

# State Bank of India

Estimate change

TP change

Rating change



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Bloomberg	SBIN IN
Equity Shares (m)	8,925
M.Cap.(INRb)/(USD\$)	1676 / 20.6
52-Week Range (INR)	374 / 150
1, 6, 12 Rel. Per (%)	1/-28/-32
12M Avg Val (INR M)	12065

## Financials & Valuations (INR b)

Y/E March	FY20	FY21E	FY22E
NII	980.8	1,039.9	1,117.5
OP	681.3	679.5	736.5
NP	144.9	147.5	218.1
NIM (%)	3.0	2.9	2.9
EPS (INR)	16.2	16.5	24.4
EPS Gr. (%)	1,580.3	1.8	47.9
ABV (INR)	193.5	207.6	229.7
Cons. BV (INR)	266.1	286.3	315.2

## Ratios

RoE (%)	7.2	6.9	9.5
RoA (%)	0.4	0.4	0.5

## Valuations

P/BV (x) (Cons.)	0.7	0.7	0.6
P/ABV (x)*	0.4	0.4	0.3
P/E (x)*	4.7	4.6	3.1

\*Adjusted for subsidiaries

## Shareholding pattern (%)

As On	Mar-20	Dec-19	Mar-19
Promoter	56.9	56.9	57.1
DII	24.4	24.2	24.2
FII	10.7	12.2	11.1
Others	8.0	6.7	7.6

FII Includes depository receipts

**CMP: INR188**
**TP: INR280 (+49%)**
**Buy**

## Braving the challenges; Moratorium book under control

### Modest growth outlook; Strong PCR, sub contribution provides comfort

- SBIN reported a modest quarter with weak NII growth (affected by higher interest reversals on Agri slippages), although stake sale gains from its cards subsidiary supported earnings. Slippages were at a four-quarter low, supported by the RBI dispensation, resulting in improved asset quality. The moratorium book at ~23% of total loans surprised positively.
- We cut our estimates for FY21/FY22 by 17%/16% as we build-in a slight moderation in margins / fee income and higher credit cost. Maintain **Buy**.

### Operating performance in-line; PCR improves further to 83.6%

- SBIN reported 4QFY20 PAT of INR35.8b (PAT miss), dragged down by weak NII and higher provisions. NII declined 0.8% YoY to INR228b (affected by higher interest reversals on Agri slippages). Domestic NIMs thus declined to 2.94%.
- Other income grew 27% YoY, led by stake sale gains of INR27.3b in its cards subsidiary; opex growth stood at 9% YoY (+15% YoY for employee expense). PPOp thus grew 9% YoY to INR184.6b (in-line). **For FY20**, NII/PPOp grew 11%/23%, while PAT came in at INR144.9b (v/s INR8.6b in FY19).
- Loans grew 6.4% YoY (+5.7% QoQ), driven by retail loans (+15.4% YoY) and international loans (18.1% YoY); corporate loans also grew 9.5% QoQ. Deposits rose 11% YoY, with the CASA mix increasing 44bp QoQ to 45.2%.
- Fresh slippages declined to INR82.9b (1.5% annualized), facilitating a 7%/11% QoQ decline in GNPLs/NNPLs. PCR improved ~170bp QoQ to 65.2% (83.6% including TWO). The bank has made provisions of 15% toward a/c worth INR62.5b; against this, it has availed standstill benefits, while also creating additional standard provisions of INR2.3b toward such accounts.

### Highlights from management commentary

- The bank has offered moratorium to all its customers, of which ~92% have paid one EMI, ~82% have paid two or more EMIs, while only 8% have not paid any EMIs.
- 13–14% of corporate customers have availed moratorium, while only 16 NBFCs have availed moratorium (less than 5% of the total portfolio).

### Valuation and view

- SBIN has reported a decent operating performance in a very challenging environment. Slippages stood at a four-quarter low, aided by the RBI dispensation, resulting in improved asset quality ratios. We believe SBIN has prudently improved PCR over the last few years and has one of the lowest stressed assets among the corporate banks. The proportion of the moratorium book also stands lower than most peers, aided by higher exposure to salaried (government and PSU) employees. This would enable it to maintain strong control over credit cost as the impact of COVID-19 becomes visible in 2HFY21. We cut our estimates for FY21/FY22 by 17%/16% as we build-in a slight moderation in margins / fee income and higher credit cost and project RoA/RoE of 0.5%/9.5% by FY22. Maintain **BUY**, with a TP of INR280 (0.7x FY22E ABV).

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## Quarterly performance

(INR b)

