

State Bank of India

Performance Highlights

Particulars (₹ cr)	3QFY13	2QFY13	% chg (qoq)	3QFY12	% chg (yoy)
NII	11,154	10,974	1.6	11,466	(2.7)
Pre-prov. profit*	7,791	7,354	5.9	8,130	(4.2)
PAT	3,396	3,658	(7.2)	3,263	4.1

Source: Company, Angel Research;

SBI reported a subdued operating performance for 3QFY2013, as its NII and operating profit declined by 2.7% and 4.2% yoy, respectively, which was in-line with our estimates. Slippages came in elevated at 3.8%, leading to slightly higher-than-expected provisioning and a modest earnings growth of 4.1%.

Business growth healthy; Asset quality pain persists: During 3QFY2013, the bank's advances grew by 16.1% yoy, while deposits registered a growth of 15.6% yoy. Growth in saving deposits was moderate at 11.7% yoy, while current deposits remained largely flat on a yoy basis. The domestic NIM were lower, on account of 12bp sequential fall in its yield on advances on back of aggressive pricing of loans in certain categories and interest reversals on increased slippages. The non-interest income (excluding treasury) remained flat on a yoy basis, largely aided by a strong growth of 54.1% yoy in forex income, even as fee income declined by 3.1% yoy. On the asset-quality front, the annualized slippage rate remained elevated at 3.8%, higher sequentially from 3.3% in 2QFY2013. Almost 73% of the incremental slippages came from the mid-corporate and SME segments. As per the Management, out of the slippages worth ₹8,175cr during the quarter, an amount of ₹1,500-2,000cr has been restructured already, which should reflect in higher recoveries/upgrades from NPAs in 4QFY2013. Recoveries/upgrades came in lower at ₹2,797cr, compared to ₹3,088 in 2QFY2013. Hence, on a sequential basis, gross NPA levels were higher by 8.6%, with net slippages being about ₹800cr higher than our estimates. As a result, in spite of slightly higher provisioning expenses than estimated by us, provisioning coverage ratio declined by about 130bp sequentially and net NPA levels were higher sequentially by 12.2%, on an absolute basis. Additionally, the bank restructured advances worth ~₹2,800cr during the quarter, thereby taking its outstanding restructured book (restated after removing those accounts which have performed satisfactorily for two years) to ₹34,783cr, of which ₹23,845cr are standard restructured advances.

Outlook and valuation: The asset quality of the bank has been witnessing pressure for quite some time now, but going forward net slippages are expected to stabilize in line with peers, as the economic cycle gradually improves. However, at the current market price, the stock is trading at 1.4x FY2014E ABV (adjusting for value of subsidiaries 1.2x FY2014E ABV) vis-à-vis its historic range of 1.3–2.3x and median of 1.6x. Also, considering the bank's dominant position and reach, high fee income and superior earnings quality, **we recommend an Accumulate rating on the stock with a target price of ₹2,597.**

Key financials (standalone)

Y/E March (₹ cr)	FY2011	FY2012	FY2013E	FY2014E
NII	32,526	43,291	44,958	52,608
% chg	37.4	33.1	3.9	17.0
Net profit	8,265	11,707	14,888	17,272
% chg	(9.8)	41.7	27.2	16.0
NIM (%)	3.0	3.6	3.3	3.3
EPS (₹)	130.1	174.5	221.9	257.4
P/E (x)	17.4	13.0	10.2	8.8
P/ABV (x)	2.3	1.9	1.7	1.5
RoA (%)	0.7	0.9	1.0	1.0
RoE (%)	13.3	16.5	17.4	17.7

Source: Company, Angel Research

ACCUMULATE

CMP	₹2,260
Target Price	₹2,597

Investment Period	12 Months
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Stock Info	
Sector	Banking
Market Cap (₹ cr)	151,639
Beta	1.2
52 Week High / Low	2550/1805
Avg. Daily Volume	422,878
Face Value (₹)	10
BSE Sensex	19,501
Nifty	5,898
Reuters Code	SBI.BC
Bloomberg Code	SBIN@IN

Shareholding Pattern (%)	
Promoters	61.6
MF / Banks / Indian Fls	17.2
FII / NRIs / OCBs	12.3
Indian Public / Others	8.9

Abs. (%)	3m	1yr	3yr
Sensex	6.5	6.6	19.4
SBI	7.2	(6.5)	16.6

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Exhibit 1: 3QFY2013 performance (standalone)

