Research Desk 🗢

15th November 2023

CMP - ₹581/-

View - BUY

Key Highlights - Q2FY24

- State Bank of India (SBI) reported stable earnings with lower NPA provisions for the quarter, offset by elevated employee costs on account of higher wage provisions.
- Profit after tax stood at ₹143bn up +8% YoY/ -15% QoQ.
- In Q2FY24, NII stood at ₹395bn rising +12% YoY/ +2% QoQ with NIM (domestic) coming in at 3.6%, down -12bps YoY/ -4bps QoQ.
- Overall loan book growth of +12.4% YoY/+3.3% QoQ to ₹34,113bn was driven mainly by the RAM segment while international business also grew strong during the quarter.
- Total bank deposits increased by +12% YoY/+3% QoQ to ₹46,892bn. CASA ratio witnessed compression of -275bps YoY/-100bps QoQ to 41.9%.
- Asset Quality further strengthened with GNPA / NNPA falling to 2.6% / 0.6% in Q2FY24.
- During the guarter, return ratios moderated slightly with RoA and RoE coming in at 1.01% and 22.57%.

Important Statistics				
Nifty	19,444			
Sensex	64,934			
M.CAP (₹ tn)	5.21			
52 Week H/L (₹)	629.55/499.35			
NSE Code	SBIN			
BSE Code	500112			
Bloomberg Code	SBIN:IN			

Shareholding Pattern	Sep'23
Promoters	57.49%
FIIs	10.72%
DII	24.39%
Public	07.41%

Key takeaways from Q2FY24 result

Profitability

- o In O2FY24, net interest income stood at ₹395bn up +12% YoY/ +2% QOQ despite the bank witnessing NIM compression.
- During the quarter, overall NIM came in at 3.31% down -3bps YoY/ 4bps QoQ while the domestic NIM fell -12bps YoY/-4bps QoQ to 3.45%
- Lower income from revaluation of investments led to a sequential fall in other income, which somewhat offset the rise in interest income leading total income increasing +14% YoY / flat QoQ to ₹503bn.
- o Surge in employee expenses by +47% YoY/ +14% QoQ to ₹189bn was primarily on account of higher wage provisions during the guarter.
- Key highlight for the quarter was the fall in provisions which stood at ₹1bn down from ₹30bn in Q2FY23 and ₹25bn in Q1FY24.
- Resultantly, profit after tax for Q2FY24 came in at ₹143bn up +8% YoY/ -15% sequentially.
- Return ratios moderated sequentially during the quarter with RoE coming down by -185bps QoQ (+647bps YoY) to 22.6% while RoA came off by -21bps QoQ (-3bps YoY) to 1.0%.

Relative Performance

Return (%)	1Yr	3Yr	5Yr
SBI	-3%	139%	100%
Nifty 50	7%	54%	85%
Sensex	6%	50%	86%

Source: Company, Way2wealth Research

Gross Advances (₹ bn)



Source: Company, Way2wealth Research

Prasad Hase

prasadhase@way2wealth.com

91-22-4019 2908

YoY %

15.7%

14.8%

22.8%

6.6%

13.2%

8.1%

12.4%

Q2FY23

10,749

2,386

3,169

9,170

25,474

4,877

30,351

Segment (Rs bn)

Retail Personal

Agri

SME

Corporate

Domestic

Overseas

Total Advances

Source: Company, Way2wealth

78%

3.5%

6.0%

4.5%

15th November 2023 CMP - ₹581/-

View - BUY

Q2FY24

12,434

2.739

3,890

9,777

28,840

5,272

34,113

Balance Sheet

- Gross advances were up +12% YoY/+3% QoQ to ₹34,113bn led by +13% YoY/ +2% QoQ growth in domestic advances. Additionally, international business grew at robust pace of +8% YoY/ +9% QoQ.
- During the guarter, domestic lending business was led by healthy +16% YoY/ +3% QoQ growth in Retail (Personal) advances to ₹12,434bn while SME segment posted strong +23% YoY/+5% QoQ growth to ₹3,890bn.
- Momentum in corporate loan book growth remained soft at +7% YoY/flat QoQ to ₹9,777bn with many corporates having undisbursed lines of sanctioned loans.
- Home loans witnessed strong traction in Q1FY24 growing +13% YoY/+3% QoQ to ₹6,722bn while Xpress credit stood at ₹3,203bn up +18% YoY/+3% QoQ.
- For the quarter, deposit base grew by +12% YoY/+3% QoQ to ₹46,892bn. It was driven by growth in term deposits increasing +17% YoY/+5% QoQ to ₹26,173bn while CASA growth was subdued at +5% YoY/flat sequentially at ₹18,860bn.
- Resultantly, CASA ratio in Q2FY24 came in at 42%, down -275bps YoY/-100bps QoQ.

Asset quality

- Improvement in bank's asset quality continued as GNPA contracted -97bps YoY/-21bps QoQ to 2.6% while NNPA fell -16bps YoY/-7 bps QoQ to 0.6%.
- Provision Coverage Ratio (PCR) was down by -248bps YoY/ +63bps QoQ at 75%.
- Slippages in O2FY24 were up +60% YoY/ down -50% OoQ to ₹38bn, while Slippage Ratio contracted by -16 bps YoY/ -24bps QoQ to 0.7%.
- Credit Cost moderated by -18bps YoY/ -5bps QoQ to 0.27% duirng the quarter.

