



Union Bank of India

BSE SENSEX 17,077	S&P CNX 5,158	CMP: INR207	TP: INR320	Buy								
Bloomberg	UNBK IN	Year	Net Income	PAT	EPS	EPS	P/E	BV	P/BV	P/ABV	RoAA	RoAE
Equity Shares (m)	524.3	End	(INR M)	(INR M)	(INR)	GR. (%)	(X)	(INR)	(X)	(X)	(%)	(%)
52-Week Range (INR)	359/156	3/10A	61,672	20,749	41.1	20.2	-	174	-	-	1.2	26.2
1,6,12 Rel.Perf.(%)	15/-24/-29	3/11A	82,550	20,819	39.7	-3.3	5.2	211	1.0	1.1	1.0	20.9
M.Cap. (INR b)	108.4	3/12E	90,137	14,340	27.1	-31.6	7.6	232	0.9	1.1	0.6	12.2
M.Cap. (USD b)	2.2	3/13E	104,677	23,916	45.4	67.3	4.6	268	0.8	0.9	0.8	18.2

Union Bank of India 3QFY12 PAT stood at ~INR2b (v/s est. of 5.1b). While operating profit was 4% above est., higher than expected provisions (INR9.7b v/s est. of 4.9b) due to provision of ~INR3.5b on restructured loans (of which one large account constituted 80%+) led to lower than est. PAT.

- **Slippages at 5.7b v/s INR18b a quarter ago - a positive:** Gross slippages stood at INR5.7b (annualized slippage ratio of 1.7%) v/s INR18b in 2QFY12 and INR29.2b in FY11. In absolute terms, GNPA was flat QoQ.
- **Overall restructured loan book at 5.5% of overall loan:** In 3QFY12, bank restructured loan of INR20.4b (130bp of overall loans) of which INR14b was on account of one large account in telecom segment.
- **Margin up 10bp QoQ at 3.3%:** NII grew 7% QoQ and 10%YoY to INR17.8b (v/s. est. of INR17.1b), however it included INR900m on account of interest on IT refund adjusted for which NII was in-line with est.
- **Business improves QoQ:** Loan grew 17% YoY (up ~6% QoQ) to INR1.6t. YTD loan growth stood at just 2%; however management guided for FY12 loan growth of 16%. CASA ratio improved marginally to 32.5% as against 32.1% a quarter ago.
- **Strong fee income growth:** In 3QFY12 core fee income growth was strong (+28% QoQ and 16% YoY) leading to 10% higher than est. non-interest income.

Valuation and View: We expect RoA to be 0.6% for FY12 and improve to 0.8% for FY13 whereas RoE is expected to be 12.2% and 18.2% over FY12/13, EPS of INR27.1 in FY12 and INR45.4 in FY13. BV is expected to be INR232 in FY12 and INR268 in FY13. Stock trades at 0.9x BV FY12 and 0.8x BV FY13. Maintain **Buy**.

Union bank of India: Quarterly performance

	FY11				FY12				(INR Million)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY11	FY12E
Interest Income	36,857	39,522	41,995	46,153	49,157	51,104	53,747	56,758	164,526	210,766
Interest Expense	23,376	24,164	25,836	28,987	33,255	34,492	35,939	38,341	102,364	142,027
Net Interest Income	13,480	15,358	16,158	17,165	15,902	16,611	17,809	18,417	62,162	68,739
% Change (YoY)	73.9	72.6	48.3	22.9	18.0	8.2	10.2	7.3	48.3	10.6
Other Income	4,350	5,096	4,936	6,006	4,840	5,009	5,921	5,628	20,388	21,398
Net Income	17,830	20,455	21,094	23,171	20,742	21,621	23,730	24,045	82,550	90,137
Operating Expenses	7,393	9,149	8,483	14,475	9,084	9,571	10,889	11,334	39,500	40,878
Operating Profit	10,437	11,306	12,611	8,695	11,658	12,050	12,841	12,711	43,050	49,259
% Change (YoY)	32.5	39.6	37.9	-24.2	11.7	6.6	1.8	46.2	17.6	14.4
Other Provisions	1,973	5,989	4,000	1,533	4,284	6,228	9,727	6,259	13,496	26,497
Profit before Tax	8,464	5,317	8,612	7,163	7,374	5,822	3,114	6,452	29,554	22,762
Tax Provisions	2,450	2,284	2,816	1,187	2,730	2,297	1,144	2,250	8,735	8,422
Net Profit	6,014	3,034	5,796	5,976	4,644	3,524	1,970	4,202	20,819	14,340
% Change (YoY)	36.0	-39.9	8.5	0.7	-22.8	16.2	-66.0	-29.7	0.3	-31.1
Deposit Growth (%)	19.2	19.3	23.5	19.1	16.4	10.0	10.0	14.0	19.1	14.0
Loan Growth (%)	29.9	27.1	25.6	26.2	16.7	16.5	16.8	16.0	26.2	16.0
CD Ratio (%)	72.9	71.1	71.7	75.6	73.1	75.3	76.1	76.9	75.6	76.9
Net Interest Margin (Reported)	3.0	3.4	3.4	3.4	3.1	3.2	3.3		3.3	
Net Interest Margin (Cal, %)	3.0	3.3	3.4	3.4	3.0	3.2	3.3	3.1	3.2	3.0
Tax Rate (%)	28.9	42.9	32.7	16.6	37.0	39.5	36.7	34.9	29.6	37.0
Gross NPA (%)	2.2	2.8	2.7	2.4	2.6	3.5	3.3	3.0	2.4	3.0

