

Key Highlights – Q3FY23

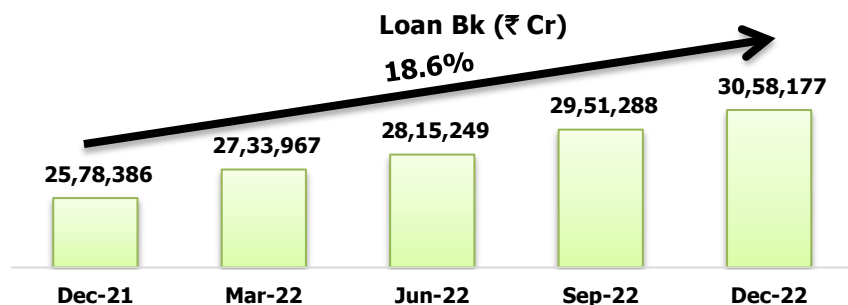
- Loan book grew 18% Y-o-Y on the back of Retail and SME lending.
- NIM continues its upward trajectory, growing to 3.29% in Dec-22.
- Cost of Funding likely to increase in line with the industry, but with negligible impact on margins.
- Asset Quality continues to improve with GNPA / NNPA reducing to 3.14% / 0.77% in Dec-22.
- Agri and Infra lending to be in focus going ahead while Retail lending will continue to chug along.

Important Statistics

M.CAP (₹ tn)	~4.90
52 Week H/L (₹)	622.70/425.00
NSE Code	SBIN
BSE Code	500112

Shareholding Pattern	Dec'22
Promoters	57.50%
FIIs	10.09%
DII	25.39%
Public	7.03%

Key takeaways from Q3FY23 result

➤ **Loan Book**


Source: Company, Way2wealth Research

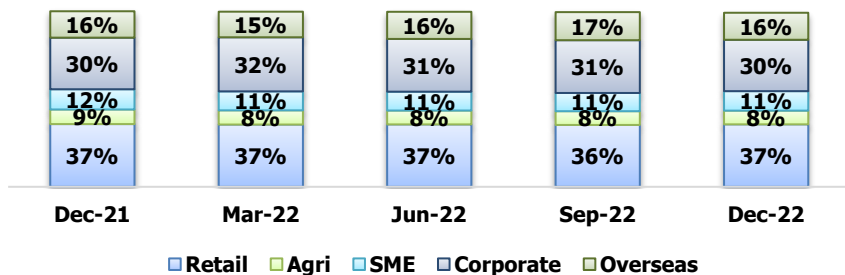
- The opening up of the economy post covid continues to play in favour of the largest lender in the country as it continues to witness strong macro-tailwinds on both fronts - retail and wholesale.
- On the retail front, consumers are becoming less credit-averse and are more open to make large purchases via consumer finance options (Consumer Loans, zero-cost EMI plans, BNPL, Credit Cards, etc). Growth in this quarter was further compounded as festivities resumed in full swing after a 2 year hiatus.
- During the pandemic, SME businesses were affected the worst given their limited bandwidth. Hence, with the post-pandemic recovery, boosted by the Make in India impetus, SMEs witnessed strong business growth.
- On the wholesale front, the increase in housing projects, PLI schemes, Make in India initiatives, capacity expansion of manufacturers and continued promotion and preference of goods and services of local businesses kept loan book growth in double digits.
- The bank will now focus on growing its agriculture book over the next year, with a target to reach ₹3tn by the end of FY-24. The focus of this book will shift from low value Agri-loans and Working capital loans to Agri-gold loans, high-value agri financing for agri-tech and agri-infrastructure. We remain cautious about the ability to maintain the quality of this book given the unpredictability in seasonal rainfall and consequently, the crop yield.

09th February 2023

CMP – ₹549.75/-

View – **BUY**

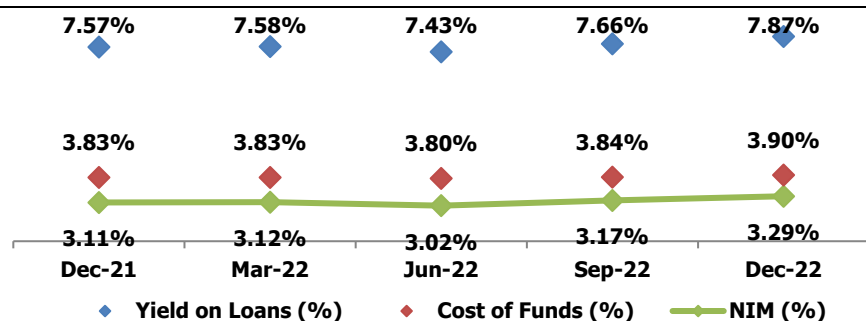
- The corporate credit book already has a pipeline of ₹1.9tn, wherein the loans have been approved in principle, but not yet sanctioned. These will be deployed in the coming quarters. In addition to this, the bank is witnessing better credit utilization across the industry and the percentage of loan applications being sanctioned has improved by 24%. Currently, ₹10tn worth of working capital and corporate term loan applications are being evaluated, of which 30% (or ₹3tn) is likely to be deployed in the coming future.



