

IndusInd Bank

BSE Sensex	S&P CNX
19,664	5,969
Bloomberg	IIB IN
Equity Shares (m)	521.8
M. Cap. (INR b)/(USD b)	227/4.1
52-Week Range (INR)	441/242
1,6,12 Rel.Perf.(%)	3/15/52

CMP: INR434
TP: INR500
Buy

IndusInd Bank's 3QFY13 PAT grew 30% YoY and 7% QoQ to ~INR2.7b (in-line with estimates). Strong loan growth (+31% YoY), 20bp+ QoQ improvement in margin to 3.5% and strong fee income, led to highest-ever core income and core PPP (as a percentage of average assets) of 5.6% and 2.7% and quarterly RoA of 1.65%.

Key highlights:

- Asset quality was stable (GNPA up 3% QoQ) despite recognizing one large media account of INR1b as NPA. After valuing the securities that bank held towards the exposure, it sold the exposure to ARC and provided ~INR400m as provisions. Slippage ratio in consumer finance segment was stable at 2%.
- Post moderation in 2QFY13, SA deposit growth bounce backed to 16% QoQ (+55% YoY) - a positive, driving overall CASA growth (+10% QoQ and 36% YoY). CASA ratio stood at 28.7% vs 28% QoQ.
- Fall in cost of funds (down 26bp QoQ), higher funding of loans via CASA (43%), largely stable yield on funds (down 5bp QoQ) and benefit of capital infusion led to margin improvement of 20bp+ QoQ.
- Traction in fee income remains impressive (up 32% YoY and 11% QoQ to ~INR3.3b)

Valuation and view: With ~50% of deposits wholesale in nature, and high proportion of fixed rate loans on the balancesheet, IIB is most leveraged to systemic interest rates and liquidity. This coupled with recent capital infusion would boost NIM. Improving liability franchise, structural improvement in RoA and 20%+ asset growth should help IIB to post one of the highest PAT CAGR (~29%) among the banks under our coverage. Maintain **Buy**.

Financials & Valuation (INR b)

Y/E March	2013E	2014E	2015E
NII (INR b)	22.4	29.0	36.1
OP (INR b)	18.1	24.3	30.7
NP (INR b)	10.5	13.6	17.1
NIM (%)	3.8	4.0	4.1
EPS (INR)	20.0	26.0	32.7
EPS Gr. (%)	16.8	29.9	25.8
BV/Sh. (INR)	142.2	164.4	192.3
ROE (%)	17.5	17.0	18.4
ROA (%)	1.6	1.7	1.8
Payout (%)	14.6	14.6	14.6
Valuations			
P/E(X)	21.7	16.7	13.3
P/BV (X)	3.1	2.6	2.3
P/ABV (X)	3.1	2.7	2.3
Div. Yield (%)	0.6	0.7	0.9

IndusInd Bank: Quarterly Performance

	FY12				FY13				(INR Million)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY12	FY13E
Interest Income	11,646	13,239	13,897	14,810	16,320	17,279	18,005	18,527	53,592	70,132
Interest Expense	7,746	9,047	9,591	10,166	11,479	12,182	12,227	11,884	36,549	47,772
Net Interest Income	3,900	4,192	4,307	4,644	4,841	5,097	5,778	6,643	17,042	22,359
% Change (YoY)	31.9	27.1	18.6	19.7	24.1	21.6	34.2	43.0	23.8	31.2
Other Income	2,154	2,392	2,651	2,921	3,188	3,205	3,558	3,521	10,118	13,472
Net Income	6,054	6,584	6,958	7,565	8,029	8,302	9,336	10,164	27,160	35,831
Operating Expenses	2,937	3,254	3,465	3,774	3,989	4,104	4,614	5,061	13,430	17,768
Operating Profit	3,117	3,330	3,492	3,791	4,040	4,198	4,722	5,104	13,730	18,064
% Change (YoY)	35.2	27.2	19.9	27.2	29.6	26.1	35.2	34.6	26.9	31.6
Other Provisions	446	470	428	460	535	491	787	758	1,804	2,570
Profit before Tax	2,671	2,860	3,064	3,331	3,505	3,708	3,935	4,346	11,927	15,493
Tax Provisions	870	929	1,005	1,097	1,143	1,205	1,262	1,426	3,900	5,035
Net Profit	1,802	1,931	2,060	2,234	2,363	2,503	2,673	2,920	8,026	10,458
% Change (YoY)	52.0	45.0	33.9	30.1	31.1	29.6	29.8	30.7	39.0	30.3
Operating Parameters										
NIM (Reported,%)	3.4	3.4	3.3	3.3	3.2	3.3	3.5		3.3	
NIM (Cal, %)	3.3	3.4	3.3	3.3	3.3	3.3	3.6	3.9	3.6	3.8
Deposit Growth (%)	28.8	22.6	32.3	23.3	27.8	24.5	26.0	23.0	23.3	23.0
Loan Growth (%)	31.4	28.5	29.7	34.0	31.2	30.8	30.8	25.0	34.0	25.0
CASA Ratio (%)	28.2	27.7	26.5	27.3	27.9	28.0	28.7		27.3	
Asset Quality										
OSRL (%)	0.4	0.3	0.2	0.3	0.2	0.2	0.3		0.3	
Gross NPA (INR B)	3.1	3.3	3.3	3.5	3.7	4.1	4.2	4.4	3.5	4.4
Gross NPA (%)	1.1	1.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

E: MOSL Estimates; Quarterly calculated margins based on total assets, yearly on interest earning assets

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

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

Quarterly performance: In line with expectations (INR m)

