

# ING Vysya Bank

<b>BSE Sensex 20,103</b>	<b>S&amp;P CNX 6,075</b>
Bloomberg	VYSB IN
Equity Shares (m)	150.1
M.Cap. (INR b)/(USD b)	85.7/1.6
52-Week Range (INR)	600/311
1,6,12 Rel.Perf.(%)	6/33/54

## Financials & Valuation (INR b)

Y/E March	2013E	2014E	2015E
NII	15.3	17.7	20.9
OP	9.7	11.6	14.2
NP	6.0	6.7	7.7
NIM (%)	3.2	3.1	3.0
EPS (INR)	40.0	44.3	51.2
EPS Gr. (%)	31.7	10.7	15.5
BV/Sh. (INR)	292.2	329.8	373.2
RoE (%)	14.5	14.3	14.6
RoA (%)	1.2	1.1	1.0
Payout (%)	15.1	15.1	15.1
<b>Valuation</b>			
P/E(X)	14.3	12.9	11.2
P/BV (X)	2.0	1.7	1.5
P/ABV (X)	2.0	1.8	1.5
Div. Yield (%)	0.9	1.0	1.2

**CMP: INR571**
**TP: INR670**
**Buy**

ING VYSYA Bank's 3QFY13 PAT grew 36% YoY to INR1.6b (12% above est. of INR1.45b). Strong margin performance (+16bp QoQ to 3.6%) and decline in NPAs (GNPA at 1.8% and NNPA at 0.05%) led to highest ever quarterly RoA of ~1.3%.

### Key highlights:

- NII came in at INR4b (+9% QoQ and 25% YoY), 7% above estimate led by 16bp QoQ (3.61%) improvement in NIM - a positive surprise. While yield on loans declined 10bp QoQ cost of deposits declined 21bp QoQ to 7.1% and led to margin expansion.
- Non-interest income was 8% below estimate at INR1.9b. This was led by muted fee income (ex-forex) performance (declined 6% YoY).
- Slippages for 3QFY13 were contained (annualized slippage ratio of 0.25%) and GNPA in absolute terms declined marginally QoQ. NNPA is now at just 0.05% as bank increased its PCR to 97% v/s 93% in 2QFY13.
- **Other highlight:** (1) Reported loan growth stood at 5% QoQ and 20% YoY, (2) SA deposit declined 1.6% QoQ and was up just 4% YoY and (3) Core CASA ratio declined ~110bp QoQ to 31.7%.

**Valuation and view:** Continuous positive surprise on asset quality and margin is leading to earnings upgrade. In 9MFY13 while PPP estimates have remained largely unchanged, lower credit cost has led to earnings upgrade of 16% for FY13 and 9% for FY14. VYSB's RoAs improved from -0.3% in FY05 to 0.9% in FY11 and expected to improve further to 1.2% in FY13. Continued higher than industry growth, impeccable asset quality performance, demonstration of operating leverage and improvement in fee income will drive valuations. Maintain **Buy**.

## Quarterly Performance

	(INR Million)								FY12	FY13E
	FY12				FY13					
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	8,708	9,331	9,915	10,615	11,714	11,976	12,389	12,549	38,568	48,628
Interest Expense	6,088	6,295	6,679	7,423	8,281	8,288	8,359	8,365	26,485	33,294
<b>Net Interest Income</b>	<b>2,620</b>	<b>3,036</b>	<b>3,236</b>	<b>3,192</b>	<b>3,433</b>	<b>3,688</b>	<b>4,029</b>	<b>4,184</b>	<b>12,084</b>	<b>15,334</b>
% Change (Y-o-Y)	10.1	19.4	31.6	18.9	31.0	21.5	24.5	31.1	20.1	26.9
Other Income	1,405	1,625	1,699	1,968	1,710	1,689	1,866	1,868	6,698	7,133
<b>Net Income</b>	<b>4,025</b>	<b>4,661</b>	<b>4,935</b>	<b>5,160</b>	<b>5,142</b>	<b>5,377</b>	<b>5,895</b>	<b>6,052</b>	<b>18,781</b>	<b>22,466</b>
Operating Expenses	2,557	2,767	2,822	2,957	2,967	3,100	3,263	3,393	11,102	12,723
<b>Operating Profit</b>	<b>1,468</b>	<b>1,894</b>	<b>2,113</b>	<b>2,203</b>	<b>2,175</b>	<b>2,276</b>	<b>2,633</b>	<b>2,659</b>	<b>7,679</b>	<b>9,743</b>
% Change (Y-o-Y)	-1.2	2.8	32.5	53.9	48.1	20.2	24.6	20.7	20.9	26.9
Other Provisions	62	175	334	566	267	64	246	328	1,138	905
<b>Profit before Tax</b>	<b>1,406</b>	<b>1,719</b>	<b>1,779</b>	<b>1,637</b>	<b>1,908</b>	<b>2,213</b>	<b>2,387</b>	<b>2,331</b>	<b>6,541</b>	<b>8,839</b>
Tax Provisions	466	566	584	363	607	710	764	747	1,978	2,828
<b>Net Profit</b>	<b>940</b>	<b>1,154</b>	<b>1,195</b>	<b>1,274</b>	<b>1,301</b>	<b>1,502</b>	<b>1,623</b>	<b>1,584</b>	<b>4,563</b>	<b>6,010</b>
% Change (Y-o-Y)	36.1	53.3	44.0	39.5	38.4	30.2	35.8	24.3	43.2	31.7
<b>Operating Parameters</b>										
NIM (Reported,%)	3.0	3.4	3.5	3.3	3.3	3.5	3.6		3.3	
NIM (Cal, %)	3.0	3.3	3.5	3.2	3.2	3.4	3.6	3.5	3.2	3.4
Deposit Growth (%)	29.4	17.8	16.1	16.6	14.6	17.8	19.1	22.0	16.6	22.0
Loan Growth (%)	25.5	22.8	22.6	21.8	22.9	20.8	20.2	20.0	21.8	20.0
CASA Ratio (%)	33.8	32.6	32.6	34.2	33.3	32.8	31.7		34.2	
<b>Asset Quality</b>										
Gross NPA (INR B)	5.2	5.1	5.4	5.6	5.9	5.8	5.7	5.9	5.6	5.9
Gross NPA (%)	2.2	2.0	2.0	1.9	2.0	1.9	1.8	1.7	1.9	1.7
Net NPA (%)	0.4	0.3	0.3	0.2	0.2	0.1	0.1	0.04	0.2	0.04

E: MOSL Estimates

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Investors are advised to refer through disclosures made at the end of the Research Report.

