

INDUSTRY	BANKS
CMP (as on 10 Aug 2018)	Rs 304
Target Price	Rs 340
Nifty	11,430
Sensex	37,869

KEY STOCK DATA

Bloomberg	SBIN IN
No. of Shares (mn)	8,925
MCap (Rs bn) / (\$ mn)	2,717/39,458
6m avg traded value (Rs mn)	6,140

STOCK PERFORMANCE (%)

52 Week high / low	Rs 352/232		
	3M	6M	12M
Absolute (%)	22.8	2.7	2.6
Relative (%)	15.3	(8.6)	(17.5)

SHAREHOLDING PATTERN (%)

Promoters	58.47
FIs & Local MFs	23.33
FPIs	10.35
Public & Others	7.85

Source : BSE

Darpin Shah

darpin.shah@hdfcsec.com
+91-22-6171-7328

Pranav Gupta

pranav.gupta@hdfcsec.com
+91-22-6171-7337

Kaushik Utpat

kaushik.utpat@hdfcsec.com
+91-22-6171-7334

Cycle turning, finally

Though SBIN reported a 3rd consecutive quarterly loss, the improvement in business metrics was heartening. NII (+9% QoQ) was ahead of estimates as NIMs saw a sharp uptick (2.80%, up 30bps). Asset quality actually improved (G/NNPAs down ~5/11% QoQ) as stress accretion eased (slippages at ~3% ann. vs. ~7% QoQ) and 2 NCLT resolutions materialized. Despite the humongous base of 44%+, sequential SA growth of 3% indicates strong liability franchise. The 3% sequential dip in loan book was seasonal.

The string of losses is only optically worrisome, coming as it does at the probably end of the stress cycle. Management has beefed up coverage and is has chosen not to avail any dispensation on bond provisioning.

The stage is now set for an uptick in loan growth and lower stress accretion. Resolution in NCLT accounts (~Rs 630bn exposure) can make our FY19-20E credit cost (avg ~200bps) assumptions look conservative. Maintain BUY with SOTP of Rs 340 (1.3x Mar-20E core ABV of Rs 170 + Rs 119 subs value).

Financial Summary

(Rs bn)	1QFY19	1QFY18	YoY (%)	4QFY18	QoQ (%)	FY17	FY18	FY19E	FY20E
Net Interest Income	218.0	176.1	23.8%	199.7	9.1%	618.6	748.5	853.2	937.2
PPOP	119.7	118.7	0.8%	158.8	-24.6%	508.5	595.1	599.1	665.6
PAT	(48.8)	20.1	NA	(77.2)	NA	104.8	(65.5)	58.1	205.8
EPS (Rs)	(5.5)	2.3	NA	(8.6)	NA	13.1	(7.34)	6.5	23.1
ROAE (%)						6.8	(3.35)	2.7	9.1
ROAA (%)						0.42	(0.21)	0.16	0.54
Adj. BVPS (Core, ex-subs, Rs)						109.2	93.5	133.6	169.9
P/ABV (x)#						1.82	2.00	1.39	1.09
P/E (x)#						15.1	NA	28.6	8.02

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

FY18, FY19E and FY20E metrics include the erstwhile Associate Banks and BMB, now merged into SBIN.

Highlights of the quarter

- Asset quality improved as slippages moderated to ~Rs 143.5bn (3.01% ann. vs. 6.98% QoQ and 6.5% YoY) and recoveries jumped 3x QoQ to ~Rs 249bn (led by resolution in 2 NCLT cases). Consequently, GNPAs dipped ~5% YoY to ~Rs 2.13tn (-22bps QoQ, 10.69%). With watchlist at a mere ~1.15% of loans future stress accretion should remain under control. However we have cautiously factored in slippages of 2.8% over FY18-20E. Resolutions in NCLT cases (Rs 630bn i.e. ~30% of GNPA) will further provide cushion to our earnings.
- Despite a ~3% sequential dip, advances grew ~6% YoY. Growth was fueled by retail (+14% YoY) and SME (+7%) loans as the corporate book degrew (-6% QoQ). Within retail, growth was broad based as home and auto loans grew ~13% and ~12% YoY. We have factored a loan CAGR of only 9% over FY18-20E.
- Near term outlook:** Post the recent rally (17% in 2 months) and yet another quarterly loss, the stock may remain subdued, despite the longer term positives.

Corp slippages is at Rs. 37.04bn w/w 91% from disclosed stressed pool

Sectorial slippages power Rs. 4.92bn, Road Rs. 2.88bn and textile Rs. 20.15bn

NCLT list I exposure Rs 346bn with coverage of 65%, whereas NCLT list II is Rs 284bn with 79% coverage

Total coverage on NCLT cases is 71%

Asset Quality Healing Begins

- While overall slippages at ~Rs 143.5bn were lower QoQ, a chunk of these (~Rs 109.6bn) were outside the corporate book. This was largely driven by Agri slippages of ~Rs 25.6bn (from Maharashtra and Karnataka) and devolvement of non-fund exposures of ~Rs 43.7bn. About 50% of these NFB exposures were against LCs. Despite this blip, the mgt believes such additions should not recur as overall NFB exposure in the SME and corporate segments is merely 7.5% of advances.
- The bank's total power sector exposure ~Rs 1.77tn within which ~Rs 322.9bn is classified as GNPA and another ~Rs 101bn is included in the watchlist. The residual pool of ~Rs 1.34tn are standard accounts within which ~Rs 500bn is to private entities and ~69% is rated A or above. SBIN holds ~40% coverage on power NPAs and expects recoveries of ~50% in these exposures.
- Resolution of 2 NCLT a/cs in 1Q resulted in recoveries of ~Rs 116bn. Consequently, SBIN's aggregate NCLT exposure stands at ~Rs 630bn, on which the bank holds ~71% coverage. The mgt expects an additional recovery of ~Rs 40bn during 2Q.
- While the management expects slippages to remain below 2% for FY19, we have conservatively factored in slippages of ~2.8% over FY18-20E.