E: MOSL Estimates

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Quarterly performance: Below estimates (INR m)

Y/E March	3QFY12A	3QFY12E	% Variance	Comments
Net Interest Income	17,809	17,109	4	Reported margins improve 10bp QoQ; Interest on IT refund of INR900m led to higher than est. NII
% Change (YoY)	10.2	6		
Other Income	5,921	5,360	10	Strong Fee income growth
Net Income	23,730	22,468	6	
Operating Expenses	10,889	10,079	8	Opex above est. led by higher provisions towards pension liability
Operating Profit	12,841	12,390	4	
% Change (YoY)	2	-2		
Other Provisions	9,727	4,898	99	Higher provisions towards restructured loan and investment depreciation leading to negative surprise
Profit before Tax	3,114	7,491	-58	
Tax Provisions	1,144	2,435	-53	
Net Profit	1,970	5,057	-61	While Op. Profit was in-line with est. higher provisions led to lower than exp. PAT
% Change (YoY)	-66	-13		

Source: Company/MOSL

Slippages at 5.7b v/a INR18b a quarter ago - a positive: Gross slippages stood at INR5.7b (annualized slippage ratio of 1.7%) v/s INR18b in 2QFY12 and INR29.2b in FY11. Of the overall slippages one large account worth INR2b (in media segment) slipped during the quarter. Management remains confident on asset quality and expects slippages to have peaked in 2QFY12. In absolute terms, GNPA was flat QoQ, while NNPA declined marginally. Recoveries and up-gradation stood at INR2b (v/s INR2.3b in 2QFY12) and write-off stood at INR2.9b. PCR (incl. technical write-off) stood at 63.1% v/s ~60.5% a quarter ago. With improvement in up-gradation and recoveries and slippages normalizing management expects trend of GNPA to be in the southward direction going forward.

Restructured INR20.4b in 3QFY12: During the quarter bank restructured loan of INR20.4b (130bp of overall loans) of which INR14b was on account of one large account in telecom segment. Bank booked NPV loss of INR3.5b on the loan restructured during the quarter. Management mentioned that it had some application pending for restructuring which would take place in 4QFY12; thereby it would be the key number to be watched for. During the quarter bank made provision of INR4.2b towards NPA and core credit cost for quarter stood at 1.1% v/s 1.35% in 2QFY12 and 0.9% in FY11.

Margin up 10bp QoQ: NII grew 7% QoQ and 10%YoY to INR17.8b (v/s. est. of INR17.1b), however it included INR900m on account of interest on IT refund adjusted for which NII was in-line with est. Reported margins improved 10bp QoQ to 3.3%. While cost of funds increased 18bp QoQ, yield on funds were up 37bp QoQ leading to margin expansion. Strong growth in PSL segment in 4QFY12 may lead to some moderation in margins in 4QFY12. Mgmt re-iterated its guidance for margins of 3.2% for FY12. Nevertheless, we model in ~20bp decline in margins for FY12 v/s guidance of ~15bp.

Business improves QoQ: Loan grew 17% YoY (up ~6% QoQ) to INR1.6t. YTD loan growth stood at just 2%, however management guided for FY12 loan growth of 16%. This implies a loan growth of 13-15% on a sequential basis for 4QFY12. CASA grew 7% YoY (6.5% QoQ) led by strong growth in CA deposits (+22% QoQ and 17% YoY). SA deposit growth disappointed (+1.5% QoQ and 4.5% YoY), however CASA ratio improved marginally by 50bp QoQ to 32.5%.

Strong growth in fee income drives growth: Core fee income grew 28% QoQ and 16% YoY to INR3.2b leading to non-interest income growth of 18% QoQ and 20% YoY (10% higher than est.). Profit on sale of investment stood at INR1b (flat on a sequential and YoY basis). Recoveries from written off account stood at INR900m v/s INR420m a quarter ago and INR310m a year ago.

Additional pension liability of INR4b: During the quarter bank revised its pension liability by INR4b to account for increase in D.A. component of which bank provided INR1b in 3QFY12 and is likely to amortize it going forward but did not quantify the amount.

Valuation and View

While core-operating performance remained strong, reported PAT was significantly below est. due to one-off provisioning on one large account being referred to CDR. Sequential improvement in margin and strong growth in fee income - is a key positive. We model in NIM decline of 20bp in FY12 v/s management guidance of 15bp and expect it to be stable in FY13. Fee income growth picked up during the quarter and we model in fee income growth of 10% over FY12/13 leading operating profit CAGR of 17%+ over FY12/13.

