

Lower moratorium, high PCR provide comfort

SBI reported 21.8% of borrowers, 23% in term loans opted for moratorium. In home loan-20%, MSME 47%, personal unsecured 5% and working capital 20% customers opted for moratorium. Total provisioning for the quarter was at ₹ 13495 crore, which includes Covid-19 provisioning of ₹ 938 crore only, lower than other large banks. Around ₹ 6250 crore worth assets availed standstill benefits and made 15% provisions for the same. Q3FY20 results were highlighted due to Essar Steel income and provision write back. Hence, are not comparable QoQ. PCR (excluding w/off) was at 65.2% vs. 63.5%.

Asset quality was in line with fresh slippages at ₹ 8105 crore vs. ₹ 16525 crore QoQ led by NPA recognition in agri at ₹ 5238 crore. Corporate slippage was lower at ₹ 1561 crore vs. ₹ 9467 crore (includes HFC) vs. ₹ 3239 crore QoQ. GNPA saw a dip QoQ to ₹ 149092 crore from ₹ 159661 crore. Consequently, GNPA ratio declined 25 bps to 6.15% from 6.94% QoQ while NNPA ratio declined 42 bps QoQ to 2.2%. Overall PCR ratio increased QoQ to 83.62% from 81.73%. SMA1 and 2 (watch list) were at ₹ 3594 crore (₹ 4424 crore) from ₹ 3692 crore (₹ 3677 crore), respectively, in Q4FY20.

Deposits growth was at 11.3% YoY to ₹ 32.4 lakh crore. CASA ratio improved 44 bps QoQ to 45.16%. Gross loan growth was 5.6% YoY to ₹ 24.22 lakh crore while domestic credit growth was lower at ~3.75% YoY. Retail (personal) advances grew 15.40% YoY, foreign office advances by 18.05% YoY. Home loan, constituting 22% of the bank's domestic advances, has grown 13.86% YoY. Net interest income (NIM) de-grew 1% YoY and 18% QoQ to ₹ 22767 crore (onetime Essar recovery in Q3). Global NIM fell 8 bps QoQ to 2.97%. Domestic NIM declined to 2.95% from 3.59% in Q3FY20.

SBI Cards IPO sale led to gain of ₹ 2731 crore in P&L. Overall PPP grew 9% YoY to ₹ 18465 crore with PAT at ₹ 3581 crores grew 327% YoY.

Subsidiaries stake sale provides cushion to capital

SBI is a beneficiary on liquidity with huge deposit inflow in these uncertain times of Covid-19. Also, stake sale in strong subsidiaries like SBI Cards and SBI Life boosted capital avoiding equity dilution. Subsidiaries can continue to add further value while general insurance and AMC can offer gains in future. Provisions for legacy stress are nearly over but Covid-19 would keep credit cost elevated. Slow credit growth & marginally high deposit growth for SBI would stay in near term. Expect loan CAGR at ~7.5% & deposit CAGR of 8.4% in FY20-22E to ₹ 26.8 lakh crore & ₹ 38.1 lakh crore, respectively. We expect PAT at ₹ 10940 crore, ₹ 21550 crore in FY21E, FY22E, respectively.

Valuation & Outlook

Covid-19 provisions and stress of future along with hangover of Yes Bank would keep the stock performance muted. We expect return ratios of RoA at 0.5% and 9.1% RoE by FY22E. We revise target price lower to ₹ 215, valuing at 0.7x FY22E ABV standalone bank and assigning subsidiaries value of ₹ 80 post holding company discount. We downgrade the rating from BUY to **HOLD**. MD's tenure ending by October 2020 will also be an overhang.



Particulars

Particulars	Amount
Market Capitalisation	₹167607 Crore
GNPA (Q4FY 20)	₹149092 Crore
NNPA (Q4FY 20)	₹51871 crore
NIM (Q4FY 20)	3.00%
52 week H/L	374/150
Networth	₹232500 Crore
Face value	₹1
DII Holding (%)	24.6
FII Holding (%)	9.6

Key Highlights

- Total 21.8% of borrowers, 23% by value of term loans avail moratorium
- SBI has provided ₹ 938 crore for Covid provisioning
- Stake sale of SBI Cards led to ₹ 2732 one off gains
- Downgrade rating from BUY to HOLD with revised target price of ₹ 215