Retail Grows; NIM Expands

- The drag in growth (up merely ~6% YoY, down ~3% QoQ) was largely due to tepid (down ~6% QoQ) corporate off-take. Retail loans clocked a robust growth of ~14/2% YoY/QoQ. This was largely driven by broad based growth as Home loans (+13/2% YoY/QoQ), Auto loans (+12/1% YoY/QoQ) and other

personal loans (+17/3% YoY/QoQ) grew evenly. With strong growth, the share of retail loans grew to ~28.1% of total loans vs. 26% YoY.

- Global NIMs expanded 30bps sequentially to 2.80% primarily owing to a 20bps dip in CoF. Interest write-back on recoveries in NCLT cases also helped. While domestic NIMs seem high at 2.95%, only 15bps was contributed from the NCLT recoveries. NIMs should sustain (if not improve) hereon given the traction in NCLT resolutions and asset re-pricing, as MCLR rises. However, we have conservatively factored in NIMs of 2.72% over FY18-20E.

Opex Growth Curtailed; Provisions Moderate

- Staff costs expanded ~5% sequentially as SBIN provided Rs 9bn (remaining ~Rs 18bn will be spread over next 2 quarters) for increased gratuity limits and ~Rs 26.5bn for wage revisions. However the ~7% sequential drop in other opex capped overall operating cost growth. We expect staff cost growth to moderate as the effect of gratuity and wage related one-offs subside and some manpower rationalization happens over FY19. We have factored in a C-I improvement of 320bps over FY18-20E.
- As expected, overall provisioning eased (down ~32% QoQ) after elevated recognition in 4Q. Credit related provisions at Rs 130.4bn almost halved QoQ. However, SBIN did not use RBI's dispensation for spreading MTM related provisions and took a hit of ~Rs 58.9bn in this quarter. We expect overall provisions to moderate as stress accretion abates. Easing of G-Sec yields should also help. We have factored in credit costs of ~2% over FY19-20E vs. 3.75% in FY18.

Watchlist

Industry	1QFY18		2QFY18		3QFY18		4QFY18		1QFY19	
	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	105.3	0.6	104.7	0.6	37.4	0.20	105.8	0.55	100.8	0.52
Iron & steel	29.4	0.2	18.8	0.1	15.8	0.09	34.5	0.18	34.3	0.18
Engineering	-	-	-	-	-	-	43.9	0.23	40.9	0.21
Construction	24.7	0.1	20.5	0.1	13.7	0.08	-	-	-	-
Textiles	6.0	0.0	3.1	0.0	3.1	0.02	26.6	0.14	5.5	0.03
Others	79.0	0.4	65.7	0.4	33.4	0.18	47.2	0.24	41.4	0.21
Total	244.4	1.4	212.9	1.2	103.4	0.57	258.0	1.33	222.9	1.15

Source: Bank, HDFC sec Inst Research; *Roads and EPC.

SOTP

Particulars	Rs bn	Per Share	Rationale
State Bank (Bank consol)	1,971	221	1.3x Mar-20E Core ABV of Rs 170
SBI Life	525	59	FY20 EV + 27.3x FY20E VNB
SBI AMC	94	11	5% FY20E AUM
Others	446	50	Stakes in NSE, UTI MF, SBI Caps and others
Total Value	3,037	340	
CMP	2,717	304	
Upside (%)	11.8	11.8	

Source: HDFC sec Inst Research

Change In Estimates

(Rs mn)	FY19E			FY20E		
	Old	Old	Change	Old	Old	Change
NII	843.2	853.2	1.2%	935.9	937.2	0.1%
PPOP	604.3	599.1	-0.9%	674.8	665.6	-1.4%
PAT	104.2	58.1	-44.2%	226.4	205.8	-9.1%
Adj. BVPS (Rs)	137.2	133.6	-2.6%	174.6	169.9	-2.7%

Source: HDFC sec Inst Research

Comparable Quarters At A Glance

(Rs bn)	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	YoY Growth	QoQ Growth
Net Interest Income	176.1	185.9	186.9	199.7	218.0	23.8	9.1
Non-interest Income	80.1	160.2	80.8	124.9	66.8	(16.6)	(46.5)
Treasury Income	17.7	85.7	10.3	9.4	(12.6)	(171.4)	(234.3)
Operating Income	256.1	346.0	267.7	324.7	284.8	11.2	(12.3)
Operating Expenses	137.4	146.0	150.2	165.9	165.0	20.1	(0.5)
Pre Provision Profits	118.7	200.0	117.5	158.8	119.7	0.8	(24.6)
Provisions	89.3	191.4	188.8	281.0	192.3	115.3	(31.6)
NPA Provisions	121.3	167.2	177.6	240.8	130.4	7.5	(45.9)
PBT	29.4	8.6	(71.2)	(122.1)	(72.6)	(346.4)	(40.6)
Provision For Tax	9.4	(7.2)	(47.1)	(44.9)	(23.8)	(353.4)	(47.1)
PAT	20.1	15.8	(24.2)	(77.2)	(48.8)	(343.1)	(36.8)
Balance Sheet items/ratios							
Deposits	26,025	26,232	26,512	27,063	27,478	5.6	1.5
CASA Deposits	11,135	11,340	11,481	11,873	11,962	7.4	0.7
Advances	18,867	18,924	19,246	20,484	19,902	5.5	(2.8)
CD ratio (%)	72.5	72.1	72.6	75.7	72.4	-7 bps	-326 bps
CAR (%)	13.3	13.9	12.7	12.6	13.3	0 bps	71 bps
Tier I (%)	10.7	10.9	10.3	10.4	10.7	0 bps	31 bps
Other ratios							
Yield On Advances (%)	8.49	8.46	8.38	8.28	8.57	8 bps	29 bps
Cost Of Deposits (%)	5.54	5.42	5.34	5.30	5.11	-43 bps	-19 bps
NIM (%)	2.36	2.43	2.45	2.50	2.80	44 bps	30 bps
Cost-Income Ratio (%)	53.6	42.2	56.1	51.1	58.0	432 bps	687 bps
Tax rate (%)	31.9	(83.5)	(66.1)	(36.8)	(32.8)	NA	NA
Asset quality							
Gross NPA	1,881	1,861	1,991	2,234	2,128	13.2	(4.7)
Net NPA	1,078	979	1,024	1,109	992	(7.9)	(10.5)
Gross NPAs (%)	9.97	9.83	10.35	10.91	10.69	72 bps	-22 bps
Net NPAs (%)	5.97	5.43	5.61	5.73	5.29	-68 bps	-44 bps
Slippages (% Ann.)	6.55	2.36	5.69	6.98	3.01	129 bps	-397 bps
Std Restructured Book (%)	2.09	1.80	1.09	-	-	-109 bps	-
Coverage Ratio (%) Calc.	42.70	47.40	48.59	50.38	53.38	1067 bps	299 bps
Coverage Ratio (%) Reported	60.79	65.13	65.92	66.17	69.25	846 bps	308 bps
Watchlist (%)	1.30	1.12	0.54	1.26	1.12	-18 bps	-14 bps

