

# Power Finance Corporation

BSE SENSEX	S&P CNX	CMP: INR187	TP: INR250	Buy						
17,605	5,326									
Bloomberg	POWF									
Equity Shares (m)	1147.8									
52-Week Range (INR)	281/130									
1,6,12 Rel.Perf.(%)	18/1/-21									
M.Cap. (INR b)	214.6									
M.Cap. (USD b)	4.4									
Year	Net Income	Adj PAT	EPS	EPS	P/E	BV	P/BV	Adj. RoAA	Adj. RoAE	Div Yield
End	(INR M)	(INR M)	(INR)	Growth (%)	(X)	(INR)	(X)	(%)	(%)	(%)
3/10A	31,208	22,760	19.8	35.9	-	116	-	3.1	18.3	2.4
3/11A	36,736	26,391	23.0	16.0	8.1	133	1.4	2.9	18.5	2.7
3/12E	41,888	31,570	23.9	4.0	7.8	158	1.2	2.8	17.5	3.0
3/13E	52,264	38,401	29.1	21.6	6.4	178	1.1	2.7	17.3	3.7

Power Finance Corporation (POWF) reported a PAT of INR11b for 3QFY12, up 68% YoY on the back of higher forex gain to the tune of INR4.2b. Adjusted for forex gain, operating profit and PAT were in-line. **Key highlights:**

- NII grew 18.5% YoY and 1.6% QoQ to INR10.9b (v/s our estimate of INR11.3b). Spreads and margins contracted 6bp and 12bp QoQ, respectively, as the cost of funds increased by 5bp QoQ, while yields remained stable.
- Business growth remained strong, with loans growing 28% YoY and 7% QoQ to INR1.2t. Disbursements grew 36% YoY and 22% QoQ to INR106b. Sanctions continued to decline YoY (down 13% on a high base), but grew 21% QoQ to INR154b. Outstanding sanctions pipeline stood at INR1.82t.
- Total MTM forex losses booked till 1HFY12 were INR5.8b and POWF reversed INR4.2b during the quarter. POWF mentioned that till 9MFY12, total MTM losses standing on the books are INR10.3b, which will be amortized over the period of the liability.
- POWF recognized Konaseema project as NPA amounting to INR3.95b. This led to interest reversal of INR190m and provision of INR390m. GNPA stood at 0.54% and NNPA stood at 0.48%.
- POWF has also declared an interim dividend of INR5/share.

**Valuation and view :** We estimate adjusted EPS at INR24 for FY12 and INR29 for FY13, and BV at INR158 for FY12 and INR177 for FY13. During FY12/13, we expect the company to report average adjusted RoA of ~2.7% and average RoE of ~17%. The stock trades at 1.2x FY12E and 1.1x FY13E BV. Maintain **Buy**, with a price target of INR250.

Y/E March	(INR Million)									
	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Interest Income</b>	<b>8,580</b>	<b>8,960</b>	<b>9,260</b>	<b>8,430</b>	<b>9,900</b>	<b>10,800</b>	<b>10,970</b>	<b>11,293</b>	<b>32,999</b>	<b>42,963</b>
YoY Gr %	22.6	24.4	24.0	11.4	15.4	20.5	18.5	34.0	18.2	30.2
Other Operational Income	650	380	310	80	350	80	240	255	3,680	800
<b>Net Operational Income</b>	<b>9,230</b>	<b>9,340</b>	<b>9,570</b>	<b>8,510</b>	<b>10,250</b>	<b>10,880</b>	<b>11,210</b>	<b>11,548</b>	<b>36,679</b>	<b>43,763</b>
YoY Gr %	30.7	16.6	25.9	14.1	11.1	16.5	17.1	35.7	24.7	19.3
Exchange gain/(loss)	-620	660	-210	173	-750	-5,040	4,210	-420	57	-1,875
<b>Total Net Income</b>	<b>8,610</b>	<b>10,000</b>	<b>9,360</b>	<b>8,683</b>	<b>9,500</b>	<b>5,840</b>	<b>15,420</b>	<b>11,128</b>	<b>36,736</b>	<b>41,888</b>
YoY Gr %	12.0	26.9	18.6	12.0	10.3	-41.6	64.7	28.2	17.7	14.0
<b>Operating Expenses</b>	<b>10</b>	<b>370</b>	<b>290</b>	<b>310</b>	<b>270</b>	<b>330</b>	<b>290</b>	<b>360</b>	<b>977</b>	<b>1,245</b>
% to Income	0.1	3.7	3.1	3.6	2.8	5.7	1.9	3.2	2.7	3.0
<b>Operating Profit</b>	<b>8,600</b>	<b>9,630</b>	<b>9,070</b>	<b>8,373</b>	<b>9,230</b>	<b>5,510</b>	<b>15,130</b>	<b>10,768</b>	<b>35,759</b>	<b>40,644</b>
YoY Gr %	14.5	26.0	18.7	13.9	7.3	-42.8	66.8	28.6	18.8	13.7
<b>Adjusted PPP (For Forex)</b>	<b>9,220</b>	<b>8,970</b>	<b>9,280</b>	<b>8,200</b>	<b>9,980</b>	<b>10,550</b>	<b>10,920</b>	<b>11,188</b>	<b>35,670</b>	<b>42,638</b>
YoY Gr %	34.0	15.4	26.3	16.1	8.2	17.6	17.7	36.4	22.7	19.5
Provisions	0	-2	60	262	70	0	390	90	317	550
<b>PBT</b>	<b>8,600</b>	<b>9,632</b>	<b>9,010</b>	<b>8,111</b>	<b>9,160</b>	<b>5,510</b>	<b>14,740</b>	<b>10,678</b>	<b>35,442</b>	<b>40,094</b>
YoY Gr %	14.5	26.1	18.1	10.2	6.5	-42.8	63.6	31.6	17.6	13.1
Tax	2,070	2,623	2,420	2,127	2,298	1,320	3,660	2,745	9,246	10,023
Tax Rate %	24.1	27.2	26.9	26.2	25.1	24.0	24.8	25.7	26.1	25.0
<b>PAT</b>	<b>6,530</b>	<b>7,009</b>	<b>6,590</b>	<b>5,985</b>	<b>6,862</b>	<b>4,190</b>	<b>11,080</b>	<b>7,933</b>	<b>26,196</b>	<b>30,070</b>
YoY Gr %	17.7	10.0	16.8	-0.3	5.1	-40.2	68.1	32.5	11.1	14.8
<b>Adjusted PAT (For Forex)</b>	<b>7,001</b>	<b>6,529</b>	<b>6,744</b>	<b>5,857</b>	<b>7,424</b>	<b>8,023</b>	<b>7,915</b>	<b>8,245</b>	<b>26,130</b>	<b>31,607</b>
YoY Gr %	37.7	0.7	24.3	1.6	6.0	22.9	17.4	40.8	14.8	21.0

