Banking / Annual Report Analysis

India Research

Karur Vysya Bank

DOLAT CAPITAL

CMP: ₹ 426 Target Price: ₹ 512 Buy

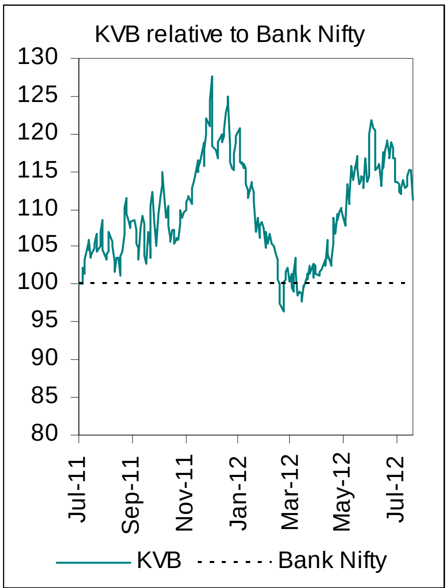
BSE Sensex	17,158
NSE Nifty	5,205

Scrip Details

Equity	₹ 1,072mn
Face Value	₹ 10/-
Market Cap	₹ 45.7bn
	USD 0.8bn
52 week High/Low	₹ 455 / 322
Avg. Volume (no)	202,980
BSE Code	590003
NSE Symbol	KARURVYSYA
Bloomberg Code	KVB IN
Reuters Code	KARU.BO

Shareholding Pattern as on June'12(%)

Promoter	3.23
MF/Banks/FIs	7.84
FIIs	22.78
Public / Others	66.15



In FY12, Karur Vysya Bank (KVB) reported healthy performance even in on-going turbulent times on the back of healthy margin of 2.9% and robust growth in fee income. Followings are key observations in KVB's annual report

- **KVB's management key focus area in FY13:** The bank's management indicated that the major thrust areas for FY13 would be improvement in CASA ratio, improvement in asset quality and recoveries of NPAs, further broadening of fee income and increasing footprints to have a better pan India coverage
- **Branch expansion gains momentum:** In the past four years, the bank opened 25 branches on an average each year; whereas in FY12, it added highest number of branches (81new branches and up-gradation of a satellite branch into a full fledged branch), taking the total to 451
- **Competition for low-cost deposit:** KVB's CASA deposit share came down to 19.2% in FY12 from 23.3% in FY11 on account of moderation in low-cost deposit mobilization mainly due to lesser liquidity in the system and competition from new-generation banks
- **Well-diversified credit growth:** KVB maintained its secured loan book proportion in the range of 89-93% since last four years. On an industry-wise credit book break-up, KVB's loan book is mainly exposed to infrastructure, textile, iron & steel, food processing and chemical industries. The bank's exposure to these industries has been coming down over time barring in iron & steel
- **Efficient asset-liability management resulting into faster re-pricing:** On maturity profile front, as on end-March' 12, up to 53% of KVB's deposits and 43% of advances would redeem/mature in a one-year time horizon, compared to 46% of deposits and 39% of advances as on end-FY11
- **Stress on margin:** In FY12, KVB reported 28bps YoY decline in margin to 2.87%, on higher allocation of assets towards secured loans (low yielding & non risky assets), decline in low cost deposits share and higher cost of deposits
- **Strain on asset quality:** KVB's gross slippages ratio increased sharply to 0.82% from 0.34% in FY11. Total gross slippages rose to ₹ 1.74bn from ₹ 536mn in FY11. On the restructured loan book front, higher additions of ₹ 3.3bn resulted in 27% YoY jump in the total restructured loan book to ₹ 6.6bn as on end-FY12
- **Adequately capitalized:** As on end-March'12, KVB had tier I and CAR of 13.1% and 14.3% respectively. We do not expect the bank to come out with any equity raising plan by end-FY13

Overall, we maintain our positive stance on the stock and estimate that the bank would report RoAA and RoAE in the 1.2-1.3% and 18-20% ranges respectively in FY13-14. We reiterate Buy rating on the stock with a target price of ₹ 512. At current price, it quotes at 1.5x and 1.3x ABV FY13 and FY14 respectively; based on our target price, the stock would trade at 1.6x adjusted book value FY14.

Financials

Year	NII	PPP	NP	NIM (%)	BV (₹)	ABV (₹)	RoAA (%)	RoAE (%)	P/B (x)	P/ABV (x)	P/E (x)
FY11	7,669	6,006	4,156	3.2	224	223	1.7	22.3	1.9	1.9	9.5
FY12	9,171	7,257	5,017	2.9	253	247	1.5	20.8	1.7	1.7	9.1
FY13E	10,710	7,896	5,324	2.6	286	279	1.3	18.4	1.5	1.5	8.6
FY14E	13,635	10,098	6,640	2.7	327	319	1.2	20.2	1.3	1.3	6.9

Figure in ₹mn

Sr. Analyst: Rakesh Kumar
Tel : +9122 4096 9750
E-mail: rakesh@dolatcapital.com

Associate: Hetal Shah
Tel : +9122 4096 9725
E-mail: hetals@dolatcapital.com

July 20, 2012

KVB's management strategy: The bank's management indicated that the major thrust areas for FY13 would be improvement in CASA ratio, improvement in asset quality and recoveries of NPAs, broadening of fee income base by offering various products and facilities like sale of gold coins, aggressive installation of POS machines, sale of insurance products etc. Further, increasing footprints to have a better pan India coverage by adding branches and thus secure more business volumes in the coming years and also leveraging technology to the maximum level to offer innovative products to target young and tech savvy clientele and thereby control costs. In FY13, the management guides around 28% YoY growth in its business.

Change in organizational structure to enhance focus: KVB's organizational structure underwent major changes and "Golden Vision" transformational initiative which was taken up by the bank couple of years back was implemented with a focused approach in area of Business Process Re-engineering during the year. Further, its periodical review of its progress and implementation of various other recommendations, organizational restructuring was carried out at Central Office and at the Divisional offices level. Hence, going forward this change would aid in consolidating gains, ramping up key business development across entire bank and thereby enhancing its services offered to customers.

