

**CMP: INR 843**

**Rating: BUY**

**Target Price: INR 1,072**

**Stock Info**

BSE	500112
NSE	SBIN
Bloomberg	SBIN IN
Reuter	SBI.BO
Sector	Banks
Face Value (INR)	1
Equity Capital (INR Mn)	8,924
Mkt Cap (INR Bn)	7,525
52w H/L (INR)	912 / 555
Avg Yearly Vol (in 000')	17,917

**Shareholding Pattern %**

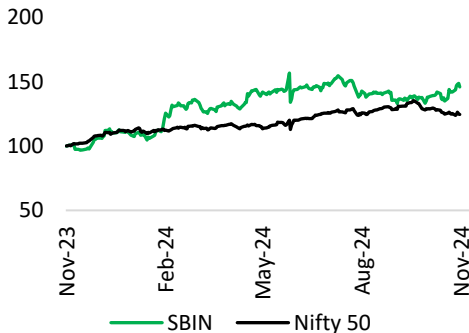
(As on Sept, 2024)

Promoters	57.51
Public & Others	42.49

**Stock Performance (%)**

	1m	6m	12m
SBIN	5.5	2.6	45.4
Nifty 50	-3.3	10.0	24.5

**SBIN Vs Nifty**



Abhishek Jain

[abhishek.jain@arihantcapital.com](mailto:abhishek.jain@arihantcapital.com)

Anmol Das

[anmol.das@arihantcapital.com](mailto:anmol.das@arihantcapital.com)

Harshit Jain

[harshit.jain@arihantcapital.com](mailto:harshit.jain@arihantcapital.com)

SBI reported a net profit of INR 183.3 bn in Q2FY25 v/s INR 170.4 bn in Q1FY25 and INR 143.3 bn in Q2FY24, i.e, up 7.6% QoQ/27.9% YoY. The bank has reported increase in Advances to INR 38.57 trillion up by 2.9% QoQ/15.3% YoY. NII grew by 1.2% QoQ/5.4% YoY to INR 416.2 bn. NIM for the overall bank stood at 3.14%, sequentially down 8 bps / down 15 bps YoY. GNPA improved further by 8 bps QoQ/42 bps YoY to 2.13%, whereas NNPA too came down to 0.53%, down 4 bps QoQ / down 11 bps YoY. Slippages ratio decreased from 0.84% in Q1FY25 to 0.68% in Q2FY25 and Credit cost decreased from 0.48% in Q1FY25 to 0.38% in Q2FY25.

**NIMs fell sequentially, led by increase in Interest Costs and flattish Yields:** Net Interest Income during the quarter stood at INR 416.2 bn, up by 1.2% QoQ/up 5.4% YoY, due to flattish Yields on advances at 8.87%, up 4 bps QoQ / up 1 bps YoY, compared to Cost of Deposits at 5.03% in Q2FY25, up 3 bps QoQ / up 38 bps YoY. The interest expenses increased by 2.6% QoQ/16.8% YoY to INR 722.5 bn, whereas interest income increased only by 2.1% QoQ/12.3% YoY at INR 1,138.7 bn. NIMs fell sequentially at 3.14% down 8 bps QoQ/ down 42 bps YoY. Cost of deposits increased by 3 bps QoQ / up 38 bps YoY at 5.03% during the quarter v/s 5.0% in Q1FY25. Further, CASA ratio was at 40.03%, declining massively by 67 bps QoQ / 185 bps YoY.

**Loan growth is expected to fall short of guidance of 14-16% growth:** Advances grew for the quarter to INR 38.57 tn growing by 2.9% QoQ/15.3% QoQ. The advances growth is expected to be driven by RAM segment as Retail Personal loans grew by 12.3% YoY, SME advances growth was robust at 17.4% YoY and Agri book grew by 17.7% YoY, while corporate advances increased by 18.35% YoY. Within retail, Home loan segment increased by 13.66% YoY, Xpress Credit book was up by 6.6% and other Personal segment loan were up 16.5% YoY. However, overall, all types of Personal loans and Agri & SME financing saw sequentially slower growth than previous quarter. Deposits growth was just a tad slow at 4.4% QoQ / up 9.1% YoY to INR 511.7 tn. CASA ratio too fell from Q1FY25 levels of 40.7% to 40.03%.

