



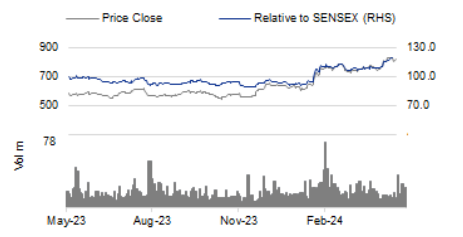
India

ADD (no change)

Consensus ratings*: Buy 41 Hold 7 Sell 3	
Current price:	Rs820
Target price: ▲	Rs1,000
Previous target:	Rs800
Up/downside:	22.0%
InCred Research / Consensus:	28.2%
Reuters:	SBI.NS
Bloomberg:	SBIN IN
Market cap:	US\$87,610m
	Rs7,316,397m
Average daily turnover:	US\$159.9m
	Rs13352.8m
Current shares o/s:	8,924.6m
Free float:	40.0%
*Source: Bloomberg	

Key changes in this note

- NIM expanded by ~8bp qoq as SBI enjoys ample liquidity, with LDR at 75% providing lending dominance at competitive pricing across segments.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	7.3	13.0	42.9
Relative (%)	11.2	11.8	22.3

Major shareholders	% held
Central Government	57.6
LIC	8.3
	0.0

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State Bank of India

One-off drives outperformance

- SBI posted superior 4Q PAT at Rs207bn, despite in-line operating performance amid treasury gains & one-time recoveries leading to provision reversal.
- NIM expanded by ~8bp qoq as SBI enjoys ample liquidity, with LDR at 75% providing lending dominance at competitive pricing across segments.
- Consistent delivery of +1% RoA/ +16% RoE to command a valuation premium. Retain our high-conviction ADD rating with a higher target price of Rs1,000.

Net profit beats estimates; one-offs in employee costs & recoveries

SBI reported a strong set of 4QFY24 numbers, with a net profit of ~Rs207bn (up 126% qoq/ 24% yoy), a beat to InCred estimate, on the back of strong non-interest income growth, controlled opex and reversal of provision. Non-interest income was buoyed by higher treasury gains at ~Rs35bn (+38% qoq/+92% yoy), healthy fee income and strong recoveries from written-off loan accounts (~Rs 26bn vs. Rs16bn in 3QFY24). Opex was well controlled, with lower pension expenses (down -45% qoq/-28% yoy) on account of mark-to-market or MTM gains and lower liability on gratuity.

LDR leaves ample headroom to grow without compromising on NIM

SBI's NIM expanded by 8bp qoq to 3.3% on the back of robust broad-based loan growth of 5% qoq/+15% yoy to ~Rs38tr and relatively slower deposit growth of +3% qoq/+11% yoy. Ample liquidity is advantageous for the bank, with the loan-to-deposit ratio or LDR comfortable at 75%, lowest among peers. As a result, SBI continued to be a dominant player in the corporate segment where select banks faced intense competition and expanded corporate loans (+11% qoq/16% yoy) without compromising on margin. Higher yielding segments like retail and SME also grew at a healthy pace of 4% each sequentially.

Sturdy asset quality; one-time reversal in provision

Asset quality further improved with sequentially higher recoveries and upgrades at Rs20.5bn (Rs18bnb in 3QFY24) and lower slippage at ~Rs39bn as compared to ~Rs50bn in the previous quarter. Consequently, gross NPA ratio declined by 18bp qoq to 2.24%. Restructured loans also declined by ~8% qoq to ~Rs173bn. The improvement in asset quality and the one-time reversal of Rs9bn due to automation of non-performing assets or NPAs led to an overall write-back of ~Rs16bn in provision during the quarter.

