

May 13, 2022

RESULT REPORT Q4 FY22 | Sector: Banks

State Bank of India

Nothing to change bullish thesis

Result Highlights

- ✓ **Asset quality:** Gross NPA additions amounted to Rs 36.06 bn (annualized NPA addition ratio of 0.5%) and recoveries and upgrades were also healthy at Rs 67.56bn
- ✓ **Margin picture:** Whole bank NIM at 3.15% was flat QOQ, with yield on advances and cost of deposits having remained flat sequentially
- ✓ **Asset growth:** Whole bank advances grew 5.8%/11% QoQ/YoY driven sequentially by corporate loans which saw higher utilization of sanctioned limits
- ✓ **Opex control:** Total opex grew/de-grew 12.1%/-1% QoQ/YoY, employee cost grew/de-grew 0.7%/-6.2% QoQ/YoY and other cost grew 29.1%/5.8% QoQ/YoY
- ✓ **Fee income:** Core fee income grew/de-grew 39.6%/-5.1% QoQ/YoY, driven sequentially by Loan Processing Charges and Remittance & Collection fees.

Our view - Nothing to change bullish thesis

With as much as 74% of loan book being floating rate, management talked of NIM expansion going forward: Loan book linked to t-bill rate is 11% of total loan book, whereas repo-rate linked loans comprise about 23% of total loan book while MCLR-linked loans comprise about 41% of total loan book, of which the bulk is 6-month MCLR. Furthermore, domestic loan to deposit ratio was 61% as of March, which has since improved to 62.6% and the management expects a normalization upward over the course of 1 year.

Management said corporate loan growth would continue to be healthy: The unutilised corporate working capital limits amounted to Rs 2.76 trn as of March compared with Rs 3.1 trn as of December. For terms loans, the unavailed limit amounts to Rs 2 trn, compared with Rs 2.1 trn as of December. On the retail lending side, the target for co-lending for FY23 is about Rs 100bn. Furthermore, Xpress credit will remain a growth area, being loans to corporate salary account customers, which number 17.5mn. The penetration of these customers so far has been 27%.

Although Future Retail had been fully provided for as of the previous quarter, it officially slipped during the quarter, marring the slippage number: In the absolute sense, the NPA addition ratio of 0.5% is still low, even adjusted for the idiosyncrasy of SBI's disclosures.

We maintain 'Buy' rating on SBI with a revised price target of Rs 659: We value the bank at 1.35x FY23 P/BV for an FY23E/24E RoE profile of 14.3%/15.8%. We assign a value of Rs 181 per share to the subsidiaries, on SOTP.

(See Comprehensive con call takeaways on page 2 for significant incremental colour.)

Exhibit 1: Result table

(Rs mn)	Q4 FY22	Q3 FY22	% qoq	Q4 FY21	% yoy
Total Interest Income	707,333	696,781	1.5	651,016	8.7
Interest expended	(395,354)	(389,907)	1.4	(380,346)	3.9
Net Interest Income	311,979	306,874	1.7	270,670	15.3
Other income	118,802	86,734	37.0	162,253	(26.8)
Total Income	430,780	393,608	9.4	432,923	(0.5)
Operating expenses	(233,612)	(208,392)	12.1	(235,922)	(1.0)
PPoP	197,168	185,216	6.5	197,002	0.1
Provisions	(72,375)	(69,740)	3.8	(110,510)	(34.5)
Exceptional items	0	0	NA	0	NA
PBT	124,794	115,477	8.1	86,491	44.3
Tax	(33,659)	(31,158)	8.0	(21,984)	53.1
PAT	91,135	84,319	8.1	64,507	41.3

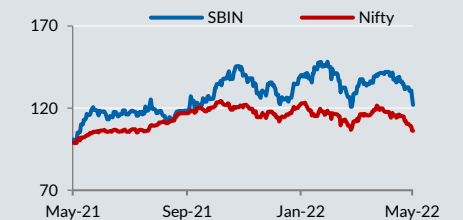
Source: Company, YES Sec-Research

Recommendation	: BUY
Current Market Price	: Rs 445
Target Price	: Rs 659
Potential Return	: 48%

Stock data (as on May 13, 2022)

