

Key Highlights – Q3FY24

- State Bank of India (SBI) posted strong loan book growth, the asset quality improvement continued and NIM profile moderated marginally. However, key highlight of the result was the one time impact due to higher wage provision and pension liability which led to bottom-line profitability coming below expectations.
- Profit after tax stood at ₹92bn down -35% YoY/ -36% QoQ.
- In Q3FY24, NII stood at ₹398bn rising +5% YoY/ +1% QoQ with NIM (domestic) coming in at 3.3%, down -35bps YoY/ -9bps QoQ.
- Overall loan book growth of +14.4% YoY/+5.1% QoQ to ₹35,843bn was driven mainly by the RAM segment while international business also grew in-tandem with the overall business growth.
- Total bank deposits increased by +13% YoY/+2% QoQ to ₹47,622bn. CASA ratio witnessed compression of -330bps YoY/-70bps QoQ to 41.2%.
- Asset Quality further strengthened with GNPA / NNPA falling to 2.4% / 0.6% in Q3FY24.
- During the quarter, return ratios moderated slightly with RoA and RoE coming in at 0.6% and 19.5%.

Important Statistics

Nifty	21,772
Sensex	71,731
M.CAP (₹ tn)	~5.75
52 Week H/L (₹)	660.55/501.55
NSE Code	SBIN
BSE Code	500112
Bloomberg Code	SBIN:IN

Shareholding Pattern Dec'23

Promoters	57.49%
FIIIs	10.91%
DII	24.18%
Public	07.42%

Key takeaways from Q3FY24 result
Relative Performance
Profitability

- In Q3FY24, net interest income stood at ₹398bn up +5% YoY/+1% QoQ at a gradual pace than +23% YoY/+5% QoQ rise in interest earned, on account of the bank witnessing NIM compression.
- During the quarter, overall NIM came in at 3.2% down -28bps YoY/ -7bps QoQ while the domestic NIM fell -35bps YoY/-9bps QoQ to 3.3%.
- The fall in NIMs was mainly due to increase in cost of funds, which rose by ~10bps sequentially to 4.75%. However, yeild on advances remained stable at 8.88%.
- Employee costs stood at ₹194bn rising +31% YoY/ +2% QoQ. During the quarter, the bank made higher wage provision of ₹63bn as against an expectation of ~₹50bn. Management has guided for a further ₹54bn provision in this regard, and would impact the profitability in 4QFY24e.
- SBI also reported an exceptional item representing provision for pension and gratuity liabilities to the tune of ₹71bn. In FY24, employee expense (including wage provision) is likely to be ~₹841bn while it would reduce down to ~₹660bn by FY25, as per the management guidance.
- Operating expenses remained under control with -3% QoQ (+21% YoY) fall to ₹116bn. Resultantly, PPoP came +5% QoQ (-19% YoY) higher at ₹203bn.
- For the quarter, provisions stood at ₹7bn up from ₹1bn in Q2FY23 but significantly down from ₹58bn in Q3FY23.
- Resultantly, reported profit after tax for Q3FY24 stood at ₹92bn down -35% YoY/ -36% QoQ.
- Return ratios moderated sequentially during the quarter with RoE coming down by -310bps QoQ (+88bps YoY) to 19.5% while RoA came off by -39bps QoQ (-46bps YoY) to 0.6%.

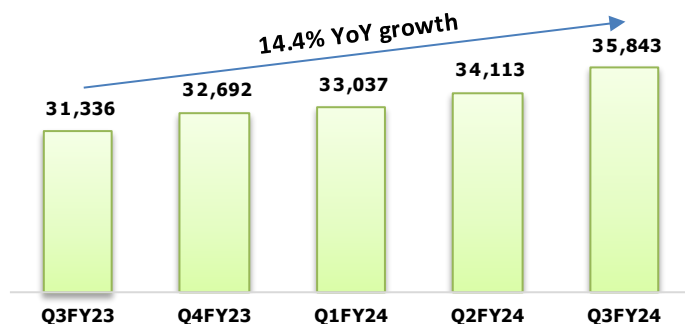
Return (%)	1Yr	3Yr	5Yr
SBI	18%	64%	125%
Nifty 50	23%	46%	97%
Sensex	19%	42%	94%

Source: Company, Way2wealth Research

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Gross Advances (₹ bn)



Source: Company, Way2wealth Research

➤ Balance Sheet

- Gross advances were up +14% YoY/+5% QoQ to ₹35,843bn led by +14.5% YoY/ +5% QoQ growth in domestic advances. Additionally, international business grew at robust pace of +13.9% YoY/ +5% QoQ.
- During the quarter, domestic lending business was led by healthy +15% YoY/ +4% QoQ growth in Retail (Personal) advances to ₹12,963bn while SME segment posted strong +19% YoY/+7% QoQ growth to ₹4,181bn.
- For the quarter, deposit base grew by +13% YoY/+2% QoQ to ₹47,622bn. It was driven by growth in term deposits increasing +19% YoY/+3% QoQ to ₹28,809bn while CASA growth was subdued at +4.5% YoY/flat sequentially to ₹18,813bn.
- Resultantly, CASA ratio in Q3FY24 came in at 41%, down -330bps YoY/-70bps QoQ.

