ARIHANT capital markets ltd.
www.arihantcapital.com

Initiating Coverage

Bank of Maharashtra

Ameliorating

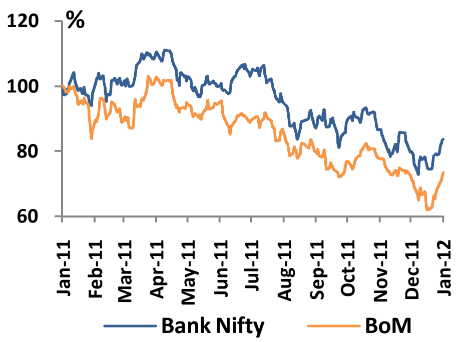
CMP:	**Rs.48**
Target Price:	**Rs.79**
Recommendation:	**BUY**

Stock Info	
BSE Group	B
BSE Code	532525
NSE Symbol	MAHABANK
Bloomberg	BOMH IN
Reuters	BMBK.BO
BSE Sensex	17234
NSE Nifty	5205

Market Info	
Market Capital	₹ 2760 cr
Equity Capital	₹ 481.7 cr
Avg. Trading Vol. (NSE Qtly)	113488
52 Wk High/ Low	65/38
Face Value	10

Shareholding Pattern (%)	**(31st Dec 2011)**
Promoters	na
Domestic Institutions	8.8
Foreign Institutions	1.0
Non Promoters Corp.	1.5
Public & Others	9.5
Govt. Holdings	79.2

Financials	**FY11**	**FY12**	**FY13**
PAT (Rs in Cr)	**330**	**479**	**714**
EPS (in Rs)	7.2	9.9	14.8
PE (x)	6.6	4.8	3.2
PABV (x)	0.82	0.69	0.60



January 27, 2011

An inconspicuous bank to the mainstream for many years, BoM now deserves a closer look given its strong fundamentals. A healthy CASA of 40%, NIM of 3%, steady NPA for four years, provision coverage of 85%, limited exposure to troubled sectors, strong investment in technology, capital support from Govt , a high Govt holding and presence in commercially active state of Maharashtra.

Steady Asset Quality Spanning Over Stressed Periods and Good Cushion – The bank maintained a steady asset quality over the past four years with GNPA in the range of 2.29% -2.96%. This is despite the economic slowdown and shift to CBS based NPA recognition. In fact FY12 has seen a steady and continuous fall down to 2.06% by December 2011. As ~65% of the outstanding NPA pertain to small loans (> Rs 10 lakh), bank has set up special Micro-Asset Recovery Cells to ensure speedy resolution for the problem and has received good response. As a healthy cushion, PCR of the bank stands at 85% while nearly 75% of the loan book is secured.

Despite a well diversified portfolio, the coming quarters may hold some risk as bank has sizeable exposure to SME, MSME and Agriculture (in all ~27% of the book), though the bank is confident and states that 99% of the SME loans are not facing any major slowdown problem. The exposure to SEB loans stands at ~9.2% of the total loan book and has started showing some stress with commencement of restructuring (total o/s restructured book ~6.2%).

Visible Business Growth – Even though slower than its peers in the past, the business growth has good visibility in future given the presence of bank in commercially active state of Maharashtra and the initiatives to strengthen the business generating system of the bank. Over the years the bank has acquired a sticky set of clients and this has also kept its CASA high over the years:- five year average being ~40%. BoM is updated with best of the technology which will help it service its clients better and ward off any major threat due to savings rate deregulation. Over the past five years, BoM has grown its advances by a CAGR of 23.3% of which FY06-FY09 was 28% and FY09-FY11 it was 17%. Over FY11-13E we expect the growth to be

Financial Stability Expected – Bank has had a subdued core income growth and volatile net profit growth in past. While with introduction of base rate the core income growth has seen a major improvement in core income, the completion of additional provisioning pressure due to counter cyclical RBI norms, employee wage revision along with steady asset quality will ensure a marked improvement in the PAT. Amongst a list of 28 banks (private + PSU) increase in Spread of BoM has been highest at 116 bps followed by Allahabad Bank with 83 bps and Yes Bank by 80 bps. The NIM has improved from 2.1% in FY10 to 3% in FY11 to 3.24% in Q2FY12. To sustain this bank has been consciously working on the strategy to reduce the bulk deposit which now forms just 8.6% of the total deposits.

Conclusion - With fundamentals in place we feel that the bank just needs few quarters of consistent performance to give a stronger portrayal, though heavy restructurings muddle the frame. The RoA is yet weak and will require at least 2 years of healthy performance to scale up to 1% from present 0.6%. For this the bank needs to cash on its presence in rich states and bring in more efficiency and improve its fee income. Overall since it has a high Govt holding of 79%, the capital may not be a constraint. We maintain a credit cost of more than 1% in FY13 with FY11-F13E PAT growth of 47%. BoM has underperformed the Bank nifty in last one year and at CMP of Rs 48 is available at a FY13 P/ABV of 0.6x and PE of 3.2x! We value the bank on average of Gordon growth (RoE 14%, COE 14%, G 5%) and long term average P/BV (0.9x) and arrive at a price target of Rs 79 over next one year.

Bank of Maharashtra is a mid-sized bank nationally but one of the largest bank in Maharashtra where it has a major presence. It has a high level of Govt holding of 79.2%.

About Bank –

Bank of Maharashtra (BoM) as the name would suggest has its roots in Maharashtra. It is one of the largest banks in Maharashtra with 65% of its branches located there. In all, the bank has an advance book of more than Rs 50,000 cr and a deposit book of nearly Rs 70,000 cr. The branch network stands at 1569 and ATM at 500. Commencing in Pune in 1935, the bank is nearly 77 years old. Govt holds a major chunk of 79.2% in the bank and has infused Rs 588 cr towards perpetual non-cumulative preference shares (PNCPS) and Rs 352 cr equity capital at Rs 68.7 per share in FY11.

A Glimpse of Past..

Some Important Milestones

IPO resulting into dilution of GOI holding by 23.23%	2004
Crossed total business level of Rs.50,000 Crore	2006
Total Business crossed Rs One lakh crore	2010
100% CBS of branches	2010
Full CBS based NPA, Govt capital infusion increasing its holding by 2.47%	2011

Chairman

Shri. M. D. Mallya	2006 to 2008
Shri. Allen C. A. Pereira	2008 to 2010
Shri A.S. Bhattacharya	2010 to 2012

CAGR Advances Growth

25.7%	2004 to 2008
17.0%	2008 to 2011

CAGR Deposits Growth

12.1%	2004 to 2008
17.0%	2008 to 2011

Bad Performances of Past few Years

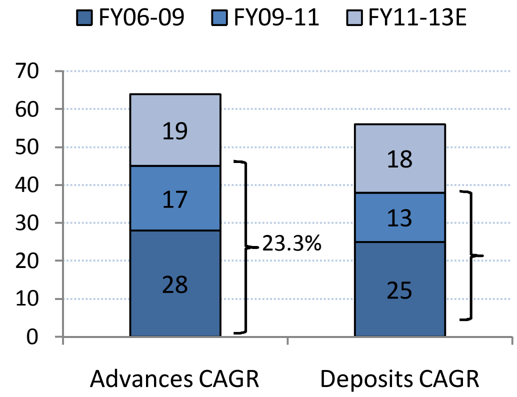
2005	Treasury profits down, Employee expense up
2006	Treasury profits down, Provision expense up
2011	Treasury profits down, Employee and provision expense up

Investment Positive

Steady Growth of Advances from Commercially Rich Western India -

Even though slower than its peers in the past, the business growth of BoM has good visibility in future given the presence of bank in commercially active state of Maharashtra and the initiatives to strengthen the business-generating system of the bank.

