

State Bank of India

Sustained sector leadership in a benign environment

State Bank of India's (SBIN) FY24 annual report offers incremental insights on its sector leadership across asset classes, key catalysts driving its superior asset quality, competitive edge in sourcing, improving digital stack (YONO), an unparalleled lean distribution model, and a potent combination of cross-sell focus and competencies. While asset quality continued to stay benign, we argue that SBIN needs to further build its provision buffer (PCR at 75%), given a low margin of safety on account of higher mix of ageing GNPA's. While SBIN has been able to improve its capital buffer via internal accruals, the bank needs to evaluate fundraising alternatives in the medium-term to meet its growth guidance (~13-15% for FY25). Although SBIN managed credit costs < 30bps on the back of lower slippage run-rate and healthy recoveries, we expect credit costs to normalise upwards (average ~40bps) during FY25-26. We reiterate that the combination of SBIN's traditional strengths and newly added moats are likely to reflect in efficiency gains, resulting in RoAs sustaining at over 1%. We factor in further operating efficiencies and marginally lower credit costs in our estimates and reiterate BUY with a revised TP of INR1,040 (standalone bank at 1.6x Mar-26 ABVPS).

- Superior asset quality franchise:** Given the benign credit environment, asset quality has improved in the past 3 years with a higher mix of retail loans. The Xpress credit portfolio (personal loans + pension loans) continues to perform well, on the back of a major share of government salaried a/cs. The MSME, Agri and Corporate portfolios have also witnessed significant improvement. There has been an increase in normal recoveries within the recovery mix in the past 3 years with a slight uptick in NPA concentration in FY24. We argue for an additional provisioning buffer, given the low margin of safety (as of Mar-24) and expected upward normalisation of credit costs.
- Sustained leadership across portfolios:** SBIN continues to maintain its market leadership across asset classes like housing, auto, education, personal, and agri-gold loans. As outlined in our [Company Update](#), SBIN continues to build its sourcing edge on home loans and auto loans, resulting in early-stage efficiency gains. Pre-approved engines (PAPL, PAXC, PAPNL) via YONO, SBIN's digital platform, have helped reduce the turnaround time significantly and driven throughput gains for the franchise.
- Quality franchise moving towards sustainable earnings:** With the growth guidance of 13-15% for FY25, largely steady margins, and a one-time impact of wage revision already accounted for, SBIN needs to continue ramping up other avenues of productivity (fee income and opex) to sustain RoA at >1%, given the likely upward normalisation of credit costs. We continue to reiterate SBIN as a high-conviction pick among large banks.

Financial Summary

(INR bn)	FY21	FY22	FY23	FY24	FY25E	FY26E
NII	1,107.1	1,207.1	1,448.4	1,598.8	1,762.5	1,951.4
PPOP	715.5	678.7	837.1	867.0	1,134.0	1,336.1
PAT	204.1	316.8	502.3	610.8	711.3	811.4
EPS (INR)	22.9	35.5	56.3	68.4	79.7	90.9
ROAE (%)	8.4	11.9	16.5	17.3	17.5	17.2
ROAA (%)	0.5	0.7	1.0	1.0	1.1	1.1
ABVPS (INR)	228.1	266.8	327.3	381.7	444.3	517.4
P/ABV (x)	4.0	3.4	2.8	2.4	2.0	1.8
P/E (x)	39.7	25.6	16.2	13.3	11.4	10.0

Source: Company, HSIE Research

BUY

CMP (as on 3 Jun 2024)	INR 906
Target Price	INR 1,040
NIFTY	23,264

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 970	INR 1,040
EPS %	FY25E 3.9%	FY26E 11.9%

KEY STOCK DATA

Bloomberg code	SBIN IN
No. of Shares (mn)	8,925
MCap (INR bn) / (\$ mn)	8,083/97,210
6m avg traded value (INR mn)	14,243
52 Week high / low	INR 912/543

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	17.1	58.4	54.2
Relative (%)	13.5	45.1	32.0

SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	57.5	57.5
FIs & Local MFs	24.2	24.0
FPIs	10.9	11.1
Public & Others	7.4	7.4
Pledged Shares	0.0	0.0

Source : BSE

Pledged shares as % of total shares

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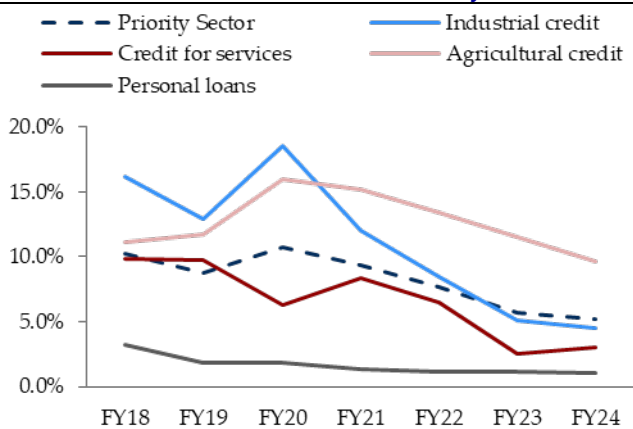
Annual Report Dashboard

