



Q1'11 – Performance Better than Other Sectors

We have briefly analysed the Q1'11 results for an array of 27 major banks (including 12 private banks). These banks have been compared on select parameters, with data collected from the press releases, presentations available in public domain and interactions with the spokesperson of banks.

Overall Observation

- Banks managed to clock a **robust net profit growth** at a time when the credit demand continued to be weak.
- YoY **NIM expanded** for almost all the banks with the average NIM improving from 2.7% to 3.27%; better performance by PSU banks.
- The interest rate corrected reducing the yields but more so the interest expense. Also with the demand slowdown the banks did not renew the high cost bulk deposit which matured during the quarter. This helped the banks to post a **robust NII growth**.
- Due to low deposit expansion, **CASA ratio improved** for almost all the banks and the average increased from 28.3% to 30.9%.
- The average deposit growth was 50% of the advances growth and thus the **CD ratio of the universe improved to 79%** as against 71% a year ago. Incremental QoQ CD ratio was 251% while incremental YoY CD ratio was more than 100%.
- The **credit quality slipped for 50% of the banks** covered, while the overall restructured assets remained at 4% of the outstanding loan. Overall the GNPA% came down marginally from 2.16% to 2.07%.
- Private bank **improved their core provision coverage**. Banks with very high provision coverage dug into the cushion to report better numbers. Also most of the banks have good cushion due to the technical write off's allowed by RBI.
- Despite the fall in other income, the healthy growth of core income helped in **improving the overall cost to income** from 47.4% to 45.6%.

Conclusion

Banking was one of the best performing sectors in the first quarter of FY11. This was despite sluggish credit demand, daily interest on savings account, heavy base effect due to MTM write back last year and asset quality pressure. We feel that though the credit demand is yet to see a better momentum, pick up after monsoon is not ruled out. The asset quality pressure continues and more defaults could be experienced especially from the SME and retail segment. The sector looks strong but the valuations are running high and stocks are nearing their 12-18 months target at this point. This reduces the comfort to enter at this level. We feel that the strong banks with consistent track record and healthy fundamentals should be accumulated in falls. At present the Tier II banks which are available cheap are drawing more attention. The PSU banks are getting more and more vigilant and active about their performance and standards. This may see their valuation multiple improving as more investors finding comfort in the sector and willing to invest here.

Short Term valuation bets – Corporation Bank, Karnataka Bank, Yes, ICICI, Syndicate, and Federal

Long Term Fundamental Bets – HDFC bank, Axis, Bank of Baroda, Yes Bank, Andhra, PNB, KarurVysya, Canara

		Top		Bottom	
		I	II	I	II
Quarterly Results – Q1FY11					
1	NII Growth	IDBI	Karnataka	ICICI	South India
2	PBPT Growth	DCB	State Bank	Karnataka	ICICI
3	NP growth	Kotak	DCB	IOB	Federal
4	YOY NIM growth	Karnataka	IDBI	KMB	Yes
Business					
5	Deposits growth	Yes	KMB	Syndicate	ICICI
6	Advances growth	Yes	HDFC	ICICI	IOB
7	CD Ratio	Kotak	ICICI	Karnataka	J&K
8	Incremental QoQ CD ratio	KMB	UBI	ICICI	Corporation
9	Incremental YoY CD ratio	State Bank	ICICI	Syndicate	IOB
10	CAR	ICICI	Federal	IDBI	Karnataka
11	CTI	Indian Bank	OBC	DCB	IOB
12	CASA	HDFC Bank	State Bank	Yes Bank	IDBI
13	CASA/branch	State Bank	Axis	South India	Karnataka
14	YoY CASA growth	ICICI	SBI	Andhra	Kotak, Axis
Asset Quality					
15	Gross NPA%	Yes	Andhra	DCB	ICICI
16	Net NPA %	Yes bank	J&K	DCB	IOB
17	Core Provision Coverage	J&K	KVB	Canara	IDBI
18	YOY Increase in GNPA%	Yes	HDFC	Indian	BOI, IOB, Federal
19	YoY Increase in Coverage%	IndusInd	Yes, J&K	Indian	PNB
Valuation					
20	ROA (H1 Ann)	KMB	Yes, Axis, HDFC Bk	DCB	IDBI
21	P/BV	Syndicate	IDBI	HDFC	IndusInd
22	P/ABV	Syndicate	Federal	HDFC	IndusInd
23	PE	IOB	IDBI	HDFC	IndusInd