**Slippage ratio & Credit Cost fell sequentially:** Bank has reported slippages of INR 48.71 bn against INR 79.03 bn during Q1FY25 as slippage ratio decreased to 0.51% from 0.84% in Q1FY25. Recoveries and upgrades came down to INR 26 bn in Q2FY25 against INR 36.66 bn in Q1FY25. GNPA improved a notch further by 8 bps QoQ / down 42 bps YoY to 2.13%, whereas NNPA too improved sequentially at 0.53%, down 4 bps QoQ / down 11 bps YoY. Total Restructuring book of the bank declined from INR 160.1 bn as of June 2024 to INR 148.3 bn in Sept 2024. SMA 1 & 2 book (>5 cr) increased from INR 46.37 bn in Q1FY25 to INR 137.32 bn in Sept 2024, which includes a Government sector customer with INR 9 bn exposure, which account has been pulled back from SMA accounts currently.

**Valuation & View:** SBI has posted in line set of results for Q2FY25 on account of Seasonality factors and deposit mobilization challenges. While the bank's NIMs are expected to remain tipid, healthy growth in Q3 on account of festive season & Q4 being strong for banks. Could surprise with higher bottomlines. The Bank's listed and unlisted subsidiaries are seen doing good in terms of Profits for Asset Management, General Insurance and SBI Caps, while Life Insurance and SBI Cards are seen degrowth in terms of Profits. We trust the bank's risk mitigation frameworks and don't see any substantial risk to the Asset quality as the Bank does not have any lumpy corporate NPA account as of Q2FY25. Hence, **we revise our estimates on account of prudent Provisioning taken by the bank of INR 311 bn (Outside of PCR) and maintain our stance on SBI with a BUY rating based on P/ABV multiple of 1.3x on FY27E ABV of INR 693 to an intrinsic value of INR 933 (standalone) and valuing its subsidiaries at INR 139 (at 40% hold co discount) to arrive at a Target Price of INR 1,072 (earlier INR 1,081) even at slower than growth guidance of 14% YoY for FY25.**

**Exhibit 1: Financial Performance**

State Bank of India (INR Bn)	FY24A	FY25E	FY26E	FY27E
NII	1,762	1,876	2,116	2,374
PPOP	1,067	1,128	1,406	1,636
PAT	640	748	963	1,141
BVPS (INR / Share)	422.7	506.0	613.5	740.8
RoA (%)	1.0%	1.1%	1.3%	1.3%
RoE (%)	17.0%	16.6%	17.6%	17.3%
P/ABV (x)	2.2	1.8	1.5	1.2

