

# Union Bank of India

<b>BSE SENSEX</b>	<b>S&amp;P CNX</b>
25,490	7,815
Bloomberg	UNBK IN
Equity Shares (m)	687.4
M.Cap.(INRb)/(USDb)	79.7 / 1.2
52-Week Range (INR)	222 / 104
1, 6, 12 Rel. Per (%)	-11/-27/-18
Avg Val, INRm/ Vol m	747
Free float (%)	36.6

## Financials & Valuations (INR b)

Y/E Mar	2016	2017E	2018E
NII	83	94	106
OP	57.2	66.2	76.4
NP	13.5	18.4	25.2
EPS (INR)	19.7	26.8	36.7
EPS Gr. (%)	-29.6	36.4	36.8
BV/Sh. (INR)	295	318	351
P/E (x)	5.9	4.3	3.2
P/BV (x)	0.39	0.36	0.33
RoE (%)	7.0	8.7	11.0
RoA (%)	0.3	0.4	0.5

Estimate change

TP change

Rating change



**CMP: INR116 TP: INR140 (+20%)**

**Buy**

## Asset quality disappoints; Balance sheet consolidation and Capital conservation continues

- Union Bank's 4QFY16 PAT de-grew by 78% YoY to INR961m (57% miss), driven by weak core PPOP growth (-15% YoY) and high credit costs (3% v/s 2% in 3Q).
- Slippages increased sharply QoQ to INR61.7b (~10% of loans, annualized) v/s INR34.1b (5.6%) – impacted by three large iron and steel exposures amounting to INR29b (47% of slippages) and one infra account amounting to INR3b (~5% of slippages). AQR related slippages during 4Q were ~INR8b (v/s INR19.2b in 3Q). Management expects quarterly run rate of slippages of INR16-18b in FY17- which is on a higher side considering sharp recognition done during FY16.
- Relapse from restructured loans were INR20.2b (33% of slippages); net stressed loans ex. SEB increased to 7.85% v/s 7.1% in 3QFY16.
- Loan growth remains subdued at 6% YoY (+6% QoQ). With the low CET1 ratio, focus remains on Retail, Agriculture and MSME for growth (12% YoY/9% QoQ).
- Other highlights:** (1) Eleven accounts are refinanced till date under 5:25 scheme amounting to INR25.2b, (b) SDR was invoked in eight accounts amounting to INR18.4b only two of which are either NPA/RL amounting to INR5.6b, (c) CET1 ratio improves to 7.95% v/s 7.45% in 3Q led by relaxation given by RBI towards revaluation reserves (+40bp impact).

**Valuation and view:** Asset quality deteriorated in 4QFY16 led by large slippages from iron and steel sector; NSL ex. SEB increased 75bp QoQ to ~7.9%. While CET1 remains low, focus on conserving capital and moderate risk weighted asset growth is positive. Earnings sensitivity to credit cost and NIMs has increased significantly with low ROAs. Valuations at 0.33x FY18E PBV provide comfort. We cut earnings estimates by 4-5% for FY17/18E led by lower other income and higher credit costs. Revised target price to INR140 (0.4x FY18E BV) v/s INR160 previously.

## Quarterly Performance

	FY15				FY16				(INR Million)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY15	FY16
Net Interest Income	21,172	20,844	21,212	21,211	21,302	21,017	19,965	20,847	84,439	83,131
% Change (YoY)	10.9	6.6	8.0	3.4	0.6	0.8	-5.9	-1.7	7.2	-1.5
Other Income	6,914	8,113	8,772	11,431	7,832	9,595	8,927	9,964	35,230	36,317
Net Income	28,086	28,958	29,985	32,641	29,134	30,612	28,892	30,811	119,669	119,448
Operating Expenses	14,366	15,618	15,331	16,118	14,252	16,505	15,551	16,715	61,434	62,228
Operating Profit	13,719	13,339	14,653	16,523	14,882	14,107	13,342	14,096	58,235	57,220
% Change (YoY)	-2.8	8.9	16.1	25.2	8.5	5.8	-9.0	-14.7	11.6	-1.7
Other Provisions	3,928	7,854	8,519	10,099	6,424	4,325	12,377	15,647	30,401	39,566
Profit before Tax	9,791	5,485	6,134	6,423	8,458	9,782	965	-1,551	27,834	17,654
Tax Provisions	3,150	1,772	3,110	1,986	3,270	3,200	180	-2,512	10,017	4,138
Net Profit	6,641	3,713	3,024	4,438	5,188	6,582	785	961	17,816	13,516
% Change (YoY)	18.5	78.4	-13.3	-23.4	-21.9	77.3	-74.0	-78.3	5.0	-24.1
<b>Operating Parameters</b>										
NIM (Reported,%)	2.6	2.5	2.5	2.3	2.4	2.3	2.2	2.4	2.5	2.3
NIM (Cal, %)	2.6	2.5	2.5	2.5	2.4	2.3	2.2	2.3	2.5	2.3
Deposit Growth (%)	9.5	4.6	9.7	6.4	10.0	10.2	4.6	8.2	6.4	8.2
Loan Growth (%)	17.8	9.7	8.3	11.6	6.0	3.3	5.0	4.6	11.6	4.6
Tax Rate (%)	32.2	32.3	50.7	30.9	38.7	32.7	18.6	NM	36.0	23.4
<b>Asset Quality</b>										
OSRL (INR b)	119.7	126.0	123.5	136.6	141.3	139.1	136.2	85.7	136.6	85.7
OSRL (%)	5.0	5.2	5.0	5.2	5.5	5.5	5.2	3.1	5.2	3.1
Gross NPA (INR b)	102.3	114.6	126.0	130.3	141.4	155.4	185.0	241.7	130.3	241.7
Gross NPA (%)	4.3	4.7	5.1	5.0	5.5	6.1	7.1	8.7	5.0	8.7

E: MOSL Estimates

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

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**Exhibit 1: Quarterly Performance (INR m)**

Y/E March	4QFY16A	4QFY16E	Var. (%)	Comments
<b>Net Interest Income</b>	<b>20,847</b>	<b>21,053</b>	<b>-1</b>	<b>In-line margin and loan growth</b>
% Change (YoY)	-2	-1		
Other Income	9,964	12,027	-17	Fee income and trading gains below expectation
<b>Net Income</b>	<b>30,811</b>	<b>33,080</b>	<b>-7</b>	
Operating Expenses	16,715	17,140	-2	Employee expense driving opex beat
<b>Operating Profit</b>	<b>14,096</b>	<b>15,939</b>	<b>-12</b>	
% Change (YoY)	-15	-4		
Other Provisions	15,647	12,371	26	Credit cost higher than est.
<b>Profit before Tax</b>	<b>-1,551</b>	<b>3,568</b>	<b>-143</b>	
Tax Provisions	-2,512	1,321	-290	
<b>Net Profit</b>	<b>961</b>	<b>2,247</b>	<b>-57</b>	<b>Weak core PPOP growth and higher credit costs mar profitability</b>
% Change (YoY)	-78	-49		

Source: Company, MOSL

**Other highlights**

- Global NIM improved 7bp QoQ to 2.29%. Domestic NIM improved 15bp QoQ to 2.46%. Domestic yield on funds declined 9bp QoQ to 8.50%, while domestic cost of funds declined 22bp to 6.22%.
- Healthy growth in key focus areas: Retail segment (+16% YoY; +5% QoQ), MSME (+3% YoY; +15% QoQ) – reclassified as per RBI guidelines and Agriculture (+23% YoY; +6% QoQ).
- Infra loans de-grew -11% YoY and -10 QoQ while basic metal loans grew +13% YoY (+12% QoQ); Textiles loans grew 4% YoY (+1% QoQ).
- Overseas advances grew by 22% YoY (-2% QoQ) –account for ~9% of overall advances v/s ~8% in 4QFY15
- CASA grew by 19% YoY and CASA ratio increased to 32.3%; share of bulk deposits now stand at 2.1% (v/s 5.8% in 4QFY15).
- Overall gross stressed loans (GNPA + OSRL) in infrastructure now stands at ~30%, similar to 3QFY16 and Iron and steel ~42% v/s ~16% in 3QFY16.