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### **NIM declined 12bp QoQ led by higher cost of funds**

Despite strong asset growth (28% YoY and 7% QoQ), NII grew 18.5% YoY and ~2% QoQ to INR10.9b (below our est. of INR11.3b). Reported spreads declined 6bp QoQ and 50bp YoY to 2.15%. Reported NIMs declined 12bp QoQ to 3.85%. This was on account of yield on loans remaining stable QoQ, while the cost of funds increased 5bp QoQ (+65bp YoY) to 9.13%.

### **Higher foreign exchange gains boosts bottomline**

POWF booked INR5.8b till 1HFY12 on account of MTM forex losses and it reversed INR4.2b during the quarter, due to change in accounting treatment for foreign currency translation difference, thereby boosting the bottomline. POWF mentioned that till 9MFY12, total MTM losses standing on the books are INR10.3b which will be amortized over the tenure of the loans. For the current fiscal POWF has booked MTM loss to the tune of INR1.9b. The initial repayments for POWF begin from 2014. As on Dec-2011, PFC's foreign currency borrowings stood at INR59.7b or 6% of total outstanding borrowings.

### **Strong disbursements growth**

Business growth remained strong in 3Q as loans grew 28% YoY and 7% QoQ to INR1.2t. Disbursements grew 36% YoY and 22% QoQ to INR106b. Disbursements mix remained largely stable QoQ, with disbursement towards generation at ~69%, transmission at ~8% and to distribution marginally up to ~4% from ~3% in 2QFY12. Outstanding short-term loans stood at INR30b to SEBs.

### **Sanctions pipeline remains healthy**

Sanctions continued to decline further YoY (down 13% on a high base), but improved 21% QoQ to INR154b. Consequently, outstanding sanctions pipeline stood at INR1.82t (v/s INR1.79t in 2QFY12). Of the total sanctions during the quarter, 45% (v/s 78% in 2QFY12) was towards generation, 3% (v/s 1% in 2QFY12) towards transmission, 31% towards R-APDRP scheme (v/s NIL in 2QFY12) and negligible sanctions in the disbursements segment.

### **Contribution of State and Central utilities remains high in the balance sheet**

State and central utilities constitute more than 80% of POWF's loans. Share of private sector increased to 9.8% v/s 8.7% QoQ and 5.2% at the end of FY10. Incremental loans in 3Q stood at INR75.7b, of which state utilities contributed 52%, private sector 26%, and center and joint utilities the rest.

### **Borrowings up 10% QoQ; additional liquidity built up during the quarter**

Borrowings at the end of 3QFY12 stood at INR999b (up 31% YoY and 10% QoQ). Borrowing profile consisted of 75.3% (76.3% a quarter ago and 72.5% a year ago) domestic bonds and 20% (down from 22% a quarter ago and 25% a year ago) term loans. PFC's foreign currency borrowings stood at INR59.7b or 6% of total outstanding borrowings. Incremental loans during the quarter are INR75.7b and borrowings at INR88.6b. On the principal side, 72% of the foreign currency borrowings were open while the balance 28% was hedged. On the interest side, 76% remains open. Repricing on asset side of INR330b and INR54b on liability side is expected in FY13.

**Asset quality deteriorates; Konaseema recognized as NPA**

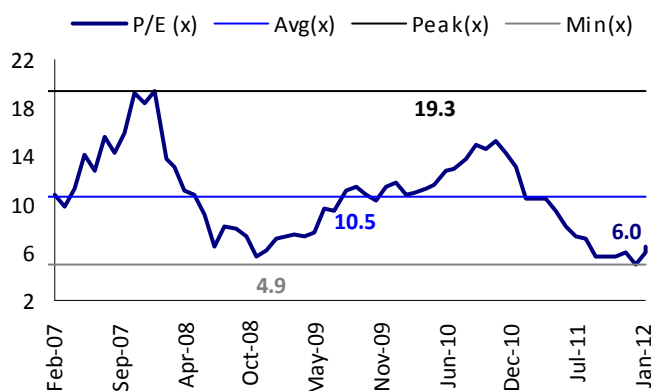
POWF recognized Konaseema project as NPA amounting to INR3.95b, leading to de-recognition of INR190m interest, and provisioning to the extent of INR390m. GNPA increased to INR6.3b or 0.54% v/s 0.22% in 2QFY12, while NNPA increased to 0.48% v/s 0.19% in 2QFY12. Provision Coverage Ratio stood at 11%. No standard asset provisioning in the balance sheet despite increasing share of private sector loans remains a concern.

