

INDUSTRY	BANKS		
CMP (as on 5 Nov 2018)	Rs 295		
Target Price	Rs 352		
Nifty	10,524		
Sensex	34,951		
KEY STOCK DATA			
Bloomberg	SBIN IN		
No. of Shares (mn)	8,925		
MCap (Rs bn) / (\$ mn)	2,632/36,010		
6m avg traded value (Rs mn)	6,934		
STOCK PERFORMANCE (%)			
52 Week high / low	Rs 347/232		
	3M	6M	12M
Absolute (%)	(1.4)	21.9	(9.2)
Relative (%)	5.5	21.8	(13.0)
SHAREHOLDING PATTERN (%)			
Promoters	58.51		
FIs & Local MFs	23.66		
FPIs	10.29		
Public & Others	7.54		
Source : BSE			

Half way there

Although SBIN's 2Q earnings were higher than estimates, they lacked quality. The bank would have reported a loss for the 4th consecutive qtr had it not been for exceptional items of ~Rs 10.87bn and under provisioning (Rs 53bn) for one NCLT case. Consequently, it reported a PAT of ~Rs 9.4bn.

However, other business metrics improved gradually. Loans grew 9% (domestic loans +11%), while CASA (43.7%) was stable and opex was controlled (flat QoQ). Asset quality improved as G/NNPA fell ~3/5% QoQ, additions moderated (2.27%) and PCR improved (+150bps), despite the dip in provisions.

SBIN will be one of the largest beneficiaries of the ensuing NCLT resolutions (few resolutions expected in 3Q). Any breakthrough will provide an upside to our conservative GNPA and LLP assumptions. Further, a well diversified book, sufficiently capitalised B/S, healthy CASA and NIM tailwinds are additional positives for the bank. Maintain BUY with a SOTP of Rs 352 (1.3xSept-20E ABV of Rs 181 + Rs 112 subs value)

Financial Summary

(Rs bn)	2QFY19	1QFY18	YoY (%)	4QFY18	QoQ (%)	FY18	FY19E	FY20E	FY21E
Net Interest Income	209.1	185.9	12.5%	218.0	-4.1%	748.5	853.0	944.4	1,068.5
PPOP	139.0	200.0	-30.5%	119.7	16.1%	595.1	572.8	657.4	767.0
PAT	9.4	15.8	-40.3%	(48.8)	NA	(65.5)	37.9	199.9	302.2
EPS (Rs)	1.1	1.8	-42.2%	(5.5)	NA	(7.34)	4.2	22.4	33.9
ROAE (%)						(3.35)	1.8	8.8	12.2
ROAA (%)						(0.21)	0.11	0.52	0.73
Adj. BVPS (Core, ex-subs, Rs)						93.5	129.5	167.1	201.9
P/ABV (x)#						2.02	1.44	1.10	0.90
P/E (x)#						(25.7)	44.0	8.19	8.72

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

Highlights of the quarter

- Slippages further moderated to Rs 109bn (2.27% vs. 3.01% QoQ) with consecutively lower Corp (Rs 31.9bn) and Retail (Rs 9.8bn) slippages. SME delinquencies were higher QoQ, even after utilizing RBI dispensation of ~Rs 5.1bn. Despite lower reductions, GNPA dipped ~3% QoQ to Rs 2.06trn (9.95%). With a smaller watch list (Rs 204bn, ~1% of loans) and expected resolutions under IBC (o/s of Rs 534bn) we believe asset quality improvement is imminent. We have factored in slippages of 2.35% over FY18-21E.
- After reporting losses for 3 consecutive qtrs, SBIN reported profits, albeit optically we believe. The net earnings were led by a one-off gain of ~Rs 10.87bn due to the transfer of its merchant acquiring business to its wholly owned subsidiary. Further, SBIN did not provide against one NCLT exposure (maintained provisions at ~50% vs. requirement of 100%) as it expected to recover the amount in 3Q.
- Near term outlook:** With weak earnings quality, the stock should remain subdued.

