

# Q2FY25

## State Bank of India Ltd.



## State Bank of India Ltd.

Operating leverage aids earning; Business momentum remains healthy

CMP* INR 848	Target INR 1,020	Potential Upside 20.3%	Market Cap (INR Mn) 75,69,417	Recommendation BUY	Sector Banking
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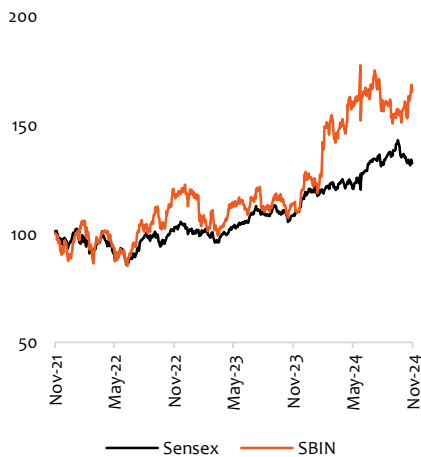
### Result Highlights Q2FY25:

- SBIN's earnings was a beat compared to our estimates led by better operating leverage. Net Interest Income (NII) for Q2FY25 increased by 5.4% YoY (+1.2% QoQ) to INR 416,195 Mn. NIMs stood at 3.2% in Q2FY25 vs. 3.3% in Q2FY24 (vs. 3.2% in Q1FY25). SBIN registered a net profit of INR 183,314 Mn in Q2FY25 (+27.9% YoY/ +7.6% QoQ).
- SBIN's outlook remains optimistic, with sustained profit growth, improving asset quality, and strategic digital and operational efficiencies positioning it to capitalize on India's economic expansion.
- **We increase our adjusted book value assumption by 2.4%/ 1.7% for FY25E/ FY26E, respectively, assuming stable asset quality and improving operating performance compared to our previous estimates. We assign a P/ABV multiple of 1.5x to the adj. book value of FY26E and revise our target price to INR 1,020 per share (earlier INR 1,010), with an upside of 20.3%. We maintain our "BUY" rating on the shares of SBIN.**

### MARKET DATA

Shares outs (Mn)	8,925
Mkt Cap (INR Mn)	75,69,417
52 Wk H/L (INR)	912/ 555
Volume Avg (3m K)	14,564
Face Value (INR)	1.0
Bloomberg Code	SBIN IN

### SHARE PRICE PERFORMANCE



### MARKET INFO

SENSEX	79,496
NIFTY	24,141

### KEY FINANCIALS

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
NII	1,448,405	1,598,758	1,727,237	1,946,779	2,186,538
PPOP	837,133	1,062,184	1,139,425	1,254,800	1,422,190
PAT	502,328	734,978	723,038	772,067	855,605
Adj. BVPS	343.0	399.1	463.2	529.2	602.7
NIM	3.1%	3.0%	3.0%	3.0%	3.0%
Advances Growth	17.0%	15.8%	14.0%	13.5%	13.5%

Source: Company, KRChoksey Research

### Credit growth outlook for FY25E maintained at 14.0-16.0%:

- As of September 30, 2024, the bank's credit book stood at INR 38,574 Bn, a growth of 15.3% YoY (+2.9% QoQ), led by 15.6% YoY growth in domestic advances. Domestic growth was driven by the corporate segment (+18.4% YoY growth), followed by agri-segment growth of 17.7% YoY.
- The retail-personal loans segment reported a 12.3% YoY, which contributed 41.9% to the overall gross advances, led by home loans (+13.7% YoY) and personal loans, despite some temporary softness in demand in Xpress credit. The agricultural advances reported healthy growth despite weather-related challenges. Growth came from diversified lending within the agriculture portfolio, including crop loans, Agri-infrastructure financing, and self-help group financing. SBIN expects continued demand in the agriculture segment for H2FY25E, driven by favorable conditions and steady demand for Agri-loans.
- Corporate advances growth was attributed to increased activity in key infrastructure sectors, such as renewable energy, thermal power, roads, and steel. The corporate segment's growth was supported by a robust pipeline, including about INR 6.0 Tn of proposals either under sanction or sanctioned but not yet disbursed. SME lending grew by 17.4% YoY, largely driven by SBIN's initiatives in data-based, non-collateralized cash flow lending, such as through its Business Rule Engine (BRE).
- SBIN remains committed to its credit growth guidance of 14.0%-16.0% for FY25E, driven by strong pipelines across all segments and broad-based demand.
- On the liability side, the Bank reported deposit growth of 9.1% YoY (+4.4% QoQ), with domestic CASA at 40.0%. Despite moderate growth in CASA deposits, SBIN maintained a healthy domestic CASA ratio of over 40.0%, driven by increased savings and current account inflows. Current account deposits rose by 10.1% YoY, reflecting successful efforts in engaging both government and private sector accounts. SBIN aims to maintain its market share in deposits around 22.0%-23.0%, ensuring a steady base to support credit expansion.

