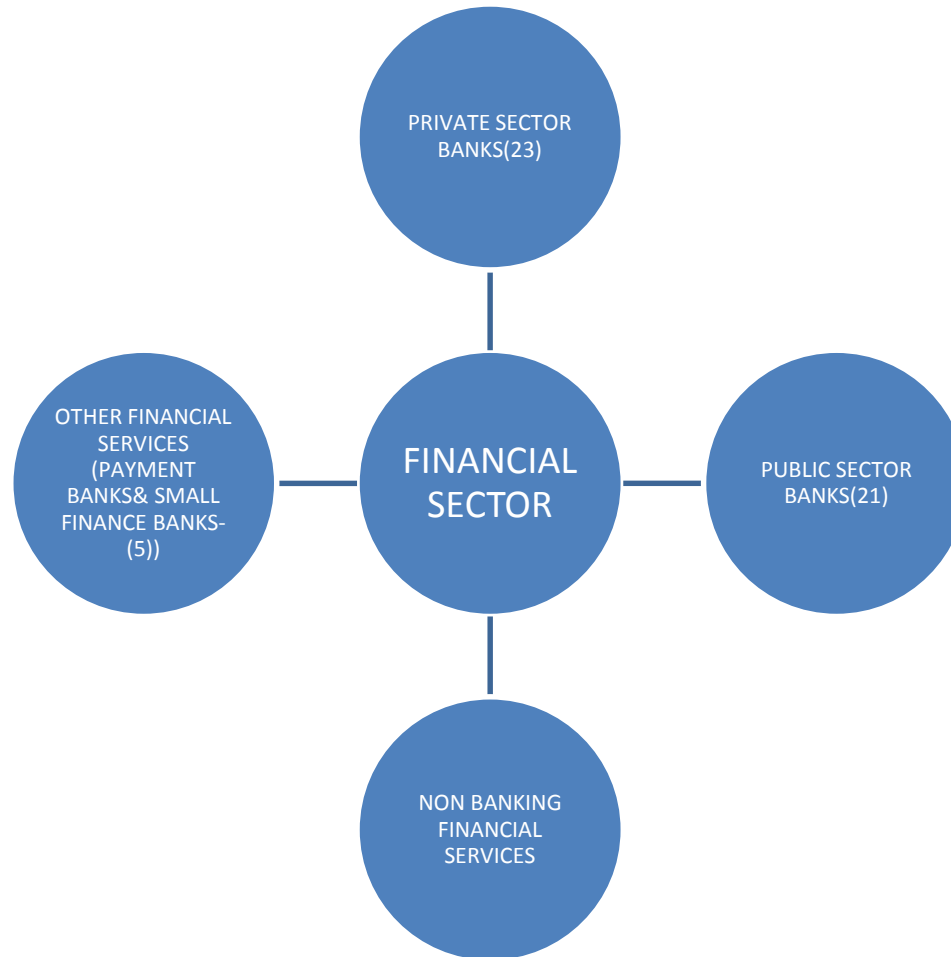


INDIAN BANKING SECTOR

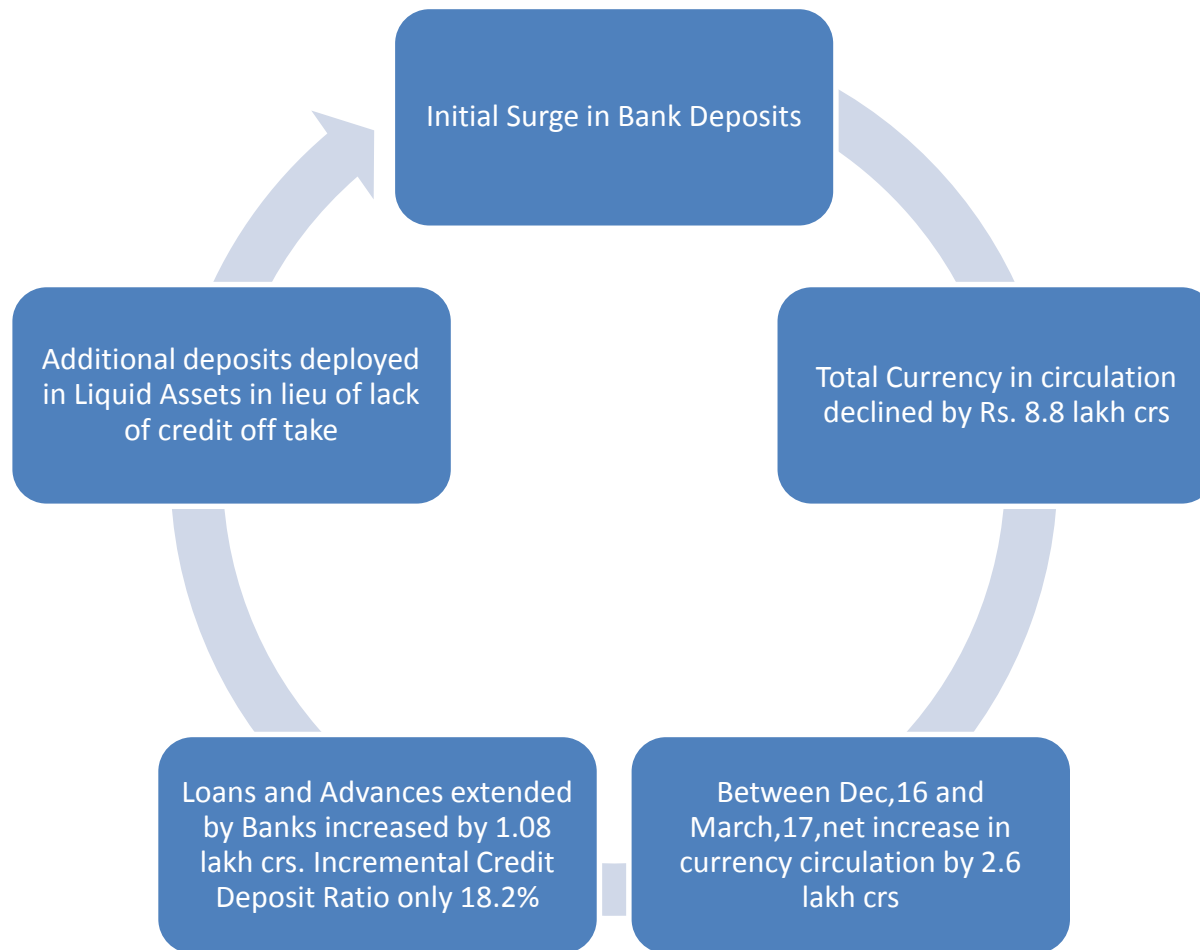
COMPARISON BETWEEN PSB's
AND
PRIVATE SECTOR BANKS



BASIC DIFFERENCES

	PUBLIC SECTOR	PRIVATE SECTOR
Business Share	72.90%	19.7%
Deposit Rates	High	Marginally Lower
Interest Rate	Marginally Lower esp for lower ticket sizes	At Par
Fees and Services	Lower Charges	Higher Charges
Customer Base	Wider base comprising mainly of government employees	Increasing Base comprising of Salaried Individuals
Technological Advancements	Low with the exception of SBI	High
Growth Opportunities	Low	Comparatively Higher
Employee Productivity	Low	High
Pension	Yes	No

DEMONETIZATION



WHAT DISTINGUISHES FINANCIAL SECTOR FROM OTHER SECTORS?

Debt and Reinvestment Needs

Calculation of Cash Flows

Regulatory Burden and Compliance Costs

IMP METRICS TO ANALYSE THE FINANCIAL SERVICES SECTOR

Equity Metrics viz. P/E and P/BV with high importance to ROE

Net Interest Margin

Loss Provisions

Diversification levels in Banks

Bank Specific Ratios viz. Efficiency, Loan to Deposit and Capital Ratios

Credit Quality viz. Non Performing Loans Ratio

PSBs vs PRIVATE SECTOR BANKS

	Public	Private
Capital Adequacy Ratio (Tier- I Capital)	Low	High
Capital Adequacy Ratio (Tier- II Capital)	High	Low
