

AXIS BANK

Performance beat street

India Equity Research | Banking and Financial Services



Axis Bank reported 22% YoY growth in PAT to INR13.5bn (ahead of our INR13.2bn estimate) in Q3FY13. In a nutshell, the bank has once again performed on the key concern area, i.e. asset quality. Incremental stress buildup (Slippages-INR5.4bn + Restructuring-INR3.7bn) came well within the guided range. For 9mFY13, the buildup has been at INR29.1bn vis-à-vis the annual guidance of INR50bn, i.e. well within the guided range. Strategy to build up the retail banking piece is on track with retail fees (up 35% YoY), asset (up 45% YoY to 27% of total loans) and liabilities (SA + Retail TD now forms 47% of deposits vis-a-vis 44% a year back) performing better than the whole bank. We maintain 'BUY'/sector Outperformer with a target price of INR1710.

Note: This report contains Q2FY13/Q1FY13 earnings concall highlights

Asset quality: Slippages and restructuring well within guidance

After witnessing a blip in Q2 on account of Deccan Chronicle, slippages have trended down to 1.25% (well within guided range) from 1.5%. Incremental stress buildup falling within the guided range is an encouraging sign even while provisioning coverage continues to be healthy at 81% (including prudential write offs). Headline asset quality numbers maintained with GNPA/NNPA/Cumulative restructured assets at 1.1%/0.33%/2.06%. Overall, it maintains guidance of 85-90bps on credit cost coupled with restricting slippages and restructuring at INR40-45bn for FY13.

Outlook and valuations: Retail banking shines; maintain 'BUY'

Though the stock outperformed the bankex by 15% over the last 3 months, concerns around its power and SME exposures has led to a discount to other new generation private sector banks despite delivering similar return ratios. Concerns over asset quality, however, seem unfounded as it has consistently delivered on all metrics. Efforts to scale up retail banking—assets moving up to 30-35% and increasing share of retail liabilities—should help allay investor concerns and at the current pace these targets are going to be achieved much before the FY15 timeline. It trades at 1.9x FY14 adjusted book, >10% discount to 5Y average attractive given RoA/RoE of 1.7%/20% and being well positioned to capture maximum upside to improvement in macros.

Financials

(INR mn)

Year to March	Q313	Q312	Growth %	Q213	Growth %	FY12	FY13E	FY14E
Net int. inc.	24,948	21,403	16.6	23,269	7.2	80,178	97,976	118,939
Net profit	13,472	11,023	22.2	11,235	19.9	42,422	50,388	61,538
Adj. B/V /share (INR)						544.0	630.0	744.4
Diluted EPS (INR)	31.4	26.5	18.4	27.0	16.4	102.7	117.8	143.9
Price/ Adj Book (x)						2.6	2.3	1.9
Price/ PPOP (x)						8.0	6.9	5.6
Diluted P/E (x)						13.9	12.1	9.9

EDELWEISS 4D RATINGS

Absolute Rating	BUY
Rating Relative to Sector	Outperformer
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Overweight

MARKET DATA (R: AXBK.BO, B: AXSB IN)

CMP	: INR 1,424
Target Price	: INR 1,710
52-week range (INR)	: 1,431 / 917
Share in issue (mn)	: 427.2
M cap (INR bn/USD mn)	: 608/ 11,146
Avg. Daily Vol.BSE/NSE('000)	: 2,480.1

SHARE HOLDING PATTERN (%)

	Current	Q2FY13	Q1FY13
Promoters *	35.5	37.2	37.3
MF's, FI's & BK's	11.1	13.1	13.9
FII's	34.8	32.8	27.3
others	18.6	16.9	21.5
* Promoters pledged shares (% of share in issue)	:		NIL

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Banks and Financial Services Index
1 month	5.3	3.0	10.6
3 months	27.3	6.5	4.7
12 months	51.6	24.5	22.7

Nilesh Parikh

+91 22 4063 5470
nilesh.parikh@edelweissfin.com

Kunal Shah

+91 22 4040 7579
kunal.shah@edelweissfin.com

Suruchi Chaudhary

+91 22 6623 3316
suruchi.chaudhary@edelweissfin.com

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Retail banking impresses with all round performance

- Retail assets form 27% of loans post the 45% YoY growth. Given the focus on secured lending, both housing (up 45% YoY) saw healthy traction. At the current pace, the target of retail assets forming 30% of loan book will be met much before the FY15 timeline. Competitive pressure build up in auto loan segment has led to flat loan book in the segment
- Retail liability further strengthened with healthy SA (up 22% YoY) and retail TD (up 30% YoY). SA and retail TD now forms 47% of deposits as against 44% a year ago.
- Retail fee also picked up steam and grew 35% YoY and now form 32% of the total fees.

