

Indusind Bank

BSE SENSEX	S&P CNX
26,384	7,884
Bloomberg	IIB IN
Equity Shares (m)	528.1
M.Cap. (INR b) / (USD b)	335.5/5.5
52-Week Range (INR)	648/369
1, 6, 12 Rel. Per (%)	3/14/20

Financials & Valuation (INR Billion)

Y/E Mar	2015E	2016E	2017E
NII (INR b)	35.0	43.1	54.1
OP (INR b)	31.9	39.5	49.4
NP (INR b)	18.0	22.7	28.6
EPS (INR)	34.3	43.3	54.4
EPS Gr. (%)	27.9	26.3	25.7
BV/Share	192.7	228.4	273.3
P/E (x)	18.6	14.7	11.7
P/BV (x)	3.3	2.8	2.3
RoE (%)	19.2	20.5	21.7
ROA (%)	1.9	1.9	1.9

CMP: INR635
TP: INR685
Buy

- Indusind Bank's (IIB) 2QFY15 NII/PPP/PAT growth of 19%/23%/30% YoY was in line with estimates. Stable NIM QoQ (3.63%), low net stress loans (85bp), healthy traction in SA deposits (+4% QoQ and 28% YoY) and decline in credit costs (41bp) were the key positives.
- Fee income grew 31% YoY led by strong traction in investment banking fees (+31% YoY), loan processing fees (+41% YoY) and strong growth in forex income.
- Management stated that September month witnessed a significant uptick in CV segment; growth in this segment should pick up gradually from 3QFY15 onwards.
- **Other highlights:** (1) Restructured loans increased to 52bp as the bank restructured INR0.7b loans in 2Q, (2) share of corporate loans was stable at 57%; strong growth in LAP/PL/HL, (3) vehicle finance growth remained moderate at 1% YoY, led by weak growth in CV/CE loans and (4) CASA ratio improved to 33.9%, led by strong traction in SA deposits
- **Maintain Buy:** We largely maintain our earnings estimates. Asset quality performance remains healthy, despite a challenging environment and significant slowdown in CV segment. Strong core profitability, improving share of retail liabilities, healthy return ratios (ROA of 1.9% and ROE of ~20%) and capitalization (CET 1 12.0%) are key positives. Higher share of lumpy fees and continued slowdown in mining activity remain key risks. Buy.

IndusInd Bank: Quarterly Performance

	FY14				FY15				(INR Million)	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE	FY14	FY15E
Interest Income	19,122	20,186	21,435	21,793	22,973	23,788	24,761	26,556	82,535	98,077
Interest Expense	12,327	13,186	14,134	13,981	14,967	15,457	15,920	16,765	53,628	63,109
Net Interest Income	6,795	6,999	7,301	7,812	8,007	8,331	8,841	9,790	28,907	34,969
% Change (YoY)	40.4	37.3	26.4	18.1	17.8	19.0	21.1	25.3	29.5	21.0
Other Income	4,706	4,167	4,803	5,229	5,764	5,583	6,105	6,888	18,905	24,340
Net Income	11,501	11,167	12,104	13,041	13,770	13,914	14,946	16,678	47,812	59,308
Operating Expenses	5,085	5,288	5,630	5,851	6,278	6,667	6,997	7,496	21,853	27,438
Operating Profit	6,416	5,879	6,474	7,191	7,492	7,247	7,949	9,183	25,960	31,871
% Change (YoY)	58.8	40.0	37.1	32.3	16.8	23.3	22.8	27.7	41.1	22.8
Other Provisions	1,321	889	1,262	1,206	1,104	732	1,113	1,640	4,676	4,589
Profit before Tax	5,095	4,991	5,212	5,985	6,388	6,515	6,836	7,543	21,283	27,282
Tax Provisions	1,747	1,688	1,743	2,025	2,177	2,213	2,324	2,561	7,203	9,276
Net Profit	3,348	3,302	3,469	3,961	4,211	4,302	4,512	4,981	14,080	18,006
% Change (YoY)	41.7	32.0	29.8	28.8	25.7	30.3	30.1	25.8	32.7	27.9
Interest Exp/Interest Income (%)	64.5	65.3	65.9	64.2	65.1	65.0	64.3	63.1	65.0	64.3
Other Income/Net Income (%)	40.9	37.3	39.7	40.1	41.9	40.1	40.8	41.3	39.5	41.0
Cost to Income Ratio (%)	44.2	47.4	46.5	44.9	45.6	47.9	46.8	44.9	45.7	46.3
Provisions/Operating Profits (%)	20.6	15.1	19.5	16.8	14.7	10.1	14.0	17.9	18.0	14.4
Tax Rate (%)	34.3	33.8	33.4	33.8	34.1	34.0	34.0	34.0	33.8	34.0
Operating Parameters										
NIM (Reported, %)	3.7	3.7	3.7	3.8	3.7	3.6			3.7	
NIM (Cal, %)	3.7	3.7	3.7	3.7	3.6	3.6	3.7	3.9	3.9	4.0
Deposit Growth (%)	23.5	11.1	10.1	11.8	14.8	24.4	24.4	25.0	11.8	25.0
Loan Growth (%)	27.3	24.2	23.7	24.3	23.7	22.4	21.1	26.0	24.3	26.0
CASA Ratio (%)	30.0	31.8	32.2	32.5	33.3	33.9			32.5	
Asset Quality										
OSRL (INR b)	1.3	1.5	1.6	1.8	2.3	3.1			1.8	
OSRL (%)	0.3	0.3	0.3	0.3	0.4	0.5			0.3	
Gross NPA (INR b)	5.1	5.5	6.3	6.2	6.5	6.5	7.2	7.6	6.2	7.6
Gross NPA (%)	1.1	1.1	1.2	1.1	1.1	1.1	1.1	1.1	1.1	1.1

E: MOSL Estimates; Quarterly calculated margins based on total assets, yearly on interest earning assets