Y/E March	FY19				FY20				FY19	FY20	FY20	V/s
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
<b>Net Interest Income</b>	<b>218.0</b>	<b>209.1</b>	<b>226.9</b>	<b>229.5</b>	<b>229.4</b>	<b>246.0</b>	<b>277.8</b>	<b>227.7</b>	<b>883.5</b>	<b>980.8</b>	<b>237.5</b>	<b>-4.1%</b>
% Change (YoY)	23.8	12.5	21.4	14.9	5.2	17.7	22.4	-0.8	18.0	11.0	3.4	
Other Income	66.8	93.8	80.4	126.9	80.2	120.2	91.1	160.8	367.7	452.2	135.1	19.0%
<b>Total Income</b>	<b>284.8</b>	<b>302.8</b>	<b>307.3</b>	<b>356.4</b>	<b>309.5</b>	<b>366.2</b>	<b>368.8</b>	<b>388.4</b>	<b>1,251.2</b>	<b>1,433.1</b>	<b>372.6</b>	<b>4.3%</b>
Operating Expenses	165.0	163.8	181.0	187.1	177.1	184.2	186.6	203.8	696.9	751.7	189.3	7.7%
<b>Operating Profit</b>	<b>119.7</b>	<b>139.0</b>	<b>126.2</b>	<b>169.3</b>	<b>132.5</b>	<b>182.0</b>	<b>182.2</b>	<b>184.7</b>	<b>554.4</b>	<b>681.3</b>	<b>183.3</b>	<b>0.7%</b>
% Change (YoY)	0.8	-30.5	7.4	6.6	10.6	30.9	44.3	9.0	-6.8	22.9	8.3	
Other Provisions	192.3	120.9	60.1	165.0	91.8	131.4	72.5	135.0	531.3	430.7	134.8	0.1%
<b>Profit before Tax</b>	<b>-72.6</b>	<b>18.1</b>	<b>66.2</b>	<b>4.3</b>	<b>40.6</b>	<b>50.6</b>	<b>109.7</b>	<b>49.7</b>	<b>23.1</b>	<b>250.6</b>	<b>48.5</b>	<b>2%</b>
Tax Provisions	-23.8	8.7	26.6	-4.1	17.5	20.5	53.9	13.9	14.5	105.7	7.5	84%
<b>Net Profit</b>	<b>-48.8</b>	<b>9.4</b>	<b>39.5</b>	<b>8.4</b>	<b>23.1</b>	<b>30.1</b>	<b>55.8</b>	<b>35.8</b>	<b>8.6</b>	<b>144.9</b>	<b>41.0</b>	<b>-13%</b>
% Change (YoY)	NM	-40.3	NM	NM	NM	218.7	41.2	NM	NM	NM	NM	
<b>Operating Parameters</b>												
Deposits (INR t)	27.5	28.1	28.3	29.1	29.5	30.3	31.1	32.4	29.1	32.4	32.0	1.2%
Loans (INR t)	18.8	19.6	20.5	21.9	21.3	21.5	22.0	23.3	21.9	23.3	22.7	2.3%
Deposit Growth (%)	5.6	7.0	6.8	7.6	7.3	8.0	9.9	11.3	7.6	11.3	10.0	134
Loan Growth (%)	4.0	8.6	12.1	13.0	13.8	9.6	7.4	6.4	13.0	6.4	4.0	238
<b>Asset Quality</b>												
Gross NPA (%)	10.7	10.0	8.7	7.5	7.5	7.2	6.9	6.2	7.5	6.2	6.7	(53)
Net NPA (%)	5.3	4.8	4.0	3.0	3.1	2.8	2.7	2.2	3.0	2.2	2.6	(33)
PCR (%)	53.4	53.9	56.9	61.9	61.1	62.9	63.5	65.2	61.9	65.2	63.3	192

E:MOFSL Estimates

## Quarterly snapshot

INR b	FY18				FY19				FY20				Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YoY	QoQ
<b>Profit and Loss</b>														
<b>Interest Income</b>	<b>549.1</b>	<b>548.5</b>	<b>548.0</b>	<b>559.4</b>	<b>588.1</b>	<b>587.9</b>	<b>622.8</b>	<b>629.9</b>	<b>626.4</b>	<b>643.1</b>	<b>676.9</b>	<b>626.8</b>	<b>0</b>	<b>-7</b>
Loans	361.4	358.0	351.9	342.4	388.7	383.3	418.2	426.3	438.6	452.4	480.6	425.8	0	-11
Investment	166.0	173.1	181.5	182.8	185.9	190.8	188.2	179.1	169.6	167.0	172.3	173.2	-3	0
<b>Interest Expenses</b>	<b>373.0</b>	<b>362.6</b>	<b>361.2</b>	<b>359.7</b>	<b>370.1</b>	<b>378.9</b>	<b>395.9</b>	<b>400.3</b>	<b>397.0</b>	<b>397.1</b>	<b>399.1</b>	<b>399.1</b>	<b>0</b>	<b>0</b>
<b>Net Interest Income</b>	<b>176.1</b>	<b>185.9</b>	<b>186.9</b>	<b>199.7</b>	<b>218.0</b>	<b>209.1</b>	<b>226.9</b>	<b>229.5</b>	<b>229.4</b>	<b>246.0</b>	<b>277.8</b>	<b>227.7</b>	<b>-1</b>	<b>-18</b>
<b>Other Income</b>	<b>80.1</b>	<b>160.2</b>	<b>80.8</b>	<b>124.9</b>	<b>66.8</b>	<b>93.8</b>	<b>80.4</b>	<b>126.9</b>	<b>80.2</b>	<b>120.2</b>	<b>91.1</b>	<b>160.8</b>	<b>27</b>	<b>77</b>
Trading profits	17.7	85.7	10.3	9.4	-12.6	13.3	4.3	5.3	4.9	41.6	7.0	32.4	506	365
Fee Income	48.7	53.6	49.8	84.3	49.8	50.2	47.2	85.9	51.8	50.4	56.4	78.7	-8	40
Forex Income	6.7	6.8	6.0	5.5	4.3	4.9	5.6	6.7	5.2	6.7	6.4	6.9	3	9
Others	7.0	14.2	14.8	25.8	25.4	25.4	23.2	28.9	18.4	21.5	21.4	42.8	48	100
<b>Total Income</b>	<b>256.1</b>	<b>346.0</b>	<b>267.7</b>	<b>324.7</b>	<b>284.8</b>	<b>302.8</b>	<b>307.3</b>	<b>356.4</b>	<b>309.5</b>	<b>366.2</b>	<b>368.8</b>	<b>388.4</b>	<b>9</b>	<b>5</b>
<b>Operating Expenses</b>	<b>137.4</b>	<b>146.0</b>	<b>150.2</b>	<b>165.9</b>	<b>165.0</b>	<b>163.8</b>	<b>181.0</b>	<b>187.1</b>	<b>177.1</b>	<b>184.2</b>	<b>186.6</b>	<b>203.8</b>	<b>9</b>	<b>9</b>
Employee	77.2	77.0	85.0	92.5	97.1	97.0	111.7	104.8	109.2	113.0	114.6	120.4	15	5
Others	60.1	69.0	65.2	73.3	68.0	66.8	69.3	82.3	67.9	71.2	72.1	83.4	1	16
<b>Operating Profits</b>	<b>118.7</b>	<b>200.0</b>	<b>117.5</b>	<b>158.8</b>	<b>119.7</b>	<b>139.0</b>	<b>126.2</b>	<b>169.3</b>	<b>132.5</b>	<b>182.0</b>	<b>182.2</b>	<b>184.7</b>	<b>9</b>	<b>1</b>
<b>Core PPOp</b>	<b>101.0</b>	<b>114.3</b>	<b>115.5</b>	<b>149.4</b>	<b>113.1</b>	<b>125.8</b>	<b>122.0</b>	<b>164.0</b>	<b>108.3</b>	<b>140.4</b>	<b>175.3</b>	<b>152.3</b>	<b>-7</b>	<b>-13</b>
<b>Provisions</b>	<b>89.3</b>	<b>191.4</b>	<b>188.8</b>	<b>281.0</b>	<b>192.3</b>	<b>120.9</b>	<b>60.1</b>	<b>165.0</b>	<b>91.8</b>	<b>131.4</b>	<b>72.5</b>	<b>135.0</b>	<b>-18</b>	<b>86</b>
<b>PBT</b>	<b>29.4</b>	<b>8.6</b>	<b>-71.2</b>	<b>-122.1</b>	<b>-72.6</b>	<b>18.1</b>	<b>66.2</b>	<b>4.3</b>	<b>40.6</b>	<b>50.6</b>	<b>109.7</b>	<b>49.7</b>	<b>1,053</b>	<b>-55</b>
Taxes	9.4	-7.2	-47.1	-44.9	-23.8	8.7	26.6	-4.1	17.5	20.5	53.9	13.9	-441	-74
<b>PAT</b>	<b>20.1</b>	<b>15.8</b>	<b>-24.2</b>	<b>-77.2</b>	<b>-48.8</b>	<b>9.4</b>	<b>39.5</b>	<b>8.4</b>	<b>23.1</b>	<b>30.1</b>	<b>55.8</b>	<b>35.8</b>	<b>327</b>	<b>-36</b>
<b>B/S (INR t)</b>														
Deposits	26.0	26.2	26.5	27.1	27.5	28.1	28.3	29.1	29.5	30.3	31.1	32.4	11	4
Loans	18.0	18.0	18.3	19.3	18.8	19.6	20.5	21.9	21.3	21.5	22.0	23.3	6	6
<b>Asset Quality</b>														
GNPA	1,880.7	1,861.1	1,991.4	2,234.3	2,128.4	2,058.6	1,877.6	1,727.5	1,684.9	1,616.4	1,596.6	1,490.9	-14	-7
NNPA	1,077.6	979.0	1,023.7	1,108.5	992.4	948.1	809.4	658.9	656.2	599.4	582.5	518.7	-21	-11
Slippages	300.6	106.3	267.8	328.2	143.5	108.9	65.4	79.6	170.0	91.3	201.0	82.9	4	-59

