

Canara Bank

BSE SENSEX 17,705	S&P CNX 5,327	CMP: INR469	TP: INR555	Buy								
Bloomberg Equity Shares (m)	CBK IN 443.0	YEAR	NET INCOME	PAT	EPS	EPS	P/E	BY	P/BV	P/ABY	ROAA	ROAE
52-Week Range (INR)	844/401	END	(INR M)	(INR M)	(INR)	GR. (%)	(X)	(INR)	(X)	(X)	(%)	(%)
1,6, 12 Rel.Perf.(%)	-2/-18/-23	3/10A	85,384	30,214	73.7	45.8	-	306	-	-	1.2	26.8
M.Cap. (INR b)	207.9	3/11A	105,263	40,259	90.9	23.3	5.2	405	1.2	1.3	1.3	26.4
M.Cap. (USD b)	4.3	3/12E	112,989	35,465	80.1	-11.9	5.9	473	1.0	1.1	1.0	18.2
		3/13E	133,207	42,529	96.0	19.9	4.9	555	0.8	0.9	1.0	18.7

Canara Bank's (CBK) 2QFY12 PAT grew by 17% QoQ to INR8.5b (3% higher than our estimate), led by a recovery in core operating performance. Key highlights

- **Margins up 22bp QoQ:** Margins improved 22bp QoQ to 2.64%. Lower interest reversal on slippages of INR1.2b (against INR2.2b in 1QFY12) helped NIMs to improve by ~10bp, apart from core improvement of ~12bp. NII grew 9% QoQ though they were down marginally by 1% YoY at INR19.6b.
- **Slippages remain elevated:** Slippages were INR12.4b against INR13.7b in 1QFY12 (annualized slippage ratio of 2.8% against 3.2% in 1QFY12). However, this included slippages worth INR6.2b due to migration of loans less than INR0.2m under the system-based NPL recognition method. With this, CBK has shifted 100% of its portfolio under CBS for recognition of NPA. Consequently, from 3QFY12, slippages are likely to normalize.
- **Business growth moderates:** Loans grew 24% YoY to INR2.2t and deposits grew 25% YoY and ~4% QoQ to INR3.1t. The management expects loan growth of ~18% in FY12. CASA ratio (calc.) remained stable at ~26%.
- **Strong recoveries, trading gains boost other income:** Treasury gains were strong at INR1.5b v/s loss of INR770m in 1QFY12 and recoveries from written-off accounts were INR1.35b v/s INR620m in 1QFY12. Strong recoveries and trading profits led to 32% higher than estimated non-interest income.
- **Valuation and view:** We expect return ratios to remain healthy with average ROA of ~1% and average RoE of 18-19% over FY12 and FY13. While a higher share of infrastructure loans (~25%), vulnerable liability profile (~26% CASA and ~30% bulk deposits) and volatile earnings remains a concern, we believe current valuations of 4.9x FY13E EPS and 0.8x FY13E BV largely factor in negatives. Maintain **Buy**.

Canara Bank: Quarterly Performance

	FY11				FY12				(INR Million)	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE	FY11	FY12E
Interest Income	51,609	55,774	59,079	64,188	71,807	76,145	82,086	87,124	230,640	317,161
Interest Expense	34,331	35,741	37,887	44,449	53,877	56,528	60,061	63,226	152,407	233,691
Net Interest Income	17,278	20,033	21,192	19,739	17,930	19,617	22,025	23,899	78,233	83,470
% Change (Y-o-Y)	33.8	52.5	43.4	23.6	3.8	-2.1	3.9	21.1	37.7	6.7
Other Income	7,340	4,996	5,366	9,328	5,268	8,283	7,326	8,641	27,030	29,519
Net Income	24,618	25,029	26,558	29,067	23,198	27,900	29,351	32,540	105,263	112,989
Operating Expenses	9,785	10,872	11,428	12,109	10,495	11,847	11,884	12,722	44,193	46,948
Operating Profit	14,833	14,158	15,130	16,959	12,703	16,053	17,467	19,818	61,070	66,041
% Change (Y-o-Y)	42.4	-0.2	9.6	18.6	-14.4	13.4	15.4	16.9	20.7	8.1
Other Provisions	2,200	1,579	1,573	5,460	3,446	5,531	5,373	6,799	10,811	21,149
Profit before Tax	12,634	12,579	13,557	11,499	9,258	10,522	12,094	13,019	50,259	44,892
Tax Provisions	2,500	2,500	2,500	2,500	2,000	2,000	2,600	2,827	10,000	9,427
Net Profit	10,134	10,079	11,057	8,999	7,258	8,522	9,494	10,191	40,259	35,465
% Change (Y-o-Y)	82.5	10.7	5.0	78.9	-28.4	-15.4	-14.1	13.3	33.2	-11.9
Deposit Growth (%)	23.3	21.5	25.4	25.3	25.7	25.4	25.2	19.0	25.3	19.0
Loan Growth (%)	23.5	20.2	28.8	25.5	23.7	23.8	21.7	18.0	25.5	18.0
CD Ratio (%)	72.8	70.7	72.1	72.3	71.6	69.7	70.1	71.7	72.3	71.7
Net Interest Margin (Reported, %)	3.0	3.3	3.3	2.9	2.4	2.6			3.1	
Net Interest Margin (Cal, %)	2.8	3.2	3.2	2.8	2.4	2.5	2.7	2.8	2.9	2.5
Tax Rate (%)	19.8	19.9	18.4	21.7	21.6	19.0	21.5	21.7	19.9	21.0
Gross NPA	1.5	1.5	1.4	1.5	1.7	1.7	1.6	1.6	1.5	1.6