Overseas loans grew by 22% YoY (-2% QoQ) – now account for ~9% of overall loans

**4QFY16 conference call highlights****Guidance for next 3 years**

- a) CASA ratio of 35-40%, b) Business of INR10 trillion, c) Retail, Agri and SME share of 20% each
- Credit cost will go down by 50bps

**Asset quality details**

- Overall slippages for 4Q were INR61.7b of which four steel accounts contributed to INR29b (~47% of slippages) and one Infra account contributed INR3b (~5% of slippages). Balance slippages were largely from chemicals and G&J
- RBI AQR related slippages during the quarter were INR7.96b (~13% of slippages)
- Slippages during FY16 were INR129.52b of which RBI AQR related slippages are INR41.73b (~32% of FY16 slippages)
- Management expects quarterly run rate of slippages of INR16-18b in FY17
- Relapse from restructured loans amounted to INR20.2b of which INR9.76b was on account of RBI AQR

- Overall eleven accounts were refinanced under 5:25 till date amounting to INR25.2b of which four accounts related to power sector (INR9.26b), three related to Iron and steel sector (INR5.84b)
- Total exposure (including working capital finance) to three steel accounts which are refinanced under 5:25 is INR20.1b
- SDR is implemented in eight accounts (total exposure INR18.35b); of which power, iron and steel and textile contribute two accounts each.
- Only two SDR accounts are under RL category (INR5.6b) and rest all are standard
- Provisions on account of fraud were INR9.07b in FY16; in addition INR3.52b is yet to be provided via P&L, however already debited to reserves
- Total security receipts outstanding is INR 6.7b; INR1.5b unamortized losses yet to be provided
- Movement of Restructured loans: Opening INR136.58b of which slippage INR49.21b (RBI AQR INR32.2b) and closing balance stands at INR85.7b
- Bank did a write-off of INR31.4b from restructured loans during 4QFY16
- NPA from Infra, Iron and steel and Textiles stands at INR58.6b/INR25.14b and INR12.57b respectively
- Total restructured loans from Infra and Iron and steel stands at INR38b and INR5b respectively. Of the power INR13b is related to SEBs
- Total Steel exposure of the bank stands at INR105.34b of which INR45.26b is OSRL, INR25.14b is NPA and INR5.84b is refinanced hence 75%+ is already recognized as stress loan
- During the quarter full Rajasthan discom exposure of INR32b is converted, half (INR12.5b) of UP exposure (INR25b) is converted
- Bank made the provision of INR92m for the total exposure of INR 1.22b to Punjab food corporation
- Outstanding SMA2 accounts stands at INR169b and SMA1 accounts are INR140b. This has not seen much change over the last one year despite aggressive recognition

#### Others

- Total CAR/T1/CET1 stood at 10.56%/8.14%/7.95%. Bank revalued the properties (from INR14.b to INR25.81b) during the quarter leading to 40bp leg up in CET1 capital. INR5b of AT1 coming up for repayment in FY17
- 67% of the customer facing transactions is digital. 50 of the processes are digitalized. Under project “Utraksah” bank is seeing strong improvement in CASA (42% increase in productivity, Retail assets (28% increase in retail loans sanctioned per month and 45% increase in loans processed by SARAL) and SME TAT (50% reduction in TAT) across 7 regions contributing 27% of business

Buy with a target price of  
INR140 (0.4x FY18E BV).

#### Valuation and view

- Asset quality deteriorated in the current led by large slippages from iron and steel sector and remaining slippages from AQR – underlying trend surprised negatively v/s previous quarters. Overall net stress loans (NNPA + OSRL) has reduced 100bp QoQ (8.3%) led by SEB loan conversion under ‘UDAY’ scheme.
- Sensitivity of earnings to risk-adjusted NIMs has increased significantly. With every (1) 10bp NIM expansion, earnings could see an upgrade of ~10%, and (2)

10bp decline in credit cost, earnings increase by ~8%. We expect earnings CAGR of 33% over FY16-19E (earnings were flat over FY08-16).

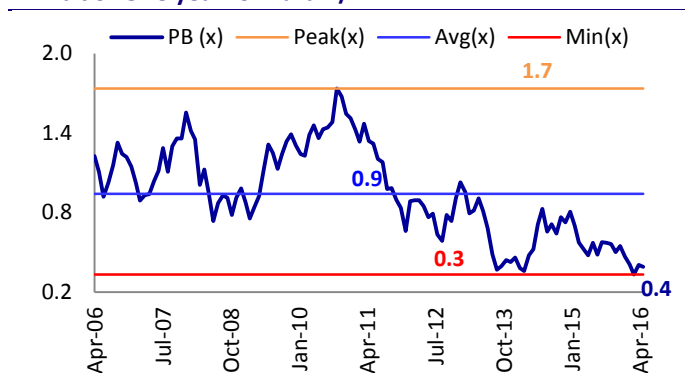
- The management key focus areas are (a) to consolidate loan book (+5% YoY) (b) focus on profitability (c) focus on HR issues and (d) conserve capital. Focus on higher yielding Agri and MSME segments; gradual improvement in CASA, granular liability profile (bulk deposits at ~2%) will reduce pressure on margins in the falling interest rate environment. Moderate balance sheet growth will keep the CASA ratio in tact which in turn will cushion margins.
- Valuations at 0.33x (vs. long period average of 0.9x) FY18E, balance sheet consolidation and focus on core parameters provides comfort.
- We have cut earnings by 4-5% for FY17/18E to factor in lower other income and higher credit costs. Further, we have revised our target price to INR140 (v/s INR160 previously) based on the residual income model. Our key assumptions are risk free rate of 7.5%, Beta of 1.65, Cost of equity of 16.6%, Terminal growth rate of 5% and average earnings growth of ~11% over FY17-31E.

**Exhibit 2: We cut estimates by 4-5% for FY17/18E led by lower PPop and high provisions**

INR B	Old Est.			New Est.			% Change		
	FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18
<b>Net Interest Income</b>	<b>83.3</b>	<b>94.3</b>	<b>105.4</b>	<b>83.1</b>	<b>93.8</b>	<b>106.0</b>	<b>-0.2</b>	<b>-0.5</b>	<b>0.6</b>
Other Income	38.4	43.7	49.0	36.3	41.4	47.0	-5.4	-5.1	-4.0
<b>Total Income</b>	<b>121.7</b>	<b>138.0</b>	<b>154.3</b>	<b>119.4</b>	<b>135.2</b>	<b>153.0</b>	<b>-1.9</b>	<b>-2.0</b>	<b>-0.8</b>
Operating Expenses	63.4	70.4	78.1	62.2	69.1	76.7	-1.9	-1.9	-1.8
<b>Operating Profits</b>	<b>58.3</b>	<b>67.6</b>	<b>76.2</b>	<b>57.2</b>	<b>66.2</b>	<b>76.4</b>	<b>-1.8</b>	<b>-2.1</b>	<b>0.2</b>
Provisions	35.5	38.2	36.3	39.6	38.2	38.2	11.5	0.1	5.2
<b>PBT</b>	<b>22.8</b>	<b>29.4</b>	<b>40.0</b>	<b>17.7</b>	<b>27.9</b>	<b>38.2</b>	<b>-22.5</b>	<b>-5.0</b>	<b>-4.4</b>
Tax	8.0	10.0	13.6	4.1	9.5	13.0	-48.1	-5.0	-4.4
<b>PAT</b>	<b>14.8</b>	<b>19.4</b>	<b>26.4</b>	<b>13.5</b>	<b>18.4</b>	<b>25.2</b>	<b>-8.7</b>	<b>-5.0</b>	<b>-4.4</b>
Margins (%)	2.32	2.41	2.37	2.32	2.41	2.44			
Credit Cost (%)	1.45	1.25	1.00	1.78	1.35	1.20			
<b>RoA (%)</b>	<b>0.4</b>	<b>0.5</b>	<b>0.5</b>	<b>0.3</b>	<b>0.4</b>	<b>0.5</b>			
<b>RoE (%)</b>	<b>7.6</b>	<b>9.1</b>	<b>11.3</b>	<b>7.0</b>	<b>8.7</b>	<b>11.0</b>			
<b>BV</b>	<b>299</b>	<b>323</b>	<b>354</b>	<b>295</b>	<b>318</b>	<b>351</b>	<b>-1.6</b>	<b>-1.4</b>	<b>-1.0</b>
ABV	184	209	240	152	171	201	-17.4	-18.5	-16.0
EPS	22	28	38	20	27	37	-8.7	-5.0	-4.4

