

INDUSTRY	BANKS
CMP (as on 1 Feb 2019)	Rs 284
Target Price	Rs 362
Nifty	10,894
Sensex	36,469
KEY STOCK DATA	
Bloomberg	SBIN IN
No. of Shares (mn)	8,925
MCap (Rs bn) / (\$ mn)	2,538/35,599
6m avg traded value (Rs mn)	7,044
STOCK PERFORMANCE (%)	
52 Week high / low	Rs 326/232
	3M 6M 12M
Absolute (%)	(0.5) (3.6) (7.1)
Relative (%)	(6.4) (0.8) (8.6)
SHAREHOLDING PATTERN (%)	
Promoters	58.53
FIs & Local MFs	24.42
FPIs	9.37
Public & Others	7.68
Source : BSE	

Leviathan on the move?

SBI's net earnings grew ~4.2x QoQ, but the bank provided inadequately (+50%) on a large NCLT exposure. Broader improvement was visible. Loans grew 12% YoY, NIM expanded 47bps and core PPOP rose 11%. Cost creep and weak fees, predictably, featured among the misses. We are surprised on the nonchalance with sagging deposit growth, which we believe owes to a relatively low C/D ratio.

The best news was on slippages (13 qtr-low) and an improvement in coverage (75%, +390bps). With guided resolutions of Rs 340bn and provision reversals of Rs 60bn from 8 a/cs (incl. 5 NCLT cases), our thesis on SBIN over FY19-21E is about asset quality improvement. However, recovery will be lumpy, given the disproportionate dependence on political and administrative progress in an election year.

Capital, while adequate right now, may restrain opportunistic growth. A fund raise may thus be on the cards. Maintain BUY with an SOTP of Rs 362 (1.3x Dec-20E ABV of Rs 192 + Rs 112 sub value).

Financial Summary

(Rs bn)	3QFY19	3QFY18	YoY (%)	2QFY19	QoQ (%)	FY18	FY19E	FY20E	FY21E
Net Interest Income	226.9	186.9	21.4%	209.1	8.5%	748.5	858.1	954.2	1,068.8
PPOP	126.2	117.5	7.4%	139.0	-9.2%	595.1	570.7	651.2	748.7
PAT	39.5	(24.2)	NA	9.4	318.6%	(65.5)	41.0	199.3	303.6
EPS (Rs)	4.4	(2.8)	NA	1.1	318.6%	(7.34)	4.6	22.3	34.0
ROAE (%)						(3.21)	1.85	8.6	11.9
ROAA (%)						(0.21)	0.11	0.51	0.71
Adj. BVPS (Core, ex-subs, Rs)						93.5	129.5	170.3	199.2
P/ABV (x)#						1.90	1.33	1.01	0.86
P/E (x)#						(24.2)	37.6	7.70	8.36

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

Highlights of the quarter

- After falling ~24% QoQ in 2Q, slippages fell another 40% in 3Q to ~Rs 65.4bn (1.31%, a 13 qtr-low). Corporate slippage was significantly lower at ~Rs 13.1bn (vs. ~Rs 31.9bn QoQ). Retail slippage halved QoQ and agri. was 58% lower, surprising in view of the peerset evidence. While we recognize that a cyclical healing in asset quality is on the cards, given the existing stress, the current level of slippages may not hold. We have thus factored in 2% annualised slippages over FY 19-21E.
- NIM improved ~19bps QoQ to ~2.9% owing to a 5bps rise in yields, flattish CoD and a jump in the C-D ratio. Increase in the C-D Ratio and MCLR and lower slippages are expected drive NIMs here on. We have factored in NIMs of 2.75% over FY19-21E. Recoveries and upgrades in NCLT cases will help.
- Near term outlook:** With weak net earnings quality and the large stressed HFC exposure, the stock should remain subdued, even as our medium term thesis on asset quality healing (and lower credit costs) plays out.

- Loan growth was higher at ~12% (vs. ~9% in 2Q) led by a 16/6% growth in the domestic loans (92% of book). Growth was led by Corp (+21/4%) and retail (+18/6%; incl. buyouts of Rs 130bn) loans. Corp growth was largely driven by the infrastructure sector (20/5% YoY/QoQ). Within retail, growth was led by home loans (26/6%). With higher than expected loan growth over 9MFY19, we have marginally increased our loan CAGR assumption to ~11% vs. ~9.5% earlier over FY19-21E.
- SBIN's GNPA dipped ~9% QoQ (after 3% drop in 2Q) to ~Rs 1.88tn (8.7%) led by lower slippages (Rs 65.4bn, 13-qtr low) i.e. 1.31% ann. vs. 2.27% QoQ. Slippages were lower across segments, with corp. slippages at a mere ~Rs 13bn (incl. exposure of ~Rs 9bn towards the hold co of a troubled infra group). Further, the higher reductions (Rs 66bn) and W/os (Rs 180bn) provided additional levers.
- The bank's total power sector exposure was ~Rs 1.95tn w/w ~Rs 314bn is classified as non-performing and another ~Rs 61bn are SMA. The remaining ~Rs 1.6tn is standard of which ~Rs 593bn is to private entities and ~67% is rated A or above. The current coverage on power sector exposures is ~50% (vs. 41%). As per the mgt, H1 bidders have been approved for 3 cases and are in an advanced stage of resolution.
- SBIN's aggregate NCLT exposure stands at ~Rs 443bn (23.6% of GNPA's), with a coverage of ~75%. The mgt expects a recovery from 8 a/cs (of which 5 are NCLT cases) with a total exposure of Rs 340bn.
- While the management expects slippages to remain below 2% for FY19, we have factored in slippages of ~2.0% over FY19-21E. Developments on the troubled HFC will be closely watched given SBIN's ~Rs 110bn exposure.
- After a decline of ~32% in 1Q and 37% in 2Q, SBIN's overall provisioning further dipped ~50% QoQ to a mere ~Rs 60bn. This was led by MTM Loss reversal of ~Rs 80bn, even as NPA provisions (Rs 140bn i.e. 2.79% ann.) jumped 37% QoQ. SBIN did not provide against one NCLT exposure (maintained provisions at ~50% vs. the requirement of 100%) as it expects recoveries.
- With the expected resolution of a large steel exposure (in 4Q), higher NCLT provisions (List I 66% and List II 86%) and a creditable PCR of ~74.6%, we expect loan loss provisions to dip further. We have factored in credit costs of ~1.7% over FY19-21E vs. 3.75% in FY18.

