

State Bank of India

Performance Highlights

Particulars (₹ cr)	2QFY13	1QFY13	% chg (qoq)	2QFY12	% chg (yoy)
NII	10,974	11,119	(1.3)	10,422	5.3
Pre-prov. profit*	7,354	8,177	(10.1)	7,474	(1.6)
PAT	3,658	3,752	(2.5)	2,810	30.2

Source: Company, Angel Research;

During 2QFY2013, State Bank of India (SBI) reported a 30.2% yoy growth in its standalone net profit to ₹3,658cr, which was in-line with our estimates. The operating level performance was largely subdued, as pre-provisioning profit declined by 1.6% yoy. Slippages came in at elevated levels of 3.3%, which we had anticipated.

Slippages remain at elevated levels: During 2QFY2013, the bank's advances grew by 17.2% yoy, while deposits registered a growth of 16.5% yoy. The domestic saving deposits growth was moderate at 12.5% yoy, while domestic current account deposits declined by 3.6% yoy. As per the management, the domestic NIMs were lower on account of a 6bp sequentially higher cost of deposits and healthy deposits accretion in anticipation of strong credit growth (which was not witnessed). On the non-interest income (excluding treasury) front, the bank witnessed an 8.3% yoy decline, largely on the back of lower CEB income. On the asset-quality front, the bank's annualized slippage ratio for the quarter remained elevated at 3.3% though lower than 5.0% in 1QFY2013 and 4.2% in 2QFY2012. Almost 77% of the incremental slippages were witnessed in the mid-corporate and SME segments. On a sequential basis, gross and net NPA levels were higher by 4.3% and 11.3%, respectively. PCR also deteriorated by 151bp qoq to 62.8%. Additionally, the bank restructured advances worth ₹4,694cr during the quarter, thereby taking its total outstanding restructured book to ₹40,454cr, out of which ₹32,796cr are standard restructured advances.

Outlook and valuation: The asset quality of the bank has been witnessing pressure for quite some time now and with the slowdown in economic growth and persistent inflation levels pointing towards further economic stress, cyclically, the next couple of quarters are also likely to be challenging for the bank. 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 ₹2,437.**

Key financials (standalone)

Y/E March (₹ cr)	FY2011	FY2012	FY2013E	FY2014E
NII	32,526	43,291	45,967	53,494
% chg	37.4	33.1	6.2	16.4
Net profit	8,265	11,707	15,247	17,281
% chg	(9.8)	41.7	30.2	13.3
NIM (%)	3.0	3.6	3.4	3.4
EPS (₹)	130.1	174.5	227.2	257.5
P/E (x)	16.7	12.4	9.6	8.4
P/ABV (x)	2.2	1.8	1.6	1.4
RoA (%)	0.7	0.9	1.0	1.0
RoE (%)	13.3	16.5	17.8	17.7

Source: Company, Angel Research

ACCUMULATE

CMP	₹2,172
Target Price	₹2,437

Investment Period	12 Months
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Stock Info	
Sector	Banking
Market Cap (₹ cr)	145,748
Beta	1.2
52 Week High / Low	2475/1576
Avg. Daily Volume	595,797
Face Value (₹)	10
BSE Sensex	18,619
Nifty	5,667
Reuters Code	SBI.BC
Bloomberg Code	SBIN@IN

Shareholding Pattern (%)	
Promoters	61.6
MF / Banks / Indian FIs	17.2
FII / NRIs / OCBs	9.3
Indian Public / Others	11.9

Abs. (%)	3m	1yr	3yr
Sensex	5.6	8.3	10.5
SBI	14.0	20.8	(5.5)

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Exhibit 1: 2QFY2013 performance (standalone)

