May 22, 2017

Rating matrix		
Rating	:	Buy
Target	:	₹ 335
Target Period	:	12 months
Potential Upside	:	12%

What's changed? (SBI standalone)	
Target	Unchanged
EPS FY18E	Changed from ₹ 18.8 to ₹ 19.1
EPS FY19E	Introduced at 27.4
Rating	Unchanged

Quarterly performance

	Q4FY17	Q4FY16	YoY (%)	Q3FY17	QoQ (%)
NII	18,070	15,290	18.2	14,751	22.5
Other income	10,328	10,696	(3.4)	9,662	6.9
PPP	16,026	14,191	12.9	12,543	27.8
PAT	2,814	1,263	122.7	2,609	7.9

Key financials

₹ Crore	FY16	FY17E	FY18E	FY19E
NII	56,882	61,860	68,000	75,992
PPP	43,195	50,848	53,387	58,395
PAT	9,888	10,485	15,228	21,877

Valuation summary

	FY16	FY17E	FY18E	FY19E
P/E	23.6	22.6	15.7	10.9
Target P/E	26.3	25.2	17.5	12.2
P/ABV	2.6	1.8	1.7	1.5
Target P/ABV	2.9	2.0	1.9	1.7
RoA	0.4	0.4	0.5	0.7
RoE	7.3	6.3	7.8	10.2

Stock data	
Market Capitalisation	₹ 235105 Crore
GNPA	₹ 108172 Crore
NNPA	₹61430 Crore
NIM	2.8%
52 week H/L	308/166
Networth	₹ 183076 Crore
Face value	₹ 1
DII Holding (%)	18.8
FII Holding (%)	9.6

Price performance

Return %	1M	3M	6M	12M
SBI	8.4	14.3	11.7	78.3
BOI	19.5	43.2	46.7	116.4
PNB	1.3	10.7	3.6	109.6

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State Bank of India (STABAN) ₹ 300

Manages quarter well, merger pain & gain ahead

- An in line performance on asset quality with slippages at ₹ 9755 crore and QoQ addition in GNPA at ₹ 4170 crore kept sentiments positive. Absolute GNPA was at ₹ 112342 crore. GNPA ratio improved 33 bps QoQ at 6.9%, led by B/S growth. With increased provisioning at ₹ 10992 crore, NNPA ratio improved 53 bps QoQ at 3.71%. RA declined 6.2% QoQ
- O/S 5:25 was at ₹ 23107 crore, SDR ₹ 4281 crore & S4A ₹ 5935 crore taking the total stressed book including all to 8.5% on an NNPA basis, which is not very high. Top 50 accounts contribute 48% of NPA and have 40% provisions on this book.
- Provisions increased to ₹ 11740 crore; higher compared to sub ₹ 9000 crore in previous three quarters. NPA related provision rose to ₹ 10992.9 crore vs. ₹ 7244 crore QoQ. PCR increased to 65.95%
- Operational profit increased 12.9% YoY to ₹ 16026 crore, higher than our estimate of ₹ 11312 crore. This variance was attributable to better-than-expected NII growth at 18.2% YoY to ₹ 18070 crore vs. our estimate of ₹ 14493 crore. Steady other income at ₹ 10328 crore aided topline. Despite higher provision, PAT was better than expectation at ₹ 2814 crore, led by steady operational performance
- Advances grew 7.3% YoY to ₹ 1571078 crore but including corporate bonds and commercial paper, credit growth was 14.2% YoY. Deposits stayed flattish QoQ at ₹ 2044751 crore, up 18.2% YoY led by demonetisation
- Global NIM came in at 2.84% from 2.78% QoQ, still managed despite a high deposit base, domestic NIM improved to 3.11%
- **New opening watchlist post merger is at ₹ 32427 crore, of which ₹ 11075 crore is power and ₹ 8000 crore belongs to standalone SBI. The management expects slippages and credit cost to remain similar to FY17 levels wherein we factor in ~₹ 40000 crore in slippages including subsidiaries now. Merged entity GNPA and NNPA ratio were elevated at 9.11% and 5.19%, respectively**

Largest bank in India by a distance, strong deposit franchise

SBI is the largest bank in India by asset size (₹ 23 lakh crore). CASA ratio of >45% and retail deposit at >80% of deposit is stable in nature. With retail and better rated corporate segment in focus and management view, we revised standalone credit growth to 11.6% CAGR in FY17-19E to ₹ 1957128 crore. We expect global NIM at ~2.6% in FY18-19E. C/I is seen at ~47-48%. Asset quality may improve from FY19 onwards as it is merging only associates compared to other banks & cleanup already started.

Strong balance sheet; watch for new CMD, merger; maintain BUY

The merged entity is expected to gain market share and enjoy efficiencies of scale. Merger led stressed assets ratio surged as merged SBI GNPA ratio was reported at 9.1% as on April 1, 2017 vs. SBI's GNPA ratio of 6.9% in FY17. The management expects slippages and credit cost to remain elevated in FY18 with new watchlist and credit growth seeing a pick-up. Demonetisation benefited SBI also while moderating credit growth, revaluation reserve & actual capital infusion provided further strength. The merger is expected to impact return ratios initially but see a gradual surge, going ahead. We value the banking business at 1.4x FY19E consolidated ABV of ~₹ 200/share. Non banking subsidiaries add ₹ 35 to our SoTP. Strategic stake in non-core investments like NSE (5.19%), BSE (4.75%), NSDL, ARCIL, etc, may add further value not factored in by us. We maintain our target price of ₹ 335 and reiterate **BUY** on SBI.