Over FY06-FY09 BoM grew its advances faster at CAGR of 23.3% while in the past three years (FY09-FY11) it was at a rate of CAGR 17%; much slower than average of its peers at 23%. The slowdown has been part of conscious decision of the bank in the wake of economic deceleration. The growth continues to be measured in FY12 at 16% YoY as at end of December 2011.

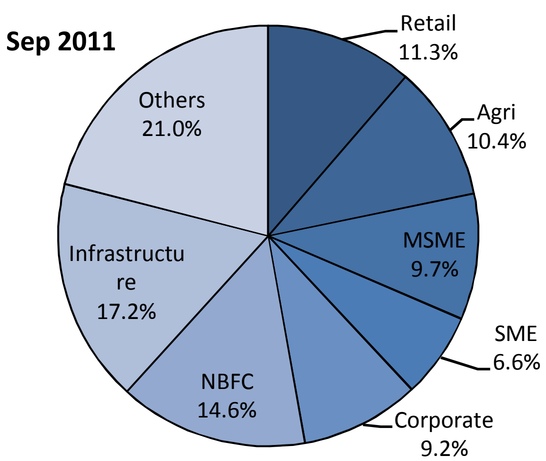


Like most PSU's, BoM has a smaller retail book of 11.3% while the rest of the book is divided into 16.3% SME and MSME, 10.4% Agriculture, 9.2% corporate, 14.6% NBFC's, 17.2% Infrastructure and rest being others.

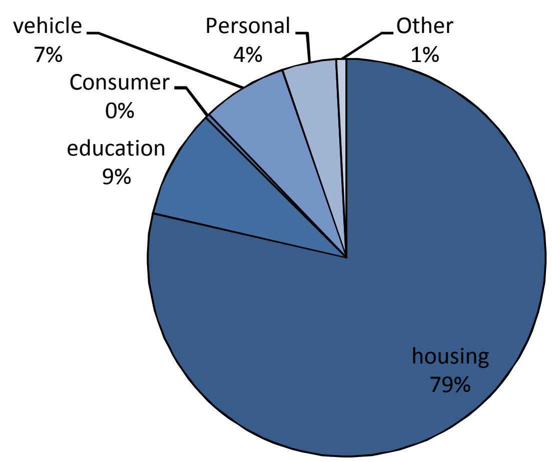
Growth has been coming from all sectors though bank has a special focus towards, SME & MSME and retail. As per management, demand as well as repayment is doing well and its present assessment shows no cause for concern. Housing which comprises more than 75% of the retail portfolio of the bank is also experiencing a strong demand for the bank.

Bank has been over the past few years trying to streamline its efforts to grow its business in a more systematic way, like most of the other PSU banks. Some such initiatives include setting up of a number of specialized branches and cells to cater to specific areas like mid corporate sector, retail sector; asset recovery and alternate business cell (for generating fee income). Bank has also created credit hubs to clear loans quickly. Even on the technology side, bank has been actively working to remain updated with the best.

Even though slower than some of its peers, business growth of BoM has good visibility in future given the presence of bank in commercially active state of Maharashtra and its initiatives to strengthen the business-generating system of the bank.



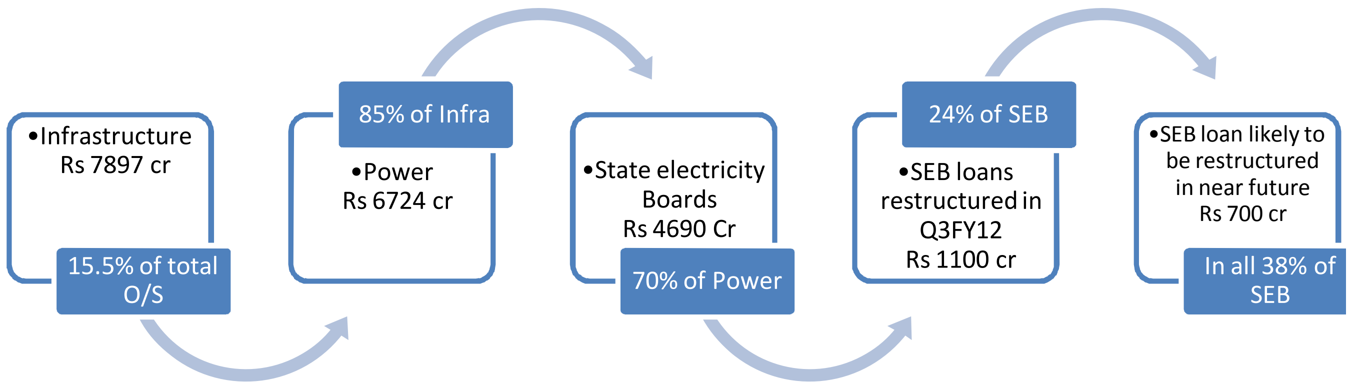
Break up of Loan Book – Sector Wise



Break up of Retail book – Sector wise

Sensitive Exposures

BoM has a cleaner book to the extent that its exposure is minimal to the troubled sector like 3G, Airlines and MFI's. However the infrastructure book is nearly 17% of the total outstanding loans and of this power sector loans constitute 75%. Of this the SEB book is large at Rs 4670 cr and restructuring of some exposure has already begun. More restructuring of at least Rs 700 is likely of which 400 cr would pertain to a PPP in Gujarat.



Probably, not being a larger national player, the bank escaped from major exposure to some of the troubled sectors. However its exposure towards SEB's is big and seeing some pressure.
Present assessment of SME and MSME portfolio is healthy.

MFI exposure of the bank is negligible at Rs 17 cr. BoM is one of the few banks which went lucky by its decision to stay away from these sectors and hence troubled times. Exposure of bank to Aviation is just Rs 54 cr while to Telecom it is Rs 482 cr. The asset quality of the bank remains healthy with gross NPA falling continuously for the past six quarters.

SME has been a risky sector always with liquidity problem, just-in-time inventory issues etc. This sector is also considered risky as there is lack of information and management bandwidth which results in vague risk assessments at times

However BoM feels that things are not looking as worse for SME and MSME at present and there are still reasonable opportunities available for growth. Bank has been mitigating the risk by generally lending to existing and familiar customers of the bank on the deposit or lending side. Also of these 61% percentage of loans is rated externally and ~85-90 % is secured.

Some Facts on SME sector -

SME sector accounts for about 45% of the manufacturing output and around 40% of the total export of the country. The recession, while slowing down the global demand for goods and services, should not impact the sector, so adversely, as there is a huge demand in the local markets which could be tapped and the depreciation of the rupee has improved their price competitiveness of exporting firms in the sector. As at the end of March 2011, the total outstanding credit provided by all SCBs to the MSE sector stood at Rs.4,575 billion as against Rs.3,622 billion in March 2010 registering an increase of 26.3%. After the enactment of the Micro, Small and Medium Enterprises Development (MSMED) Act 2006, banks have been advised to sanction separate sub-limits within the overall limits sanctioned to the corporate borrowers for meeting payment obligations in respect of purchases from MSME sector. Necessary instructions have been issued by banks to their branches to monitor the position of payment by corporates to MSME and wherever found necessary, persuade the corporate to release the same on priority basis.

