Axis Bank Ltd.

Estimate Change UNDERPERFORM

Equity | India | Banks-Retail
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Bank of America Merrill Lynch

RESEARCH

Best is behind us; Maintain U/P

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4QFY09: Quality of earnings weaker than expected

While reported earnings were very strong (up +60% yoy; 20% ahead of MLe) for 4QFY09, quality of earnings appears weaker than before post conf. call. Excluding SLR trading gains (Rs1.1bn in 4QFY09 v/s. Rs190mn in 4QFY08), which we believe are likely to contract as yields rise and service tax write-back of Rs500mn, results were weak. We estimate growth in earnings excluding these two elements was only 22% yoy,or +11-12% below MLe in 4QFY09.

Marginally raise FY10 erngs capturing higher than est. FY09

Post higher than est. FY09 earnings (+8-9%) than MLe; we have raised our FY10 earnings marginally by 3-4% for FY10-11. But, we forecast earnings growth of only 7% for FY10 and 13% for FY11 as we est. loan growth to slow down (20-22%); trading profits to contract; and credit costs to rise. We est. gross NPLs to rise more than +2.5x yoy by FY10 taking gross NPLs at 2.3% in FY10 (1% in FY09), but prov. cover to reach reasonable levels of +70% by FY10. Est. credit costs at 125bps in FY10 (from 103bps). This is in addition to restructured loans, which we forecast at Rs24bn by FY10, taking total distressed loans at 4.7% in FY10.

Asset quality risks remain; Maintain Underperform

We think Axis remains more vulnerable to economic slowdown with SME loan growth still running at +35-40% yoy and exposure to sensitive sectors (Textiles, Gems and Jewelry, and Real Estate) at +20-22%. While we factor in better-than-average RoEs of +18%, we believe that the stock will likely de-rate to 1.6-1.7x FY10 book (trades at 1.8-1.9x FY10 book) as NPLs rise and earnings growth slows, underpinning our PO of Rs465. We therefore maintain our Underperform.

Estimates (Mar)

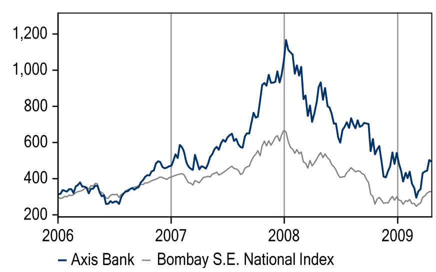
(Rs)	2007A	2008A	2009E	2010E	2011E
Net Income (Adjusted - mn)	6,590	10,710	18,153	19,434	21,976
EPS	23.52	33.50	50.66	54.13	61.21
EPS Change (YoY)	33.9%	42.4%	51.2%	6.9%	13.1%
Dividend / Share	4.80	6.40	10.00	11.00	12.00
GDR EPS (US$)	0.520	0.832	1.01	1.08	1.22
GDR Dividend / Share (US$)	0.106	0.159	0.199	0.219	0.238

Valuation (Mar)

	2007A	2008A	2009E	2010E	2011E
P/E	21.7x	15.2x	10.1x	9.4x	8.3x
Dividend Yield	NA	NA	NA	NA	NA
Pre-exceptional PE	21.67x	15.22x	10.06x	9.42x	8.33x
Price / Book	5.39x	2.09x	1.88x	1.62x	1.41x
RoE / PB	3.90x	8.44x	10.45x	11.38x	12.86x
Price / Pre-Provision Profit	10.44x	7.65x	4.68x	4.08x	3.46x

Stock Data

Price (Common / GDR)	Rs509.85 / US$10.00
Price Objective	Rs465.00 / US$10.00
Date Established	12-Jan-2009 / 12-Jan-2009
Investment Opinion	C-3-7 / C-3-7
Volatility Risk	HIGH / HIGH
52-Week Range	Rs278.25-Rs969.90
Market Value (mn)	US$3,638
Shares Outstanding (mn)	359.0 / 359.0
Average Daily Volume	7,044,077
ML Symbol / Exchange	UTBKF / BSE
ML Symbol / Exchange	UTIBY / LIN
Bloomberg / Reuters	AXSB IN / AXBK.BO
ROE (2009E)	19.6%
Total Dbt to Cap (Mar-2006A)	NA
Est. 5-Yr EPS / DPS Growth	30.0% / 20.0%
Free Float	50.0%



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Refer to important disclosures on page 10 to 13. Analyst Certification on Page 8. Price Objective Basis/Risk on page 8.

iQprofile[SM] Axis Bank Ltd.

