

## STATE BANK OF INDIA

### Result Update

CMP	209
Target Price	265
Previous Target Price	-
Upside	27%
Change from Previous	-

### Market Data

BSE Code	500112
NSE Symbol	SBIN
52wk Range H/L	335 /209
Mkt Capital (Rs Cr)	162,669
Av. Volume	2310928
Nifty	7568

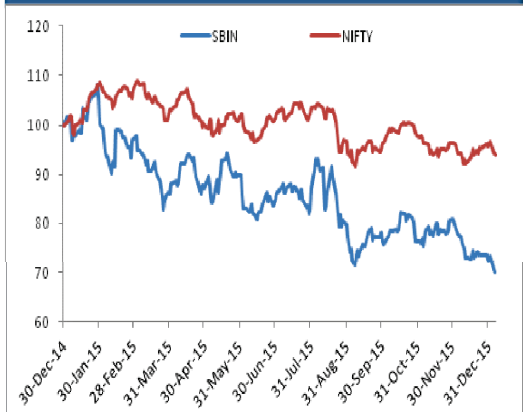
### Stock Performance

	1Month	3 Month	1Year
Absolute	-9.20	-0.1	-0.3
Rel.to Nifty	-8.9	-0.1	-0.2

### Share Holding Pattern-%

	2QFY16	1QFY16	4QFY15
Promoters	60.2	59.2	58.6
FII	10.4	11.5	11.7
DII	18.4	18.3	18.7
Others	11.1	11.0	11.0

### Company Vs NIFTY



### View & Valuation

The contrary to its peers State Bank of India reported impressive set of numbers during the quarter with net profit grew by healthy 25% YoY to Rs.3879 Crore largely on accounts of supportive non interest income and improved asset quality. Non- interest income was led by treasury gain & double of miscellaneous income while lower stable asset quality was led by lower fresh slippages . However operating performance of the bank was not very impressive as NII grew by just 7.4% YoY because of limited margin expansion of 3.01% versus 2.99% in last quarter. In term of balance sheet growth term, loan and deposits were muted at 10% YoY and 12% YoY respectively. Due to impressive profit, return ratio ROA expanded to 0.73% during this quarter versus 0.72% in last quarter. Due to significant market share and high CASA, we firmly believe that SBI would be key beneficiary in case of economy revival. At CMP 209 , the stock trades at 1.1x FY2017E BV. We recommend BUY rating on this stock with price target Rs 265.

### Profitability growth was healthy at 25% led by Other Income & improving asset quality

State bank of India reported a strong set of numbers as NII Growth observed 7.4% YoY, Rs 14253 Crore. The net profit grew by 25.1% YoY, Rs 3879 . The factor responsible for improved profit margin are loan growth improvement (more than 10%), Controlled cover all cost , higher non core income (like sale of investment or income from lease). Bank maintained NIM around 2.9% .

### Slight improvement in asset quality

Asset quality was improved as the GNPA ratio decreased by 14bps to 4.2% and Net NPA also drift downwards by 10bps to 2.1%. The slippage was declined by Rs. 5875 Crore Vs Rs. 7318 crore in Q1FY16. The credit cost was in line with last quarter, 1.2%. The bank also restructured Rs 2500 Crore of loans in Q2FY2015. Bank sold Rs 400 crore worth of loan to ARC against Rs 29 Crore QoQ . Total stress asset (NNPA + restructured) formation of Rs 82044 Crore (Vs Rs 84623 Crore in last QoQ) were 8.1% of the book. The pipeline of refinance is around Rs 6600 Crore under 8 account. The provision coverage was improved by 70.5%.

Financials	FY12	FY13	FY14	FY15	FY16E
NII	57878	61160	67583	74796	77497
PPP	40713	40922	42097	50263	55587
Net Profit	15343	17916	14174	16994	20250
ROA	0.84	0.84	0.59	0.63	
ROE	14.4	14.3	9.6	10.53	

(Source: Company/Eastwind)

