



Union Bank of India

BSE SENSEX 18,722	S&P CNX 5,634	CMP: INR309	TP: INR390	Buy								
Bloomberg Equity Shares (m)	UNBK IN 524.3	YEAR	NET INCOME	PAT	EPS	EPS	P/E	BY	P/BY	P/ABY	ROAA	ROAE
52-Week Range (INR)	427/281	END	(INR M)	(INR M)	(INR)	GR. (%)	(X)	(INR)	(X)	(X)	(%)	(%)
1,6,12 Rel.Perf.(%)	-2/-2/8	3/10A	61,672	20,749	41.1	20.2	-	174	-	-	1.2	26.2
M.Cap. (INR b)	162.0	3/11A	82,550	20,819	39.7	-3.3	7.8	211	1.5	1.6	1.0	20.9
M.Cap. (USD b)	3.7	3/12E	94,231	27,341	51.9	30.8	5.9	252	1.2	1.4	1.1	22.4
		3/13E	109,768	32,893	62.5	20.4	4.9	300	1.0	1.1	1.1	22.7

Union Bank of India (UNBK) reported a PAT of INR4.6b for 1QFY12, ~13% lower than our estimate, led by higher opex (8% higher than our estimate) and tax rate (37% v/s our estimate of 32%). NIM decline of 35bp QoQ (~25bp adjusted) was marginally higher than we had anticipated. Key highlights:

- **Gross slippages increase QoQ, as also upgradations and recoveries:** Slippages during the quarter were ~INR7.7b v/s INR4b in 4QFY11. The annualized slippage ratio for 1QFY12 was 2.05% v/s 1.3% in 4QFY11. Recoveries and upgradations were INR3b (v/s INR2.6b in 4QFY11 and 1QFY11). Write-offs were INR3.4b. Credit cost (excluding one-off provisioning) stood at 0.4% v/s 0.3% in 4QFY11. UNBK expects slippages to remain high in 2QFY11 as it moves towards system-based classification of agricultural NPAs.
- **Adjusted NIM down 25bp QoQ:** Reported NIM declined ~35bp QoQ. While the yield on loans increased 44bp QoQ, the cost of deposits was up 66bp. The CD ratio declined ~250bp. As a result, margins were under pressure. The management reiterated its NIM guidance of 3.2% for FY12.
- **Business growth moderates:** Loan growth moderated to ~17% YoY (declined ~5% QoQ), while deposits grew ~16% YoY (down ~2% QoQ). The management has scaled down its loan growth target from 22% to 19% and its deposit growth target from 20% to 17% for FY12. CASA growth moderated to 12.5% YoY (declined 2% QoQ) led by moderation in CA deposits.
- **Muted fee income growth:** Non-interest income was marginally below our estimate at INR4.8b. Fee income grew 3% YoY to INR2.1b.

Valuation and view: We expect RoA of 1.1% and RoE of 22%+ over FY12-13. EPS was INR52 in FY12 and INR63 in FY13. We estimate BV at INR252 for FY12 and INR300 for FY13. While near-term asset quality is an overhang, we believe risk-reward is favorable. Maintain **Buy**, with a target price of INR390 (25% upside).

Union bank of India: Quarterly performance

	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	36,857	39,522	41,995	46,153	49,157	51,729	54,983	59,546	164,526	215,416
Interest Expense	23,376	24,164	25,836	28,987	33,255	35,040	37,357	40,706	102,364	144,424
Net Interest Income	13,480	15,358	16,158	17,165	15,902	16,689	17,627	18,840	62,162	70,992
% Change (YoY)	73.9	72.6	48.3	22.9	18.0	8.7	9.1	9.8	48.3	14.2
Other Income	4,350	5,096	4,936	6,006	4,840	5,371	6,112	6,916	20,388	23,239
Net Income	17,830	20,455	21,094	23,171	20,742	22,060	23,739	25,756	82,550	94,231
Operating Expenses	7,393	9,149	8,483	14,475	9,084	9,578	10,134	10,757	39,500	39,553
Operating Profit	10,437	11,306	12,611	8,695	11,658	12,482	13,605	15,000	43,050	54,678
% Change (YoY)	32.5	39.6	37.9	-24.2	11.7	10.4	7.9	72.5	17.6	27.0
Other Provisions	1,973	5,989	4,000	1,533	4,284	3,195	3,277	3,715	13,496	14,471
Profit before Tax	8,464	5,317	8,612	7,163	7,374	9,287	10,328	11,284	29,554	40,208
Tax Provisions	2,450	2,284	2,816	1,187	2,730	2,972	3,305	3,611	8,735	12,866
Net Profit	6,014	3,034	5,796	5,976	4,644	6,315	7,023	7,673	20,819	27,341
% Change (YoY)	36.0	-39.9	8.5	0.7	-22.8	108.2	21.2	28.4	0.3	31.3
Deposit Growth (%)	19.2	19.3	23.5	19.1	16.4	17.1	18.8	17.0	19.1	17.0
Loan Growth (%)	29.9	27.1	25.6	26.2	16.7	22.1	23.4	18.6	26.2	18.6
CD Ratio (%)	72.9	71.1	71.7	75.6	73.1	74.2	74.5	76.6	75.6	76.6
Net Interest Margin (Reported, %)	3.0	3.4	3.4	3.4	3.1				3.3	
Net Interest Margin (Cal, %)	3.0	3.3	3.4	3.4	3.0	3.1	3.1	3.1	3.2	3.0
Tax Rate (%)	28.9	42.9	32.7	16.6	37.0	32.0	32.0	32.0	29.6	32.0
Gross NPA	2.2	2.8	2.7	2.4	2.6	2.5	2.3	2.1	2.4	2.1