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Key Financial Summary

₹Bn	FY18	FY19	FY20	FY21E	FY22E	CAGR (FY19-22E)
NII	749	883	980	1014	1069	7%
PPP	595	539	619	630	662	7%
PAT	(65)	9	145	109	215	192%
ABV (₹)	121.4	139.7	202.5	175.8	194.9	
P/E	(26)	675	12	17	9	
P/ABV	1.5	1.3	0.9	1.1	1.0	
RoA	(0.2)	0.0	0.4	0.3	0.5	
RoE	(3.0)	0.5	6.8	4.8	9.1	

Exhibit 1: Variance Analysis

	Q4FY20	Q4FY20E	Q4FY19	YoY (%)	Q3FY20	QoQ (%)	Comments
NII	22,767	26,957	22,954	-0.8	27,780	-18.0	NII lower QoQ due to Essar recovery in Q3FY20
NIM (%)	3.0	2.7	2.8	19 bps	3.1	-8 bps	Sequential decline in margin led by one-off recovery
Other Income	16,077	14,000	12,685	26.7	9,106	76.6	Stake sale of SBI Cards led to ₹ 2732 crore one off gains, fee income de-grew 8%, owing to lockdown
Net Total Income	38,844	40,957	35,639	9.0	36,886	5.3	
Operating expense	20,379	19,435	18,706	8.9	18,662	9.2	Provision for employee wages at ₹ 405 crore
PPP	18,465	21,521	16,933	9.0	18,224	1.3	
Provision	13,495	9,743	16,502	-18.2	7,253	86.1	Covid related provision at ₹ 938 crore related to SMA exposure of ₹ 6250 crore; no additional provision parked
PBT	4,970	11,779	431	1,052.4	10,971	-54.7	
Tax Outgo	1,389	3,534	-407	NA	5,386	-74.2	
PAT	3,581	8,245	838	327.2	5,585	-35.9	Healthy operational performance and lower provision and tax led to surge in earnings
key Metrics							
GNPA	149,089	156,658	172,750	-13.7	159,660	-6.6	Fresh slippages steady at ₹ 8105 crore, primarily led by agri exposure. Relatively lower moratorium by number of
NNPA	51,871	58,848	65,895	-21.3	58,248	-10.9	PCR (excluding w/off) was at 65.2% vs. 63.5%
Total Restructured assets	NA	NA	NA	NA	0	NA	
Advances	2422845	2309895	2185877	10.8	2199900	10.1	Retail segment continued to witness healthy growth at 15.4% YoY, led by home loans and 18% YoY traction in advances
Deposits	3241621	3141385	2911386	11.3	3111229	4.2	Beneficiary of flight of deposits to safety. CASA ratio improved 44 bps QoQ to 45.16%

Source: Company, ICICI Direct Research

Exhibit 2: Change in Assumption

	Current				Earlier	
	FY19	FY20	FY21E	FY22E	FY21E	FY22E
Credit growth (%)	13.0	6.4	4.6	10.4	12.3	12.4
Deposit Growth (%)	8.6	10.3	7.5	9.2	9.2	9.2
Cost to income ratio (%)	55.7	54.9	55.2	55.3	52.0	55.4
GNPA ratio (%)	7.5	6.2	6.4	6.1	5.6	6.4
NNPA ratio (%)	3.0	2.2	2.0	1.9	2.2	2.0
Credit cost (%)	2.5	1.9	2.0	1.4	1.4	0.8

Source: Company, ICICI Direct Research

Valuation & Outlook

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Exhibit 3: SoTP valuation

	FY22E ₹share
SBI (merged banks)	134
SBI AMC	23
SBI Life	41
SBI cards	30
SBI General Insurance	9
Value per share	236
Holding company discount for subsidiaries @20%	22
Value per share post discount	215