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Concentration metrics											
% Share of Top 20 advances	18.4%	15.9%	16.0%	11.6%	10.1%	13.2%	13.4%	12.9%	12.7%	12.6%	11.3%
% Share of Top 20 exposures	16.9%	15.9%	14.9%	14.7%	12.1%	12.8%	13.9%	10.6%	11.1%	11.0%	10.3%
% Share of Top 20 depositors	7.4%	6.4%	6.6%	6.1%	4.4%	3.1%	2.9%	3.7%	4.0%	4.0%	4.7%
% Share of Top 20 NPAs	NA	NA	NA	NA	NA	NA	NA	NA	27.3%	21.7%	24.2%
Sector-wise Advances (% of sector advances)											
Priority Sector	18.0%	20.7%	22.5%	21.6%	22.8%	24.2%	22.9%	23.6%	24.7%	22.2%	22.2%
Industrial credit	6.6%	8.0%	11.2%	9.0%	9.9%	9.1%	8.7%	12.1%	15.6%	12.7%	13.0%
Credit for services	14.8%	12.9%	14.5%	24.0%	25.2%	28.6%	27.5%	17.9%	20.1%	16.7%	17.2%
Agricultural credit	84.4%	95.7%	95.7%	98.0%	98.0%	91.1%	98.9%	99.3%	99.0%	98.9%	99.2%
Personal loans	31.6%	31.8%	26.2%	22.3%	18.8%	24.4%	22.1%	19.7%	18.7%	16.9%	15.5%
Non-Priority Sector	82.0%	79.3%	77.5%	78.4%	77.2%	75.8%	77.1%	76.4%	75.3%	77.8%	77.8%
Industrial credit	93.4%	92.0%	88.8%	91.0%	90.1%	90.9%	91.3%	87.9%	84.4%	87.3%	87.0%
Credit for services	85.2%	87.1%	85.5%	76.0%	74.8%	71.4%	72.5%	82.1%	79.9%	83.3%	82.8%
Agricultural credit	15.6%	4.3%	4.3%	2.0%	2.0%	8.9%	1.1%	0.7%	1.0%	1.1%	0.8%
Personal loans	68.4%	68.2%	73.8%	77.7%	81.2%	75.6%	77.9%	80.3%	81.3%	83.1%	84.5%
Sector-wise GNPA's (% of sector-wise net advances)											
Priority Sector	6.6%	6.9%	7.1%	6.3%	10.2%	8.7%	10.7%	9.4%	7.7%	5.7%	5.2%
Industrial credit	6.4%	10.8%	12.7%	14.8%	16.1%	12.9%	18.5%	12.1%	8.5%	5.1%	4.5%
Credit for services	9.0%	6.5%	5.4%	4.4%	9.9%	9.7%	6.3%	8.4%	6.5%	2.5%	3.0%
Agricultural credit	9.4%	9.1%	7.8%	5.6%	11.1%	11.7%	15.9%	15.2%	13.4%	11.6%	9.6%
Personal loans	2.1%	1.3%	1.2%	1.1%	3.2%	1.8%	1.9%	1.4%	1.1%	1.1%	1.1%
Non-Priority Sector	3.4%	3.2%	6.3%	7.1%	11.1%	7.2%	4.8%	3.6%	2.8%	1.9%	1.4%
Industrial credit	3.7%	4.1%	9.4%	10.4%	18.0%	11.5%	7.1%	7.0%	5.8%	4.0%	2.8%
Credit for services	4.5%	2.3%	2.3%	3.9%	4.2%	3.2%	4.4%	3.1%	2.2%	1.8%	1.1%
Agricultural credit	1.1%	4.0%	8.8%	3.7%	8.0%	0.5%	10.3%	13.2%	8.4%	6.8%	6.1%
Personal loans	1.0%	0.6%	0.6%	0.4%	0.8%	0.8%	0.8%	0.7%	0.6%	0.5%	0.6%
GNPA Mix %											
Sub standard	35.0%	31.6%	31.3%	24.7%	22.6%	15.1%	24.1%	15.7%	12.6%	13.9%	17.5%
Doubtful 1	26.5%	22.3%	32.7%	25.1%	24.9%	20.0%	13.5%	24.7%	13.2%	12.8%	12.5%
Doubtful 2	28.1%	35.9%	26.3%	39.8%	41.9%	45.0%	25.6%	20.9%	20.8%	23.8%	15.5%
Doubtful 3	4.5%	5.8%	7.3%	8.2%	6.9%	14.4%	20.3%	19.1%	30.5%	20.0%	21.9%
Loss	5.9%	4.3%	2.4%	2.2%	3.6%	5.5%	16.4%	19.6%	22.9%	29.6%	32.6%
Bancassurance - % of Total Fee											
PSLC Bought - % of previous year loans	NA	NA	NA	NA	2.3%	2.7%	4.0%	5.4%	5.6%	7.4%	6.2%
PSLC Sold - % of previous year loans	NA	NA	NA	NA	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%
Operational Risk											
Frauds reported (#)	NA	NA	NA	837	1,789	2,616	6,964	5,724	4,192	2,755	1,586
Amount involved in frauds (INR bn)	NA	NA	NA	24	25	124	446	101	71	49	34
Provision for fraud (INR bn)	NA	NA	NA	27	25	124	446	101	71	49	34
Provision for fraud (% of PPOP)	NA	NA	NA	5.4%	4.3%	22.3%	65.5%	14.1%	10.5%	5.8%	3.9%
Ticket size of frauds (INR mn)				29	14	47	64	18	17	18	21
Real Estate Exposure (% of net advances)											
Secured by residential mortgage	82%	82%	78%	70%	64%	71%	71%	70%	77%	76%	75%
Individual housing loans	36%	42%	40%	30%	27%	33%	30%	36%	35%	34%	29%
Secured by commercial mortgage	9%	9%	10%	10%	17%	8%	6%	10%	8%	7%	8%
Exposure to NHBs and HFCs	9%	8%	11%	20%	18%	21%	21%	20%	15%	18%	17%
LCR Disclosures											
LCR %	76%	81%	75%	144%	134%	126%	144%	159%	138%	147%	129%
RSBD (% of total deposits on bank's BS)	NA	71%	74%	75%	75%	75%	72%	69%	67%	68%	66%

Best-in-class credit quality drives earnings sustainability

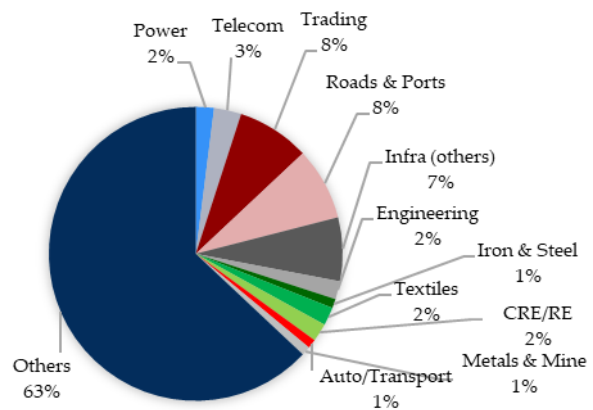
- Asset quality improving across asset classes:** GNPA levels have been at an all-time low across various asset classes post-shift towards a higher retail mix and benign credit quality environment starting FY22. The slippage run rate has been improving with no more organic recoveries/upgrades. While Agri (35% of total GNPA) contributes majorly to the total GNPA, the quality of the agri portfolio has improved meaningfully over the past 3 years, with GNPA at 9.6% as of Mar-24 (Mar-21: 15.2%). The MSME and Corporate portfolio too have witnessed sharp improvement during the same period. The Xpress credit portfolio remains best-in-class, offering yield reflation coupled with superior asset quality, with bulk of the accounts being salaried government employees. Major NPAs are from sectors such as Trading, Roads & Ports, and Infrastructure (others), with a marginal uptick in NPA concentration (top 20) to 24% in Mar-24 (FY23: 21.7%).