Fee income: Retail segment – stabilizing force

Given the backdrop of reduced investment climate in the country and lower growth in mid-corporate infra segment, corporate banking fee growth continues to suffer. Retail banking fees, however, shines with a 35% YoY growth. Trading profits came in at PAT to INR1.6bn-8% of PBT.

NIMs see a further uptick of 11bps to 3.57% - above the guided range

Yield uptick on the back of change in mix favouring SMEs coupled with a marginal drop in fund costs has led to 11bps pick up in NIMs . The management continues with its guidance of maintaining NIMs in the 3.25-3.5% range (compared to 3.6% for FY12).

Loan growth at 20.7% YoY: Retail piece the main driver

Given the high growth rate clocked by retail assets, the proportion of Corporate and Agri segment has declined (largely on expected lines given PSL run down) to 52.7% and 6.7% now. The management maintained its guidance of growing loan book at a premium to industry and though growth will be broad based, it will be much more pronounced on the retail segment. However, considering that in the 9mFY13, the bank has just grown by 5.7% - the asking rate for Q4 will be 12-13% - a tough task .In terms of new focus product in the retail segment, the bank is working on CVs and gold loan where it is trying to build a small book.

Tier 1 – Retail driven growth leads to slower consumption of capital

Including 9mFY13 Tier 1 stands at 10.27% which when seen in context of 9.5% of Q1 indicates that the PAT growth has outpaced the growth in RWA which we believe is a reflection of retail assets driven growth. Also addition of INR 2.65 bn on account of merger of Enam has supported the rise in networth. This is despite the drop of 100 bps in the share of A rated and above in the large and mid corporate segment (61% as against 62% in Q1).

Other highlights

- CAR at 15.17% with Tier 1 at 10.27% (including profits for the 9mFY13).
- Amongst large and mid-corporate lending, the proportion of corporate rated BBB and below has risen from 33% in FY12 to 39% in Q3FY13. Management attributed the same to some downgrades and coupled with disbursal to the project finance segment (largely rated BBB).
- Rating distribution of SME suggests improvement – low risk categories of SME1 and SME2 moving up from 23% to 26%.

- The board has recently approved resolution to raise Tier - I capital of the Bank by issue of 45.8mn shares through GDRs / QIP issue and preferential issue to promoters of the Bank. At current CMP this would take entail capital raising of INR65bn.

Table 1: Advances grow a healthy 21% driven by retail

(%)	Q311	Q411	Q112	Q212	Q312	Q412	Q113	Q213	Q313
Advances (INR bn)	1,235	1,424	1,319	1,401	1,487	1,698	1,711	1,721	1,795
Advances growth Q-o-Q (%)	11.7	15.3	(7.4)	6.2	6.2	14.1	0.8	0.6	4.3
Advances growth Y-o-Y (%)	45.7	36.5	21.4	26.7	20.4	19.2	29.8	22.9	20.7
Deposits (INR bn)	1,558	1,892	1,836	1,945	2,087	2,201	2,226	2,356	2,445
Deposit growth Q-o-Q (%)	(0.7)	21.5	(3.0)	5.9	7.3	5.5	1.1	5.8	3.8
Deposit growth Y-o-Y (%)	36.9	33.9	24.5	23.9	33.9	16.3	21.3	21.2	17.2
CD ratio (%)	79.3	75.3	71.8	72.0	71.3	77.1	76.9	73.1	73.4

Table 2: March towards 30% retail asset picks up steam

As % of total advances	Q311	Q411	Q112	Q212	Q312	Q412	Q113	Q213	Q313
Large corporate	57.1	53.3	53.3	56.7	56.5	53.6	54.3	53.5	52.7
Mid corporate and SME	13.8	15.0	15.0	14.8	13.9	14.0	12.8	13.7	14.1
Agriculture	8.7	12.2	11.2	7.6	7.2	10.2	9.2	7.1	6.4
Retail	20.4	19.5	20.5	20.9	22.4	22.1	23.7	25.7	26.8
<i>Housing (% of retail)</i>	<i>67.0</i>	<i>68.0</i>	<i>75.0</i>	<i>76.0</i>	<i>75.0</i>	<i>75.0</i>	<i>75.0</i>	<i>68.0</i>	<i>68.0</i>

Table 3: Healthy SA & retail TD growth

(%)	Q311	Q411	Q112	Q212	Q312	Q412	Q113	Q213	Q313
CASA	42.3	41.1	40.5	42.2	41.6	41.5	39.1	40.5	40.0
Retail deposits (% of total dep.)	39.4	39.3	43.6	45.0	44.0	45.2	47.7	47.8	47.2
Retail dep. / branch (INR mn)	549	535	567	597	615	614	635	647	645
Retail bus. / branch (INR mn)	774	734	758	797	838	845	877	901	914

