

SBI Q1FY20

A Lackluster Quarter...

- SBI reported a muted set of numbers for Q1FY20.
- Net interest income grew by 5% YoY to Rs 22,939 crs in Q1FY20 from Rs 21,798 crs in Q1FY19. Net interest margin remained flat QoQ at 2.8%
- Other income grew by 20% YoY to Rs. 8,015 crs in Q1FY20 from Rs. 6,680 crs in Q1FY19. Fee income grew by 4% year-on-year and constituted about 64% of other income in Q1FY20.
- Cost to income ratio deteriorated to 57.2% reporting an increase of 150 bps QoQ
- Net profit came in at Rs. 2,312 crs lower than expected on account of higher provisions of Rs. 9,183 crs.
- Loan growth was at 14% YoY (-2% QoQ), driven by retail loans (+19% YoY), while the corporate book grew 12% YoY (-8% QoQ). Deposit base increased 7% YoY, with the CASA mix at 43.6% (44.2% in FY19).
- Fresh slippages increased to Rs.16,212 crs; however, higher write-offs of Rs15,482 crs facilitated a 2.5% QoQ decline in GNPLs. The slippages trend remains elevated across segments, with corporate slippages at Rs 5,354 crs (of which one account of Rs.2,000 cr slipped due to a delay in signing of ICA), SME slippages at Rs3,964 crs and agri slippages at Rs4239. Provision coverage ratio was stable at 79.3% including technical write offs.
- After reporting a benign slippage rate over the past few quarters, SBI has again reported an increase in slippage trajectory, reflecting the deterioration in the underlying lending environment. The bank has lowered its guidance on core RoA to ~0.6% (excluding NCLT write-backs) and increased the credit cost guidance to 1.4% for FY20.
- Gross NPA and Net NPA remained flat QoQ and came in at 7.53% and 3.1% respectively
- PCR improved by 61bps QoQ to 79.3% including technical write offs.

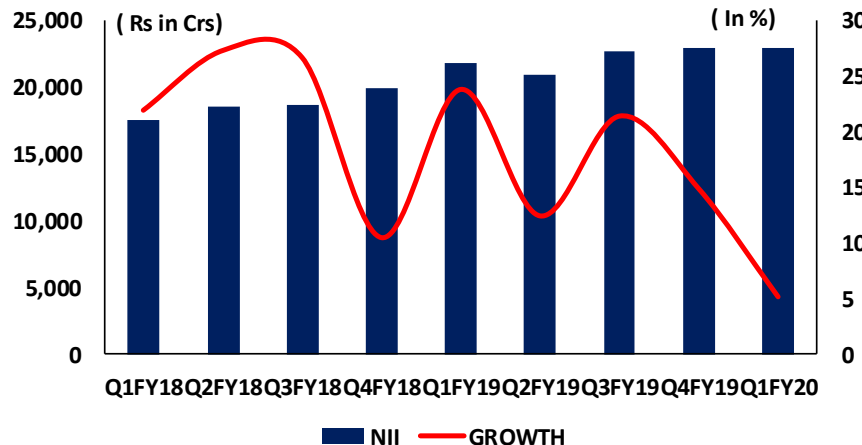
Concall highlights

- Pension provisions were higher during the quarter as yields have fallen by 100bp. Total pension provisions made during the quarter stood at Rs.4,000 crs.
- MTM on the corporate bonds is Rs.1,200 crs. The bank has a good pipeline of projects in the renewable energy, oil & gas and road projects.
- Retail sector growth is robust and among retail segments, the unsecured portfolio is growing well.
- The bank is not witnessing any slowdown in the unsecured portfolio. MTM gains have been substantial post 30th June. Total interest reversal is Rs 2, 790 crs during the quarter v/s Rs. 1,240 crs in Q1FY19.
- Provisions of Rs2300 crs made on two standard accounts (DHFL, renewable energy account), which are not part of PCR currently.
- The provisions made on the bond portfolio are ~15%, and 7.5% on the term loan. The bank is building LGDs and accordingly made provisions in the DHFL case.
- Out of 38 accounts, 18 are NPA and the remaining 20 accounts are standard. Two standard accounts out of total 20 standard accounts (exposure of Rs 19,000 cr), which are part of the resolution, constitute 70% of total exposure (Rs 14000 cr). DHFL is one of the two accounts.
- SBI Caps is assisting the resolution plan of DHFL. The last date of the resolution plan for DHFL is 6th Dec'19

