

May 18, 2023

RESULT REPORT Q4 FY23 | Sector: Banks

State Bank of India

SBI has answers for capital and ECL questions

Result Highlights

- ✓ **Asset quality:** Gross NPA additions amounted to Rs 34.58 bn (annualized NPA addition ratio of 0.4%) and recoveries and upgrades were healthy at Rs 42.0bn
- ✓ **Margin picture:** Whole bank NIM at 3.60% was up 10bps/45bps QoQ/YoY, sequentially higher due to yield on advances moving up faster than cost of deposits
- ✓ **Asset growth:** Whole bank advances grew 4.3%/16% QoQ/YoY driven sequentially by Corporate, Retail and Agri. loans
- ✓ **Opex control:** Total opex grew 22.3%/27.3% QoQ/YoY, employee cost grew 19.4%/40.3% QoQ/YoY and other operating cost rose 26.7%/12.1% QoQ/YoY
- ✓ **Fee income:** Core fee income grew/de-grew 35%/-0.2% QoQ/YoY, higher sequentially due to higher Loan processing fees and Misc. fee income.

Our view – SBI has answers for capital and ECL questions

Management alluded to ECL speculation being futile at this stage but assessed that, if implemented, the impact could be absorbed: The bank is carrying non-NPA provisions and, in the bank's assessment, the incremental ECL provision impact would be much below this number, presumably, the non-NPA provision number of Rs 355.75bn stated on the presentation and that too, the said impact would be spread over 5 years.

Management averred that the current capital provides sufficient headroom for normal growth: The CET1 ratio improved from 9.94% as of March 2022 to 10.27% as of March 2023 and the bank has, thus, been able to plough back profits and accrete capital. The bank's current capital adequacy is sufficient to support Rs 7.1trn of loan growth without equity capital raise.

Management guided for a loan growth of 12-14% in FY24: Regarding the international business, management explained that there will be huge manufacturing export happening from India. Hence, SBI's focus on global presence is more of a strategic move to capture that prospective opportunity.

Management stated that the bank does not have to grow deposits at a very fast pace: A key reason for this is significant excess SLR amounting to Rs 4 trn. The bank has had elbowroom to not hike deposit rates significantly and, in fact, did not hike deposit rates in the same manner as other players. There is still some cushion in terms of MCLR to move up.

We maintain 'Buy' rating on SBI with a revised price target of Rs 795: We value the bank at 1.4x FY24 P/BV for an FY24E/25E RoE profile of 15.6/16.3%. We assign a value of Rs 208 per share to the subsidiaries, on SOTP.

(See Comprehensive con call takeaways on page 2 for significant incremental colour.)

Exhibit 1: Result table

| (Rs mn) | Q4 FY23 | Q3 FY23 | % qoq | Q4 FY22 | % yoy |
|----------------------------|----------------|----------------|--------------|----------------|-------------|
| Total Interest Income | 929,511 | 866,160 | 7.3 | 707,333 | 31.4 |
| Interest expended | (525,586) | (485,474) | 8.3 | (395,354) | 32.9 |
| Net Interest Income | 403,925 | 380,686 | 6.1 | 311,979 | 29.5 |
| Other income | 139,614 | 114,677 | 21.7 | 118,802 | 17.5 |
| Total Income | 543,539 | 495,364 | 9.7 | 430,780 | 26.2 |
| Operating expenses | (297,328) | (243,171) | 22.3 | (233,612) | 27.3 |
| PPoP | 246,211 | 252,193 | (2.4) | 197,168 | 24.9 |
| Provisions | (33,157) | (57,606) | (42.4) | (72,375) | (54.2) |
| PBT | 213,054 | 194,587 | 9.5 | 124,794 | 70.7 |
| Tax | (46,109) | (52,534) | (12.2) | (33,659) | 37.0 |
| PAT | 166,945 | 142,053 | 17.5 | 91,135 | 83.2 |

Source: Company, YES Sec-Research

| | | |
|------------------|---|------------|
| Recommendation | : | BUY |
| Current Price | : | Rs 574 |
| Target Price | : | Rs 795 |
| Potential Return | : | 38% |

Stock data (as on May 18, 2023)

| | |
|-------------------------|---------------|
| Nifty | 18,130 |
| 52 Week h/l (Rs) | 630/431 |
| Market cap (Rs/USD mn) | 5232500/63389 |
| Outstanding Shares (mn) | 8,925 |
| 6m Avg t/o (Rs mn): | 8,157 |
| Div yield (%): | 1.2 |
| Bloomberg code: | SBIN IN |
| NSE code: | SBIN |

Stock performance



Shareholding pattern (As of Mar'23 end)

| | |
|----------|-------|
| Promoter | 56.9% |
| FII+DII | 34.8% |
| Others | 7.3% |

△ in stance

| (1-Yr) | New | Old |
|--------------|-----|-----|
| Rating | BUY | BUY |
| Target Price | 795 | 775 |

Financial Summary

| (Rs mn) | FY23 | FY24E | FY25E |
|------------|-----------|-----------|-----------|
| NII | 1,448,405 | 1,600,896 | 1,809,662 |
| PPOP | 837,130 | 1,012,870 | 1,213,471 |
| Net Profit | 502,325 | 560,644 | 687,278 |
| Growth (%) | 58.6 | 11.6 | 22.6 |
| EPS (Rs) | 56.3 | 59.8 | 73.3 |
| BVPS (Rs) | 367 | 419 | 481 |
| P/E (x) | 6.5 | 6.1 | 5.0 |
| P/BV (x) | 1.0 | 0.9 | 0.8 |
| ROE (%) | 16.5 | 15.6 | 16.3 |
| ROA (%) | 1.0 | 1.0 | 1.1 |
| Tier-1 (%) | 12.1 | 12.5 | 12.2 |

