

**CMP: INR 820**

**Rating: BUY**

**Target Price: INR 1,020**

**Stock Info**

BSE	500112
NSE	SBIN
Bloomberg	SBIN IN
Reuter	SBI.BO
Sector	Banks
Face Value (INR)	1
Equity Capital (INR Mn)	8,924
Mkt Cap (INR Bn)	7,316
52w H/L (INR)	840 / 543
Avg Yearly Vol (in 000')	17,540

**Shareholding Pattern %**

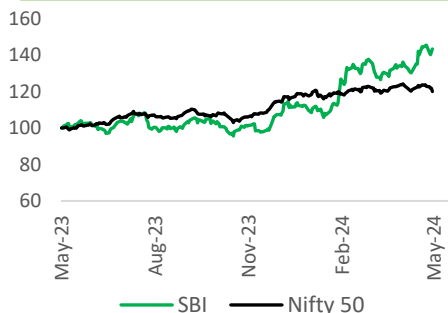
(As on March, 2024)

Promoters	57.54
Public & Others	42.46

**Stock Performance (%)**

	1m	6m	12m
SBIN	5.5	41.5	43.3
Nifty 50	-3.5	13.0	19.9

**SBIN Vs Nifty**



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SBI reported a net profit of INR 207 bn in Q4FY24 v/s INR 166.9 bn in Q4FY23. The bank has reported profit growth of 125.9% QoQ/up 24% YoY led by increase in Advances to INR 37 trillion up by 5.2% QoQ/15.8% YoY despite the bank's wage growth expected in FY25 by INR 70 bn for full year and Pension provisioning of INR 71 bn as a one-time impact during Q3FY24. NII grew by 4.6% QoQ/3.1% YoY to INR 416.6 bn, driven by advances growth of 5.2% QoQ/15.8% YoY. NIM for the overall bank stood at 3.28%, sequentially flat & down 9 bps YoY. GNPA improved further by 18 bps QoQ/54 bps YoY to 2.24%, whereas NNPA also decreased by 7 bps QoQ/10 bps YoY to 0.57%. Slippages ratio decreased from 0.65% to 0.62% for FY24 and Credit cost too came down to 0.29%.

**NIMs stayed stable sequentially, led by increasing Yields:** Net Interest Income during the quarter stood at INR 416.6 bn (v/s INR 398.2 bn in Q3FY24), up by 4.6% QoQ/3.1% YoY, led by increase in Yield on advances by 3 bps QoQ to 8.91% and Yield on Investments increasing by 5 bps QoQ to 7.0%. The interest expenses increased by 3.7% QoQ/32.0% YoY to INR 693.9 bn, whereas interest income increased only by 4.0% QoQ/19.5% YoY to INR 1,110.4 bn. NIMs stayed stable at 3.28% sequentially and down 9 bps YoY. Cost of deposits increased by 6 bps QoQ/82 bps YoY at 4.81% during the quarter v/s 4.75% in Q3FY24. Further, CASA ratio was at 41.11%, declining marginally by 7 bps QoQ/269 bps YoY. Yield on advances improved by 81 bps YoY/3 bps QoQ at 8.91%.

**Loan growth best among Public sector Banking Peers with repricing and higher risk weightage on unsecured loans & exposure to NBFCs being passed on:** Advances growth for the quarter stood at INR 37.0 tn growing by 5.2% QoQ/15.8% QoQ. The advances growth is expected to be driven by RAM segment as Retail Personal loans grew by 14.68% YoY. SME advances growth was robust at 20.53% YoY and Agri book grew by 17.92% YoY, while corporate advances increased by 16.17% YoY. Within retail, Home loan segment increased by 13.29% YoY, Xpress Credit book was up by 14.62% and other Personal segment loan were up 14.68% YoY. Deposits growth was just a tad behind at 3.2% QoQ/11.1% YoY to INR 49.16 tn. CASA ratio on the other hand remained stable in Q4FY24 to 41.11% sequentially.

**Slippage ratio & Credit Cost fell sequentially:** Bank has reported slippages of INR 20.3 bn during FY24 against INR 18.4 bn of slippages in FY23 as slippage ratio came down to 0.62% from 0.67% in the previous quarter. Recoveries and upgrades came down to INR 20.52 bn vs INR 17.98 bn in Q3FY24. GNPA improved a notch further by 18 bps QoQ/54 bps YoY to 2.24%, whereas NNPA went down by 7 bps QoQ/10 bps YoY to 0.57%. Total Restructuring book of the bank declined from INR 243 bn as of March 2023 to INR 173 bn in March 2024. SMA 1&2 book (>5 cr) decreased marginally from INR 41.3 bn in Q3FY24 to INR 33 bn in March 2024.

