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UPDATE

BSE-30: 15,939

**Focus shifts to restructuring from slippages.** We see sharper focus on restructured loans in 3QFY12E than on slippages/increases in gross NPLs. Reported NPLs are likely to remain sequentially stable generally, and in the case of a few banks, surprisingly positive. Margins are expected to remain healthy but loan growth is likely to moderate for all banks. NBFCs will continue to drive strong loan growth though NIMs are close to their nadir, in our view. Most preferred picks: ICICI Bank and Federal Bank among private banks, PNB among public banks, IDFC and Mahindra Finance among NBFCs.

#### Restructured loans to increase gradually; NPLs to remain flat qoq

We see focus shifting to restructured loans in the current quarter, especially with large loan-additions to the CDR cell and reports of various SEBs requesting a revised, elongated payment schedule. Lower slippages and better recovery trends will keep overall gross NPLs flat qoq. We expect select banks to report a decline in gross NPL ratios as the focus has shifted to asset quality from growth. Apart from a 2% provision for fresh restructured loans we don't see a major impact on earnings in the quarter from loan-loss provisions.

#### Flat earnings yoy led by 4% earnings decline for public sector banks

We expect yoy earnings to remain flat (5% qoq) for banks mainly due to weak earnings growth of public sector banks. Besides, pressure on revenue growth (NII and fee income) is expected to increase marginally for all banks. We expect 4% yoy (5% qoq growth led by lower provisioning) decline in earnings for public sector banks and private banks to grow by 15% yoy (6% qoq). Non interest income is expected to be subdued due to weak fee-income growth. We expect NII growth of 10% yoy (9% for public sector banks and 15% for private banks). We expect operating expenses to be stable and the equity portfolio will need higher MTM provision compared with the bond portfolio in 3QFY12E.

NBFCs are likely to report divergent trends in earnings. While loan growth will remain high, NIMs are expected to be under pressure and are now close to their nadir. We expect SBI in the public sector and most private sector banks to post earnings growth of over 12% yoy, aided by lower base earnings. Stable NIMs, moderate loan growth (about 17%) and capital gains on the sale of stake in the AMC business will drive IDFC's earnings growth. Mahindra Finance is likely to deliver 28% growth in core earnings due to strong business traction.

#### NIMs to remain stable qoq; muted YTD loan growth though alternative channels have increased

We expect NIMs to remain stable in 3QFY12E as banks continue to enjoy pricing power and interest rates for wholesale deposits have been stable over the past two quarters. We expect NIMs to be lower by about 10 bps qoq. Loan deposit ratio has been stable at about 74%. YTD growth in loans for FY2011 (April – December 16, 2011) has been muted at 8% (4% qoq) though headline growth appears to be higher at about 17% yoy. We note that banks' investments in CPs and corporate debentures have increased by 40% and 8% qoq respectively.

Most NBFCs are likely to report a sharp yoy decline in NIMs (50-80 bps). On a qoq basis, we expect NIMs to decline by 10-20 bps as the rise in interest rates is reflected in loan assets. Incremental borrowing costs have declined, especially for short to medium term borrowings. Lower competitive intensity across products and a likely decline in interest rates in the system in 1QFY13E reduces NIM pressure over the next few quarters.

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### NBFC: Loan growth remains strong, margins close to their nadir

- ▶ **Divergent trends in PAT.** We expect most NBFCs to report divergent trends in reported earnings. Lower yoy margins for LICHF and accounting treatment of forex losses for PFC and REC will temper reported PAT.
- ▶ **Margins close to their nadir.** We believe NIMs for most NBFCs will bottom out in 3QFY12E. Incremental borrowing costs are now lower than weighted average borrowing costs especially for NBFCs focused on short to medium term assets/ borrowings. Better recoveries in 4QFY12E and a likely moderation in interest rates in 1QFY13E are likely to boost margins, in our view.
- ▶ **Strong loan growth for most.** Most NBFCs will continue to deliver strong (20%+) growth in the loan book due to buoyant retail businesses. Undisbursed approvals will drive growth for PFC and REC, and IDFC is likely to continue to report moderation (~17%) in loan growth.

#### Weak NIM expected in 3QFY12E

Quarterly trends in NIM, 3QFY11-3QFY12E (%)

	3Q11	4Q11	1Q12	2Q12	3Q12E	Comments
LIC Housing Finance	3.1	3.5	2.8	2.5	2.3	Borrowing cost has been rising at a faster pace than hike in home loan rates, NIM are likely at nadir
IDFC	4.3	4.3	4.3	4.3	4.3	Easing competitive scenario has buoyed asset yields and supported margins
Power Finance Corporation	4.1	3.5	3.9	4.0	3.9	Rise in borrowings cost puts pressure on NIM, lower competition from banks will improve spreads over the next few quarters
Rural Electrification Corporation	4.8	4.9	4.4	4.4	4.2	Rise in borrowings cost puts pressure on NIM, lower competition from banks will improve spreads over the next few quarters
Mahindra Finance	12.1	12.7	10.1	10.5	10.1	NIM remains under pressure as the benefit of higher incremental spreads is yet to get reflected in the financials

Source: Company, Kotak Institutional Equities estimates

- ▶ **Weaker trends in incremental business.** We expect lower approvals for infrastructure NBFCs. IDFC's loan growth will be lower, but PFC and REC may not yet be impacted. Retail NBFCs are likely to report steady growth albeit some weakness in new business. Slowdown in large housing markets (Mumbai and Delhi), will continue to affect the businesses of housing finance companies.
- ▶ **Large forex loans likely to tamper earnings for PFC and REC.** PFC has proposed to write back MTM losses reported in 1HFY12. As such, reported earnings are likely to be higher. We are not clear about the accounting policy that REC will follow and we are not factoring MTM losses for REC/any likely reversal in our estimates. On a notional basis, we estimate Rs250 mn MTM losses for REC in 3QFY12E and losses of over Rs4 bn for PFC.

**Strong trends in yoy loan growth**

Quarterly trends in loan growth, 3QFY11-3QFY12E (%)

	3Q11	4Q11	1Q12	2Q12	3Q12E	Comments
LIC Housing Finance	36	34	32	29	29	Disbursements will be somewhat lower qoq
IDFC	49	50	30	14	18	Loan book almost stable qoq
Power Finance Corporation	27	25	21	26	24	Lower approvals; slowdown not visible in loan growth
Rural Electrification Corporation	20	24	24	24	23	Lower approvals; slowdown not visible in loan growth
Mahindra Finance	46	49	52	54	49	Loan traction remains strong

Source: Company, Kotak Institutional Equities estimates

**Mixed trends in PAT growth**

Quarterly trends in yoy earnings growth, 3QFY11-3QFY12E (%)

	3Q11	4Q11	1Q12	2Q12	3Q12E	Comments
LIC Housing Finance	39	47	21	(58)	8	Lower NIM, other income and provisions
IDFC	19	26	(6)	55	27	Loan growth of 15%, other income supports net income
PFC	17	1	5	(40)	62	Reversal of forex losses will boost PAT
REC	40	25	13	1	9	We have not factored forex losses or reversal of forex losses in our estimates
Mahindra Finance	24	11	37	17	27	High loan growth, somewhat lower NIM and higher provisions

