

# Axis Bank

BSE SENSEX		S&P CNX		CMP: INR1,119							TP: INR1,330			Buy
18,714		5,687												
Bloomberg	AXSB IN	Year	Net Income	PAT	EPS	EPS	P/E	BV	P/BV	P/ABV	RoAA	RoAE		
Equity Shares (m)	413.2	End	(INR m)	(INR m)	(INR)	Gr. (%)	(X)	(INR)	(X)	(X)	(%)	(%)		
52-Week Range (INR)	1,309/785	3/11A	111,951	33,885	82.5	33.0	-	463	-	-	1.6	19.3		
1,6,12 Rel.Perf.(%)	9/-16/-8	3/12A	134,380	42,422	102.7	24.4	10.9	547	2.0	2.1	1.6	20.3		
M.Cap. (INR b)	462.4	3/13E	160,245	48,501	114.0	11.1	9.8	629	1.8	1.8	1.6	19.5		
M.Cap. (USD b)	8.7	3/14E	190,350	55,789	131.2	15.0	8.5	739	1.5	1.6	1.5	19.1		

Axis Bank's 2QFY13 PAT grew 22% YoY to INR11.2b (inline) helped by healthy NIM, fee income performance and contained cost. While one large chunky account led to higher slippages, healthy operating profits helped AXSB to write off aggressively and maintain GNPA (%) and PCR (%) at the 1QFY13 levels. **Key highlights:**

- Reported NIM improved 9bp QoQ to 3.46% (in line with our estimate) despite 380bp decline in CD ratio, led by running off of low yielding priority sector loans and 16bp QoQ decline in cost of funds.
- Gross slippages increased to INR6.3b (v/s INR4.56b in 1QFY13), led by one large account slipping into NPA.
- Net addition to restructured loans was just INR2.4b (~12bp of loans; v/s INR7.7b in 1QFY13). As a result, net stress addition was INR7.3b compared to INR11.6b a quarter ago.
- Strong growth in fee income (+16% QoQ and 20% YoY) was driven by retail fees (+29% QoQ and 43% YoY) and pick-up in corporate related fees (+6% QoQ and 15% YoY).
- Other highlights:** (1) Traction in SA deposits continued with 6% QoQ and 20% YoY growth, (2) Reported loans grew 23% YoY (flat QoQ), led by strong growth in retail (+9% and 51% YoY) and SME segments (+7% QoQ and 15% YoY), and (3) the bank prudently made contingent provision of INR1.15b.

**Valuation and view:** Axis Bank's key strength has been its ability to grow CASA deposits (~35% CAGR over FY06-12). Given its strong and rapidly growing liability franchise, we expect SA deposit growth to remain healthy. While pressure on asset quality has risen, it remains under check. Healthy NII and fee income growth with stable C/I ratio should lead to core operating profit and PAT CAGR of 19% and 15%, respectively over FY12-14. **Buy.**

## Axis Bank: Quarterly Performance

	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Interest Income	48,814	52,760	57,770	60,603	64,829	66,872	69,136	70,715	219,946	271,552
Interest Expense	31,573	32,687	36,367	39,142	43,030	43,603	44,148	45,045	139,769	175,826
Net Interest Income	17,241	20,073	21,403	21,461	21,799	23,269	24,988	25,670	80,177	95,726
% Change (Y-o-Y)	13.9	24.3	23.5	26.2	26.4	15.9	16.8	19.6	22.2	19.4
Other Income	11,679	12,349	14,298	15,876	13,355	15,931	16,505	18,729	54,202	64,519
Net Income	28,920	32,422	35,701	37,337	35,154	39,200	41,493	44,399	134,380	160,245
Operating Expenses	13,335	14,665	15,109	16,962	15,517	17,417	18,070	18,956	60,071	69,961
Operating Profit	15,585	17,756	20,592	20,376	19,637	21,783	23,423	25,443	74,309	90,284
% Change (Y-o-Y)	7.5	19.5	24.2	11.9	26.0	22.7	13.7	24.9	15.8	21.5
Other Provisions	1,758	4,056	4,223	1,393	2,588	5,094	4,933	5,817	11,430	18,431
Profit before Tax	13,826	13,701	16,369	18,983	17,048	16,688	18,489	19,625	62,878	71,853
Tax Provisions	4,403	4,497	5,346	6,210	5,513	5,453	6,009	6,377	20,456	23,352
Net Profit	9,424	9,203	11,023	12,773	11,535	11,235	12,480	13,248	42,422	48,501
% Change (Y-o-Y)	27.0	25.2	23.7	25.2	22.4	22.1	13.2	3.7	25.2	14.3
<b>Operating Parameters</b>										
NIM (Reported,%)	3.3	3.8	3.8	3.6	3.4	3.5			3.6	
NIM (Cal, %)	3.2	3.7	3.7	3.4	3.3	3.5	3.5	3.4	3.3	3.3
Deposit Growth (%)	24.5	23.9	33.9	16.3	21.3	21.2	18.5	20.0	16.3	20.0
Loan Growth (%)	21.4	26.7	20.4	19.2	29.8	22.9	22.7	18.0	19.2	18.0
CASA Ratio (%)	40.5	42.2	41.6	41.5	39.1	40.5			41.5	
<b>Asset Quality</b>										
OSRL (%)	1.6	1.7	1.8	1.8	2.2	2.4			1.8	
Gross NPA (on customer assets, %)	1.1	1.1	1.1	0.9	1.1	1.1	1.3	1.4	0.9	1.4

E: MOSL Estimates

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

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

Y/E March	2QFY13A	2QFY13E	Var. (%)	Comments
<b>Net Interest Income</b>	<b>23,269</b>	<b>22,743</b>	<b>2</b>	Margin performance was as per expectation
% Change (YoY)	16	13		
Other Income	15,931	14,649	9	Strong fee income growth and higher trading gains
<b>Net Income</b>	<b>39,200</b>	<b>37,392</b>	<b>5</b>	
Operating Expenses	17,417	17,078	2	
<b>Operating Profit</b>	<b>21,783</b>	<b>20,314</b>	<b>7</b>	
% Change (YoY)	23	14		
Other Provisions	5,094	3,659	39	Higher loan loss provisions due to elevated slippages
<b>Profit before Tax</b>	<b>16,688</b>	<b>16,656</b>	<b>0</b>	
Tax Provisions	5,453	5,413	1	
<b>Net Profit</b>	<b>11,235</b>	<b>11,242</b>	<b>0</b>	Higher other income was offset by higher than expected provisions leading to in-line PAT
% Change (YoY)	22	22		

Source: Company, MOSL

**Stress additions lower than 1QFY13 - a positive surprise**

In 2QFY13, gross slippages stood at INR6.3b (annualized slippage ratio of 1.8%) as compared to INR4.56b a quarter ago. Slippages during the quarter were led by slipping of one large account into NPA. The bank restructured fresh loans of INR3.2b of loans however net addition stood at INR2.4b (~12bp of overall loans). Overall restructured loan portfolio stood at 2.4% of overall loans. Net addition to stressed assets (net slippages + net addition to restructured loan) stood at INR7.3b as compared to INR11.6b a quarter ago, which remains manageable and within guidance of the management.