**Quarterly snapshot contd.**

Ratios (%)	FY18				FY19				FY20				Change (bps)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YoY	QoQ
<b>Asset Quality Ratios</b>														
GNPA	10.0	9.8	10.4	10.9	10.7	10.0	8.7	7.5	7.5	7.2	6.9	6.2	(138)	(79)
NNPA	6.0	5.4	5.6	5.7	5.3	4.8	4.0	3.0	3.1	2.8	2.7	2.2	(78)	(42)
PCR (Cal.)	42.7	47.4	48.6	50.4	53.4	53.9	56.9	61.9	61.1	62.9	63.5	65.2	335	169
PCR (Rep.)	60.8	65.1	65.9	66.2	69.3	70.7	74.6	78.7	79.3	81.2	81.7	83.6	489	189
<b>Business Ratios</b>														
Fees to Total Income	19.0	15.5	18.6	26.0	17.5	16.6	15.4	24.1	16.7	13.8	15.3	20.3	(383)	499
Cost to Core Income	57.6	56.1	58.3	52.6	55.5	56.6	59.7	53.3	58.1	56.8	51.6	57.2	395	566
Tax Rate	31.9	-83.5	66.1	36.8	32.8	47.9	40.2	-94.4	43.1	40.5	49.1	28.0	NM	NM
Loan/Deposit	69.3	68.7	68.9	71.5	68.3	69.7	72.3	75.1	72.4	70.8	70.7	71.7	(335)	102
CAR	13.3	13.6	12.7	12.6	12.8	12.6	12.8	12.7	12.9	13.6	13.7	13.1	34	(67)
Tier I	10.7	11.0	10.3	10.4	10.5	10.4	10.5	10.7	10.7	11.3	11.6	11.0	35	(59)
<b>Profitability Ratios</b>														
Yield on Advances	8.5	8.5	8.4	8.3	8.6	8.4	8.5	8.5	8.6	8.7	8.9	8.7	23	(19)
Yield on Investments	7.0	7.0	7.0	7.0	7.0	7.1	7.1	7.2	7.1	6.9	6.9	6.7	(44)	(17)
Yield On Funds	7.6	7.7	7.6	7.5	7.8	7.8	8.0	8.0	7.9	8.1	8.3	7.4	(57)	(89)
Cost of Deposits	5.5	5.4	5.3	5.3	5.1	5.1	5.1	5.1	5.1	5.0	5.0	4.9	(16)	(3)
Margins	2.4	2.4	2.5	2.5	2.8	2.7	2.8	2.8	2.8	2.9	3.1	3.0	19	(8)
RoA	0.3	0.2	-0.3	-0.9	-0.6	0.1	0.5	0.1	0.3	0.3	0.6	0.4	28	(23)

**Highlights from management commentary****Moratorium update**

- The bank has offered moratorium to all its customers, of which ~92% have paid one EMI while ~82% have paid two or more EMIs. Only 8% have not paid any EMIs.
- Total term loan a/c stand at 9.4m, of which 0.9m have not paid any EMI; 0.7m have paid one EMI, while the rest have paid two EMIs.
- 13–14% of corporate customers have availed moratorium (7–8% in value terms), largely to preserve liquidity.
- Only 16 NBFCs have availed moratorium, which contributes less than 5% to the total portfolio.
- ~47% of SME customers have availed moratorium.
- Overall, 20% of housing loan customers have availed moratorium. The bank has ~3.8m outstanding customers for home loans.
- Total working capital loans stand at INR9t, on which ~INR15b worth of interest has not been received and moratorium has been availed, corresponding to ~20%.
- In unsecured personal loans, only 5% of customers availed moratorium.

