

CMP: INR 791

Rating: BUY

Target Price: INR 981

Stock Info

BSE	500112
NSE	SBIN
Bloomberg	SBIN IN
Reuter	SBI.BO
Sector	Banking
Face Value (INR)	1
Equity Capital (INR Mn)	8,924
Mkt Cap (INR Bn)	7,140
52w H/L (INR)	912 / 680
Avg Yearly Vol (in 000')	15,843

Shareholding Pattern %

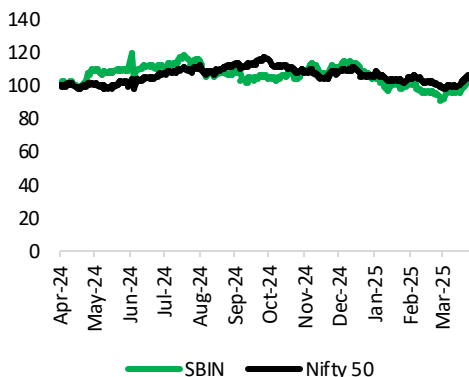
(As on Mar, 2025)

Promoters	57.43
Public & Others	42.57

Stock Performance (%)

	1m	6m	12m
SBIN	9.60	-3.19	1.74
Nifty 50	4.32	-8.83	4.71

SBIN Vs Nifty



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SBI reported a Net Interest Income stood at INR 427,746 Mn compared to our estimate of INR 461,493 Mn, up by 3.21% QoQ / 2.69% YoY. PPOP came in at INR 312,860 Mn vs estimate of INR 278,072 Mn, up by 32.84% QoQ / 8.83% YoY. Provisions were at INR 64,417 Mn vs estimate of INR 9,338 Mn, rising 607% QoQ / 300% YoY. PAT stood at INR 186,426 Mn vs estimate of INR 200,502 Mn, up by 10.37% QoQ / down by 9.93% YoY. GNPA stood at 1.82% vs estimate of 2.14%, down by 28 bps QoQ/ 46 bps YoY. NNPA stood at 0.47% vs estimate of 0.55%, down by 6 bps QoQ/ 10 bps YoY. Deposits increased to INR 53,821,895 Mn vs estimate of INR 53,601,191 Mn, up 2.92% QoQ / 9.48% YoY.

Diversified Loan Growth with Strong Deposit Base: The bank reported whole bank credit growth of 12% YoY, with domestic credit growth at 11.56%. The growth was well-diversified across segments with SME growing at 16.86%, agriculture at 14.29%, retail personal at 11.4%, and corporate at 9%. Foreign offices advances demonstrated even stronger growth at 14.84% YoY. Total deposits grew by 9.48% to INR 53.82 tn, with term deposits increasing by 11.48% and current account deposits showing growth of 27% YoY. The bank maintained a domestic credit-deposit ratio of 69.71%, indicating sufficient headroom to address future growth requirements. The strong growth in corporate current accounts despite competitive market conditions shows that the bank has ability to attract quality low-cost deposits even in a challenging environment.

Digital Transformation Driving Efficiency: SBI has made significant progress in digital banking with 87.7 Mn customers registered on the YONO platform. 64% of regular savings bank accounts were opened through YONO technology in FY25, demonstrating successful digital adoption. The bank processes 98% of transactions through alternate channels, significantly improving operational efficiency. It is also actively deploying AI technologies, including predictive AI modeling for pre-approved personal loans and GenAI for death claim settlements. These digital initiatives are crucial for the bank's operational leverage as the bank has doubled in size from INR 30 Tn in 2018 to INR 60 Tn in 2024 without proportionally increasing its branch network or headcount. This digital transformation is expected to further improve cost efficiency and enhance customer experience while supporting the bank's scale.

Strong Capital Position Supporting Future Growth: Bank's CAR stood at 14.25% with CET1 ratio at 10.81%, well above regulatory requirements. Based on the current profitability and growth profile, we believe they have sufficient headroom to support business growth. The board has approved raising equity capital up to INR 250,000 Mn as an enabling provision, providing flexibility if needed. The bank's ROE profile is currently higher than its credit growth, implying continued CET1 accrual in the future. Management aims to consistently achieve ROE over 15% through business cycles. This strong capital position, combined with the bank's ability to generate internal capital through strong profitability, positions SBI well to capture growth opportunities while maintaining regulatory buffers.

