

Industry	Financial
Bloomberg	SBIN IN
BSE CODE	500112

Contraction in NIM and Subdued growth Impacted PPP

RATING	BUY
CMP	188
Price Target	240
Potential Upside	28%

Rating Change	
Estimate Change	
Target Change	

Stock Info

52wk Range H/L	373/150
Mkt Capital (Rs Cr)	167,604
Free float (%)	43%
Avg. Vol 1M (,000)	66,586
No. of Shares (Cr)	892
Promoters Pledged %	

Fig in Rs cr

FINANCIAL	FY19	FY20	FY21E
NII	88350	98085	87680
PPP	55437	65401	50806
PAT	863	14488	6666
NIM %	2.7	2.8	2.4
EPS (Rs)	1	16	7
EPS growth	-113	1579	-54
ROE (%)	0	5	3
ROA (%)	0.0	0.3	0.2
BV	248	260	267
P/B (X)	1.3	0.7	0.7
P/E (x)	331	12	25

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4QFY20 Result Update

- ❑ NII Growth during the quarter was moderate at -1% YoY mainly on account of moderation in advance growth. PAT grew by 327% YoY mainly on account of sale of the stake in SBI card worth Rs 2731 Cr .
- ❑ Slippages during the quarter were Rs 8291 Cr v/s Rs 20098 Cr in 3QFY20. GNPA ratio stood at 6.15% v/s 6.94% QoQ while NNPA stood at 2.23% v/s 2.65 QoQ. Provision during the quarter stood at Rs 13495 Cr v/s the Rs 16501 Cr in Q3FY20
- ❑ Advance growth during the quarter was meagre at 6%/6% on QoQ/YoY basis with corporate book growing by 4% YoY while the retail book grew by 15% YoY. Deposits grew by 11% YoY.

Moderation in NII growth

NII Growth during the quarter was moderate at -1% YoY mainly on account of moderation in advance growth. NIM during quarter stood at 2.97% v/s 3.05 QoQ while the Yield on advance was 8.72% v/s 8.91% QoQ and Cost of deposit was 4.94% v/s 4.97% YoY. Cost to income ratio during the quarter stood at Rs 56% v/s the 51% in Q3FY20. The operating expense increased by 9% YoY with other expenses growing by 1% YoY and employee expense increasing by 15% YoY. PAT grew by 327% YoY mainly on account of sale of the Stake in SBI card worth Rs 2731 Cr . The provisioning during the quarter stood at Rs 13495 Cr v/s Rs 7253 Cr in Q3FY20

Improvement in asset Quality

Asset quality during the quarter improved with GNPA ratio at 6.15% v/s 6.94% QoQ while the NNPA stood at 2.23% v/s 2.65 QoQ. Slippages during the quarter were Rs 8291 Cr v/s Rs 20098 Cr in 3QFY20. Fresh slippages during the quarter were Rs 8105 Cr. The recovery and upgradation stood at Rs 2528 Cr. Slippages from corporate stood at Rs 1561 Cr while the agri slippages stood at Rs 5238 Cr. SMA 1 Rs 3594 Cr v/s Rs 4996 Cr YoY while the SMA 2 stood at Rs 3672 Cr v/s Rs 2766 Cr YoY. Banks PCR with AUCA stood at 83.62% v/s 81.73% QoQ.

Subdued Advance Growth

Advance growth during the quarter was meagre at 6%/5% on QoQ/YoY basis with corporate book growing by 4% YoY while the retail book grew by 15% YoY. The domestic advance growth 4% YoY while the Overseas advance grew by 11% YoY. On the retail side auto loans grew by 1% YoY while the home loans grew by 14% YoY, The xpress credit loans grew by 35% YoY and Other personal loans grew by 10% YoY. Deposits grew by 11% YoY with CASA growth of 10% YoY . The CASA ratio stood at 44%.

View and valuation

NII growth during the quarter was affected Primarily on account of Loan growth Moderation. NIM has remain steady but management does not see any major upmove in it in near terms. The loan growth is expected to subdued in near term given the current economic condition. The bank has offered the moratorium to 100% customers in phase 1 and will do the same in phase 2 to ,however moratorium has been availed by around 22% of the customers till now. The Other income growth is expected to be subdued given the pressure on Forex income and recoveries which will hinder the Operating profitability and Excessive provisions should effect the Bottom line. However with strong liability franchise well diversified loan portfolio and healthy capital adequacy ratio we expect the bank to get through the tough phase. Bank is currently trading at 0.7XFY21E. We maintain BUY with TP of Rs 240 at 0.9 x BV FY21E.