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

Quarterly Performance

Y/E March	2QFY15A	2QFY15E	V/S our Est	Comments
Net Interest Income	8,331	8,428	-1	NIM in-line; loan growth marginally lower
% Change (Y-o-Y)	19.0	20.4		
Other Income	5,583	5,770	-3	Fee income growth continues to be faster than loan growth
Net Income	13,914	14,198	-2	
Operating Expenses	6,667	6,585	1	Opex under control
Operating Profit	7,247	7,613	-5	
% Change (Y-o-Y)	23.3	29.5		
Other Provisions	732	1,077	-32	Healthy asset quality performance; No provisioning for unhedged forex exposures during the quarter
Profit before Tax	6,515	6,536	0	
Tax Provisions	2,213	2,222	0	
Net Profit	4,302	4,314	0	In-line
% Change (Y-o-Y)	30.3	30.6		

Source: MOSL, Company

NIM (-3bp QoQ) largely in-line with expectation of stable NIMs

Fall in corporate yields contributed in marginal decline in NIMs

- NIMs for 2QFY15 declined marginally QoQ to 3.63% from 3.66% in 1QFY15 (v/s expectation of stable NIMs).
- While cost of funds declined 11bp QoQ to 6.74%, yield on funds dropped by 14bp QoQ to 10.37% and impacted NIMs.
- The drop in yield on funds was primarily led by a 22bp QoQ decline in corporate book yields on account of strong growth in the foreign currency PCFC loans (+12% QoQ). Yields on consumer finance segment remained stable QoQ at 15.8%.

Higher focus on consumer book going forward; to account for 50% of book over next 4 quarters

Share of corporate loan book remains stable

- IIB continues to grow above industry growth rates at 2.2% QoQ and 22.4% YoY. Incremental growth was driven by strong growth of 2% QoQ and 37% YoY in corporate segment. Within this, large corporate segment grew 34% YoY and 3% QoQ, whereas mid-corporate segment was up 2% QoQ and 51% YoY.
- Consumer finance division portfolio was up 2.4% QoQ and 7.4% YoY. The bank witnessed healthy growth in car (22% YoY and 5.4% QoQ) and two wheeler segments (26% YoY and 3% QoQ). Robust growth in LAP portfolio of 63% YoY (12% QoQ) and unsecured loans of 103% YoY (on lower base) and 16% QoQ aided overall growth in consumer finance segment
- Bank remained cautious in CV segment which remained flat QoQ and declined 6% YoY. Overall vehicle finance book remained largely flat on YoY and QoQ basis.

SA deposits as a percentage of overall deposits has increased to 16.6% vs 13% in FY13

Traction in SA continues; CASA ratio at 34%

- Traction in CASA deposits continued as it grew 5% QoQ and 33% YoY, helped by strong growth of 4% QoQ and 28% YoY in SA deposits.
- CA deposits grew 6% QoQ and 38% YoY which also helped strong CASA traction. Resultantly, CASA ratio improved 60bp to 33.9% (+210bp YoY).
- Increase in branch additions (47 branches added during the quarter) and deeper penetration is expected to keep momentum in CASA strong.

GNPA in consumer finance division improved 6bp QoQ to 1.19%

Asset quality remains stable; Net stressed loans at 85bp

- Slippages for the quarter declined QoQ at INR1.1b (annualized slippage ratio of 0.9%). Absolute GNPA remained stable QoQ but on % basis GNPA improved by 3bp to 1.08%. NNPA remained stable at 0.3%.
- Corporate segment slippages declined sharply to INR30m as compared to INR590m in 1QFY15.
- Asset quality performance on consumer finance book remained stable. Slippages stood at INR1.1b (annualized slippage ratio 2.0%) as compared to INR1.0b in 1QFY15.
- GNPA in consumer finance division declined 6bp QoQ to 1.2%. NNPA stood at 0.5%.
- During the quarter, IIB restructured INR 0.7b loans. As a result, net stressed loans increased to 85bp.

Asset quality largely maintained across segments (%)

GNPA (%)	1QFY13	2QFY13	3QFY13	4QFY13	1QFY14	2QFY14	3QFY14	4QFY14	1QFY15	2QFY15
CV	0.7	0.8	0.9	1.0	1.2	1.1	1.3	1.4	1.4	1.4
Utility	0.9	0.9	0.8	0.9	0.9	0.8	0.8	0.9	0.8	0.8
CE	1.0	0.8	1.0	1.2	1.2	1.2	1.3	1.3	1.6	1.6
3W	0.8	0.9	0.9	0.8	0.8	0.8	0.7	0.9	0.8	0.8
2W	3.5	3.4	3.6	3.0	2.9	3.0	2.7	2.5	2.5	2.5
Cars	0.8	0.7	0.6	0.7	0.7	0.4	0.4	0.5	0.5	0.5
LAP/HL/PL	0.0	0.0	0.0	0.0	0.8	0.9	0.8	0.7	0.5	0.5
Cards	0.0	0.0	0.0	0.0	1.9	1.9	2.0	1.8	1.5	1.5
NNPA (%)										
CV	0.2	0.2	0.3	0.4	0.5	0.4	0.5	0.6	0.6	0.6
Utility	0.2	0.1	0.1	0.3	0.3	0.2	0.2	0.3	0.2	0.2
CE	0.3	0.1	0.3	0.4	0.4	0.4	0.5	0.5	0.8	0.8
3W	0.5	0.6	0.5	0.3	0.3	0.2	0.1	0.3	0.1	0.1
2W	1.4	1.4	1.5	1.4	1.3	1.4	1.3	1.1	1.1	1.1
Cars	0.2	0.2	0.1	0.3	0.3	0.2	0.1	0.2	0.1	0.1
LAP/HL/PL	0.0	0.0	0.0	0.0	0.1	0.3	0.3	0.3	0.2	0.2
Cards	0.0	0.0	0.0	0.0	0.5	0.5	0.5	0.7	0.9	0.9

Source: MOSL, Company

Forex and investment banking segments account for almost half of IIB's fee income

Strong growth in fee income continues

- Fee income continued to grow faster than loan growth at 31% YoY (+5% QoQ) in 2QFY15. The strong growth in fees was driven by 7% QoQ and 31% YoY growth in Investment banking segment and forex income growth of 3% QoQ and 35% YoY. Contribution from these two streams has remained stable at around 46% of overall fee income.
- Strong growth in loan processing fees (+41% YoY and +5% QoQ) continued as against loan growth of 22% YoY. In addition to processing fees on new disbursements, renewal fees also accounted for major proportion of loan processing fees.
- Income from third party distribution of products (+13% QoQ and 25% YoY) and general banking fees (-4% QoQ and 20% YoY) remain laggards.

