

FORTNIGHTLY UPDATE

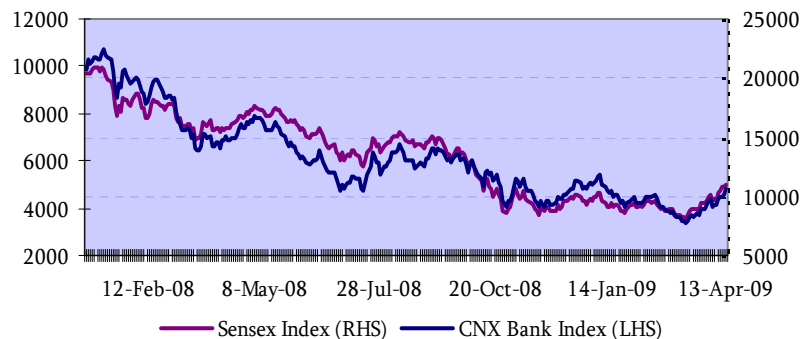
INDICATORS

Particulars	27th Mar 2009	13th Mar 2009	28th Mar 2008
Bank Credit growth (YoY %)	17.28	18.13	22.3
Deposits growth (YoY %)	19.81	21.18	22.4
Key Ratios/Other Key Data			
Credit/Deposit	72.32	72.08	73.88
Investment/Deposit	30.43	31.72	30.4
Cash/Deposit	6.75	5.93	0.0
Incremental C/D (YoY)	64.43	63.28	73.63
CASA as a % of Deposits	13.58	12.76	16.19
Money Supply (M3) (YoY %)	18.6	19.70	21.1
Forex Reserves (INR bn)	252.32	248.72	309.16
10 Yr G-Sec Yield (%)	6.97	7.07	7.95
Call Rate	4.25	3.75	6.80
Inflation Rate	0.26	0.27	7.75

KEY HIGHLIGHTS

- Commercial credit registered a growth of 17.28 per cent for the fortnight ended 27 March, 2009 as against 22.30 per cent for the corresponding period last year. In the fortnight ended 13 March, 2009 credit growth was 18.13 per cent.
- Aggregate deposits in the system for the fortnight ended 27 March 2009 stands at INR38303.22 bn as against INR37325.01 bn in the last fortnight. CASA as a percentage of deposits improved significantly by 82 basis points from the last fortnight in the system.
- Incremental CD ratio for the current fortnight stands at 64.48 per cent YoY improving by 115 bps from the last fortnight. Also, CD ratio improved slightly by 24 bps for the same period.
- Forex reserves increased by \$2.83 bn to \$255.16 bn for the week ended 03 April, 2009 from \$252.32 bn for the week ended 27 March, 2009.
- Money Supply registered a growth of 18.60 per cent in the fortnight as against 19.70 per cent in the last fortnight and 21.10 per cent in the corresponding period last year. In absolute terms money supply in the system stands at INR47579.05 bn.
- 10 Year Government Bond Yield remained more or less flat at 6.97 per cent for the fortnight ending 27 March 2009 as against 7.07 in the last fortnight. However, with the drastic fall in CD rates as a result of ample liquidity in the system, bond yields came down significantly and currently stands at 6.65 per cent.

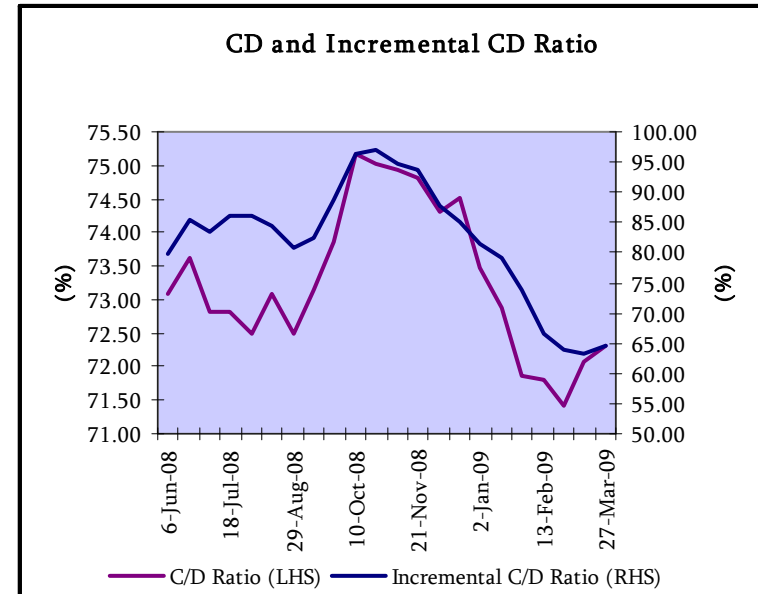
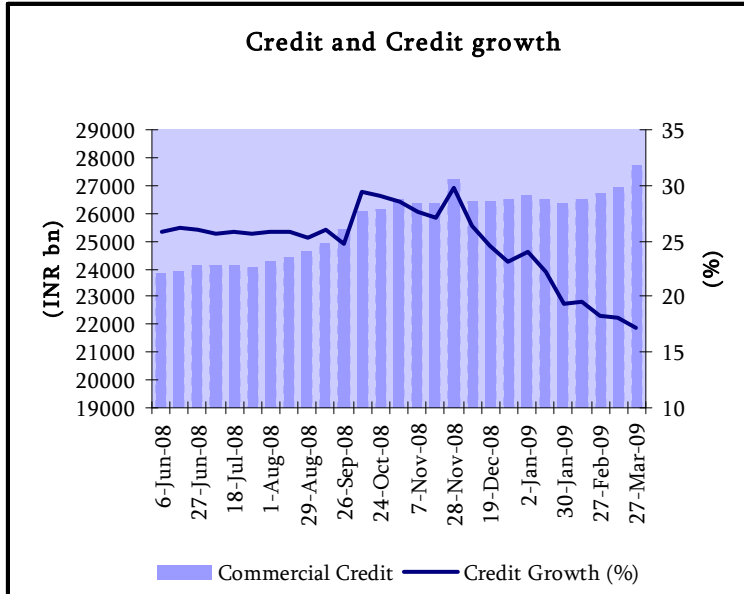
Sensex vs CNXBank Index price movement