**Quarterly performance: Above est (INR m)**

Y/E March	3QFY13A	3QFY13E	Var. (%)	Comments
<b>NII</b>	<b>4,029</b>	<b>3,766</b>	<b>7</b>	Margin improved 16bp QoQ - a positive surprise
% Change (Y-o-Y)	25	16		
Other Income	1,866	2,020	-8	Fee income disappoints again
<b>Net Income</b>	<b>5,895</b>	<b>5,786</b>	<b>2</b>	
Operating Expenses	3,263	3,369	-3	
<b>Operating Profit</b>	<b>2,633</b>	<b>2,417</b>	<b>9</b>	Strong NII growth driving operating profit
% Change (Y-o-Y)	25	14		
Other Provisions	246	280	-12	Asset quality remains healthy; PCR at 97%
<b>Profit before Tax</b>	<b>2,387</b>	<b>2,137</b>	<b>12</b>	
Tax Provisions	764	684	12	
<b>Net Profit</b>	<b>1,623</b>	<b>1,453</b>	<b>12</b>	Better than expected margin and asset quality performance led to higher than expected PAT
% Change (Y-o-Y)	36	22		

Source: Company/MOSL

**Margins improve 16bp QoQ - a positive surprise**

VYSB reported margins of 3.61% (+16bp QoQ v/s our expectation of flat margins) - a positive surprise, as a result NII was 7% above est. (+9% QoQ and 25% YoY) driving core income. While yield on loans declined 10bp QoQ to 11.8% and yield on investment (cal) declined 4bp QoQ, sharper fall in cost of deposits (down 21bp QoQ), led to margin expansion. In last two quarters cost of deposits has declined by 46bp which has been a key driver of NIMs.

**Fee income growth continues to be a drag on RoA**

Non-interest income was 7% below our estimate at INR1.9b, led by muted performance on core fee income (ex-forex declined +6% YoY; up 4% QoQ). Forex income stood at INR370m as compared to INR278m in 3QFY12 and INR354m in 2QFY13. However, in 2QFY13 forex income had a one-off reversal of INR219m on account of derivate (MTM on books of client) adjusted for which forex income declined sharply QoQ. Asset and liability related fees displayed strong traction QoQ up 8% QoQ (+12% YoY) and +13% QoQ (+9% YoY), however trade and finance (declined 14% YoY) and wealth management fees (down 34% YoY) dragged overall fees. Trading income stood at INR145m as compared to INR48m a year ago providing cushion to non-interest income.

**Strong asset quality performance; PCR at ~97% - best in the industry**

Slippages for 3QFY13 were contained as annualized slippage ratio stood at just 0.25% - a positive surprise. GNPA in absolute terms declined 2% QoQ, whereas NNPA declined significantly by 60% QoQ (on an already lower base). In percentage terms GNPA and NNPA stood at 1.8% (1.9% in 2QFY13) and just 0.05% (0.13% in 2QFY13). PCR increased further to 97% (93% in 2QFY13) which would provide cushion to profitability.

**Core CASA ratio improves; SA deposit growth disappoints**

CASA grew 16% YoY (flat QoQ) led by strong growth in CA deposits (+3% QoQ and 28% YoY). However growth in SA Deposits continues to disappoint as it declined 2% QoQ and was up just 4% YoY. Even new to bank salary accounts for the quarter declined to 65,000 as against 67,000 in 2QFY13, though it remains higher than 51,000 in 3QFY12. As a result, core CASA ratio declined 110bp QoQ to 31.7%. During the quarter bank increased its dependency on certificate of deposits and its share in overall deposits increased to 15% as compared to 10.6% a quarter ago.

## Strong growth in agriculture and SME banking

Loan growth at 20% was driven by agriculture (+11% QoQ and 64% YoY) and SME banking (+7.7% QoQ and 29% YoY). Growth in consumer banking improved QoQ to 4.6%, however on a YoY basis it remained moderate at 7.7%.

### Concall highlights

- Adjusted for repayment of one large telecom account of INR7b, sequential loan growth stood at 7%. Further there was repayment of INR11b in 2QFY13 as well, adjusted for both repayments, YoY loan growth stood at 27% as compared to reported growth of 20%.
- Asset quality performance remains strong with gross slippages for the quarter at just INR160m and recoveries and up-gradation at INR264m.
- The management attributes this success to its domain expertise in SME segment and lower exposure to some stress segments viz. aviation and project finance.
- Management remains cautious as business environment continues to be challenging. Stress in some segments viz. CV industry is visible, but bank has been cautious since last two quarters and does not think it would materially alter the asset quality trend.
- Margins are expected to moderate in 4QFY13 as bank builds its PSL portfolio.
- Currently bank is not contemplating of increasing SA deposit rates as the cost benefit is not in favor, however may consider it at a later stage.
- Specific provisions during the quarters was INR160m i.e. credit cost of 11bp.
- Of the SLR investment ~25% is in the AFS segment with a low duration of nearly 6 months.
- Of the overall employee strength of ~9,800, 35% are governed by IBA.

### Valuation and view

Continuous positive surprise on asset quality and NIMs are leading to earnings upgrade. In 9MFY13 while PPP estimates have remained largely unchanged, lower credit cost has led to earnings upgrade of 16% for FY13 and 9% for FY14. In 3QFY13, we have upgraded estimates by 4% for FY13. We factor in NIM improvement of ~20bp in FY13 and expect it to decline by 15bp over FY14/15 as fall in cost of funds will be compensated by preference to grow book in high rated corporate segment.