Y/E March	3QFY13E	3QFY13A	v/s our Est	Comments
Net Interest Income	5,543	5,778	4	Growth and margins surprised positively
% Change (Y-o-Y)	29	34		
Other Income	3,516	3,558	1	Fee income growth remains strong
Net Income	9,060	9,336	3	
Operating Expenses	4,345	4,614	6	
Operating Profit	4,714	4,722	0	Better than expected NII performance compensated by higher opex
% Change (Y-o-Y)	35	35		
Other Provisions	700	787	12	Higher provisions on account of one large account that slipped into NPA
Profit before Tax	4,014	3,935	-2	
Tax Provisions	1,305	1,262	-3	
Net Profit	2,710	2,673	-1	PAT in-line with estimate
% Change (Y-o-Y)	32	30		

Source: Company/MOSL

Margin performance - in line with expectation

Reported margins improved 21bp QoQ to 3.46%. As a consequence NII grew 13% QoQ and 34% YoY (4% above estimate). Cost of funds declined by 26bp QoQ to 7.3%, reflecting (1) the benefit of falling bulk deposit rates in the system, (2) absence of one-off that it accrued on interest expense in 2QFY13 on account of foreign borrowings and (3) partial benefit on account of capital infusion of INR20b. Yield on consumer finance book declined 17bp QoQ to 15.9%, whereas yield on corporate finance book declined 21bp QoQ to 11.6%. As a result overall yield on loans declined 20bp+QoQ. However, yield on funds (as a percentage of total assets) decline was contained to just 5bp QoQ (led by higher share of interest earning assets during the quarter) which led to margin expansion.

Above industry average loan growth; CV growth slows down

Loan growth was above industry average with increase of 8% QoQ and 31% YoY to INR424b. Incrementally, loan growth was driven by strong growth of 9% QoQ (+24% YoY) in corporate segment. Consumer finance segment grew 6% QoQ (+38% YoY) and its share in overall loans stood at 51.1% as compared to 51.8% a quarter ago and 48.4% a year ago.

Within consumer finance segment growth moderated in CV loans (+2% QoQ and 31% YoY), whereas growth in utility vehicles and cars being strong at 10%+ QoQ. Credit cards and personal loan/LAP increased ~24% QoQ to INR15b (share has increased from 2.1% in 3QFY12 to 3.5%), led by strong growth in LAP segment (+37% QoQ and 145% YoY). Management is targeting loan growth of 25-30% over FY13-14.

Strong growth in SA deposits; CASA ratio improves 70bp QoQ to 28.7%

Deposits grew 7% QoQ and 26% YoY to ~INR511b, and CASA grew 10% QoQ and 36% YoY to INR147b. Growth in CASA was driven by strong growth in SA deposits (+16% QoQ and 55% YoY) and healthy growth in CA deposits (+5% QoQ and 25% YoY). Post de-regulation proportion of SA deposits to overall deposits has increased to 12.1% (11.1% in 2QFY13) as compared to 8.6% in 1HFY12. Management re-iterated its CASA ratio guidance of 35% by FY14.

Asset quality stable QoQ, even as bank recognized one large media account of INR1b as NPA

In absolute terms, GNPA's increased 3% QoQ to INR4.2b, whereas in % terms GNPA and NNPA remained flat QoQ at 1% and 0.3%. Overall slippages for the quarter stood at INR1.9b. During the quarter slippages in corporate segment was ~INR1b, which largely pertained to only one large media account. Management mentioned that it made provision of INR400m on the exposure and post assessing the value of securities it held against the exposure, rest ~INR600m was sold to ARC.

Slippages in consumer finance segment increased QoQ to INR800m v/s INR710m in 2QFY13. Slippage ratio in this segment was stable QoQ at 2%. GNPA in CV segment increased to 0.9% as compared to 0.75% a quarter ago. Except GNPA in two wheelers segment (proportion of which is low in overall loans), GNPA's in other segments of consumer finance segment was below 1%.

Adjusted credit cost of 25bp; restructured loan at 26bp

Credit cost for 3QFY13 stood at 70bp (annualized), however adjusted for provisions on one large account credit cost declined QoQ to just 25bp as compared to ~50bp in 2QFY13. During the quarter restructured loan portfolio as a percentage of overall loans increased to 0.26% as compared to 0.19% a quarter ago, implying net addition to restructured book of INR350m.

Key conference call takeaways

Capital raising and promoter stake

- Promoters' holding has fallen to ~15% (which needs to be reduced to 10% as per RBI's existing guidelines). Management mentioned that combination of ESOP dilution (~7% of pre-dilution equity) and possibility of RBI to keep promoter ownership in line with the banking amendment bill should however provide relief.

Retail assets and liabilities

- Of the overall loans used CV segment stands at INR27b (i.e. 6.5% of overall loans; 12% of vehicle finance portfolio and 27% of CV loans).
- In 3QFY13 bank disbursed loans of INR40.4b of which (1) INR14.3b in CV (old CV - INR6b) segment, (2) INR8b in Car/Utility segment, (3) INR3.5b in two wheelers segment, (4) INR5.4b in construction segment and (5) INR3b in LAP and others.
- During the quarter bank added 0.14m new to bank SA customers as compared to ~0.13m in 2QFY13 and addition of value to SA deposits during the quarter was INR7.8b as compared to INR6b in 2QFY13. During the quarter bank also was able to penetrate into some of the government account (25-30 accounts of Municipal Corporation) which contributed INR2.5b
- Management expects traction in SA acquisition, to increase further to INR10b from 4QFY13 on back of its new acquisition strategy and new product launches.

Fee income growth would continue to be faster than balance sheet growth

- During the quarter fee income grew 32% YoY, led by strong growth in processing fees. Management mentioned that some of the up-tick in this stream would also be on account of higher income due to renewable charges and not necessarily due to fresh sanctions.

- Traction in investment banking fees remains strong and pertains to debt related fees. For FY13 management expects to book income of INR1.4b (as against INR790m in FY12 and INR1b in 9MFY13).