### SHARE HOLDING PATTERN (%)

Particulars	Sep-24	Jun-24	Mar-24
Promoters	57.5	57.5	57.5
FIIIs	10.7	11.2	11.1
DIIIs	24.1	23.6	24.0
Others	7.7	7.7	7.4
Total	100.0	100	100

\*Based on Today's closing  
Note: All the market data is as of Today's closing

10.3%

NII CAGR between FY24 and FY26E

2.5%

PAT CAGR between FY24 and FY26E

## State Bank of India Ltd.

### Relatively stable margins; Operating performance remains healthy led by lower opex:

- NIMs for the quarter stood at 3.2%, a decline of 13 bps YoY/ 4 bps QoQ. The domestic margins reported a decline of 14 bps YoY/ 4 bps QoQ to 3.3%. The cost of deposits increased by 38 bps YoY and 3 bps QoQ. The cost of funds increased slightly due to rising deposit rates in the market, though the rate hikes have recently stabilized. SBIN expects its cost of funds to remain stable in the near term, given that deposit rates have likely peaked, and the bank's CASA strategy helps mitigate further increases.
- The recent adjustments to SBIN's Marginal Cost of Funds-based Lending Rate (MCLR) are expected to support NIMs, especially as 42.0% of the bank's loan portfolio is MCLR-linked.
- The cost-to-income ratio declined to 48.5% as against 49.4% in Q1FY25 (vs 61.4% in Q2FY24). The operating expenses have seen a decrease of 10.6% YoY, on account of lower employee expenses. SBIN expects operating expenses to remain manageable and stable, as the bank continues to focus on operational efficiency. Staff expenses are anticipated to stay steady until the next wage revision, with savings from digital banking offsetting some of the operational costs.
- The non-interest income reported an increase of 41.5% YoY/ 36.8% QoQ which includes MTM gains of INR 20,210 Mn and Miscellaneous income of INR 19,360 Mn. The core fee income has seen a growth of 4.6% YoY (-1.3% QoQ) to INR 65,360 Mn.
- The net profit for the quarter grew by 27.9% YoY (+7.6% QoQ) to INR 183,314 Mn, led by healthy operating performance. The bank maintained an ROA above 1.2% and an ROE over 20.0%, showcasing sustained profitability. SBIN aims to maintain steady profit growth, emphasizing risk-adjusted returns, with a goal to sustain ROA above 1.0% and ROE around 15.0% over business cycles.

### Asset quality improves with a decline in slippages by 16 bps QoQ unlike its peers:

- The gross NPA ratio was 2.13%, an improvement of 42 bps YoY (+8 bps QoQ), while the net NPA ratio improved by 11 bps YoY/ 4 bps QoQ at 0.53% as of September 30, 2024. The SME GNPA ratio improved to 3.63% (+12 bps QoQ), while Corporate GNPA improved further to 2.08% from 2.17% as of June 30, 2024. The agri NPAs reported an increase of 40 bps QoQ to 9.44%.
- As of June 30, 2024, the Provision Coverage Ratio (PCR) stood at 74.4%, a decline of 41bps YoY, while the PCR, including AUCA, stood at 91.8%(an improvement of 35bps).
- On the restructuring side, its total exposure under COVID-19 Resolution Plans 1 and 2 stood at INR 148.3 Bn as of September 30, 2024. The bank has allocated an additional INR 48,310 Mn for restructured standard accounts, which includes provisions originally set aside during COVID-19.
- The slippage ratio was 0.68% in Q2FY25, a decline from 0.70% in Q2FY24 (vs. 0.84% in Q1FY25). The recoveries for Q2FY25 stood at INR 26.0 Bn vs INR 36.7 Bn in the previous quarter.