Nifty	15,782
52 Week h/l (Rs)	549 / 360
Market cap (Rs/USD mn)	3968329 / 51241
Outstanding Shares (mn)	8,925
6m Avg t/o (Rs mn):	9,143
Div yield (%):	1.6
Bloomberg code:	SBIN IN
NSE code:	SBIN

Stock performance



	1M	3M	1Y
Absolute return	-14.1%	-16.0%	22.0%

Shareholding pattern (As of Mar'22 end)

Promoter	57.6%
FII+DII	34.6%
Others	7.6%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	659	700

Financial Summary

(Rs mn)	FY22	FY23E	FY24E
NII	1,207,076	1,364,060	1,432,872
PPOP	752,924	832,974	972,411
Net Profit	316,760	426,811	535,582
Growth (%)	55.2	34.7	25.5
EPS (Rs)	35.5	47.8	60.0
BVPS (Rs)	314	354	406
P/E (x)	7.4	5.5	4.4
P/BV (x)	0.8	0.7	0.6
ROE (%)	11.9	14.3	15.8
ROA (%)	0.7	0.9	1.0
Tier-1 (%)	11.4	10.6	9.7

Δ in earnings estimates

Rs.	FY22E	FY23E	FY24E
EPS (New)	na	47.8	60.0
EPS (Old)	na	50.0	63.2
% change	na	-4.4%	-5.1%

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COMPREHENSIVE CON-CALL TAKEAWAYS

Asset quality

- ✓ **Slippages and other NPA movement**
 - **Slippages**
 - Gross NPA additions amounted to Rs 36.06bn for 4QFY22, translating to an annualized slippage ratio of 0.5% for the quarter. (Gross NPA additions had amounted to Rs 25.79bn during 3QFY22.)
 - **Sectoral breakup of fresh slippages**
 - Total fresh slippages have amounted to Rs 28.45bn for the quarter.
 - Rs 12bn is from the corporate book.
 - Another Rs 12bn is from the agri book.
 - The remaining is from retail and SME books.
 - **Large retail account**
 - The large retail account (presumably Future Retail) is contained with corporate slippages for the quarter and had already been fully provided for as of the previous quarter.
 - **More on MSME slippages**
 - The MSME restructured book is about Rs 120bn, of which about Rs 7.2bn has turned NPA so far.
 - **Recoveries and upgrades**
 - Recoveries and upgrades amounted to Rs 67.56bn for 4QFY22, implying net NPA deletion of -Rs 31.5bn for the quarter.
 - AUCA recovery was Rs 78bn for FY22 and generally has been Rs 80-100bn, the bank targeting a similar number for FY23.
 - **Sale to ARC**
 - For the quarter, the amount realized from sale to ARC was Rs 2.97bn for 8 accounts.
 - For the full year, sale to ARC amounted to a recovery of Rs 11.88bn for 23 accounts.
- ✓ **Restructuring**
 - Total Restructured advances under Covid 1 and 2 stood at Rs 309.6bn.
 - There is no overlap between Covid 1 and 2 restructuring.
 - There is also a pre-existing restructured book amounting to Rs 70bn.
 - Moratorium has ended for about Rs 150bn of the Covid-restructured book and repayments have started for them.
- ✓ **ECLGS book**
 - The outstanding ECLGS book amounts to Rs 320bn.
 - The slippage from this book is less than 2% so far.
- ✓ **Provisions**
 - Provisions were Rs 72.4bn, up by 3.8% QoQ but down -34.5% YoY.
 - There were Rs 20.61bn worth of investment depreciation provisions primarily due to provisions made on the security receipts book.
- ✓ **Security receipts book**
 - The outstanding security receipts book is Rs 79.8bn.
 - This book is now largely provided for.

