




# State Bank of India

Estimate change   
TP change   
Rating change 

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Bloomberg	SBIN IN
Equity Shares (m)	8,925
M.Cap.(INRb)/(USDb)	4079 / 55
52-Week Range (INR)	467 / 176
1, 6, 12 Rel. Per (%)	4/21/94
12M Avg Val (INR M)	15732

## Financials & Valuations (INR b)

Y/E March	FY21	FY22E	FY23E
NII	1,107.1	1,201.1	1,382.1
OP	715.5	798.0	933.9
NP	204.1	320.8	412.0
NIM (%)	3.0	2.9	3.0
EPS (INR)	22.9	35.9	46.2
EPS Gr. (%)	40.9	57.2	28.4
ABV (INR)	220.6	252.9	298.7
Cons. BV (INR)	294.2	330.2	377.7

## Ratios

RoE (%)	9.3	13.1	14.6
RoA (%)	0.5	0.7	0.8

## Valuations

P/BV (x) (Cons.)	1.6	1.4	1.2
P/ABV (x)	1.2	1.0	0.9
P/E (x)	11.6	7.4	5.7

\*Adjusted for subsidiaries

## Shareholding pattern (%)

As On	Jun-21	Mar-21	Jun-20
Promoter	56.9	56.9	56.9
DII	24.0	24.3	24.6
FII	11.4	11.1	9.1
Others	7.6	7.7	9.4

FII Includes depository receipts

**CMP: INR457 TP: INR600 (+31%) Buy**

## Gaining momentum in earnings; asset quality outlook strong

### SMA/Restructured portfolio under tight control

- State Bank of India (SBIN) reported a steady quarter, with an earnings beat of 12% on MOSLE. This was aided by controlled provisions despite a challenging environment. Core operating performance was in-line.
- Asset quality ratios deteriorated marginally on elevated slippage in Retail/SME. However, the management clarified that slippage worth ~INR48b has already been recovered/upgraded in July'21. Furthermore, the total restructured book remained in check, while SMA 1/2 (exposure of >INR50m) was stable QoQ at INR113b (~0.5% of loans).
- The bank is gaining momentum in earnings every quarter. Thus, we estimate SBI to deliver FY22/FY23 RoE of 13.1%/14.6%, even as we build in credit cost of 1.6%/1.3% for FY22E/FY23E. **Maintain BUY, with revised TP of INR600 (1.4x FY23E ABV + INR193 from subs).**

### Controlled provisions aid earnings beat; slippage led by Retail/SME

- SBIN reported 1QFY22 PAT of ~INR65b (55% YoY growth; 12% above estimate), aided by lower provisions (20% YoY decline) v/s our estimate. NII growth was weak at 3.7% YoY (4% miss), with domestic NIM up 4bp QoQ to 3.15%.
- Other income grew 24% YoY, supported by a one-off recovery and FX income. Treasury gains for the quarter stood at INR21b. Opex grew 13% YoY, and the C/I ratio thus stood at 51.9% (v/s 50% in 1QFY21 and 54.5% in 4QFY21). Overall, PPOp grew 5% YoY (in line with estimate).
- Advances growth came in at 5.8% YoY (~1% QoQ decline), with retail credit up ~16% YoY, led by Xpress Credit (34% YoY) and gold loans. On the other hand, corporate loans declined ~2% YoY (~3% QoQ decline), impacted by lower utilization rates. Deposits grew ~9% YoY, with domestic CASA up ~11% YoY. Therefore, the CASA mix stood at ~46% (stable QoQ).
- Asset quality ratios deteriorated marginally due to elevated fresh slippage of INR156.7b (annualized slippage ratio of ~2.6%), largely from the Retail/SME portfolio. However, the management clarified that slippage worth ~INR48b has already been recovered/upgraded in July'21. Thus, the GNPA/NNPA ratio increased 34bp/27bp QoQ to 5.32%/1.77%, while PCR stood at 67.9% (v/s 70.9% in FY21). Total loans restructured in the 2.0 framework stood at INR52.5b, while another INR20.6b is expected to get restructured in the coming months. Thus, the overall restructured book stood at INR203b (~0.8% of loans), while the SMA 1/2 pool (exposure of >INR50m) was stable QoQ at INR113b (~0.5% of loans) – this bodes well for asset quality trends in the coming quarters.
- Subs performance:** SBI Card reported PAT of INR3.05b (better than estimated). SBI Life Shareholders' PAT declined ~43% YoY on account of higher death claims settled during the quarter. AMC reported PAT growth of 30% YoY to INR2.4b. SBI General's PAT was down 44% YoY.

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**Highlights from management commentary**

- Collection efficiency for July stood at 93.5% (v/s 92% in June'21).
- Total recovery in July'21 from the current quarter slippage was around INR47.9b. Furthermore, nearly INR23b was upgraded in the SME segment.
- The overall target is to reach RoE of 15%.

**Valuation and view**

SBIN reported steady performance in a challenging environment, with strong earnings led by controlled provisions. However, business trends were modest, impacted by the lockdowns. Asset quality remains broadly on track despite elevated slippage, led by Retail/SME. However, restructuring and the SMA pool remain in check. We expect slippage to subside going ahead, assuming there is no third COVID wave or no severe impact from it. Overall, PCR remains healthy at ~68%, and it also holds unutilized COVID provisions of ~INR91b. The bank is well on track to keep credit costs in check. We maintain our estimates for FY22/FY23 and project RoA/RoE of 13.1%/14.6%. **Maintain BUY, with revised TP of INR600 (1.4x FY23E ABV + INR193 from subs).**