### Key Concall Highlights:

- Global growth is expected to remain stable, though, somewhat underwhelming, with cementing of growth in the largest economy of the US being a silver lining. The recent US election results could lead to lower taxes, favorable regulations, along with tighter labor markets.
- The global growth forecast by IMF for 2025 remains at 3.2%, with India remaining the fastest-growing large economy.
- The agriculture sector is expected to perform well on the back of above-normal rainfall and robust reservoir levels, while manufacturing and services activities remain steady. On the demand side, healthy Kharif sowing, coupled with sustained momentum in consumer spending in the festival season augur well for private consumption.
- The average inflation for FY25E is expected to be 4.5%, according to RBI estimates.
- SBIN expects SCBs' (Scheduled Commercial Banks) deposits will grow by 11.0% to 12.0% and credit by 12.0% to 13.0% in FY25E. RBI has ensured that system liquidity remains comfortable by conducting two-way market operations.
- SBIN remains optimistic about sustaining high-double-digit growth in the corporate book, especially in sectors like infrastructure, steel, and petrochemicals. The bank will continue to focus on large-scale and complex projects and maintain rigorous risk assessment to ensure asset quality.
- SBIN's CAR stood at 13.76%, above regulatory requirements. When including H1FY25 profits, the CAR would increase to 14.79%, reflecting a strong capital position. The bank's current capital levels provide sufficient headroom to support its credit growth targets without the immediate need for significant new capital.
- SBI regularly issues Additional Tier-1 (AT-1) and Tier-2 bonds as part of its capital-raising strategy. These bonds strengthen the bank's Tier-1 and Tier-2 capital, which support its capital adequacy while managing cost-effective capital raising.
- Term deposits contributed significantly to SBIN's total deposits, helping the bank cross the INR 50 Tn deposit mark. With a recent surge in term deposit schemes like the "Amrit Vrishti" deposit, SBI anticipates continued growth in this segment, especially as rates stabilize. Term deposits are expected to drive a significant portion of the targeted 10.0%-11.0% growth in deposits for FY25E.
- SBIN expects the retail book to grow as the festive season and improved demand lift segments. The unsecured Xpress Credit segment saw lower growth due to high repayment rates and a decrease in demand, but recent seasonal trends suggest a recovery.

**Valuation and view:** In Q2FY25, SBIN reported strong performance with a healthy increase in net profit, driven by consistent growth momentum in credit growth across corporate, SME, agriculture, and retail segments, alongside effective cost management. The bank's asset quality showed improvement, with low slippages and high provision coverage, underscoring a prudent risk management approach. Going forward, SBI aims to sustain its growth momentum with a target credit growth of 14.0%-16% and a focus on digital initiatives and operational efficiency to enhance profitability and market leadership.

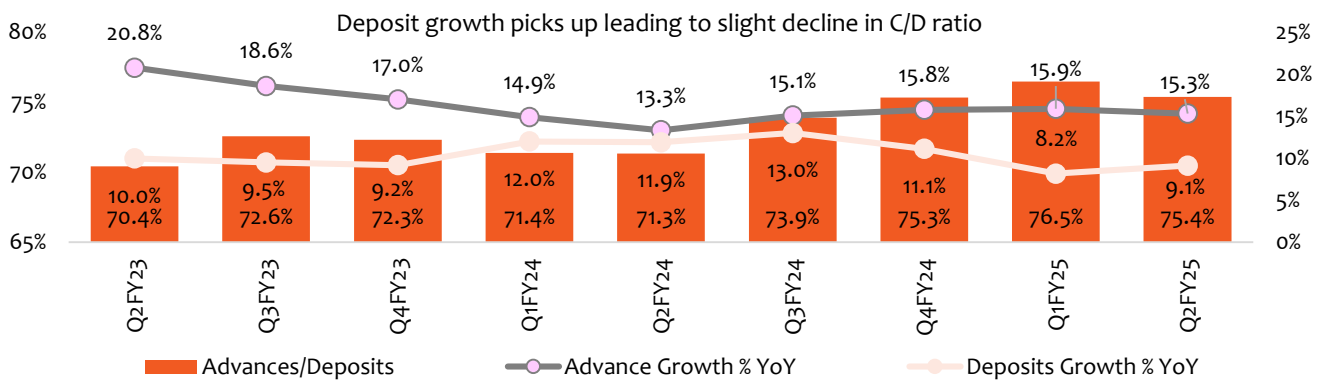
**We have factored a CAGR of 13.7% in advances over FY24-26E. SBI's position as the largest bank in India, with a well-diversified loan book, positions it to capitalize on this structural growth, supporting a re-rating in alignment with its leadership role. We value the Bank at 1.5x FY26E P/ABV on an ABV of INR 529.2 per share and assign the subsidiaries a value of INR 226 per share. We revise our target price to INR 1,020 per share (earlier INR 1,010), with an upside of 20.3%. We maintain our "BUY" rating on the shares of SBIN.**

## State Bank of India Ltd.

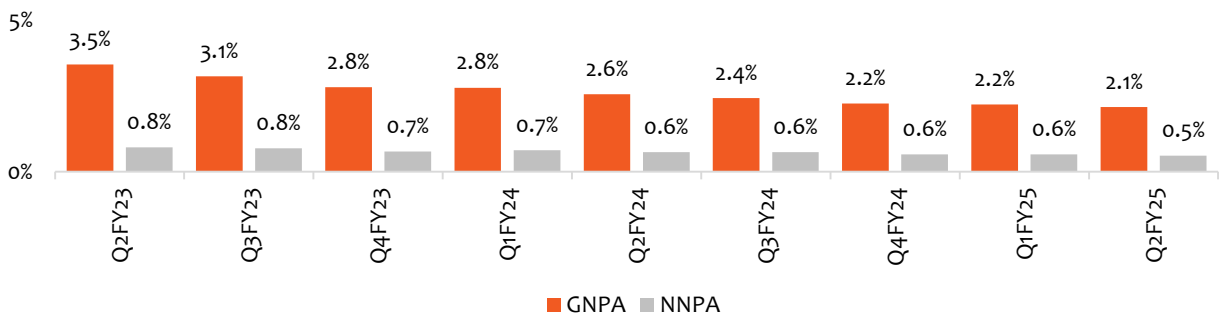
### Result Snapshot

Particulars (INR Mn)	Q2FY25	Q1FY25	Q2FY24	Q-o-Q	Y-o-Y	H1FY25	H1FY24	Y-o-Y
<b>Income Statement</b>								
Interest income	1,138,706	1,115,260	1,013,788	2.1%	12.3%	2,253,965	1,973,543	14.2%
Interest expense	722,510	704,005	618,788	2.6%	16.8%	1,426,516	1,189,493	19.9%
<b>Net interest income</b>	<b>416,195</b>	<b>411,255</b>	<b>395,000</b>	<b>1.2%</b>	<b>5.4%</b>	<b>827,450</b>	<b>784,049</b>	<b>5.5%</b>
Non-interest income	152,706	111,619	107,906	36.8%	41.5%	264,324	228,540	15.7%
<b>Total income</b>	<b>568,901</b>	<b>522,873</b>	<b>502,906</b>	<b>8.8%</b>	<b>13.1%</b>	<b>1,091,774</b>	<b>1,012,589</b>	<b>7.8%</b>
Operating expenses	275,964	258,387	308,740	6.8%	-10.6%	534,351	565,454	-5.5%
<b>Pre-provision profit</b>	<b>292,937</b>	<b>264,486</b>	<b>194,166</b>	<b>10.8%</b>	<b>50.9%</b>	<b>557,423</b>	<b>447,136</b>	<b>24.7%</b>
Provisions	45,057	34,494	1,153	30.6%	3808.5%	79,552	26,166	204.0%
Exceptional Item	0	0	-	0.0%	0.0%	0	0	-
<b>Profit before tax</b>	<b>247,880</b>	<b>229,992</b>	<b>193,013</b>	<b>7.8%</b>	<b>28.4%</b>	<b>477,872</b>	<b>420,970</b>	<b>13.5%</b>
Tax expense	64,566	59,640	49,713	8.3%	29.9%	124,206	108,827	14.1%
<b>Net profit</b>	<b>183,314</b>	<b>170,352</b>	<b>143,300</b>	<b>7.6%</b>	<b>27.9%</b>	<b>353,666</b>	<b>312,143</b>	<b>13.3%</b>
<b>Balance Sheet Analysis</b>								
Deposits	51,172,849	49,017,259	46,892,185	4.4%	9.1%	51,172,849	46,892,185	9.1%
CASA Deposits (domestic)	19,658,990	19,950,024	18,860,140	-1.5%	4.2%	19,658,990	18,860,140	4.2%
CASA (%)	40.0%	41.9%	40.7%	-185bps	-67bps	40.0%	40.7%	-67bps
Advances	38,574,235	37,491,389	33,451,673	2.9%	15.3%	38,574,235	33,451,673	15.3%
Total Assets	63,414,593	61,911,540	58,263,183	2.4%	8.8%	63,414,593	58,263,183	8.8%
Capital adequacy ratio (%)	13.8%	13.9%	14.3%	-10bps	-52bps	13.8%	14.3%	-52bps
<b>Spread Analysis</b>								
Yield on advances (%)	8.87%	8.83%	8.86%	4bps	1bps	8.85%	8.82%	3bps
