

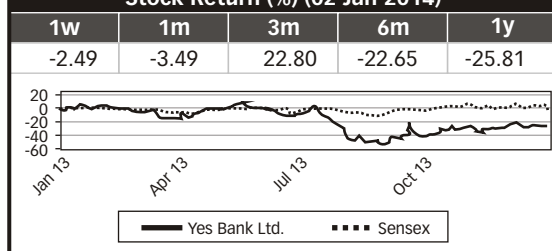
YES BANK

YES BANK

Market Data (02-Jan-2014)

CMP	362.25
M Cap (in Cr)	13061.29
BSE code	532648
NSE Symbol	YESBANK
52 Week H/L (Rs.)	547.15 / 216.10
FV (Rs.)	10
Equity (Rs. In Cr.)	358.62
EPS (FY 2013)	35.30
Div Yield (%)	1.65
Latest PE (x)	10.32
BV (FY 2013) (Rs.)	161.94
Latest PBV (x)	2.25
Volume (Nos)	7111162
Beta	2.1683
Standard deviation	3.7055

Stock Return (%) (02-Jan-2014)



QUICK FACTS

Number of Branches 2012-13: 430 2011-12: 356	Number of ATMs 2012-13: 951 2011-12: 606
Number of Employees 2012-13: 7024 2011-12: 5642	Balance Sheet Size (Rs. in Min.) 2012-13: 991041 2011-12: 736257

- Yes Bank is India's fourth largest private sector bank. They have steadily built a full-service commercial bank with Corporate, Retail and SME Banking platforms, with a comprehensive product suite of Financial Markets, Investment Banking, Corporate Finance, Branch Banking, Business and Transaction Banking and Wealth Management.
- The Bank's total interest income grew by 31.5%. Similarly, operating profit registered a 39.1% growth. Additionally, the total balance sheet size increased by 34.5% in FY2013.
- CASA stood at 18.9% at the end of 2012-13, against 15% in the previous fiscal. On the asset quality front, Gross Non-Performing Assets (GNPA) fell to 0.20 per cent in FY2013 from 0.22 per cent in the previous fiscal.
- The only Bank and one of the only two Indian companies to be ranked highest on Corporate Governance Watch 2012 in Asia CLSA Asia Pacific Markets (market cap less than USD 10 billion).

QUARTERLY ANALYSIS

Financial Highlights:

- Net Interest Income Rs. 6,721 Mn - **UP 28.2%**
- Net Profit Rs. 3,711 Mn - **UP 21.3%**
- Advances Rs. 477,172 Mn - **UP 13.6%**
- Deposits Rs. 675,751 Mn - **UP 29.2%**
- Shareholders Fund Rs 66,104 Mn - **UP 24.4%**
- Cost/Income Ratio - **36.2%**
- Gross NPA - **0.28%**
- Net NPA - **0.04%**
- Return on Assets - **1.50%**
- Return on Equity - **23.10%**
- Net Interest Margin - **2.90%**
- EPS - **Rs. 10.30**

Robust growth in Net Interest Income (NII): NII increased by 28.2% y-o-y to Rs. 6,721 million. This was on account of a sustained growth in advances coupled with stable NIM of 2.9%.

One-off gains boost other income: The non-interest income galloped 61% on y-o-y basis to Rs 4461 million in Q2FY2014, with the income from financial markets rising four-fold y-o-y to Rs 1798 million in the quarter under review. The strong growth in other income was also supported by 69% surge in retail banking fees to Rs 516 million and 14% increase in transaction banking segment to Rs 907 million. Further, the income from financial advisory rose 4% to Rs 1240 million in Q2FY2014.

The strong growth in interest as non-interest income pushed up net total income up by 40% to Rs 11182.30 million in the quarter ended September 2013.

