

Bank of Baroda

BSE Sensex 19,751	S&P CNX 5,987
Bloomberg	BOB IN
Equity Shares (m)	412.4
M.Cap. (INR b)/(USD b)	330.7/6.2
52-Week Range (INR)	900/606
1,6,12 Rel.Perf.(%)	-9/9/-7

Financials & Valuation (INR b)

Y/E March	2013E	2014E	2015E
NII	114.8	133.9	156.8
OP	90.4	105.4	125.4
NP	45.3	51.1	60.9
NIM (%)	2.6	2.6	2.6
EPS (INR)	109.7	123.8	147.6
EPS Gr. (%)	-9.6	12.8	19.2
BV/Sh. (INR)	714.4	819.6	944.7
ABV/Sh. (INR)	652.0	739.2	867.3
ROE (%)	16.4	16.1	16.7
ROA (%)	0.9	0.9	0.9
Payout (%)	16.2	16.2	16.2
Valuation			
P/E(X)	7.3	6.5	5.4
P/BV (X)	1.1	1.0	0.8
P/ABV (X)	1.2	1.1	0.9
Div. Yield (%)	1.9	2.2	2.6

CMP: INR802

TP: INR850

Neutral

- BoB's 3QFY13 PAT was down 22% YoY to INR10.1b (13% below est of INR11.6b) led by moderate loan growth (+15% YoY; domestic loan growth of 11% YoY), global NIMs decline of 6bp QoQ to 2.65% and provisions of INR10.3b (estimate of INR9.4b) due to higher-than-expected slippages. **Key highlights:**
- Net slippages for 3QFY13 increased to INR18b v/s quarterly run-rate of INR11-11.5b in the last three quarters. During the quarter, BoB restructured loans of INR22b, compared to INR15.9b in 2QFY13.
- While overall GNPA's percentage stood at 2.4%, international GNPA's remained low at 0.73% (0.69%), implying GNPA's percentage in domestic book of 3.3%, compared to 2.6% a quarter ago. PCR, both calculated and including technical write-off, declined ~5% QoQ to 54% and 71%.
- **Management guidance:** (1) Loan and deposit growth of 15% and 13-14% respectively, (2) domestic NIMs of 3%+ and (3) pressure on asset quality to continue for next two to three quarters.
- **Other highlights:** (1) capitalization remains strong at 13.8%, with Tier I ratio of 10.5% (including 9M profit), (2) fee income growth was muted YoY, (3) domestic CASA ratio improved marginally to 32.2% v/s 31.8% a quarter ago and (4) Tax rate at 16% (expectation of 25%).

Valuation and view: On the back of higher-than-expected stress on asset quality and lower margins and fees, we cut our earnings estimate by 5-7% for FY13E/15E. While valuations are reasonable, it needs to be seen in the context of expected fall in RoA/RoE in FY13/FY14/FY15. Maintain **Neutral**.

Bank of Baroda: Quarterly Performance

	(INR Million)									
	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	66,318	72,514	76,720	81,185	85,576	87,226	88,449	91,191	296,737	352,442
Interest Expense	43,346	46,845	50,165	53,211	57,595	58,603	60,040	61,417	193,567	237,655
Net Interest Income	22,972	25,669	26,555	27,974	27,981	28,623	28,409	29,774	103,170	114,787
% Change (YoY)	23.6	25.9	15.8	7.0	21.8	11.5	7.0	6.4	17.2	11.3
Other Income	6,409	7,343	11,493	8,978	7,708	8,283	8,406	9,954	34,223	34,351
Net Income	29,380	33,013	38,048	36,952	35,689	36,906	36,815	39,729	137,393	149,138
Operating Expenses	11,198	11,743	12,097	16,550	13,281	13,205	14,380	17,888	51,587	58,753
Operating Profit	18,183	21,270	25,952	20,402	22,407	23,701	22,435	21,841	85,806	90,385
% Change (YoY)	19.0	28.4	40.2	4.9	23.2	11.4	-13.6	7.1	22.9	5.3
Other Provisions	3,911	4,834	8,367	8,437	8,938	6,464	10,293	6,671	25,548	32,366
Profit before Tax	14,272	16,436	17,585	11,965	13,469	17,237	12,142	15,170	60,258	58,019
Tax Provisions	3,944	4,775	4,686	-3,217	2,081	4,223	2,026	4,434	10,188	12,764
Net Profit	10,328	11,661	12,899	15,182	11,389	13,014	10,116	10,736	50,070	45,255
% Change (YoY)	20.2	14.4	20.7	17.3	10.3	11.6	-21.6	-29.3	18.0	-9.6
Operating Parameters										
NIM (Reported, %)	2.9	3.1	3.0	3.0	2.7	2.7	2.7		3.0	
NIM (Calculated, %)	2.7	2.9	2.9	2.8	2.6	2.6	2.5	2.5	2.8	2.6
Deposit Growth (%)	22.9	22.1	24.0	26.0	22.3	24.0	18.8	14.0	26.0	14.0
Loan Growth (%)	25.2	23.9	25.8	25.7	23.0	22.2	14.8	15.0	25.7	15.0
CASA Ratio (%)	33.9	34.0	34.1	33.2	32.2	31.8	32.2		33.2	
Tax Rate (%)	27.6	29.1	26.6	-26.9	15.4	24.5	16.7	29.2	16.9	22.0
Asset Quality										
OSRL (INR B)	92.4	98.4	116.6	171.4	179.8	195.8	205.0		171.4	
OSRL (%)	4.0	4.1	4.5	6.0	6.3	6.7	6.8		6.0	
Gross NPA (INR B)	34.3	34.0	39.0	44.6	53.2	58.8	73.2	84.5	44.6	84.5
Gross NPA (%)	1.5	1.4	1.5	1.5	1.8	2.0	2.4	2.5	1.5	2.5

E: MOSL Estimates

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Quarterly performance: Below estimate (INR m)

Y/E March	3QFY13A	3QFY13E	Var. (%)	Comments
Net Interest Income	28,409	30,358	-6	Domestic NIM declined QoQ and loan growth was moderate
% Change (Y-o-Y)	7	14		
Other Income	8,406	8,536	-2	Muted fee income growth
Net Income	36,815	38,893	-5	
Operating Expenses	14,380	14,193	1	
Operating Profit	22,435	24,700	-9	
% Change (Y-o-Y)	-14	-5		
Other Provisions	10,293	9,377	10	Net slippages increase significantly QoQ -ve surprise
Profit before Tax	12,142	15,323	-21	
Tax Provisions	2,026	3,754	-46	Tax rate of 16% v/s expectation of 25%
Net Profit	10,116	11,569	-13	Lower than exp. NII and higher provisions led to under-performance
% Change (Y-o-Y)	-22	-10		

Source: Company, MOSL

Restructured loans of INR22b during the quarter

During the quarter, BoB restructured loans of INR22b (73bp of overall loans), of which loans restructured in domestic operations were at INR15.9b (80bp of domestic loans) and the balance INR6.1b in international operations (60bp of international loans), compared to INR15.9b (of which INR6.5b in international) in 2QFY13. Hence, outstanding standard domestic restructured portfolio stood at INR157.7b (or 7.8% of domestic loans). Including INR47b (4.8% of overseas loans) of overseas restructured portfolio, the overall standard restructured portfolio stood at INR205b, 6.8% of global loans. Management mentioned that net of repayment, domestic restructured loan portfolio would be INR110b (i.e. 5.3% of domestic loans).

