

STATE BANK OF BIKANER & JAIPUR

Result Update: Q4 FY13

HOLD

CMP	430.00
Target Price	477.00

MAY 8th, 2013

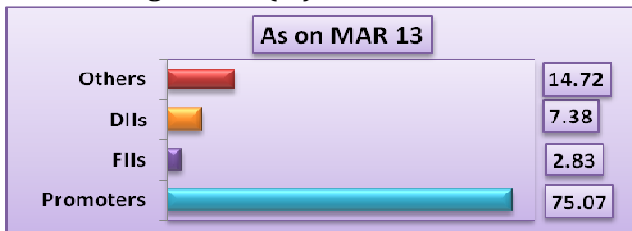
ISIN: INE648A01026

Stock Data	
Sector	Banking
BSE Code	501061
Face Value / Div. Per Share	10.00
52wk. High / Low (Rs.)	501.95/326.70
Volume (2wk. Avg)	16000
Market Cap (Rs in mn)	28280.00

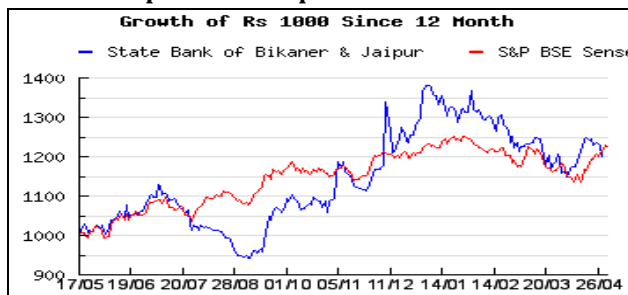
Annual Estimated Results (A*: Actual / E*: Estimated)

Years	FY13A	FY14E	FY15E
Net Income	74981.90	83979.73	92377.70
NII	32920.90	36122.29	40093.55
Net Profit	7302.40	8295.13	9273.32
EPS	104.32	118.50	132.48
P/E	3.87	3.41	3.05

Shareholding Pattern (%)



1 Year Comparative Graph



BSE SENSEX STATE BANK OF BIKANER & JAIPUR

SYNOPSIS

- State Bank of Bikaner & Jaipur, established in 1963, provides various financial and banking products & services in India.
- Bank's Capital Adequacy Ratio registered at 12.16% as on 31.03.2013 as per Basel II.
- Net sales for Q4FY13 were up 5.52% to Rs. 18507.20 mn as compared to Rs. 17539.30 mn for Q4FY12 driven primarily by sustained & diversified revenue growth.
- CASA deposits grew by 12.52% y-o-y to Rs. 258730 mn taking the CASA ratio to 37.34% as at March 31, 2013 up from 35.88% as of March 31, 2012.
- The business of the Bank has reached Rs. 1305900.00 million mark as at the end of March 31, 2013.
- SBBJ has declared interim dividend for the financial year 2012-13 at the rate of 161% being Rs. 16.10/- per share on equity shares of Rs. 10/- each.
- SBBJ, an associate of the State of India, has completed its 50 years of operations on Jan. 1st 2013.
- Net Income and PAT of the company are expected to grow at a CAGR of 14% and 12% over 2012 to 2015E respectively.

Peer Groups	CMP	Market Cap	EPS	P/E (x)	P/BV(x)	Dividend
Company Name	(Rs.)	Rs. in mn.	(Rs.)	Ratio	Ratio	(%)
State Bank of Bikaner & Jaipur	430.00	28280.00	104.32	3.87	0.59	145.00
ICICI Bank	1163.90	1345936.00	72.16	16.17	2.23	165.00
Punjab National Bank	747.10	264080.00	142.61	5.24	1.00	220.00
SBI	2255.20	1545951.00	217.18	10.41	1.84	350.00

