



'Be the Bank of Choice for a Transforming India'

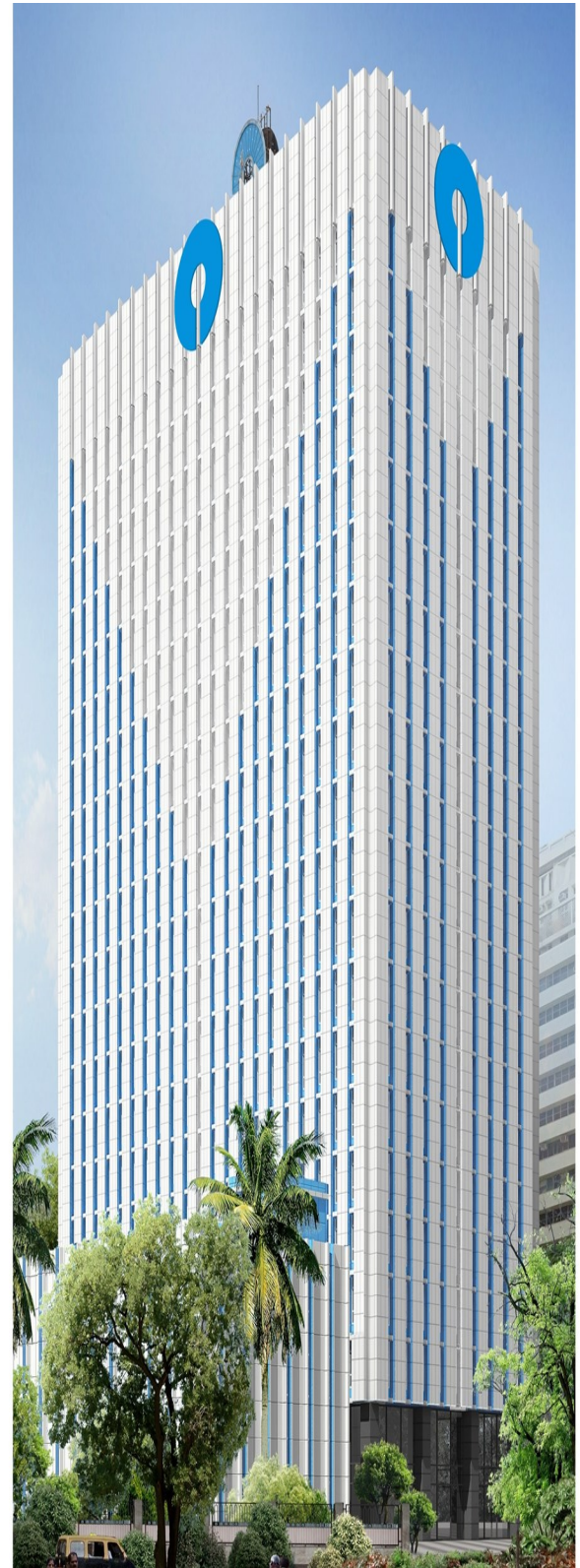
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## **SBI YEARLY INDEX IN MARCH IS AT 52.7, CLOSE TO THE FY19 AVERAGE OF 52.1**

The yearly SBI Composite Index for Mar'19 increased to 52.7 (Moderate Growth) compared to 50.60 (Low Growth) in Feb'19. While, the monthly SBI Composite index remained volatile and is at 58.88 (High Growth) in Mar'19 from 46.10 (Low Decline) in Feb'19.

Investment scenario, as can be inferred from orders inflows has declined in Q3FY19 by 20%. NBFCs, with higher exposure to SMEs/ Loan against shares and developer loans, are likely to see pain in FY20 also. Credit growth is not broad based and is in selective areas only. Capex led growth from listed companies will remain muted and working capital will remain key to credit growth.

We thus expect at least a 25 bps rate cut in April policy (cumulative 50-75 bps over next 2/3 policies) though we believe the stage is ripe for a larger rate cut. If the rate cut is of 25 bps only, then RBI could indicate more cuts through a possible shift in stance/ policy statement. RBI should also take a holistic approach with liquidity framework as call rates are liquidity agnostic.