Yield on loans, Asset quality and provisioning

- Lower yield on loans was on account of (1) ~INR50m (5bp margin impact) on account of reversal of interest income on media account and (2) re-pricing of loans on corporate exposure (reduction of spread) and (3) discounts on retail loans due to festive season.
- Asset quality to remain healthy and expects to contain credit cost in line with historical average (50-80bp), near lower end as economic environment is expected to improve in FY14.
- Bank would utilize windfall gains if it accrues to increase the provision coverage ratio as a consequence it would largely be neutral on PAT.
- Restructuring done during the quarter was on account of CDR and there was no bilateral restructuring.

Valuations and view: Best placed in the current environment

- **Levers in place for superior margin improvement:** IIB is well poised to report gradual improvement in margin over next few quarters led by **(1) Liabilities side:** (a) ~50% of deposits are wholesale in nature which makes IIB is most leveraged to systemic interest rates and liquidity. And with interest rates expected to ease, benefit to reflect in decline in cost of funds, (b) increasing traction in CASA deposits, **(2) Asset side:** 50% of loan book fixed in nature (built in high interest rate environment) and even though yields on corporate portfolio would decline overall decline in yields would be contained and **(3) Recently raised equity** of INR20b (positive impact of 20bp in FY14). We factor margin improvement of 30bp QoQ in 4QFY13 (of which 25bp would be on account of capital infusion) and further 20bp+ YoY for FY14.
- **Well-capitalized; growth rates remain superior:** Post capital raising CAR has increased to 16%+ and Tier I ratio to ~15% thus, bank is well is capitalized for next phase of growth. Further, on back of niche presence IIB has been able to grow its balance sheet much faster than peers, in fact it has been selling down loans to manage margins and improve profitability. New product additions like LAP, Gold loans (on a pilot stage), credit cards etc will drive growth higher. On back of strong loan growth of 25% CAGR over FY12/15 and improving margins, NII CAGR over FY12/15 is expected to be 28%.
- **Asset light revenues driving ROA up:** Share of fee income to average assets has increased to 1.9% v/s 1.7% a year ago - a key ROA driver. Over FY10-12, contribution of fee income to average assets has increased by ~40bp driving ROA upgrade. Management maintained its guidance to grow its fee income faster than balance sheet growth. Some of its new initiatives have worked well for generating fees.
- **Well managed asset quality; uptick in credit cost to be compensated by margins:** IIB has managed its asset quality very well in the current cycle with lower exposure to riskier segment and close to customer business model of CV financing. While stress on CV loans is increasing, channel check suggest that SRT0 (segment that

IIB caters to performance remains healthy, albeit some delays in payment. While asset quality remains strong, we model higher credit cost of 75bp for FY14/15 v/s ~45bp in FY12 and 55bp in FY13E, to factor in possible rise in delinquencies. However, superior margins, focused fee income strategy and control over C/I ratio will keep core operating profitability strong.

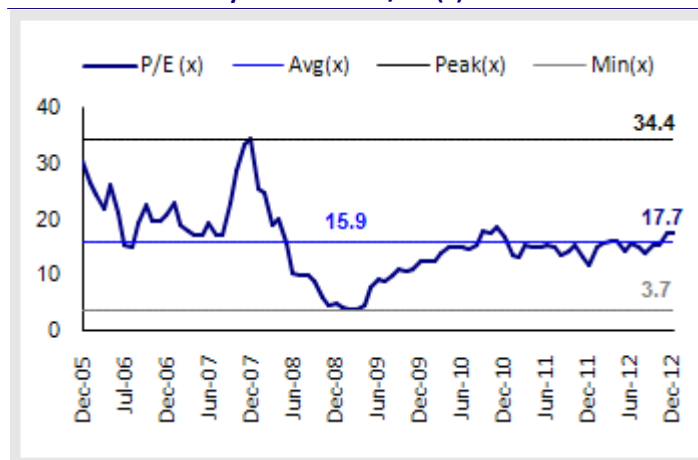
- Buy with a target price of INR500 (15% upside):** Improving liability franchise, structural improvement in RoAs and 22%+ asset growth should help IIB to post one of the highest PAT CAGR of ~29% over FY12-15E among the banks under our coverage. RoE is expected to remain moderate to ~17% in FY13/14 (post equity dilution) and improve to 18%+ by FY15 as bank increases the leverage. We expect IIB to report EPS of INR20 /INR26/INR33 in FY13/14/15 respectively and BV of INR142/ INR164/INR192 in FY13 / FY14/15. The stock trades at 16.7x and 2.6x FY14 EPS and BV and 13.3x and 2.3x FY15 EPS and BV . Maintain **Buy** with target price of INR500 (2.6x FY15 BV, implied P/E of 15x).

We maintain our earnings estimate (INR b)

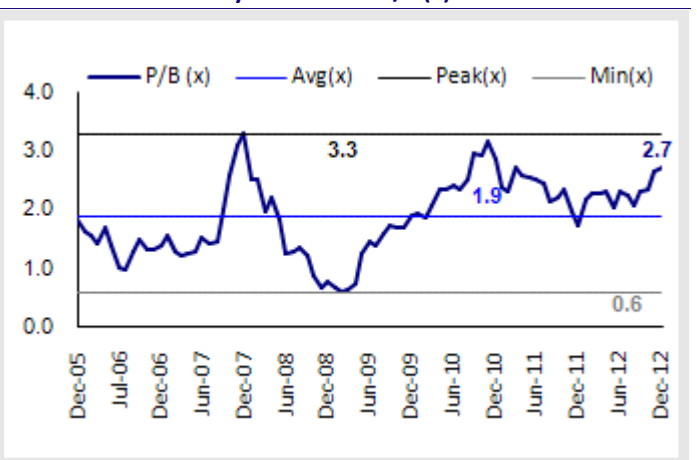
	Old Estimates			New Estimates			Change (%)		
	FY13	FY14	FY15	FY13	FY14	FY15	FY13	FY14	FY15
Net Interest Income	21.9	28.5	35.4	22.4	29.0	36.1	2.2	2.0	2.0
Other Income	13.7	17.7	21.9	13.5	17.5	21.7	-1.6	-1.1	-0.8
Total Income	35.6	46.2	57.3	35.8	46.5	57.8	0.7	0.8	0.9
Operating Expenses	17.0	21.7	26.4	17.8	22.2	27.1	4.3	2.7	2.6
Operating Profits	18.5	24.5	30.9	18.1	24.3	30.7	-2.5	-0.8	-0.5
Provisions	3.0	4.2	5.3	2.6	4.2	5.2	-13.3	-0.4	-0.6
PBT	15.6	20.3	25.6	15.5	20.1	25.5	-0.5	-0.9	-0.5
Tax	5.1	6.6	8.5	5.0	6.5	8.4	-0.5	-0.9	-0.5
PAT	10.5	13.7	17.2	10.5	13.6	17.1	-0.5	-0.9	-0.5
Margins (%)	3.8	4.0	4.0	3.8	4.0	4.1			
Credit Cost (%)	0.6	0.8	0.8	0.6	0.8	0.8			
RoA (%)	1.7	1.8	1.8	1.6	1.7	1.8			
RoE (%)	17.6	17.1	18.4	17.5	17.0	18.4			

