4 February 2015

3QFY15 Results Update | Sector: Financials

Andhra Bank

BSE SENSEX	S&P CNX
28,883	8,724
Bloomberg	ANDB IN
Equity Shares (m)	589.6
M.Cap. (INR b) / (USD b)	53.7/0.9
52-Week Range (INR)	110/54
1, 6, 12 Rel. Per (%)	-9/0/19
Avg Val/Vol '000	384/4,544
Free float (%)	39.9

Financials & Valuation (INR Billion)

Y/E MAR	2015E	2016E	2017E
NII	44	50	59
OP	32	36	41
NP	7	11	13
NIM (%)	2.8	2.8	2.9
EPS (INR)	11.0	17.9	22.5
EPS Gr. (%)	49.5	61.7	26.1
BV/Sh. (INR)	156	169	185
ABV/Sh. (INR)	110	132	162
ROE (%)	7.3	11.0	12.7
ROA (%)	0.4	0.6	0.6
D. Payout	29.0	29.0	29.0
Valuations			
P/E(X)	8.3	5.1	4.0
P/BV (X)	0.6	0.5	0.5
P/ABV (X)	0.8	0.7	0.6
Div. Yield (%)	3.0	4.9	6.2

CMP: INR91 TP: INR120 (+32%) Buy

Stable asset quality; higher tax rate continues to impact profitability

- Andhra Bank's (ANDB) 3QFY15 PAT was at INR2b (4.5x YoY on a lower base), driven by higher trading profits (INR1.1b v/s INR355m in 2Q) and 50bp QoQ expansion in NIM. However, the high tax rate of 47% remained a drag on profitability.
- Gross stress additions declined to INR13.6b from INR16.8b in 2QFY15 driven by moderation in slippages — INR9b (3.5% annualized) v/s INR9.8b (3.9%) in 2QFY15 and lower restructuring during the quarter (INR4.3b v/s INR7b in 2Q – one account each from Textiles and Sugar sectors). Relapse from restructured book stood at INR4.5b in 3QFY15 (including an INR3b account from Infrastructure sector).
- NIM improved 50bp QoQ to 3.4% driven by (a) interest write-back of INR2b (including INR1.3b on recoveries from Agri NPA from Telangana and AP), (b) 442bp QoQ improvement in CD ratio and (c) decline in cost of deposits (14bp QoQ).
- **Other highlights:** (1) fees grew 15% YoY (+23% QoQ) led by higher fees from rent lockers (INR355m), (2) PCR, including technical writeoffs, improved 280bp QoQ to 53.1%, (3) CET 1 of ~7.8%, including 9MFY15 PAT and (4) trading gains of INR1.1b (INR355m in 2Q) and reversal of MTM provisions on investment book of INR260m.
- **Valuation and view:** Bank's 3Q asset quality performance was much better than peers. Over FY13-14, ANDB's earnings were severely hit due to rising NPAs and further impacted in 1QFY15 due to a spike in Agriculture NPAs. With clarity emerging on the farm loan waiver scheme and management's focus on recoveries, we believe earnings would improve gradually going forward (~INR1b of interest write-back and upgrade/recoveries of INR13b Agri related NPAs). We expect RoA/RoE to improve to 0.6%/13% by FY17E. Maintain **Buy** with a target price of INR120 (0.7x FY17E BV).

Quarterly Performance (INR Million)

	FY14				FY15				FY14	FY15E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	33,865	35,919	35,976	37,213	38,104	41,461	41,503	40,845	142,973	161,913
Interest Expense	25,126	25,466	27,294	27,715	30,068	30,420	28,912	28,035	105,600	117,436
Net Interest Income	**8,739**	**10,454**	**8,683**	**9,498**	**8,035**	**11,042**	**12,591**	**12,810**	**37,373**	**44,478**
% Change (Y-o-Y)	*-6.9*	*17.1*	*-10.6*	*-0.4*	*-8.1*	*5.6*	*45.0*	*34.9*	*-0.5*	*19.0*
Other Income	4,677	2,256	3,029	3,366	3,947	2,775	3,903	3,871	13,328	14,495
Net Income	**13,416**	**12,710**	**11,712**	**12,864**	**11,982**	**13,817**	**16,494**	**16,680**	**50,702**	**58,973**
Operating Expenses	5,954	6,282	6,496	4,368	5,720	6,357	7,262	7,635	23,099	26,972
Operating Profit	**7,462**	**6,428**	**5,216**	**8,497**	**6,263**	**7,460**	**9,232**	**9,046**	**27,602**	**32,000**
% Change (Y-o-Y)	*6.1*	*0.9*	*-26.8*	*19.1*	*-16.1*	*16.0*	*77.0*	*6.5*	*-0.3*	*15.9*
Other Provisions	3,849	5,022	4,280	7,114	4,143	4,915	5,415	5,686	20,265	20,157
Profit before Tax	**3,613**	**1,407**	**936**	**1,382**	**2,120**	**2,545**	**3,817**	**3,360**	**7,337**	**11,843**
Tax Provisions	1,300	700	480	502	1,050	1,100	1,800	1,379	2,982	5,329
Net Profit	**2,313**	**707**	**456**	**881**	**1,070**	**1,445**	**2,017**	**1,980**	**4,356**	**6,514**
% Change (Y-o-Y)	*-36.1*	*-78.2*	*-82.3*	*-74.4*	*-53.7*	*104.5*	*342.6*	*124.8*	*-66.2*	*49.5*
Operating Parameters										
NIM (Reported, %)	2.7	3.2	2.5	2.7	2.1	2.9	3.4		317.3	213.9
NIM (Cal, %)	2.5	3.0	2.4	2.5	2.0	2.7	3.1	3.2	2.6	2.6
Deposit Growth (%)	16.8	19.0	17.1	14.6	17.2	12.2	7.9	7.0	14.6	7.0
Loan Growth (%)	15.6	15.3	15.3	9.4	12.9	13.7	15.7	12.0	9.4	12.0
CD Ratio (%)	79.8	77.9	79.5	77.7	77.4	79.2	83.6	79.4	77.7	79.4
CASA Ratio (%)	23.8	23.9	23.5	24.8	23.5	24.4	25.8		24.8	24.8
Tax Rate (%)	36.0	49.8	51.3	36.3	49.5	43.2	47.2		40.6	45.0
Asset Quality										
OSRL (INR B)	98.5	103.9	100.6	107.8	108.7	110.0	112.2		107.8	
OSRL (%)	9.8	10.3	9.6	9.8	9.5	9.6	9.4		9.8	
Gross NPA (INR B)	47.5	51.9	56.9	58.6	68.3	68.8	71.2	72.6	58.6	72.6
Gross NPA (%)	4.7	5.2	5.4	5.3	6.0	6.0	6.0	6.0	5.3	6.0