SOTP

Particulars	Rs bn	Per Share	Rationale
State Bank (Bank consol)	2,144	240	1.3x Dec-20E Core ABV of Rs 192
SBI Life	466	52	FY20 EV + 16.7x FY21E VNB
SBI AMC	92	10	5% of FY20E AUM
Others	446	50	Stakes in NSE, UTI MF, SBI Caps and others
Total Value	3,148	353	
CMP	2,538	284	
Upside (%)	24.0	24.0	

Source: HDFC sec Inst Research

Change In Estimates

Rs mn	FY19E			FY20E			FY21E		
	Old	New	Change	Old	New	Change	Old	New	Change
NII	853.0	858.1	0.6%	944.4	954.2	1.0%	1,068.5	1,068.8	0.0%
PPOP	572.8	570.7	-0.4%	657.4	651.2	-0.9%	767.0	748.7	-2.4%
PAT	37.9	41.0	8.1%	199.9	199.3	-0.3%	302.2	303.6	0.4%
Adj. BVPS (Rs)	129.5	129.5	-0.1%	167.1	170.3	2.0%	201.9	199.2	-1.3%

Source: HDFC sec Inst Research

SBI Standalone : Five Quarters At A Glance

(Rs bn)	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	YoY Growth	QoQ Growth
Net Interest Income	186.9	199.7	218.0	209.1	226.9	21.4	8.5
Non-interest Income	80.8	124.9	66.8	93.8	80.4	(0.6)	(14.3)
Treasury Income	10.3	9.4	(12.6)	28.9	4.3	(58.6)	(85.3)
Operating Income	267.7	324.7	284.8	302.8	307.3	14.8	1.5
Operating Expenses	150.2	165.9	165.0	163.8	181.0	20.5	10.5
Pre Provision Profits	117.5	158.8	119.7	139.0	126.2	7.4	(9.2)
Provisions	188.8	281.0	192.3	120.9	60.1	(68.2)	(50.3)
NPA Provisions	177.6	240.8	130.4	101.8	139.7	(21.3)	37.2
PBT	(71.2)	(122.1)	(72.6)	18.1	66.2	(192.9)	265.1
Provision For Tax	(47.1)	(44.9)	(23.8)	8.7	26.6	(156.6)	207.0
PAT	(24.2)	(77.2)	(48.8)	9.4	39.5	(263.7)	318.6
Balance Sheet items/ratios							
Deposits	26,512	27,063	27,478	28,074	28,305	6.8	0.8
CASA Deposits	11,481	11,873	11,962	12,268	12,376	7.8	0.9
Advances	18,262	19,349	18,758	19,573	20,478	12.1	4.6
CD ratio (%)	68.9	71.5	68.3	69.7	72.3	346 bps	263 bps
CAR (%)	12.7	12.6	13.3	12.6	12.8	9 bps	16 bps
Tier I (%)	10.3	10.4	10.7	10.4	10.5	24 bps	18 bps
Other ratios							
Yield On Advances (%)	8.38	8.28	8.57	8.43	8.48	10 bps	5 bps
Cost Of Deposits (%)	5.34	5.30	5.11	5.11	5.09	-25 bps	-2 bps
NIM (%)	2.45	2.50	2.80	2.73	2.92	47 bps	19 bps
Domestic NIM (%)	2.61	2.67	2.95	2.88	2.97	0.36	0.09
Foreign NIM (%)	1.16	1.14	1.47	1.42	1.38	0.22	-0.04
Cost-Income Ratio (%)	56.1	51.1	58.0	54.1	58.9	282 bps	483 bps
Tax rate (%)	66.07	36.80	32.79	47.87	40.25	-2582 bps	-763 bps
Asset quality							
Gross NPA	1,991	2,234	2,128	2,059	1,878	(5.7)	(8.8)
Net NPA	1,024	1,109	992	948	809	(20.9)	(14.6)
Gross NPAs (%)	10.35	10.91	10.69	9.95	8.71	-164 bps	-124 bps
Net NPAs (%)	5.61	5.73	5.29	4.84	3.95	-166 bps	-89 bps
Slippages (% Ann.)	5.90	6.98	3.01	2.27	1.31	-74 bps	-97 bps
Coverage Ratio (%) Calc.	48.59	50.38	53.38	53.95	56.89	830 bps	295 bps
Coverage Ratio (%) Reported	65.92	66.17	69.25	70.74	74.63	871 bps	389 bps