Key Risks to our rating and target

- ❑ Further Stress in the economy
- ❑ Increase in number of moratorium customers

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**4QFY20 Results
PAT Below Estimate**

Financials	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY %	QoQ%	FY19	FY20	Fig in Rs cr
										YoY %
Interest	62,985	62,638	64,312	67,692	62,681	-0.5%	-7.4%	242869	257324	6.0%
Interest	40,032	39,699	39,712	39,913	39,914	-0.3%	0.0%	154519	159239	3.1%
NII	22,954	22,939	24,600	27,779	22,767	-0.8%	-18.0%	88350	98085	11.0%
Other	12,685	8,015	12,023	9,106	13,346	5.2%	46.6%	36775	42490	15.5%
Total	35,639	30,954	36,623	36,885	36,113	1.3%	-2.1%	125125	140575	12.3%
Opex Exp.	18,706	17,708	18,424	18,662	20,379	8.9%	9.2%	69688	75174	7.9%
PPP	16,933	13,246	18,199	18,223	15,734	-7.1%	-13.7%	55437	65401	18.0%
Provisions	16,502	9,183	13,139	7,253	13,495	-18.2%	86.1%	53829	43070	-20.0%
PBT	431.2	4063.24	5060	10,970	4,970	1053%	-54.7%	1608	25063	1458%
Tax	(407)	1,751	2,048	5,386	1,389	-441.2%	-74.2%	745	10575	1319%
Net Profit	838	2,312	3,012	5,583	3,581	327.1%	-35.9%	863	14488	1578.8%

Concall Highlights

- 98% of the branches of the bank have remain operational while 90% of the ATM are operational.
- Banks believes its strong liability franchise, consistent operating income and core PPOP, Diversified loan portfolio, healthy capital adequacy ratio and leading digital capabilities will help it face the challenges caused due to COVID 19.
- Total Working capital loans for the banks are Rs 9 lakh Cr out of which around 20% have taken the moratorium
- Out of total 36 lakh Home loan Customer approximately 20% of the home loan customers in numbers and 5.1% in Unsecured Personal Loan have taken the moratorium
- 82% of the customers have paid the 2 or more EMI as of May end during the Moratorium period. Less than 5% of the accounts for NBFC have availed the moratorium. Banks most of the customers are salaried class which are backed by government undertaking and private sector institution which has helped to keep the moratorium number low. Out of total term loan of 94 lakh customers 9 lakh have paid 0 EMI 7 lakh have paid 1 EMI and remaining have more 2 or more. The moratorium does not includes Agri segment. Only 13% of the Corporate Borrower have not paid any Installments.
- Bank has offered the Moratorium to all the customers and will continue to do in second phase of Moratorium
- NIM is not expected to improve any further and could Remain in current range.
- The yield was affected by the interest reversals on AGRI Slippages . The Agri slippages interest reversal was around 20%.
- The Agri Slippage during the year are expected to be less as Agriculture segment is expected to less impacted by COVID 19.
- The Other income is expected to be impacted during the year due to the current due to pressure on FOREX Income and recoveries but it could be compensated Through NII growth.
- In Housing segment Loan bank is not much worried as 92% of the customers lives on those homes thus higher Recovery rate is expected.
- Management feels they need not to raise capital in near terms as it capital adequacy is healthy at the current situation.

