

State Bank of India

Performance Highlights

Particulars (₹ cr)	4QFY11	3QFY11	% chg (qoq)	4QFY10	% chg (yoy)
NII	8,058	9,050	(11.0)	6,721	19.9
Pre-prov Profit	6,080	6,764	(10.1)	5,194	17.1
PAT	21	2,828	(99.3)	1,867	(98.9)

Source: Company, Angel Research

For 4QFY2011 SBI posted nominal profit of ₹21cr on a standalone basis compared to our as well as street's expectation of ~₹3,000cr. Profitability was hampered on account of a sharp dip in NIM, higher NPA provisions and rise in effective tax rate. The other key negative was the substantial ₹7,927cr pension burden that was adjusted against net worth (10.9% impact on FY2011 pre-adjustment net worth), taking tier-I CAR below the 8% comfort level.

At the CMP, the stock is trading at 1.5x FY2013E ABV (adjusting for value of subsidiaries). In our view, the negatives are already in the stock price, and earnings growth outlook is strong due to lending rate hikes, lower provisioning burden and lower taxation going forward. Due to strong CASA market share gains and high fee income, SBI's core RoEs have improved over the past few years and, unlike most other PSBs, actual FY2011 RoEs are below core levels due to low asset yields, providing scope for upside as yields normalise to sectoral averages. Hence, **we maintain our Buy recommendation on the stock but with a lower target price of ₹2,842 (₹3,199)** to factor in the reduction in net worth due to pension liabilities and relatively lower capital adequacy position.

Disappointing quarter on all fronts: SBI's results for 4QFY2011 were weak on almost all counts. Reported NIM compressed sharply by 54bp qoq on the back of a decline in yield on advances despite a 65bp hike in base rate (50bp hike in BPLR) during the quarter. The bank adjusted the liability of ~₹8,000cr on account of pension liability towards reserves, which has resulted in capital adequacy falling below comfortable levels, with tier-I CAR at 7.7%. This raises concerns over capital constraint for future growth if the proposed rights issue does not go through soon enough. Accordingly, presently we have cut our credit growth estimates for the bank to 16% each from 20% each for FY2012 and FY2013. On the asset-quality front also, the bank disappointed with the annualised slippage ratio rising to 3.6% from 2.0% in 3QFY2011 and 2.5% in 9MFY2011.

Key financials

Y/E March (₹ cr)	FY2010	FY2011	FY2012E	FY2013E
NII	23,671	32,526	37,094	43,258
% chg	13.4	37.4	14.0	16.6
Net profit	9,166	8,265	12,854	17,164
% chg	0.5	(9.8)	55.5	33.5
NIM (%)	2.5	3.0	2.9	2.9
EPS (₹)	144.4	130.2	202.4	270.3
P/E (x)	16.7	18.5	11.9	8.9
P/ABV (x)	2.6	2.5	2.1	1.8
RoA (%)	0.9	0.7	1.0	1.1
RoE (%)	15.7	13.4	19.8	22.6

Source: Company, Angel Research

BUY

CMP	₹2,414
Target Price	₹2,842

Investment Period	12 Months
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Stock Info

Sector	Banking
Market Cap (₹ cr)	1,53,263
Beta	1.2
52 Week High / Low	3,515/2,138
Avg. Daily Volume	4,93,677
Face Value (₹)	10
BSE Sensex	18,137
Nifty	5,439
Reuters Code	SBI.BO
Bloomberg Code	SBIN@IN

Shareholding Pattern (%)

Promoters	59.4
MF / Banks / Indian Fls	16.6
FII / NRIs / OCBs	15.8
Indian Public / Others	8.3

Abs. (%)	3m	1yr	3yr
Sensex	(2.0)	7.7	4.0
SBI	(13.2)	7.2	41.6

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Exhibit 1: 4QFY2011 performance

Particulars (₹ cr)	4QFY11	3QFY11	% chg (qoq)	4QFY10	% chg (yoy)
Interest earned	21,721	21,413	1.4	17,966	20.9
- on Advances / Bills	16,257	15,717	3.4	12,967	25.4
- on investments	5,218	5,157	1.2	4,452	17.2
- on balance with RBI & others	87	104	(16.4)	218	(60.1)
- on others	160	435	(63.3)	328	(51.3)
Interest Expended	13,663	12,363	10.5	11,244	21.5
Net Interest Income	8,058	9,050	(11.0)	6,721	19.9
Other income	4,815	3,314	45.3	4,509	6.8
Other income excl. treasury	4,481	3,094	44.8	4,083	9.7
- Fee Income	3,731	2,477	50.6	3,486	7.0
- Treasury Income	335	220	52.0	426	(21.3)
- Forex Income	245	408	(40.1)	185	32.4
- Others	505	208	142.8	412	22.4
Operating income	12,874	12,364	4.1	11,230	14.6
Operating expenses	6,794	5,599	21.3	6,036	12.6
- Employee expenses	4,219	3,512	20.1	3,592	17.5
- Other Opex	2,575	2,088	23.4	2,444	5.3
Pre-provision Profit	6,080	6,764	(10.1)	5,194	17.1
Provisions & Contingencies	4,157	2,052	102.6	2,349	76.9
- Provisions for NPAs	3,264	1,632	100.0	2,187	49.3
- Provisions for Investments	304	209	45.8	36	756.3
- Provisions for Std Assets	631	225	180.5	72	771.0
- Other Provisions	(43)	(15)	191.9	55	(177.9)
PBT	1,923	4,713	(59.2)	2,844	(32.4)
Provision for Tax	1,902	1,885	0.9	978	94.5
PAT	21	2,828	(99.3)	1,867	(98.9)
Effective Tax Rate (%)	98.9	40.0	5892bps	34.4	6454bps