**Valuation and view**

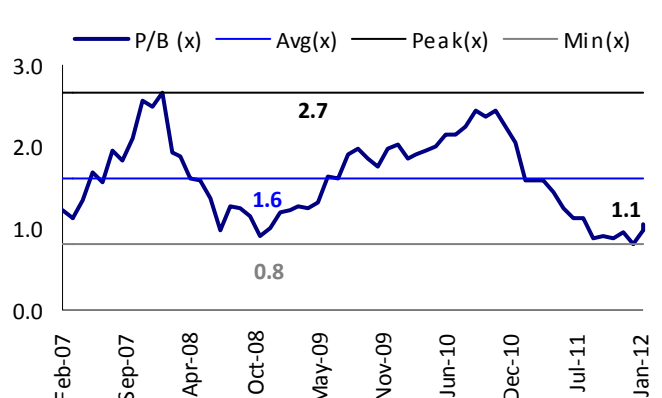
- On the back of a strong sanctions pipeline, loans and disbursements growth is expected to remain strong. Outstanding sanctions stand at INR1.8t (1.6x of the o/s loans). With access to ECB, IFC bonds and now with increased limit for foreign investment in bonds issued by IFCs, we expect cost of funds to remain under control. This, coupled with benefits of capital raising, has helped margins remain healthy. We model in ~13bp improvement in FY12 margins. Our earnings estimates remain unchanged on an adjusted basis. Adjusted for forex loss, we expect PAT CAGR of 20% over FY11-13.
- We expect PFC to report Adjusted EPS of INR24 for FY12 and INR29 for FY13E. Book value is expected to be INR158 and INR177 respectively. During FY12/13, we expect the company to report average adjusted RoA of ~2.7% and average ROE of ~17%. The stock trades at 1.2x FY12E BV and 1x FY13E BV. Maintain **Buy** with a price target of INR250.

**Key risks:** (a) Policy paralysis in the power sector space (b) Some large accounts recognized as NPA (though on technical in nature) for other financiers but not for POWF, and (c) Continued tight liquidity putting pressure on cost of funds (though expected to reverse from April 2012).

**PFC: One year forward P/E**

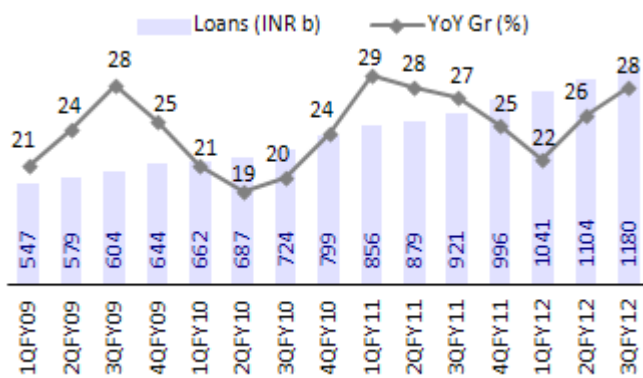


**PFC: One year forward P/BV**



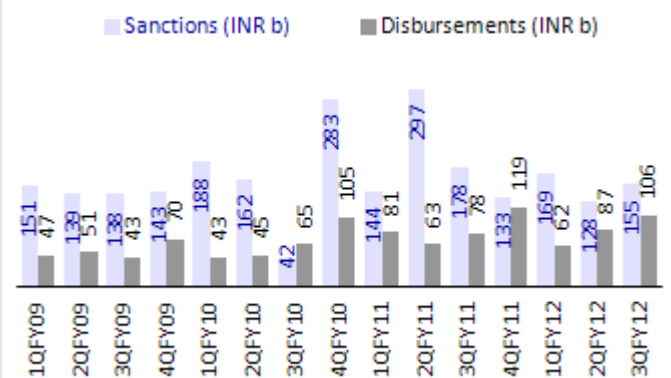
## Quarterly trends

### Loan growth picks up



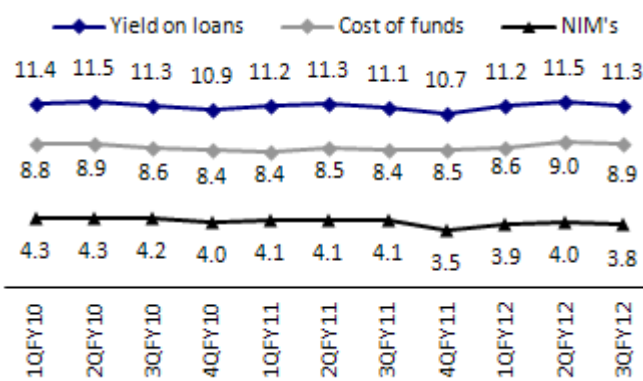
■ During the quarter 52% of the incremental growth was driven by state utilities; pvt. sector contributed 26%

### Strong disbursements growth; Sanctions increase QoQ



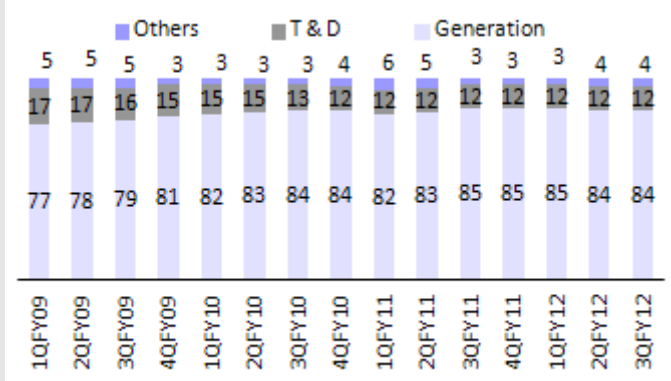
■ Disbursements grew strongly by 36% YoY and 22% QoQ, while sanctions declined 13% YoY but declined 21% QoQ