(Con call takeaways continue on the next page)

Net interest margin

- ✓ **Yield on advances**
 - Domestic yield on advances was 7.58%, up 1 bp QoQ.
 - The rise in t-bill rate was supportive of yield on advances.
 - **Breakup of loan book by rate category**
 - Total floating rate book is 74% of total loan book.
 - Loan book linked to t-bill rate is 11% of total loan book.
 - Repo-rate linked loans comprise about 23% of total loan book.
 - MCLR-linked loans comprise about 41% of total loan book, of which the bulk is 6-month MCLR.
- ✓ **Margin guidance**
 - Since the floating rate book is 74% of total loans and deposit rates would rise with a lag, management expects an improvement in NIM.
- ✓ **Loan to deposit ratio**
 - Domestic LDR was 61% as of March, which has since improved to 62.6%.
 - The bank expects a normalization upward over the course of 1 year.
- ✓ **Savings account rate**
 - The bank has not taken a call and will continue to watch the situation.

Loan growth

- ✓ **Corporate lending**
 - The unutilised working capital limits amounted to Rs 2.76 trn as of March compared with Rs 3.1 trn as of December.
 - The unutilised working capital limits amounted to 44% of sanctioned limit compared with 50% earlier.
 - For terms loans, the unavailed limit amounts to 19% of sanctioned limit, which is Rs 2 trn, compared with Rs 2.1 trn as of December.
 - Corporate loan growth is expected to continue to be healthy going forward.
- ✓ **Retail lending**
 - **Co-lending**
 - The target for co-lending for FY23 is about Rs 100bn.
 - There wasn't much of co-lending in FY22 and partnerships have mostly been signed in the last quarter.
 - **Xpress credit**
 - These are loans to corporate salary account customers, which number 17.5mn.
 - The penetration of these customers so far has been 27%.
 - This customer count itself is also on the rise.

Operating expenses

- ✓ **Digital strategy**
 - More than 95% of transactions are now taking place via alternate channels.
- ✓ **Other opex**
 - ATM, card and other tech expenses, which were about Rs 28bn, up 64% QoQ, has an ATM interchange expense of about Rs 15bn contained within it.

(Con call takeaways continue on the next page)

Treasury profit

- ✓ Of the total treasury book, of about Rs 14 trn, about Rs 5.6 trn is the AFS book.
- ✓ The AFS book has a duration of 2.08.

Fee income

- ✓ In general, processing fees were subdued during FY22 due tepid new proposals, but management expects an improvement here.
- ✓ Management sees healthy opportunity in forex income and cross sell, where the fee income for FY22 has gone up 44% and 32% YoY, respectively.

Exhibit 2: Key quarterly balance sheet / business data

(Rs mn)	Q4 FY22	Q3 FY22	% qoq	Q4 FY21	% yoy
Gross Advances	28,186,710	26,646,020	5.8	25,393,930	11.0
Corporate	8,707,120	7,833,790	11.1	8,187,050	6.4
SME	3,055,170	3,071,680	(0.5)	2,789,490	9.5
Retail	10,023,030	9,521,890	5.3	8,707,110	15.1
Home Loan	5,616,510	5,384,750	4.3	5,037,790	11.5
Auto Loan	791,480	774,370	2.2	763,220	3.7
Xpress Credit	2,477,140	2,286,900	8.3	1,927,800	28.5
Gold Loan	230,630	220,630	4.5	209,870	9.9
Others	907,270	855,240	6.1	768,430	18.1
Agriculture	2,282,290	2,214,810	3.0	2,141,510	6.6
International	4,119,100	4,003,850	2.9	3,568,770	15.4
Total Deposits	40,515,341	38,477,937	5.3	36,812,271	10.1
Domestic	39,202,010	37,185,110	5.4	35,701,650	9.8
Term	21,451,170	20,178,230	6.3	19,231,910	11.5
SA	15,132,050	14,735,060	2.7	13,700,820	10.4
CA	2,618,790	2,271,820	15.3	2,768,920	(5.4)
International	1,313,331	1,292,827	1.6	1,110,621	18.3

