

**Key Highlights – Q3FY22**

- Highest quarterly net profit of ₹8,432Cr, 62% up YoY
- Overall loan growth improves led by Retail and International book
- Improvement in Asset Quality; Restructured book contained at 1.2%
- Operating expenses contained, provisions declined
- Trading at attractive valuation of ~1.2x trailing P/B

**Important Statistics**

<b>M.CAP (₹ tn)</b>	~₹4.74
<b>52 Week H/L (₹)</b>	549/321.30
<b>NSE Code</b>	SBIN
<b>BSE Code</b>	500112

<b>Shareholding Pattern</b>	<b>Dec'21</b>
Promoters	57.60%
FIIIs	10.37%
DII	24.25%
Public	7.77%
Others	0.01%

**Key takeaways from Q3FY22 result**

- **Advances**
  - Advances growth of ~8.5% yoy was led by strong growth in personal retail, driven by home loans, Xpress credit and gold loans.
  - It was also aided by robust growth in International loans due to increase in trade finance and local loans done in geographies. Also factoring is a new level of activity which has given decent growth. The bank expects to see similar trends going forward.
  - Corporate growth is seeing traction reflected in unutilization limits which has come down to 43% levels from 52% in previous quarter.
  - The management said that going forward the bank should witness decent loan growth.
- **Deposits**
  - The bank saw a steady deposit growth of 9%; CASA and Term deposit grew by 10% and 8% respectively.
  - The CASA share improved slightly to ~46% levels from ~45% average of last four fiscals.
  - The bank mentioned that it will not resort to increase in savings bank rate but look at certain term deposit bucket depending on the situation.
  - 65% of new saving accounts opened through Yono in 9MFY22.
- **Margins**
  - The bank's net interest margin expanded to 3.4%, up 6 bps YoY, led by increase in yields on advances.
  - With interest rates set to rise, the bank's margin and investment income would be key monitorable.
- **Operational performance**
  - Operating Profit increased by 6.86% YoY to ₹18,522Cr in Q3FY22 from ₹17,333Cr in Q3FY21.
  - Operating expense growth was flattish with focus on improving income streams and could further fall on the bank's digital initiatives.

**Key Segmental numbers-Q3FY22**

	<b>YoY Growth %</b>
<b>Overall Advances</b>	<b>8.5%</b>
Retail Loans	15%
Home Loans	11%
Xpress Credit	29%
Gold Loans	26%
<b>International</b>	<b>21%</b>
SME Loans	5%
Corporate Loans	-1%

	<b>Q3FY22</b>	<b>Q2FY22</b>	<b>Q3FY21</b>
NIM (domestic)	3.40%	3.50%	3.34%
CASA ratio	45.74%	46.24%	45.15%
Cost to Income	52.98%	54.10%	54.47%
Cost to Asset	1.78%	1.84%	1.95%

**➤ Asset Quality**

- The bank is seeing declining trend in GNPA and NNPA ratio led by lower slippages- strong underwriting process adopted in the previous weak asset quality cycle.
- The bank carries additional Covid-related provisions of ₹6,183Cr as of December end which will limit the earnings downside in the future.
- Another healthy reading on asset quality was decline in SMA-1&2 book to ₹4,167Cr from ₹6,690Cr at September end, indicating strong level of recovery.

	Q3FY22	Q2FY22	Q3FY21
GNPA ratio	4.50%	4.90%	4.77%
NNPA ratio	1.34%	1.52%	1.23%
PCR	88.32%	87.68%	90.21%
Slippage ratio	0.37%	0.66%	0.04%
Credit cost	0.49%	0.43%	0.38%

**View**

**We continue to re-iterate that the bank has huge scope for improvement in earnings when it will start firing on key parameters like loan growth, margin expansion, lower operating expense and stable asset quality.**

The profit surge in Q3FY22 saw glimpse of just one of the above mentioned parameter i.e. stable asset quality (leading to lower provision).

SBI is currently valued at ~1.2 time trailing core book value which is attractive considering the improving return ratios and is discounting most of its concerns in current valuation.

**We recommend investors to Accumulate the stock on decline.**

**Quarterly Performance**

Particulars	(₹ Cr)							
	Q3FY22	Q3FY21	YoY	Q2FY22	QoQ	FY21	FY20	YoY
<b>NII</b>	30,687	28,820	<b>6%</b>	31,184	<b>-2%</b>	<b>1,10,710</b>	<b>98,085</b>	13%
Other Income	8,674	9,246	<b>-6%</b>	8,208	<b>6%</b>	41,957	39,007	8%
<b>Total Net Income</b>	39,361	38,066	<b>3%</b>	39,392	<b>0%</b>	<b>1,52,667</b>	<b>1,37,092</b>	11%
Total Op. Exp.	20,839	20,839	<b>0%</b>	21,312	<b>-2%</b>	82,652	75,124	10%
<b>Operating Profit</b>	18,522	17,227	<b>8%</b>	18,080	<b>2%</b>	<b>70,015</b>	<b>61,968</b>	13%
Provisions and Contingencies	6,974	10,342	<b>-33%</b>	189	<b>3590%</b>	44,013	43,070	2%
Exceptional Items				7,418		1,540	6,215	-75%
<b>PAT</b>	8,432	5,196	<b>62%</b>	7,627	<b>11%</b>	<b>20,411</b>	<b>14,488</b>	41%
Advances (₹ Cr)	26,64,602	24,56,607	<b>8%</b>	25,30,777	<b>5%</b>	25,39,393	24,22,845	<b>4.81</b>
Deposits (₹ Cr)	38,47,794	35,35,753	<b>9%</b>	38,09,630	<b>1%</b>	36,81,277	32,41,621	<b>13.56</b>
<b>Total Business</b>	65,12,396	59,92,360	<b>9%</b>	63,40,407	<b>3%</b>	<b>62,20,670</b>	<b>56,64,466</b>	<b>9.82</b>

Source: Company Filing, Way2wealth Research

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Name of the Security	State Bank of India (SBI)
Name of the analyst	Harshil Gandhi
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
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