

# State Bank of India Ltd.



# State Bank of India Ltd.

Double digit credit growth continues; earnings take a hit owing to MTM losses

CMP INR 520	Target INR 680	Potential Upside 30.7%	Market Cap (INR Mn) INR 46,41,691	Recommendation BUY	Sector Banking
----------------	-------------------	---------------------------	--------------------------------------	-----------------------	-------------------

## Result Highlights of Q1FY23:

- Net Interest Income (NII) for Q1FY23 increased by 12.9% YoY, while it was flat QoQ at INR 3,11,959 Mn. NIMs stood at 3.23% in Q1FY23 vs 3.15% in Q1FY22 (vs 3.40% in Q4FY22).
- The operating profit declined by 32.8% YoY and 35.3% QoQ at INR 1,27,526 Mn in Q1FY23, impacted by higher MTM losses on investment book. The core operating profits, excluding the trading income & MTM losses, grew by 14.4% YoY in Q1FY23. The fee income for Q1FY23 grew by 17.9% YoY. SBIN has registered net profit of INR 60,681 Mn in Q1FY23. This represents a decline of 6.7% YoY (-33.4% QoQ). The decline is owing to lower non-interest income during Q1FY23.
- Gross NPA ratio at 3.91%, an improvement of 141 bps YoY (improved 6 bps QoQ). Net NPA ratio stood at 1.0% as of June 30, 2022, against 1.02% as of March 31, 2022.

## MARKET DATA

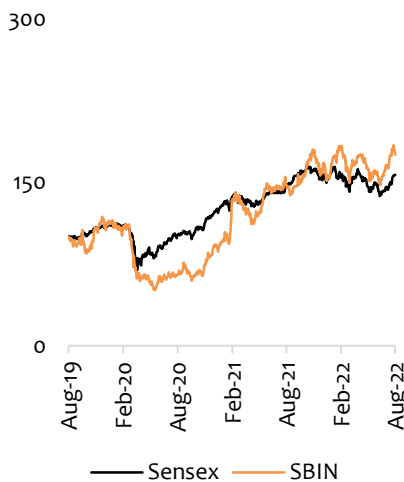
Shares outs (Mn)	8,925
Equity Cap (INR Mn)	29,13,635
Mkt Cap (INR Mn)	46,41,691
52 Wk H/L (INR)	549/401
Volume Avg (3m K)	13,563
Face Value (INR)	1.0
Bloomberg Code	SBIN IN

## 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	14,66,442	17,30,369
PPOP	6,19,170	7,00,144	7,52,924	8,42,862	10,02,651
PAT	1,44,881	2,04,105	3,16,760	4,34,686	5,28,461
EPS	16.2	22.9	35.5	48.7	59.2
NIM	2.9%	3.0%	2.9%	3.2%	3.3%
Advances Growth	6.4%	5.3%	11.6%	14.0%	12.5%

Source: Company, KRChoksey Research

## SHARE PRICE PERFORMANCE



**Resilient Balance sheet; robust credit growth offtake:** SBIN reported a balance sheet growth of 10.3% YoY, crossing INR 50,258 Bn mark for the first time as of June 30, 2022. The bank's credit book as of June 30, 2022, stood at INR 28,152 Bn, a growth of 15.8% YoY. The retail segment saw a strong growth momentum reporting a growth of 18.6% YoY. Within the retail segment, home loans registered a growth of 18.8% YoY, while Xpress Credit grew 32.4% YoY. The corporate, SME & Agri also saw a healthy growth of 10.6%, 10.0% and 9.8% YoY, respectively. The international banking business for the quarter grew 22.4% YoY, majorly led by the syndicated loan & trade finance segments. On the deposits front, the bank reported a growth of 8.7% YoY at INR 40,457 Bn, with domestic CASA at 45.3%. SBIN will continue to aim at increasing the CASA ratio with an improved focus on the current account growth and, simultaneously, maintain its leadership position in savings and overall deposits portfolio. The loan book is expected to sustain its double-digit growth with strong traction across all the segments, especially the retail portfolio. We expect the loan book to grow at 13.2% CAGR over FY22-24E while deposits to grow at 11.7% CAGR.

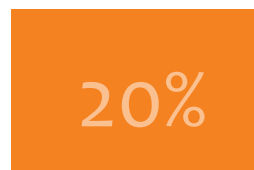
**Operating profits impacted due to MTM losses:** The Net Interest Income (NII) for Q1FY23 grew 12.9% YoY while remaining flat on a QoQ basis, with NIMs at 3.23%. NIMs fell 17 bps QoQ on account of interest on tax refund of ~INR 6 Mn in Q4FY22, which led to a margin of 3.4% in Q4FY22. The operating profit for Q1FY23 declined by 32.8% YoY / 35.3% QoQ. The non-interest income was lower owing to higher MTM losses. The MTM losses for the quarter stood at INR 65,490 Mn. The cost-to-income ratio for Q1FY23 stood at 61.9% against 51.9% in Q1FY22 (54.2% in Q4FY22). The cost-to-income ratio was higher despite lower expenses in sequentially due to lower operating income led by the MTM losses. Lower operating profits led to an impact on the return ratios & net profit of the bank. Net profit stood at INR 60,681 Mn, a de-growth of 6.7% YoY/ 33.4% QoQ, despite lower provisions for the quarter.

## MARKET INFO

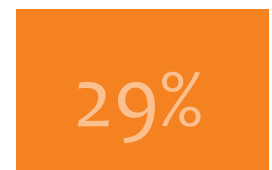
SENSEX	58,874
NIFTY	17,525

## SHARE HOLDING PATTERN (%)

Particulars	Jun-22	Mar-22	Dec-21
Promoters	57.6	57.6	57.6
FIIs	9.6	10.0	10.4
DIIIs	25.2	24.8	24.3
Others	7.6	7.6	7.8
Total	100	100	100



NII CAGR between FY22 and FY24E



PAT CAGR between FY22 and FY24E

## State Bank of India Ltd.

**Asset quality improved with decline in slippages:** The GNPA stood at 3.91%, a decline of 6 bps QoQ (141 bps YoY), and NNPA at 1.0% (a decline of 2/77 bps QoQ/YoY). The slippages for Q1FY23 stood at INR 97.4 Bn (declined by 37.8% YoY), with a slippage ratio of 1.4% in Q1FY23 as against 2.5% in Q4FY22. The recoveries for Q1FY23 stood at INR 52,080 Mn. The PCR improved sharply by 719 bps YoY at 75.1%. We expect the slippages to remain moderate with healthy recoveries & upgrades going ahead to bring stability to the asset quality.

### Concall Highlights:

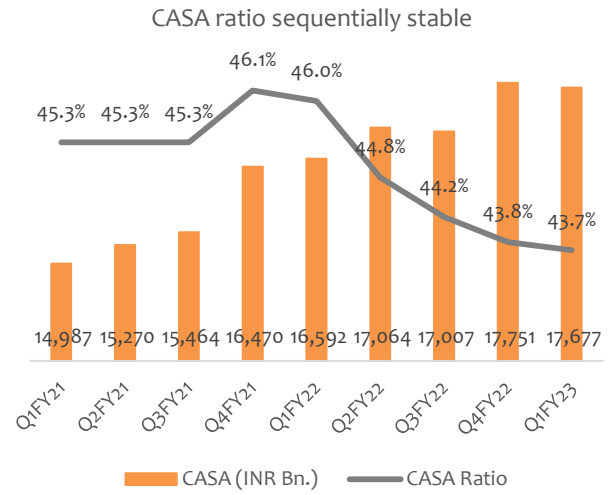
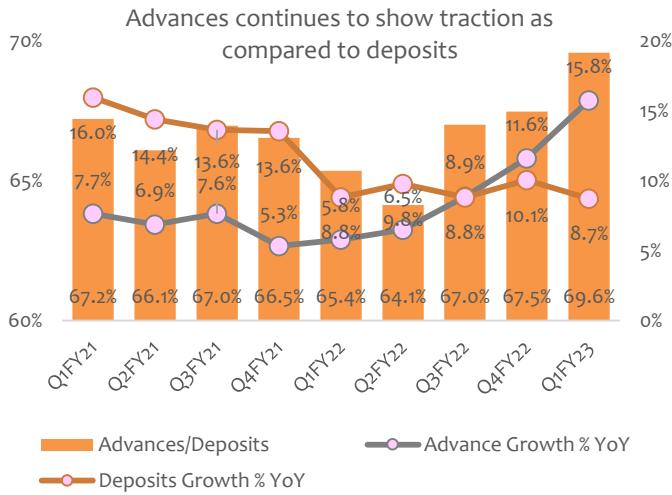
- The increase in urban consumption, rural demand and agriculture improvement, and the likelihood of a normal monsoon will help the economy gain traction.
- The government's CapEx program and improved capacity utilization will support investment activity.
- The MTM losses have impacted the ROA of the bank for the quarter, which has come down by nine bps YoY to 0.48% and the ROE of the bank, which has declined by 203 bps to 10.1% due to a consequent decline in net profit. However, excluding the MTM losses, the notional ROA and ROE would be 0.89% and 18.57%, respectively, on the expected lines and track of its medium-term guidance.
- SBIN saw a hit because of MTM losses amounting to INR 65,490 Mn. The bank doesn't see any actual in this book, and as the rate softens, the MTM losses will be recovered.
- The bank had the redemption of INR 840 Bn on the AFS book, which will bring down the MTM losses; a further provision of INR 15,030 Mn were made for the investment depreciation during the quarter.
- The home loan application registered a growth of 3x, while the sanctions in value terms doubled YoY.
- The net NPA of the bank has been brought down to 1%, which is a result of focus and continuous attention in this area.
- The registered users on YONO stood at over 52.5 Mn, a big milestone for SBIN and has created a significant value for the bank. 65% of the new savings accounts are opened through YONO.
- With the economy picking up, the bank sees growth in credit offtake. SBIN will also focus on increasing the CASA ratio, emphasizing the current account book and maintaining its leadership position in savings and deposits. The better utilization of its liabilities will lead to improvement in the key ratios.

**Valuation and view:** In Q1FY23, SBIN reported a mixed performance where the business momentum showed strong growth, while the MTM losses impacted its earnings growth. 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. The asset quality has improved, with NNPA at 1.0% as of June 30, 2022. Despite a fall in the provisions for the quarter, the profitability took a hit owing to MTM losses on the investment book of the bank. The bank has made additional provisions for the movement of bond yields from 7.1% to 7.45%, which it believes is sufficient.

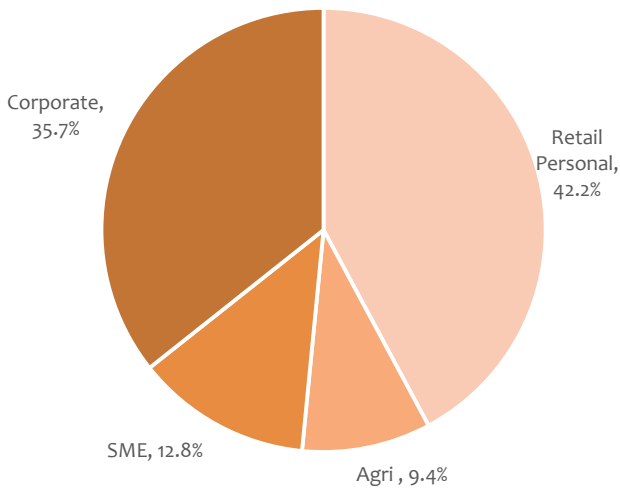
SBIN will continue to see strong traction on the credit growth front, led by improvement of the corporates CAPEX cycle and robust momentum in retail, especially home loans & Xpress credit segment. SBIN has been striving to strengthen its overall balance sheet and improve its CASA mix to maintain its margins at a sustainable level. On the asset quality front, we saw further improvement in the ratios with the moderation of slippages and healthy upgrades and recoveries, resulting in healthy earnings growth over the next two years.

We believe SBIN is better placed than its PSU peers to manage the uncertainties, given its size & leadership in the banking system. **We have factored a CAGR of 29% in profits growth while advances growth of 13% CAGR over FY22-24E. We expect its ROA to improve to 0.9% by FY24E and ROE to ~15.1% by FY24E. We value the bank at 1.4x FY24E P/ABV on an ABV of INR 387.6 per share, and the subsidiaries value at INR 137 per share. We revise our target price to INR 680 per share (previously INR 617 per share), with an upside of 30.7%. We maintain our "BUY" rating on the shares of SBIN.**

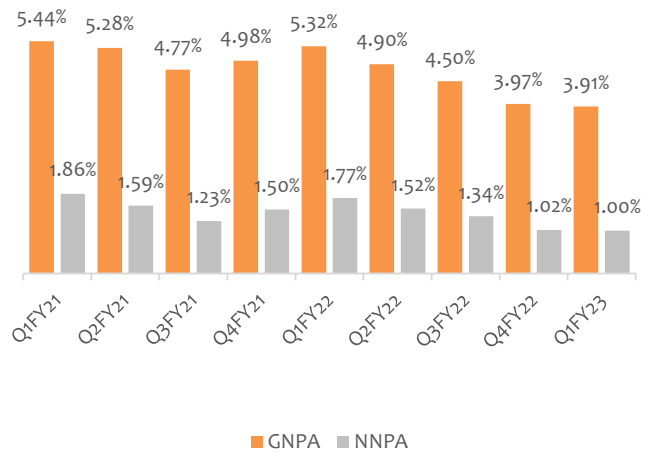
# State Bank of India Ltd.



Domestic Advances mix (as a % of the book)



Asset quality improves steadily



Source: Company, KRChoksey Research

# 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	32,79,700	37,43,647
Interest Expense	15,92,388	15,44,406	15,47,497	18,13,258	20,13,278
<b>Net Interest Income</b>	<b>9,80,848</b>	<b>11,07,100</b>	<b>12,07,076</b>	<b>14,66,442</b>	<b>17,30,369</b>
Non interest income	3,90,058	4,19,566	4,05,639	3,26,881	3,80,474
Operating income	13,70,907	15,26,666	16,12,715	17,93,323	21,10,843
- Employee expense	4,57,150	5,09,360	5,01,436	5,87,132	5,98,875
- Other operating expense	2,94,587	3,17,162	3,58,355	3,79,856	4,02,648
Operating Expense	7,51,737	8,26,522	8,59,791	9,50,461	11,08,193
<b>PPOP</b>	<b>6,19,170</b>	<b>7,00,144</b>	<b>7,52,924</b>	<b>8,42,862</b>	<b>10,02,651</b>
Provisions	4,30,699	4,40,130	2,44,521	2,63,281	2,98,037
PBT	1,88,471	2,60,014	5,08,403	5,79,581	7,04,614
Exceptional Items	62,156	15,397	-74,184	0	0
Tax Expense	1,05,747	71,307	1,17,459	1,44,895	1,76,154
<b>PAT</b>	<b>1,44,881</b>	<b>2,04,104</b>	<b>3,16,760</b>	<b>4,34,686</b>	<b>5,28,461</b>
Diluted EPS (INR)	16.2	22.9	35.5	48.7	59.2

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
<b>Source of Funds</b>					
Share capital	8,925	8,925	8,925	8,925	8,925
Reserves & Surplus	23,11,150	25,29,827	27,91,956	32,26,642	37,55,102
Networth	23,20,074	25,38,752	28,00,881	32,35,566	37,64,027
Borrowings	31,46,557	41,72,977	42,60,434	44,73,455	46,97,128
Deposits	3,24,16,207	3,68,12,771	4,05,15,341	4,52,66,493	5,05,78,927
Other liabilities & provisions	16,31,101	18,19,797	22,99,318	25,93,998	24,59,417
<b>Total Equity &amp; Liabilities</b>	<b>3,95,13,939</b>	<b>4,53,44,296</b>	<b>4,98,75,974</b>	<b>5,55,69,513</b>	<b>6,14,99,499</b>
<b>Uses of Funds</b>					
Cash & Balance with RBI	8,43,612	12,98,372	13,66,931	14,07,939	14,50,177
Other Bank and Call Money	16,67,358	21,32,015	25,78,592	27,33,308	28,97,306
Net investments	1,04,69,545	1,35,17,052	1,48,14,455	1,62,95,900	1,79,25,490
Loans & advances	2,32,52,896	2,44,94,978	2,73,39,666	3,11,67,219	3,50,63,122
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
<b>Total Assets</b>	<b>3,95,13,939</b>	<b>4,53,44,296</b>	<b>4,98,75,974</b>	<b>5,55,69,513</b>	<b>6,14,99,499</b>

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
<b>Growth Rates</b>					
Advances (%)	6.4%	5.3%	11.6%	14.0%	12.5%
Deposits (%)	11.3%	13.6%	10.1%	11.7%	11.7%
Total assets (%)	7.3%	14.8%	10.0%	11.4%	10.7%
NII (%)	11.0%	12.9%	9.0%	21.5%	18.0%
Pre-provisioning profit (%)	14.9%	13.1%	7.5%	11.9%	19.0%
PAT (%)	1580.3%	40.9%	55.2%	37.2%	21.6%
<b>B/S Ratios</b>					
Credit/Deposit (%)	71.7%	66.5%	67.5%	68.9%	69.3%
CASA (%)	43.5%	45.4%	44.5%	44.3%	44.8%
Advances/Total assets (%)	58.8%	54.0%	54.8%	56.1%	57.0%
Leverage - Total Assets to Equity	17.03	17.86	17.81	17.17	16.34
<b>Operating efficiency</b>					
Cost/income (%)	54.8%	54.1%	53.3%	53.0%	52.5%
Opex/total assets (%)	1.9%	1.8%	1.7%	1.7%	1.8%
Opex/total interest earning assets	2.2%	2.1%	2.0%	1.9%	2.0%
<b>Profitability</b>					
NIM (%)	2.9%	3.0%	2.9%	3.2%	3.3%
RoA (%)	0.4%	0.5%	0.7%	0.8%	0.9%
RoE (%)	6.4%	8.4%	11.9%	14.4%	15.1%
<b>Asset quality</b>					
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%	0.5%	0.5%
<b>Per share data / Valuation</b>					
EPS (INR)	16.2	22.9	35.5	48.7	59.2
BVPS (INR)	260.0	284.5	313.8	362.5	421.8
ABVPS (INR)	201.8	243.2	282.5	329.7	387.6
P/E (x)	32.6	20.1	12.9	10.6	8.7
P/BV (x)	2.0	1.6	1.5	1.4	1.2
P/ABV (x)	2.6	1.9	1.6	1.6	1.3

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
09-Aug-22	520	680	BUY	Buy	More than 15%
16-May-22	455	617	BUY	Accumulate	5% – 15%
07-Feb-22	533	617	BUY	Hold	0 – 5%
08-Nov-21	531	617	BUY	Reduce	-5% – 0
31-Aug-21	422	532	BUY	Sell	Less than – 5%

## ANALYST CERTIFICATION:

I, Priyanka Baliga (M.com, BMS- Finance), Research Analyst, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

## Terms & Conditions and other disclosures:

KRChoksey Shares and Securities Pvt. Ltd (hereinafter referred to as KRCSSPL) is a registered member of National Stock Exchange of India Limited and Bombay Stock Exchange Limited. KRCSSPL is a registered Research Entity vide SEBI Registration No. INH000001295 under SEBI (Research Analyst) Regulations, 2014.

We submit that no material disciplinary action has been taken on KRCSSPL and its associates (Group Companies) by any Regulatory Authority impacting Equity Research Analysis activities.

KRCSSPL prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analyst covers. The information and opinions in this report have been prepared by KRCSSPL and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of KRCSSPL. While we would endeavor to update the information herein on a reasonable basis, KRCSSPL is not under any obligation to update the information. Also, there may be regulatory, compliance or other reasons that may prevent KRCSSPL from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or KRCSSPL policies, in circumstances where KRCSSPL might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. KRCSSPL will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. KRCSSPL accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Our employees in sales and marketing team, dealers and other professionals may provide oral or written market commentary or trading strategies that reflect opinions that are contrary to the opinions expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

Associates (Group Companies) of KRCSSPL might have received any commission/compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of brokerage services or specific transaction or for products and services other than brokerage services.

KRCSSPL or its Associates (Group Companies) have not managed or co-managed public offering of securities for the subject company in the past twelve months.

KRCSSPL encourages the practice of giving independent opinion in research report preparation by the analyst and thus strives to minimize the conflict in preparation of research report. KRCSSPL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither KRCSSPL nor Research Analysts have any material conflict of interest at the time of publication of this report.

It is confirmed that, Priyanka Baliga (M.com, BMS- Finance), Research Analyst, of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific brokerage service transactions.

KRCSSPL or its associates (Group Companies) collectively or its research analyst do not hold any financial interest/beneficial ownership of more than 1% (at the end of the month immediately preceding the date of publication of the research report) in the company covered by Analyst and has not been engaged in market making activity of the company covered by research analyst.

It is confirmed that, Priyanka Baliga (M.com, BMS- Finance), Research Analyst, do not serve as an officer, director or employee of the companies mentioned in the report.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other Jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject KRCSSPL and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform them of and to observe such restriction.

Please send your feedback to [research.insti@krchoksey.com](mailto:research.insti@krchoksey.com)

Visit us at [www.krchoksey.com](http://www.krchoksey.com)

**KRChoksey Shares and Securities Pvt. Ltd**

**Registered Office:**

1102, Stock Exchange Tower, Dalal Street, Fort, Mumbai – 400 001.  
Phone: +91-22-6633 5000; Fax: +91-22-6633 8060.

**Corporate Office:**

ABHISHEK, 5th Floor, Link Road, Andheri (W), Mumbai – 400 053.  
Phone: +91-22-6696 5555; Fax: +91-22-6691 9576.

## ANALYST

Priyanka Baliga, [priyanka.baliga@krchoksey.com](mailto:priyanka.baliga@krchoksey.com), +91-22-6696 5408

## KRChoksey Research

is also available on Bloomberg KRCS<GO>  
Thomson Reuters, Factset and Capital IQ

Phone: +91-22-6696 5555, Fax: +91-22-6691 9576  
[www.krchoksey.com](http://www.krchoksey.com)