Source: Company, YES Sec – Research

Exhibit 3: Key quarterly ratios

(%)	Q4 FY22	Q3 FY22	chg qoq	Q4 FY21	chg yoy
Global Net interest margin	3.15	3.15	0bps	2.90	25bps
Yield on advances	7.58	7.57	1bps	7.97	-39bps
Cost of Deposits	3.83	3.83	0bps	4.20	-37bps
Domestic CASA	45.3	45.7	-46bps	46.1	-85bps
Credit to deposit ratio	67.5	67.0	47bps	66.5	94bps
Non-int. income / Total Income	27.6	22.0	554bps	37.5	-990bps
Cost to Income	54.2	52.9	129bps	54.5	-27bps
RoA (Annualised)	0.7	0.7	3bps	0.6	16bps
Annualised Slippage Ratio, %	0.5	0.4	13bps	3.5	-300bps
Provision coverage ratio	90.2	88.3	188bps	87.8	245bps
Gross NPA	4.0	4.5	-53bps	5.0	-101bps
Net NPA	1.0	1.3	-32bps	1.5	-48bps
Capital adequacy ratio	13.8	13.2	60bps	13.7	9bps
Tier I capital ratio	11.4	10.9	51bps	11.4	-2bps
Common equity tier 1 capital ratio	9.9	9.4	56bps	10.0	-8bps

Source: Company, YES Sec – Research

Exhibit 4: Segmental NPA

(Rs mn)	Q4 FY22	Q3 FY22	% qoq	Q4 FY21	% yoy
Corporate	519,010	555,770	(6.6)	630,980	(17.7)
Corporate NPA (%)	6.0	7.1		7.7	
SME	200,080	215,390	(7.1)	214,020	(6.5)
SME NPA (%)	6.6	7.0		7.7	
Agriculture	304,310	319,400	(4.7)	324,800	(6.3)
Agriculture NPA (%)	13.3	14.4		15.2	
Retail - Per Segment	74,180	84,700	(12.4)	69,840	6.2
Retail Per segment NPA (%)	0.7	0.9		0.8	
International	22,650	25,020	(9.5)	24,260	(6.6)
Overseas NPA (%)	0.6	0.6		0.7	

Source: Company, YES Sec - Research

Exhibit 5: Fund based outstanding of industrial sectors

(Rs mn)	Q4 FY22	Q3 FY22	% qoq	Q4 FY21	% yoy	% Share*
Infrastructure	3,566,550	3,332,060	7.0	3,285,790	8.5	14.8
Power	1,922,370	1,834,110	4.8	1,855,890	3.6	8.0
Telecom	416,170	346,550	20.1	291,400	42.8	1.7
Roads & Ports	914,490	649,440	40.8	827,640	10.5	3.8
Others	313,520	501,950	(37.5)	310,860	0.9	1.3
Services	2,718,580	2,375,260	14.5	2,469,020	10.1	11.3
Iron & Steel	401,040	338,510	18.5	457,940	(12.4)	1.7
Aviation & Airports	132,540	43,860	202.2	111,270	19.1	0.6
Tourism & Hotels	101,140	88,190	14.7	78,710	28.5	0.4
Textiles	356,960	334,510	6.7	333,180	7.1	1.5
Petroleum & Petrochemicals	501,490	398,550	25.8	482,080	4.0	2.1
Engineering	233,020	224,630	3.7	192,820	20.8	1.0
Commercial Real Estate	427,630	429,510	(0.4)	462,280	(7.5)	1.8
Other Industries	3,323,340	3,340,380	(0.5)	3,103,450	7.1	13.8

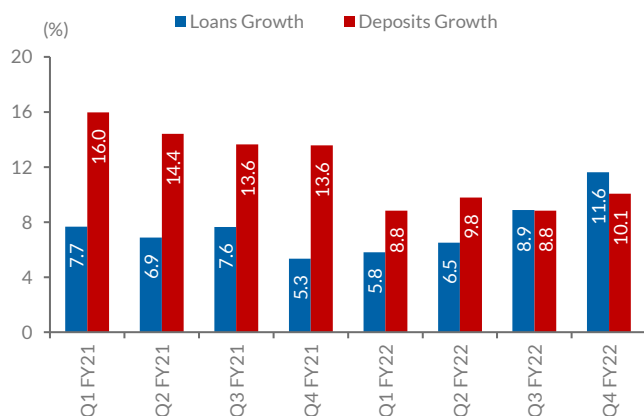
Source: Company, YES Sec - Research, *Share in total domestic advances for latest quarter

Exhibit 6: Quarterly Actuals Vs Estimates

Q4FY22 (Rs. mn)	Actuals	Estimates	Diff, %
Net Interest Income	311,979	318,014	(1.9)
Pre-Prov. Operating Profit	197,168	191,872	2.8
Profit After Tax	91,135	86,428	5.4