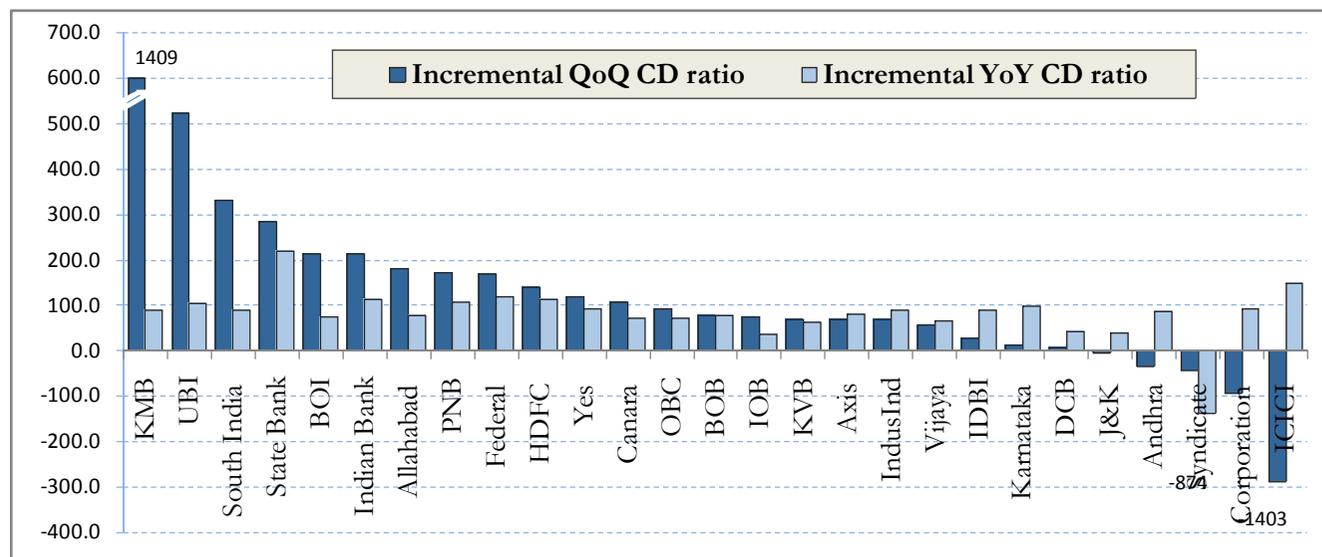
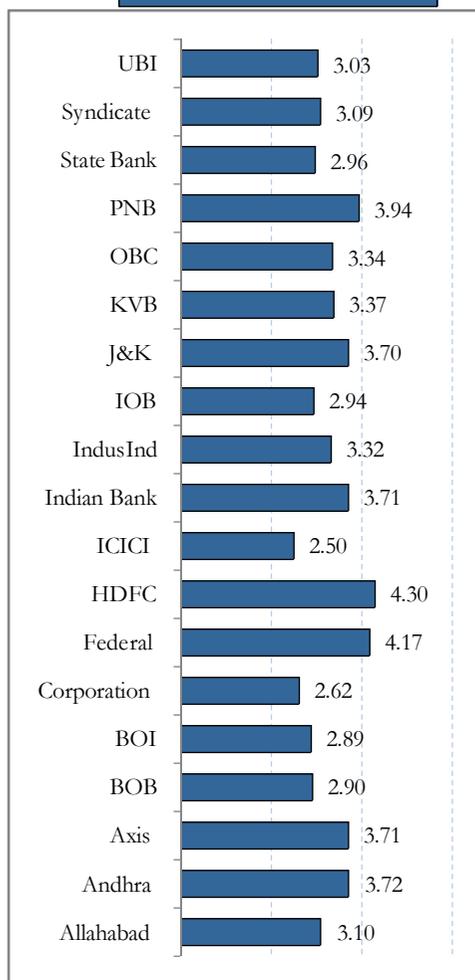
Averages	NII Growth	GP Growth	NP growth	NIM growth%
Avg -All	48.5	13.3	-3.3	25.7
Private	26.6	6.3	29.2	21.0
PSU	48.8	42.3	27.0	30.0

