

State Bank of India

BSE SENSEX	S&P CNX
34,951	10,524
Bloomberg	SBIN IN
Equity Shares (m)	8,925
M.Cap.(INRb)/(USD\$)	2635.4 / 36
52-Week Range (INR)	347 / 232
1, 6, 12 Rel. Per (%)	13/19/-13
12M Avg Val (INR M)	6857
Free float (%)	42.3

Financials & Valuations (INR b)

Y/E March	FY18	FY19E	FY20E
NII	748.5	823.5	970.9
OP	595.1	586.1	710.0
NP	-65.5	20.9	235.1
NIM (%)	2.5	2.6	2.7
EPS (INR)	-7.7	2.3	26.3
EPS Gr. (%)	238.0	-130.5	1,022.9
BV (INR)	230.2	232.0	256.0
ABV (INR)	134.5	162.1	196.2
Cons. BV (INR)	242.8	245.1	269.9
Cons. ABV (INR)	152.3	180.8	214.4
RoE (%)	-3.5	1.1	11.4
RoA (%)	-0.2	0.1	0.6

Valuations

P/BV (x) (Cons.)	1.1	1.2	1.1
P/ABV (x) (Cons.)	1.8	1.6	1.4
P/ABV (x)	1.6	1.3	1.1
P/E (x)	-28.1	92.1	8.2

CMP: INR295
TP: INR370 (+25%)
Buy

Asset quality pressure easing; earnings set to accelerate

- **SBIN reported PAT of INR9.4b** (ahead of our estimate), largely driven by robust other income; NII growth was in line with our estimate. Other income was mainly supported by INR15.6b of gain from stake sale in SBI General Insurance. PPOP, thus, increased 16% QoQ to INR139b.
- Watch-list, including SMA-1 and 2, declined to INR204b (0.98% of loans; 1QFY19: INR246b). Of the standard power exposure of INR1,463b, INR99.7b is included in the watch list, while the remaining exposure continues to be standard. Around 66% of the power exposure is rated A- and above.
- **Retail segment maintained healthy growth** of 14%/3% YoY/QoQ, while Corporate/Mid-corporate segment growth stood at 14% YoY. Management guided for 12% loan CAGR until FY20.
- **Opex grew 12% YoY (declined sequentially)**, as SBIN recognized INR9.02b of gratuity liability (pending INR9.02b to be provided) and also made wage provisions of ~INR9b in 2QFY19. Consequently, employee expense increased ~26% YoY to INR96.9b.
- **Fresh slippages came in at INR107.2b** (INR108.8b including debits), even as corporate slippages declined to INR31.8b (~75% from the watch-list). Non-corporate slippages stood higher, but we expect the trend to improve, going forward. High provisions and lower slippages, thus, drove a 3.3%/4.5% QoQ decline in GNPLs/NNPLs, while the coverage ratio was flat at 53.4% (70.7% including technical write-off). GNPL ratio, thus, declined 74bp QoQ to 9.95%, while the net NPL ratio declined to 4.84% (5.29% in 1QFY19). SBIN holds 70% provision on NCLT exposure and is expecting write-backs here.
- **Analyst meet highlights:** (a) SBIN guided for ~2% slippage and credit cost each for FY19. (b) FY20 RoA guidance of 0.9%-1%. (c) INR60b of valuation was done for SBI Cards and Payments – the bank has divested 26% stake in this business. (d) 10-12% of provisioning (INR32-35b) may be required on power NPAs, while it expects INR60b of provisions write-back from NCLT list 1 accounts.
- **Valuation view:** Credit cycle is clearly showing recovery signs, as evident in the declining size of watch-list (~1% of advances) and the lower slippages from the core corporate pool. We expect slippages to moderate further in 2HFY19, while the resolution of stressed power assets remains an important event to watch for in the near term (66% of power assets are rated A- or above). We increase our FY19 projections by 11%, while our FY20 earnings estimates stand largely unchanged – we expect RoA/RoE to improve to 0.6%/11.4% by FY20. We maintain **Buy** with a revised target price of INR370 (1.5x FY20E ABV for the bank + 79 per share for the subsidiaries).

Quarterly snapshot

Y/E March	FY18				FY19E				FY18	FY19E	FY19	V/s
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	Est
Net Interest Income	1,76,060	1,85,859	1,86,875	1,99,744	2,17,984	2,09,057	2,07,521	1,88,935	7,48,537	8,23,496	2,05,610	1.7%
% Change (YoY)	-3.5	2.6	5.2	-5.2	23.8	12.5	11.0	-5.4	-0.5	10.0	10.6	185
Other Income	80,057	1,60,161	80,842	1,24,948	66,795	93,751	1,02,046	1,29,894	4,46,007	3,92,486	86,347	8.6%
Total Income	2,56,117	3,46,020	2,67,717	3,24,692	2,84,779	3,02,807	3,09,567	3,18,829	11,94,544	12,15,982	2,91,957	3.7%
Operating Expenses	1,37,376	1,46,028	1,50,171	1,65,859	1,65,047	1,63,759	1,58,718	1,42,309	5,99,434	6,29,833	1,59,974	2.4%
Operating Profit	1,18,741	1,99,991	1,17,546	1,58,833	1,19,731	1,39,049	1,50,850	1,76,520	5,95,110	5,86,150	1,31,983	5.4%
% Change (YoY)	-13.7	43.0	-18.4	-8.2	0.8	-30.5	28.3	11.1	0.1	-1.5	-34.0	353
Other Provisions	89,295	1,91,374	1,88,762	2,80,961	1,92,283	1,20,922	1,20,020	1,25,007	7,50,392	5,58,231	1,21,770	-0.7%
Profit before Tax	29,446	8,617	-71,216	-1,22,128	-72,551	18,127	30,830	51,513	-1,55,282	27,918	10,213	77%
Tax Provisions	9,391	-7,198	-47,053	-44,947	-23,793	8,678	2,094	20,000	-89,808	6,980	3,349	159%
Net Profit	20,055	15,816	-24,164	-77,180	-48,759	9,449	28,736	31,513	-65,475	20,939	6,864	38%
% Change (YoY)	436.2	-383.4	-232.8	124.3	-343.1	-40.3	-218.9	-140.8	262.7	-132.0	-56.6	1,634
Operating Parameters												
Deposits (INR b)	26,025	26,232	26,512	27,063	27,478	28,074	28,119	28,687	27,063	28,687	27,748	1.2%
Loans (INR b)	18,042	18,026	18,262	19,349	18,758	19,573	20,327	20,877	19,349	20,877	19,135	2.3%
Asset Quality												
Gross NPA (INR b)	1,881	1,861	1,991	2,234	2,128	2,059	1,932	1,915	2,234	1,915	2,059	0.0%
Gross NPA (%)	10.0	9.8	10.4	10.9	10.7	10.0	9.0	9.2	10.9	9.2	10.2	(21)
Net NPA (INR b)	1,078	979	1,024	1,109	992	948	825	786	1,109	786	926.8	2.3%
Net NPA (%)	6.0	5.4	5.6	5.7	5.3	4.8	4.1	3.8	5.7	3.8	4.8	(0)
PCR (%)	42.7	47.4	48.6	50.4	53.4	53.9	57.3	59.0	50.4	59.0	55.0	(105)

