

State Bank of India | BUY

Steady at the core, soft at the margin

SBIN reported a steady quarter with NII of INR 398bn (+0.8% QoQ, +4.6% YoY) as domestic NIMs declined -9bps QoQ at 3.34%. International NIMs was steady at +2bps QoQ at 2.21%. Higher opex from revision in wage provisions led to a PPop of INR 203bn (+4.7% QoQ, -19% YoY). Credit costs remained lower at 0.21%, however revision of pension liabilities led to additional provisions worth INR 71bn which resulted in lower PAT of INR 91.6bn (-36% YoY, -36% QoQ). Loan growth was healthy (+5.2% QoQ, +15% YoY) at INR 35.2trln while deposits growth was soft at +1.6% QoQ, 13% YoY at INR 47.6trln. Loan growth was well-rounded across sectors and management maintained its growth guidance of 14-15% going ahead. Asset quality improved sequentially with GNPL of 2.42% (-13bps QoQ) and NNPLs of 0.64% (flat QoQ). PCR for the bank remains strong at 74.2%. Mgmt expects CET1 to reach c.11% by Mar'24 (from current levels of 9.1%) driven by strong profitability in FY24E (currently considering 9MFY24 PAT, CET-1 stands at 10.4%). We believe delivery of growth on guided lines, sustenance of NIMs near current levels and controlled asset quality parameters aiding controlled credit costs should lead to strong profitability going ahead. We build in RoA/ RoE of 0.94%/16% for FY26E. We value the core banking business at 1.2x FY26E P/BV and we arrive at our SoTP-based target price of INR 800. Maintain BUY.

- Healthy loan growth:** SBIN reported a healthy loan growth of +15% YoY, +5.2% QoQ driven by growth across all the segments: SME and agri loans grew at +7.5% QoQ and +6.5% QoQ respectively while corporate and retail loans grew at +5.5% QoQ and +4.3% QoQ. Retail loan growth was driven by Auto loans (+21% YoY, +7.9% QoQ), other P segment loans (+15% YoY, +4.3% QoQ) and Xpress credit (+16% YoY, +4.7% QoQ). Management maintains a loan growth guidance of 14-15% going ahead. Deposit growth was at +13% YoY, +1.6% QoQ led by +2.6% QoQ growth in time deposits. Domestic CASA deposits remained flat during the quarter while management guides for 12-13% growth in FY24. CASA ratio was down -70bps QoQ at 41.2%. We build in 14% CAGR credit growth and 10% CAGR deposits growth over FY24-26E.
- Marginal decline in NIMs:** NII stood at INR 398bn (+0.8% QoQ, +4.6% YoY) as domestic NIMs declined 9bps QoQ at 3.34%. International NIMs was steady at +2bps QoQ at 2.21%. Higher opex from revision in wage provisions (from earlier 15% to 17%) led to a PPop of INR 203bn (+4.7% QoQ, -19% YoY). Management guided that the provisions on wage revision of INR 5.4bn would be further added in Q4FY24 and the wage bill charges will be increased by INR c.15bn from FY25 onwards. Credit costs remained lower at 0.21%, however revision of pension liabilities to a uniform rate of 50% led to additional provisions worth INR 71bn which resulted in lower PAT of INR 91.6bn (-36% YoY, -36% QoQ).
- Asset quality remains intact:** Slippages remain under control at INR 41bn (vs INR 79bn QoQ) which coupled with recoveries and upgrades (INR 50.5bn) and write-offs (INR34.7bn) led to asset quality improvement with GNPL/NNPL of 2.42%/0.64% (-13bps/flat QoQ). Restructuring pool improved to 0.54% (vs 0.62% QoQ). SMA 1 and 2



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	800
Upside/(Downside)	5.0%
Previous Price Target	800
Change	0.0%

Key Data – SBIN IN

Current Market Price	INR762
Market cap (bn)	INR6,797.9/US\$81.9
Free Float	33%
Shares in issue (mn)	8,924.6
Diluted share (mn)	
3-mon avg daily val (mn)	INR12,951.5/US\$156.0
52-week range	764/502
Sensex/Nifty	72,050/21,911
INR/US\$	83.0

