

State Bank Of India

For valuations, and little else

SBIN's 4Q core and net earnings were below estimates. Asset quality improved, even if one adjusts for the standstill classification impact, but this improvement was aided by higher w/os. The moratorium % is unusually low (vs. peers) and the related disclosures were ambiguous. Further, COVID-19 related provisions (Rs 9.4bn) appear low, in context of those made by peers as well as SBIN's asset quality track record. Consequently, we've reduced our earnings to factor in higher provisions (driven by higher anticipated stress). The term of SBIN's current chairman is set to end in Oct-20, this creates additional uncertainty. However, current valuations and a strong deposit franchise underpin our stance. Maintain BUY with an SoTP value of Rs 270 (0.75x FY22E ABV + Rs 113 subs value).

- Asset quality improves:** GNPA's dipped 13.7/6.6% YoY/QoQ, to ~Rs 1.49tn (6.15%), aided by a 58.7% QoQ fall in slippages (1.47% ann.) and higher w/os (+91.7% QoQ). The standstill classification of a/cs (~Rs 62.5bn) had a 30/110bps cushioning impact on GNPA's and slippages. SMA I & II dipped 6.4/10.3%, and were unusually low at just 31bps. Despite the low moratorium %, we think COVID-19 will disrupt the current trend of asset quality improvement. We have factored in slippages of 3.3% over FY21-22E.
- Funding and liquidity:** SBIN's deposit base grew ~Rs 1.3tn QoQ (+4.2%, vs. ~Rs 808bn in 4QFY19), an indicator of increasing polarisation in systemic deposits, we believe. Liquidity is not a worry for the bank, with avg. LCR at 134.4%. SBIN on is one of the best-placed banks on the deposit and liquidity fronts. However, on the capital front, SBIN lags, with a CET-1 of ~9.8%. The mgt explicitly said that it doesn't intend to raise capital in the near term and that it would rely on earnings and stake sale gains to augment CRAR. An equity raise at current valuations would be immensely book-dilutive.
- Management commentary related to COVID-19:** (1) The mgt indicated that (a) 82% of SBIN's borrowers (by number) paid two or more installments, (b) 21% of retail term borrowers, (c) ~47% of SME term borrowers (d) ~13% of corporate term borrowers, (e) ~20% of w/c borrowers availed of the moratorium and that (f) ~18% of its NBFC portfolio was under moratorium. (2) The mgt said that ~Rs 1.5tn of loans were eligible for further lending under the NCGTC scheme, implying ~Rs 300bn of additional credit under the scheme, and that the bank intended to lend to all eligible borrowers, sans further assessment. (3) Standstill classification cases were mostly part of the retail, SME and agri portfolios. (4) SBIN intends to lend ~Rs 30bn under TLTRO 2.0 and received proposals of ~Rs 150-180bn in Apr & May from NBFC/HFCs but sanctioned only 20% of such proposals.

Financial summary

(Rs bn)	4Q FY20	4Q FY19	YoY (%)	3Q FY20	QoQ (%)	FY19	FY20E	FY21E	FY22E
Net int income	227.7	229.5	-0.8%	277.8	-18.0%	883.5	980.8	1,016.4	1,110.6
PPOP	184.7	169.3	9.0%	182.2	1.3%	554.4	681.3	645.4	714.2
PAT	35.8	8.4	327.1%	55.8	-35.9%	8.6	144.9	104.6	206.0
EPS (Rs)	4.0	0.9	327.1%	6.3	-35.9%	1.0	16.2	11.7	23.1
ROAE (%)						0.4	6.4	4.4	8.2
ROAA (%)						0.02	0.38	0.26	0.48
Adj. BVPS (Rs)						146.1	175.6	166.8	207.0
P/ABV (x)						0.57	0.43	0.46	0.36
P/E (x)						85.5	4.61	6.54	3.24

Source: Bank, HSIE Research.

BUY

CMP (as on 05 June 2020)	Rs 188
Target Price	Rs 270
NIFTY	9,262

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 316	Rs 270
	FY21E	FY22E
EPS %	-47.2%	-18%

KEY STOCK DATA

Bloomberg code	SBIN IN
No. of Shares (mn)	8,925
MCap (Rs bn) / (\$ mn)	1,676/22,153
6m avg traded value (Rs mn)	13,986
52 Week high / low	Rs 374/149

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(34.9)	(44.1)	(46.7)
Relative (%)	(24.0)	(28.2)	(32.2)

SHAREHOLDING PATTERN (%)

	Dec-19	Mar-20
Promoters	57.7	57.6
FIs & Local MFs	24.5	24.6
FPIs	11.0	9.6
Public & Others	6.8	8.2

