



'Be the Bank of Choice for a Transforming India'

**APRIL 26, 2018**  
**ISSUE NO:06, FY18**

## **SBI INDEX SHOWS IIP WILL CONTINUE TO REVEAL LARGE POSITIVE SUPPRISES**

The yearly SBI Composite Index for Apr'18 is at 54.1 (Moderate Growth), compared to 54.2 (Moderate Growth) in Mar'18. While, the M-o-M index declined to 12-months low of 45.6 (Moderate Decline) in Apr'18, compared to 53.4 (Moderate Growth) in Mar'18.

With the robust growth in the SBI Composite Index, we believe IIP Manufacturing is expected to grow in the range of 8-9% in Mar'18 and Apr'18.

Consumption led sectors is expected to improve due to improved perception of consumer sentiment, growing rural demand and growing resolution in GST related implementation. Surging prices in steel products, cement and petrochemicals bode well for commodity related sectors.

Cement is expected to benefit from affordable housing and ongoing road projects. Higher base growth in Q3FY2018 has seen marginal dip in Q4FY2018P, when we compare on Q-o-Q basis. EBIDTA margins, overall, are likely to taper but, at a lower rate. Automobiles and IT Services are expected to improve on EBIDTA in Q4FY18.

Overall investment scenario i.e. fresh project announced during the financial year FY18 remained at the previous year's level. The twelve-month period ended 31 March 2018, saw announcement of 9,610 new projects entailing a total investment of Rs.11.77 lakh cr as compared to announcement of 10,410 new projects worth Rs.11.81 lakh cr in FY17.



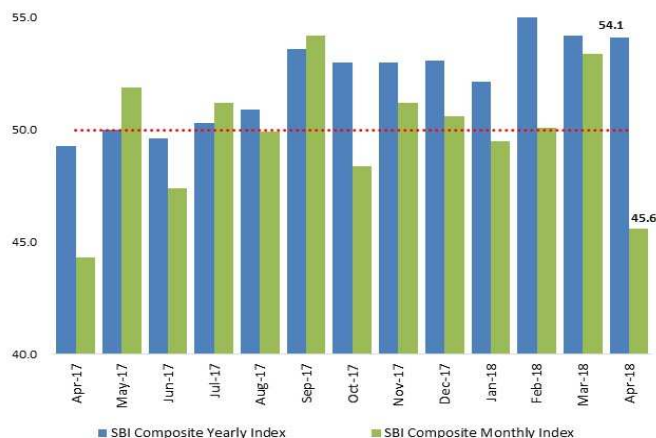
**SBI COMPOSITE INDEX: APRIL 2018**

- ◆ The yearly SBI Composite Index for Apr'18 is at 54.1 (Moderate Growth), compared to 54.2 (Moderate Growth) in Mar'18. While, the M-o-M index declined to 12-months low of 45.6 (Moderate Decline) in Apr'18, compared to 53.4 (Moderate Growth) in Mar'18.
- ◆ The SBI Composite Index, a leading indicator for manufacturing activities in the Indian Economy aims to foresee the periods of contraction and expansion. The Composite Index has mainly two indices i.e. SBI Monthly Composite Index and SBI Yearly Composite Index.
- ◆ With the robust growth in the SBI Composite Index, we believe IIP Manufacturing should continue to be buoyant in March-April'18. we don't rule out large positive surprises.

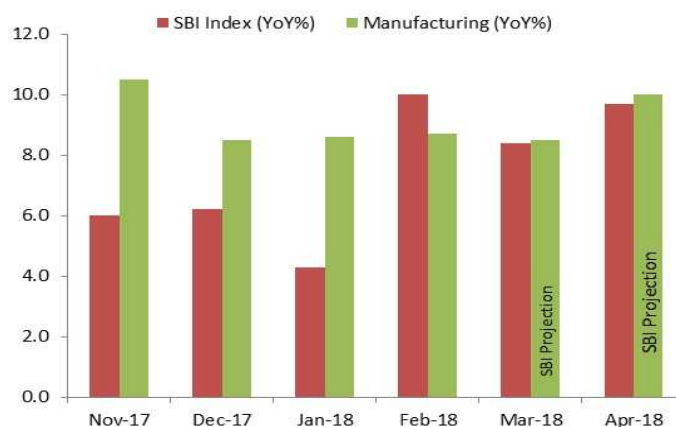
Table 1: How to Read SBI Composite Index	
SBI Composite Index	Index Value
Less than 42	Large Decline
42 to 46	Moderate Decline
46 to 50	Low Decline
50 to 52	Low Growth
52 to 55	Moderate Growth
55 & Above	High Growth

