

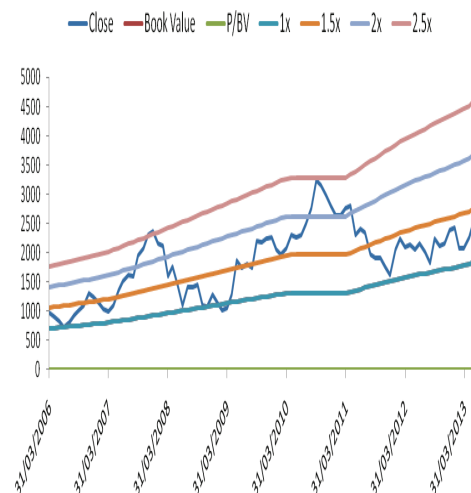
Result update	BUY
CMP	2153
Target Price	2550
Previous Target Price	-
Upside	18
Change from Previous	-

Market Data	
BSE Code	500112
NSE Symbol	SBIN
52wk Range H/L	2550/1816
Mkt Capital (Rs Cr)	146609
Average Daily Volume	3474706
Nifty	6083

Stock Performance			
	1M	1yr	YTD
Absolute	-7.7	11.0	16.3
Rel.to Nifty	-8.9	-12.1	2.4

Share Holding Pattern-%			
	Current	4QFY13	3QFY1
Promoters	62.3	62.3	61.6
FII	10.7	10.7	9.7
DII	16.0	16.0	17.2
Others	10.9	10.9	11.5

1 yr Forward P/B



SBI earnings were lower than street expectation. However we have witnessed some positive trigger also like slippage of lower in last eight quarters, loan growth higher than industry, higher CD ratio etc. Performance of banking stocks is largely dependent on improvement of asset quality and we believe SBI asset quality will improve going forward. We recommend buy with price target of Rs.2550.

During 4QFY13, SBI posted weak set of numbers with NII de-grew by 4.4% YoY to Rs.443 bn despite of loan growth of 21% YoY and credit deposits ratio of 90%. Total income de-grew by 2% YoY due to lower fee income growth of 8% YoY. Non-interest income registered growth of mere 2% YoY to Rs.160.3 bn due to lower fee income and treasury income.

SBI reported earnings growth of -18.6% YoY and -2.9% QoQ to Rs.141 bn below of street expectation due to lower NII growth couple with non supportive other income and higher loan loss provisions. However lower tax outgo some cushioned on earnings.

In 4QFY13, SBI posted advance growth of 21% YoY to Rs.10786 bn on account of growth in across sector especially from large and mid corporate sector lending. Large corporate lending increased by 40% YoY to Rs.1758 bn whereas mid corporate lending increased by 18% YoY to Rs.2049 bn. The retail loans grew by 14.9% YoY on account of a strong growth in the automobile and home loans. The bank expects a growth of about 20% in advances in FY2014, partly contributed by refinancing of advances

During quarter bank's deposits grew by 15.2% YoY to Rs.12027 bn with low cost deposits CASA grew by 14.7% YoY. Overall CASA as a percentage of total deposits was by and large stable with 46.5% in 4QFY13 versus 45.5% in 3QFY13 and 46.6% in 4QFY12. Saving deposits increased 15.3% YoY to 4149 bn while term deposits grew by 15.7% YoY. Retail term deposits in overall deposits stood at 39.3% in 4QFY13.

On asset quality front, bank reported mixed trend with GNPA 4.7% an improvement of 60 bps on sequential basis whereas net NPA improve to 2.1% in 4QFY13 from 2.6% in 3QFY13. In absolute term, declined of GNPA was on account of lower slippage, higher up-gradation and recovery and higher write off on sequential basis. Gross restructure loan increased to Rs.593 bn in 4QFY13 from Rs.506 bn in previous quarter. Restructure loan as a percentage of loan was stood at 5.7% as against 5.2% in 3QFY13 and 4.9% in 4QFY12.