Recoveries and up-gradation came back to a normalized run-rate of ~INR1.4b as compared to INR620m in 1QFY13. During the quarter bank aggressively wrote-off INR3.9b which led to containment of GNPA. Consequently, GNPA and NNPA in absolute terms increased 5% QoQ and 8% QoQ. In % terms GNPA and NNPA were largely stable at 1.1% and 0.3% respectively. Provision coverage declined marginally to 70% as compared to 71% a quarter ago. PCR (including technical write-off) remained strong at 80%.

**Strong fees and trading gain provide cushion against higher provisions**

Strong growth in non-interest income (9% above estimate) compensated for higher than expected provisions (39% above est.; of which INR4.1b pertained to NPA provisions) as a result PAT was in-line with estimate. Fee income grew 20% YoY and 16% QoQ to INR13.4b led by strong growth in retail fees (+29% QoQ and 43% YoY) and improvement in corporate banking fees (+6% QoQ and 15% YoY).

Treasury related fees stood at INR2.95b as compared to INR2.4b a quarter ago and INR2.7b a year ago. Growth in agri. and SME banking was strong as well at 28% QoQ (+26% YoY), though on a lower base. During the quarter bank booked trading gain of INR2.1b of which gain from equity was INR950m - included one-off gains on stake sale in the AMC business.

### Above industry loan growth driven by retail and SME segments

On a reported basis loans grew 23% YoY (flat QoQ) to INR1.73t. Running down of PSL loans (agri. loan portfolio down 22% QoQ; but +14% YoY) and muted growth in corporate portfolio (+16% YoY) led to moderation in growth. Proportion of loans to large and mid corporate segment with rating of BBB and below has increased from stood at 38% as compared to 36% a quarter ago and 27% a year ago.

Growth in retail (+9% QoQ) and SME (+7% QoQ and +14% YoY) segment were strong driving incremental growth during the quarter. On a YoY basis, retail loans grew 51% YoY and as a consequence share of retail loans increased further to ~26% as compared to 21% a year ago and 23.7% a quarter ago. Within retail, mortgages (including loan against property) grew 8% QoQ and 47% YoY, and personal loan and credit card segment 23% QoQ and +126% YoY. Growth in auto loans was impressive as well (up + 9% QoQ and 51% YoY).

### Traction in SA deposits continues; CASA ratio improves 140bp QoQ to 40.5%

Deposit grew 21% YoY and 6% QoQ to INR2.4t. Traction in SA deposit continued with growth of 6% QoQ and 20% YoY. CA Deposits growth picked up during the quarter +15% QoQ (11% YoY). As a consequence, post 3 quarters of decline CASA ratio improved 140bpQoQ to 40.5%. AXSB continued its strategy of de-bulking its balance sheet and proportion of bulk deposits in overall deposits declined to 35.5% as compared to 37% a quarter ago.

### Margins improve 9bp QoQ - in line with expectation

Reported margins improved 9bp QoQ to 3.46% - (in line with expectation), despite 380bp fall in CD ratio to 73%. Shedding of low yielding PSL loans, fall in wholesale deposit rates and strong traction in CASA led to improvement. Cost of funds declined 16bp QoQ to 6.5% aiding margin expansion.

### Other details

- **Tier I Capital (including 1Q profit) at 9.9%:** Overall CAR of the bank stood at 13.9%, of which Tier I ratio stood at 9.9%.
- **Cost to core income ratio increases marginally QoQ:** Opex grew 12% QoQ and 19% YoY led by 20% sequential growth in other opex (on a lower base). Employee expense was flat QoQ and grew 16% YoY. As a consequence, cost to income ratio stood increased marginally to 47.6% as compared to 46.5% a quarter ago and 46.9% a year ago. During the quarter, AXSB opened 60 branches taking the overall branch network to 1,741.

## Key highlights from AXSB conference Call

### Retail Loans and draw-down of sanction to be drivers of loan growth

- Loan growth is expected to remain above industry average and higher focus to be on retail segment. Investment demand remains subdued; loan growth in corporate segment to be driven by working capital requirement and past sanctioned projects.
- Growth in retail segment (+9% QoQ and +51% YoY) was strong driving incremental growth during the quarter. As a consequence share of retail loans increased further to ~26% as compared to 21% a year ago and 23.7% a quarter ago. Management intends to increase the proportion of retail loans further to 28-29% in medium term.
- Currently 1/3 of the incremental retail loans is sourced through branches and 50% are sourced through existing liability customers.

### Rating downgrade in large corporate; partially led by conservative stance of rating project finance loans

Based on the disclosures, proportion of loans to large and mid corporate segment with rating of BBB and below has increased from 27% in 2QFY12 to 38% in 2QFY13. This was partially led by 1) re-payment of high rated corporate loan, 2) some downgrades in the existing portfolio and 3) strong growth in project finance wherein according to internal policy of rating they are rated two notches below the model rating.

### Slippages at an elevated level led by one large account

- Gross slippages during the quarter increased to INR6.3b (INR4.56b in 1QFY13) - annualized slippage ratio of 1.8%. This included one large account for which bank has adequately provided. Management re-iterated guidance of containing stress loans addition to ~INR10b a quarter and credit cost of 85-90bp for FY13.
- Management guided to contain GNPA and NNPA below 125bp and 50bp respectively.
- O/s standard restructured loan stood at INR40.7b of which ~INR12b has already completed one year or more of satisfactory performance. AXSB reports restructured loan on facility-wise disclosure, which if done as borrower wise would be 10-12% higher.
- Of the overall restructured loan INR8.2b have slipped into NPA (i.e. 14% of the gross restructured loan of INR58b).

### Other highlight: NPA provisions of INR4.1b and contingent provision of ~INR1.2b

- During the quarter bank made provisions of INR5.1b of which provisions towards NPA was INR4.1b. Bank also made contingent provision of ~INR1.2b in the light of challenging macro-environment. Provisions towards standard asset stood at INR590m and bank had a write-back of INR660 on investment portfolio.

### Valuation and view

Axis Bank's key strength has been its ability to grow CASA deposits (~35% CAGR over FY06-12). Given its strong and rapidly growing liability franchise, we expect SA growth to remain healthy (with strong customer acquisition) which should help AXSB maintain healthy CASA ratio. Margin improvement in 2QFY13 was on expected lines as cost of funds declined QoQ. Going forward improving liquidity augurs well for margins considering higher share of bulk deposits in the balance sheet (~35%). Other positive factor during the quarter was fee income growth which was led by buoyancy in retail fees. Traction in fee income remains a key for improving core operating profitability.

