

# State Bank of India

BSE SENSEX

25,774

S&amp;P CNX

7,891



## Stock Info

Bloomberg	SBIN IN
Equity Shares (m)	7,762.8
52-Week Range (INR)	305/148
1, 6, 12 Rel. Per (%)	-8/-28/-33
M.Cap. (INR b)	1,374.4
M.Cap. (USD b)	20.6
Avg Val ( INRm)	4,180.8
Free float (%)	39.8

## Financials Snapshot (INR b)

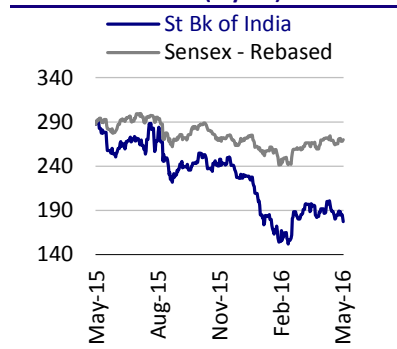
Y/E Mar	2016E	2017E	2018E
NII	552	625	702
OP	397	452	512
NP	101	147	177
EPS (INR)	16.4	24.1	28.7
EPS Gr. %	-28.0	47.3	19.1
Cons. BV (INR)	223.3	242.9	266.2
P/E (x)	10.2	6.9	5.8
P/BV (x)	0.7	0.7	0.6
RoE (%)	7.8	10.2	11.3
RoA (%)	0.5	0.6	0.6

## Shareholding pattern (%)

As On	Mar-16	Dec-15	Mar-15
Promoter	60.2	60.2	58.6
DII	18.8	18.4	18.7
FII	10.9	12.1	13.9
Others	10.1	9.3	8.8

FII Includes depository receipts

## Stock Performance (1-year)


**CMP: INR177**
**TP: INR215 (+21%)**
**Buy**

## Seeks in-principle approval for merger with associate banks

**Long-term synergy benefits to outweigh near-term challenges; Biggest challenge – employee integration**

**Event:** State Bank of India (SBIN) has asked for "**in principle sanction**" from GoI to enter into negotiations with associate banks (SBBJ, SBH, SBM, SBP and SBT) and Bharatiya Mahila Bank Limited (BMB) to acquire their businesses including assets and liabilities.

## Our view: Long-term synergy benefits to outweigh near-term challenges

- Merger with associate banks has been a long-pending agenda. We value SBIN on consolidated basis. As the integration cost and dilution associated with the merger is not meaningful, it is unlikely to change our target price. BMB operations are small (loans of ~INR10b; net worth of INR10b+); hence, are unlikely to be meaningful from a merger perspective.
- Dilution at the current market cap on account of merger (minority shareholding in SBBJ/SBT/SBM at 25%/21%/10%) is likely to be ~1.2%. At the current market cap, total value for minority shareholders of associate banks stands at INR16.1b. Merger is positive for listed associate banks. Currently, associate banks are trading at ~0.5x P/BV (TTM) as against the parent, SBIN's ~0.8x.
- Branch rationalization, if executed well, would be one of the key synergy benefits from the merger. Cost savings on account of treasury operations, audit, technology, etc would lower cost-to-income ratio in the long term.
- Immediate negative impact would be from pension liability provisions (due to different employee benefit structures) and harmonization of accounting policies for NPA recognition. Consolidated CET1 ratio remains at 9%+.
- From a business perspective, merger with associate banks will provide significant long-term benefits. However, integration of 70k+ employees (34% of the parent workforce; size of business is 25% of the parent's) will be a key challenge. Further, we are surprised with the move of merging all associate banks at one go. In our view, one-by-one merger or amalgamating all associate banks together and then merging the entity with SBIN could have significantly reduced integration risk.

**Exhibit 1: Share of SBI associates in SBIN banking business profitability**

% of Banking business	FY12	FY13	FY14	FY15	FY16
NII	20.8	22.5	21.8	20.6	21.6
Total income	19.7	18.6	18.3	18.3	17.3
Operating expenses	20.5	21.5	20.8	20.0	20.2
Operating Profits	20.6	22.1	20.9	19.3	20.8
Profit before tax	22.1	20.3	19.5	20.0	14.2
Profit after tax	23.6	20.7	20.3	19.6	13.6

Note: FY16E data for SBI parent is based on our estimate

Source: MOSL, Company

### #1 Increase in employee cost due to merger – a key thing to watch out for; Long term synergies remain

Currently, SBI (P) has three layer of retirement benefits for employees' v/s two layer benefits at associate banks. Hence, we expect superannuation cost impact immediately post-merger. Further, pay structure at SBI (P) is superior (due to some perks) to associate banks which could result in increase of employee staff costs. We expect immediate benefit from rationalization of treasury department and reduction in other admin expenses (for instance, one AGM, one Finance Dept, one HR department, etc.).

