



# State Bank of India

BSE SENSEX 19,008  
S&P CNX 5,697

Rs2,598

Buy

Bloomberg SBIN IN  
Equity Shares (m) 635.0  
52-Week Range (Rs) 3,515/1,863  
1,6,12 Rel.Perf.(%) 0/0/11  
M.Cap. (Rs b) 1,649.6  
M.Cap. (US\$ b) 35.9

	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	13.5	1,268	2.0	2.2	0.9	14.8	
3/11E	494,951	112,699	177.5	209.9	11.9	1,437	1.7	1.9	1.0	16.0	
3/12E	566,406	139,835	220.3	272.6	9.1	1,657	1.5	1.6	1.1	17.5	
3/13E	667,339	169,829	267.5	333.3	7.5	1,932	1.3	1.4	1.1	18.5	

\* Valuation multiples are adjusted for SBI Life's value

SBI's 3QFY11 PAT was up 14% YoY at Rs28.3b (10% higher than our estimate). Performance on operating parameters was significantly better than we had anticipated. Some of the positive surprises are: margin improvement of 18bp QoQ (v/s our estimate of 10bp decline), lower than expected opex (13% lower than estimated), and stable asset quality.

### Key highlights

- Margins have improved 18bp QoQ and 79bp YoY to 3.61%, led by a sequential drop in cost of deposits (13bp). Improvement in CASA ratio (~90bp QoQ) and CD ratio at elevated level of 77% also aided NIM expansion. The management guided that margins would be maintained at current levels (may see 10bp improvement in 4QFY11). For FY12, the management guided margin of 3.3% v/s ~3.5% expected in FY11.
- Operating expenses increased 11% YoY (down 3% QoQ), 13% lower than our estimate. With increase in benchmark yields, gratuity liability is revised to Rs19b as against Rs22b earlier.
- In absolute terms, GNPA remained flat QoQ at Rs234b. PCR including technical write-offs increased to 64% (v/s 62.8% in 2QFY11). Reported slippages for the quarter were at Rs39b (including Rs7.7b of URIPY balance reduction).
- The management said that SBI's special home loan scheme does not classify as teaser rate loan; hence, it has not made 2% standard provision on this portfolio. The bank has currently provided at 0.4% and if RBI does not agree, it will have to make an additional provision of Rs5b. Also, its second pension liability provisions are without considering the 9th bipartite agreement and provided as per 8th bipartite agreement. The management is still waiting for actuarial valuations for the same and plans to amortize the liability over five years.

**Valuation and view:** The stock trades at 1.5x FY12E and 1.3x FY13E consolidated BV. We expect RoA to improve from 0.9% in FY10 to ~1% in FY11 and ~1.1% in FY12-13. RoE is likely to improve from 15% in FY10 to 18-19% by FY13 (without assuming capital raising). Maintain **Buy**.

### QUARTERLY PERFORMANCE

	(RS MILLION)									
	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	174,728	177,759	177,797	179,656	184,522	198,081	214,128	234,751	709,939	831,482
Interest Expense	124,479	121,671	114,634	112,442	111,484	116,932	123,630	142,769	473,225	494,816
<b>Net Interest Income</b>	<b>50,249</b>	<b>56,088</b>	<b>63,163</b>	<b>67,214</b>	<b>73,038</b>	<b>81,149</b>	<b>90,498</b>	<b>91,982</b>	<b>236,714</b>	<b>336,666</b>
% Change (Y-o-Y)	4.3	2.8	9.7	38.8	45.4	44.7	43.3	36.8	13.4	42.2
Other Income	35,688	35,252	33,657	45,085	36,900	40,052	33,139	48,194	149,682	158,285
<b>Net Income</b>	<b>85,936</b>	<b>91,340</b>	<b>96,820</b>	<b>112,300</b>	<b>109,938</b>	<b>121,201</b>	<b>123,637</b>	<b>140,175</b>	<b>386,396</b>	<b>494,951</b>
Operating Expenses	49,198	42,990	50,639	60,361	48,593	57,631	55,992	69,592	203,187	231,808
<b>Operating Profit</b>	<b>36,739</b>	<b>48,350</b>	<b>46,181</b>	<b>51,939</b>	<b>61,345</b>	<b>63,570</b>	<b>67,645</b>	<b>70,583</b>	<b>183,209</b>	<b>263,143</b>
% Change (Y-o-Y)	-7.3	15.3	3.0	-1.6	67.0	31.5	46.5	35.9	2.3	43.6
Other Provisions	1,727	10,161	8,566	23,494	15,514	26,215	20,515	24,807	43,948	87,051
<b>Profit before Tax</b>	<b>35,011</b>	<b>38,190</b>	<b>37,615</b>	<b>28,445</b>	<b>45,831</b>	<b>37,355</b>	<b>47,130</b>	<b>45,776</b>	<b>139,261</b>	<b>176,092</b>
Tax Provisions	11,708	13,289	12,825	9,779	16,688	12,342	18,849	15,514	47,600	63,393
<b>Net Profit</b>	<b>23,304</b>	<b>24,900</b>	<b>24,791</b>	<b>18,666</b>	<b>29,143</b>	<b>25,014</b>	<b>28,281</b>	<b>30,261</b>	<b>91,661</b>	<b>112,699</b>
% Change (Y-o-Y)	42.0	10.2	0.0	-31.9	25.1	0.5	14.1	62.1	0.5	23.0
Interest Exp/Interest Income (%)	71.2	68.4	64.5	62.6	60.4	59.0	57.7	60.8	66.7	59.5
Other Income/Net Income (%)	41.5	38.6	34.8	40.1	33.6	33.0	26.8	34.4	38.7	32.0
Cost/Income Ratio (%)	57.2	47.1	52.3	53.7	44.2	47.5	45.3	49.6	52.6	46.8
Provisions/Operating Profits (%)	4.7	21.0	18.5	45.2	25.3	41.2	30.3	35.1	24.0	33.1
Tax Rate (%)	33.4	34.8	34.1	34.4	36.4	33.0	40.0	33.9	34.2	36.0