Particulars (₹ cr)	3QFY13	2QFY13	% chg (qoq)	3QFY12	% chg (yoy)	9MFY13	9MFY12	% chg
Interest earned	30,344	29,607	2.5	27,661	9.7	88,867	77,826	14.2
- on Advances / Bills	22,800	22,538	1.2	20,891	9.1	67,473	58,937	14.5
- on investments	7,072	6,715	5.3	6,413	10.3	20,160	17,680	14.0
- on balance with RBI & others	110	118	(7.0)	107	2.4	379	313	21.1
- on others	362	236	53.2	250	44.8	855	896	(4.6)
Interest Expended	19,189	18,633	3.0	16,196	18.5	55,620	46,239	20.3
Net Interest Income	11,154	10,974	1.6	11,466	(2.7)	33,247	31,587	5.3
Other income	3,648	3,347	9.0	2,996	21.8	10,494	9,957	5.4
Other income excl. treasury	3,230	3,117	3.7	3,216	0.4	9,625	9,981	(3.6)
- Fee Income	2,559	2,449	4.5	2,642	(3.1)	7,611	7,875	(3.4)
- Treasury Income*	418	230	81.7	(221)	-	869	(23)	-
- Forex Income	440	320	37.5	286	54.1	1,217	1,097	10.9
- Others	231	348	(33.4)	289	(20.0)	798	1,009	(20.9)
Operating income	14,803	14,320	3.4	14,462	2.4	43,741	41,545	5.3
Operating expenses	7,012	6,967	0.7	6,332	10.7	20,420	18,698	9.2
- Employee expenses	4,351	4,280	1.7	4,164	4.5	12,769	12,026	6.2
- Other Opex	2,661	2,687	(1.0)	2,168	22.7	7,651	6,672	14.7
Pre-provision Profit	7,791	7,354	5.9	8,130	(4.2)	23,321	22,846	2.1
Provisions & Contingencies	2,668	1,826	46.1	3,277	(18.6)	6,950	10,820	(35.8)
- Provisions for NPAs	2,766	1,837	50.6	3,006	(8.0)	7,394	8,709	(15.1)
- Provisions for Investments	(129)	(260)	-	-	-	(910)	1,506	-
- Provisions for Std. Assets	63	250	(74.7)	195	(67.5)	483	604	(20.1)
- Other Provisions	(32)	(2)	1,942.8	76	(142.5)	(17)	0	-
PBT	5,123	5,528	(7.3)	4,853	5.6	16,371	12,027	36.1
Provision for Tax	1,727	1,870	(7.7)	1,590	8.6	5,565	4,370	27.4
PAT	3,396	3,658	(7.2)	3,263	4.1	10,806	7,657	27.4
Effective Tax Rate (%)	33.7	33.8	(12)bp	32.8	95bp	34.0	36.3	(234)bp

Source: Company, Angel Research;

Exhibit 2: 3QFY2013 Actual vs. Angel estimates

Particulars (₹ cr)	Actual	Estimates	Var (%)
Net interest income	11,154	11,256	(0.9)
Non-interest income	3,648	3,564	2.4
Operating income	14,803	14,819	(0.1)
Operating expenses	7,012	7,057	(0.6)
Pre-prov. profit	7,791	7,763	0.4
Provisions & cont.	2,668	2,518	5.9
PBT	5,123	5,244	(2.3)
Prov. for taxes	1,727	1,657	4.2
PAT	3,396	3,587	(5.3)

Source: Company, Angel Research

Exhibit 3: 3QFY2013 performance analysis (standalone)

Particulars	3QFY13	2QFY13	% chg (qoq)	3QFY12	% chg (yoy)
Balance sheet					
Advances (₹ cr)	978,115	926,919	5.5	846,266	15.6
Deposits (₹ cr)	1,156,691	1,133,644	2.0	1,000,965	15.6
Credit-to-Deposit Ratio (%)	84.6	81.8	280bp	84.5	2bp
Current deposits (₹ cr)	80,094	79,671	0.5	79,462	0.8
Saving deposits (₹ cr)	410,906	396,543	3.6	367,896	11.7
CASA deposits (₹ cr)	491,000	476,214	3.1	447,358	9.8
CASA ratio (%)	45.5	45.0	55bp	47.9	(243)bp
CAR (%)	12.2	12.6	(42)bp	11.6	61bp
Tier 1 CAR (%)	8.7	9.0	(31)bp	7.6	107bp
Profitability Ratios (%)					
Cost of deposits	6.3	6.3	1bp	5.9	41bp
Yield on advances	10.8	10.9	(12)bp	10.9	(18)bp
Cost of funds	6.5	6.5	1bp	6.1	38bp
Reported NIM (global)	3.3	3.3	(3)bp	4.1	(76)bp
Cost-to-income ratio	47.4	48.6	(128)bp	43.8	359bp
Asset quality					
Gross NPAs (₹ cr)	53,458	49,202	8.6	40,098	33.3
Gross NPAs (%)	5.3	5.2	15bp	4.6	69bp
Net NPAs (₹ cr)	25,370	22,615	12.2	18,803	34.9
Net NPAs (%)	2.6	2.4	15bp	2.2	37bp
Provision Coverage Ratio (%)	61.5	62.8	(129)bp	62.5	(103)bp
Slippage ratio (%)	3.8	3.3	49bp	4.3	(55)bp
Loan loss provision to avg assets (%)	0.8	0.5	24bp	0.9	(18)bp