Strong growth in fees driven by forex, loan processing and Investment banking fees

INR m	2QFY15	1QFY15	2QFY14	QoQ (%)	YoY (%)
Trade related	615	615	500	0	23
Processing fees	901	861	639	5	41
Forex - Clients	1,394	1,349	1,029	3	35
Third Party Product	847	747	677	13	25
Investment banking	928	867	709	7	31
General banking	408	427	341	-4	20
Fee income	5,093	4,865	3,895	5	31

Source: MOSL, Company

Conference call highlights

- Outlook for economic growth has improved; Auto and CV markets showing distinct signs of an upturn
- CARE and ICRA upgraded lower T2 bond rating to AA+ from AA during the quarter; Looking to raise AT1 instruments after revised guidelines from RBI
- Reduction in SA Interest rate - Based on behavioral study, savings account interest rate reduced to 5% for less than INR 0.1mn balance; Not losing any deposits due to reduction in rates
- Target to lower SA deposit cost to 6% from ~6.3% currently; Above card rate SA deposits have declined over the last few quarters
- Improved liquidity to benefit NIM over the next few quarters
- IIB did not need to provide for un-hedged foreign currency exposure in 2Q as it had provided INR 200m in 1QFY15. Bank needs to provide balance INR 200m over the next two quarters
- Loan growth – All sectors within corporate contributing to growth; No sell downs during the quarter contributed to growth
- Aim to increase proportion of consumer finance book to 50% within next 12 months; May use sell down to balance corporate book
- Growth in non-funded exposure and unsecured book leading to higher growth in RWA
- Growth in power exposure was on account of working capital disbursement to power generators.
- Higher growth in foreign currency loan book resulted in lower yields in 2Q, even though NIMs remained stable
- Fee income - Investment banking fees has been steady; Mainly debt side IB; 24-25 transactions during the quarter
- **Forex income:** Mix is evenly balanced between Retail and corporate. Deeper penetration and traction from larger PSUs and financial institution is leading to strong growth in forex income.
- Rapid branch expansion; Aim for 800 branches by March 2015 (from 750 earlier)

Buy with a target price of
INR685 (3x FY16 BV).

Valuation and view

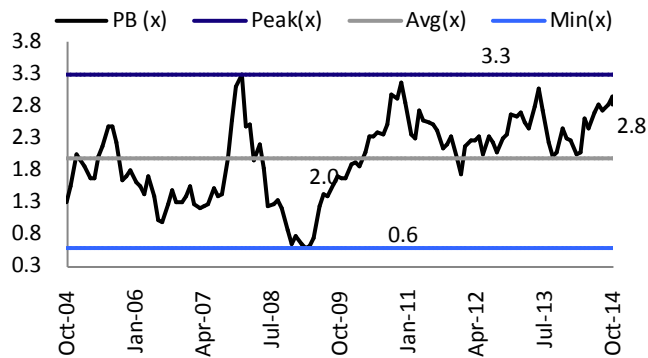
- Strong traction in LAP, credit cards, vehicles shall ensure healthy growth in CFD. Growth in corporate loans will be the function of spreads available in the market and we expect IIB to remain focused on working capital loans only. Overall, we model in loan growth of 25%+ CAGR over FY14-17 and we do not envisage downside risk to our loan growth estimates as IIB has levers (selling down less loans, less project loan exposure) available in the balance sheet.
- Close-to-customer business model of CV financing helped the bank maintain strong asset quality performance, despite tough times. In our view, CV cycle has bottomed out which would help reduce concerns over asset quality.
- NIMs have improved from lows of 1.6% in FY08 to 3.7% in FY14. The improvement is combined impact of (1) strong improvement in CASA ratio, better ALM and (2) better asset yield (pricing power and improvement in yield on investments). With expected ease in liquidity we expect gradual reduction in interest rate. This should help IIB as (1) on liabilities side dependence on bulk deposits still remain high (~50%) which should ease cost pressures and (2) yield on asset (faster growth in high yielding and fixed rate loans) would be more stickier. We factor in flat NIMs in FY15
- Overall superior margins, focused fee income strategy and control over C/I ratio will keep earnings momentum healthy (26%+ CAGR). Capitalization remains healthy with Tier I at 12.0%. Buy with a target price of INR685 (3x FY16 BV).

We largely maintain our earnings estimate

INR B	Old Estimates		New Estimates		Variation (%)	
	FY15	FY16	FY15	FY16	FY15	FY16
Net Interest Income	34.8	42.8	35.0	43.1	0.5	0.7
Other Income	24.3	29.8	24.3	29.8	0.2	0.0
Total Income	59.1	72.7	59.3	72.9	0.4	0.3
Operating Expenses	27.4	33.4	27.4	33.4	0.1	-0.1
Operating Profits	31.7	39.3	31.9	39.5	0.5	0.6
Provisions	4.6	5.1	4.3	5.1	-0.2	-0.3
PBT	27.1	34.2	27.6	34.4	0.7	0.7
Tax	9.2	11.6	9.4	11.7	0.8	1.0
PAT	17.9	22.6	18.2	22.7	0.6	0.6
Margins (%)	3.95	3.92	3.97	3.94		
Credit Cost (%)	0.65	0.55	0.65	0.55		
RoA (%)	1.86	1.91	1.88	1.91		
RoE (%)	19.0	20.4	19.2	20.5		

