



# SBI ANALYSIS

# Introduction

- State Bank of India (SBI) is the largest bank in India and recently declared its Q4FY2 results. Bank's standalone net profit jumped 41.2% on YoY basis and 8.08% on QoQ basis driven primarily by a healthy increase in net interest income (NII).
- Let us do a results analysis of quarterly and yearly results of SBI Bank.

# Profits And NPA(non performing assets)

- SBI has clocked its operating profit at Rs 19,716 crore for Q4 FY22, against Rs 18,521 crore in the previous quarter. The bank's total income was up nearly 40% QoQ to Rs 11,880 crore in Q4 FY22 from Rs 8,673 crore in the previous quarter. However, the total income is down by 36.5% YoY to Rs 11,880 crore from Rs 16,225 crore in the corresponding quarter in the previous financial year.
- SBI's Gross NPA (Non-Performing Assets) are down to 3.97% from 4.50% in the previous quarter and 4.98% in the year ago period. Its Net NPA is down to 1.02% from 1.34% in Q3 FY22 and 1.50% in Q4 FY21.
- The bank's interest income is up 8.65% YoY to Rs 70,733 crore from Rs 65,102 crore in the year ago period. SBI has declared a dividend of Rs 7.10 per equity.

# Key Highlights

- Bank registered its highest quarterly Net Profit of Rs 9,114 crore in Q4 FY22, a growth of 41.28% YoY
- Net profit for FY22 grew by 55.19% YoY to Rs. 31,676 crore
- Domestic NIM (Net Interest Margin) for Q4 FY22 increased by 29 base points YoY at 3.40%. Net Interest Income (NII) for Q4 FY22 increased by 15.26% YoY
- Operating Profit for Q4FY22 at Rs. 19,717 crores
- Retail Portfolio crosses Rs. 10 lakh crore
- Home loan, which constitutes nearly 23% of SBI's domestic advances, has grown by 11.49% YoY
- Corporate Loans has also registered growth of 11.15% QoQ during Q4 FY22
- Total Deposits grew at 10.06% YoY Saving Bank Deposits grew by 10.45% YoY while Term Deposit grew by 11.54% YoY
- CASA Deposit grew by 7.78% YoY with CASA ratio of 45.28% as on 31st March 22
- Gross NPA ratio down by 101 base points YoY at 3.97%, while Net NPA ratio down by 48 base points YoY at 1.02%

In Rs Crores	Mar 21	Dec 21	Mar 22	YoY %	QoQ %
<b>Balance Sheet</b>					
<b>Gross advances</b>	<b>25,39,393</b>	<b>26,64,602</b>	<b>28,18,671</b>	<b>11.00</b>	<b>5.78</b>
<i>Domestic Corporate</i>	<i>8,18,705</i>	<i>7,83,379</i>	<i>8,70,712</i>	<i>6.35</i>	<i>11.15</i>
<i>Domestic Retail Personal</i>	<i>8,70,711</i>	<i>9,52,189</i>	<i>10,02,303</i>	<i>15.11</i>	<i>5.26</i>
<i>Of which: Home loans</i>	<i>5,03,779</i>	<i>5,38,475</i>	<i>5,61,651</i>	<i>11.49</i>	<i>4.30</i>
<b>Deposits</b>	<b>36,81,277</b>	<b>38,47,794</b>	<b>40,51,534</b>	<b>10.06</b>	<b>5.29</b>
<i>Domestic CASA</i>	<i>16,46,974</i>	<i>17,00,688</i>	<i>17,75,084</i>	<i>7.78</i>	<i>4.37</i>
<i>Domestic Term Deposits</i>	<i>19,23,191</i>	<i>20,17,823</i>	<i>21,45,117</i>	<i>11.54</i>	<i>6.31</i>
<i>CASA Ratio (%)</i>	<i>46.13</i>	<i>45.74</i>	<i>45.28</i>	<i>-85 bps</i>	<i>-46 bps</i>
<b>GNPA</b>	<b>1,26,389</b>	<b>1,20,029</b>	<b>1,12,023</b>	<b>-11.37</b>	<b>-6.67</b>
<b>NNPA</b>	<b>36,810</b>	<b>34,540</b>	<b>27,966</b>	<b>-24.03</b>	<b>-19.03</b>

# Loans & deposits

- SBI's loan book stood at Rs 28.18 trillion at the end of March 31, 2022 as against 25.39 trillion in the year-ago period, clocking a growth of 11 per cent YoY. Sequentially, credit book improved 5.78 per cent from Rs 26.64 trillion.
- Of this, retail loans grew 15.11 per cent YoY while corporate loans increased 6.35 per cent YoY.

