

Strong growth reported in the quarter; Positive outlook for FY25

Q4FY24 Result Update | Sector: Bank | May 10, 2024

BUY

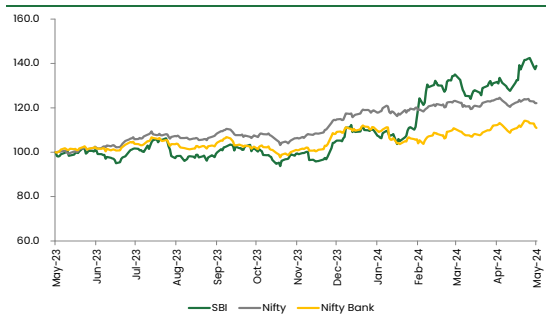
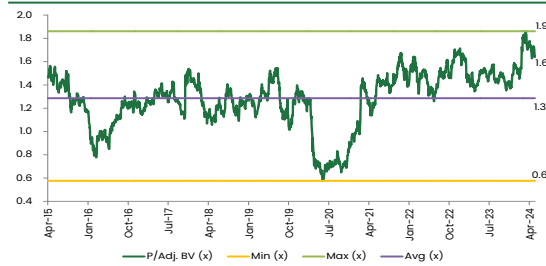
CMP (Rs)	820
Target Price (Rs)	975
Potential Upside	19%
Sensex	72,404
Nifty	21,958

Key Stock data

BSE Code	500112
NSE Code	SBIN
Bloomberg	SBIN:IN
Shares o/s, Cr (FV 1)	892.5
Market Cap (Rs Cr)	731,639
3M Avg Volume	19,457,132
52 week H/L	840/502

Shareholding Pattern

(%)	Sep-23	Dec-23	Mar-24
Promoter	57.5	57.5	57.5
FII	10.7	10.9	11.1
DII	24.4	24.2	24.0
Public	7.4	7.4	7.4

1 year relative price performance

1 year forward P/Adj. BV (x)

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Single digit topline growth with high profitability growth: State Bank of India reported single digit net interest income growth of 4.6% QoQ/3.1% YoY to Rs 41,655cr as margins remained flat during the quarter while advances reported healthy growth. Total income increased by 8.6% QoQ/20.1% YoY, however, the growth was offset by increase in interest expenses which increased by 3.7% QoQ/32% YoY as cost of deposits remained elevated. Operating expenses remained flat with decline of 2.1% QoQ and increase of 2% YoY mainly due to decline in employee costs. Owing to moderation in operating expenses, PPOP increased steadily by 41.4% QoQ/16.8% YoY. Consequentially, PAT too reported strong growth of 126% QoQ/24% YoY to Rs 20,698cr as provisions moderated.

NIMs declined on YoY basis: Net interest margin during the quarter improved sequentially by 6bps, however, on YoY basis it declined by 37bps. The decline in NIMs was mainly to increase in cost of deposits by 6bps QoQ/82bps YoY. The management remains confident about the NIMs projection in FY25 and expects that NIM would remain at current level. The bank expects cost of deposits to stabilize in the coming quarters which shall aid the margins.

Healthy growth in advances: Advances during the quarter increased by 5.1% QoQ/15.2% YoY to Rs 37.7 lakhs cr. The growth in advances was broad based as segments such as retail personal (4.3% QoQ/14.7% YoY), Agri (4.5% QoQ/17.9% YoY) and SME (3.6% QoQ/20.5% YoY) reported healthy growth. Corporate segment which historically reported subdued growth increased by 11.1% QoQ/16.2% YoY. Going forward, the management expects that credit growth will be 14-16% in FY25 which remains higher than the industry.

Steady Deposits growth led by term deposits: Deposits during the quarter increased by 3.2% QoQ/11.1% YoY to Rs 49.2 lakhs cr. The growth in deposits was mainly led by the term deposits which increased by 3.6% QoQ/16.4% YoY while CASA deposits remained muted with growth of 3.2% QoQ/4.2% YoY. Due to muted growth in CASA deposits, CASA ratio declined by 7bps QoQ/269bps YoY to 41.1%. The management expects deposits to grow at 13-15% YoY in FY25 which is in line with the industry growth rate.