Particulars (₹ cr)	2QFY13	1QFY13	% chg (qoq)	2QFY12	% chg (yoy)	1HFY13	1HFY12	% chg
Interest earned	29,607	28,917	2.4	25,967	14.0	58,524	50,165	16.7
- on Advances / Bills	22,538	22,135	1.8	19,789	13.9	44,673	38,045	17.4
- on investments	6,715	6,373	5.4	5,853	14.7	13,088	11,267	16.2
- on balance with RBI & others	118	151	(22.0)	39	199.5	269	206	30.9
- on others	236	258	(8.4)	285	(17.3)	494	647	(23.6)
Interest Expended	18,633	17,798	4.7	15,545	19.9	36,431	30,043	21.3
Net Interest Income	10,974	11,119	(1.3)	10,422	5.3	22,093	20,121	9.8
Other income	3,347	3,499	(4.3)	3,427	(2.4)	6,845	6,961	(1.7)
Other income excl. treasury	3,117	3,278	(4.9)	3,399	(8.3)	6,394	6,764	(5.5)
- Fee Income	2,449	2,603	(5.9)	2,600	(5.8)	5,052	5,233	(3.5)
- Treasury Income*	230	221	4.1	28	719.1	451	197	128.8
- Forex Income	320	457	(29.9)	481	(33.4)	777	812	(4.3)
- Others	348	218	59.1	318	9.2	566	719	(21.3)
Operating income	14,320	14,618	(2.0)	13,849	3.4	28,938	27,083	6.8
Operating expenses	6,967	6,441	8.2	6,375	9.3	13,408	12,366	8.4
- Employee expenses	4,280	4,137	3.5	4,145	3.3	8,417	7,862	7.1
- Other Opex	2,687	2,304	16.6	2,230	20.5	4,990	4,504	10.8
Pre-provision Profit	7,354	8,177	(10.1)	7,474	(1.6)	15,530	14,717	5.5
Provisions & Contingencies	1,826	2,456	(25.7)	3,386	(46.1)	4,282	7,542	(43.2)
- Provisions for NPAs	1,837	2,790	(34.2)	2,921	(37.1)	4,627	5,703	(18.9)
- Provisions for Investments	(260)	(521)	-	458	-	(781)	1,506	-
- Provisions for Std. Assets	250	169	47.7	121	106.7	419	409	2.5
- Other Provisions	(2)	17	-	(115)	-	16	(76)	-
PBT	5,528	5,720	(3.4)	4,089	35.2	11,248	7,174	56.8
Provision for Tax	1,870	1,969	(5.0)	1,278	46.3	3,839	2,780	38.1
PAT	3,658	3,752	(2.5)	2,810	30.2	7,410	4,394	38.1
Effective Tax Rate (%)	33.8	34.4	(59)bp	31.3	256bp	34.1	38.8	(463)bp

Source: Company, Angel Research;

Exhibit 2: 2QFY2013 Actual vs Angel estimates

Particulars (₹ cr)	Actual	Estimates	Var (%)
Net interest income	10,974	11,722	(6.4)
Non-interest income	3,347	3,445	(2.9)
Operating income	14,320	15,168	(5.6)
Operating expenses	6,967	6,749	3.2
Pre-prov. profit	7,354	8,419	(12.7)
Provisions & cont.	1,826	2,915	(37.4)
PBT	5,528	5,504	0.4
Prov. for taxes	1,870	1,739	7.5
PAT	3,658	3,764	(2.8)

Source: Company, Angel Research

Exhibit 3: 2QFY2013 performance analysis (standalone)

Particulars	2QFY13	1QFY13	% chg (qoq)	2QFY12	% chg (yoy)
Balance sheet					
Advances (₹ cr)	926,919	916,841	1.1	790,601	17.2
Deposits (₹ cr)	1,133,644	1,102,926	2.8	973,171	16.5
Credit-to-Deposit Ratio (%)	81.8	83.1	(136)bp	81.2	52bp
Current deposits (₹ cr)	79,671	83,485	(4.6)	82,632	(3.6)
Saving deposits (₹ cr)	396,543	390,410	1.6	352,408	12.5
CASA deposits (₹ cr)	476,214	473,895	0.5	435,040	9.5
CASA ratio (%)	45.0	46.1	(119)bp	47.8	(284)bp
CAR (%)	12.6	13.2	(54)bp	11.4	123bp
Tier 1 CAR (%)	9.0	9.4	(41)bp	7.5	150bp
Profitability Ratios (%)					
Cost of deposits	6.3	6.2	6bp	5.8	47bp
Yield on advances	10.9	10.9	1bp	10.8	9bp
Cost of funds	6.4	6.2	26bp	5.4	100bp
Reported NIM (global)	3.5	3.6	(12)bp	3.7	(26)bp
Cost-to-income ratio	48.6	44.1	459bp	46.0	262bp
Asset quality					
Gross NPAs (₹ cr)	49,202	47,156	4.3	33,946	44.9
Gross NPAs (%)	5.2	5.0	16bp	4.2	96bp
Net NPAs (₹ cr)	22,615	20,324	11.3	16,120	40.3
Net NPAs (%)	2.4	2.2	22bp	2.0	40bp
Provision Coverage Ratio (%)	62.8	64.3	(151)bp	63.5	(72)bp
Slippage ratio (%)	3.3	5.0	(172)bp	4.2	(96)bp
Loan loss provision to avg assets (%)	0.5	0.8	(30)bp	0.9	(42)bp