E: MOSL Estimates

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

Y/E March	1QFY12A	4QFY12E	Var. (%)	Comments
Net Interest Income	15,902	16,232	-2	Reported margins decline ~35bp QoQ however, adjusted NIM decline of ~25bp
% Change (YoY)	18.0	20		
Other Income	4,840	4,916	-2	Fee income continues to disappoint
Net Income	20,742	21,148	-2	
Operating Expenses	9,084	8,383	8	Employee exp. Higher than est
Operating Profit	11,658	12,765	-9	
% Change (YoY)	12	22		
Other Provisions	4,284	4,946	-13	One off provisions at INR2.2b
Profit Before Tax	7,374	7,819	-6	
Tax Provisions	2,730	2,502	9	
Net Profit	4,644	5,317	-13	While NII is inline, higher opex and tax rate led to lower than exp. PAT
% Change (YoY)	-23	-12		

Source: Company/MOSL

Gross slippages increase QoQ, as also upgradations and recoveries

Slippages during the quarter stood at ~INR7.7b (in line with guidance) v/s INR4b in 4QFY11. The annualized slippage ratio for 1QFY12 stood at 2.05% v/s 1.3% in 4QFY11 and 2.4% in FY11. Shifting to online system for identifying NPAs (for loan above below INR0.5m (excluding agriculture) contributed to the significant increase. Management stated that out of total slippages, INR5.5b were from accounts of lower than INR0.5m (largely led by CBS based recognition of NPA). Agri contributed INR1b, SME INR2.2b and other PSLs contributed INR1.8b in small account delinquency. UNBK expects slippages to remain high in 2QFY11 as it moves towards classifying agricultural NPA's through system, post which it expects slippages to decline significantly. Bank restructured ~INR2.3b of loans during the quarter whereas, INR740m slipped into NPA.

Adjusted NIM down 25bp QoQ

Reported margins declined ~35bp QoQ, however adjusted for I.T. refund (INR640m in 4QFY11), margins declined 25bp QoQ, (marginally higher than estimate). While yield on loans increased 44bp QoQ, cost of deposits was up 66bp, and ~250bp decline in CD ratio led to pressure on margins. Management expects stable/improving margins from here on as it expects cost of deposits to bottom out in next quarter, while benefits of re-pricing will continue in FY12. Further, improving loan growth and asset quality in 2HFY12 will provide cushion to NIMs. Management re-iterated its guidance for margins of 3.2% for FY12. We model in ~15bp decline in margins for FY12.

GNPA up 3% QoQ

In absolute terms, GNPA was up 3% QoQ, while NNPA was up 5%. Recoveries and up-gradation stood at INR3b (v/s INR2.6b in 4QFY11 and 1QFY11) and write-off stood at INR3.4b. PCR (including technical write-off) was largely stable at ~68%. Management expects up-gradation and recoveries to be strong in FY12. During the quarter bank made provision of INR3.6b of which INR2.15b due to change increase in provisioning requirement for classification of NPLs and restructured loans. Credit cost for the quarter (excluding one-off provisioning) stood at 0.4% v/s 0.3% in 4QFY11 and 0.33% in 1QFY11.

Business growth moderates

Loan growth moderates to ~17% YoY (declined ~5% QoQ), while deposits grew ~16% YoY (down ~2% QoQ). 1Q being the lean season and moderation in demand led to decline in loans. Mgmt has scaled down its loan and deposits target from 22% and 20% to 19 and 17% respectively, for FY12. CASA growth moderated to 12.5% YoY (declined 2% QoQ) led by moderation in CA Deposits. While SA deposits increased 14% YoY and ~2% QoQ, CA grew 8% YoY, but declined ~11.5% QoQ. However with decline in term deposits CASA ratio remained largely stable at 31.5%.

Muted fee income growth

Non-interest income was marginally below our est. at INR4.8b (v/s exp of INR4.9b). Fee income grew 3% YoY to INR2.1b. Muted fee income growth is disappointing, management guides for fee income growth of 10-15% for FY12. Income from forex was at INR1b as against 510m in 4QFY11 and INR1.2b in 4QFY11. Recoveries from written off account stood at INR590m v/s INR980m a quarter ago and INR380m a year ago.