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

Y/E March	FY21				FY22E				FY21	FY22E	FY22	V/s
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Est
<b>Net Interest Income</b>	<b>266.4</b>	<b>281.8</b>	<b>288.2</b>	<b>270.7</b>	<b>276.4</b>	<b>294.3</b>	<b>306.9</b>	<b>323.5</b>	<b>1,107.1</b>	<b>1,201.1</b>	<b>287.5</b>	<b>-4%</b>
% Change (YoY)	16.1	14.6	3.7	18.9	3.7	4.4	6.5	19.5	12.9	8.5	7.9	
Other Income	95.0	85.3	92.5	162.3	118.0	100.5	102.8	135.4	435.0	456.7	98.2	20%
<b>Total Income</b>	<b>361.4</b>	<b>367.1</b>	<b>380.7</b>	<b>432.9</b>	<b>394.4</b>	<b>394.7</b>	<b>409.6</b>	<b>459.0</b>	<b>1,542.1</b>	<b>1,657.8</b>	<b>385.7</b>	<b>2%</b>
Operating Expenses	180.8	202.5	207.3	235.9	204.7	206.3	214.9	233.8	826.5	859.8	193.4	6%
<b>Operating Profit</b>	<b>180.6</b>	<b>164.6</b>	<b>173.3</b>	<b>197.0</b>	<b>189.7</b>	<b>188.4</b>	<b>194.7</b>	<b>225.2</b>	<b>715.5</b>	<b>798.0</b>	<b>192.3</b>	<b>-1%</b>
% Change (YoY)	36.3	-9.6	-4.9	6.7	5.1	14.5	12.3	14.3	5.0	11.5	6.5	
Other Provisions	125.0	101.2	103.4	110.5	100.5	91.1	87.5	85.3	440.1	364.4	113.5	-11%
<b>Profit before Tax</b>	<b>55.6</b>	<b>63.4</b>	<b>69.9</b>	<b>86.5</b>	<b>89.2</b>	<b>97.3</b>	<b>107.2</b>	<b>139.8</b>	<b>275.4</b>	<b>433.6</b>	<b>78.8</b>	<b>13%</b>
Tax Provisions	13.7	17.7	17.9	22.0	24.2	25.3	27.9	35.4	71.3	112.7	20.5	18%
<b>Net Profit</b>	<b>41.9</b>	<b>45.7</b>	<b>52.0</b>	<b>64.5</b>	<b>65.0</b>	<b>72.0</b>	<b>79.3</b>	<b>104.5</b>	<b>204.1</b>	<b>320.8</b>	<b>58.3</b>	<b>12%</b>
% Change (YoY)	81.2	51.9	-6.9	80.1	55.3	57.4	52.7	61.9	40.9	57.2	39.1	
<b>Operating Parameters</b>												
Deposits (INR t)	34.2	34.7	35.4	36.8	37.2	37.9	39.0	40.5	36.8	40.5	37.2	0.0%
Loans (INR t)	23.0	22.9	23.7	24.5	24.3	25.0	25.5	26.2	24.5	26.2	24.7	-1.5%
Deposit Growth (%)	16.0	14.4	13.6	13.6	8.8	9.3	10.4	10.0	13.6	10.0	8.8	(2)
Loan Growth (%)	7.7	6.9	7.6	5.3	5.8	9.0	7.8	7.0	5.3	7.0	7.4	(162)
<b>Asset Quality</b>												
Gross NPA (%)	5.4	5.3	4.8	5.0	5.3	5.2	5.1	4.7	5.0	4.7	5.1	18
Net NPA (%)	1.9	1.6	1.2	1.5	1.8	1.8	1.7	1.6	1.5	1.6	1.5	22
PCR (%)	67.1	71.0	75.2	70.9	67.9	67.5	68.0	67.7	70.9	67.7	71.0	(314)