**Valuation & View:** SBI has posted one of the best asset quality among large PSU Banks with Credit costs at decadal best levels. While the Provisioning for wage hike by 17% and Pension Provisioning impacted the Q3FY24 Profits, we believe the FY25 Profits would increase more significantly with both being taken care of within FY24. We don't see the NIMs deteriorating any further from current levels and Cost of deposits also normalized below 5% as CASA is expected to hold above 40% levels in future as well. We trust the bank's risk mitigation frameworks and don't see any substantial risk to the Asset quality as the Bank does not have any lumpy corporate NPA account as of Q4FY24. Hence, **we revise our estimates on account of prudent Provisioning taken by the bank of INR 320 bn (Outside of PCR) and maintain our stance on SBI with a BUY rating based on upgraded P/ABV multiple of 1.2x on FY27E ABV of INR 734 to an intrinsic value of INR 881 (standalone) and valuing its subsidiaries at INR 139 (at 40% hold co discount) to arrive at a Target Price of INR 1,020.**

**Exhibit 1: Financial Performance**

State Bank of India (INR Bn)	FY24A	FY25E	FY26E	FY27E
NII	1,599	1,952	2,095	2,265
PPOP	938	1,248	1,463	1,629
PAT	611	922	1,088	1,216
BVPS (INR / Share)	422.7	525.5	646.9	782.7
RoA (%)	1.0%	1.4%	1.4%	1.4%
RoE (%)	16.2%	19.7%	18.8%	17.4%
P/ABV (x)	1.7	1.3	1.1	0.9

Source: Arihant Research, Company Filings

## Q4FY24 - Quarterly Performance (Standalone)

Quarterly Result Update (INR Bn)	Q4FY24	Q3FY24	Q4FY23	Q-o-Q	Y-o-Y
Interest Income	1,110.4	1,067.3	929.5	4.0%	19.5%
Interest Expended	693.9	669.2	525.6	3.7%	32.0%
<b>Net Interest Income</b>	<b>416.6</b>	<b>398.2</b>	<b>403.9</b>	<b>4.6%</b>	<b>3.1%</b>
Other Income	173.7	114.6	139.6	51.6%	24.4%
Operating Income	590.2	512.7	543.5	15.1%	8.6%
<b>Operating Expenses</b>	<b>302.8</b>	<b>309.4</b>	<b>297.3</b>	<b>-2.1%</b>	<b>1.8%</b>
Employee Expenses	163.5	193.6	176.2	-15.6%	-7.2%
Other Operating Expenses	139.3	115.8	121.2	20.3%	15.0%
<b>PPOP</b>	<b>287.5</b>	<b>203.4</b>	<b>246.2</b>	<b>41.4%</b>	<b>16.8%</b>
Provisions	16.1	77.9	33.2	-79.3%	-51.4%
PBT	271.4	125.5	213.1	116.3%	27.4%
Tax Expenses	64.4	33.8	46.1	90.3%	39.7%
<b>Net Income</b>	<b>207.0</b>	<b>91.6</b>	<b>166.9</b>	<b>125.9%</b>	<b>24.0%</b>
<b>Balance Sheet Analysis</b>					
Advances	37,040	35,195	31,993	5.2%	15.8%
Deposits	49,161	47,622	44,238	3.2%	11.1%
Total Assets	61,797	59,656	55,170	3.6%	12.0%
CASA Deposits	19,420	18,813	18,629	3.2%	4.2%
CASA (%)	41.11%	41.18%	43.80%	-7bps	-269bps
CAR (%)	14.28%	13.05%	14.68%	123bps	-40bps
<b>Spreads</b>					
NIMs (%)	3.28%	3.28%	3.37%	0bps	-9bps
Cost of Deposits	5.13%	4.75%	3.99%	38bps	114bps
Yield on Average Advances	8.91%	8.88%	8.10%	3bps	81bps
<b>Asset Quality</b>					
GNPA	842.76	867.49	909.28	-2.9%	-7.3%
NNPA	210.51	224.08	214.67	-6.1%	-1.9%
GNPA (%)	2.24%	2.42%	2.78%	-18bps	-54bps
NNPA (%)	0.57%	0.64%	0.67%	-7bps	-10bps
Credit Costs	0.29%	0.25%	0.32%	4bps	-3bps
Provision Coverage Ratio	75.02%	74.17%	76.39%	85bps	-137bps
<b>Returns &amp; Expenses</b>					
RoA	1.36%	0.62%	1.23%	74bps	13bps
RoE	21.95%	9.94%	20.38%	1201bps	156bps
Cost / Income Ratio	51.30%	60.34%	54.70%	-904bps	-341bps