Table 4: NIMs increases 11bps driven by improvement in yields

(%)	Q311	Q411	Q112	Q212	Q312	Q412	Q113	Q213	Q313
Cost of funds	4.8	5.6	6.1	6.2	6.3	6.5	6.7	6.5	6.5
NIM	3.8	3.4	3.3	3.8	3.8	3.6	3.4	3.5	3.6
CASA	42.3	41.0	40.5	42.2	41.6	41.5	39.1	40.5	40.0

Table 5: Asset quality continues to impress, slippages curtailed at 1.26%

	Q311	Q411	Q112	Q212	Q312	Q412	Q113	Q213	Q313
Gross NPA (INR bn)	14.8	16.0	15.7	17.4	19.1	18.1	20.9	21.9	22.8
Growth Q-o-Q	8.8	7.9	(1.6)	10.8	9.8	(5.7)	15.8	4.7	3.8
Gross NPA (%)	1.1	1.0	1.1	1.1	1.1	0.9	1.1	1.1	1.1
Net NPA (INR bn)	3.9	4.1	4.6	5.5	6.8	4.7	6.0	6.5	6.8
Growth Q-o-Q	(5.8)	6.4	12.7	18.7	24.4	(30.8)	28.0	8.2	3.7
Net NPA (%)	0.3	0.3	0.3	0.3	0.4	0.3	0.3	0.3	0.3
Provision coverage (%)	74.0	74.3	70.6	68.5	64.3	73.8	71.1	70.1	70.2
Credit costs (annualised), (%)	0.8	0.3	0.4	0.7	0.9	0.3	0.6	1.0	0.8

Source: Company

Table 6: Aggressive write-offs restrict the increase in GNPA's

(INR mn)	Q112	Q212	Q312	Q412	Q113	Q213	Q313
Incremental slippage	2,960	4,960	5,350	5,140	4,560	6,280	5,410
<i>Incremental slippage (%)</i>	<i>0.9</i>	<i>1.4</i>	<i>1.4</i>	<i>1.2</i>	<i>1.1</i>	<i>1.5</i>	<i>1.3</i>
Recoveries and upgrades	920	1,630	1,210	5,930	620	1,387	1,797
Writeoffs	2,300	1,620	2,430	300	1,080	3,900	2,770

Table 7: Restructured INR 3.7bn of loans during the quarter

(INR mn)	Q311	Q411	Q112	Q212	Q312	Q412	Q113	Q213	Q313
Incremental restructuring	1,630	1,080	1,070	3,120	2,950	5,880	6,280	3,230	3,680
% of advances	0.1	0.1	0.1	0.2	0.2	0.3	0.4	0.2	0.2
Restructured book	21,170	19,300	21,510	24,100	27,010	30,600	38,270	40,680	42,570
Restructured book (% of advances)	1.7	1.4	1.4	1.5	1.6	1.6	2.0	2.0	2.1

Table 8: Fees income break-up-Retail banking shines

As % of total fee income	Q311	Q411	Q112	Q212	Q312	Q412	Q113	Q213	Q313
Corporate banking	34.8	31.5	37.6	31.4	36.1	30.7	34.5	32.0	31.8
Agri and SME Banking	5.7	7.2	3.9	5.3	5.0	8.1	5.3	5.8	5.8
Business banking	9.4	7.7	9.0	8.0	8.3	8.9	9.3	6.8	7.7
Capital markets	1.5	1.4	1.5	1.2	1.0	0.9	1.0	1.0	1.0
Retail banking	25.8	22.4	25.1	24.1	25.0	26.2	27.2	30.4	30.9
Others	22.9	29.9	22.9	29.9	24.6	25.3	22.7	24.1	22.8
Q-o-Q growth in non int. inc.	11.1	26.4	(19.5)	5.7	15.8	11.0	(15.9)	19.3	1.4
Fee inc. to total inc.	39.8	46.0	40.4	38.1	40.0	42.5	38.0	40.6	39.3

Table 9: Tier 1 at 10.27% including 9MFY13 PAT

(%)	Q311	Q411	Q112	Q212	Q312	Q412	Q113	Q213	Q313
Cost-income ratio	42.4	42.2	46.1	45.2	42.3	45.4	44.1	44.4	42.6
Tax rate	33.7	34.9	31.8	32.8	32.7	32.7	32.3	32.7	32.0
Tier-1	8.9	9.4	9.4	8.5	8.3	9.5	9.5	9.9	10.3

