INVasset Corporate Insights

SBI

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INVASSET

India's Best Performing and Most Customer Centric PMS

Comprehensive Overview of State Bank of India: Key Financials and Strategic Operations

Financial Ratios and Branch Network: The State Bank of India (SBI), a major player in the Indian banking sector and a Fortune 500 company, boasts robust financial health with a Capital Adequacy Ratio of 14.50% and a Net Interest Margin of 3.34%. It has an extensive presence across India, operating 22,219 branches and approximately 62,617 ATMs, along with about 71,968 business correspondent outlets.

Market Dominance and Customer Base: SBI holds a substantial share of the banking market with 22.84% in deposits and 19.69% in advances. This dominance is underpinned by a vast customer base of approximately 45 crore individuals, highlighting its pivotal role in India's banking landscape.

Diversified Loan Portfolio: The bank's loan book is diverse, with retail loans comprising 39% of the total, followed by corporate loans at 37%, SMEs at 14%, and agriculture at 10%. Home loans dominate the retail segment, making up 68% of it, followed by various other personal and commercial lending services.

Risk Management and Exposure: SBI maintains a well-balanced risk profile, with 75% of corporate advances rated 'A' or better. The corporate segment, notably including PSUs and government departments, forms a substantial part of its loan exposure. The agriculture sector, despite constituting a smaller fraction of the portfolio, accounts for the largest share of non-performing assets (NPAs).

Global Operations and Government Business: Internationally, SBI extends its reach to 233 branches across 32 countries, with overseas business contributing to 3% of total deposits and 13% of total advances. Domestically, it remains the principal banker for the Government of India, handling substantial turnovers and earning significant commissions from government transactions.

Emphasis on Financial Inclusion: SBI is a key player in promoting financial inclusion, holding 40% of all Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts, which are designed to increase banking accessibility. These accounts contribute significantly to its deposit base.

Advancements in Digital Banking: The bank is advancing in digital transformations, with significant portions of both asset accounts and customer acquisitions now being conducted through digital channels. This strategic shift has resulted in a majority of transactions being carried out digitally, emphasizing SBI's adaptation to modern banking demands.

Subsidiaries and Strategic Investments: SBI's diversified operations are supported by its subsidiaries in various sectors such as investment banking, insurance, and asset management. Notable among them are SBI Capital Markets, SBI Life Insurance, and SBI Funds Management. These entities not only complement its core banking operations but also drive growth through specialized financial services.

Stock Data	
CMP (20-04-2024)	750
52 Week High/Low	793.40/536.65
Face Value	1.00
Market Cap (In Crs)	6,69,748
Enterprise Value (In Crs)	53,41,123
NSE	SBIN
BSE	500112
Bloomberg	SBIN:IN
Sector	Banks- Public Sector

Shareholding Pattern (in %)		
	MAR 24	DEC 23
Promoter	57.14	57.49
FII	11.09	10.91
DII	23.96	24.15
Public	7.37	7.40

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	1.41	13.33	25.66
SBIN	1.87	33.19	37.67

Key Ratios	
P/E	9.73
P/S	1.60
P/B	1.87
Debt To Equity	13.9
ROE	16.8
ROCE	5.20
Dividend Yield	1.49

Q3 FY 24 Result Update

Q2 FY24 Result Comparison (In Rs Cr)					
	Q3 FY24	Q2 FY24	Q3 FY23	QOQ	YOY
Revenue	1,12,868	1,07,391	91,518	5.10%	23.33%
Other Income	33,103	36,865	35,701	-10.20%	-7.28%
Expenses	1,30,727	1,22,320	1,05,864	6.87%	23.50%
EBIT	15,245	21,936	21,355	-30.50%	28.61%
Net Profit	11,598	16,648	15,888	-30.33%	-27%
EPS	12.40	18.04	17.34	-31.26%	-28.49%

Result Highlights

State Bank of India's Q3 FY24 Financial Performance: A Steady Climb Amidst Economic Challenges

Revenue Growth Amid Economic Swings: State Bank of India's Q3 FY24 earnings report paints a picture of a financial behemoth wrestling with economic ebbs and flows, yet still managing to seize growth opportunities. The bank's revenue climbed by a robust 5.10% from the preceding quarter and an impressive 23.33% on a year-over-year (YOY) basis, signifying a revenue of ₹1,12,868 crore. This upward trend in revenue is indicative of SBI's resilient business model and its ability to generate income amidst varying economic conditions. The consistent YOY growth rate underscores the bank's capacity to expand its operations and service offerings, likely capturing a larger market share in the banking sector.