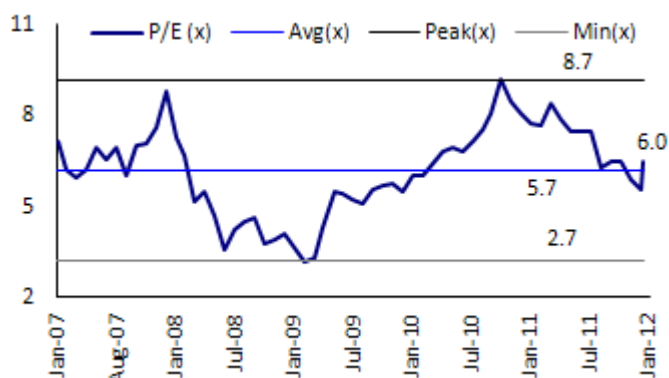
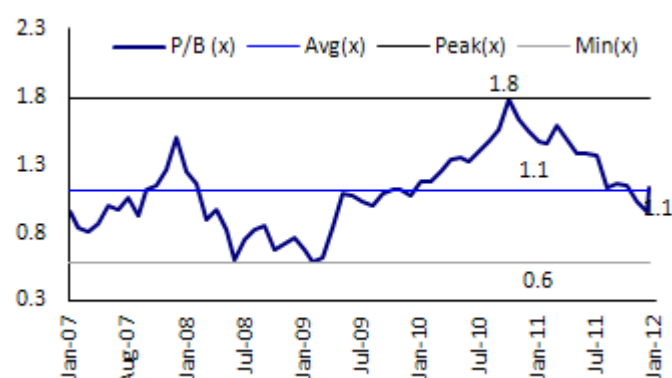
Slippages during the quarter declined significantly to INR5.7b as against INR18.2b a quarter ago - which was comforting as UNBK was grappling with asset quality issues over past few quarters leading to underperformance. While improvement in one quarter cannot be seen as trend, management remains confident of containing slippages and coupled with improvement in recoveries and up-gradations, GNPA in absolute terms is expected to decline going forward - which is a positive. We model in slippage ratio of ~2.5% and 2% in FY12 and FY13 and credit cost of 100bp and 90bp for FY12 and FY13 respectively. Fall in slippages and credit cost coupled with strong core income growth is expected to drive strong earnings growth (65%+) for FY13.

Increased restructuring (INR20b) - was largely expected, however NPV loss came as a negative surprise and would be a key number to watch for as there may be some more restructuring over next couple of quarters. Mgmt has guided for additional restructuring of INR12-13b in 4QFY12 of which INR5-6b will be 4-5 CDR cases. Guidance does not include SEB restructuring if at all. We expect RoA to be 0.6% for FY12 and improve to 0.8% for FY13 whereas RoE is expected to be 12.2% and 18.2% over FY12/13, EPS of INR27.1 in FY12 and INR45.4 in FY13. BV is expected to be INR232 in FY12 and INR268 in FY13. Stock trades at 0.9x BV FY12 and 0.8x BV FY13. Maintain **Buy**.

We downgrade our earnings for FY12 by 20%+ to account for higher provisions (INR b)

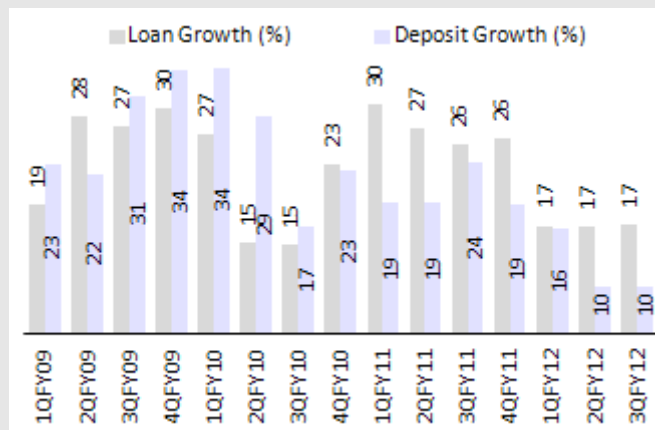
	Old Estimates		Rev. Estimates		Change (%)	
	FY12	FY13	FY12	FY13	FY12	FY13
Net Interest Income	67.9	78.7	68.7	79.8	1.3	1.5
Other Income	21.3	24.6	21.4	24.9	0.3	1.1
Total Income	89.2	103.2	90.1	104.7	1.1	1.4
Operating Expenses	40.5	45.1	40.9	45.6	1.0	1.1
Operating Profits	48.7	58.1	49.3	59.1	1.1	1.6
Provisions	20.6	22.2	26.5	22.8	28.8	2.7
PBT	28.1	35.9	22.8	36.2	-19.1	1.0
Tax	9.9	12.2	8.4	12.3	-14.5	1.0
PAT	18.3	23.7	14.3	23.9	-21.6	1.0
Margins (%)	3.0	2.9	3.0	3.0		
Credit Cost (%)	1.0	1.1	1.0	0.9		
RoA (%)	0.7	0.8	0.6	0.8		
RoE (%)	15.4	17.6	12.2	18.2		

Source: MOSL

Union Bank of India: One year forward P/E**Union Bank of India: One year forward P/BV**

