

## Glide path elongated

SBIN's mostly in line operating performance in 1QFY20 was marred by higher than expected slippages. Additional stress and slower resolutions will delay the expected RoAA improvement. Maintain BUY. Our SOTP (1.3x Jun-21E ABV of Rs 228 + Rs 101 sub value) is Rs 398.

### HIGHLIGHTS OF THE QUARTER

- **Slippages Rise, Again:** After dipping to ~1.5% ann. in 4QFY19, 1QFY20 saw a broad based rise in slippages (~Rs 170bn, 3.15% ann. +18/114%). Corp slippages were ~Rs 54bn (2.62% ann. +45/134%) led by a single PSU power a/c (~Rs 20bn). Agri slippages (~Rs 42bn, 8.4% ann.) saw a steep rise (+54/103%) and were geographically concentrated (~Rs 20bn in MH). 1Q slippages seriously overshot our estimates (we were at ~Rs 430bn for FY20E). Our slippage assumption rises to 2.3% over FY20-21E, in view of challenging macros and a larger stressed pool of loans in sight.
- **Watchlist:** SBIN's aggregate watchlist (SMA + 19 std stressed a/cs) jumped to ~Rs 274bn, i.e. 1.3% of loans, vs. ~Rs 78bn (36bps) in 4Q. Two large a/cs (an HFC and a wind energy co) contribute to half of this. This is a key monitorable.

### Financial Summary

(Rs bn)	1QFY20	1QFY19	YoY (%)	4QFY19	QoQ (%)	FY19	FY20E	FY21E	FY22E
Net Interest Income	229.39	217.98	5.2%	229.54	-0.1%	883.49	1,013.06	1,127.35	1,249.83
PPOP	132.46	119.73	10.6%	169.33	-21.8%	554.36	684.30	767.09	853.84
PAT	23.12	(48.76)	NA	8.38	175.8%	8.62	197.28	307.06	412.79
EPS (Rs)	2.59	(5.46)	NA	0.94	175.8%	0.97	22.10	34.41	46.25
ROAE (%)						0.4	8.6	12.3	14.8
ROAA (%)						0.02	0.51	0.73	0.90
Adj. BVPS (Core, ex-subs, Rs)						146.1	183.6	219.4	255.2
P/ABV (x)#						1.50	1.18	0.97	0.81
P/E (x)#						226.1	9.83	6.22	4.45

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

- **Provisions Dip:** Provisions registered a ~44% sequential dip, led by a 33% fall in LLP to ~Rs 117bn (i.e. 2.16% ann.). The trend of MTM reversals continued for the 3<sup>rd</sup> straight qtr (~Rs 12bn in 1Q). Calc. PCR at ~61% (Corp PCR at ~71%) and existing provisions on the two chunky a/cs (~Rs 23bn) cause us to build a less than commensurate rise in LLPs to 1.55% (vs. anticipated increase in slippages). The expedition of NCLT resolutions may pose an upside risk to our estimates.
- **Near term outlook:** A weak 1Q and uncertainty on large resolutions will keep SBIN under pressure. We anticipate a (book accretive) fund raise. This may act as a counter to the anticipated weakness in the stock.

### STANCE

After sustained improvement over FY19, SBIN disappointed on asset quality in 1QFY20. Slower than expected resolution in NCLT cases, a buildup in anticipated stress and deteriorating macros are likely to postpone RoAA improvement (as credit costs rise). Our earnings estimates are highly sensitive to asset resolution outcomes. Nevertheless, the worst is long behind SBIN (in terms of asset quality).

INDUSTRY	BANKS
<b>CMP (as on 2 Aug 2019)</b>	<b>Rs 308</b>
<b>Target Price</b>	<b>Rs 398</b>
Nifty	10,997
Sensex	37,118

KEY STOCK DATA	SBIN IN
Bloomberg	8,925
No. of Shares (mn)	2,753/39,532
MCap (Rs bn) / (\$ mn)	7,713
6m avg traded value (Rs mn)	

STOCK PERFORMANCE (%)			
<b>52 Week high / low</b>	<b>Rs 374/247</b>		
	3M	6M	12M
Absolute (%)	0.1	8.5	5.0
Relative (%)	4.9	6.7	5.1

SHAREHOLDING PATTERN (%)	Mar-19	Jun-19
Promoters	57.9	57.9
FIs & Local MFs	24.3	23.6
FPIs	9.9	10.9
Public & Others	7.9	7.6
Pledged Shares	-	-
Source : BSE		

