

# Canara Bank

BSE SENSEX	S&P CNX	CMP: INR464	TP: INR645	Buy						
17,234	5,205									
Bloomberg	CBK IN									
Equity Shares (m)	443.0									
52-Week Range (INR)	672/349									
1,6, 12 Rel.Perf.(%)	22/2/-13									
M.Cap. (INR b)	205.6									
M.Cap. (USD b)	4.1									
Year	Net Income	PAT	EPS	EPS	P/E	BV	P/BV	P/ABV	RoAA	RoAE
End	(INR m)	(INR m)	(INR)	Gr. (%)	(X)	(INR)	(X)	(X)	(%)	(%)
3/10A	85,384	30,214	73.7	45.8	-	306	-	-	1.2	26.8
3/11A	105,263	40,259	90.9	23.3	5.1	405	1.1	1.3	1.3	26.4
3/12E	107,642	32,158	72.6	-20.1	6.4	465	1.0	1.1	0.9	16.7
3/13E	126,906	39,373	88.9	22.4	5.2	538	0.9	1.0	0.9	17.7

Canara Bank (CBK) posted a PAT of INR8.8b (4% lower than our estimate) for 3QFY12, up 3% QoQ (but down 21% YoY), led by sequentially flattish business growth and stable margins QoQ at 2.64%. NII declined 9% YoY and 2% QoQ to INR19.2b. However, containment of operating costs and sequentially lower provisions resulted in a marginal improvement in bottomline on a QoQ basis.

- **Slippages decline sequentially, loans worth INR15.6b restructured:** Slippages continued to trend downwards and stood at INR8.6b v/s INR12.4b in 2QFY12. GNPA increased 5% QoQ. Assets worth INR15.6b were restructured, taking the cumulative outstanding restructured book to INR95.6b (4.4% of loan book), post repayment of INR5b in 3QFY12.
- **Business growth moderates further; CASA ratio down to ~24%:** Business growth moderated further, with loans growing just 0.6% QoQ and deposits growing just 0.9% QoQ. On a YoY basis, loans grew 15.5% and deposits grew 19.7%. CASA ratio (calculated) declined further to ~24% from ~26% in 2QFY12.
- **Lower recoveries lead to sequentially lower non-interest income:** Non-interest income grew 45% YoY but declined 6% QoQ to INR7.8b. Lower recoveries of INR680m v/s INR1.35b in 2QFY12 and INR720m in 3QFY11, resulted in sequentially lower non-interest income.

**Valuation and view:** We expect return ratios to remain healthy, with average RoA of ~1% and average RoE of 17-18% over FY12-13. We expect CBK to report an EPS of INR73 for FY12 and INR89 for FY13, and a BV of INR465 for FY12 and INR538 for FY13. The stock trades at 5.2x FY13E EPS and 0.9x FY13E BV. Maintain **Buy**.

## Canara Bank: Quarterly Performance

	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	51,609	55,774	59,079	64,188	71,807	76,145	78,121	82,559	230,640	308,631
Interest Expense	34,331	35,741	37,887	44,449	53,877	56,528	58,935	62,140	152,407	231,480
Net Interest Income	17,278	20,033	21,192	19,739	17,930	19,617	19,186	20,418	78,233	77,151
% Change (Y-o-Y)	33.8	52.5	43.4	23.6	3.8	-2.1	-9.5	3.4	37.7	-1.4
Other Income	7,340	4,996	5,366	9,328	5,268	8,283	7,791	9,150	27,030	30,491
Net Income	24,618	25,029	26,558	29,067	23,198	27,900	26,976	29,568	105,263	107,642
Operating Expenses	9,785	10,872	11,428	12,109	10,495	11,847	11,209	12,527	44,193	46,078
Operating Profit	14,833	14,158	15,130	16,959	12,703	16,053	15,767	17,041	61,070	61,564
% Change (Y-o-Y)	42.4	-0.2	9.6	18.6	-14.4	13.4	4.2	0.5	20.7	0.8
Other Provisions	2,200	1,579	1,573	5,460	3,446	5,531	5,012	7,378	10,811	21,366
Profit before Tax	12,634	12,579	13,557	11,499	9,258	10,522	10,756	9,663	50,259	40,198
Tax Provisions	2,500	2,500	2,500	2,500	2,000	2,000	2,000	2,040	10,000	8,040
Net Profit	10,134	10,079	11,057	8,999	7,258	8,522	8,756	7,623	40,259	32,158
% Change (Y-o-Y)	82.5	10.7	5.0	78.9	-28.4	-15.4	-20.8	-15.3	33.2	-20.1
Deposit Growth (%)	23.3	21.5	25.4	25.3	25.7	25.4	19.7	15.0	25.3	15.0
Loan Growth (%)	23.5	20.2	28.8	25.5	23.7	23.8	15.5	15.0	25.5	15.0
CD Ratio (%)	72.8	70.7	72.1	72.3	71.6	69.7	69.5	72.3	72.3	72.3
Net Interest Margin (Cal, %)	2.8	3.2	3.2	2.8	2.4	2.5	2.4		2.9	
Tax Rate (%)	19.8	19.9	18.4	21.7	21.6	19.0	18.6	21.1	19.9	20.0
Gross NPA (%)	1.5	1.5	1.4	1.5	1.7	1.7	1.8	1.6	1.5	1.6