Source: HDFC sec Inst Research

Led by a ~19bps sequential rise in NIMs and a ~5% sequential growth in advances

2Q included a ~Rs 10.87bn gain on the transfer of its merchant acquiring business to its wholly owned subsidiary

Led by a ~31/15% YoY/QoQ rise in staff costs as the bank recognised the unamortised liability on the enhancement of gratuity limits in the qtr. Also, falling yields led to higher pension cost provisions (Rs 15bn)

Surprising, given that its peers have witnessed robust deposit growth

Led by an ~18/6% growth in retail advances (~28% of gross advances); incl buyouts of ~Rs 130bn

SBIN raised ~Rs 61bn of Tier I bonds and ~Rs 41bn in Tier II bonds

Mgt guided for 3% + NIMs in FY 20

Slippages were ~Rs 65.4bn of which fresh slippages were ~Rs 45.2bn; Corp slippages were ~Rs 13.8bn vs. ~Rs 31.9bn QoQ and SME at Rs 19.6bn vs. Rs 38.3bn QoQ

Overall loan growth accelerated to ~12/5% driven by a ~18/6% growth (incl. buyouts of Rs 130bn) in retail loans

The loan mix remained sequentially with Corp Loans constituting ~36% of the total advances while Retail Loans formed ~28% of Loans

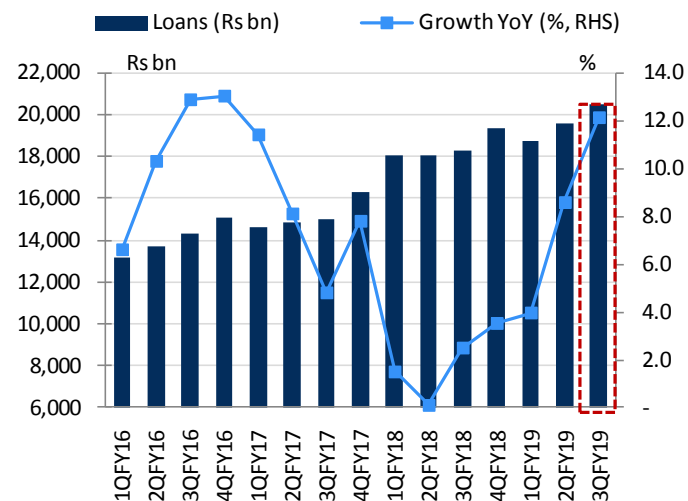
SBI has a whopping ~34.5% share in the home loan mkt

Within Retail Loans, Home Loans grew ~27/6% YoY/QoQ while Other Personal Loans grew ~4/7%

Deposits grew ~7% YoY but were flat QoQ, the sequentially flat deposits was surprising as its peers' deposit base grew rapidly

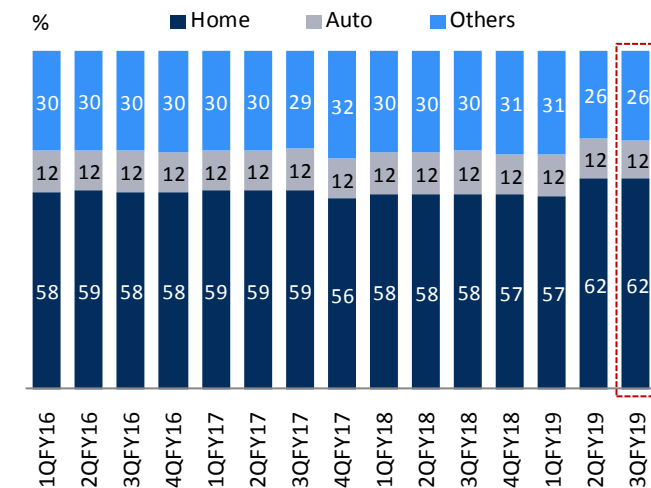
CASA, too was sequentially flat with the CASA ratio at ~43.7%

Advances Grew ~12/5% YoY/QoQ



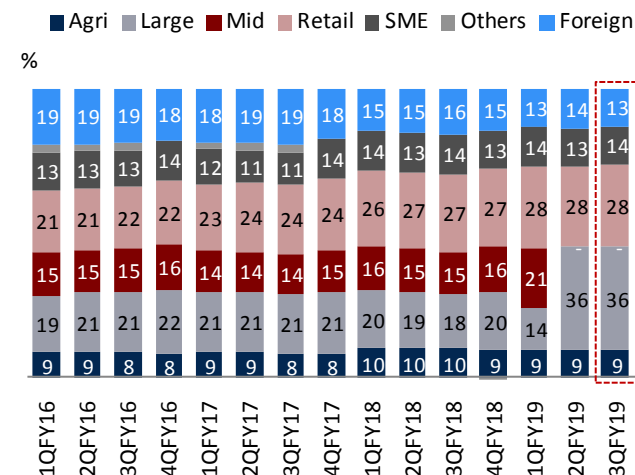
Source : Bank; 1QFY18 onwards incl. SBIN + ABs + BMB