Source: Company, Angel Research

Exhibit 2: 4QFY2011 Actual vs. Angel estimates

Particulars (₹ cr)	Actual	Estimates	Var (%)
Net interest income	8,058	9,204	(12.5)
Non-interest income	4,815	4,487	7.3
Operating income	12,874	13,691	(6.0)
Operating expenses	6,794	6,330	7.3
Pre-prov. profit	6,080	7,361	(17.4)
Provisions & cont.	4,157	3,117	33.4
PBT	1,923	4,244	(54.7)
Prov. for taxes	1,902	1,128	68.5
PAT	21	3,115	(99.3)

Source: Company, Angel Research

Exhibit 3: 4QFY2011 performance analysis

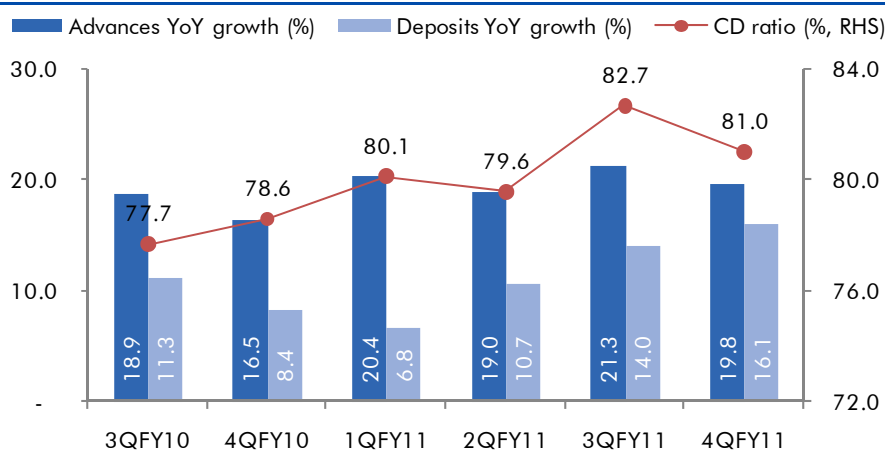
Particulars	4QFY11	3QFY11	% chg (qoq)	4QFY10	% chg (yoy)
Advances (₹ cr)	756,719	726,649	4.1	631,914	19.8
Deposits (₹ cr)	933,933	878,979	6.3	804,116	16.1
Credit-to-Deposit Ratio (%)	81.0	82.7	(164)bp	78.6	244bp
Current deposits (₹ cr)	99,914	-	-	90,300	10.6
Saving deposits (₹ cr)	323,394	-	-	256,263	26.2
CASA deposits (₹ cr)	423,308	-	-	346,563	22.1
CASA ratio (%)	45.3	48.2	(284)bp	43.1	223bp
CAR (%)	12.0	13.2	(122)bp	13.4	(141)bp
Tier 1 CAR (%)	7.8	9.6	(180)bp	9.5	(173)bp
Profitability Ratios (%)					
Cost of deposits	5.3	5.2	6bp	5.8	(54)bp
Yield on advances	9.6	9.6	(2)bp	9.7	(10)bp
Reported NIM	3.1	3.6	(54)bp	3.0	11bp
Cost-to-income ratio	52.8	45.3	749bp	53.7	(98)bp
Asset quality					
Gross NPAs (₹ cr)	25,326	23,438	8.1	19,535	29.6
Gross NPAs (%)	3.3	3.2	11bp	3.1	23bp
Net NPAs (₹ cr)	12,347	11,695	5.6	10,870	13.6
Net NPAs (%)	1.6	1.6	2bp	1.7	(9)bp
Provision Coverage Ratio (%)	65.0	64.1	88bp	59.2	572bp
Slippage ratio (%)	3.6	2.0	158bp	1.6	199bp
Credit cost (%)	1.1	0.6	52bp	0.9	25bp

Source: Company, Angel Research

Advances grow in line with industry, deposits gather pace

During 4QFY2011, the bank's net advances grew by 4.1% qoq and 19.8% yoy, underpinned by strong growth in large corporate segment loans, which grew by 23.4% yoy, and retail loans (up 22.0% yoy) led by auto (48.0% yoy), education (23.3% yoy) and home (21.9% yoy) as well as SME loans (22.8% yoy). The bank's loan book continues to be well diversified with no segment accounting for more than 21% of the total loan book.

Exhibit 4: Deposit accretion picks up



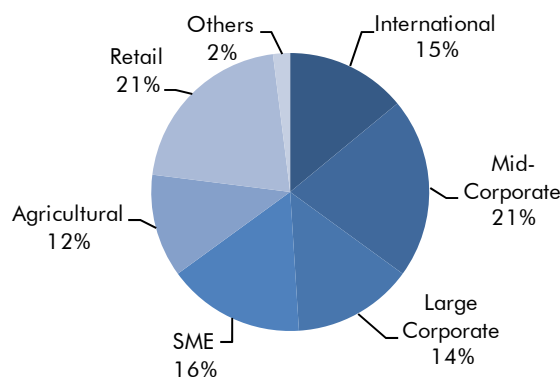
Source: Company, Angel Research

Exhibit 5: Segment-wise advances growth

Segment	(%)
Large corporate	23.4
Mid-corporate	19.4
SME	22.8
Agri	21.2
International	12.7
Home	21.9
Auto	48.0
Education	23.3
Overall advances	19.8