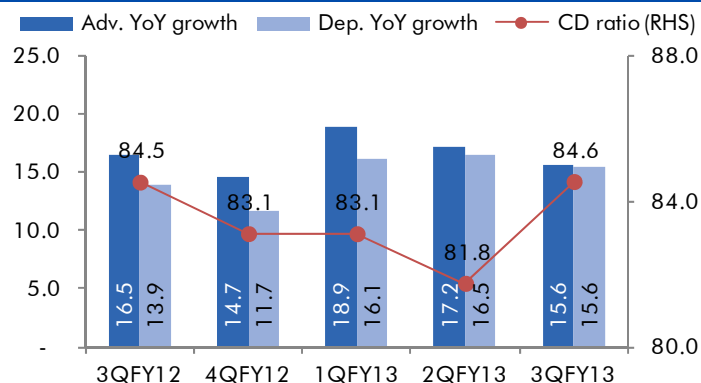
Source: Company, Angel Research

Business growth healthy

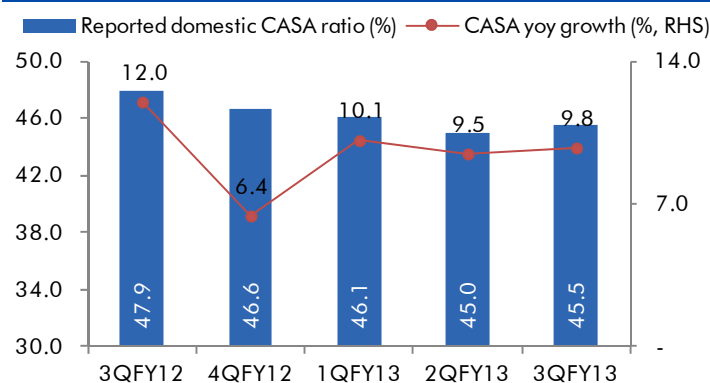
During 3QFY2013, the bank's gross advances grew at a healthy pace of 16.1% yoy, driven by a strong growth of 28.4% yoy in its international loan book (in dollar terms, the growth came in at 24.4%) and robust growth of 25.8% yoy in large corporate loans. Growth in retail advances was however lower at 14.0% yoy, on account of relatively slower yoy growth in home loans (14.3%) and education loans (9.7%) as against a strong growth of 31.3% yoy in auto loans. The bank's loan book continues to remain well diversified, with no segment accounting for more than 20% of the total loan book.

The bank has identified retail segment as its loan growth driver going ahead. The retail segment is currently exhibiting higher risk-adjusted returns (as experienced by private banks) and hence in our view, it makes sense for SBI to try and gain market share in this segment by taking advantage of availing amongst the lowest cost of funds in the industry. Within retail, the bank has targeted home and auto loans and has reduced its lending rates for new customers, waived off processing charges and increased tenure/lowered EMIs, to make their products attractive.

Deposits accretion remained reasonably healthy during 3QFY2013, registering a growth of 15.6% yoy. Growth in saving deposits was moderate at 11.7% yoy, which coupled with a nearly flat performance on the current deposits, resulted in a modest growth of 9.8% yoy in CASA deposits. The reported domestic CASA ratio as of 3QFY2013 stood at 45.5% (45.0% in 2QFY2013 and 47.9% in 3QFY2012).

Exhibit 4: Healthy credit and deposit growth


Source: Company, Angel Research

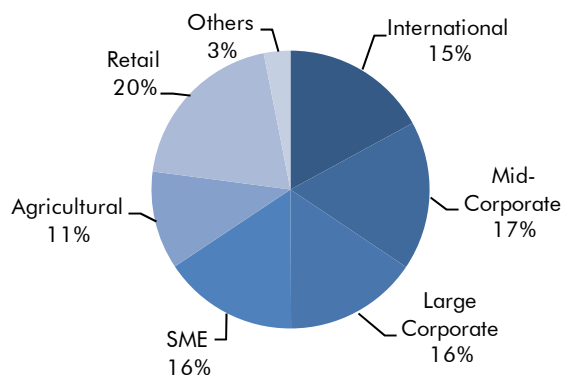
Exhibit 5: CASA ratio improves sequentially


Source: Company, Angel Research

Exhibit 6: Segment-wise advances growth

Segment	(%)
Large corporate	25.8
Mid-corporate	6.7
SME	17.8
Agri	13.3
International	28.4
Home	14.3
Auto	31.3
Education	9.7
Overall advances (gross)	16.1

Source: Company, Angel Research

Exhibit 7: Loan book remains well-diversified


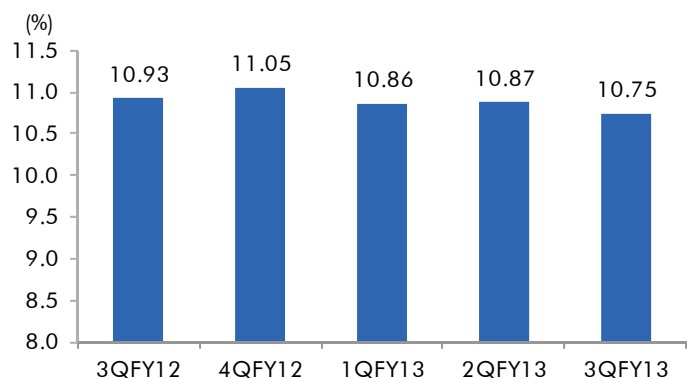
Source: Company, Angel Research

Domestic NIMs dip by 5bp sequentially

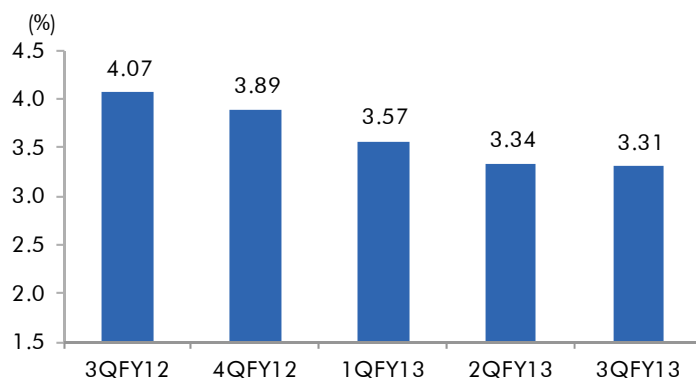
The bank's domestic NIMs came off slightly by 5bp sequentially to 3.63%, while the overseas NIMs remained flat sequentially. Hence, the overall NIM of the bank declined marginally by 3bp qoq to 3.31%.

As per the Management, the domestic NIMs was lower on account of a 12bp sequential fall in the yield on advances, on back of aggressive pricing of loans in certain categories and interest reversals on increased slippages. The domestic cost of deposits for the bank remained flat at 6.31%. The overseas NIMs remained flat sequentially, as a 3bp fall in overseas yield on assets was fully offset by a 1bp decline in overseas cost of funds.