Profitability Matrix

	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY (+/-)	QoQ (+/-)
C/I Ratio %	54.1	58.9	52.5	57.2	55.6	50.6	56.4	3.94	5.84
Empl. Cost/ Tot. Exp. %	59.2	61.7	56.0	61.7	61.3	61.4	59.1	3.06	-2.31
Other Exp/Tot. Exp.%	40.8	38.3	44.0	38.3	38.7	38.6	40.9	-3.06	2.31
Provision/PPP %	87.0	47.6	97.5	69.3	89.3	39.8	85.8	-11.68	45.97
Tax /PBT %	47.9	40.2	(94.4)	43.1	40.5	49.1	28.0	122.39	-21.15
Int Exp./Int Inc. (%)	64.4	63.6	63.6	63.4	61.7	59.0	63.7	0.12	4.72
Other Inc./Net Inc. %	31.0	26.2	35.6	25.9	25.8	24.7	37.0	1.36	12.27
PAT/ Net Income %	3.1	12.9	2.4	7.5	9.1	15.1	9.9	7.56	-5.22
PAT Growth %	(40.3)	(263.7)	110.9	147.4	(218.8)	41.2	327.1	216.24	285.92
NII Growth % (YoY)	12.5	21.4	14.9	5.2	17.7	22.4	(0.8)	-15.73	-23.24
Operating Profit Growth	(30.5)	7.4	6.6	10.6	5.8	44.3	(7.1)	-13.69	-51.42

Margin Performance

Margin %	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY (+/-)	QoQ (+/-)
Yield on Advances	8.43	8.48	8.49	8.56	8.69	8.91	8.72	0.23	-0.19
Yield on Total Assets (Cal.)	7.52	7.88	7.72	7.58	7.65	7.95	7.31	-0.40	-0.63
Cost of Fund	4.89	4.94	4.88	4.87	4.85	4.72	4.56	-0.32	-0.16
Cost of Deposits	5.10	5.09	5.10	5.07	5.02	4.97	4.94	-0.16	-0.03
Dom. NIM	2.88	2.92	2.95	3.01	3.22	3.27	3.19	0.24	-0.08
Whole NIM	2.73	2.76	2.78	2.81	2.90	3.05	2.97	0.19	-0.08
Foreign NIM	1.42	1.38	1.32	1.18	1.20	1.20	1.18	-0.14	-0.02

Exhibit: Yield and Cost
fall in yield & decline in cost

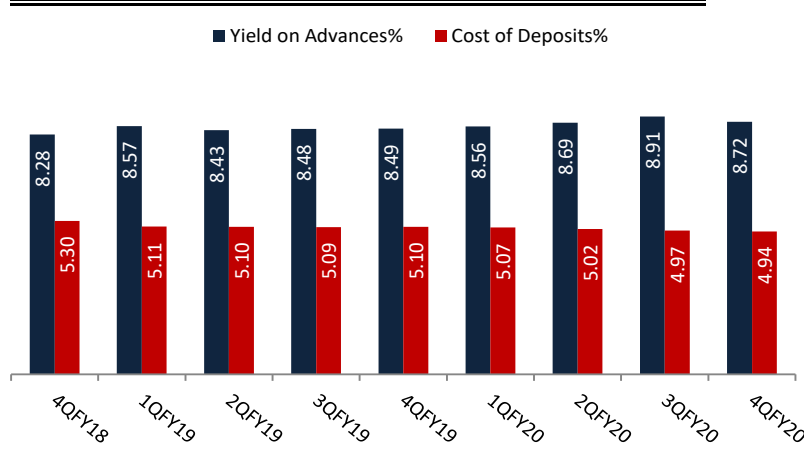
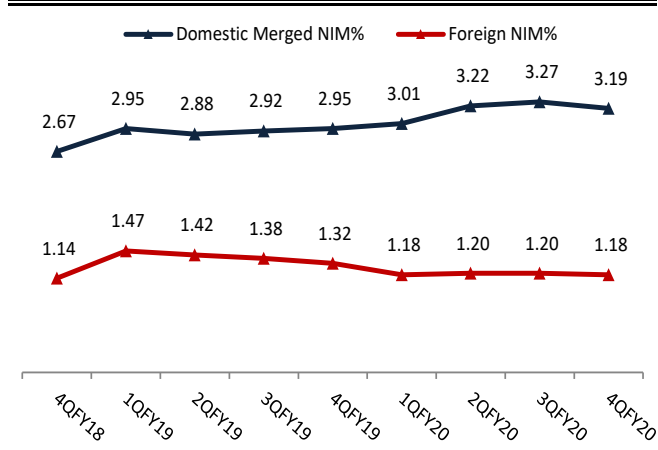


Exhibit: Net Interest Margin
Stable NIM



Other Income Break Up- Marginal in fee income.