△ in earnings estimates

| Rs. bn | FY23 | FY24E | FY25E |
|-----------|------|-------|-------|
| EPS (New) | NA | 59.8 | 73.3 |
| EPS (Old) | NA | 57.8 | 72.4 |
| % change | NA | 3.6% | 1.3% |

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COMPREHENSIVE CON-CALL TAKEAWAYS

Asset quality

✓ Provisions

- **ECL provisions**
 - Till RBI makes an announcement in this regard, there are no ramifications from this.
 - The bank is carrying non-NPA provisions and, in the bank's assessment, the incremental ECL provision impact would be much below this number (presumably, the non-NPA provision number of Rs 355.75bn stated on the presentation) and that too spread over 5 years.
- **P&L provisions**
 - Non-tax provisions for the quarter were Rs33.2bn, down by -42.4% QoQ and -54.2% YoY.
 - This contained a roughly Rs 26bn discretionary standard asset provision made on weak corporate accounts as a matter of prudence.
- **Credit cost**
 - Credit cost for the year amounted to 32 bps.
- **Provision coverage**
 - The PCR stood at 76.4%, excluding AUCA.
 - Including AUCA, the PCR stood at 91.9%.

✓ Slippages and other NPA movement

- **Slippages**
 - Gross NPA additions amounted to Rs 34.58bn for 4QFY23, translating to an annualized slippage ratio of 0.4% for the quarter. (Gross NPA additions had amounted to Rs 32.09bn during 3QFY23.)
- **Recoveries and upgrades**
 - Recoveries and upgrades amounted to Rs 42.0bn for 4QFY23, implying net NPA deletion of -Rs 7.42bn for the quarter.

✓ Restructured book

- The outstanding restructured advances including restructuring 1.0 and 2.0 stood at Rs 243 bn or 0.7% of gross advances.

✓ Xpress credit

- These personal loans are only given to corporate salary customers and its asset quality is better than the secured book.
- 83% of customers are armed forces and government employees and a further 12% are employees of well-rated corporates.

Capital adequacy

- ✓ The current capital provides sufficient headroom for normal growth.
- ✓ The CET1 ratio improved from 9.94% as of March 2022 to 10.27% as of March 2023.
- ✓ The bank has, thus, been able to plough back profits and accrete capital.
- ✓ The bank's current capital adequacy is sufficient to support Rs 7.1trn of loan growth without equity capital raise.
- ✓ The bank should not look at the market to raise equity capital.

(Con call takeaways continue on the next page)

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Loan growth

✓ Loan growth guidance

- Management guided for a loan growth of 12-14% in FY24.

✓ Loan growth performance

- The domestic advances growth was 15.4% YoY.
- This was driven by retail advances growth of 17.6% YoY.
- Corporate advances grew 12.5% YoY.
- SME advances have grown 17.6% YoY.
- Agri advances growth is 13.3% YoY.

✓ International business

- There will be huge manufacturing export happening from India.
- Hence, SBI's focus on global presence is more of a strategic move to capture that prospective opportunity.

✓ Corporate lending

- There are projects worth Rs 1.7 trn in the pipeline.

• Lending to NBFCs

- The loan book to NBFCs has risen from Rs 2.71trn last year to Rs 3.57trn.
- These are public sector NBFCs or well-rated corporates.

Deposits growth

✓ Deposits strategy

- Management stated that the bank does not have to grow deposits at a very fast pace.
- A key reason for this is significant excess SLR amounting to Rs 4 trn.

• Rupee-dollar swap

- In FY21, the bank continued to mobilise deposits even as other banks were not interested in doing so.
- Then the bank created factoring as a product in the international market and made money on that.
- When the lending opportunity in India improved, the bank unwound the rupee-dollar swaps and brought money back, even as other banks were finding deposit mobilization difficult.
- Thus, the bank took a strategic call at the right time and benefited from it.

✓ Deposit growth performance

- Whole bank deposits growth was 9.2% YoY.
- Within this, CASA deposits growth was 5% YoY.

Net interest margin

✓ Deposit rates

- The bank has had elbowroom to not hike deposit rates significantly and, in fact, did not hike deposit rates in the same manner as other players.
- As and when the interest rates start to decline, the bank will not be required to reduce rates as much as other banks might.
- There is no plan to increase savings account interest rate.

(Con call takeaways continue on the next page)

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- ✓ **Yield on advances**
 - There is still some cushion in terms of MCLR to move up.
- ✓ **NIM for the quarter**
 - NIM for the quarter was 3.6%, up 10bps QoQ and 45bps YoY

Operating expenses

- ✓ **Total opex**
 - Total opex, at Rs. 297.3 bn, is up by 22.3% QoQ and 27.3% YoY.
 - Consequently, cost/income ratio came in at 54.7%, up by 47 bps YoY.
 - The annual cost to income ratio was above 53% but, adjusted for one-offs, it would have been closer to 50%.
- ✓ **Staff expenses**
 - The YoY increase in total opex is driven by 40.3% YoY increase in staff opex.
 - **Wage provision**
 - The incremental wage provision impact is about Rs 5bn per month since November.
 - The total cost over 5 months has amounted to Rs 24.98bn.
 - The incremental wage revision cost in 4Q amounted to Rs 4.98bn compared with 3Q.
 - **Pension cost**
 - The incremental pension cost amounted to Rs 13.59bn in 4Q compared with 3Q and this is linked to yield movement.
 - **Performance-linked incentive (PLI)**
 - The provision for PLI amounts to Rs 6bn.
 - For every 10% increase in operating profit, the PLI increases by 10%.
- ✓ **Non-staff expenses**
 - There was an increase of 12.1% YoY in other opex.
 - Non-staff expenses growth was driven by tech spends and higher DICGC premium due to growth in deposits.