Note: Tier-1 capital includes profit

Source: Company

Financial snapshot
(INR mn)

Year to March	Q3FY13	Q3FY12	% change	Q2FY13	% change	YTD13	FY13E	FY14E
Interest on advances	49,067	39,636	23.8	47,363	3.6	142,675	194,230	230,109
Interest on investments	20,143	17,752	13.5	18,966	6.2	57,173	78,486	88,680
Interest on other resources	247	155	59.5	220	12.0	696	3,028	2,226
Interest income	69,649	57,770	20.6	66,872	4.2	201,350	275,743	321,014
Interest exp	44,701	36,367	22.9	43,603	2.5	131,334	177,767	202,075
Net int. inc. (INR mn)	24,948	21,403	16.6	23,269	7.2	70,016	97,976	118,939
Fee income	14,562	13,118	11.0	13,861	5.1	40,277	60,639	70,949
Other income	16,154	14,298	13.0	15,931	1.4	45,439	63,639	73,949
Operating expenses	17,487	15,109	15.7	17,417	0.4	50,421	70,191	81,219
Staff expense	6,151	5,420	13.5	5,779	6.4	17,756	24,468	28,881
Other opex	11,336	9,689	17.0	11,638	(2.6)	32,666	45,723	52,338
Pre prov op profit (ppop)	22,023	19,412	13.4	19,713	11.7	59,872	88,424	108,669
Provisions	3,868	4,223	(8.4)	5,094	(24.1)	11,551	17,099	20,494
Profit before tax	19,747	16,369	20.6	16,688	18.3	53,483	74,325	91,175
Provision for taxes	6,275	5,346	17.4	5,453	15.1	17,241	23,937	29,637
PAT	13,472	11,023	22.2	11,235	19.9	36,243	50,388	61,538
Diluted EPS (INR)	31.4	26.5	18.4	27.0	16.4	84.6	117.8	143.9

Ratios

NII/GII (%)	35.8	37.0		34.8		34.8	35.5	37.1
Cost/income (%)	42.5	42.3		44.4		43.7	43.4	42.1
Provisions / PPOP	17.6	21.8		25.8		19.3	19.3	18.9
Tax rate (%)	31.8	32.7		32.7		32.2	32.2	32.5

Asset quality

Gross NPA	22,753	19,145	18.8	21,910	3.8		24,299	34,801
Gross NPA (%)	1.1	1.1		1.1			1.0	1.2
Net NPA	6,787	6,829	(0.6)	6,542	3.7		5,625	9,125
Net NPA (%)	0.3	0.4		0.3			0.3	0.4
Provision coverage (%)	70.2	64.3		70.1			76.9	73.8

Balance sheet data (INR bn)

Advances	1,795	1,487	20.7	1,721	4.3		2,054	2,465
Deposits	2,445	2,087	17.2	2,356	3.8		2,617	3,136
Investments	1,009	903	11.8	997	1.2		1,062	1,251

Ratios

Casa ratio (%)	40.0	41.6		40.5			40.8	41.5
Capital adequacy (%)	13.7	11.8		13.8			15.2	14.2
Nim(%)	3.6	3.8		3.5			3.2	3.3
CD ratio (%)	73.4	71.3		73.1			88.8	88.5

Key highlights of Axis Bank's Q3FY13 earnings conference call

- **Retail loans grew 45% Y-o-Y and now accounts for 27% of overall loan book.** One third of retail loans sourced through branches. Of the incremental growth, 11% growth has been driven by auto loans
- Retail fee income contributes 32% of the overall fee income; large/mid-corporate segments witnessed decline in fee income in Q3FY13.
- Focus on growing low cost deposits. Average CASA at 36%.
- **Slippages INR 5.41 bn, upgradations/recoveries is INR 1.81 bn, write-offs INR 2.77 bn. Credit cost for 9MFY13 was 81 bps**
- Restructured INR 3.68 bn spreaded across 5-6 accounts. Has recovered 14% of cumulative restructured assets while 17% has slipped into NPLs. One-third of restructured assets are performing for one year post the moratorium.

Outlook

- Gross and net NPLs should sustain at same levels of 1.1%/0.3%; **Guidance continues on GNPLs+restructured at INR 10-12 bn per quarter (for next couple of quarters) and credit cost at 85-90 bps.**
- Will open 250-300 branches in a year.