E: MOSL Estimates

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com) + 91 22 3982 5415

Sohail Halai (Sohail.Halai@motilalosal.com) + 91 22 3982 5430 / Umang Shah (Umang.Shah@MotilalOswal.com) + 91 22 3982 5521

Quarterly performance v/s our estimates and reasons for deviation (INR m)

Y/E MARCH	2QFY12A	2QFY12E	Var. (%)	Comments
Net Interest Income	19,617	19,207	2	Margins improve 22bp QoQ to 2.64%
% Change (YoY)	-2.1	-4		
Other Income	8,283	6,280	32	Higher recoveries and treasury gains boost non-interest income
Net Income	27,900	25,487	9	
Operating Expenses	11,847	11,010	8	
Operating Profit	16,053	14,477	11	Strong operating performance
% Change (YoY)	13	2		
Other Provisions	5,531	3,994	38	Credit costs increase to 0.9% v/s 0.5% in 1QFY12
Profit before Tax	10,522	10,483	0	
Tax Provisions	2,000	2,201	-9	Tax rate came in at 19% v/s est. 21%
Net Profit	8,522	8,282	3	
% Change (YoY)	-15	-18		

Source: Company/MOSL

Slippages elevated due to migration to system-based NPL recognition

Slippages in 2QFY12 were INR12.4b (annualized slippage ratio of 2.8% v/s 3.2% in 1QFY12). However, this included slippages worth INR6.2b due to migration of loans less than INR0.2m under the system-based NPL recognition method. With this, CBK has shifted 100% of its portfolio under CBS for recognition of NPA. Consequently, from 3QFY12, the slippages are likely to normalize. Recoveries and upgradations remained strong with total cash recoveries of INR8b in 2QFY12 and INR15b in 1HFY12. Credit cost in 2QFY12 increased to 0.9% from 0.5% in 1QFY12.

GNPA up 5% QoQ; restructured loan book ~4%

Despite higher slippages, strong traction in recoveries and aggressive write offs (INR4.08b v/s INR2.3b in 1QFY12) resulted in a 5% QoQ increase in gross NPAs. In percentage terms GNPA's increased to 1.74% from 1.67% in 1QFY12. PCR (including technical write-offs) remained largely stable at ~69%. Fresh restructuring was negligible in 2QFY12 as CBK restructured fresh loans worth INR212m. Outstanding restructured book was INR85b (~4% of loan book), and cumulatively, loans worth INR8b (9.4% of outstanding restructured book) slipped into NPAs. Of the outstanding restructured book, ~61% were from large companies, ~9% were from SME, ~7% from the agriculture sector and ~6% from the housing sector.

Margins improve 22bp QoQ

In 2QFY12 CBK's margins improved ~22bp QoQ to 2.64%. A sharp increase in slippages led to interest income reversal (INR1.2b), impacting margins by ~15bp. The increase in yield on loans (44bp QoQ) outpaced the 16bp QoQ increase in the cost of deposits, thereby resulting in margin expansion. The management expects margins to improve as it expects the cost of deposits to have peaked and slippages to normalize from 3QFY12, restricting income reversals going forward.

Business growth moderates; CASA ratio stable at ~26%

Loans grew 24% YoY (largely flat QoQ) to INR2.2t, and deposits grew 25% YoY and ~4% QoQ to INR3.1t. CD ratio moderated to 69.7% against 71.6% in 1QFY12. Investments grew strongly by 15% QoQ and by 28% YoY to INR991b. Overall CASA deposits grew 12% YoY and 6% QoQ. Although growth in SB deposits remained healthy at 18% YoY and 5% QoQ, a 5% YoY decline in current account deposits restricted overall CASA growth. Consequently CASA ratio (calc) remained largely stable QoQ at ~26%. The proportion of bulk deposits was about 30%.

Strong recoveries, treasury gains boost non-interest income

Non-interest income grew strongly by over 50%, YoY and QoQ to INR8.3b. CEB grew 17% YoY and 17% QoQ to INR2b and forex income grew 51% YoY to INR1.07b. Treasury gains were strong at INR1.5b against a loss of INR770m in 1QFY12 and INR290m in 2QFY11. Recoveries from written-off accounts were INR1.35b against INR620m in 1QFY12 and INR650m in 2QFY11.