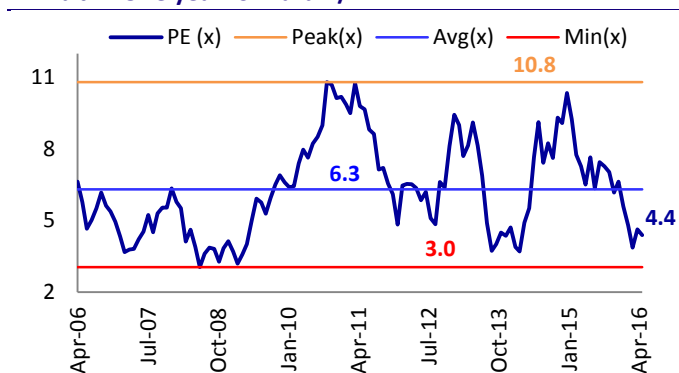
Source: MOSL, Company

**Exhibit 3: One year forward P/BV**



Source: MOSL, Company

**Exhibit 4: One year forward P/E**



Source: MOSL, Company

**Exhibit 5: DuPont Analysis: Improvement in core operating performance and asset quality to drive RoAs higher**

Y/E MARCH (%)	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017E	FY2018E	FY2019E
<b>Net Interest Income</b>	<b>2.68</b>	<b>2.35</b>	<b>2.88</b>	<b>2.73</b>	<b>2.63</b>	<b>2.37</b>	<b>2.30</b>	<b>2.11</b>	<b>2.21</b>	<b>2.24</b>	<b>2.24</b>
Fee income	0.47	0.50	0.43	0.47	0.42	0.40	0.42	0.38	0.40	0.41	0.42
Fee to core Income	14.9	17.6	13.1	14.6	13.7	14.4	15.3	15.3	15.4	15.6	15.7
<b>Core Operating Income</b>	<b>3.14</b>	<b>2.86</b>	<b>3.32</b>	<b>3.19</b>	<b>3.04</b>	<b>2.76</b>	<b>2.71</b>	<b>2.50</b>	<b>2.61</b>	<b>2.65</b>	<b>2.66</b>
<b>Operating Expenses</b>	<b>1.55</b>	<b>1.41</b>	<b>1.83</b>	<b>1.60</b>	<b>1.57</b>	<b>1.65</b>	<b>1.67</b>	<b>1.58</b>	<b>1.63</b>	<b>1.62</b>	<b>1.59</b>
Cost/core Income ratio	49.4	49.3	55.2	50.1	51.7	59.6	61.6	63.4	62.3	61.1	59.9
Employees	0.81	0.76	1.21	1.00	0.96	0.99	1.03	0.92	0.92	0.89	0.85
Others	0.75	0.65	0.63	0.61	0.61	0.65	0.64	0.66	0.70	0.73	0.74
<b>Core Operating Profits</b>	<b>1.59</b>	<b>1.45</b>	<b>1.48</b>	<b>1.59</b>	<b>1.47</b>	<b>1.12</b>	<b>1.04</b>	<b>0.91</b>	<b>0.99</b>	<b>1.03</b>	<b>1.07</b>
Trading and others	0.57	0.61	0.51	0.52	0.47	0.45	0.54	0.54	0.57	0.58	0.57
<b>Operating Profits</b>	<b>2.16</b>	<b>2.05</b>	<b>2.00</b>	<b>2.11</b>	<b>1.94</b>	<b>1.57</b>	<b>1.58</b>	<b>1.46</b>	<b>1.56</b>	<b>1.61</b>	<b>1.64</b>
<b>Provisions</b>	<b>0.52</b>	<b>0.46</b>	<b>0.63</b>	<b>1.02</b>	<b>0.88</b>	<b>0.95</b>	<b>0.83</b>	<b>1.01</b>	<b>0.90</b>	<b>0.81</b>	<b>0.74</b>
NPA	0.38	0.39	0.55	0.61	0.54	0.63	0.69	1.18	0.89	0.79	0.72
Others	0.13	0.07	0.08	0.41	0.34	0.31	0.14	-0.18	0.01	0.02	0.02
<b>PBT</b>	<b>1.65</b>	<b>1.59</b>	<b>1.37</b>	<b>1.09</b>	<b>1.07</b>	<b>0.62</b>	<b>0.76</b>	<b>0.45</b>	<b>0.66</b>	<b>0.81</b>	<b>0.91</b>
Tax	0.43	0.43	0.41	0.37	0.32	0.11	0.27	0.11	0.22	0.27	0.31
Tax Rate	26.4	26.8	29.6	34.1	29.6	17.9	36.0	23.4	34.0	34.0	34.0
<b>RoA</b>	<b>1.21</b>	<b>1.17</b>	<b>0.97</b>	<b>0.72</b>	<b>0.75</b>	<b>0.51</b>	<b>0.48</b>	<b>0.34</b>	<b>0.43</b>	<b>0.53</b>	<b>0.60</b>
Leverage (x)	22.5	22.5	21.7	20.7	20.0	20.5	20.9	20.4	20.1	20.6	21.0
<b>RoE</b>	<b>27.2</b>	<b>26.2</b>	<b>20.9</b>	<b>14.9</b>	<b>13.6</b>	<b>10.4</b>	<b>10.1</b>	<b>7.0</b>	<b>8.7</b>	<b>11.0</b>	<b>12.5</b>

Source: MOSL, Company

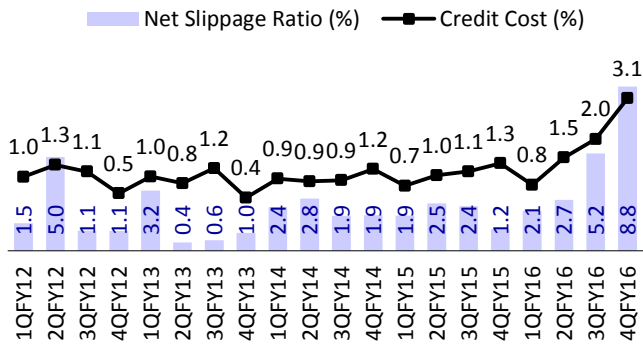
**Exhibit 6: DuPont Analysis: Sharp drop in ROA led by higher credit costs**

