State Bank of India

BUY

INDUSTRY	BANKS
CMP *(as on 19 May 2017)*	Rs 308
Target Price	Rs 348
Nifty	9,428
Sensex	30,465
KEY STOCK DATA	
Bloomberg	SBIN IN
No. of Shares (mn)	8,110
MCap (Rs bn) / ($ mn)	2,498/38,636
6m avg traded value (Rs mn)	4,393
STOCK PERFORMANCE (%)	
52 Week high / low	Rs 315/166

	3M	6M	12M
Absolute (%)	14.3	11.7	78.3
Relative (%)	7.3	(4.8)	58.4

SHAREHOLDING PATTERN (%)	
Promoters	61.2
FIs & Local MFs	19.7
FPIs	9.4
Public & Others	9.7

Source : BSE

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Strong operating performance

SBIN's 4Q operational performance was better than estimates, with strong loan growth (+9% QoQ), NIM improvement (+6bps), healthy fee growth (+48%) and controlled opex (4%). Overall net stressed assets (6.9%) further declined ~5% QoQ, with a sharp drop in the watchlist (85bps) and continued improvement in PCR (66%, +300bps QoQ). SBINs watchlist remains the lowest vs. ICICIBC at ~4% and AXSB at 2.5%.

At a consolidated level (SBIN + associate banks + BMB), G/NNPAs stood at 9.1/5.2%, with PCR of ~61.5% and watchlist stood at 1.6% of loans.

We continue to like SBIN for its superior PCR, healthy CRAR (even after the merger, Tier I at 10%), strong liability franchise and relatively lower stressed assets. Disinvestments from non-core investments, unlocking value in subsidiaries and additional provisions (std assets and counter cyclical) provide a cushion to earnings. Massive clean-up in its associate banks provides additional comfort. The pace of resolutions is a key monitorable. Maintain BUY with a SOTP of Rs. 348 (1.6x Mar-19E core ABV of Rs 150 + Rs 24 for associate banks and Rs 83 subs value).

Highlights of the quarter

- Slippages were stable QoQ at Rs 104bn (2.75% annu.), with corporate slippages at Rs 78bn (75% of total slippages), incl. Rs 54.4bn from the watchlist (Rs 133bn, -26% QoQ, 85bps). With the addition of food credit exposure, the restructured book was ~6% higher at Rs 366bn (2.3% of loans). Our conservative slippages assumption of 2.25% may provide an upside cushion, given lower stressed assets and completion of massive clean-up in the subsidiaries.
- Loan growth (~9% QoQ) was broad-based, with strong growth in SME and retail. NIM marginally improved QoQ, with a rise in CD ratio (+590bps) and drop in CoF. However, the expansion was restricted owing to the rising proportion of MCLR-linked loans (50% vs. 40% QoQ). Steady CASA, rise in CD ratio and moderation in slippages augur well for NIM expansion. We have conservatively factored in NIM of 2.7% over FY17-19E.

Financial Summary

(Rs bn)	4QFY17	4QFY16	YoY (%)	3QFY17	QoQ (%)	FY16	FY17P	FY18E	FY19E
Net Interest Income	180.7	152.9	*18.2%*	147.2	*22.8%*	571.9	618.6	689.9	736.4
PPOP	160.3	141.9	*12.9%*	125.1	*28.1%*	432.6	508.5	520.5	561.3
PAT	28.1	12.6	*122.7%*	25.8	*9.1%*	99.5	104.8	121.1	151.2
EPS (Rs)	3.6	1.6	*122.7%*	3.3	*9.1%*	12.8	13.1	15.2	19.0
ROAE (%)						7.9	6.8	6.7	8.0
ROAA (%)						0.46	0.42	0.43	0.49
Adj. BVPS (Core, ex-subs, Rs)						99.3	107.7	123.8	150.3
P/ABV (x)#						2.24	1.87	1.63	1.34
P/E (x)#						17.36	15.3	13.3	10.6

Source: Bank, HDFC sec Inst Research; # Adjusted for subsidiaries value

Stable asset quality, watchlist further declines

- SBIN's asset quality continues to be stable sequentially. GNPAs increased by a mere ~4% QoQ to ~Rs 1123bn, with higher reductions (Rs 22bn). Slippages were flat QoQ at Rs 104bn (2.75% annu. vs. 2.88% QoQ), including corporate slippages of Rs 78bn (of which Rs 54.4bn were from the watchlist).
- Stress was evident in the large and mid corp segment, where the GNPA ratios stood at 9.87% and 19.35% respectively. The management indicated that the top 50 accounts contribute ~48% to the total GNPAs.
- The watchlist further declined to ~Rs 133.1bn i.e. 85bps, the lowest amongst peers. NNPAs fell ~5% QoQ, owing to higher provisions (PCR up 300bps to 66%). With this, the net stressed dipped 5% QoQ to a mere 6.9%.
- At a consol. level (SBIN + associate banks+ BMB), G/NNPAs stood at 9.1/5.2%, with PCR of ~61.5% and watchlist stood at Rs 324bn i.e. 1.6% of loans (Rs 110bn attributed to associate banks).
- **With a massive cleanup in subs, lower stressed assets and resolutions expected in large ticket exposures, we remain confident of SBINs asset quality. We have factored in slippages of 2.2% over FY17-19E.**

Loan growth resumes, stable CASA

- Strong broad-based loan growth (9% QoQ) was a positive surprise. Growth was mainly driven by Retail (+21% YoY) and Agri (+8% YoY). The bank continues to remain cautious in the Corp segment, which is reflected by a tepid growth of ~2% in the large and mid corp combined.
- Home loans (~56% of retail loans) grew ~17/5% YoY/QoQ, whereas other personal loans grew ~30/21% YoY/QoQ.
- **With a widespread presence, branches across geographies and healthy CRAR of ~13.1% (Tier 1 at ~10.3%), SBIN is poised to benefit from an uptick in credit. We have factored in loan CAGR of 12% over FY17-19E.**