Deposits/Total Liabilities	High	Low
Secured Advance/Total Advance	Low	High
Investment in Non Approved Securities/Total Investment	Low	High
Return on Assets	Low	High
Return on Equity	Low	High
Cost of Borrowing	Low	High
Return on Advances	Low	High
Interest Expense/Interest Income	High	Low
Fee Income/Total Income	Low	High

STOCK PERFORMANCE SINCE MAY 2014 (NDA GOVT)

Indian Bank	81%	IndusInd Bank, Lakshmi Vilas Bank, Yes Bank	Over 150%
Vijaya Bank	46%	Kotak Mahindra Bank	123%
Central Bank	32%	HDFC Bank	104%
State Bank of India	7%	Federal Bank	83%
UCO Bank, Indian Overseas Bank, Dena Bank, J&K Bank	(68%)	Axis Bank	37%
		ICICI Bank	10%

	Public Sector Banks	Private Sector Banks
Gross NPA	6.25 lakh Crs from 4.76 laks crs q-o-q in March, 17	86,326 crs from 81,252 crs q-o-q in March,17
Ratio of Stressed Loans	14.5%	4.5%
Systemic Credit Market Share since FY15	Lost 430 basis points	Gained the equivalent amount
Capital Creation	High Capital Burn due to higher asset delinquencies Dependent on Government for Capital infusion	Better ROEs help them to create capital Raise capital through dilution of equity
Market Share	Will lose market share if growth rebounds due to lack of Tier I Capital	Stand to benefit because of cleaner Balance Sheets

