GALGOTIAS UNIVERSITY

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PROJECT REPORT

ON

"FINANCIAL ANALYSIS AND THE BEST INVESTMENT OPPORTUNITIES IN THE INDIAN BANKING INDUSTRY"

BY

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Submitted to

SCHOOL OF BUSINESS

GALGOTIAS UNIVERSITY

In partial fulfilment of the requirements for the award of the degree of

BACHLOR OF BUSINESS ADMINISTRATION

Under the guidance of

Ms. DEEPIKA

BONAFIDE CERTIFICATE

This is to certify that RIMJHIM AGARWAL is a Bonafide student of Bachelor of Business Administration course of the Institute 2019-22. The project report on "FINANCIAL ANALYAIS AND THE BEST INVESTMENT OPPOURTUNITIES IN THE INDIAN BANKING INDUSTRY" is prepared by them

under the guidance of MS. DEEPIKA, in partial fulfilment of requirements for the award of the degree of Bachelor of Business Administration of Galgotias university.

Signature of Internal Guide   Signature of HOD   Signature of principal

Name of the Examiners with affiliation   Signature with date

External Examiner   Internal Examiner

PROJECT WORK CERTIFICATE

This is to inform that RIMJHIM AGARWAL has successfully completed freelance project work under the guidance of MS. DEEPIKA

We found her extremely inquisitive and hard working. She has demonstrated active interest in learning and was also willing to put in her best efforts. Her performance on task assigned was highly appreciated.

Her association with me was very fruitful and I wish them best luck for their career ahead.

Sincerely,

MS. DEEPIKA

DECLARATION

I , RIMJHIM AGARWAL hereby declare that the project report on "FINANCIAL ANALYSIS AND THE BEST INVESTMENT OPPOURTUNITIES IN THE INDIAN BANKING SYSTEM" prepared by RIMJHIM AGARWAL under the guidance of MS. DEEPIKA, faculty of school of business Department, Galgotias University. I have undergone an industry project for a period of Twelve weeks. I further declare that this report is based on the original study undertaken by me and has not been submitted for the award of a degree/diploma from any other University / Institution.

Signature of Student

Place:

Date:

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ACKNOWLEDGEMENT

I would like to express my sincere and profound gratitude to my Faculty Guide Ms. Deepika, Galgotiya University, Gr. Noida for providing me invaluable support, encouragement, guidance and facilities at all phases of the project study.

I would like to make a special mention for a continuous guidance and support of valuable inputs the projects would not have been accomplished in the present manner

Lastly, projects are a result of teamwork and hundreds of people have lent their cooperation. Although it is impossible to name each one of them individually,

I would like to take this opportunity to wholeheartedly thank all the people who helped me in completing the project.

RIMJHIM AGARWAL (19gsob1010143)

EXECUTIVE SUMMARY

Objective of the mission are:

• To have a look at the Banking Industry using internationally time-venerated norms of investment analysis.

• To find out genuine investment opportunities the various listed businesses withinside the Indian stock market.

There are three widespread instructions in which factors which have an impact on a employer's profitability can be classified.

1. Economic-full-size factors
2. Industry-full-size factors three. Company-particular factors.

Top-Down Approach

The Top-Down method or the EIC (Economy, Industry and Company) grow to be observed in an try and find out the interrelationships a few of the three to for the Indian Banking Industry.

Methodology

Stage 1: Setting up of the mission dreams and guidelines.
Stage 2: The facts bearing at the Economic and employer factors sensitive for the Indian banking Industry grow to be studied.
Stage 3: Selection of the businesses followed via business enterprise analysis:
Stage 4: Proper documentation and submission of the record to the M/s. Anand Rathi Investments. Anand Rathi is a full-service securities employer that offers a widespread form of financial services. Mr. Anand Rathi launched the employer in 1994, and it now has operations at some point of India similarly to remote places locations in Dubai and Bangkok. Anand Rathi offers a breadth of financial and advisory services alongside wealth manipulate, investment banking, organization advisory, brokerage & Distribution of stocks, commodities, mutual funds, and insurance, all of which is probably sponsored up via strong research corporations. The employer's concept is surely purchaser-centric, with a easy awareness on supplying long-term charge to clients on the identical time as upholding the great levels of excellence, integrity, and professionalism. Individuals, Private Clients, Corporates, and Institutions are the four excellent purchaser instructions that the employer serves. Services In line with its purchaser-centric philosophy, the employer offers to its clients the whole spectrum of financial services beginning from brokerage services in equities and commodities, distribution of mutual funds, IPOs and insurance products, real estate, investment banking, merger and acquisitions, organization finance and organization advisory. Clients deal with a dating manager who leverages and brings together the product. Management Team Anand Rathi brings together a fairly professional center manipulate team that consists of of humans with tremendous industrial employer similarly to employer experience. Research Design Anand Rathi's research know-how is at the center of the charge proposition that it offers to its clients. Research corporations

at some point of the employer continuously track several markets and products. The motive is however common - to go far deeper than others, to deliver incisive insights and mind and be answerable for results.

Research Design

Anand Rathi's research expertise is at the core of the value proposition that it offers to its clients. Research teams across the firm continuously track various markets and products. The aim is however common - to go far deeper than others, to deliver incisive insights and ideas and be accountable for results.

Milestones

1994: With a workforce of 15, began consulting and institutional equity sales.
1995: Established a research desk and empaneled with large institutional investors.
1997: Introduced investment banking services.
1999: Launched retail brokerage services; lead handled first IPO and completed first M&A deal;
2001: Launched Wealth Management Services;
2002: Retail business expansion resumes with ownership model;
2003: Wealth Management assets surpass Rs1500 crores The number of retail branches has surpassed 50. Insurance broking begins - Wealth Management services are provided in Dubai
2004: The retail branch network develops to 100 locations across India. Brokerage and real estate services for commodities have been developed.
The value of wealth management assets has surpassed Rs3000 crores. The institutional equity company has been revived, and a senior research team has been assembled.

Objective Of the Project

• To examine the Banking Industry the use of the world over regular norms of funding evaluation.

• To discover excellent funding possibilities a few of the indexed agencies withinside the Indian inventory marketplace. Investments in stocks may be a completely unstable business. However, the hazard may be minimized with the aid of using a right evaluation earlier than taking an funding decision. The challenge tries to carry out such an evaluation for the banking enterprise adopting the the world over regular norms of funding evaluation. The last feature of all financial sports is to provide items and offerings to be fed on with the aid of using the households. The combination call for from the family zone is inspired with the aid of using the extent of disposable profits and its distribution. There are 3 vast classes wherein elements that have an effect on a firm’s profitability may be classified. 1. Economic-huge elements 2. Industry-huge elements 3. Company-unique elements. Top-Down Approach Under this technique, an investor first evaluation a united states macro financial system and forecasts probable developments. From this evaluation get up implications for exceptional industries and sectors. By combining each the financial and enterprise evaluation, companies are analyzed with an eye fixed to discover buy and promote applicants. The companies which can be first-class placed to take benefit of the anticipated financial and enterprise developments are buy applicants at the same time as the ones companies to be able to go through withinside the anticipated financial/enterprise surroundings are promote applicants. The Top-Down technique or the EIC (Economy, Industry and Company) could be followed in an try to discover the interrelationships among the 3 to for the Indian Banking Industry. Financial ANALYSIS India is about to turn out to be the fourth biggest financial system withinside the international with the aid of using 2025 after The United States, Japan and China. The GDP boom price will stay solid at 7-eight% if key allowing elements are implemented. The Indian financial system is challenge to account for approximately 60 percentage of the scale of America financial system with the aid of using 2025. By 2035, India's transition to a 3-polar financial system could be complete, with a barely smaller however large financial system than the United States. Of Western Europe. India is projected to be the most powerful boom engine of the six foremost EU international locations with the aid of using 2035, despite the fact that its effect could be much less than 1/2 of that of the United States. India, presently the fourth biggest financial system withinside the international in phrases of buying power, is about to turn out to be the 0.33 biggest financial system withinside the international in ten years, surpassing Japan. The banking zone, that may safely and efficaciously cater to the desires of the developing financial system, is one of the proponents of sturdy financial boom. As India prepares to turn out to be an financial superpower, it have to boost up socio-financial reforms and take steps to cope with the institutional and infrastructural obstacles inherent withinside the system. The availability of bodily and social infrastructure is prime to sustainable financial improvement. Since independence, the Indian financial system has labored tough to boost up boom. Cities in India mainly have visible first rate up-grading of infrastructure over the years, however the state of affairs isn't always the identical in maximum rural regions of India. Similarly, India’s overall performance in fitness and training and different human improvement signs isn't always satisfactory, with city regions reaping benefits the maximum from a huge variety of nearby disparities. Appropriate steps want to be taken to gain the reputation that a few international locations withinside the international have and to offer a greater identical society to the developing populace. The issues presently going through the Indian financial system are: In order to benefit the reputation of positive international locations withinside the international at gift and to offer a greater egalitarian society to the developing populace, suitable steps have to be taken. The Indian financial system is presently going through those challenges: suitable steps want to be taken to gain the reputation of positive international locations withinside the international and to offer a greater egalitarian society to the developing populace. The Indian financial system is presently going through those challenges: To preserve the boom tempo and gain a median annual boom price of 7-eight% over the subsequent 5 years. Simplifying regulations and decreasing boundaries to access into financial activity; Limiting populace boom; India is the second one maximum populous united states withinside the international after China. However, India surpasses China in phrases of density, as India's territory covers nearly 1/2 of of China's overall territory. GDP in step with capita is low because of fast populace boom. In 2006 it turned into most effective $ 2880. (World Bank statistics). Improving agricultural improvement thru diversification and agro-processing improvement. Not most effective is there surplus hard work in agriculture, however the enterprise is unexpectedly increasing to permit an unheard of wide variety of ladies and kids to sign up for the hard work pressure at the least 10�ch 12 months. Developing international-magnificence infrastructure to preserve boom in all sectors of the financial system. Permission for overseas funding in greater sectors Influencing monetary consolidation thru sales boom and expenditure control and disposing of the sales deficit. Enhancing populace empowerment thru ordinary training and fitness care. India's HDI ranking, that's 127, is plenty decrease than many different growing international locations. The management is dedicated to sustainable financial reforms and the development of infrastructure, enhancing the lives of the agricultural bad and improving financial overall performance. In many regions, the authorities has eased regulations on overseas change and funding and might count on in addition simplification in civil aviation, telecommunications and coverage withinside the future. The Indian financial system is primarily based totally on a continuously developing boom curve. With high-quality signs inclusive of a regular eight in step with cent annual boom and an growth in forex reserves to shut to US $ 166 billion, the leading "Sensex" index crowned the capital marketplace with a whopping 14,000 mark, permitting authorities inflows of US $ FDI. Estimated.