Relevant datapoints

- **Yield on advances 10.86% and cost of funds is 6.52%**
- Two-thirds of advances are in the nature of term loans
- **Total provisions of INR 3.86 bn: NPL provisions INR 3.25 bn, Standard assets of INR 560 mn; Provision on restructured assets INR 200 mn; contingent provisions of INR 200 mn and investment depreciation write-back INR 350 mn.**
- Provision coverage 81%
- Trading profits of INR 1.59 bn
- **Tier 1 - 10.27% (including 9 months profit) – most of it is common equity as only INR 4 bn is in the form of IPDI. Will continue to maintain common equity at 9.5% plus levels.**

Key highlights of Axis Bank's Q2FY13 earnings conference call

- The much talked and troubled Deccan Chronicle account is taken on both the slippages and provisions for the quarter.
- Downgrades in ratings, repayment by higher rated corporate and disbursements to projects under implementation (which are typically rated BBB conservatively) has brought down the ratings in the large corporate segment. The management doesn't see this as a cause of concern as healthy collateral is available against all the loans.
- 982 branches and 100plus asset sales centers are originating retail assets.
- Auto loans are dealer sourced, LAP uses DSAs and branches. Credit cards and personal loans are sourced from internal customers.
- **Write-offs have not impacted the P&L as they were 100% provided for. No chunky accounts here.**
- Restructuring is done on facility wise and not borrower wise.
- **Contingent provisions are going to be used for specific identified accounts largely on the corporate side.**
- Rating decline does not automatically lead to yield improvement on the particular accounts.
- **Increase in minimum balance requirements on some SA products have led to average SA improvement.**
- **Of the cumulative restructuring on INR40.68bn, 16% has been recovered and 14% has slipped. Further, INR14.9bn has been performing for a period of 1y.**
- Home loan disbursements likely to be INR15bn a month.

Outlook

- Aims to open another 250 branches this year.
- Over time proportion of corporate will come down in favour of retail assets (28-29% targeted).
- **100-150bps on GNPA for the year/85-95bps on credit costs. Not alarmed or bothered on asset quality and there will be some lumpy accounts as seen in this quarter. INR10bn per quarter on slippages and restructuring anticipated.**
- CoF likely to improve going forward.
- Early to point out transition from standardized approach to IRB approach. Will be ready as and when the regulations require implementation.
- **Over a 2yr period housing segment in retail book will dip to 60% in favour of CVs and may be gold loans where the bank is still evaluating the product.**

Relevant datapoints

- Added 67 branches for Q2
- **Retail fee income breakup:** Third party distribution grew 34% YoY to INR938mn. Card fees grew 54% YoY to INR1.55bn.
- **GNPA movement:** Slippages of INR6.28bn, Recoveries and upgrades of INR1.36bn and write-offs of INR3.93bn.
- **Non-tax provision breakup:** Standard at INR590mn, Investment depreciation writeback of INR 660mn, LLP of INR4.07bn and contingent provisions of INR1.15bn.

- **Treasury income breakup:** Of the INR2.07bn-Bonds and debentures INR750mn, Forex INR280mn and INR950mn on equity.
- **Break up of restructured assets:**
 - Segment wise
 - Large corporate: INR22.45bn
 - Infra: INR4.43bn
 - Mid corporate: INR6.21bn
 - SME: INR2.31bn
 - Agri: INR2.5bn
 - Capital Markets: INR2.78bn
- **Break up of restructured assets:**
 - Sector wise
 - Textiles: 48%
 - Petroleum: 11%
 - Edible Oil: 11%
 - Infra: 9%
 - Employee no: 35,819
 - Duration: HTM-5y, AFS-2.8y

Company description

Axis Bank is the third-largest private sector bank in India in terms of asset size, with a balance sheet of INR 3.19 tn. It has a network of over 1787 branches and extension counters across the country.

The bank earns substantial fee income from transaction and merchant banking activities.

The key promoter UTI-I (special undertaking) holds 22.7%, LIC holds 8.87%, and the rest is widely held by FIIs and public.

Investment theme

Axis Bank has registered buoyant loan growth on a balanced portfolio skewed towards corporate advances and retail (as compared with its private peers). Retail advances contributed 22% to the total loan portfolio. Thus, it has better scope for aggressively expanding across segments where it has a low presence. It is also spreading across geographies and targeting presence in more than 75% of India's districts in the next five years. The bank's loan book is expected to grow at 20% plus in FY12-14E.

Rapidly growing franchise and new product offerings (viz., credit cards) will further drive growth in retail fee income. The bank is also intensifying efforts to penetrate the remittance business by aggressively spreading its international operations. Other key contributors to fee income will be project advisory, debt syndication, and third party distribution of insurance.

Key risks

- Change in management may affect the pace of growth and profitability in the near term.
- Deterioration of macro environment can result in higher slippages and slow down business growth.

