

State Bank of India

BUY

Glide path clearer

While SBIN's profits were hit in 4QFY19 by higher provisions, best-in-class coverage was a positive outcome. A possible fund-raise will be book accretive. Maintain BUY with an SOTP of Rs 383 (1.3x Mar-21E ABV of Rs 222 + Rs 95 sub value).

HIGHLIGHTS OF THE QUARTER

- **Delinquent Loans Dip:** Led by high W/Os (~Rs 173bn) and lower slippages (~Rs 80bn, 1.50%), GNPA's dipped ~8% QoQ (Rs 1.72tn, 7.5%). LLPs were ~24% higher QoQ, resulting in a massive ~19% dip in NNPA's (~3%). Calculated coverage jumped ~500bps QoQ to ~62%. SMA I & II nearly halved QoQ to ~36bps, ex-slippages, driven by the upgrade of a large power exposure. Reducing pools of identified stress should reign in near term slippages. We have factored in slippages of 1.80% over FY 19-21E. The glide path is clearer now.
- **Bites The Provision Bullet:** Led by a ~24% rise in LLPs (Rs 165bn), overall provisions were up ~2.7x QoQ. The bank (finally) provided for the rest of the exposure to Essar Steel. Total provisions against Essar, Bhushan and Alok were ~Rs 100bn in 4Q. The sequential jump in provisions was magnified as 3Q included MTM

Financial Summary

(Rs bn)	4QFY19	4QFY18	YoY (%)	3QFY19	QoQ (%)	FY18	FY19P	FY20E	FY21E
Net Interest Income	229.5	199.7	14.9%	226.9	1.2%	748.5	883.5	1,009.0	1,135.1
PPOP	169.3	158.8	6.6%	126.2	34.1%	595.1	554.4	699.0	802.0
PAT	8.4	(77.2)	NA	39.5	-78.8%	(65.5)	8.6	245.3	356.9
EPS (Rs)	0.9	(8.6)	NA	4.4	-78.8%	(7.34)	1.0	27.5	40.0
ROAE (%)						(3.21)	0.4	10.6	13.9
ROAA (%)						(0.21)	0.02	0.64	0.84
Adj. BVPS (Core, ex-subs, Rs)						93.5	146	188	222
P/ABV (x)#						2.38	1.50	1.16	0.96
P/E (x)#						(30.3)	226.2	7.8	5.4

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

reversals of ~Rs 80bn. We have lowered our LLP estimates to ~1.42% over FY19-21E. Higher recoveries and upgrades may provide a positive surprise here.

- **Growth Picks Up:** Loan growth was marginally higher at 13/7%. Domestic advances grew ~14/6% while overseas advances were flat YoY (albeit up ~10% QoQ). The retail book grew ~19/6% to form ~28% of loans. Corporate loans witnessed an uptick, growing ~10% QoQ. Given its size and capital position, we see SBIN growing at no more than ~12% over FY19-21E.
- **Near term outlook:** Sharp improvement in asset quality should keep the stock in the limelight.

STANCE

Decline in fresh slippages and higher coverage put SBIN in better stead vs. a year ago, mostly insulating the P&L from shocks. Nevertheless, our earnings estimates are contingent upon smooth recoveries. Partial visibility on the recovery of three large NLCT a/cs (~Rs 160bn) provides some comfort. A book-accretive fund-raise can be expected in the near term. However, we have not factored it into our estimates.

INDUSTRY	BANKS
CMP (as on 10 May 2019)	Rs 308
Target Price	Rs 383
Nifty	11,279
Sensex	37,463

KEY STOCK DATA	SBIN IN
Bloomberg	8,925
No. of Shares (mn)	2,749/39,337
MCap (Rs bn) / (\$ mn)	6,048
6m avg traded value (Rs mn)	

STOCK PERFORMANCE (%)			
52 Week high / low	Rs 340/238		
	3M	6M	12M
Absolute (%)	7.7	8.8	24.2
Relative (%)	5.2	2.2	17.9

SHAREHOLDING PATTERN (%)	Dec-18	Mar-19
Promoters	58.5	57.9
FIs & Local MFs	24.4	24.3
FPIs	9.4	9.9
Public & Others	7.7	7.9
Pledged Shares	-	-
Source : BSE		

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- **Torpid Deposit Growth:** While the ability to raise sticky deposits has been a systemic challenge, several private banks have reported strong deposit growth (AXSB, ICICIB, KMB and RBK). SBIN's deposit growth at ~8/3% is rather disappointing, and has been so for the last several qtrs. Linking of SA rates to the repo, while pvt banks offer higher rates may lead to slower SA growth, we fear.
- **Oplev Gains are Seasonal:** Operating expenses grew a mere ~13/3%, led by rise in other opex (+12/19%). Staff costs dipped ~6% QoQ as SBIN provided entirely for its incremental gratuity liability in 3Q. Consequently, the C-I ratio dipped ~640bps QoQ to 53%, supported by healthy fee growth - a 4Q phenomenon. We have factored in a gradual improvement in the C-I ratio to ~51% over FY19-21E.
- **Stable Margins:** Overall margins were sequentially stable at ~2.78% with domestic margins at 3% (+35/5bps). Overseas margins were ~1.3% (+18/-6bps). The CD ratio at ~75%, recoveries in the pipeline and lower slippages provide room for margin improvement. We have factored in margins of ~3% over FY19-21E.
- **Sufficient Capital?** As highlighted earlier, we believe current capital (12.7% with a CET 1 of ~9.7%) is not adequate, even for our conservative growth

estimates. Despite their brushing aside the issue of fund raising, management's stance does not convince us. Ergo, we believe that a fund-raise is imminent. Fortunately, it will be book accretive!

