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Rajesh Malhani
91-22-6632 2236

Senior Research Analyst
RajeshMalhani@PLIndia.com

Q1 FY08
Result Update

UTI Bank

Outperformer

Rs 641

July 13, 2007

Strong growth though some expected pressure on margins

Company Details		Result Snapshot	
Market Cap:	Rs 228,855m	Very strong 60% growth in advances to Rs. 412.8 bn	
52 Week High/Low:	Rs 649 / 249	Deposits too have grown equally aggressively by 45% to Rs. 610.9 bn	
Bloomberg Code:	UTIB@IN	CASA ratio has improved year on year though there is sequential decline.	
Reuters Code:	UTBK.BO / NS	NIM has improved year on year though there is sequential decline.	
Shares O/s:	64m	NII grew by 39% to Rs. 4468 mn.	
Average Volume (3 months):	1.3m	Net profits grew by 45% to Rs. 1750 mn	
Price Performance		Stock trades at 2.6x FY 09 ABV (post dilution). Though dilution is going to result in RoE coming down from 21% in FY 07 to 15% to FY 08, on account of strong growth in business and stable margins, we maintain Outperformer rating on the stock.	
(%)	1m	3m	12m
Absolute	9.6	36.7	134.7
Relative to Sensex	1.8	23.9	95.8

Q1 FY08 Result Snapshot

(Rs m)

Y/e March	Q1FY08	Q1FY07	yoy gr. (%)	Q4FY07	qoq gr. (%)	FY07	FY08E	yoy gr. (%)
Net Int. Income	4,468	3,218	38.8	4,642	(3.7)	15,671	21,854	39.5
Op. Profit	3,679	2,832	29.9	4,223	(12.9)	12,638	17,992	42.4
Net Profit	1,750	1,206	45.2	2,119	(17.4)	6,590	9,016	36.8
Deposits	610,910	420,940	45.1	587,856	3.9	587,856	799,769	36.0
Advances	412,850	258,360	59.8	368,760	12.0	368,765	534,709	45.0

Valuation Ratios

Y/e March	FY06	FY07	FY08E	FY09E
EPS (Rs)	17.6	23.5	28.2	34.2
EPS growth (%)	23.4	34.0	20.0	21.0
BV/S (Rs)	103.1	120.5	238.9	264.6
ABV/S (Rs)	95.2	111.0	228.5	248.4
P/E (x)	36.5	27.3	22.7	18.8
P/BV (x)	6.2	5.3	2.7	2.4
P/ABV (x)	6.7	5.8	2.8	2.6
DPS (Rs)	4.1	5.3	6.3	7.6
Dividend Payout ratio (%)	23.2	22.6	25.0	25.0
Dividend yield (%)	0.6	0.8	1.0	1.2

(Stock price as on July 12, 2007)



Result Highlights

UTI Bank has reported very strong 60% growth in advances to Rs. 412.8 bn in Q1 FY 08. This is in line with 65% growth reported in Q4 FY 07.

Deposits too have grown equally aggressively by 45% to Rs. 610.9 bn. This is in line with the 47% growth reported in Q4 FY07. Surprisingly, higher deposits growth is not only due to term deposit growth at 40% but also due to healthy 50% growth in saving deposits and 60% growth in current deposits. Because of higher growth, share of low cost deposits have improved from 35.5% as on Q1FY 07 to 37.8% in Q1 FY 08. But of course, due to higher reliance on term deposit and rising rates in this quarter, there is a sequential decline in CASA share from 39.9% as on Q4 FY 07 to 37.8% as on Q1FY 08.

With healthy growth in branch network from 463 as on Q1 FY 07 to 561 as on Q4 FY 07 to 574 as on Q1 FY 08, we expect CASA growth to continue at strong pace and share of CASA deposits to improve in coming quarters.

Due to year on year improvement in deposit mix, NIM has marginally improved from 2.68% in Q1FY 07 to 2.72% in Q1FY 08. But again due to rising cost of funds sequentially from 5.92% in Q4 FY 07 to 6.43% in Q1 FY 08 and deployment of funds in low yielding priority segment for short term has suppressed the NIM sequentially from 3.06% in Q4 FY 07 to 2.72% in Q1FY 08.

Strong business growth has resulted in NII growing by 39% to Rs. 4468 mn. This coupled with 47% growth in fee income and strong growth in treasury income has resulted in net profits growing by 45% to Rs. 1750 mn.

Though there is a sequential marginal increase in both gross and net NPAs, overall asset quality is healthy with gross NPA at 1.01% and net NPAs at 0.59%.

CAR is stable at 11.5%. Bank has finalized the equity issuance of 42.39 mn share through GDR cum QIP issue and another 31.92 mn shares to promoters through preferential allotment. We have factored this issuance at Rs. 600 per share.

Stock trades at 2.6x FY 09 ABV (post dilution). Though dilution is going to result in RoE coming down from 21% in FY 07 to 15% to FY 08, on account of strong growth in business and stable margins, we maintain Outperformer rating on the stock.



Q1 FY08 Result Overview

(Rs m)

Y/e March	Q1FY08	Q1FY07	yoy gr. (%)	Q4FY07	qoq gr. (%)	FY07	FY08E	yoy gr. (%)
Int. on Advances	10,124	5,503	84.0	8,362	21.1	27,029	43,186	59.8
Int. on Investments	4,919	3,755	31.0	4,822	2.0	17,315	22,703	31.1
Others	326	280	16.4	484	(32.6)	1,261	1,341	6.4
Total Int. Earned	15,370	9,539	61.1	13,668	12.5	45,604	67,231	47.4
Treasury profits	708	159	344.4	432	64.0	609	1,096	80.0
Non treasury non interest income	2,715	1,846	47.1	2,579	5.3	8,505	12,635	48.6
Total non interest Income	3,423	2,005	70.8	3,011	13.7	9,114	13,731	50.7
Total Income	18,793	11,544	62.8	16,679	12.7	54,718	80,962	48.0
Int. Expanded	10,901	6,321	72.5	9,025	20.8	29,933	45,377	51.6
Net Int. Income	4,468	3,218	38.8	4,642	(3.7)	15,671	21,854	39.5
Net Total Income	7,892	5,223	51.1	7,653	3.1	24,784	35,585	43.6
Op. expenses	4,212	2,392	76.1	3,430	22.8	12,146	17,593	44.8
Op. Profit	3,679	2,832	29.9	4,223	(12.9)	12,638	17,992	42.4
Core Op Profit	2,972	2,672	11.2	3,791	(21.6)	12,030	16,896	40.5
Provisions	1,009	1,008	0.1	1,065	(5.3)	2,676	4,535	69.5
PBT	2,670	1,824	46.4	3,158	(15.4)	9,962	13,457	35.1
Prov. for taxes	921	618	48.9	1,039	(11.4)	3,372	4,441	31.7
Net Profit	1,750	1,206	45.2	2,119	(17.4)	6,590	9,016	36.8
<i>Income tax rate (%)</i>	<i>34.5</i>	<i>33.9</i>		<i>32.9</i>		<i>33.8</i>	<i>33.0</i>	
EPS	6.2	4.3	43.9	7.5	(17.7)	23.5	28.2	20.0
<i>Int on adv % total</i>	<i>53.9</i>	<i>47.7</i>		<i>50.1</i>		<i>49.4</i>	<i>53.3</i>	
<i>Other inc. % total</i>	<i>18.2</i>	<i>17.4</i>		<i>18.1</i>		<i>16.7</i>	<i>17.0</i>	
<i>Cost/Income ratio</i>	<i>53.4</i>	<i>45.8</i>		<i>44.8</i>		<i>49.0</i>	<i>49.4</i>	
<i>CAR</i>	<i>11.5</i>	<i>10.3</i>		<i>11.6</i>		<i>11.6</i>	<i>111.6</i>	
Gross NPA	4,831	4,044		4,187		4,187	6,268	
Net NPA	2,812	2,328		2,663		2,663	3,743	
<i>% of gross NPAs</i>	<i>1.0</i>	<i>1.3</i>		<i>1.0</i>		<i>1.0</i>	<i>1.2</i>	
<i>% of net NPAs</i>	<i>0.6</i>	<i>0.7</i>		<i>0.6</i>		<i>0.6</i>	<i>0.7</i>	
Deposits	610,910	420,940	45.1	587,856	3.9	587,856	799,769	36.0
Advances	412,850	258,360	59.8	368,760	12.0	368,765	534,709	45.0



Key Figures

(Rs m)

Y/e March	FY06	FY07	FY08E	FY09E
Market Price	641	641	641	641
Equity Capital	2,787	2,816	3,570	3,570
Market Capitalisation	178,669	180,554	228,855	228,855
Balance sheet size	497,311	732,572	1,016,361	1,316,755
<i>Market cap to balance sheet size (%)</i>	<i>35.9</i>	<i>24.6</i>	<i>22.5</i>	<i>17.4</i>
Deposits	401,135	587,856	799,769	1,074,896
Net Advances	223,142	368,765	534,709	721,857
Investments	215,274	268,972	328,487	414,087
Networth	28,722	33,932	85,298	94,447
NII	10,782	15,671	21,854	29,814
Operating profits	9,063	12,638	17,992	24,381
PAT	4,851	6,590	9,016	12,198
<i>PAT growth (%)</i>	<i>45.0</i>	<i>35.9</i>	<i>36.8</i>	<i>35.3</i>
<i>NIM (%)</i>	<i>2.6</i>	<i>2.7</i>	<i>2.6</i>	<i>2.7</i>
<i>RoA (%)</i>	<i>1.1</i>	<i>1.1</i>	<i>1.0</i>	<i>1.0</i>
<i>RoE (%)</i>	<i>18.4</i>	<i>21.0</i>	<i>15.1</i>	<i>13.6</i>
<i>Treasury gain as % of OP</i>	<i>14.3</i>	<i>4.8</i>	<i>6.1</i>	<i>5.8</i>
<i>Treasury gain as % of PBT</i>	<i>17.8</i>	<i>6.1</i>	<i>8.1</i>	<i>7.8</i>
<i>Cost - Income ratio (%)</i>	<i>47.3</i>	<i>49.0</i>	<i>49.4</i>	<i>49.9</i>
<i>Credit - Deposit ratio (%)</i>	<i>55.6</i>	<i>62.7</i>	<i>66.9</i>	<i>67.2</i>
Gross NPAs	3,780	4,187	6,268	10,813
Net NPAs	2,198	2,663	3,743	5,775
<i>% of Gross NPAs</i>	<i>1.3</i>	<i>1.0</i>	<i>1.2</i>	<i>1.5</i>
<i>% of Net NPA</i>	<i>0.8</i>	<i>0.6</i>	<i>0.7</i>	<i>0.8</i>

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