E: MOSL Estimates

## RESULTS ANALYSIS (RS M)

	3QFY11	3QFY10	YOY GR. %	1QFY11	QOQ GR. %	FY10	FY11E	FY12E
Interest Income	214,128	177,797	20	198,081	8	709,939	831,482	1,003,897
Interest Expense	123,630	114,634	8	116,932	6	473,225	494,816	623,108
<b>Net Interest Income (NII)</b>	<b>90,498</b>	<b>63,163</b>	<b>43</b>	<b>81,149</b>	<b>12</b>	<b>236,714</b>	<b>336,666</b>	<b>380,789</b>
Other Income	33,139	33,657	-2	40,052	-17	149,682	158,285	185,617
- Fees and others	30,937	29,287	6	38,082	-19	128,514	150,035	177,117
- Treasury Income	2,202	4,370	-50	1,970	12	21,168	8,250	8,500
<b>Net Income</b>	<b>123,637</b>	<b>96,820</b>	<b>28</b>	<b>121,201</b>	<b>2</b>	<b>386,396</b>	<b>494,951</b>	<b>566,406</b>
Total Operating Costs	55,992	50,639	11	57,631	-3	203,187	231,808	265,614
- Staff Costs	35,117	31,175	13	36,758	-4	127,546	146,315	164,462
- Other Opex	20,876	19,464	7	20,873	0	75,640	85,493	101,153
<b>Operating Profit</b>	<b>67,645</b>	<b>46,182</b>	<b>46</b>	<b>63,570</b>	<b>6</b>	<b>183,209</b>	<b>263,143</b>	<b>300,792</b>
Provisions	20,515	8,566	139	26,215	-22	43,948	87,051	85,661
- NPAs	16,323	4,437	268	21,625	-25	46,223	73,650	74,877
- Others	4,192	4,129	2	4,590	-9	(2,275)	13,401	10,784
<b>PBT</b>	<b>47,130</b>	<b>37,615</b>	<b>25</b>	<b>37,355</b>	<b>26</b>	<b>139,261</b>	<b>176,092</b>	<b>215,131</b>
Tax	18,849	12,825	47	12,342	53	47,600	63,393	75,296
Tax payout %	40	34		33		34	36	35
<b>PAT</b>	<b>28,281</b>	<b>24,791</b>	<b>14</b>	<b>25,014</b>	<b>13</b>	<b>91,661</b>	<b>112,699</b>	<b>139,835</b>
<b>Deposits</b>	<b>8,789,790</b>	<b>7,709,850</b>	<b>14</b>	<b>8,553,450</b>	<b>3</b>	<b>8,041,162</b>	<b>9,488,571</b>	<b>11,196,514</b>
<b>CASA Ratio %</b>	<b>49</b>	<b>43</b>		<b>48</b>		<b>47</b>	<b>49</b>	<b>48</b>
<b>Net Loans</b>	<b>7,266,490</b>	<b>5,989,180</b>	<b>21</b>	<b>6,807,495</b>	<b>7</b>	<b>6,319,142</b>	<b>7,709,353</b>	<b>9,405,410</b>
<b>Gross NPA (Rs B)</b>	<b>234.4</b>	<b>188.6</b>	<b>24</b>	<b>232.0</b>	<b>1</b>	<b>195.3</b>	<b>242.4</b>	<b>246.2</b>
<b>Gross NPA %</b>	<b>3.2</b>	<b>3.1</b>		<b>3.4</b>		<b>3.0</b>	<b>3.1</b>	<b>2.6</b>
<b>Net NPA (Rs B)</b>	<b>117.0</b>	<b>112.7</b>	<b>4</b>	<b>116.0</b>	<b>1</b>	<b>108.7</b>	<b>115.2</b>	<b>92.3</b>
<b>Net NPA %</b>	<b>1.6</b>	<b>1.9</b>		<b>1.7</b>		<b>1.7</b>	<b>1.5</b>	<b>1.0</b>
Yields on Advances %**	9.6	9.8		9.5		8.6	8.8	9.1
Cost of deposits %**	5.2	5.9		5.3		5.6	5.0	5.4
<b>NIM %**</b>	<b>3.4</b>	<b>2.6</b>		<b>3.3</b>		<b>2.6</b>	<b>3.3</b>	<b>3.2</b>
Tier I CAR %	9.6	9.7		9.6		9.5	9.0	8.6
Tier II CAR %	3.6	4.1		3.6		3.9	3.4	3.1

\*\* reported on cumulative basis, full years nos calculated

### NII growth higher than estimated, led by superior margin performance

NIM for the quarter improved by 18bp QoQ to 3.6%, leading to 43% YoY (+12% QoQ) growth in NII to Rs90.5b (8% higher than estimated). Healthy growth in CASA deposits and elevated CD ratio aided margin expansion. Interest income included Rs2.3b of interest under IT refund v/s Rs3.7b a year ago and Rs1.2b a quarter ago, adjusted for which NII grew 10% QoQ and 48% YoY. Yield on loans for 9MFY11 were at 9.58% v/s 9.5% in 1HFY11 and 9.8% in 9MFY10. In our view, yield on loans improved 4bp QoQ for 3QFY11 (9.74%) v/s 2QFY11 (9.7%).

Full impact of (1) 25bp increase in BPLR and 10bp hike in base rate in 3QFY11, and (2) 40bp hike in base rate and 25bp in PLR in 4QFY11 will aid margin performance. Cost of deposits declined marginally to 5.20% in 9MFY11 v/s 5.25% for 1HFY11. Cost of deposits declined 13bp QoQ (2QFY11 at 5.23% and 3QFY11 at 5.1%) as ~70% of the incremental deposits were CASA deposits and some of the old high cost TD re-priced at a lower rate. Cost of deposits have bottomed out and will see moderate increases now. The management has guided that NIM will improve by 10bp in 4QFY11, led by rise in base rate and PLR at the beginning of the quarter.