With $ 12 billion this economic 12 months, and exports developing with the aid of using greater than 22 percentage, it is straightforward to recognize why India is a chief vacation spot for overseas funding. Gross home product (GDP) in 2007-08 confirmed a boom trajectory, with general boom at an envisioned fee of eight.four in step with cent and the common boom trajectory of the Indian financial system during the last 3 years. In the primary 1/2 of of the present day 12 months (2006-07) (April-September) GDP boom endured at nine.four in step with cent and for the primary time on a 12 months-over-12 months foundation a moderate growth in boom reached eight.nine in step with cent. This is an growth of nine. 2 percentage in comparison to the second one quarter. In the primary 1/2 of of the monetary 12 months (Q2), agriculture grew with the aid of using 2.6 (1.7) in step with cent, enterprise with the aid of using 10.0 (10.3) in step with cent and offerings with the aid of using 10.7 (10.nine) in step with cent..

Industrial Output

Significant and favorable development in recent times is a sign of industrial revival - especially in the manufacturing sector. Total industrial growth, as measured by the Index of Industrial Production (IIP), was 10.9 per cent in April-September 2006, compared to 8.4 per cent in the year-ago period. The three sectors covered by the IIP, namely mining, manufacturing and power, recorded better performance, registering growth of 3.1 per cent, 12.1 per cent and 6.6 per cent, respectively, compared to 1.1 per cent, 9.5 per cent and 6.6 per cent in the current period. Year. 4.8 per cent in the corresponding period of the previous year. Mining and electricity, despite showing better performance, are lagging behind the overall growth rate of the economy. The growth rate of the manufacturing sector is the most significant development in recent months. In terms of IIP, manufacturing sector growth has more than doubled from 9.1 per cent per annum in 2004-05 and 2005-06 to 12.1 per cent in the first half of the current year. Points every six months, compared to just three and four in the 12 months of 2004-05 and 2005-06.

Agriculture

Agricultural growth has been slow and averaged 2.6 percent over the past eight quarters. The trend growth in foodgrain production in 1996-2006 was 0.22 per cent per annum. During this period negative growth was observed for rabi food grains, especially wheat and pulses. The negative impact of weak agricultural performance on GDP as a whole is not clear, given the declining relative importance of agriculture and allied sectors in GDP; However it is important to share the fruits of development with more than half of the population dependent on this sector to earn a living directly or indirectly.

Services

After registering a growth of 10.9 per cent in the fourth quarter of 2005-06, the services sector continued to grow by 10.7 per cent in the first half of this year. The overall growth of the services sector has averaged 10 percent over the past ten quarters. In the services sector, sub-sectors of trade, transport and communications recorded the highest growth rate in 19 of the 23 quarters from January 2001.

One of the key drivers for the rapid growth of this sub-sector is telecommunications, which recorded an average annual growth of 27.1 per cent in 2000-05, resulting in an improvement in its share of GDP in the factor cost from 1.4 per cent in 1999. Happened. From 2000 to 3.5 per cent in 2004-05.

Inflation

The mid-April 2008 period was characterized by some inflationary pressures, which were due to pressure on basic commodity prices. Point-to-point inflation, as measured by the Wholesale Price Index (WPI), rose to 5.02 per cent in mid-June 2008. In the first 27 weeks of the current financial year up to 30 September 2007, inflation in the primary articles మొత్తం exceeded the total inflation per week except for the three weeks ending on 8, 15 and 22 July 2007. Overall WPI inflation peaked at 3.60% on September 23, 2007. The commodity-specific structural nature of inflation is also expressed by the rise in prices of certain essential commodities such as wheat, pulses and sugar and the high inflation rates in terms of consumer price index (CPI). In the first six months of the current year, CPI inflation stood at 6.5 per cent on an average basis. Crude oil prices rose from US $ 58.5 per barrel in July-September 2006 to US $ 67.9 per barrel in July-September 2007 and fell to almost US $ 93.03 per barrel in November 2007. Happened. Internationally this softening has been provided to consumers since midnight on 29 November 2007 by reducing petrol and diesel prices by 2 and Re 1 per liter; This will have a positive impact on inflation in the coming weeks.

Monetary policy has continued to challenge the stimulus of growth by meeting the credit needs of the productive sectors at a time of inflationary pressures. Growth was boosted by a slight increase in inflation, which also reflects the overall supply position in the real sector. Headline inflation, as measured by the Wholesale Price Index (WPI), averaged 4.81 per cent in the first two quarters of this year, mainly due to rising demand-supply imbalances and tightening internationally, despite rising prices of some essential commodities. Prices. It successfully withstood the rise of 4.64 per cent in 2005-06 and 6.68 per cent in 2004-05.

Some Highlights

□□ India has extra billionaires than China. This yr there had been 15 billionaires in China however ultimate yr in India, there had been 20 billionaires, consistent with the Forbes magazine.

□□ India has emerged because the world's quickest developing wealth creator, way to a buoyant inventory marketplace and better earnings.

□□ A variety of Indian agencies exceeded ultimate yr's internet earnings in only six months of the modern fiscal, reflecting an improved boom in company earnings.

□□ Forty-4 in line with cent of Top a hundred Fortune 500 agencies are found in India.

With its production and offerings quarter on a searing boom path, India's economic system can also additionally quickly contact the coveted 10 in line with cent boom figure.

Industry analysis

The ultimate decade has visible many high-quality traits withinside the Indian banking quarter. Policy makers from the Reserve Bank of India, the Ministry of Finance and the applicable authorities and monetary regulatory our bodies have made numerous huge efforts to enhance law withinside the vicinity. The quarter is now on par with the banking sectors withinside the vicinity on scales which includes boom, profitability and non-appearing property (NPAs). Some banks have set an high-quality song document of innovation, boom and cost advent on this quarter. This is meditated of their marketplace cost.

However, higher control, innovation, boom and cost advent on this quarter are restricted to a fraction. The price of banking mediation is excessive in India and the financial institution ************* may be very low in comparison to different markets. The Indian banking enterprise wishes to be appreciably reinforced to help the cutting-edge and colourful economic system that India wants. Responsibility for this modification rests in general on financial institution control, and an powerful coverage and regulatory framework is likewise important to their fulfillment.
Failure to reply to converting marketplace realities has hampered the boom of the monetary offerings enterprise in lots of growing countries. The susceptible banking shape did not sell sustainable boom, which harm the lengthy-time period fitness in their economies.

