

Business Overview

SBI is India's largest commercial bank with balance sheet size of ~INR39tn and a market cap of ~INR1.6tn. It has nearly >21k branches on standalone basis. Over the past two years, the bank has sharpened focus on retail credit to provide itself the necessary growth momentum and improve spreads. Further, to manage operations better, SBI has integrated its treasury operations and has a common technology platform across all its six subsidiary banks. This has increased synergies amongst its banking subsidiaries

Key highlights

- State Bank of India (SBI) reported a substantial improvement in slippage and asset quality in Q4FY20. Its deposits and advances grew broadly in-line with expectations and the result was impressive from the asset quality perspective.
- Bank has crafted detailed plans in the coming years to preserve its core operating profit by way of (a) Cost reduction, (b) Maintaining NIM by reducing deposit rate whenever necessary and (c) Monetisation of investments.
- 82% of retail customer has paid 2 or more installment (as at May end) during the moratorium . Furthermore, > 92% of retail customer has paid 1 or more installment.
- In Corporate segment 13% in volume terms (7-8% in terms of value) has opted for moratorium – more as measure of liquidity conservation than as a part of stress
- On normal course business the bank has guided about slippages of 1.5-1.6% levels
- Armed with a strong franchise, not to mention slackened competition, the bank aims to build up the business. We believe improving growth with steady/improving NIM will aid revenue traction.
- Higher provisioning buffer, sagging competition and strong positioning (to exploit emerging opportunities) would restrict downside in SBI.
- Besides, value embedded in non-banking subsidiaries is unfolding higher.

Risks

- Macro economic risk is the biggest risk for SBI, given its size and exposures.
- Increasing geographic penetration by newer private sector banks can lead to faster than expected decline in market share.

QUICK DATA

Face Value (Rs.)	1.0
Div. Yield (%)	-
No of shares ('cr)	892.5
52-week High/Low (Rs.)	374 /149
NSE Symbol	SBIN
BSE Code	500112
Edel Code	SBIN
Market cap (Rs. bn)	1662

SHAREHOLDING PATTERN (%)

Promoters	56.9
MFs, Fls & Banks	24.4
Fls	9.5
Others	9.3

EDELWEISS CLASSIFICATION

Market Cap	Large Cap
Relative Risk	Low
Relative Reco	Outperform
Sector Rating	Overweight

Edelweiss Ratios

Company	SBIN
1 Wk Price performance (%)	-6.1
3 M Price performance (%)	-3.3
PE (x)	2.9
PB (x)	0.3
Return on Equity (%)	9.3

Financial Snapshot

Year to March	FY19	FY20	FY21E	FY22E
Net Revenue	1,25,124	1,43,066	1,60,300	1,78,835
Revenue Growth (%)	18.0	14.3	12.0	11.6
PPOP	55,436	68,703	79,030	87,692
Adjusted PAT	862	19,587	35,848	40,371
Adjusted diluted EPS (INR)	1.0	20.7	37.9	42.7
EPS Growth (%)	-113.2	2171.6	83.0	12.6
ROAE (%)	0.4	9.3	14.9	14.7

Technical View

	S1	S2	R1	R2
State Bank of India	182.95	179.65	190.25	193.55

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