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- **Growth Surprises:** Overall loan growth at ~14% YoY (~2% QoQ dip was seasonal) was ahead of our estimates. Strong growth was seen in the retail (+19/2%, ~30% of loans) and international (+16/2%, ~14% of loans) segments. After a ~10% QoQ jump in 4Q, corporate loans (~35% of loans) dipped ~8% sequentially. We expect challenging macros and SBIN's capital position to limit its loan growth to 12% over FY20-21E.
- **Unimpressive Deposit Growth:** At ~Rs 29.5tn, deposits grew ~7/1% (slower vs. PVT players) led by ~7/3% TD growth (PVT peers have grown their TD book much faster in recent qtrs). CASA deposits (43.6% of deposits, -66bps QoQ) grew ~7% YoY (flat QoQ), led by ~7/2% SA growth. CA dipped ~11% QoQ (+9% YoY), a 1Q phenomenon. Deposit growth has averaged ~7% at SBIN for the past 5 qtrs. In spite of its large base and systemic drop in deposit accretion, we believe SBIN can demonstrate faster deposit growth (esp. TDs). While the domestic CD ratio at ~67.6% (+270/-310bps) is comfortable and much lower than PVT peers, sluggish deposit growth confounds us.
- **Stable NIMs Surprise:** NIMs were stable (YoY and QoQ) at ~2.8%, despite higher interest reversals (Rs 27.9bn vs. Rs 12bn YoY). Domestic NIMs were sequentially flat at 3.01% (+6bps YoY) while foreign NIMs continued to decline (1.18%, -29/14bps). Yields moved up ~7bps QoQ (~8.6%) on a/c of higher avg. balances, even as qtr end balances fell. We expect NIMs to improve to 3.05% by FY21E, led by the rising share of higher yielding loans and better pricing power.
- **Sufficient Capital?** We reiterate that current capital (12.9% CRAR, 10.7% Tier 1 and 9.61% CET 1) may not suffice, in spite of our conservative growth estimates. A fund raise is likely in the near future and it shall be book accretive.
- **Other Income Miss:** 1Q does see a sequential fall in other income (led by strong CEB traction in 4Q; seasonal). Treasury gains at merely ~Rs 4.9bn, surprised (esp. since they were ~9% lower QoQ when yields fell sharply over 1Q).
- **Seasonal Op-delev:** Even as operating expenses de-grew ~5% QoQ, led by an ~18% decline in other opex, the C-I ratio jumped ~470bps QoQ (-75bps YoY) to ~57% due to a ~37% QoQ fall in other income (led by CEB, seasonal). Staff costs grew ~12/4% led by higher retirement benefit provisions (falling bond yields) and provisions for gratuity. We build a gradual improvement in the C-I ratio to 51.5% by FY21E.
- **Exposure to Stressed Sectors:**
  - DHFL: The exposure is ~Rs 100bn (std for now) against which provisions held amount to ~Rs 11bn (incl. std asset provisions). DHFL along with various lenders is required to devise a resolution plan by Dec-19.
  - Ratnagiri Power: This a/c (~Rs 20bn) slipped in 1Q and is completely provided for.
  - BSNL: ~Rs 20bn of exposure is incl. in SMA 1
  - Power Sector: ~87% of the ~Rs 2tn exposure is std with a 63:37 split between the public and private sectors.
  - NBFCs/ HFCs: Of the o/s ~Rs 1.74tn exposure to this space, ~79% is to entities backed by the govt/ PSUs/ large pvt sector institutions. The exposure to DHFL accounts for a third of the remaining exposure.

### SOTP

Particulars	Rs bn	Per Share	Rationale
State Bank (Bank consol)	2,650	289	1.3x June-21E Core ABV of Rs 228
SBI Life	568	64	June-20 EV + 22.2x FY21 VNB
SBI AMC	116	13	5% FY21E AUM
Others	446	50	Stakes in NSE, UTI MF, SBI Caps, SBI cards and others
<b>Total Value of Subsidiaries</b>	<b>1,130</b>	<b>127</b>	
Less: Hold Co Discount	226	25	
<b>Net Total Value of Subsidiaries</b>	<b>904</b>	<b>101</b>	
<b>Total Value</b>	<b>3,553</b>	<b>398</b>	
CMP	2,749	308	
<b>Upside (%)</b>	<b>29.3</b>	<b>29.3</b>	

Source: HDFC sec Inst Research

### Change In Estimates

Rs mn	FY20E			FY21E		
	Old	New	Change	Old	New	Change
NII	1,013.59	1,013.06	-0.1%	1,140.31	1,127.35	-1.1%
PPOP	703.60	684.30	-2.7%	807.36	767.09	-5.0%
PAT	245.67	197.28	-19.7%	357.38	307.06	-14.1%
Adj. BVPS (Rs)	187.8	183.6	-2.2%	222.3	219.4	-1.3%

Source: HDFC sec Inst Research

## Five Quarters At A Glance

(Rs bn)	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	YoY Growth	QoQ Growth
Net Interest Income	217.98	209.06	226.91	229.54	229.39	5.2	(0.1)
Non-interest Income	66.79	93.75	80.35	126.85	80.15	20.0	(36.8)
Treasury Income	(12.64)	28.89	4.25	5.34	4.85	(138.4)	(9.2)
Operating Income	284.78	302.81	307.26	356.39	309.54	8.7	(13.1)
Operating Expenses	165.05	163.76	181.01	187.06	177.08	7.3	(5.3)
Pre Provision Profits	119.73	139.05	126.25	169.33	132.46	10.6	(21.8)
Provisions	192.28	120.92	60.06	165.02	91.83	(52.2)	(44.4)
NPA Provisions	130.38	101.85	139.71	173.36	116.48	(10.7)	(32.8)
PBT	(72.55)	18.13	66.19	4.31	40.63	NA	842.3
Provision For Tax	(23.79)	8.68	26.64	(4.07)	17.51	NA	NA
PAT	(48.76)	9.45	39.55	8.38	23.12	NA	175.8
<b>Balance Sheet items/ratios</b>							
Deposits	27,478	28,074	28,305	29,114	29,488	7.3	1.3
CASA Deposits (%)	43.5	43.7	43.7	44.2	43.6	2 bps	-66 bps
Advances	18,758	19,573	20,478	21,859	21,348	13.8	(2.3)
CD ratio (%)	68.3	69.7	72.3	75.1	72.4	413 bps	-269 bps
CAR (%)	13.3	12.6	12.8	12.7	12.9	-42 bps	17 bps
Tier I (%)	10.7	10.4	10.5	10.7	10.7	-2 bps	0 bps
<b>Profitability</b>							
Yield On Advances (%)	8.57	8.43	8.48	8.49	8.56	-1 bps	7 bps
Cost Of Deposits (%)	5.11	5.11	5.09	5.10	5.07	-4 bps	-3 bps
NIM (%)	2.80	2.73	2.76	2.78	2.81	1 bps	3 bps
Domestic NIM (%)	2.95	2.88	2.97	3.02	3.01	6bp	-1bp
Foreign NIM (%)	1.47	1.42	1.38	1.32	1.18	-29bp	-14bps
Cost-Income Ratio (%)	58.0	54.1	58.9	52.5	57.2	-75 bps	472 bps
Tax rate (%)	32.8	47.9	40.2	(94.4)	43.1	1030 bps	NA
<b>Asset quality</b>							
Gross NPA	2,128.40	2,058.64	1,877.65	1,727.50	1,684.94	(20.8)	(2.5)
Net NPA	992.36	948.10	809.44	658.95	656.24	(33.9)	(0.4)
Gross NPAs (%)	10.69	9.95	8.71	7.53	7.53	-316 bps	0 bps
Net NPAs (%)	5.29	4.84	3.95	3.01	3.07	-222 bps	6 bps
Slippages (% Ann.)	3.01	2.27	1.31	1.50	3.15	20 bps	164 bps
Coverage Ratio (%) Calc.	53.38	53.95	56.89	61.86	61.05	768 bps	-80 bps