Investment Highlights

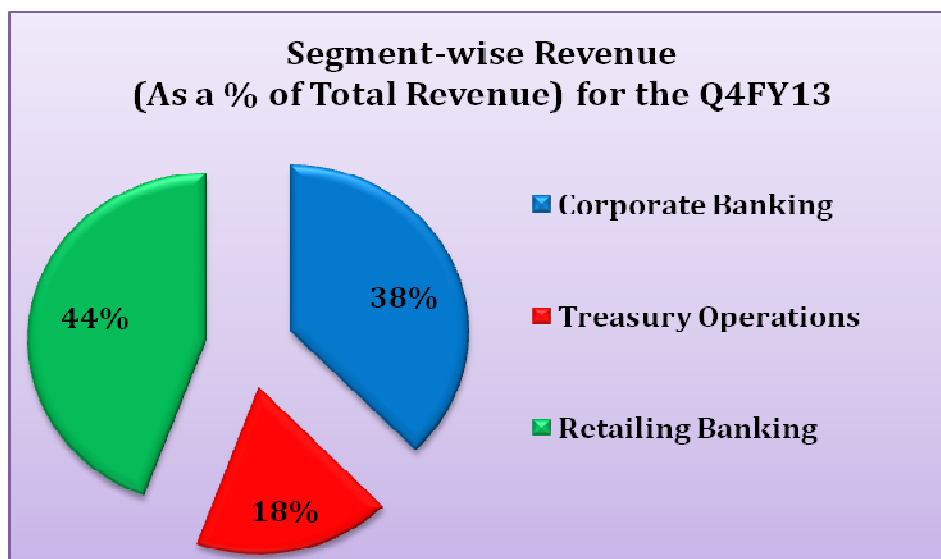
Results updates- Q4 FY13,

SBBJ's net profit falls to Rs. 1782.40 million as against Rs. 2478.80 million in the corresponding quarter ending of previous year, a decrease of 28.09%. Revenue for the quarter rose 5.52% to Rs. 18507.20 million from Rs. 17539.30 million, when compared with the prior year period. Reported earnings per share of the bank stood at Rs. 25.46 a share during the quarter, registering 28.09% a decrease over previous year period.

Months	MAR-13	MAR-12	% Change
Net Income	18507.20	17539.30	5.52%
PAT	1782.40	2478.80	(28.09)%
EPS	25.46	35.41	(28.09)%

Segment Revenue

Particulars (Rs.mn.)	Q4 FY13
Wholesale Banking	8911.30
Treasury Operations	4275.00
Retailing Banking	10492.80
Total	23679.10



Latest Updates

- State Bank of Bikaner and Jaipur has declared interim dividend for the financial year 2012-13 at the rate of 161% being Rs. 16.10/- per share on equity shares of Rs. 10/- each.
- The Gross NPA ratio of the Bank has also improved to 3.62% as on 31.03.2013 as against 3.30% as on 31.12.2012.
- The Net Interest Income at Rs. 18510 mn for the quarter ended 31.03.2013 shows an increase of 5.53% over the corresponding quarter of the last year.
- CASA deposits grew by 12.52% y-o-y to Rs. 258730 mn taking the CASA ratio to 37.34% as at March 31, 2013 up from 35.88% as of March 31, 2012.
- Total Deposits grew by 17.12% to Rs. 721160 mn as at March 31, 2013 from Rs. 615720 mn as at March 31, 2012.
- The business of the Bank has reached Rs. 1305900 million mark as at the end of March 31, 2013.
- SBBJ added 5 ATMs to its network during the quarter, taking the total count to 1087 ATMs as on March 31, 2013. SBBJ added 87 branches across the country during the quarter, taking the total branch count to 1037.

Company Profile

The genesis of State Bank of Bikaner and Jaipur dates back to the year 1943-44, when the Bank of Jaipur Ltd. and the Bank of Bikaner Ltd. came into existence. In 1960, both banks were incorporated as subsidiaries of State Bank of India and named as State Bank of Bikaner and State Bank of Jaipur. On January 1, 1963, both banks were merged into one entity viz. State Bank of Bikaner and Jaipur.

Services and Product offered

Personal Banking

Deposits	Savings Bank Account	Terms & Conditions	Silver Savings Account	Suraksha Savings Bank Account
Saral Bachat Khata	SBBJ Flexi Deposit Scheme	Term Deposit Scheme	Special Term Deposit Scheme	Recurring Deposit Scheme
Special Scheme For Senior Citizens	Capital Gain Scheme 1988	SBBJ Tax Saver Term Deposit Scheme	SBBJ Delight	SBBJ Scholar Savings Bank Account
SBBJ Gold Savings Bank Account	SBBJ Diamond Savings Bank Account	Corporate Salary Package		

NRI Services

- ✓ Opening of NRI Account
- ✓ Resident Foreign Currency Accounts (RFC Account)
- ✓ SWIFT Route Format
- ✓ NRE Accounts
- ✓ NRO Accounts
- ✓ FCNR(B) Accounts
- ✓ Western Union Money Transfer Paying Branches

International Banking

State Bank of Bikaner & Jaipur offers International Banking Services to Resident/Non-Resident Indians customers, Foreign Entities and Banks. Services offered by us include export finance by way of pre-shipment and post-shipment credit both in Indian Rupee and in foreign currency, financing of import, other consultancy services to exporters and importers and services to resident customers, overseas tourists and travelers by way of remittance facility, encashment and sale of foreign currency notes and travelers' cheques, collection of cheques/drafts, other instruments.