**P/L and balance sheet related**

- The bank has gained market share across both loans and deposits.
- The bank expects an operating profit of INR1.4tn over the next two years, of which ~INR400b would be required toward credit cost. Overall, the bank believes the stressed pool would be manageable and expects profitability to come in strong.
- YONO applications are expected to aid credit growth in a big way. Productivity gains have already started to reflect.
- Personal loans are largely lent to salaried customers.

- Overall, the bank expects staff cost to come down over FY21E. Thus, the C/I ratio would moderate over FY21.
- In TLTRO 2.0, the bank has already disbursed INR10b to NBFCs, while the remaining INR20b would be disbursed soon.
- Wage revision provisions were at 10% in FY20.
- Pension provisions increased to INR130b, v/s INR70b in FY19, due to a change in interest rates.
- Deposit growth would slow in the near term as people would spend on basic/essential services.

### Asset quality

- The bank believes it is better placed to manage incremental stress than any other bank. This is primarily on account of strong core PPOP.
- No legacy large corporate accounts are left in the existing stress pool.
- The Agri segment has witnessed higher delinquency trends over FY20. However, we expect trends to improve in FY21 as the crop season is going well.
- Slippages were higher in FY20 due to HFC accounts, one account in the Power sector, and Agri slippages.
- The bank expects chunky recoveries in D3 category accounts (such as Bhushan Power) to support profitability.
- 90% of stressed power assets are under IBC, while only six power accounts are outside IBC. Overall, the bank maintains a PCR of 73% on Power sector NPAs.

Slippages moderated across segments, barring Agri, to INR81b.

### Slippages moderate across segments, barring Agri; stress asset pool declines sequentially

- Total slippages declined to INR81.0b (v/s INR165.3b in 3QFY20) on decline across segments, with the Corporate segment accounting for INR15.6b, SME INR2.3b, and Retail INR6.0b. Agri slippages, on the other hand, increased to INR52.4b.
- Recoveries/Upgrades moderated to INR25.3b, while write-offs for the quarter stood at INR163.3b. As a result, absolute GNPA/NNPA declined 7%/11% QoQ to INR1.5t/INR519b. The GNPL/NNPL ratios thus declined to 6.2% (-79bp QoQ)/2.2% (-42bp QoQ). The bank's reported PCR increased 189bp QoQ to 83.6%.
- GNPA in the Agriculture segment elevated to 15.9% (v/s 13.8% in 3Q), while it declined in the Corporate segment to 9.7% (v/s 12.2% in 3Q). GNPA in the Retail and SME segments stood stable at 1.1% and 9.4%, respectively.
- SMA-1 and SMA-2 cumulatively declined sequentially to INR72.7b (0.3% of advances).

#### Exhibit 1: SMA-1 and SMA-2 decline sharply in 4QFY20

INR b	3QFY19	4QFY19	2QFY20	3QFY20	4QFY20
SMA 1	134.40	49.96	106.81	44.24	35.94
SMA 2	36.19	27.66	76.32	36.77	36.72
<b>Total</b>	<b>170.59</b>	<b>77.62</b>	<b>183.13</b>	<b>81.01</b>	<b>72.66</b>

Source: Company, MOFSL

Retail loans grew 15.4% YoY, led by growth in home loans

### Corporate book grows ~10% sequentially; Retail growth remains strong

- The Retail segment continued to exhibit strong growth (+15.4% YoY), led by healthy growth in home loans (+13.9%); auto loans grew +1.1% YoY. The retail to wholesale ratio now stands at 59:41.
- The corporate book, on the other hand, witnessed sharp sequential growth at 9.5% QoQ (flat YoY), along with the international book, which grew 10.7% QoQ (+18.1% YoY). The SME book de-grew by 7.3% YoY, while the Agri book grew 1.7% YoY.

#### Exhibit 2: Loan book remains well-diversified; Retail to wholesale ratio now stands at 59:41

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY (%)	QoQ (%)
Large corporate	7,011	7,453	7,747	8,516	7,826	7,660	7,710	8,442	-0.9%	9.5%
International	2,667	2,909	2,763	3,027	3,099	3,202	3,229	3,574	18.1%	10.7%
SME	2,751	2,657	2,931	2,886	2,812	2,741	2,780	2,676	-7.3%	-3.7%
Retail	5,591	5,766	6,126	6,478	6,636	6,856	7,198	7,476	15.4%	3.9%
Agri	1,881	1,907	1,987	2,027	2,011	2,025	2,100	2,061	1.7%	-1.9%

#### Other highlights

- Domestic NIM declined QoQ to 2.94%.
- The CET1 ratio stood at 9.8%, with a Tier 1 ratio of 11.0% (CAR of 13.1%).
- **Subsidiaries' performances:** The performances of the subsidiaries remain strong, with PAT for SBI Life, SBI Fund Mgt., SBI Cards, and SBI General Insurance coming in at INR5.3b, INR1.3b, INR0.8b, and INR1.4b, respectively.

#### Valuation and view

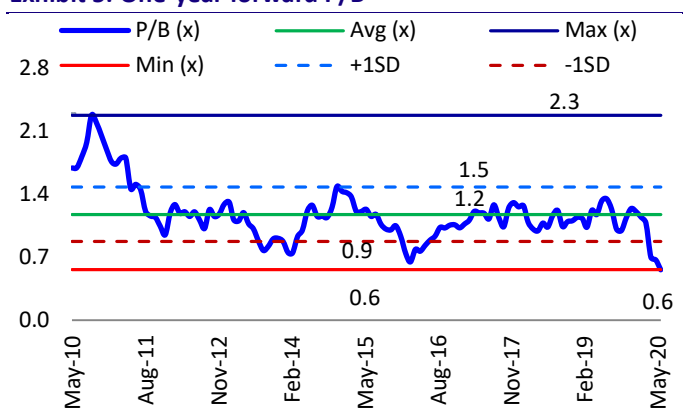
- SBIN is strengthening its balance sheet by creating higher provisions toward stressed accounts. The bank increased its PCR (including TWO) from ~65% in 1QFY18 to ~84% in FY20. SBIN holds higher provision coverage on power NPAs (73% PCR) than peers.
- SBIN currently does not have exposure to any large-ticket corporate account; thus, the slippage trajectory is expected to remain under 2% in the current COVID-19 crisis. Also, the moratorium book is at ~23% of total loans, much better than other large banks. Furthermore, moratorium availed in corporate accounts is much lower than expected, which provides comfort.
- Among the PSU banks, SBIN remains the best play on the gradual recovery in the Indian economy, with a healthy PCR of 65% (84% including TWO), robust capitalization (Tier 1 of ~11.0%), a strong liability franchise, and improved core operating profitability.
- **Buy, with target price of INR280:** SBIN reported a decent operating performance in a very challenging environment. Slippages stood at a four-quarter low, aided by the RBI dispensation, resulting in improved asset quality ratios. We believe SBIN has prudently improved PCR over the last few years and has one of the lowest stressed assets among the corporate banks. The proportion of the moratorium book also stands lower than that of most peers, aided by higher exposure to salaried (government and PSU) employees. This would enable it to maintain strong control over credit cost as the impact of COVID-19 becomes visible in 2HFY21. We cut our estimates for FY21/FY22 by 17%/16% as we build in a slight moderation in margins / fee income and higher credit cost and project RoA/RoE of 0.5%/9.5% by FY22. Maintain **BUY**, with TP of INR280 (0.7x FY22E ABV).