Going forward, the Management expects to maintain its domestic NIMs at current levels, as they anticipate margin expansion on improved CD ratio to offset the expected margin pressure on account of aggressive loan pricing and asset quality stress.

Exhibit 8: Domestic YoA declined by 12bp qoq


Source: Company, Angel Research

Exhibit 9: Overall NIM came off by 3bp sequentially


Source: Company, Angel Research

Non-interest income (excl. treasury) remained flat, aided by strong growth in forex income, even as fee income declines

The non-interest income (excluding treasury) for the bank remained flat on a yoy basis to ₹3,231cr, largely aided by a strong growth of 54.1% yoy in forex income, even as fee income declined by 3.1% yoy to ₹2,559cr. Within fee income, loan processing charges and misc income stream grew strongly by 27.7% and 39.0% yoy, respectively to ₹764cr and ₹315cr, while other streams such as commission on business from Govt., LC/BC commission, and transaction fees declined by 29.0%, 13.8% and 11.3% yoy, respectively to ₹351cr, ₹608cr and ₹452cr. As per the Management, the bank has reduced/waived off its fee charges on loan processing, bank transactions and guarantees and has completely waived off charges on transactions within the bank (as per industry standard) and minimum balances on savings account, which has led to decline in fee income.

Treasury income for the bank came at ₹418cr during the quarter compared to a net treasury loss of ₹221cr in 3QFY2012. Hence, the overall non-interest income for the bank grew by 21.8% yoy.

Exhibit 10: Lower fee income results in yoy decline in non-interest income

Particulars (₹ cr)	3QFY13	2QFY13	% chg (qoq)	3QFY12	% chg (yoy)
CEB	2,559	2,449	4.5	2,642	(3.1)
Treasury	418	230	81.7	(221)	-
Forex	440	320	37.5	286	54.1
Dividend	-	67	-	53	-
Others	232	281	(17.4)	236	(1.8)
Other income	3,649	3,347	9.0	2,996	21.8
Other income excl. treasury	3,231	3,117	3.7	3,216	0.5

Source: Company, Angel Research

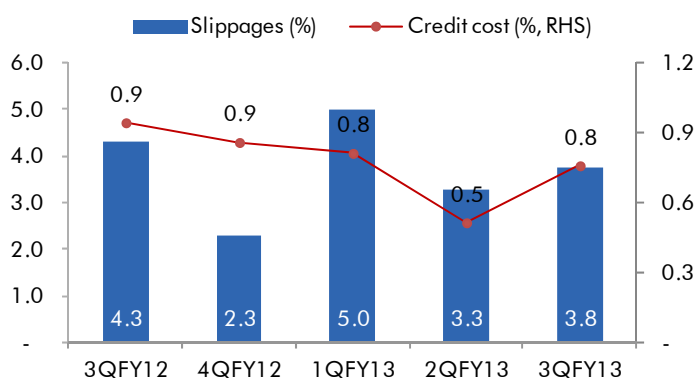
Asset quality pain persists

On the asset-quality front, the annualized slippage rate for the bank remained elevated at 3.8%, higher sequentially from 3.3% in 2QFY2013. During 3QFY2013, almost 73% of the incremental slippages came from the mid-corporate and SME segments. Of late, a large chunk of incremental slippages for the bank have come from the mid-corporate and SME segments and as a result gross NPA ratio for the bank in these segments has soared to highs of 10.8% and 7.8%, respectively. Industry wise, slippages came in majorly from trade and services (₹912cr), iron & steel (₹822cr), paper/plastics (₹443cr) and textiles (₹371cr). As per the Management, out of the slippages worth ₹8,175cr during the quarter, an amount of ₹1,500-2,000cr has been restructured already, which should reflect in higher recoveries/upgrades from NPAs in 4QFY2013.

During the quarter, recoveries/upgrades for the bank came in lower at ₹2,797cr, compared to ₹3,088cr in 2QFY2013 and ₹3,282cr in 1QFY2013. Hence, on a sequential basis, gross NPA levels were higher by 8.6%, with net slippages being about ₹800cr higher than our estimates. As a result, in spite of slightly higher provisioning expenses than estimated by us, provisioning coverage ratio declined by about 130bp sequentially and net NPA levels were higher sequentially by 12.2%, on an absolute basis. As of 3QFY2013, the gross NPA ratio stands at 5.3% (5.2% in 2QFY2013), while the net NPA ratio stands at 2.6% (2.4% in 2QFY2013).

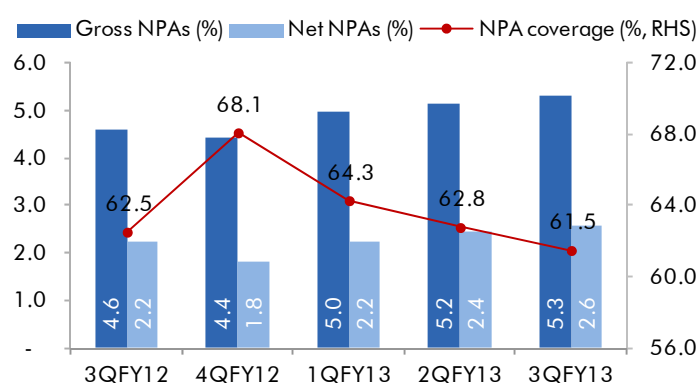
Additionally, the bank restructured advances worth ~₹2,800cr during the quarter, thereby taking its total outstanding restructured book (which has been restated as per the revised regulatory diktat, removing those accounts which have performed satisfactorily for two years) to ₹34,783cr, out of which ₹23,845cr are standard restructured advances. In 4QFY2013, the increase in restructured book is likely to be substantial, with addition of advances worth ₹1,500-2,000cr mentioned above, addition of advances to Suzlon (exposure ~₹3,500cr) and further restructuring pipeline of ~₹3,500-4,000cr.