Decline in Other Income: The bank has witnessed a downturn in other income, dropping by 10.20% from Q2 FY24 and 7.28% YOY, settling at ₹33,103 crore for Q3. This downturn could signal fluctuations in SBI's supplementary revenue streams such as fee-based services or treasury operations. It reflects the volatile nature of non-core banking activities that can be impacted by market conditions, regulatory changes, or one-off events.

Escalating Expenses: SBI's expenses surged to ₹1,30,727 crore, a 6.87% increase over the previous quarter and a 23.50% rise YOY. This significant jump may reflect operational expansions, increased staffing costs, investments in digital infrastructure, or higher provisioning for bad loans. While increased expenses are often associated with growth and investment for future returns, they have a direct impact on the bank's profitability metrics, as seen in the subsequent compression of EBIT and net profit margins.

EBIT and Net Profit Contractions: The bank's Earnings Before Interest and Taxes (EBIT) has experienced a significant quarter-on-quarter plunge of 30.50%, with a more moderate yet positive YOY growth of 28.61%. Similarly, net profit fell by 30.33% from the previous quarter, while showing a YOY decrease of 27%. These contractions could be attributed to the bank's strategic choices, such as increased investments for long-term gain or heightened loan loss provisions that can affect short-term profitability but potentially stabilize the bank's financials in the long run.

Earnings Per Share (EPS) Downtrend: A critical metric for shareholders, the EPS, has seen a decline, standing at ₹12.40, which is a 31.26% decrease from Q2 FY24 and a 28.49% drop YOY. The decrease in EPS is a direct consequence of the bank's lowered net profit, and it signals to investors a possible recalibration of expectations. The EPS is a measure of a company's profitability on a per-share basis, and a declining EPS could affect investor sentiment and the market valuation of the bank's stock.

Strategic Considerations for Forward Momentum: The report for Q3 FY24 demonstrates that SBI is navigating a complex financial landscape with strategic foresight, but not without its set of challenges. As the bank looks forward, it will need to focus on bolstering its other income segments, streamlining expenses, and maintaining its growth momentum in revenue. Strategic initiatives may include enhancing digital banking services to improve efficiency, focusing on high-growth sectors for lending, and improving asset quality to reduce NPAs.

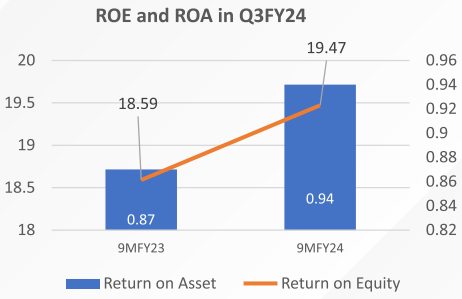
Concall Highlights

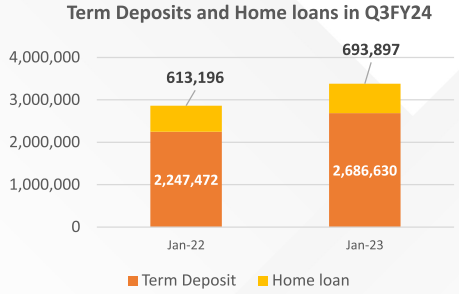
Strategic Growth and Prudent Management: A Snapshot of Financial Mastery: In a remarkable demonstration, the bank has posted a solid net profit of ₹40,378 crores for the 9-month period ending FY24, marking a significant 20.40% growth over the previous year. The Q3 of FY24 alone contributed ₹9,164 crores to the net profit, even after accounting for a substantial exceptional item. The bank's strategic approach is further reflected in its robust credit growth at approximately 14.38% YOY, with notable expansions in both corporate and SME sectors. Notably, asset quality has seen considerable improvement with a reduction in both Gross NPA and Net NPA by 72 and 13 basis points respectively, alongside a more efficient credit cost now at 0.25%. The bank's provisions for stressed assets remain strong with a Provision Coverage Ratio of over 74%, signifying a well-covered position against potential defaults. Leveraging analytics has also paid off, driving a 37% YOY growth in advances sourced through analytical leads, indicating a keen embrace of technology in banking operations.