E: MOFSL estimates

## Quarterly snapshot

INR b	FY20				FY21				FY22	Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
<b>Profit and Loss</b>											
<b>Interest Income</b>	<b>626.4</b>	<b>643.1</b>	<b>676.9</b>	<b>626.8</b>	<b>665.0</b>	<b>668.1</b>	<b>667.3</b>	<b>651.0</b>	<b>655.6</b>	<b>-1</b>	<b>1</b>
Loans	438.6	452.4	480.6	425.8	441.0	433.8	437.4	402.1	411.4	-7	2
Investment	169.6	167.0	172.3	173.2	187.1	202.5	204.7	203.8	203.7	9	0
<b>Interest Expenses</b>	<b>397.0</b>	<b>397.1</b>	<b>399.1</b>	<b>399.1</b>	<b>398.6</b>	<b>386.3</b>	<b>379.1</b>	<b>380.3</b>	<b>379.3</b>	<b>-5</b>	<b>0</b>
<b>Net Interest Income</b>	<b>229.4</b>	<b>246.0</b>	<b>277.8</b>	<b>227.7</b>	<b>266.4</b>	<b>281.8</b>	<b>288.2</b>	<b>270.7</b>	<b>276.4</b>	<b>4</b>	<b>2</b>
<b>Other Income</b>	<b>80.2</b>	<b>120.2</b>	<b>91.1</b>	<b>160.8</b>	<b>95.0</b>	<b>85.3</b>	<b>92.5</b>	<b>162.3</b>	<b>118.0</b>	<b>24</b>	<b>-27</b>
Trading profits	4.9	41.6	7.0	32.4	40.3	10.8	9.6	-0.4	21.0	-48	NM
Fee Income	51.8	50.4	56.4	78.7	44.7	52.4	53.5	84.6	54.0	21	-36
Forex Income	5.2	6.7	6.4	6.9	4.7	5.3	6.1	8.0	9.5	103	18
Others	18.4	21.5	21.4	42.8	5.3	16.7	23.3	70.0	33.5	528	-52
<b>Total Income</b>	<b>309.5</b>	<b>366.2</b>	<b>368.8</b>	<b>388.4</b>	<b>361.4</b>	<b>367.1</b>	<b>380.7</b>	<b>432.9</b>	<b>394.4</b>	<b>9</b>	<b>-9</b>
<b>Operating Expenses</b>	<b>177.1</b>	<b>184.2</b>	<b>186.6</b>	<b>203.8</b>	<b>180.8</b>	<b>202.5</b>	<b>207.3</b>	<b>235.9</b>	<b>204.7</b>	<b>13</b>	<b>-13</b>
Employee	109.2	113.0	114.6	120.4	118.7	125.7	131.2	133.8	125.4	6	-6
Others	67.9	71.2	72.1	83.4	62.1	76.8	76.1	102.1	79.3	28	-22
<b>Operating Profits</b>	<b>132.5</b>	<b>182.0</b>	<b>182.2</b>	<b>184.7</b>	<b>180.6</b>	<b>164.6</b>	<b>173.3</b>	<b>197.0</b>	<b>189.7</b>	<b>5</b>	<b>-4</b>
<b>Core Operating Profits</b>	<b>108.3</b>	<b>140.4</b>	<b>175.3</b>	<b>152.3</b>	<b>121.1</b>	<b>153.8</b>	<b>163.7</b>	<b>197.4</b>	<b>149.4</b>	<b>23</b>	<b>-24</b>
<b>Provisions</b>	<b>91.8</b>	<b>131.4</b>	<b>72.5</b>	<b>135.0</b>	<b>125.0</b>	<b>101.2</b>	<b>103.4</b>	<b>110.5</b>	<b>100.5</b>	<b>-20</b>	<b>-9</b>
<b>PBT</b>	<b>40.6</b>	<b>50.6</b>	<b>109.7</b>	<b>49.7</b>	<b>55.6</b>	<b>63.4</b>	<b>69.9</b>	<b>86.5</b>	<b>89.2</b>	<b>60</b>	<b>3</b>
Taxes	17.5	20.5	53.9	13.9	13.7	17.7	17.9	22.0	24.2	77	10
<b>PAT</b>	<b>23.1</b>	<b>30.1</b>	<b>55.8</b>	<b>35.8</b>	<b>41.9</b>	<b>45.7</b>	<b>52.0</b>	<b>64.5</b>	<b>65.0</b>	<b>55</b>	<b>1</b>
<b>Balance Sheet (INR t)</b>											
Deposits	29.5	30.3	31.1	32.4	34.2	34.7	35.4	36.8	37.2	9	1
Loans	21.3	21.5	22.0	23.3	23.0	22.9	23.7	24.5	24.3	6	-1
<b>Asset Quality (INR b)</b>											
GNPA	1,684.9	1,616.4	1,596.6	1,490.9	1,296.6	1,258.6	1,172.4	1,263.9	1,342.6	4	6
NNPA	656.2	599.4	582.5	518.7	427.0	364.5	290.3	368.1	431.5	1	17
Slippages	170.0	91.3	201.0	82.9	39.1	30.9	2.9	220.5	163.0	317	-26
<b>Ratios</b>	FY20				FY21				FY22	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>4Q</b>	<b>1Q</b>	<b>YoY</b>	<b>QoQ</b>
GNPA	7.5	7.2	6.9	6.2	5.4	5.3	4.8	5.0	5.3	(12)	34
NNPA	3.1	2.8	2.7	2.2	1.9	1.6	1.2	1.5	1.8	(9)	27
PCR (Cal.)	61.1	62.9	63.5	65.2	67.1	71.0	75.2	70.9	67.9	79	(302)
PCR (Rep.)	79.3	81.2	81.7	83.6	86.3	88.2	90.2	87.8	85.9	(39)	(182)
<b>Business Ratios (%)</b>											
Fees to Total Income	16.7	13.8	15.3	20.3	12.4	14.3	14.1	19.5	13.7	133	(583)
Cost to Core Income	58.1	56.8	51.6	57.2	56.3	56.8	55.9	54.4	54.8	(148)	36
Tax Rate	43.1	40.5	49.1	28.0	24.6	27.9	25.7	25.4	27.1	246	169
Loan/Deposit	72.4	70.8	70.7	71.7	67.2	66.1	67.0	66.5	65.4	(186)	(118)
CAR	12.9	13.6	13.7	13.1	13.4	14.7	14.5	13.7	13.7	26	(8)
Tier I	10.7	11.3	11.6	11.0	11.4	11.9	11.7	11.4	11.3	(3)	(12)
<b>Profitability Ratios (%)</b>											
Yield on Advances	8.6	8.7	8.9	8.7	8.4	8.2	8.2	8.0	7.4	(93)	(55)
Yield on Investments	7.1	6.9	6.9	6.7	6.6	6.3	6.2	6.1	6.0	(63)	(17)
Yield On Funds	7.9	8.1	8.3	7.4	7.5	7.3	7.1	6.6	6.6	(88)	(4)
Cost of Deposits	5.1	5.0	5.0	4.9	4.5	4.4	4.3	4.2	3.9	(60)	(32)
Margins	2.8	3.0	3.1	3.0	3.0	3.1	3.1	2.9	2.9	(9)	2
RoA	0.3	0.3	0.6	0.4	0.4	0.4	0.5	0.6	0.6	15	(1)



## Highlights from management commentary

### Balance sheet and P&L

- Total slippage in the Home Loan segment stood at INR31.23b.
- The pullback in slippage in Jul'21 was seen across segments, such as Home Loans, Personal Loans, and SME.
- Collection efficiency in July stood at 93.5% (v/s 92% in Jun'21).
- Total ECLGS sanctioned is INR300b, of which ~INR270b has been disbursed. The total ECLGS loans outstanding stands at INR220b.
- Total recoveries in Jul'21 from the current quarter slippage came in at ~INR47.9b. Furthermore, ~INR23b was upgraded in the SME segment.
- The total restructuring book stands at INR202.97b (Restructured 1.0 at INR129.95b; Restructured 2.0 at INR52.46b, and pending applications at INR20.56b). Further restructuring among the segments is as follows: Retail (INR90b), SME (~INR36b), and Corporate (INR78b).
- ~43% of corporate advances are towards PSUs / govt. departments.

