

**Key Highlights – Q2FY23**

- Profit surges by 73% in Q2FY23
- Overall loan growth improves; Margins inch up
- Improvement in Asset Quality
- Operating expenses contained, provisions declined
- ROA touches ~1%
- Trading at attractive valuation

**Important Statistics**

<b>M.CAP (₹ tn)</b>	~5.40
<b>52 Week H/L (₹)</b>	622.70/425.00
<b>NSE Code</b>	SBIN
<b>BSE Code</b>	500112
<b>Shareholding Pattern Sep'22</b>	
Promoters	57.52%
FIIIs	9.95%
DII	25.42%
Public	7.10%

**Key takeaways from Q2FY23 result**

- **Advances**
  - Advances growth of 19.93% yoy was led by strong growth in personal retail, driven by home loans, Xpress credit. It was also aided by robust growth in International loans mainly coming from syndicated loans and trade finance. The bank also saw sharp uptick in corporate portfolio growing at 21% YoY.
  - The bank said it has visibility of credit proposals worth ₹~3.5 lakh Cr including unutilised levels of working capital limits, term loans and loan proposals in the pipeline. This should aid wholesale portfolio as Indian corporates have resorted back their borrowings from banking channel as opposed to International financing due to higher hedging cost and hardening of interest rates.
  - The bank is not seeing demand tapering off in retail portfolio and mentioned that it has a decent visibility of the demand and should be able to sustain similar performance in coming quarters.
- **Deposits and Margins**
  - The bank saw a subdued deposit growth of 9.9%; CASA and Term deposit grew by 5.4% and 12.4% respectively. Consequently the CASA ratio dipped below 45% as compared to ~46%.
  - The bank mentioned that it has ₹3.5tn treasury book which it will utilise in addition to deposits during the current financial year which will aid in funding the required credit growth.
  - The bank's net interest margin expanded to 3.55%, up 32 bps QoQ, led by increase in yields
  - The bank mentioned that it is expecting margins should improve going forward as 75% of the loan book which is variable in nature has not priced in the entire repo rate hike done by RBI.
- **Operational performance**
  - Operating Profit increased by 17% YoY to ₹21,120Cr on back of healthy net interest margins and controlled opex.
  - Operating expense growth was controlled at 8% yoy with focus on improving income streams and could fall further with bank's digital initiatives.

**Key Segmental numbers – Q2FY23**

	<b>YoY Growth %</b>
Overall Advances	19.9%
Retail Loans	18.8%
Home Loans	14.6%
Xpress Credit	29.7%
Gold Loan	20.5%
International	30.1%
SME Loans	13.2%
Corporate Loans	21.2%

	<b>Q2FY23</b>	<b>Q2FY22</b>	<b>Q1FY23</b>
NIM (domestic)	3.55%	3.50%	3.23%
CASA ratio	44.63%	46.20%	45.33%
Cost to Income	52.06%	54.10%	61.94%
Cost to Asset	1.79%	1.84%	1.66%

➤ **Asset Quality**

- The bank is seeing sustained improvement in asset quality led by lower slippages- GNPA and NNPA declining to 3.51% and 0.8% respectively.
- The bank saw decline in fresh slippages YoY as well as sequentially- indicating worst is behind the bank as all stressed legacy accounts have been recognised and provided for.
- Thanks to low slippage ratio, credit cost declined in Q2FY23, the PCR improved to ~78% from ~70% in Q2FY22.
- The bank saw rise in SMA book, however, the same got rectified in the beginning of the quarter. Overall all the asset quality parameters are healthy leading to lower provisions and earnings growth.

	Q2FY23	Q2FY22	Q1FY23
GNPA ratio	3.52%	4.90%	3.91%
NNPA ratio	0.80%	1.52%	1.00%
PCR	77.93%	70.05%	75.05%
Slippage ratio	0.86%	1.56%	1.38%
Credit cost	0.45%	0.61%	0.61%
Fresh Slippages (Cr)	2,399	4,176	9,740

**View**

The bank is seeing good traction in credit offtake with the economy picking up and expects margins to improve going forward. With asset quality looking relatively stable now, we expect credit cost to decline which will significantly push earnings growth in coming years.

SBI is currently valued at ~1.3 time trailing core book value which is attractive considering the improving return ratios, healthy loan growth, margin expansion and controlled opex.

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

11<sup>th</sup> November 2022

CMP – ₹605.75/-

 View – **Accumulate**
**Quarterly Performance**

(₹ Cr)

Particulars	Q2FY23	Q2FY22	YoY	Q1FY23	QoQ	FY22	FY21	YoY
<b>NII</b>	35,183	31,184	<b>13%</b>	31,196	<b>13%</b>	<b>1,20,708</b>	<b>1,10,710</b>	9%
Other Income	8,874	8,208	<b>8%</b>	2,312	<b>284%</b>	40,564	41,957	-3%
<b>Total Net Income</b>	44,057	39,392	<b>12%</b>	33,508	<b>31%</b>	<b>1,61,272</b>	<b>1,52,667</b>	6%
Total Op. Exp.	22,938	21,312	<b>8%</b>	20,756	<b>11%</b>	85,979	82,652	4%
<b>Operating Profit</b>	21,119	18,080	<b>17%</b>	12,752	<b>66%</b>	<b>75,293</b>	<b>70,015</b>	8%
Provisions and Contingencies	3,039	189	<b>1508%</b>	6,684	<b>-55%</b>	24,452	44,013	-44%
Exceptional Items		(7,418)					1,540	-100%
<b>PAT</b>	13,263	7,627	<b>74%</b>	6,068	<b>119%</b>	<b>31,677</b>	<b>20,411</b>	55%
Advances (₹ Cr)	30,35,071	25,30,777	<b>20%</b>	29,00,636	<b>5%</b>	28,18,671	25,39,393	<b>11.00</b>
Deposits (₹ Cr)	41,90,255	38,09,630	<b>10%</b>	40,45,696	<b>4%</b>	40,41,534	36,81,277	<b>9.79</b>
<b>Total Business</b>	72,25,326	63,40,407	<b>14%</b>	69,46,332	<b>4%</b>	<b>68,60,205</b>	<b>62,20,670</b>	<b>10.28</b>

Source: Company, 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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