Pledged Shares

Source : BSE

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- **The moratorium disclosures** are based on no. of borrowers and not the portfolio value, reducing their comparability with those of peers. As per the management, term loan borrowers who have paid 2 or more installments are considered to have not opted for moratorium (82% of the borrowers) and the borrowers who have paid one installment (7% of borrowers) or not paid at all (9% of borrowers) are considered to have opted for moratorium.
- Sequentially, **loan growth** at 5.7%, was largely driven by ~9.5% growth in domestic corporate loans. YoY loan growth at 6.4%, was relatively muted. Overseas loans registered sharp growth at 18.1/10.7%, possibly aided by forex movements. We expect a loan CAGR of ~7% over FY21-22E. In the near term, loan growth is likely to be cushioned by increase in w/c utilisation and lending under various government schemes.
- **Non-tax provisions** increased 86.1% QoQ to Rs 135bn (-18.2% YoY), led by a 45.2% rise in LLPs to Rs 119bn. SBIN made std asset provisions of Rs 18.7bn vs. Rs 17.5bn of reversals in 3QFY20. These presumably incl. ~Rs 9.4bn of COVID-19 related provisions (@~15% on ~Rs 62.5bn of a/cs on which the standstill classification was availed). Relative to its peers, SBIN appears to have made lower COVID-19 related provisions. We've increased our provision estimates to 1.95% of average loans as we anticipate higher stress.
- **NII dipped** 18% QoQ (-80bps YoY), led by a 11.4% QoQ fall in interest on advances (flat YoY), while interest expended was flat YoY/QoQ. We believe the fall in interest on advances was a consequence of (1) interest reversals on high agri slippages (~10.1% ann.), (2) the base qtr incl. int. recognised on large corporate recoveries, and (3) MCLR cuts (SBIN has cut its MCLR by ~75bps since Sep-19). Interestingly, CoD dipped just 16/3bps to ~4.9%. This is surprising given that SBI has cut its deposit rates significantly. We expect NIM compression, as we believe that the fall in yields (due to book re-pricing and interest reversals on potential slippages) will outpace the reduction in the CoD and we expect NIMs of 2.9% over FY21-22E
- SBIN saw sharp sequential **opex** growth (+9.2%), led by a 15.7% QoQ growth in othex opex (+1.4% YoY). Staff costs grew 14.9/5.1% YoY/QoQ. The mgt attributed elevated staff cost growth to higher employee benefit provisions (fall in yields).
- Other income grew 26.7/76.6% YoY/QoQ, partly on a/c of seasonal trends (4Q usually sees strong CEB growth, -8.3/+39.7% YoY/QoQ) and gains from the stake sale in SBICARD (Rs 27bn).
- The C-I ratio increased 187bps QoQ to 52.5%, as a result of weak core income growth. We do not see much scope for improvement in cost efficiency, given that (1) the bank has not achieved meaning oplev despite its scale, and (2) there are not many visible levers for improvement. We model a C-I ratio of 54.7% over FY21-22E.

SOTP

Particulars	Rs bn	Per Share	Rationale
State Bank	1,403	157	0.75x Mar-22E Core ABV of Rs 207
SBI Life	562	63	Mar-21 EV + 28.9x Mar-22E VNB
SBI AMC	202	23	8% FY21E AUM
SBI Cards	408	46	Based on Current Mcap
Others	89	10	Stakes in NSE, UTI MF, SBI Caps and others
Total Value of Subs	1,261	141	
Less: Hold Co Discount	252	28	
Net total Value of Subs	1,009	113	
Total Value	2,412	270	
CMP	1,676	188	
Upside (%)	43.9	43.9	

Five quarters at a glance

NII dipped QoQ on a/c of (1) significant interest reversals on high slippages, and (2) the effect of MCLR cuts

QoQ opex growth was driven by a sharp growth in other opex

Provisions incl. ~Rs 9.4bn of COVID-19 related provisions

QoQ deposit growth was driven by 5.2% growth in CASA deposits, while TDs grew 3.4%

Slippages were lower across segments (corp-77bps, retail-33bps and SME-33bps) except for agri (10.1%)

Rs bn	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY Growth	QoQ Growth
Income statement							
Net interest income	229.5	229.4	246.0	277.8	227.7	(0.8)	(18.0)
Non-interest income	126.9	80.2	120.2	91.1	160.8	26.7	76.6
Treasury income	5.3	4.9	41.6	7.0	32.4	506.2	365.1
Operating income	356.4	309.5	366.2	368.8	388.4	9.0	5.3
Operating expenses	187.1	177.1	184.2	186.6	203.8	8.9	9.2
PPOP	169.3	132.5	182.0	182.2	184.7	9.0	1.3
Non-tax provisions	165.0	91.8	131.4	72.5	135.0	(18.2)	86.1
w/w NPA provisions	173.4	116.5	110.4	81.9	118.9	(31.4)	45.2
PBT	4.3	40.6	50.6	109.7	49.7	1,052.6	(54.7)
Tax expense	(4.1)	17.5	20.5	53.9	13.9	(441.2)	(74.2)
PAT	8.4	23.1	30.1	55.8	35.8	327.1	(35.9)
Balance sheet items							
Deposits	29,114	29,488	30,334	31,112	32,416	11.3	4.2
CASA deposits (%)	44.2	43.6	43.7	43.1	43.5	-69 bps	43 bps
Advances	21,859	21,348	21,462	21,999	23,253	6.4	5.7
CD ratio (%)	75.1	72.4	70.8	70.7	71.7	-335 bps	102 bps
CAR (%)	12.7	12.9	13.6	13.7	13.1	34 bps	-67 bps
Tier I (%)	10.7	10.7	11.3	11.6	11.0	35 bps	-59 bps
Profitability ratios (%)							
Yield on advances	8.49	8.56	8.69	8.91	8.72	23 bps	-19 bps
Cost of deposits	5.10	5.07	5.02	4.97	4.94	-16 bps	-3 bps
NIM	2.78	2.81	2.90	3.05	2.97	19 bps	-8 bps
Domestic NIM	2.95	3.01	3.11	3.27	2.94	-1bps	-33bps
Foreign NIM	1.32	1.18	1.20	1.20	1.18	-14bps	-2bps
Cost-income ratio	52.5	57.2	50.3	50.6	52.5	-2 bps	187 bps
Tax Rate (%)	(94.4)	43.1	40.5	49.1	28.0	NA	-2115 bps
Asset quality							
Gross NPA	1,728	1,685	1,616	1,597	1,490	(13.7)	(6.7)
Net NPA	659	656	599	582	519	(21.2)	(10.9)
Gross NPAs (%)	7.53	7.53	7.19	6.94	6.15	-138 bps	-79 bps
Net NPAs (%)	3.01	3.07	2.79	2.65	2.23	-78 bps	-42 bps
Delinquency Ratio (%)	1.50	3.15	1.71	3.70	1.47	199 bps	-223 bps
Calc. coverage (%)	61.86	61.05	62.92	63.52	65.17	331 bps	165 bps
Reported coverage (%)	78.70	79.34	81.23	81.73	83.62	492 bps	189 bps
SMA I (Rs bn)	50.0	71.9	106.8	44.2	35.9	(28.1)	(18.8)
SMA II (Rs bn)	27.7	31.0	76.3	36.8	36.7	32.8	(0.1)
Total SMA (Rs bn)	77.6	102.9	183.1	81.0	72.7	(6.4)	(10.3)
SMA I (%)	0.23	0.34	0.50	0.20	0.15	-5 bps	-5 bps
SMA II (%)	0.13	0.15	0.36	0.17	0.16	-1 bps	-1 bps
Total SMA (%)	0.36	0.48	0.85	0.37	0.31	-6 bps	-6 bps