# Asset Quality

- SBI's asset quality improved on a sequential basis with gross non-performing assets (GNPA) standing at Rs 1.12 trillion as against Rs 1.2 trillion in Q3FY22. Net NPA, too, slipped to Rs 27,966 crore as against Rs 34,540 crore in the previous quarter.
- GNPA and NNPA ratios, too, improved by 53 bps and 32 bps QoQ to 3.97 per cent and 1.02 per cent, respectively.
- SBI has set aside provisions worth Rs 7,237.45 crore, of which provisions for NPA stand at Rs 3,261.7 crore for the quarter. This is higher than provision (for NPA) worth Rs 3,069 crore set aside in Q3FY22.



Breakdown	3/30/2022	12/30/2021	9/29/2021	6/29/2021
Total Assets	53,608,835,294	51,775,457,800	50,339,143,500	48,805,948,600
Total Liabilities Net Minority Intere...	50,440,880,615	48,648,624,000	47,310,018,100	45,866,948,200
> Total Equity Gross Minority Inte...	3,167,954,679	3,126,833,800	3,029,125,400	2,939,000,400
Total Capitalization	7,632,776,534	8,206,721,300	7,305,202,400	7,000,042,900
Common Stock Equity	3,055,880,451	3,018,652,400	2,924,643,400	2,839,846,700
Net Tangible Assets	2,173,636,821	3,018,652,400	2,924,643,400	2,839,846,700
Invested Capital	7,632,776,534	8,206,721,300	7,305,202,400	7,000,042,900
Tangible Book Value	2,173,636,821	3,018,652,400	2,924,643,400	2,839,846,700
Total Debt	4,576,896,083	5,188,068,900	4,380,559,000	4,160,196,200
Net Debt	502,546,600	1,362,992,400	374,884,400	368,081,600
Share Issued	8,924,612	8,924,612	8,924,612	8,924,612
Ordinary Shares Number	8,924,612	8,924,612	8,924,612	8,924,612



# Pecking order theory

- We can observe that the bank reduced the debt as profits increased.
- Profits here refer to internal financing which is less risky than debt issuance ( external financing)
- This is due to asymmetric information which leads to higher cost of financing to mitigate the risks due to less information available to external parties.
- Also we can see that there has been no equity issuance compared to last year (the highest risk and least preferred)
- All these are in accordance to pecking order of theory

# Capital structure of SBI

	Rs. in Crores	Year Ended		YoY Growth	
		FY21	FY22		
<b>Profit &amp; Loss</b> (in Rs. Crores)	Net Interest Income	1,10,710	1,20,708	↑	9.03%
	Net Interest Margin – Domestic (%)	3.26	3.36	↑	10 bps
	Operating Profit	71,554	75,292	↑	5.22%
	Net Profit	20,410	31,676	↑	55.19%
<b>Key Ratios</b> (in %)	Credit Cost	1.12	0.55	↓	-57 bps
	Net NPA	1.50	1.02	↓	-48 bps
	PCR (Incl. AUCA)	87.75	90.20	↑	245 bps
	PCR	70.88	75.04	↑	416 bps
	Capital Adequacy	13.74	13.83	↑	9 bps
<b>Balance Sheet</b> (in Rs. Crores)	Gross Advances	25,39,393	28,18,671	↑	11.00%
	Total Deposits	36,81,277	40,51,534	↑	10.06%
	Retail Personal Advances	8,70,711	10,02,303	↑	15.11%