Source: Arianth Research, Company Filings

**Q3FY24 – Key Concall Highlights****\*Guidance:\***

- The Chairman gave Growth guidance for the Loan book at 13-15% for FY25.
- The Management states that the Cost of Deposits has plateaued over the quarter between Oct-Dec 2023 quarter.
- The Management says that the bank strategies for their loan growth by adding GDP Growth + Nominal Growth + 2%.
- The Bank intends to maintain Credit/Deposit ratio at 75% (domestic books).
- The Management says that the pace of Loan growth for Corporate segment will depend upon Macro economic situation, and not on whether other large Private Bank's loan growth is expected to slow (As per the Management).

**Key Highlights:**

- Slippages for FY24 stood at 0.62% improving by 3 bps YoY.
- Regarding the Project Financing Provisions, the Chairman says that SBI has INR 320 bn of additional prudent Provisions in place (excluding PCR), hence, any kind of extra Provisioning required can be absorbed by the bank completely.
- The Management says that the Central Bank RBI might be concerned about the risk involved over the long term Project Financing through T-Bills going up to 15 years as the long duration can cause timeline extensions which is risky for any lender.
- The bank has done additional INR 10 bn in the AUCA.
- 24 NPA Accounts are transferred worth INR 70 bn which are from NARCL.
- The Bank is in the process of revamping the SBI Wealth business. They are looking at the Virtual business of the Wealth business. They have already launched Pilot services in Bangalore and Mumbai, and the Management sees the opportunity very promising. The bank expects the AUM to grow up to INR 1 trillion over 1 year.
- The Management expects that the additional expense towards Employees Wages would be INR 5 bn per month, of which INR 71 bn is already provided, so that will be the savings for the bank's bottom line.
- SBI has got an International Banking Unit in Gift City.
- SBI Mutual Fund, a subsidiary, will be moving to the Gift City as well.
- The Management states that the bank's CET ratio is high enough and above the regulatory requirement as well as high enough for their intended growth in FY25. Currently, the Bank has enough capital for up to INR 7 trillion of growth for FY25, which is 21% YoY Balance Sheet growth.
- The Chairman says that the Banking Group is not looking to list SBI Mutual Fund as the business requires a lot of Knowledge Capital, and they don't want the employees there to be exposed to listed norms for Quarter on Quarter assessments being a listed entity. A similar reason for the SBI General Insurance is stated as the company is currently said to be too small for listing.
- The Management expects Employee Cost to be around INR 650 bn for FY25.
- The Bank says they have invested well enough for strategic Investments whether financing of EV Battery manufacturing, Solar & Renewables Energy, and other new age Technology capacities being added in the economy.
- The Bank follows a strategy for Credit Underwriting that NPAs and SMAs at 31st March of the current year has to be lower than the previous year's.
- The Management states that a Part of the Term deposits is actually coming from the Sweep-in Deposits coming actually from the Savings Accounts.
- The Bank has reduced their Agri NPA from 15% (historical data some years back) to 9.58% in Q4FY24, and the Bank intends to bring it down below 8%.
- Reversal of NPA done by the Bank stood at INR 9 bn. 2 other NPA accounts which have behaved as standard over last 2 years, have been written back.
- The Management says that there are no Lumpy accounts in the Corporate NPA book.

## Key Financials

Profit & Loss Statement (INR Bn)	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
Interest Income	2,755	3,321	4,151	4,180	4,551	4,982
Interest Expended	1,548	1,873	2,553	2,227	2,457	2,717
<b>Net Interest Income</b>	<b>1,207</b>	<b>1,448</b>	<b>1,599</b>	<b>1,952</b>	<b>2,095</b>	<b>2,265</b>
Other Income	406	366	517	524	647	719
Operating Income	1,613	1,815	2,116	2,476	2,742	2,984
Operating Expenses	860	977	1,178	1,228	1,278	1,354
Employee Expenses	501	573	712	665	741	841
Other Operating Expenses	358	405	465	563	538	513
<b>PPOP</b>	<b>753</b>	<b>837</b>	<b>938</b>	<b>1,248</b>	<b>1,463</b>	<b>1,629</b>
Provisions	245	165	49	49	48	48
PBT	508	672	818	1,199	1,415	1,582
Tax Expenses	117	170	207	277	327	365
<b>Net Income</b>	<b>317</b>	<b>502</b>	<b>611</b>	<b>922</b>	<b>1,088</b>	<b>1,216</b>