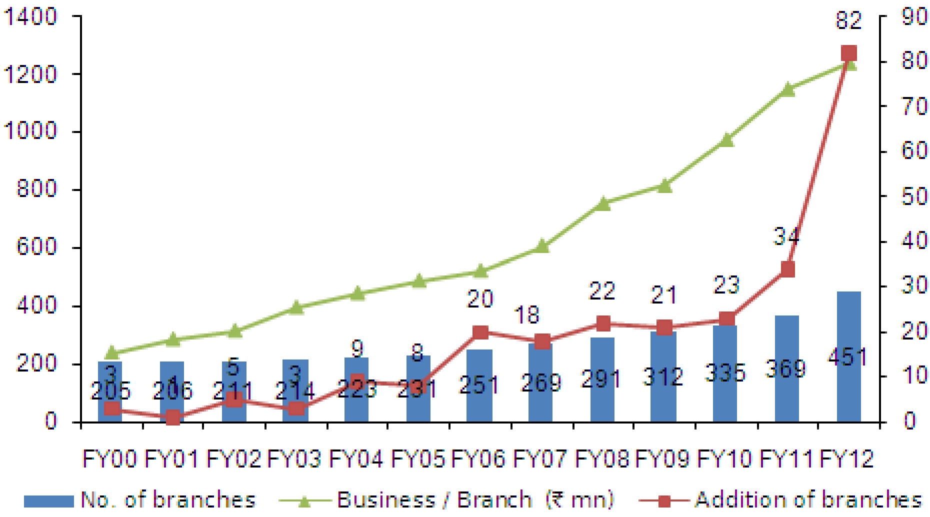
Rapid branch expansion: In FY12, KVB added highest number of branches (81new branches and the up-gradation of a satellite branch into a full fledged branch), taking the total to 451. On the basis of geographical spread of branch network as on end-March'12, Tamil Nadu had 50% of branches, Andhra Pradesh had 21%, Karnataka had 7.1% and rests spread over all other states.

Geography-wise branch mix (%):

State	Mar 10	% to Total	Mar 11	% to Total	Mar 12	% to Total
Tamil Nadu	178	53.1	197	53.4	227	50.3
Andhra Pradesh	73	21.8	77	20.9	96	21.3
Karnataka	23	6.9	25	6.8	32	7.1
Maharashtra	17	5.1	20	5.4	21	4.7
Gujarat	8	2.4	9	2.4	14	3.1
West Bengal	2	0.6	3	0.8	12	2.7
Kerala	9	2.7	9	2.4	11	2.4
Other States	25	7.5	29	7.9	38	8.4
Total	**335**	**100.0**	**369**	**100.0**	**451**	**100.0**

There is a marked change from 5 branches and 23 branches a year on an average the bank added during periods of FY00-05 and FY06-11 respectively. Therefore, we believe, KVB is all set to enter into a new phase of growth trajectory. During FY00-05 and FY06-12, KVB's business grew at 19% and 26% CAGR respectively. An expanded branch network would aid low-cost deposit mobilization and expand its credit book and non-fund income base.

Chart 1: KVB's Branch Profile

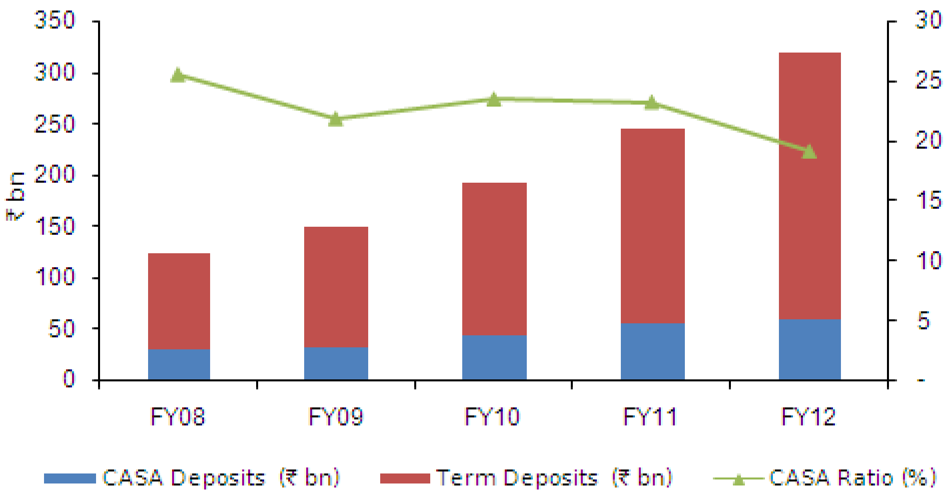


Source: Banks, Dolat Research

In FY12, KVB covered all the allotted (42 villages having a population of over 2,000 and above) to implement financial inclusion targets. In FY13, KVB plans to add 100 branches to reach a total of around 551 and aims to further expand ATMs to 1225 (825 as of Mar'12).

Huge competition in saving deposits and tight liquidity impact low-cost deposits share: On liability side, continuous focus on brick & mortar branch banking strategy and best of the class product offerings had led to gradual improvement in CASA deposit share even with faster growth in balance-sheet in past years. Though in FY12, the CASA share came down to 19.2% from 23.3% in FY11 on account of moderation in low-cost deposit mobilization mainly due to lesser liquidity in the system and competition from new-generation banks. In FY12, KVB conducted NRI Utsav which resulted in higher mobilization of the NRI deposits; the NRI interest rates were freed in December'11 and as a result domestic banking system witnessed three-fold increase in inflow of NRI funds.

Chart 2: KVB's Deposit Profile



Source: Banks, Dolat Research

Well-diversified loan book along with lesser concentration: On an industry-wise credit book break-up, KVB's loan book is mainly exposed to infrastructure, textile, iron & steel, food processing and chemical industries. The bank's exposure to these industries has been coming down over time except in iron & steel.

