

## Pick of the Week



# State Bank of India

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CMP (Rs)	Target Price (Rs)	Potential Upside (%)	52 Week H/L (Rs)	Mkt Cap (Rs mn)
310.90	410	31.9%	340 / 232	2774654

### Key Highlights:

- SBI reported a profit of Rs. 40 bn in 3QFY19 on the back of strong NII growth at 21% yoy and sharp drop in provisions at 68% yoy.
- Calculated slippages dropped in 3QY19 on the back of decrease in slippages from the corporate book. Provision coverage ratio (including technical write-off) improved 390 bps qoq to 75% (up from 66% yoy).
- Overall loan growth (net) improved to 12% yoy driven by robust growth in retail loans and revival in corporate loan growth.
- We are building ~11% loan CAGR over FY2019-21E (growth to remain lower at 10% yoy in FY2019E) driven by strong traction in retail loans and gradual increase in corporate lending.
- CASA ratio stood at 44% in 3QFY19 (up 40 bps yoy; flat qoq) led by 9% growth in SA balances while CA growth declined by 1% yoy (down 60 bps qoq). We forecast 8% CASA CAGR over FY2019-21E and stable CASA ratio of 45% in the medium term.
- Overall operating expenses growth was strong at 21% yoy, led by 32% yoy growth in staff cost while other expenses growth was muted at 6% yoy. We expect 7% CAGR in operating expenses over FY2018-21E.
- We forecast non-interest income to maintain steady pace of growth at 26% CAGR during FY2019-21E (down 5% yoy growth in FY2019E) driven by strong traction in recovery of written-off accounts and gradual improvement in treasury income while fee income will see modest increase sequentially going ahead.
- **Q4 results preview** : We expect loan growth at ~12% yoy and NIM unchanged qoq at ~2.8%. Non-interest income growth will remain muted due to lower fee income growth but partly offset by higher income from written-off loans.
- We maintain BUY rating on SBI with a fair value of Rs. 410.

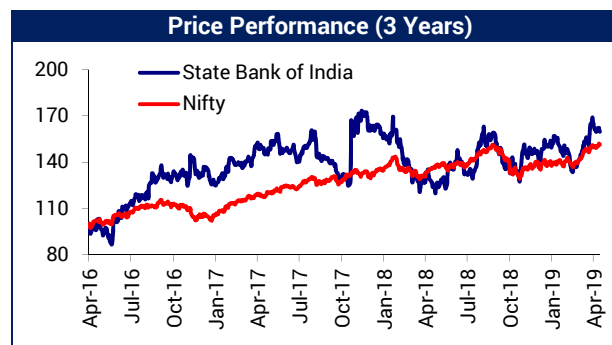
Financials (Rs mn)*	FY18	FY19E	FY20E
Net Interest Income	748,537	881,484	976,982
Non-interest Income	446,007	338,931	485,034
Total Income	1,194,544	1,220,415	1,462,016
Growth (%)	1.4%	2.2%	19.8%
PBT	(155,282)	96,780	480,938
Net profit	(65,475)	65,810	336,657
EPS (Rs)	(7)	7	38
ABVPS (Rs.)	126	166	219
P/B (x)	2.5	1.9	1.4

Slippages (%)	6.0%	2.3%	1.5%
Gross NPL (%)	10.7%	7.6%	5.8%
Net NPL (%)	5.7%	3.4%	2.2%
ROE (%)	-3.2%	3.0%	13.9%
RoA (%)	-0.2%	0.2%	0.9%

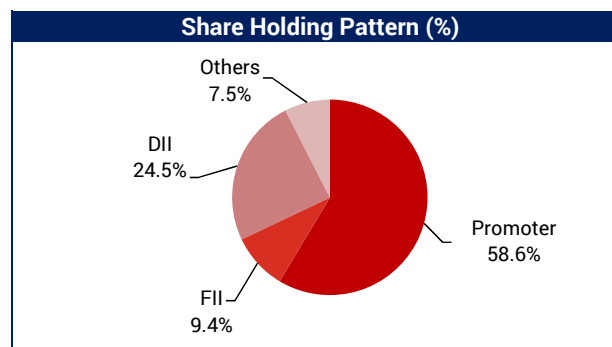
Source: Kotak Institutional Equities; \*Consolidated

Financials (Rs mn)*	9M-FY18	9M-FY19	% Chg
Net Interest Income	548,794	653,950	19%
Non-Interest Income	321,059	240,898	-25%
Total Income	869,853	894,848	3%
PBT	(33,154)	11,763	NM
PAT	11,707	238	-98%
Slippages (%)	5.7%	4.8%	

Source: Kotak Institutional Equities; \*Consolidated



Source: Bloomberg



Source: Bloomberg

This one pager on the company is extracted from last two KIE updates dated February 1, 2019, April 4, 2019 and April 8, 2019 and it does not contain events beyond that dates. We take no obligation to update the KIE recommendations. While source of all other information is taken from Kotak Institutional Equities, the price performance and shareholding pattern chart is inputted by Kotak PCG research team (with source as Bloomberg). It is advisable to read the full KIE report before taking any investment decision on the above company recommendation.

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- BUY** – We expect the stock to deliver more than 15% returns over the next 12 months
- ADD** – We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE** – We expect the stock to deliver -5% - +5% returns over the next 12 months
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- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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