

Current	Previous
CMP : Rs.2233	
Rating : HOLD	Rating : HOLD
Target : Rs.2360	Target : Rs.2360

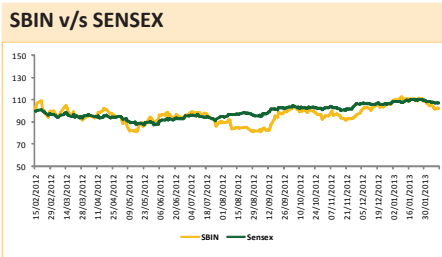
STOCK INFO	
BSE	500112
NSE	SBIN
Bloomberg	SBIN IN
Reuters	SBI.BO
Sector	Banking-Public
Face Value (Rs)	10
Equity Capital (Rs Mn)	6710
Mkt Cap (Rs Mn)	1,503,801
52w H/L (Rs)	2550/1805
Avg Daily Vol (BSE+NSE)	2,254,503

SHAREHOLDING PATTERN	%
(as on 31st Dec. 2012)	
Promoter	61.6
FII	9.7
DII	17.2
Others	11.5

Source: BSE

STOCK PERFORMANCE (%)	1m	3m	12m
SBIN	-11	3	-2
SENSEX	-2	6	7

Source: Capitaline, IndiaNivesh Research



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Performance in-line with expectations, continued disappointment on asset quality...Maintain HOLD with price target of Rs 2360...

- Loan growth was up 16.1% y-o-y aided by healthy growth seen across large corporate, SME and International loan book. Deposits grew 15.6% y-o-y, CASA ratio falls to 45.5%.
- Net Interest Income (NII) registered negative growth of 3.2% to Rs 111.5 bn (vs. Rs 115.1 bn in Q3FY12). NIMs declined by 44 bps y-o-y and 5 bps sequentially to 3.40%.
- Asset quality continues to remain a major concern for the bank as GNPA increased by 15 bps sequentially & 69 bps y-o-y, respectively. Fresh slippages were Rs 81.7 bn vs. 71.0 bn in Q2FY13, lower cash recoveries were seen at Rs 9.5 bn vs. Rs 14.2 bn in Q2FY13.

Result Highlights:

Loan growth aided by increased lending to Large Corporates, SME and International customers:

Loan book growth was in-line with our expectations, as they grew 16.1% y-o-y to Rs 10,091 bn, mainly driven by increased lending to International and Large Corporate segments. International segment loan book grew 28.4% y-o-y to Rs 1,721.5 bn (17.1% of Q3FY13 loan book). Also, Large Corporate & SME segment witnessed 25.8% & 17.8% y-o-y increase in loan book to Rs 1,566.8 bn & Rs 1,586.0 bn, respectively.

Break up of Loan book (Rs bn):	% of total	Q3FY13	Q3FY12	% YoY	Q2FY13	% QoQ
International	17.1	1,721.5	1,340.6	28.4	1,580.9	8.9
Large Corporate	15.5	1,566.8	1,245.7	25.8	1,457.7	7.5
Mid Corporate	17.3	1,750.3	1,639.3	6.8	1,704.3	2.7
SME	15.7	1,586.0	1,346.8	17.8	1,446.8	9.6
Agri	11.4	1,154.3	1,018.8	13.3	1,151.2	0.3
Other	3.1	314.0	349.2	-10.1	301.6	4.1
Retail	19.8	1,998.2	1,753.2	14.0	1,917.6	4.2
Home	56.6	1,131.6	990.2	14.3	1,083.8	4.4
Auto	11.4	228.5	174.1	31.2	202.4	12.9
Education	6.8	136.0	124.0	9.7	134.9	0.8
Other	25.1	502.1	464.9	8.0	496.5	1.1
Total		10,091.1	8,693.9	16.1	9,560.0	5.6

Source: Company Filings; IndiaNivesh Research

Notably, Mid-Corporate segment (17.3% of Q3FY13 loan book) witnessed just 6.8% (one of the slow-growth segments) growth to Rs 1,750.3 bn.

