

28 September 2010

## Buy

**Target price**  
Rs175.00 (from Rs157.00)

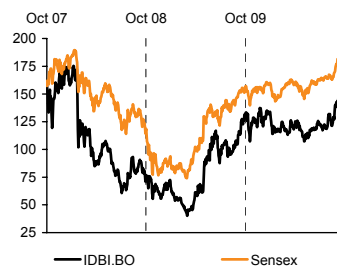
**Price**  
Rs153.60

**Short term (0-60 days)**  
n/a

**Market view**  
Underweight

### Price performance

	(1M)	(3M)	(12M)
Price (Rs)	121.6	117.8	124.9
Absolute (%)	26.3	30.4	23.0
Rel market (%)	13.0	14.0	2.0
Rel sector (%)	20.5	23.4	20.4



**Market capitalisation**  
Rs111.33bn (US\$2.47bn)

**Average (12M) daily turnover**  
Rs695.93m (US\$15.12m)

Sector: BBG AP Banks  
RIC: IDBI.BO, IDBI IN  
Priced Rs153.60 at close 27 Sep 2010.  
Source: Bloomberg

### Researched by

RBS Equities (India) Limited  
Institutional Team

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# IDBI Bank

## Reversion to mean

**IDBI Bank will continue to focus on further improving NIMs, as per management. We expect NIMs to improve on the back of slower loan growth with better pricing ability, improving liability mix and equity float benefit. A sharp rise in the wholesale cost of borrowing remains a key risk. Buy with a revised TP of Rs175.**

### Key forecasts

	FY09A	FY10A	FY11F	FY12F	FY13F
Reported PTP (Rsm)	9,856	10,447	21,047 ▲	27,878 ▲	36,993 ▲
Reported net profit (Rsm)	8,585	10,312	14,733 ▲	19,515 ▲	25,895 ▲
Reported EPS (Rs)	11.80	14.20	15.00 ▼	19.80 ▼	26.30 ▼
Normalised EPS (Rs)	11.80	14.20	15.00 ▼	19.80 ▼	26.30 ▼
Dividend per share (Rs)	2.50	3.00	3.00	3.00	3.00
Normalised PE (x)	13.00	10.80	10.30	7.75	5.84
Price/book value (x)	1.50	1.35	1.21	1.07	0.92
Dividend yield (%)	1.63	1.95	1.95	1.95	1.95
Return on avg equity (%)	12.10	13.20	14.20 ▼	14.60 ▼	16.90 ▼

Use of ▲ ▼ indicates that the line item has changed by at least 5%.  
Accounting standard: Local GAAP  
Source: Company data, RBS forecasts

year to Mar, fully diluted

### FY11-13F: traction in core earnings will likely continue

Based on our recent interaction with management, we gather IDBI Bank's focus will be to further improve net interest margin (NIM), even if the business grows marginally lower than peers. We thus build a 44bp yoy NIM expansion to 1.59% in FY11 (vs 1.4% earlier) and a further rise to 1.85% in FY12 and 2.15% in FY13. The margin improvement will be led by a combination of a steady increase in the bank's CASA proportion (13% as of June 2010), better pricing ability on loans and benefit of equity float from the recent equity infusion by government. We also lower FY11-13 loan growth to 16% yoy (vs 20% yoy earlier).

### Operating cost to asset partially offsets NIM (both lower-than-peers)

IDBI Bank reported NIM of 1.6% in 1QFY11, lower than about 3.0% for peers. However, this is partly offset by a lower operating cost to asset ratio of 90-100bp vs 160-170bp for peers, putting IDBI Bank in an inferior position of about 70-80bp on an asset basis. Going forward, we expect the improvement in NIMs to narrow this gap relative to peers, which should contribute to an increase in ROA to about 70bp in FY12 (vs 51bp in FY10).

### Value of unlisted investments – a wildcard

IDBI has stakes in various unlisted financial institutions (see Table 4). We ascribe values of Rs7 and Rs4 for IDBI Bank's stakes in NSE and CARE, based on published data on recent market deals on these companies. We assign no value for the other unlisted investments.