Exhibit 1 Sector-wise GNPA for Priority sector



Source: Company, HSIE Research

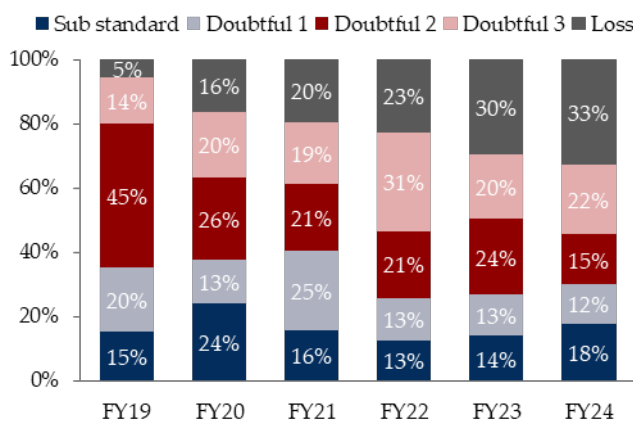
Exhibit 2: Sector wise NPA exposure as on Mar-24



Source: Company, HSIE Research

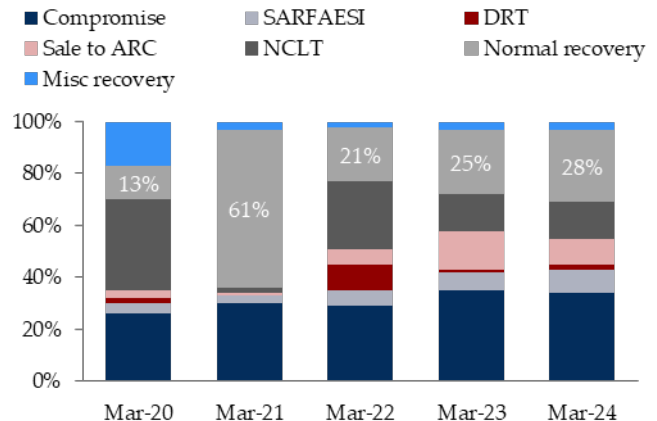
- Lower margin of safety; improvement in normal recoveries:** SBIN saw a higher proportion of NPA assets slipping into Doubtful 3 and loss buckets during FY24, while the PCR (excluding AUCA) remained ~75%, thus leading to a lower margin of safety compared to earlier years. Going forward, we argue that SBIN may need to augment its provisioning buffer. The normal recoveries have been improving over the past three years barring a one-off in FY21.

Exhibit 3: GNPA mix



Source: Company, HSIE Research

Exhibit 4: Recoveries (NPA + AUCA)

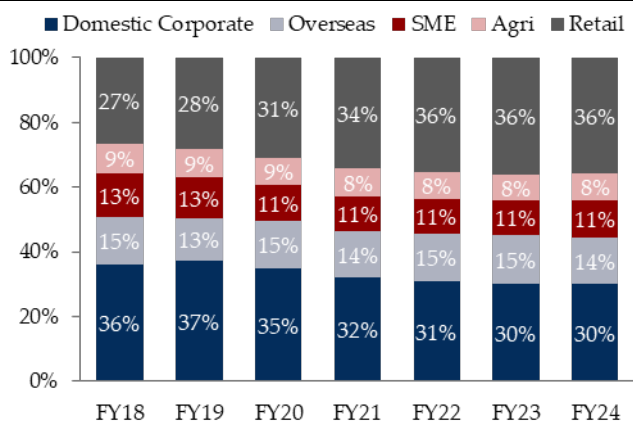


Source: Company, HSIE Research

Sustaining sector leadership across asset classes

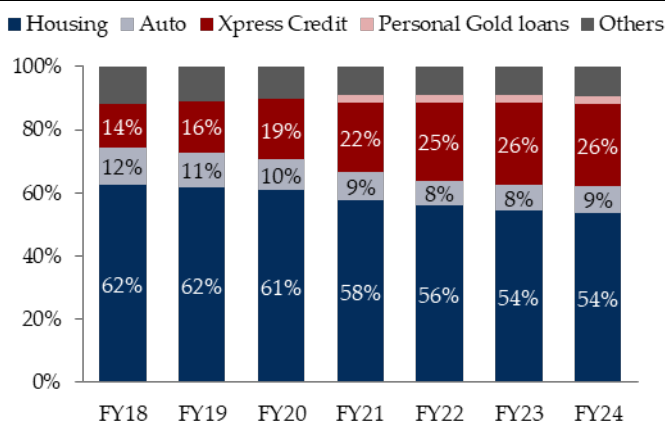
SBIN continues to be the market leader in various asset classes like home loans, auto loans, education loans, personal loans, and agriculture gold loans. After a period of consolidation during FY21 and FY22, SBIN has witnessed two prolific years of growth (16.4% CAGR). Over the years, SBIN has focused on improving its retail stack and reducing exposure to large chunky accounts, which has led to more granular advances/exposures. Within retail loans, Xpress credit (personal loans and pension loans) has grown the fastest over the years alongside pension loans, and now makes ~11% of the total gross advances. MSME and Agri books have picked up traction during the past two years with improvement in the quality of the book.

Exhibit 5: Loan mix: Dominated by retail



Source: Company, HSIE Research

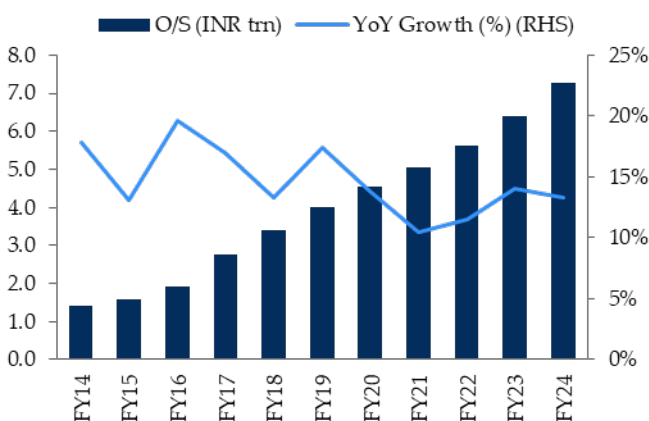
Exhibit 6: Retail Loan mix : Increasing mix of PL



Source: Company, HSIE Research

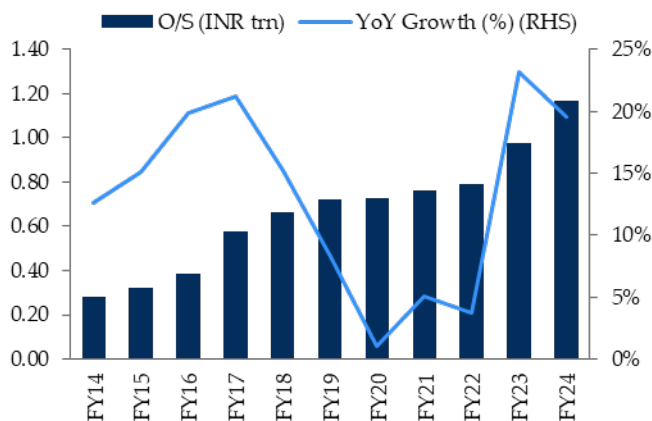
- Dominating the HL & AL portfolios:** While the housing loan industry has witnessed deceleration on account of competitive intensity, SBIN continues to be the market leader with an industry-level market share of 20.5% as of Dec-23 (26.5% among ASCBs as on Mar-24) with nearly 30% of the portfolio being eligible for priority sector status. On the other hand, the auto industry witnessed healthy demand during FY24, particularly in the mid- and premium segments. SBIN is a market leader in the new car loan segment and has grown at a healthy run rate in the last two years. However, our channel checks suggest that SBIN has been chasing market share gains in this asset class through bloated payouts at the cost of profitability. We argue that greater pricing discipline and lower payouts are necessary for SBIN to pivot towards portfolio optimisation.