Y/E MARCH	1QFY14	2QFY14	3QFY14	4QFY14	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16
<b>Net Interest Income</b>	<b>2.42</b>	<b>2.37</b>	<b>2.30</b>	<b>2.35</b>	<b>2.38</b>	<b>2.33</b>	<b>2.32</b>	<b>2.25</b>	<b>2.21</b>	<b>2.15</b>	<b>2.04</b>	<b>2.10</b>
Fee income	0.45	0.45	0.46	0.60	0.38	0.50	0.50	0.67	0.44	0.48	0.45	0.55
Fee to core income	15.6	16.0	16.6	20.2	13.8	17.7	17.7	22.9	16.5	18.3	18.0	20.9
<b>Core Income</b>	<b>2.86</b>	<b>2.82</b>	<b>2.76</b>	<b>2.95</b>	<b>2.77</b>	<b>2.83</b>	<b>2.81</b>	<b>2.92</b>	<b>2.65</b>	<b>2.63</b>	<b>2.48</b>	<b>2.65</b>
<b>Operating Expenses</b>	<b>1.59</b>	<b>1.63</b>	<b>1.62</b>	<b>1.73</b>	<b>1.62</b>	<b>1.74</b>	<b>1.67</b>	<b>1.71</b>	<b>1.48</b>	<b>1.69</b>	<b>1.59</b>	<b>1.68</b>
Cost to Core Income	55.4	57.6	58.7	58.6	58.5	61.7	59.5	58.6	55.8	64.2	63.9	63.4
Employee cost	1.00	0.98	0.96	1.02	1.04	1.05	1.06	1.02	0.88	1.03	0.92	0.94
Others	0.59	0.65	0.65	0.71	0.58	0.69	0.62	0.70	0.59	0.66	0.66	0.74
<b>Core Operating Profits</b>	<b>1.28</b>	<b>1.20</b>	<b>1.14</b>	<b>1.22</b>	<b>1.15</b>	<b>1.08</b>	<b>1.14</b>	<b>1.21</b>	<b>1.17</b>	<b>0.94</b>	<b>0.90</b>	<b>0.97</b>
Trading and others	0.51	0.29	0.34	0.29	0.40	0.41	0.46	0.54	0.37	0.50	0.46	0.45
<b>Operating Profits</b>	<b>1.79</b>	<b>1.49</b>	<b>1.48</b>	<b>1.51</b>	<b>1.55</b>	<b>1.49</b>	<b>1.60</b>	<b>1.75</b>	<b>1.54</b>	<b>1.44</b>	<b>1.36</b>	<b>1.42</b>
<b>Provisions</b>	<b>0.86</b>	<b>1.14</b>	<b>0.71</b>	<b>1.06</b>	<b>0.44</b>	<b>0.88</b>	<b>0.93</b>	<b>1.07</b>	<b>0.67</b>	<b>0.44</b>	<b>1.26</b>	<b>1.57</b>
NPAs	0.61	0.55	0.58	0.77	0.48	0.67	0.74	0.88	0.50	0.94	1.27	2.02
Others	0.25	0.58	0.13	0.29	-0.04	0.20	0.19	0.19	0.17	-0.50	-0.01	-0.45
<b>PBT</b>	<b>0.92</b>	<b>0.35</b>	<b>0.76</b>	<b>0.46</b>	<b>1.10</b>	<b>0.61</b>	<b>0.67</b>	<b>0.68</b>	<b>0.88</b>	<b>1.00</b>	<b>0.10</b>	<b>-0.16</b>
Tax	0.22	0.10	0.35	-0.21	0.35	0.20	0.34	0.21	0.34	0.33	0.02	-0.25
Tax Rate	23.3	27.8	46.4	-45.0	32.2	32.3	50.7	30.9	38.7	32.7	18.6	162.0
<b>RoA</b>	<b>0.71</b>	<b>0.25</b>	<b>0.41</b>	<b>0.66</b>	<b>0.75</b>	<b>0.41</b>	<b>0.33</b>	<b>0.47</b>	<b>0.54</b>	<b>0.67</b>	<b>0.08</b>	<b>0.10</b>
Leverage (x)	19.8	20.2	20.7	20.9	20.6	20.1	20.1	20.5	20.9	20.2	19.4	19.7
<b>RoE</b>	<b>14.0</b>	<b>5.1</b>	<b>8.5</b>	<b>13.8</b>	<b>15.4</b>	<b>8.3</b>	<b>6.6</b>	<b>9.7</b>	<b>11.2</b>	<b>13.6</b>	<b>1.6</b>	<b>1.9</b>

