

BSE Sensex 19,818	S&P CNX 6,002
Bloomberg	YES IN
Equity Shares (m)	353.0
M. Cap. (INR b)/(USD b)	183/3.3
52-Week Range (INR)	535/278
1,6,12 Rel.Perf.(%)	8/32/62

CMP: INR518
TP: INR620
Buy

Yes Bank 3QFY13 PAT grew 35% YoY to INR3.4b led by higher-than-expected income from financial advisory and strong performance on margins. Healthy customer asset growth (27% YoY), margin improvement (+10bp QoQ to 3%), continued traction in SA deposits (+27% QoQ), pick-up in fee income and impeccable asset quality (NNPAs at 4bp and restructured loans at 43bp) are the key highlights of the quarter.

- Decline in the cost of funds by 20bp QoQ (down 50bp since 1QFY13) to 8.5% and largely stable yield on funds (-10bp) led to margin expansion.
- Customer asset growth was healthy at 3.2% QoQ (+27% YoY) led by a sequential growth of 4.5% (+22% YoY) in the loan book. Credit substitute portfolio was flat QoQ (+51% YoY).
- CASA deposits grew 14% QoQ and 75% YoY led by robust growth in savings deposits (27% QoQ and +308% YoY). CASA ratio stood at 18.3% (+100bp QoQ)
- On a large media exposure of ~INR1.1b, YES has already made a contingent provision of ~80% (INR350m in 3QFY13 and INR550m in 2QFY13). Further, it has tangible collateral in place which would cover any further impact.

Financials & Valuation (INR b)

Y/E March	2013E	2014E	2015E
NII	22.0	28.1	34.7
OP	21.0	26.7	33.1
NP	13.0	16.3	20.0
NIM (%)	2.9	3.0	3.0
EPS (INR)	36.9	46.2	56.7
EPS Gr. (%)	33.2	25.4	22.6
BV/Sh. (INR)	162.9	201.0	247.7
RoE (%)	25.0	25.4	25.3
RoA (%)	1.6	1.6	1.6
Payout (%)	17.4	17.4	17.4

Valuations

P/E(X)	14.0	11.2	9.1
P/BV (X)	3.2	2.6	2.1
P/ABV (X)	3.2	2.6	2.1
Div. Yield (%)	1.1	1.3	1.6

Valuation and view: Over the past 17 quarters, RoA has remained at 1.5%+ and with the increasing leverage (core Tier I ratio now at ~8%), RoEs have moved to ~25%. While YES is likely to raise capital in the near term, we believe even post dilution, RoEs will remain healthy at 20%+. Maintain **Buy**.

YES Bank: Quarterly Performance

	(INR Million)									
	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	13,995	14,387	16,841	17,851	18,863	19,864	21,336	21,938	63,074	82,002
Interest Expense	10,454	10,530	12,565	13,369	14,142	14,622	15,493	15,721	46,917	59,977
Net Interest Income	3,542	3,856	4,276	4,482	4,722	5,242	5,843	6,217	16,156	22,024
% Change (Y-o-Y)	35.1	23.1	32.3	28.6	33.3	35.9	36.7	38.7	29.6	36.3
Other Income	1,653	2,141	2,114	2,664	2,881	2,768	3,132	3,178	8,571	11,960
Net Income	5,195	5,997	6,390	7,146	7,603	8,009	8,975	9,395	24,728	33,984
Operating Expenses	1,944	2,138	2,402	2,842	3,007	3,162	3,341	3,468	9,325	12,977
Operating Profit	3,251	3,859	3,988	4,304	4,596	4,847	5,635	5,928	15,402	21,007
% Change (Y-o-Y)	30.6	37.1	28.1	23.4	41.4	25.6	41.3	37.7	29.4	36.4
Other Provisions	15	379	224	285	300	317	567	542	902	1,726
Profit before Tax	3,236	3,481	3,765	4,019	4,296	4,530	5,068	5,386	14,500	19,281
Tax Provisions	1,075	1,130	1,224	1,301	1,395	1,469	1,645	1,758	4,730	6,266
Net Profit	2,161	2,350	2,541	2,718	2,901	3,061	3,423	3,628	9,770	13,015
% Change (Y-o-Y)	38.2	33.3	32.9	33.6	34.3	30.2	34.7	33.5	34.4	33.2
Operating Parameters										
NIM (Reported,%)	2.8	2.9	2.8	2.8	2.8	2.9	3.0		2.8	
NIM (Cal, %)	2.7	2.9	2.9	2.8	2.8	2.9	3.1	3.1	2.6	2.9
Deposit Growth (%)	44.1	10.2	18.9	7.0	15.2	18.6	20.2	16.0	7.0	16.0
Loan Growth (%)	26.1	12.7	15.3	10.5	16.4	22.9	22.3	22.0	10.5	22.0
Customer assets growth (%)			28.1	20.3	32.4	32.5	27.4			
CD Ratio (%)	76.0	77.6	76.4	77.3	76.7	80.4	77.8	81.3	77.3	74.8
CASA Ratio (%)	10.9	11.0	12.6	15.0	16.3	17.3	18.3		15.0	
Asset Quality										
Gross NPA (INR B)	0.6	0.7	0.7	0.8	1.1	1.0	0.8	1.0	0.8	1.0
Gross NPA (%)	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.2

E: MOSL Estimates

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

Sohail Halai (Sohail.Halai@motilaloswal.com); +91 22 3982 5430

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

Core income and healthy asset quality driving profitability (INR m)

Y/E March	3QFY13A	3QFY13E	Var. (%)	Comments
Net Interest Income	5,843	5,758	1	Growth and NIM in-line with estimates
% Change (Y-o-Y)	37	35		
Other Income	3,132	2,950	6	Financial advisory income led to +ve surprise
Net Income	8,975	8,708	3	
Operating Expenses	3,341	3,353	0	Cost to income ratio remains below 40%
Operating Profit	5,635	5,355	5	
% Change (Y-o-Y)	41	34		
Other Provisions	567	500	13	Contingent provisions led to higher than expected provisions
Profit before Tax	5,068	4,855	4	
Tax Provisions	1,645	1,578	4	
Net Profit	3,423	3,277	4	Strong performance of fee income led to deviation in PAT
% Change (Y-o-Y)	35	29		

Source: Company/MOSL

Healthy traction in SA deposit continues; CASA ratio up 100bp QoQ to 18.3%

Deposits grew 8% QoQ and ~20% YoY to INR564b. CASA growth remains impressive at +14% QoQ and 75% YoY led by strong growth of 27% QoQ and 308% YoY in SA deposits. Overall CASA improved 100bps QoQ to 18.3%. Post deregulation of savings rates, share of SA in overall deposits increased to ~8.7% vs. 1.9% in 1HFY12 (7.4% in 2QFY13). CA deposits grew 5% QoQ (+15% YoY). Share of retail liability (CASA + retail term deposits) improved 120bp QoQ to 37.8% (32.7% in FY12) on back of higher CASA share.