The mortality of the MSE units is high. This has wider implications including locking of funds of the lending institutions, loss of scarce material resources and loss of employment. As on March 2011, the number of units identified as potentially viable as a percentage to total sick MSE units is around 8. The units placed under nursing as a proportion to the total number of sick units stood at 5.22%.
(Extracted from RBI)

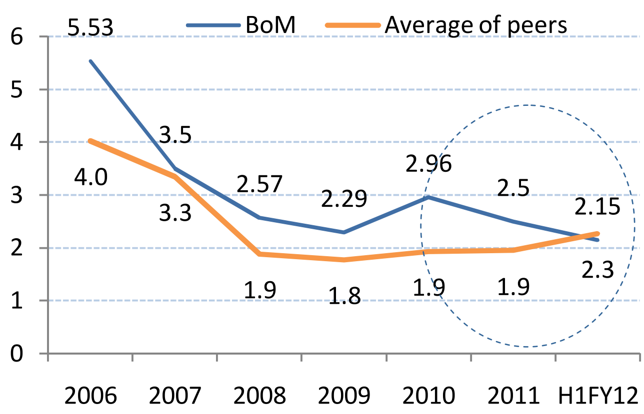
Steady Asset Quality Spanning Over Stressed Periods and good Cushion -

Despite the economic slowdown and shift to CBS based NPA recognition GNPA was range bound between 2.29% -2.96% from FY08-FY11. In FY12 it has been steadily falling and was 2.06% by December 2011. Micro-Asset Recovery Cells is ensuring speedy. As a healthy cushion, PCR of the bank stands at 85% with nearly 75% of the loan book secured.

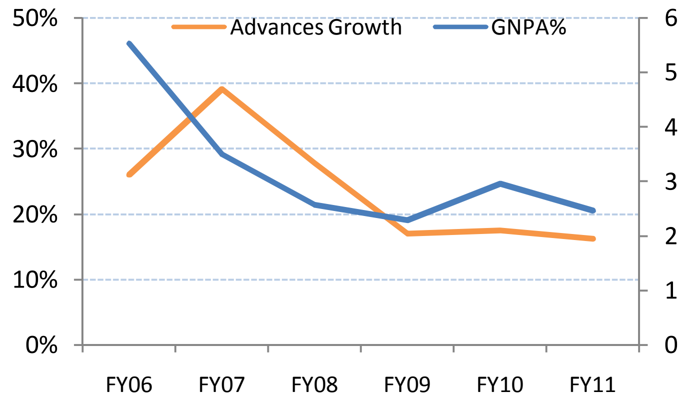
From the highs of 5.5% GNPA in FY05 the bank has come a long way. Its asset quality has been nearly steady over the past four years with GNPA in the range of 2.29% -2.96%. This is despite the economic slowdown and shift to CBS based NPA recognition during this period. Infact the gross NPA has been continuously falling over the past six quarters and was down to 2.06% by December 2011.

While most of PSU banks have completed the shift to CBS based NPA recognition in FY12, BoM is one of the few banks to have adopted it in FY11 itself. It completed the shift in September 2010 and therefore the slippage ratio (fresh addition of NPA to opening advances) in FY10 and FY11 remained a little high at 2.6% and 2.4% respectively. The slippage in FY11 which was close to Rs 973 cr has subdued in nine months of FY12 to Rs 414 cr (~ 43% of FY11) - a decline of 122 bps over FY11 to 1.16%.

Despite a reduction in net addition to GNPA over the years, GNPA% has remained steady as ~65% of the outstanding NPA pertain to small loans (< Rs 10 lakh) whose recovery had been posing a big challenge to the bank. To deal with the situation, BoM was one the first banks to have pioneered the creation of a Micro Asset recovery cell - fully dedicated towards recovery of smaller loans. This has kept the recovery healthy and is expected to remain healthy in future too.



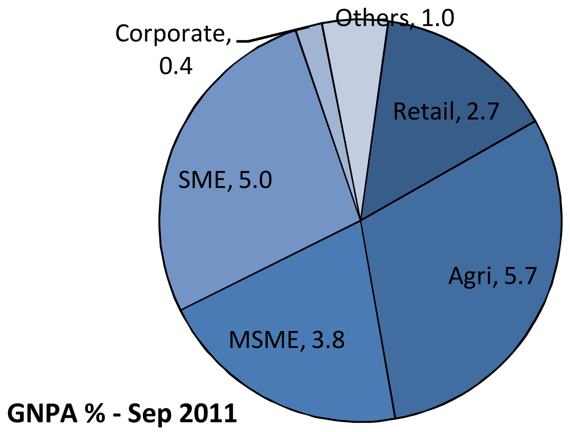
Trending Down, unlike Peers

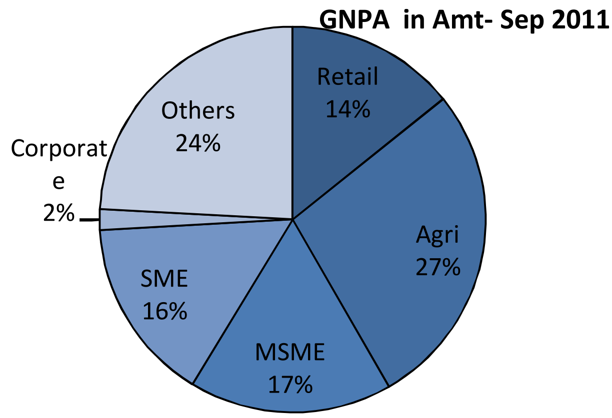


Steady Growth And Steady Asset Quality

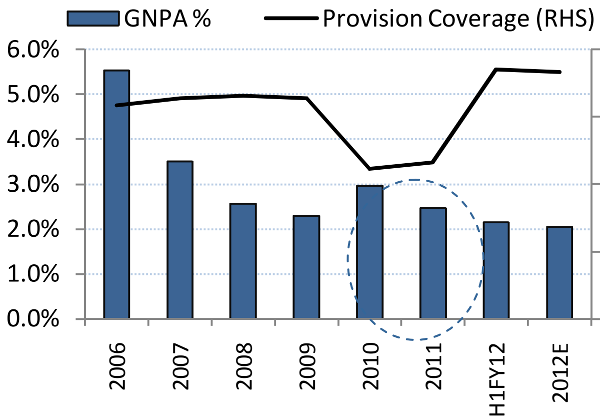
In fact PAT de-growth in FY11 by 25% is partly attributable to increased provision hit despite steady asset quality. Provision in FY11 grew by 90%. The credit cost of the bank was high even in the first half of FY12, with bank providing for more than Rs 500 cr till September quarter. 85% of this has been towards advances and 12% towards investment depreciation. However this provisioning improved the core provision coverage of the bank from 47.3% in FY11 to 74% in September 2011 (*under the stipulated 70% coverage norm of RBI*). Including the technical write off the coverage is as high as 86%. At present while the bank already holds an excess provision of Rs185 cr, over and above the RBI norms, we expect that if the bank is able to contain its defaults, the year is going to end with a lesser credit cost and improvement in bottom line. Q3 provisions though high were mainly due to surge in restructuring and not NPA.

Nearly 75% of the loan book is secured giving an added comfort and cushion; while ratio of externally rated loans to standard advances is ~46% (22% of the total exposure as on FY11 is rated). Nearly 61% of the SME exposure is also externally rated.

