

**Private Sector Banks - FY06**

1. Net Profit- Reduction of operating cost & lower provisioning for NPAs enabled Banks to report growth in net profit in 2005-06 over the previous year. Banks are building fee-based businesses that are fairly remunerative on return on equity basis.
2. Capital Adequacy Ratio- All the private sector banks achieved the stipulated CAR of 9% as on 31st March, 2006. Yes Bank topped the list with a CAR of 16.43% followed by Karur Vysya Bank with 14.79%. Five Banks showed higher CAR than the previous year. CAR was the lowest in case of Dhanalakshmi Bank.
3. Non-Performing Assets- Both Gross and Net NPAs of the Banks declined during 2005-06 as compared to previous year. Most of them carry only nominal net NPAs and others have reduced NPAs substantially. Eight Banks have Net NPA below 1% of their Net advances. Dhanalakshmi Bank reported highest Net NPAs as percentage to Net Advances.
4. Net Interest Margin- Net Interest Margin of Banks have remained by and large constant with marginal improvements in some cases.
5. Deposits- Almost all Banks in the universe have shown substantial growth in deposits and the growth is in line with expectations.
6. Advances- All the Private Sector Banks have reported growth in advances as per prevailing trend in the industry.
7. Earnings Per Share- Almost all the Banks have improved their EPS in line with growth in banking space.
8. Return on Equity- The banks showing decline in ROE are the Banks which expanded their capital base to become compliant with Basel-II norms w.e.f.-01.04.'07. In case of other Banks ROE improved during the year 2005-06.
9. CASA Ratio- Casa ratio of most of the private sector banks improved in the year 2005-06. Expanding Branch Network is giving access to CASA deposits. HDFC Bank showed highest CASA ratio of 55.5% followed by UTI Bank at 40.0%. Although, Yes Bank, having CASA of 10.7% was lowest in the group, it was successful in improving it from 1.4% to 10.7%. Yes Bank's CASA is slated to improve during the current year due to ambitious Branch opening programme.

The RBI emphasized transparency, diversification of ownership and strong corporate governance practices to mitigate the prospects of systemic risks in the banking sector. The over all improvement in the efficiency parameters of the SCBs reflects the positive policy initiatives and changing business environment. Most banks hiked their PLRs, hence their operating income is slated to go up. Excessive credit growth without adequate safeguard could lead to some erosion in credit quality. Policy therefore has to strike a balance between credit quality and the associated risks, while allowing bank lending to contribute to higher growth and efficiency. By March, 2007 end, banks are required to conform to Basel- II norms, and thus will require additional capitalization. Most of the private banks are small in Balance Sheet size and need consolidation on an urgent basis. By 2009 April, they will have to be ready to face competition from foreign Banks as well. Small and medium sized private sector Banks will be acquired by large players. Merger with PSU Banks will be another option for smaller private sector Banks. Basically, Private Banks have concentrated on fee based income. This is evinced by decreasing percentage of interest income to total income, which has come down from 85% in the year 2000, to 76% in 2006.

Banks	1 Net Profit (Rs.Mn)	2 Net NPA (%)	3 NIM (%)	4 Deposits (Rs.Bn)	5 Advances (Rs.Bn)	6 CAR (%)	7 EPS (Rs.)	8 ROE (%)	9 CASA (%)	10 CMP	11 P/E	12 P/ABV
Centurion Bank**	878 251	1.13 2.49	4.58 5.84	94.0 35.3	65.3 21.9	12.52 21.42	0.68 0.37	11.65 7.71	38.7 29.0	21	31.0 57.0	3.52 5.17
City Union Bank	564 463	1.95 3.37	3.61 3.19	35.2 31.0	25.5 20.1	12.33 12.18	23.49 19.30	21.40 20.89	23.0 21.9	120	5.1 6.2	1.22 1.67
Dhanlakshmi Bank	95 -216	2.44 3.92	3.2 3.1	25.3 23.4	15.9 14.1	9.75 10.16	2.97 -6.74	7.66 -18.93	28.9 26.9	23	7.7 -3.4	0.83 1.36
Federal Bank	2252 901	0.95 2.21	3.2 3.15	178.8 151.9	117.4 88.2	13.75 11.27	32.71 13.73	18.12 13.13	25.5 24.5	180	5.5 13.1	1.36 2.23
HDFC Bank	8708 6656	0.44 0.24	4.04 3.94	558.0 363.5	350.6 255.7	11.41 12.16	27.92 22.92	17.74 18.46	55.5 60.7	813	29.1 35.5	4.95 5.65
ICICI Bank	25401 20052	0.72 1.65	2.40 2.40	1650.8 998.2	1461.6 914.1	13.35 11.78	32.49 27.55	14.62 19.51	22.7 24.3	595	18.3 21.6	2.47 4.02
ING Vysya Bank #	91 -382	1.76 2.13	3.16 3.10	133.4 125.7	102.3 90.8	10.67 9.09	1.63 -16.84	1.00 -5.38	27.0 24.2	128	78.6 -7.6	1.60 0.56
IndusInd Bank	368 2102	2.09 2.71	1.91 2.88	150.1 131.1	93.1 90.0	10.54 11.62	1.27 7.07	4.25 25.34	12.9 10.7	35	27.5 4.9	1.51 1.73
J & K Bank	1768 1151	0.92 1.41	2.68 2.69	234.8 216.4	144.8 115.2	12.14 15.15	36.48 23.73	10.21 7.06	34.2 32.0	381	10.4 16.0	1.11 1.23
Karnataka Bank	1760 1471	1.18 2.29	2.84 2.94	132.4 108.4	77.9 62.9	11.78 14.16	14.52 34.06	16.85 17.56	20.9 21.6	98	6.7 2.9	1.16 1.42
Karur Vysya Bank	1354 1053	0.81 1.66	3.24 3.32	75.8 66.7	55.6 46.2	14.79 16.07	75.28 58.59	16.58 14.30	26.9 24.4	277	3.7 4.7	0.60 0.73
Kotak Mah.Bank	1182 849	0.24 0.37	5.1* 5.3*	65.7 43.0	63.5 40.2	11.27 12.8	3.83 7.08	14.75 12.52	19.0 12.5	288	75.1 40.6	10.62 4.82
Lak.Vilas Bank	225 33	1.89 4.98	2.47 2.84	43.4 35.0	29.5 23.2	10.79 11.32	11.50 2.91	8.63 1.46	23.1 25.6	106	9.2 36.4	0.88 1.06
South Indian Bank	509 87	1.86 3.81	2.90 2.60	95.8 84.9	63.7 53.7	13.02 9.89	10.25 2.10	9.29 2.05	26.4 24.8	63	6.2 30.1	0.85 1.20
UTI Bank	4851 3346	0.98 1.39	2.85 2.90	401.1 317.1	223.1 156.0	11.08 12.66	17.45 14.32	18.37 18.88	40.0 38.0	323	18.5 22.5	3.39 4.05
Yes Bank	553 -38	0.00 0.00	2.96 2.84	29.1 6.6	24.1 7.6	16.43 18.81	2.20 -0.24	14.01 -1.73	10.7 1.4	80	36.4 -333.8	3.78 9.97