- SBIN's GNPA dipped ~3.3% QoQ to ~Rs 2.06trn (9.95%) led by lower slippages (Rs 109bn, 2.27% ann.). This was despite a sharp drop in overall reductions (Rs 357bn, down ~28%). While slippages were lower across segments, SME slippages doubled QoQ (Rs 38.3bn) despite the bank availing of the RBI dispensation of Rs 5.1bn. Corp slippages dipped QoQ to Rs 31.9bn (-14% QoQ) incl. slippages of ~Rs 23.9bn from the watch list.
- The bank's total power sector exposure was ~Rs 1.79tn within which ~Rs 327bn is classified as GNPA and another ~Rs 99.7bn is included in the watch list. The remaining ~Rs 1.36tn is standard of which ~Rs 544bn is to private entities and ~66% is rated A or above. The current PCR on power sector exposures is ~41% and the bank expects ~50% recovery.
- SBIN's aggregate NCLT exposure stands at ~Rs 616.5bn, on which the PCR is ~70%. The mgt expects a recovery from two major steel exposures in 3Q.
- While the management expects slippages to remain below 2% for FY19, we have conservatively factored in slippages of ~2.35% over FY18-21E.
- Overall loans grew ~9/4% YoY/QoQ led by 11/3% growth in the domestic loans (91% of book). Growth was led by retail (+14/3%) and the corporate loans (+14/6%). Within retail, growth was led by home loans (24/12%). We have factored in a loan CAGR of only 9% over FY18-21E.
- Overall NIMs dipped ~7bps QoQ to ~2.9% primarily owing to a 15bps dip in yields. In 1QFY19, SBIN benefitted from interest write-back on recoveries in NCLT cases. NIMs should improve hereon given the traction in NCLT resolutions, asset re-pricing, as MCLR rises and the improving C-D ratio (domestic C-D ratio at ~66%). However, we have conservatively factored in NIMs of 2.8% over FY18-20E.
- SBIN's overall provisioning costs further dipped (~37% QoQ, after 32% drop in 1Q) to Rs 121bn. This was led by NPA provisions (Rs 102bn i.e. 2.13% ann.) and investment related provisions (Rs 17.5bn vs. Rs 71bn in 1Q). SBIN did not provide against one NCLT exposure (maintained provisions at ~50% vs. requirement of 100%) given the visibility on resolutions (recoveries expected in 3Q).
- With the resolution of a large steel exposure (in 3Q) and a creditable PCR of ~70%, we expect asset quality to improve further. The recent fall in G-Sec yields will aid the process. We have factored in credit costs of ~1.80% over FY19-21E vs. 3.75% in FY18.

Watchlist

Industry	2QFY18		3QFY18		4QFY18		1QFY19		2QFY19	
	Balance (Rs bn)	% of loans	Balance (Rs bn)	% of loans	Balance (Rs bn)	% of loans	Balance (Rs bn)	% of loans	Balance (Rs bn)	% of loans
Power	104.7	0.6	37.4	0.20	105.8	0.55	100.8	0.54	99.7	0.51
Iron & steel	18.8	0.1	15.8	0.09	34.5	0.18	34.3	0.18	30.5	0.16
Roads and EPC	-	-	-	-	43.9	0.23	40.9	0.22	35.0	0.18
Construction	20.5	0.1	13.7	0.08	-	-	-	-	-	-
Textiles	3.1	0.0	3.1	0.02	26.6	0.14	5.5	0.03	5.5	0.03
Others	65.7	0.4	33.4	0.18	47.2	0.24	41.4	0.22	33.0	0.17
Total	212.9	1.2	103.4	0.57	258.0	1.33	222.9	1.19	203.6	1.04

Source: Bank, HDFC sec Inst Research

SOTP

Particulars	Rs bn	Per Share	Rationale
State Bank (Bank consol)	2,140	240	1.3x Spet-20E Core ABV of Rs 181
SBI Life	456	51	Avg FY20-21E EV + 20.8x avg FY20-21E VNB
SBI AMC	96	11	5% FY20E AUM
Others	446	50	Stakes in NSE, UTI MF, SBI Caps and others
Total Value	3,139	352	
CMP	2,635	295	
Upside (%)	19.1	19.1	

Source: HDFC sec Inst Research

Change In Estimates

(Rs mn)	FY19E			FY20E		
	Old	NEW	Change	Old	New	Change
NII	853.2	853.0	0.0%	937.2	944.4	0.8%
PPOP	599.1	572.8	-4.4%	665.6	657.4	-1.2%
PAT	58.1	37.9	-34.8%	205.8	199.9	-2.9%
Adj. BVPS (Rs)	133.6	129.5	-3.0%	169.9	167.1	-1.7%

Source: HDFC sec Inst Research

Comparable Quarters At A Glance

(Rs bn)	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	YoY Growth	QoQ Growth
Net Interest Income	185.9	186.9	199.7	218.0	209.1	12.5	(4.1)
Non-interest Income	160.2	80.8	124.9	66.8	93.8	(41.5)	40.4
Treasury Income	85.7	10.3	9.4	(12.6)	28.9	(66.3)	(328.5)
Operating Income	346.0	267.7	324.7	284.8	302.8	(12.5)	6.3
Operating Expenses	146.0	150.2	165.9	165.0	163.8	12.1	(0.8)
Pre Provision Profits	200.0	117.5	158.8	119.7	139.0	(30.5)	16.1
Provisions	191.4	188.8	281.0	192.3	120.9	(36.8)	(37.1)
NPA Provisions	167.2	177.6	240.8	130.4	101.8	(39.1)	(21.9)
PBT	8.6	(71.2)	(122.1)	(72.6)	18.1	110.4	(125.0)
Provision For Tax	(7.2)	(47.1)	(44.9)	(23.8)	8.7	(220.6)	(136.5)
PAT	15.8	(24.2)	(77.2)	(48.8)	9.4	(40.3)	(119.4)
Balance Sheet items/ratios							
Deposits	26,232	26,512	27,063	27,478	28,074	7.0	2.2
CASA Deposits	11,340	11,481	11,873	11,962	12,268	8.2	2.6
Advances	18,924	19,246	20,484	19,902	20,692	9.3	4.0
CD ratio (%)	72.1	72.6	75.7	72.4	73.7	156 bps	128 bps
CAR (%)	13.9	12.7	12.6	13.3	12.6	-133 bps	-70 bps
Tier I (%)	10.9	10.3	10.4	10.7	10.4	-49 bps	-31 bps
Other ratios							
Yield On Advances (%)	8.46	8.38	8.28	8.57	8.43	-3 bps	-14 bps
Cost Of Deposits (%)	5.42	5.34	5.30	5.11	5.11	-31 bps	0 bps
NIM (%)	2.43	2.45	2.50	2.80	2.73	30 bps	-7 bps
Cost-Income Ratio (%)	42.2	56.1	51.1	58.0	54.1	1188 bps	-388 bps
Tax rate (%)	(83.54)	66.07	36.80	32.79	47.87	13141 bps	1508 bps
Asset quality							
Gross NPA	1,861	1,991	2,234	2,128	2,059	10.6	(3.3)
Net NPA	979	1,024	1,109	992	948	(3.2)	(4.5)
Gross NPAs (%)	9.83	10.35	10.91	10.69	9.95	12 bps	-74 bps
Net NPAs (%)	5.43	5.61	5.73	5.29	4.84	-59 bps	-45 bps
Slippages (% Ann.)	2.36	5.69	6.98	3.01	2.27	-397 bps	-74 bps
Std Restructured Book (%)							
Coverage Ratio (%) Calc.	47.40	48.59	50.38	53.38	53.95	655 bps	57 bps
Coverage Ratio (%) Reported	65.13	65.92	66.17	69.25	70.74	561 bps	149 bps
Watchlist (%)	1.12	0.54	1.26	1.12	0.98	12 bps	12 bps