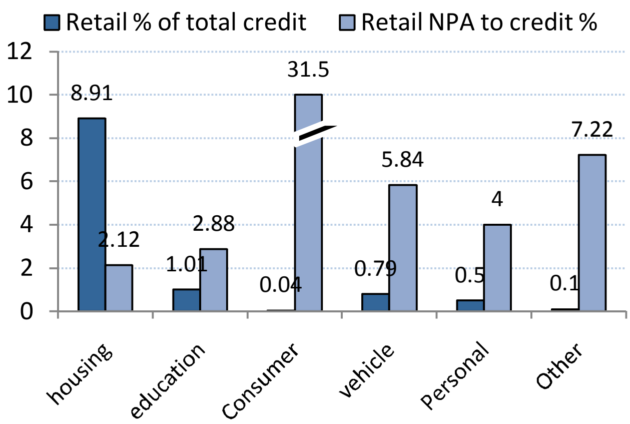




Stress across segments; Corporate book small but healthy



Increase in NPA during the CBS shift in FY11

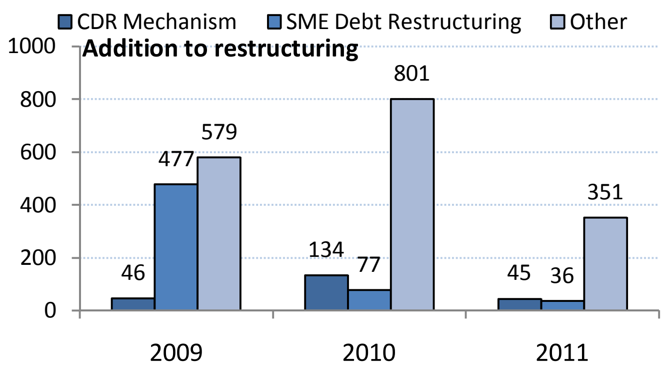


Nearly 80% of the retail book is housing loan

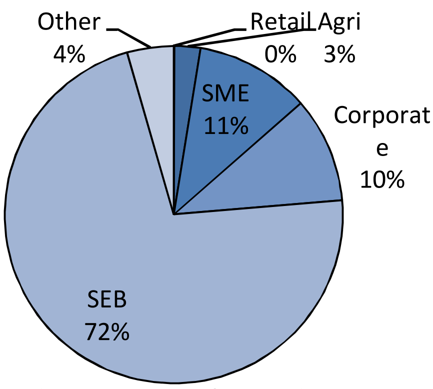
Despite not having exposure to sensitive sectors like aviation and telecom, the restructured book of bank is increasing (Rs 3151 cr) and will increase the provision cost as well as may see stress in future.

The restructured book as at end of Sep 2010 was Rs 2800 Cr which gradually dipped to Rs 1906 cr as at end of September 2011. However in Q312 further Rs 1133 cr of restructuring got added due to the State Electricity Board exposure to two states of Rajasthan (Rs 1000 cr) and Haryana (Rs 133 cr) and the total restructuring stands at Rs 3151 cr. Total SEB exposure of bank is Rs 6000 cr and some more exposure to the tune of Rs 700 cr is expected to come for restructuring in coming quarters. However it has no exposure in states like Tamil Nadu and Bihar. *(A complete description available on page 4 above)*

NPAs in the restructured book formed 10.24% of the total as at end of September 2011.



Restructuring was heavy in 2009 and 2010



Break up as at end of December 2011

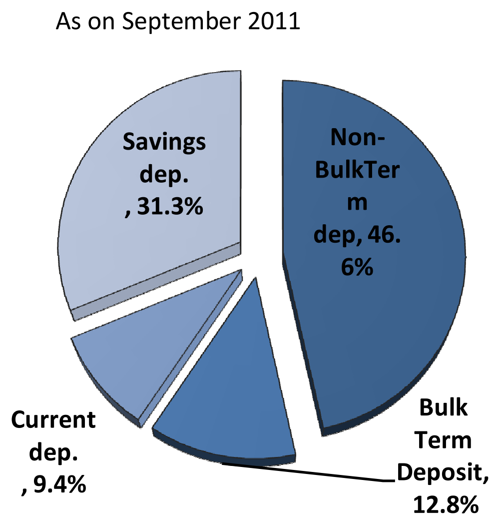
Bank has recouped its lost CASA in the past two years and has ably managed the liability cost by reducing the bulk deposits. Its deposit profile shows that the there is reduced threat of shift due to increase in savings rates by some banks

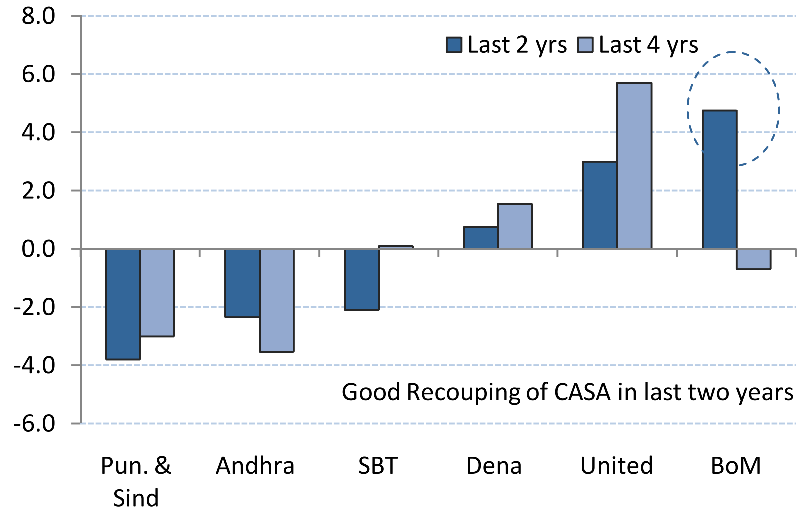
Healthy Deposit Profile With Promising CASA

Like many banks, BOM is intentionally reducing its bulk deposits and growing its retail term deposits which have increased from 54.7% in FY11 to ~64% in December 2011. This has been one of the prime reasons for improvement in NIM of the bank, apart from increase in CASA.

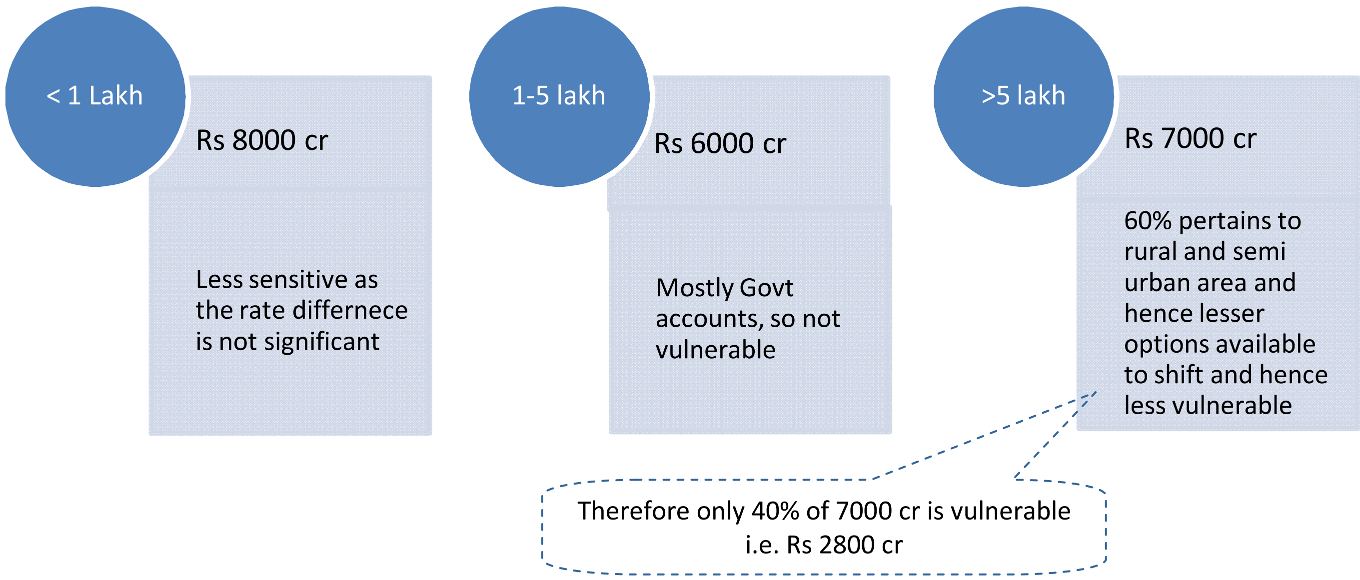
Bulk deposits in March 2010 stood at 11,000 cr (15.8% of total deposits), Rs 11,400 cr in June 2011 (16.8%) and now stands reduced to Rs 6000 cr (8.6% of the total deposits).