Source: MOSL

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

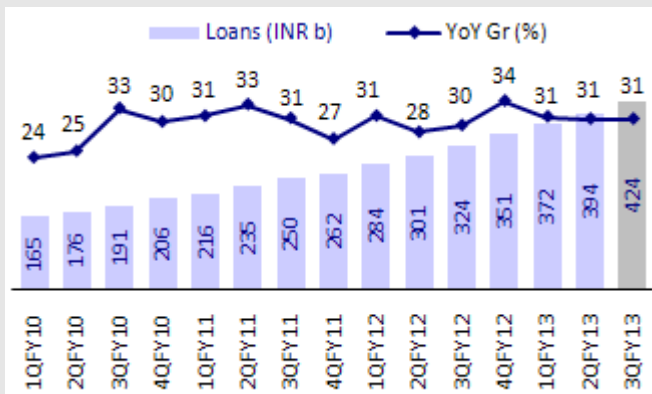


IndusInd Bank: One year forward P/E (x)



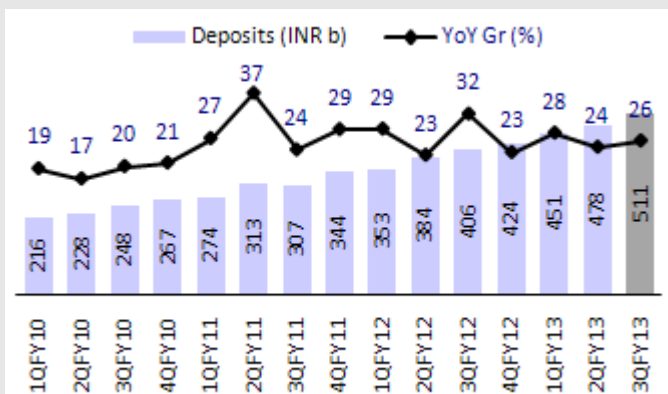
Quarterly trends

Above industry average loan growth continues (%)



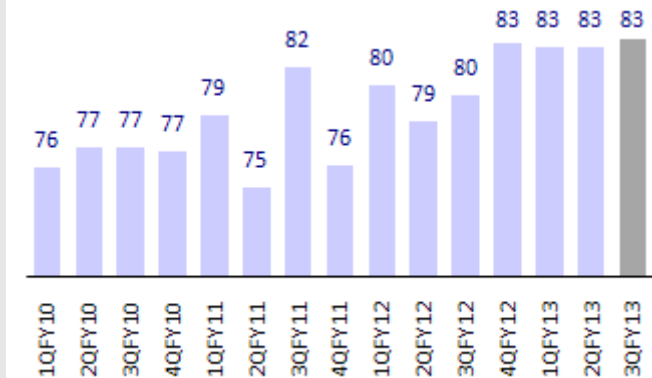
■ Sequentially loan growth was driven by strong growth in corporate finance segment (+9% QoQ) and healthy growth in consumer finance segment (+6% QoQ)

Deposit growth remains healthy (%)



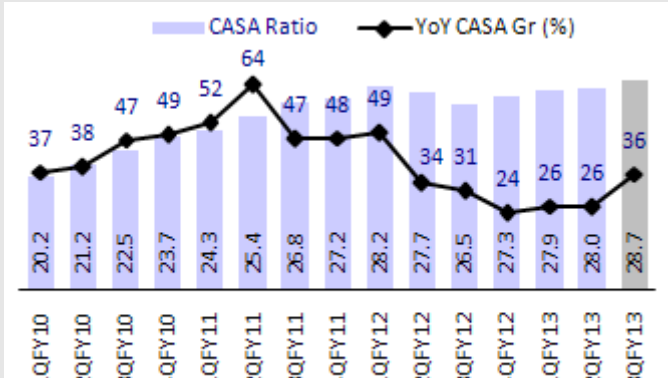
■ Incremental deposits was driven by strong CASA growth of 10% QoQ; Incremental CASA for the quarter stood at 39%

CD ratio remains at an elevated level (%)



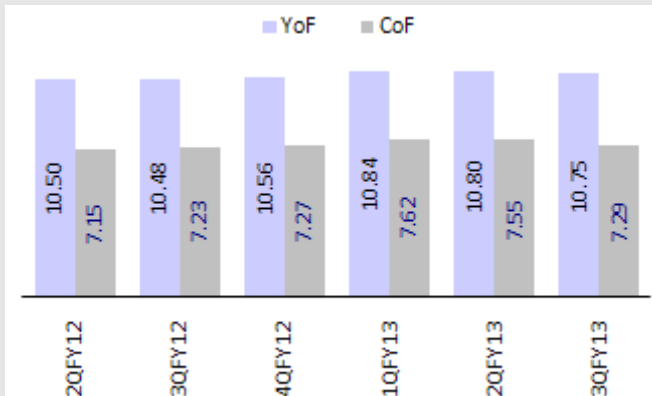
■ Opportunistic utilization of borrowing, refinancing facility and recent capital infusion has led to higher CD ratio.