Source: HDFC sec Inst Research;

In line with estimates, led by a 7bps QoQ decline in NIMs and a 4% sequential growth in advances

Incl. stake sale in SBI General Insurance of ~Rs 4.7bn and the transfer of its Merchant Acquisition Business to its wholly owned subsidiary resulting in a profit of ~Rs 10.87bn

Opex remained flat sequentially as other opex dipped ~1.7% QoQ while staff costs were flat sequentially

SBIN deferred to make higher provisions on one NCLT case given the resolution visibility

Deposit growth was led by growth in Domestic Deposits at ~7/2% YoY/QoQ; Overseas Deposits grew at ~1/4%

Led by Corporate (~14/6% YoY/QoQ) and Retail loans (~14/3%)

The sequential fall in NIMs is optical as 1Q had significant recoveries under the IBC resulting in higher interest income recognition; adjusted for the same, NIMs grew 8bps sequentially

The C-I Ratio improved sequentially on account of higher non-interest income (+40% QoQ) and flattish operating expenses

NPA Movement: Slippages: ~Rs 109bn (-24% QoQ), Recoveries and Upgrades: ~Rs 222 bn & Write Offs: ~Rs 136bn;

Even as NPA provisions dipped ~39/22% YoY/QoQ, NNPA's fell ~3/5% in absolute terms and the PCR jumped ~560/150bps to 70.74%;

Retail Loans grew ~14/3% YoY/QoQ while Corp Loans grew ~14/6%

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

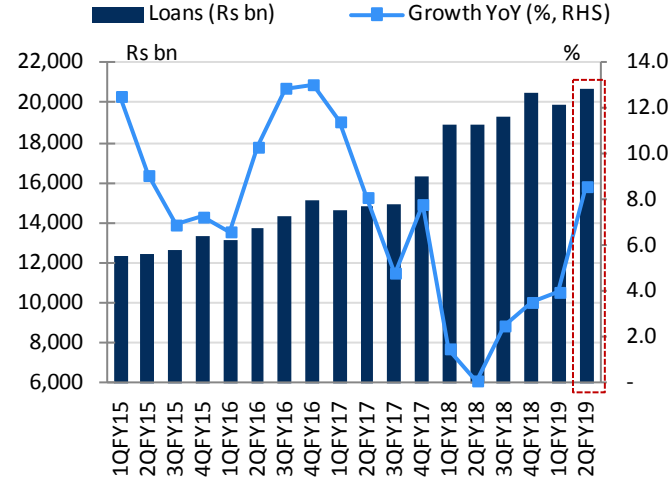
Within Retail Loans, Home Loans grew ~24/12% YoY/QoQ while Other Personal Loans fell ~2/13% Consequently, the share of Home Loans spiked ~500bps QoQ to ~62% while that of Other Personal Loans fell ~500bps to ~26%

The management guided for a credit growth of ~10-12% through FY19

Deposit growth was led by growth in Domestic Deposits at ~7/2% YoY/QoQ; Overseas Deposits grew at ~1/4%

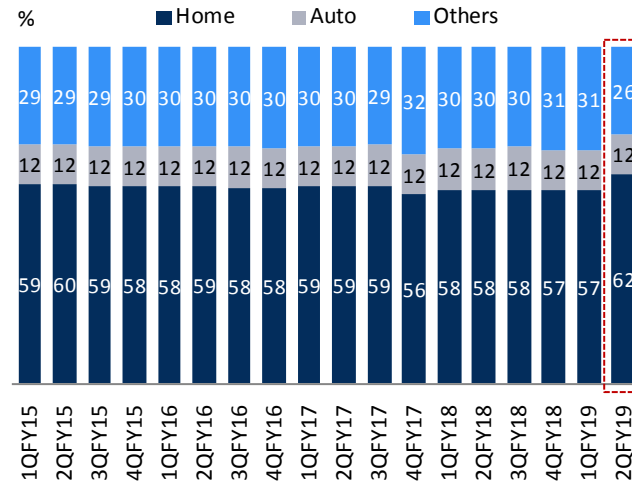
CASA growth of ~8/3% QoQ/YoY was driven by SA growth at ~9/3%

