11 May 2019

4QFY19 Results Update | Sector: Financials

State Bank of India

BSE SENSEX	S&P CNX
37,463	11,279

Bloomberg	SBIN IN
Equity Shares (m)	8,925
M.Cap.(INRb)/(USDb)	2749.2 / 39.4
52-Week Range (INR)	333 / 238
1, 6, 12 Rel. Per (%)	2/2/18
12M Avg Val (INR M)	6593
Free float (%)	42.9

Financials & Valuations (INR b)

Y/E March	FY19	FY20E	FY21E
NII	883.5	997.8	1,141.3
OP	554.4	647.4	779.7
NP	8.6	281.5	312.6
NIM (%)	2.8	3.0	3.1
EPS (INR)	1.0	31.5	35.0
EPS Gr. (%)	NM	NM	11.1
BV (INR)	232.2	262.0	294.8
ABV (INR)	172.2	216.8	252.8
Cons. BV (INR)	247.4	278.0	312.3
Cons. ABV (INR)	191.6	235.9	272.6
RoE (%)	0.4	13.4	13.2
RoA (%)	0.0	0.7	0.7
Valuations			
P/BV (x) (Cons.)	1.2	1.1	1.0
P/ABV (x) (Cons.)	1.6	1.3	1.1
P/ABV (x)	1.3	1.1	0.9
P/E (x)	NM	7.2	6.5

*Adjusted for investment in subsidiaries

CMP: INR308 TP: INR380 (+23%) Buy

Asset quality concerns abating; earnings set to normalize hereon

- **SBIN reported PAT of INR8.4b** (our estimate: INR36.5b) for 4QFY19, dragged by higher provisions of INR165b. NII increased 15% YoY to INR229.5b (in-line), driven by strong loan growth of 13% YoY. Domestic NIM expanded 5bp QoQ to 3.02%. **For FY19,** NII grew by 18%, while PAT stood at INR8.6b (v/s a loss of INR65.5b in the previous year).
- **Other income grew 1.5% YoY/58% QoQ** in a seasonally strong quarter to INR126.8b, driving 10% YoY growth in overall revenues. Opex increased 13% YoY to INR187b, mainly led by wage provisions of INR39.8b (FY19: INR56.4b). C/I ratio, thus, stood at 52.5% versus 51.1% in the year-ago period.
- **Loan growth stood at 13% YoY/7% QoQ,** driven by growth of 27.9% YoY in home loans and 15% YoY in the corporate book. Deposit base increased 7.6% YoY, led by 8.6% YoY growth in SA deposits. The CASA mix stood at 45.7% (v/s 45.2% in 3QFY19).
- **Slippages moderated to INR79.6b,** which, coupled with healthy recoveries and higher write-offs, drove an 8.0%/18.6% QoQ decline in GNPL/NNPL. The GNPL ratio, thus, declined 118bp QoQ to 7.5%, while the net NPL ratio was down 94bp QoQ to 3.0%. PCR improved 496bp QoQ to 61.9% (78.7% including TWO).
- **Other highlights:** (a) O/s SMA-1 & 2 exposure declined significantly to INR77.6b (INR170b in 3QFY19), (b) **IL&FS exposure** was at INR34.9b, of which INR11.2b is NPA (carrying a PCR of 40%), and (c) SBIN suggested for NCLT-related write-backs of INR160b, which it expects will drive RoA toward 1% in FY20.
- **Valuation and view:** The credit cycle is showing signs of a recovery, as evident in the declining size of SMA-1 & 2 accounts, which stood at INR77.6b (0.4% of advances). Steady trends in the core portfolio, along with healthy recoveries/write-backs via NCLT, will likely drive a further improvement in asset quality over FY20/21. Pick-up in loan growth and resilient margins (guidance of 3.25%) are likely to keep revenue growth buoyant. This, coupled with stable opex (as one-off provisions are largely done away with), is likely to drive healthy earnings growth. Almost every lever of earnings is turning in favor of a big rebound after a dismal four-year earnings holiday. The key concern to watch would be overall macroeconomic slowdown in recent times and any new stress sectors that may impact the credit cost recovery. Our net earnings see a big upgrade (a) 31.8% for FY20 to factor in NCLT-related provisioning write-back and (b) by a modest 2.3% for FY21. We currently value the stock at 1.2x P/ABV and arrive at a target price of INR380. The stock is primed for a further re-rating as the credit cost curve keeps shifting down. Maintain Buy.

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Quarterly snapshot (INR b)