BUSINESS GROWTH

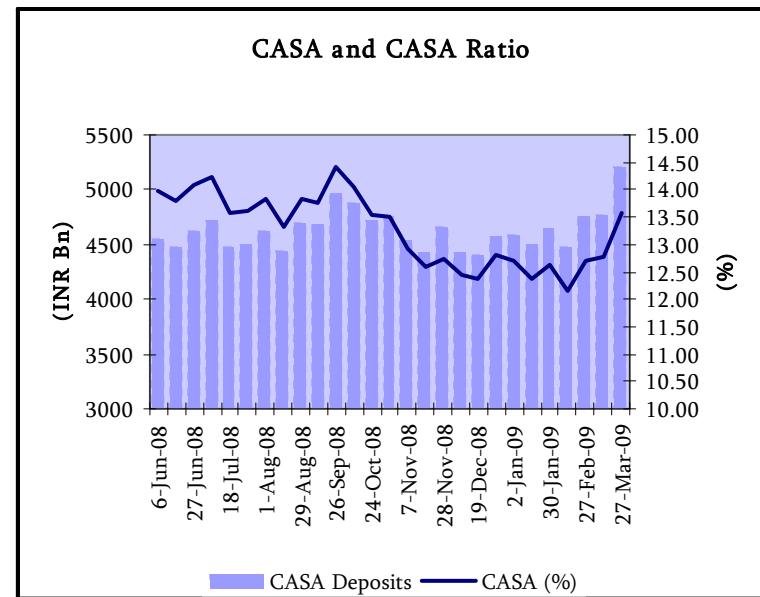
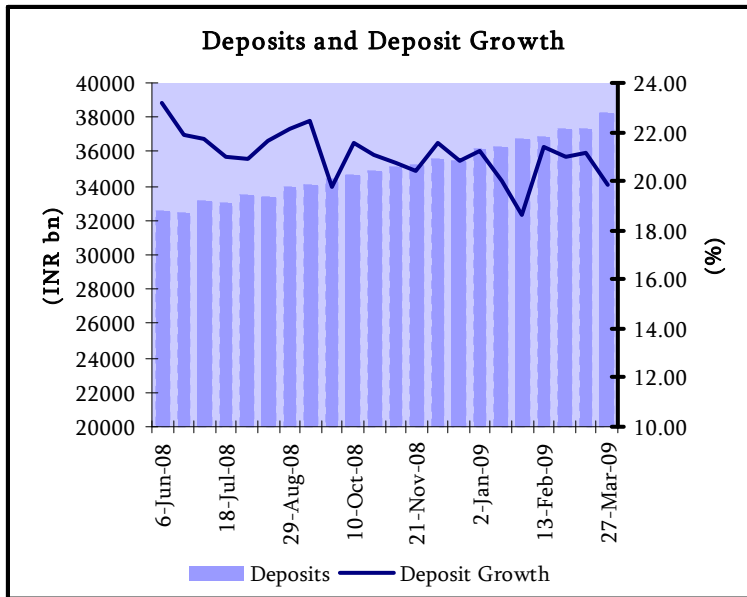
During the fortnight ended 27 March 2009, loans sanctioned by scheduled commercial banks including regional rural banks, went up by INR794.99 bn as banks tried to increase the credit off-take to meet the year-end disbursal targets. While non-food credit increased by INR811.90 bn to INR27238.01 bn, food credit fell by INR16.91 bn to INR462.11 bn. Last year, as on March 28, 2008, bank credit was up by INR749.97 bn.

•CD ratio improved by 24 bps to 72.32 per cent during the fortnight as against 72.08 in the previous fortnight. Incremental CD ratio remained sluggish at 64.43 per cent YoY, however it improved by 115 bps from the last fortnight.