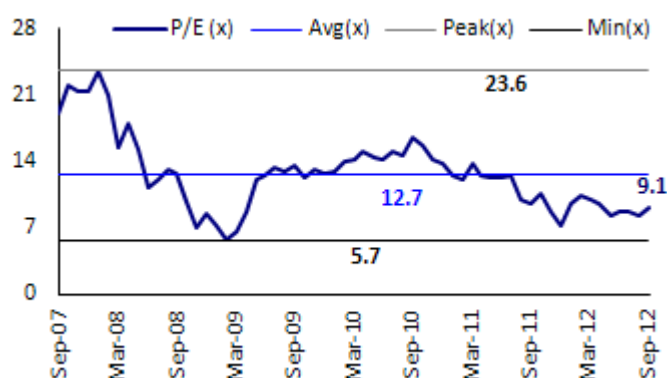
While pressure on asset quality has risen in last few quarters it still remains under check and within management guidance. During the quarter stress addition was lower than that in 1QFY13, however we model higher credit cost of 90bp/95bp for FY13/14E v/s 60bp in FY12 to factor in increasing stress in balance sheet. Healthy NII and fee income growth coupled with stable cost to income ratio should lead to core operating profit and PAT CAGR of 19% and 15% over FY12-14. Resolution of key issues in infrastructure could materially alter asset quality and growth outlook. Risk factors are (a) worse than expected stress loans build up (b) keeping tight leash on opex considering growing retail business and (c) stronger than anticipated loan growth with a fall in RoA leading to faster consumption of capital and fall in Tier I ratio to less than 9%. Maintain **Buy**.

### We largely maintain our earnings estimates (INR b)

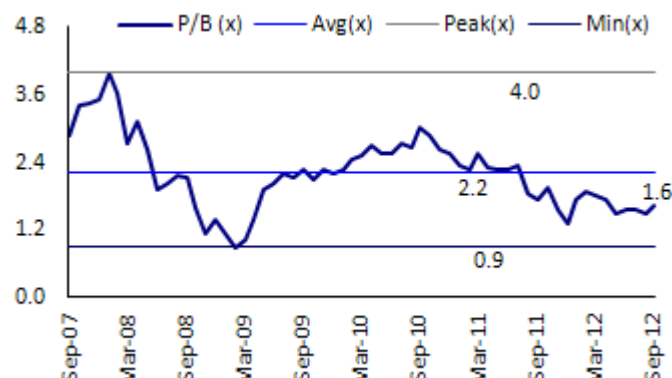
	Old		Revised		Change (%)	
	FY13	FY14	FY13	FY14	FY13	FY14
Net Interest Income	92.2	110.0	95.7	115.3	3.9	4.8
Other Income	62.3	73.0	64.5	75.0	3.6	2.8
<b>Total Income</b>	<b>154.4</b>	<b>183.0</b>	<b>160.2</b>	<b>190.4</b>	<b>3.8</b>	<b>4.0</b>
Operating Expenses	69.7	80.9	70.0	82.9	0.4	2.4
<b>Operating Profits</b>	<b>84.7</b>	<b>102.1</b>	<b>90.3</b>	<b>107.5</b>	<b>6.6</b>	<b>5.3</b>
Provisions	15.7	22.9	18.4	24.8	17.1	8.3
<b>PBT</b>	<b>69.0</b>	<b>79.1</b>	<b>71.9</b>	<b>82.7</b>	<b>4.2</b>	<b>4.4</b>
Tax	22.4	25.7	23.4	26.9	4.2	4.4
<b>PAT</b>	<b>46.6</b>	<b>53.4</b>	<b>48.5</b>	<b>55.8</b>	<b>4.2</b>	<b>4.4</b>
Margins (%)	3.2	3.3	3.3	3.4		
Credit Cost (%)	0.8	0.9	0.9	1.0		
<b>RoA (%)</b>	<b>1.5</b>	<b>1.5</b>	<b>1.6</b>	<b>1.5</b>		
<b>RoE (%)</b>	<b>18.8</b>	<b>18.4</b>	<b>19.5</b>	<b>19.1</b>		

Source: MOSL

Axis Bank: One year forward P/E

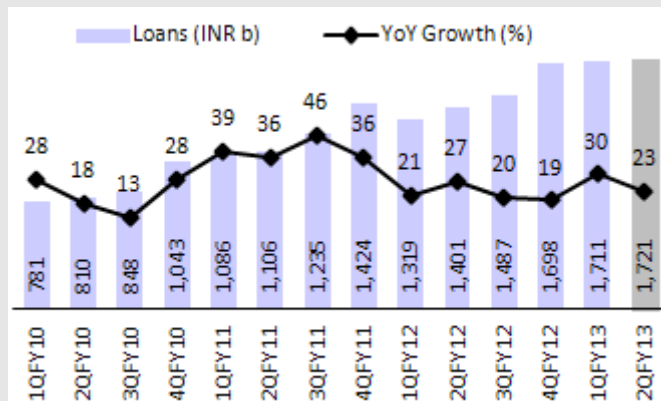


Axis Bank: One year forward P/BV



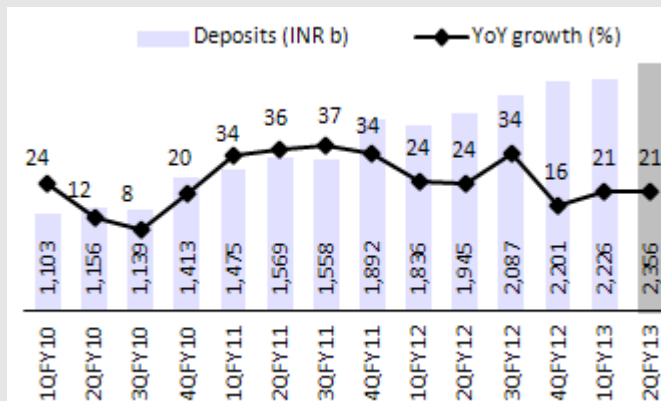
## Quarterly trends

### Above industry average loan growth



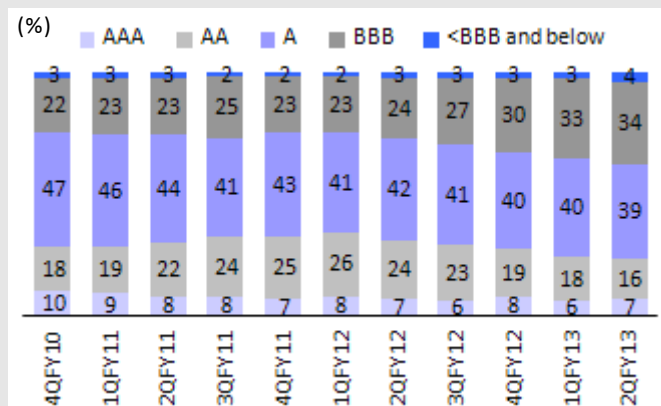
- While loan growth was flat QoQ, incremental mix shifted in favor of retail and SME segment

### Deposit growth largely in line with loan growth



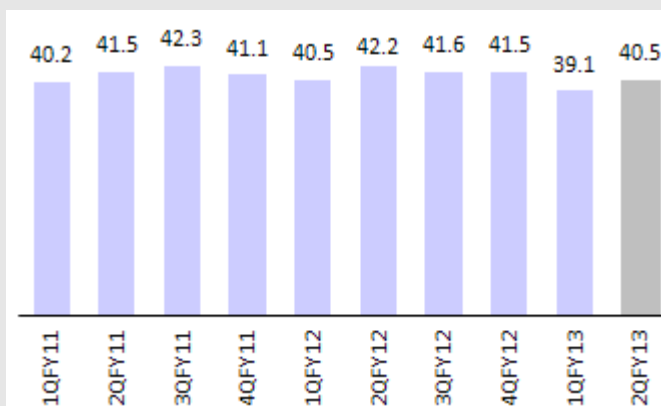
- Strong growth in SA deposits (+20% YoY), and retail term deposits (+39% YoY) were the key drivers

