



Bank of Maharashtra

Key Stock Indicators

NSE Ticker :	MAHABANK	CMP as on 04 May 2011-Rs/share :	57.6	Shares outstanding (mn) :	481.7
Bloomberg Ticker :	BOMH:IN	52 week range up to 04 May 2011 (Rs)(H/L) :	85.0/49.5	Free Float (%) :	20.8
Face value per share :	10.0	Market Cap as on 04 May 2011 (Rs mn) :	27,723	Average daily volumes (12 months) :	555,710
Div.Yield (%) :	4.0	P/BV (x) :	0.9	Beta (2 year) :	1.2

Bank of Maharashtra (BoM) was incorporated in 1935 at Pune. In July 1969, it was nationalised along with 13 other banks. The bank offers personal banking, cash management, retail loans and other financial services. Its services include deposits, savings and current bank account, vehicle loans, personal loans, retail trade finance, global banking, lending to priority sector and small scale sector, foreign exchange and export finance, corporate loans and equipment loans.

KEY HIGHLIGHTS

Presence across 22 states

BoM has 1,453 branches spread over 22 states and 2 union territories. The network includes specialised branches for foreign exchange, government business, treasury and international banking, industrial finance, micro, small and medium enterprises including small-scale industry, hi-tech agriculture, pension payment, pension processing, retail credit and asset recovery. During FY10, the bank opened 33 new branches. The branch network is evenly spread across urban and rural areas. Out of the 1,453 branches, 526 are located in rural areas, 266 in semi-urban, 281 in urban and 380 in metropolitan areas. The bank has 79 licences for opening of new branches including 7 licences for branches in the Northeast states of Assam, Arunachal Pradesh, Sikkim and Meghalaya.

Government ownership provides stability

GoI is the majority shareholder in BoM, with shareholding of 76.7% as on March 31, 2010. This gives the bank stability both on an on-going basis and in the event of distress. GoI infused Rs 19 bn in four PSBs in FY09, and Rs 12 bn in another three PSBs in FY10. In FY11, it has committed infusion of Rs 201.5 bn as additional capital to help the banks maintain Tier-I capital adequacy ratio (CAR) of 8%. The government has stated it will maintain overall CAR of PSBs at ~12%, so that the banks can grow their balance sheets and remain competitive.

Healthy resource profile with adequate capitalisation

BoM's resource profile is marked by a healthy level of low-cost current account and savings account (CASA) deposits, high level of retail deposits, and consequently, low cost of borrowings. The bank's CASA, at 36.9% of its total deposits on March 31, 2010, was higher than the industry average of 35.4% on the same date. Its proportion of retail deposits (retail term + CASA) is a healthy 75% of total deposits, helped by its significant rural presence, particularly in Maharashtra. Further, BoM's capitalization improved to 13.2% following an infusion of Rs 5.88 bn by GoI through perpetual non-cumulative preference shares in July 2010. The bank's overall CAR stood at 12.8% while the Tier-I capital stood at 6.4% as on March 31, 2010.

KEY RISKS

- Increase in NPAs and decrease in CASA
- Risk of non-payment by customers
- Slowdown in economy could reduce credit offtake

Stock Performances vis-à-vis market

	Returns			
	YTD	1-m	3-m	12-m
MAHABANK	15	-6	-2	7
NIFTY	5	-6	3	8

Note:

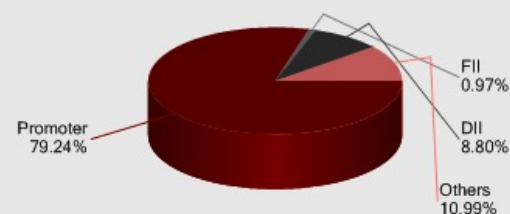
- 1) YTD returns are since Apr 1, 2010 to May 4, 2011.
- 2) 1-m, 3-m and 12-m returns are up to May 4, 2011

Key Financial Indicators

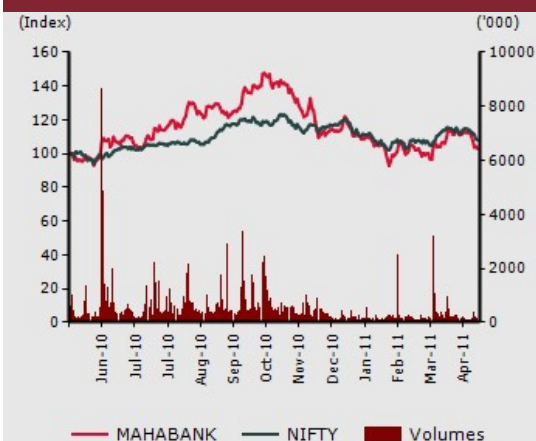
	MAR-08	MAR-09	MAR-10
Net Interest Income (Rs Mn)	11,289	12,569	12,966
Non Interest Income (Rs Mn)	3,823	5,022	5,919
PAT (Rs Mn)	1,357	2,292	3,103
Net Interest Margin (NIM) (%)	2.6	2.4	2.0
Capital adequacy ratio (%)	10.3	12.1	12.8
Net NPA ratio (%)	0.9	0.8	1.6
EPS (Rs)	3.15	5.32	7.21
Book value	40.77	47.18	55.06
Div. Yield (%)	4.7	8.5	4.7
P/E (x)	15.9	3.9	6.9
P/BV (x)	1.2	0.4	0.9
ROE (%)	7.8	12.1	14.1
ROA (%)	0.3	0.4	0.5