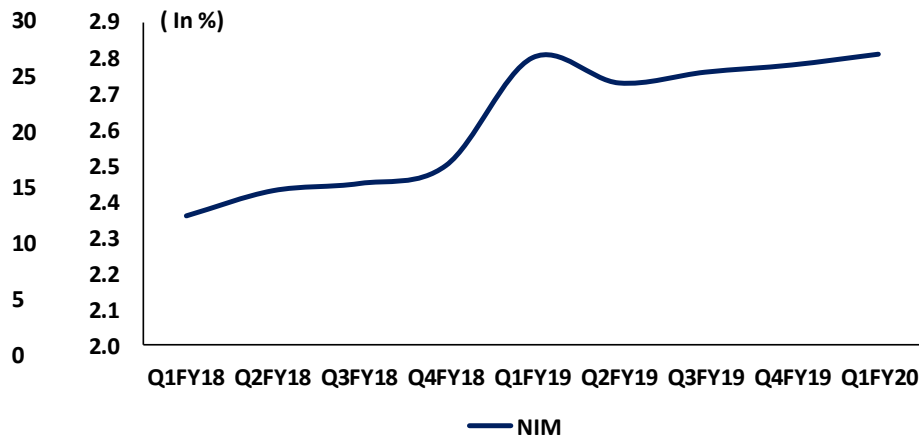
Valuation:

At the CMP of Rs. 300 the stock of SBI is trading at 1x P/Adj.BV for FY21E.