E: MOSL Estimates

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Gross stress additions declined to INR13.6b from INR16.8b in 2QFY15

Improved traction in Agri NPA recoveries; PCR improved 280bp QoQ

- Outstanding agriculture NPAs in Andhra Pradesh stood at INR8.8b and in Telangana at INR4.1b as on 3QFY15. Management has guided for significant improvement in GNPA over the next couple of quarters, provided it is able to complete farm loan rollover in AP and Telangana.
- Details on Farm loan waiver scheme - loans up to INR50k will be fully paid by the government, while, for remaining accounts the bank will get 20% upfront payment and remaining 80% in the form of bonds to borrowers/beneficiaries.
- GNPA remained stable QoQ at 6.0%. Reported PCR increased 280bp QoQ to 53% in 3QFY15 resulting in NNPA declining to 3.7% vs 3.9% in the previous quarter.
- Fresh restructuring declined during the quarter (INR4.3b vs INR7b in 2Q – one account each from Textiles and Sugar sectors). OSRL stood at INR 112b (9.4% of loans).

Loan growth (+16% YoY) was mainly driven by retail segment (+23% YoY and +7% QoQ).

Other highlights

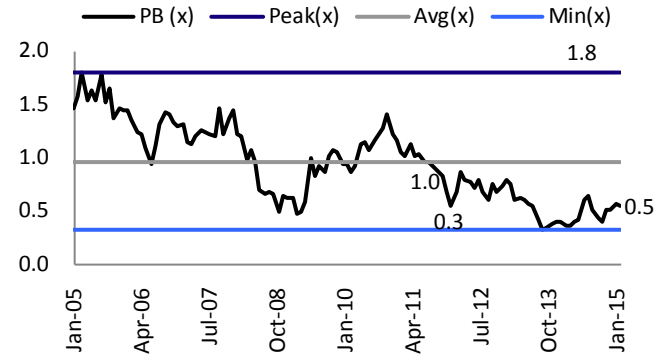
- Loans grew 16% YoY (+6% QoQ), while deposits growth remained moderate at 8% YoY (-2% QoQ). Resultantly, CD ratio increased 440bp to 83.6% in 3QFY15.
- Loan growth was mainly driven by Retail segment (+23% YoY and +7% QoQ) and SME segment (+17% YoY and +5% QoQ). Within, retail segment growth was mainly driven by Non-agri gold loans (+16% QoQ and +46% YoY) and Housing loans (+6% QoQ and +28% YoY). Agriculture loan book declined 5% QoQ (led by sharp decline in agriculture gold loans) and formed 17% of the bank's loan book.
- CASA deposits grew 18.5% YoY to INR36.7b (CASA ratio of 25.9% - improvement of 144bp QoQ and 231bp YoY).
- Credit costs during 3QFY15 came in at INR4.8b (1.6% of loans). Bank benefited from the decline in systemic yields with trading gains of INR1.1b (INR355M in 2Q) and reversal of MTM provisions on investment book of INR260m.

Buy with a target price of INR120 (0.7x FY17E BV).

Valuation and view

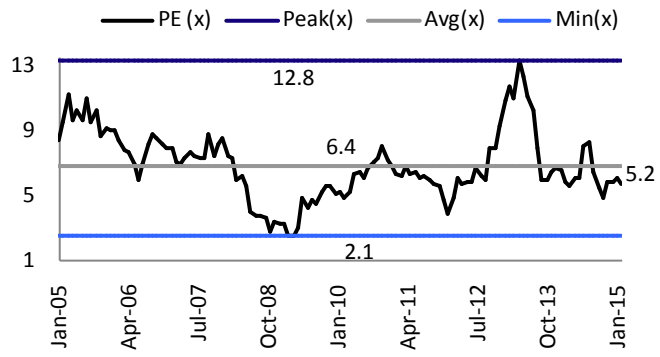
- Bank's 3Q asset quality performance was much better than peer banks. Over FY13-14, ANDB's earnings were severely hit due to rising NPA and was further impacted in Q1FY15 due to spike in Agriculture NPA.
- With clarity emerging on farm loan waiver scheme and management's focus on recoveries, we believe earnings would improve gradually going forward (~INR1b of interest write-back and upgrade/rec. of INR13b Agri related NPA).
- The bank has established presence in Andhra and Telangana region (~60% of branches in this region). ANDB would be one of the key beneficiaries of the expected improvement in polito-economic environment in the region.
- We expect ROA/ROE to improve to 0.6%/13% by FY17. **Maintain Buy** with target price of INR120 (0.7x FY17E BV).