Advances Grew ~9/4% YoY/QoQ



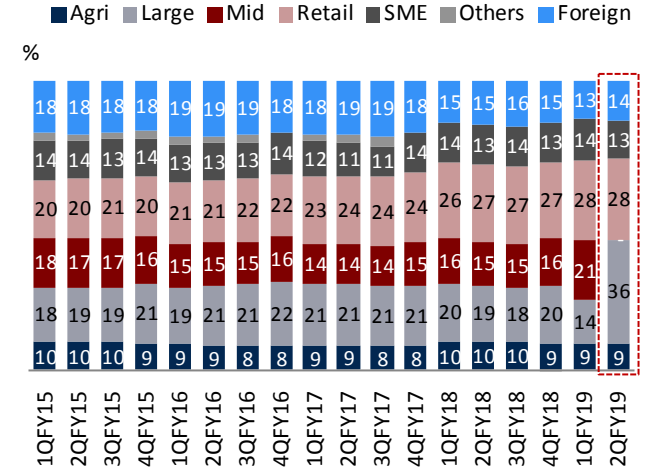
Source : Bank; 1QFY18 onwards incl. SBIN + ABs + BMB

Home Loans Jump ~500bps QoQ



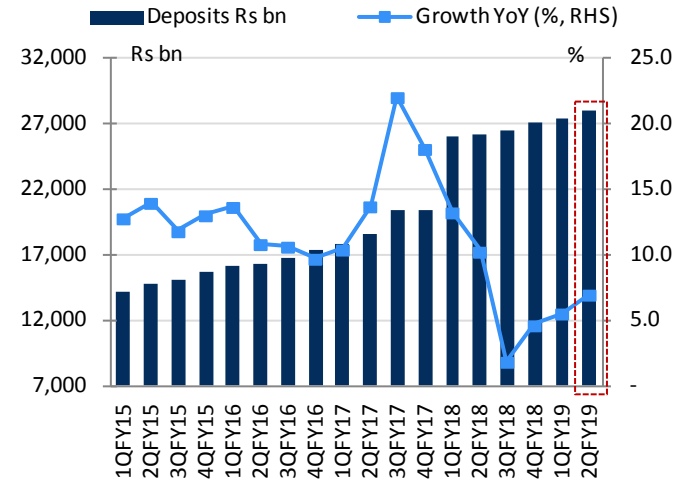
Source : Bank; 1QFY18 onwards incl. SBIN + ABs + BMB

Loan Mix: Stable Sequentially



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

Deposits Up ~7/2% YoY/QoQ



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

As CASA growth outpaced Term Deposit growth, CASA grew ~17bps QoQ to ~43.7%

SBIN continues to be a market leader with ~26.6/16.8% market share in SA and CA

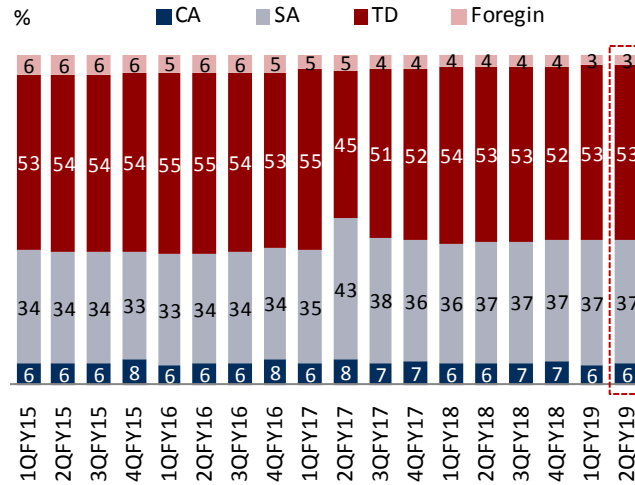
As loan growth revived to 4% QoQ while deposits grew ~2% during the same period, the overall CD Ratio rose ~130bps to 73.7%

NIMs fell ~7bps sequentially to 2.73%. The fall was optical as 1Q included significant recoveries under the IBC which had a positive impact of ~15bps on NIMs; Adjusted for the increased recognition as a result of recoveries in 1Q, NIMs rose 8bps QoQ

The management guided for domestic NIMs of ~2.85% and overseas NIMs of ~1.5% through FY19