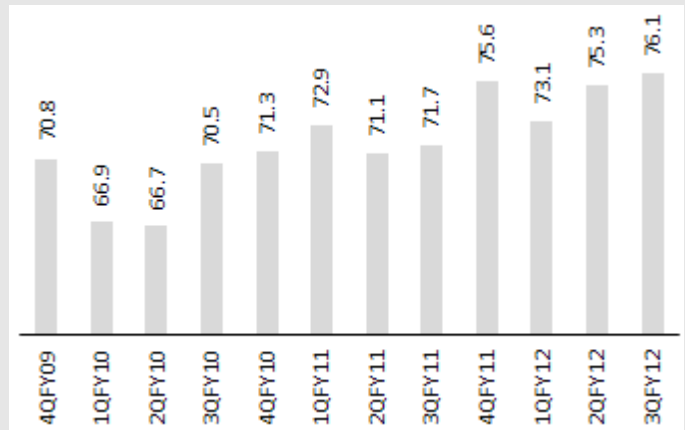
Quarterly trends

Business growth improves QoQ



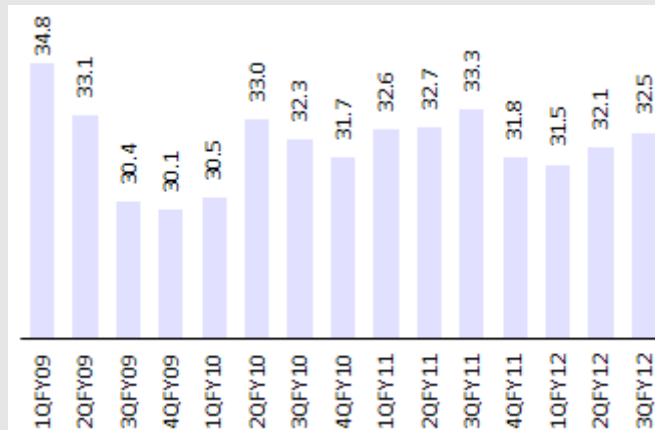
■ While YTD loan growth stood at just 2%; management guided for loan growth of 16% for FY12

CD ratio improves QoQ (%)



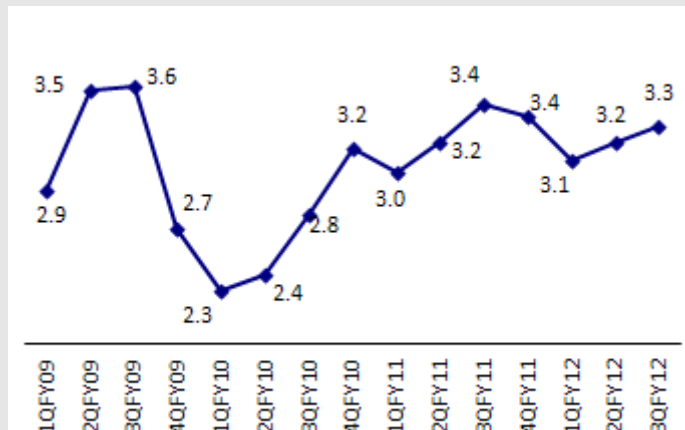
■ CD ratio now at an optimal level

CASA ratio improves marginally QoQ (%)



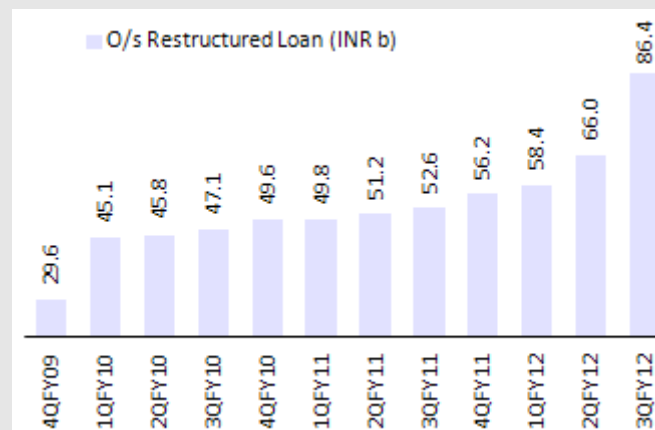
■ CASA grew to 7% YoY (6.5% QoQ) led by strong growth in CA deposits (+22% QoQ and 17% YoY)

Margin up 10bp QoQ (%)



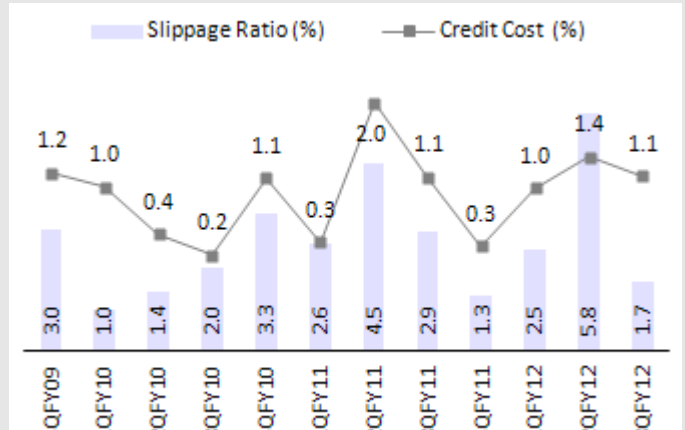
■ While yield on funds increased 37bp QoQ cost of funds increased just 18bp QoQ, leading to margin expansion

