2	28.4	27.3	9.4	8.7	10.0	18.7
Operating Expenses	3,662	4,625	6,173	7,672	8,829	9,924	11,412	13,124
Pre Provision Profits	4,106	5,253	6,515	8,486	8,843	9,292	9,719	11,951
Change (%)	14.5	27.9	24.0	30.2	4.2	5.1	4.6	23.0
Provisions (excl tax)	433	798	792	1,927	1,554	3,757	2,455	2,693
PBT	3,673	4,455	5,723	6,559	7,289	5,535	7,264	9,258
Tax	1,336	1,529	1,707	1,536	2,214	1,730	2,324	2,963
Tax Rate (%)	36.4	34.3	29.8	23.4	30.4	31.3	32.0	32.0
PAT	2,338	2,926	4,017	5,023	5,075	3,806	4,939	6,295
Change (%)	20.0	25.2	37.3	25.1	1.0	-25.0	29.8	27.5
Equity Dividend (Incl tax)	529	661	791	1,094	1,258	887	1,151	1,467
Core PPP*	3,326	4,859	6,107	7,909	8,145	7,092	8,219	10,451
Change (%)	2.9	46.1	25.7	29.5	3.0	-12.9	15.9	27.2

Balance Sheet						(INR Million)		
Y/E March	2010	2011	2012	2013	2014	2015E	2016E	2017E
Equity Share Capital	1,130	1,130	1,134	1,339	1,344	1,350	1,350	1,350
Reserves & Surplus	13,723	17,343	20,570	28,724	32,360	35,278	39,067	43,896
Net Worth	14,853	18,473	21,704	30,062	33,704	36,629	40,417	45,246
Deposits	230,115	297,211	365,005	442,623	474,911	512,904	589,839	684,214
Change (%)	27.2	29.2	22.8	21.3	7.3	8.0	15.0	16.0
of which CASA Dep	53,233	64,041	71,793	82,328	98,249	107,130	122,208	143,551
Change (%)	23.6	20.3	12.1	14.7	19.3	9.0	14.1	17.5
Borrowings	3,310	2,903	5,882	12,846	27,308	28,808	32,025	35,414
Other Liabilities & Prov.	7,063	9,615	11,109	12,420	13,937	14,372	15,935	17,753
Total Liabilities	255,340	328,202	403,701	497,950	549,860	592,712	678,217	782,626
Current Assets	19,877	24,661	26,405	43,359	32,179	37,455	47,556	48,385
Investments	71,556	89,238	93,999	125,235	143,518	150,694	165,763	186,483
Change (%)	17.8	24.7	5.3	33.2	14.6	5.0	10.0	12.5
Loans	158,229	204,887	272,807	318,155	362,299	391,282	449,975	530,970
Change (%)	33.6	29.5	33.1	16.6	13.9	8.0	15.0	18.0
Fixed Assets	1,525	3,568	3,775	3,961	4,122	4,765	5,555	6,483
Other Assets	4,153	5,847	6,714	7,240	7,742	8,516	9,368	10,305
Total Assets	255,340	328,202	403,701	497,950	549,860	592,712	678,217	782,626

Asset Quality						(%)		
GNPA (INR m)	2,110	2,303	2,672	4,339	4,326	7,318	6,623	5,949
NNPA (INR m)	616	600	765	2,495	2,817	4,086	2,288	607
GNPA Ratio	1.32	1.12	0.97	1.36	1.19	1.87	1.47	1.12
NNPA Ratio	0.39	0.29	0.28	0.78	0.78	1.04	0.51	0.11
PCR (Excl Tech. write off)	70.8	73.9	71.4	42.5	34.9	44.2	65.5	89.8