Exhibit 7: Home loans - Sustained market share focus



Source: Company, HSIE Research

Exhibit 8: Auto loans - Throughput focus



Source: Company, HSIE Research

- Sourcing channel giving a competitive edge:** Over the past few years, SBIN has pivoted to extensive use of its step-down subsidiary, SBI Securities, as a channel for open-market sourcing of home loans and auto loans. This channel now contributes ~1/4th of the overall home loan disbursements and the majority of auto loans for the bank. SBI Securities serves as SBIN’s in-house, captive sourcing channel for home and auto loans with commission pay-outs (blended 70-75bps for HL and auto loans) directly linked to disbursements and hence, purely variable in nature (incentive-driven). We believe SBIN’s approach to route its retail loan originations to off-payroll employees has enhanced its cost competitiveness relative to private peers, thereby powering productivity and efficiency gains.

Exhibit 9: SBI Securities - SBI’s prolific sourcing channel for home loans and auto loans

	Units	FY19	FY20	FY21	FY22	FY23
Home loans						
Locations	x	28	52	102	194	296
Disbursements	INR bn	150	228	262	307	437
LTV – Sanctions	%	69.7%	71.4%	76.1%	79.2%	NA
Contribution to SBIN business	%	NA	20%	22%	23%	25%
Business per Sales executive per month	INR mn	7.5	10.8	11.0	11.4	12.1
Auto loans						
Locations	x	105	152	406	396	503
Disbursements	INR bn	68	100	150	194	382
Contribution to SBIN business	%	25%	41%	57%	72%	87%
Business per Sales executive per month	INR mn	12.4	11.9	12.3	12.6	17.4

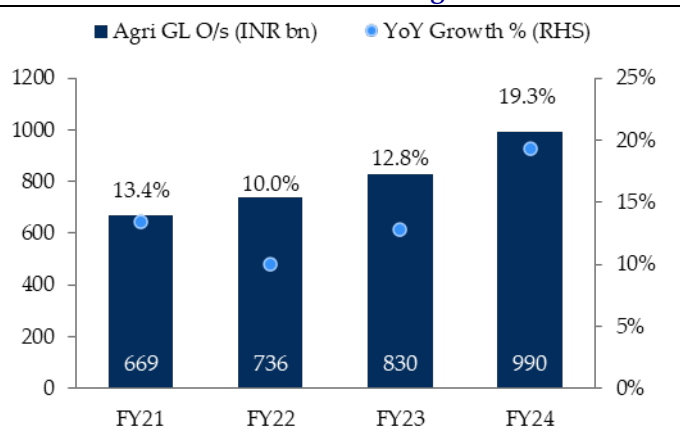
Source: Company, HSIE Research

Exhibit 10: Extremely competitive blended pay-outs for auto loans and home loans

SBI Securities	Units	FY18	FY19	FY20	FY21	FY22	FY23
Disbursements	INR bn	127	219	328	411	501	819
Distribution commission	INR mn	884	1,598	2,379	2,983	3,777	6,440
Blended pay-outs	%	0.70%	0.73%	0.73%	0.73%	0.75%	0.79%

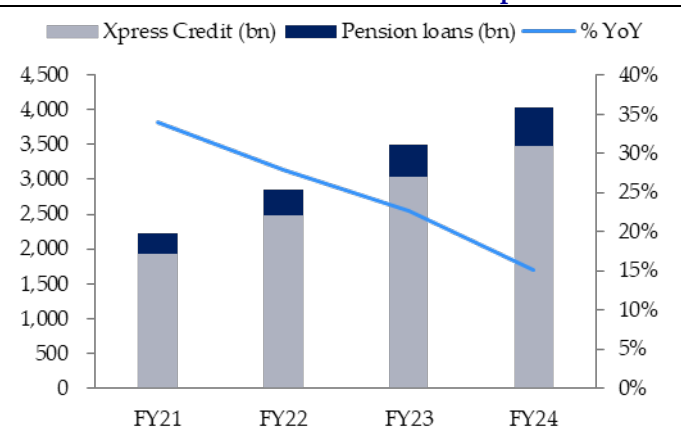
Source: Company, HSIE Research

Exhibit 11: Gold loans - consistent growth



Source: Company, HSIE Research

Exhibit 12: Gradual deceleration in PL & pension loans



Source: Company, HSIE Research

Digital platform providing a prolific sourcing edge

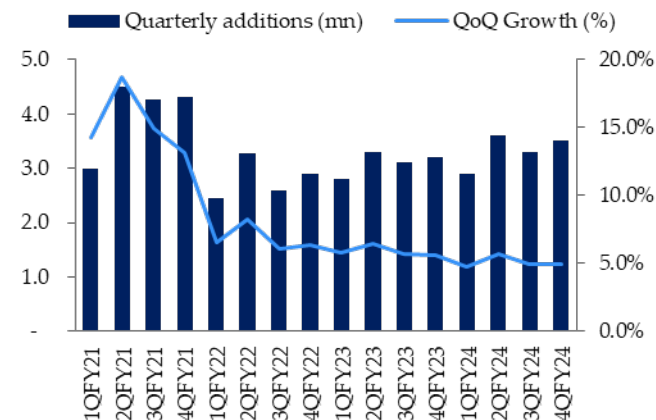
- The YONO edge - a maturing digital stack:** YONO, SBIN's flagship digital banking platform, launched in 2018, has emerged as a gamechanger on the CX (customer experience) front. Over the past few years, YONO has matured from a transaction-centred app to an end-to-end fulfilment platform, including an online marketplace and a financial superstore. SBIN has steadily liberalised its customer funnel, ticket sizes (for HLs and ALs), borrower-wise exposure limits, and so on. As of Mar-24, YONO has a customer base of 74mn, exhibiting a 26% CAGR over the past 3 years.