E: MOSL Estimates

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**Quarterly performance v/s our estimates and reasons for deviation (INR m)**

Y/E MARCH	3QFY12A	3QFY12E	Var. (%)	Comments
Net Interest Income	19,186	21,385	-10	Muted business growth and stable margins impact NII
% Change (YoY)	-9.5	1		
Other Income	7,791	8,037	-3	Lower recoveries affect non-interest income
Net Income	26,976	29,422	-8	
Operating Expenses	11,209	12,082	-7	Tight control on costs lowers opex
Operating Profit	15,767	17,339	-9	
% Change (YoY)	4	15		
Other Provisions	5,012	5,686	-12	Inv. depn and dimunition in fair value of rest. assets lead to higher prov.
Profit before Tax	10,756	11,654	-8	
Tax Provisions	2,000	2,506	-20	Tax rate came in at 19% v/s est. 22%
Net Profit	8,756	9,148	-4	
% Change (YoY)	-21	-17		

Source: Company/MOSL

**Margins stable QoQ at 2.64%:** In 3QFY12, margins stood stable QoQ at 2.64%. This coupled with flattish loan growth on a sequential basis led to a 9% YoY and 2% QoQ decline in the net interest income to INR19.2b. During the quarter, reversal in interest income was much lower at INR280m v/s INR1.2b in 2QFY12 due to higher slippages.

**Slippages decline sequentially; strong recovery momentum continues:** In 3QFY12, slippages continued to trend downwards as it stood at INR8.6b v/s INR12.4b in 2QFY12. Slippages include two large corporate accounts to the tune of INR2.5b, which have been referred to CDR. The management remains confident of these accounts getting upgraded in the coming quarter once the CDR package gets implemented. Momentum in recoveries was healthy at INR10.9b v/s INR6.9b in 2QFY12. As a result GNPA's increased 5% QoQ. Provision coverage ratio including technical write offs declined marginally to 67.9% from 68.6% in 2QFY12.

**Loans worth INR15.6b restructured:** Assets worth INR15.6b were restructured during the quarter, which took the cumulative outstanding restructured book at INR95.6b (4.4% of loan book), post repayment of INR5b during the quarter. CBK took an NPV hit of INR1.57b on accounts restructured during the quarter. Cumulative slippages from the restructured portfolio stood at INR10.4b (11% of restructured portfolio), of which INR2.44b worth loans slipped into as NPAs during the quarter. CBK made provisions to the tune of INR1.57b towards diminution in fair value of restructured assets.

**Business growth moderates further; CASA ratio down to ~24%:** Business growth moderated further with a marginal growth in loan and deposit of 0.6% and 0.9% respectively over the previous quarter. On a YoY basis, loans grew 15.5% and deposits grew by 19.7%. As a result, YTD loan and deposit growth stood at 3.2% and 7.3% respectively. CD ratio remained largely stable QoQ at ~70%. For FY12, the management has guided for a 16% YoY loan growth for FY12. CASA ratio (calc.) declined further to ~24% from ~26% in 2QFY12. The decline in CASA ratio can be partially attributed to a steep 28% QoQ decline in the current account deposits and a marginal 1% QoQ decline in savings bank balances leading to a 6.6% decline in the CASA deposits.

**Lower recoveries lead to sequentially lower non-interest income:** Non-interest income grew strongly by 45% YoY but declined by 6% QoQ to INR7.8b. CEB income grew 21% YoY but remained flat QoQ at INR2.0b and also forex income remained flat QoQ at INR1.0b. Treasury gains stood at INR1.57b v/s INR1.49b in 2QFY12 and INR290m

during the year ago period. Recoveries were lower during the quarter at INR680m v/s INR1.35b in 2QFY12 and INR720m in 3QFY11 resulting into lower non interest income on a QoQ basis.

#### Valuation and view

With completion of shifting of portfolio to system based NPL recognition method, the slippages have started to normalize and they continue its declining trend. CASA ratio (calc.) has declined from ~28% as on March 2011 to ~24% currently, which could have an adverse impact on margins. We have revised our earnings estimates downwards to factor in lower than expected growth momentum.

We expect return ratios to remain healthy with average ROAs of ~1% and average RoEs of ~17-18% over FY12/13. We expect CBK to report EPS of INR73 and INR89 and BV of INR465 and INR538 for FY12 and FY13 respectively.

While the higher share of infrastructure loans (~18%), vulnerable liability profile (~24% CASA and higher share of bulk deposits) and volatile earnings remains a concern, we believe current valuations of 5.3x FY13E EPS and 0.9x FY13E BV largely factor in negatives. CBK will be the biggest beneficiary of expected fall in interest rates due to higher share of bulk deposits. Maintain Buy with the target price of INR645 (1.2x FY13E BV).

