

CMP: INR 848

Rating: BUY

Target Price: INR 1,081

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)	7,566
52w H/L (INR)	912 / 543
Avg Yearly Vol (in 000')	17,540

Shareholding Pattern %

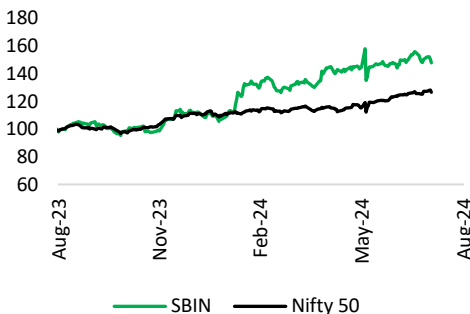
(As on June, 2024)

Promoters	57.54
Public & Others	42.46

Stock Performance (%)

	1m	6m	12m
SBIN	1.0	31.8	47.9
Nifty 50	1.7	13.5	26.7

SBIN Vs Nifty



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SBI reported a net profit of INR 170.4 bn in Q1FY25 v/s INR 168.8 bn in Q1FY24. The bank has reported sequential decline in profit growth of -17.7% QoQ/up 0.9% YoY led by increase in Advances to INR 37.5 trillion up by 1.2% QoQ/15.9% YoY. NII degrew by -1.3% QoQ/5.7% YoY to INR 411.3 bn, driven by advances growth of 1.2% QoQ/15.9% YoY. NIM for the overall bank stood at 3.22%, sequentially down 6 bps / down 11 bps YoY. GNPA improved further by 3 bps QoQ/55 bps YoY to 2.21%, whereas NNPA stood flat at 0.57% QoQ / 14 bps YoY. Slippages ratio increased from 0.62% in Q4FY24 to 0.84% in Q1FY25 and Credit cost increased from 0.32% in Q4FY24 to 0.48% in Q1FY25.

NIMs fell sequentially, led by increase in Interest Costs and fall in Yields: Net Interest Income during the quarter stood at INR 411.3 bn, down by 1.3% QoQ/up 5.7% YoY, due to decrease in Yield on advances by 8 bps QoQ to 8.83% and Yield on Investments increasing by 20 bps QoQ to 7.2%. The interest expenses increased by 1.5% QoQ/23.4% YoY to INR 704 bn, whereas interest income increased only by 0.4% QoQ/16.2% YoY at INR 1,115.3 bn. NIMs fell sequentially at 3.22% down 6 bps QoQ/ down 11 bps YoY. Cost of deposits decreased by 1 bps QoQ / up 57 bps YoY at 5.12% during the quarter v/s 4.81% in Q4FY24. Further, CASA ratio was at 40.7%, declining massively by 41 bps QoQ / 218 bps YoY. Yield on advances too fell by 8 bps QoQ / up 5 bps YoY at 8.83%.

Loan growth is expected to fall short of guidance ending up at 14% growth: Advances growth for the quarter to INR 37.5 tn growing by 1.2% QoQ/15.9% QoQ. The advances growth is expected to be driven by RAM segment as Retail Personal loans grew by 13.6% YoY. SME advances growth was robust at 19.87% YoY and Agri book grew by 17.06% YoY, while corporate advances increased by 15.9% YoY. Within retail, Home loan segment increased by 13.34% YoY, Xpress Credit book was up by 11.2% and other Personal segment loan were up 17.3% YoY. Deposits growth was just a tad slow as it degrew by at -0.3% QoQ / up 8.2% YoY to INR 490 tn. CASA ratio as expected fell from Q4FY24 levels of 41.11% to 40.7% and massively by 218 bps YoY from 42.88% in Q1FY24.

Slippage ratio & Credit Cost fell sequentially: Bank has reported slippages of INR 79.03 bn during Q1FY25 against INR 38.67 bn of slippages in Q4FY24 as slippage ratio increased to 0.84% from 0.62% in the previous quarter. Recoveries and upgrades came down to INR 36.66 bn vs INR 20.52 bn in Q4FY24. GNPA improved a notch further by 3 bps QoQ / down 55 bps YoY to 2.21%, whereas NNPA stayed flat sequentially at 0.57% QoQ / down 14 bps YoY. Total Restructuring book of the bank declined from INR 172.8 bn as of March 2024 to INR 160.1 bn in June 2024. SMA 1&2 book (>5 cr) increased from INR 33 bn in Q4FY24 to INR 46.4 bn in June 2024.