NIM remains stable, LLP rises

- Reported NIM's were stable QoQ (up ~6bps) to 2.84%, cushioned by a drop in cost of funds and higher CD ratio. However the NIM expansion was restricted owing to the rising proportion of MLCR-linked loans (50% vs 40% QoQ). Domestic NIMs stood at 3.11% (up 8bps), while foreign NIMs dropped 5bps. **Steady CASA, rise in CD ratio and moderation in slippages augur well for NIM expansion. We have conservatively factored in NIM of 2.7% over FY17-19E.**
- SBIN's LLP jumped 52% QoQ to Rs 110bn (2.9% annu. vs. 2% QoQ), as the bank continued to improve its coverage ratio (66%, +300bps) to cushion itself from the expected haircuts in the large exposures. Further, SBIN's additional std assets provisions of Rs 59bn, counter cyclical provisions of Rs 11.5bn, stake sale in subsidiaries and disinvestment of non-core assets provide a cushion to PCR and earnings. **We have factored in LLP of 1.9% over FY17-19E.**

Of the power exposures, the mgmt. has prudently added exposures to those plants that will be completed during the year but still don't have PPA's

About 40% of the power exposures are to PSU' and DISCOM's while another ~40% were to investment grade companies

Watchlist

Industry	1QFY17		2QFY17		3QFY17		4QFY17		4QFY17*	
	Balance (Rs bn)	% of loans	Balance (Rs bn)	% of loans	Balance (Rs bn)	% of loans	Balance (Rs bn)	% of loans	Balance (Rs bn)	% of loans
Power	47.4	*0.3*	36.8	*0.3*	29.5	*0.2*	27.9	0.2	110.8	0.7
Iron & steel	31.3	*0.2*	26.9	*0.2*	19.1	*0.1*	1.3	0.0	35.0	0.2
Engineering	32.0	*0.2*	-	-	-	-	-	-	-	-
Oil & Gas	34.0	*0.2*	34.0	*0.2*	-	-		-	-	-
Construction	18.7	*0.1*	20.4	*0.1*	19.3	*0.1*	17.9	0.1	31.4	0.2
Chemicals	22.9	*0.2*	22.8	*0.2*		-		-		-
Textiles	8.9	*0.1*	9.1	*0.1*	7.8	*0.1*	4.0	0.0	8.2	0.1
Others	89.0	*0.6*	109.5	*0.8*	104.3	*0.7*	82.0	0.5	138.9	0.9
Overseas	30.0	*0.2*		-	-	-		-		-
Total	**314.2**	***2.2***	**259.5**	***1.8***	**180.0**	***1.2***	**133.1**	***0.8***	**324.3**	***2.1***

Source: Bank, HDFC sec Inst Research; *- Post merger with associate banks

SOTP

Particulars	Rs bn	Per Share	Rationale
State Bank (Standalone)	192	240	1.6x Mar-19E Core ABV of Rs 150 + Rs 24 for Associate banks (1x FY17 BV)
SBI Life	32	40	As per the last deal, valuing SBI Life at Rs 460bn
SBI AMC	7	8	5% FY19E AUM
Others	28	35	Stakes in NSE, UTI MF, SBI Caps and others
Total Value	277	348	
CMP	246	308	
Upside (%)	***12.9***	***12.9***	

Source: HDFC sec Inst Research

Five Quarters At A Glance

(Rs bn)	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	YoY Growth	QoQ Growth
Net Interest Income	152.9	143.1	144.4	147.2	180.7	*18.2%*	*22.8%*
Non-interest Income	107.0	73.4	84.2	96.6	103.3	*-3.4%*	*6.9%*
Treasury Income	*14.2*	*27.2*	*22.9*	*39.7*	*17.7*	*24.7%*	*-55.5%*
Operating Income	259.9	216.5	228.6	243.8	284.0	*9.3%*	*16.5%*
Operating Expenses	117.9	105.9	116.4	118.7	123.7	*4.9%*	*4.2%*
Pre Provision Profits	141.9	110.5	112.2	125.1	160.3	*12.9%*	*28.1%*
Provisions	131.7	74.1	79.0	89.4	117.4	*-10.9%*	*31.3%*
NPA Provisions	*121.4*	*63.4*	*76.7*	*72.4*	*109.9*	*-9.4%*	*51.7%*
PBT	10.2	36.4	33.3	35.7	42.9	*321.1%*	*20.1%*
Provision For Tax	(2.5)	11.2	7.9	9.9	14.7	*-698.3%*	*48.6%*
PAT	12.6	25.2	25.4	25.8	28.1	*122.7%*	*9.1%*
Balance Sheet items/ratios							
Deposits	17,307	17,824	18,590	20,408	20,448	*18.1%*	*0.2%*
CASA Deposits	*7,173*	*7,268*	*7,558*	*9,085*	*8,904*	*24.1%*	*-2.0%*
Advances	14,637	14,165	14,336	14,478	15,711	*7.3%*	*8.5%*
CD ratio (%)	84.6	79.5	77.1	70.9	76.8	*-774 bps*	*589 bps*
CAR (%)	13.1	14.0	13.9	13.7	13.1	*-1 bps*	*-62 bps*
Tier I (%)	9.9	10.7	10.9	10.7	10.4	*43 bps*	*-30 bps*
Other ratios							
Yield On Advances (%)	10.0	9.6	9.5	9.5	9.4	*-58 bps*	*-4 bps*
Cost Of Deposits (%)	6.2	6.0	5.9	5.9	5.8	*-43 bps*	*-7 bps*
NIM (%)	2.96	2.83	2.80	2.78	2.84	*-12 bps*	*6 bps*
Cost-Income Ratio (%)	45.4	48.9	50.9	48.7	43.6	*-182 bps*	*-512 bps*
Tax rate (%)	(24.2)	30.8	23.7	27.7	34.3	*5849 bps*	*658 bps*
Asset quality							
Gross NPA	982	1,015	1,058	1,082	1,123	*14.4%*	*3.9%*
Net NPA	558	574	600	614	583	*4.4%*	*-5.1%*
Gross NPAs (%)	6.50	6.94	7.14	7.23	6.90	*40 bps*	*-33 bps*
Net NPAs (%)	3.81	4.05	4.19	4.24	3.71	*-10 bps*	*-53 bps*
Slippages (%, Ann.)	8.49	3.00	3.33	2.88	2.75	*-575 bps*	*-13 bps*
Std Restructured Book (%)	2.58	2.58	2.55	2.39	2.33	*-25 bps*	*-6 bps*
Coverage Ratio (%) Calc.	43.2	43.5	43.3	43.2	48.1	*497 bps*	*491 bps*
Coverage Ratio (%) Reported	60.7	61.6	62.1	62.9	66.0	*526 bps*	*308 bps*