### **Improving asset quality trend**

In absolute terms, GNPA remained flat sequentially at Rs234b. PCR including technical write-offs increased to 64% v/s 62.7% a quarter ago. The bank has to comply with 70% PCR requirement by the end of September 2011. Incremental provisioning required for 70% PCR is ~Rs20b, to be amortized over three quarters. Reported slippages for the quarter were at Rs31.5b (annualized slippage ratio of 2.5%, down from 2.6% (core) in 1HFY11). During the quarter, the bank reduced Rs7.7b of URIPY balance from GNPA, resulting in higher adjusted slippages of Rs39b. Balance under URIPY was fully provided; thus, there should be a proportionate increase in write-offs.

In our view, write-offs should be Rs22.5b (v/s reported level of Rs14.5b). The bank made provisions of Rs20.5b during the quarter, including MTM provision of Rs2.1b. NPA provisions stood at Rs16.3b, which also include additional provisions made to improve coverage ratio. Total restructured loans stood at Rs327.5b, which includes Rs184b restructured under RBI scheme. Of the total restructured portfolio, assets worth Rs44.2b have slipped as NPAs. Under the RBI scheme, slippages are Rs29b (15.7% of restructured portfolio). During 3QFY11, Rs20b of loans were restructured, which included Rs16b of loans to Kingfisher.

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

Loans grew 21% YoY while deposits were up 14% YoY. On domestic operations, CD ratio was 77% v/s 75% in 2QFY11. Large corporate loans grew 28% YoY and 14% QoQ, led by infrastructure and petroleum. Reported CASA ratio improved 92bp QoQ and 577bp YoY to 48.7%, the highest after HDFC Bank. Growth in savings deposits was impressive at ~30%, leading to ~28% growth in CASA deposits.

### **Fee income growth at 21%, operating leverage getting visible**

Non-interest income (ex-treasury) grew 6% YoY to Rs31b. While fee income grew 13% YoY, forex income and other miscellaneous income dropped 17% YoY. In 3QFY10, change in accounting for ATM interchange fee had led to excess income recognition of Rs2.2b (for 9MFY10 in 3QFY10 itself). Adjusted for this, growth in fee income was higher at 21%. Trading profits were at Rs2.2b v/s Rs2b in 2QFY11 and Rs4.4b in 3QFY10.

Operating expenses were up 11% YoY but declined 3% QoQ (13% lower than our estimate). Cost to core income (ex trading profits) ratio was down at 46% v/s 48% in 2QFY11 and 55% in 3QFY10. With increase in benchmark yields, guidance towards gratuity liability has been revised downwards by Rs3b to Rs19b. During the quarter, the bank provided Rs1.4b towards gratuity, taking the cumulative provision in 9MFY11 to Rs15.4b. Pension liability provisions are without considering the 9th bipartite agreement and are being provided as per 8th bipartite agreement. We wait for details on the shortfall on this account.

**Consolidated 3QFY11 PAT grew 40% YoY**

For 3QFY11, consolidated NII grew 40% YoY (7% QoQ) to Rs123b while other income improved 5% YoY to Rs76b. Opex increased 15% YoY to Rs110.2b. SBI's subsidiary banks reported operating profit growth of 18% YoY, led by strong NII growth of 35%. However, increased provisions led to lower PAT growth of 15% YoY. Provisions for 3QFY11 were Rs6b v/s Rs5b in 2QFY11. Including technical write-offs, consolidated PCR stands at 68%. SBI Life reported PAT of Rs3b for 9MFY11, up 51% YoY.

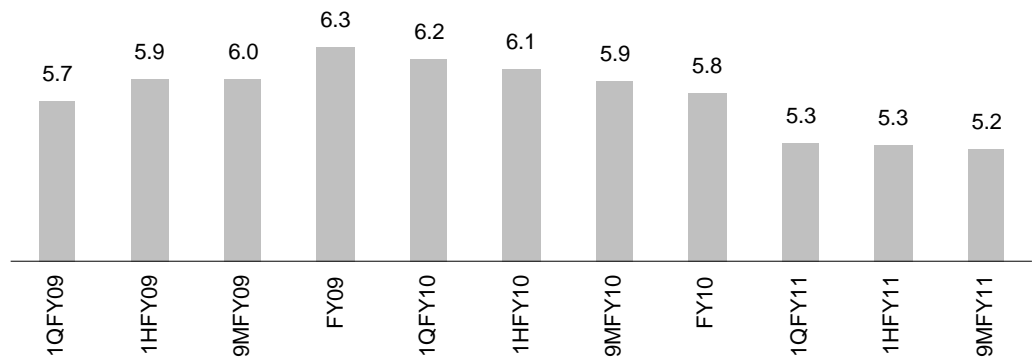
**Valuation and view**

Adjusted for life insurance valuation, SBI trades at 1.5x FY12E consolidated BV of Rs1,657 and 9.1x FY12E consolidated EPS of Rs273. Standalone RoE will be 18-19% in FY12/13. The stock has corrected ~25% from its peak on concerns relating to margins and asset quality. We believe valuations are attractive.

We expect RoA to improve from 0.9% in FY10 to ~1% in FY11 and ~1.1% in FY12-13. RoE is likely to improve from 15% in FY10 to 18-19% by FY13 (without assuming capital raising). The Rs200b rights issue should happen shortly, once government approval comes. SBI remains our top pick in the sector with a target price of Rs3,600 (1.8x FY13E consolidated BV + Rs127 for insurance). Key risks are higher pension liabilities, RBI's further monetary policy stance and any risk to industrial growth at macro level, which can impact potential loan growth in FY12.

