

Key Highlights – Q2FY22

- Highest quarterly net profit of ₹7,627Cr, 67% up YoY
- Robust retail loan growth but overall loan growth muted due to contraction in corporate book
- Improvement in Asset Quality; Restructured book contained at 1.2%
- Improvement in key metrics like NIM, CASA, etc
- Trading at attractive valuation

Important Statistics

M.CAP (₹ cr)	~₹4,72,513.56
52 Week H/L (₹)	542.20 / 220.15
NSE Code	SBIN
BSE Code	500112

Shareholding Pattern Sep'21

Promoters	57.62%
FII's	10.55%
DII	24.32%
Public	7.51%

Key takeaways from Q2FY22 result

- **Advances**
 - Advances grew in line with industry trend at 6% yoy led by strong growth in personal retail, driven by home loans, Xpress credit and gold loans.
 - Corporate growth is seeing negative traction impacted by lower utilisation, pricing pressure and big ticket resolution.
 - The management said that the bank will match the broader growth momentum, which should also boost the corporate loan growth.
- **Deposits**
 - Deposit growth of 10% moved in tandem with industry trend led by CASA growth of 12%.
 - The CASA share improved slightly to 46% and above from ~45% average of last four fiscals.
 - 62% of new saving accounts opened through Yono in H1FY22.
- **Margins**
 - The bank's net interest margin expanded to 3.5%, up 35 bps QoQ.
 - The bank got the twin benefits of improving yields and decline in cost of deposits leading to margin expansion.
- **Operational performance**
 - Operating Profit increased by 9.84% YoY to ₹18,079Cr in Q2FY22 from ₹16,460Cr in Q2FY21.
 - Fully provided ₹7,418Cr due to change in family pension rules, even as regulator granted dispensation to amortise in 5 years.
 - Operating expense growth was contained at 5% yoy with focus on improving income streams.
- **Asset Quality**
 - The bank is seeing declining trend in GNPA and NNPA ratio led by lower slippages and higher recoveries.
 - The bank carries additional Covid-related provisions of ₹6,181Cr as of September end which will limit the earnings downside in the future.
 - Another healthy reading on asset quality was decline in SMA-1&2 book to ₹6,690Cr from ₹11,300Cr at June end.

Key Segmental numbers-Q2FY22

Overall Advances	6%
Retail Loans	15%
Corporate Loans	-4%
Home Loans	11%
Xpress Credit	31%

	Q2FY22	Q2FY21	Q1FY22
NIM (domestic)	3.50%	3.34%	3.15%
CASA ratio	46.24%	45.39%	45.97%
Cost to Income	54.10%	55.16%	51.89%
Cost to Asset	1.84%	1.96%	1.80%

	Q2FY22	Q2FY21	Q1FY22
GNPA ratio	4.90%	5.28%	5.32%
NNPA ratio	1.52%	1.59%	1.77%
PCR	87.68%	88.19%	85.93%
Slippage ratio	0.66%	0.46%	2.47%
Credit cost	0.43%	0.94%	0.79%

View

We 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 Q2FY22 saw glimpse of above mentioned parameters like margin expansion and stable asset quality (leading to lower provision).

SBI is currently valued at ~1 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)							
	Q2FY22	Q2FY21	YoY	Q1FY22	QoQ	FY21	FY20	YoY
NII	31,184	28,181	11%	27,638	13%	1,10,710	98,085	13%
Other Income	8,208	8,528	-4%	11,803	-30%	41,957	39,007	8%
Total Net Income	39,392	36,709	7%	39,441	0%	1,52,667	1,37,092	11%
Total Op. Exp.	21,312	20,249	5%	20,466	4%	82,652	75,124	10%
Operating Profit	18,080	16,460	10%	18,975	-5%	70,015	61,968	13%
Provisions and Contingencies	189	10,118	-98%	10,052	-98%	44,013	43,070	2%
Exceptional Items	7,418	-	-	-	-	1,540	6,215	-75%
PAT	7,627	4,575	67%	6,504	17%	20,411	14,488	41%
Advances (₹ Cr)	25,30,777	23,83,624	6%	25,23,793	0%	25,39,393	24,22,845	4.81
Deposits (₹ Cr)	38,09,630	34,70,462	10%	37,20,987	2%	36,81,277	32,41,621	13.56
Total Business	63,40,407	58,54,086	8%	62,44,780	2%	62,20,670	56,64,466	9.82

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
Receipt of Compensation	No
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