Price Performance

%	1M	6M	12M
Absolute	19.0	35.8	40.5
Relative*	21.1	23.3	19.5

* To the BSE Sensex

Financial Summary

Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Profit	3,16,760	5,02,325	5,60,371	6,30,208	6,76,045
Net Profit (YoY) (%)	55.2%	58.6%	11.6%	12.5%	7.3%
Assets (YoY) (%)	10.1%	10.6%	11.6%	11.2%	11.5%
ROA (%)	0.7%	1.0%	1.0%	1.0%	0.9%
ROE (%)	13.0%	18.1%	17.4%	17.0%	16.0%
EPS	35.5	56.3	62.8	70.6	75.8
EPS (YoY) (%)	55.2%	58.6%	11.6%	12.5%	7.3%
PE (x)	21.5	13.5	12.1	10.8	10.1
BV	288	336	386	443	503
BV (YoY) (%)	11.5%	16.8%	15.0%	14.6%	13.7%
P/BV (x)	2.65	2.27	1.97	1.72	1.51

Source: Company data, JM Financial. Note: Valuations as of 15/Feb/2024

JM Financial Institutional Securities Limited

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
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remained largely steady at 0.12% (vs 0.12% QoQ and 0.16% YoY). Provision costs were low at 0.21% (vs 0.23% QoQ) and SBI continues to hold healthy provision cover of 74.2% against NPAs which should shield against future credit costs. We expect asset quality to remain robust and build in credit costs of 29bps over FY24-26E.

- **Valuation and view:** SBI's core fundamentals continue to be stable while delivery on the growth front along with sustained margins and controlled credit costs should drive re-rating of the stock. Mgmt expects CET1 to reach ~11% by Mar'24 (from current levels of 9.1%) driven by strong profitability in FY24E (currently considering 9MFY24 PAT, CET-1 stands at 10.4%) while they also remain open to raising funds in case of strong growth going forward. We value SBIN's core banking business at 1.2x FY26E BVPS to arrive at our SoTP-based target price of INR 800. Maintain BUY.

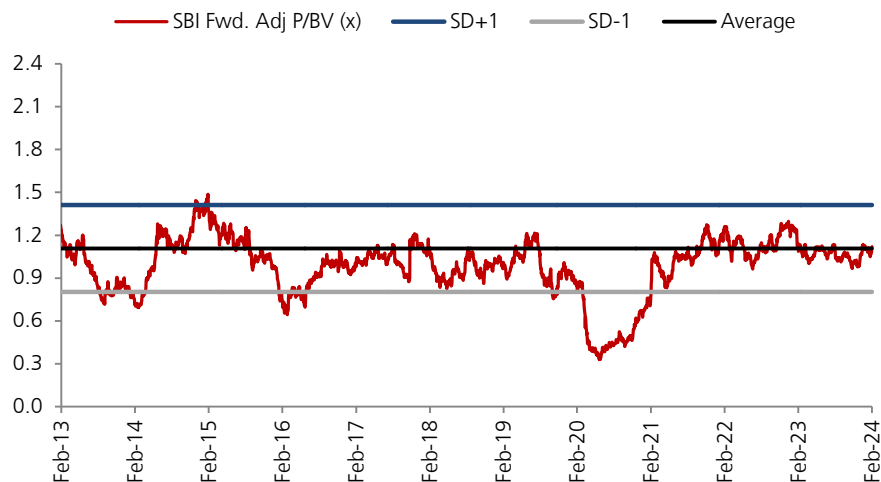
Valuation Summary

Exhibit 1. SOTP based valuation summary

SBI SOTP	Holding (%)	Valuation Methodology	Value per Share	Contribution to TP (%)
SBI Bank - Parent	100.0%	1.2x FY26E BVPS	612	76%
Non-Bank Subs and investments			211	26%
SBI Life	55.4%	Based on market cap less 20% holdco discount	71	9%
SBI General	70.0%	Based on recent transaction less 20%	19	2%
SBI AMC	62.6%	30x FY26E EPS	43	5%
UTI MF	10.0%	Based on market cap	1	0%
SBI Caps	100.0%	12x FY23EPS	10	1%
SBI DFHI	72.2%	1x book value	1	0%
SBI Cards	68.9%	Based on market cap less 20% holdco discount	42	5%
NSE	7.6%	Based on Past Deals	13	2%
Yes Bank stake	26.1%	Based on market cap	11	1%
Less: Cost of Investments			-22	-3%
Total (Rs.)			800	100%