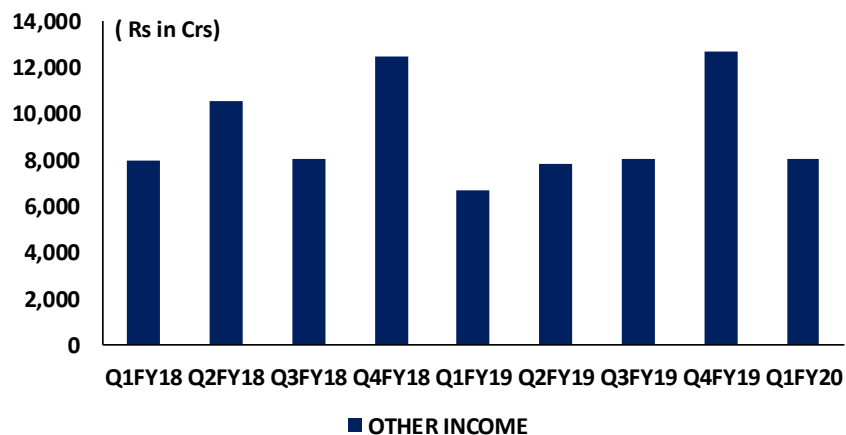
Lackluster growth in NII



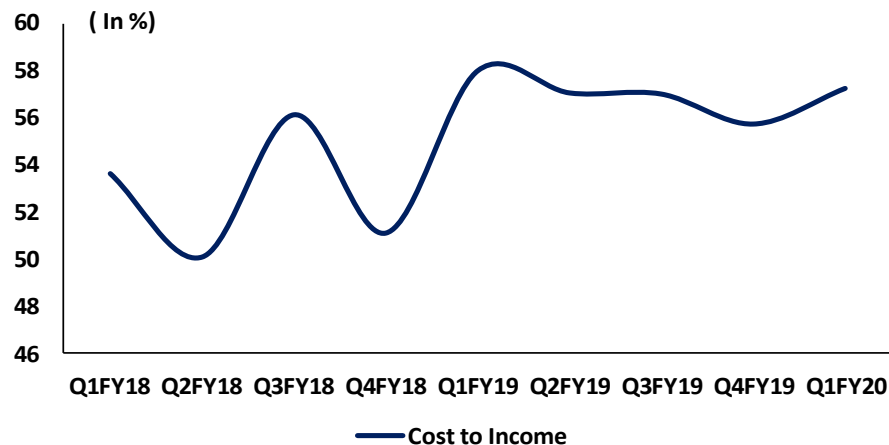
NIMs continue to rise



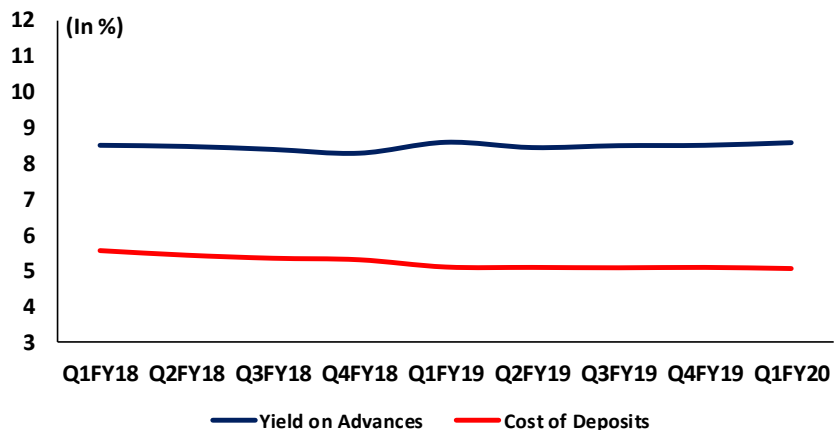
Other income



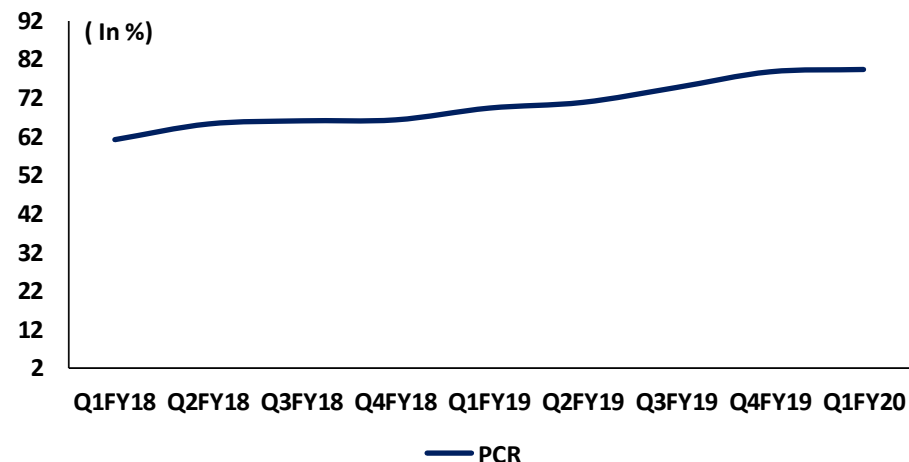
Cost to income ratio worsens



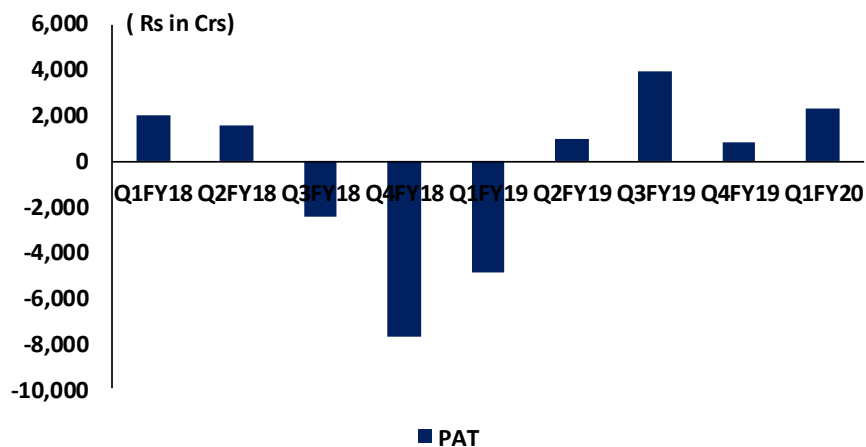