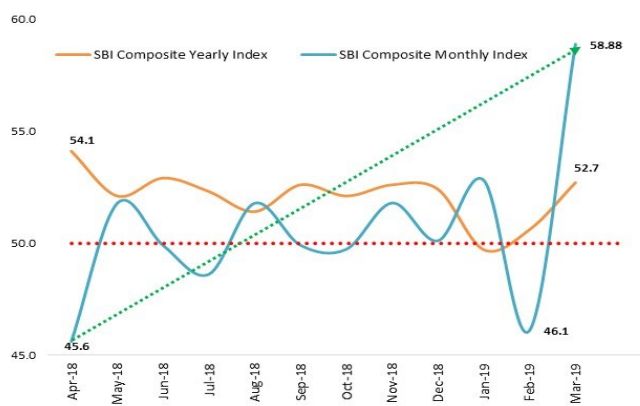
### SBI YEARLY COMPOSITE INDEX AT 52.7 IN MARCH 2019

- ◆ The yearly SBI Composite Index for Mar'19 increased to 52.7 (Moderate Growth) compared to 50.60 (Low Growth) in Feb'19. While, the monthly SBI Composite index remained volatile and is at 58.88 (High Growth) in Mar'19 from 46.10 (Low Decline) in Feb'19.
- ◆ 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.
- ◆ We believe IIP & IIP Manufacturing growth will remain volatile both for the month of February and March 2019.

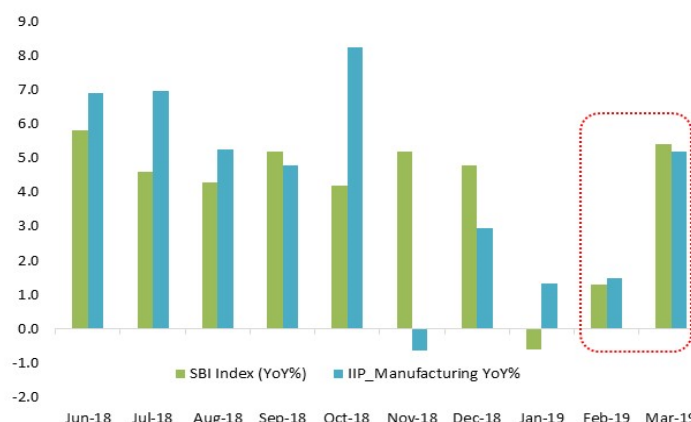
How to Read SBI Composite Index	
Index Value	Read as
Less than 42	Large Decline
42 to 46	Moderate Decline
46 to 50	Low Decline
50 to 52	Low Growth
52 to 55	Moderate Growth
55 & Above	High Growth

Source: SBI Research

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



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



Source: SBI Research

### CORPORATE SECTOR HOSTAGE TO SLOWDOWN IN ORDER BOOK

- ◆ Investment scenario, as can be inferred from orders and contract awarded has declined during Q3FY19 by 13% to Rs 921 bn from Rs.1056 bn in Q2FY19 and Rs 1105 bn in Q1FY19. Major sectors where orders and contracts awarded during FY19 (up to Dec) are mainly in the areas such as Railways, Roadways etc. which mainly driven by Government.
- ◆ In L&T, one of the major players in capital goods segment, order flow has declined by around 12% in Q3FY19 as compared to same period previous year. Further, we are observing majority of order inflow are from infrastructure sector and outcome of continued focus by public sector on infra capex. BHEL has also reported decline in order flow position to Rs 302 bn in FY19 as against Rs 409 bn in FY18.

Major Sectors where orders and contracts awarded during FY19 (up to Dec) (Rs in crore)						
Major Sector	Q1FY19		Q2FY19		Q3FY19	
	Projects	Amount	Projects	Amount	Projects	Amount
Roadways	641	27,778	837	43,155	430	28,627
Railways	58	3,059	54	5,446	69	8,382
Automobiles	4	462	2	2,976	9	8,064
Real Estate	68	18,527	57	1,606	53	4,852
Irrigation	53	13,839	59	7,043	27	4,709
Electricity & Non Conventional Energy	93	8,158	70	9,432	52	4,302
Power Distribution	90	13,515	49	969	48	3,769
Airways (Aviation Infrastructure)	25	1,820	38	6,693	29	3,591
Water & Sewerage Pipeline & Distribution	121	3,060	101	6,532	47	3,352
Shipping Infrastructure	10	1,825	9	269	5	2,438
All Sectors	1,642	110,464	1,595	105,527	1,071	92,104

Source: Projects Today; SBI Research

Order inflow in Q3FY19 vis-à-vis Q3FY18 (Rs in crore)		
Company	Q3FY18	Q3FY19
ABB	134	115
SIEMENS	3257	3391
GE T&D	7832	14414
BHEL	29001	6400
L & T	48200	42200
THERMAX	1413	1480
KEC international	5553	3598
Kalpataru Power	2812	1392
JMC Projects	1332	1110
Crompton Greaves	1516	1615
BEML	540	3926
BEL	1146	2164
<b>Total</b>	<b>102736</b>	<b>81805</b>

Source: Company/Market reports; SBI Research

## 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!

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