Sweeping Growth Across Banking Segments Marks a Stellar Year: The bank's performance across various segments from December 2022 to December 2023 reflects a robust financial year, with all sectors experiencing noteworthy year-over-year growth. Retail Personal loans have climbed by 15.28%, from 11,24,519 to 12,96,310 crores, while the Agricultural sector has seen an 18.12% rise. The SME sector stands out with an impressive 19.24% increase, and even the Corporate sector, with the least growth, has witnessed a solid 10.71% rise. Domestic Advances have grown by 14.47%, showing the bank's strong foothold in the local market. Foreign Offices Advances also reflect a significant uptrend with a 13.90% growth. Collectively, the Total Whole Bank Advances have surged by 14.38%, indicating an overall strategic success in banking operations, both domestically and internationally.

Retail Personal Banking Soars with Diverse Credit Expansion: The Retail Personal Banking sector has demonstrated significant YOY growth across a diverse range of credit products as of December 2023. Home Loans, have grown by 13.16%. Auto Loans, meanwhile, have revved up the growth engine with an impressive 21.22% increase, leading the pack in terms of expansion. Xpress Credit follows closely with a robust growth of 16.43%, reflecting strong consumer confidence and demand. Personal Gold Loans have also glittered with a notable 13.58% increase, while Other Personal Segment Loans have risen by 19.72%, showcasing the bank's strong performance and its ability to meet varied consumer financing needs.

Soaring Financial Indicators: ROE and ROA Peak in Q3FY24: SBI's financial health has showcased remarkable strength in the Q3 OF FY2024. The Return on Equity (ROE) has surged by an impressive 4.73%, reaching an admirable 19.47% in 9MFY24, up from 18.59% in the comparable period of the previous year. Similarly, the Return on Assets (ROA) experienced a robust increase of 8.04%, climbing from 0.87% in 9MFY23 to an impressive 0.94% in 9MFY24. These figures are a testament to the bank's efficient asset management and profitability strategies, reflecting a strong financial position and promising returns for stakeholders. The dual uptick in ROE and ROA not only showcases the bank's handling of equity and assets but also highlights its potential for sustained growth.



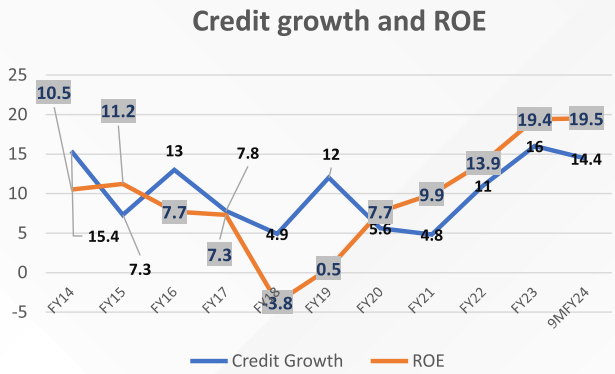


Robust Growth in Deposits and Lending: Banking on the Future: The bank has reported a substantial growth in its core financial products for the Q3FY24, with both term deposits and home loans showing impressive YOY increases. Specifically, home loans have surged by 13.16%. Term deposits have witnessed an even more remarkable ascent, with a 19.54% increase. The growth in term deposits indicates a growing trust and reliance of customers on the bank's financial stewardship, while the rise in home loans reflects a robust credit appetite and a healthy housing market. Collectively, these trends suggest a dynamic and healthy financial environment fostered by the bank's strategic initiatives, ensuring sustained growth in the financial ecosystem.

Deposits Dynamics: A Surge in Savings and Stability: The deposit structure has evolved significantly from December 2022 to December 2023, with an overarching 13.02% increase in total deposits. Current Account Deposits rose by 9.59%, while Saving Bank Deposits experienced a more modest growth of 3.74%. The combined CA and SA, known as CASA Deposits, witnessed an increase of 4.48%, although their share of total domestic deposits slightly dipped from 44.48% to 41.18%. The most substantial growth was observed in Term Deposits, which swelled by a striking 19.54%, reflecting a heightened consumer. Domestic Deposits grew by a healthy 12.84%, and Foreign Offices Deposits also saw a significant rise of 17.46%. This overall deposit growth signifies the bank's strengthened deposit base.

