

Q2FY15- In-line performance

CMP: Rs.44
Target Price: Rs.37
Upside/(Downside) %: (17) %
Recommendation: Reduce

Stock Info

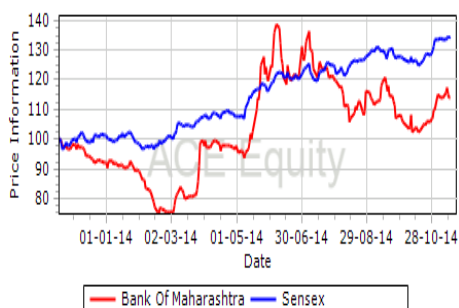
BSEGroup	B
BSE Code	532525
NSE Symbol	MAHABANK
Bloomberg	BOMH IN
Reuters	BMBK.BO
BSE Sensex	28,047
NSE Nifty	8,390

Market Info

Market Capital	Rs 4,726 cr
Equity Capital	Rs 1063 cr
Avg. Trading Volume	5,61,900
52 Wk High/ Low	Rs 55/29
Face Value	10

Shareholding Pattern (%) (30th Sep 2014)

Promoters	79.8
Domestic Institutions	14.1
Foreign Institutions	0.5
Others	5.6



17th Nov, 2014

Bank of Maharashtra Q2FY15 numbers were in line with our estimates. Bank performed well on all parameters. NII increased by 13.2% on YoY basis. Other income increased by 21.3 %. However, quality of assets deteriorated with most of the NPAs coming from sub Rs 5 crs borrowers which is a cause of concern.

Decent earnings performance: PAT at Rs 163 crs increased by 248% on YoY basis largely on account of lower NPA provisioning. NII at Rs 992 crs increased by 13.2% on YoY basis. CASA deposits grew 10.8% YoY in absolute terms, CASA ratio increased to 35.5% from 32.1% on YoY basis. Term deposits were lower by 4.9%. Growth in Advances was disappointing at just 1.2% (Total advances was Rs 88,283 crs) while deposits were up marginally by 0.14% (Total deposits was Rs 1,17,452 crs). C/D ratio for the bank stood at 75.2 from 74.4 on YoY basis.

Asset quality deteriorates: GNPA's for the bank increased to 4.8% to Rs 4,351 crs from 4.2% in Q1FY15 and 2.8% in Q2FY14, while NNPA's increased to 2.9% from 2.0% in Q4FY14 and 0.8% in Q1FY14. Consequently Provision Coverage Ratio for the bank reduced to 49.7%. Fresh slippages increased marginally to Rs 1,277 crs in Q2FY15 from Rs 1,203 crs in Q1FY15, recoveries increased to Rs 218 crs in Q2FY15 from 96 crs in Q1FY15 and up-gradation increased to Rs 426 crs in Q2FY15 from Rs 116 crs in Q1FY15. Restructured assets during the quarter were Rs 590 crs. Fresh slippages still remain at elevated level which makes us worry about the future of the bank.

During the quarter, Bank has allotted equity shares to GOI of Rs.588 crore in conversion of its PNCPS and to LIC of India of Rs.400 crore against fresh infusion of capital on 11th July 2014. Shares were allotted at a price of Rs.44.09 per share including premium of Rs.34.09 per share.% share holding of LIC of India has increased from 6.68% to 13.81% whereas GOI holding decreased from 85.21% to 79.80%.

Outlook: We have become cautious on Bank of Maharashtra post its last quarter (Q1FY15) results due to deteriorating asset quality. At CMP of Rs 44 the bank is trading at 0.72x its FY16 ABV of Rs 62. We recommend to 'REDUCE' with a price target of Rs 37 based on 0.6x P/ABV FY16E.

Financials:

(Rs Cr)	FY13	FY14	FY15E	FY16E
Net interest income	3033	3509	4201	4970
Operating Profit	2149	2006	2243	2697
PAT	760	386	602	812
EPS (Rs)	11.5	4.6	5.7	7.0
EPS Growth (%)	57.1	-59.9	23.2	23.1
RoE (%)	18.0	7.4	9.7	11.1
P/E (x)	3.9	9.7	7.8	6.4
PABV (x)	0.5	0.8	0.8	0.7

Source: Company data, Arian Research.



Q2Y15 Earnings Update

Particulars (Rs. cr)	Q2FY15	Q2FY14	YoY%	Q1FY15	QoQ %	Comments
Interest Earned	3,198	3,013	6.1	3,096	3.3	
Yield on Advances (%)	11.3	11.1		10.9		
Interest Expended	2,206	2,137	3.2	2,181	1.1	
Cost of Deposits (%)	7.1	7.2		7.1		
Net Interest Income	992	876	13.2	915	8.4	Net Interest Income growth is encouraging
Other Income	222	183	21.3	190	16.6	Good performance
Other income / Net Income (%)	18.3	17.3		17.2		
Total income	1214	1059	14.6	1105	9.8	
Employee Expenses	403	437	-7.8	423	-4.8	
Non-Employee expenses	222	207	7.5	210	5.7	
Operating Expenses	625	644	-2.9	634	-1.3	
Cost-income Ratio (%)	51.5	60.8		57.3		Favourable C/I ratio
Pre-Prov Profits	588	415	41.6	471	24.8	
Provisions & Contingencies	293	323	-9.2	236	24.2	
PBT	295	92	220.1	235	25.3	
Provisions for Tax	132	45	191.5	117	12.3	
Effective Tax Rate (%)	44.7	49.1		49.9		
PAT (reported)	163	47	247.7	118	38.3	Good growth
EPS Basic	1.57	0.5		1.4		
EPS Diluted	1.53	0.5		1.4		
BVPS	64.63	0.0		68.3		
GNPA	4351	2450		3761		
NNPA	2901	1535		2563		
GNPA (%)	4.8	2.8		4.2		Detriorating asset quality a cause of concern
NNPA (%)	3.3	1.8		2.9		
Total CAR (%)	11.7	11.7		10.8		Capital infusion done in current quarter

Source: - Company data, Arihant Research



Income Statement				
Year to 31st March (Rs.Cr)	FY13	FY14	FY15E	FY16E
Interest Income	9,613	11,957	13,501	14,940
Interest Expenses	6,580	8,448	9,300	9,970
Net Interest Income	3,033	3,509	4,201	4,970
- growth %	21%	16%	20%	18%
Other Income	912	894	760	856
Fee-based Income	703	715	676	763
Treasury Income	204	176	81	89
Other non interest income	5	3	4	4
Operating Income	3,945	4,403	4,961	5,826
- growth %	25%	12%	13%	17%
Operating Expenses	1,797	2,397	2,719	3,129
- Staff Cost	1,188	1,596	1,861	2,170
- Other Operating Exp.	609	801	858	959
Gross Profits	2,149	2,006	2,243	2,697
- growth %	42%	-7%	12%	20%
Provisions	807	1,258	1,343	1,486
Profit Before Taxes	1,342	748	899	1,211
Taxes	583	362	297	400
Profit After Taxes	760	386	602	812
- growth %	76%	-49%	56%	35%

Balance Sheet				
As on 31st March (Rs. cr)	FY13	FY14	FY15E	FY16E
LIABILITIES				
Capital	1,249	1,427	1,651	1,751
Reserves & Surplus	5,147	5,941	6,757	7,871
Shareholders fund	6,397	7,368	8,408	9,622
Deposits	94,337	1,16,803	1,28,483	1,46,471
Borrowings	12,877	8,326	8,594	9,693
Other liabilities & provisions	3,341	3,822	4,239	4,160
Total Liabilities	1,16,953	1,36,320	1,49,724	1,69,946
ASSETS				
Cash on hand & with RBI	5,265	5,991	6,762	7,747
Money at call and short notice	908	111	116	121
Advances	75,471	88,920	97,812	1,11,506
Investments	31,430	37,250	40,352	45,111
Fixed assets	1,429	1,446	1,561	1,714
Other assets	2,449	2,602	3,122	3,747
Total Assets	1,16,953	1,36,320	1,49,724	1,69,946

Ratio Analysis				
Year to 31st March	FY13	FY14	FY15E	FY16E
Basic Ratio (Rs.)				
EPS	11.5	4.6	5.7	7.0
Book Value per share	88	81	74	78
Adjusted Book Value	82	59	55	62
Dividend per share	2.3	1.0	1.0	1.0
Asset Quality (%)				
Gross NPAs	1.5	3.2	3.4	3.3
Net NPAs	0.5	2.1	2.0	1.7
PCR	65.5	35.3	41.5	49.4
Profitability ratios (%)				
RoAE	18.0	7.4	9.7	11.1
RoAA	0.7	0.3	0.4	0.5
NIM	3.2	3.0	3.2	3.4
Operating Profit Margin	20.4	15.6	15.7	17.1
Net Profit Margin	7.2	3.0	4.2	5.1
Cost to Income	45.5	54.4	54.8	53.7

Spread analysis (%)				
	FY13	FY14	FY15E	FY16E
Yield on advances	11.1	11.2	11.1	11.0
Yield on investments	7.8	7.4	7.5	7.4
Cost of deposits	6.9	7.3	7.1	6.8
Average Cost of funds	6.1	6.8	6.8	6.4
Spread	2.9	2.7	3.0	3.2
Interest Income to AWF	9.7	9.9	9.8	9.7
Net Interest Income to AWF	3.0	2.9	3.1	3.2
Non Interest Income to AWF	0.9	0.7	0.6	0.6
Operating Expense to AWF	1.8	2.0	2.0	2.0
Operating Profit to AWF	2.2	1.7	1.6	1.8
Net Profit to AWF	0.8	0.3	0.4	0.5
Valuation ratios (x)				
P/E	3.9	9.7	7.8	6.4
P/BV	0.5	0.6	0.6	0.6
P/ABV	0.5	0.8	0.8	0.7

Source: Company data, ARIHANT Research



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Stock Rating Scale

	Absolute Return
Buy	> 20%
Accumulate	12% to 20%
Hold	5% to 12%
Neutral	-5% to 5%
Reduce	< -5%

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