Source: Company, Angel Research

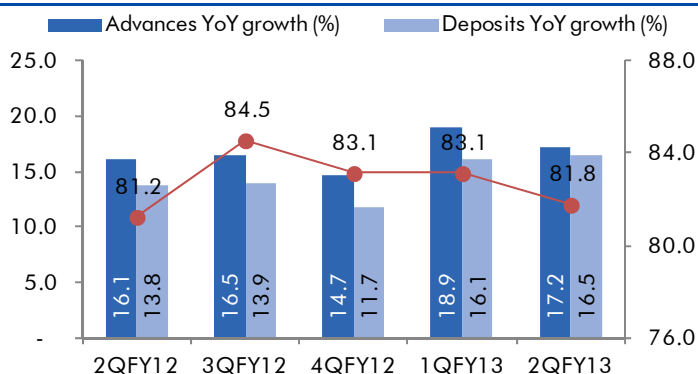
Loan book growth healthy

During 2QFY2013, the bank's advances grew by 17.2% yoy, driven by a healthy 27.4% yoy growth in its international loan book, 27.1% yoy growth in large corporate loans and 20.1% yoy growth in agricultural advances. Growth in retail advances was however lower at 13.6% yoy, on account of relatively slower yoy growth in home loans (13.0%) and education loans (10.0%) as compared to strong growth of 28.3% 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 the 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 recently reduced its lending rates for new customers, waived off processing charges and increased tenure/lowered EMLs, to make their products competitive/attractive. These steps have started yielding results as the bank has gained ~35% of the incremental market share in the home loan segment, after it had reduced rates, as per the management.

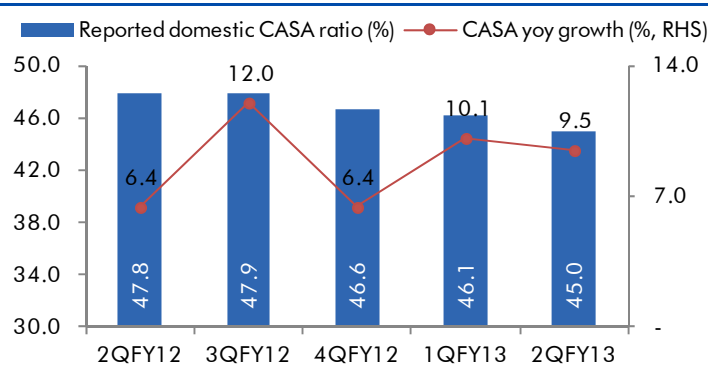
Deposits accretion remained reasonably healthy during 2QFY2013, registering a growth of 16.5% yoy. The domestic saving deposits growth was moderate at 12.5% yoy which coupled with a 3.6% yoy decline in volatile domestic current account deposits led to domestic CASA deposits growing at a modest pace of 9.5% yoy. The reported domestic CASA ratio as of 2QFY2013 stood at 45.0% (46.1% in 1QFY2013 and 47.8% in 2QFY2012).

Exhibit 4: Healthy credit and deposit growth



Source: Company, Angel Research

Exhibit 5: CASA ratio declines sequentially



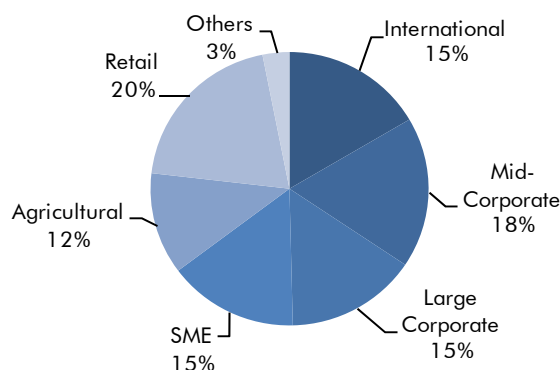
Source: Company, Angel Research

Exhibit 6: Segment-wise advances growth

Segment	(%)
Large corporate	27.1
Mid-corporate	8.0
SME	13.3
Agri	20.1
International	27.4
Home	13.0
Auto	28.3
Education	10.0
Overall advances (gross)	17.9