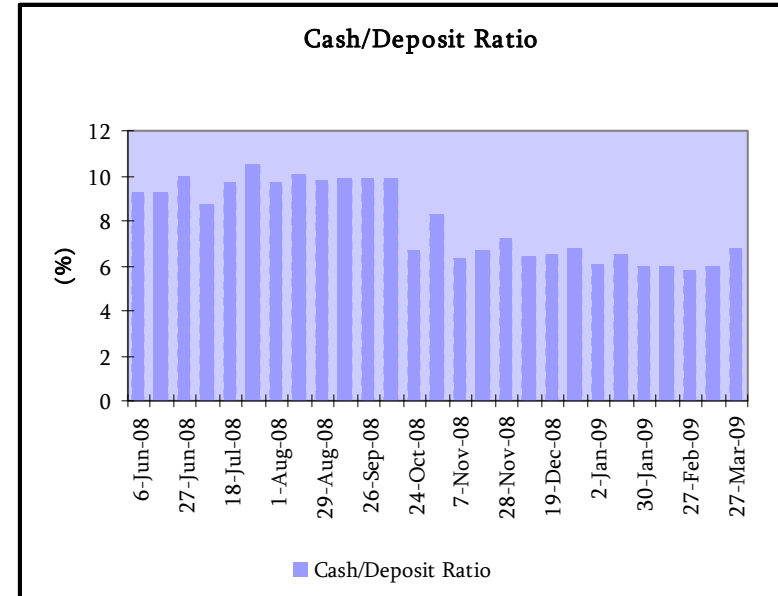
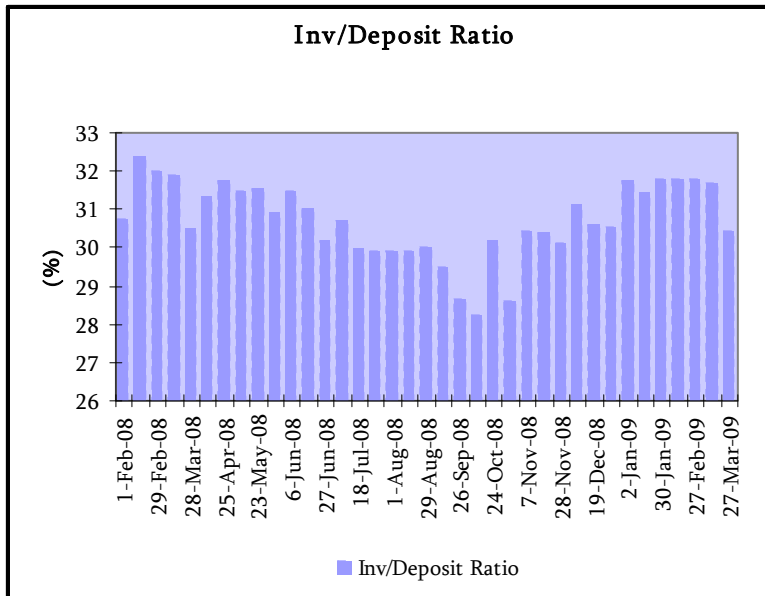
BUSINESS GROWTH

- During the fortnight ended 27 March 2009 deposits increased by INR978.21 bn as against a decrease of INR33.63 bn in the previous fortnight. On a year-on-year basis, deposits grew by 19.8 per cent to INR38303.21 bn at the end of March 28, 2009, compared with a 22.4 per cent rise in 2007-08.
- Also during the fortnight demand deposits went up by INR438.59 bn, while time deposits rose by INR539.61 bn. CASA as a percentage of deposits improved significantly by 82 basis points from the last fortnight in the system. CASA currently stands at 13.58 per cent.