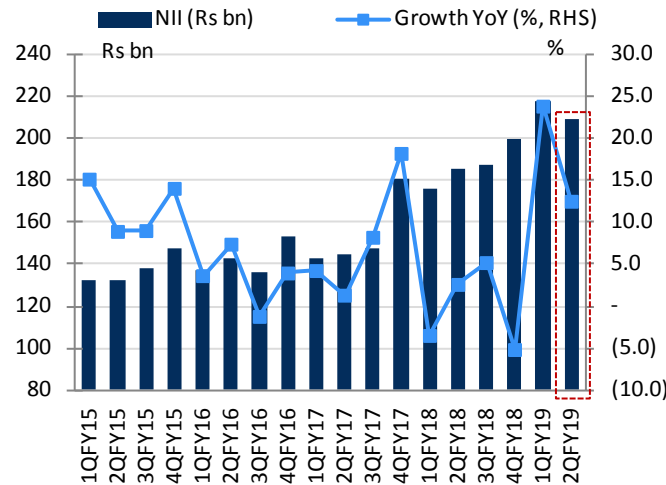
We expect NIMs of 2.77% over FY19-21E

CASA Ratio Up ~17bps QoQ To 43.7%



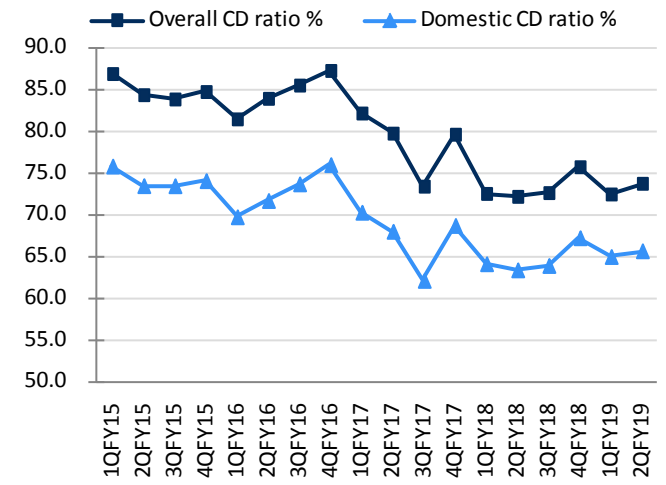
Source : Bank; 1QFY18 onwards incl. SBIN + ABs + BMB

NII Down ~4% Sequentially



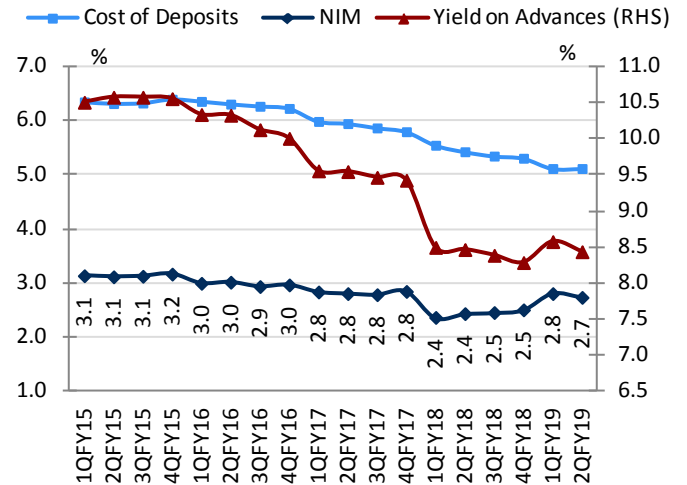
Source : Bank; 1QFY18 onwards incl. SBIN + ABs + BMB

Overall CD Ratio Rises ~130bps QoQ



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

NIMs Fell 7bps QoQ



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

Treasury income includes sale of stake in SBI General Insurance (~Rs 4.7bn) and transfer of its merchant acquisition business to its wholly owned subsidiary (~Rs 10.87bn)

As Other Income rose (+40% QoQ) while Operating Expenses remained sequentially flat, the C-I Ratio dipped ~390 bps to ~54%

The bank is yet to recognize amortised gratuity liability of ~Rs 9bn in connection with the RBI dispensation

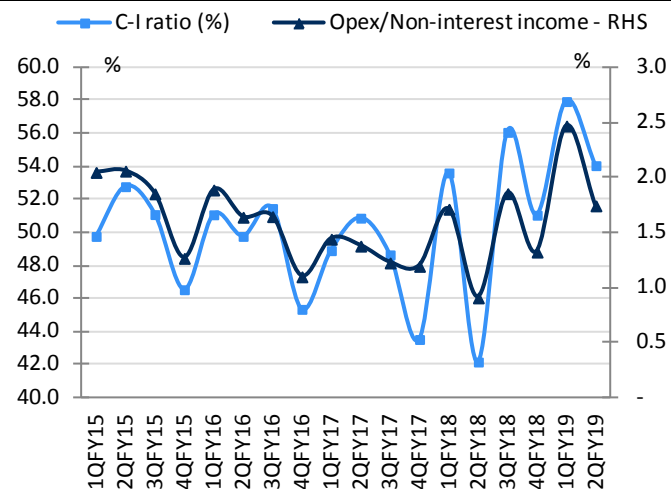
The bank provided ~19bn in 1HFY19 towards revision of wages w.e.f Nov-17

Non-interest Income: Stake Sale And One-Off Gains Drive Non-interest-income

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
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
% 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
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
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
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
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
(YoY %)	36%	18%	26%	44%	36%	56%	-3%	-9%	58%	-30%	2%	-17%	-41%