Good overall performance, questionable fitness
Indian banks had been evaluating favorably with different local banks in phrases of boom, asset exceptional and profitability over the years. The banking index has grown at an annual price of over fifty one percentage on the grounds that April 2001, at the same time as the marketplace index has risen 27 percentage. Policy makers have made a few huge modifications in coverage and law to assist beef up this quarter.
These modifications encompass strengthening Prudential policies, enhancing charge systems, and consolidating policies among business and co-operative banks. However, the price of mediation is excessive and the financial institution is restricted to precise client segments and geographical areas. Although financial institution credit score is an crucial motive force of GDP boom and employment, the routine situations of a few susceptible banks' failure "frequently jeopardize the steadiness of the machine. Structural vulnerabilities, which includes fragmented enterprise shape, regulations on capital availability and expansion, loss of institutional help infrastructure, obligatory exertions laws, susceptible company governance, and futile policies past scheduled business banks (SCBs)

can significantly harm their fitness. Area. Furthermore, the inefficiency of the financial institution control (with a few huge exceptions) in enhancing capital allocations, growing the productiveness in their provider structures and enhancing overall performance ethics of their agencies can critically have an effect on destiny overall performance.

Opportunities and demanding situations for players

Expectations have risen that he may be a a hit participant withinside the field. To prevail you ought to first triumph over 4 demanding situations. First, the marketplace is seeing persisted boom pushed with the aid of using new merchandise and offerings, which include credit score cards, purchaser finance at the retail aspect and fee-primarily based totally earnings and funding banking possibilities at the aspect of wholesale banking. These banks require new competencies in income and advertising credit score and operations. Second, the banks now not experience providence treasury profits that the decade-lengthy secular decline in hobby costs seasoned vided.

It exposes susceptible banks. Third, with the developing hobby in India, opposition from overseas banks will intensify. Fourth, considering populace extrade due to modifications in age profile and family earnings, customers are worrying that banks growth organizational talents and provider levels.

One of the 3 scenes will run till 2010

The interplay among coverage and regulatory interventions and control techniques will decide the overall performance of Indian banking over the following couple of years. Legislative measures shape the regulatory mindset thru six key elements, enterprise shape and quarter integration; Freedom of funding; Control coverage; Corporate governance; Labor reform and human capital improvement; And help for the advent of enterprise utilities and provider bureaus. The fulfillment of control is decided with the aid of using 3 factors: essentially upgrading organizational potential to evolve to converting markets; Adopting cost-introduced M&A as an possibility for boom; And are continuously innovating to expand new commercial enterprise fashions to get entry to unused possibilities. Through those illustrations, we gift a photograph of the activities and effects that end result from the movements of coverage makers and financial institution control. These movements have dramatically exceptional outcomes; The price of passive or insufficient movement is excessive. In particular, with a severity, the arena accounted for extra than 7.7 in line with cent of GDP at Rs. 7,500 billion in marketplace cap, then again it can be simply three.three in line with cent of GDP, with a marketplace cap of Rs. 2,four hundred billion. Banking quarter mediation, as a percent of GDP measured with the aid of using overall debt, can also additionally growth barely from its modern degree of 30 in line with cent to forty five in line with cent or exceed a hundred in line with cent of GDP. Of all those, the arena should create 1.five million jobs in comparison to 0.nine million today. For the banking quarter, Rs. six hundred billion (US $ 14 billion) Advances, non-appearing loans (NPL) write-offs and funding in IT and human capital improvements to attain a excessive-overall performance panorama for boom. Three eventualities may be described to categorize those results:

In this state of affairs, policymakers intrude handiest to the quantity important to make sure the steadiness of the machine and defend the pursuits of customers, leaving control unfastened to make far-accomplishing modifications. Changes in policies and financial institution talents lessen arbitrage expenses and growth boom, innovation and productiveness. Banking is turning into a larger motive force for GDP boom and employment and the bulk of the populace has get entry to to exceptional banking merchandise. Management Bank has been capable of streamline organizational structures, attention on enterprise integration and rework banks into enterprise designers. In this state of affairs we are able to see consolidation in public quarter banks (PSBs) and personal quarter banks. Foreign banks start to emerge as energetic in M&A with the aid of using obtaining a few antique non-public and new non-public banks. Some M&A sports additionally take location among non-public and public quarter banks. As a end result, overseas and new non-public banks will develop with the aid of using 50 in line with cent, at the same time as public quarter banks will enhance their boom price with the aid of using 15 in line with cent. The proportion of personal quarter banks (which include mergers with PSBs) in overall quarter property will growth to 35 in line with cent and the proportion of overseas banks to twenty in line with cent. The cost-introduced proportion of the banking quarter in GDP has expanded from the modern degree of 2.five in line with cent to 7.7 in line with cent. Funding for this dramatic improvement is Rs. six hundred billion capital over the following couple of years.

Evolution:

Policymakers take a marketplace-pleasant mind-set however are cautious in streamlining the enterprise. There are nevertheless a few barriers to overcome. The technique of making the maximum green corporation has begun, however for the maximum element Amity Business School and Noida Bank are nevertheless now no longer top-elegance operators. Thus, even though the arena emerged as an essential driving force of the economic system and wealth in 2010, it's miles nevertheless now no longer antique in comparison to advanced markets. Significant modifications are nevertheless wished in coverage and law and potential constructing activities, specifically thru public quarter and antique personal quarter banks. In this scenario, M&A operations are particularly run via way of means of new personal banks, which take over a number of the antique personal banks and merge with them. As a result, the increase of those banks reached 35 percent. Due to the rest of a few regulations, overseas banks may even develop via way of means of 30 in step with cent faster. The proportion of personal quarter banks will growth from the modern 18 in step with cent to 30 in step with cent of general quarter property, at the same time as the proportion of overseas banks will growth to over 12 in step with cent. The fee-brought proportion of the banking quarter in GDP grew via way of means of four.7 in step with cent.

Stagnation

In this scenario, coverage makers intrude to set constraints and control fails to put in force the modifications had to growth returns to shareholders and offer fine services and products to customers. As a result, increase and productiveness degrees are low and the banking quarter is not able to assist a hastily developing economic system. In this scenario, the arena sees constrained consolidation and maximum banks are sub-par. New personal quarter banks maintain on a 25 in step with cent increase trajectory. The increase of PSBs and antique personal quarter banks has slowed. The proportion of overseas banks in general property is 7%. However, the fee brought of the banking quarter is best three.three in step with cent of GDP.

Need To Create a Market - Driven Banking Sector With Adequate Focus On Social Development

The time period "coverage maker" refers back to the Ministry of Finance and the RBI and different applicable authorities and regulatory our bodies associated with the banking quarter. We consider that a coordinated attempt among the diverse businesses is wanted to provoke high quality action. This will growth the overall performance of this quarter. Policymakers need to make coordinated efforts in six areas: thru "controlled integration" and via way of means of starting up the supply of capital to help in constructing a higher enterprise shape in levels. It will create three-four international length banks controlling 35-forty five in step with cent of the marketplace in India; 6-eight National Banks manipulate 20-25% of the marketplace; four-6 overseas banks with 15-20% marketplace proportion thru Amity Business School in Noida and the relaxation of the expert gamers (geographically or via way of means of product / segment) have a robust recognition on "social development" that leads from universally guided regulations. Through the creation of credit score ensures and marketplace subsidies to inspire public quarter, personal and overseas gamers to apply generation to offer and profitably offer banking offerings in low-earnings and rural markets. Create a separate unified regulator from the country's important financial institution in levels to do away with tracking problems and decrease compliance costs. Improve company governance by and large via way of means of growing board independence and accountability. Accelerate the advent of international-elegance supportive infrastructure (e.g., payments, asset restructuring companies (ARCs), credit score bureaus, back-workplace utilities) to assist the banking quarter recognition on key activities. Launch exertions reforms that concentrate on enhancing human capital to assist the general public quarter and older personal banks emerge as greater competitive.

Need For Decisive Action via way of means of Bank Managements Management Requirements range relying at the financial institution. However, banks of all lessons have the identical themes: public quarter banks, in particular, want to basically beef up organizational knowledge degrees in income and marketing, provider operations, chance control and common organizational overall performance ethics. Finally, that is, strengthening human capital may be the largest venture. Skill degrees in older personal quarter banks have additionally been basically strengthened. However, there's a want to similarly have a look at their participation withinside the Indian banking quarter and their cappotential to stay impartial in mild of the imbalances withinside the quarter. The new personal banks may be capable of attain their subsequent stage of increase withinside the Indian banking quarter and maintain to broaden and broaden specific commercial enterprise fashions to profitably serve sectors along with rural / low earnings and affluent / HNI sectors; Actively embracing acquisitions as a device to develop and attain the subsequent stage of overall performance on our offerings platform. Attracting, growing and preserving greater management cappotential may be the important thing and largest venture in reaching this. Foreign banks devoted to gambling in India will ought to undertake an opportunity method to win the "race for the client" and construct a fee-brought client franchise after starting cappotential phrases after 2009. At the identical time, they're a recreation for cappotential acquisition possibilities and once they seem withinside the close to future.