Exhibit 1: One year forward P/BV



Source: MOSL, Company

Exhibit 2: One year forward P/E



Source: MOSL, Company

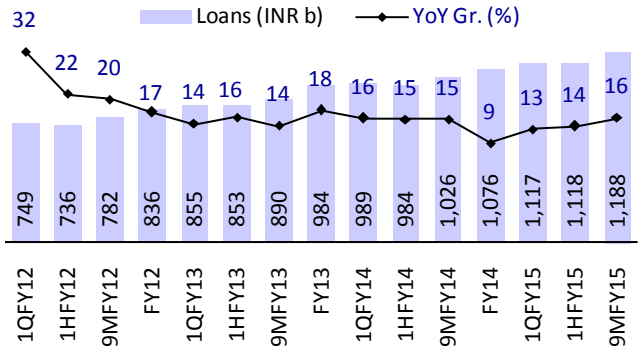
Exhibit 3: DuPont Analysis: Gradual improvement in profitability led by decline in credit costs and tax rate (%)

Y/E MARCH	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15E	FY16E	FY17E
Interest Income	7.35	8.08	8.60	8.03	8.32	9.70	9.52	9.12	9.39	9.19	9.19
Interest Expended	4.30	5.51	5.99	5.26	5.09	6.48	6.75	6.73	6.81	6.54	6.50
Net Interest Income	**3.05**	**2.57**	**2.60**	**2.76**	**3.23**	**3.21**	**2.77**	**2.38**	**2.58**	**2.65**	**2.69**
Fee income	0.95	0.84	0.75	0.75	0.71	0.60	0.56	0.54	0.59	0.60	0.59
Fee to core Income	23.71	24.57	22.42	21.40	17.95	15.71	16.70	18.36	18.72	18.55	18.03
Core Income	**3.99**	**3.41**	**3.35**	**3.52**	**3.94**	**3.81**	**3.33**	**2.92**	**3.17**	**3.26**	**3.28**
Operating Expenses	**2.12**	**1.75**	**1.77**	**1.70**	**1.71**	**1.54**	**1.50**	**1.47**	**1.56**	**1.64**	**1.64**
Cost to Core Income	52.97	51.19	52.65	48.33	43.43	40.45	45.17	50.46	49.29	50.23	49.94
Employee cost	1.24	0.98	1.00	1.04	1.11	0.98	0.95	0.88	0.97	1.02	1.03
Emp. to total exp (%)	58.82	56.03	56.51	61.06	64.77	63.73	63.17	59.87	62.19	62.33	62.67
Others	0.87	0.77	0.77	0.66	0.60	0.56	0.55	0.59	0.59	0.62	0.61
Core Operating Profit	**1.88**	**1.66**	**1.59**	**1.82**	**2.23**	**2.27**	**1.82**	**1.45**	**1.61**	**1.62**	**1.64**
Trading and others	0.23	0.37	0.47	0.46	0.19	0.14	0.22	0.31	0.25	0.25	0.22
Operating Profit	**2.11**	**2.03**	**2.06**	**2.28**	**2.42**	**2.41**	**2.04**	**1.76**	**1.86**	**1.87**	**1.87**
Provisions	**0.33**	**0.27**	**0.62**	**0.47**	**0.65**	**0.85**	**0.73**	**1.29**	**1.17**	**1.06**	**1.01**
NPA	0.19	0.23	0.29	0.45	0.56	0.50	0.58	1.07	1.07	0.97	0.93
Others	0.14	0.04	0.33	0.02	0.08	0.35	0.15	0.22	0.10	0.09	0.08
PBT	**1.78**	**1.76**	**1.44**	**1.81**	**1.77**	**1.56**	**1.31**	**0.47**	**0.69**	**0.81**	**0.86**
Tax	0.56	0.66	0.39	0.49	0.50	0.41	0.36	0.19	0.31	0.26	0.26
Tax Rate	31.47	37.27	27.28	27.16	28.30	26.29	27.21	40.64	45.00	32.00	30.00
RoA	**1.22**	**1.11**	**1.04**	**1.32**	**1.27**	**1.15**	**0.95**	**0.28**	**0.38**	**0.55**	**0.60**
Leverage (x)	14.58	16.26	18.13	19.71	18.28	16.74	17.04	18.26	19.23	19.89	21.19
RoE	**17.78**	**17.97**	**18.94**	**25.96**	**23.24**	**19.25**	**16.19**	**5.07**	**7.26**	**11.00**	**12.75**

