

CMP: ₹ 544

Target: ₹ 700 (29%)

Target Period: 12 months

BUY

February 4, 2023

## Another strong performance with highest quarterly profit

**About the stock:** SBI is a public sector bank and also the largest bank in India with a balance sheet size of over ~ ₹ 53 lakh crore.

- Strength in retail portfolios, best operating metrics in the PSU banking space
- Large subsidiaries, strong outlook adding value to the bank

**Q3FY23 Results:** SBI reported a stellar PAT beating estimates.

- GNPA, NNPA rose 38 bps, 3 bps QoQ, respectively; slippage ratio at 0.72%
- NII up 24.1% YoY, NIMs improved QoQ by 18 bps
- Other income saw substantial growth led by write back of MTM losses. Lower provisions & healthy topline resulted in PAT growth of 68.5% YoY at ₹ 14206 crore
- Gross advances up 18.6% YoY, deposits up 9.5% YoY; CASA at 44.5%

**What should investors do?** SBI has demonstrated its strength in the last few quarters both on core operating performance and asset quality. Its above par growth in earnings supported by strong margins and return ratios reaching >1% in quarter warrant a re-rating, which is long due and should see strong positive momentum.

- Thus, we maintain our **BUY** rating on the stock

**Target Price & Valuation:** We value the bank at ~1.2x FY25E ABV and subsidiaries at ~₹ 172/share to arrive at a revised target price of ₹ 700 from ₹ 750 earlier as multiples across banks have moderated.

### Key triggers for future price performance:

- The management maintained credit growth guidance of ~14-16%, which should be supported by steady margins, healthy deposit franchise and strong demand pipeline
- Healthy recoveries trend to continue in the coming quarter (to the tune of ₹ 3000-3500 crore)
- Adequate provision buffer to aid healthy earnings and, thus, RoA trajectory
- Continued traction in customer & business accretion via "Yono". Unlocking of subsidiaries value to act as positive surprise

**Alternate Stock Idea:** Besides SBI, in our coverage we also like IndusInd Bank.

- Robust business growth, uptick in NIM, moderation in provision seen enabling the bank to generate RoA of ~1.8% in FY24-25E
- BUY with a target price of ₹ 1450



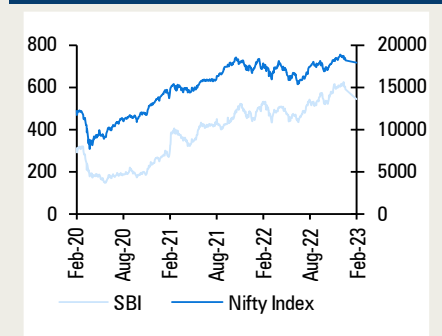
### Particulars

Particulars	Amount
Market Capitalisation	₹ 485900 Crore
52 week H/L	629/425
Networth	₹ 321203 Crore
Face value	₹ 1

### Shareholding pattern

	Dec-21	Mar-21	Jun-22	Sep-22	Dec-22
Promoter	57.6	57.6	57.6	57.5	57.5
FII	10.4	10.0	9.6	10.0	10.1
DII	24.1	24.7	25.1	25.4	25.4
Others	7.9	7.8	7.7	7.1	7.0

### Price Chart



### Recent event & key risk

- Slippage ratio stood at 72bps, R/s book at 0.86% of loans
- **Key Risk:** 1) Slower growth in deposits accretion, 2) Higher slippages may dent earnings momentum

### Research Analyst

Kajal Gandhi  
kajal.gandhi@icicisecurities.com

Vishal Narnolia  
vishal.narnolia@icicisecurities.com

Pravin Mule  
pravin.mule@icicisecurities.com

### Key Financial Summary

₹ Bn	FY20	FY21	FY22	3 Year CAGR (FY19-22)	FY23E	FY24E	FY25E	3 Year CAGR (FY22-25E)
NII	981	1107	1207	11%	1430	1642	1817	15%
PPP	681	716	679	8%	796	942	1086	17%
PAT	145	204	317	232%	453	521	600	24%
ABV (₹)	203.2	243.3	282.6		337.2	393.5	454.9	
P/E	33	24	15		11	9	8	
P/ABV	2.7	2.2	1.9		1.6	1.4	1.2	
RoA	0.4	0.5	0.7		0.9	0.9	0.9	
RoE	6.4	8.4	11.9		15.0	14.9	14.9	