PSBs UNDER SCANNER

Bank	Net Loss (In Crs)	CAR (%)	Net NPA (%)	Reason
Indian Overseas Bank	3417	9.66	13.99	RBI directions to improve internal controls, consolidate bank activities
UCO Bank	1851	9.63	8.94	RBI action in view of high NPA and negative ROA
IDBI Bank	5158	11.67	13.21	RBI action in view of high NPA and negative ROA
Dena Bank	864	11	10.66	RBI action in view of high NPA and negative ROA

KEY REFORMS



Insolvency and Bankruptcy Code (2016)

- Provide single and unified law, subsumes multiple provisions
- Bestows voting rights on all types of lenders enabling faster recovery process



Sustainable Structuring of Stressed Assets

- Superset of Strategic Debt Restructuring Scheme- conversion of approx. 50% debt getting sustainable and remaining converted to convertible preferential shares/debentures



Proposal for Bank Account Portability

- Could be a reality soon; Private Sector Banks at an advantageous position because of better operation efficiency and sound technology
- Critics believe may be tough to implement

WAY FORWARD

Consolidation of PSBs to 5-6 major players

Divestment

Synergies in lending activity and branch location to economize on intermediation cost

Focus on Retail Banking

Stringent Credit Appraisal

Strategy and Service Delivery

FOCUS STOCK



A BRIEF

- Incorporated in Aug 1994
- Customer base of 40 Million*
- Network of 4715 branches & 12260 ATMs*
- Presence in 2657 cities*
- 52% branches in semi urban and Rural areas*
- Same Managing Director since inception

* Data as on 31st March, 2017

MARKET CAP

- Third largest company in India by market cap (followed by RIL and TCS). Global rank 258*
- HDFC Bank and HDFC Limited together 50% bigger than RIL in market cap*
- Listed at Rs 40 in 1995. CAGR close to 30%
- Share holding : FII - 42%, MFs and Insurance - 13%, Promoters - 26% and Public – 10.5%*

* Data as on 23rd June, 2017


COMPARATIVE MARKET CAP

Company Name	Last Price	Market
		(Rs. cr)
Reliance	1,435.00	466,581.02
TCS	2,360.65	465,149.07
HDFC Bank	1,678.55	430,532.82
ITC	310.85	377,601.40
HDFC	1,650.85	262,299.82
HUL	1,096.55	237,344.09
SBI	288.85	230,314.68
Maruti Suzuki	7,237.20	218,621.38
Infosys	943.35	216,682.27
ONGC	158	202,765.12
Kotak Mahindra	985.45	187,552.70
ICICI Bank	291.5	186,912.15
IOC	383.3	186,126.84
Larsen	1,723.05	160,832.32
Coal India	245.4	152,329.82
Tata Motors	443.1	150,470.15
Bharti Airtel	365.9	146,264.87
Sun Pharma	543.95	130,510.26
NTPC	157.85	130,480.04
Wipro	256.85	124,987.03
HCL Tech	850.8	121,390.73
Axis Bank	504.6	120,949.11
Asian Paints	1,153.95	110,686.63
UltraTechCement	4,000.20	109,808.65
Power Grid Corp	205.3	107,404.54

COMPARATIVE STOCK RETURNS

Companies	LTP	Intraday %	1W %	1M %	1 QTR %	1 YR %	3 YR %	5 Yr %
 HDFC Bank	1678.65	-1.14	-0.84	3.24	17.31	41.05	106.63	208.89
 RBL Bank Ltd.	505.85	-1.14	-0.69	-2.07	1.15	0.00	0.00 	0.00 
 IDFC Bank Ltd.	56.85	-0.52	-0.61	-2.57	-6.03 	25.22	0.00	0.00
 Karur Vysya Bank	141.75	-1.66	-5.47 	20.18 	32.11 	40.56	52.52	67.39
 ICICI Bank	291.85	0.78 	0.14	-0.16	20.26	33.26	14.44	90.17
 Axis Bank	504.65	-0.66	-2.98	-1.33	3.36	-4.13 	30.90	151.63
 Federal Bank	115.05	-2.09 	-3.52	2.22	30.37	105.45 	77.88	157.32
 Kotak Bank	985.20	-1.27	-0.24	2.09	13.48	31.84	127.61	239.45
 City Union Bank	179.35	-0.22	-2.21	4.33	25.86	62.97	140.58	243.58
 YES Bank	1435.40	-1.14	0.31 	-3.90 	-5.48	29.22	168.15 	320.45
 IndusInd Bank	1491.40	0.05	-1.32	0.93	7.77	35.18	163.71	356.36 