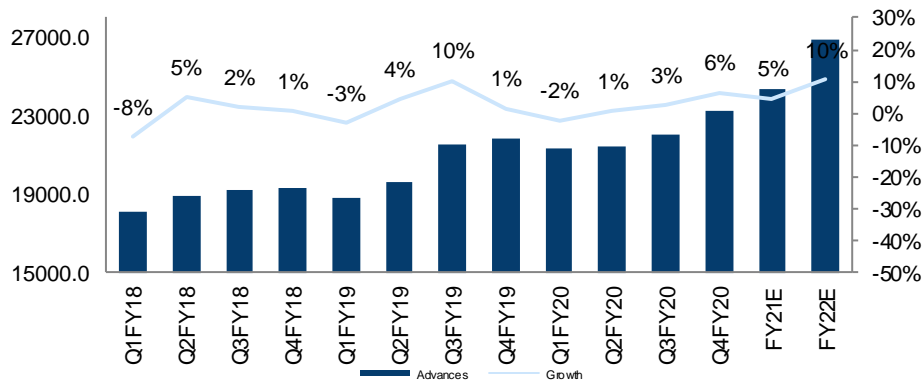
Source: Company, ICICI Direct Research

Conference call highlights

- Blanket moratorium was given by SBI with opt out facility. However, ~23% of customers opted for the same. In home loans, 20% opted for moratorium of total 38 lakh home loan customers
- Total 7-8% of customers did not pay even one EMI while 8-9% of customers paid one EMI out of three. Total customers - 94 lakh
- Also, 20% of working capital opted for moratorium. Working capital book was at ₹ 9 lakh crore
- Only 5% of NBFC exposure was given moratorium. Sanctioned ₹ 3000-4000 crore to NBFC, disbursement to happen ahead
- The management guided that the bank expects cumulative PPP at ₹ 1.4 lakh crore in FY21-22E. Normalised provision is expected at ₹ 0.4 lakh crore in FY21-22E. Consequently, remaining cumulative PBT of ₹ 1 lakh crore to be adequate to deal with any delinquency on account of Covid and lockdown
- NIM is expected to be maintained at 3.2% level
- Improving efficiency by streamlining headcounts. Total ~50% of employee in corporate office to work from home to improve productivity
- TLTRO – took ₹ 3000 crore from RBI, of which ₹ 1000 crore disbursed till now
- Total ₹ 1.5 lakh crore of exposure eligible for PCG schemes i.e additional opportunity of ₹ 30000 crore. Till now, the bank has offered option to avail the scheme to all eligible customers
- SBI has launched gold personal loan wherein disbursement is provided in 12-15 minutes

