



Prabhudas  
Lilladher

Fulfilling investors' needs since 1944

Rajesh Malhani  
91-22-6632 2236

Senior Research Analyst  
RajeshMalhani@PLIndia.com

Q4 FY07  
Result Update

# State Bank of India

Market Performer

Rs 1,149

May 14, 2007

## Normal performance loaded with one offs

Company Details				Result Snapshot			
Market Cap:	Rs 604,823m			29% growth in advances to Rs. 3373.4 bn. Retail loan growth slower at 20.5%. Share of housing loan marginally comes down.			
52 Week High/Low:	Rs 1,379 / 684			14.6% growth in deposits to Rs. 4355.2 bn. CASA ratio at 43.6% largely stable. 39 bps year on year and 2 bps sequential improvement in NIM to 3.31% in FY 07			
Bloomberg Code:	SBIN@IN			NII up by 22% in Q4 FY 07 and by 3% in FY 07. Barring one offs NII growth will be better than reported in FY 07.			
Reuters Code:	SBI.BO / NS			Net profits up by 75% in Q4 FY 07 and by 3% in FY 07. Barring one offs net profits growth will be more or less same as reported in FY 07. Gross NPAs have come down both year on year and sequentially but despite making higher provisions, net NPAs have gone up.			
Shares O/s:	526m			Stock trades at 1.8x FY 09 ABV. We reiterate our Market Performer rating on the stock.			
Average Volume (3 months):	1.8m						
Price Performance							
(%)	1m	3m	12m				
Absolute	18.7	(4.0)	19.8				
Relative to Sensex	13.5	1.1	7.5				

## Q4 FY07 Result Snapshot

(Rs m)

Y/e March	Q4FY07	Q4FY06	yoy gr. (%)	Q3FY07	FY06	FY07	yoy gr. (%)
Net Int. Income	43,201	35,546	21.5	39,513	156,356	160,542	2.7
Op. Profit	39,684	32,772	21.1	28,550	112,992	99,999	(11.5)
Net Profit	14,932	8,533	75.0	10,651	44,067	45,413	3.1
Deposits	4,355,210	3,800,461	14.6	4,043,520	3,800,461	4,355,210	14.6
Net advances	3,373,360	2,616,415	28.9	3,094,340	2,616,415	3,373,360	28.9

## Valuation Ratios

Y/e March	FY06	FY07E	FY08E	FY09E
EPS (Rs)	83.7	86.3	96.5	110.3
EPS growth (%)	2.4	3.1	11.8	14.3
BV/S (Rs)	519.7	583.2	662.3	752.6
ABV/S (Rs)	426.5	483.3	566.9	649.4
P/E (x)	13.7	13.3	11.9	10.4
P/BV (x)	2.2	2.0	1.7	1.5
P/ABV (x)	2.7	2.4	2.0	1.8
DPS (Rs)	14.0	13.8	15.4	17.6
Dividend Payout ratio (%)	19.1	18.0	18.0	18.0
Dividend yield (%)	1.2	1.2	1.3	1.5

(Stock price as on May 11, 2007)



## Result Highlights

SBI has reported 29% growth in advances to Rs. 3373.4 bn in FY 07, which is largely consistent with 29% growth in FY 06 and 28% growth in Q3 FY 07.

Retail advances have grown by 20.5% to Rs. 735 .9 bn. Growth is slower compared to 31% growth in FY 06 and 23.5% in Q3 FY 06.

Housing loans have grown by 18% to Rs. 379.8 bn and again growth is slower than 27% growth in FY 06 and 20% growth in Q3 FY 07. Housing loans form 51.6% of retail loans compared to 52.1% in FY 06 and 52.4% in Q3 FY 07.

Deposits have grown by 14.6% to Rs. 4355.2 bn, which is higher than 11.3% growth in FY 06 and 11.2% growth in Q3 FY 07. Share of low cost deposits at 43.6% is less compared to 47% in FY 06 but it has improved sequentially in FY 07 with CASA at 42.7% in Q1 FY 07, 42.6% in Q2 FY 07 and 43.3% in Q3 FY 07.

Cost of deposits have gone up by 30 bps year on year and 22 bps sequentially to 4.79% while yield on advances have gone up 89 bps year on year and 6 bps sequentially to 8.67% in FY 07. This has resulted in NIM improving by 39 bps year on year and 2 bps sequentially to 3.31% in FY 07.