In the large corporate segment, net restructured loan portfolio increased by INR13.9b (now at INR140b; and forms 77% of restructured portfolio) QoQ, whereas in the SME segment, it increased by INR1.8b (now at INR26b; and forms 14.2% of restructured portfolio). Ex-Air India (INR24b) and SEBs (INR33.7b), domestic standard restructured loan portfolio stood at ~INR100b, 5% of domestic loans. Bank's overall SEBs exposure is at INR62b.

Net slippages increase significantly QoQ - a negative surprise; guidance remains cautious

Net slippages increased significantly to INR18b (annualized net slippage ratio of 2.8%, compared to 1.9% a quarter ago and 1.1% in FY12). Management mentioned that slippages were broad-based and the largest account was of INR2-3b.

GNPAs in absolute terms increased by 25% QoQ and NNPA's were up 41% QoQ. In percentage terms, GNPAs and NNPA's stood at 2.4% and 1.1%, compared to 2% and 0.8% a quarter ago. PCR (cal) declined to 54%, compared to 59% in 2QFY13 and PCR (including technical write-off) declined as well to 71%, compared to 75.7% a quarter ago - but still remains as one of the best among peers. Segmental GNPAs saw the sharpest increase in large and mid-corporate segment, as GNPAs (%) doubled to 3.27% (1.63% in 2QFY13), with SME and agri NPAs increasing 48bp QoQ and 31bp QoQ to 4% and 4.9% respectively.

Higher slippages impacted domestic NIMs - down 15bp QoQ

Reported domestic margin declined 15bp QoQ to 3.1% led by higher slippages and reduction in lending rate, which translated into 18bp QoQ decline in yield on loans to 11.6%. Cost of deposits declined marginally by 3bp QoQ. In the period of expected pressure on lending yields, management expects to maintain domestic NIMs at 3%+ led by reduction in cost of deposits.

Bank has reduced the proportion of bulk deposits (preferential rate deposits) from 21% in FY12 to 14% at end-3QFY13 and expects it bring it down to 8% of deposits, which would help to reduce the cost of deposit and hence support NIMs. International NIMs improved 4bp QoQ to 1.58%, providing cushion to global NIMs where the decline was contained to just 6bp QoQ (2.65% compared to 2.71% a quarter ago).

Loan growth moderates; CASA ratio improves marginally

While the global loan book grew 15% YoY (+2% QoQ) to INR3t, domestic loans' growth moderated further to 11.6% (flat YTD). Meanwhile, overseas loans grew 22% YoY and 5% QoQ. Thus, the proportion of international loans in overall loans increased further to 33%, compared to 32% a quarter ago, 29.7% in FY12 and 26% in FY11.

Global deposits grew by 19% YoY (+1.6% QoQ), of which domestic deposits grew by 16% YoY (+1% QoQ). Hence, domestic CD ratio remained low at 68.1% (v/s 67.8% in 2QFY13). Domestic CASA grew 2.4% QoQ and 9% YoY led by SA deposit growth of 2.7% QoQ and 11% YoY. CA deposit growth was muted QoQ and grew just 4% YoY. Overall CASA ratio improved to 32.2%, compared to 31.8% a quarter ago.

Valuation and view

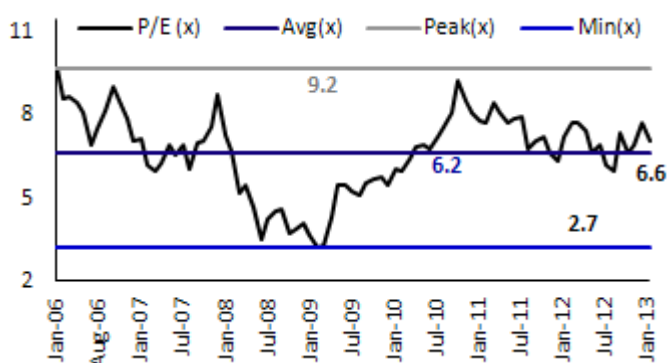
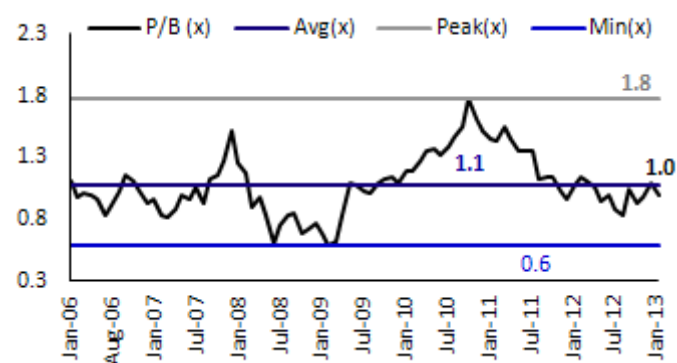
Stress on asset quality has increased over the past few quarters, with 3QFY13 net slippages being a negative surprise. While overall GNPA's (%) have increased by just 90bp since FY12, it has been helped by strong performance in international operations. Domestic GNPA's seem to have increased to 3.3%, compared to ~1.9% in FY12, indicating the stress built up in domestic operations. Further, domestic restructured loan book ex-Air India and SEBs also is at 5% of overall loans - in-line or marginally higher than peers.

On the back of higher-than-expected stress on asset quality and lower margins and fees, we cut our earnings estimate by 5-7% for FY13E/15E. We expect earnings growth of 16% over FY13/15E and RoA is expected to be 0.9%. We expect the bank to report EPS of INR110/124/148 and BV of INR714/820/945 for FY13E/14E/15E. The stock trades at 1x FY14E BV and 0.8x FY15E BV. While valuations are reasonable, it needs to be seen in the context of expected fall in RoA/RoE in FY13/FY14/FY15. Near term headwinds are (a) top management change and (b) challenging macros leading to higher slippages. Maintain **Neutral** with a target price of INR850 (0.9x FY15E BV).