Ahead of estimates, driven by robust loan growth and interest on tax reversals

Mainly driven by growth of ~48% in fee income, treasury gains moderated as expected

Additional provision towards shore PCR and provide cushion for haircuts

Post demonetisation, SA deposits dropped ~2% QoQ while CA deposits continued to rise (up ~8% YoY/QoQ

Advances growth was largely broad-based with Retail and Agri growing ~21% YoY and ~8% YoY respectively. International loans were flat QoQ

Led by a 12/10% QoQ/YoY drop in employee expenses

Of the total slippages ~Rs 77.8bn were from the corporate book. About 70% of the corp slippages were from the watchlist; Slippages from restructured book were ~13.32%
The impact of UP loan waivers was ~Rs 28bn of which ~Rs 4bn was NPA

Change In Estimates (Rs bn)	FY18E			FY19E		
	Old	New	*Change*	Old	New	*Change*
NII	658.7	689.9	*4.7%*	688.0	736.4	*7.0%*
PPOP	507.7	520.5	*2.5%*	525.8	561.3	*6.8%*
PAT	124.1	121.1	*-2.5%*	151.6	151.2	*-0.3%*
Adj. BVPS (Rs)	129.4	123.8	*-4.3%*	148.0	150.3	*1.5%*

Source: HDFC sec Inst Research

Advances grew ~9% sequentially, driven by domestic loans (~82% of loans), while international loans remained flat QoQ

Amongst domestic loans, Retail (+21% YoY) and Agri (+8% YoY) drove growth. Corp growth was tepid

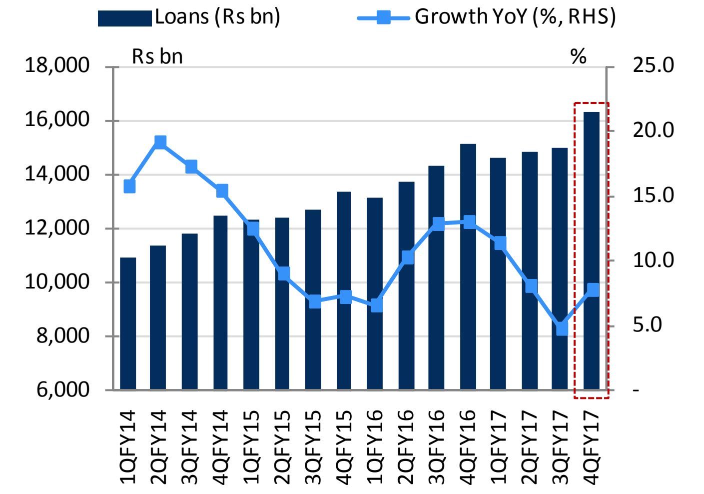
Within Retail, Home and Auto jumped ~17% and ~21% respectively

We have factored in loan growth of 12% over FY17-19E

Deposits remained flat sequentially, as CASA deposits declined ~2% QoQ. The CASA ratio dropped ~97bps to 43.5%

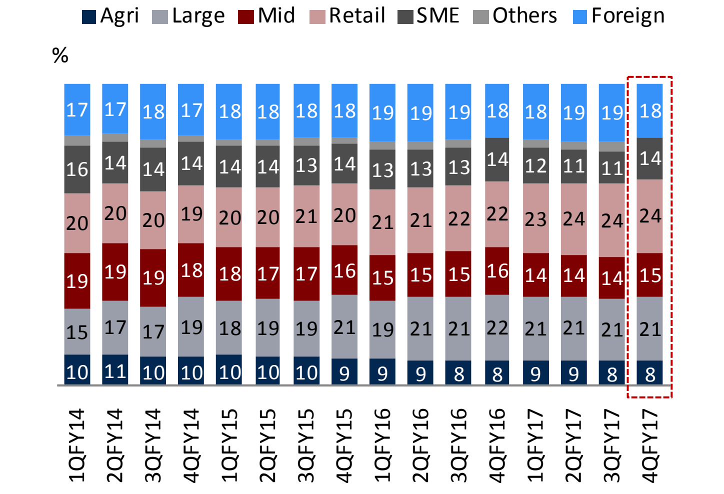
Domestic deposits grew by ~19% YoY, overseas deposits were down ~3% YoY.

