

**Key Highlights – Q4FY24**

- State Bank of India (SBI) in Q4FY24 posted an all-round performance with healthy loan book growth, stable net interest margin trends and improving asset quality profile. On RBI's proposed additional provisioning for Project Financing, the bank clarified that it is in comfortable position to absorb incremental provisions.
- Reported Profit after tax stood at ₹207bn up +24% YoY/ +126% QoQ.
- In Q4FY24, NII stood at ₹417bn rising +3% YoY/ +5% QoQ with NIM (domestic) coming in at 3.5%, down -37bps YoY/ up +13bps QoQ.
- Overall loan book growth of +15.2% YoY/ +5.1% QoQ to ₹37,675bn was driven mainly by the corporate book while international business growth remained muted during the quarter.
- Total bank deposits increased by +11.1% YoY/ +3.2% QoQ to ₹49,161bn. CASA ratio witnessed compression of -269bps YoY/ -7bps QoQ to 41.1%.
- Asset Quality further strengthened with GNPA / NNPA falling to 2.2% / 0.6% in Q4FY24.
- During the quarter, return ratios improved with RoA and RoE coming in at 1.4% and 20.3%.

**Important Statistics**

<b>Nifty</b>	22,200.55
<b>Sensex</b>	72,987
<b>M.CAP (₹ tn)</b>	7.31
<b>52 Week H/L (₹)</b>	839.65/543.20
<b>NSE Code</b>	SBIN
<b>BSE Code</b>	500112
<b>Bloomberg Code</b>	SBIN:IN

**Shareholding Pattern Mar'24**

Promoters	57.54%
FIIs	11.09%
DII	23.99%
Public	07.38%

**Key takeaways from Q4FY24 result**

- **Profitability**
  - In Q4FY24, net interest income stood at ₹417bn up +3% YoY/+5% QoQ. Amid elevated interest rate environment interest expense came in at ₹694bn higher by +32% YoY/+4% QoQ, however, it was somewhat offset by the improvement in yields leading to interest income rising by +19% YoY/+4% QoQ to ₹1,110bn.
  - During the quarter, overall NIM came in at 3.3% down -30bps YoY/ up +8bps QoQ while the domestic NIM fell -37bps YoY but up +13bps QoQ to 3.5%.
  - The sequential improvement in domestic NIMs was primarily on account of bank's ability to restrict the rise in cost of funds to 6bps QoQ leading to 4.8% in Q4FY24. Additionally, yield on advances also improved 3bps QoQ to 8.9%.
  - Employee costs stood at ₹163bn coming down by -7% YoY/-16% QoQ. One time wage revision expense provided by the bank during FY24 was ~₹134bn. Staff expenses would likely increase by ~₹5bn per month in FY25, which could result to overall employee cost range between ~₹650-700bn.
  - Operating expenses increased by +15% YoY/+20%QoQ to ₹139bn. Going forward, management expects the increase in opex to grow at a gradual pace compared to balance sheet growth rate. Thus, PPOP for the quarter, came higher by +17% YoY/+41% QoQ at ₹287bn.
  - For the quarter, provisions stood at ₹16bn up from ₹7bn in Q3FY24 but significantly lower from ₹33bn in Q4FY23. In FY24, bank made ₹1.2bn provisions towards investments in AIFs.

**Relative Performance**

Return (%)	1Yr	3Yr	5Yr
<b>SBI</b>	<b>40%</b>	<b>104%</b>	<b>131%</b>
<b>Nifty 50</b>	22%	52%	98%
<b>Sensex</b>	18%	50%	96%

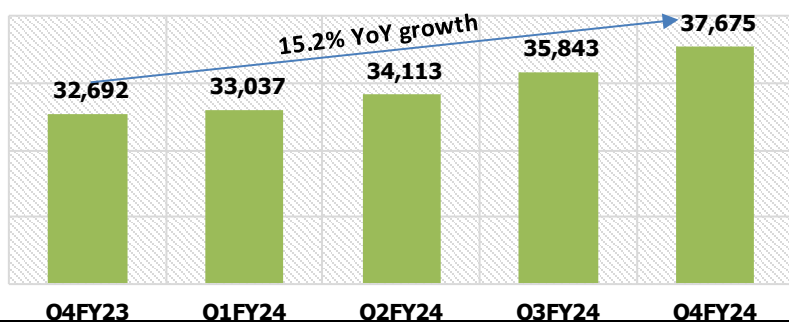
Source: Company, Way2wealth Research

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- Resultantly, reported profit after tax for Q4FY24 stood at ₹207bn up +24% YoY/ +126% QoQ.
- Return ratios improved notably during the quarter with RoE rising by +89bps YoY/+85bps QoQ to 20.3% while RoA expanded by +13bps YoY/+74bps QoQ to 1.4%.