Their largest venture is essentially coping with a long-time period fee-advent idea. As Indian coverage makers and financial institution control broaden and put in force this sort of clean and complementary time table to cope with rising anomalies, it's going to lay the inspiration for a high-appearing quarter in 2010

COMPANY ANALYSIS

BANK OF INDIA

Bank of India’s presentation focused on management's strategy of de-risking the balance sheet and improving return ratios. The presentation highlighted the following strategies:

Expanding reach to net a wider customer base:

Bank of India has a diverse presence with 2,622 branches and 24 overseas offices across India. World assets totaled Rs 1,123 billion. Currently, its international operations account for 19% of the asset base. The Bank aims to increase the number of branches in India to 50 in FY 2008 and expand its global operations by opening branches in Antwerp (Belgium) and Tanzania. It is likely to open representative offices in China, Qatar, South Africa and Southeast Asia

Focusing on qualitative growth:

Deposits have risen 19% so far in FY07, while loans have risen 17%. Bank of India has slowed credit growth due to a 5% decline in international assets due to the repayment of IMDs that provided loans to its customers. The Bank aims to achieve a steady growth of 20% -25% in its loan book and 15% -16% in deposits. The bank plans to focus on quality credit, focusing on small and medium enterprises, agriculture and retail, which can absorb reasonable margins. Also, the bank does not intend to raise funds at high cost for balance sheet development.

Betting on higher margins:

After the PLR hike, 50% of the loan book was revalued, resulting in higher debt returns and better margins. In FY07, the global spread of Bank of India was 2.78% and the domestic spread was 3.11%. The deposit price is also likely to rise, but since the bank holds 40% (for domestic deposits) in CASA, it will check the deposit price increase. Overall yield growth improves bank margins. In addition, the management has indicated that it intends to increase international margins, which will also improve the bank compound margins.

Enhancing growth via technology implementation and cost control:

By the end of FY08, the bank was estimated to have 1,000 branches under CBS (currently 73% of CBS track is 66% of business) with 80% of the business being owned. Bank of India is probably the only bank to bear its CBS related expenses and therefore, the price of its technology cannot be expected to rise from here. Furthermore, as employee retirements are likely to be significant, these costs are also likely to rise slightly (5% -7%) from current levels.

Investment book is de-risked:

With a short tenure of 0.6 years on the AFS book and a SLR of over 75% on HTM, Bank of India's investment book ranks well. Therefore, we do not expect any mark-to-market allocation for Bank of India.

Comfortable on capital front:

FY 2006 had a total CAR of 10.8%, of which Tier 1 was 6.75%. We expect the bank to need capital to support its growth in FY07. However, it is comforting to know that Bank of India is one of the few state-owned banks with ample space for equity dilution (Government of India holding 69.5%). Although management agrees that it provides a level of comfort, they do not use it as a tool to reduce equity. Bank of India has applied to the RBI to raise capital through hybrid capital from international markets and is expected to seek approval.

Valuation and recommendation:

Bank of India will likely be a beneficiary of low operating expenses, steady net interest income growth and low risk on its AFS portfolio. We expect PAT to grow at 23% CAGR during FY06-FY08.

The stock trades at 0.9x FY07E BV and 5.5x FY07E EPS. We recommend Buy.

INCOME STATEMENT (Rs Million)

Year Ending Mar	2004	2005	2006	2007	2008
Interest Income	57,959	60,315	70,287	82,927	97,804
Interest Expended	35,945	37,946	43,967	52,323	61,997
Net Interest Income	22,014	22,369	26,320	30,603	35,806
Other Income	7,920	11,560	11,844	11,275	11,897
Net Income	39,934	33,929	38,164	41,878	47,704
Operating Expenses	17,515	19,323	21,151	23,604	26,443
Operating Income	22,419	14,606	17,012	18,274	21,260
Other Provisions	8,910	9,993	7,859	6,700	6,600
PBT	13,509	4,613	9,154	11,574	14,660
Tax	3,426	1,210	2,142	2,894	4,032
Tax Rate (%)	25.4	26.2	23.4	25.0	27.5
PAT	10,083	3,403	7,012	8,681	10,629
Proposed Dividend	1,650	976	1,660	1,953	2,441

RATIOS

Spreads Analysis (%)

Y /E March	2004	2005	2006	2007E	2008E
Avg. Yield -Earning As.	7.5	7.0	7.0	7.1	7.3
Avg. Cost-Int. Bear. Liab.	4.9	4.6	4.6	4.7	4.8
Interest Spread	2.5	2.4	2.4	2.4	2.4
Net Interest Margin	2.8	2.6	2.6	2.6	2.7

Profitability Ratios (%)

Y /E March	2004	2005	2006	2007E	2008E
RoE	26.7	8.0	14.9	16.5	17.7
RoA	1.3	0.4	0.7	0.7	0.8

Int. Expence / Int.Earned	62.0	62.9	62.6	63.1	63.4			
Other Inc./Net Income	44.9	34.1	31.0	26.9	24.9			
Efficiency Ratios (%)								
Op. Exps./Net Income	43.9	57.0	55.4	56.4	55.4			
Empl. Cost/Op. Exps.	66.9	65.4	62.8	60.2	57.3			
Busi. per Empl.(Rs m)	26.0	29.5	34.8	41.2	48.2			
NP per Empl. (Rs lac)	2.3	0.8	1.7	2.1	2.6			
Asset-Liability Profile (%)								
Adv./Deposit Ratio				64.6	70.4	69.4	70.0	70.0
Invest./Deposit Ratio				38.3	36.4	33.8	33.8	33.8
G-Sec/Invest. Ratio				67.9	69.6	71.6	65.3	59.7
Gross NPAs to Adv.				7.9	5.5	3.7	3.1	2.7
Net NPAs to Adv.				4.5	2.8	1.5	0.9	0.6
CAR				13.0	11.5	10.8	10.1	9.6
Tier				17.5	7.1	6.8	6.5	6.2
VALUATION								
Book Value (Rs)				78.6	88.1	98.0	111.9	
128.9								
Price-BV (x)				1.2	1.1	1.0	0.9	0.8
Adjusted BV (Rs)				51.1	67.4	85.0	103	122
Price-ABV (x)				1.9	1.4	1.1	0.9	0.8
EPS (Rs)				20.7	7.0	14.4	17.8	21.8
EPS Growth (%)				18.5	(66.3)	106.0	23.8	22.4
Price-Earnings (x)				4.7	14.0	6.8	5.5	4.5
OPS (Rs)				45.9	29.9	34.9	37.4	43.6
OPS Growth (%)				10.4	(34.8)	16.5	7.4	16.3
Price-OP (x)				2.1	3.3	2.8	2.6	2.2

ICICI BANK

Positive external indicators likely growth triggers:
Management has highlighted that more robust GDP growth projections with the help of favorable demographics, expanding services sector and revitalized industrial sector will lead to steady credit growth over the next few years.
Increasing rural focus:
ICICI Bank has designed its model for the rural sector by teaming up with rural microfinance institutions, SHGs, loan agents, etc. The move increased its rural assets from Rs 42 billion in FY04 to Rs 163 billion in FY06. The agreement with local firms helped ICICI Bank reduce its costs. Also, these companies improve the credit quality of the bank, which has initial losses, resulting in lower NPAs for ICICI Bank. Ownership claims that the traditional model for the rural sector is one of higher crime, lower recovery and higher maintenance costs. ICICI Bank has a net NPA of just 0.3% -0.4% on rural loans. Margin wise, at present, the bank earns an income equal to the total margin. Margins will improve in the next 2 years as the bank begins to build its rural liability base.

Increasing international presence:
ICICI Bank expects strong growth in international banking over the next few years. The bank has set up facilities in 14 geographical locations through branches, subsidiaries and representative offices. The first phase of ICICI Bank's Global Footprint has already taken place and now aims to develop this business segment. Currently, international assets make up 14% of consolidated assets. It plans to take advantage of existing international banking opportunities such as strong remittances (India receives the highest remittances of US $ 20b per annum); The investment cycle was revived when Indian companies bought global companies; And fee-based products such as derivatives, For-X etc.