### Operating performance is better than expected; maintain Buy with a TP of Rs175

Post the preferential allotment (Rs31.2bn) in July 2010, GOI's stake in IDBI Bank has risen from 52.7% to about 65% and Tier 1 ratio will increase to about 8%, as per management. Given the near-term business growth targets, we believe IDBI Bank may not need to raise fresh equity capital in the medium term. Our updated SOTP valuation for IDBI Bank results in an increased TP of Rs175. We increase net profit by 10% in FY11 and by 13% in FY12 and value the core banking business using a Gordon growth model at 1.5x FY11F adjusted book value. We previously valued the core banking business at 1.0x FY12F BV, which we now think is less appropriate as the core earnings have been better than our expectations.

**Important disclosures can be found in the Disclosures Appendix.**

Provision coverage ratio  
adjusted for write-offs was 73.6%  
as of June 2010

**Table 1 : Quarterly earnings**

Rsm	1QFY10	2QFY10	3QFY10	4QFY10	1QFY11
Interest earned on loans	26,010	25,719	26,813	29,205	31,528
% growth	36.2%	24.4%	9.2%	10.5%	21.2%
Interest earned on Investments	8,537	10,643	11,607	11,455	11,346
% growth	76.3%	115.1%	105.6%	80.3%	32.9%
Interest earned on interbank / RBI	57	27	17	(1)	7
% growth	-73.4%	-91.4%	-92.8%	-101.0%	-87.2%
Interest earned – others	29	2	1	155	9
Interest earned – total	34,633	36,391	38,438	40,814	42,890
% growth	43.3%	40.1%	26.1%	23.8%	23.8%
Interest expended	-31,469	-32,481	-32,891	-33,212	-34,378
% growth	35.3%	31.6%	20.4%	19.4%	9.2%
<b>Net interest income</b>	<b>3,164</b>	<b>3,911</b>	<b>5,547</b>	<b>7,602</b>	<b>8,512</b>
% growth	243.8%	204.3%	75.0%	47.0%	169.0%
Interest expense / Interest income (%)	-90.9%	-89.3%	-85.6%	-81.4%	-80.2%
Commission / Brokerage	2,130	3,470	2,980	3,680	3,200
% growth	97.2%	137.7%	47.5%	36.3%	50.2%
Forex / Derivatives	160	250	320	260	430
% growth	128.6%	25.0%	-3.0%	-3.7%	168.8%
Portfolio gains	4,650	1,360	350	670	90
Portfolio gains (% of total income)	43.4%	13.1%	3.1%	5.1%	0.7%
Other misc income	616	1,357	2,246	861	942
<b>Total other income</b>	<b>7,556</b>	<b>6,437</b>	<b>5,896</b>	<b>5,471</b>	<b>4,662</b>
% growth	135.0%	53.0%	26.7%	25.4%	-38.3%
<b>Total income</b>	<b>10,721</b>	<b>10,348</b>	<b>11,443</b>	<b>13,072</b>	<b>13,174</b>
Payment to employees	-1,193	-1,720	-1,966	-2,855	-2,336
% growth	40.6%	51.0%	23.4%	28.1%	95.8%
Other operating expenses (inclcd misc provisions)	-1,966	-2,261	-3,075	-3,277	-2,526
% growth	54.8%	50.0%	32.4%	32.7%	28.5%
Total operating expenses	-3,159	-3,981	-5,041	-6,133	-4,862
% growth	49.1%	50.4%	28.7%	30.5%	53.9%
% of Total Income (exclcd portfolio income)	52.0%	44.3%	45.4%	49.4%	37.2%
<b>Operating income before prov</b>	<b>7,562</b>	<b>6,366</b>	<b>6,402</b>	<b>6,940</b>	<b>8,312</b>
% growth	275.0%	123.7%	63.8%	43.5%	9.9%
Provisions for NPLs	-5,560	-1,140	-1,925	-5,425	-3,458
% of loans	0.6%	0.1%	0.2%	0.4%	0.3%
Provision for investment depreciation / others	-43	-2,189	-540	0	-1,560
% of investments	0.0%	0.3%	0.1%	0.0%	0.2%
<b>Profit before tax</b>	<b>1,958</b>	<b>3,037</b>	<b>3,937</b>	<b>1,515</b>	<b>3,294</b>
% growth	7.7%	64.7%	59.2%	-59.3%	68.2%
Provision for taxes	-240	-500	-1,065	1,669	-785
% tax rate	12.3%	16.5%	27.1%	-110.2%	23.8%
<b>Net profit</b>	<b>1,718</b>	<b>2,537</b>	<b>2,872</b>	<b>3,184</b>	<b>2,509</b>
% growth	7.6%	56.2%	28.9%	1.6%	46.0%
Equity capital	7,248	7,248	7,248	7,248	7,249
Book value (Rs/share)	104.7	108.2	112.1	113.1	116.5
Adjusted BV (Rs/share)	88.0	90.9	90.7	93.7	94.4
EPS (Rs/share)	2.4	3.5	4.0	4.4	3.5
Loans (Rsbn)	980	1,050	1,113	1,382	1,353
% growth	25.4%	20.5%	20.7%	33.6%	38.1%
Deposits (Rsbn)	1,156	1,307	1,428	1,677	1,572
% growth	58.9%	64.5%	76.7%	49.2%	36.0%
Loans / Deposits (%)	84.8%	80.3%	77.9%	82.4%	86.0%
Gross NPLs (Rsbn)	17.5	18.4	23.2	21.3	26.4
Gross NPLs (%)	1.8%	1.8%	2.1%	1.5%	2.0%
Net NPLs (Rsbn)	12.0	12.5	15.5	14.1	16.1
Net NPLs (%)	1.2%	1.2%	1.4%	1.0%	1.2%
Provision coverage ratio (%)	31.1%	32.1%	33.0%	34.0%	39.2%
CAR - Tier 1 (%)	7.1	6.8	6.6	6.2	6.7
CAR - Tier 2 (%)	5.2	5.1	4.9	5.1	5.2