Variance analysis

	Q4FY17	Q4FY17E	Q4FY16	YoY (%)	Q3FY17	QoQ (%)	
NII	18,070	14,493	15,290	18.2	14,751	22.5	NII grew 18% YoY led by 7.2% credit growth, income tax refund and partial cost of funds benefits. Including corporate bonds and CP credit growth was 14.2% YoY
NIM (%)	2.8	2.8	3.0	-12 bps	2.8	6 bps	Margin improved sequentially with strong NII growth and is expected to sustain
Other Income	10,328	9,003	10,696	-3.4	9,662	6.9	Fee income growth remains strong
Net Total Income	28,398	23,496	25,985	9.3	24,413	16.3	
Staff cost	4,540	5,159	4,913	-7.6	5,483	-17.2	Lower employee expenses due to retirements of high cost employees and inflow of new lower cost staff
Other Operating Expenses	7,832	7,026	6,881	13.8	6,387	22.6	
PPP	16,026	11,312	14,191	12.9	12,543	27.8	
Provision	11,740	7,492	13,174	-10.9	8,944	31.3	Provisions continue to remain elevated led by continued slippages of ~₹ 10000 crore every quarter
PBT	4,286	3,819	1,017	321.2	3,599	19.1	
Tax Outgo	1,472	1,184	-246	-698.3	990	48.6	
PAT	2,814	2,635	1,263	122.7	2,609	7.9	PAT came in higher-than-expected due to stable NII and strong other income
Key Metrics							
GNPA	112,342	113,172	98,173	14.4	108,172	3.9	Fresh slippages at ₹ 9755 crore were as expected and QoQ addition in GNPA was at ₹ 4170 crore. Absolute GNPA was at ₹ 112342 crore. GNPA ratio improved 33 bps QoQ at 6.9%, led by balance sheet growth. With increased provisioning at ₹ 10992 crore, NNPA ratio improved 53 bps QoQ at 3.71%
NNPA	58,277	61,530	55,807	4.4	61,430	-5.1	
Total Restructured assets	36,634	35,628	39,055	-6.2	34,628	5.8	Restructured assets (RA) declined 6% QoQ. RA as a percentage of loans came down to 2.3% from ~2.6%
Advances	1571078	1555182	1463700	7.3	1447824	8.5	
Deposits	2,044,751	2,024,945	1,730,722	18.1	2,040,778	0.2	Demonetisatiion boosted CASA growth

Source: Company, ICICIdirect.com Research

Change in estimates

	FY18E			FY19E	
(₹ Crore)	Old	New	% Change	New	
Net Interest Income	59,952	68,000	13.4	75,992	
Pre Provision Profit	47,582	53,387	12.2	58,395	
NIM (%)	2.5	2.6	17 bps	2.7	
PAT	15,372	15,228	-0.9	21,877	PAT expectation lowered for FY18E, building moderation in NII and other income
ABV (₹)	178.8	177.7	-0.6	202.2	Higher growth in credit and asset quality

Source: Company, ICICIdirect.com Research

Assumptions

			Current		Earlier	
	FY16E	FY17E	FY18E	FY19E	FY18E	
Credit growth (%)	7.5	7.3	10.7	12.6	6.2	
Deposit Growth (%)	13.1	18.1	8.7	9.8	18.3	Deposit growth to spike in FY17E led by demonetisation
CASA ratio (%)	41.3	43.8	43.5	43.0	46.1	
NIM Calculated (%)	3.0	2.7	2.6	2.7	2.6	
Cost to income ratio (%)	49.8	47.8	49.6	50.3	50.1	
GNPA (₹ crore)	567.3	1,123.4	1,205.0	1,216.9	1,118.1	
NNPA (₹ crore)	275.9	582.8	627.0	614.1	612.2	
Slippage ratio (%)	2.4	2.7	2.5	2.1	2.7	Slippage ratio to stay >2%
Credit cost (%)	1.5	2.3	1.5	1.2	2.0	

Source: Company, ICICIdirect.com Research

Company Analysis

Merger update

SBI has merged its five associate banks. These five associate banks are State Bank of Bikaner & Jaipur, State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala and State Bank of Travancore. Besides, Bhartiya Mahila Bank (BMB) has been merged. As per the merger plan, State Bank of Bikaner and Jaipur shareholders got 28 shares of SBI (₹ 1 each) for every 10 shares (₹ 10 each) held. Similarly, State Bank of Mysore and State Bank of Travancore shareholders got 22 shares of SBI for every 10 shares.

With this merger, SBI has joined the league of top 50 banks globally in terms of assets. The total customer base of the bank will reach ~37 crore with a branch network of around 24,000 and nearly 59,000 ATMs across the country. The government holding in the merged SBI will be 60.6% vs. 61.3% pre-merger. The treasury of the associate banks will be merged to function out of the corporate office of SBI at Mumbai.

The merged entity has a deposit base of more than ₹ 26 lakh crore with advances of about ₹ 18.60 lakh crore as on April 1, 2017.

However, merger with associate banks will result in muted profits for the bank initially, as they (five banks) reported FY17 loss of ₹ 11866 crore with Q4 alone at ₹ 6000 crore due to cleanup of NPA stress vs. SBI's standalone profit of ₹ 10400 crore in the same period. Return ratios will take longer to improve due to lower profit.

New opening watchlist post merger was at ₹ 32427 crore, of which ₹ 11075 crore is power and ₹ 8000 crore belongs to standalone SBI. The management expects slippages and credit cost to remain similar to FY17 levels, wherein we factor ~₹ 40000 crore in slippages including subsidiaries now. The merged entity GNPA and NNPA ratio were elevated at 9.11% and 5.19%, respectively, with PCR of 61.5%.

