



State Bank of India

BSE SENSEX
18,137

S&P CNX
5,439

CMP: Rs2,414

TP: Rs3,070

Buy

Bloomberg
SBIN IN

Equity Shares (m)
635.0

52-Week Range (Rs)
3,515/2,138

1,6,12 Rel.Perf.(%)
-4/-6/25

M.Cap. (Rs b)
1,532.8

M.Cap. (US\$ b)
33.9

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	CONS. EPS (RS)	CONS. P/E (X)*	CONS. BY (RS)	CONS. P/BY (X)*	CONS. P/ABY (X)*	ROAA (%)	ROAE (%)
3/10A	386,396	91,661	144.4	184.8	12.5	1,268	1.8	2.0	0.9	14.8
3/11A	483,510	82,645	130.1	168.3	13.8	1,268	1.8	2.1	0.7	12.6
3/12E	542,013	132,995	209.4	263.1	8.8	1,484	1.6	1.8	1.0	19.0
3/13E	626,439	155,660	245.1	318.6	7.3	1,744	1.3	1.5	1.0	19.2

* Valuation multiples are adjusted for SBI Life's value

SBI reported a PAT of Rs209m for 4QFY11 v/s our estimate of Rs28.3b. Negative surprises came from the following: (1) NII was Rs80.6b, 13% lower than our estimate, largely due to 54bp QoQ decline in NIM, (2) asset quality deteriorated sharply, leading to higher NPA provisions, and (3) certain non-allowable expenses led to high taxation provisions (tax rate at nearly 99%). Key highlights are:

- NIM declined 54bp QoQ to 3.1%, led by lower yield on loans (down ~24bp QoQ) and higher cost of deposits (up 34bp QoQ).
- Gross slippages were Rs56b v/s ~Rs40b (adjusted) in 3QFY11. The annualized slippage ratio for 4QFY11 increased to 3.6% v/s 2.6% for 9MFY11 and 2.5% (adjusted) in 3QFY11 - a key disappointment.
- The bank made provisions of Rs41.6b during the quarter (v/s our estimate of ~Rs26b) including MTM provision of Rs3b. NPA provisions stood at Rs32.7b while Rs5b was towards special home loan scheme (teaser rate loans).
- Under AS-15, pension liability for SBI stood at Rs117b. Of this, it was already carrying provisions of Rs13b and Rs25b was provided in FY11. The balance shortfall of Rs79b has been charged to reserves (Rs125/share impact on book value). Post this charge, the bank is now linked to the 9th bipartite agreement for pension liability.
- CAR at the end of FY11 stood at 11.98%, with tier-I CAR at 7.77%. The management expects to receive fresh equity capital by way of rights issue in FY12.

Valuation and view: While near-term uncertainty over asset quality prevails, we believe valuations are attractive at 1.3x FY13E consolidated BV. RoE is expected to improve from 13% in FY11 to ~19% by FY13 (without assuming capital raising). We maintain **Buy** with a target price of Rs3,070 (1.7x FY13E consolidated BV + Rs102/share for insurance).

State Bank of India: Quarterly Performance

(Rs Million)

Y/E March	FY10				FY11				FY10	FY11
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Interest Income	174,728	177,759	177,797	179,656	184,522	198,081	214,128	217,214	709,939	813,944
Interest Expense	124,479	121,671	114,634	112,442	111,484	116,932	123,630	136,633	473,225	488,680
Net Interest Income	50,249	56,088	63,163	67,214	73,038	81,149	90,498	80,581	236,714	325,264
% Change (YoY)	4.3	2.8	9.7	38.8	45.4	44.7	43.3	19.9	13.4	37.4
Other Income	35,688	35,252	33,657	45,085	36,900	40,052	33,139	48,155	149,682	158,246
Net Income	85,936	91,340	96,820	112,300	109,938	121,201	123,637	128,735	386,396	483,510
Operating Expenses	49,198	42,990	50,639	60,361	48,593	57,631	55,992	67,938	203,187	230,154
Operating Profit	36,739	48,350	46,181	51,939	61,345	63,570	67,645	60,797	183,209	253,356
% Change (YoY)	-7.3	15.3	3.0	-1.6	67.0	31.5	46.5	17.1	2.3	38.3
Other Provisions	1,727	10,161	8,566	23,494	15,514	26,215	20,515	41,570	43,948	103,813
Profit before Tax	35,011	38,190	37,615	28,445	45,831	37,355	47,130	19,227	139,261	149,542
Tax Provisions	11,708	13,289	12,825	9,779	16,688	12,342	18,849	19,019	47,600	66,897
Net Profit	23,304	24,900	24,791	18,666	29,143	25,014	28,281	209	91,661	82,645
% Change (YoY)	42.0	10.2	0.0	-31.9	25.1	0.5	14.1	-98.9	0.5	-9.8
Deposit Growth (%)	35.9	25.2	11.3	8.4	6.8	10.7	14.0	16.1	8.4	16.1
Loan Growth (%)	22.5	16.0	18.9	16.5	20.3	19.0	21.3	19.8	16.5	19.8
Net Interest Margin (%)	2.3	2.6	2.8	3.0	3.2	3.4	3.6	3.1	2.7	3.3
Cost/Income Ratio (%)	57.2	47.1	52.3	53.7	44.2	47.5	45.3	52.8	52.6	47.6
Gross NPA (%)	2.8	3.0	3.1	3.1	3.1	3.4	3.2	3.3	3.1	3.3
Domestic CASA (%)	38.5	41.0	42.9	46.7	47.5	47.8	48.7	48.7	46.7	48.7

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Quarterly performance v/s our estimates and reasons for deviation (Rs m)

Y/E March	4QFY11A	4QFY11E	Var. (%)	Comments
Net Interest Income	80,581	93,138	-13	Sharp fall in margins and one off interest exp of Rs2.5b leading to negative surprise
% Change (YoY)	20	39		
Other Income	48,155	44,819	7	Higher trading profits, Fees disappoint
Net Income	128,735	137,958	-7	
Operating Expenses	67,938	69,592	-2	
Operating Profit	60,797	68,366	-11	
% Change (YoY)	17	32		
Other Provisions	41,570	25,777	61	Asset quality leading to negative surprise, Higher standard asset provisioning
Profit before Tax	19,227	42,589	-55	
Tax Provisions	19,019	14,367	32	Non allowance of certain exp leading to higher tax rate
Net Profit	209	28,222	-99	
% Change (YoY)	-99	51		

Source: Company/MOSL

Reported NIM declines 54bp QoQ; adjusted NIM down ~35bp QoQ

NIM declined sharply by 54bp QoQ to 3.1%, led by lower yield on loans and higher cost of deposits. NII grew just 20% YoY (down 11% QoQ) to Rs80.6b (13% below estimate). Yield on loans for FY11 was 9.56% v/s 9.58% in 9MFY11 and 9.66% in FY10. Yield on loans declined 24bp QoQ (calculated) - 9.5% for 4QFY11 v/s 9.7% for 3QFY11. Reversal of interest income on fresh slippages during the quarter also contributed to the decline in yields.

