

Asset quality holding up well

- SBI reported a good set of numbers with asset quality metrics faring better than industry and PPoP growth of 15% YoY. While NII was in-line, operating profits benefitted from higher treasury gains and strong recovery from WO accounts (including Kingfisher recovery of Rs17bn).
- Asset quality metrics continued to impress with slippages as 2.7% (better than some of large private peers), strong pull-back/recoveries in July at Rs48bn, and limited restructuring.** Slippages from agri segment were fairly contained in a seasonally weak quarter, benefitting from increased share of gold backed agri loans. Total restructured book at 0.8% of advances was marginally higher than large private banks, with ~80% of incremental restructuring pool of Rs70bn coming from retail.
- Standard provisioning buffers (ex of general provisions) improved to 0.8% of advances from 0.5% in 4QFY21.** This includes higher provisions made against restructured loans (5% additional).
- Despite a low base of Q4FY21, sequential increase in NIM was limited to 5 bps owing to pressure on lending yields and excess liquidity. We expect the above concerns to continue for rest of FY22E, and factor in slightly lower NIM vs previous estimates.
- Sequential growth was muted, with incremental growth during 1QFY22 mostly coming from overseas book and slightly higher MSME utilization. **With ~Rs 3tn of unutilized limits from corporate and SME portfolio and ~Rs 1.3tn of proposals in pipeline (largely from infra & steel sector), improved growth prospects could be a key NIM driver.** Disbursements under ELCGS stood at 0.9% of loans.
- Bank's lower share of unsecured book, which is mainly towards govt employees has partly helped it report superior credit metrics vs private peers.**
- Tweaking our estimates marginally, and adjusting our standalone multiple higher at 1.5x (1.2x earlier), we maintain BUY recommendation on the stock with a TP of Rs600 (Rs515 earlier) against RoA/RoE of 0.9%/14% for FY23E. Including value of its subsidiaries, this implies a P/ABV of 2x. The stock currently trades at 1.5x FY23E P/ABV. **With increased confidence on asset quality, superior digital capabilities, and no dilution risks, the bank should see a gradual re-rating.**

Q1FY22 Result (Rs Mn)

Particulars	Q1FY22	Q4FY20	YoY (%)	Q4FY21	QoQ (%)
Net interest income	276,384	227,674	3.7	270,670	2.1
Other income	118,027	133,461	48.3	162,253	(27.3)
Total Net Income	394,412	361,135	14.0	432,923	(8.9)
Operating expenses	204,664	203,793	13.2	235,922	(13.2)
Pre-provision profits	189,748	157,343	14.9	197,002	(3.7)
Provisions	100,520	134,951	(19.6)	110,510	(9.0)
Tax expense	24,189	13,892	76.5	21,984	10.0
Reported Net Profit	65,040	8,499	145.5	64,507	0.8
			(bps)		(bps)
Advances Growth YoY(%)	5.8	7.7	(185)	5.3	47
NIM (%)	2.9	3.0	(9)	2.9	5
RoA (%)	0.2	0.1	8	0.2	1
RoE (%)	17.4	17.0	40	17.9	(42)
Gross NPA (%)	5.3	6.2	(12)	5.0	34

CMP	Rs 457
Target / Upside	Rs 600 / 31%
NIFTY	16,131
Scrip Details	
Equity / FV	Rs 8,925mn / Rs 1
Market Cap	Rs 4,078bn
	USD 55bn
52-week High/Low	Rs 467 / 176
Avg. Volume (no)	37,451,200
Bloom Code	SBIN IN
Price Performance	
	1M 3M 12M
Absolute (%)	6 29 139
Rel to NIFTY (%)	3 17 95

	Dec'20	Mar'21	Jun'21
Promoters	57.6	57.6	57.7
MF/Banks/FIs	24.7	24.3	24.3
FII	7.9	7.8	10.3
Public / Others	9.7	10.3	7.7

	FY21A	FY22E	FY23E
P/E	20.0	11.7	9.3
P/ABV	2.1	1.8	1.5
ROAA	0.5	0.7	0.9
ROAE	8.4	12.8	14.2

	FY21A	FY22E	FY23E
NII	1,107,100	1,244,975	1,360,074
PPOP	700,135	817,931	864,491
PAT	188,433	347,429	438,599
Adj BV	216.8	258.2	304.5

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Risks to the View: Higher than anticipated impact of second/third COVID wave on asset quality, inability to contain opex, weaker than anticipated growth trends.