3.1% 70% 3.0% 0.8% 0.8% 0.7% 0.7% 0.6% 65% 1.5% 60% 0.0% **Q2FY24** Q1FY24 Gross NPA (LHS) - Net NPA (LHS) PCR (RHS)

ASSET QUALITY

76%

75%

75%

80%

75%

Source: Company, Way2wealth Research

76%

Capital Adequacy

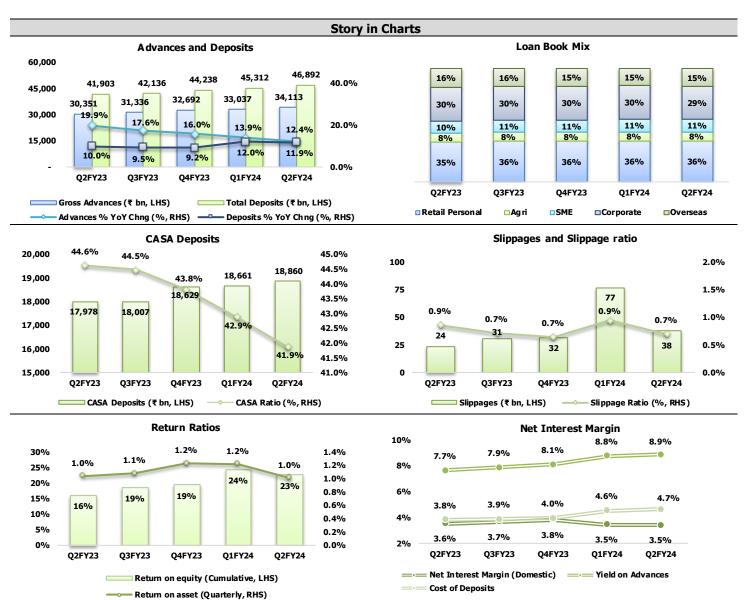
o In Q2FY24, the Capital Adequacy Ratio (CAR) fell -28bps sequentially but up +77bps YoY to 14.28%.

W2W Lighthouse - A Quick Perspective

15th November 2023

CMP - ₹581/-

View - BUY



Source: Company, Way2wealth Research

View

State Bank of India posted stable performance in Q2FY24 supported by robust overall loan-book growth, which came largely in-line with the management guidance, as well as improving asset quality. Significant reduction in the provisions during the quarter, highlights the confidence management has, in the asset franchise it has built, especially in the unsecured book. On the operational front, although bank's decision on revision of wage provision from 10% to 14% may have impact on the profitability, it may be transitory in nature and likely to be offset by lower provisions.

CMP - ₹581/-

The banks' focus on growing its non-corporate book at a higher pace, provides the comfort in the assumption that the credit cost could remain stable at around current levels and in-fact may have headroom for further improvement. Also supportive is the subsidiaries' performance during the quarter, which will remain value accretive to the bank going forward.

At CMP of ₹581, the stock is trading at ~1.3x its FY25e P/adj. BV and we believe on the back of strong fundamentals, robust quarterly earnings result and given the bank's underperformance relative to its listed PSB peers, it provides significant room for upside potential and thus maintain our BUY rating on the bank.

W2W Lighthouse - A Quick Perspective

Financials

			I illaliciais)				
								(₹bn)
Particulars (₹ bn)	Q2FY24	Q2FY23	% YoY Chng	Q1FY24	% QoQ Chng	1HFY24	1HFY23	% YoY Chng
Interest/ discount on advances / bills	703	524	34%	671	5%	1,374	989	39%
Income on investments	270	237	14%	250	8%	520	461	13%
Interest on balances with RBI & other inter-bank funds	13	7	75%	14	-5%	26	19	38%
Others	28	31	-8%	25	14%	53	57	-6%
Interest earned	1,014	799	27%	960	6%	1974	1525	29%
Interest expended	619	447	39%	571	8%	1,189	862	38%
Net Interest Income	395	352	12%	389	2%	784	664	18%
Other income	108	89	22%	121	-11%	229	112	104%
Total income	503	441	14%	510	-1%	1,013	776	31%
Employee costs	189	129	47%	166	14%	355	249	43%
Operating expenses	119	101	19%	91	32%	210	188	12%
Core Profit	194	211	-8%	253	-23%	447	339	32%
Provisions and contingencies	1	30	-96%	25	-95%	26	74	-65%
Exceptional item	-	-		-		-	-	
Profit before tax	193	181	7%	228	-15%	421	264	59%
Tax expense	50	48	3%	59	-16%	109	71	53%
Net profit	143	133	8%	169	-15%	312	193	61%
Earnings per share (EPS)	16	15	8%	19	-15%	35	22	61%
NIM (Overall)	3.3%	3.3%	-3 bps	3.3%	-4 bps	3.3%	3.2%	14 bps
NIM (Domestic)	3.4%	3.6%	-12 bps	3.5%	-4 bps	3.5%	3.4%	6 bps
Cost to Income ratio	61.4%	52.1%	933 bps	50.4%	1,102 bps	55.8%	56.3%	-49 bps
Cost to Assets	2.2%	1.8%	38 bps	1.9%	31 bps	2.0%	1.7%	27 bps

Source: Company, Way2wealth Research

View - BUY

State Bank of India (SBI)

15th November 2023 CMP - ₹581/-

<u>Disclaimer</u>

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 November 15, 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	NIL
contained	
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	NIL
contained	IVIL
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