### Asset quality

- The overall target is to reach RoE of 15%.
- Total interest reversals during the quarter stood at INR8b.
- Corporate growth was muted due to low utilization of ~INR3t (unutilized limits). However, sanction proposals of INR1.3t are in the pipeline. The infrastructure segment has a heavy pipeline.
- International portfolio: This portfolio is expected to grow over the next few quarters. There is strong opportunity in developed markets such as Hong Kong, the US, and the UK in lending to high-investment-grade companies.
- Xpress Credit: The bank expects this segment to grow 25–30%. Average yield in this portfolio is ~11%.
- The overall target is to recover ~INR140b from written off accounts.
- Other provisions of ~INR29b during the quarter were towards non-fund-based limits on NPAs.

### Asset quality deteriorates marginally; restructuring book controlled

- Fresh slippage stood at ~INR156.6b (2.7% of loans) for 1QFY22 v/s 1.2% for FY21. Slippage was driven by Retail (INR52.68b), SME (INR64.16b), and Agriculture (INR29.2b). Corporate slippage was controlled at INR10.08b.
- Restructuring 1.0 stood at INR129.3b, while restructuring implemented under 2.0 came in at INR52.5b (further restructuring of INR20.6b expected). Thus, total restructuring stood at INR202b (0.83% of loans). The SMA 1/2 portfolio declined to INR113b (v/s INR115b in 4QFY21).
- Total reported slippage stood at ~INR163b (of which ~INR48b was recovered/upgraded in Jul'21). Recoveries/upgrades stood at INR49.7b, while write-offs stood at INR34.6b. The GNPA/NNPA ratio increased 34bp/27bp QoQ to 5.32%/1.77%. PCR stood at ~68% (86% incl. TWO).
- GNPA in the Agri/Corporate/SME/Retail segment stood at 15.6%/7.8%/9.2%/1.3%.

Retail/SME slippage was elevated at INR52.7b/INR64.2b

**Exhibit 1: SMA 1/2 declined to INR113b**

INR b	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
SMA 1	35.94	14.71	85.97	54.00	46.76	79.77
SMA 2	36.72	2.79	33.89	125.46	68.43	33.26
<b>Total</b>	<b>72.66</b>	<b>17.50</b>	<b>119.86</b>	<b>179.46</b>	<b>115.19</b>	<b>113.03</b>

Source: Company, MOFSL

Retail loans grew 16.5% YoY

**Advances grow 6% YoY (-1% QoQ); Retail growth healthy**

- The Retail segment continued to exhibit healthy growth (+16.5% YoY), led by healthy growth in Home/Auto loans (+11%/6% YoY); Xpress Credit also showed strong growth of 34% YoY to INR1.96t.
- The Corporate book de-grew 3% QoQ, and the Agri book declined ~2% YoY. The SME book grew 2% QoQ.

**Exhibit 2: Loan book remains well-diversified – Retail/Corporate portfolio up 5%/4% QoQ**

INR b	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	YoY (%)	QoQ (%)
Large corporate	7,826	7,660	7,710	8,442	8,093	7,876	7,882	8,187	7,905	-2.3	-3.4
International	3,099	3,202	3,229	3,574	3,445	3,225	3,299	3,569	3,675	6.7	3.0
SME	2,812	2,741	2,780	2,676	2,787	2,772	2,937	2,789	2,843	2.0	1.9
Retail	6,636	6,856	7,198	7,476	7,488	7,853	8,311	8,707	8,721	16.5	0.2
Agri	2,011	2,025	2,100	2,061	2,043	2,109	2,137	2,142	2,094	2.5	-2.2

**Performance of subsidiaries remains healthy**

- SBICARD reported PAT of INR3.1b (above our estimate). The same for SBILIFE was muted YoY at INR2.23b. The AMC business reported strong growth in PAT at INR2.44b (+30% YoY). However, PAT for SBI General declined 44% YoY to INR760m.

**Valuation and view**

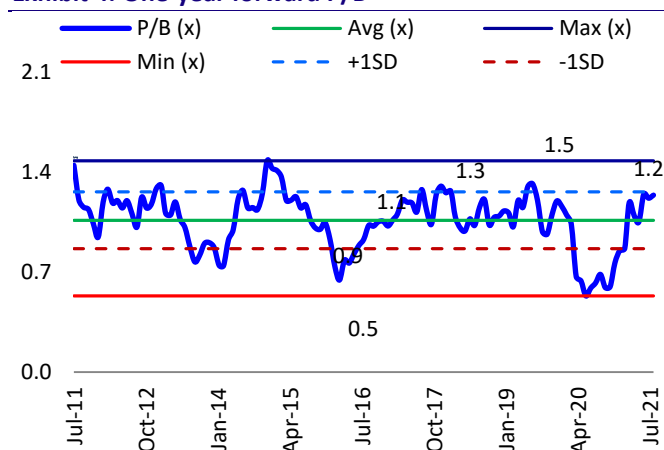
- SBIN has strengthened its balance sheet by creating higher provisions toward stressed accounts. It raised its PCR (including TWO) to ~86% in 1QFY22 (from ~65% in 1QFY18). It further holds a higher (~85%) provision coverage on corporate NPAs.
- The bank has one of the best liability franchises (CASA mix: ~46%). This puts it in a better position to manage pressure on yields. A reduction in the interest rate on deposits would continue to support margins to a large extent.
- Subsidiaries – SBI MF, SBILIFE, SBICARD, and SBI Cap – have exhibited robust performances over the last few years, supporting the SOTP value of the bank.
- The asset quality deteriorated marginally on fresh slippage of INR157b (2.7% of loans), weighed by higher slippage from the Retail/SME segment. However, the bank is expected to have recovered/upgraded ~INR48b in slippage in Jul'21. The GNPA/NNPA ratio increased 34bp/27bp QoQ to 5.32%/1.77%. While slippage could remain elevated in the near term, we expect slippage to moderate meaningfully over 2HFY22. Thus, we estimate credit cost of 1.6%/1.3% for FY22/FY23E.
- Among the PSU banks, SBIN remains the best play on a gradual recovery in the Indian economy, with a healthy PCR (~68%), Tier I of ~11.3%, a strong liability franchise, and improved core operating profitability.
- **Buy, with TP of INR600/share:** SBIN reported steady performance in a challenging environment, with strong earnings led by controlled provisions. However, business trends were modest, impacted by the lockdowns. Asset quality remains broadly on track despite elevated slippage, led by Retail/SME. However, restructuring and the SMA pool remain in check. We expect slippage to subside going ahead, assuming there is no third COVID wave or no severe