Fig in Rs cr

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Loan Processing Charges	1360	641	641	926	1502	617	766	1120	1924
Commission on Govt.	1003	931	973	953	1118	963	893	972	914
Commission on LC/BG	636	592	637	600	1289	704	717	771	862
Transaction Fees									
Cross Sell/Commission on	557	376	482	486	583	366	491	558	615
Misc Fee Income	1283	954	761	413	953	678	448	459	988
Locker Rent, POS, CMP etc.									
Account Maintenance	890	321	276	253	484	242	255	356	490
Remittance, Collection etc.	2702	1162	1245	1093	2660	1606	1470	1399	2080
Total Fee Income	8431	4977	5015	4724	8589	5176	5040	5635	7873

Exhibit: Fee Income/Advances %

Fee income as a % of total advances imroved

■ Fee Income/ Advances % ■ Other Income as a % of advances

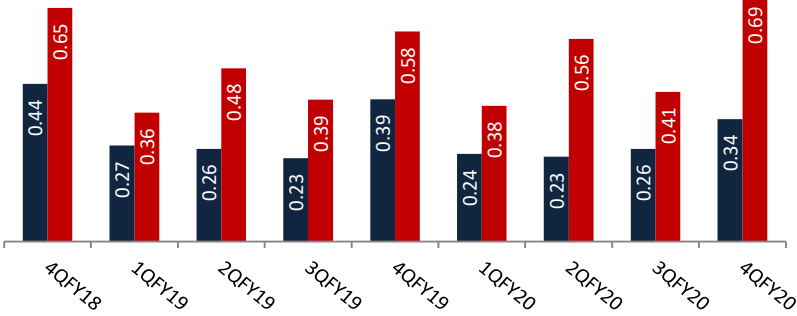
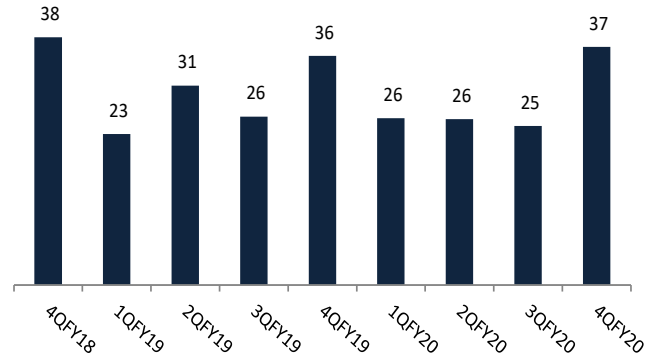


Exhibit: Other Income/ Total Income %

Other income as % of Total Income Increased

■ Other Income as a % of Total Net Income



Asset Quality

	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY (+/-)	QoQ (+/-)
GNPA (Rs in Cr)	205863	187764	172750	168494	161636	159661	149092	-14%	-7%
GNPA %	10.0	8.7	7.5	7.5	7.2	6.9	6.2	-1.3764	-0.7864
NNPA (Rs in Cr)	94810	80944	65895	65624	59939	58249	51871	-21%	-11%
NNPA %	4.8	4.0	3.0	3.1	2.8	2.7	2.2	-0.78	-0.42
Slippages (Rs in Cr)	10,888	6,541	7,961	16,995	9,126	20,098	8,291	4%	-59%
PCR %	70.7	74.6	78.7	78.7	81.2	81.7	82.7	4.00	1.00

Exhibit: Asset Quality

Assets quality imroved.

■ GNPA % ■ NNPA %

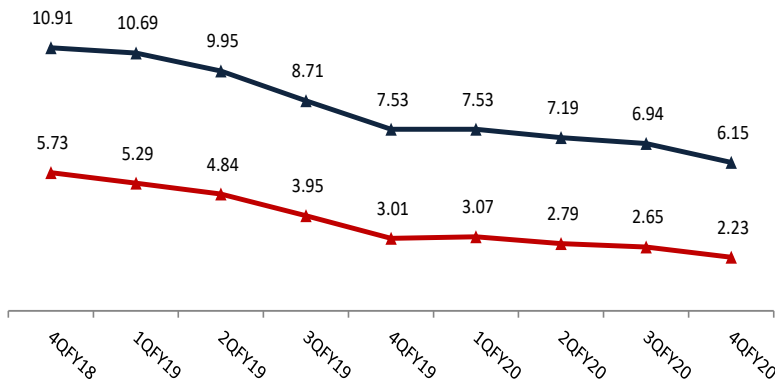


Exhibit: Provisions

PCR trending upwards.