Merged SBI bank balance sheet...

(Year-end March)	1st April 2017	FY18E	FY19E
Sources of Funds			
Capital	811	811	811
Reserves	211001	224318	247264
Networth	211812	225138	248084
Deposits	2585320	2820723	3108411
Borrowings	332106	374137	430532
Other Liabilities	175623	194669	212503
Total	3304861	3614666	3999530
Application of Funds			
Fixed Assets	49906	20191	21754
Investments	932927	1031549	1113810
Advances	1868963	2046939	2275948
Other Assets	182204	210191	243148
Cash with RBI & cal	270862	305797	344870
Total	3304861	3614666	3999530

Source: Company Quarterly Presentation, ICICIdirect.com Research

Exhibit 1: Summary of merged entity as of April 1, 2017

Financial metrics	
Total Deposits	2,585,320.0
CASA Ratio (%)	44
Total Advances	1,868,962.0
Mkt. Share - Deposits (%)	23
Mkt. Share – Advances (%)	21.2
Number of branches	24,017
Total Staff	278,872.0
No. of customers (in lakhs)	4,204
Capital Adequacy	**%**
CET 1	9.4
Tier 1	10.1
CAR	12.9
GoI Shareholding	60.8
Asset quality	**%**
Gross NPA Ratio	9.1
Net NPA Ratio	5.2
Provision Coverage Ratio	61.5
Slippage Ratio	5.8
Credit Cost	2.9
Financial Ratios	**%**
Cost to income Ratio	49.5
Cost of Deposits	5.9
Yield on Advances	9.3
NIM (Domestic)	2.9

Source: Company Quarterly Presentation, ICICIdirect.com Research

Total stressed asset ratio (NNPA + restructured asset) remained at 6.6% in FY17. If all other stress from SDR, S4A etc, is included it is 8.5%

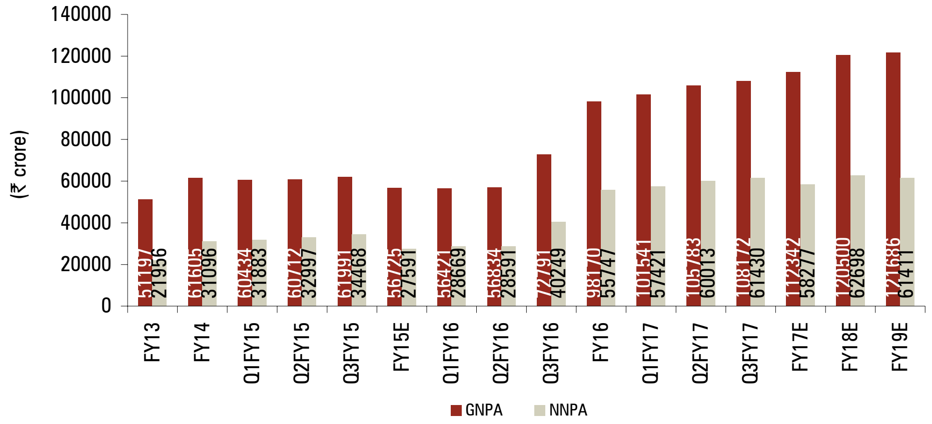
Top 50 accounts form 48% of NPA

SBI (standalone parent bank)

Asset quality pressure to continue; pace to dwindle

SBI is a proxy for the Indian economy. Hence, it suffered significant asset quality deterioration with GNPA mounting from ₹ 15714 crore in FY09 and ₹ 25326 crore in FY11 to ₹ 98170 crore in FY16. In FY17, it closed at ₹ 112342 crore while in Q3 and Q2FY17, this number was at ₹ 108172 crore and ₹ 105780 crore, respectively, showing signs of settling around these levels, with slippages moderating at ~₹ 10000 crore a quarter. Going ahead, we expect asset quality to gradually settle but FY18 is expected to see slippages in this range continuing. Overall, the bank has relatively stable asset quality compared to other PSU banks with total stressed asset (NNPA + RA+ others) proportion being 8.5%.

Exhibit 2: Near term asset quality pressure to continue...



Source: Company Quarterly Presentation, ICICIdirect.com Research

Asset quality deterioration continued in Q4FY16 with GNPA increasing to 6.5%, up from ₹ 72790 crore to ₹ 98173 crore QoQ while NNPA rose to ₹ 55810 crore vs. ₹ 40250 crore. Asset quality review by the RBI and slippages from restructured book (RA) resulted in a surge in NPA. Fresh slippages were higher-than-expected at ₹ 30312 crore vs. ₹ 20600 crore in Q3FY16. RA (standard) was at ₹ 39055 crore vs. ₹ 48597 crore in Q3FY16. With marginal addition, SDR and 5/25 restructuring was at ~₹ 16000 crore and ₹ 19000 crore in FY16.

In Q4FY17, fresh slippages remained contained at ₹ 9755 crore as expected. Absolute GNPA was at ₹ 112342 crore. GNPA ratio improved 33 bps QoQ at 6.9%, led by B/S growth. With increased provisioning at ₹ 10992 crore, NNPA ratio improved 53 bps QoQ at 3.71%. RA declined 6.2% QoQ.

O/S 5:25 was at ₹ 23107 crore, SDR at ₹ 4281 crore & S4A at ₹ 5935 crore taking the total stressed book including all to 8.5% on an NNPA basis, which is not very high. Top 50 accounts contribute 48% of NPA and hold 40% provisions on this.

