

Key Highlights – Q1FY24

- State Bank of India (SBI) posted mixed bag numbers with lower provisions reported for the quarter, however, NIM compression led to a sequential fall in NII as seen across the board.
- Profit after tax stood at ₹169bn up +178% YoY/flat QoQ aided by surge in non interest income on YoY basis.
- In Q1FY24, NII stood at ₹389bn rose +25% YoY/ fell -4% QoQ with NIM (domestic) coming in at 3.5%, up +24bps YoY/down -37bps QoQ.
- Overall loan book growth of +13.9% YoY/+1.1% QoQ to ₹33,037bn was tad below expectation, mainly on account of subdued growth in international business (+7.4% YoY/-1.9% QoQ).
- Total bank deposits increased by +12% YoY/+2% QoQ to ₹45,312bn. CASA ratio witnessed compression of -245bps YoY/-92 bps QoQ to 42.9%.
- Asset Quality further strengthened with GNPA / NNPA falling to 2.76% / 0.71% in Q1FY24.
- Return ratios improved notably with RoA and RoE reaching to 1.22% and 24.42%.

Important Statistics

M.CAP (₹ tn)	~5.12
52 Week H/L (₹)	629.55/499.35
NSE Code	SBIN
BSE Code	500112

Shareholding Pattern Jun'23

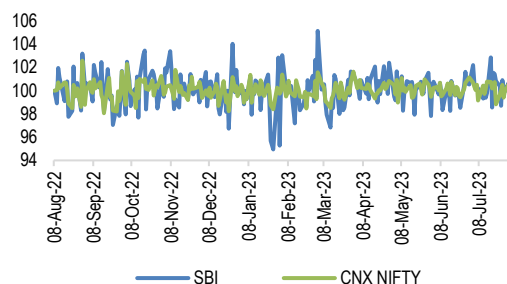
Promoters	57.47%
FII's	10.36%
DII	24.86%
Public	07.31%

Key takeaways from Q1FY24 result

Relative Performance

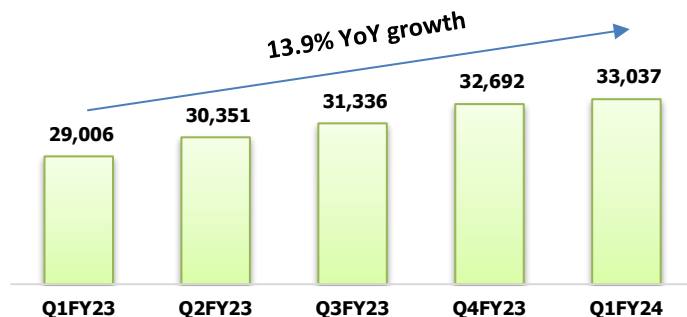
➤ Profitability

- In Q1FY24, net interest income stood at ₹389bn up +25% YoY/down -4% QoQ. The sequential fall was inline with industry trend and due to 37 bps QoQ fall in NIMs (domestic) to 3.47%.
- Subdued growth in fee income was somewhat offset by surge in treasury gains leading to growth of +52% YoY/-6% QoQ in total income to ₹510bn.
- Key highlight for the quarter was the fall in provisions which stood at ₹25bn down -43% YoY/-25% QoQ.
- Resultantly, profit after tax for Q1FY24 came in at ₹169bn up +178% YoY/flat sequentially.
- The bank reported RoA of 1.22% up +74bps YoY and RoE of 24.42% up +1,433bps YoY.



Source: Company, Way2wealth Research

Gross Advances (₹ bn)



Source: Company, Way2wealth Research

Prasad Hase

prasadhase@way2wealth.com
91-22-4019 2908

➤ Balance Sheet

- Gross advances were up +14% YoY/+1% QoQ to ₹33,037bn led by +15% YoY/+2% QoQ growth in domestic advances while international business posted subdued growth of +7% YoY/-2% QoQ.
- Domestic lending business was led by robust +17% YoY/+2% QoQ growth in Retail (Personal) advances to ₹12,043bn while SME segment posted strong +18% YoY/+3% QoQ growth to ₹3,699bn.
- As seen in some of other PSBs, corporate book grew at a bit slower pace than retail book during the quarter, up +12% YoY/-1.6% QoQ at ₹9,822bn.
- Home loans witnessed strong traction in Q1FY24 growing +13% YoY/+2% QoQ to ₹6,525bn while Xpress credit stood at ₹3,108bn up +20% YoY/+2% QoQ.
- For the quarter, deposit base grew by +12% YoY/+2% QoQ to ₹45,312bn. It was driven by growth in term deposits increasing +17% YoY/+4% QoQ to ₹24,862bn while CASA growth was subdued at +6% YoY/flat sequentially.
- Resultantly, CASA ratio in Q1FY24 came in at 43%, down -245bps YoY/-92bps QoQ.