■ PCR %

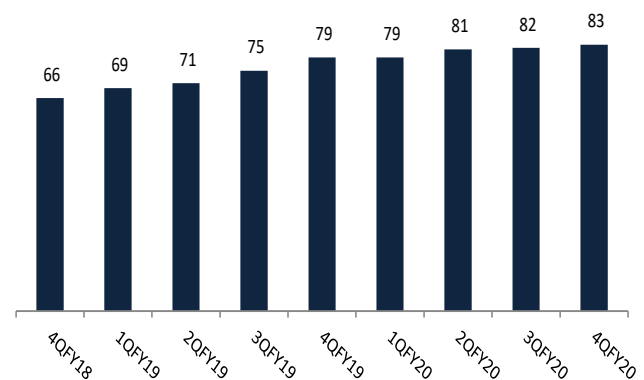


Exhibit: Advances Performance

Advances growth moderated

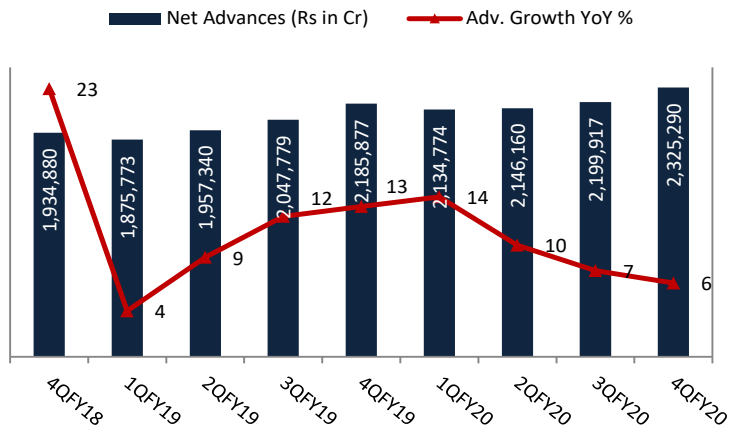


Exhibit: Domestic Advances Breakup%

Contribution of retail increasing

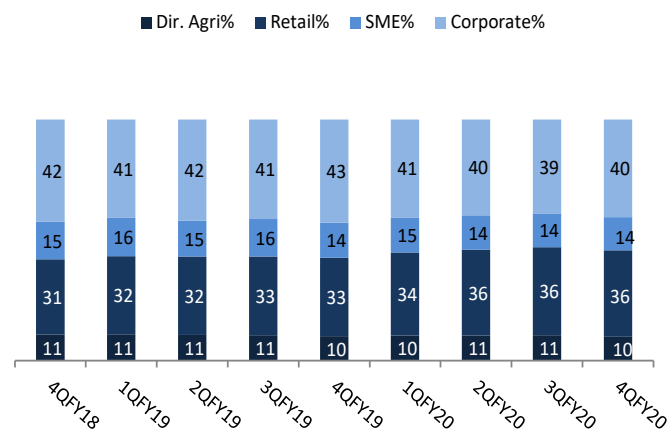


Exhibit: Deposits Performance

Steady deposit growth

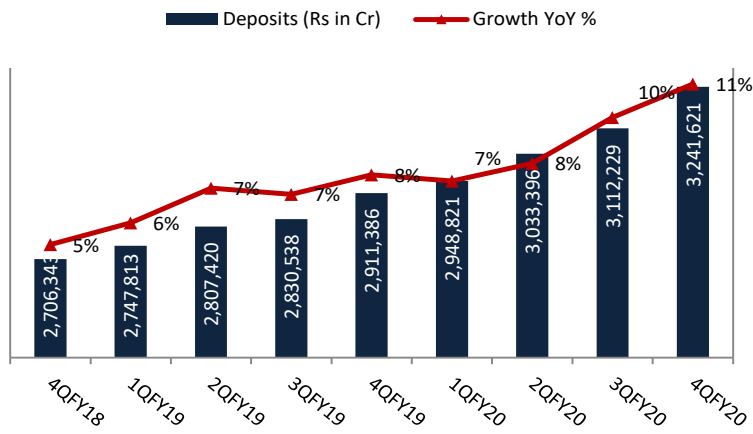


Exhibit: CASA Performance

CASA went up

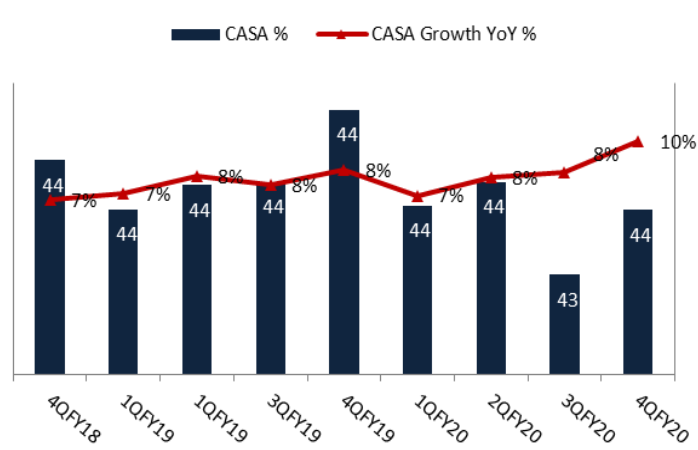


Exhibit: Credit Deposit Ratio

CD ratio moved up

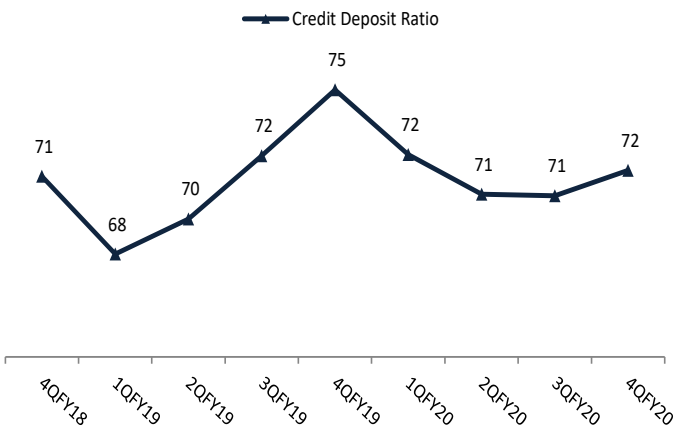
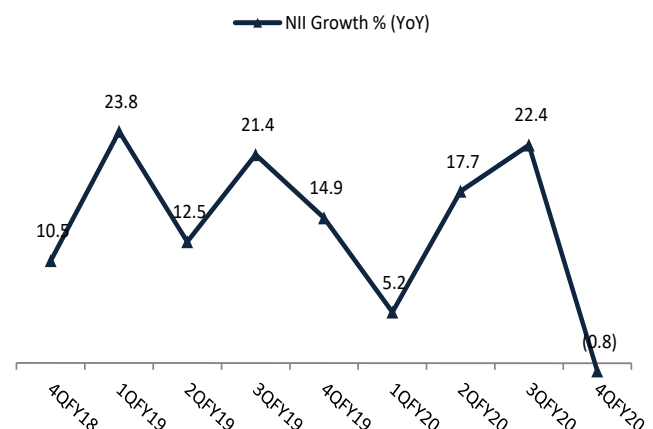


Exhibit: NII Growth

NII growth Moderated



Financial Details
Balance Sheet

Fig in Rs cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Share Capital	747	747	776	797	892	892	892	892
>> Equity Capital	747	747	776	797	892	892	892	892
>> Preference Capital	0	0	0	0	0	0	0	0
Reserves & Surplus	117536	127692	143498	187489	218236	220021	231115	237781
Networth	118282	128438	144274	188286	219128	220914	232008	238674