Source: HDFC sec Inst Research;

*In line with estimates, led by a ~2% QoQ dip in advances and a slight sequential uptick in NIMs*

*The sequential dip in treasury income surprised given the sharp fall in benchmark yields in 1Q*

*Sluggish growth continues to surprise, given the outperformance by peers, especially on the TD front*

*Sequential dip, led by an ~8% QoQ fall in corporate loans. Retail (+19/2%) and International loans (+16/2%) grew the fastest*

*We expect SBIN to raise capital in the near term in spite of our conservative growth estimates*

*Domestic and foreign NIM divergence continues to increase; Stable despite higher interest reversals (Rs 27.9bn)*

*Broad based increase in slippages, with chunky slippages in the corporate segment (Rs 53.5bn, incl Rs 20bn of one PSU exposure)  
Agri Slippages jumped to ~ Rs 42bn, led by one single state (MH, Rs 20bn)  
Retail slippages too jumped to Rs 24bn (4.6x)*

**The 2% QoQ dip in overall loans was seasonal (led by an ~8% dip in corporate loans)**

**Corporate loans were the largest constituent of the book at ~35%**

**International loans grew ~16/2% to form ~14% of the book**

**The share of the retail book continued to grow (~30%, +155/140bps)**

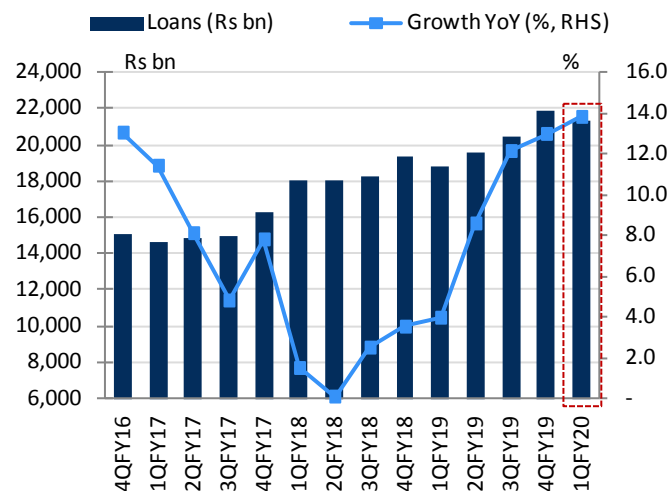
**Retail loan growth (+19/2%) was led by home loans (+29/3%, 62% of retail loans)**

**Deposit growth at ~7/1% was unimpressive and led by a 7/3% growth in TDs (much slower vs. peers)**

**CASA deposits (43.6% of deposits) were flat QoQ**

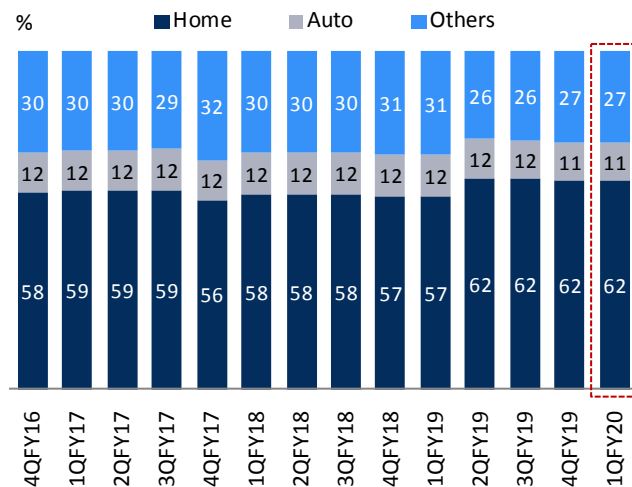
**CA dipped ~11% QoQ (albeit up ~9% YoY)**

### Advances Dipped ~2% QoQ



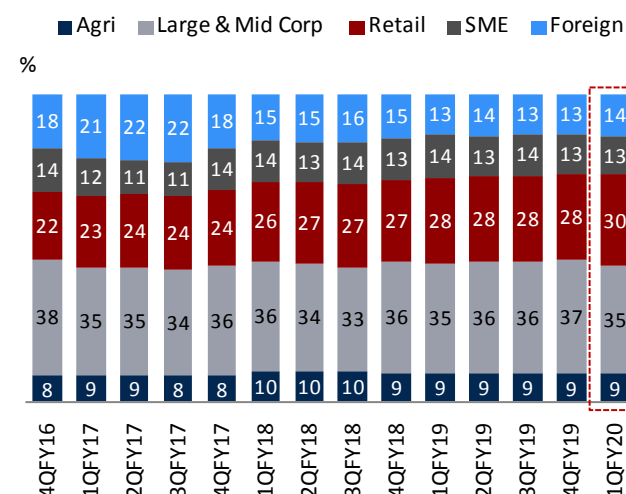
Source : Bank; 1QFY18 onwards incl. SBIN + ABs + BMB