Asset quality continues to improve: State Bank of India's asset quality continued to improve during the quarter as GNPA/NNPA declined by 54bps/10bps YoY to 2.2%/0.6%. The improvement in asset quality was also due to decline in slippage ratio which declined by 5bps QoQ/3bps YoY 0.6%. The bank continues to see decline in provision as its provision coverage ratio declined by 137bps YoY to 75%. In FY24. The bank is seeing improvement in asset quality across segments as all the segments reported decline in NPA ratio.

Valuation and outlook: SBI during the quarter reported healthy growth in profitability as employee expenses and provisions moderated during the quarter. Margins improved sequentially while deposits/advances reported healthy and sustainable growth. The asset quality of the bank continues to improve along with decline in slippages. Financially, we expect its Nil/PPOP/PAT to grow at a CAGR of 27.3%/22.1%/22.5% over FY24-26E. We maintain **Buy** on the bank with a revised target price of **Rs 975** valuing the standalone bank at 1.5x of its FY26E Adj. BV.

Financial Summary - standalone

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Net interest income	144,841	159,876	208,181	259,133
Total income	368,719	466,813	477,755	545,057
Operating profit/(loss)	83,713	93,797	111,491	139,745
Margin (%)	22.7	20.1	23.3	25.6
Profit before tax	67,206	88,883	97,892	125,552
Margin (%)	18.2	19.0	20.5	23.0
Profit after tax	50,232	61,077	71,461	91,653
Margin (%)	13.6	13.1	15.0	16.8
EPS (Rs.)	56.3	68.4	80.1	102.7
ABVPS (Rs.)	344.8	399.2	449.9	520.6
RoE (%)	19.4	20.3	17.8	20.1
P/ABV (x)	1.7	1.4	1.3	1.1

Source : RBL Research

Concall highlights: 1) During the quarter, its cost to income ratio was 49.3%, the bank intends to maintain it below 50% mark going forward. 2) As on March 2024, its LCR stood at 124%. 3) 61% of the savings accounts are digitally opened through YONO app. 4) Bank's CET-1 ratio of 10.4% is highest since the implementation of BASEL-III norms. 5) In the fee income, the major component is the loan application fees. The bank expects fee income growth to sustain at current levels. 6) The bank sees cost of deposits to stabilize in coming quarters. 7) The bank has set aside Rs 1,700cr employee provision. 8) The bank has seen moderation in the unsecured lending after the RBI's notification in unsecured lending. 9) In Q4FY24, there is annual charges which needs to be recovered which led to topline growth. 10) The bank is seeing growth in conventional (core) industries and multiplier component of infrastructure spending is 4x. Seeing opportunity in Batteries, EVs, Semi-conductors industries. 11) The bank has excess SLR of Rs 3.5 lakhs cr. 12) Out of slippages, 800cr+ has been recovered, slippages have come down. 13) Gold loan NPA stood at 1.6% as on March 2024. 14) The bank is in the process of hiring 11,000-12,000 employees.

Quarterly performance - standalone

Particulars, Rs cr	Q4FY24	Q4FY23	Y-o-Y (%)	Q3FY24	Q-o-Q (%)
Interest earned	111,043	92,951	19.5	106,734	4.0
Other income	17,369	13,961	24.4	11,459	51.6
Total income	128,412	106,912	20.1	118,193	8.6
Interest expended	69,387	52,559	32.0	66,918	3.7
Net interest income	41,655	40,393	3.1	39,816	4.6
Margin (%)	32.4	37.8	-534bps	33.7	-125bps
Operating expenses	30,277	29,733	1.8	30,939	-2.1
Total expenditure	99,664	82,291	21.1	97,857	1.8
Operating profit before prov.& cont. (PPOP)	28,748	24,621	16.8	20,336	41.4
Provisions and contingencies	1,610	3,316	-51.4	688	134.0
Profit before tax	27,138	21,305	27.4	19,648	38.1
Tax	6,439	4,611	39.7	3,384	90.3
Profit after tax	20,698	16,695	24.0	9,164	125.9
Margin (%)	16.1	15.6	50bps	7.8	837bps
EPS (Rs)	23.2	18.7	23.9	10.3	125.8