**Gross Advances (₹ bn)**



Source: Company, Way2wealth Research

➤ **Balance Sheet**

- Gross advances were up +15.2% YoY/+5.1% QoQ to ₹37,675bn led by +16.3% YoY/ +6.5% QoQ growth in domestic advances. This quarter, overseas business grew at muted pace of +9.5% YoY/-2.7% QoQ.
- During the quarter, domestic lending business was led by healthy +15% YoY/ +4% QoQ growth in Retail (Personal) advances to ₹13,523bn while SME segment posted strong +21% YoY/+4% QoQ growth to ₹4,330bn. Corporate lending book grew strongly at +16% YoY/+11% QoQ to ₹11,382bn.
- For the quarter, deposit base grew by +11.1% YoY/+3.2% QoQ to ₹49,161bn. It was driven by growth in term deposits increasing +16% YoY/+4% QoQ to ₹27,823bn while CASA growth was subdued at +4.2% YoY/+3.2% QoQ to ₹19,420bn.
- Resultantly, CASA ratio in Q4FY24 stood at 41%, down -269ps YoY/-7bps QoQ.

➤ **Asset quality**

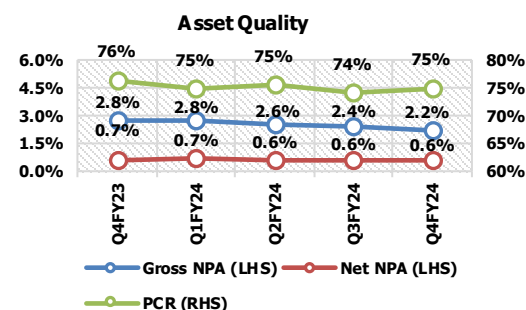
- Improvement in bank's asset quality continued as GNPA contracted -54bps YoY/-18bps QoQ to 2.2% while NNPA fell -10bps YoY/-7bps QoQ to 0.6%.
- Provision Coverage Ratio (PCR) fell by -137bps YoY/ expanded by +85bps QoQ at 75%.
- Slippages in Q4FY24 were up +21% YoY/ down-22% QoQ to ₹39bn, while Slippage Ratio remained flat on YoY and QoQ basis at 0.7%.
- Credit Cost remained largely flat at 0.3% (-3bps YoY/ +4bps QoQ).

➤ **Capital Adequacy**

- In Q4FY24, the Capital Adequacy Ratio (CAR) fell -40bps YoY / up +123bps QoQ to 14.28%.

Segment (Rs bn)	Q4FY23	Q4FY24	YoY %
Retail Personal	11,792	13,523	14.7%
Agri	2,586	3,049	17.9%
SME	3,593	4,330	20.5%
Corporate	9,798	11,382	16.2%
Domestic	27,768	32,284	16.3%
Overseas	4,924	5,391	9.5%
<b>Total Advances</b>	<b>32,692</b>	<b>37,675</b>	<b>15.2%</b>