Retail Loan Mix: Flat QoQ



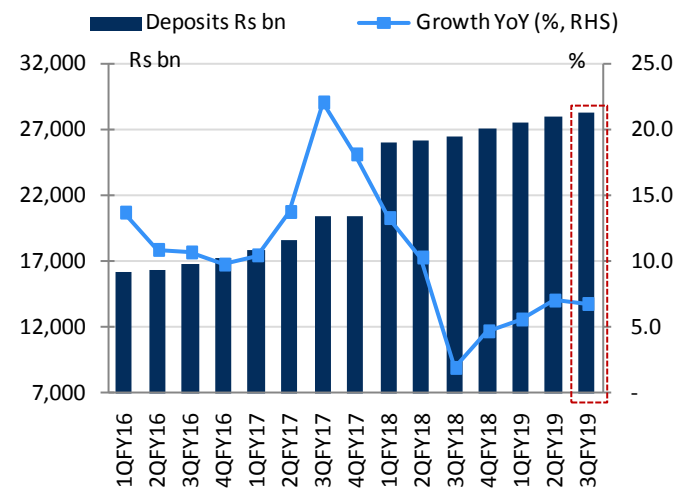
Source : Bank; 1QFY18 onwards incl. SBIN + ABs + BMB

Loan Mix: Stable Sequentially



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

Deposits: Flat QoQ, Unlike Its Peers



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

SBIN continues to be the mkt leader with a ~23% share in total deposits

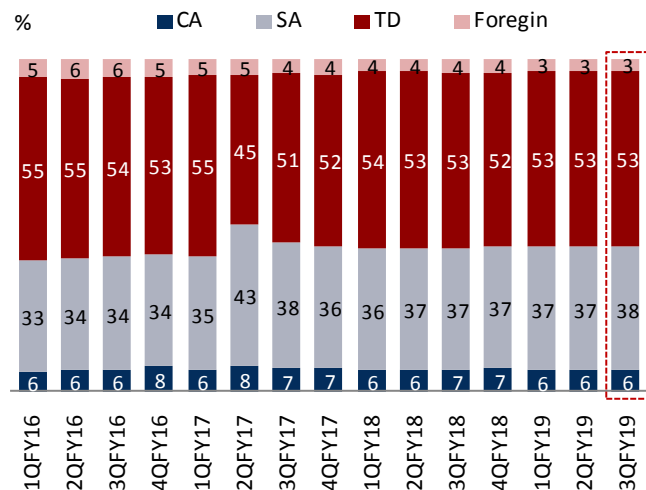
As loan growth revived to ~5% QoQ while deposits grew ~1% during the same period, the overall CD Ratio rose ~260bps to 72.3%

NIMs grew ~19bps sequentially ~2.92% with domestic NIMs at 2.97% and foreign NIMs at ~1.38%

The management guided for ~3% overall NIMs

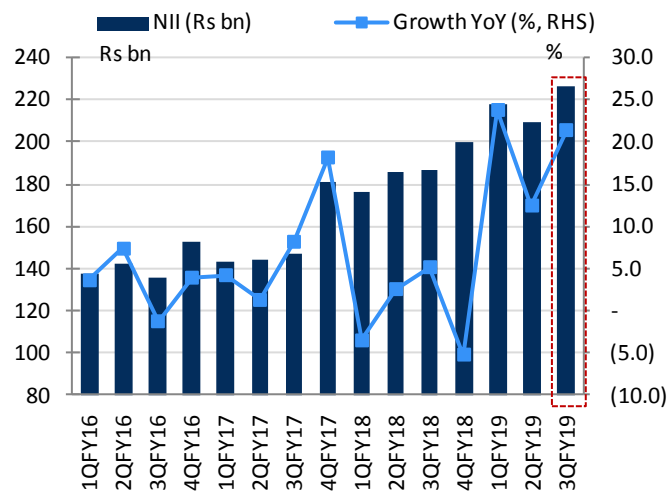
We expect NIMs of 2.75% over FY19-21E

CASA Ratio: Sequentially Flat at ~43.7%



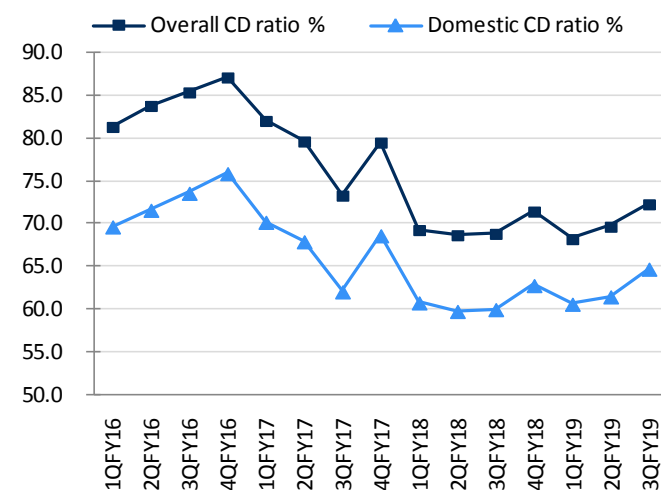
Source : Bank; 1QFY18 onwards incl. SBIN + ABs + BMB

NII Up ~9% Sequentially



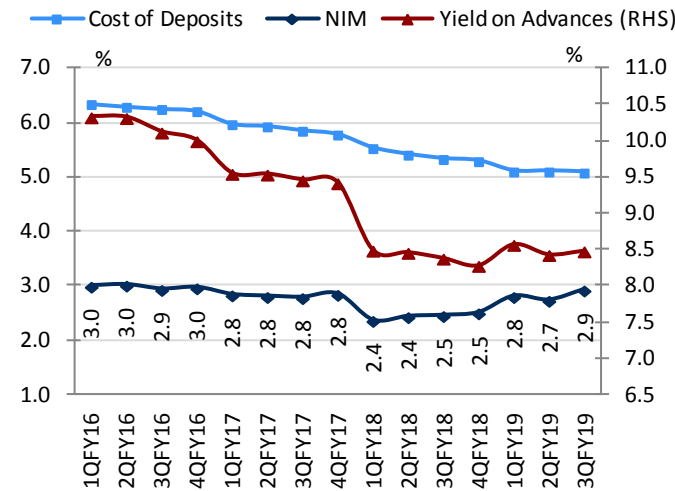
Source : Bank; 1QFY18 onwards incl. SBIN + ABs + BMB