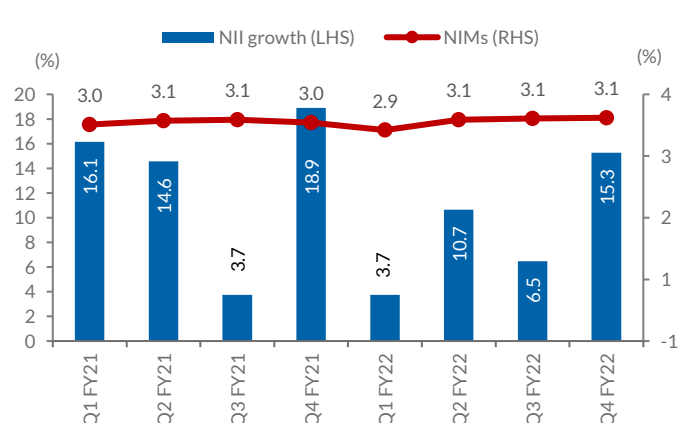
Source: Company, YES Sec - Research

Exhibit 7: Loans and Deposits growth (YoY %)



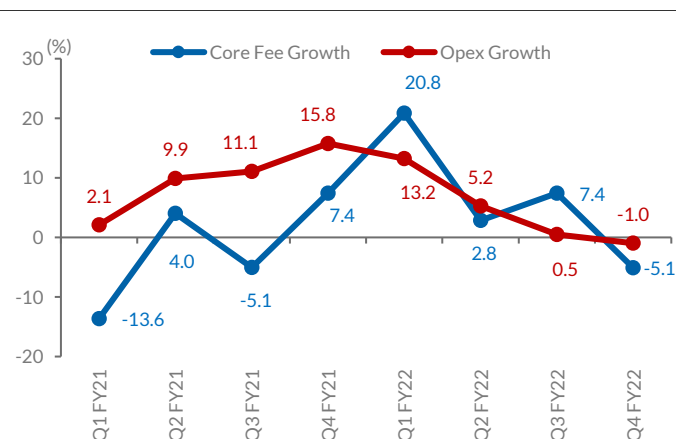
Source: Company, YES Sec – Research

Exhibit 8: NII growth (YoY %) and NIM



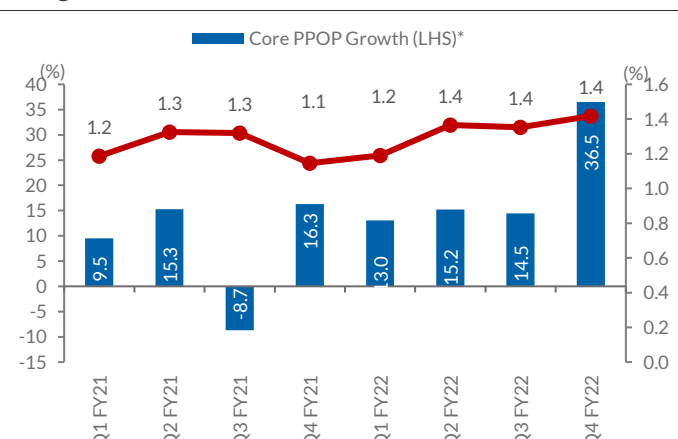
Source: Company, YES Sec – Research

Exhibit 9: Core Fee and Opex growth (YoY %)