Restructured loan at 5.5% of overall loan book



■ In 3QFY12, bank restructured loan of INR20.4b (130bp of overall loans)

Slippages decline QoQ - a positive surprise



■ Gross slippages stood at INR5.7b v/s INR18b in 2QFY12

Quarterly Snapshot

	FY11				FY12			Variation (%)		Cumulative Numbers		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	QoQ	YoY	9M FY11	9M FY12	YoY Gr (%)
Profit and Loss (INR m)												
Net Interest Income	13,480	15,358	16,158	17,165	15,902	16,611	17,809	7	10	44,997	50,322	12
Other Income	4,350	5,096	4,936	6,006	4,840	5,009	5,921	18	20	14,382	15,770	10
Trading profits	1,990	1,310	1,080	1,120	1,130	1,000	1,010	1	-6	4,380	3,140	-28
Forex Income	460	480	770	1,210	1,020	1,060	780	-26	1	1,710	2,860	67
Recoveries	380	440	310	980	590	420	900	114	190	1,130	1,910	69
Core Fees	1,520	2,866	2,776	2,696	2,100	2,529	3,231	28	16	7,162	7,860	10
Total Income	17,830	20,455	21,094	23,171	20,742	21,621	23,730	10	12	59,379	66,092	11
Operating Expenses	7,393	9,149	8,483	14,475	9,084	9,571	10,889	14	28	25,025	29,543	18
Employee	4,350	5,919	5,202	10,526	5,918	5,914	7,013	19	35	15,471	18,844	22
Others	3,044	3,229	3,281	3,949	3,166	3,657	3,876	6	18	9,554	10,699	12
Operating Profits	10,437	11,306	12,611	8,695	11,658	12,050	12,841	7	2	34,355	36,549	6
Provisions	1,973	5,989	4,000	1,533	4,284	6,228	9,727	56	143	11,961	20,239	69
NPA provisions	1,000	6,290	3,610	980	3,650	4,950	4,250	-14	18	10,900	12,850	18
Provisions on Invst.	1,040	-340	60	-490	80	820	730	-11	N.A.	760	1,630	114
Others	-67	39	330	1,043	554	458	4,747	936	N.A.	301	5,759	N.A.
PBT	8,464	5,317	8,612	7,163	7,374	5,822	3,114	-47	-64	22,393	16,310	-27
Taxes	2,450	2,284	2,816	1,187	2,730	2,297	1,144	-50	-59	7,549	6,172	-18
PAT	6,014	3,034	5,796	5,976	4,644	3,524	1,970	-44	-66	14,844	10,139	-32
Ratios (%)												
Fees to Total Income	8.5	14.0	13.2	11.6	10.1	11.7	13.6	192	46	12.1	11.9	
Cost to Core Income	49.3	50.2	44.8	72.9	50.5	50.0	51.8	175	695	48.0	51	
Tax Rate	28.9	42.9	32.7	16.6	37.0	39.5	36.7	-272	405	33.7	38	
CASA (Cal)	32.6	32.7	33.3	31.8	31.5	32.1	32.5	45	-73			
Loan/Deposit	72.9	71.1	71.7	75.6	73.1	75.3	76.1	77	440			
CAR	13.1	12.5	11.9	13.0	12.9	12.5	11.7	-82	-16			
Tier I	8.4	7.9	7.4	8.7	8.8	8.5	8.0	-56	54			
Margins - Quarterly (%)												
Yield on Funds	7.8	8.3	8.4	8.8	9.1	9.3	9.6	37	123			
Cost of Funds	5.0	5.1	5.2	5.5	6.2	6.3	6.4	18	127			
Spreads	2.9	3.2	3.2	3.3	2.9	3.0	3.2	19	-4			
Margins	3.0	3.4	3.4	3.4	3.1	3.2	3.3	10	-13			
Margins - Cumulative (%)												
Yield On Investments	6.1	6.3	6.5	6.6	6.6	6.8	6.9	2	36			
Yield on Funds	7.8	8.0	8.0	8.3	9.1	9.1	9.3	16	125			
Cost of Funds	5.0	5.0	5.1	5.2	6.2	6.2	6.3	9	120			
Spreads	2.9	3.0	3.0	3.1	2.9	3.0	3.0	7	5			
Margins	3.0	3.2	3.3	3.3	3.1	3.1	3.2	5	-10			