Source: MOSL, Company

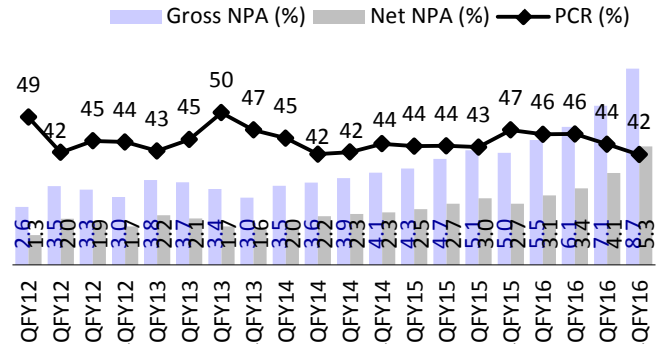
## Story in charts

**Exhibit 7: Credit costs spikes QoQ led by chunky slippages**



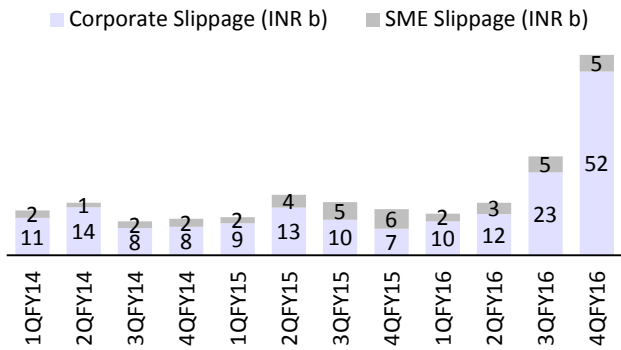
Source: Company, MOSL

**Exhibit 8: Provision coverage ratio continues to trend lower**



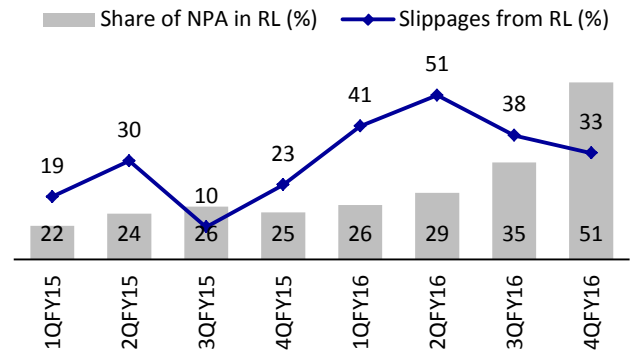
Source: Company, MOSL

**Exhibit 9: Corporate slippage (~85% of total slippage) trend higher**



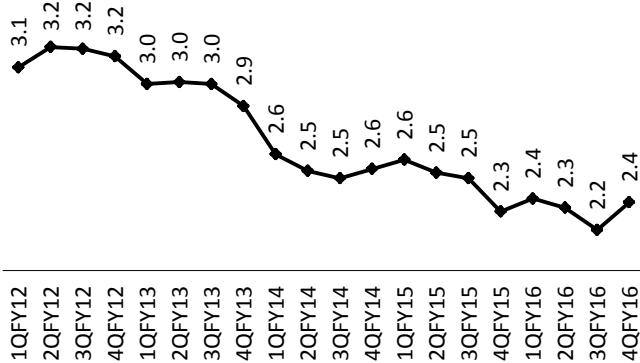
Source: Company, MOSL

**Exhibit 10: Slippage from RL now form 33% of total slippages (%); 48% of relapse led by AQR**



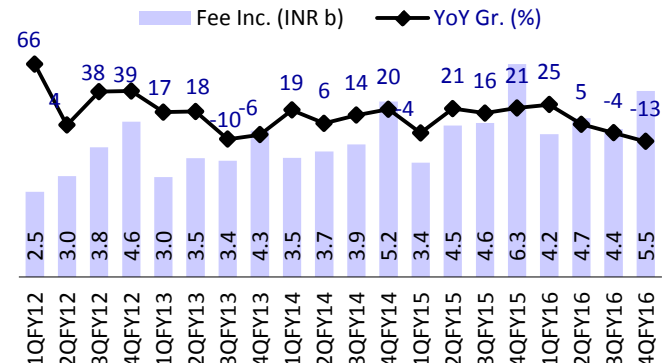
Source: Company, MOSL

**Exhibit 11: Global margin improve sequentially (%)**



Source: Company, MOSL

**Exhibit 12: Fee income growth remains tepid**



Source: Company, MOSL

## Exhibit 13: Quarterly Snapshot

INR m	FY15				FY16				Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	QoQ	YoY
<b>Profit and Loss</b>										
<b>Interest Income</b>	<b>78,562</b>	<b>79,434</b>	<b>80,438</b>	<b>82,406</b>	<b>82,599</b>	<b>81,415</b>	<b>79,094</b>	<b>78,880</b>	<b>0</b>	<b>-4</b>
Loans	58,774	59,910	60,271	60,817	61,811	58,979	57,719	58,072	1	-5
Investment	17,519	17,359	17,704	19,248	18,370	19,731	18,917	18,334	-3	-5
Others	2,269	2,164	2,463	2,341	2,419	2,705	2,458	2,474	1	6
<b>Interest Expenses</b>	<b>57,390</b>	<b>58,589</b>	<b>59,225</b>	<b>61,196</b>	<b>61,298</b>	<b>60,398</b>	<b>59,129</b>	<b>58,033</b>	<b>-2</b>	<b>-5</b>
<b>Net Interest Income</b>	<b>21,172</b>	<b>20,844</b>	<b>21,212</b>	<b>21,211</b>	<b>21,302</b>	<b>21,017</b>	<b>19,965</b>	<b>20,847</b>	<b>4</b>	<b>-2</b>
<b>Other Income</b>	<b>6,914</b>	<b>8,113</b>	<b>8,772</b>	<b>11,431</b>	<b>7,832</b>	<b>9,595</b>	<b>8,927</b>	<b>9,964</b>	<b>12</b>	<b>-13</b>
Trading profits	990	750	2,520	2,830	1,950	2,590	2,570	2,060	-20	-27
Forex Income	1,520	1,960	1,280	1,500	1,260	1,760	1,640	1,840	12	23
Recoveries	1,020	920	420	800	400	550	340	560	65	-30
Core Fees	3,384	4,483	4,552	6,301	4,222	4,695	4,377	5,504	26	-13
<b>Total Income</b>	<b>28,086</b>	<b>28,958</b>	<b>29,985</b>	<b>32,641</b>	<b>29,134</b>	<b>30,612</b>	<b>28,892</b>	<b>30,811</b>	<b>7</b>	<b>-6</b>
<b>Operating Expenses</b>	<b>14,366</b>	<b>15,618</b>	<b>15,331</b>	<b>16,118</b>	<b>14,252</b>	<b>16,505</b>	<b>15,551</b>	<b>16,715</b>	<b>7</b>	<b>4</b>
Employee	9,194	9,443	9,659	9,559	8,533	10,055	9,042	9,363	4	-2
Others	5,172	6,175	5,672	6,559	5,719	6,450	6,509	7,352	13	12
<b>Operating Profits</b>	<b>13,719</b>	<b>13,339</b>	<b>14,653</b>	<b>16,523</b>	<b>14,882</b>	<b>14,107</b>	<b>13,342</b>	<b>14,096</b>	<b>6</b>	<b>-15</b>
<b>Provisions</b>	<b>3,928</b>	<b>7,854</b>	<b>8,519</b>	<b>10,099</b>	<b>6,424</b>	<b>4,325</b>	<b>12,377</b>	<b>15,647</b>	<b>26</b>	<b>55</b>
NPA provisions	4,260	6,030	6,740	8,330	4,800	9,240	12,430	20,080	62	141
Provisions on Invst.	-990	790	-260	470	2,050	-1,130	210	420	100	-11
Others	658	1,034	2,039	1,299	-426	-3,785	-264	-4,853	1,742	-474
<b>PBT</b>	<b>9,791</b>	<b>5,485</b>	<b>6,134</b>	<b>6,423</b>	<b>8,458</b>	<b>9,782</b>	<b>965</b>	<b>-1,551</b>	<b>-261</b>	<b>-124</b>
Taxes	3,150	1,772	3,110	1,986	3,270	3,200	180	-2,512	-1,499	-226
<b>PAT</b>	<b>6,641</b>	<b>3,713</b>	<b>3,024</b>	<b>4,438</b>	<b>5,188</b>	<b>6,582</b>	<b>785</b>	<b>961</b>	<b>22</b>	<b>-78</b>
<b>Ratios (%)</b>										
Fees of Total Income	12.0	15.5	15.2	19.3	14.5	15.3	15.1	17.9		
Cost to Core Income	58.5	61.7	59.5	58.6	55.8	64.2	63.9	63.4		
Tax Rate	32.2	32.3	50.7	30.9	38.7	32.7	18.6	162.0		
CASA (Cal)	29.1	28.7	28.7	29.2	28.3	28.6	30.6	32.3	170	306
Loan/Deposit	78.7	79.4	77.2	80.7	75.8	74.5	77.5	78.0	52	-267
<b>Reported</b>										
Yield on Funds	9.1	9.1	8.9	8.1	8.7	8.4	8.2	7.6	-58	-50
Cost of Funds	6.7	6.7	6.6	6.0	6.5	6.3	6.1	6.4	30	46
Spreads	2.5	2.4	2.4	2.2	2.2	2.2	2.1	1.2	-88	-96
Margins	2.6	2.5	2.5	2.3	2.4	2.3	2.2	2.4	15	5
<b>Margins - Cumulative (%)</b>										
Yield on Funds	9.1	9.1	9.0	7.6	8.7	8.6	8.5	8.4	-8	81
Cost of Funds	6.7	6.7	6.6	6.5	6.5	6.4	6.3	6.2	-7	-33
Spreads	2.5	2.4	2.4	1.0	2.2	2.2	2.2	2.2	-1	114
Margins - Cumulative	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	0	-16
<b>Franchise</b>										
Branches	3,966	4,003	4,112	4,159	4,082	4,095	4,131	4,196	2	1
ATM	6,621	6,628	6,618	7,020	6,877	6,909	6,960	6,883	-1	-2

Source: MOSL, Company

## Exhibit 14: Quarterly Snapshot continued

INR b	FY15				FY16				Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	QoQ	YoY
<b>Balance Sheet</b>										
<b>Loans</b>	2,384	2,444	2,470	2,628	2,556	2,540	2,619	2,775	6	6
<b>Deposits</b>	2,974	3,002	3,129	3,169	3,273	3,307	3,274	3,427	5	8
<b>Investments</b>	827	830	917	845	1,012	1,045	923	892	-3	6
HTM	710	694	772	709	736	688	701	708	1	0
AFS	211	226	243	229	282	361	285	310	9	36
AFS Modified Duration	2.6	3.4	3.8	4.4	4.4	4.6	5.7	5.7		
<b>Deposits Break Up</b>										
<b>CASA Deposits</b>	866	862	899	927	926	944	1,002	1,109	11	20
% of total Deposits	29.1	28.7	28.7	29.2	28.3	28.6	30.6	32.3		
Savings	644	674	680	716	713	734	750	811	8	13
% of total Deposits	21.7	22.5	21.7	22.6	21.8	22.2	22.9	23.7		
Current	222	188	219	211	214	210	251	297	18	41
% of total Deposits	7.5	6.3	7.0	6.7	6.5	6.4	7.7	8.7		
<b>Term Deposits</b>	2,108	2,140	2,230	2,242	2,347	2,363	2,272	2,319	2	3
% of total Deposits	70.9	71.3	71.3	70.8	71.7	71.4	69.4	67.7		
<b>Loan Break Up</b>										
Agriculture	266	287	297	316	362	362	369	390	6	23
SME Loans	456	492	528	548	464	476	489	563	15	3
Retail Loans	268	285	302	317	327	336	348	366	5	16
Other loans	1,395	1,379	1,343	1,448	1,403	1,367	1,412	1,457	3	1
<b>Asset Quality</b>										
<b>Movement of NPA</b>										
<b>Opening</b>	95.6	102.3	114.6	126.0	130.3	141.4	155.4	185.0		
<b>Additions</b>	12.7	19.7	17.4	15.5	15.1	19.3	34.1	61.7	81	299
<b>Deductions</b>	6.1	7.4	6.0	11.1	4.0	5.3	4.6	4.9	9	-56
Upgradation and recovery	3.2	5.6	3.9	8.7	2.4	2.6	2.0	4.0	102	-54
Write offs	2.9	1.8	2.2	2.5	1.6	2.7	2.6	1.0	-62	-60
<b>Closing</b>	102.3	114.6	126.0	130.3	141.4	155.4	185.0	241.7	31	85
Annualized Slippage Ratio (%)	2.6	3.6	3.1	2.7	2.6	3.2	5.6	9.7	401	695
Credit cost (%)	0.7	1.0	1.1	1.3	0.8	1.5	2.0	3.1	109	174
GNPA (%)	4.3	4.7	5.1	5.0	5.5	6.1	7.1	8.7	165	374
NNPA (%)	2.5	2.7	3.0	2.7	3.1	3.4	4.1	5.3	118	254
<b>O/S standard Restructured loans</b>	119.7	126.0	123.5	136.6	141.3	139.1	136.2	85.7	-37	-37
% of the loan book	5.0	5.2	5.0	5.2	5.5	5.5	5.2	3.1	-211	-211