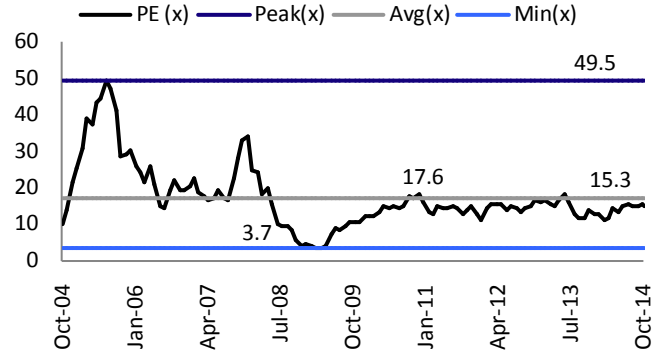
Source: MOSL, Company

One year forward P/BV



Source: MOSL, Company

One year forward P/E



Source: MOSL, Company

DuPont Analysis: Improvement in core income continues to drive RoAs higher

Y/E March	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14E	FY15E	FY16E	FY17E
Net Interest Income	2.54	2.71	1.90	1.41	1.36	1.80	2.81	3.40	3.30	3.41	3.61	3.64	3.65	3.64
Core Fee Income	0.84	1.17	0.96	1.21	1.17	1.33	1.37	1.55	1.77	1.89	2.01	2.14	2.16	2.11
Core Income	3.37	3.87	2.86	2.62	2.53	3.13	4.19	4.95	5.07	5.31	5.61	5.78	5.82	5.75
Operating Expenses	1.74	1.73	1.90	1.78	1.82	2.15	2.34	2.49	2.60	2.68	2.73	2.86	2.83	2.75
Cost to Core Income	51.52	44.57	66.66	68.17	71.87	68.66	55.81	50.28	51.31	50.58	48.56	49.43	48.64	47.81
Employee cost	0.40	0.39	0.51	0.50	0.55	0.74	0.92	0.94	0.94	1.01	1.01	1.00	0.97	0.94
Others	1.33	1.33	1.39	1.28	1.27	1.41	1.41	1.55	1.66	1.67	1.72	1.86	1.86	1.81
Core operating Profits	1.64	2.15	0.95	0.83	0.71	0.98	1.85	2.46	2.47	2.62	2.89	2.93	2.99	3.00
Non Interest income	2.76	1.63	1.14	1.27	1.35	1.79	1.76	1.76	1.96	2.08	2.36	2.54	2.53	2.43
Trading and others	1.92	0.47	0.17	0.06	0.18	0.47	0.38	0.21	0.19	0.19	0.35	0.40	0.36	0.32
Operating Profits	3.56	2.61	1.13	0.89	0.89	1.45	2.24	2.67	2.66	2.81	3.24	3.32	3.35	3.32
Provisions	1.39	0.92	0.77	0.33	0.37	0.55	0.54	0.50	0.35	0.40	0.58	0.48	0.43	0.41
NPA	1.29	0.43	0.54	0.29	0.28	0.49	0.42	0.40	0.28	0.34	0.39	0.42	0.37	0.34
Others	0.11	0.48	0.23	0.04	0.10	0.06	0.13	0.10	0.07	0.07	0.19	0.06	0.06	0.07
PBT	2.17	1.70	0.36	0.56	0.52	0.89	1.69	2.17	2.31	2.41	2.65	2.84	2.92	2.91
Tax	0.07	0.33	0.13	0.20	0.18	0.31	0.58	0.75	0.76	0.79	0.90	0.97	0.99	0.99
Tax Rate	3.18	19.34	37.79	36.47	34.33	34.79	34.28	34.38	32.70	32.68	33.84	34.00	34.00	34.00
RoA	2.10	1.37	0.22	0.35	0.34	0.58	1.11	1.43	1.55	1.62	1.76	1.88	1.93	1.92
Leverage (x)	17.81	18.84	19.61	20.05	20.39	20.04	17.52	13.52	12.37	10.96	9.98	10.22	10.65	11.27
RoE	37.37	25.79	4.34	7.10	6.93	11.69	19.49	19.27	19.23	17.78	17.53	19.18	20.54	21.67

Source: MOSL, Company

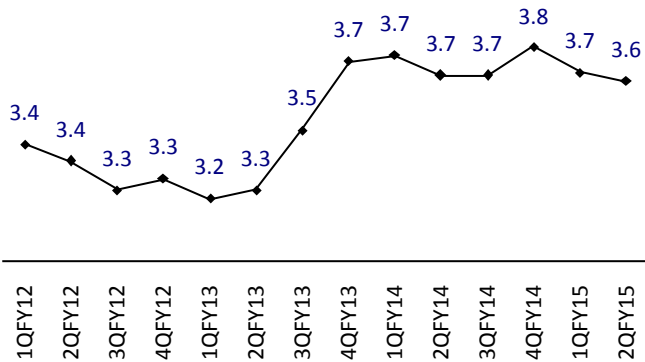
DuPont Analysis: Strong fee performance aids core operating performance

	1QFY13	2QFY13	3QFY13	4QFY13	1QFY14	2QFY14	3QFY14	4QFY14	1QFY15	2QFY15
NII	3.27	3.32	3.56	3.75	3.70	3.70	3.67	3.70	3.61	3.65
Fee income	1.82	1.93	2.03	1.95	1.91	2.06	2.14	2.09	2.19	2.23
Core Income	5.09	5.25	5.58	5.70	5.61	5.77	5.81	5.80	5.81	5.88
Operating costs	2.70	2.67	2.84	2.75	2.77	2.80	2.83	2.77	2.83	2.92
- Emp Costs	1.03	1.06	1.04	1.01	1.05	1.07	1.03	0.99	0.99	1.05
- Other Expenses	1.67	1.62	1.80	1.74	1.71	1.73	1.79	1.79	1.84	1.87
Cost to Core Income Ratio	52.96	50.93	50.87	48.27	49.32	48.54	48.66	47.83	48.78	49.67
Core Operating Profit	2.40	2.58	2.74	2.95	2.84	2.97	2.98	3.02	2.97	2.96
Trading and others	0.34	0.16	0.16	0.13	0.65	0.14	0.27	0.38	0.41	0.21
Operating Profit	2.73	2.74	2.91	3.08	3.49	3.11	3.25	3.41	3.38	3.17
Provisions	0.36	0.32	0.48	0.46	0.72	0.47	0.63	0.57	0.50	0.32
Tax	0.77	0.79	0.78	0.87	0.95	0.89	0.88	0.96	0.98	0.97
ROAA	1.60	1.63	1.65	1.74	1.82	1.75	1.74	1.88	1.90	1.88
Leverage (x)	12.16	12.01	10.20	9.34	9.43	9.28	9.38	9.53	9.58	9.41
ROAE	19.43	19.58	16.79	16.26	17.17	16.22	16.35	17.89	18.19	17.73