Robust Loan Gorwth Of ~9% QoQ



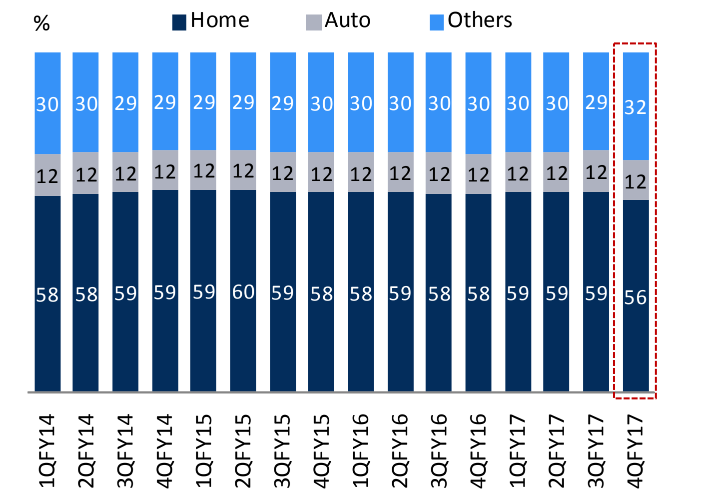
Source : Bank

Retail Share Continues To Rise



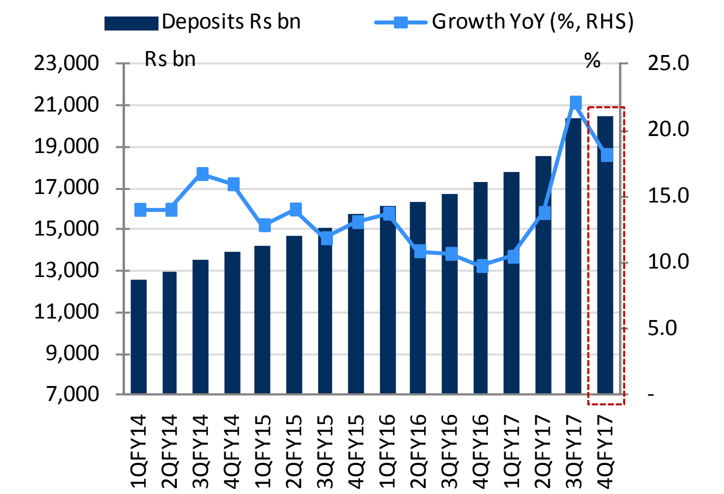
Source : Bank

Auto & Home Loans Dominate Within Retail



Source : Bank

Deposits Remain Flat QoQ



Source : Bank

SA grew ~28% YoY (albeit down ~4% QoQ) and CA grew ~8/8% YoY/QoQ

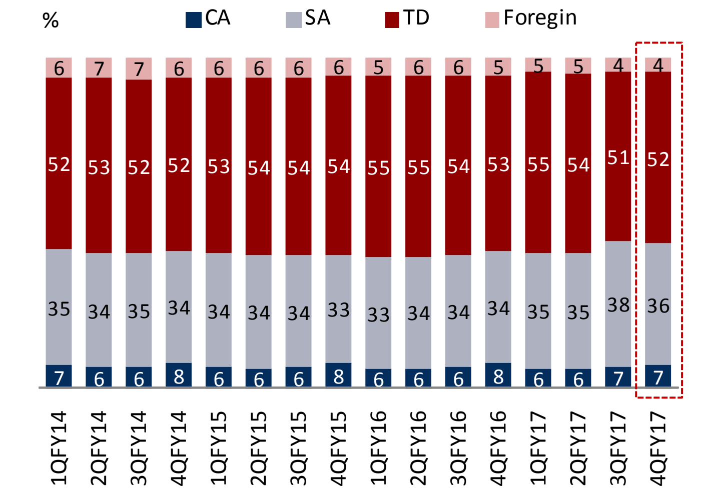
CASA ratio dropped ~97bps sequentially to 43.5%, domestic CASA ratio stood at 45.58%, down 97bps

Domestic CD ratio improved to ~68.7% (up 660bps), owing to robust domestic loan growth of ~11% QoQ

Overall NIM (2.78%) was stable QoQ. Domestic NIM was stable QoQ at 3.03% and Foreign NIM at 1.3%