Source: Company, MOSL

## Exhibit 15: Financials: Valuation metrics

	Rating	CMP	Mcap	EPS (INR)		P/E (x)		BV (INR)		P/BV (x)		ABV (INR)		P/ABV (x)		RoA (%)		RoE (%)	
		(INR)	(USDb)	FY17	FY18	FY17	FY18	FY17	FY18	FY17	FY18	FY17	FY18	FY17	FY18	FY17	FY18	FY17	FY18
ICICIBC*	Buy	227	20.0	18.1	20.8	8.7	6.3	145	159	1.01	0.82	122	137	1.29	1.06	1.19	1.22	11.1	11.8
HDFCB	Buy	1,140	43.7	58.5	70.3	19.5	16.2	332	386	3.43	2.95	327	379	3.49	3.01	1.88	1.85	18.9	19.6
AXSB	Buy	491	17.7	35.0	41.0	14.0	12.0	251	285	1.95	1.72	234	266	2.10	1.85	1.45	1.43	14.7	15.2
KMB*	Buy	709	19.7	26.1	33.7	27.1	21.1	207	239	3.43	2.96	207	239	3.43	2.96	1.50	1.70	13.9	14.8
YES	Buy	949	6.0	74.6	91.8	12.7	10.3	387	460	2.45	2.06	383	459	2.48	2.07	1.71	1.72	20.9	21.7
IIB	Buy	1,065	9.6	50.5	63.8	21.1	16.7	334	389	3.19	2.74	329	383	3.23	2.78	1.92	1.96	16.2	17.6
IDFC Bk	Buy	47	2.4	3.0	4.1	15.6	11.3	42	46	1.10	1.02	40	43	1.16	1.09	1.09	1.12	7.2	9.4
FB	Neutral	50	1.3	3.7	4.5	13.4	11.2	50	53	1.00	0.94	46	50	1.08	1.00	0.64	0.65	7.7	8.7
DCBB	Buy	94	0.4	7.1	8.4	13.3	11.3	69	77	1.37	1.22	65	72	1.46	1.31	0.94	0.90	10.9	11.5
JKBK	Neutral	64	0.5	18.0	21.6	3.6	3.0	152	168	0.42	0.38	137	156	0.47	0.41	1.02	1.07	12.4	13.5
SIB	Buy	19	0.4	3.1	3.7	6.1	5.1	31	34	0.60	0.55	28	30	0.68	0.61	0.58	0.61	10.3	11.4
<b>Private Aggregate</b>			<b>121.7</b>			<b>17.4</b>	<b>14.6</b>			<b>2.35</b>	<b>2.09</b>								
SBIN (cons)*	Buy	185	21.8	24.1	28.7	7.7	6.4	243	266	0.72	0.65	193	226	0.90	0.77	0.61	0.64	10.2	11.3
PNB	Neutral	78	2.3	16.8	21.6	4.6	3.6	220	239	0.35	0.32	122	139	0.64	0.56	0.48	0.55	7.9	9.4
BOI	Neutral	86	1.0	4.0	18.7	21.3	4.6	318	334	0.27	0.26	179	232	0.48	0.37	0.05	0.19	1.3	5.7
BOB	Buy	155	5.4	16.4	20.7	9.4	7.5	171	187	0.90	0.83	126	153	1.23	1.01	0.49	0.55	9.9	11.5
CBK	Neutral	187	1.5	47.3	55.2	3.9	3.4	584	626	0.32	0.30	396	458	0.47	0.41	0.41	0.43	8.4	9.1
UNBK	Buy	116	1.2	28.2	38.4	4.1	3.0	323	354	0.36	0.33	209	240	0.55	0.48	0.45	0.54	9.1	11.3
OBC	Neutral	83	0.4	25.0	32.2	3.3	2.6	458	483	0.18	0.17	271	310	0.31	0.27	0.29	0.33	5.6	6.8
INBK	Buy	91	0.7	22.5	28.3	4.1	3.2	310	331	0.29	0.28	257	287	0.35	0.32	0.50	0.55	7.5	8.8
ANDB	Buy	51	0.5	22.8	27.9	2.2	1.8	196	216	0.26	0.24	174	198	0.29	0.26	0.62	0.65	12.2	13.6
IDBI	Neutral	66	1.9	5.7	8.7	11.4	7.5	125	132	0.52	0.50	87	97	0.76	0.67	0.29	0.39	4.7	6.8
<b>Public Aggregate</b>			<b>36.7</b>			<b>7.7</b>	<b>6.0</b>			<b>0.59</b>	<b>0.55</b>								
<b>Banks Aggregate</b>			<b>158.3</b>			<b>13.5</b>	<b>11.0</b>			<b>1.39</b>	<b>1.26</b>								
HDFC*	Buy	1,166	27.9	36.3	41.9	20.8	16.4	192	216	3.58	2.84	192	216	4.29	3.50	1.89	1.90	20.0	20.1
LICHF	Buy	457	3.5	40.1	48.6	11.4	9.4	213	252	2.14	1.81	212	251	2.16	1.82	1.51	1.51	20.4	20.9
IHFL	Buy	714	4.6	67.6	82.0	10.6	8.7	302	336	2.36	2.12	302	336	2.36	2.12	3.84	3.69	23.4	25.7
GRHF	Buy	258	1.4	8.3	10.7	31.0	24.2	28	35	9.10	7.32	28	35	9.10	7.32	2.33	2.34	32.4	33.5
REPCO	Buy	661	0.6	30.3	39.0	21.8	17.0	179	214	3.68	3.09	179	214	3.68	3.09	2.14	2.17	18.2	19.8
DEWH	Buy	204	0.9	29.4	36.2	6.9	5.6	194	221	1.05	0.92	193	221	1.06	0.92	1.18	1.20	16.1	17.4
<b>Housing Finance</b>			<b>39.0</b>			<b>19.2</b>	<b>16.2</b>			<b>3.67</b>	<b>3.26</b>								
RECL	Neutral	165	2.5	44.1	50.5	3.7	3.3	332	370	0.50	0.44	332	370	0.50	0.44	1.90	1.88	14.0	14.4
POWF	Neutral	175	3.5	41.6	43.0	4.2	4.1	310	341	0.56	0.51	310	341	0.56	0.51	2.07	1.85	14.1	13.2
<b>Infra Finance</b>			<b>6.0</b>			<b>4.0</b>	<b>3.7</b>			<b>0.53</b>	<b>0.48</b>								
SHTF	Buy	1,073	3.7	75.5	94.2	14.2	11.4	507	581	2.12	1.85	506	579	2.12	1.85	2.17	2.27	15.7	17.1
MMFS	Buy	301	2.6	15.5	18.8	19.4	16.0	119	133	2.52	2.27	107	123	2.81	2.45	2.14	2.26	13.7	15.0
BAF	Buy	7,614	6.1	302.9	366.4	25.1	20.8	1,622	1,928	4.69	3.95	1,622	1,928	4.69	3.95	3.04	2.79	20.3	20.6
MUTH	Buy	211	1.3	24.8	31.8	8.5	6.6	156	177	1.36	1.20	151	171	1.40	1.23	2.96	3.22	16.8	19.2
SKSM	Buy	605	1.2	34.7	49.3	17.4	12.3	142	179	4.28	3.38	142	179	4.28	3.38	4.76	4.91	27.9	30.7
<b>Asset Finance</b>			<b>14.8</b>			<b>17.4</b>	<b>14.0</b>			<b>2.72</b>	<b>2.47</b>								
<b>NBFC Aggregate</b>			<b>59.8</b>			<b>13.7</b>	<b>11.8</b>			<b>2.20</b>	<b>1.97</b>								
<b>Financials</b>			<b>218.1</b>			<b>13.5</b>	<b>11.2</b>			<b>1.55</b>	<b>1.40</b>								