Quarterly Financials			(All figures Rs. In Millions except Per Share Data)			
Particulars	Q2FY14	Q2FY13	VAR [%]	Q1FY14	Q1FY13	VAR [%]
Interest Earned	6721.10	5241.60	28.23	6591.10	4721.90	39.59
Other Income	4461.20	2767.60	61.20	4420.60	2881.00	53.40
Total Income	11182.30	8009.20	39.62	11011.70	7602.90	44.84
Operating Expenses	4053.40	3161.80	28.20	4212.10	3006.80	40.09
Operating Profit Before Prov. & Cont.	7128.90	4847.40	47.10	6799.60	4596.10	47.90
Provisions & Contingencies	1791.20	317.30	464.50	969.90	300.10	223.20
PBT	5337.70	4530.10	17.80	5829.70	4296.00	35.70
Provision for Taxes	1626.40	1469.30	10.70	1821.30	1394.60	30.60
Net Profit	3711.30	3060.80	21.30	4008.40	2901.40	38.20
EPS	10.30	8.61	19.60	11.16	8.20	36.10
Face Value	10.00	10.00	0.00	10.00	10.00	0.00

Key Financials						
Particulars	Q2FY14	Q2FY13	VAR [%]	Q1FY14	Q1FY13	VAR [%]
Net Interest Margin (%)	2.90	2.90	0.00	3.00	2.80	7.10
Gross Non Performing Assets (Mn.)	1320.70	1028.40	28.40	1049.20	1094.90	-4.20
Net Non Performing Assets (Mn.)	193.60	201.30	-3.80	120.80	237.20	-49.10
Gross Non Performing Assets (%)	0.28	0.24	16.70	0.22	0.28	-21.40
Net Non Performing Assets (%)	0.04	0.05	-20.00	0.03	0.06	-50.00

Strong growth in Operating and Net profits: Operating profit for Q2FY14 was up 47.1% to Rs. 7,129 million. The Cost to Income ratio was 36.2% in Q2FY14 versus 39.5% Q2FY13. Net Profit in Q2FY14 was up 21.3% at Rs. 3,711 million.

Consistently Healthy Asset Quality: Gross NPA at Rs. 1,321 million (0.28% of Gross Advances) and Net NPA at Rs. 194 million (0.04% of Net Advances) as at Sept 30, 2013. Restructured advances (excluding NPAs) stand at Rs. 1,255 million. This represents 0.26% of Gross Advances as at Sept 30, 2013 down from 0.46% as at Sept 30, 2012. There were no fresh restructurings during the quarter. Bank's specific provisioning cover was at 85.3% as at Sept 30, 2013. Total counter cyclical provision stood at 0.4% of Advances.

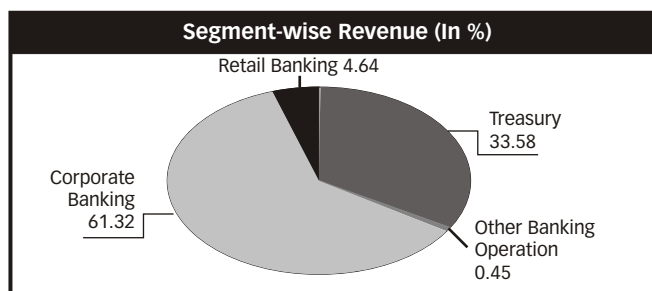
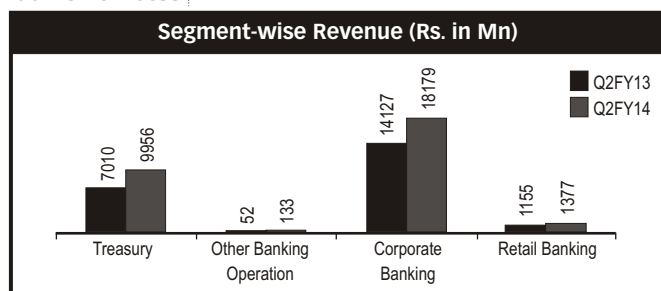
Stable growth in Advances and Deposits: Customer Assets (advances and credit substitutes) grew by 12.7% to Rs. 608.8 billion as at Sept 30, 2013. Corporate & Institutional Banking (Large Corporates) accounted for 67.1% of the Customer Assets portfolio, Commercial Banking (Mid-sized Corporates) accounted for 15.7% and Retail Banking (including MSME) 17.2%. Total Deposits grew by 29.2% to Rs. 675.8 billion as at Sept 30, 2013. Total Advances grew by 13.6% to Rs. 477.2 billion as at Sept 30, 2013. The Bank's Total Assets grew by 23.1% to Rs. 1,021.5 billion as at Sept 30, 2013. The Bank's CD ratio stood at 70.6% as at Sept 30, 2013.