Benefits of fall in cost of funds accruing to margins

Reported margins improved 10bp QoQ to 3%. This was led by 20bp QoQ decline in cost of funds (down 50bp since 1QFY13) whereas yield on loans decline was contained to just 10bp QoQ - (partially helped by strong growth in commercial banking segment).

Higher financial advisory fees leading to deviation in non interest income

Non-interest income came at INR3.1b (6% above expectation) led by strong traction in financial advisory (INR1.6b v/s expectation of INR1.1b and INR1.2b in 2QFY13 and INR806m in 3QFY12). Income from financial market stood at INR392m as compared to INR471m a quarter ago and INR483m a year ago). As a result share of financial advisory in overall fee income increased to 52% (39% in 1HFY13) as compared to ~42% in FY11 and FY12. Apart from this fee income in other streams were healthy with 1) transaction banking up 26% YoY (+1% QoQ) to INR805m. On back of expanding branch network and retail customer base fee income from third party distribution improved 66% YoY to INR311m.

Incremental loan growth driven by commercial banking segment

Customer asset growth was healthy at 3.2% QoQ (+27% YoY) led by sequential growth of 4.5% (+22% YoY) in loan book. Credit substitute portfolio was flat QoQ (+51% YoY) and its share in overall customers asset came down marginally QoQ to 21.3%. Incremental growth during the quarter was driven by strong growth in commercial banking segment (+20% QoQ and 18% YoY); incremental contribution of commercial banking to incremental loans during the quarter was 82%. C&IB grew 2% QoQ and 27% YoY (as a proportion of overall loans it formed 65.9% as compared to 67.4% a quarter ago), whereas branch banking and retail segment declined 4% QoQ (+9% YoY).

Asset quality remains healthy; restructured loans at 43bp of gross loans

In absolute terms, GNPA declined to INR762m v/s INR1.02b a quarter ago while NNPA was at INR156m v/s INR201m. In percentage terms, GNPA stood at 17bp while NNPA was just 4bp. Restructured portfolio was 43bp of gross loans and bank did not restructure any new loans. Coverage ratio continued to remain strong at 80%.

Conference call highlights

Increase granularity of liabilities and risk management - a top priority

Bank intends to increase granularity of deposits with a higher focus on retail deposits. Proportion of retail deposits targeted to increase to 55-60% by FY15 as compared to 37% at the end of 3QFY13. CASA deposits is expected to form 30% of overall deposits by FY15.

As a strategy, the bank intends to grow its retail asset book however the approach would be cautious rather than aggressive. Management expects to improve the retail assets (branch banking) proportion to overall loans to increase to 30% over a period of next three years. Self-organic retail assets are ~2% of overall loans.

Strong investments growth - largely for distribution; not a take and hold strategy

Sharp growth is on account of AAA and AA+ rated customers borrowing monies by ways of bonds than loans due to base rate constraints. Management mentioned that strong growth in FY12/13 is largely opportunistic and they will churn the portfolio going forward. Sell down of non-SLR investments once interest rate will start to fall will also lead to treasury gain. Sell down of non SLR investments will also free up Core Tier I capital.

Other highlights

- SA account addition remains strong and it has increased by 10% QoQ.
- Bank is expected to raise capital in CY13 given the improving equity markets, and guides to maintain RoEs of 20%+ even in post-dilution.
- Improvement in SA deposits proportion over a period of last one year would have given the benefit of 15-18bp to margins. Over a period of next three years management expects sustainable margins to be at 3.5%.
- On asset quality, management mentioned that it had seen a rising trend of corporate under watch-list a year back, however it has now stabilized.
- Of the overall provisions of INR567m, bank made INR350m as contingent provisions towards one large exposure, whereas rest was on account of general provisions. Bank does not have any pipeline of restructuring at present.
- On financial advisory business cost to income ratio is 20-25%.

Valuation and view

Biggest beneficiary of interest rate reversal

Maintaining margins in narrow range of 2.8%-3% despite challenging environment has been a highlight. YES Bank (being a wholesale borrower) would be a key beneficiary and margins will expand when rates decline and liquidity improves. Over last two quarters, cost of funds declined 50bp QoQ and NIM improved 20bp QoQ. CASA traction remains healthy and continuous improvement in same would provide cushion to margins.

Fee income traction improves - an impetus to RoA

Fee income (ex-financial market) to average assets has improved to 1.2% in 9MFY13 as compared to 1% in FY12. We expect non-interest income (excluding financial markets) to grow (~23% CAGR over FY13-15) largely in-line with balance sheet growth providing stability to RoA. Half of branch network is less than 18 months old and productivity gains will help to augment CASA growth and fee income. Being in expansion mode coupled with increasing retail business, Cost to Income ratio will remain at higher than historical levels. While the share of opex to average assets is likely to increase, it will be more than compensated by higher core revenues. Core operating profitability is likely to improve over FY13-15.

Credit substitutes could provide further cushion to earnings

Over last two years YES has aggressively increased its credit substitutes portfolio (21% of customer assets as compared to 10.4% in FY11) which largely pertains to corporate with rating of AAA and AA+. With reversal of interest rates, YES could sell portfolio to provide higher treasury income and also release capital (+100bp).

Capital raising on the cards; even post capital dilution RoEs to remain strong

Core Tier I ratio of the bank is ~8% and with growth expected to resume in, it becomes imperative for the bank to raise capital. We have not factored any capital raising in our estimates. However, assuming INR22b of capital raising at a price of INR500/share, FY14 BV per share would increase to INR237 as compared to INR201 and even post dilution YES is expected to deliver healthy ROE of ~20%.