Exhibit 1: Actual v/s estimates

(Rs mn)	Actual	Estimated	% Variance
NII	276,384	279,742	(1.2)
Operating Profit	189,748	151,281	25.4
PAT	65,043	45,851	41.9

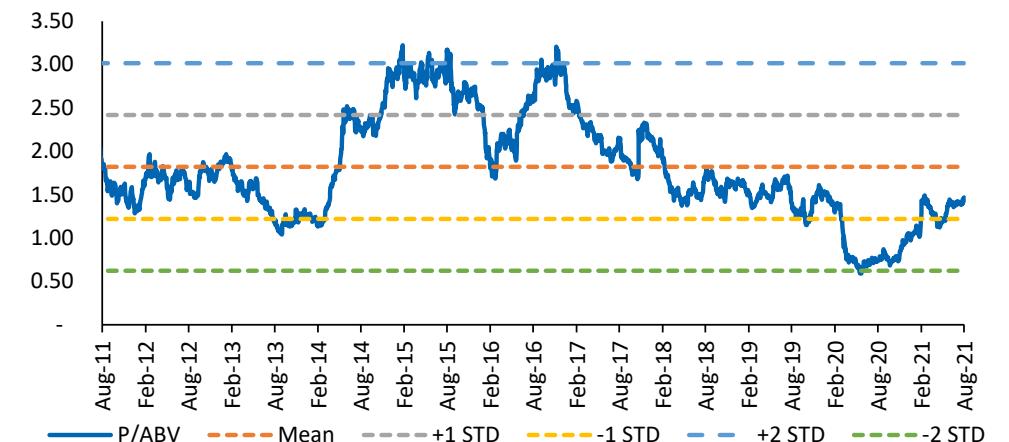
Source: Company, DART

Exhibit 2: Change in Estimates

(Rs mn)	Previous		Revised		Change %	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Net Oper. Revenues	1,679,569	1,806,346	1,691,451	1,825,362	0.7	1.1
Pre Provision Profits	790,769	828,666	817,931	864,491	3.4	4.3
PAT	347,002	426,840	347,429	438,599	0.1	2.8

Source: Company, DART

Exhibit 3: The stock currently trades at 1.47x 1-yr forward P/ABV



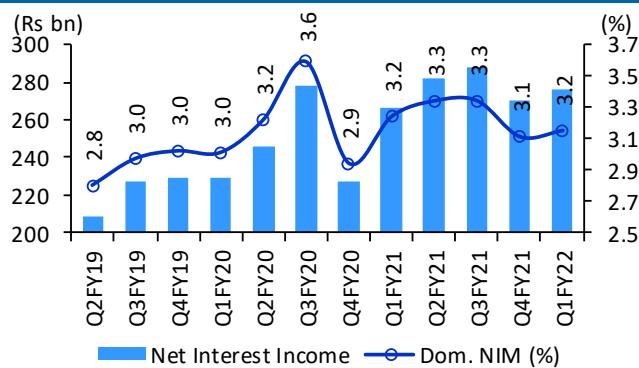
Source: DART, Company

Exhibit 4: SOTP Valuation

Entity	Stake	Per Share Value	Methodology
Standalone Entity (A)*	100%	430	1.5x P/ABV
Lending Business			
SBI Card	69%	76	1x Mcap
Insurance Business			
SBI Life Insurance	56%	71	1x Mcap
SBI General Insurance	70%	18	30x P/E
Capital Market			
SBI Funds Management	63%	21	7% of AUM
Value of Subsidiaries (B)		157	
Holdco. Discount	15%		
Value of the bank (A+B)		596	
Contribution of subs to total (%)		26	

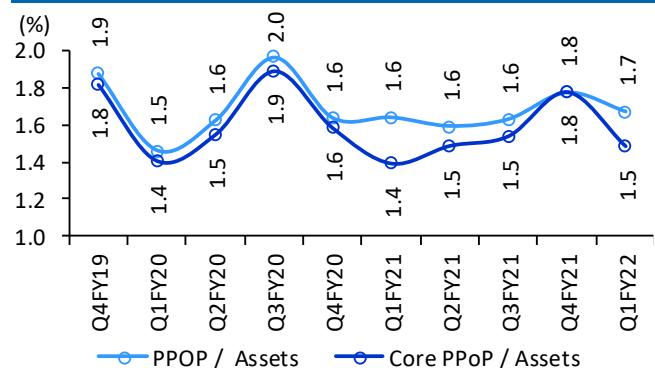
Source: Company, DART; * Adjusted for investment in subsidiaries