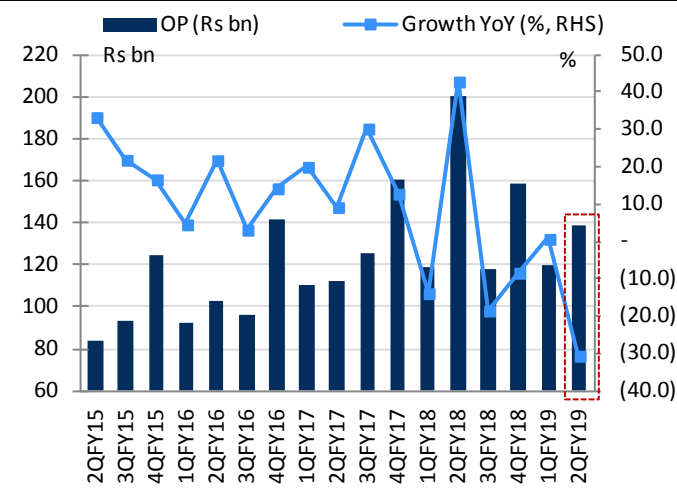
Source: Bank, HDFC sec Inst Research; 1QFY18 onwards incl. SBIN + ABs + BMB

C-I Ratio Down ~390bps QoQ, Optically



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

PPOP Up ~16% QoQ; Core PPOP Down ~17% QoQ



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

Even as NPA provisions dipped ~39/22% YoY/QoQ, NNPA's fell ~3/5% in absolute terms and the PCR jumped ~560/150bps to 70.74% signaling improvement in asset quality

MSME Slippages constituted ~36% of total slippages while Corp Slippages accounted for ~30% (vs. 37% QoQ and 50% YoY)

SBIN availed the RBI dispensation wrt to MSME accounts and retained ~Rs 5.1bn worth of assets as standard

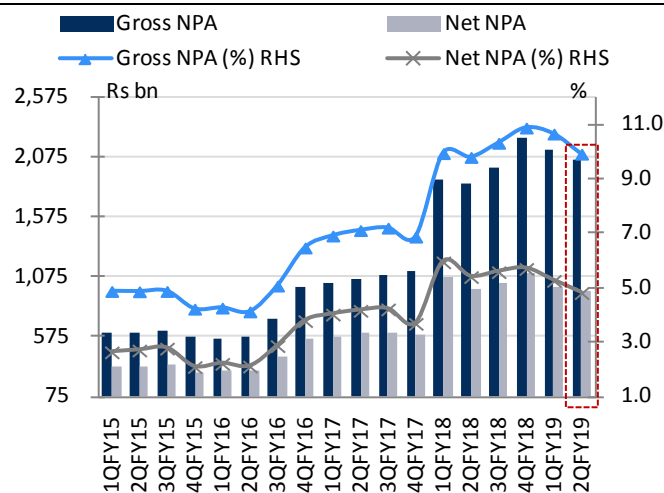
SBIN did not further provide on a single steel exposure as per IRAC norms in spite of it slipping from D2 (40%) to D3 (100%) as it was confident of recovering the amount in 3QFY19 and it considered existing provisions (50%) as adequate

Provisions Break-up: LLP Dipped 22% 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
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
% 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
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
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
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
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
YoY %	2%	52%	100%	85%	81%	12%	-11%	-32%	29%	58%	34%	115%	-37%
As % PPOP*	42%	83%	93%	67%	70%	71%	73%	75%	96%	161%	177%	161%	87%
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
(% PBT)	34%	32%	-24%	31%	24%	28%	34%	32%	-84%	66%	37%	33%	48%

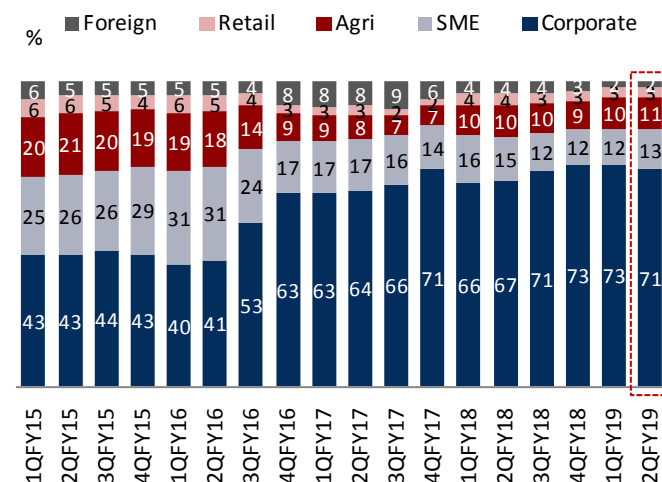
Source: Bank, HDFC sec Inst Research, * PPOP: Pre-provisioning operating profits; 1QFY18 onwards incl. SBIN + ABs + BMB

GNPAs Down 3%; NNPA's Down ~5% QoQ



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

Segment-Wise GNPA Contribution



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

Exposure to IL&FS: ~Rs 40-42bn (0.2% of loans) w/w ~Rs 2.5bn is towards of the Holding Co, 0.9bn is equity investment and the balance is towards SPVs; The exposure has been classified as Standard