Exhibit 11: Slippages remain at elevated levels



Source: Company, Angel Research

Exhibit 12: NPA ratios deteriorate sequentially



Source: Company, Angel Research

Exhibit 13: Break-up of provisioning expenses

Particulars (₹ cr)	3QFY13	2QFY13	% chg (qoq)	3QFY12	% chg (yoy)
NPA	2,766	1,837	50.6	3,006	(8.0)
Standard assets	63	250	(74.7)	195	(67.5)
Investments	(129)	(260)	-	-	-
Others	(32)	(2)	-	76	-
Total Provisions	2,668	1,825	46.2	3,277	(18.6)

Source: Company, Angel Research;

Cost-to-income ratio remains on the higher side, on back of subdued growth of 2.4% yoy in operating income as against 10.7% yoy increase in operating expenses

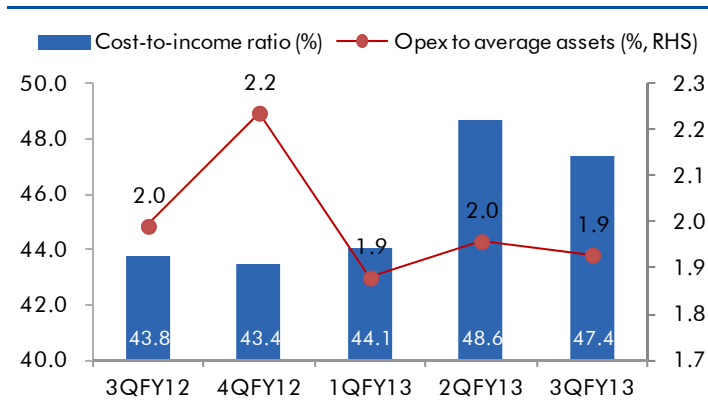
During the quarter, total employee expenses increased by 4.5% yoy to ₹4,351cr, while other operating expenses were higher by 22.7% to ₹2,661cr. Within employee expenses, payment to employees increased by 7.4% yoy to ₹3,608cr, while contribution for employees declined by 7.7% yoy. The bank has not provided for wage revisions due from November 2012 during 3QFY2013 and is likely to make provisions for the entire five-month period during 4QFY2013 (roughly ~₹1,000cr, taking into account an adhoc estimate of 15% higher wage rates).

The bank has added 158 branches during the quarter and 616 branches in the past one year to bolster its already strong branch network to 14,388 branches.

Exhibit 14: Opex growth trends

Particulars (₹ cr)	3QFY13	2QFY13	% chg (qoq)	3QFY12	% chg (yoy)
Payment to employ.	3,608	3,579	0.8	3,359	7.4
Contrib. for employ.	743	701	6.0	805	(7.7)
Total staff expenses (A)	4,351	4,280	1.7	4,164	4.5
Rent, taxes and lighting	613	624	(1.8)	508	20.6
Dep. on property	313	280	11.8	266	17.5
Others	1,735	1,783	(2.7)	1,394	24.5
Other opex (B)	2,661	2,687	(1.0)	2,169	22.7
Total opex (A)+(B)	7,012	6,967	0.6	6,333	10.7

Source: Company, Angel Research

Exhibit 15: Cost-to-income ratio remains elevated


Source: Company, Angel Research

Performance overview of subsidiaries

- SBI Life reported a PAT of ₹422cr for 9MFY2013 as compared to ₹265cr in 9MFY2012.
- SBI Capital Markets registered a PAT growth of 27.7% yoy to ₹212cr during 9MFY2013. SBI DFHI recorded a PAT of ₹60cr in 9MFY2013 as compared to a PAT of ₹31cr in 9MFY2012. The bank expects a healthy dividend from these subsidiaries, as their business is relatively less capital intensive.
- SBI Cards and Payment Services posted a PAT of ₹85cr for 9MFY2013 as against ₹34cr posted in 9MFY2012.

- SBI funds management recorded a PAT figure of ₹63cr for 9MFY2013 (growth of 18.9% yoy).
- SBI's associate banks recorded a healthy net profit growth of 17.1% yoy to ₹2,754cr in 9MFY2013.

Investment arguments

Strong CASA franchise

SBI has a strong CASA franchise (45%) on account of its huge nationwide branch network (14,230 as of 3QFY2013). As of 3QFY2013, the bank's CASA ratio stood at 45.5%, the highest amongst all other PSU banks.

Strongest fee income among PSU banks

SBI has a relatively strong share of fee income, owing to its strong corporate and government business relationships. In FY2012, the bank continued its dominance with non-interest income/assets at 1.2% (one of the highest among PSU banks).

Investment concerns

Net slippages likely to stabilize

In 1HFY2013, the bank had witnessed increased asset quality stress, as annualized slippages ratio for the bank had increased to 4.1%, higher than 3.8% in 1HFY2012 and 3.3% in 2HFY2012. Even in 3QFY2013, the annualized slippage rate for the bank has remained elevated at 3.8%. Going forward, net slippages are expected to stabilize in-line with peers, as the economic cycle gradually improves.