Source: MOSL, Company

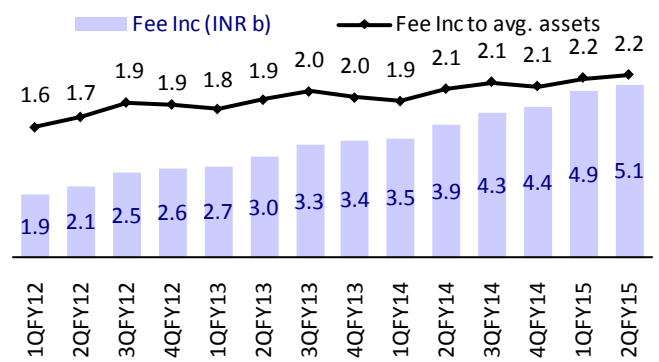
Story in charts

NIM dropped marginally during the quarter (%)



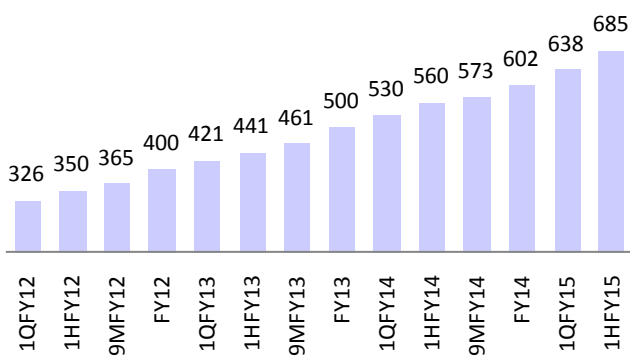
Source: MOSL, Company

Fee income growth continues to be a key driver of RoA



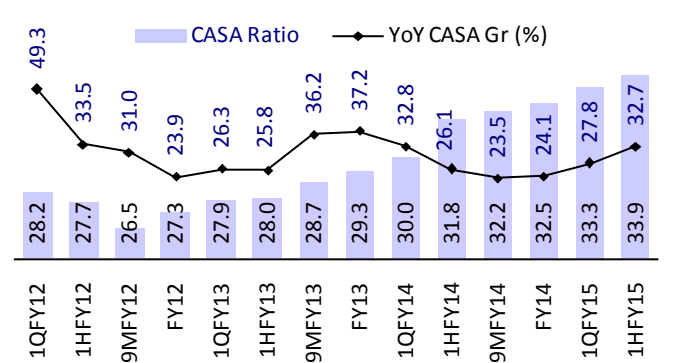
Source: MOSL, Company

Investment in network building continues (branches)



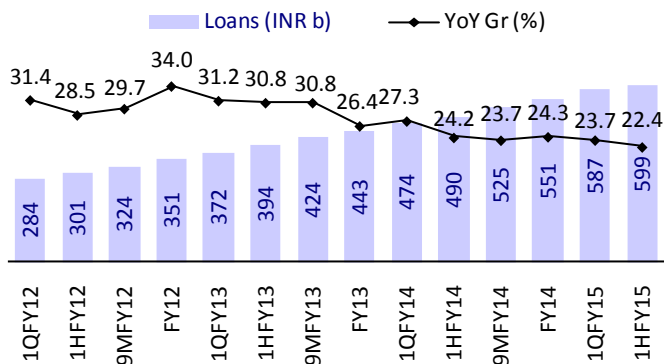
Source: Company, MOSL

CASA ratio improved further (%)



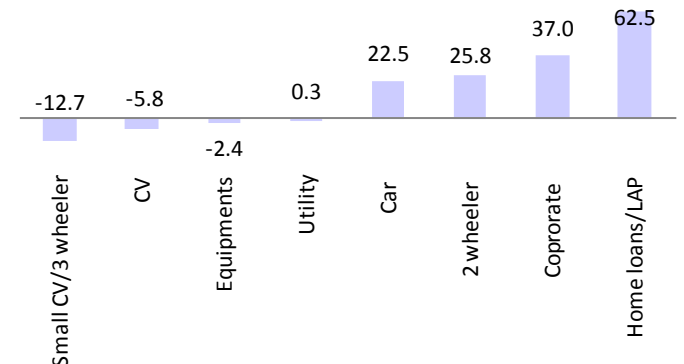
Source: Company, MOSL

Above industry loan growth continues (%)



Source: MOSL, Company

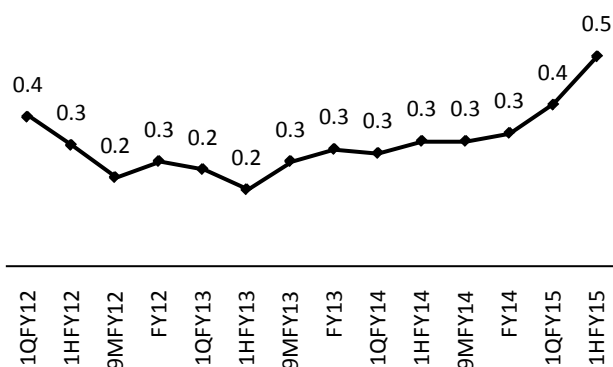
Strong growth in home/LAP loans (YoY, %)



Source: MOSL, Company

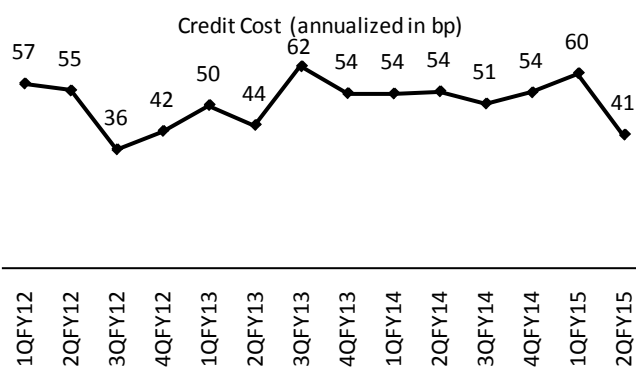
Story in charts

IIB restructured INR 0.7b loans in 2QFY15 (%)