Source: Company, JM Financial

Exhibit 2. SBIN (banking business): One year fwd price to book (x)



Source: Company, JM Financial

SBIN - 3QFY24 Trends

Exhibit 3. 3QFY24: Results Summary (Standalone)

Earnings Table (Rs. bn.)	3Q'23	2Q'24	3Q'24	YoY (%)	QoQ (%)
NII	380.7	395.0	398.2	4.6	0.8
Fee based Income	59.3	65.4	62.4	5.3	-4.5
FX Revenue	13.9	3.0	9.1	-34.7	204.4
Trading Profits	29.4	20.2	25.1	-14.7	23.9
Others & misc. Income	12.1	19.4	18.1	48.8	-6.7
Non-Interest income	114.7	107.9	114.6	-0.1	6.2
Total Income	495.4	502.9	512.7	3.5	2.0
Employee Cost	147.6	189.3	193.6	31.2	2.3
Other Operating Expenses	95.6	119.5	115.8	21.1	-3.1
Total Operating Expenses	243.2	308.7	309.4	27.2	0.2
Operating Profit	252.2	194.2	203.4	-19.4	4.7
Loan Loss Provisions	15.9	18.2	17.6	10.7	-3.2
Standard Asset Provisions	42.3	-7.2	1.8	-95.7	-125.1
Provisions on Investments	-0.1	0.0	-6.0	NA	NA
Other Provisions	-0.4	-9.8	64.5	NA	NA
Total Provisions	57.6	1.2	77.9	35.2	6655.6
PBT	194.6	193.0	125.5	-35.5	-35.0
Tax	52.5	49.7	33.8	-35.6	-31.9
Reported Profit	142.1	143.3	91.6	-35.5	-36.1
Balance sheet (Rs. bn.)					
Deposits	42,136	46,892	47,622	13.0	1.6
Net Advances	30,582	33,452	35,195	15.1	5.2
Total Assets	53,241	58,263	59,656	12.0	2.4
Low-cost Deposits (%)	44.5	41.9	41.2	-3.3	-0.7
Loan-Deposit ratio (%)	72.6	71.3	73.9	1.3	2.6
Key Ratios					
Credit Quality					
Gross NPAs (Rs. bn.)	983.5	869.7	867.5	-11.8	-0.3
Net NPAs (Rs. bn.)	234.8	213.5	224.1	-4.6	4.9
Gross NPA (%)	3.14	2.55	2.42	-0.7	-0.13
Net NPA (%)	0.77	0.64	0.64	-0.1	0.00
Loan Loss Provisions (%)	0.83	0.14	0.24	-0.6	0.1
Coverage Ratio (%)	76.12	75.45	74.17	-2.0	-1.3
Cost / Income ratio (%)	49.09	61.39	60.34	11.2	-1.1
Capital Adequacy					
Tier I (%)	10.80	11.78	10.58	-0.2	-1.2
CAR (%)	13.27	14.28	13.05	-0.2	-1.2
Du-pont Analysis					
NII / Assets (%)	2.89	2.78	2.70	-0.2	-0.1
Non-Interest Inc. / Assets (%)	0.87	0.76	0.78	-0.1	0.0
Operating Cost / Assets (%)	1.85	2.17	2.10	0.3	-0.1
Operating Profits / Assets (%)	1.92	1.37	1.38	-0.5	0.0
Provisions / Assets (%)	0.44	0.01	0.53	0.1	0.5
ROA (%)	1.08	1.01	0.62	-0.5	-0.4

Source: Company, JM Financial

Exhibit 4. 3QFY24 Results Summary (Consolidated)