Provision increased to ₹ 11740 crore; higher compared to sub ₹ 9000 crore in the previous three quarters. NPA related provision increased to ₹ 10992.9 crore vs. ₹ 7244 crore QoQ. PCR increased to 65.95%.

The corporate segment remains the major contributor to slippages but have 70% from watchlist only with GNPA increasing to ₹ 80790 crore in Q4FY17 compared to ₹ 71620 crore in Q3FY17. The international book saw a decline in NPA accretion due to transfer to domestic rupee book. The retail segment remains the best of the lot. Going forward, we expect slippage to continue, with merger the new watch list remaining high.

However, the pace is seen dwindling gradually. We factor in GNPA of ₹ 1204997 crore (6.7% of credit) by FY18E.

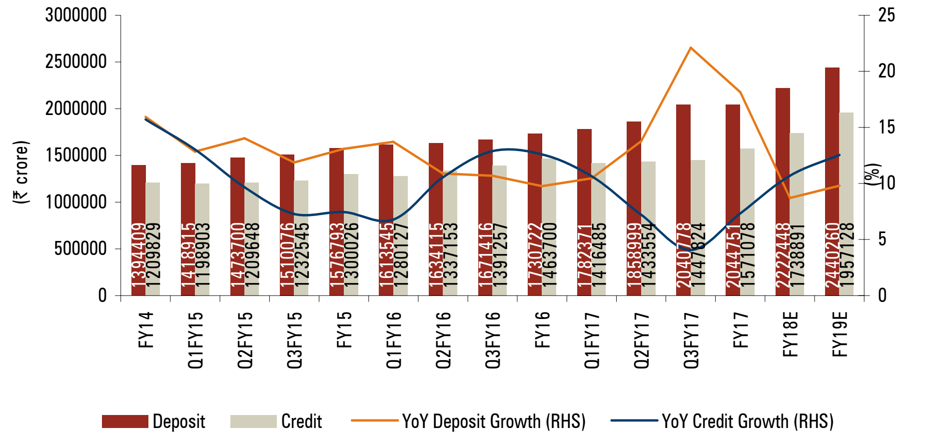
The corporate segment remains the major contributor to slippages with 70% of slippages coming from watchlist. Retail and agri remain strong

Exhibit 3: Sectoral gross NPA movement on outstanding basis

	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17
Corporate	24539	22494	23582	38831	62211	64118	67988	71620	80079
SME	16387	17260	17381	17785	17032	17344	17743	17194	15850
Agri	10652	10856	10219	10329	8687	8764	8399	7407	7455
Retail	2528	3272	3003	3154	2458	2911	3225	2380	2165
International	2619	2540	2649	2693	7785	8404	8428	9571	6794
Total	56725	56422	56834	72792	98173	101541	105783	108172	112343

Source: Company Quarterly Presentation, ICICIdirect.com Research

Exhibit 4: Business mix to grow at ~10.7% CAGR over FY16-18E



Source: Company Quarterly Presentation, ICICIdirect.com Research

Exhibit 5: Well-diversified loan book

	FY14	FY15	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	YoY (%)	QoQ (%)
Agriculture	154715	119782	118419	121102	125387	124594	128649	125068	134725	7.4	7.7
Top corporate	242719	271778	283549	301166	329026	308206	312390	308283	341990	3.9	10.9
Medium Corporate	228384	227755	204749	213777	232626	207137	205478	204200	242947	4.4	19.0
SME	179773	181473	176572	181922	189536	182093	166052	161829	225153	18.8	39.1
Retail	237667	272429	291043	308266	327075	337087	350465	362219	396239	21.1	9.4
International	214302	234532	265817	265702	266817	270365	280082	285536	286219	7.3	0.2

Source: Company Quarterly Presentation, ICICIdirect.com Research

During FY10-14, SBI has grown its credit across all segments. However, if we consider FY16 credit, major growth has been contributed by the top corporate and retail segment. So far, the majority of the NPA has been witnessed in mid-corporate, SME and agri segment. Large corporate have also added to NPA with RBI's asset quality review.

Demonetisation pushes up deposits

Recent currency demonetisation undertaken by the government gave a boost to deposit accretion, especially CASA deposit. Deposits stayed the highlight for FY17, up 18.2% YoY, led by demonetisation flattish QoQ at ₹ 2044751 crore. SBI being the largest beneficiary, CASA surged to 45.6%.

Credit growth seeing pick-up

Advances grew 7.3% YoY to ₹ 1571078 crore but including corporate bonds and commercial paper, credit growth was 14.2% YoY. Going ahead, we expect retail and better rated corporate segments to remain in focus on the asset side. SBI is seen maintaining its market share and growing in line with the industry. We have revised credit growth lower and deposit growth higher to factor current developments. We expect deposit CAGR of 13.3% and credit CAGR of 11.6% to ₹ 2440260 crore and ₹ 1957128 crore, respectively, by FY19E for standalone SBI.