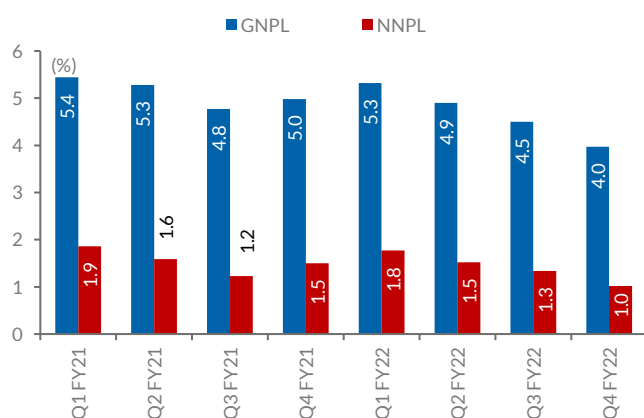
Source: Company, YES Sec – Research

Exhibit 10: Core PPOP growth (YoY %) and Core PPOP margin



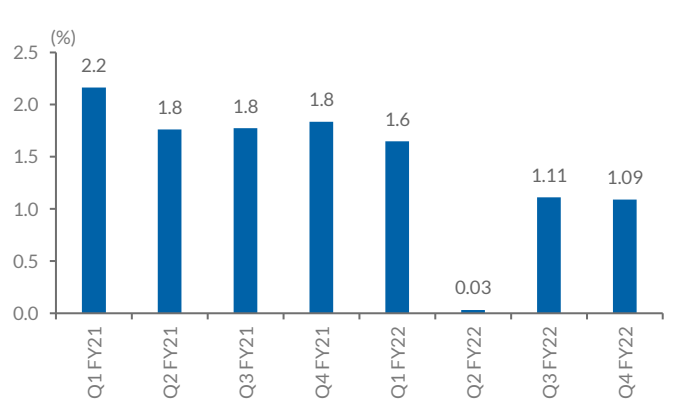
Source: Company, YES Sec – Research, * Core PPOP is derived by adjusting PPOP for gain/loss on sale of investments and misc. income

Exhibit 11: Gross NPA and Net NPA (%)



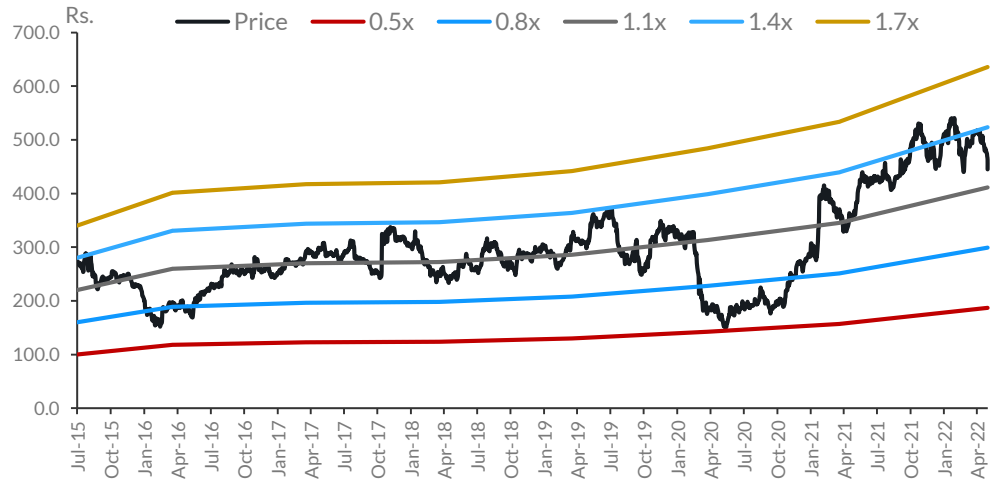
Source: Company, YES Sec – Research

Exhibit 12: Provisions/Average Advances (%)



Source: Company, YES Sec – Research

Exhibit 13: 1-year rolling P/BV band



Source: Company, YES Sec - Research, N.B. Valuations in this chart are not adjusted / netted out for subsidiaries' value

Exhibit 14: 1-yr rolling P/BV vis-a-vis the mean and standard deviations



Source: Company, YES Sec - Research, N.B. Valuations in this chart are not adjusted / netted out for subsidiaries' value

ANNUAL FINANCIALS

Exhibit 15: Balance sheet

Y/e 31 Mar (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Total cash & equivalents	2,510,970	3,430,387	3,945,523	2,706,627	2,977,290
Investments	10,469,545	13,517,052	14,814,455	13,934,847	15,328,331
Advances	23,252,896	24,494,978	27,339,666	30,073,632	33,080,996
Fixed assets	384,393	384,192	377,082	377,082	377,082
Other assets	2,896,136	3,517,687	3,399,249	3,059,324	2,753,391
Total assets	39,513,939	45,344,296	49,875,974	50,151,511	54,517,090
Net worth	2,320,074	2,538,752	2,800,881	3,155,593	3,627,811
Deposits	32,416,207	36,812,771	40,515,341	43,522,704	46,830,804
Borrowings	3,146,557	4,172,977	4,260,434	1,191,855	1,889,628
Other liabilities	1,631,101	1,819,797	2,299,319	2,281,359	2,168,847
Total liabilities incl. Equity	39,513,939	45,344,296	49,875,974	50,151,511	54,517,090