Cost of deposits increased to 5.26% for FY11 v/s 5.2% for 9MFY11. Cost of deposits (calculated) increased 34bp QoQ (5.44% for 4QFY11 v/s 5.10% for 3QFY11), as the impact of higher deposit rates is catching up with a lag. Going ahead, higher savings bank rates will result in ~20bp increase in cost of deposits; however, recent lending rate hike of 100bp in 1QFY12 will provide adequate cushion. The management has guided NIM of 3.5% for FY12 v/s 3.3% in FY11.

Slippages increase QoQ - a key negative

Gross slippages during the quarter were Rs56b v/s ~Rs40b (adjusted) in 3QFY11. The annualized slippage ratio for 4QFY11 increased further to 3.6% v/s 2.6% for 9MFY11 and 2.5% (adjusted) for 3QFY11 - a key disappointment. Higher slippages were led by agri and large corporate segments and Rs2.5b from restructured loans. On a sequential basis, agri NPAs increased 22% QoQ, whereas large corporate NPAs were up 13% QoQ. For FY11, slippage ratio was 2.9% v/s 2.2% in FY10. Adjusted for merger of SBIIn, slippages were ~2.7%.

The management stated that deterioration in asset quality could be partly attributed to system-based recognition of NPAs. In absolute terms, GNPA increased 8% QoQ to Rs253b while NNPA was up 6% QoQ. Provision coverage ratio (including write-offs) stood at ~65% v/s 64% a quarter ago. To achieve 70% PCR (based on September 2010 GNPA) by 1HFY12, SBI will need to provide Rs11b over the next two quarters. Volatile asset quality remains a concern; we model in slippage ratio of 2.4% for FY12/13 v/s 2.7% (ex SBIIn) in FY11. Even our credit cost estimate remains conservative at 100bp for FY12/13.

Restructured incremental loans of Rs16b during the quarter

SBI restructured fresh loans worth Rs16b (~20bp of loans) during 4QFY11. Its outstanding restructured book stood at Rs343b or 4.5% of loan book; of this, Rs184b (stable QoQ) was restructured under RBI scheme and the balance was restructured under the normal course of business. Cumulatively, restructured loans of Rs51b (15% of outstanding restructured book) have slipped into NPAs. SBI made provisions of Rs41.6b in 4QFY11 (v/s our estimate of ~Rs26b). This included MTM provision of Rs3b, NPA provision of Rs32.7b, and Rs5b for dual rate home loan scheme.

Change in RBI guidelines to have additional impact of Rs15b

Higher provisioning requirement announced by RBI in the recent monetary policy would result in additional provision of Rs10b towards sub-standard and doubtful assets, and Rs5b for restructured loans. Cumulative impact of the change in guidelines is expected to be Rs15b, which the bank is likely to book in FY12.

Loan growth in line with industry average, traction in CASA impressive

Loans grew 20% YoY (up 4% QoQ) while deposits were up 16% YoY. On domestic operations, CD ratio declined marginally to 76.3% v/s 77.2% in 3QFY11. Large corporate loans grew 23% YoY and 3% QoQ, led by metals and infrastructure segments. For FY12, the management has guided for loan growth of 16-18%. Reported CASA ratio remained stable QoQ at 48.7%. CASA deposits grew 22% YoY and 7.5% QoQ. Sequential growth in CASA was led by strong CA deposit inflows (up 33% QoQ and 11% YoY). Growth in savings deposits remains impressive at 26%.

Core fee income growth picks up QoQ

CEB grew 51% QoQ and 7% YoY to Rs37.3b. Forex and other miscellaneous income declined 26% YoY and 5% QoQ to Rs5.9b. Trading profits were Rs3.3b v/s Rs2.2b in 3QFY11 and Rs1.9b in 4QFY10. Operating expenses were up 13% YoY and 21% QoQ (2% lower than our estimate). Cost to core income ratio (ex trading profits) increased to 54.2% v/s 46.1% in 3QFY11.

Ninth bipartite liability adjusted against reserves

Under AS-15, pension liability for SBI stood at Rs117b. Of this, it was already carrying provisions of Rs13b and Rs25b was provided in FY11. The balance shortfall of Rs79b has been charged to reserves. Post this charge, the bank is now linked to the 9th bipartite agreement for pension liability. Gratuity liability stood at ~Rs20b (same as in 3QFY11), of which cumulative provision in 9MFY11 stood at Rs15.4b. During the quarter, SBI provided Rs250m towards gratuity, and expects to amortize the balance over the next four years.

Tier-I CAR declines to 7.77%

Adjustment of pension liability through reserves led to CAR declining to 11.98% at the end of FY11 (tier-I CAR at 7.77%). To meet its growth plans, the management intends to raise fresh equity capital of Rs200b by way of rights issue in FY12. While current tier-I is sufficient for 16-18% growth, the government's commitment to keep tier-I CAR at 8%+ in state-owned banks strengthens SBI's case for a rights issue.

4QFY11 consolidated PAT down 53% YoY

In 4QFY11, consolidated NII grew 18% YoY (down 7% QoQ) to Rs114b while other income improved 2% YoY and 32% QoQ to Rs101b. Opex increased 7% YoY to Rs130.5b. SBI's subsidiary banks reported operating profit growth of 19% YoY, led by strong NII growth of 26% YoY. Provisions for 4QFY11 were Rs5.1b v/s Rs6.2b in 3QFY11. PAT grew ~35% YoY to Rs12.6b. SBI Life reported PAT of Rs3.6b for FY11, up 33%.

Valuation and view: 5% downgrade in FY12/13 earnings estimates; Buy

While NIM and asset quality for 4QFY11 disappointed, we see this as the result of more prudent recognition of NPAs. Strong CASA growth, sharp hike in lending rates, expected fall in slippages, and higher upgradations will cushion margins, going forward. Nevertheless, we continue to build in 15bp decline in blended margins in FY12 (management guidance of 20bp improvement). Volatile asset quality remains a concern; we model in slippage ratio of 2.4% for FY12/13 v/s 2.7% (ex SBI) in FY11. Even our credit cost estimate is a conservative 100bp for FY12/13.