Source: Company, MOSL

Exhibit 1: Quarterly snapshot

INR m	FY17				FY18				FY19		Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	YoY	QoQ
Profit and Loss												
Interest Income	5,44,940	5,48,200	5,57,000	5,89,690	5,49,054	5,48,497	5,48,029	5,59,414	5,88,132	5,87,935	7	0
Loans	3,94,540	3,90,540	3,81,750	3,74,880	3,61,417	3,58,012	3,51,854	3,42,350	3,88,655	3,83,265	7	-1
Investment	1,39,290	1,45,810	1,64,030	1,80,420	1,65,977	1,73,147	1,81,468	1,82,784	1,85,875	1,90,805	10	3
Others	11,110	11,850	11,220	34,390	21,660	17,338	14,707	34,281	13,602	13,865	-20	2
Interest Expenses	3,62,480	3,67,010	3,79,310	3,79,030	3,72,994	3,62,638	3,61,154	3,59,670	3,70,148	3,78,878	4	2
Net Interest Income	1,82,460	1,81,190	1,77,690	2,10,660	1,76,060	1,85,859	1,86,875	1,99,744	2,17,984	2,09,057	12	-4
Other Income	87,610	1,01,460	1,15,070	1,22,220	80,057	1,60,161	80,842	1,24,948	66,795	93,751	-41	40
Trading profits	34,370	32,760	49,000	19,970	17,700	85,660	10,260	9,410	-12,640	13,280	-84	NM
Fee Income	41,900	50,540	47,100	74,340	48,700	53,570	49,790	84,300	49,760	50,150	-6	1
Forex Income	5,690	6,380	6,550	6,880	6,670	6,750	5,970	5,460	4,270	4,930	-27	15
Others	5,650	11,780	12,420	21,030	6,987	14,181	14,822	25,778	25,405	25,391	79	0
Total Income	2,70,070	2,82,650	2,92,760	3,32,880	2,56,117	3,46,020	2,67,717	3,24,692	2,84,779	3,02,807	-12	6
Operating Expenses	1,32,450	1,42,770	1,48,750	1,59,780	1,37,376	1,46,028	1,50,171	1,65,859	1,65,047	1,63,759	12	-1
Employee	77,830	83,000	89,780	89,140	77,245	77,032	84,968	92,542	97,084	96,964	26	0
Others	54,620	59,770	58,970	70,640	60,131	68,996	65,203	73,317	67,963	66,795	-3	-2
Operating Profits	1,37,620	1,39,880	1,44,010	1,73,100	1,18,741	1,99,991	1,17,546	1,58,833	1,19,731	1,39,049	-30	16
Core Operating Profits	1,03,250	1,07,120	95,010	1,53,130	1,01,041	1,14,331	1,15,526	1,49,423	1,13,071	1,25,769	10	11
Provisions	1,30,370	1,48,300	1,19,230	2,09,320	89,295	1,91,374	1,88,762	2,80,961	1,92,283	1,20,922	-37	-37
PBT	7,250	-8,420	24,780	-36,220	29,446	8,617	-71,216	-1,22,128	-72,551	18,127	110	NM
Taxes	3,510	-2,840	6,580	-1,810	9,391	-7,198	-47,053	-44,947	-23,793	8,678	NM	NM
PAT	3,740	-5,580	18,200	-34,410	20,055	15,816	-24,164	-77,180	-48,759	9,449	-40	NM
Balance Sheet												
Deposits (INR b)	22,974	23,790	26,028	25,853	26,025	26,232	26,512	27,063	27,478	28,074	7	2
Loans (INR b)	17,958	18,039	18,069	18,690	18,042	18,026	18,262	19,349	18,758	19,573	8.6	4
Asset Quality												
GNPA (INR b)	1,377	1,598	1,633	1,779	1,881	1,861	1,991	2,234	2,128	2,059	11	-3
NNPA (INR b)	782	924	963	970	1,078	979	1,024	1,109	992	948	-3	-4
Slippages (INR b)	307	376	207	104	301	106	268	328	143	109	2	-24
Loan loss provisions	594	674	670	809	803	882	968	1,126	1,136	1,099	25	-3
Ratios (%)												
	FY17				FY18				FY19		Change (bps)	
Asset Quality Ratios	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	YoY	QoQ
GNPA (%)	7.4	8.5	8.7	9.1	10.0	9.8	10.4	10.9	10.7	10.0	12	(1)
NNPA (%)	4.4	5.1	5.3	5.2	6.0	5.4	5.6	5.7	5.3	4.8	(59)	(0)
PCR (Calculated, %)	43.2	42.2	41.0	45.5	42.7	47.4	48.6	50.4	53.4	53.9	655	1
PCR (Reported, %)	59.9	58.6	59.0	61.5	60.8	65.1	65.9	66.2	69.3	70.7	564	1
Business Ratios												
Fees to Total Income	15.5	17.9	16.1	22.3	19.0	15.5	18.6	26.0	17.5	16.6	108	(1)
Cost to Core Income	56.2	57.1	61.0	51.1	57.6	56.1	58.3	52.6	55.5	56.6	47	1
Tax Rate	48.4	33.7	26.6	5.0	31.9	-83.5	66.1	36.8	32.8	47.9	NM	15
Loan/Deposit	78.2	75.8	69.4	72.3	69.3	68.7	68.9	71.5	68.3	69.7	100	1
CAR	14.0	13.9	13.7	12.9	13.3	13.6	12.7	12.6	12.8	12.6	(95)	(0)
Tier I	10.8	10.9	10.7	10.1	10.7	11.0	10.3	10.4	10.5	10.4	(60)	(0)
Profitability Ratios												
RoA	0.4	0.0	0.1	0.4	0.3	0.2	-0.3	-0.9	-0.6	0.1	(9)	1
Yield on Advances	9.6	9.5	9.4	9.3	8.5	8.5	8.4	8.3	8.6	8.4	(3)	(0)
Yield on Investments	9.1	7.6	7.2	7.4	7.0	7.0	7.0	7.0	7.0	7.1	10	0
Yield On Funds	9.5	8.3	8.0	8.1	7.6	7.7	7.6	7.5	7.8	7.8	8	(0)
Cost of Deposits	6.1	6.1	5.9	5.8	5.5	5.4	5.3	5.3	5.1	5.1	(32)	(0)
Margins	2.8	2.8	2.7	2.7	2.4	2.4	2.5	2.5	2.8	2.7	30	(0)