■ Exposure to Stressed Sectors:

- **IL&FS:** Total exposure stands at ~Rs 34.9bn, of which ~Rs 11.3bn is non-performing. Total coverage on the exposure is ~40%. Further, ~59% of the standard exposure falls within the red and amber categories.
- **Jet Airways:** ~Rs 12bn, classified entirely as non-performing at present. Near NIL non fund exposure to the co.
- **Power Sector:** Out of the total ~Rs 1.99tn ~12.7% is non-performing. ~60% of the std exposure is towards the private sector.
- **NBFC/HFC/Other Stressed Exposures:** Of the ~Rs 1.88tn due from NBFCs, ~Rs 36.4bn is towards pvt sector NBFCs not backed by large financial institutions. Stress may emerge from this space. In 3QFY19, management had indicated that exposure to DHFL was ~Rs 100bn. At present, this exposure is standard. The exposure to Reliance ADAG group cos stands at <Rs 40bn.

SOTP

Particulars	Rs bn	Per Share	Rationale
State Bank (Bank consol)	2,578	289	1.3x Mar-21E Core ABV of Rs 222
SBI Life	466	55	FY20 EV + 19.8x FY21 VNB
SBI AMC	101	13	5% FY21E AUM
Others	446	50	Stakes in NSE, UTI MF, SBI Caps and others
Total Value	3,627	406	
Less: Hold Co Discount	210	(24)	
Net Total Value	3417	383	
CMP	2,749	308	
Upside (%)	24.3	24.3	

Source: HDFC sec Inst Research

Change In Estimates

Rs mn	FY20E			FY21E		
	Old	New	Change	Old	New	Change
NII	954.2	1,009.0	5.7%	1,068.8	1,135.1	6.2%
PPOP	651.2	699.0	7.3%	748.7	802.0	7.1%
PAT	199.3	245.3	23.1%	303.6	356.9	17.6%
Adj. BVPS (Rs)	170.3	187.8	10.2%	199.2	222.2	11.5%

Source: HDFC sec Inst Research

Comparable Quarters At A Glance

(Rs bn)	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	YoY Growth	QoQ Growth
Net Interest Income	199.74	217.98	209.06	226.91	229.54	14.9	1.2
Non-interest Income	124.95	66.79	93.75	80.35	126.85	1.5	57.9
Treasury Income	9.41	(12.64)	28.89	4.25	5.34	(43.3)	25.6
Operating Income	324.69	284.78	302.81	307.26	356.39	9.8	16.0
Operating Expenses	165.86	165.05	163.76	181.01	187.06	12.8	3.3
Pre Provision Profits	158.83	119.73	139.05	126.25	169.33	6.6	34.1
Provisions	280.96	192.28	120.92	60.06	165.02	(41.3)	174.7
NPA Provisions	240.80	130.38	101.85	139.71	173.36	(28.0)	24.1
PBT	(122.13)	(72.55)	18.13	66.19	4.31	(103.5)	(93.5)
Provision For Tax	(44.95)	(23.79)	8.68	26.64	(4.07)	(90.9)	(115.3)
PAT	(77.18)	(48.76)	9.45	39.55	8.38	(110.9)	(78.8)
Balance Sheet items/ratios							
Deposits	27,063	27,478	28,074	28,305	29,114	7.6	2.9
CASA Deposits (%)	43.9	43.5	43.7	43.7	44.2	34 bps	49 bps
Advances	20,484	19,902	20,692	21,553	22,935	12.0	6.4
CD ratio (%)	75.7	72.4	73.7	76.1	78.8	309 bps	263 bps
CAR (%)	12.6	13.3	12.6	12.8	12.7	12 bps	-5 bps
Tier I (%)	10.4	10.7	10.4	10.5	10.7	29 bps	11 bps
Other ratios							
Yield On Advances (%)	8.28	8.57	8.43	8.48	8.49	21 bps	1 bps
Cost Of Deposits (%)	5.30	5.11	5.11	5.09	5.10	-20 bps	1 bps
NIM (%)	2.50	2.80	2.73	2.76	2.78	28 bps	2 bps
Domestic NIM (%)	2.67	2.95	2.88	2.97	3.02	0.35	0.05
Foreign NIM (%)	1.14	1.47	1.42	1.38	1.32	0.18	-0.06
Cost-Income Ratio (%)	51.1	58.0	54.1	58.9	52.5	141 bps	-642 bps
Tax rate (%)	36.80	32.79	47.87	40.25	NA	NA	NA
Asset quality							
Gross NPA	2,234.27	2,128.40	2,058.64	1,877.65	1,727.50	(22.7)	(8.0)
Net NPA	1,108.55	992.36	948.10	809.44	658.95	(40.6)	(18.6)
Gross NPAs (%)	10.91	10.69	9.95	8.71	7.53	-338 bps	-118 bps
Net NPAs (%)	5.73	5.29	4.84	3.95	3.01	-272 bps	-94 bps
Slippages (% Ann.)	6.98	3.01	2.27	1.31	1.50	-97 bps	20 bps
Coverage Ratio (%) Calc.	50.38	53.38	53.95	56.89	61.86	1147 bps	496 bps
NCLT (Rs bn)	776.26	630.38	533.75	443.22	385.40	(50.4)	(13.0)
List I (Rs bn)	491.16	346.03	310.66	256.81	242.77	(50.6)	(5.5)
List II (Rs bn)	285.10	284.35	223.09	186.41	142.63	(50.0)	(23.5)
Provisions on NCLT (%)	63.0%	71.0%	70.0%	75.0%	93.0%	3000 bps	1800 bps
List I (%)	56.0%	65.0%	64.0%	66.0%	99.0%	4300 bps	3300 bps
List II (%)	75.0%	79.0%	78.0%	86.0%	87.0%	1200 bps	100 bps