Source: Company data

### Asset quality largely stable

The bank's reported gross non-performing loan ratio of 2.0% as of June 2010 was largely in line with peers, although the proportion of reported restructured loans at 6.6% was higher than peers. However, excluding the two large restructured accounts (electricity generation and steel sector), restructured loans were about Rs32bn (2.4% of loan book) as of June 2010, which is largely in line with peers. Going forward, we believe asset quality will improve in line with the macroeconomic environment. We factor in marginally lower credit costs at 97bps in FY11-13F.

The proportion of adjusted restructured loans is largely in line with peers

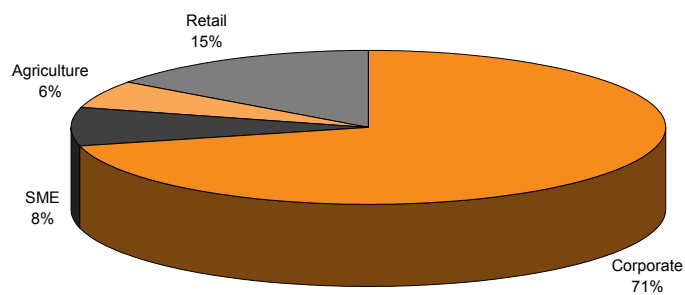
**Table 2 : Loans restructured**

June 2010	Rsbn
Loan book	1,353
Restructured standard loans	89
% of total loans	6.6%
Restructured loans excluding 2 large legacy loans	32
<b>Adjusted (excluding 1 large electricity generation account and another in the steel sector) restructured loans as % of total loans</b>	<b>2.4%</b>
Restructured loans slipped into NPLs	4.6
<b>% of slippages from adjusted restructured loans</b>	<b>14.4%</b>

Source: Company data

**Chart 1 : Loan mix (June 2010, Rs1,353bn)**

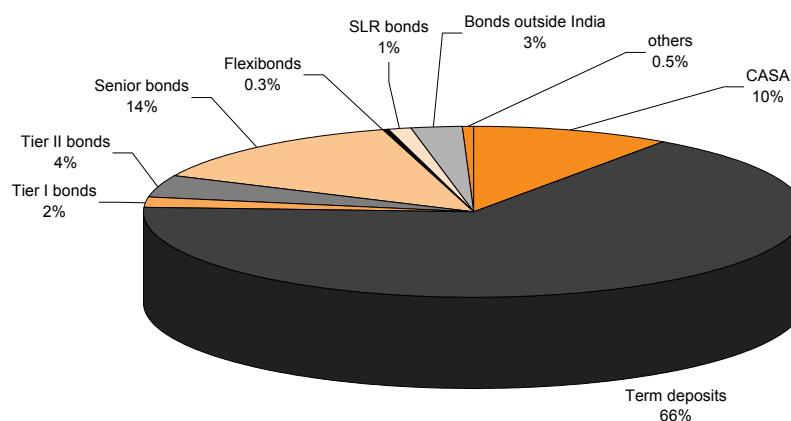
About 39% of the loans have a maturity greater than three years, partly on account of the development financial institution legacy