Exhibit 13: Digital sourcing increasing through YONO

Particulars	FY22	FY23	FY24
Value of digital loans sanctioned (INR mn)	215,600	246,810	336,710
YoY %	10%	14%	36%
No. of digital loans sanctioned (INR 000s)	1,163	1,370	1,735
YoY%	-5%	18%	27%
Average ticket size	185,383	180,120	194,114

Source: Company, HSIE Research

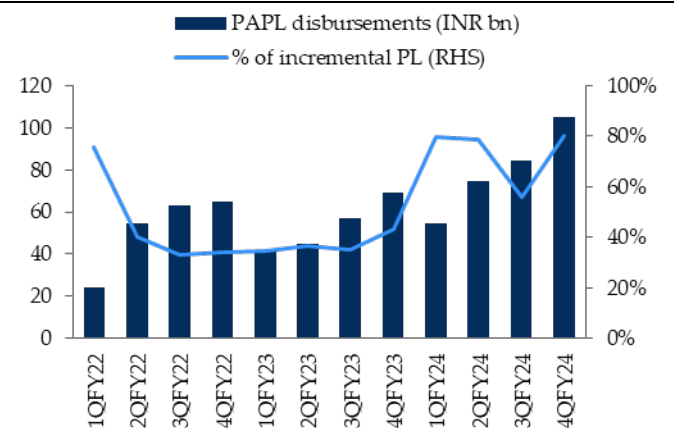
Exhibit 14: Client acquisition run rate



Source: Company, HSIE Research

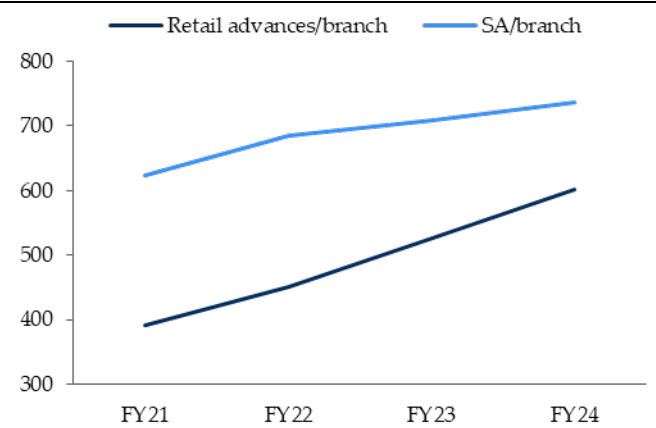
- Pre-approved rule engines power throughput gains:** SBIN has been powering its portfolio growth by focusing on existing customers (ETB) through pre-approved offers (productivity gains) and digital channels (efficiency gains). The launch of an end-to-end digital documentation journey has helped trim the turnaround time on personal loans to about 7-8 minutes, 5 days in the case of home loans (for cases with builder tie-ups) and less than 3 hours in the case of auto loans (select pockets and clusters). This has contributed to the sharp productivity gains over the past few years. On the flipside though, we believe that the pre-approved journeys have also meant an over-simplification of the underwriting protocols which may pose longer-term portfolio risks.

Exhibit 15: Momentum in pre-approved personal loans (PAPL)



Source: Company, HSIE Research

Exhibit 16: Sharp improvement in productivity metrics



Source: Company, HSIE Research

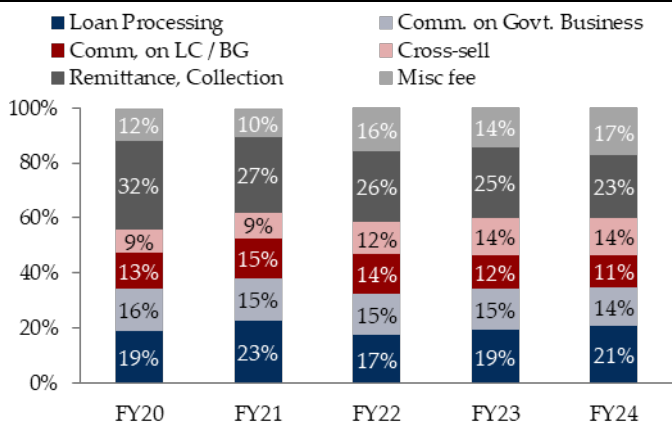
Exhibit 17: ALM Analysis: Repricing ratio higher in 6m-1yr bucket

Maturity bucket	Mar-24				Mar-23			
	Deposit Mix	Advances Mix	Investment Mix	Borrowing Mix	Deposit Mix	Advances Mix	Investment Mix	Borrowing Mix
Day 1	1%	1%	0%	10%	1%	1%	0%	0%
2 to 7 days	2%	1%	0%	17%	2%	1%	0%	21%
8 to 14 days	1%	0%	0%	1%	1%	1%	0%	3%
15 to 30 days	2%	2%	1%	5%	1%	1%	1%	6%
31 days to 2 months	2%	2%	1%	5%	2%	2%	3%	5%
2 to 3 months	1%	2%	2%	6%	1%	2%	2%	8%
3 to 6 months	5%	5%	3%	12%	4%	6%	4%	10%
6 months to 1 year	22%	7%	8%	8%	24%	7%	12%	11%
1 to 3 years	27%	38%	19%	13%	22%	36%	17%	13%
3 to 5 years	10%	13%	13%	7%	12%	14%	15%	11%
Above 5 years	27%	29%	53%	16%	29%	29%	46%	11%
Total	100%	100%	100%	100%	100%	100%	100%	100%
Repricing ratio*	1.85				1.63			

* Repricing ratio is calculated as - (Deposits+ Borrowings+ Foreign currency liabilities/ Advances+ Investments+ Foreign currency assets) for the bucket of 1-12 months