The CASA has regained the drop seen in FY09, by nearly 72%. The recoupment has been better in FY11 and past two years peer comparison show the below.





CASA Matrix –Likely Impact of saving rate deregulation



With technology in place bank is planning to improve the quality of services to retain this part.

Geographical Spread of Business

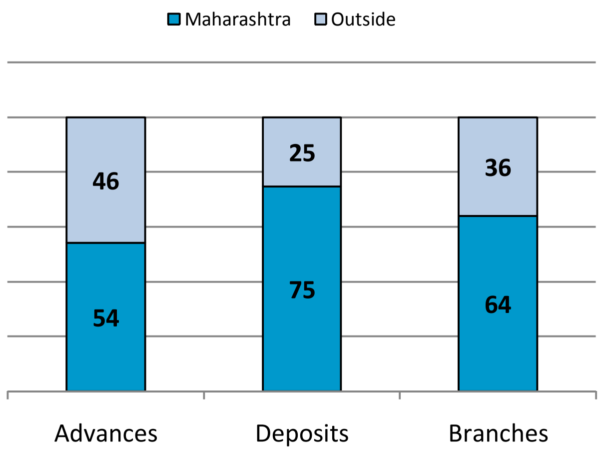
West followed by North are the major areas where the bank operates and its main business comes from Metro and urban area.

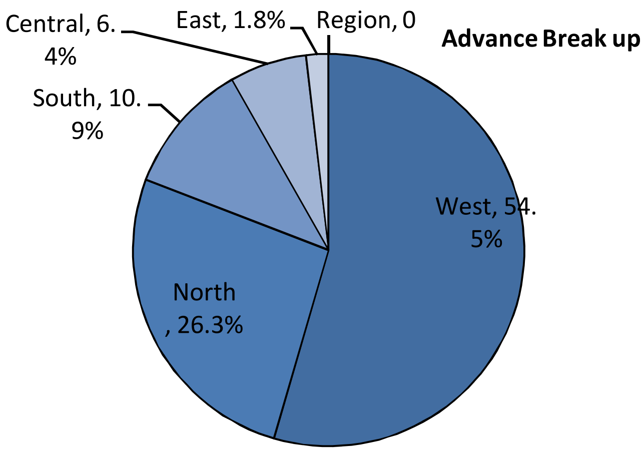
Bank has a major presence in areas which have good potential for growth and needs to be cashed on in a better way.

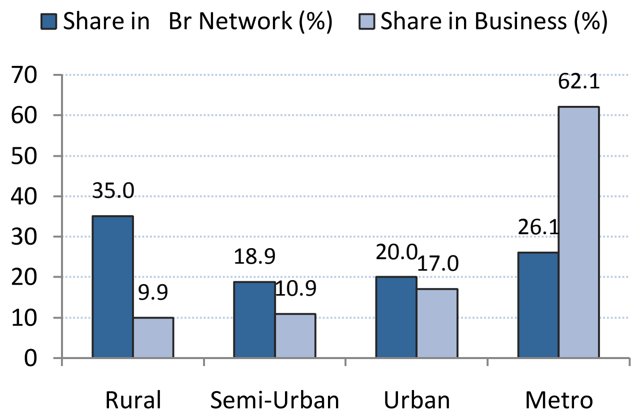
Branch spread - With ~65% of the branches located in Maharashtra, other major presence of bank is in Madhya Pradesh (8%), Karnataka, Gujarat (3.5% each) and UP and AP (2.6% each).

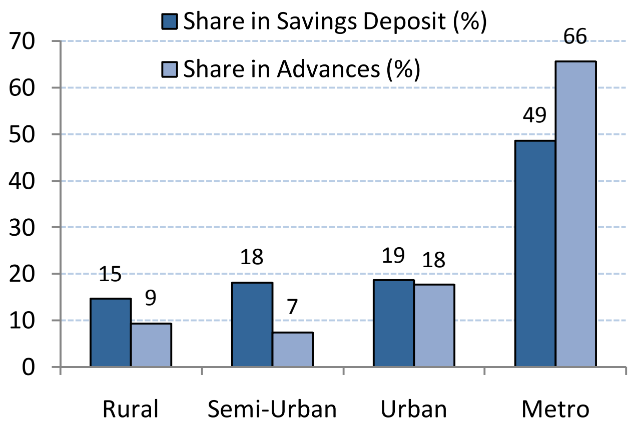
Business Spread – 55% to 60% of the advances comes from western belt of India, followed by 24%-26% in North. Pune and Mumbai are amongst the biggest depositories for the bank. On the rural urban divide, 35% branches are in Rural but the business from there is only 10%.

Bank planned to open 69 branches in FY12, of which it has already opened 33 till Dec 2011. It has already reached its target of 500 ATM in FY12 by adding 83 new ATM's in first half of 2011 itself. The focus will not shift from west and there is no good reason too.







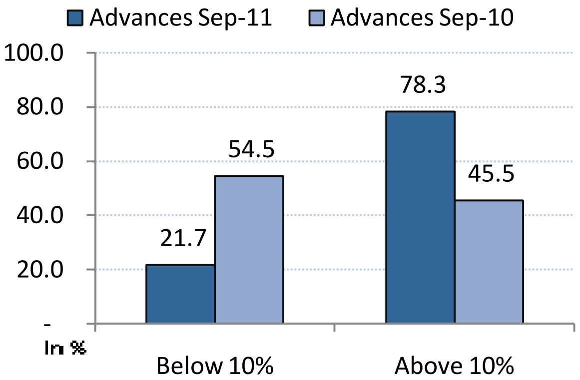


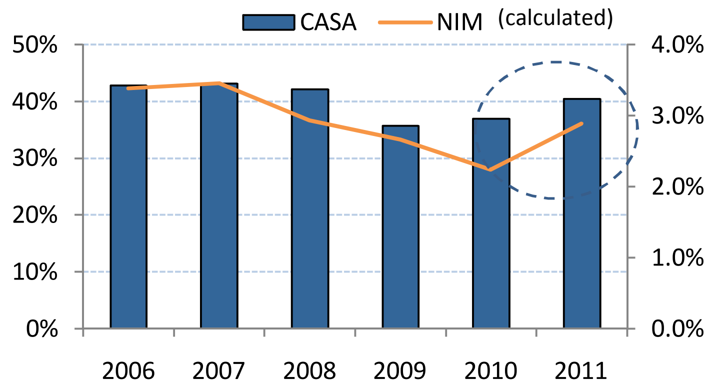
The outstanding holding of RIDF with bank is ~Rs 2093 cr. But as per bank PSL target is easily achievable for them as major network is in rural and semi-urban areas. Even after Rs 2000 cr of NBFC loans were disqualified as a result of RBI regulation, PSL was still above regulatory requirement though it reduced to 41% from 42%.