Source: Company, YES Sec – Research

Exhibit 16: Income statement

Y/e 31 Mar (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Interest income	2,573,236	2,651,506	2,754,573	3,041,109	3,228,619
Interest expense	(1,592,388)	(1,544,406)	(1,547,497)	(1,677,049)	(1,795,747)
Net interest income	980,848	1,107,100	1,207,076	1,364,060	1,432,872
Non-interest income	390,058	419,566	405,639	430,813	551,036
Total income	1,370,907	1,526,666	1,612,715	1,794,873	1,983,908
Operating expenses	(751,737)	(826,522)	(859,791)	(961,899)	(1,011,497)
PPoP	619,170	700,144	752,924	832,974	972,411
Provisions	(430,699)	(440,130)	(244,521)	(262,600)	(256,679)
Profit before tax	250,628	275,411	434,219	570,374	715,732
Taxes	(105,747)	(71,307)	(117,459)	(143,563)	(180,150)
Net profit	144,881	204,105	316,760	426,811	535,582

Source: Company, YES Sec – Research

Exhibit 17: Du Pont Analysis (RoA tree)

Y/e 31 Mar (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Interest income	6.7	6.2	5.8	6.1	6.2
Interest expense	-4.2	-3.6	-3.3	-3.4	-3.4
Net interest income	2.6	2.6	2.5	2.7	2.7
Non-interest income	1.0	1.0	0.9	0.9	1.1
Total income	3.6	3.6	3.4	3.6	3.8
Operating expenses	-2.0	-1.9	-1.8	-1.9	-1.9
PPoP	1.6	1.7	1.6	1.7	1.9
Provisions	-1.1	-1.0	-0.5	-0.5	-0.5
Profit before tax	0.7	0.6	0.9	1.1	1.4
Taxes	-0.3	-0.2	-0.2	-0.3	-0.3
Net profit	0.4	0.5	0.7	0.9	1.0

Source: Company, YES Sec – Research

Exhibit 18: Sum of the Parts (SOTP) - Subsidiaries

Subsidiary	Market Cap / Assigned value (Rs mn)	Valuation metric	Metric value (Rs mn)	Trailing multiple (Implied / Assigned)	Stake (%)	Stake value (Rs mn)	Per share (Rs)
SBI Cards	675,060	BV	63,020	10.7	69.4%	468,492	52.5
SBI Life Insurance	1,045,330	EV	333,900	3.1	55.5%	580,158	65.0
SBI General Insurance	104,927	PAT	5,440	19.3	70.0%	73,449	8.2
SBI Capital Markets	40,988	PAT	2,733	15.0	100.0%	40,988	4.6
Bank	311,930	BV	331,963	0.9	30.0%	93,579	10.5
SBI AMC	573,541	AUM	5,735,411	10%	62.9%	360,643	40.4
Value of Subsidiaries						1,617,308	181.2

Source: Company, YES Sec – Research

Exhibit 19: Change in annual estimates

Y/e 31 Mar (Rs mn)	Revised Estimate			Earlier Estimate			% Revision		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Net Interest Income	NA	1,364,060	1,432,872	1,213,111	1,258,440	1,423,298	NA	8.4	0.7
Pre-Prov. Operating Profit	NA	832,974	972,411	747,627	852,572	1,004,529	NA	(2.3)	(3.2)
Profit after tax	NA	426,811	535,582	386,236	446,395	564,475	NA	(4.4)	(5.1)