Deposits	1394409	1576793	1730722	2044751	2706343	2911386	3241621	3537061
Change (%)	15.9	13.1	9.8	18.1	32.4	7.6	11.3	9.1
>> CASA Deposits	580197	637760	717332	890409	1187294	1287285	1410981	1557014
Change (%)	10.4	9.9	12.5	24.1	33.3	8.4	9.6	10.3
Borrowings	183131	205150	323345	317694	362142	403017	314656	321519
Other Liabilities & Prov.	96927	137698	159276	155235	167138	145597	163110	160775
Total Liabilities	1792748	2048080	2357617	2705966	3454751	3680914	3951394	4258029
Cash & Bank	132550	174861	167468	171971	191898	222490	251097	374330
Investments	398800	495027	575652	765990	1060987	967022	1046955	1061118
Change (%)	13.7	24.1	16.3	33.1	38.5	-8.9	8.3	1.4
Advances	1209829	1300026	1463700	1571078	1934880	2185877	2325290	2511313
Change (%)	15.7	7.5	12.6	7.3	23.2	13.0	6.4	8.0
Fixed Assets	8002	9329	10389	42919	39992	39198	38439	39208
Other Assets	43568	68836	140408	154008	226994	266328	289614	272059
Total Assets	1792748	2048080	2357617	2705966	3454751	3680914	3951394	4258029