Source: Company, MOSL

Exhibit 2: Quarterly v/s estimates

Y/E March	2QFY19A	2QFY19E	Var. (%)	Comments
Net Interest Income	2,09,057	2,05,610	2	NII beat on account of pick up in loan growth
% Change (YoY)	12.5	10.6		
Other Income	93,751	86,347	9	Other income beat on account of stake sale gain and improved recoveries from NPA written off A/Cs
Net Income	3,02,807	2,91,957	4	
Operating Expenses	1,63,759	1,59,974	2	Largely in line; elevated on account of wage hike provisions
Operating Profit	1,39,049	1,31,983	5	
% Change (YoY)	-30.5	-34		
Other Provisions	1,20,922	1,21,770	-1	In line
Profit before Tax	18,127	10,213	77	
Tax Provisions	8,678	3,349	159	
Net Profit	9,449	6,864	38	Better than expected NII and Other income led to PAT beat
% Change (YoY)	-40.3	-57		

Source: Company, MOSL

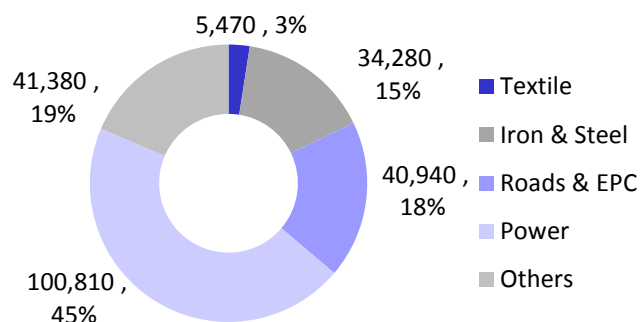
Bulk of the slippages came from non-corporate assets. Within corporate, 75% of the slippages were from watch list

Bulk of the slippages were from non-corporate segments

- Of the total slippages of INR108.9b (INR143.5b in 1Q19), the corporate segment accounted for INR31.9b and the rest of the slippages were from SME (INR38.35b), agri (INR27b) and retail (INR9.82b).
- 75% of corporate slippages occurred from the watch list. Out of INR31.9b of the corporate slippage, 20% came from iron and steels, 24% from roads & EPS, 6% from power, and the remaining from the miscellaneous segments.

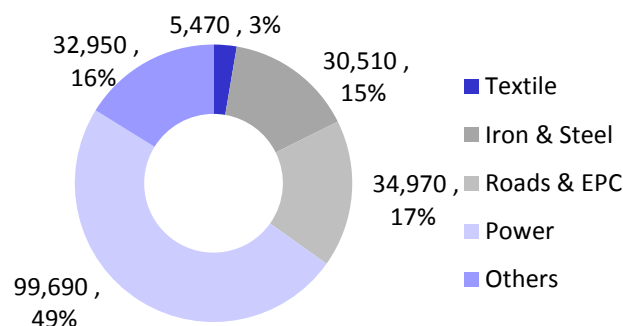
Stress asset pool declines sequentially

- Total watch-list (including SMA-1 & SMA-2) stood at INR203.5b (~1% of advances) v/s INR246.3b (1.3% of advances) as on 1QFY19.
- Absolute GNPA/NNPA decreased by 3.3%/4.5% QoQ to INR2.06t/INR948.1b, while GNPL/NNPL ratios declined to 74bp/45bp to 10%/4.8%. The bank's reported PCR increased 148bp QoQ to 70.7%.
- GNPA in agriculture remains elevated at 11.4% (v/s 11.6% in 1Q), while GNPA in the SME segment increased to 10.2% (v/s 9.1% in 1Q). Within large corporates and mid corporates, GNPA stood at ~20%.
- The bank's exposure (fund based) toward NCLT list 1 stands at INR310.6b (PCR of 64%), while toward NCLT list 2 it is INR223.1b (PCR of 78%) – total PCR of 70% on the combined list.