Opex 8% higher than estimate

Higher than expected employee expense (INR5.9b v/s estimate of 5.2b) led to negative surprise on opex. Employee expense grew 36% YoY (though declined 44% QoQ - on a higher base), while other exp. increased 4% YoY to INR3.1b. During the quarter bank provided INR1b towards gratuity and pension liability (unamortized portion at end of FY11 stood at INR16.2b). Tax rate at 37% (v/s est. of 32%; and 29% in 1QFY11 and 17% in 4QFY11). Non-allowance of certain one-off provisions led to increase in tax rate.

Valuation and view

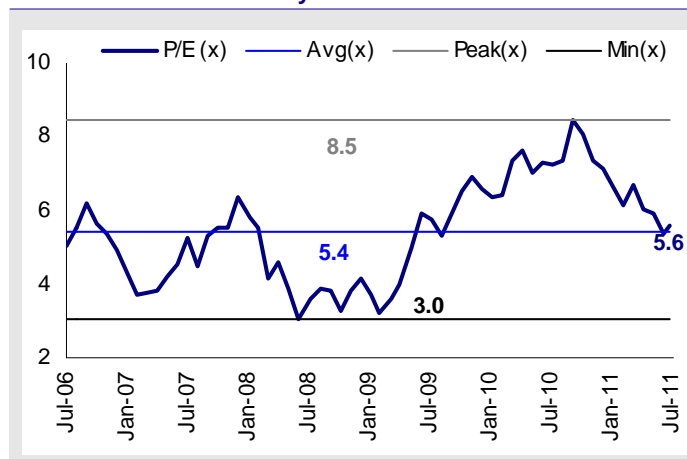
- While pressure on asset quality is expected to continue in 2QFY12 as bank migrates fully towards system based recognition of NPA, it will improve sharply in 2HFY12 and FY13. Improvement in up-gradations and recoveries is encouraging and if it sustains or improves further, will not only lead to lower credit but also better than expected margins. Management expects slippages to decline significantly and with strong up-gradation and recoveries to contain GNPA at ~2% from 2.6% now. We model in slippage ratio of 1.7% and 1.8% in FY12 and FY13.
- We model in NIM decline of 15bp YoY in FY12 leading to lower NII growth of 14% YoY however, strong operating leverage will lead to 25% growth in operating profits. In FY11, opex grew 58% YoY led by 90%+ increase in employee expense (due to pension and gratuity related provisions).
- Capital will not be a constraint for growth as the Government of India has already infused INR6.8b equity in FY11 and is expected to infuse Rs4b more in FY12.
- We expect RoA and RoE to be 1.1% and 22%+ over FY12-13, EPS of INR 52 in FY12 and INR63 in FY13. BV is expected to be INR252 in FY12 and INR300 in FY13. While in near term asset quality is an overhang, we believe risk reward ratio is favorable; maintain **Buy** with a target price of target price of INR390 (25% upside).

We largely maintain our earning estimates (INR b)

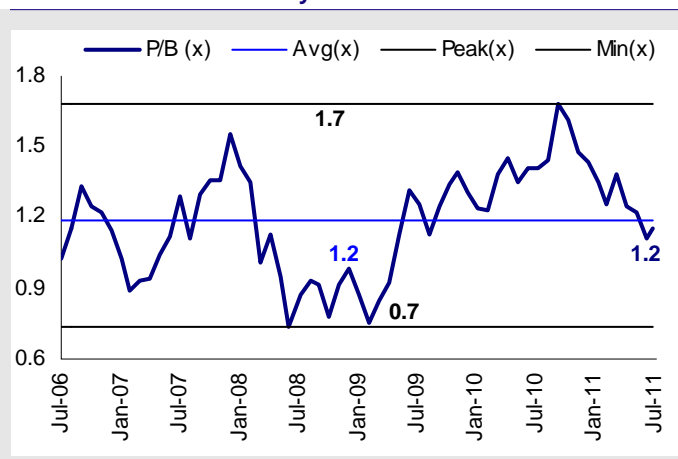
	Old Estimates		Rev. Estimates		Change (%)	
	FY12	FY13	FY12	FY13	FY12	FY13
Net Interest Income	72.1	84.7	71.0	84.0	-1.5	-0.8
Other Income	22.9	26.3	23.2	25.8	1.6	-1.9
Total Income	94.9	111.0	94.2	109.8	-0.7	-1.1
Operating Expenses	37.6	42.6	39.6	43.5	5.3	2.1
Operating Profits	57.4	68.3	54.7	66.2	-4.7	-3.1
Provisions	16.5	18.7	14.5	17.9	-12.5	-4.7
PBT	40.8	49.6	40.2	48.4	-1.5	-2.5
Tax	13.1	15.9	12.9	15.5	-1.5	-2.5
PAT	27.8	33.7	27.3	32.9	-1.5	-2.5
Loans	1,842	2,247	1,797	2,138	-2.5	-4.9
Deposits	2,450	2,989	2,369	2,843	-3.3	-4.9
Margins	3.1	3.0	3.0	3.0		
Credit Cost	0.8	0.8	0.7	0.8		
RoA	1.1	1.1	1.1	1.1		
RoE	22.8	23.1	22.4	22.7		