# Yield on Investments

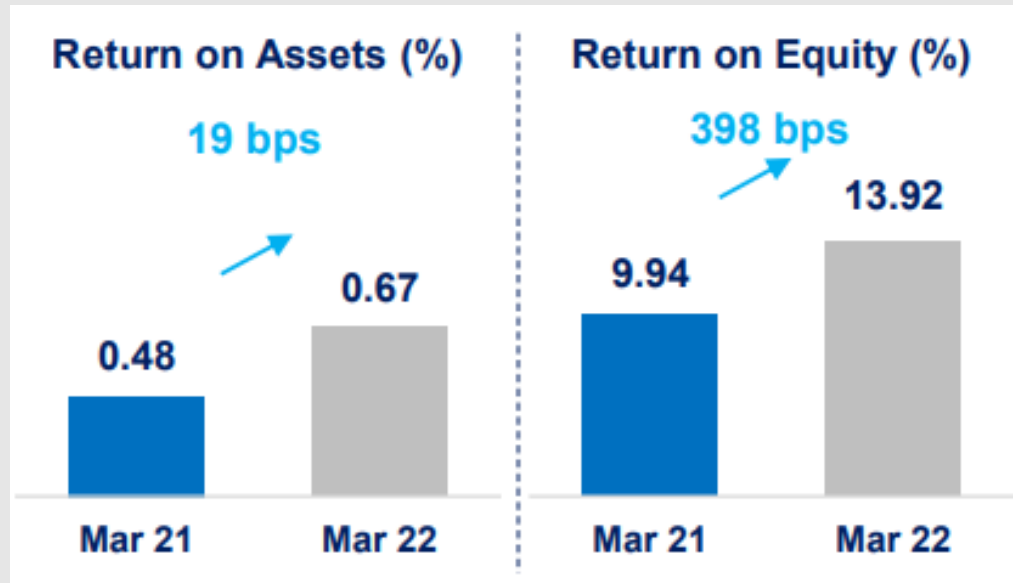


There has been an overall reduction in the yield on investments as compared previous year.

# Assets Analysis

Particulars, In Rs crs	Q4FY21	Q3FY22	Q4FY22	FY21	FY22	Q4FY22 over Q3FY22	Q4FY22 over Q4FY21	FY22 over FY21
Interest Income	65,102	69,678	70,733	2,65,151	2,75,457	1.51	8.65	3.89
Interest Expenses	38,035	38,991	39,535	1,54,441	1,54,750	1.40	3.95	0.20
<b>Net Interest Income</b>	<b>27,067</b>	<b>30,687</b>	<b>31,198</b>	<b>1,10,710</b>	<b>1,20,708</b>	<b>1.66</b>	<b>15.26</b>	<b>9.03</b>
Non Interest Income	16,225	8,673	11,880	43,496	40,564	36.97	-26.78	-6.74
<b>Operating Income</b>	<b>43,292</b>	<b>39,361</b>	<b>43,078</b>	<b>1,54,206</b>	<b>1,61,272</b>	<b>9.44</b>	<b>-0.50</b>	<b>4.58</b>
Operating Expenses	23,592	20,839	23,361	82,652	85,979	12.10	-0.98	4.03
<b>Operating Profit</b>	<b>19,700</b>	<b>18,522</b>	<b>19,717</b>	<b>71,554</b>	<b>75,292</b>	<b>6.45</b>	<b>0.08</b>	<b>5.22</b>
Total Provisions	13,249	10,090	10,603	51,144	36,198	5.09	-19.97	-29.22
Exceptional items <sup>#</sup>					7,418			
<b>Net Profit</b>	<b>6,451</b>	<b>8,432</b>	<b>9,114</b>	<b>20,410</b>	<b>31,676</b>	<b>8.08</b>	<b>41.28</b>	<b>55.19</b>
<b>NIM (Whole Bank) (%)</b>	<b>2.90</b>	<b>3.15</b>	<b>3.15</b>	<b>3.04</b>	<b>3.12</b>	<b>0 bps</b>	<b>25 bps</b>	<b>8 bps</b>
<b>NIM (Domestic) (%)</b>	<b>3.11</b>	<b>3.40</b>	<b>3.40</b>	<b>3.26</b>	<b>3.36</b>	<b>0 bps</b>	<b>29 bps</b>	<b>10 bps</b>
<b>Cost to Income Ratio (%)</b>	<b>54.50</b>	<b>52.94</b>	<b>54.23</b>	<b>53.60</b>	<b>53.31</b>	<b>129 bps</b>	<b>-27 bps</b>	<b>-29 bps</b>
<b>Cost to Assets (%)</b>	<b>2.12</b>	<b>1.75</b>	<b>1.91</b>	<b>1.95</b>	<b>1.81</b>	<b>16 bps</b>	<b>-21 bps</b>	<b>-14 bps</b>