Source: Company, Angel Research

Exhibit 7: Loan book remains well-diversified

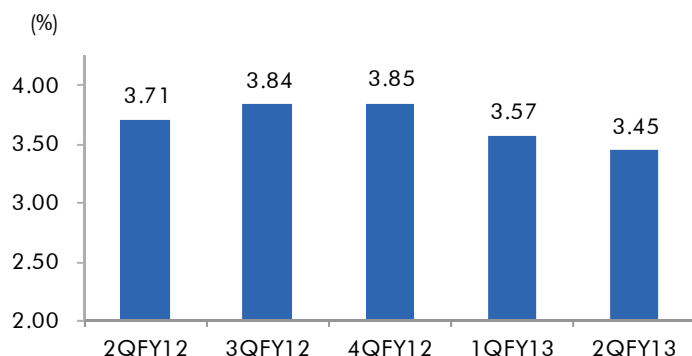


Source: Company, Angel Research

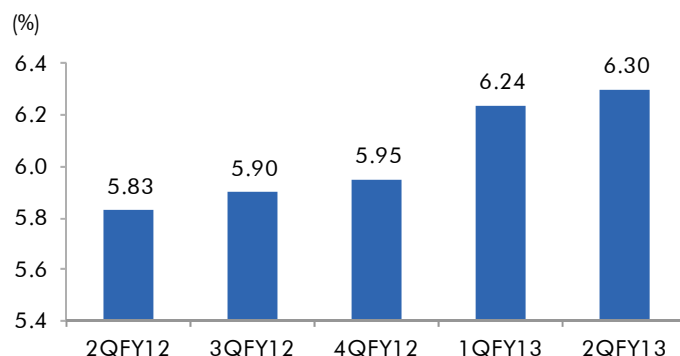
Overall NIMs dip by 12bp sequentially

The bank's domestic as well as international NIMs, decreased by 9bp and 19bp sequentially to 3.77% and 1.58%, respectively. Hence, the overall NIM of the bank contracted by 12bp during the quarter to 3.45%.

As per the management, the domestic NIMs were lower on account of lower lending rates (rates in home and auto loan category lower by 50-100bp), 6bp sequentially higher cost of deposits during the quarter and healthy deposits accretion in anticipation of strong credit growth (which was not witnessed), thereby resulting in excess liquidity to the tune of ₹70,000cr, with the bank.

Exhibit 8: Reported domestic NIM dips by 9bp qoq...


Source: Company, Angel Research

Exhibit 9: ...partly on sequentially higher domestic CoD


Source: Company, Angel Research

Non-interest income excl. treasury declines, largely due to lower fee income

On the non-interest income (excluding treasury) front, the bank witnessed an 8.3% yoy decline to ₹3,117cr. The CEB income was lower by 5.8% yoy to ₹2,449cr, while dividend income was lower by 20.2% yoy to ₹67cr. Forex income also witnessed a 33.4% yoy decline to ₹320cr. Treasury income for the bank came at ₹230cr during the quarter compared to ₹28cr in 2QFY2012, mainly due to revamp in the equity portfolio of the bank, as per the management.

According to 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 leading to lower fee income.

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

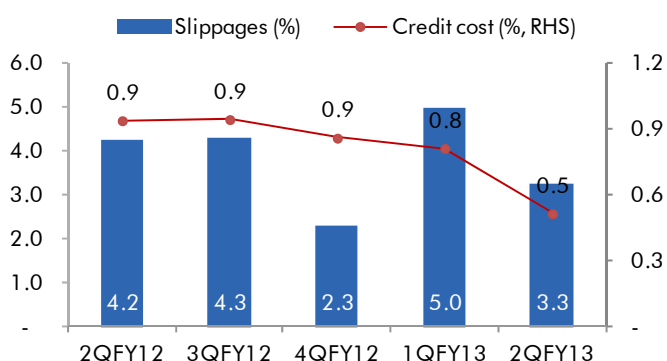
Particulars (₹ cr)	2QFY13	1QFY13	% chg (qoq)	2QFY12	% chg (yoy)
CEB	2,449	2,603	(5.9)	2,600	(5.8)
Treasury	230	221	4.1	28	719.1
Forex	320	457	(29.9)	481	(33.4)
Dividend	67	18	272.6	84	(20.2)
Others	281	200	40.2	234	20.0
Other income	3,347	3,499	(4.3)	3,427	(2.3)
Other income excl. treasury	3,117	3,278	(4.9)	3,399	(8.3)

Source: Company, Angel Research

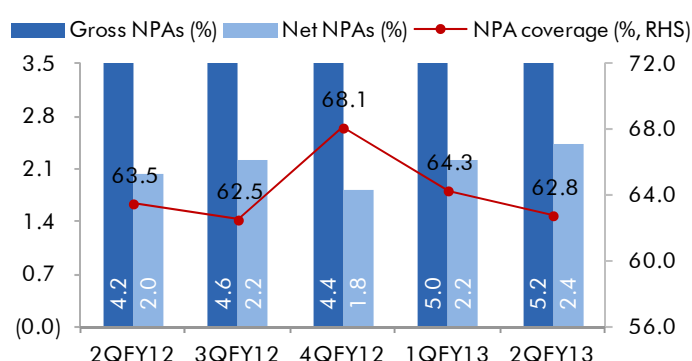
Slippages remain at elevated levels

On the asset-quality front, the bank's annualized slippage ratio for the quarter remained elevated at 3.3% though lower than 5.0% in 1QFY2013 and 4.2% in 2QFY2012. Almost 77% of the incremental slippages were witnessed in the mid-corporate and SME segments. Industry wise slippages came in majorly from trading (₹1,142cr vs. ₹848cr in 1QFY2013 and ₹396cr for entire FY2012), textile (₹775cr in 2QFY2013 vs. ₹481cr in 1QFY2013), engineering (₹560cr vs. ₹636cr in 4QFY2012) and iron & steel (₹437cr vs. ₹230cr in 1QFY2013).