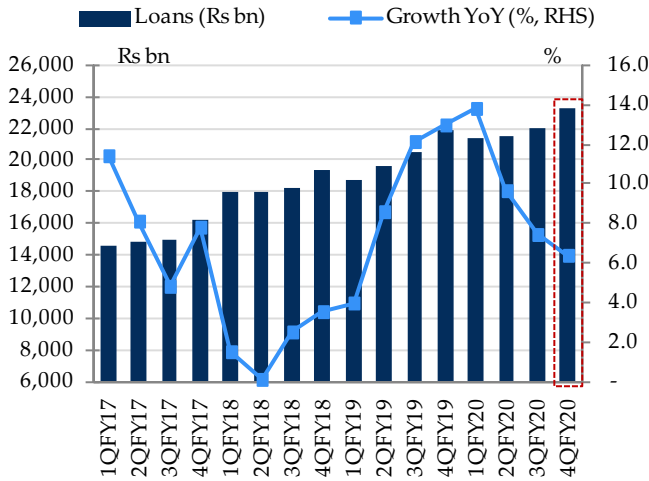
Source: Bank, HSIE Research

Change In Estimates

Rs bn	FY21E			FY22E		
	Old	New	Change	Old	New	Change
NII	1,092.3	1,016.4	-6.9%	1,190.5	1,110.6	-6.7%
PPOP	690.0	645.4	-6.5%	721.3	714.2	-1.0%
PAT	197.9	104.6	-47.2%	251.1	206.0	-18.0%
ABV (Rs)	183.1	166.8	-8.9%	226.6	207.0	-8.6%