Source: Company, ICICI Direct Research

## Key takeaways of recent quarter & conference call highlights

### Q3FY23 Results: Highest ever quarterly PAT led by lower provisions

- NII grew 24.05% YoY and 8.2% QoQ to ₹ 38069 crore, led by strong 17.6% YoY advances growth and improvement in NIMs (up 14 bps QoQ). Overall gross credit reached ₹ 31.3 lakh crore. Domestic advances growth was driven by retail personal advances growing 18.10% YoY & 4.6% QoQ followed by corporate advances, which grew 18.08% YoY. SME and agri loans registered YoY growth of 14.16% and 11.52%, respectively. Foreign loans were up 21% YoY at ₹ 4.86 lakh crore
- Deposits growth came in at 9.5% YoY to ₹ 41.3 lakh crore where CASA deposits grew 5.88% YoY. Thus, CASA ratio declined 15 bps from 44.63% to 44.48% QoQ
- Asset quality improved as GNPA ratio fell 38 bps QoQ to 3.14% while net NPA was down 3 bps QoQ to 0.77%. Fresh slippages were at ₹ 3098 crore vs. ₹ 2399 crore in Q2FY23 and ₹ 9740 crore in Q1FY23. Overall provisions rose 89% QoQ to ₹ 5760 crore led by higher standard assets provisions. Loan loss provisions declined from ₹ 2011 crore in Q2FY23 to ₹1586 crore
- Other income was up 32% YoY and 29% QoQ to ₹ 11468 crore led by higher profit on sale of investments at ₹ 2940 crore. Operating expenses up 21% YoY and 7% QoQ mainly led by employee provisions. Led by lower provisions and strong topline, PAT grew 69% YoY, 7.1% QoQ at ₹ 14205 crore
- As per disclosures, SBI's exposure in Adani entities was at 0.9% (₹ 27000 crore), which looks manageable for the bank's size

### Q3FY23 Earnings Conference Call highlights

- Credit growth guidance was maintained at 14-16% YoY. Internal accruals are adequate to support growth. The bank has excess SLR of ₹ 3.2 lakh crore, which will aid credit growth
- The bank has exposure of ~0.9% of total outstanding loans to large group (~₹ 27000 crore). The management reiterated that lending is towards tangible assets and have adequate cash collections from the assets. Detailed disclosure of funded/ non funded not available
- Total 74% of loan book is linked to EBLR or MCLR (out of which ~40% is MCLR). NIMs are unlikely to witness adverse effect due to increase in cost of deposits and are expected to remain stable, going forward
- Treasury income supported by write back of MTM losses. During the quarter, it booked MTM gains of ₹ 2200 crore vs. ₹ 7500 crore MTM loss in Q1FY23
- Jump in standard asset provisions was partly due to increase in loan book. The bank has made contingent provision of ~30-40 bps. During the quarter, it made wage related provision of ₹ 996 crore. On an average, ₹ 400-500 crore provision for wage revisions to be made every month
- Generally, write offs are made in Q3, Q4. Hence, write offs are looking on the higher side during the quarter
- Out of total restructured book ~10% is in SMA 1 & SMA 2. Recovery of ₹ 3000-3500 crore is expected in Q4FY23

## Peer comparison

Exhibit 1: ICICI Direct coverage universe (BFSI)

Sector / Company	CMP			M Cap (₹ Bn)	EPS (₹)				P/E (x)				P/ABV (x)				RoE (%)			
	₹	TP(₹)	Rating		FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E
BoB (BANBAR)	163	220	Buy	846	-18.9	14.0	21.1	22.8	-8.6	11.6	7.7	7.1	1.5	1.2	1.0	0.9	-13.1	8.9	11.8	11.2
SBI (STABAN)	544	700	Buy	4,859	22.9	35.5	50.8	58.4	24	15.3	10.7	9.3	2.2	1.9	1.6	1.4	8.4	11.9	15.0	14.9
Axis Bank (AXIBAN)	882	1,100	Buy	2,714	21.5	42.4	69.3	78.8	41.0	20.8	12.7	11.2	2.9	2.5	2.1	2.0	7.1	12.0	17.1	17.3
HDFC Bank (HDFBAN)	1,658	1,920	Buy	9,251	56.4	66.7	78.7	93.7	29.4	24.9	21.1	17.7	3.9	3.4	3.0	2.5	16.7	16.9	17.5	17.7
Kotak Bank (KOTMAH)	1,780	2,175	Buy	3,536	35.1	43.0	51.5	56.3	50.6	41.4	34.6	31.6	5.8	5.0	4.4	3.9	12.4	12.6	13.2	12.6