### Proportion of loans to BBB and below rated corporate increase



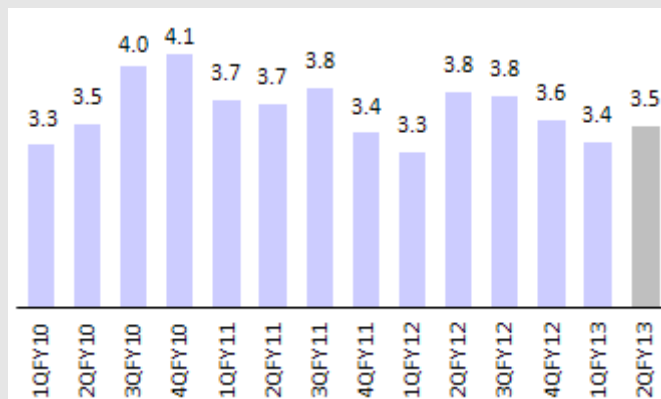
- Strong growth in project finance in past and some downgrades has led to increase in proportion of BBB and below rated corporate portfolio

### CASA ratio improves QoQ (%)



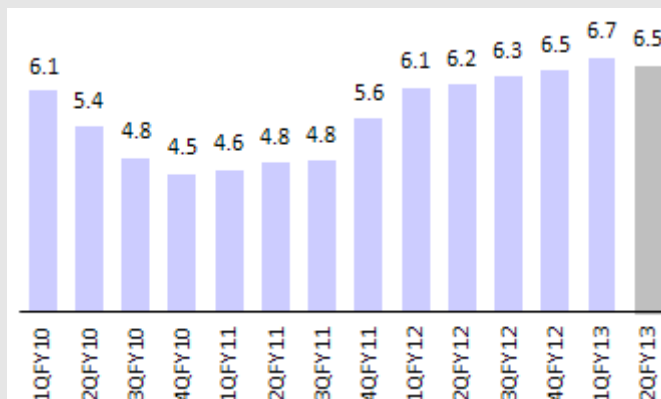
- Strong SA deposit growth (+6% QoQ and 20% YoY) coupled with pick up in CA deposits (+15% QoQ) led to improvement in CASA ratio

### Margins improve 9bp QoQ- in line with estimates (%)



- Running off PSL loans, strong growth in high yielding SME and retail segment and fall in cost of funds led to improvement in margin

### CoF decline 16bp QoQ (%)

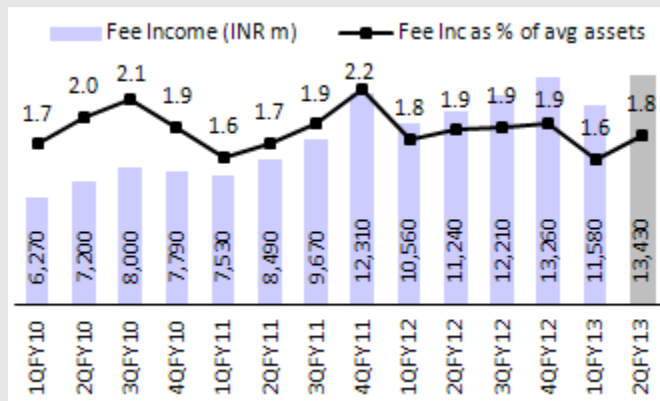


- Improvement in CASA ratio and easing liquidity condition helped bank lower cost of funds



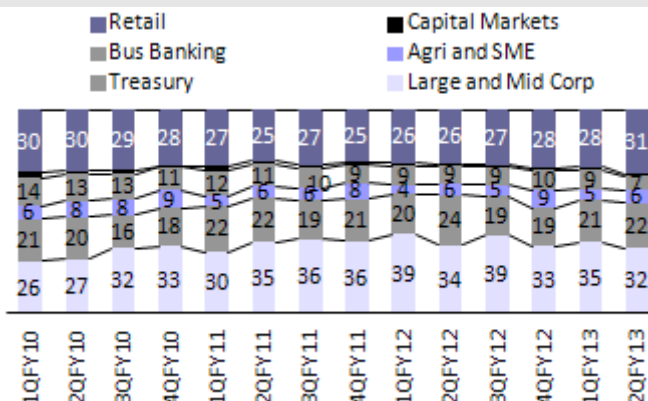
## Quarterly trends (continued)

### Fee income as a % of average assets increased to 1.8%



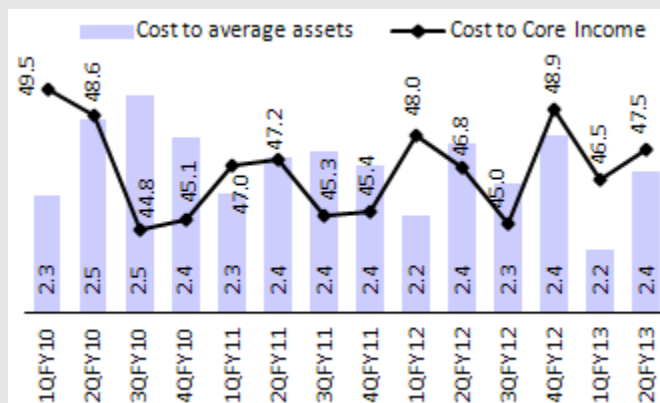
- Strong growth in retail fees and pick up in corporate banking fees helped bank absorb higher pressure of asset quality and maintain profitability

### Strong fee income growth aided profitability (%)



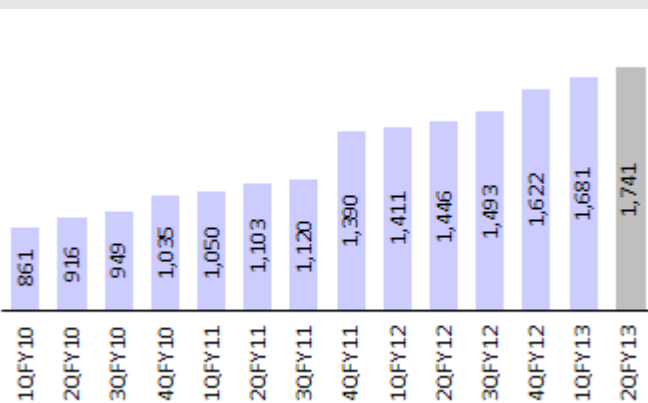
- Share of retail banking fees increases further, from low of 25% of overall fees in 4QFY11 it has improved to 32%

### Opex in-line with estimates (%)



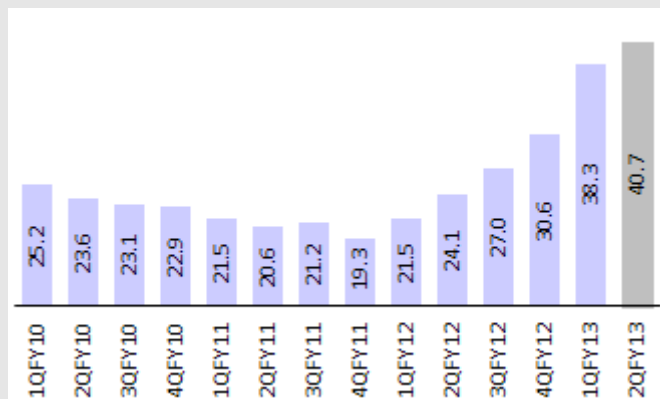
- Opex grew 12% QoQ and 19% YoY led by 20% sequential growth in other opex (on a lower base)