Key Income Statement Data (Mar)	2007A	2008A	2009E	2010E	2011E
(Rs Millions)					
Net Interest Income	14,683	25,854	36,862	45,296	54,244
Net Fee Income	7,790	13,207	24,474	30,592	36,710
Securities Gains / (Losses)	608.75	2,203	3,739	1,765	1,130
Other Income	1,703	2,545	756.70	892.91	1,161
Total Non-Interest Income	10,101	17,955	28,969	33,250	39,001
Total Operating Income	24,784	43,808	65,831	78,546	93,245
Operating Expenses	(12,146)	(21,549)	(28,582)	(35,910)	(43,048)
Pre-Provision Profit	12,639	22,259	37,249	42,636	50,198
Provisions Expense	(1,961)	(4,975)	(8,380)	(12,400)	(16,383)
Operating Profit	10,678	17,284	28,869	30,236	33,814
Non-Operating Income	(715.30)	(821.20)	(1,017)	(790.60)	(517.11)
Pre-Tax Income	9,962	16,463	27,852	29,446	33,297
Net Income to Comm S/Hold.	6,590	10,710	18,153	19,434	21,976
Adjusted Net Income (Operating)	6,590	10,710	18,153	19,434	21,976

Key Balance Sheet Data					
Total Assets	732,572	1,095,778	1,477,220	1,663,172	2,020,986
Average Interest Earning Assets	590,868	882,812	1,240,212	1,514,518	1,785,317
Weighted Risk Assets	566,434	867,197	1,053,953	1,288,188	1,596,827
Total Gross Customer Loans	368,765	596,611	815,570	991,785	1,229,813
Total Customer Deposits	587,856	876,262	1,173,740	1,381,280	1,704,982
Tier 1 Capital	36,362	88,225	97,570	112,660	129,897
Tangible Equity	36,362	88,225	97,570	112,660	129,897
Common Shareholders' Equity	33,932	87,685	97,570	112,660	129,897

Key Metrics					
Net Interest Margin	2.49%	2.93%	2.97%	2.99%	3.04%
Tier 1 Ratio	6.4%	10.2%	9.3%	8.7%	8.1%
Effective Tax Rate	33.8%	34.9%	34.8%	34.0%	34.0%
Loan / Assets Ratio	50.3%	54.4%	55.2%	59.6%	60.9%
Loan / Deposit Ratio	62.7%	68.1%	69.5%	71.8%	72.1%
Oper Leverage (Inc Growth - Cost Growth)	-12.1%	-0.7%	17.6%	-6.3%	-1.2%
Gearing (Assets / Equity)	21.6x	12.5x	15.1x	14.8x	15.6x
Tangible Common Equity / Assets	5.0%	8.1%	6.6%	6.8%	6.4%
Tangible Common Equity / WRAs	6.4%	10.2%	9.3%	8.7%	8.1%
Revenue Growth	37.1%	76.8%	50.3%	19.3%	18.7%
Operating Expense Growth	49.2%	77.4%	32.6%	25.6%	19.9%
Provisions Expense Growth	14.1%	153.7%	68.5%	48.0%	32.1%
Operating Revenue / Average Assets	4.0%	4.8%	5.1%	5.0%	5.1%
Operating Expenses / Average Assets	2.0%	2.4%	2.2%	2.3%	2.3%
Pre-Provision ROA	2.1%	2.4%	2.9%	2.7%	2.7%
ROA	1.1%	1.2%	1.4%	1.2%	1.2%
Pre-Provision ROE	40.3%	36.6%	40.2%	40.6%	41.4%
ROE	21.0%	17.6%	19.6%	18.5%	18.1%
RoTE	18.1%	12.1%	18.6%	17.3%	16.9%
RoWRAs	1.2%	1.2%	1.7%	1.5%	1.4%
Dividend Payout Ratio	22.6%	23.5%	13.9%	22.4%	21.6%
Efficiency Ratio (Cost / Income Ratio)	50.2%	51.8%	46.0%	46.8%	46.7%
Total Non-Interest Inc / Operating Inc	41%	41%	44%	42%	42%
Market-Related Revenue / Total Revenues	7.5%	9.8%	5.7%	2.2%	1.2%
Provisioning Burden as % of PPP	15.5%	22.3%	22.5%	29.1%	32.6%
NPLs plus Foreclosed Real Estate / Loans	0.7%	0.4%	0.4%	0.6%	0.3%
Loan Loss Reserves / NPLs	57.2%	99.2%	174.4%	275.2%	786.0%
Loan Loss Reserves / Total Loans	0.4%	0.4%	0.7%	1.7%	2.7%
Provisions Expense / Average Loans	0.7%	1.0%	1.2%	1.4%	1.5%