Source: MOSL

Union Bank of India: One year forward P/E

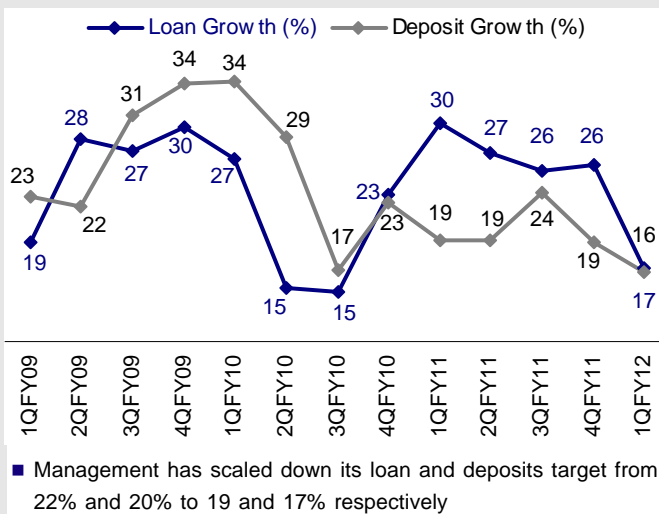


Union Bank of India: One year forward P/BV

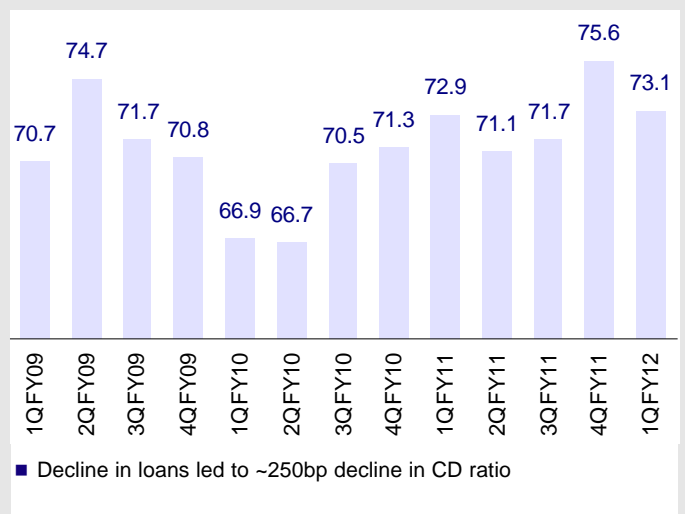


Quarterly trends

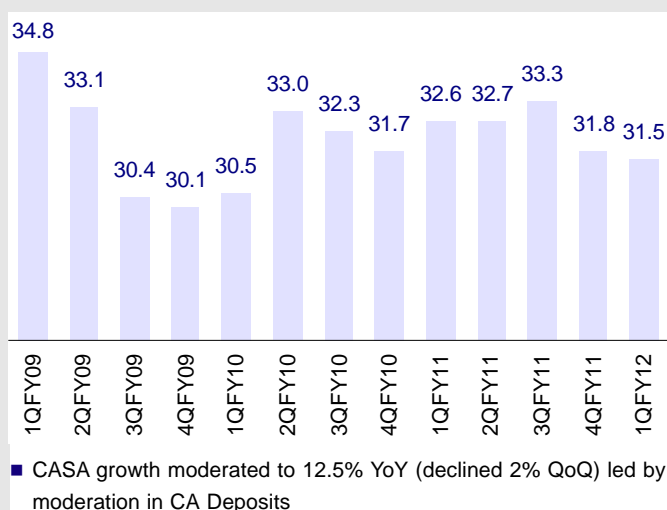
Loan growth moderates to ~17%; deposits grew ~16%



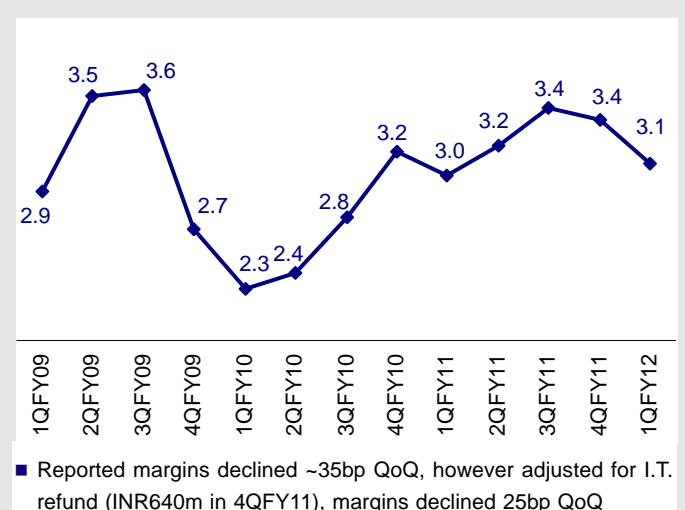
CD ratio decline QoQ (%)