Earnings Table (Rs. bn.)	3Q'23	2Q'24	3Q'24	YoY (%)	QoQ (%)
NII	421.5	444.4	447.8	6.2	0.8
Non-Interest income	357.0	368.7	402.0	12.6	9.1
Total Income	778.5	813.0	849.8	9.2	4.5
Employee Cost	159.4	202.3	207.8	30.3	2.7
Other Operating Expenses	343.6	383.7	404.1	17.6	5.3
Total Operating Expenses	503.0	586.0	611.9	21.6	4.4
Operating Profit	275.5	227.0	237.9	-13.7	4.8
Loan Loss Provisions	20.0	24.6	25.0	25.3	1.8
Total Provisions	62.0	7.7	85.5	37.9	1013.2
PBT	213.6	219.4	152.4	-28.6	-30.5
Tax	56.9	55.5	39.6	-30.3	-28.6
PAT (Pre-Extraordinaries)	156.7	163.8	112.8	-28.0	-31.1
Adj. for Minority and associates	-1.9	-2.8	-2.2	13.6	-22.9
Reported Profit	154.8	161.0	110.6	-28.5	-31.3
Balance sheet (Rs. bn.)					
Deposits	42,590	47,366	48,112	13.0	1.6
Net Advances	31,262	34,182	35,982	15.1	5.3
Total Assets	57,514	63,171	64,931	12.9	2.8
Loan-Deposit ratio (%)	73.4	72.2	74.8	1.4	2.6
Key Ratios					
Credit Quality					
Gross NPAs (Rs. bn.)	993.0	881.4	880.6	-11.3	-0.1
Net NPAs (Rs. bn.)	236.0	214.3	224.8	-4.7	4.9
Gross NPA (%)	3.1	2.5	2.4	-0.7	-0.1
Net NPA (%)	0.8	0.6	0.6	-0.1	0.0
Loan Loss Provisions (%)	0.9	0.1	1.0	0.2	0.9
Coverage Ratio (%)	76.2	75.7	74.5	-1.8	-1.2
Cost / Income ratio (%)	64.6	72.1	72.0	7.4	-0.1
Capital Adequacy					
Tier I (%)	11.0	12.0	10.8	-0.2	-1.2
CAR (%)	13.4	14.4	13.1	-0.3	-1.3
Du-pont Analysis					
NII / Assets (%)	3.0	2.9	2.8	-0.2	-0.1
Non-Interest Inc. / Assets (%)	2.5	2.4	2.5	0.0	0.1
Operating Cost / Assets (%)	3.5	3.8	3.8	0.3	0.0
Operating Profits / Assets (%)	1.9	1.5	1.5	-0.5	0.0
Provisions / Assets (%)	0.4	0.0	0.5	0.1	0.5
ROA (%)	1.1	1.0	0.7	-0.4	-0.4

Source: Company, JM Financial

Exhibit 5. SBIN 3Q24: Gross loan mix (banking business)

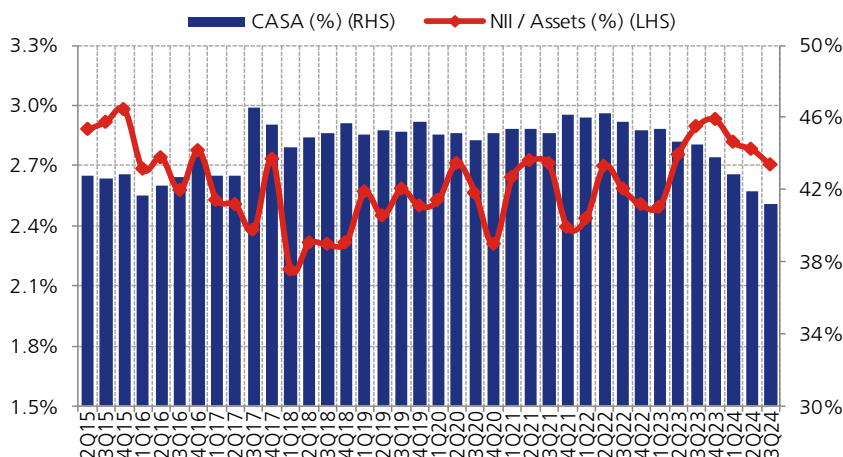
Loan Book Composition (Rs bn)	3Q'23	2Q'24	3Q'24	YoY (%)	QoQ (%)
Corporate (Large + Mid+ SME)	12,757	13,667	14,422	13.1%	5.5%
Agriculture	2,470	2,739	2,917	18.1%	6.5%
Retail credit	11,245	12,434	12,963	15.3%	4.3%
Home loans	6,132	6,723	6,939	13.2%	3.2%
Auto loans	933	1,049	1,131	21.2%	7.9%
Residual retail loans	4,180	4,663	4,893	17.1%	4.9%
International	4,864	5,272	5,540	13.9%	5.1%
Total Advances	31,336	34,113	35,843	14.4%	5.1%
Mix-Domestic (%)					
Corporate (Large + Mid+ SME)	40.7%	40.1%	40.2%	-0.5%	0.2%
Agriculture	7.9%	8.0%	8.1%	0.3%	0.1%
Retail credit	35.9%	36.5%	36.2%	0.3%	-0.3%
Home loans	19.6%	19.7%	19.4%	-0.2%	-0.3%
Auto loans	3.0%	3.1%	3.2%	0.2%	0.1%
Residual retail loans	13.3%	13.7%	13.7%	0.3%	0.0%
International	15.5%	15.5%	15.5%	-0.1%	0.0%
Total	100%	100%	100%		