Y/E March	FY18				FY19				FY18	FY19	FY19	V/s
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	Est
Net Interest Income	**176.1**	**185.9**	**186.9**	**199.7**	**218.0**	**209.1**	**226.9**	**229.5**	**748.5**	**883.5**	**229.4**	**0.1%**
Other Income	80.1	160.2	80.8	124.9	66.8	93.8	80.4	126.9	446.0	367.7	102.5	23.7%
Total Income	**256.1**	**346.0**	**267.7**	**324.7**	**284.8**	**302.8**	**307.3**	**356.4**	**1,194.5**	**1,251.2**	**331.9**	**7.4%**
Operating Expenses	137.4	146.0	150.2	165.9	165.0	163.8	181.0	187.1	599.4	696.9	176.1	6.2%
Operating Profit	**118.7**	**200.0**	**117.5**	**158.8**	**119.7**	**139.0**	**126.2**	**169.3**	**595.1**	**554.4**	**155.8**	**8.7%**
% Change (YoY)	-13.7	43.0	-18.4	-8.2	0.8	-30.5	7.4	6.6	0.1	-6.8	-1.9	854
Other Provisions	89.3	191.4	188.8	281.0	192.3	120.9	60.1	165.0	750.4	538.3	100.7	63.8%
Profit before Tax	**29.4**	**8.6**	**-71.2**	**-122.1**	**-72.6**	**18.1**	**66.2**	**4.3**	**-155.3**	**16.1**	**55.0**	**-92%**
Tax Provisions	9.4	-7.2	-47.1	-44.9	-23.8	8.7	26.6	-4.1	-89.8	7.5	18.5	-122%
Net Profit	**20.1**	**15.8**	**-24.2**	**-77.2**	**-48.8**	**9.4**	**39.5**	**8.4**	**-65.5**	**8.6**	**36.5**	**-77%**
% Change (YoY)	436.2	NM	NM	NM	NM	-40.3	NM	NM	NM	NM	-147.3	NM
Operating Parameters												
Deposits (INR t)	26.0	26.2	26.5	27.1	27.5	28.1	28.3	29.1	27.1	29.1	29.1	0.1%
Loans (INR t)	18.0	18.0	18.3	19.3	18.8	19.6	20.5	21.9	19.3	21.9	21.4	2.2%
Asset Quality												
Gross NPA (%)	10.0	9.8	10.4	10.9	10.7	10.0	8.7	7.5	10.9	7.5	8.4	(85)
Net NPA (%)	6.0	5.4	5.6	5.7	5.3	4.8	4.0	3.0	5.7	3.0	3.6	(61)
PCR (%)	42.7	47.4	48.6	50.4	53.4	53.9	56.9	61.9	50.4	61.9	56.9	498

Source: Company, MOFSL

Exhibit 1: Quarterly trend

	FY17		FY18				FY19				Change (%)	
INR b	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YoY	QoQ
Profit and Loss												
Interest Income	**557.0**	**589.7**	**549.1**	**548.5**	**548.0**	**559.4**	**588.1**	**587.9**	**622.8**	**629.9**	**13**	**1**
Loans	381.8	374.9	361.4	358.0	351.9	342.4	388.7	383.3	418.2	426.3	25	2
Investment	164.0	180.4	166.0	173.1	181.5	182.8	185.9	190.8	188.2	179.1	-2	-5
Others	11.2	34.4	21.7	17.3	14.7	34.3	13.6	13.9	16.3	24.4	-29	50
Interest Expenses	**379.3**	**379.0**	**373.0**	**362.6**	**361.2**	**359.7**	**370.1**	**378.9**	**395.9**	**400.3**	**11**	**1**
Net Interest Income	**177.7**	**210.7**	**176.1**	**185.9**	**186.9**	**199.7**	**218.0**	**209.1**	**226.9**	**229.5**	**15**	**1**
Other Income	**115.1**	**122.2**	**80.1**	**160.2**	**80.8**	**124.9**	**66.8**	**93.8**	**80.4**	**126.9**	**2**	**58**
Trading profits	49.0	20.0	17.7	85.7	10.3	9.4	-12.6	13.3	4.3	5.3	-43	26
Fee Income	47.1	74.3	48.7	53.6	49.8	84.3	49.8	50.2	47.2	85.9	2	82
Forex Income	6.6	6.9	6.7	6.8	6.0	5.5	4.3	4.9	5.6	6.7	23	19
Others	12.4	21.0	7.0	14.2	14.8	25.8	25.4	25.4	23.2	28.9	12	24
Total Income	**292.8**	**332.9**	**256.1**	**346.0**	**267.7**	**324.7**	**284.8**	**302.8**	**307.3**	**356.4**	**10**	**16**
Operating Expenses	**148.8**	**159.8**	**137.4**	**146.0**	**150.2**	**165.9**	**165.0**	**163.8**	**181.0**	**187.1**	**13**	**3**
Employee	89.8	89.1	77.2	77.0	85.0	92.5	97.1	97.0	111.7	104.8	13	-6
Others	59.0	70.6	60.1	69.0	65.2	73.3	68.0	66.8	69.3	82.3	12	19
Operating Profits	**144.0**	**173.1**	**118.7**	**200.0**	**117.5**	**158.8**	**119.7**	**139.0**	**126.2**	**169.3**	**7**	**34**
Core Operating Profits	**95.0**	**153.1**	**101.0**	**114.3**	**115.5**	**149.4**	**113.1**	**125.8**	**122.0**	**164.0**	**10**	**34**
Provisions	**119.2**	**209.3**	**89.3**	**191.4**	**188.8**	**281.0**	**192.3**	**120.9**	**60.1**	**165.0**	**-41**	**175**
PBT	**24.8**	**-36.2**	**29.4**	**8.6**	**-71.2**	**-122.1**	**-72.6**	**18.1**	**66.2**	**4.3**	**NM**	**-93**
Taxes	6.6	-1.8	9.4	-7.2	-47.1	-44.9	-23.8	8.7	26.6	-4.1	NM	NM
PAT	**18.2**	**-34.4**	**20.1**	**15.8**	**-24.2**	**-77.2**	**-48.8**	**9.4**	**39.5**	**8.4**	**NM**	**-79**
Balance Sheet (INR b)												
Deposits	26,028	25,853	26,025	26,232	26,512	27,063	27,478	28,074	28,305	29,114	8	3
Loans	18,069	18,690	18,042	18,026	18,262	19,349	18,758	19,573	20,478	21,859	13	7
Asset Quality (INR b)												
GNPA	1,633.4	1,778.7	1,880.7	1,861.1	1,991.4	2,234.3	2,128.4	2,058.6	1,877.6	1,727.5	-23	-8
NNPA	963.0	969.8	1,077.6	979.0	1,023.7	1,108.5	992.4	948.1	809.4	658.9	-41	-19
Slippages	206.9	103.7	300.6	106.3	267.8	328.2	143.5	108.9	65.4	79.6	-76	22
Loan loss provisions	670.4	808.9	803.1	882.2	967.7	1,125.7	1,136.0	1,110.5	1,068.2	1,068.6	-5	0
Ratios	**FY17**		**FY18**				**FY19**				**Change (bps)**	
Asset Quality Ratios (%)	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**	**YoY**	**QoQ**
GNPA	8.7	9.1	10.0	9.8	10.4	10.9	10.7	10.0	8.7	7.5	(338)	(118)
NNPA	5.3	5.2	6.0	5.4	5.6	5.7	5.3	4.8	4.0	3.0	(272)	(94)
PCR (Cal.)	41.0	45.5	42.7	47.4	48.6	50.4	53.4	53.9	56.9	61.9	1,147	496
PCR (Rep.)	59.0	61.5	60.8	65.1	65.9	66.2	69.3	70.7	74.6	78.7	1,256	410
Business Ratios (%)												
Fees to Total Income	16.1	22.3	19.0	15.5	18.6	26.0	17.5	16.6	15.4	24.1	(186)	873
Cost to Core Income	61.0	51.1	57.6	56.1	58.3	52.6	55.5	56.6	59.7	53.3	68	(645)
Tax Rate	26.6	5.0	31.9	-83.5	66.1	36.8	32.8	47.9	40.2	-94.4	NM	NM
Loan/Deposit	69.4	72.3	69.3	68.7	68.9	71.5	68.3	69.7	72.3	75.1	359	273
CAR	13.7	12.9	13.3	13.6	12.7	12.6	12.8	12.6	12.8	12.7	12	(5)
Tier I	10.7	10.1	10.7	11.0	10.3	10.4	10.5	10.4	10.5	10.7	29	11
Profitability Ratios (%)												
Yield on Advances	9.4	9.3	8.5	8.5	8.4	8.3	8.6	8.4	8.5	8.5	21	1
Yield on Investments	7.2	7.4	7.0	7.0	7.0	7.0	7.0	7.1	7.1	7.2	21	5
Yield On Funds	8.0	8.1	7.6	7.7	7.6	7.5	7.8	7.8	8.0	8.0	46	(6)
Cost of Deposits	5.9	5.8	5.5	5.4	5.3	5.3	5.1	5.1	5.1	5.1	(20)	1
Margins	2.7	2.7	2.4	2.4	2.5	2.5	2.8	2.7	2.8	2.8	28	2
RoA	0.1	0.4	0.3	0.2	-0.3	-0.9	-0.6	0.1	0.5	0.1	NM	(36)