### Branch expansion continues (Nos.)



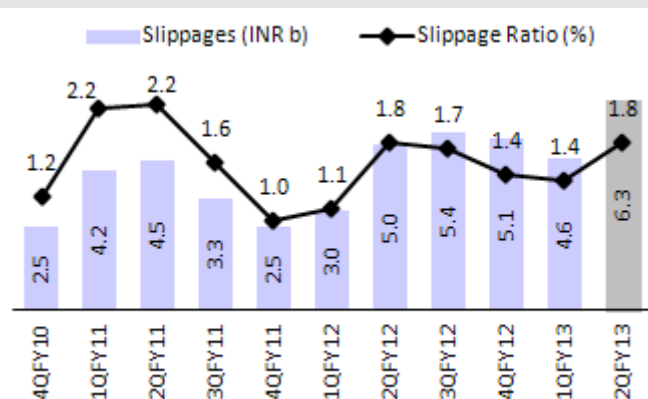
- Management expects to add 200-250 branches every year

### Restructured loan as % to overall loan stood at 2.4% (INR b)



- The bank restructured fresh loans of INR3.2b of loans whereas net addition was INR2.4b

### Slippages remain at an elevated level



- Gross slippages in increased QoQ led by one large account

## Quarterly Snapshot

	FY12				FY13		Variation (%)		Cumulative Numbers		
	1Q	2Q	3Q	4Q	1Q	2Q	QoQ	YoY	1HFY12	1HFY13	YoY Gr (%)
<b>Profit and Loss (INR m)</b>											
<b>Net Interest Income</b>	<b>17,241</b>	<b>20,073</b>	<b>21,403</b>	<b>21,461</b>	<b>21,799</b>	<b>23,269</b>	<b>7</b>	<b>16</b>	<b>37,314</b>	<b>45,068</b>	<b>21</b>
<b>Other Income</b>	<b>11,679</b>	<b>12,349</b>	<b>14,298</b>	<b>15,876</b>	<b>13,355</b>	<b>15,931</b>	<b>19</b>	<b>29</b>	<b>24,028</b>	<b>29,286</b>	<b>22</b>
Trading profits	702	280	1,180	1,460	1,500	2,070	38	639	982	3,570	263
Fee Income	10,560	11,240	12,210	13,260	11,580	13,430	16	19	21,800	25,010	15
Miscellaneous Income	416	829	908	1,156	275	431	57	-48	1,246	706	-43
<b>Total Income</b>	<b>28,920</b>	<b>32,422</b>	<b>35,701</b>	<b>37,337</b>	<b>35,154</b>	<b>39,200</b>	<b>12</b>	<b>21</b>	<b>61,342</b>	<b>74,354</b>	<b>21</b>
<b>Operating Expenses</b>	<b>13,335</b>	<b>14,665</b>	<b>15,109</b>	<b>16,962</b>	<b>15,517</b>	<b>17,417</b>	<b>12</b>	<b>19</b>	<b>28,000</b>	<b>32,934</b>	<b>18</b>
Employee	5,100	4,986	5,420	5,296	5,826	5,779	-1	16	10,086	11,605	15
Others	8,235	9,679	9,689	11,666	9,691	11,638	20	20	17,915	21,329	19
<b>Operating Profits</b>	<b>15,585</b>	<b>17,756</b>	<b>20,592</b>	<b>20,376</b>	<b>19,637</b>	<b>21,783</b>	<b>11</b>	<b>23</b>	<b>33,341</b>	<b>41,419</b>	<b>24</b>
Provisions	1,758	4,056	4,223	1,393	2,588	5,094	97	26	5,814	7,683	32
<b>PBT</b>	<b>13,826</b>	<b>13,701</b>	<b>16,369</b>	<b>18,983</b>	<b>17,048</b>	<b>16,688</b>	<b>-2</b>	<b>22</b>	<b>27,527</b>	<b>33,737</b>	<b>23</b>
Taxes	4,403	4,497	5,346	6,210	5,513	5,453	-1	21	8,900	10,966	23
<b>PAT</b>	<b>9,424</b>	<b>9,203</b>	<b>11,023</b>	<b>12,773</b>	<b>11,535</b>	<b>11,235</b>	<b>-3</b>	<b>22</b>	<b>18,627</b>	<b>22,771</b>	<b>22</b>
<b>Asset Quality</b>											
GNPA	15,731	17,438	19,145	18,063	20,917	21,910	5	26	17,438	21,910	26
NNPA	4,625	5,488	6,829	4,726	6,049	6,542	8	19	5,488	6,542	19
GNPA (%)	1.1	1.1	1.1	0.9	1.1	1.1	4	2	1.1	1.1	2
NNPA (%)	0.3	0.3	0.4	0.3	0.3	0.3	2	-1	0.3	0.3	-1
PCR (Calculated, %)	71	69	64	74	71	70	-94	161	69	70	161
PCR (Reported, %)	80	78	75	81	79	80	100	231	78	80	231
<b>Slippages</b>	<b>2,960</b>	<b>4,960</b>	<b>5,350</b>	<b>5,140</b>	<b>4,560</b>	<b>6,280</b>	<b>38</b>	<b>27</b>			
Slippage Ratio	1.1	1.8	1.7	1.4	1.4	1.8	41	0			
<b>Prov. for NPA in qtr</b>	<b>1,530</b>	<b>2,470</b>	<b>3,340</b>	<b>1,270</b>	<b>2,610</b>	<b>4,070</b>	<b>56</b>	<b>65</b>			
Credit Cost	0.4	0.7	0.9	0.3	0.6	0.9	34	22			
<b>Restructured loans</b>	<b>21,510</b>	<b>24,100</b>	<b>27,010</b>	<b>30,600</b>	<b>38,270</b>	<b>40,680</b>	<b>6</b>	<b>69</b>			
% to Loans	1.6	1.7	1.8	1.8	2.2	2.4	13	64			
<b>Ratios (%)</b>											
Fees to Total Income	36.5	34.7	34.2	35.5	32.9	34.3			35.5	33.6	
Cost to Core Income	48.0	46.8	45.0	48.9	46.5	47.5			47.4	47.0	
Tax Rate	31.8	32.8	32.7	32.7	32.3	32.7			32.3	32.5	
CASA (Cal.)	40.5	42.2	41.6	41.5	39.1	40.5					
Loan/Deposit	71.8	72.0	71.3	77.1	76.9	73.1					
CAR	13.0	12.2	13.1	13.7	13.5	13.9					
Tier I	9.8	9.3	9.6	9.5	9.5	9.9					
RoA (cal)	1.6	1.5	1.7	1.8	1.6	1.5					
RoE (Cal)	19.3	18.0	20.4	22.7	19.6	18.2					
<b>Fee income distribution</b>											
Large and Mid Corp	4,130	3,790	4,730	4,420	4,090	4,350	6	15	7,920	8,440	7
Treasury & DCM	2,100	2,740	2,320	2,490	2,380	2,955	24	8	4,840	5,335	10
Agri and SME	460	640	660	1,170	630	841	33	31	1,100	1,471	34
Business Banking	950	970	1,090	1,280	1,100	940	-15	-3	1,920	2,040	6
Capital Markets	160	150	130	130	120	134	12	-10	310	254	-18
Retail Banking	2,760	2,950	3,280	3,770	3,260	4,210	29	43	5,710	7,470	31
<b>Margins - Cal (%)</b>											
Yield on loans	10.1	10.8	11.0	10.7	10.9	11.0	19	19			
Yield On Investments	7.2	7.7	8.1	7.6	8.0	8.1	11	36			
Yield on Funds	9.0	9.6	9.9	9.5	9.8	9.9	15	30			
Cost of funds	6.0	6.1	6.3	6.3	6.7	6.6	-10	52			
Margins	3.2	3.7	3.7	3.4	3.3	3.5	17	-21			
<b>Margins - Reported (%)</b>											
Cost of Funds	6.1	6.2	6.3	6.5	6.7	6.5	-16	35			
Margins	3.3	3.8	3.8	3.6	3.4	3.5	9	-32			
<b>Franchise</b>											
Branches	1,411	1,446	1,493	1,622	1,681	1,741	60	295			