> *Though bank is focusing on retail deposits, they don't come cheap in this high interest rate scenario. However it will help when the growth returns.*

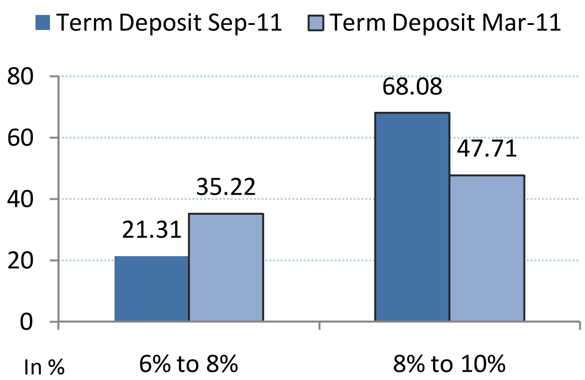
Margin Improving

High CASA has allowed the bank to maintain low cost and maintain margins. In FY08 and FY09, the CASA levels of the bank dropped sharply but recouped later and amongst its peers it has seen the highest improvement in last two years. FY 12 has seen sharp YoY rise in Yield on advances and Cost of Deposits. Till H1FY12 it was the highest amongst the data we had for 24 other banks which includes private as well as PSU banks. Spread of BoM increased by 116 bps followed by Allahabad Bank with 83 bps and Yes Bank by 80 bps. Apart from healthy growth in CASA, shedding of bulk deposit is one of the main reasons for it. Bank has been consciously working on the strategy to reduce the bulk deposit and shift to retail deposits. Though the bulk deposits have been reduced to around Rs 6000 cr, the retail deposits don't come cheap in this high interest rate scenario. The average cost of retail deposit is ~10.8% for the bank.

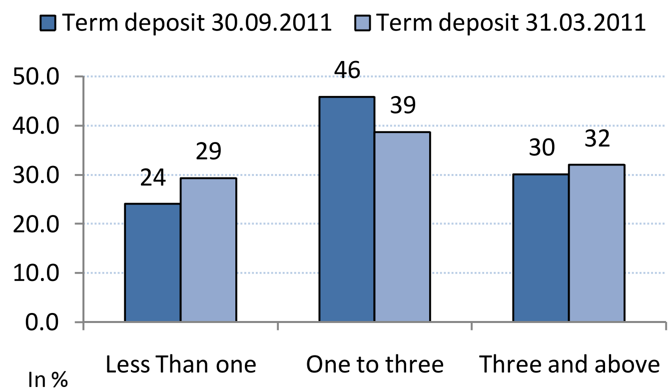




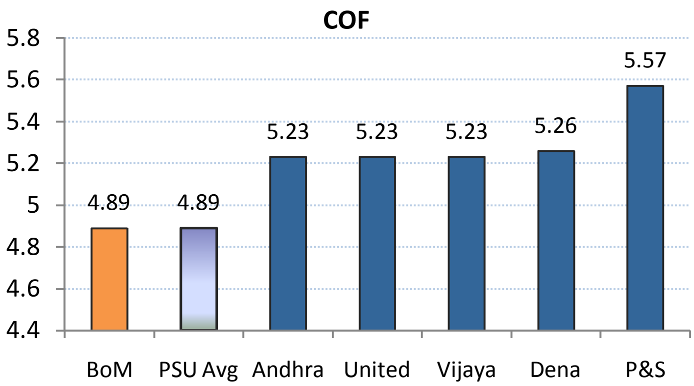
Base rate and Improved CASA helping in regaining the NIM levels



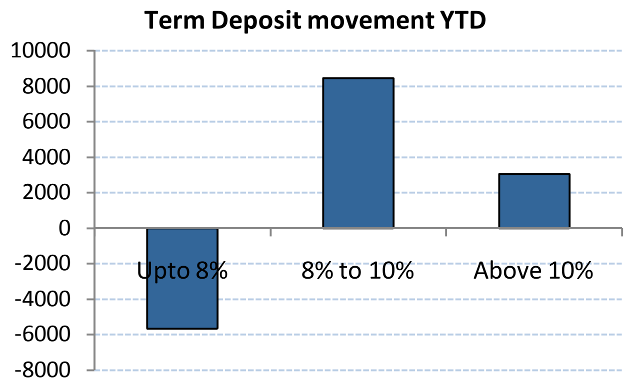
Higher rate term deposits (6-10%) have increased to 90% from 82% in March FY11



Bank has increased one to three year deposits



One of the lowest costs of funds



High Cost deposit increasing but yet contained

The Tier I of the bank is one of the lowest (7.1% in December 2012 excluding profits). A capital infusion by Govt is most likely by end FY12.Bank is expecting and amount of Rs 860 cr from Govt.

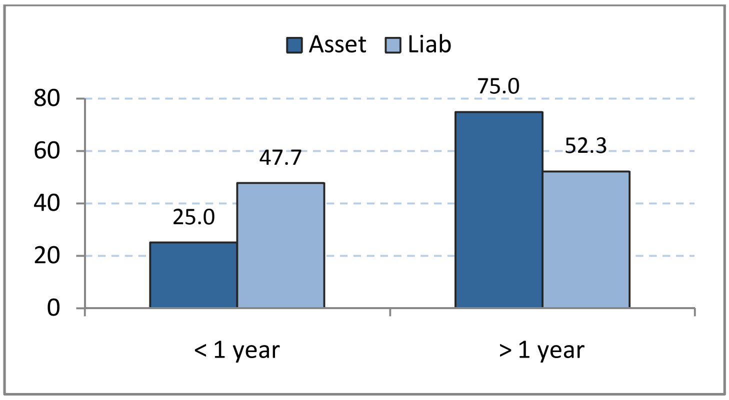
Govt Capital Infusion Scope-

Govt holds a major chunk of 79.2% in the bank and has infused Rs 588 cr towards perpetual non-cumulative preference shares (PNCPS) and Rs 352 cr equity capital at Rs 68.7 per share in FY11 (July 2010). This improved the Capital adequacy of the bank from 12.39% in June 2010 to 13.82% in Sept 2010. As at end of Dec 2011, the CAR has fallen back to 11.75% and the bank expects further capital infusion by the government this fiscal. As per bank FM is actively considering the proposed infusion. Though bank has been looking at an amount of ~Rs 860 crore, the actual amount is yet not clear. This infusion is likely to improve the CAR to approx 13.1% and Tier I from 7.1% in December 2011 to 8.6%. The form of infusion will decide whether the return on equity gets impacted.

Change of Guard –

The present Chairman Mr. A S Bhattacharya is due to retire on superannuation on 31 January 2012. New Chairman will be Mr. Narendra Singh, present executive director of Corporation Bank and will serve till 30 September 2013.

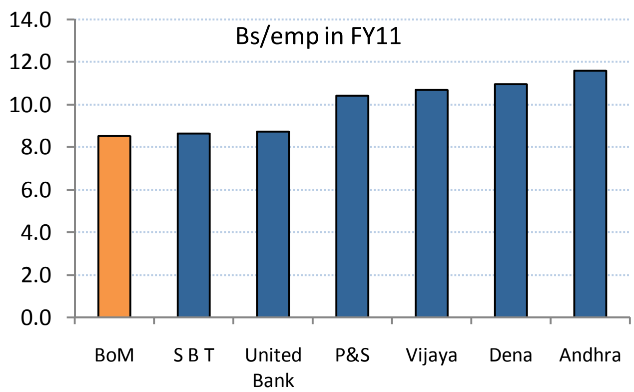
ALM –FY11

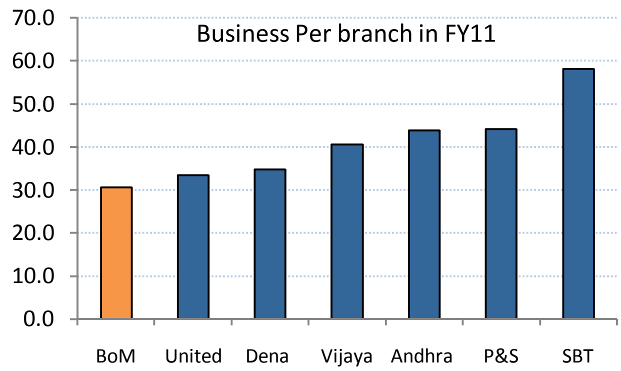


Bank has a balanced ALM as per RBI

Efficiency Concern

Banks with a large employee base and relatively weak earnings quality are likely to be impacted more than others. BOM also has a large employee base which has kept its employee efficiency low with business per employee Rs 8.25 cr. This is one of lowest amongst PSU banks. One of the main reasons for low efficiency is staffing the huge network of bank in rural areas even if the business from there is not commensurate. However with major chunk of retirements are happening now and next year, higher wage earning senior staff will be replaced by lower wage earning new staff who would also be more tech savvy. This may benefit the bank both ways. Bank plans to reinstate employee count which had reduced in FY11.