Source: Arihant Research, Company Filings

## Q2FY25- Quarterly Performance (Standalone)

Quarterly Result Update (INR Bn)	Q2FY25	Q1FY25	Q2FY24	Q-o-Q	Y-o-Y
Interest Income	1,138.7	1,115.3	1,013.8	2.1%	12.3%
Interest Expended	722.5	704.0	618.8	2.6%	16.8%
<b>Net Interest Income</b>	<b>416.2</b>	<b>411.3</b>	<b>395.0</b>	<b>1.2%</b>	<b>5.4%</b>
Other Income	152.7	111.6	107.9	36.8%	41.5%
Operating Income	568.9	522.9	502.9	8.8%	13.1%
<b>Operating Expenses</b>	<b>276.0</b>	<b>258.4</b>	<b>308.7</b>	<b>6.8%</b>	<b>-10.6%</b>
Employee Expenses	148.1	154.7	189.3	-4.3%	-21.8%
Other Operating Expenses	127.9	103.7	119.5	23.3%	7.0%
<b>PPOP</b>	<b>292.9</b>	<b>264.5</b>	<b>194.2</b>	<b>10.8%</b>	<b>50.9%</b>
Provisions	45.1	34.5	1.2	30.6%	3808.5%
PBT	247.9	230.0	193.0	7.8%	28.4%
Tax Expenses	64.6	59.6	49.7	8.3%	29.9%
<b>Net Income</b>	<b>183.3</b>	<b>170.4</b>	<b>143.3</b>	<b>7.6%</b>	<b>27.9%</b>
<b>Balance Sheet Analysis</b>					
Advances	38,574	37,491	33,452	2.9%	15.3%
Deposits	51,173	49,017	46,892	4.4%	9.1%
Total Assets	63,415	61,912	58,263	2.4%	8.8%
CASA Deposits	19,659	19,144	18,860	2.7%	4.2%
CASA (%)	40.03%	40.70%	41.88%	-67bps	-185bps
CAR (%)	13.76%	13.86%	14.28%	-10bps	-52bps
<b>Spreads</b>					
NIMs (%)	3.14%	3.22%	3.29%	-8bps	-15bps
Cost of Deposits	5.03%	5.00%	4.65%	3bps	38bps
Yield on Average Advances	8.87%	8.83%	8.86%	4bps	1bps
<b>Asset Quality</b>					
GNPA	833.69	842.26	869.74	-1.0%	-4.1%
NNPA	202.94	215.55	213.52	-5.8%	-5.0%
GNPA (%)	2.13%	2.21%	2.55%	-8bps	-42bps
NNPA (%)	0.53%	0.57%	0.64%	-4bps	-11bps
Credit Costs	0.43%	0.48%	0.27%	-5bps	16bps
Provision Coverage Ratio	75.66%	74.41%	75.45%	125bps	21bps
<b>Returns &amp; Expenses</b>					
RoA	1.17%	1.10%	1.01%	7bps	16bps
RoE	17.48%	17.15%	15.96%	33bps	152bps
Cost / Income Ratio	48.51%	49.42%	61.39%	-91bps	-1288bps

Source: Arianth Research, Company Filings

## Q2FY25 – Key Concall Highlights

### Guidance:

- The Management expects loan growth to be at 14-16% mark for FY25.
- The Corporate loans segment are expected to show continued growth momentum.
- Home loans growth is expected to be in the range of 13-14% mark for FY25.
- The Management expects the Deposits to show double digit growth and it expects to maintain market share.
- NIMs are largely expected to remain stable from hereon.
- The Management increased the Credit cost guidance to around 50 bps for FY25 and the ROA guidance is at 1.0%.