Exhibit 3: Watch list stood at INR223b as on 1QFY19

Note: Excludes INR23.4b of SMA-1 and SMA-2 accounts.

Source: Company, MOSL

Exhibit 4: Watch list declines to INR203b as on 2QFY19

Note: Excludes INR12.3b of SMA-1 and SMA-2 accounts.

Source: Company, MOSL

Retail loans grew 14.2% YoY, led by growth in auto and home loans

Continued focus on increasing retail loan mix led by housing and auto

- Retail segment continued exhibiting strong growth (+14.2% YoY), led by robust growth in auto loan (+8.3%) and home loans (+ 23.8% YoY). Retail: wholesale mix now stands at 58:42.
- Corporate book grew by 14.3% YoY and SME book by 5.2% YoY.

Other highlights

- Overall/domestic NIM contracted by 7bp each QoQ to 2.7%/2.9%.
- **Subsidiaries performance:** Performance of subsidiaries remained strong, with PAT for SBI Life, SBI Fund Mgt. and SBI General Insurance coming in at INR2.5b, INR1.1b and INR70m, respectively.
- CET1 ratio stood at 9.65%, with a Tier 1 ratio of 10.4% (CAR of 12.6%).

2QFY19 Analyst meet highlights

Balance sheet related

- NBFC are in a better position now and have been able to roll over their CPs and other short-term sources of funding.
- Portfolio buyout: ~INR150b is in the process of buying out.
- Bulk of IL&FS exposure is at SPV levels, on which bank is not worried about taking any haircuts. Exposure: NBFC – INR900m, Holding Co – INR2.5b and SPVs – INR40b.
- Non-fund-based exposure: INR151.4b.
- O/S SR: INR100b.
- Total NCLT cases: o/s cases 378 with exposure of INR1.1t, of which INR360b are not admitted. ~54 accounts with exposure of INR100b are undergoing liquidation.
- LCR of more than 140%. Upgrades during the quarter were ~INR45b.

P&L related

- Credit cost for 2QFY19 was at 1.99%.
- Provision for wage hikes and gratuity would moderate and hence will see improvement in provisions, opex and profitability from 4QFY19.
- 10%-12% of provisioning (INR32-35b) may be required on power NPAs, while it expects INR60b of provision write-back from NCLT list 1 accounts.
- The resolution of a stress account (Uttam Galva) will have an impact of INR13b in P&L, while the impact on NPA would be ~INR20b in 3QFY19.
- Expect write-backs in both the NCLT lists once the resolutions are completed.
- Slippages: SME-INR38.34b, Agri-INR27b, Retail-INR9.82b and the balance is corporate. 59% of the portfolio (including SME) is retail and the proportion will be largely the same going forward.

Guidance

- Will see further improvement in profitability performance going forward.
- Slippages and credit cost guidance of under 2% for FY19.
- SBI General Insurance was valued at INR120b.
- NIM guidance of 3% for FY20. Domestic to be ~2.85% and overseas to 1.5% for FY19.
- Loans guidance of 10%-12% for FY19.

- RoA guidance of ~0.9% FY20.
- INR60b of valuation was done for merchant business (SBI Cards & payments), of which 26% stake sale was done.
- Enough capital for FY19 and internal accrual would be sufficient to fund the growth. However, it has taken the resolution for capital raise.

Exhibit 5: We revise our FY19/20 PAT estimates by ~11%/0.7%

INR B	Old Estimates		Revised Estimates		Change (%)/bps	
	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
Net Interest Income	816	962	823	971	0.9	0.9
Other Income	392	440	392	440	0.0	0.0
Total Income	1,209	1,402	1,216	1,410	0.6	0.6
Operating Expenses	630	700	630	700	0.0	0.0
Operating Profits	579	701	586	710	1.3	1.2
Provisions	554	353	558	359	0.8	1.8
PBT	25	349	28	351	11.1	0.7
Tax	6	115	7	116	11.1	0.7
PAT	19	234	21	235	11.1	0.7
Cons. PAT	43	262	45	264	4.9	0.6
Loans (INRb)	20,606	22,791	20,877	23,174	1.3	1.7
Deposits (INRb)	28,552	31,007	28,687	31,154	0.5	0.5
Credit Cost (%)	2.4	1.8	2.4	1.8	0	0
RoA (%)	0.1	0.6	0.1	0.6	1	0
RoE (%)	1.0	11.3	1.1	11.4	11	6