Source: HDFC sec Inst Research;

Grew 9% (well above estimates) with loan growth of ~6% YoY and NIM uptick of 30bps QoQ (led by interest write back)

As expected, core fees dropped post the 4Q spike and treasury reported a loss of ~Rs 12.6bn (vs. a profit of ~Rs 9.4bn QoQ)

Staff costs jumped 5% sequentially as SBIN provided ~Rs 9bn towards gratuity limit and ~Rs 26.5bn for wage revision

CASA growth ~7/1% YoY/QoQ was fueled by ~3% QoQ jump in SA. Consequently, CASA ratio (daily avg.) improved 55bps QoQ to ~44.8%

Driven by ~14% and 7% YoY growth in Retail and SME loans

Boosted by resolutions in 2 NCLT accounts and a 20bps dip in CoF

The dip was owing to lower slippages (3.01% annu. vs 6.98% QoQ) and almost 3x reductions sequentially

Include corporate slippages of ~Rs 37bn within which ~91% came from the watchlist

Excludes an additional ~Rs 23bn which does not overlap with the watchlist

Domestic advances jumped ~7% YoY, albeit down ~1% QoQ

Within domestic loans, retail (+14% YoY) and SME (+7% YoY) advances fueled growth while corporate loans dipped ~6% sequentially

Within retail, growth was broad based as home and auto loans grew ~13% and ~12% respectively

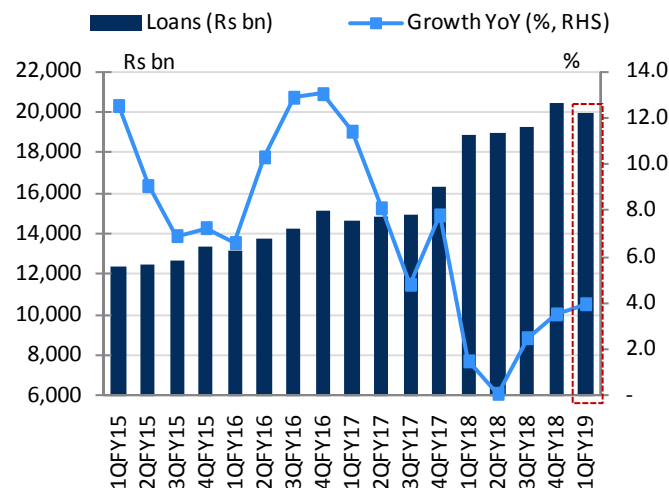
We have factored in loan CAGR of 9% over FY19-20E

Total deposits grew ~6/2% YoY/QoQ

CASA growth of ~7/1% YoY/QoQ was primarily driven by robust SA accretion

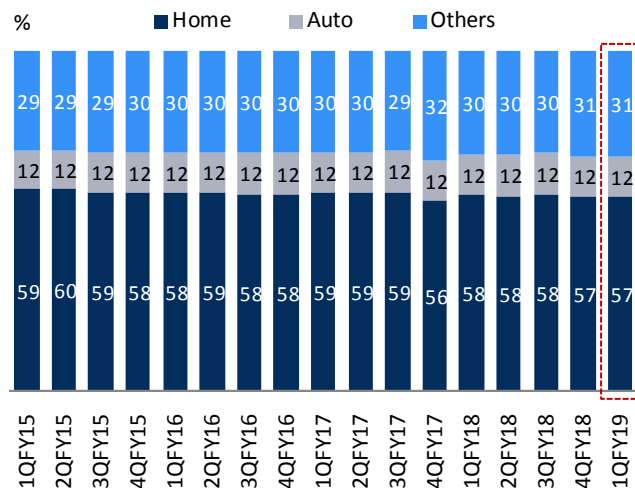
On a daily average basis, CASA ratio improved 55bps sequentially to ~44.8%

Loans Grew ~6% YoY, Albeit Down ~3% QoQ



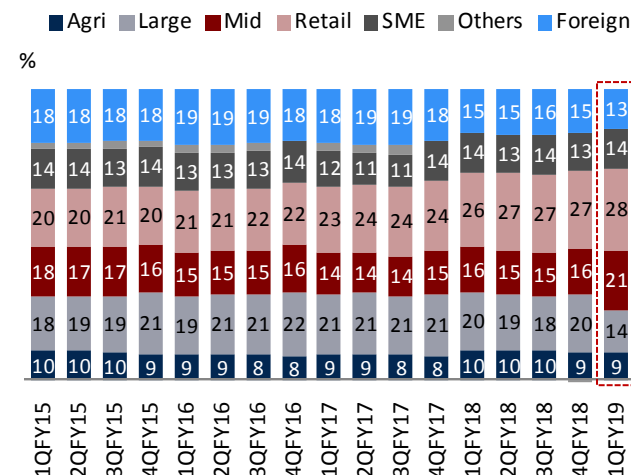
Source : Bank; 1QFY18 onwards incl. SBIN + ABs + BMB