Steady Gains: Navigating Interest Income and Investment Yields: From December 2022 to December 2023, the NIM for Domestic Operations has slightly declined from 3.49% to 3.41%, while Overseas Operations have seen a more pronounced drop from 1.67% to 1.69%. The Whole Bank NIM, encompassing both domestic and overseas operations, has followed a similar downtrend, settling at 2.21% in December 2023. Conversely, the Yield on Domestic Investments has shown incremental growth, inching upwards from 6.40% in December 2022 to 6.95% by December 2023. These figures reflect the bank's adept management of its interest-earning assets and liabilities in a dynamic economic environment.

Navigating Through Cycles: Credit Growth and ROE Over the Years: The graph paints a picture of the bank's journey through various economic cycles, contrasting credit growth with Return on Equity (ROE) from FY14 to the first nine months of FY24. Initially, the bank saw credit growth dip to 7.3% in FY16 from a robust 15.4% in FY14 but recovered to 11.2% the following year. However, FY18 was a challenging year, with credit contraction at -3.8%. Since then, the bank has been on an upward trajectory, culminating in an ROE of 19.5% in 9MFY24, despite a credit growth of 14.4%, suggesting a strong recovery and sound strategic execution. The trends indicate that the bank has successfully managed its credit policies and financial planning.

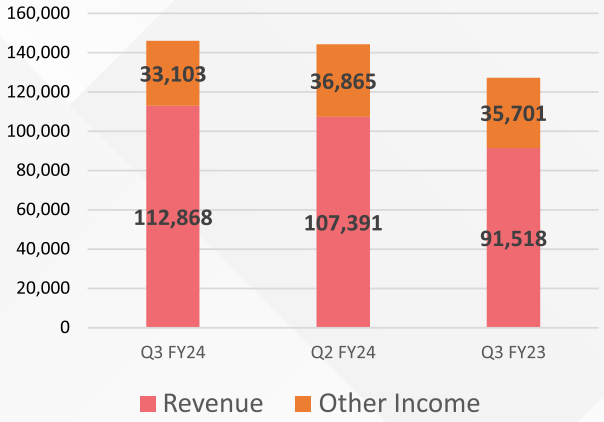


Impressive Gains in Non-Interest Income signal strong performance: In a remarkable show of strength in its non-interest income, it has experienced a healthy rise of 5.28%, showcasing the bank's sustained service appeal. The most significant leap was in loan processing charges, which skyrocketed by 25.02%, reflecting the bank's expanding loan portfolio and customer base. Meanwhile, commissions on Letters of Credit and Bank Guarantees modestly increased by 4.51%, indicating steady trade finance activity. Additionally, the bank's strategic initiatives in cross-selling have paid off with a 6.89% growth, underlining the success of its integrated financial solutions approach.

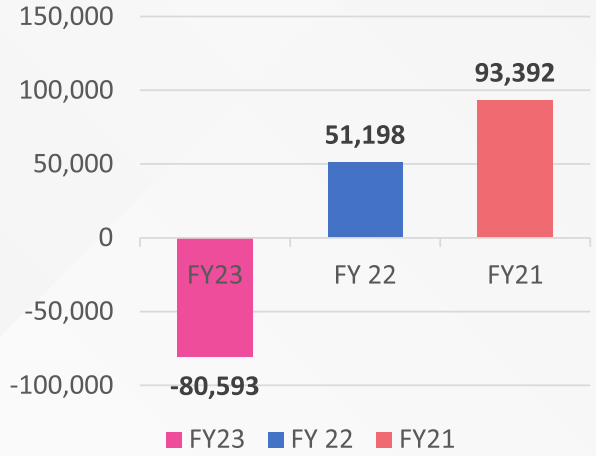
SBI Life and SBI Card's Stellar Market Dominance and Earnings Surge: SBI Life and SBI Card have emerged as industry titans, demonstrating exceptional growth. SBI Life, a market leader, has displayed a remarkable 15% increase in PAT, reaching ₹1,083 crores, and a slight uptick in ROE to 10.5%, while bolstering its position with market shares exceeding 25% across various premium categories. SBI Card has fortified its status as the 2nd largest in the card market with a robust 18.9% card-in-force rate and an 18.3% increase in spends. Financially, SBI Card's PAT rose to ₹1,745 crores, underpinned by a 27% revenue growth and a commendable ROA of 4.7%, despite a modest dip in ROE. The combined achievements, marked by substantial gains in premiums, cards issuance, spends, and assets under management—which soared by 24% to ₹3,71,410 crores—reflect the companies' unyielding performance and strategic expansion.