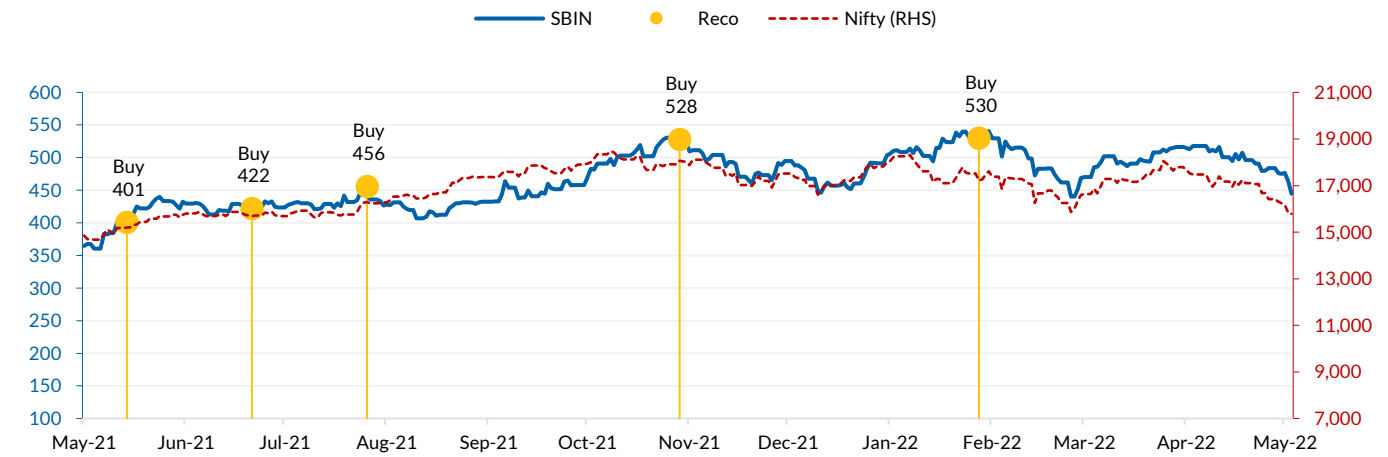
Source: Company, YES Sec – Research

Exhibit 20: Ratio analysis

Y/e 31 Mar	FY20	FY21	FY22	FY23E	FY24E
Growth matrix (%)					
Net interest income	11.0	12.9	9.0	13.0	5.0
PPoP	11.7	13.1	7.5	10.6	16.7
Net profit	1580	40.9	55.2	34.7	25.5
Loans	6.4	5.3	11.6	10.0	10.0
Deposits	11.3	13.6	10.1	7.4	7.6
Profitability Ratios (%)					
Net interest margin	3.0	3.0	3.1	3.2	3.2
Return on Average Equity	6.4	8.4	11.9	14.3	15.8
Return on Average Assets	0.4	0.5	0.7	0.9	1.0
Per share figures (Rs)					
EPS	16.2	22.9	35.5	47.8	60.0
BVPS	260	284	314	354	406
ABVPS	175	217	256	302	357
Valuation multiples					
P/E	16.2	11.5	7.4	5.5	4.4
P/BV	1.0	0.9	0.8	0.7	0.6
P/ABV	1.5	1.2	1.0	0.9	0.7
NIM internals (%)					
Yield on loans	8.0	7.2	6.6	7.0	7.1
Cost of deposits	4.8	4.1	3.7	3.8	3.9
Loan-deposit ratio	71.7	66.5	67.5	69.1	70.6
CASA ratio	43.5	44.7	43.8	44.3	44.8
Opex control (%)					
Cost/Income ratio	54.8	54.1	53.3	53.6	51.0
Cost to average assets	2.0	1.9	1.8	1.9	1.9
Capital adequacy (%)					
Tier 1 capital ratio	11.0	11.4	11.4	10.6	9.7
Asset quality (%)					
Slippage ratio	2.4	1.2	1.0	1.0	1.0
Gross NPL ratio	6.2	5.0	4.0	3.5	3.1
Credit cost	1.9	1.1	0.5	0.9	0.8
Net NPL ratio	2.2	1.5	1.0	0.7	0.6

Source: Company, YES Sec – Research, Valuations are the implied value of standalone entity net of subsidiaries

Recommendation Tracker



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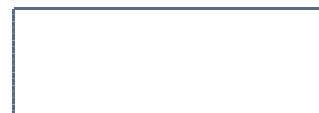
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