Earnings momentum to be strong

We expect EPS CAGR of ~27% over FY12-15 (without assuming a dilution), on a higher base of 42% EPS CAGR over FY08-12. We expect YES to report EPS of INR46.2 in FY14 and INR56.7 in FY15. BV will be INR201 in FY14 and INR248 in FY15. We expect RoA of 1.6% and RoE is expected to be ~25%. Maintain **Buy** with target price of INR620 (2.5x FY15 BV).

We upgrade earnings estimates by 2-4% (INR b)

	Old Estimates			Revised Estimates			Change (%)		
	FY13	FY14	FY15	FY13	FY14	FY15	FY13	FY14	FY15
Net Interest Income	21.7	27.7	33.8	22.0	28.1	34.7	1.7	1.5	2.7
Other Income	12.1	15.3	18.7	12.0	15.3	19.1	-0.8	-0.1	1.9
Total Income	33.7	43.0	52.5	34.0	43.4	53.8	0.8	0.9	2.4
Operating Expenses	13.1	16.7	20.8	13.0	16.7	20.7	-1.3	-0.2	-0.4
Operating Profits	20.6	26.3	31.7	21.0	26.7	33.1	2.2	1.7	4.3
Provisions	1.7	2.6	3.2	1.7	2.5	3.4	0.2	-4.3	7.3
PBT	18.8	23.6	28.5	19.3	24.2	29.6	2.4	2.3	3.9
Tax	6.1	7.7	9.3	6.3	7.9	9.6	2.4	2.3	3.9
PAT	12.7	15.9	19.3	13.0	16.3	20.0	2.4	2.3	3.9
Margins (%)	2.8	3.0	3.0	2.9	3.0	3.0			
Credit Cost (%)	0.4	0.5	0.5	0.3	0.4	0.5			
RoA (%)	1.5	1.6	1.6	1.6	1.6	1.6			
RoE (%)	24.4	25.0	24.6	25.0	25.4	25.3			

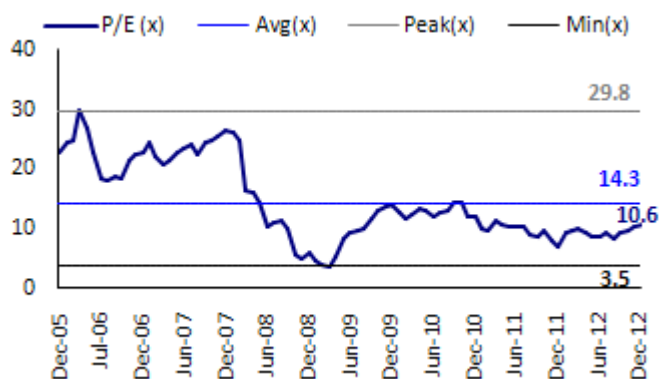
Source: MOSL

Consistently delivering superior RoE of 20%+ led by healthy RoA of 1.5%+

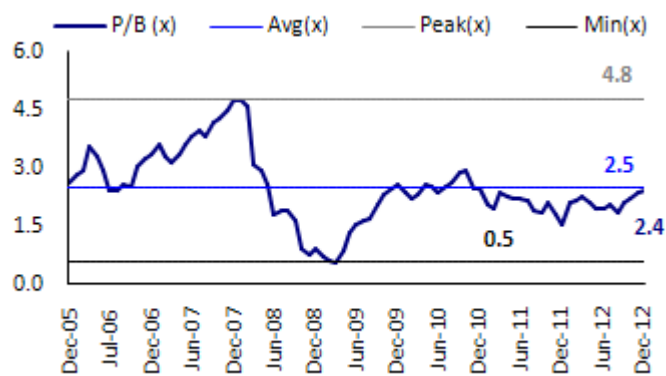
Y/E March	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13E	FY14E	FY15E
Net Interest Income	3.1	2.2	2.4	2.6	2.7	2.6	2.4	2.7	2.8	2.8
Fee income	3.5	2.5	2.5	1.9	1.4	1.1	1.4	1.4	1.5	1.5
Core Operating Income	6.6	4.7	4.8	4.4	4.1	3.7	3.8	4.1	4.2	4.3
Operating Expenses	3.2	2.5	2.4	2.1	1.7	1.4	1.4	1.6	1.6	1.7
Cost/core Income ratio	47.8	53.5	50.1	47.2	41.2	38.4	37.0	38.6	38.9	39.2
Employee cost	1.8	1.5	1.4	1.1	0.9	0.8	0.7	0.8	0.8	0.8
Other operating expenses	1.3	1.0	1.0	1.0	0.8	0.7	0.7	0.8	0.8	0.9
Core Operating Profits	3.5	2.2	2.4	2.3	2.4	2.3	2.4	2.5	2.6	2.6
Trading Profits	0.1	0.1	0.1	0.3	0.5	0.2	-0.1	0.0	0.0	0.1
Operating Profits	3.5	2.3	2.5	2.6	2.9	2.5	2.3	2.6	2.6	2.7
Provisions	0.5	0.4	0.3	0.3	0.5	0.2	0.1	0.2	0.2	0.3
PBT	3.0	1.9	2.2	2.3	2.5	2.3	2.2	2.3	2.4	2.4
Tax	1.1	0.6	0.8	0.8	0.8	0.8	0.7	0.8	0.8	0.8
RoA	1.9	1.2	1.4	1.5	1.6	1.5	1.5	1.6	1.6	1.6
Leverage (x)	6.9	11.2	13.3	13.6	12.6	13.9	15.7	15.8	15.7	15.6
RoE	13.3	13.9	19.0	20.6	20.3	21.1	23.1	25.0	25.4	25.3

Source: Company, MOSL

Yes Bank: One year forward P/E (x)