Source: Company, MOFSL

Exhibit 2: Actuals v/s estimates

Y/E March (INR m)	4QFY19A	4QFY19E	Var. (%)	Comments
Net Interest Income	**2,29,538**	**2,29,386**	**0**	
% Change (YoY)	14.9	14.8		
Other Income	1,26,851	1,02,528	24	Higher than expected fee income
Net Income	**3,56,390**	**3,31,913**	**7**	
Operating Expenses	1,87,059	1,76,146	6	Opex were slightly higher on account of provision on wage revision
Operating Profit	**1,69,331**	**1,55,768**	**9**	
% Change (YoY)	6.6	-2		
Other Provisions	1,65,019	1,00,738	64	Provisions were higher than expected as bank accelerated its PCR
Profit before Tax	**4,312**	**55,030**	**-92**	
Tax Provisions	-4,072	18,532	-122	
Net Profit	**8,384**	**36,498**	**-77**	**Higher provisions led to PAT miss**
% Change (YoY)	NM	-147		

Source: Company, MOFSL

Bulk of the slippages came from non-corporate assets. Within corporate, 53% of the slippages were from the aviation sector

Bulk of the slippages were from non-corporate segments

- Of the total slippages of INR79.6b (INR65.4b in 3QFY19), the corporate segment accounted for INR22.8b and the rest of the slippages were from SME (INR20.9b), agri (INR25.9b) and retail (INR5.4b).
- Out of INR22.8b of the corporate slippage, 53% came from aviation (INR12.2b), 28% from roads & ports, 8% from iron and steels, 3% from power, 2% from textile, and the remaining from the miscellaneous segments.

Stress asset pool declines significantly; asset quality ratio improves

- Total SMA-1 & SMA-2 stood at INR77.6b (0.4% of advances) as on 4QFY19.
- Absolute GNPA/NNPA decreased by 8.0%/18.6% QoQ to INR1.73t/INR659.9b, while GNPL/NNPL ratios declined by 118bp/94bp to 7.5%/3.0%. The bank's reported PCR increased 410bp QoQ to 78.7%.
- GNPA in agriculture remains elevated at 11.6% (v/s 11.0% in 3Q), while that in the SME segment declined to 8.5% (v/s 8.8% in 3Q). Within large corporates and mid corporates, GNPA declined to 13.6%.
- The bank's exposure (fund based) toward NCLT list 1 stands at INR242.8b (PCR of 99%) and toward NCLT list 2 at INR142.6b (PCR of 87%) – total PCR of 93% on the combined list.

Retail loans grew 18.5% YoY, led by growth in home and auto loans

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

- Retail segment continued exhibiting strong growth (+18.5% YoY), led by robust growth in home loans (+27.9%) and auto loans (+8.3% YoY). Retail: wholesale mix now stands at 57:43.
- Corporate book grew by a healthy 14.8%/9.9% YoY/QoQ, while SME and Agri book grew by 6.9%/7.7% YoY.
- **IL&FS exposure:** Of the total standard exposure of INR23.6b, INR6.5b pertains to the green category, INR9.4b toward the amber category and INR4.5b toward the red category.