In FY12, despite 15bp margin contraction, earnings growth will be led by (1) strong operating leverage, (2) ~10% decline in provisions, and (3) lower tax rate (modeled 35% v/s 45% for FY11). On a lower base, we expect SBI's standalone profits to grow 60% in FY12 and 17% in FY13. Earlier, we were expecting 9th bipartite related pension liability to be amortized over five years (modeled in charge of Rs20b/year), which SBI has now adjusted through reserves. This will partly offset our assumptions of lower margin and higher credit cost. We have downgraded our earnings estimates by ~5% for FY12/13.

The stock has corrected ~15% in the last 15 days due to heightened concerns over sharp rise in interest rates, macro issues, and disappointing results. While near-term uncertainty prevails, we believe valuations are attractive at 1.3x FY13E consolidated BV, with RoE of ~19% over FY12-13. We expect RoA to improve from 0.7% in FY11 to ~1% in FY12-13. RoE is expected to improve from 13% in FY11 to ~19% by FY13 (without assuming capital raising). We maintain Buy, with a target price of Rs3,070 (1.7x FY13E consolidated BV + Rs102/share for insurance). Key risk: RBI's tight monetary policy stance, which can slow down industrial activity and impact FY12 loan growth.

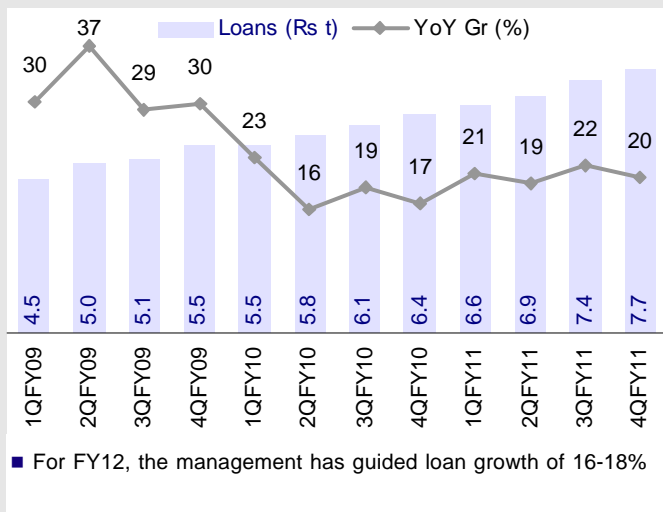
We downgraded our earnings estimates by 5% for FY12/13 (Rs b)

	Old Estimates		Rev. Estimates		Change (%)	
	FY12	FY13	FY12	FY13	FY12	FY13
Net Interest Income	382	447	356	408	-6.8	-8.8
Other Income	182	210	186	219	2.4	4.0
Total Income	564	657	542	626	-3.9	-4.7
Operating Expenses	266	300	246	280	-7.4	-6.7
Operating Profits	298	357	296	346	-0.7	-3.0
Provisions	84	103	91	107	8.4	3.4
PBT	214	254	205	239	-4.4	-5.6
Tax	75	89	72	84	-4.4	-5.6
PAT	139	165	133	156	-4.4	-5.6
Loans	9,252	11,195	8,929	10,537	-3.5	-5.9
Deposits	11,053	13,098	10,834	12,567	-2.0	-4.1
Margins (%)	3.2	3.2	3.1	3.0		
Credit Cost (%)	0.9	0.9	1.0	1.0		
RoA (%)	1.1	1.1	1.0	1.0		
RoE (%)	17.4	18.0	19.0	19.2		

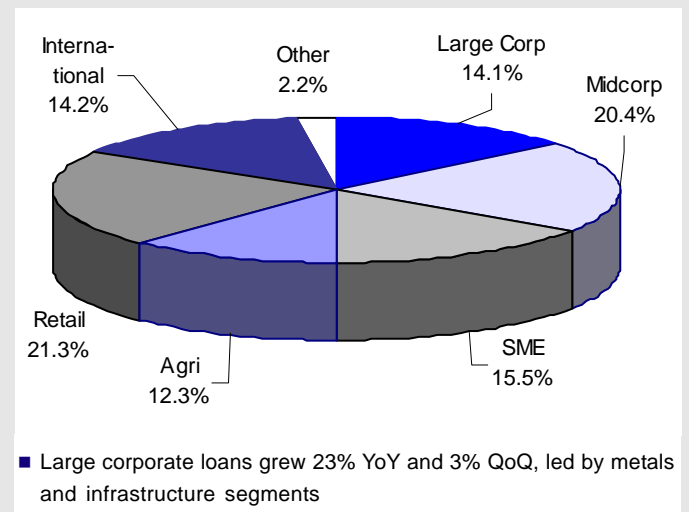
Source: MOSL

Quarterly trends

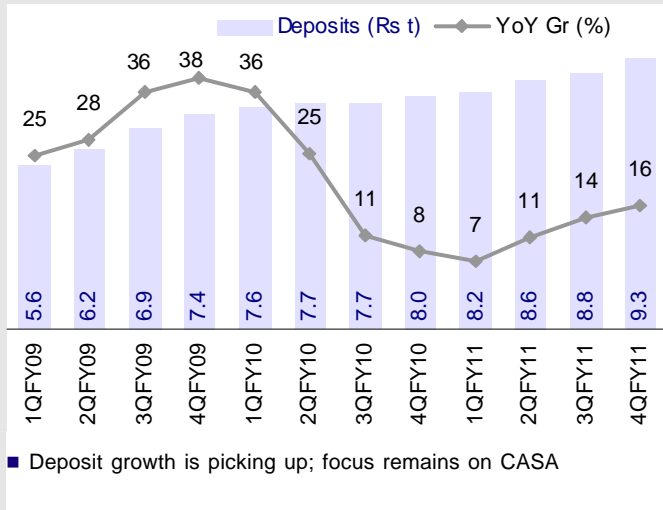
Loan growth in line with industry average