impact from it. Overall, PCR remains healthy at ~68%, and it also holds unutilized COVID provisions of ~INR91b. The bank is well on track to keep credit costs in check. We maintain our estimates for FY22/FY23 and project RoA/RoE of 13.1%/14.6%. **Maintain BUY, with revised TP of INR600 (1.4x FY23E ABV + INR193 from subs).**

Exhibit 3: SoTP-based pricing

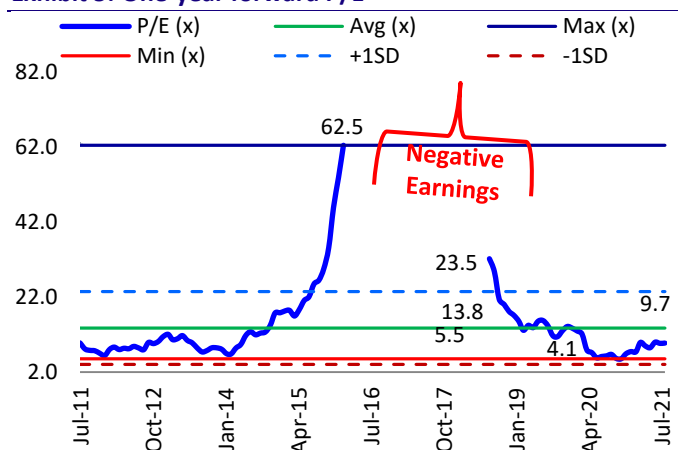
Name	Stake (%)	Value for SBIN (INRb)	Value per Share (at our PT)	% of total value	Rationale
<b>SBI Bank</b>	<b>100</b>	<b>3,636</b>	<b>407</b>	<b>68</b>	<b>1.4x FY23E ABV</b>
Life insurance	56	704	79	13	2.5x FY23E EV
Cards	69	787	88	15	41x FY23E PAT
Asset management	63	255	29	5	32x FY23E PAT
General insurance	70	144	16	3	25x FY23E PAT
YES Bank	30	122	13	2	
Capital Market/DFHI/Others		148	17	3	
<b>Total Value of Subs</b>		<b>2,159</b>	<b>241</b>	<b>40</b>	
Less: 20% holding disc		432	48	8	
<b>Value of Subs (Post Holding Disc)</b>		<b>1,728</b>	<b>193</b>	<b>32</b>	
<b>Target Price</b>		<b>5,363</b>	<b>600</b>		

Exhibit 4: One-year forward P/B



Source: MOFSL, Company

Exhibit 5: One-year forward P/E



Source: MOFSL, Company

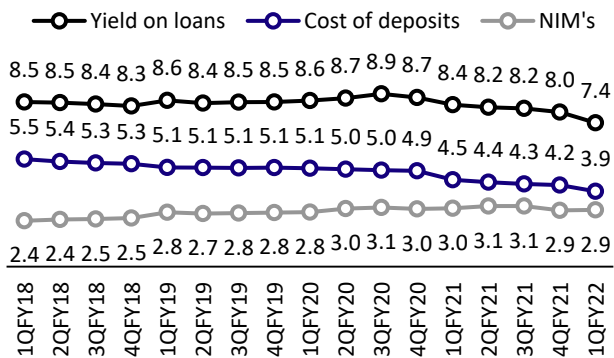
Exhibit 6: DuPont Analysis: Earnings normalization cycle for SBIN has begun