Source: MOSL, Company

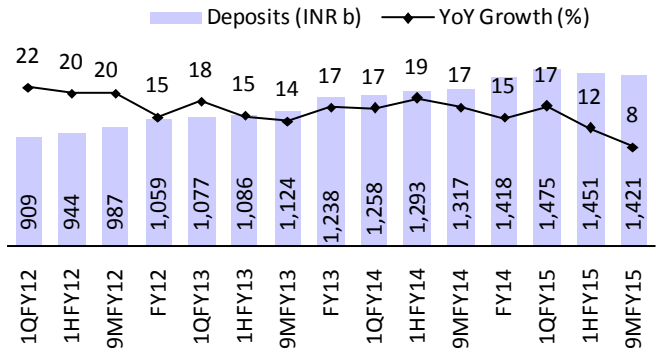
Story in charts

Exhibit 4: Loan growth mainly led by Retail and MSME segments



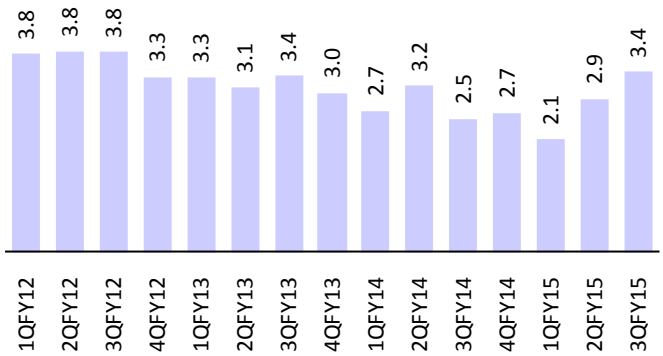
Source: MOSL, Company

Exhibit 5: Deposit growth continues to moderate



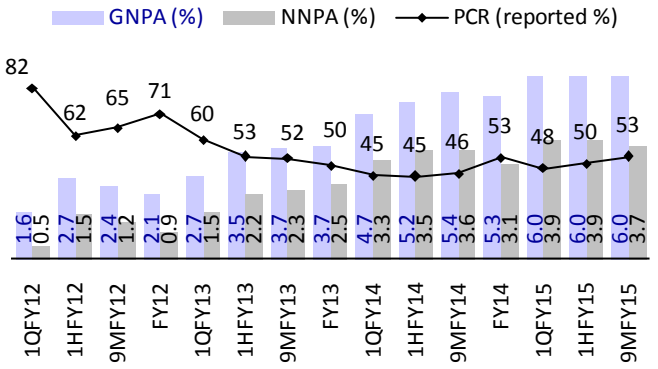
Source: MOSL, Company

Exhibit 6: Margin improvement led by INR2b interest write-back (%)



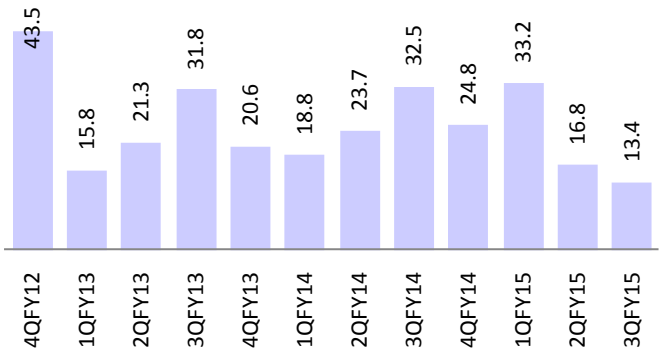
Source: MOSL, Company

Exhibit 7: GNPA in absolute terms increased 3% QoQ; PCR improves QoQ



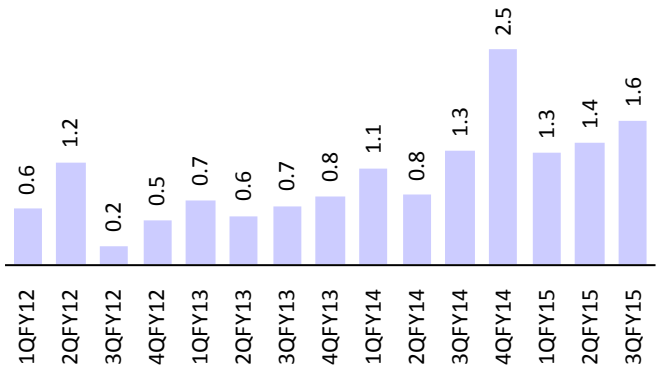
Source: MOSL, Company

Exhibit 8: Gross stress additions have softened over the last 2-3 quarters



Source: MOSL, Company

Exhibit 9: Credit cost remains elevated (%)