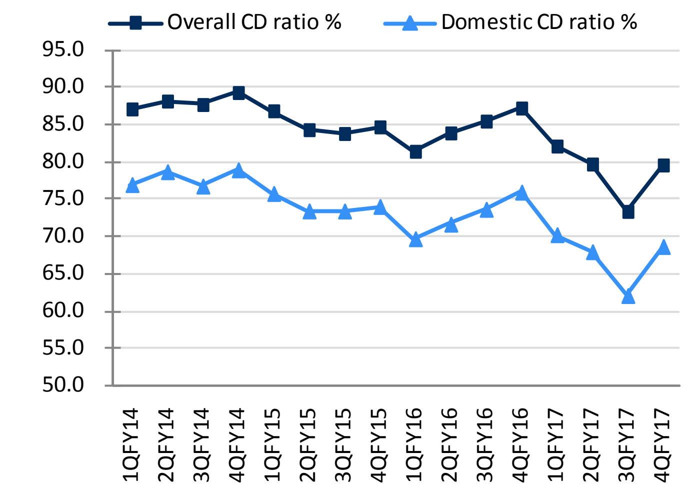
We expect NIMs of 2.7% over FY17-19E

CA Gains, SA Drops Sequentially



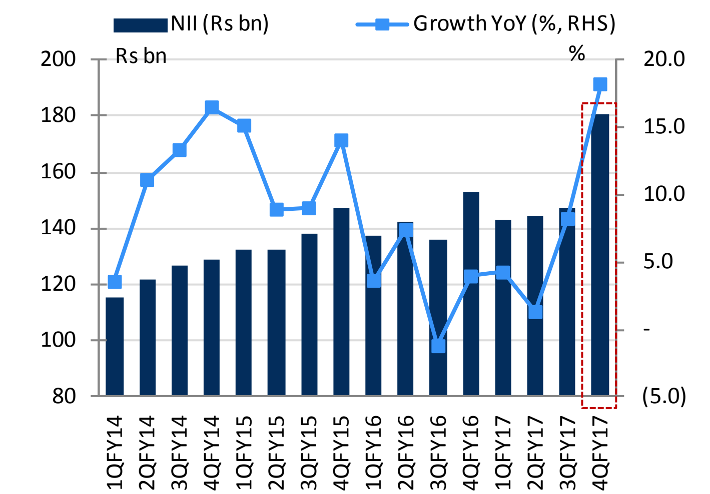
Source : Bank

Domestic CD Ratio Improved 660bps QoQ



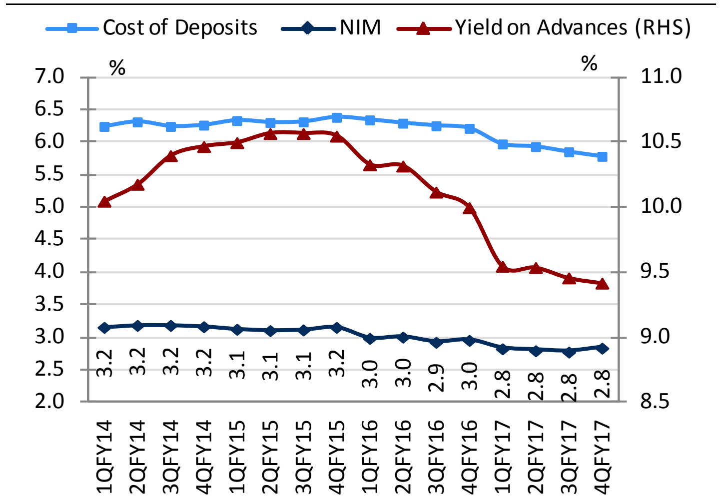
Source : Bank

NII Above Estimates Driven By Advances Growth



Source : Bank

NIMs Stable QoQ



Source : Bank

Fees grew ~48% QoQ, albeit being down ~5% YoY. Retail fees are ~78% of total fees

Misc income includes recovery of ~Rs 15.3bn vs. Rs 7.1bn QoQ

Overall opex kept under check, as employee costs dropped ~13/10% QoQ/YoY

Employee cost decline was because 11,000 employees retired in FY17 while 13,000 employees were added at a lower pay scale

C-I ratio dropped ~512bp sequentially to ~43.6%

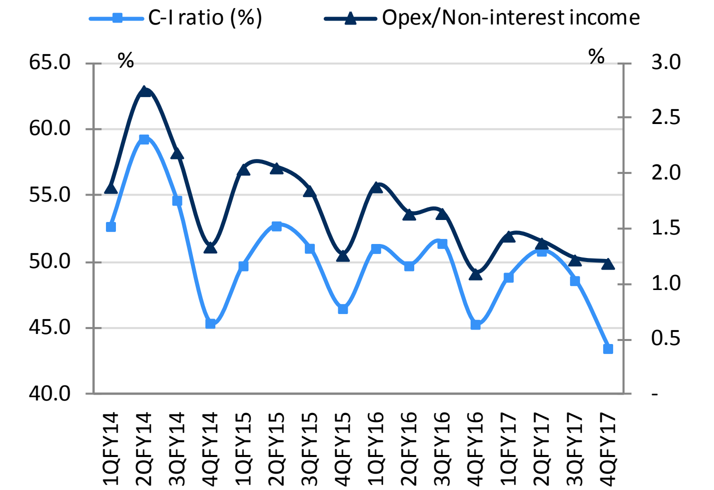
Ex-treasury the C-I ratio stood at 46.5%, down ~155bps YoY

Non-interest Income

Rs bn	1Q FY15	2Q FY15	3Q FY15	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4QFY17
CEB	28.4	31.1	32.9	49.0	32.0	31.5	35.1	57.9	34.0	43.2	41.1	60.8
% Loan (Ann.)	*0.94*	*1.03*	*1.08*	*1.55*	*0.99*	*0.96*	*1.03*	*1.62*	*0.94*	*1.21*	*1.14*	*1.61*
Treasury	5.9	4.5	9.2	16.6	8.7	14.9	12.4	14.2	27.2	22.9	39.7	17.7
Forex	4.3	4.7	5.0	5.4	4.9	4.7	5.5	6.0	6.0	9.0	5.9	5.9
Dividend	0.2	0.4	-	6.2	0.3	0.5	-	4.0	1.6	1.4	-	3.9
Misc. inc.	4.2	4.7	6.0	8.7	8.7	8.7	8.8	25.0	4.6	7.8	10.9	15.0
Total	**42.5**	**45.7**	**52.4**	**85.2**	**50.9**	**62.0**	**61.8**	**107.0**	**73.4**	**84.2**	**96.6**	**103.3**
(YoY %)	*-5%*	*37%*	*25%*	*29%*	*20%*	*36%*	*18%*	*26%*	*44%*	*36%*	*56%*	*-3%*

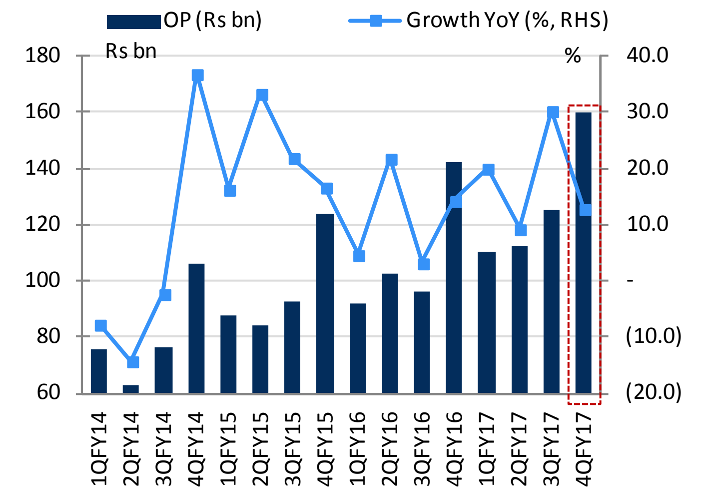
Source: Bank, HDFC sec Inst Research

C-I Down 512bps QoQ To ~43.6%



Source : Bank

PPOP Up On Robust Loan Growth



Source : Bank

LLP stood at 291bps vs. 201bps QoQ and 340bps YoY

PCR was up by ~308bps QoQ to 65.95%

Slippages continued to tread downward to 2.75% ann. vs. 2.88% ann. QoQ

Domestic GNPA break up: Large Corp ~Rs 331bn, Mid Corp ~470bn, SME ~Rs 158bn, Retail Rs 21.7bn and Agri Rs 74.5bn