We downgrade our earnings estimates by 5-7% (INR b)

	Old			Revised			Change (%)		
	FY13	FY14	FY15	FY13	FY14	FY15	FY13	FY14	FY15
Net Interest Income	119.6	140.5	163.8	114.8	133.9	156.8	-4.0	-4.7	-4.3
Other Income	34.3	40.3	46.9	34.4	39.3	45.7	0.3	-2.4	-2.7
Total Income	153.8	180.8	210.8	149.1	173.3	202.5	-3.0	-4.2	-3.9
Operating Expenses	59.5	68.0	78.2	58.8	67.9	77.1	-1.3	-0.2	-1.4
Operating Profits	94.3	112.8	132.6	90.4	105.4	125.4	-4.1	-6.6	-5.4
Provisions	32.6	39.0	47.0	32.4	37.3	44.2	-0.7	-4.3	-5.9
PBT	61.7	73.8	85.6	58.0	68.1	81.2	-5.9	-7.7	-5.1
Tax	13.9	18.4	21.4	12.8	17.0	20.3	-8.0	-7.7	-5.1
PAT	47.8	55.3	64.2	45.3	51.1	60.9	-5.3	-7.7	-5.1
Margins (%)	2.7	2.6	2.6	2.6	2.6	2.6			
Credit Cost (%)	1.0	1.0	1.0	1.0	1.0	1.0			
RoA (%)	1.0	1.0	0.9	0.9	0.9	0.9			
RoE (%)	17.3	17.3	17.3	16.4	16.1	16.7			

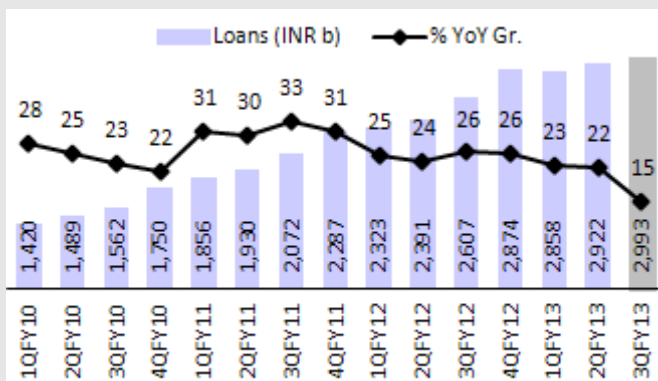
Source: MOSL

Bank of Baroda: One year forward P/E**Bank of Baroda: One year forward P/BV****Dupont Analysis: Return ratio to moderate led by lower margins and higher credit cost (%)**

Y/E March	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13E	FY14E	FY15E
Net Interest Income	3.3	2.9	2.8	2.4	2.5	2.4	2.8	2.6	2.4	2.4	2.4
Fee income	0.6	0.6	0.6	0.5	0.6	0.6	0.5	0.4	0.4	0.4	0.4
Fee to core Income (%)	14.4	16.3	17.0	18.3	19.3	19.0	15.2	14.9	13.9	13.2	13.0
Core Income	3.9	3.5	3.4	3.0	3.1	2.9	3.3	3.0	2.8	2.8	2.8
Operating Expenses	2.2	2.3	2.0	1.9	1.8	1.5	1.5	1.3	1.2	1.2	1.2
Cost to Core Income	57.0	65.2	59.0	63.4	56.4	51.9	44.6	42.6	44.1	44.0	42.8
Employee cost	1.5	1.5	1.3	1.2	1.2	0.9	0.9	0.7	0.7	0.7	0.7
Other operating expenses	0.7	0.8	0.7	0.7	0.6	0.6	0.5	0.5	0.5	0.5	0.5
Core operating Profits	1.7	1.2	1.4	1.1	1.4	1.4	1.8	1.7	1.6	1.6	1.6
Trading and others	0.9	0.6	0.5	0.7	0.8	0.6	0.4	0.4	0.3	0.3	0.3
Operating Profits	2.6	1.8	1.9	1.8	2.1	2.0	2.2	2.1	1.9	1.9	1.9
Provisions	1.6	1.0	0.6	0.4	0.5	0.3	0.4	0.6	0.7	0.7	0.7
NPA provisions	0.5	0.3	0.1	0.3	0.1	0.4	0.3	0.4	0.6	0.6	0.6
Other Provisions	1.1	0.7	0.5	0.2	0.3	-0.1	0.1	0.2	0.1	0.0	0.0
PBT	1.0	0.9	1.3	1.4	1.6	1.7	1.8	1.5	1.2	1.2	1.2
Tax	0.2	0.1	0.5	0.5	0.5	0.5	0.4	0.3	0.3	0.3	0.3
Tax Rate	21.6	7.3	37.9	35.0	33.4	27.8	24.9	16.9	22.0	25.0	25.0
RoA	0.8	0.8	0.8	0.9	1.1	1.2	1.3	1.2	0.9	0.9	0.9
Leverage (x)	17.6	16.1	16.1	17.8	19.0	19.7	18.9	17.8	17.4	17.5	18.0
RoE	13.2	12.8	12.9	15.8	20.9	23.9	25.2	22.1	16.4	16.1	16.7

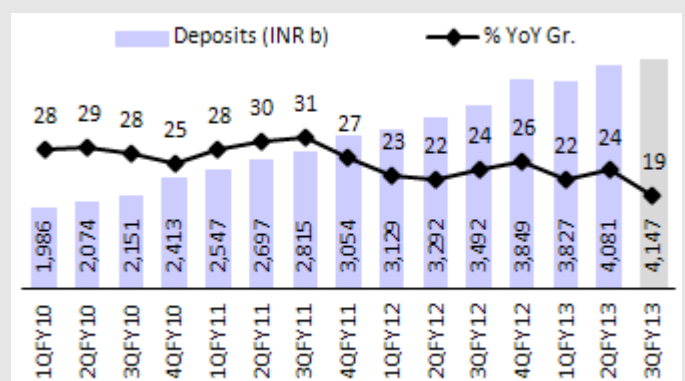
Quarterly trends

Loan growth moderates; dom. Loan gr. at 12% YoY



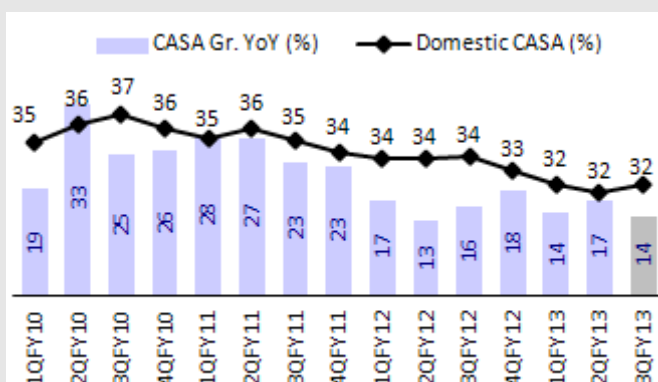
■ Incremental contribution of international loans to overall loans has been at 54%+ since FY11, as a results share of international loan has increased significantly.