Fee income

- ✓ Loan processing fee is going to be a major source of fee income.
- ✓ Cross sell, which has seen a growth of 27%, is something the bank plans to grow to Rs 70-80bn compared with Rs 36bn today.
- ✓ Forex income, which has grown 25-26% is going to be another major area of fee income.
- ✓ There will be an effort to syndicate international loans, which will help garner fees.

Subsidiaries

- ✓ There is no immediate plan to list unlisted subsidiaries.

Return ratios

- ✓ **Return on assets**
 - RoA in FY23 is up 29 bps YoY to 0.96%.

(Con call takeaways continue on the next page)

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- The RoA in 4Q amounted to 1.23%.
- RoA is above 1% for 3 quarters running.

✓ **Return on equity**

- RoE in FY23 is up 551 bps YoY to 19.43%.
- This is despite and MTM loss of Rs 70bn in 1Q.

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Exhibit 2: Key quarterly balance sheet / business data

| (Rs mn) | Q4 FY23 | Q3 FY23 | % qoq | Q4 FY22 | % yoy | Q4 FY23* | chg qoq* | chg yoy* |
|--------------------------------------|------------|------------|---------|------------|---------|----------|----------|----------|
| Gross Advances | 32,692,420 | 31,335,650 | 4.3 | 28,186,710 | 16.0 | 100.0 | 0bps | 0bps |
| Corporate | 9,797,680 | 9,250,380 | 5.9 | 8,707,120 | 12.5 | 30.0 | 45bps | -92bps |
| SME | 3,592,700 | 3,506,490 | 2.5 | 3,055,170 | 17.6 | 11.0 | -20bps | 15bps |
| Retail | 11,791,520 | 11,245,190 | 4.9 | 10,023,030 | 17.6 | 36.1 | 18bps | 51bps |
| Home Loan | 6,406,800 | 6,131,960 | 4.5 | 5,616,510 | 14.1 | 19.6 | 3bps | -33bps |
| Auto Loan | 975,230 | 933,190 | 4.5 | 791,480 | 23.2 | 3.0 | 1bps | 18bps |
| Xpress Credit | 3,039,890 | 2,880,270 | 5.5 | 2,477,140 | 22.7 | 9.3 | 11bps | 51bps |
| Gold Loan | 287,050 | 271,880 | 5.6 | 230,630 | 24.5 | 0.9 | 1bps | 6bps |
| Others | 1,082,550 | 1,027,890 | 5.3 | 907,270 | 19.3 | 3.3 | 3bps | 9bps |
| Agriculture | 2,586,120 | 2,469,990 | 4.7 | 2,282,290 | 13.3 | 7.9 | 3bps | -19bps |
| International | 4,924,400 | 4,863,600 | 1.3 | 4,119,100 | 19.6 | 15.1 | -46bps | 45bps |
| Total Deposits | 44,237,778 | 42,135,571 | 5.0 | 40,515,341 | 9.2 | 100.0 | 0bps | 0bps |
| Domestic | 42,535,710 | 40,481,490 | 5.1 | 39,202,010 | 8.5 | 96.2 | 8bps | -61bps |
| Term | 23,906,670 | 22,474,720 | 6.4 | 21,451,170 | 11.4 | 54.0 | 70bps | 110bps |
| SA | 15,814,660 | 15,729,670 | 0.5 | 15,132,050 | 4.5 | 35.7 | -158bps | -160bps |
| CA | 2,814,380 | 2,277,100 | 23.6 | 2,618,790 | 7.5 | 6.4 | 96bps | -10bps |
| International | 1,702,068 | 1,654,081 | 2.9 | 1,313,331 | 29.6 | 3.8 | -8bps | 61bps |
| Investments | 15,703,662 | 15,692,020 | 0.1 | 14,814,455 | 6.0 | NA | NA | NA |
| Investments/(Invest. + Net Adv.) (%) | 32.9 | 33.9 | -99bps | 35.1 | -222bps | NA | NA | NA |
| Borrowings | 4,931,352 | 5,501,410 | (10.4) | 4,260,434 | 15.7 | NA | NA | NA |
| Borrowings/(Borr. + Deposits) (%) | 10.0 | 11.5 | -152bps | 9.5 | 51bps | NA | NA | NA |