n.m. : Not meaningful

Shareholding (As on March 31, 2011)



Indexed price chart



BACKGROUND

BoM is owned by the Government of India. It commenced operations in Pune in 1936. In 1944, the bank obtained status as scheduled bank and in 1946, it opened its first branch outside Maharashtra in Hubli (Karnataka). In 1969, the bank was nationalised alongwith 13 other banks. In 2000, the bank's deposits crossed Rs 100 bn mark. The bank offers a range of financial services including personal banking, cash management, retail loans and other financial services. GoI holds 76.7% stake in BoM as on March 31, 2010. During FY10, the bank opened 33 new branches, taking its branch network to 1,453, spread over 22 states and 2 union territories. The bank has 79 new branch licences in hand. The bank had sponsored three Regional Rural Banks (RRBs). During FY10, the bank merged the erstwhile Marathwada Gramin Bank and Maharashtra Godavari Gramin Bank and a new entity named Maharashtra Gramin Bank came into existence in July 2009. During FY10, the total business of the bank crossed Rs 1,000 bn. On March 2, 2010, the bank completed rolling out its core banking solution at all its 1,453 branches. As on March 31, 2010, the bank had an employee base of 13,673, comprising 4,448 officers, 6,356 clerks and 2,869 sub-staff. In 1946, the bank incorporated a wholly-owned subsidiary, The Maharashtra Executor & Trustee Company Pvt Ltd, which undertakes management of public/ private trusts and administration/ execution of will.

COMPETITIVE POSITION

Peer Comparison

	Bank of Maharashtra Mar-10	Bank of Baroda Mar-10	Corporation Bank Mar-10	Yes Bank Ltd. Mar-10
Net Interest Income (Rs Mn)	12,966	62,115	22,114	7,880
PAT (Rs Mn)	3,103	31,924	6,911	4,631
Net Interest Margin (NIM) (%)	2.0	2.4	2.2	2.7
Capital adequacy ratio (%)	12.8	14.4	15.4	20.6
Net NPA ratio (%)	1.6	0.3	0.3	0.1
EPS (Rs)	7.20	87.30	48.20	13.60
Book value	55.10	431.50	406.50	91.00
P/e (x)	6.9	7.3	10.0	18.7
P/BV (x)	0.9	1.5	1.2	2.8
ROE (%)	14.1	22.0	12.8	19.7
ROA (%)	0.5	1.2	0.7	1.6

FINANCIAL PROFILE

Higher cost of borrowings hampered NII in FY10

NII for BoM remained almost flat in FY10; it grew ~3% on account of growth of 21.1% in total deposits and ~17.5% growth in gross advances. Due to higher cost of borrowing, interest paid on deposits grew ~7%, but the impact was mitigated by a ~18% increase in non-interest income during the year. NIM declined 40 basis points to 2% in FY10 from 2.4% in FY09, on account of more-than-proportionate decrease in interest income as compared to increase in cost of borrowing.

Lower provisions made during the year saw the bank's net NPAs double to 1.6% from 0.8% in FY09. The bank achieved a capital adequacy ratio of 12.8% under Basel II norms as on March 31, 2010. Total provisions and contingencies decreased ~10% (the bank has written back provisions for depreciation on investment of Rs 540.7 mn) which boosted PAT to Rs 3.1 bn from Rs 2.2 bn in FY09.

INDUSTRY PROFILE

Banking

The Indian banking system emerged relatively unscathed from the global economic downturn of 2008-09. While credit growth slowed down, banks were able to control the level of non-performing assets (NPAs), thanks partly to the Reserve Bank of India allowing one-time restructuring of accounts. NPAs as a proportion of gross advances increased slightly from 2.3 per cent as on March 31, 2009 and 2.5 per cent as the end of March 31, 2010. The government has been supporting the growth of public sector banks by infusing capital as per requirement. The government is expected to continue to maintain its strong support for the banking system, while simultaneously imposing stringent prudential norms to ensure its orderly growth. Aggregate y-o-y bank credit growth was 22 per cent as of the first week of November 2010, primarily supported by large borrowings for 3G spectrum and broadband wireless access auctions. Despite hike in deposit rates by 50 bps (on an average) in the first half of 2010-11, the deposit growth rate has been 14-15 per cent till 5th November, 2010. This is primarily because of investors preferring to channelise their savings to other avenues on account of negative real interest rates on bank deposits. For inflows to revive, the deposit rates will need to be more attractive. Realising this, several banks increased their deposit rates by a further 25-75 bps in the first week of October 2010.