Outlook and valuation

We like SBI for its consistent performance on loan growth and comfortable LDR, which supports margins in an aggressively competitive environment. Strong asset quality in personal unsecured loans and corporate loans adds to the comfort. We retain our high-conviction ADD rating on SBI with a higher target price of Rs1,000 (Rs800 earlier) or ~1.9x FY26F P/ABV. We have valued SBI on a sum-of-the parts (SOTP) basis, with the standalone bank valued at ~1.5x FY26F ABV and the subsidiaries contributing Rs200/share. Downside risks: Weaker growth and a surge in non-performing assets.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Net Interest Income (Rsm)	1,448,405	1,598,758	1,926,065	2,224,371	2,555,424
Total Non-Interest Income (Rsm)	366,156	516,822	466,473	515,726	560,733
Operating Revenue (Rsm)	1,814,561	2,115,580	2,392,538	2,740,097	3,116,157
Total Provision Charges (Rsm)	(165,073)	(49,142)	(159,540)	(209,201)	(242,314)
Net Profit (Rsm)	502,325	610,766	655,319	741,670	844,777
Core EPS (Rs)	56.29	68.44	73.43	83.10	94.66
Core EPS Growth	35%	32%	(1%)	13%	14%
FD Core P/E (x)	14.57	11.98	11.16	9.86	8.66
DPS (Rs)	11.30	17.11	20.20	24.94	28.40
Dividend Yield	1.38%	2.09%	2.46%	3.04%	3.46%
BVPS (Rs)	367.1	422.7	475.9	534.1	600.4
P/BV (x)	2.23	1.94	1.72	1.53	1.37
ROE	16.5%	19.3%	16.3%	16.5%	16.7%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly earnings summary

Particulars (Rs m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	YoY (%)	QoQ (%)
Net Interest Income	3,11,959	3,51,834	3,80,686	4,03,925	3,89,050	3,95,000	3,98,157	4,16,552	3.1%	4.6%
Domestic NIM (% of AUM)	2.9%	3.2%	3.3%	3.4%	3.2%	3.2%	3.1%	3.1%		
Fee-Based Income	23,122	88,743	1,14,677	1,39,614	1,20,634	1,07,906	1,14,589	1,73,693	24.4%	51.6%
Operating Expenses	2,07,556	2,29,377	2,43,171	2,97,328	2,56,714	3,08,740	3,09,386	3,02,769	1.8%	-2.1%
Operating Profit	1,27,526	2,11,200	2,52,193	2,46,211	2,52,969	1,94,166	2,03,361	2,87,476	16.8%	41.4%
Provisions	43,924	30,387	57,606	33,157	25,013	1,153	6,879	16,098	-51.4%	134.0%
% of operating profit	34.4%	14.4%	22.8%	13.5%	9.9%	0.6%	3.4%	5.6%		
Exceptional Items	-	-	-	-	-	-	(71,000)	-		
PBT	83,602	1,80,814	1,94,587	2,13,054	2,27,956	1,93,013	1,25,482	2,71,378	27.4%	116.3%
Tax	-22,921	-48,168	-52,534	-46,109	-59,113	-49,713	-33,843	-64,394	39.7%	90.3%
Tax rate (%)	-27.4%	-26.6%	-27.0%	-21.6%	-25.9%	-25.8%	-27.0%	-23.7%		
PAT	60,681	1,32,645	1,42,053	1,66,945	1,68,843	1,43,300	91,640	2,06,984	24.0%	125.9%
Gross NPL	11,32,717	10,68,041	9,83,465	9,09,278	9,13,278	8,69,741	8,67,488	8,42,763	-7.3%	-2.9%
GNPL (% of loans)	3.9%	3.5%	3.1%	2.8%	2.8%	2.6%	2.4%	2.2%		
Net NPL	2,82,579	2,35,722	2,34,843	2,14,666	2,29,954	2,13,524	2,24,084	2,10,511	-1.9%	-6.1%
NNPL (% of loans)	1.0%	0.8%	0.8%	0.7%	0.7%	0.6%	0.6%	0.6%		
Provision Coverage (%)	75.1%	77.9%	76.1%	76.4%	74.8%	75.4%	74.2%	75.0%		
Advances (Rs bn)	28,152	29,513	30,582	31,993	32,350	33,452	35,195	37,040	15.8%	5.2%
Deposits (Rs bn)	40,457	41,903	42,136	44,238	45,312	46,892	47,622	49,161	11.1%	3.2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our revised earnings estimates