Other highlights

- (1) Exposure to SEBs was INR128b, including term and short-term working capital loans.
- (2) Term-loan exposure to infrastructure loans was INR371.5b (including short-term loans of ~INR450b in our view).
- (3) Overall capital adequacy remains comfortable at 12.78% with tier-I ratio of 9.15%. Including the profits for 1HFY12, the tier-I capital adequacy ratio was 9.91%.

Valuation and view

With the shift of CBK's complete portfolio to system-based NPL recognition method, slippages are likely to normalize going forward, thereby lowering the drag on earnings in terms of credit costs and margin impact due to income reversals.

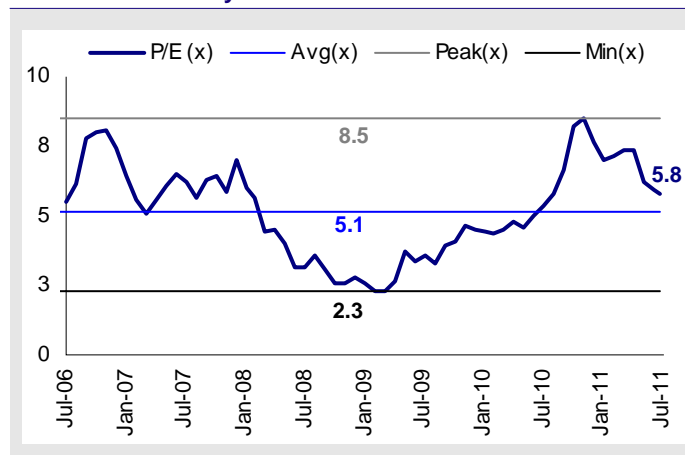
We expect return ratios to remain healthy with average ROA of ~1% and average RoE of 18-19% over FY12 and FY13. We expect CBK to report EPS of INR80 and INR96 and BV of INR473 and INR555 in FY12 and FY13 respectively. While the higher share of infrastructure loans (~25%), vulnerable liability profile (~26% CASA and ~30% bulk deposits) and volatile earnings remain a concern, we believe current valuations of 4.9x FY13E EPS and 0.8x FY13E BV largely factor in negatives. Maintain **Buy** with a target price of INR555 (1x FY13E BV).

We largely maintain our estimates (INR b)

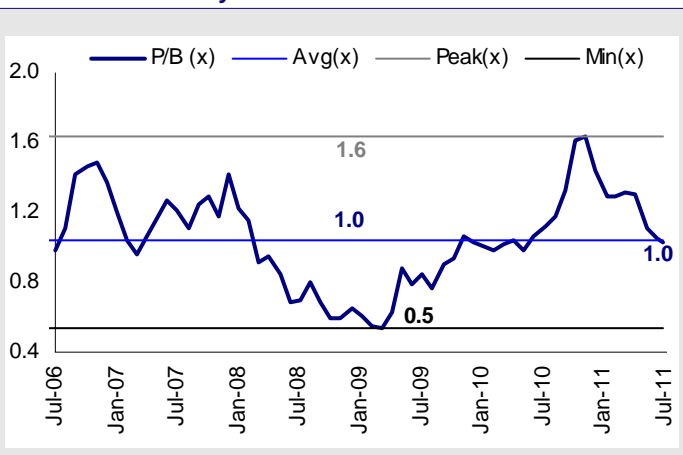
	Old Estimates		Rev. Estimates		Change (%)	
	FY12	FY13	FY12	FY13	FY12	FY13
Net Interest Income	79.6	97.0	83.5	100.2	4.9	3.3
Other Income	27.7	31.1	29.5	33.0	6.4	6.2
Total Income	107.3	128.1	113.0	133.2	5.3	4.0
Operating Expenses	45.0	51.0	46.9	53.3	4.3	4.5
Operating Profits	62.3	77.1	66.0	79.9	6.0	3.7
Provisions	17.5	23.7	21.1	26.1	21.0	9.9
PBT	44.9	53.4	44.9	53.8	0.1	0.9
Tax	9.4	11.2	9.4	11.3	0.1	0.9
PAT	35.4	42.2	35.5	42.5	0.1	0.9
Loans	2,571	3,111	2,507	3,009	-2.5	-3.3
Deposits	3,498	4,233	3,498	4,198	0.0	-0.8
Margins	2.4	2.4	2.5	2.5		
Credit Cost	0.6	0.8	0.8	0.8		
RoA	1.0	1.0	1.0	1.0		
RoE	18.2	18.5	18.2	18.7		