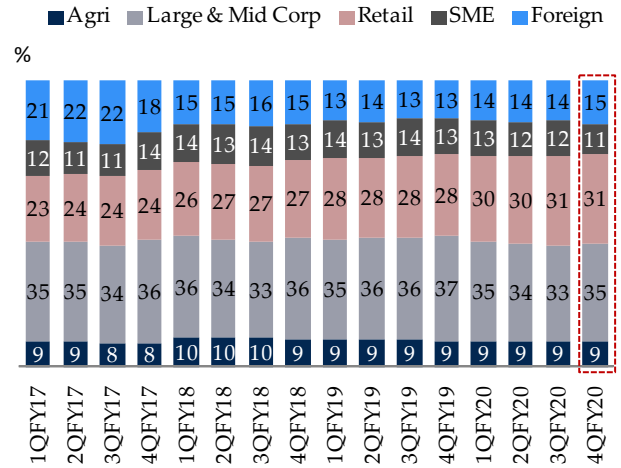
Source: HSIE Research

Loan growth slows



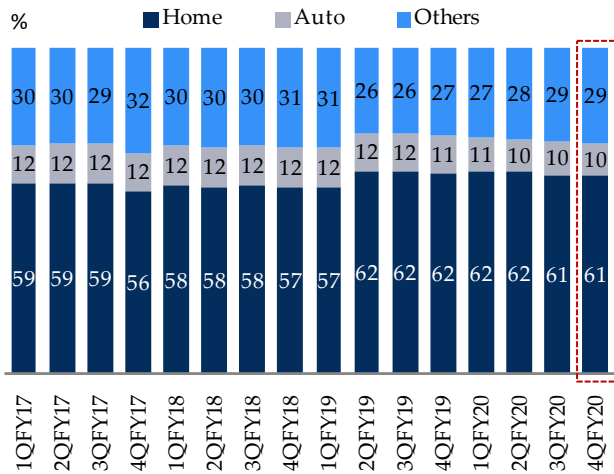
Source: Bank, HSIE Research

Loan mix: Share of corporate loans rises QoQ



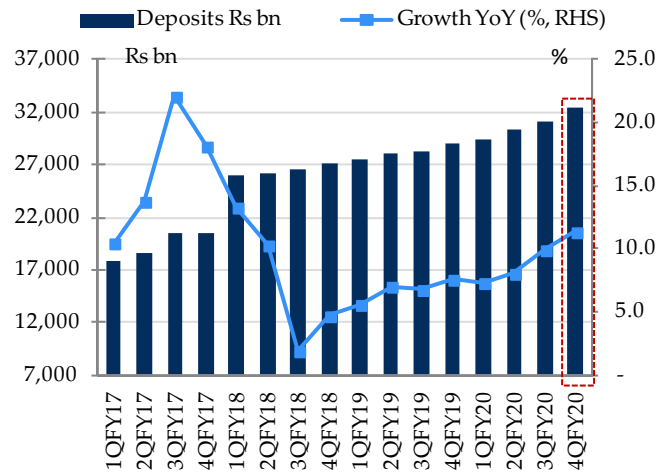
Source: Bank, HSIE Research

Retail loan mix: Home loans dominate



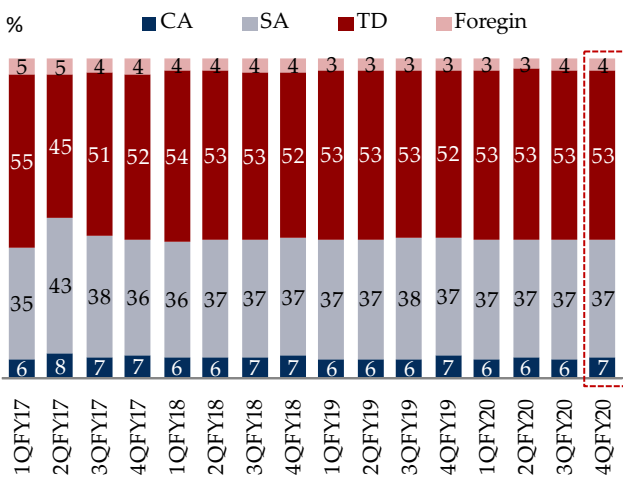
Source: Bank, HSIE Research

Deposits grow 11.3% YoY



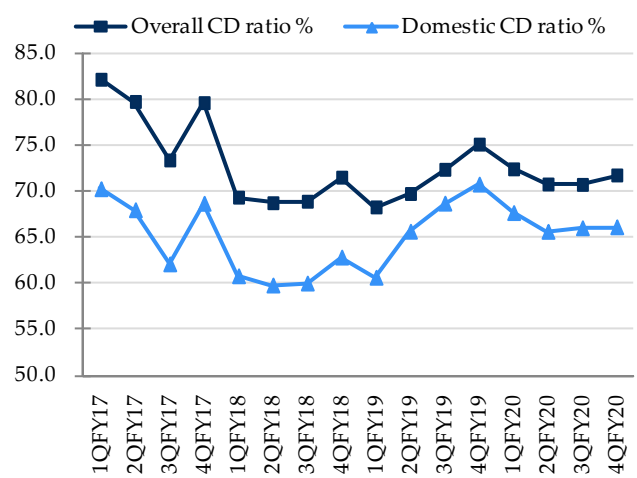
Source: Bank, HSIE Research

CASA ratio at 43.5%



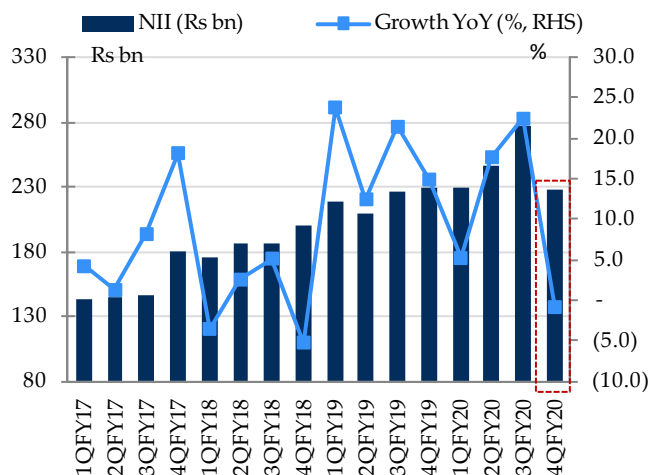
Source: Bank, HSIE Research

Overall and domestic CD ratios



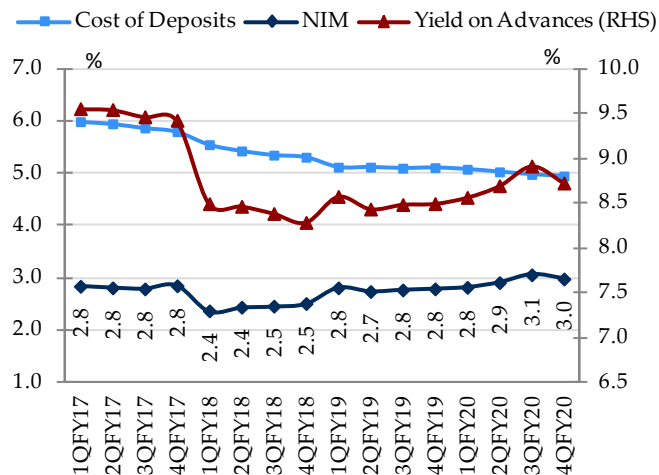
Source: Bank, HSIE Research

NII dips QoQ



Source: Bank, HSIE Research

NIMs fall QoQ



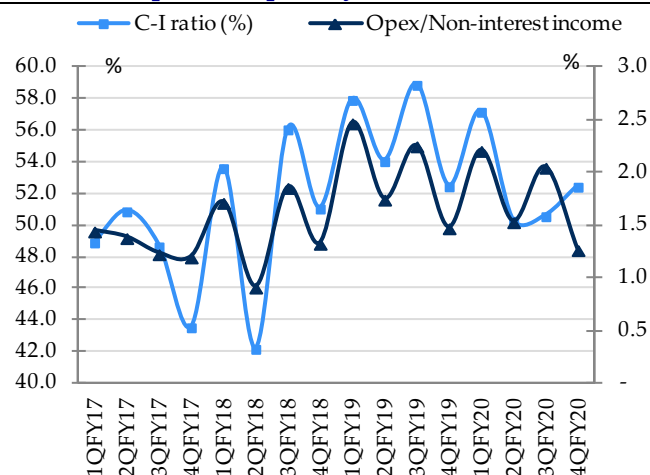
Source: Bank, HSIE Research

Non-interest income split

Rs bn	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19	1Q FY20	2Q FY20	3Q FY20	4QFY 20
CEB	34.0	43.2	41.1	60.8	48.7	53.6	49.8	84.3	49.8	50.2	47.2	85.9	51.8	50.4	56.4	78.7
% Loan (Ann.)	0.94	1.21	1.14	1.61	1.06	1.19	1.10	1.79	1.04	1.05	0.94	1.62	0.96	0.94	1.04	1.39
Treasury	27.2	22.9	39.7	17.7	17.7	85.7	10.3	9.4	(12.6)	28.9	4.3	5.3	4.9	41.6	7.0	32.4
Forex	6.0	9.0	5.9	5.9	6.7	6.8	5.9	5.5	4.3	4.9	5.6	6.7	5.2	6.7	6.4	6.9
Dividend	1.6	1.4	-	3.9	0.2	0.9	-	3.3	0.1	-	-	-	-	-	-	-
Misc. inc.	4.6	7.8	10.9	15.0	6.8	13.3	14.8	22.5	25.3	25.4	23.2	28.9	18.4	21.5	21.4	42.8
Total	73.4	84.2	96.6	103.3	80.1	160.2	80.8	124.9	66.8	93.8	80.4	126.9	80.2	120.2	91.1	160.8
(YoY %)	44%	36%	56%	-3%	-9%	58%	-30%	2%	-17%	-41%	-1%	2%	20%	28%	13%	27%

