

# State Bank of India

Estimate change	↑
TP change	↔
Rating change	↔

Bloomberg	SBIN IN
Equity Shares (m)	8925
M.Cap.(INRb)/(USDb)	5797.9 / 69.9
52-Week Range (INR)	661 / 502
1, 6, 12 Rel. Per (%)	1/-3/-1
12M Avg Val (INR M)	10123

## Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
NII	1,448	1,606	1,796
OP	837	872	1,138
NP	502	560	733
NIM (%)	3.2	3.1	3.1
EPS (INR)	56.3	62.7	82.1
EPS Gr. (%)	58.6	11.4	31.0
ABV (INR)	311	361	429
Cons. BV (INR)	385	453	543

\*Adjusted for subsidiaries

## Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	56.9	56.9	56.9
DII	24.0	24.2	25.1
FII	11.8	11.6	11.0
Others	7.3	7.2	7.0

FII Includes depository receipts

**CMP: INR650**      **TP: INR800 (+22%)**      **Buy**

## Core performance on track; One-offs dent earnings

### NIMs contract 7bp QoQ

- SBIN's 3QFY24 PAT of INR91.64b came in 17% below our estimate of INR110b, affected by higher wage provisions and an exceptional item of INR71b. Adjusting for the exceptional item, net profit would have been INR144b.
- NII grew 4.6% YoY/0.8% QoQ (in line). NIMs declined 7bp QoQ to 3.22% (domestic NIMs at 3.34%, down 9bp QoQ).
- Slippages increased marginally to INR50.5b, while healthy recoveries and write-offs led to a 13bp decline in the GNPA ratio. RSA pool declined to INR189b or 0.6% of advances.
- We raise our FY25 EPS estimates by 4.6% as the wage/pension provisioning gets completely done with in FY24 and expect the overall credit cost to remain under control. We estimate FY25 RoA/RoE of 1.1%/19.6%. **Reiterate our BUY rating with an unchanged TP of INR800 (based on 1.2x Sep'25E ABV + INR218 from subs).**

### Revenue growth steady; guides for lower wage provisions

- SBIN reported a 36% YoY decline in net profit to INR91.6b as the bank navigated through higher wage provisions and an exceptional item of INR71b. NII grew 4.6% YoY (largely in line), while margins declined by 7bp QoQ to 3.22% (in line).
- Other income grew 6.2% QoQ (flat YoY), as treasury gains remained healthy at INR25b. Core other income grew 5% YoY.
- In 3Q, SBIN made wage-related provisions of INR63b (for a 17% wage hike). For 9MFY24, wage-related provisions stood at INR127.2b. For 4Q, the bank guides for lower wage provisions at INR54b. It also made a provision of INR2.4b for its AIF exposure. As a result, PPOp declined by 19% YoY to ~INR203b, while Core PPOp declined 20% YoY.
- Advances grew ~15% YoY/5.2% QoQ, led by 15% YoY growth in retail and 19% YoY growth in SME segment. Agri book grew 18% YoY, while corporate growth picked up to 11% YoY. Retail growth was driven by home loans (13% YoY/3.2% QoQ; 54% of retail book), while Auto/Xpress credit grew 21%/16% YoY. Deposit growth was slow at 13% YoY/1.6% QoQ, while the CASA mix declined 70bp QoQ to 41.2%. Domestic CD ratio thus increased to 66.3%.
- Slippages increased marginally to INR50b or 0.7% of advances, in 3Q. While continued robust recoveries/write-offs led to a 13bp QoQ drop in the GNPA ratio to 2.42%. The NNPA ratio remained flat at 0.64%. Restructured book declined to INR189b (0.5% of advances), while SMA 1/2 portfolio stood at INR41.3b (12bp of loans).
- Subsidiary performance:** SBICARD clocked a PAT of INR5.49b (up 8% YoY). SBILIFE's PAT grew 6% YoY to INR3.2b. PAT of the AMC business increased by 45% YoY to INR5.4b, while SBI General reported a profit of INR750m vs. a profit of INR130m in 3QFY23.

**Highlights from the management commentary**

- Wage revisions increased to 17% from 14%; 10% was provided from Nov'22 onward. The bank had provided INR88.9b as of Sep'23 and provided additional INR63.13b in 3Q. Total provisions thus stood at INR127.18b in FY24. The bank expects to make residual INR54.08b of wage-related provisions in 4Q.
- After wage provisioning in FY24, the wage bill will be INR660b in FY25E vs. INR770b (total at INR770b + INR71b {one offs} = INR 841b) in FY24.
- CET-1 ratio stands at 10.38% and the bank is open to raise more capital if growth trends demand it. The bank is also reviewing AT1 prices and will make sure that capital will not be a constraint for growth.

**Valuation and view**

SBIN reported a mixed quarter as one-off pension provisions impacted earnings, whereas high wage provisions were partially offset by a decline in loan loss provisions. Operating expenses thus remained high, thereby affecting PPop growth. The management anticipates lower wage provisions at INR54b in 4Q. Consequently, we expect improvement in operating profitability in FY25. Margins contracted 7bp QoQ to 3.22% in 3Q; however, the bank expects margins to remain broadly stable, with a potential 1-2bp decline. The bank has various levers such as CD ratio and MCLR repricing to keep margins stable. Business growth remains robust, with signs of a recovery in the corporate segment. Asset quality remains healthy as the GNPA ratio improves further and the restructured book is well-managed at 0.5% of advances, while the SMA pool stands at 12bp of loans. We estimate SBIN to deliver RoA/RoE of 1.1%/19.6% in FY25. **We maintain our BUY rating with an unchanged TP of INR 800 (1.2x Sep'25E ABV + INR 218 from subsidiaries).**