Source: MOSL, Company

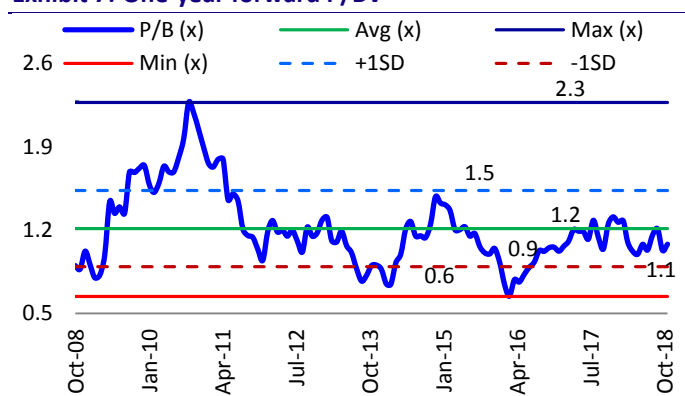
Valuation and view

- Power remains a key issue for the sector; however, SBI remains comfortable due to its larger exposure toward PSU entities and top-rated private corporates. The bank is hopeful of better asset quality trend in ensuing years (increase in resolution of stressed accounts and lowering of the watch-list). We expect the slippage ratio to moderate to 2.3% of loans in FY19E.
- With the bank adequately provided against the NCLT accounts, we expect credit cost to decline in the long term and RoA to improve to 0.6% by FY20E. SBIN is highly levered to macroeconomic conditions and an improvement in the investment climate would assuage asset quality fears.
- Within PSU banks, SBIN remains the best play on recovery in Indian economy, with NSL at ~6%, relatively healthy PCR, healthy capitalization (Tier 1 of ~10.4%), strong liability franchise and a focus on core operating profitability.
- Credit cycle is clearly showing recovery signs, as evident in the declining size of watch-list (~1% of advances) and the lower slippages from the core corporate pool. We expect slippages to further moderate in 2HFY19 while the resolution of stressed power assets remains an important event to watch for in the near term (66% of power assets are rated A- or above). We increase our FY19 projections by 11% while our FY20 earnings estimates stand largely unchanged – we expect RoA/RoE to improve to 0.6%/11.4% by FY20. Maintain Buy with an revised price target of INR370 (1.5x FY20E ABV for the bank + 79 per share for the subsidiaries).

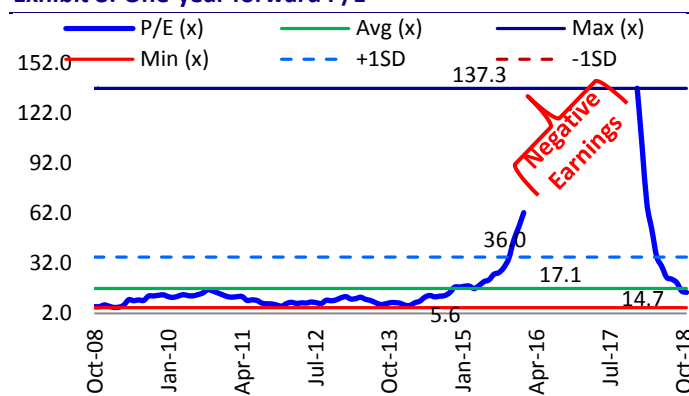
Exhibit 6: SBIN SOTP Valuation

Name	Stake (%)	Total Value (INR)	Value per Share	% of total value	Rationale
SBI Bank	100	25,91,989	290	79	1.5x forward ABV
Life insurance	62	5,20,432	58	16	Appraisal value
Asset management	60	97,942	11	3	5% of FY20E AUM
General insurance	74	1,28,571	14	4	25x FY20E PAT
Capital Market/DFHI/Cards		1,35,498	15	4	
Total Value of Subs		8,82,443	99	27	
Less: 20% holding disc		1,76,489	20	5	
Value of Subs (Post Holding Disc)		7,05,954	79	21	
Target Price		32,97,943	370		

Source: MOSL, Company

Exhibit 7: One-year forward P/BV

Source: MOSL, Company

Exhibit 8: One-year forward P/E

Source: MOSL, Company

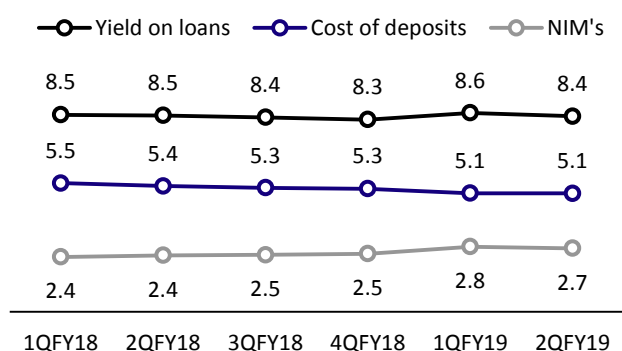
Exhibit 9: DuPont Analysis: Return ratios to show significant improvement over FY20e

Y/E MARCH	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Interest Income	8.57	8.43	8.24	7.89	7.28	6.52	6.82	7.07
Interest Expense	5.57	5.55	5.41	5.23	4.83	4.31	4.52	4.56
Net Interest Income	2.99	2.88	2.82	2.66	2.44	2.21	2.31	2.52
Fee income	0.76	0.71	0.72	0.74	0.94	0.92	0.84	0.92
Trading and others	0.28	0.33	0.41	0.49	0.44	0.40	0.26	0.22
Non Interest income	1.03	1.04	1.13	1.23	1.39	1.32	1.10	1.14
Total Income	4.03	3.92	3.95	3.88	3.83	3.53	3.41	3.65
Operating Expenses	1.94	2.07	1.96	1.91	1.90	1.77	1.76	1.81
Employee cost	1.22	1.31	1.21	1.08	1.10	0.98	1.00	1.02
Others	0.72	0.76	0.75	0.83	0.79	0.79	0.77	0.80
Operating Profit	2.08	1.85	1.99	1.97	1.93	1.76	1.64	1.84
Core Operating Profit	1.80	1.53	1.58	1.48	1.49	1.36	1.38	1.62
Provisions	0.79	0.95	1.03	1.37	1.97	2.22	1.56	0.93
NPA	0.64	0.74	0.78	1.29	1.80	2.11	1.35	1.03
Others	0.15	0.21	0.25	0.08	0.17	0.11	0.21	-0.10
PBT	1.29	0.90	0.96	0.60	-0.04	-0.46	0.08	0.91
Tax	0.36	0.27	0.29	0.17	0.02	-0.27	0.02	0.30
RoA	0.93	0.63	0.66	0.43	-0.06	-0.19	0.06	0.61
Leverage (x)	17.5	17.0	16.8	17.0	17.6	18.0	18.3	18.7
RoE	16.3	10.6	11.2	7.2	-1.0	-3.5	1.1	11.4