Source: Company data

The bank is incrementally shedding high-cost legacy liabilities and replacing them with relatively low-cost sources of funds

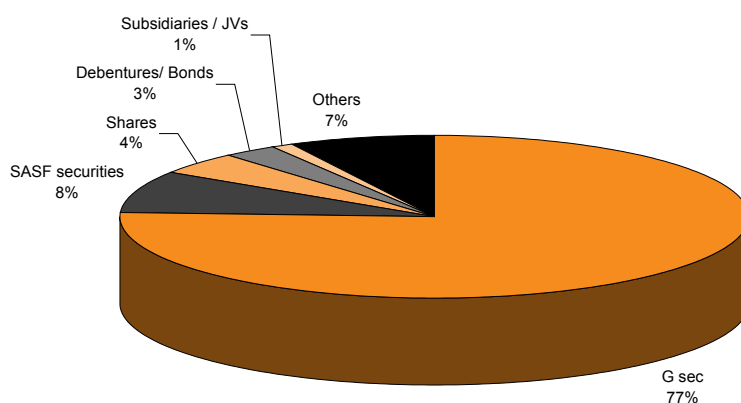
**Chart 2 : Liability mix (June 2010, Rs2,073bn)**



Source: Company data

The bank expects some investment depreciation on preference share investments over the next two years

**Chart 3 : Investments (June 2010, Rs692bn)**



Source: Company data

**Table 3 : Changes in estimates**

Rsm	FY11F			FY12F		
	Old	New	Change	Old	New	Change
Net interest income (NII)	34,799	38,846	11.6%	45,776	51,987	13.6%
Non-interest income	21,317	21,663	1.6%	24,417	24,781	1.5%
Operating costs	22,893	23,651	3.3%	28,616	30,550	6.8%
Provisions	14,787	15,810	6.9%	17,745	18,340	3.4%
Pre-tax profit	18,436	21,047	14.2%	23,832	27,878	17.0%
Reported net profit	13,366	14,733	10.2%	17,278	19,515	12.9%
Return on average assets (%)	0.53	0.59	+6 bps	0.57	0.68	+11 bps
Return on equity (%)	15.3	14.2	-110 bps	17.2	14.6	-260 bps

Source: Company data, RBS forecasts

**Table 4 : IDBI Bank's holdings in selected unlisted companies**

Investment	Listed / Unlisted	% stake
Asset Reconstruction Corporation (ARCIL)	Unlisted	20.0
Credit Analysis & Rating (CARE)	Unlisted	26.8
Clearing Corporation of India (CCIL)	Unlisted	6.5
National Securities Depository (NSDL)	Unlisted	30.0
National Stock Exchange (NSE)	Unlisted	5.0
Securities Trading Corporation (STCI)	Unlisted	7.3
SIDBI	Unlisted	19.2
Stock Holding Corporation (SHCIL)	Unlisted	17.0

Source: Company data

**Table 5 : IDBI Bank – Valuation of core business - Gordon growth model**

Sustainable ROE	17.5%
COE (Rf = 8%)	14.0%
g	7.0%
Implied price to adjusted book	1.5
<b>Target price to book</b>	<b>1.5</b>
Adj. book value (Rs, FY11F)	110
<b>Fair value (Rs)</b>	<b>164</b>

Source: Company data, RBS forecasts

**Table 6 : IDBI Bank – valuation of selected unlisted investments**

	% stake	Valuation (Rsm)	Value of IDBI Bank's stake	Value per share of IDBI Bank (Rs)
Credit Analysis & Rating (CARE)	26.8	15,000	4,013	4
National Stock Exchange (NSE)	5.0	135,000	6,750	7
		<b>Total</b>	<b>10,763</b>	<b>11</b>