E: MOSL Estimates

Financials and valuations

Ratios

Y/E March	2010	2011	2012	2013	2014	2015E	2016E	2017E
Spreads Analysis (%)								
Avg. Yield-Earning Assets	9.1	9.1	10.6	10.5	10.2	10.0	9.9	9.7
Avg. Yield on loans	11.0	10.6	12.0	12.1	11.6	11.2	10.9	10.6
Avg. Yield on Investments	5.7	6.0	6.8	6.8	7.1	7.1	7.0	7.1
Avg. Cost-Int. Bear. Liab.	6.5	6.2	7.6	7.6	7.6	7.6	7.3	6.9
Avg. Cost of Deposits	6.5	6.1	7.6	7.6	7.5	7.7	7.3	6.9
Interest Spread	2.6	2.9	2.9	2.8	2.6	2.4	2.6	2.7
Net Interest Margin	2.7	3.0	3.0	3.0	2.8	2.6	2.7	2.8

Profitability Ratios (%)

RoE	17.0	18.5	21.6	20.5	16.6	11.2	13.3	15.2
RoA	1.0	1.0	1.1	1.1	1.0	0.7	0.8	0.9
Int. Expense/Int. Income	70.6	67.7	71.5	71.1	72.1	74.3	72.8	70.7
Fee Income/Net Income	16.8	15.9	16.3	17.2	16.9	17.1	17.9	17.3
Non Int. Inc./Net Income	26.8	19.9	19.5	20.7	20.8	28.5	25.0	23.3

Efficiency Ratios (%)

Cost/Income*	52.4	48.8	50.3	49.2	52.0	58.3	58.1	55.7
Empl. Cost/Op. Exps.	61.8	62.7	60.6	61.6	59.9	62.9	62.9	62.9
Busi. per Empl. (Rs m)	70.8	79.2	96.9	109.6	112.4	119.4	129.9	147.5
NP per Empl. (Rs lac)	4.8	5.2	6.8	7.9	7.1	5.2	6.6	8.2

* ex treasury and recoveries

Asset-Liability Profile (%)

Loans/Deposit Ratio	68.8	68.9	74.7	71.9	76.3	76.3	76.3	77.6
CASA Ratio	23.1	21.5	19.7	18.6	20.7	20.9	20.7	21.0
Investment/Deposit Ratio	31.1	30.0	25.8	28.3	30.2	29.4	28.1	27.3
G-Sec/Investment Ratio	78.8	76.2	87.4	79.7	80.2	81.7	85.4	88.1
CAR	15.4	14.0	14.0	14.0	12.2	12.5	11.9	11.6
Tier 1	12.4	11.3	11.5	12.1	11.0	11.2	10.7	10.4

Valuation

Book Value (INR)	13.0	15.0	17.9	21.4	24.1	26.2	29.0	32.5
Change (%)	14.1	15.6	19.1	19.9	12.5	8.5	10.7	12.3
Price-BV (x)	2.2	1.9	1.6	1.3	1.2	1.1	1.0	0.9
Adjusted BV (INR)	12.6	14.7	17.4	20.2	22.7	24.2	27.9	32.2
Price-ABV (x)	2.3	2.0	1.6	1.4	1.3	1.2	1.0	0.9
EPS (INR)	2.1	2.6	3.5	3.8	3.8	2.8	3.7	4.7
Change (%)	20.0	25.2	36.8	5.9	0.6	-25.4	29.8	27.5
Price-Earnings (x)	13.9	11.1	8.1	7.7	7.6	10.2	7.9	6.2
Dividend Per Share (INR)	0.4	0.5	0.6	0.7	0.8	0.6	0.7	0.9
Dividend Yield (%)	1.4	1.7	2.1	2.4	2.8	2.0	2.5	3.2

E: MOSL Estimates

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In respect of any matter arising from or in connection with the research you could contact the following representatives of Motilal Oswal Capital Markets Singapore Pte Limited:

Anosh Koppikar

Email : anosh.koppikar@motilaloswal.com

Contact : (+65)68189232

Office Address : 21 (Suite 31), 16 Collyer Quay, Singapore 04931

Kadambari Balachandran

Email : kadambari.balachandran@motilaloswal.com

Contact : (+65) 68189233 / 65249115



Motilal Oswal Securities Ltd

Motilal Oswal Tower, Level 9, Sayani Road, Prabhadevi, Mumbai 400 025

Phone: +91 22 3982 5500 E-mail: reports@motilaloswal.com