**Exhibit 3: SOTP-based pricing**

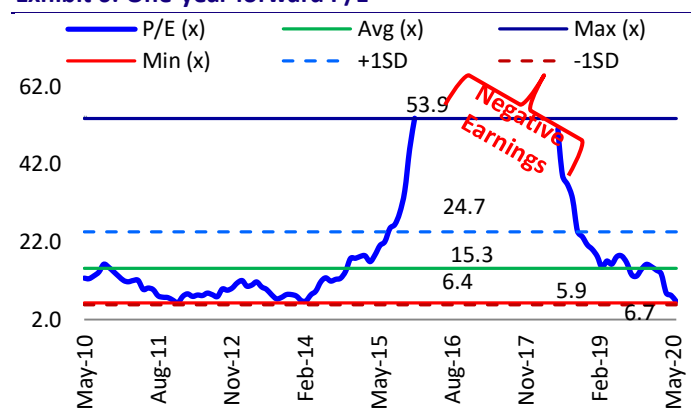
Name	Stake (%)	Value for SBIN (INR b)	Value per Share (at PT)	% of total value	Rationale	Value per Share (at CMP)	% of total value
<b>SBI Bank</b>	<b>100</b>	<b>1,512</b>	<b>169</b>	<b>60</b>	<b>0.7x FY22E ABV</b>	<b>76</b>	<b>41</b>
Life insurance	58	520	58	21	2.5x FY22E EV	51	27
Cards	70	341	38	14	25x FY22E PAT	46	24
Asset management	63	194	22	8	5.5% of FY22E AUM	22	12
General insurance	70	124	14	5	30x FY22E PAT	14	7
Capital Market/DFHI/Others		59	7	2		7	4
<b>Total Value of Subs</b>		<b>1,239</b>	<b>139</b>	<b>49</b>		<b>140</b>	<b>74</b>
Less: 20% holding disc		248	28	10		28	15
<b>Value of Subs (Post Holding Disc)</b>		<b>991</b>	<b>111</b>	<b>40</b>		<b>112</b>	<b>59</b>
<b>Target Price</b>		<b>2,503</b>	<b>280</b>			<b>188</b>	

**Exhibit 4: We cut estimates for FY21/FY22 by 17%/16% as we build slight moderation in margin / fee income, higher credit cost**

INR B	Old Estimates		Revised Estimates		Change (%) / bps	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Net Interest Income	1,052.4	1,133.7	1,039.9	1,117.5	-1.2	-1.4
Other Income	426.6	443.7	429.6	455.4	0.7	2.6
<b>Total Income</b>	<b>1,479.0</b>	<b>1,577.4</b>	<b>1,469.5</b>	<b>1,572.9</b>	<b>-0.6</b>	<b>-0.3</b>
Operating Expenses	762.7	803.6	790.0	836.4	3.6	4.1
<b>Operating Profits</b>	<b>716.3</b>	<b>773.8</b>	<b>679.5</b>	<b>736.5</b>	<b>-5.1</b>	<b>-4.8</b>
Provisions	473.5	416.3	477.4	437.7	0.8	5.1
<b>PBT</b>	<b>242.8</b>	<b>357.5</b>	<b>202.1</b>	<b>298.8</b>	<b>-16.8</b>	<b>-16.4</b>
Tax	65.6	96.5	54.6	80.7	-16.8	-16.4
<b>PAT</b>	<b>177.2</b>	<b>260.9</b>	<b>147.5</b>	<b>218.1</b>	<b>-16.8</b>	<b>-16.4</b>
<b>Cons. PAT</b>	<b>197.9</b>	<b>285.8</b>	<b>206.6</b>	<b>284.4</b>	<b>4.4</b>	<b>-0.5</b>
Loans (INRt)	24.4	27.0	24.9	27.4	1.8	1.3
Deposits (INRt)	34.6	38.4	35.3	38.9	2.2	1.2
Margins (%)	3.0	3.0	2.9	2.9	-10	-11
Credit Cost (%)	2.0	1.6	2.3	1.7	31	12
<b>RoA (%)</b>	<b>0.4</b>	<b>0.6</b>	<b>0.4</b>	<b>0.5</b>	<b>-8</b>	<b>-10</b>
<b>RoE (%)</b>	<b>8.1</b>	<b>10.9</b>	<b>6.9</b>	<b>9.5</b>	<b>-122</b>	<b>-148</b>
Standalone ABV	197.2	234.9	207.6	229.7	5.3	-2.2
Consol BV	282.6	311.6	286.3	315.2	1.3	1.2
Consol EPS	22.2	32.0	23.2	31.9	4.4	-0.5
Consol PAT post MI	197.9	285.8	206.6	284.4	4.4	-0.5