Source: Company, Kotak Institutional Equities estimates

**PAT growth expected to slow down due to a higher base effect**

yoy growth in PAT, March fiscal year-ends, 2QFY11-3QFY12E (%)

	2QFY11	3QFY11	4QFY11	1QFY12	2QFY12	3QFY12
<b>Public banks</b>						
Andhra Bank	10.6	20.2	30.2	20.1	4.3	(18.4)
Bank of Baroda	58.0	28.4	42.8	20.2	16.3	(3.3)
Bank of India	90.7	61.0	15.4	(28.2)	(20.3)	(15.5)
Canara Bank	10.7	5.1	78.7	(28.4)	(15.4)	(20.8)
Corporation Bank	20.6	25.4	10.6	5.3	14.0	0.8
Indian Bank	11.8	11.3	7.0	10.5	12.7	(16.7)
IOB	17.1	127.8	240.8	2.6	0.6	(2.9)
OBC	46.8	41.1	5.3	(2.4)	(57.8)	(18.9)
PNB	15.7	7.8	5.8	3.4	12.1	12.3
State Bank of India	0.5	14.1	(98.9)	(45.7)	12.4	4.9
Union Bank	(39.9)	8.5	0.7	(22.8)	16.2	(0.0)
<b>Old private banks</b>						
Federal Bank	38.9	29.8	46.9	10.8	36.2	31.6
J&K Bank	23.0	19.9	15.4	24.6	20.9	3.8
<b>New private banks</b>						
Axis Bank	38.3	35.9	33.4	27.0	25.2	7.3
IndusInd Bank	71.1	74.8	75.3	52.0	45.0	15.4
HDFC Bank	32.7	32.9	33.2	33.7	31.5	27.6
ICICI Bank	18.9	30.5	44.4	29.8	21.6	10.3
Yes Bank	106.6	79.0	71.4	44.1	10.2	28.5
<b>Total banks</b>	<b>18.4</b>	<b>23.0</b>	<b>7.3</b>	<b>(5.7)</b>	<b>10.3</b>	<b>2.3</b>
<b>Public sector banks</b>	<b>14.0</b>	<b>18.7</b>	<b>(6.8)</b>	<b>(18.6)</b>	<b>3.2</b>	<b>(3.5)</b>
<b>Private sector banks</b>	<b>30.3</b>	<b>34.0</b>	<b>38.6</b>	<b>30.4</b>	<b>27.0</b>	<b>15.3</b>

Source: Companies, Kotak Institutional Equities estimates

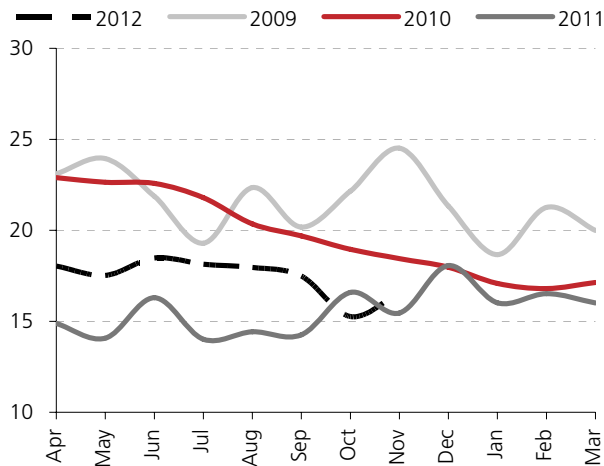
### YTD loan growth 8%; infrastructure remains primary source of loan off-take

Loan growth showed signs of moderation despite yoy growth trends showing a strong headline number of 17-18% yoy. YTD growth (April – December 16, 2011) was 8%, with infrastructure being the primary source of loan off-take. In line with the busy 2HFY12E, loan growth improved 4% qoq but is lower than that over the past few years.

As per the last reported data, CD ratio was 74% (flat qoq). Borrowing through external credit/short-term credit from abroad remained healthy. Banks' investments in commercial paper and corporate debentures increased to ₹268 bn (42% qoq) and ₹1096 bn (8% qoq), respectively, indicating partial substitution of credit from the banking channel.

#### Deposit growth shows signs of improvement

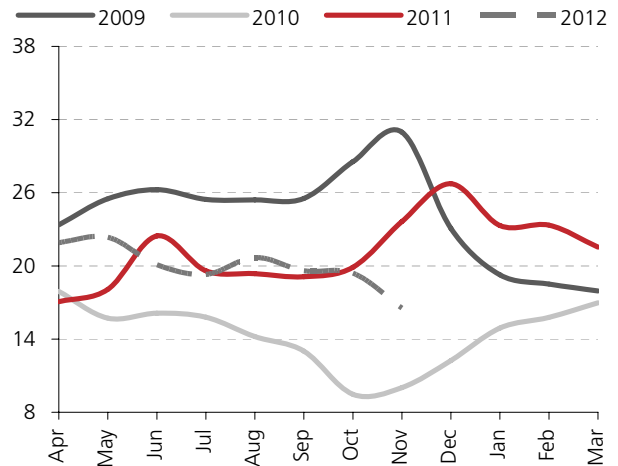
yoy growth in deposits, March fiscal year-ends, (%)



Source: Kotak Institutional Equities

#### Demand for loans shows signs of a slowdown

yoy growth in advances, March fiscal year-ends, (%)



Source: Kotak Institutional Equities

### Margins to see limited pressure; expect a stable performance qoq

In 3QFY12E, margins are likely to come under limited pressure as pricing power continues to favor banks. The liquidity environment has deteriorated in recent weeks and has been higher than the RBI's expectation for the quarter. Wholesale and retail deposit rates have been stable in 3QFY12 and we expect margins to be flat (+/-10 bps qoq) across all banks.

Overall, we expect NII to grow by about 10% yoy (2% qoq) with public sector banks growing by 9% yoy (1% qoq) and private sector banks by 15% yoy (5% qoq). BoI, Canara Bank, OBC and Corporation Bank are likely to see fairly weak NII growth in 3QFY12E. We expect IOB and SBI to have a strong quarter due to a lower base and a sharp increase in lending rates. Private sector banks are likely to post stable performance.