Source: MOSL

Canara Bank: One year forward P/E

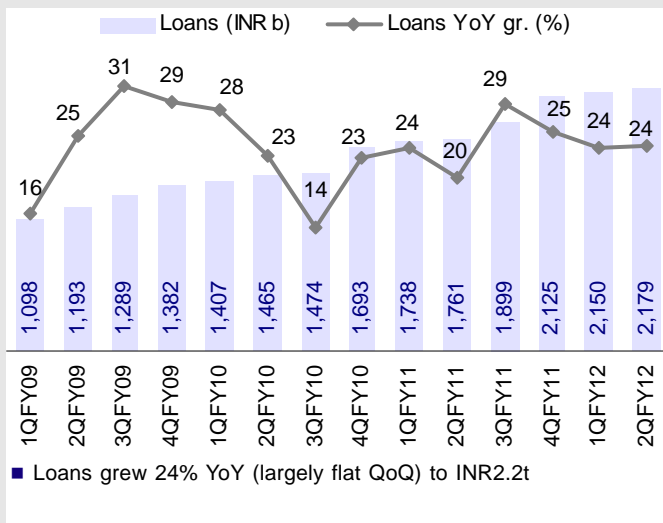


Canara Bank: One year forward P/BV

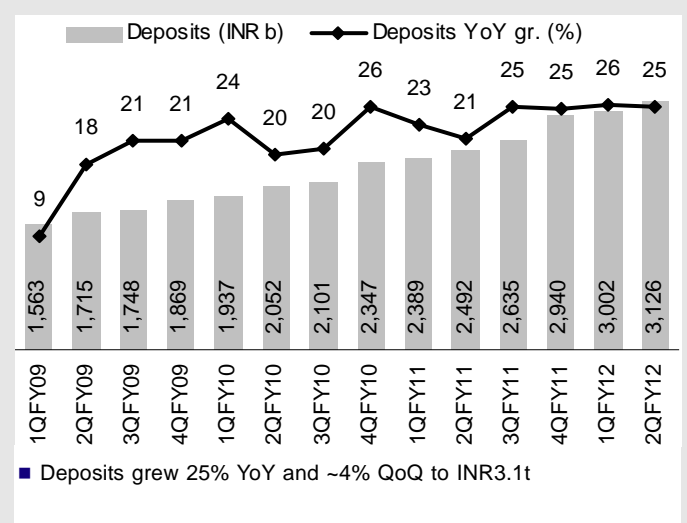


Quarterly trends

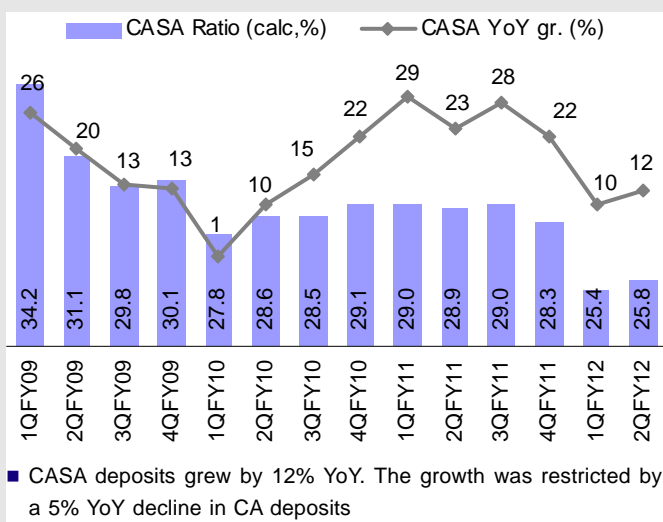
Loan growth remains stable



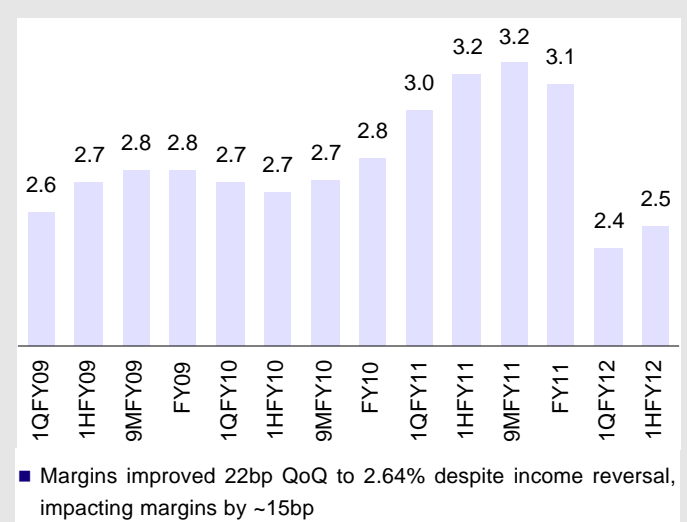
Deposits growth higher than industry average