**Exhibit 5: One-year forward P/B**

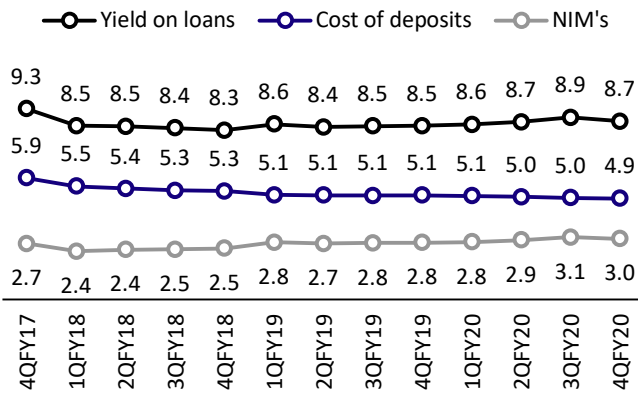
Source: MOFSL, Company

**Exhibit 6: One-year forward P/E**

Source: MOFSL, Company

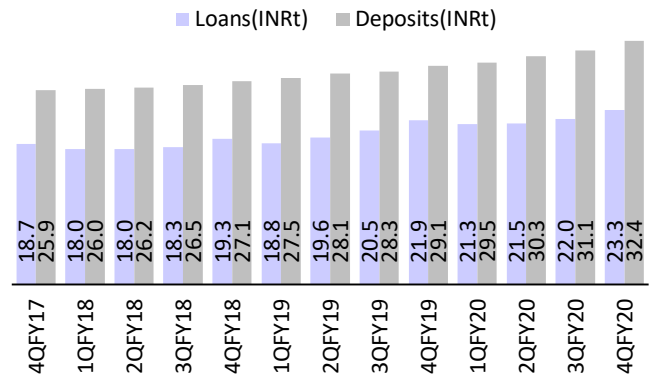
Story in charts

Exhibit 7: NIM declined QoQ to 2.95%



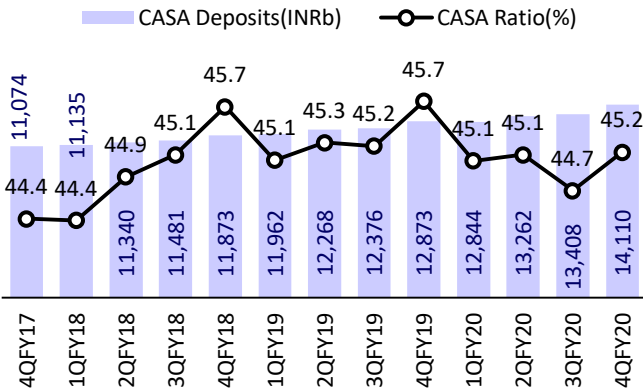
Source: MOFSL, Company

Exhibit 8: Loans grew 6% YoY and deposits 11% YoY



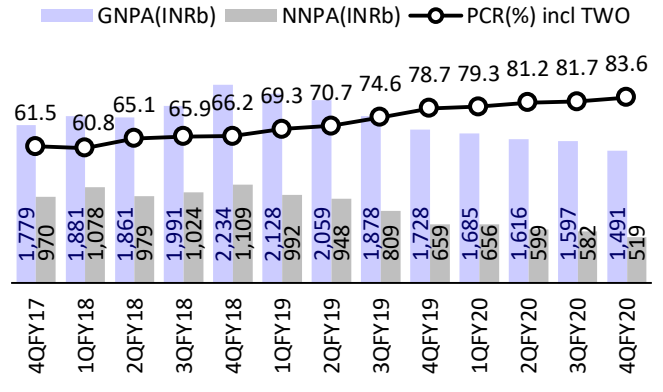
Source: MOFSL, Company

Exhibit 9: CASA ratio improved to 45.2%



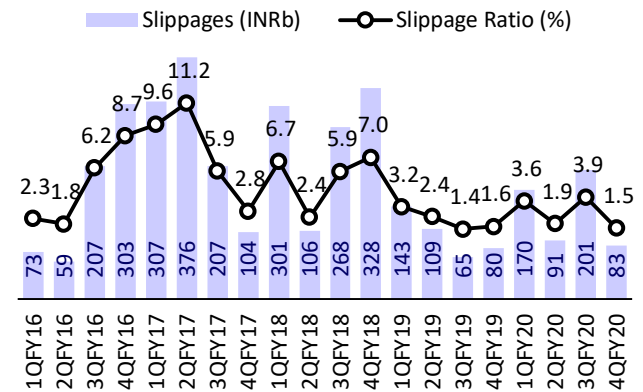
Source: MOFSL, Company

Exhibit 10: PCR (incl. T2O) improved 190bp QoQ to 83.6%



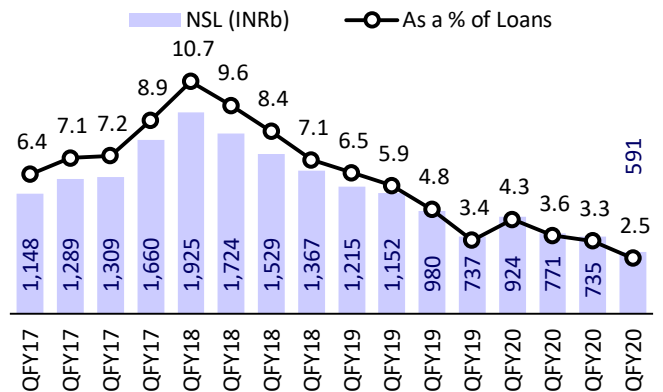
Source: MOFSL, Company

Exhibit 11: Slippage ratio moderated to 1.5%



Source: MOFSL, Company

Exhibit 12: Net stressed loans stood at 2.5% of total loans



Source: MOFSL, Company

**Exhibit 13: DuPont Analysis: Return ratios to remain subdued in the near term**

<b>Y/E MARCH</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>
Interest Income	7.89	7.28	6.52	6.81	6.74	6.39	6.34
Interest Expense	5.23	4.83	4.31	4.33	4.17	3.85	3.81
<b>Net Interest Income</b>	<b>2.66</b>	<b>2.44</b>	<b>2.21</b>	<b>2.48</b>	<b>2.57</b>	<b>2.54</b>	<b>2.53</b>
Fee income	0.74	0.94	0.92	0.94	1.11	0.97	0.95
Trading and others	0.49	0.44	0.40	0.09	0.07	0.08	0.08
<b>Non-Interest income</b>	<b>1.23</b>	<b>1.39</b>	<b>1.32</b>	<b>1.03</b>	<b>1.19</b>	<b>1.05</b>	<b>1.03</b>
<b>Total Income</b>	<b>3.88</b>	<b>3.83</b>	<b>3.53</b>	<b>3.51</b>	<b>3.76</b>	<b>3.59</b>	<b>3.56</b>
<b>Operating Expenses</b>	<b>1.91</b>	<b>1.90</b>	<b>1.77</b>	<b>1.95</b>	<b>1.97</b>	<b>1.93</b>	<b>1.89</b>
Employee cost	1.08	1.10	0.98	1.15	1.20	1.18	1.17
Others	0.83	0.79	0.79	0.80	0.77	0.75	0.72
<b>Operating Profit</b>	<b>1.97</b>	<b>1.93</b>	<b>1.76</b>	<b>1.55</b>	<b>1.79</b>	<b>1.66</b>	<b>1.67</b>
<b>Core Operating Profit</b>	<b>1.48</b>	<b>1.49</b>	<b>1.36</b>	<b>1.47</b>	<b>1.71</b>	<b>1.58</b>	<b>1.59</b>
<b>Provisions</b>	<b>1.37</b>	<b>1.97</b>	<b>2.22</b>	<b>1.49</b>	<b>1.13</b>	<b>1.17</b>	<b>0.99</b>
NPA	1.29	1.80	2.11	1.53	1.13	1.35	1.01
Others	0.08	0.17	0.11	-0.04	0.00	-0.19	-0.01
<b>PBT</b>	<b>0.60</b>	<b>-0.04</b>	<b>-0.46</b>	<b>0.06</b>	<b>0.66</b>	<b>0.49</b>	<b>0.68</b>
Tax	0.17	0.02	-0.27	0.04	0.28	0.13	0.18
<b>RoA</b>	<b>0.43</b>	<b>-0.06</b>	<b>-0.19</b>	<b>0.02</b>	<b>0.38</b>	<b>0.36</b>	<b>0.49</b>
Leverage (x)	17.0	17.6	18.0	18.3	18.9	19.1	19.1
<b>RoE</b>	<b>7.2</b>	<b>-1.0</b>	<b>-3.5</b>	<b>0.4</b>	<b>7.2</b>	<b>6.9</b>	<b>9.5</b>



## Financials and valuations

<b>Income Statement</b>						(INR b)
<b>Y/E March</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>
Interest Income	2,239.8	2,205.0	2,428.7	2,573.2	2,616.5	2,799.1
Interest Expense	1,487.8	1,456.5	1,545.2	1,592.4	1,576.7	1,681.5
