

# Retail Equity Research

## State Bank of India

Banking

BSE CODE: 500112

NSE CODE: SBIN

Bloomberg CODE: SBIN:IN

SENSEX: 64,905

**BUY**

12 Months Investment Period Rating as per Large Cap  
CMP Rs. 579 TARGET Rs. 721 RETURN 25%  
(Closing: 10-11-23) 

KEY CHANGES:

TARGET 

RATING 

EARNINGS 

### Robust growth momentum; Outlook Positive

State Bank of India (SBI) is India's largest bank, with 22,405 branches globally and 65,627 ATMs/cash deposit machines. It also provides insurance, credit card and asset management services via its subsidiaries.

- In Q2FY24, net interest income (NII) grew 12.3% YoY to Rs. 39,500cr on higher yields. Net interest margin (NIM) improved to 3.3% (+14bps).
- Pre-provision operating profit (PPOP) declined 8.1% YoY on account of revision in wage expenses. PAT, however, increased 8.0% YoY owing to significant reduction in provisions (-96.2% YoY) during the quarter.
- SBI reported robust growth momentum in Q2FY24. Higher yields along with healthy loan book are expected to drive operational growth in future and support balance sheet. Reducing slippages and GNPA/ NNPA levels will further strengthen asset quality of the bank. Hence, with an optimistic outlook, we retain our BUY rating on the stock, with a revised target price of Rs. 721 based on SOTP methodology.

### Higher yields offset elevated funding cost

In Q2FY24, SBI's gross interest income grew 26.9% YoY, on the back of 34.8% growth in corporate banking and 29.7% in retail banking. NII increased 12.3% YoY to reach Rs. 39,500cr on account of robust 120bps YoY expansion in yields and continuous credit offtake. Cost of deposits went up 81bps YoY due to rise in interest rates and repricing of deposits. Interest expenses thereby rose 38.5% YoY to Rs. 61,879cr. Overall NIM expanded 14bps to 3.3%, however was marginally down by 2bps on QoQ basis. Staff costs rose 47.1% YoY due to retrospective increase in wage provisioning rate to 14% vs 10% earlier, effective from November 2022. PAT however recorded an 8.0% growth at Rs. 14,330cr, on account of lower provisions (-96.2% YoY).

### Balance sheet remained strong

Loan book grew 13.3% YoY in Q2FY24 owing to 15.7% growth in retail advances and 22.8% growth in SME advances. GNPA ratio improved by 20bps sequentially to 2.6%, with reduction in gross NPAs seen across all verticals. Slippages dipped 24bps QoQ and provision coverage ratio increased to 91.9% (vs 91.4% in Q1FY24). Deposits grew 11.9% YoY with 11.8% growth in domestic deposits. CASA ratio dipped 275bps YoY due to 17.4% YoY growth in term deposits, higher than growth in CASA (+4.9% YoY). CAR ratio remained above the statutory requirement with 66bps YoY growth to 14.3%.

### Key concall highlights

- SBI's management indicated that domestic NIM might be compressed by 3-5bps moving forward, owing to the elevated cost of funds.
- The management guided that CAR would reach 15.32% by FY24 end with +11% Tier 1 Capital ratio through flowing back of profits.
- The bank had proposals pipeline worth Rs. 4.8trn, whereas Rs. 1.4trn proposals are pending for disbursement in the domestic economy.

### Valuation

SBI is expected to deliver robust growth in the upcoming period on the back of a healthy loan book supported by digital transformation and 14% growth in proposal pipeline as indicated by management. Domestic NIM might be a concern in the near term, but higher yields are expected to offset the declining effect. Further, the balance sheet remains strong even as NPAs continue to decline. Hence, with an optimistic outlook, we retain our BUY rating on the stock, with a revised target price of Rs. 721 based on SOTP valuation methodology.