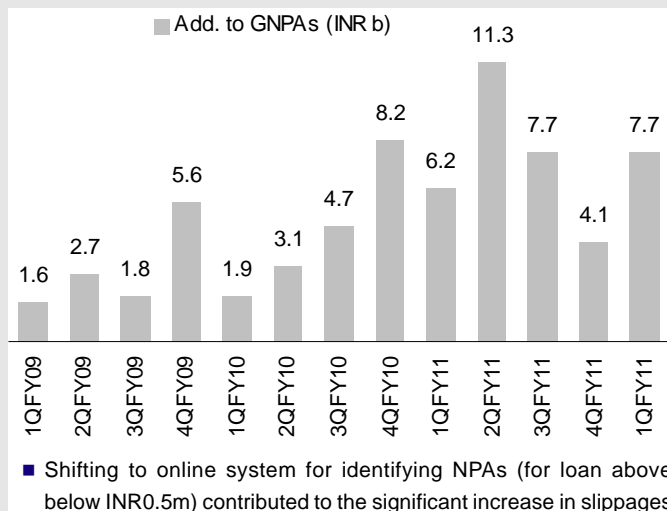
CASA ratio largely stable QoQ (%)



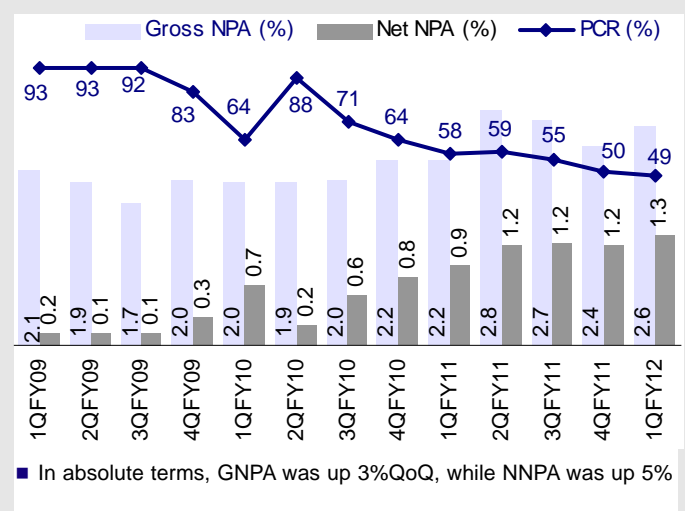
Adjusted Margin declined ~25bp QoQ (%)



Slippages increased QoQ



GNPA stable QoQ



Quarterly Snapshot

	FY10				FY11				FY12 1Q	Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		QoQ	YoY
Profit and Loss (INR m)											
Interest Income	31,490	32,319	33,183	35,617	36,857	39,522	41,995	46,153	49,157	7	33
Loans	23,526	23,414	24,523	25,501	27,335	27,758	30,644	34,576	37,542	9	37
Investment	7,728	8,637	8,381	9,659	9,102	9,851	10,738	10,335	10,634	3	17
Others	236	268	279	457	420	1,913	613	1,242	982	-21	134
Interest Expenses	23,737	23,422	22,289	21,656	23,376	24,164	25,836	28,987	33,255	15	42
Net Interest Income	7,753	8,897	10,894	13,961	13,480	15,358	16,158	17,165	15,902	-7	18
Other Income	5,550	5,290	4,400	4,925	4,350	5,096	4,936	6,006	4,840	-19	11
Trading profits	2,520	2,300	1,050	820	1,430	1,870	1,080	1,120	1,130	1	-21
Forex Income	330	400	830	700	510	430	1,240	1,210	1,020	-16	100
Recoveries	460	420	370	580	380	440	310	980	590	-40	55
Core Fees	2,240	2,170	2,150	2,825	2,030	2,356	2,306	2,696	2,100	-22	3
Total Income	13,303	14,187	15,294	18,887	17,830	20,455	21,094	23,171	20,742	-10	16
Operating Expenses	5,429	6,086	6,152	7,411	7,393	9,149	8,483	14,475	9,084	-37	23
Employee	3,005	3,059	3,245	4,236	4,350	5,919	5,202	10,526	5,918	-44	36
Others	2,423	3,028	2,907	3,175	3,044	3,229	3,281	3,949	3,166	-20	4
Operating Profits	7,875	8,101	9,142	11,475	10,437	11,306	12,611	8,695	11,658	34	12
Provisions	1,903	1,350	1,611	3,400	1,973	5,989	4,000	1,533	4,284	180	117
NPA provisions	2,410	1,020	430	3,130	1,000	6,290	3,610	980	3,650	272	265
Provisions on Invst.	-1,350	-40	400	-180	1,040	-340	60	-490	80	-116	-92
Others	843	370	781	450	-67	39	330	1,043	554	-47	-923
PBT	5,972	6,751	7,531	8,075	8,464	5,317	8,612	7,163	7,374	3	-13
Taxes	1,550	1,700	2,190	2,140	2,450	2,284	2,816	1,187	2,730	130	11
PAT	4,422	5,051	5,341	5,935	6,014	3,034	5,796	5,976	4,644	-22	-23
Ratios (%)											
Fees to Total Income	16.8	15.3	14.1	15.0	11.4	11.5	10.9	11.6	10.1		
Cost to Core Income	54.3	55.0	47.2	44.2	47.7	51.6	45.9	72.9	50.5		
Tax Rate	26.0	25.2	29.1	26.5	28.9	42.9	32.7	16.6	37.0		
CASA (Cal)	30.5	33.0	32.3	31.7	32.6	32.7	33.3	31.8	31.5	-24	-112
Loan/Deposit	66.9	66.7	70.5	71.3	72.9	71.1	71.7	75.6	73.1	-250	17
CAR	13.7	13.8	13.5	12.5	13.1	12.5	11.9	13.0	12.9		
Tier I	8.2	8.7	8.7	7.9	8.4	7.9	7.4	8.7	8.8		
Margins - Quarterly (%)											
Yield on Funds	8.1	8.0	8.0	8.0	7.8	8.3	8.4	8.8	9.1	28	130
Cost of Funds	6.0	5.8	5.4	4.9	5.0	5.1	5.2	5.5	6.2	62	121
Spreads	2.1	2.2	2.6	3.2	2.9	3.2	3.2	3.3	2.9	-34	9
Margins	2.3	2.4	2.8	3.4	3.0	3.4	3.4	3.4	3.1	-34	7
Margins - Cumulative (%)											
Yield on loans	10.3	10.2	10.2	9.9	9.4	9.5	9.6	9.9	10.9	100	149
Yield On Investments	6.4	6.2	6.1	6.3	6.1	6.3	6.5	6.6	6.6	3	46
Yield on Funds	8.1	8.1	8.2	8.0	7.8	8.0	8.0	8.3	9.1	77	130
Cost of Deposits	6.5	6.4	6.2	5.9	5.3	5.3	5.4	5.5	6.6	104	126
Cost of Funds	6.0	5.9	5.7	5.5	5.0	5.0	5.1	5.2	6.2	97	121
Spreads	2.1	2.1	2.4	2.5	2.9	3.0	3.0	3.1	2.9	-20	9
Margins	2.3	2.4	2.4	2.7	3.0	3.2	3.3	3.3	3.1	-23	7
Franchise											
Branches	2,638	2,821	2,876	2,910	2,933	2,964	2,993	3,105	3,106	1	173
ATM	1,995	2,127	2,249	2,327	2,369	2,420	2,516	2,634	2,673	39	304