#### Highlights from the management concall

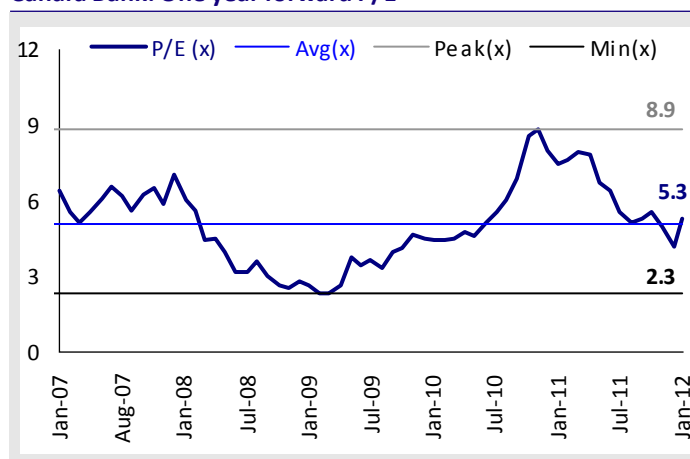
- As on Dec'11, overall capital adequacy ratio stood at 13.22% with tier-I ratio for 9.48%. On adding the 9MFY12 profits, the overall capital adequacy ratio stood at 14.4% with tier-I ratio of 10.7%.
- Of the total INR15.6b worth loans restructured in 3QFY12, INR10b is towards single large account in the telecom sector. The details of the restructuring exercise are as follows:
  - 25% of the outstanding debt has been converted into equity
  - Moratorium period of 7 quarters has been given for repayment of the remaining 75% of the debt
  - Principal repayment to begin in FY14
  - The bank has taken an NPV hit of INR1.57b during the quarter. The NPV loss to be reviewed on an annual basis and in the event of reduction in base rate there could be a writeback.
- None of the SEB accounts have been restructured during the quarter. Exposure to TNEB has reduced from INR22b to INR12b and has not been restructured yet.
  - CBK has exposure to Rajasthan, TNEB, Haryana and Punjab SEB
  - CBK's exposure to the infrastructure sector stood at INR388b, of which
- Exposure to power sector - INR217.2b, within which
  - Exposure to private companies - INR53.0b
  - Exposure to government utilities - INR29.8b
  - Exposure to SEBs (overall) - INR134.4b (of which exposure to discoms is ~INR100b)
- CBK does not have any exposure to Kingfisher Airlines
- Provision coverage ratio including technical write offs declined marginally to 67.9% from 68.6% in 2QFY12. The management is confident of taking it to 70% levels by 1QFY13.

**We downgrade our estimates in lower asset growth and higher prov. (INR b)**

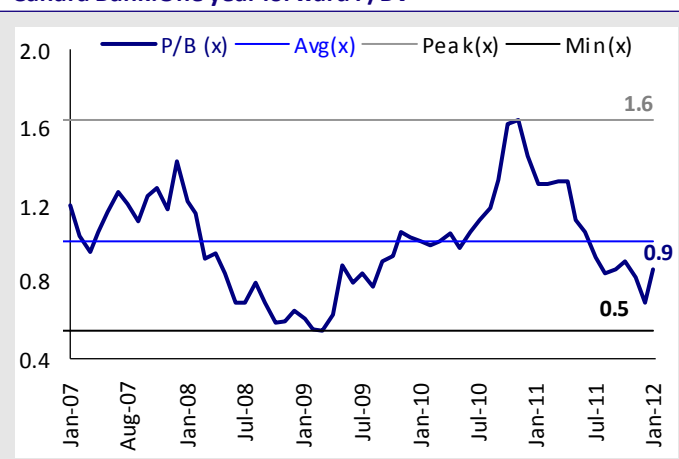
	Old Estimates		Rev. Estimates		Change (%)	
	FY12	FY13	FY12	FY13	FY12	FY13
Net Interest Income	82.1	94.0	77.2	91.7	-6.0	-2.4
Other Income	31.0	34.5	30.5	35.2	-1.5	2.1
<b>Total Income</b>	<b>113.0</b>	<b>128.4</b>	<b>107.6</b>	<b>126.9</b>	<b>-4.8</b>	<b>-1.2</b>
Operating Expenses	47.4	53.3	46.1	53.0	-2.9	-0.6
Operating Profits	65.6	75.1	61.6	73.9	-6.2	-1.6
Provisions	20.9	25.1	21.4	24.1	2.1	-3.9
<b>PBT</b>	<b>44.7</b>	<b>50.1</b>	<b>40.2</b>	<b>49.8</b>	<b>-10.1</b>	<b>-0.4</b>
Tax	9.4	10.5	8.0	10.5	-14.3	-0.4
<b>PAT</b>	<b>35.3</b>	<b>39.5</b>	<b>32.2</b>	<b>39.4</b>	<b>-8.9</b>	<b>-0.4</b>
Margins	2.5	2.4	2.4	2.4		
Credit Cost	0.6	0.7	0.6	0.7		
<b>RoA</b>	<b>1.0</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>		
<b>RoE</b>	<b>18.2</b>	<b>17.5</b>	<b>16.7</b>	<b>17.7</b>		