Current and Savings Account (CASA) deposits grew by 52.5% to Rs. 137.8 billion taking the CASA ratio to 20.4% as at Sept 30, 2013 up from 17.3% as of Sept 30, 2012. The Bank continues to witness strong traction in CASA and retail deposits on the back of enhanced Savings Rate offering, increased branch network and improvements in productivity.

Superior Shareholders' returns: The Bank delivered RoE of 23.1% (annualized) and RoA of 1.5% (annualized) for Q2FY14. RoA has been at or above 1.5% for the last 5 years, and RoE has been approximately 20% or above over the same period. Earnings per Share grew by robust 19.60% to Rs. 10.30 from Rs. 8.61 in Q2FY14.

Increased branch network: The branch network increased by 100 branches from 400 Branches as of Sept 30, 2012 to 500 as of Sept 30, 2013; 71 ATMs added in the quarter to take the total number of ATMs to 1122 (694 as of Sept 30, 2012).

Key Financial Performance Indicators				
Particulars	Q2FY14 (A)	Q2FY13 (B)	VAR (%) (A&B)	Q1FY14
CASA (Mn.)	137800.00	90340.10	52.53	131631.80
RoA (%)	1.50	1.50	0.00	1.60
RoE (%)	23.10	23.80	-2.94	26.70



YEARLY ANALYSIS

Financial Highlights:

- Net Interest Income Rs. 22,188 Mn – **UP 37.3%**
- Net Profit Rs. 13,007 Mn – **UP 33.1%**
- Advances Rs. 470,000 Mn – **UP 23.7%**
- Deposits Rs. 669,600 Mn – **UP 36.2%**
- Cost/Income Ratio – **38.4%**

- Gross NPA – **0.20%**
- Net NPA – **0.01%**
- Return on Assets – **1.50%**
- Return on Equity – **24.80%**
- Net Interest Margin – **2.90%**
- EPS – **Rs. 36.5**

Robust growth in Net Interest Income (NII): NII for FY13 was up 37.3% to Rs. 22,188 million as compared to Rs. 16,156 million for FY12. NIM for the Bank was 2.9% in FY13 compared to 2.8% in FY12. This was mainly on account of decrease in cost of funds from 8.8% for the year ended March 31, 2012 to 8.6% for the year ended March 31, 2013 driven by increase in percentage of low cost deposits in the form of CASA.

Diversified Non Interest Income streams display strong growth: Non Interest Income showed growth of 46.7% y-o-y at Rs. 12,574 million for FY13 as compared to Rs. 8,571 million in FY12 primarily due to increases in commission, exchange and brokerage income and sale of investments, partially offset by reduced profit on exchange transactions and miscellaneous income.

Income from Transaction Banking was up 36.2% to Rs. 3,226 million in FY13 from Rs. 2,369 million in FY12. The Bank continues to deepen relationships through cross-sell and establish new ones across business segments and is establishing itself as a significant player in the product domain of cash management and trade finance services. Investment

Banking, Corporate Finance advisory and other advisory income increased by 51.4% to Rs. 5,502 million in FY13. FX sales, Debt Capital Markets and trading income stands at Rs. 2,523 million in FY13.

Healthy growth in Operating and Net profits: Operating profit for FY13 was up 39.1% to Rs. 21,417 million as compared to Rs. 15,402 million for FY12. Net Profit for FY13 was up 33.1% to Rs. 13,007 million from Rs. 9,770 million in FY12. The Cost to income ratio was 38.4% in FY13 versus 37.7% in FY12.

Consistently healthy Asset Quality: The Bank's continued risk mitigation practices resulted in Gross Non Performing Advances Ratio of 0.20% and a Net Non Performing Advances Ratio of 0.01% as at March 31, 2013.