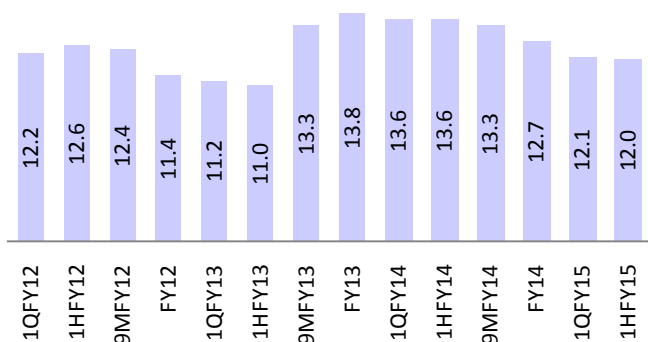
Source: MOSL, Company

Credit cost decline sharply led by lower corporate provisions



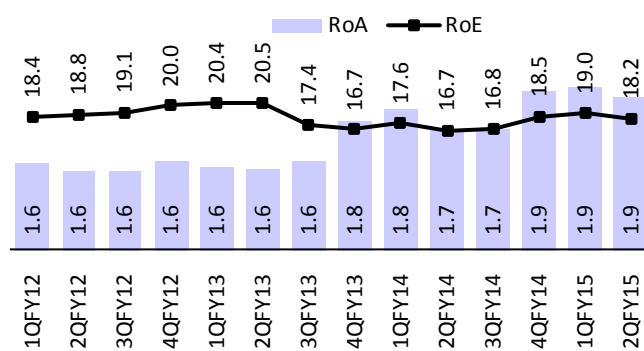
Source: MOSL, Company

Strong growth in RWA continues (%)



Source: MOSL, Company

Return ratio performance remains strong (%)



Source: MOSL, Company

Quarterly Snapshot (INR b)

	FY13				FY14				FY15		Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	QoQ	YoY
Profit and Loss												
Net Interest Income	4,841	5,097	5,778	6,612	6,795	6,999	7,301	7,812	8,007	8,331	4	19
Other Income	3,188	3,205	3,558	3,679	4,706	4,167	4,803	5,229	5,764	5,583	-3	34
Trading profits	497	218	177	178	1,045	242	535	811	899	490	-45	102
Others (Ex non core)	2,690	2,987	3,381	3,501	3,661	3,925	4,268	4,419	4,865	5,093	5	30
Total Income	8,029	8,302	9,336	10,291	11,501	11,167	12,104	13,041	13,770	13,914	1	25
Operating Expenses	3,989	4,104	4,614	4,857	5,085	5,288	5,630	5,851	6,278	6,667	6	26
Employee	1,526	1,621	1,685	1,784	1,936	2,020	2,058	2,079	2,203	2,393	9	18
Others	2,463	2,484	2,930	3,073	3,149	3,268	3,572	3,771	4,076	4,274	5	31
Operating Profits	4,040	4,198	4,722	5,435	6,416	5,879	6,474	7,191	7,492	7,247	-3	23
Provisions	535	491	787	819	1,321	889	1,262	1,206	1,104	732	-34	-18
PBT	3,505	3,708	3,935	4,616	5,095	4,991	5,212	5,985	6,388	6,515	2	31
Taxes	1,143	1,205	1,262	1,542	1,747	1,688	1,743	2,025	2,177	2,213	2	31
PAT	2,363	2,503	2,673	3,074	3,348	3,302	3,469	3,961	4,211	4,302	2	30
Asset Quality												
GNPA	3,651	4,095	4,216	4,578	5,052	5,464	6,258	6,208	6,544	6,545	0	20
NNPA	999	1,143	1,252	1,368	1,014	1,092	1,649	1,841	1,956	1,950	0	79
GNPA (%)	1.0	1.0	1.0	1.0	1.1	1.1	1.2	1.1	1.1	1.1	-3	-3
NNPA (%)	0.3	0.3	0.3	0.3	0.2	0.2	0.3	0.3	0.3	0.3	0	11
PCR (Calculated, %)	72.6	72.1	70.3	70.1	79.9	80.0	73.6	70.4	70.1	70.2	9	-980
Ratios (%)												
Fees to Total Income	33.5	36.0	36.2	34.0	31.8	35.2	35.3	33.9	35.3	36.6		
Tax Rate	32.6	32.5	32.1	33.4	34.3	33.8	33.4	33.8	34.1	34.0		
CASA (Reported)	27.9	28.0	28.7	29.3	30.0	31.8	32.2	32.5	33.3	33.9		
Loan/Deposit	82.6	82.5	83.0	81.9	85.2	92.3	93.3	91.1	91.8	90.8		
RoA	1.6	1.6	1.6	1.8	1.8	1.7	1.7	1.9	1.9	1.9		
RoE	20.4	20.5	17.4	16.7	17.6	16.7	16.8	18.5	19.0	18.2		
Margins (%) - Reported												
Yield on loans	14.0	13.9	13.7	13.5	13.4	13.5	13.8	13.7	13.5	13.3	-17	-18
Cost of deposits	8.9	8.7	8.4	8.1	8.2	8.2	8.4	8.1	8.2	8.0	-20	-20
Margins	3.2	3.3	3.5	3.7	3.7	3.7	3.7	3.8	3.7	3.6	-3	-2
Balance Sheet (INR b)												
Loans	372	394	424	443	474	490	525	551	587	599	2	22
Investments	163	156	176	197	174	194	201	216	213	215	1	11
Deposits	451	478	511	541	557	531	562	605	639	660	3	24
CASA Deposits	126	134	147	159	167	169	181	197	213	224	5	33
of which Savings	51	53	62	70	79	86	93	99	106	110	4	28
Current	74	81	85	88	88	83	88	98	107	114	6	38
Borrowings	87	67	66	95	78	140	148	148	142	133	-6	-5
Total Assets	607	621	679	733	737	774	818	870	904	923	2	19
Risk Weighted Assets	420	449	484	533	565	589	620	673	741	778	5	32

Source: MOSL, Company

EPS: MOSL forecast v/s consensus (INR)