Y/E MARCH	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Interest Income	7.89	7.28	6.52	6.81	6.74	6.25	6.05	6.08
Interest Expense	5.23	4.83	4.31	4.33	4.17	3.64	3.52	3.46
<b>Net Interest Income</b>	<b>2.66</b>	<b>2.44</b>	<b>2.21</b>	<b>2.48</b>	<b>2.57</b>	<b>2.61</b>	<b>2.52</b>	<b>2.63</b>
Fee income	0.74	0.94	0.92	0.94	0.96	0.88	0.82	0.80
Trading and others	0.49	0.44	0.40	0.09	0.22	0.14	0.14	0.14
<b>Non-Interest income</b>	<b>1.23</b>	<b>1.39</b>	<b>1.32</b>	<b>1.03</b>	<b>1.19</b>	<b>1.03</b>	<b>0.96</b>	<b>0.94</b>
<b>Total Income</b>	<b>3.88</b>	<b>3.83</b>	<b>3.53</b>	<b>3.51</b>	<b>3.76</b>	<b>3.63</b>	<b>3.48</b>	<b>3.56</b>
<b>Operating Expenses</b>	<b>1.91</b>	<b>1.90</b>	<b>1.77</b>	<b>1.95</b>	<b>1.97</b>	<b>1.95</b>	<b>1.81</b>	<b>1.79</b>
Employee cost	1.08	1.10	0.98	1.15	1.20	1.20	1.11	1.10
Others	0.83	0.79	0.79	0.80	0.77	0.75	0.69	0.69
<b>Operating Profit</b>	<b>1.97</b>	<b>1.93</b>	<b>1.76</b>	<b>1.55</b>	<b>1.79</b>	<b>1.69</b>	<b>1.68</b>	<b>1.77</b>
<b>Core Operating Profit</b>	<b>1.48</b>	<b>1.49</b>	<b>1.36</b>	<b>1.47</b>	<b>1.56</b>	<b>1.54</b>	<b>1.54</b>	<b>1.64</b>
<b>Provisions</b>	<b>1.37</b>	<b>1.97</b>	<b>2.22</b>	<b>1.49</b>	<b>1.13</b>	<b>1.04</b>	<b>0.77</b>	<b>0.72</b>
NPA	1.29	1.80	2.11	1.53	1.13	0.64	0.86	0.67
Others	0.08	0.17	0.11	-0.04	0.00	0.39	-0.09	0.05
<b>PBT</b>	<b>0.60</b>	<b>-0.04</b>	<b>-0.46</b>	<b>0.06</b>	<b>0.66</b>	<b>0.65</b>	<b>0.91</b>	<b>1.06</b>
Tax	0.17	0.02	-0.27	0.04	0.28	0.17	0.24	0.28
<b>RoA</b>	<b>0.43</b>	<b>-0.06</b>	<b>-0.19</b>	<b>0.02</b>	<b>0.38</b>	<b>0.48</b>	<b>0.67</b>	<b>0.78</b>
Leverage (x)	17.0	17.6	18.0	18.3	18.9	19.4	19.4	18.7
<b>RoE</b>	<b>7.2</b>	<b>-1.0</b>	<b>-3.5</b>	<b>0.4</b>	<b>7.2</b>	<b>9.3</b>	<b>13.1</b>	<b>14.6</b>