Source: Company, Angel Research

Exhibit 6: Well-diversified loan book



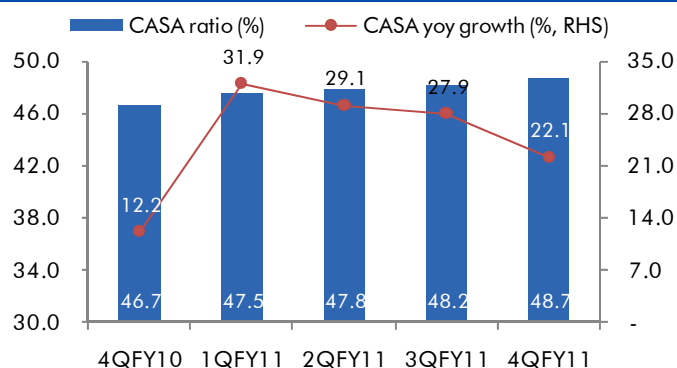
Source: Company, Angel Research

During the quarter, deposits accretion gathered healthy traction, registering growth of 6.3% qoq compared to 2.8% in 3QFY2011, driven by healthy CASA deposits growth of 7.5% qoq (accounting for ~53.7% of incremental deposits for the quarter). Share of high-cost bulk deposits in total deposits increased from 9.9% in 3QFY2011 to 10.6%, as liquidity conditions were tight during the quarter. Current account deposits increased by 10.6% yoy, while savings account deposits continued to witness healthy traction (up by 26.2% yoy). CASA ratio improved further by 50bp qoq to 48.7% in 4QFY2011 from 48.2% in 3QFY2011.

Exhibit 7: CASA drives deposits growth

Particulars (₹ cr)	4QFY11	3QFY11	% chg (qoq)	4QFY10	% chg (yoy)
CASA	423,308	393,791	7.5	346,563	22.1
Retail TD	347,453	336,285	3.3	318,761	9.0
Bulk TD	99,170	87,431	13.4	77,222	28.4
Others	17,221	15,854	8.6	22,171	(22.3)
Dom. deposits	887,152	833,361	6.5	764,717	16.0
Foreign deposits	46,781	45,618	2.5	39,399	18.7
Total deposits	933,933	878,979	6.3	804,116	16.1

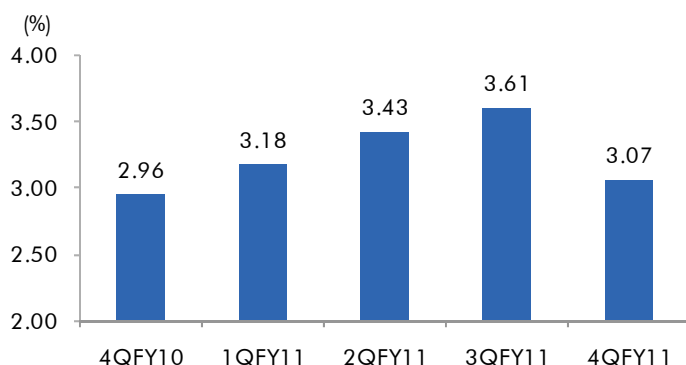
Source: Company, Angel Research

Exhibit 8: CASA growth moderates in line with industry


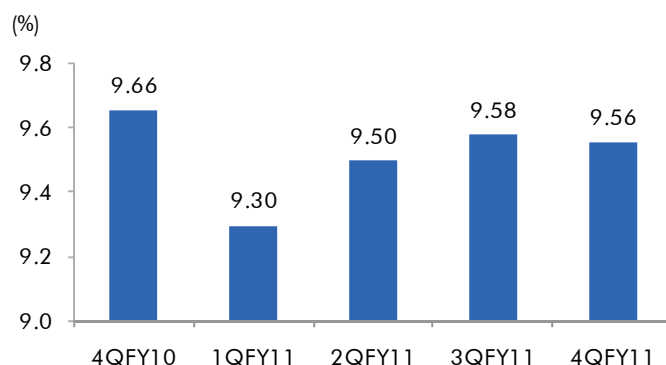
Source: Company, Angel Research

Reported NIM slides 54bp sequentially on lower yields

The bank disappointed on the margins front with a sharp 54bp sequential decline in reported NIM to 3.07%. The bank's yield on advances fell by 2bp sequentially despite raising the base rate by 65bp during the quarter. Cost of deposits went up by 6bp to 5.26% due to rise in bulk deposits and FD rates.

Exhibit 9: NIM dips sharply by 54bp qoq


Source: Company, Angel Research

Exhibit 10: Yield on advances surprises negatively


Source: Company, Angel Research

Muted non-interest income

Core CEB income growth was weak at 7.0% yoy, as the bank has stopped charging processing fees on certain retail loans. Forex income rose by healthy 32.4% yoy. Dividend income increased sharply by 245.5% yoy to ₹163cr.

Exhibit 11: Fee income growth disappoints

Particulars (₹ cr)	4QFY11	3QFY11	% chg (qoq)	4QFY10	% chg (yoy)
CEB	3,731	2,477	50.6	3,486	7.0
Treasury	335	220	52.0	426	(21.3)
Forex	245	408	(40.1)	185	32.4
Dividend	163	-	-	47	245.5
Others	342	208	64.5	365	(6.3)
Other income	4,815	3,314	45.3	4,509	6.8

Source: Company, Angel Research

Slippages rise sharply; restructuring also higher

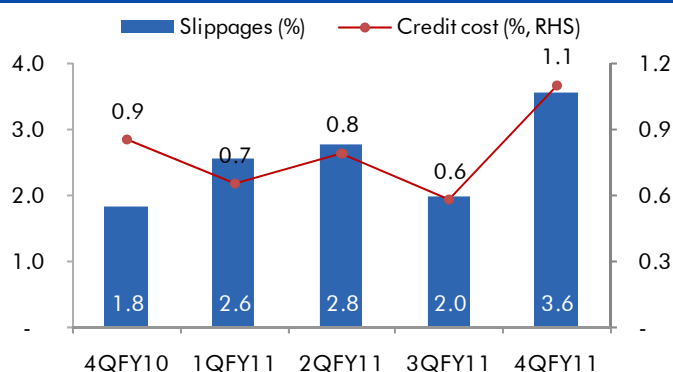
On the asset-quality front, the bank's annualised slippage ratio for the quarter rose substantially to 3.6% from 2.0% in 3QFY2011 and 2.5% in 9MFY2011. Pressure on slippages was high from the SME and agri segments, with slippages from the SME segment rising from ₹187cr in 3QFY2011 to ₹1,423cr and slippages from the agri segment increasing from ₹491cr in 3QFY2011 to ₹1,259cr.