### Retail Loan Mix: Home Loans Capturing Share



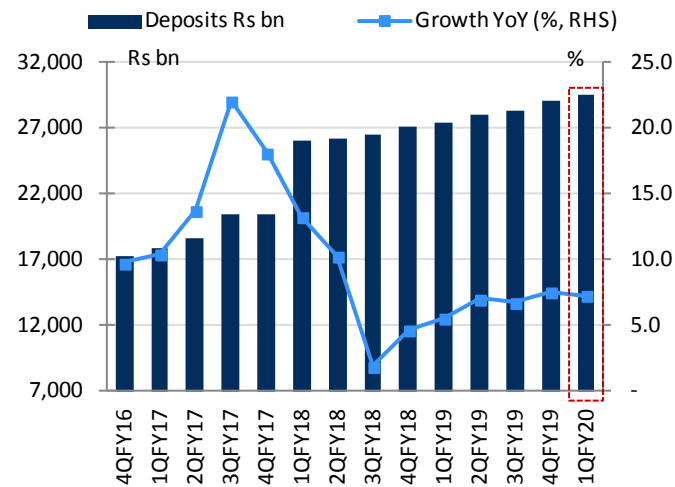
Source : Bank; 1QFY18 onwards incl. SBIN + ABs + BMB

### Loan Mix: Retail On The Rise



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

### Deposits: Up 1% QoQ, Continue To Lag Peers



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

**Domestic CD Ratio stood at ~67.6% (-310bps QoQ)**

**Overall CD Ratio dipped ~270bps QoQ to 72.4%**

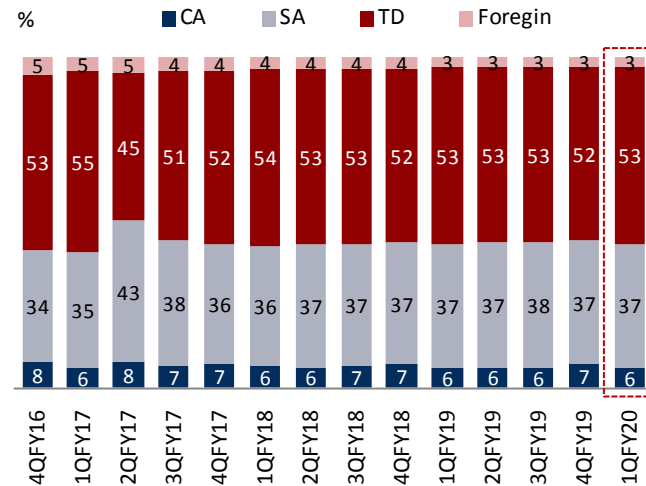
**Domestic NIMs were up ~6bps YoY to 3.01% (flat QoQ) while overseas NIMs trended downwards (-29/-14bps) to 1.18%**

**We expect NIMs of 3.05% by FY21E vs. management guidance of 3.15% for FY20**

**Slight sequential uptick in yields (+7bps) was observed while Cost of Deposits dipped a mere ~3bps QoQ**

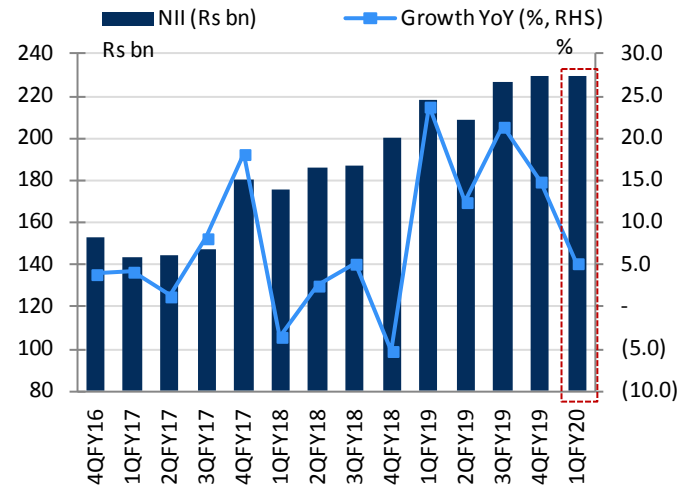
**Sequentially stable yields despite higher interest reversals of Rs 27.9bn (largely in Agri portfolio)**

### CASA Ratio: Now 43.6%



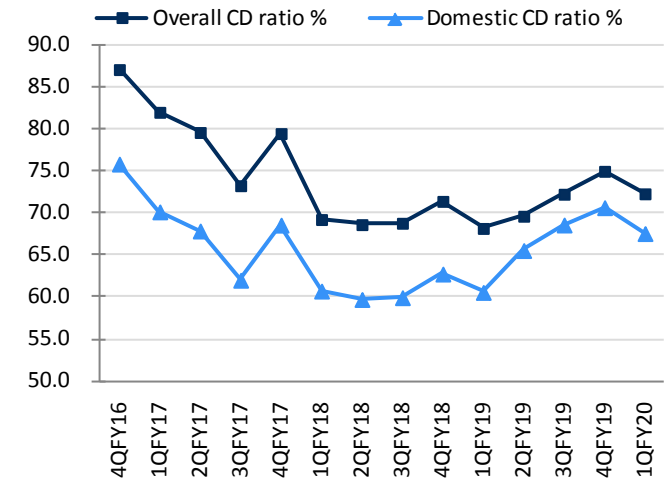
Source : Bank; 1QFY18 onwards incl. SBIN + ABs + BMB

### NII Up ~5% YoY (Flat QoQ)



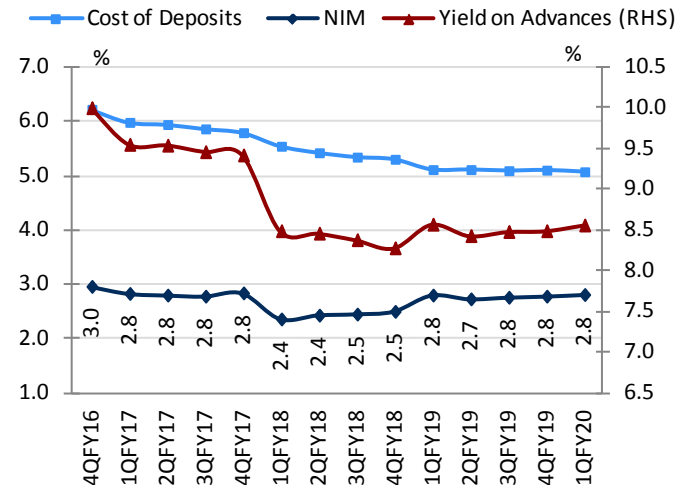
Source : Bank; 1QFY18 onwards incl. SBIN + ABs + BMB