Exhibit 6: Retail loans break up

	FY14	FY15	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	YoY (%)	QoQ (%)
Agriculture	154715	119782	118419	121102	125387	124594	128649	125068	134725	7.4	7.7
Top corporate	242719	271778	283549	301166	329026	308206	312390	308283	341990	3.9	10.9
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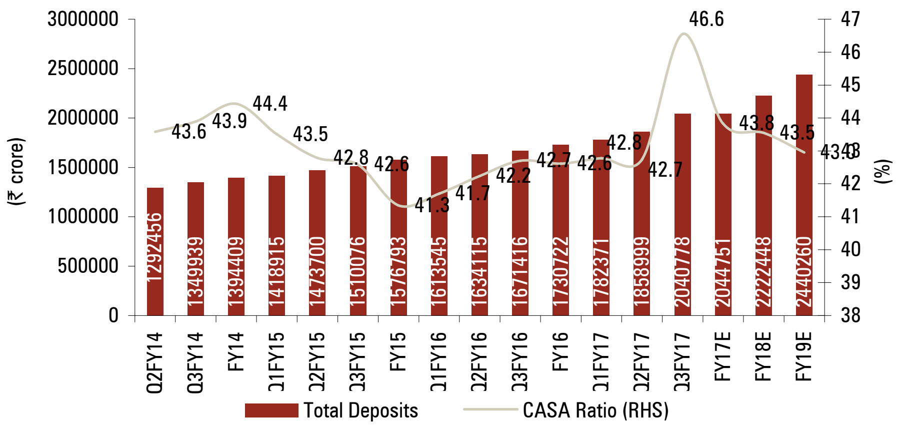
International	214302	234532	265817	265702	266817	270365	280082	285536	286219	7.3	0.2

Source: Company Quarterly Presentation, ICICIdirect.com Research

Steady NIM led by healthy liability franchise with ~45% CASA ratio

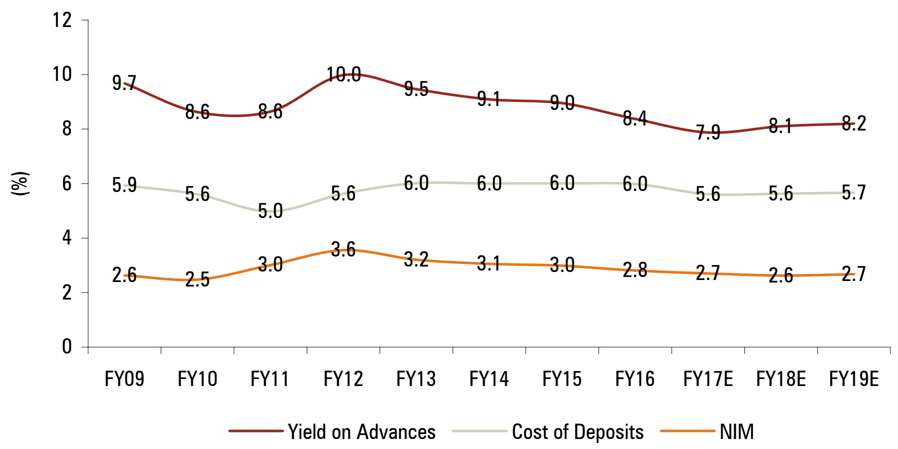
Saving deposit growth of 36% YoY in Q3 on account of demonetisation boosted overall FY17 growth and CASA ratio

Exhibit 7: Retail deposit share in total deposits significant at >80%



Source: Company Quarterly Presentation, ICICIdirect.com Research

Exhibit 8: Margins to remain steady post moderation in last couple of years



Source: Company Quarterly Presentation, ICICIdirect.com Research

Global NIM came in at 2.84% from 2.78% QoQ, still managed in spite of high deposit base. Domestic NIM was increased to 3.11% vs. 3.03% QoQ. We factor in calculated global NIM at ~2.7% in FY18-19E as with credit substitutes moving to credit, NIM should improve.

Non-interest income was higher-than-expected in Q3FY17 led by 3.9% stake sale in SBI life at ₹ 1755 crore. Q4 saw strong fee income growth.

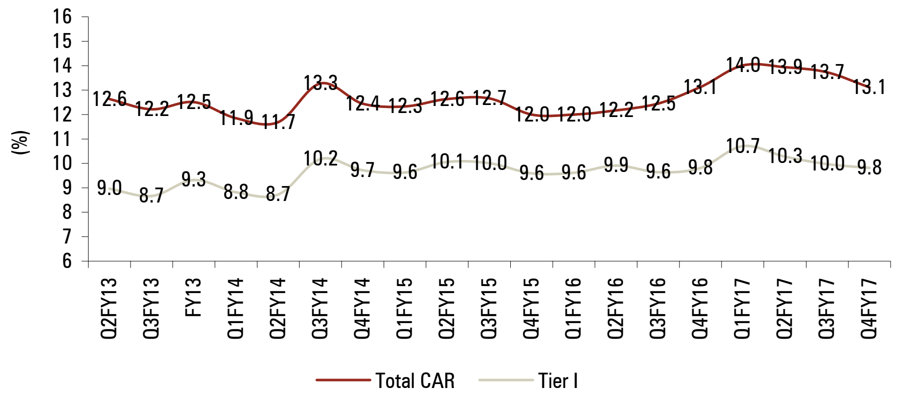
Other income surges on strong fee income

Exhibit 9: Core fee based income ₹ crore

	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17
Fee Income	3509	5794	3397	4317	4011	6078
Profit on invst	1235	1416	2723	2291	3969	1766
Forex Income	554	596	596	900	590	589
Dividend Income	0	395	158	136	0	394
Misc Income	878	2496	461	779	1091	1501
Total	6176	10697	7335	8423	9661	10328

Source: Company Quarterly Presentation, ICICIdirect.com Research

Exhibit 10: CRAR remains comfortable…



Source: Company Quarterly Presentation, ICICIdirect.com Research

Exhibit 11: Banking subsidiaries profitability trend

		PAT			ROE %	
(₹ crore)	FY15	FY16	FY17	FY15	FY16	FY17
B) Non- Banking Subsidiaries						
SBI Capital Markets	338	279	252	33.2	26.3	20.2
SBI Funds Management	163	165	224	30.8	26.6	29.6
SBI Life Insurance	820	861	955	20.3	18.2	20.0
SBI cards & payment	267	284	390	27.61	26.7	29.5
SBI General Insurance	-105	-120	153	NA	NA	13.9