Total slippages for the quarter amounted to ₹5,645cr compared to ₹3,153cr in 3QFY2011. However, due to aggressive recoveries and upgrades (₹2,666cr) during the quarter, the bank was able to contain the increase in gross NPA at 8.1% qoq.

For increasing the provision coverage ratio including technical write-offs to the RBI-mandated 70%, the bank had the option to provide ₹3,430cr till 2QFY2012, but it chose to take a higher hit in 4QFY2011 by providing ₹2,330cr. The balance amount of ₹1,100cr will be provided over 1HFY2012. The bank's provision coverage ratio including technical write-offs stood at 65.0% (64.1% as of 3QFY2011).

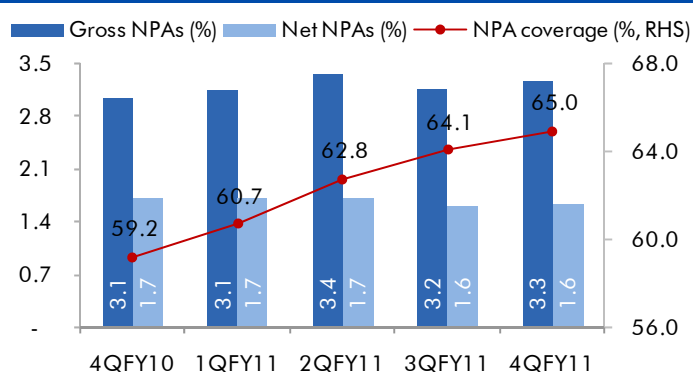
Cumulative restructured assets under the RBI Special Dispensation Scheme were steady sequentially at ₹18,395cr, out of which ~₹250cr slipped during the quarter, taking cumulative slippages from this restructured book to ₹3,134cr (17.0% of the restructured loan book). The bank's restructured loans outside the RBI scheme increased by ~₹1,600cr qoq to ₹15,954cr, taking total restructured advances to ₹34,349cr. As of 4QFY2011, cumulative slippages from overall restructured loans stood at 15.0%.

Exhibit 12: Slippages rise sharply



Source: Company, Angel Research

Exhibit 13: Asset quality stable due to recoveries



Source: Company, Angel Research

Provisions for NPAs doubled sequentially and increased by almost 50% yoy to ₹3,264cr due to high slippages witnessed during the quarter. Consequently, credit costs for the quarter rose to 1.1% from 0.6% in 3QFY2011. The bank also made a provision of ₹500cr towards teaser home loans. Even the provision towards investment depreciating was much higher at ₹304cr compared to ₹209cr in 3QFY2011 and ₹36cr in 4QFY2010.

The bank has indicated further provisions of ~₹1,100cr in FY2012 towards revised prudential provisioning norms and ~₹550cr for additional provisions on standard restructured advances.

Exhibit 14: Break-up of provisioning expenses

Particulars (₹ cr)	4QFY11	3QFY11	% chg (qoq)	4QFY10	% chg (yoy)
NPA	3,264	1,632	100.0	2,187	49.3
Standard assets	631	225	180.5	72	771.0
Investments	304	209	45.8	36	756.3
Others	(43)	(15)	191.9	55	-
Total Provisions	4,157	2,052	102.6	2,349	76.9

Source: Company, Angel Research

Staff expenses rise due to employee benefit-related provisions

Total operating expenses increased by 10.6% yoy on the back of the 12.6% yoy increase in staff expenses and 7.3% growth in other operating expenses. The bank made provision of ₹140cr towards gratuity liability in 3QFY2011.

Liability on account of enhancement in gratuity limits came in at ₹1,965cr (in line with management's estimate of ₹1,900cr). The bank made provision of just ₹25cr during the quarter, taking total provision for gratuity to ₹1,565cr. The bank had the option to amortise the liability relating to the increase of ₹1,100cr in gratuity limits over a period of five years and accordingly write-back ₹480cr during 4QFY2011. However, the bank did not opt for this option in entirety and will amortise just the balance of ₹400cr over the next four years.

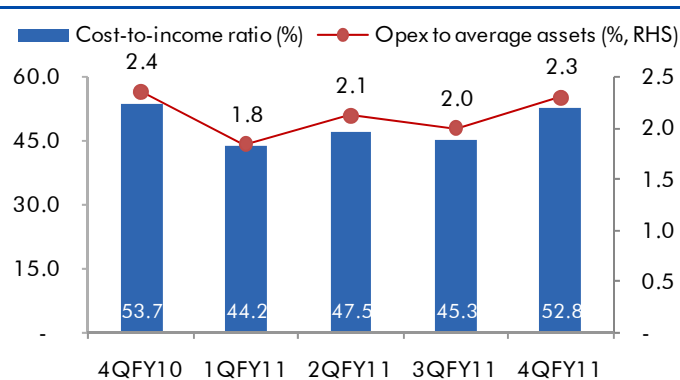
Pension liability on account of wage revision and proposed amendment to SBI's pension fund rules was pegged at ₹11,707cr. After adjusting the existing provisions of (₹1,307cr), ₹7,927cr was adjusted against reserves and ₹2,473cr was charged off in the current year's profit and loss account. This big hit in reserves has taken a toll on the bank's capital adequacy position, which is likely to constrain future growth if the proposed rights issue does not go through soon enough.

During 4QFY2011, other operating expenses growth was kept in check at 5.3% yoy. Even during entire FY2011, other operating expenses growth was contained at 12.8%. Despite the increase in employee benefit-related provisions, operating expenses to average assets was stable at 2.0% and the cost-to-income ratio improved by 500bp yoy to 47.6%.