Financial Statements

Key Assumptions

Year to March	FY12	FY13E	FY14E	FY15E
Macro				
GDP(Y-o-Y %)	6.5	5.5	6.5	7.0
Inflation (Avg)	8.8	7.8	6.0	6.0
Repo rate (exit rate)	8.5	7.5	6.8	6.0
USD/INR (Avg)	47.9	54.5	54.0	52.0
Sector				
Credit growth	17.1	17.0	16.0	17.0
Deposit growth	13.4	15.0	14.0	17.0
CRR	4.8	4.3	4.3	4.3
SLR	24.0	23.0	23.0	23.0
G-sec yield	8.5	7.8	7.4	7.5
Company				
Operating metric assumptions (%)	-	-	-	-
Yield on advances	9.9	10.4	10.2	10.0
Yield on investments	7.7	7.9	7.7	7.5
Yield on asset	8.6	9.1	8.9	8.8
Net interest margins	3.1	3.2	3.3	3.4
Cost of funds	6	6	6	6
Cost of deposits	6.0	6.4	6.2	5.9
Cost of borrowings	6.7	6.5	6.1	6.1
Spread	2.8	2.9	3.0	3.1
Tax rate (%)	32.5	32.2	32.5	32.5
Balance sheet assumption (%)	-	-	-	-
Credit growth	20.2	20.3	19.4	19.4
Deposit growth	16.3	18.9	19.8	20.1
SLR ratio	24.0	23.0	23.0	23.0
Low-cost deposits	41.5	40.8	41.5	42.3
Gross NPA ratio	0.9	1.0	1.2	1.4
Net NPA ratio	0.3	0.3	0.4	0.4
Provision coverage	73.8	76.9	73.8	74.8
Incremental slippage	1.1	1.3	1.5	1.5
Net NPA / Equity	2.1	2.1	2.8	3.1
Capital adequacy	15.2	14.2	13.6	8.3

Income statement

(INR mn)

Year to March	FY12	FY13E	FY14E	FY15E
Interest income	219,947	275,743	321,014	377,823
Interest expended	139,769	177,767	202,075	231,812
Net interest income	80,178	97,976	118,939	146,012
Non interest income	54,202	63,639	73,949	86,198
- Fee & forex income	50,157	57,226	67,194	79,068
- Misc. income	3,114	3,413	3,755	4,130
- Investment profits	931	3,000	3,000	3,000
Net revenue	134,380	161,615	192,887	232,210
Operating expense	60,071	70,191	81,219	94,774
- Employee exp	20,802	24,468	28,881	34,869
- Other opex	39,269	45,723	52,338	59,905
Preprovision profit	74,309	91,424	111,669	137,436
Provisions	11,430	17,099	20,494	25,897
Loan loss provisions	8,604	17,099	20,494	25,897
Investment depreciation	581	-	-	-
Other provisions	2,245	-	-	-
Profit before tax	62,878	74,325	91,175	111,539
Provision for tax	20,456	23,937	29,637	36,257
Profit After Tax	42,422	50,388	61,538	75,283
Diluted EPS (INR)	102.7	117.8	143.9	176.0
Dividend per share (INR)	16.0	17.7	21.6	26.4
Dividend payout (%)	18.2	16.5	16.5	16.5

Growth ratios (%)

Year to March	FY12	FY13E	FY14E	FY15E
NII growth	22.2	22.2	21.4	22.8
Fees growth	27.9	14.1	17.4	17.7
Opex growth	25.7	16.8	15.7	16.7
PPOP growth	21.2	20.5	22.9	23.7
PPP growth	15.8	23.0	22.1	23.1
Provisions growth	(9.9)	98.7	19.9	26.4
Net profit	25.2	18.8	22.1	22.3

Operating ratios

Year to March	FY12	FY13E	FY14E	FY15E
Yield on advances	9.9	10.4	10.2	10.0
Yield on investments	7.7	7.9	7.7	7.5
Yield on assets	8.6	9.1	8.9	8.8
Net interest margins	3.1	3.2	3.3	3.4
Cost of funds	5.7	6.2	5.9	5.7
Cost of deposits	6.0	6.4	6.2	5.9
Cost of borrowings	6.7	6.5	6.1	6.1
Spread	2.8	2.9	3.0	3.1
Cost-income	44.7	43.4	42.1	40.8
Tax rate	32.5	32.2	32.5	32.5