For %age change QoQ and YoY is bp

Source: Company, MOSL



## Quarterly Snapshot

	FY11				FY12				FY13		Var. (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	QoQ	YoY
<b>Balance Sheet (INR b)</b>												
<b>Loans</b>	<b>1,086</b>	<b>1,106</b>	<b>1,235</b>	<b>1,424</b>	<b>1,319</b>	<b>1,401</b>	<b>1,487</b>	<b>1,698</b>	<b>1,711</b>	<b>1,721</b>	<b>1</b>	<b>23</b>
Investments	575	619	596	720	753	850	903	932	880	997	13	17
<b>Customer Assets</b>	<b>1,181</b>	<b>1,204</b>	<b>1,329</b>	<b>1,578</b>	<b>1,492</b>	<b>1,614</b>	<b>1,751</b>	<b>1,891</b>	<b>1,951</b>	<b>1,983</b>	<b>2</b>	<b>23</b>
<b>Deposits</b>	<b>1,475</b>	<b>1,569</b>	<b>1,558</b>	<b>1,892</b>	<b>1,836</b>	<b>1,945</b>	<b>2,087</b>	<b>2,201</b>	<b>2,226</b>	<b>2,356</b>	<b>6</b>	<b>21</b>
Borrowings	196	190	256	263	223	268	308	341	341	328	-4	23
<b>Total Assets</b>	<b>1,895</b>	<b>1,998</b>	<b>2,067</b>	<b>2,427</b>	<b>2,331</b>	<b>2,506</b>	<b>2,693</b>	<b>2,856</b>	<b>2,894</b>	<b>3,027</b>	<b>5</b>	<b>21</b>
<b>Deposits Break Up</b>												
Retail Deposits	638	679	615	743	797	875	919	995	1,062	1,126	6	29
% to total Deposits	43	43	39	39	43	45	44	45	48	48		
Other Deposits	837	890	944	1,149	1,039	1,070	1,168	1,206	1,164	1,230	6	15
% to total Deposits	57	57	61	61	57	55	56	55	52	52		
<b>Deposits Break Up</b>												
<b>CASA Deposits</b>	<b>592</b>	<b>652</b>	<b>659</b>	<b>778</b>	<b>744</b>	<b>821</b>	<b>868</b>	<b>914</b>	<b>869</b>	<b>955</b>	<b>10</b>	<b>16</b>
% to total Deposits	40	42	42	41	41	42	42	42	39	41		
Savings	347	378	391	409	429	468	473	517	528	562	6	20
% to total Deposits	24	24	25	22	23	24	23	23	24	24		
Current	245	274	268	369	315	354	395	398	342	394	15	11
% to total Deposits	17	17	17	20	17	18	19	18	15	17		
Term Deposits	882	917	899	1,115	1,092	1,123	1,219	1,287	1,357	1,401	3	25
% to total Deposits	60	58	58	59	59	58	58	58	61	59		
<b>Loan Break Up</b>												
<b>Agriculture</b>	<b>106</b>	<b>91</b>	<b>108</b>	<b>173</b>	<b>147</b>	<b>106</b>	<b>107</b>	<b>173</b>	<b>157</b>	<b>122</b>	<b>-23</b>	<b>14</b>
<b>SME Loans</b>	<b>168</b>	<b>168</b>	<b>171</b>	<b>214</b>	<b>198</b>	<b>208</b>	<b>207</b>	<b>238</b>	<b>220</b>	<b>236</b>	<b>7</b>	<b>14</b>
<b>Retail Loans</b>	<b>211</b>	<b>210</b>	<b>252</b>	<b>278</b>	<b>270</b>	<b>293</b>	<b>333</b>	<b>376</b>	<b>406</b>	<b>443</b>	<b>9</b>	<b>51</b>
of which												
Auto	27	27	28	31	35	38	43	49	53	58	9	51
Housing	150	153	169	189	203	223	249	282	304	328	8	47
Personal Loans/Credit Card	21	21	45	44	16	18	20	30	32	40	23	127
Others	13	8	10	14	16	15	20	15	16	18	9	21
Other loans	601	637	705	759	703	794	841	911	929	921	-1	16
<b>Loan Mix</b>												
Agriculture	10	8	9	12	11	8	7	10	9	7		
SME Loans	15	15	14	15	15	15	14	14	13	14		
Retails	19	19	20	19	20	21	22	22	24	26		
Others	55	58	57	53	53	57	57	54	54	53		
<b>Ratings Profile</b>												
<b>Large and Mid Corp</b>												
AAA	9	8	8	7	8	7	6	8	6	7		
AA	19	22	24	25	26	24	23	19	18	16		
A	46	44	41	43	41	42	41	40	40	39		
BBB	23	23	25	23	23	24	27	30	33	34		
<BBB and below	3	3	2	2	2	3	3	3	3	4		
<b>SME</b>												
SME1	2	2	2	5	5	5	6	5	5	5		
SME2	15	17	17	18	20	18	18	18	18	18		
SME3	60	60	59	59	55	56	55	57	57	59		
SME4	13	12	12	11	12	13	12	12	12	10		
SME 5-8	9	9	10	7	8	8	9	8	8	8		

% change are in bp

Source: Company, MOSL

## Stock Info

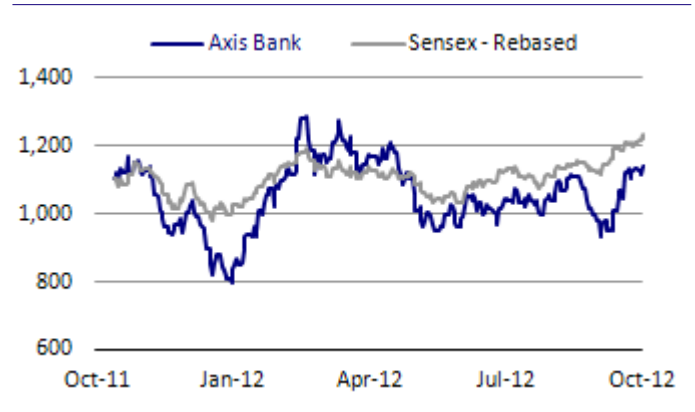
### EPS: MOSL forecast v/s consensus (INR)