Overall CD Ratio Rises ~260bps QoQ



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

NIMs Jumped ~19bps QoQ



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

2Q's treasury income includes ~Rs 10.87bn from the sale of its merchant acquiring business to its wholly owned subsidiary

Surprisingly, fees too dipped on sequential basis

As Other Income rose (+2% QoQ) and Operating Expenses jumped ~11%, the C-I Ratio deteriorated ~480 bps to ~59%

SBIN recognised the entire unamortised liability on the enhancement of gratuity limits in the qtr, resulting in a sharp ~31/15% rise in staff costs

Adj. for treasury gains, the C-I Ratio was flat sequentially at ~59.7%

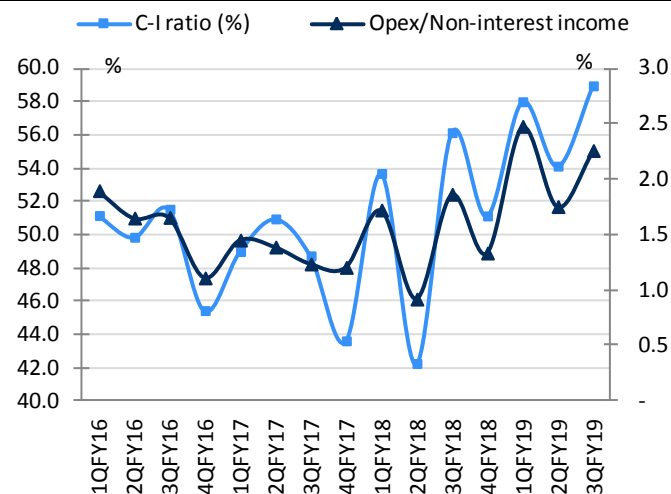
Core PPOP grew ~17/11% YoY/QoQ

Non-interest Income: Fees Dip QoQ; Adj For One-Off, Treasury Gains Were Higher QoQ

Rs bn	2Q FY16	3Q FY16	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19
CEB	31.5	35.1	57.9	34.0	43.2	41.1	60.8	48.7	53.6	49.8	84.3	49.8	50.2	47.2
% Loan (Ann.)	0.96	1.03	1.62	0.94	1.21	1.14	1.61	1.06	1.19	1.10	1.79	1.04	1.05	0.94
Treasury	14.9	12.4	14.2	27.2	22.9	39.7	17.7	17.7	85.7	10.3	9.4	(12.6)	28.9	4.3
Forex	4.7	5.5	6.0	6.0	9.0	5.9	5.9	6.7	6.8	5.9	5.5	4.3	4.9	5.6
Dividend	0.5	-	4.0	1.6	1.4	-	3.9	0.2	0.9	-	3.3	0.1	-	-
Misc. inc.	10.3	8.8	25.0	4.6	7.8	10.9	15.0	6.8	13.3	14.8	22.5	25.3	25.4	23.2
Total	62.0	61.8	107.0	73.4	84.2	96.6	103.3	80.1	160.2	80.8	124.9	66.8	93.8	80.4
(YoY %)	36%	18%	26%	44%	36%	56%	-3%	-9%	58%	-30%	2%	-17%	-41%	-1%

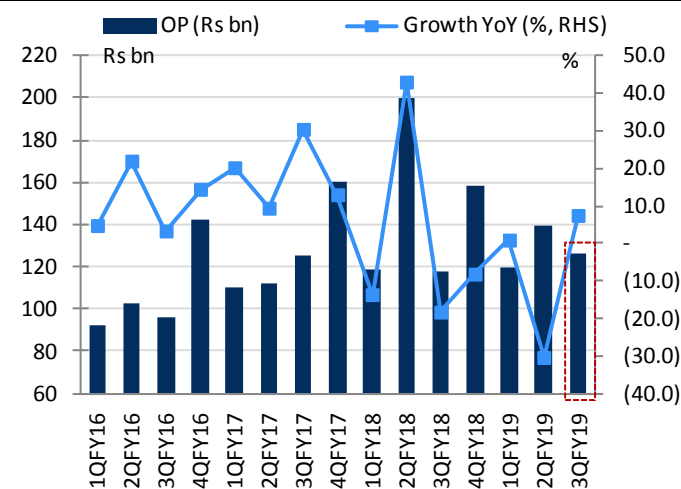
Source: Bank, HDFC sec Inst Research; 1QFY18 onwards incl. SBIN + ABs + BMB

C-I Ratio Increased ~480bps QoQ, Optically



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

PPOP Down ~9% QoQ; Core PPOP Jumped ~11%



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

Even as NPA provisions jumped ~37% QoQ, significant MTM reversals during the qtr led to drop in overall provisions

SBIN did not further provide on a single steel exposure as per IRAC norms in spite of it slipping from D2 (40%) to D3 (100%) as it was confident of recovering the amount in 4QFY19

SBIN has provided ~15% towards the std exposure of the troubled infra conglomerate