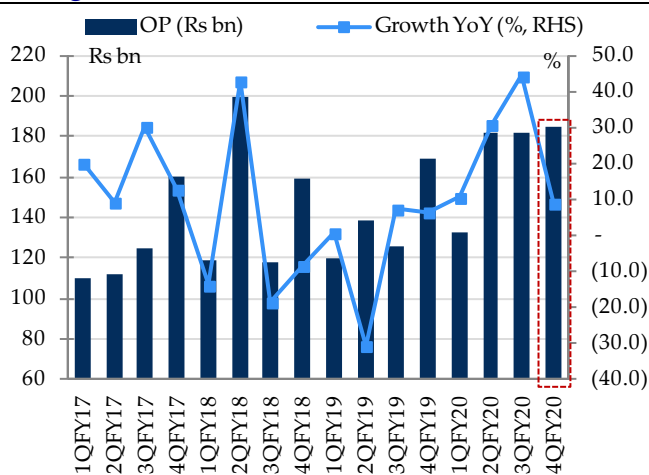
Source: Bank, HSIE Research; 1QFY18 onwards incl. SBIN + ABs + BMB

C-I Ratio Improved Optically



Source: Bank, HSIE Research

PPOP grows ~9% YoY



Source: Bank, HSIE Research

Provisions split: NPL provisions rise QoQ

Rs bn	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19	1Q FY20	2Q FY20	3Q FY20	4Q FY20
LLP	63.4	76.7	72.4	109.9	121.3	167.2	177.6	240.8	130.4	101.8	139.7	173.4	116.5	110.4	81.9	118.9
% Ann.	1.76	2.15	2.01	2.91	2.64	3.71	3.92	5.12	2.74	2.13	2.79	3.28	2.16	2.06	1.51	2.10
MTM	0.1	1.1	1.0	0.8	(7.6)	0.4	40.4	47.6	71.0	17.5	(79.9)	(16.2)	(12.3)	(9.2)	32.9	(6.0)
SA	9.2	(0.7)	13.6	2.9	(20.4)	22.8	(29.9)	(8.5)	(9.2)	1.0	(0.6)	8.1	(12.9)	3.0	(17.5)	18.7
Others	1.5	1.9	2.3	3.8	(4.0)	1.1	0.6	1.1	0.1	0.6	0.9	(0.3)	0.5	27.2	(24.8)	3.4
Total	74.1	79.0	89.4	117.4	89.3	191.4	188.8	281.0	192.3	120.9	60.1	165.0	91.8	131.4	72.5	135.0
YoY %	85%	81%	12%	-11%	-32%	29%	58%	34%	115%	-37%	-68%	-41%	-52%	9%	21%	-18%
As % PPOP*	67%	70%	71%	73%	75%	96%	161%	177%	161%	87%	48%	97%	69%	72%	40%	73%
Tax	11.2	7.9	9.9	14.7	9.4	(7.2)	(47.1)	(44.9)	(23.8)	8.7	26.6	(4.1)	17.5	20.5	53.9	13.9
(% PBT)	31%	24%	28%	34%	32%	-84%	66%	37%	33%	48%	40%	-94%	43%	40%	49%	28%

Source: Bank, HSIE Research, * PPOP: Pre-provisioning operating profits;

Asset quality movement: Slippages fall QoQ

Rs bn	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19	1Q FY20	2Q FY20	3Q FY20	4Q FY20
Opening	982	1,015	1,058	1,082	1,779	1,881	1,861	1,991	2,234	2,128	2,059	1,878	1,727	1,685	1,616	1,597
Slippages	108	119	104	104	301	106	268	328	143	109	65	80	170	91	201	83
% Ann.	3.00	3.33	2.88	2.75	6.55	2.36	5.90	6.98	3.01	2.27	1.31	1.50	3.15	1.71	3.70	1.47
Upgrades/Recoveries	28	15	21	22	80	33	44	1	149	43	66	57	58	39	136	25
Write-Offs	46	61	59	39	132	93	93	85	101	135	180	173	155	121	85	163
Closing	1,015	1,058	1,082	1,124	1,881	1,861	1,991	2,234	2,128	2,059	1,878	1,727	1,685	1,616	1,597	1,491
QoQ %	3%	4%	2%	4%	6%	-1%	7%	12%	-5%	-3%	-9%	-8%	-2%	-4%	-1%	-7

Source: Bank, HSIE Research

Segment wise slippages: Sharp surge in Agri; SME dips

Rs bn	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Corp	83.6	45.8	218.2	290.4	37.0	31.9	13.1	22.8	53.5	32.4	94.7	15.6
SME	62.6	12.5	19.8	-	17.7	38.3	19.6	26.9	39.6	15.2	15.8	2.3
Agri	71.5	25.5	15.6	-	27.5	27.0	11.3	20.9	42.4	30.8	29.7	52.4
Retail	44.7	6.9	4.7	37.8	17.0	9.8	4.9	5.3	24.4	6.5	8.2	6.0
Foreign	-	-	-	-	-	-	-	-	2.2	3.2	16.9	4.8

Segment wise slippages (%)