Financials

	Rs, Cr				
	2011	2012	2013	2014E	2015E
NII	32526	43291	44331	51614	57993
Total Income	48351	57643	60366	67648	74027
PPP	25336	31574	31081	21855	25082
Net Profit	8265	11707	14105	16625	19066
EPS	130.2	174.5	206.3	243.0	278.7

(Source: Company/Eastwind)

During the quarter provision coverage ratio improved to 57.1% in 4QFY13 from 52.5% in 3QFY13 largely due to reversal of investment provision to the tune of Rs.52 cr. Loan loss provision increased by 40% YoY to Rs.3974 cr whereas provision against standard asset decreased by 29% to Rs.267 cr taking overall provision coverage to 57.1%.

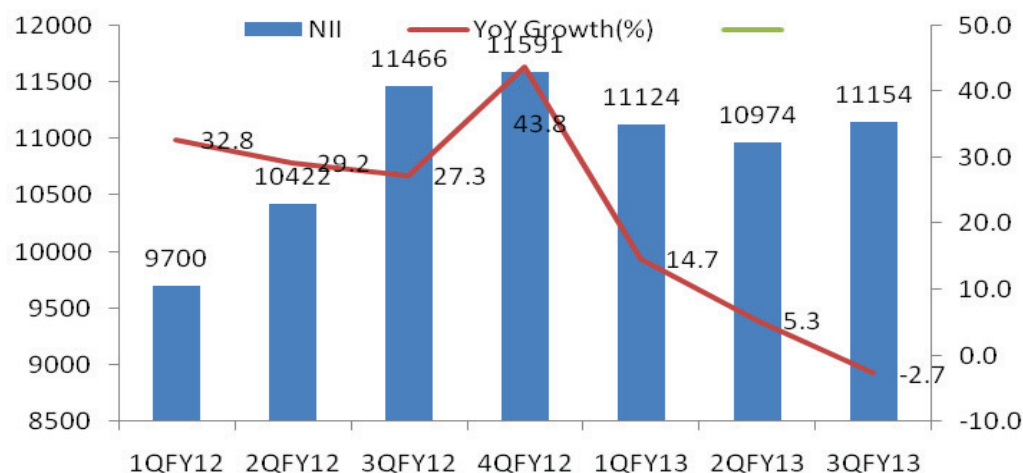
Overall NIM declined by 10 bps sequentially to 3.2% led by declined of 6 bps of domestic margin to 3.66% and international margin declined by 10 bps to 1.5%. On calculated basis yield on advance declined by 20 bps to 10.54% whereas cost of deposits declined from 6.3% to 6.3% QoQ.

Cost-income ratio increased 600 bps QoQ to 53% compared to 47% in 3QFY13.

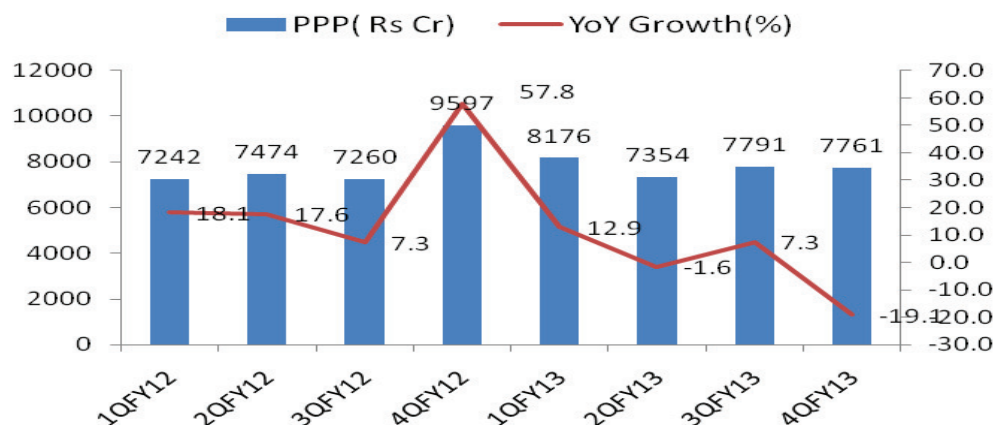
Employee expenses increased 30% QoQ as the bank made high provisions for the new wage settlement in the current quarter. Operating Expenses increased by 22% QoQ to Rs.3252 cr. Overall CAR ratio stands at 12.9% in which tier 1 capital at 9.5%.

