

Power Finance Corporation

BSE Sensex 19,895	S&P CNX 6,035
Bloomberg	POWF IN
Equity Shares (m)	1319.9
M.Cap. (INR b)/(USD b)	277.2/5.2
52-Week Range (INR)	224/139
1,6,12 Rel.Perf.(%)	0/1/8

CMP: INR210

TP: INR260

Buy

Power Finance Corp's (POWF) 3QFY13 adjusted PAT (for forex) grew 46% YoY and 10% QoQ to INR11.5b (v/s est of INR9.7b). NII grew 53% YoY and 14% QoQ to INR16.8b (v/s est of INR15.2b). Operating profit grew 6% YoY and 12% QoQ to INR16b (11% above our est of INR14.5b).

- Loan growth remained healthy at 26% YoY (+6% QoQ) led by disbursement growth of 20% YoY and 24% QoQ to INR127b.
- Margins improved sharply by +76bp YoY and +33bp QoQ to 4.6%. Better yields (+16bp QoQ and +86bp YoY) on loans and contained cost of funds (declined 19bp QoQ and 8bp YoY) led to improvement in margins. GNPA's were stable QoQ at 92bp (v/s 97bp in 2QFY13).
- Significantly higher disbursements under financial restructuring plan of SEBs and increasing contribution of private sector in overall disbursement is leading to positive surprises on margins and growth.
- Though the outstanding sanctions pipeline is strong at INR1.1t (75% of o/s loans), the disbursement/loan growth momentum could moderate given issues in the sector. If the transitional finance and R-APDRP finance given to SEBs are excluded, disbursement growth remains moderate.

Valuation & view: Earnings are likely to remain healthy as (a) spreads will remain stable/improve in a falling rate cycle, (b) growth rates will be healthy and (c) asset quality expected to be stable. The stock trades at valuations of 1x/0.9x FY14E/15E BV of INR207/239. Maintain **Buy**.

Financials & Valuation (INR b)

Y/E March	2013E	2014E	2015E
NII	63.0	72.7	85.7
PPP	60.2	69.8	82.6
Adj. PAT	44.7	50.8	60.1
Adj. EPS (INR)	33.8	38.5	45.5
EPS Gr. (%)	41.6	13.8	18.2
BV/Sh. (INR)	180.8	207.3	238.8
Adj. RoAA (%)	3.1	3.0	3.0
RoE (%)	20.0	19.8	20.4
Payout (%)	29.0	29.0	29.0
Valuation			
P/E (x)	6.2	5.5	4.6
P/BV (x)	1.2	1.0	0.9
Div. Yield (%)	3.9	4.5	5.3

Quarterly Performance

Y/E March	FY12				FY13				(INR Million)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY12	FY13E
Net Interest Income	9,900	10,800	10,970	12,290	13,940	14,750	16,780	17,510	43,960	62,980
YoY Gr %	15.4	20.5	18.5	45.8	40.8	36.6	53.0	42.5	24.5	53.3
Other Income	350	80	240	530	90	160	90	135	1,200	475
Net Operational Income	10,250	10,880	11,210	12,820	14,030	14,910	16,870	17,645	45,160	63,455
YoY Gr %	11.1	16.5	17.1	50.6	36.9	37.0	50.5	37.6	23.2	40.5
Exchange gain/(loss)	-750	-5,040	4,210	200	-770	-240	-460	-330	-1,380	-1,800
Total Net Income	9,500	5,840	15,420	13,020	13,260	14,670	16,410	17,315	43,780	61,655
YoY Gr %	10.3	-41.6	64.7	48.6	39.6	151.2	6.4	33.0	19.2	40.8
Operating Expenses	270	330	290	409	286	351	389	424	1,294	1,449
YoY Gr %	N.M.	-10.8	0.0	32.0	5.8	6.2	34.0	3.7	32.5	12.0
% to Income	2.8	5.7	1.9	3.1	2.2	2.4	2.4	2.5	3.0	2.4
Operating Profit	9,230	5,510	15,130	12,611	12,974	14,320	16,022	16,890	42,486	60,206
YoY Gr %	7.3	-42.8	66.8	49.2	40.6	159.9	5.9	33.9	18.8	41.7
Adjusted PPP (For Forex)	9,980	10,550	10,920	12,411	13,744	14,560	16,482	17,220	43,861	62,006
YoY Gr %	8.2	17.6	17.7	51.4	37.7	38.0	50.9	38.8	23.0	41.4
Provisions	70	0	390	960	20	-30	900	350	1,420	1,240
PBT	9,160	5,510	14,740	11,651	12,954	14,350	15,122	16,540	41,066	58,965
Tax	2,298	1,320	3,660	3,455	3,240	3,978	3,940	4,468	10,733	15,626
Tax Rate %	25.1	24.0	24.8	29.7	25.0	27.7	26.1	27.0	26.1	26.5
PAT	6,862	4,190	11,080	8,196	9,714	10,372	11,182	12,072	30,333	43,340
YoY Gr %	5.1	-40.2	68.1	35.2	41.6	147.5	0.9	47.3	15.8	42.9
Adjusted PAT (For Forex)	7,424	8,023	7,915	8,055	10,292	10,545	11,522	12,313	31,417	44,671
YoY Gr %	6.0	22.9	17.4	37.1	38.6	31.4	45.6	52.9	20.1	42.2

E: MOSL Estimates; Quarterly and annual numbers may vary due to differences in classification