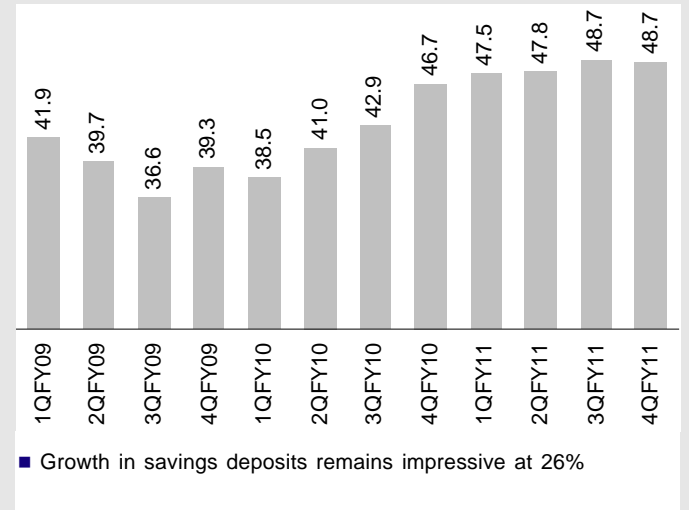
Well diversified loan book



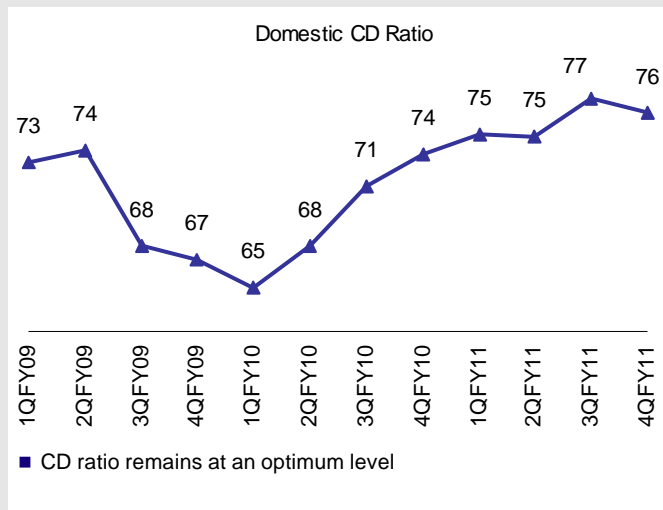
Deposits grew 6% QoQ and 16% YoY



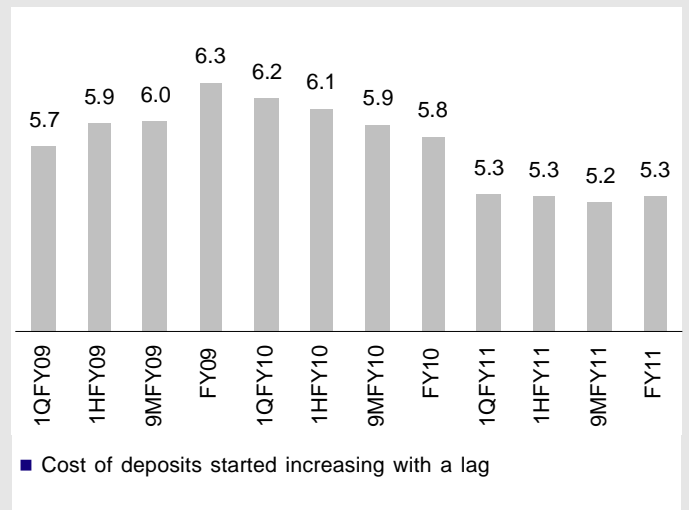
CASA ratio remains stable QoQ (%)



CD ratio declines marginally QoQ (%)

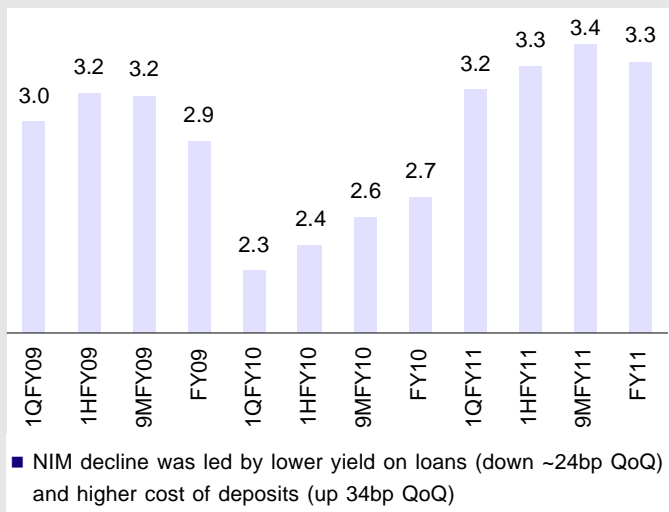


Cost of deposits increases ~34bp QoQ (%)

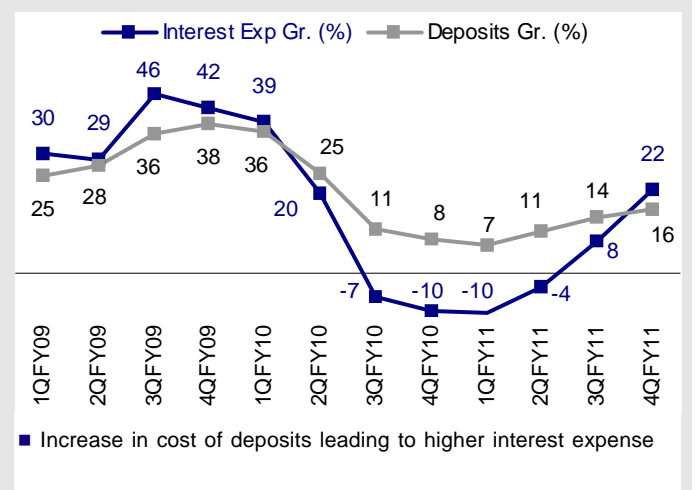


Quarterly trends (Contd.)

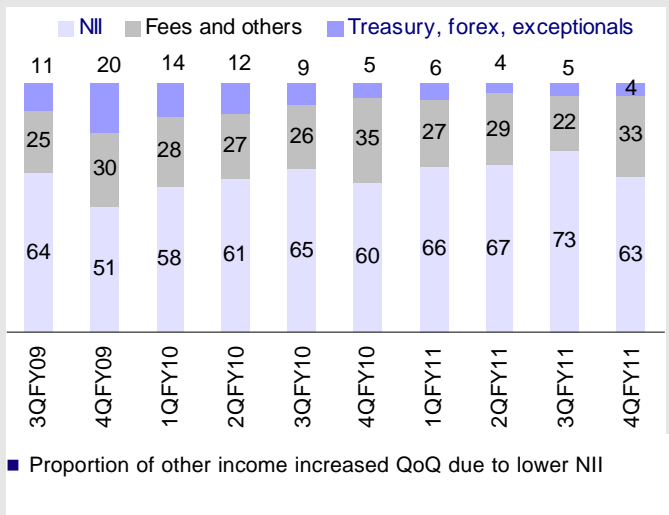
NIM declines 54bp QoQ; adjusted NIM down ~35bp QoQ (%)