Margins to expand from 4QFY07:
ICICI Bank has raised lending rates three times in the last four months (total rates have risen by 150bp). Of this, a 50bp increase is already in effect from April 2006 and a 100bp increase will take effect from July 2006. We expect the full effect of the higher deposit (increased per month) to have lower margins in 1QFY07 compared to 4QFY06. March) The cost is assumed. Although we expect margins to improve
4QFY07 behind the loan rate hike. Management does not expect a slowdown in its business or a decline in asset quality
Subsidiaries to gain significance:
ICICI Bank has subsidiaries in almost every segment of the financial services domain. Over the years, bank subsidiaries have grown at a healthy rate due to the boom in the Indian economy and the growing interest from the capital market. We believe that these subsidiaries will add significant value to ICICI Bank. We have set up a major subsidiary of the bank at a price of Rs. We estimate 144. We also believe it is realistic to expect a 20% increase in value on an annualized basis in the future.

Retail share to decline but strong growth prospects ahead:
Despite the declining retail asset ratio with a growing rural and international outlook, the Bank continues to lead in retail assets (33%) through its multi-product offerings, wide distribution network, strong technology platform and strong credit operations.
Management treats retail credit / GDP with low domestic credit as *********** 11% (lower than other countries); The retail segment sees continued growth.
Valuation and recommendation:
We expect ICICI Bank’s earnings to grow at 25% CAGR over FY06-FY08 Adjusting for the value of its subsidiaries, the stock quotes at 9.6x FY07E earnings and 1.2x FY07E book value. With concerns over profitability and asset quality allayed and given the bank’s high growth visibility, we maintain Buy.

INCOME STATEMENT (Rs Million)

Y /E	March 2005	2006	2007E	2008E
Interest Income	94,099	137,845	194,460	262,045
Interest Expended	65,709	95,975	137,843	189,460
Net Interest Income	28,390	41,870	56,617	72,586
Other Income	35,397	49,821	62,741	80,275
Profit on sale of invest	5,461	9,270	5,000	4,000
Other incomes	29,935	40,551	57,741	76,275
Net Income	63,787	91,692	119,358	152,861
Operating Expenses	33,013	44,795	56,440	69,851
Employee expense	7,374	10,823	15,401	18,360
Operating Income	30,774	46,897	62,918	83,010
Prov & contin	5,532	15,941	18,843	24,053
Provision for NPAs	116	7,947	9,135	11,053
PBT	25,242	30,956	44,074	58,958
Tax	5,190	5,563	12,908	19,429
PAT	20,052	25,393	31,167	39,529

KARNATKA BANK

Achievable business targets Karnataka Bank FY 2007 Rs. 100 billion advances and Rs. With deposits of Rs 150 billion, Rs. It aims to achieve a turnover of up to Rs 250 billion, a growth of 19% per annum. Loan book growth is in all its key segments. Karnataka Bank's credit portfolio grew by 24% in FY06 and management expects the portfolio to grow by 28% in FY07, focusing on small and medium enterprises, agriculture and retail. Currently, these three divisions account for 65% of its credit portfolio.
Maintaining margins:
FY06 NIM declined to 2.74% from 20bp and management expects to maintain margins at these levels in FY07. Return on debt increased to 8.86% (over 24 bp yoi), return on investment fell to 7.62% (decreased from 40 bp yoi) and cost of deposits rose to 5.77% (9 bp above 9 bp) in FY06. Management hopes to maintain margins by improving CASA's (21% in FY06) stake, limiting the price of its deposits to current levels and improving return on debt by focusing on high-yield loans
Improving asset quality:
Asset quality improves as net NPAs fall to 1.2% in FY06. Management expects FY07 to reduce its net NPAs by 0.75% by preventing fresh slippages and improving recovery.

Well cushioned investment book:
The bank's investment book is well protected from rising interest rates. Of the total investment book of Rs 55 billion, Rs 41 billion is in SLR. In SLR, 52% of the investment book is in HTM and the rest is in AFS. The bank is cushioned up to 8% on a 10-year G-Sec rate. However, management said it would increase by 10 basis points each 8%, the bank should allocate Rs.25 million.
Network expansion to continue:
Management plans to increase its branch network to 415 and the number of ATMs to 125 (currently 395 branches and 75 ATMs).

Bank branches are mainly located in the western and northern parts of the country.

Service quality the key differentiator:
The management highlighted that for banks the size of Karnataka Bank, personal service is the main difference compared to large banks. For survival, the Chairman highlighted that small banks need to compete with the big banks on the service quality platform and continue to improve it if they are to thrive and survive. Karnataka Bank is constantly improving its personalized service, as well as improving its technology platform and product suite to maintain and enhance its customer base .

Valuation and recommendation:
In the world of small private banks, Karnataka Bank continues to be the preferred bet. In FY07, the bank raised Rs. We estimate that PAT will report 2.1 billion. Our estimate is that EPS will be Rs. 17.2. The stock trades at 5.2x FY07E EPS and 0.9x FY07E BV. Keep buying.

STATE BANK OF INDIA

SBI plans to simultaneously focus on growing its retail loan book with high yielding loans and thrust fee income growth thereby improving return ratios.

Loan book growth to continue:
SBI expects its loan book to continue growing comfortably by 20% over the next few years with focus on retail, SME and agriculture, which currently make up 50% of SBI's loan book. FY06 saw mid-corporates, SME, and retail growing strongly and the bank expects this trend to continue.

International expansion drive:
SBI's international network of 70 overseas offices in 30 countries across all time zones is by far the largest for any Indian bank. SBI has built a correspondent relationship with 539 international banks in 124 countries. In FY06, SBI was also on an acquisition mode internationally and has acquired three banks in Mauritius, Kenya and Indonesia. SBI expects to record 15%-20% profit from its international operations by 2008 (from the present 5 %).

Fee income avenues expand:
SBI has raised service charges and introduced new service charges from February 2006, which will add to fee income. Also its government business has become value-cum-transaction based. For all receipt related business of the Government of India, it will be transaction based, whilst for Government of India's payment business, it will be value based. Further, SBI is also thrusting increasing its fee income from credit-linked and non-fund based sources.

Investment book, de-risking in progress:
SBI’s investment book contracted by 18% in FY06. Moreover, over the past year the bank shifted a substantial part of this book to the held-to-maturity portfolio and simultaneously reduced duration of the available-for-sale book from 4 years to <2 years. In 1QFY07, the bank has again shifted securities to HTM. Currently 67% of its investment book is in HTM. Consequently, the MTM risk on its bond book has, as per management estimates, dropped to Rs60m/bp from ~Rs490m in March 2005. The increase in the HTM portfolio however now mandates the bank to provide Rs24bn annually as securities premium amortization.

Margins to improve:
SBI's adjusted margins declined to 2.92% in FY06 from 3.14% in FY05 on account of pressure on yield from investments, which declined by 84bp to 7.1% in FY06. Going forward, while investment yield will decline by another 15bp-20bp, SBI's advance yield is likely to improve (up by 10bp YoY in FY06) on the back of recent 50bp PLR hike (60% of SBI's loan book is on a floating rate basis) and improving CASA share (43% in FY06).

Asset quality improved substantially:
SBI's asset quality has improved from net NPAs of 3.5% in FY04 to 1.8% in FY06. Management expects this status to decline further to 1.25% in FY07. Improved asset quality has necessitated lower NPA provisioning over the last couple of years. Slippages too have been reducing, recording in only 1.9% in FY06 versus over 3.5% historically.
Additionally, SBI has also been active in NPA sell-offs and write-offs. The bank expects strong recovery ahead.

Valuation and recommendation:
While we expect a positive trend in interest margins from QFY07 coupled with improving fee income, bond losses will act as near term negative for SBI. With 10 yr bond yields already at 8.15 (60bps higher than March 06 yields), SBI will have to provide for a big mark to market loss in 1QFY07 (~Rs2.5b). Going forward, it will benefit from slow growth in operating expenses and lower provisioning requirements. We expect SBI to report consolidated EPS of Rs114 and BV of Rs804 in FY07. The stock trades at FY07 P/E of 6.3x and P/BV of 0.9x FY07 earnings. Reiterate Buy.

UTI / Axis Bank

Strong balance sheet growth:
UTI Bank is likely to maintain strong balance sheet expansion over the next couple of years at 40% CAGR, driven by both corporate and retail businesses. The bank expects to maintain a ratio of 71:29 for its corporate and retail loan books. Whilst traditionally retail has been growing at a fast pace, management believes that in the current environment, the corporate segment offers greater profitability. As a result, the bank aims to grow its corporate book in line with growth of the retail book.