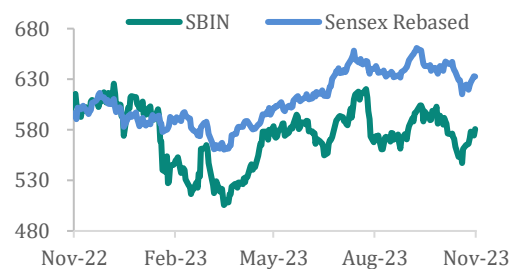
### Company Data

Market Cap (cr)	Rs. 516,115
Outstanding Shares (cr)	892.3
Free Float	43.0%
Dividend Yield	9.7%
52 week high	Rs. 630
52 week low	Rs. 499
6m average volume (lacs)	6.1
Beta	1.2
Face value	Rs. 1

Shareholding %	Q4FY23	Q1FY24	Q2FY24
Promoters	57.5	57.5	57.5
FII's	9.9	10.4	10.7
MFs/Insti	25.2	24.9	24.4
Public	7.2	7.2	7.3
Others	0.3	0.1	0.1
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	2.3%	0.8%	-5.4%
Absolute Sensex	-1.2%	6.4%	6.1%
Relative Return*	3.5%	-5.6%	-11.6%

\*over or under performance to benchmark index



Standalone (cr)	FY23A	FY24E	FY25E
Net Interest Income	144,841	169,608	195,259
Growth (%)	20.0	17.1	15.1
NIM (%)	3.4	3.3	3.4
Pre-Provision Profit	83,713	91,228	108,909
Net Profit	50,232	63,274	71,441
Growth (%)	28.5	26.0	12.9
Adj. EPS	56.3	70.9	80.1
Growth (%)	28.5	26.0	12.9
BVPS	367.1	426.8	492.7
P/E	9.3	8.2	7.3
P/B	1.4	1.4	1.2
RoE (%)	19.4	17.9	17.4
RoA (%)	1.0	1.1	1.1



## Quarterly Financials (Standalone)

### Profit & Loss Account

	Q2FY24	Q2FY23	YoY Growth %	Q1FY24	QoQ Growth %	H1FY24	H1FY23	YoY Growth %
Interest Income	101,379	79,860	26.9	95,975	5.6	197,354	152,536	29.4
Interest Expense	61,879	44,676	38.5	57,071	8.4	118,949	86,157	38.1
<b>Net Interest Income (NII)</b>	<b>39,500</b>	<b>35,183</b>	12.3	<b>38,905</b>	1.5	<b>78,405</b>	<b>66,379</b>	18.1
Non-Interest Income	10,791	8,874	21.6	12,063	(10.6)	22,854	11,186	104.3
<b>Total Net Income</b>	<b>50,291</b>	<b>44,058</b>	14.1	<b>50,968</b>	(1.3)	<b>101,259</b>	<b>77,566</b>	30.5
<b>Total Income</b>	<b>112,169</b>	<b>88,734</b>	26.4	<b>108,039</b>	3.8	<b>220,208</b>	<b>163,722</b>	34.5
Operating Expenses	30,874	22,938	34.6	25,671	20.3	56,545	43,693	29.4
<b>Total Expenditure</b>	<b>92,753</b>	<b>67,614</b>	37.2	<b>82,742</b>	12.1	<b>175,495</b>	<b>129,850</b>	35.2
<b>Pre-Provision Profit</b>	<b>19,417</b>	<b>21,120</b>	(8.1)	<b>25,297</b>	(23.2)	<b>44,714</b>	<b>33,873</b>	32.0
Provisions	115	3,039	(96.2)	2,501	(95.4)	2,617	7,431	(64.8)
<b>Profit Before Tax</b>	<b>19,301</b>	<b>18,081</b>	6.7	<b>22,796</b>	(15.3)	<b>42,097</b>	<b>26,442</b>	59.2
Tax	4,971	4,817	3.2	5,911	(15.9)	10,883	7,109	53.1
Minority Interests	-	-	-	-	-	-	-	-
<b>Net Profit</b>	<b>14,330</b>	<b>13,265</b>	8.0	<b>16,884</b>	(15.1)	<b>31,214</b>	<b>19,333</b>	61.5
Adj.	-	-	-	-	-	-	-	-
<b>Adj. PAT</b>	<b>14,330</b>	<b>13,265</b>	8.0	<b>16,884</b>	(15.1)	<b>31,214</b>	<b>19,333</b>	61.5
<b>Adj. EPS (Rs.)</b>	16.1	14.9	8.1	18.9	(15.1)	35.0	21.7	61.5

### Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change %	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Net Interest Income (NII)	164,491	190,057	169,608	195,259	3.1	2.7
Net Interest Margin (%)	3.3	3.4	3.3	3.4	(6bps)	(8bps)
Pre-Provision Profit	94,681	110,754	91,228	108,909	(3.6)	(1.7)
Net Profit	54,157	59,683	63,274	71,441	16.8	19.7
EPS (Rs)	60.7	66.9	70.9	80.1	16.8	19.7

### Business Performance

	Q2FY24	Q2FY23	YoY Growth %	Q1FY24	QoQ Growth %
Advances	3,345,167	2,951,288	13.3	3,235,023	3.4
Deposits	4,689,218	4,190,255	11.9	4,531,237	3.5
<b>Business</b>	<b>8,034,386</b>	<b>7,141,542</b>	<b>12.5</b>	<b>7,766,259</b>	<b>3.5</b>
Gross NPA	86,974	106,804	(18.6)	91,328	(4.8)
Net NPA	21,352	23,572	(9.4)	22,995	(7.1)

### Sum of the parts (SOTP) valuation

Particulars	Basis	Multiple	(%) holding	Value (Rs. cr)	Value/share (Rs.)
Bank	FY25E P/BV	1.1x	100.0%	483,544	542
SBI Life Insurance	Geojit TP	-	55.5%	81,611	91
SBI Cards	Geojit TP	-	69.2%	62,058	70
AMC	5% of AUM	-	63.0%	41,300	46
Others				14,684	16
Total Value of subsidiaries				199,654	224
(20% holding discount)					(45)
<b>Target Price</b>					<b>721</b>



## PROFIT & LOSS

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Interest Income	265,151	275,457	332,103	428,859	469,564
Interest Exp.	154441	154750	187263	259251	274305
<b>Net Int. Income</b>	<b>110,710</b>	<b>120,708</b>	<b>144,841</b>	<b>169,608</b>	<b>195,259</b>
% Change	12.9	9.0	20.0	17.1	15.1
Non-Int. Income	41,957	40,564	36,616	38,446	40,369
<b>Net Income</b>	<b>152,667</b>	<b>161,272</b>	<b>181,456</b>	<b>208,055</b>	<b>235,628</b>
<b>Total Income</b>	<b>307,107</b>	<b>316,021</b>	<b>368,719</b>	<b>467,306</b>	<b>509,933</b>
Operating Exp.	82,652	85,979	97,743	116,826	126,718
<b>Total Exp.</b>	<b>237,093</b>	<b>240,729</b>	<b>285,006</b>	<b>376,078</b>	<b>401,024</b>
<b>Pre-Prov. Profit</b>	<b>70,014</b>	<b>75,292</b>	<b>83,713</b>	<b>91,228</b>	<b>108,909</b>
Provisions	44,013	24,452	16,507	6,862	13,654
PBT	26,001	50,840	67,206	84,366	95,255
Tax	7,131	11,746	16,973	21,091	23,814
Tax Rate (%)	27.4	23.1	25.3	25.0	25.0
Minority Interests	-	-	-	-	-
<b>Net Profit</b>	<b>18,871</b>	<b>39,094</b>	<b>50,232</b>	<b>63,274</b>	<b>71,441</b>
% Change	30.2	107.2	28.5	26.0	12.9
Adj.	-	-	-	-	-
<b>Adj. Net Profit</b>	<b>18,871</b>	<b>39,094</b>	<b>50,232</b>	<b>63,274</b>	<b>71,441</b>
No. of Shares (cr)	892.7	892.5	892.4	892.3	892.3
<b>Adj. EPS (Rs.)</b>	<b>21.1</b>	<b>43.8</b>	<b>56.3</b>	<b>70.9</b>	<b>80.1</b>
% Change	30.2	107.2	28.5	26.0	12.9
DPS (Rs.)	-	-	11.3	14.2	16.0