Deposit growth aided by domestic savings & term deposits

Y-o-y growth across deposits segment (15.6%) was below the Advances made (16.1%). Deposit growth was well supported 11.7% and 18.9% y-o-y growth seen across domestic savings deposits (to Rs 4,109 bn) and domestic term deposits (to Rs 5,872 bn), respectively.

Further, the domestic CASA (Current & Savings a/c) of SBI stood at 45.5% (vs. 47.5% a year ago and 45.0 in the previous quarter). We sense faster sequential growth across CASA-Domestic (3.1%) when compared to Whole Bank Deposits growth of 2.0% led to 50 bps improvement in the overall CASA ratio.

Deposit mix (Rs bn):	Q3FY13	Q3FY12	% YoY	Q2FY13	% QoQ
CASA (%)- Domestic	45.5	47.5	-2.0	45.0	0.6
CASA- Domestic	4,910	4,474	9.8	4,762	3.1
Current Deposits- Domestic	801	795	0.8	797	0.5
Saving Deposits- Domestic	4,109	3,679	11.7	3,965	3.6
Term Deposits- Domestic	5,872	4,941	18.9	5,832	0.7
Deposits at FOs	785	595	31.8	743	5.7
Whole Bank Deposits	11,567	10,010	15.6	11,336	2.0

Source: Company Filings; IndiaNivesh Research

41 bps increase in y-o-y cost of domestic deposits contributed to 14.5% increase in the domestic deposits (to Rs 10,782 bn).

Also, within Term Deposits, SBI continued to maintain its focus on Retail Term Deposits (78.6% of Total Term Deposits vs. 78.5% in Q3FY12). We sense focusing on low cost Retail Term Deposits over high cost Bulk Deposits (~10.9% of Whole Bank Deposits), would lead to better control over deposit costs.

Non-Interest Income surges on a/c of Treasury gains

Non Interest Income of SBI stood at Rs 36.4 bn, reflecting 75.9% y-o-y growth, mainly on account of profit on sale of investments (to Rs 4.1 bn) against loss of Rs 10.9 bn experienced in Q3FY12. Also, SBI's Non Interest Income were benefitted from forex income of Rs 4.4 bn (vs. 2.8 bn in Q2FY13).

Non Interest Income Split (Rs mn)	Q3FY13	Q3FY12	% YoY	Q2FY13	% QoQ	M9FY12	M9FY11	% YoY
Fee Income	25,590	26,420	-3.1	24,490	4.5	76,110	78,750	-3.4
P/L on Sale of Investments	4,180	(10,900)	<i>nmf</i>	2,300	<i>nmf</i>	8,690	(8,930)	<i>nmf</i>
Forex Income	4,400	2,860	53.8	3,200	37.5	12,160	10,970	10.8
Dividend Income	0	0	<i>nmf</i>	670	<i>nmf</i>	790	2,520	-68.7
Misc Income	2,320	2,360	-1.7	2,810	-17.4	7,130	6,440	10.7
Total	36,490	20,740	75.9	33,470	9.0	104,880	89,750	16.9

Source: Company Filings; IndiaNivesh Research

A 3.1% y-o-y decline in Fee Income (to Rs 25.5 bn) restricted the Non Interest Income growth.

Net Interest Margins (NIMs) impacted by higher NPAs & lower loan off take to Mid-Corporate segment

NIMs of the bank were down 44 bps y-o-y and 5 bps q-o-q to 3.40%. Fall in y-o-y NIM's is mainly on a/c of (1) 69 bps contraction in domestic NIMs to 3.72% (40 bps increase in deposit costs outpaced 18 bps fall in yield on advances), and (2) 20 bps contraction in international NIMs to 1.52%.