Yield and cost of funds remain stable



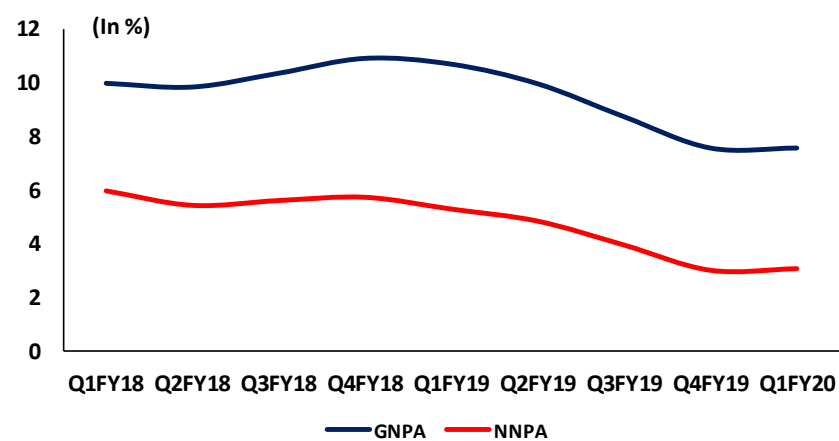
High PCR assures strong balance sheet



PAT remains benign

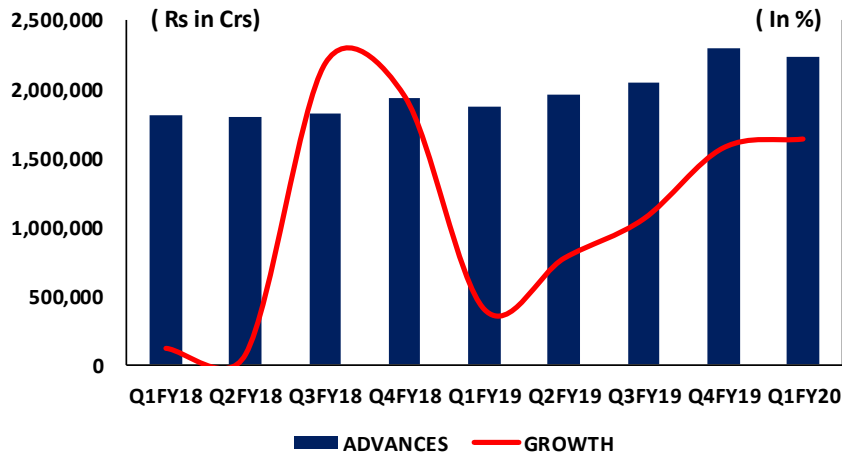


Not much improvement in Asset quality

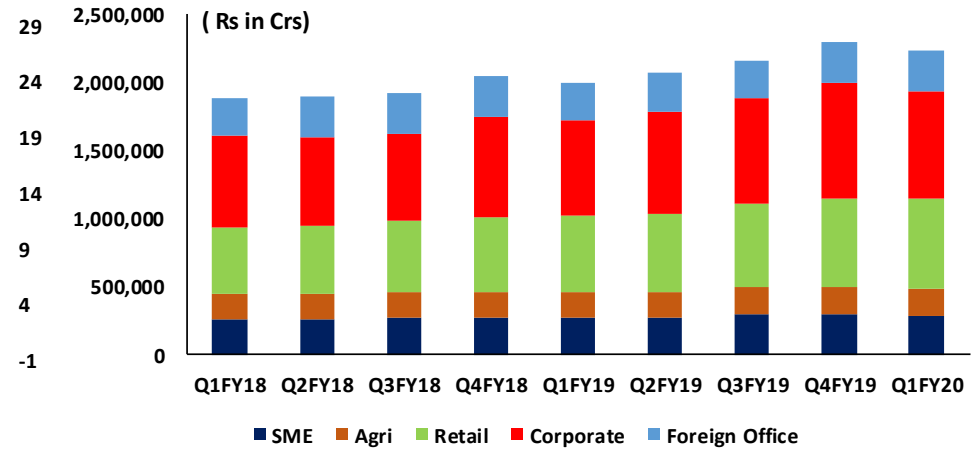


Story in charts