58.5% of the standard private power exposure is rated A- and above, while it is 99.1% for the telecom sector

Exhibit 3: Exposure towards select sectors

INR b	Standard	NPA	Total Exposure
Power	1,742.5	253.1	**1,995.8**
Telecom	205.1	77.6	**282.7**
IL & FS	23.6	11.3	**34.9**
Total	**1,971.2**	**342.2**	**2,313.4**

Source: Company, MOFSL

Other highlights

- Domestic NIM expanded 5bp QoQ to 3.02%.
- **Subsidiaries performance:** Performance of subsidiaries remains strong, with PAT for SBI Life, SBI Fund Mgt., SBI cards and SBI General Insurance coming in at INR4.6b, INR1.2b, INR2.4b and INR280m, respectively.
- CET1 ratio stood at 9.62%, with a Tier 1 ratio of 10.7% (CAR of 12.7%).

4QFY19 Analyst meet highlights

Balance sheet & P/L related

- C/I ratio to improve on the back of lower wage provisions and improved digitalization.
- It believes YONO is a very fast-scaling platform and will help both on the asset and liability side. Further focus on data analytics will help in servicing clients, cost improvement and bettering credit underwriting standards.
- On the opex side, the bank provided INR21b toward gratuity and INR38b in wage revision provisions over FY19. It expects wage revision provisions to be not more than INR19b over FY20.
- RWA is coming down due to the high focus on quality corporates.
- It will remain selective on project financing. Current pipeline of project financing stands at INR250b.
- Agri growth is mainly due to portfolio buyouts.
- Outstanding RIDF bonds stands at INR1.3t.
- The bank is not witnessing any stress in the retail segment.
- Auto loans are slowing down due to the slowdown in the sector. Bank is not pushing this segment very aggressively.
- The bank is focusing on improvement in overseas book through expanding to other international geographies where it can manage higher yields.

Asset quality

- SBIN made more than the required provisions on all legacy assets.
- Credit cost includes 0.52% on account of fresh slippages, while the rest was on account of legacy NPAs.
- It expects credit cost to moderate significantly going forward.
- SBIN managed total recoveries of INR370b over FY19, of which INR130b were made from IBC accounts. It expects further recoveries of INR350b-INR380b in FY20.
- There are three accounts (Essar Steel, Bhushan Power and Alok Industries), which are in advanced stage of resolutions; expects to recover ~INR160b.
- The bank made provisions of INR110b toward Essar Steel, Bhushan Power and Alok Industries as they fell in D3 category.
- Jet Airways exposure slipped during the quarter and made provisions which are more than the regulatory requirement.

- Decline in SMA-1 & SMA-2 was due to one power account that got upgraded during the quarter.
- **Sector exposure limits:** Looking to cap sector exposure at tier-1 levels.
- Bank does not have meaningful non-fund based exposure in the aviation sector.
- Total w/offs during FY19 were INR450b, with majority being corporate w/offs.
- There are a few accounts in NCLT, which have been partially written off. Total write-off pool in NCLT-1 stands at INR88b while for NCLT-2 it stood at INR110b.
- Of the total cash recoveries of INR370b, the bank made recoveries of INR83b from the AUCA outstanding pool.
- PCR on corporate accounts (without AUCA) is ~70% and thus expects provision write-backs in future.
- Non-fund exposure on gross NPLs stands at INR87b.
- **Power assets:** Two power accounts of INR18b are expected to be resolved by May-end, while three other accounts are expected to be resolved through OTS schemes.
- **Real estate portfolio:** Large exposure towards residential projects rather than commercial real estate.
- Pool of outstanding AUCA is INR1.37t.
- **Slippages breakup:** Corporate – INR22.8b, Agri – INR25.9b, SME – INR20.9b and personal loans – INR5.4b.

Guidance/Business update

- Credit growth of 12%-14% in FY20.
- PPoP of INR700b in FY20.
- ROA in the range of 0.75%-1%, though it believes that 1% ROA is achievable if the same trend continues.
- NIM to reach to 3.25% over FY20.
- The bank is looking to raise capital to meet the regulatory requirement. However, even without raising capital, it can support loan growth of 12% YoY.

Exhibit 4: We increase our FY20 earnings by 31.8% factoring in NCLT-related provisioning write-back; also raise FY21 earnings estimate by a modest 2.3%

INR B	Old Estimates		Revised Estimates		Change (%)/bps	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Net Interest Income	1,039	1,204	998	1,141	-4.0	-5.2
Other Income	378	419	393	433	4.2	3.2
Total Income	**1,417**	**1,623**	**1,391**	**1,574**	**-1.8**	**-3.0**
Operating Expenses	715	784	744	794	4.0	1.3
Operating Profits	**702**	**839**	**647**	**780**	**-7.7**	**-7.1**
Provisions	378	376	221	306	-41.5	-18.6
PBT	**324**	**463**	**426**	**474**	**31.8**	**2.3**
Tax	110	157	145	161	31.8	2.3
PAT	**214**	**306**	**281**	**313**	**31.8**	**2.3**
Cons. PAT	**242**	**340**	**299**	**333**	**23.3**	**-2.0**
Loans	24,053	27,372	24,700	28,257	2.7	3.2
Deposits	31,857	35,935	31,734	35,225	-0.4	-2.0
Margins (%)	2.96	3.05	2.97	3.07	1.9	1.1
Credit Cost (%)	1.60	1.40	1.54	1.10	-6.0	-30.0
RoA (%)	**0.55**	**0.70**	**0.73**	**0.74**	**18.22**	**3.30**
RoE (%)	**10.3**	**13.3**	**13.4**	**13.2**	**313.0**	**-8.7**