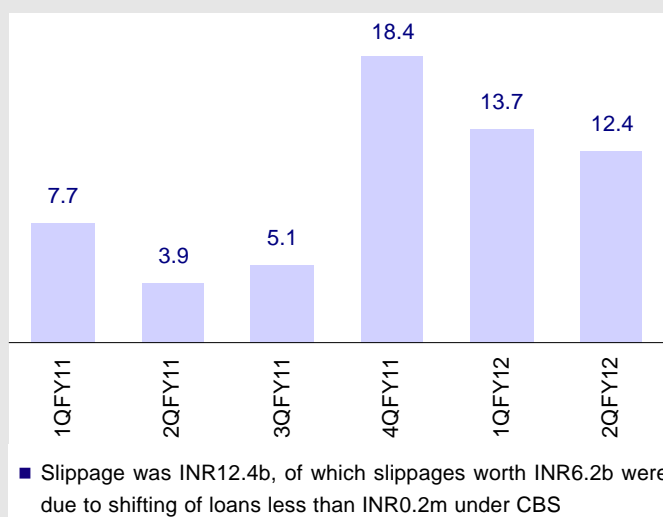
CASA ratio remains stable QoQ (%)



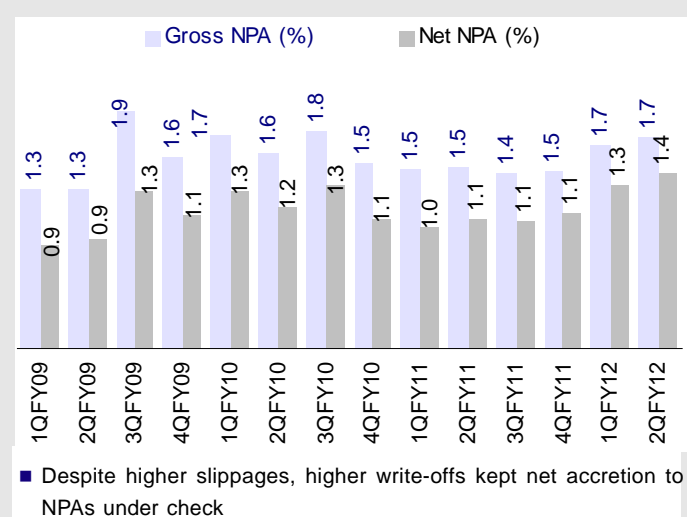
Margins improve QoQ (%)



Slippages (INR b) high due to system migration (INR b)