Other Metrics					
Income / Employee	2.48	2.97	3.66	3.58	3.48
(Operating Expenses) / Employee	1.22	1.46	1.59	1.64	1.61
Pre-Provision Profit / Employee	1.27	1.51	2.07	1.94	1.88
Net Profit / Employee	0.660	0.727	1.01	0.886	0.821

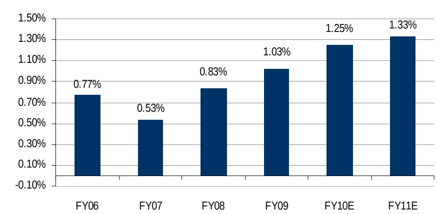
Company Description

Axis Bank, erstwhile UTI Bank, promoted in 1994, is a new generation private sector bank, with a balance sheet size of Rs1.4tn. It has built a reasonable retail infrastructure, with 750 branches and a wide product range. The bank is poised to leverage on its multi-channel, technology-driven retail network. Well placed in a rising interest rate scenario.

Investment Thesis

We have a Underperform rating on Axis Bank owing to its rapid loan growth of +63% (past 2 years), 20% SME exposure and low credit costs, which could be more vulnerable to an NPL uptick in the SME segment (expected at sector level owing to collapse in export growth and weakening macro).

Chart 1: Rising Credit Costs



Source: Banc of America Securities-Merrill Lynch Research Estimates

Stock Data

Shares / GDR	1.00
Price to Book Value	1.9x

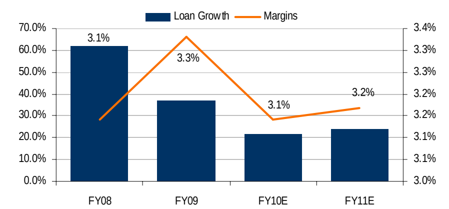
Stock could de-rate to 1.6-1.7x FY10 book

Axis is currently trading at 1.8-1.9x FY10 book, with an RoE of +18-18.5%. We believe that given the loan book profile (20% exposure to SME; 20% exposure to problem sectors like Textiles, Real Estate and Gems and Jewelry) and rise in NPLs that we estimate over the next 12 months coupled with earnings growth collapsing to <8% in FY10 could result in de-rating of the stock to 1.6-1.7x levels (one-yr fwd). Accordingly, we assign a multiple of 1.6-1.7x to our FY10 book thereby maintaining our PO at Rs465, underpinning our Underperform.

FY10 earnings growth to moderate to <8%

We have raised our FY10 earnings marginally by 3-4% for FY10-11 to factor in 8-9% higher than estimated FY09 earnings. But, we are factoring in a slowdown in loan growth (in sync with our sector view of loan growth moderating to 13-14%) to 20-22% levels for Axis, lower margins and lower fee revenues. Further, credit costs are likely to be much higher owing to the expected rise in NPL's. Accordingly, we expect earnings growth in FY09 (yoy) likely to be only 7-8% for FY10 v/s. avg. +50% over the last four years.

Chart 2: Moderation in loan growth & margins



Source: Banc of America Securities-Merrill Lynch Research Estimates

Key highlights of our FY10 outlook:

- We are moderating loan growth to 22% (vs. 38% for FY09) on the back of slowdown in macro. Margin would continue to remain under pressure as ALM mismatch (deposits, having longer tenor, re-price later) and higher share of wholesale deposits (43%) eats in to the benefits of asset re-pricing.
- Fee revenues, linked to loan growth, are also likely to see moderation. For Axis, the impact may be more as its own SME / Retail loans are 40-45% of its loan book.
- We expect the bank to report trading profits to contract in FY10 over FY09 as yields rise due to rise in fiscal deficit.
- Overall, we expect Axis bank's profitability to come under pressure in FY10 as topline and fees slow due to slowdown in macro and NPLs rise and credit costs increases.
- Capital (Tier 1 at 9.3% as on FY09) while not a constraint in FY10 (Tier 1 forecast at 8.4%) as loan growth slows down, might become an issue 15-18 months from now if B/S growth exceeds forecast levels in FY10

Building in higher delinquency in FY10; rising credit costs

We think Axis bank may also be among the more vulnerable banks to manage a sharp macro slowdown owing to faster growth in SME (+20-25%) and higher exposure to textiles, real estate and gems and jewelry segments (20-22%). While Axis has been aggressively provisioning over the last few quarters (see Chart 4), historically the bank has had lower credit costs provisioning and low coverage levels (64% as on Mar'09).