Source: MOFSL, Company

Valuation and view

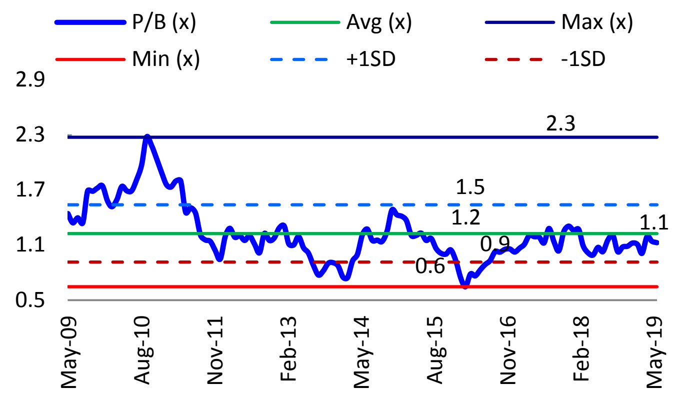
- Power remains a key issue for the banking sector; however, SBIN remains comfortable due to its larger exposure toward PSU entities and top-rated private corporates (~59% rated A- & above). The bank maintains a PCR of ~50% on the power NPAs. The bank is hopeful of better asset quality trend in ensuing years and expects recoveries trajectory to remain strong (guided for recoveries of INR160b from NCLT accounts). We expect the slippage ratio to moderate, going forward.
- With the bank adequately provided against the NCLT accounts (93% toward both NCLT lists), we expect credit cost to improve going forward, and thus, RoA to improve to 0.74% by FY21. SBIN is highly levered to macroeconomic conditions and an improvement in investment climate would assuage asset quality fears.
- Within PSU banks, SBIN remains the best play on a recovery in the Indian economy, with NSL at 3.4%, healthy PCR at 61.9% (78.7% including TWO), healthy capitalization (Tier 1 of ~10.7%), strong liability franchise and a focus on core operating profitability.
- **Valuation view:** The credit cycle is showing signs of recovery, as evident in the declining size of SMA-1 & 2 accounts, which stood at INR77.6b (0.4% of advances). Steady trends in the core portfolio, along with healthy recoveries/write-backs via NCLT, will likely drive a further improvement in asset quality over FY20/21. Pick-up in loan growth and resilient margins (guidance of 3.25%) are likely to keep revenue growth buoyant. This, coupled with stable opex (as one-off provisions are largely done away with), is likely to drive healthy earnings growth. Almost every lever of earnings is turning in favor of a big rebound after a dismal 4-yr earnings holiday. The only key concern for us is the overall macro-economic slowdown in recent times – this will get partly offset as larger banks like SBI stands to benefit from the ongoing trends in the financial sector. **Our net earnings see a big upgrade (a) 31.8% for FY20 to factor in NCLT-related provisioning write-back and (b) by a modest 2.3% for FY21.** We currently value the stock at 1.2x P/ABV and arrive at a target price of INR380. The stock is primed for further re-rating as the credit cost curve keeps shifting down and economic recovery happens in 2HFY20. Maintain Buy.

Exhibit 5: SOTP Valuation

Name	Stake (%)	Total Value (INR)	Value per Share	% of total value	Rationale
SBI Bank	**100**	**26,74,562**	**300**	**79**	**1.2x FY21E ABV**
Life insurance	62	5,05,622	57	15	2.6x FY21E EV
Asset management	60	1,27,529	14	4	5% of FY21E AUM
General insurance	70	91,328	10	3	25x FY21E PAT
Capital Market/DFHI/Cards		1,72,158	19	5	
Total Value of Subs		**8,96,637**	**100**	**26**	
Less: 20% holding disc		1,79,327	20	5	
Value of Subs (Post Holding Disc)		**7,17,310**	**80**	**21**	
Target Price		**33,91,872**	**380**		

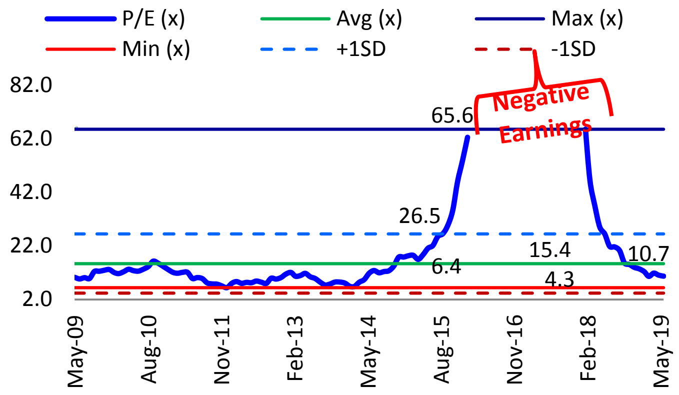
Source: MOFSL, Company

Exhibit 6: One-year forward P/BV



Source: MOFSL, Company

Exhibit 7: One-year forward P/E



Source: MOFSL, Company

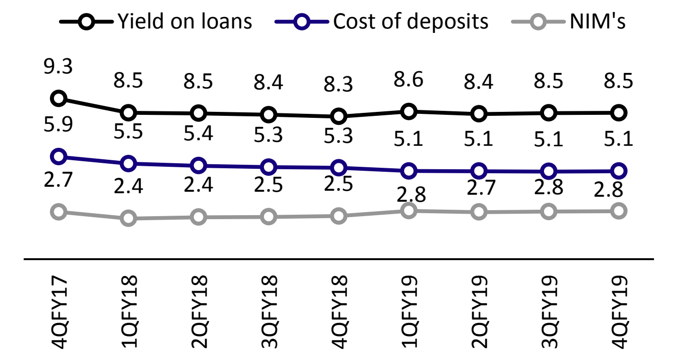
Exhibit 8: DuPont Analysis: Return ratios to show significant improvement in FY20