Home Loans Share Jumps ~65bps QoQ



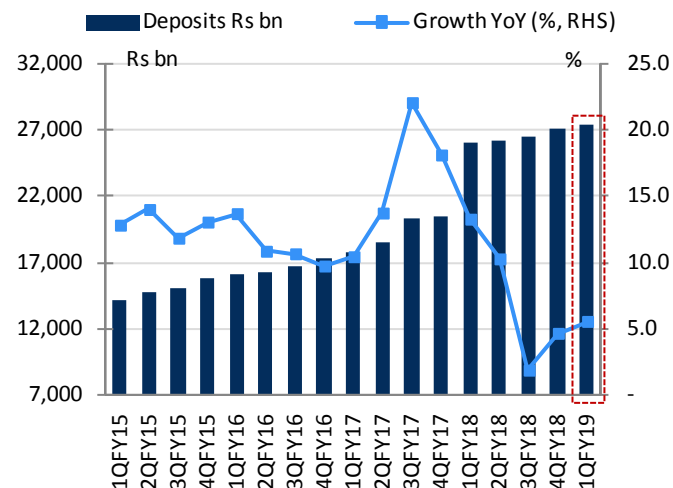
Source : Bank; 1QFY18 onwards incl. SBIN + ABs + BMB

Retail Loans Gain Share Sequentially



Source : Bank; 1QFY18 onwards incl. SBIN + ABs + BMB

Deposits Up ~6/2% YoY/QoQ



Source : Bank; 1QFY18 onwards incl. SBIN + ABs + BMB

On an average daily basis, SA grew ~9% YoY while CA grew ~6% YoY

SBIN continues to be a market leader with ~26.6/16.8% market share in SA and CA

Total deposits customers stood at 417.8mn

With tepid asset and decent liabilities growth, overall CD ratio dipped ~330bps QoQ

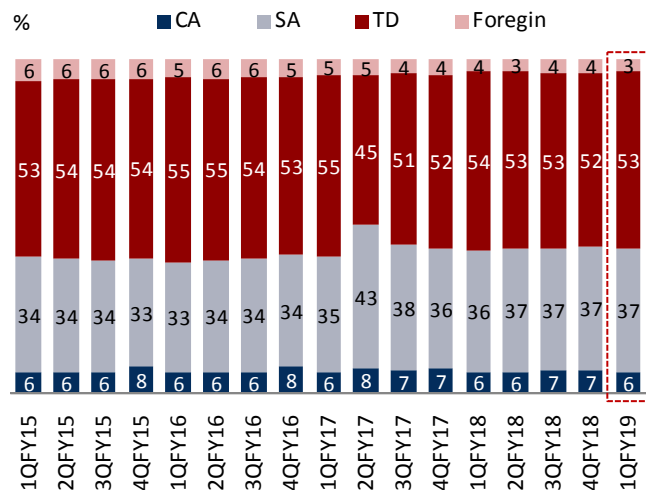
Global NIMs improved 30bps sequentially to 2.80% as CoF dipped 20bps QoQ

Recoveries in 2 NCLT accounts additionally boosted NIMs

Domestic NIMs jumped 28bps QoQ to 2.95% while international NIMs stood at ~1.47%

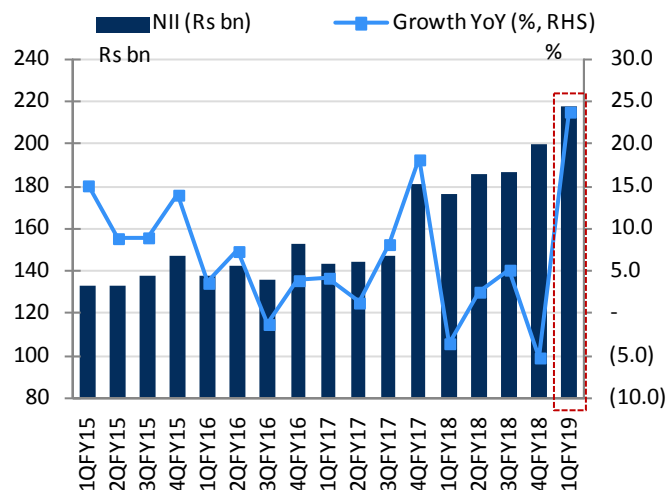
We expect NIMs of 2.72% over FY19-20E

CASA Ratio Down ~34bps QoQ To 43.5%



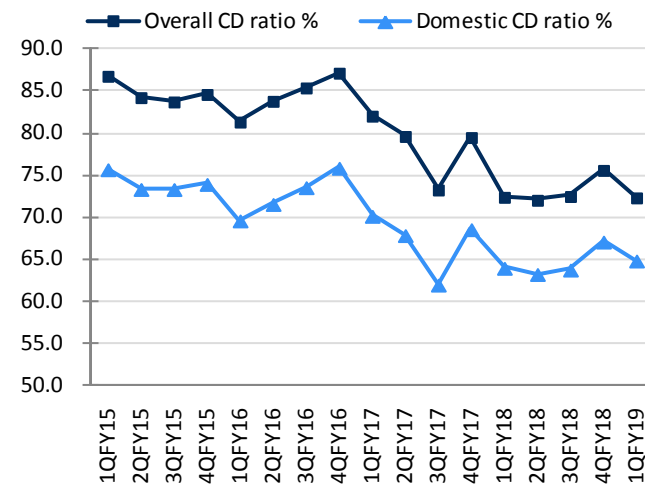
Source : Bank; 1QFY18 onwards incl. SBIN + ABs + BMB