On a sequential basis, gross and net NPA levels were higher by 4.3% and 11.3%, respectively. As of 2QFY2013, the gross NPA ratio stands at 5.2% (5.0% in 1QFY2013), while the net NPA ratio stands at 2.4% (2.2% in 1QFY2013). The provisioning coverage ratio (incl. technical write-offs) also deteriorated by 151bp qoq to 62.8%. Additionally, the bank restructured advances worth ₹4,694cr during the quarter, thereby taking its total outstanding restructured book to ₹40,454cr, out of which ₹32,796cr are standard restructured advances.

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)	2QFY13	1QFY13	% chg (qoq)	2QFY12	% chg (yoy)
NPA	1,837	2,790	(34.2)	2,921	(37.1)
Standard assets	250	169	47.7	121	106.7
Investments	(260)	(521)	(50.1)	458	(156.7)
Others	(2)	17	(111.5)	(115)	(98.3)
Total Provisions	1,825	2,456	(25.7)	3,385	(46.1)

Source: Company, Angel Research;

Cost-to-income ratio higher, on back of subdued growth of 3.4% yoy in operating income as against 9.3% yoy increase in operating expenses

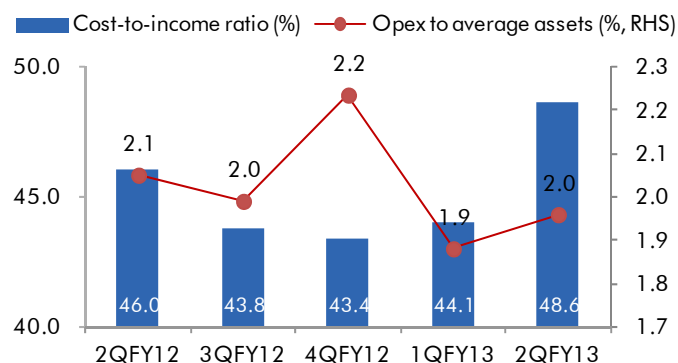
During the quarter, total employee expenses increased by 3.3% yoy to ₹4,280cr, while other operating expenses were higher by 20.5% to ₹2,687cr. Within employee expenses, payment to employees increased by 8.5% yoy to ₹3,579cr, while contribution for employees declined by 18.4% yoy. The bank had transferred its employee fund (~₹17,000cr) to an external trust which has resulted in lower contribution for employees. The bank has not yet started providing for wage revisions due from November, 2012 and might witness 10-15% increase in employee expenses only because of hike in wage rate.

The bank has added 100 branches during the quarter and 575 branches in the past one year, to bolster its already strong branch network to 14,230 branches. The management plans further addition of around 1,000 branches in 2HFY2013.

Exhibit 14: Opex growth trends

Particulars (₹ cr)	2QFY13	1QFY13	% chg (qoq)	2QFY12	% chg (yoy)
Payment to employ.	3,579	3,456	3.6	3,285	8.9
Contrib. for employ.	701	681	2.9	860	(18.4)
Total staff expenses (A)	4,280	4,137	3.5	4,145	3.3
Rent, taxes and lighting	624	519	20.2	529	18.0
Dep. on property	280	202	39.0	240	16.5
Others	1,783	1,583	12.6	1,461	22.0
Other opex (B)	2,687	2,304	16.6	2,230	20.5
Total opex (A)+(B)	6,967	6,441	8.2	6,375	9.3

Source: Company, Angel Research

Exhibit 15: Cost-to-income ratio spikes up in 2QFY13


Source: Company, Angel Research

Performance overview of subsidiaries

- SBI Life reported a PAT of ₹158cr for 2QFY2013 as compared to ₹56cr in 2QFY2012. The AUM as of 2QFY2013 stood at ₹49,918cr.
- SBI Capital Markets registered a PAT of ₹61cr during 2QFY2013 compared to ₹41cr in 2QFY2012.
- SBI Cards and Payment Services posted a PAT of ₹28cr for 2QFY2013 compared to ₹5cr posted in 2QFY2012.
- SBI DFHI recorded a PAT growth of 33.3% yoy to ₹16cr in 2QFY2013.
- The market share of average AUM for SBI funds management increased from 6.3% as on 4QFY2012 to 6.8% in 2QFY2013. The company recorded a PAT figure of ₹15cr for 2QFY2013 (de-growth of 31.8% yoy).
- SBI's associate banks recorded a healthy net profit growth of 15.9% yoy to ₹801cr in 2QFY2013.

Investment arguments
Strong CASA franchise

SBI has a strong CASA franchise (45%) on account of its huge nationwide branch network (14,230 as of 2QFY2013). As of 2QFY2013, the bank's CASA ratio stood at 45.0%, 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

Asset quality woes likely to continue

Asset quality pressures for the bank are likely to continue given the decelerating growth and high inflation. With interest rates hence set to remain high, in our view, there is no visible catalyst for asset quality to improve materially in the near term.