### Margins contract QoQ (%)



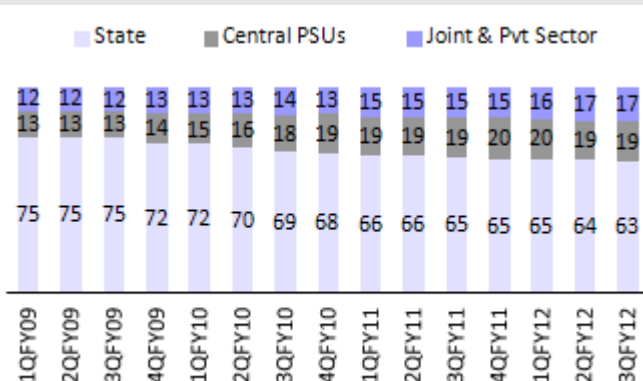
■ Spreads and margins contracted by 6bp and 12bp QoQ, as cost of funds increased while yields remained flat

### Segment wise composition of loan book (%)



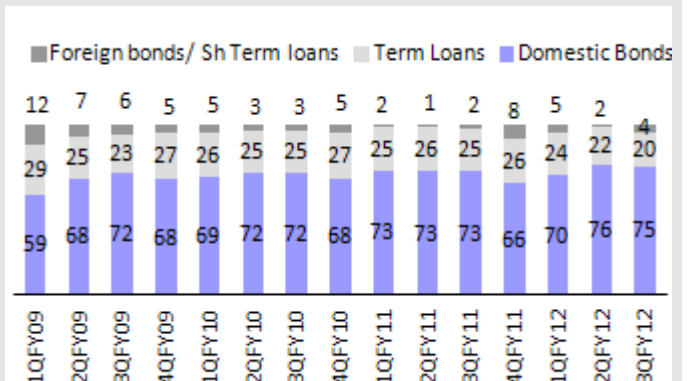
■ Loan mix remained largely stable with generation segment constituting the largest share

### Borrower wise composition of loan book (%)



■ Proportion of private sector project funding increased QoQ though marginally

### Borrowing profile (%)



■ Proportion of term loans and bonds declined QoQ, while that of foreign loans increased

## Quarterly Snapshot

	FY11				FY12			Variation (%)		Cumulative Numbers		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	QoQ	YoY	9M FY11	9M FY12	YoY Gr (%)
<b>Profit and Loss (INR m)</b>												
<b>Net Interest Income</b>	<b>8,580</b>	<b>8,960</b>	<b>9,260</b>	<b>8,430</b>	<b>9,900</b>	<b>10,800</b>	<b>10,970</b>	<b>2</b>	<b>18</b>	<b>26,800</b>	<b>31,670</b>	<b>18</b>
Other Income (Incl fees)	650	380	310	80	350	80	240	NA	-23	1,340	670	-50
Exchange gain / loss	-620	660	-210	173	-750	-5,040	4,210	NA	NA	-170	-1,580	NA
<b>Net total income</b>	<b>8,610</b>	<b>10,000</b>	<b>9,360</b>	<b>8,683</b>	<b>9,500</b>	<b>5,840</b>	<b>15,420</b>	<b>NA</b>	<b>65</b>	<b>27,970</b>	<b>30,760</b>	<b>10</b>
Operating Expenses	10	370	290	310	270	330	290	-12	0	670	890	33
Employee	119	210	170	178	194	175	176	0	4	498	546	9
Others	-109	160	120	132	76	155	114	-26	-5	172	344	101
<b>Operating Profits</b>	<b>8,600</b>	<b>9,630</b>	<b>9,070</b>	<b>8,373</b>	<b>9,230</b>	<b>5,510</b>	<b>15,130</b>	<b>175</b>	<b>67</b>	<b>27,300</b>	<b>29,870</b>	<b>9</b>
Provisions	0	-2	60	262	70	0	390	NA	NA	58	460	NA
PBT	8,600	9,632	9,010	8,111	9,160	5,510	14,740	NA	64	27,242	29,410	8
Taxes	2,070	2,623	2,420	2,127	2,298	1,320	3,660	NA	51	7,113	7,278	2
<b>PAT</b>	<b>6,530</b>	<b>7,009</b>	<b>6,590</b>	<b>5,985</b>	<b>6,862</b>	<b>4,190</b>	<b>11,080</b>	<b>NA</b>	<b>68</b>	<b>20,129</b>	<b>22,132</b>	<b>10</b>
Extra-ordinary/ Other adj.	-270	-540	10	-180	300	3,910	-3,339	NA	NA	-800	871	NA
<b>Adj. PAT</b>	<b>6,260</b>	<b>6,469</b>	<b>6,600</b>	<b>5,805</b>	<b>7,162</b>	<b>8,100</b>	<b>7,741</b>	<b>-4</b>	<b>17</b>	<b>19,329</b>	<b>23,003</b>	<b>19</b>
<b>Asset Quality</b>												
GNPA	130	130	130	2,310	2,380	2,380	6,330	NA	NA			
NNPA	60	60	0	1,950	2,060	2,060	5,620	NA	NA			
Gross NPAs (%)	0.02	0.01	0.01	0.23	0.23	0.22	0.54					
Net NPAs (%)	0.01	0.01	0.00	0.20	0.20	0.19	0.48					
PCR (%)	53.8	53.8	100.0	15.6	13.4	13.4	11.2					
<b>Ratios (%)</b>												
Cost to Income	0.1	3.7	3.1	3.6	2.8	5.7	1.9			2.4	2.9	
Provision to oper. profit	0.0	0.0	0.7	3.1	0.8	0.0	2.6			0.2	1.5	
Tax Rate	24.1	27.2	26.9	26.2	25.1	24.0	24.8			26.1	24.7	
Total CAR	17.4	17.4	17.3	15.7	18.9	18.2	17.9			17.3	17.9	
<b>Margins Reported - Quarterly (%)</b>												
Yield on Loans	11.0	11.2	11.1	10.6	11.1	11.3	11.3	-1	15			
Cost of Funds	8.3	8.6	8.5	8.4	8.8	9.1	9.1	5	65			
Spreads	2.7	2.6	2.7	2.2	2.3	2.2	2.2	-6	-50			
NIMs	4.1	4.1	4.1	3.5	3.9	4.0	3.9	-12	-26			
<b>Margins Reported - Cumulative (%)</b>												
Yield on Loans	11.0	11.1	11.1	11.0	11.1	11.2	11.2	3	12			
Cost of Funds	8.3	8.5	8.5	8.5	8.8	8.9	9.0	6	53			
Spreads	2.7	2.6	2.6	2.5	2.3	2.3	2.2	-3	-41			
NIMs	4.1	4.1	4.1	4.0	3.9	3.9	3.9	-2	-20			
<b>Balance Sheet Data (INR b)</b>												
Shareholders Funds	139	146	153	152	193	197	208	6	36			
Borrowings	716	736	764	856	865	911	999	10	31			
DTL	0	0	1	1	1	1	1	-15	-19			
Interest subsidy funds	6	6	6	5	4	4	4	-4	-32			
R APDRP Fund from GOI	1	0	0	0	0	0	0	NA	NA			
Current Liability and Provisions		46	46	51	33	36	34	36	5	-29		
<b>Total Liabilities</b>	<b>909</b>	<b>935</b>	<b>975</b>	<b>1,046</b>	<b>1,099</b>	<b>1,147</b>	<b>1,248</b>	<b>9</b>	<b>28</b>			
Loans (Incl Int accrued)	856	879	921	996	1,041	1,104	1,180	7	28			
Investments	0	0	0	1	1	1	1	7	41			
Fixed Assets	1	1	1	1	1	1	1	0	-4			
Current Assets	52	54	52	49	57	41	58	41	11			
<b>Total Assets</b>	<b>909</b>	<b>935</b>	<b>975</b>	<b>1,046</b>	<b>1,099</b>	<b>1,147</b>	<b>1,248</b>	<b>9</b>	<b>28</b>			