Source: MOSL

Canara Bank: One year forward P/E

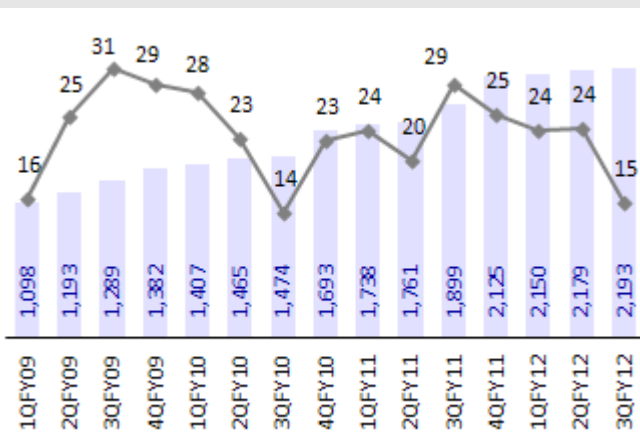


Canara Bank: One year forward P/BV



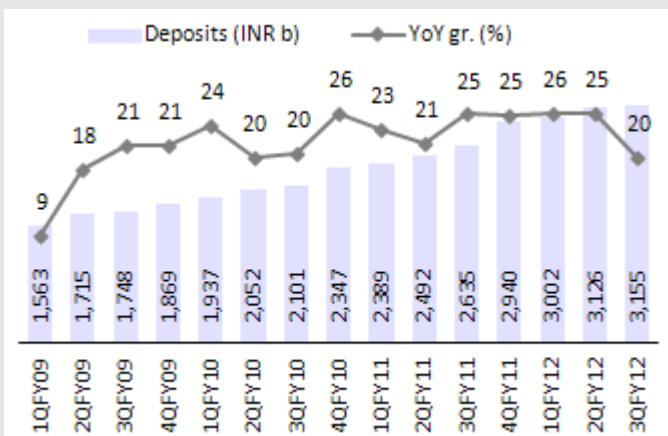
Quarterly trends

Loan growth moderates sharply



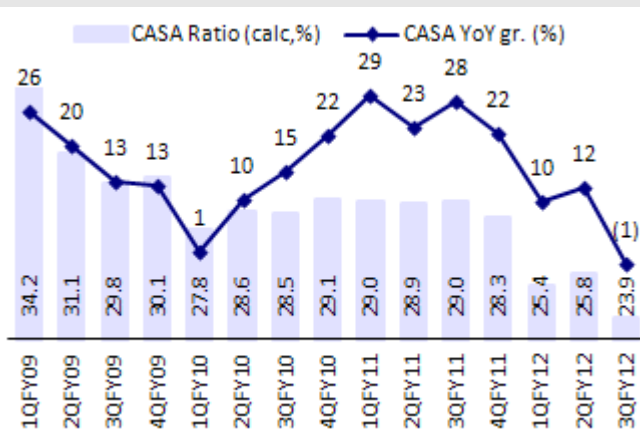
■ On a YoY basis, loans grew 15.5% YoY (YTD loan grew by 3.2%)

Deposits too remain flattish QoQ



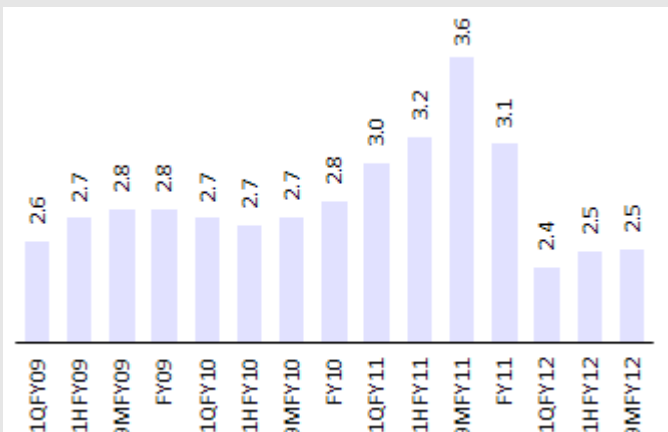
■ Deposits grew by 19.7% YoY (YTD deposit grew by 7.3%)

CASA ratio remains stable QoQ (%)



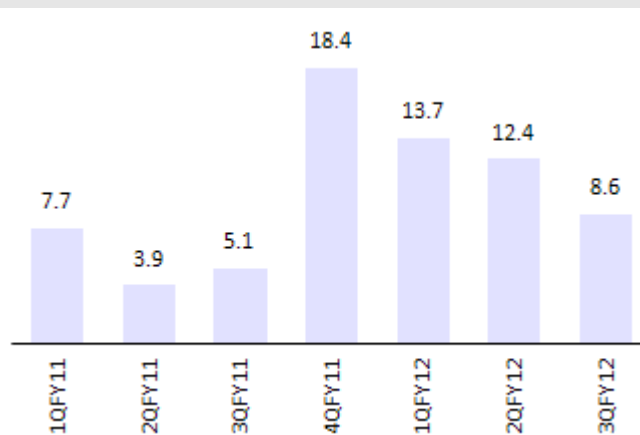
■ CASA ratio (calc.) declined further to ~24% led by a steep 28% QoQ decline in the current account deposits

Margins improve QoQ (%)



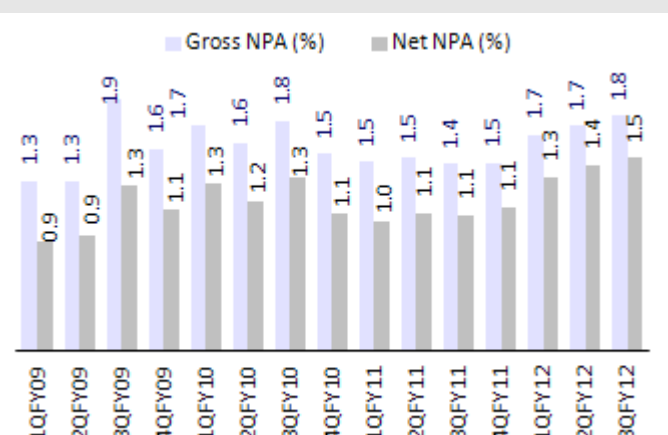
■ In 3QFY12, margins stood stable QoQ at 2.64% leading to decline in net interest income QoQ