(%, ann.)	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Corp	9.3	5.0	24.3	30.3	4.2	2.5	0.7	1.1	2.6	1.7	4.9	0.8
SME	10.4	2.0	3.0	-	2.6	5.7	2.8	3.7	5.6	2.2	2.3	0.3
Agri	17.7	5.4	3.2	-	5.8	5.7	2.3	4.2	8.4	6.1	5.8	10.1
Retail	4.0	0.6	0.4	2.8	1.2	0.7	0.3	0.3	1.5	0.4	0.5	0.3
Foreign	-	-	-	-	-	-	-	-	0.3	0.4	2.1	0.6

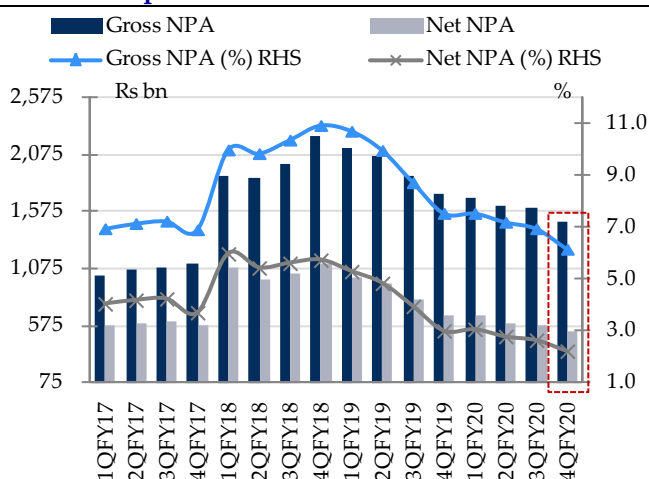
Segment wise GNPA: Corp Asset quality improvement continues

Rs bn	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Corporate	1,250	1,250	1,408	1,626	1,548	1,463	1,309	1,160	1,064	998	937	816
SME	304	275	246	257	251	271	258	247	262	252	261	252
Agri	180	190	193	212	218	218	219	234	263	276	289	327
Retail	76	71	69	67	73	69	68	67	77	71	75	79
Foreign	70	75	74	72	38	37	24	19	19	19	34	17
Total	1,881	1,861	1,991	2,234	2,128	2,059	1,878	1,728	1,685	1,616	1,597	1,491

Segment wise GNPA (%): Agri NPLs remain elevated

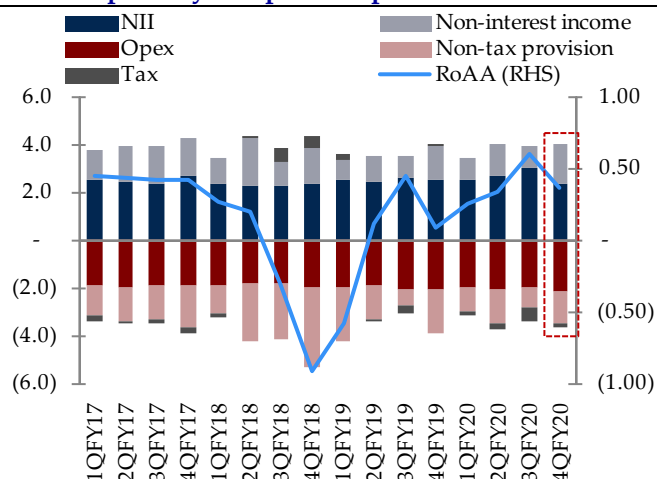
(%)	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Corporate	33.2	34.4	39.8	39.5	53.7	19.6	16.9	13.6	13.6	13.0	12.2	9.7
SME	11.9	10.9	9.2	9.5	9.1	10.2	8.8	8.6	9.3	9.2	9.4	9.4
Agri	9.5	9.9	10.0	11.2	11.6	11.4	11.0	11.6	13.1	13.6	13.8	15.9
Retail	1.6	1.4	1.3	1.2	1.3	1.2	1.1	1.0	1.2	1.0	1.0	1.1
Foreign	2.5	2.6	2.5	2.4	1.4	1.3	0.9	0.6	0.6	0.6	1.1	0.5
Total	10.0	9.8	10.4	10.9	10.7	10.0	8.7	7.5	7.5	7.2	6.9	6.2

G/NNPAs dip



Source: Bank, HSIE Research

RoAA Dip led by sharp rise in provisions



Source: Bank, HSIE Research

Peer Set Comparison

	MCap (Rs bn)	CMP (Rs)	Rating	TP (Rs)	ABV (Rs)			P/E (x)			P/ABV (x)			ROAE (%)			ROAA (%)		
					FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
AUBANK	147	483	ADD	549	124	137	163	23.7	23.3	19.2	3.78	3.43	2.88	16.6	13.3	14.1	1.61	1.35	1.39
AXSB#	1,144	405	BUY	541	268	292	341	67.1	11.8	8.8	1.44	1.32	1.12	2.1	10.4	12.4	0.19	0.98	1.20
CUBK	100	136	BUY	176	66	72	83	13.1	13.2	12.3	2.04	1.87	1.63	14.6	12.7	12.1	1.61	1.47	1.43
DCBB	22	70	ADD	100	93	94	114	6.4	7.2	5.6	0.75	0.74	0.61	10.3	8.5	9.9	0.91	0.76	0.89
FB	94	47	BUY	62	65	67	76	6.1	8.0	6.1	0.73	0.71	0.62	11.1	7.9	9.5	0.91	0.63	0.76
ICICIBC#	2,313	357	BUY	442	155	173	201	19.6	10.8	8.7	1.55	1.35	1.15	6.3	10.9	12.1	0.77	1.23	1.39
IIB	300	423	ADD	575	459	512	575	6.6	10.2	7.2	0.92	0.83	0.74	14.7	8.1	10.2	1.51	0.93	1.21
KMB#	2,650	1,340	ADD	1,282	240	292	330	33.8	34.0	29.0	4.38	3.70	3.17	13.6	11.6	11.1	1.78	1.67	1.75
KVB	21	27	REDUCE	33	56	53	62	9.0	5.4	4.6	0.48	0.50	0.43	3.7	6.0	6.9	0.33	0.53	0.59
RBK	64	126	REDUCE	136	185	194	215	12.7	13.2	7.8	0.68	0.65	0.59	5.6	4.5	7.2	0.60	0.53	0.84
SBIN#	1,676	188	BUY	270	176	167	207	4.6	6.5	3.2	0.43	0.46	0.36	6.4	4.4	8.2	0.38	0.26	0.48