Focus on increasing fee-based income:
The bank has put in place a wealth management team and will start generating revenues, contributing to fee income growth. The bank will be launching credit cards (a pilot project has started already), and its international branches (initially Singapore, later China, Hong Kong and Dubai) will also start contributing to fee income. Even in the corporate segment, the bank foresees increased opportunities for fees in areas of project appraisal, loan syndication etc.

Margins to be sustained:
The bank believes that increasing share of retail loans and network expansion will help to check the increase in the overall cost of funds. Also the increase in CASA deposits (40% of deposits) over the last few years will help the bank sustain margins in a rising rate environment.

Branch expansion to continue:
The bank does not foresee any concerns with respect to branch licenses. UTI Bank expects to be awarded licenses for all the 100 branches it has sought. Of these branches, it intends to open 50% in the semi-urban and rural sectors. UTI Bank is the only one amongst the new generation private banks which has opened branches in the rural sector and the response is well above expectations.

Despite growing business, C-I ratio will be maintained:

UTI Bank has an objective to increase its staff strength from 6,500 employees in FY06 to 10,000 by end- FY07. The cost-income ratio (currently at 45%) will also be maintained.

Good asset quality:

UTI Bank's net NPAs are at 0.75% as of FY06, a decline from 2.7% in Y02. This improved level has been maintained despite growing the advances book by 43% (CAGR) over the same period FY02-FY06. This has been made possible by robust risk-management systems and quality of the borrower (84% of corporate advances are rated A - as part of the bank's internal benchmark tool).

Comfortable capital adequacy:

The bank's capital adequacy is at 11% (Tier I at 7.3%). The board has passed a resolution to raise US$700m of capital during FY07 (hybrid Tier I, upper Tier II and subordinated bonds). If the RBI allows the bank to raise this capital in the international markets, it may not require to raise equity capital. Else, we believe that given the growth prospects, UTI Bank will require to raise equity capital during FY07.

Valuation and recommendation:

UTI Bank should benefit from positive factors such as growing asset book, strong asset quality and management focus, and increasing geographical reach. We expect PAT to grow at 28% CAGR during FY06-FY08. The stock trades at 2.2x FY07E BV and 12x FY07E EPS Maintain Buy.

HDFC Bank Ltd.

End of wait for branch licenses spells good for sustaining margins:
Regardless of the movement in interest rates, shift in the asset mix towards relatively higher risk retail assets and more of SMEs is expected to keep yield on advances firm. With the wait for new branch licences over, HDFC Bank should not have a problem in maintaining high levels of CASA (45%), thereby keeping margins also high at around 4% till FY08E.
Income from fees a major contributor to RoA improvement:
We expect fees to stay at 1.7% of average assets. With limited operating expenses and no credit charges, this income stream is extremely profitable and a major contributor to RoA improvement (1.39% in FY06 to 1.52% in FY08E). The bank’s rapidly accelerated provisioning policy prepares it adequately for credit losses in its admittedly high-risk portfolio. In FY06, the bank’s NPL provisioning was as much as 1.2% of average assets (excluding risk-free securities) and 4.7% of incremental assets. This also shows that the P&L account does not reflect supernormal profits.

Premium valuations justified:
We upgrade HDFC to a Buy with a P/Ebased price target of Rs1,260/share. The squeaky-clean asset quality, a large fee component in income and high margins have historically led the bank to enjoy a premium (at 22x 08E diluted EPS), which we believe should continue. Any delay in branch rollout and erosion in systemic floats due to new transaction technologies are key risks.

Sustained strength:
We raise our target price to Rs1260 and upgrade from Hold to Buy.

INCOME STATEMENT (Rs Million)

Y /E March 2004
2005 2006 2007E 2008E
Net interest income 13,379 17,779 25,458 32,432
40,905
Non-interest income 3,868 4,633 8,788 13,221 15,816
Fees & Commissions 3,204 6,050 10,451 14,422 17,594
Trading revenue 77 -1, 627 -1, 979 -1, 546 -2, 158
Other revenue 588 210 317 345 380
Total revenue 17,247 22,412 34,247 45,653
56,721
Total Operating Costs 8,267 10,854 16,911 22,178
26,981
Pre-Pro profit 8,980 11,558 17,336 23,475 29,740
Bad debt expense 1,783 1,762 4,798 6,662 7,578
PBT 7,197 9,796 12,538 16,813 22,162
Tax 2,102 3,140 3,830 5,212 6,870
Net profit 5,095 6,656 8,708 11,601 15,292

VALUATIONS & RATIOS

Y /E March 2004

2005 2006 2007E 2008E

P/E 16.8 19.1 23.6 28.9 22.0

P/E FD 18.7 20.5 25.1 30.6 23.2

P/B 4.00 3.73 4.57 5.32 4.43

P/B 33.48 74.10 120.22 196.87 238.09

ROE (%) 20.6 18.5 17.7 20.0 22.0

ROA (%) 1.40 1.42 1.39 1.39 1.46

Dividend yield (%) 5.94 5.23 0 0 0

Dividend cover (x) 1.00 1.00 nm nm nm

Payout ratio (%) 19.6 21.0 19.8 17.6 14.4

PER SHARE

Y /E March 2004

2005 2006 2007E 2008E

EPS (Rs) 32.83 22.98 27.10 26.93 35.36

EPS (adj.)(Rs) 32.83 22.98 22.62 26.93 35.36

Growth Rate EPS (%) 25.1 -30.0 17.9 -0.6 31.3

DPS 6.47 5.67 5.68 6.00 6.50

BVPS(Rs) 174.21 191.08 214.61 234.78 262.83

BVPS (adj.) (Rs) 138.83 170.04 200.43 221.32 250.71

Average Mkt cap (Rs) 47,708 56,179 69,199 88,207 88,207

CANARA BANK

Despite being a large bank (in the top five in assets), Canara Bank has had a persistent problem of a low CASA ratio (low-cost deposits to total deposits) of around 33%. Banks with such large networks in India usually sport a 40-50% CASA. The bank has been pushing up deposit growth to satisfy high loan growth, primarily through large-scale recourse to wholesale deposits, hurting margins.

Question marks on fee income, operating expenses, asset quality:

Fee-to total income and fee-to-average assets have declined from 9.9% and 46bps, respectively, in FY02 to 8.7% and 35bps in FY06. With increases in the wage bill and technology costs we expect the cost income ratio to rise. We are particularly concerned about Canara Bank's current high loan growth because of its unsatisfactory track record of slippages. For the last four years, Canara Bank's slippages (addition to gross NPLs as a % of opening loans) have been in the 2.3- 4.7% range, whereas other large banks have managed between 1.5-.5%.
Valuations do not factor in the negatives:
Canara Bank acquires a premium during declining interest rates because of 60% of its securities being under the held-to-maturity category and gets hit when rates harden. That apart, recognition of sticky low margins and pressure on RoA from insufficient fee income could de-rate the stock. The main risks to our call are significantly better asset quality, improvement in pricing power and better leveraging of technology. Our target price is Rs209 and we maintain our BUY.

CENTURIAN BANK OF PUNJAB

Synergistic merger at fair valuations
The proposed merger of Lord Krishna Bank with Centurain Bank of Punjab would augment CBoP's branch network by almost 50% and entrench it in southern states and Delhi. LKB provides a base of Gulf-based NRIs to CBoP, which it can target for deposits, remittances and wealth management. LKB has been valued at 2.1 x FY06 book value, which we believe is fair. In our opinion, CBoP would manage to tackle the unionized work force of LKB to realize the full potential of the merger.

Multiple growth drivers to drive profits:

CBoP has traditionally been quite strong in the high-yielding retail segment. The merger of erstwhile BoP and now LKB has endowed CBoP with alternate growth engines like SME lending. Wealth management is another focus area – CBoP's emergence among the top five banks in mutual funds and insurance sales proves its capabilities in this area. A significantly cleaned up balance sheet and improving productivity would drive CBoP's profitability.
Attractive valuations for a rapidly growing bank:
We expect 27% CAGR in CBoP's balance sheet and 41% CAGR in its earnings over FY06-08. Proposed equity issuance toprivate equity investors would ensure adequate capitalization for CBoP to sustain its organic growth momentum over the next 2-3 years.
Valuations of 2.6x FY07E and 2.3x FY08E adjusted book appear attractive for a rapidly growing private sector bank with excellent management quality. We have valued the bank using the CAP model and maintain our 12-month price target of Rs45. We suggest Buy

PUNJAB NATIONAL BANK

Strong NII growth as margins move even further up:

PNB has reported a 14.4% YoY growth in the net interest income in Q2FY07 on the back of 16bp YoY increase in margin. More importantly, NIM for H1FY07 6bp higher than that in Q1FY07, indicating that margins improved on QoQ basis. PNB is the only major PSU Bank to have enjoyed a sequential margin improvement in the quarter.

