

BUY
 TP: Rs 972 | ▲ 29%

STATE BANK OF INDIA | Banking

07 February 2025

Higher CoF and lower other income; RoA broadly resilient

- PAT declined sequentially with lower NII and other income, RoA of 1.09% in 9MFY25
- NIM contracted by 6bps QoQ, asset quality continued to improve; reiterated credit growth of 14-16% over FY25
- Assume coverage with BUY foreseeing healthy credit growth, stable NIM and asset quality. Cut TP to Rs 972 set at 1.3x Dec'26 ABV

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Lower earnings growth sequentially: SBIN's PAT declined 8% QoQ (up 84% YoY) led by lower PPop. On a yearly basis, PAT growth jumped sharply on a lower base due to one off in Q3FY24. During the quarter, PPop was impacted by lower NII and other income. CoF increased by 6bps QoQ (14bps YoY) while yield on investments was stable at 7.2% sequentially. Other income declined 28% QoQ (down 4% YoY), leading to MTM losses. This impacted PPop growth during the quarter. For Q3FY25, PAT came in at Rs 169bn vs. our estimate of Rs 149bn. This was primarily due to lower provisions reported by the bank vs. our estimates.

NII growth moderate: NII saw modest growth of 4% YoY (down 0.4% QoQ). NIMs came in at 3.12%, down by 6bps QoQ and 10bps YoY. Management guided for NIMs of more than 3% going ahead. This would be aided primarily through higher yields from the SME portfolio and other segments as well. ~28% of the book is EBLR linked which can be repriced and more than 40% of the book is linked to MCLR which has space for 35bps of increase. However, with expectations of the RBI cutting the repo rate by 25bps, MCLR rate increase is not possible.

Balance sheet growth: Management reiterated its credit growth guidance of 14-16% going ahead. Corporate credit has strong visibility with pipeline of Rs 4.83tn and sanctions of Rs 2.22tn vs. Rs 6tn in Q2FY25. These are largely with respect to capital expenditure and for working capital limits with 50: 50 mix. The bank expects its corporate book to grow by 10-12% YoY. It expects deposits growth to be lower at 10% from the previous guidance of 10-11% going forward.

Assume coverage on SBIN with BUY: While the system credit growth is moderating, we believe SBIN could deliver healthy credit growth coupled with strong liability franchise going forward. It has demonstrated stable performance with healthy credit and deposit growth through business cycles. We expect stable NIM at 3% and ROA/ROE of 1.1-1.2%/15-16% by FY25-27E. We assume coverage on SBIN with a BUY and revise our SOTP-based TP to Rs 972 (from Rs 1,044), assigning P/ABV of 1.3x (Dec'26).

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	SBIN IN/Rs 752
Market cap	US\$ 76.7bn
Free float	42%
3M ADV	US\$ 109.5mn
52wk high/low	Rs 912/Rs 655
Promoter/FPI/DII	58%/11%/24%

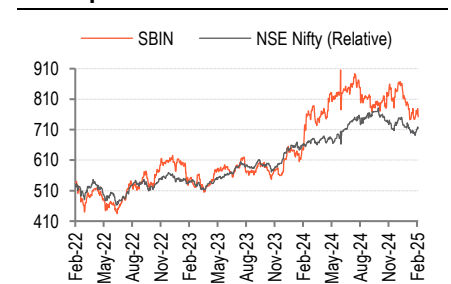
Source: NSE | Price as of 6 Feb 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
NII (Rs mn)	15,98,758	17,08,802	19,41,492
NII growth (%)	10.4	6.9	13.6
Adj. net profit (Rs mn)	6,10,766	7,38,883	8,16,065
EPS (Rs)	68.4	82.8	91.4
Consensus EPS (Rs)	86.9	76.0	87.0
P/E (x)	11.0	9.1	8.2
P/BV (x)	1.8	1.5	1.3
ROA (%)	1.0	1.1	1.1
ROE (%)	17.3	18.0	17.1

Source: Company, Bloomberg, BOBCAPS Research |

Stock performance



Source: NSE



Fig 1 – Quarterly snapshot: Income statement

(Rs mn)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	YoY (%)	QoQ (%)
Income Statement							
Interest Income	7,35,170	7,71,338	7,86,926	8,15,286	8,33,995	13.4	2.3
Income on investments	2,84,307	2,82,005	2,82,652	2,80,236	2,92,863	3.0	4.5
Int. on bal. with RBI & inter-bank funds & Others	47,861	57,083	45,682	43,184	47,409	(0.9)	9.8
Interest income	10,67,338	11,10,426	11,15,260	11,38,706	11,74,266	10.0	3.1
Interest expense	6,69,181	6,93,874	7,04,005	7,22,510	7,59,811	13.5	5.2
Net interest income	3,98,157	4,16,552	4,11,255	4,16,195	4,14,455	4.1	(0.4)
Growth YoY (%)	4.6	3.1	5.7	5.4	4.1		
Non-interest income	1,14,589	1,73,693	1,11,619	1,52,706	1,10,408	(3.6)	(27.7)
Growth YoY (%)	(0.1)	24.4	(7.5)	41.5	(3.6)		
Total income	5,12,746	5,90,244	5,22,873	5,68,901	5,24,863	2.4	(7.7)
Growth YoY (%)	3.5	8.6	2.6	13.1	2.4		
Staff expenses	1,93,618	1,63,481	1,54,660	1,48,074	1,60,737	(17.0)	8.6
Other operating expenses	1,15,767	1,39,288	1,03,728	1,27,890	1,28,617	11.1	0.6
Operating expenses	3,09,386	3,02,769	2,58,387	2,75,964	2,89,355	(6.5)	4.9
Pre-Provisioning Profit (PPoP)	2,03,361	2,87,476	2,64,486	2,92,937	2,35,508	15.8	(19.6)
Growth YoY (%)	(19.4)	16.8	4.6	50.9	15.8		
Provisions	6,879	16,098	34,494	45,057	9,111	32.5	(79.8)
Growth YoY (%)	(88.1)	(51.4)	37.9	3808.5	32.5		
Exceptional Item	71,000	-	-	-	-	(100.0)	-
PBT	1,96,482	2,71,378	2,29,992	2,47,880	2,26,398	15.2	(8.7)
Tax	33,843	64,394	59,640	64,566	57,483	69.9	(11.0)
PAT	91,640	2,06,984	1,70,352	1,83,314	1,68,914	84.3	(7.9)
Growth YoY (%)	(35.5)	24.0	0.9	27.9	84.3		
Per Share							
FV (Rs)	1	1	1	1	1		
EPS (Rs)	10	23	19	21	19		
Book Value (Rs)	413	423	445	470	488		

Source: BOBCAPS Research, Company

Fig 2 – Quarterly snapshot: Key balance sheet & other metrics

(Rs mn)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	YoY (%)	QoQ (%)
Deposits	4,76,22,207	4,91,60,768	4,90,17,259	5,11,72,849	5,22,93,845	9.8	2.2
Growth YoY (%)	13.0	11.1	8.2	9.1	9.8		
Advances	3,51,95,143	3,70,39,709	3,74,91,389	3,85,74,235	4,00,45,669	13.8	3.8
Growth YoY (%)	15.1	15.8	15.9	15.3	13.8		
Investment	1,68,94,063	1,67,13,397	1,62,88,359	1,66,55,111	1,80,86,289	7.1	8.6
Equity	36,89,539	37,72,465	39,73,883	41,95,593	43,54,064	18.0	3.8
Assets	5,96,56,163	6,17,96,939	6,19,11,540	6,34,14,593	6,62,06,744	11.0	4.4
Growth YoY (%)	12.0	12.0	11.7	8.8	11.0		
Yield (%)							
Yield on Funds	7.86	7.96	7.86	7.91	7.82	(4bps)	(8bps)
Cost of Funds	5.09	5.13	5.12	5.18	5.23	14bps	6bps
Spread	2.77	2.83	2.74	2.73	2.59	(18bps)	(14bps)
Net Interest Margin (calc.)	2.93	2.99	2.90	2.89	2.76	(17bps)	(13bps)
Ratios (%)							
Other Income / Net Income	22.3	29.4	21.3	26.8	21.0	(131bps)	(581bps)
Cost to Income ratio	60.3	51.3	49.4	48.5	55.1	(521bps)	662bps
CASA ratio	39.5	39.5	39.1	38.4	37.6	(192bps)	(84bps)
C/D ratio	73.9	75.3	76.5	75.4	76.6	267bps	120bps
Investment to Assets	28.3	27.0	26.3	26.3	27.3	(100bps)	105bps
Asset Quality							
GNPA	8,67,488	8,42,763	8,42,260	8,33,692	8,43,604	(2.8)	1.19
NNPA	2,24,084	2,10,511	2,15,547	2,02,943	2,13,776	(4.6)	5.3
Provision	6,43,404	6,32,253	6,26,714	6,30,749	6,29,827	(2.1)	(0.1)
GNPA (%)	2.42	2.24	2.21	2.13	2.07	(35bps)	(6bps)
NNPA (%)	0.64	0.57	0.57	0.53	0.53	(11bps)	0bps
PCR (%)	74.2	75.0	74.4	75.7	74.7	49bps	(100bps)

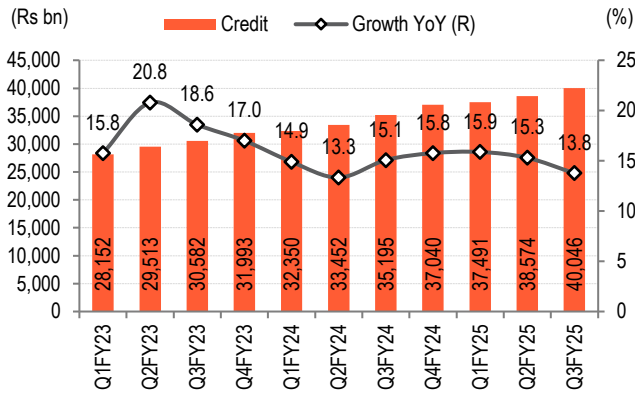
Source: BOBCAPS Research, Company

Fig 3 – Actual vs. Estimates

(Rs bn)	Q3FY25A	Q3FY25E	Actual vs. Estimates (%)
Loan	37,491	37,203	(0.2)
Deposits	49,017	51,022	(1.1)
Assets	61,912	62,395	1.3
NII	411	424	3.7
PPOP	264	264	(6.7)
Provision	34	33	(82.2)
PAT	170	171	13.0

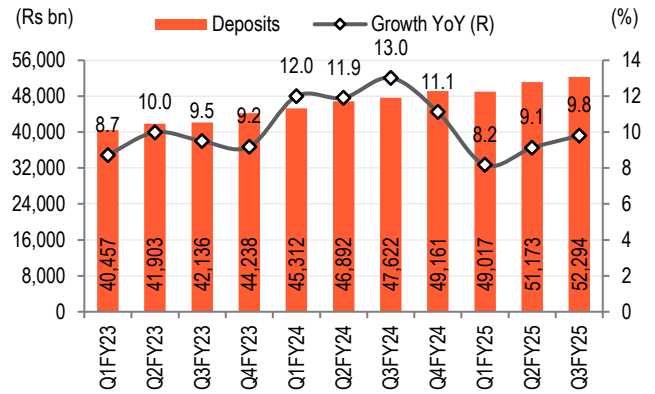
Source: Company, BOBCAPS Research

Fig 4 – Loan growth remained healthy across segments



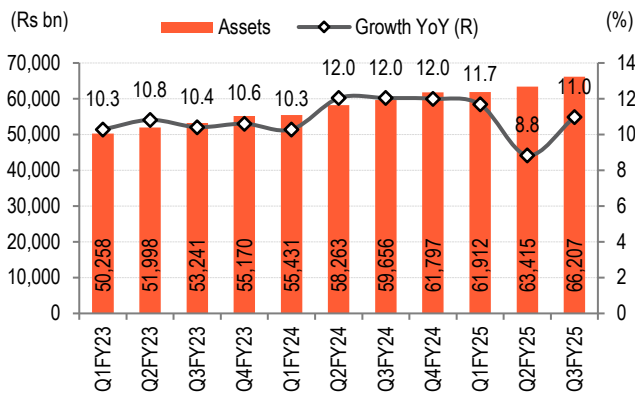
Source: Company, BOBCAPS Research

Fig 5 – Deposits up marginally



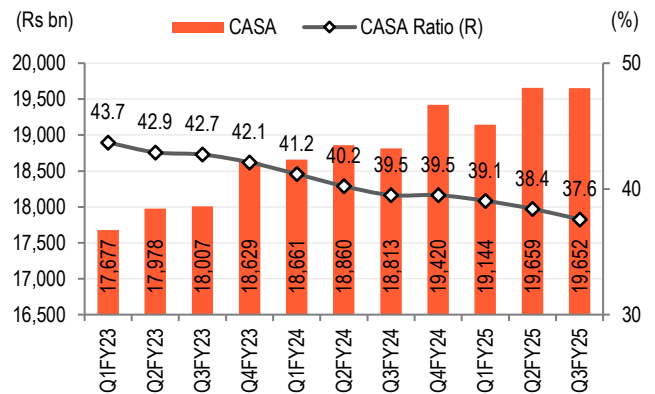
Source: Company, BOBCAPS Research

Fig 6 – Assets grew 11% YoY



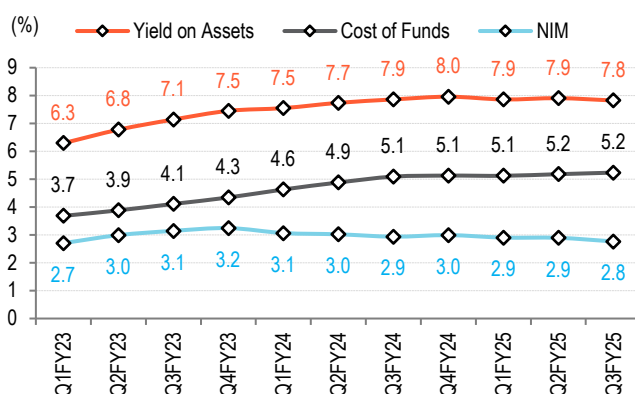
Source: Company, BOBCAPS Research

Fig 7 – CASA ratio declined 84 QoQ on CA decline



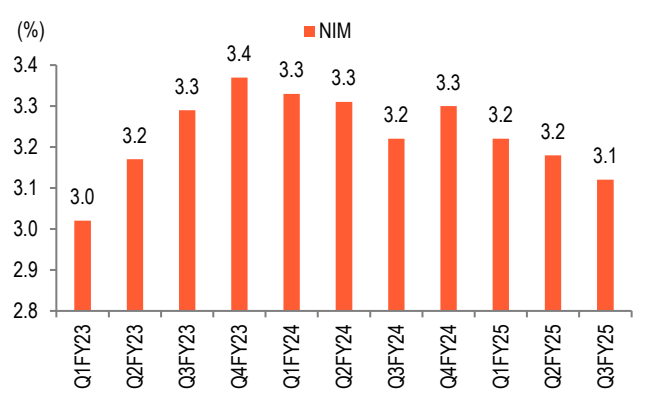
Source: Company, BOBCAPS Research

Fig 8 – NIM (calc.) down 13bps QoQ



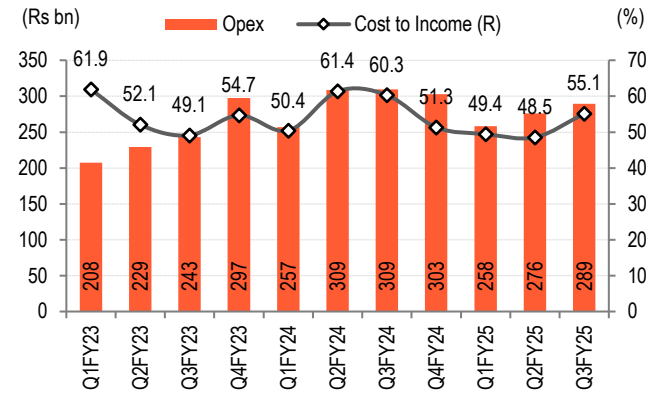
Source: Company, BOBCAPS Research

Fig 9 – NIM expected to sustain at ~3% over FY25E



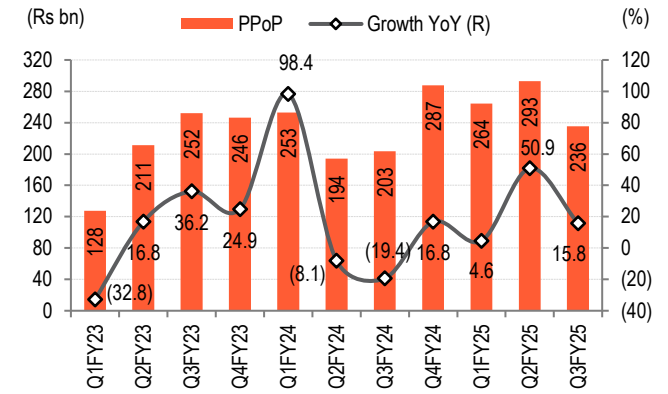
Source: Company, BOBCAPS Research

Fig 10 – Opex remained stable



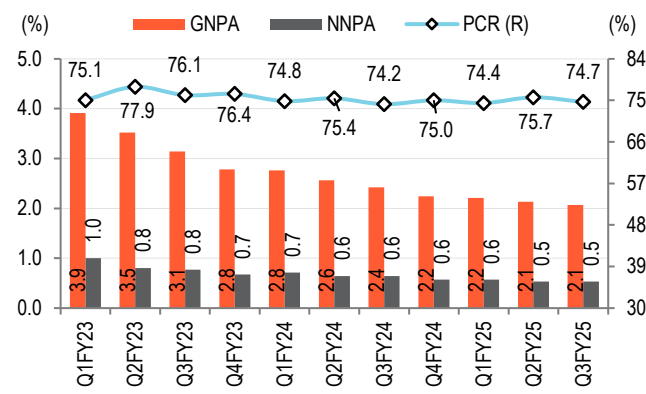
Source: Company, BOBCAPS Research

Fig 11 – PPOP modest on lower topline



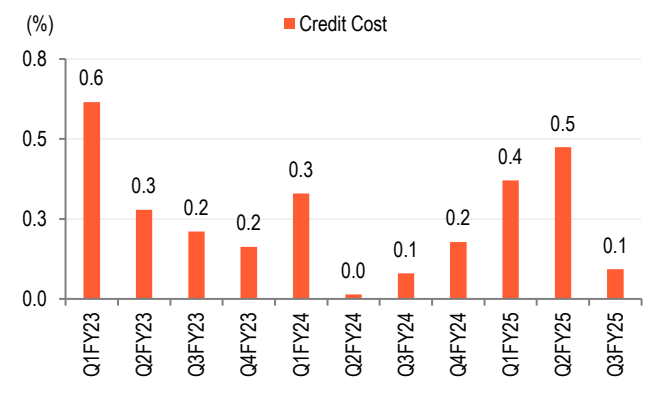
Source: Company, BOBCAPS Research

Fig 12 – Asset quality continued to improve



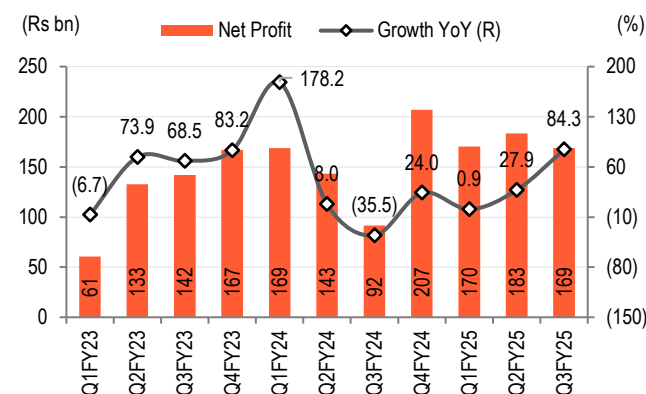
Source: Company, BOBCAPS Research

Fig 13 – Credit cost normalising



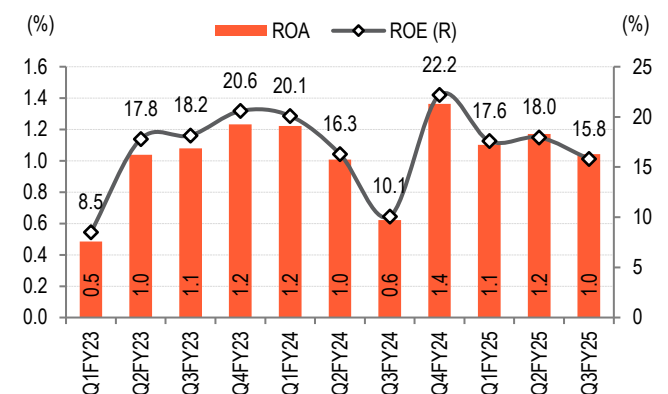
Source: Company, BOBCAPS Research

Fig 14 – PAT fell on lower topline



Source: Company, BOBCAPS Research

Fig 15 – Return ratios have potential to improve further



Source: Company, BOBCAPS Research

Fig 16 – Loan book trend

(Rs bn)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	YoY (%)	QoQ (%)
Home Loans	6,939	7,258	7,396	7,641	7,928	14.3	3.8
Auto Loans	1,131	1,165	1,176	1,174	1,245	10.0	6.0
Xpress Credit	3,354	3,484	3,456	3,415	3,449	2.8	1.0
Personal Loans	309	327	354	388	437	41.7	12.7
Other Retail Loans	1,231	1,288	1,298	1,348	1,414	14.9	4.9
Retail Loans	12,963	13,523	13,680	13,966	14,473	11.7	3.6
Agriculture	2,917	3,049	3,091	3,222	3,364	15.3	4.4
SME	4,181	4,330	4,434	4,565	4,964	18.7	8.7
Corporate	10,241	11,382	11,386	11,572	11,763	14.9	1.7
Domestic Advances	30,303	32,284	32,591	33,325	34,564	14.1	3.7
Overseas Loans	5,540	5,391	5,530	5,882	6,113	10.4	3.9
Gross Loans	35,843	37,675	38,121	39,207	40,678	13.5	3.8

Source: Company, BOBCAPS Research

Fig 17 – Loan book mix

(%)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	YoY (%)	QoQ (%)
Home Loans	19.4	19.3	19.4	19.5	19.5	13bps	0bps
Auto Loans	3.2	3.1	3.1	3.0	3.1	(10bps)	7bps
Xpress Credit	9.4	9.2	9.1	8.7	8.5	(88bps)	(23bps)
Personal Loans	0.9	0.9	0.9	1.0	1.1	21bps	9bps
Other Retail Loans	3.4	3.4	3.4	3.4	3.5	4bps	4bps
Retail Loans	36.2	35.9	35.9	35.6	35.6	(59bps)	(4bps)
Agriculture	8.1	8.1	8.1	8.2	8.3	13bps	5bps
SME	11.7	11.5	11.6	11.6	12.2	54bps	56bps
Corporate	28.6	30.2	29.9	29.5	28.9	35bps	(60bps)
Domestic Advances	84.5	85.7	85.5	85.0	85.0	43bps	(3bps)
Overseas Loans	15.5	14.3	14.5	15.0	15.0	(43bps)	3bps
Gross Loans	100.0	100.0	100.0	100.0	100.0	0bps	0bps

Source: Company, BOBCAPS Research

Fig 18 – Deposit trend

(Rs bn)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	YoY (%)	QoQ (%)
Current Deposits	2,495	2,870	2,462	2,784	2,850	14.2	2.4
Saving Deposits	16,318	16,550	16,683	16,875	16,802	3.0	-0.4
CASA Deposits	18,813	19,420	19,144	19,659	19,652	4.5	0.0
Term Deposits	28,809	29,741	29,873	31,514	32,641	13.3	3.6
Domestic Deposits	45,679	49,161	49,017	49,105	50,139	9.8	2.1
Overseas Deposits	1,943	1,917	1,978	2,068	2,155	10.9	4.2
Total Deposits	47,622	49,161	49,017	51,173	52,294	9.8	2.2

Source: Company, BOBCAPS Research

Fig 19 – Deposit mix

(%)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	YoY (%)	QoQ (%)
Current Deposits	5.2	5.8	5.0	5.4	5.5	21bps	1bps
Saving Deposits	34.3	33.7	34.0	33.0	32.1	(213bps)	(85bps)
CASA Deposits	39.5	39.5	39.1	38.4	37.6	(192bps)	(84bps)
Term Deposits	56.4	56.6	56.9	61.6	62.4	600bps	84bps
Domestic Deposits	95.9	96.1	96.0	96.0	95.9	(4bps)	(8bps)
Overseas Deposits	4.1	3.9	4.0	4.0	4.1	4bps	8bps
Total Deposits	100.0	100.0	100.0	100.0	100.0	0bps	0bps

Source: Company, BOBCAPS Research

Earnings call highlights

Asset quality

- SBIN's asset quality improved QoQ in Q3FY25 with GNPA improving by 6bps to 2.07%, while NNPA remained stable at 0.53%. Management expects credit cost at 55bps in FY25.
- Slippages stood at Rs 38.2bn with slippage ratio at 0.59% vs. 0.68% in Q2FY25. NPAs for Agri was at 9.06% vs. 9.44% in Q2FY25 and for SME portfolio at 3.47% vs. 3.63% in Q2FY25.
- Credit cost was at 0.37% vs. 0.43% in Q2FY25.

Loans and deposits

- Management is targeting credit growth of 14-16% over FY25.
- Its retail book grew 12% YoY (4% QoQ). Corporate book grew 15% YoY (2% QoQ). Retail loan growth was aided by personal loans (up 42% YoY, 13% QoQ) and home loans (up 14% YoY and 4% QoQ). Overall loan book grew 14% YoY and 4% QoQ.
- Xpress credit witnessed muted growth in Q3FY25, up 3% YoY and 1% QoQ on account of digital transformation and the bank expects the book to grow in double digits in FY25E.
- The loan mix for Q3 is 28.8% for EBLR (external benchmark-based lending rate), 60% MCLR (marginal cost of funds-based lending rate) and 12% fixed and the rest is others.
- Deposits grew 10% YoY led by term deposits (up 13% YoY and 4% QoQ). Savings grew 3% and current accounts 14% YoY, leading to a QoQ decline in CASA ratio of 84bps to 37.6%.
- The decline in CASA ratio is largely on account of a behavioural shift towards the term deposits due to higher interest rates.
- Current account remained strong despite the competitive market environment.

Opex

- SBIN witnessed significant operational efficiency and its total operating expenses declining by 7% YoY and rising 5% QoQ. Operating expenses fell due to the decline in other expenses (up 14% YoY, down 5% QoQ).

Valuation methodology

While system credit growth is moderating, we believe SBIN to deliver healthy credit growth coupled with strong liability franchise. It has demonstrated stable performance with healthy credit and deposit growth through the business cycles. We expect stable NIM at 3% and ROA/ROE of 1.1-1.2%/15-16% by FY25-27E. We assume coverage on SBIN with a BUY and revise our SOTP-based TP to Rs 972 (from Rs 1,044), assigning P/ABV of 1.3x (Dec'26).

Fig 20 – Key operational assumptions

(%)	FY24A	FY25E	FY26E	FY27E
Advances Growth	15.8	15.0	14.0	14.0
Net Interest Income Growth	10.4	4.5	12.9	15.6
PPoP Growth	3.6	27.8	13.9	19.5
PAT Growth	21.6	14.9	7.4	17.8
NIM	3.0	2.8	2.8	2.9
GNPA	2.2	1.9	1.8	1.7
CAR	14.3	13.6	13.8	13.6

Source: Company, BOBCAPS Research

Fig 21 – SOTP valuation summary

Business	Valuation method	Holdings (%)	Value (Rs/sh)
Bank	1.3x FY26E ABV	100	757
SBI Life	Mcap	55	92
SBI AMC	6% of AUM	63	79
SBI General	25x FY26 EPS	70	7
SBI Card	Mcap	69	53
SBI Capital	15x FY26 EPS	100	24
Holding Company Discount	15%	-	38
Total	-	-	972

Source: Company, BOBCAPS Research

Fig 22 – Valuation assumptions

Gordon Growth Model	(%)
Return on Equity (RoE)	6.8
Cost of Equity (Ke)	5.9
Growth (Period 1)	1.2
Growth (Long Term)	13.7
Initial High Growth Period (years)	15.4
Dividend Payout (Period 1)	10.0
Dividend Payout (Long Term)	20.0
Factor 1	3.1
Factor 2	80.0
Justified P/BV (x)	1.3

Source: BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- any sudden delinquency in the retail and SME segments, resulting in higher provision requirements, and
- inability to manage cost of funds, which may drag NIM as well as overall profitability.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Net interest income	14,48,405	15,98,758	17,08,802	19,41,492	23,53,443
NilI growth (%)	20.0	10.4	6.9	13.6	21.2
Non-interest income	3,66,156	5,16,822	5,48,940	6,21,781	6,99,495
Total income	18,14,561	21,15,580	22,57,742	25,63,273	30,52,938
Operating expenses	9,77,431	12,48,608	11,32,053	12,36,559	13,60,216
PPOP	8,37,130	8,66,972	11,25,689	13,26,714	16,92,722
PPOP growth (%)	23.3	3.6	29.8	17.9	27.6
Provisions	1,65,073	49,142	1,29,890	2,26,896	2,85,192
PBT	6,72,056	8,17,830	9,95,799	10,99,818	14,07,529
Tax	1,69,732	2,07,063	2,56,916	2,83,753	3,63,143
Reported net profit	5,02,324	6,10,766	7,38,883	8,16,065	10,44,387
Adjustments	0	0	0	0	0
Adjusted net profit	5,02,324	6,10,766	7,38,883	8,16,065	10,44,387

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Equity capital	8,925	8,925	8,925	8,925	8,925
Reserves & surplus	32,67,160	37,63,541	44,35,841	50,88,693	59,24,202
Net worth	32,76,084	37,72,465	44,44,766	50,97,617	59,33,127
Deposits	4,42,37,778	4,91,60,768	5,41,75,166	5,98,63,558	6,58,49,914
Borrowings	49,31,352	59,75,609	62,74,390	68,70,457	75,71,243
Other liab. & provisions	27,24,571	28,88,097	42,06,370	53,69,115	80,31,993
Total liab. & equities	5,51,69,785	6,17,96,939	6,91,00,691	7,72,00,748	8,73,86,277
Cash & bank balance	30,78,996	31,08,020	34,60,243	34,89,585	38,46,832
Investments	1,57,03,662	1,67,13,397	1,79,75,213	1,93,95,495	2,13,73,664
Advances	3,19,92,693	3,70,39,709	4,24,10,466	4,83,47,932	5,53,58,382
Fixed & Other assets	43,94,434	49,35,814	52,54,769	59,67,737	68,07,399
Total assets	5,51,69,785	6,17,96,939	6,91,00,691	7,72,00,748	8,73,86,277
Deposit growth (%)	9.2	11.1	10.2	10.5	10.0
Advances growth (%)	17.0	15.8	14.5	14.0	14.5

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
EPS	56.3	68.4	82.8	91.4	117.0
Dividend per share	11.3	13.7	14.1	18.3	23.4
Book value per share	367.1	422.7	498.0	571.2	664.8

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
P/E	13.4	11.0	9.1	8.2	6.4
P/BV	2.0	1.8	1.5	1.3	1.1
Dividend yield (%)	1.5	1.8	1.9	2.4	3.1

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Net interest income	3.1	2.7	2.6	2.7	2.9
Non-interest income	0.8	0.9	0.8	0.9	0.9
Operating expenses	2.0	2.1	1.7	1.7	1.7
Pre-provisioning profit	1.8	1.5	1.7	1.8	2.1
Provisions	0.3	0.1	0.2	0.3	0.3
PBT	1.5	1.4	1.5	1.5	1.7
Tax	0.4	0.4	0.4	0.4	0.4
ROA	1.1	1.0	1.1	1.1	1.3
Leverage (x)	17.0	16.6	15.9	15.3	14.9
ROE	19.3	17.3	18.0	17.1	18.9

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Net interest income	20.0	10.4	6.9	13.6	21.2
Pre-provisioning profit	23.3	3.6	29.8	17.9	27.6
EPS	58.6	21.6	21.0	10.4	28.0
Profitability & Return ratios (%)					
Net interest margin	3.4	3.4	3.2	3.2	3.5
Fees / Avg. assets	0.1	0.1	0.1	0.1	0.1
Cost-Income	53.9	59.0	50.1	48.2	44.6
ROE	19.3	17.3	18.0	17.1	18.9
ROA	1.1	1.0	1.1	1.1	1.3
Asset quality (%)					
GNPA	2.8	2.2	2.0	1.8	1.7
NNPA	0.7	0.6	0.5	0.5	0.4
Slippage ratio	0.7	0.6	0.7	0.8	0.8
Credit cost	0.6	0.1	0.3	0.5	0.6
Provision coverage	75.7	74.5	74.2	74.5	74.6
Ratios (%)					
Credit-Deposit	72.3	75.3	78.3	80.8	84.1
Investment-Deposit	35.5	34.0	33.2	32.4	32.5
CAR	14.7	14.3	13.8	14.1	14.3
Tier-1	12.1	11.9	11.8	12.1	12.4

Source: Company, BOBCAPS Research

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BUY – Expected return >+15%

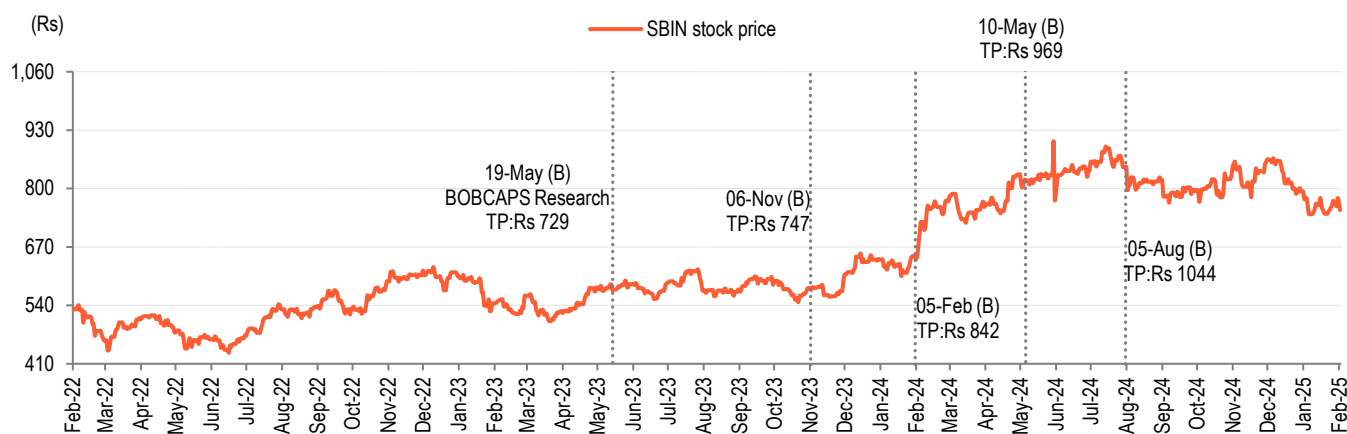
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Note: Recommendation structure changed with effect from 21 June 2021

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