In line with estimates, led by loan growth of ~13% and flattish NIMs

Led by fees (+82% QoQ, a 4Q phenomenon) and Fx inc. (+19% QoQ)

Led by lower staff cost (down 6% QoQ) while other opex jumped ~19% QoQ

Incl provisions of ~Rs 100bn towards Essar Steel, Alok Industries and Bhushan Steel

Surprising, given that its peers have witnessed robust deposit growth

Led by a ~19/6% growth in retail advances (~28% of gross advances); MSME dips QoQ

Mgt guided for NIMs of ~3.25% in FY20E

Segment wise GNPA: Corp 13.6%, SME 8.55%, Agri 11.6% and Retail 4.8%

Slippages were ~Rs 79.6bn of which fresh slippages were ~Rs 75bn (incl Jet airways of Rs 12.2bn), Corp slippages were ~Rs 22.8bn vs. ~Rs 13.1bn QoQ and SME at Rs 20.9bn vs Rs 19.6bn QoQ; Agri slippages at Rs 25.9bn and Retail Rs 5.4bn

Source: HDFC sec Inst Research;

Overall loan growth accelerated to ~13/7% driven by a ~19/6% growth in the retail book

The loan mix remained sequentially with Corp Loans constituting ~37% of the total advances while Retail Loans formed ~28% of Loans

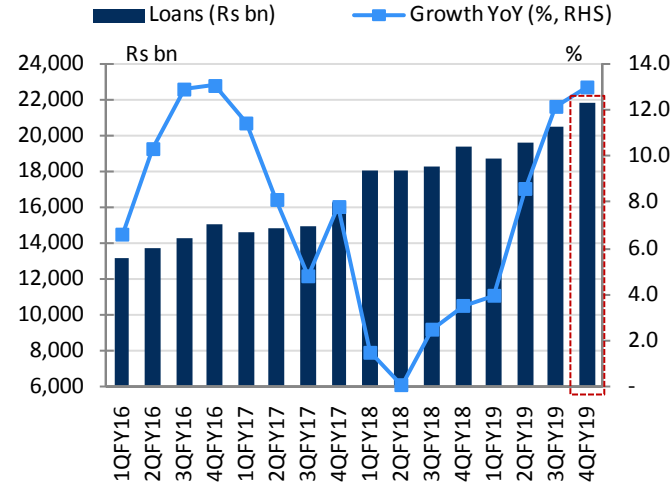
SBI has a whopping ~34.5% share in the home loan mkt

Within Retail Loans, Home Loans grew ~28/5% YoY/QoQ while Other Personal Loans grew ~5/9%

Deposits grew ~8% YoY (+3% QoQ), the sequentially flat deposits were surprising as its peers' deposit base grew rapidly

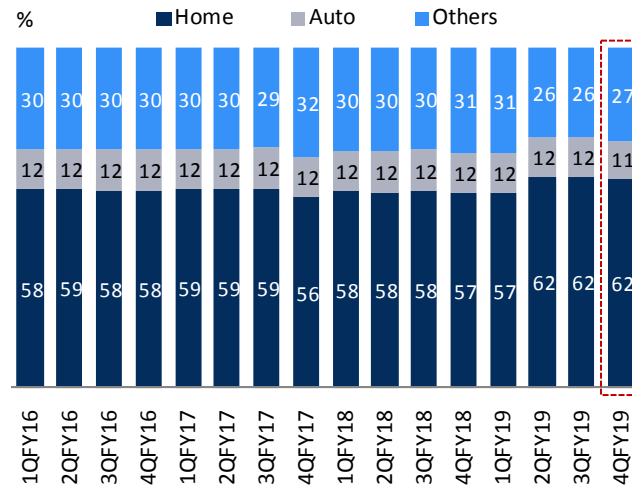
CASA grew ~4% QoQ to form ~44.2% of deposits (+50bps QoQ)

Advances Grew ~13/7% YoY/QoQ



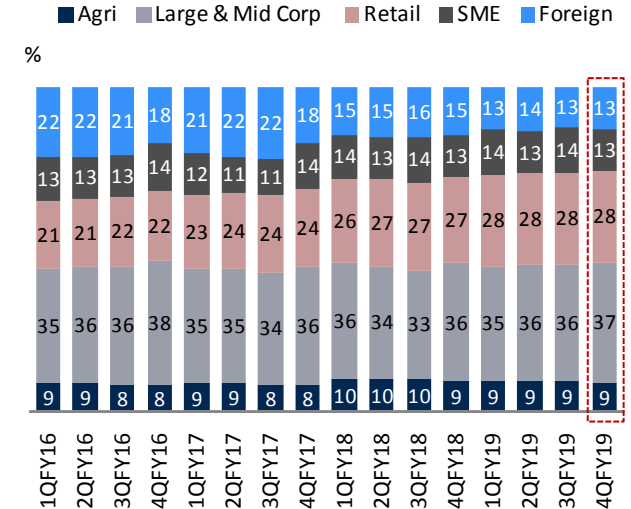
Source : Bank; 1QFY18 onwards incl. SBIN + ABs + BMB