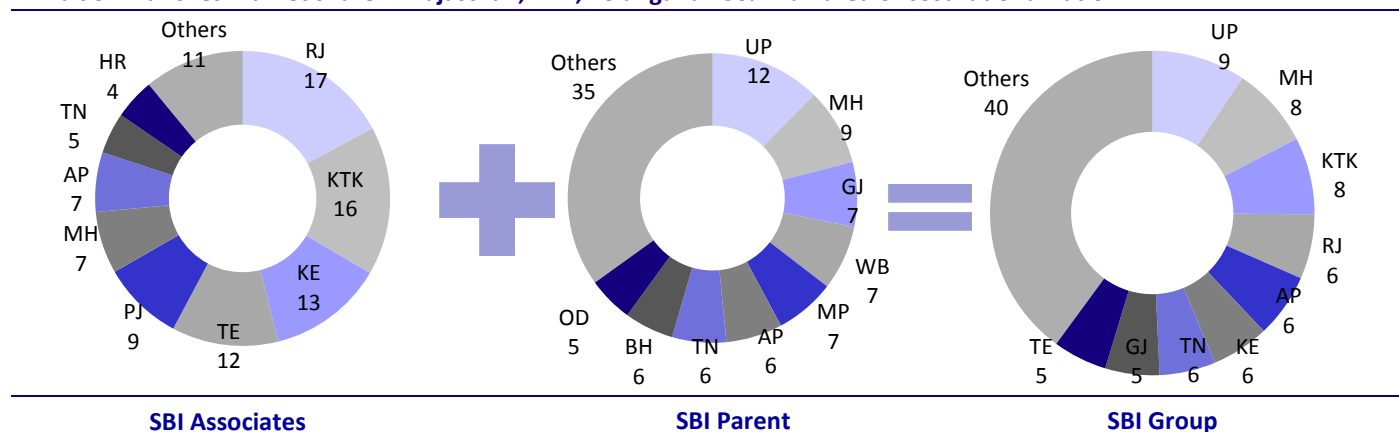
**Exhibit 2: Cost per employee at associate banks lower than SBI parent**

	No of employees	Emp expenses	Cost/Emp (INR M)
SBIN	213,148	251,754	1.18
SBI Asso.	71,953	58,643	0.82
SBT	13,775	10,724	0.78
SBM	10,193	9,761	0.96
SBBJ	13,529	11,260	0.83
SBH	23,806	15,962	0.67
SBM	10,650	10,937	1.03

Source: MOSL, Company

### #2 Branch and ATM rationalization to be the key driver of synergy benefits

Currently, SBI standalone has 17,000+ branches and is the market leader in almost all states. Post-merger with associate banks, SBI will have 24,000+ branches with market share in states like Rajasthan, A.P., Telangana amongst other closer to 30% - which in our view could get rationalized over time.

**Exhibit 3: Branches market share in Rajasthan, A.P., Telangana ~30% - an area of cost rationalization**

Source: MOSL, Company

### #3 Consolidated asset quality pressures remain elevated; Net stressed loans at SBI Subs stands at ~9%

Asset quality pressures persists at both parent and consolidated levels with SBI group net stressed loans 7%+ and subs at 9%+. Credit costs at associate banks are at 2%+ with PCR at ~45% - in-line with SBI (P).

#### Exhibit 4: Standard restructured loans of SBI Group stands at ~INR705b

	FY12	FY13	FY14	FY15	FY16
SBP	26,411	47,907	73,129	95,997	67,198
SBM	24,760	29,671	33,466	35,808	17,307
SBBJ	27,834	37,708	46,215	67,083	50,662
SBT	10,313	21,140	37,459	42,170	34,886
SBH	9,864	29,676	47,364	71,796	48,853
<b>Subs Total</b>	<b>99,181</b>	<b>166,102</b>	<b>237,633</b>	<b>312,854</b>	<b>218,906</b>
SBI	163,400	322,280	430,500	558,430	485,970
<b>Consolidated</b>	<b>262,581</b>	<b>488,382</b>	<b>668,133</b>	<b>871,284</b>	<b>704,876</b>
Subs as % of Consol	38	34	36	36	31

Note: FY16 data for SBP and SBI (P) is based on our estimate.