CASA ratio improves QoQ (%)



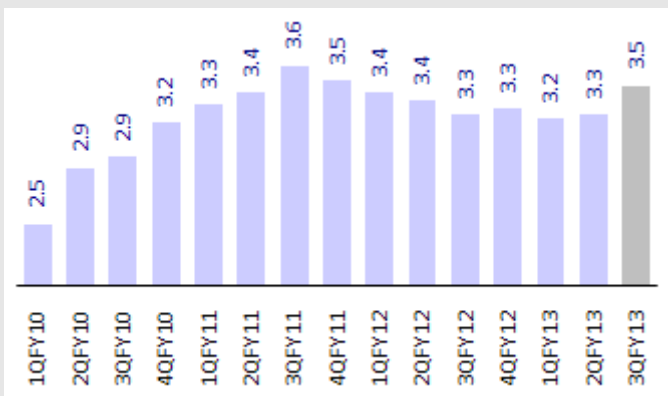
■ Post moderation SA deposit growth picked up, growing 16% QoQ and 55% YoY. Management targets to reach a CASA ratio of 35% by FY14

Cost of funds decline 26bp QoQ (%)



■ Cost of funds declined 26bp QoQ to 7.3% reflecting (1) benefit of falling bulk deposit rates and (2) absence of one-off interest expense

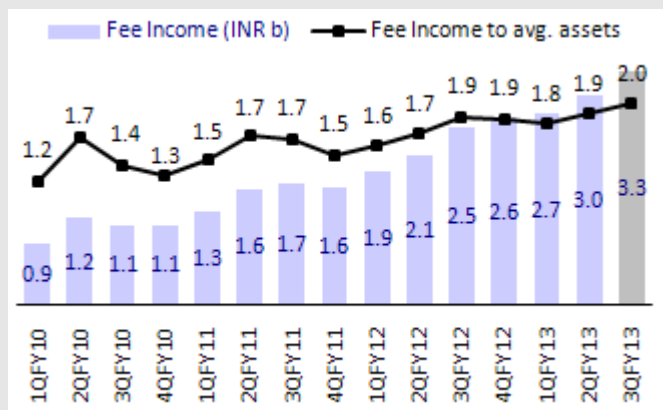
Margin performance in-line with expectation (%)



■ Fall in cost of funds (down 26bp QoQ), higher funding of loans via CASA and benefit of capital infusion led to margin improvement of 20bp+ QoQ

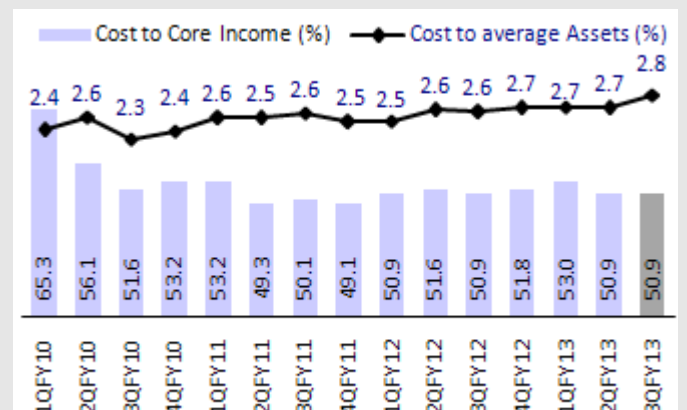
Quarterly trends

Traction in fee income continues (%)



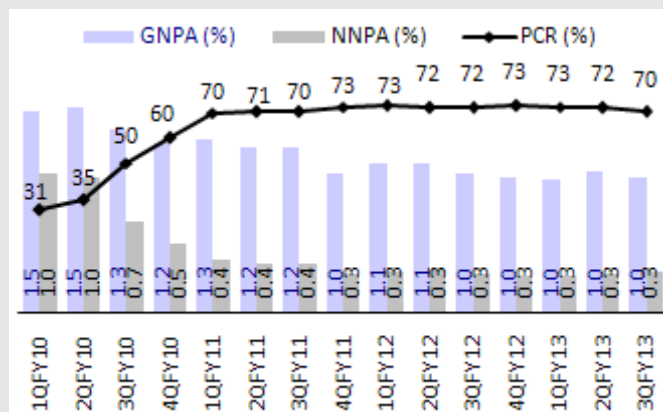
■ Fee income streams continue to impress only drag was income was commission from third party products (TTP).

Cost to core income stable QoQ (%)



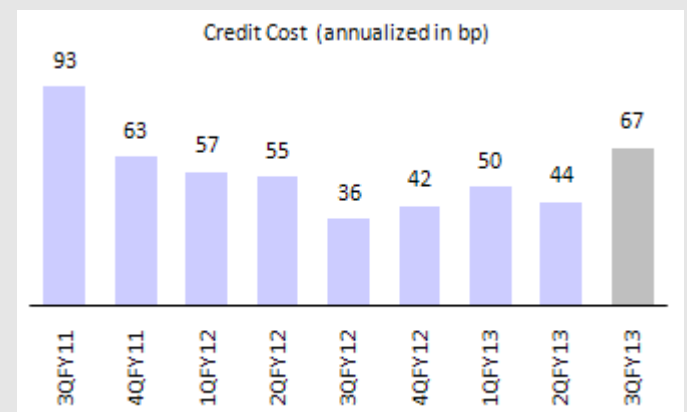
■ Better than expected NII growth was off-set by higher than expected opex

Asset quality managed well - GNPA up 3% QoQ (%)



■ During the quarter bank recognized one large media account of INR1b as NPA.