Source: Bank, HSIE Research, # Adjusted for subsidiaries value

Financials

Income Statement

(Rs bn)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Interest Earned	1,524.0	1,640.0	1,755.2	2,205.0	2,428.7	2,573.2	2,633.3	2,801.5
Interest Expended	973.8	1,068.0	1,136.6	1,456.5	1,545.2	1,592.4	1,616.8	1,690.9
Net Interest Income	550.2	571.9	618.6	748.5	883.5	980.8	1,016.4	1,110.6
Other Income	225.8	278.4	354.6	446.0	367.7	452.2	426.7	449.2
Fee Income (CEB)	131.7	156.6	162.8	230.0	233.0	237.3	262.5	280.8
Treasury Income	36.2	50.2	107.5	123.0	10.2	85.8	32.5	33.5
Total Income	775.9	850.4	973.2	1,194.5	1,251.2	1,433.1	1,443.1	1,559.8
Total Operating Exp	380.5	417.8	464.7	599.4	696.9	751.7	797.7	845.6
Employee Expense	235.4	251.1	264.9	331.8	410.5	457.1	492.1	520.5
PPOP	395.4	432.6	508.5	595.1	554.4	681.3	645.4	714.2
Provisions & Contingencies	202.2	294.8	359.9	750.4	538.3	430.7	505.7	438.8
Prov. for NPAs (incl. std prov.)	203.4	291.4	354.1	677.7	545.4	419.0	510.7	443.8
PBT	193.1	137.7	148.6	-155.3	16.1	250.6	139.7	275.3
Provision for Tax	62.1	38.2	43.7	-89.8	7.5	105.8	35.2	69.3
PAT	131.0	99.5	104.8	-65.5	8.6	144.9	104.6	206.0

Source: Bank, HSIE Research

Balance Sheet

(Rs bn)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
SOURCES OF FUNDS								
Share Capital	7.5	7.8	8.0	8.9	8.9	8.9	8.9	8.9
Reserves	1,276.9	1,435.0	1,874.9	2,182.4	2,200.2	2,311.1	2,403.7	2,586.0
Shareholders' Funds	1,284.4	1,442.7	1,882.9	2,191.3	2,209.1	2,320.1	2,412.6	2,594.9
Savings	5,273.3	5,977.5	7,432.9	10,137.7	10,917.5	11,935.7	12,830.8	13,857.3
Current	1,245.7	1,398.1	1,471.2	1,901.7	2,058.8	2,174.2	2,282.9	2,397.0
Term Deposit	9,248.9	9,931.7	11,543.4	15,023.9	16,137.6	18,306.4	19,221.7	20,759.5
Total Deposits	15,767.9	17,307.2	20,447.5	27,063.4	29,113.9	32,416.2	34,335.4	37,013.8
Borrowings	2,051.5	2,241.9	3,176.9	3,621.4	4,030.2	3,146.6	3,225.2	3,305.9
Other Liabilities & Provs	1,377.0	1,598.8	1,552.4	1,671.4	1,456.0	1,631.1	1,704.5	1,781.2
Total Liabilities	20,480.8	22,590.6	27,059.7	34,547.5	36,809.1	39,513.9	41,677.7	44,695.7
APPLICATION OF FUNDS								
Cash & Bank Balance	1,547.6	1,674.7	1,719.7	1,919.0	2,224.9	2,511.0	2,485.0	2,278.4
Investments	4,817.6	4,771.0	7,659.9	10,609.9	9,670.2	10,469.5	11,202.4	12,098.6
G-Secs	3,834.1	3,703.7	5,752.4	8,484.0	7,618.8	8,201.3	8,498.0	9,068.4
Advances	13,000.3	14,637.0	15,710.8	19,348.8	21,858.8	23,252.9	24,483.0	26,568.0
Fixed Assets	93.3	103.9	429.2	399.9	392.0	384.4	394.0	403.9
Other Assets	1,022.1	1,404.1	1,540.1	2,269.9	2,663.3	2,896.1	3,113.3	3,346.8
Total Assets	20,480.8	22,590.6	27,059.7	34,547.5	36,809.1	39,513.9	41,677.7	44,695.7