Key Financial Indicators

	Mar-08	Mar-09	Mar-10
Net Interest Income (NII) (Rs Mn)	11,289	12,569	12,966
Pre- provisioning profit (PPP)(Rs Mn)	7,430	8,709	8,898
PAT (Rs mn)	1,356	2,291	3,103
NII growth (%)	3.1	11.3	3.2
PAT growth (%)	-50.3	68.9	35.4
Net Interest Margin (NIM) (%)	2.6	2.4	2.0
Capital adequacy ratio (%)	10.3	12.1	12.8
Net NPA ratio (%)	0.9	0.8	1.6
ROE (%)	7.8	12.1	14.1

ANNUAL RESULTS

Income statement

(Rs million)	Mar-08	Mar-09	Mar-10
Net Interest Income (NII)	11,289	12,569	12,966
Non Interest Income	3,823	5,022	5,919
Total Income	15,111	17,591	18,885
Pre- provisioning profit (PPP)	7,430	8,709	8,898
Provisions	3,443	4,184	3,750
PBT	3,299	3,767	4,397
TAX	1,644	1,639	1,025
PAT	1,357	2,292	3,103

Balance Sheet

(Rs million)	Mar-08	Mar-09	Mar-10
Equity Capital	4,305	4,305	4,305
Reserves	13,246	16,008	19,398
Shareholders Funds	17,552	20,313	23,703
Deposits	417,528	522,499	632,950
Borrowings	23,667	22,575	27,970
Other Liabilities & Provisions	22,494	20,051	21,047
Deferred tax liability : asset	-2,745	-3,043	-2,781
Sources of funds	478,496	582,395	702,888
Cash & Balances with RBI	38,939	38,814	53,154
Balances with Banks & money at Call	3,323	2,239	13,792
Investments	122,821	183,590	213,007
Advances	292,858	342,908	403,147
Net Fixed Assets	1,941	1,913	1,937
Other Assets	18,615	12,931	17,851
Application of funds	478,496	582,395	702,888

Ratios

	Mar-08	Mar-09	Mar-10
Loan book growth (%)	27.8	17.1	17.6
Deposit growth (%)	23.1	25.1	21.1
NII growth (%)	3.1	11.3	3.2
PAT growth (%)	-50.3	68.9	35.4
Tax rate (%)	49.8	43.5	23.3
Dividend Payout (%)	74.2	33.0	32.5
ROE (%)	7.8	12.1	14.1
ROA (%)	0.3	0.4	0.5
Credit -Deposit ratio (%)	70.1	65.6	63.7
NIM (%)	2.6	2.4	2.0
CASA (%)	42.2	35.7	36.9
CAR (%)	10.3	12.1	12.8
Tier I Capital (%)	5.1	6.1	6.4
Provision Coverage Ratio (%)	66.8	65.9	45.2
Net NPA (%)	0.9	0.8	1.6

