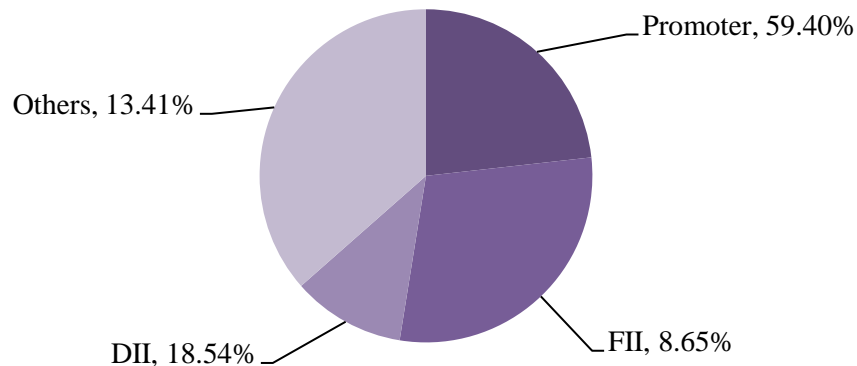




BSE Code	500112
BSE Group / Index	A / SENSEX
CMP	Rs.1753.05
Market Capitalization	Rs.1,11,318 Cr
Face Value	Rs.10
EPS (TTM)	Rs.114.07
Book Value per Share	Rs.1023.40
52 Wk High (BSE)	Rs.3187.90 (16 Nov,2010)
52 Wk Low (BSE)	Rs.1708.55 (05 Oct,2011)

Shareholding Pattern % as of Sep,2011



Public holding more than 1% of the Total No. of Shares (as of Sep, 2011)

Sl. No.	Name of the Shareholder	No. of Shares	Shares as % of Total No. of Shares
1	ICICI Prudential Life Insurance Company Ltd	7,013,660	1.10
2	Life Insurance Corporation Of India	46,723,144	7.36
3	LIC Of India Market Plus - 1	8,386,062	1.32
	Total	62,122,866	9.78

**Q2 FY12 – Result Highlights**

Particulars (Rs.Cr)	Q2 FY12	Q2 FY11	YoY (%)	Q1 FY12	QoQ (%)	H1 FY12	H1 FY11	YoY (%)
Interest Earned	25967.09	19808.49	31.09%	24197.44	7.31%	50164.53	38260.22	31.11%
Interest Expended	15545.15	11693.22	32.94%	14497.91	7.22%	30043.06	22841.62	31.53%
Net Interest Income	10421.94	8115.27	28.42%	9699.53	7.45%	20121.47	15418.60	30.50%
Non-Interest Income	3427.23	4005.21	-14.43%	3534.23	-3.03%	6961.46	7695.17	-9.53%
Total Income	13849.17	12120.48	14.26%	13233.76	4.65%	27082.93	23113.77	17.17%
Operating Expenses	6374.86	5763.07	10.62%	5991.32	6.40%	12366.18	10622.39	16.42%
Operating Profit	7474.31	6357.41	17.57%	7242.44	3.20%	14716.75	12491.38	17.82%
Provisions & Contingencies	3385.50	2621.47	29.15%	4156.90	-18.56%	7542.40	4172.85	80.75%
Profit before Tax	4088.81	3735.94	9.45%	3085.54	32.52%	7174.35	8318.53	-13.75%
Tax	1278.38	1234.17	3.58%	1501.99	-14.89%	2780.37	2902.96	-4.22%
Profit after Tax	2810.43	2501.77	12.34%	1583.55	77.48%	4393.98	5415.57	-18.86%
Equity share capital (FV- Rs.10)	635.00	635.00		635.00		635.00	635.00	
EPS (Rs.)	44.26	39.40		24.94		69.20	85.28	



Strong NII growth

The NII growth of 28.4% YoY (7.4% QoQ) in Q2FY2012 was mainly due to the sequential jump in the margins. The loan growth remained flattish at 3% sequentially while it increased by a modest 17% on a YoY basis. The corporate loans grew 21% YoY followed by SME and agricultural advances. The deposits grew 13.8% YoY & 2.4% QoQ while term deposits declined 1.9% QoQ due to shedding of bulk deposits. **For FY12, the management has guided loan growth of 16-18%.**

Strong Margins & Stable CASA ratio

Base rate hike of 50bps in Q2FY12 resulted in a 40bps sequential improvement in yield on advances. Unlike peers, cost of deposits for SBI remained firmly under control as the bank shed high cost bulk deposits and the CASA ratio remained stable at 47.6% for Q2FY12. As a result, NIMs for Q2FY12 were higher at 3.8% vs 3.6% in Q1FY12. **The management remains confident of maintaining/improving margins further and has guided NIM of 3.65% (v/s 3.5% earlier) for FY12, with an upward bias.**

Non-interest income declines

The non interest income declined by 14.4% YoY and 3% QoQ contributed by a sharp decline in the treasury profit (Rs.28Cr vs Rs.197Cr in Q2FY2011), lower dividend income and a decline in fee income. During Q2FY12, the bank's fee income declined by 12% YoY as the corresponding previous year number was higher due to a onetime fee income of Rs.350Cr earned from a large corporate deal.

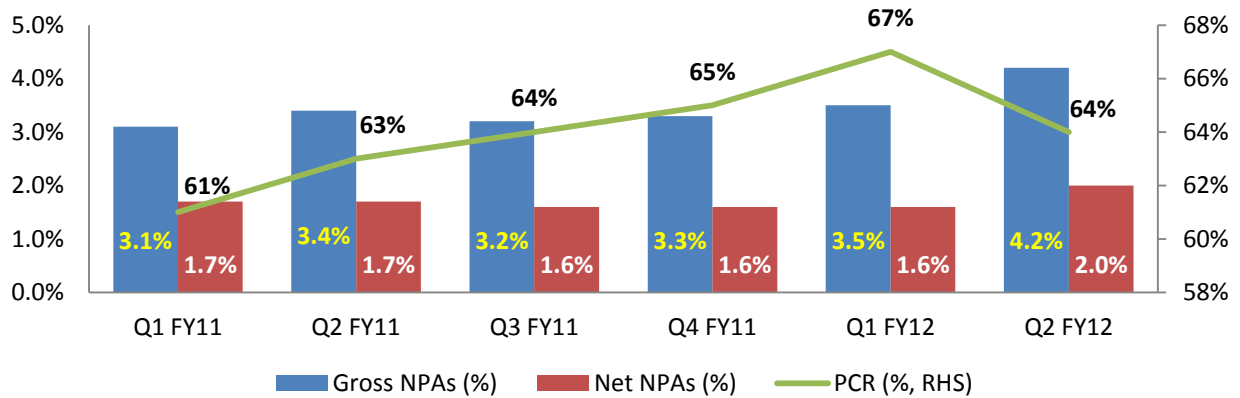
Concerns on asset quality

During Q2FY12, the slippages rose to a whopping Rs.8016Cr which were spread across large corporate, SME, retail and restructured loans. Contrary to that, the recoveries/upgradations were much lower at Rs.1772Cr. Consequently, the asset quality of the bank deteriorated significantly with the gross and net NPAs of the bank rising to 4.19% and 2.04% respectively from 3.52% and 1.61% in Q1FY12. In absolute terms the gross and net NPAs grew by 22.2% and 29.6% respectively. The management mentioned that it expects few large accounts aggregating to Rs.2000Cr that slipped during the quarter to be upgraded in H2FY12 itself. **The management remains cautious on asset quality due to adverse macro environment & has guided Net NPAs of 1.7% (earlier guidance of 1.5%) for FY12 as against 2% currently.**

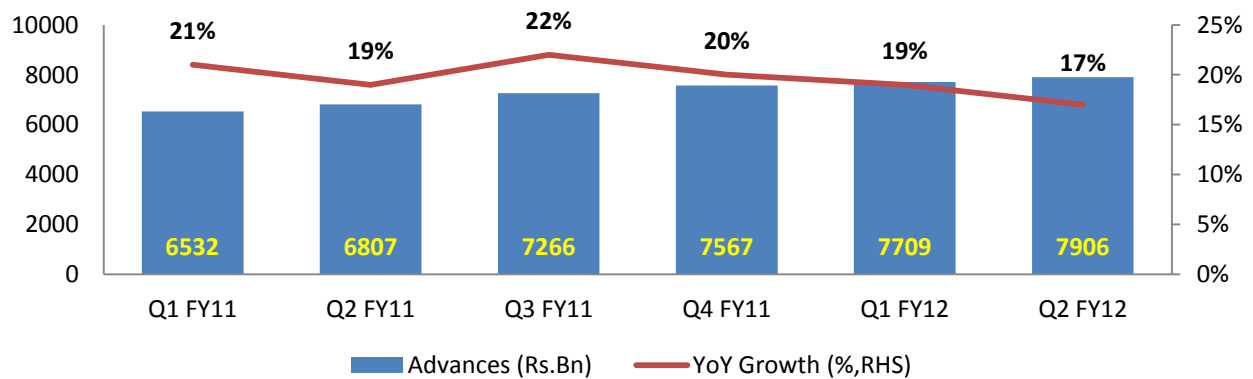


Quarterly Trends

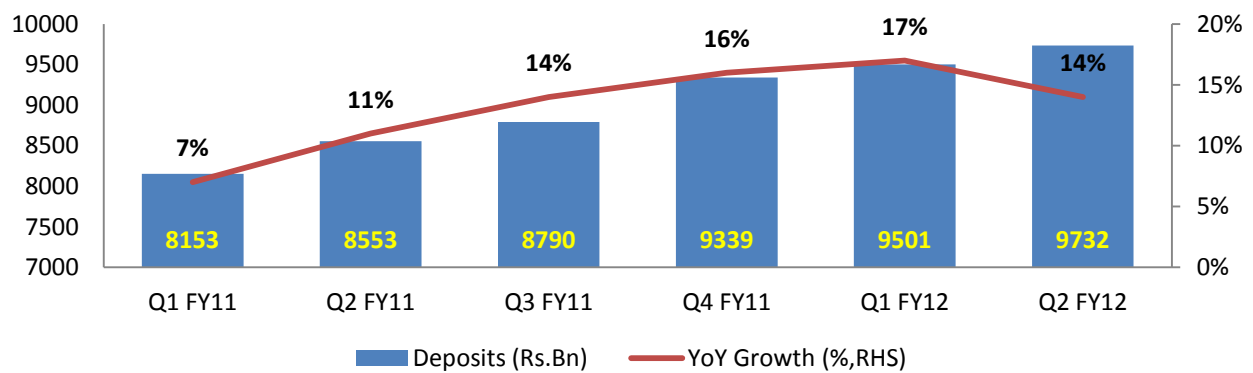
Concerns on asset quality



Advances growth moderates

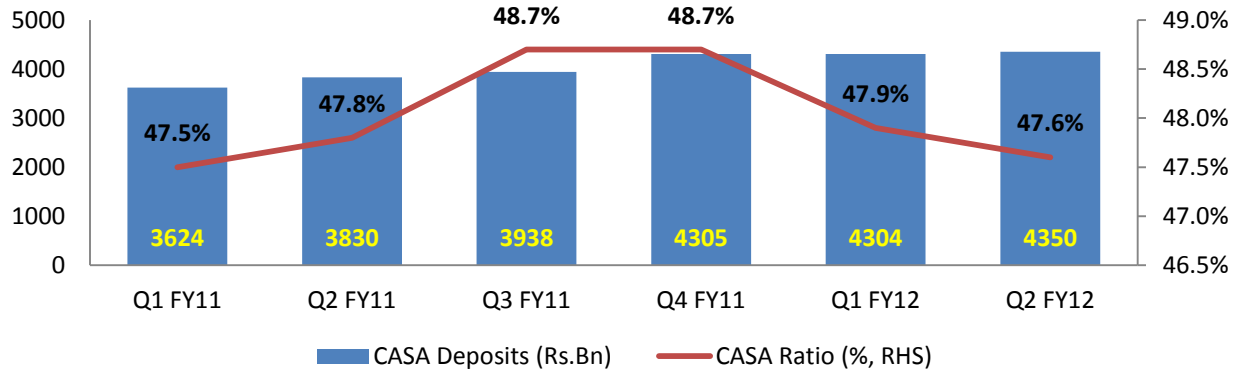


Deposits growth slows down

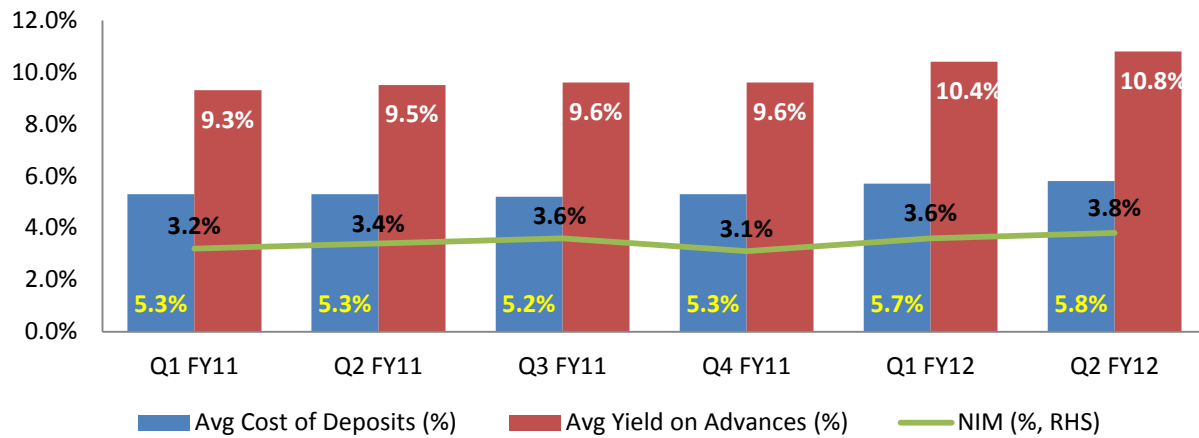




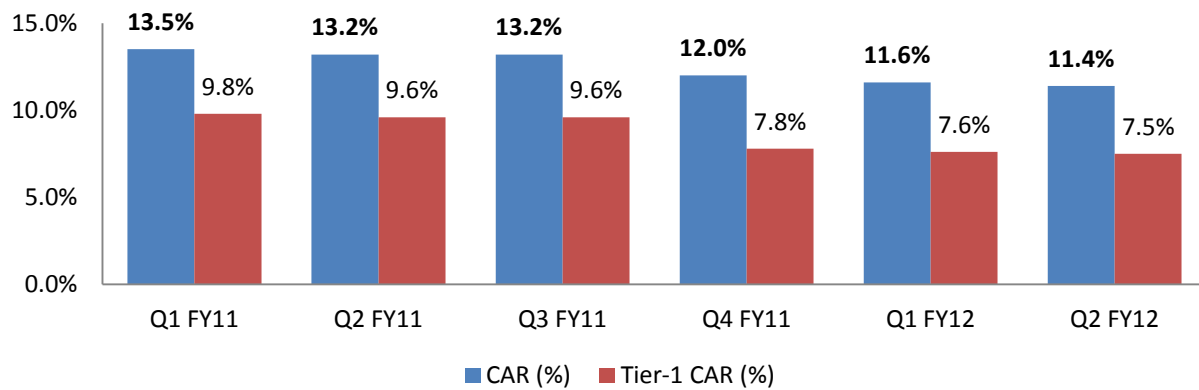
Stable CASA ratio



Strong NIMs



Weak capital adequacy especially Tier-1





View

SBI's business growth was consistent at 15% YoY with loan growth of 17%. Further the management is confident of advances growth of 16-18% for FY12. SBI has delivered strong performance on NIM, up 70bps over the past two quarters. The management has revised its NIM guidance to 3.65% with an upward bias from 3.5% earlier. Asset quality remains concerning, with slippages remaining at elevated levels. **Improvement in upgrades and recoveries would be critical in 2HFY12 to provide impetus to asset quality and stock performance.** As SBI reports superior margins at 3.65% and asset quality improves, valuations should improve from current levels of 1.7x FY11 standalone BV.

**Disclaimer:****Analyst Holding: Yes****Recommended to Clients: Yes****Relationship with Management: No**

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