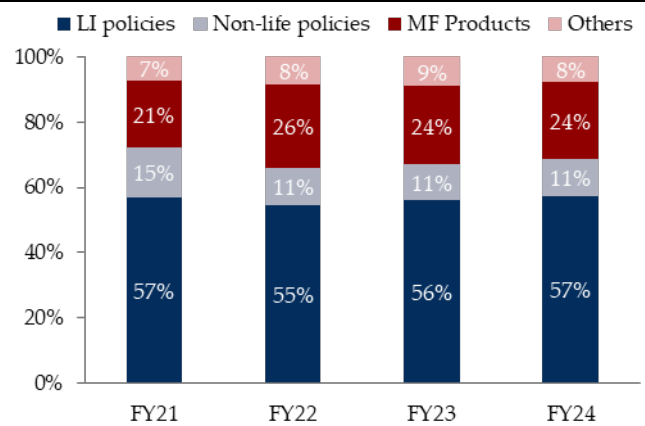
Source: Company, HSIE Research

Exhibit 18: Fee income mix - pick up cross sell



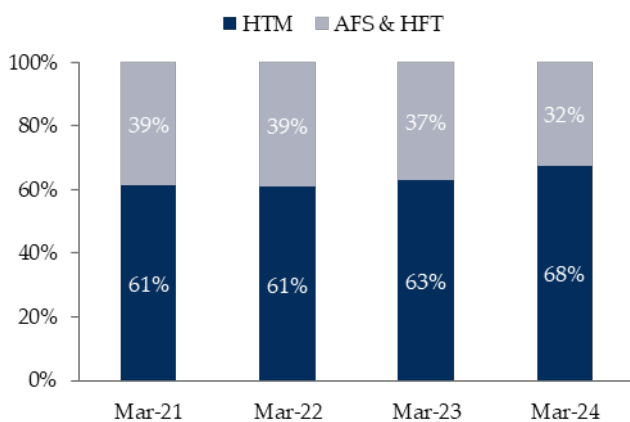
Source: Company, HSIE Research

Exhibit 19: Banca/Marketing & distribution channels



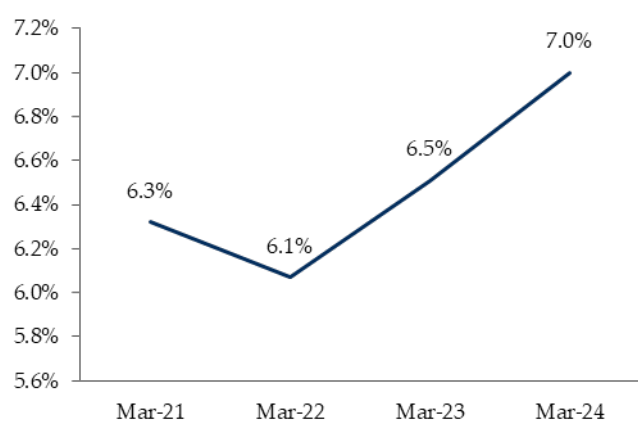
Source: Company, HSIE Research

Exhibit 20: Investment book - Increasing HTM



Source: Company, HSIE Research

Exhibit 21: Yield on investment portfolio



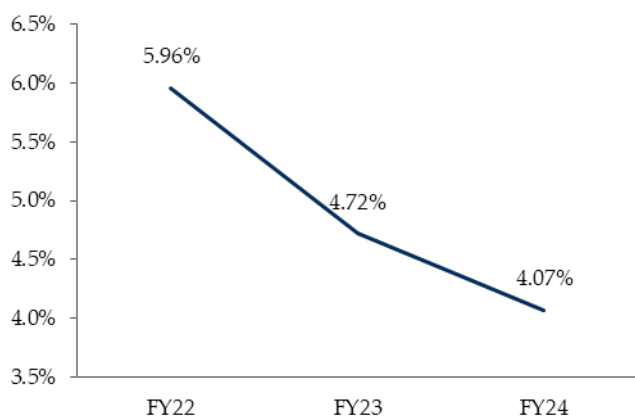
Source: Company, HSIE Research

ESG Report Card

In this section, we analyse the bank’s ESG (Environmental, Social and Governance) disclosures to assess compliance across various parameters. Given the nature of the banking business, our analysis disproportionately focuses on the key governance standards, especially around metrics such as employee attrition, median wages, and employee productivity.

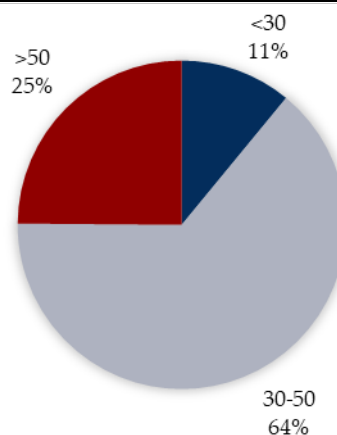
- Steady on governance metrics:** Our analysis of governance metrics, especially centred around employees, suggests an improvement in performance across parameters such as employee attrition, productivity standards and median remuneration. Also, the employee mix offers a balanced mix of employees across different age buckets.

Exhibit 22: Employee attrition



Source: Company, HSIE Research

Exhibit 23: Employee mix by age group (Mar-24)



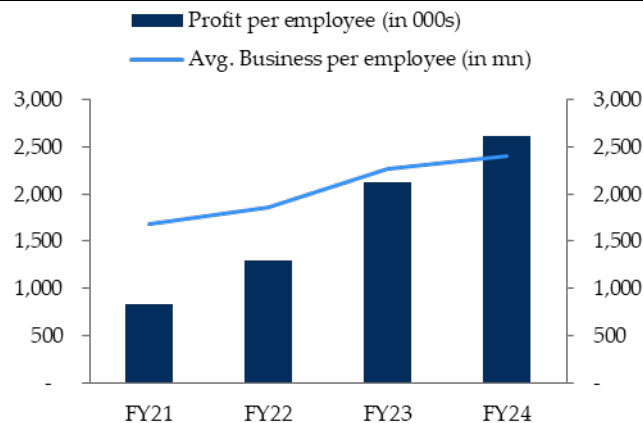
Source: Company, HSIE Research

Exhibit 24: Median remuneration/wages

Particulars	Male	Female	Total
Board of directors	3,935,328	NA [#]	3,95,328
KMP	4,899,355	4,619,080	9,518,435
Other employees	1,089,052	1,035,557	2,124,609
BOD x of other employees	3.6x	NA	1.9x
KMP x of other employees	4.5x	4.5x	4.5x

[#]: No female whole-time director (WTD) on the Board | Source: Company, HSIE Research

Exhibit 25: Employee productivity metrics



Source: Company, HSIE Research

- Evolving environmental practices:** SBIN has constituted ESG & Climate Finance Unit (ESG & CFU), a dedicated horizontal business unit, to facilitate a minimum 7.5% of the bank’s domestic loan portfolio to be classified ‘green’ by 2030. Among other initiatives, SBIN introduced “SBI Green Rupee Term Deposit”, used to fund eligible green activities. SBIN has also initiated efforts to achieve carbon neutrality in its internal operations by installing solar panels on its facilities and enhancing their energy efficiency.

PSB Dashboard

SBIN continues to demonstrate better productivity, distribution, and asset quality on a significantly larger scale compared to its PSU banking peers (PSBs). Although other large PSBs appear to have achieved near-convergence on RoA metrics (and on valuations), we argue that SBIN's moats around retail lending are unparalleled. With operating efficiencies likely to play out over the medium-term, we believe SBIN merits significant premium to other PSBs.

Exhibit 26: SBIN superior on productivity, granularity and asset quality metrics

FY24	SBIN	BOB	CBK	BOI	PNB	INBK	UNBK
Net advances (INR bn)	37,040	10,658	9,316	5,631	9,344	5,033	8,708
% YoY	15.8%	13.3%	12.2%	15.9%	12.5%	12.1%	14.3%
C/D ratio (%)	75%	80%	71%	76%	68%	73%	71%
CASA ratio (%)	40%	35%	28%	37%	40%	41%	34%
SA/Branch (INR mn)	736	477	361	466	474	413	397
Opex/Branch (INR mn)	55.5	34.5	29.1	29.3	28.2	24.5	28.9
NIM (%)	3.3%	3.2%	3.0%	3.0%	3.3%	3.5%	3.1%
Cost-to-income ratio (%)	59%	48%	47%	52%	53%	46%	46%
GNPA (%)	2.2%	2.9%	4.2%	5.0%	5.7%	4.0%	4.8%
NNPA (%)	0.6%	0.7%	1.3%	1.2%	0.7%	0.4%	1.0%
PCR (%)	75%	77%	71%	77%	88%	89%	79%
Restructured Book (%)	0.5%	NA	NA	1.4%	NA	1.7%	1.5%
Tier I (%)	11.8%	14.1%	14.0%	14.9%	13.2%	14.0%	15.0%
GoI stake (%)	57	64	63	73	73	74	75