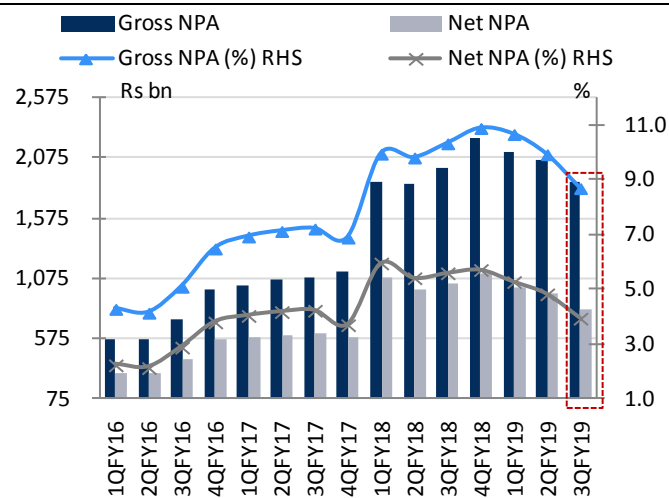
SBIN availed the RBI dispensation wrt to MSME accounts and retained ~Rs 9bn worth of assets as standard

Provisions Break-up: LLP Jumped 37% QoQ After A 22% QoQ Drop In 2Q

Rs bn	2Q FY16	3Q FY16	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19
LLP	38.4	76.4	121.4	63.4	76.7	72.4	109.9	121.3	167.2	177.6	240.8	130.4	101.8	139.7
% Ann.	1.17	2.24	3.40	1.76	2.15	2.01	2.91	2.64	3.71	3.92	5.12	2.74	2.13	2.79
MTM	(0.5)	0.3	(0.1)	0.1	1.1	1.0	0.8	(7.6)	0.4	40.4	47.6	71.0	17.5	(79.9)
SA	5.9	1.8	10.0	9.2	(0.7)	13.6	2.9	(20.4)	22.8	(29.9)	(8.5)	(9.2)	1.0	(0.6)
Others	(0.2)	1.0	0.4	1.5	1.9	2.3	3.8	(4.0)	1.1	0.6	1.1	0.1	0.6	0.9
Total	43.6	79.5	131.7	74.1	79.0	89.4	117.4	89.3	191.4	188.8	281.0	192.3	120.9	60.1
YoY %	2%	52%	100%	85%	81%	12%	-11%	-32%	29%	58%	34%	115%	-37%	-68%
As % PPOP*	42%	83%	93%	67%	70%	71%	73%	75%	96%	161%	177%	161%	87%	48%
Tax	20.3	5.3	(2.5)	11.2	7.9	9.9	14.7	9.4	(7.2)	(47.1)	(44.9)	(23.8)	8.7	26.6
(% PBT)	34%	32%	-24%	31%	24%	28%	34%	32%	-84%	66%	37%	33%	48%	40%

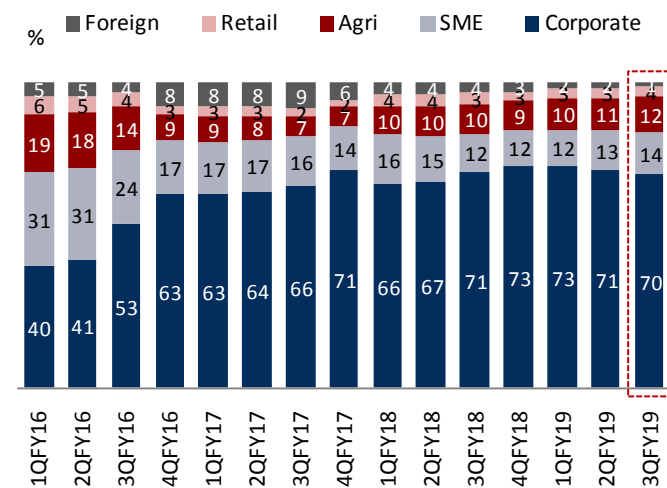
Source: Bank, HDFC sec Inst Research, * PPOP: Pre-provisioning operating profits; 1QFY18 onwards incl. SBIN + ABs + BMB

GNPAs Down 9%; NPAs Down ~15% QoQ



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

Segment-Wise GNPA Contribution



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

Slippage Break up

-Retail Rs 4.9bn vs. Rs 9.8bn

-Corp Rs 13.1bn vs. Rs 31.9bn

-Agri Rs 11.3bn vs. Rs 27bn

-SME Rs 19.6bn vs. Rs 38.3bn

SMA I (Rs 134bn, 66bps) and II (Rs 36bn, 18bps) stands at Rs 170.6bn i.e. 83bps

Asset Quality Movement

Rs bn	2Q FY16	3Q FY16	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19
Opening	564	568	728	982	1,015	1,058	1,082	1,779	1,881	1,861	1,991	2,234	2,128	2,059
Slippages	59	207	303	108	119	104	104	301	106	268	328	143	109	65
% Ann.	1.80	6.07	8.49	3.00	3.33	2.88	2.75	6.55	2.36	5.90	6.98	3.01	2.27	1.31
Upgrades	6	4	1	12	2	11	10	20	11	22		149	43	
Recoveries	9	7	16	16	13	10	12	46	22	22	1			66
Write-Offs	39	37	32	46	61	59	39	132	93	93	85	101	135	180
Closing	568	728	982	1,015	1,058	1,082	1,124	1,881	1,861	1,991	2,234	2,128	2,059	1,878
QoQ %	1%	28%	35%	3%	4%	2%	4%	6%	-1%	7%	12%	-5%	-3%	-9%