Focus Ahead

Going ahead the bank plans to focus on a number of points –

Retail Banking – Reduce dependence on bulk deposits and therefore concentrate on retail deposits. Introduce new products and service the clients well which can even help it restrain the flight of savings bank customers. It has started various new products like zero balance salary accounts, Gold loan scheme, Top-Up loan scheme etc. Unlike private banks which intend to increase the services charges to combat deposit rate increases, BoM is looking to reduce some.

Organisational Restructuring - Bank has already created a number of exclusive outlets like Mid corporate branches, Retail Asset Branches, Retail processing centers, asset recovery branches etc. It plans to focus on each of them and cash on opportunities. It has also set up exclusive Department for Alternate Business Channels to help generate fee income. It has also set up an MIS department in Pune to keep a regular tab on activities.

Cash on Strong Technology employed – Bank has already invested in best of technology and now needs to harness the same for customer service. 100% CBS, Internet banking, Mobile Banking, e-FD facility, Direct Tax Payment through our Bank's ATMs, 3 "e-Lounges" at Pune, Mumbai and Delhi, Online application facility for Housing Loan and Education Loan etc are some of the IT related offerings of bank.

Focus on NPA – One of the best moves of the bank has been that it has taken appropriate measure through setting up of Micro asset Recovery cells, given the fact that a big number of its loans are tied up in small amounts. The bank can further bring down NPA from here if this recovery persists.

Focus on Manpower – Off late the bank has turned a special focus on its employees by conducting regular programmes to educate them about ethical banking, improving their skills and motivating them.

Road Map for FY 2011-12 and Action till December 2011

Target - Achieving total business of ₹1,40,000 crore with mix of deposits ₹80,000 crore and advances ₹60,000 crore.

Bank has already achieved a total business of ₹ 1,20,677 cr but we feel that the bank will be able to reach a only business of about ₹1,33,000 cr as ₹1,40,000 is too aggressive.

Target - Gross NPA level below 2.25% and Net NPA below 1.25%

Given the fact that GNPA was 2.47% as at end of FY11, 2.25% seems less aggressive. As on 31st Dec 2011, the gross NPA stood at 2.06% and Net NPA at 0.54% which is much better than target. We expect the NPA to remain steady and any improvement will give a positive upside.

Target Increase Bank's ATMs to 500 - *Already installed 500 ATMs*

Target - Introduction of selling Gold Coins – *Yet to begin*

Quarterly Numbers

FY11 has seen a good improvement with core revenue growth of 51%, but the PAT suffered due to increased provision mandated by RBI as well as 70% coverage norm as well employee expenses. Bank managed its asset quality and improved margins. Slippages lowered to 1.8% from 2.6% in FY10 with a nearly 60% increase in recoveries. The bank received Rs 588 cr from Govt through preferential issue which improved its CAR from 12.39% in June 2010 to ~14% in Sept 2010.

FY12 has begun on a strong base with controlled provisions and a healthy improvement in margins. There has been a sharp YoY rise in Yield on advances and Cost of Deposits; while asset quality has improved steadily. YTD advances growth stood at 6.9% while YoY stood at 16%.

The good work continued in Q3 with NPA further improving and other income enduring traction. The provision coverage ratio remained high at 87.0%. However there was a slight de-growth in advances and increase in provisions due to bulky restructurings which increased to 6.2% of advances from 4%.

Rs in Cr	Dec-11	Dec-10	YoY	Sep-11	Jun-11	Mar-11
Interest Earned	1871.1	1429.3	30.9%	1,800.4	1,644.2	1,545.6
Yield on Advances	***11.76***	***9.79***		***11.54***	***10.92***	***10.52***
Interest Expended	1225.7	907.6	35.1%	1,167.3	1,052.8	970.6
Cost of deposits	***6.5***	***5.35***		***6.3***	***5.98***	***5.65***
NII	**645.3**	**521.7**	23.7%	**633.1**	**591.4**	**575.0**
NIM	**3.28**	**2.97**		**3.24**	**3.18**	**3.13**
Other Income	149.7	123.5	21.3%	144.6	173.5	157.0
Operating Income	**795.0**	**645.2**	23.2%	**777.7**	**764.9**	**732.0**
Operating Expenses	369.7	336.6	9.8%	352.7	350.0	666.2
Staff Expense	233.4	212.1	10.1%	228.1	228.9	529.6
Other Expenses	136.3	124.5	9.4%	124.6	121.1	136.6
Cost to income	***46.5***	***52.2***		***45.3***	***45.8***	***91.0***
Profit before Provision	**425.3**	**308.6**	37.8%	**425.0**	**414.9**	**65.9**
Provisions	210.0	171.2	22.6%	278.4	223.7	23.2
Gross NPA %	2.06	3.15		2.2	2.4	2.47
Net NPA %	0.54	1.85		0.6	1.2	1.32
Coverage	74.0	42.0		74.0	53.7	47.3
Profit before tax	**215.4**	**137.4**	56.8%	**146.7**	**191.2**	**42.7**
Tax	79.8	47.1	69.4%	46.2	69.1	(26.7)
Net Profit	**135.5**	**90.2**	50.2%	**100.4**	**122.0**	**69.4**
RoE %	***2.46***	2.1		**1.73**	**2.53**	**1.29**
RoA %	***0.69***	**0.51**		**0.51**	**0.66**	**0.38**
Deposits	69,926	62,752	11.4%	69,376	68,050	66,845
Advances	50,751	43,763	16.0%	50,905	47,026	47,487
CD Ratio	72.6	69.7		73.4	69.1	71.0