Source: Company, YES Sec – Research, *Share in Total and change in share

Exhibit 3: Key quarterly ratios

| (%) | Q4 FY23 | Q3 FY23 | chg qoq | Q4 FY22 | chg yoy |
|------------------------------------|---------|---------|---------|---------|---------|
| Global Net interest margin | 3.60 | 3.50 | 10bps | 3.15 | 45bps |
| Cumm. Yield on advances | 8.10 | 7.87 | 23bps | 7.58 | 52bps |
| Cumm. Cost of Deposits | 3.99 | 3.90 | 9bps | 3.83 | 16bps |
| Domestic CASA | 43.8 | 44.5 | -69bps | 45.3 | -148bps |
| Loan to Deposit ratio | 72.3 | 72.6 | -26bps | 67.5 | 484bps |
| Non-int. income / Total Income | 25.7 | 23.2 | 254bps | 27.6 | -189bps |
| Fee Income/Avg. Total Assets | 0.6 | 0.5 | 14bps | 0.7 | -6bps |
| Cost to Income | 54.7 | 49.1 | 561bps | 54.2 | 47bps |
| Opex/Avg. Total Assets | 2.2 | 1.8 | 35bps | 1.9 | 29bps |
| RoA (Annualised) | 1.2 | 1.1 | 15bps | 0.7 | 49bps |
| Annualised Slippage Ratio, % | 0.4 | 0.4 | 2bps | 0.5 | -9bps |
| Provision coverage ratio | 91.9 | 91.5 | 39bps | 90.2 | 171bps |
| Gross NPA | 2.8 | 3.1 | -36bps | 4.0 | -119bps |
| Net NPA | 0.7 | 0.8 | -10bps | 1.0 | -35bps |
| Capital adequacy ratio | 14.7 | 13.3 | 141bps | 13.8 | 85bps |
| Tier I capital ratio | 12.1 | 10.8 | 126bps | 11.4 | 64bps |
| Common equity tier 1 capital ratio | 10.3 | 9.3 | 101bps | 9.9 | 33bps |

Source: Company, YES Sec – Research

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Exhibit 4: Segmental NPA

| (Rs mn) | Q4 FY23 | Q3 FY23 | % qoq | Q4 FY22 | % yoy |
|----------------------------|---------|---------|--------|---------|--------|
| Corporate | 347,740 | 404,510 | (14.0) | 519,010 | (33.0) |
| Corporate NPA (%) | 3.6 | 4.4 | | 6.0 | |
| SME | 170,930 | 182,410 | (6.3) | 200,080 | (14.6) |
| SME NPA (%) | 4.8 | 5.2 | | 6.6 | |
| Agriculture | 296,750 | 297,240 | (0.2) | 304,310 | (2.5) |
| Agriculture NPA (%) | 11.5 | 12.0 | | 13.3 | |
| Retail - Per Segment | 74,340 | 79,190 | (6.1) | 74,180 | 0.2 |
| Retail Per segment NPA (%) | 0.6 | 0.7 | | 0.7 | |
| International | 19,510 | 20,120 | (3.0) | 22,650 | (13.9) |
| Overseas NPA (%) | 0.4 | 0.4 | | 0.6 | |

Source: Company, YES Sec – Research

Exhibit 5: Fund based outstanding of industrial sectors

| (Rs mn) | Q4 FY23 | Q3 FY23 | % qoq | Q4 FY22 | % yoy | % Share* |
|----------------------------|-----------|-----------|--------|-----------|-------|----------|
| Infrastructure | 3,733,290 | 3,519,260 | 6.1 | 3,566,550 | 4.7 | 13.4 |
| Power | 1,923,000 | 1,864,480 | 3.1 | 1,922,370 | 0.0 | 6.9 |
| Telecom | 398,510 | 288,990 | 37.9 | 416,170 | (4.2) | 1.4 |
| Roads & Ports | 1,055,670 | 1,022,710 | 3.2 | 914,490 | 15.4 | 3.8 |
| Others | 356,110 | 343,070 | 3.8 | 313,520 | 13.6 | 1.3 |
| Services | 3,573,010 | 3,263,520 | 9.5 | 2,718,580 | 31.4 | 12.9 |
| Iron & Steel | 467,170 | 464,830 | 0.5 | 401,040 | 16.5 | 1.7 |
| Aviation & Airports | 167,310 | 142,870 | 17.1 | 132,540 | 26.2 | 0.6 |
| Tourism & Hotels | 110,890 | 110,830 | 0.1 | 101,140 | 9.6 | 0.4 |
| Textiles | 347,110 | 329,980 | 5.2 | 356,960 | (2.8) | 1.3 |
| Petroleum & Petrochemicals | 503,310 | 497,350 | 1.2 | 501,490 | 0.4 | 1.8 |
| Engineering | 213,230 | 237,720 | (10.3) | 233,020 | (8.5) | 0.8 |
| Commercial Real Estate | 478,440 | 445,440 | 7.4 | 427,630 | 11.9 | 1.7 |
| Other Industries | 3,796,630 | 3,745,060 | 1.4 | 3,323,340 | 14.2 | 13.7 |

Source: Company, YES Sec – Research, *Share in total domestic advances for latest quarter

Exhibit 6: Quarterly Actuals Vs Estimates

| Q4FY23 (Rs. mn) | Actuals | Estimates | Diff, % |
|----------------------------|---------|-----------|---------|
| Net Interest Income | 403,925 | 398,254 | 1.4 |
| Pre-Prov. Operating Profit | 246,211 | 265,033 | (7.1) |
| Profit After Tax | 166,945 | 151,300 | 10.3 |

Source: Company, YES Sec – Research

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Exhibit 7: Operating Expense Break-up

| (Rs mn) | Q4 FY23 | Q3 FY23 | % qoq | Q4 FY22 | % yoy |
|--------------------------------------|----------------|----------------|-------------|----------------|-------------|
| Employee Expense (A) | 176,160 | 147,570 | 19.4 | 125,560 | 40.3 |
| Salary | 103,300 | 93,280 | 10.7 | 95,860 | 7.8 |
| Provisions for Employees | 72,860 | 54,290 | 34.2 | 29,700 | 145.3 |
| Other Operating Expense (B) | 121,160 | 95,600 | 26.7 | 108,050 | 12.1 |
| Business Dev. Expenses | 13,340 | 9,920 | 34.5 | 9,880 | 35.0 |
| Others | 107,820 | 85,680 | 25.8 | 98,170 | 9.8 |
| Total Operating Expense (A+B) | 297,320 | 243,170 | 22.3 | 233,610 | 27.3 |