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
Opening	564	568	728	982	1,015	1,058	1,082	1,779	1,881	1,861	1,991	2,234	2,128
Slippages	59	207	303	108	119	104	104	301	106	268	328	143	109
% 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
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		
Write-Offs	39	37	32	46	61	59	39	132	93	93	85	101	135
Closing	568	728	982	1,015	1,058	1,082	1,124	1,881	1,861	1,991	2,234	2,128	2,059
QoQ %	1%	28%	35%	3%	4%	2%	4%	6%	-1%	7%	12%	-5%	-3%

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
KMB #	2,154	1,130	BUY	1,377	207	237	273	32.5	25.5	20.7	4.14	3.53	2.98	13.2	14.2	14.9	1.73	1.76	1.74
ICICIBC #	2,247	350	BUY	386	127	146	169	45.9	12.9	9.0	1.98	1.63	1.32	3.5	10.0	12.3	0.38	1.17	1.40
AXSB	1,627	624	BUY	718	227	269	306	32.6	17.5	13.3	2.75	2.32	2.04	7.5	12.7	14.9	0.68	1.12	1.29
IIB	895	1,492	BUY	1,954	433	513	603	21.8	16.7	12.9	3.45	2.91	2.47	16.3	18.3	20.0	1.65	1.74	1.81
RBL	224	533	BUY	618	169	192	220	25.8	19.3	14.5	3.16	2.77	2.43	12.3	14.7	17.3	1.23	1.29	1.34
FB	158	80	NEU	89	57	64	73	14.1	10.6	8.4	1.41	1.25	1.11	8.9	10.9	12.6	0.75	0.84	0.90
CUB	122	167	BUY	227	60	70	82	17.9	15.1	12.8	2.78	2.39	2.05	15.2	15.5	15.7	1.58	1.58	1.55
KVB	63	79	BUY	116	57	64	69	23.5	8.8	7.3	1.39	1.24	1.14	4.3	11.1	12.9	0.39	0.95	1.04
DCBB	50	160	BUY	210	87	98	111	15.9	12.4	10.1	1.84	1.64	1.44	10.5	12.2	13.4	0.93	0.98	1.00
SBIN#	2,632	295	BUY	352	135	170	197	33.2	8.0	5.3	1.39	1.09	0.94	2.3	9.2	12.6	0.14	0.55	0.76
BOB	295	111	NEU	126	108	143	171	14.7	6.2	4.5	1.03	0.78	0.65	4.5	10.1	12.4	0.27	0.58	0.72
AUBANK	166	553	NEU	641	100	131	154	41.8	30.2	21.1	5.51	4.23	3.59	14.3	15.3	17.5	1.64	1.70	1.90

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	2,409.2	2,643.4	2,947.1
Interest Expended	1,136.6	1,456.5	1,556.2	1,699.0	1,878.6
Net Interest Income	618.6	748.5	853.0	944.4	1,068.5
Other Income	354.6	446.0	355.9	399.2	447.0
Fee Income (CEB)	162.8	230.0	231.4	252.3	276.9
Treasury Income	107.5	123.0	25.0	37.5	52.5
Total Income	973.2	1,194.5	1,208.8	1,343.6	1,515.5
Total Operating Exp	464.7	599.4	636.1	686.2	748.5
Employee Expense	264.9	331.8	367.6	410.4	451.8
PPOP	508.5	595.1	572.8	657.4	767.0
Provisions & Contingencies	359.9	750.4	514.9	391.8	349.7
Prov. for NPAs (incl. std prov.)	354.1	677.7	464.9	364.3	322.2
PBT	148.6	-155.3	57.9	265.6	417.3
Provision for Tax	43.7	-89.8	20.0	65.7	115.0
PAT	104.8	-65.5	37.9	199.9	302.2

Source: Bank, HDFC sec Inst Research; FY18, FY19E and FY20E 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	2,220.2	2,397.1	2,664.6
Shareholders' Funds	1,882.9	2,191.3	2,229.2	2,406.1	2,673.6
Savings	7,432.9	10,137.7	11,151.5	12,489.7	13,738.7
Current	1,471.2	1,901.7	1,996.8	2,096.7	2,201.5
Term Deposit	11,543.4	15,023.9	16,150.7	17,362.1	18,751.0
Total Deposits	20,447.5	27,063.4	29,299.1	31,948.4	34,691.2
Borrowings	3,176.9	3,621.4	3,530.9	3,548.5	3,726.0
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	36,780.7	39,676.2	42,921.5
APPLICATION OF FUNDS					
Cash & Bank Balance	1,719.7	1,919.0	1,491.7	1,222.8	1,188.6
Investments	7,659.9	10,609.9	11,458.7	12,260.8	13,057.7
G-Secs	5,752.4	8,484.0	7,178.3	7,188.4	7,632.1
Advances	15,710.8	19,348.8	20,896.7	22,986.4	25,170.1
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	36,780.7	39,676.2	42,921.5