Slippages (INR b) continue to decline



■ Slippages declined to INR8.6b which included two large corporate accounts to the tune of INR2.5b

GNPA up 5% QoQ



■ GNPA's increased 5% QoQ

## Quarterly Snapshot

	FY11				FY12			Variation (%)		Cumulative Numbers		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	QoQ	YoY	9M FY11	9M FY12	YoY Gr (%)
<b>Profit and Loss (INR m)</b>												
<b>Net Interest Income</b>	<b>17,278</b>	<b>19,723</b>	<b>21,192</b>	<b>19,739</b>	<b>17,930</b>	<b>19,617</b>	<b>19,186</b>	<b>-2</b>	<b>-9</b>	<b>58,194</b>	<b>56,732</b>	<b>-3</b>
<b>Other Income</b>	<b>7,340</b>	<b>5,306</b>	<b>5,366</b>	<b>9,328</b>	<b>5,268</b>	<b>8,283</b>	<b>7,791</b>	<b>-6</b>	<b>45</b>	<b>18,012</b>	<b>21,342</b>	<b>18</b>
Trading profits	2,240	16	290	-180	-770	1,490	1,570	5	N.A.	2,545	2,290	-10
Forex Income	744	710	1,200	1,160	960	1,070	1,010	-6	-16	2,654	3,040	15
Recoveries	880	650	720	3,270	620	1,350	680	-50	-6	2,250	2,650	18
Core Fees	3,477	3,930	3,156	5,078	4,458	4,373	4,531	4	44	10,563	13,361	26
<b>Total Income</b>	<b>24,618</b>	<b>25,029</b>	<b>26,558</b>	<b>29,067</b>	<b>23,198</b>	<b>27,900</b>	<b>26,976</b>	<b>-3</b>	<b>2</b>	<b>76,206</b>	<b>78,074</b>	<b>2</b>
<b>Operating Expenses</b>	<b>9,785</b>	<b>10,872</b>	<b>11,428</b>	<b>12,109</b>	<b>10,495</b>	<b>11,847</b>	<b>11,209</b>	<b>-5</b>	<b>-2</b>	<b>32,084</b>	<b>33,551</b>	<b>5</b>
Employee	6,612	7,274	7,838	7,825	6,677	7,670	7,125	-7	-9	21,723	21,472	-1
Others	3,173	3,597	3,591	4,284	3,818	4,177	4,084	-2	14	10,361	12,079	17
<b>Operating Profits</b>	<b>14,833</b>	<b>14,158</b>	<b>15,130</b>	<b>16,959</b>	<b>12,703</b>	<b>16,053</b>	<b>15,767</b>	<b>-2</b>	<b>4</b>	<b>44,121</b>	<b>44,524</b>	<b>1</b>
<b>Provisions</b>	<b>2,200</b>	<b>1,579</b>	<b>1,573</b>	<b>5,460</b>	<b>3,446</b>	<b>5,531</b>	<b>5,012</b>	<b>-9</b>	<b>219</b>	<b>5,351</b>	<b>13,988</b>	<b>161</b>
NPA provisions	1,311	2,067	1,300	5,410	2,850	4,768	1,420	-70	9			
Provisions on Invst.	527	-426	200	130	96	664	1,850	N.A.	N.A.			
Others	363	-62	73	-80	500	100	1,742	N.A.	N.A.			
<b>PBT</b>	<b>12,634</b>	<b>12,579</b>	<b>13,557</b>	<b>11,499</b>	<b>9,258</b>	<b>10,522</b>	<b>10,756</b>	<b>2</b>	<b>-21</b>	<b>38,770</b>	<b>30,535</b>	<b>-21</b>
Taxes	2,500	2,500	2,500	2,500	2,000	2,000	2,000	0	-20	7,500	6,000	-20
<b>PAT</b>	<b>10,134</b>	<b>10,079</b>	<b>11,057</b>	<b>8,999</b>	<b>7,258</b>	<b>8,522</b>	<b>8,756</b>	<b>3</b>	<b>-21</b>	<b>31,270</b>	<b>24,535</b>	<b>-22</b>
<b>Asset Quality</b>												
GNPA	25,491	26,361	27,533	30,892	36,063	37,933	39,986	5	45			
NNPA	17,294	18,597	19,910	23,473	28,711	31,170	32,654	5	64			
GNPA (%)	1.5	1.5	1.4	1.5	1.7	1.7	1.8	7	37			
NNPA (%)	1.0	1.1	1.1	1.1	1.3	1.4	1.5	6	44			
PCR (Calculated, %)	32.2	29.5	27.7	24.0	20.4	17.8	18.3					
PCR (Reported, %)	78.0	77.1	75.9	73.0	69.5	68.6	0.0					
Credit Cost	0.3	0.5	0.3	1.1	0.5	0.9	0.3	-62	-2			
Restructured loans	75,000	83,000	87,440	80,780	84,983	85,190	95,500	12	9			
% to Loans	4.3	4.7	4.6	3.8	4.0	3.9	4.4	45	-25			
<b>Ratios (%)</b>												
Fees to Total Income	14.1	15.7	11.9	17.5	19.2	15.7	16.8			13.9	17.1	
Cost to Core Income	47.1	46.0	46.9	48.8	46.9	49.4	47.3			46.7	48	
Tax Rate	19.8	19.9	18.4	21.7	21.6	19.0	18.6			19.3	20	
CASA (cal)	29.0	28.9	29.0	28.3	25.4	25.8	23.9					
Loan/Deposit	72.8	70.7	72.1	72.3	71.6	69.7	69.5					
CAR	12.4	13.9	14.6	15.3	13.4	12.8	13.2					
Tier I	8.1	8.8	9.8	10.9	9.6	9.2	9.5					
<b>Margins - Cumulative (%)</b>												
Yield on loans	9.4	9.6	9.7	9.7	10.5	10.7	10.9	13	118	10	11	12
Yield On Investments	7.5	7.6	7.7	7.7	7.9	7.9	7.9	4	25	8	8	4
Cost of Deposits	5.7	5.7	5.7	5.8	7.1	7.1	7.3	14	161	6	7	26
Margins	3.0	3.2	3.6	3.1	2.4	2.5	2.5	1	-109	3	2	-24
<b>Balance sheet (INR b)</b>												
Loans	1,738	1,761	1,899	2,125	2,150	2,179	2,193	1	15			
Deposits	2,389	2,492	2,635	2,940	3,002	3,126	3,155	1	20			
CASA Deposits	694	720	765	831	761	808	754	-7	-1			
Savings Deposits	536	543	586	586	609	640	634	-1	8			
Current Deposits	158	177	179	245	152	167	121	-28	-33			
Investments	714	772	792	837	861	991	939	-5	19			