### NII growth momentum likely to slow down due to higher deposit rates

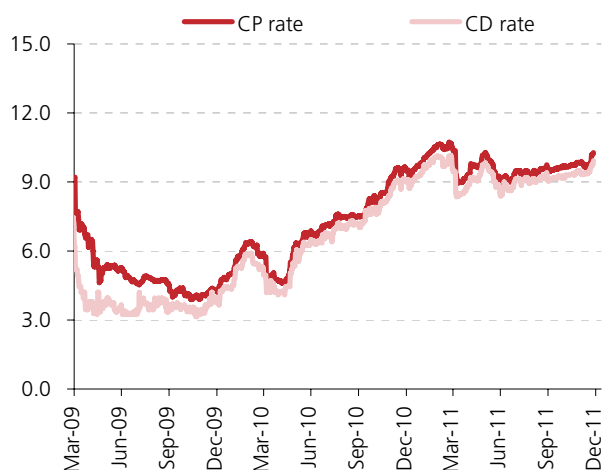
Yoy growth in NII, March fiscal year-ends, 2QFY11-3QFY12 (%)

	2QFY11	3QFY11	4QFY11	1QFY12	2QFY12	3QFY12
<b>Public banks</b>						
Andhra Bank	52.2	44.2	31.3	23.6	21.4	13.6
Bank of Baroda	45.6	43.2	49.8	23.6	27.0	10.6
Bank of India	26.0	32.9	48.7	6.0	7.2	(2.4)
Canara Bank	52.5	43.4	23.5	3.8	(2.1)	(5.6)
Corporation Bank	42.1	40.5	29.2	1.4	4.0	(8.1)
Indian Bank	37.7	18.9	18.9	11.2	15.5	6.6
IOB	21.9	42.3	48.1	31.0	32.4	14.9
OBC	92.0	18.0	2.5	(3.7)	(8.2)	(0.4)
PNB	49.3	37.5	21.3	19.9	16.0	9.4
State Bank of India	44.7	43.3	19.9	32.8	28.4	16.2
Union Bank	72.6	51.8	22.9	18.0	8.2	2.6
<b>Old private banks</b>						
Federal Bank	32.9	17.4	9.3	11.2	8.2	5.8
J&K Bank	48.7	32.7	34.7	19.2	16.0	13.9
<b>New private banks</b>						
Axis Bank	40.5	28.5	16.5	13.9	24.3	21.5
Indusind Bank	58.1	52.7	42.3	31.9	27.1	18.4
HDFC Bank	29.2	24.9	20.8	18.6	16.6	10.8
ICICI Bank	8.3	12.3	23.3	21.1	13.7	14.5
Yes Bank	77.9	53.2	42.7	35.1	23.1	30.1

Source: Company, Kotak Institutional Equities

### Short term rates have been stable since March 2011

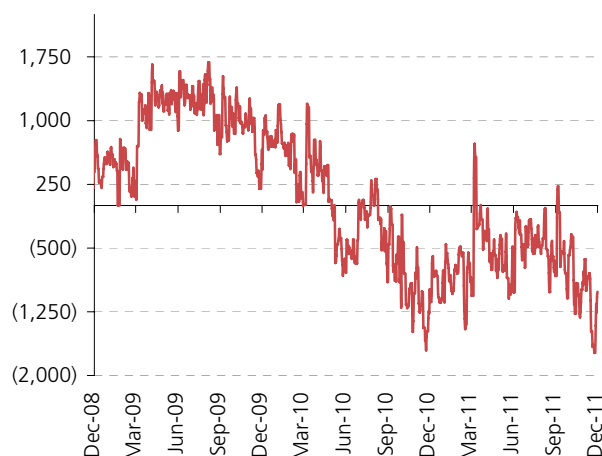
CP and CD rates, March 2009- December 2011 (%)



Source: Bloomberg, Kotak Institutional Equities

### Liquidity remains marginally below comfortable levels

Net reverse repo, December 2008- December 2011 (₹ bn)



Source: Bloomberg, Kotak Institutional Equities

## PLR and base-rate hikes over the past year

	2QFY11	Initial PLR	Rate changes	Effective PLR	Initial Base rate	Rate changes	Revised Base rate
Andhra Bank		12.50	5-Oct-10	12.75	8.25	6-Oct-10	8.50
			13-Dec-10	13.00		13-Dec-10	9.00
			23-Dec-10	13.25		3-Feb-11	9.50
			3-Feb-11	13.75		9-May-11	10.00
			6-May-11	14.25		9-Jul-11	10.25
			9-Jul-11	14.50		1-Aug-11	10.75
Bank of Baroda	6-Aug-10	12.50	13-Dec-10	13.25	8.00	5-Oct-10	8.50
			3-Feb-11	13.75		13-Dec-10	9.00
			6-May-11	14.25		3-Feb-11	9.50
			12-Jul-11	14.50		6-May-11	10.00
			1-Aug-11	15.00		12-Jul-11	10.25
Bank of India	14-Aug-10	12.50	15-Dec-10	13.25	8.00	6-Oct-10	8.50
			1-Feb-11	13.75		15-Dec-10	9.00
			6-May-11	14.25		1-Feb-11	9.50
			1-Aug-11	15.00		6-May-11	10.00
						1-Aug-11	10.75
Canara Bank		12.00	12-Aug-10	12.50	8.00	1-Oct-10	8.50
			4-Feb-11	13.75		13-Dec-10	9.00
			5-May-11	14.25		4-Feb-11	9.50
			1-Jul-11	14.50		5-May-11	10.00
			1-Aug-11	15.00		1-Jul-11	10.25
Indian Bank	2-Jul-09	12.50	1-Oct-10	12.75	8.00	1-Oct-10	8.50
			1-Dec-10	13.00	8.00	1-Oct-10	8.50
			13-Dec-10	13.25		13-Dec-10	9.00
			21-Jan-11	13.50		2-Feb-11	9.50
			18-Feb-11	13.75		5-May-11	10.00
			5-May-11	14.25		13-Jul-11	10.25
			13-Jul-11	14.50		1-Aug-11	10.75
			1-Aug-11	15.00			
IOB	23-Aug-10	12.50	1-Oct-10	12.75	8.25	1-Oct-10	8.50
			13-Dec-10	13.00		13-Dec-10	9.00
			16-Dec-10	13.25		2-Feb-11	9.50
			5-Feb-11	13.75		4-May-11	10.00
			4-May-11	14.25		6-May-11	10.00
			6-May-11	14.25		1-Jul-11	10.25
			1-Jul-11	14.50		1-Aug-11	10.75
			1-Aug-11	15.00			
PNB	1-Aug-10	11.75	8-Dec-10	12.50	8.00	1-Oct-10	8.50
			31-Jan-11	13.00		13-Dec-10	9.00
			4-May-11	13.50		31-Jan-11	9.50
			1-Aug-11	14.25		4-May-11	10.00
SBI	16-Aug-10	12.25	21-Oct-10	12.50	7.50	21-Oct-10	7.60
			3-Jan-11	12.75		3-Jan-11	8.00
			14-Feb-11	13.00		14-Feb-11	8.25
			25-Apr-11	13.25		25-Apr-11	8.50
			12-May-11	14.00		12-May-11	9.25
			7-Jul-11	14.25		7-Jul-11	9.50
			13-Aug-11	14.75		13-Aug-11	10.00
Union Bank	4-Aug-10	12.25	18-Dec-10	13.25	8.00	15-Oct-10	8.50
			9-Feb-11	13.75		27-Dec-10	9.00
			7-May-11	14.25		4-Feb-11	9.50
			11-Jul-11	14.50		7-May-11	10.00
			23-Aug-11	15.00		11-Jul-11	10.25
						1-Aug-11	10.75
					29-Dec-11	10.65	

Source: Company, Kotak Institutional Equities

**Treasury gains expected to support non-interest income; fee income to be weak**

We expect non-interest income growth to be supported by treasury gains and better recovery trends but we expect core fee income to remain under pressure. Low loan book activity, pressure on fee income from third-party distribution (mainly for private banks) are expected to subdue performance.