➤ Asset quality

- Improvement in bank's asset quality continued as GNPA contracted -72bps YoY/-13bps QoQ to 2.4% while NNPA fell -13bps YoY/flat QoQ to 0.6%.
- Provision Coverage Ratio (PCR) was down by -195bps YoY/ -128bps QoQ at 74%.
- Slippages in Q3FY24 were up +60% YoY/ +29% QoQ to ₹50bn, while Slippage Ratio contracted by -5 bps YoY/ -3bps QoQ to 0.7%.
- Credit Cost moderated by -12bps YoY/ -2bps QoQ to 0.25% during the quarter.

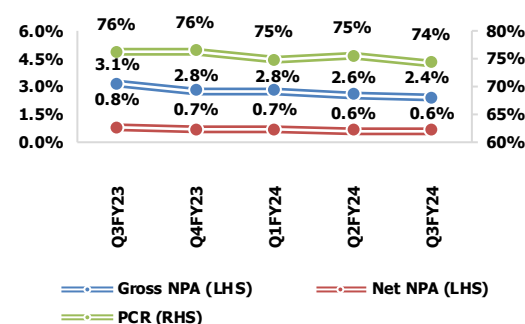
➤ Capital Adequacy

- In Q3FY24, the Capital Adequacy Ratio (CAR) fell -22bps YoY / -123bps QoQ to 13.05%.

Segment (Rs bn)	Q3FY23	Q3FY24	YoY %
Retail Personal	11,245	12,963	15.3%
Agri	2,470	2,917	18.1%
SME	3,506	4,181	19.2%
Corporate	9,250	10,241	10.7%
Domestic	26,472	30,303	14.5%
Overseas	4,864	5,540	13.9%
Total Advances	31,336	35,843	14.4%