Retail Loan Mix: Flat QoQ



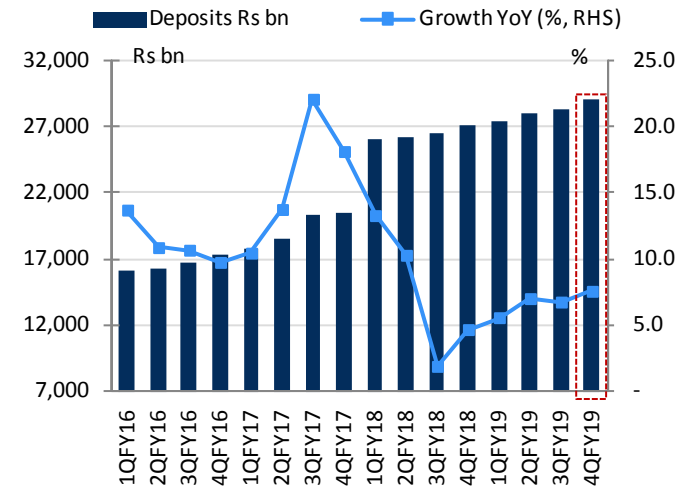
Source : Bank; 1QFY18 onwards incl. SBIN + ABs + BMB

Loan Mix: Stable Sequentially



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

Deposits: Up 3% QoQ, Lagging Peers



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

Domestic CD Ratio stood at ~70.7% (+210bps QoQ)

Overall CD Ratio jumped ~207bps QoQ to 75.1% as overseas loans grew ~10% QoQ

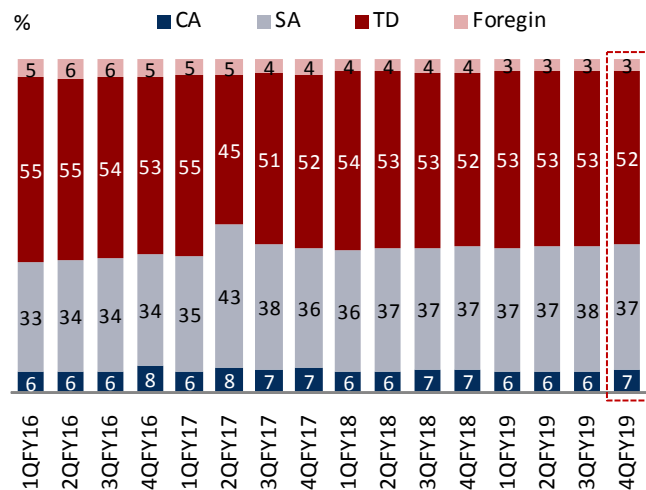
NIMs were flat sequentially at ~2.78% with domestic NIMs at 3.02% (+5bps QoQ) and foreign NIMs at ~1.32% (6bps down)

The management guided for ~3.25% overall NIMs

We expect NIMs of 3.0% over FY19-21E

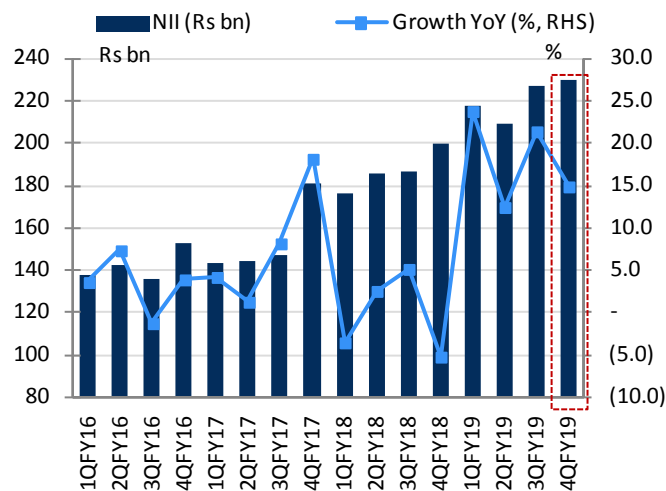
Yields and CoF were sequentially flat

CASA Ratio: Sequentially Up 50bps To 44.2%



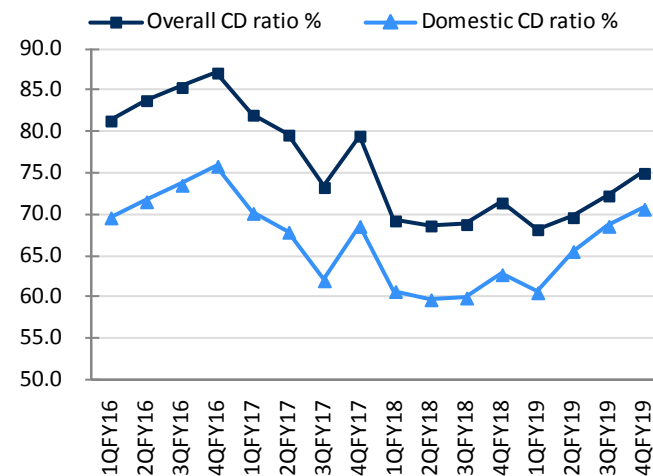
Source : Bank; 1QFY18 onwards incl. SBIN + ABs + BMB

NII Up ~15% YoY (Flat QoQ)