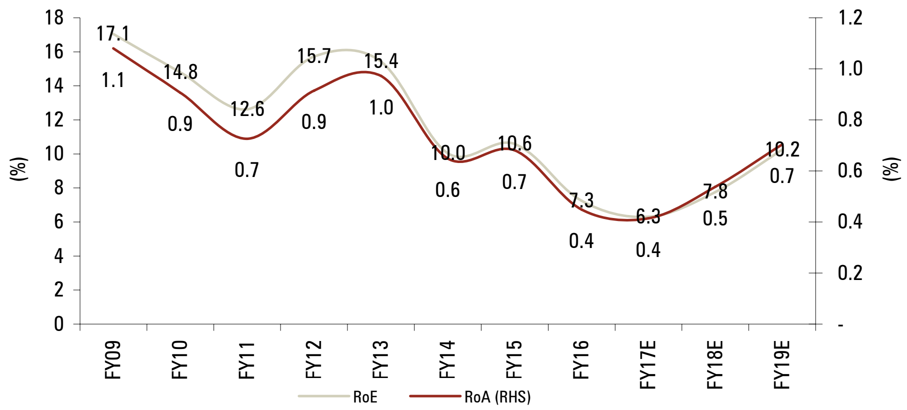
Source: Company, ICICIdirect.com Research

Outlook and valuation

Strong balance sheet, watch for new CMD, merger; maintain BUY

The merged entity is expected to gain market share and enjoy efficiencies of scale. Merger led stressed assets ratio surged as merged SBI GNPA ratio is reported at 9.1% as on April 1, 2017 vs. SBI's GNPA ratio of 6.9% in FY17. The management expects slippages and credit cost to remain elevated in FY18 with new watchlist and credit growth seeing a pick-up. Demonetisation also benefited SBI while moderating credit growth. Revaluation reserve and actual capital infusion provided further strength. The merger is expected to impact return ratios initially but see a gradual surge, going ahead. We value banking business at 1.4x FY19E consolidated ABV of ₹ 200/share. Non banking subsidiaries add ₹ 35 to our SoTP. Strategic stake in non-core investments like NSE (5.19%), BSE (4.75%), NSDL, ARCIL, etc, are expected to add further value not factored by us. We maintain our target price of ₹ 335 and reiterate **BUY** on SBI.

Exhibit 12: Return ratios to remain under pressure in near term



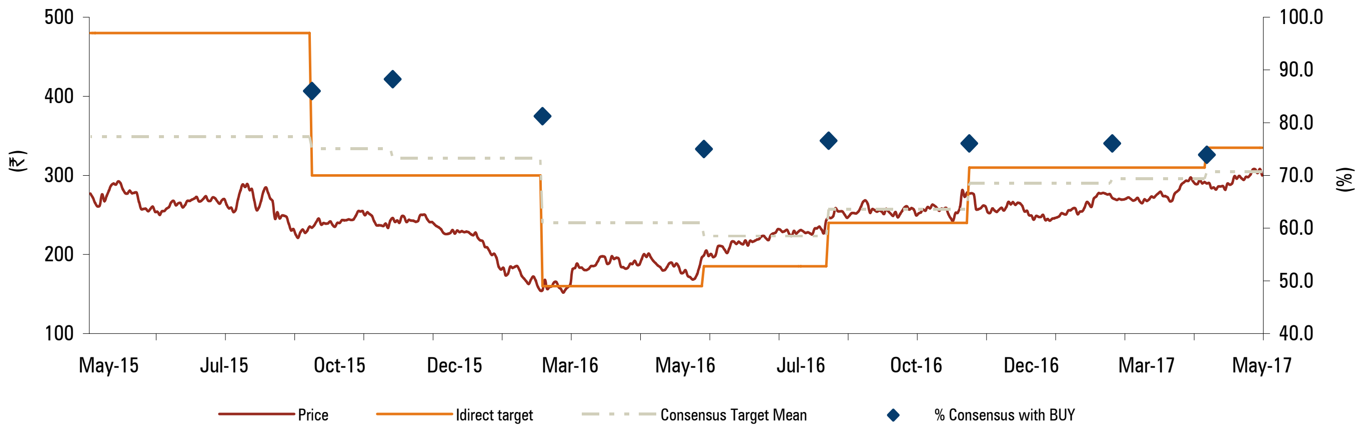
Source: Company, ICICIdirect.com Research

Exhibit 13: Valuation

	NII (₹ cr)	Growth (%)	PAT (₹ cr)	Growth (%)	P/E (x)	ABV (₹)	P/ABV (x)	RoA (%)	RoE (%)
FY15	55,015	11.6	13,073	20.0	17.2	135.1	2.2	0.7	10.6
FY16	56,882	3.4	9,888	(24.4)	23.6	114.0	2.6	0.4	7.3
FY17E	61,860	8.8	10,485	6.0	22.6	164.8	1.8	0.4	6.3
FY18E	68,000	9.9	15,228	45.2	15.7	177.7	1.7	0.5	7.8
FY19E	75,992	11.8	21,877	43.7	11.0	202.2	1.5	0.7	10.2