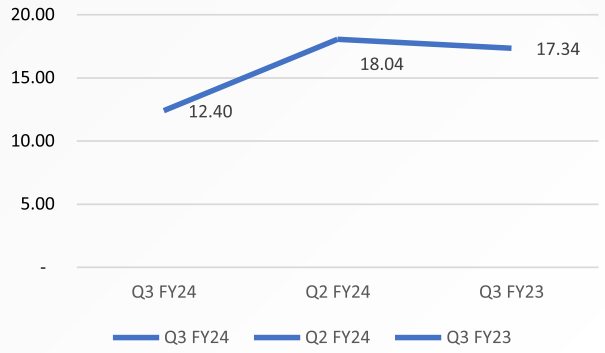
Revenue & Other Income (In Cr)



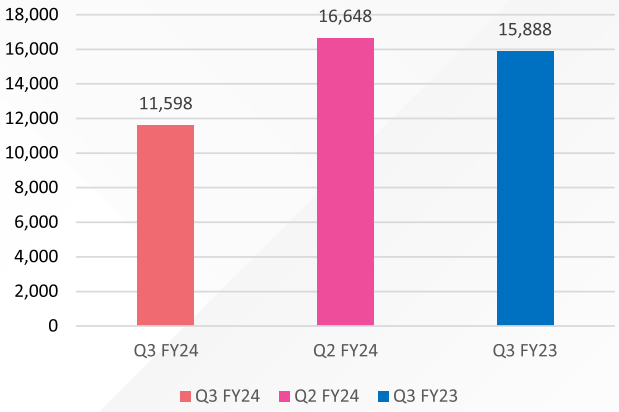
Cashflow(In Cr)



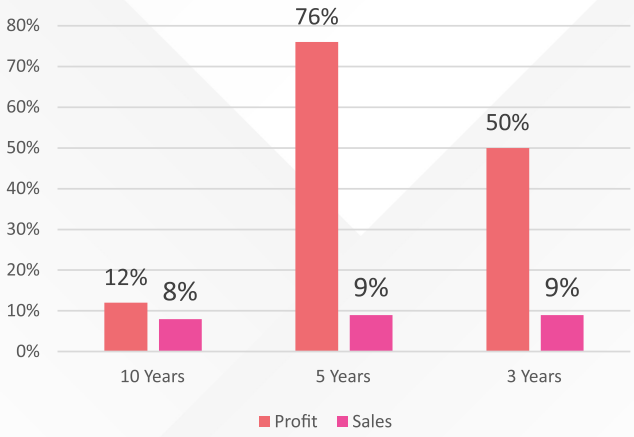
EPS



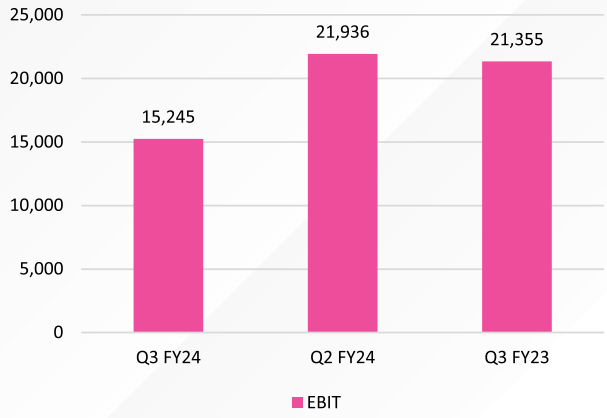
PAT (In Cr)