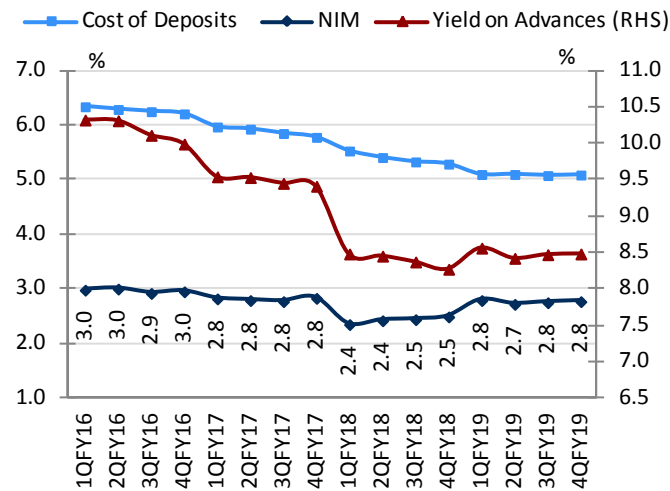
Source : Bank; 1QFY18 onwards incl. SBIN + ABs + BMB

Overall CD Ratio Rises ~360/270bps YoY/QoQ



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

NIMs Flat QoQ; Domestic NIMs At 3.02%



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

Fees jumped ~82% QoQ (a 4Q phenomenon) led by commission of LG/BG (doubled QoQ)

As other income rose (+58% QoQ) and operating expenses grew a mere 3%, the C-I Ratio improved ~640bps to ~52.5%

As SBIN recognised the entire unamortised liability on the enhancement of gratuity limits in 3Q, hence staff cost dipped 6% QoQ

Adj. for treasury gains, the C-I Ratio improved ~650bps QoQ to ~53.3%

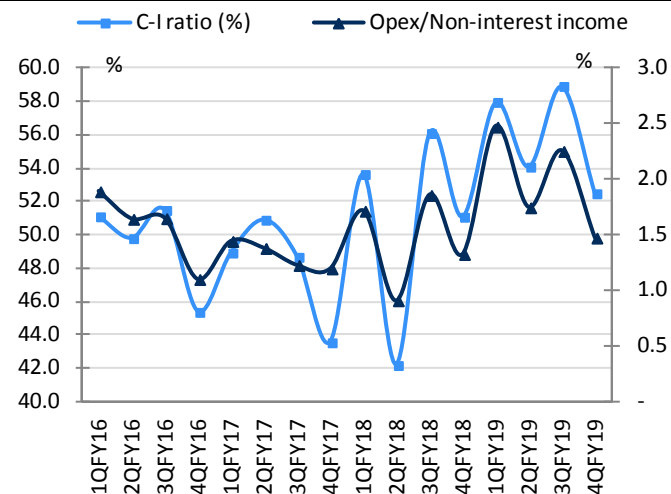
Core PPOP grew ~9/34% YoY/QoQ

Non-interest Income: Fees Jump QoQ; A 4Q Phenomenon; Treasury Gains Too Were Higher QoQ

Rs bn	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19
CEB	57.9	34.0	43.2	41.1	60.8	48.7	53.6	49.8	84.3	49.8	50.2	47.2	85.9
% Loan (Ann.)	1.62	0.94	1.21	1.14	1.61	1.06	1.19	1.10	1.79	1.04	1.05	0.94	1.62
Treasury	14.2	27.2	22.9	39.7	17.7	17.7	85.7	10.3	9.4	(12.6)	28.9	4.3	5.3
Forex	6.0	6.0	9.0	5.9	5.9	6.7	6.8	5.9	5.5	4.3	4.9	5.6	6.7
Dividend	4.0	1.6	1.4	-	3.9	0.2	0.9	-	3.3	0.1	-	-	-
Misc. inc.	25.0	4.6	7.8	10.9	15.0	6.8	13.3	14.8	22.5	25.3	25.4	23.2	28.9
Total	107.0	73.4	84.2	96.6	103.3	80.1	160.2	80.8	124.9	66.8	93.8	80.4	126.9
(YoY %)	26%	44%	36%	56%	-3%	-9%	58%	-30%	2%	-17%	-41%	-1%	2%

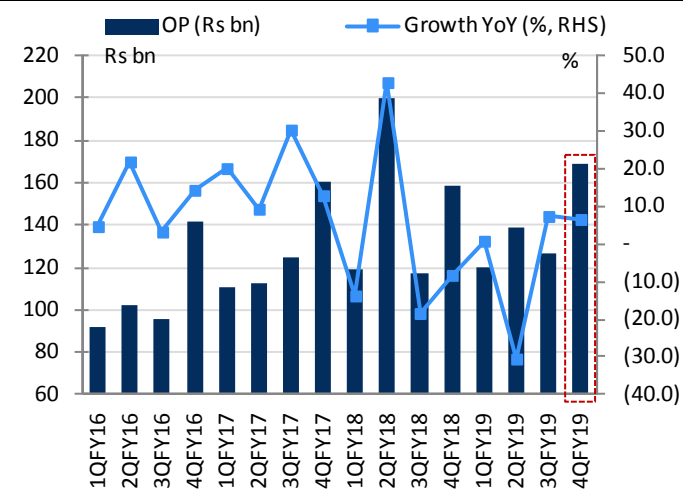
Source: Bank, HDFC sec Inst Research; 1QFY18 onwards incl. SBIN + ABs + BMB

C-I Ratio Dipped ~640bps QoQ



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

Core PPOP Jumped ~34% QoQ



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

Led by NPA provisions (+24% QoQ) overall provisions jumped 2.74x QoQ

MTM provision reversals were ~Rs 16bn vs. ~Rs 80bn QoQ

SBIN provided ~Rs 100bn on three NCLT exposures (now D3) i.e. Essar steel, Bhushan steel and Alok Industries