VYSB has done commendable performance on asset quality, leading to lower credit cost and continuous upgrades in the earnings estimate and RoA. On a conservative basis, we model in credit cost of 40/55bp for FY14/15 as against 20bp expected in FY13 and average of 65bp over FY07-12. VYSB's RoAs improved from -0.3% in FY05 to 0.9% in FY11 and expected to improve further to 1.2% in FY13. For further improvement in ROA, fall in opex to average assets (improvement in productivity) is imperative as margins and credit cost has limited scope to surprise positively.

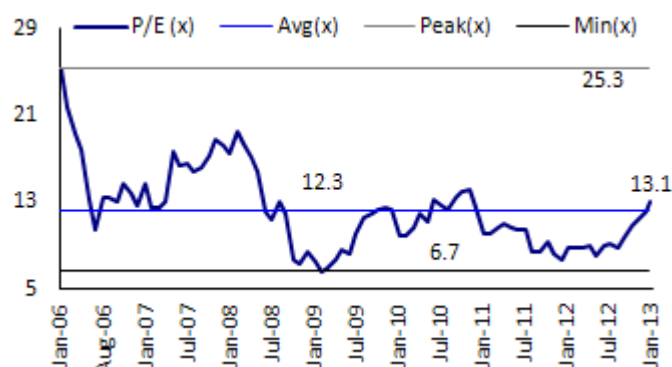
While we expect core PPP CAGR of ~26% over FY12-15, any negative surprise on asset quality can impact earnings. We expect VYSB to report earnings CAGR of 19%+ and RoAs of 1%+ over FY14/15. However RoEs are expected to be in mid-teens. Continued higher than industry growth and impeccable asset quality performance, demonstration of operating leverage and improvement in fee income will drive valuations from hereon. The stock trades at 1.7x FY14 BV and 1.5x FY15BV. Maintain **Buy** with the target price of INR670 (1.8x FY15 BV).

## We upgrade our estimate to factor strong margin and asset quality performance (INR b)

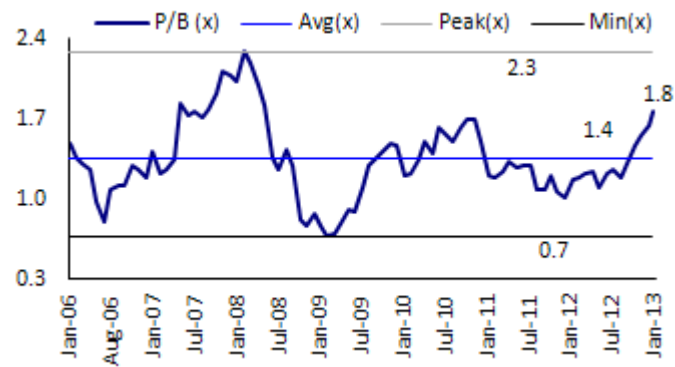
	Old Estimates			Revised Est			Change (%)		
	FY13	FY14	FY15	FY13	FY14	FY15	FY13	FY14	FY15
NII	14.7	17.5	20.6	15.3	17.7	20.9	4.0	1.2	1.3
Other Income	7.7	9.2	11.0	7.1	8.5	10.1	-7.3	-7.6	-8.6
<b>Total Income</b>	<b>22.4</b>	<b>26.7</b>	<b>31.6</b>	<b>22.5</b>	<b>26.2</b>	<b>31.0</b>	<b>0.1</b>	<b>-1.8</b>	<b>-2.2</b>
Operating Expenses	12.9	14.8	17.0	12.7	14.6	16.7	-1.4	-1.5	-1.7
<b>Operating Profits</b>	<b>9.5</b>	<b>11.9</b>	<b>14.6</b>	<b>9.7</b>	<b>11.6</b>	<b>14.2</b>	<b>2.2</b>	<b>-2.2</b>	<b>-2.7</b>
Provisions	1.0	2.2	3.4	0.9	1.8	2.9			
<b>PBT</b>	<b>8.5</b>	<b>9.7</b>	<b>11.2</b>	<b>8.8</b>	<b>9.8</b>	<b>11.3</b>	<b>4.0</b>	<b>1.3</b>	<b>0.6</b>
Tax	2.7	3.1	3.6	2.8	3.1	3.6	4.0	1.3	0.6
<b>PAT</b>	<b>5.8</b>	<b>6.6</b>	<b>7.6</b>	<b>6.0</b>	<b>6.7</b>	<b>7.7</b>	<b>4.0</b>	<b>1.3</b>	<b>0.6</b>
Margins (%)	3.0	3.0	3.0	3.2	3.1	3.0			
Credit Cost (%)	0.3	0.5	0.7	0.2	0.4	0.6			
<b>RoA (%)</b>	<b>1.1</b>	<b>1.1</b>	<b>1.0</b>	<b>1.2</b>	<b>1.1</b>	<b>1.0</b>			
<b>RoE (%)</b>	<b>14.0</b>	<b>14.2</b>	<b>14.6</b>	<b>14.5</b>	<b>14.3</b>	<b>14.6</b>			

Source: Company, MOSL

## ING Vysya Bank : One year forward P/E (x)



## ING Vysya Bank : One year forward P/BV (x)



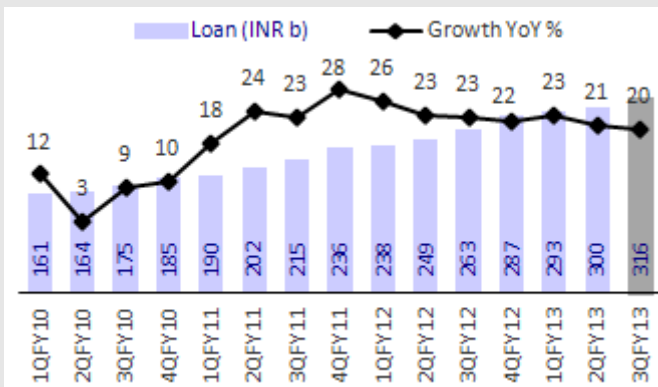
## Dupont Analysis: Improvement in margins and lower credit cost driving RoA's (%)