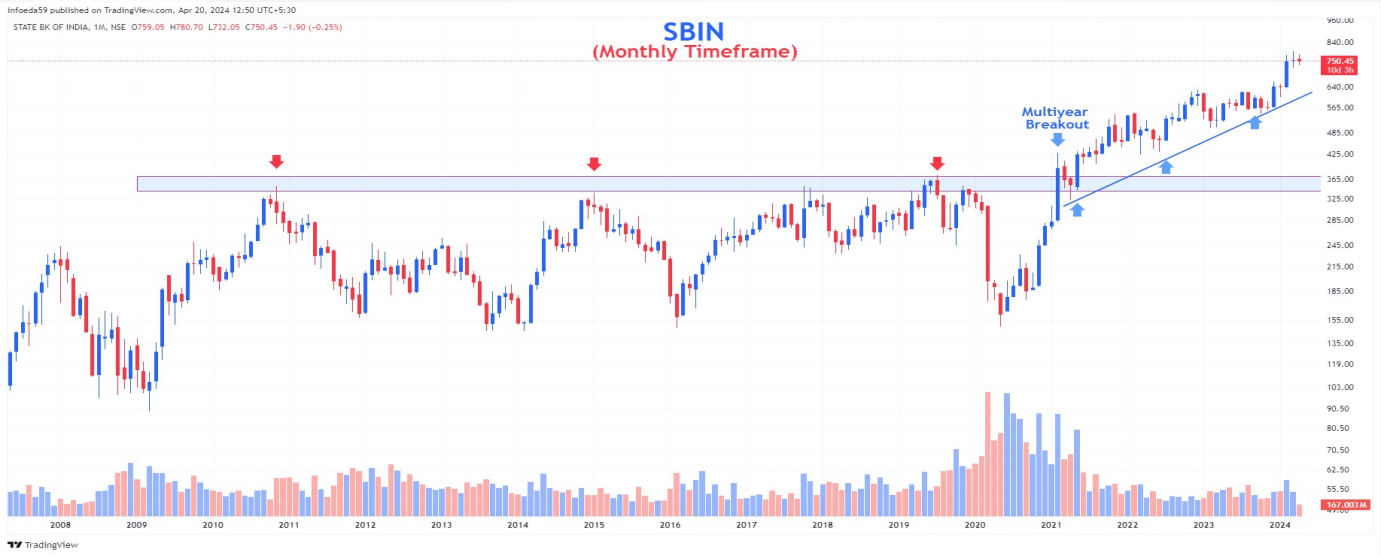
Compounded Growth (In %)



EBIT (In Cr)



Technical Outlook



The chart presents the monthly price action for State Bank of India (SBIN) shares, tracing its performance over several years. The price shows resistance at a level indicated by the horizontal purple line, where the price has peaked multiple times, as pointed out by the red arrows. Notably, there has been a multi-year breakout, where the price has surpassed this resistance level and continues on an uptrend along the ascending blue line. This pattern indicates strong bullish sentiment, suggesting that the stock has consistently found higher support levels over time, potentially signaling sustained investor confidence and positive momentum for SBIN shares. The volume bars at the bottom, while variable, do not show any drastic volume increases during the breakout, which might be an area to watch for confirmation of the trend.

SBI's technical analysis shows a bearish outlook with a consistent decline in SMA and EMA values across 5 to 200-day periods. The longer-term moving averages at 200 days signal a robust downtrend with significant selling pressure. The 200-day SMA is at 634.6 and the EMA at 654.8. Short-term figures suggest some immediate resistance to the bearish momentum, but the trend leans toward a negative bias.

The Relative Strength Index (RSI) indicates a neutral position on a daily scale at 48.94, suggesting no clear trend, whereas the weekly RSI at 63.91 leans towards overbought territory, hinting at potential downward price pressure.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	754.2	753.6
10	760.6	756.5
20	753.9	755.5
50	749.6	736.2
100	686.2	699.3
200	634.6	654.8

Pivot Levels : FIBONACCI		
R1 757.6	Pivot 744.83	S1 737.7
R2 764.8		S2 724.9
R3 777.6		S3 717.7

	Daily	Weekly
Relative Strength Index (RSI)	48.94	63.91

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