Assuming NPL formation levels at 2.3% of loans (with a 1-year lag) which is still lower than the 3.5-4.0% peak levels seen during the previous cycle, we estimate gross NPL's could potentially rise +fourfold between FY08-10.

Assuming NPL coverage at +70%, we estimate credit costs to rise to 125bps of loans vs. 103bps levels seen in FY09. We forecast gross NPLs rising to 2.3% (0.96% in FY09) in FY10 and net NPLs rising to 0.7% (0.4% in FY09). Hence, asset quality is still likely to be manageable; though it could impact the earnings growth in FY10.

4QFY09 Results Summary

Axis reported 4QFY09 earnings of Rs5.8bn a +60% yoy growth vs. MLe of Rs4.8bn, +20% higher than MLe owing to higher-than-expected trading profits and lower-than-expected opex. PPP, ex treasury profit growth was only 43% yoy vs. +60% yoy profit growth reported by the bank.

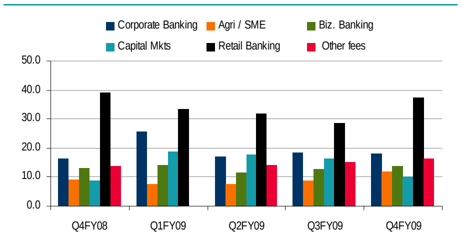
We highlight the key takeaways from the results below:

- Top line rose 25% yoy (was 2% ahead of MLe) as loan growth slowed down to 37% yoy from +50% levels in last few quarters. Loan growth of 37% was helped by Agri. lending (+49% yoy); large and mid-corporate lending (42% yoy) and SME lending (39% yoy). Retail lending, a key driver of growth until FY08 has slowed down to 18% yoy.

- Retail lending continues to be heavily skewed toward housing (65% of total). While PL and 4-W lending continues to be the other key contributors (12% and 11%, resp of total). Incrementally, housing and 4-W has driven the growth in retail lending.

- Margins, while down 56bps yoy, to 3.37% in 4QFY09, have improved 25bps qoq as low-cost deposit base has risen 5 percentage points sequentially (43% of total). Management stated that new branch expansion (+80 qoq) coupled with faster customer acquisitions has resulted in CASA improvement. The share of bulk deposits in total deposits is at (43%), although the cost has reduced dramatically (from +11% to 8%).

Chart 3: Fess- mix; retail and corporate share at 55% of total



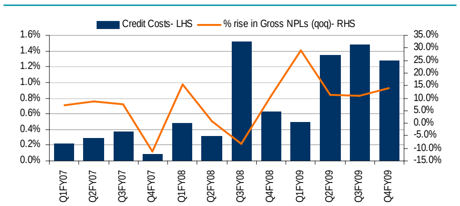
Source: Banc of America Securities-Merrill Lynch Research Estimates

- Fees rose 41% yoy, a material slowdown from earlier quarter's yoy growth of 70-80% average. The slowdown was largely due to corporate and SME fees, which constitute 30% of total fees. We estimate that retail fees (37% of total) are also likely to slow down going forward as retail lending slows.

- Axis reported very strong trading profits largely on G-secs in 4QFY09. The bank reported an Rs1.1bn profit from G-Secs of the total Rs1.7bn in trading profits.

- Operating expenses was a major surprise, increasing only 11% yoy. The surprise came as the bank had a write-back of Rs500mn due to dispensation from the govt. with regards to service tax. As a result, cost-Income ratio has come down to <40%. Management has guided for C-I ratio of 45% levels in the future.

Chart 4: Credit costs rising in sync with rising NPLs



Source: Banc of America Securities-Merrill Lynch Research Estimates

- Total Provisions stood at Rs2.5bn, while provisions for NPLs were at Rs2.6bn. The bank also provided for restructured loans to the tune of Rs140mn in 4QFY09 (Rs650mn for FY09).