Source: Press reports, company data, RBS forecasts

## Income statement

Rsm	FY09A	FY10A	FY11F	FY12F	FY13F
Net interest income	12394	22674	38846	51987	69234
Non-interest income	14764	22910	21663	24781	28501
<b>Total income</b>	<b>27158</b>	<b>45584</b>	<b>60508</b>	<b>76767</b>	<b>97735</b>
Operating costs	-12936	-17404	-22514	-29128	-37691
Goodwill (amort/impaird)	n/a	n/a	n/a	n/a	n/a
Other costs	-442.9	-909.8	-1137	-1422	-1777
<b>Pre-prov operating profit</b>	<b>13779</b>	<b>27270</b>	<b>36857</b>	<b>46218</b>	<b>58267</b>
Provisions charges	-3923	-16822	-15810	-18340	-21274
<b>Post-prov op prof</b>	<b>9856</b>	<b>10447</b>	<b>21047</b>	<b>27878</b>	<b>36993</b>
Associates (pre-tax)	n/a	n/a	n/a	n/a	n/a
Exceptionals (pre-tax)	n/a	n/a	n/a	n/a	n/a
Other pre-tax items	0.00	0.00	0.00	0.00	0.00
<b>Reported PTP</b>	<b>9856</b>	<b>10447</b>	<b>21047</b>	<b>27878</b>	<b>36993</b>
Taxation	-1271	-135.8	-6314	-8363	-11098
Minority interests	n/a	n/a	n/a	n/a	n/a
Preference dividends	n/a	n/a	n/a	n/a	n/a
Other post-tax items	0.00	0.00	0.00	0.00	0.00
<b>Reported net profit</b>	<b>8585</b>	<b>10312</b>	<b>14733</b>	<b>19515</b>	<b>25895</b>

Source: Company data, RBS forecasts

year to Mar

## Balance sheet

Rsm	FY09A	FY10A	FY11F	FY12F	FY13F
Net loans to customers	1034283	1382018	1603141	1859644	2157187
Other int earn assets	517290	748840	844068	952423	1075686
Goodwill	n/a	n/a	n/a	n/a	n/a
Oth non-int earn assets	40458	39656	43092	46845	50945
<b>Total assets</b>	<b>1704225</b>	<b>2316342</b>	<b>2656613</b>	<b>3048586</b>	<b>3500136</b>
Total customer deposits	1141356	1696394	2011091	2380040	2798262
Oth int-bearing liabs	444170	477095	485847	494819	504014
Non int-bearing liab	44273	60599	34451	31942	33132
<b>Total liabilities</b>	<b>1629799</b>	<b>2234088</b>	<b>2531389</b>	<b>2906800</b>	<b>3335408</b>
Share capital	7248	7248	9843	9843	9843
Reserves	67178	75007	115381	131943	154885
<b>Total equity (excl min)</b>	<b>74426</b>	<b>82255</b>	<b>125224</b>	<b>141786</b>	<b>164728</b>
Minority interests	n/a	n/a	n/a	n/a	n/a
<b>Total liab &amp; sh equity</b>	<b>1704225</b>	<b>2316343</b>	<b>2656613</b>	<b>3048586</b>	<b>3500136</b>
Risk weighted assets	1404050	1640168	1729046	2015757	2351401
Est non-perf loans	14357	21290	31935	39919	49898
Specific provisions	-4864	-7226	-14651	-24465	-37049
General provisions	-4357	-5399	-6283	-7309	-8499

Source: Company data, RBS forecasts

year ended Mar

## Capital

Rsm	FY09A	FY10A	FY11F	FY12F	FY13F
Risk weighted assets	1404050	1640168	1729046	2015757	2351401
Reported net profit	8585	10312	14733	19515	25895
Opening risk assets	1142570	1404050	1640168	1729046	2015757
Closing risk assets	1404050	1640168	1729046	2015757	2351401
Change in risk assets	261480	236118	88877	286712	335644
Capital required	15689	14167	5333	17203	20139
Free capital flow	-7103	-3856	9400	2312	5756
Ordinary dividend paid	-1812	-2174	-2953	-2953	-2953
Share buy back/spec div	n/a	n/a	n/a	n/a	n/a
Equity / preference issue	n/a	n/a	n/a	n/a	n/a
Cash flow from financing	-1812	-2174	-2953	-2953	-2953
Net capital flow	-8915	-6030	6448	-640.9	2803
Tier 1 capital	95594	102385	144600	160333	182362
Tier 1 capital ratio (%)	6.81	6.24	8.36	7.95	7.76

Lines in bold can be derived from the immediately preceding lines.