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

Stock Info

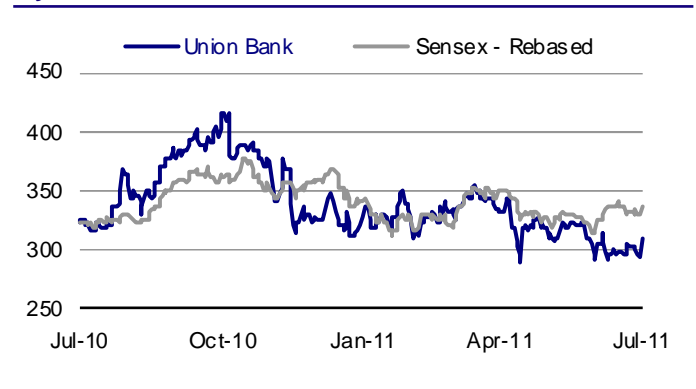
EPS: MOSL forecast v/s consensus (INR)

	MOSL Forecast	Consensus Forecast	Variation (%)
FY12	51.9	48.9	6.1
FY13	62.5	59.0	5.9

Shareholding pattern (%)

	Jun-11	Mar-11	Jun-10
Promoter	57.1	57.1	55.4
Domestic Inst	12.8	12.3	12.2
Foreign	14.3	15.1	18.5
Others	15.8	15.5	13.9