Industry-wise credit break-up (% composition):

Industry Advances	FY09	FY10	FY11	FY12
Infrastructure	17.3	17.1	15.4	12.5
Textiles	13.4	11.1	10.5	7.4
Iron and steels	3.1	3.9	3.4	4.0
Food processing	3.1	3.5	2.9	2.6
Chemicals	2.5	2.8	2.7	2.1
All engineering	0.9	1.3	1.0	1.1
Auto parts	0.5	1.9	1.3	1.1
Gems & Jewellery	11.6	0.6	0.7	0.9
Rubber	0.2	0.3	0.7	0.8
Others	3.2	4.4	3.6	2.9

In FY12, on the basis of its loan book's maturity profile, the proportion of KVB's cash credit, overdraft and other short-term loans increased to 72% from 65% in FY11; whereas its term loan book's share slipped to 23% from 30% in FY11, aiding faster re-pricing and reduced asset quality concerns.
Further, KVB maintained its secured loan book proportion in the range of 89-93% since last four years which reflects in consistent improvement in asset quality.

Exposure to public sector entities came down to 1.5% from 12% in FY11. On sensitive exposure front, exposure to commercial real estate (CRE) increased marginally to 3.1% from 2.6% in FY11. The proportion of capital market exposure increased to 0.8% from 0.4%.

Aggregate advances disbursed to the top 20 loan accounts came down to 17% (of total advances) from 20% a year back, reflecting lesser concentration risk. However, concentration (exposure to top four NPA accounts) of NPA jumped to 41% from 35% in FY11.

During the year, the bank initiated many loan schemes like KVB Edu Plus Scheme (a comprehensively packaged product to suit educational Institutions) to acquire all types of retail business from educational institutions. Another loan scheme 'KVBGruhapravesh' a retail loan product which would cater to exclusive requirements of NRI customers and 'KVB Transport Plus' loan product for financing transport operators' term loans and working capital limits.

Slight variation in Investment portfolio mix: In FY12, the KVB's SLR investments stayed flat. The SLR investments under HTM category increased to 23.2% of NDTL (book value: ₹ 82bn & market value: ₹ 79bn) from 22% a year ago. On N-SLR book (accounts for 12% of total investment book) front, investments in debentures and bonds declined to 2.3% (of total investments) from 2.9% in FY11. The yield on investments increased to 7.85% from 7.31% in FY11.

Efficient asset-liability management: On maturity profile front, as on end-March' 12, up to 53% of KVB's deposits and 43% of advances would redeem/mature in a one-year time horizon, compared to 46% of deposits and 39% of advances as on end-FY11. On liability side, KVB mobilized more of longer-term deposits and on asset side, increased shorter-term lending. The cumulative asset-liability gap in a 12-months time horizon stood at ₹ (5.3) bn (1.7% of total deposits), compared to ₹ (3.6) bn (1.4% of total deposits) in FY11.

Chart 3: KVB's Advances Maturity Pattern

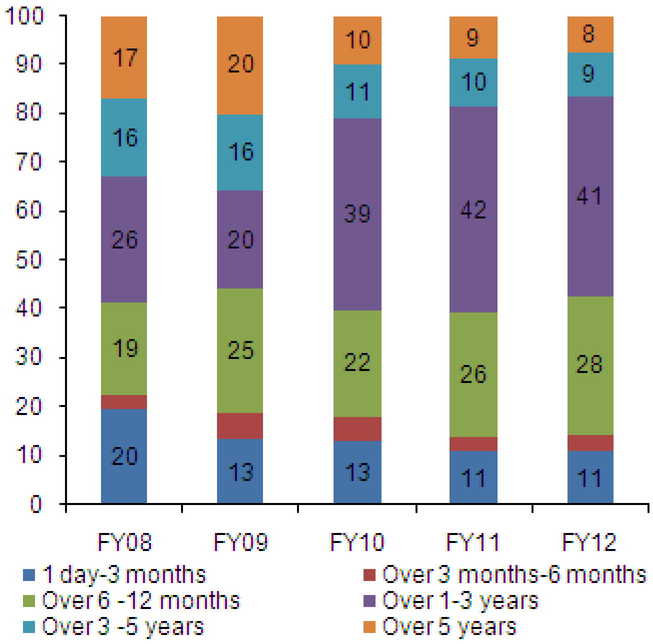
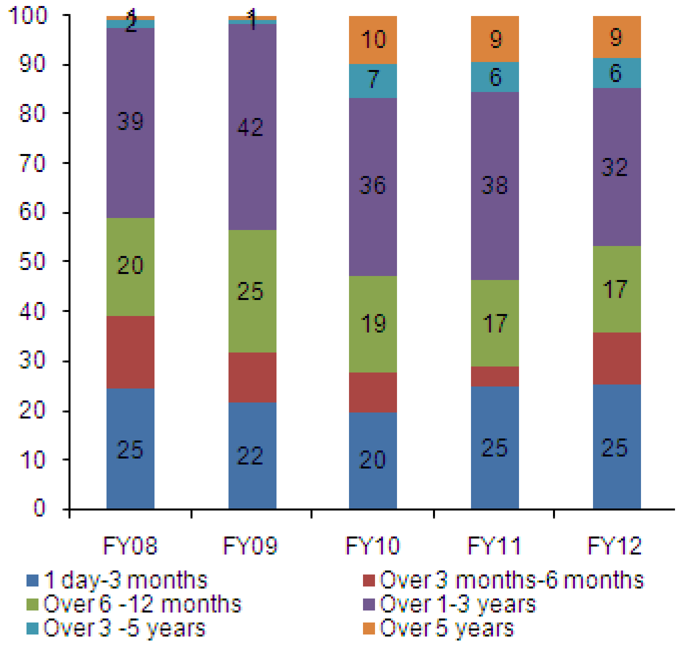