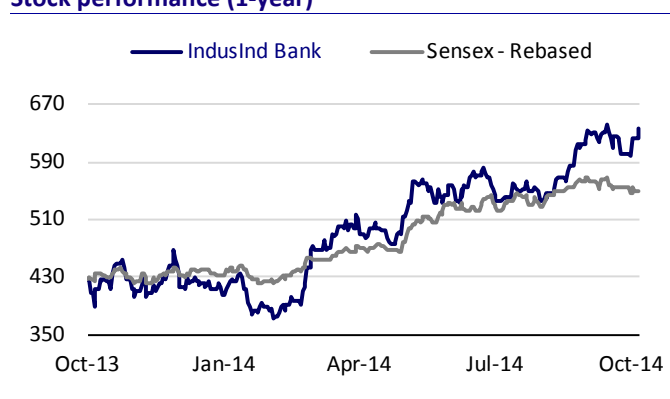
	MOSL Forecast	Consensus Forecast	Variation (%)
FY15	34.3	33.6	2.0
FY16	43.3	42.4	2.2

Shareholding pattern (%)

	Sep-14	Jun-14	Sep-13
Promoter	15.1	15.2	15.2
DII	8.6	8.6	7.4
FII	55.5	55.9	52.2
Others	20.8	20.4	25.2

Note: FII Includes depository receipts

Stock performance (1-year)



Financials: Valuation Matrix

	Rating	CMP (INR)	Mcap (USDb)	EPS (INR)		P/E (x)		BV (INR)		P/BV (x)		RoA (%)		RoE (%)		Dividend Yield (%) #
				FY16	FY17	FY16	FY17	FY16	FY17	FY16	FY17	FY16	FY17	FY16	FY17	
ICICI*BC*	Buy	1,477	28.4	117.8	143.6	10.2	8.1	665	770	1.8	1.5	1.9	1.9	16.2	17.1	1.8
HDFCB	Buy	876	35.0	54.2	67.7	16.2	12.9	256	308	3.4	2.8	2.0	2.0	23.0	24.0	1.0
AXSB	Buy	386	15.1	35.5	42.2	10.9	9.2	218	253	1.8	1.5	1.7	1.7	17.4	17.9	1.2
KMB*	Neutral	1,009	12.9	47.0	57.3	21.5	17.6	319	375	3.2	2.7	1.8	1.9	13.6	14.6	0.1
YES	Buy	586	4.0	58.9	75.8	9.9	7.7	328	388	1.8	1.5	1.7	1.7	19.4	21.2	1.4
IIB	Buy	635	5.6	43.3	54.4	14.7	11.7	228	273	2.8	2.3	1.9	1.9	20.5	21.7	0.8
VYSB	Neutral	617	1.9	45.4	55.9	13.6	11.0	437	481	1.4	1.3	1.2	1.2	10.8	12.2	1.1
FB	Buy	136	1.9	12.7	15.7	10.7	8.6	99	111	1.4	1.2	1.1	1.2	13.5	14.9	1.6
J&KKBK	Buy	135	1.1	25.2	28.4	5.4	4.7	152	174	0.9	0.8	1.3	1.3	17.6	17.4	2.9
SIB	Buy	26	0.6	4.3	5.3	6.0	4.8	30	34	0.8	0.7	0.9	0.9	15.0	16.5	2.8
Private Aggregate			106.7			14.0	11.4			2.3	2.0					
SBIN (cons)*	Buy	2,481	30.9	321.0	433.8	7.4	5.4	2,347	2,702	1.0	0.9	0.9	1.0	14.4	17.0	1.6
PNB	Buy	918	5.5	184.0	229.3	5.0	4.0	1,243	1,445	0.7	0.6	1.0	1.1	15.8	17.1	1.6
BOI	Neutral	248	2.7	60.1	76.0	4.1	3.3	478	545	0.5	0.5	0.5	0.6	13.3	14.8	2.5
BOB	Neutral	865	6.2	146.1	170.8	5.9	5.1	978	1,109	0.9	0.8	0.8	0.8	15.8	16.4	2.9
CBK	Buy	375	2.9	81.2	107.2	4.6	3.5	626	709	0.6	0.5	0.6	0.7	13.6	16.1	3.3
UNBK	Buy	206	2.2	40.2	48.7	5.1	4.2	330	370	0.6	0.6	0.6	0.7	12.8	13.9	2.6
OBC	Buy	233	1.2	55.6	73.1	4.2	3.2	504	560	0.5	0.4	0.6	0.7	11.5	13.8	3.9
INBK	Buy	152	1.2	28.1	32.0	5.4	4.8	288	312	0.5	0.5	0.6	0.6	10.1	10.7	3.1
CRPBK	Neutral	325	0.9	61.9	74.2	5.2	4.4	687	745	0.5	0.4	0.4	0.4	9.3	10.4	2.5
ANDB	Neutral	68	0.7	12.8	13.4	5.3	5.1	165	174	0.4	0.4	0.4	0.3	8.0	7.9	4.0
IDBI	Neutral	61	1.6	14.4	19.7	4.2	3.1	157	173	0.4	0.4	0.6	0.7	9.5	11.9	2.6
DBNK	Neutral	59	0.5	13.6	16.8	4.3	3.5	137	150	0.4	0.4	0.5	0.5	10.3	11.7	3.6
Public Aggregate			57.5			6.9	5.4			0.8	0.7					
HDFC*	Buy	1,019	26.5	40	47	15.9	11.7	166	193	3.8	2.8	2.5	2.5	24.4	25.5	1.6
LICHF	Buy	320	2.7	32	39	9.8	8.2	198	229	1.6	1.4	1.4	1.4	17.6	18.4	1.5
DEWH	Buy	324	0.7	68	85	4.7	3.8	367	431	0.9	0.8	1.5	1.5	20.0	21.3	3.3
IHFL	Buy	400	2.4	62	75	6.5	5.3	157	173	2.5	2.3	4.1	4.1	30.5	31.9	7.0
IDFC	Neutral	140	3.5	14	16	10.2	9.0	109	121	1.0	0.9	2.5	2.5	12.5	13.0	2.0
RECL	Buy	251	4.1	65	77	3.9	3.3	298	357	0.8	0.7	3.4	3.4	23.9	23.6	4.4
POWF	Buy	241	5.3	59	69	4.1	3.5	295	346	0.8	0.7	3.2	3.1	21.5	21.6	4.4
SHTF	Buy	874	3.3	90	105	9.7	8.3	514	604	1.7	1.4	2.6	2.8	18.5	19.5	0.9
MMFS	Neutral	284	2.7	19	23	14.7	12.6	116	132	2.5	2.2	2.7	2.7	17.8	18.3	1.3
BAF	Buy	2,683	2.2	199	234	13.5	11.5	1,107	1,303	2.4	2.1	2.9	2.7	19.4	19.4	1.2
NBFC Aggregate			53.4			11.1	9.3			2.1	1.8					