In 3QFY12 banks have had better opportunity than they did in previous quarters to make gains on their investment portfolio. During the quarter, the yield curve closed flat across tenors despite high volatility. The 10-year, 5-year, 2-year and 1-year bonds are about 8.4% and have not changed significantly from 2QFY12. However, a sharp drop from highs of 8.9-9% should provide some opportunity for banks to make trading profits. In 3QFY12 the 1, 2, 5 and 10 year bonds increased by 0, -10, 15 and 10 bps qoq, respectively, against a 10-20 bps increase in 2QFY12.

**Treasury income for the quarter to be lower due to limited trading opportunities**

March fiscal year-ends, 2QFY11 - 3QFY12E (₹ mn)

	2QFY11	3QFY11	4QFY11	1QFY12	2QFY12	3QFY12
<b>Public banks</b>						
Andhra Bank	176	100	650	590	220	201
Bank of Baroda	1,101	848	1,209	740	102	500
Bank of India	360	592	1,266	1,097	1,544	1,544
Canara Bank	20	290	(180)	(770)	1,490	1,000
Corporation Bank	45	324	819	343	1,576	1,333
Indian Bank	586	270	54	450	210	450
IOB	150	229	300	(152)	490	490
OBC	8	314	262	717	183	300
PNB	380	870	1,730	1,740	1,050	1,200
State Bank of India	1,973	2,202	3,347	1,689	281	3,500
Union Bank	1,310	1,080	1,710	1,130	1,000	1,300
<b>Old private banks</b>						
Federal Bank	141	82	70	160	141	180
J&K Bank	182	179	227	101	85	100
<b>New private banks</b>						
Axis Bank	1,080	1,350	580	702	280	1,000
IndusInd Bank	130	240	192	278	239	225
HDFC Bank	(521)	(307)	86	(413)	(13)	150
ICICI Bank	(1,440)	210	(1,960)	(250)	(800)	(300)
Yes Bank	(200)	—	—	—	—	50

Source: Companies, Kotak Institutional Equities estimates

**Non-interest income (ex-treasury) likely to show moderate growth**

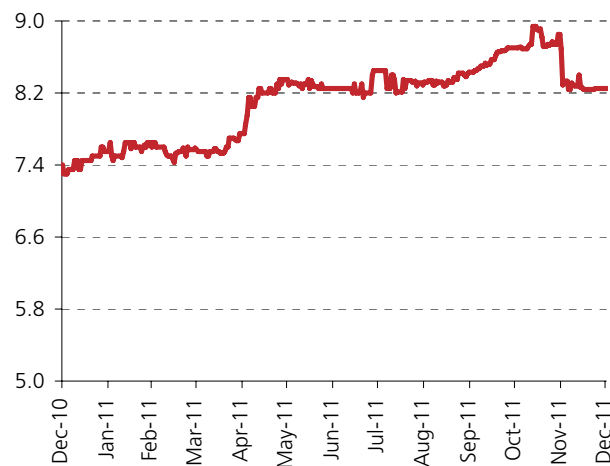
Yoy growth in non-interest income (ex-treasury), March fiscal year-ends, 2QFY11 -3QFY12E (%)

	2QFY11	3QFY11	4QFY11	1QFY12	2QFY12	3QFY12
<b>Public banks</b>						
Andhra Bank	25.6	6.7	8.3	(1.5)	(10.2)	(3.7)
Bank of Baroda	20.3	13.1	11.2	15.9	26.8	3.1
Bank of India	4.5	35.4	6.0	13.3	25.3	6.9
Canara Bank	8.9	4.4	59.5	18.4	36.5	36.4
Corporation Bank	(2.8)	8.0	56.7	1.1	8.8	42.1
Indian Bank	8.4	2.5	(6.7)	(31.5)	42.8	20.1
IOB	16.7	36.1	44.8	103.8	45.7	(28.0)
OBC	6.5	7.1	14.5	27.5	21.5	17.9
PNB	9.6	34.2	35.8	27.6	15.2	2.2
State Bank of India	27.8	5.6	9.7	(4.3)	(10.7)	6.7
Union Bank	12.3	15.5	(4.9)	15.2	5.9	28.6
<b>Old private banks</b>						
Federal Bank	21.3	13.6	6.2	8.1	(20.8)	17.1
J&K Bank	11.5	8.6	9.3	(5.3)	11.4	—
<b>New private banks</b>						
Axis Bank	9.9	23.8	67.6	36.4	30.4	21.3
Indusind Bank	31.6	63.1	27.0	33.0	32.8	28.5
HDFC Bank	13.7	25.2	25.0	19.8	19.8	18.5
ICICI Bank	12.8	1.7	8.4	5.8	5.7	10.1
Yes Bank	11.4	26.5	16.6	8.9	41.8	31.4

Source: Companies, Kotak Institutional Equities estimates

**Yields were flat at the end of 3QFY12...**

Yield of 1-year G-Sec (%)



Source: Kotak Institutional Equities

**...yields at the longer end showed similar movement**

Yield of 10-year G-Sec (%)



Source: Kotak Institutional Equities



Provisions unlikely to be sharp as proportion, duration of investments and change in rates are low  
Impact of 20 bps yield change on investments as of 2QFY12, March fiscal year-ends

	Investment (Rs bn)	AFS (Rs bn)	% of book (%)	Duration (Years)	Impact (Rs mn)	PBT 2012 (Rs mn)	Impact (%)
<b>Public banks</b>							
Andhra Bank	264	32	12.1	0.8	51	18,236	0.3
Bank of Baroda	883	139	15.7	2.8	776	59,893	1.3
Bank of India	912	320	35.0	0.6	390	29,393	1.3
Canara Bank	991	287	29.0	3.1	1,751	42,203	4.1
Corporation Bank	483	—	—	—	—	17,464	—
Indian Bank	358	103	28.8	0.8	163	26,272	0.6
IOB	538	162	30.2	—	—	15,802	—
OBC	443	154	34.9	3.6	1,122	18,137	6.2
PNB	1,105	271	24.5	3.2	1,748	73,219	2.4
SBI	3,128	—	—	—	—	166,051	—
Union Bank	620	119	19.1	1.9	441	30,777	1.4
<b>Old private banks</b>							
Federal Bank	188	76	40.6	—	—	11,176	—
Axis Bank	850	301	35.4	3.1	1,889	59,111	3.2

Source: Kotak Institutional Equities

### Slippages and provisions likely to decline qoq; better recovery expected especially from loans that slipped due to transition exercise

In 3QFY12E we expect slippages and provisions to decline sequentially but outstanding restructured loans to increase for the industry. Agriculture loans are likely to perform better in terms of slippages and recoveries as 3QFY12 is a seasonally strong quarter. With banks strengthening their recovery process, especially after the transition exercise, resulting in higher NPLs, we expect higher recoveries/upgradation in 3QFY12E. We see limited concern for private banks for another quarter. Overall increase in gross NPLs is likely to be lower as recovery trends are expected to remain strong.