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

Sohail Halai (Sohail.Halai@MotilalOswal.com) + 91 22 3982 5430

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

Y/E March	3QFY13E	3QFY13A	Vs Est.	Comments
Net Interest Income	15,252	16,780	10	NIM up 33bp QoQ a positive surprise
YoY Gr %	39.0	53.0		
Other Op. Inc.	200	90	-55	
Net Op. Inc.	15,452	16,870	9	
YoY Gr %	38	50		
Exch. Gain/(Loss)	-600	-460	-23	Currency appreciation led to lower forex loss
Total Net Income	14,852	16,410	10	
YoY Gr %	-3.7	6.4		
Operating Expenses	390	389	0	Operating expenses remain under control
YoY Gr %	34.5	34.0		
% to Income	2.6	2.4		
Operating Profit	14,462	16,022	11	
YoY Gr %	-4.4	5.9		
PPP adj for forex	15,062	16,482	9	
YoY Gr %	38	51		
Provisions	1,250	900	-28	POWF started making std asset provisions
PBT	13,212	15,122	14	
Tax	3,501	3,940	13	
Tax Rate %	26.5	26.1		
PAT	9,710	11,182	15	
YoY Gr %	-12.4	0.9		
Adjusted PAT	10,151	11,522	13	Strong topline growth and lower provisions led to higher than est. bottomline growth
YoY Gr %	28.3	45.6		

Source: Company, MOSL

Excluding transitional finance and R-APDRP disbursements, 9MFY13 disbursements declined 4% YoY

In 3QFY13, disbursements grew 20% YoY and 24% QoQ to INR127b and in 9MFY13 disbursement growth stood at 22% YoY to INR311b. In 9MFY13, of the overall disbursement loans given to SEBs under FRP, they contributed 30% (v/s 10% a year ago). In 9MFY13, excluding disbursements under R-APDRP and SEB loans under FRP, overall disbursements declined 4% YoY to INR204b.

Sanctions remained volatile and post a sharp increase in 2QFY13, it grew 6% YoY (down 40% QoQ) to INR181b. In 9MFY13, sanctions grew 23% YoY to INR608b driven by those made to discoms in the form of transitional finance to fill their funding gaps (~35% of incremental sanctions v/s 10% a year ago) and sanctions to transmission (+4.3x YoY, forming 12% of incremental v/s 3% a year ago).

While discoms have not yet accepted the Financial Restructuring Plan (FRP), sanctions have been made based on some of the stringent conditions mentioned in the FRP. Transitional finance is given to SEBs under the financial restructuring plan of GOI. Under this plan, SEBs which adhere to various conditions set by financiers (tariff increase, reduction in T&D losses) will get the financing. These loans are for 10 years wherein the SEB will have to service only interest in first 3 years and repayment will start from the fourth year.

Loan growth remains healthy; transitional finance contributed 19% of incremental loans and its share increased to 7% v/s 4% a year ago

Loans given to SEBs under FRP formed 19% of incremental loans on a TTM basis and its share has increased to 7% v/s 3.9% a year ago. Outstanding loans in the generation segment grew 22% YoY (+3% QoQ) to INR1.2t and T&D segment grew 17% YoY and 3% QoQ to INR166b. Share of generation in overall loans declined to 82% v/s 84% a year ago and T&D segment to 11.2% v/s 12% a year ago. Loans to private sector grew much faster (+55% YoY and +5% QoQ). Thus, the share of loans to private sector increased to 12.1% from 9.8% a year ago.

Margins surprised positively; higher incremental loan contribution from private sector and transitional finance drive margins

Yield on loans improved 86bp YoY and 16bp QoQ to 12.14%. In a falling/stable interest rate environment, POWF reported an improvement in yield on loans over the past 3 quarters on the back of a) reduced competitive intensity; thus, providing pricing power, b) higher share of transitional finance to SEBs and c) increased disbursements to private sector space.

Cost of funds declined 8bp QoQ and 19bp YoY to 9.1%. On a TTM basis, 94% of the incremental borrowing was through bonds (+85%) and forex loans (+8%), which are relatively lower cost compared to bank term loans, thus providing benefit on cost of funds. The share of bank term loans in overall borrowing declined to 17.5% v/s 20.4% a year ago. Borrowings grew by 25% YoY and 6% QoQ to INR1.25t. Hence, incremental loans and borrowings for the quarter stood at INR79b and INR65b respectively, which too aided margin expansion.

Other highlights

POWF had submitted a roadmap to the Ministry of Finance for adhering to prudential NBFC norms and thereby start making standard asset provisions (25bp) spread over a period of three years, starting FY14. However, the management started making provisions from FY13 itself. While it had not made any provisions in 1HFY13, it provided proportionate of 9M provision of INR900m in 3QFY13 itself. From 4QFY13, it will provide INR300m on a quarterly basis for the next 9 quarters.

Led by a higher share of loan disbursement to state government guaranteed loans, CAR improved to 18.1% v/s 16.3% as in FY12, despite a sequential loan growth of ~6% and YTD growth of 13%. Forex losses during the quarter stood at INR460m v/s INR240m in 2QFY13 and a gain of INR4.2b in 3QFY12.

Valuation and view

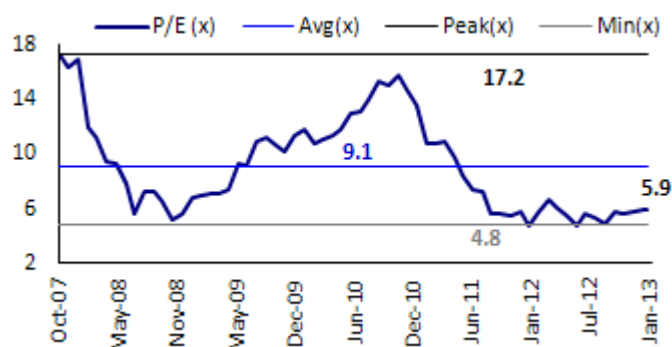
Earnings are likely to remain healthy as (a) spreads will remain stable\improve in a falling rate cycle, (b) growth rates will be healthy and (c) asset quality expected to be stable. We raise the earnings estimates by ~6% for FY13E-15E to factor better margins. The stock trades at valuations of 1x/0.8x FY14E/15E BV of INR207/239. Maintain **Buy** (1.1x FY15E BV).

We revise our estimates upwards for FY13-15 (INR b)

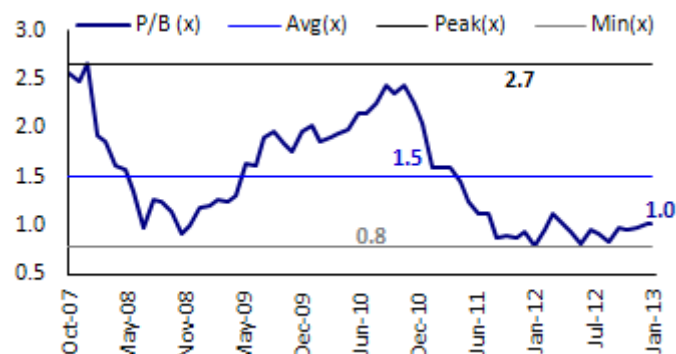
	Old			Revised			Change (%)		
	FY13	FY14	FY15	FY13	FY14	FY15	FY13	FY14	FY15
NII	59.9	69.7	82.3	63.0	72.7	85.7	5.2	4.4	4.1
Other Income	0.7	0.8	0.9	0.5	0.5	0.6	-29.6	-28.9	-27.6
Total Income	60.6	70.4	83.2	63.5	73.3	86.3	4.8	4.0	3.8
Forex gain/(loss)	-2.2	-2.2	-2.2	-1.8	-1.8	-1.8	-18.2	-18.2	-18.2
Total inc (post forex)	58.4	68.2	81.0	61.7	71.5	84.5	5.7	4.8	4.4
Operating Exps	1.5	1.7	2.0	1.4	1.7	1.9	-2.4	-2.9	-4.3
Operating Profits	56.9	66.5	79.0	60.2	69.8	82.6	5.9	5.0	4.6
Provisions	2.2	3.3	4.3	1.2	2.5	2.7	-43.8	-25.0	-37.0
PBT	54.7	63.2	74.7	59.0	67.3	79.9	7.9	6.5	7.0
Tax	14.5	16.8	19.8	15.6	17.8	21.2	7.9	6.5	7.0
Adj. PAT	41.8	48.1	56.5	44.7	50.8	60.1	6.9	5.7	6.3
Adj. RoA	2.9	2.9	2.9	3.1	3.0	3.0			
Adj. RoE	18.8	19.0	19.6	20.0	19.8	20.4			

Source: MOSL

POWF: One year forward P/E



POWF: One year forward P/BV

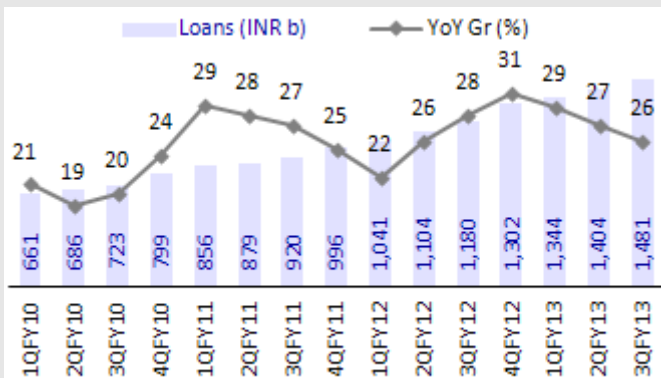


Dupont Analysis: Return ratios to remain healthy (%)

Y/E March	FY08	FY09	FY10	FY11	FY12	FY13E	FY14E	FY15E
Net Interest Income	3.3	3.6	3.8	3.6	3.5	4.4	4.3	4.3
Other Operating Income	0.5	0.4	0.2	0.4	0.4	0.0	0.0	0.0
Other Income	0.0	-0.4	0.2	0.0	-0.1	-0.1	-0.1	-0.1
Total Income	3.8	3.6	4.3	4.0	3.8	4.3	4.2	4.3
Operating expenses	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1
Operating profits	3.7	3.4	4.1	3.9	3.7	4.2	4.1	4.2
Provisions	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1
PBT	3.7	3.4	4.1	3.9	3.5	4.1	4.0	4.0
Taxation	1.2	0.9	0.9	1.0	0.9	1.1	1.1	1.1
RoA	2.5	2.5	3.2	2.9	2.6	3.0	2.9	3.0
Extra-ordinary	0.0	0.8	0.0	0.0	0.0	0.0	0.0	0.0
RoA post extra-ordinary	2.5	3.4	3.2	2.9	2.6	3.0	2.9	3.0
RoA (Adj. for Forex)	2.5	2.9	3.1	2.9	2.7	3.1	3.0	3.0
Leverage (x)	4.8	5.3	5.9	6.4	6.5	6.4	6.6	6.7
RoE (post extra-ordinary)	11.8	17.8	19.0	18.3	16.8	19.4	19.3	20.0
RoE (Adj. for Forex)	12.0	15.1	18.3	18.5	17.5	20.0	19.8	20.4

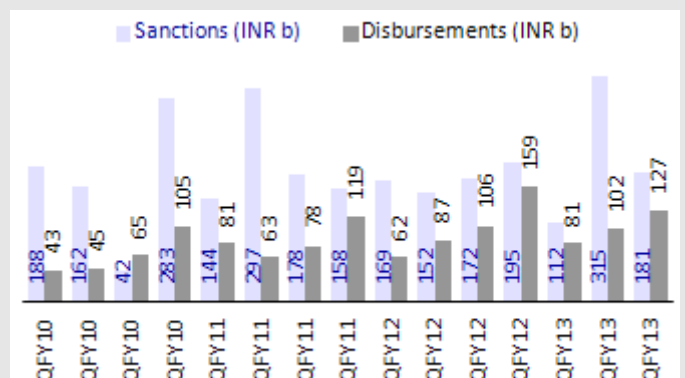
Quarterly trends

Loan growth remains strong



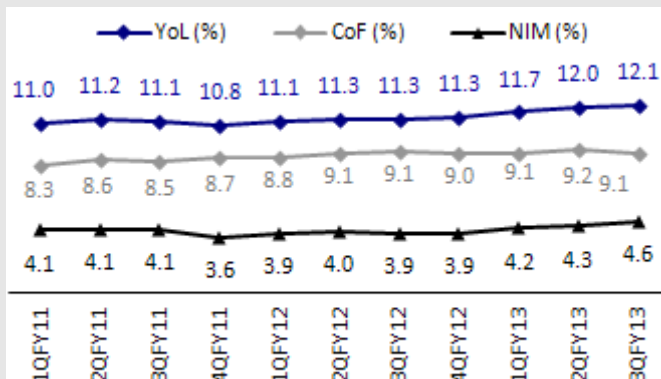
Loans in generation segment grew 22% YoY (+3% QoQ) to INR1.2t and T&D segment grew 17% YoY and 3% QoQ and to INR166b.

Sanctions and disbursements pick up led by Transitional Finance



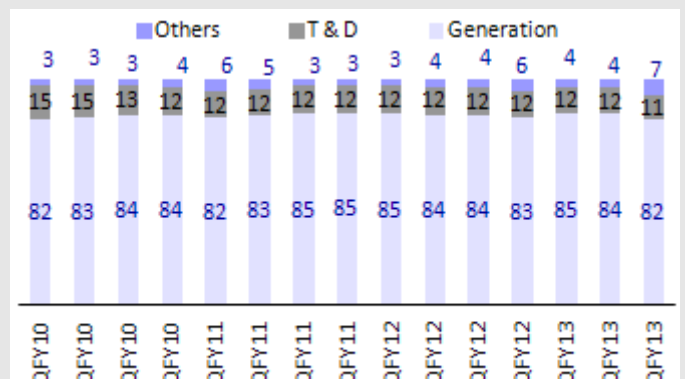
In 9MFY13, sanctions grew 23% YoY to INR608b driven by sanctions made to discoms in form of Transitional Finance to fill their funding gaps.

Sharp improvement in margins QoQ (%)



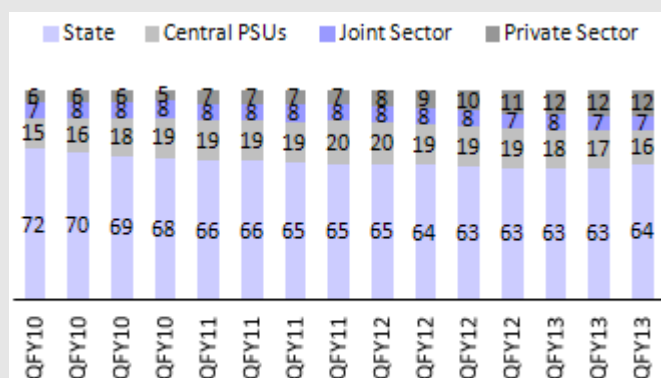
Better yields (+16bp QoQ and +86bp YoY) on loans and contained cost of funds (-19bp QoQ and -8bp YoY) led to improvement in margins.

Loan Mix: Share of transitional finance increased sharply (%)



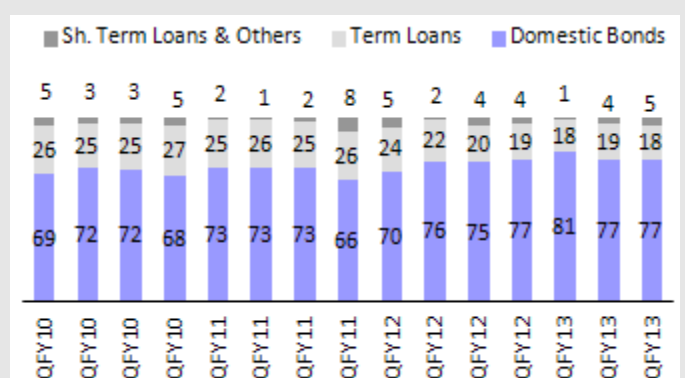
Loans given to SEBs under FRP formed 19% of incremental loans on a TTM basis resulting in increased share to 7% vs 3.9% a year ago.

Loan Mix: Share of private sector loans continues to rise (%)



Share of private sector loans continues to increase as it grows much faster than overall loans (up 55% YoY and 5% QoQ).

Share of term borrowings has declined, though gradually (%)



Proportion of bonds declines QoQ; while that of short term loans increased, but remains volatile.

Quarterly Snapshot

	FY12				FY13			Variation (%)		Cumulative Numbers		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	QoQ	YoY	9MFY12	9MFY13	YoY Gr (%)
Profit and Loss (INR m)												
Net Interest Income	9,900	10,800	10,970	12,290	13,940	14,750	16,780	14	53	31,670	45,470	44
Other Income (Incl fees)	350	80	240	530	90	160	90	-44	-63	670	340	-49
Exchange gain / loss	-750	-5,040	4,210	200	-770	-240	-460	92	-111	-1,580	-1,470	-7
Net total income	9,500	5,840	15,420	13,020	13,260	14,670	16,410	12	6	30,760	44,340	44
Operating Expenses	270	330	290	409	286	351	389	11	34	890	1,025	15
Employee	194	175	176	175	189	193	193	0	10	546	575	5
Others	76	155	114	234	97	157	196	24	72	344	449	30
Operating Profits	9,230	5,510	15,130	12,611	12,974	14,320	16,022	12	6	29,870	43,315	45
Provisions	70	0	390	960	20	-30	900	NM	NM	460	890	93
PBT	9,160	5,510	14,740	11,651	12,954	14,350	15,122	5	3	29,410	42,425	44
Taxes	2,298	1,320	3,660	3,455	3,240	3,978	3,940	-1	8	7,278	11,158	53
PAT	6,862	4,190	11,080	8,196	9,714	10,372	11,182	8	1	22,132	31,268	41
Extra-ordinary/ Other adjustment	420	3,910	-3,170	-185	571	470	1,249	166	-139	1,160	2,290	97
Adj. PAT	7,282	8,100	7,910	8,011	10,285	10,842	12,431	15	57	23,292	33,557	44
Asset Quality												
GNPA	2,380	2,380	6,330	13,580	13,750	13,620	13,630	0	115			
NNPA	2,060	2,060	5,620	12,150	12,300	12,170	12,190	0	117			
Gross NPAs (%)	0.23	0.22	0.54	1.04	1.02	0.97	0.92					
Net NPAs (%)	0.20	0.19	0.48	0.93	0.91	0.86	0.82					
PCR (%)	13.4	13.4	11.2	10.5	10.5	10.6	10.6					
Ratios (%)												
Cost to Income	2.8	5.7	1.9	3.1	2.2	2.4	2.4			2.9	2.3	
Provision to operating profit	0.8	0.0	2.6	7.6	0.2	-0.2	5.6			1.5	2.1	
Tax Rate	25.1	24.0	24.8	29.7	25.0	27.7	26.1			24.7	26.3	
Total CAR	18.9	18.2	17.9	16.3	18.6	17.7	18.1			18.2	17.7	
Margins Reported - Quarterly (%)												
Yield on Loans	11.1	11.3	11.3	11.3	11.7	12.0	12.1	16	86			
Cost of Funds	8.8	9.1	9.1	9.0	9.1	9.2	9.1	-19	-8			
Spreads	2.3	2.2	2.2	2.3	2.6	2.7	3.1	35	94			
NIMs	3.9	4.0	3.9	3.9	4.2	4.3	4.6	33	76			
Margins Reported - Cumulative (%)												
Yield on Loans	11.1	11.2	11.2	11.3	11.7	11.8	12.0	11	73			
Cost of Funds	8.8	8.9	9.0	9.0	9.1	9.2	9.1	-4	13			
Spreads	2.3	2.3	2.2	2.3	2.6	2.7	2.8	15	60			
NIMs	3.9	3.9	3.9	3.9	4.2	4.2	4.4	13	47			
Balance Sheet Data (INR b)												
Shareholders Funds	193	197	208	207	217	227	229	1	10			
Borrowings	865	911	999	1,101	1,140	1,180	1,245	6	25			
DTL	1	1	1	1	1	3	3	-10	297			
Interest subsidy funds	4	4	4	4	4	4	3	-3	-11			
R APDRP Fund from GOI	0	0	0	0	0	0	0	NM	NM			
Current Liability and Provisions	36	34	36	43	45	47	49	5	36			
Total Liabilities	1,099	1,147	1,248	1,356	1,406	1,460	1,529	5	23			
Loans (Incl Int accrued)	1,041	1,104	1,180	1,301	1,347	1,408	1,483	5	26			
Investments	1	1	1	1	1	1	1	3	4			
Fixed Assets	1	1	1	1	1	1	1	2	2			
Current Assets	57	41	58	49	46	43	39	-11	-34			
Total Assets	1,099	1,147	1,248	1,356	1,406	1,460	1,529	5	23			

For %age change QoQ and YoY is bp

Source: Company, MOSL

Quarterly Snapshot

	FY11				FY12				FY13			Var. (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	QoQ	YoY
Business Details (INR b)													
Sanctions	144	297	178	158	169	152	172	195	112	315	181	-42	6
Disbursements	81	63	78	119	62	87	106	159	81	102	127	24	20
Loans	856	879	920	996	1,041	1,104	1,180	1,302	1,344	1,404	1,483	6	26
Borrowings	716	736	764	856	865	911	999	1,101	1,140	1,180	1,245	6	25
Sanctions discipline wise	144	297	178	158	169	152	172	195	112	315	181	-42	6
Generation	58	230	125	127	110	102	69	140	83	66	125	89	81
Transmission	31	3	3	7	12	1	4	9	11	30	34	14	NM
Distribution	1	1	0	1	0	44	18	6	9	1	0	-100	-100
R APDRP	22	58	43	13	37	0	47	12	0	9	22	145	-53
Others	32	5	7	9	11	4	34	27	8	208	0	-100	-100
Disburs. discipline wise	81	63	78	119	62	87	106	159	81	102	127	24	20
Generation	47	41	56	80	48	60	74	96	72	60	50	-16	-32
Transmission	4	6	9	6	5	7	8	12	3	4	6	38	-22
Distribution	3	4	4	8	4	3	4	6	3	3	2	-29	-45
R APDRP	2	6	2	13	1	5	7	3	3	5	1	-83	-87
Others	25	6	8	12	4	12	13	43	1	29	68	NM	414
Disburs. borrower wise	81	63	78	119	62	87	106	159	81	102	127	24	20
State	43	49	54	80	40	52	60	97	57	72	107	49	80
Central PSUs	17	5	13	25	5	8	15	26	2	4	2	-62	-89
Joint Sector	4	3	4	7	4	4	4	4	9	4	3	-38	-41
Private	17	7	7	6	13	23	27	32	14	22	16	-28	-41
Loans discipline wise	856	879	920	996	1,041	1,104	1,180	1,302	1,344	1,404	1,481	6	26
Generation	706	733	778	843	880	929	992	1,074	1,136	1,182	1,212	3	22
Transmission	65	64	71	76	79	83	89	99	100	102	106	4	19
Distribution	36	38	41	47	49	50	53	57	58	59	60	0	13
Others	50	44	30	30	32	42	46	72	50	60	104	73	124
Loans borrower wise	856	879	920	996	1,041	1,104	1,180	1,302	1,344	1,404	1,481	6	26
State	565	580	601	645	672	709	749	815	841	884	954	8	27
Central PSUs	166	168	179	203	206	212	225	247	245	244	242	-1	8
Joint Sector	69	71	74	80	84	86	90	93	101	104	105	1	17
Private	57	60	66	68	79	97	116	147	157	171	180	5	55
Borrowing mix	716	736	764	856	865	911	999	1,101	1,140	1,180	1,245	6	25
Domestic Bonds	522	534	555	561	609	695	753	848	920	913	964	6	28
Foreign Bonds	8	8	8	8	8	0	0	0	0	0	0	NM	NM
Term Loans	182	191	192	224	211	200	203	212	209	219	219	0	8
(Incl Rupee and foreign)													
Short term loans	3	2	10	63	36	15	43	41	10	47	62	32	44
% change are in bp													

Source: Company, MOSL

Stock Info

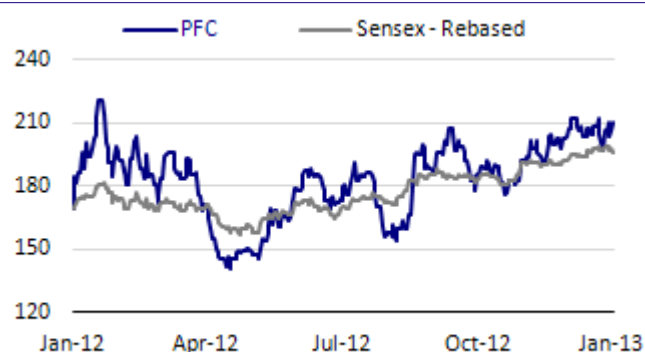
EPS: MOSL forecast v/s consensus (INR)

	MOSL Forecast	Consensus Forecast	Variation (%)
FY13	32.8	30.1	9.0
FY14	37.5	34.1	10.0

Shareholding pattern (%)

	Dec-12	Sep-12	Dec-11
Promoter	73.7	73.7	73.7
Domestic Inst	8.8	9.4	9.3
Foreign	11.1	10.3	7.8
Others	6.4	6.6	9.2

1-year Sensex rebased



Financials: Valuation Matrix

	Rating	CMP (INR)	Mcap (USD\$b)	EPS (INR)		P/E (x)		BV (INR)		P/BV (x)		RoA (%)		RoE (%)		Dividend Yield (%) #
				FY14	FY15	FY14	FY15	FY14	FY15	FY14	FY15	FY14	FY15	FY14	FY15	
ICICIBC*	Buy	1,191	25.0	87	105	11.2	9.1	512	580	1.9	1.6	1.7	1.7	16.3	17.3	1.4
HDFCB	Neutral	643	27.6	37	46	17.4	13.9	177	212	3.6	3.0	1.9	1.9	22.7	23.8	0.7
AXSB	Buy	1,505	11.6	143	168	10.6	8.9	755	897	2.0	1.7	1.7	1.7	20.4	20.3	1.1
KMB*	Neutral	678	9.1	34	41	14.5	11.6	143	167	3.5	2.8	1.7	1.7	15.8	16.5	0.1
YES	Buy	522	3.4	46	57	11.3	9.2	201	248	2.6	2.1	1.6	1.6	25.4	25.3	0.8
IIB	Buy	435	4.1	26	33	16.7	13.3	164	192	2.6	2.3	1.7	1.8	17.0	18.4	0.5
VYSB	Buy	591	1.6	44	51	13.3	11.5	330	373	1.8	1.6	1.1	1.0	14.3	14.6	0.7
FB	Buy	506	1.6	55	63	9.2	8.1	413	461	1.2	1.1	1.3	1.2	14.0	14.3	1.8
J&KKB	Buy	1,369	1.2	230	274	5.9	5.0	1,180	1,390	1.2	1.0	1.5	1.5	21.1	21.3	2.4
SIB	Buy	27	0.3	4.0	4.6	6.7	5.9	25	28	1.1	1.0	1.1	1.0	17.6	17.5	2.2
Private Aggregate			85.6			14.0	11.6			2.4	2.1					
SBIN (cons)*	Buy	2,437	29.7	318	382	7.3	6.1	2,039	2,357	1.1	1.0	1.0	1.0	17.2	17.8	1.4
PNB	Buy	912	5.6	175	210	5.2	4.3	1,046	1,220	0.9	0.7	1.1	1.1	18.0	18.6	2.4
BOI	Neutral	353	3.7	59	67	6.0	5.3	417	472	0.8	0.7	0.7	0.7	14.9	15.1	2.0
BOB	Neutral	867	6.5	134	156	6.5	5.6	833	965	1.0	0.9	1.0	0.9	17.3	17.3	2.0
CBK	Buy	481	3.9	80	97	6.0	5.0	585	666	0.8	0.7	0.8	0.8	14.6	15.5	2.3
UNBK	Buy	255	2.6	50	59	5.1	4.3	296	339	0.9	0.8	0.8	0.9	18.1	18.6	3.1
IOB	Neutral	81	1.2	13	15	6.3	5.3	151	162	0.5	0.5	0.4	0.4	8.7	9.7	5.6
OBC	Buy	334	1.8	57	68	5.9	4.9	459	511	0.7	0.7	0.8	0.8	12.9	14.0	2.4
INBK	Buy	201	1.6	48	54	4.2	3.7	285	326	0.7	0.6	1.1	1.1	17.5	17.2	3.7
CRPBB	Neutral	456	1.2	112	133	4.1	3.4	720	822	0.6	0.6	0.8	0.9	16.6	17.3	4.5
ANDB	Buy	112	1.1	26	31	4.4	3.6	170	194	0.7	0.6	0.9	1.0	16.1	17.0	4.9
IDBI	Neutral	108	2.5	18	21	5.9	5.0	163	179	0.7	0.6	0.7	0.7	11.7	12.5	3.3
DBNK	Neutral	111	0.7	28	32	4.0	3.4	169	198	0.7	0.6	0.9	0.8	17.8	17.6	2.7
Public Aggregate			62.1			6.9	5.8			1.0	0.9					
HDFC*	Buy	787	21.9	38	45	14.2	10.9	126	147	4.3	3.4	2.9	2.9	30.1	30.3	1.4
LICHF	Buy	282	2.6	26	32	10.7	8.7	150	175	1.9	1.6	1.5	1.5	19.0	20.0	1.3
DEWH	Buy	207	0.4	49	60	4.3	3.4	219	271	0.9	0.8	1.4	1.3	21.7	22.6	1.7
IDFC	Buy	170	4.7	14	16	12.4	10.4	92	104	1.6	1.4	2.7	2.7	16.3	17.1	1.4
RECL	Buy	242	4.3	42	50	5.8	4.9	205	239	1.2	1.0	3.1	3.1	22.1	22.4	3.1
POWF	Buy	210	5.0	38	46	5.5	4.6	207	239	1.0	0.9	3.0	3.0	19.8	20.4	2.9
SHTF	Buy	790	3.3	80	93	9.9	8.5	393	474	2.0	1.7	2.8	2.7	21.1	20.2	0.8
MMFS	Buy	1,052	2.2	91	115	11.6	9.2	464	548	2.3	1.9	3.5	3.6	21.1	22.6	1.3
NBFC Aggregate			44.4			11.2	9.5			2.1	1.9					

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

Div Yield based on FY12 declared dividend

Financials and Valuations

Income Statement				(INR Million)		
Y/E March	2010	2011	2012	2013E	2014E	2015E
Interest on loans	78,523	97,605	126,025	170,443	194,611	229,334
Interest exp & other charges	50,599	64,606	84,940	107,464	121,888	143,635
Net Financing income	27,924	32,999	41,085	62,980	72,723	85,698
Change (%)	33.5	18.2	24.5	53.3	15.5	17.8
Other operating income	1,498	3,680	4,124	400	440	484
Exchg Gain/(loss) on Forex loans	1,038	-264	-1,676	-1,800	-1,800	-1,800
Other Income	748	321	223	75	100	150
Net Income	31,208	36,736	43,756	61,655	71,463	84,532
Change (%)	49.7	17.7	19.1	40.9	15.9	18.3
Employee Cost	717	671	721	793	912	1,049
Administrative Exp	341	255	519	597	686	789
Depreciation	38	51	54	60	66	72
Operating Income	30,113	35,759	42,462	60,206	69,800	82,623
Change (%)	51.0	18.8	18.7	41.8	15.9	18.4
Total Provisions	-21	317	1,428	1,240	2,461	2,712
<i>% to operating income</i>	<i>-0.1</i>	<i>0.9</i>	<i>3.4</i>	<i>2.1</i>	<i>3.5</i>	<i>3.3</i>
PBT (post prior period adj)	30,135	35,441	41,026	58,965	67,338	79,911
Tax (Incl Deferred tax)	6,562	9,246	10,725	15,626	17,845	21,176
Tax Rate (%)	21.8	26.1	26.1	26.5	26.5	26.5
PAT	23,573	26,196	30,301	43,340	49,494	58,735
Change (%)	58.6	11.1	15.7	43.0	14.2	18.7
Adjusted PAT (Post Forex)	22,760	26,391	31,539	44,663	50,817	60,058
Change (%)	35.9	16.0	19.5	41.6	13.8	18.2
Proposed Dividend (Incl Tax)	6,043	6,986	9,204	12,677	14,477	17,180