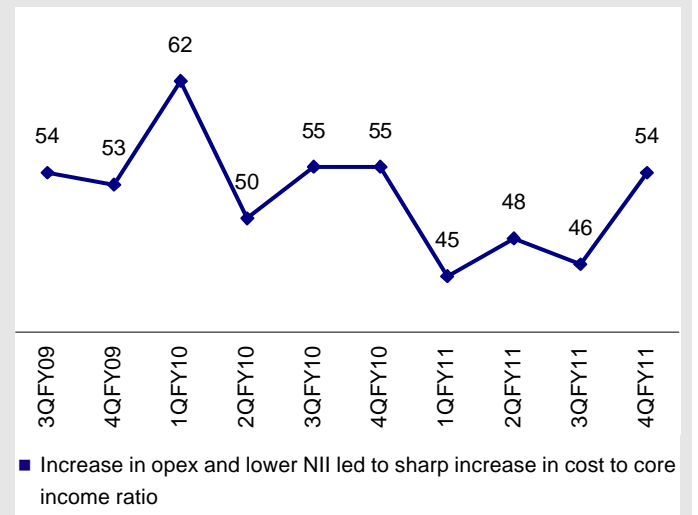
After six quarters, interest expense growth was higher than deposit growth



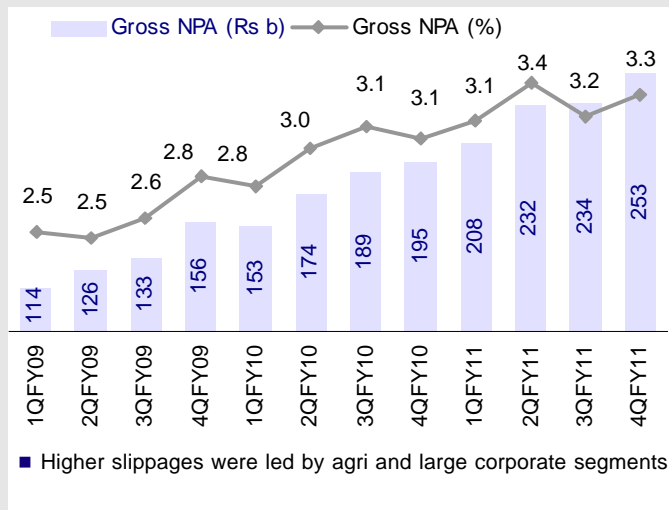
Fee income picks up QoQ (%)



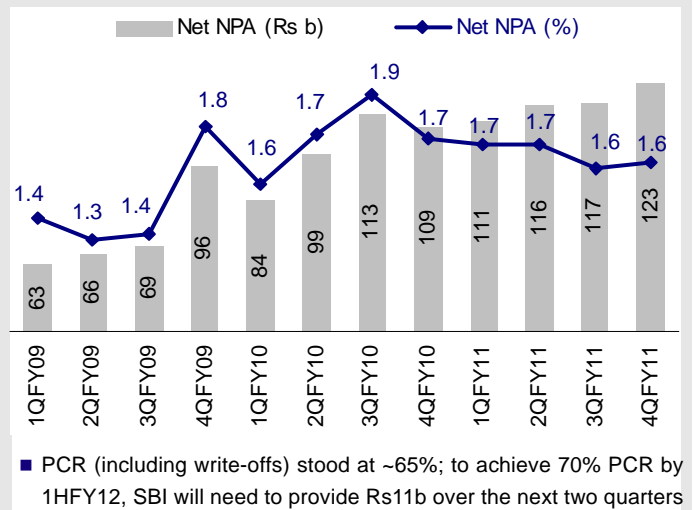
Cost to core income increases sharply (%)



Annualized slippage ratio remains high at 3.6%



NNPA up 6% QoQ



Quarterly Snapshot

	FY10				FY11				Variation (%)		Cumulative Numbers		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	QoQ	YoY	FY10	FY11	YoY Gr (%)
Profit and Loss (Rs m)													
Net Interest Income	50,249	56,088	63,163	67,214	73,038	81,149	90,498	80,581	-11	20	236,714	325,265	37
Other Income	35,688	35,252	33,657	45,085	36,900	40,052	33,139	48,155	45	7	149,682	158,246	6
Trading profits	7,088	5,454	4,370	1,895	1,734	1,970	2,202	3,347	52	77	18,807	9,254	-51
Fee Income	18,620	21,030	21,900	34,858	24,096	29,450	24,774	37,312	51	7	96,408	115,632	20
Forex Income	9,979	8,768	7,387	8,333	11,070	8,632	6,163	7,495	22	-10	34,466	33,360	-3
Others	4,704	5,237	4,036	4,256	5,025	3,090	4,083	2,446	-40	-43	18,233	14,644	-20
Total Income	85,936	91,340	96,820	112,299	109,938	121,201	123,637	128,735	4	15	386,396	483,511	25
Operating Expenses	49,198	42,990	50,639	60,361	48,593	57,631	55,992	67,938	21	13	203,187	230,154	13
Employee	34,113	26,341	31,175	35,918	30,739	36,758	35,117	42,188	20	17	127,546	144,802	14
Others	15,085	16,648	19,464	24,443	17,854	20,873	20,876	25,750	23	5	75,640	85,353	13
Operating Profits	36,739	48,350	46,182	51,939	61,345	63,570	67,645	60,797	-10	17	183,209	253,357	38
Provisions	1,727	10,161	8,566	23,494	15,514	26,215	20,515	41,570	103	77	43,948	103,813	136
PBT	35,011	38,190	37,615	28,445	45,831	37,355	47,130	19,227	-59	-32	139,261	149,543	7
Taxes	11,708	13,289	12,825	9,779	16,688	12,342	18,849	19,019	1	94	47,600	66,897	41
PAT	23,304	24,900	24,791	18,666	29,143	25,014	28,281	209	-99	-99	91,660	82,646	-10
Asset Quality (Rs b)													
GNPA	153	174	189	195	208	232	234	253	8	30			
NNPA	84	99	113	109	111	116	117	123	6	14			
GNPA (%)	2.8	3.0	3.1	3.1	3.1	3.4	3.2	3.3	11	23			
NNPA (%)	1.6	1.7	1.9	1.7	1.7	1.7	1.6	1.6	2	-9			
PCR (Calculated, %)	45	43	40	44	47	50	50	51					
PCR (Reported, %)	62	59	56	59	61	63	64	65					
Slippages			26	25	41	53	32	56	79	125			
Slippage Ratio (%)			2	1.8	2.6	3.3	2.0	3.6	158	173			
Prov. for NPA in qtr	12	10	4	22	17	22	16	33	100	49			
Credit Cost (%)	0.9	0.7	0.3	1.4	1.1	1.3	0.9	1.8	83	34			
Restructured loans	188	250	258	296	303	307	328	343	5	16			
% to Loans	3.4	4.4	4.3	4.7	4.6	4.5	4.5	4.5	3	-15			
of which turned into NPA		4	14	27	28	38	44	51					
% to restructured Loans		1.8	5.6	9.0	9.4	12.3	13.5	15.0					
O/S std restructured loans		245	243	270	275	269	283	292					
% to Loans		4.3	4.1	4.3	4.2	3.9	3.9	3.9					
Ratios (%)													
Fees to Total Income	21.7	23.0	22.6	31.0	21.9	24.3	20.0	29.0			25.0	23.9	
Cost to Core Income	62.4	50.1	54.8	54.7	44.9	48.3	46.1	54.2			61.0	52.2	
Tax Rate	33.4	34.8	34.1	34.4	36.4	33.0	40.0	98.9			34.2	44.7	
Loan/Deposit	72.0	75.1	78.8	79.8	81.4	81.0	84.2	82.6					
Domestic Loan/Deposit	64.8	67.5	71.5	73.6	74.9	74.7	77.2	76.3					
CAR	14.1	14.1	13.8	13.4	13.5	13.2	13.2	12.0					
Tier I	9.7	9.8	9.7	9.5	9.8	9.6	9.6	7.8					
RoA (cal)	1.0	1.0	1.0	0.7	1.1	0.9	1.0	0.0					
RoE (Cal)	15.6	15.8	15.1	11.3	17.3	14.2	15.4	0.1					
Margins - Cumulative (%)													
Yield on Advances	10.0	10.0	9.8	9.7	9.3	9.5	9.6	9.6					
Yield On Funds	6.5	6.5	6.5	6.5	6.8	6.9	7.0	7.0					
Cost of Deposits	6.2	6.1	5.9	5.8	5.3	5.3	5.2	5.3					
Quarterly margins	2.3	2.6	2.8	3.0	3.2	3.4	3.6	3.1					
NIM Cumulative	2.3	2.4	2.6	2.7	3.2	3.3	3.4	3.3					