Coverage on its exposure to IL&FS is ~40%

Segment wise

Corp: 13.6% vs. 16.9% QoQ

Retail: 4.8% vs. 4.9%

Agri: 11.6% vs. 11.0%

SME: 8.6% vs. 8.8%

Overseas: 0.6% vs. 0.9%

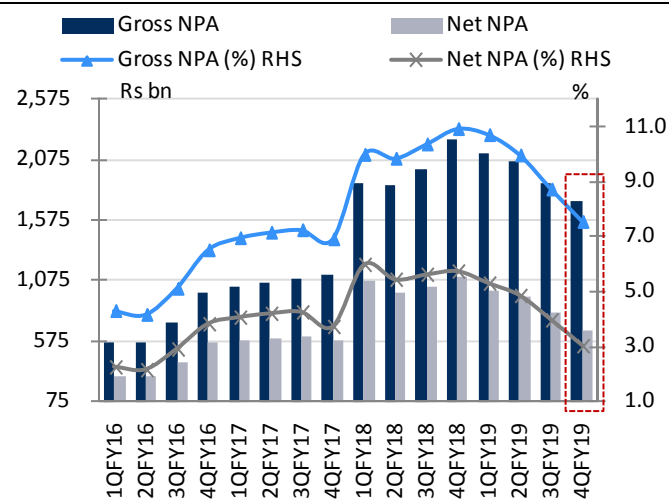
Corp slippages incl. Jet airways of Rs 12.2bn

Provisions Break-up: LLP Jumped 24% QoQ Led By Higher Provisions Towards Three NCLT Exposures

Rs bn	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19
LLP	121.4	63.4	76.7	72.4	109.9	121.3	167.2	177.6	240.8	130.4	101.8	139.7	173.4
% Ann.	3.40	1.76	2.15	2.01	2.91	2.64	3.71	3.92	5.12	2.74	2.13	2.79	3.28
MTM	(0.1)	0.1	1.1	1.0	0.8	(7.6)	0.4	40.4	47.6	71.0	17.5	(79.9)	(16.2)
SA	10.0	9.2	(0.7)	13.6	2.9	(20.4)	22.8	(29.9)	(8.5)	(9.2)	1.0	(0.6)	8.1
Others	0.4	1.5	1.9	2.3	3.8	(4.0)	1.1	0.6	1.1	0.1	0.6	0.9	(0.3)
Total	131.7	74.1	79.0	89.4	117.4	89.3	191.4	188.8	281.0	192.3	120.9	60.1	165.0
YoY %	100%	85%	81%	12%	-11%	-32%	29%	58%	34%	115%	-37%	-68%	-41%
As % PPOP*	93%	67%	70%	71%	73%	75%	96%	161%	177%	161%	87%	48%	97%
Tax	(2.5)	11.2	7.9	9.9	14.7	9.4	(7.2)	(47.1)	(44.9)	(23.8)	8.7	26.6	(4.1)
(% PBT)	-24%	31%	24%	28%	34%	32%	-84%	66%	37%	33%	48%	40%	-94%

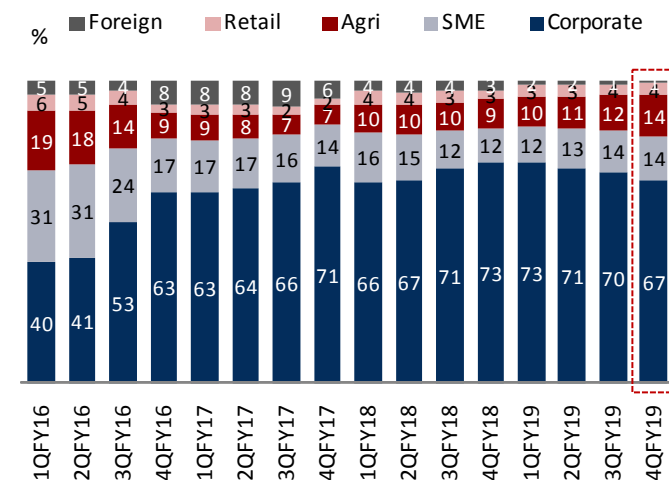
Source: Bank, HDFC sec Inst Research, * PPOP: Pre-provisioning operating profits; 1QFY18 onwards incl. SBIN + ABs + BMB

GNPAs Dip 8%; NPAs Down ~19% QoQ



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

Segment-Wise GNPA Contribution



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

Fresh slippage Break up

-Retail Rs 5.3bn vs. Rs 4.9bn

-Corp Rs 28.8bn vs. Rs 13.1bn

-Agri Rs 20.9bn vs. Rs 11.3bn

-SME Rs 26.9bn vs. Rs 19.6bn

SMA I (Rs 50bn, 23bps) and II (Rs 28bn, 13bps) stand at Rs 78bn i.e.36bps

Asset Quality Movement:

Rs bn	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19
Opening	728	982	1,015	1,058	1,082	1,779	1,881	1,861	1,991	2,234	2,128	2,059	1,878
Slippages	303	108	119	104	104	301	106	268	328	143	109	65	80
% Ann.	8.49	3.00	3.33	2.88	2.75	6.55	2.36	5.90	6.98	3.01	2.27	1.31	1.50
Upgrades/Recoveries	17	28	15	21	22	80	33	44	1	149	43	66	57
Write-Offs	32	46	61	59	39	132	93	93	85	101	135	180	173
Closing	982	1,015	1,058	1,082	1,124	1,881	1,861	1,991	2,234	2,128	2,059	1,878	1,727
QoQ %	35%	3%	4%	2%	4%	6%	-1%	7%	12%	-5%	-3%	-9%	-8%