Source: Company, MOSL

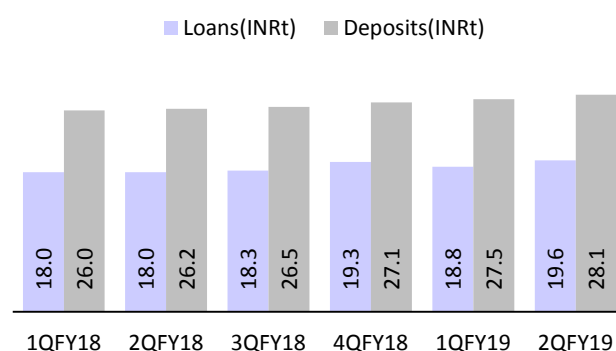
Story in charts

Exhibit 10: NIMs shrank 7bp QoQ to 2.73%



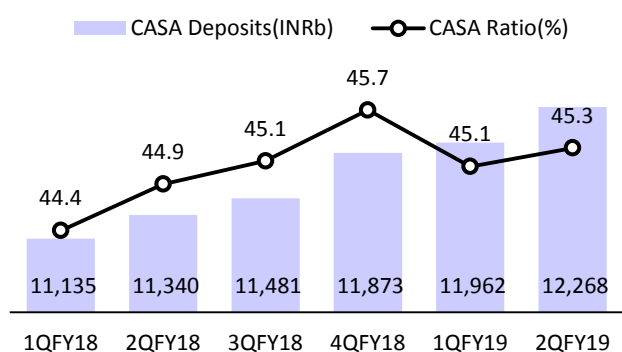
Source: MOSL, Company

Exhibit 11: Loans grew 9% YoY, while deposits grew 7% YoY



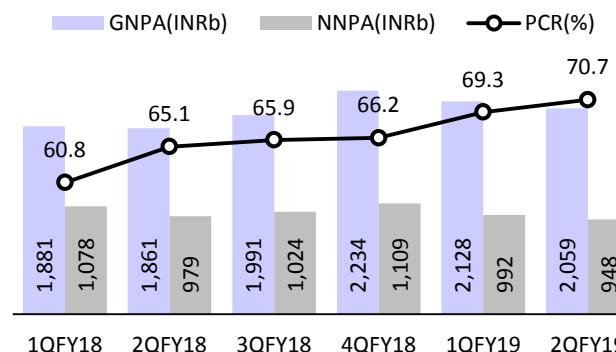
Source: MOSL, Company

Exhibit 12: CASA ratio improved 20bp QoQ to 45.3%



Source: MOSL, Company

Exhibit 13: PCR (incl. TWO) improved 148bp QoQ to 70.7%



Source: MOSL, Company

Exhibit 14: Loan book remains well diversified – Retail : Wholesale mix stands at 58:42

INRb	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	YoY	QoQ
Large corporate	3,761	6,521	3,539	4,119	4,130	7,453	14.3%	80.5%
International	2,791	2,919	2,998	3,020	2,667	2,909	-0.3%	9.1%
SME	2,566	2,525	2,677	2,699	2,751	2,657	5.2%	-3.4%
Retail	4,900	5,048	5,210	5,466	5,591	5,766	14.2%	3.1%
Agri	1,891	1,912	1,941	1,883	1,881	1,907	-0.3%	1.4%

Source: Company, MOSL

Financials and Valuations

Income statement

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Interest Income	16,37,657	18,41,722	20,20,862	21,49,717	22,39,820	22,04,993	24,35,875	27,30,307
Interest Expense	10,65,334	12,11,846	13,27,700	14,25,842	14,87,830	14,56,456	16,12,379	17,59,448
Net Interest Income	5,72,323	6,29,876	6,93,163	7,23,876	7,51,990	7,48,537	8,23,496	9,70,859
Change (%)	4.6	10.1	10.0	4.4	3.9	-0.5	10.0	17.9
Non Interest Income	1,97,462	2,27,075	2,76,165	3,34,276	4,26,370	4,46,007	3,92,486	4,39,584
Total Income	7,69,784	8,56,951	9,69,327	10,58,152	11,78,360	11,94,544	12,15,982	14,10,443
Change (%)	6.2	11.3	13.1	9.2	11.4	1.4	1.8	16.0
Operating Expenses	3,71,715	4,52,178	4,80,751	5,20,822	5,83,750	5,99,434	6,29,833	7,00,489
Pre Provision Profits	3,98,069	4,04,773	4,88,576	5,37,330	5,94,610	5,95,110	5,86,150	7,09,955
Change (%)	0.05	1.7	20.7	10.0	10.7	0.1	-1.5	21.1
Core Provision Profits	3,81,556	3,76,661	4,41,877	4,78,982	4,58,510	4,60,876	4,92,186	6,25,387
Change (%)	-5.40	-1.3	17.3	8.4	-4.3	0.5	6.8	27.1
Provisions (excl tax)	1,50,509	2,08,363	2,53,742	3,74,113	6,07,210	7,50,392	5,58,231	3,59,026
PBT	2,47,560	1,96,410	2,34,834	1,63,217	-12,600	-1,55,282	27,918	3,50,929
Tax	69,727	59,725	71,815	47,323	5,450	-89,808	6,980	1,15,806
Tax Rate (%)	28.2	30.4	30.6	29.0	-43.3	57.8	25.0	33.0
PAT	1,77,834	1,36,685	1,63,019	1,15,894	-18,050	-65,475	20,939	2,35,122
Change (%)	16.0	-23.1	19.3	-28.9	NA	NA	-132.0	1,022.9
Equity Dividend (Incl tax)	33,195	26,169	32,045	24,625	24,149	0	5,111	20,443
Cons. PAT post MI	1,79,162	1,41,738	1,69,943	1,22,246	2,412	-45,563	44,833	2,63,795
Change (%)	16.8	-20.9	19.9	-28.1	-98.0	-1,988.8	-198.4	488.4