Income Statement

Fig in Rs cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Interest income	136351	152397	163685	175518	220499	242869	257324	252662
Interest expended	87069	97382	106803	113658	145645	154519	159239	164982
Net Interest Income	49282	55015	56882	61860	74854	88350	98085	87680
Change (%)	11.2	11.6	3.4	8.8	21.0	18.0	11.0	-10.6
Other Income	18553	22576	28158	35461	44601	36775	42490	36236
Change (%)	15.7	21.7	24.7	25.9	25.8	-17.5	15.5	-14.7
>> Core Fee Income	12611	14139	15658	17803	23636	23305	23724	19748
>> Treasury Income	2077	3618	5017	10749	12303	1023	8576	9524
>> Others	3865	4819	7483	6909	8662	12447	10190	6964
Total Net Income	67835	77591	85041	97321	119455	125125	140575	123916
Operating Expenses	35726	38678	41782	46473	59944	69688	75174	73111
Change (%)	22.0	8.3	8.0	11.2	29.0	16.3	7.9	-2.7
>> Employee Expenses	22504	23537	25114	26489	33179	41055	45715	43371
Pre-provisioning Profit	32109	38913	43258	50848	59511	55437	65401	50806
Change (%)	3.3	21.2	11.2	17.5	17.0	-6.8	18.0	-22.3
Provisions	15935	19600	29484	35992	75039	53829	43070	41898
Change (%)	43.2	23.0	50.4	22.1	108.5	-28.3	-20.0	-2.7
PBT	16174	19314	13775	14856	-15528	1608	25063	8908
Tax	5283	6212	3823	4371	-8981	745	10575	2242
Profit After Tax	10891	13102	9951	10485	-6547	863	14488	6666
Change (%)	-22.8	20.3	-24.0	5.4	-162.4	-113.2	1578.8	-54.0

Financial Details

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Balance Sheet Metrics								
Loan Growth (%)	16	7	13	7	23	13	6	8
Deposit Growth (%)	16	13	10	18	32	8	11	9
C/D Ratio (%)	86.8	82.4	84.6	76.8	71.5	75.1	71.7	71.0
CASA (%)	41.6	40.4	41.4	43.5	43.9	44.2	43.5	44.0
Investment/Deposit (%)	28.6	31.4	33.3	37.5	39.2	33.2	32.3	30.0
CRAR (%)	12.4	12.0	13.1	13.1	12.6	12.7	11.2	10.7
>> Tier 1 (%)	9.7	9.6	9.9	10.4	10.4	10.7	8.9	8.5
>> Tier 2 (%)	2.7	2.4	3.2	2.8	2.2	2.1	2.3	2.2

Assets Quality Metrics

	Fig in Rs cr							
Gross NPA (Rs)	61,605	56,725	98,173	112,343	223,427	172,750	149,092	156,282
Gross NPA (%)	5.0	4.3	6.5	6.9	10.9	7.5	6.2	6.0
Net NPA (Rs)	31,096	27,591	55,807	58,277	110,855	65,895	51,871	50,645
Net NPA (%)	2.6	2.1	3.8	3.7	5.7	3.0	2.2	2.0
Slippages (%)	4	2	5	3	7	2	3	2
Provision Coverage (%)	63	69	61	66	66	79	83	84
Provision/Average Advances (%)	1.4	1.6	2.1	2.4	4.3	2.6	1.9	1.7