Profitability Indicator

Averages	Deposits growth	Advances growth	CD ratio
Avg - All	11.4	22.8	78.6
Private	17.9	19.7	80.5
PSU	15.7	23.3	77.0

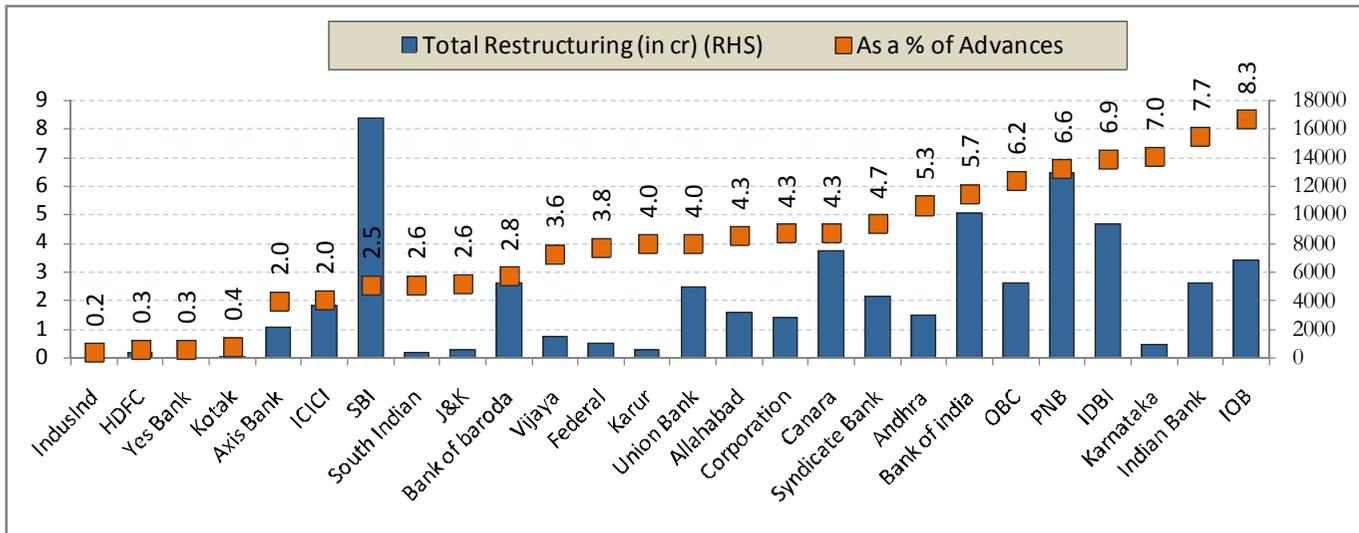
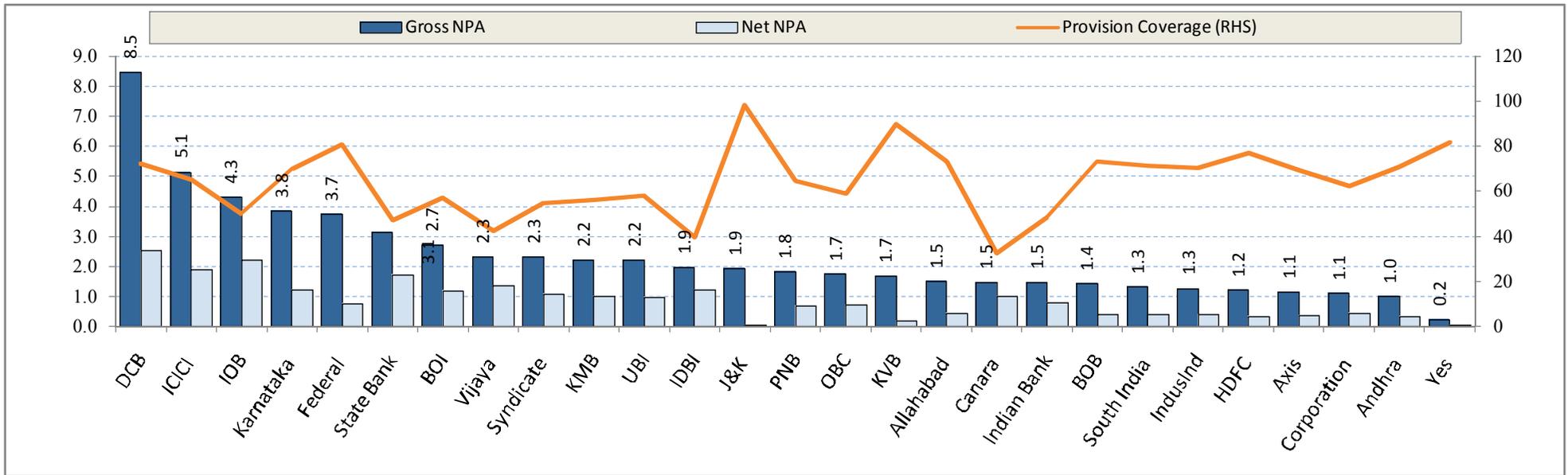
Business Indicator