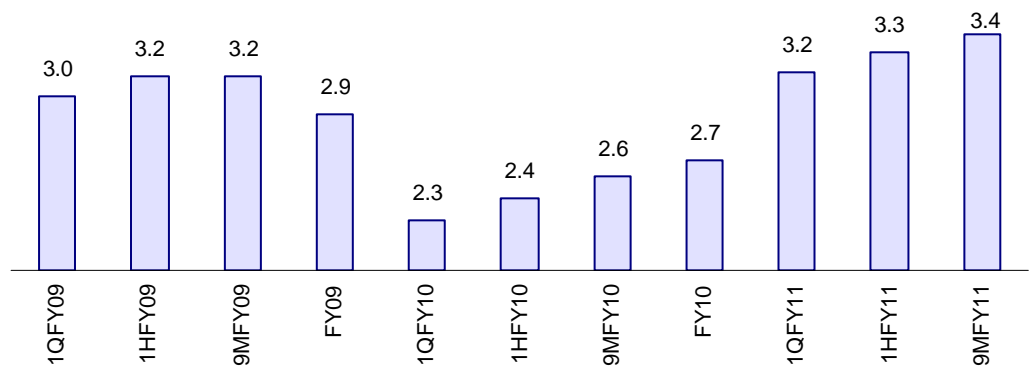
**Falling cost of deposits (%) ...**

*Cost of deposits has bottomed; will see moderate increases now*



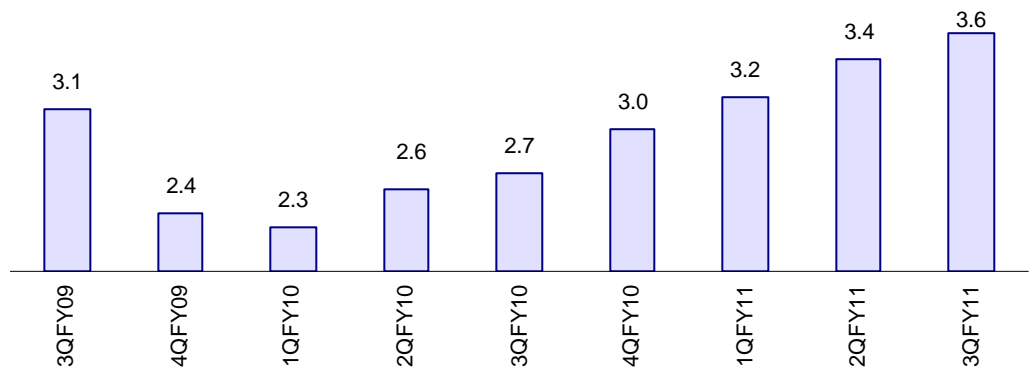
**...leading to higher margins (%)**

*Healthy growth in CASA deposits and elevated CD ratio aided margin expansion*



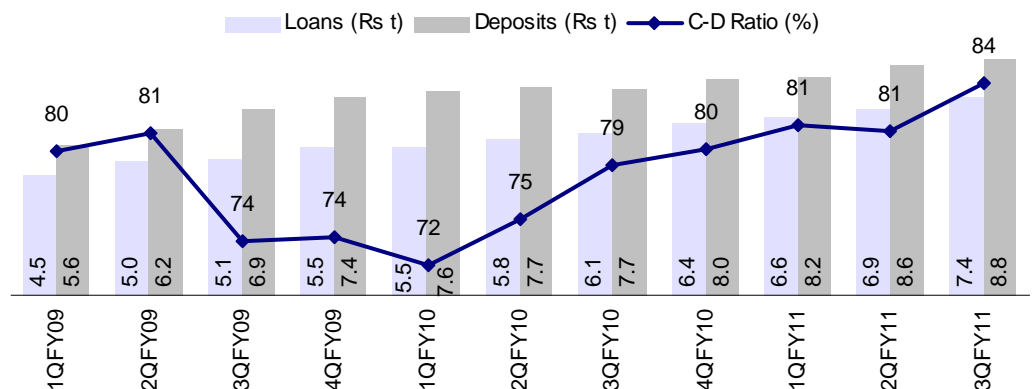
**Strong QoQ improvement in NIM (%)**

*The management has guided that NIM will further improve by 10bp in 4QFY11, led by increase in base rate and PLR at the beginning of the quarter*



**Loan and deposit trends**

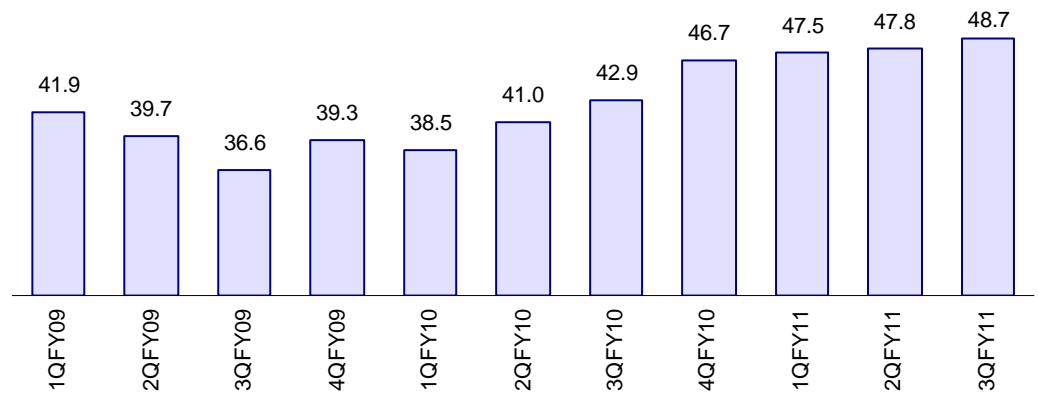
*Loans grew 21% YoY - large corporate loans grew 28% YoY and 14% QoQ, led by infrastructure and petroleum*