NII has gone up by 22% to Rs. 43.2 bn in Q4 FY 07 and by 3% to Rs. 160.5 bn in FY 07. Significant growth in NII is due to one time payment of interest income on CRR balance to the tune of Rs. 2340 mn coming in Q4 as well as income from call money market coming in due to sharp rise in call rates. Further though interest expense on deposits have not gone up significantly due to lesser increase in cost of deposits and healthy CASA ratio but interest expense on borrowings have gone up significantly from Rs. 4357 mn in Q3 FY 07 to Rs. 10119 mn in Q4 FY 07 due to higher borrowing related to debt capital.

Other income includes write back of Rs. 9500 mn of amortisation of HTM securities as well as revaluation gain of Rs. 500 mn in AFS book. Thus bank has actually reported net revaluation gains on investments in Q4 FY 07. SBI has also reported dividend income of Rs. 2217 mn in Q4 FY 07. This is due to changed taxation policy on dividend income resulting in dividend income coming in Q4 itself, which normally comes in Q1.

NPA provisions have gone up significantly from Rs. 1715 mn in Q1, Rs. 1161 mn in Q2 and Rs. 4106 mn in Q3 to Rs. 7312 mn in Q4. NPA provisions at Rs. 14295 mn in FY 07 are significantly higher compared to Rs. 1478 mn in FY 06 and moderately higher compared to Rs. 12040 mn in FY 05.

Due to changed regulations, provisions on standards assets too have gone up from Rs. 1300 mn in Q3 FY 07 to Rs. 2991 mn in Q4 FY 07.

Net profits have gone up by 75% to Rs. 14932 mn in Q4 FY 07 and by 3% to Rs. 45413 mn in FY 07. But this includes many one off items in FY 06 as well as FY 07. Adjusting for these one off items NII growth will be somewhat better than the reported and net profit growth will be largely same.

Gross NPAs have somewhat come down both year on year and sequentially but despite making higher provisions, net NPAs have gone up both year on year and sequentially. This could be due to more of upgradations and write offs. Gross NPAs stand at 2.92% and net NPAs stand at 1.56% as on FY 07.

Capital adequacy is at 12.3% with tier - I at 8.01%. Bank intends to raise capital to the tune of Rs. 150 bn in FY 08, both in the form of debt and equity.

Stock trades at 1.8x FY 09 ABV. We reiterate our Market Performer rating on the stock.



## Q4 FY07 Result Overview

(Rs m)

Y/e March	Q4FY07	Q4FY06	yoy gr. (%)	Q3FY07	FY06	FY07	yoy gr. (%)
Interest on Advances	70,566	47,587	48.3	64,136	176,963	248,392	40.4
Interest on Investments	28,453	33,164	(14.2)	28,331	139,775	114,930	(17.8)
Others	16,396	4,340	277.8	4,893	41,211	31,589	(23.3)
Total Interest Earned	115,415	85,091	35.6	97,359	357,949	394,910	10.3
Total non interest Income	28,943	26,770	8.1	18,110	73,887	57,693	(21.9)
Total Income	144,358	111,861	29.1	115,470	431,836	452,603	4.8
Interest Expanded	72,213	49,545	45.8	57,846	201,593	234,368	16.3
<b>Net Int. Income</b>	<b>43,201</b>	<b>35,546</b>	<b>21.5</b>	<b>39,513</b>	<b>156,356</b>	<b>160,542</b>	<b>2.7</b>
Net Total Income	72,144	62,316	15.8	57,624	230,243	218,235	(5.2)
Op. expenses	32,460	29,544	9.9	29,074	117,251	118,235	0.8
<b>Op. Profit</b>	<b>39,684</b>	<b>32,772</b>	<b>21.1</b>	<b>28,550</b>	<b>112,992</b>	<b>99,999</b>	<b>(11.5)</b>
<b>Core Op Profit</b>	<b>39,302</b>	<b>31,972</b>	<b>22.9</b>	<b>25,444</b>	<b>107,121</b>	<b>93,247</b>	<b>(13.0)</b>
Provision for NPAs	7,312	36	-	4,106	1,478	14,295	867.1
Provisions	14,126	13,391	5.5	11,662	43,931	24,096	(45.1)
PBT	25,558	19,380	31.9	16,888	69,062	75,903	9.9
Prov. for taxes	10,626	10,847		6,237	24,995	30,490	22.0
<b>Net Profit</b>	<b>14,932</b>	<b>8,533</b>	<b>75.0</b>	<b>10,651</b>	<b>44,067</b>	<b>45,413</b>	<b>3.1</b>
<i>Effective tax rate (%)</i>	<i>41.6</i>	<i>56.0</i>		<i>36.9</i>	<i>36.2</i>	<i>40.2</i>	
EPS	28.4	16.2	75.0	20.2	83.7	86.3	3.1
<i>Interest on advances % total</i>	<i>48.9</i>	<i>42.5</i>		<i>55.5</i>	<i>41.0</i>	<i>54.9</i>	
<i>Other income % total</i>	<i>20.0</i>	<i>23.9</i>		<i>15.7</i>	<i>17.1</i>	<i>12.7</i>	
<i>Cost/Income ratio (%)</i>	<i>45.0</i>	<i>47.4</i>		<i>50.5</i>	<i>50.9</i>	<i>54.2</i>	
<i>CAR (%)</i>	<i>12.3</i>	<i>11.9</i>		<i>11.9</i>	<i>11.9</i>	<i>12.3</i>	
Gross NPA	99,982	103,758		104,289	103,758	99,982	
Net NPA	52,577	49,064		44,872	49,064	52,577	
<i>% of gross NPAs</i>	<i>2.9</i>	<i>3.9</i>		<i>3.3</i>	<i>3.9</i>	<i>2.9</i>	
<i>% of net NPAs</i>	<i>1.6</i>	<i>1.9</i>		<i>1.5</i>	<i>1.9</i>	<i>1.6</i>	
Deposits	4,355,210	3,800,461	14.6	4,043,520	3,800,461	4,355,210	14.6
Net advances	3,373,360	2,616,415	28.9	3,094,340	2,616,415	3,373,360	28.9