Source: Company/MOSL, For %age change QoQ and YoY is bp

Quarterly Snapshot (Contd.)

Rs b	FY09				FY10				FY11				Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	QoQ	YoY
Liabilities														
Net Worth	515	544	571	579	618	644	666	659	689	722	751	650	-13	-1
Deposits	5,619	6,175	6,928	7,421	7,636	7,729	7,710	8,041	8,153	8,553	8,790	9,339	6	16
Borrowings	568	544	465	537	518	575	566	1,030	1,072	1,126	1,161	1,196	3	16
Other Liabilities & Prov.	804	911	1,153	1,107	998	930	1,057	803	837	643	813	1,052	29	31
Total Liabilities	7,506	8,174	9,117	9,644	9,770	9,878	9,999	10,534	10,750	11,045	11,514	12,237	6	16
Assets														
Cash/RBI	453	650	426	555	405	417	447	613	696	671	807	944	17	54
Short term funds	113	133	353	489	291	282	269	349	333	348	316	285	-10	-18
Investments	2,049	1,976	2,735	2,760	3,202	3,085	2,881	2,858	3,000	2,855	2,700	2,956	9	3
Loans	4,425	4,984	5,038	5,425	5,498	5,721	5,989	6,319	6,532	6,807	7,266	7,567	4	20
Net Fixed Assets	35	38	38	38	42	45	49	44	45	48	48	48	-1	8
Other Assets	431	393	527	377	332	328	363	351	373	315	376	438	16	25
Total Assets	7,506	8,174	9,117	9,644	9,770	9,878	9,999	10,534	10,750	11,045	11,514	12,237	6	16
Deposit Break-up														
CASA Deposits	2,195	2,285	2,373	2,734	2,678	2,953	3,067	3,466	3,556	3,772	3,938	4,233	7	22
Savings Deposits	1,670	1,765	1,858	1,975	2,122	2,312	2,453	2,563	2,840	3,045	3,186	3,234	1	26
% to Total Deposits	30	29	27	27	28	30	32	32	35	36	36	35		
Current Deposits	525	520	515	759	637	641	628	903	717	727	752	999	33	11
% to Total Deposits	9	8	7	10	8	8	8	11	9	9	9	11		
CASA (Cal)	39	37	34	37	36	38	40	43	44	44	45	45		
CASA Reported	42	40	37	39	38	41	43	47	48	48	49	49		
Domestic Loan Break Up														
Large Corporate	466	567	645	743	638	650	825	881	956	931	1,058	1,087	3	23
Mid Corporate	1,107	1,211	994	1,190	1,273	1,219	1,120	1,337	1,455	1,449	1,502	1,576	5	18
SME	780	793	881	959	967	959	1,029	975	1,106	1,122	1,242	1,197	-4	23
Agriculture	436	489	523	547	567	590	612	783	639	695	713	948	33	21
Retail	921	997	1,035	1,070	1,129	1,189	1,265	1,348	1,394	1,430	1,564	1,646	5	22
Others	74	198	304	114	22	248	283	120	37	251	215	171	-21	43
Domestic Loan Mix														
Large Corporate	12	13	15	16	14	13	16	16	17	16	17	16		
Mid Corporate	29	29	23	26	28	25	22	25	26	25	24	24		
SME	21	19	20	21	21	20	20	18	20	19	20	18		
Agriculture	12	12	12	12	12	12	12	14	11	12	11	14		
Retail	24	24	24	23	25	24	25	25	25	24	25	25		
Others	2	5	7	2	0	5	6	2	1	4	3	3		

* There has been reclassification of loan in 4QFY11

Stock Info

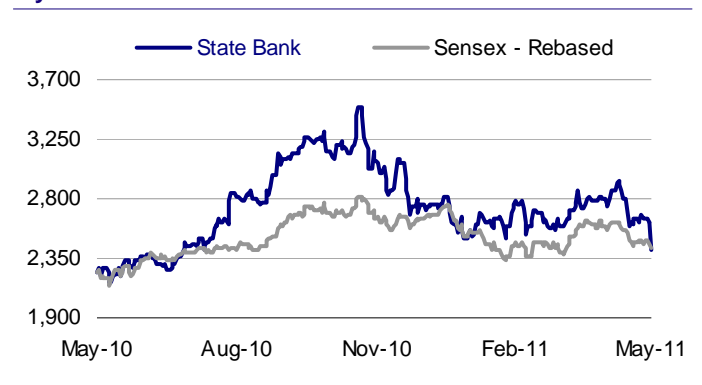
EPS: MOSL forecast v/s consensus (Rs)