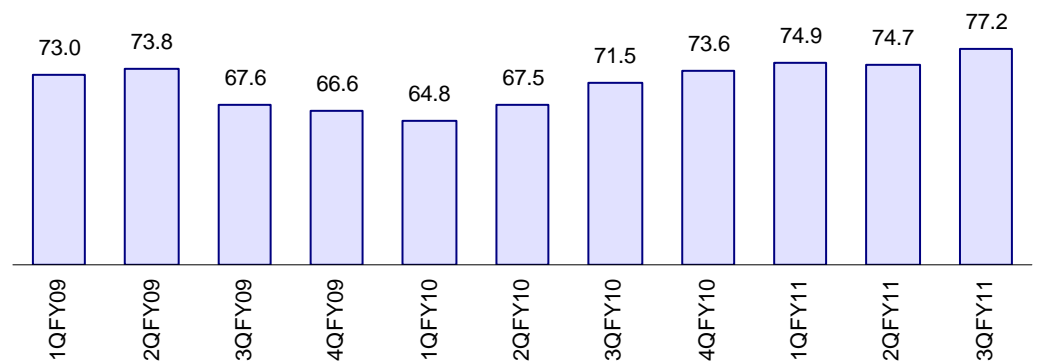
Source: Company/MOSL

**Trend in CASA ratio (%)**

*Growth in savings deposits was impressive at ~30%, leading to ~28% growth in CASA deposits*

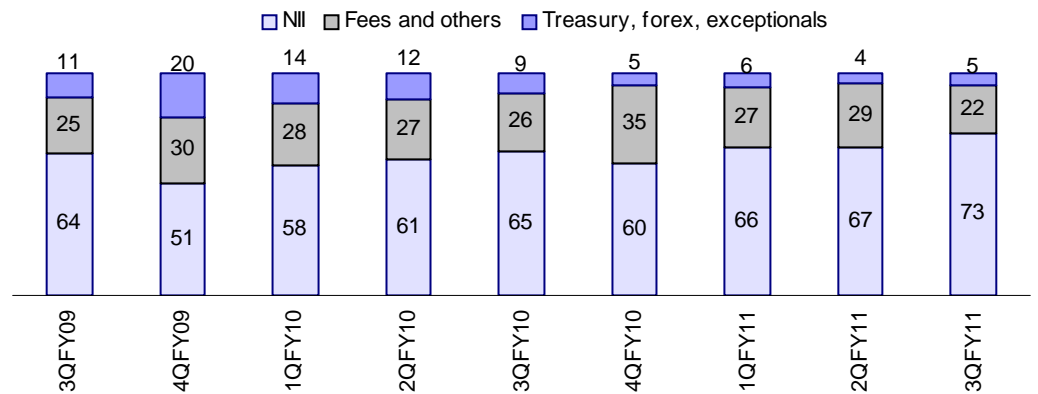


**Domestic CD ratio remains high (%)**



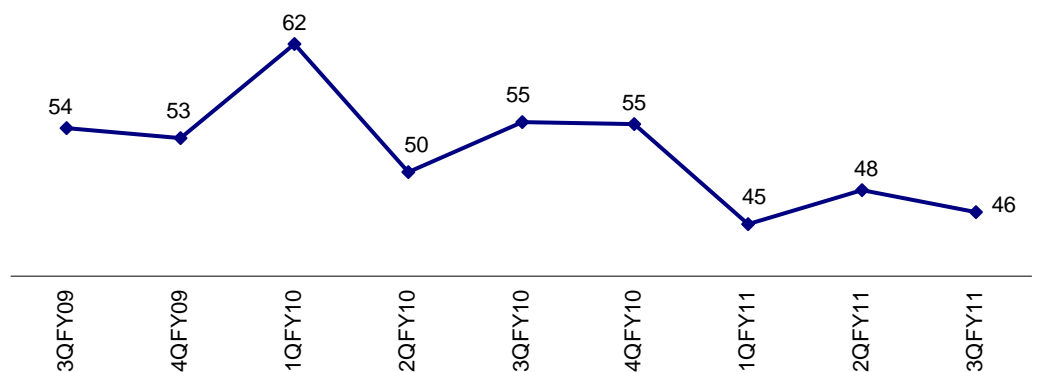
**Trend in income composition (%)**

*Proportion of fee-based income has declined*



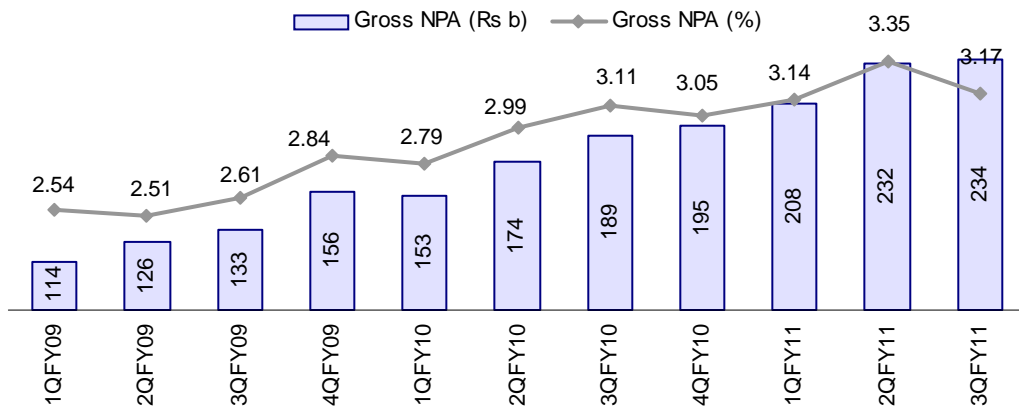
**Core cost to income (%)**

*Strong core operating profit and lower opex leads to improvement in core cost to income ratio*