Valuation & View: SBI has posted muted set of results for Q1FY25 on account of Seasonality factors and deposit mobilization challenges. While the Provisioning for wage hike by 17% and Pension Provisioning impacted the Q3FY24 Profits, we believe the FY25 Profits would increase more significantly with both being taken care of within FY24. However, we expect the NIMs deteriorating even further from current levels and Cost of deposits also normalized above 5% as CASA is seen falling faster but still 40% above levels and expected to remain so in future as well. 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 Q1FY25. 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 1.2x on FY27E ABV of INR 747 to an intrinsic value of INR 881 (standalone) and valuing its subsidiaries at INR 139 (at 40% hold co discount) to arrive at a Target Price of INR 1,081 even at slower than growth guidance at 14% YoY for FY25.**

State Bank of India (INR Bn)	FY23A	FY24A	FY25E	FY26E	FY27E
NII	1,448	1,762	2,015	2,261	2,524
PPOP	837	1,067	1,310	1,629	1,889
PAT	502	640	883	1,129	1,330
BVPS (INR / Share)	367.1	422.7	521.1	647.2	795.7
RoA (%)	0.9%	1.0%	1.3%	1.5%	1.5%
RoE (%)	15.3%	17.0%	19.0%	19.6%	18.7%
P/ABV (x)	2.5	2.2	1.8	1.4	1.1

Source: Arihant Research, Company Filings

Q1FY25- Quarterly Performance (Standalone)

Quarterly Result Update (INR Bn)	Q1FY25	Q4FY24	Q1FY24	Q-o-Q	Y-o-Y
Interest Income	1,115.3	1,110.4	959.8	0.4%	16.2%
Interest Expended	704.0	693.9	570.7	1.5%	23.4%
Net Interest Income	411.3	416.6	389.0	-1.3%	5.7%
Other Income	111.6	173.7	120.6	-35.7%	-7.5%
Operating Income	522.9	590.2	509.7	-11.4%	2.6%
Operating Expenses	258.4	302.8	256.7	-14.7%	0.7%
Employee Expenses	154.7	163.5	166.0	-5.4%	-6.8%
Other Operating Expenses	103.7	139.3	90.7	-25.5%	14.4%
PPOP	264.5	287.5	253.0	-8.0%	4.6%
Provisions	34.5	16.1	25.0	114.3%	37.9%
PBT	230.0	271.4	228.0	-15.3%	0.9%
Tax Expenses	59.6	64.4	59.1	-7.4%	0.9%
Net Income	170.4	207.0	168.8	-17.7%	0.9%
Balance Sheet Analysis					
Advances	37,491	37,040	32,350	1.2%	15.9%
Deposits	49,017	49,161	45,312	-0.3%	8.2%
Total Assets	61,912	61,797	55,431	0.2%	11.7%
CASA Deposits	19,144	19,420	18,661	-1.4%	2.6%
CASA (%)	40.70%	41.11%	42.88%	-41bps	-218bps
CAR (%)	13.86%	14.28%	14.56%	-42bps	-70bps
Spreads					
NIMs (%)	3.22%	3.28%	3.33%	-6bps	-11bps
Cost of Deposits	5.12%	5.13%	4.55%	-1bps	57bps
Yield on Average Advances	8.83%	8.91%	8.78%	-8bps	5bps
Asset Quality					
GNPA	842.26	842.76	913.28	-0.1%	-7.8%
NNPA	215.55	210.51	229.95	2.4%	-6.3%
GNPA (%)	2.21%	2.24%	2.76%	-3bps	-55bps
NNPA (%)	0.57%	0.57%	0.71%	0bps	-14bps
Credit Costs	0.48%	0.29%	0.32%	19bps	16bps
Provision Coverage Ratio	74.41%	75.02%	74.82%	-61bps	-41bps
Returns & Expenses					
RoA	1.10%	1.36%	1.22%	-26bps	-12bps
RoE	17.15%	21.95%	19.61%	-480bps	-246bps
Cost / Income Ratio	49.42%	51.30%	50.37%	-188bps	-95bps

Source: Arian Research, Company Filings

Q1FY25 – Key Concall Highlights

Guidance:

- The bank has a loan sanction pipeline of ~₹4.6 lakh crore.
- The bank expects loan growth to be around 15% mark for FY25.
- Credit-deposit ratio to be in the range of 70-72%.
- The Management expects the NIMs to be sustained around current levels of 3.2%.
- The Bank intends to see Credit cost for the bank to be around at 0.5%.