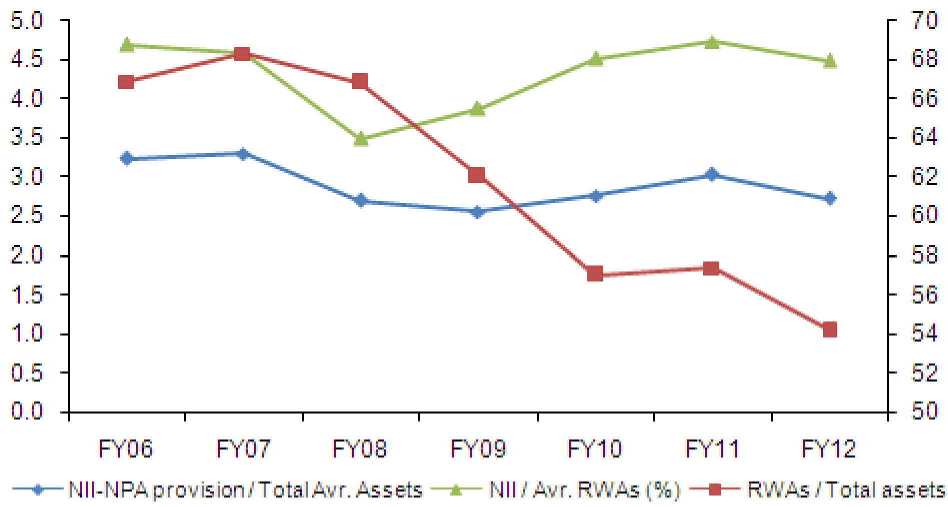
Chart 4: KVB's Deposit Maturity Pattern



Source: Banks, Dolat Research

Decline in margin: In FY12, KVB reported 28bps YoY decline in margins to 2.87%, on higher allocation of assets towards secured loans (low yielding & non risky assets), decline in low cost deposits share and higher cost of deposits. KVB's total risk-weighted assets/average assets declined to 54.2% from 57.4% a year back reflecting more incremental lending to lesser risky & low-yielding assets.

Chart 5: KVB's Risk-adjusted margins



Source: Banks, Dolat Research

On volume growth front, there was marginal increase in incremental credit-deposit ratio and much sharper rise in incremental investment-deposit ratio impacted margin. KVB's incremental C-D ratio expanded to 83% from 80% a year back and incremental I-D ratio rose to 38% from 21% by end of FY11. One, more resources diversion towards investments (low-yielding assets) and secondly, lesser up-tick in yield on investments dented margin.

Chart 6: KVB's liability cost & asset yield

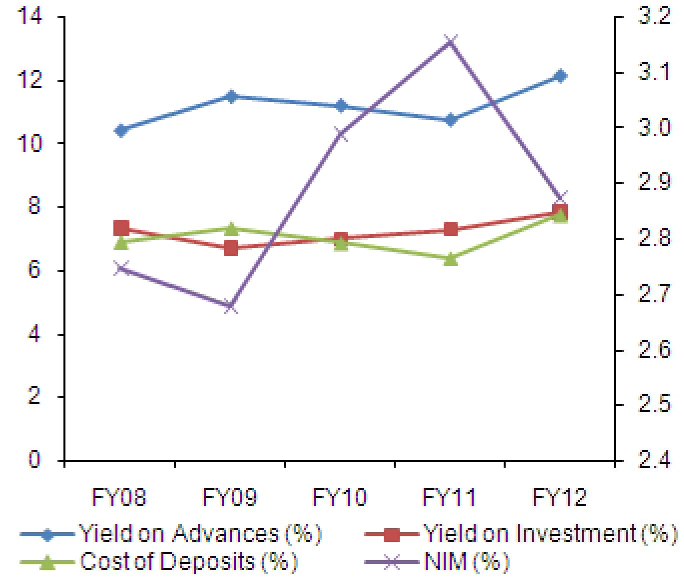
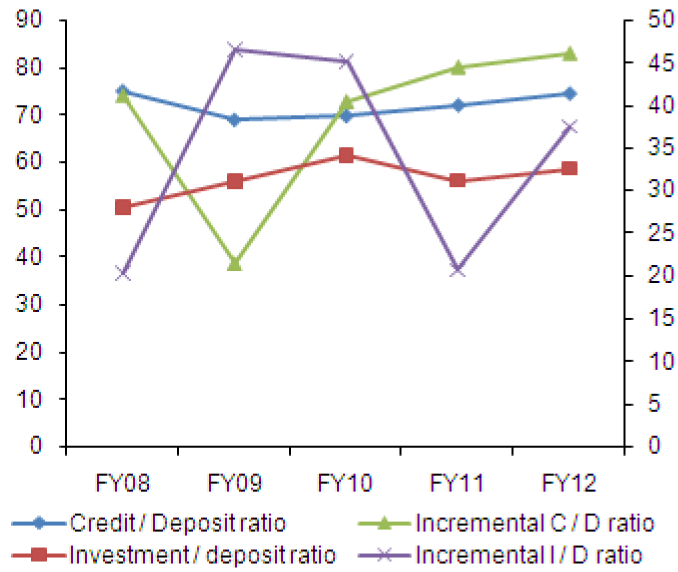