Provisions are likely to decline sequentially as in 2QFY12 banks took the charge for transition related loans and SBI saw higher provisions to meet regulatory requirements. Restructuring is likely to remain high and would be a key monitorable for all banks – especially banks with a higher share of exposure to SEBs. The impact of restructuring SEB loans is likely to be limited as banks are not taking any NPV hits on these loans but would need to provide 2% due to their classification.

### Nearly 20% of the restructured portfolio has slipped into NPLs

Restructured loans and slippages from restructured loans, March fiscal year-ends, 2QFY12

	Restructured loans (Rs bn)	% of loans (%)	Slippages (Rs bn)	% of restructured loans (%)
Andhra Bank	28	3.8	6	20.0
Bank of Baroda	79	3.3	10	12.1
Bank of India	111	5.1	27	24.0
Canara Bank	85	4.0	8	9.4
Indian Bank	51	6.0	2	3.3
IOB	72	5.6	21	29.1
OBC	41	3.9	10	24.9
PNB	149	6.0	26	17.2
SBI	354	4.5	78	21.9
Union Bank	66	4.5	14	20.8
<b>Total</b>	<b>1,037</b>		<b>200</b>	<b>19.2</b>

Source: Company, Kotak Institutional Equities

## NPL provisions will remain at elevated levels for all public banks

Loan loss provisions of banks, March fiscal year-ends, 2QFY11-3QFY12E (₹ mn)

	2QFY11	3QFY11	4QFY11	1QFY12	2QFY12	3QFY12
<b>Public banks</b>						
Andhra Bank	1,186	1,693	2,284	1,501	2,509	3,011
Bank of Baroda	1,423	2,064	4,244	1,320	2,981	3,428
Bank of India	2,863	1,236	3,367	4,090	8,240	5,562
Canara Bank	2,060	2,000	5,410	2,850	4,768	4,529
Corporation Bank	884	1,534	1,873	901	1,727	1,994
Indian Bank	1,145	280	1,845	1,250	1,170	1,521
IOB	2,796	3,016	3,470	4,427	4,900	4,410
OBC	2,196	1,781	3,930	1,354	3,422	2,400
PNB	3,990	6,640	6,700	7,250	4,930	5,916
State Bank of India	21,625	16,323	32,639	27,817	29,212	26,291
Union Bank	6,290	3,610	1,170	3,700	4,950	3,750
<b>Old private banks</b>						
Federal Bank	1,430	1,276	970	1,141	654	752
J&K Bank	436	299	348	367	206	300
<b>New private banks</b>						
Axis Bank	3,210	2,330	1,760	1,530	2,470	3,952
IndusInd Bank	331	446	339	387	399	639
HDFC Bank	4,450	2,929	3,301	4,137	3,461	3,075
ICICI Bank	6,411	4,643	3,836	4,539	3,188	4,144
Yes Bank	174	140	173	—	350	500
<b>Total</b>	<b>62,899</b>	<b>52,240</b>	<b>77,659</b>	<b>68,560</b>	<b>79,537</b>	<b>76,175</b>
<b>Total - Public sector</b>	<b>46,456</b>	<b>40,177</b>	<b>66,932</b>	<b>56,459</b>	<b>68,810</b>	<b>62,812</b>
<b>Total - Private sector</b>	<b>16,443</b>	<b>12,063</b>	<b>10,726</b>	<b>12,101</b>	<b>10,727</b>	<b>13,362</b>

Source: Companies, Kotak Institutional Equities estimates

## Stocks trade at attractive levels despite the recent price appreciation

Valuations of key banks, March fiscal year-ends, 2011-2013E

	Reco.	Price		EPS (Rs)			PER (X)			BVPS (Rs)			PBR (X)			RoE (%)		
		(Rs)	Market cap. US \$bn	2011	2012E	2013E	2011	2012E	2013E	2011	2012E	2013E	2011E	2012E	2013E	2011	2012E	2013E
<b>Public banks</b>																		
Andhra Bank	BUY	84	0.9	23	23	22	3.7	3.6	3.8	116	133	149	0.7	0.6	0.6	23	19	16
Bank of Baroda	BUY	700	5.1	108	107	115	6.5	6.6	6.1	493	577	668	1.4	1.2	1.0	26	20	18
Bank of India	BUY	288	3.0	45	42	54	6.3	6.9	5.4	292	325	367	1.0	0.9	0.8	17	14	15
Canara Bank	BUY	384	3.2	91	75	87	4.2	5.1	4.4	405	466	539	0.9	0.8	0.7	23	16	16
Corporation Bank	BUY	351	1.0	95	86	90	3.7	4.1	3.9	482	547	614	0.7	0.6	0.6	22	17	15
Indian Bank	BUY	187	1.5	39	41	41	4.8	4.6	4.5	184	216	248	1.0	0.9	0.8	23	20	18
IOB	BUY	76	0.9	17	18	22	4.4	4.1	3.4	132	148	167	0.6	0.5	0.5	13	13	13
OBC	BUY	204	1.1	52	44	54	4.0	4.6	3.8	350	384	425	0.6	0.5	0.5	16	11	13
PNB	BUY	802	4.8	140	155	162	5.7	5.2	5.0	632	750	874	1.3	1.1	0.9	24	22	20
SBI	BUY	1,706	20.3	130	173	216	13.1	9.9	7.9	1,023	1,154	1,326	1.7	1.5	1.3	13	16	17
SBI incl. banking subs	BUY	1,481	17.7	178	221	280	8.3	6.7	5.3	1,301	1,488	1,723	1.1	1.0	0.9	14	16	18
SBI (core banking business)	BUY	1,089	13.0	130	155	196	8.4	7.0	5.6	922	1,052	1,224	1.2	1.0	0.9	14	17	19
Union Bank	BUY	175	1.7	39	41	48	4.4	4.3	3.6	211	242	280	0.8	0.7	0.6	21	18	19
<b>Old private banks</b>																		
Federal Bank	BUY	354	1.1	34	43	51	10.3	8.3	7.0	298	329	366	1.2	1.1	1.0	12	14	15
J&K Bank	ADD	694	0.6	127	150	158	5.5	4.6	4.4	717	831	951	1.0	0.8	0.7	19	19	18
<b>New private banks</b>																		
Axis Bank	BUY	838	6.5	83	94	93	10.1	9.0	9.0	463	523	597	1.8	1.6	1.4	19	19	17
IndusInd Bank	BUY	243	2.1	12	15	17	19.6	15.9	14.2	82	94	108	3.0	2.6	2.2	21	18	17
HDFC Bank	ADD	439	19.3	17	22	28	26.0	20.0	15.7	109	126	148	4.0	3.5	3.0	17	19	20
ICICI Bank	BUY	726	15.7	45	52	54	16.2	14.0	13.5	478	512	547	1.5	1.4	1.3	10	10	10
ICICI standalone	BUY	491	10.6	41	48	49	11.9	10.2	9.9	365	398	433	1.3	1.2	1.1	12	13	13
Yes Bank	BUY	246	1.6	21	25	30	11.7	9.7	8.3	109	131	156	2.2	1.9	1.6	21	21	21
<b>Non-banks</b>																		
HDFC	REDUCE	665	18.4	24	28	32	27.6	23.9	21.0	118	134	168	5.6	5.0	4.0	22	22	21
HDFC core	REDUCE	395	10.9	20	24	28	19.6	16.4	14.3	58	72	107	6.8	5.5	3.7	39	37	31
IDFC	ADD	97	2.7	9	10	12	11.0	9.4	7.9	71	82	92	1.4	1.2	1.1	15	14	14
India Infoline	SELL	47	0.3	7	4	5	6.3	13.2	9.4	58	59	63	0.8	0.8	0.7	14	7	10
LIC Hsg Fin	ADD	227	2.0	21	23	28	11.1	9.9	8.2	88	105	126	2.6	2.2	1.8	26	24	24
Mahindra Finance	BUY	609	1.2	45	56	71	13.5	10.9	8.6	243	284	337	2.5	2.1	1.8	22	21	23
Power Finance Corporation	BUY	143	3.5	23	17	28	6.3	8.4	5.1	133	154	175	1.1	0.9	0.8	18	13	17
Rural Electrification Corp.	BUY	157	2.9	26	28	32	6.0	5.7	4.9	129	148	169	1.2	1.1	0.9	22	20	20
Reliance Capital	ADD	248	1.1	12	9	13	6.3	19.9	26.7	280	285	291	0.6	0.6	0.5	3	4	8