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

## Financials and Valuations

Income Statement							(INR Million)		
Y/E March	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E
Interest Income	164,526	210,285	251,247	293,494	320,840	321,988	339,264	371,847	418,885
Interest Expense	102,364	142,354	175,819	214,701	236,401	238,857	245,469	265,831	298,957
<b>Net Interest Income</b>	<b>62,162</b>	<b>67,931</b>	<b>75,428</b>	<b>78,793</b>	<b>84,439</b>	<b>83,131</b>	<b>93,795</b>	<b>106,016</b>	<b>119,929</b>
Change (%)	48.3	9.3	11.0	4.5	7.2	-1.5	12.8	13.0	13.1
Non Interest Income	20,388	24,482	25,520	28,215	35,230	36,317	41,422	47,031	53,133
<b>Net Income</b>	<b>82,550</b>	<b>92,413</b>	<b>100,949</b>	<b>107,009</b>	<b>119,669</b>	<b>119,448</b>	<b>135,216</b>	<b>153,047</b>	<b>173,061</b>
Change (%)	33.9	11.9	9.2	6.0	11.8	-0.2	13.2	13.2	13.1
Operating Expenses	39,500	39,875	45,122	54,828	61,434	62,228	69,055	76,676	85,190
<b>Pre Provision Profits</b>	<b>43,050</b>	<b>52,538</b>	<b>55,827</b>	<b>52,181</b>	<b>58,235</b>	<b>57,220</b>	<b>66,161</b>	<b>76,371</b>	<b>87,871</b>
Change (%)	17.6	22.0	6.3	-6.5	11.6	-1.7	15.6	15.4	15.1
Provisions (excl tax)	13,496	25,410	25,185	31,511	30,401	39,566	38,234	38,173	39,382
<b>PBT</b>	<b>29,554</b>	<b>27,128</b>	<b>30,642</b>	<b>20,670</b>	<b>27,834</b>	<b>17,654</b>	<b>27,927</b>	<b>38,199</b>	<b>48,489</b>
Tax	8,735	9,256	9,063	3,708	10,017	4,138	9,495	12,988	16,486
Tax Rate (%)	29.6	34.1	29.6	17.9	36.0	23.4	34.0	34.0	34.0
<b>PAT</b>	<b>20,819</b>	<b>17,871</b>	<b>21,579</b>	<b>16,962</b>	<b>17,816</b>	<b>13,516</b>	<b>18,432</b>	<b>25,211</b>	<b>32,003</b>
Change (%)	0.3	-14.2	20.7	-21.4	5.0	-24.1	36.4	36.8	26.9
Pref. Dividend (Incl tax)	52	105	94	100	53	0	0	0	0
<b>Profits for Equity SH</b>	<b>20,768</b>	<b>17,766</b>	<b>21,485</b>	<b>16,862</b>	<b>17,764</b>	<b>13,516</b>	<b>18,432</b>	<b>25,211</b>	<b>32,003</b>
Change (%)	0.1	-14.5	20.9	-21.5	5.3	-23.9	36.4	36.8	26.9
<b>Equity Dividend (Incl tax)</b>	<b>4,881</b>	<b>5,128</b>	<b>5,602</b>	<b>2,967</b>	<b>4,589</b>	<b>1,562</b>	<b>2,147</b>	<b>2,937</b>	<b>3,728</b>
<b>Core PPP*</b>	<b>31,996</b>	<b>39,702</b>	<b>42,216</b>	<b>37,238</b>	<b>38,264</b>	<b>35,967</b>	<b>41,870</b>	<b>48,913</b>	<b>57,104</b>
Change (%)	24.0	24.1	6.3	-11.8	2.8	-6.0	16.4	16.8	16.7
*Core PPP is (NII+Fee income-Opex)									
Balance Sheet							(INR Million)		
Y/E March	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E
<b>Share Capital</b>	<b>6,353</b>	<b>6,615</b>	<b>7,078</b>	<b>7,413</b>	<b>6,358</b>	<b>6,874</b>	<b>6,874</b>	<b>6,874</b>	<b>6,874</b>
Equity Share Capital	5,243	5,505	5,968	6,303	6,358	6,874	6,874	6,874	6,874
Preference Share Capital	1,110	1,110	1,110	1,110	0	0	0	0	0
<b>Reserves &amp; Surplus</b>	<b>121,292</b>	<b>139,715</b>	<b>165,884</b>	<b>177,341</b>	<b>191,251</b>	<b>222,038</b>	<b>237,822</b>	<b>259,596</b>	<b>287,371</b>
<b>Net Worth</b>	<b>127,645</b>	<b>146,331</b>	<b>172,962</b>	<b>184,754</b>	<b>197,609</b>	<b>228,912</b>	<b>244,696</b>	<b>266,471</b>	<b>294,245</b>
Of which Equity Networth	126,535	145,221	171,852	183,644	197,609	228,912	244,696	266,471	294,245
<b>Deposits</b>	<b>2,024,613</b>	<b>2,228,689</b>	<b>2,637,616</b>	<b>2,976,756</b>	<b>3,168,699</b>	<b>3,427,200</b>	<b>3,769,920</b>	<b>4,297,709</b>	<b>4,899,388</b>
Change (%)	19.1	10.1	18.3	12.9	6.4	8.2	10.0	14.0	14.0
<b>of which CASA Dep</b>	<b>643,072</b>	<b>697,051</b>	<b>816,349</b>	<b>878,005</b>	<b>926,505</b>	<b>1,108,690</b>	<b>1,235,785</b>	<b>1,377,536</b>	<b>1,535,643</b>
Change (%)	19.2	8.4	17.1	7.6	5.5	19.7	11.5	11.5	11.5
Borrowings	133,160	179,095	237,973	293,166	353,600	309,574	338,391	352,105	366,391
Other Liabilities & Prov.	74,427	67,999	72,787	83,133	96,252	81,273	92,533	105,708	120,807
<b>Total Liabilities</b>	<b>2,359,844</b>	<b>2,622,114</b>	<b>3,121,338</b>	<b>3,537,809</b>	<b>3,816,159</b>	<b>4,046,959</b>	<b>4,445,540</b>	<b>5,021,993</b>	<b>5,680,831</b>
Current Assets	200,984	156,751	162,104	230,729	223,780	292,762	268,009	312,145	369,376
<b>Investments</b>	<b>583,991</b>	<b>623,636</b>	<b>808,304</b>	<b>937,232</b>	<b>844,617</b>	<b>892,084</b>	<b>1,025,896</b>	<b>1,179,780</b>	<b>1,356,747</b>
Change (%)	7.3	6.8	29.6	16.0	-9.9	5.6	15.0	15.0	15.0
<b>Loans</b>	<b>1,509,861</b>	<b>1,778,821</b>	<b>2,081,022</b>	<b>2,291,044</b>	<b>2,556,546</b>	<b>2,673,540</b>	<b>2,940,894</b>	<b>3,293,801</b>	<b>3,689,057</b>
Change (%)	26.5	17.8	17.0	10.1	11.6	4.6	10.0	12.0	12.0
Fixed Assets	22,928	23,358	24,790	26,085	26,820	39,399	39,191	38,982	38,774
Other Assets	42,080	39,549	45,117	52,720	164,397	149,175	171,551	197,283	226,876
<b>Total Assets</b>	<b>2,359,844</b>	<b>2,622,114</b>	<b>3,121,338</b>	<b>3,537,809</b>	<b>3,816,159</b>	<b>4,046,959</b>	<b>4,445,540</b>	<b>5,021,993</b>	<b>5,680,831</b>
Asset Quality							(&)		
GNPA (INR m)	36,228	54,499	63,138	95,638	130,308	241,698	269,367	293,600	315,116
NNPA (INR m)	18,034	30,250	33,534	53,403	69,190	140,260	145,031	146,856	144,967
GNPA Ratio	2.37	3.02	2.99	4.10	4.98	8.71	8.79	8.53	8.17
NNPA Ratio	1.19	1.70	1.61	2.33	2.71	5.25	4.93	4.46	3.93
PCR (Excl Tech. write off)	50.2	44.5	46.9	44.2	46.9	42.0	46.2	50.0	54.0
PCR (Incl Tech. Write off)	67.6	62.2	65.2	60.0	59.2	51.0	55.1	58.8	62.5