Shedding of bulk deposits led to moderation in deposit growth



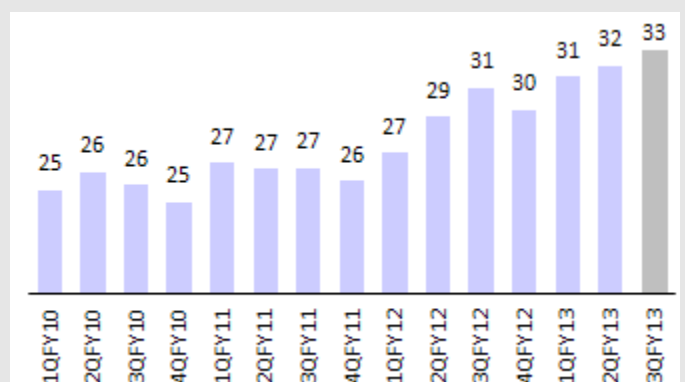
■ Global deposits grew by 19% YoY (+1.6% QoQ), of which domestic deposits grew by 16% YoY (+1% QoQ).

Domestic CASA ratio improves QoQ



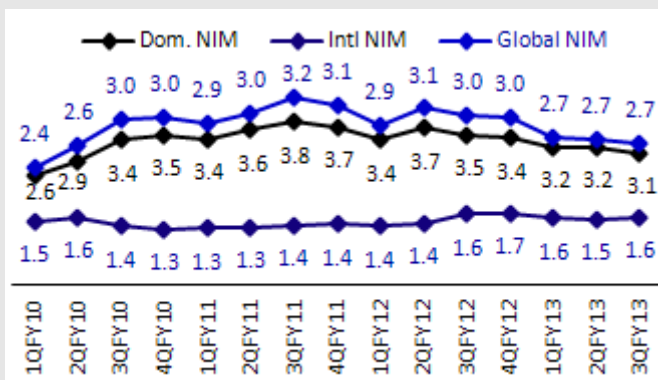
■ Domestic CASA grew 2.4% QoQ and 9% YoY led by SA deposit growth of 2.7% QoQ and 11% YoY.

Domestic CD ratio remains below optimum level (%)



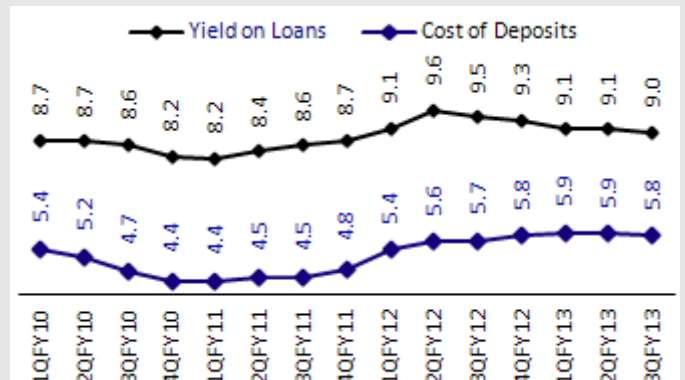
■ Cautious stance towards growth has led to excess liquidity being builds up in the balance sheet which can aid margins

Domestic NIM declined 15bp QoQ - a negative surprise



■ Reported domestic margin declined 15bp QoQ to 3.1% led by pressure on yield on loan

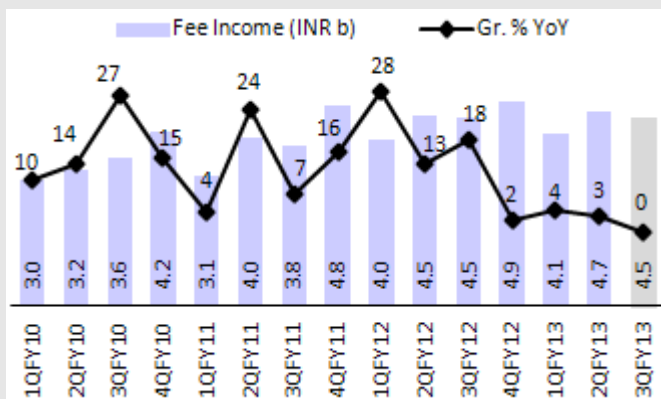
Lending yields under pressure (%)



■ Reduction in base rate and higher slippages have translated into 18bp QoQ decline in domestic YoL, as a result overall yield were lower

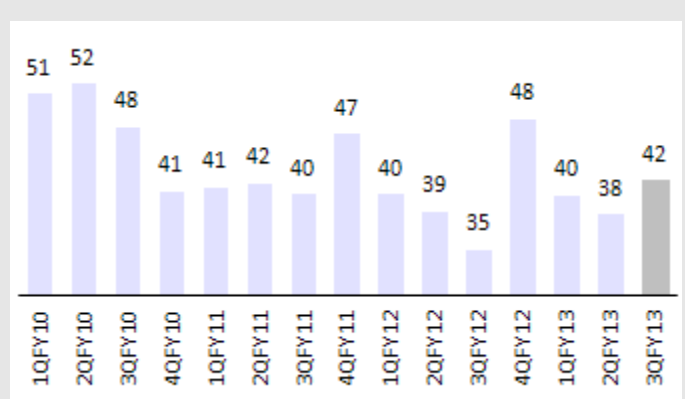
Quarterly trends (continued)

Muted fee income performance



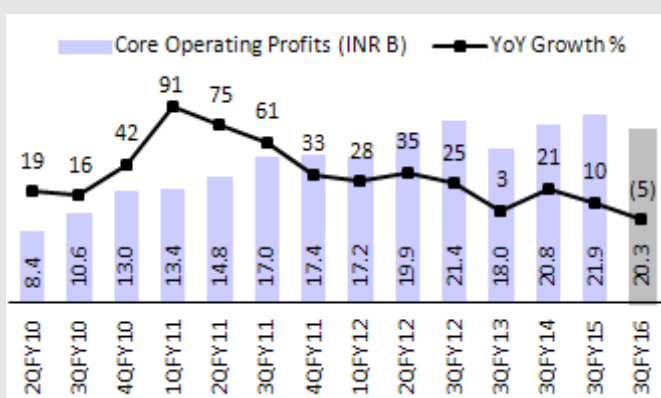
■ Moderation in domestic loan growth has increased pressure on fees