Source: Companies, Bloomberg, Kotak Institutional Equities estimates

**BFSI outperformed the Sensex in 3QFY12**

Stock price performance—absolute and relative (%)

	Change in price (%)					Relative performance to sensex (%)					52 week high (Rs)	52 week low (Rs)
	1 month	3 month	6 month	12 month	Ytd	1 month	3 month	6 month	12 month	Ytd		
<b>Public banks</b>												
Andhra Bank	(16.3)	(31.2)	(36.8)	(44.0)	5.1	(10.3)	(29.5)	(18.9)	(17.5)	1.9	159	77
Bank of Baroda	(4.2)	(6.4)	(19.6)	(21.5)	5.2	1.1	(5.0)	(3.9)	0.8	2.0	1,007	630
Bank of India	(15.4)	(7.7)	(30.4)	(36.1)	8.2	(9.5)	(6.3)	(13.4)	(11.1)	4.9	499	261
Canara Bank	(13.4)	(11.4)	(27.2)	(42.0)	5.4	(7.6)	(10.0)	(10.6)	(15.9)	2.2	672	341
Corporation Bank	(0.7)	(15.3)	(32.8)	(45.0)	0.2	4.4	(13.8)	(15.4)	(18.4)	(2.8)	727	335
Indian Bank	(4.7)	(9.7)	(12.6)	(24.7)	0.9	0.6	(8.2)	2.1	(1.8)	(2.2)	255	166
IOB	(18.9)	(15.8)	(48.6)	(48.4)	3.7	(12.8)	(14.3)	(29.2)	(21.1)	0.5	164	73
OBC	(25.6)	(29.8)	(38.7)	(49.3)	4.1	(19.2)	(28.2)	(20.6)	(21.9)	0.9	412	190
PNB	(12.5)	(14.2)	(26.5)	(34.4)	2.7	(6.7)	(12.7)	(10.0)	(9.7)	(0.4)	1,237	751
SBI	(9.6)	(8.4)	(29.5)	(39.6)	5.3	(4.0)	(7.0)	(12.6)	(13.9)	2.1	2,960	1,571
Union Bank	(21.7)	(25.6)	(41.2)	(48.7)	3.1	(15.5)	(24.0)	(22.8)	(21.4)	(0.0)	360	155
<b>Old private banks</b>												
Federal Bank	(10.6)	(1.4)	(21.5)	(12.3)	5.2	(5.0)	(0.1)	(5.6)	8.3	2.0	477	322
J&K Bank	(9.9)	(9.3)	(18.2)	(14.7)	2.6	(4.3)	(7.8)	(2.7)	6.3	(0.5)	915	645
<b>New private banks</b>												
Axis Bank	(16.7)	(15.3)	(36.0)	(38.8)	3.6	(10.8)	(13.8)	(18.2)	(13.3)	0.5	1,461	784
IndusInd Bank	(11.7)	(4.9)	(11.8)	(8.3)	7.4	(11.7)	(4.9)	(11.8)	(8.3)	7.4	292	181
HDFC Bank	(5.8)	(3.7)	(12.2)	(8.1)	2.9	(0.4)	(2.4)	2.5	11.7	(0.2)	520	396
ICICI Bank	(7.9)	(13.5)	(33.7)	(36.6)	6.0	(2.3)	(12.0)	(16.2)	(11.5)	2.8	1,158	641
Yes Bank	(15.3)	(5.6)	(22.8)	(22.1)	3.0	(9.4)	(4.2)	(6.7)	0.3	(0.2)	341	231
<b>Non-banks</b>												
HDFC	(0.4)	4.8	(5.4)	(8.7)	2.0	4.8	6.1	8.4	11.3	(1.1)	739	582
IDFC	(16.4)	(11.9)	(28.5)	(47.0)	5.3	(10.5)	(10.4)	(11.7)	(20.0)	2.1	186	90
LIC Housing Finance	(3.1)	5.6	(5.7)	15.6	2.5	2.2	6.8	8.2	31.1	(0.6)	245	150
MMFS	(8.8)	(5.3)	(2.6)	(19.0)	(0.2)	(3.3)	(3.9)	10.8	2.8	(3.2)	840	586
PFC	(20.7)	0.6	(25.4)	(53.4)	3.6	(14.5)	1.9	(9.0)	(25.2)	0.4	315	130
Shriram Transport	(19.1)	(28.7)	(33.1)	(44.0)	4.1	(13.0)	(27.1)	(15.7)	(17.6)	0.9	850	416
SREI	5.8	(17.7)	(38.2)	(58.5)	9.0	10.6	(16.2)	(20.2)	(29.4)	5.7	65	22
REC	(21.0)	(3.8)	(20.7)	(46.3)	2.0	(14.8)	(2.5)	(4.9)	(19.4)	(1.1)	303	144