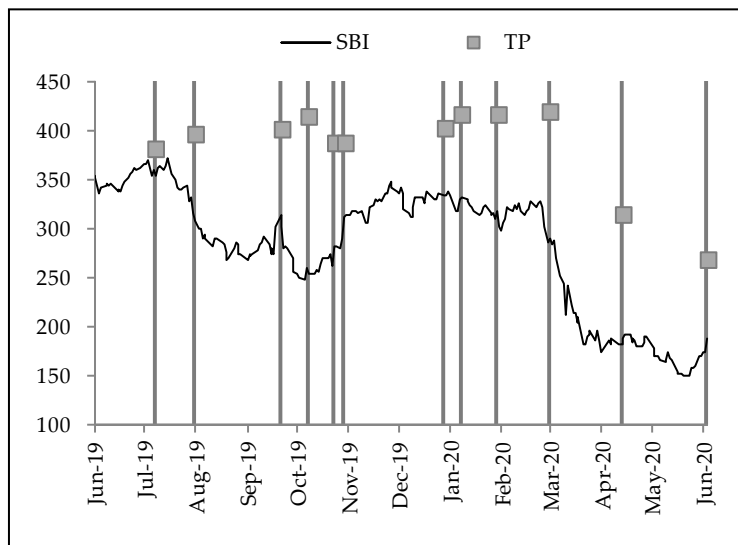
Source: Bank, HSIE Research

Key Ratios

Particulars	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
VALUATION RATIOS								
EPS (Rs)	17.5	12.8	13.1	(7.34)	1.0	16.2	11.7	23.1
Earnings Growth (%)	20.3	(24.1)	5.4	(162.5)	(113.2)	1,580.3	(27.8)	97.1
BVPS (Rs)	158.9	171.2	182.3	217.7	219.9	253.7	264.0	284.5
Core Adj. BVPS (Rs)	122.0	99.3	109.2	93.5	146.1	175.6	166.8	207.0
DPS (Rs)	3.5	2.6	2.6	-	-	-	1.2	2.3
ROAA (%)	0.69	0.46	0.42	-0.21	0.02	0.38	0.26	0.48
ROAE (%) (Core)	11.35	7.91	6.77	(3.21)	0.39	6.4	4.4	8.2
P/E (x)	6.1	8.0	7.5	(13.3)	85.5	4.6	6.5	3.2
P/ABV (x)	0.88	1.03	0.90	1.04	0.57	0.43	0.46	0.36
P/PPOP (x)	3.5	3.4	2.9	2.8	3.0	2.5	2.6	2.3
Dividend Yield (%)	1.9	1.4	1.4	-	-	-	0.6	1.2
PROFITABILITY								
Yield On Advances (%)	8.95	8.37	7.88	7.43	7.85	7.97	7.56	7.49
Yield On Investment (%)	8.03	8.82	7.76	7.06	7.34	6.77	6.75	6.75
Cost Of Funds (%)	5.80	5.72	5.27	4.87	4.84	4.64	4.42	4.34
Cost Of Deposits (%)	6.00	5.98	5.59	5.13	4.99	4.79	4.53	4.45
Core Spread (%)	3.15	2.65	2.61	2.57	3.00	3.33	3.14	3.15
NIM (%)	3.17	3.01	2.84	2.52	2.83	2.95	2.86	2.91
OPERATING EFFICIENCY								
Cost/Avg. Asset Ratio (%)	1.98	1.94	1.87	1.95	1.95	1.97	1.96	1.96
Core Cost-Income Ratio (%)	51.4	52.21	53.68	55.94	56.15	55.80	56.55	55.40
BALANCE SHEET STRUCTURE								
Loan Growth (%)	7.5	12.6	7.3	3.5	13.0	6.4	5.3	8.5
Deposit Growth (%)	13.1	9.8	18.1	4.7	7.6	11.3	5.9	7.8
C/D Ratio (%)	82.4	84.6	76.8	71.5	75.1	71.7	71.3	71.8
Equity/Assets (%)	6.3	6.4	7.0	6.3	6.0	5.9	5.8	5.8
Equity/Advances (%)	9.9	9.9	12.0	11.3	10.1	10.0	9.9	9.8
CASA (%)	41.3	42.6	43.5	44.5	44.6	43.5	44.0	43.9
Capital Adequacy Ratio (CAR, %)	12.0	13.1	13.1	12.6	12.7	13.1	12.6	12.4
W/w Tier I CAR (%)	9.6	9.9	10.4	10.4	10.7	11.0	10.7	10.5
ASSET QUALITY								
Gross NPLs (Rs bn)	567.3	981.8	1,123.4	2,234.3	1,727.5	1,490.9	1,697.2	1,465.7
Net NPLs (Rs bn)	275.9	558.1	582.8	1,108.5	658.9	519.0	701.1	524.9
Gross NPLs (%)	4.25	6.50	6.90	10.91	7.53	6.41	6.93	5.52
Net NPLs (%)	2.12	3.81	3.71	5.73	3.01	2.23	2.86	1.98
Slippages (%)	2.35%	4.65%	2.57%	8.43%	1.59%	2.42%	3.80%	2.75%
Coverage Ratio (%)	51.4	43.2	48.13	50.38	61.86	65.19	58.69	64.19
Provision/Avg. Loans (%)	1.43	1.95	2.17	3.75	2.65	1.90	2.14	1.73
ROAA TREE								
Net Interest Income	2.87%	2.66%	2.49%	2.43%	2.48%	2.57%	2.50%	2.57%
Non Interest Income	1.18%	1.29%	1.43%	1.45%	1.03%	1.19%	1.05%	1.04%
<i>Treasury Income</i>	0.19%	0.23%	0.43%	0.40%	0.03%	0.22%	0.08%	0.08%
Operating Cost	1.98%	1.94%	1.87%	1.95%	1.95%	1.97%	1.96%	1.96%
Provisions	1.05%	1.37%	1.45%	2.44%	1.51%	1.13%	1.25%	1.02%
<i>Provisions For NPAs</i>	0.93%	1.25%	1.33%	2.32%	1.53%	1.12%	1.26%	1.03%
Tax	0.32%	0.18%	0.18%	-0.29%	0.02%	0.28%	0.09%	0.16%
ROAA	0.68%	0.46%	0.42%	-0.21%	0.02%	0.38%	0.26%	0.48%
Leverage (x)	15.57	15.79	14.93	15.12	16.22	16.85	17.16	17.25
ROAE	10.62%	7.30%	6.31%	-3.21%	0.39%	6.40%	4.42%	8.23%

Source: Bank, HSIE Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
9-Jul-19	355	BUY	383
5-Aug-19	308	BUY	398
22-Sep-19	302	BUY	403
9-Oct-19	261	BUY	416
26-Oct-19	282	BUY	389
31-Oct-19	312	BUY	389
30-Dec-19	337	BUY	404
9-Jan-20	320	BUY	418
1-Feb-20	319	BUY	418
2-Mar-20	303	BUY	421
15-Apr-20	182	BUY	316
6-Jun-20	188	BUY	270

From 2nd March 2020, we have moved to new rating system

Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

Disclosure:

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