GNPAs up 5% QoQ



Quarterly Snapshot

	FY11				FY12		Variation (%)		Cumulative Numbers		
	1Q	2Q	3Q	4Q	1Q	2Q	QoQ	YoY	1HFY11	1HFY12	YoY Gr (%)
Profit and Loss (INR m)											
Interest Income	51,609	55,465	59,079	64,188	71,807	76,145	6	37	107,074	147,951	38
Loans	37,936	41,096	43,259	48,228	54,828	58,256	6	42	79,032	113,084	43
Investment	13,194	13,856	15,308	15,224	16,334	17,300	6	25	27,049	33,634	24
Others	479	514	513	736	644	589	-9	15	993	1,233	24
Interest Expenses	34,331	35,741	37,887	44,449	53,877	56,528	5	58	70,072	110,405	58
Net Interest Income	17,278	19,723	21,192	19,739	17,930	19,617	9	-1	37,002	37,547	1
Other Income	7,340	5,306	5,366	9,328	5,268	8,283	57	56	12,646	13,551	7
Trading profits	2,240	16	290	-180	-770	1,490	N.A.	N.A.	2,255	720	-68
Forex Income	744	710	1,200	1,160	960	1,070	11	51	1,454	2,030	40
Recoveries	880	650	720	3,270	620	1,350	118	108	1,530	1,970	29
Core Fees	3,477	3,930	3,156	5,078	4,458	4,373	-2	11	7,407	8,831	19
Total Income	24,618	25,029	26,558	29,067	23,198	27,900	20	11	49,647	51,098	3
Operating Expenses	9,785	10,872	11,428	12,109	10,495	11,847	13	9	20,656	22,342	8
Employee	6,612	7,274	7,838	7,825	6,677	7,670	15	5	13,886	14,347	3
Others	3,173	3,597	3,591	4,284	3,818	4,177	9	16	6,770	7,995	18
Operating Profits	14,833	14,158	15,130	16,959	12,703	16,053	26	13	28,991	28,756	-1
Provisions	2,200	1,579	1,573	5,460	3,446	5,531	61	250	3,779	8,977	138
NPA provisions	1,311	2,067	1,300	5,410	2,850	4,768	67	131	3,377	7,618	126
Provisions on Invst.	527	-426	100	130	96	664	N.A.	N.A.	101	759	N.A.
Others	363	-62	173	-80	500	100	N.A.	N.A.	301	600	100
PBT	12,634	12,579	13,557	11,499	9,258	10,522	14	-16	25,213	19,780	-22
Taxes	2,500	2,500	2,500	2,500	2,000	2,000	0	-20	5,000	4,000	-20
PAT	10,134	10,079	11,057	8,999	7,258	8,522	17	-15	20,213	15,780	-22
Asset Quality (INR m)											
GNPA	25,491	26,361	27,533	30,892	36,063	37,933	5	44	26,361	37,933	44
NNPA	17,294	18,597	19,910	23,473	28,711	31,170	9	68	18,597	31,170	68
GNPA (%)	1.5	1.5	1.4	1.5	1.7	1.7	7	25	1.5	1.7	25
NNPA (%)	1.0	1.1	1.1	1.1	1.3	1.4	9	37	1.1	1.4	37
PCR (Calculated, %)	32.2	29.5	27.7	24.0	20.4	17.8			29	18	
PCR (Reported, %)	78.0	77.1	75.9	73.0	69.5	68.6			77	69	
Credit Cost	0.3	0.5	0.3	1.1	0.5	0.9	35	41			
Restructured loans	75,000	83,000	87,440	80,780	84,983	85,190	0	3			
% to Loans	4.3	4.7	4.6	3.8	4.0	3.9					
Ratios (%)											
Fees to Total Income	14.1	15.7	11.9	17.5	19.2	15.7			14.9	17.3	
Cost to Core Income	47.1	46.0	46.9	48.8	46.9	49.4			46.5	48.2	
Tax Rate	19.8	19.9	18.4	21.7	21.6	19.0			19.8	20.2	
CASA (cal)	29.0	28.9	29.0	28.3	25.4	25.8					
Loan/Deposit	72.8	70.7	72.1	72.3	71.6	69.7					
CAR	12.4	13.9	14.6	15.3	13.4	12.8					
Tier I	8.1	8.8	9.8	10.9	9.6	9.2					
Margins - Cumulative (%)											
Yield on loans	9.4	9.6	9.7	9.7	10.5	10.7	22	111	9.5	10.6	113
Yield On Investments	7.5	7.6	7.7	7.7	7.9	7.9	3	28	7.6	7.9	30
Cost of Deposits	5.7	5.7	5.7	5.8	7.1	7.1	8	144	5.7	7.1	140
Margins	3.0	3.2	3.2	3.1	2.4	2.5	9	-65	3.1	2.5	-62
Balance sheet (INR b)											
Loans	1,738	1,761	1,899	2,125	2,150	2,179	1	24			
Deposits	2,389	2,492	2,635	2,940	3,002	3,126	4	25			
CASA Deposits	694	720	765	831	761	808	6	12			
Savings Deposits	536	543	586	586	609	640	5	18			
Current Deposits	158	177	179	245	152	167	10	-5			
Investments	714	772	804	837	861	991	15	28			

For %age change QoQ and YoY is bp

Source: Company/MOSL

Stock Info

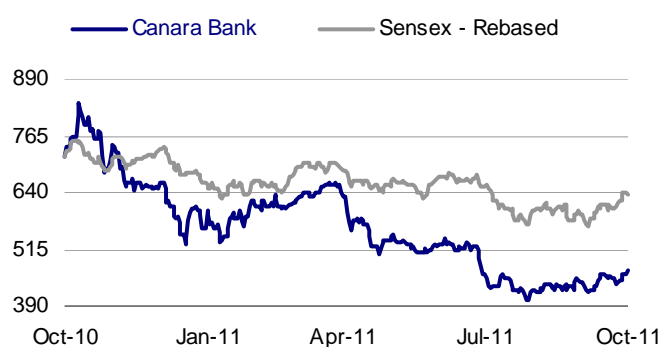
EPS: MOSL forecast v/s consensus (INR)

	MOSL Forecast	Consensus Forecast	Variation (%)
FY12	80.1	87.4	-8.4
FY13	96.0	105.1	-8.7

Shareholding pattern (%)

	Sep-11	Jun-11	Sep-10
Promoter	67.7	67.7	73.2
Domestic Inst	10.9	10.3	9.7
Foreign	14.6	15.6	11.5
Others	6.7	6.4	5.7