### Both Overall and Domestic CD Ratios Dip QoQ



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

### Overall NIMs Flat QoQ



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

**Other income dipped ~37% QoQ, led by a 40% fall in CEB (a 1Q phenomenon, as 4Q sees a spike)**

**Surprisingly, treasury income fell ~9% QoQ, in spite of a sharp fall in bond yields**

**Opex fell ~5% QoQ, led by an ~18% fall in other opex, while staff costs grew ~4% QoQ (higher retirement benefit provisions)**

**The C-I ratio increased ~470bps QoQ to ~57%, in spite of a sequential fall in opex, due to a sharp dip in other income led by CEB**

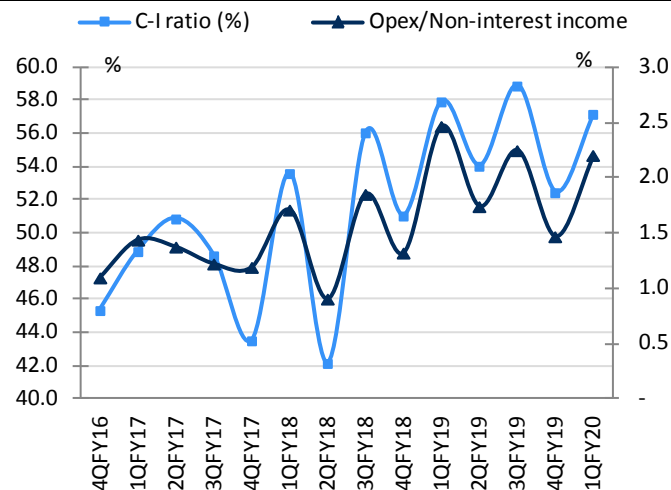
**We have built in a gradual improvement in oplev and expect a C-I ratio of 52%**

### Non-interest Income: Fees Fall QoQ, After A Spike in 4Q (Seasonal)

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	1Q FY20
CEB	57.94	33.97	43.17	41.11	60.78	48.70	53.57	49.79	84.30	49.76	50.15	47.24	85.89	51.77
% 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	0.96
Treasury	14.16	27.23	22.90	39.69	17.66	17.70	85.66	10.26	9.41	(12.64)	28.89	4.25	5.34	4.85
Forex	5.96	5.96	9.00	5.91	5.89	6.67	6.75	5.94	5.46	4.27	4.93	5.64	6.71	5.18
Dividend	3.95	1.58	1.36	-	3.94	0.23	0.94	-	3.31	0.13	-	-	-	-
Misc. inc.	24.96	4.61	7.79	10.91	15.00	6.76	13.25	14.82	22.46	25.27	25.39	23.22	28.92	18.36
<b>Total</b>	<b>106.96</b>	<b>73.35</b>	<b>84.24</b>	<b>96.62</b>	<b>103.28</b>	<b>80.06</b>	<b>160.16</b>	<b>80.84</b>	<b>124.95</b>	<b>66.79</b>	<b>93.75</b>	<b>80.35</b>	<b>126.85</b>	<b>80.15</b>
(YoY %)	26%	44%	36%	56%	-3%	-9%	58%	-30%	2%	-17%	-41%	-1%	2%	20%

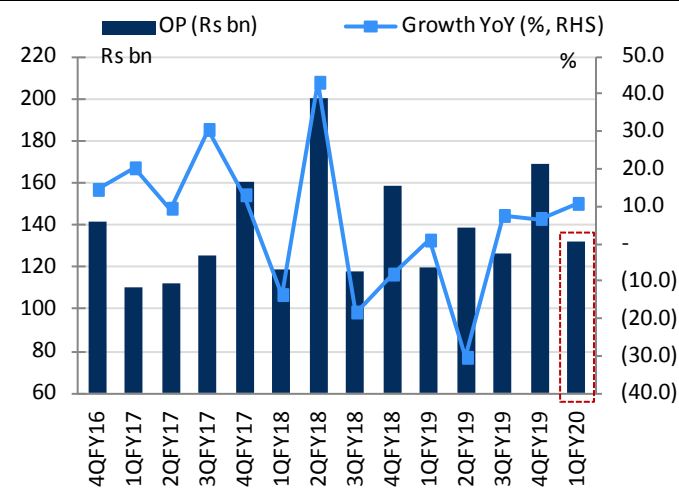
Source: Bank, HDFC sec Inst Research; 1QFY18 onwards incl. SBIN + ABs + BMB

### C-I Ratio Jumped ~470bps QoQ



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

### Core PPOP Rises 11% YoY



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



**NPA provisions (-33%) dipped QoQ**

**Total watchlist (SMA + std stressed book) is ~Rs 140, half of which is towards 2 a/cs (DHFL + Suzlon)**

**SBIN holds provisions of Rs 23bn against these two accounts**

**The SME segment witnessed a sharp rise in slippages as SBIN did not utilise the RBI dispensation on these a/cs (except a few negligible cases)**

**Segment wise GNPA:**

- **Corp: 13.6% (flat QoQ)**
- **Retail: 1.2% vs. 1.0%**
- **Agri: 13.1% vs. 11.6%**
- **SME: 9.3% vs. 8.6%**
- **Overseas: 0.6% (flat QoQ)**