*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 FY14 declared dividend; UR: Under Review

Financials and valuation

Income Statements		(INR Billion)			
Y/E Mar	2014	2015E	2016E	2017E	
Interest Income	82.5	98.1	118.7	150.6	
Interest Expense	53.6	63.1	75.7	96.5	
Net Interest Income	28.9	35.0	43.1	54.1	
Change (%)	29.5	21.0	23.2	25.6	
Non Interest Income	18.9	24.3	29.8	36.2	
Net Income	47.8	59.3	72.9	90.3	
Change (%)	33.0	24.0	22.9	23.9	
Operating Expenses	21.9	27.4	33.4	40.9	
Pre Provision Profits	26.0	31.9	39.5	49.4	
Change (%)	41.1	22.8	24.0	25.0	
Provisions (excl tax)	4.7	4.6	5.1	6.1	
PBT	21.3	27.3	34.4	43.3	
Tax	7.2	9.3	11.7	14.7	
Tax Rate (%)	33.8	34.0	34.0	34.0	
Profits for Equity SH	14.1	18.0	22.7	28.6	
Change (%)	32.7	27.9	26.3	25.7	
Equity Dividend (Incl tax)	2.2	3.1	4.0	5.0	
Core PPP*	23.3	28.4	35.5	44.9	
Change (%)	34.6	21.6	25.2	26.4	

Balance Sheet		(INR Billion)			
Y/E Mar	2014	2015E	2016E	2017E	
Equity Share Capital	5.3	5.3	5.3	5.3	
Reserves & Surplus	85.2	101.9	122.5	147.9	
Net Worth	90.4	107.1	127.7	153.2	
Deposits	605.0	756.3	983.2	1,297.8	
Change (%)	11.8	25.0	30.0	32.0	
of which CASA Dep	196.9	252.3	325.6	412.2	
Change (%)	24.1	28.1	29.1	26.6	
Borrowings	147.6	152.9	158.9	165.8	
Other Liabilities & Prov.	27.2	32.7	39.4	47.6	
Total Liabilities	870.3	1,049.0	1,309.2	1,664.4	
Current Assets	67.7	64.6	85.6	109.3	
Investments	215.6	248.0	292.6	351.1	
Change (%)	9.7	15.0	18.0	20.0	
Loans	551.0	694.3	881.7	1,146.3	
Change (%)	24.3	26.0	27.0	30.0	
Fixed Assets	10.2	11.2	12.2	13.2	
Other Assets	25.8	30.9	37.1	44.5	
Total Assets	870.3	1,049.0	1,309.2	1,664.4	

Asset Quality		(INR Billion)			
Y/E Mar	2014	2015E	2016E	2017E	
GNPA	6.2	7.6	9.5	11.7	
NNPA	1.8	2.0	2.7	3.1	
GNPA Ratio	1.1	1.1	1.1	1.0	
NNPA Ratio	0.3	0.3	0.3	0.3	
PCR (Excl Tech. write off)	70.4	73.8	72.1	73.1	
PCR (Incl Tech. Write off)	70.4	73.8	72.1	73.1	

Ratios		2014	2015E	2016E	2017E
Spreads Analysis (%)					
Avg. Yield-Earning Assets	11.3	11.1	10.9	10.9	
Avg. Yield on loans	13.3	12.6	12.3	12.3	
Avg. Yield on Investments	7.2	7.6	7.3	7.3	
Avg. Cost-Int. Bear. Liab.	7.7	7.6	7.4	7.4	
Avg. Cost of Deposits	7.6	7.6	7.2	7.2	
Interest Spread	3.5	3.5	3.5	3.5	
Net Interest Margin	3.9	4.0	3.9	3.9	
Profitability Ratios (%)					
RoE	17.5	19.2	20.5	21.7	
RoA	1.8	1.9	1.9	1.9	
Int. Expense/Int. Income	65.0	64.3	63.7	64.1	
Fee Income/Net Income	33.7	34.6	35.0	34.7	
Non Int. Inc./Net Income	39.5	41.0	40.9	40.0	
Efficiency Ratios (%)					
Cost/Income*	48.6	49.4	48.6	47.8	
Empl. Cost/Op. Exps.	37.0	34.8	34.3	34.3	
Busi. per Empl. (Rs m)	79.0	81.2	91.3	108.8	
NP per Empl. (Rs lac)	1.0	1.1	1.3	1.4	
Asset-Liability Profile (%)					
Loans/Deposit Ratio	91.1	91.8	89.7	88.3	
CASA Ratio	32.5	33.4	33.1	31.8	
Investment/Deposit Ratio	35.6	32.8	29.8	27.1	
G-Sec/Investment Ratio	71.3	76.2	84.0	92.4	
CAR	13.8	13.1	12.2	11.3	
Tier 1	12.7	12.2	11.5	10.7	

Valuation		2014	2015E	2016E	2017E
Y/E Mar					
Book Value (INR)	164.5	192.7	228.4	273.3	
Change (%)	15.9	17.2	18.5	19.6	
Price-BV (x)	3.9	3.3	2.8	2.3	
Adjusted BV (INR)	162.2	190.3	225.2	269.4	
Price-ABV (x)	3.9	3.3	2.8	2.4	
EPS (Rs)	26.8	34.3	43.3	54.4	
Change (%)	32.0	27.9	26.3	25.7	
Price-Earnings (x)	23.7	18.6	14.7	11.7	
Dividend Per Share (INR)	3.5	5.1	6.5	8.2	
Dividend Yield (%)	0.6	0.8	1.0	1.3	

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