1-year Sensex rebased



Banking: Valuation Matrix

	Rating	CMP (INR)	Mkt. Cap (USD\$b)	TP (INR)	Upside (%)	EPS (INR)		P/E (x)		P/BV (x)		RoA (%)		RoE (%)	
						FY12	FY13	FY12	FY13	FY12	FY13	FY12	FY13	FY12	FY13
						ICICI*	Buy	1,068	27.7	1,360	27.3	56	67	15.3	12.4
HDFCB	Neutral	501	5.2	515	2.8	22	28	22.6	18.2	4.0	3.4	1.7	1.7	18.9	20.2
Axis	Buy	1,297	12.0	1,597	23.1	99	115	13.1	11.3	2.4	2.0	1.5	1.4	19.7	19.5
Kotak	Neutral	485	4.0	436	-10.2	23	27	20.1	16.9	2.7	2.3	2.2	2.1	15.5	15.7
Yes	Buy	329	2.6	400	21.5	27	33	12.3	10.0	2.5	2.1	1.4	1.3	22.2	22.6
Indusind	Buy	276	2.9	333	20.5	16	20	17.1	13.7	2.9	2.5	1.5	1.5	18.2	19.6
ING Vysya	Buy	366	1.0	487	33.2	28	34	13.0	10.7	1.4	1.3	1.0	1.0	13.3	12.6
Federal	Buy	458	1.8	537	17.3	40	46	11.4	9.9	1.4	1.3	1.2	1.2	12.9	13.5
J&K Bk	Buy	862	0.9	977	13.2	160	175	5.4	4.9	1.0	0.9	1.4	1.3	20.5	19.2
SIB	Buy	24	0.6	28	18.1	3	4	7.9	6.5	1.4	1.2	0.9	0.9	18.7	19.8
Private Aggregate			59					12.5	10.5	1.8	1.6				
SBI (cons)*	Buy	2,494	35.6	3,000	20.3	242	302	9.9	7.9	1.6	1.4	0.9	1.0	16.9	19.5
PNB	Buy	1,170	8.3	1,400	19.7	169	213	6.9	5.5	1.5	1.2	1.3	1.3	24.0	24.8
BOI	Neutral	415	5.1	515	24.0	63	79	6.6	5.3	1.2	1.0	0.9	0.9	19.9	21.2
BoB	Neutral	901	8.0	1,069	18.6	117	138	7.7	6.5	1.5	1.3	1.2	1.1	21.0	21.0
Canara	Buy	523	5.2	710	35.8	99	118	5.3	4.4	1.1	0.9	1.2	1.2	22.1	21.9
Union	Buy	309	3.6	390	26.1	52	63	6.0	4.9	1.2	1.0	1.1	1.1	22.4	22.7
OBC	Buy	351	2.3	485	38.2	55	68	6.4	5.2	0.9	0.8	0.9	0.9	14.9	16.4
Indian Bk Corporation	Buy	235	2.3	309	31.4	45	52	5.2	4.5	1.1	0.9	1.4	1.4	21.9	21.6
Andhra Bk	Buy	137	1.7	188	37.4	26	31	5.3	4.4	1.0	0.9	1.2	1.2	20.8	21.1
IDBI *	Neutral	135	3.0	172	27.3	20	22	5.6	5.1	0.8	0.7	0.7	0.7	14.5	14.3
Dena Bank	Buy	88	0.7	141	60.1	20	24	4.3	3.8	0.7	0.6	0.9	0.8	18.1	17.9
Public Aggregate			80					8.3	6.7	1.4	1.2				
HDFC*	Neutral	706	23.3	700	-0.9	28	33	18.3	15.2	4.8	4.3	2.8	2.8	26.2	27.4
LICHF	Buy	216	2.3	257	18.9	24	29	9.0	7.4	2.0	1.7	2.0	1.9	24.9	24.8
DHFL	Buy	238	0.6	322	35.3	27	34	6.5	5.1	1.7	1.3	1.5	1.5	16.7	18.2
IDFC	Neutral	142	4.6	173	22.1	10	12	12.0	9.8	1.6	1.4	2.8	2.8	12.9	13.5
REC	Buy	219	4.8	310	42.0	30	35	7.4	6.3	1.5	1.3	3.2	3.1	21.3	21.7
PFC	Buy	209	5.4	291	39.4	24	28	8.8	7.4	1.3	1.2	2.8	2.7	17.1	16.6
STF	Buy	699	3.6	938	34.3	65	73	10.8	9.5	2.6	2.1	3.2	3.1	26.5	24.1
MMFSL	Neutral	714	1.6	845	18.3	57	68	12.5	10.4	2.5	2.1	4.3	4.2	21.5	22.0
IBFC Aggregate			46					13.6	11.4	3.3	2.7				

* Multiples adjusted 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	2009	2010	2011	2012E	2013E	
Interest Income	118,894	133,027	164,526	215,416	261,871	
Interest Expense	80,758	91,103	102,364	144,424	177,916	
Net Interest Income	38,136	41,924	62,162	70,992	83,955	
Change (%)	33.6	9.9	48.3	14.2	18.3	
Non Interest Income	14,826	19,747	20,388	23,239	25,813	
Net Income	52,961	61,672	82,550	94,231	109,768	
Change (%)	26.9	16.4	33.9	14.2	16.5	
Operating Expenses	22,141	25,078	39,500	39,553	43,541	
Pre Provision Profits	30,820	36,593	43,050	54,678	66,227	
Change (%)	19.4	18.7	17.6	27.0	21.1	
Provisions (excl tax)	7,375	8,264	13,496	14,471	17,855	
PBT	23,445	28,329	29,554	40,208	48,372	
Tax	6,180	7,580	8,735	12,866	15,479	
Tax Rate (%)	26.4	26.8	29.6	32.0	32.0	
PAT	17,265	20,749	20,819	27,341	32,893	
Change (%)	24.5	20.2	0.3	31.3	20.3	
Prof. Dividend (Incl tax)	0	0	0	107	107	
Profits for Equity SH	17,265	20,749	20,819	27,234	32,786	
Change (%)	24.5	20.2	0.3	30.8	20.4	
Equity Dividend (Incl tax)	2,526	2,778	4,195	5,174	6,229	
Core PPP*	26,125	29,035	36,286	46,928	58,227	
Change (%)	28.9	11.1	25.0	29.3	24.1	