	MOSL Forecast	Consensus Forecast	Variation (%)
FY12	263.1	262.7	0.2
FY13	318.6	319.9	-0.4

Shareholding pattern (%)

	Mar-11	Dec-10	Mar-10
Promoter	59.4	59.4	59.4
Domestic Inst	16.6	15.6	17.5
Foreign	15.8	16.4	13.8
Others	8.3	8.6	9.3

1-year Sensex rebased



Banking: Valuation Matrix

	Rating	CMP (Rs)	Mkt. Cap (US\$b)	TP (Rs)	Upside (%)	EPS (Rs)		P/E (x)		P/BV (x)		RoA (%)		RoE (%)	
						FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
ICICI*	Buy	1,040	26.2	1,360	30.8	58	69	14.3	11.6	2.0	1.8	1.5	1.6	14.5	15.7
HDFCB	Neutral	2,254	23.0	2,578	14.4	111	139	20.4	16.2	3.6	3.1	1.7	1.7	18.8	20.3
Axis	Buy	1,218	11.0	1,638	34.5	99	117	12.3	10.4	2.2	1.9	1.5	1.4	19.1	19.3
Kotak	Neutral	411	3.3	469	14.3	24	29	16.1	13.5	2.3	2.0	2.2	2.0	15.9	16.5
Yes	Buy	288	2.2	406	40.6	27	34	10.6	8.5	2.2	1.8	1.4	1.3	22.6	23.1
Indusind	Buy	241	2.5	335	39.1	16	20	14.9	11.8	2.5	2.2	1.5	1.5	18.3	19.7
ING Vysya	Buy	321	0.9	493	53.4	33	41	9.7	7.8	1.4	1.2	0.9	1.0	14.9	16.2
Federal	Buy	436	1.6	537	23.2	40	46	10.8	9.4	1.3	1.2	1.2	1.2	12.9	13.5
J&K Bk	Buy	804	0.9	975	21.4	158	176	5.1	4.6	1.0	0.8	1.4	1.3	20.3	19.3
SIB	Buy	23	0.6	26	11.2	3	4	7.7	6.3	1.2	1.1	0.9	0.9	17.4	18.4
Private Aggregate			72					15.5	12.9	2.3	2.0				
SBI (cons)*	Buy	2,414	33.6	3,067	27.1	263	319	8.8	7.3	1.6	1.3	1.0	1.0	19.0	19.2
PNB	Buy	1,058	7.3	1,425	34.6	172	207	6.2	5.1	1.4	1.1	1.3	1.3	24.4	24.1
BOI	Neutral	402	4.8	514	28.0	63	78	6.4	5.1	1.2	1.0	0.9	0.9	20.5	21.4
BoB	Neutral	861	7.4	1,065	23.7	117	134	7.4	6.4	1.4	1.2	1.2	1.1	21.1	20.4
Canara	Buy	542	5.3	707	30.4	100	117	5.4	4.6	1.1	0.9	1.2	1.2	22.4	21.7
Union	Buy	319	3.7	422	32.4	53	63	6.0	5.0	1.3	1.1	1.1	1.1	22.9	22.8
IOB	UR	152	2.1	188	23.8	19	24	7.8	6.3	1.1	1.0	0.7	0.7	14.4	16.3
OBC	Buy	324	2.1	488	51.0	57	69	5.6	4.7	0.8	0.7	0.9	0.9	15.4	16.5
Indian Bk Corporation	Buy	226	2.1	312	38.0	47	54	4.8	4.2	1.0	0.9	1.5	1.4	22.7	22.1
Andhra Bk	Buy	138	1.7	190	37.9	27	31	5.1	4.4	1.0	0.9	1.3	1.2	21.5	21.2
IDBI *	Neutral	133	2.9	172	29.8	20	22	5.5	5.0	0.8	0.7	0.7	0.7	14.5	14.3
Dena Bank	Buy	93	0.7	141	51.9	20	24	4.6	4.0	0.8	0.7	0.9	0.8	18.1	17.9
Public Aggregate			75					7.7	6.6	1.4	1.2				
HDFC*	Neutral	631	20.3	709	12.4	28	33	15.4	12.6	4.1	3.6	2.9	2.9	26.5	27.6
LICHF	Buy	210	2.2	301	43.3	25	30	8.4	7.1	2.0	1.6	2.1	1.9	25.6	25.0
DHFL	Buy	238	0.5	231	-3.1	27	34	6.5	5.1	1.7	1.3	1.5	1.4	16.7	18.1
IDFC	Neutral	128	4.1	175	37.0	10	12	10.1	8.5	1.4	1.2	2.8	2.7	13.4	13.6
REC	Buy	219	4.7	332	51.9	29	34	7.5	6.4	1.5	1.3	3.3	3.1	21.3	21.8
PFC	NR	221	5.6	324	46.4	23	28	9.5	7.9	1.4	1.2	2.7	2.7	16.8	16.4
STF	Buy	640	3.2	933	45.8	65	77	9.8	8.3	2.4	1.9	3.3	3.2	26.7	25.6
MMFSL	Neutral	649	1.5	845	30.1	57	68	11.4	9.5	2.3	1.9	4.3	4.2	21.5	22.0
NBFC Aggregate			42					12.6	10.6	3.1	2.5				

* Multiples adjusted for value of key ventures/investments; For ICICI Bank, HDFC Ltd BV is adjusted for investments in subsidiaries

Financials and Valuation

Income Statement (Standalone)					(Rs Million)	
Y/E March	2008	2009	2010	2011	2012E	2013E
Interest Income	489,503	637,884	709,939	813,944	992,407	1,175,402
Interest Expense	319,291	429,153	473,225	488,680	636,319	767,898
Net Interest Income	170,212	208,731	236,714	325,264	356,088	407,504
Change (%)	13.0	22.6	13.4	37.4	9.5	14.4
Non Interest Income	86,949	126,908	149,682	158,246	185,925	218,936
Net Income	257,162	335,639	386,396	483,510	542,013	626,439
Change (%)	17.8	30.5	15.1	25.1	12.1	15.6
Operating Expenses	126,086	156,487	203,187	230,154	245,975	280,204
Pre Provision Profits	131,076	179,152	183,209	253,356	296,038	346,235
Change (%)	31.1	36.7	2.3	38.3	16.8	17.0
Provisions (excl tax)	26,687	37,346	43,948	103,813	91,431	106,758
PBT	104,389	141,806	139,261	149,542	204,608	239,477
Tax	37,098	50,594	47,600	66,897	71,613	83,817
Tax Rate (%)	35.5	35.7	34.2	44.7	35.0	35.0
PAT	67,291	91,212	91,661	82,645	132,995	155,660
Change (%)	48.2	35.5	0.5	-9.8	60.9	17.0
Equity Dividend (Incl tax)	15,885	20,892	21,414	22,289	29,718	37,148
Core PPP*	105,887	144,599	152,051	234,146	275,538	324,235
Change (%)	25.2	36.6	5.2	54.0	17.7	17.7