Exhibit 15: Opex growth trends

Particulars (₹ cr)	3QFY11	2QFY11	% chg (qoq)	3QFY10	% chg (yoy)
Payment to employees	3,318	2,827	17.4	2,827	17.4
Contrib. for employees	901	685	31.5	765	17.7
Total staff expenses (A)	4,219	3,512	20.1	3,592	17.5
Rent, taxes and lighting	503	436	15.4	434	16.0
Dep. on property	331	244	35.7	347	(4.6)
Others	1,740	1,407	23.7	1,663	4.6
Other opex (B)	2,575	2,088	23.4	2,444	5.3
Total opex (A)+(B)	6,794	5,599	21.3	6,036	12.6

Source: Company, Angel Research

Exhibit 16: Cost ratios deteriorate


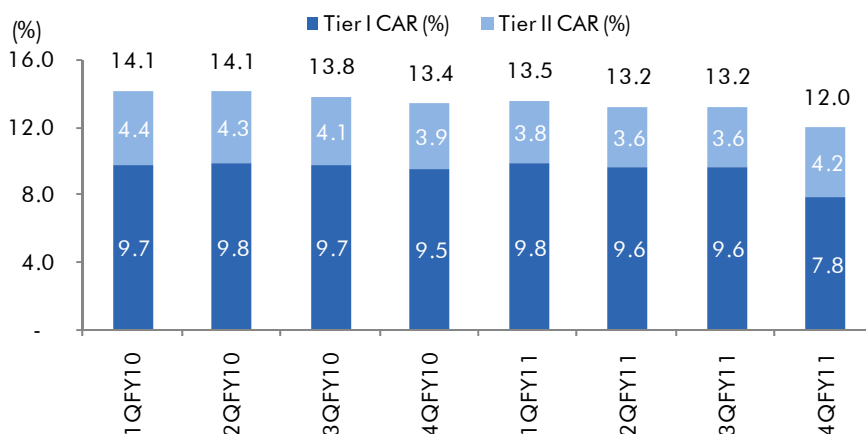
Source: Company, Angel Research

Capital adequacy weakened due to pension adjustments; future growth hinges on rights issue going through

Adjustment of nearly ₹8,000cr in reserves on account of pension liability for earlier years has hampered the bank's overall capital adequacy position. The tier-I capital ratio has fallen below the comfort level of 8% (at 7.7%). This may raise concerns of capital constraint going forward if the proposed rights issue does not go through soon enough. Accordingly, we have cut our credit growth estimates for the bank from 20% each to 16% each for FY2012 and FY2013.

Management seemed confident of the rights issue going through in the second or third quarter of FY2012. However, according to media reports, the bank may have to defer the issue to FY2013.

Exhibit 17: Tier-I CAR takes a knock due to pension liability



Source: Company, Angel Research

Performance overview of subsidiaries

- SBI Life reported PAT of ₹366cr, registering growth of 33% yoy. Of the total market share of 31.3% held by private insurance companies, SBI Life has a market share of 19.2%.
- SBI Capital Markets posted PAT of ₹385cr during FY2011, registering robust yoy growth of 156%.
- SBI Cards and Payment Services posted PAT of ₹7cr, after continuous losses for the preceding three years.
- SBI DFHI recorded PAT of ₹57cr.
- SBI Funds Management's AUM increased by 11% yoy to ₹41,671cr compared to the industry declining by 6%.
- SBI Pension Fund's AUM stood at ₹3,764cr.
- During 4QFY2011, the overall SBI Group recorded a 52.5% yoy decline in net profit to ₹1,245cr due to fall in SBI's profits.

Investment arguments

Improving savings market share

Until FY2007, the bank witnessed a significant decline in CASA market share with private sector banks pursuing aggressive branch expansion. However, the bank's market share of savings deposits has expanded by substantial 270bp to 23.2% during FY2007–10 (one of the few PSBs to do so), driven by relatively faster branch expansion (9.5% CAGR vs. 2–5% for most PSBs), leveraging its tremendous trust factor in the country. Even during FY2011, the bank added over 1,000 branches to further bolster its already strong branch network to 13,542 branches.

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 FY2011, the bank continued its dominance with non-interest income/assets at 1.3% (the highest among PSU banks).

Worst seems behind in terms of asset-quality pressures

During FY2011, the bank's slippages rose sharply to 2.8% from 2.2% in FY2010. Even during 4QFY2011, slippages increased substantially to 3.6% from 2.0% in 3QFY2011 and 2.5% in 9MFY2011. The bank has made bulk (₹2,330cr) of the provisions required (₹3,430cr) to meet the RBI's mandated 70% provision coverage ratio. Going forward, the burden on this account will be a lot lower and the bank will have to provide relatively lower ₹550cr each quarter during 1HFY2012. The bank had incurred ₹500cr of provisioning expenses on account of teaser home loan portfolio during 4QFY2011, even this burden will not be there going forward.

We have factored in ₹1,100cr towards the provisions required for increasing provision coverage ratio and ₹550cr towards the increase in provisioning requirements on standard restructured advances, but provisioning burden is expected to decline more meaningfully from 2HFY2012.

We expect slippages to decline from the current high levels of 2.8% to 2.6% in FY2012 and 2.5% in FY2013. As witnessed in 4QFY2011, healthy recoveries and upgrades are expected to aid in minimising asset-quality pressures going forward. Accordingly, we expect NPA provisions/average assets to trend downwards from 0.8% in FY2011 to 0.7% in FY2012 and further to 0.5% in FY2013.

Outlook and valuation

We expect SBI to outperform on account of its stronger core competitiveness and likelihood of credit and CASA market share gains, driven by strong capital adequacy and robust branch network of more than 13,500 branches. The bank's sustainable CASA ratio of 45%+ is expected to lead to relatively stronger earnings growth in a rising interest rate environment.