Corporate Banking

DEPOSIT:

- ✓ Regular Current Account
- ✓ Diamond Current Account
- ✓ Gold Current Account
- ✓ SME Power Pack Current Account
- ✓ Flexi Deposit SB & CD Accounts
- ✓ POWER JYOTI Current Account for Fee Collection

ADVANCE:

- ✓ Easy Loan For Trade & Services Sector (Mortgage Loan)
- ✓ SBBJ CORPORATE CAR LOAN
- ✓ SBBJ SHIKSHAYATN PLUS
- ✓ SBBJ SUPER SHOPPE
- ✓ CORPORATE LOAN
- ✓ SBBJ Corporate Rent Plus Scheme

Agriculture Products

- Kisan Credit Card Scheme (KCC)
- Kisan Gold Card Scheme (KGC)
- Loans for Purchase of Agricultural Implements:
 - ✓ Tractor Plus
 - ✓ Thresher, Implements etc.
- Minor/Micro Irrigation Scheme:
 - ✓ Loan for new wells /deepening of wells/Bore wells
 - ✓ For pump sets diesel/electric/submersible.
 - ✓ For conveyance Pipes/Lining of water courses.
 - ✓ For sprinkler sets
 - ✓ For drip sets
 - ✓ For construction of Diggies in Canal areas.
 - ✓ Rain water harvesting Schemes for SC/ST farmers
- Loans for activities allied to Agriculture
 - ✓ Dairy Loans
 - ✓ Scheme for members of dairy Co-operative societies for purchase of cattle etc.
 - ✓ Loans for Poultry/Sheep/Goat rearing.
- Loans for Medicinal & Horticulture Plantation
- Kisan Vahan Yojana
- Vermi Compost Scheme for Organic Farming
- For development of storage facilities
 - ✓ Construction of farmers/Rural Godowns
 - ✓ Cold storage
- For Rural housing – Gramin Awas/ Sahyog Niwas Schemes.
- Arthias Plus scheme.
- Loans to Agri Input seeds, fertilizers/Agri. Machinery dealers/Cattle feed and Poultry feed dealers.

Financial Highlight

Balance Sheet

(A* - Actual, E* -Estimations & Rs. In Millions)

	FY12	FY13	FY14E	FY15E
CAPITAL AND LIABILITIES				
Capital	700.00	700.00	700.00	700.00
Reserves and Surplus	40948.79	46941.40	55236.43	64509.75
Deposits	615720.91	721162.20	836548.15	962030.37
Borrowings	29549.75	58420.30	81788.42	110414.37
Other Liabilities and Provisions	38361.88	32944.40	33603.29	34275.35
Total	725281.33	860168.30	1007876.29	1171929.84
ASSETS				
Cash and Balances with Reserve Bank of India	43371.15	61558.60	83104.11	108866.38
Balances with Banks and Money at Call and Short notice	1172.16	1807.30	2584.44	3540.68
Investments	166694.75	201458.80	239910.48	283994.46
Advances	492443.27	575349.70	661652.16	754283.46
Fixed Assets	2020.80	2313.20	2590.78	2849.86
Other Assets	19579.20	17680.70	18034.31	18395.00
Total	725281.33	860168.30	1007876.28	1171929.84

Annual Profit & Loss Statement for the period from 2012 to 2015E

Value(Rs.in.mn)	FY12	FY13	FY14E	FY15E
Description	12m	12m	12m	12m
Net Income	62913.60	74981.90	83979.73	92377.70
Other Income	5989.70	7262.80	7989.08	8500.38
Total income	68903.30	82244.70	91968.81	100878.08
Interest Expended	-40699.60	-49323.80	-55846.52	-60784.53
Net Interest Income	28203.70	32920.90	36122.29	40093.55
Operating Expenses	-13307.50	-15792.20	-17635.74	-19306.94
Operating Profit	14896.20	17128.70	18486.55	20786.62
Provisions and Contingencies	-5789.40	-7319.80	-7699.65	-8584.87
Profit Before Tax	9106.80	9808.90	10786.90	12201.74
Tax	-2586.40	-2506.50	-2491.77	-2928.42
Profit After Tax	6520.40	7302.40	8295.13	9273.32
Equity Capital	700.00	700.00	700.00	700.00
Reserves	40948.80	46941.30	55236.43	64509.75
Face Value (Rs.)	10.00	10.00	10.00	10.00
EPS	93.15	104.32	118.50	132.48