Outlook and valuation

The asset quality of the bank has been witnessing pressure for quite some time now and with the slowdown in economic growth and persistent inflation levels pointing towards further economic stress, cyclically, the next couple of quarters are also likely to be challenging for the bank. 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 ₹2,437.**

Exhibit 16: SOTP valuation summary

Particulars	Target multiple	Value/share (₹)
SBI	1.4x FY14E ABV	2,097
Associate Banks	0.7x-1.0x FY14E ABV	229
Life Insurance	13.0x FY14ENBP	72
Others (AMC, Cap Mkt, Factors, Cards)		40
SOTP value		2,437

Source: Angel Research

Exhibit 17: Key assumptions

Particulars (%)	Earlier estimates		Revised estimates	
	FY2013	FY2014	FY2013	FY2014
Credit growth	13.0	14.0	14.0	14.0
Deposit growth	14.0	15.0	15.0	15.0
CASA ratio	44.1	43.7	43.7	43.3
NIMs	3.5	3.6	3.4	3.4
Other income growth	11.7	13.4	10.9	13.5
Growth in staff expenses	9.0	14.0	9.0	14.0
Growth in other expenses	9.0	14.0	12.0	14.0
Slippages	4.0	3.4	3.8	3.3

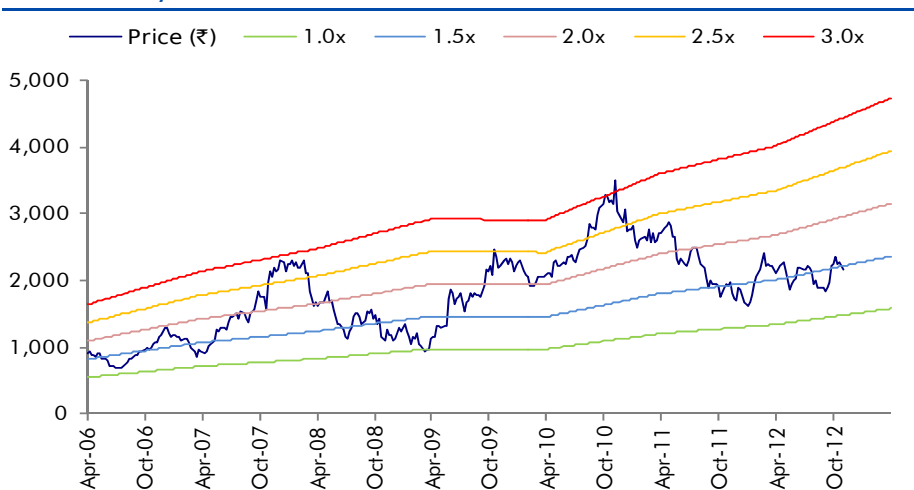
Source: Angel Research

Exhibit 18: Change in estimates

Particulars (₹ cr)	FY2013			FY2014		
	Earlier estimates	Revised estimates	Var. (%)	Earlier estimates	Revised estimates	Var. (%)
Net interest income	47,782	45,967	(3.8)	55,286	53,494	(3.2)
Non-interest income	16,023	15,916	(0.7)	18,149	18,051	(0.5)
Operating income	63,806	61,883	(3.0)	73,435	71,546	(2.6)
Operating expenses	28,415	28,688	1.0	32,393	32,704	1.0
Pre-prov profit	35,391	33,195	(6.2)	41,042	38,841	(5.4)
Provisions & cont.	13,252	10,901	(17.7)	15,674	13,564	(13.5)
PBT	22,139	22,294	0.7	25,367	25,278	(0.4)
Prov. for taxes	6,997	7,047	0.7	8,026	7,997	(0.4)
PAT	15,142	15,247	0.7	17,342	17,281	(0.3)