- The bank has restructured loans to the tune of Rs10bn in FY09 (Rs6.7bn in 4QFY09 itself) taking the total restructured book to Rs16.3bn as on FY09. 60% of the restructuring done in FY09 was only deferment of principal. 86% of restructuring in FY09 was to companies in large and SME segment. Within industries, Textile, Auto Anc., and Real estate accounted for 44% of FY09 restructuring. Also, the bank mentioned during the call that they have another Rs4.5bn of restructuring loans applications post Apr 01'09.

- Total CAR of the bank was at 13.7%, while Tier 1 was at 9.3%. The Tier 1 ratio has dipped by only <25-30bps qoq as the balance sheet growth has cooled-off to 6-7% qoq from 10-12% earlier.

- Gross NPLs increased 14% in absolute terms qoq, although in percentage terms were maintained at <1.0%. In FY09, gross and net NPLs are up by 82% and 32%, resp. Provision cover was at 64%, lowest amongst the private banks. We estimate that the fresh slippage ratio has risen to 1.4% in FY09 from 1.0% in FY08, while write-offs in FY09 are 40% of write-offs done by the bank since inception.

- Branch addition was rapid with 86 new branches added in 4QFY09 vs. 20 in 3QFY09. Management has guided that in FY10, it will apply for fresh licenses for another 200 branches.

Table 1: 4QFY09 Result Summary

Quarter Ended Mar (Rs mn)	4QFY09	4QFY08	yoy growth
Interest earned	30,392	20,154	50.8%
- on Advances / Bills	20,536	13,701	49.9%
- Income on investments	8,868	5,927	49.6%
- on bal with RBI and other banks	490	376	30.5%
- Others	498	151	230.9%
Interest Expended	20,066	11,870	69.0%
Net Interest Income	10,326	8,284	24.6%
Other income	8,455	5,565	51.9%
- Fee income	6,644	4,682	41.9%
- Treasury income	1,662	446	272.2%
- Other income	150	436	-65.7%
Operating income	18,781	13,849	35.6%
Total Operating expenses	7,396	6,621	11.7%
Employee expenses	2,575	1,845	39.6%
Other Operating expenses	4,821	4,776	0.9%
Operating profit	11,385	7,228	57.5%
Provisions and contingencies	2,552	1,642	55.4%
PBT	8,833	5,586	58.1%
Provision for Tax	3,019	1,972	53.1%
PAT	5,815	3,614	60.9%
PPP (ex treasury)	9,723	6,782	43.4%

Source: Banc of America Securities-Merrill Lynch Research

Financials

Table 2: Profit and Loss Account

Year to March	FY08	FY09E	FY10E	FY11E
Interest Income	70,053	108,355	130,463	151,876
Interest expense	44,200	71,493	85,167	97,631
Net interest income	25,854	36,862	45,296	54,244
Other income	17,955	28,969	33,250	39,001
- Treasury Gains	2,203	3,739	1,765	1,130
Total income	43,808	65,831	78,546	93,245
Operating expenses	21,549	28,582	35,910	43,048
Pre-provision Profit	22,259	37,249	42,636	50,198
Total Provision	5,796	9,397	13,191	16,901
PBT	16,463	27,852	29,446	33,297
Provision for Tax	5,753	9,698	10,011	11,321
PAT	10,710	18,153	19,434	21,976

Source: Banc of America Securities-Merrill Lynch Research

Table 3: Balance Sheet

As at March	FY08	FY09E	FY10E	FY11E
Cash balances	125,042	142,850	102,918	104,982
Advances	596,611	815,570	991,785	1,229,813
Investments	337,051	463,300	512,613	628,523
Fixed assets	9,229	10,500	12,075	13,886
Current assets	27,845	45,000	43,782	43,782
Total Assets	1,095,778	1,477,220	1,663,172	2,020,986
Equity Capital	3,577	3,590	3,590	3,590
Reserves & Surplus	84,108	93,980	109,070	126,307
Shareholders' funds	87,685	97,570	112,660	129,897
ESOPs	22	134	134	134
Deposits	876,262	1,173,740	1,381,280	1,704,982
- Demand deposits	400,270	506,440	547,155	645,643
- Term deposits	475,992	667,300	834,125	1,059,339
Borrowings	75,064	205,776	133,276	150,151
- Subordinated debt	18,824	80,776	95,776	110,776
Current liabilities	56,745	-	35,821	35,821
Total Liabilities	1,095,778	1,477,220	1,663,172	2,020,986