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

Balance Sheet		(INR Million)				
Y/E March	2009	2010	2011	2012E	2013E	
Share Capital	5,051	5,051	6,353	6,353	6,353	
Equity Share Capital	5,051	5,051	5,243	5,243	5,243	
Preference Share Capital	0	0	1,110	1,110	1,110	
Reserves & Surplus	82,352	99,187	121,292	142,050	167,127	
Net Worth	87,404	104,238	127,645	148,404	173,480	
Of which Equity Network	87,404	104,238	126,535	147,294	172,370	
Deposits	1,387,028	1,700,397	2,024,613	2,368,797	2,842,556	
Change (%)	33.5	22.6	19.1	17.0	20.0	
of which CASA Dep	417,112	539,570	643,072	761,877	902,972	
Change (%)	15.2	29.4	19.2	18.5	18.5	
Borrowings	87,749	92,153	133,160	155,412	176,238	
Other Liabilities & Prov.	47,574	54,830	74,427	89,132	106,767	
Total Liabilities	1,609,755	1,951,619	2,359,844	2,761,744	3,299,042	
Current Assets	159,849	157,767	200,984	193,080	241,879	
Investments	429,970	544,035	583,991	700,790	840,948	
Change (%)	27.1	26.5	7.3	20.0	20.0	
Loans	965,342	1,193,153	1,509,861	1,796,734	2,138,114	
Change (%)	30.0	23.6	26.5	19.0	19.0	
Fixed Assets	23,352	23,055	22,928	22,748	22,451	
Other Assets	31,242	33,609	42,080	48,392	55,651	
Total Assets	1,609,755	1,951,619	2,359,844	2,761,744	3,299,042	

Asset Quality		(%)				
GNPA (INR M)	19,234	26,709	36,228	37,405	43,784	
NNPA (INR M)	3,259	9,653	18,034	18,702	20,797	
GNPA Ratio	1.96	2.21	2.37	2.06	2.03	
NNPA Ratio	0.34	0.81	1.19	1.04	0.97	
PCR (Excl Tech. write off)	80.5	61.5	49.0	50.0	52.5	
PCR (Incl Tech. Write off)	87.5	74.0	67.6	67.1	67.1	

E: MOSL Estimates

Financials and Valuation

Ratios					
Y/E March	2009	2010	2011	2012E	2013E
Spreads Analysis (%)					
Avg. Yield-Earning Assets	9.3	8.2	8.5	9.2	9.4
Avg. Yield on loans	10.4	9.0	8.9	10.1	10.4
Avg. Yield on Investments	7.4	7.2	7.1	7.1	7.1
Avg. Cost-Int. Bear. Liab.	6.2	5.6	5.2	6.2	6.4
Avg. Cost of Deposits	6.1	5.5	5.1	6.2	6.4
Interest Spread	3.1	2.6	3.3	3.1	3.0
Net Interest Margin	3.0	2.6	3.2	3.0	3.0
Profitability Ratios (%)					
RoE	27.2	26.2	20.9	22.4	22.7
RoA	1.2	1.2	1.0	1.1	1.1
Int. Expense/Int. Income	67.9	68.5	62.2	67.0	67.9
Fee Income/Net Income	19.0	19.8	16.5	16.4	16.2
Non Int. Inc./Net Income	28.0	32.0	24.7	24.7	23.5
Efficiency Ratios (%)					
Cost/Income*	44.5	44.8	50.7	44.3	41.7
Empl. Cost/Op. Exps.	52.0	54.0	65.8	60.7	59.0
Busi. per Empl. (INR m)	75.1	94.4	115.8	127.4	144.5
NP per Empl. (INR lac)	6.3	7.5	7.5	9.0	10.4
* ex treasury					
Asset-Liability Profile (%)					
Loans/Deposit Ratio	69.6	70.2	74.6	75.9	75.2
CASA Ratio	30.1	31.7	31.8	32.2	31.8
Investment/Deposit Ratio	31.0	32.0	28.8	29.6	29.6
G-Sec/Investment Ratio	81.7	78.7	79.6	87.9	87.9
CAR	13.3	12.5	13.0	11.3	10.5
Tier 1	8.2	7.9	8.7	7.8	7.5
Valuation					
Book Value (INR)	139.7	174.4	211.3	251.7	300.3
Change (%)	25.4	24.9	21.2	19.1	19.3
Price-BV (x)	2.2	1.8	1.5	1.2	1.0
Adjusted BV (INR)	135.5	161.9	189.0	228.5	274.6
Price-ABV (x)	2.3	1.9	1.6	1.4	1.1
EPS (INR)	34.2	41.1	39.7	51.9	62.5
Change (%)	24.5	20.2	-3.3	30.8	20.4
Price-Earnings (x)	9.0	7.5	7.8	5.9	4.9
Dividend Per Share (INR)	5.0	5.5	8.0	9.9	11.9
Dividend Yield (%)	1.6	1.8	2.6	3.2	3.8

E: MOSL Estimates

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