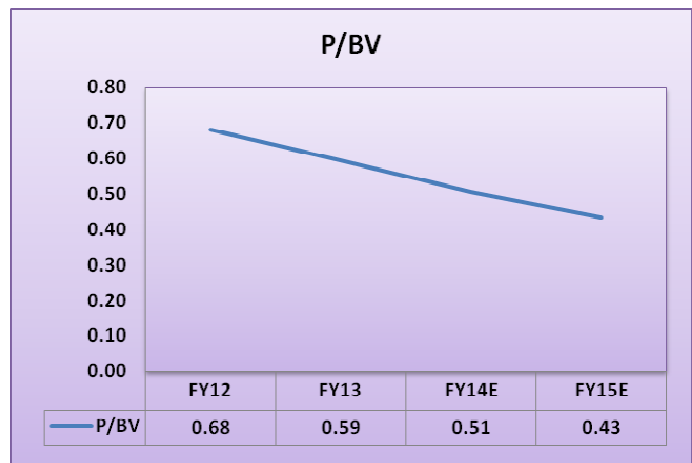
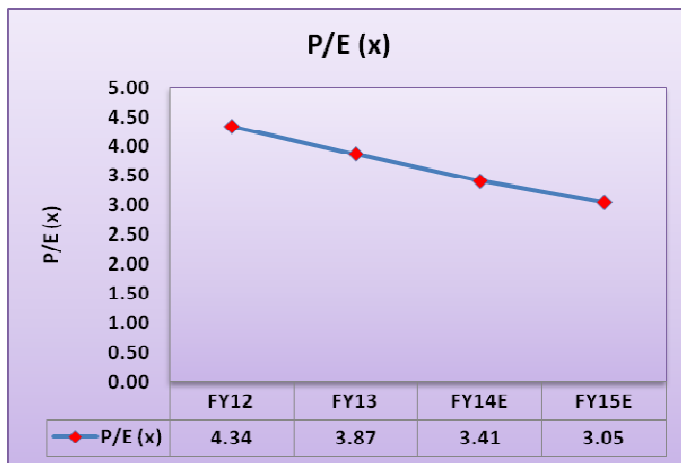
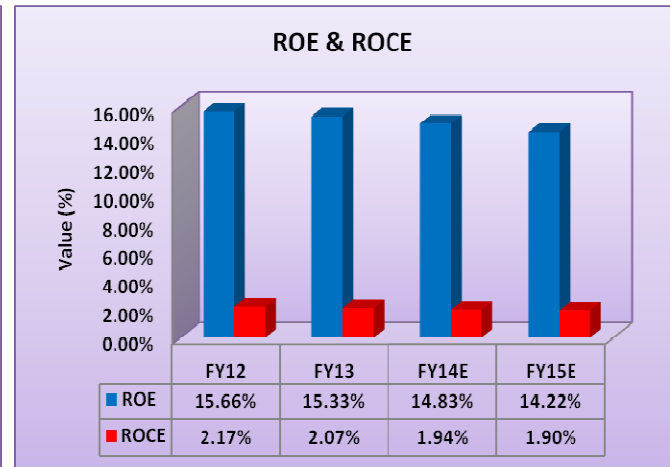
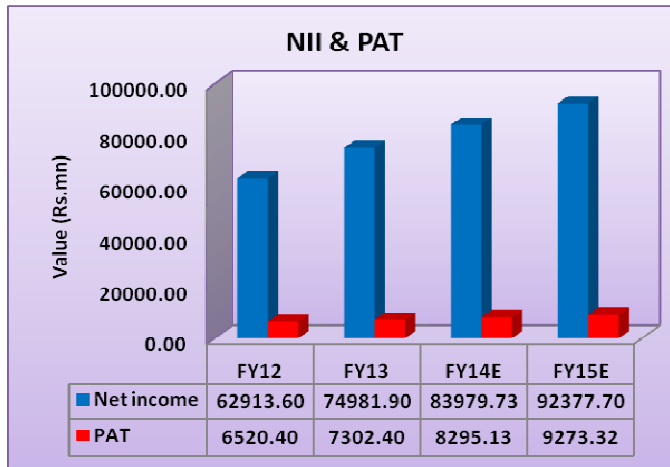
Quarterly Profit & Loss Statement for the period from 30 Sep 2012 to 30 June 2013E

Value(Rs.in.mn)	30-Sep-12	31-Dec-12	31-Mar-13	30-June-13E
Description	3m	3m	3m	3m
Net Income	18998.40	19150.80	18507.20	19062.42
Other Income	1286.10	1671.70	2769.50	2907.98
Total income	20284.50	20822.50	21276.70	21970.39
Interest Expended	-12204.60	-12422.00	-12934.70	-13038.69
Net Interest Income	8079.90	8400.50	8342.00	8931.70
Operating Expenses	-3757.30	-3882.70	-4602.70	-4098.42
Operating Profit	4322.60	4517.80	3739.30	4833.28
Provisions and Contingencies	-1867.60	-1655.60	-1681.60	-2095.23
Profit Before Tax	2455.00	2862.20	2057.70	2738.05
Tax	-763.00	-711.10	-275.30	-687.25
Profit After Tax	1692.00	2151.10	1782.40	2050.80
Equity Capital	700.00	700.00	700.00	700.00
Face Value (Rs.)	10.00	10.00	10.00	10.00
EPS	24.17	30.73	25.46	29.30

Ratio Analysis

Particulars	FY12	FY13	FY14E	FY15E
EPS (Rs.)	93.15	104.32	118.50	132.48
Operating Profit Margin (%)	23.68%	22.84%	22.01%	22.50%
PAT Margin (%)	10.36%	9.74%	9.88%	10.04%
P/E Ratio (x)	4.34	3.87	3.41	3.05
ROE (%)	15.66%	15.33%	14.83%	14.22%
ROCE (%)	2.17%	2.07%	1.94%	1.90%
Book Value (Rs.)	594.98	680.59	799.09	931.57
P/BV (x)	0.68	0.59	0.51	0.43

Charts



Outlook and Conclusion

- At the current market price of Rs.430.00, the stock P/E ratio is at 3.41 x FY14E and 3.05 x FY15E respectively.
- Earning per share (EPS) of the company for the earnings for FY14E and FY15E is seen at Rs. 118.50 and Rs.132.48 respectively.
- Net Income and PAT of the company are expected to grow at a CAGR of 14% and 12% over 2012 to 2015E respectively.
- On the basis of Debt-Equity Ratio, the stock trades at 16.03 x for FY14E and 15.81 x for FY15E.
- Price to Book Value of the stock is expected to be at 0.51 x and 0.43 x for FY14E and FY15E respectively.
- We expect that the company will keep its growth story in the coming quarters also. We recommend '**HOLD**' in this particular scrip with a target price of **Rs. 477.00** for Medium to Long term investment.

Industry Overview

Banking is the heart of India's financial services sector. The banking industry has undergone numerous changes over the past few years to be at par with international banking norms and standards. While the banks' motive has shifted from social banking to profit banking, dependence on ledgers, documents, cheques and slips has been replaced by electronic initiatives or cashless banking. Earlier customers used to approach banks to avail their services, but now banks approach them to market their offerings. With increasing competition and better quality of services, customised service solutions seem to be the future of banking.

Mr Fred Hochberg, the US Exim Bank Chief, feels strong about India's long-term growth prospects. Exim Bank's exposure to India is US\$ 8.5 billion of its total portfolio of US\$ 108 billion and the concentration in India is expected to get bigger in 2013-14.