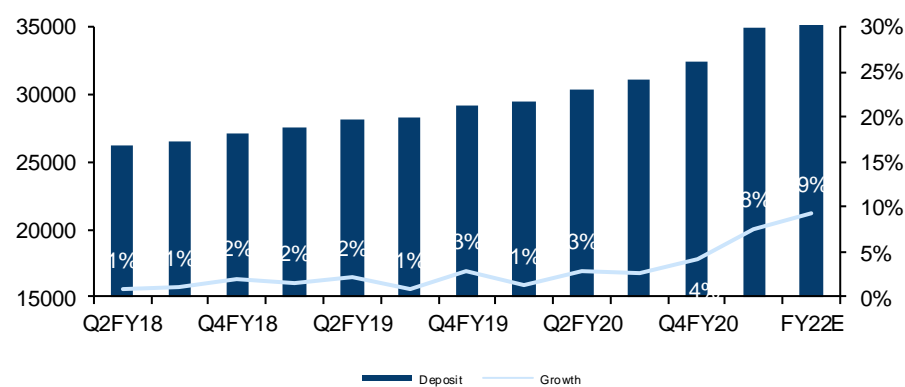
Story in Charts

Exhibit 4: Retail segment to contribute to advances growth



Source: Company, ICICI Direct Research

Exhibit 5: Deposit growth remain steady



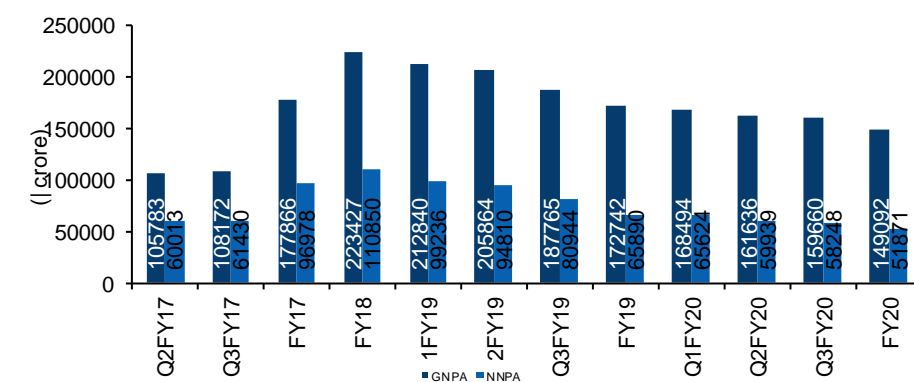
Source: Company, ICICI Direct Research

Exhibit 6: CASA remains steady at ~44%

Break-up of deposit	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Saving deposit	10,645	10,852	11,035	11,308	11,517	11,936
Current deposit	1,731	2,021	1,809	1,953	1,891	2,174
Term deposit	14,987	15,270	15,662	16,126	16,574	17,136
International	942	971	982	946	1,130	1,170
Total Deposits	28,305	29,114	29,488	30,334	31,112	32,416

Source: Company, ICICI Direct Research

Exhibit 7: Asset quality to improve on the back of recoveries from NCLT



Source: Company, ICICI Direct Research

Exhibit 8: GNPA, stressed asset book of SBI

Break-up of stressed asse	Q4FY20		Q3FY20		Q2FY20	
	Absolute advances		Absolute advances		Absolute advances	
GNPA	1,491	6.48	1,597	6.94	1,616	7.19
NNPA	519	2.25	582	2.53	599	2.67
a. Standard restructured	-	-	-	-	-	-
b. Watchlist	-	-	-	-	-	-
c. SMA1 & SMA2	73	0.32	81	0.35	93	0.41
Stressed assets (a+b+c)	281	1.22	450	1.96	93	0.41
Total stressed assets incl GN	1,772	7.70	2,047	8.89	1,709	7.60
Loan loss provision	-	-	-	-	-	-
Std provision	-	-	-	-	-	-
Counter cyclical provision	-	-	-	-	-	-
Total provision	-	-	-	-	-	-
Net stressed assets	1,772	7.70	2,047	8.89	1,709	7.60
Advances	24,228	105.26	23,017	100.00	22,483	100.00

Source: Company, ICICI Direct Research

Exhibit 9: Advances growth remains moderate

₹ crore	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	YoY Growth
Corporates	851638	782603	765986	771000	844215	-0.87
Agriculture	202681	201054	202462	209997	206067	1.67
SME	288583	281223	274141	278035	267614	-7.27
Retail	647844	663559	685570	719766	747589	15.40
Home Loans	400377	411360	424487	440448	455865	13.86
Auto Loans	71,884	71,727	70,726	73,462	72,662	1.08
Other personal	175583	180472	190357	205856	219062	24.76
Foreign Advances	302708	309854	320155	322870	357360	18.05
Total	2293454	2238293	2248314	2301668	2422845	6

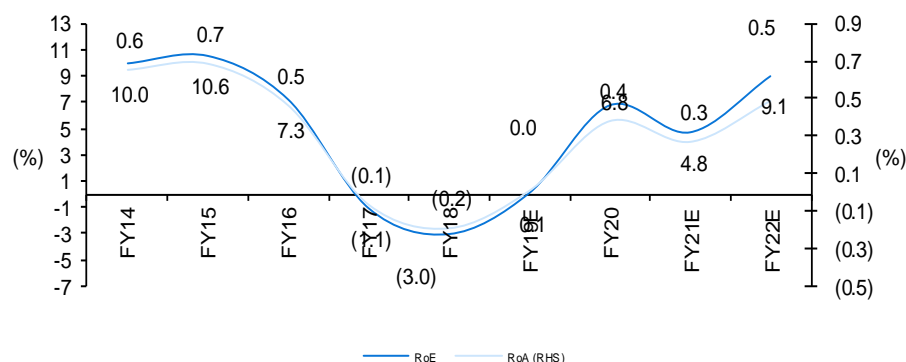
Source: Company, ICICI Direct Research

Exhibit 10: Sector wise GNPA

Sector-wise NPA	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Corporate	146334	130862	116009	106357	99838	93743	81628
Mid Corp & SME	27124	25821	24688	26229	25205	26054	25230
Agri	21796	21869	23431	26298	27577	28932	32670
Retail	6925	6788	6685	7713	7142	7521	7914
International	3685	2425	1937	1898	1874	3411	1650
Total	205864	187765	172750	168495	161636	159661	149092