<b>Net Interest Income</b>	<b>752.0</b>	<b>748.5</b>	<b>883.5</b>	<b>980.8</b>	<b>1,039.9</b>	<b>1,117.5</b>
Change (%)	3.9	-0.5	18.0	11.0	6.0	7.5
<b>Non-Interest Income</b>	<b>426.4</b>	<b>446.0</b>	<b>367.7</b>	<b>452.2</b>	<b>429.6</b>	<b>455.4</b>
<b>Total Income</b>	<b>1,178.4</b>	<b>1,194.5</b>	<b>1,251.2</b>	<b>1,433.1</b>	<b>1,469.5</b>	<b>1,572.9</b>
Change (%)	11.4	1.4	4.7	14.5	2.5	7.0
Operating Expenses	583.8	599.4	696.9	751.7	790.0	836.4
<b>Pre Provision Profits</b>	<b>594.6</b>	<b>595.1</b>	<b>554.4</b>	<b>681.3</b>	<b>679.5</b>	<b>736.5</b>
Change (%)	10.7	0.1	-6.8	22.9	-0.3	8.4
<b>Core Provision Profits</b>	<b>458.5</b>	<b>460.9</b>	<b>522.9</b>	<b>653.0</b>	<b>648.3</b>	<b>702.3</b>
Change (%)	-4.3	0.5	13.5	24.9	-0.7	8.3
Provisions (excl. tax)	607.2	750.4	531.3	430.7	477.4	437.7
<b>PBT</b>	<b>-12.6</b>	<b>-155.3</b>	<b>23.1</b>	<b>250.6</b>	<b>202.1</b>	<b>298.8</b>
Tax	5.5	-89.8	14.5	105.7	54.6	80.7
Tax Rate (%)	-43.3	57.8	62.6	42.2	27.0	27.0
<b>PAT</b>	<b>-18.0</b>	<b>-65.5</b>	<b>8.6</b>	<b>144.9</b>	<b>147.5</b>	<b>218.1</b>
Change (%)	NM	NM	NM	NM	1.8	47.9
<b>Cons. PAT post MI</b>	<b>2.4</b>	<b>-45.6</b>	<b>23.0</b>	<b>197.7</b>	<b>206.6</b>	<b>284.4</b>
Change (%)	-98.0	NM	NM	NM	4.5	37.6
<b>Balance Sheet</b>						
<b>Y/E March</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>
Share Capital	8	9	9	9	9	9
Reserves & Surplus	2,110	2,182	2,200	2,311	2,443	2,644
<b>Net Worth</b>	<b>2,118</b>	<b>2,191</b>	<b>2,209</b>	<b>2,320</b>	<b>2,452</b>	<b>2,653</b>
<b>Deposits</b>	<b>25,853</b>	<b>27,063</b>	<b>29,114</b>	<b>32,416</b>	<b>35,334</b>	<b>38,867</b>
Change (%)	15.4	4.7	7.6	11.3	9.0	10.0
<b>of which CASA Dep</b>	<b>11,988</b>	<b>12,039</b>	<b>12,976</b>	<b>14,110</b>	<b>16,077</b>	<b>17,918</b>
Change (%)	39.3	0.4	7.8	8.7	13.9	11.5
Borrowings	3,321	3,621	4,030	3,147	2,791	2,523
Other Liability & Prov.	1,756	1,671	1,456	1,631	1,762	1,903
<b>Total Liabilities</b>	<b>33,049</b>	<b>34,548</b>	<b>36,809</b>	<b>39,514</b>	<b>42,339</b>	<b>45,945</b>
Current Assets	2,709	1,919	2,225	2,511	2,508	2,667
<b>Investments</b>	<b>9,329</b>	<b>10,610</b>	<b>9,670</b>	<b>10,470</b>	<b>11,516</b>	<b>12,668</b>
Change (%)	51.6	13.7	-8.9	8.3	10.0	10.0
<b>Loans</b>	<b>18,690</b>	<b>19,349</b>	<b>21,859</b>	<b>23,253</b>	<b>24,881</b>	<b>27,369</b>
Change (%)	1.1	3.5	13.0	6.4	7.0	10.0
Fixed Assets	499	400	392	384	396	416
Other Assets	1,822	2,270	2,663	2,896	3,038	2,825
<b>Total Assets</b>	<b>33,049</b>	<b>34,548</b>	<b>36,809</b>	<b>39,514</b>	<b>42,339</b>	<b>45,945</b>
<b>Asset Quality</b>						
GNPA	1,779	2,234	1,728	1,491	1,636	1,684
NNPA	970	1,109	659	519	535	546
GNPA Ratio	9.12	10.91	7.53	6.15	6.30	5.91
NNPA Ratio	5.19	5.73	3.01	2.23	2.15	2.00
Slippage Ratio	7.0	8.4	1.6	2.4	3.70	3.00
Credit Cost	3.3	3.8	2.7	1.9	2.3	1.7
PCR (Excl. Tech. W/O)	45.5	50.4	61.9	65.2	67.3	67.6