For %age change QoQ and YoY is bp

Source: Company/MOSL, For %age change QoQ and YoY is bp

## Stock Info

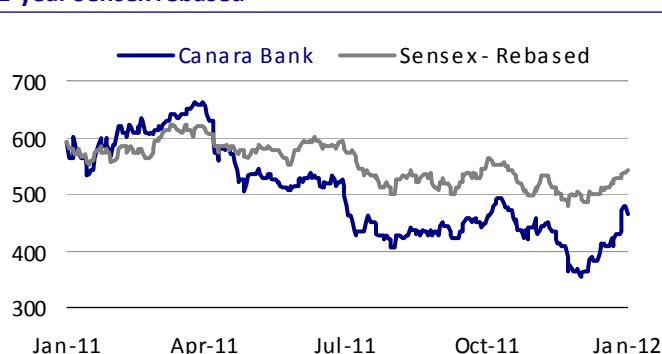
### EPS: MOSL forecast v/s consensus (INR)

	MOSL Forecast	Consensus Forecast	Variation (%)
FY12	72.6	90.9	-20.1
FY13	88.9	108.3	-17.9

### Shareholding pattern (%)

	Dec-11	Sep-11	Dec-10
Promoter	67.7	67.7	73.2
Domestic Inst	11.3	10.9	7.4
Foreign	13.6	14.6	13.6
Others	7.4	6.7	5.9

### 1-year Sensex rebased



### Financials: Valuation Matrix

	Rating	CMP (INR)	Mkt. Cap (USDb)	EPS (INR)		P/E (x)		P/BV (x)		RoA (%)		RoE (%)	
				FY12	FY13	FY12	FY13	FY12	FY13	FY12	FY13	FY12	FY13
ICICIB* <sup>*</sup>	Buy	888	20.5	53	61	12.6	10.6	1.7	1.5	1.4	1.4	13.4	14.1
HDFCB	Neutral	484	22.5	22	28	21.8	17.3	3.9	3.3	1.7	1.7	18.9	20.5
AXSB	Buy	1,076	8.8	97	112	11.1	9.6	2.0	1.7	1.5	1.5	19.9	19.5
KMB	Neutral	492	3.6	24	28	19.5	16.5	2.8	2.4	1.8	1.6	14.9	14.6
YES	Buy	326	2.3	28	33	11.6	10.0	2.4	2.0	1.5	1.3	23.3	22.3
IIB	Buy	288	2.7	17	21	16.8	13.8	3.0	2.6	1.6	1.5	19.3	20.1
VYSB	Buy	335	0.8	30	34	11.2	10.0	1.3	1.2	1.0	1.0	14.0	12.3
FB	Buy	403	1.4	43	50	9.3	8.0	1.2	1.1	1.3	1.3	13.8	14.5
JKBk	Buy	799	0.8	151	168	5.3	4.8	1.0	0.8	1.3	1.2	19.4	18.7
SIB	Buy	23	0.5	3	4	6.6	5.8	1.3	1.1	1.1	1.0	21.1	20.3
<b>Private Aggregate</b>			<b>64</b>			<b>15.9</b>	<b>13.5</b>	<b>2.3</b>	<b>2.0</b>				
SBIN (cons)* <sup>*</sup>	Buy	2,043	25.9	211	240	9.2	8.1	1.3	1.1	0.8	0.8	15.6	16.1
PNB	Buy	971	6.2	158	184	6.1	5.3	1.3	1.1	1.3	1.2	24.3	22.0
BOI	Neutral	353	3.9	45	59	7.8	6.0	1.1	0.9	0.7	0.8	14.6	16.7
BOB	Neutral	760	6.0	122	133	6.2	5.7	1.3	1.1	1.1	1.1	20.4	20.2
CBK	Buy	464	4.1	73	89	6.4	5.2	1.0	0.9	0.9	0.9	16.7	17.7
UNBK	Buy	215	2.3	27	45	7.9	4.7	0.9	0.8	0.8	0.8	17.6	18.2
IOB	Neutral	88	1.1	22	18	4.1	4.9	0.6	0.6	0.7	0.5	15.6	12.0
OBC	Buy	258	1.5	41	49	6.3	5.2	0.7	0.6	0.7	0.7	11.2	12.3
INBK	Buy	218	1.9	40	47	5.4	4.7	1.0	0.9	1.3	1.3	19.8	19.6
CRPBK	Neutral	414	1.2	98	104	4.2	4.0	0.7	0.7	0.9	0.8	18.8	17.4
ANDB	Buy	103	1.2	23	26	4.4	4.0	0.8	0.7	1.1	1.0	18.7	18.0
IDBI *	Neutral	101	2.0	20	21	3.8	3.6	0.5	0.5	0.7	0.7	14.5	14.1
DNB	Buy	68	0.5	22	25	3.1	2.7	0.6	0.5	0.9	0.9	17.9	18.4
<b>Public Aggregate</b>			<b>58</b>			<b>7.7</b>	<b>6.6</b>	<b>1.2</b>	<b>1.0</b>				
HDFC*	Neutral	699	20.5	27	31	18.6	15.5	5.1	4.6	2.8	2.9	26.6	28.8
LICHF	Buy	252	2.4	18	27	14.1	9.4	2.5	2.1	1.5	1.8	18.9	24.0
DEWH	Buy	230	0.5	30	39	7.7	5.9	1.3	1.1	1.3	1.4	18.7	19.5
IDFC	Buy	131	3.8	10	11	12.7	12.2	1.5	1.3	3.1	2.7	13.7	12.6
RECL	Buy	198	3.9	28	35	7.0	5.6	1.4	1.2	3.0	3.1	20.6	22.5
POWF	Buy	168	3.9	18	29	9.4	5.8	1.1	1.0	2.1	2.8	13.2	17.7
SHTF	Buy	596	2.7	58	63	10.3	9.5	2.3	1.9	3.0	2.9	23.9	21.6
MMFS	Neutral	710	1.5	55	70	12.9	10.2	2.5	2.1	3.8	3.8	20.8	22.4
<b>NBFC Aggregate</b>			<b>39</b>			<b>14.2</b>	<b>11.2</b>	<b>3.2</b>	<b>2.7</b>				