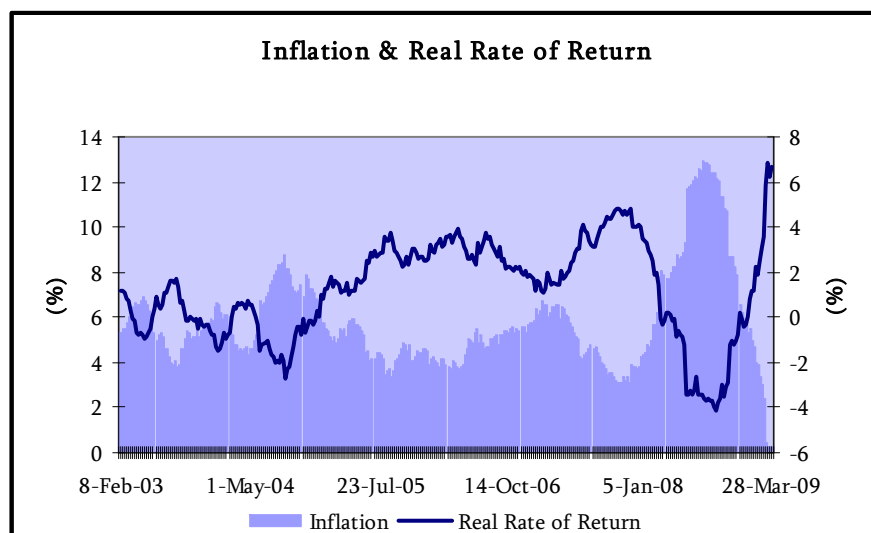
BUSINESS GROWTH

- Banks investment in government and other approved securities that qualify for the treatment of SLR fell by INR181.24 bn as a result of lower deposit mobilization coupled banks lending more during the fortnight. SLR as a percentage of NDTL during the fortnight stands at 30.43 per cent as against 31.72 per cent in the previous fortnight.
- Cash as a percentage of NDTL improved by 82 basis points to 6.75 per cent during the fortnight as against 5.93 per cent in the previous fortnight.



INFLATION

Week Ended (YoY)	28th Mar 2009	21st Mar 2009	14th Mar 2009	7 th Mar 2009
Inflation (%)	0.26	0.31	0.27	0.44
<i>% change in bps over previous week</i>	(5 bps)	4 bps	(17 bps)	(199 bps)
Primary Articles (%)	3.46	3.85	3.94	4.38
<i>% change in bps over previous week</i>	(39 bps)	(9 bps)	(44 bps)	(146 bps)
Fuel Group (%)	-6.11	-6.11	-6.06	-5.95
<i>% change in bps over previous week</i>	0 bps	(5 bps)	(11 bps)	(82 bps)
Manufactured Products (%)	1.42	1.27	1.17	1.32
<i>% change in bps over previous week</i>	15 bps	10 bps	(15 bps)	(265 bps)

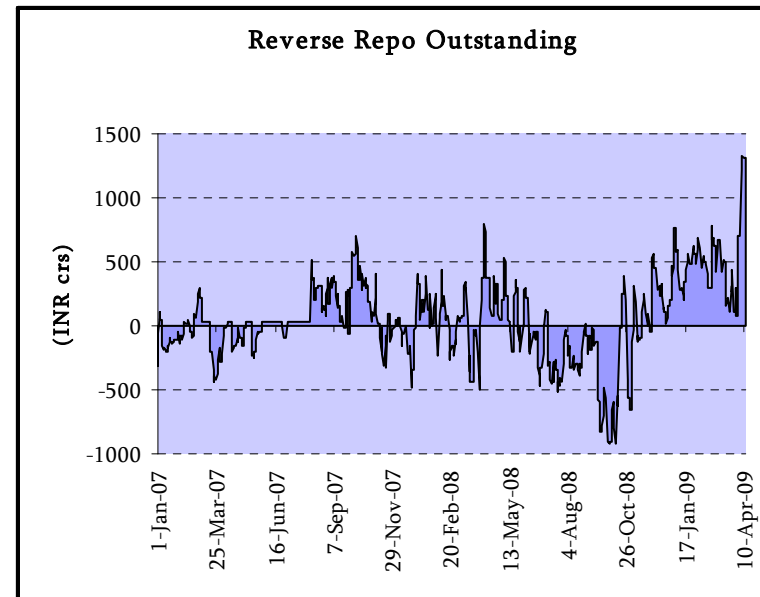
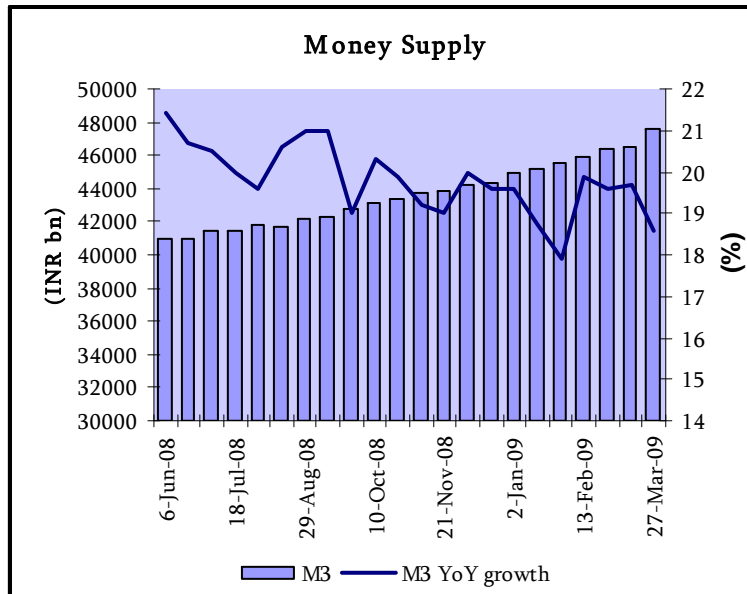


Inflation touched the lowest level since annual records on Inflation started in 1977-78. On w-o-w basis, Inflation rate for the week ended 28 March 2009 was down by 5 basis points to 0.26 per cent. The Inflation rate for the week ended 31 January 2009 was revised downward by 41 basis points to 3.98 percent.