➤ Asset quality

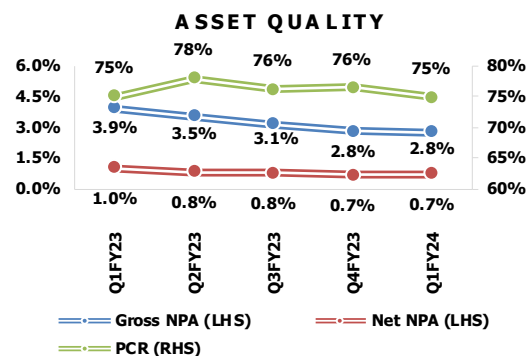
- Improvement in bank's asset quality continued as GNPA contracted -115bps YoY/-2bps QoQ to 2.8% while NNPA fell -29bps YoY/+7 bps QoQ to 0.7%.
- Provision Coverage Ratio (PCR) was marginally down by -23bps YoY at 75%.
- Slippages in Q1FY24 were down 21% YoY to ₹77bn, while Slippage Ratio contracted by 44 bps YoY to 0.94%.
- Credit Cost for the quarter contracted by 29 bps YoY to 0.32%.

➤ Capital Adequacy

- In Q1FY24, the Capital Adequacy Ratio (CAR) was up +113 bps YoY but down marginally by -12 bps QoQ to 14.56%.

Segment (Rs bn)	Q1FY23	Q1FY24	YoY %
Retail Personal	10,341	12,043	16.5%
Agri	2,299	2,641	14.8%
SME	3,128	3,699	18.3%
Corporate	8,740	9,822	12.4%
Domestic	24,508	28,204	15.1%
Overseas	4,498	4,833	7.4%
Total Advances	29,006	33,037	13.9%