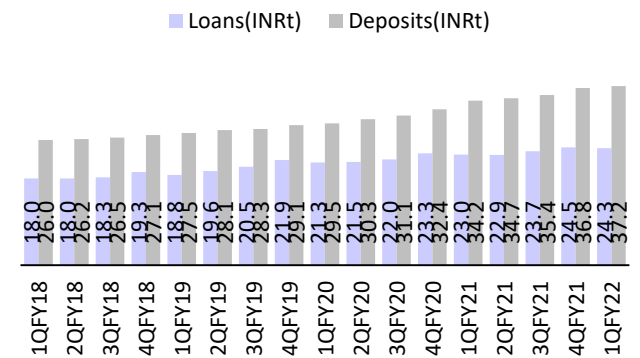
## Story in charts

**Exhibit 7: NIMs improve 2bp QoQ to 2.92%**



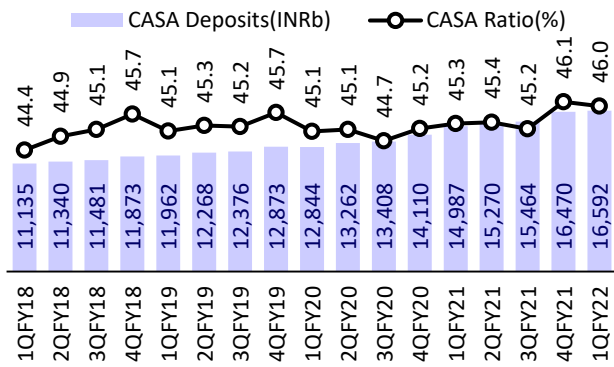
Source: MOFSL, Company

**Exhibit 8: Loans/deposits up 6%/9% YoY**



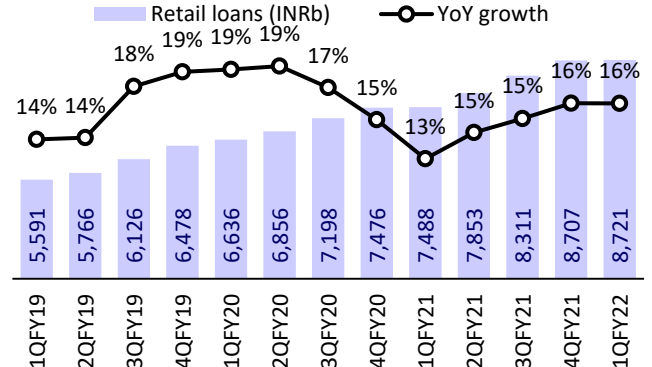
Source: MOFSL, Company

**Exhibit 9: CASA ratio at 46%**



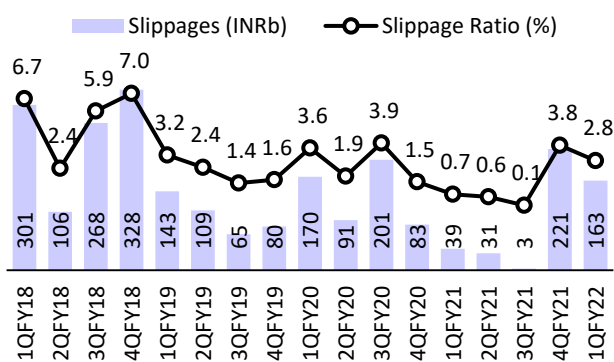
Source: MOFSL, Company

**Exhibit 10: Retail loans up ~16% YoY**



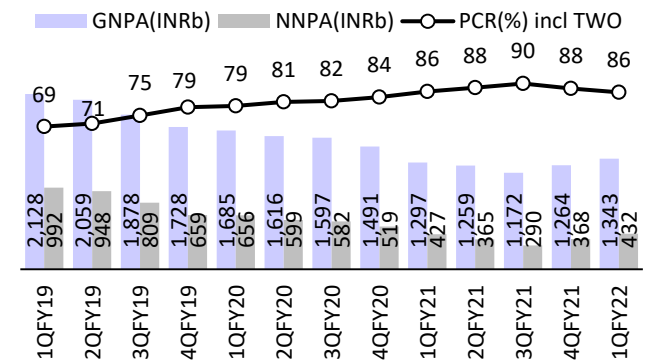
Source: MOFSL, Company

**Exhibit 11: Slippages in 1QFY22 at INR163b (annualized 2.8% of loans)**



Source: MOFSL, Company

**Exhibit 12: Asset quality ratios see slight deterioration; PCR (incl. TWO) at 85.9%**



Source: MOFSL, Company

## Financials and valuations

Income Statement							(INR b)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Interest Income	2,239.8	2,205.0	2,428.7	2,573.2	2,651.5	2,876.1	3,200.9
Interest Expense	1,487.8	1,456.5	1,545.2	1,592.4	1,544.4	1,675.1	1,818.8
<b>Net Interest Income</b>	<b>752.0</b>	<b>748.5</b>	<b>883.5</b>	<b>980.8</b>	<b>1,107.1</b>	<b>1,201.1</b>	<b>1,382.1</b>
Change (%)	3.9	-0.5	18.0	11.0	12.9	8.5	15.1
<b>Non-Interest Income</b>	<b>426.4</b>	<b>446.0</b>	<b>367.7</b>	<b>452.2</b>	<b>435.0</b>	<b>456.7</b>	<b>493.2</b>
<b>Total Income</b>	<b>1,178.4</b>	<b>1,194.5</b>	<b>1,251.2</b>	<b>1,433.1</b>	<b>1,542.1</b>	<b>1,657.8</b>	<b>1,875.3</b>
Change (%)	11.4	1.4	4.7	14.5	7.6	7.5	13.1
Operating Expenses	583.8	599.4	696.9	751.7	826.5	859.8	941.4
<b>Pre Provision Profits</b>	<b>594.6</b>	<b>595.1</b>	<b>554.4</b>	<b>681.3</b>	<b>715.5</b>	<b>798.0</b>	<b>933.9</b>
Change (%)	10.7	0.1	-6.8	22.9	5.0	11.5	17.0
<b>Core Provision Profits</b>	<b>458.5</b>	<b>460.9</b>	<b>522.9</b>	<b>595.6</b>	<b>655.2</b>	<b>731.7</b>	<b>860.9</b>
Change (%)	-4.3	0.5	13.5	13.9	10.0	11.7	17.7
Provisions (excl. tax)	607.2	750.4	531.3	430.7	440.1	364.4	377.1
<b>PBT</b>	<b>-12.6</b>	<b>-155.3</b>	<b>23.1</b>	<b>250.6</b>	<b>275.4</b>	<b>433.6</b>	<b>556.8</b>
Tax	5.5	-89.8	14.5	105.7	71.3	112.7	144.8
Tax Rate (%)	-43.3	57.8	62.6	42.2	25.9	26.0	26.0
<b>PAT</b>	<b>-18.0</b>	<b>-65.5</b>	<b>8.6</b>	<b>144.9</b>	<b>204.1</b>	<b>320.8</b>	<b>412.0</b>
Change (%)	NM	NM	NM	NM	40.9	57.2	28.4
<b>Cons. PAT post MI</b>	<b>2.4</b>	<b>-45.6</b>	<b>23.0</b>	<b>197.7</b>	<b>224.1</b>	<b>347.8</b>	<b>449.7</b>
Change (%)	-98.0	NM	NM	NM	13.3	55.2	29.3
Balance Sheet							
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Share Capital	8	9	9	9	9	9	9
Reserves & Surplus	2,110	2,182	2,200	2,311	2,530	2,840	3,240
<b>Net Worth</b>	<b>2,118</b>	<b>2,191</b>	<b>2,209</b>	<b>2,320</b>	<b>2,539</b>	<b>2,849</b>	<b>3,249</b>
<b>Deposits</b>	<b>25,853</b>	<b>27,063</b>	<b>29,114</b>	<b>32,416</b>	<b>36,813</b>	<b>40,494</b>	<b>45,151</b>
Change (%)	15.4	4.7	7.6	11.3	13.6	10.0	11.5
<b>of which CASA Dep</b>	<b>11,988</b>	<b>12,039</b>	<b>12,976</b>	<b>14,337</b>	<b>16,713</b>	<b>18,789</b>	<b>21,176</b>
Change (%)	39.3	0.4	7.8	10.5	16.6	12.4	12.7
Borrowings	3,321	3,621	4,030	3,147	4,173	4,522	4,926
Other Liab. & Prov.	1,756	1,671	1,456	1,631	1,820	1,947	2,103
<b>Total Liabilities</b>	<b>33,049</b>	<b>34,548</b>	<b>36,809</b>	<b>39,514</b>	<b>45,344</b>	<b>49,813</b>	<b>55,428</b>
Current Assets	2,709	1,919	2,225	2,511	3,430	3,321	3,449
<b>Investments</b>	<b>9,329</b>	<b>10,610</b>	<b>9,670</b>	<b>10,470</b>	<b>13,517</b>	<b>15,950</b>	<b>17,705</b>
Change (%)	51.6	13.7	-8.9	8.3	29.1	18.0	11.0
<b>Loans</b>	<b>18,690</b>	<b>19,349</b>	<b>21,859</b>	<b>23,253</b>	<b>24,495</b>	<b>26,210</b>	<b>29,355</b>
Change (%)	1.1	3.5	13.0	6.4	5.3	7.0	12.0
Fixed Assets	499	400	392	384	384	403	424
<b>Total Assets</b>	<b>33,049</b>	<b>34,548</b>	<b>36,809</b>	<b>39,514</b>	<b>45,344</b>	<b>49,813</b>	<b>55,428</b>
Asset Quality							
GNPA	1,779	2,234	1,728	1,491	1,264	1,278	1,250
NNPA	970	1,109	659	519	368	413	413
GNPA Ratio	9.12	10.91	7.53	6.15	4.98	4.7	4.1
NNPA Ratio	5.19	5.73	3.01	2.23	1.50	1.6	1.4
Slippage Ratio	7.0	8.4	1.6	2.2	1.2	1.8	1.6
Credit Cost	3.3	3.8	2.7	1.9	1.8	1.6	1.3
PCR (Excl Tech. W/O)	45.5	50.4	61.9	65.2	70.9	67.7	67.0