Source: Company, Way2wealth Research

➤ **NIMs and Yield (%)**

- With the high-margin Retail book driving Loan growth, fuelled by the increasing interest rates, the yield of the overall book grew to 3.29%.
- The Y-o-Y growth in the Retail book was largely driven by the resumption of festivities, weddings and other social occasions, after a 2 year hiatus owing to the COVID restrictions. Hence, incremental growth is likely to taper off from here.
- In line with the industry dynamics, SBI is hiking deposit rates in a staggered manner as the full effect of the RBI interest rate hikes is passed through. However, this will have negligible impact on NIMs as the lending rate is likely to get re-priced as well and 3/4th of the book consists of floating rate loans which are linked to the EBLR and MCLR.
- With an SLR of ₹3.2tn and a Capital Adequacy Ratio of 14.5%, the management believes that they're well positioned to grow the Loan book by another ₹7tn without requiring any further external capital raise – keeping overall capital related costs range bound.



Source: Company, Way2wealth Research



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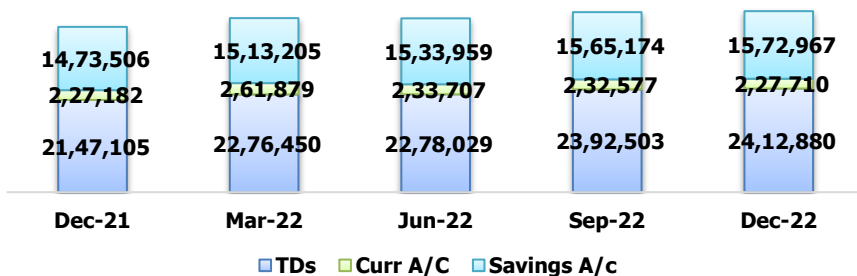
➤ Cost of Funding

- SBI's leadership position in terms of reach across cities, districts, villages and various remote areas has been a major reason the bank being at the forefront of the Jan Dhan Yojana – the government's initiative to include all of the country's citizens into the banking system. This has allowed the bank's Deposit base to grow to a staggering ₹42tn, 2.5x its nearest competitor and contributing to over 88% of the bank's total external funding.
- The volatility being witnessed in equity markets has many depositors moving their money to safe haven investments such as Term Deposits. The franchise's instilled confidence for long term parking of funds is the reason SBI's CASA ratio is ~44%, the lowest ratio among the country's D-SIBs (Domestic Systemically Important Banks).

(₹ Cr)	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Y-o-Y Growth (%)
Borrowings	4,99,724	4,26,043	4,80,653	4,88,608	5,50,141	10%
Deposits	38,47,794	40,51,534	40,45,696	41,90,255	42,13,557	10%

Source: Company, Way2wealth Research

Deposit Breakup (Rs. cr)



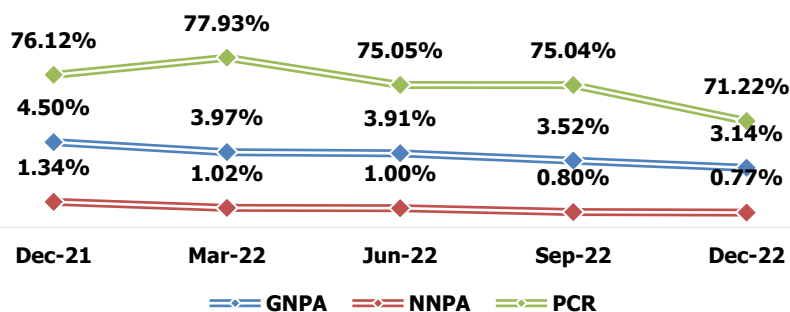
Source: Company, Way2wealth Research

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View – **BUY**

➤ **Asset Quality**



Source: Company, Way2wealth Research

- The bank's pursuit in maintaining a high quality book has lead to continuous reduction in its NPA, even though the Loan book has grown 18% Y-o-Y. Gross NPA for the quarter dipped 38bps Q-o-Q to 3.14% while its Net NPA has gone below 0.8%.
- The loan book's exposure to Adani Group entities is less than 1% of the bank's total loan book, with 100% of the exposure being secured by underlying assets. Many of the underlying assets are operational and are generating cash. The bank is not witnessing any stress or delayed payments on any of its exposures.
- The pledged shares held by SBI are as additional collateral or secondary security. The bank has not provided any financing towards these shares.