Source: Company, ICICIdirect.com Research

Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICIdirect.com Research

Key events

Date	Event
Mar-05	Huge losses in treasury book due to G-sec yields surging kept share prices low, credit growth remained low
Aug-08	Acquires State bank of Saurashtra, one associate bank out of 7
Mar-09	Banks saw dream run of credit growth at 30% levels during FY06-09, SBI grew at 27.5%
Nov-08	Acquires SBI Commercial and Industrial bank
Jun-09	Acquires State Bank of Indore
May-11	With the arrival of new chairman, high provision was made for pension and gratuity benefit, hampering the PAT which was recorded at mere ₹ 21 crore for a quarter vs average run rate of ₹30bn
Oct-11	Moody's downgrades SBI financial strength rating from C- to D+ citing deteriorating asset quality
FY11	The stock of SBI hits its peak post which the bank has been consistently marred by NPA and restructured assets in line with economic slowdown
May-13	G-sec yields spike post Fed announcement on May 22 of its intention to taper QE and tight liquidity measures by RBI. MTM risk and CoF rise. Also, asset quality continues to deteriorate with slippages reaching to all- time high level of ₹ 13700 crore in Q1FY14
Sep-13	Moody and Fitch downgrade debt rating of top three Indian PSU banks citing worsening credit quality and recapitalisation concerns
Dec-13	Bank board approves QIP of ₹~9000 crore and issuance to government shares worth ₹ 2000 crore (fixed at ₹ 1752 per share for government) to enhance capital
Dec-13	New chairperson - first lady for SBI, expected to continue on the earlier path and no surprises seen in result post her joining in September 2013
Aug-15	RBI declares SBI as domestic systematically important bank (D-SIB), considered Too Big To Fail (TBTF)
Sep-15	Issues shares to the government at an issue price of ₹ 274.37 a share for raising ₹ 5,392.99 crore.
Apr-17	Merger of 5 associate banks effective from April 1, 2017

Source: Company, ICICIdirect.com Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	on Change (m)
1	Government of India	31-03-2017	60.20%	4,882.36M	+210.73M
2	Life Insurance Corporation of India	31-03-2017	8.67%	703.12M	-55.58M
3	HDFC Asset Management Co., Ltd.	31-03-2017	2.34%	189.74M	+5.19M
4	Reliance Nippon Life Asset Management Limited	31-12-2016	1.39%	112.42M	+8.41M
5	SBI Funds Management Pvt. Ltd.	31-03-2017	1.11%	90.28M	+2.80M
6	Franklin Templeton Asset Management (India) Pvt. Ltd.	31-03-2017	0.60%	48.79M	-0.35M
7	ICICI Prudential Asset Management Co. Ltd.	31-03-2017	0.60%	48.39M	-1.36M
8	BlackRock Institutional Trust Company, N.A.	30-04-2017	0.59%	47.48M	+1.33M
9	The Vanguard Group, Inc.	31-03-2017	0.51%	41.29M	+0.56M
10	Norges Bank Investment Management (NBIM)	31-12-2016	0.49%	39.78M	+25.00M

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

(in %)	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Promoter	60.2	60.2	60.2	62.2	62.2
FII	10.9	10.7	11.1	9.1	9.5
DII	18.8	19.5	19.3	19.1	18.8
Others	10.1	9.6	9.4	9.6	9.6

Recent Activity

Buys			Sells		
Investor name	Value(m)	Shares(m)	Investor name	Value(m)	Shares(m)
Government of India	+953.39M	+210.73M	Life Insurance Corporation of India	-251.46M	-55.58M
Norges Bank Investment Management (NBIM)	+92.07M	+25.00M	UTI Asset Management Co. Ltd.	-25.48M	-6.31M
Reliance Nippon Life Asset Management Limited	+30.95M	+8.41M	Lyxor Asset Management	-26.72M	-5.91M
HDFC Asset Management Co., Ltd.	+23.50M	+5.19M	Morgan Stanley Investment Management Inc. (US)	-9.73M	-2.64M
Wellington Management Company, LLP	+20.60M	+4.55M	M & G Investment Management Ltd.	-8.36M	-2.17M

Source: Reuters, ICICIdirect.com Research

Financial summary

SBI standalone Bank

Profit and loss statement				₹ Billion
(Year-end March)	FY16	FY17E	FY18E	FY19E
Interest Earned	1,637	1,755	1,965	2,182
Interest Expended	1068.0	1136.6	1284.8	1421.7
Net Interest Income	569	619	680	760
% growth	3.4	8.8	9.9	11.8
Non Interest Income	281.6	354.6	378.9	414.5
Fees and advisory	144.2	178.0	200.8	226.5
Treasury Income and sale of Invt.	50.2	77.5	62.0	49.6
Other income	87.3	99.1	116.1	138.4
Net Income	850.4	973.2	1058.9	1174.4
Employee cost	251.1	281.8	306.3	329.5
Other operating Exp.	167.3	183.1	218.7	261.0
Operating Income	432.0	508.3	533.9	584.0
Provisions	290.6	359.9	304.9	255.0
PBT	141.4	148.4	229.0	329.0
Taxes	42.5	43.7	76.7	110.2
Net Profit	99	105	152	219
% growth	-24.4	5.9	45.5	43.7
EPS	12.7	13.3	19.1	27.4