Source: Bloomberg

## Quarterly result expectations of companies under coverage

	Dec-10	Sep-11	Dec-11E	Change (%)		Comments
				yoy	qoq	
<b>Banking</b>						
<b>Andhra Bank</b>						
Net interest income	8,399	9,510	9,540	13.6	0.3	
Operating profit	6,142	6,579	6,622	7.8	0.7	Expect NIM compression of 10-15 bps qoq. Fee income trends to remain weak
Treasury income (net)	100	191	101	1.1	(47.0)	
Loan loss provision	1,693	2,509	3,011	77.8	20.0	Loan growth at about 18% levels. Expect gross NPLs to remain stable qoq and better recovery trends
PAT	3,309	3,160	2,699	(18.4)	(14.6)	
<b>Axis Bank</b>						
Net interest income	17,331	20,073	21,066	21.5	4.9	
Operating profit	15,235	17,476	18,493	21.4	5.8	NIM to remain broadly inline with the previous quarter. Loan growth to slowdown to about 20% levels
Treasury income (net)	1,350	280	1,000	(25.9)	257.1	
Loan provision	2,330	2,470	3,952	69.6	60.0	
PAT	8,914	9,203	9,566	7.3	3.9	PAT growth to be lower on the back of higher provisions and slower fee income growth
<b>Bank of Baroda</b>						
Net interest income	22,923	25,669	25,360	10.6	(1.2)	
Operating profit	17,222	20,816	18,402	6.8	(11.6)	NII growth expected at 11% as compared to loan growth of 22% levels. NIMs to decline 10-15 bps qoq. International NIM can show improvement
Treasury income (net)	313	(1,398)	(200)	(163.9)	(85.7)	
Loan loss provision	2,064	2,981	3,428	66.1	15.0	Asset quality will be a key monitorable, but we don't expect any serious negative surprises. Higher loan-loss provisions to result in flat yoy growth in PAT
PAT	10,689	11,661	10,337	(3.3)	(11.4)	
<b>Bank of India</b>						
Net interest income	19,869	19,039	19,393	(2.4)	1.9	
Operating profit	13,954	15,541	13,420	(3.8)	(13.6)	Expect flat NII growth yoy. NIMs stable at 2.5% levels. Loan book to be inline with industry average
Treasury income (net)	(66)	(26)	820	(1,342.7)	(3,254.6)	
Loan loss provision	1,236	8,240	5,562	350.0	(32.5)	Asset quality to be stable qoq and to result in lower loan-loss provisions. PAT to de-grow 16% yoy
PAT	6,532	4,911	5,521	(15.5)	12.4	
<b>Canara Bank</b>						
Net interest income	21,192	19,617	20,007	(5.6)	2.0	
Operating profit	15,367	14,463	14,862	(3.3)	2.8	Expect NIM to decline 10-15 bps qoq. Loan growth to slow down to 20% yoy
Treasury income (net)	190	827	600	215.8	(27.4)	
Loan provision	2,000	4,768	4,529	126.5	(5.0)	Fee income trends to remain weak. Net profits to decline 20% yoy on the back of higher provisions
PAT	11,057	8,522	8,758	(20.8)	2.8	
<b>Corporation Bank</b>						
Net interest income	8,425	7,436	7,743	(8.1)	4.1	
Operating profit	6,166	5,297	6,238	1.2	17.8	NII growth to remain weak as margins are likely to remain flat qoq at 2.4% levels. Loan growth marginally ahead of industry average
Treasury income (net)	238	1,384	1,033	334.4	(25.3)	
Loan provision	1,534	1,727	1,994	30.0	15.4	Overall provisions to remain higher as the bank should witness higher delinquencies. Flat yoy growth in PAT
PAT	3,825	4,011	3,857	0.8	(3.8)	
<b>Federal Bank</b>						
Net interest income	4,473	4,744	4,734	5.8	(0.2)	
PBT	3,356	3,472	3,565	6.2	2.7	NIM to decline 10 bps qoq. Loan growth to be marginally ahead of industry average of 20% levels
Treasury income (net)	64	72	80	26.0	10.5	
Loan provision	1,276	654	752	(41.1)	15.0	Expect further improvement in slippage trends (overall slippage ratio to remain above normalised levels)
PAT	1,431	1,912	1,883	31.6	(1.5)	
<b>HDFC</b>						
Net operational income	13,234	14,734	15,910	20.2	8.0	
PBT	12,129	13,377	14,560	20.0	8.8	We expect HDFC to deliver 20% loan growth
PAT	8,909	9,707	10,629	19.3	9.5	Reported spreads will likely remain above 2%

Source: Company, Kotak Institutional Equities

## Quarterly result expectations of companies under coverage

	Dec-10	Sep-11	Dec-11E	Change (%)		Comments
				yoy	qoq	
<b>HDFC Bank</b>						
Net interest income	27,767	29,445	30,778	10.8	4.5	Expect NIM to remain stable at 4.2% resulting in NII growth at 11% yoy. Loan growth to see some moderation
PBT	19,304	21,071	23,249	20.4	10.3	
Treasury income (net)	(307)	(13)	150	(148.9)	(1,253.8)	Fee income growth to remain inline with loan growth. Earnings growth to be driven by lower loan-loss provisions
Loan provision	2,929	3,461	3,075	5.0	(11.1)	
PAT	10,878	11,994	13,876	27.6	15.7	
<b>ICICI Bank</b>						
Net interest income	23,117	25,064	26,464	14.5	5.6	Expect NIM to remain flat at 2.6-2.7% levels due to better composition of assets and pricing power. Loan growth inline with industry trends.
Operating profit	23,216	24,338	25,872	11.4	6.3	
Treasury income (net)	210	(800)	(300)	(242.9)	(62.5)	Specific provisions to increase qoq while fee income trends to remain weak resulting in lower PAT growth (10% yoy)
Loan provision	4,643	3,188	4,144	(10.7)	30.0	
PAT	14,370	15,032	15,857	10.3	5.5	
<b>IDFC</b>						
Net operational income	6,600	8,997	7,075	7.2	(21.4)	We model 17% loan growth in 3Q
Operating profit	4,480	6,953	5,425	21.1	(22.0)	NIM stable qoq, capital gains from stake sale in the AMC business will drive reported earnings
PAT	3,215	5,242	4,070	26.6	(22.4)	
<b>Indian Bank</b>						
Net interest income	10,377	11,354	11,063	6.6	(2.6)	Loan book to grow below industry average. NII to grow by 7% yoy
Operating profit	7,803	8,925	7,859	0.7	(11.9)	
Treasury income (net)	60	(750)	(318)	(630.0)	(57.6)	Margins to be stable qoq. PAT to decline 17% on the back of higher provisions for NPLs
Loan provision	280	1,170	1,521	443.2	30.0	
PAT	4,913	4,687	4,094	(16.7)	(12.7)	
<b>India Infoline</b>						
Net sales	4,596	4,109	4,399	(4.3)	7.1	Decline in cash market volumes (down 18% qoq) will affect broking income
PBT	1,006	352	362	(64.1)	2.8	NII up 10% qoq on the back of high growth in retail lending though operating expenses for the NBFC business will also remain high
PAT	671	220	232	(65.4)	5.8	
<b>Indian Overseas Bank</b>						
Net interest income	11,302	12,664	12,981	14.9	2.5	NII growth to slowdown to 15% yoy on the back of over 25% yoy loan growth. NIM likely to be flat qoq
Operating profit	7,626	7,874	7,429	(2.6)	(5.7)	
Treasury income (net)	(151)	(270)	90	(159.5)	(133.3)	Gross NPLs should remain inline with previous quarter. Net profit should be flat yoy
Loan provision	3,016	4,900	4,410	46.2	(10.0)	
PAT	2,317	2,075	2,250	(2.9)	8.4	
<b>IndusInd Bank</b>						
Net interest income	3,630	4,192	4,297	18.4	2.5	Expect loan growth to remain above 20% levels. NIM to decline by 10 bps qoq on the back of higher cost of deposits
Operating profit	2,556	3,020	3,095	21.1	2.5	
Loan provision	446	399	639	43.3	60.0	PAT growth subdued at 15% yoy on the back of higher loan-loss provisions. Cost-income to remain at 48% levels. Expect marginal deterioration in asset quality
PAT	1,539	1,931	1,776	15.4	(8.0)	
<b>J&amp;K Bank</b>						
Net interest income	3,895	4,343	4,436	13.9	2.2	Expect NIM to decline by 10 bps due to higher deposits costs. Loan growth to be inline with industry average
Operating profit	2,624	3,070	2,926	11.5	(4.7)	
Treasury income (net)	177	40	20	(88.7)	(49.9)	Asset quality trends should remain stable resulting in lower provisions
Loan provision	299	206	300	0.3	45.8	
PAT	1,679	1,997	1,742	3.8	(12.8)	
<b>LIC Housing Finance</b>						
Net interest income	3,918	3,787	3,826	(2.3)	1.0	Loan growth strong at 30% yoy, expect NIM pressure to continue in 3Q, we model 10bps qoq NIM decline
Operating profit	2,563	1,308	3,169	23.7	142.2	
PAT	2,135	985	2,313	8.4	134.9	Reversal of excess provisions is not factored in our estimates, will provide an upside