Source: Company, ICICI Direct Research

Exhibit 11: Return ratio to improve, going ahead



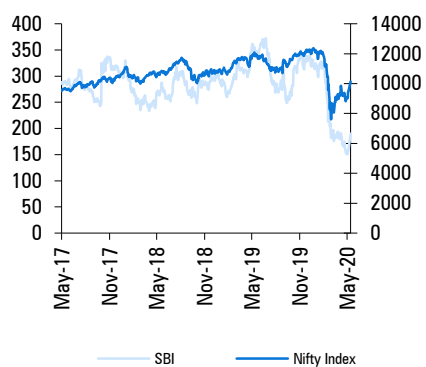
Source: Company, ICICI Direct Research

Exhibit 12: Shareholding Pattern

	Mar 19	Jun 19	Sep 19	Dec 19	Mar-20
Promoter	57.9	57.9	57.9	57.9	57.63
FII	9.9	10.9	10.8	10.98	9.59
DII	24.5	23.8	24.4	24.51	24.55
Others	7.7	7.5	6.9	6.61	8.23

Source: Company, ICICI Direct Research

Exhibit 13: Price Chart



Source: Company, ICICI Direct Research

Financial summary

Exhibit 14: Profit and loss statement				
	₹ Bn			
(Year-end March)	FY19	FY20	FY21E	FY22E
Interest Earned	2,429	2,573	2,708	2,875
Interest Expended	1,545	1,593	1,694	1,806
Net Interest Income	883	980	1,014	1,069
% growth	18.0	11.8	3.5	5.3
Non Interest Income	352	390	392	412
Fees and advisory	244	266	268	295
Treasury Income and sale of Invt	20	33	36	40
Other income	105	91	87	77
Net Income	1236	1370	1406	1480
Employee cost	411	457	485	504
Other operating Exp.	286	295	292	315
Operating Income	539	619	630	662
Provisions	538	447	483	373
PBT	0	251	147	289
Exceptional Items	16	62	0	0
Taxes	7	106	37	74
Net Profit	9	145	109	215
% growth	-110	2135	-24	97
EPS	0.3	16.2	10.8	21.3

Source: Company, ICICI Direct Research

Exhibit 15: Key Ratios				
(Year-end March)	FY19	FY20	FY21E	FY22E
Valuation				
No. of Equity Shares (Crore)	892.0	892.0	1009.6	1009.6
EPS (₹)	1.0	16.2	10.8	21.3
BV (₹)	213.6	260.7	225.2	246.5
ABV (₹)	139.7	202.5	175.8	194.9
P/E	675.2	11.6	17.3	8.8
P/BV	0.9	0.7	0.8	0.8
P/ABV	1.3	0.9	1.1	1.0
Yields & Margins (%)				
Net Interest Margins (calculated)	2.9	2.76	2.71	2.66
Yield on avg earning assets	7.3	7.2	7.2	7.2
Avg. cost on funds	4.8	4.6	4.5	4.5
Avg. cost of Deposits	5.0	5.0	4.8	4.8
Yield on average advances	7.8	8.0	7.7	7.7
Quality and Efficiency (%)				
Cost/ Total net income	55.7	54.9	55.2	55.3
Credit/Deposit ratio	74.4	71.7	69.8	70.6
GNPA	7.5	6.2	6.4	6.1
NNPA	3.0	2.2	2.0	1.9
RoE	0.5	6.8	4.8	9.1
ROA	0.0	0.4	0.3	0.5

Source: Company, ICICI Direct Research

Exhibit 16: Balance sheet				
	₹ Bn			
(Year-end March)	FY19	FY20	FY21E	FY22E
Sources of Funds				
Capital	9	9	10	10
Reserves and Surplus	2200	2316	2263	2479
Net worth	2209	2325	2273	2489
Deposits	29114	32410	34849	38057
Borrowings	4030	3147	3387	3662
Other Liabilities & Provisions	1456	1631	2126	2323
Total	36809	39513	42636	46531
Application of Funds				
Fixed Assets	392	384	626	704
Investments	9670	11094	11546	12032
Advances	21859	23253	24325	26859
Other Assets	2663	2272	3331	3793
Cash with RBI & call money	2225	2510	2807	3143
Total	36809	39513	42636	46531