	MOSL Forecast	Consensus Forecast	Variation (%)
FY13	114.0	115.4	-1.2
FY14	131.2	135.9	-3.4

### Shareholding pattern (%)

	Sep-12	Jun-12	Sep-11
Promoter	37.3	37.3	37.2
Domestic Inst	13.1	13.9	7.0
Foreign	42.0	36.1	42.9
Others	7.7	12.8	12.9

### 1-year Sensex rebased



### Financials: Valuation Matrix

	Rating	CMP (INR)	Mcap (USD\$)	EPS (INR)		P/E (x)		P/BV (x)		RoA (%)		RoE (%)		Dividend Yield (%) #
				FY13	FY14	FY13	FY14	FY13	FY14	FY13	FY14	FY13	FY14	
ICICI* <sup>*</sup>	Buy	1,042	22.6	68	79	12.4	10.5	1.9	1.6	1.5	1.5	14.2	14.7	1.6
HDFCB	Neutral	630	27.9	29	36	22.1	17.7	4.2	3.6	1.8	1.9	20.7	22.0	0.7
AXSB	Buy	1,119	8.7	114	131	9.8	8.5	1.8	1.5	1.6	1.5	19.5	19.1	1.4
KMB	Neutral	627	8.8	26	30	23.9	21.1	3.1	2.7	1.5	1.5	13.7	13.8	0.1
YES	Buy	381	2.5	35	43	10.8	8.9	2.4	1.9	1.5	1.5	24.1	23.9	1.0
IIB	Buy	354	3.1	22	27	16.1	13.1	3.1	2.6	1.6	1.6	20.8	21.3	0.6
VYSB	Buy	433	1.2	35	40	12.2	10.7	1.5	1.3	1.0	1.0	13.0	13.2	0.9
FB	Buy	470	1.5	47	56	10.0	8.4	1.3	1.1	1.2	1.3	13.4	14.3	1.9
J&K BK	Buy	1,162	1.1	186	206	6.3	5.6	1.2	1.0	1.4	1.3	20.3	19.4	2.9
SIB	Buy	24	0.3	4.4	5.3	5.4	4.5	1.1	0.9	1.1	1.1	22.5	22.6	2.5
<b>Private Aggregate</b>			<b>77.7</b>			<b>15.8</b>	<b>13.4</b>	<b>2.5</b>	<b>2.1</b>					
SBIN (cons)*	Buy	2,229	28.2	285	330	7.5	6.4	1.2	1.0	1.0	1.0	17.4	17.5	1.6
PNB	Buy	805	5.1	156	185	5.2	4.3	0.9	0.8	1.1	1.1	18.5	18.8	2.7
BOI	Neutral	298	3.2	54	64	5.5	4.7	0.8	0.7	0.7	0.7	15.5	16.0	2.4
BOB	Neutral	767	6.0	111	129	6.9	5.9	1.1	0.9	0.9	0.9	16.6	16.8	2.2
CBK	Buy	423	3.5	74	85	5.7	4.9	0.8	0.7	0.8	0.8	14.9	15.2	2.6
UNBK	Buy	199	2.1	42	48	4.7	4.1	0.7	0.7	0.8	0.8	16.7	16.9	4.0
IOB	Neutral	78	1.2	15	17	5.3	4.7	0.5	0.5	0.5	0.5	10.4	10.9	5.8
OBC	Buy	291	1.6	51	57	5.7	5.1	0.7	0.6	0.8	0.7	12.7	12.8	2.7
INBK	Buy	185	1.5	43	46	4.3	4.0	0.7	0.7	1.2	1.1	18.0	16.8	4.1
CRP BK	Neutral	407	1.1	111	119	3.7	3.4	0.6	0.6	0.9	0.9	18.4	17.3	5.0
ANDB	Buy	107	1.1	25	28	4.3	3.8	0.7	0.6	1.0	1.0	17.5	17.2	5.1
IDBI	Neutral	98	2.4	16	18	6.2	5.4	0.7	0.6	0.7	0.7	11.1	11.5	3.6
DBNK	Neutral	107	0.7	27	31	4.0	3.4	0.7	0.6	1.0	1.0	20.2	19.6	2.8
<b>Public Aggregate</b>			<b>57.7</b>			<b>6.9</b>	<b>6.0</b>	<b>1.0</b>	<b>0.9</b>					
HDFC*	Buy	743	20.7	32	39	16.8	13.1	5.1	4.0	2.9	2.9	29.4	30.9	1.5
LIC HF	Buy	256	2.4	22	32	11.7	8.1	2.0	1.7	1.6	1.7	18.0	20.8	1.4
DEWH	Buy	191	0.4	38	51	5.1	3.7	1.1	0.9	1.5	1.4	21.7	22.7	1.8
IDFC	Buy	150	4.3	11	13	13.8	11.3	1.6	1.4	2.5	2.6	14.8	16.0	1.5
RECL	Buy	217	4.0	35	42	6.2	5.2	1.3	1.1	3.1	3.1	21.6	22.2	3.5
POWF	Buy	197	4.9	29	33	6.7	6.0	1.1	1.0	2.8	2.7	17.6	17.4	3.0
SHTF	Buy	639	2.7	60	70	10.7	9.1	2.0	1.7	2.6	2.6	20.6	20.3	1.0
MMFS	Buy	874	1.7	79	94	11.0	9.3	2.5	2.1	3.6	3.5	25.1	24.6	1.6
<b>NBFC Aggregate</b>			<b>41.2</b>			<b>12.4</b>	<b>10.4</b>	<b>2.2</b>	<b>1.9</b>					