Exhibit 5: NIM impacted by lower lending yields and higher liquidity



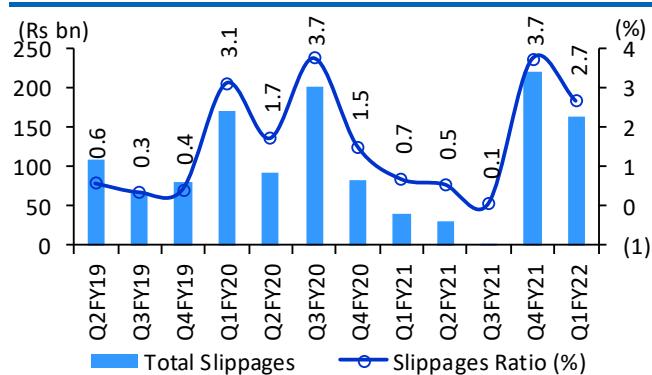
Source: DART, Company

Exhibit 6: PPoP supported by high trading gains and strong recoveries from AUCA



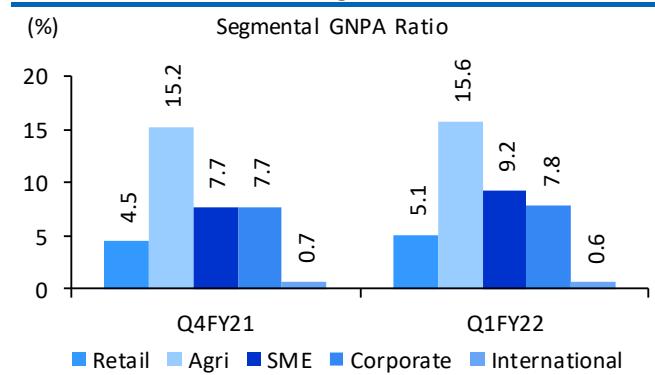
Source: DART, Company

Exhibit 7: Slippages fared better than private peers



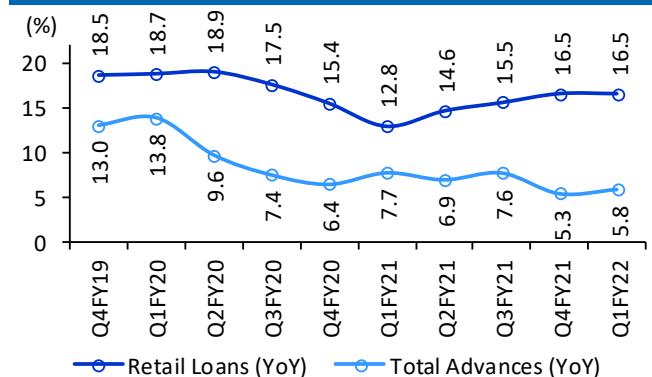
Source: DART, Company

Exhibit 8: Elevated slippages from SME, Agri benefitted from increased gold share