Source: SBI Research

**Chart 1: SBI Yearly and Monthly Composite Index Trend**



**Chart 2: SBI Yearly Index (YoY %) & IIP Manufacturing (YoY %)**



Source: SBI Research

**REVENUE GROWTH OUTLOOK OF KEY SECTORS Q4FY18 (P)**

- ◆ Consumption led sectors is expected to improve due to improved perception of consumer sentiment, growing rural demand and growing resolution in GST related implementation. Surging prices in steel products, cement and petrochemicals bode well for commodity related sectors.

Sector-wise Revenue Growth Outlook for Q4FY185									
Revenue Y-o-Y Growth	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18 P
Key Sectors	9.10%	7.10%	6.60%	8.20%	6.90%	6.10%	7.90%	11.60%	8.90%
Automobiles	16.10%	9.60%	11.00%	2.70%	6.80%	4.70%	20.30%	24.80%	21.80%
FMCG	1.30%	5.70%	6.50%	1.20%	5.70%	0.80%	6.60%	10.10%	9.00%
IT services	18.30%	14.00%	8.60%	8.30%	5.80%	2.60%	3.60%	4.00%	3.90%
Pharmaceuticals	15.60%	8.70%	8.20%	10.30%	0.60%	-8.30%	0.70%	1.80%	3.50%
Power	12.30%	3.10%	0.60%	4.90%	-0.10%	6.40%	3.40%	5.60%	4.80%
Steel products	-7.60%	-1.70%	4.70%	31.20%	30.00%	23.40%	27.30%	23.00%	21.70%
Telecom services	9.50%	6.70%	6.80%	-2.50%	-14.00%	-15.80%	-22.00%	-29.30%	-40.30%

- ◆ Cement is expected to benefit from affordable housing and ongoing road projects. Higher base growth in Q3FY2018 has seen marginal dip in Q4FY2018P, when we compare on Q-o-Q basis. EBIDTA margins, overall, are likely to taper but, at a lower rate. Automobiles and IT Services are expected to improve on EBIDTA in Q4FY2018.
- ◆ Overall investment scenario i.e. fresh project announced during the financial year FY18 remained at the previous year's level. The twelve-month period ended 31 March 2018, saw announcement of 9,610 new projects entailing a total investment of Rs.11.77 lakh cr as compared to announcement of 10,410 new projects worth Rs.11.81 lakh cr in FY17.

## ABOUT US

The Economic Research Department (ERD) in SBI Corporate Centre is the successor to the Economic and Statistical Research Department (E&SRD). The latter came into being in 1956, immediately after the State Bank of India was formed, with the objective of “tendering technical advice to the management on economic and financial problems in which the Bank has interest and which required expert analysis”.

After the first reorganization of the Bank, when specialized departments like Management Science, Management Information Systems, Planning and Market Segment Departments took over the statistical work of E&SRD, the Department was renamed as ERD.

However, with the ERD team now taking on multidimensional functionalities in the area of risk management , corporate analytics, strategy and so on, who knows, the time may have come to rename it again!

## DISCLAIMER

The *Ecowrap* is not a priced publication of the Bank. The opinion expressed is of Research Team and not necessarily reflect those of the Bank or its subsidiaries. The contents can be reproduced with proper acknowledgement. The write-up on Economic & Financial Developments is based on information & data procured from various sources and no responsibility is accepted for the accuracy of facts and figures. The Bank or the Research Team assumes no liability if any person or entity relies on views, opinion or facts & figures finding in Ecowrap.

## CONTACT DETAILS

**Dr. Soumya Kanti Ghosh**  
Group Chief Economic Adviser  
State Bank of India  
Corporate Centre  
Madam Cama Road  
Nariman Point

**Email:** [soumya.ghosh@sbi.co.in](mailto:soumya.ghosh@sbi.co.in)  
[gcea.erd@sbi.co.in](mailto:gcea.erd@sbi.co.in)

**Phone:** 022-22742440

 : [@kantisoumya](https://twitter.com/kantisoumya)