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 (%)		
					FY19P	FY20E	FY21E	FY19P	FY20E	FY21E	FY19P	FY20E	FY21E	FY19P	FY20E	FY21E	FY19P	FY20E	FY21E
KMB #	2,666	1,398	BUY	1,481	207	237	272	44.4	34.7	27.9	5.49	4.72	4.03	12.8	14.0	15.0	1.69	1.75	1.76
ICICIBC #	2,483	385	BUY	454	138	153	173	54.8	16.4	11.5	2.07	1.84	1.60	3.3	9.2	12.1	0.36	1.08	1.34
AXSB#	1,924	735	BUY	896	215	261	309	38.8	20.6	14.4	3.27	2.70	2.28	7.2	12.4	15.5	0.63	1.05	1.33
IIB	996	1,440	BUY	2,009	411	515	574	30.4	20.0	14.7	3.51	2.80	2.51	12.1	15.2	18.0	1.24	1.46	1.62
RBL	324	675	BUY	803	169	243	268	33.2	26.6	20.1	4.00	2.78	2.52	12.2	12.5	12.7	1.22	1.31	1.34
FB	191	97	NEU	98	57	65	74	16.2	12.3	9.3	1.69	1.50	1.32	9.3	11.3	13.6	0.79	0.89	1.00
CUB	146	199	BUY	244	60	70	81	21.2	18.1	15.4	3.31	2.85	2.44	15.3	15.4	15.6	1.59	1.57	1.54
DCBB	67	217	BUY	228	87	99	114	20.6	15.6	11.8	2.49	2.19	1.90	11.0	13.0	15.2	0.99	1.09	1.20
KVB	65	81	NEU	77	47	46	58	37.2	19.5	11.1	1.73	1.74	1.39	2.8	5.2	8.9	0.25	0.45	0.71
SBIN#	2,749	308	BUY	383	146	188	222	226.2	7.9	5.4	1.50	1.16	0.96	0.4	10.6	13.9	0.02	0.64	0.84
BOB	301	114	NEU	130	99	135	162	15.0	6.4	4.8	1.15	0.84	0.70	4.9	10.6	12.8	0.27	0.56	0.67
AUBANK	195	645	BUY	680	101	128	151	49.4	34.9	24.9	6.38	5.03	4.27	14.1	15.3	17.2	1.48	1.49	1.61

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

Standalone Income Statement

(Rs bn)	FY17	FY18	FY19P	FY20E	FY21E
Interest Earned	1,755.2	2,205.0	2,428.7	2,702.5	3,009.8
Interest Expended	1,136.6	1,456.5	1,545.2	1,693.5	1,874.7
Net Interest Income	618.6	748.5	883.5	1,009.0	1,135.1
Other Income	354.6	446.0	367.7	421.3	446.0
Fee Income (CEB)	162.8	230.0	233.0	278.4	298.7
Treasury Income	107.5	123.0	25.8	27.5	25.5
Total Income	973.2	1,194.5	1,251.2	1,430.3	1,581.1
Total Operating Exp	464.7	599.4	696.9	731.2	779.0
Employee Expense	264.9	331.8	410.5	417.6	437.0
PPOP	508.5	595.1	554.4	699.0	802.0
Provisions & Contingencies	359.9	750.4	538.3	383.8	324.9
Prov. for NPAs (incl. std prov.)	354.1	677.7	544.5	377.6	318.9
PBT	148.6	(155.28)	16.1	315.2	477.2
Provision for Tax	43.7	(89.81)	7.5	69.9	120.3
PAT	104.8	(65.47)	8.6	245.3	356.9

Source: Bank, HDFC sec Inst Research; FY18, FY19E, FY20E and FY21E metrics include the erstwhile Associate Banks and BMB, now merged into SBIN.

Standalone Balance Sheet

(Rs bn)	FY17	FY18	FY19P	FY20E	FY21E
SOURCES OF FUNDS					
Share Capital	8.0	8.9	8.9	8.9	8.9
Reserves	1,874.9	2,182.4	2,200.2	2,403.2	2,698.5
Shareholders' Funds	1,882.9	2,191.3	2,209.1	2,412.1	2,707.4
Savings	7,432.9	10,137.7	10,851.5	11,773.9	12,951.3
Current	1,471.2	1,901.7	2,021.3	2,122.4	2,196.7
Term Deposit	11,543.4	15,023.9	16,241.0	17,865.1	19,874.9
Total Deposits	20,447.5	27,063.4	29,113.9	31,761.4	35,022.9
Borrowings	3,176.9	3,621.4	4,030.2	4,433.2	4,920.8
Other Liabilities & Provs	1,552.4	1,671.4	1,456.0	1,565.2	1,643.4
Total Liabilities	27,059.7	34,547.5	36,809.1	40,171.9	44,294.6
APPLICATION OF FUNDS					
Cash & Bank Balance	1,719.7	1,919.0	2,224.9	1,947.1	2,149.0
Investments	7,659.9	10,609.9	9,670.2	10,347.1	11,071.4
G-Secs	5,752.4	8,484.0	7,659.1	8,035.6	8,510.6
Advances	15,710.8	19,348.8	21,858.8	24,536.5	27,419.5
Fixed Assets	429.2	399.9	392.0	411.6	432.2
Other Assets	1,540.1	2,269.9	2,663.3	2,929.6	3,222.6
Total Assets	27,059.7	34,547.5	36,809.1	40,171.9	44,294.6