NII Jumped ~9% Sequentially



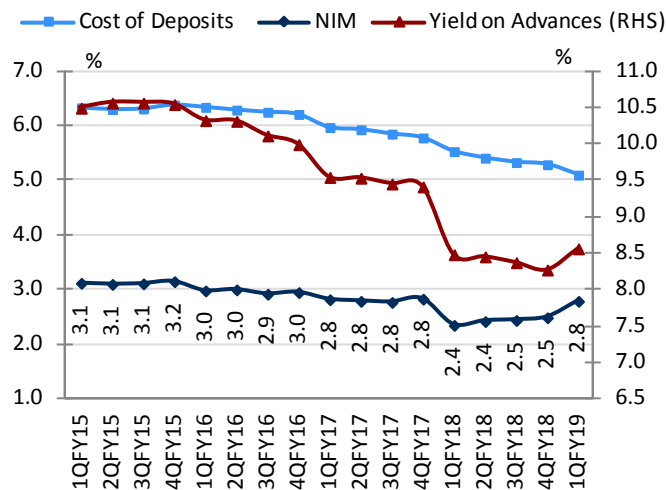
Source : Bank; 1QFY18 onwards incl. SBIN + ABs + BMB

Domestic CD Ratio Dipped ~225bps QoQ



Source : Bank; 1QFY18 onwards incl. SBIN + ABs + BMB

NIMs Rose 30bps QoQ To 2.80%



Source : Bank; 1QFY18 onwards incl. SBIN + ABs + BMB

Overall fees were down (~46% QoQ) after the 4Q spurt as loan processing fees halved sequentially

SBIN reported treasury loss

SBIN provided Rs 9bn towards gratuity and amortized ~Rs 18bn over the next 2 quarters

SBIN provided ~Rs 26.5bn (Rs 16.6bn in 3Q) towards wage negotiation

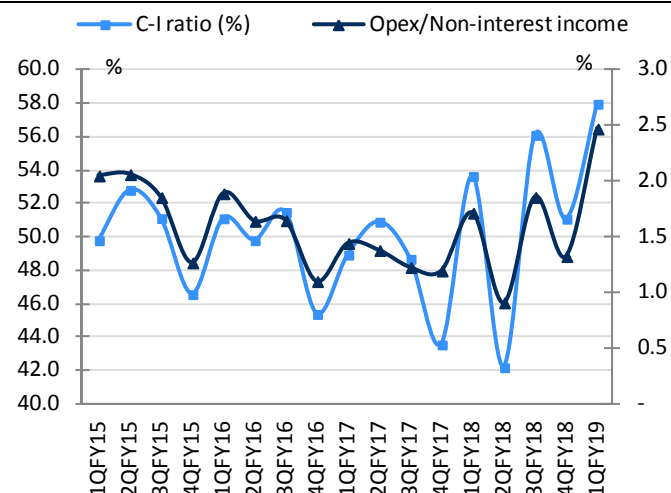
Ex-treasury the C-I ratio stood at 55.5%, down 290bps QoQ

Non-interest Income

Rs bn	1Q FY16	2Q FY16	3Q FY16	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19
CEB	32.0	31.5	35.1	57.9	34.0	43.2	41.1	60.8	48.7	53.6	49.8	84.3	49.8
% Loan (Ann.)	0.99	0.96	1.03	1.62	0.94	1.21	1.14	1.61	1.06	1.19	1.10	1.79	1.04
Treasury	8.7	14.9	12.4	14.2	27.2	22.9	39.7	17.7	17.7	85.7	10.3	9.4	(12.6)
Forex	4.9	4.7	5.5	6.0	6.0	9.0	5.9	5.9	6.7	6.8	5.9	5.5	4.3
Dividend	0.3	0.5	-	4.0	1.6	1.4	-	3.9	0.2	0.9	-	3.3	0.1
Misc. inc.	4.9	10.3	8.8	25.0	4.6	7.8	10.9	15.0	6.8	13.3	14.8	22.5	25.3
Total	50.9	62.0	61.8	107.0	73.4	84.2	96.6	103.3	80.1	160.2	80.8	124.9	66.8
(YoY %)	20%	36%	18%	26%	44%	36%	56%	-3%	-9%	58%	-30%	2%	-17%

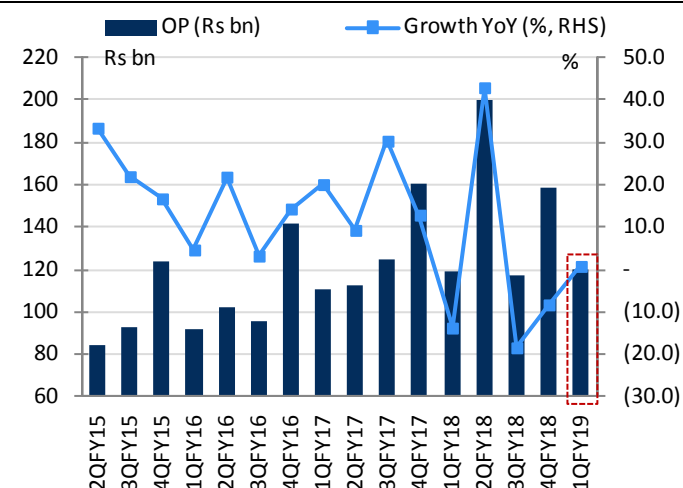
Source: Bank, HDFC sec Inst Research; 1QFY18 onwards incl. SBIN + ABs + BMB

C-I Ratio Deteriorates To ~58% (~690bps+ QoQ)



Source : Bank; 1QFY18 onwards incl. SBIN + ABs + BMB

PPOP Dipped 25% QoQ



Source : Bank; 1QFY18 onwards incl. SBIN + ABs + BMB

As expected, LLP moderated (almost halved) to 274bps QoQ

SBIN has not utilised RBI dispensation to amortise the MTM over the next three qtrs