 Top Loser for the period amongst the peers

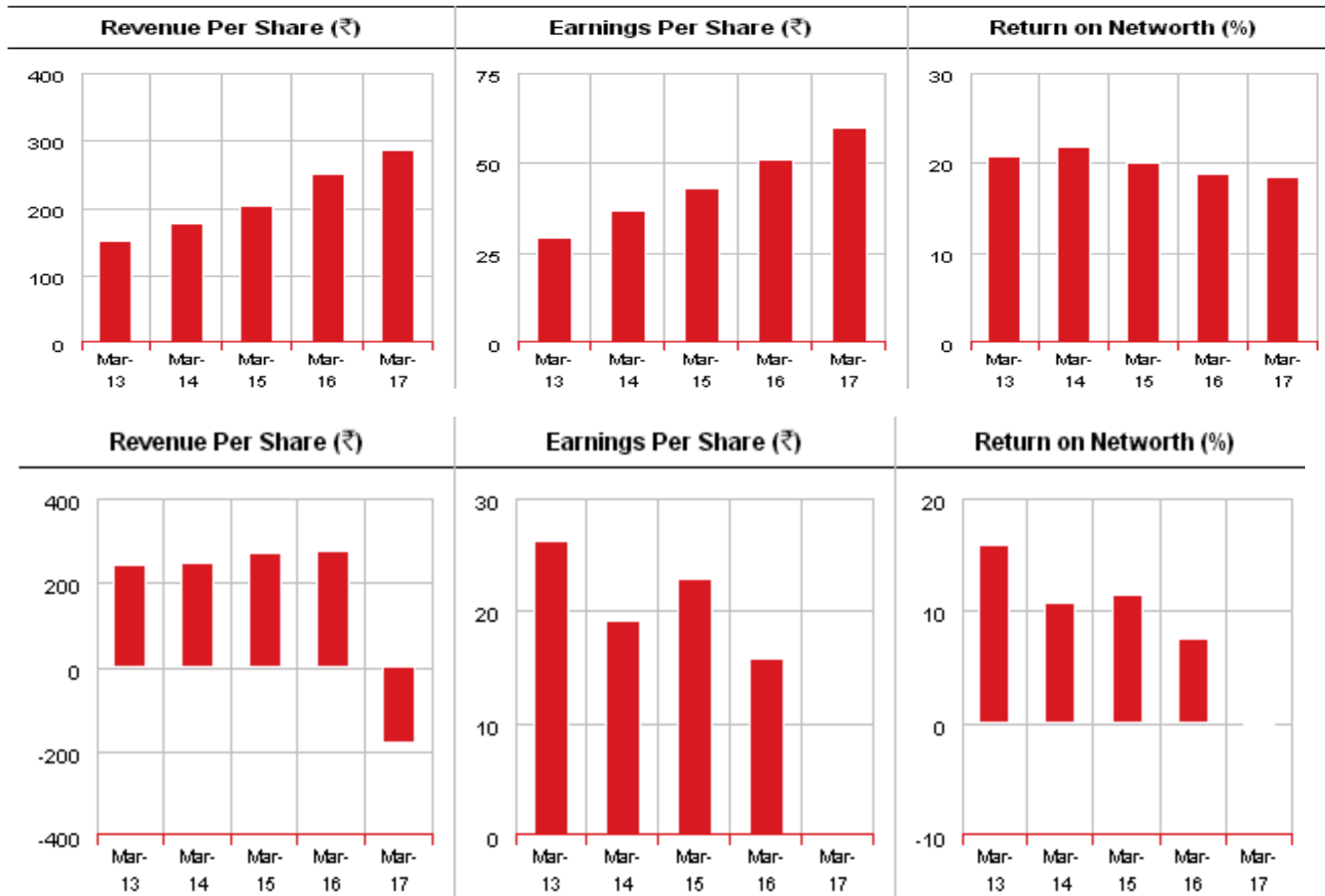
 Top Gainer for the period amongst the peers