On a y-o-y basis, Food Articles contributed 0.98 percentage points to the overall Inflation rate of 0.26 per cent for the week ended 28 March 2009, followed by Food Products (0.78 percentage points), Textiles (0.55 percentage points), respectively. On the other hand, Basic Metal and Alloy's and Metal products contributed -1.31 percentage points to decline in Inflation, followed by Mineral Oils (-1.12 percentage points), Electricity (-0.18 percentage points), respectively.

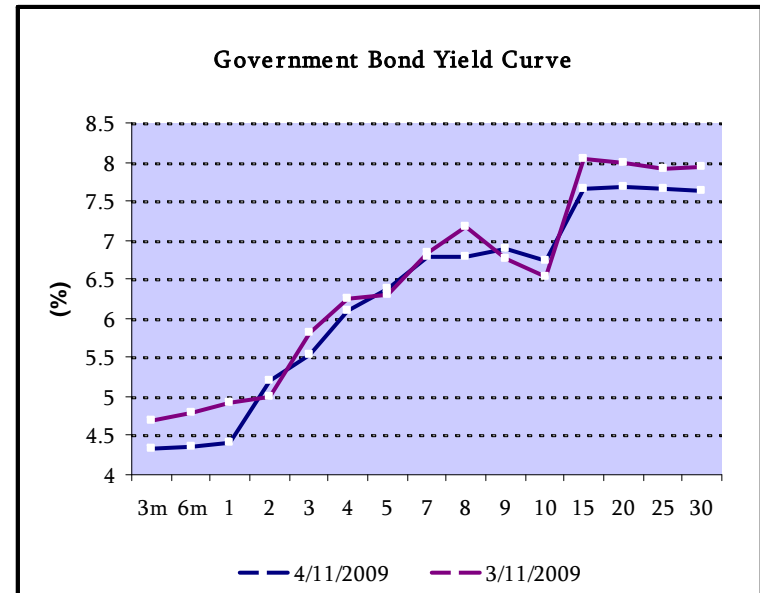
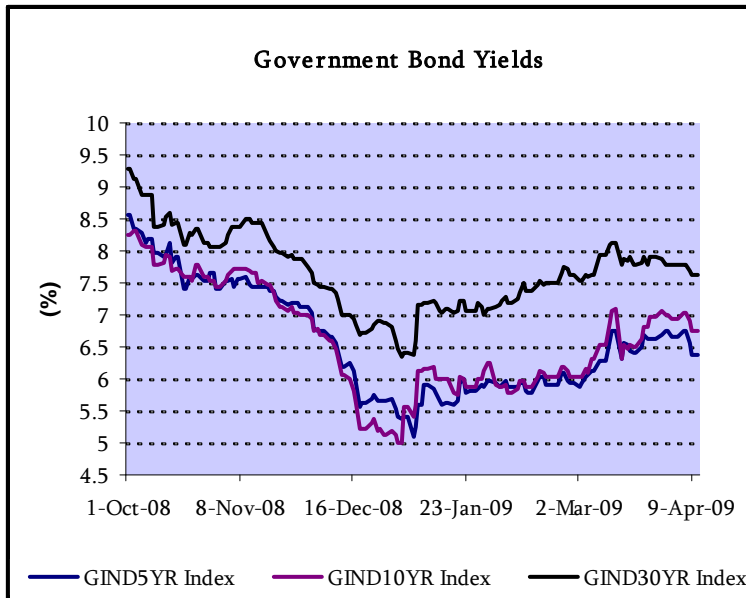
LIQUIDITY

- Money supply growth rose 18.6 per cent YoY as on 27 March 2009, from 19.7 per cent in the previous fortnight. Money supply was INR47579.05 bn in the system as on 27 March 2009, compared with INR46558.31 bn on March 13, and INR40105.28 bn on 28 March 2008.
- Banks have parked an average of INR77 bn daily since 27 March 2009 highlighting the excess cash in the market at the moment. With low credit off-take, banks are parking the funds mostly in the Reserve Bank of India’s reverse repurchase window. Added to this redemption of two large government bonds in the last few days has led to the abundant supply of liquidity into the system.