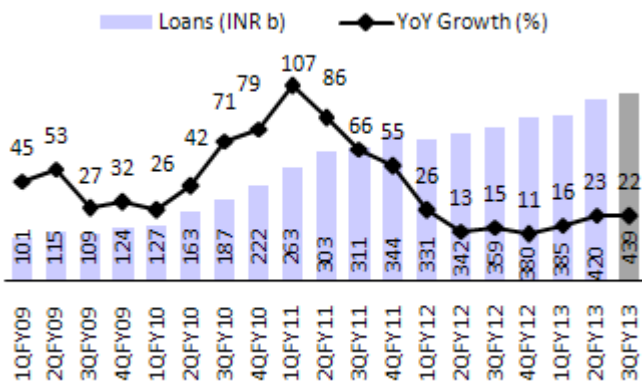


Yes Bank: One year forward P/BV (x)



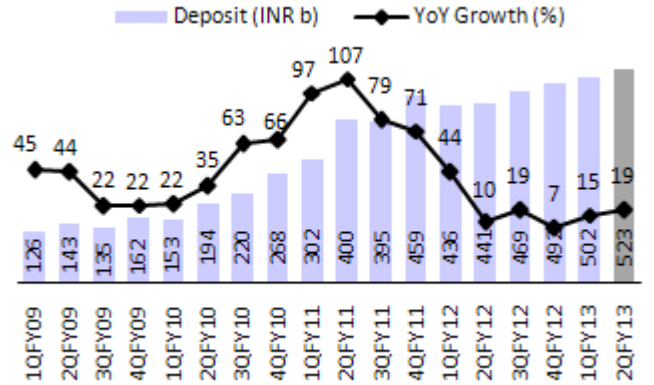
Quarterly trends

Loan growth of 4.5% QoQ led by commercial banking segment



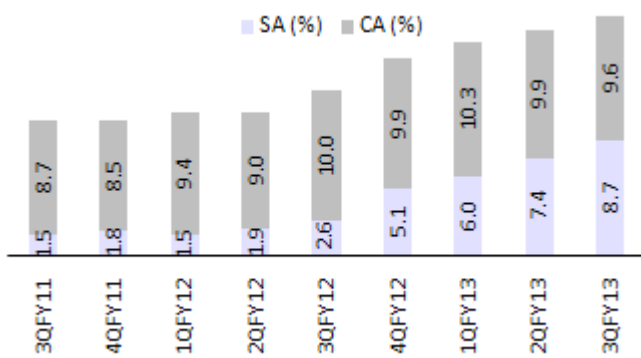
Loans grew 22% YoY and 4.4% QoQ driven by commercial banking which grew 20%QoQ (+18% YoY)

Deposit grew 8% QoQ and 19% YoY



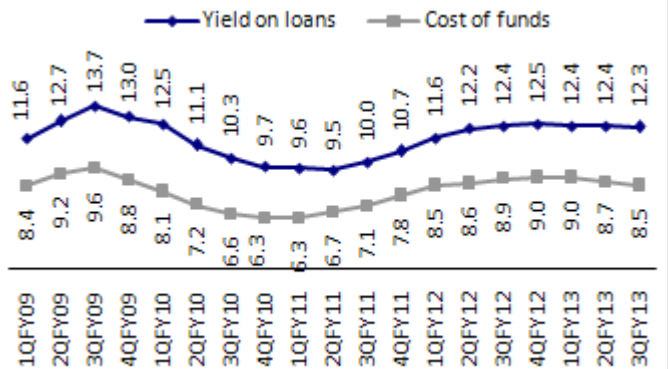
Share of retail liability (CASA + retail term deposits) improved 120bp QoQ to 37.8% (32.7% in FY12) on back of higher CASA share

Strong traction in SA depts post de-regulation- CASA ratio at 18.3%



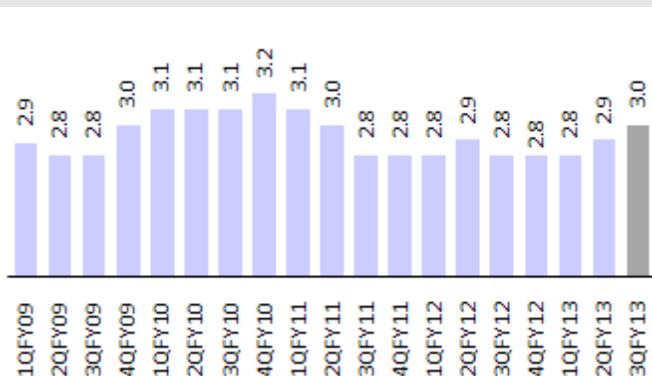
Post deregulation of savings rates, share of SA in overall deposits increased to ~8.7% vs. 1.9% in 1HFY12 (7.4% in 2QFY13). CA deposits grew 5% QoQ (+15% YoY)

CoF decline led by fall in bulk dep. rates & CASA improvement



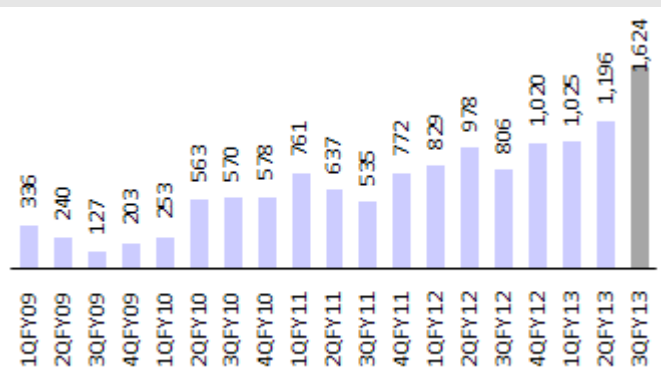
Cost of funds declined 20bp QoQ (down 50bp since 1QFY13) led by falling bulk deposit rates and improving CASA

Margin improve QoQ - led by fall in CoF & stable YoF (%)



Fall in cost of funds led to improvement in margins

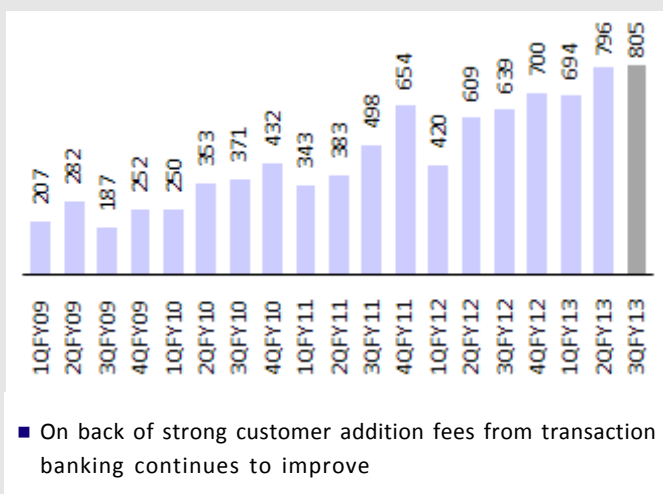
Income from financial advisory surprise positively (INR m)



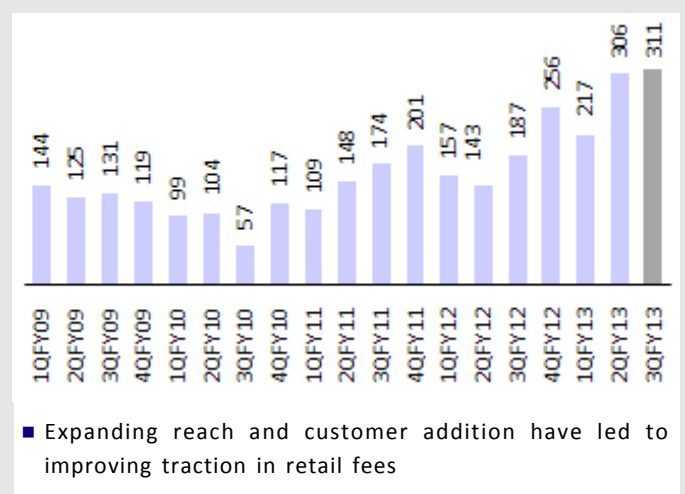
Despite challenging environment income from financial advisory continues to remain strong

Quarterly trends (continued)

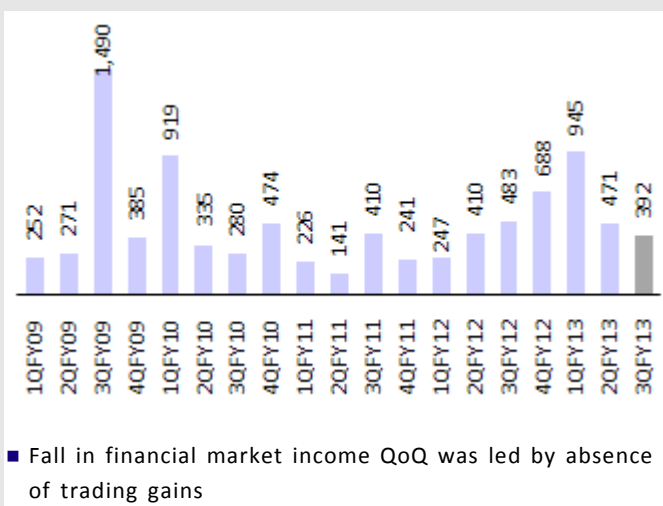
Transaction Banking inc. growth remains healthy (INR m)



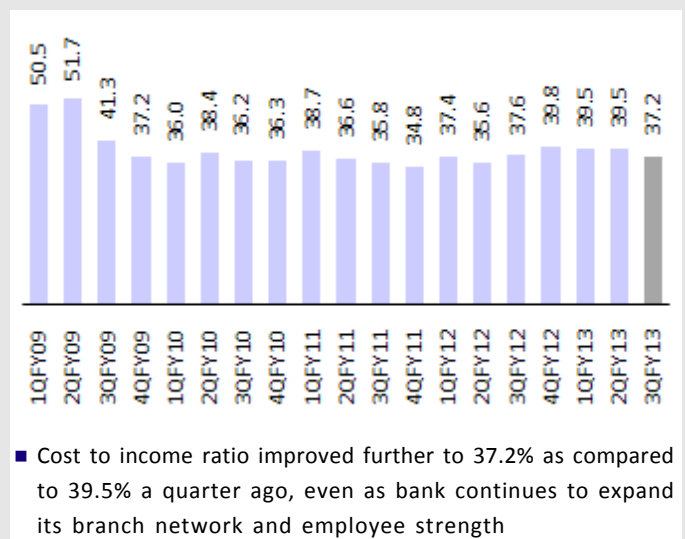
YoY traction in retail fees is impressive (INR m)



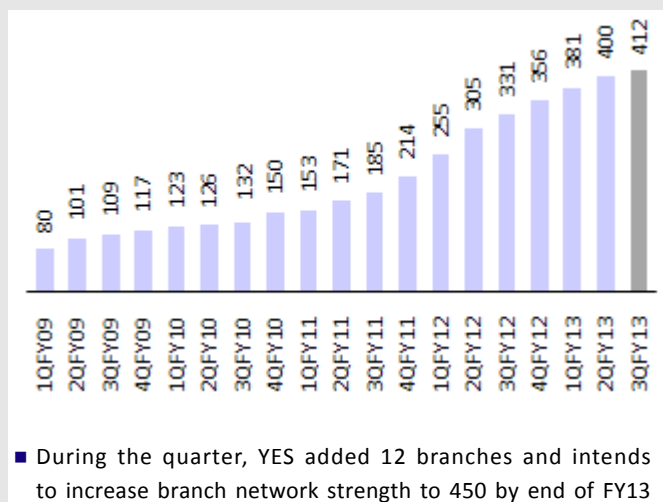
Financial market income decline QoQ (INR m)



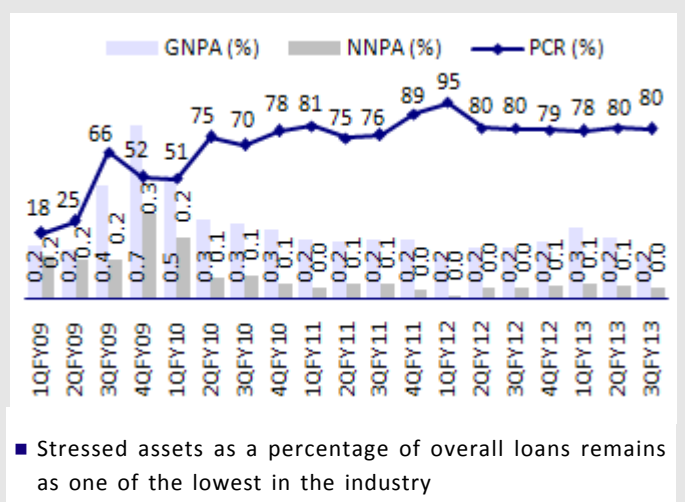
Cost to income ratio moderates (%)