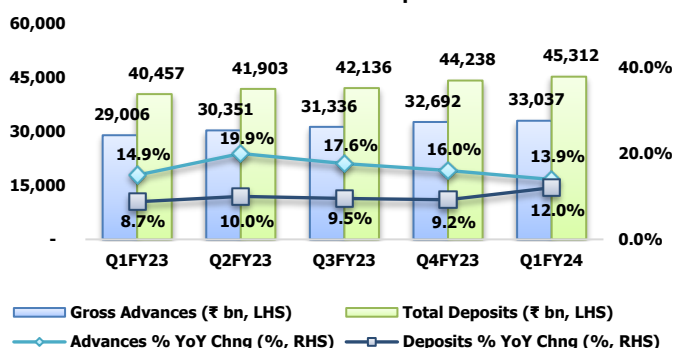
Source: Company, Way2wealth



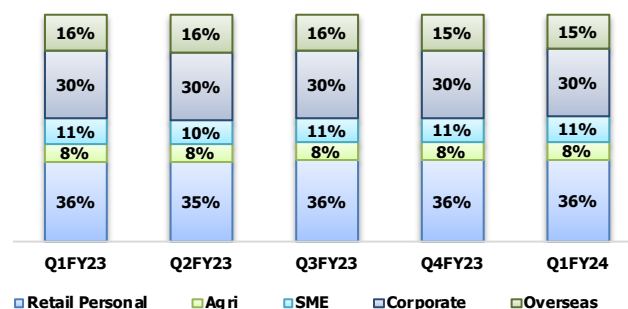
Source: Company, Way2wealth Research

Story in Charts

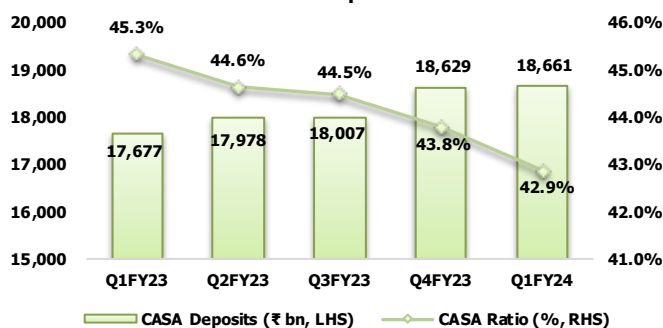
Advances and Deposits



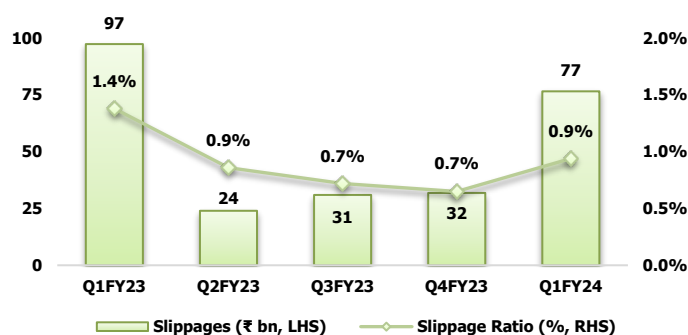
Loan Book Mix



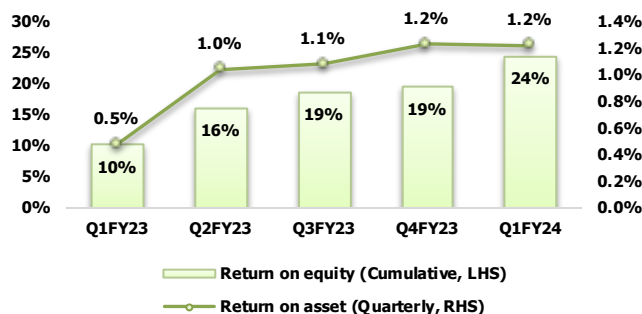
CASA Deposits



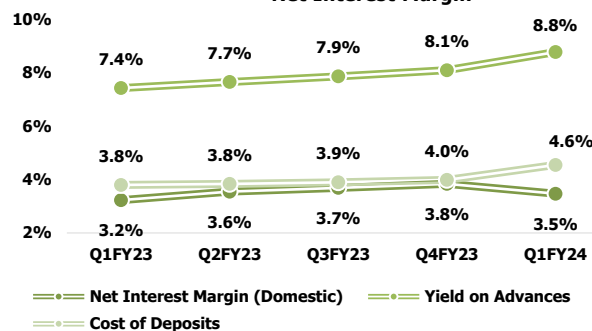
Slippages and Slippage ratio



Return Ratios



Net Interest Margin



Source: Company, Way2wealth Research



10th August 2023

CMP – ₹573/-

View – **BUY**

Risks

Being the country's largest bank, SBI sits front and center in the country's endeavour to become a \$5tn economy by 2025. However, its broad-based exposure to nearly every industry and sector also means that it is proportionately vulnerable to micro and macro-economic shocks that the industry and sector may face.

View

State Bank of India posted robust performance in Q1FY24 as the domestic business witnessed mid-teen growth in a cyclically weak quarter and the deposit growth momentum picked up well.

Although, interest rate hike resulted in some sequential margin compression, NIMs are likely to remain stable going forward as indicated by the management.

Consistent improvement in asset quality is reflective of the improving business metrics and management expectations of recoveries ahead of slippages in following quarters underlines the confidence in further improvement of asset quality.

Despite challenging global environment, SBI managed to post 14% YoY growth in assets, thus any improvement in external macro-economic situation may provide the necessary thrust to surpass management guidance for overall loan book growth of 12%-14% for FY24.

At the current market price of 573, the company is trading at 1.2x FY25E (core bank ABVPS). We believe healthy liquidity position, strong branch network to tap in pick in rural demand and improving performance in digital banking via YONO likely to drive robust business growth going forward for the bank while asset quality improvement would continue to enhance profitability and return ratios, **thus we believe there is a significant upside in the stock and reiterate our recommendation to Buy the stock.**