Source: Company, JM Financial

Exhibit 6. SBIN 3Q24: Deposit mix (banking business)

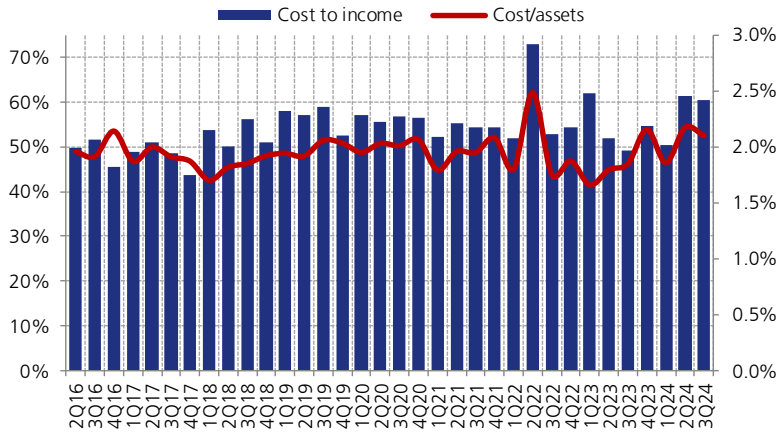
Deposits Composition (Rs bn)	3Q'23	2Q'24	3Q'24	YoY (%)	QoQ (%)
Savings Deposits - domestic	15,730	16,330	16,318	3.7%	-0.1%
Current Deposits - domestic	2,277	2,530	2,495	9.6%	-1.4%
CASA Deposits	18,007	18,860	18,813	4.5%	-0.3%
Time Deposits - Domestic	24,129	26,173	26,866	11.3%	2.6%
Total Deposits - Domestic	40,481	45,033	45,679	12.8%	1.4%
Foreign Deposits	1,654	1,859	1,943	17.5%	4.5%
Total Deposits	42,136	46,892	47,622	13.0%	1.6%
Mix (%)					
Savings Deposits - domestic	38.9%	36.3%	35.7%	-3.1%	-0.5%
Current Deposits - domestic	5.6%	5.6%	5.5%	-0.2%	-0.2%
CASA (% domestic)	44.5%	41.9%	41.2%	-3.3%	-0.7%
Time Deposits - Domestic	59.6%	58.1%	58.8%	-0.8%	0.7%
Total Deposits - Domestic	96.1%	96.0%	95.9%	-0.2%	-0.1%
Total Deposits	100%	100%	100%		

Source: Company, JM Financial

Exhibit 7. SBIN 3Q24: Trends for CASA and NII / Assets

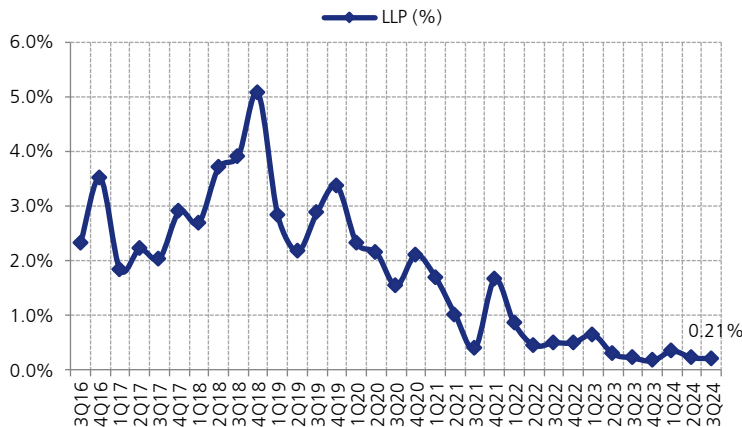
Source: Company, JM Financial

Exhibit 8. SBIN 3Q24: Trends in cost ratios



Source: Company, JM Financial, 2Q22 impacted by one-time employee pension liability revision impact