**Quarterly performance****(INR b)**

Y/E March	FY23				FY24E				FY23	FY24E	FY24E	V/s
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
<b>Net Interest Income</b>	<b>312.0</b>	<b>351.8</b>	<b>380.7</b>	<b>403.9</b>	<b>389.0</b>	<b>395.0</b>	<b>398.2</b>	<b>423.8</b>	<b>1,448.4</b>	<b>1,606.0</b>	<b>401.6</b>	<b>-1%</b>
% Change (YoY)	12.9	12.8	24.1	29.5	24.7	12.3	4.6	4.9	20.0	10.9	5.5	
Other Income	23.1	88.7	114.7	139.6	120.6	107.9	114.6	140.2	366.2	483.3	111.8	2%
<b>Total Income</b>	<b>335.1</b>	<b>440.6</b>	<b>495.4</b>	<b>543.5</b>	<b>509.7</b>	<b>502.9</b>	<b>512.7</b>	<b>564.0</b>	<b>1,814.6</b>	<b>2,089.3</b>	<b>513.4</b>	<b>0%</b>
Operating Expenses	207.6	229.4	243.2	297.3	256.7	308.7	309.4	342.6	977.4	1,217.5	339.3	-9%
<b>Operating Profit</b>	<b>127.5</b>	<b>211.2</b>	<b>252.2</b>	<b>246.2</b>	<b>253.0</b>	<b>194.2</b>	<b>203.4</b>	<b>221.3</b>	<b>837.1</b>	<b>871.8</b>	<b>174.1</b>	<b>17%</b>
% Change (YoY)	-32.8	16.8	36.2	24.9	98.4	-8.1	-19.4	-10.1	11.2	4.1	-31.0	
Provisions	43.9	30.4	57.6	33.2	25.0	1.2	6.9	21.5	165.1	54.6	27.2	-75%
Exceptional items (exp)	0.0	0.0	0.0	0.0	0.0	0.0	71.0	0.0		71.0	0.0	
<b>Profit before Tax</b>	<b>83.6</b>	<b>180.8</b>	<b>194.6</b>	<b>213.1</b>	<b>228.0</b>	<b>193.0</b>	<b>125.5</b>	<b>199.8</b>	<b>672.1</b>	<b>746.2</b>	<b>146.9</b>	<b>-15%</b>
Tax Provisions	22.9	48.2	52.5	46.1	59.1	49.7	33.8	43.9	169.7	186.6	36.7	-8%
<b>Net Profit</b>	<b>60.7</b>	<b>132.6</b>	<b>142.1</b>	<b>166.9</b>	<b>168.8</b>	<b>143.3</b>	<b>91.6</b>	<b>155.9</b>	<b>502.3</b>	<b>559.7</b>	<b>110.2</b>	<b>-17%</b>
% Change (YoY)	-6.7	73.9	68.5	83.2	178.2	8.0	-35.5	-6.6	58.6	11.4	-22.4	
Adj. Net profit	60.7	132.6	142.1	166.9	168.8	143.3	144.0	155.9	502.3	612.0		
<b>Operating Parameters</b>												
Deposits (INR t)	40.5	41.9	42.1	44.2	45.3	46.9	47.6	49.0	44.2	49.0	48.0	-0.9%
Loans (INR t)	28.2	29.5	30.6	32.0	32.4	33.5	35.2	36.5	32.0	36.5	34.8	1.0%
Deposit Growth (%)	8.7	10.0	9.5	9.2	12.0	11.9	13.0	10.8	9.2	10.8	14.0	
Loan Growth (%)	15.8	20.8	18.6	17.0	14.9	13.3	15.1	14.1	17.0	14.1	13.9	
<b>Asset Quality</b>												
Gross NPA (%)	3.9	3.5	3.1	2.8	2.8	2.6	2.4	2.3	2.8	2.3	2.4	
Net NPA (%)	1.0	0.8	0.8	0.7	0.7	0.6	0.6	0.6	0.7	0.6	0.6	
PCR (%)	75.1	77.9	76.1	76.4	74.8	75.4	74.2	74.0	76.2	74.0	75.2	

E: MOFSL estimates

## Quarterly snapshot

INR b	FY23				FY24			Change (%)	
Profit and Loss	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ
<b>Interest Income</b>	<b>726.8</b>	<b>798.6</b>	<b>866.2</b>	<b>929.5</b>	<b>959.8</b>	<b>1,013.8</b>	<b>1,067.3</b>	<b>23</b>	<b>5</b>
Loans	464.7	523.8	588.7	636.8	671.3	702.6	735.2	25	5
Investment	224.4	236.7	245.3	252.9	250.1	270.0	284.3	16	5
<b>Interest Expenses</b>	<b>414.8</b>	<b>446.8</b>	<b>485.5</b>	<b>525.6</b>	<b>570.7</b>	<b>618.8</b>	<b>669.2</b>	<b>38</b>	<b>8</b>
<b>Net Interest Income</b>	<b>312.0</b>	<b>351.8</b>	<b>380.7</b>	<b>403.9</b>	<b>389.0</b>	<b>395.0</b>	<b>398.2</b>	<b>5</b>	<b>1</b>
<b>Other Income</b>	<b>23.1</b>	<b>88.7</b>	<b>114.7</b>	<b>139.6</b>	<b>120.6</b>	<b>107.9</b>	<b>114.6</b>	<b>0</b>	<b>6</b>
Trading profits	-65.5	4.6	29.4	18.0	38.5	20.2	25.1	-15	24
Fee Income	63.7	59.4	59.3	80.0	66.3	65.4	62.4	5	-5
Forex Income	20.1	4.1	13.9	-0.3	2.9	3.0	9.1	-35	204
Others	4.8	20.7	12.1	41.9	13.1	19.4	18.1	49	-7
<b>Total Income</b>	<b>335.1</b>	<b>440.6</b>	<b>495.4</b>	<b>543.5</b>	<b>509.7</b>	<b>502.9</b>	<b>512.7</b>	<b>4</b>	<b>2</b>
<b>Operating Expenses</b>	<b>207.6</b>	<b>229.4</b>	<b>243.2</b>	<b>297.3</b>	<b>256.7</b>	<b>308.7</b>	<b>309.4</b>	<b>27</b>	<b>0</b>
Employee	120.5	128.7	147.6	176.2	166.0	189.3	193.6	31	2
Others	87.0	100.7	95.6	121.2	90.7	119.5	115.8	21	-3
<b>Operating Profits</b>	<b>127.5</b>	<b>211.2</b>	<b>252.2</b>	<b>246.2</b>	<b>253.0</b>	<b>194.2</b>	<b>203.4</b>	<b>-19</b>	<b>5</b>
<b>Core Operating Profits</b>	<b>193.0</b>	<b>206.6</b>	<b>222.8</b>	<b>228.2</b>	<b>214.5</b>	<b>174.0</b>	<b>178.3</b>	<b>-20</b>	<b>3</b>
<b>Provisions</b>	<b>43.9</b>	<b>30.4</b>	<b>57.6</b>	<b>33.2</b>	<b>25.0</b>	<b>1.2</b>	<b>6.9</b>	<b>-88</b>	<b>497</b>
<b>PBT</b>	<b>83.6</b>	<b>180.8</b>	<b>194.6</b>	<b>213.1</b>	<b>228.0</b>	<b>193.0</b>	<b>125.5</b>	<b>-36</b>	<b>-35</b>
Taxes	22.9	48.2	52.5	46.1	59.1	49.7	33.8	-36	-32
<b>PAT</b>	<b>60.7</b>	<b>132.6</b>	<b>142.1</b>	<b>166.9</b>	<b>168.8</b>	<b>143.3</b>	<b>91.6</b>	<b>-35</b>	<b>-36</b>
<b>Balance Sheet (INR t)</b>									
Deposits	40.5	41.9	42.1	44.2	45.3	46.9	47.6	13	2
Loans	28.2	29.5	30.6	32.0	32.4	33.5	35.2	15	5
<b>Asset Quality (INR b)</b>									
GNPA	1,132.7	1,068.0	983.5	909.3	913.3	869.7	867.5	-12	0
NNPA	282.6	235.7	234.8	214.7	230.0	213.5	224.1	-5	5
Slippages	101.2	24.4	32.1	34.6	78.7	40.8	50.5	57	24
<b>Ratios</b>									
	FY23				FY24E			Change (bps)	
<b>Asset Quality Ratios (%)</b>	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>4Q</b>	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>YoY</b>	<b>QoQ</b>
GNPA	3.9	3.5	3.1	2.8	2.8	2.6	2.4	(72)	(13)
NNPA	1.0	0.8	0.8	0.7	0.7	0.6	0.6	(13)	-
PCR (Cal.)	75.1	77.9	76.1	76.4	74.8	75.4	74.2	(195)	(128)
PCR (Rep.)	90.1	91.5	91.5	91.9	91.4	91.9	91.5	(3)	(44)
<b>Business Ratios (%)</b>									
Fees to Total Income	19.0	13.5	12.0	14.7	13.0	13.0	12.2	20	(82)
Cost to Core Income	51.8	52.6	52.2	56.6	54.5	64.0	63.4	1,125	(52)
Tax Rate	27.4	26.6	27.0	21.6	25.9	25.8	27.0	(3)	121
Loan/Deposit	69.6	70.4	72.6	72.3	71.4	71.3	73.9	133	257
CAR	13.4	13.5	13.3	14.7	14.6	14.3	13.1	(22)	(123)
Tier I	11.2	11.1	10.8	12.1	12.0	11.8	10.6	(22)	(120)
<b>Profitability Ratios (%)</b>									
Yield on Advances	7.4	7.7	7.9	8.1	8.8	8.9	8.9	101	2
Yield on Investments	6.2	6.3	6.4	6.6	6.4	6.7	7.0	57	33
Yield On Funds	7.0	7.3	7.8	8.2	8.3	8.4	8.6	83	22
Cost of Deposits	3.8	3.8	3.9	4.0	4.6	4.7	4.8	85	10
Margins	3.0	3.3	3.5	3.6	3.3	3.3	3.2	(28)	(7)
RoA	0.5	1.0	1.1	1.2	1.2	1.0	0.6	(46)	(39)



## Highlights from the management commentary

### Balance sheet, P&L and others

- The global economy is expected to grow by 3.1% in FY24 and 3.2% in FY25. The projected growth is below the historical average of 3.8%.
- Real GDP growth is expected to be 7.3%.
- 3Q net profit stood at INR 91.64b after absorbing the additional liability of INR71b, which comprised INR54b for pension at a uniform rate and INR17b provisions for ex-gratia benefits and neutralization of Dearness Relief to pre-Nov'02 retirees and family pensioners.
- The bank is mindful of its liability profile and expects to reduce the dependency of wholesale deposits.
- Excess SLR stands at INR4t and LCR is healthy at 131%, well above the regulatory requirement.
- Advances witnessed healthy growth across all segments in 3Q.
- About 59% of savings accounts were opened through the YONO app. SBIN continues to focus on CA accounts too.
- CET1 ratio stands at 10.38% and the bank is open to raising more capital if growth trends demand.
- With inclusion of profits, CRAR would have been 14.31%, CET-1 at 10.38%, RoE growth at 19-20% and loan growth would have been 14-15%. The bank is open to raising capital from all types of avenues. It is also reviewing AT1 prices. The bank will make sure that capital will not be an obstacle for growth.
- The bank believes that credit growth will be at 14-15%. The bank has made total provisions of ~INR200b in FY24. Despite this, RoE is 19.5%.
- The bank has enough elbowroom to grow at the pace of INR7.5t per year (18-20% growth).
- The bank's CD ratio is 66% and LCR too is healthy at 131%.
- RBI decisions are independent of the FOMC. The bank expects repo rate cuts in 2Q or 3Q.
- The bank is reporting a 14% CAGR and will reach the INR50t mark in few years.
- SBIN is leveraging analytics and possible applications of Gen-AI and using tech for the benefits of employees. The bank will be in a position to create a new opportunity.
- SBIN's Chairman aims for a profit of INR1t in the next few years to become the highest profit making entity in the country.
- A credit pipeline of INR4.6t is available in the corporate loan segment and the bank will be happy to cater to the corporates. The bank has not received any communication from private banks for the sale of corporate assets.
- A revised regulatory framework for the valuation of its investment portfolio vide RBI circular dated 12th Sep'23 is estimated to add ~ 50bp to CET-1 in Apr'24.
- The CD ratio increased but the margins did not, as majority of the growth was back-ended in 3Q. And as a result, its benefits will be seen in 4Q.
- 49bp of CET-1 impact was due to an increase in RWAs; 70bp impact on CRAR. Further, the bank is passing on the costs to NBFCs. It has also increased rates in the X-press credit.
- SBIN's current RIDF outstanding is INR2.6t.
- It has 22,494 branches as on Dec'23.

- Book mix breakup: MCLR 37.6%, Fixed rate 20.9%, EBLR linked at 27.4%.

### Margins

- SBIN expects margins to remain similar to that of 3Q level and hence there could be only 1-2bp of decline in NIMs from hereon.
- Most of the deposits have already been repriced; hence, there should not be any pressure from deposit repricing.

### Asset quality

- GNPA/NNPA ratios moderated to 2.42% (lowest in >10 years) or 0.64% as of 3QFY24.
- The slippage ratio improved by 5bp YoY to 0.67%. Credit cost stands at 0.25%, improved by 12bp in 9MFY24.
- The bank has worked on credit costs and strengthened the mechanism for underwriting the risk. The bank is clear in terms of portfolio composition and selection. The bank has improved its loan management system and is controlling the quality of the overall book.
- The bank does not expect any lumpy recoveries in AUCA accounts. On NCLT recoveries, the bank has to depend on the consortium and ecosystem.
- The bank had lumpy recovery of INR2b in FY24.

### Wage revisions and one-offs

- Wage revisions increased to 17% from 14%; 10% was provided from Nov'22 onward. SBIN had provided INR88.9b as of Sep'23 and provided additional INR63.13b in 3Q. Total provisions stand at INR127.18b in FY24. Going forward, the bank expects additional wage-related provisions of INR54.08b in 4Q.
- In 3Q, there was a one-time item of INR71b due to differential pension at 40% or 50%, while this order was pending from 2002. Since this event was bound to happen, the bank made INR54b and another of INR17b for neutralization of DA relief for pre-Nov'02 retirees and family pensioners.
- The bank will get the tax benefits for the additional provisions.
- The INR17b one-time item was related to DA relief, which can be applicable to all other banks.
- The bank has done all settlements and the wage bill will be INR660b in FY25E vs. INR770b (total at INR 770b+ INR 71b {one offs} = INR 841b) in FY24.
- The employee cost was higher vs. other PSUs as there have been pensioners in the bank. But the bank expects efficiency to improve further and employee costs should moderate.

### Headline asset quality steady; SMA remains under control

- Slippages increased marginally QoQ to ~INR50.5b (0.7% of loans) in 3QFY24. Recoveries/upgrades came in at INR18b, while write-offs stood at ~INR45b. Hence, net slippages came in negative at INR2.2b.

The restructuring book improved 9bp QoQ to 0.50% of loans, while the SMA book inched up 4% QoQ to INR~41b (12bp of loans)

- GNPA/NNPA ratios stood at 2.42%/0.64% as of 3QFY24, while PCR moderated to ~74% (91.5%, including TWO).
- GNPA's in the Agri/Corporate/SME/Retail segments stood at 10.1%/2.9%/4.1%/0.7%, while the bank targets improvements in Agri GNPA ratio.
- Restructuring 1.0/2.0 declined 7.6%/10.2% QoQ to INR54b/INR135.2b. Thus, total restructuring stood at INR189b (0.5% of loans). The SMA 1/2 portfolio increased marginally by 4% QoQ to INR41.3b.

#### Exhibit 1: SMA 1/2 increased marginally by 4% QoQ to INR41b

INR b	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
SMA 1	25.68	29.89	51.69	65.76	30.59	24.65	56.38	21.8	20.72
SMA 2	15.99	5.55	18.14	19.21	16.88	7.95	15.83	17.84	20.55
<b>Total</b>	<b>41.67</b>	<b>35.44</b>	<b>69.83</b>	<b>84.97</b>	<b>47.47</b>	<b>32.6</b>	<b>72.21</b>	<b>39.64</b>	<b>41.27</b>

Source: Company, MOFSL

Retail loans grew 15.1% YoY (up 5.2% QoQ)

#### Advances up 15.1% YoY/5.2% QoQ; growth broad-based across segments

- The Retail segment grew 4.3% QoQ (up 15.3% YoY), led by robust growth in Vehicle loans (up 21.2% YoY) and Xpress Credit, which continued to grow at a healthy pace of 16.4% to INR3.35t. Home loans grew 13.2% YoY.
- Growth in the Corporate book picked up to 4.7% QoQ, while the SME/Agri book grew ~8%/~7% QoQ.

#### Exhibit 2: Loan book remains well-diversified –SME book up 5% QoQ; Retail/Agri book up 3.3/3.7% QoQ

INR b	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY	QoQ
Retail	9,522	10,023	10,341	10,749	11,245	11,792	12,043	12,434	12,963	15.3%	4.3%
Agri	2,215	2,282	2,299	2,386	2,470	2,586	2,641	2,739	2,917	18.1%	6.5%
SME	3,072	3,055	3,128	3,169	3,506	3,593	3,699	3,890	4,181	19.2%	7.5%
Large corporate	7,834	8,707	8,740	9,170	9,250	9,798	9,822	9,777	10,241	10.7%	4.7%
International	22,642	24,068	24,508	25,474	26,472	27,768	28,204	28,840	30,303	14.5%	5.1%

#### Subsidiary performance

- SBICARD clocked a PAT of INR5.49b (up 8% YoY). SBILIFE's PAT grew 6% YoY to INR3.2b. PAT of the AMC business increased by 45% YoY to INR5.4b, while SBI General reported a profit of INR750m vs. a profit of INR130m in 3QFY23.

#### Valuation and view

- SBIN has followed a conservative policy as it has strengthened its balance sheet by creating higher provisions (pension and DA related provisions). It raised its PCR (including TWO) to ~92% in 3QFY24 (from ~65% in 1QFY18), with a ~92% provision coverage on Corporate NPAs.
- The bank has one of the best liability franchises (CASA mix: ~41%). This puts SBIN in a better position to manage pressure on yields and support margin to a large extent in a rising interest rate scenario.
- Its subsidiaries, SBI MF, SBILIFE, SBICARD, and SBI Cap, have reported healthy performances over the last few years, supporting our SoTP-based valuation for SBIN.
- Headline asset quality remained stable in 3Q, as fresh slippages increased marginally to INR50.5b (0.7% of loans). GNPA/NNPA ratios declined to 2.42%/0.64% in 3QFY24 as the rate of reductions outpaced slippages. We expect slippages to remain under control going forward and estimate a credit cost of ~40bp over FY24-26.

- Among PSU banks, SBIN remains the best play on a gradual recovery in the Indian economy, with a healthy specific PCR (~74%), Tier I of ~11%, a strong liability franchise, and improved core operating profitability.
- **BUY with a TP of INR800:** SBIN reported a mixed quarter as one-time pension provisions impacted earnings, whereas high wage provisions were partially offset by a decline in loan loss provisions. Operating expenses thus remained high, thereby affecting PPop growth. The management anticipates lower wage provisions at INR54b in 4Q. Consequently, we expect improvement in operating profitability in FY25. Margins declined 7bp QoQ to 3.22%, but the bank expects margins to remain broadly stable, with a potential 1-2bp decline. SBIN has various levers such as CD ratio and MCLR repricing to keep margins stable. Business growth remains robust, with signs of a recovery in the corporate segment. Asset quality remains healthy, as the GNPA ratio improves further, the restructured book is well-managed at 0.5% of advances, while the SMA pool stands at 12bp of loans. We estimate SBIN to deliver RoA/RoE of 1.1%/19.6% in FY25. **We maintain our BUY rating with an unchanged PT of INR 800 (1.2x Sep'25E ABV + INR 218 from subsidiaries).**

**Exhibit 3: SoTP-based pricing**

Name	Stake (%)	Value for SBIN (INRb)	Value per Share- (at our PT)	% of total value	Rationale
<b>SBI Bank</b>	<b>100</b>	<b>5,190</b>	<b>582</b>	<b>73</b>	<b>1.2x FY25E ABV</b>
Life insurance	55	948	106	13	2.3x Sep'25E EV
Cards	69	605	68	8	23x Sep'25E PAT
Asset management	63	419	47	6	30x Sep'25E PAT
General insurance	70	78	9	1	25x Sep'25E PAT
YES Bank	26	179	20	3	Based on CMP
Capital Market/DFHI/Others		206	23	3	
<b>Total Value of Subs</b>		<b>2,435</b>	<b>273</b>	<b>34</b>	
Less: 20% holding disc		487	55	7	
<b>Value of Subs (Post Holding Disc)</b>		<b>1,948</b>	<b>218</b>	<b>27</b>	
<b>Target Price</b>		<b>7,139</b>	<b>800</b>		

**Exhibit 4: DuPont Analysis: Earnings normalization cycle is progressing well**

Y/E MARCH	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Interest Income	6.74	6.25	5.79	6.32	7.20	7.31	7.28
Interest Expense	4.17	3.64	3.25	3.57	4.45	4.54	4.43
<b>Net Interest Income</b>	<b>2.57</b>	<b>2.61</b>	<b>2.54</b>	<b>2.76</b>	<b>2.75</b>	<b>2.77</b>	<b>2.85</b>
Fee income	0.96	0.88	0.78	0.72	0.86	0.84	0.84
Trading and others	0.22	0.14	0.07	-0.03	-0.03	-0.03	-0.03
<b>Non-Interest income</b>	<b>1.19</b>	<b>1.03</b>	<b>0.85</b>	<b>0.70</b>	<b>0.83</b>	<b>0.81</b>	<b>0.81</b>
<b>Total Income</b>	<b>3.76</b>	<b>3.63</b>	<b>3.39</b>	<b>3.45</b>	<b>3.58</b>	<b>3.58</b>	<b>3.66</b>
<b>Operating Expenses</b>	<b>1.97</b>	<b>1.95</b>	<b>1.81</b>	<b>1.86</b>	<b>2.09</b>	<b>1.83</b>	<b>1.81</b>
Employee cost	1.20	1.20	1.05	1.09	1.30	1.05	1.04
Others	0.77	0.75	0.75	0.77	0.79	0.78	0.77
<b>Operating Profit</b>	<b>1.79</b>	<b>1.69</b>	<b>1.58</b>	<b>1.59</b>	<b>1.50</b>	<b>1.75</b>	<b>1.85</b>
<b>Core Operating Profit</b>	<b>1.56</b>	<b>1.54</b>	<b>1.51</b>	<b>1.62</b>	<b>1.52</b>	<b>1.78</b>	<b>1.88</b>
<b>Provisions</b>	<b>1.13</b>	<b>1.04</b>	<b>0.51</b>	<b>0.31</b>	<b>0.09</b>	<b>0.24</b>	<b>0.25</b>
NPA	1.13	0.64	0.30	0.17	0.11	0.22	0.23
Others	0.00	0.39	0.22	0.14	-0.01	0.02	0.02
<b>PBT</b>	<b>0.66</b>	<b>0.65</b>	<b>0.91</b>	<b>1.28</b>	<b>1.40</b>	<b>1.51</b>	<b>1.60</b>
Tax	0.28	0.17	0.25	0.32	0.32	0.38	0.40
<b>RoA</b>	<b>0.38</b>	<b>0.48</b>	<b>0.67</b>	<b>0.96</b>	<b>1.08</b>	<b>1.13</b>	<b>1.19</b>
Leverage (x)	18.9	19.4	19.6	18.9	18.1	17.4	16.4
<b>RoE</b>	<b>7.2</b>	<b>9.3</b>	<b>13.0</b>	<b>18.1</b>	<b>19.6</b>	<b>19.6</b>	<b>19.6</b>

**Exhibit 5: We have increased our earnings estimates by 0.9%/4.6% for FY24/FY25**

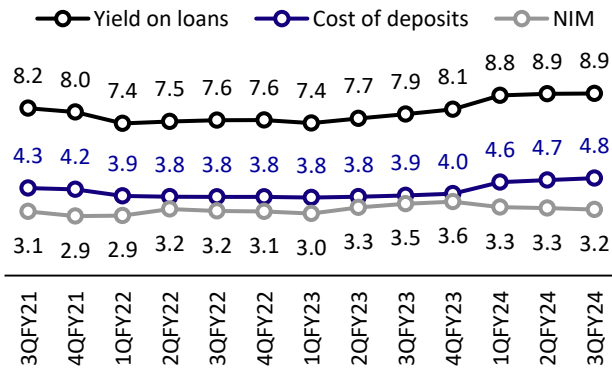
INR B	Old Estimates		Revised Estimates		Change (%)/bps	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
<b>Net Interest Income</b>	<b>1,598.8</b>	<b>1,773.6</b>	<b>1,606.0</b>	<b>1,796.5</b>	<b>0.5</b>	<b>1.3</b>
Other Income	473.8	523.6	483.3	526.8	2.0	0.6
<b>Total Income</b>	<b>2,072.6</b>	<b>2,297.2</b>	<b>2,089.3</b>	<b>2,323.3</b>	<b>0.8</b>	<b>1.1</b>
Operating Expenses	1,249.8	1,211.2	1,217.5	1,185.6	-2.6	-2.1
<b>Operating Profits</b>	<b>822.7</b>	<b>1,086.0</b>	<b>871.8</b>	<b>1,137.7</b>	<b>6.0</b>	<b>4.8</b>
Provisions	80.0	147.6	54.6	156.5	-31.7	6.0
<b>PBT</b>	<b>742.8</b>	<b>938.5</b>	<b>746.2</b>	<b>981.2</b>	<b>0.5</b>	<b>4.6</b>
Tax	187.9	237.4	186.6	248.2	-0.7	4.6
<b>PAT</b>	<b>554.9</b>	<b>701.0</b>	<b>559.7</b>	<b>733.0</b>	<b>0.9</b>	<b>4.6</b>
Loans (INRt)	36.3	41.1	36.5	41.4	0.5	0.7
Deposits (INRt)	49.5	54.7	49.0	54.2	-0.9	-0.9
Margins (%)	3.1	3.1	3.1	3.1	1	2
Credit Cost (%)	0.2	0.4	0.2	0.4	-5	2
<b>RoA (%)</b>	<b>0.9</b>	<b>1.1</b>	<b>1.0</b>	<b>1.1</b>	<b>1</b>	<b>6</b>
<b>RoE (%)</b>	<b>17.3</b>	<b>18.9</b>	<b>17.4</b>	<b>19.6</b>	<b>14</b>	<b>75</b>
Standalone ABV	362.5	427.2	360.8	428.8	-0.5	0.4
Consol BV	452.1	538.4	452.7	542.5	0.1	0.8

Source: Company, MOFSL



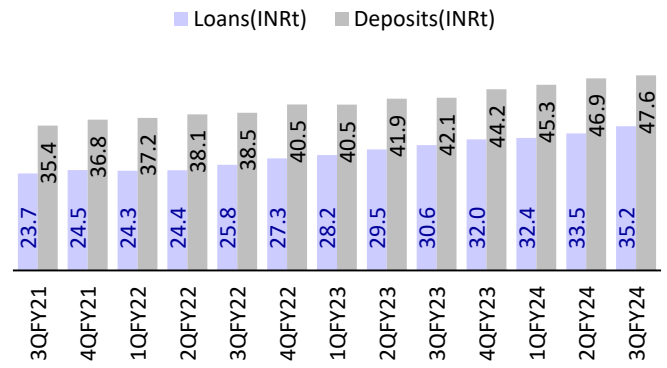
## Story in charts

**Exhibit 6: Global NIMs compressed 7bp QoQ to 3.22%**



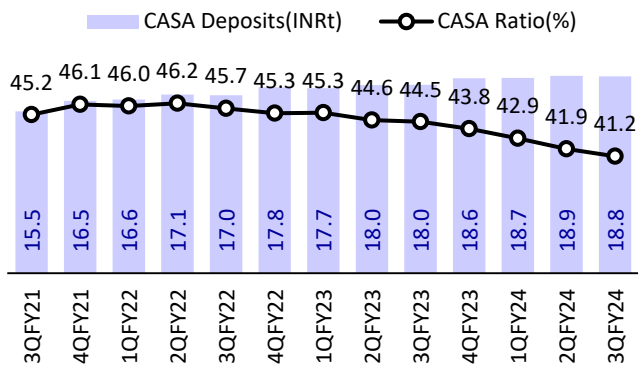
Source: MOFSL, Company

**Exhibit 7: Loans up 15% YoY (5.2% QoQ); deposits up 13% YoY**



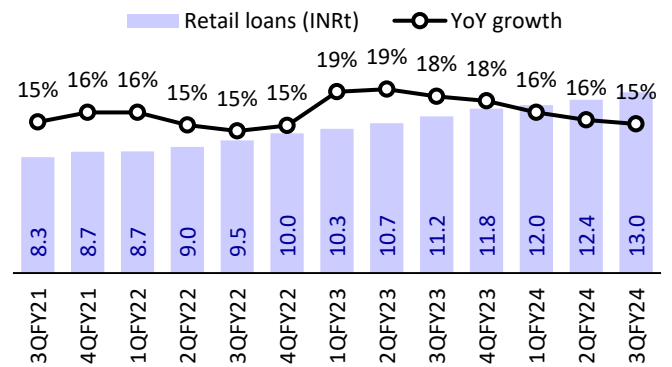
Source: MOFSL, Company

**Exhibit 8: CASA ratio moderated 70bp QoQ to 41.2%**



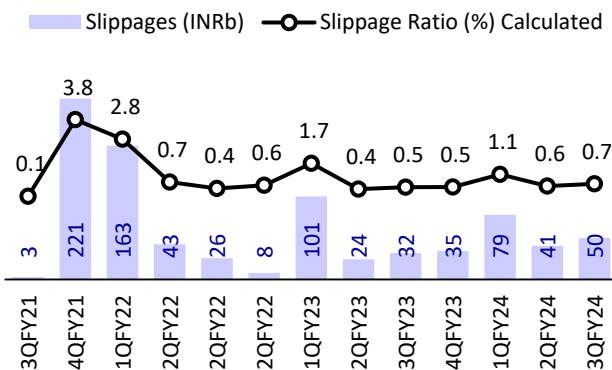
Source: MOFSL, Company

**Exhibit 9: Retail loans up ~15.3% YoY**



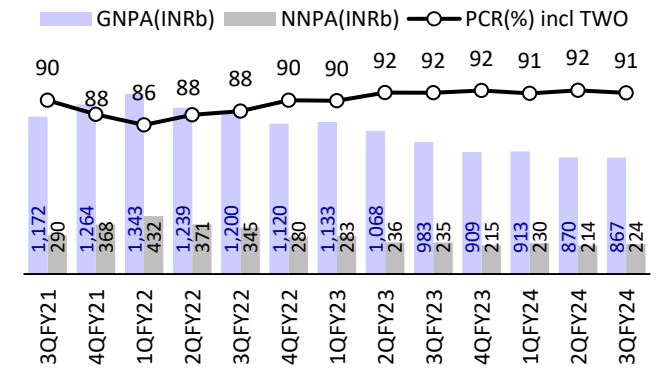
Source: MOFSL, Company

**Exhibit 10: Slippages stood at INR50b (annualized 0.7% of loans)**



Source: MOFSL, Company

**Exhibit 11: GNPA/NNPA at 2.42%/0.64%; PCR (including TWO) at 91.5%**



Source: MOFSL, Company

## Financials and valuations

Income Statement							(INRb)
Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Interest Income	2,573.2	2,651.5	2,754.6	3,321.0	4,197.5	4,743.5	5,252.2
Interest Expense	1,592.4	1,544.4	1,547.5	1,872.6	2,591.5	2,947.0	3,197.6
<b>Net Interest Income</b>	<b>980.8</b>	<b>1,107.1</b>	<b>1,207.1</b>	<b>1,448.4</b>	<b>1,606.0</b>	<b>1,796.5</b>	<b>2,054.7</b>
Change (%)	11.0	12.9	9.0	20.0	10.9	11.9	14.4
<b>Non-Interest Income</b>	<b>452.2</b>	<b>435.0</b>	<b>405.6</b>	<b>366.2</b>	<b>483.3</b>	<b>526.8</b>	<b>584.8</b>
<b>Total Income</b>	<b>1,433.1</b>	<b>1,542.1</b>	<b>1,612.7</b>	<b>1,814.6</b>	<b>2,089.3</b>	<b>2,323.3</b>	<b>2,639.4</b>
Change (%)	14.5	7.6	4.6	12.5	15.1	11.2	13.6
Operating Expenses	751.7	826.5	859.8	977.4	1,217.5	1,185.6	1,307.1
<b>Pre Provision Profits</b>	<b>681.3</b>	<b>715.5</b>	<b>752.9</b>	<b>837.1</b>	<b>871.8</b>	<b>1,137.7</b>	<b>1,332.3</b>
Change (%)	22.9	5.0	5.2	11.2	4.1	30.5	17.1
<b>Core Provision Profits</b>	<b>595.6</b>	<b>655.2</b>	<b>720.7</b>	<b>850.7</b>	<b>888.1</b>	<b>1,157.2</b>	<b>1,355.7</b>
Change (%)	13.9	10.0	10.0	18.0	4.4	30.3	17.2
Provisions (excl tax)	430.7	440.1	244.5	165.1	54.6	156.5	180.0
Exceptional Items (Exp)	NA	NA	74.2	NA	71.0	NA	NA
<b>PBT</b>	<b>250.6</b>	<b>275.4</b>	<b>434.2</b>	<b>672.1</b>	<b>746.2</b>	<b>981.2</b>	<b>1,152.3</b>
Tax	105.7	71.3	117.5	169.7	186.6	248.2	291.5
Tax Rate (%)	42.2	25.9	27.1	25.3	25.0	25.3	25.3
<b>PAT</b>	<b>144.9</b>	<b>204.1</b>	<b>316.8</b>	<b>502.3</b>	<b>559.7</b>	<b>733.0</b>	<b>860.8</b>
Change (%)	1,580.3	40.9	55.2	58.6	11.4	31.0	17.4
<b>Cons. PAT post MI</b>	<b>197.7</b>	<b>224.1</b>	<b>353.7</b>	<b>556.5</b>	<b>635.5</b>	<b>839.1</b>	<b>1,009.4</b>
Change (%)	759.6	13.3	57.9	57.3	14.2	32.0	20.3

### Balance Sheet

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Share Capital	9	9	9	9	9	9	9
Reserves & Surplus	2,311	2,530	2,792	3,267	3,704	4,306	5,025
<b>Net Worth</b>	<b>2,320</b>	<b>2,539</b>	<b>2,801</b>	<b>3,276</b>	<b>3,713</b>	<b>4,315</b>	<b>5,034</b>
<b>Deposits</b>	<b>32,416</b>	<b>36,813</b>	<b>40,515</b>	<b>44,238</b>	<b>49,015</b>	<b>54,162</b>	<b>59,849</b>
Change (%)	11.3	13.6	10.1	9.2	10.8	10.5	10.5
<b>of which CASA Dep</b>	<b>14,337</b>	<b>16,713</b>	<b>18,036</b>	<b>18,874</b>	<b>20,439</b>	<b>22,802</b>	<b>25,376</b>
Change (%)	10.5	16.6	7.9	4.7	8.3	11.6	11.3
Borrowings	3,147	4,173	4,260	4,931	5,619	6,266	6,965
Other Liab. & Prov.	1,631	1,820	2,299	2,725	3,086	3,548	4,081
<b>Total Liabilities</b>	<b>39,514</b>	<b>45,344</b>	<b>49,876</b>	<b>55,170</b>	<b>61,433</b>	<b>68,291</b>	<b>75,929</b>
Current Assets	2,511	3,430	3,946	3,079	3,064	3,293	3,531
<b>Investments</b>	<b>10,470</b>	<b>13,517</b>	<b>14,814</b>	<b>15,704</b>	<b>17,070</b>	<b>18,453</b>	<b>20,021</b>
Change (%)	8.3	29.1	9.6	6.0	8.7	8.1	8.5
<b>Loans</b>	<b>23,253</b>	<b>24,495</b>	<b>27,340</b>	<b>31,993</b>	<b>36,504</b>	<b>41,432</b>	<b>46,942</b>
Change (%)	6.4	5.3	11.6	17.0	14.1	13.5	13.3
Fixed Assets	384	384	377	424	432	458	495
Other Assets	2,896	3,518	3,399	3,971	4,363	4,656	4,940
<b>Total Assets</b>	<b>39,514</b>	<b>45,344</b>	<b>49,876</b>	<b>55,170</b>	<b>61,433</b>	<b>68,291</b>	<b>75,929</b>

### Asset Quality

GNPA	1,491	1,264	1,120	909	837	870	920
NNPA	519	368	282	217	218	225	235
GNPA Ratio	6.15	4.98	3.98	2.78	2.3	2.1	1.9
NNPA Ratio	2.23	1.50	1.03	0.68	0.6	0.5	0.5
Slippage Ratio	2.2	1.2	1.0	0.6	0.6	0.9	0.9
Credit Cost	1.9	1.8	0.9	0.6	0.2	0.4	0.4
PCR (Excl Tech. W/O)	65.2	70.9	74.9	76.2	74.0	74.2	74.4

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Yield and Cost Ratios (%)</b>							
<b>Avg. Yield-Earning Assets</b>	<b>7.7</b>	<b>7.2</b>	<b>6.7</b>	<b>7.2</b>	<b>8.2</b>	<b>8.3</b>	<b>8.2</b>
Avg. Yield on loans	8.0	7.2	6.6	7.5	8.6	8.7	8.5
Avg. Yield on Investments	6.9	6.8	6.1	6.4	6.9	6.9	6.9
<b>Avg. Cost-Int. Bear. Liab.</b>	<b>4.6</b>	<b>4.0</b>	<b>3.6</b>	<b>4.0</b>	<b>5.0</b>	<b>5.1</b>	<b>5.0</b>
Avg. Cost of Deposits	4.8	4.1	3.7	3.8	4.7	4.9	4.8
<b>Interest Spread</b>	<b>3.1</b>	<b>3.1</b>	<b>3.0</b>	<b>3.2</b>	<b>3.2</b>	<b>3.2</b>	<b>3.2</b>
<b>Net Interest Margin</b>	<b>3.0</b>	<b>3.0</b>	<b>2.9</b>	<b>3.2</b>	<b>3.1</b>	<b>3.1</b>	<b>3.2</b>

### Capitalization Ratios (%)

CAR	13.3	14.0	13.8	14.7	14.6	15.2	15.8
<i>Tier I</i>	11.2	11.7	11.4	12.1	12.0	12.8	13.6
<i>Tier II</i>	2.1	2.3	2.4	2.6	2.6	2.4	2.2

### Business and Efficiency Ratios (%)

Loans/Deposit Ratio	71.7	66.5	67.5	72.3	74.5	76.5	78.4
CASA Ratio	44.2	45.4	44.5	42.7	41.7	42.1	42.4
Cost/Assets	1.9	1.8	1.7	1.8	2.0	1.7	1.7
Cost/Total Income	52.5	53.6	53.3	53.9	58.3	51.0	49.5
Cost/Core Income	55.8	55.8	54.4	53.5	57.8	50.6	49.1
Int. Expense./Int. Income	61.9	58.2	56.2	56.4	61.7	62.1	60.9
Fee Income/Total Income	25.6	24.3	23.2	20.9	23.9	23.5	23.0
Non Int. Inc./Total Income	31.6	28.2	25.2	20.2	23.1	22.7	22.2
Empl. Cost/Total Expense	60.8	61.6	58.3	58.6	62.1	57.4	57.3
Investment/Deposit Ratio	32.3	36.7	36.6	35.5	34.8	34.1	33.5

### Profitability Ratios and Valuation

RoE	7.2	9.3	13.0	18.1	17.4	19.6	19.6
RoA	0.4	0.5	0.7	1.0	1.0	1.1	1.2
RoRWA	0.7	0.9	1.2	1.7	1.7	2.0	2.1
Consolidated RoE	7.9	8.2	11.8	16.2	16.1	18.3	18.4
Consolidated RoA	0.5	0.5	0.7	1.0	1.0	1.2	1.3
Book Value (INR)	245	270	299	350	399	466	547
Change (%)	5.6	10.0	10.9	16.9	14.0	16.9	17.3
<b>Price-BV (x)</b>	<b>1.8 (x)</b>	<b>1.6</b>	<b>1.4</b>	<b>1.2</b>	<b>1.1</b>	<b>0.9</b>	<b>0.8</b>
Consol BV (INR)	267	294	328	385	453	543	651
Change (%)	7.7	10.3	11.5	17.4	17.6	19.8	20.1
<b>Price-Consol BV (x)</b>	<b>2.4</b>	<b>2.2</b>	<b>2.0</b>	<b>1.7</b>	<b>1.4</b>	<b>1.2</b>	<b>1.0</b>
Adjusted BV (INR)	187	221	256	311	361	429	510
<b>Price-ABV (x)</b>	<b>2.3</b>	<b>2.0</b>	<b>1.7</b>	<b>1.4</b>	<b>1.2</b>	<b>1.0</b>	<b>0.8</b>
Adjusted Consol BV	212	250	289	350	417	506	613
<b>Price-Consol ABV (x)</b>	<b>3.1</b>	<b>2.6</b>	<b>2.2</b>	<b>1.9</b>	<b>1.6</b>	<b>1.3</b>	<b>1.1</b>
EPS (INR)	16.2	22.9	35.5	56.3	62.7	82.1	96.4
Change (%)	1,580.3	40.9	55.2	58.6	11.4	31.0	17.4
<b>Price-Earnings (x)</b>	<b>26.6</b>	<b>18.9</b>	<b>12.2</b>	<b>7.7</b>	<b>6.9</b>	<b>5.3</b>	<b>4.5</b>
Consol EPS (INR)	22.1	25.1	39.6	62.4	71.2	94.0	113.1
Change (%)	759.6	13.3	57.9	57.3	14.2	32.0	20.3
<b>Price-Consol EPS (x)</b>	<b>29.4</b>	<b>25.9</b>	<b>16.4</b>	<b>10.4</b>	<b>9.1</b>	<b>6.9</b>	<b>5.8</b>
Dividend Per Share (INR)	0.0	4.0	7.1	11.3	13.8	14.6	15.8
<b>Dividend Yield (%)</b>	<b>0.0</b>	<b>0.6</b>	<b>1.1</b>	<b>1.7</b>	<b>2.1</b>	<b>2.3</b>	<b>2.4</b>

E: MOFSL Estimates

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NOTES

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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