



Strong Show by SBI- Buy

- We reaffirm the buy call on State Bank of India with a one-year target price of Rs. 1550. Current price is Rs. 1041.50.
- The company has come out with good numbers for the quarter ended December 2008.
- EPS for the quarter shot up by 52% mainly because of substantial gains from treasury operations.
- Net Interest Margin (NIM) has also been maintained at attractive levels and it seems that increased share in the deposit market has helped much to achieve this.
- Non performing loans are lower than the expected levels.
- Provisioning cost has been offset by high MTM gains.
- Overall, we reiterate our earlier view that PSU banks, especially the State Bank of India may outperform private sector banks and strongly recommend to buy SBI.
- Current year EPS is expected at Rs. 120.44 and is estimated to rise to Rs.132.84 in FY 10. Projected EPS for FY11 is Rs.162.01.

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