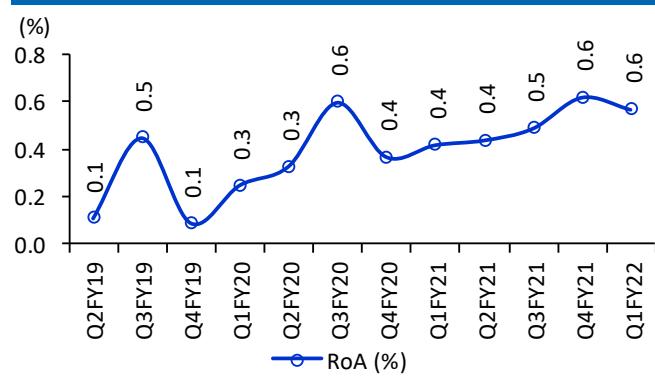
Source: DART, Company

Exhibit 9: Retail loans continue to drive overall loan growth



Source: DART, Company

Exhibit 10: RoAs have held up well, partly benefitting from one-off recoveries



Source: DART, Company

Quarterly Financials

Profit and Loss (Rs mn)	Q1FY22	Q1FY21	% yoy / bps	Q4FY21	% qoq / bps	FY21	FY20	% yoy / bps
Interest Inc.	655,644	665,004	(1.4)	651,016	0.7	2,651,506	2,573,236	3.0
<i>Yield on Advances (%)</i>	7.4	8.4	(93)	8.0	(55)	8.1	8.8	(66)
Interest Expenses	379,260	398,588	(4.8)	380,346	(0.3)	1,544,406	1,592,388	(3.0)
<i>Cost of Dep. (%)</i>	3.9	4.5	(60)	4.2	(32)	4.3	5.0	(71)
Net Interest Income	276,384	266,416	3.7	270,670	2.1	1,107,100	980,848	12.9
NII to Net Operative Income	70.1	77.0	(693)	62.5	755	72.5	71.5	97
<i>NIM (%)</i>	2.9	3.0	(9)	3.0	(12)	3.1	2.9	13
<i>Dom. NIM (%)</i>	3.2	3.2	(9)	3.3	(11)	3.3	3.2	10
Core Fee Income	54,030	44,710	20.8	84,560	(36.1)	235,170	237,240	(0.9)
Forex Income	9,480	4,680	102.6	8,030	18.1	24,090	25,170	(4.3)
Profit on Sale / Rev of Investments	21,020	24,853	(15.4)	(370)	(5,781.1)	44,913	23,604	90.3
Recovery in w/o accounts	28,050	4,480	526.1	63,120	(55.6)	102,970	92,500	11.3
Misc. Other Income	5,450	860	533.7	6,920	(21.2)	12,420	11,550	7.5
Non-Core Other Income	64,000	34,865	83.6	77,700	(17.6)	184,393	152,828	20.7
Other Income - Total	118,027	79,575	48.3	162,253	(27.3)	419,557	390,058	7.6
<i>Other Inc to Net Oper. Income (%)</i>	29.9	23.0	693	37.5	(755)	27.5	28.5	(97)
Net Operating Revenue	394,412	345,990	14.0	432,923	(8.9)	1,526,657	1,370,907	11.4
Employee Expenses	125,383	118,651	5.7	133,828	(6.3)	509,360	457,150	11.4
<i>Employee Exp. / Assets</i>	1.1	1.2	(7)	1.3	(16)	1.2	1.2	0
Other Opex	79,281	62,126	27.6	102,094	(22.3)	317,162	294,587	7.7
<i>Other Opex/ Assets (%)</i>	0.2	0.2	2	0.2	(7)	0.7	0.8	(2)
Total Opex	204,664	180,777	13.2	235,922	(13.2)	826,522	751,737	9.9
<i>Cost to Income Ratio (%)</i>	51.9	52.2	(36)	54.5	(260)	54.1	54.8	(70)
Pre Provision Profits	189,748	165,214	14.9	197,002	(3.7)	700,135	619,170	13.1
Exceptional Profit (Loss)	-	15,397	-	-	-	15,397	62,156	(75.2)
PPP (inc Except. Items)	189,751	180,614	5.1	197,005	(3.7)	715,532	681,326	5.0
Provision towards NPAs	50,298	94,205	(46.6)	99,142	(49.3)	272,444	427,758	(36.3)
Standard Assets Provision	15,780	2,820	459.6	22,590	(30.1)	37,900	(8,770)	(532.2)
Provision for investments	5,170	12,310	(58.0)	6,130	(15.7)	30,150	5,390	459.4
Other Provisions	29,272	15,680	86.7	(17,350)	(268.7)	99,640	6,330	1,474.1
Provisions & Contingencies - Total	100,520	125,013	(19.6)	110,510	(9.0)	440,395	432,914	1.7
<i>Credit Cost (%)</i>	0.83	1.64	(81)	1.6	(79)	1.16	1.94	(79)
Profit Before Tax	89,232	55,601	60.5	86,495	3.2	275,136	248,412	10.8
Tax	24,189	13,704	76.5	21,984	10.0	71,307	105,747	(32.6)
<i>Effective Tax Rate (%)</i>	27.1	24.6	246	25.4	169.1	25.9	42.6	(1,665)
Reported Profits	65,043	41,896	55.2	64,511	0.8	203,830	142,666	42.9
<i>RoA (%)</i>	0.6	0.4	15	0.6	(5.1)	0.5	0.4	8