Due to strong CASA market share gains and high fee income, SBI's core RoEs have improved over the past few years and, unlike most other PSBs, actual FY2011 RoEs are below core levels due to low asset yields, providing scope for upside as yields normalise to sectoral averages. We believe, going forward, SBI has ample levers

to deliver healthy operating income growth even in a rising interest rate environment as well as manage its provisioning requirements.

Profitability for 4QFY2011 was also hampered due to the effective tax rate for the quarter at almost 100% as the bank did not recognise the deferred tax asset on the employee benefit-related liabilities and the general disallowance in case of NPA provisions.

We have cut our earnings estimates for FY2012 by 14.7% and by 10.9% for FY2013 to factor lower credit growth due to the reduction in tier-I CAR below the comfortable level, reduction in NIM estimates and additional provisions due to RBI guidelines.

However, despite the above noted reduction, earnings growth trajectory for the bank is expected to be strong at a 44% CAGR over FY2012–13E. We expect NPA provisioning burden to decline from 0.9% of average assets in FY2011 to 0.6% by FY2013E, thereby driving improvement in RoE to 22.6% from 13.4% in FY2011.

At the CMP, the stock is trading at 1.5x FY2013E ABV (adjusting for value of subsidiaries). In our view, negatives of 4QFY2011 results are already in the price, and earnings growth outlook (expect a 44% EPS CAGR over FY2012–13) is strong due to lending rate hikes (100bp hike in base rate over the past one month itself in addition to a 65bp hike in 4QFY2011), lower provisioning burden and lower taxation. Hence, **we maintain our Buy recommendation on the stock but with a lower target price of ₹2,842 (₹3,199)** to factor in the reduction in net worth due to pension liabilities and relatively lower capital adequacy position.

Exhibit 18: SOTP valuation summary

Particulars	Target multiple	Value/share (₹)
SBI	1.85x FY13E ABV	2,360
Associate Banks	1.10x FY13E ABV	290
Life Insurance	15.0x NBP	126
Others (AMC, Cap Mkt, Factors, Cards)		66
SOTP value		2,842

Source: Angel Research

Exhibit 19: Key assumptions

Particulars (%)	Earlier estimates		Revised estimates	
	FY2012	FY2013	FY2012	FY2013
Credit growth	20.0	20.0	16.0	16.0
Deposit growth	20.0	20.0	17.0	17.0
CASA ratio	48.9	48.9	50.1	51.4
NIMs	3.1	3.1	2.9	2.9
Other income growth	15.5	18.0	11.6	14.9
Growth in staff expenses	20.0	20.0	5.0	17.0
Growth in other expenses	15.0	17.0	17.0	17.0
Slippages	2.4	2.4	2.6	2.5
Treasury gain/(loss) (% of investments)	0.2	0.1	0.2	0.1

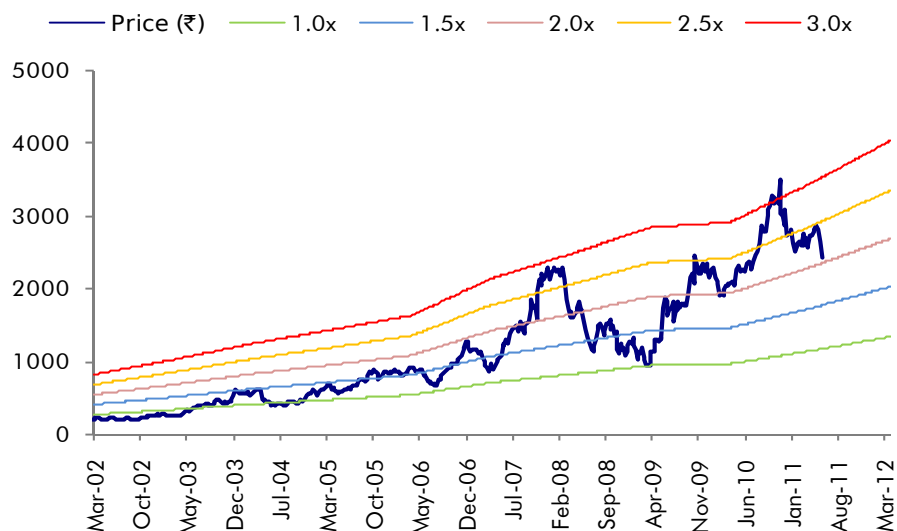
Source: Angel Research

Exhibit 20: Change in estimates

Particulars (₹ cr)	FY2012			FY2013		
	Earlier estimates	Revised estimates	Var. (%)	Earlier estimates	Revised estimates	Var. (%)
Net interest income	40,066	37,094	(7.4)	47,450	43,258	(8.8)
Non-interest income	17,879	17,653	(1.3)	21,080	20,260	(3.9)
Operating income	57,946	54,747	(5.5)	68,530	63,518	(7.3)
Operating expenses	26,633	25,190	(5.4)	31,663	29,473	(6.9)
Pre-prov profit	31,313	29,556	(5.6)	36,867	34,045	(7.7)
Provisions & cont.	9,152	10,675	16.6	8,509	8,799	3.4
PBT	22,161	18,881	(14.8)	28,358	25,246	(11.0)
Prov. for taxes	7,091	6,027	(15.0)	9,091	8,082	(11.1)
PAT	15,070	12,854	(14.7)	19,267	17,164	(10.9)