Source: Company, YES Sec – Research

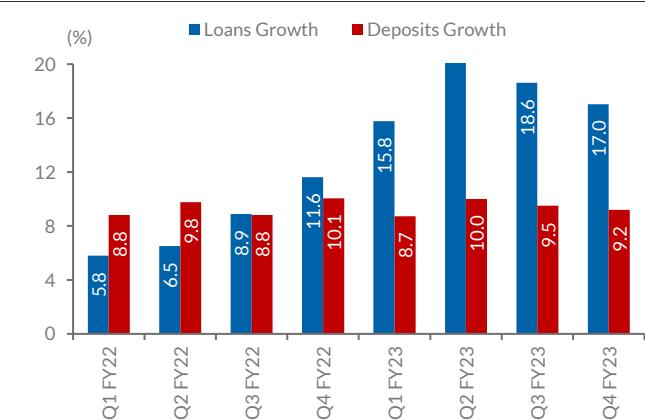
Exhibit 8: Non-Interest Income Break-up

| (Rs mn) | Q4 FY23 | Q3 FY23 | % qoq | Q4 FY22 | % yoy |
|--|----------------|----------------|-------------|----------------|-------------|
| Total Fee Income (A) | 80,030 | 59,280 | 35.0 | 80,220 | (0.2) |
| Loan Processing Charges | 14,050 | 10,330 | 36.0 | 15,260 | (7.9) |
| Commission on Govt. Business | 8,860 | 9,880 | (10.3) | 8,470 | 4.6 |
| Commission on LC/BG | 8,180 | 7,580 | 7.9 | 9,170 | (10.8) |
| Cross Selling | 11,320 | 10,370 | 9.2 | 9,750 | 16.1 |
| Remittance, Collection, etc. | 19,990 | 15,640 | 27.8 | 21,490 | (7.0) |
| Misc. Fee Income | 17,630 | 5,480 | 221.7 | 16,080 | 9.6 |
| Total Other Income (B) | 59,580 | 55,400 | 7.5 | 38,570 | 54.5 |
| Trading profits | 18,000 | 29,380 | (38.7) | 1,780 | 911.2 |
| Forex | (290) | 13,880 | (102.1) | 15,210 | (101.9) |
| Others | 41,870 | 12,140 | 244.9 | 21,580 | 94.0 |
| Total Non-Interest Income (A+B) | 139,610 | 114,680 | 21.7 | 118,790 | 17.5 |

Source: Company, YES Sec – Research

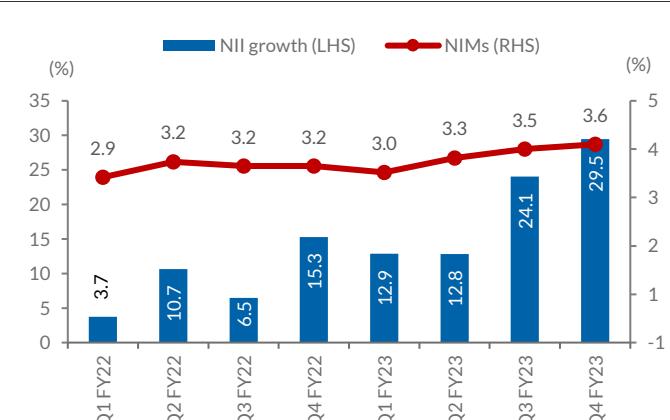
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Exhibit 9: Loans and Deposits growth (YoY %)



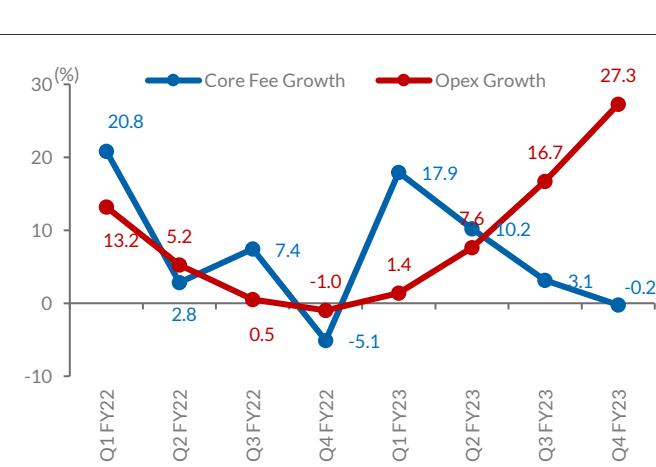
Source: Company, YES Sec - Research

Exhibit 10: NII growth (YoY %) and NIM (%)