For %age change QoQ and YoY is bp

Source: Company/MOSL

## Quarterly Snapshot

INR b	FY10				FY11				FY12			Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	QoQ	YoY
<b>Business Details (INR b)</b>													
Sanctions	188	162	42	283	144	297	178	133	169	128	155	21	-13
Disbursements	43	45	65	105	81	63	78	119	62	87	106	22	36
Loans	662	687	724	799	856	879	921	996	1,041	1,104	1,180	7	28
Borrowings	528	565	585	671	716	736	764	856	865	911	999	10	31
<b>Sanctions discipline wise</b>	<b>188</b>	<b>162</b>	<b>42</b>	<b>283</b>	<b>144</b>	<b>297</b>	<b>178</b>	<b>133</b>	<b>169</b>	<b>128</b>	<b>155</b>	<b>21</b>	<b>-13</b>
Generation	124	140	18	171	58	230	125	106	110	100	69	-31	-45
Transmission	42	8	6	59	31	3	3	5	12	1	4	NA	42
Distribution	0	0	2	0	1	1	0	0	0	20	0	-98	NA
R APDRP	16	6	7	33	22	58	43	13	37	0	47	NA	9
Others	5	8	9	19	32	5	7	9	11	6	34	NA	NA
<b>Disbursements discipline wise</b>	<b>43</b>	<b>45</b>	<b>65</b>	<b>105</b>	<b>81</b>	<b>63</b>	<b>78</b>	<b>119</b>	<b>62</b>	<b>87</b>	<b>106</b>	<b>22</b>	<b>36</b>
Generation	34	35	48	80	47	41	56	80	48	60	74	23	32
Transmission	3	1	2	4	4	6	9	6	5	7	8	12	-14
Distribution	2	1	1	3	3	4	4	8	4	3	4	66	7
R APDRP	0	4	4	6	2	6	2	13	1	5	7	32	NA
others	4	4	10	13	25	6	8	12	4	12	13	11	75
<b>Disbursements borrower wise</b>	<b>43</b>	<b>45</b>	<b>65</b>	<b>105</b>	<b>81</b>	<b>63</b>	<b>78</b>	<b>119</b>	<b>62</b>	<b>87</b>	<b>106</b>	<b>22</b>	<b>36</b>
State	29	24	37	69	43	49	54	80	42	57	67	16	23
Central PSUs	7	14	19	24	17	5	13	25	5	8	15	89	19
Joint Sector	6	4	6	8	4	3	4	7	4	4	4	21	12
Private	2	2	3	4	17	7	7	6	12	18	20	12	NA
<b>Loans discipline wise</b>	<b>661</b>	<b>686</b>	<b>723</b>	<b>799</b>	<b>856</b>	<b>879</b>	<b>920</b>	<b>996</b>	<b>1,041</b>	<b>1,104</b>	<b>1,180</b>	<b>7</b>	<b>28</b>
Generation	542	567	605	670	706	733	778	843	880	929	992	7	27
Transmission	66	65	62	63	65	64	71	76	79	83	89	7	25
Distribution	35	35	32	34	36	38	41	47	49	50	53	5	29
Others	18	18	25	32	50	44	30	30	32	42	46	12	55
<b>Loans borrower wise</b>	<b>661</b>	<b>686</b>	<b>723</b>	<b>799</b>	<b>856</b>	<b>879</b>	<b>920</b>	<b>996</b>	<b>1,041</b>	<b>1,104</b>	<b>1,180</b>	<b>7</b>	<b>28</b>
State	475	483	496	541	565	580	601	645	672	709	749	6	25
Central PSUs	98	111	128	150	166	168	179	203	206	212	225	6	25
Joint Sector	49	52	58	65	69	71	74	80	84	86	90	4	22
Private	39	40	42	42	57	60	66	68	79	97	116	20	76
<b>Borrowing mix</b>	<b>528</b>	<b>565</b>	<b>585</b>	<b>671</b>	<b>716</b>	<b>736</b>	<b>764</b>	<b>856</b>	<b>865</b>	<b>911</b>	<b>999</b>	<b>10</b>	<b>31</b>
Domestic Bonds	364	408	419	458	522	534	555	561	609	695	753	8	36
Foreign Bonds	13	9	8	8	8	8	8	8	8	0	0	NA	NA
Term Loans (Incl Rupee and foreign)	140	139	148	182	182	182	191	192	224	211	200	203	26
Short term loans	11	10	10	23	3	2	10	63	36	15	43	NA	NA