Y/E MARCH	FY16	FY17	FY18	FY19	FY20E	FY21E
Interest Income	7.89	7.28	6.52	6.81	7.10	7.15
Interest Expense	5.23	4.83	4.31	4.33	4.51	4.45
Net Interest Income	**2.66**	**2.44**	**2.21**	**2.48**	**2.59**	**2.69**
Fee income	0.74	0.94	0.92	0.80	0.83	0.83
Trading and others	0.49	0.44	0.40	0.23	0.19	0.19
Non-Interest income	**1.23**	**1.39**	**1.32**	**1.03**	**1.02**	**1.02**
Total Income	**3.88**	**3.83**	**3.53**	**3.51**	**3.61**	**3.72**
Operating Expenses	**1.91**	**1.90**	**1.77**	**1.95**	**1.93**	**1.87**
Employee cost	1.08	1.10	0.98	1.15	1.03	1.00
Others	0.83	0.79	0.79	0.80	0.90	0.88
Operating Profit	**1.97**	**1.93**	**1.76**	**1.55**	**1.68**	**1.84**
Core Operating Profit	**1.48**	**1.49**	**1.36**	**1.33**	**1.49**	**1.65**
Provisions	**1.37**	**1.97**	**2.22**	**1.51**	**0.57**	**0.72**
NPA	1.29	1.80	2.11	1.51	0.93	0.69
Others	0.08	0.17	0.11	0.00	-0.36	0.03
PBT	**0.60**	**-0.04**	**-0.46**	**0.05**	**1.11**	**1.12**
Tax	0.17	0.02	-0.27	0.02	0.38	0.38
RoA	**0.43**	**-0.06**	**-0.19**	**0.02**	**0.73**	**0.74**
Leverage (x)	17.0	17.6	18.0	18.3	18.4	17.9
RoE	**7.2**	**-1.0**	**-3.5**	**0.4**	**13.4**	**13.2**

Source: Company, MOFSL

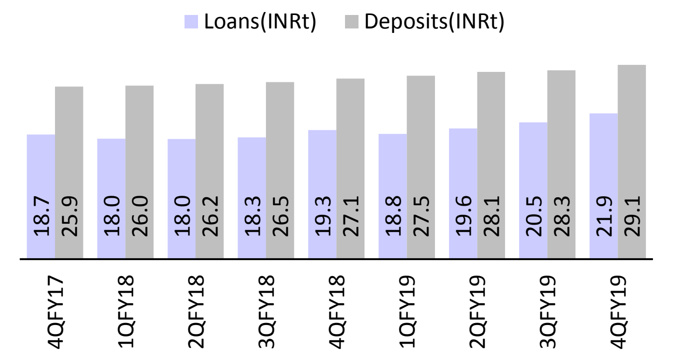
Story in charts

Exhibit 9: NIM expanded 2bp QoQ to 2.78%



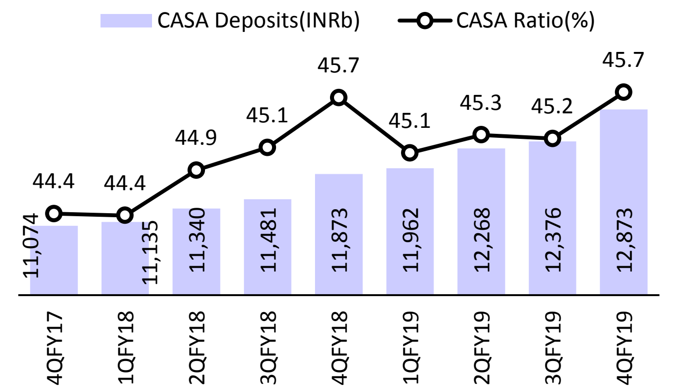
Source: MOFSL, Company

Exhibit 10: Loans grew 13% YoY, while deposits grew 8% YoY



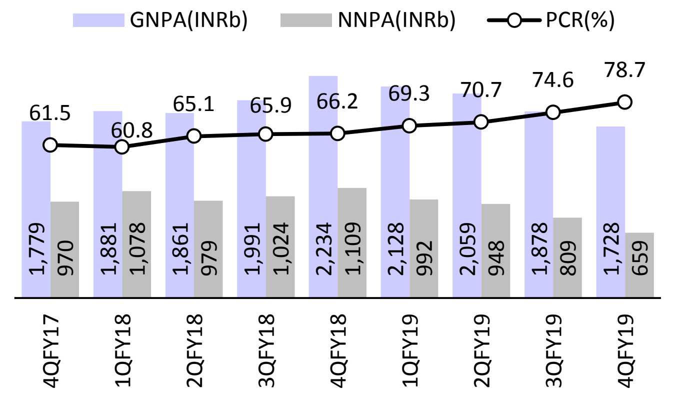
Source: MOFSL, Company

Exhibit 11: CASA ratio increases to 45.7%



Source: MOFSL, Company

Exhibit 12: PCR (incl. TWO) improved 410bp QoQ to 78.7%



Source: MOFSL, Company

Exhibit 13: Loan book remains well diversified – Retail: Wholesale mix stands at 57:43