Balance Sheet Analysis	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	QoQ % / bps	YoY % / bps
Net Worth	2,416,557	2,457,210	2,512,430	2,538,752	2,612,804	2.9	8.1
CET1 (%)	10.1	10.5	10.3	10.0	9.9	(11)	(23)
Tier 1 (%)	11.4	11.9	11.7	11.4	11.3	(12)	(3)
Total CAR (%)	13.4	14.7	14.5	13.7	13.7	(8)	26
RWA - Total	21,248,527	20,943,122	21,867,717	23,530,960	22,775,914	(3.2)	7.2
Advances - Total	22,983,462	22,939,012	23,681,391	24,494,977	24,319,081	(0.7)	5.8
Investments	12,252,284	13,291,663	13,108,846	13,517,052	13,865,100	2.6	13.2
Total Assets	41,179,316	41,578,563	43,569,868	45,344,295	45,570,057	0.5	10.7
RoA (%)	0.42	0.44	0.49	0.62	0.57	(5)	15
Deposits	34,193,628	34,704,617	35,357,534	36,812,771	37,209,870	1.1	8.8
Saving Deposit	12,943,840	13,149,500	13,358,610	13,700,820	14,308,810	4.4	10.5
Current Deposit	2,043,340	2,120,570	2,106,630	2,768,920	2,283,530	(17.5)	11.8
CASA Deposits	14,987,180	15,270,070	15,464,240	16,469,740	16,592,340	0.7	10.7
CASA Ratio (%)	45.3	45.4	45.2	46.1	46.0	(13)	63
Dom. Term Deposits	18,068,400	18,371,280	18,783,904	19,231,911	19,501,070	1.4	7.9

Movement of NPA (Rs mn)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	QoQ % / bps	YoY % / bps
Gross Advances	23,834,686	23,837,688	24,579,503	25,379,317	25,236,744	(0.6)	5.9
Gross NPA	1,296,607	1,258,630	1,172,442	1,263,890	1,342,595	6.2	3.5
Gross NPA Ratio (%)	5.44	5.28	4.77	4.98	5.32	34	(12)
PCR - Calculated (%)	67.1	71.0	75.2	70.9	67.9	(302)	79
PCR - Inc. Tech w/o (%)	86.32	88.19	90.21	87.75	85.93	(182)	(39)
Net Advances	22,958,941	22,924,962	23,603,024	24,539,813	24,379,955	(0.7)	6.2
Net NPA	427,036	364,507	290,317	368,097	431,525	17.2	1.1
Net NPA Ratio (%)	1.86	1.59	1.23	1.50	1.77	27	(9)

Loan Book Analysis (Rs mn)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	QoQ % / bps	YoY % / bps
Home Loans	4,554,430	4,683,820	4,844,530	5,037,790	5,054,730	0.3	11.0
Auto Loans	701,510	716,310	759,370	763,220	742,500	(2.7)	5.8
Other Per Segment Loans	2,232,060	2,453,320	2,707,440	2,906,100	2,923,810	0.6	31.0
Personal Loan	7,488,000	7,853,450	8,311,340	8,707,110	8,721,040	0.2	16.5
Agriculture	2,042,880	2,109,450	2,136,680	2,141,510	2,093,600	(2.2)	2.5
Domestic Corporate	8,093,220	7,875,590	7,882,080	8,187,050	7,904,940	(3.4)	(2.3)
MSME	2,787,110	2,772,480	2,936,540	2,789,490	2,843,180	1.9	2.0
Total Domestic Advances	20,411,200	20,610,980	21,266,640	21,825,160	21,562,760	(1.2)	5.6
Foreign Offices	3,445,190	3,225,260	3,299,430	3,568,770	3,675,170	3.0	6.7
Advances - Total	22,983,462	22,939,012	23,681,391	24,494,977	24,319,081	(0.7)	5.8