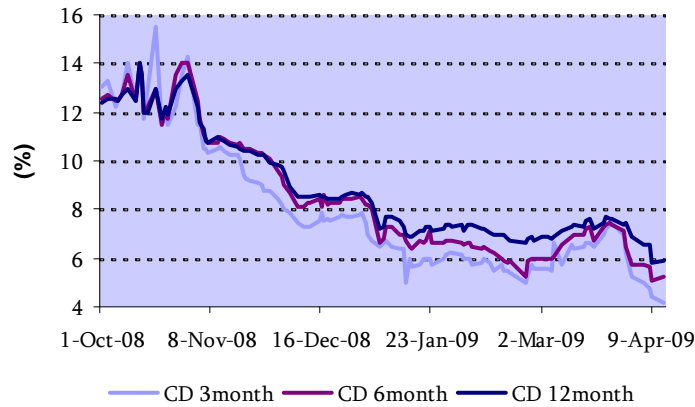
DEBT MARKET

- 10 Year Government Bond Yield remained more or less flat at 6.97 per cent for the fortnight ending 27 Mar 2009 as against 7.07 in the last fortnight. However, with the drastic fall in CD rates as a result of ample liquidity in the system, bond yields came down significantly and currently stands at ~6.65 per cent.
- Bonds also gained after government reports showed industrial production fell the most in more than 14 years and inflation cooled to the slowest in at least two decades. Output at factories, utilities and mines declined 1.2 per cent in February from a year earlier, while the wholesale-price index rose 0.26 per cent in the week to 28 March 2009.

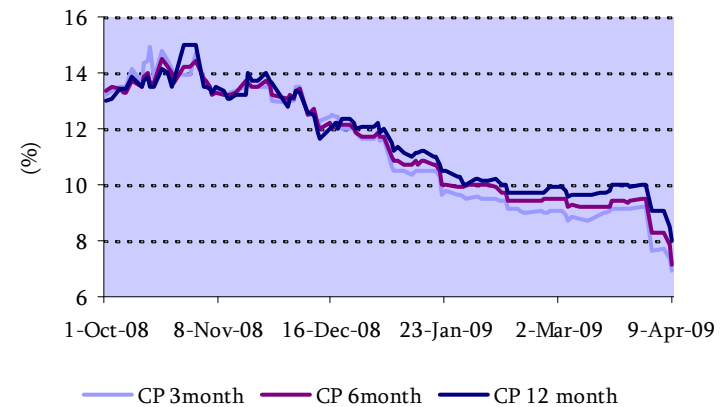


DEBT MARKET

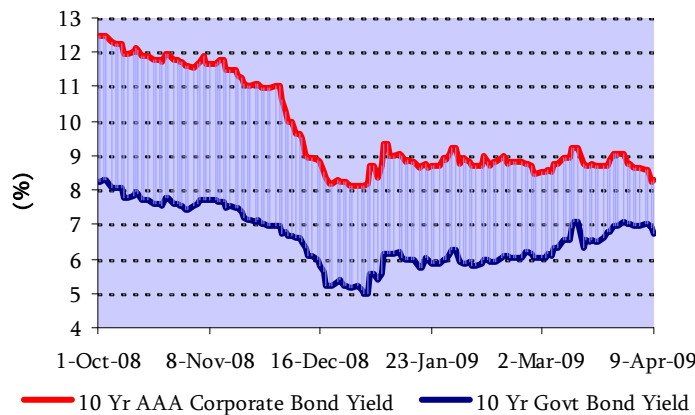
Certificate of Deposit Rates



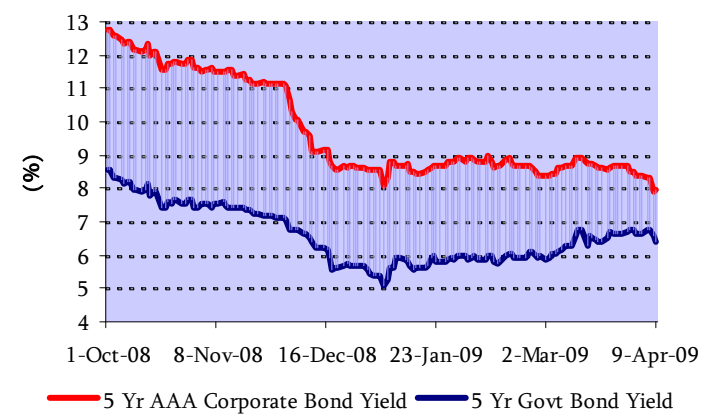
Commercial Paper Rates



10 Yr Govt-Corporate Bond Yield



5 Yr Govt-Corporate Bond Yield



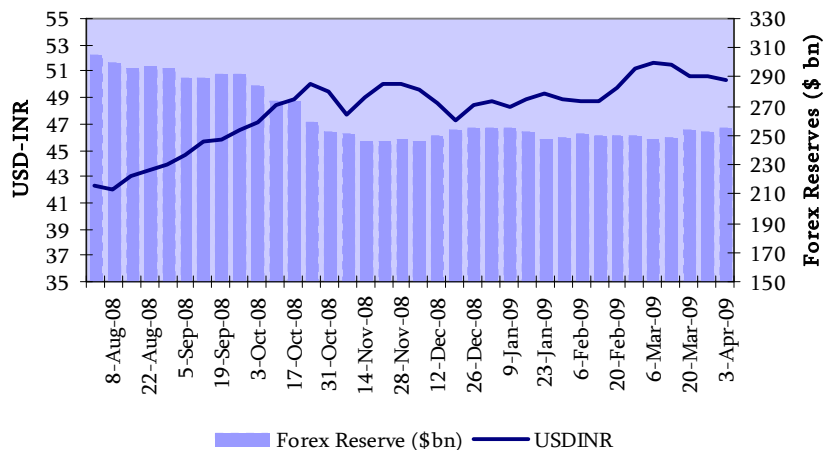
Currency

Currency Rates	10 th Apr 09	27 th Mar 09	% change
Dollar (USD-INR)	49.79	50.60	(1.76)
Euro (EUR-INR)	65.95	67.21	(1.87)
Pound (GBP-INR)	73.37	72.42	1.31
Yen (INR-YEN)	2.004	1.935	3.56
EUR / USD	1.3189	1.33	(0.83)
GBP / USD	1.4672	1.43	2.60
USD / JPY	100.24	97.86	2.43
Dollar Index	85.78	85.11	0.79

In the first half of the fortnight, Indian Rupee appreciated by 0.50 per cent against the dollar led by sharp rally in domestic shares coupled with strong Asian currencies against the greenback. INR also appreciated sharply against Yen on hopes that moderating recession would increase the demand for high yielding currencies like INR and AUD. During the first half of the fortnight it posted a gain of 2.81 per cent against JPY. In the second half of the fortnight, Indian Rupee appreciated by 1.11 per cent against the dollar led by sharp rally in domestic shares. The benchmark BSE Sensex Index has rallied 38.2 per cent since reaching a four-month low on March 9 and on 15 April 2009 touched the highest level since October 2008.

India's current account deficit surged to the highest in 18 years in the quarter ended December 2008. The overall BOP witnessed a deficit of USD17.8 bn in Q3 FY09 compared to record surplus of USD26.7 bn in the corresponding period a year ago. Added to this, during the previous fortnight Import/Export figures were announced. India's exports fell the most in at least 13 years in February 2009. Exports declined by 21.7 per cent for the month of February 2009, compared with a decline of 15.9 per cent reported in January 2009. On the other hand, Imports declined by 23.3 per cent for the month of February 2009 against a fall of 18.2 per cent reported for the month of January 2009. As a result of import falling more than export India's trade deficit for the month of February 2009 fell to USD4.91 billion from USD6.08 billion reported in January 2009. In the absence of any major global events, the movement of USD-INR would largely follow the local equity market movement. Also, volatility may remain high with the forthcoming Q4 results and the onset of elections this week.

Forex Reserves vs USD-INR



Stock Performance

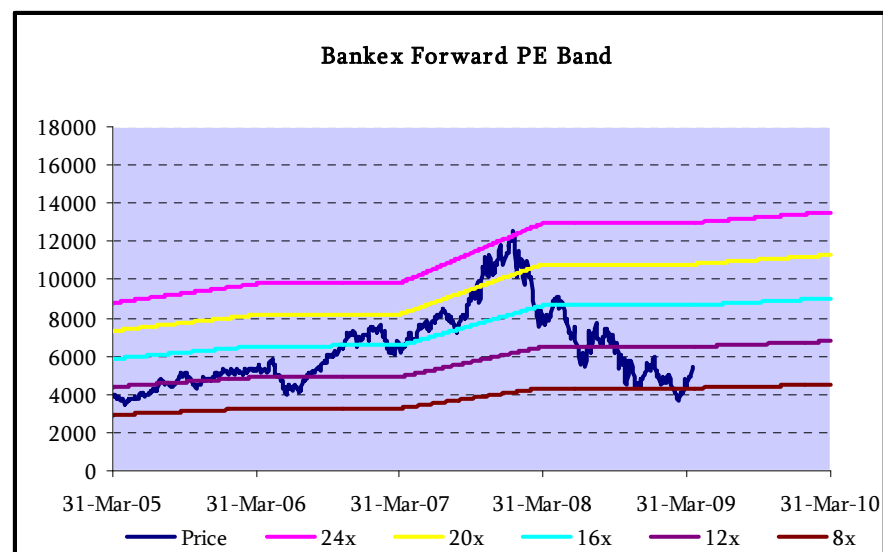
Top 5 Outperformer in the Banking Space

Currency Rates	10 th April 09	27 th Mar 09	% change
DCB	25.1	19.3	30.05
Kotak Mahindra Bk	370.15	301.7	22.69
Central Bank	42.5	34.9	21.78
J & K Bank	347.35	290.9	19.41
Dhanalakshmi Bank	60.15	50.8	18.41