Exhibit 9. SBIN 3Q24: Trend in specific credit costs



Source: Company, JM Financial

Financial Tables (Standalone)

Profit & Loss						(INR bn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Interest Income	1,207	1,448	1,591	1,838	2,101	
Profit on Investments	32	-14	90	50	35	
Exchange Income	35	53	48	55	61	
Fee & Other Income	339	327	345	397	430	
Non-Interest Income	406	366	483	502	526	
Total Income	1,613	1,815	2074	2340	2627	
Operating Expenses	934	977	1,299	1,373	1,561	
Pre-provisioning Profits	679	837	775	966	1,066	
Loan-Loss Provisions	188	148	61	126	164	
Provisions on Investments	34	15	-6	0	0	
Others Provisions	22	2	-8	0	0	
Total Provisions	245	165	47	126	164	
PBT	434	672	728	840	901	
Tax	117	170	167	210	225	
PAT (Pre-Extraordinaries)	317	502	560	630	676	
Extra ordinaries (Net of Tax)	0	0	0	0	0	
Reported Profits	317	502	560	630	676	
Dividend paid	63	101	112	126	135	
Retained Profits	253	401	448	504	541	

Source: Company, JM Financial

Key Ratios					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Growth (YoY) (%)					
Deposits	10.1%	9.2%	12.0%	11.5%	12.0%
Advances	11.6%	17.0%	14.0%	14.0%	13.0%
Total Assets	10.1%	10.6%	11.6%	11.2%	11.5%
NII	9.0%	20.0%	9.9%	15.5%	14.3%
Non-interest Income	-3.3%	-9.7%	31.9%	3.9%	4.9%
Operating Expenses	13.0%	4.7%	32.9%	5.7%	13.7%
Operating Profits	-3.1%	23.3%	-7.4%	24.7%	10.3%
Core Operating profit	-1.3%	31.6%	-19.5%	33.8%	12.5%
Provisions	-44.4%	-32.5%	-71.5%	167.6%	30.6%
Reported PAT	55.2%	58.6%	11.6%	12.5%	7.3%
Yields / Margins (%)					
Interest Spread	2.68%	2.87%	2.79%	2.82%	2.82%
NIM	2.76%	2.99%	2.95%	3.02%	3.06%
Profitability (%)					
Non-IR to Income	25.2%	20.2%	23.3%	21.4%	20.0%
Cost to Income	57.9%	53.9%	62.6%	58.7%	59.4%
ROA	0.67%	0.96%	0.97%	0.97%	0.94%
ROE	13.0%	18.1%	17.4%	17.0%	16.0%
Assets Quality (%)					
Slippages	1.04%	0.68%	0.70%	0.70%	0.70%
Gross NPA	3.98%	2.78%	2.00%	1.61%	1.42%
Net NPAs	1.02%	0.67%	0.51%	0.41%	0.36%
Provision Coverage	75.0%	76.4%	75.0%	75.0%	75.0%
Specific LLP	0.54%	0.31%	0.07%	0.22%	0.27%
Net NPAs / Networth	10.9%	7.2%	5.4%	4.3%	3.8%
Capital Adequacy (%)					
Tier I	11.42%	12.06%	12.10%	12.15%	12.09%
CAR	13.83%	14.68%	14.46%	14.30%	14.03%

Source: Company, JM Financial

Balance Sheet						(INR bn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Equity Capital	9	9	9	9	9	
Reserves & Surplus	2,558	2,990	3,438	3,942	4,483	
Deposits	40,515	44,238	49,546	55,244	61,873	
Borrowings	4,260	4,931	5,379	5,869	6,406	
Other Liabilities	2,299	2,725	2,861	3,004	3,154	
Total Liabilities	49,642	54,892	61,233	68,068	75,926	
Investments	14,814	15,704	16,541	18,116	20,573	
Net Advances	27,340	31,993	36,472	41,578	46,983	
Cash & Equivalents	3,946	3,079	4,270	4,738	5,279	
Fixed Assets	143	146	273	303	338	
Other Assets	3,399	3,971	3,677	3,333	2,753	
Total Assets	49,642	54,892	61,233	68,068	75,926	