Further 5 bps fall in sequential NIMs is mainly on a/c of 4.9% increase in domestic loan book (to Rs 7,979 bn), with 12 bps fall in domestic yield on advances (to 10.75%).

Yields/ Costs/ Margins (%)	Q3FY13	Q3FY12	YoY bps	Q2FY13	QoQ bps
NIM- Whole Bank	3.40	3.84	-44	3.45	-5
NIM-Domestic	3.72	4.13	-41	3.77	-5
NIM- International	1.52	1.72	-20	1.58	-6
Cost of Deposits- Domestic	6.31	5.90	41	6.30	1
Cost of Funds- Domestic	6.48	6.10	38	6.47	1
Yield on Advances- Domestic	10.75	10.93	-18	10.87	-12
Yield on Assets- Domestic	9.78	9.87	-9	9.87	-9

Source: Company Filings; IndiaNivesh Research

Asset quality woes continue

SBI's asset quality continues to deteriorate as Gross Non Performing Assets (NPAs) increased 15 bps sequentially and 69 bps y-o-y to 5.3%. Fresh slippages were at Rs 81.7 bn vs. Rs 71.0 bn in Q2FY13 and Rs 81.6 bn at Q3FY12. Notably, of the fresh slippages seen during Q3FY13, Rs 20 bn have been upgraded in Jan-2013.

Gross/ Net NPA (Rs mn)	Q3FY13	Q3FY12	% YoY	Q2FY13	% QoQ
Gross NPA	534,580	400,984	33.3	492,025	8.6
Net NPA	253,700	188,032	34.9	226,146	12.2
Gross NPA (%)	5.30	4.61	0.7	5.15	0.1
Net NPA (%)	2.59	2.22	0.4	2.44	0.2
PCR (%)	61.5	62.5	-1.0	62.8	-1.3

Source: Company Filings; IndiaNivesh Research

Provision Coverage Ratio was marginally down to 61.5% in Q3FY13 vs. 62.8% in Q2FY13. Recoveries and up-gradation were also lower at Rs 9.5 bn & Rs 18.4 bn, respectively (vs. Rs 14.2 bn & Rs 16.6 bn, respectively in Q2FY13). Credit Costs (ann.) increased by 13 bps y-o-y as stress was witnessed across Mid-Corporate & SME loan book, which constitutes ~37% & ~29% of the NPAs, respectively.

Further, SBI restructured loans worth Rs 28.4 bn (0.3% of loan book) in Q3FY13 (vs. Rs 46.9 bn in Q2FY13) thereby taking the total outstanding restructured book to Rs 347.8 bn (4.2% of total advances).

Sector-wise NPA (Rs bn)	% of total	Dec'12 % GNPA	Dec'11 % GNPA
Corporate	1	8.0	0.5
Mid Corporate	37	197.8	10.9
SME	29	153.5	7.8
International	5	27.8	1.6
Retail	9	48.6	2.4
Agriculture	19	99.0	9.7
Total	100	534.6	5.3

Source: Company Filings; IndiaNivesh Research

Infra exposure now stands at Rs 1,051.9 bn (12.5% of total domestic advances), which includes Power sector exposure of Rs 499.0 bn (5.9% of total domestic advances).

Valuation

SBI's performance has been broadly in-line with expectations on the operating front. However, on the asset quality front, mainly higher restructuring surprised us. Though fresh slippages were in-line with expectations, recoveries and up-gradations were higher than what was anticipated. Also, lower loan loss provisioning worries us a bit as there exists a possibility for it to go up in Q4FY13, too. NIMs were broadly stable at 3.4% levels, but we expect it to improve going forward on a/c of some more liquidity to be deployed in Q4FY13E.

At CMP of Rs 2,233, based on street estimates, the stock is trading at consolidated FY13E and FY14E, P/ABV of 1.33x & 1.15x, respectively.

We maintain HOLD rating on the stock with price target of Rs 2,360, implying 1.22x FY14E P/ABV multiple (on consolidated basis).

