

# ING Vysya Bank

BSE SENSEX	S&P CNX	CMP: INR314	TP: INR460	Buy								
17,025	5,118											
Bloomberg	VYSB IN											
Equity Shares (m)	149.2											
52-Week Range (INR)	444/275											
1,6,12 Rel.Perf.(%)	8/6/-2											
M.Cap. (INR b)	45.1											
M.Cap. (USD b)	0.9											
		YEAR	NET INCOME	PAT	EPS	EPS	P/E	BY	PIBY	PIABY	ROAA	ROAE
		END	(INR M)	(INR M)	(INR)	GR. (%)	(X)	(INR)	(X)	(X)	(%)	(%)
		3/10A	14,501	2,423	18.5	0.6	-	185	-	-	0.7	11.6
		3/11A	16,615	3,187	26.3	42.3	11.9	208	1.5	1.5	0.9	13.4
		3/12E	18,944	4,283	28.7	9.0	11.0	258	1.2	1.2	1.0	13.5
		3/13E	22,472	5,043	33.8	17.7	9.3	287	1.1	1.1	1.0	12.4

ING Vysya Bank's (VYSB) 2QFY12 PAT grew 53% YoY to INR1.1b (14% higher than our estimate). NII growth of 19% YoY (v/s our estimate of 15%) and lower-than-expected provision of INR175m (v/s our estimate of INR300m) led to better-than-expected PAT. Key highlights:

- **Margins up 35bp QoQ, a positive surprise:** Reported margins improved ~35bp QoQ to 3.35% led by the benefit of capital raising of INR9.7b towards the end of 1QFY12 (impact of ~18bp on margins) and higher yield on loans. While cost of deposits increased 9bp QoQ to 6.9%, yield on loans were up ~25bp QoQ at 11.4%.
- **Fee income growth improves QoQ:** Core fee based income grew ~14% QoQ (up ~10% YoY) to ~INR1.1b led by strong traction in asset-related fees and trade, finance and cash management services.
- **Operating leverage plays out:** Opex grew 5% YoY (up 8% YoY) to INR2.8b. Strong core income growth and controlled opex led to improvement in core cost-to-income ratio to 61% (65% in 1QFY12).
- **Loan growth remains healthy:** Loans grew 23% YoY (up 4% QoQ) to ~INR249b. Business banking grew ~11% QoQ (key focus area of the bank). Deposit growth moderated to 18% YoY (down 2% QoQ) to INR307b led by decline in CA deposits and bulk deposits. CASA deposits grew 7% YoY.
- **Asset quality healthy; Lower provisions drive profitability:** Asset quality improved further with GNPA in absolute terms declining 2% QoQ and NNPA declining 7% QoQ. In percentage terms GNPA and NNPA declined ~15bp and 4bp QoQ to 2% and 0.3% respectively. PCR improved to ~85% (among the best in the industry).

**Valuation and view:** VYSB is turning around rapidly with RoA improving from -0.3% in FY05 to 0.7% in FY10 (despite higher credit cost) and to 0.9% in FY11. The stock trades at 11x FY12E and 9.3x FY13E EPS and P/BV of 1.2x FY12E and 1.1x FY13E BV. Continued higher-than-industry growth, demonstration of operating leverage and improvement in fee income will be a key driver for re-rating of the stock. Maintain **Buy**.

## Quarterly Performance

	(INR Million)									
	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Interest Income	5,876	6,388	6,907	7,769	8,708	9,331	9,842	10,482	26,941	38,363
Interest Expense	3,496	3,846	4,448	5,086	6,088	6,295	6,767	7,317	16,875	26,466
<b>Net Interest Income</b>	<b>2,380</b>	<b>2,542</b>	<b>2,459</b>	<b>2,683</b>	<b>2,620</b>	<b>3,036</b>	<b>3,076</b>	<b>3,165</b>	<b>10,065</b>	<b>11,896</b>
% Change (Y-o-Y)	38.5	32.9	12.1	8.6	10.1	19.4	25.1	17.9	21.3	18.2
Other Income	1,244	1,933	1,668	1,705	1,405	1,625	1,860	2,158	6,550	7,048
<b>Net Income</b>	<b>3,624</b>	<b>4,475</b>	<b>4,127</b>	<b>4,389</b>	<b>4,025</b>	<b>4,661</b>	<b>4,936</b>	<b>5,323</b>	<b>16,615</b>	<b>18,944</b>
Operating Expenses	2,138	2,633	2,533	2,957	2,557	2,767	2,862	3,083	10,260	11,269
<b>Operating Profit</b>	<b>1,486</b>	<b>1,842</b>	<b>1,594</b>	<b>1,432</b>	<b>1,468</b>	<b>1,894</b>	<b>2,074</b>	<b>2,239</b>	<b>6,355</b>	<b>7,676</b>
% Change (Y-o-Y)	4.5	28.3	9.4	-32.0	-1.2	2.8	30.1	56.4	-1.0	20.8
Other Provisions	439	698	336	43	62	175	400	549	1,516	1,186
<b>Profit before Tax</b>	<b>1,047</b>	<b>1,145</b>	<b>1,258</b>	<b>1,389</b>	<b>1,406</b>	<b>1,719</b>	<b>1,674</b>	<b>1,691</b>	<b>4,839</b>	<b>6,490</b>
Tax Provisions	356	392	428	476	466	566	572	602	1,652	2,207
<b>Net Profit</b>	<b>691</b>	<b>753</b>	<b>830</b>	<b>913</b>	<b>940</b>	<b>1,154</b>	<b>1,101</b>	<b>1,088</b>	<b>3,187</b>	<b>4,283</b>
% Change (Y-o-Y)	14.6	40.8	37.0	34.4	36.1	53.3	32.7	19.2	31.5	34.4
Deposit Growth (%)	7.1	15.9	16.2	16.7	29.4	17.8	18.8	17.0	16.7	17.0
Loan Growth (%)	17.5	23.5	22.5	27.5	25.5	22.8	22.8	21.0	27.5	21.0
CD Ratio (%)	78.4	77.6	78.7	78.2	76.1	80.9	81.3	80.8	78.2	80.8
Net Interest Margin (Reported, %)	3.3	3.3	3.1	3.3	3.0	3.4	-	-	3.3	-
Net Interest Margin (Cal, %)	3.3	3.4	3.1	3.2	3.0	3.3	3.3	3.2	3.3	3.2
Tax Rate (%)	34.0	34.2	34.0	34.3	33.1	32.9	34.2	35.6	34.1	34.0
Gross NPA (%)	3.3	2.8	2.7	2.3	2.2	2.0	2.0	2.0	2.3	2.0