Conference Call Highlights

- Sharper focus on YONO led to improving downloads and usage with ~40mn registrations. ~Rs 45bn of digital personal loans have been disbursed via YONO. Management plans to expand digital offerings to vehicle and other personal loans segment.
- Interest reversals stood at Rs 8bn during the quarter vs Rs 30bn in 4QFY21. Reversals are not comparable as 4Q included reversals for the entire year including that on unrecognized NPAs due to RBI standstill.
- NIMs were subdued due to reduction in CD ratio, pressure on yields and large unutilized limits by corporates. Portfolio recalibration is underway which could help in restoring NIMs
- On the opex side, the bank is addressing associated costs and expects normalization in a couple of quarters. Improving other income is also expected to lead to improvement in C/I ratio.
- **Corporate book** growth remains muted, with ~Rs 3tn of unutilized limits and ~Rs 1.3tn of proposals in pipeline (largely from infra and iron/steel segments). Corporate de-leveraging also a contributing factor to muted growth.
- **PAPL** (incl. in Xpress credit) O/S ~Rs 250bn, with ATS of Rs 0.3mn. ~Rs 24bn disbursed in Q1FY22. The bank expects 25-30% growth in Xpress credit loans in FY22, with low credit costs and NPA levels. Yields are ~11%+
- Bank is growing its **Overseas** book in the US markets and other geographies with better yields and low risks.
- CA balances impacted by 10% due to RBI guidelines along with seasonal decrease.

Asset Quality

- Slippages were higher on account of tepid collections, expect improvement and significant pullback going ahead across all segments, including gold.
- **Gold loans** NPA had spiked due to higher margin calls and impact on recovery / collection efforts with significant pullback seen July onwards.
- **Home Loan** NPAs stood at 1.39% while slippages were at Rs 31.23bn.
- **SME** slippages were higher due to disruptions in cash flows and restrictions in mobility during lockdown period.
- Share of SME in the SMA book is expected to recede as economic activity resumes and cash flows are restored.
- **Collection efficiency** in Jun stood at ~92% and has improved to 93.5% in July (based on 90-DPD). Recoveries in July across regulatory retail loans (SME, Agri, HL) stood at Rs 47.9bn.
- **Recoveries** during the quarter include Rs 16.92bn from Kingfisher. The bank expects ~Rs 140bn of recoveries from w/off accounts in FY22.
- Disbursements under **ECLGS** stood at Rs 270bn, with O/S at Rs 220bn.
- **O/S Restructured** loans stood at Rs 182.41bn with ~Rs 21bn in pipeline. Breakup of restructured loans – Retail ~Rs 90bn, SME ~Rs 36.3bn, Corporate ~Rs 78bn
- The bank has made 5% additional provisions on the restructured book.

- While historical trends indicate that ~50% of restructured loans perform well, given the extraordinary circumstances, restructured portfolio performance may be better than expectations.
- MSME restructuring stood at ~Rs 33.55bn. Slippages of ~Rs 23bn in the segment were recovered/upgraded in July

Profit and Loss Account (Rs Mn)

Particulars	FY20A	FY21A	FY22E	FY23E
Interest Income	2,573,236	2,651,506	2,951,015	3,209,722
Interest expenses	1,592,388	1,544,406	1,706,040	1,849,648
Net interest income	980,848	1,107,100	1,244,975	1,360,074
Other incomes	390,058	419,557	446,475	465,288
Total expenses	751,737	826,522	873,519	960,871
- Employee cost	457,150	509,360	524,641	577,105
- Other	294,587	317,162	348,878	383,766
Pre provisioning profit	619,170	700,135	817,931	864,491
Provisions	432,914	440,395	353,641	278,364
Profit before taxes	186,256	259,739	464,291	586,127
Tax provision	105,747	71,307	116,862	147,528
Profit after tax	80,509	188,433	347,429	438,599
Adjusted profit	80,509	188,433	347,429	438,599

Balance Sheet (Rs Mn)

Particulars	FY20A	FY21A	FY22E	FY23E
Sources of Funds				
Equity Capital	8,925	8,925	8,925	8,925
Reserves & Surplus	2,311,150	2,529,827	2,873,339	3,282,665
Minority Interest	0	0	0	0
Net worth	2,320,074	2,538,752	2,882,263	3,291,589
Borrowings	3,146,557	4,172,977	4,413,805	4,719,686
- Deposits	32,416,207	36,812,771	39,724,243	42,477,170
- Other interest bearing liabilities	0	0	0	0
Current liabilities & provisions	1,631,101	1,819,797	1,865,443	2,119,123
Total Liabilities	39,513,939	45,344,296	48,885,753	52,607,567
Application of Funds				
Cash and balances with RBI	2,510,970	3,430,387	3,682,133	3,555,066
Investments	10,469,545	13,517,052	14,702,958	15,607,737
Advances	23,252,896	24,494,977	26,209,625	28,830,588
Fixed assets	384,393	384,192	421,582	435,164
Other current assets, loans and advances	2,896,136	3,517,687	3,869,455	4,179,012
Total Assets	39,513,939	45,344,295	48,885,753	52,607,567