Source: MOSL, Company

Exhibit 10: Quarterly Snapshot

	FY14				FY15			Variation (%)		Cumulative Numbers		
INR m	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**QoQ**	**YoY**	**9M14**	**9M15**	**YoY Gr (%)**
Profit and Loss												
Interest Income	33,865	35,919	35,976	37,213	38,104	41,461	41,503	0	15	105,761	121,069	14
Interest Expenses	25,126	25,466	27,294	27,715	30,068	30,420	28,912	-5	6	77,885	89,400	15
Net Interest Income	**8,739**	**10,454**	**8,683**	**9,498**	**8,035**	**11,042**	**12,591**	**14**	**45**	**27,876**	**31,668**	**14**
Other Income	4,677	2,256	3,029	3,366	3,947	2,775	3,903	41	29	9,962	10,624	7
Trading profits	2,861	207	520	420	954	355	1,139	221	119	3,588	2,448	-32
Recoveries	122	434	308	218	255	91	128	40	-58	863	475	-45
Forex	283	115	258	231	795	500	393	-22	52	656	1,688	157
Others (Ex non core)	1,412	1,501	1,944	2,497	1,942	1,828	2,243	23	15	4,856	6,014	24
Total Income	**13,416**	**12,710**	**11,712**	**12,864**	**11,982**	**13,817**	**16,494**	**19**	**41**	**37,838**	**42,293**	**12**
Operating Expenses	5,954	6,282	6,496	4,368	5,720	6,357	7,262	14	12	18,732	19,338	3
Employee	3,852	4,011	4,149	1,817	3,395	3,732	4,628	24	12	12,011	11,755	-2
Others	2,103	2,271	2,347	2,550	2,325	2,625	2,634	0	12	6,721	7,583	13
Operating Profits	7,462	6,428	5,216	8,497	6,263	7,460	9,232	24	77	19,106	22,955	20
Provisions	3,849	5,022	4,280	7,114	4,143	4,915	5,415	10	27	13,151	14,473	10
PBT	**3,613**	**1,407**	**936**	**1,382**	**2,120**	**2,545**	**3,817**	**50**	**308**	**5,955**	**8,482**	**42**
Taxes	1,300	700	480	502	1,050	1,100	1,800	64	275	2,480	3,950	59
PAT	**2,313**	**707**	**456**	**881**	**1,070**	**1,445**	**2,017**	**40**	**343**	**3,475**	**4,532**	**30**
Asset Quality												
GNPA	47,484	51,872	56,925	58,576	68,272	68,843	71,181	3	25			
NNPA	32,117	34,774	36,534	33,425	43,215	43,158	42,642	-1	17			
GNPA (%)	4.7	5.2	5.4	5.3	6.0	6.0	6.0	0	55			
NNPA (%)	3.3	3.5	3.6	3.1	3.9	3.9	3.7	-16	14			
PCR (Reported, %)	45.0	44.6	45.8	52.6	48.2	50.3	53.1	283	729			
Slippages	11,817	7,232	6,933	5,053	21,601	9,801	9,046	-29	70	25,982	40,447	56
Slippage Ratio	5.5	3.3	3.1	2.0	8.6	3.9	3.5	-44	39			
Ratios (%)												
Fees to Total Income	10.5	11.8	16.6	19.4	16.2	13.2	13.6			12.8	14.2	
Cost to Core Income	58.7	52.5	61.1	36.4	57.3	49.4	49.0			57.2	51.3	
Tax Rate	36.0	49.8	51.3	36.3	49.5	43.2	47.2			41.6	46.6	
CASA (Reported)	23.8	23.9	23.5	24.8	23.5	24.4	25.8					
Loan/Deposit	79.8	77.9	79.5	77.7	77.4	79.2	83.6					
Margins (%)												
Yield on loans	11.2	11.4	11.2	11.0	10.7	11.5	11.7	20	51			
Yield On Investments	7.6	7.9	8.0	8.3	8.1	8.1	8.2	9	11			
Cost of deposits	7.8	7.7	7.8	7.9	7.9	7.8	7.7	-14	-18			
Margins	2.7	3.2	2.5	2.7	2.1	2.9	3.4	50	89			
Balance Sheet (INR B)												
Loans	1,004	1,007	1,047	1,102	1,142	1,149	1,188	3	14			
Deposits	1,258	1,293	1,317	1,418	1,475	1,451	1,421	-2	8			
CASA Deposits	300	309	310	352	347	354	367	4	18			
Break up of Loans												
Agriculture Adv	171	181	187	203	212	208	198	-5	6			
SME Credit	170	166	167	183	186	186	195	5	17			
Retail Loans	144	146	151	165	171	173	186	7	23			
Other loans	520	515	543	551	572	582	610	5	12			