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 (%)		
					FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
ICICIBC #	2,348	355	BUY	425	124	143	166	45.5	13.3	9.5	2.16	1.76	1.41	3.8	10.2	12.3	0.41	1.19	1.39
KMB #	2,329	1,256	BUY	1,400	207	237	273	36.0	28.4	23.0	4.58	3.91	3.32	13.2	14.2	14.9	1.73	1.76	1.74
AXSB	1,801	717	BUY	743	224	266	308	39.5	19.5	14.7	3.08	2.60	2.24	6.9	12.6	14.9	0.62	1.11	1.29
IIB	1,017	1,515	BUY	1,935	411	515	574	31.1	20.5	15.0	3.58	2.86	2.56	12.1	15.2	18.0	1.24	1.46	1.62
RBL	241	577	BUY	626	165	188	215	27.6	20.5	15.4	3.41	2.99	2.61	12.4	14.9	17.4	1.26	1.33	1.38
FB	170	86	NEU	93	57	65	74	14.6	11.0	8.3	1.51	1.34	1.18	9.2	11.3	13.6	0.78	0.89	1.00
CUB	142	189	BUY	236	60	70	81	20.7	17.7	15.0	3.23	2.78	2.39	15.3	15.4	15.6	1.59	1.57	1.54
KVB	69	89	BUY	119	57	64	69	25.8	9.7	8.0	1.53	1.36	1.26	4.3	11.1	12.9	0.39	0.95	1.04
DCBB	59	177	BUY	213	85	104	117	17.8	15.4	12.0	2.08	1.70	1.51	10.5	10.9	11.8	0.93	0.95	0.99
SBIN#	2,538	284	BUY	362	129	170	199	37.6	7.70	8.36	1.33	1.01	0.86	1.9	8.6	11.9	0.11	0.51	0.71
BOB	301	111	NEU	124	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	177	580	NEU	658	100	130	152	45.0	33.2	23.4	5.90	4.55	3.90	14.2	14.8	16.9	1.62	1.64	1.83

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

Standalone Income Statement

(Rs bn)	FY17	FY18	FY19E	FY20E	FY21E
Interest Earned	1,755.2	2,205.0	2,421.2	2,682.8	3,010.0
Interest Expended	1,136.6	1,456.5	1,563.1	1,728.6	1,941.2
Net Interest Income	618.6	748.5	858.1	954.2	1,068.8
Other Income	354.6	446.0	359.6	397.7	442.0
Fee Income (CEB)	162.8	230.0	233.6	255.8	281.9
Treasury Income	107.5	123.0	26.5	32.5	42.5
Total Income	973.2	1,194.5	1,217.7	1,351.9	1,510.8
Total Operating Exp	464.7	599.4	647.0	700.6	762.1
Employee Expense	264.9	331.8	367.6	403.0	443.8
PPOP	508.5	595.1	570.7	651.2	748.7
Provisions & Contingencies	359.9	750.4	509.8	386.9	332.8
Prov. for NPAs (incl. std prov.)	354.1	677.7	467.3	365.4	311.3
PBT	148.6	155.3)	60.9	264.4	415.9
Provision for Tax	43.7	(89.8)	20.0	65.1	112.3
PAT	104.8	(65.5)	41.0	199.3	303.6

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	FY19E	FY20E	FY21E
SOURCES OF FUNDS					
Share Capital	8.0	8.9	8.9	8.9	8.9
Reserves	1,874.9	2,182.4	2,223.3	2,399.6	2,668.3
Shareholders' Funds	1,882.9	2,191.3	2,232.2	2,408.6	2,677.2
Savings	7,432.9	10,137.7	11,100.8	12,210.9	13,737.3
Current	1,471.2	1,901.7	1,949.3	2,007.8	2,108.1
Term Deposit	11,543.4	15,023.9	16,150.7	17,927.3	19,720.1
Total Deposits	20,447.5	27,063.4	29,200.9	32,146.0	35,565.5
Borrowings	3,176.9	3,621.4	4,074.1	4,481.5	4,929.7
Other Liabilities & Provs	1,552.4	1,671.4	1,721.5	1,773.2	1,830.8
Total Liabilities	27,059.7	34,547.5	37,228.7	40,809.3	45,003.2
APPLICATION OF FUNDS					
Cash & Bank Balance	1,719.7	1,919.0	1,552.8	1,749.3	2,134.2
Investments	7,659.9	10,609.9	11,458.7	12,260.8	13,057.7
G-Secs	5,752.4	8,484.0	6,424.2	7,072.1	7,824.4
Advances	15,710.8	19,348.8	21,283.7	23,593.0	26,306.2
Fixed Assets	429.2	399.9	413.9	434.6	456.3
Other Assets	1,540.1	2,269.9	2,519.6	2,771.6	3,048.8
Total Assets	27,059.7	34,547.5	37,228.7	40,809.3	45,003.2