E – Estimates

Important Ratios				
Particulars	FY20A	FY21A	FY22E	FY23E
(A) Margins (%)				
Yield on advances	8.0	7.2	7.4	7.4
Yields on interest earning assets	7.4	6.8	6.9	6.9
Yield on investments	7.3	6.8	6.7	6.7
Costs of funds	4.6	4.0	4.6	4.6
Cost of deposits	5.0	4.8	4.1	4.1
NIMs	2.8	2.9	2.9	2.9
(B) Asset quality and capital ratios (%)				
GNPA	6.2	5.0	4.3	3.6
NNPA	2.2	1.5	1.2	1.1
PCR	65.2	70.9	73.0	72.0
Slippages	2.5	1.2	2.1	1.8
NNPA to NW	24.9	16.0	12.2	10.2
CASA	45.2	46.1	46.0	46.0
CAR	13.1	13.7	12.9	13.7
Tier 1	11.0	11.4	10.9	11.6
Credit - Deposit	71.7	66.5	66.0	67.9
(C) Dupont as a percentage of average assets				
Interest income	6.7	6.2	6.3	6.3
Interest expenses	4.2	3.6	3.6	3.6
Net interest income	2.6	2.6	2.6	2.7
Non interest Income	1.0	1.0	0.9	0.9
Total expenses	2.0	1.9	1.9	1.9
- cost to income	54.8	54.1	51.6	52.6
Provisions	1.1	1.0	0.8	0.5
Tax	0.3	0.2	0.2	0.3
RoA	0.4	0.5	0.7	0.9
Leverage	19.0	19.7	18.6	17.4
RoE	6.3	8.4	12.8	14.2
RoRwa	0.0	0.7	0.9	1.2
(D) Measures of Investments				
EPS - adjusted	16.0	22.8	38.9	49.1
BV	233.3	258.0	294.0	338.9
ABV	175.2	216.8	258.2	304.5
DPS	2.6	2.5	3.5	3.5
Dividend payout ratio	0.0	0.0	0.0	0.0
(E) Growth Ratios (%)				
Net interest income	11.0	12.9	12.5	9.2
PPoP	14.9	13.1	16.8	5.7
Adj PAT	(1253.0)	134.1	84.4	26.2
Advances	6.4	5.3	7.0	10.0
Total borrowings	(21.9)	32.6	5.8	6.9
Total assets	7.3	14.8	7.8	7.6
(F) Valuation Ratios				
Market Cap (Rs. mn)	4,078,101	4,078,101	4,078,101	4,078,101
CMP (Rs.)	457	457	457	457
P/E (x)	28.6	20.0	11.7	9.3
P/BV (x)	2.0	1.8	1.6	1.3
P/ABV (x)	2.6	2.1	1.8	1.5
Div Yield (%)	0.6	0.5	0.8	0.8

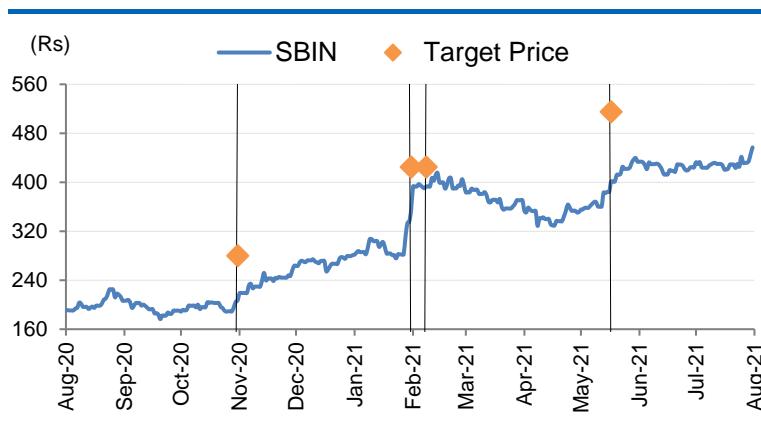
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Nov-20	Buy	280	207
Feb-21	Buy	425	355
Feb-21	Buy	425	393
May-21	Buy	515	401

*Price as on recommendation date

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