Cost to core income ratio increases QoQ (%)



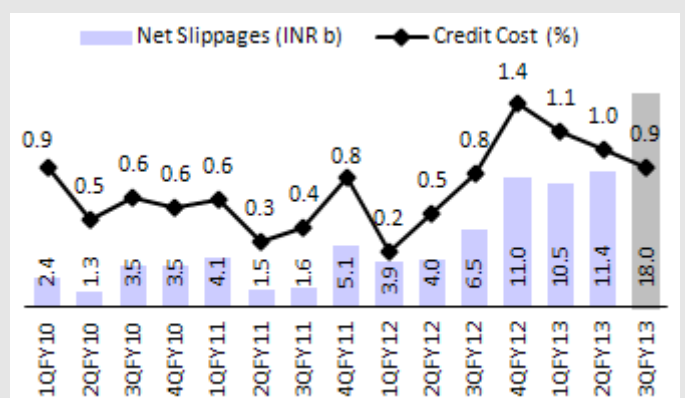
■ Weak core income performance coupled with increase in employee expense QoQ, led to increase in cost to core income ratio

Core operating profit growth on a downward trend



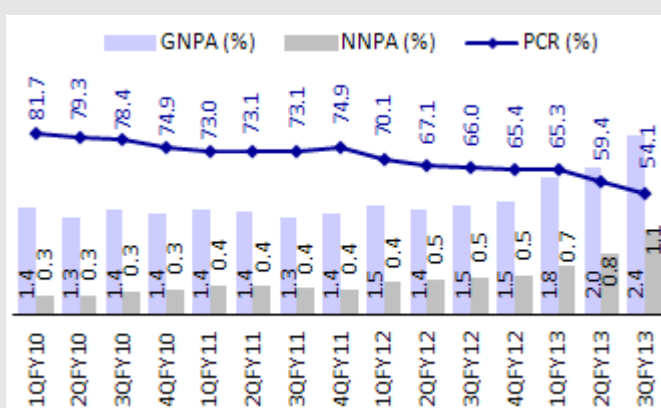
■ Pressure on NIMs (30bp+ YoY decline in global NIMs) and weak fee income growth has led to lower core operating profit growth

Net slippages increase significantly - a negative surprise



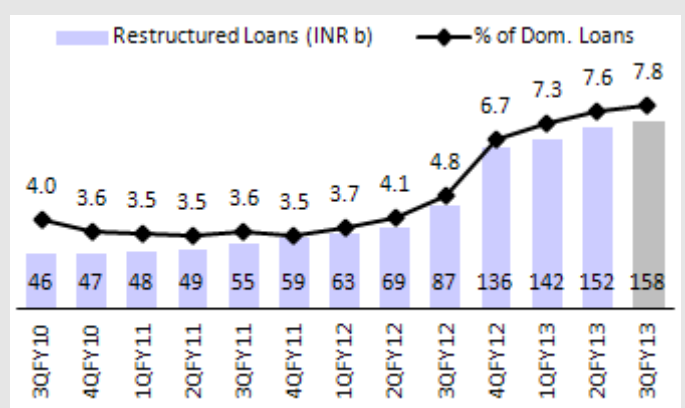
■ Of the overall slippages INR10b was on account of loans already restructured; largest account that slipped during the quarter was of INR2-3b

GNPA up 25% QoQ; PCR decline 5% QoQ



■ Sharp increase in net slippages led to GNPA increase of 25% QoQ, whereas NNPA was up 41% QoQ as bank compromised on PCR

Restructure in 3QFY13: INR15.9b-domestic; INR6.1b-overseas



■ Overall restructured loan portfolio (including overseas) stood at INR205b (6.8% of global loans)

Quarterly Snapshot (INR m)