Source: Company/MOSL

## Stock Info

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

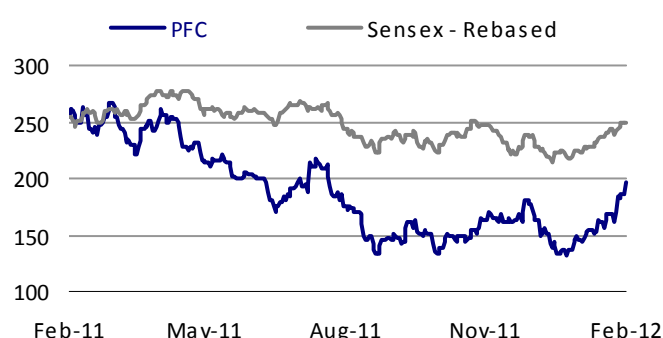
	MOSL Forecast*	Consensus Forecast	Variation (%)
FY12	23.9	21.8	9.9
FY13	29.1	27.2	6.9

\* Adjusted EPS

### Shareholding pattern (%)

	Dec-11	Sep-11	Dec-10
Promoter	73.7	73.7	89.8
Domestic Inst	9.3	10.1	3.1
Foreign	7.8	6.6	3.5
Others	9.2	9.6	3.6

### 1-year Sensex rebased



### Financials: Valuation Matrix

	Rating	CMP (INR)	Mkt. Cap (USDb)	EPS (INR)		P/E (x)		P/BV (x)		RoA (%)		RoE (%)	
				FY12	FY13	FY12	FY13	FY12	FY13	FY12	FY13	FY12	FY13
ICICI* <sup>*</sup>	Buy	902	20.8	55	62	12.3	10.6	1.7	1.5	1.5	1.4	13.8	14.3
HDFCB	Neutral	498	23.2	22	28	22.5	17.8	4.0	3.4	1.7	1.7	18.9	20.5
AXSB	Buy	1,072	8.8	97	112	11.1	9.6	2.0	1.7	1.5	1.5	19.9	19.5
KMB	Neutral	509	3.7	24	28	20.2	17.2	2.9	2.5	1.8	1.6	14.9	14.6
YES	Buy	339	2.4	28	33	12.0	10.3	2.5	2.1	1.5	1.3	23.3	22.3
IIB	Buy	299	2.8	17	21	17.5	14.3	3.1	2.7	1.6	1.5	19.3	20.1
VYSB	Buy	325	0.8	30	34	10.8	9.7	1.3	1.1	1.0	1.0	14.0	12.3
FB	Buy	399	1.4	43	50	9.2	7.9	1.2	1.1	1.3	1.3	13.8	14.5
JKBk	Buy	821	0.8	151	168	5.5	4.9	1.0	0.9	1.3	1.2	19.4	18.7
SIB	Buy	23	0.5	3	4	6.7	5.9	1.3	1.1	1.1	1.0	21.1	20.3
<b>Private Aggregate</b>			<b>65</b>			<b>16.0</b>	<b>13.6</b>	<b>2.3</b>	<b>2.1</b>				
SBIN (cons)*	Buy	2,073	26.3	211	240	9.4	8.2	1.3	1.2	0.8	0.8	15.6	16.1
PNB	Buy	954	6.0	155	181	6.1	5.3	1.3	1.0	1.2	1.2	22.3	21.7
BOI	Neutral	350	3.8	45	59	7.7	6.0	1.1	0.9	0.7	0.8	14.6	16.7
BOB	Neutral	756	5.9	122	133	6.2	5.7	1.2	1.1	1.2	1.1	21.9	20.2
CBK	Buy	483	4.3	73	89	6.6	5.4	1.0	0.9	0.9	0.9	16.7	17.7
UNBK	Buy	234	2.5	27	45	8.6	5.2	1.0	0.9	0.6	0.8	12.2	18.2
IOB	Neutral	87	1.1	22	18	4.0	4.8	0.6	0.6	0.7	0.5	15.6	12.0
OBC	Buy	281	1.6	42	50	6.7	5.7	0.7	0.7	0.7	0.7	11.4	12.4
INBK	Buy	230	2.0	44	48	5.2	4.8	1.1	0.9	1.4	1.3	21.6	20.0
CRPBK	Neutral	416	1.2	98	104	4.3	4.0	0.7	0.7	0.9	0.8	18.8	17.4
ANDB	Buy	109	1.2	23	26	4.7	4.2	0.8	0.7	1.1	1.0	18.7	18.0
IDBI *	Neutral	97	1.9	20	21	3.7	3.4	0.5	0.5	0.7	0.7	14.5	14.1
DNB	Buy	71	0.5	22	25	3.3	2.8	0.6	0.5	0.9	0.9	17.9	18.4
<b>Public Aggregate</b>			<b>58</b>			<b>7.8</b>	<b>6.7</b>	<b>1.2</b>	<b>1.0</b>				
HDFC*	Neutral	686	20.1	27	31	18.1	15.1	5.0	4.5	2.8	2.9	26.6	28.8
LICHF	Buy	260	2.5	19	28	13.4	9.4	2.5	2.1	1.6	1.8	20.3	24.3
DEWH	Buy	243	0.5	30	39	8.2	6.3	1.3	1.1	1.3	1.4	18.7	19.5
IDFC	Buy	131	3.8	10	11	12.7	12.2	1.5	1.3	3.1	2.7	13.7	12.6
RECL	Buy	204	4.0	29	34	7.1	6.0	1.4	1.2	3.1	3.1	20.7	21.8
POWF	Buy	187	4.3	18	29	10.5	6.5	1.2	1.1	2.1	2.8	13.2	17.7
SHTF	Buy	597	2.7	58	63	10.4	9.5	2.3	1.9	3.0	2.9	23.9	21.6
MMFS	Neutral	708	1.5	55	70	12.9	10.2	2.5	2.1	3.8	3.8	20.8	22.4
<b>NBFC Aggregate</b>			<b>39</b>			<b>14.2</b>	<b>11.3</b>	<b>3.2</b>	<b>2.7</b>				