Cost of deposits (%)	5.03%	5.00%	4.65%	3bps	38bps	5.02%	4.60%	42bps
NIM (%)	3.2%	3.2%	3.31%	-4bps	-13bps	3.2%	3.32%	-12bps
<b>Asset Quality</b>								
Gross NPA	833,692	842,260	869,741	-1.0%	-4.1%	833,692	869,741	-4.1%
Net NPA	202,943	215,547	213,524	-5.8%	-5.0%	202,943	213,524	-5.0%
GNPA (%)	2.13%	2.21%	2.55%	-8bps	-42bps	2.13%	2.55%	-42bps
NNPA (%)	0.53%	0.57%	0.64%	-4bps	-11bps	0.53%	0.64%	-11bps
PCR (%)	75.66%	74.41%	75.45%	125bps	21bps	75.66%	75.45%	21bps
<b>Key Ratios</b>								
Cost to Income ratio (%)	48.5%	49.4%	61.4%	-91bps	-1288bps	48.9%	55.8%	-690bps
C/D ratio (%)	75.38%	76.49%	71.34%	-111bps	404bps	75.38%	71.34%	404bps
RoA (%)	1.17%	1.10%	1.01%	7bps	16bps	1.13%	1.10%	3bps

Source: Company, KRChoksey Research



### Asset quality continues to improve steadily



Source: Company, KRChoksey Research

## State Bank of India Ltd.

### Financials:

#### Exhibit 1: Profit & Loss Statement

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	3,321,031	4,151,307	4,666,923	5,248,299	5,908,415
Interest Expense	1,872,626	2,552,548	2,939,686	3,301,519	3,721,877
<b>Net Interest Income</b>	<b>1,448,405</b>	<b>1,598,758</b>	<b>1,727,237</b>	<b>1,946,779</b>	<b>2,186,538</b>
Noninterest income	366,159	516,822	622,093	751,714	839,398
Operating income	1,814,564	2,115,580	2,349,330	2,698,494	3,025,936
- Employee expense	572,918	783,370	822,538	863,665	906,849
- Other operating expense	404,513	270,027	387,367	580,029	696,897
Operating Expense	977,431	1,053,396	1,209,905	1,443,694	1,603,746
<b>PPOP</b>	<b>837,133</b>	<b>1,062,184</b>	<b>1,139,425</b>	<b>1,254,800</b>	<b>1,422,190</b>
Provisions	165,073	49,142	175,374	225,377	281,384
PBT	672,060	1,013,041	964,051	1,029,422	1,140,806
Exceptional Items	0	71,000	0	0	0
Tax Expense	169,732	207,063	241,013	257,356	285,202
<b>PAT</b>	<b>502,328</b>	<b>734,978</b>	<b>723,038</b>	<b>772,067</b>	<b>855,605</b>
Diluted EPS (INR)	56.3	82.4	81.0	86.5	95.9