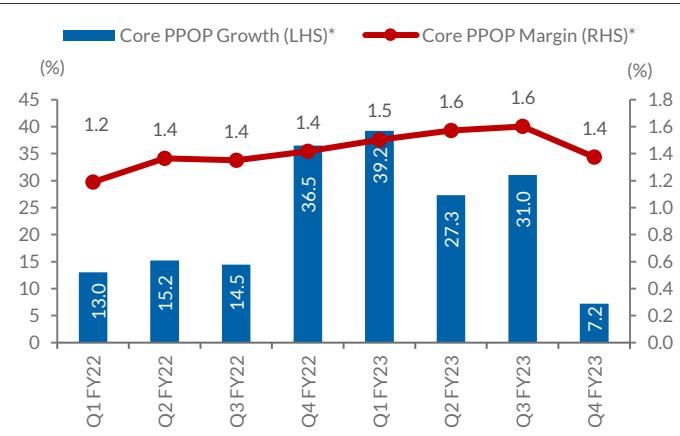
Source: Company, YES Sec - Research

Exhibit 11: Core Fee and Opex growth (YoY %)



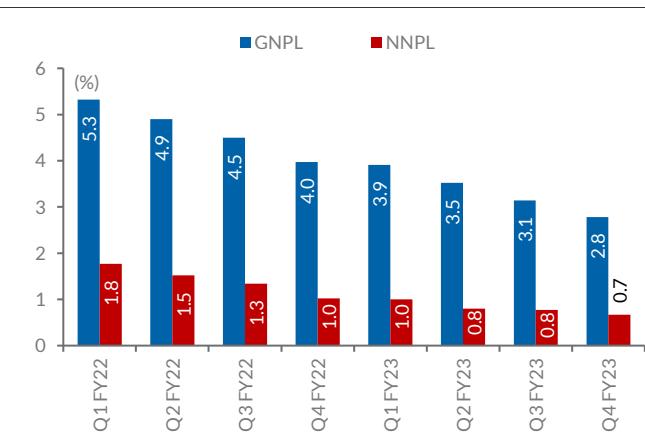
Source: Company, YES Sec - Research

Exhibit 12: Core PPOP growth (YoY %) and Core PPOP margin (%)



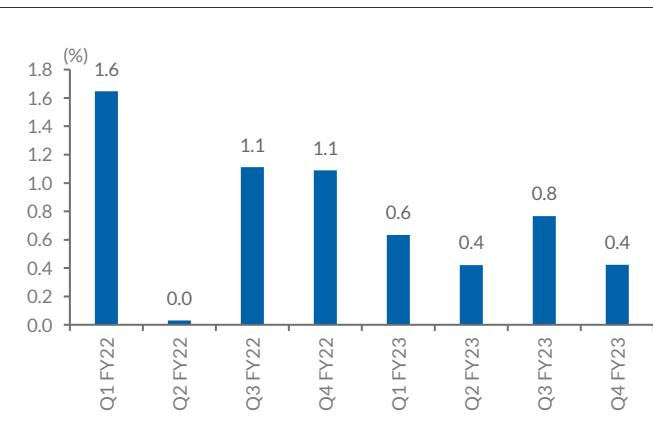
Source: Company, YES Sec - Research, * Core PPOP is derived by adjusting PPOP for gain/loss on sale of investments and misc. income

Exhibit 13: Gross NPA and Net NPA (%)



Source: Company, YES Sec - Research

Exhibit 14: Provisions/Average Advances (%)



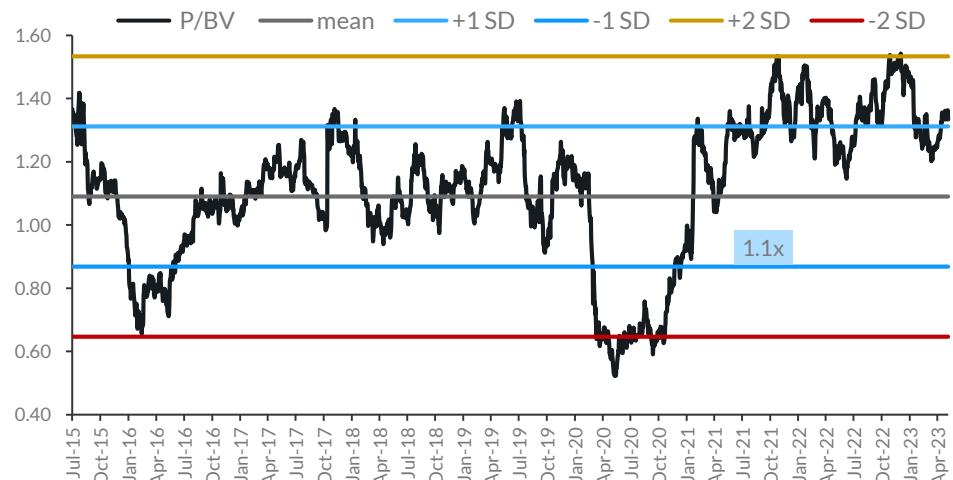
Source: Company, YES Sec - Research

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Exhibit 15: 1-year rolling P/BV band



Exhibit 16: 1-yr rolling P/BV vis-a-vis the mean and standard deviations



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Exhibit 17: Balance sheet

| Y/e 31 Mar (Rs mn) | FY21 | FY22 | FY23 | FY24E | FY25E |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total cash & equivalents | 3,430,387 | 3,945,523 | 3,078,996 | 3,253,657 | 3,644,096 |
| Investments | 13,517,052 | 14,814,455 | 15,703,662 | 18,323,777 | 20,445,369 |
| Advances | 24,494,978 | 27,339,666 | 31,992,693 | 36,151,743 | 40,489,952 |
| Fixed assets | 384,192 | 377,082 | 423,818 | 423,818 | 423,818 |
| Other assets | 3,517,687 | 3,399,249 | 3,970,616 | 3,573,554 | 3,216,199 |
| Total assets | 45,344,296 | 49,875,974 | 55,169,785 | 61,726,550 | 68,219,434 |
| | | | | | |
| Net worth | 2,538,752 | 2,800,881 | 3,276,085 | 3,929,885 | 4,511,273 |
| Deposits | 36,812,771 | 40,515,341 | 44,237,778 | 49,436,590 | 55,293,173 |
| Borrowings | 4,172,977 | 4,260,434 | 4,931,352 | 5,579,820 | 5,739,320 |
| Other liabilities | 1,819,797 | 2,299,318 | 2,724,572 | 2,780,255 | 2,675,669 |
| Total liabilities incl. Equity | 45,344,296 | 49,875,974 | 55,169,785 | 61,726,550 | 68,219,434 |