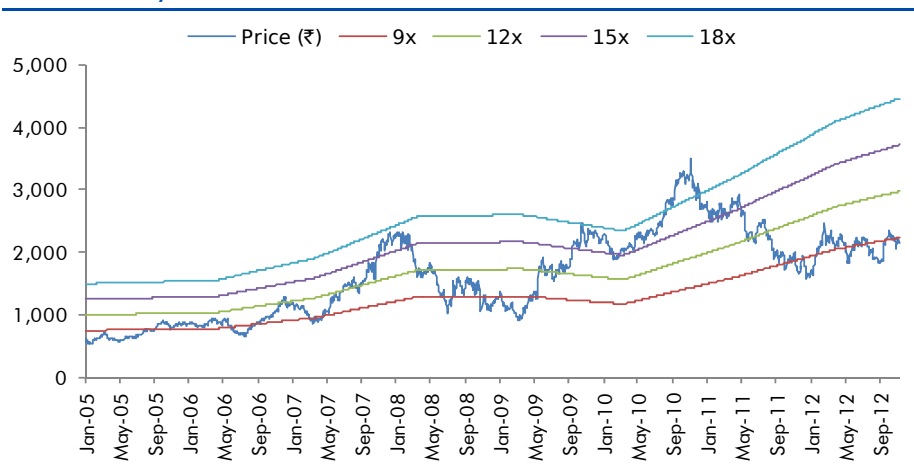
Source: Angel Research

Exhibit 19: P/ABV band



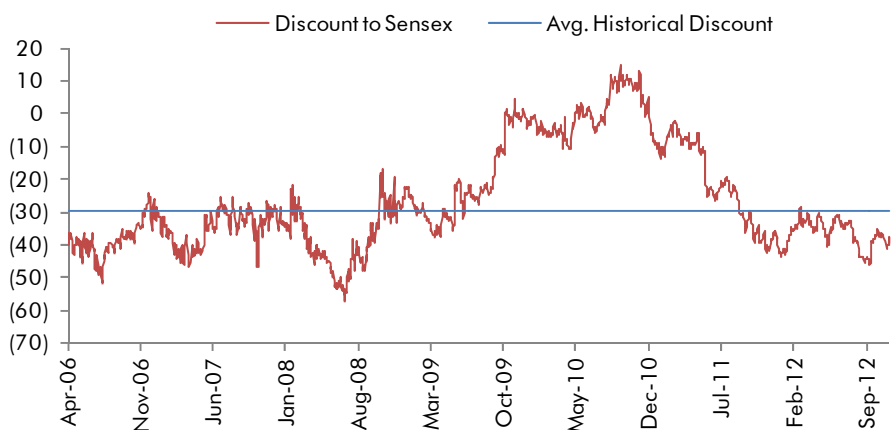
Source: Company, Angel Research

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	227.2	214.1	6.1
FY2014E	257.5	250.6	2.8

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	1,224	1,476	20.6	1.7	2.0	8.9	16.0	1.6	20.2
FedBk	Neutral	470	-	-	1.1	-	9.1	6.7	1.1	13.3
HDFCBk	Neutral	647	-	-	3.6	-	18.0	27.9	1.9	22.0
ICICIBk*	Buy	1,059	1,270	20.0	1.7	2.0	12.7	21.7	1.5	15.7
SIB	Accumulate	23	25	5.8	1.0	1.1	6.1	4.2	0.9	16.9
YesBk	Buy	422	492	16.6	2.1	2.5	10.0	23.5	1.5	23.5
AllBk	Accumulate	142	152	6.8	0.6	0.7	4.3	(5.6)	0.8	14.5
AndhBk	Neutral	105	-	-	0.7	-	4.8	(4.8)	0.8	13.8
BOB	Accumulate	756	817	8.1	0.9	1.0	5.5	6.4	1.0	17.0
BOI	Neutral	282	-	-	0.7	-	4.4	16.9	0.8	15.8
BOM	Accumulate	53	56	5.6	0.7	0.7	4.4	38.9	0.7	16.1
CanBk	Accumulate	436	463	6.2	0.8	0.9	5.4	4.0	0.8	14.6
CentBk	Neutral	75	-	-	0.6	-	3.5	102.4	0.6	14.9
CorpBk	Accumulate	402	445	10.7	0.7	0.7	4.1	(3.4)	0.7	14.7
DenaBk	Accumulate	112	123	9.7	0.7	0.8	4.7	2.5	0.8	15.6
IDBI#	Neutral	106	-	-	0.7	-	4.8	17.5	0.9	13.9
IndBk	Accumulate	176	195	10.8	0.6	0.7	4.2	2.8	1.1	16.3
IOB	Neutral	76	-	-	0.5	-	3.8	23.0	0.6	13.1
J&KBk	Neutral	1,379	-	-	1.2	-	7.1	7.9	1.3	17.7
OBC	Accumulate	318	347	9.2	0.7	0.8	4.9	29.0	0.9	14.4
PNB	Accumulate	767	843	9.8	0.8	0.9	4.7	6.8	1.0	17.3
SBI*	Accumulate	2,172	2,437	12.2	1.4	1.6	8.4	21.5	1.0	17.7
SynBk	Accumulate	123	131	6.5	0.7	0.8	4.5	11.5	0.7	16.6
UcoBk	Neutral	73	-	-	0.8	-	4.4	7.9	0.6	14.4
UnionBk	Accumulate	229	250	9.2	0.8	0.9	4.9	20.3	0.8	16.4
UtdBk	Accumulate	66	74	11.7	0.5	0.5	3.1	18.4	0.7	15.7
VijBk	Neutral	55	-	-	0.7	-	4.9	12.1	0.5	13.0