COMPARATIVE STOCK MOVEMENT



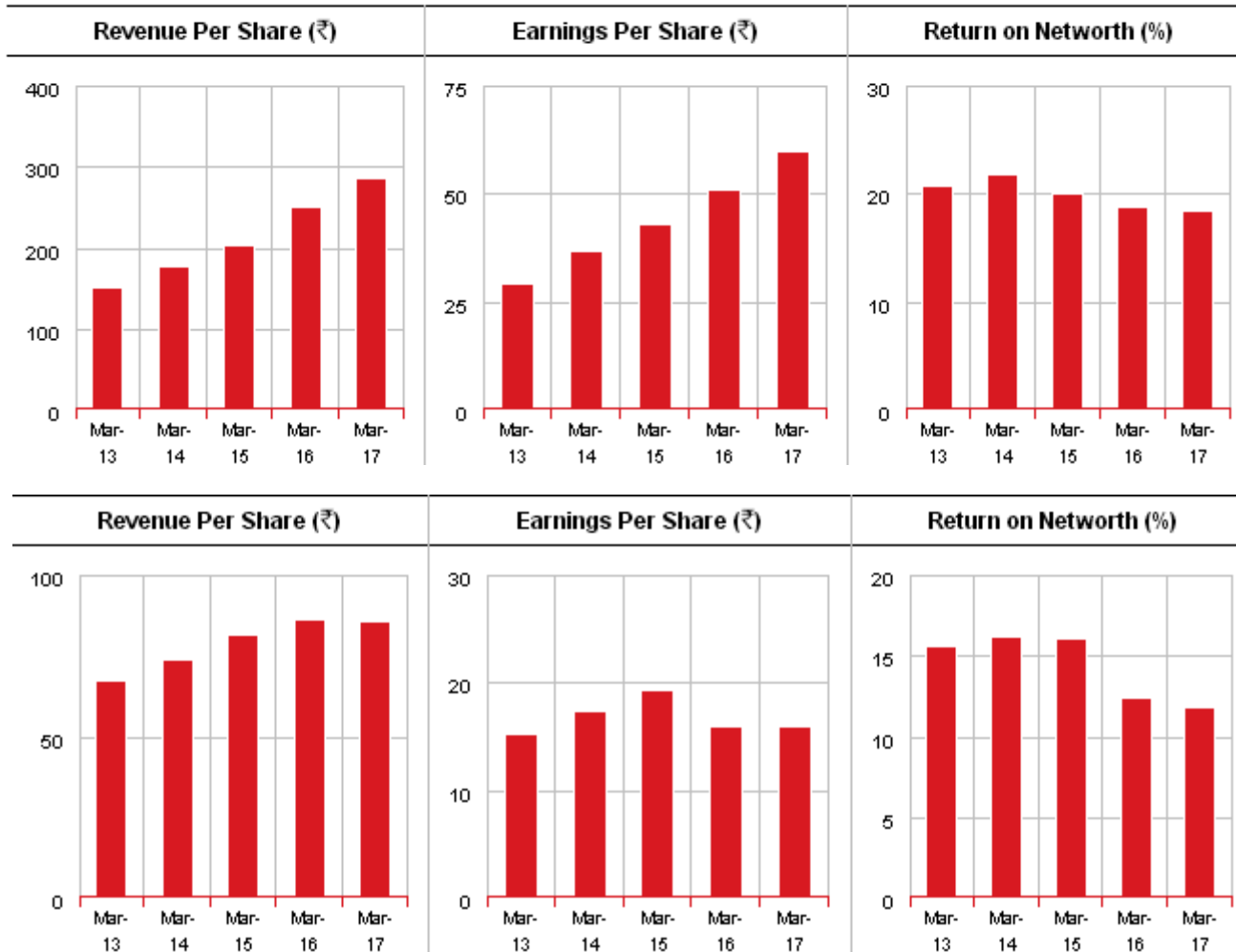
KEY RATIOS HDFC VS SBI

Key Ratios



KEY RATIOS HDFC VS ICICI

Key Ratios

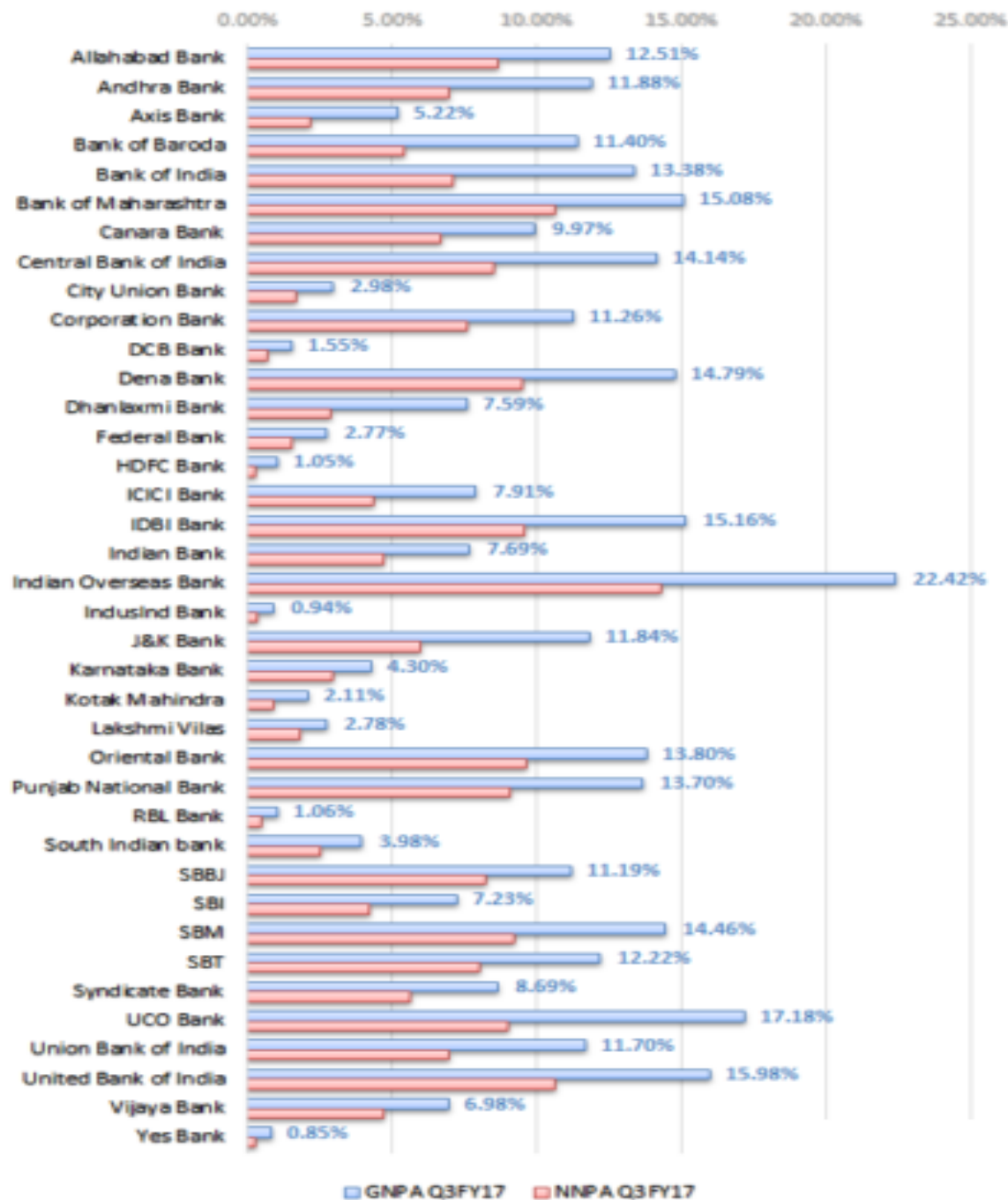


REVENUE/SHARE	HDFC BANK	SBI	ICICI BANK
Mar-13	150.04	240.12	67.07
Mar-14	176.96	247.72	73.65
Mar-15	201.93	270.25	81.56
Mar-16	249.95	272.65	86.36
Mar-17	285.80	(178.44)	85.45

EARNINGS/SHARE	HDFC BANK	SBI	ICICI BANK
Mar-13	28.87	26.19	15.14
Mar-14	36.45	18.99	17.38
Mar-15	42.64	22.76	19.20
Mar-16	50.63	15.75	15.92
Mar-17	59.63	NA	15.90

RoNW	HDFC BANK	SBI	ICICI BANK
Mar-13	20.64	15.85	15.58
Mar-14	21.69	10.64	16.09
Mar-15	19.94	11.35	16.07
Mar-16	18.65	7.48	12.42
Mar-17	18.41	(0.22)	11.76

Gross NPA % & Net NPA % - Q3FY17



FINANCIALS

	Mar-17	Mar-16	Mar-15	Mar-14	Mar-13	Mar-12	Mar-11
Income Statement							₹ Cr
Interest Earned	73,271.35	63,161.56	50,666.49	42,555.02	35,861.02	28,193.40	20,043.33
Other Income	12,877.63	11,211.65	9,545.68	8,297.50	7,132.96	5,992.32	4,585.05
Total Income	86,148.99	74,373.22	60,212.18	50,852.52	42,993.99	34,185.72	24,628.38
Interest Expended	38,041.58	34,069.57	27,288.46	23,445.45	19,695.45	15,106.12	9,425.15