\*Multiples adj. for value of key ventures/Investments; For ICICI Bank, 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	2009	2010	2011	2012	2013E	2014E
Interest Income	108,355	116,380	151,548	219,946	271,552	310,189
Interest Expense	71,493	66,335	85,918	139,769	175,826	194,873
<b>Net Interest Income</b>	<b>36,862</b>	<b>50,045</b>	<b>65,630</b>	<b>80,177</b>	<b>95,726</b>	<b>115,316</b>
Change (%)	42.6	35.8	31.1	22.2	19.4	20.5
Non Interest Income	28,969	39,458	46,321	54,202	64,519	75,034
<b>Net Income</b>	<b>65,831</b>	<b>89,503</b>	<b>111,951</b>	<b>134,380</b>	<b>160,245</b>	<b>190,350</b>
Change (%)	50.3	36.0	25.1	20.0	19.2	18.8
Operating Expenses	28,582	37,097	47,794	60,071	69,961	82,863
<b>Pre Provision Profits</b>	<b>37,249</b>	<b>52,406</b>	<b>64,157</b>	<b>74,309</b>	<b>90,284</b>	<b>107,487</b>
Change (%)	67.3	40.7	22.4	15.8	21.5	19.1
Provisions (excl tax)	9,397	13,892	12,800	11,430	18,431	24,837
<b>PBT</b>	<b>27,852</b>	<b>38,514</b>	<b>51,357</b>	<b>62,878</b>	<b>71,853</b>	<b>82,650</b>
Tax	9,698	13,368	17,472	20,456	23,352	26,861
Tax Rate (%)	34.8	34.7	34.0	32.5	32.5	32.5
<b>PAT</b>	<b>18,154</b>	<b>25,145</b>	<b>33,885</b>	<b>42,422</b>	<b>48,501</b>	<b>55,789</b>
Change (%)	69.5	38.5	34.8	25.2	14.3	15.0
<b>Equity Dividend (Incl tax)</b>	<b>4,205</b>	<b>5,674</b>	<b>6,704</b>	<b>7,701</b>	<b>8,796</b>	<b>10,117</b>
<b>Core PPP*</b>	<b>33,735</b>	<b>43,299</b>	<b>57,241</b>	<b>70,662</b>	<b>82,388</b>	<b>99,340</b>
Change (%)	72.1	28.4	32.2	23.4	16.6	20.6

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

Balance Sheet					(INR Million)	
Y/E March	2009	2010	2011	2012	2013E	2014E
Equity Share Capital	3,590	4,052	4,105	4,132	4,253	4,253
Reserves & Surplus	98,546	156,393	185,883	223,953	264,937	312,078
<b>Net Worth</b>	<b>102,136</b>	<b>160,444</b>	<b>189,988</b>	<b>228,085</b>	<b>269,190</b>	<b>316,331</b>
<b>Deposits</b>	<b>1,173,741</b>	<b>1,413,002</b>	<b>1,892,378</b>	<b>2,201,043</b>	<b>2,641,252</b>	<b>3,169,502</b>
Change (%)	33.9	20.4	33.9	16.3	20.0	20.0
<b>of which CASA Dep</b>	<b>506,437</b>	<b>660,295</b>	<b>777,674</b>	<b>914,220</b>	<b>1,057,310</b>	<b>1,259,308</b>
Change (%)	26.5	30.4	17.8	17.6	15.7	19.1
Borrowings	155,199	171,696	262,679	340,717	366,804	406,858
Other Liabilities & Prov.	46,145	61,336	82,089	86,433	101,756	120,224
<b>Total Liabilities</b>	<b>1,477,220</b>	<b>1,806,479</b>	<b>2,427,134</b>	<b>2,856,278</b>	<b>3,379,001</b>	<b>4,012,915</b>
Current Assets	150,169	152,064	214,087	139,339	190,382	239,692
<b>Investments</b>	<b>463,304</b>	<b>559,748</b>	<b>719,916</b>	<b>931,921</b>	<b>1,071,709</b>	<b>1,232,465</b>
Change (%)	37.5	20.8	28.6	29.4	15.0	15.0
<b>Loans</b>	<b>815,568</b>	<b>1,043,431</b>	<b>1,424,078</b>	<b>1,697,595</b>	<b>2,003,163</b>	<b>2,403,795</b>
Change (%)	36.7	27.9	36.5	19.2	18.0	20.0
Fixed Assets	10,729	12,225	22,731	22,593	22,986	23,511
Other Assets	37,451	39,011	46,321	64,829	90,761	113,451
<b>Total Assets</b>	<b>1,477,220</b>	<b>1,806,479</b>	<b>2,427,134</b>	<b>2,856,278</b>	<b>3,379,001</b>	<b>4,012,915</b>

Asset Quality					(%)	
GNPA (INR m)	8,978	13,180	15,994	18,063	27,949	41,458
NNPA (INR m)	3,271	4,190	4,104	4,726	8,215	11,950
GNPA Ratio	1.09	1.25	1.11	1.06	1.38	1.70
NNPA Ratio	0.40	0.40	0.29	0.28	0.41	0.50
PCR (Excl Tech. write off)	63.6	68.2	74.2	73.3	70.6	71.2
PCR (Incl Tech. Write off)		72.4	80.9	80.9	76.3	75.2

E: MOSL Estimates

## Financials and Valuations

<b>Ratios</b>						
<b>Y/E March</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013E</b>	<b>2014E</b>
<b>Spreads Analysis (%)</b>						
Avg. Yield-Earning Assets	9.3	7.8	7.8	9.0	9.4	9.1
Avg. Yield on loans	10.6	8.6	8.4	9.9	10.4	10.1
Avg. Yield on Investments	7.6	6.7	6.9	7.7	7.6	7.4
Avg. Cost-Int. Bear. Liab.	6.2	4.6	4.6	6.0	6.3	5.9
Avg. Cost of Deposits	6.1	4.4	4.5	6.0	6.4	5.8
Interest Spread	3.1	3.2	3.2	3.1	3.1	3.2
Net Interest Margin	3.2	3.3	3.4	3.3	3.3	3.4
<b>Profitability Ratios (%)</b>						
RoE	19.1	19.2	19.3	20.3	19.5	19.1
RoA	1.4	1.5	1.6	1.6	1.6	1.5
Int. Expense/Int. Income	66.0	57.0	56.7	63.5	64.7	62.8
Fee Income/Net Income	22.7	27.3	26.1	28.2	29.5	28.4
Non Int. Inc./Net Income	44.0	44.1	41.4	40.3	40.3	39.4
<b>Efficiency Ratios (%)</b>						
Cost/Income*	45.9	46.1	45.5	45.9	45.9	45.5
Empl. Cost/Op. Exps.	34.9	33.9	33.8	34.6	34.2	34.6
Busi. per Empl. (INR m)	97.9	105.2	120.1	124.0	125.4	130.7
NP per Empl. (INR lac)	1.0	1.2	1.4	1.5	1.4	1.4
* ex treasury and Recoveries from written off accounts						
<b>Asset-Liability Profile (%)</b>						
Loans/Deposit Ratio	69.5	73.8	75.3	77.1	75.8	75.8
CASA Ratio	43.1	46.7	41.1	41.5	40.0	39.7
Investment/Deposit Ratio	39.5	39.6	38.0	42.3	40.6	38.9
G-Sec/Investment Ratio	59.8	61.1	61.3	62.7	61.6	64.3
CAR	13.7	15.8	12.7	13.7	13.1	12.4
Tier 1	9.3	11.2	9.4	9.5	9.4	9.3
<b>Valuation</b>						
Book Value (INR)	284.5	396.2	463.1	547.4	628.5	739.4
Change (%)	16.1	39.3	16.9	18.2	14.8	17.6
Price-BV (x)				2.0	1.8	1.5
Adjusted BV (INR)	278.6	389.5	456.6	540.0	616.0	721.1
Price-ABV (x)				2.1	1.8	1.6
EPS (INR)	50.6	62.1	82.5	102.7	114.0	131.2
Change (%)	68.9	22.7	33.0	24.4	11.1	15.0
Price-Earnings (x)				10.9	9.8	8.5
Dividend Per Share (INR)	10.0	12.0	14.0	16.0	17.7	20.3
Dividend Yield (%)				1.4	1.6	1.8
E: MOSL Estimates						

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