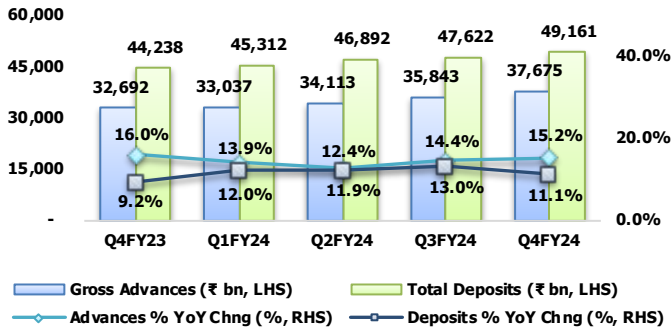
Source: Company, Way2wealth



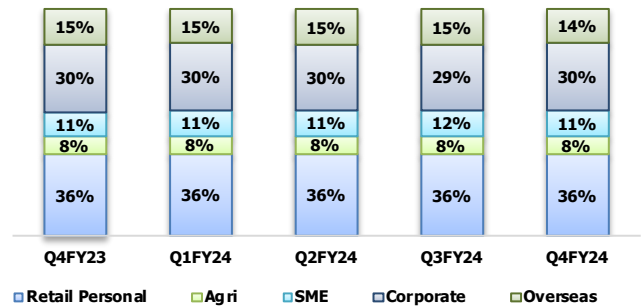
Source: Company, Way2wealth Research

**Story in Charts**

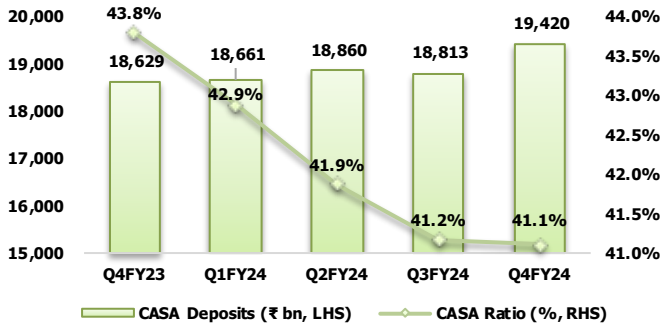
**Advances and Deposits**



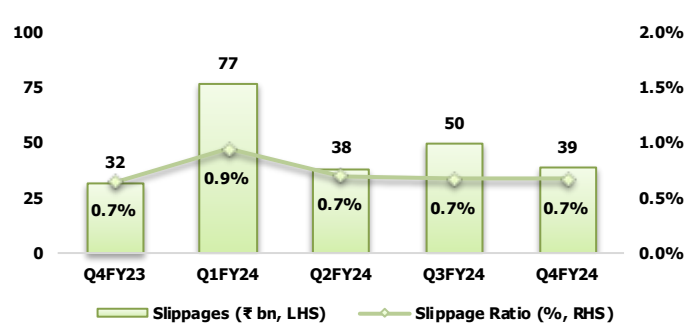
**Loan Book Mix**



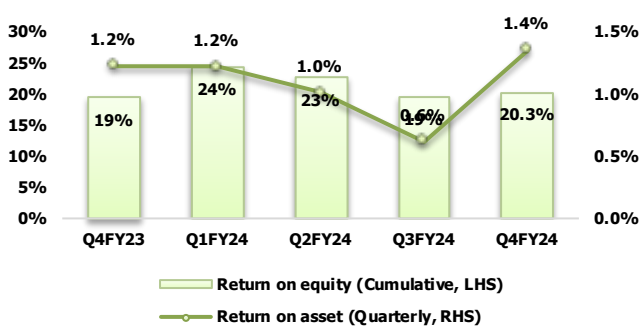
**CASA Deposits**



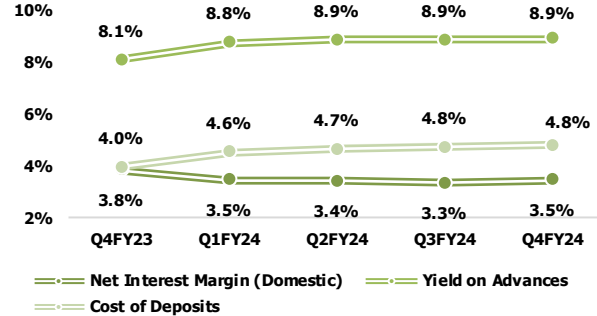
**Slippages and Slippage ratio**



**Return Ratios**



**Net Interest Margin**



Source: Company, Way2wealth Research

16<sup>th</sup> May 2024

CMP – ₹820/-

View – BUY

**View**

State Bank of India posted an all-round performance in Q4FY24 clocking an impressive 15%+ loan book growth as well as sustaining NIMs profile amid high interest rate environment. Management has also provided strong guidance of 13-15% advances growth in FY25 with an anticipation of maintaining current levels of NIMs. Additionally, majority of the bank's deposit base has been repriced leaving a little room for further increase in cost of deposits for future. Guidance for 12-13% deposit growth also looks reasonable with focus on increasing the CASA mix.