	FY12				FY13			Variation (%)		Cumulative Numbers		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	QoQ	YoY	9MFY12	9MFY13	YoY Gr (%)
Profit and Loss												
Net Interest Income	22,972	25,669	26,555	27,974	27,981	28,623	28,409	-1	7	75,196	85,013	13
Other Income	6,409	7,343	11,493	8,978	7,708	8,283	8,406	1	-27	25,245	24,397	-3
Trading profits	740	102	3,855	1,370	815	1,120	1,356	21	-65	4,697	3,291	-30
Forex Income	1,400	1,473	2,407	1,632	1,921	1,832	1,804	-2	-25	5,281	5,556	5
Recoveries	288	1,220	711	1,064	830	655	736	12	3	2,219	2,221	0
Others (Non core)	3,981	4,549	4,520	4,912	4,142	4,676	4,510	-4	0	13,049	13,329	2
Total Income	29,380	33,013	38,048	36,952	35,689	36,906	36,815	0	-3	100,441	109,410	9
Operating Expenses	11,198	11,743	12,097	16,550	13,281	13,205	14,380	9	19	35,037	40,866	17
Employee	6,454	6,466	6,740	10,196	7,610	7,512	7,982	6	18	19,660	23,104	18
Others	4,744	5,277	5,356	6,354	5,671	5,693	6,398	12	19	15,377	17,762	16
Operating Profits	18,183	21,270	25,952	20,402	22,407	23,701	22,435	-5	-14	65,404	68,544	5
Provisions	3,911	4,834	8,367	8,437	8,938	6,464	10,293	59	23	17,111	25,695	50
NPA provisions	1,320	2,981	5,089	9,262	8,121	7,229	6,338	-12	25	9,390	21,688	131
Provisions on Invst.	1,385	1,450	2,241	-2,713	760	-1,340	723	-154	-68	5,076	143	N.A.
Others	1,206	402	1,037	1,888	57	575	3,232	462	212	2,645	3,864	46
PBT	14,272	16,436	17,585	11,965	13,469	17,237	12,142	-30	-31	48,293	42,849	-11
Taxes	3,944	4,775	4,686	-3,217	2,081	4,223	2,026	-52	-57	13,405	8,330	-38
PAT	10,328	11,661	12,899	15,182	11,389	13,014	10,116	-22	-22	34,888	34,519	-1
Ratios (%)												
Fees to Total Income	13.5	13.8	11.9	13.3	11.6	12.7	12.3			13.0	12.2	
Cost to Core Income	41.5	38.9	38.9	50.3	41.3	39.7	43.7			39.7	41.6	
Tax Rate	27.6	29.1	26.6	-26.9	15.4	24.5	16.7			27.8	19.4	
CASA Reported	33.9	34.0	34.1	33.2	32.2	31.8	32.2					
Loan/Deposit	74.2	72.6	74.6	74.7	74.7	71.6	72.2					
Domestic Loan/ Deposit	71.3	69.1	70.7	72.1	70.5	67.8	68.1					
CAR	13.1	12.7	13.5	14.7	13.7	12.9	12.7					
Tier I	9.1	8.8	9.3	10.8	10.1	9.6	9.3					
Margins Global (%)												
Yield on loans	9.1	9.6	9.5	9.3	9.1	9.1	9.0	-11	-49	9.4	9.0	-36
Yield On Investments	7.5	7.6	7.7	7.5	7.7	7.8	7.8	-4	8	7.6	7.8	18
Cost of Deposits	5.4	5.6	5.7	5.8	5.9	5.9	5.8	-3	17	5.5	5.9	31
Margins	2.9	3.1	3.0	3.0	2.7	2.7	2.7	-6	-34	3.0	2.7	-28
Margins - Domestic (%)												
Yield on loans	11.2	12.1	12.0	11.7	11.7	11.8	11.6	-18	-44	11.8	11.7	-14
Yield On Investments	7.6	7.7	7.8	7.7	7.8	8.2	7.9	-30	9	7.7	8.0	26
Cost of Deposits	6.4	6.8	6.9	7.2	7.3	7.4	7.3	-3	43	6.7	7.3	61
Margins	3.4	3.7	3.5	3.4	3.2	3.2	3.1	-15	-43	3.5	3.2	-35
Margins - Overseas (%)												
Yield on loans	3.4	3.4	3.6	3.8	3.5	3.5	3.4	-8	-19	3.5	3.5	2
Yield On Investments	4.9	4.2	4.9	3.8	4.9	4.6	4.7	3	-23	4.7	4.7	7
Cost of Deposits	1.8	1.8	2.0	1.7	1.9	1.7	1.6	-12	-35	1.9	1.7	-13
Margins	1.4	1.4	1.6	1.7	1.6	1.5	1.6	4	-6	1.5	1.6	8
Franchise												
Branches	3,409	3,492	3,691	3,993	4,006	4,117	4,231					
ATM	1,657	1,800	1,838	2,012	2,130	2,230	2,288					

For %age change QoQ and YoY is bps

Source: Company, MOSL

Quarterly Snapshot

	FY11				FY12				FY13			Var. (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	QoQ	YoY
Balance Sheet (INR b)													
Deposits	2,547	2,697	2,815	3,054	3,129	3,292	3,492	3,849	3,827	4,081	4,147	2	19
Domestic	1,962	2,060	2,154	2,333	2,365	2,447	2,550	2,801	2,778	2,929	2,954	1	16
Overseas	585	637	661	721	764	845	942	1,047	1,049	1,153	1,193	4	27
Loans	1,856	1,930	2,072	2,287	2,323	2,391	2,607	2,874	2,858	2,922	2,993	2	15
Domestic	1,357	1,417	1,520	1,694	1,686	1,690	1,802	2,021	1,960	1,987	2,012	1	12
Overseas	499	512	552	593	637	701	804	853	898	935	981	5	22
CASA	748	798	820	876	872	902	948	1,035	998	1,053	1,079	3	14
Domestic	691	739	756	802	802	833	868	929	896	930	952	2	10
Overseas	57	59	64	74	70	69	80	106	102	123	127	4	60
Savings Deposits	561	593	615	645	657	685	718	746	756	778	800	3	11
Domestic	548	580	601	630	642	670	702	726	735	758	779	3	11
Overseas	13	14	14	15	15	15	17	20	20	20	21	4	25
Current Deposits	187	205	205	231	216	216	230	289	242	274	280	2	22
Domestic	143	160	155	172	161	162	167	204	160	172	173	1	4
Overseas	44	45	49	59	55	54	63	86	82	103	107	4	69
Loan Break Up													
Retail Loans	250	272	296	324	309	299	310	357	329	342	354	3	14
of which Housing	108	113	119	125	129	133	137	141	145	148	152	3	11
Agriculture	211	216	231	245	232	220	259	290	278	257	287	12	11
SME	216	235	253	274	284	301	321	345	343	369	391	6	22
Other loan	1,179	1,207	1,292	1,443	1,498	1,570	1,716	1,882	1,908	1,953	1,961	0	14
Asset Quality													
GNPA	26.6	27.2	27.7	31.5	34.3	34.0	39.0	44.6	53.2	58.8	73.2	25	88
NNPA	7.2	7.3	7.4	7.9	10.2	11.2	13.3	15.4	18.4	23.8	33.6	41	154
GNPA (%)	1.4	1.4	1.3	1.4	1.5	1.4	1.5	1.5	1.8	2.0	2.4	43	93
NNPA (%)	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.7	0.8	1.1	30	61
PCR (Calculated, %)	73.0	73.1	73.1	74.9	70.1	67.1	66.0	65.4	65.3	59.4	54.1	-537	N.A.
PCR (Reported, %)	85.7	85.6	85.5	85.0	82.5	82.0	80.5	80.1	79.0	75.7	70.9	-484	N.A.
Movement in NPA													
Opening	24.0	26.6	27.2	27.6	31.4	34.1	33.9	38.8	44.6	53.2	58.8		
Additions	6.7	2.9	2.8	6.7	5.8	5.8	9.5	13.2	13.1	14.2	20.0	41	110
Deductions	4.1	2.3	2.4	2.8	3.1	6.1	4.6	7.5	4.5	8.6	5.6	-35	21
Of Which :													
Due to write Off	1.6	0.9	1.2	1.3	1.1	4.2	1.6	5.3	2.0	5.8	3.5	-39	128
Due to Upgradation	1.1	0.4	0.1	0.5	0.7	0.4	1.7	0.6	1.3	1.0	1.0	-2	-39
Due to Recoveries	1.4	1.0	1.1	1.1	1.3	1.5	1.4	1.7	1.2	1.7	1.0	-42	-27
Closing	26.6	27.2	27.6	31.4	34.1	33.9	38.8	44.5	53.2	58.8	73.2		
Net Slippages	4.1	1.5	1.6	5.1	3.9	4.0	6.5	11.0	10.5	11.4	18.0	58	177
Net Slippage Ratio (%)	1.2	0.4	0.4	1.2	0.8	0.8	1.3	1.9	1.8	1.9	2.8	85	151
Credit Cost (%)	0.6	0.3	0.4	0.8	0.2	0.5	0.8	1.4	1.1	1.0	0.9	-14	4
Restructured loans	66.0	66.9	72.8	88.7	92.4	98.4	116.6	171.4	179.8	195.8	205.0	5	8,838
% of Loans	3.6	3.5	3.5	3.9	4.0	4.1	4.5	6.0	6.3	6.7	6.8	15	238