Source: Company, HSIE Research

Exhibit 27: SBIN - Best-in-class retail and MSME book

FY24	SBIN	BOB	CBK	BOI	PNB	INBK	UNBK
Retail + MSME (% of loans)	47%	42%	30%	39%	37%	38%	35%
Agri (% of loans)	8%	15%	26%	17%	16%	24%	20%
Corporate (% of loans)	30%	42%	44%	44%	43%	38%	45%
Vulnerable Book (%) - SMA1+SMA2+Restructured	0.6%	0.2%	0.7%	1.6%	NA	2.2%	1.8%
Slippages (%)	0.6%	1.2%	1.6%	1.6%	1.0%	1.5%	1.5%
Upgrades & Recoveries (%)	0.4%	0.8%	0.8%	1.3%	1.7%	1.1%	2.3%
Agri GNPA	9.6%	5.1%	3.4%	NA	18.3%	7.0%	8.5%
Retail GNPA	0.7%	1.5%	1.4%	NA	3.0%	2.0%	2.4%
MSME GNPA	3.7%	9.2%	8.5%	NA	18.9%	10.2%	8.5%
Corp GNPA	2.4%	0.6%	4.4%	NA	5.0%	0.9%	2.9%

Source: Company, HSIE Research

Exhibit 28: RoA tree (as % of average assets)

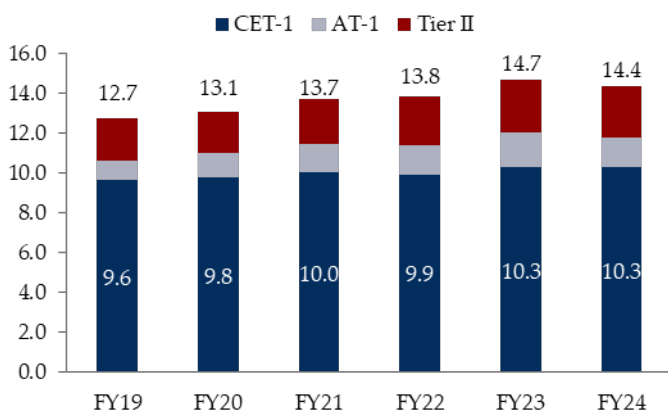
FY24	SBIN	BOB	CBK	BOI	PNB	INBK	UNBK
Interest income	7.1%	7.4%	7.7%	7.0%	7.1%	7.4%	7.5%
Interest expended	4.4%	4.5%	5.1%	4.4%	4.4%	4.3%	4.7%
NII	2.7%	2.9%	2.6%	2.7%	2.7%	3.1%	2.7%
Other income	0.9%	1.0%	1.3%	0.7%	0.9%	1.0%	1.2%
Total income	3.6%	3.9%	3.9%	3.4%	3.5%	4.1%	3.9%
Opex	2.1%	1.9%	1.8%	1.7%	1.9%	1.9%	1.8%
PPOP	1.5%	2.0%	2.1%	1.6%	1.7%	2.2%	2.1%
Provisions	0.1%	0.4%	0.7%	0.5%	0.8%	0.9%	0.5%
PBT	1.4%	1.6%	1.4%	1.2%	0.9%	1.3%	1.6%
RoA	1.0%	1.2%	1.0%	0.7%	0.5%	0.9%	1.0%
Leverage	16.6	14.5	17.7	13.5	14.7	14.1	15.4
ROE	17.3%	16.9%	18.1%	9.9%	8.0%	12.9%	15.8%

Source: Company, HSIE Research

Valuation and recommendation

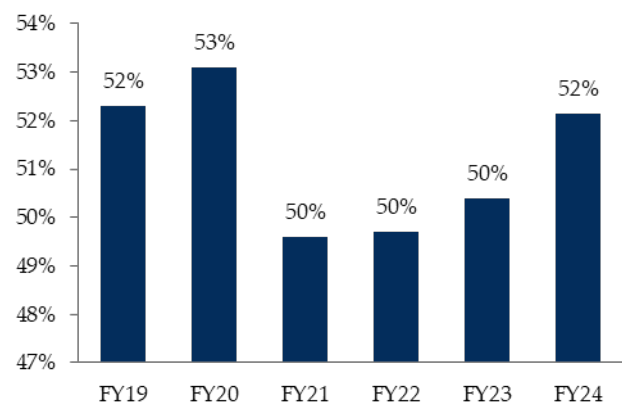
- Need to shore up capital buffers; operating efficiencies key to sustain RoAs:**
 While SBIN, on the back of low credit costs and credit cycle, has shored up its CET-1 ratio organically to ~10.3%, we opine the bank might need to evaluate fundraising alternatives (monetisation opportunities) in the medium term. Given the growth guidance (13-15%) and stable margins, we believe SBIN needs to continue ramping up other avenues of productivity (fee income and opex) - we believe a more prudent and disciplined approach to sourcing commissions and dealer payouts (especially in PV loans) could help drive productivity gains. We believe SBIN is well on track to continue delivering a consistent 1%+ RoA on the back of a healthy credit engine and benign credit environment, modest deposit mobilisation, stable margins and higher productivity and efficiencies. We maintain BUY with a TP of INR1,040 (standalone bank at 1.6x Mar-26 ABVPS).

Exhibit 29: Additional capital buffer preferable



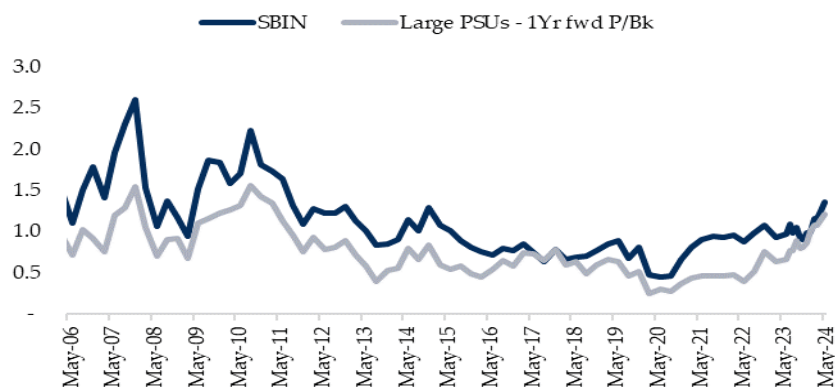
Source: Company, HSIE Research

Exhibit 30: RWA intensity under check



Source: Company, HSIE Research

Exhibit 31: Valuations converging with other large PSUs



Source: Company, HSIE Research

Exhibit 32: Change in estimates

(INR bn)	FY25E			FY26E		
	Old	New	Δ	Old	New	Δ
Net advances	42,413	42,368	-0.1%	48,507	48,419	-0.2%
NIM (%)	3.0	3.0	1bps	3.0	3.0	1bps
NII	1,754.6	1,762.5	0.5%	1,940.4	1,951.4	0.6%
PPOP	1,109.3	1,134.0	2.2%	1,225.1	1,336.1	9.1%
PAT	684.5	711.3	3.9%	725.0	811.4	11.9%
Adj. BVPS (INR)	447.0	444.3	-0.6%	508.8	517.4	1.7%

