



Q4FY24 State Bank of India Ltd.



State Bank of India Ltd.

Robust quarter; Continued improvement in operating metrics

CMP INR 818*	Target INR 975	Potential Upside 19.2%	Market Cap (INR Mn) 72,99,440	Recommendation BUY	Sector Banking
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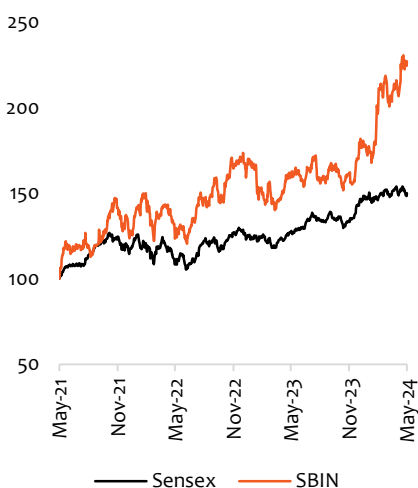
Result Highlights Q4FY24:

- SBIN earnings outperformed our expectations, driven by a sharp fall in operating expenses and higher MTM gains. Net Interest Income (NII) for Q4FY24 increased by 3.1% YoY (+4.6% QoQ) to INR 416,552 Mn. NII was majorly in line with our estimates, with a 1.4% deviation. Pre-Provisioning Operating Profits (PPOP) grew by 16.8% YoY (+41.4% QoQ) to INR 287,477 Mn.
- SBIN registered a net profit of INR 206,985 Mn in Q4FY24. This represents a growth of 28.9% YoY (+125.9% QoQ). However, excluding the exceptional expense, the quarter's growth stood at 27.3% QoQ. The net profit has outperformed our estimates, led by the robust operating performance.
- **We raised our P/ABV multiple from 1.3x to 1.5x, driven by strong financial performance, an optimistic business outlook, and improved asset quality. We revise our target price to INR 975 per share (earlier INR 795), with an upside of 19.2%. We maintain our "BUY" rating on the shares of SBIN.**

MARKET DATA

Shares outs (Mn)	8,925
Net worth(INR Mn)	3,772,465
Mkt Cap (INR Mn)	72,99,440
52 Wk H/L (INR)	840/ 543
Volume Avg (3m K)	19,045
Face Value (INR)	1.0
Bloomberg Code	SBIN IN

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	73,105
NIFTY	22,218

KEY FINANCIALS

Particulars (INR Mn)	FY 22	FY 23	FY 24	FY 25E	FY 26E
NII	1,207,076	1,448,405	1,598,758	1,840,000	2,102,951
PPOP	752,924	837,130	937,972	1,084,866	1,252,518
PAT	316,760	502,325	610,766	680,966	769,543
Adj. BVPS	282.5	343.0	399.1	450.3	515.9
NIM	2.9%	3.1%	3.0%	3.1%	3.1%
Advances Growth	11.6%	17.0%	15.8%	14.5%	13.5%

Source: Company, KRChoksey Research

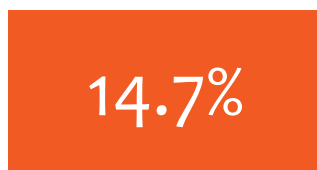
Credit growth continues to outpace deposit growth; Business outlook remains positive:

- As of March 31, 2024, the Bank's credit book stood at INR 37,040 Bn, a growth of 15.8% YoY (+5.2% QoQ), led by 16.3% YoY growth in domestic advances. Domestic growth was driven by the SME segment (+20.5% YoY growth), followed by agri-segment growth of 17.9% YoY.
- The retail personal loans segment reported a growth of 14.7% YoY, which contributed 41.9% to the overall gross advances. Within the domestic retail segment, home loans grew 13.3% YoY, while auto loans continued to see an upward trajectory, leading to a growth of 19.5% YoY during the quarter. The market share of home loans remained stable sequentially at 26.5% as of March 31, 2024, while the auto loan market share improved marginally to 19.8% from 19.5% as of December 31, 2023. Xpress Credit growth reported a 14.6% YoY growth, indicating that the Bank has deliberately focused on going slow with this segment. The corporate loan book has seen healthy growth of 16.2% YoY and is comfortable to grow at this level in the coming quarter.
- SBIN expects the overall loan growth for FY25E to be 14.0–15.0% YoY, based on nominal GDP growth of ~11.0% for the fiscal year.
- On the liability side, the Bank reported a deposit growth of 11.1% YoY (+3.2% QoQ), with domestic CASA at 41.1%. The CASA ratio saw a decline of 270 bps YoY/ 8 bps QoQ, which aligns with the industry. The savings account segment saw a growth of 4.7% YoY, where YONO has been a key growth driver for the Bank, as 61.0% of the savings accounts are opened through this platform. The term deposits continued to see higher traction, resulting in 16.4% YoY/ 3.7% QoQ growth.
- Looking ahead, SBIN anticipates overall loan growth for FY25E in the range of 13.0–15.0% YoY, considering the projected nominal GDP and inflation growth. The Bank will continue to focus on improving the share of current account deposits and sustaining its savings account leadership.

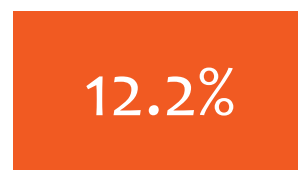
SHARE HOLDING PATTERN (%)

Particulars	Mar-24	Dec-23	Sep-23
Promoters	57.5	57.5	57.5
FIIIs	11.1	10.9	10.7
DIIIs	24.0	24.2	24.4
Others	7.4	7.4	7.4
Total	100.0	100.0	100.0

*Based on previous closing



NII CAGR between FY24 and FY26E



PAT CAGR between FY24 and FY26E

State Bank of India Ltd.

Stable NIMs; Higher operating income led to improvement in the cost-to-income ratio:

- NIMs for the quarter stood at 3.3%, an improvement of 8 bps QoQ but declining by 30 bps YoY. The domestic margins reported an improvement of 13 bps QoQ to 3.5%. The sequential improvement was driven by improved yields on assets despite a higher cost of funds. The cost of deposits increased by 82 bps YoY and 6 bps QoQ. SBIN expects NIMs to be steady at the current levels, assuming no change to the repo rates in the coming quarters.
- The cost-to-income ratio declined to 51.3% as against 60.3% in Q3FY24 (vs 54.7% in Q4FY23). The decline was on the back of higher non-interest income and lower impact of 12th bipartite wage settlement. The non-interest income reported a growth of 24.4% YoY/ 51.6% QoQ which includes MTM gains of INR 34,630 Mn and Miscellaneous income on INR 49,570 Mn. The core fee income has seen a growth of 9.0% YoY/ 39.8% QoQ to INR 87, 240 Mn.
- The Bank expects employee cost to increase by INR 5,000 Mn per month which means an incremental increase of approximately INR 60,000 Mn in wages for FY25E. SBIN aims to lower our cost-to-income ratio by focusing on the income side.
- Adjusted net profit for the quarter grew by 24.0% YoY (+27.3% QoQ), mainly driven by operational growth and lower provisions.

Asset quality continues to improve further with moderation in slippage ratio; Capital Adequacy remains healthy:

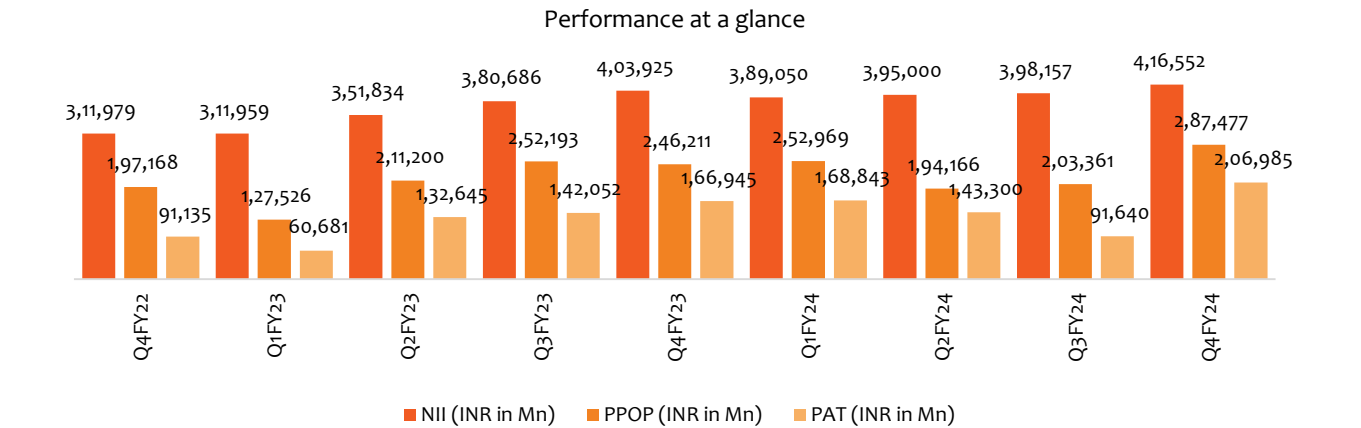
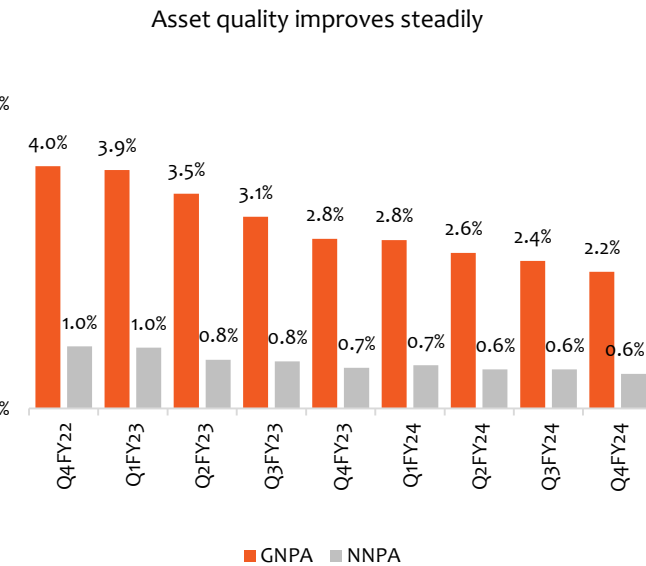
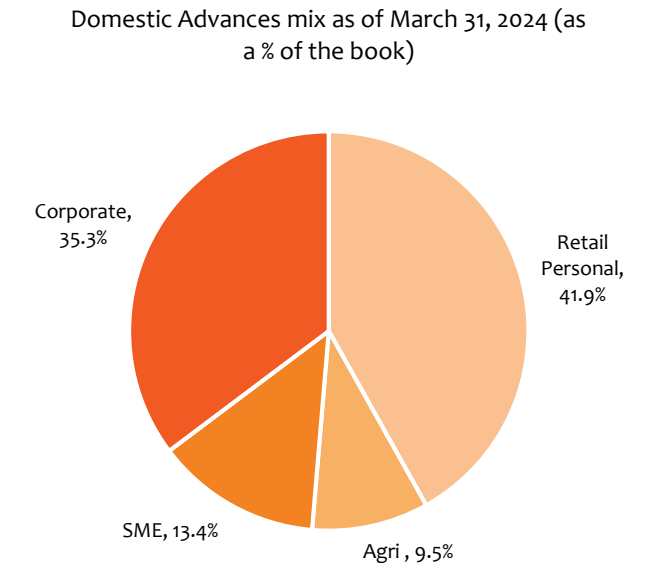
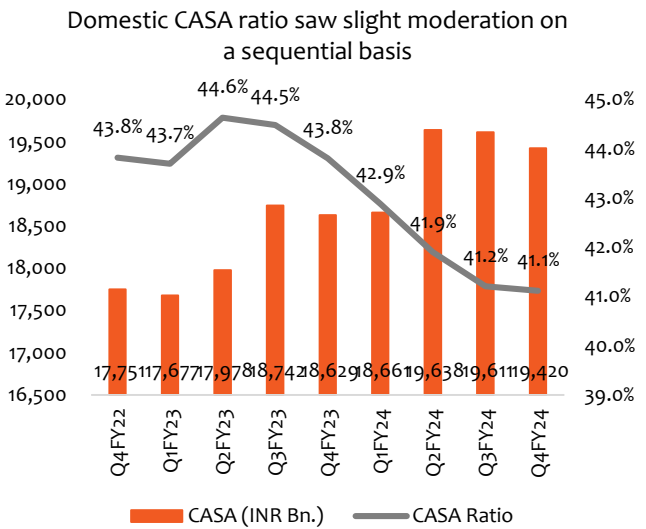
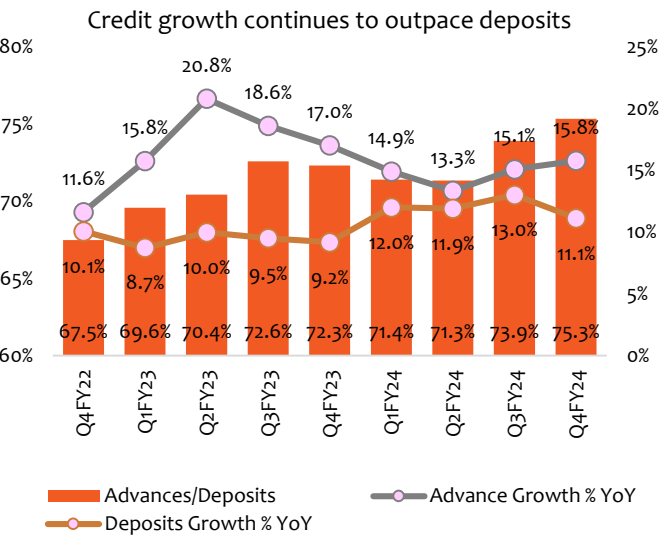
- The gross NPA ratio was 2.24%, an improvement of 54 bps YoY (18 bps QoQ), while the net NPA ratio was 0.57% as of March 31, 2024, against 0.67% as of March 31, 2023. The SME GNPA ratio improved to 3.75% from 4.06% as of December 31, 2023, while Corporate GNPA improved from 2.87% in Q3FY24 to 2.45% as of March 31, 2024.
- The Provision Coverage Ratio (PCR), as of March 31, 2024, stood at 76.4%, a decline of 137 bps YoY, while the PCR, including AUCA, stood at 91.9%.
- On the restructuring side, its total exposure under COVID Resolution Plans 1 and 2 stood at INR 172.8 Bn as of March 31, 2024.
- The slippages for Q4FY24 stood at INR 38.7 Bn vs. INR 49.6 Bn in Q3FY24 (vs. INR 31.9 Bn in Q4FY23). The slippage ratio was 0.62% in Q4FY24, a slight decline from 0.67% in Q3FY24. The recoveries for Q4FY24 stood at INR 20.5 Mn vs INR 18.0 Bn in previous quarter. SBIN holds sufficient additional provisions of INR 63,840 Mn against the restructured accounts.
- The capital adequacy ratio as of March 31, 2024, stood at 14.3%, with CET-1 at 10.4% and AT-1 at 1.6%. The CET-1 ratio is at the highest levels over the last 10 years. The Bank expects ROE to be greater than the credit growth over the medium term and thus, remains open to raise growth capital if required in future.