## Financials and valuations

### Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
<b>Yield and Cost Ratios (%)</b>							
<b>Avg. Yield-Earning Assets</b>	<b>9.0</b>	<b>7.4</b>	<b>7.8</b>	<b>7.7</b>	<b>7.2</b>	<b>7.0</b>	<b>7.0</b>
Avg. Yield on loans	9.3	7.4	7.8	8.0	7.2	7.6	7.7
Avg. Yield on Investments	8.5	7.2	7.5	6.9	6.8	6.5	6.3
<b>Avg. Cost-Int. Bear. Liab.</b>	<b>6.0</b>	<b>4.9</b>	<b>4.8</b>	<b>4.6</b>	<b>4.0</b>	<b>3.9</b>	<b>3.8</b>
Avg. Cost of Deposits	6.4	5.1	5.0	4.8	4.1	4.0	3.9
<b>Interest Spread</b>	<b>3.0</b>	<b>2.5</b>	<b>2.9</b>	<b>3.1</b>	<b>3.1</b>	<b>3.1</b>	<b>3.2</b>
<b>Net Interest Margin</b>	<b>3.0</b>	<b>2.5</b>	<b>2.8</b>	<b>3.0</b>	<b>3.0</b>	<b>2.9</b>	<b>3.0</b>

### Capitalization Ratios (%)

CAR	13.0	12.7	12.8	13.3	14.0	14.0	13.4
Tier I	10.4	10.5	10.8	11.2	11.7	11.9	11.6
Tier II	2.6	2.2	2.1	2.1	2.3	2.1	1.8

### Business and Efficiency Ratios (%)

Loans/Deposit Ratio	72.3	71.5	75.1	71.7	66.5	64.7	65.0
CASA Ratio	46.4	44.5	44.6	44.2	45.4	46.4	46.9
Cost/Assets	1.8	1.7	1.9	1.9	1.8	1.7	1.7
Cost/Total Income	49.5	50.2	55.7	52.5	53.6	51.9	50.2
Cost/Core Income	56.0	56.5	57.1	55.8	55.8	54.0	52.2
Int. Expense./Int. Income	66.4	66.1	63.6	61.9	58.2	58.2	56.8
Fee Income/Total Income	24.6	26.1	26.9	25.6	24.3	23.5	22.4
Non Int. Inc./Total Income	36.2	37.3	29.4	31.6	28.2	27.5	26.3
Empl. Cost/Total Expense	58.2	55.3	58.9	60.8	61.6	61.6	61.3
Investment/Deposit Ratio	36.1	39.2	33.2	32.3	36.7	39.4	39.2

### Profitability Ratios and Valuation

RoE	-1.1	-3.5	0.4	7.2	9.3	13.1	14.6
RoA	-0.1	-0.2	0.0	0.4	0.5	0.7	0.8
RoRWA	-0.1	-0.3	0.0	0.7	0.9	1.2	1.4
Consolidated RoE	0.1	-2.0	1.0	7.9	8.2	11.7	13.7
Consolidated RoA	0.0	-0.1	0.1	0.5	0.5	0.7	0.8
Book Value (INR)	240	230	232	245	270	305	349
Change (%)	15.7	-4.0	0.9	5.6	10.0	12.9	14.7
<b>Price-BV (x)</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.0</b>	<b>0.9</b>	<b>0.8</b>
Consol BV (INR)	248	243	248	267	294	330	378
Change (%)	11.6	-2.0	2.0	7.7	10.3	12.2	14.4
<b>Price-Consol BV (x)</b>	<b>1.6</b>	<b>1.7</b>	<b>1.8</b>	<b>1.7</b>	<b>1.6</b>	<b>1.4</b>	<b>1.2</b>
Adjusted BV (INR)	139	135	170	187	221	253	299
<b>Price-ABV (x)</b>	<b>1.9</b>	<b>2.0</b>	<b>1.6</b>	<b>1.4</b>	<b>1.2</b>	<b>1.0</b>	<b>0.9</b>
Adjusted Consol BV	159	152	192	212	250	282	329
<b>Price-Consol ABV (x)</b>	<b>2.6</b>	<b>2.7</b>	<b>2.4</b>	<b>2.2</b>	<b>1.8</b>	<b>1.6</b>	<b>1.4</b>
EPS (INR)	-2.3	-7.7	1.0	16.2	22.9	35.9	46.2
Change (%)	NM	NM	NM	NM	40.9	57.2	28.4
<b>Price-Earnings (x)</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>	<b>16.3</b>	<b>11.6</b>	<b>7.4</b>	<b>5.7</b>
Consol EPS (INR)	0.3	-5.3	2.6	22.1	25.1	39.0	50.4
Change (%)	-98.1	NM	NM	NM	13.3	55.2	29.3
<b>Price-Consol EPS (x)</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>	<b>20.6</b>	<b>18.2</b>	<b>11.7</b>	<b>9.1</b>

## NOTES

Explanation of Investment Rating	
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

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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