

State Bank of India (SBI) – BUY

Result Update

Current Market Price (CMP)

Rs. 460

Target Price

Rs. 625

We see 35.7% upside in the stock at our Fair Value of Rs. 625.

Rationale:

- SBI reported ~65% yoy earning growth on the back of sharp decline in provisions.
- Slippages (net), Gross NPL, Net NPL and restructured loans were lower.
- Shift is moving to operational parameters. It would improve as loan accelerates.
- SBI a good investment idea. There is scope for further multiple expansion.
- We maintain BUY with a fair value of Rs. 625 (from Rs. 550), at 1.3x FY23E book (NPL – Non performing loans)

Q2FY22 Earnings Update:

👍 Positives:

- Net interest margin increased 20 bps qoq.
- Gross NPL declined 40 bps to 4.9%, net NPL declined ~30 bps qoq to 1.5%.
- Slippages declined to 0.7% of loans from 2.7%. Restructured loans are at 1.5%.

👎 Negatives:

- Loan growth was modest at ~6%.
- Cost to income rose was at ~54% due to one off provision for pension.

[Click here](#)

For detailed report dated 3rd November 2021. Note: CMP & valuation may differ due to difference in dates.



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