Branch expansion continues (Nos)



Asset quality continues to remain strong



Quarterly Snapshot

	FY12				FY13			Variation (%)		Cumulative Numbers		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	QoQ	YoY	9MFY12	9MFY13	YoY Gr (%)
Profit and Loss												
Net Interest Income	3,542	3,856	4,276	4,482	4,722	5,242	5,843	11	37	11,674	15,807	35
Other Income	1,653	2,141	2,114	2,664	2,881	2,768	3,132	13	48	5,908	8,781	49
Financial Markets	247	411	482	688	945	470	392	-17	-19	1,140	1,807	59
Financial Advisory	829	978	806	1,020	1,025	1,196	1,624	36	101	2,613	3,845	47
Transaction banking	420	609	639	700	694	796	805	1	26	1,668	2,295	38
Branch Banking	157	143	187	256	217	306	311	2	66	487	834	71
Total Income	5,195	5,997	6,390	7,146	7,603	8,009	8,975	12	40	17,582	24,587	40
Operating Expenses	1,944	2,138	2,402	2,842	3,007	3,162	3,341	6	39	6,483	9,509	47
Employee	1,098	1,100	1,217	1,337	1,552	1,642	1,620	-1	33	3,415	4,814	41
Others	846	1,038	1,185	1,505	1,455	1,520	1,721	13	45	3,069	4,695	53
Operating Profits	3,251	3,859	3,988	4,304	4,596	4,847	5,635	16	41	11,099	15,078	36
Provisions	15	379	224	285	300	317	567	79	154	617	1,184	92
PBT	3,236	3,481	3,765	4,019	4,296	4,530	5,068	12	35	10,481	13,894	33
Taxes	1,075	1,130	1,224	1,301	1,395	1,469	1,645	12	34	3,429	4,509	31
PAT	2,161	2,350	2,541	2,718	2,901	3,061	3,423	12	35	7,052	9,385	33
Asset Quality												
GNPA	560	688	721	839	1,095	1,028	762	-26	6			
NNPA	27	136	144	175	237	201	156	-23	8			
GNPA (%)	0.2	0.2	0.2	0.2	0.3	0.2	0.2	-7	-3			
NNPA (%)	0.0	0.0	0.0	0.1	0.1	0.1	0.0	-1	0			
PCR (Calculated, %)	95	80	80	79	78	80	80	-85	-43			
Ratios (%)												
Non Int. to Total Income	31.8	35.7	33.1	37.3	37.9	34.6	34.9			33.6	35.7	
Cost to Income	37.4	35.6	37.6	39.8	39.5	39.5	37.2			36.9	38.7	
Tax Rate	33.2	32.5	32.5	32.4	32.5	32.4	32.5			32.7	32.4	
CASA (Reported)	10.9	11.0	12.6	15.0	16.3	17.3	18.3					
Loan/Deposit	76.0	77.6	76.4	77.3	76.7	80.4	77.8					
CAR	16.2	16.0	16.6	17.9	16.5	17.5	18.5					
Tier I	9.6	9.4	9.7	9.9	9.2	9.5	9.5					
RoA	1.5	1.6	1.5	1.5	1.5	1.5	1.6			1.5	1.5	0
RoE	22.1	22.6	23.0	23.6	24.0	23.8	24.9			22.6	24.2	167
Margins (%) - Reported												
Yield on loans	11.6	12.2	12.4	12.5	12.4	12.4	12.3	-10.0	-10	12.1	12.4	30
Cost of funds	8.5	8.6	8.9	9.0	9.0	8.7	8.5	-20.0	-40	8.7	8.7	7
Margins	2.8	2.9	2.8	2.8	2.8	2.9	3.0	10.0	20	2.8	2.9	7
Balance Sheet (INR b)												
Loans	331	342	359	380	385	420	439	4	22			
Investments	175	214	261	278	305	318	354	12	36			
Deposits	436	441	469	492	502	523	564	8	20			
CASA Deposits	48	48	59	74	82	90	103	14	75			
Borrowings	85	102	122	142	169	197	202	3	66			
Total Assets	570	628	711	737	782	830	870	5	22			
Risk Weighted Assets	438	491	489	521	575	623	638	2	30			
Loan Mix (% , Non PSL)												
C&IB	63.2	61.4	63.4	60.2	64.0	67.4	65.9	-150	250			
Commercial Banking	24.4	23.8	21.4	21.6	20.2	17.9	20.6	270	-80			
Branch Banking	12.4	14.9	15.2	18.2	15.8	14.7	13.5	-120	-170			
Other Details												
Branches	255	305	331	356	381	400	412	3	24			
Employees	4,385	4,714	5,013	5,642	6,183	6,307	6,532	4	30			

For %age change QoQ and YoY is bp

Source: Company/MOSL

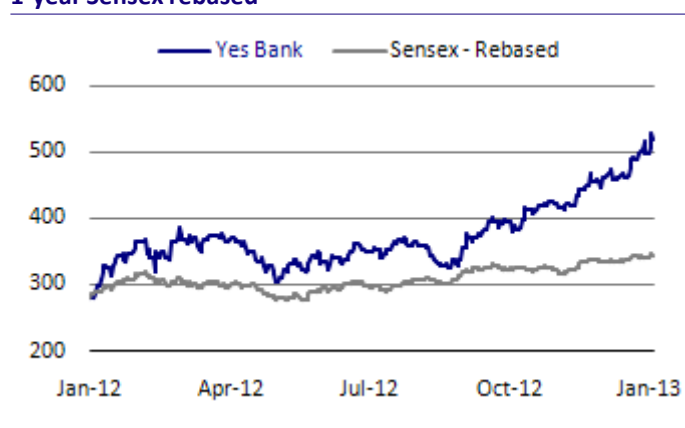
EPS: MOSL forecast v/s consensus (INR)

	MOSL Forecast	Consensus Forecast	Variation (%)
FY13	36.9	35.1	4.9
FY14	46.2	42.9	7.9