	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13E	FY14E	FY15E
<b>Net Interest Income</b>	<b>2.0</b>	<b>2.5</b>	<b>3.0</b>	<b>2.5</b>	<b>2.2</b>	<b>2.3</b>	<b>2.5</b>	<b>2.8</b>	<b>2.8</b>	<b>3.0</b>	<b>2.9</b>	<b>2.8</b>
Fee Income	1.0	1.0	0.8	1.0	1.5	1.5	1.2	1.2	1.1	1.0	1.0	1.0
<b>Core Operating Income</b>	<b>3.0</b>	<b>3.5</b>	<b>3.8</b>	<b>3.5</b>	<b>3.7</b>	<b>3.8</b>	<b>3.7</b>	<b>4.0</b>	<b>3.9</b>	<b>4.0</b>	<b>3.9</b>	<b>3.8</b>
<b>Operating Expenses</b>	<b>2.8</b>	<b>2.7</b>	<b>3.2</b>	<b>2.8</b>	<b>2.7</b>	<b>2.7</b>	<b>2.5</b>	<b>2.8</b>	<b>2.6</b>	<b>2.5</b>	<b>2.4</b>	<b>2.3</b>
Cost/ Core Income	92.9	76.6	84.5	81.1	73.2	70.9	66.0	70.9	65.6	62.0	61.1	59.2
Employee Expenses	1.4	1.2	1.5	1.3	1.3	1.4	1.3	1.7	1.5	1.5	1.4	1.4
Other Operating Expenses	1.4	1.4	1.8	1.5	1.4	1.3	1.2	1.2	1.1	1.0	0.9	0.9
<b>Core Operating Profits</b>	<b>0.2</b>	<b>0.8</b>	<b>0.6</b>	<b>0.7</b>	<b>1.0</b>	<b>1.1</b>	<b>1.3</b>	<b>1.2</b>	<b>1.4</b>	<b>1.5</b>	<b>1.5</b>	<b>1.6</b>
Trading Profits (incl Mis. Income)	1.9	-0.1	0.0	0.6	0.4	0.4	0.7	0.6	0.4	0.4	0.4	0.4
<b>Operating Profits</b>	<b>2.1</b>	<b>0.7</b>	<b>0.6</b>	<b>1.3</b>	<b>1.4</b>	<b>1.5</b>	<b>2.0</b>	<b>1.7</b>	<b>1.8</b>	<b>1.9</b>	<b>1.9</b>	<b>1.9</b>
Provisions	1.5	1.2	0.5	0.5	0.2	0.5	0.8	0.4	0.3	0.2	0.3	0.4
NPA Provisions	0.4	0.4	0.3	0.4	0.2	0.4	0.7	0.4	0.2	0.1	0.2	0.4
Other Provisions	1.1	0.8	0.2	0.2	0.1	0.1	0.1	0.0	0.1	0.1	0.0	0.1
<b>PBT</b>	<b>0.6</b>	<b>-0.5</b>	<b>0.1</b>	<b>0.7</b>	<b>1.1</b>	<b>1.0</b>	<b>1.1</b>	<b>1.3</b>	<b>1.5</b>	<b>1.7</b>	<b>1.6</b>	<b>1.5</b>
Taxes	0.1	-0.2	0.1	0.2	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5
Tax Rate	20.7	48.1	58.8	30.3	37.6	35.9	34.8	34.2	30.2	32.0	32.0	32.0
<b>RoA</b>	<b>0.5</b>	<b>-0.3</b>	<b>0.1</b>	<b>0.5</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>	<b>0.9</b>	<b>1.1</b>	<b>1.2</b>	<b>1.1</b>	<b>1.0</b>
Extra Ordinary	0.0	0.0	0.0	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0
RoA Adjusted	0.5	-0.3	0.1	0.4	0.6	0.7	0.7	0.9	1.1	1.2	1.1	1.0
Leverage (x)	20.4	21.2	19.7	19.0	18.5	19.0	17.2	15.4	13.4	12.5	13.2	13.9
<b>RoNW</b>	<b>9.8</b>	<b>-5.6</b>	<b>1.1</b>	<b>7.0</b>	<b>11.9</b>	<b>12.5</b>	<b>11.6</b>	<b>13.4</b>	<b>14.3</b>	<b>14.5</b>	<b>14.3</b>	<b>14.6</b>

Source: Company, MOSL

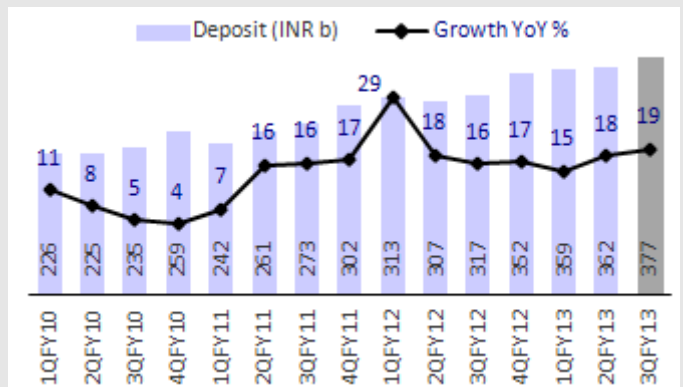
Quarterly trends

Loan growth remains healthy...