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
NII / Assets	2.55%	2.77%	2.74%	2.84%	2.92%
Other Income / Assets	0.86%	0.70%	0.83%	0.78%	0.73%
Total Income / Assets	3.40%	3.47%	3.57%	3.62%	3.65%
Cost / Assets	1.97%	1.87%	2.24%	2.12%	2.17%
PBP / Assets	1.43%	1.60%	1.33%	1.49%	1.48%
Provisions / Assets	0.52%	0.32%	0.08%	0.19%	0.23%
PBT / Assets	0.92%	1.29%	1.25%	1.30%	1.25%
Tax rate	27.1%	25.3%	23.0%	25.0%	25.0%
ROA	0.67%	0.96%	0.97%	0.97%	0.94%
RoRWAs	1.34%	1.91%	1.88%	1.87%	1.76%
Leverage	19.3	18.3	17.8	17.2	16.9
ROE	13.0%	18.1%	17.4%	17.0%	16.0%

Source: Company, JM Financial

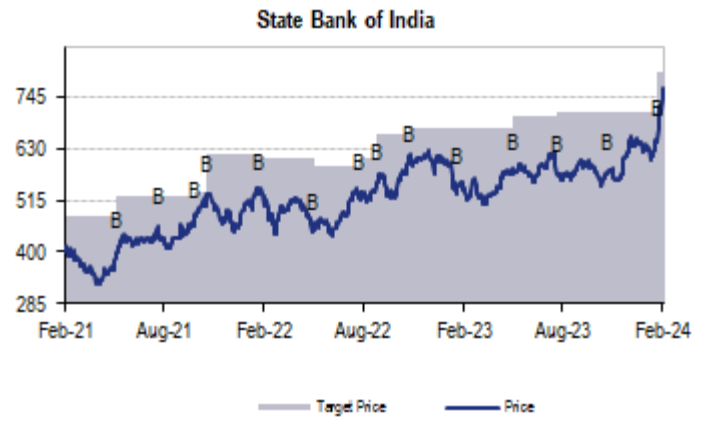
Valuations					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Shares in Issue	8.9	8.9	8.9	8.9	8.9
EPS (INR)	35.5	56.3	62.8	70.6	75.8
EPS (YoY) (%)	55.2%	58.6%	11.6%	12.5%	7.3%
PER (x)	21.5	13.5	12.1	10.8	10.1
BV (INR)	288	336	386	443	503
BV (YoY) (%)	11.5%	16.8%	15.0%	14.6%	13.7%
ABV (INR)	288	336	386	443	503
ABV (YoY) (%)	14.1%	16.8%	15.0%	14.6%	13.7%
P/BV (x)	2.65	2.27	1.97	1.72	1.51
P/ABV (x)	2.65	2.27	1.97	1.72	1.51
DPS (INR)	7.1	11.3	12.6	14.1	15.2
Div. yield (%)	0.9%	1.5%	1.6%	1.9%	2.0%

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
5-Jun-20	Buy	220	
2-Aug-20	Buy	230	4.5
27-Aug-20	Buy	300	30.4
4-Nov-20	Buy	300	0.0
11-Jan-21	Buy	350	16.7
4-Feb-21	Buy	480	37.1
21-May-21	Buy	525	9.4
4-Aug-21	Buy	525	0.0
11-Oct-21	Buy	535	1.9
3-Nov-21	Buy	615	15.0
5-Feb-22	Buy	610	-0.8
15-May-22	Buy	590	-3.3
7-Aug-22	Buy	610	3.4
11-Sep-22	Buy	660	8.2
6-Nov-22	Buy	675	2.3
3-Feb-23	Buy	675	0.0
18-May-23	Buy	700	3.7
6-Aug-23	Buy	710	1.4
5-Nov-23	Buy	710	0.0
4-Feb-24	Buy	800	12.7

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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