Balance sheet		(INR mn)			
As on 31st March	FY12	FY13E	FY14E	FY15E	
Equity capital	4,132	4,276	4,276	4,276	
Reserves & surplus	223,953	269,053	320,431	383,284	
Net worth	228,085	273,329	324,707	387,560	
Sub bonds/pref cap	105,741	110,741	115,741	120,741	
Deposits	2,201,043	2,616,623	3,135,762	3,764,965	
Borrowings	234,976	275,030	325,097	375,179	
Other liabilities	86,433	104,584	125,500	150,601	
Total liabilities	2,856,278	3,380,306	4,026,808	4,799,045	
Loans	1,697,595	2,054,090	2,464,909	2,957,890	
Cash and equivalents	139,339	163,581	195,445	234,010	
Gilts	585,332	665,080	795,998	952,233	
Others	346,589	396,942	454,850	521,443	
Fixed assets	22,593	22,169	21,475	20,511	
Other Assets	64,829	78,443	94,132	112,959	
Total assets	2,856,278	3,380,306	4,026,808	4,799,045	
Book value per share (INR)	552.0	639.2	759.3	906.3	
Credit growth	20.2	20.3	19.4	19.4	
Deposit growth	16.3	18.9	19.8	20.1	
EA growth	17.4	18.4	19.3	19.3	
SLR ratio	24.0	23.0	23.0	23.0	
C-D ratio	87.8	88.8	88.5	88.0	
Low-cost deposits	41.5	40.8	41.5	42.3	
Gross NPA ratio	0.9	1.0	1.2	1.4	
Net NPA ratio	0.3	0.3	0.4	0.4	
Provision coverage	73.8	76.9	73.8	74.8	
Incremental slippage	1.1	1.3	1.5	1.5	
Net NPA / Equity	2.1	2.1	2.8	3.1	
Capital adequacy	15.2	14.2	13.6	8.3	
- Tier 1	9.4	9.1	8.7	8.3	

RoE decomposition (%)					
Year to March	FY12	FY13E	FY14E	FY15E	
Net interest income/assets	3.1	3.2	3.3	3.4	
Fees/Assets	2.1	2.0	2.0	1.9	
Investment profits/Assets	-	0.1	0.1	0.1	
Net revenues/assets	5.2	5.3	5.4	5.4	
Operating expense/assets	(2.3)	(2.3)	(2.3)	(2.2)	
Provisions/assets	(0.4)	(0.6)	(0.6)	(0.6)	
Taxes/assets	(0.8)	(0.8)	(0.8)	(0.8)	
Total costs/assets	(3.6)	(3.7)	(3.7)	(3.7)	
ROA	1.7	1.7	1.7	1.8	
Equity/assets	8.2	8.3	8.3	8.3	
ROAE (%)	20.3	20.1	20.6	21.1	

Valuation parameters					
Year to March	FY12	FY13E	FY14E	FY15E	
Diluted EPS (INR)	102.7	117.8	143.9	176.0	
Y-o-Y growth (%)	24.4	14.8	22.1	22.3	
Book value per share (INR)	552.0	639.2	759.3	906.3	
Adjusted book value per share	544.0	630.0	744.4	886.8	
Diluted PE (x)	13.9	12.1	9.9	8.1	
Price/BV (x)	2.6	2.2	1.9	1.6	
Price/ Adj. BV (x)	2.6	2.3	1.9	1.6	
Dividend yield (%)	1.1	1.2	1.5	1.9	
Price to income (x)	6.4	5.7	4.9	4.3	

Peer comparison valuation

Name	Market Cap	Diluted PE (X)		Price/ Adj. BV (X)		ROAE (%)	
		FY13E	FY14E	FY13E	FY14E	FY13E	FY14E
Axis Bank	11,153	12.1	9.9	2.3	1.9	20.1	20.6
Allahabad Bank	1,718	5.4	4.4	1.0	0.8	16.9	17.9
Bank of Baroda	6,616	7.2	5.8	1.3	1.1	17.8	18.7
Federal Bank	1,645	9.9	8.1	1.4	1.3	14.9	16.3
HDFC Bank	29,012	20.9	17.4	4.5	3.9	22.4	22.5
ICICI Bank	25,386	17.6	15.5	2.7	2.4	12.5	12.9
Indian Overseas Bank	1,338	6.9	5.1	0.8	0.8	9.5	11.9
IndusInd Bank	4,230	22.0	17.3	3.1	2.7	17.5	16.6
ING Vysya	1,633	14.6	11.4	2.0	1.7	14.4	16.2
Karnataka Bank	605	9.3	8.1	1.3	1.2	13.0	13.7
Oriental Bank Of Commerce	1,853	6.2	5.0	1.0	0.8	14.0	15.1
Punjab National Bank	5,601	6.4	5.2	1.3	1.1	16.9	17.9
South Indian Bank	710	8.1	6.6	1.4	1.2	19.6	18.9
State Bank of India	30,629	11.4	10.2	2.1	1.8	16.3	16.0
Union Bank Of India	2,718	8.3	6.9	1.2	1.0	15.6	16.7
Yes Bank	3,461	14.7	11.8	3.2	2.6	24.3	24.3
Median	-	9.6	8.1	1.4	1.2	16.6	16.7
AVERAGE	-	11.3	9.3	1.6	1.4	16.6	17.3