During quarter SBI earnings were lower than expectation despite of healthy loan growth higher than industry and higher CD ratio. Fresh slippage were lower in last eight quarters was impressive. However increased in restructure asset disappoints us little bit. Banking performance will largely depend on asset quality going forward in our view. We believe SBI asset quality will improve year to come. Currently bank is trading at 1.1 times of one year forward book value. We recommend buy with price target of Rs.2550.

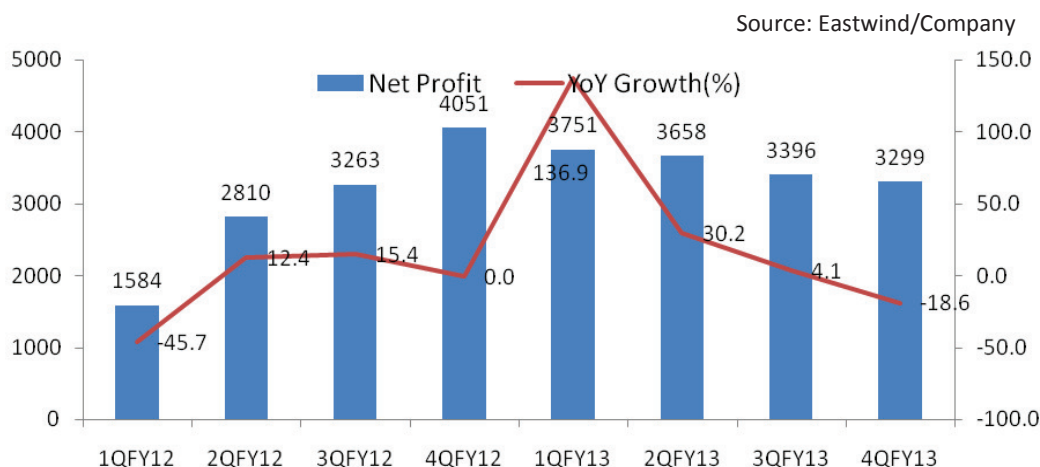
FUNDAMENTAL THROUGH GRAPH



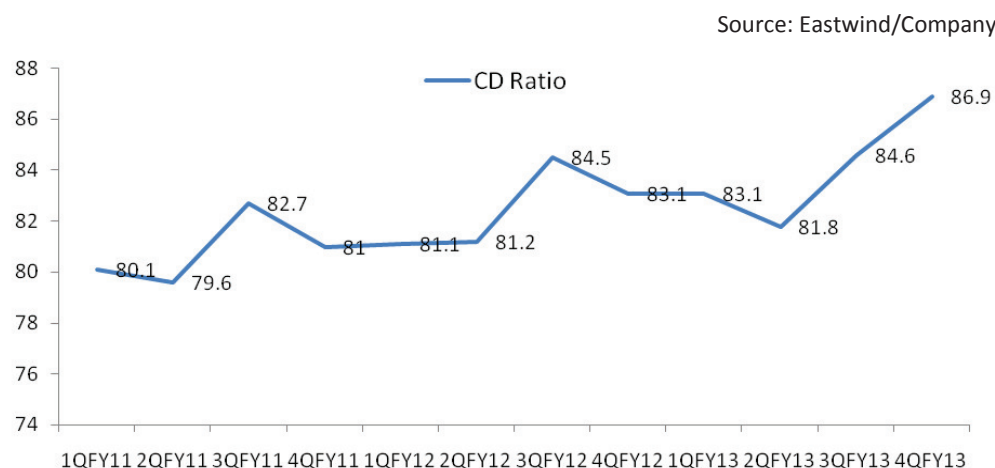
NII growth lower than expectation despite of higher than Industry growth and higher CD ratio