Source : RBL Research

Ratios (%) - standalone

Particulars	Q4FY24	Q4FY23	Y-o-Y (bps)	Q3FY24	Q-o-Q (bps)
Net interest margin	3.5	3.8	(37.0)	3.4	6.0
Yield on Investments	7.0	6.5	49.0	7.0	5.0
Cost of Deposits	4.8	4.0	82.0	4.8	6.0
Cost to assets	2.0	2.2	(20.0)	2.1	(11.0)
Cost to income ratio	51.3	54.7	(340.0)	62.0	(1,071.0)
RoE	20.3	19.4	89.0	19.5	82.0
RoA	1.4	1.2	13.0	0.9	42.0

Source : RBL Research

Balance sheet- standalone

Particulars, Rs cr	Q4FY24	Q4FY23	Y-o-Y (%)	Q3FY24	Q-o-Q (%)
Advances	3,767,534	3,269,242	15.2	3,584,253	5.1
Deposits	4,916,077	4,423,778	11.1	4,762,221	3.2
Business	8,683,611	7,693,020	12.9	8,346,474	4.0
Credit-to-deposit ratio (%)	76.6	73.9	274bps	75.3	137bps
CASA ratio (%)	41.1	43.8	-269bps	41.2	-7bps

Source : RBL Research

NII reported single digit growth of 4.6% QoQ/3.1% YoY

PPOP increased by 41.4% QoQ/16.8% YoY

PAT reported healthy growth of 126% QoQ/24% YoY

NIMs improved by 6bps QoQ, however, declined by 37bps YoY

RoE/RoA increased by 89bps/13bps YoY to 20.3%/1.4%

Advances/deposits increased by 15.2%/11.1% YoY

GNPA/NNPA ratio declined by 54bps/10bps YoY to 2.2%/0.6%

Total income increased by 8.6% QoQ/20.1% YoY

Employees expenses declined by 15.6% QoQ/7.2% YoY

Provisions and contingencies declined by 51.4% YoY, however, increased by 134% QoQ

Asset quality – standalone

Particulars, Rs cr	Q4FY24	Q4FY23	Y-o-Y (%)	Q3FY24	Q-o-Q (%)
GNPA	84,276	90,928	-7.3	86,749	-2.9
GNPA (%)	2.2	2.8	-54bps	2.4	-18bps
NNPA	21,051	21,467	-1.9	22,408	-6.1
NNPA (%)	0.6	0.7	-10bps	0.6	-7bps
PCR (%)	75.02	76.4	-137bps	74.2	85bps

Source : RBL Research

Capital ratios

Particulars	Q4FY24	Q4FY23	Y-o-Y (bps)	Q3FY24	Q-o-Q (bps)
CET-1	10.4	10.3	9.0	9.1	127.0
Additional tier - 1	1.6	1.8	(22.0)	1.5	8.0
Tier - 1	11.9	12.1	(13.0)	10.6	135.0
Tier - 2	2.4	2.6	(27.0)	2.5	(12.0)
Capital adequacy ratio	14.3	14.7	(40.0)	13.1	123.0