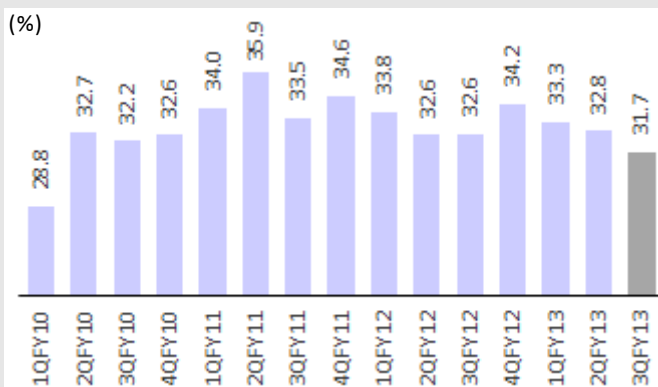
- Sequential loan growth was driven by business banking (+8%) and agri. and rural banking (+11%)

...so does deposit growth; CD ratio at 83.8%



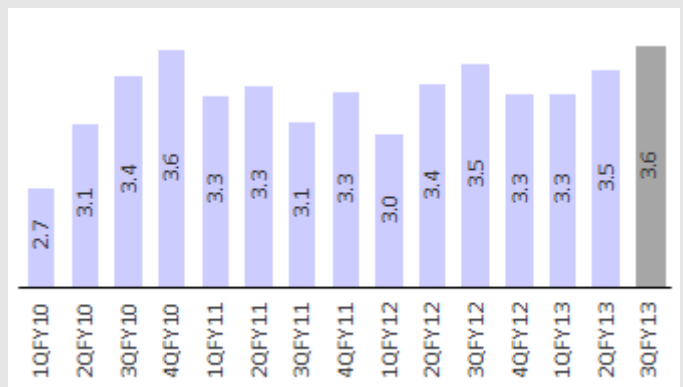
- In 3QFY13 bank increased its dependency on certificate of deposits and its share in overall deposits increased to 15% as compared to 10.6% a quarter ago

CASA ratio declined 110bp QoQ - led by muted SA performance



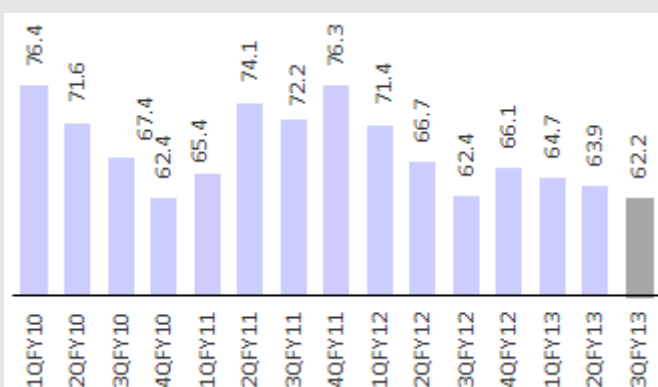
- Growth in SA Deposits continues to disappoint as it declined 2% QoQ and was up just 4% YoY

Margins improve QoQ - a positive surprise (%)



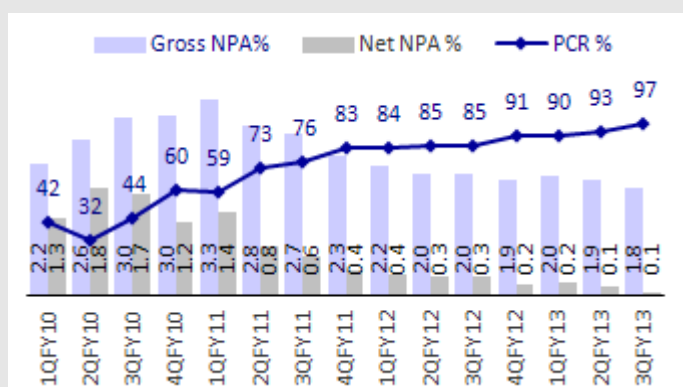
- While yield on loans declined 10bp QoQ cost of deposits declined 21bp QoQ to 7.1% and led to margin expansion

Gradual improvement in Cost/ CI continues (%)



- Strong margin performance and control over opex led to improvement in core cost to income ratio

Asset Quality remains healthy; PCR stable at 97%



- Slippages for 3QFY13 were contained (annualized slippage ratio of 0.25%) and led to marginal decline in GNPA in absolute terms QoQ