Ex-provision for one large account credit cost at 25bp



■ Healthy asset quality performance has led to containment of credit cost. While we expect delinquency and credit cost to rise it would be compensated by higher margins

Dupont Analysis: Core Income and Core PPP highest since new mgmt took over the operations (%)

	FY10				FY11				FY12				FY13		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
NII	2.4	2.9	3.0	3.2	3.3	3.5	3.5	3.6	3.3	3.4	3.3	3.3	3.3	3.3	3.6
Fee income	1.2	1.7	1.4	1.3	1.5	1.7	1.7	1.5	1.6	1.7	1.9	1.9	1.8	1.9	2.0
Core Income	3.7	4.6	4.4	4.5	4.8	5.2	5.2	5.1	4.9	5.1	5.2	5.2	5.1	5.3	5.6
Operating costs	2.4	2.6	2.3	2.4	2.6	2.5	2.6	2.5	2.5	2.6	2.6	2.7	2.7	2.7	2.8
- Emp Costs	0.9	1.1	0.9	0.9	1.0	1.0	1.0	0.9	0.9	0.9	1.0	0.9	1.0	1.1	1.0
- Other Expenses	1.5	1.5	1.4	1.5	1.5	1.5	1.7	1.6	1.6	1.7	1.7	1.7	1.7	1.6	1.8
Core Cost to Income Ratio	65.3	56.1	51.6	53.2	53.2	49.3	50.1	49.1	50.9	51.6	50.9	51.8	53.0	50.9	50.9
Core Operating Profit	1.3	2.0	2.1	2.1	2.2	2.6	2.6	2.6	2.4	2.5	2.5	2.5	2.4	2.6	2.7
Treasury Income	1.2	0.1	0.1	0.2	0.4	0.1	0.2	0.2	0.2	0.2	0.1	0.2	0.3	0.2	0.2
Operating Profit	2.5	2.1	2.2	2.3	2.6	2.7	2.8	2.7	2.7	2.7	2.6	2.7	2.7	2.7	2.9
Provisions	0.5	0.5	0.6	0.6	0.6	0.6	0.5	0.4	0.4	0.4	0.3	0.3	0.4	0.3	0.5
Tax	0.8	0.5	0.5	0.6	0.7	0.8	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.8	0.8
RoAA	1.2	1.1	1.1	1.1	1.3	1.4	1.5	1.6	1.5	1.6	1.6	1.6	1.6	1.6	1.6
Leverage (x)	16.2	14.3	13.5	14.3	14.4	12.0	10.6	10.8	11.3	11.4	11.7	12.0	12.2	12.0	10.2
RoAE	20.3	15.3	15.0	16.4	19.3	16.8	15.8	17.1	17.4	17.8	18.2	19.1	19.4	19.6	16.8

Quarterly Snapshot

	FY12				FY12			Variation (%)		Cumulative Numbers		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	QoQ	YoY	9MFY12	9MFY13	YoY Gr (%)
Profit and Loss												
Net Interest Income	3,900	4,192	4,307	4,644	4,841	5,097	5,778	13	34	12,399	15,716	27
Other Income	2,154	2,392	2,651	2,921	3,188	3,205	3,558	11	34	7,197	9,951	38
Trading profits	278	239	131	274	497	218	177	-19	35	648	891	38
Profits on sale of assets	5	5	17	7	1	0	0	N.A.	N.A.	27	1	-96
Others (Ex non core)	1,871	2,148	2,504	2,640	2,690	2,987	3,381	13	35	6,523	9,059	39
Total Income	6,054	6,584	6,958	7,565	8,029	8,302	9,336	12	34	19,596	25,667	31
Operating Expenses	2,937	3,254	3,465	3,774	3,989	4,104	4,614	12	33	9,656	12,707	32
Employee	1,107	1,152	1,261	1,334	1,526	1,621	1,685	4	34	3,521	4,831	37
Others	1,830	2,102	2,204	2,439	2,463	2,484	2,930	18	33	6,136	7,876	28
Operating Profits	3,117	3,330	3,492	3,791	4,040	4,198	4,722	12	35	9,939	12,960	30
Provisions	446	470	428	460	535	491	787	60	84	1,344	1,813	35
PBT	2,671	2,860	3,064	3,331	3,505	3,708	3,935	6	28	8,596	11,148	30
Taxes	870	929	1,005	1,097	1,143	1,205	1,262	5	26	2,803	3,610	29
PAT	1,802	1,931	2,060	2,234	2,363	2,503	2,673	7	30	5,792	7,538	30
Asset Quality												
GNPA	3,093	3,326	3,342	3,471	3,651	4,095	4,216	3	26			
NNPA	838	931	936	947	999	1,143	1,252	10	34			
GNPA (%)	1.1	1.1	1.0	1.0	1.0	1.0	1.0	-4	-3			
NNPA (%)	0.3	0.3	0.3	0.3	0.3	0.3	0.3	1	1			
PCR (Calculated, %)	72.9	72.0	72.0	72.7	72.6	72.1	70.3	-179	-171			
Ratios (%)												
Fees to Total Income	30.9	32.6	36.0	34.9	33.5	36.0	36.2			33.3	35.3	
Cost to Core Income	50.9	51.3	50.9	51.8	53.0	50.8	50.4			51.0	51.3	
Tax Rate	32.5	32.5	32.8	32.9	32.6	32.5	32.1			33	32	
CASA (Reported)	28.2	27.7	26.5	27.3	27.9	28.0	28.7					
Loan/Deposit	80.5	78.5	79.9	82.8	82.6	82.5	83.0					
CAR	15.0	14.3	13.4	13.9	12.9	11.8	15.0					
RoA	1.6	1.6	1.6	1.6	1.6	1.6	1.6					
RoE	18.4	18.8	19.1	20.0	20.4	20.5	17.4					
Margins (%) - Reported												
Yield on loans	13.5	13.8	13.8	13.9	14.0	13.9	13.7	-22	-7	13.7	13.9	
Cost of deposits	7.7	8.2	8.2	8.3	8.9	8.7	8.4	-25	27	8.0	8.7	
Margins	3.4	3.4	3.3	3.3	3.2	3.3	3.5	21	21	3.3	3.3	
Balance Sheet (INR b)												
Loans	284	301	324	351	372	394	424	8	31			
Investments	142	143	154	146	163	156	176	13	15			
Deposits	353	384	406	424	451	478	511	7	26			
CASA Deposits	99	106	108	116	126	134	147	10	36			
of which Savings	32	33	40	47	51	53	62	16	55			
Current	67	73	68	69	74	81	85	5	25			
Borrowings	66	60	81	87	87	67	66	-3	-19			
Total Assets	478	505	551	576	607	621	679	9	23			
Risk Weighted Assets	323	329	352	392	420	449	484	8	38			