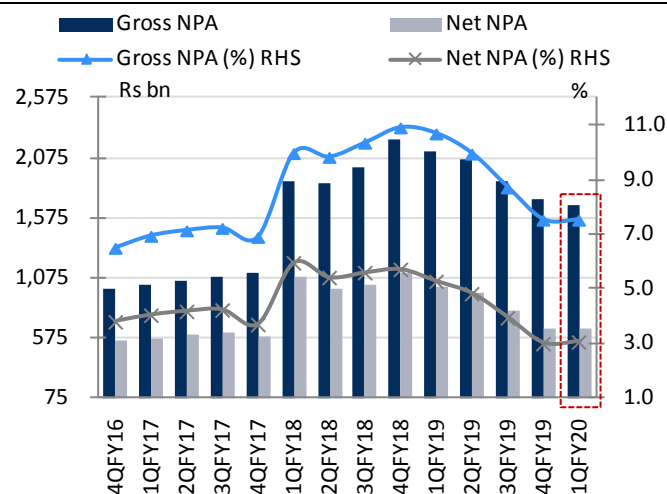
**Corp slippages incl. Ratnagiri Power of ~Rs 20bn**

### Provisions Break-up: LLP Dips 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	1Q FY20
LLP	121.39	63.40	76.70	72.45	109.93	121.25	167.15	177.60	240.80	130.38	101.85	139.71	173.36	116.48
% 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	2.16
MTM	(0.06)	0.11	1.09	1.00	0.78	(7.55)	0.37	40.44	47.61	70.98	17.49	(79.94)	(16.15)	(12.25)
SA	9.96	9.17	(0.71)	13.64	2.89	(20.39)	22.76	(29.90)	(8.52)	(9.19)	0.98	(0.64)	8.10	(12.88)
Others	0.45	1.46	1.89	2.34	3.80	(4.02)	1.09	0.62	1.07	0.11	0.61	0.93	(0.29)	0.47
<b>Total</b>	<b>131.74</b>	<b>74.13</b>	<b>78.97</b>	<b>89.43</b>	<b>117.40</b>	<b>89.29</b>	<b>191.37</b>	<b>188.76</b>	<b>280.96</b>	<b>192.28</b>	<b>120.92</b>	<b>60.06</b>	<b>165.02</b>	<b>91.83</b>
YoY %	100%	85%	81%	12%	-11%	-32%	29%	58%	34%	115%	-37%	-68%	-41%	-52%
As % PPOP*	93%	67%	70%	71%	73%	75%	96%	161%	177%	161%	87%	48%	97%	69%
Tax	(2.46)	11.20	7.89	9.90	14.72	9.39	(7.20)	(47.05)	(44.95)	(23.79)	8.68	26.64	(4.07)	17.51
(% PBT)	-24%	31%	24%	28%	34%	32%	-84%	66%	37%	33%	48%	40%	-94%	43%

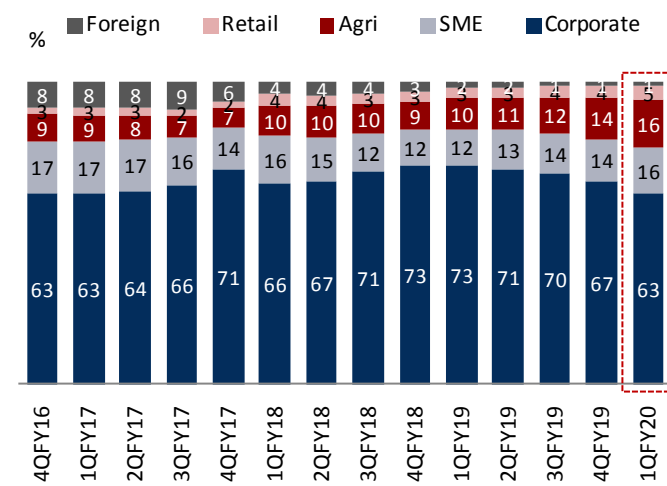
Source: Bank, HDFC sec Inst Research, \* PPOP: Pre-provisioning operating profits; 1QFY18 onwards incl. SBIN + ABs + BMB

### GNPAs: Downward Movement Stalled



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

### Segment-Wise GNPA Contribution



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



### Fresh slippages split:

- **Retail Rs 24.4bn vs. Rs 5.3bn**
- **Corp Rs 53bn vs. Rs 22.8bn**
- **Agri Rs 42.4bn vs. Rs 20.9bn**
- **SME Rs 39.7bn vs. Rs 26.7bn**

### Asset Quality Movement: Slippages Jump

Rs bn	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19	1Q FY20
Opening	981.73	1,015.41	1,057.83	1,081.72	1,778.66	1,880.68	1,861.14	1,991.34	2,234.20	2,128.33	2,058.56	1,877.56	1,727.41
Slippages	107.97	118.52	103.57	103.68	300.59	106.27	267.74	328.21	143.49	108.88	65.41	79.61	169.95
% Ann.	<b>3.00</b>	<b>3.33</b>	<b>2.88</b>	<b>2.75</b>	<b>6.55</b>	<b>2.36</b>	<b>5.90</b>	<b>6.98</b>	<b>3.01</b>	<b>2.27</b>	<b>1.31</b>	<b>1.50</b>	<b>3.15</b>
Upgrades/ Recoveries	28.16	15.50	20.62	22.05	66.80	33.23	44.42	0.85	148.56	43.27	66.17	57.12	57.69
Write-Offs	46.13	60.60	59.06	38.92	131.76	92.58	93.12	84.50	100.80	135.38	180.24	172.64	154.82
Closing	<b>1,015.41</b>	<b>1,057.83</b>	<b>1,081.72</b>	<b>1,124.43</b>	<b>1,880.69</b>	<b>1,861.14</b>	<b>1,991.34</b>	<b>2,234.20</b>	<b>2,128.33</b>	<b>2,058.56</b>	<b>1,877.56</b>	<b>1,727.41</b>	<b>1,684.85</b>
QoQ %	<b>3%</b>	<b>4%</b>	<b>2%</b>	<b>4%</b>	<b>6%</b>	<b>-1%</b>	<b>7%</b>	<b>12%</b>	<b>-5%</b>	<b>-3%</b>	<b>-9%</b>	<b>-8%</b>	<b>-2%</b>