### Key Highlights:

- Net Interest Income for Q2FY25 stood at INR 416.2 bn against our estimates of INR 455 bn up by 1.2% QoQ / up by 5.4% YoY while NIMs came at 3.27%, up by 5 bps QoQ/ down by 4 bps YoY.
- PPOP came at INR 292.9 bn against our estimates of INR 305 bn, up by 10.8% QoQ / up by 50.9% YoY.
- Provisions stood at INR 45.1 bn against our estimates of INR 35.3 bn increasing by 30.6% QoQ / up by 38.1x YoY.
- PAT increased to INR 183.3 bn against our estimates of INR 200 bn increasing by 7.6% QoQ / up by 27.9% YoY.
- GNPA came at 2.13% against our estimates of 2.14%, down 8 bps QoQ/down 42 bps YoY while NNPA was at 0.53% against our estimates of 0.55%, down 4 bps QoQ/ down 11 bps YoY.
- Advances increased by 2.9% QoQ / up 15.3% YoY to INR 38,574 bn.
- Deposits increased by 4.4% QoQ / up 9.1% YoY to INR 51,173 bn.
- Non-interest income jumped meaningfully by 41.5% YoY and was boosted by treasury gains. Fee income growth was modest at 4.5% YoY.
- The Operating expenses declined on 10.6% YoY due to higher base, cost to income ratio declined sequentially by 91 bps to 48.5%.
- In Q2FY25, net credit growth for the bank stood at 2.9% QoQ sequentially / 15.3% YoY and total loan book stood at INR 38.57 trillion.
- The Retail loans jumped 12.3% YoY, in which home and auto loan segment showed 13.7% YoY and 11.9% YoY respectively, while X-press credit segment saw a tapered growth of 6.6% YoY.
- Personal gold loan growth was strong at 28.3% YoY, partly due to lower base.
- The Agriculture portfolio increased by 17.67% YoY to INR 3.22 trillion while SME book reported a 17.4% YoY growth to INR 4.56 trillion.
- Corporate loan portfolio saw healthy momentum as it increased by 18.35% YoY to INR 11.6 trillion. International book was up by 11.5% YoY.
- The Management informed that the Sanctions & Proposals in the Corporate book stands at INR 6 trillion.
- Domestic CASA ratio declined 67 bps QoQ / down 185 bps YoY to 40.03%.
- In Q2FY25, the overall asset quality improved as GNPA and NNPA ratios declined sequentially by 8 bps and 4 bps respectively to 2.13% and 0.53.
- Gross NPA addition during the quarter declined on sequential basis by 43.1% YoY to INR 49.51 bn.
- Slippage ratio for the quarter stood at 0.51% in which Retail segment slippage ratio was at 0.31%.
- Recoveries & upgrades for Q2FY25 stood at INR 26 bn v/s INR 36.66 bn sequentially. The Bank recovered INR 23.36 bn from written off accounts.
- The SMA 1 & 2 for the bank increased meaningfully on sequential basis to INR 137.32 bn versus INR 46.37 bn in the previous quarter.
- The Management informed that One government account with exposure of INR 90 bn has been pulled back from SMA.
- The Bank currently has restructured book worth INR 148.30 bn and forms 0.38% of loans.
- The PCR for the bank stands at 75.66%, and the bank currently has non-NPA provisions worth INR 310.84 bn (153% of Net NPA) which are not included in PCR.
- Credit cost for the bank stood at 38 bps for Q2FY25 versus 22 bps in Q2FY24.
- Around 61% of new regular savings account were opened via YONO app in Q2FY25.

## Key Financials

Profit & Loss Statement (INR Bn)	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
Interest Income	2,755	3,321	3,777	4,537	5,054	5,619
Interest Expended	1,548	1,873	2,015	2,662	2,938	3,245
<b>Net Interest Income</b>	<b>1,207</b>	<b>1,448</b>	<b>1,762</b>	<b>1,876</b>	<b>2,116</b>	<b>2,374</b>
Other Income	406	366	492	546	701	816
Operating Income	1,613	1,815	2,254	2,422	2,817	3,190
Operating Expenses	860	977	1,187	1,294	1,410	1,554
Employee Expenses	501	573	597	665	741	841
Other Operating Expenses	358	405	590	628	669	713
<b>PPOP</b>	<b>753</b>	<b>837</b>	<b>1,067</b>	<b>1,128</b>	<b>1,406</b>	<b>1,636</b>
Provisions	245	165	163	155	154	152
PBT	508	672	832	973	1,253	1,484
Tax Expenses	117	170	192	225	289	343
<b>Net Income</b>	<b>317</b>	<b>502</b>	<b>640</b>	<b>748</b>	<b>963</b>	<b>1,141</b>

Balance Sheet (INR Bn)	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Equity &amp; Liabilities</b>						
Share Capital	9	9	9	9	9	9
Reserves & Surplus	2,792	3,267	3,764	4,507	5,466	6,603
Net Worth	2,801	3,276	3,772	4,516	5,475	6,612
Deposits	40,515	44,238	49,161	54,976	61,122	67,968
Borrowings	4,260	4,931	5,976	6,274	6,588	6,918
Other Liabilities and Provisions	2,299	2,725	2,888	3,185	3,652	4,175
<b>Total Capital &amp; Liabilities</b>	<b>49,876</b>	<b>55,170</b>	<b>61,797</b>	<b>68,951</b>	<b>76,838</b>	<b>85,673</b>
<b>Assets</b>						
Cash & Balances with RBI	2,579	2,471	2,251	2,486	2,609	2,826
Balances with Other Banks & Call Money	1,367	608	857	925	1,049	1,068
Investments	14,814	15,704	16,713	17,955	18,135	18,316
Advances	27,340	31,993	37,040	42,142	48,158	55,274
Fixed Assets	377	424	426	469	516	567
Other Assets	3,399	3,971	4,510	4,974	6,371	7,621
<b>Total Assets</b>	<b>49,876</b>	<b>55,170</b>	<b>61,797</b>	<b>68,951</b>	<b>76,838</b>	<b>85,673</b>