Fee income growth robust; but not as strong as in Q1FY07:
Fee income growth is 18% while being robust, does represent a slowdown from the 52% growth rate seen in Q1FY07. We note that, we are building a full year growth of 18% in the fee income. Hence, there could still be an upside to our forecast.

now operating cost seen in Q1FY07:

Not an aberration, we cut our cost estimated. Operating expenses declined by 8% after being flat in Q1FY07. We had't extrapolated the cost trend seen in Q1FY07 to entire year, as we were not confident about its sustainability. However, the bank has surprised again in Q2FY07. Consequently, we are not reducing our operating cost assumption by -10% for FY07 and FY08.
Write Back of investment provision shores up bottom line:
The bank made a write back of investment provisions of Rs. 1.45Bn in Q2. However the bank made a higher than expected NPA provision of Rs. 1.89Bn Vs an expectation of 0.98Bn. Consequently, net NPA ratio has come down to 0.18% from 0.34% in Q1FY07. We note that the net income NPA ratio was better than expected at 0.3%
Top of the line results-PNB remains our top pick in banking:
PNB is the best positioned bank in rising rate environment thanks to its high quality deposit franchise in our view. The result of Q2FY07

leads further confidence to this view, with PNB being almost the only bank to have enjoyed a QoQ increase in margin. Operating cost and asset quality came in above expectation.
We are increasing our EPS estimates by 15% for FY07 and 6% for FY08 on lowering operating costs. FY07 EPS is also boosted because of the Rs. 1.45Bn write back of investment provision revieled in Q2FY07. PNB is clearly a top pick in banking space. Maintain BUY with end FY07 price target of Rs. 580 Share.

Conclusion

One of the problems faced during the duration of the project was the recent change in the environmental factors like inflation, interest rate hike and the recent slump in the market etc. It was really difficult to incorporate these changes in the project. But the long term views on the scrips remain as projected. Projections are based on the long term out look of the banking industry. In the short term the forecasts may not hold true. It may be due to some economic cycles or the government policies. This report has been made assuming that the prevalent economic conditions remain the same.
This project is subject to approval from the research board of AnandRathi before it can be circulated.

QUESTIONNAIRE

1.Name...

2.Address..

3. Gender Male Female

4. Date of Birth Date Month Year

5. Marital Status Single Married

6. No. of dependents (could include family members like children, spouse, parents etc.)

	Name	Relationship with you	Age
1.	....	....	....
2.	....	....	....
3.	....	....	....
4.	....	....	....

7. Your occupation
   ....

8. Your Job/Profession is
   (a) Secured
   (b) Not Secured

9. Your Tax Bracket
   (a) Non Tax Payer
   (b) 10%
   (c) 20%
   (d) 30%

10. Your monthly income (from all sources)
    (a) Less than 10000
    (b) 10000 - 20000
    (c) 20000 - 50000
    (d) More than 50000

(e) What percentage of your income do you invest

11. How long have you been investing
    (a) For the last 1 - 5 years.
    (b) For the last 5 - 10 years
    (c) For over 10 years and above.
12. I would like my investment to grow
    (a) Steady
    (b) At an average rate
    (c) Fast
13. My approach in making an investment
    (a) I take educated view of the investment
    (b) I take friendly advice and make decision
    (c) I rely on my guess
14. While investing in my funds, I am most concerned about.
    (a) Safety of my principal
    (b) Earning return above the inflation rate
    (c) Earning high returns
15. My current portfolio includes majority of
    1. Bank Deposit amount 5. Bond & Debenture
    2. F.D. 6. U.T.I. Scheme
    3. M.F. 7. Post Office Scheme
    4. Shares 8. L.I.C. Scheme
    9. Others
16. My knowledge about various investment schemes is :-
    (a) Nil
    (b) Average
    (c) Good
17. Imagine that the stock market drops immediately and you invest in it.
    (a) I would withdraw my money.
    (b) I would wait and watch
    (c) I would invest more in it
18. Have you taken any loans ?

(a) Yes
(b) No

19. Do you have Life Insurance Cones
(a) Yes
(b) No

20. If I give you 100 Rs., how much you will allocate in these investment options

1. Bank deposit amount __ 5. Bond & Debenture __
2. F.D. __ 6. U.T.I. Scheme __
3. M.F. __ 7. Post Office Scheme __
4. Shares __ 8. L.I.C. Schemes __

21. Have you ever invest in stock market ?
(a) Yes
(b) No

22. If yes, have you ever withdraw money from your safe investment
(P.P.F., Bank FDs etc.) or availed of an overdraft facility to buy stocks.
....

23. Did you sell your father's blue chip or dispose of P.A. to buy hot sector stocks?
....

24. Do you have any investment goal ?
....

25. Did you ever take a flat / car or the anticipated profit of yours portfolio ?
....

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WhatsApp | Plagiarism Checker - Free & Accu | Paraphrasing Tool - Best Sentenc | Paraphrasing Tool - Best Sentenc

prepostseo.com/plagiarism-checker

Objective of the mission are:

- To have a look at the Banking Industry using internationally time-venerated norms of investment analysis.
- To find out genuine investment opportunities the various listed businesses withinside the Indian stock market.

There are three widespread instructions in which factors which have an impact on a employer's profitability can be classified.

1. Economic-full-size factors
2. Industry-full-size factors

three. Company-particular factors.

Top-Down Approach

The Top-Down method or the EIC (Economy, Industry and Company) grow to be observed in an try and find out the interrelationships a few of the three to for the Indian Banking Industry.

Methodology

Stage 1: Setting up of the mission dreams and guidelines.

Stage 2: The facts bearing at the Economic and employer factors sensitive for the

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[+] show all matches

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Significant and favorable development in recent times is a sign of industrial revival - especially in the manufacturing sector. Total industrial growth, as measured by the Index of Industrial Production (IIP), was 10.9 per cent in April-September 2006, compared to 8.4 per cent in the year-ago period. The three sectors covered by the IIP, namely mining, manufacturing and power, recorded better performance, registering growth of 3.1 per cent, 12.1 per cent and 6.6 per cent, respectively, compared to 1.1 per cent, 9.5 per cent and 6.6 per cent in the current period. Year. 4.8 per cent in the corresponding period of the previous year. Mining and electricity, despite showing better performance, are lagging behind the overall growth rate of the economy. The growth rate of the manufacturing sector is the most significant development in recent months. In terms of IIP, manufacturing sector growth has more than doubled from 9.1 per cent per annum in 2004-05 and 2005-06 to 12.1 per cent in the first half of the current year. Points every six months, compared to just three and four in the 12 months of 2004-05 and 2005-06.

Agriculture

Agricultural growth has been slow and averaged 2.6 percent over the past eight quarters. The trend growth in foodgrain production in 1996-2006 was 0.22 per cent per

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India has extra billionaires than China. This yr there had been

15 billionaires in China however ultimate yr in India, there had been 20 billionaires, consistent with the Forbes magazine.

 India has emerged because the world's quickest developing wealth creator, way to a buoyant inventory marketplace and better earnings.

 A variety of Indian agencies exceeded ultimate yr's internet earnings in only six months of the modern fiscal, reflecting an improved boom in company earnings.

 Forty-4 in line with cent of Top a hundred Fortune 500 agencies are found in India. With its production and offerings quarter on a searing boom path, India's economic system can also additionally quickly contact the coveted 10 in line with cent boom figure.

Industry analysis

The ultimate decade has visible many high-quality traits withinside the Indian banking quarter. Policy makers from the Reserve Bank of India, the Ministry of Finance and the applicable authorities and monetary regulatory our bodies have made numerous huge efforts to enhance law withinside the vicinity. The quarter is now on par with the banking sectors withinside the vicinity on scales which includes boom, profitability and non-appearing property (NPAs). Some banks have set an high-quality song document of innovation, boom and cost advent on this quarter. This is meditated of their

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Feedback

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Bank of India's presentation focused on management's strategy of de-risking the balance sheet and improving return ratios. The presentation highlighted the following strategies:

Expanding reach to net a wider customer base:

Bank of India has a diverse presence with 2,622 branches and 24 overseas offices across India. World assets totaled Rs 1,123 billion. Currently, its international operations account for 19% of the asset base. The Bank aims to increase the number of branches in India to 50 in FY 2008 and expand its global operations by opening branches in Antwerp (Belgium) and Tanzania. It is likely to open representative offices in China, Qatar, South Africa and Southeast Asia

Focusing on qualitative growth:

Deposits have risen 19% so far in FY07, while loans have risen 17%. Bank of India has slowed credit growth due to a 5�cline in international assets due to the repayment of IMDs that provided loans to its customers. The Bank aims to achieve a steady growth of 20% -25% in its loan book and 15% -16% in deposits. The bank plans to focus on quality credit, focusing on small and medium enterprises, agriculture and retail, which can absorb reasonable margins. Also, the bank does not intend to raise funds at high

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Positive external indicators likely growth triggers:

Management has highlighted that more robust GDP growth projections with the help of favorable demographics, expanding services sector and revitalized industrial sector will lead to steady credit growth over the next few years.