Key Statistics

- According to the Reserve Bank of India (RBI)'s 'Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks', March 2012, Nationalised Banks accounted for 53.0 per cent of the aggregate deposits, while the State Bank of India (SBI) and its Associates accounted for 21.8 per cent. The share of New Private Sector Banks, Old Private Sector Banks, Foreign Banks, and Regional Rural Banks in aggregate deposits was 13.0 per cent, 4.8 per cent, 4.4 per cent and 3.0 per cent, respectively.
- Nationalised Banks accounted for the highest share of 52.0 per cent in gross bank credit followed by State Bank of India and its Associates (22.5 per cent) and New Private Sector Banks (13.5 per cent). Foreign Banks, Old Private Sector Banks and Regional Rural Banks had shares of around 4.8 per cent, 4.8 per cent and 2.4 per cent, respectively
- Another statement issued by the RBI revealed that foreign exchange reserves increased by US\$ 1.05 billion and stood at US\$ 293.37 billion for the week ended March 22, 2013. Foreign currency assets (FCAs), a major component of the forex reserves, stood at US\$ 260.41 billion while the gold reserves amounted to US\$ 26.292 billion
- Furthermore, India's economic expansion has made Indian banks more global in their approach. Ten banks have opened 100 branches in foreign jurisdictions as of February, 2013
- Increasing mobile penetration, coupled with higher smartphone adoption has led an uptrend in mobile banking. Number of transactions through mobile banking witnessed a jump of 64 per cent in the April-December 2012 period, according to data from the RBI

Recent Developments

- Banks in India are highly alert in grabbing opportunities to increase transaction volumes in their automated teller machines (ATMs) through religious gatherings in the country. Private sector banks have introduced

mobile ATMs that migrate from one religious fair to another throughout the year. For instance, HDFC Bank, the second largest private lender in the country, had sent its mobile ATM to the Maha Kumbh Mela-2013 in Allahabad. Over 100 million people are estimated to have attended this fair and the bank has noticed that the transaction volumes were phenomenal. Similarly, Kerala-based Federal Bank stationed a couple of portable ATMs near Sabarimala temple during the last festival season when thousands of devotees visited the place

- The US\$ 4 billion- media conglomerate - Essel Group has forayed into the Indian financial services sector. It has set up two businesses, private equity (PE) and investment banking, under the names of Essel Finance Managers and CAPSTAR, respectively, under the holding company, Essel Financial Services. CAPSTAR, to focus on deals in infrastructure, real estate and financial services, has set up an office each in Mumbai, Noida, Bangalore and Delhi and will open one each in Chennai and Pune. The firm will focus on mergers and acquisitions (M&A), pre-Initial Public Offering (IPO) deals, qualified institutional placements (QIPs) and portfolio management services
- France-based multinational bank Societe Generale has recently opened its third corporate banking branch at Sanand, near Ahmedabad in Gujarat. It already has branches in Mumbai and Delhi. Believing that Gujarat is one of the robust places in India and will provide good opportunities for bank to expand its base in the country, the Bank will provide all-types of financing, both short-term working capital lines and medium-long term equipment or project finance, in Indian as well as foreign currencies. It will also provide other specialised advisory and financing activities like M&A, project finance, equipment and commodities financing to its clients. The Bank will expand in Bangalore, Chennai, Hyderabad and Pune by 2016

Government Initiatives

The ministry of Finance is believed to have infused Rs 12, 517 crore (US\$ 2.28 billion) into 13 public sector banks before March 2013, in order to keep them adequately capitalised. In 2013-14, it proposes to provide additional capital of Rs 14, 000 crore (US\$ 2.55 billion) to ensure that public sector banks always meet the Basel III regulations as they come into force in a phased manner.

The Government is also working with the RBI and NABARD to bring all banks, including some co-operative banks on core banking solution (CBS) and on the electronic payment systems (like NEFT and RTGS) by the end of 2013. All scheduled commercial banks and all regional rural banks (RRBs) are already on CBS.

Apart from this, the ministry is also contemplating to come up with India's first Women's Bank as a public sector bank and shall provide Rs 1, 000 crore (US\$ 182.45 million) as initial capital. Necessary approvals and banking licence are expected to be obtained by October 2013.

The Government intends to provide Rs 6,000 crore (US\$ 1.09 billion) to the Rural Housing Fund in 2013-14 while it may start a fund for urban housing to mitigate the huge shortage of houses in urban areas. It would provide Rs 2,000 crore (US\$ 364.89 million) to the Fund in 2013-14.

Road Ahead

Mr. P Chidambaram, the Finance Minister, has indicated that there is a rising demand for opening bank branches in Indian towns and villages. More bank branches mean more mobilisations of savings and higher investments in the economy. On an average, about 6, 000 branches were being opened every year in the last 2-3 years and there's a plan to open more of them in 2013-14.

Moreover, with the Parliament passing the much awaited Banking Laws Amendment Bill recently, the face of the Indian banking industry is set to get a lift in the coming years as the passage of the bill has paved the way for more banks. This will not only create a healthy competition among the players in the industry, but will also escalate the style of operation and technology.

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