



# State Bank of India

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CMP (Rs)	Target Price (Rs)	Potential Upside (%)	52 Week H/L (Rs)	Mkt Cap (Rs mn)
274	390	42.4%	374 / 247	2443998

## Key Highlights:

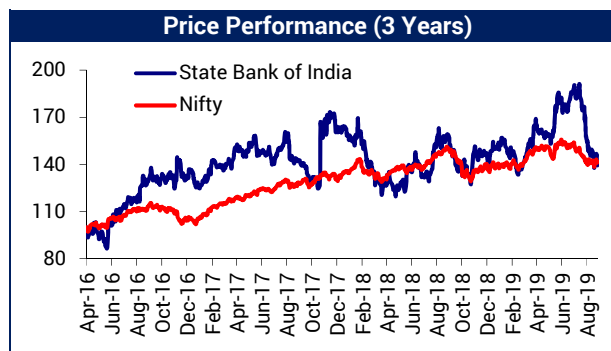
- SBI reported a profit of Rs.23 bn in 1QFY20 on the back of steep drop in provisions and revival in non-interest income. NII growth was muted at 5% YoY. Loan growth was modest at 14% YoY while retail loans retained momentum (up 20% YoY).
- Calculated slippages increased 160 bps QoQ to 3.1% of loans (up 10 bps YoY). The rise in slippages was from the agriculture and SME book. We project slippages of 2% in FY20E from 2.1% in FY19 and further moderate to 1.5% over FY21-22E. GNPL will gradually improve to 4% over FY22E.
- Overall loan growth (net) improved to 14% YoY driven by robust growth in retail loans and revival in corporate loan growth. We are building ~11% loan CAGR over FY19-22E driven by strong traction in retail loans and gradual increase in corporate lending.
- Reported NIM was flat QoQ at 2.8%. There has been consistent improvement in margins over the past few quarters on the back of (1) increase in share of high-yielding retail loans, (2) drop in interest reversals and (3) stable cost of deposits. We forecast NIM (calculated) to improve 30 bps over FY19-22E to 3%.
- CASA ratio was stable QoQ at ~45% in 1QFY20 (down 60 bps QoQ/10 bps YoY) led by 9% growth in CA balances while SA growth was modest at 7% YoY. We forecast 11% CASA CAGR over FY19-22E and stable CASA ratio of 45% in the medium term.
- Non-interest increased 20% YoY owing to revival in treasury gains and forex income. We forecast non-interest income to maintain steady pace of growth at 13% CAGR during FY19-22E 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.
- We maintain BUY rating on SBI with an FV of Rs. 390 (from Rs. 410) valuing the bank at 1.1X book and 6X June 21E EPS for RoEs in the range of ~15% in the medium term.

Financials (Rs mn)*	FY19	FY20E	FY21E
Net Interest Income	883,489	1,022,033	1,182,835
Non-interest Income	367,749	422,073	478,800
Total Income	1,251,238	1,444,106	1,661,635
Growth (%)	4.7%	15.4%	15.1%
PBT	16,075	396,101	614,431
Net profit	8,622	277,270	430,102
EPS (Rs)	1	31	48
Growth (%)	113	3,116	55
ABVPS (Rs.)	159.3	203.4	255.0
P/B (x)	1.7	1.3	1.1
Slippages (%)	1.7	2.0	1.5
ROE (%)	0.4	11.8	15.9
RoA (%)	-	0.7	1.0

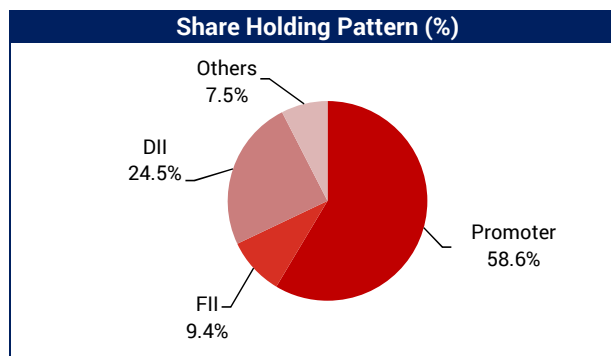
Source: Kotak Institutional Equities; \*Consolidated

Financials (Rs mn)*	1QFY19	1QFY20	% Chg
Net Interest Income	217,984	229,388	5.23
Non-Interest Income	66,795	80,154	20.00
Total Income	284,779	309,542	8.70
PBT	(72,551)	40,632	N.A
PAT	(48,759)	23,122	N.A
Slippages (%)	3.0	3.1	0.1 bps

Source: Kotak Institutional Equities; \*Consolidated



Source: Bloomberg



Source: Bloomberg

This one pager on the company is extracted from last KIE update dated Aug 2, 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
- SELL** – We expect the stock to deliver < -5% returns over the next 12 months
- NR** – **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
- SUBSCRIBE** – We advise investor to subscribe to the IPO.
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- NA** – **Not Available or Not Applicable.** The information is not available for display or is not applicable
- NM** – **Not Meaningful.** The information is not meaningful and is therefore excluded.
- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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