Source: MOSL, Company

Exhibit 11: Valuation metrics

	Rating	CMP	Mcap	EPS (INR)		P/E (x)		BV (INR)		P/BV (x)		RoA (%)		RoE (%)	
		(INR)	(USDb)	FY16	FY17	FY16	FY17	FY16	FY17	FY16	FY17	FY16	FY17	FY16	FY17
ICICIBC*	Buy	344	32.2	23.0	27.1	12.1	9.9	132	152	2.1	1.8	1.9	1.9	15.7	16.2
HDFCB	Buy	1,067	41.5	52.5	63.8	20.3	16.7	254	303	4.2	3.5	2.0	2.0	22.4	22.9
AXSB	Buy	559	21.3	36.7	42.4	15.2	13.2	220	256	2.5	2.2	1.8	1.7	17.9	17.8
KMB*	Neutral	1,291	16.1	49.2	60.4	26.3	21.4	371	427	3.5	3.0	1.9	1.9	14.3	15.0
YES	Buy	801	5.4	60.4	76.2	13.3	10.5	330	391	2.4	2.0	1.7	1.7	19.7	21.1
IIB	Buy	861	7.3	43.2	53.2	20.0	16.2	228	272	3.8	3.2	2.0	2.0	20.5	21.3
VYSB	Neutral	910	2.8	40.8	52.1	22.3	17.5	428	469	2.1	1.9	1.0	1.1	9.9	11.6
FB	Buy	140	1.9	12.9	15.1	10.9	9.3	100	112	1.4	1.3	1.2	1.2	13.6	14.3
JKBK	Buy	147	1.2	19.5	23.5	7.5	6.2	144	162	1.0	0.9	1.1	1.2	14.3	15.4
SIB	Buy	27	0.6	3.7	4.7	7.4	5.8	29	33	0.9	0.8	0.8	0.9	13.3	15.2
Private Aggregate			**130.4**			**17.8**	**14.9**			**2.9**	**2.5**				
SBIN (cons)*	Buy	293	35.5	29.9	37.2	9.4	7.5	232	263	1.2	1.1	0.8	0.9	13.2	14.8
PNB	Buy	177	5.2	27.8	37.5	6.4	4.7	233	266	0.8	0.7	0.8	0.9	12.6	15.0
BOI	Neutral	257	2.7	61.2	76.8	4.2	3.3	478	545	0.5	0.5	0.6	0.6	13.6	15.0
BOB	Neutral	185	1.3	25.2	30.5	7.3	6.1	186	209	1.0	0.9	0.7	0.7	14.3	15.4
UNBK	Buy	200	2.1	37.3	49.0	5.4	4.1	321	362	0.6	0.6	0.6	0.7	12.2	14.4
INBK	Buy	181	1.4	29.4	33.5	6.2	5.4	289	314	0.6	0.6	0.6	0.6	10.6	11.1
CRPBK	Neutral	67	0.2	16.5	21.9	4.1	3.1	141	158	0.5	0.4	0.5	0.6	12.3	14.7
ANDB	Buy	91	0.9	17.9	22.5	5.1	4.0	169	185	0.5	0.5	0.6	0.6	11.0	12.7
IDBI	Neutral	69	1.8	14.4	19.7	4.8	3.5	157	173	0.4	0.4	0.6	0.7	9.5	11.9
DBNK	Neutral	56	0.5	13.6	16.8	4.1	3.4	137	150	0.4	0.4	0.5	0.5	10.3	11.7
Public Aggregate			**51.4**			**7.8**	**6.2**			**0.9**	**0.8**				
HDFC*	Buy	1,233	31.2	38	46	21.9	16.7	165	192	5.1	4.0	2.5	2.5	23.8	24.9
LICHF	Buy	455	3.7	32	39	14.0	11.6	197	229	2.3	2.0	1.4	1.4	17.6	18.4
DEWH	Buy	498	1.0	63	79	7.9	6.3	358	417	1.4	1.2	1.4	1.4	18.7	20.4
IHFL	Buy	598	3.5	64	79	9.3	7.6	215	246	2.8	2.4	4.2	4.3	32.4	34.3
IDFC	Neutral	171	4.4	13	14	13.6	11.9	109	120	1.3	1.2	2.2	2.2	11.5	12.0
RECL	Buy	331	5.3	67	78	4.9	4.3	301	361	1.1	0.9	3.5	3.4	24.5	23.4
POWF	Buy	281	6.0	57	69	4.9	4.1	292	344	1.0	0.8	3.1	3.1	21.2	21.7
SHTF	Buy	1,144	4.2	78	92	14.7	12.5	494	573	2.3	2.0	2.3	2.4	16.3	17.7
MMFS	Neutral	261	2.4	17	21	15.2	12.2	113	129	2.3	2.0	2.6	2.8	16.1	17.7
BAF	Buy	4,125	3.3	219	267	18.8	15.5	1,137	1,360	3.6	3.0	2.9	2.9	21.0	21.4
NBFC Aggregate			**65.1**			**14.2**	**11.9**			**2.6**	**2.3**				

*Multiples adj. for value of key ventures/Investments; For ICICI Bank and HDFC Ltd BV is adjusted for investments in subsidiaries

Source: Company, MOSL

Corporate profile

Company description

Andhra Bank, established in 1923, is a Hyderabad based mid-sized Public Sector Bank. The bank has a wide network of 2,287 branches and 2,156 ATMs with focus on Southern India. The bank also has two representative offices at New Jersey and Dubai. Government of India holds 60% stake in the bank.

Exhibit 12: Sensex rebased

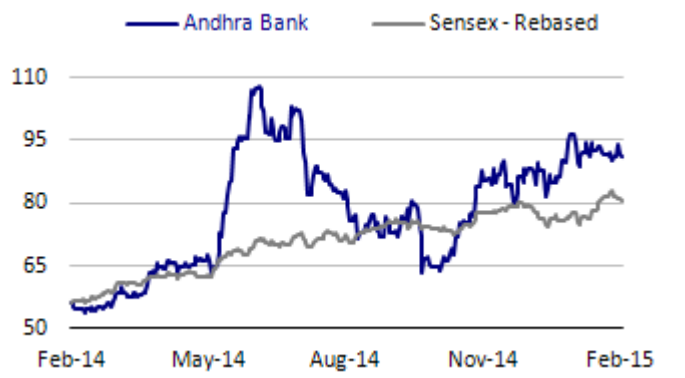


Exhibit 13: Shareholding pattern (%)

	Dec-14	Sep-14	Dec-13
Promoter	60.1	60.1	60.1
DII	16.3	14.7	11.0
FII	7.6	7.4	11.2
Others	16.0	17.8	17.7