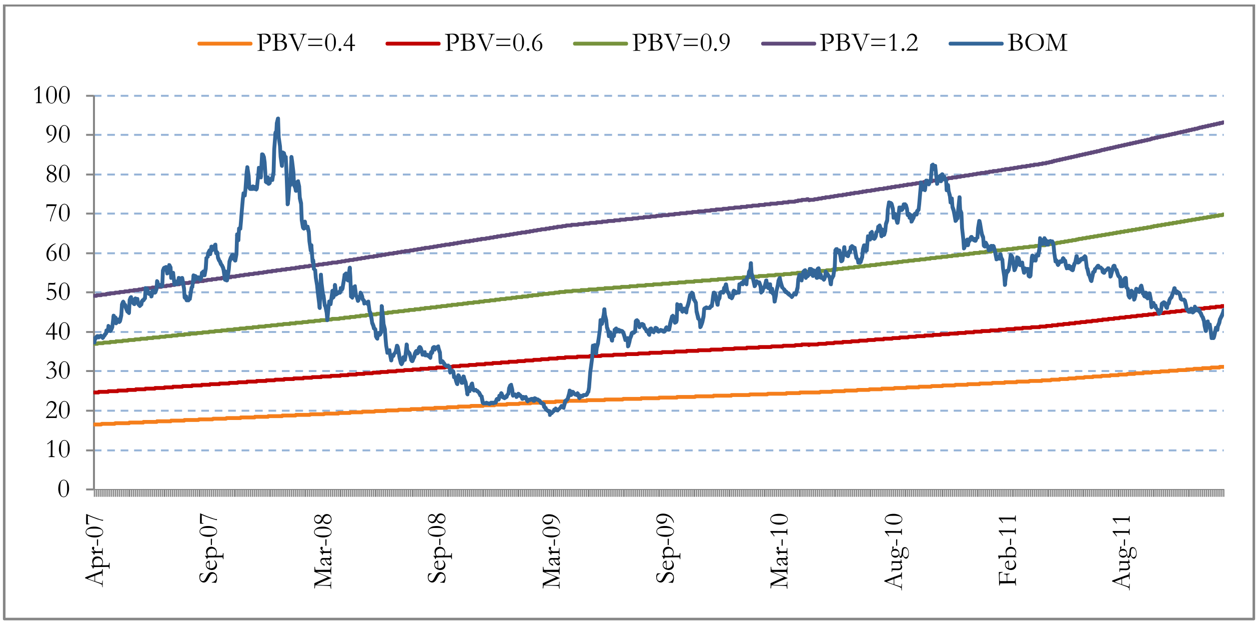
Peer Comparison

	BoM	S B T	United Bank	P&S	Vijaya	Dena	Andhra
5 yr CAGR advances growth	19.6	16.9	24.7	38.1	25.1	19.1	26.5
5 yr CAGR deposits growth	18.5	17.0	20.3	32.6	23.4	18.1	22.1
H1FY12 Advances (in Rs Cr)	50,043	47,908	54,303	42,178	53,679	42,723	73,592
H1FY12 NIM %	3.24	na	3.16	2.3*	2.72	3.2	3.82
H1FY12 GNPA %	2.15	2.84	3.48	1.06	2.54	1.93	2.67
H1FY12 NNPA %	0.57	1.77	2.21	0.71	1.42	1.15	1.48
Peak NNPA% since FY07	1.64 (FY10)	1.08(FY07)	1.84(FY10)	0.66(FY07)	1.52(FY11)	1.99(FY07)	0.38(FY11)
Coverage %	73.5	37.7	36.5	33	44.1	40.4	44.6
H1FY12 Restructuring in %	3.8	2.3^	3.7	2.9^	4.7	3.1	3.8
H1FY12 CASA %	40.7	27.6	39.9	23.9^	23	35.6	26.1
RoA % (H1 Ann)	0.58	0.7	0.59	0.61	0.65	1.04	1.29
RoE % ^	11.3	23.1	14.4	21.5	14.3	20.9	23.2
Book Value (Latest Calculated)	68.1&	764.2&	109.7	137.2	78.8&	114.6	128.6
P/BV (27 Jan 2012)	0.69	0.72	0.58	0.51	0.71	0.58	0.81
TTM PE	5.6	4.6	4.30	3.2	6.1	3.1	4.0

^ FY11; * Q1FY12; & 9M12

Stock Return	1M	6M	12M
Andhra Bank	26.6	-25.1	-21.6
Bank of Maha	18.9	-14.3	-19.0
Dena Bank	28.2	-19.6	-34.4
Pun. & Sind Bank	15.6	-25.1	-37.9
S B T	17.4	-21.8	-26.2
United Bank (I)	29.7	-33.6	-31.6
Vijaya Bank	16.1	-18.4	-38.6

Historical 1-yr Fwd Price to Book Value – Average 0.9x



Income Statement				
Year to 31st March (Rs.Cr)	**FY10**	**FY11**	**FY12E**	**FY13E**
Interest Income	4736	5563	7555	8919
Interest Expenses	3439	3595	5036	6060
Net Interest Income	**1296**	**1968**	**2519**	**2858**
- growth %	*15*	*57*	*28*	*13*
Fee-based Income	290	344	406	477
Treasury Income	239	94	42	65
Other Non-interest Income	63	92	102	112
Operating Income	**1887**	**2499**	**3070**	**3513**
- growth %	*25*	*42*	*23*	*14*
Operating Expenses	1073	1644	1433	1640
- Staff Cost	656	1157	889	1000
- Other Operating Exp.	417	487	545	640
Gross Profits	**815**	**855**	**1636**	**1873**
- growth %	*21*	*8*	*91*	*14*
Provisions	246	467	922	807
Profit Before Taxes	**569**	**388**	**714**	**1066**
Taxes	129	58	236	352
Profit After Taxes	**440**	**330**	**479**	**714**
- growth %	*17*	*-25*	*45*	*49*

Balance sheet				
As on 31st March (Rs. Cr)	**FY10**	**FY11**	**FY12E**	**FY13E**
Capital	431	482	482	482
Preference Capital		588	588	588
Reserves & Surplus	2,428	2,901	3,238	3,781
Deposits	63,304	66,845	77,874	92,670
- growth %	*21.1*	*5.6*	*16.5*	*19.0*
Borrowings	2,797	3,077	3,507	4,139
Other liabilities & provisions	2,114	2,572	2,967	3,487
TOTAL LIABILITIES	**71,074**	**76,464**	**88,656**	**105,147**
Cash on hand & with RBI	5,315	3,846	4,817	6,091
Money at call and short notice	1,379	203	234	264
Advances	40,315	46,881	55,554	66,109
- growth %	*17.6*	*16.3*	*18.5*	*19.0*
Investments	21,324	22,491	24,757	28,984
Fixed assets	660	667	680	694
Other assets	2,081	2,376	2,614	3,006
TOTAL ASSETS	**71,074**	**76,464**	**88,656**	**105,147**

Ratio Analysis				
	FY10	**FY11**	**FY12E**	**FY13E**
Basic Ratio (Rs.)				
EPS	10.2	7.2	9.9	14.8
Book Value per share	56	64	68	80
70% Adjusted Book Value	49	59	69	80
Dividend per share	2.0	2.0	2.0	2.5
Asset Quality (%)				
Gross NPAs	3.0	2.5	2.2	2.3
Net NPAs	1.6	1.3	0.6	0.5
NPA Coverage	45.2	47.3	73.9	77.3
Profitability ratios (%)				
RoAE	19.67	12.35	15.35	19.95
RoAA	0.68	0.45	0.58	0.74
NIM	2.27	3.01	3.37	3.27
Operating Profit Margin	15.3	14.0	20.2	19.6
Net Profit Margin	8.3	5.4	5.9	7.5
Cost to Income	56.8	65.8	46.7	46.7
Fee-based income to Operating Income	15.3	13.8	13.2	13.6

	FY10	**FY11**	**FY12E**	**FY13E**
Spread analysis (%)				
Yield on advances	9.0	9.2	11.5	11.5
Yield on investments	6.5	6.9	7.0	7.0
Yield on interest-earning assets	7.7	8.0	9.4	9.4
Cost of deposits	5.5	5.0	6.5	6.6
Cost of borrowings	10.1	10.6	11.2	11.3
Cost of funds	5.2	5.1	6.2	6.3
Spread	2.5	2.9	3.2	3.1
Net Interest Income to AWF	2.1	2.8	3.2	3.1
Non Interest Income to AWF	0.9	0.8	0.7	0.7
Operating Profit to AWF	1.3	1.2	2.1	2.0
Net Profit to AWF	0.7	0.5	0.6	0.8

Valuation ratios (x)				
P/E	4.7	6.6	4.8	3.2
P/BV	0.86	0.74	0.70	0.60
P/ABV	0.98	0.82	0.69	0.60

Arihant Research Desk

E. research@arihantcapital.com
T. 022-42254834/32

Head Office

3rd Floor, Krishna Bhavan,
67 Nehru Road, Vile Parle (East),
Mumbai - 400057
Tel: (91-22) 42254800
Fax: (91-22) 42254880

Registered Office

E-5 Ratlam Kothi
Indore - 452003, (M.P.)
Tel: (91-731) 3016100
Fax: (91-731) 3016199

Stock Rating Scale

	Absolute Return
BUY	>20
ACCUMULATE	12-20
HOLD	5-12
REDUCE	<5