## Quarterly Snapshot (INR m)

	FY12				FY13			Variation (%)		Cumulative Numbers		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	QoQ	YoY	9MFY12	9MFY13	YoY Gr (%)
<b>Profit and Loss</b>												
<b>Net Interest Income</b>	<b>2,620</b>	<b>3,036</b>	<b>3,236</b>	<b>3,192</b>	<b>3,433</b>	<b>3,688</b>	<b>4,029</b>	<b>9</b>	<b>25</b>	<b>8,892</b>	<b>11,150</b>	<b>25</b>
<b>Other Income</b>	<b>1,405</b>	<b>1,625</b>	<b>1,699</b>	<b>1,968</b>	<b>1,710</b>	<b>1,689</b>	<b>1,866</b>	<b>10</b>	<b>10</b>	<b>4,729</b>	<b>5,265</b>	<b>11</b>
Treasury	6	30	48	30	58	44	145	230	202	84	247	194
Exchange Profits	329	390	278	470	348	354	370	5	33	997	1,072	8
Recovery	61	60	41	100	43	15	29	93	-29	162	87	-46
Fee Income	963	1,110	1,285	1,280	1,155	1,165	1,213	4	-6	3,358	3,533	5
Others	46	35	47	88	106	111	109	-2	130	128	326	154
<b>Total Income</b>	<b>4,025</b>	<b>4,661</b>	<b>4,935</b>	<b>5,160</b>	<b>5,142</b>	<b>5,377</b>	<b>5,895</b>	<b>10</b>	<b>19</b>	<b>13,621</b>	<b>16,414</b>	<b>21</b>
<b>Operating Expenses</b>	<b>2,557</b>	<b>2,767</b>	<b>2,822</b>	<b>2,957</b>	<b>2,967</b>	<b>3,100</b>	<b>3,263</b>	<b>5</b>	<b>16</b>	<b>8,145</b>	<b>9,330</b>	<b>15</b>
Employee	1,467	1,612	1,704	1,727	1,768	1,823	1,912	5	12	4,784	5,502	15
Others	1,089	1,154	1,118	1,230	1,200	1,277	1,351	6	21	3,362	3,828	14
<b>Operating Profits</b>	<b>1,468</b>	<b>1,894</b>	<b>2,113</b>	<b>2,203</b>	<b>2,175</b>	<b>2,276</b>	<b>2,633</b>	<b>16</b>	<b>25</b>	<b>5,476</b>	<b>7,084</b>	<b>29</b>
Provisions	62	175	334	566	267	64	246	286	-26	571	577	1
<b>PBT</b>	<b>1,406</b>	<b>1,719</b>	<b>1,779</b>	<b>1,637</b>	<b>1,908</b>	<b>2,213</b>	<b>2,387</b>	<b>8</b>	<b>34</b>	<b>4,904</b>	<b>6,508</b>	<b>33</b>
Taxes	466	566	584	363	607	710	764	7	31	1,615	2,081	29
<b>PAT</b>	<b>940</b>	<b>1,154</b>	<b>1,195</b>	<b>1,274</b>	<b>1,301</b>	<b>1,502</b>	<b>1,623</b>	<b>8</b>	<b>36</b>	<b>3,289</b>	<b>4,427</b>	<b>35</b>
<b>Asset Quality</b>												
GNPA	5,209	5,116	5,381	5,629	5,880	5,809	5,705	-2	6			
NNPA	838	777	808	525	564	398	159	-60	-80			
GNPA (%)	2.2	2.0	2.0	1.9	2.0	1.9	1.8	-13	-24			
NNPA (%)	0.4	0.3	0.3	0.2	0.2	0.1	0.1	-8	-26			
PCR (Calculated, %)	83.9	84.8	85.0	90.7	90.4	93.1	97.2	406	N.A.			
<b>Ratios (%)</b>												
Fees to Total Income	23.9	23.8	26.0	24.8	22.5	21.7	20.6			24.7	21.5	
Cost to Core Income	71.4	66.7	62.4	66.1	64.7	63.9	62.2			66.5	63.5	
Tax Rate	33.1	32.9	32.8	22.2	31.8	32.1	32.0			32.9	32.0	
CASA (Reported)	33.8	32.6	32.6	33.4	32.0	32.8	31.7					
Loan/Deposit	76.1	80.9	83.1	81.6	81.6	83.1	83.8	78	76			
CAR	15.9	15.0	14.1	14.0	13.4	13.0	12.5	-57	-161			
RoA (Reported)	1.0	1.1	1.1	1.1	1.1	1.3	1.3	4	17			
RoE (Reported)	13.8	12.2	12.3	12.7	12.9	14.2	14.7	49	238			
<b>Margins (%) - Reported</b>												
Yield on loans	11.1	11.4	11.7	11.8	12.0	11.9	11.8	-10	12	11.5	11.9	40
Cost of deposits	6.8	6.9	6.9	7.3	7.5	7.3	7.1	-21	13	6.9	7.3	41
Margins	3.0	3.4	3.5	3.3	3.3	3.5	3.6	16	12	3.3	3.5	14
<b>Balance Sheet (INR b)</b>												
Loans	238	249	263	287	293	300	316	5	20			
Investments	125	115	116	127	138	135	143	6	24			
Deposits	313	307	317	352	359	362	377	4	19			
CASA Deposits	106	100	103	120	119	119	119	1	16			
of which Savings	51	52	52	56	53	55	54	-2	4			
Current	55	48	51	64	66	63	65	3	28			
Borrowings	40	44	54	57	64	55	64	16	18			
<b>Total Assets</b>	<b>411</b>	<b>411</b>	<b>431</b>	<b>470</b>	<b>487</b>	<b>480</b>	<b>508</b>	<b>6</b>	<b>18</b>			
<b>Franchise</b>												
Branches (Excl Extn Counters)	515	527	527	527	527	527	532					
ATM	409	422	427	430	446	447	453					

For %age change QoQ and YoY is bp

Source: Company, MOSL

## Stock Info

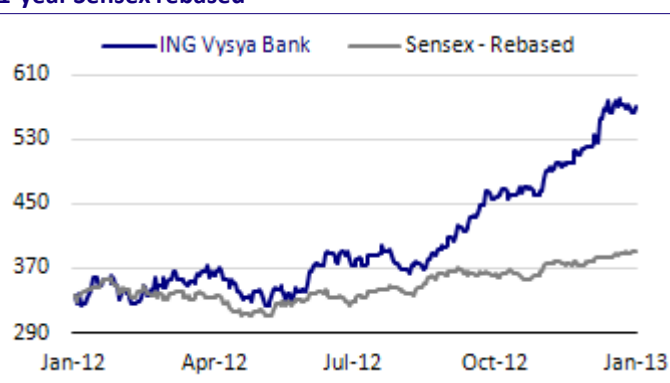
### EPS: MOSL forecast v/s consensus (INR)

	MOSL Forecast	Consensus Forecast	Variation (%)
FY13	40.0	39.1	2.3
FY14	44.3	47.5	-6.7

### Shareholding pattern (%)

	Dec-12	Sep-12	Dec-11
Promoter	42.9	43.4	43.8
Domestic Inst	13.0	13.4	12.8
Foreign	26.3	26.7	27.0
Others	17.8	16.5	16.4