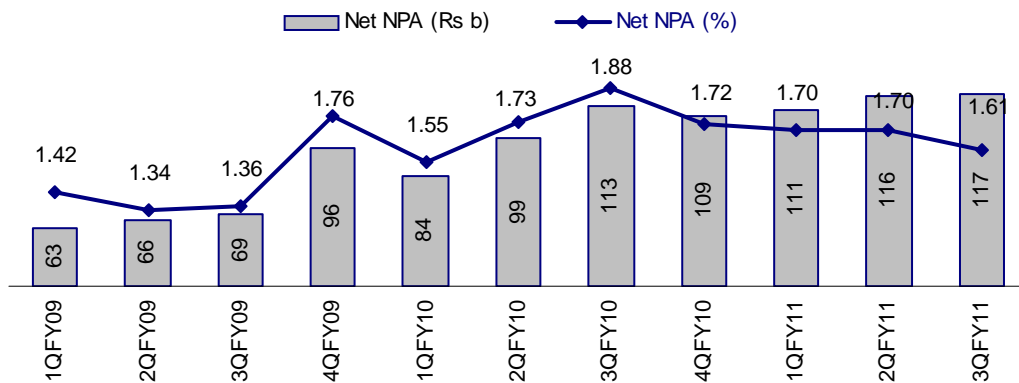
Source: Company/MOSL

**Trend in gross NPAs**



**Trend in net NPAs**

*PCR including technical write-offs increased to 64% v/s 62.7% a quarter ago*



Source: Company/MOSL

## State Bank of India: an investment profile

### Company description

State Bank of India (SBI) is India's largest commercial bank, with a balance sheet size of over ~Rs11.4t and government of India ownership of 59.4%. The bank, along with associate banks, has over 16,000+ branches in India and controls over ~24% of the banking business. SBI has improved itself through technological upgrades, honing manpower skills and business process re-engineering to be competitive and efficient for the next growth opportunity.

### Key investment arguments

- Proxy to Indian economy; will benefit from India's economic growth.
- Strong CASA ratio and improvement in loan growth will help to improve/maintain margins.
- Demonstrating the strong performance on fees and expects to maintain the strong traction.
- Strong operating leverage, Cost to Core Income ratio to decline in FY12-13.
- Higher retirements and natural attrition will pull down operating costs significantly over the next 3-4 years.

### Key investment risks

- Management's focus on increasing market share may come at the cost of profitability.
- NPAs have been increasing over few quarters and coverage ratio continues to be below industry average.

### Recent developments

- The bank has appointed Mr Deepak Ahuja as Head of Consumer Banking.
- SBI and Bharti Airtel have entered into a JV to offer mobile banking services.

### Valuation and view

- The stock has corrected ~25% from its recent high on concerns relating to interest rates and asset quality. We believe valuations are attractive at 1.5x FY12E and 1.3x FY13E consolidated BV. We expect RoA to improve from 0.9% in FY10 to ~1% in FY11 and ~1.1% in FY12-13. RoE is likely to improve from 15% in FY10 to 18-19% by FY13 (without assuming capital raising). Maintain **Buy**.

### Sector view

- Loan growth remains strong. However, rising inflation and increasing interest rates are the near-term headwinds for the sector.
- Our economist expects current tightness in liquidity to start easing in 4QFY11, allaying the pressure of significant NIM compression.
- We believe that margins would start compressing, but gradually. With strong loan growth and high CD ratio, there is strong pricing power with banks.
- Banks with high CASA deposits and lower proportion of bulk deposits will be preferred bets.

### Comparative valuations

		SBI (Cons)	PNB	BoB
P/E (x)	FY11E	11.9	8.2	8.1
	FY12E	9.1	6.7	6.9
P/BV (x)	FY11E	1.7	1.8	1.8
	FY12E	1.5	1.5	1.5
RoE (%)	FY11E	16.0	24.1	24.4
	FY12E	17.5	24.2	23.5
RoA (%)	FY11E	1.0	1.3	1.2
	FY12E	1.1	1.3	1.2

SBI P/E and P/BV are on consolidated basis adjusted for value of SBI Life at Rs140/share

### Shareholding pattern (%)

	Sep-10	Jun-10	Sep-09
Promoter	59.4	59.4	59.4
Domestic Inst	15.5	17.2	16.3
Foreign	17.2	14.9	13.9
Others	7.8	8.5	10.4

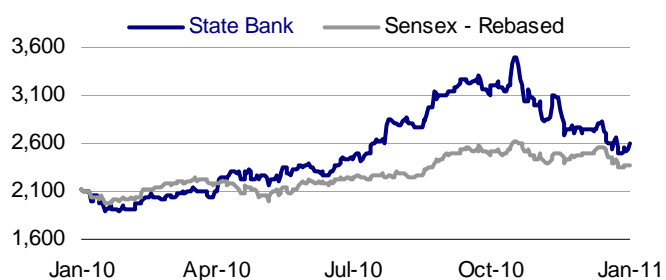
### EPS: MOSL forecast v/s consensus (Rs)

	MOSL Forecast	Consensus Forecast	Variation (%)
FY11	209.9	206.1	1.9
FY12	272.6	261.0	4.4