Note: FII Includes depository receipts

Exhibit 14: Top holders

Holder Name	% Holding
LIC of India	6.0
LIC of India Money Plus Growth Fund	1.0
HDFC Standard Life Insurance Company Ltd	1.0

Exhibit 15: Top management

Name	Designation
C VR Rajendran	Chairman & Managing Director
S. K. Kalra	Executive Director
S.V. Venkatasubramanian	General Manager & CFO

Exhibit 16: Directors

Name	Name
C V R Rajendran	Nandlal L Sarda
K Thamaraiselvan	G R Sundaravadivel
Amit Goel	Satish Kumar Kalra
Naina Sharma	K K Misra
Pankaj Chaturvedi	Anandrao Vishnu Patil
N Venkata Ramana Reddy	E E Karthak
K Raghuraman	Y Amarnath

*Independent

Exhibit 17: Auditors

Name	Type
C R Sagdeo & Co	Statutory
Nag & Associates	Statutory
Patro & Co	Statutory
R Subramanian & Co	Statutory

Exhibit 18: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY15	11.0	12.5	-11.7
FY16	17.9	18.4	-2.6
FY17	22.5	24.6	-8.7

Financials and valuations

Income Statement								(INR Million)
Y/E March	**2010**	**2011**	**2012**	**2013**	**2014**	**2015E**	**2016E**	**2017E**
Interest Income	63,729	82,913	113,387	129,097	142,973	161,913	174,922	202,758
Interest Expense	41,781	50,703	75,794	91,527	105,600	117,436	124,441	143,450
Net Interest Income	**21,947**	**32,210**	**37,593**	**37,570**	**37,373**	**44,478**	**50,481**	**59,308**
Change (%)	34.9	46.8	16.7	-0.1	-0.5	19.0	13.5	17.5
Non Interest Income	9,646	8,970	8,599	10,474	13,328	14,495	16,349	17,996
Net Income	**31,594**	**41,179**	**46,193**	**48,044**	**50,702**	**58,973**	**66,830**	**77,304**
Change (%)	32.1	30.3	12.2	4.0	5.5	16.3	13.3	15.7
Operating Expenses	13,495	17,049	18,042	20,372	23,099	26,972	31,135	36,132
Pre Provision Profits	**18,098**	**24,131**	**28,150**	**27,672**	**27,602**	**32,000**	**35,695**	**41,172**
Change (%)	40.5	33.3	16.7	-1.7	-0.3	15.9	11.5	15.3
Provisions (excl tax)	3,740	6,460	9,907	9,962	20,265	20,157	20,208	22,201
PBT	**14,358**	**17,671**	**18,243**	**17,711**	**7,337**	**11,843**	**15,487**	**18,970**
Tax	3,900	5,000	4,796	4,819	2,982	5,329	4,956	5,691
Tax Rate (%)	27.2	28.3	26.3	27.2	40.6	45.0	32.0	30.0
PAT	**10,458**	**12,671**	**13,447**	**12,891**	**4,356**	**6,514**	**10,531**	**13,279**
Change (%)	60.1	21.2	6.1	-4.1	-66.2	49.5	61.7	26.1
Profits for Equity SH	**10,458**	**12,671**	**13,447**	**12,891**	**4,356**	**6,514**	**10,531**	**13,279**
Change (%)	60.1	21.2	6.1	-4.1	-66.2	49.5	61.7	26.1
Equity Dividend (Incl tax)	**2,828**	**3,577**	**3,577**	**3,273**	**756**	**1,897**	**3,067**	**3,868**
Core PPP*	**14,426**	**22,210**	**26,559**	**24,727**	**22,678**	**27,750**	**30,844**	**36,221**
Change (%)	45.3	54.0	19.6	-6.9	-8.3	22.4	11.1	17.4

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

Balance Sheet								(INR Million)
Y/E March	**2010**	**2011**	**2012**	**2013**	**2014**	**2015E**	**2016E**	**2017E**
Equity Share Capital	4,850	5,596	5,596	5,596	5,896	5,896	5,896	5,896
Reserves & Surplus	39,250	59,328	69,198	78,816	81,478	86,095	93,559	102,971
Net Worth	**44,100**	**64,924**	**74,794**	**84,412**	**87,375**	**91,991**	**99,455**	**108,867**
Deposits	**776,882**	**921,563**	**1,058,512**	**1,237,956**	**1,418,451**	**1,517,743**	**1,745,404**	**2,059,577**
Change (%)	30.8	18.6	14.9	17.0	14.6	7.0	15.0	18.0
of which CASA Dep	**228,643**	**267,794**	**279,473**	**317,589**	**351,859**	**376,490**	**430,558**	**501,059**
Change (%)	22.6	17.1	4.4	13.6	10.8	7.0	14.4	16.4
Borrowings	58,524	76,397	82,406	111,193	131,851	126,320	141,163	158,157
Other Liabilities & Prov.	23,917	26,123	33,931	29,428	35,733	39,340	46,122	54,708
Total Liabilities	**903,424**	**1,089,007**	**1,249,642**	**1,462,989**	**1,673,409**	**1,775,394**	**2,032,144**	**2,381,310**
Current Assets	111,677	104,590	86,456	64,059	94,406	79,941	96,136	110,882
Investments	**208,810**	**242,040**	**296,289**	**376,324**	**453,566**	**439,959**	**505,953**	**581,846**
Change (%)	23.5	21.0	22.4	27.0	20.5	-3.0	15.0	15.0
Loans	**561,135**	**714,354**	**836,418**	**983,733**	**1,076,442**	**1,205,615**	**1,374,401**	**1,621,793**
Change (%)	27.1	27.3	17.1	17.6	9.4	12.0	14.0	18.0
Fixed Assets	3,557	3,175	3,026	3,035	4,339	5,222	6,533	7,843
Other Assets	18,246	24,849	27,454	35,839	44,656	44,656	49,121	58,946
Total Assets	**903,424**	**1,089,007**	**1,249,642**	**1,462,989**	**1,673,409**	**1,775,394**	**2,032,144**	**2,381,310**
Asset Quality								**(%)**
GNPA (INR M)	4,879	9,956	17,980	37,145	58,576	72,585	73,450	71,403
NNPA (INR M)	957	2,737	7,559	24,092	33,425	41,319	32,913	20,389
GNPA Ratio	0.86	1.38	2.12	3.73	5.32	5.87	5.19	4.27
NNPA Ratio	0.17	0.38	0.90	2.45	3.11	3.43	2.39	1.26
PCR (Excl Tech. write off)	80.3	72.2	58.0	35.1	42.9	43.1	55.2	71.4
PCR (Incl Tech. Write off)	91.0	83.9	71.1	49.6	52.6	51.1	61.5	75.5