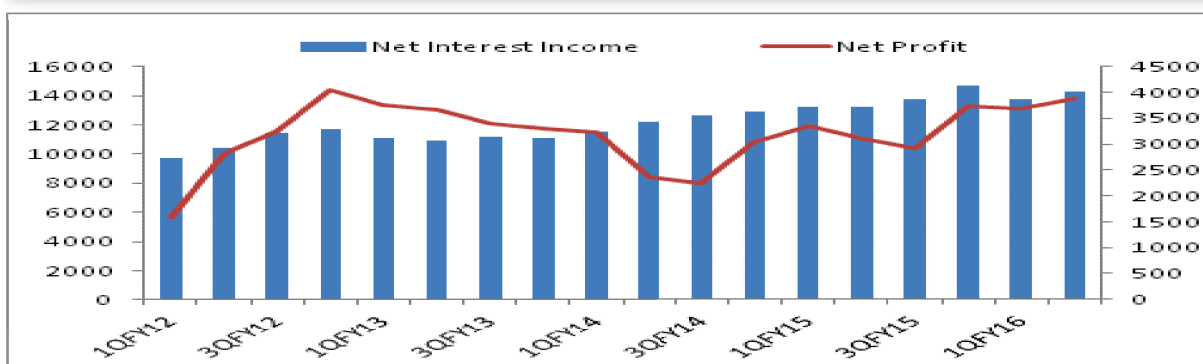
## Loan growth will maintain 12% to 13%

Domestic loans grew by 3% QoQ . The corporate loan growth eased the domestic loan growth which grew by 11% QoQ & 22% YoY. Retail loan Growth driven by housing sector growth was +4% QoQ. The International loan grew by 6% QoQ and 17% YoY. Agriculture Segment declined by 2%. It maintained CASA ratio of 44%. Management announced improved pipeline in roads, renewable, defense, railways and port segments and is confident of incrementally achieving 12-13% growth in FY16.

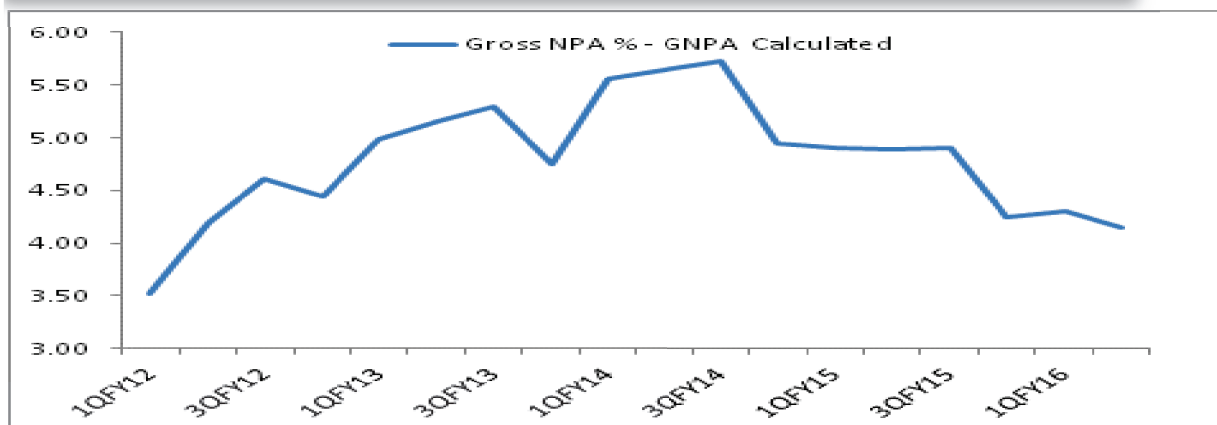
## Loan growth will maintain 12% to 13%

Profitability grew by 35% YoY in non interest income. Bank had earned higher treasury income that stood at Rs 1490 Crore Vs 450 Crore in YoY. The core fee income was flat around 1.2% YoY. Miscellaneous income doubled YoY due to write off loan of around Rs. 630 Crore.