Key Concall Highlights:

- Global growth remains resilient with easing inflationary pressures and tight employment conditions in spite of geopolitical and extreme weather event risk.
- IMF in its latest April-24 world economic outlook raised a global growth forecast for FY24 to 3.2%, 10 bps higher than in its Jan-24 update and expect the global economy to grow at the same pace in FY25E.
- Global headline inflation is expected to fall from an annual average of 6.8% in '23 to 5.9% in FY24 and further to 4.5% in FY25E, with advanced economies returning to their inflation targets sooner than emerging market and developing economies.
- Commodities and energy prices can drag the economic and growth prospect by infusing certain shocks on the supply side, a collateral impact of escalating geopolitical tensions at multiple fronts.
- In India, the conditions are, however shaping up for an upshift in the real GDP growth backed by a strong investment demand and upbeat payers and consumer sentiments. CPI inflation has gravitated to 4.9% in March after averaging to 5.1% and sitting two months. CPI inflation is expected to moderate in ensuing months and is estimated to temper to FY25E compared to 5.4% average in FY24.
- In FY24 credit offtake of all scheduled Commercial Bank recorded a growth of almost about 20.0%, while deposit grew by about 13.5%. And the momentum with some moderation is expected to continue in FY25E too.
- The underlying drivers for the sustainable step-up in profitability profile of the Bank has been the unmatched size and reach of the Bank, with INR 500 Mn plus customers comprising nearly 35.0% of the India's population.
- SBIN's customer-centric approach the process-oriented culture of the Bank strengthened underwriting processes and correct pricing of the risk have all contributed to the sustainable profitability.
- SBIN retained reasonable reserve resources in the form of liquid assets over and above the CRR and SLR requirements to meet the future contingent demands and broad-basing the deposit mix. Unencumbered excess SLR was to the tune of about INR 3.7 Tn as of March 31, 2024, and the liquidity coverage ratio stood at 124.0%.
- The CET-1 ratio stood at 10.36%, which is the highest ever since the implementation of the Basel III norms. The current ROE profile of the Bank remains above their credit growth trends. Hence, the Bank foresees CET-1 accretion going ahead.

Valuation and view: SBIN reported robust earnings on the back of higher operating income and healthy business momentum. The Bank remains optimistic about sustaining its credit growth in FY25E in the 13%-15% range in FY25E. The corporate loan pipeline of INR 4.6 Tn and sustained uptick in the home and auto segment will drive growth in FY25E. The Bank will continue focusing on the renewable sector as it has a vast growth opportunity. The deposit growth will continue to lag over the credit growth. However, SBIN will focus on mobilization of current account deposits. NIMs are expected to remain in a similar range in the coming quarters as the Bank is almost through with the re-pricing of its liabilities. The credit cost is expected to stay under control with moderate levels of slippage. The Bank's subsidiaries will continue to add value, led by their strong leadership positioning. **We have factored a CAGR of 12.2% in net profit growth while advances are expected to grow 14.0% CAGR over FY24-26E. With a robust financial performance and favorable market conditions, SBIN is well-positioned for future growth, likely leading to a higher valuation and multiple re-ratings. We value the Bank at 1.5x FY26E P/ABV on an ABV of INR 515.9 per share and assign the subsidiaries a value of INR 200 per share. We revise our target price to INR 975 per share (earlier INR 795), with an upside of 19.2%. We maintain our "BUY" rating on the shares of SBIN.**

State Bank of India Ltd.



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KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

INR Mn	FY 22	FY 23	FY 24	FY 25E	FY 26E
Interest Income	2,754,573	3,321,031	4,151,307	4,780,696	5,399,970
Interest Expense	1,547,497	1,872,626	2,552,548	2,940,696	3,297,019
Net Interest Income	1,207,076	1,448,405	1,598,758	1,840,000	2,102,951
Non-interest income	405,639	366,156	516,822	493,044	590,636
Operating income	1,612,715	1,814,561	2,115,580	2,333,045	2,693,587
- Employee expense	501,436	572,918	712,370	747,988	785,388
- Other operating expense	358,355	404,513	465,238	500,191	655,681
Operating Expense	859,791	977,431	1,177,608	1,248,179	1,441,069
PPOP	752,924	837,130	937,972	1,084,866	1,252,518
Provisions	244,521	165,073	49,142	170,818	219,575
PBT	508,402	672,056	888,830	914,048	1,032,943
Exceptional costs	74,184	0	71,000	0	0
Tax Expense	117,459	169,732	207,063	233,082	263,400
PAT	316,760	502,325	610,766	680,966	769,543
Diluted EPS (INR)	35.5	56.3	68.4	76.3	86.2