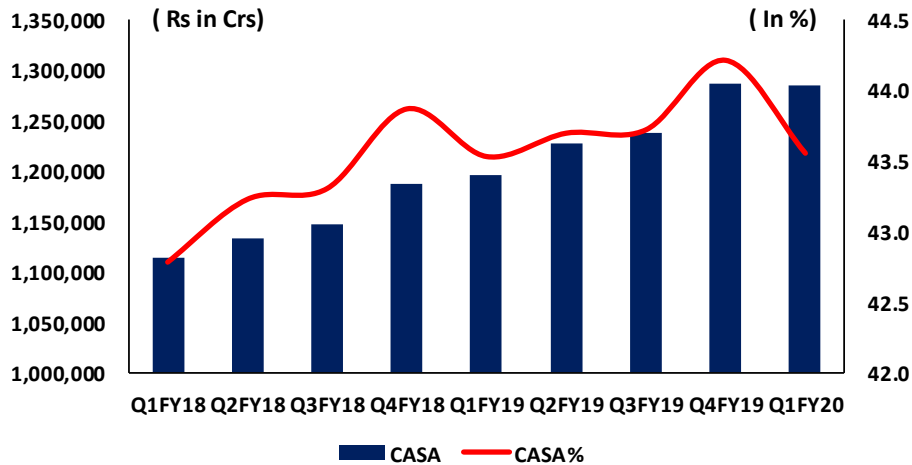
Growth in Advances continues



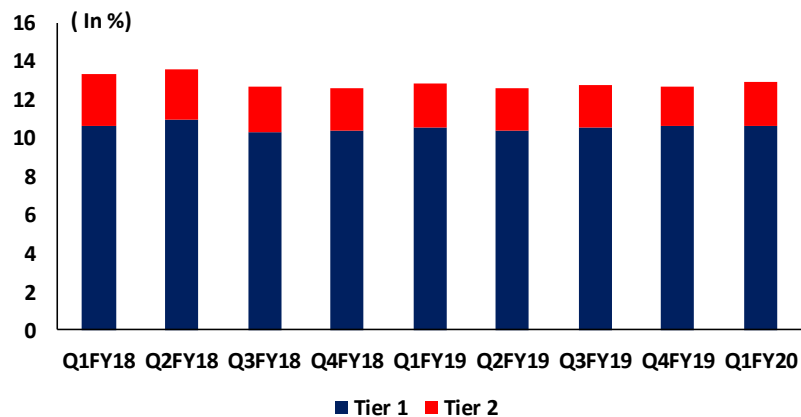
Retail share continues to rise



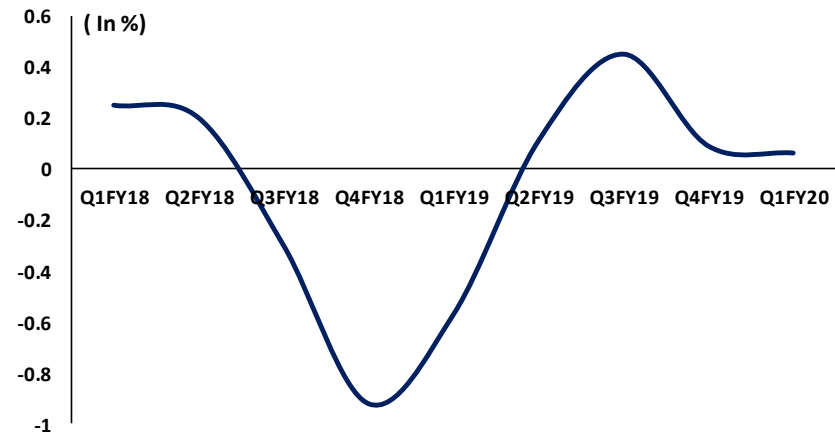
CASA remains healthy



The bank remains adequately capitalized



Return ratios remain flat



Quarterly financials

(Rs in Crs)

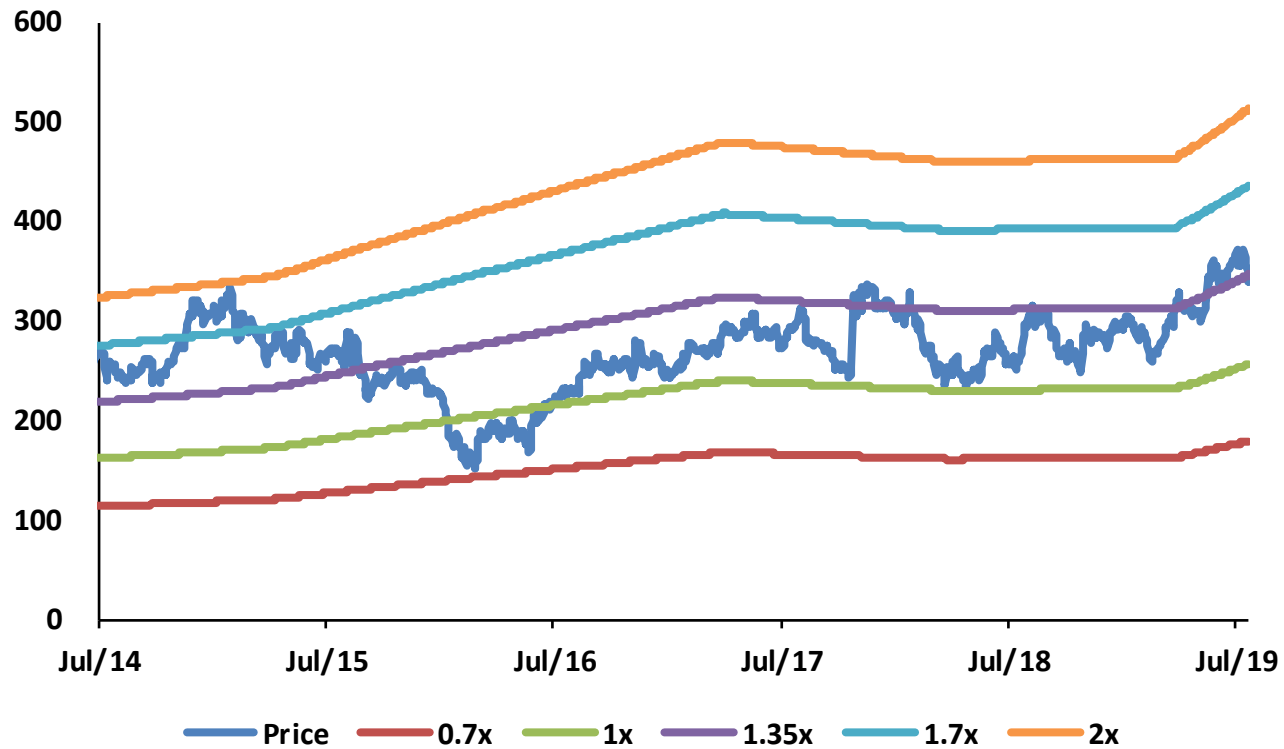
Particulars	Sep-17	Growth	Dec-17	Growth	Mar-18	Growth	Jun-18	Growth	Sep-18	Growth	Dec-18	Growth	Mar-19	Growth	Jun-19	Growth
Interest Earned	54,849.7		54,802.9		55,941.3		58,813.2		58,793.5		62,276.6		62,985.4		62,638.0	
Interest Expended	36,263.8		36,115.4		35,967.0		37,014.8		37,887.8		39,585.6		40,031.6		39,699.0	
Net Interest Income	18,585.9	5.6%	18,687.5	0.5%	19,974.3	6.9%	21,798.4	9.1%	20,905.7	-4.1%	22,691.0	8.5%	22,953.8	1.2%	22,939.0	-0.1%
<i>NIM (%)</i>	<i>2.43</i>		<i>2.5</i>		<i>2.5</i>		<i>2.8</i>		<i>2.7</i>		<i>2.8</i>		<i>2.8</i>		<i>2.8</i>	
Other Income	10,579.9		8,084.2		12,494.8		6,679.5		7,814.5		8,035.2		12,685.1		8,015.0	
Total Income	29,165.8	13.9%	26,771.7	-8.2%	32,469.1	21.3%	28,477.9	-12.3%	28,720.2	0.9%	30,726.2	7.0%	35,639.0	16.0%	30,954.0	-13.1%
Operating Expenses	14,602.8		15,017.1		16,585.9		16,504.7		16,375.9		18,101.3		18,705.9		17,708.0	
<i>Cost to Income Ratio (%)</i>	<i>50.1</i>		<i>56.1</i>		<i>51.1</i>		<i>58.0</i>		<i>57.0</i>		<i>56.9</i>		<i>55.7</i>		<i>57.2</i>	
Operating Profit before Prov.& Cont.	14,563.0	22.6%	11,754.6	-19.3%	15,883.2	35.1%	11,973.1	-24.6%	12,344.3	3.1%	12,625.0	2.3%	16,933.1	34.1%	13,246.0	-21.8%
Exceptional Items	5,436.2		-		-		-		1,560.6		-		-		-	
Provisions and Contingencies	19,137.4	<i>114.3%</i>	18,876.2	<i>-1.4%</i>	28,096.1	<i>48.8%</i>	19,228.3	<i>-31.6%</i>	12,092.2	<i>-37.1%</i>	6,006.2	<i>-50.3%</i>	16,501.9	<i>174.7%</i>	9,183.0	<i>-44.4%</i>
PBT	861.7	-70.7%	(7,121.6)	-926.5%	(12,212.9)	-71.5%	(7,255.1)	40.6%	1,812.7	125.0%	6,618.7	265.1%	431.2	-93.5%	4,063.0	842.3%
Tax	(719.8)		(4,705.3)		(4,494.7)		(2,379.3)		867.8		2,663.9		(407.2)		1,751.0	
Profit After Tax	1,581.6	-21.1%	(2,416.4)	-252.8%	(7,718.2)	-219.4%	(4,875.9)	36.8%	944.9	119.4%	3,954.8	318.6%	838.4	-78.8%	2,312.0	175.8%