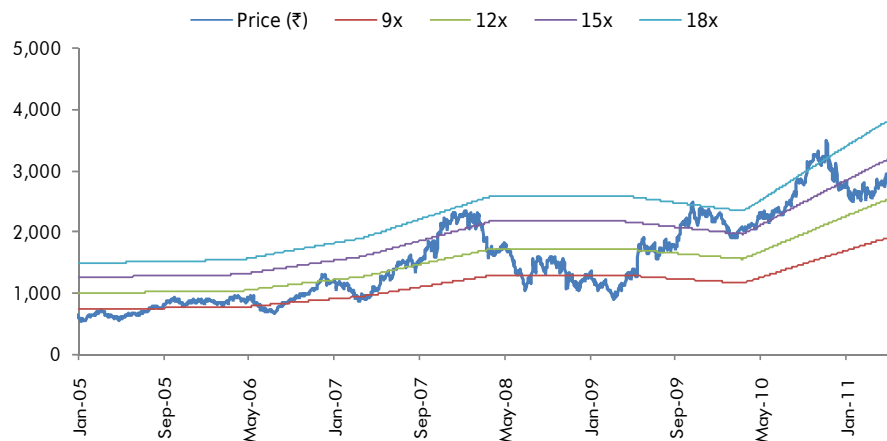
Source: Angel Research

Exhibit 21: P/ABV band



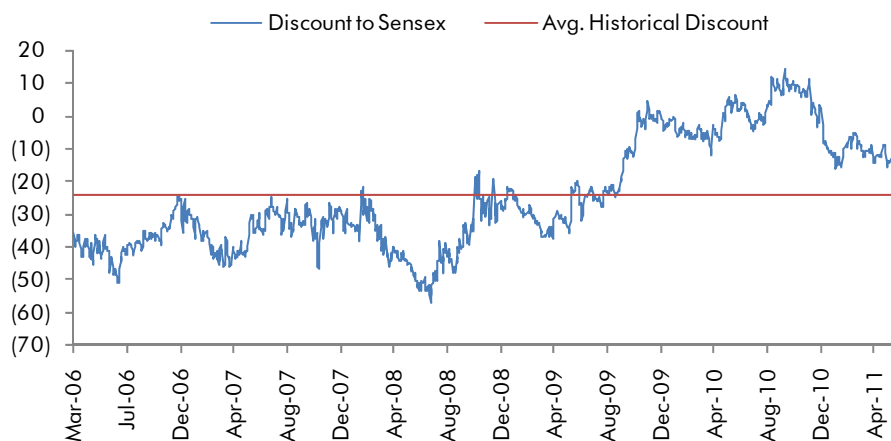
Source: Company, Angel Research

Exhibit 22: P/E band



Source: Company, Angel Research

Exhibit 23: Premium/Discount to Sensex



Source: Company, Angel Research

Exhibit 24: Angel EPS forecast v/s consensus

Year	Angel forecast	Bloomberg consensus	Var (%)
FY2012E	202.4	215.2	(5.9)
FY2013E	270.3	263.7	2.5

Source: Bloomberg, Angel Research

Exhibit 25: Recommendation summary

Company	Reco.	CMP (₹)	Tgt. price (₹)	Upside (%)	FY2013E P/ABV (x)	FY2013E Tgt P/ABV (x)	FY2013E P/E (x)	FY2011E-13E EPS CAGR (%)	FY2013E RoA (%)	FY2013E RoE (%)
AxisBk	Buy	1,218	1,661	36.4	1.9	2.7	9.7	23.1	1.6	21.6
FedBk	Neutral	436	-	-	1.2	-	8.7	20.6	1.3	14.1
HDFCBk	Accumulate	2,254	2,582	14.5	3.1	3.5	15.9	29.5	1.7	20.7
ICICIBk*	Buy	1,040	1,355	30.4	1.9	2.5	15.1	24.0	1.5	15.6
SIB	Accumulate	23	25	6.9	1.2	1.3	7.2	11.7	0.9	17.3
YesBk	Buy	288	334	15.8	1.9	2.2	10.2	16.0	1.2	19.7
AllBk	Buy	192	227	18.5	0.9	1.1	5.5	7.8	0.9	17.4
AndhBk	Accumulate	138	152	10.3	0.9	1.0	5.8	3.0	1.0	16.8
BOB	Buy	861	1,053	22.3	1.2	1.5	6.6	10.2	1.1	19.4
BOI	Buy	402	488	21.7	1.1	1.3	6.1	20.0	0.8	18.2
CanBk	Accumulate	542	584	7.7	1.0	1.1	6.0	(0.6)	0.9	17.6
CentBk	Neutral	123	-	-	0.8	-	5.6	(10.8)	0.5	14.9
CorpBk	Buy	549	670	22.2	0.9	1.1	5.1	6.5	0.9	18.0
DenaBk	Buy	93	116	25.0	0.7	0.9	4.5	6.1	0.8	16.1
IDBI#	Neutral	133	-	-	0.8	-	6.1	14.3	0.7	14.5
IndBk	Accumulate	226	248	9.6	0.9	1.0	4.8	9.7	1.4	20.2
IOB	Accumulate	152	171	12.5	0.9	1.1	6.0	16.7	0.7	16.0
J&KBk	Accumulate	804	877	9.1	0.9	1.0	5.9	3.4	1.1	15.6
OBC	Buy	324	402	24.2	0.7	0.9	5.1	11.2	0.9	15.1
PNB	Buy	1,058	1,326	25.3	1.2	1.5	6.1	11.5	1.1	21.2
SBI*	Buy	2,414	2,842	17.8	1.8	2.1	8.9	44.1	1.1	22.6
SynBk	Buy	112	142	27.0	0.7	1.0	4.7	14.5	0.7	17.0
UcoBk	Neutral	95	-	-	0.9	-	5.4	22.2	0.6	19.2
UnionBk	Accumulate	319	356	11.8	1.2	1.3	6.6	10.3	0.8	18.3
UtdBk	Accumulate	100	111	10.9	0.8	0.9	5.9	13.5	0.6	13.9
VijBk	Neutral	71	-	-	0.9	-	7.0	8.5	0.5	12.7