Chart 7: KVB's C-D & I-D Ratios

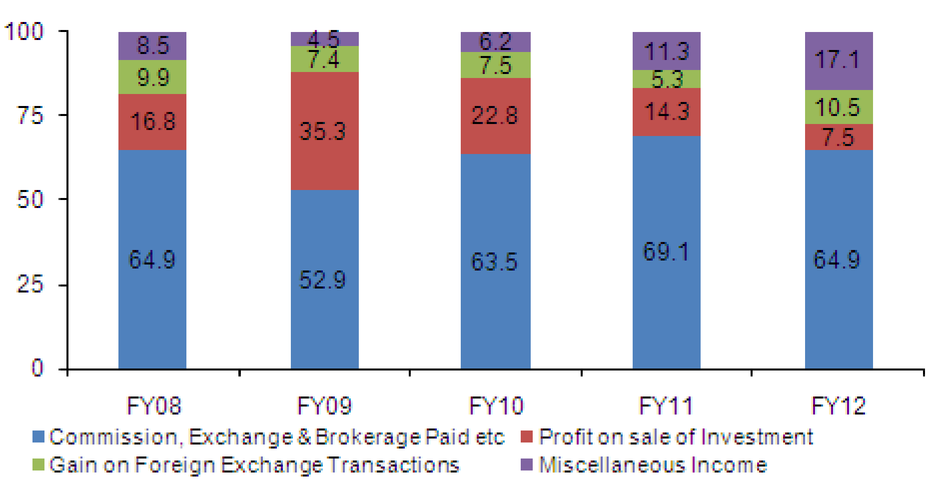


Source: Banks, Dolat Research

Robust core fee income: Core fee income (CXB) income grew 25% YoY to ₹ 23bn. Total fee earned from bancassurance business stood at ₹ 55.2mn (Life Insurance – ₹ 40mn, Non-Life Insurance – ₹ 15.2mn), compared to ₹ 46.3mn (Life Insurance – ₹ 34.5mn, Non-Life Insurance – ₹ 11.8mn) in FY11. KVB's foreign exchange gains more than doubled to ₹ 368mn from ₹ 141mn in FY11. On the forex business front, total merchant business volume grew 15.5% YoY to ₹ 93bn from ₹ 81bn. KVB took various initiatives on broadening of fee income base and launched sale of silver bars apart from the sale of gold coins in all its branches. Overall, other income revenue stream was robust with strong core fee income.

Swift action on Point of Sale terminals establishment & Debit cards issuance: KVB issued 0.53mn debit cards during FY12 taking the total the total number 2.6mn as on end-Mar'12. During the year, the bank's debit card issuance increased by 20% YoY and saving deposits grew by 13% YoY; we expect retail and saving deposits to pick up with a time lag. KVB installed 3,376 'Point of Sale' machines at merchant establishments; total value of transactions recorded on POS terminals stood at ₹ 1.6bn till end-March 2012. The bank recently ventured this segment and planning to go aggressively.

Chart 8: KVB's Other Income



Source: Banks, Dolat Research

Non-recurring items in FY12: KVB had made provisions towards medical leave of ₹ 159.5mn up to FY11; out of which ₹ 148mn was written back to reserves and remaining amount of ₹ 11.5mn to P&L. Further, ₹ 27.7mn which was appropriated for Charities in the previous years was transferred to reserves. Hence, total sum of ₹ 176mn was transferred to reserves which further aided book value growth.

In FY12, KVB had unamortized liability of ₹ 577.5mn (being amortized over 5 years beginning from FY11) on account of re-opening of pension option during FY11 for existing employees who had not opted for pension earlier. Out of which ₹ 144.4mn was provided during the year and remaining ₹ 433mn would be done over coming years. And, for unamortized liability of ₹ 98.6mn (being amortized over 5 years beginning from FY11) on account of gratuity liability arising out of wage settlement limit, ₹ 24.6mn was provided during the current year. The balance remaining (₹ 73.3mn) would be provided with respect to the RBI guidelines.

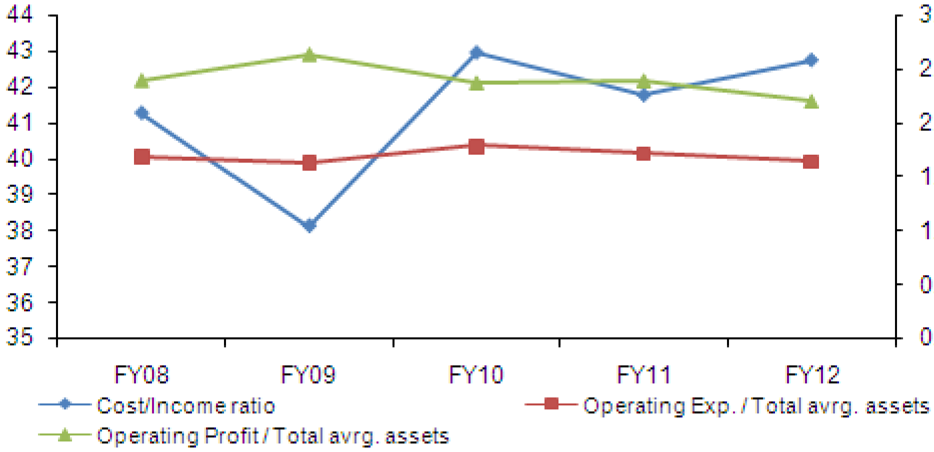
Bottom-line adjusted for one-off items: In FY12, KVB's bottom-line — adjusted for one-off items such as (shifting losses, employees' wage revision and terminal benefits provisions, other interest income, capital gains and write-back of medical leave provisions) — was marginally lesser. Adjusted RoAA was at 1.48% as compared to reported RoAA of 1.52%.

(₹ mn)	FY11	FY12
Reported PBT	5,613	6,320
(+) Shifting loss provision	207	-
(+) Provision for wage revision & employees' terminal benefits	312	169
(-) Other Interest Income	(109)	(69)
(-) Treasury Income	(377)	(262)
(-) Write-back of Medical Leave provisions	-	(12)
Adjusted PBT	5,645	6,146
Tax rate (%)	s 26	21
Adjusted PAT	4,180	4,879
Reported PAT	4,156	5,017
Adjusted RoAA (%)	1.67	1.48
Reported RoAA (%)	1.66	1.52
Adjusted RoAE (%)	22.4	20.2
Reported RoAE (%)	22.3	20.8

Employee strength increases in-line with branch expansion: In FY12, the bank added 1,701 employees (compared to 399 employees in FY11) taking the total headcount to 5,673. Further, KVB trained 4,060 employees (against 2,889 employees). Over a period of 8-9 years, total number of employees per branch remained almost same over years at around 12.5.