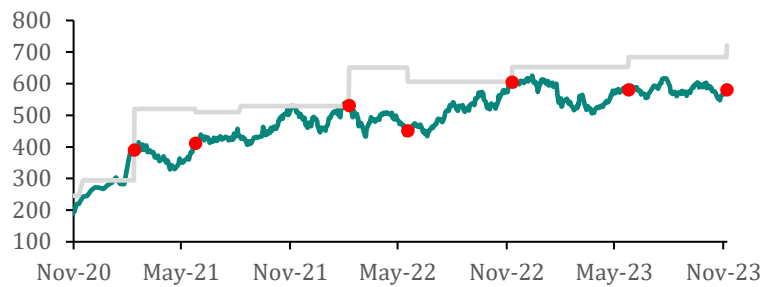
## BALANCE SHEET

Y.E March (Rs. cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Cash & Balances	343,039	394,552	307,900	364,615	432,089
Investments	1,351,705	1,481,445	1,570,366	1,727,403	1,900,143
Advances	2,449,498	2,733,967	3,199,269	3,663,163	4,139,375
Fixed Assets	38,419	37,708	42,382	47,635	53,539
Other Assets	351,769	339,925	397,062	412,944	429,462
<b>Total Assets</b>	<b>4,534,430</b>	<b>4,987,597</b>	<b>5,516,979</b>	<b>6,215,760</b>	<b>6,954,607</b>
Capital	892	892	892	892	892
Reserves & Surplus	252,983	279,196	326,716	379,906	438,693
Deposits	3,681,277	4,051,534	4,423,778	4,835,191	5,419,218
Borrowings	417,298	426,043	493,135	547,380	607,592
Other Liabilities	181,980	229,932	272,457	452,390	488,212
<b>Total Liabilities</b>	<b>4,534,430</b>	<b>4,987,597</b>	<b>5,516,979</b>	<b>6,215,760</b>	<b>6,954,607</b>
<b>BVPS (Rs.)</b>	<b>284.4</b>	<b>313.8</b>	<b>367.1</b>	<b>426.8</b>	<b>492.7</b>
Adj. BVPS (Rs.)	243.2	282.5	343.1	407.5	477.3
% Change	20.5	16.2	21.4	18.8	17.1

## RATIOS

Y.E March	FY21A	FY22A	FY23A	FY24E	FY25E
<b>Valuation</b>					
P/E (x)	17.2	11.1	9.3	8.2	7.3
P/BV (x)	1.3	1.5	1.4	1.4	1.2
Div. Yield (%)	-	-	2.2	2.4	2.8
<b>Profitability &amp; Return (%)</b>					
Yield on Advances	7.2	6.6	7.5	8.5	8.4
Cost of Deposits	4.5	4.0	4.4	5.6	5.4
Spread	2.7	2.6	3.0	2.9	3.1
NIM	3.0	3.1	3.4	3.3	3.4
ROE	9.9	13.9	19.4	17.9	17.4
ROA	0.5	0.7	1.0	1.1	1.1
<b>Capital Adequacy (%)</b>					
CAR	13.7	13.8	14.7	14.8	15.0
Tier I	11.4	11.4	12.1	12.5	12.7
Tier II	2.3	2.4	2.6	2.3	2.2
<b>Asset Quality (%)</b>					
GNPA	5.0	4.0	2.8	2.2	1.8
NNPA	1.5	1.0	0.7	0.5	0.3
<b>Operating Ratios (%)</b>					
Credit/Deposit	66.5	67.5	72.3	75.8	76.4
Cost/Income	54.1	53.3	53.9	56.2	53.8
CASA	45.1	45.3	43.8	40.8	39.4

## Recommendation Summary (Last 3 Years)



Source: Bloomberg, Geojit research

### Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

#### Definition:

**Buy:** Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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