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 (%)		
					FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E
KMB #	2,878	1,508	NEU	1,531	201	238	273	47.0	38.9	31.5	5.97	5.11	4.35	13.0	13.7	14.3	1.70	1.77	1.80
ICICIBC #	2,647	411	BUY	492	138	156	179	60.2	18.0	12.1	2.28	1.97	1.69	3.3	9.3	12.7	0.36	1.08	1.39
AXSB#	1,765	674	BUY	900	215	252	297	35.4	19.4	13.7	2.99	2.55	2.16	7.2	12.1	15.0	0.63	1.03	1.29
IIB	957	1,383	BUY	1,964	400	515	550	25.2	19.4	14.9	3.46	2.69	2.51	13.3	16.1	17.2	1.32	1.58	1.68
RBL	203	407	NEU	512	168	216	247	20.1	22.0	15.3	2.42	1.89	1.65	12.2	9.5	10.6	1.22	1.00	1.14
FB	173	87	BUY	117	59	64	75	13.9	10.9	8.2	1.49	1.36	1.16	9.8	11.5	13.7	0.84	0.93	1.06
CUB	140	191	BUY	240	58	68	80	20.5	17.8	15.0	3.30	2.79	2.39	15.2	15.1	15.4	1.60	1.61	1.61
DCBB	61	195	NEU	234	88	98	112	18.5	15.0	11.7	2.22	1.98	1.73	11.0	12.2	14.0	0.99	1.03	1.12
KVB	49	62	BUY	87	50	52	61	23.5	14.4	8.5	1.24	1.18	1.02	3.3	5.3	8.8	0.31	0.47	0.72
<b>SBIN#</b>	<b>2,753</b>	<b>308</b>	<b>BUY</b>	<b>398</b>	<b>146</b>	<b>184</b>	<b>219</b>	<b>226.1</b>	<b>9.8</b>	<b>6.2</b>	<b>1.50</b>	<b>1.18</b>	<b>0.97</b>	<b>0.4</b>	<b>8.6</b>	<b>12.3</b>	<b>0.02</b>	<b>0.51</b>	<b>0.73</b>
AUBANK	202	669	BUY	725	101	118	141	51.2	34.8	25.5	6.61	5.67	4.75	14.1	15.7	17.2	1.48	1.53	1.63

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

## Standalone Income Statement

(Rs bn)	FY18	FY19	FY20E	FY21E	FY22E
Interest Earned	2,204.99	2,428.69	2,697.37	2,967.85	3,263.86
Interest Expended	1,456.46	1,545.20	1,684.31	1,840.50	2,014.03
<b>Net Interest Income</b>	<b>748.54</b>	<b>883.49</b>	<b>1,013.06</b>	<b>1,127.35</b>	<b>1,249.83</b>
<b>Other Income</b>	<b>446.01</b>	<b>367.75</b>	<b>425.55</b>	<b>454.65</b>	<b>488.62</b>
Fee Income (CEB)	229.97	233.04	280.69	305.24	332.27
Treasury Income	123.03	10.23	27.50	25.50	25.50
<b>Total Income</b>	<b>1,194.54</b>	<b>1,251.24</b>	<b>1,438.61</b>	<b>1,582.01</b>	<b>1,738.45</b>
<b>Total Operating Exp</b>	<b>599.43</b>	<b>696.88</b>	<b>754.31</b>	<b>814.92</b>	<b>884.61</b>
Employee Expense	331.79	410.55	437.95	469.21	507.24
<b>PPOP</b>	<b>595.11</b>	<b>554.36</b>	<b>684.30</b>	<b>767.09</b>	<b>853.84</b>
Provisions & Contingencies	750.39	538.29	418.59	344.96	312.97
Prov. for NPAs (incl. std prov.)	677.71	545.43	413.59	339.96	307.97
<b>PBT</b>	<b>-155.28</b>	<b>16.07</b>	<b>265.71</b>	<b>422.13</b>	<b>540.87</b>
Provision for Tax	-89.81	7.45	68.43	115.06	128.08
<b>PAT</b>	<b>-65.47</b>	<b>8.62</b>	<b>197.28</b>	<b>307.06</b>	<b>412.79</b>

Source: Bank, HDFC sec Inst Research

## Standalone Balance Sheet

(Rs bn)	FY18	FY19	FY20E	FY21E	FY22E
<b>SOURCES OF FUNDS</b>					
Share Capital	8.92	8.92	8.92	8.92	8.92
Reserves	2,182.36	2,200.21	2,363.46	2,617.55	2,959.14
<b>Shareholders' Funds</b>	<b>2,191.29</b>	<b>2,209.14</b>	<b>2,372.38</b>	<b>2,626.48</b>	<b>2,968.07</b>
Savings	10,137.74	10,917.52	11,845.51	12,733.92	13,816.31
Current	1,901.74	2,058.75	2,161.69	2,269.77	2,383.26
Term Deposit	15,023.95	16,137.59	17,751.35	19,748.37	22,118.18
<b>Total Deposits</b>	<b>27,063.43</b>	<b>29,113.86</b>	<b>31,758.55</b>	<b>34,752.07</b>	<b>38,317.75</b>
Borrowings	3,621.42	4,030.17	4,433.19	4,876.51	5,412.92
Other Liabilities & Provs	1,671.38	1,455.97	1,565.17	1,643.43	1,725.60
<b>Total Liabilities</b>	<b>34,547.52</b>	<b>36,809.14</b>	<b>40,129.29</b>	<b>43,898.48</b>	<b>48,424.34</b>
<b>APPLICATION OF FUNDS</b>					
Cash & Bank Balance	1,918.99	2,224.90	1,952.86	1,938.22	2,625.12
Investments	10,609.87	9,670.22	10,298.78	10,937.31	11,577.14
G-Secs	8,483.96	7,618.83	8,034.91	8,410.00	9,042.99
Advances	19,348.80	21,858.77	24,536.47	27,419.50	30,367.10
Fixed Assets	399.92	391.98	411.57	432.15	453.76
Other Assets	2,269.94	2,663.28	2,929.60	3,171.30	3,401.22
<b>Total Assets</b>	<b>34,547.52</b>	<b>36,809.14</b>	<b>40,129.29</b>	<b>43,898.48</b>	<b>48,424.34</b>