Balance Sheet

(INR Million)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Share Capital	6,840	7,466	7,466	7,764	8,110	8,925	8,925	8,925
Reserves & Surplus	11,75,042	13,84,815	15,13,374	16,83,365	21,10,020	21,82,361	21,98,189	24,12,869
Net Worth	11,81,882	13,92,280	15,20,840	16,91,129	21,18,130	21,91,286	22,07,114	24,21,793
Deposits	1,61,84,449	1,82,83,631	2,03,97,568	2,24,05,421	2,58,53,200	2,70,63,433	2,86,87,239	3,11,54,341
Change (%)	15.2	13.0	11.6	9.8	15.4	4.7	6.0	8.6
of which CASA Dep	65,97,246	73,78,185	80,48,912	86,07,625	1,19,87,930	1,20,39,484	1,29,95,319	1,42,68,688
Change (%)	15.1	11.8	9.1	6.9	39.3	0.4	7.9	9.8
Borrowings	20,19,151	22,08,522	24,15,078	25,24,550	33,21,060	36,21,421	39,81,607	44,37,484
Other Liab. & Prov.	12,03,202	12,17,578	16,42,190	18,98,038	17,56,230	16,71,381	19,72,229	23,27,231
Total Liabilities	2,05,88,684	2,31,02,011	2,59,75,676	2,85,19,138	3,30,48,620	3,45,47,520	3,68,48,188	4,03,40,849
Current Assets	14,12,918	16,33,913	18,56,918	20,19,808	27,08,610	19,18,986	26,89,881	30,13,003
Investments	46,58,174	51,36,365	59,78,630	61,55,361	93,29,270	1,06,09,867	1,19,26,198	1,34,91,994
Change (%)	13.6	10.3	16.4	3.0	51.6	13.7	12.4	13.1
Loans	1,37,92,240	1,56,44,777	1,67,40,166	1,84,92,994	1,86,89,630	1,93,48,802	2,08,77,357	2,31,73,867
Change (%)	19.7	13.4	7.0	10.5	1.1	3.5	7.9	11.0
Fixed Assets	91,608	1,03,962	1,22,312	1,42,795	4,99,060	3,99,923	4,19,919	4,49,313
Other Assets	6,33,744	5,82,993	12,77,650	17,08,181	18,22,050	22,69,942	9,34,833	2,12,672
Total Assets	2,05,88,684	2,31,02,011	2,59,75,676	2,85,19,138	3,30,48,620	3,45,47,520	3,68,48,188	4,03,40,849

Asset Quality

GNPA (INR m)	5,89,874	7,60,250	6,97,170	11,81,771	17,78,650	22,34,260	19,14,870	18,46,998
NNPA (INR m)	2,66,513	4,03,665	3,42,928	5,58,070	9,69,780	11,08,547	7,85,728	6,63,150
GNPA Ratio	4.17	4.75	4.08	6.18	9.52	11.55	9.17	7.97
NNPA Ratio	1.93	2.58	2.05	3.02	5.19	5.73	3.76	2.86
Slippage Ratio	3.4	4.3	2.9	5.4	7.0	5.3	2.30	2.30
Credit Cost	1.1	1.3	1.4	2.2	3.3	3.8	2.4	1.8
PCR (Excl Tech. W/O)	57.3	48.7	50.5	52.8	45.5	50.4	59.0	64.1

Financials and Valuations

Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Yield and Cost Ratios (%)								
Avg. Yield-Earning Assets	9.3	9.2	9.1	8.9	9.0	7.4	7.6	7.6
Avg. Yield on loans	9.9	9.5	9.3	9.0	9.3	7.4	8.0	8.2
Avg. Yield on Investments	8.2	8.5	8.1	8.3	8.5	7.2	7.1	7.0
Avg. Cost-Int. Bear. Liab.	6.3	6.3	6.1	6.0	6.0	4.9	5.1	5.2
Avg. Cost of Deposits	6.4	6.3	6.3	5.8	6.4	5.1	5.2	5.2
Interest Spread	3.0	2.9	3.0	2.9	3.0	2.5	2.5	2.5
Net Interest Margin	3.3	3.1	3.1	3.0	3.0	2.5	2.6	2.7

Capitalization Ratios (%)

CAR	12.9	12.4	12.0	13.1	13.0	12.7	12.3	12.5
Tier I	9.5	9.7	9.6	9.9	10.4	10.5	10.0	10.2
Tier II	3.4	2.7	2.4	3.2	2.6	2.2	2.3	2.3

Business and Efficiency Ratios (%)

Loans/Deposit Ratio	85.2	85.6	82.1	82.5	72.3	71.5	72.8	74.4
CASA Ratio	40.8	40.4	39.5	38.4	46.4	44.5	45.3	45.8
Cost/Assets	1.8	2.0	1.9	1.8	1.8	1.7	1.7	1.7
Cost/Total Income	48.3	52.8	49.6	49.2	49.5	50.2	51.8	49.7
Cost/Core Income	50.1	55.6	53.5	53.6	56.0	56.5	56.1	52.8
Int. Expense./Int. Income	65.1	65.8	65.7	66.3	66.4	66.1	66.2	64.4
Fee Income/Total Income	23.5	23.2	23.7	26.1	24.6	26.1	24.5	25.2
Non Int. Inc./Total Income	25.7	26.5	28.5	31.6	36.2	37.3	32.3	31.2
Empl. Cost/Total Expense	62.8	63.2	61.7	56.4	58.2	55.3	56.6	56.0
Investment/Deposit Ratio	28.8	28.1	29.3	27.5	36.1	39.2	41.6	43.3