For %age change QoQ and YoY is bp

Source: Company/MOSL

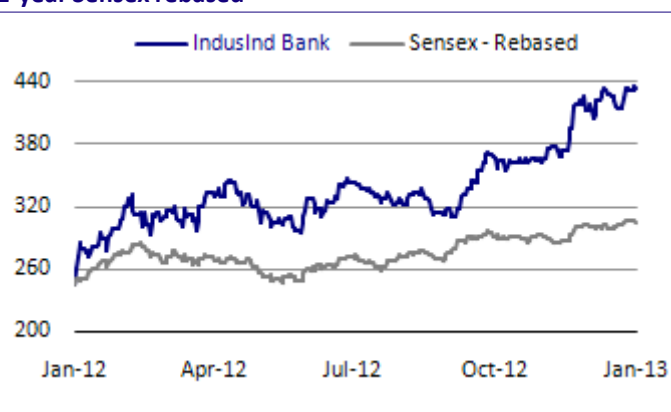
EPS: MOSL forecast v/s consensus (INR)

	MOSL Forecast	Consensus Forecast	Variation (%)
FY13	20.0	21.1	-5.2
FY14	26.0	26.7	-2.6

Shareholding pattern (%)

	Dec-12	Sep-12	Dec-11
Promoter	15.3	22.5	22.6
Domestic Inst	8.8	9.0	7.7
Foreign	39.0	39.7	40.3
Others	36.8	28.8	29.4

1-year Sensex rebased



DuPont Analysis: Core operations have improved significantly

Y/E March	2005	2006	2007	2008	2009	2010	2011	2012	2013E	2014E	2015E
Net Interest Income	2.7	1.9	1.4	1.4	1.8	2.8	3.4	3.3	3.5	3.7	3.8
Fee income	1.2	1.0	1.2	1.2	1.3	1.4	1.6	1.8	1.9	2.0	2.0
Fee to core Income (%)	30.1	33.7	46.2	46.2	42.4	32.8	31.4	34.9	35.2	34.3	34.2
Core Income	3.9	2.9	2.6	2.5	3.1	4.2	5.0	5.1	5.4	5.7	5.7
Operating Expenses	1.7	1.9	1.8	1.8	2.2	2.3	2.5	2.6	2.8	2.9	2.8
Cost to Core Income	44.6	66.7	68.2	71.9	68.7	55.8	50.3	51.3	51.5	50.3	49.3
Employee cost	0.4	0.5	0.5	0.6	0.7	0.9	0.9	0.9	1.0	1.1	1.1
Employee to total exp (%)	22.7	26.8	28.0	30.3	34.2	39.5	37.9	36.1	37.2	37.1	38.1
Other operating expenses	1.3	1.4	1.3	1.3	1.4	1.4	1.5	1.7	1.8	1.8	1.8
Core Operating Profits	2.1	1.0	0.8	0.7	1.0	1.9	2.5	2.5	2.6	2.8	2.9
Trading and others	0.5	0.2	0.1	0.2	0.5	0.4	0.2	0.2	0.2	0.3	0.3
Operating Profits	2.6	1.1	0.9	0.9	1.4	2.2	2.7	2.7	2.8	3.1	3.2
Provisions	0.9	0.8	0.3	0.4	0.6	0.5	0.5	0.3	0.4	0.5	0.5
NPA provisions	0.4	0.5	0.3	0.3	0.5	0.4	0.4	0.3	0.3	0.5	0.5
Other Provisions	0.5	0.2	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
PBT	1.7	0.4	0.6	0.5	0.9	1.7	2.2	2.3	2.4	2.6	2.7
Tax	0.3	0.1	0.2	0.2	0.3	0.6	0.7	0.8	0.8	0.8	0.9
Tax Rate (%)	19.3	37.8	36.5	34.3	34.8	34.3	34.4	32.7	32.5	32.5	33.0
RoA	1.4	0.2	0.4	0.3	0.6	1.1	1.4	1.6	1.6	1.7	1.8
Leverage	18.8	19.6	20.0	20.4	20.0	17.5	13.5	12.4	10.7	9.7	10.3
RoE	25.8	4.3	7.1	6.9	11.7	19.5	19.3	19.2	17.5	17.0	18.4