 10th August 2023

CMP – ₹573/-

 View – **BUY**
Financials

(₹ bn)								
Particulars (₹ bn)	Q1FY22	Q1FY23	YoY%	Q4FY23	QoQ%	FY23	FY22	YoY %
Interest/ discount on advances / bills	671	465	44%	637	5%	2,214	1,718	29%
Income on investments	250	224	11%	253	-1%	959	849	13%
Interest on balances with RBI & other inter-bank funds	14	12	15%	8	61%	35	44	-20%
Others	25	26	-4%	31	-21%	113	144	-22%
Interest earned	960	727	32%	930	3%	3321	2755	21%
Interest expended	571	415	38%	526	9%	1,873	1,547	21%
Net Interest Income	389	312	25%	404	-4%	1,448	1,207	20%
Other income	121	23	422%	140	-14%	366	406	-10%
Total income	510	335	52%	544	-6%	1,815	1,613	13%
Operating expenses	257	208	24%	297	-14%	977	860	14%
Core Profit	253	128	98%	246	3%	837	753	11%
Provisions and contingencies	25	44	-43%	33	-25%	165	245	-32%
Exceptional item	-	-	-	-	-	-	74	-
Profit before tax	228	84	173%	213	7%	672	434	55%
Tax expense	59	23	158%	46	28%	170	117	45%
Net profit	169	61	178%	167	1%	502	317	59%
Earnings per share (EPS)	19	7	178%	19	1%	56	35	59%
NIM (Overall)	3.3%	3.0%	31 bps	3.6%	-27 bps	3.4%	3.1%	25 bps
NIM (Domestic)	3.5%	3.2%	24 bps	3.8%	-37 bps	3.6%	3.4%	22 bps
Cost to Income ratio	50.4%	61.9%	-1,157 bps	54.7%	-433 bps	53.9%	53.3%	56 bps
Cost to Assets	1.9%	1.7%	20 bps	2.2%	-33 bps	1.9%	1.8%	5 bps

Source: Company, Way2wealth Research



Disclaimer

Analyst Certification: I, Prasad Hase, the research analyst and author of this report, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s), principally responsible for the preparation of this research report, receives compensation based on overall revenues of the company (Way2Wealth Brokers Private Limited, hereinafter referred to as Way2Wealth) and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

It is confirmed that Prasad Hase, the author of this report has not received any compensation from the companies mentioned in the report in the preceding 12 months. Our research professionals are paid in part based on the profitability of Way2Wealth, which include earnings from other business. Neither Way2Wealth nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information contained in this report.

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. Way2Wealth is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. The contents of this material are general and are neither comprehensive nor appropriate for every individual and are solely for the informational purposes of the readers. This material does not take into account the specific objectives, financial situation or needs of an individual/s or a Corporate/s or any entity/s.

This research has been prepared for the general use of the clients of the Way2Wealth and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient, you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Way2Wealth will not treat recipients as customers by virtue of their receiving this report. The distribution of this document in other jurisdictions may be restricted by the law applicable in the relevant jurisdictions and persons into whose possession this document comes should inform themselves about, and observe any such restrictions.

The report is based upon information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up to date and it should not be relied upon as such. Way2Wealth or any of its affiliates or employees makes no warranties, either express or implied of any kind regarding any matter pertaining to this report, including, but not limited to warranties of suitability, fitness for a particular purpose, accuracy, timeliness, completeness or non-infringement. We accept no obligation to correct or update the information or opinions in it. Way2Wealth or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. The recipients of this report should rely on their own investigations. In no event shall Way2Wealth be liable for any damages of any kind, including, but not limited to, indirect, special, incidental, consequential, punitive, lost profits, or lost opportunity, whether or not Way2Wealth has advised of the possibility of such damages.

This material contains statements that are forward-looking; such statements are based upon the current beliefs and expectations and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. These uncertainties include but are not limited to: the risk of adverse movements or volatility in the securities markets or in interest or foreign exchange rates or indices; adverse impact from an economic slowdown; downturn in domestic or foreign securities and trading conditions or markets; increased competition; unfavorable political and diplomatic developments; change in the governmental or regulatory policies; failure of a corporate event and such others. This is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any particular trading strategy. No part of this material may be copied or duplicated in any form by any means or redistributed without the written consent of Way2Wealth. In no event shall any reader publish, retransmit, redistribute or otherwise reproduce any information provided by Way2Wealth in any format to anyone. Way2Wealth and its affiliates, officers, directors and employees including persons involved in the preparation or issuance of this report may from time to time have interest in securities / positions, financial or otherwise in the securities related to the information contained in this report.

To enhance transparency, Way2Wealth has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

Disclosure of Interest Statement State Bank of India (SBI) as on August 10, 2023

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
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

This information is subject to change without any prior notice. Way2Wealth reserves at its absolute discretion the right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, Way2Wealth is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors