

State Bank of India Ltd.



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Strong pick up in loan growth pace with steadiness in margins

CMP INR 455	Target INR 617	Potential Upside 35.6%	Market Cap (INR Mn) INR 40,69,623	Recommendation BUY	Sector Banking
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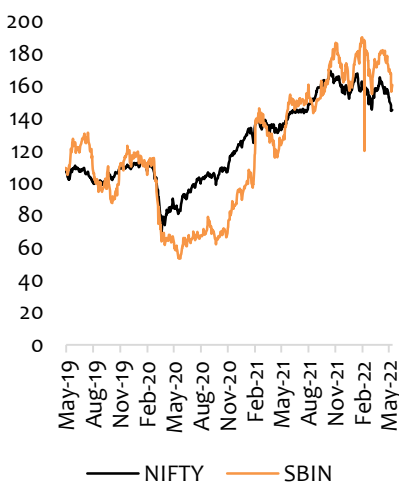
Result Highlights of Q4FY22 & FY22:

- Net Interest Income (NII) for Q4FY22 increased by 15.3% YoY (+1.7% QoQ) at INR 3,11,979 Mn. NIMs stood at 3.4% in Q4FY22 vs 3.11% in Q4FY21. The NII was at INR 12,07,076 Mn for FY22, an increase of 9.0% YoY. The operating Profit were flat YoY at INR 1,97,168 Mn in Q4FY22 (growth of 6.5% QoQ). For FY22, operating profits stood at INR 7,52,924 Mn, an increase of 7.5% YoY. SBIN has registered its highest quarterly Net Profit of INR 91,135 Mn in Q4FY22. This represents increase of 41.3% YoY (+8.1% QoQ). For FY22, the PAT stood at INR 3,16,760 Mn, a growth of 55.2% YoY.
- The total deposits grew at 10.1% YoY (+5.3% QoQ) at INR 4,05,15,341 Mn as of 31st March 2022. As of 31st March 2022, the advances grew by 11.6% YoY.
- Gross NPA ratio at 3.97%, an improvement of 101 bps YoY (improved 53 bps QoQ). Net NPA ratio at 1.02% as of 31st March 2022.

MARKET DATA

Shares outs (Mn)	8,925
Equity Cap (INR Mn)	28,00,881
Mkt Cap (INR Mn)	40,69,623
52 Wk H/L (INR)	549/360
Volume Avg (3m K)	19,148
Face Value (INR)	1.0
Bloomberg Code	SBIN IN

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	52,974
NIFTY	15,842

KEY FINANCIALS

Particulars (INR Mn)	FY 20	FY 21	FY 22	FY 23E	FY 24E
NII	9,80,848	11,07,100	12,07,076	14,42,899	16,25,970
PPOP	6,19,170	7,00,144	7,52,924	8,75,501	10,05,409
PAT	1,44,881	2,04,105	3,16,760	4,39,788	5,18,982
EPS	16.2	22.9	35.5	49.3	58.2
NIM	2.9%	3.0%	2.9%	3.1%	3.2%
Advances Growth	6.4%	5.3%	11.6%	11.5%	12.0%

Source: Company, KRChoksey Research

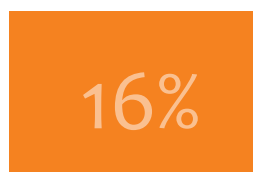
Double digit credit growth with healthy deposits: The gross advances grew by 11.0% YoY/ 5.8% QoQ at INR 28,187 Bn, while the domestic loan book grew 11.6% YoY/ 6.0% QoQ, mainly driven by Retail (Personal) Advances (15.1% YoY) and foreign office advances the growth of 15.4% YoY. The personal retail loan growth was driven by healthy growth in home loans (11.5% YoY/ 4.3% QoQ) and Xpress credit (28.5% YoY) segments. The corporate loan book has shown signs of a healthy pick-up, registering a growth of 11.2% QoQ while 6.4% YoY. On the deposits front, the bank reported a healthy growth of 10 YoY (5.3% QoQ) as of 31st March 2022 with a CASA ratio of ~44%, which continues to be one of the best among PSU peers. SBIN is confident of increasing its market share across its loan portfolio. We expect the advances to grow at 12% CAGR over FY22-24E due to strong traction in the retail segment led by continued growth expectation of 25-28% in Xpress credit and healthy growth in corporate loan book driven by the revival of the Capex cycle with support from government initiatives. The deposits are expected to grow at 10% CAGR over FY22-24E, focusing on improving demand momentum in the current account segment, which will lead to an improvement in the CASA ratio.

Margins continue to remain stable; lower non-interest income impacts operating profits: The Net Interest Income (NII) for Q4FY22 grew 15.3% YoY (1.7% QoQ) at INR 3,11,979 Mn, with sequentially stable NIMs at 3.4% (improved 29 bps YoY). The bank retains its NIMs guidance in the range of 3.2-3.5% for the next 12-18 months, led by improving credit growth & CASA ratio. The non-interest income stood at INR 1,18,802 Mn, declining 26.8% YoY, mainly due to a sharp fall in the treasury income of ~65% YoY in Q4FY22. The fee income declined 5.1% YoY at INR 80,230 Mn in Q4FY22. The C/I ratio stood at 54.2% in Q4FY22, higher by 129 bps QoQ. These parameters led to flat growth in operating profits on a YoY basis at INR 1,97,168 Mn, despite strong growth in NII.

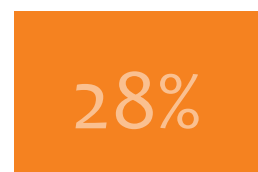
Strong recoveries supported improvement in asset quality despite slightly higher slippages: The GNPA stood at 3.97%, a decline of 53 bps QoQ (101 bps YoY), and NNPA at 1.02% (a decline of 32/48 bps QoQ/YoY). The slippages for Q4FY22 stood at INR 25,021 Mn (down 12.4% YoY), with a slippage ratio of 0.43% in Q4FY22 as against 0.37% in Q3FY22. The recoveries for the quarter stood at INR 67,560 Mn. The PCR improved sharply by 381 bps QoQ at 75%. The bank remains fully provided for large two corporate accounts. We expect SBI to see moderate slippages and strong recoveries, leading to improved asset quality and stability of credit costs.

SHARE HOLDING PATTERN (%)

Particulars	Mar-22	Dec-21	Sept-21
Promoters	57.6	57.6	57.6
FIIIs	10.0	10.4	10.6
DIIIs	24.8	24.3	24.3
Others	7.6	7.8	7.5
Total	100	100	100



NII CAGR between FY22 and FY24E



PAT CAGR between FY22 and FY24E

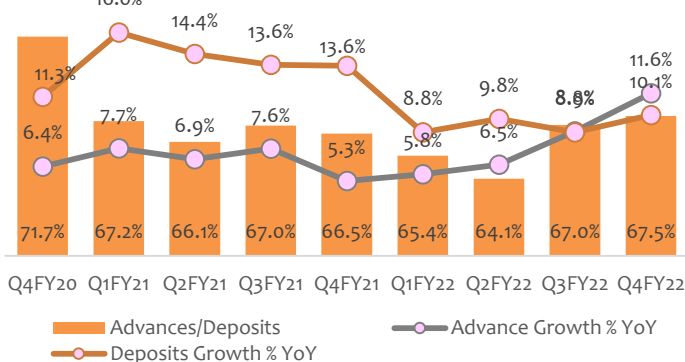
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Concall Highlights:

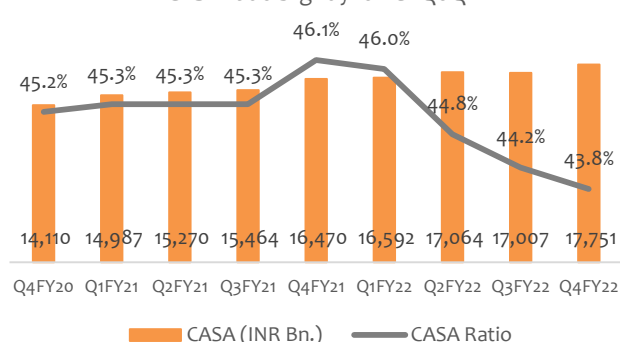
- The economy's recovery was impacted in Q4FY22 due to the resurgence of the Omicron variant, which led to the imposition of restrictions in many countries. The global trade dynamics have led to oil and other commodity prices spiraling.
- SBIN has witnessed increasing adoption of digital by its customers in FY22. The bank's YONO app registered around 48.3 Mn users in FY22. In Q4FY22, over INR 64,700 Mn pre-approved loan was disbursed through the app.
- CASA ratio was lower during the quarter as improvement in the business environment led to withdrawal from accounts. The bank is expected to focus on current account deposits to sustain margins.
- The bank has entered several partnerships for co-lending. These partnerships are developing, and the bank is integrating the system and expects to disburse loans of around INR 100 Bn in FY23E through co-lending.
- NIM likely to benefit in rising interest rate scenario.
- The bank is fully provided for the Essar group exposure, which stands at INR 78,900 Mn. It is also fully provided for the two large corporates, SREI & Future Group and sees no further stress on the books.
- The bank's restructured book stood at INR 300 Bn, out of which INR 120 Bn was for the MSME book.
- SBIN is expected to maintain its credit cost below 1%. The ECLGS outstanding book stood at INR 320 Bn as of 31st March 2022, with the slippages below 2%.

Valuation and view: Q4FY22 continued to report a healthy growth in earnings led by double-digit growth in advances and improvement in asset quality. The advances showed a double-digit growth led by retail loan growth of ~15% YoY with strong momentum in the Xpress Credit segment & home loan segment. Asset quality continued to improve for the bank due to healthy upgrades and recoveries in Q4FY22. Overall profitability for SBIN was led by lower provisioning on a YoY basis. SBIN focuses on improving business growth to grow loan books in double digits over the medium-long term. SBIN expects the rising interest rate scenario to benefit the overall NIMs of the banks in the medium term. We expect the stress on the book to see further moderation with lower slippages, higher upgrades and recoveries and adequately provisions for doubtful accounts, resulting in healthy earnings growth over the next two years. The bank has worked on strengthening its balance sheet over the past few quarters, and we expect to see its CASA mix at ~44%, which will support stability in margins. The strong deposit franchise, large customer base, and improving loan book mix augur the bank's next-level growth story. We believe SBIN is better placed than its PSU peers to mitigate uncertainties. **We have factored a CAGR of 28% in profits growth while advances a 12% CAGR over FY22-24E. We expect its ROA to improve to 0.9% by FY24E and ROE to improve to ~14.8% by FY24E, which is in line with the bank's aspiration to achieve 15% ROE by FY24E. We value the bank at 1.4x FY24E P/ABV on an ABV of INR 378 per share, and the subsidiaries value at INR 88 per share. We maintain our target price at INR 617 per share, with an upside of 35.6%. We maintain our "BUY" rating on the shares of SBIN.**

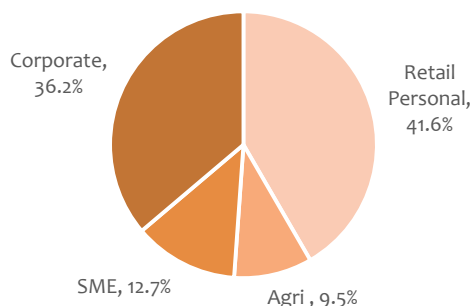
Deposits and Advances showing healthy growth traction



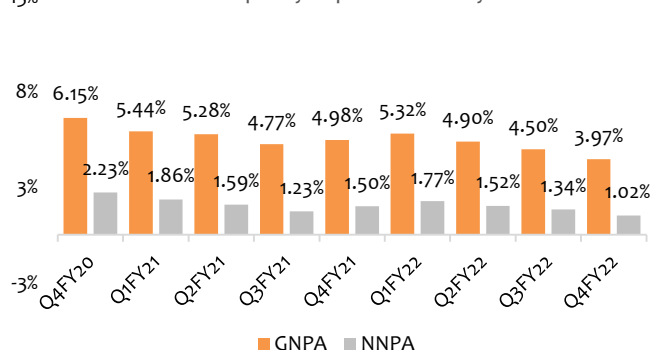
CASA ratio slightly lower QoQ



Domestic Advances mix (as a % of the book)



Asset quality improves steadily



State Bank of India Ltd.

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement (Standalone)

INR Mn	FY 20	FY 21	FY 22	FY 23E	FY 24E
Interest Income	25,73,236	26,51,506	27,54,573	31,25,547	34,74,745
Interest Expense	15,92,388	15,44,406	15,47,497	16,82,648	18,48,775
Net Interest Income	9,80,848	11,07,100	12,07,076	14,42,899	16,25,970
Non interest income	3,90,058	4,19,566	4,05,639	4,19,869	4,90,681
Operating income	13,70,907	15,26,666	16,12,715	18,62,768	21,16,651
- Employee expense	4,57,150	5,09,360	5,01,436	6,07,411	7,08,594
- Other operating expense	2,94,587	3,17,162	3,36,192	3,56,363	3,77,745
Operating Expense	7,51,737	8,26,522	8,59,791	9,87,267	11,11,242
PPOP	6,19,170	7,00,144	7,52,924	8,75,501	10,05,409
Provisions	4,30,699	4,40,130	2,44,521	2,89,117	3,13,434
PBT	1,88,471	2,60,014	5,08,402	5,86,384	6,91,976
Exceptional Items	62,156	15,397	-74,184	0	0
Tax Expense	1,05,747	71,307	1,17,459	1,46,596	1,72,994
PAT	1,44,881	2,04,105	3,16,760	4,39,788	5,18,982
Diluted EPS (INR)	16.2	22.9	35.5	49.3	58.2

Source: Company, KRChoksey Research

State Bank of India Ltd.

Exhibit 2: Balance Sheet (Standalone)

INR Mn	FY 20	FY 21	FY 22	FY 23E	FY 24E
Source of Funds					
Share capital	8,925	8,925	8,925	8,925	8,925
Reserves & Surplus	23,11,150	25,29,827	27,91,956	32,31,744	37,50,726
Networth	23,20,074	25,38,752	28,00,881	32,40,669	37,59,650
Borrowings	31,46,557	41,72,977	42,60,434	46,86,477	51,55,125
Deposits	3,24,16,207	3,68,12,271	4,05,15,341	4,45,14,500	4,89,09,384
Other liabilities & provisions	16,31,101	18,20,297	22,99,319	26,49,638	32,22,055
Total Equity & Liabilities	3,95,13,939	4,53,44,296	4,98,75,974	5,50,91,283	6,10,46,214
Uses of Funds					
Cash & Balance with RBI	8,43,612	12,98,372	13,66,931	13,94,270	14,22,155
Other Bank and Call Money	16,67,358	21,32,015	25,78,592	26,55,950	27,35,628
Net investments	1,04,69,545	1,35,17,052	1,48,14,455	1,65,92,189	1,85,83,252
Loans & advances	2,32,52,896	2,44,94,978	2,73,39,666	3,04,83,727	3,41,41,775
Fixed assets	3,84,393	3,84,192	3,77,082	3,95,936	4,15,732
Other assets	28,96,136	35,17,687	33,99,249	35,69,211	37,47,672
Total Assets	3,95,13,939	4,53,44,296	4,98,75,974	5,50,91,283	6,10,46,214

Source: Company, KRChoksey Research

State Bank of India Ltd.

Exhibit 3: Ratio Analysis

Key Ratio	FY 20	FY 21	FY 22	FY 23E	FY 24E
Growth Rates					
Advances (%)	6.4%	5.3%	11.6%	11.5%	12.0%
Deposits (%)	11.3%	13.6%	10.1%	9.9%	9.9%
Total assets (%)	7.3%	14.8%	10.0%	10.5%	10.8%
NII (%)	11.0%	12.9%	9.0%	19.5%	12.7%
Pre-provisioning profit (%)	14.9%	13.1%	7.5%	16.3%	14.8%
PAT (%)	1580.3%	40.9%	55.2%	38.8%	18.0%
B/S Ratios					
Credit/Deposit (%)	71.7%	66.5%	67.5%	68.5%	69.8%
CASA (%)	43.5%	44.7%	43.8%	44.3%	44.8%
Advances/Total assets (%)	58.8%	54.0%	54.8%	55.3%	55.9%
Leverage - Total Assets to Equity	17.03	17.86	17.81	17.00	16.24
Operating efficiency					
Cost/income (%)	54.8%	54.1%	53.3%	53.0%	52.5%
Opex/total assets (%)	1.9%	1.8%	1.7%	1.8%	1.8%
Opex/total interest earning assets	2.2%	2.1%	2.0%	2.0%	2.1%
Profitability					
NIM (%)	2.9%	3.0%	2.9%	3.1%	3.2%
RoA (%)	0.4%	0.5%	0.7%	0.8%	0.9%
RoE (%)	6.4%	8.4%	11.9%	14.6%	14.8%
Asset quality					
Gross NPA (%)	6.2%	4.7%	4.3%	4.0%	3.8%
Net NPA (%)	2.2%	1.2%	1.2%	1.1%	1.0%
PCR (%) (excl. AUCA)	65.2%	75.0%	71.0%	72.0%	73.0%
Slippage (%)	2.1%	2.5%	2.0%	2.0%	2.0%
Credit cost (%)	1.2%	1.1%	0.6%	0.6%	0.6%
Per share data / Valuation					
EPS (INR)	16.2	22.9	35.5	49.3	58.2
BVPS (INR)	260.0	284.5	313.8	363.1	421.3
ABVPS (INR)	201.8	243.2	282.5	323.3	378.3
P/E (x)	32.6	20.1	12.9	9.3	7.9
P/BV (x)	2.0	1.6	1.5	1.3	1.1
P/ABV (x)	2.6	1.9	1.6	1.4	1.2

Source: Company, KRChoksey Research

State Bank of India Ltd.

State Bank of India				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
17-May-22	455	617	BUY	Buy	More than 15%
07-Feb-22	533	617	BUY	Accumulate	5% – 15%
08-Nov-21	531	617	BUY	Hold	0 – 5%
31-Aug-21	422	532	BUY	Reduce	-5% – 0
05-Aug-21	442	532	BUY	Sell	Less than – 5%

ANALYST CERTIFICATION:

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