Operating Expenses	20,751.07	17,831.88	14,577.52	12,469.65	11,551.90	9,494.70	7,317.95
Provisions and Contingencies	3,990.81	2,960.77	2,265.98	1,725.99	1,742.02	1,916.85	1,927.45
Profit before Tax	23,365.52	19,510.99	16,080.22	13,211.43	10,004.62	7,668.05	5,957.83
Taxes	8,078.12	6,693.66	5,380.17	4,446.92	3,104.34	2,394.65	1,940.14
Profit after Tax	15,287.40	12,817.33	10,700.05	8,764.51	6,900.28	5,273.40	4,017.69
Minority Interest	-36.72	-19.72	-14.41	-24.65	-33.52	-30.02	-32.24
Share of Associate	2.34	3.73	3.25	3.63	2.88	3.64	7.04
Consolidated Profit	15,280.48	12,801.33	10,688.89	8,743.49	6,869.64	5,247.02	3,992.49
Key Ratios							
Adjusted EPS (Rs)	59.63	50.63	42.64	36.45	28.87	22.36	17.16
Adjusted Book Value (Rs)	358.21	293.90	251.96	184.10	154.00	128.74	109.98
Dividend per Share (Rs)	11.00	9.50	8.00	6.85	5.50	4.30	3.30
Market Cap (Rs Cr)	369,595.94	270,819.34	256,376.89	179,652.90	148,499.54	122,039.54	109,000.06
Price / Earnings	24.19	21.16	23.99	20.55	21.62	23.26	27.30
Price / Book Value	4.03	3.64	4.06	4.07	4.05	4.04	4.26
Dividend Yield (%)	0.76	0.89	0.78	0.91	0.88	0.83	0.70