Source: Company, MOSL

Financials and Valuation

Income Statement		(INR Million)				
Y/E March	2010	2011	2012	2013E	2014E	2015E
Interest Income	27,070	35,894	53,592	70,132	83,567	103,687
Interest Expense	18,206	22,129	36,549	47,772	54,536	67,546
Net Interest Income	8,864	13,765	17,042	22,359	29,031	36,141
Change (%)	93.1	55.3	23.8	31.2	29.8	24.5
Non Interest Income	5,534	7,137	10,118	13,472	17,517	21,672
Net Income	14,399	20,902	27,160	35,831	46,548	57,813
Change (%)	57.3	45.2	29.9	31.9	29.9	24.2
Operating Expenses	7,360	10,085	13,430	17,768	22,237	27,097
Pre Provision Profits	7,039	10,817	13,730	18,064	24,311	30,716
Change (%)	91.1	53.7	26.9	31.6	34.6	26.3
Provisions (excl tax)	1,709	2,019	1,804	2,570	4,186	5,221
PBT	5,330	8,798	11,927	15,493	20,125	25,496
Tax	1,827	3,025	3,900	5,035	6,540	8,414
Tax Rate (%)	34.3	34.4	32.7	32.5	32.5	33.0
PAT	3,503	5,773	8,026	10,458	13,584	17,082
Change (%)	136.1	64.8	39.0	30.3	29.9	25.8
Equity Dividend (Incl tax)	865	932	1,196	1,529	1,987	2,498
Core PPP*	5,827	9,764	12,680	16,849	22,081	27,986
Change (%)	129.9	67.6	29.9	32.9	31.1	26.7

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

Balance Sheet		(INR Million)				
Y/E March	2010	2011	2012	2013E	2014E	2015E
Equity Share Capital	4,107	4,660	4,677	5,218	5,218	5,218
Reserves & Surplus	19,866	35,842	42,740	71,094	82,631	97,155
Net Worth	23,972	40,502	47,417	76,312	87,849	102,373
Deposits	267,102	343,654	423,615	521,047	656,519	827,214
Change (%)	20.8	28.7	23.3	23.0	26.0	26.0
of which CASA Dep	63,217	93,309	115,631	153,624	200,328	259,032
Change (%)	48.6	47.6	23.9	32.9	30.4	29.3
Borrowings	49,343	55,254	86,820	71,794	78,649	86,315
Other Liabilities & Prov.	13,278	16,948	18,108	28,491	34,280	41,248
Total Liabilities	353,695	456,358	575,961	697,644	857,297	1,057,151
Current Assets	26,032	40,246	55,396	56,712	70,956	91,720
Investments	104,018	135,508	145,719	174,863	206,339	243,480
Change (%)	28.7	30.3	7.5	20.0	18.0	18.0
Loans	205,506	261,656	350,640	438,299	547,874	684,843
Change (%)	30.3	27.3	34.0	25.0	25.0	25.0
Fixed Assets	6,448	5,965	6,568	6,604	6,730	6,630
Other Assets	11,691	12,983	17,638	21,165	25,398	30,478
Total Assets	353,695	456,358	575,961	697,644	857,297	1,057,151

Asset Quality		(%)				
GNPA (INR M)	2,555	2,659	3,471	4,433	7,357	10,293
NNPA (INR M)	1,018	728	947	934	1,359	1,073
GNPA Ratio	1.2	1.0	1.0	1.0	1.3	1.5
NNPA Ratio	0.5	0.3	0.3	0.2	0.2	0.2
PCR (Excl Tech. write off)	60.1	72.6	72.7	78.9	81.5	89.6

E: MOSL Estimates

Financials and Valuation

Ratios						
Y/E March	2010	2011	2012	2013E	2014E	2015E
Spreads Analysis (%)						
Avg. Yield-Earning Assets	9.7	9.9	11.5	12.0	11.6	11.7
Avg. Yield on loans	11.6	12.1	13.8	14.3	13.9	13.9
Avg. Yield on Investments	6.0	6.1	7.7	8.1	7.6	7.6
Avg. Cost-Int. Bear. Liab.	6.4	6.2	8.0	8.7	8.2	8.2
Avg. Cost of Deposits	6.4	6.0	8.0	8.5	7.7	7.6
Interest Spread	3.2	3.7	3.4	3.4	3.4	3.5
Net Interest Margin	3.2	3.8	3.6	3.8	4.0	4.1
Profitability Ratios (%)						
RoE	19.5	19.3	19.2	17.5	17.0	18.4
RoA	1.1	1.4	1.6	1.6	1.7	1.8
Int. Expense/Int.Income	67.3	61.7	68.2	68.1	65.3	65.1
Fee Income/Net Income	30.0	30.1	33.6	33.9	32.6	32.5
Non Int. Inc./Net Income	38.4	34.1	37.3	37.6	37.6	37.5
Efficiency Ratios (%)						
Cost/Income*	55.8	50.3	51.3	51.5	50.3	49.3
Empl. Cost/Op. Exps.	39.5	37.9	36.1	37.2	37.1	38.1
Busi. per Empl. (INR m)	88.4	87.0	84.2	85.1	87.4	89.8
NP per Empl. (INR lac)	0.7	0.9	1.0	1.0	1.1	1.1
* ex treasury and Recoveries from written off accounts						
Asset-Liability Profile (%)						
Loans/Deposit Ratio	76.9	76.1	82.8	84.1	83.5	82.8
CASA Ratio	23.7	27.2	27.3	29.5	30.5	31.3
Investment/Deposit Ratio	38.9	39.4	34.4	33.6	31.4	29.4
G-Sec/Investment Ratio	82.0	74.0	81.7	77.5	79.5	84.9
CAR	15.3	15.9	13.9	16.8	14.9	13.6
Tier 1	9.7	12.3	11.4	14.8	13.4	12.4
Valuation						
Book Value (INR)	52.7	82.1	96.7	142.2	164.4	192.3
Change (%)	31.1	55.7	17.8	47.0	15.6	17.0
Price-BV (x)			4.5	3.1	2.6	2.3
Adjusted BV (INR)	51.1	81.1	95.4	141.0	162.7	191.0
Price-ABV (x)			4.6	3.1	2.7	2.3
EPS (INR)	8.5	12.4	17.2	20.0	26.0	32.7
Change (%)	104.2	45.3	38.5	16.8	29.9	25.8
Price-Earnings (x)			25.3	21.7	16.7	13.3
Dividend Per Share (INR)	1.8	2.0	2.2	2.5	3.3	4.1
Dividend Yield (%)			0.5	0.6	0.7	0.9

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