Fresh slippages stood at Rs 143.5bn (3.01% annu. vs 6.98% QoQ and 6.55% YoY)

Corp slippages (Rs 37bn vs. Rs 290bn QoQ) were largely from the watchlist (91%)

Amongst the corp slippages, the textile sector contributed ~54.4%

Two NCLT accounts were resolved in the quarter with recoveries of 73.5% and 53.7%

After recoveries in 2 accounts, SBIN's aggregate exposure to NCLT a/cs was ~Rs 630.4bn with a total coverage of ~71%

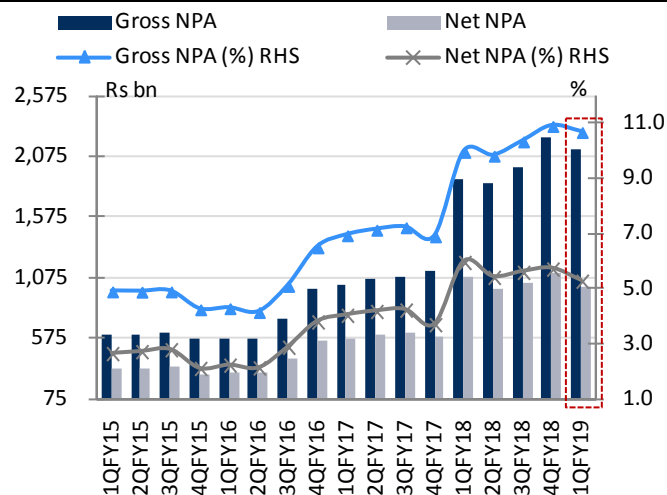
The expected haircut on total NCLT list 1 exposure is ~52%

Provisions Break-up: LLP Dipped 46% QoQ

Rs bn	1Q FY16	2Q FY16	3Q FY16	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19
LLP	33.6	38.4	76.4	121.4	63.4	76.7	72.4	109.9	121.3	167.2	177.6	240.8	130.4
% Ann.	1.04	1.17	2.24	3.40	1.76	2.15	2.01	2.91	2.64	3.71	3.92	5.12	2.74
MTM	1.8	(0.5)	0.3	(0.1)	0.1	1.1	1.0	0.8	(7.6)	0.4	40.4	47.6	71.0
SA	4.0	5.9	1.8	10.0	9.2	(0.7)	13.6	2.9	(20.4)	22.8	(29.9)	(8.5)	(9.2)
Others	0.6	(0.2)	1.0	0.4	1.5	1.9	2.3	3.8	(4.0)	1.1	0.6	1.1	0.1
Total (A)	40.0	43.6	79.5	131.7	74.1	79.0	89.4	117.4	89.3	191.4	188.8	281.0	192.3
YoY %	14%	2%	52%	100%	85%	81%	12%	-11%	-32%	29%	58%	34%	115%
As % PPOP*	43%	42%	83%	93%	67%	70%	71%	73%	75%	96%	161%	177%	161%
Tax	15.1	20.3	5.3	(2.5)	11.2	7.9	9.9	14.7	9.4	(7.2)	(47.1)	(44.9)	(23.8)
(% PBT)	29%	34%	32%	-24%	31%	24%	28%	34%	32%	-84%	66%	37%	33%

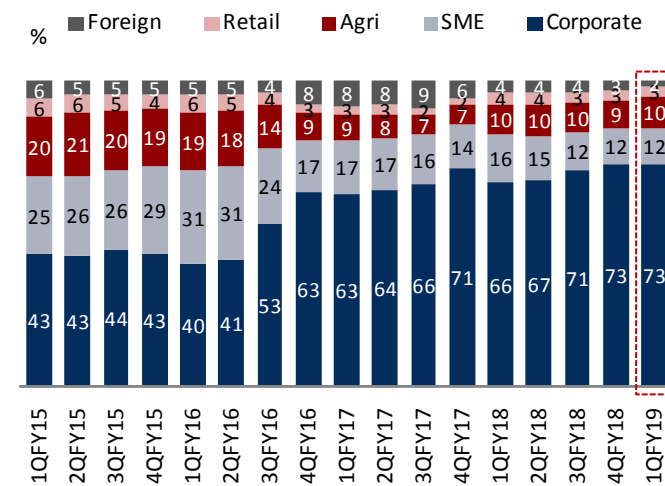
Source: Bank, HDFC sec Inst Research, * PPOP: Pre-provisioning operating profits; 1QFY18 onwards incl. SBIN + ABs + BMB

GNPAs up 13%; NNPA's Down 8% QoQ



Source : Bank; 1QFY18 onwards incl. SBIN + ABs + BMB

Segment-Wise GNPA Contribution



Source : Bank; 1QFY18 onwards incl. SBIN + ABs + BMB

**Watchlist stood at ~Rs 223bn
i.e.1.12% of loans vs. Rs
258bn QoQ**

Asset Quality Movement

Rs bn	1Q FY16	2Q FY16	3Q FY16	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19
Opening	567	564	568	728	982	1,015	1,058	1,082	1,779	1,881	1,861	1,991	2,234
Slippages	73	59	207	303	108	119	104	104	301	106	268	328	143
% Ann.	2.27	1.80	6.07	8.49	3.00	3.33	2.88	2.75	6.55	2.36	5.90	6.98	3.01
Upgrades	15	6	4	1	12	2	11	10	20	11	22	1	149
Recoveries	12	9	7	16	16	13	10	12	46	22	22		
Write-Offs	49	39	37	32	46	61	59	39	132	93	93	85	101
Closing	564	568	728	982	1,015	1,058	1,082	1,124	1,881	1,861	1,991	2,234	2,128
QoQ %	-1%	1%	28%	35%	3%	4%	2%	4%	6%	-1%	7%	12%	-5%