### Target price and recommendation

Current Price (Rs)	Target Price (Rs)	Upside (%)	Reco.
2,598	3,600	38.6	Buy

### Stock performance (1 year)





## Financials and Valuation

<b>INCOME STATEMENT (Standalone)</b>				<b>(RS MILLION)</b>		
<b>Y/E MARCH</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011E</b>	<b>2012E</b>	<b>2013E</b>
Interest Income	489,503	637,884	709,939	831,482	1,003,897	1,223,165
Interest Expense	319,291	429,153	473,225	494,816	623,108	771,991
<b>Net Interest Income</b>	<b>170,212</b>	<b>208,731</b>	<b>236,714</b>	<b>336,666</b>	<b>380,789</b>	<b>451,175</b>
<i>Change (%)</i>	<i>13.0</i>	<i>22.6</i>	<i>13.4</i>	<i>42.2</i>	<i>13.1</i>	<i>18.5</i>
Non Interest Income	86,949	126,908	149,682	158,285	185,617	216,164
<b>Net Income</b>	<b>257,162</b>	<b>335,639</b>	<b>386,396</b>	<b>494,951</b>	<b>566,406</b>	<b>667,339</b>
<i>Change (%)</i>	<i>17.8</i>	<i>30.5</i>	<i>15.1</i>	<i>28.1</i>	<i>14.4</i>	<i>17.8</i>
Operating Expenses	126,086	156,487	203,187	231,808	265,614	300,326
<b>Pre Provision Profits</b>	<b>131,076</b>	<b>179,152</b>	<b>183,209</b>	<b>263,143</b>	<b>300,792</b>	<b>367,013</b>
<i>Change (%)</i>	<i>31.1</i>	<i>36.7</i>	<i>2.3</i>	<i>43.6</i>	<i>14.3</i>	<i>22.0</i>
Provisions (excl tax)	26,887	37,346	43,948	87,051	85,661	105,737
<b>PBT</b>	<b>104,389</b>	<b>141,807</b>	<b>139,261</b>	<b>176,092</b>	<b>215,131</b>	<b>261,276</b>
Tax	37,098	50,594	47,600	63,393	75,296	91,446
<i>Tax Rate (%)</i>	<i>35.5</i>	<i>35.7</i>	<i>34.2</i>	<i>36.0</i>	<i>35.0</i>	<i>35.0</i>
<b>PAT</b>	<b>67,291</b>	<b>91,212</b>	<b>91,661</b>	<b>112,699</b>	<b>139,835</b>	<b>169,829</b>
<i>Change (%)</i>	<i>48.2</i>	<i>35.5</i>	<i>0.5</i>	<i>23.0</i>	<i>24.1</i>	<i>21.4</i>
<b>Equity Dividend (Incl tax)</b>	<b>13,577</b>	<b>18,412</b>	<b>19,046</b>	<b>22,221</b>	<b>28,570</b>	<b>31,744</b>
<b>Core PPP*</b>	<b>105,887</b>	<b>144,599</b>	<b>152,051</b>	<b>245,893</b>	<b>281,292</b>	<b>346,513</b>
<i>Change (%)</i>	<i>25.2</i>	<i>36.6</i>	<i>5.2</i>	<i>61.7</i>	<i>14.4</i>	<i>23.2</i>
<i>*Core PPP is (Nil+Fee income-Opex)</i>						
<b>BALANCE SHEET</b>				<b>(RS MILLION)</b>		
<b>Y/E MARCH</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011E</b>	<b>2012E</b>	<b>2013E</b>
Share Capital	6,315	6,349	6,349	6,349	6,349	6,349
Equity Share Capital	6,315	6,349	6,349	6,349	6,349	6,349
Reserves & Surplus	484,012	573,128	653,143	739,843	846,252	978,940
<b>Net Worth</b>	<b>490,327</b>	<b>579,477</b>	<b>659,492</b>	<b>746,192</b>	<b>852,601</b>	<b>985,289</b>
<b>Deposits</b>	<b>5,374,050</b>	<b>7,420,731</b>	<b>8,041,162</b>	<b>9,488,571</b>	<b>11,196,514</b>	<b>13,491,800</b>
<i>Change (%)</i>	<i>23.4</i>	<i>38.1</i>	<i>8.4</i>	<i>18.0</i>	<i>18.0</i>	<i>20.5</i>
<b>of which CASA Dep</b>	<b>2,523,639</b>	<b>3,089,778</b>	<b>3,800,397</b>	<b>4,627,917</b>	<b>5,412,534</b>	<b>6,417,510</b>
<i>Change (%)</i>	<i>19.5</i>	<i>22.4</i>	<i>23.0</i>	<i>21.8</i>	<i>17.0</i>	<i>18.6</i>
Borrowings	730,168	840,579	1,030,116	1,117,874	1,223,879	1,361,543
Other Liabilities & Prov.	620,731	803,534	803,368	771,130	927,691	1,115,729
<b>Total Liabilities</b>	<b>7,215,274</b>	<b>9,644,321</b>	<b>10,534,137</b>	<b>12,123,767</b>	<b>14,200,684</b>	<b>16,954,359</b>
Current Assets	674,663	1,044,038	961,838	1,121,637	1,175,148	1,501,654
<b>Investments</b>	<b>1,895,013</b>	<b>2,759,540</b>	<b>2,857,901</b>	<b>2,857,901</b>	<b>3,143,691</b>	<b>3,458,060</b>
<i>Change (%)</i>	<i>27.1</i>	<i>45.6</i>	<i>3.6</i>	<i>0.0</i>	<i>10.0</i>	<i>10.0</i>
<b>Loans</b>	<b>4,167,682</b>	<b>5,425,032</b>	<b>6,319,142</b>	<b>7,709,353</b>	<b>9,405,410</b>	<b>11,474,600</b>
<i>Change (%)</i>	<i>23.5</i>	<i>30.2</i>	<i>16.5</i>	<i>22.0</i>	<i>22.0</i>	<i>22.0</i>
Fixed Assets	33,735	38,378	44,129	48,637	51,570	52,694
Other Assets	444,181	377,333	351,128	386,240	424,864	467,351
<b>Total Assets</b>	<b>7,215,274</b>	<b>9,644,321</b>	<b>10,534,137</b>	<b>12,123,767</b>	<b>14,200,684</b>	<b>16,954,359</b>
<b>ASSET QUALITY</b>						
GNPA (Rs M)	128,373	157,140	195,349	242,437	246,192	293,086
NNPA (Rs M)	74,243	96,774	108,702	115,158	92,322	105,511
GNPA Ratio	3.04	2.86	3.05	3.09	2.58	2.51
NNPA Ratio	1.78	1.78	1.72	1.49	0.98	0.92
PCR (Excl Tech. write off)	42.2	38.4	44.4	52.5	62.5	64.0
PCR (Incl Tech. Write off)	0.0	57.0	59.2	65.5	72.6	72.5