Outlook and valuation

The asset quality of the bank has been witnessing pressure for quite some time now, but going forward net slippages are expected to stabilize in-line with peers, as the economic cycle gradually improves. However, at the current market price, the stock is trading at 1.4x FY2014E ABV (adjusting for value of subsidiaries 1.2x FY2014E ABV) vis-à-vis its historic range of 1.3–2.3x and median of 1.6x. Also, considering the bank's dominant position and reach, high fee income and superior earnings quality, **we recommend an Accumulate rating on the stock with a target price of ₹2,597.**

Exhibit 16: SOTP valuation summary

Particulars	Target multiple	Value/share (₹)
SBI	1.5x FY14E ABV	2,240
Associate Banks	0.8x-1.1x FY14E ABV	246
Life Insurance	13.0x FY14ENBP	72
Others (AMC, Cap Mkt, Factors, Cards)		40
SOTP value		2,597

Source: Angel Research

Exhibit 17: Key assumptions

Particulars (%)	Earlier estimates		Revised estimates	
	FY2013	FY2014	FY2013	FY2014
Credit growth	14.0	14.0	18.0	18.0
Deposit growth	15.0	15.0	15.0	18.0
CASA ratio	43.7	43.3	43.7	42.2
NIMs	3.4	3.4	3.3	3.3
Other income growth	10.9	13.5	8.9	14.2
Growth in staff expenses	9.0	14.0	9.0	15.0
Growth in other expenses	12.0	14.0	12.5	13.5
Slippages	3.8	3.3	3.7	3.0

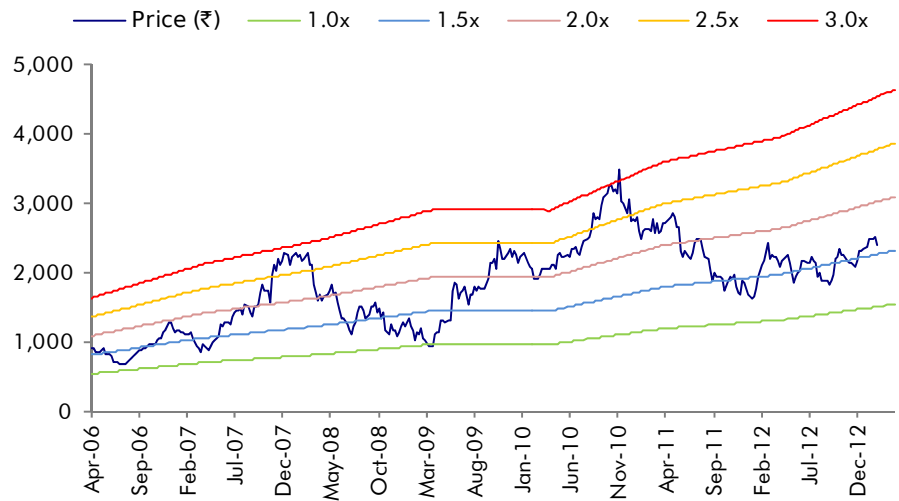
Source: Angel Research

Exhibit 18: Change in estimates

Particulars (₹ cr)	FY2013			FY2014		
	Earlier estimates	Revised estimates	Var. (%)	Earlier estimates	Revised estimates	Var. (%)
Net interest income	45,183	44,958	(0.5)	52,229	52,608	0.7
Non-interest income	15,494	15,636	0.9	17,483	17,831	2.0
Operating income	60,677	60,594	(0.1)	69,712	70,439	1.0
Operating expenses	28,179	28,734	2.0	32,406	32,890	1.5
Pre-prov profit	32,498	31,860	(2.0)	37,307	37,549	0.6
Provisions & cont.	10,493	10,098	(3.8)	12,047	12,284	2.0
PBT	22,005	21,763	(1.1)	25,259	25,265	0.0
Prov. for taxes	6,953	6,875	(1.1)	7,991	7,993	0.0
PAT	15,051	14,888	(1.1)	17,269	17,272	0.0