Shareholding pattern (%)

	Dec-12	Sep-12	Dec-11
Promoter	25.8	25.9	26.2
Domestic Inst	14.7	14.3	10.7
Foreign	48.8	48.1	49.9
Others	10.7	11.7	13.2

1-year Sensex rebased



Financials: Valuation Matrix

	Rating	CMP (INR)	Mcap (USD\$b)	EPS (INR)		P/E (x)		BV (INR)		P/BV (x)		RoA (%)		RoE (%)		Dividend Yield (%) #
				FY14	FY15	FY14	FY15	FY14	FY15	FY14	FY15	FY14	FY15	FY14	FY15	
ICICIBC*	Buy	1,179	24.7	87	105	11.1	9.0	511	579	1.9	1.6	1.7	1.7	16.1	17.2	1.4
HDFCB	Neutral	661	28.4	37	46	17.8	14.4	176	210	3.8	3.1	1.9	1.9	22.8	23.6	0.7
AXSB	Buy	1,410	10.9	143	168	9.9	8.4	755	897	1.9	1.6	1.7	1.7	20.4	20.3	1.1
KMB*	Neutral	624	8.4	33	40	14.0	11.2	141	164	3.3	2.7	1.6	1.6	15.2	16.0	0.1
YES	Buy	518	3.3	46	57	11.2	9.1	201	248	2.6	2.1	1.6	1.6	25.4	25.3	0.8
IIB	Buy	430	4.1	26	33	16.5	13.1	164	192	2.6	2.2	1.7	1.8	17.0	18.4	0.5
VYSB	Buy	571	1.6	44	51	13.0	11.2	328	371	1.7	1.5	1.1	1.0	14.2	14.6	0.7
FB	Buy	516	1.6	55	64	9.4	8.1	412	461	1.3	1.1	1.3	1.2	14.1	14.6	1.7
J&K BK	Buy	1,328	1.2	230	274	5.8	4.8	1,180	1,390	1.1	1.0	1.5	1.5	21.1	21.3	2.5
SIB	Buy	28	0.3	4.0	4.6	6.9	6.0	25	28	1.1	1.0	1.1	1.0	17.6	17.5	2.2
Private Aggregate			84.5			13.8	11.5			2.4	2.1					
SBIN (cons)*	Buy	2,433	29.7	318	382	7.3	6.1	2,039	2,357	1.1	1.0	1.0	1.0	17.2	17.8	1.4
PNB	Buy	884	5.4	170	203	5.2	4.4	1,035	1,203	0.9	0.7	1.0	1.0	17.7	18.1	2.5
BOI	Neutral	379	4.0	52	60	7.3	6.4	404	453	0.9	0.8	0.6	0.6	13.6	13.9	1.8
BOB	Neutral	872	6.5	134	156	6.5	5.6	833	965	1.0	0.9	1.0	0.9	17.3	17.3	1.9
CBK	Buy	509	4.1	80	97	6.3	5.3	585	666	0.9	0.8	0.8	0.8	14.6	15.5	2.2
UNBK	Buy	261	2.6	52	61	5.0	4.3	305	352	0.9	0.7	0.9	0.9	18.1	18.7	3.1
IOB	Neutral	88	1.3	13	15	6.9	5.7	151	162	0.6	0.5	0.4	0.4	8.7	9.7	5.1
OBC	Buy	339	1.8	57	67	5.9	5.1	461	512	0.7	0.7	0.7	0.7	13.1	13.7	2.3
INBK	Buy	211	1.6	48	54	4.4	3.9	285	326	0.7	0.6	1.1	1.1	17.5	17.2	3.6
CRPBK	Neutral	469	1.3	112	133	4.2	3.5	720	822	0.7	0.6	0.8	0.9	16.6	17.3	4.4
ANDB	Buy	122	1.2	26	31	4.7	4.0	171	194	0.7	0.6	0.9	0.9	16.2	16.8	4.5
IDBI	Neutral	113	2.6	17	16	6.8	6.9	161	174	0.7	0.7	0.7	0.6	10.8	9.8	3.1
DBNK	Neutral	118	0.8	27	30	4.5	3.9	166	193	0.7	0.6	0.8	0.8	17.2	16.9	2.5
Public Aggregate			63.0			7.1	6.1			1.0	0.9					
HDFC*	Buy	817	22.8	38	45	15.0	11.6	125	146	4.5	3.6	2.9	2.9	30.4	30.6	1.3
LICHF	Buy	280	2.6	26	32	10.6	8.6	150	175	1.9	1.6	1.5	1.5	19.0	20.0	1.3
DEWH	Buy	214	0.5	49	60	4.4	3.5	218	269	1.0	0.8	1.4	1.3	21.8	22.8	1.6
IDFC	Buy	172	4.7	14	16	12.5	10.5	92	104	1.6	1.4	2.7	2.7	16.3	17.1	1.3
RECL	Buy	248	4.4	42	50	5.9	5.0	205	239	1.2	1.0	3.1	3.1	22.1	22.4	3.0
POWF	Buy	204	4.9	36	43	5.6	4.8	204	233	1.0	0.9	2.9	2.9	19.0	19.6	2.9
SHTF	Buy	780	3.2	72	85	10.9	9.2	379	452	2.1	1.7	2.7	2.7	20.6	20.4	0.8
MMFS	Buy	1,105	2.3	98	120	11.2	9.2	470	558	2.4	2.0	3.8	3.7	22.7	23.3	1.3
NBFC Aggregate			45.3			11.6	9.8			2.2	1.9					