Source: Company, KRChoksey Research

Exhibit 2: Balance Sheet

INR Mn	FY 22	FY 23	FY 24	FY 25E	FY 26E
Source of Funds					
Share capital	8,925	8,925	8,925	8,925	8,925
Reserves & Surplus	2,791,956	3,267,160	3,763,541	4,226,818	4,842,452
Net worth	2,800,881	3,276,085	3,772,465	4,235,743	4,851,377
Borrowings	4,260,434	4,931,352	5,975,609	6,633,148	7,436,885
Deposits	40,515,341	44,237,778	49,160,768	55,276,233	61,974,043
Other liabilities & provisions	2,299,319	2,724,572	2,888,097	3,536,448	3,715,193
Total Equity & Liabilities	49,875,974	55,169,785	61,796,939	69,681,572	77,977,498
Uses of Funds					
Cash & Balance with RBI	1,366,931	2,470,876	2,251,417	2,375,245	2,517,760
Other Bank and Call Money	2,578,592	608,120	856,603	829,143	929,611
Net investments	14,814,455	15,703,662	16,713,397	18,793,919	20,761,304
Loans & advances	27,339,666	31,992,693	37,039,709	42,410,466	48,135,879
Fixed assets	377,082	423,818	426,173	447,481	469,855
Other assets	3,399,249	3,970,616	4,509,642	4,825,317	5,163,089
Total Assets	49,875,974	55,169,785	61,796,939	69,681,572	77,977,498

Source: Company, KRChoksey Research

State Bank of India Ltd.

Exhibit 3: Ratio Analysis

Key Ratio	FY 22	FY 23	FY 24	FY 25E	FY 26E
Growth Rates					
Advances (%)	11.6%	17.0%	15.8%	14.5%	13.5%
Deposits (%)	10.1%	9.2%	11.1%	12.4%	12.1%
Total assets (%)	10.0%	10.6%	12.0%	12.8%	11.9%
NII (%)	9.0%	20.0%	10.4%	15.1%	14.3%
Pre-provisioning profit (%)	7.5%	11.2%	12.0%	15.7%	15.5%
PAT (%)	55.2%	58.6%	21.6%	11.5%	13.0%
B/S Ratios					
Credit/Deposit (%)	67.5%	72.3%	75.3%	76.7%	77.7%
CASA (%)	43.8%	42.1%	39.5%	39.7%	39.8%
Advances/Total assets (%)	54.8%	58.0%	59.9%	60.9%	61.7%
Leverage - Total Assets to Equity	17.81	16.84	16.38	16.45	16.07
Operating efficiency					
Cost/income (%)	53.3%	53.9%	55.7%	53.5%	53.5%
Opex/total assets (%)	1.7%	1.8%	1.9%	1.8%	1.8%
Opex/total interest earning assets	2.0%	1.9%	2.1%	2.0%	2.0%
Profitability					
NIM (%)	2.9%	3.1%	3.0%	3.1%	3.1%
RoA (%)	0.7%	1.0%	1.0%	1.0%	1.0%
RoE (%)	11.9%	16.5%	17.3%	17.0%	16.9%
Asset quality					
Gross NPA (%)	4.3%	2.8%	2.2%	2.2%	2.2%
Net NPA (%)	1.2%	0.7%	0.6%	0.5%	0.5%
PCR (%) (excl. AUCA)	71.0%	76.4%	75.0%	77.0%	77.0%
Slippage (%)	1.0%	0.7%	0.2%	0.6%	0.6%
Credit cost (%)	0.6%	0.3%	0.1%	0.3%	0.3%
Per share data / Valuation					
EPS (INR)	35.5	56.3	68.4	76.3	86.2
BVPS (INR)	313.8	367.1	422.7	474.6	543.6
ABVPS (INR)	282.5	343.0	399.1	450.3	515.9
P/E (x)	13.9	9.3	11.0	10.6	9.4
P/BV (x)	1.6	1.4	1.8	1.7	1.5
P/ABV (x)	1.7	1.5	1.9	1.8	1.6

Source: Company, KRChoksey Research

State Bank of India Ltd.

State Bank of India Limited			
Date	CMP (INR)	TP (INR)	Recommendation
15-May-24	818	975	BUY
06-Feb-24	650	795	BUY
08-Nov-23	580	750	BUY
07-Aug-23	568	750	BUY
19-May-23	576	750	BUY
07-Feb-23	546	750	BUY

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

ANALYST CERTIFICATION:

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