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

Income statement

Y/E March (₹ cr)	FY08	FY09	FY10	FY11	FY12E	FY13E
Net Interest Income	17,021	20,873	23,671	32,526	37,094	43,258
- YoY Growth (%)	13.0	22.6	13.4	37.4	14.0	16.6
Other Income	9,398	12,691	14,968	15,825	17,653	20,260
- YoY Growth (%)	26.9	35.0	17.9	5.7	11.6	14.8
Operating Income	26,420	33,565	38,640	48,351	54,747	63,518
- YoY Growth (%)	17.6	27.0	15.1	25.1	13.2	16.0
Operating Expenses	12,609	15,649	20,319	23,015	25,190	29,473
- YoY Growth (%)	6.6	24.1	29.8	13.3	9.5	17.0
Pre - Provision Profit	13,811	17,916	18,321	25,336	29,556	34,045
- YoY Growth (%)	29.8	29.7	2.3	38.3	16.7	15.2
Prov. & Cont.	3,373	3,736	4,396	10,381	10,675	8,799
- YoY Growth (%)	11.8	10.8	17.7	136.2	2.8	(17.6)
Profit Before Tax	10,438	14,180	13,925	14,954	18,881	25,246
- YoY Growth (%)	36.9	35.8	(1.8)	7.4	26.3	33.7
Prov. for Taxation	3,709	5,058	4,759	6,690	6,027	8,082
- as a % of PBT	35.5	35.7	34.2	44.7	31.9	32.0
PAT	6,729	9,121	9,166	8,265	12,854	17,164
- YoY Growth (%)	48.2	35.5	0.5	(9.8)	55.5	33.5

Balance sheet

Y/E March (₹ cr)	FY08	FY09	FY10	FY11	FY12E	FY13E
Share Capital	631	635	635	635	635	635
Reserves & Surplus	48,401	57,313	65,314	64,351	74,151	87,265
Deposits	537,404	742,073	804,116	933,933	1,092,701	1,278,461
- Growth (%)	23.4	38.1	8.4	16.1	17.0	17.0
Borrowings	51,727	53,714	71,031	81,272	94,473	110,533
Tier 2 Capital	21,289	30,344	31,980	38,297	44,424	51,532
Other Liab & Prov.	62,073	80,353	80,337	105,248	115,412	134,287
Total Liabilities	721,526	964,432	1,053,414	1,223,736	1,421,796	1,662,713
Cash balances	51,535	55,546	61,291	94,395	71,026	83,100
Bank balances	15,932	48,858	34,893	28,479	35,381	41,395
Investments	189,501	275,954	285,790	295,601	381,335	454,340
Advances	416,768	542,503	631,914	756,719	877,795	1,018,242
- Growth (%)	23.5	30.2	16.5	19.8	16.0	16.0
Fixed Assets	3,373	3,838	4,413	4,764	5,372	6,097
Other Assets	44,417	37,733	35,113	43,778	50,888	59,539
Total Assets	721,526	964,432	1,053,414	1,223,736	1,421,796	1,662,713
- Growth (%)	27.3	33.8	9.2	16.2	16.2	17.0

Ratio analysis

Y/E March	FY08	FY09	FY10	FY11	FY12E	FY13E
NIMs	2.8	2.6	2.5	3.0	2.9	2.9
Cost to Income Ratio	47.7	46.6	52.6	47.6	46.0	46.4
RoA	1.0	1.1	0.9	0.7	1.0	1.1
RoE	18.1	18.2	15.7	13.4	19.8	22.6
B/S ratios (%)						
CASA Ratio	47.0	41.6	47.3	48.7	50.1	51.4
Credit/Deposit Ratio	77.6	73.1	78.6	81.0	80.3	79.6
CAR	13.5	13.2	12.4	12.0	10.6	10.7
- Tier I	9.1	8.7	8.7	7.8	6.8	6.8
Asset Quality (%)						
Gross NPAs	3.0	2.9	3.0	3.3	4.1	4.6
Net NPAs	1.8	1.8	1.7	1.6	1.6	1.7
Slippages	2.3	2.6	2.2	2.8	2.6	2.5
Loan Loss Prov./Avg. Assets	0.3	0.3	0.5	0.8	0.7	0.5
Provision Coverage	42.2	39.2	59.2	65.0	70.0	70.0
Per Share Data (₹)						
EPS	106.6	143.7	144.4	130.2	202.4	270.3
ABVPS	709.7	824.2	944.5	967.7	1,141.8	1,339.7
DPS	21.5	29.0	30.0	30.0	38.5	52.0
Valuation Ratios						
PER (x)	22.6	16.8	16.7	18.5	11.9	8.9
P/ABVPS (x)	3.4	2.9	2.6	2.5	2.1	1.8
Dividend Yield	0.9	1.2	1.2	1.2	1.6	2.2
DuPont Analysis (%)						
NII	2.7	2.5	2.4	2.9	2.8	2.8
(-) Prov. Exp.	0.5	0.4	0.4	0.9	0.8	0.6
Adj. NII	2.1	2.0	1.9	2.0	2.0	2.2
Treasury	0.3	0.3	0.2	0.1	0.0	0.0
Int. Sens. Inc.	2.4	2.4	2.1	2.0	2.0	2.3
Other Inc.	1.2	1.2	1.3	1.3	1.3	1.3
Op. Inc.	3.6	3.5	3.4	3.3	3.3	3.5
Opex	2.0	1.9	2.0	2.0	1.9	1.9
PBT	1.6	1.7	1.4	1.3	1.4	1.6
Taxes	0.6	0.6	0.5	0.6	0.5	0.5
RoA	1.0	1.1	0.9	0.7	1.0	1.1
Leverage (x)	17.5	17.2	17.7	19.0	20.7	20.6
RoE	18.1	18.2	15.7	13.4	19.8	22.6

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State Bank of India

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

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