Q3FY13 - Rs mn	Q3FY13	Q3FY12	% YoY	Q2FY13	% QoQ	9MFY13	9MFY12	% YoY
Interest Income	303,436.2	277,143.5	9.5	296,068.4	2.5	888,729.1	779,386.8	14.0
Interest on advances	228,001.9	208,913.6	9.1	225,380.8	1.2	674,728.9	589,366.0	14.5
Income on Investments	71,817.1	65,732.3	9.3	68,326.9	5.1	205,446.0	181,058.2	13.5
Other Interest	3,617.2	2,497.6	44.8	2,360.7	53.2	8,554.2	8,962.6	-4.6
Interest Expense	191,891.6	161,955.5	18.5	186,330.3	3.0	556,200.3	462,386.2	20.3
Net Interest Income	111,544.6	115,188.0	(3.2)	109,738.1	1.6	332,528.8	317,000.6	4.9
Non Interest Income	36,484.9	20,730.2	76.0	33,466.2	9.0	104,881.6	89,746.9	16.9
Net Income	148,029.5	135,918.2	8.9	143,204.3	3.4	437,410.4	406,747.5	7.5
Total Income	339,921.1	297,873.7	14.1	329,534.6	3.2	993,610.7	869,133.7	14.3
Total Expenses	70,121.9	63,318.1	10.7	69,668.0	0.7	204,199.6	186,979.9	9.2
Operating/Pre Provisioning Profit	77,907.6	72,600.1	7.3	73,536.3	5.9	233,210.8	219,767.6	6.1
Provisions	26,679.1	24,074.4	10.8	18,256.0	46.1	69,498.4	99,498.3	-30.2
Profit Before Tax	51,228.5	48,525.7	5.6	55,280.3	-7.3	163,712.4	120,269.3	36.1
Tax	17,267.9	15,895.4	8.6	18,699.1	-7.7	55,654.8	43,699.1	27.4
Net Profit	33,960.6	32,630.3	4.1	36,581.2	-7.2	108,057.6	76,570.2	41.1
EPS (Rs)	50.6	48.6	4.1	54.5	-7.2	161.0	114.1	41.1
Advances	9,781,150.0	8,693,930.0	12.5	9,560,000.0	2.3			
Deposits	11,566,910.0	10,009,650.0	15.6	11,336,438.9	2.0			
Total Business	21,348,060.0	18,703,580.0	14.1	20,896,438.9	2.2			
Gross NPA	659,150.0	400,984.3	64.4	492,024.6	34.0			
Net NPA	319,730.0	188,031.7	70.0	226,145.9	41.4			

Key Ratios (%)	bps			bps	
NIM	3.40	3.84	-44	3.45	-5
Domestic NIM	3.72	4.13	-41	3.77	-5
Foreign NIM	1.52	1.72	-20	1.58	-6
Cost of Deposits- Domestic	6.31	5.90	41	6.30	1
Cost of Funds- Domestic	6.48	6.10	38	6.47	1
Yield on Advances	10.75	10.93	-18	10.87	-12
Yield on Assets- Domestic	9.78	9.87	-9	9.87	-9
Cost to Income Ratio	46.68	45.97	71	48.65	-197
CASA- Domestic	42.40	44.70	-230	45.00	-260
CAR	12.21	11.60	61	12.63	-42
Tier I Capital	8.66	7.59	107	8.97	-31
Credit to Deposit	84.56	86.86	-229	84.33	23
Slippages	3.41	3.41	0	3.78	-37
GNPA	5.30	4.61	69	5.15	15
NNPA	2.59	2.22	37	2.44	15
Provision Coverage Ratio	61.49	62.52	-103	62.78	-129
Return on Equity	15.61	14.17	144	16.66	-105
Return on Avg. Assets	0.95	0.79	16	1.00	-5

Source: Company Filings; IndiaNivesh Research



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