For %age change QoQ and YoY is bp

Source: Company, MOSL

Stock Info

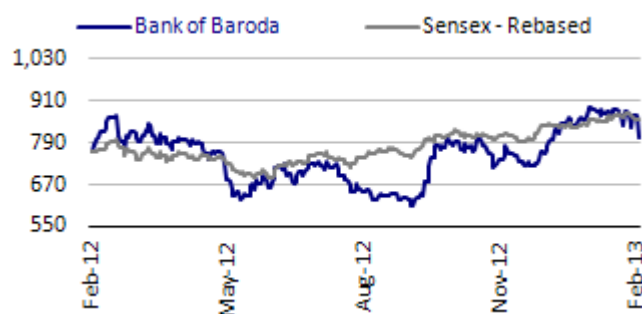
EPS: MOSL forecast v/s consensus (INR)

	MOSL Forecast	Consensus Forecast	Variation (%)
FY13	109.7	120.3	-8.8
FY14	123.8	140.3	-11.8

Shareholding pattern (%)

	Dec-12	Sep-12	Dec-11
Promoter	54.3	54.3	57.0
Domestic Inst	18.8	19.1	17.2
Foreign	16.6	15.4	14.1
Others	10.3	11.3	11.7

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	
ICICIB*	Buy	1,182	25.6	87	105	11.1	9.0	512	580	1.9	1.6	1.7	1.7	16.3	17.3	1.4
HDFCB	Neutral	645	28.6	37	46	17.5	13.9	177	212	3.7	3.0	1.9	1.9	22.7	23.8	0.7
AXSB	Buy	1,481	11.8	143	168	10.4	8.8	755	897	2.0	1.7	1.7	1.7	20.4	20.3	1.1
KMB*	Neutral	674	9.4	34	41	14.4	11.5	143	167	3.4	2.8	1.7	1.7	15.8	16.5	0.1
YES	Buy	526	3.5	46	57	11.4	9.3	201	248	2.6	2.1	1.6	1.6	25.4	25.3	0.8
IIB	Buy	435	4.3	26	33	16.7	13.3	164	192	2.6	2.3	1.7	1.8	17.0	18.4	0.5
VYSB	Buy	590	1.7	44	51	13.3	11.5	330	373	1.8	1.6	1.1	1.0	14.3	14.6	0.7
FB	Buy	507	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	1,394	1.3	241	276	5.8	5.1	1,200	1,411	1.2	1.0	1.5	1.5	21.8	21.1	2.4
SIB	Buy	27	0.3	4.0	4.6	6.7	5.8	25	28	1.1	1.0	1.1	1.0	17.6	17.5	2.2
Private Aggregate			88.1			13.9	11.5			2.4	2.1					
SBIN (cons)*	Buy	2,352	29.7	318	382	7.0	5.8	2,039	2,357	1.1	0.9	1.0	1.0	17.2	17.8	1.5
PNB	Buy	883	5.6	175	210	5.0	4.2	1,046	1,220	0.8	0.7	1.1	1.1	18.0	18.6	2.5
BOI	Neutral	342	3.7	59	67	5.8	5.1	417	472	0.8	0.7	0.7	0.7	14.9	15.1	2.0
BOB	Neutral	802	6.2	124	148	6.5	5.4	820	945	1.0	0.8	0.9	0.9	16.1	16.7	2.1
CBK	Buy	456	3.8	80	97	5.7	4.7	585	666	0.8	0.7	0.8	0.8	14.6	15.5	2.4
UNBK	Buy	240	2.5	50	59	4.8	4.1	296	339	0.8	0.7	0.8	0.9	18.1	18.6	3.3
IOB	Neutral	78	1.2	13	15	6.1	5.1	151	162	0.5	0.5	0.4	0.4	8.7	9.7	5.8
OBC	Buy	313	1.7	57	68	5.5	4.6	459	511	0.7	0.6	0.8	0.8	12.9	14.0	2.5
INBK	Buy	197	1.6	42	49	4.7	4.0	276	314	0.7	0.6	1.0	1.0	15.8	16.3	3.8
CRPDK	Neutral	431	1.2	107	123	4.0	3.5	714	808	0.6	0.5	0.8	0.8	15.9	16.2	4.8
ANDB	Buy	106	1.1	26	31	4.1	3.5	170	194	0.6	0.5	0.9	1.0	16.1	17.0	5.2
IDBI	Neutral	102	2.5	18	21	5.6	4.8	163	179	0.6	0.6	0.7	0.7	11.7	12.5	3.4
DBNK	Neutral	104	0.7	28	32	3.7	3.2	169	198	0.6	0.5	0.9	0.8	17.8	17.6	2.9
Public Aggregate			61.4			6.7	5.7			1.0	0.8					
HDFC*	Buy	798	23.0	38	45	14.5	11.2	126	147	4.3	3.4	2.9	2.9	30.1	30.3	1.4
LICF	Buy	285	2.7	26	32	10.8	8.8	150	175	1.9	1.6	1.5	1.5	19.0	20.0	1.3
DEWH	Buy	205	0.5	49	60	4.2	3.4	219	271	0.9	0.8	1.4	1.3	21.7	22.6	1.7
IDFC	Buy	159	4.5	14	16	11.4	9.7	92	104	1.6	1.4	2.8	2.8	16.5	17.2	1.4
RECL	Buy	248	4.6	44	52	5.6	4.8	208	244	1.2	1.0	3.2	3.2	23.0	23.0	3.0
POWF	Buy	215	5.3	38	46	5.6	4.7	207	239	1.0	0.9	3.0	3.0	19.8	20.4	2.8
SHTF	Buy	773	3.3	80	93	9.7	8.3	393	474	2.0	1.6	2.8	2.7	21.1	20.2	0.8
MMFS	Buy	1,059	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			46.1			11.1	9.4			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 valuation

