

CMP: INR 573

Rating: Accumulate

Target Price: INR 671

Stock Info

BSE	500112
NSE	SBIN
Bloomberg	SBIN IN
Reuter	SBI.BO
Sector	Banks
Face Value (INR)	1
Equity Capital (INR Cr)	892
Mkt Cap (INR Cr)	511,559
52w H/L (INR)	630 / 499
Avg Yearly Vol (in 000')	15,044

Shareholding Pattern %

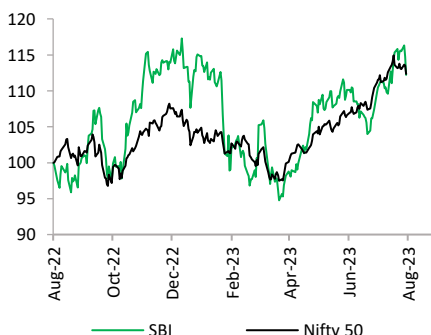
(As on June, 2023)

Promoters	57.4
Public & Others	42.6

Stock Performance (%)

	1m	6m	12m
SBIN	-2.9	5.1	7.94
Nifty 50	0.6	9.8	12.2

SBIN Vs Nifty



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SBI reported a net profit of INR 16,884 cr v/s INR 16,695 cr in Q4FY23 v/s INR 6,068 cr in Q1FY23. The bank has reported profit growth of 178% YoY/1% QoQ to INR 16,884 cr, led by decreasing provisions. NII grew by 25% YoY/ -3.7% QoQ at INR 38,905 cr, driven by advances growth of 14% YoY. Domestic NIM declined by 11bps QoQ at 3.47%, largely due to 56bps increase in cost of deposits at 4.55%. However, NIM improved by 24bps YoY, led by increase in NII by 24.7% YoY. GNPA improved marginally by 2bps QoQ and by 115bps YoY, whereas NNPA increased by 4 bps QoQ and improved by 29 bps YoY. Slippages ratio increased from 0.65% to 0.94% on a sequential basis. Credit cost remained flat QoQ at 0.32%.

NIMs declined sequentially, led by increasing cost of deposits: Net Interest Income during the quarter stood at INR 38,905 cr (v/s INR 40,393 cr in Q4FY23), down by 3.7% QoQ, led by increase in interest expenses. The interest expenses increased by 8.6% QoQ at INR 57,071 cr, whereas interest income increased only by 3.3% QoQ at INR 95,975 cr. Domestic NIM declined by 11bps QoQ at 3.47% (v/s 3.58% in Q4FY23). NIM for whole bank stood at 3.02% v/s 3.6% in Q4FY23 (down 58 bps QoQ). Cost of deposits increased by 56bps QoQ at 4.55% during the quarter v/s 3.99% in Q4FY23. Further, CASA ratio declined by 245 bps QoQ at 42.88%. Yield on advances improved by 68 bps QoQ at 8.78% but the advances grew only by 1.1% QoQ.

Loan growth momentum remained strong: Advances growth for the quarter stood at 14% YoY/1.1% QoQ (vs. 16% YoY in Q4FY23), led by retail loan growth (~43% of domestic portfolio) of 16.5% YoY/2% QoQ. SME advances growth was healthy at 18% YoY/3% QoQ while corporate advances increased by 12.4% YoY/0.25% QoQ. Within retail, Home loan segment increased by 13.5% YoY/1.9% QoQ, Auto loans was up by 23% YoY/3.41% QoQ. Xpress credit grew by 19.8% YoY/2.2% QoQ. Deposits growth was modest at 12% YoY/2.43% QoQ. Although, CASA ratio declined from 45.33 to 42.88% QoQ.

Slippages increased sequentially: Bank has reported slippages of INR 7,659 cr vs. INR 3,185 cr QoQ. Recoveries and upgrades declined to 3,607 cr vs INR 4,200 cr QoQ, leading to net slippages of INR 400 cr. GNPA improved marginally by 2bps QoQ and by 115bps YoY, whereas NNPA increased by 4 bps QoQ and improved by 29 bps YoY. Restructuring book 1.0 of the bank declined from INR 6950 cr to INR 6288 cr QoQ and restructuring 2.0 reduced from INR 24,302 cr to INR 22,666 cr sequentially. SMA 1&2 book (>5 cr) increased from INR 3,260 cr to INR 7,221 cr QoQ.

Valuation & View: The company displayed a seasonally weak quarter. The company is expected to continue with a loan growth of 14-15% in the financial year. They are focused on sustaining asset quality and cherry-picking quality borrowers in both the domestic and international markets. The company plans to address the cost-to-income ratio by improving staff productivity and leveraging digital sourcing. They are mindful of the interest of their depositors and aim to grow their deposit base at around 12-13%. The bank delivered a ROA/ ROE of 1.22%/ 24.42%, during the quarter. We continue to maintain our positive outlook. We downgrade our rating to ACCUMULATE with a target price of INR 671, based on 1.4x of P/ABV to its FY25E.

Exhibit 1: Financial Performance

State Bank of India (INR in Cr)	FY21A	FY22A	FY23A	FY24E	FY25E
NII	1,10,710	1,20,706	1,44,841	1,68,206	1,77,971
PPOP	70,014	75,291	83,713	99,018	1,03,959
PAT	20,411	31,675	50,232	63,574	67,500
BVPS (INR / Share)	284.5	313.8	367.1	437.8	513.0
RoA (%)	0.5%	0.6%	0.9%	1.0%	1.0%
RoE (%)	8.0%	11.3%	15.3%	16.3%	14.7%
P/ABV (x)	2.4	2.0	1.7	1.4	1.2

Source: Arihant Research, Company Filings

Q1FY24 - Quarterly Performance (Standalone)

Quarterly Result Update (INR in Cr)	Q1FY24	Q4FY23	Q1FY23	Q-o-Q	Y-o-Y
Interest Income	95,975	92,951	72,676	3.3%	32.1%
Interest Expended	57,071	52,559	41,480	8.6%	37.6%
Net Interest Income	38,905	40,393	31,196	-3.7%	24.7%
Other Income	12,063	13,961	2,312	-13.6%	421.7%
Operating Income	50,968	54,354	33,508	-6.2%	52.1%
Operating Expenses	25,671	29,733	20,756	-13.7%	23.7%
Employee Expenses	16,601	17,616	12,051	-5.8%	37.7%
Other Operating Expenses	9,071	12,116	8,704	-25.1%	4.2%
PPOP	25,297	24,621	12,753	2.7%	98.4%
Provisions	2,501	3,316	4,392	-24.6%	-43.1%
PBT	22,796	21,305	8,360	7.0%	172.7%
Tax Expenses	5,911	4,611	2,292	28.2%	157.9%
Net Income	16,884	16,695	6,068	1.1%	178.2%

Source: Arian Research, Company Filings

Q1FY24 – Key Concall Highlights

- **Advances** grew from INR 29006.36 Bn for Q1FY23 to INR 33017.31 Bn (up 13.90% YoY).
 - - Retail Personal: INR 12042.8 Bn (up 16.46% YoY)
 - - Agri: INR 2640.52 Bn (up 14.84% YoY)
 - - SME: INR 3699.17 Bn (up 18.27% YoY)
 - - Corporate: INR 9821.84 Bn (up 12.38% YoY)
 - - Foreign: INR 4833 Bn (up 7.44% YoY)
 - -Domestic Advances grew at 15.08% YoY. The company **expects advances growth to be in the range of 14-15%**.
- **Total Deposits** grew by 12% YoY from INR 40457 Bn to INR 45312.37 Bn. Total deposits are **expected to grow at a range of 12-13%**.
- **NII** for Q1FY24 increased by 24.71% YoY to INR 389.05 Bn, **driven by improved yields and continued credit off-take**.
- **Net Profit** for Q1FY24 grew significantly by 178.25% YoY to INR 168.84 Bn from INR 60.68 Bn during Q1FY23. **Operating Profit** for Q1FY24 grew by 98.37% YoY to INR 253 Bn from INR 127.53 Bn during Q1FY23.
- **ROA and ROE** for the quarter stand at 1.22% and 24.42% respectively vs 0.48% and 10.09% for Q1FY23.
- **Domestic NIM** for Q1FY24 increased by 24 bps YoY to 3.47%.
- **Asset Quality:** GNPA ratio improved by 115 bps YoY to 2.76%, and NNPA ratio declined by 29 bps to 0.94%. **Credit cost** stood at 32 bps, showing a YoY improvement of 29 bps.
- **Cross-Selling:** The bank reported a growth of 17% in cross-sales. While **there was a temporary sluggishness in certain fee income lines, the bank remained optimistic about future growth**.
- **Cost-to-Income Ratio** stood at 50.37% for the current quarter vs 54.70% for the previous quarter. The company is looking to **address the cost-to-income ratio by improving staff productivity, leveraging digital sourcing, and focusing on growth in margins**.

Key Financials

Profit & Loss Statement (in INR Cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Interest Income	2,65,151	2,75,457	3,32,103	3,69,171	4,00,135
Interest Expended	1,54,441	1,54,751	1,87,263	2,00,965	2,22,164
Net Interest Income	1,10,710	1,20,706	1,44,841	1,68,206	1,77,971
Other Income	41,957	40,564	36,616	49,181	52,375
Operating Income	1,52,667	1,61,270	1,81,456	2,17,387	2,30,346
Operating Expenses	82,652	85,979	97,743	1,18,370	1,26,387
Employee Expenses	50,936	50,144	57,292	71,611	81,077
Other Operating Expenses	31,716	35,836	40,451	46,759	45,310
PPOP	70,014	75,291	83,713	99,018	1,03,959
Provisions	44,013	24,452	16,507	16,342	16,179
PBT	26,001	50,839	67,206	82,675	87,780
Tax Expenses	7,131	11,746	16,973	19,101	20,281
Net Income	20,411	31,675	50,232	63,574	67,500

Balance Sheet (in INR Cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Equity & Liabilities					
Share Capital	892	892	892	892	892
Reserves & Surplus	2,52,983	2,79,196	3,26,716	3,89,844	4,56,897
Net Worth	2,53,875	2,80,088	3,27,608	3,90,736	4,57,790
Deposits	36,81,277	40,51,534	44,23,778	49,45,559	54,97,568
Borrowings	4,17,298	4,26,043	4,93,135	5,17,792	5,43,682
Other Liabilities and Provisions	1,81,980	2,29,932	2,72,457	2,94,727	3,24,986
Total Capital & Liabilities	45,34,430	49,87,597	55,16,979	61,48,814	68,24,025
Assets					
Cash & Balances with RBI	2,13,202	2,57,859	2,47,088	2,84,241	3,13,913
Balances with Other Banks & Call Money	1,29,837	1,36,693	60,812	76,296	82,354
Investments	13,51,705	14,81,445	15,70,366	15,86,070	16,01,931
Advances	24,49,498	27,33,967	31,99,269	35,51,189	39,59,576
Fixed Assets	38,419	37,708	42,382	46,620	51,282
Other Assets	3,51,769	3,39,925	3,97,062	6,04,398	8,14,970
Total Assets	45,34,430	49,87,597	55,16,979	61,48,814	68,24,025

Source: Arihant Research, Company Filings

Ratios	FY21A	FY22A	FY23A	FY24E	FY25E
Growth rates					
Advances (%)	5.3%	11.6%	17.0%	11.0%	11.5%
Deposits (%)	13.6%	10.1%	9.2%	11.8%	11.2%
Total assets (%)	14.8%	10.0%	10.6%	11.5%	11.0%
NII (%)	12.9%	9.0%	20.0%	16.1%	5.8%
Pre-provisioning profit (%)	13.1%	7.5%	11.2%	18.3%	5.0%
PAT (%)	40.9%	55.2%	58.6%	26.6%	6.2%
Balance sheet ratios					
Credit/Deposit (%)	66.5%	67.5%	72.3%	71.8%	72.0%
CASA (%)	44.7%	43.8%	44.8%	45.1%	45.7%
Advances/Total assets (%)	54.0%	54.8%	58.0%	57.8%	58.0%
Leverage (x) (Asset/Shareholder's Fund)	17.86	17.81	16.84	15.74	14.91
CAR (%)	13.7%	14.1%	14.0%	15.1%	15.9%
CAR - Tier I (%)	11.4%	13.4%	13.3%	14.5%	15.4%
Operating efficiency					
Cost/income (%)	54.1%	53.3%	53.9%	54.5%	54.9%
Opex/total assets (%)	1.8%	1.7%	1.8%	1.9%	1.9%
Opex/total interest earning assets	1.3%	1.1%	1.2%	1.4%	1.4%
Profitability					
NIM (%)	2.9%	2.8%	3.0%	3.2%	3.1%
RoA (%)	0.5%	0.6%	0.9%	1.0%	1.0%
RoE (%)	8.0%	11.3%	15.3%	16.3%	14.7%
Asset quality					
Gross NPA (%)	5.3%	3.9%	3.6%	3.4%	3.2%
Net NPA (%)	1.5%	1.0%	0.9%	0.9%	0.9%
PCR (%)	70.9%	75.0%	74.4%	73.0%	71.6%
Credit cost (%)	1.2%	0.6%	0.4%	0.3%	0.3%
Per share data / Valuation					
EPS (INR)	23	35	56	71	76
BVPS (INR)	284	314	367	438	513
ABVPS (INR)	243	283	334	402	473
P/E (x)	25.1	16.1	10.2	8.0	7.6
P/BV (x)	2.0	1.8	1.6	1.3	1.1
P/ABV (x)	2.4	2.0	1.7	1.4	1.2
Profitability					
Return on Equity	8.0%	11.3%	15.3%	16.3%	14.7%

Source: Arianth Research, Company Filings

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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