Source: Company, Kotak Institutional Equities

## Quarterly result expectations of companies under coverage

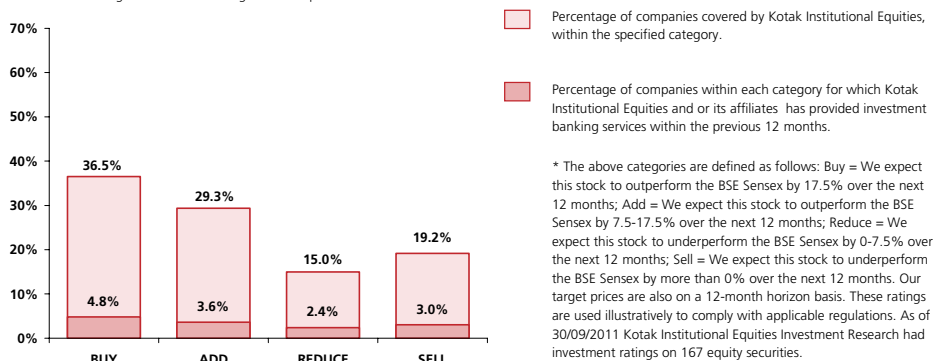
	Dec-10	Sep-11	Dec-11E	Change (%)		Comments
				yoy	qoq	
<b>Mahindra &amp; Mahindra Financial</b>						
Net interest income	3,285	3,903	4,150	26.3	6.3	Business traction strong, we expect 49%+ yoy loan growth NIM will likely decline marginally; credit cost will likely rise marginally in 3Q
PBT	1,733	2,017	2,190	26.4	8.6	
PAT	1,159	1,357	1,467	26.6	8.1	
<b>Muthoot Finance</b>						
Net interest income	-	5,532	6,000	-	8.5	We expect loan growth to remain strong (over 10% qoq); NIM will likely be down 40 bps qoq
Operating profit	-	3,182	3,665	-	15.2	
PAT	-	2,155	2,456	-	13.9	Credit cost will likely decline qoq, we expect operating expenses to be stable
<b>Oriental Bank of Commerce</b>						
Net interest income	10,299	9,893	10,261	(0.4)	3.7	NII flat yoy on the back of higher cost of deposits. NIM compression of about 5-10 bps qoq. Expect loan growth to remain inline with industry average
Operating profit	7,289	6,768	7,167	(1.7)	5.9	
Treasury income (net)	314	(618)	(100)	(131.9)	(83.8)	
Loan loss provision	1,781	3,422	2,400	34.8	(29.9)	Asset quality to remain stable but movement of restructured loans to remain a key monitorable. PAT degrowth of 19% on the back of higher loan-loss provisions
PAT	4,083	1,676	3,315	(18.8)	97.8	
<b>PFC</b>						
Net interest income	9,640	10,880	11,100	15.1	2.0	Loan growth will likely be stable at 24%; we model marginal NIM decline qoq
PBT	8,998	5,515	14,370	59.7	160.6	Core earnings up 12% yoy, reversal of MTM losses on forex account will likely boost reported profits
PAT	6,571	4,195	8,634	31.4	105.8	
<b>Punjab National Bank</b>						
Net interest income	32,033	34,526	35,055	9.4	1.5	Net profit growth to remain healthy at 12% yoy. NIM to decline 10 bps qoq while loan growth to be inline with industry average
Operating profit	22,570	23,665	23,883	5.8	0.9	
Treasury income (net)	430	(560)	300	(30.2)	(153.6)	Slippages and restructured loans will remain the key monitorable. Fee income trends to remain weak
Loan loss provision	6,640	4,930	5,916	(10.9)	20.0	
PAT	10,898	12,050	12,239	12.3	1.6	
<b>Rural Electrification Corp.</b>						
Net interest income	9,040	9,673	9,700	7.3	0.3	Loan growth to strong at 23%; NIM will likely decline by about 15 bps
PBT	9,010	8,341	9,641	7.0	15.6	We are not factoring forex losses (reversal of losses provided in previous quarters) in our estimates
PAT	6,640	6,222	7,231	8.9	16.2	
<b>State Bank of India</b>						
Net interest income	90,498	104,219	105,153	16.2	0.9	We expect NIM to remain flat qoq at 3.7%. Loan growth to be well below industry average at about 13-14% levels. Fee income growth to remain weak
Operating profit	63,338	74,402	71,404	12.7	(4.0)	
Treasury income (net)	115	(4,302)	(167)	(245.4)	(96.1)	Slippages to be lower as compared to previous few quarters. Provisions to decline as the bank has met the coverage ratio requirements
Loan provision	16,323	29,212	26,291	61.1	(10.0)	
PAT	28,281	28,104	29,664	4.9	5.6	
<b>Union Bank</b>						
Net interest income	16,158	16,612	16,583	2.6	(0.2)	Expect flat NII growth with margins stable qoq. Loan growth to be below industry average at 15-16% levels
Operating profit	11,342	10,593	11,298	(0.4)	6.7	
Treasury income (net)	880	180	500	(43.2)	177.8	Expect improvement in asset quality but provisions likely to remain high. Restructured loans are a key monitorable
Loan provision	3,610	4,950	3,750	3.9	(24.2)	
PAT	5,796	3,525	5,794	(0.0)	64.4	
<b>Yes Bank</b>						
Net interest income	3,232	3,856	4,204	30.1	9.0	High cost of funds and weak outlook to result in slower loan growth. NIM to remain stable qoq.
Operating profit	2,939	3,716	3,705	26.1	(0.3)	
Treasury income (net)	174	143	205	18.0	43.6	Growth in banking fee income to be healthy but lower be in capital market segments. PAT growth at 18% yoy driven by balance sheet expansion
Loan provision	140	350	500	257.1	42.9	
PAT	1,911	2,350	2,251	17.8	(4.2)	

Source: Company, Kotak Institutional Equities

"I, MB Mahesh, hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report."

**Kotak Institutional Equities Research coverage universe**

Distribution of ratings/investment banking relationships



Source: Kotak Institutional Equities

As of September 30, 2011

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