About 70% of the Corp slippages were from the watchlist

Slippages from restructured book were ~13.3%

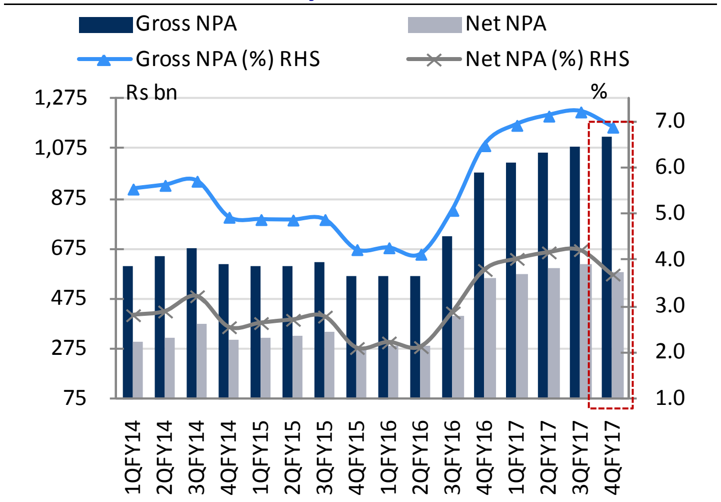
Credit costs are expected to be elevated for FY18E and improve in FY19E

Provisions Break-up

Rs bn	1Q FY15	2Q FY15	3Q FY15	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4QFY17
LLP	39.0	40.3	47.2	46.4	33.6	38.4	76.4	121.4	63.4	76.7	72.4	109.9
% Ann.	***1.30***	***1.34***	***1.55***	***1.46***	***1.04***	***1.17***	***2.24***	***3.40***	***1.76***	***2.15***	***2.01***	***2.91***
MTM	(5.5)	(0.1)	0.5	(0.8)	1.8	(0.5)	0.3	(0.1)	0.1	1.1	1.0	0.8
SA	0.8	1.6	3.7	18.3	4.0	5.9	1.8	10.0	9.2	(0.7)	13.6	2.9
Others	0.7	1.0	1.0	2.1	0.6	(0.2)	1.0	0.4	1.5	1.9	2.3	3.8
Total (A)	35.0	42.7	52.3	65.9	40.0	43.6	79.5	131.7	74.1	79.0	89.4	117.4
YoY %	***22%***	***41%***	***26%***	***12%***	***14%***	***2%***	***52%***	***100%***	***85%***	***81%***	***12%***	***-11%***
As % PPOP*	***40%***	***51%***	***56%***	***53%***	***43%***	***42%***	***83%***	***93%***	***67%***	***70%***	***71%***	***73%***
Tax	19.4	10.5	11.5	20.7	15.1	20.3	5.3	(2.5)	11.2	7.9	9.9	14.7
(% PBT)	***37%***	***25%***	***28%***	***36%***	***29%***	***34%***	***32%***	***-24%***	***31%***	***24%***	***28%***	***34%***

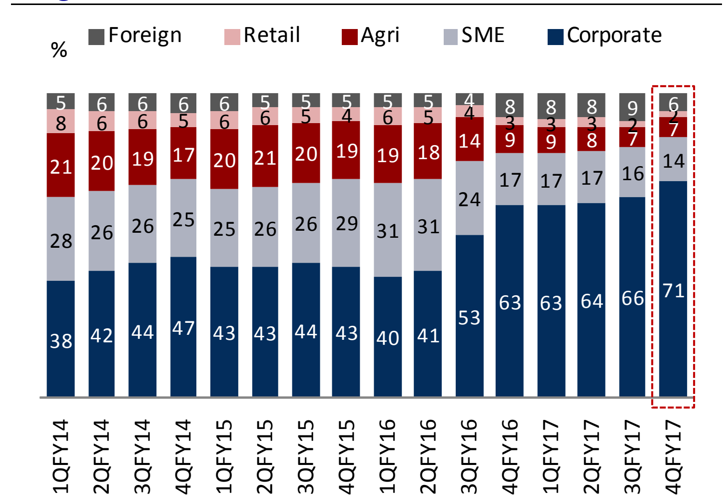
Source: Bank, HDFC sec Inst Research, * PPOP: Pre-provisioning operating profits

Headline Asset Quality Stable QoQ



Source : Bank

Segment Wise GNPA Contribution



Source : Bank

Standard restructured book stood at Rs 366.3bn (~2.33% of loans), the marginal rise due to food credit

Watchlist stood at Rs 133.1bn (standalone basis) and Rs 324bn (incl. associate banks)

O/S Std. SDR and S4A stand at Rs 42.81bn and Rs 59.35bn

Asset Quality Movement

Rs bn	1Q FY15	2Q FY15	3Q FY15	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4QFY17
Opening	616	604	607	620	567	564	568	728	982	1,015	1,058	1,082
Slippages	99	77	70	48	73	59	207	303	108	119	104	104
% Ann.	***3.30***	***2.56***	***2.31***	***1.51***	***2.27***	***1.80***	***6.07***	***8.49***	***3.00***	***3.33***	***2.88***	***2.75***
Upgrades	14	17	7	7	15	6	4	1	12	2	11	10
Recoveries	32	10	-	45	12	9	7	16	16	13	10	12
Write-Offs	66	48	51	49	49	39	37	32	46	61	59	39
Closing	**604**	**607**	**620**	**567**	**564**	**568**	**728**	982	1,015	1,058	1,082	1,124
QoQ %	***-2%***	***0%***	***2%***	***-8%***	***-1%***	***1%***	***28%***	***35%***	***3%***	***4%***	***2%***	***4%***