Key driver for the bank's earnings growth going forward is likely to be the improvement in asset quality and increase in PCR would support it. With healthy balance sheet and strong capital position, the bank is well positioned to deliver strong business performance going forward. After posting an underperformance over a relatively longer time horizon, **SBI has rewarded its investors well in last couple of quarters. Anticipating healthy improvement in return ratios, we expect such price performance to continue going forward as well. At CMP of ₹820, the stock is trading at ~1.3x its FY26e P/adj. BV. Thus, we maintain our BUY rating on the stock.**

**Financials**

(₹ bn)

Particulars (₹ bn)	Q4FY24	Q4FY23	% YoY Chng	Q3FY24	% QoQ Chng	FY24	FY23	% YoY Chng
Interest/ discount on advances / bills	771	637	21%	735	5%	2,880	2,214	30%
Income on investments	282	253	11%	284	-1%	1,086	959	13%
Interest on balances with RBI & other inter-bank funds	12	8	38%	13	-9%	51	35	46%
Others	45	31	45%	35	29%	134	113	18%
<b>Interest earned</b>	<b>1,110</b>	<b>930</b>	<b>19%</b>	<b>1,067</b>	<b>4%</b>	<b>4151</b>	<b>3321</b>	<b>25%</b>
Interest expended	694	526	32%	669	4%	2,553	1,873	36%
<b>Net Interest Income</b>	<b>417</b>	<b>404</b>	<b>3%</b>	<b>398</b>	<b>5%</b>	<b>1,599</b>	<b>1,448</b>	<b>10%</b>
Other income	174	140	24%	115	52%	517	366	41%
<b>Total income</b>	<b>590</b>	<b>544</b>	<b>9%</b>	<b>513</b>	<b>15%</b>	<b>2,116</b>	<b>1,815</b>	<b>17%</b>
Employee costs	163	176	-7%	194	-16%	712	573	24%
Operating expenses	139	121	15%	116	20%	465	405	15%
<b>Core Profit</b>	<b>287</b>	<b>246</b>	<b>17%</b>	<b>203</b>	<b>41%</b>	<b>938</b>	<b>837</b>	<b>12%</b>
Provisions and contingencies	16	33	-51%	7	134%	49	165	-70%
Exceptional item	-	-		-		-	-	
<b>Profit before tax</b>	<b>271</b>	<b>213</b>	<b>27%</b>	<b>196</b>	<b>38%</b>	<b>889</b>	<b>672</b>	<b>32%</b>
Tax expense	64	46	40%	34	90%	207	170	22%
<b>Net profit</b>	<b>207</b>	<b>167</b>	<b>24%</b>	<b>163</b>	<b>27%</b>	<b>682</b>	<b>502</b>	<b>36%</b>
<b>Exceptional items</b>	<b>-</b>	<b>-</b>		<b>71</b>		<b>71</b>	<b>-</b>	
<b>Reported PAT</b>	<b>207</b>	<b>167</b>	<b>24%</b>	<b>92</b>	<b>126%</b>	<b>611</b>	<b>502</b>	<b>22%</b>
Earnings per share (EPS)	23	19	24%	10	126%	68	56	22%
NIM (Overall)	3.3%	3.6%	-30 bps	3.2%	8 bps	3.3%	3.4%	-9 bps
<b>NIM (Domestic)</b>	<b>3.5%</b>	<b>3.8%</b>	<b>-37 bps</b>	<b>3.3%</b>	<b>13 bps</b>	<b>3.4%</b>	<b>3.6%</b>	<b>-15 bps</b>
Cost to Income ratio	51.3%	54.7%	-340 bps	60.3%	-904 bps	55.7%	53.9%	179 bps
Cost to Assets	2.0%	2.2%	-20 bps	2.1%	-11 bps	2.0%	1.9%	15 bps

Source: Company, Way2wealth Research

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**Disclosure of Interest Statement State Bank of India (SBI) as on 16<sup>th</sup> May 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
Way2Wealth ownership of any stock related to the information contained	NIL
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