MUTUAL FUND EQUITY AUM EXPOSURE

Fund Houses invested in the stock

Fund	Mar-17	Dec-16	Sep-16	Jun-16	Mar-16
SBI Mutual Fund	1.262	1.217	1.091	0.897	0.853
ICICI Prudential Mutual Fund	1.156	1.618	1.624	1.199	1.147
HDFC Mutual Fund	0.921	0.934	0.952	0.932	0.915
Reliance Mutual Fund	0.868	1.036	0.951	0.998	1.010
Franklin Templeton Mutual Fund	0.864	0.889	0.874	0.827	0.771
UTI Mutual Fund	0.708	0.746	0.710	0.713	0.715
Birla Sun Life Mutual Fund	0.459	0.648	-	-	0.540
Kotak Mahindra Mutual Fund	0.455	0.528	0.391	0.391	0.350
Axis Mutual Fund	0.322	0.400	0.382	0.357	0.351
DSP BlackRock Mutual Fund	0.300	0.298	0.321	0.336	0.356

ANALYSTS' RATING* : Buy 48, Hold 4, Sell 2

* Bloomberg Data

OUTLOOK

GLOBAL BANKS IN THE \$100-BN CLUB

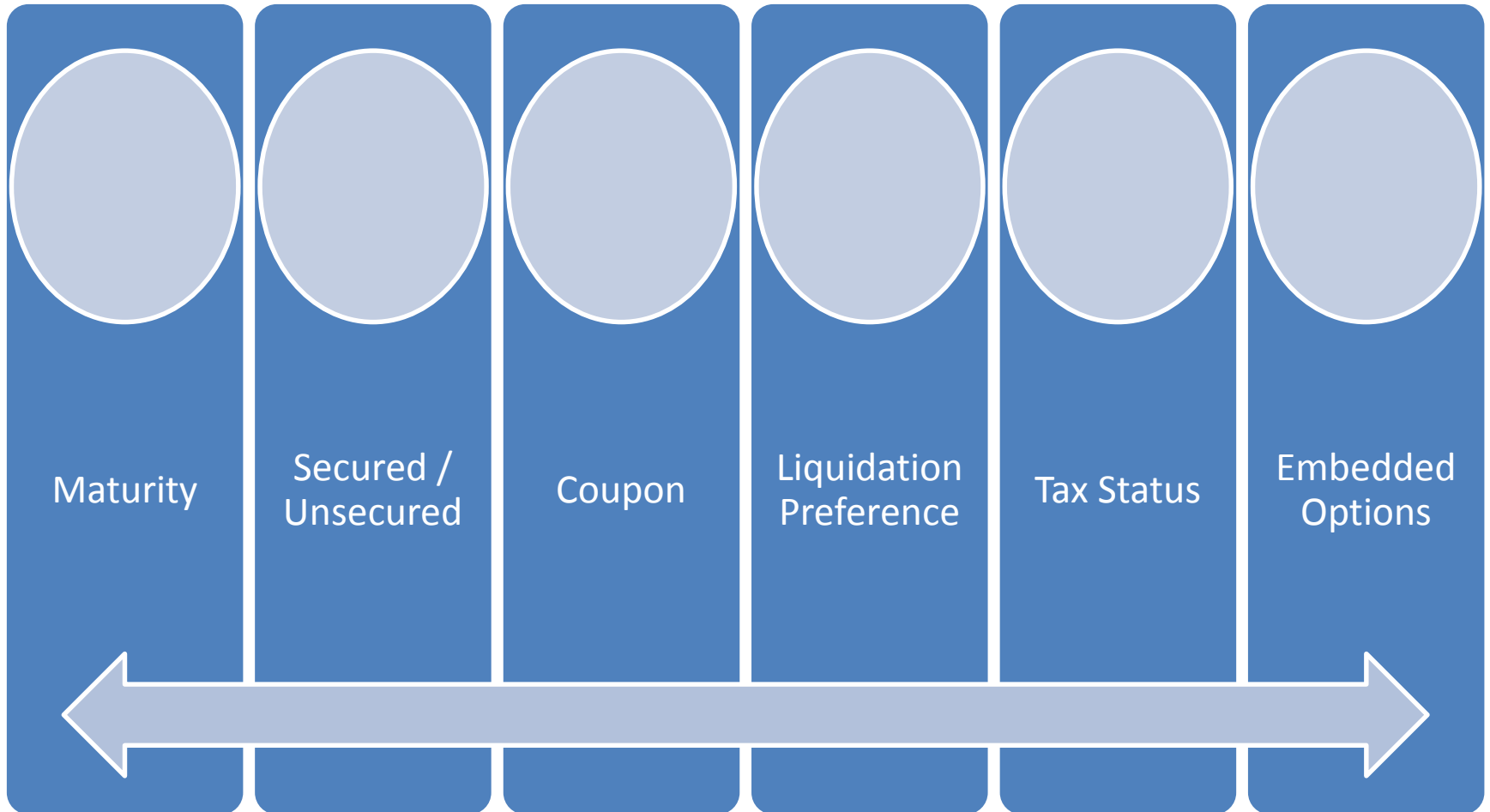
JPMorgan	294	■
ICBC China	262	■
Wells Fargo	258	■
Bank of America	223	■
China Construction Bank	212	■
HSBC	177	■
Citi	169	■
Agricultural Bank of China	163	■
Bank of China	154	■
Commonwealth Bank	102	■

