

Pick of the week



SBI

Recommendation

BUY

Time Period

12 Months

Current Price

₹ 424

Target Price

₹ 520

Potential Upside

22.6%

Investment Argument

- Better translation of operating profits to net profits is firmly on the cards. We expect operating profits to grow at 15% CAGR (Compound Annual Growth Rate) for FY21-24.
- In Q4FY21, SBI reported an impressive performance with 80% yoy earnings growth on the back of 18% yoy decline in provisions. Operating profits grew 7% yoy. Revenue grew 12% yoy with NII (Net Interest Income) growth at 19% yoy.
- The bank is sufficiently capitalized to capture near-term growth opportunities, has a strong liability franchise to compete taking lower risk and a strong recovery in earnings profile, which should help in multiple expansion.
- We like the business, a top pick to play the recovery in the economic cycle.
- BUY rating on SBI with a Fair value of Rs520, valuing the bank at 1.3X book and 8X FY23 EPS (Earnings Per Share) for RoEs (Return on Equities) moving closer to 14% levels in the short term.