Source: Banc of America Securities-Merrill Lynch Research

Table 4: Key Ratios

Key Ratios	FY08	FY09E	FY10E	FY11E
EPS	29.94	50.57	54.13	61.21
Earnings growth	28%	69%	7%	13%
CEPS	34.4	55.9	60.4	68.6
PPP / Share	66.6	109.0	125.0	147.2
BV/share	245.1	271.8	313.8	361.8
Adjusted BV / Share	238.2	262.7	283.4	335.8
ROAA	1.17%	1.41%	1.24%	1.19%
ROAE	17.6%	19.6%	18.5%	18.1%
NIM	3.14%	3.33%	3.14%	3.17%
Gross NPLs	0.83%	0.96%	2.30%	2.90%
Net NPLs	0.42%	0.35%	0.62%	0.34%
Coverage	50%	64%	73%	89%
Capital Adequacy Ratio	13.7%	13.7%	13.5%	12.6%
- Tier I CAR	10.2%	9.3%	8.4%	7.2%
C/D ratio	68%	69%	72%	72%
Cost-Income ratio (Excl Treasury)	51.8%	46.0%	46.8%	46.7%
Other Inc (Excl treasury) / Total Inc (Excl Treasury)	18.4%	18.9%	19.4%	20.0%
Cost Asset Ratio	2.0%	1.9%	2.2%	2.1%
Loan Growth	62%	37%	22%	24%
Equity / Assets	8.0%	6.6%	6.8%	6.4%
Equity / Loans	14.7%	12.0%	11.4%	10.6%
Provision/ Loans	0.83%	1.03%	1.25%	1.33%
CASA	45.7%	43.1%	39.6%	37.9%
Tax rates	35%	35%	34%	34%
Yield on Advances	9.8%	10.6%	10.0%	9.7%
Yield on Investments	6.9%	7.6%	7.3%	7.2%
Cost of Funds	5.5%	6.1%	5.9%	5.8%
Divid per share	6.4	10.0	11.0	12.0
Divid. Payout	23%	14%	22%	22%
Dividend Yield	1.3%	2.0%	2.2%	2.4%
P/E	16.8	9.9	9.3	8.2
P/ PPP	7.5	4.6	4.0	3.4
P/ABV	2.1	1.9	1.8	1.5

Source: Banc of America Securities-Merrill Lynch Research

Price objective basis & risk

Axis Bank (UTBKF / UTIBY)

We set our PO at Rs465/US$10 for Axis owing to concerns of a sharp rise in NPLs in ensuing quarters and the weak quality of earnings. We believe Axis Bank could see NPLs rising 2.5x between now and Mar10 owing to rapid loan growth (50% avg.) in the past 3 years and 20% exposure to SME. We expect a sharp uptick in SME NPLs at sector level. Going forward too, we think recurring earnings growth could fall to <8% in FY10 owing to a rise in credit costs, margin pressure and weakening loan growth. Hence, with FY10 RoE of +18%, and earnings growth of <8%, we think the stock is unlikely to trade beyond 1.6-1.7x FY10E book, underpinning our PO of Rs465. Downside risks to our PO are a sharp rise in NPLs leading to higher credit costs or the MTM hits arising from the forex derivatives exposure or inability to grow in sync with expectations owing to moderation in the growth cycle. Upside risks to our POs are improvement in macro and NPLs rising much lower than expected providing a fillip to earnings in FY10.

Analyst Certification

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India - Financials Coverage Cluster