INR b	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	YoY	QoQ
Large corporate	6,521	6,420	7,417	7,011	7,453	7,747	8,516	14.8%	9.9%
International	2,919	2,998	3,020	2,667	2,909	2,763	3,027	0.2%	9.6%
SME	2,525	2,677	2,699	2,751	2,657	2,931	2,886	6.9%	-1.5%
Retail	5,048	5,210	5,466	5,591	5,766	6,126	6,478	18.5%	5.8%
Agri	1,912	1,941	1,883	1,881	1,907	1,987	2,027	7.7%	2.0%

Source: Company, MOFSL

Financials and Valuations

Income Statement						(INRb)
Y/E March	**FY16**	**FY17**	**FY18**	**FY19**	**FY20E**	**FY21E**
Interest Income	2,149.7	2,239.8	2,205.0	2,428.7	2,733.8	3,028.0
Interest Expense	1,425.8	1,487.8	1,456.5	1,545.2	1,736.0	1,886.7
Net Interest Income	**723.9**	**752.0**	**748.5**	**883.5**	**997.8**	**1,141.3**
Change (%)	4.4	3.9	-0.5	18.0	12.9	14.4
Non-Interest Income	**334.3**	**426.4**	**446.0**	**367.7**	**393.5**	**432.8**
Total Income	**1,058.2**	**1,178.4**	**1,194.5**	**1,251.2**	**1,391.3**	**1,574.2**
Change (%)	9.2	11.4	1.4	4.7	11.2	13.1
Operating Expenses	520.8	583.8	599.4	696.9	743.8	794.5
Pre Provision Profits	**537.3**	**594.6**	**595.1**	**554.4**	**647.4**	**779.7**
Change (%)	10.0	10.7	0.1	-6.8	16.8	20.4
Core Provision Profits	**479.0**	**458.5**	**460.9**	**473.8**	**575.0**	**700.0**
Change (%)	8.4	-4.3	0.5	2.8	21.3	21.7
Provisions (exc. tax)	374.1	607.2	750.4	538.3	221.0	306.1
PBT	**163.2**	**-12.6**	**-155.3**	**16.1**	**426.5**	**473.6**
Tax	47.3	5.5	-89.8	7.5	145.0	161.0
Tax Rate (%)	29.0	-43.3	57.8	46.4	34.0	34.0
PAT	**115.9**	**-18.0**	**-65.5**	**8.6**	**281.5**	**312.6**
Change (%)	-28.9	NM	NM	NM	NM	11.1
Cons. PAT post MI	**122.2**	**2.4**	**-45.6**	**23.0**	**298.7**	**333.3**
Change (%)	-28.1	-98.0	NM	NM	NM	11.6

Balance Sheet						
Y/E March	**FY16**	**FY17**	**FY18**	**FY19**	**FY20E**	**FY21E**
Share Capital	8	8	9	9	9	9
Reserves & Surplus	1,683	2,110	2,182	2,200	2,466	2,759
Net Worth	**1,691**	**2,118**	**2,191**	**2,209**	**2,475**	**2,767**
Deposits	**22,405**	**25,853**	**27,063**	**29,114**	**31,734**	**35,225**
Change (%)	9.8	15.4	4.7	7.6	9.0	11.0
of which CASA Dep.	**8,608**	**11,988**	**12,039**	**12,873**	**14,249**	**16,203**
Change (%)	6.9	39.3	0.4	6.9	10.7	13.7
Borrowings	2,525	3,321	3,621	4,030	4,432	4,869
Other Liab. & Prov.	1,898	1,756	1,671	1,456	1,558	1,683
Total Liabilities	**28,519**	**33,049**	**34,548**	**36,809**	**40,200**	**44,544**
Current Assets	2,020	2,709	1,919	2,225	2,159	2,288
Investments	**6,155**	**9,329**	**10,610**	**9,670**	**10,057**	**10,560**
Change (%)	3.0	51.6	13.7	-8.9	4.0	5.0
Loans	**18,493**	**18,690**	**19,349**	**21,859**	**24,700**	**28,257**
Change (%)	10.5	1.1	3.5	13.0	13.0	14.4
Fixed Assets	143	499	400	392	400	412
Other Assets	1,708	1,822	2,270	2,663	2,884	3,027
Total Assets	**28,519**	**33,049**	**34,548**	**36,809**	**40,200**	**44,544**

Asset Quality						
GNPA	1,182	1,779	2,234	1,728	1,368	1,315
NNPA	558	970	1,109	659	476	440
GNPA Ratio	6.18	9.52	11.55	7.90	5.54	4.65
NNPA Ratio	3.02	5.19	5.73	3.01	1.93	1.56
Slippage Ratio	5.4	7.0	5.3	2.0	1.50	1.35
Credit Cost	2.2	3.3	3.8	2.6	1.5	1.1
PCR (Exc. Tech. W/O)	52.8	45.5	50.4	61.9	65.2	66.6