Yearly financials

(Rs in Crs)

Particulars	Mar-14	Growth	Mar-15	Growth	Mar-16	Growth	Mar-17	Growth	Mar-18	Growth	Mar-19	Growth
Interest Earned	136,350.8		152,397.1		163,998.3		175,518.2		220,499.3		242,868.7	
Interest Expended	87,068.6		97,381.8		106,803.5		113,658.5		145,645.6		154,519.8	
Net Interest Income	49,282.2	11.2%	55,015.3	11.6%	57,194.8	4.0%	61,859.7	8.2%	74,853.7	21.0%	88,348.9	18.0%
<i>NIM (%)</i>	<i>2.83%</i>		<i>2.84%</i>		<i>2.59%</i>		<i>2.47%</i>		<i>2.35%</i>		<i>2.95%</i>	
Other Income	18,552.9		22,575.9		27,845.4		35,460.9		44,600.7		35,214.3	
Total Income	67,835.1	12.4%	77,591.1	14.4%	85,040.2	9.6%	97,320.7	14.4%	119,454.4	22.7%	123,563.2	3.4%
Operating Expenses	35,725.9	22.0%	38,053.9	6.5%	41,782.4	9.8%	46,472.8	11.2%	59,943.4	29.0%	69,687.7	16.3%
<i>Cost to Income Ratio (%)</i>	<i>52.7%</i>		<i>49.0%</i>		<i>49.1%</i>		<i>47.8%</i>		<i>50.2%</i>		<i>55.7%</i>	
Operating Profit before Prov.& Cc	32,109.2		39,537.3		43,257.8		50,847.9		59,511.0		53,875.5	
Exceptional Items	-		-		-		-		-		1,560.6	
Provisions and Contingencies	15,935.4	43.2%	20,223.3	26.9%	29,483.8	45.8%	35,992.7	22.1%	75,039.2	108.5%	53,828.6	-28.3%
Profit Before Tax	16,173.9	-18.9%	19,314.0	19.4%	13,774.1	-28.7%	14,855.2	7.8%	(15,528.2)	-204.5%	1,607.5	110.4%
Taxes	5,282.7		6,212.4		3,823.4		4,371.1		(8,980.8)		745.3	
Profit After Tax	10,891.2	-22.8%	13,101.6	20.3%	9,950.7	-24.0%	10,484.1	5.4%	(6,547.5)	-162.5%	862.2	113.2%

1 year forward P/B trend





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