## Key Figures

(Rs m)

Y/e March	FY06	FY07E	FY08E	FY09E
Market Price	1,149	1,149	1,149	1,149
Equity Capital	5,263	5,263	5,263	5,264
Market Capitalisation	604,823	604,823	604,823	604,938
Balance sheet size	4,938,696	5,655,292	6,571,358	7,420,552
<i>Market cap to balance sheet size (%)</i>	<i>12.2</i>	<i>10.7</i>	<i>9.2</i>	<i>8.2</i>
Deposits	3,800,461	4,355,210	5,306,014	6,301,532
Net Advances	2,616,415	3,373,360	4,185,218	4,938,557
Investments	1,625,342	1,533,969	1,694,738	1,915,541
Networth	276,441	309,895	351,526	399,119
NII	156,356	160,542	185,622	215,124
<i>NII Growth (%)</i>	<i>12.1</i>	<i>2.7</i>	<i>15.6</i>	<i>15.9</i>
Operating profits	112,992	99,999	111,366	134,719
PAT	44,067	45,413	50,769	58,039
<i>PAT growth (%)</i>	<i>2.4</i>	<i>3.1</i>	<i>11.8</i>	<i>14.3</i>
<i>NIM (%)</i>	<i>3.5</i>	<i>3.2</i>	<i>3.1</i>	<i>3.1</i>
<i>RoA (%)</i>	<i>0.9</i>	<i>0.9</i>	<i>0.8</i>	<i>0.8</i>
<i>RoE (%)</i>	<i>17.2</i>	<i>15.6</i>	<i>15.5</i>	<i>15.6</i>
<i>Treasury gain as % of OP</i>	<i>13.6</i>	<i>16.8</i>	<i>0.4</i>	<i>-0.1</i>
<i>Treasury gain as % of PBT</i>	<i>22.3</i>	<i>22.1</i>	<i>0.5</i>	<i>-0.1</i>
<i>Cost - Income ratio (%)</i>	<i>50.9</i>	<i>54.2</i>	<i>53.5</i>	<i>51.0</i>
<i>Credit - Deposit ratio (%)</i>	<i>68.8</i>	<i>77.5</i>	<i>78.9</i>	<i>78.4</i>
Gross NPAs	103,758	99,982	116,900	134,337
Net NPAs	49,064	52,577	50,223	54,324
<i>% of Gross NPAs</i>	<i>3.9</i>	<i>2.9</i>	<i>2.7</i>	<i>2.7</i>
<i>% of Net NPA</i>	<i>1.9</i>	<i>1.6</i>	<i>1.2</i>	<i>1.1</i>

This document has been prepared by the Research Division of Prabhudas Lilladher Pvt. Ltd. Mumbai, India (PL) and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security. The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accept any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein. Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor. Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication. We may from time to time solicit or perform investment banking or other services for any company mentioned in this document.