Source: Company, Way2wealth

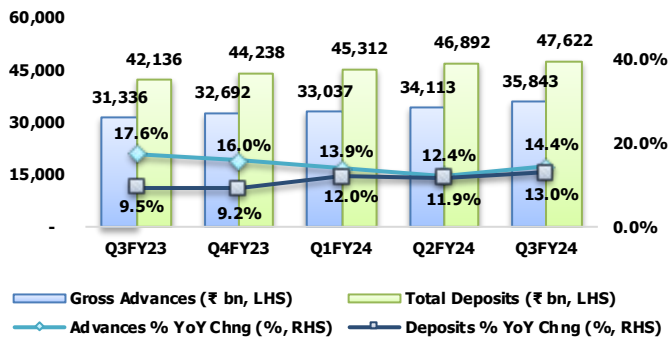
ASSET QUALITY



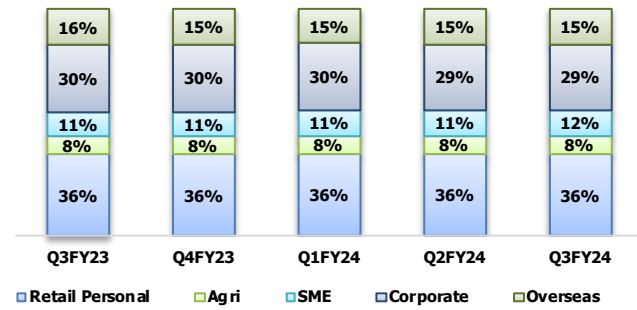
Source: Company, Way2wealth Research

Story in Charts

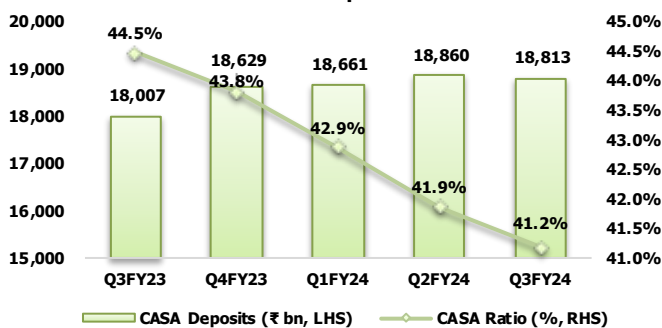
Advances and Deposits



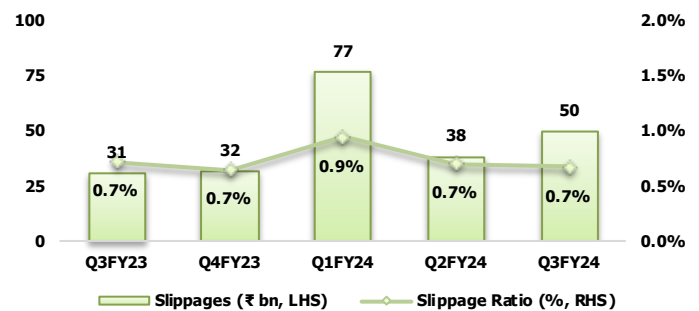
Loan Book Mix



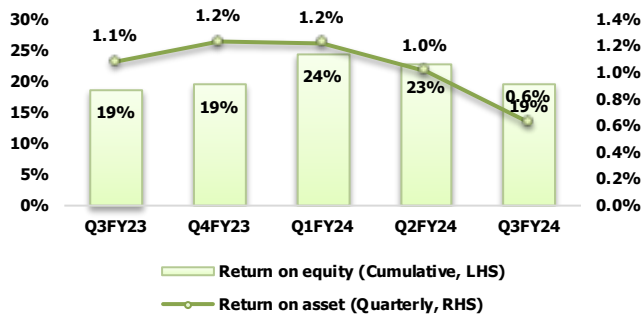
CASA Deposits



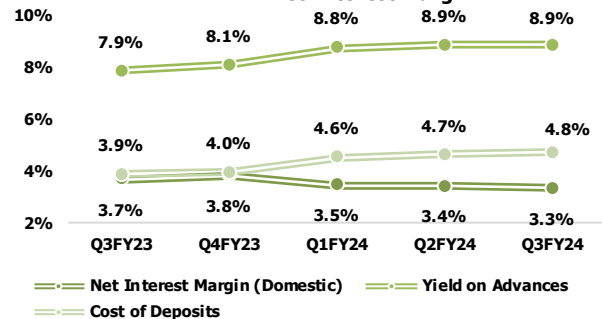
Slippages and Slippage ratio



Return Ratios



Net Interest Margin



Source: Company, Way2wealth Research


 06th February 2024

CMP – ₹643/-

 View – **BUY**
View

State Bank of India posted mixed performance in Q3FY24 as higher wage provision and one-off pension provisions offset the improvement in credit cost and strong loan growth. The management has guided for a further wage related provision hit in fourth quarter. However, the bank's ability to maintain ROA near 1% level, despite such developments, is commendable. With advances / deposit ratio stands at ~75%, SBI is well placed in terms of deposit base as compared to some of the other leading private sector banks.

On the asset quality front, SBI is able to showcase persistent improvement in its GNPA and NNPA ratio. This along-with expectation for low credit cost going forward would support profitability improvement in FY25. Resultantly, SBI is well poised to see significant improvement in its return ratios from next financial year. **While, bank's fundamental parameters are improving notably, its underperformance over a long period vis-à-vis its peers and benchmark index, makes it an attractive bet in the PSU bank space. At CMP of ₹643, the stock is trading at ~1.2x its FY25e P/adj. BV. Thus, we maintain our BUY rating on the stock, for healthy returns over the medium term.**

Financials

(₹ bn)

Particulars (₹ bn)	Q3FY24	Q3FY23	% YoY Chng	Q2FY24	% QoQ Chng	9MFY24	9MFY23	% YoY Chng
Interest/ discount on advances / bills	735	589	25%	703	5%	2,109	1,577	34%
Income on investments	284	245	16%	270	5%	804	706	14%
Interest on balances with RBI & other inter-bank funds	13	7	74%	13	-1%	39	26	48%
Others	35	25	41%	28	24%	88	81	8%
Interest earned	1,067	866	23%	1014	5%	3041	2392	27%
Interest expended	669	485	38%	619	8%	1,859	1,347	38%
Net Interest Income	398	381	5%	395	1%	1,182	1,044	13%
Other income	115	115	0%	108	6%	343	227	51%
Total income	513	495	4%	503	2%	1,525	1,271	20%
Employee costs	194	148	31%	189	2%	549	397	38%
Operating expenses	116	96	21%	119	-3%	326	283	15%
Core Profit	203	252	-19%	194	5%	650	591	10%
Provisions and contingencies	7	58	-88%	1	497%	33	132	-75%
Exceptional item	-	-		-		-	-	
Profit before tax	196	195	1%	193	2%	617	459	35%
Tax expense	34	53	-36%	50	-32%	143	124	15%
Net profit	163	142	14%	143	13%	475	335	42%
Exceptional items	71	-		-		71	-	
Reported PAT	92	142	-35%	143	-36%	404	335	20%
Earnings per share (EPS)	10	16	-35%	16	-36%	45	38	20%
NIM (Overall)	3.2%	3.5%	-28 bps	3.3%	-7 bps	3.3%	3.3%	-1 bps
NIM (Domestic)	3.3%	3.7%	-35 bps	3.4%	-9 bps	3.4%	3.5%	-8 bps
Cost to Income ratio	60.3%	49.1%	1,125 bps	61.4%	-105 bps	57.4%	53.5%	384 bps
Cost to Assets	2.1%	1.9%	25 bps	2.2%	-7 bps	2.0%	1.8%	27 bps

Source: Company, Way2wealth Research

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Disclosure of Interest Statement State Bank of India (SBI) as on 6th February 2024

Name of the Security	State Bank of India (SBI)
Name of the analyst	Prasad Hase
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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