E: MOSL Estimates

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**Quarterly performance v/s expectation and deviation for the same (INR m)**

Y/E March	2QFY12A	2QFY12E	Var. (%)	Comments
<b>Net Interest Income</b>	<b>3,036</b>	<b>2,915</b>	<b>4</b>	<b>Margins improve ~35bp QoQ - a positive surprise</b>
% Change (YoY)	19	15		
Other Income	1,625	1,625	0	Fee income growth picks up QoQ
<b>Net Income</b>	<b>4,661</b>	<b>4,540</b>	<b>3</b>	
Operating Expenses	2,767	2,704	2	Opex under control; Cost to core income improves to 61%
<b>Operating Profit</b>	<b>1,894</b>	<b>1,835</b>	<b>3</b>	
% Change (YoY)	3	0		
Other Provisions	175	300	-42	Strong performance on asset quality leading to positive surprise
<b>Profit before Tax</b>	<b>1,719</b>	<b>1,535</b>	<b>12</b>	
Tax Provisions	566	525	8	
<b>Net Profit</b>	<b>1,154</b>	<b>1,010</b>	<b>14</b>	<b>Strong NII growth and lower provisions drives profitability</b>
% Change (YoY)	53	34		

Source: Company/MOSL

**Margins up 35bp QoQ, a positive surprise:** Reported margins improved ~35bp QoQ to 3.35% led by the benefit of capital raising of INR9.7b towards the end of 1QFY12 (impact of ~18bp on margins) and improvement in yield on loans. While cost of deposits increased 9bp QoQ to 6.9%, yield on loans were up ~25bp QoQ at 11.4%. We model in flattish NIM for FY12.

**Fee income growth improves sequentially:** Core fee-based income grew ~14% QoQ (up ~10% YoY) to ~INR1.1b led by strong traction in asset-related fees (up 13% QoQ and up 8% YoY) and trade, finance and cash management services (up 36% QoQ and up 25% YoY). Income from wealth management services grew 4% QoQ but declined 7% YoY to INR260m. Forex and derivatives-related income continued to show strong traction, growing 18% QoQ and 77% YoY to INR390m. Treasury income was negligible at INR30m against INR630m (including income from stake sale of CARE) in 2QFY11.

**Operating leverage playing out:** Opex grew 5% YoY (up 8% YoY) to INR2.8b. Strong core income growth and controlled opex led to fall in core cost-to-income ratio to 61% from 65% in 1QFY12. While core cost-to-income ratio remains high compared with that of peers, gradual improvement will be a key driver of RoA.

**Loan growth healthy:** In 2QFY12 loans grew 23% YoY (up 4% QoQ) to ~INR249b. Sequentially, the composition of the loan mix shifted marginally in favor of business banking to 31% against 29% in 1QFY12 (a key focus area of the bank). Business banking grew ~11% QoQ (a key growth driver), and wholesale banking grew ~2% QoQ. Consumer banking grew ~3% QoQ, with home loan growth largely in line with overall loan growth. Agriculture and rural portfolio declined 2% QoQ. Going ahead, SME and secured retail loans will continue to be key growth drivers.

**Deposit growth moderates; CASA declines QoQ:** Deposit growth moderated to 18% YoY (down 2% QoQ) to INR307b led by a decline in CA deposits and bulk deposits. CASA deposits grew 7% YoY, but adjusting for one-off large flows at the end of 2QFY11 CASA deposits grew 12% YoY. While CA deposits declined 13% QoQ (due to large one-off inflows at the end of 1QFY12), SA deposits grew ~3% QoQ (up 5% YoY). CASA ratio declined ~120bp QoQ to ~32.6%.

**Asset quality remains healthy; Lower provisions drive profitability:** Asset quality improved further with GNPA, in absolute terms, declining 2% QoQ and NNPA declining 7% QoQ. In percentage terms GNPA and NNPA declined ~15bp and 4bp QoQ to 2% and 0.3% respectively. PCR improved further to ~85% (one of the best in the industry). With the slowing pace of NPA accretion, VYSB's conservative approach to NPA recognition in FY10 and increased buffer created by the bank, credit cost is expected to decline in FY12 and become a key driver of profitability. We factor in FY12 credit cost of ~0.4% against 0.7% in FY11.

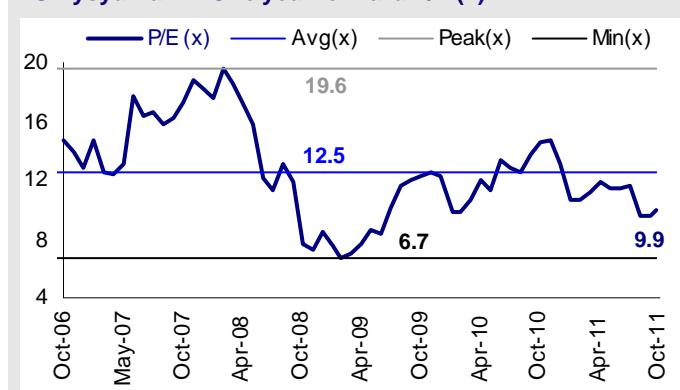
**Valuation and view:** VYSB is turning around rapidly with RoA improving from 0.3% in FY05 to 0.7% in FY10 (despite higher credit costs) and further to 0.9% in FY11. As legacy issues have subsided, VYSB will continue to accelerate loan growth and improve market share. We expect earnings CAGR of ~26% over FY11-13 due to stable margins, improved fee income growth, fall in cost-to-income ratio (though it will be significantly higher than that of the industry) and lower credit cost. However, a negative surprise in asset quality can provide material downside risk to our earnings estimates.

The stock trades at 11x FY12E and 9.3x FY13E EPS and P/BV of 1.2x FY12E and 1.1x FY13E BV. Continued higher-than-industry growth, demonstration of operating leverage and higher fee income will be a key driver for re-rating of the stock. Maintain **Buy**.

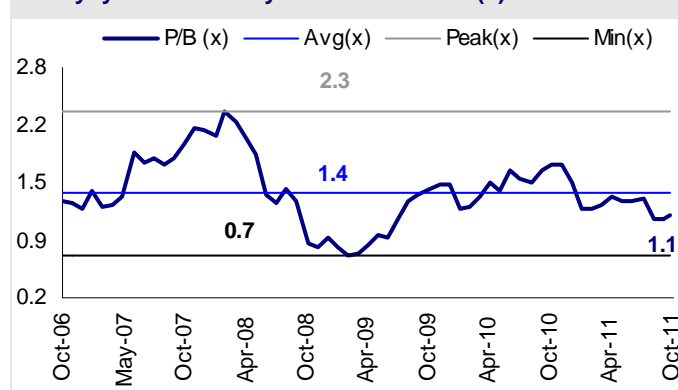
**We marginally revise our estimates to factor in lower provisions (INR b)**

	Old Estimates		Rev. Estimates		Change (%)	
	FY12	FY13	FY12	FY13	FY12	FY13
Net Interest Income	11.8	14.2	11.9	14.1	0.5	-0.6
Other Income	7.3	8.4	7.0	8.4	-2.8	0.3
<b>Total Income</b>	<b>19.1</b>	<b>22.5</b>	<b>18.9</b>	<b>22.5</b>	<b>-0.8</b>	<b>-0.3</b>
Operating Expenses	11.3	13.1	11.3	13.1	0.0	0.0
<b>Operating Profits</b>	<b>7.8</b>	<b>9.4</b>	<b>7.7</b>	<b>9.4</b>	<b>-1.9</b>	<b>-0.7</b>
Provisions	1.5	1.8	1.2	1.7	-20.3	-1.8
<b>PBT</b>	<b>6.3</b>	<b>7.7</b>	<b>6.5</b>	<b>7.6</b>	<b>2.5</b>	<b>-0.4</b>
Tax	2.2	2.6	2.2	2.6	2.5	-0.4
<b>PAT</b>	<b>4.2</b>	<b>5.1</b>	<b>4.3</b>	<b>5.0</b>	<b>2.5</b>	<b>-0.4</b>
Loans	288	357	286	351	-0.8	-1.6
Deposits	359	446	353	435	-1.7	-2.5
Margins	2.9	2.9	2.9	2.9		
Credit Cost (%)	0.5	0.5	0.4	0.5		
<b>RoA (%)</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>		
<b>RoE (%)</b>	<b>13.2</b>	<b>12.5</b>	<b>13.5</b>	<b>12.4</b>		

**ING Vysya Bank : One year forward P/E (x)**

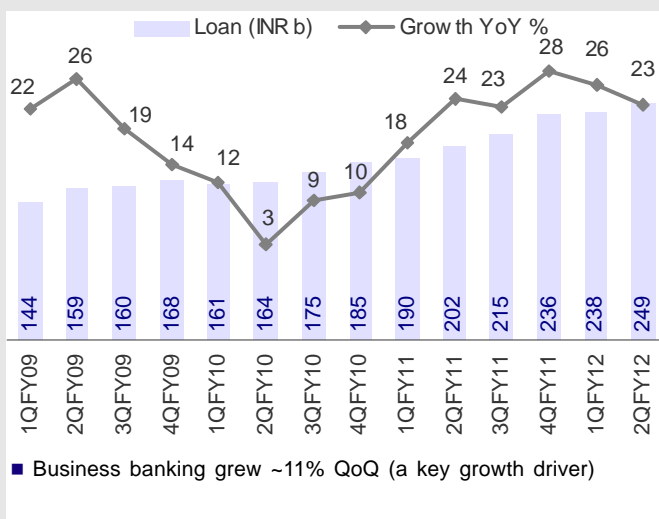


**ING Vysya Bank : One year forward P/BV (x)**

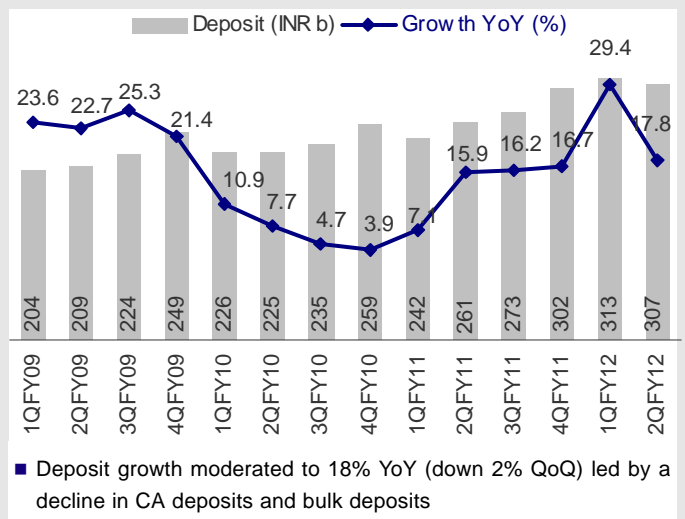


Quarterly trends

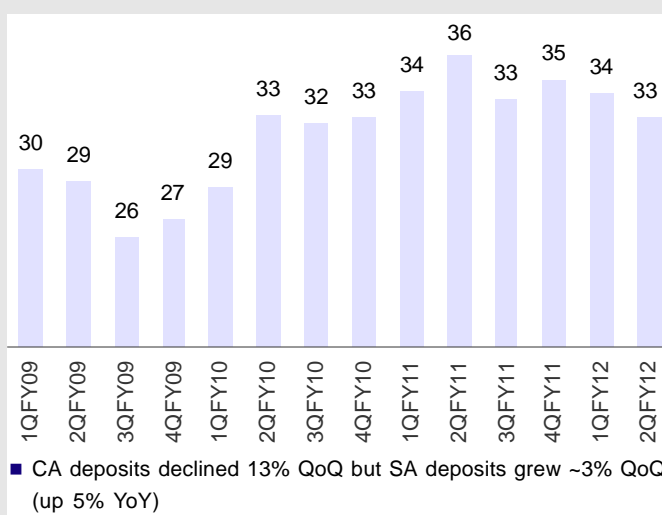
Loan growth above industry average



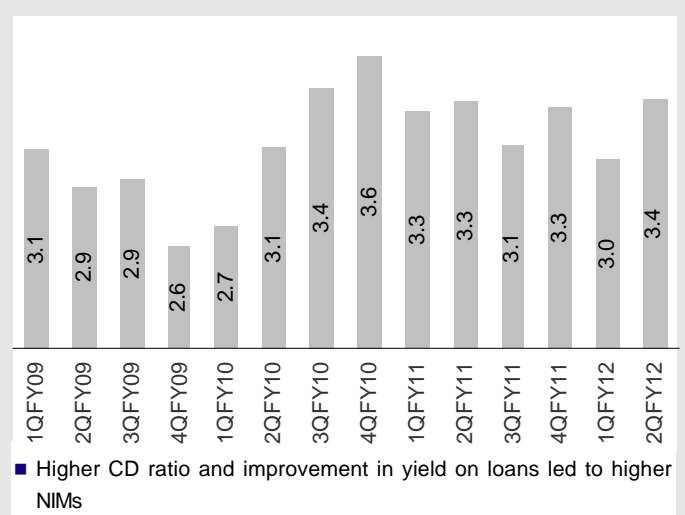
Deposit growth moderates; CD ratio up 490bp QoQ



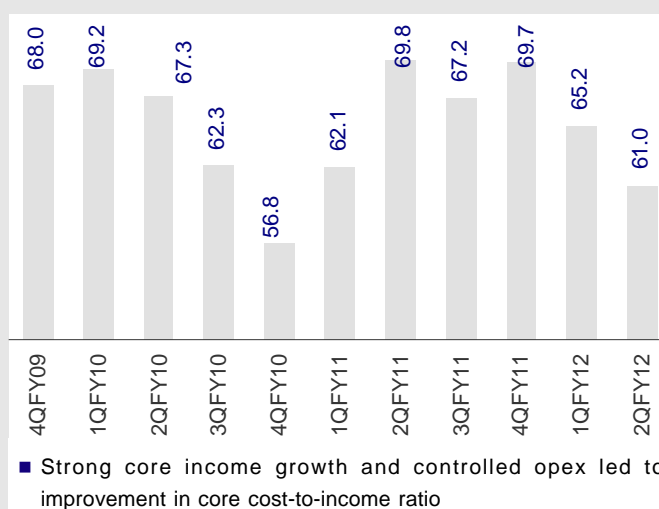
CASA ratio declined ~120bp QoQ (%)



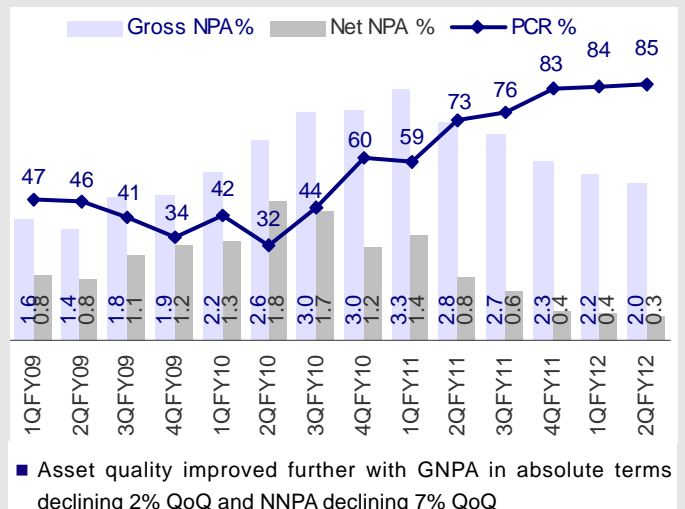
NIM improves 35bp QoQ - a positive surprise (%)



Cost to core income ratio improves (%)



Asset quality impressive; PCR improves to 85%



## Quarterly Snapshot

	FY11				FY12		Variation (%)		Cumulative Numbers		
	1Q	2Q	3Q	4Q	1Q	2Q	QoQ	YoY	1HFY11	1HFY12	YoY Gr (%)
<b>Profit and Loss (INR m)</b>											
<b>Net Interest Income</b>	<b>2,380</b>	<b>2,542</b>	<b>2,459</b>	<b>2,683</b>	<b>2,620</b>	<b>3,036</b>	<b>16</b>	<b>19</b>	<b>4,923</b>	<b>5,656</b>	<b>15</b>
<b>Other Income</b>	<b>1,244</b>	<b>1,933</b>	<b>1,668</b>	<b>1,705</b>	<b>1,405</b>	<b>1,625</b>	<b>16</b>	<b>-16</b>	<b>3,177</b>	<b>3,030</b>	<b>-5</b>
Treasury	40	630	120	30	10	30	200	-95	670	40	-94
Exchange Profits	170	220	260	370	330	390	18	77	390	720	85
Recovery	100	60	70	80	60	60	0	0	160	120	-25
Fee Income	890	1,010	1,050	1,190	970	1,110	14	10	1,900	2,080	9
Others	44	13	168	35	35	35	-2	175	57	70	23
<b>Total Income</b>	<b>3,624</b>	<b>4,475</b>	<b>4,127</b>	<b>4,389</b>	<b>4,025</b>	<b>4,661</b>	<b>16</b>	<b>4</b>	<b>8,099</b>	<b>8,686</b>	<b>7</b>
<b>Operating Expenses</b>	<b>2,138</b>	<b>2,633</b>	<b>2,533</b>	<b>2,957</b>	<b>2,557</b>	<b>2,767</b>	<b>8</b>	<b>5</b>	<b>4,771</b>	<b>5,323</b>	<b>12</b>
Employee	1,244	1,601	1,454	1,758	1,467	1,612	10	1	2,845	3,080	8
Others	894	1,032	1,079	1,199	1,089	1,154	6	12	1,926	2,244	16
<b>Operating Profits</b>	<b>1,486</b>	<b>1,842</b>	<b>1,594</b>	<b>1,432</b>	<b>1,468</b>	<b>1,894</b>	<b>29</b>	<b>3</b>	<b>3,328</b>	<b>3,363</b>	<b>1</b>
<b>Provisions</b>	<b>439</b>	<b>698</b>	<b>336</b>	<b>43</b>	<b>62</b>	<b>175</b>	<b>181</b>	<b>-75</b>	<b>1,137</b>	<b>237</b>	<b>-79</b>
<b>PBT</b>	<b>1,047</b>	<b>1,145</b>	<b>1,258</b>	<b>1,389</b>	<b>1,406</b>	<b>1,719</b>	<b>22</b>	<b>50</b>	<b>2,191</b>	<b>3,126</b>	<b>43</b>
Taxes	356	392	428	476	466	566	21	44	748	1,032	38
<b>PAT</b>	<b>691</b>	<b>753</b>	<b>830</b>	<b>913</b>	<b>940</b>	<b>1,154</b>	<b>23</b>	<b>53</b>	<b>1,443</b>	<b>2,094</b>	<b>45</b>
<b>Asset Quality</b>											
GNPA	6,279	6,015	5,619	5,532	5,209	5,116	-2	-15	6,015	5,116	-15
NNPA	2,574	1,639	1,373	918	838	777	-7	-53	1,639	777	-53
GNPA (%)	3.3	2.8	2.7	2.3	2.2	2.0	-13	-79	2.8	2.0	-79
NNPA (%)	1.4	0.8	0.6	0.4	0.4	0.3	-4	-50	0.8	0.3	-50
PCR (Calculated, %)	59	73	76	83	84	85	91	1,207	73	85	1,207
<b>Ratios (%)</b>											
Fees to Total Income	24.6	22.6	25.4	27.1	24.1	23.8			23.5	23.9	
Cost to Core Income	62.1	69.8	67.2	69.7	65.2	61.0			66.1	63.0	
Tax Rate	34.0	34.2	34.0	34.3	33.1	32.9			34.1	33.0	
CASA (Reported)	34.0	34.8	33.5	34.6	33.8	32.6					
Loan/Deposit	78.4	77.6	78.7	78.2	76.1	80.9					
CAR	14.5	13.5	12.7	12.9	15.9	15.0					
Tier I	9.9	9.4	8.8	9.4	12.5	11.8					
RoA (Reported)	0.8	0.9	0.9	1.0	1.0	1.1					
RoE (Reported)	11.7	12.3	13.0	14.2	13.8	12.2					
<b>Margins (%) - Reported</b>											
Yield on loans	9.6	9.8	10.1	10.7	11.1	11.4	25	159	9.7	11.2	157
Cost of funds	4.7	4.9	5.4	6.0	6.8	6.9	9	203	4.8	6.8	207
Margins	3.3	3.3	3.1	3.3	3.0	3.4	33	1	3.3	3.2	-13
<b>Balance Sheet (INR B)</b>											
Loans	190	202	215	236	238	249	4	23			
Investments	101	102	107	110	125	115	-8	12			
Deposits	242	261	273	302	313	307	-2	18			
CASA Deposits	82	94	91	105	106	100	-6	7			
of which Savings	45	50	49	54	51	52	3	5			
Current	38	44	42	51	55	48	-13	9			
Borrowings	46	46	48	41	40	44	10	-5			
Total Assets	333	354	367	390	411	411	0	16			
<b>Franchise</b>											
Branches(Excl Extn Counters)	470	475	491	510	515	527	12	52			
ATM	363	367	377	400	409	422	13	55			

Source: Company/MOSL



## Stock Info

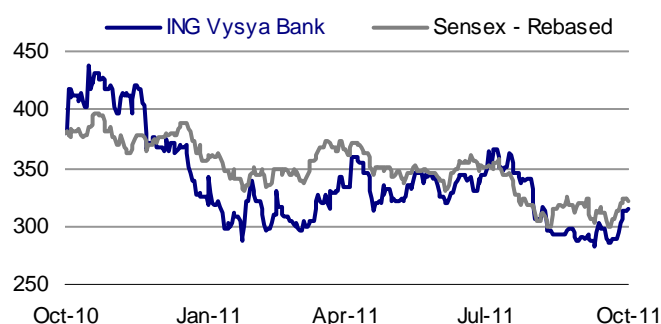
### EPS: MOSL forecast v/s consensus (INR)

	MOSL Forecast	Consensus Forecast	Variation (%)
FY12	29.4	30.2	-2.7
FY13	34.9	37.4	-6.6

### Shareholding pattern (%)

	Sep-11	Jun-11	Sep-10
Promoter	43.9	43.9	43.5
Domestic Inst	13.2	12.8	11.1
Foreign	26.9	27.4	28.2
Others	16.1	15.9	17.1

### 1-year Sensex rebased



### Banking: Valuation Matrix

	Rating	CMP (INR)	Mkt. Cap (USD <b>b</b> )	EPS (INR)		P/E (x)		P/BV (x)		RoA (%)		RoE (%)	
				FY12	FY13	FY12	FY13	FY12	FY13	FY12	FY13	FY12	FY13
ICICI*	Buy	898	20.9	56	66	12.2	10.0	1.7	1.5	1.5	1.5	14.1	15.1
HDFCB	Neutral	478	22.5	22	28	21.5	17.3	3.8	3.2	1.7	1.7	18.9	20.2
Axis	Buy	1,120	9.3	99	115	11.3	9.7	2.1	1.8	1.5	1.5	19.7	19.5
Kotak	Neutral	472	3.5	23	27	19.4	16.4	2.6	2.2	2.2	2.1	15.5	15.7
Yes	Buy	289	2.0	27	33	10.8	8.7	2.2	1.8	1.4	1.3	22.2	22.6
Indusind	Buy	270	2.5	16	20	16.7	13.3	2.8	2.4	1.5	1.5	18.2	19.6
ING Vysya	Buy	314	0.8	29	34	11.0	9.3	1.2	1.1	1.0	1.0	13.5	12.4
Federal	Buy	386	1.3	41	46	9.4	8.4	1.2	1.1	1.3	1.2	13.2	13.4
J&K Bk	Buy	809	0.8	156	179	5.2	4.5	1.0	0.8	1.4	1.3	20.0	19.8
SIB	Buy	23	0.5	3	4	7.2	6.0	1.3	1.1	1.0	0.9	20.0	20.2
<b>Private Aggregate</b>			<b>64</b>			<b>15.1</b>	<b>12.7</b>	<b>2.2</b>	<b>1.9</b>				
SBI (cons)*	Buy	1,892	24.3	220	269	8.2	6.7	1.2	1.1	0.8	0.9	15.7	17.1
PNB	Buy	971	6.2	168	200	5.8	4.9	1.3	1.0	1.3	1.3	24.0	23.5
BOI	Neutral	339	3.7	52	65	6.5	5.2	1.0	0.9	0.7	0.8	16.6	18.2
BoB	Neutral	759	6.0	112	130	6.8	5.8	1.3	1.1	1.1	1.1	20.2	20.0
Canara	Buy	457	4.1	80	95	5.7	4.8	1.0	0.8	1.0	1.0	18.2	18.5
Union	Buy	250	2.7	51	61	4.9	4.1	1.0	0.8	1.1	1.1	22.2	22.3
IOB	UR	99	1.2	22	25	4.5	4.0	0.7	0.6	0.7	0.7	15.8	16.1
OBC	Buy	305	1.8	53	69	5.7	4.5	0.8	0.7	0.9	1.0	14.4	16.4
Indian Bk	Buy	209	1.8	44	52	4.7	4.0	1.0	0.8	1.4	1.4	21.5	21.4
Corporation	Neutral	418	1.3	102	116	4.1	3.6	0.7	0.6	0.9	0.9	19.5	19.3
Andhra Bk	Buy	121	1.4	26	28	4.6	4.3	0.9	0.8	1.2	1.1	21.1	19.5
IDBI *	Neutral	106	2.1	19	21	4.3	3.9	0.6	0.5	0.7	0.7	13.7	14.0
Dena Bank	Buy	76	0.5	20	24	4.3	3.5	0.6	0.5	0.9	0.9	17.9	18.4
<b>Public Aggregate</b>			<b>57</b>			<b>7.1</b>	<b>5.9</b>	<b>1.1</b>	<b>1.0</b>				
HDFC*	Neutral	673	19.9	28	32	17.2	14.3	4.8	4.4	2.8	2.8	27.1	29.4
LICHF	Buy	237	2.3	23	28	10.1	8.4	2.2	1.9	2.0	1.9	24.2	24.3
DHFL	Buy	223	0.5	36	43	6.3	5.2	1.2	1.0	1.6	1.5	22.0	20.6
IDFC	Neutral	124	3.7	9.7	11.7	12.7	10.6	1.4	1.2	2.8	2.8	12.9	13.7
REC	Buy	174	3.5	29	35	6.0	4.9	1.2	1.0	3.1	3.1	20.9	22.0
PFC	Buy	146	3.4	22	27	6.6	5.3	0.9	0.8	2.6	2.6	16.2	16.6
STF	Buy	608	2.8	61	71	9.9	8.6	2.3	1.8	3.1	3.0	25.3	23.5
MMFSL	Neutral	635	1.3	58	70	10.9	9.1	2.2	1.9	4.4	4.3	22.0	22.3
<b>NBFC Aggregate</b>			<b>37</b>			<b>12.4</b>	<b>10.3</b>	<b>3.0</b>	<b>2.5</b>				

\* Multiples adjusted for value of key ventures/investments; For ICICI Bank, HDFC Ltd BV is adjusted for investments in subsidiaries

## Financials and Valuation

Income Statement					(INR Million)	
Y/E March	2008	2009	2010	2011	2012E	2013E
Interest Income	16,804	22,399	22,329	26,941	38,363	47,331
Interest Expense	11,820	15,903	14,030	16,875	26,466	33,262
<b>Net Interest Income</b>	<b>4,984</b>	<b>6,496</b>	<b>8,299</b>	<b>10,065</b>	<b>11,896</b>	<b>14,070</b>
Change (%)	11.9	30.3	27.8	21.3	18.2	18.3
Non Interest Income	4,186	5,477	6,202	6,550	7,048	8,402
<b>Net Income</b>	<b>9,170</b>	<b>11,973</b>	<b>14,501</b>	<b>16,615</b>	<b>18,944</b>	<b>22,472</b>
Change (%)	25.4	30.6	21.1	14.6	14.0	18.6
Operating Expenses	6,095	7,725	8,081	10,260	11,269	13,086
<b>Pre Provision Profits</b>	<b>3,075</b>	<b>4,248</b>	<b>6,420</b>	<b>6,355</b>	<b>7,676</b>	<b>9,386</b>
Change (%)	35.9	38.2	51.1	-1.0	20.8	22.3
Provisions (excl tax)	560	1,302	2,704	1,516	1,186	1,746
<b>PBT</b>	<b>2,515</b>	<b>2,947</b>	<b>3,716</b>	<b>4,839</b>	<b>6,490</b>	<b>7,641</b>
Tax	945	1,059	1,293	1,652	2,207	2,598
Tax Rate (%)	37.6	35.9	34.8	34.1	34.0	34.0
<b>PAT</b>	<b>1,569</b>	<b>1,888</b>	<b>2,423</b>	<b>3,187</b>	<b>4,283</b>	<b>5,043</b>
Change (%)	76.5	20.3	28.3	31.5	34.4	17.7
Extra Ordinary Item	135	0	203	0	0	0
<b>Adjusted PAT</b>	<b>1,435</b>	<b>1,888</b>	<b>2,220</b>	<b>3,187</b>	<b>4,283</b>	<b>5,043</b>
Change (%)	114.8	31.6	17.6	43.6	34.4	17.7
<b>Equity Dividend</b>	<b>154</b>	<b>205</b>	<b>300</b>	<b>363</b>	<b>514</b>	<b>605</b>
<b>Core PPP*</b>	<b>2,226</b>	<b>3,175</b>	<b>4,741</b>	<b>5,015</b>	<b>6,778</b>	<b>8,252</b>
Change (%)	88.8	42.6	49.3	5.8	35.1	21.8

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

Balance Sheet					(INR Million)	
Y/E March	2008	2009	2010	2011	2012E	2013E
Equity Share Capital	1,025	1,026	1,200	1,210	1,492	1,492
Reserves & Surplus	14,332	16,003	22,109	25,033	38,045	42,380
<b>Net Worth</b>	<b>15,357</b>	<b>17,029</b>	<b>23,309</b>	<b>26,243</b>	<b>39,537</b>	<b>43,872</b>
<b>Deposits</b>	<b>204,576</b>	<b>248,895</b>	<b>258,653</b>	<b>301,943</b>	<b>353,273</b>	<b>434,525</b>
Change (%)	32.7	21.7	3.9	16.7	17.0	23.0
<b>of which CASA Dep</b>	<b>64,524</b>	<b>67,125</b>	<b>84,270</b>	<b>104,586</b>	<b>124,020</b>	<b>150,130</b>
Change (%)	44.8	4.0	25.5	24.1	18.6	21.1
Borrowings	17,467	31,853	36,714	41,469	50,173	55,196
Other Liabilities & Prov.	17,999	20,860	20,126	20,485	22,665	25,053
<b>Total Liabilities</b>	<b>255,399</b>	<b>318,637</b>	<b>338,802</b>	<b>390,140</b>	<b>465,648</b>	<b>558,647</b>
Current Assets	31,848	22,816	30,270	25,214	33,017	39,604
<b>Investments</b>	<b>62,933</b>	<b>104,955</b>	<b>104,729</b>	<b>110,207</b>	<b>126,738</b>	<b>145,748</b>
Change (%)	39.0	66.8	-0.2	5.2	15.0	15.0
<b>Loans</b>	<b>146,495</b>	<b>167,564</b>	<b>185,072</b>	<b>236,021</b>	<b>285,586</b>	<b>351,271</b>
Change (%)	22.3	14.4	10.4	27.5	21.0	23.0
Fixed Assets	3,992	4,372	4,959	5,028	5,271	5,484
Other Assets	10,131	18,929	13,772	13,669	15,036	16,540
<b>Total Assets</b>	<b>255,399</b>	<b>318,637</b>	<b>338,802</b>	<b>390,140</b>	<b>465,648</b>	<b>558,647</b>

Asset Quality					(%)	
GNPA (Rs m)	2,032	3,132	5,572	5,532	5,678	6,504
NNPA (Rs m)	1,032	2,004	2,218	918	1,022	1,301
GNPA Ratio	1.38	1.86	2.96	2.30	1.96	1.82
NNPA Ratio	0.70	1.20	1.20	0.39	0.36	0.37
PCR (Excl Tech. write off)	49.2	36.0	60.2	83.4	82.0	80.0
PCR (Incl Tech. Write off)			60.2	83.4	82.0	80.0

E: MOSL Estimates

## Financials and Valuation

### Ratios

Y/E March	2008	2009	2010	2011	2012E	2013E
<b>Spreads Analysis (%)</b>						
<b>Avg. Yield-Earning Assets</b>	<b>8.0</b>	<b>8.4</b>	<b>7.3</b>	<b>7.8</b>	<b>9.4</b>	<b>9.7</b>
Avg. Yield on loans	9.7	11.1	9.7	9.7	11.0	11.4
Avg. Yield on Investments	6.5	5.6	4.9	6.0	7.9	7.9
<b>Avg. Cost-Int. Bear. Liab.</b>	<b>6.0</b>	<b>6.3</b>	<b>4.9</b>	<b>5.3</b>	<b>7.1</b>	<b>7.4</b>
Avg. Cost of Deposits	5.8	6.2	4.6	4.8	6.7	6.9
<b>Interest Spread</b>	<b>2.0</b>	<b>2.1</b>	<b>2.5</b>	<b>2.6</b>	<b>2.4</b>	<b>2.2</b>
<b>Net Interest Margin</b>	<b>2.4</b>	<b>2.4</b>	<b>2.7</b>	<b>2.9</b>	<b>2.9</b>	<b>2.9</b>

### Profitability Ratios (%)

RoE	11.9	12.5	11.6	13.4	13.5	12.4
RoA	0.6	0.7	0.7	0.9	1.0	1.0
Int. Expense/Int. Income	70.3	71.0	62.8	62.6	69.0	70.3
Fee Income/Net Income	44.4	42.5	37.3	34.5	36.0	35.7
Non Int. Inc./Net Income	45.6	45.7	42.8	39.4	37.2	37.4

### Efficiency Ratios (%)

Cost/Income*	73.2	70.9	63.0	67.2	62.4	61.3
Empl. Cost/Op. Exps.	49.6	50.8	53.1	59.0	59.1	61.1
Busi. per Empl. (Rs m)	55.8	63.5	68.9	73.9	76.0	80.9
NP per Empl. (Rs lac)	0.3	0.3	0.4	0.5	0.6	0.6

\* ex treasury

### Asset-Liability Profile (%)

Loans/Deposit Ratio	71.6	67.3	71.6	78.2	80.8	80.8
CASA Ratio	31.5	27.0	32.6	34.6	35.1	34.6
Investment/Deposit Ratio	30.8	42.2	40.5	36.5	35.9	33.5
G-Sec/Investment Ratio	77.6	88.2	78.2	74.3	75.3	77.5
CAR	10.2	11.7	14.9	12.9	15.5	14.4
Tier 1	6.8	6.9	10.1	9.4	12.2	11.4

### Valuation

Book Value (Rs)	139.2	155.4	185.3	208.0	257.7	286.7
Change (%)	27.5	11.6	19.3	12.2	23.9	11.3
Price-BV (x)	2.3	2.0	1.7	1.5	1.2	1.1
Adjusted BV (Rs)	132.6	142.7	173.3	203.0	253.2	281.1
Price-ABV (x)	2.4	2.2	1.8	1.5	1.2	1.1
EPS (Rs)	14.0	18.4	18.5	26.3	28.7	33.8
Change (%)	90.5	31.4	0.6	42.3	9.0	17.7
Price-Earnings (x)	22.4	17.1	17.0	11.9	11.0	9.3
Dividend Per Share (Rs)	1.5	2.0	2.5	3.0	3.4	4.1
Dividend Yield (%)	0.5	0.6	0.8	1.0	1.1	1.3

E: MOSL Estimates



**N O T E S**

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