E. MOSL Estimates

## Financials and Valuation

## RATIOS

Y/E MARCH	2008	2009	2010	2011E	2012E	2013E
<b>Spreads Analysis (%)</b>						
<b>Avg. Yield-Earning Assets</b>	<b>8.7</b>	<b>8.6</b>	<b>7.8</b>	<b>8.1</b>	<b>8.4</b>	<b>8.6</b>
Avg. Yield on loans	9.3	9.7	8.6	8.8	9.1	9.3
Avg. Yield on Investments	7.1	6.7	6.3	7.0	7.0	7.0
<b>Avg. Cost-Int. Bear. Liab.</b>	<b>5.8</b>	<b>6.0</b>	<b>5.5</b>	<b>5.0</b>	<b>5.4</b>	<b>5.7</b>
Avg. Cost of Deposits	5.6	5.9	5.6	5.0	5.4	5.7
<b>Interest Spread</b>	<b>2.9</b>	<b>2.6</b>	<b>2.3</b>	<b>3.1</b>	<b>3.0</b>	<b>3.0</b>
<b>Net Interest Margin</b>	<b>3.0</b>	<b>2.8</b>	<b>2.6</b>	<b>3.3</b>	<b>3.2</b>	<b>3.2</b>

## Profitability Ratios (%)

RoE	16.8	17.1	14.8	16.0	17.5	18.5
RoA	1.0	1.1	0.9	1.0	1.1	1.1
Int. Expense/Int. Income	65.2	67.3	66.7	59.5	62.1	63.1
Fee Income/Net Income	25.7	26.2	29.1	27.0	27.7	27.7
Non Int. Inc./Net Income	33.8	37.8	38.7	32.0	32.8	32.4

## Efficiency Ratios (%)

Cost/Income*	52.4	50.5	55.6	47.6	47.6	45.6
Empl. Cost/Op. Exps.	61.8	62.3	62.8	63.1	61.9	61.3
Busi. per Empl. (Rs m)	47.4	58.1	67.0	77.3	89.9	105.8
NP per Empl. (Rs lac)	3.7	4.7	4.5	5.5	6.6	7.9

\* ex treasury

## Asset-Liability Profile (%)

Loans/Deposit Ratio	77.6	73.1	78.6	81.2	84.0	85.0
CASA Ratio	47.0	41.6	47.3	48.8	48.3	47.6
Investment/Deposit Ratio	35.3	37.2	35.5	30.1	28.1	25.6
G-Sec/Investment Ratio	75.7	82.7	79.7	85.2	88.0	96.4
CAR	13.0	14.3	13.4	12.5	11.7	11.0
<i>Tier 1</i>	<i>8.5</i>	<i>9.4</i>	<i>9.5</i>	<i>9.0</i>	<i>8.6</i>	<i>8.1</i>

## VALUATION

Book Value (Rs)	776	913	1,039	1,175	1,343	1,552
<i>BV Growth (%)</i>	<i>30.6</i>	<i>17.5</i>	<i>13.8</i>	<i>13.1</i>	<i>14.3</i>	<i>15.6</i>
Price-BV (x)	3.3	2.8	2.5	2.2	1.9	1.7
Concol BV (Rs)	938	1,105	1,268	1,437	1,657	1,932
<i>BV Growth (%)</i>	<i>20.8</i>	<i>17.9</i>	<i>14.7</i>	<i>13.3</i>	<i>15.3</i>	<i>16.6</i>
Price-Consol BV (x)	2.7	2.3	2.0	1.7	1.5	1.3
Adjusted BV (Rs)	700	814	927	1,057	1,248	1,444
Price-ABV (x)	3.7	3.2	2.8	2.5	2.1	1.8
Adjusted Consol BV	846	996	1,127	1,297	1,527	1,794
Price-Consol ABV (x)	2.9	2.5	2.2	1.9	1.6	1.4
EPS (Rs)	106.6	143.7	144.4	177.5	220.3	267.5
<i>EPS Growth (%)</i>	<i>23.5</i>	<i>34.8</i>	<i>0.5</i>	<i>23.0</i>	<i>24.1</i>	<i>21.4</i>
Price-Earnings (x)	24.4	18.1	18.0	14.6	11.8	9.7
Consol EPS (Rs)	141.9	172.6	184.8	209.9	272.6	333.3
<i>Con. EPS Growth (%)</i>	<i>17.3</i>	<i>21.6</i>	<i>7.1</i>	<i>13.6</i>	<i>29.9</i>	<i>22.3</i>
Price-Consol EPS (x)	17.5	14.4	13.5	11.9	9.1	7.5
Dividend Per Share (Rs)	21.5	29.0	30.0	35.0	45.0	50.0
Dividend Yield (%)	0.8	1.1	1.2	1.3	1.7	1.9

E: MOSL Estimates

**NOTES**



For more copies or other information, contact

**Institutional:** Navin Agarwal. **Retail:** Manish Shah

Phone: (91-22) 39825500 Fax: (91-22) 22885038. E-mail: reports@motilaloswal.com

**Motilal Oswal Securities Ltd, 3rd Floor, Hoechst House, Nariman Point, Mumbai 400 021**

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**State Bank of India**

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| 1. Analyst ownership of the stock                       | No  |
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