

State Bank of India

Maxed on margins; efficiency gains key to RoA reflation

SBIN posted a mixed bag of results with the highest-ever quarterly earnings again, led by lower opex and credit costs. However, loan growth moderated (+1% QoQ) in addition to a 37bps QoQ decline in domestic NIMs (3.47%) and lower other income. Gross slippages flared up to 1% annualised, primarily from the retail segment, but were offset by recoveries/w-offs that resulted in a flattish GNPA (2.8%). SBIN continued to maintain surplus SLR (INR4trn) and a comfortable LDR (~73%), especially in light of modest deposit growth. This should likely keep NIMs in the guided range of ~3.5% for FY24. We tweak our estimates for a lower credit cost, partly offset by softer other income and watch out for sustainability of cost-to-income trajectory; maintain BUY with a SOTP-based target price of INR750 (core bank at 1.3x Mar-25 ABVPS).

- Moderation in loan book, NIM compression impacts NII:** SBIN reported a slight moderation in NII growth (+24% YoY / -3% QoQ), led by ~15% YoY loan growth and 37bps QoQ NIM compression. Loan growth sustained across segments, led by continued traction in retail assets (especially Xpress Credit book) and the SME portfolio, which benefited from a gradual pick-up in the investment cycle. Cost-to-income toned down to ~50%; however, we expect it to remain elevated in the medium term, given the wage revision liability and continued investments in distribution.
- Seasonal blip to asset quality:** Despite higher gross slippages mainly from the retail segment owing to seasonality, GNPA/NNPA were flattish at ~2.8/0.7%, benefiting from near-identical recoveries/ w-offs. SBIN is confident of pulling back a large part of additions in Q2 itself and carries a PCR of ~75% in addition to non-NPA provisions of INR350bn (~1% of loans).
- Maxed on margins; operating efficiency key to RoA reflation:** Management continues to remain optimistic on credit delivery through revamped build-out in SME, steady growth in retail and existing pipeline in corporate loans. However, with pressure on NIMs in a rising competitive environment and limited headroom on MCLR repricing, SBIN needs to ramp up other avenues of productivity (fee income and lower opex) in order to drive RoA reflation.

Financial summary

(INR bn)	Q1FY24	Q1FY23	YoY(%)	Q4FY23	QoQ(%)	FY22	FY23	FY24E	FY25E
NII	389.0	312.0	24.7%	403.9	-3.7%	1,207.1	1,448.4	1,606.5	1,772.6
PPOP	253.0	127.5	98.4%	246.2	2.7%	678.7	837.1	1,000.3	1,160.2
PAT	168.8	60.7	178.2%	166.9	1.1%	316.8	502.3	584.8	634.1
EPS (INR)	18.9	6.8	177.9%	18.7	1.1%	35.5	56.3	65.5	71.0
ROAE (%)						11.9	16.5	16.5	15.4
ROAA (%)						0.7	1.0	1.0	1.0
ABVPS (INR)						266.8	327.1	383.2	441.8
P/ABV (x)						2.2	1.8	1.5	1.3
P/E (x)						16.2	10.2	8.8	8.1

Change in estimates

(INR bn)	FY24E			FY25E		
	Old	New	Δ	Old	New	Δ
Net advances	36,069	36,105	0.1%	40,807	40,841	0.1%
NIM (%)	3.1	3.2	2bps	3.1	3.1	1bps
NII	1,607.2	1,606.5	0.0%	1,768.8	1,772.6	0.2%
PPOP	1,032.3	1,000.3	-3.1%	1,209.0	1,160.2	-4.0%
PAT	552.7	584.8	5.8%	609.2	634.1	4.1%
Adj. BVPS (INR)	379.8	383.2	0.9%	436.0	441.8	1.3%

Source: Company, HSIE Research

BUY

CMP (as on 04 Aug 2023)	INR 573
Target Price	INR 750
NIFTY	19,517

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR732	INR750
	FY24E	FY25E
EPS %	5.8%	4.1%

KEY STOCK DATA

Bloomberg code	SBIN IN
No. of Shares (mn)	8,925
MCap (INR bn) / (\$ mn)	5,116/62,563
6m avg traded value (INR mn)	10,012
52 Week high / low	INR 630/499

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(1.2)	5.3	7.5
Relative (%)	(7.6)	(2.7)	(5.2)

SHAREHOLDING PATTERN (%)

	Mar-23	Jun-23
Promoters	57.5	57.5
FIs & Local MFs	25.2	24.8
FPIs	9.9	10.4
Public & Others	7.4	7.3
Pledged Shares	0.0	0.0

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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