Source : RBL Research

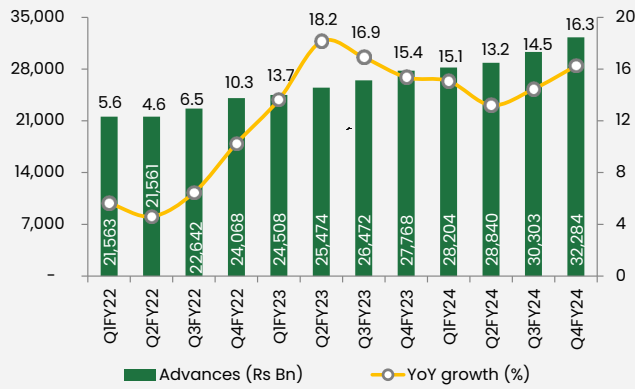
Profit and loss statement – standalone

Particulars, Rs cr	Q4FY24	Q4FY23	Y-o-Y (%)	Q3FY24	Q-o-Q (%)
Income on investments	28,201	25,294	11.5	28,431	-0.8
Interest on balances with RBI others	1,166	845	38.0	1,275	-8.5
Interest/discount on advances/bills	77,134	63,679	21.1	73,517	4.9
Others	4,543	3,134	45.0	3,512	29.4
Interest earned	111,043	92,951	19.5	106,734	4.0
Other income	17,369	13,961	24.4	11,459	51.6
Total income	128,412	106,912	20.1	118,193	8.6
Interest expended	69,387	52,559	32.0	66,918	3.7
Net interest income	41,655	40,393	3.1	39,816	4.6
Margin (%)	32.4	37.8	-534bps	33.7	-125bps
Payment to provisions for employees	16,348	17,616	-7.2	19,362	-15.6
Other operating expenses	13,929	12,116	15.0	11,577	20.3
Operating expenses	30,277	29,733	1.8	30,939	-2.1
Total expenditure	99,664	82,291	21.1	97,857	1.8
Operating profit before prov.& cont. (PPOP)	28,748	24,621	16.8	20,336	41.4
Margin (%)	22.4	23.0	-64bps	17.2	518bps
Provisions and contingencies	1,610	3,316	-51.4	688	134.0
Profit before tax	27,138	21,305	27.4	19,648	38.1
Tax	6,439	4,611	39.7	3,384	90.3
Tax rate (%)	23.7	21.6	209bps	17.2	650bps
Profit after tax	20,698	16,695	24.0	9,164	125.9
Margin (%)	16.1	15.6	50bps	7.8	837bps