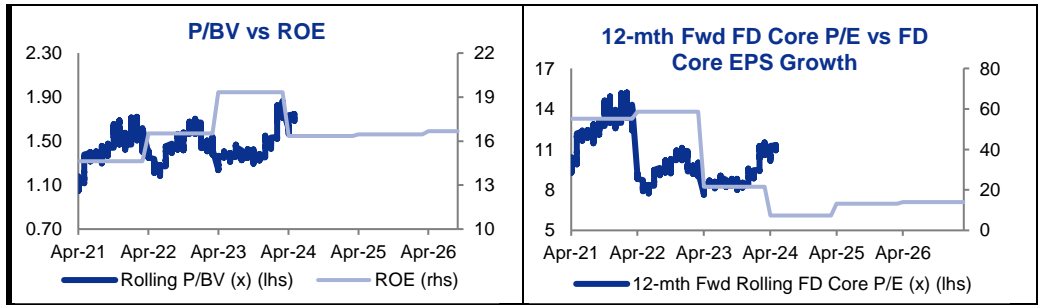
Y/E Mar (Rs m)	FY25F			FY26F			FY27F		
	Earlier	Revised	% change	Earlier	Revised	% change	Earlier	Revised	% change
Net interest income	19,21,663	19,26,065	0.2%	22,17,925	22,24,371	0.3%	NA	22,24,371	NA
Non-interest Income	4,63,132	4,66,473	0.7%	5,12,166	5,15,726	0.7%	NA	5,15,726	NA
PPOP	9,97,635	10,42,719	4.5%	11,55,511	12,08,756	4.6%	NA	12,08,756	NA
PAT	6,21,768	6,55,319	5.4%	11,55,511	7,41,670	-35.8%	NA	7,41,670	NA
EPS (Rs)	69.7	73.4	5.4%	78.7	83.1	5.6%	NA	83.1	NA
BV (Rs)	463.6	476.0	2.7%	518.6	534.2	3.0%	NA	534.2	NA

SOURCE: INCRED RESEARCH, COMPANY REPORTS

4QFY24 earnings conference-call highlights

- Loan book guidance is reiterated at 15% yoy, with the market share increasing in loans and deposits.
- Domestic LDR guidance stands at 75%.
- Cost of deposits has plateaued in the previous quarter and NIM is guided to be stable.
- Employee expenses guidance is at Rs 650-700bn for FY25F. The additional cost on account of wage revision will be Rs5bn per month, which will result in an overall additional cost of Rs60bn in FY25F.
- Credit cost guidance is at 50bp from 62bp in FY24.
- Management sees no major impact of higher provisioning requirement for infrastructure loans, as per the Reserve Bank of India's recent draft circular.
- Interest on income from income-tax refund was at Rs13bn vs. Rs7.4bn in the previous quarter.
- Of the total advances, MCLR-linked loans were at ~37%, external benchmark-linked loans were at ~27%, fixed-rate loans were at ~21% and loans linked to treasury bills and other benchmarks were at ~15%.
- The outstanding written-off loan book stood at Rs1.75tr.

BY THE NUMBERS



Profit & Loss

(Rsm)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Net Interest Income	1,448,405	1,598,758	1,926,065	2,224,371	2,555,424
Total Non-Interest Income	366,156	516,822	466,473	515,726	560,733
Operating Revenue	1,814,561	2,115,580	2,392,538	2,740,097	3,116,157
Total Non-Interest Expenses	(944,459)	(1,144,088)	(1,301,239)	(1,473,915)	(1,669,625)
Pre-provision Operating Profit	837,130	937,972	1,042,719	1,208,756	1,380,828
Total Provision Charges	(165,073)	(49,142)	(159,540)	(209,201)	(242,314)
Operating Profit After Provisions	672,056	888,830	883,180	999,555	1,138,514
Pretax Income/(Loss) from Assoc.					
Operating EBIT (incl Associates)	672,056	888,830	883,180	999,555	1,138,514
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	672,056	888,830	883,180	999,555	1,138,514
Exceptional Items		(71,000)			
Pre-tax Profit	672,056	817,830	883,180	999,555	1,138,514
Taxation	(169,732)	(207,063)	(227,860)	(257,885)	(293,737)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	502,325	610,766	655,319	741,670	844,777
Minority Interests					
Pref. & Special Div					
FX And Other Adj.					
Net Profit	502,325	610,766	655,319	741,670	844,777
Recurring Net Profit					

Balance Sheet Employment

(Rsm)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Gross Loans/Cust Deposits	98.7%	100.6%	105.4%	112.4%	117.8%
Avg Loans/Avg Deposits	96.4%	99.7%	103.1%	109.0%	115.2%
Avg Liquid Assets/Avg Assets	35.7%	33.0%	30.9%	29.2%	27.7%
Avg Liquid Assets/Avg IEAs	41.8%	38.1%	35.3%	32.9%	31.1%
Net Cust Loans/Assets	58.0%	59.9%	62.1%	63.6%	65.1%
Net Cust Loans/Broad Deposits	98.7%	100.6%	105.4%	112.4%	117.8%
Equity & Provns/Gross Cust Loans	10.2%	10.2%	9.9%	9.6%	9.3%
Asset Risk Weighting	51.9%	51.1%	51.3%	50.8%	50.7%
Provision Charge/Avg Cust Loans	0.56%	0.14%	0.40%	0.45%	0.45%
Provision Charge/Avg Assets	0.31%	0.08%	0.24%	0.28%	0.29%
Total Write Offs/Average Assets					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rsm)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Gross Loans	31,992,692	37,039,708	42,702,076	49,706,580	57,906,036
Liquid Assets & Invst. (Current)	15,703,662	16,713,397	17,997,912	19,762,926	21,707,864
Other Int. Earning Assets					
Total Gross Int. Earning Assets	47,696,356	53,753,104	60,699,988	69,469,504	79,613,904
Total Provisions/Loan Loss Reserve					
Total Net Interest Earning Assets	47,696,356	53,753,104	60,699,988	69,469,504	79,613,904
Intangible Assets					
Other Non-Interest Earning Assets	3,970,616	4,509,642	5,082,195	5,768,113	6,552,631
Total Non-Interest Earning Assets	4,394,434	4,935,815	5,509,354	6,198,252	6,988,287
Cash And Marketable Securities	3,078,996	3,108,020	2,594,926	2,535,045	2,331,550
Long-term Investments					
Total Assets	55,169,784	61,796,940	68,804,272	78,202,800	88,933,736
Customer Interest-Bearing Liabilities	32,416,208	36,812,772	40,515,340	44,237,776	49,160,768
Bank Deposits					
Interest Bearing Liabilities: Others	3,146,556	4,172,977	4,260,434	4,931,352	5,975,609
Total Interest-Bearing Liabilities	35,562,764	40,985,748	44,775,776	49,169,128	55,136,376
Banks Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	1,631,101	1,819,797	2,299,318	2,724,572	2,888,097
Total Liabilities	37,193,864	42,805,544	47,075,092	51,893,700	58,024,476
Shareholders Equity	3,276,085	3,772,465	4,247,572	4,766,741	5,358,085
Minority Interests					
Total Equity	3,276,085	3,772,465	4,247,572	4,766,741	5,358,085

Key Ratios

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Income Growth	20.0%	10.4%	20.5%	15.5%	14.9%
Operating Profit Growth	10.8%	11.7%	12.3%	16.0%	14.2%
Pretax Profit Growth	55%	22%	8%	13%	14%
Net Interest To Total Income	79.8%	75.6%	80.5%	81.2%	82.0%
Cost Of Funds	5.45%	6.67%	5.83%	5.41%	5.55%
Return On Interest Earning Assets	7.4%	8.2%	7.7%	7.3%	7.3%
Net Interest Spread	1.94%	1.51%	1.90%	1.91%	1.76%
Net Interest Margin (Avg Deposits)	4.71%	4.62%	4.98%	5.25%	5.47%
Net Interest Margin (Avg RWA)	5.29%	5.31%	5.76%	5.94%	6.03%
Provisions to Pre Prov. Operating Profit	20%	5%	15%	17%	18%
Interest Return On Average Assets	2.76%	2.73%	2.95%	3.03%	3.06%
Effective Tax Rate	25.3%	25.3%	25.8%	25.8%	25.8%
Net Dividend Payout Ratio	20.1%	22.4%			
Return On Average Assets	0.96%	1.17%	1.00%	1.01%	1.01%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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