Source: Company, MOFSL

Financials and Valuations

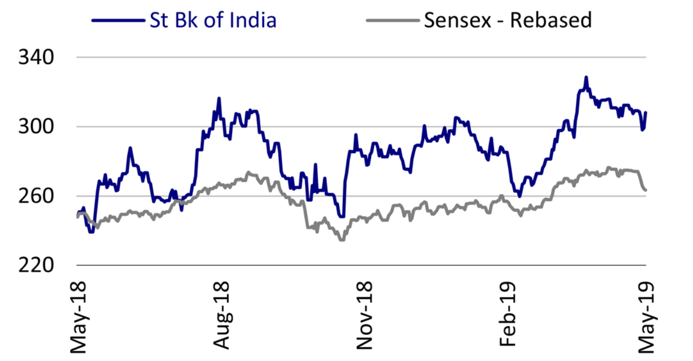
Ratios						
Y/E March	**FY16**	**FY17**	**FY18**	**FY19**	**FY20E**	**FY21E**
Yield and Cost Ratios (%)						
Avg. Yield-Earning Assets	**8.9**	**9.0**	**7.4**	**7.8**	**8.1**	**8.1**
Avg. Yield on loans	9.0	9.3	7.4	7.8	8.5	8.6
Avg. Yield on Investments	8.3	8.5	7.2	7.5	7.4	7.4
Avg. Cost-Int. Bear. Liab.	**6.0**	**6.0**	**4.9**	**4.8**	**5.0**	**4.9**
Avg. Cost of Deposits	5.8	6.4	5.1	5.2	5.1	5.1
Interest Spread	**2.9**	**3.0**	**2.5**	**2.9**	**3.1**	**3.2**
Net Interest Margin	**3.0**	**3.0**	**2.5**	**2.8**	**3.0**	**3.1**
Capitalization Ratios (%)						
CAR	13.1	13.0	12.7	12.7	13.2	13.0
Tier I	*9.9*	*10.4*	*10.5*	*10.7*	*10.8*	*10.7*
Tier II	*3.2*	*2.6*	*2.2*	*2.1*	*2.4*	*2.3*
Business and Efficiency Ratios (%)						
Loans/Deposit Ratio	82.5	72.3	71.5	75.1	77.8	80.2
CASA Ratio	38.4	46.4	44.5	44.2	44.9	46.0
Cost/Assets	1.8	1.8	1.7	1.9	1.9	1.8
Cost/Total Income	49.2	49.5	50.2	55.7	53.5	50.5
Cost/Core Income	53.6	56.0	56.5	59.5	56.4	53.2
Int. Expense./Int. Income	66.3	66.4	66.1	63.6	63.5	62.3
Fee Income/Total Income	26.1	24.6	26.1	23.0	23.1	22.4
Non Int. Inc./Total Income	31.6	36.2	37.3	29.4	28.3	27.5
Emp. Cost/Total Expense	56.4	58.2	55.3	58.9	53.5	53.1
Investment/Deposit Ratio	27.5	36.1	39.2	33.2	31.7	30.0
Profitability Ratios and Valuation						
RoE	7.6	-1.1	-3.5	0.4	13.4	13.2
RoA	0.4	-0.1	-0.2	0.0	0.7	0.7
RoRWA	0.9	-0.1	-0.3	0.0	1.3	1.3
Consolidated RoE	7.8	0.1	-2.0	1.0	11.9	12.0
Consolidated RoA	0.4	0.0	-0.1	0.1	0.7	0.7
Book Value (INR)	207	240	230	232	262	295
Change (%)	6.5	15.7	-4.0	0.9	12.8	12.5
Price-BV (x)	**1.1**	**0.9**	**1.0**	**1.0**	**0.9**	**0.8**
Consol BV (INR)	222	248	243	247	278	312
Change (%)	7.2	11.6	-2.0	1.9	12.3	12.4
Price-Consol BV (x)	**1.3**	**1.2**	**1.2**	**1.2**	**1.1**	**1.0**
Adjusted BV (INR)	157	139	135	172	217	253
Price-ABV (x)	**1.5**	**1.6**	**1.7**	**1.3**	**1.1**	**0.9**
Adjusted Consol BV	159	159	152	192	236	273
Price-Consol ABV (x)	**1.8**	**1.8**	**1.9**	**1.6**	**1.3**	**1.1**
EPS (INR)	14.9	-2.3	-7.69	0.97	31.5	35.0
Change (%)	-31.6	NM	NM	NM	NM	11.1
Price-Earnings (x)	**15.3**	**NM**	**NM**	**NM**	**7.2**	**6.5**
Consol EPS (INR)	15.7	0.3	-5.3	2.6	33.5	37.3
Change (%)	-30.8	NM	NM	NM	NM	11.6
Price-Consol EPS (x)	**18.3**	**NM**	**NM**	**NM**	**9.2**	**8.2**
Dividend Per Share (INR)	2.6	3.0	0.0	0.0	1.7	2.3
Dividend Yield (%)	**0.8**	**1.0**	**0.0**	**0.0**	**0.6**	**0.7**

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 22,010 branches spread across the country.

Exhibit 1: Sensex rebased



Source: MOFSL/Bloomberg

Exhibit 2: Shareholding pattern (%)

	Mar-19	Dec-18	Mar-18
Promoter	57.1	57.7	58.0
DII	24.2	24.2	22.0
FII	11.1	10.7	12.4
Others	7.6	7.4	7.6

Note: FII Includes depository receipts Source: Capitaline

Exhibit 3: Top holders

Holder Name	% Holding
Life insurance corporation of India	9.2
Hdfc trustee company ltd.	3.3
Icici prudential value fund-series 9	2.4
Reliance emergent India fund	2.1
Sbi-etf nifty bank	1.9

Source: Capitaline

Exhibit 4: Top management

Name	Designation
Rajnish Kumar	Chairman
Anshula Kant	Managing Director
Dinesh Kumar Khara	Managing Director
Praveen Kumar Gupta	Managing Director
Arijit Basu	Managing Director
Prashant Kumar	CFO

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
J C Bhalla & Co	Statutory
Rao & Kumar	Statutory
S K Mittal & Co	Statutory
Brahmayya & Co	Statutory
Chaturvedi & Shah	Statutory

Source: Capitaline

Exhibit 7: MOFSL forecast v/s consensus

EPS (INR)	MOFSL forecast	Consensus forecast	Variation (%)
FY20	31.1	27.4	27.9
FY21	35.5	37.4	-5.0

Source: Bloomberg

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 is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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