NIM Q1FY11



Efficiency Indicator

Averages	CTI	CASA	CASA/Branch (Rs in Crs)
Avg - All	44.4	30.9	25.55
Private	47.0	30.8	27.30
PSU	42.3	30.9	24.10



Averages	Provisi on Covera ge	Gross NPA	Net NPA	Provisi on Covera ge LY
Avg - All	51.62	2.07	0.84	52.6
Private	75.0	2.68	0.75	52.9
PSU	55.3	2.03	0.95	56.9

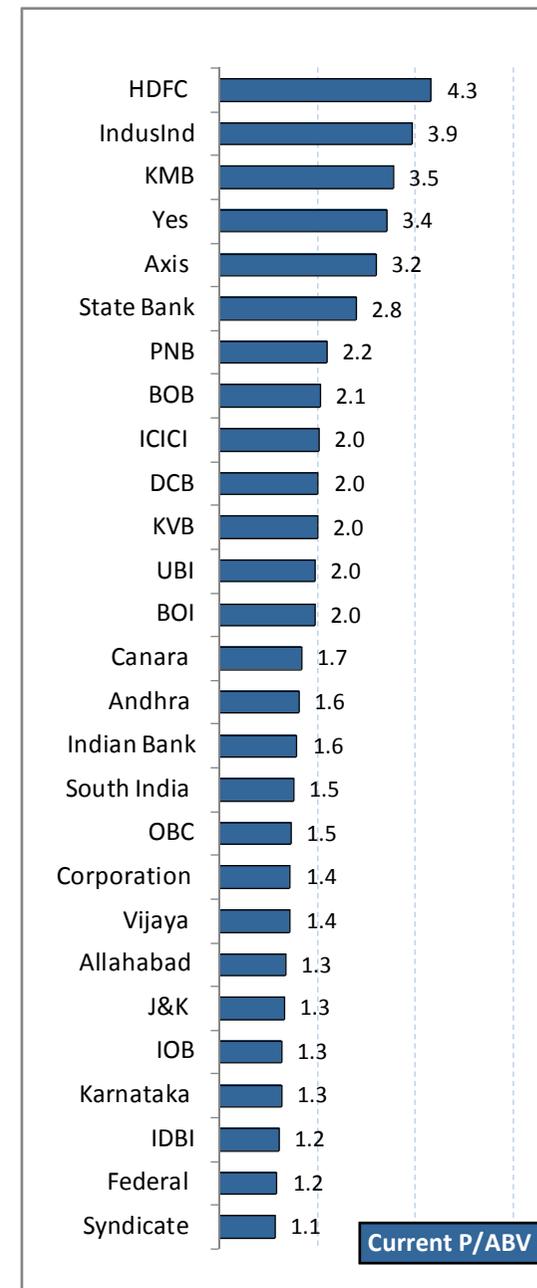
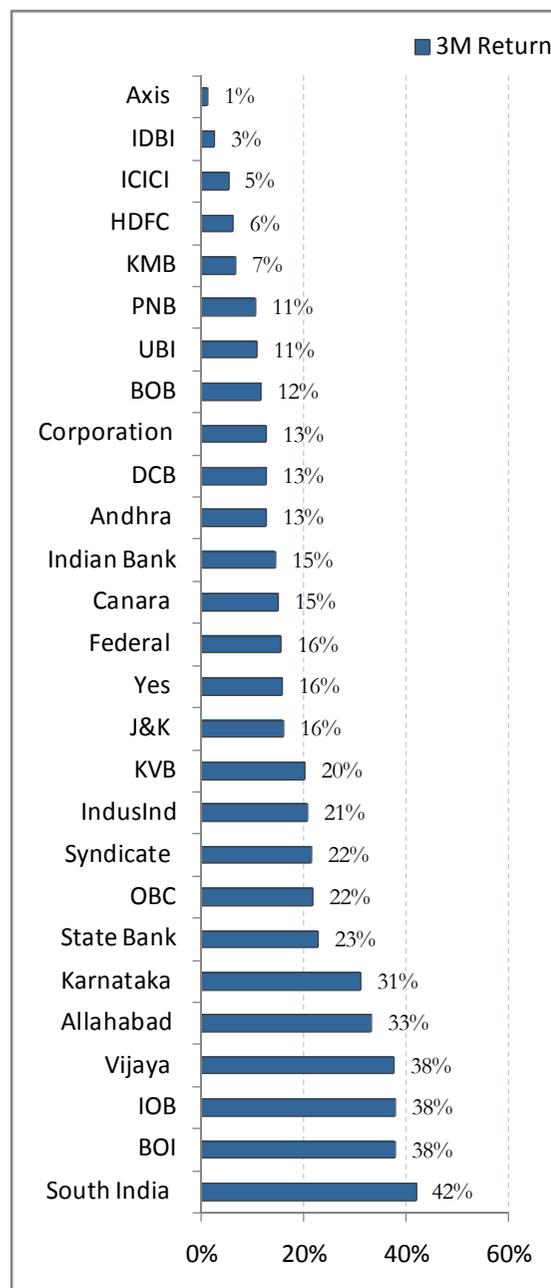
Asset Health Indicator

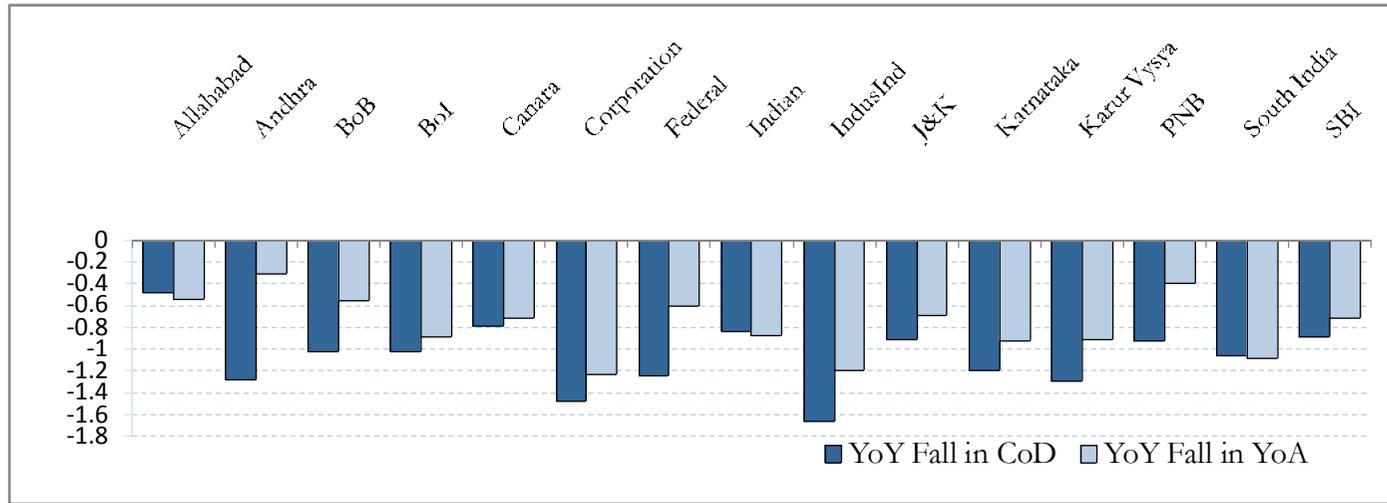
Averages	P/ABV	P/BV	PE
Avg - All	2.0	2.0	14.0
Private	2.5	2.5	20.9
PSU	1.7	1.6	9.0