Source: Edelweiss research

Additional Data

Directors Data

Rama Bijapurkar	Director	K. N. Prithviraj	Director
V. R. Kaundinya	Director	S. B. Mathur	Director
Prasad R. Menon	Director	R. N. Bhattacharyya	Director
Samir K. Barua	Director	A. K. Dasgupta	Director
Som Mittal	Director		

Auditors - M/s Deloitte Haskins & Sells

Holding – Top10

	Perc. Holding		Perc. Holding
Genesis indian inv c	2.8	Icici prudential lif	2.58
Capital research	1.51	Temasek holdings	1.12
Vanguard group inc	1.05	HDFC Asset Management	0.74
Blackrock Fund advisors	0.71	T. Rowe Price associates	0.69
Franklin templeton asset	0.63	SBI fund management	0.57

**in last one year*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
28 Jun 2012	Hsbc Iris Investments Mauritius Ltd	Sell	19609210	958.43

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
18 Jan 2012	National Insurance Company Ltd	Buy	65000.00
19 Jan 2012	National Insurance Company Ltd	Buy	40000.00
27 Feb 2012	National Insurance Company Ltd	Buy	65000.00
09 May 2012	B. Gopalakrishnan	Sell	21000.00

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Allahabad Bank	BUY	SP	M	Axis Bank	BUY	SO	M
Bank of Baroda	BUY	SP	M	Federal Bank	BUY	SO	L
HDFC	HOLD	SU	L	HDFC Bank	HOLD	SP	L
ICICI Bank	BUY	SO	L	Indian Overseas Bank	HOLD	SU	M
IndusInd Bank	BUY	SP	L	Infrastructure Development Finance Co Ltd	BUY	SO	L
ING Vysya	BUY	SO	L	Karnataka Bank	BUY	SO	M
Kotak Mahindra Bank	REDUCE	SU	M	LIC Housing Finance	BUY	SO	M
Mahindra & Mahindra Financial Services	BUY	SO	M	Manappuram General Finance	BUY	SO	M
Multi Commodity Exchange of India	BUY	SO	M	Muthoot Finance	BUY	SO	M
Oriental Bank Of Commerce	BUY	SO	L	Power Finance Corp	BUY	SO	M
Punjab National Bank	HOLD	SU	M	Reliance Capital	BUY	SO	M
Rural Electrification Corporation	BUY	SO	M	Shriram City Union Finance	BUY	SO	M
South Indian Bank	HOLD	SP	M	State Bank of India	BUY	SO	L
Union Bank Of India	BUY	SO	M	Yes Bank	BUY	SO	M

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return

Edelweiss Securities Limited, Edelweiss House, off C.S.T. Road, Kalina, Mumbai – 400 098.
Board: (91-22) 4009 4400, Email: research@edelcap.com

Vikas Khemani	Head Institutional Equities	vikas.khemani@edelweissfin.com	+91 22 2286 4206
Nischal Maheshwari	Co-Head Institutional Equities & Head Research	nischal.maheshwari@edelweissfin.com	+91 22 4063 5476
Nirav Sheth	Head Sales	nirav.sheth@edelweissfin.com	+91 22 4040 7499

Coverage group(s) of stocks by primary analyst(s):

Allahabad Bank, Axis Bank, Bank of Baroda, Federal Bank, HDFC, HDFC Bank, ICICI Bank, Infrastructure Development Finance Co Ltd, IndusInd Bank, Indian Overseas Bank, Karnataka Bank, Kotak Mahindra Bank, LIC Housing Finance, Multi Commodity Exchange of India, Manappuram General Finance, Mahindra & Mahindra Financial Services, Muthoot Finance, Oriental Bank Of Commerce, Punjab National Bank, Power Finance Corp, Reliance Capital, Rural Electrification Corporation, State Bank of India, Shriram City Union Finance, South Indian Bank, Union Bank Of India, ING Vysya, Yes Bank

Recent Research

Date	Company	Title	Price (INR)	Recos
14-Jan-13	ING Vysya Bank	Re-rating underway; <i>Company Update</i>	565	Buy
09-Jan-13	Indusind Bank	Asset quality in check; margins boost show; <i>Result Update</i>	435	Buy
02-Jan-13	Gold Loan NBFC	Major overhang settles, manageable business impact; <i>Sector Update</i>		

Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	118	46	17	181
* - stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	117	57	7	

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

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