E: MOSL Estimates

## Financials and Valuations

### Ratios

Y/E March	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E
<b>Spreads Analysis (%)</b>									
<b>Avg. Yield-Earning Assets</b>	<b>8.5</b>	<b>9.2</b>	<b>9.3</b>	<b>9.4</b>	<b>9.5</b>	<b>9.0</b>	<b>8.7</b>	<b>8.6</b>	<b>8.6</b>
Avg. Yield on loans	8.9	9.7	9.9	9.9	9.9	9.0	8.8	8.7	8.7
Avg. Yield on Investments	7.1	7.6	7.9	8.3	8.1	8.7	8.3	8.0	8.0
<b>Avg. Cost-Int. Bear. Liab.</b>	<b>5.2</b>	<b>6.2</b>	<b>6.7</b>	<b>7.0</b>	<b>7.0</b>	<b>6.6</b>	<b>6.3</b>	<b>6.1</b>	<b>6.0</b>
Avg. Cost of Deposits	5.1	6.3	6.8	7.1	7.0	6.6	6.1	5.9	5.9
<b>Interest Spread</b>	<b>3.3</b>	<b>3.0</b>	<b>2.7</b>	<b>2.5</b>	<b>2.5</b>	<b>2.4</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>
<b>Net Interest Margin</b>	<b>3.2</b>	<b>3.0</b>	<b>2.8</b>	<b>2.5</b>	<b>2.5</b>	<b>2.3</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>

### Profitability Ratios (%)

RoE	20.9	14.8	15.0	10.4	10.1	7.0	8.7	11.0	12.5
RoA	1.0	0.7	0.7	0.5	0.5	0.3	0.4	0.5	0.6
Int. Expense/Int. Income	62.2	67.7	70.0	73.2	73.7	74.2	72.4	71.5	71.4
Fee Income/Net Income	16.5	17.9	17.4	19.3	20.9	21.2	21.3	21.3	21.3
Non Int. Inc./Net Income	24.7	26.5	25.3	26.4	29.4	30.4	30.6	30.7	30.7

### Efficiency Ratios (%)

Cost/Income*	50.7	45.3	46.9	53.7	54.6	56.4	55.2	54.0	53.0
Empl. Cost/Op. Exps.	65.8	62.2	61.1	60.3	61.6	58.2	56.7	55.1	53.5
Busi. per Empl. (INR m)	115.8	122.3	137.2	147.7	154.8	159.8	166.3	178.7	194.9
NP per Empl. (INR lac)	7.5	5.8	6.8	5.0	5.0	3.7	4.8	6.3	7.7

\* ex treasury

### Asset-Liability Profile (%)

Loans/Deposit Ratio	74.6	79.8	78.9	77.0	80.7	78.0	78.0	76.6	75.3
CASA Ratio	31.8	31.3	31.0	29.5	29.2	32.3	32.8	32.1	31.3
Investment/Deposit Ratio	28.8	28.0	30.6	31.5	26.7	26.0	27.2	27.5	27.7
G-Sec/Investment Ratio	79.6	80.9	76.4	74.4	86.1	92.2	88.2	87.4	86.7
CAR	13.0	11.9	11.5	10.8	10.2	10.6	10.6	10.3	10.0
Tier 1	8.7	8.4	8.2	7.5	7.5	8.1	8.2	8.1	8.0

### Valuation

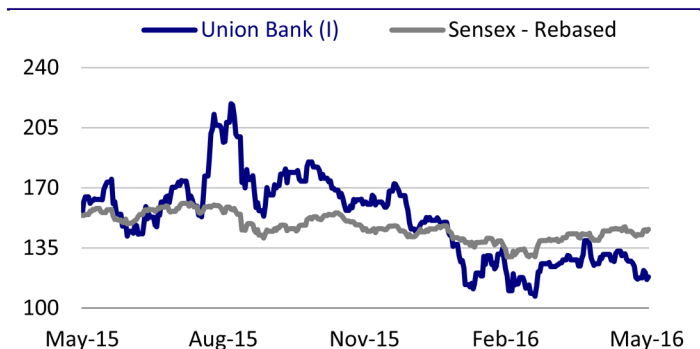
Book Value (INR)	211	236	263	267	288	295	318	351	392
Change (%)	21.2	11.7	11.4	1.7	7.5	2.5	8.0	10.2	11.7
Price-BV (x)			0.4	0.4	0.4	0.4	0.4	0.3	0.3
Adjusted BV (INR)	187	197	224	208	211	152	171	201	244
Price-ABV (x)			0.5	0.6	0.5	0.8	0.7	0.6	0.5
EPS (INR)	39.6	32.3	36.0	26.8	27.9	19.7	26.8	36.7	46.6
Change (%)	-3.6	-18.5	11.6	-25.7	4.4	-29.6	36.4	36.8	26.9
Price-Earnings (x)			3.2	4.3	4.1	5.9	4.3	3.2	2.5
Dividend Per Share (INR)	8.0	8.0	8.0	4.0	6.0	2.0	2.7	3.7	4.7
Dividend Yield (%)			6.9	3.4	5.2	1.7	2.3	3.2	4.0

E: MOSL Estimates

## Corporate profile

Union Bank of India is one of the largest PSU banks established in 1919 with its headquarters in Mumbai. The bank has established presence in Central and Western regions of the country. Mr Arun Tiwari, CMD, has a residual tenure of ~2 years. As of March 2016, the bank had 4,196 branches and 6,883 ATMs. The bank has presence in 8 overseas territories including 3 full-fledged branches in DIFC Dubai, Antwerp, and Hong Kong and 5 representative offices at Abu Dhabi, London, Beijing, Shanghai and Sydney. Government of India shareholding in the bank stood at ~63.4%.

**Exhibit 1: Sensex rebased**



Source: MOSL/Bloomberg

**Exhibit 2: Shareholding pattern (%)**

	Mar-16	Dec-15	Mar-15
Promoter	63.4	63.4	60.5
DII	17.2	18.0	18.3
FII	8.8	8.5	8.6
Others	10.6	10.0	12.7

Note: FII Includes depository receipts

Source: Capitaline

**Exhibit 4: Top management**

Name	Designation
Arun Tiwari	Chairman & Managing Director
Rakesh Sethi	Executive Director

Source: Capitaline

**Exhibit 6: Auditors**

Name	Type
Ashwani & Associates	Statutory
G P Kapadia & Co	Statutory
GBCA & Associates	Statutory
J Gupta & Co	Statutory
P A & Associates	Statutory

Source: Capitaline

**Exhibit 3: Top holders**

Holder Name	% Holding
LIC of India	10.2
HDFC Trustee Company Limited A/c HDFC Mid Cap Opportunities Fund	4.3
Government Pension Fund Global	1.0
NA	0.0
NA	0.0

Source: Capitaline

**Exhibit 5: Directors**

Name	Name
Dipankar Chatterji	Gopal Krishan Lath
Ravindrarai Dholakia	Anusuiya Sharma
Jag Mohan Sharma	Kant Misra
Mihir Kumar	A K Mishra

**Exhibit 7: MOSL forecast v/s consensus**

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY16	19.7	22.8	-13.5
FY17	26.8	25.4	5.3
FY18	36.7	33.0	11.3

Source: Bloomberg

## NOTES

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SEBI pursuant to a complaint from client Shri C.R. Mohanraj alleging unauthorized trading, issued a letter dated 29th April 2014 to MOSL notifying appointment of an Adjudicating Officer as per SEBI regulations to hold inquiry and adjudge violation of SEBI Regulations; MOSL replied to the Show Cause Notice whereby SEBI granted us an opportunity of Inspection of Documents. Since all the documents requested by us were not covered we have requested to SEBI vide our letter dated June 23, 2015 to provide pending list of documents for inspection.

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A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com) and <http://economictimes.indiatimes.com/markets/stocks/stock-quotes>

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