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*	Buy	931	21.7	55	65	13.0	10.7	1.8	1.6	1.4	1.5	13.9	14.9
HDFCB	Neutral	489	23.0	22	28	22.0	17.6	3.9	3.3	1.6	1.7	18.9	20.3
Axis	Buy	1,160	9.6	97	114	12.0	10.2	2.2	1.9	1.5	1.5	19.9	19.9
Kotak	Neutral	511	3.8	22	27	21.8	18.1	2.8	2.4	2.1	2.1	15.0	15.7
Yes	Buy	315	2.2	27	33	11.7	9.5	2.4	2.0	1.4	1.4	22.3	22.7
Indusind	Buy	287	2.7	17	21	17.4	13.9	3.0	2.6	1.5	1.5	18.6	19.9
ING Vysya	Buy	337	0.8	29	34	11.7	10.0	1.3	1.2	1.0	1.0	13.5	12.4
Federal	Buy	415	1.4	45	51	9.3	8.2	1.3	1.1	1.3	1.3	14.2	14.5
J&K Bk	Buy	841	0.8	156	179	5.4	4.7	1.0	0.9	1.4	1.3	20.0	19.8
SIB	Buy	24	0.5	3	4	7.3	6.1	1.3	1.2	1.0	0.9	20.0	20.2
Private Aggregate			67			15.7	13.1	2.3	2.0				
SBI (cons)*	Buy	1,907	24.5	220	269	8.3	6.7	1.3	1.1	0.8	0.9	15.7	17.1
PNB	Buy	977	6.2	168	200	5.8	4.9	1.3	1.0	1.3	1.3	24.0	23.5
BOI	Neutral	332	3.7	52	65	6.4	5.1	1.0	0.9	0.7	0.8	16.6	18.2
BoB	Neutral	772	6.1	118	136	6.5	5.7	1.3	1.1	1.2	1.1	21.3	20.7
Canara	Buy	469	4.2	80	96	5.9	4.9	1.0	0.8	1.0	1.0	18.2	18.7
Union	Buy	226	2.4	40	49	5.7	4.6	0.9	0.8	0.8	0.9	17.6	18.7
IOB	UR	102	1.3	22	25	4.6	4.1	0.7	0.6	0.7	0.7	15.8	16.1
OBC	Buy	290	1.7	42	54	7.0	5.4	0.8	0.7	0.7	0.8	11.4	13.4
Indian Bk Corporation	Buy	217	1.9	44	52	4.9	4.2	1.0	0.8	1.4	1.4	21.5	21.4
Andhra Bk	Buy	119	1.3	26	28	4.5	4.2	0.9	0.8	1.2	1.1	21.1	19.5
IDBI *	Neutral	117	2.3	20	21	4.7	4.3	0.6	0.6	0.7	0.7	14.5	14.1
Dena Bank	Buy	81	0.5	22	25	4.3	3.5	0.7	0.6	0.9	0.9	17.9	18.4
Public Aggregate			57			7.2	6.1	1.1	1.0				
HDFC*	Neutral	687	20.4	28	32	17.7	14.8	5.0	4.5	2.8	2.8	27.1	29.4
LICHF	Buy	234	2.2	23	28	10.0	8.2	2.2	1.8	2.0	1.9	24.2	24.3
DHFL	Buy	228	0.5	30	39	7.7	5.8	1.2	1.0	1.4	1.4	18.7	19.6
IDFC	Neutral	132	3.9	9.7	11.7	13.6	11.3	1.5	1.3	2.8	2.8	12.9	13.7
REC	Buy	180	3.6	29	35	6.2	5.1	1.2	1.0	3.1	3.1	20.9	22.0
PFC	Buy	150	3.5	22	27	6.8	5.5	1.0	0.9	2.6	2.6	16.2	16.6
STF	Buy	611	2.8	61	71	9.9	8.7	2.3	1.9	3.1	3.0	25.3	23.5
MMFSL	Neutral	674	1.4	56	70	12.0	9.7	2.4	2.0	4.1	4.1	21.3	22.4
IBFC Aggregate			38			12.8	10.6	3.1	2.6				

* 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	2009	2010	2011	2012E	2013E	
Interest Income	171,191	187,520	230,640	317,161	392,455	
Interest Expense	124,012	130,714	152,407	233,691	292,265	
Net Interest Income	47,178	56,805	78,233	83,470	100,189	
Change (%)	33.4	20.4	37.7	6.7	20.0	
Non Interest Income	23,112	28,579	27,030	29,519	33,018	
Net Income	70,290	85,384	105,263	112,989	133,207	
Change (%)	22.2	21.5	23.3	7.3	17.9	
Operating Expenses	30,652	34,776	44,193	46,948	53,303	
Pre Provision Profits	39,638	50,608	61,070	66,041	79,904	
Change (%)	33.9	27.7	20.7	8.1	21.0	
Provisions (excl tax)	13,914	12,394	10,811	21,149	26,070	
PBT	25,724	38,214	50,259	44,892	53,835	
Tax	5,000	8,000	10,000	9,427	11,305	
Tax Rate (%)	19.4	20.9	19.9	21.0	21.0	
PAT	20,724	30,214	40,259	35,465	42,529	
Change (%)	32.4	45.8	33.2	-11.9	19.9	
Equity Dividend (Incl tax)	3,838	4,800	5,673	5,187	6,220	
Core PPP^a	34,042	43,285	59,942	63,791	77,404	
Change (%)	30.0	27.2	38.5	6.4	21.3	

^aCore PPP is (NII+Fee income-Opex)