## Financials and Valuations

### Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21E	FY22E
<b>Yield and Cost Ratios (%)</b>						
<b>Avg. Yield-Earning Assets</b>	<b>9.0</b>	<b>7.4</b>	<b>7.8</b>	<b>7.7</b>	<b>7.3</b>	<b>7.2</b>
Avg. Yield on loans	9.3	7.4	7.8	8.0	7.8	7.7
Avg. Yield on Investments	8.5	7.2	7.5	6.9	6.7	6.5
<b>Avg. Cost-Int. Bear. Liabilities</b>	<b>6.0</b>	<b>4.9</b>	<b>4.8</b>	<b>4.6</b>	<b>4.3</b>	<b>4.2</b>
Avg. Cost of Deposits	6.4	5.1	5.0	4.8	4.3	4.3
<b>Interest Spread</b>	<b>3.0</b>	<b>2.5</b>	<b>2.9</b>	<b>3.1</b>	<b>3.0</b>	<b>3.0</b>
<b>Net Interest Margin</b>	<b>3.0</b>	<b>2.5</b>	<b>2.8</b>	<b>3.0</b>	<b>2.9</b>	<b>2.9</b>

### Capitalization Ratios (%)

CAR	13.0	12.7	12.8	13.1	12.9	12.6
Tier I	10.4	10.5	10.8	11.0	10.9	10.8
Tier II	2.6	2.2	2.1	2.1	1.9	1.8

### Business and Efficiency Ratios (%)

Loans/Deposit Ratio	72.3	71.5	75.1	71.7	70.4	70.4
CASA Ratio	46.4	44.5	44.6	43.5	45.5	46.1
Cost/Assets	1.8	1.7	1.9	1.9	1.9	1.8
Cost/Total Income	49.5	50.2	55.7	52.5	53.8	53.2
Cost/Core Income	56.0	56.5	57.1	53.5	54.9	54.4
Int. Expense./Int. Income	66.4	66.1	63.6	61.9	60.3	60.1
Fee Income/Total Income	24.6	26.1	26.9	29.6	27.1	26.8
Non Int. Inc./Total Income	36.2	37.3	29.4	31.6	29.2	29.0
Emp. Cost/Total Expense	58.2	55.3	58.9	60.8	61.3	62.0
Investment/Deposit Ratio	36.1	39.2	33.2	32.3	32.6	32.6

### Profitability Ratios and Valuation

RoE	-1.1	-3.5	0.4	7.2	6.9	9.5
RoA	-0.1	-0.2	0.0	0.4	0.4	0.5
RoRWA	-0.1	-0.3	0.0	0.7	0.7	0.9
Consolidated RoE	0.1	-2.0	1.0	7.9	7.8	10.1
Consolidated RoA	0.0	-0.1	0.1	0.5	0.5	0.6
Book Value (INR)	240	230	232	245	260	282
Change (%)	15.7	-4.0	0.9	5.4	6.1	8.6
<b>Price-BV (x)</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>
Consol. BV (INR)	248	243	248	266	286	315
Change (%)	11.6	-2.0	2.0	7.5	7.6	10.1
<b>Price-Consol. BV (x)</b>	<b>0.6</b>	<b>0.7</b>	<b>0.8</b>	<b>0.7</b>	<b>0.7</b>	<b>0.6</b>
Adjusted BV (INR)	139	135	170	194	207.6	230
<b>Price-ABV (x)</b>	<b>0.6</b>	<b>0.6</b>	<b>0.5</b>	<b>0.4</b>	<b>0.4</b>	<b>0.3</b>
Adjusted Consol. BV	159	152	192	221	239	267
<b>Price-Consol. ABV (x)</b>	<b>1.0</b>	<b>1.1</b>	<b>1.0</b>	<b>0.9</b>	<b>0.8</b>	<b>0.7</b>
EPS (INR)	-2.3	-7.7	0.1	16.2	16.5	24.4
Change (%)	NM	NM	NM	NM	1.8	47.9
<b>Price-Earnings (x)</b>	<b>NM</b>	<b>NM</b>	<b>79.4</b>	<b>4.7</b>	<b>4.6</b>	<b>3.1</b>
Consol. EPS (INR)	0.3	-5.3	2.6	22.1	23.2	31.9
Change (%)	-98.1	NM	NM	NM	4.5	37.6
<b>Price-Consol. EPS (x)</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>	<b>8.5</b>	<b>8.1</b>	<b>5.9</b>
Dividend Per Share (INR)	3.0	0.0	0.0	0.0	1.7	2.0
<b>Dividend Yield (%)</b>	<b>1.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.9</b>	<b>1.1</b>

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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