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

## Financials and Valuation

Income Statement					(INR Million)	
Y/E March	2008	2009	2010	2011	2012E	2013E
Interest Income	142,007	171,191	187,520	230,640	308,631	351,001
Interest Expense	106,629	124,012	130,714	152,407	231,480	259,284
<b>Net Interest Income</b>	<b>35,378</b>	<b>47,178</b>	<b>56,805</b>	<b>78,233</b>	<b>77,151</b>	<b>91,716</b>
Change (%)	-12.1	33.4	20.4	37.7	-1.4	18.9
Non Interest Income	22,129	23,112	28,579	27,030	30,491	35,190
<b>Net Income</b>	<b>57,507</b>	<b>70,290</b>	<b>85,384</b>	<b>105,263</b>	<b>107,642</b>	<b>126,906</b>
Change (%)	5.0	22.2	21.5	23.3	2.3	17.9
Operating Expenses	27,913	30,652	34,776	44,193	46,078	52,981
<b>Pre Provision Profits</b>	<b>29,594</b>	<b>39,638</b>	<b>50,608</b>	<b>61,070</b>	<b>61,564</b>	<b>73,925</b>
Change (%)	1.6	33.9	27.7	20.7	0.8	20.1
Provisions (excl tax)	10,544	13,914	12,394	10,811	21,366	24,085
<b>PBT</b>	<b>19,050</b>	<b>25,724</b>	<b>38,214</b>	<b>50,259</b>	<b>40,198</b>	<b>49,839</b>
Tax	3,400	5,000	8,000	10,000	8,040	10,466
Tax Rate (%)	17.8	19.4	20.9	19.9	20.0	21.0
<b>PAT</b>	<b>15,650</b>	<b>20,724</b>	<b>30,214</b>	<b>40,259</b>	<b>32,158</b>	<b>39,373</b>
Change (%)	10.1	32.4	45.8	33.2	-20.1	22.4
<b>Equity Dividend (Incl tax)</b>	<b>3,838</b>	<b>3,838</b>	<b>4,800</b>	<b>5,673</b>	<b>5,644</b>	<b>6,910</b>
<b>Core PPP*</b>	<b>26,186</b>	<b>34,042</b>	<b>43,285</b>	<b>59,942</b>	<b>57,814</b>	<b>69,425</b>
Change (%)	-7.8	30.0	27.2	38.5	-3.5	20.1

\*Core PPP is (NII+Fee income-Opex)