Source: Company, HSIE Research

Financials

Income Statement

(INR mn)	FY21	FY22	FY23	FY24	FY25E	FY26E
Interest Income	2,651,506	2,754,572	3,321,030	4,151,306	4,683,408	5,251,410
Interest Expenses	1,544,406	1,547,496	1,872,625	2,552,548	2,920,867	3,299,965
Net Interest Income	1,107,100	1,207,076	1,448,405	1,598,757	1,762,541	1,951,445
Non-Interest income	434,964	405,639	366,156	516,822	607,335	722,307
Total income	1,542,064	1,612,715	1,814,561	2,115,579	2,369,876	2,673,752
Operating Expenses	826,522	933,973	977,459	1,248,608	1,235,837	1,337,623
Operating Profit	715,542	678,742	837,102	866,971	1,134,038	1,336,129
Provisions	440,130	244,521	165,072	49,142	183,055	251,408
PBT	275,411	434,221	672,030	817,829	950,983	1,084,721
Tax	71,307	117,459	169,732	207,063	239,648	273,350
PAT	204,105	316,762	502,298	610,765	711,335	811,371

Source: Company, HSIE Research

Balance Sheet

(INR mn)	FY21	FY22	FY23	FY24	FY25E	FY26E
Share capital	8,925	8,925	8,925	8,925	8,925	8,925
Reserves	2,529,827	2,791,954	3,267,158	3,763,541	4,352,609	5,041,713
Net worth	2,538,752	2,800,878	3,276,083	3,772,465	4,361,533	5,050,638
Deposits	36,812,771	40,515,340	44,237,776	49,160,768	55,609,975	63,091,248
Borrowings	4,172,977	4,260,433	4,931,351	5,975,609	6,481,037	7,134,074
Current Liab	1,819,797	2,299,292	2,724,571	2,888,097	2,691,329	3,063,069
Total Liabilities & Equity	45,344,296	49,875,943	55,169,781	61,796,939	69,143,874	78,339,029
Cash balance	3,430,387	3,945,523	3,078,996	3,108,020	3,598,518	3,513,705
Investments	13,517,052	14,814,454	15,703,661	16,713,397	17,957,651	20,375,920
Advances	24,494,978	27,339,665	31,992,693	37,039,709	42,367,665	48,419,117
Fixed assets	384,192	377,082	423,817	426,173	443,219	460,948
Other assets	3,517,687	3,399,248	3,970,615	4,509,642	4,776,821	5,569,339
Total Assets	45,344,296	49,875,943	55,169,781	61,796,939	69,143,874	78,339,029

Source: Company, HSIE Research

Key Ratios

	FY21	FY22	FY23	FY24	FY25E	FY26E
VALUATION RATIOS						
EPS (INR)	23	35	56	68	80	91
Earnings Growth (%)	41%	55%	59%	22%	16%	14%
BVPS	284	314	367	423	489	566
Adj. BVPS	228	267	327	382	444	517
ROAA (%)	0.5%	0.7%	1.0%	1.0%	1.1%	1.1%
ROAE (%)	8.4%	11.9%	16.5%	17.3%	17.5%	17.2%
P/E (x)	40	26	16	13	11	10
P/ABV (x)	4.0	3.4	2.8	2.4	2.0	1.8
P/PPOP (x)	11.3	12.0	9.7	9.4	7.2	6.1
PROFITABILITY (%)						
Yield on loans	7.2%	6.6%	7.5%	8.3%	8.5%	8.4%
Cost of Funds	4.0%	3.6%	4.0%	4.9%	5.0%	5.0%
Cost of Deposits	4.1%	3.7%	3.8%	4.7%	4.8%	4.8%
Spread	3.1%	3.0%	3.6%	3.6%	3.7%	3.6%
NIM	3.0%	2.9%	3.2%	3.1%	3.0%	3.0%

	FY21	FY22	FY23	FY24	FY25E	FY26E
OPERATING EFFICIENCY						
Cost to average assets	1.9%	2.0%	1.9%	2.1%	1.9%	1.8%
Cost-income	53.6%	57.9%	53.9%	59.0%	52.1%	50.0%
BALANCE SHEET STRUCTURE RATIOS						
Loan Growth (%)	5.3%	11.6%	17.0%	15.8%	14.4%	14.3%
Deposits Growth (%)	13.6%	10.1%	9.2%	11.1%	13.1%	13.5%
Equity/Assets (%)	66.5%	67.5%	72.3%	75.3%	76.2%	76.7%
Equity/Loans (%)	5.6%	5.6%	5.9%	6.1%	6.3%	6.4%
CASA %	10.4%	10.2%	10.2%	10.2%	10.3%	10.4%
CRAR (%)	45.4%	44.5%	42.7%	39.9%	38.4%	37.0%
Tier I (%)	14.0%	13.8%	14.7%	14.3%	14.2%	14.2%
Asset quality						
Gross NPA	1,263,890	1,120,234	909,277	842,762	968,674	1,157,933
Net NPA	368,097	279,657	214,667	210,511	240,617	277,229
PCR	70.9%	75.0%	76.4%	75.0%	75.2%	76.1%
GNPA %	5.2%	4.1%	2.8%	2.3%	2.3%	2.4%
NNPA %	1.5%	1.0%	0.7%	0.6%	0.6%	0.6%
Slippages	1.2%	1.0%	0.6%	0.6%	0.8%	0.9%
Credit costs	1.1%	0.5%	0.3%	0.3%	0.4%	0.4%
ROAA Tree						
Net Interest Income	2.6%	2.5%	2.8%	2.7%	2.7%	2.6%
Non-Interest Income	1.0%	0.9%	0.7%	0.9%	0.9%	1.0%
Operating Cost	1.9%	2.0%	1.9%	2.1%	1.9%	1.8%
Provisions	1.0%	0.5%	0.3%	0.1%	0.3%	0.3%
Tax	0.2%	0.2%	0.3%	0.4%	0.4%	0.4%
ROAA	0.5%	0.7%	1.0%	1.0%	1.1%	1.1%
Leverage (x)	17.5	17.8	17.3	16.6	16.1	15.7
ROAE	8.4%	11.9%	16.5%	17.3%	17.5%	17.2%

Source: Company, HSIE Research

1 Yr Price Movement



Rating Criteria

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: >10% Downside return potential

Disclosure:

We, **Krishnan ASV, PGDM, Deepak Shinde, PGDM & Akshay Badlani, CA** 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. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. 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.

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