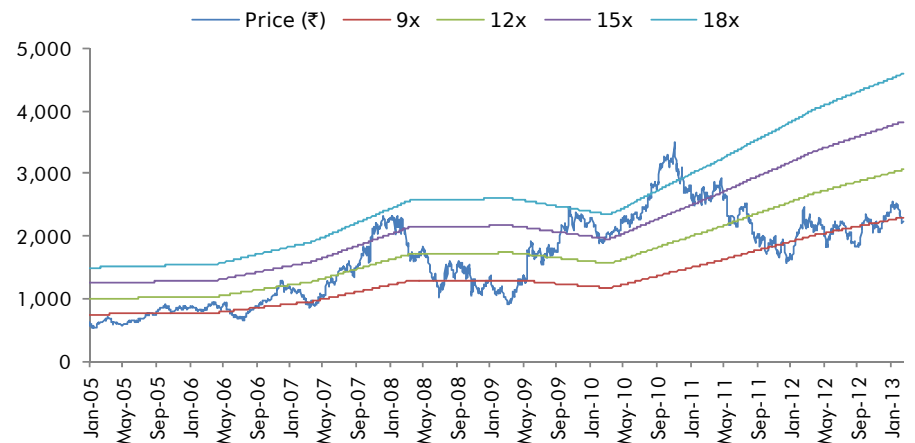
Source: Angel Research

Exhibit 19: P/ABV band



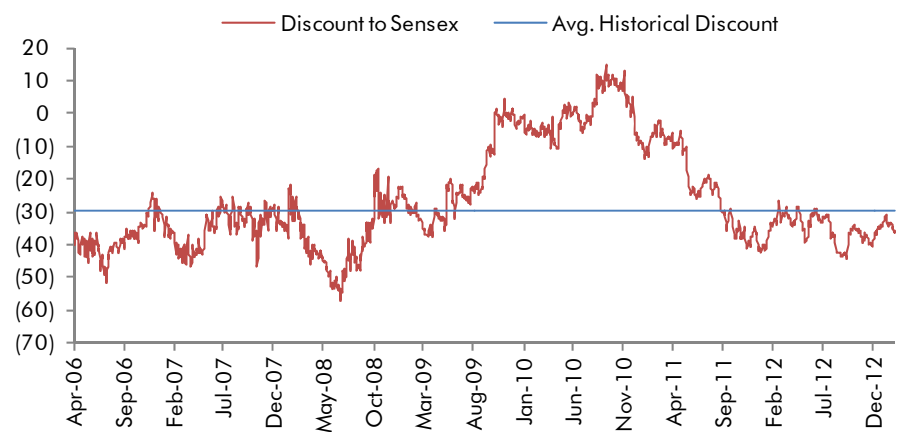
Source: Company, Angel Research

Exhibit 20: P/E band



Source: Company, Angel Research

Exhibit 21: Premium/Discount to Sensex



Source: Company, Angel Research

Exhibit 22: Angel EPS forecast vs. consensus

Year	Angel forecast	Bloomberg consensus	Var (%)
FY2013E	221.9	215.6	2.9
FY2014E	257.4	246.5	4.4

Source: Bloomberg, Angel Research

Exhibit 23: Recommendation summary

Company	Reco.	CMP (₹)	Tgt. price (₹)	Upside (%)	FY2014E P/ABV (x)	FY2014E Tgt. P/ABV (x)	FY2014E P/E (x)	FY2012-14E EPS CAGR (%)	FY2014E RoA (%)	FY2014E RoE (%)
AxisBk	Buy	1,433	1,753	22.3	1.92	2.4	10.3	16.4	1.6	20.1
FedBk	Accumulate	501	557	11.1	1.21	1.4	9.7	6.4	1.2	13.1
HDFCBk	Neutral	675	-	-	3.80	-	18.7	28.1	1.8	22.1
ICICIBk*	Buy	1,122	1,404	25.1	1.80	2.2	13.3	22.8	1.5	15.9
SIB	Buy	25	34	33.0	1.05	1.4	6.2	6.9	1.0	17.7
YesBk	Accumulate	502	576	14.8	2.53	2.9	11.8	24.1	1.5	23.6
AllBk	Buy	150	183	21.9	0.66	0.8	4.5	(5.2)	0.8	14.7
AndhBk	Neutral	103	-	-	0.71	-	4.7	(4.6)	0.8	13.8
BOB	Buy	760	935	23.1	0.89	1.1	5.7	5.0	1.0	16.7
BOI	Accumulate	344	380	10.7	0.86	1.0	5.3	18.2	0.8	16.0
BOM	Neutral	56	-	-	0.68	-	4.3	44.3	0.6	16.9
CanBk	Accumulate	455	517	13.5	0.84	1.0	5.5	5.3	0.9	15.0
CentBk	Neutral	76	-	-	0.69	-	3.8	95.5	0.5	14.3
CorpBk	Buy	408	517	26.6	0.62	0.8	4.1	(3.1)	0.8	14.9
DenaBk	Buy	102	124	20.8	0.62	0.8	4.2	3.5	0.8	15.9
IDBI#	Buy	99	122	22.7	0.61	0.8	4.5	18.4	0.9	14.1
IndBk	Buy	183	221	20.6	0.68	0.8	4.5	1.9	1.1	16.2
IOB	Buy	76	88	16.4	0.52	0.6	3.8	23.9	0.6	13.4
J&KBk	Accumulate	1,286	1,406	9.3	1.10	1.2	6.4	9.8	1.4	18.2
OBC	Accumulate	299	336	12.3	0.67	0.8	5.0	23.2	0.8	13.5
PNB	Buy	850	1,053	23.9	0.89	1.1	5.1	8.0	1.0	17.5
SBI*	Accumulate	2,260	2,597	14.9	1.46	1.7	8.8	21.5	1.0	17.7
SynBk	Buy	128	153	19.1	0.71	0.9	4.6	13.1	0.8	16.5
UcoBk	Neutral	66	-	-	0.80	-	4.4	2.5	0.5	13.8
UnionBk	Buy	234	286	22.0	0.78	1.0	5.0	20.7	0.8	16.6
UtdBk	Buy	68	82	21.1	0.50	0.6	3.2	19.1	0.7	16.3
VijBk	Neutral	55	-	-	0.64	-	5.0	9.7	0.5	12.6

Source: Company, Angel Research; Note: *Target multiples=SOTP Target Price/ABV (including subsidiaries), #Without adjusting for SASF

Company background

State Bank of India is the largest bank in India, with an asset size of approximately ₹14lakh cr. The bank has the widest network of 14,380+ branches, with dominant presence across all regions of the country, with two-thirds of its branches in rural and semi-urban areas (in comparison, the second largest PSU bank has ~5,700 branches and the largest private sector bank has ~2,750 branches). The bank also has ~174 overseas branches, which account for ~15% of its total loans. It has subsidiaries in life insurance, asset management, credit cards and capital markets, among others; and five regional subsidiary banks (having ~5,200 branches and combined asset size of ~₹4.3lakh cr).