Increasing rural focus:

ICICI Bank has designed its model for the rural sector by teaming up with rural microfinance institutions, SHGs, loan agents, etc. The move increased its rural assets from Rs 42 billion in FY04 to Rs 163 billion in FY06. The agreement with local firms helped ICICI Bank reduce its costs. Also, these companies improve the credit quality of the bank, which has initial losses, resulting in lower NPAs for ICICI Bank. Ownership claims that the traditional model for the rural sector is one of higher crime, lower recovery and higher maintenance costs. ICICI Bank has a net NPA of just 0.3% -0.4% on rural loans. Margin wise, at present, the bank earns an income equal to the total margin. Margins will improve in the next 2 years as the bank begins to build its rural liability base.

Increasing international presence:

ICICI Bank expects strong growth in international banking over the next few years. The bank has set up facilities in 14 geographical locations through branches, subsidiaries

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Achievable business targets

Karnataka Bank FY 2007 Rs. 100 billion advances and Rs. With deposits of Rs 150 billion, Rs. It aims to achieve a turnover of up to Rs 250 billion, a growth of 19% per annum. Loan book growth is in all its key segments. Karnataka Bank's credit portfolio grew by 24% in FY06 and management expects the portfolio to grow by 28% in FY07, focusing on small and medium enterprises, agriculture and retail. Currently, these three divisions account for 65% of its credit portfolio.

Maintaining margins:

FY06 NIM declined to 2.74% from 20bp and management expects to maintain margins at these levels in FY07. Return on debt increased to 8.86% (over 24 bp yoi), return on investment fell to 7.62% (decreased from 40 bp yoi) and cost of deposits rose to 5.77% (9 bp above 9 bp) in FY06. Management hopes to maintain margins by improving CASA's (21% in FY06) stake, limiting the price of its deposits to current levels and improving return on debt by focusing on high-yield loans

Improving asset quality:

Asset quality improves as net NPAs fall to 1.2% in FY06. Management expects FY07 to reduce its net NPAs by 0.75% by preventing fresh slippages and improving recovery.

Well cushioned investment book:

The bank's investment book is well protected from rising interest rates. Of the total

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Feedback

Saturday, 30 April

UTI Bank is likely to maintain strong balance sheet expansion over the next couple of years at 40�GR, driven by both corporate and retail businesses. The bank expects to maintain a ratio of 71:29 for its corporate and retail loan books. Whilst traditionally retail has been growing at a fast pace, management believes that in the current environment, the corporate segment offers greater profitability. As a result, the bank aims to grow its corporate book in line with growth of the retail book.

Focus on increasing fee-based income:

The bank has put in place a wealth management team and will start generating revenues, contributing to fee income growth. The bank will be launching credit cards (a pilot project has started already), and its international branches (initially Singapore, later China, Hong Kong and Dubai) will also start contributing to fee income. Even in the corporate segment, the bank foresees increased opportunities for fees in areas of project appraisal, loan syndication etc.

Margins to be sustained:

The bank believes that increasing share of retail loans and network expansion will help to check the increase in the overall cost of funds. Also the increase in CASA deposits (40% of deposits) over the last few years will help the bank sustain margins in a rising rate environment.

Branch expansion to continue:

The bank does not foresee any concerns with respect to branch licenses. UTI Bank

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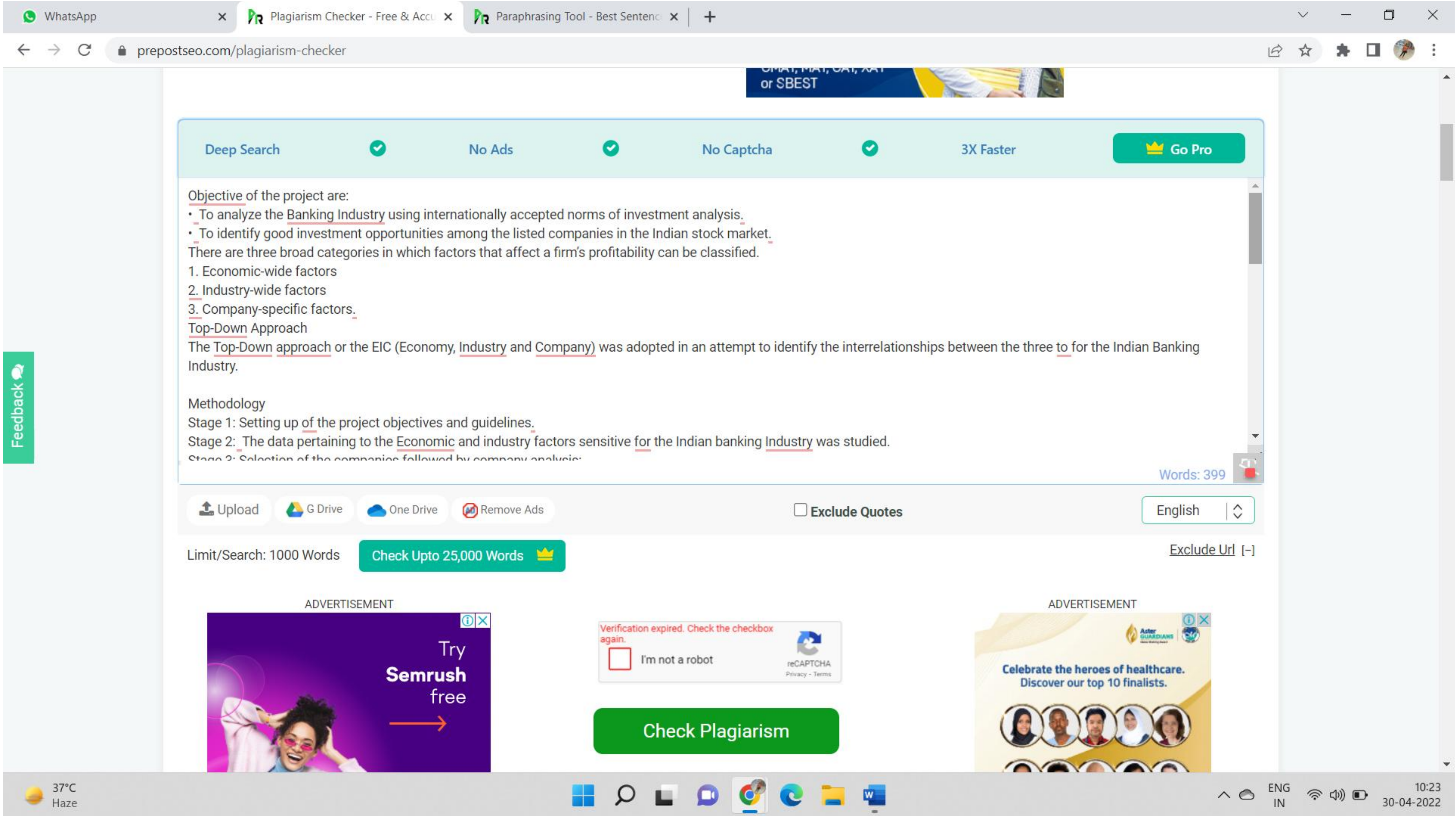
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Objective of the project are:
• To analyze the Banking Industry using internationally accepted norms of investment analysis.
• To identify good investment opportunities among the listed companies in the Indian stock market.
There are three broad categories in which factors that affect a firm's profitability can be classified.
1. Economic-wide factors
2. Industry-wide factors
3. Company-specific factors.
Top-Down Approach
The Top-Down approach or the EIC (Economy, Industry and Company) was adopted in an attempt to identify the interrelationships between the three to for the Indian Banking Industry.
Methodology
Stage 1: Setting up of the project objectives and guidelines.
Stage 2: The data pertaining to the Economic and industry factors sensitive for the Indian banking Industry was studied.
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