

State Bank of India

Strong quarter; franchise on a strong footing

SBIN's earnings beat our estimates on the back of higher treasury/MTM gains backed by healthy loan growth, largely stable margins and in-line asset quality. Loan growth (+15% YoY) was strong across segments even as the Xpress credit portfolio continued to decelerate. Deposit growth (+9% YoY, +4.4% QoQ) was marginally soft as the CASA ratio dropped further to 38.4% (-64 bps QoQ), given that strong CA traction was offset by sluggish growth in SA balances. Asset quality improved as Q1 seasonality moderated, reflecting in lower slippages and credit costs. We believe SBIN is well-equipped to sustain growth, given its surplus liquidity and a comfortable LDR (75%), while managing margins ahead of a potential rate-cut cycle (SBIN increased its MCLR by 30bps in H1FY25). We reiterate SBIN as our top pick and maintain BUY with a revised SOTP-based TP of INR1,050 (core bank at 1.5x Sep-26 ABVPS).

- **Healthy growth alongside stable NIMs:** NII growth (+5.4%YoY) was in line with our estimates on the back of stable NIMs as deposit repricing nears its end. Strong loan growth (+15% YoY) was driven by domestic corporate, SME, and agri portfolios, although the unsecured Xpress credit portfolio witnessed meaningful deceleration (Q2FY25: 6.6% YoY). The management continues to guide for 14-16% loan growth for FY25, and a likely uptick in Xpress loans.
- **QoQ improvement in asset quality:** GNPA/NNPA improved to ~2.1/0.5% on the back of QoQ moderation in gross slippages to 0.5% (Q1FY25: 0.9%) and continued healthy recoveries. Gross slippages were lower across the portfolio, while GNPA of the Xpress credit portfolio clocked in at ~1%. We continue to believe in the superior quality of the Xpress credit portfolio, given majority of the portfolio comprises of ETB salaried government employees, even as we factor in a gradual upward normalisation of credit costs.
- **Franchise on strong footing:** SBIN is well-positioned to manage the systemic headwinds around growth, competitive pricing, and asset quality with ample headroom to improve its productivity metrics that can help sustain RoAs >1%, even as we highlight the need for SBIN to improve its capital position via fundraising and alternate monetisation options.

Financial summary

(INR bn)	Q2FY25	Q2FY24	YoY(%)	Q1FY24	QoQ(%)	FY24	FY25E	FY26E	FY27E
NII	416.2	395.0	5.4%	411.3	1.2%	1,598.8	1,752.8	1,957.4	2,231.8
PPOP	292.9	194.2	50.9%	264.5	10.8%	867.0	1,148.0	1,352.8	1,587.9
PAT	183.3	143.3	27.9%	170.4	7.6%	610.8	723.7	814.2	948.6
EPS (INR)	20.5	16.1	27.9%	19.1	7.6%	68.4	81.1	91.2	106.3
ROAE (%)						17.3	17.8	17.3	17.3
ROAA (%)						1.0	1.1	1.1	1.2
ABVPS (INR)						381.7	448.3	522.9	611.1
P/ABV (x)						2.2	1.9	1.6	1.4
P/E (x)						12.3	10.4	9.2	7.9

Change in estimates

(INR bn)	FY25E			FY26E		
	Old	New	Δ	Old	New	Δ
Net advances	42,368	42,454	0.2%	48,419	48,581	0.3%
NIM (%)	3.0	3.0	3bps	3.0	3.0	4bps
NII	1,742.7	1,752.8	0.6%	1,942.4	1,957.4	0.8%
PPOP	1,129.9	1,148.0	1.6%	1,333.5	1,352.8	1.4%
PAT	708.3	723.7	2.2%	809.4	814.2	0.6%
Adj. BVPS (INR)	444.0	448.3	1.0%	516.9	522.9	1.2%

Source: Company, HSIE Research

BUY

CMP (as on 8 Nov 2024)	INR 843
Target Price	INR 1,050
NIFTY	24,148

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR1,040	INR1,050
	FY25E	FY26E
EPS %	2.2%	0.6%

KEY STOCK DATA

Bloomberg code	SBIN IN
No. of Shares (mn)	8,925
MCap (INR bn) / (\$ mn)	7,525/89,183
6m avg traded value (INR mn)	15,144
52 Week high / low	INR 912/555

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	4.3	4.0	45.3
Relative (%)	3.6	(4.2)	23.0

SHAREHOLDING PATTERN (%)

	Jun-24	Sep-24
Promoters	57.5	57.5
FIs & Local MFs	24.0	24.1
FPIs	11.1	10.7
Public & Others	7.4	7.7
Pledged Shares	0.0	0.0

Source : BSE

Pledged shares as % of total shares

Krishnan ASV

venkata.krishnan@hdfcsec.com
 +91-22-6171-7314

Akshay Badlani

akshay.badlani@hdfcsec.com
 +91-22-6171-7325