Source: Company, YES Sec – Research

Exhibit 18: Income statement

| Y/e 31 Mar (Rs mn) | FY21 | FY22 | FY23 | FY24E | FY25E |
|----------------------------|------------------|------------------|------------------|------------------|------------------|
| Interest income | 2,651,506 | 2,754,573 | 3,321,031 | 3,703,760 | 4,196,141 |
| Interest expense | (1,544,406) | (1,547,497) | (1,872,626) | (2,102,864) | (2,386,479) |
| Net interest income | 1,107,100 | 1,207,076 | 1,448,405 | 1,600,896 | 1,809,662 |
| Non-interest income | 434,964 | 405,639 | 366,156 | 459,751 | 538,958 |
| Total income | 1,542,064 | 1,612,715 | 1,814,561 | 2,060,647 | 2,348,619 |
| Operating expenses | (826,522) | (859,791) | (977,431) | (1,047,777) | (1,135,148) |
| PPoP | 715,542 | 752,924 | 837,130 | 1,012,870 | 1,213,471 |
| Provisions | (440,130) | (244,521) | (165,073) | (263,646) | (295,018) |
| Profit before tax | 275,411 | 434,219 | 672,056 | 749,223 | 918,453 |
| Taxes | (71,307) | (117,459) | (169,732) | (188,580) | (231,175) |
| Net profit | 204,105 | 316,760 | 502,325 | 560,644 | 687,278 |

Source: Company, YES Sec – Research

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Exhibit 19: Du Pont Analysis (RoA tree)

| Y/e 31 Mar (Rs mn) | FY21 | FY22 | FY23 | FY24E | FY25E |
|----------------------------|------------|------------|------------|------------|------------|
| Interest income | 6.2 | 5.8 | 6.3 | 6.3 | 6.5 |
| Interest expense | -3.6 | -3.3 | -3.6 | -3.6 | -3.7 |
| Net interest income | 2.6 | 2.5 | 2.8 | 2.7 | 2.8 |
| Non-interest income | 1.0 | 0.9 | 0.7 | 0.8 | 0.8 |
| Total income | 3.6 | 3.4 | 3.5 | 3.5 | 3.6 |
| Operating expenses | -1.9 | -1.8 | -1.9 | -1.8 | -1.7 |
| PPoP | 1.7 | 1.6 | 1.6 | 1.7 | 1.9 |
| Provisions | -1.0 | -0.5 | -0.3 | -0.5 | -0.5 |
| Profit before tax | 0.6 | 0.9 | 1.3 | 1.3 | 1.4 |
| Taxes | -0.2 | -0.2 | -0.3 | -0.3 | -0.4 |
| Net profit | 0.5 | 0.7 | 1.0 | 1.0 | 1.1 |

Source: Company, YES Sec – Research

Exhibit 20: Sum of the Parts (SOTP) - Subsidiaries

| Subsidiary | Market Cap / Assigned value (Rs mn) | Valuation metric | Metric value (Rs mn) | Trailing multiple (Implied / Assigned) | Stake (%) | Stake value (Rs mn) | Per share (Rs) |
|------------------------------|-------------------------------------|------------------|----------------------|--|-----------|---------------------|----------------|
| SBI Cards | 838,820 | BV | 77,527 | 10.8 | 69.1% | 579,205 | 64.9 |
| SBI Life Insurance | 1,153,730 | EV | 396,200 | 2.9 | 55.5% | 639,743 | 71.7 |
| SBI General Insurance | 25,312 | PAT | 1,312 | 19.3 | 70.0% | 17,718 | 2.0 |
| SBI Capital Markets | 50,955 | PAT | 3,397 | 15.0 | 100.0% | 50,955 | 5.7 |
| Bank | 451,450 | BV | 337,419 | 1.3 | 26.1% | 118,009 | 13.2 |
| SBI AMC | 717,161 | AUM | 7,171,607 | 10% | 62.9% | 450,951 | 50.5 |
| Value of Subsidiaries | | | | | | 1,856,581 | 208.0 |

Source: Company, YES Sec – Research

Exhibit 21: Change in annual estimates

| Y/e 31 Mar (Rs mn) | Revised Estimate | | | Earlier Estimate | | | % Revision | | |
|----------------------------|------------------|-----------|-----------|------------------|-----------|-----------|------------|-------|-------|
| | FY23E | FY24E | FY25E | FY23E | FY24E | FY25E | FY23E | FY24E | FY25E |
| Net Interest Income | NA | 1,600,896 | 1,809,662 | NA | 1,617,776 | 1,849,704 | NA | (1.0) | (2.2) |
| Pre-Prov. Operating Profit | NA | 1,012,870 | 1,213,471 | NA | 984,539 | 1,198,443 | NA | 2.9 | 1.3 |
| Profit after tax | NA | 560,644 | 687,278 | NA | 541,376 | 678,590 | NA | 3.6 | 1.3 |