KVB's operating expenses-to-average assets ratio fell to 1.64% from 1.72% in FY10. However, KVB's cost-income ratio increased to 42.7% from 41.8% a year back due to tepid NIM.

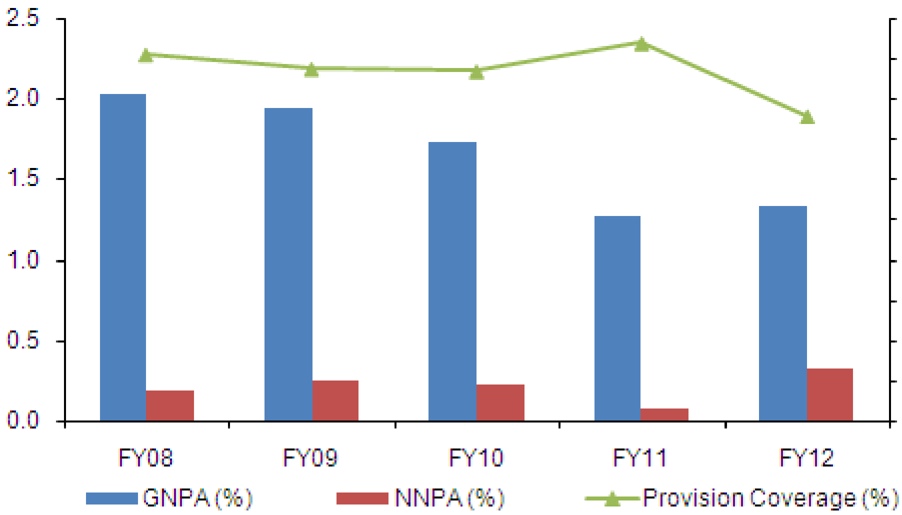
Chart 9: KVB's Operating Efficiency



Source: Banks, Dolat Research

Higher gross slippages & muted upgradation dented asset quality: KVB's gross slippages ratio increased sharply to 0.82% from 0.34% in FY11. Total gross slippages rose to ₹ 1.74bn from ₹ 536mn in FY11. Higher slippages and muted upgradations led to higher GNPA; though, increased loan write-offs aided GNPA partially. Lesser NPA provisioning led to a drift in PCR to 76% from 94% as on end-March'11. Going forward, management indicated that the PCR will remain in range of ~ 80%. No provisions were made on account of floating and counter cyclical buffer items in this year.

Chart 10: KVB's Asset Profile:



Source: Banks, Dolat Research

Break-up of GNPAs	FY10		FY11		FY12	
	₹ in Mn	% to GNPA	₹ in Mn	% to GNPA	₹ in Mn	% to GNPA
Substandard	134	5.7	235	10.3	1246	38.8
Doubtful 1	580	24.6	205	9.0	115	3.6
Doubtful 2	80	3.4	722	31.6	715	22.3
Doubtful 3	275	11.7	174	7.6	117	3.6
Loss	1285	54.6	946	41.5	1017	31.7

On detailed classification of GNPA, proportion of sub-standard assets increased significantly to 39% and shares of doubtful 2 (D2) and Loss assets came down. In FY13, we expect NPA provisions to increase due to aging of NPAs. Among sector-wise asset quality, NPAs in agriculture, service sector and personal loans categories have come down but in the industry (micro, small, medium and large), it went up to 1.82% in FY12 from 1.62% in FY11.

Sector-wise NPAs	FY10	FY11	FY12
Agriculture & Allied activities	0.44	0.33	0.28
Industry (Micro, small, medium & large)	1.80	1.62	1.82
Services	0.89	1.56	1.01
Personal Loans	1.49	2.96	1.68

On the restructured loan book front, recovery of the ₹ 700mn and closing off of loan accounts worth ₹ 610mn was offsetted by higher additions of ₹ 3.3bn resulting in 27% YoY jump in the total restructured loan book to ₹ 6.6bn (2.7% of gross advances) from ₹ 5.1bn (2.9% of gross advances) as on end-FY11. Going by a sector-wise restructuring book break-up, textile sector accounts for ₹ 2.7bn (41.6% of total restructured book).

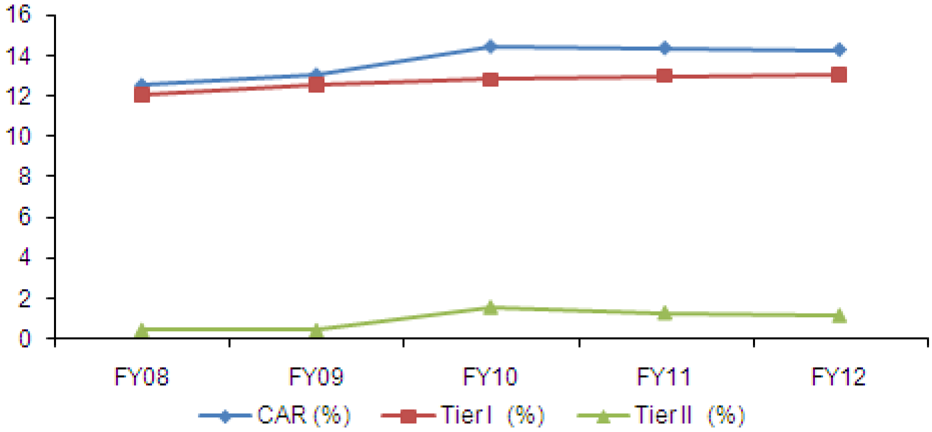
Sector/industry wise details of loan restructuring in FY12

SECTOR	Mar 11			Mar 12		
	No. of A/Cs	AMT (In Mn)	(%) to total Restructured Advances	No. of A/Cs	AMT (In Mn)	(%) to total Restructured Advances
Food	7	40	0.8	9	330	5.0
Steel	1	110	2.0	3	130	2.0
Textile	45	2840	55.2	57	2730	41.6
Real estate	24	50	1.0	33	60	0.9
Commercial real estate	11	150	2.9	10	110	1.7
Paper	2	40	0.8	3	30	0.5
Pharma	1	110	2.2	1	110	1.7
Chemical	2	150	2.9	3	130	1.9
Others	53	1650	32.1	83	2930	44.6
Total	146	5140	100.0	202	6560	100
%to total Advance		2.9%			2.7%	

₹ Mn	Jun-11	Sep-11	Dec-11	Mar-12
Outstanding at the beg. of the quarter	5147	4894	5022	5200
Addition during the quarter	443	418	142	2010
Accounts closed during the period - [B]	162	40	13	400
Amount recovered during the period - [C]	186	210	204	100
Accounts slipped into NPA during the period - [D]	348	40	34	150
Balance at the end of the quarter	**4894**	**5022**	**4914**	**6560**

Adequate capital adequacy: As on end-March'12, KVB had tier I and CAR of 13.1% and 14.3% respectively. The bank collected residual amount of Rs 2.3bn from the right issue announced previous year. Considering 28.3% CAGR in business during FY12-14, KVB's tier I would drift down to 11.6% and 10% by the end FY13 and FY14 respectively. We do not expect the bank to come out with any equity raising plan by end-FY13.

Chart 11: KVB's Capital Adequacy:



Source: Banks, Dolat Research

Valuation

On the balance sheet front, we expect KVB's business to grow 28.1% CAGR on the back of 27.9% growth in deposit mobilization and 28.3% expansion in credit book. We estimate margin to drift down by 26bps to 2.62% in FY13 and increase by 4bps to 2.66% in FY14. Strain on margin and higher credit cost provision would dent profitability, though improvement in operating efficiency will enhance profitability. In FY13-14, we estimate the bank's RoAA and RoAE in the 1.2-1.3% and 18-20% ranges respectively. We value the bank at ₹ 512 at 1.6x adjusted book value (ABV) FY14 and reiterate our Buy rating on the stock. At current price, the stock trades at 1.5x and 1.3x ABV FY13 and FY14 respectively.

KVB's DuPont's Model	FY09	FY10	FY11	FY12
Total interest income earned	**9.14**	**9.02**	**8.84**	**9.93**
Other income	**1.68**	**1.27**	**1.05**	**1.06**
Commission, Exchange & Brokerage	0.89	0.80	0.73	0.69
Profit on sale of investment	0.59	0.29	0.15	0.08
Other fee income	0.20	0.17	0.18	0.29
Total interest expenses	**(6.55)**	**(6.12)**	**(5.78)**	**(7.15)**
NII	2.59	2.90	3.06	2.79
Pay to / Prov for Employees	(0.78)	(0.84)	(0.92)	(0.80)
Op. Exps & Admin Exps	(0.85)	(0.95)	(0.80)	(0.84)
Total Oper. Exps.	**(1.63)**	**(1.79)**	**(1.72)**	**(1.64)**
Provisions & Cont and Taxes	**(1.15)**	**(0.65)**	**(0.74)**	**(0.68)**
Prov for NPAs	(0.03)	(0.13)	(0.02)	(0.06)
Prov for income tax	(0.60)	(0.46)	(0.58)	(0.40)
Other Provisions	(0.52)	(0.07)	(0.14)	(0.23)
Net Profit (RoAA)	1.49	1.72	1.66	1.52
RoAE	18.57	22.63	22.26	20.81

INCOME STATEMENT				₹ mn
Particulars	**Mar11**	**Mar12**	**Mar13E**	**Mar14E**
Net Interest Income	7,669	9,171	10,710	13,635
CXB	1,825	2,274	2,951	3,782
Profits on sale of investments	377	262	185	144
Profits on foreign exchange	141	368	255	288
Other operating income	300	597	258	290
Total other income	2,643	3,501	3,649	4,504
Total Income	10,312	12,673	14,359	18,139
Salaries	2,295	2,644	3,250	4,119
Other operating costs	2,011	2,772	3,213	3,922
Total Overheads	4,306	5,416	6,463	8,041
Profit before provisions	6,006	7,257	7,896	10,098
Bad Debt Provisions	49	191	455	655
Stnd. Asset Provision	152	289	257	376
Investment Provisions	193	413	350	325
Other provision	(1)	45	130	147
Total provisions	393	938	1,192	1,503
Profit before tax	5,613	6,320	6,704	8,595
Tax	1,457	1,302	1,380	1,955
Reported Net profit	4,156	5,017	5,324	6,640

BALANCE SHEET

Particulars	**Mar11**	**Mar12**	**Mar13E**	**Mar14E**
Cash with RBI	16,798	19,209	25,352	32,110
Cash at call	946	1,146	1,280	1,582
Total Cash	17,745	20,354	26,632	33,692
Govt. securities	67,615	92,532	101,807	122,834
Other investments	9,703	12,529	17,966	21,677
Total Investments	77,318	105,061	119,773	144,511
Bills discounted	9,495	12,910	26,076	33,483
Cash credit	115,931	172,606	168,729	216,657
Term loans	52,718	53,976	111,974	143,782
Total Credit	178,145	239,492	306,779	393,922
Gross Fixed Assets	4,124	4,986	5,166	5,809
Accumulated Depreciation	2,158	2,543	2,455	2,793
Net Fixed Assets	1,967	2,444	2,711	3,016
Capital work in progress	139	5	0	0
Other Assets	6,936	8,993	13,599	19,998
Total Assets	**282,248**	**376,349**	**469,494**	**595,139**
Demand Deposits	25,023	24,783	31,602	40,473
Savings Deposits	32,531	36,733	47,197	60,447
Term Deposits	189,665	259,600	331,611	424,705
Total Deposits	247,219	321,116	410,410	525,625
Subordinate Debt	1,500	1,500	2,800	3,100
Other Borrowings	3,799	18,226	15,170	17,735
Total Borrowings	5,299	19,726	17,970	20,835
Other liabilities	8,586	8,425	10,463	13,583
Equity	945	1,072	1,072	1,072
Reserves	20,200	26,010	29,579	34,024
ESOPs	0	0	0	0
Total Equity	21,145	27,082	30,651	35,096
Total Liab & Equity	**282,248**	**376,349**	**469,494**	**595,139**

E-estimates

IMPORTANT RATIOS

Particulars	**Mar11**	**Mar12**	**Mar13E**	**Mar14E**
DPS (₹)	12.0	14.0	14.0	17.5
Book Value (₹)	223.8	252.7	286.0	327.4
Adjusted Book Value (₹)	222.7	246.8	278.9	319.1
EPS (₹)	44.9	46.8	49.7	61.9
EPS Growth (%)	(27.8)	4.3	6.1	24.7
Payout (%)	26.7	29.9	28.2	28.2
Net interest margin (%)	3.2	2.9	2.6	2.7
Spread (%)	2.6	2.3	2.1	2.2
Cost-to-income (%)	42.9	41.8	42.7	45.0
ROAA				
Net Interest Income	3.1	2.8	2.5	2.6
Other Income	1.1	1.1	0.9	0.8
Less Overheads	(1.7)	(1.6)	(1.5)	(1.5)
Less Provisions	(0.2)	(0.3)	(0.3)	(0.3)
Less Tax	(0.6)	(0.4)	(0.3)	(0.4)
ROAA	1.7	1.5	1.3	1.2
ROAE	22.3	20.8	18.4	20.2
Valuation				
Price Earnings (x)	9.5	9.1	8.6	6.9
Price to Book Value (x)	1.9	1.7	1.5	1.3
Price to Adjusted BV (x)	1.9	1.7	1.5	1.3
Dividend Yield (%)	2.8	3.3	3.3	3.3
Asset Quality				
Gross NPLs	2,282	3,210	3,830	4,694
Restructured standard Loans	5,147	6,560	7,512	8,235
Gross Impaired Loans	7,428	9,770	11,342	12,929
Net NPLs	138	787	952	1,161
Provision coverage ratio (%)	94.0	75.5	75.1	75.3
Gross NPLs (%)	1.3	1.3	1.2	1.2
Net NPLs (%)	0.1	0.3	0.3	0.3
Assumptions				
Yield on Advances (%)	10.8	12.2	11.8	11.6
Yield on Investment (%)	7.3	7.9	7.5	7.3
Cost of Deposits (%)	6.4	7.8	7.7	7.5
Interest Inc. on Cash (%)	0.0	0.5	0.5	0.5
CRAR (%)	14.4	14.3	13.0	11.3
Growth in credit book (%)	32.5	34.4	28.1	28.4
Growth in Deposits (%)	28.3	29.9	27.8	28.1
Growth in Investments (%)	17.1	35.9	14.0	20.7
Gross slippages ratio (%)	0.3	0.8	0.9	0.8
Credit Cost (%)	0.0	0.1	0.2	0.2

E-estimates

BUY	Upside above 20%
ACCUMULATE	Upside above 5% and up to 20%
REDUCE	Upside of upto 5% or downside of upto 15%
SELL	Downside of more than 15%

Analyst	Sector/Industry/Coverage	E-mail	Tel.+91-2-4096 9700
Amit Khurana, CFA	Director - Research	amit@dolatcapital.com	91-22-40969745
Amit Purohit	Consumer	amitp@dolatcapital.com	91-22-40969724
Bhavin Shah	Pharma & Agro Chem	bhavin@dolatcapital.com	91-22-40969731
Mayur Milak	Auto & Auto Ancillary	mayurm@dolatcapital.com	91-22-40969749
Priyank Chandra	Oil & Gas	priyank@dolatcapital.com	91-22-40969737
Rahul Jain	IT Services	rahul@dolatcapital.com	91-22-40969754
Rakesh Kumar	Financials	rakesh@dolatcapital.com	91-22-40969750
Ram Modi	Metals & Mining	ram@dolatcapital.com	91-22-40969756
Nehal Shah	Midcaps	nehals@dolatcapital.com	91-22-40969753
Prachi Save	Derivative Analyst	prachi@dolatcapital.com	91-22-40969733

Associates	Sector/Industry/Coverage	E-mail	Tel.+91-22-4096 9700
Dhaval S. Shah	Engineering & Capital Goods	dhaval@dolatcapital.com	91-22-40969726
Hardick Bora	Pharma & Agro Chem	hardickb@dolatcapital.com	91-22-40969748
Hetal Shah	Financials	hetals@dolatcapital.com	91-22-40969725
Mahvash Ariyanfar	Economy & Midcaps	mahvash@dolatcapital.com	91-22-40969736
Pranav Joshi	Financials	pranavj@dolatcapital.com	91-22-40969706

Equity Sales/Dealing	Designation	E-mail	Tel.+91-22-4096 9797
Purvag Shah	Principal	purvag@dolatcapital.com	91-22-40969747
Janakiram Karra	Director - Institutional Sales	janakiram@dolatcapital.com	91-22-40969712
Vikram Babulkar	Director - Institutional Sales	vikram@dolatcapital.com	91-22-40969746
Kapil Yadav	AVP - Institutional Sales	kapil@dolatcapital.com	91-22-40969735
Parthiv Dalal	AVP - Institutional Sales	parthiv@dolatcapital.com	91-22-40969705
P. Sridhar	Head Dealing - Equities	sridhar@dolatcapital.com	91-22-40969728
Mihir Thaker	Senior Sales Trader	mihir@dolatcapital.com	91-22-40969727
Aadil R. Sethna	Head of Derivatives	aadil@dolatcapital.com	91-22-40969708
Chirag Makati	Asst. Vice President - Derivatives	chiragm@dolatcapital.com	91-22-40969703

Dolat Capital Market Pvt. Ltd.

20, Rajabahadur Mansion, 1st Floor, Ambalal Doshi Marg, Fort, Mumbai - 400 001