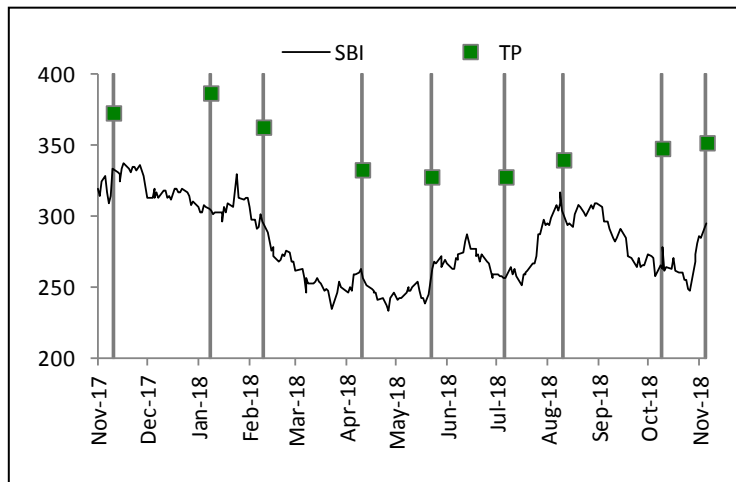
Source: Bank, HDFC sec Inst Research

Standalone Key Ratios

	FY17	FY18	FY19E	FY20E	FY21E
VALUATION RATIOS					
EPS (Rs)	13.1	-7.3	4.2	22.4	33.9
Earnings Growth (%)	5.4	(162.5)	(157.9)	427.7	51.2
BVPS (Rs)	182.3	217.7	221.9	262.7	292.0
Core Adj. BVPS (Rs)	109.2	93.5	129.5	167.1	201.9
DPS (Rs)	2.6	-	-	2.2	3.4
ROAA (%)	0.42	-0.21	0.11	0.52	0.73
ROAE (%) (Core)	6.77	(3.35)	1.76	8.8	12.2
P/E (x)	14.4	(25.7)	44.0	8.2	8.7
P/ABV (x)	1.73	2.02	1.44	1.10	0.90
P/PPOP (x)	4.6	4.4	4.6	4.0	3.4
Dividend Yield (%)	0.9	-	-	0.8	1.1
PROFITABILITY					
Yield On Advances (%)	7.88	7.43	7.76	7.88	8.18
Yield On Investment (%)	7.76	7.06	7.00	7.00	7.00
Cost Of Funds (%)	5.27	4.87	4.90	4.97	5.08
Cost Of Deposits (%)	5.59	5.13	5.15	5.20	5.27
Core Spread (%)	2.61	2.57	2.86	2.91	3.10
NIM (%)	2.84	2.52	2.70	2.75	2.86
OPERATING EFFICIENCY					
Cost/Avg. Asset Ratio (%)	1.87	1.95	1.78	1.79	1.81
Core Cost-Income Ratio (%)	53.68	55.94	53.73	52.54	51.16
BALANCE SHEET STRUCTURE					
Loan Growth (%)	7.3	3.5	8.0	10.0	9.5
Deposit Growth (%)	18.1	4.7	8.3	9.0	8.6
C/D Ratio (%)	76.8	71.5	71.3	71.9	72.6
Equity/Assets (%)	7.0	6.3	6.1	6.1	6.2
Equity/Advances (%)	12.0	11.3	10.7	10.5	10.6
CASA (%)	43.5	44.5	44.9	45.7	45.9
Capital Adequacy Ratio (CAR, %)	13.1	12.6	10.2	10.1	10.2
W/w Tier I CAR (%)	10.4	10.4	8.3	8.3	8.5

	FY17	FY18	FY19E	FY20E	FY21E
ASSET QUALITY					
Gross NPLs (Rs bn)	1,123.4	2,234.3	1,794.5	1,415.9	1,241.9
Net NPLs (Rs bn)	582.8	1,108.5	824.6	666.7	623.3
Gross NPLs (%)	6.90	11.55	8.59	6.16	4.93
Net NPLs (%)	3.71	5.73	3.95	2.90	2.48
Slippages (%)	2.57%	8.43%	2.70%	2.20%	2.10%
Coverage Ratio (%)	48.13	50.38	54.05	52.91	49.81
Provision/Avg. Loans (%)	2.17	3.75	2.30	1.65	1.32
ROAA TREE					
Net Interest Income	2.49%	2.43%	2.39%	2.47%	2.59%
Non Interest Income	1.43%	1.45%	1.00%	1.04%	1.08%
<i>Treasury Income</i>	0.43%	0.40%	0.07%	0.10%	0.13%
Operating Cost	1.87%	1.95%	1.78%	1.79%	1.81%
Provisions	1.45%	2.44%	1.44%	1.02%	0.85%
<i>Provisions For NPAs</i>	1.33%	2.32%	1.30%	0.94%	0.77%
Tax	0.18%	-0.29%	0.06%	0.17%	0.28%
ROAA	0.42%	-0.21%	0.11%	0.52%	0.73%
Leverage (x)	14.93	15.12	16.14	16.49	16.26
ROAE	6.31%	-3.21%	1.71%	8.63%	11.90%

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

RECOMMENDATION HISTORY


Date	CMP	Reco	Target
11-Nov-17	334	BUY	373
8-Jan-18	306	BUY	387
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

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

INSTITUTIONAL RESEARCH
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