Profitability Ratios and Valuation

RoE	16.8	11.1	11.7	7.6	-1.1	-3.5	1.1	11.4
RoA	0.9	0.6	0.7	0.4	-0.1	-0.2	0.1	0.6
RoRWA	1.8	1.2	1.3	0.9	-0.1	-0.3	0.1	1.0
Consolidated RoE	16.3	11.1	11.9	7.8	0.1	-2.0	1.9	10.6
Consolidated RoA	0.9	0.6	0.7	0.4	0.0	-0.1	0.1	0.6
Book Value (INR)	167	177	195	207	240	230	232	256
Change (%)	15.1	6.3	9.7	6.5	15.7	-4.0	0.8	10.4
Price-BV (x)	1.8	1.2	1.1	1.0	0.9	0.9	0.9	0.8
Consol BV (INR)	177	188	207	222	248	243	245	270
Change (%)	14.8	6.5	10.0	7.2	11.6	-2.0	1.0	10.1
Price-Consol BV (x)	1.6	1.5	1.3	1.2	1.1	1.1	1.2	1.1
Adjusted BV (INR)	140	140	162	157	139	135	162	196
Price-ABV (x)	2.1	1.5	1.3	1.4	1.6	1.6	1.3	1.1
Adjusted Consol BV	147	149	172	159	159	152	181	214
Price-Consol ABV (x)	1.9	1.9	1.6	1.7	1.7	1.8	1.6	1.4
EPS (INR)	26.00	18.3	21.8	14.9	-2.3	-7.69	2.3	26.3
Change (%)	13.8	-29.6	19.3	-31.6	-115.2	238.0	-130.5	1,022.9
Price-Earnings (x)	11.4	11.8	9.9	14.5	-95.1	-28.1	92.1	8.2
Consol EPS (INR)	26.2	19.0	22.8	15.7	0.3	-5.3	5.0	29.6
Change (%)	14.6	-27.5	19.9	-30.8	-98.1	-1,859.9	-193.9	488.4
Price-Consol EPS (x)	10.5	14.5	12.1	17.5	906.5	-51.5	58.8	10.0
Dividend Per Share (INR)	4.2	3.0	3.5	2.6	3.0	0.0	0.6	2.3
Dividend Yield (%)	1.4	1.0	1.2	0.9	1.0	0.0	0.2	0.8

Source:

Corporate profile

Company description

SBI is the oldest and the largest bank in India. The SBI group offers a wide range of banking products and services. Through its non-banking subsidiaries and joint venture companies, it offers a wide range of financial services, such as merchant banking, fund management, factoring, primary dealership, broking, investment banking, credit cards, life insurance, and general insurance. The bank has 22,311 branches spread across the country.

Exhibit 1: Sensex rebased

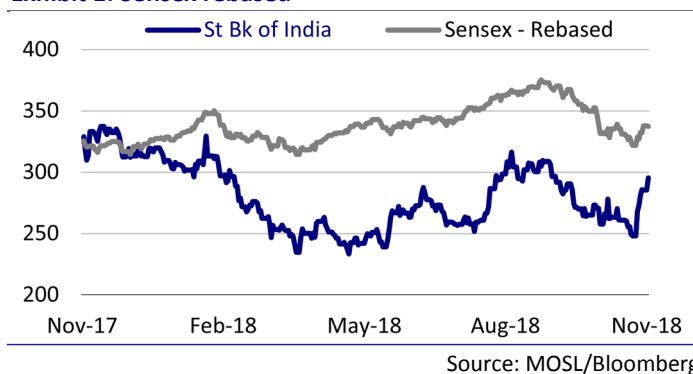


Exhibit 2: Shareholding pattern (%)

	Sep-18	Jun-18	Sep-17
Promoter	57.7	57.7	57.1
DII	23.5	23.2	22.0
FII	11.5	11.6	12.2
Others	7.4	7.5	8.7

Note: FII Includes depository receipts

Source: Capitaline

Exhibit 3: Top holders

Holder Name	% Holding
LIFE INSURANCE CORPORATION OF INDIA	10.1
HDFC TRUSTEE COMPANY LTD. A/C HDFC BALANCED ADVANTAGE FUND	3.1
BHARAT 22 ETF	2.3
RELIANCE CAPITAL TRUSTEE CO. LTD A/C RELIANCE TAX SAVER (ELSS) FUND	2.0
SBI EQUITY HYBRID FUND	1.6

Source: Capitaline

Exhibit 4: Top management

Name	Designation
Rajnish Kumar	Chairman
B. Sriram	Managing Director
Dinesh Kumar Khara	Managing Director
Parveen Kumar Gupta	Managing Director
Arijit Basu	Managing Director
Anshula Kant	Managing Director

Source: Capitaline

Exhibit 5: Directors

Name	Name
Basant Seth	Purnima Gupta
Bhaskar Pramanik	Pushpendra Rai
Sanjiv Malhotra	Girish Ahuja
Rajiv Kumar	Chandan Sinha
B. Venugopal	

*Independent

Exhibit 6: Auditors

Name	Type
Amit Ray & Co	Statutory
Varma & Varma	Statutory
Bansal & Co	Statutory
Brahmayya & Co	Statutory
Chaturvedi & Shah	Statutory

Source: Capitaline

Exhibit 7: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY19	2.3	9.0	-74.5
FY20	26.3	28.7	-8.2

Source: Bloomberg

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst becomes inconsistent with the investment rating legend, the Research Analyst shall within 28 days of the inconsistency, take appropriate measures to make the recommendation consistent with the investment rating legend.

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