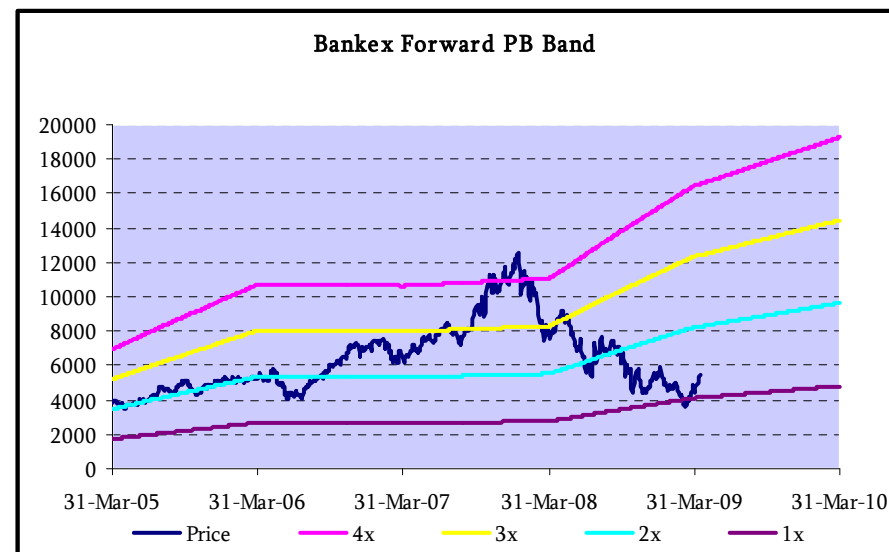
Top 5 Underperformer in the Banking Space

Currency Rates	10 th April 09	27 th Mar 09	% change
State Bank of India	1140.4	1125.35	1.34
Canara Bank	171.1	167.05	2.42
PNB	454.25	441.15	2.97
Axis Bank	444.55	431.2	3.10
Bank of India	241.15	233.75	3.17

Bankex Forward PE Band



Bankex Forward PB Band



Key Domestic and Global Events

KEY DOMESTIC EVENTS

- The Reserve Bank of India has provided banks a breather by revising the method of calculating the current value of restructured loans. “The (existing) formula has resulted in higher provisioning due to a rise in the rate of interest during the last few years. It has been decided to modify the formula for computing diminution in the fair value of a restructured loan.
- Bank chiefs in their consultative pre-credit policy meeting with the Reserve Bank of India Governor, Dr D. Subbarao conveyed the message that the year ahead is going to be tougher than expected for the banking sector as banks grapple with slowing credit growth, rising delinquencies and declining margins.

KEY GLOBAL EVENTS

- US industrial production fell in March for the fifth consecutive month, by 1.5 per cent, to the lowest level in a decade amid a prolonged recession. For the first quarter as a whole, output dropped at an annual rate of 20.0 per cent, the largest quarterly decrease of the current contraction.
- Goldman Sachs Group, Inc. reported 1Q09 earnings of \$1.66 billion or \$3.39 a share, up from \$1.51 billion, or \$3.23 a share a year earlier. The results were way ahead of consensus estimates of a profit of \$1.64 per share. Higher-than-expected profit was mainly due to strong trading revenue. Of the first quarter net revenues of \$9.4 billion, \$6.6 billion was the contribution from the company’s fixed-income, currency and commodities (FICC) group.

OUTLOOK

With the onset of the result season the performance of the banking gamut would largely follow their core performance. Indian banking sector as well as global financial system would largely take cues from the results announcements of US banks which are due to be announced next week. Citigroup is scheduled to report first-quarter results on Friday. Citi's CEO Vikram Pandit was the first one last month to say they were profitable in January and February. In March, Pandit said Citigroup had been profitable in the first two months of 2009 and had had its best quarter-to-date performance since the third quarter of 2007. Indian Banks are expected to unveil a rather subdued performance with the exception of few banks. We expect Net Interest Margins of the banks to fall in the fourth quarter on account of cut in lending rates without much cut in deposit rates. In addition to this falling incremental CD ratio is likely to add pressure on the margins. Also, The rise in government bond yield during the quarter would wipe out some gains in the treasury portfolio which banks have garnered in the third quarter.

KEY MACRO EVENTS FOR THE NEXT FORTNIGHT

<i>Date</i>	<i>Country</i>	<i>Event</i>	<i>Bloomberg Estimate</i>	<i>Previous Level</i>
Apr 16	India	WPI (YoY)	-	0.26%
Apr 21	India	Reverse Repo Rate	-	3.50%
Apr 21	India	Cash Reserve Ratio	-	5.00%
Apr 21	India	India Repo Cutoff Yld	5.50%	5.00%
Apr 15	US	ABC Consumer Confidence	-50	-50
Apr 15	Japan	Industrial Production (YoY)	-	-38.4%
Apr 15	US	Industrial Production	-0.9%	-1.4%

<i>Date</i>	<i>Country</i>	<i>Event</i>	<i>Bloomberg Estimate</i>	<i>Previous Level</i>
Apr 16	US	Initial Jobless Claims	655K	654K
Apr 16	Japan	Machine Tool Orders (YoY)	-	-84.5%
Apr 21	UK	CPI (YoY)	-	3.2%
Apr 22	UK	M4 Money Supply (YoY)	-	18.7%
Apr 15	US	Bloomberg Global Confidence	-	5.95
Apr 20	US	Leading Indicators	-0.2%	-0.4%
Apr 22	Japan	Merchandise Trade Balance Total	-	¥82.1B

DISCLAIMER

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