*Core PPP is (NII+Fee income-Opex)

Balance Sheet					(Rs Million)	
Y/E March	2008	2009	2010	2011	2012E	2013E
Equity Share Capital	6,315	6,349	6,349	6,350	6,350	6,350
Reserves & Surplus	484,012	573,128	653,143	643,510	746,787	865,300
Net Worth	490,327	579,477	659,492	649,860	753,137	871,650
Deposits	5,374,050	7,420,731	8,041,162	9,339,328	10,833,621	12,567,000
Change (%)	23.4	38.1	8.4	16.1	16.0	16.0
of which CASA Dep	2,523,639	3,089,778	3,800,397	4,594,314	5,378,339	6,379,846
Change (%)	19.5	22.4	23.0	20.9	17.1	18.6
Borrowings	730,168	840,579	1,030,116	1,195,690	1,309,476	1,456,593
Other Liabilities & Prov.	620,731	803,534	803,368	1,052,485	1,263,736	1,517,108
Total Liabilities	7,215,274	9,644,321	10,534,137	12,237,362	14,159,968	16,412,350
Current Assets	674,663	1,044,038	961,838	1,228,741	1,445,770	1,712,048
Investments	1,895,013	2,759,540	2,857,901	2,956,006	3,251,606	3,576,767
Change (%)	27.1	45.6	3.6	3.4	10.0	10.0
Loans	4,167,682	5,425,032	6,319,142	7,567,195	8,929,290	10,536,562
Change (%)	23.5	30.2	16.5	19.8	18.0	18.0
Fixed Assets	33,735	38,378	44,129	47,642	51,746	57,261
Other Assets	444,181	377,333	351,128	437,779	481,556	529,712
Total Assets	7,215,274	9,644,321	10,534,137	12,237,362	14,159,968	16,412,350

Asset Quality					(%)	
GNPA (Rs m)	128,373	157,140	195,349	253,259	270,253	308,892
NNPA (Rs m)	74,243	96,774	108,702	123,469	124,998	135,146
GNPA Ratio	3.04	2.86	3.05	3.29	2.98	2.88
NNPA Ratio	1.78	1.78	1.72	1.63	1.40	1.28
PCR (Excl Tech. write off)	42.2	38.4	44.4	51.2	53.7	56.2
PCR (Incl Tech. Write off)	0.0	57.0	59.2	65.0	66.1	66.9

E: MOSL Estimates

Financials and Valuation

Ratios

Y/E March	2008	2009	2010	2011	2012E	2013E
Spreads Analysis (%)						
Avg. Yield-Earning Assets	8.7	8.6	7.8	8.0	8.5	8.7
Avg. Yield on loans	9.3	9.7	8.6	8.6	9.2	9.4
Avg. Yield on Investments	7.1	6.7	6.3	6.8	7.0	7.0
Avg. Cost-Int. Bear. Liab.	5.8	6.0	5.5	5.0	5.6	5.9
Avg. Cost of Deposits	5.6	5.9	5.6	5.0	5.6	5.9
Interest Spread	2.9	2.6	2.3	3.0	2.9	2.9
Net Interest Margin	3.0	2.8	2.6	3.2	3.1	3.0

Profitability Ratios (%)

RoE	16.8	17.1	14.8	12.6	19.0	19.2
RoA	1.0	1.1	0.9	0.7	1.0	1.0
Int. Expense/Int. Income	65.2	67.3	66.7	60.0	64.1	65.3
Fee Income/Net Income	25.7	26.2	29.1	26.9	28.6	29.4
Non Int. Inc./Net Income	33.8	37.8	38.7	32.7	34.3	34.9

Efficiency Ratios (%)

Cost/Income*	52.4	50.5	55.6	48.5	46.2	45.5
Empl. Cost/Op. Exps.	61.8	62.3	62.8	62.9	59.1	57.7
Busi. per Empl. (Rs m)	47.4	58.1	67.0	76.6	87.2	99.6
NP per Empl. (Rs lac)	3.7	4.7	4.5	4.1	6.3	7.2

* ex treasury

Asset-Liability Profile (%)

Loans/Deposit Ratio	77.6	73.1	78.6	81.0	82.4	83.8
CASA Ratio	47.0	41.6	47.3	49.2	49.6	50.8
Investment/Deposit Ratio	35.3	37.2	35.5	31.7	30.0	28.5
G-Sec/Investment Ratio	75.7	82.7	79.7	81.0	82.3	86.8
CAR	13.0	14.3	13.4	11.1	10.7	10.4
Tier 1	8.5	9.4	9.5	7.7	7.6	7.4

Valuation

Book Value (Rs)	776	913	1,039	1,023	1,186	1,373
BV Growth (%)	30.6	17.5	13.8	-1.5	15.9	15.7
Price-BV (x)	3.1	2.6	2.3	2.4	2.0	1.8
Consol BV (Rs)	938	1,105	1,268	1,268	1,484	1,744
BV Growth (%)	20.8	17.9	14.7	0.0	17.1	17.5
Price-Consol BV (x)	2.5	2.1	1.8	1.8	1.6	1.3
Adjusted BV (Rs)	700	814	927	897	1,058	1,234
Price-ABV (x)	3.4	3.0	2.6	2.7	2.3	2.0
Adjusted Consol BV	846	996	1,127	1,110	1,324	1,571
Price-Consol ABV (x)	2.7	2.3	2.0	2.1	1.8	1.5
EPS (Rs)	106.6	143.7	144.4	130.1	209.4	245.1
EPS Growth (%)	23.5	34.8	0.5	-9.9	60.9	17.0
Price-Earnings (x)	22.7	16.8	16.7	18.5	11.5	9.8
Consol EPS (Rs)	141.9	172.6	184.8	168.3	263.1	318.6
Con. EPS Growth (%)	17.3	21.6	7.1	-8.9	56.3	21.1
Price-Concol EPS (x)	16.2	13.4	12.5	13.8	8.8	7.3
Dividend Per Share (Rs)	21.5	29.0	30.0	30.0	40.0	50.0
Dividend Yield (%)	0.9	1.2	1.2	1.2	1.7	2.1

E: MOSL Estimates



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State Bank of India

1. Analyst ownership of the stock	No
2. Group/Directors ownership of the stock	Yes
3. Broking relationship with company covered	Yes
4. Investment Banking relationship with company covered	No

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