For %age change QoQ and YoY is bp

Source: Company/MOSL

Quarterly Snapshot

	FY10				FY11				FY12			Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	QoQ	YoY
Balance Sheet													
Loans	960	994	1,065	1,212	1,247	1,264	1,338	1,530	1,456	1,473	1,562	6	17
Deposits	1,435	1,491	1,511	1,700	1,711	1,778	1,867	2,025	1,992	1,956	2,053	5	10
Investments	523	540	521	545	548	593	590	584	601	620	664	7	12
HTM	362	368	373	374	410	431	437	439	493	498	511	3	17
AFS	161	172	147	171	139	162	153	145	108	122	153	25	0
AFS Modified Duration	2.7	2.6	1.9	1.7	1.8	2.6	2.0	1.8	1.6	1.9	1.6		
Deposits Break Up													
CASA Deposits	437	491	489	540	558	581	621	643	628	628	668	6	8
% to total Deposits	30.5	33.0	32.3	31.7	32.6	32.7	33.3	31.8	31.5	32.1	32.5		
Term Deposits	998	999	1,022	1,161	1,152	1,197	1,245	1,382	1,364	1,328	1,385	4	11
% to total Deposits	70	67	68	68	67	67	67	68	68	68	67		
Asset Quality													
Movement of NPA - Cumulative													
Opening	19.2	19.2	19.2	19.2	26.7	26.7	26.7	26.7	36.2	36.2	36.2		
Additions	1.9	5.0	9.7	17.9	6.2	17.5	25.2	29.2	7.7	25.9	31.5		
Deductions	2.4	5.0	8.0	10.4	5.6	9.0	16.1	19.7	6.4	10.7	15.7		
Upgradation and recovery	1.4	2.5	3.9	5.2	3.0	4.9	7.4	8.5	3.0	5.4	7.4		
Write offs	1.0	2.5	4.1	5.1	2.6	4.1	8.7	11.3	3.4	5.4	8.3		
Closing	18.7	19.2	20.9	26.7	27.4	35.2	35.8	36.2	37.4	51.4	53.3		
Movement of NPA - Quarterly													
Opening	19.2	18.7	19.2	20.9	26.7	27.4	35.2	35.8	36.2	37.5	51.4		
Additions	1.9	3.1	4.7	8.2	6.2	11.3	7.7	4.1	7.7	18.2	5.7	-69	-26
Deductions	2.4	2.6	3.0	2.4	5.6	3.4	7.1	3.6	6.4	4.3	5.0	15	-30
Upgradation and recovery	1.4	1.1	1.3	1.4	3.0	1.9	2.6	1.0	3.0	2.3	2.1	-11	-20
Write offs	1.0	1.5	1.7	1.0	2.6	1.5	4.5	2.6	3.4	2.0	2.9	46	-36
Closing	18.7	19.2	20.9	26.7	27.4	35.2	35.8	36.2	37.5	51.4	52.1	1	45
Annualized Slippage Ratio (%)	1.0	1.4	2.0	3.3	2.6	4.5	2.9	1.3	2.5	5.8	1.7		
Credit cost (%)	1.0	0.4	0.2	1.1	0.3	2.0	1.1	0.3	1.0	1.4	1.1		
GNPA (%)	2.0	1.9	2.0	2.2	2.2	2.8	2.7	2.4	2.6	3.5	3.3	-16	65
NNPA (%)	0.7	0.2	0.6	0.8	0.9	1.2	1.2	1.2	1.3	2.0	1.9	-16	67
Restructured loans	45.1	45.8	47.1	49.6	49.8	51.2	52.6	56.2	58.4	66.0	86.4	31	64
% of the loan book	4.7	4.6	4.4	4.1	4.0	4.0	3.9	3.7	4.0	4.5	5.5	105	160
Franchise													
Branches	2,638	2,821	2,876	2,910	2,933	2,964	2,993	3,105	3,106	3,138	3,177	39	184
ATM	1,995	2,127	2,249	2,327	2,369	2,420	2,516	2,634	2,673	2,757	3,025	268	509

Source: Company/MOSL, For %age change QoQ and YoY is bp

Stock Info

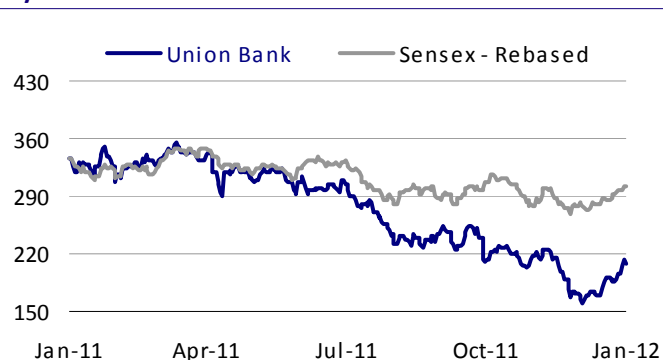
EPS: MOSL forecast v/s consensus (INR)

	MOSL Forecast	Consensus Forecast	Variation (%)
FY12	27.1	35.8	-24.3
FY13	45.4	45.4	-0.7

Shareholding pattern (%)

	Dec-11	Sep-11	Dec-10
Promoter	57.1	57.1	55.4
Domestic Inst	14.6	14.7	11.9
Foreign	11.1	11.9	16.8
Others	17.3	16.3	15.8