Source: Company, ICICI Direct Research

Exhibit 17: Key ratios				
(Year-end March)	FY19	FY20	FY21E	FY22E
Total assets				
Total assets	7.5	6.4	7.9	9.1
Advances				
Advances	13.0	6.4	4.6	10.4
Deposits				
Deposits	8.6	10.3	7.5	9.2
Total Income				
Total Income	4.9	6.5	4.6	6.0
Net interest income				
Net interest income	17.1	11.8	3.5	5.3
Operating expenses				
Operating expenses	1.6	0.8	0.3	0.5
Operating profit				
Operating profit	-7.8	12.9	1.8	5.1
Net profit				
Net profit	-103.8	5710.2	-24.2	97.0
Book value				
Book value	-13.1	22.1	-2.2	9.5
EPS				
EPS	(103.8)	5,710	(33.0)	97.0

Source: Company, ICICI Direct Research

Exhibit 18: ICICI Direct coverage universe (BFSI)

Sector / Company	CMP		M Cap (₹Cr)	EPS (₹)			P/E (x)			P/ABV (x)			RoA (%)			RoE (%)			
	(₹)	TP(₹) Rating		FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	
Bank of Baroda (BANBAR)	37	65	Hold	17,304.0	-0.4	-1.9	-4.3	NA	NA	NA	0.5	0.5	0.4	0.0	-0.1	-0.2	-0.3	-1.2	-2.5
State Bank of India (STABAN)	190	215	Hold	1,67,604	16.2	10.8	21.3	11.7	17.5	8.9	0.9	1.1	1.0	0.4	0.3	0.5	6.8	4.8	9.1
Indian Bank (INDIBA)	44	50	Hold	4,997	-27.2	8.5	13.0	-1.6	5.2	3.4	0.3	0.3	0.2	-0.8	0.2	0.3	-11.6	3.5	5.1
Axis Bank (UTIBAN)	337	500	Buy	95,128	5.8	17.4	27.9	58.4	19.4	12.1	1.3	1.3	1.2	0.2	0.5	0.7	2.2	5.6	8.5
City Union Bank (CITUNI)	128	171	Buy	9,404	8.7	10.1	11.4	14.7	12.7	11.2	2.0	1.8	1.5	1.4	1.4	1.4	12.6	13.0	13.0
Development Credit Bank (DCB)	60	59	Hold	2,524	13.0	13.5	15.0	4.6	4.4	4.0	0.6	0.6	0.5	1.1	1.0	1.0	13.3	12.2	12.0
Federal Bank (FEDBAN)	44	47	Hold	8,725	7.7	6.1	7.0	5.7	7.2	6.3	0.7	0.6	0.6	0.9	0.6	0.7	11.1	8.1	8.7
HDFC Bank (HDFBAN)	936	1,100	Buy	5,12,858	47.9	57.1	69.6	19.5	16.4	13.4	3.1	2.8	2.5	1.9	1.9	2.0	16.4	17.1	18.4
Indusind Bank (INDBA)	338	400	Hold	23,456	63.7	54.9	66.7	5.3	6.2	5.1	0.7	0.7	0.6	1.5	1.2	1.2	13.5	10.5	11.4
Jammu & Kashmir Bank (JAMKAS)	13	12	Sell	895	-12.7	-0.1	-6.1	-1.0	NA	NA	0.2	0.2	0.3	-0.7	0.0	-0.3	-10.1	-0.1	-4.9
Kotak Mahindra Bank (KOTMAH)	1,160	1,600	Buy	2,22,049	31.1	30.4	34.9	37.3	38.2	33.2	4.6	3.8	3.4	1.8	1.5	1.5	12.9	10.7	10.4
Bandhan Bank (BANBAN)	203	300	Buy	32,737	18.1	18.8	19.9	11.2	10.8	10.2	2.3	2.0	1.8	3.9	2.9	2.5	22.1	18.8	17.4
IDFC First (IDFBAN)	19	23	Buy	9,067	-4.6	0.0	1.4	NA	NA	14.0	0.6	0.7	0.6	-1.3	0.0	0.4	-13.1	-0.1	4.3

Source: Company, ICICI Direct Research

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Sell: < -15%



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