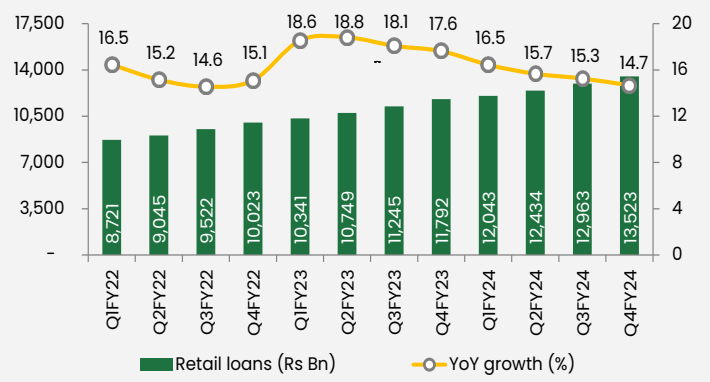
Source : RBL Research

Story in charts

Advances increased by 6.5% QoQ/16.3% YoY

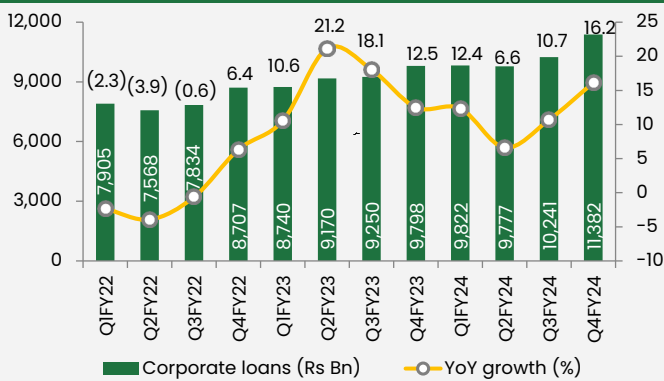


Retail loans increased by 4.3% QoQ/14.7% YoY

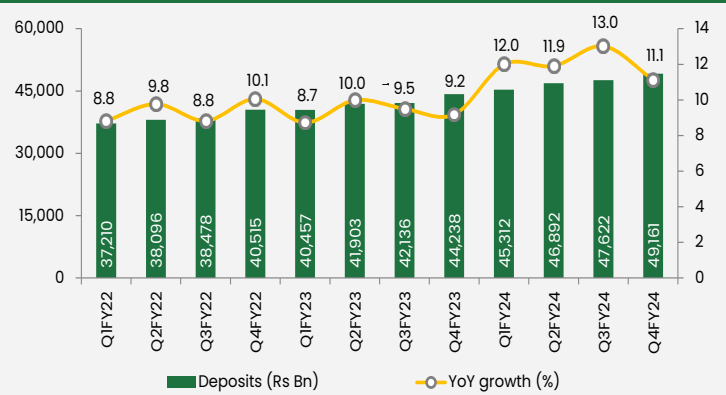


Source : RBL Research

Corporate loans reported healthy growth of 16.2% YoY

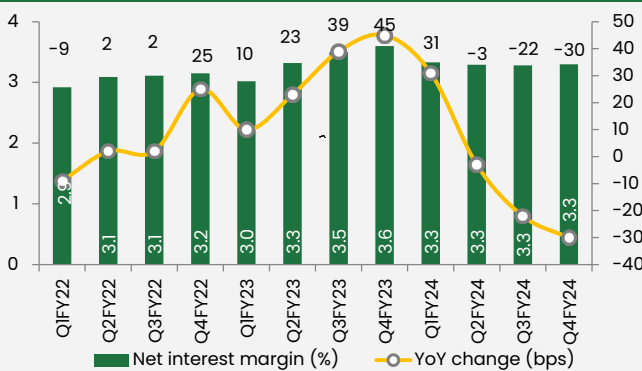


Deposits increased by 3.2% QoQ/11.1% YoY

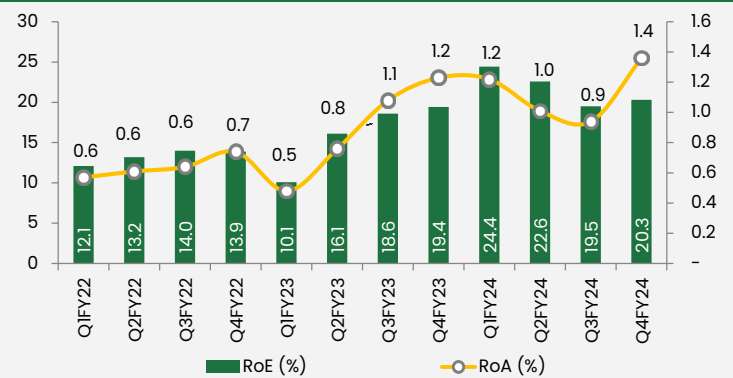


Source : RBL Research

NIMs improved by 2bps QoQ but declined by 30bps YoY

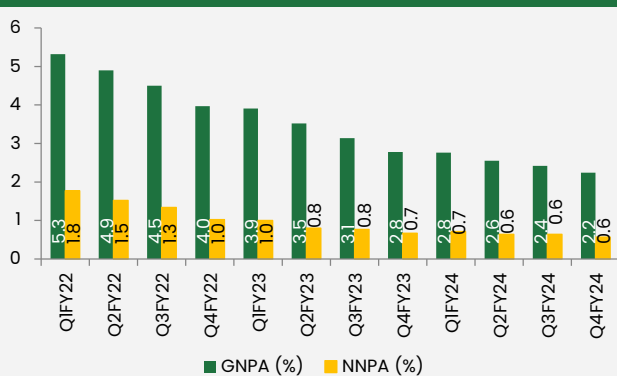


RoA/RoE improved sequentially and stood at 1.4%/20.3%

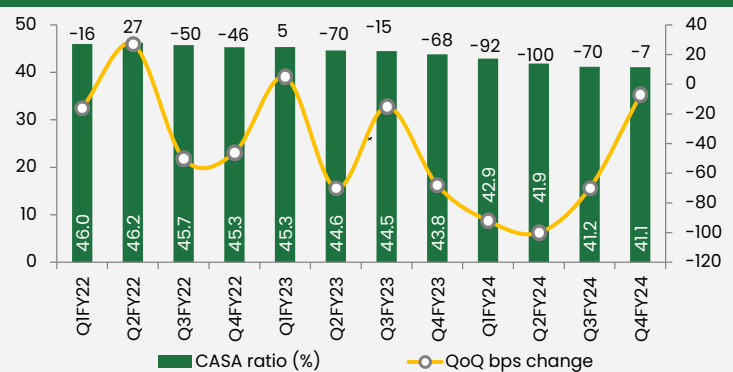


Source : RBL Research

Asset quality improved as GNPA/NNPA stood at 2.2%/0.6%



CASA ratio declined by 7bps QoQ/269bps YoY to 41.1%



Source : RBL Research

Income statement – standalone

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Interest earned	332,103	415,131	438,399	504,990
Interest expended	187,263	255,255	230,218	245,857
Net interest income	144,841	159,876	208,181	259,133
Other income	36,616	51,682	39,356	40,067
Total income	368,719	466,813	477,755	545,057
Operating expenses	97,743	117,761	136,046	159,455
Total expenditure	285,006	373,016	366,264	405,312
Operating profit/(loss)	83,713	93,797	111,491	139,745
Provisions and contingencies	16,507	4,914	13,599	14,193
Profit before tax	67,206	88,883	97,892	125,552
Tax	16,973	20,706	26,431	33,899
Profit after tax	50,232	61,077	71,461	91,653