Valuation & View: SBI delivered strong FY25 results with 16.08% profit growth to INR 709,010 Mn despite a softer Q4 where profits declined 10% QoQ due to front-loaded provisions. The focus will be likely on management's more modest credit growth outlook of 12-13% for FY26 (down from earlier 14-16% guidance) following unexpected prepayments from PSUs. Upcoming 50 bps rate cuts expected from RBI, which presents a double-edged sword - pressure on NIMs but potential treasury windfall gains will be the watchpoint. Asset quality remains impressive with slippage ratio at just 0.55%, while the revival of stressed asset regional offices supports sustainable recovery streams. The INR 250,000 Mn capital raise approval appears precautionary rather than imminent. Hence, **we revise our estimates on account of prudent Provisioning and maintain our stance on SBI with a BUY rating based on upgraded P/ABV multiple of 1.0x on FY28E ABV of INR 780 to an intrinsic value of INR 832 (standalone) and valuing its subsidiaries at INR 149 (at 40% hold co discount) to arrive at a Target Price of INR 981.**

Exhibit: Financial Performance

State Bank of India (INR Bn)	FY24A	FY25E	FY26E	FY27E	FY28E
NII	1,599	1,670	1,875	2,188	2,606
PPOP	938	1,106	1,207	1,419	1,683
PAT	611	709	781	939	1,136
BVPS (INR / Share)	422.7	494.3	581.3	686.0	812.8
RoA (%)	1.0%	1.1%	1.1%	1.2%	1.4%
RoE (%)	16.2%	16.1%	15.0%	15.3%	15.7%
P/ABV (x)	2.0	1.7	1.4	1.2	1.0

Source: Arihant Research, Company Filings

Q4FY25 - Quarterly Performance (Standalone)

Quarterly Result Update (INR Bn)	Q4FY25	Q3FY25	Q4FY24	Q-o-Q	Y-o-Y
Interest Income	1,196.7	1,174.3	1,110.4	1.9%	7.8%
Interest Expended	768.9	759.8	693.9	1.2%	10.8%
Net Interest Income	427.7	414.5	416.6	3.2%	2.7%
Other Income	242.1	110.4	173.7	119.3%	39.4%
Operating Income	669.8	524.9	590.2	27.6%	13.5%
Operating Expenses	357.0	289.4	302.8	23.4%	17.9%
Employee Expenses	180.1	160.7	163.5	12.0%	10.1%
Other Operating Expenses	176.9	128.6	139.3	37.6%	27.0%
PPOP	312.9	235.5	287.5	32.8%	8.8%
Provisions	64.4	9.1	16.1	607.1%	300.2%
PBT	248.4	226.4	271.4	9.7%	-8.5%
Tax Expenses	62.0	57.5	64.4	7.9%	-3.7%
Net Income	186.4	168.9	207.0	10.4%	-9.9%
Balance Sheet Analysis					
Advances	41,633	40,046	37,040	4.0%	12.4%
Deposits	53,822	52,294	49,161	2.9%	9.5%
Total Assets	66,761	66,207	61,797	0.8%	8.0%
CASA Deposits	20,652	19,652	19,420	5.1%	6.3%
CASA (%)	39.97%	39.20%	41.11%	77bps	-114bps
CAR (%)	14.25%	14.28%	14.28%	-3bps	-3bps
Spreads					
NIMs (%)	3.15%	3.15%	3.47%	0bps	-32bps
Cost of Deposits	5.11%	5.07%	4.81%	4bps	30bps
Yield on Average Advances	8.98%	8.94%	8.97%	4bps	1bps
Asset Quality					
GNPA	768.80	843.60	842.76	-8.9%	-8.8%
NNPA	196.67	213.78	210.51	-8.0%	-6.6%
GNPA (%)	1.82%	2.11%	2.28%	-29bps	-46bps
NNPA (%)	0.47%	0.53%	0.57%	-6bps	-10bps
Credit Costs	0.38%	0.37%	0.29%	1bps	9bps
Provision Coverage Ratio	74.42%	74.66%	75.02%	-24bps	-60bps
Returns & Expenses					
RoA	1.12%	1.04%	1.36%	8bps	-24bps
RoE	16.90%	15.52%	21.95%	139bps	-504bps
Cost / Income Ratio	53.29%	55.13%	51.30%	-184bps	200bps