Risks

Being the country's largest bank, SBI sits front and centre 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

A large part of the 18% Y-o-Y growth in the loan book was on account of the jump in the Retail book, which was backed by the increased purchasing power as the economy opened up and the festive season being celebrated in full swing. However, incremental growth in the Retail book will taper as things return to normalcy.

The bank's pursuit to increase the overall agri book to ₹3tn by focusing on lending towards agri gold-loans, high value agri-tech and agri-infrastructure will be a major boon in the sector's development. However, given the sector's high dependency on the unpredictable rainfall season and crop yield, we remain cautiously optimistic about the bank's ability to maintain the asset quality in this book.

The increase in infrastructure cap-ex, approval of PLI schemes, increased investments by corporate houses, real estate development and consumption, will provide strong tailwinds for growth in the Corporate and SME book.

The low CASA ratio of 43% and the excess SLR of ₹3.2tn means that the bank can grow its book by ₹7tn and finance its Loan book growth without the need to raise external capital any time soon.

The future increase in Deposit rates will have a meager impact on NIMs as 74% of the loan book is priced on floating rates such as ELBR and MCLR.

At the CMP of ₹549.75, the bank is trading at a P/B (Adj) of 1.5x. Given the established franchise and its key role in being at the tip of the spear in the country's growing economic story, we continue to recommend a BUY.

09th February 2023

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View – BUY

Financials

(₹ Cr)									
Particulars	9MFY23	9MFY22	Q3FY23	Q2FY23	Q3FY22	FY22	9M (Y-o-Y)	Q3 (Y-o-Y)	Q3 (Q-o-Q)
Interest Income	2,39,152	2,04,724	86,616	79,860	69,678	2,75,457	17%	24%	8%
Finance Cost	1,34,704	1,15,214	48,547	44,676	38,991	1,54,750	17%	25%	9%
NII	1,04,448	89,510	38,069	35,183	30,687	1,20,708	17%	24%	8%
NIM (%)	N/A	N/A	3.29%	3.17%	3.11%	N/A	N/A	6%	4%
Employees exp	39,675	37,588	14,757	12,867	12,471	50,144	6%	18%	15%
Op. Ex	68,010	62,618	24,317	22,938	20,839	85,979	9%	17%	6%
Other Income	22,654	28,684	11,468	8,874	8,673	40,564	-21%	32%	29%
PPOP	59,092	55,576	25,219	21,120	18,522	75,292	6%	36%	19%
Provisions	13,192	17,215	5,761	3,039	6,974	24,452	-23%	-17%	90%
Exceptional Inc / (Exp.)	-	(7,418)	-	-	-	(7,418)	N/A	N/A	N/A
PBT	45,900	30,942	19,459	18,081	11,548	43,422	48%	69%	8%
PAT	33,538	22,562	14,205	13,265	8,432	31,676	49%	68%	7%
% Margin	14%	11%	16%	17%	12%	11%	27%	36%	-1%
PAT (Adj)	33,538	28,126	14,205	13,265	8,432	37,240	19%	68%	7%
% Margin	14%	14%	16%	17%	12%	14%	2%	36%	-1%
EPS	37.58	25.28	15.92	14.86	9.45	35.49	49%	68%	7%
EPS (Adj)	37.58	31.52	15.92	14.86	9.45	41.73	19%	68%	7%
RoA	0.8%	0.6%	1.1%	1.0%	0.7%	0.6%	35%	53%	5%
RoE	14%	11%	18%	17%	12%	11%	28%	45%	2%
RoE (Adj)	14%	14%	18%	17%	12%	13%	3%	45%	2%
Net Worth	3,21,204	2,76,782	3,21,204	3,04,913	2,76,782	2,80,088	16%	16%	5%
Net Worth(Adj)	2,97,720	2,42,242	2,97,720	2,81,341	2,42,242	2,52,122	23%	23%	6%

Source: Company, Way2wealth Research

SOTP

₹ Cr	Co. Value	Holding (%)	Holding's Value	Per share (₹)	Basis of Valuation
Core Bank	4,46,580	100%	4,46,580	500	1.5x Adj. Net Worth
SBI Cards	70,760	69%	48,860	55	Market Cap.
SBI Life Insurance	1,13,000	55%	62,659	70	Market Cap.
SBI General Insurance	7,356	70%	5,149	6	P/E
SBI Capital Markets	11,197	100%	11,197	13	P/E
SBI Mutual Fund	30,101	100%	30,101	34	P/E
Gross Consol. Value			6,04,545	677	
Hold Co. Discount (%)			30%		
Net Consol. Value			5,57,155	624	
CMP				547	
Upside Potential (%)				14%	

Source: Company, Way2wealth Research

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Name of the Security	State Bank of India (SBI)
Name of the analyst	Ashwini Sonawane
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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