Balance Sheet					(INR Million)	
Y/E March	2008	2009	2010	2011	2012E	2013E
Equity Share Capital	4,100	4,100	4,100	4,430	4,430	4,430
Reserves & Surplus	100,905	117,978	142,618	195,968	222,139	254,259
<b>Net Worth</b>	<b>105,005</b>	<b>122,078</b>	<b>146,718</b>	<b>200,398</b>	<b>226,569</b>	<b>258,689</b>
<b>Deposits</b>	<b>1,540,724</b>	<b>1,868,925</b>	<b>2,346,514</b>	<b>2,939,727</b>	<b>3,380,686</b>	<b>3,887,788</b>
Change (%)	8.2	21.3	25.6	25.3	15.0	15.0
<b>of which CASA Dep</b>	<b>485,209</b>	<b>561,677</b>	<b>682,613</b>	<b>831,171</b>	<b>822,413</b>	<b>936,894</b>
Change (%)	8.1	15.8	21.5	21.8	-1.1	13.9
Borrowings	86,325	140,009	84,406	142,616	159,815	180,392
Other Liabilities & Prov.	73,233	65,446	69,773	78,046	104,527	125,679
<b>Total Liabilities</b>	<b>1,805,287</b>	<b>2,196,458</b>	<b>2,647,411</b>	<b>3,360,788</b>	<b>3,871,597</b>	<b>4,452,549</b>
Current Assets	178,374	166,598	196,532	307,081	325,437	372,996
<b>Investments</b>	<b>498,116</b>	<b>577,769</b>	<b>696,770</b>	<b>836,999</b>	<b>962,549</b>	<b>1,106,931</b>
Change (%)	10.1	16.0	20.6	20.1	15.0	15.0
<b>Loans</b>	<b>1,072,380</b>	<b>1,382,194</b>	<b>1,693,346</b>	<b>2,124,672</b>	<b>2,443,372</b>	<b>2,809,878</b>
Change (%)	8.9	28.9	22.5	25.5	15.0	15.0
Fixed Assets	29,169	29,295	28,594	28,444	28,953	29,202
Other Assets	27,248	40,603	32,169	63,591	111,285	133,542
<b>Total Assets</b>	<b>1,805,287</b>	<b>2,196,458</b>	<b>2,647,411</b>	<b>3,360,788</b>	<b>3,871,597</b>	<b>4,452,549</b>

## ASSET QUALITY

GNPA (INR M)	12,726	21,680	25,903	30,892	39,314	50,739
NNPA (INR M)	8,989	15,072	17,996	23,472	31,845	40,591
GNPA Ratio	1.18	1.56	1.52	1.45	1.60	1.80
NNPA Ratio	0.84	1.09	1.06	1.10	1.30	1.44
PCR (Excl Tech. write off)	29.3	30.4	30.4	23.9	19.0	20.0
PCR (Incl Tech. Write off)			77.0	73.0	68.4	63.8

E: MOSL Estimates

## Financials and Valuation

### Ratios

Y/E March	2008	2009	2010	2011	2012E	2013E
<b>Spreads Analysis (%)</b>						
Avg. Yield-Earning Assets	8.8	9.4	8.4	8.4	9.4	9.3
Avg. Yield on loans	9.6	10.4	9.1	8.9	10.3	10.3
Avg. Yield on Investments	8.0	7.6	7.2	7.5	7.9	7.6
Avg. Cost-Int. Bear. Liab.	6.8	6.8	5.9	5.5	7.0	6.8
Avg. Cost of Deposits	6.7	6.7	5.8	5.4	6.9	6.7
Interest Spread	2.0	2.6	2.5	2.9	2.4	2.5
Net Interest Margin	2.2	2.6	2.5	2.9	2.4	2.4

### Profitability Ratios (%)

RoE	19.1	22.6	26.8	26.4	16.7	17.7
RoA	0.9	1.0	1.2	1.3	0.9	0.9
Int. Expense/Int. Income	75.1	72.4	69.7	66.1	75.0	73.9
Fee Income/Net Income	23.9	26.6	20.5	20.2	24.1	21.1
Non Int. Inc./Net Income	38.5	32.9	33.5	25.7	28.3	27.7

### Efficiency Ratios (%)

Cost/Income*	52.5	48.2	45.4	42.9	44.4	43.3
Empl. Cost/Op. Exps.	59.5	61.2	63.1	66.9	63.1	61.6
Busi. per Empl. (INR m)	55.5	66.5	84.0	104.9	120.6	135.4
NP per Empl. (INR lac)	3.5	4.7	7.0	9.3	7.1	8.5

\* ex treasury

### Asset-Liability Profile (%)

Loans/Deposit Ratio	69.6	74.0	72.2	72.3	72.3	72.3
CASA Ratio	31.5	30.1	29.1	28.3	24.3	24.1
Investment/Deposit Ratio	32.3	30.9	29.7	28.5	28.5	28.5
G-Sec/Investment Ratio	87.0	88.8	90.6	85.3	87.8	87.8
CAR	13.3	14.1	13.4	15.4	14.7	14.1
Tier 1	7.0	8.0	8.5	10.9	10.3	9.9

### Valuation

Book Value (INR)	202.3	244.9	305.8	405.0	464.9	538.1
Change (%)	2.3	21.0	24.9	32.4	14.8	15.8
Price-BV (x)	2.3	1.9	1.5	1.1	1.0	0.9
Adjusted BV (INR)	188.1	221.0	277.3	370.6	418.1	478.6
Price-ABV (x)	2.5	2.1	1.7	1.3	1.1	1.0
EPS (INR)	38.2	50.5	73.7	90.9	72.6	88.9
Change (%)	10.1	32.4	45.8	23.3	-20.1	22.4
Price-Earnings (x)	12.2	9.2	6.3	5.1	6.4	5.2
Dividend Per Share (INR)	8.0	8.0	10.0	11.0	10.9	13.3
Dividend Yield (%)	1.7	1.7	2.2	2.4	2.3	2.9

E: MOSL Estimates

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