Source: Bank, HDFC sec Inst Research

Peer Valuations

BANK	Mcap (Rs bn)	CMP (Rs)	Rating	TP (Rs)	ABV (Rs)			P/E (x)			P/ABV (x)			ROAE (%)			ROAA (%)		
					FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E
ICICIBC #	1,789	307	BUY	333	110	123	146	14.3	13.5	11.1	2.18	1.91	1.52	10.1	10.8	11.5	1.31	1.24	1.28
KMB #	1,718	937	BUY	1,013	136	157	183	42.7	33.0	26.8	5.80	4.90	4.09	13.2	15.0	15.6	1.68	1.86	1.90
AXSB	1,202	502	NEU	507	197	217	255	32.7	20.9	12.9	2.55	2.31	1.97	6.8	10.0	14.6	0.65	0.89	1.24
IIB	827	1,389	BUY	1,552	332	382	443	29.0	23.6	19.3	4.19	3.64	3.14	15.3	16.2	17.1	1.80	1.78	1.77
FB	194	112	BUY	116	46	52	58	23.3	18.9	14.8	2.42	2.16	1.93	9.8	11.0	12.7	0.81	0.82	0.88
CUB	101	169	BUY	175	52	61	70	20.1	17.6	15.3	3.23	2.79	2.42	15.4	15.5	15.7	1.49	1.47	1.47
DCBB	59	191	BUY	221	64	79	88	27.3	22.9	17.8	2.99	2.43	2.16	10.8	10.8	11.1	0.93	0.96	1.01
SBIN #	**2,391**	**308**	**BUY**	**348**	**108**	**124**	**150**	**15.3**	**13.3**	**10.6**	**1.87**	**1.63**	**1.34**	**6.8**	**6.7**	**8.0**	**0.42**	**0.43**	**0.49**
BOB	436	189	BUY	220	87	122	157	31.6	14.5	9.5	2.17	1.55	1.20	3.8	8.0	11.2	0.20	0.42	0.59
Equitas	53	158	BUY	187	61	63	67	28.0	38.9	24.0	2.58	2.50	2.35	10.6	5.9	8.9	2.47	1.34	1.64
Ujjivan	38	321	NEU	390	164	159	175	16.9	17.0	12.9	2.20	1.95	1.70	15.4	12.1	14.0	3.33	2.55	2.61

Source: Company, HDFC sec Inst Research, # Adjusted for subsidiaries value

Standalone Income Statement

(Rs bn)	FY15	FY16	FY17P	FY18E	FY19E
Interest Earned	1,524.0	1,640.0	1,755.2	1,961.8	2,114.5
Interest Expended	973.8	1,068.0	1,136.6	1,271.9	1,378.1
Net Interest Income	**550.2**	**571.9**	**618.6**	**689.9**	**736.4**
Other Income	**225.8**	**278.4**	**354.6**	**333.1**	**371.6**
Fee Income (CEB)	*131.7*	*156.6*	*178.0*	*191.1*	*209.4*
Treasury Income	*36.2*	*50.2*	*107.5*	*65.0*	*75.0*
Total Income	**775.9**	**850.4**	**973.2**	**1,022.9**	**1,108.0**
Total Operating Exp	**380.5**	**417.8**	**464.7**	**502.4**	**546.7**
Employee Expense	*235.4*	*251.1*	*264.9*	*289.7*	*316.1*
PPOP	**395.4**	**432.6**	**508.5**	**520.5**	**561.3**
Provisions & Contingencies	202.2	294.8	359.9	347.4	342.8
Prov. for NPAs (incl. std prov.)	*203.4*	*291.4*	*347.5*	*345.9*	*341.3*
PBT	**193.1**	**137.7**	**148.5**	**173.1**	**218.6**
Provision for Tax	*62.1*	*38.2*	*43.7*	*52.1*	*67.4*
PAT	**131.0**	**99.5**	**104.8**	**121.1**	**151.2**

Source: Bank, HDFC sec Inst Research

Standalone Balance Sheet

(Rs bn)	FY15	FY16	FY17P	FY18E	FY19E
SOURCES OF FUNDS					
Share Capital	7.5	7.8	8.0	8.0	8.0
Reserves	1,276.9	1,435.0	1,874.9	1,970.9	2,094.2
Shareholders' Funds	**1,284.4**	**1,442.7**	**1,882.9**	**1,978.9**	**2,102.2**
Savings	5,273.3	5,977.5	7,432.9	8,547.8	9,573.5
Current	1,245.7	1,398.1	1,471.2	1,618.4	1,747.8
Term Deposit	9,248.9	9,931.7	11,543.4	12,409.2	13,650.1
Total Deposits	**15,767.9**	**17,307.2**	**20,447.5**	**22,575.3**	**24,971.4**
Borrowings	2,051.5	2,241.9	3,176.9	3,335.8	3,502.6
Other Liabilities & Provs	1,377.0	1,598.8	1,552.4	1,605.2	1,661.8
Total Liabilities	**20,480.8**	**22,590.6**	**27,059.7**	**29,495.1**	**32,238.0**
APPLICATION OF FUNDS					
Cash & Bank Balance	1,547.6	1,674.7	1,719.7	1,922.7	1,852.7
Investments	4,817.6	4,771.0	7,659.9	8,000.8	8,336.1
G-Secs	3,834.1	3,703.7	5,925.3	6,095.3	6,242.9
Advances	13,000.3	14,637.0	15,710.8	17,517.5	19,882.4
Fixed Assets	93.3	103.9	429.2	450.6	473.2
Other Assets	1,022.1	1,404.1	1,540.1	1,603.5	1,693.6
Total Assets	**20,480.8**	**22,590.6**	**27,059.7**	**29,495.1**	**32,238.0**