Source: Company data, RBS forecasts

year to Mar

<b>Standard ratios</b>	<b>IDBI</b>					<b>Axis Bank</b>			<b>Union Bank of India</b>		
<b>Performance</b>	<b>FY09A</b>	<b>FY10A</b>	<b>FY11F</b>	<b>FY12F</b>	<b>FY13F</b>	<b>FY11F</b>	<b>FY12F</b>	<b>FY13F</b>	<b>FY11F</b>	<b>FY12F</b>	<b>FY13F</b>
Non-int inc/gr op inc (%)	54.4	50.3	35.8	32.3	29.2	40.2	40.8	41.4	23.9	22.5	21.8
Cost/income (%)	49.3	40.2	39.1	39.8	40.4	41.9	42.4	42.9	36.2	34.1	31.9
Costs/average assets (%)	0.89	0.91	0.95	1.07	1.21	2.26	2.32	2.39	1.33	1.27	1.21
Net income growth (%)	17.7	20.1	42.9	32.5	32.7	19.7	16.9	17.1	22.0	17.9	19.4
Net cust loan growth (%)	25.8	33.6	16.0	16.0	16.0	20.0	20.0	20.0	16.0	16.0	16.0
Cust deposit growth (%)	53.2	48.6	18.6	18.3	17.6	18.1	18.2	18.3	15.0	15.0	15.1
Net interest margin (%)	0.85	1.15	1.59	1.85	2.15	3.30	3.31	3.32	2.83	2.92	3.00
Return on avg assets (%)	0.57	0.51	0.59	0.68	0.79	1.54	1.53	1.53	1.22	1.25	1.29
Return on avg equity (%)	12.1	13.2	14.2	14.6	16.9	17.4	17.7	17.9	25.5	24.2	23.4
RORWA (%)	0.79	0.75	0.87	0.99	1.13	1.94	1.87	1.81	1.79	1.81	1.86
				year to Mar			year to Mar			year to Mar	
<b>Valuation</b>											
Normalised EPS growth (%)	17.7	20.1	5.21	32.5	32.7	19.1	16.3	16.5	22.0	17.9	19.4
Reported PE (x)	13.0	10.8	10.3	7.75	5.84	20.4	17.5	15.0	7.59	6.44	5.40
Normalised PE (x)	13.0	10.8	10.3	7.75	5.84	20.4	17.5	15.0	7.59	6.44	5.40
Price/book value (x)	1.50	1.35	1.21	1.07	0.92	3.32	2.89	2.51	1.74	1.41	1.14
Price/adjusted BVPS (x)	1.71	1.63	1.40	1.20	1.00	3.41	2.97	2.55	1.96	1.57	1.25
Dividend yield (%)	1.63	1.95	1.95	1.95	1.95	0.93	1.06	1.19	1.58	1.84	2.10
				year to Mar			year to Mar			year to Mar	
<b>Per share data</b>	<b>FY09A</b>	<b>FY10A</b>	<b>FY11F</b>	<b>FY12F</b>	<b>FY13F</b>	<b>Solvency</b>	<b>FY09A</b>	<b>FY10A</b>	<b>FY11F</b>	<b>FY12F</b>	<b>FY13F</b>
Tot adj dil sh, ave (m)	724.8	724.8	984.3	984.3	984.3	Tier 1 capital ratio (%)	6.81	6.24	8.36	7.95	7.76
Pre-prov prof/share (INR)	19.0	37.6	37.4	47.0	59.2	Total CAR (%)	13.1	14.0	15.7	14.3	13.2
Reported EPS (INR)	11.8	14.2	15.0	19.8	26.3	Equity/assets (%)	4.37	3.55	4.71	4.65	4.71
Normalised EPS (INR)	11.8	14.2	15.0	19.8	26.3	Net cust loans/dep (%)	90.6	81.5	79.7	78.1	77.1
Book value per sh (INR)	102.7	113.5	127.2	144.1	167.4	Rep NPL/gr cus adv (%)	1.38	1.53	1.97	2.11	2.27
Dividend per share (INR)	2.50	3.00	3.00	3.00	3.00	Tot prov/rep NPLs (%)	64.2	59.3	65.6	79.6	91.3
Dividend cover (x)	4.74	4.74	4.99	6.61	8.77	Bad debts/advances (%)	0.16	1.03	0.97	0.97	0.97
				year to Mar						year to Mar	