Balance Sheet		(INR Million)				
Y/E March	2009	2010	2011	2012E	2013E	
Equity Share Capital	4,100	4,100	4,430	4,430	4,430	
Reserves & Surplus	117,978	142,618	195,968	225,903	261,869	
Net Worth	122,078	146,718	200,398	230,333	266,299	
Deposits	1,868,925	2,346,514	2,939,727	3,498,275	4,197,929	
Change (%)	21.3	25.6	25.3	19.0	20.0	
of which CASA Dep	561,677	682,613	831,171	853,038	970,581	
Change (%)	15.8	21.5	21.8	2.6	13.8	
Borrowings	140,009	84,406	142,616	165,013	189,489	
Other Liabilities & Prov.	65,446	69,773	78,046	90,106	104,722	
Total Liabilities	2,196,458	2,647,411	3,360,788	3,983,726	4,758,440	
Current Assets	166,598	196,532	307,081	330,292	379,861	
Investments	577,769	696,770	836,999	1,037,879	1,245,455	
Change (%)	16.0	20.6	20.1	24.0	20.0	
Loans	1,382,194	1,693,346	2,124,672	2,507,113	3,008,535	
Change (%)	28.9	22.5	25.5	18.0	20.0	
Fixed Assets	29,295	28,594	28,444	28,953	29,202	
Other Assets	40,603	32,169	63,591	79,489	95,387	
Total Assets	2,196,458	2,647,411	3,360,788	3,983,726	4,758,440	

ASSET QUALITY

GNPA (INR M)	21,680	25,903	30,892	40,957	42,138
NNPA (INR M)	15,072	17,996	23,472	32,765	33,710
GNPA Ratio	1.56	1.52	1.45	1.63	1.40
NNPA Ratio	1.09	1.06	1.10	1.31	1.12
PCR (Excl Tech. write off)	30.4	30.4	23.9	20.0	20.0
PCR (Incl Tech. Write off)		77.0	73.0	68.0	67.4

E: MOSL Estimates

Financials and Valuation

Ratios					
Y/E March	2009	2010	2011	2012E	2013E
Spreads Analysis (%)					
Avg. Yield-Earning Assets	9.4	8.4	8.4	9.5	9.9
Avg. Yield on loans	10.4	9.1	8.9	10.5	10.9
Avg. Yield on Investments	7.6	7.2	7.5	7.6	7.8
Avg. Cost-Int. Bear. Liab.	6.8	5.9	5.5	6.9	7.3
Avg. Cost of Deposits	6.7	5.8	5.4	6.9	7.2
Interest Spread	2.6	2.5	2.9	2.6	2.6
Net Interest Margin	2.6	2.5	2.9	2.5	2.5
Profitability Ratios (%)					
RoE	22.6	26.8	26.4	18.2	18.7
RoA	1.0	1.2	1.3	1.0	1.0
Int. Expense/Int. Income	72.4	69.7	66.1	73.7	74.5
Fee Income/Net Income	26.6	20.5	20.2	22.9	20.5
Non Int. Inc./Net Income	32.9	33.5	25.7	26.1	24.8
Efficiency Ratios (%)					
Cost/Income*	48.2	45.4	42.9	42.4	40.8
Empl. Cost/Op. Exps.	61.2	63.1	66.9	62.7	60.8
Busi. per Empl. (INR m)	66.5	84.0	104.9	122.6	142.9
NP per Empl. (INR lac)	4.7	7.0	9.3	7.9	9.2
* ex treasury					
Asset-Liability Profile (%)					
Loans/Deposit Ratio	74.0	72.2	72.3	71.7	71.7
CASA Ratio	30.1	29.1	28.3	24.4	23.1
Investment/Deposit Ratio	30.9	29.7	28.5	29.7	29.7
G-Sec/Investment Ratio	88.8	90.6	85.3	84.3	84.3
CAR	14.1	13.4	15.4	14.4	13.4
Tier 1	8.0	8.5	10.9	10.2	9.6
Valuation					
Book Value (INR)	244.9	305.8	405.0	473.3	555.3
Change (%)	21.0	24.9	32.4	16.9	17.3
Price-BV (x)	1.9	1.5	1.2	1.0	0.8
Adjusted BV (INR)	221.0	277.3	370.6	425.3	505.8
Price-ABV (x)	2.1	1.7	1.3	1.1	0.9
EPS (INR)	50.5	73.7	90.9	80.1	96.0
Change (%)	32.4	45.8	23.3	-11.9	19.9
Price-Earnings (x)	9.3	6.4	5.2	5.9	4.9
Dividend Per Share (INR)	8.0	10.0	11.0	10.0	12.0
Dividend Yield (%)	1.7	2.1	2.3	2.1	2.6
E: MOSL Estimates					

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Motilal Oswal Securities Ltd

3rd Floor, Hoechst House, Nariman Point, Mumbai 400 021

Phone: (91-22) 39825500 Fax: (91-22) 22885038. E-mail: reports@motilaloswal.com