### 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	
ICICIBCB*	Buy	1,191	25.0	87	105	11.2	9.1	511	579	1.9	1.6	1.7	1.7	16.1	17.2	1.4
HDFCB	Neutral	670	28.8	37	46	18.1	14.5	177	212	3.8	3.2	1.9	1.9	22.7	23.8	0.6
AXSB	Buy	1,415	10.9	143	168	9.9	8.4	755	897	1.9	1.6	1.7	1.7	20.4	20.3	1.1
KMB*	Neutral	668	9.0	34	41	14.2	11.3	143	167	3.4	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	433	4.1	26	33	16.6	13.2	164	192	2.6	2.2	1.7	1.8	17.0	18.4	0.5
VYSB	Buy	571	1.6	44	51	12.9	11.1	330	373	1.7	1.5	1.1	1.0	14.3	14.6	0.7
FB	Buy	503	1.6	55	63	9.1	8.0	413	461	1.2	1.1	1.3	1.2	14.0	14.3	1.8
J&KBK	Buy	1,317	1.2	230	274	5.7	4.8	1,180	1,390	1.1	0.9	1.5	1.5	21.1	21.3	2.5
SIB	Buy	28	0.3	4.0	4.6	6.9	6.0	25	28	1.1	1.0	1.1	1.0	17.6	17.5	2.2
<b>Private Aggregate</b>			<b>85.7</b>			<b>14.0</b>	<b>11.6</b>			<b>2.4</b>	<b>2.1</b>					
SBIN (cons)*	Buy	2,490	30.4	318	382	7.5	6.2	2,039	2,357	1.2	1.0	1.0	1.0	17.2	17.8	1.4
PNB	Buy	872	5.4	170	203	5.1	4.3	1,035	1,203	0.8	0.7	1.0	1.0	17.7	18.1	2.5
BOI	Neutral	355	3.7	59	67	6.1	5.3	417	472	0.9	0.8	0.7	0.7	14.9	15.1	2.0
BOB	Neutral	870	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	483	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	249	2.5	52	61	4.8	4.1	305	352	0.8	0.7	0.9	0.9	18.1	18.7	3.2
IOB	Neutral	84	1.2	13	15	6.6	5.5	151	162	0.6	0.5	0.4	0.4	8.7	9.7	5.3
OBC	Buy	330	1.7	57	68	5.8	4.9	459	511	0.7	0.6	0.8	0.8	12.9	14.0	2.4
INBK	Buy	202	1.6	48	54	4.2	3.8	285	326	0.7	0.6	1.1	1.1	17.5	17.2	3.7
CRPBB	Neutral	459	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	117	1.2	26	31	4.5	3.8	170	194	0.7	0.6	0.9	1.0	16.1	17.0	4.7
IDBI	Neutral	108	2.5	18	21	5.9	5.1	163	179	0.7	0.6	0.7	0.7	11.7	12.5	3.2
DBNK	Neutral	114	0.7	27	30	4.2	3.7	167	193	0.7	0.6	0.8	0.8	17.3	16.9	2.6
<b>Public Aggregate</b>			<b>62.6</b>			<b>7.0</b>	<b>5.9</b>			<b>1.0</b>	<b>0.9</b>					
HDFC*	Buy	802	22.3	38	45	14.6	11.3	126	147	4.4	3.5	2.9	2.9	30.1	30.3	1.4
LICHF	Buy	285	2.6	26	32	10.8	8.8	150	175	1.9	1.6	1.5	1.5	19.0	20.0	1.3
DEWH	Buy	203	0.4	49	60	4.2	3.3	218	269	0.9	0.8	1.4	1.3	21.8	22.8	1.7
IDFC	Buy	171	4.7	14	16	12.5	10.5	92	104	1.6	1.4	2.7	2.7	16.3	17.1	1.3
RECL	Buy	242	4.4	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	36	43	5.8	4.9	204	233	1.0	0.9	2.9	2.9	19.0	19.6	2.9
SHTF	Buy	769	3.2	80	93	9.6	8.3	393	474	2.0	1.6	2.8	2.7	21.1	20.2	0.8
MMFS	Buy	1,065	2.2	91	115	11.7	9.3	464	548	2.3	1.9	3.5	3.6	21.1	22.6	1.3
<b>NBFC Aggregate</b>			<b>44.8</b>			<b>11.5</b>	<b>9.7</b>			<b>2.2</b>	<b>1.9</b>					

\*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 Valuation

Income Statement				(INR Million)		
Y/E March	2010	2011	2012	2013E	2014E	2015E
Interest Income	22,329	26,941	38,568	48,628	55,761	67,115
Interest Expense	14,030	16,876	26,485	33,294	38,079	46,238
<b>Net Interest Income</b>	<b>8,299</b>	<b>10,064</b>	<b>12,084</b>	<b>15,334</b>	<b>17,682</b>	<b>20,876</b>
Change (%)	27.8	21.3	20.1	26.9	15.3	18.1
Non Interest Income	6,202	6,550	6,698	7,133	8,512	10,077
<b>Net Income</b>	<b>14,501</b>	<b>16,614</b>	<b>18,781</b>	<b>22,466</b>	<b>26,194</b>	<b>30,953</b>
Change (%)	21.1	14.6	13.0	19.6	16.6	18.2
Operating Expenses	8,081	10,260	11,102	12,723	14,571	16,709
<b>Pre Provision Profits</b>	<b>6,420</b>	<b>6,354</b>	<b>7,679</b>	<b>9,743</b>	<b>11,623</b>	<b>14,244</b>
Change (%)	51.1	-1.0	20.9	26.9	19.3	22.6
Provisions (excl tax)	2,704	1,516	1,138	905	1,835	2,939
<b>PBT</b>	<b>3,716</b>	<b>4,838</b>	<b>6,541</b>	<b>8,839</b>	<b>9,788</b>	<b>11,306</b>
Tax	1,293	1,652	1,978	2,828	3,132	3,618
Tax Rate (%)	34.8	34.2	30.2	32.0	32.0	32.0
<b>PAT</b>	<b>2,423</b>	<b>3,186</b>	<b>4,563</b>	<b>6,010</b>	<b>6,656</b>	<b>7,688</b>
Change (%)	28.3	31.5	43.2	31.7	10.7	15.5
<b>Equity Dividend</b>	<b>300</b>	<b>363</b>	<b>600</b>	<b>781</b>	<b>865</b>	<b>999</b>
<b>Core PPP*</b>	<b>4,741</b>	<b>5,014</b>	<b>7,143</b>	<b>9,709</b>	<b>11,534</b>	<b>14,141</b>
Change (%)	49.3	5.8	42.4	35.9	18.8	22.6