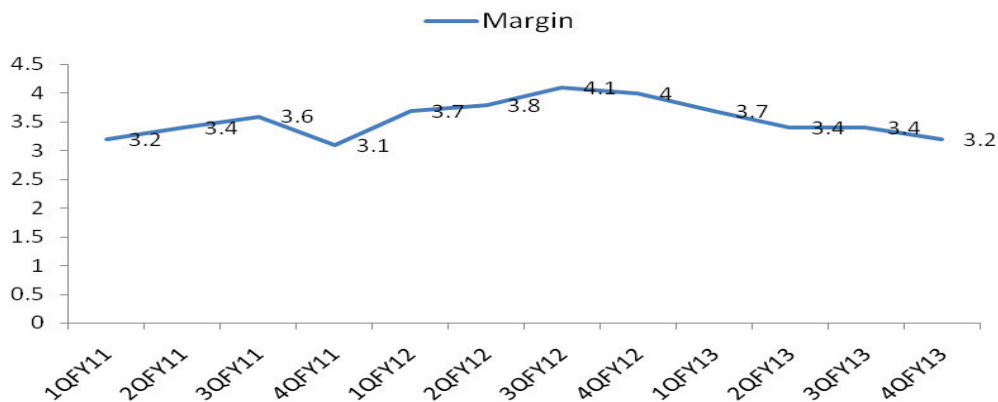
Non supportive other income led total income de-growth of 19% YoY



Lower NII and lower other income growth couple with higher provision led net profit down by 18.6% YoY

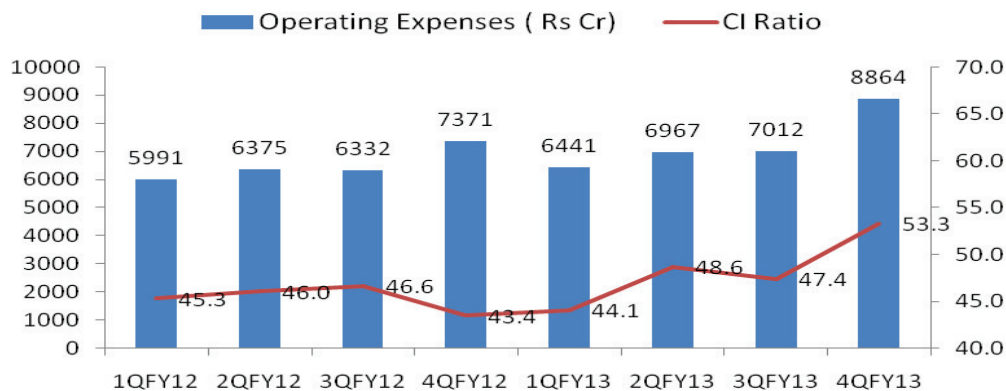


Higher CD ratio indicates better use of resources at optimal level



Source: Eastwind/Company

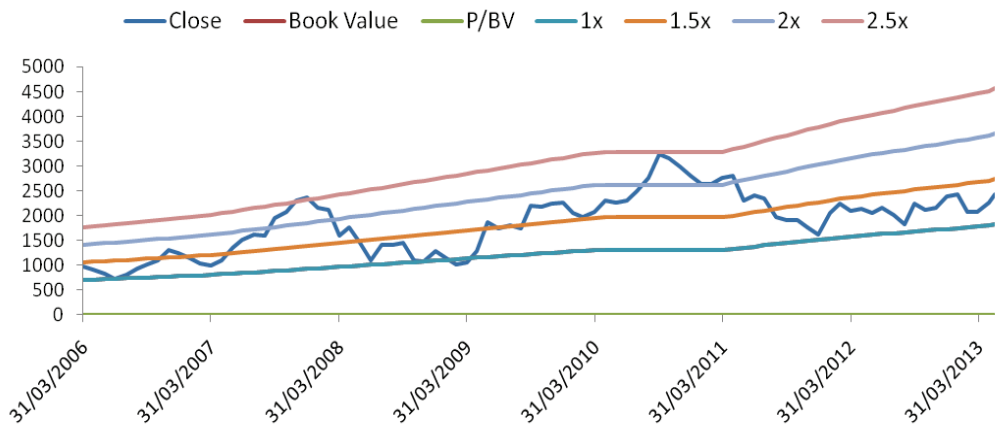
Sequential declined in margin due to lower NII growth and compression of spread