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
ICICIBCB*	Buy	879	20.2	53	61	12.4	10.4	1.7	1.5	1.4	1.4	13.4	14.1
HDFCB	Neutral	490	22.8	22	28	22.1	17.6	3.9	3.3	1.7	1.7	18.9	20.5
AXSB	Buy	1,060	8.7	97	112	10.9	9.5	2.0	1.7	1.5	1.5	19.9	19.5
KMB	Neutral	494	3.6	24	28	19.6	16.6	2.8	2.4	1.8	1.6	14.9	14.6
YES	Buy	328	2.3	27	32	12.0	10.1	2.5	2.1	1.4	1.3	22.6	22.2
IIB	Buy	295	2.7	17	21	17.2	14.1	3.1	2.6	1.6	1.5	19.3	20.1
VYSB	Buy	338	0.8	30	34	11.3	10.1	1.3	1.2	1.0	1.0	14.0	12.3
FB	Buy	410	1.4	43	50	9.5	8.2	1.3	1.1	1.3	1.3	13.8	14.5
JKBk	Buy	775	0.8	151	168	5.1	4.6	0.9	0.8	1.3	1.2	19.4	18.7
SIB	Buy	23	0.5	3	4	6.7	5.9	1.3	1.1	1.1	1.0	21.1	20.3
Private Aggregate			64			15.4	13.0	2.2	1.9				
SBIN (cons)*	Buy	2,057	26.1	211	240	9.3	8.2	1.3	1.1	0.8	0.8	15.6	16.1
PNB	Buy	1,000	6.3	158	184	6.3	5.4	1.3	1.1	1.2	1.2	22.7	22.0
BOI	Neutral	342	3.7	46	58	7.5	5.9	1.0	0.9	0.7	0.7	14.7	16.6
BOB	Neutral	790	6.2	122	133	6.5	5.9	1.3	1.1	1.2	1.1	21.9	20.2
CBK	Buy	480	4.3	80	89	6.0	5.4	1.0	0.9	1.0	0.9	18.2	17.5
UNBK	Buy	207	2.2	27	45	7.6	4.6	0.9	0.8	0.6	0.8	12.2	18.2
IOB	Neutral	91	1.1	22	18	4.2	5.0	0.6	0.6	0.7	0.5	15.6	12.0
OBC	Buy	248	1.4	41	49	6.1	5.0	0.6	0.6	0.7	0.7	11.2	12.3
INBK	Buy	218	1.9	40	47	5.4	4.7	1.0	0.9	1.3	1.3	19.8	19.6
CRPBK	Neutral	417	1.2	98	104	4.3	4.0	0.7	0.7	0.9	0.8	18.8	17.4
ANDB	Buy	104	1.2	23	26	4.5	4.0	0.8	0.7	1.1	1.0	18.7	18.0
IDBI *	Neutral	102	2.0	20	21	3.9	3.6	0.5	0.5	0.7	0.7	14.5	14.1
DNB	Buy	67	0.4	22	25	3.1	2.6	0.5	0.5	0.9	0.9	17.9	18.4
Public Aggregate			58			7.7	6.7	1.2	1.0				
HDFC*	Neutral	708	20.8	27	31	18.9	15.8	5.2	4.7	2.8	2.9	19.9	21.1
LICHF	Buy	257	2.4	18	27	14.3	9.6	2.5	2.1	1.5	1.8	18.9	24.0
DEWH	Buy	230	0.5	30	39	7.7	5.9	1.3	1.1	1.3	1.4	18.7	19.5
IDFC	Buy	129	3.8	10	11	12.5	12.0	1.4	1.3	3.1	2.7	13.7	12.6
RECL	Buy	197	3.9	28	35	7.2	5.7	1.4	1.2	3.0	3.1	20.0	22.4
POWF	Buy	169	3.9	18	29	9.5	5.9	1.1	1.0	2.1	2.8	13.2	17.7
SHTF	Buy	583	2.6	58	63	10.1	9.3	2.2	1.8	3.0	2.9	23.9	21.6
MMFS	Neutral	714	1.5	56	70	12.7	10.2	2.5	2.1	4.1	4.1	21.3	22.4
NBFC Aggregate			39			14.3	11.3	3.2	2.7				

* Multiples adj. 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	118,894	133,027	164,526	210,766	241,122
Interest Expense	80,758	91,103	102,364	142,027	161,298
Net Interest Income	38,136	41,924	62,162	68,739	79,824
Change (%)	33.6	9.9	48.3	10.6	16.1
Non Interest Income	14,826	19,747	20,388	21,398	24,854
Net Income	52,961	61,672	82,550	90,137	104,677
Change (%)	26.9	16.4	33.9	9.2	16.1
Operating Expenses	22,141	25,078	39,500	40,878	45,615
Pre Provision Profits	30,820	36,593	43,050	49,259	59,063
Change (%)	19.4	18.7	17.6	14.4	19.9
Provisions (excl tax)	7,375	8,264	13,496	26,497	22,826
PBT	23,445	28,329	29,554	22,762	36,236
Tax	6,180	7,580	8,735	8,422	12,320
Tax Rate (%)	26.4	26.8	29.6	37.0	34.0
PAT	17,265	20,749	20,819	14,340	23,916
Change (%)	24.5	20.2	0.3	-31.1	66.8
Prof. Dividend (Incl tax)	0	0	0	107	107
Profits for Equity SH	17,265	20,749	20,819	14,233	23,809
Change (%)	24.5	20.2	0.3	-31.6	67.3
Equity Dividend (Incl tax)	2,526	2,778	4,195	2,704	4,524
Core PPP*	26,125	29,035	36,286	42,259	50,563
Change (%)	28.9	11.1	25.0	16.5	19.6