Priced as follows: IDBI.BO - Rs153.60; AXBK.BO - Rs1507.15; UNBK.BO - Rs380.60  
Source: Company data, RBS forecasts

### IDBI Bank – Sum-of-the-parts valuation

<b>IDBI Bank</b> – core banking business (refer table 5)	164
Value per share for investments - National Stock Exchange (refer to table 6)	7
Value per share for investments - CARE (refer to table 6)	4
<b>Fair value per share / Target price (Rs)</b>	<b>175</b>

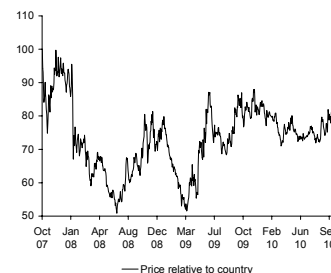
Source: Company data, RBS forecasts

## Company description

Buy

Price relative to country

IDBI Limited (the erstwhile development financial institution) was converted into a banking company in October 2004 with a mandate to continue playing the development financing role, with expansion into commercial banking space. It later on merged its banking arm, IDBI Bank, with itself and became a full-fledged commercial bank. IDBI Bank is a public sector bank with the Indian Government holding a 52.7% stake. The bank traditionally has been a wholesale funded back due to the erstwhile development financial institution legacy. However, the bank's strategy over the last few years has been aimed at changing the asset and liability profile of the bank, higher retail focus and leveraging the government and industrial relationships for future business growth.



## Strategic analysis

Average SWOT company score:

3

Shareholding pattern

### Strengths

Strong relationship with the industrial segment, balance sheet size, known franchise and investments in key domestic financial institutions are the key strengths.

### Weaknesses

The Government holds a majority 53% stake (minimum required is 51%). Thus, we believe the bank's ability to raise equity capital is limited. The lack of a strong liability franchise is a key weakness.

### Opportunities

Deepening financial services offer an opportunity to grow both its fund and non-fund revenue streams at a fast rate for a longer period. Potential to offer full-fledged services in wholesale and retail banking and gain market share.

### Threats

Competition from private and foreign banks could intensify. Private banks gaining more of a foothold in the domestic market and foreign banks making an aggressive push with their strong skill sets remain key threats.

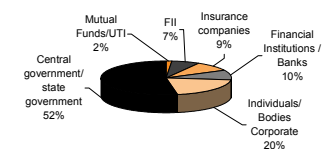
Scoring range is 1-5 (high score is good)

3

2

3

2



Source: nseindia.com, 31 March 2010

## Market data

### Headquarters

IDBI Tower, WTC Complex, Cuffe Parade, Mumbai - 400005

### Website

www.idbibank.com

### Shares in issue

724.8m

### Freefloat

47%

### Majority shareholders

Government of India (53%)

## Country view: India

The macro picture for India has been constructive recently, with GDP and industrial production tracking in line with expectations, while portfolio allocators continue to favour the market for its domestic consumption orientation. However, these positives have already been priced in and we believe risks are rising from the increasing double deficit, demanding valuations and tightening liquidity.

The country view is set in consultation with the relevant company analyst but is the ultimate responsibility of the Strategy Team.

## Country rel to Asia Pacific



## Competitive position

Average competitive score:

3-

Broker recommendations

### Supplier power

Banks typically lack pricing power on the liability side in the long term as households could shift their preference among various financial instruments.

### Barriers to entry

Distribution access, brand identity and high capital requirements for infrastructure investment as well as for growing the balance sheet act as entry barriers.

### Customer power

Asset prices tend to be market-driven. Disintermediation in wholesale lending and competition in retail lending render no pricing power in the asset markets for banks.

### Substitute products

Alternative financial savings pose a threat to the liability franchise. Similarly, disintermediation poses a threat to the asset franchise.

### Rivalry

Due to the fragmented financial services market, internal rivalry tends to be intense. Product innovation is duplicated easily and hence the life cycle tends to be short.

Scoring range 1-5 (high score is good) Plus = getting better Minus = getting worse

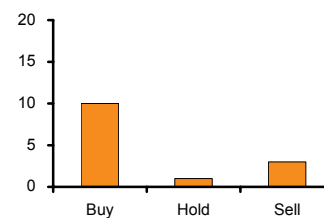
3-

3+

3-

3-

2+



Source: Bloomberg



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