Source: Eastwind/Company

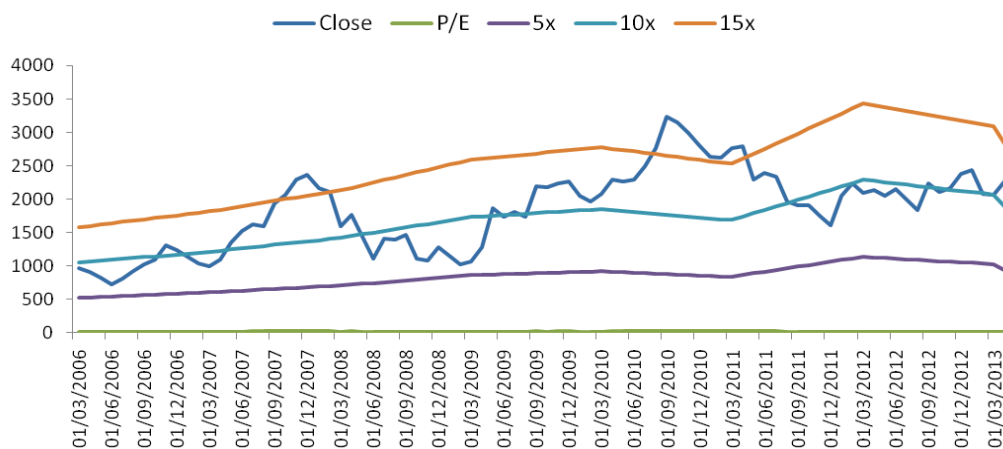
Higher CI ratio due to bank made higher employee provision for new wage settlement in current quarter

VALUATION BAND



Source: Eastwind/Company

Currently trading at comfortable level



Financial for the quarter

Source: Eastwind/Company

Rs Cr	4QFY13	3QFY13	4QFY12	% Chg(YoY)	% Chg(QoQ)
Interest/discount on advances / bills	23064	22800	20891	10.4	1.2
Income on investments	7035	7072	6413	9.7	-0.5
Interest on balances with Reserve Bank of India	166	110	107	55.0	51.4
Others	519	362	250	107.7	43.4
Total Interest Income	30784	30344	27661	11.3	1.5
Others Income	5547	3648	2126	160.9	52.0
Total Income	36331	33992	29787	22.0	6.9
Interest on deposits	17417	17173	14250	22.2	1.4
Interest on RBI/Inter bank borrowings	1373	1116	1030	33.2	22.9
Others	916	899	915	0.0	1.8
Interest Expended	19706	19189	16196	21.7	2.7
NII	11078	11154	11466	-3.4	-0.7
Other Income	5547	3648	2126	160.9	52.0
Total Income	16625	14803	13592	22.3	12.3
Employee	5612	4351	3911	43.5	29.0
Other Expenses	3252	2661	2420	34.4	22.2
Operating Expenses	8864	7012	6332	40.0	26.4
PPP(Rs Cr)	7761	7791	7260	6.9	-0.4
Provisions	4461	4395	3997	11.6	1.5
Net Profit	3299	3396	3263	1.1	-2.9
Key balance sheet data (Rs bn)					
Advances Net	10,456	9781	8676		
Deposits	12,027	11567	10,436		
CASA(%)	46.5	45.5	46.6		
Eastwind Calculation Yield ratios (%)					
Cost of deposits	6.3	6.3	6.0		
Yield on advances	10.5	11	11.1		
Net interest margin	3.3	3.4	3.9		
Asset Quality					
Gross NPLs (Rs bn)	512	535	397.0		
Gross NPLs (%)	4.8	5.3	4.4		
Net NPLs (Rs bn)	220	254	158.0		
Net NPLs (%)	2.1	3	1.8		
Slippages	58.7	82	43.8		
Provision Coverage (%)	57.1	53	60.1		