Key Highlights:

- NII came at INR 411 bn against our estimates of INR 461 bn (down 1.3% QoQ/up 5.7% YoY).
- PPOP came at INR 265 bn against our estimates of INR 328 bn (down 8.0% QoQ / up 4.6% YoY) owing to increase in slippage and ageing related provisions.
- Provisions decreased in the quarter to INR 34.5 bn against our estimates of INR 16.5 bn (up 114.3% QoQ/ up 37.9% YoY).
- PAT came at INR 170.35 bn against our estimates of INR 238 bn (down 17.7% QoQ / up 0.9% YoY).
- NIMs for Q1FY25 stood at 3.22%, down 6 bps QoQ / down 11 bps YoY, fall in NIMs was mainly on account of rise in deposit cost.
- Cost of Deposits increased to 5.12%, down 1 bps QoQ / up 57 bps YoY.
- Asset Quality: GNPA ratio decreased by 3 bps QoQ / down 55 bps YoY at 2.21% against our estimates of 2.14% and NNPA stayed flat QoQ / down 14 bps YoY to 0.57% for Q1FY25 against our estimates of 0.57%.
- Balance Sheet: Advances at INR 37,491 bn grew by 1.2% QoQ / up 15.9% YoY against Deposits at INR 49,017 bn which were down by 0.3% QoQ / up 8.2% YoY.
- Cost to income ratio decreased by 188 bps QoQ / down by 95 bps YoY to 49.42%. CASA ratio declined by 41 bps QoQ / down 218 bps YoY to 40.7%.
- Non-interest income declined 7.5% YoY and 35.7% sequentially as fee income growth was moderate while treasury gains declined.
- Slippage ratio for the bank has increased from 0.62% in Q4FY24 to 0.84% in Q1FY25. Fresh Slippages have increased from INR 38.67 bn in Q4FY24 to INR 79.03 bn in Q1FY25.
- Operating expenses were flat YoY while sequentially declined by 14.7%, as a result cost to income ratio for the bank declined by 188 bps QoQ to 49.4%.
- Retail loans jumped 13.6% YoY, in which home and auto loan segment grew by 13.3% YoY and 16.6% YoY respectively, while X-press credit segment saw a growth of 11.2% YoY.
- Agriculture portfolio increased by 17.1% YoY to INR 3.09 trillion while SME book reported a 19.8% YoY growth to INR 4.43 trillion. Corporate loan portfolio has seen continued good traction and has increased by 15.9% YoY to INR 11.4 trillion. International book was up by 14.4% YoY.
- Fixed rate book for the bank is at 20% while rest is floating.
- Gross NPA addition during the quarter increased by 10.6% YoY to INR 87.07 bn, mainly on account of seasonality and Agri related slippages. Slippage from unsecured retail loans stood at around INR 30.0 bn for the quarter. Of the total slippages, INR 16.0 bn have been pulled back in the month of July 2024.
- Recoveries & upgrades for the quarter stood at INR 36.66 bn versus INR 20.52 bn sequentially. SMA 1 & 2 for the bank stood at INR 46.37 bn as against INR 33.01 bn in the previous quarter. The Bank currently has restructured book worth INR 160.15 and forms 0.43% of loans.
- The Provision coverage ratio for SBI stands at 74.4% and the bank currently has non- NPA provisions worth INR 310.76 bn which are not included in PCR. Credit cost for the bank stood at 48 bps versus 32 bps YoY.
- The Bank's X-press credit has an average ticket size of INR 0.718 mn.
- LCR for the bank stands at 129% as of June 2024. The bank has excess SLR securities worth INR 3.7 trillion.

Key Financials

Profit & Loss Statement (INR Bn)	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
Interest Income	2,755	3,321	3,777	4,219	4,635	5,078
Interest Expended	1,548	1,873	2,015	2,233	2,469	2,730
Net Interest Income	1,207	1,448	1,762	1,986	2,167	2,348
Other Income	406	366	492	524	647	719
Operating Income	1,613	1,815	2,254	2,509	2,813	3,067
Operating Expenses	860	977	1,187	1,228	1,278	1,354
Employee Expenses	501	573	597	665	741	841
Other Operating Expenses	358	405	590	563	538	513
PPOP	753	837	1,067	1,281	1,535	1,712
Provisions	245	165	163	162	160	159
PBT	508	672	832	1,119	1,375	1,554
Tax Expenses	117	170	192	259	318	359
Net Income	317	502	640	861	1,057	1,195

Balance Sheet (INR Bn)	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
Equity & Liabilities						
Share Capital	9	9	9	9	9	9
Reserves & Surplus	2,792	3,267	3,764	4,620	5,672	6,863
Net Worth	2,801	3,276	3,772	4,629	5,681	6,872
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
Total Capital & Liabilities	49,876	55,170	61,797	69,063	77,044	85,933
Assets						
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	41,401	46,484	52,422
Fixed Assets	377	424	426	469	516	567
Other Assets	3,399	3,971	4,510	5,827	8,252	10,732
Total Assets	49,876	55,170	61,797	69,063	77,044	85,933

Source: Arianth Research, Company Filings

Ratios	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
Growth rates						
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%
Balance sheet ratios						
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%
Operating efficiency						
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%
Profitability						
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%
Asset quality						
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%
Per share data / Valuation						
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
Profitability						
Return on Equity	11.3%	15.3%	17.0%	18.6%	18.6%	17.4%

Source: Arianth Research, Company Filings

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Absolute Return**Research Analyst
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