Source : RBL Research

Balance sheet – standalone

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Share Capital	892	892	892	892
Reserves and Surplus	326,716	376,354	422,678	486,974
Net worth	327,608	377,247	423,571	487,866
Deposits	4,423,778	4,916,077	5,535,631	6,216,289
Borrowings	493,135	597,561	578,460	622,726
Other Liabilities & Provisions	272,457	288,810	354,058	400,086
Total Equities & Liabilities	5,516,979	6,179,694	6,891,719	7,726,967
Total cash balances	307,900	310,802	362,108	426,952
Investments	1,570,366	1,671,340	1,826,044	1,981,741
Advances	3,199,269	3,703,971	4,291,789	4,919,614
Net Block	42,382	42,617	42,954	43,327
Other Assets	397,062	450,964	368,824	355,332
Total Assets	5,516,979	6,179,694	6,891,719	7,726,967

Source : RBL Research

DuPont Analysis

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Interest earned	332,103	415,131	438,399	504,990
Interest expended	187,263	255,255	230,218	245,857
Other income	36,616	51,682	39,356	40,067
Total income	368,719	466,813	477,755	545,057
Operating expenses	97,743	117,761	136,046	159,455
Provisions and contingencies	16,507	4,914	13,599	14,193
Profit before tax	67,206	88,883	97,892	125,552
Tax	16,973	20,706	26,431	33,899
RoA(%)	1.0	1.0	1.1	1.3
RoE (%)	19.4	20.3	17.8	20.1

Source : RBL Research

Efficiency Ratios – standalone

Particulars	FY23	FY24	FY25E	FY26E
Loans/Deposits (x)	0.1x	0.1x	0.1x	0.1x
CASA ratio (%)	43.8	41.1	39.1	37.4
Cost Income Ratio (%)	53.9	55.7	52.5	48.7
Credit/Deposits (%)	72.3	75.3	77.5	79.1
Incremental loans/Deposits (%)	18.0	21.2	(3.1)	6.5
Interest Expended / Interest earned (%)	56.4	61.5	52.5	48.7
Interest income / Total funds (%)	6.6	7.4	6.9	7.0
Operating Costs to Assets (%)	1.8	1.9	2.0	2.1
PATM (%)	13.6	13.1	15.0	16.8
ABVPS Growth (%)	17.9	15.8	12.7	15.7
Investment/Deposit (%)	35.5	34.0	33.0	31.9

Source : RBL Research

Valuation Ratios (x) – standalone

Particulars	FY23	FY24	FY25E	FY26E
P/E	10.2	8.4	7.2	5.6
P/B	1.6	1.4	1.2	1.1
P/ABV	1.7	1.4	1.3	1.1

Source : RBL Research

SBI's SOTP Valuation

Company	Stake (%)	Value per share (Rs.)	Valuation Basis
SBI Standalone (A)		825	1.5x Mar-26E ABV
Value of Subsidiaries			
SBI Life Insurance Company	55.5%	81	M-cap
SBI Cards	69.2%	65	31.0x on FY26E PAT
SBI Funds Management Pvt Ltd	62.6%	32	25.0x on FY26E PAT
Yes Bank	30.0%	1	1.0x Investment in Subsidiary
SBI General Insurance	70.0%	4	23.0x on FY26E PAT
SBI Capital Markets	100.0%	3	3.0x on FY26E PAT
UTI AMC	10.0%	1	1.0x Investment in Subsidiary
Value of non-banking business		187	
Holding Discount (20%)		37	
Value post discount (B)		150	
Value of SBI Bank (A+B)		975	
Current Market Price		820	
Upside (%)		19	
Contribution of subs to TP (%)		15	

Source : RBL Research

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Statements on ownership and material conflicts of interest, compensation– Research Analyst (RA)

S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

Nature of Interest (if answer to F (a) above is Yes :

.....

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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