Source: Bank, HDFC sec Inst Research; 1QFY18 onwards incl. SBIN + ABs + BMB

Peer Set Comparison

BANK	Mcap (Rs bn)	CMP (Rs)	Rating	TP (Rs)	ABV (Rs)			P/E (x)			P/ABV (x)			ROAE (%)			ROAA (%)		
					FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
KMB #	2450	1286	BUY	1378	175	207	238	47.7	38.1	29.7	5.85	4.84	4.11	13.2	13.2	14.3	1.72	1.73	1.77
ICICIBC #	2113	329	BUY	377	111	129	151	22.7	21.3	11.1	2.16	1.77	1.41	7.2	6.8	10.1	0.82	0.75	1.20
AXSB	1604	616	NEU	538	184	225	271	573.0	31.2	16.8	3.35	2.74	2.27	0.5	7.7	12.9	0.04	0.70	1.13
IIB	1178	1980	BUY	1,971	379	444	526	32.9	26.3	20.8	5.23	4.46	3.77	16.5	17.8	19.2	1.80	1.81	1.85
RBL	238	569	BUY	584	152	171	195	37.6	26.7	19.8	3.75	3.34	2.92	11.5	12.7	15.2	1.15	1.28	1.34
FB	176	89	NEU	103	54	60	69	20.0	14.8	11.1	1.65	1.47	1.30	8.3	9.4	11.6	0.69	0.79	0.90
CUB	130	177	BUY	210	55	60	70	19.9	19.0	16.2	3.20	2.97	2.54	15.3	15.2	15.3	1.57	1.58	1.56
KVB	75	104	BUY	148	61	63	74	21.8	19.2	9.4	1.71	1.64	1.40	6.1	6.2	12.2	0.54	0.56	1.01
DCBB	52	168	BUY	216	78	88	98	21.1	16.4	13.3	2.15	1.92	1.72	9.8	10.8	12.0	0.90	0.95	0.97
SBIN#	2,717	304	BUY	340	93	134	170	-25.5	28.6	8.0	2.00	1.39	1.09	-3.3	2.7	9.1	-0.21	0.16	0.54
BOB	343	148	BUY	182	75	107	142	-16.2	19.6	9.8	1.97	1.38	1.04	-6.1	4.5	8.5	-0.34	0.27	0.49
AUBANK	208	694	NEU	673	73	101	133	67.9	49.3	35.4	9.46	6.84	5.20	13.8	15.2	16.1	2.04	1.81	1.87

Source: Company, HDFC sec Inst Research, # Adjusted for subsidiaries value; *- FY18P, FY19E and FY20E metrics include the erstwhile Associate Banks and BMB, now merged into SBIN.

Standalone Income Statement

(Rs bn)	FY16	FY17	FY18	FY19E	FY20E
Interest Earned	1,640.0	1,755.2	2,205.0	2,412.7	2,626.9
Interest Expended	1,068.0	1,136.6	1,456.5	1,559.4	1,689.7
Net Interest Income	571.9	618.6	748.5	853.2	937.2
Other Income	278.4	354.6	446.0	380.3	413.0
Fee Income (CEB)	156.6	162.8	230.0	230.9	251.2
Treasury Income	50.2	107.5	123.0	50.0	52.5
Total Income	850.4	973.2	1,194.5	1,233.5	1,350.3
Total Operating Exp	417.8	464.7	599.4	634.4	684.7
Employee Expense	251.1	264.9	331.8	367.6	410.4
PPOP	432.6	508.5	595.1	599.1	665.6
Provisions & Contingencies	294.8	359.9	750.4	511.1	393.2
Prov. for NPAs (incl. std prov.)	291.4	354.1	677.7	461.1	365.7
PBT	137.7	148.6	(155.3)	88.1	272.4
Provision for Tax	38.2	43.7	(89.8)	30.0	66.6
PAT	99.5	104.8	(65.5)	58.1	205.8

Source: Bank, HDFC sec Inst Research; **FY18P, FY19E and FY20E metrics include the erstwhile Associate Banks and BMB, now merged into SBIN.**

Standalone Balance Sheet

(Rs bn)	FY16	FY17	FY18	FY19E	FY20E
SOURCES OF FUNDS					
Share Capital	7.8	8.0	8.9	8.9	8.9
Reserves	1,435.0	1,874.9	2,182.4	2,230.4	2,400.7
Shareholders' Funds	1,442.7	1,882.9	2,191.3	2,239.4	2,409.7
Savings	5,977.5	7,432.9	10,137.7	11,151.5	12,489.7
Current	1,398.1	1,471.2	1,901.7	2,025.4	2,177.3
Term Deposit	9,931.7	11,543.4	15,023.9	15,775.1	16,958.3
Total Deposits	17,307.2	20,447.5	27,063.4	28,952.0	31,625.2
Borrowings	2,241.9	3,176.9	3,621.4	3,621.4	3,639.5
Other Liabilities & Provs	1,598.8	1,552.4	1,671.4	1,721.5	1,773.2
Total Liabilities	22,590.6	27,059.7	34,547.5	36,534.3	39,447.6
APPLICATION OF FUNDS					
Cash & Bank Balance	1,674.7	1,719.7	1,919.0	1,756.1	1,923.7
Investments	4,771.0	7,659.9	10,609.9	11,458.7	12,260.8
G-Secs	3,703.7	5,752.4	8,484.0	7,093.2	7,115.7
Advances	14,637.0	15,710.8	19,348.8	20,800.0	22,880.0
Fixed Assets	103.9	429.2	399.9	419.9	440.9
Other Assets	1,404.1	1,540.1	2,269.9	2,099.7	1,942.2
Total Assets	22,590.6	27,059.7	34,547.5	36,534.3	39,447.6

Source: Bank, HDFC sec Inst Research; **FY18P, FY19E and FY20E metrics include the erstwhile Associate Banks and BMB, now merged into SBIN.**