Source: Company, ICICI Direct Research

**Exhibit 2: Variance Analysis**

	Q3FY23	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	Comments
NII	38,069	36,222	30,687	24.1	35,183	8.2	Driven by healthy business growth and yield expansion
NIM (%)	3.5	2.7	3.2	35 bps	3.3	18 bps	Improvement in yields aided NIMs expansion
Other Income	11,468	9,192	8,673	32.2	8,874	29.2	Treasury income was aided by write back of MTM losses
Net Total Income	49,536	45,414	39,360	25.9	44,057	12.4	
Operating expense	24,317	24,056	20,839	16.7	22,938	6.0	
PPP	25,219	21,358	18,521	36.2	21,119	19.4	
Provision	5,760	4,500	6,974	-17.4	3,039	89.5	Credit cost improved by 7bps QoQ to 0.21%
PBT	19,459	16,858	11,547	68.5	18,080	7.6	
Tax Outgo	5,253	4,299	3,116	68.6	4,817	9.1	
PAT	14,206	12,559	8,431	68.5	13,263	7.1	Robust top line beats PAT estimates

**Key Metrics**

GNPA	98,347	109,304	120,028	-18.1	106,804	-7.9	Improvement in GNPA by 38 bps QoQ
NNPA	23,484	25,172	34,530	-32.0	23,572	-0.4	
Advances	3058177	3048680	2578386	18.6	2951287.5	3.6	Growth was driven by across segments
Deposits	4213557	4232573	3847794	9.5	4190255	0.6	CASA ratio moderated to 44.5%
GNPA %	3.1	3.5	4.5	-136 bps	3.5	-38 bps	
NNPA %	0.8	0.8	1.3	-57 bps	0.8	-3 bps	

Source: Company, ICICI Direct Research

**Exhibit 3: Change in Estimates**

₹ crore	FY23E			FY24E			FY25E
	Old	New	Change (%)	Old	New	Change (%)	Introduced
Net Interest Income	144619	143028	-1.1	166678	164241	-1.5	181676
Pre Provisions Profit	77776	79569	2.3	92231	94204	2.1	108649
NIM (%)	3.0	2.9	-6.7	3.1	3.0	-9.2	3.0
PAT	42090	45309	7.6	48611	52068	7.1	60017
ABV per share (₹)	335	337	0.7	392	393	0.4	455

Source: Company, ICICI Direct Research

**Exhibit 4: Change in Assumption**

	Current			Earlier	
	FY23E	FY24E	FY25E	FY23E	FY24E
Credit growth (%)	17.4	15.4	14.4	18.3	13.0
Deposit Growth (%)	10.0	10.9	10.0	10.0	10.0
Cost to income ratio (%)	55.9	54.5	52.2	57.7	56.0
GNPA ratio (%)	3.2	2.9	2.8	3.2	2.8
NNPA ratio (%)	0.7	0.6	0.6	0.7	0.5

Source: Company, ICICI Direct Research

**Exhibit 5: SOTP Valuation**

	FY25E / Share
SBI (merged banks)	528
SBI AMC	42
SBI Life	81
SBI cards	66
SBI General Insurance	13
<b>Value per share</b>	<b>730</b>
Holding company discount for subsidiaries @15%	30
<b>Value per share post discount</b>	<b>700</b>