Source: Bank, HDFC sec Inst Research

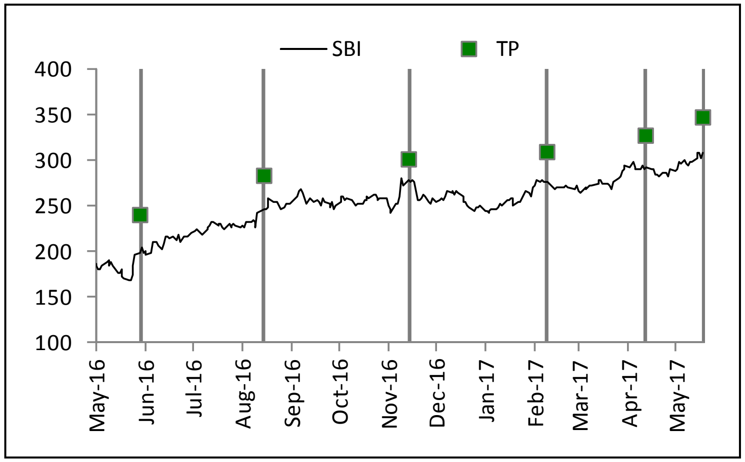
Standalone Key Ratios

	FY15	FY16	FY17P	FY18E	FY19E
VALUATION RATIOS					
EPS (Rs)	17.5	12.8	13.1	15.2	19.0
Earnings Growth (%)	20.3	(24.1)	5.4	15.5	24.9
BVPS (Rs)	158.9	171.2	180.8	191.3	205.0
Core Adj. BVPS (Rs)	122.0	99.3	107.7	123.8	150.3
ROAA (%)	0.69	0.46	0.42	0.43	0.49
ROAE (%)	10.62	7.30	6.97	7.50	8.77
ROAE (%) (Core)	11.35	7.91	6.79	6.73	7.98
P/E (x)	13.0	17.4	15.3	13.3	10.6
P/ABV (x)	1.88	2.24	1.87	1.63	1.34
P/PPOP (x)	5.8	5.5	4.8	4.7	4.4
Dividend Yield (%)	1.1	0.8	0.8	0.9	1.0
PROFITABILITY					
Yield On Advances (%)	8.95	8.37	7.88	7.79	7.60
Yield On Investment (%)	8.03	8.82	7.76	7.56	7.46
Cost Of Funds (%)	5.80	5.72	5.27	5.14	5.07
Cost Of Deposits (%)	6.00	5.98	5.59	5.46	5.38
Core Spread (%)	3.15	2.65	2.61	2.65	2.53
NIM (%)	3.17	3.01	2.84	2.77	2.69
OPERATING EFFICIENCY					
Cost/Avg. Asset Ratio (%)	1.98	1.94	1.87	1.78	1.77
Core Cost-Income Ratio (%)	51.4	52.2	53.7	52.4	52.9
BALANCE SHEET STRUCTURE					
Loan Growth (%)	7.5	12.6	7.3	11.5	13.5
Deposit Growth (%)	13.1	9.8	18.1	10.4	10.6
C/D Ratio (%)	82.4	84.6	76.8	77.6	79.6
Equity/Assets (%)	6.3	6.4	7.0	6.7	6.5
Equity/Advances (%)	9.9	9.9	12.0	11.3	10.6
CASA (%)	41.3	42.6	43.5	45.0	45.3
Capital Adequacy Ratio (CAR, %)	12.0	13.1	13.8	13.2	12.6
W/w Tier I CAR (%)	9.6	9.9	11.1	10.7	10.4

	FY15	FY16	FY17P	FY18E	FY19E
ASSET QUALITY					
Gross NPLs (Rs bn)	567.3	981.8	1,123.4	1,098.2	996.7
Net NPLs (Rs bn)	275.9	558.1	582.8	537.9	436.7
Gross NPLs (%)	4.25	6.50	6.90	6.27	5.01
Net NPLs (%)	2.12	3.81	3.71	3.07	2.20
Slippages (%)	2.35	4.65	2.86	2.35	2.10
Coverage Ratio (%)	51.4	43.2	48.1	51.0	56.2
Provision/Avg. Loans (%)	1.43	1.95	2.13	2.01	1.74
ROAA TREE					
Net Interest Income	2.87%	2.66%	2.49%	2.44%	2.39%
Non Interest Income	1.18%	1.29%	1.43%	1.18%	1.20%
Treasury Income	*0.19%*	*0.23%*	*0.43%*	*0.23%*	*0.24%*
Operating Cost	1.98%	1.94%	1.87%	1.78%	1.77%
Provisions	1.05%	1.37%	1.45%	1.23%	1.11%
Provisions For NPAs	*0.93%*	*1.25%*	*1.30%*	*1.18%*	*1.05%*
Tax	0.32%	0.18%	0.18%	0.18%	0.22%
ROAA	0.68%	0.46%	0.42%	0.43%	0.49%
Leverage (x)	15.57	15.79	14.93	14.65	15.13
ROAE	10.62%	7.30%	6.30%	6.27%	7.41%

Source: Bank, HDFC sec Inst Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
30-May-16	196	BUY	241
16-Aug-16	243	BUY	284
15-Nov-16	273	BUY	302
13-Feb-17	276	BUY	310
13-Apr-17	290	BUY	328
20-May-17	308	BUY	348

Rating Definitions

BUY : Where the stock is expected to deliver more than 10% returns over the next 12 month period

NEUTRAL : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period

SELL : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

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