Income Statement		(INR Million)				
Y/E March	2010	2011	2012	2013E	2014E	2015E
Interest Income	166,983	218,859	296,737	352,442	392,465	461,885
Interest Expense	107,589	130,837	193,567	237,655	258,520	305,047
Net Interest Income	59,395	88,023	103,170	114,787	133,945	156,838
Change (%)	15.9	48.2	17.2	11.3	16.7	17.1
Non Interest Income	28,064	28,092	34,223	34,351	39,329	45,676
Net Income	87,458	116,114	137,393	149,138	173,274	202,514
Change (%)	11.0	32.8	18.3	8.5	16.2	16.9
Operating Expenses	38,106	46,298	51,587	58,753	67,854	77,096
Pre Provision Profits	49,353	69,816	85,806	90,385	105,419	125,418
Change (%)	14.6	41.5	22.9	5.3	16.6	19.0
Provisions (excl tax)	6,972	13,313	25,548	32,366	37,336	44,237
PBT	42,381	56,503	60,258	58,019	68,083	81,182
Tax	11,797	14,086	10,188	12,764	17,021	20,295
Tax Rate (%)	27.8	24.9	16.9	22.0	25.0	25.0
PAT	30,583	42,417	50,070	45,255	51,062	60,886
Change (%)	37.3	38.7	18.0	-9.6	12.8	19.2
Equity Dividend (Incl tax)	6,393	7,534	8,123	7,413	8,364	9,973
Core PPP*	39,118	62,653	76,457	82,036	95,070	113,069
Change (%)	24.5	60.2	22.0	7.3	15.9	18.9

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

Balance Sheet		(INR Million)				
Y/E March	2010	2011	2012	2013E	2014E	2015E
Equity Share Capital	3,655	3,928	4,124	4,124	4,124	4,124
Reserves & Surplus	147,409	206,003	270,645	308,487	351,185	402,098
Net Worth	151,064	209,931	274,769	312,611	355,309	406,222
Deposits	2,412,619	3,054,395	3,848,711	4,387,531	5,089,536	6,107,443
Change (%)	25.4	26.6	26.0	14.0	16.0	20.0
of which CASA Dep	714,675	875,887	1,035,239	1,131,527	1,265,189	1,414,781
Change (%)	25.5	22.6	18.2	9.3	11.8	11.8
Borrowings	133,501	223,079	235,731	282,166	334,732	387,575
Other Liabilities & Prov.	85,983	96,567	114,005	147,053	175,724	210,407
Total Liabilities	2,783,167	3,583,972	4,473,215	5,129,361	5,955,301	7,111,646
Current Assets	354,671	499,341	641,685	658,308	726,866	919,160
Investments	611,824	713,966	832,094	1,040,118	1,248,141	1,497,769
Change (%)	16.7	16.7	16.5	25.0	20.0	20.0
Loans	1,750,353	2,286,764	2,873,773	3,304,839	3,833,613	4,523,663
Change (%)	22.2	30.6	25.7	15.0	16.0	18.0
Fixed Assets	22,848	22,997	23,415	23,849	23,984	23,818
Other Assets	43,472	60,904	102,247	102,247	122,697	147,236
Total Assets	2,783,167	3,583,972	4,473,215	5,129,361	5,955,301	7,111,646

Asset Quality		(%)				
GNPA (INR m)	24,007	31,525	44,648	84,495	116,430	139,677
NNPA (INR m)	6,023	7,909	15,436	39,586	50,979	49,090
GNPA Ratio	1.36	1.36	1.54	2.52	2.99	3.03
NNPA Ratio	0.34	0.35	0.54	1.20	1.33	1.09
PCR (Excl Tech. write off)	74.9	74.9	65.4	53.1	56.2	64.9
PCR (Incl Tech. Write off)	87.0	85.0	80.1	69.1	69.9	75.7

E: MOSL Estimates

Financials and valuation

Ratios						
Y/E March	2010	2011	2012	2013E	2014E	2015E
Spreads Analysis (%)						
Avg. Yield-Earning Assets	7.1	7.4	8.0	7.9	7.6	7.6
Avg. Yield on loans	7.9	8.0	8.7	8.4	8.0	8.0
Avg. Yield on Investments	6.4	7.2	8.0	7.9	7.6	7.6
Avg. Cost-Int. Bear. Liab.	4.7	4.5	5.3	5.4	5.1	5.1
Avg. Cost of Deposits	4.6	4.3	5.1	5.3	5.0	5.0
Interest Spread	2.5	2.9	2.7	2.5	2.4	2.4
Net Interest Margin	2.5	3.0	2.8	2.6	2.6	2.6
Profitability Ratios (%)						
RoE	23.9	25.2	22.1	16.4	16.1	16.7
RoA	1.2	1.3	1.2	0.9	0.9	0.9
Int. Expense/Int. Income	64.4	59.8	65.2	67.4	65.9	66.0
Fee Income/Net Income	18.2	15.4	15.2	16.7	15.0	14.3
Non Int. Inc./Net Income	32.1	24.2	24.9	23.0	22.7	22.6
Efficiency Ratios (%)						
Cost/Income*	49.3	42.5	40.3	41.7	41.6	39.4
Empl. Cost/Op. Exps.	61.7	63.0	57.9	57.3	57.8	57.5
Busi. per Empl. (Rs m)	96.5	118.7	145.5	165.3	179.0	199.5
NP per Empl. (Rs lac)	0.8	1.1	1.2	1.0	1.1	1.2
* ex treasury and RWO						
Asset-Liability Profile (%)						
Loans/Deposit Ratio	72.5	74.9	74.7	75.3	75.3	74.1
CASA Ratio	29.6	28.7	26.9	25.8	24.9	23.2
Investment/Deposit Ratio	25.4	23.4	21.6	23.7	24.5	24.5
G-Sec/Investment Ratio	82.1	84.0	83.3	76.8	74.2	74.2
CAR	14.4	14.5	14.7	13.5	12.6	11.5
Tier 1	9.2	10.0	10.8	10.2	9.7	9.1
Valuation						
Book Value (INR)	383.5	501.6	620.9	714.4	819.6	944.7
Change (%)	20.8	30.8	23.8	15.0	14.7	15.3
Price-BV (x)			1.3	1.1	1.0	0.8
Adjusted BV (INR)	372.8	488.5	596.6	652.0	739.2	867.3
Price-ABV (x)			1.3	1.2	1.1	0.9
EPS (INR)	83.7	108.0	121.4	109.7	123.8	147.6
Change (%)	37.3	29.1	12.4	-9.6	12.8	19.2
Price-Earnings (x)			6.6	7.3	6.5	5.4
Dividend Per Share (INR)	15.0	16.5	17.0	15.4	17.3	20.7
Dividend Yield (%)			2.1	1.9	2.2	2.6
E: MOSL Estimates						

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