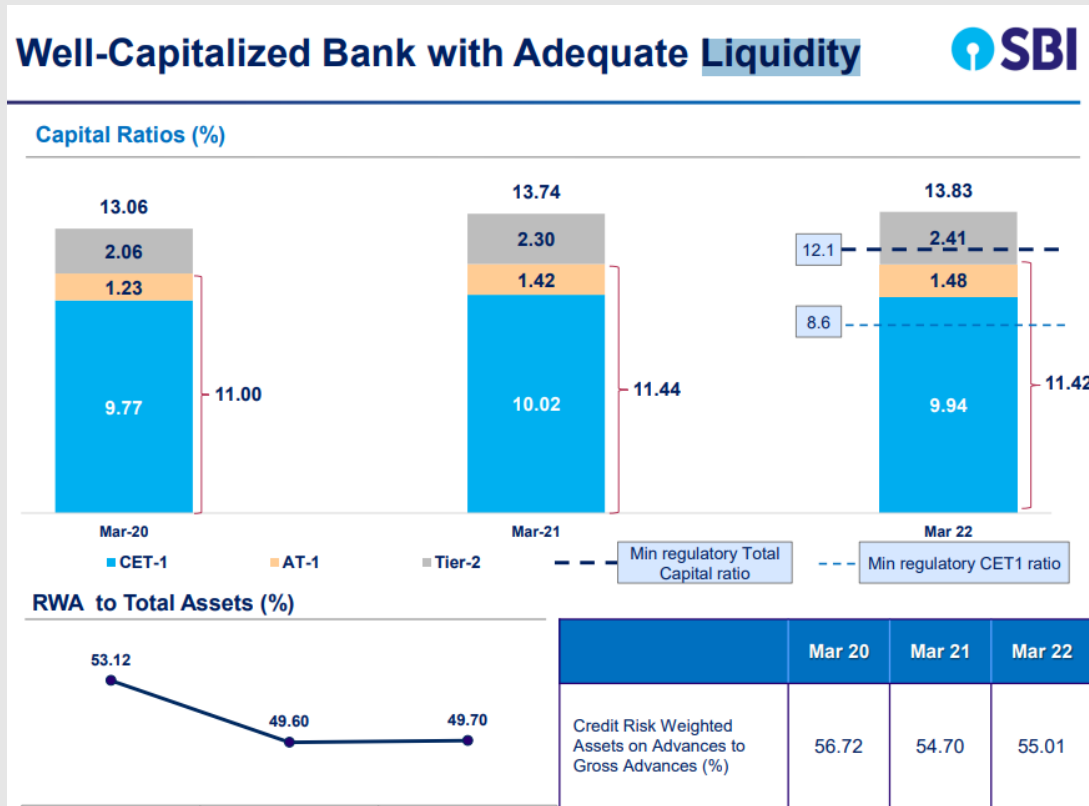
The cost to assets and cost to income ratio has increase QoQ  
The ratio has a cost as its numerator and to achieve operational efficiency, it is important for an entity to contain its costs.  
Thus, lower the ratio better it is for the banks as it indicates better efficiency.  
Moreover, a lower ratio also means that the asset base of the bank is sufficient to cover its operational costs.  
Thus we can conclude the efficiency decreased as compared to previous quarter but increased YoY.



Return on assets and equity increase compared to last year . This indicates a better and efficient Use of assets for income generation.

A higher ROA means a company is more efficient and productive at managing its balance sheet to generate profits while a lower ROA indicates there is room for improvement.

# Capital ratios and liquidity



The reason minimum capital ratios are critical is to make sure that banks have enough cushion to absorb a reasonable amount of losses before they become insolvent and consequently lose depositors' funds. The capital adequacy ratios ensure the efficiency and stability of a nation's financial system by lowering the risk of banks becoming insolvent. SBI capital ratio is good but there is still some scope of improvement to increase the ratio.

# Indicators

- The bank's P/E ratio is at 18.43 against the industry average of 19.17
- SBI's P/B ratio is 1.45 against the industry average of 2.01
- The bank's dividend yield is at 0.86% against the industry average of 0.93%



# Suggestions

In conclusion, State Bank of India is one of the greatest banks in India. In order to improve the profitability and solvency of the bank, it is necessary to improve upon the decision making. SBI should put an emphasis on increasing the level of working capital. This

combined with good decision making will increase the liquidity, solvency and directly increase

the income of the bank. There should be more effective utilization of assets to improve the Return on Assets status of the bank. The Debt to Assets ratio indicates that the bank should take measures to limit the level of debts. It is finally suggested that the bank increase the lending or loans from the deposit so as to improve the income.

Finally the overhead expenses and staff expenses should also be kept in mind as it increases a lot QoQ

Staff Expenses	33,179	41,055	45,715	50,936	50,144
Overhead Expenses	26,765	28,633	29,459	31,716	35,836

A lot more could have been done but given the time constraints it wasn't possible also the data was hard to find directly on the internet so had to refer to official sbi statements.

Also this was fun got to know a lot of theories.

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