Source: Arianth Research, Company Filings

Ratios	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Growth rates</b>						
Advances (%)	11.6%	17.0%	15.8%	11.8%	12.3%	12.8%
Deposits (%)	10.1%	9.2%	11.1%	11.8%	11.2%	11.2%
Total assets (%)	10.0%	10.6%	12.0%	11.8%	11.6%	11.5%
NII (%)	9.0%	20.0%	21.7%	12.7%	9.1%	8.4%
Pre-provisioning profit (%)	7.5%	11.2%	27.4%	20.1%	19.8%	11.6%
PAT (%)	55.2%	58.6%	27.4%	34.5%	22.8%	13.0%
<b>Balance sheet ratios</b>						
Credit/Deposit (%)	67.5%	72.3%	75.3%	75.3%	76.0%	77.1%
CASA (%)	43.8%	44.8%	45.4%	45.7%	46.3%	46.9%
Advances/Total assets (%)	54.8%	58.0%	59.9%	59.9%	60.3%	61.0%
Leverage (x) (Asset/Shareholder's Fund)	17.81	16.84	16.38	14.92	13.56	12.51
CAR (%)	14.1%	14.0%	14.1%	15.5%	16.9%	18.2%
CAR - Tier I (%)	13.4%	13.3%	13.5%	14.9%	16.4%	17.7%
<b>Operating efficiency</b>						
Cost/income (%)	53.3%	53.9%	52.7%	49.0%	45.4%	44.2%
Opex/total assets (%)	1.7%	1.8%	1.9%	1.8%	1.7%	1.6%
Opex/total interest earning assets	1.1%	1.2%	1.1%	1.1%	1.1%	1.2%
<b>Profitability</b>						
NIM (%)	2.8%	3.0%	3.3%	3.3%	3.3%	3.3%
RoA (%)	0.6%	0.9%	1.0%	1.2%	1.4%	1.4%
RoE (%)	11.3%	15.3%	17.0%	18.6%	18.6%	17.4%
<b>Asset quality</b>						
Gross NPA (%)	4.1%	3.6%	3.2%	3.0%	2.8%	2.7%
Net NPA (%)	1.0%	0.9%	0.9%	0.9%	0.8%	0.8%
PCR (%)	75.0%	74.4%	73.1%	71.7%	70.4%	69.1%
Credit cost (%)	0.6%	0.4%	0.3%	0.3%	0.3%	0.2%
<b>Per share data / Valuation</b>						
EPS (INR)	35	56	72	96	118	134
BVPS (INR)	314	367	423	519	637	770
ABVPS (INR)	283	334	386	479	593	722
P/E (x)	23.9	15.1	11.8	8.8	7.2	6.3
P/BV (x)	2.7	2.3	2.0	1.6	1.3	1.1
P/ABV (x)	3.0	2.5	2.2	1.8	1.4	1.2
<b>Profitability</b>						
Return on Equity	11.3%	15.3%	17.0%	18.6%	18.6%	17.4%

Source: Arianth Research, Company Filings

**Arihant Research Desk**Email: [instresearch@arihantcapital.com](mailto:instresearch@arihantcapital.com)

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 <sup>st</sup> Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
<b>INH000002764</b>	<b>SMS: 'Arihant' to 56677</b>	<a href="http://www.arihantcapital.com">www.arihantcapital.com</a>	<a href="mailto:research@arihantcapital.com">research@arihantcapital.com</a>

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Arihant Capital Markets Ltd.  
1011, Solitaire Corporate park, Building No. 10, 1st Floor,  
Andheri Ghatkopar Link Road, Chakala, Andheri (E)  
Tel. 022-42254800 Fax. 022-42254880