Source: Arianth Research, Company Filings

Q4FY25 – Key Concall Highlights

The bank expects continued loan growth, particularly in business loans, and is confident in maintaining good asset quality with low levels of bad loans. Management aims to consistently deliver good returns, targeting over 15% ROE.

Credit Growth and Deposits

- Whole bank credit growth was 12% YoY, with domestic credit growth at 11.56%.
- Domestic advances growth was driven by SME (16.86%), Agriculture (14.29%), Corporate (9%), and Retail Personal (11.4%) segments.
- Foreign offices' advances grew by 14.84% YoY.
- The FY25 credit growth of 12% was slightly below the initial expectation of 14-16%, primarily due to unusual prepayments in the corporate segment, particularly from large central PSUs de-leveraging.
- The bank maintains a strong corporate loan pipeline of ~INR 3.4 tn.
- Total deposits grew by 9.48% YoY to INR 53.82 tn. Term deposits saw strong growth of 11.48% YoY, outpacing savings deposit growth.
- CASA deposits grew by 6.34%, with the CASA ratio close to 40%. Current account deposits specifically grew by 27% YoY.
- The domestic Credit Deposit (CD) ratio stood at 69.71%, indicating sufficient capacity for future lending.

Asset Quality

- The bank maintained strong asset quality with a slippage ratio of 0.55% for FY25. The retail personal slippage ratio was 0.48%.
- Credit cost stood low at 0.38%. NPA improved by 10 bps.
- The PCR was strong at 74.42%. Asset quality has remained consistently strong over the last 5 years due to robust underwriting and collection processes.

Capital Adequacy & Future Plans

- CAR stood at 14.25%, well above regulatory requirements. The Common Equity Tier 1 (CET1) ratio was 10.81%.
- The bank believes its current capital position is sufficient to support business growth requirements.
- The board has approved an enabling resolution to raise equity capital up to INR 250,000 Mn over the next 12 months, contingent on business needs and market conditions.
- The bank aims to consistently achieve an ROE over 15% through business cycles.
- It plans to reduce its C/I ratio by focusing on increasing income.

Other Highlights

- Over 87.7 Mn customers are registered on the YONO platform. 64% of regular savings bank accounts were opened through YONO in FY25.
- The bank anticipates consistent growth in the corporate loan book, including project finance, supported by a strong pipeline of INR 3.4 tn, half of which is already sanctioned.
- Management acknowledged global economic headwinds like trade tensions impacting growth, with IMF projecting global growth at 2.8% in 2025 and 3% in 2026.
- India's domestic growth drivers (consumption, investment) are seen as relatively resilient to external factors.
- Prospects for India's farm sector look positive due to the forecast of an above-normal monsoon.
- RBI's projection for India's real GDP growth for FY26 is 6.3%. India's CPI inflation is expected to average below 4% in FY26.
- Bank's plans to focus on increasing its current account share while maintaining leadership in savings deposits through enhanced customer service and branch network.
- Moderation in treasury yields due to potential rate cuts is expected to provide opportunities for the bank.

Key Financials

Profit & Loss Statement (INR Bn)	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E
Interest Income	3,321	4,151	4,625	5,095	5,636	6,175
Interest Expended	1,873	2,553	2,955	3,219	3,448	3,569
Net Interest Income	1,448	1,599	1,670	1,875	2,188	2,606
Other Income	366	517	617	526	550	632
Operating Income	1,815	2,116	2,286	2,401	2,739	3,238
Operating Expenses	977	1,178	1,181	1,195	1,319	1,554
Employee Expenses	573	712	644	667	757	955
Other Operating Expenses	405	465	537	528	562	599
PPOP	837	938	1,106	1,207	1,419	1,683
Provisions	165	49	153	152	150	149
PBT	672	818	953	1,055	1,269	1,535
Tax Expenses	170	207	244	274	330	399
Net Income	502	611	709	781	939	1,136