Source: Company, ICICI Direct Research

## Financial summary

Exhibit 6: Profit and loss statement				
	₹ bn			
(Year-end March)	FY22	FY23E	FY24E	FY25E
Interest Earned	2,755	3,402	3,874	4,281
Interest Expended	1,547	1,972	2,232	2,464
Net Interest Income	1,207	1,430	1,642	1,817
% growth	9.0	18.5	14.8	10.6
Non Interest Income	406	376	427	457
Net Income	1613	1806	2070	2274
Employee cost	576	633	684	698
Other operating Exp.	358	377	444	490
Operating Income	679	796	942	1086
Provisions	245	192	243	281
PBT	434	604	699	806
Exceptional Items	-36.0	0	0	0
Taxes	117	151	178	205
Net Profit	317	453	521	600
% growth	55	43	15	15
EPS	35.5	50.8	58.4	67.3

Source: Company, ICICI Direct Research

Exhibit 7: Key Ratios				
Valuation	FY22	FY23E	FY24E	FY25E
No. of Equity Shares (Crore)	892.0	892.0	892.0	892.0
EPS (₹)	35.5	50.8	58.4	67.3
BV (₹)	314.0	362.8	419.2	484.4
ABV (₹)	282.6	337.2	393.5	454.9
P/E	15.3	10.7	9.3	8.1
P/BV	1.7	1.5	1.3	1.1
P/ABV	1.9	1.6	1.4	1.2
<b>Yields &amp; Margins (%)</b>				
Net Interest Margins (calculated)	2.8	2.9	3.0	3.0
Yield on avg earning assets	6.3	7.0	7.1	7.1
Avg. cost on funds	3.6	4.2	4.3	4.3
Avg. cost of Deposits	3.7	4.4	4.5	4.5
Yield on average advances	6.6	7.2	7.2	7.2
<b>Quality and Efficiency (%)</b>				
Cost / Total net income	57.9	55.9	54.5	52.2
Credit/Deposit ratio	67.5	72.0	74.9	77.9
GNPA	4.0	3.2	2.9	2.8
NNPA	1.0	0.7	0.6	0.6
RoE	11.9	15.0	14.9	14.9
ROA	0.7	0.9	0.9	0.9

Source: Company, ICICI Direct Research

Exhibit 8: Balance sheet				
	₹ bn			
(Year-end March)	FY22	FY23E	FY24E	FY25E
<b>Sources of Funds</b>				
Capital	8.9	8.9	8.9	8.9
Reserves and Surplus	2792	3227	3730	4312
Networth	2801	3236	3739	4321
Deposits	40515	44564	49421	54350
Borrowings	4260	4497	4930	5417
Other Liabilities & Provisions	2299	2487	2790	3135
Total	49876	54784	60880	67223
<b>Application of Funds</b>				
Fixed Assets	377	399	423	445
Investments	14814	15443	16066	16727
Advances	27340	32085	37014	42332
Other Assets	3399	2488	2609	2777
Cash with RBI & call money	3946	4370	4767	4943
Total	49876	54784	60880	67223

Source: Company, ICICI Direct Research

Exhibit 9: Key ratios				
	(%)			
(Year-end March)	FY22	FY23E	FY24E	FY25E
Total assets	10.0	9.8	11.1	10.4
Advances	11.6	17.4	15.4	14.4
Deposits	10.1	10.0	10.9	10.0
Total Income	2.4	19.5	13.9	10.1
Net interest income	9.0	18.5	14.8	10.6
Operating expenses	1.3	0.8	1.2	0.5
Operating profit	-5.1	17.2	18.4	15.3
Net profit	55.2	43.0	14.9	15.3
Book value	10.3	15.5	15.5	15.6
EPS	55.2	43.0	14.9	15.3

Source: Company, ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: > 15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: < -15%



**Pankaj Pandey**

**Head – Research**

**[pankaj.pandey@icicisecurities.com](mailto:pankaj.pandey@icicisecurities.com)**

**ICICI Direct Research Desk,  
ICICI Securities Limited,  
1st Floor, Akruiti Trade Centre,  
Road No 7, MIDC,  
Andheri (East)  
Mumbai – 400 093  
[research@icicidirect.com](mailto:research@icicidirect.com)**

## ANALYST CERTIFICATION

I/We, Kajal Gandhi, CA, Vishal Namolia, MBA and Pravin Mule, MBA, M.com, Research Analysts Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

## Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ00183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icicidirect.com](http://icicidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

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

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

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