E: MOSL Estimates

Financials and valuations

Ratios

Y/E March	2010	2011	2012	2013	2014	2015E	2016E	2017E
Spreads Analysis (%)								
Avg. Yield-Earning Assets	**8.9**	**9.2**	**10.5**	**10.2**	**9.8**	**10.1**	**9.8**	**9.8**
Avg. Yield on loans	10.3	10.5	12.0	11.3	10.8	11.2	10.7	10.7
Avg. Yield on Investments	6.3	6.8	7.3	7.4	7.2	7.4	7.5	7.5
Avg. Cost-Int. Bear. Liab.	**5.7**	**5.5**	**7.1**	**7.4**	**7.3**	**7.4**	**7.0**	**7.0**
Avg. Cost of Deposits	5.5	5.4	7.0	7.4	7.4	7.5	7.1	7.0
Interest Spread	**3.2**	**3.7**	**3.4**	**2.9**	**2.5**	**2.7**	**2.8**	**2.8**
Net Interest Margin	**3.1**	**3.6**	**3.5**	**3.0**	**2.6**	**2.8**	**2.8**	**2.9**
Profitability Ratios (%)								
RoE	26.0	23.2	19.2	16.2	5.1	7.3	11.0	12.7
RoA	1.3	1.3	1.1	1.0	0.28	0.38	0.55	0.60
Int. Expense/Int.Income	65.6	61.2	66.8	70.9	73.9	72.5	71.1	70.7
Fee Income/Net Income	18.9	17.1	15.2	15.7	16.6	17.4	17.2	16.9
Non Int. Inc./Net Income	30.5	21.8	18.6	21.8	26.3	24.6	24.5	23.3
Efficiency Ratios (%)								
Cost/Income*	48.3	43.4	40.4	45.2	50.5	49.3	50.2	49.9
Empl. Cost/Op. Exps.	61.1	64.8	63.7	63.2	59.9	62.2	62.3	62.7
Busi. per Empl. (INR m)	83.1	104.8	120.9	130.2	134.7	134.7	139.8	153.1
NP per Empl. (INR lac)	7.3	8.9	9.2	8.2	2.5	3.4	5.0	6.0
* ex treasury								
Asset-Liability Profile (%)								
Loans/Deposit Ratio	72.2	77.5	79.0	79.5	75.9	79.4	78.7	78.7
CASA Ratio	29.4	29.1	26.4	25.7	24.8	24.8	24.7	24.3
Investment/Deposit Ratio	26.9	26.3	28.0	30.4	32.0	29.0	29.0	28.3
G-Sec/Investment Ratio	94.7	94.0	90.2	87.6	88.0	82.8	82.8	85.0
CAR	13.9	14.4	13.2	11.8	10.8	8.3	7.9	7.4
Tier 1	8.2	9.7	9.0	8.5	8.1	8.0	7.6	7.1
Valuation								
Book Value (INR)	90.9	116.0	133.7	150.8	148.2	156.0	168.7	184.6
Change (%)	20.9	27.6	15.2	12.9	-1.8	5.3	8.1	9.5
Price-BV (x)	1.0	0.8	0.7	0.6	0.6	0.6	0.54	0.49
Adjusted BV (INR)	89.6	112.8	124.9	122.9	111.3	110.5	132.4	162.2
Price-ABV (x)	1.0	0.8	0.7	0.7	0.8	0.8	0.7	0.6
EPS (INR)	21.6	22.6	24.0	23.0	7.4	11.0	17.9	22.5
Change (%)	60.1	5.0	6.1	-4.1	-67.9	49.5	61.7	26.1
Price-Earnings (x)	4.2	4.0	3.8	4.0	12.3	8.3	5.1	4.0
Dividend Per Share (INR)	5.0	5.5	5.5	5.0	1.1	2.8	4.5	5.6
Dividend Yield (%)	5.5	6.0	6.0	5.5	1.2	3.0	4.9	6.2

E: MOSL Estimates

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