Adjusted book value is at 70% coverage
 Book value is as at end of Q1FY11
 PE is based on TTM EPS

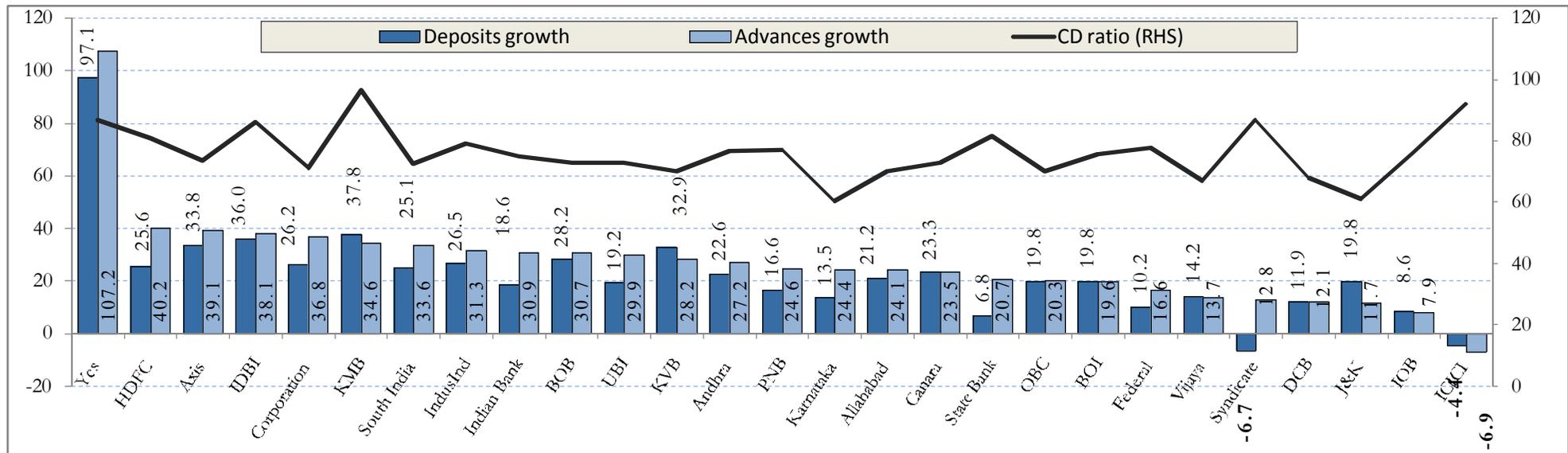
Mainly the Tier II Banks which did not participate in the sector based rally performed in the last three months which indicates that though the sector is overweight, the valuations are just-about-ripe and some profit booking cannot be ruled out