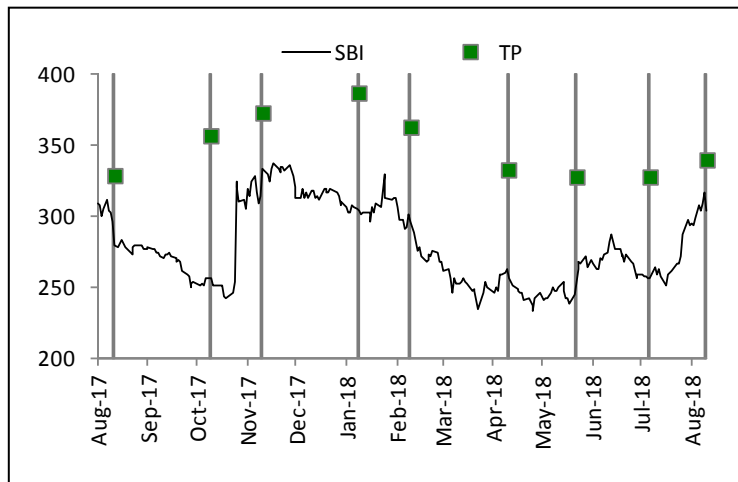
Standalone Key Ratios

	FY16	FY17	FY18	FY19E	FY20E
VALUATION RATIOS					
EPS (Rs)	12.8	13.1	(7.3)	6.5	23.1
Earnings Growth (%)	(24.1)	5.4	(162.5)	(188.7)	254.2
BVPS (Rs)	171.2	182.3	217.7	223.1	263.1
Core Adj. BVPS (Rs)	99.3	109.2	93.5	133.6	169.9
DPS (Rs)	2.6	2.6	-	1.0	3.5
ROAA (%)	0.46	0.42	(0.21)	0.16	0.54
ROAE (%) (Core)	7.91	6.77	(3.35)	2.69	9.1
P/E (x)	15.9	15.1	(25.5)	28.6	8.0
P/ABV (x)	2.05	1.82	2.00	1.39	1.09
P/PPOP (x)	5.5	4.8	4.6	4.5	4.1
Dividend Yield (%)	0.9	0.9	-	0.3	1.1
PROFITABILITY					
Yield On Advances (%)	8.37	7.88	7.43	7.77	7.83
Yield On Investment (%)	8.82	7.76	7.06	7.00	7.00
Cost Of Funds (%)	5.72	5.27	4.87	4.93	4.98
Cost Of Deposits (%)	5.98	5.59	5.13	5.19	5.22
Core Spread (%)	2.65	2.61	2.57	2.84	2.84
NIM (%)	3.01	2.84	2.52	2.70	2.74
OPERATING EFFICIENCY					
Cost/Avg. Asset Ratio (%)	1.94	1.87	1.95	1.78	1.80
Core Cost-Income Ratio (%)	52.21	53.68	55.94	53.60	52.76
BALANCE SHEET STRUCTURE					
Loan Growth (%)	12.6	7.3	3.5	7.5	10.0
Deposit Growth (%)	9.8	18.1	4.7	7.0	9.2
C/D Ratio (%)	84.6	76.8	71.5	71.8	72.3
Equity/Assets (%)	6.4	7.0	6.3	6.1	6.1
Equity/Advances (%)	9.9	12.0	11.3	10.8	10.5
CASA (%)	42.6	43.5	44.5	45.5	46.4
Capital Adequacy Ratio (CAR, %)	13.1	13.1	12.6	10.3	10.2
W/w Tier I CAR (%)	9.92	10.35	10.36	8.45	8.36

	FY16	FY17	FY18	FY19E	FY20E
ASSET QUALITY					
Gross NPLs (Rs bn)	981.8	1,123.4	2,234.3	1,707.1	1,370.2
Net NPLs (Rs bn)	558.1	582.8	1,108.5	798.6	645.2
Gross NPLs (%)	6.50	6.90	11.55	8.21	5.99
Net NPLs (%)	3.81	3.71	5.73	3.84	2.82
Slippages (%)	4.65	2.57	8.43	3.05	2.60
Coverage Ratio (%)	43.2	48.13	50.38	53.22	52.91
Provision/Avg. Loans (%)	1.95	2.17	3.75	2.28	1.66
ROAA TREE					
Net Interest Income	2.66%	2.49%	2.43%	2.40%	2.47%
Non Interest Income	1.29%	1.43%	1.45%	1.07%	1.09%
<i>Treasury Income</i>	0.23%	0.43%	0.40%	0.14%	0.14%
Operating Cost	1.94%	1.87%	1.95%	1.78%	1.80%
Provisions	1.37%	1.45%	2.44%	1.44%	1.04%
<i>Provisions For NPAs</i>	1.25%	1.33%	2.32%	1.29%	0.95%
Tax	0.18%	0.18%	-0.29%	0.08%	0.18%
ROAA	0.46%	0.42%	-0.21%	0.16%	0.54%
Leverage (x)	15.79	14.93	15.12	16.04	16.34
ROAE	7.30%	6.31%	-3.21%	2.62%	8.85%

Source: Bank, HDFC sec Inst Research; **FY18, FY19E and FY20E metrics include the erstwhile Associate Banks and BMB, now merged into SBIN.**

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
13-Aug-17	281	BUY	329
9-Oct-17	257	BUY	357
11-Nov-17	334	BUY	373
8-Jan-18	306	BUY	387
11-Feb-18	296	BUY	363
10-Apr-18	263	BUY	333
23-May-18	254	BUY	328
6-Jul-18	256	BUY	328
12-Aug-18	304	BUY	340

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

Disclosure:

We, **Darpin Shah, MBA, Pranav Gupta, ACA & Kaushik Utpat, CA**, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. HSL has no material adverse disciplinary history as on the date of publication of this report. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

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