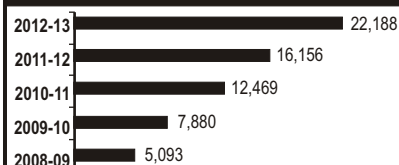
Healthy growth in Advances and Deposits: Total Customer Assets (Loans + Credit Substitutes) grew by 30.9% to Rs. 603.6 billion as at March 31, 2013 from Rs. 461.2 billion as at March 31, 2012. Total Advances grew by 23.7% to Rs. 470.0 billion as at March 31, 2013 from Rs. 379.9 billion as at March 31, 2012. Corporate & Institutional Banking (Large Corporates)

Yearly Financials (All figures Rs. In Millions except Per Share Data)						
Particulars	FY2013	FY2012	VAR (%)	FY2012	FY2011	VAR (%)
Interest Earned	22187.90	16156.30	37.33	16156.30	12469.20	29.57
Other Income	12574.30	8571.20	46.70	8571.20	6232.70	37.50
Total Income	34762.20	24727.50	40.58	24727.50	18701.90	32.22
Operating Expenses	13345.40	9325.30	43.11	9325.30	6798.10	37.18
Operating Profit Before Prov. & Cont.	21416.80	15402.20	39.10	15402.20	11903.80	29.40
Provisions & Contingencies	2159.50	902.10	139.40	902.10	982.10	-8.10
PBT	19257.30	14500.10	32.80	14500.10	10921.70	32.80
Provision for Taxes	6250.50	5036.30	24.10	5036.30	4112.90	22.50
Deferred Tax	0.00	-306.10	-100.00	-306.10	-462.50	-33.80
Net Profit	13006.80	9769.90	33.10	9769.90	7271.30	34.40
EPS	36.53	27.87	31.10	27.87	21.12	32.00
Face Value	10.00	10.00	0.00	10.00	10.00	0.00

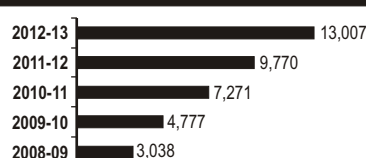
Key Financials

Particulars	FY2013	FY2012	VAR (%)	FY2012	FY2011	VAR (%)
Net Interest Margin (%)	2.90	2.80	3.60	2.80	2.90	-3.40
Gross Non Performing Assets (Mn.)	943.20	838.60	12.50	838.60	805.20	4.10
Net Non Performing Assets (Mn.)	69.90	174.60	-60.00	174.60	91.50	90.80
Gross Non Performing Assets (%)	0.20	0.22	-9.10	0.22	0.23	-4.30
Net Non Performing Assets (%)	0.01	0.05	-80.00	0.05	0.03	66.70
RoA (%)	1.50	1.50	0.00	1.50	1.50	0.00
RoE (%)	24.81	23.07	7.54	23.07	21.13	9.18

Net Interest Income (Rs. in Mn.)



Net Profit (Rs. in Mn.)



Net Interest Margin (%)



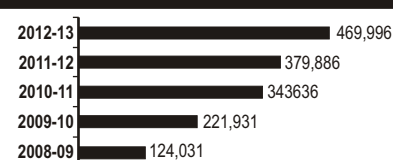
RoA (Annualised) (%)



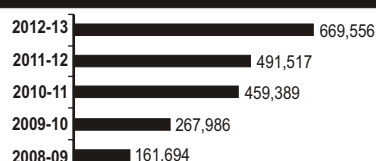
RoE (Annualised) (%)



Advances (Rs. in Mn)



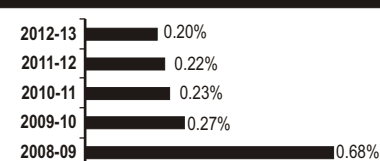
Deposits (Rs in Mn)



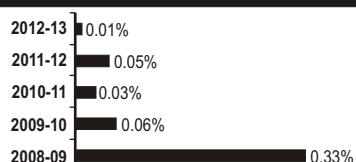
CASA RATIO (%)



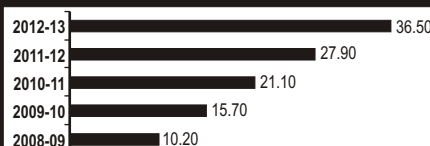
Gross NPA (%)



Net NPA (%)



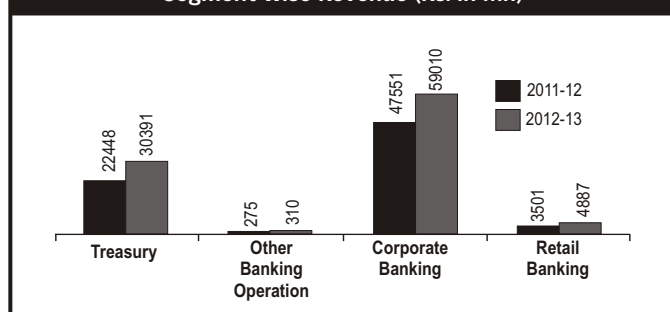
EPS (In Rs.)