Source: Company, ICICIdirect.com Research

Key ratios				
(Year-end March)	FY16	FY17E	FY18E	FY19E
Valuation				
No. of Equity Shares (Crore)	776.4	788.8	797.0	797.0
EPS (₹)	12.7	13.3	19.1	27.4
BV (₹)	185.8	238.7	256.4	279.3
BV-ADJ (₹)	114.0	164.8	177.7	202.2
P/E	23.6	22.6	15.7	10.9
P/BV	1.6	1.3	1.2	1.1
P/ABV	2.6	1.8	1.7	1.5
Yields & Margins (%)				
Net Interest Margins (calculated)	2.8	2.7	2.6	2.7
Yield on avg earning assets	8.1	7.9	7.6	7.7
Avg. cost on funds	5.7	5.3	5.2	5.2
Avg. cost of Deposits	6.0	5.6	5.6	5.7
Yield on average advances	8.4	7.9	8.1	8.2
Quality and Efficiency (%)				
Cost / Total net income	49.2	47.8	49.6	50.3
Credit/Deposit ratio	84.6	76.8	78.2	80.2
GNPA	6.5	6.9	6.7	6.0
NNPA	3.8	3.7	3.6	3.1
RONW	7.3	6.3	7.8	10.2
ROA	0.4	0.4	0.5	0.7

Source: Company, ICICIdirect.com Research

Balance sheet				₹ Billion
(Year-end March)	FY16	FY17E	FY18E	FY19E
Sources of Funds				
Capital	7.76	7.97	7.97	7.97
Reserves and Surplus	1434.5	1874.6	2035.2	2217.8
Networth	1442.3	1882.6	2043.1	2225.8
Deposits	17307.2	20447.5	22224.5	24402.6
Borrowings	3233.4	3176.9	3554.0	4066.2
Other Liabilities & Provisions	1593.0	1552.4	1719.6	1872.4
Total	23,576	27,059	29,541	32,567
Application of Funds				
Fixed Assets	103.9	429.2	131.4	146.3
Investments	5756.5	7659.8	7627.0	8305.6
Advances	14637.0	15710.8	17388.9	19571.3
Other Assets	1403.6	1539.9	2311.8	2216.7
Cash with RBI & call money	1674.7	1719.7	2082.1	2327.0
Total	23,576	27,059	29,541	32,567

Source: Company, ICICIdirect.com Research

Growth ratios				(% growth)
(Year-end March)	FY16	FY17E	FY18E	FY19E
Total assets	15.1	14.8	9.2	10.2
Advances	12.6	7.3	10.7	12.6
Deposits	9.8	18.1	8.7	9.8
Total Income	9.6	9.9	11.2	10.8
Net interest income	3.4	8.8	9.9	11.8
Operating expenses	0.8	1.1	1.3	1.2
Operating profit	11.0	17.7	5.0	9.4
Net profit	-24.4	6.0	45.2	43.7
Book value	12.3	30.5	8.5	8.9
EPS	(27.3)	4.4	43.7	43.7

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (Banking)

Sector / Company	CMP (₹)	TP(₹)	Rating	M Cap (₹ Cr)	EPS (₹) FY16	EPS (₹) FY17E	EPS (₹) FY18E	P/E (x) FY16	P/E (x) FY17E	P/E (x) FY18E	P/ABV (x) FY16	P/ABV (x) FY17E	P/ABV (x) FY18E	RoA (%) FY16	RoA (%) FY17E	RoA (%) FY18E	RoE (%) FY16	RoE (%) FY17E	RoE (%) FY18E
Bank of Baroda (BANBAR)	187	200	Hold	43,445	-23	6	16	-8.0	31.3	11.8	2.1	1.8	1.5	-0.8	0.2	0.5	-13	3	8
Punjab National Bank (PUNBAN)	155	160	Buy	33,792	-20	6	15	-7.7	25.0	10.5	6.6	4.3	2.5	-0.6	0.2	0.4	-10	3	7
State Bank of India (STABAN)	300	335	Buy	235,105	13	13	19	23.5	22.5	15.7	2.6	1.8	1.7	0.4	0.4	0.5	7	6	8
Indian Bank (INDIBA)	348	350	Buy	12,406	15	29	32	23.5	11.9	11.0	1.6	1.5	1.4	0.4	0.7	0.7	5	8	9
Axis Bank (AXIBAN)	504	540	Hold	120,339	35	15	22	14.6	32.8	22.8	2.4	2.5	2.3	1.7	0.7	0.8	17	7	9
City Union Bank (CITUNI)	169	166	Buy	9,028	7	8	10	22.6	20.8	17.6	3.7	3.3	2.8	1.5	1.5	1.5	16	15	15
DCB Bank (DCB)	192	165	Hold	4,946	7	7	8	28.2	27.4	22.6	3.3	3.0	2.4	1.1	0.9	1.0	12	11	12
Federal Bank (FEDBAN)	113	130	Buy	15,951	3	5	7	40.7	23.3	16.3	2.7	2.4	2.2	0.5	0.8	0.9	6	10	13
HDFC Bank (HDFBAN)	1,573	1,700	Buy	368,187	49	57	69	32.3	27.7	22.7	5.6	4.6	4.1	1.9	1.9	1.9	18	18	19
IndusInd Bank (INDBA)	1,388	1,570	Buy	85,855	34	38	48	40.9	36.1	28.9	7.1	4.7	4.1	1.8	1.9	1.8	18	16	15
Jammu & Kashmir Bk(JAMKAS)	85	95	Buy	3,818	9	-31	7	9.9	-2.7	11.7	1.0	1.4	1.3	0.5	-2.0	0.4	7	-27	6
Kotak Mahindra Bank (KOTMAH)	947	950	Hold	235,105	11	19	23	83.2	51.1	40.5	7.7	6.7	5.8	1.1	1.7	1.8	9	13	14
Yes Bank (YESBAN)	1,422	1,650	Hold	73,551	48	60	73	29.6	23.6	19.5	4.4	3.0	2.6	1.6	1.7	1.8	21	20	19

Source: Company, ICICIdirect.com Research

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