Source: Bank, HDFC sec Inst Research

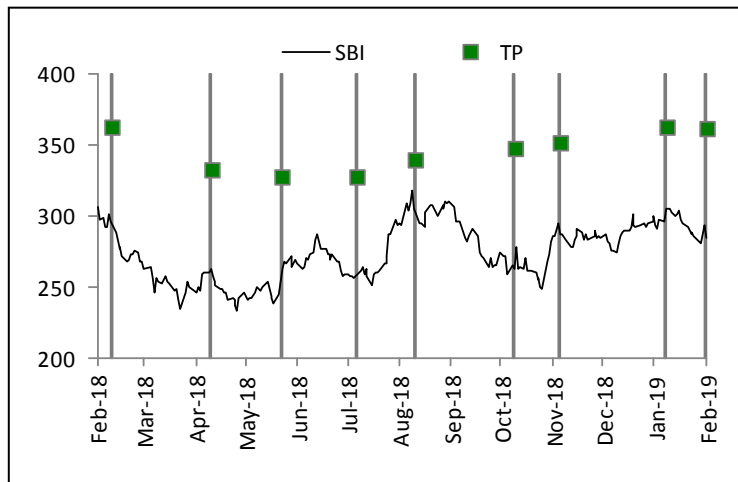
Standalone Key Ratios

	FY17	FY18	FY19E	FY20E	FY21E
VALUATION RATIOS					
EPS (Rs)	13.1	(7.3)	4.6	22.3	34.0
Earnings Growth (%)	5.4	(162.5)	(162.5)	386.6	52.4
BVPS (Rs)	182.3	217.7	222.3	263.0	292.4
Core Adj. BVPS (Rs)	109.2	93.5	129.5	170.3	199.2
DPS (Rs)	2.6	-	-	2.2	3.4
ROAA (%)	0.42	(0.21)	0.11	0.51	0.71
ROAE (%) (Core)	6.3	(3.2)	1.9	8.6	11.9
P/E (x)	13.6	(24.2)	37.6	7.7	8.4
P/ABV (x)	1.63	1.90	1.33	1.01	0.86
P/PPOP (x)	4.5	4.3	4.4	3.9	3.4
Dividend Yield (%)	0.9	-	-	0.8	1.2
PROFITABILITY					
Yield On Advances (%)	7.88	7.43	7.75	7.90	8.16
Yield On Investment (%)	7.76	7.06	7.00	7.00	7.00
Cost Of Funds (%)	5.27	4.87	4.89	4.95	5.03
Cost Of Deposits (%)	5.59	5.13	5.16	5.23	5.33
Core Spread (%)	2.61	2.57	2.86	2.95	3.13
NIM (%)	2.84	2.52	2.70	2.75	2.81
OPERATING EFFICIENCY					
Cost/Avg. Asset Ratio (%)	1.87	1.95	1.80	1.80	1.78
Core Cost-Income Ratio (%)	53.68	55.94	54.31	53.10	51.91
BALANCE SHEET STRUCTURE					
Loan Growth (%)	7.3	3.5	10.0	10.9	11.5
Deposit Growth (%)	18.1	4.7	7.9	10.1	10.6
C/D Ratio (%)	76.8	71.5	72.9	73.4	74.0
Equity/Assets (%)	7.0	6.3	6.0	5.9	5.9
Equity/Advances (%)	12.0	11.3	10.5	10.2	10.2
CASA (%)	43.5	44.5	44.7	44.2	44.6
Capital Adequacy Ratio (CAR, %)	13.1	12.6	10.1	9.8	9.7
W/w Tier I CAR (%)	10.4	10.4	8.3	8.1	8.1

	FY17	FY18	FY19E	FY20E	FY21E
ASSET QUALITY					
Gross NPLs (Rs bn)	1,123.4	2,234.3	1,856.6	1,414.2	1,269.3
Net NPLs (Rs bn)	582.8	1,108.5	828.4	639.9	651.0
Gross NPLs (%)	6.90	11.55	8.72	5.99	4.83
Net NPLs (%)	3.71	5.73	3.89	2.71	2.47
Slippages (%)	2.57%	8.43%	2.10%	2.00%	1.80%
Coverage Ratio (%)	48.13	50.38	55.38	54.75	48.71
Provision/Avg. Loans (%)	2.17	3.75	2.29	1.62	1.24
ROAA TREE					
Net Interest Income	2.49%	2.43%	2.39%	2.45%	2.49%
Non Interest Income	1.43%	1.45%	1.00%	1.02%	1.03%
<i>Treasury Income</i>	<i>0.43%</i>	<i>0.40%</i>	<i>0.07%</i>	<i>0.08%</i>	<i>0.10%</i>
Operating Cost	1.87%	1.95%	1.80%	1.80%	1.78%
Provisions	1.45%	2.44%	1.42%	0.99%	0.78%
<i>Provisions For NPAs</i>	<i>1.33%</i>	<i>2.32%</i>	<i>1.30%</i>	<i>0.93%</i>	<i>0.72%</i>
Tax	0.18%	-0.29%	0.06%	0.17%	0.26%
ROAA	0.42%	-0.21%	0.11%	0.51%	0.71%
Leverage (x)	14.93	15.12	16.23	16.82	16.87
ROAE	6.31%	-3.21%	1.85%	8.59%	11.94%

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

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
11-Feb-18	296	BUY	363
10-Apr-18	263	BUY	333
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

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:

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

Research Analyst or his/her relative or HDFC Securities Ltd. **does not have** any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate **does not have** any material conflict of interest.

Any holding in stock –No

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:

This report has been prepared by HDFC Securities Ltd and is meant for sole use by the recipient and not for circulation. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any individual in such country, especially, USA, the same may be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published for any purposes without prior written approval of HSL.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk.

It should not be considered to be taken as an offer to sell or a solicitation to buy any security. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

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

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

HDFC Securities Limited, SEBI Reg. No.: NSE-INB/F/E 231109431, BSE-INB/F 011109437, AMFI Reg. No. ARN: 13549, PFRDA Reg. No. POP: 04102015, IRDA Corporate Agent License No.: HDF 2806925/HDF C000222657, SEBI Research Analyst Reg. No.: INH000002475, CIN - U67120MH2000PLC152193

Mutual Funds Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.