\*Core PPP is (NII+Fee income-Opex)

Balance Sheet				(INR Million)		
Y/E March	2010	2011	2012	2013E	2014E	2015E
Equity Share Capital	1,200	1,210	1,501	1,501	1,501	1,501
Reserves & Surplus	22,109	25,033	38,297	43,393	49,037	55,555
<b>Net Worth</b>	<b>23,309</b>	<b>26,243</b>	<b>39,798</b>	<b>44,894</b>	<b>50,538</b>	<b>57,056</b>
<b>Deposits</b>	<b>258,653</b>	<b>301,942</b>	<b>351,954</b>	<b>429,384</b>	<b>523,849</b>	<b>639,095</b>
Change (%)	3.9	16.7	16.6	22.0	22.0	22.0
<b>of which CASA Dep</b>	<b>84,270</b>	<b>104,586</b>	<b>120,473</b>	<b>131,491</b>	<b>151,214</b>	<b>173,896</b>
Change (%)	25.5	24.1	15.2	9.1	15.0	15.0
Borrowings	36,714	41,469	56,965	63,033	67,673	72,604
Other Liabilities & Prov.	20,126	20,485	21,288	23,444	25,929	28,700
<b>Total Liabilities</b>	<b>338,802</b>	<b>390,140</b>	<b>470,005</b>	<b>560,756</b>	<b>667,988</b>	<b>797,455</b>
Current Assets	30,270	25,214	32,306	42,859	47,990	54,532
<b>Investments</b>	<b>104,729</b>	<b>110,583</b>	<b>127,155</b>	<b>146,228</b>	<b>168,162</b>	<b>193,387</b>
Change (%)	-0.2	5.6	15.0	15.0	15.0	15.0
<b>Loans</b>	<b>185,072</b>	<b>236,021</b>	<b>287,367</b>	<b>344,840</b>	<b>420,705</b>	<b>513,260</b>
Change (%)	10.4	27.5	21.8	20.0	22.0	22.0
Fixed Assets	4,959	5,028	5,008	5,024	4,966	4,878
Other Assets	13,772	13,293	18,170	21,804	26,165	31,398
<b>Total Assets</b>	<b>338,802</b>	<b>390,140</b>	<b>470,005</b>	<b>560,756</b>	<b>667,988</b>	<b>797,455</b>

Asset Quality				(%)		
GNPA (INR m)	5,572	1,554	1,495	1,752	3,713	5,377
NNPA (INR m)	2,218	918	525	150	1,180	875
GNPA Ratio	3.0	0.7	0.5	0.5	0.9	1.0
NNPA Ratio	1.2	0.4	0.2	0.0	0.3	0.2
PCR (Excl Tech. write off)	60.2	40.9	64.9	91.4	68.2	83.7
PCR (Incl Tech. Write off)	60.2	83.4	90.7	97.5	85.0	90.8

E: MOSL Estimates



## Financials and Valuation

<b>Ratios</b>						
Y/E March	2010	2011	2012	2013E	2014E	2015E
<b>Spreads Analysis (%)</b>						
Avg. Yield-Earning Assets	7.3	7.9	9.5	10.0	9.6	9.6
Avg. Yield on loans	9.7	9.7	11.0	11.2	10.9	10.9
Avg. Yield on Investments	4.9	6.0	8.3	9.6	8.8	8.8
Avg. Cost-Int. Bear. Liab.	4.9	5.3	7.0	7.4	7.0	7.1
Avg. Cost of Deposits	4.6	4.8	6.6	6.9	6.5	6.6
Interest Spread	2.5	2.6	2.5	2.6	2.6	2.5
Net Interest Margin	2.7	2.9	3.0	3.2	3.1	3.0
<b>Profitability Ratios (%)</b>						
RoE	11.6	13.4	14.3	14.5	14.3	14.6
RoA	0.7	0.9	1.1	1.2	1.1	1.0
Int. Expense/Int. Income	62.8	62.6	68.7	68.5	68.3	68.9
Fee Income/Net Income	37.3	34.5	35.0	30.2	30.8	30.8
Non Int. Inc./Net Income	42.8	39.4	35.7	31.7	32.5	32.6
<b>Efficiency Ratios (%)</b>						
Cost/Income*	63.0	67.2	60.9	56.7	55.8	54.2
Empl. Cost/Op. Exps.	53.1	59.0	58.6	58.8	60.6	62.4
Busi. per Empl. (Rs m)	68.9	73.9	69.1	69.6	81.8	96.1
NP per Empl. (Rs lac)	0.4	0.5	0.5	0.6	0.6	0.7
* ex treasury						
<b>Asset-Liability Profile (%)</b>						
Loans/Deposit Ratio	71.6	78.2	81.6	80.3	80.3	80.3
CASA Ratio	32.6	34.6	34.2	30.6	28.9	27.2
Investment/Deposit Ratio	40.5	36.6	36.1	34.1	32.1	30.3
G-Sec/Investment Ratio	78.2	74.4	70.5	76.3	77.9	82.6
CAR	14.9	12.9	14.0	12.8	11.9	11.1
Tier 1	10.1	9.4	11.2	10.3	9.6	9.0
<b>Valuation</b>						
Book Value (INR)	185.3	208.3	258.2	292.2	329.8	373.2
Change (%)	19.3	12.4	24.0	13.1	12.9	13.2
Price-BV (x)			2.2	2.0	1.7	1.5
Adjusted BV (INR)	172.3	203.0	255.8	291.5	324.2	369.1
Price-ABV (x)			2.2	2.0	1.8	1.5
EPS (INR)	18.5	26.3	30.4	40.0	44.3	51.2
Change (%)	0.6	42.3	15.4	31.7	10.7	15.5
Price-Earnings (x)			18.8	14.3	12.9	11.2
Dividend Per Share (INR)	2.5	3.0	4.0	5.2	5.8	6.7
Dividend Yield (%)			0.7	0.9	1.0	1.2

E: MOSL Estimates

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