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

Div Yield based on FY12 declared dividend

Financials and Valuations

Income Statement				(INR Million)		
Y/E March	2010	2011	2012	2013E	2014E	2015E
Interest Income	23,697	40,417	63,074	82,002	93,000	112,406
Interest Expense	15,818	27,948	46,917	59,977	64,925	77,719
Net Interest Income	7,880	12,469	16,156	22,024	28,075	34,687
Change (%)	54.7	58.2	29.6	36.3	27.5	23.6
Non Interest Income	5,755	6,233	8,571	11,960	15,282	19,106
Net Income	13,635	18,702	24,728	33,984	43,357	53,793
Change (%)	44.1	37.2	32.2	37.4	27.6	24.1
Operating Expenses	5,002	6,798	9,325	12,977	16,658	20,700
Pre Provision Profits	8,633	11,904	15,402	21,007	26,698	33,093
Change (%)	63.6	37.9	29.4	36.4	27.1	24.0
Provisions (excl tax)	1,368	982	902	1,726	2,521	3,448
PBT	7,265	10,922	14,500	19,281	24,177	29,645
Tax	2,487	3,650	4,730	6,266	7,858	9,635
Tax Rate (%)	34.2	33.4	32.6	32.5	32.5	32.5
PAT	4,777	7,271	9,770	13,015	16,320	20,011
Change (%)	57.2	52.2	34.4	33.2	25.4	22.6
Equity Dividend (Incl tax)	596	1,012	1,641	2,284	2,448	3,002
Core PPP*	7,647	12,367	15,024	20,528	25,720	31,365
Change (%)	101.8	61.7	21.5	36.6	25.3	21.9

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

Balance Sheet				(INR Million)		
Y/E March	2010	2011	2012	2013E	2014E	2015E
Equity Share Capital	3,397	3,471	3,530	3,530	3,530	3,530
Reserves & Surplus	27,499	34,469	43,236	53,967	67,423	83,921
Net Worth	30,896	37,941	46,766	57,497	70,953	87,451
Deposits	267,986	459,389	491,517	570,160	695,595	862,538
Change (%)	65.7	71.4	7.0	16.0	22.0	24.0
of which CASA Dep	28,182	47,509	73,921	116,307	163,605	215,555
Change (%)	99.6	68.6	55.6	57.3	40.7	31.8
Borrowings	47,491	66,909	141,565	207,311	250,536	292,010
Other Liabilities & Prov.	17,453	25,831	56,773	73,507	95,271	123,538
Total Liabilities	363,825	590,070	736,621	908,474	1,112,354	1,365,537
Current Assets	26,732	34,960	35,855	44,626	51,826	63,124
Investments	102,099	188,288	277,573	344,191	413,029	495,635
Change (%)	43.5	84.4	47.4	24.0	20.0	20.0
Loans	221,931	343,636	379,886	463,461	574,692	712,618
Change (%)	78.9	54.8	10.5	22.0	24.0	24.0
Fixed Assets	1,155	1,324	1,771	2,201	2,613	2,908
Other Assets	11,907	21,861	41,535	53,995	70,194	91,252
Total Assets	363,825	590,070	736,621	908,474	1,112,354	1,365,537

Asset Quality				(%)		
GNPA (INR m)	602	805	839	1,048	2,579	4,777
NNPA (INR m)	130	92	175	243	697	999
GNPA Ratio	0.27	0.23	0.22	0.23	0.45	0.67
NNPA Ratio	0.06	0.03	0.05	0.05	0.12	0.14
PCR (Excl Tech. write off)	78.4	88.6	79.2	76.9	73.0	79.1

E: MOSL Estimates

Financials and Valuations

Ratios

Y/E March	2010	2011	2012	2013E	2014E	2015E
Spreads Analysis (%)						
Avg. Yield-Earning Assets	8.4	8.8	10.0	10.7	9.9	9.8
Avg. Yield on loans	10.2	10.6	12.2	12.7	11.7	11.6
Avg. Yield on Investments	6.8	7.1	7.9	9.0	8.3	8.1
Avg. Cost-Int. Bear. Liab.	6.2	6.6	8.1	8.5	7.5	7.4
Avg. Cost of Deposits	5.8	6.3	8.1	9.1	8.0	7.8
Interest Spread	2.2	2.2	1.9	2.2	2.4	2.4
Net Interest Margin	2.8	2.7	2.6	2.9	3.0	3.0
Profitability Ratios (%)						
RoE	20.3	21.1	23.1	25.0	25.4	25.3
RoA	1.6	1.5	1.5	1.6	1.6	1.6
Int. Expense/Int. Income	66.7	69.1	74.4	73.1	69.8	69.1
Fee Income/Net Income	35.0	35.8	33.1	33.8	35.2	35.5
Non Int. Inc./Net Income	42.2	33.3	34.7	35.2	35.2	35.5
Efficiency Ratios (%)						
Cost/Income*	39.5	35.5	38.3	38.7	39.3	39.8
Empl. Cost/Op. Exps.	51.4	53.3	51.0	50.2	49.8	49.1
Busi. per Empl. (INR m)	127.8	164.5	148.4	139.3	138.1	144.6
NP per Empl. (INR lac)	15.7	18.5	17.3	19.0	19.6	20.3
* ex treasury						
Asset-Liability Profile (%)						
Loans/Deposit Ratio	82.8	74.8	77.3	81.3	82.6	82.6
CASA Ratio	10.5	10.3	15.0	20.4	23.5	25.0
Investment/Deposit Ratio	38.1	41.0	56.5	60.4	59.4	57.5
G-Sec/Investment Ratio	66.5	57.1	58.3	41.4	42.1	43.5
CAR	20.6	16.5	17.9	18.1	16.6	15.3
Tier 1	12.8	9.7	9.9	9.3	9.1	8.9
Valuation						
Book Value (INR)	91.0	109.3	132.5	162.9	201.0	247.7
Change (%)	66.3	20.2	21.2	22.9	23.4	23.3
Price-BV (x)			4.0	3.2	2.6	2.1
Adjusted BV (INR)	90.7	109.1	132.2	162.4	199.7	245.9
Price-ABV (x)			4.0	3.2	2.6	2.1
EPS (INR)	14.1	20.9	27.7	36.9	46.2	56.7
Change (%)	37.5	48.9	32.1	33.2	25.4	22.6
Price-Earnings (x)			19.0	14.3	11.4	9.3
Dividend Per Share (INR)	1.5	2.5	4.0	5.5	6.9	8.5
Dividend Yield (%)			0.8	1.0	1.3	1.6

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:

Nihar Oza

Email: niharoza.sg@motilaloswal.com

Contact: (+65) 68189232

Kadambari Balachandran

Email: kadambari.balachandran@motilaloswal.com

Contact: (+65) 68189233 / 65249115

Office address: 21 (Suite 31), 16 Collyer Quay, Singapore 049318



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