#### Exhibit 2: Balance Sheet

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
<b>Source of Funds</b>					
Share capital	8,925	8,925	8,925	8,925	8,925
Reserves & Surplus	3,267,160	3,763,541	4,341,972	4,959,625	5,644,109
Net worth	3,276,085	3,772,465	4,350,896	4,968,549	5,653,033
Borrowings	4,931,352	5,975,609	6,561,800	7,263,536	8,105,133
Deposits	44,237,778	49,160,768	54,681,666	60,529,467	67,542,776
Other liabilities & provisions	2,724,572	2,888,097	3,575,718	4,744,324	5,780,967
<b>Total Equity &amp; Liabilities</b>	<b>55,169,785</b>	<b>61,796,939</b>	<b>69,170,080</b>	<b>77,505,877</b>	<b>87,081,909</b>
<b>Uses of Funds</b>					
Cash & Balance with RBI	2,470,876	2,251,417	903,716	957,939	1,015,415
Other Bank and Call Money	608,120	856,603	2,996,757	3,317,238	3,701,593
Net investments	15,703,662	16,713,397	17,771,542	19,672,077	21,951,402
Loans & advances	31,992,693	37,039,709	42,225,268	47,925,679	54,395,645
Fixed assets	423,818	426,173	447,481	469,855	493,348
Other assets	3,970,616	4,509,642	4,825,317	5,163,089	5,524,505
<b>Total Assets</b>	<b>55,169,785</b>	<b>61,796,939</b>	<b>69,170,080</b>	<b>77,505,877</b>	<b>87,081,909</b>

Source: Company, KRChoksey Research

#### Exhibit 3: Key Ratios

Key Ratio	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth Rates</b>					
Advances (%)	17.0%	15.8%	14.0%	13.5%	13.5%
Deposits (%)	9.2%	11.1%	11.2%	10.7%	11.6%
Total assets (%)	10.6%	12.0%	11.9%	12.1%	12.4%
NII (%)	20.0%	10.4%	8.0%	12.7%	12.3%
Pre-provisioning profit (%)	11.2%	26.9%	7.3%	10.1%	13.3%
PAT (%)	58.6%	46.3%	-1.6%	6.8%	10.8%
<b>B/S Ratios</b>					
Credit/Deposit (%)	72.3%	75.3%	77.2%	79.2%	80.5%
CASA (%)	42.7%	39.9%	40.6%	40.7%	41.2%
Advances/Total assets (%)	58.0%	59.9%	61.0%	61.8%	62.5%
Leverage - Total Assets to Equity	16.84	16.38	15.90	15.60	15.40
<b>Operating efficiency</b>					
Cost/income (%)	53.9%	49.8%	51.5%	53.5%	53.0%
Opex/total assets (%)	1.8%	1.7%	1.7%	1.9%	1.8%
Opex/total interest earning assets	1.9%	1.9%	2.0%	2.1%	2.1%
<b>Profitability</b>					
NIM (%)	3.1%	3.0%	3.0%	3.0%	3.0%
RoA (%)	1.0%	1.3%	1.1%	1.1%	1.0%
RoE (%)	16.5%	20.9%	17.8%	16.6%	16.1%
<b>Asset quality</b>					
Gross NPA (%)	2.8%	2.2%	2.1%	2.1%	2.1%
Net NPA (%)	0.7%	0.6%	0.5%	0.5%	0.5%
PCR (%) (excl. AUCA)	76.4%	75.0%	76.0%	76.0%	76.0%
Slippage (%)	0.7%	0.5%	0.5%	0.3%	0.3%
Credit cost (%)	0.3%	0.1%	0.3%	0.3%	0.4%
<b>Per share data / Valuation</b>					
EPS (INR)	56.3	82.4	81.0	86.5	95.9
BVPS (INR)	367.1	422.7	487.5	556.7	633.4
ABVPS (INR)	343.0	399.1	463.2	529.2	602.7
P/E (x)	9.3	9.1	10.4	9.7	8.8
P/BV (x)	1.4	1.8	1.7	1.5	1.3
P/ABV (x)	1.5	1.9	1.8	1.6	1.4



## State Bank of India Ltd.

State Bank of India Limited			
Date	CMP (INR)	TP (INR)	Recommendation
11-Nov-24	848	1,020	BUY
06-Aug-24	812	1,010	BUY
15-May-24	818	975	BUY
06-Feb-24	650	795	BUY
08-Nov-23	580	750	BUY
07-Aug-23	568	750	BUY

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

### ANALYST CERTIFICATION:

I, **Dipak Saha** (MBA, Finance), Research Analyst, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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