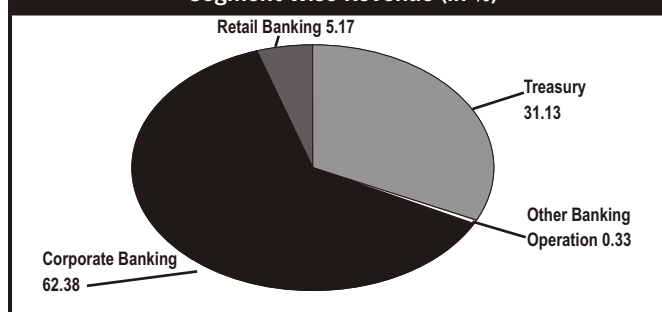
Capital Adequacy Ratio (%)



Segment-wise Revenue (Rs. in Mn)



Segment-wise Revenue (In %)



accounted for 64.7% of the Customer Assets portfolio, Commercial Banking (Mid-sized Corporates) accounted for 17.1% and Retail Banking (Including MSME) 18.2%. Total Deposits grew by 36.2% to Rs. 669.6 billion as at March 31,

2013 from Rs. 491.5 billion as at March 31, 2012. The Bank's Total Assets grew by 34.6% to Rs. 991.0 billion as at March 31, 2013 from Rs. 736.3 billion as at March 31, 2012.

Superior Shareholders' returns: The Bank delivered RoE of

Key Financial Ratios					
Particulars	201303	201203	201103	201003	200903
Credit-Deposit (%)	73.20	76.09	77.75	80.52	74.16
Investment / Deposit (%)	60.92	48.99	39.92	40.33	41.47
Cash / Deposit (%)	4.88	5.69	6.97	7.62	7.60
Capital Adequacy Ratio (%)	18.30	17.90	16.50	20.60	16.60
Advances / Loans Funds (%)	62.17	65.53	81.65	88.94	76.05
Interest Expended / Interest Earned (%)	73.25	74.38	69.15	66.75	74.55
Interest Income / Total Funds (%)	9.60	9.51	8.47	7.99	10.04
Interest Expended / Total Funds (%)	7.03	7.07	5.86	5.34	7.48
Net Interest Income / Total Funds (%)	2.57	2.44	2.61	2.66	2.55
Net Profit / Total funds (%)	1.51	1.47	1.52	1.61	1.52
RONW (%)	24.81	23.07	21.13	20.27	20.65
Price Earning (P/E)	12.14	13.59	15.09	18.45	4.88
Price to Book Value (P/BV)	2.65	2.77	2.84	2.80	0.91
Market Cap/Sales	1.61	1.81	2.31	2.94	0.60
Book Value	161.94	132.49	109.29	90.96	54.69

Dividend History							
Year	Mar-13	Mar-12	Mar-11	Mar-10	Mar-09	Mar-08	Mar-07
Dividend (%)	60	40	25	15	0	0	0
Div. Yield (%)	1.40	1.09	0.81	0.59	0.00	0.00	0.00

Peer Comparison for FY2012-13 (All figures Rs. In Cr. Except per share data)					
Particulars	Yes Bank	HDFC	ICICI Bank	Axis Bank	Kotak Mah.
Equity Capital	358.62	475.88	1153.64	467.95	373.30
Reserves and Surplus	5449.05	35738.30	65552.30	32639.90	9091.18
Advances	46999.60	239721.00	290249.00	196966.00	48469.00
Deposits	66955.60	296247.00	292614.00	252614.00	51028.80
Total Income **	9551.43	41917.50	48421.30	33733.70	9203.15
Net Profit	1300.68	6726.28	8325.47	5179.43	1360.72
NIM (%)	2.90	4.50	3.11	3.53	4.70
NPM (%)	15.68	19.24	22.57	19.24	20.34
Capital Adequacy Ratio	18.30	16.80	18.74	17.00	16.05
Credit-Deposit (%)	73.20	80.14	99.25	77.58	97.75
Interest Expended / Interest Earned (%)	73.25	54.91	65.40	64.44	60.14
Net Profit / Total funds (%)	1.51	1.82	1.62	1.65	1.82
RONW (%)	24.81	20.34	13.10	18.53	15.60
Equity Dividend	215.17	1309.08	2307.23	842.35	52.38
Equity Dividend (%)	60.00	275.00	200.00	180.00	14.00
Diluted EPS	35.30	27.33	69.63	107.59	18.13
Book Value	161.94	152.20	578.18	707.51	126.53
PE Ratio	11.82	21.52	11.90	11.63	22.06
Price /Book Value	2.65	4.05	1.75	1.84	3.18
** Total Income included Interest Earned & Other Income					

24.8% and ROA of 1.5% for FY13. The Bank has delivered a RoA of at or above 1.5% for the past 5 years, and Return on Equity has been approximately 20% or above over the same period.

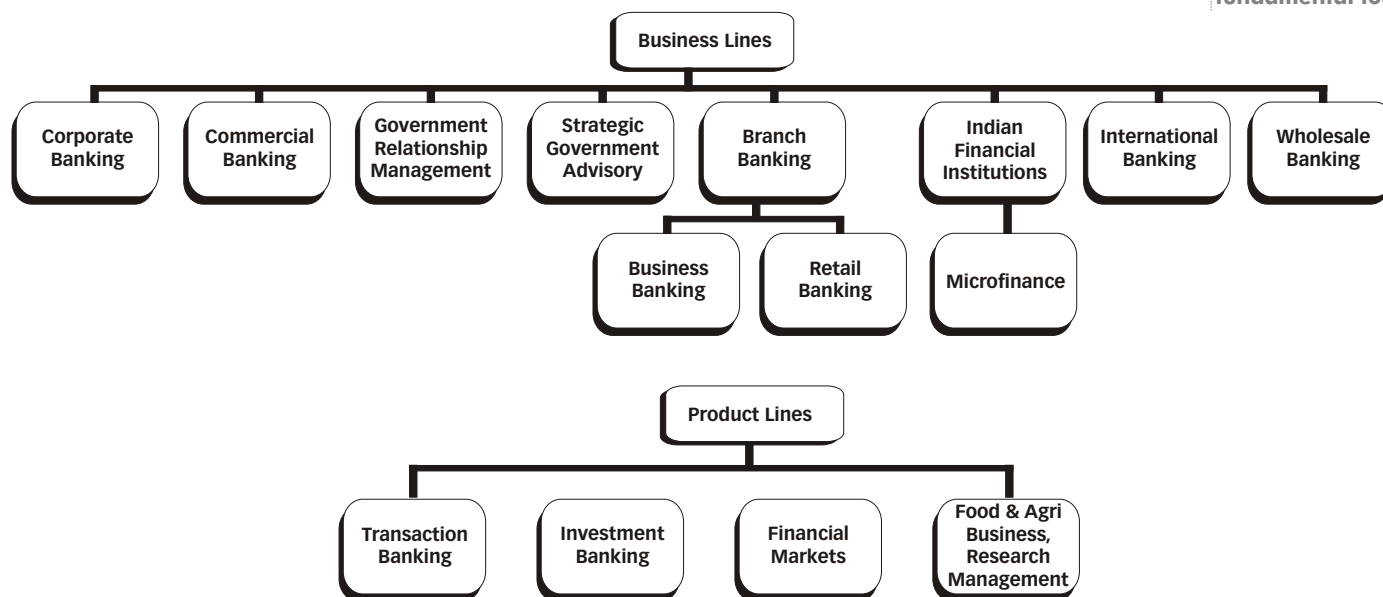
Increased branch network: YES BANK added 74 branches during FY13, up 20.8% over FY12. The Bank also added 228 ATMs in FY13, taking the total ATM network to 951.

About YES BANK

YES BANK, India's fourth largest private sector Bank is an outcome of the professional entrepreneurship of its Founder,

Rana Kapoor and his highly competent top management team, to establish a high quality, customer centric, service driven, private Indian Bank catering to the "Future Businesses of India". YES BANK is the only Greenfield license awarded by the RBI in the last 17 years, associated with the finest pedigree investors.

Since its inception in 2004, YES BANK has fructified into a "Full Service Commercial Bank" that has steadily built Corporate and Institutional Banking, Financial Markets, Investment Banking, Corporate Finance, Branch Banking, Business and Transaction Banking, and Wealth Management business lines



across the country, and is well equipped to offer a range of products and services to corporate and retail customers. YES BANK has adopted international best practices, the highest standards of service quality and operational excellence, and offers comprehensive banking and financial solutions to all its valued customers. Today, YES BANK has a widespread branch network of over 500 branches across 350 cities, with 1050+ ATMs and 2 National Operating Centers in Mumbai and Gurgaon.

YES BANK has been recognized amongst the Top and Fastest Growing Banks in various Indian Banking League Tables by prestigious media houses and Global Advisory Firms, and has received several national and international honours for their various Businesses including Corporate Finance Investment Banking, Treasury, Transaction Banking, and Sustainable practices through Responsible Banking. The Bank has received numerous recognitions for its world-class IT infrastructure, and payments solutions, as well as excellence in Human Capital.

The sustained growth of YES BANK is based on the key pillars of Growth, Trust, Technology, Human Capital, Transparency & Responsible Banking. As the Professionals' Bank of India, YES BANK has exemplified 'creating and sharing value' for all its stakeholders, and has created a differentiated Banking Paradigm with the vision of 'Building the Best Quality Bank of the World in India' by 2015.

SWOT ANALYSIS

Strengths

Yes Bank has displayed strong financial performance since inception including the period of 2008-09 where the global economy witnessed financial turmoil. The capital adequacy ratio of the Bank is well above minimum requirements reflecting the soundness and sustainability of the business over the longer term. Your Bank's had delivered RoA (annualised) at or above 1.5% over last 3 years and RoE (annualised) at or above 20% over last 5 years. The Bank has

always focused on maintaining the best asset quality resulting in one of the lowest Net NPA and Gross NPA Ratios. Further, the Bank has unlocked economies of scale over the last couple of years coupled with better efficiency and eliminating waste to bring maintain cost to income ratios below the industry average and retain high profitability per employee as compared to peers.

Yes Bank has also developed a strong standing in the market mainly due to its differentiated knowledge banking approach. This approach coupled with strong risk management practices helped minimise the overall impact of the financial crisis. The crisis has also helped the Bank validate its model and acquire new corporate clients while other banks were inward looking. The Bank has had a proven track record to raise capital necessary to sustain the high growth witnessed. It has raised capital (both debt and equity) at appropriate times. This ability to augment capital funds will help enhance growth in the future.

Weaknesses

Although Yes Bank has made significant strides over the last few years, it is still a relatively small player in the banking space. It has a low market share as its network of branches is still relatively smaller than its peers in both public and private sector. Being a new bank, brand awareness among retail customers is lower than its peers who have been in the business for a significantly longer time. However, Yes Bank believes that the above represents a large opportunity for the Bank. The Bank has been increasing its branch and ATM base at a considerable pace and augmenting its customer base.

Furthermore, Yes Bank's rural presence has been lower than the larger banking players. Consequently the bank face challenges in directly reaching out to rural farmers. Yes Bank has built a specialised group for Agri & Rural Banking and financial inclusion to create an outreach in this domain.

Opportunities

The global economic environment has improved since the

fundamental focus

lows of the economic crisis of 2008-09. While there does remain a concern on sovereign risks in several Euro zone economies, the recent upside in the US economic activity and an improvement in labour markets is encouraging. While 2012-13 saw Indian economic growth slipping sharply vis-à-vis 2011-12. India continues to present a significant opportunity over the next few years.

Indian banking continues to experience demographic tailwinds. The large middle class with increasing incomes and banking needs along with a huge unbanked population below the age of 25 offers an enormous retail opportunity for banks in India. Smaller towns and rural India still provide a huge untapped potential for expansion and there are significant opportunities especially in the small and medium enterprise space. Further the ability to use technology to profitably deliver banking solutions to masses is a good opportunity. Additionally, the goal of financial inclusion would benefit immensely from key government initiatives like the UID program. The use of smart cards, mobile based payments, mobile based card transaction facilities would help develop the knowledge infrastructure for enhancing reach of the banking sector.

Savings rate deregulation by the RBI has offered Yes Bank an opportunity to gain significant savings account market share by offering better rates and services to customers. An International Branch (subject to regulatory permissions) would also enable Yes Bank to compete more effectively for trade products by accessing low cost funds for the business. Yes Bank has been ranked by Financial Times among the top 600 banks in the world, and with Moody's credit rating of Baa3, at par with India's Sovereign rating, an international foray, would be the logical next step. The Bank's entry into new product/ segments viz. retail assets offers significant potential for the Bank to build on its expanding customer base. The ability to cross sell product to retail customers would enhance profitability of the Bank over the long run. Yes Bank also has the opportunity to increase brand awareness through focused and adept marketing campaigns and leverage the growing retail footprint.

Threats

The ongoing global economic recovery amidst an environment of extremely accommodative monetary policies adopted by the central banks in most of the developed countries has resulted in a significant pick up in global commodity prices. The recent geopolitical tensions between Iran / North Korea have increased the potential risk of a disruption in global trade. While the risk of a double dip recession in advanced countries has abated over the last year, downside risks to growth remain amidst attempts of fiscal consolidation in Euro zone. Economic growth is expected to be subdued in India given domestic and international challenges.

The tight monetary policy adopted by the RBI with a view to tame inflation could dampen corporate credit offtake. Domestic economic challenges amidst slowing investments and weak demand conditions has resulted in GDP growth falling from 8-9% to 4-5%. Though RBI has recently lowered

rates, the monetary policy transmission has been slow.

Changes in RBI regulations requiring banks to set up a higher number of rural branches could result in lower profitability for banks. Further regulatory changes including RBI awarding additional licenses for new banks could potentially result in increasing competition in the banking industry. There may be some erosion in projected growth due to market captured by new entrants and also competition among banks in retaining quality staff.

Expansion may lead to increase in costs and overall reduction in operating profit accompanied by some impact on quality of assets with seasoning of retail assets in the future. Yes Bank could also face intense competition from allied firms in financial services (e.g. Broking / investment banking, etc.) who compete for human capital. Further, recent regulatory changes including revised priority sector norms and adoption of BASEL III norms could result in lower profitability for the banking system in general, thereby also impacting Yes Bank.

OUTLOOK

The outlook for FY14 is expected to show mild improvement due to slow economic growth. Agriculture growth, which suffered from a deficient monsoon in 2012, is expected to recover from 1.8% in FY13 to 3.5% in FY14 assuming a normal monsoon. Industry growth that fell to an 11-year low of 3.1% in FY13 is expected to show an improvement to around 5.5% in FY14 as the impact of past monetary easing unfolds gradually and as the government moves ahead on the path of implementing reforms and takes steps to debottleneck infrastructure investments. The recovery in services growth to 6.7% in FY14 from 6.6% in FY13 will be extremely mild as the services sector responds with a lag to activity in the industrial sector. As a result, the bank expects overall GDP growth to improve to 5.9% in FY14 from 5.0% in FY13.

Average WPI inflation came at 7.4% in FY13 vis-à-vis 9.0% in FY12. The bank expects the moderating trend in WPI to continue in FY14 as global commodity prices remain range bound amid dilution of pricing power of domestic manufacturers in an environment of sub trend economic growth. For FY14, bank expects average WPI inflation to moderate towards 6.4%.

On the fiscal front, the government has budgeted for a reduction in fiscal deficit to 4.8% of GDP in FY14 from 5.2% of GDP in FY13.

After a record high of close to 5.0% of GDP in FY13 (estimated), the bank expects current account deficit to moderate towards 4.1% of GDP in FY14 as global commodity prices remain range bound, administrative action on domestic fuel and gold prices lead to some moderation in oil and gold imports, and economic growth shows a mild recovery. The current account gap is expected to be completely financed by capital inflows amid the prevailing global liquidity glut.