Source: Goldman Sachs report

HDFC Bank market cap to touch \$100 bn by 2020: Goldman Sachs (8th June, 2017)

BASICS OF BONDS

BOND CHARACTERISTICS



RISKS OF BONDS

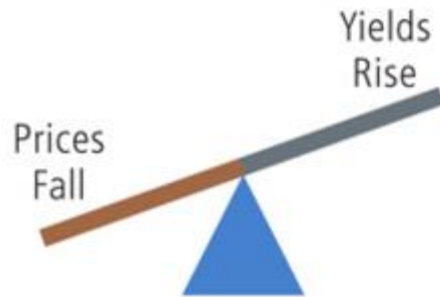
Credit / Default Risk

Prepayment Risk

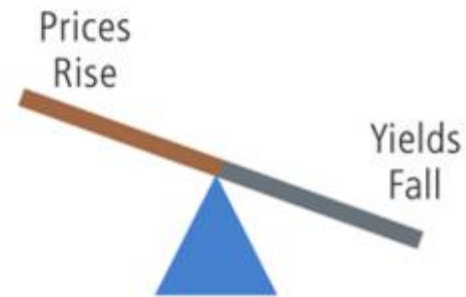
Interest Rate Risk

SECONDARY MARKET PRICING

If interest rates rise:



If interest rates fall:



Face value	Price quoted as	Market price	The bond is trading at
\$1,000	100	\$1,000	Par
\$1,000	102	\$1,020	A premium to par
\$1,000	97	\$970	A discount to par
\$5,000	99	\$4,950	A discount to par

UNDERSTANDING VOLATILITY / DURATION

% CHANGE IN BOND PRICES IF RATES SPIKE 1%

HYPOTHETICAL ILLUSTRATION OF THE EFFECTS OF DURATION, EXCLUSIVELY ON BOND PRICES



TYPES OF BONDS



Government Bonds

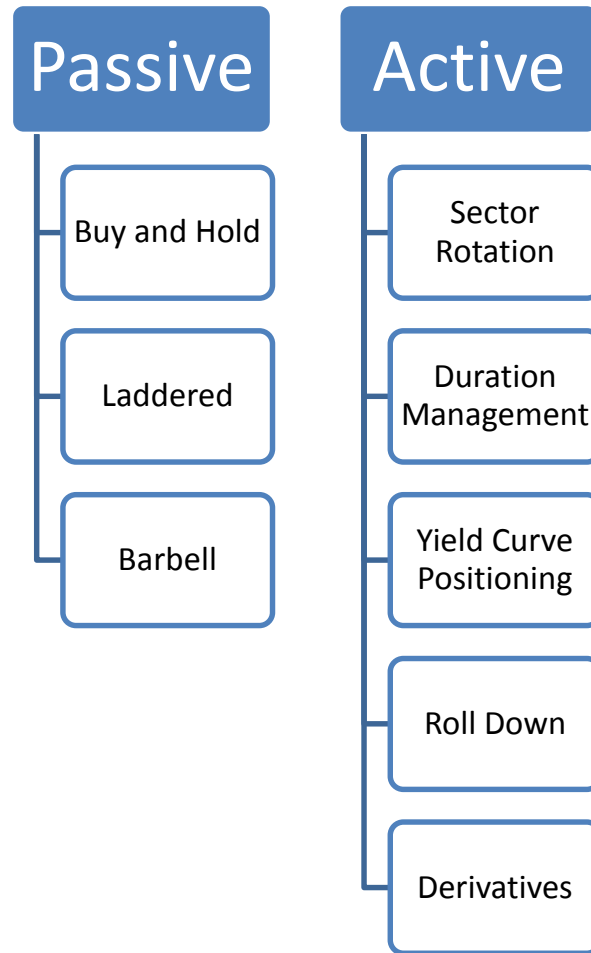


Corporate Bonds



MBS and ABS

BOND INVESTMENT STRATEGIES



ROLE OF BONDS IN PORTFOLIO

- Capital Preservation
- Income
- Capital Appreciation
- Diversification
- Hedge Against Deflation

THANK YOU