Balance Sheet (INR Bn)	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Equity &amp; Liabilities</b>						
Share Capital	9	9	9	9	9	9
Reserves & Surplus	2,792	3,267	3,764	4,681	5,765	6,977
Net Worth	2,801	3,276	3,772	4,690	5,774	6,985
Deposits	40,515	44,238	49,161	54,976	61,122	67,968
Borrowings	4,260	4,931	5,976	5,437	5,709	5,994
Other Liabilities and Provisions	2,299	2,725	2,888	3,185	3,652	4,175
<b>Total Capital &amp; Liabilities</b>	<b>49,876</b>	<b>55,170</b>	<b>61,797</b>	<b>68,287</b>	<b>76,257</b>	<b>85,123</b>
<b>Assets</b>						
Cash & Balances with RBI	2,579	2,471	2,251	2,486	2,609	2,826
Balances with Other Banks & Call Money	1,367	608	857	925	1,049	1,068
Investments	14,814	15,704	16,713	16,881	17,049	17,220
Advances	27,340	31,993	37,040	41,299	46,255	52,037
Fixed Assets	377	424	466	513	564	621
Other Assets	3,399	3,971	4,470	6,183	8,730	11,351
<b>Total Assets</b>	<b>49,876</b>	<b>55,170</b>	<b>61,797</b>	<b>68,287</b>	<b>76,257</b>	<b>85,123</b>

Source: Arianth Research, Company Filings

Ratios	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Growth rates</b>						
Advances (%)	11.6%	17.0%	15.8%	11.5%	12.0%	12.5%
Deposits (%)	10.1%	9.2%	11.1%	11.8%	11.2%	11.2%
Total assets (%)	10.0%	10.6%	12.0%	10.5%	11.7%	11.6%
NII (%)	9.0%	20.0%	10.4%	22.1%	7.3%	8.1%
Pre-provisioning profit (%)	7.5%	11.2%	12.0%	33.0%	17.3%	11.4%
PAT (%)	55.2%	58.6%	21.6%	51.0%	18.0%	11.8%
<b>Balance sheet ratios</b>						
Credit/Deposit (%)	67.5%	72.3%	75.3%	75.1%	75.7%	76.6%
CASA (%)	43.8%	44.8%	45.4%	45.7%	46.3%	46.9%
Advances/Total assets (%)	54.8%	58.0%	59.9%	60.5%	60.7%	61.1%
Leverage (x) (Asset/Shareholder's Fund)	17.81	16.84	16.38	14.56	13.21	12.19
CAR (%)	14.1%	14.0%	14.1%	15.7%	17.3%	18.6%
CAR - Tier I (%)	13.4%	13.3%	13.5%	15.1%	16.8%	18.2%
<b>Operating efficiency</b>						
Cost/income (%)	53.3%	53.9%	55.7%	49.6%	46.6%	45.4%
Opex/total assets (%)	1.7%	1.8%	1.9%	1.8%	1.7%	1.6%
Opex/total interest earning assets	1.1%	1.2%	1.3%	1.1%	1.2%	1.2%
<b>Profitability</b>						
NIM (%)	2.8%	3.0%	3.0%	3.3%	3.3%	3.2%
RoA (%)	0.6%	0.9%	1.0%	1.4%	1.4%	1.4%
RoE (%)	11.3%	15.3%	16.2%	19.7%	18.8%	17.4%
<b>Asset quality</b>						
Gross NPA (%)	4.1%	3.6%	3.2%	3.0%	2.9%	2.7%
Net NPA (%)	1.0%	0.9%	0.9%	0.9%	0.8%	0.8%
PCR (%)	75.0%	74.4%	73.1%	71.7%	70.4%	69.1%
Credit cost (%)	0.6%	0.4%	0.1%	0.1%	0.1%	0.1%
<b>Per share data / Valuation</b>						
EPS (INR)	35	56	68	103	122	136
BVPS (INR)	314	367	423	526	647	783
ABVPS (INR)	283	334	386	486	603	734
P/E (x)	18.3	11.5	9.5	6.3	5.3	4.8
P/BV (x)	2.1	1.8	1.5	1.2	1.0	0.8
P/ABV (x)	2.3	1.9	1.7	1.3	1.1	0.9
<b>Profitability</b>						
Return on Equity	11.3%	15.3%	16.2%	19.7%	18.8%	17.4%

Source: Arianth Research, Company Filings

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**Stock Rating Scale**

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

**Absolute Return****Research Analyst  
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