Margin Metrics

Yield On Advances (%)	9.1	9.0	8.4	7.9	8.1	7.8	8.0	7.3
Yield On Investment (%)	-	-	-	-	-	-	-	-
Yield on Earning Assets (%)	8.5	8.3	7.8	7.4	7.7	7.3	7.4	6.8
Cost Of Deposits (%)	6.0	6.0	6.0	5.6	5.7	5.0	5.0	4.5
Cost Of Funds (%)	5.7	5.6	5.5	5.1	5.2	4.7	4.5	4.3
Spread (%)	2.8	2.7	2.3	2.3	2.5	2.6	2.8	2.4
NIM (%)	3.1	3.0	2.7	2.6	2.6	2.7	2.8	2.4

Profitability & Efficiency Metrics

Int. Expense/Int. Income (%)	63.9	63.9	65.2	64.8	66.1	63.6	61.9	65.3
Fee Income/NII (%)	25.6	25.7	27.5	28.8	31.6	26.4	24.2	22.5
Cost to Income (%)	52.7	49.8	49.1	47.8	50.2	55.7	53.5	59.0
Cost on Average Assets (%)	2.1	2.0	1.9	1.8	1.9	2.0	2.0	1.8
Tax Rate (%)	32.7	32.2	27.8	29.4	57.8	46.3	42.2	25.2

Valuation Ratio Metrics

EPS (Rs)	14.6	17.5	12.8	13.2	(7.3)	1.0	16.2	7.5
Change (%)	(29.3)	20.3	(27.0)	2.6	(155.8)	(113)	1578.79	(54.0)
ROAE (%)	10.0	10.6	7.3	6.3	(3.2)	0.4	5.2	2.8
ROAA (%)	0.6	0.7	0.5	0.4	(0.2)	0.0	0.3	0.2
Dividend Payout (%)	20.6	19.9	20.3	19.8	-	-	-	-
Dividend yield (%)	1.6	1.3	1.3	0.9	-	-	-	-
Book Value (Rs)	158.4	172.0	185.9	236.2	245.5	247.5	260.0	267.4
Change (%)	10	9	8	27	4	1	5	3
ABVPS (Rs)	116.8	135.1	114.0	123.5	93.5	145.9	174.0	182.8
P/B (X)	1.2	1.6	1.0	1.2	1.0	1.3	0.7	0.7
P/E (X)	13.1	15.2	15.2	22.2	(34.1)	330.9	11.6	25.1

Financial Details

Exhibit: DuPont Analysis

	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
<i>Interest Income</i>	7.9	7.4	6.9	7.2	6.8	6.7	6.2
<i>Interest expended</i>	5.1	4.8	4.5	4.7	4.3	4.2	4.0
<i>Net Interest Income</i>	2.9	2.6	2.4	2.4	2.5	2.6	2.1
<i>Non-Fund Based Income</i>	1.2	1.3	1.4	1.4	1.0	1.1	0.9
>> <i>Core Fee Income</i>	0.7	0.7	0.7	0.8	0.7	0.6	0.5
>> <i>Trading and Other Income</i>	0.4	0.6	0.7	0.7	0.4	0.5	0.4
<i>Core Operating Income</i>	3.6	3.3	3.1	3.2	3.1	3.2	2.6
<i>Total Income</i>	4.0	3.9	3.8	3.9	3.5	3.7	3.0
<i>Total Operating Expenses</i>	2.0	1.9	1.8	1.9	2.0	2.0	1.8
>> <i>Employee Expenses</i>	1.2	1.1	1.0	1.1	1.2	1.2	1.1
>> <i>Other Expenses</i>	0.8	0.8	0.8	0.9	0.8	0.8	0.7
<i>Operating Profit</i>	2.0	2.0	2.0	1.9	1.6	1.7	1.2
<i>Provisions</i>	1.0	1.3	1.4	2.4	1.5	1.1	1.0
<i>Others</i>	-	-	-	-	-	0.1	-
<i>PBT</i>	1.0	0.6	0.6	(0.5)	0.0	0.6	0.2
<i>Tax</i>	0.3	0.2	0.2	(0.3)	0.0	0.3	0.1
<i>PAT/RoAA</i>	0.7	0.5	0.4	(0.2)	0.0	0.3	0.2
<i>Equity Multiplier (x)</i>	15.6	16.2	15.2	15.1	16.2	16.9	17.4
<i>ROAE</i>	10.6	7.3	6.3	(3.2)	0.4	5.2	2.8

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