## NII & PAT :



## Gross NPA % :



## View & Valuation

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## Financials Snap Shot

INCOME STATEMENT					RATIOS				
	FY12	FY13	FY14	FY15		FY12	FY13	FY14	FY15
Income on Investments	33705	38703	44856	51002	Business Ratios				
Intt. on bal.with RBI & other inter-ba	776	1339	1145	1160	Total Business Growth%	0.0	17.6	15.8	10.5
Others	1374	1494	1679	2668	Credit-Deposit(%)	63.2	66.3	67.7	65.0
Total Interest Income	147197	167978	189062	207974	CASA	26.05	25.80	23.46	23.32
Total Interest expended	89320	106818	121479	133179	Earnings Ratios				
Net Interest Income	57878	61160	67583	74796	Interest Expended / Interest Earned (%)	60.7	63.6	64.3	64.0
Other Income	29692	32582	37882	49315	Cost Income Ratio	72.1	72.4	79.8	79.2
Total Income	87569	93742	105466	124111	Spread Analysis As Calculated				
Total Operating Expenses	46856	52820	63369	73848	Yield on Advances (%)	10.5	9.2	9.2	8.9
Pre Provisioning Profit	40713	40922	42097	50263	Cost of Deposits (%)	0.0	6.1	6.2	6.2
Provisions (other than tax) and Cont	16244	15040	20771	24408	NIM%	0.0	3.1	3.1	3.1
Profit Before Tax	24469	25882	21326	25855	Spread%	0.0	2.5	2.5	2.7
Tax	8640	7559	6836	8337	Return Ratios				
Minority Interest	630	638	633	838	Return on Assets% as reported	1.2	0.9	0.8	0.5
Profit/ loss of Associates	143.9	231.7	317.7	314.4	RONW (%) as calculated	18.9	15.0	14.0	10.3
Net Profit attributable to the group	15343	17916	14174	16994	Asset Quality				
					Gross NPA as % of Gross Advances	1.8	4.8	5.0	4.3

Source: Eastwind/Company

## BALANCE SHEET

	FY12	FY13	FY14	FY15
Capital	671	684	747	747
Reserves & Surplus	105559	124349	146624	160641
Deposits	1414689	1627403	1838852	2052961
Borrowings	157991	203723	223760	244663
Other Liabilities & Provisions	147320	172746	181604	235601
Total Capital & Liabilities	1829956	2133158	2396495	2700110
Cash & Balances with Reserve Bank	79199	89574	114096	144288
Balances with Banks and Money at C	48392	55654	53066	64299
Investments	460949	519393	579401	695692
Advances	1163670	1392608	1578277	1692211
Fixed Assets	7408	9370	10560	12379
Other Assets	70338	66559	61096	91241
<b>Total Assets</b>	<b>366214</b>	<b>457412</b>	<b>559388</b>	<b>676114</b>

Source: Eastwind/Company

## RATIOS

	FY12	FY13	FY14	FY15
<b>Business Ratios</b>				
Total Business Growth%	0.0	17.6	15.8	10.5
Credit-Deposit(%)	63.2	66.3	67.7	65.0
CASA	26.05	25.80	23.46	23.32
<b>Earnings Ratios</b>				
Interest Expended / Interest Earned (%)	60.7	63.6	64.3	64.0
Cost Income Ratio	72.1	72.4	79.8	79.2
<b>Spread Analysis As Calculated</b>				
Yield on Advances (%)	10.5	9.2	9.2	8.9
Cost of Deposits (%)	0.0	6.1	6.2	6.2
NIM%	0.0	3.1	3.1	3.1
Spread%	0.0	2.5	2.5	2.7
<b>Return Ratios</b>				
Return on Assets% as reported	1.2	0.9	0.8	0.5
RONW (%) as calculated	18.9	15.0	14.0	10.3
<b>Asset Quality</b>				
Gross NPA as % of Gross Advances	1.8	4.8	5.0	4.3
Net NPA as % of Gross Advances	4.4	2.1	2.6	2.1
Restructured Assets to Advances Ratio(%)	1.8	3.0	3.5	4.2
<b>Capital Adequacy Ratio</b>				
Capital Adequacy Ratio (%)	0.0	12.9	12.5	12.4
Tier I Capital (%)	0.0	9.5	9.3	9.7

Source: Eastwind/Company

## Valuation

	FY12	FY13	FY14	FY15
<b>Net Profit as per Profit &amp; Loss Account</b>	23983	25475	21010	25331
Net cash flow before changes in Working Capital	8049	8461	9747	9929
Changes in the working Capital	6357.0	14332.5	32485.6	7909.2
Cash Flow from Operating Activities	-30114	24098	19142	46403
Cash Flow From Investing Activities :	-2319	-3419	-3536	-3430
Cash Flow From Financing Activities	2209	-4424	3583	-1553
Cash Flow For The Year	-27737	17637	21934	41425
Cash & Cash Equivalents At The Beginning Of Year	155327	127591	145228	167161
Cash & Cash Equivalents At The Year Of End	127591	145228	167161	208587

Source: Eastwind/Company