Balance Sheet				(INR Million)		
Y/E March	2010	2011	2012	2013E	2014E	2015E
Capital	11,478	11,478	13,199	13,199	13,199	13,199
Reserves & Surplus	121,130	140,347	193,876	224,539	259,555	301,110
Net Worth	132,608	151,825	207,075	237,738	272,755	314,309
Deferred Tax Liability	470	830	874	874	874	874
Networth (incl DTL)	133,077	152,655	207,950	238,612	273,629	315,184
Interest subsidy from Govt	6,635	4,519	3,760	3,384	3,046	2,741
Borrowings	671,084	855,986	1,101,259	1,313,652	1,554,293	1,825,362
Change (%)	28.7	27.6	28.7	19.3	18.3	17.4
Total Liabilities	810,796	1,013,159	1,312,969	1,555,649	1,830,967	2,143,286
Investments	314	539	592	651	716	788
Change (%)	-12.4	71.4	9.8	10.0	10.0	10.0
Loans	798,558	995,707	1,300,718	1,563,872	1,850,348	2,173,050
Change (%)	23.9	24.7	30.6	20.2	18.3	17.4
Net Fixed Assets	745	767	765	805	865	943
Net Current Assets	11,180	16,144	5,740	-16,634	-29,716	-42,048
Total Assets	810,796	1,013,157	1,312,969	1,555,649	1,830,967	2,143,286

Financials and Valuations

Ratios						
Y/E March	2010	2011	2012	2013E	2014E	2015E
Spreads Analysis (%)						
Avg. Yield - on Financing portfolio	10.9	10.9	11.0	11.9	11.4	11.4
Avg Cost of funds	8.4	8.6	9.1	8.9	8.5	8.5
Interest Spread	2.5	2.3	1.9	3.0	2.9	2.9
Net Interest Margin	3.9	3.7	3.6	4.4	4.3	4.3
Profitability Ratios (%)						
RoE	19.0	18.3	16.8	19.4	19.3	20.0
Adjusted RoE	18.3	18.5	17.5	20.0	19.8	20.4
RoA	3.2	2.9	2.6	3.0	2.9	3.0
Adjusted RoA	3.1	2.9	2.7	3.1	3.0	3.0
Efficiency Ratios (%)						
Int. Expended/Int.Earned	64.4	66.2	67.4	63.0	62.6	62.6
Other operating Inc./Net Inc.	4.8	10.0	9.4	0.6	0.6	0.6
Other Income/Net Income	2.4	0.9	0.5	0.1	0.1	0.2
Op. Exps./Net Income	3.5	2.7	3.0	2.4	2.3	2.3
Empl. Cost/Op. Exps.	65.4	68.7	55.7	54.7	54.8	54.9
Asset-Liability Profile (%)						
Loans/Borrowings Ratio	119.0	116.3	118.1	119.0	119.0	119.0
Assets/Networth (x)	6.1	6.6	6.3	6.5	6.7	6.8
Debt/Equity (x)	5.1	5.6	5.3	5.5	5.7	5.8
Net NPAs to Adv.	0.0	0.2	0.9	0.8	1.1	1.4
Valuations						
Book Value (INR)	115.9	133.0	157.5	180.8	207.3	238.8
BV Growth (%)	15.1	14.7	18.5	14.7	14.7	15.2
Price-BV (x)			1.3	1.2	1.0	0.9
EPS (INR)	20.5	22.8	23.0	32.8	37.5	44.5
EPS Growth (%)	19.7	11.1	0.6	43.0	14.2	18.7
Price-Earnings (x)			9.1	6.4	5.6	4.7
Adjusted EPS (INR)	19.8	23.0	23.9	33.8	38.5	45.5
Adj EPS Growth (%)	35.9	16.0	3.9	41.6	13.8	18.2
Price-EPS (x)			8.8	6.2	5.5	4.6
Dividend	4.5	5.0	6.0	8.2	9.4	11.1
Dividend Yield (%)			2.9	3.9	4.5	5.3

E: MOSL Estimates

N O T E S

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In respect of any matter arising from or in connection with the research you could contact the following representatives of Motilal Oswal Capital Markets Singapore Pte Limited:

Nihar Oza

Email: niharoza.sg@motilaloswal.com

Contact: (+65) 68189232

Kadambari Balachandran

Email: kadambari.balachandran@motilaloswal.com

Contact: (+65) 68189233 / 65249115

Office address: 21 (Suite 31), 16 Collyer Quay, Singapore 049318



Motilal Oswal Securities Ltd

Motilal Oswal Tower, Level 9, Sayani Road, Prabhadevi, Mumbai 400 025

Phone: +91 22 3982 5500 E-mail: reports@motilaloswal.com