

# Opportune

## BUY – State Bank of India (SBI)

CMP: ₹623 (Upside Potential: 16.4%) as on 14<sup>th</sup> December 2022

Fair Value (FV): ₹725      I      Time Period: 12 months

### Why Invest?

- A positive thesis is perhaps the best investment thesis on SBI.
- Asset quality is comfortable, near-term credit cost is likely to be lower-than long-term average, no asset bubbles, especially in real estate, currently, and capex-led loans than SME/retail loans, are not dominating loan growth.
- The structure of the loan book suggests that the slowdown, if any, appears to be growth slowdown rather than a credit cost problem currently.
- There is a high probability that the lower credit costs can offset the pressure that could emerge from net interest margin.
- Valuations are still not expensive, despite this strong outperformance.
- However, we are getting closer to peak return on equity (RoE) and re-rating is likely to get a lot slower.
- BUY with a fair value of Rs. 725, valuing the bank at 1.4X (adj.) book 9X September 24 for RoEs of ~15%.

Maintain BUY with FV Rs. 725

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