Balance Sheet (INR Bn)	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E
Equity & Liabilities						
Share Capital	9	9	9	9	9	9
Reserves & Surplus	3,267	3,764	4,403	5,179	6,114	7,245
Net Worth	3,276	3,772	4,412	5,188	6,123	7,254
Deposits	44,238	49,161	53,822	56,057	60,799	65,962
Borrowings	4,931	5,976	5,636	5,918	6,213	6,524
Other Liabilities and Provisions	2,725	2,888	2,891	3,316	3,718	4,192
Total Capital & Liabilities	55,170	61,797	66,761	70,478	76,853	83,932
Assets						
Cash & Balances with RBI	2,471	2,251	2,272	2,384	2,537	2,594
Balances with Other Banks & Call Money	608	857	1,130	1,282	1,359	1,356
Investments	15,704	16,713	16,906	17,075	17,246	17,418
Advances	31,993	37,040	41,633	47,213	53,917	61,844
Fixed Assets	424	426	441	485	534	587
Other Assets	3,971	4,510	4,378	2,039	1,260	133
Total Assets	55,170	61,797	66,761	70,478	76,853	83,932

Source: Arianth Research, Company Filings

Ratios	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E
Growth rates						
Advances (%)	17.0%	15.8%	12.4%	13.4%	14.2%	14.7%
Deposits (%)	9.2%	11.1%	9.5%	4.2%	8.5%	8.5%
Total assets (%)	10.6%	12.0%	8.0%	5.6%	9.0%	9.2%
NII (%)	20.0%	10.4%	4.4%	12.3%	16.7%	19.1%
Pre-provisioning profit (%)	11.2%	12.0%	17.9%	9.1%	17.6%	18.6%
PAT (%)	58.6%	21.6%	16.1%	10.1%	20.3%	20.9%
Balance sheet ratios						
Credit/Deposit (%)	72.3%	75.3%	77.4%	84.2%	88.7%	93.8%
CASA (%)	78.6%	73.7%	72.8%	73.4%	71.4%	71.0%
Advances/Total assets (%)	58.0%	59.9%	62.4%	67.0%	70.2%	73.7%
Leverage (x) (Asset/Shareholder's Fund)	16.84	16.38	15.13	13.59	12.55	11.57
CAR (%)	14.0%	14.1%	14.3%	14.6%	14.9%	15.1%
CAR - Tier I (%)	13.3%	13.5%	13.8%	14.1%	14.4%	14.7%
Operating efficiency						
Cost/income (%)	53.9%	55.7%	51.6%	49.7%	48.2%	48.0%
Opex/total assets (%)	1.8%	1.9%	1.8%	1.7%	1.7%	1.9%
Opex/total interest earning assets	1.2%	1.3%	1.1%	1.0%	1.1%	1.2%
Profitability						
NIM (%)	3.0%	3.0%	2.8%	2.9%	3.1%	3.3%
RoA (%)	0.9%	1.0%	1.1%	1.1%	1.2%	1.4%
RoE (%)	15.3%	16.2%	16.1%	15.0%	15.3%	15.7%
Asset quality						
Gross NPA (%)	2.6%	2.1%	2.0%	1.8%	1.6%	1.5%
Net NPA (%)	0.7%	0.5%	0.5%	0.5%	0.5%	0.5%
PCR (%)	75.0%	74.4%	73.8%	71.2%	69.7%	69.6%
Credit cost (%)	0.4%	0.1%	0.3%	0.2%	0.2%	0.2%
Per share data / Valuation						
EPS (INR)	56	68	79	87	105	127
BVPS (INR)	367	423	494	581	686	813
ABVPS (INR)	343	401	470	555	657	780
P/E (x)	14.2	11.7	10.1	9.1	7.6	6.3
P/BV (x)	2.2	1.9	1.6	1.4	1.2	1.0
P/ABV (x)	2.3	2.0	1.7	1.4	1.2	1.0
Profitability						
Return on Equity	15.3%	16.2%	16.1%	15.0%	15.3%	15.7%

Source: Arianth Research, Company Filings

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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%

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