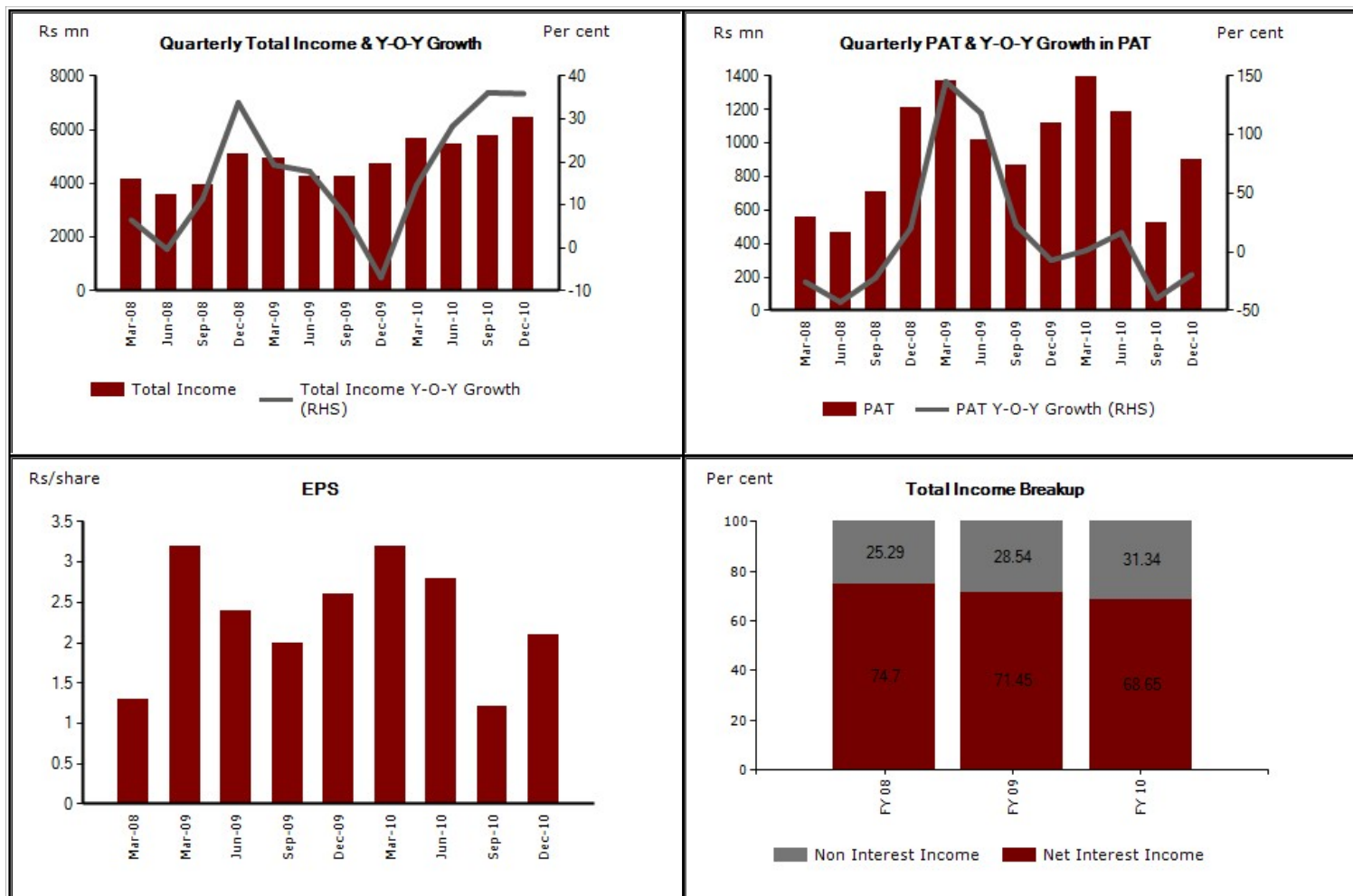
n.m.: Not meaningful

QUARTERLY RESULTS

Profit and loss account

(Rs million)	Dec-10	% of Rev	Dec-09	% of Rev	Sep-10	% of Rev	Dec-10	% of Rev	Dec-09	% of Rev
No of Months	3		3		3		9		9	
Interest Earned	14,292.9	100.0	12,169.8	100.0	13,079.6	100.0	40,174.6	100.0	34,890.7	100.0
Interest Expended	9,075.7	63.5	8,554.0	70.3	8,468.2	64.7	26,241.1	65.3	25,923.5	74.3
Net Interest Income	5,217.2	36.5	3,615.8	29.7	4,611.4	35.3	13,933.5	34.7	8,967.2	25.7
Operating Profit	3,085.7	63.5	2,015.5	70.3	2,202.7	64.7	7,891.7	65.3	5,522.6	74.3
PBT	1,373.8	9.6	1,552.0	12.8	441.4	3.4	3,451.5	8.6	4,264.9	12.2
PAT	902.5	6.3	1,120.4	9.2	523.0	4	2,609.8	6.5	3,005.1	8.6

FOCUS CHARTS AND TABLES



Shareholding pattern (Per cent)

	Jun 2010	Sep 2010	Dec 2010	Mar 2011
Promoters	76.8	76.8	76.8	79.2
FII	1.9	1.0	1.1	1.0
DII	9.5	9.9	9.9	8.8
Others	11.8	12.3	12.3	11.0

Board of Directors

Directors Name	Designation
Anup Sankar Bhattacharya	Executive Chairman & Managing Director
Ved Prakash Bhardwaj	Nominee Director
Rajeev Krishna Deshpande	Nominee Director
Sunil Uddhavrao Deshpande	Director-Representing Officers
Shirish Dattatraya Dhanak	Nominee Director
Sunil Hukumchand Kocheta	Nominee Director
Anand Kamalnayan Pandit	Non-Executive Director, Shareholder Director
Dinesh Shantibhai Patel	Non-Executive Director, Shareholder Director
Kamala Rajan	Non-Executive Director, Nominee Director-Goi
Madhukant Gridharlal Sanghvi	Director

Additional Disclosure

This report has been sponsored by NSE - Investor Protection Fund Trust (NSEIPFT).

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