Source: Bank, HDFC sec Inst Research

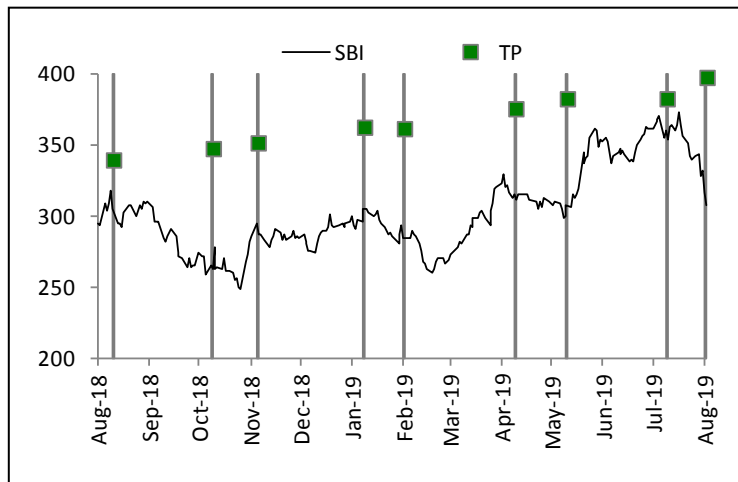
## Standalone Key Ratios

	FY18	FY19	FY20E	FY21E	FY22E
<b>VALUATION RATIOS</b>					
EPS (Rs)	(7.34)	1.0	22.1	34.4	46.3
Earnings Growth (%)	NA	NA	2,188.0	55.7	34.4
BVPS (Rs)	217.7	219.9	259.5	288.0	326.3
Core Adj. BVPS (Rs)	93.5	146.1	183.6	219.4	255.2
DPS (Rs)	-	-	3.3	5.2	6.9
ROAA (%)	-0.21	0.02	0.51	0.73	0.90
ROAE (%) (Core)	(3.21)	0.39	8.6	12.3	14.8
P/E (x)	(30.3)	226.1	9.8	6.2	4.4
P/ABV (x)	2.38	1.50	1.18	0.97	0.81
P/PPOP (x)	4.6	5.0	4.0	3.6	3.2
Dividend Yield (%)	-	-	1.1	1.7	2.3
<b>PROFITABILITY</b>					
Yield On Advances (%)	7.43	7.85	8.21	8.17	8.19
Yield On Investment (%)	7.06	7.34	7.20	7.20	7.20
Cost Of Funds (%)	4.87	4.84	4.86	4.85	4.83
Cost Of Deposits (%)	5.13	4.99	5.04	5.04	5.02
Core Spread (%)	2.57	3.00	3.36	3.32	3.36
NIM (%)	2.52	2.83	3.01	3.04	3.07
<b>OPERATING EFFICIENCY</b>					
Cost/Avg. Asset Ratio (%)	1.95	1.95	1.96	1.94	1.92
Core Cost-Income Ratio (%)	55.94	56.15	53.45	52.36	51.64
<b>BALANCE SHEET STRUCTURE</b>					
Loan Growth (%)	3.5	13.0	12.3	11.8	10.8
Deposit Growth (%)	4.7	7.6	9.1	9.4	10.3
C/D Ratio (%)	71.5	75.1	77.3	78.9	79.3
Equity/Assets (%)	6.3	6.0	5.9	6.0	6.1
Equity/Advances (%)	11.3	10.1	9.7	9.6	9.8
CASA (%)	44.5	44.6	44.1	43.2	42.3
Capital Adequacy Ratio (CAR, %)	12.6	12.7	11.9	11.6	11.4
W/w Tier I CAR (%)	10.4	10.7	9.8	9.6	9.6

	FY18	FY19	FY20E	FY21E	FY22E
<b>ASSET QUALITY</b>					
Gross NPLs (Rs bn)	2,234.27	1,727.50	1,443.69	1,252.95	1,216.87
Net NPLs (Rs bn)	1,108.55	658.95	499.30	445.56	467.78
Gross NPLs (%)	10.91	7.53	5.88	4.57	4.01
Net NPLs (%)	5.73	3.01	2.03	1.62	1.54
Slippages (%)	8.43%	1.59%	2.50%	2.10%	2.00%
Coverage Ratio (%)	50.38	61.86	65.42	64.44	61.56
Provision/Avg. Loans (%)	3.75	2.65	1.78	1.30	1.06
<b>ROAA TREE</b>					
Net Interest Income	2.43%	2.48%	2.63%	2.68%	2.71%
Non Interest Income	1.45%	1.03%	1.11%	1.08%	1.06%
Treasury Income	0.40%	0.03%	0.07%	0.06%	0.06%
Operating Cost	1.95%	1.95%	1.96%	1.94%	1.92%
Provisions	2.44%	1.51%	1.09%	0.82%	0.68%
Provisions For NPAs	2.32%	1.53%	1.07%	0.80%	0.66%
Tax	-0.29%	0.02%	0.18%	0.27%	0.28%
ROAA	-0.21%	0.02%	0.51%	0.73%	0.89%
Leverage (x)	15.12	16.22	16.79	16.81	16.50
ROAE	-3.21%	0.39%	8.61%	12.29%	14.76%

Source: Bank, HDFC sec Inst Research

## RECOMMENDATION HISTORY



Date	CMP	Reco	Target
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
9-Jul-19	355	BUY	383
5-Aug-19	308	BUY	398

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

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