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 ~ over ₹14lakh cr. The bank has the widest network of 14,230 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	45,967	53,494
- YoY Growth (%)	22.6	13.4	37.4	33.1	6.2	16.4
Other Income	12,691	14,968	15,825	14,351	15,916	18,051
- YoY Growth (%)	35.0	17.9	5.7	(9.3)	10.9	13.4
Operating Income	33,565	38,640	48,351	57,643	61,883	71,546
- YoY Growth (%)	27.0	15.1	25.1	19.2	7.4	15.6
Operating Expenses	15,649	20,319	23,015	26,069	28,688	32,704
- YoY Growth (%)	24.1	29.8	13.3	13.3	10.0	14.0
Pre - Provision Profit	17,916	18,321	25,336	31,574	33,195	38,841
- YoY Growth (%)	29.7	2.3	38.3	24.6	5.1	17.0
Prov. & Cont.	3,736	4,396	10,385	13,090	10,901	13,564
- YoY Growth (%)	10.8	17.7	136.2	26.1	(16.7)	24.4
Profit Before Tax	14,180	13,925	14,951	18,483	22,294	25,278
- YoY Growth (%)	35.8	(1.8)	7.4	23.6	20.6	13.4
Prov. for Taxation	5,058	4,759	6,686	6,776	7,047	7,997
- 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	15,247	17,281
- YoY Growth (%)	35.5	0.5	(9.8)	41.7	30.2	13.3

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	95,630	109,541
Deposits	742,073	804,116	933,933	1,043,647	1,200,194	1,380,224
- Growth (%)	38.1	8.4	16.1	11.7	15.0	15.0
Borrowings	53,714	71,031	79,945	86,989	99,522	113,817
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	93,163	105,578
Total Liabilities	964,432	1,053,414	1,223,736	1,335,519	1,528,197	1,747,871
Cash balances	55,546	61,291	94,396	54,076	54,009	55,209
Bank balances	48,858	24,898	28,479	43,087	37,996	43,454
Investments	275,954	295,785	295,601	312,198	380,320	445,480
Advances	542,503	631,914	756,719	867,579	989,040	1,127,506
- Growth (%)	30.2	16.5	19.8	14.7	14.0	14.0
Fixed Assets	3,838	4,413	4,764	5,467	6,067	6,730
Other Assets	37,733	35,113	43,778	53,113	60,765	69,493
Total Assets	964,432	1,053,414	1,223,736	1,335,519	1,528,197	1,747,871
- Growth (%)	33.8	9.2	16.2	9.1	14.4	14.4

Ratio analysis (standalone)

Y/E March	FY09	FY10	FY11	FY12	FY13E	FY14E
Profitability Ratios (%)						
NIMs	2.6	2.5	3.0	3.6	3.4	3.4
Cost to Income Ratio	46.6	52.6	47.6	45.2	46.4	45.7
RoA	1.1	0.9	0.7	0.9	1.0	1.0
RoE	18.2	15.7	13.3	16.5	17.8	17.7
B/S ratios (%)						
CASA Ratio	41.6	47.3	49.4	44.8	43.7	43.3
Credit/Deposit Ratio	73.1	78.6	81.0	83.1	82.4	81.7
CAR	14.3	13.4	12.0	13.9	13.3	12.6
- Tier I	9.4	9.5	7.8	9.8	9.8	9.6
Asset Quality (%)						
Gross NPAs	2.9	3.0	3.3	4.5	5.7	6.3
Net NPAs	1.8	1.7	1.6	1.8	2.5	2.4
Slippages	2.6	2.2	2.8	3.2	3.8	3.3
Loan Loss Prov./Avg. Assets	0.3	0.5	0.7	0.9	0.8	0.8
Provision Coverage	39.2	59.2	65.0	68.1	64.0	67.5
Per Share Data (₹)						
EPS	143.7	144.4	130.1	174.5	227.2	257.5
ABVPS	824.2	972.5	967.7	1,200.1	1,320.7	1,547.5
DPS	29.0	30.0	30.0	35.0	43.0	49.5
Valuation Ratios						
PER (x)	15.1	15.0	16.7	12.4	9.6	8.4
P/ABVPS (x)	2.6	2.2	2.2	1.8	1.6	1.4
Dividend Yield	1.3	1.4	1.4	1.6	2.0	2.3
DuPont Analysis (%)						
NII	2.5	2.4	2.9	3.4	3.2	3.3
(-) Prov. Exp.	0.4	0.4	0.9	1.0	0.8	0.8
Adj. NII	2.0	1.9	2.0	2.4	2.5	2.5
Treasury	0.3	0.2	0.1	(0.1)	0.0	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	17.3	17.3
RoE	18.2	15.7	13.3	16.5	17.8	17.7

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State Bank of India

1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors

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