Investment rating	Company	ML ticker	Bloomberg symbol	Analyst
BUY				
	Bank of India	XDIIF	BOI IN	Rajeev Varma
	Corporation Bank	XCRRF	CRPBK IN	Veekesh Gandhi
	HDFC	HGDFF	HDFC IN	Rajeev Varma
	HDFC Bank	HDB	HDB US	Rajeev Varma
	HDFC Bank	XHDFF	HDFCB IN	Rajeev Varma
	ICICI Bank	ICIJF	ICICIBC IN	Rajeev Varma
	ICICI Bank - A	IBN	IBN US	Rajeev Varma
	IndiaBulls Finan	IBLFF	IBULL IN	Rajeev Varma
	Indian Bank	INDIF	INBK IN	Rajeev Varma
	Max India	XMXIF	MAX IN	Rajeev Varma
	Punjab	PUJBF	PNB IN	Rajeev Varma
	Reliance Capital	RLCCF	RCFT IN	Rajeev Varma
	SBI	SBINF	SBIN IN	Rajeev Varma
	SBI -G	SBKFF	SBID LI	Rajeev Varma
	Union Bank India	UBOIF	UNBK IN	Rajeev Varma
NEUTRAL				
	Bank of Baroda	BKBAF	BOB IN	Rajeev Varma
	Infrastruct Dev	IFDFF	IDFC IN	Rajeev Varma
UNDERPERFORM				
	Axis Bank	UTBKF	AXSB IN	Rajeev Varma
	Axis Bank - GDR	UTIBY	AXB LI	Rajeev Varma
	Canara Bank	CNRKF	CBK IN	Rajeev Varma
	Federal Bank	XFDRF	FB IN	Veekesh Gandhi
	IDBI	XDBIF	IDBI IN	Veekesh Gandhi
	ORBC	ORBCF	OBC IN	Rajeev Varma
	Vijaya Bank	VJYAF	VJYBK IN	Rajeev Varma
	Yes Bank Ltd	YESBF	YES IN	Veekesh Gandhi

iQmethod SM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) * (1 - Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price * Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

iQmethod SM is the set of Banc of America Securities-Merrill Lynch standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

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UTBKF Price Chart

B : Buy, N : Neutral, S : Sell, U : Underperform, PO : Price objective, NA : No longer valid

"Prior to May 31, 2008, the investment opinion system included Buy, Neutral and Sell. As of May 31, 2008, the investment opinion system includes Buy, Neutral and Underperform. Dark Grey shading indicates that a security is restricted with the opinion suspended. Light grey shading indicates that a security is under review with the opinion withdrawn. The current investment opinion key is contained at the end of the report. Chart is current as of March 31, 2009 or such later date as indicated.

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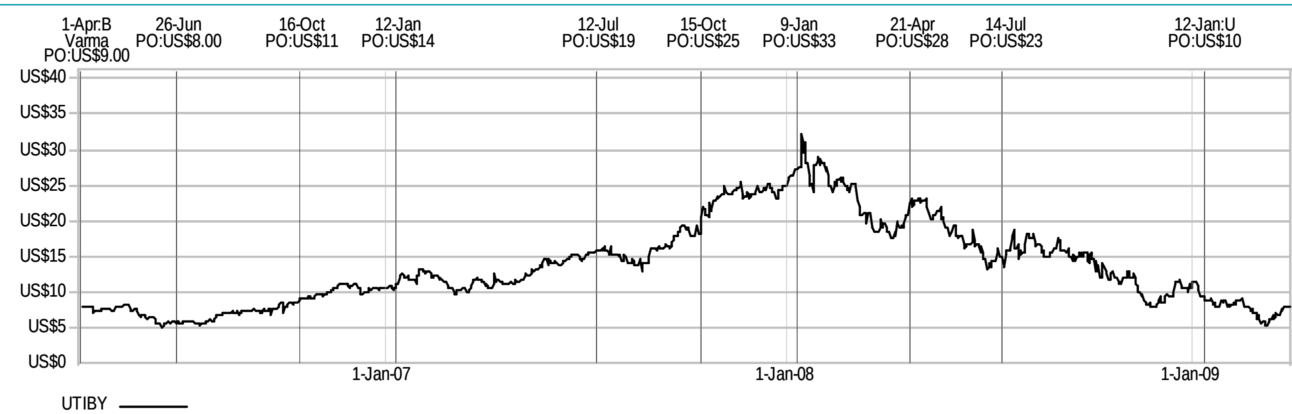
UTIBY Price Chart



B : Buy, N : Neutral, S : Sell, U : Underperform, PO : Price objective, NA : No longer valid

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Investment Rating Distribution: Banks Group (as of 01 Apr 2009)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	66	26.83%	Buy	27	49.09%
Neutral	61	24.80%	Neutral	31	57.41%
Sell	119	48.37%	Sell	63	60.58%

Investment Rating Distribution: Global Group (as of 01 Apr 2009)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1243	38.21%	Buy	520	46.39%
Neutral	841	25.85%	Neutral	349	47.04%
Sell	1169	35.94%	Sell	388	36.30%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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