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

## Financials and Valuations

<b>Income Statement</b>					<b>(INR Million)</b>	
<b>Y/E March</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>
Interest on loans	47,808	63,388	78,523	97,605	125,399	152,888
Interest exp and other charges	31,624	42,464	50,599	64,606	82,436	99,696
<b>Net Financing income</b>	<b>16,184</b>	<b>20,924</b>	<b>27,924</b>	<b>32,999</b>	<b>42,963</b>	<b>53,192</b>
<i>Change (%)</i>	<i>27.6</i>	<i>29.3</i>	<i>33.5</i>	<i>18.2</i>	<i>30.2</i>	<i>23.8</i>
Other operating income	2,485	2,186	1,498	3,680	800	923
Exchg Gain/(Loss) on Forex loar	-201	-2,522	1,038	-264	-2,000	-2,000
Other Income	108	262	748	321	125	150
<b>Net Income</b>	<b>18,575</b>	<b>20,849</b>	<b>31,208</b>	<b>36,736</b>	<b>41,888</b>	<b>52,264</b>
<i>Change (%)</i>	<i>27.4</i>	<i>12.2</i>	<i>49.7</i>	<i>17.7</i>	<i>14.0</i>	<i>24.8</i>
Employee Cost	498	424	717	671	738	886
Administrative Exp	312	444	341	255	447	536
Depreciation	45	41	38	51	60	200
<b>Operating Income</b>	<b>17,720</b>	<b>19,941</b>	<b>30,113</b>	<b>35,759</b>	<b>40,644</b>	<b>50,643</b>
<i>Change (%)</i>	<i>26.1</i>	<i>12.5</i>	<i>51.0</i>	<i>18.8</i>	<i>13.7</i>	<i>24.6</i>
<b>Total Provisions</b>	<b>-105</b>	<b>37</b>	<b>-21</b>	<b>317</b>	<b>550</b>	<b>750</b>
<i>% to operating income</i>	<i>-0.6</i>	<i>0.2</i>	<i>-0.1</i>	<i>0.9</i>	<i>1.4</i>	<i>1.5</i>
<b>PBT</b>	<b>17,825</b>	<b>19,905</b>	<b>30,134</b>	<b>35,442</b>	<b>40,094</b>	<b>49,893</b>
Prior period Adjustments	52	0	1	-1	0	0
<b>PBT (post prior period adj)</b>	<b>17,877</b>	<b>19,905</b>	<b>30,135</b>	<b>35,441</b>	<b>40,094</b>	<b>49,893</b>
Tax (Incl Deferred tax)	5,809	5,038	6,562	9,246	10,023	12,972
<i>Tax Rate (%)</i>	<i>32.5</i>	<i>25.3</i>	<i>21.8</i>	<i>26.1</i>	<i>25.0</i>	<i>26.0</i>
<b>PAT</b>	<b>12,068</b>	<b>14,867</b>	<b>23,573</b>	<b>26,196</b>	<b>30,070</b>	<b>36,921</b>
<i>Change (%)</i>	<i>36.4</i>	<i>23.2</i>	<i>58.6</i>	<i>11.1</i>	<i>14.8</i>	<i>22.8</i>
Extra ordinary item	0	4,832	0	0	0	0
<b>Reported PAT</b>	<b>12,068</b>	<b>19,700</b>	<b>23,573</b>	<b>26,196</b>	<b>30,070</b>	<b>36,921</b>
<b>Adjusted PAT (Post Forex)</b>	<b>12,203</b>	<b>16,751</b>	<b>22,760</b>	<b>26,391</b>	<b>31,570</b>	<b>38,401</b>
<i>Change (%)</i>	<i>48.7</i>	<i>37.3</i>	<i>35.9</i>	<i>16.0</i>	<i>19.6</i>	<i>21.6</i>
Proposed Dividend	4,017	4,591	5,165	5,997	7,518	9,230

<b>Balance Sheet</b>					<b>(INR Million)</b>	
<b>Y/E March</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>
Capital	11,478	11,478	11,478	11,478	13,199	13,199
Reserves & Surplus	81,821	103,601	121,130	140,347	194,850	220,971
<b>Net Worth</b>	<b>93,299</b>	<b>115,078</b>	<b>132,608</b>	<b>151,825</b>	<b>208,049</b>	<b>234,170</b>
Deferred Tax Liability	12,403	555	470	830	830	830
<b>Networth (incl DTL)</b>	<b>105,701</b>	<b>115,633</b>	<b>133,077</b>	<b>152,655</b>	<b>208,879</b>	<b>235,000</b>
Interest subsidy from Gol	10,668	9,089	6,635	4,519	3,841	3,265
<b>Borrowings</b>	<b>406,478</b>	<b>521,602</b>	<b>671,084</b>	<b>855,986</b>	<b>1,066,715</b>	<b>1,292,948</b>
<i>Change (%)</i>	<i>21.0</i>	<i>28.3</i>	<i>28.7</i>	<i>27.6</i>	<i>24.6</i>	<i>21.2</i>
<b>Total Liabilities</b>	<b>522,847</b>	<b>646,324</b>	<b>810,796</b>	<b>1,013,159</b>	<b>1,279,434</b>	<b>1,531,213</b>
Investments	656	359	314	539	647	776
<i>Change (%)</i>	<i>11.4</i>	<i>-45.3</i>	<i>-12.4</i>	<i>71.4</i>	<i>20.0</i>	<i>20.0</i>
<b>Loans</b>	<b>515,683</b>	<b>644,290</b>	<b>798,558</b>	<b>995,707</b>	<b>1,258,660</b>	<b>1,521,116</b>
<i>Change (%)</i>	<i>17.5</i>	<i>24.9</i>	<i>23.9</i>	<i>24.7</i>	<i>26.4</i>	<i>20.9</i>
Net Fixed Assets	770	752	745	767	823	873
Net Current Assets	5,738	924	11,180	16,144	10,875	2,019
<b>Total Assets</b>	<b>522,847</b>	<b>646,324</b>	<b>810,796</b>	<b>1,013,157</b>	<b>1,279,434</b>	<b>1,531,213</b>



## Financials and Valuations

### Ratios

Y/E March	2008	2009	2010	2011	2012E	2013E
<b>Spreads Analysis (%)</b>						
Avg. Yield - on Financing portfol	10.0	10.9	10.9	10.9	11.1	11.0
Avg Cost of funds	8.6	9.8	8.4	8.6	8.6	8.5
Interest Spread	1.4	1.1	2.5	2.3	2.6	2.6
Net Interest Margin	3.4	3.6	3.9	3.7	3.8	3.8
<b>Profitability Ratios (%)</b>						
RoE	11.9	17.8	19.0	18.3	16.6	16.6
Adjusted RoE	12.0	15.1	18.3	18.5	17.5	17.3
RoA	2.5	3.4	3.2	2.9	2.6	2.6
Adjusted RoA	2.5	2.9	3.1	2.9	2.8	2.7
<b>Efficiency Ratios (%)</b>						
Int. Expended/Int.Earned	66.1	67.0	64.4	66.2	65.7	65.2
Other operating Inc./Net Incom	13.4	10.5	4.8	10.0	1.9	1.8
Other Income/Net Income	0.6	1.3	2.4	0.9	0.3	0.3
Op. Exps./Net Income	4.6	4.4	3.5	2.7	3.0	3.1
Empl. Cost/Op. Exps.	58.3	46.6	65.4	68.7	59.3	54.6
<b>Asset-Liability Profile (%)</b>						
Loans/Borrowings Ratio	126.9	123.5	119.0	116.3	118.0	117.6
Invest./Borrowings Ratio	0.2	0.1	0.0	0.1	0.1	0.1
Net NPAs to Adv.	0.0	0.0	0.0	0.2	0.4	0.3
Debt/Equity Ratio	4.4	4.5	5.1	5.6	5.1	5.5
<b>VALUATIONS</b>						
Book Value (INR)	92.1	100.7	115.9	133.0	158.2	178.0
BV Growth (%)	8.6	9.4	15.1	14.7	19.0	12.5
Price-ABV (x)	2.0	1.9	1.6	1.4	1.2	1.1
EPS (INR)	10.5	17.2	20.5	22.8	22.8	28.0
EPS Growth (%)	36.4	63.2	19.7	11.1	-0.2	22.8
Price-Earnings (x)	17.8	10.9	9.1	8.2	8.2	6.7
Adjusted EPS (INR)	10.6	14.6	19.8	23.0	23.9	29.1
Adj EPS Growth (%)	48.7	37.3	35.9	16.0	4.0	21.6
Price-EPS (x)	17.6	12.8	9.4	8.1	7.8	6.4
Dividend	3.5	4.0	4.5	5.0	5.7	7.0
Dividend Yield (%)	1.9	2.1	2.4	2.7	3.0	3.7

E: MOSL Estimates

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