Source: Bank, HDFC sec Inst Research

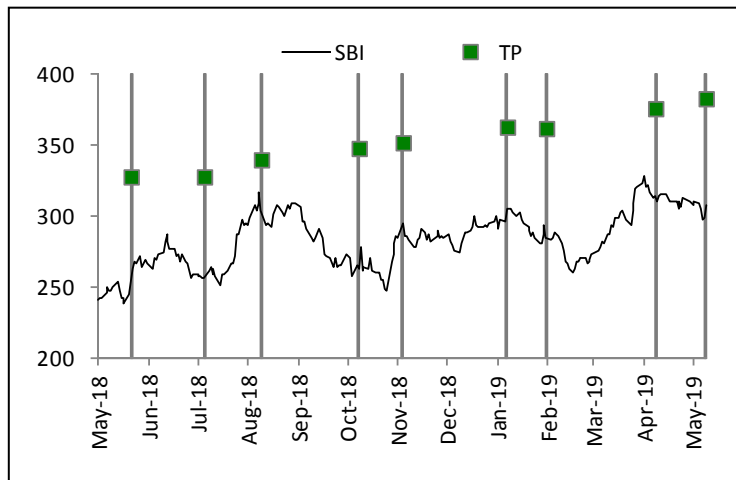
Standalone Key Ratios

	FY17	FY18	FY19P	FY20E	FY21E
VALUATION RATIOS					
EPS (Rs)	13.1	(7.34)	1.0	27.5	40.0
Earnings Growth (%)	5.4	(162.5)	(113.2)	2,746.1	45.5
BVPS (Rs)	182.3	217.7	219.9	270.3	303.4
Core Adj. BVPS (Rs)	109.2	93.5	146.1	187.8	222.2
DPS (Rs)	2.6	-	-	4.1	6.0
ROAA (%)	0.42	(0.21)	0.02	0.64	0.84
ROAE (%) (Core)	6.77	(3.21)	0.39	10.6	13.9
P/E (x)	17.0	(30.3)	226.2	7.9	5.4
P/ABV (x)	2.04	2.38	1.50	1.16	0.96
P/PPOP (x)	4.8	4.6	5.0	3.9	3.4
Dividend Yield (%)	0.8	-	-	1.3	1.9
PROFITABILITY					
Yield On Advances (%)	7.88	7.43	7.85	8.18	8.22
Yield On Investment (%)	7.76	7.06	7.34	7.25	7.35
Cost Of Funds (%)	5.27	4.87	4.84	4.88	4.92
Cost Of Deposits (%)	5.59	5.13	4.99	5.09	5.17
Core Spread (%)	2.61	2.57	3.00	3.29	3.29
NIM (%)	2.84	2.52	2.83	3.00	3.05
OPERATING EFFICIENCY					
Cost/Avg. Asset Ratio (%)	1.87	1.95	1.95	1.90	1.84
Core Cost-Income Ratio (%)	53.68	55.94	56.87	52.13	50.08
BALANCE SHEET STRUCTURE					
Loan Growth (%)	7.3	3.5	13.0	12.3	11.8
Deposit Growth (%)	18.1	4.7	7.6	9.1	10.3
C/D Ratio (%)	76.8	71.5	75.1	77.3	78.3
Equity/Assets (%)	7.0	6.3	6.0	6.0	6.1
Equity/Advances (%)	12.0	11.3	10.1	9.8	9.9
CASA (%)	43.5	44.5	44.2	43.8	43.3
Capital Adequacy Ratio (CAR, %)	13.1	12.6	12.7	12.0	11.8
W/w Tier I CAR (%)	10.4	10.4	10.7	10.0	9.9

	FY17	FY18	FY19P	FY20E	FY21E
ASSET QUALITY					
Gross NPLs (Rs bn)	1,123.4	2,234.3	1,727.5	1,396.6	1,236.7
Net NPLs (Rs bn)	582.8	1,108.5	658.9	489.8	478.2
Gross NPLs (%)	6.90	10.91	7.53	5.69	4.51
Net NPLs (%)	3.71	5.73	3.01	2.00	1.74
Slippages (%)	2.57%	8.43%	1.93%	1.85%	1.75%
Coverage Ratio (%)	48.13	50.38	61.86	64.93	61.33
Provision/Avg. Loans (%)	2.17	3.75	2.65	1.62	1.22
ROAA TREE					
Net Interest Income	2.49%	2.43%	2.48%	2.62%	2.69%
Non Interest Income	1.43%	1.45%	1.03%	1.09%	1.06%
<i>Treasury Income</i>	<i>0.43%</i>	<i>0.40%</i>	<i>0.07%</i>	<i>0.07%</i>	<i>0.06%</i>
Operating Cost	1.87%	1.95%	1.95%	1.90%	1.84%
Provisions	1.45%	2.44%	1.51%	1.00%	0.77%
<i>Provisions For NPAs</i>	<i>1.33%</i>	<i>2.32%</i>	<i>1.53%</i>	<i>0.97%</i>	<i>0.75%</i>
Tax	0.18%	-0.29%	0.02%	0.18%	0.28%
ROAA	0.42%	-0.21%	0.02%	0.64%	0.84%
Leverage (x)	14.93	15.12	16.22	16.66	16.50
ROAE	6.31%	-3.21%	0.39%	10.62%	13.94%

Source: Bank, HDFC sec Inst Research; **FY18, FY19P, FY20E and FY21E metrics include the erstwhile Associate Banks and BMB, now merged into SBIN.**

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
23-May-18	254	BUY	328
6-Jul-18	256	BUY	328
13-Aug-18	304	BUY	340
9-Oct-18	266	BUY	348
6-Nov-18	295	BUY	352
8-Jan-19	296	BUY	363
3-Feb-19	284	BUY	362
9-Apr-19	313	BUY	376
13-May-19	308	BUY	383

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:

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