Source: MOSL, Company

#### Exhibit 5: Net NPA of SBI Group stands at ~INR616b

	FY12	FY13	FY14	FY15	FY16
SBP	8,484	11,942	24,045	30,492	32,682
SBM	7,684	12,088	16,303	11,216	22,572
SBBJ	9,454	13,033	17,709	17,692	20,052
SBT	8,536	9,886	19,285	13,987	19,026
SBH	10,020	14,487	29,849	23,485	37,432
<b>Subs Total</b>	<b>44,178</b>	<b>61,435</b>	<b>107,190</b>	<b>96,872</b>	<b>131,762</b>
SBI	158,189	219,565	310,961	275,906	484,635
<b>Consolidated</b>	<b>202,366</b>	<b>280,999</b>	<b>418,151</b>	<b>372,777</b>	<b>616,397</b>
Subs as % of Consol	22	22	26	26	21

Note: FY16 data for SBI (P) is based on our estimate.

Source: MOSL, Company

#### Exhibit 6: Net stressed loans (%) of SBI Group stands at ~7%

	FY12	FY13	FY14	FY15	FY16
SBP	5.5	8.1	12.7	16.0	12.1
SBM	8.1	9.3	10.0	9.0	7.4
SBBJ	7.6	8.8	9.9	12.1	9.7
SBT	3.4	4.6	8.2	8.1	8.2
SBH	2.6	4.9	8.0	9.0	7.7
<b>Subs Total</b>	<b>5.0</b>	<b>6.8</b>	<b>9.7</b>	<b>10.9</b>	<b>9.1</b>
SBI	<b>3.7</b>	<b>5.2</b>	<b>6.1</b>	<b>6.4</b>	<b>6.7</b>
<b>Consolidated</b>	<b>4.0</b>	<b>5.6</b>	<b>6.9</b>	<b>7.4</b>	<b>7.2</b>

Note: FY16 data for SBI (P) is based on our estimate.

Source: MOSL, Company

#### Exhibit 7: Consolidated slippages ratio in FY16 was 4.2% v/s 2.7% in FY15

	Slippages (INR m)		Slippages ratio (%)	
	FY15	FY16	FY15	FY16
SBP	47,085	92,309	5.9	11.2
SBM	18,955	35,734	3.6	6.6
SBBJ	16,875	27,195	2.4	3.7
SBT	44,749	52,362	6.5	8.0
SBH	30,493	58,188	2.9	5.2
<b>Subs Total</b>	<b>158,156</b>	<b>265,787</b>	<b>4.2</b>	<b>6.9</b>
SBI (P)	294,440	507,010	2.4	3.9
<b>Consolidated</b>	<b>452,596</b>	<b>772,797</b>	<b>2.7</b>	<b>4.2</b>

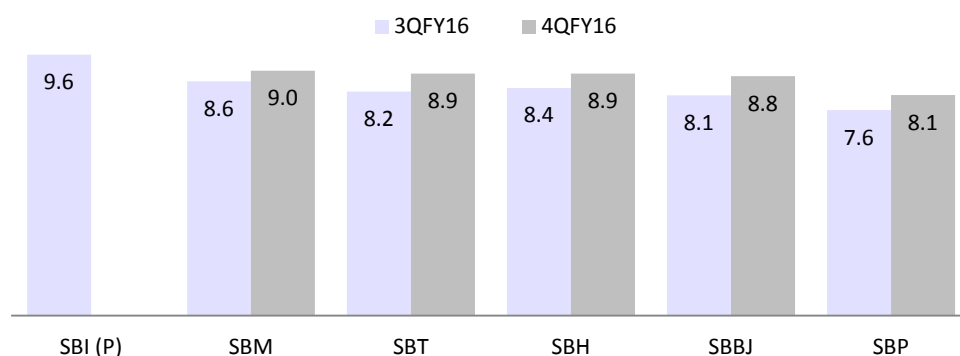
Note: FY16 data for SBI (P) is based on our estimate.

Source: MOSL, Company

#### #4 Well above regulatory capital requirement; however, growth capital still a challenge due to low double digit ROE

Consolidated CET1 ratio stood at ~9.4% as of 3QFY16; post RBI's relaxation (revaluation reserve, FCTR and DTA part of CET1), CET1 capital for associate banks have improved by 50-90bp in 4QFY16 (except SBP, all associate banks have at least 9% CET1). We expect some capital relief from subsidiaries due to revaluation of assets and healthy capital base of BMB (INR10b+). However, internal capital generation for SBIN remains moderate (9-10% RoE) resulting in growth capital constraint.