Valuation Indicator





Business Growth and Pace in descending order of Advance Growth



Aerial view of Q1'11 Performance

Amount in Cr

	CMP	Net Interest Income			PBPT			Net Profit			Deposit			Advance		
	17.8.10	Q1 '11	Q1 '10	% chg	Q1 '11	Q1 '10	% chg	Q1 '11	Q1 '10	% chg	Q1 '11	Q1 '10	% chg	Q1 '11	Q1 '10	% chg
Allahabad bank	215	850	629	35	705	591	19	347	303	15	108,320	89,401	21	75718	61002	24
Andhra Bank	159	736	441	67	510	348	47	320	256	25	74,700	60,911	23	57144	44911	27
Axis Bank	1331	1514	1046	45	1450	1176	23	742	562	32	147,479	110,256	34	108609	78105	39
Bank of Baroda	832	1858	1205	54	1528	1010	51	859	685	25	254,668	198,609	28	185595	142007	31
Bank of India	466	1740	1301	34	1411	1094	29	725	584	24	233,668	195,021	20	176825	147810	20
Canara Bank	518	1728	1291	34	1483	921	61	1,013	555	82	238,855	193,657	23	173794	140668	24
Corporation Bank	611	698	468	49	620	518	20	334	261	28	91,035	72,127	26	64805	47378	37
DCB	51	43	35	23	23	6	297	(3)	(35)	92	5,115	4,571	12	3,479	3,103	12
Federal Bank	340	413	290	42	335	278	21	132	136	-3	34,984	31,741	10	27144	23271	17
HDFC Bank	2121	2401	1856	29	1749	1519	15	812	606	34	183,033	145,727	26	147620	105292	40
ICICI Bank	959	1991	1985	0	2188	2529	-13	1,026	878	17	200,913	210,236	-4	184378	198102	-7
IDBI	129	851	315	171	831	756	10	251	172	46	157,204	115,554	36	135329	97972	38
Indian Bank	250	927	738	26	838	630	33	368	332	11	91,000	76,717	19	68027	51984	31
Indian Overseas Bank	133	906	768	18	382	429	-11	200	302	-34	109,461	100,806	9	82951	76864	8
IndusInd Bank	219	296	167	77	231	174	32	119	87	37	27,382	21,639	27	21608	16452	31
J&K Bank	894	366	261	40	288	258	12	145	118	23	37,629	31,410	20	23035	20616	12
Karnataka Bank	177	119	47	157	76	92	-18	46	40	16	23,970	21,110	14	14470	11632	24
Karur Vysya Bank	648	171	110	55	130	94	38	84	70	20	20,275	15,253	33	14191	11073	28
Kotak Mahindra Bank*	833	508	409	24	315	284	11	187	90	107	24,058	17,459	38	23189	17233	35
Oriental Bank	436	1057	484	118	822	517	59	363	257	41	123,057	102,695	20	86098	71566	20
Punjab National Bank	1189	2619	1801	45	2098	1569	34	1,068	832	28	255,335	218,960	17	196870	157979	25
South India Bank	207	167	152	10	104	107	-2	58	60	-3	23,331	18,650	25	16886	12642	34
State Bank	2818	7304	5025	45	6134	3674	67	2,914	2,330	25	815,297	763,563	7	663828	549793	21
Syndicate Bank	121	964	565	71	587	516	14	265	262	1	108,560	116,317	-7	94062	83367	13
Union Bank	350	1348	817	65	1044	787	33	601	442	36	171,080	143,498	19	124743	96026	30
Vijaya Bank	84	445	301	48	314	210	50	173	143	21	62,673	54,895	14	41948	36907	14
Yes Bank	328	262	157	67	249	198	26	156	100	56	30,239	15,342	97	26257	12671	107

* NIM, Book Value, RoA is consolidated

Note – All are standalone results

Wherever applicable global deposit and advance numbers considered

Banking Synonyms used –

- PBPT – Profit Before Provision and Tax
- CAR – Capital Adequacy Ratio
- CASA – Current Account Savings Account
- CD Ratio – Credit Deposit Ratio
- CTI – Cost to Income
- GNPA – Gross Non Performing Assets
- NNPA – Net Non Performing Assets
- NIM – Net Interest Margin
- PSU banks – Public Sector Banks
- SCB – Scheduled Commercial Banks
- TTM – Trailing Twelve Months

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