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

Balance Sheet					(INR Million)
Y/E March	2009	2010	2011	2012E	2013E
Share Capital	5,051	5,051	6,353	6,353	6,353
Equity Share Capital	5,051	5,051	5,243	5,243	5,243
Preference Share Capital	0	0	1,110	1,110	1,110
Reserves & Surplus	82,352	99,187	121,292	131,940	150,034
Net Worth	87,404	104,238	127,645	138,293	156,388
Of which Equity Networth	87,404	104,238	126,535	137,183	155,278
Deposits	1,387,028	1,700,397	2,024,613	2,308,059	2,723,509
Change (%)	33.5	22.6	19.1	14.0	18.0
of which CASA Dep	417,112	539,570	643,072	718,551	815,544
Change (%)	15.2	29.4	19.2	11.7	13.5
Borrowings	87,749	92,153	133,160	155,412	171,963
Other Liabilities & Prov.	47,574	54,830	74,427	90,400	109,472
Total Liabilities	1,609,755	1,951,619	2,359,844	2,692,164	3,161,332
Current Assets	159,849	157,767	200,984	168,717	207,942
Investments	429,970	544,035	583,991	700,790	840,948
Change (%)	27.1	26.5	7.3	20.0	20.0
Loans	965,342	1,193,153	1,509,861	1,751,439	2,031,669
Change (%)	30.0	23.6	26.5	16.0	16.0
Fixed Assets	23,352	23,055	22,928	22,826	22,703
Other Assets	31,242	33,609	42,080	48,392	58,070
Total Assets	1,609,755	1,951,619	2,359,844	2,692,164	3,161,332

Asset Quality					(%)
GNPA (INR M)	19,234	26,709	36,228	53,012	62,788
NNPA (INR M)	3,259	9,653	18,034	29,939	34,691
GNPA Ratio	1.96	2.21	2.37	2.99	3.05
NNPA Ratio	0.34	0.81	1.19	1.71	1.71
PCR (Excl Tech. write off)	80.5	61.5	49.0	43.5	44.7
PCR (Incl Tech. Write off)	87.5	74.0	67.6	62.1	60.9

E: MOSL Estimates

Financials and Valuation

Ratios					
Y/E March	2009	2010	2011	2012E	2013E
Spreads Analysis (%)					
Avg. Yield-Earning Assets	9.3	8.2	8.5	9.2	9.0
Avg. Yield on Loans	10.4	9.0	8.9	9.8	9.5
Avg. Yield on Investments	7.4	7.2	7.1	7.1	7.1
Avg. Cost-Int. Bear. Liab.	6.2	5.6	5.2	6.1	6.0
Avg. Cost of Deposits	6.1	5.5	5.1	6.1	6.0
Interest Spread	3.1	2.6	3.3	3.0	2.9
Net Interest Margin	3.0	2.6	3.2	3.0	3.0
Profitability Ratios (%)					
RoE	27.2	26.2	20.9	12.2	18.2
RoA	1.2	1.2	1.0	0.6	0.8
Int. Expense/Int.Income	67.9	68.5	62.2	67.4	66.9
Fee Income/Net Income	19.0	19.8	16.5	16.0	15.6
Non Int. Inc./Net Income	28.0	32.0	24.7	23.7	23.7
Efficiency Ratios (%)					
Cost/Income*	44.5	44.8	50.7	47.6	46.0
Empl. Cost/Op. Exps.	52.0	54.0	65.8	63.7	63.3
Busi. per Empl. (INR m)	75.1	94.4	115.8	125.7	139.3
NP per Empl. (INR lac)	6.3	7.5	7.5	4.7	7.5
* ex treasury					
Asset-Liability Profile (%)					
Loans/Deposit Ratio	69.6	70.2	74.6	75.9	74.6
CASA Ratio	30.1	31.7	31.8	31.1	29.9
Investment/Deposit Ratio	31.0	32.0	28.8	30.4	30.9
G-Sec/Investment Ratio	81.7	78.7	79.6	85.6	84.2
CAR	13.3	12.5	13.0	12.2	11.5
Tier1	8.2	7.9	8.7	8.2	8.0
Valuation					
Book Value (INR)	139.7	174.4	211.3	232.4	267.7
Change (%)	25.4	24.9	21.2	10.0	15.2
Price-BV (x)	1.5	1.2	1.0	0.9	0.8
Adjusted BV (INR)	135.5	161.9	189.0	195.3	224.7
Price-ABV (x)	1.5	1.3	1.1	1.1	0.9
EPS (INR)	34.2	41.1	39.7	27.1	45.4
Change (%)	24.5	20.2	-3.3	-31.6	67.3
Price-Earnings (x)	6.0	5.0	5.2	7.6	4.6
Dividend Per Share (INR)	5.0	5.5	8.0	5.2	8.6
Dividend Yield (%)	2.4	2.7	3.9	2.5	4.2

E: MOSL Estimates

N O T E S

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