**Exhibit 8: Except SBP, all associate banks have close to 9% CET1 ratio (%)**



Note: We do not have SBIN 4QFY16 CET1 ratio. As per management interview, SBI has close to INR200b+ of **benefit from revaluation reserve**

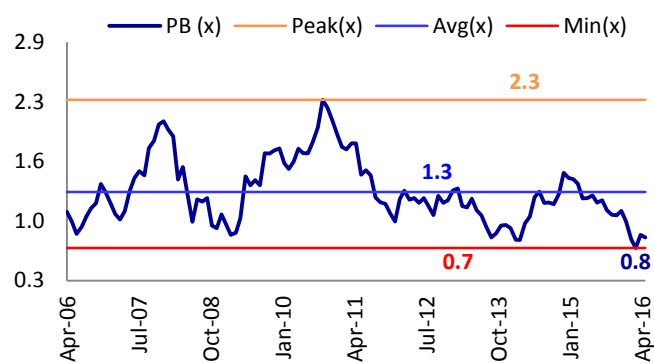
Source: MOSL, Company

#### Valuation and view

SBIN is highly levered to macro-economic conditions and improvement in investment climate and interest rates would assuage asset quality fears. Our credit costs assumptions remain very conservative. A 10bp decline in credit cost would lead to RoA benefit of ~5bp+. While the medium to long term outlook remains positive near term challenges remains on account of stress assets recognition, overhang of merger and chairman retirement by September 2016.

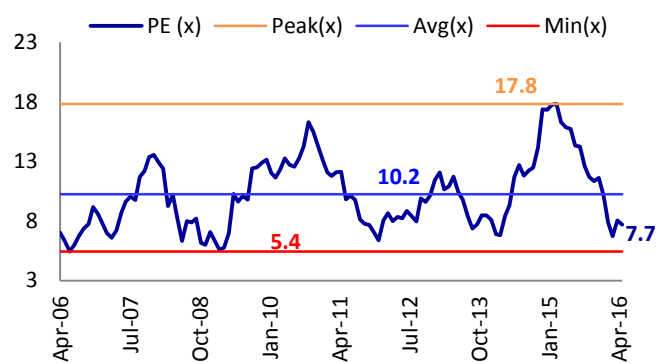
Our long term positive view on SBIN is driven by a) lowest NSL at ~6.5%, b) relatively healthy PCR of 65% (incl. technical w/o), c) conservation of capital, d) healthy capitalization (CET of ~10%, post RBI relaxation), e) strong liability franchise (Retail deposits of >95%) and f) focus on core operating profitability. In our view, valuations at 0.6x FY18E consol. P/BV and 6x FY18E consol. P/E largely factors in negative. **Buy.**

Exhibit 9: SBIN: 1yr forward P/BV (x)



Source: MOSL, Company

Exhibit 10: SBIN: 1yr forward P/E (x)



Source: MOSL, Company

Exhibit 11: Consolidated financial performance (INR b)