Income statement (standalone)

Y/E March (₹ cr)	FY09	FY10	FY11	FY12	FY13E	FY14E
Net Interest Income	20,873	23,671	32,526	43,291	44,958	52,608
- YoY Growth (%)	22.6	13.4	37.4	33.1	3.9	17.0
Other Income	12,691	14,968	15,825	14,351	15,636	17,831
- YoY Growth (%)	35.0	17.9	5.7	(9.3)	8.9	14.0
Operating Income	33,565	38,640	48,351	57,643	60,594	70,439
- YoY Growth (%)	27.0	15.1	25.1	19.2	5.1	16.2
Operating Expenses	15,649	20,319	23,015	26,069	28,734	32,890
- YoY Growth (%)	24.1	29.8	13.3	13.3	10.2	14.5
Pre - Provision Profit	17,916	18,321	25,336	31,574	31,860	37,549
- YoY Growth (%)	29.7	2.3	38.3	24.6	0.9	17.9
Prov. & Cont.	3,736	4,396	10,385	13,090	10,098	12,284
- YoY Growth (%)	10.8	17.7	136.2	26.1	(22.9)	21.7
Profit Before Tax	14,180	13,925	14,951	18,483	21,763	25,265
- YoY Growth (%)	35.8	(1.8)	7.4	23.6	17.7	16.1
Prov. for Taxation	5,058	4,759	6,686	6,776	6,875	7,993
- as a % of PBT	35.7	34.2	44.7	36.7	31.6	31.6
PAT	9,121	9,166	8,265	11,707	14,888	17,272
- YoY Growth (%)	35.5	0.5	(9.8)	41.7	27.2	16.0

Balance sheet (standalone)

Y/E March (₹ cr)	FY09	FY10	FY11	FY12	FY13E	FY14E
Share Capital	635	635	635	671	671	671
Reserves & Surplus	57,313	65,314	64,351	83,280	95,347	109,249
Deposits	742,073	804,116	933,933	1,043,647	1,200,194	1,416,229
- Growth (%)	38.1	8.4	16.1	11.7	15.0	18.0
Borrowings	53,714	71,031	79,945	86,989	106,888	125,172
Tier 2 Capital	30,344	31,980	39,624	40,016	39,016	38,040
Other Liab & Prov.	80,353	80,337	105,248	80,915	93,192	108,522
Total Liabilities	964,432	1,053,414	1,223,736	1,335,519	1,535,308	1,797,884
Cash balances	55,546	61,291	94,396	54,076	54,009	56,649
Bank balances	48,858	24,898	28,479	43,087	30,539	35,763
Investments	275,954	295,785	295,601	312,198	359,873	419,039
Advances	542,503	631,914	756,719	867,579	1,023,743	1,208,017
- Growth (%)	30.2	16.5	19.8	14.7	18.0	18.0
Fixed Assets	3,838	4,413	4,764	5,467	6,095	6,923
Other Assets	37,733	35,113	43,778	53,113	61,050	71,493
Total Assets	964,432	1,053,414	1,223,736	1,335,519	1,535,308	1,797,884
- Growth (%)	33.8	9.2	16.2	9.1	14.9	17.1

Ratio analysis (standalone)

Y/E March	FY09	FY10	FY11	FY12	FY13E	FY14E
Profitability Ratios (%)						
NIMs	2.6	2.5	3.0	3.6	3.3	3.3
Cost to Income Ratio	46.6	52.6	47.6	45.2	47.4	46.7
RoA	1.1	0.9	0.7	0.9	1.0	1.0
RoE	18.2	15.7	13.3	16.5	17.4	17.7
B/S ratios (%)						
CASA Ratio	41.6	47.3	49.4	44.8	43.7	42.2
Credit/Deposit Ratio	73.1	78.6	81.0	83.1	85.3	85.3
CAR	14.3	13.4	12.0	13.9	13.2	12.3
- Tier I	9.4	9.5	7.8	9.8	9.7	9.3
Asset Quality (%)						
Gross NPAs	2.9	3.0	3.3	4.5	5.3	5.5
Net NPAs	1.8	1.7	1.6	1.8	2.5	2.2
Slippages	2.6	2.2	2.8	3.2	3.7	3.0
Loan Loss Prov./Avg. Assets	0.3	0.5	0.7	0.9	0.7	0.7
Provision Coverage	39.2	59.2	65.0	68.1	63.5	67.5
Per Share Data (₹)						
EPS	143.7	144.4	130.1	174.5	221.9	257.4
ABVPS	824.2	972.5	967.7	1,200.1	1,313.0	1,547.4
DPS	29.0	30.0	30.0	35.0	42.0	49.5
Valuation Ratios						
PER (x)	15.7	15.7	17.4	13.0	10.2	8.8
P/ABVPS (x)	2.7	2.3	2.3	1.9	1.7	1.5
Dividend Yield	1.3	1.3	1.3	1.5	1.9	2.2
DuPont Analysis (%)						
NII	2.5	2.4	2.9	3.4	3.1	3.2
(-) Prov. Exp.	0.4	0.4	0.9	1.0	0.7	0.7
Adj. NII	2.0	1.9	2.0	2.4	2.4	2.4
Treasury	0.3	0.2	0.1	(0.1)	0.1	0.0
Int. Sens. Inc.	2.4	2.1	2.0	2.3	2.5	2.5
Other Inc.	1.2	1.3	1.3	1.2	1.0	1.0
Op. Inc.	3.5	3.4	3.3	3.5	3.5	3.5
Opex	1.9	2.0	2.0	2.0	2.0	2.0
PBT	1.7	1.4	1.3	1.4	1.5	1.5
Taxes	0.6	0.5	0.6	0.5	0.5	0.5
RoA	1.1	0.9	0.7	0.9	1.0	1.0
Leverage (x)	17.2	17.7	19.1	18.8	17.4	17.6
RoE	18.2	15.7	13.3	16.5	17.4	17.7

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4. Broking relationship with company covered	No

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Ratings (Returns):	Buy (> 15%) Reduce (-5% to -15%)	Accumulate (5% to 15%) Sell (< -15%)	Neutral (-5 to 5%)
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