Source: Company, YES Sec – Research

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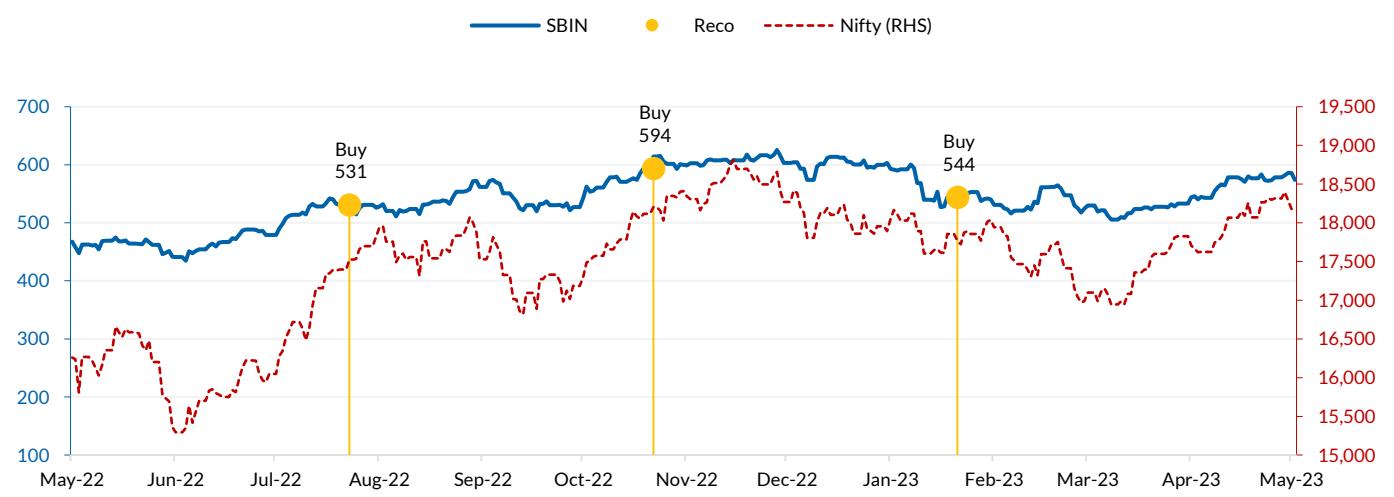
Exhibit 22: Ratio analysis

| Y/e 31 Mar | FY21 | FY22 | FY23 | FY24E | FY25E |
|---------------------------------|------|------|------|-------|-------|
| Growth matrix (%) | | | | | |
| Net interest income | 12.9 | 9.0 | 20.0 | 10.5 | 13.0 |
| PPoP | 5.0 | 5.2 | 11.2 | 21.0 | 19.8 |
| Net profit | 40.9 | 55.2 | 58.6 | 11.6 | 22.6 |
| Loans | 5.3 | 11.6 | 17.0 | 13.0 | 12.0 |
| Deposits | 13.6 | 10.1 | 9.2 | 11.8 | 11.8 |
| Profitability Ratios (%) | | | | | |
| Net interest margin | 3.0 | 3.1 | 3.4 | 3.3 | 3.3 |
| Return on Average Equity | 8.4 | 11.9 | 16.5 | 15.6 | 16.3 |
| Return on Average Assets | 0.5 | 0.7 | 1.0 | 1.0 | 1.1 |
| Per share figures (Rs) | | | | | |
| EPS | 22.9 | 35.5 | 56.3 | 59.8 | 73.3 |
| BVPS | 284 | 314 | 367 | 419 | 481 |
| ABVPS | 217 | 256 | 317 | 369 | 428 |
| Valuation multiples | | | | | |
| P/E | 16.0 | 10.3 | 6.5 | 6.1 | 5.0 |
| P/BV | 1.3 | 1.2 | 1.0 | 0.9 | 0.8 |
| P/ABV | 1.7 | 1.4 | 1.2 | 1.0 | 0.9 |
| NIM internals (%) | | | | | |
| Yield on loans | 7.2 | 6.6 | 7.5 | 7.5 | 7.5 |
| Cost of deposits | 4.1 | 3.7 | 3.8 | 3.9 | 4.0 |
| Loan-deposit ratio | 66.5 | 67.5 | 72.3 | 73.1 | 73.2 |
| CASA ratio | 45.4 | 44.5 | 43.9 | 43.9 | 44.2 |
| Opex control (%) | | | | | |
| Cost/Income ratio | 53.6 | 53.3 | 53.9 | 50.8 | 48.3 |
| Cost to average assets | 1.9 | 1.8 | 1.9 | 1.8 | 1.7 |
| Capital adequacy (%) | | | | | |
| Tier 1 capital ratio | 11.4 | 11.4 | 12.1 | 12.5 | 12.2 |
| Asset quality (%) | | | | | |
| Slippage ratio | 1.2 | 1.0 | 0.6 | 1.0 | 1.0 |
| Gross NPL ratio | 5.0 | 4.0 | 2.8 | 2.8 | 2.7 |
| Credit cost | 1.1 | 0.5 | 0.3 | 0.7 | 0.7 |
| Net NPL ratio | 1.5 | 1.0 | 0.7 | 0.7 | 0.7 |

Source: Company, YES Sec – Research, Valuations are the implied value of standalone entity net of subsidiaries

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