	SBI ASSO. AGG					SBI PARENT					SBI BANKING BUSINESS				
	FY12	FY13	FY14	FY15	FY16	FY12	FY13	FY14	FY15	FY16	FY12	FY13	FY14	FY15	FY16
<b>NII</b>	<b>114</b>	<b>129</b>	<b>137</b>	<b>143</b>	<b>152</b>	<b>433</b>	<b>443</b>	<b>493</b>	<b>550</b>	<b>552</b>	<b>547</b>	<b>572</b>	<b>630</b>	<b>693</b>	<b>704</b>
% Change (Y-o-Y)	10.5	13.6	6.2	4.3	6.2	33.1	2.4	11.2	11.6	0.4	27.7	4.7	10.1	10.0	1.6
Other Income	35	37	42	50	55	144	160	186	226	264	179	197	227	276	320
% Change (Y-o-Y)	3.4	3.7	13.5	21.3	9.8	-9.3	11.7	15.7	21.7	17.1	-7.1	10.2	15.3	21.6	15.8
<b>Net Income</b>	<b>149</b>	<b>166</b>	<b>179</b>	<b>193</b>	<b>207</b>	<b>576</b>	<b>604</b>	<b>678</b>	<b>776</b>	<b>817</b>	<b>725</b>	<b>769</b>	<b>857</b>	<b>969</b>	<b>1,024</b>
% Change (Y-o-Y)	8.7	11.2	7.8	8.3	7.2	19.2	4.7	12.4	14.4	5.3	16.9	6.1	11.4	13.1	5.7
Operating Exp.	67	77	94	100	103	261	293	357	387	419	327	370	451	487	522
% Change (Y-o-Y)	9.0	16.0	21.3	6.6	2.8	13.3	12.3	22.0	8.3	8.4	12.4	13.1	21.9	7.9	7.3
<b>Operating Profit</b>	<b>82</b>	<b>88</b>	<b>85</b>	<b>93</b>	<b>104</b>	<b>316</b>	<b>311</b>	<b>321</b>	<b>389</b>	<b>397</b>	<b>398</b>	<b>399</b>	<b>406</b>	<b>482</b>	<b>502</b>
% Change (Y-o-Y)	8.5	7.3	-4.0	10.2	11.9	24.6	-1.6	3.3	21.2	2.1	20.9	0.3	1.7	18.9	4.0
Other Provisions	30	37	46	45	79	131	111	159	196	246	161	149	205	241	326
<b>Profit before Tax</b>	<b>52</b>	<b>51</b>	<b>39</b>	<b>48</b>	<b>25</b>	<b>185</b>	<b>200</b>	<b>162</b>	<b>193</b>	<b>151</b>	<b>237</b>	<b>250</b>	<b>201</b>	<b>241</b>	<b>176</b>
Tax Provisions	16	14	11	16	9	68	58	53	62	50	84	72	64	78	59
<b>Net Profit</b>	<b>36</b>	<b>37</b>	<b>28</b>	<b>32</b>	<b>16</b>	<b>117</b>	<b>141</b>	<b>109</b>	<b>131</b>	<b>101</b>	<b>153</b>	<b>178</b>	<b>137</b>	<b>163</b>	<b>117</b>
% Change (Y-o-Y)	0.8	1.4	-24.5	15.2	-50.3	41.7	20.5	-22.8	20.3	-22.8	29.3	16.0	-23.1	19.3	-28.2
Loan Gr. (YoY, %)	20.9	17.7	6.8	5.5	3.7	14.7	20.5	15.7	7.5	12.0	17.0	19.9	13.1	7.1	9.8
ROA	0.90	0.77	0.52	0.57	0.27	0.91	0.97	0.65	0.68	0.47	0.93	0.91	0.60	0.65	0.43
Cost to income (%)	44.8	46.8	52.6	51.8	49.7	45.2	48.5	52.7	49.8	51.3	45.1	48.1	52.7	50.2	51.0
Gross NPA (INR b)	85.4	115.9	182.1	167.8	238.0	396.8	511.9	616.1	567.3	813.4	482.1	627.8	798.2	735.1	1051.3
Gross NPA (%)	3.0	3.4	5.0	4.4	6.0	4.4	4.8	5.0	4.3	5.5	4.1	4.4	5.0	4.3	5.6
Net NPA ( INR b)	44.2	61.4	107.2	96.9	131.8	158.2	219.6	311.0	275.9	484.6	202.4	281.0	418.2	372.8	616.4
Net NPA (%)	1.5	1.8	3.0	2.6	3.4	1.8	2.1	2.6	2.1	3.3	1.8	2.0	2.7	2.2	3.3
PCR (%)	48.3	47.0	41.1	42.3	44.6	60.1	57.1	49.5	51.4	40.4	58.0	55.2	47.6	49.3	41.4
Tax Rate (%)	30.7	27.4	28.9	33.6	36.4	36.7	29.3	32.7	32.2	33.0	35.3	28.9	31.9	32.5	33.5

Source: MOSL, Company

## Financials and Valuations

Income Statement (Standalone)					(INR Million)		
Y/E March	2012	2013	2014	2015	2016E	2017E	2018E
Interest Income	1,065,215	1,196,551	1,363,508	1,523,971	1,611,439	1,793,212	1,993,984
Interest Expense	632,304	753,258	870,686	973,818	1,059,000	1,168,455	1,292,100
<b>Net Interest Income</b>	<b>432,911</b>	<b>443,293</b>	<b>492,822</b>	<b>550,152</b>	<b>552,439</b>	<b>624,756</b>	<b>701,884</b>
Change (%)	33.1	2.4	11.2	11.6	0.4	13.1	12.3
<b>Non Interest Income</b>	<b>143,514</b>	<b>160,368</b>	<b>185,529</b>	<b>225,759</b>	<b>264,452</b>	<b>287,809</b>	<b>316,368</b>
<b>Net Income</b>	<b>576,425</b>	<b>603,661</b>	<b>678,351</b>	<b>775,911</b>	<b>816,891</b>	<b>912,566</b>	<b>1,018,253</b>
Change (%)	19.2	4.7	12.4	14.4	5.3	11.7	11.6
Operating Expenses	260,690	292,844	357,259	386,776	419,416	460,561	506,641
<b>Pre Provision Profits</b>	<b>315,735</b>	<b>310,817</b>	<b>321,092</b>	<b>389,135</b>	<b>397,474</b>	<b>452,004</b>	<b>511,611</b>
Change (%)	24.6	-1.6	3.3	21.2	2.1	13.7	13.2
Provisions (excl tax)	130,902	111,308	159,353	195,995	246,475	228,918	243,022
<b>PBT</b>	<b>184,833</b>	<b>199,509</b>	<b>161,739</b>	<b>193,140</b>	<b>150,999</b>	<b>223,086</b>	<b>268,590</b>
Tax	67,760	58,459	52,827	62,124	49,830	75,849	91,320
Tax Rate (%)	36.7	29.3	32.7	32.2	33.0	34.0	34.0
<b>PAT</b>	<b>117,073</b>	<b>141,050</b>	<b>108,912</b>	<b>131,016</b>	<b>101,170</b>	<b>147,237</b>	<b>177,269</b>
Change (%)	41.7	20.5	-22.8	20.3	-22.8	45.5	20.4
<b>Cons. PAT post MI</b>	<b>153,431</b>	<b>179,162</b>	<b>141,738</b>	<b>169,943</b>	<b>127,202</b>	<b>187,340</b>	<b>223,057</b>
Change (%)	43.6	16.8	-20.9	19.9	-25.2	47.3	19.1
				50	62	51	48
Balance Sheet							
Y/E March	2012	2013	2014	2015	2016E	2017E	2018E
Equity Share Capital	6,710	6,840	7,466	7,466	7,763	7,763	7,763
Reserves & Surplus	832,802	981,997	1,175,357	1,276,917	1,437,464	1,549,623	1,685,177
<b>Net Worth</b>	<b>839,512</b>	<b>988,837</b>	<b>1,182,822</b>	<b>1,284,382</b>	<b>1,445,226</b>	<b>1,557,385</b>	<b>1,692,939</b>
<b>Deposits</b>	<b>10,436,474</b>	<b>12,027,396</b>	<b>13,944,085</b>	<b>15,767,932</b>	<b>17,660,084</b>	<b>20,132,496</b>	<b>23,152,371</b>
Change (%)	11.7	15.2	15.9	13.1	12.0	14.0	15.0
<b>of which CASA Dep</b>	<b>4,676,066</b>	<b>5,390,634</b>	<b>5,984,004</b>	<b>6,519,051</b>	<b>7,338,709</b>	<b>8,439,515</b>	<b>9,705,443</b>
Change (%)	1.3	15.3	11.0	8.9	12.6	15.0	15.0
Borrowings	1,270,056	1,691,827	1,831,309	2,051,503	2,379,218	2,771,977	3,242,787
Other Liab. & Prov.	809,151	954,053	964,130	1,376,980	1,135,221	1,361,493	1,571,690
<b>Total Liabilities</b>	<b>13,355,192</b>	<b>15,662,113</b>	<b>17,922,346</b>	<b>20,480,798</b>	<b>22,619,750</b>	<b>25,823,351</b>	<b>29,659,786</b>
Current Assets	971,632	1,148,202	1,325,496	1,547,558	1,151,567	1,284,362	1,445,361
<b>Investments</b>	<b>3,121,976</b>	<b>3,508,775</b>	<b>3,983,082</b>	<b>4,817,588</b>	<b>5,781,105</b>	<b>6,648,271</b>	<b>7,645,511</b>
Change (%)	5.6	12.4	13.5	21.0	20.0	15.0	15.0
<b>Loans</b>	<b>8,675,789</b>	<b>10,456,166</b>	<b>12,098,287</b>	<b>13,000,264</b>	<b>14,560,296</b>	<b>16,598,737</b>	<b>19,088,547</b>
Change (%)	14.7	20.5	15.7	7.5	12.0	14.0	15.0
Fixed Assets	54,665	70,050	80,022	93,292	104,686	116,570	128,643
Other Assets	531,130	478,920	435,459	1,022,097	1,022,097	1,175,412	1,351,723
<b>Total Assets</b>	<b>13,355,192</b>	<b>15,662,113</b>	<b>17,922,346</b>	<b>20,480,798</b>	<b>22,619,750</b>	<b>25,823,351</b>	<b>29,659,786</b>
Asset Quality							
	(%)						
GNPA (INR m)	396,765	511,894	616,050	567,253	813,356	777,998	713,538
NNPA (INR m)	158,189	219,565	310,961	275,906	484,635	436,743	348,160
GNPA Ratio	4.45	4.76	4.97	4.27	5.46	4.59	3.67
NNPA Ratio	1.82	2.10	2.57	2.12	3.33	2.63	1.82
PCR (Excl Tech. W/O)	60.1	57.1	49.5	51.4	40.4	43.9	51.2
PCR (Incl Tech. W/O)	68.1	66.6	62.9	69.1	62.0	67.8	75.2

E: MOSL Estimates

## Financials and Valuations

### Ratios

Y/E March	2012	2013	2014	2015	2016E	2017E	2018E
<b>Spreads Analysis (%)</b>							
<b>Avg. Yield-Earning Assets</b>	<b>9.2</b>	<b>9.0</b>	<b>8.8</b>	<b>8.8</b>	<b>8.3</b>	<b>8.1</b>	<b>7.8</b>
Avg. Yield on loans	10.0	9.5	9.1	9.0	8.3	8.1	7.8
Avg. Yield on Investments	7.9	8.2	8.5	8.0	8.0	7.8	7.5
<b>Avg. Cost-Int. Bear. Liab.</b>	<b>5.7</b>	<b>5.9</b>	<b>5.9</b>	<b>5.8</b>	<b>5.6</b>	<b>5.4</b>	<b>5.2</b>
Avg. Cost of Deposits	5.6	6.0	6.0	6.0	5.9	5.7	5.5
<b>Interest Spread</b>	<b>3.6</b>	<b>3.0</b>	<b>2.9</b>	<b>3.0</b>	<b>2.7</b>	<b>2.6</b>	<b>2.6</b>
<b>Net Interest Margin</b>	<b>3.8</b>	<b>3.3</b>	<b>3.2</b>	<b>3.2</b>	<b>2.8</b>	<b>2.8</b>	<b>2.8</b>

### Profitability Ratios (%)

RoE	16.0	15.9	10.5	11.2	7.8	10.2	11.3
RoA	0.9	1.0	0.6	0.7	0.5	0.6	0.6
Consolidated RoE	17.2	16.3	11.1	11.9	8.1	10.7	11.7
Consolidated RoA	0.9	0.9	0.6	0.7	0.5	0.6	0.6

### Efficiency Ratios (%)

Cost/Income*	45.3	50.3	55.6	54.0	56.7	55.5	54.4
Empl. Cost/Op. Exps.	65.1	62.8	63.0	60.9	60.0	58.1	56.2
Busi. per Empl. (INR m)	82.2	93.7	107.8	125.9	144.4	164.8	188.7
NP per Empl. (INR lac)	5.3	6.4	4.8	6.0	4.8	7.0	8.5

\* ex treasury and recoveries

### Asset-Liability Profile (%)

Loans/Deposit Ratio	83.1	86.9	86.8	82.4	82.4	82.4	82.4
CASA Ratio	44.8	44.8	42.9	41.3	41.6	41.9	41.9
Investment/Deposit Ratio	29.9	29.2	28.6	30.6	32.7	33.0	33.0
G-Sec/Investment Ratio	81.9	76.7	77.4	78.4	68.8	68.0	67.9
CAR	13.9	12.9	12.4	12.0	11.5	10.8	10.2
<i>Tier 1</i>	<i>9.8</i>	<i>9.5</i>	<i>9.7</i>	<i>9.6</i>	<i>9.3</i>	<i>8.9</i>	<i>8.5</i>

### Valuation

Book Value (INR)	121	139	150	164	178	193	210
BV Growth (%)	19.8	14.8	7.8	9.0	8.8	8.1	9.1
<b>Price-BV (x)</b>	<b>1.5</b>	<b>1.3</b>	<b>1.2</b>	<b>1.1</b>	<b>1.0</b>	<b>0.9</b>	<b>0.8</b>
Consol BV (INR)	154	177	188	207	223	243	266
BV Growth (%)	18.3	14.8	6.5	10.0	7.8	8.8	9.6
<b>Price-Consol BV (x)</b>	<b>1.1</b>	<b>0.9</b>	<b>0.9</b>	<b>0.8</b>	<b>0.7</b>	<b>0.7</b>	<b>0.6</b>
Adjusted BV (INR)	105	117	121	138	135	153	179
<b>Price-ABV (x)</b>	<b>1.7</b>	<b>1.5</b>	<b>1.5</b>	<b>1.3</b>	<b>1.3</b>	<b>1.2</b>	<b>1.0</b>
Adjusted Consol BV	132	147	149	172	168	193	226
<b>Price-Consol ABV (x)</b>	<b>1.3</b>	<b>1.1</b>	<b>1.1</b>	<b>1.0</b>	<b>1.0</b>	<b>0.9</b>	<b>0.7</b>
EPS (INR)	17.4	20.6	14.6	17.5	13.0	19.0	22.8
EPS Growth (%)	34.0	18.2	-29.3	20.3	-25.7	45.5	20.4
<b>Price-Earnings (x)</b>	<b>10.1</b>	<b>8.6</b>	<b>12.1</b>	<b>10.1</b>	<b>13.6</b>	<b>9.3</b>	<b>7.8</b>
Consol EPS (INR)	22.9	26.2	19.0	22.8	16.4	24.1	28.7
Con. EPS Growth (%)	35.9	14.6	-27.5	19.9	-28.0	47.3	19.1
<b>Price-Consol EPS (x)</b>	<b>7.3</b>	<b>6.4</b>	<b>8.7</b>	<b>7.4</b>	<b>10.2</b>	<b>6.9</b>	<b>5.8</b>
Dividend Per Share (INR)	3.5	4.2	3.0	3.5	2.7	3.9	4.6
<b>Dividend Yield (%)</b>	<b>2.0</b>	<b>2.3</b>	<b>1.7</b>	<b>2.0</b>	<b>1.5</b>	<b>2.2</b>	<b>2.6</b>

E: MOSL Estimates



## STATE BANK OF INDIA GALLERY

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**MUTUAL OSWAL**  
 VENTURES  
 PRIVATE LIMITED

22 August 2024  
 10:15A Review Update | Sector: Financials

## State Bank of India

**Comp: INR269 TPE: INR400 (+40%) Buy**

SBIN	INR269	INR400
Current Price	269.00	400.00
52W High	275.00	400.00
52W Low	260.00	380.00
Open Range (High)	269.00 - 275.00	380.00 - 400.00
Open Range (Low)	260.00 - 269.00	380.00 - 400.00
Aug. 2024 Volume	500,000,000	500,000,000
Aug. 2024 Value	135,000,000,000	135,000,000,000

SBIN	INR269	INR400
1Y High	275.00	400.00
1Y Low	260.00	380.00
Open Range (High)	269.00 - 275.00	380.00 - 400.00
Open Range (Low)	260.00 - 269.00	380.00 - 400.00
Aug. 2024 Volume	500,000,000	500,000,000
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Aug. 2024 Volume	500,000,000	500,000,000
Aug. 2024 Value	135,000,000,000	135,000,000,000

**Positive trends on asset quality, moderate loan growth, 22N PAT growth 175%+18%**

• SBIN's 1QFY24 PAT growth of c. 100% vs. c. 120% YoY, 9% beat, led by loan-to-asset growth and strong cost control. Net income grew 175%+18% YoY, 17% of 1QFY24. Asset quality remains largely in line with expectations.

• In a seasonally weak quarter, asset growth increased to INR27.23 bn (vs. INR26.23 bn) in 1QFY24. Net income grew 175%+18% YoY, 17% of 1QFY24.

• Agriculture (3.2%) and SMEs (4.5%) segments. Corporate/International segments (1.2%) and NBFI (1.2%) helped by aggressive marketing.

• The segment has seen a gradual decline in NPLs over the last seven quarters.

• Adm. Net Income declined 12% YoY, but has been core out of 2024 and asset growth. Net income grew 175%+18% YoY, 17% of 1QFY24.

• Few income growth 13% YoY, but heavily paid up in structure in retail segment. Contribution of income growth 13% of total income remained stable.

• Other highlights: (i) Strong recovery from write-offs of assets (NPLs), (ii) (b) Net income grew 175%+18% YoY, 17% of 1QFY24.

• The bank restructured loan portfolio (NPLs) under 1QFY24 acquisition of new assets (NPLs). (b) Net income grew 175%+18% YoY, 17% of 1QFY24.

• Valuation: The bank's current P/B ratio of 1.2x is in line with 1QFY24 P/B of 1.2x. The bank's current P/B ratio of 1.2x is in line with 1QFY24 P/B of 1.2x.

• Focus on core operating profitability. With the approach, improvement in asset quality, moderate loan growth, 22N PAT growth 175%+18%.

• Recognising asset quality. Good improvement in P/B ratio to 1.2x and expected to be 0.8x by FY27. Substantive Buy with a target price of INR400 (1.5x P/BTC, estimated 0.8x P/BTC by FY27).

### Key Metrics and Ratios

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090
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**B  
BIGGER  
STRONGER  
FASTER  
E  
R**

**Primed for recovery**

Desai report : 31 January 2003  
Desai : President

State Bank of India

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- Served as an officer, director or employee

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No  
No

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