

Cruising Comfortably Towards RoA Delivery of 1%+

Est. Vs. Actual for Q2FY25: NII – **INLINE**; PPOP – **BEAT**; PAT – **BEAT**

Changes in Estimates post Q2FY25

FY25E/FY26E/FY27E (in %) NII: -0.7/-2.6/-2.0; PPOP: +2.6/+0.8/+2.2; PAT: -0.3/-1.1/-0.6

Recommendation Rationale

- Strengthening deposit franchise:** The bank remains confident of delivering strong deposit growth of 10-11% in FY25 while maintaining its deposit market share at 22-23% and funding incremental credit growth with incremental deposits. SBI has witnessed strong growth in CA deposits, supported by multiple initiatives, along with TD, and is now focusing on enhancing growth in SA deposits. SBI aims to reduce its dependence on government accounts for CA deposits. To shift back to business-driven CA deposits, the bank has established transactional business hubs across the country and set up relationship management teams for CA deposits, to ensure strong growth in this segment. We expect deposit growth to remain healthy at approximately 11% CAGR over FY24-27E.
- Broad-based credit growth, momentum to remain buoyant:** The management has highlighted that growth opportunities across segments continue to remain buoyant and has reiterated its guidance of delivering credit growth of 14-16% in FY25. In its retail portfolio, the bank is seeing growth improving in the Xpress Credit portfolio alongside auto loans, home loans, and personal gold loans. Similarly, the Agri and SME portfolio continues to deliver healthy growth driven by portfolio diversification efforts and enhancing distribution. In the corporate portfolio, the management has highlighted a strong pipeline of Rs 6 Tn, with demand remaining buoyant across sectors. We believe SBI remains well positioned to deliver a strong credit growth of ~15% CAGR over FY24-27E while maintaining a balanced LDR.
- Cruising along to deliver RoA of 1%+:** The management has indicated that the CoD/CoF have peaked out and should stabilise hereon. In terms of yields, the bank raised ~30bps MCLR in H1FY25 and the full impact of the same would be visible in the coming quarters. ~42% of the book is linked to MCLR. Thus, the management remains confident of maintaining NIMs even in the event of a rate cut in Feb'25. We expect NIMs to remain steady at ~3.3% over FY25-27E. With the impact of wage revision behind, the bank will aim at maintaining a C-I Ratio at <50% over the medium term. Asset quality across segments continues to remain strong. With the bank focusing on risk-calibrated growth, we do not expect any major asset quality challenges, thereby keeping credit costs steady at 50-60bps, while gradually normalising over the medium term.

Sector Outlook: Positive

Company Outlook: SBI remains well poised to deliver a strong earnings growth of 12% CAGR over FY24-27E alongside maintaining RoA of 1-1.1% driven by (1) Strong growth while maintaining a comfortable LDR, (2) Focused efforts to improve fee income profile, (3) Contained Opex ratios and (4) Steady credit costs and strong asset quality. We continue to remain positive of the stock.

Current Valuation: 1.4x Sep'26E ABV; Earlier Valuation: 1.5x FY26E ABV

Current TP: Rs 1,040/share; Earlier TP: Rs 1,030/share

Recommendation: We maintain our **BUY** recommendation on the stock.

Alternative BUY Ideas from our Coverage:

BoB (TP – Rs 310), **ICICI Bank** (TP – Rs 1,500), **HDFC Bank** (TP – Rs 2,025)

Financial Performance

- Operational Highlights:** Advances grew by 15/3% YoY/QoQ, in line with our expectations. Deposits growth was marginally better than expected at 9/4% YoY/QoQ. This growth was driven by TDs (+13/6% YoY/QoQ), while CASA growth stood at 4/3% YoY/QoQ. CASA Ratio stood at 38.4% vs 40.2/39.1% YoY/QoQ. LDR remains comfortable at 75.4% vs 76.5% QoQ.
- Financial Highlights:** NII grew by 5/1% YoY/QoQ, in line with expectations. Domestic NIMs contracted by ~8bps QoQ. Non-interest income growth was robust at 42/37% YoY/QoQ, led by strong treasury gain. Fee income remained flattish QoQ. Opex de-grew sharply by 11% YoY, though increased by 7% QoQ. Employee Opex was down 22/4% YoY/QoQ. C-I Ratio improved to 48.5% vs. 61.4/49.4% YoY/QoQ. PPOP grew by 51/11% YoY/QoQ. Credit costs were marginally higher than expected at 47bps vs. 1/36bps YoY/QoQ. PAT grew by 28/8% YoY/QoQ.
- Asset Quality:** Asset Quality improved marginally with GNPA/NNPA at 2.13/0.53% vs 2.21/0.57%, led by significantly lower slippages. The slippage ratio stood at 0.5% vs. 0.5/0.9% YoY/QoQ. The SMA1 book shot up significantly QoQ owing to a long-term government sector customer. The account has been pulled back subsequently.

Key Financials (Standalone)

(Rs Bn)	Q2FY25	QoQ (%)	YoY (%)	Axis Est.	Variance
NII	416.2	+1.2	+5.4	414.3	+0.5
PPOP	292.9	+10.8	+50.9	256.2	+14.3
PAT	183.3	+7.6	+27.9	160.7	+14.0
NNPA (%)	0.5	-4 bps	-11 bps	0.6	-3 bps
RoA (%)	1.2	+7 bps	+16 bps	1.0	+16 bps

Source: Company, Axis Securities Research

(CMP as of 08th November, 2024)

CMP (Rs)	843
Upside /Downside (%)	23%
High/Low (Rs)	912/555
Market cap (Cr)	7,52,568
Avg. daily vol. Shrs.	1,84,07,393
No. of shares (Cr)	892.5

Shareholding (%)

	Mar-24	Jun-24	Sep-24
Promoter	57.5	57.5	57.5
FII	11.1	11.2	10.7
MF/UTI	22.0	21.6	22.1
Retail	9.4	9.7	9.7

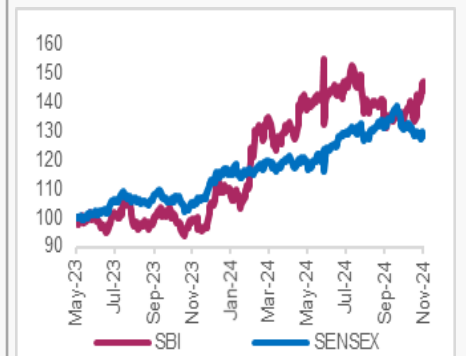
Financial & Valuations

Y/E Mar (Rs Bn)	FY25E	FY26E	FY27E
NII	1,711	1,919	2,180
PPOP	1,131	1,266	1,441
Net Profit	717	777	853
EPS (Rs)	80.3	87.0	95.6
ABV (Rs)	461.7	527.9	600.7
P/ABV (x)	1.8	1.6	1.4
RoA (%)	1.1	1.1	1.0
NNPA (%)	0.5	0.5	0.5

Change in Estimates (%)

Y/E Mar	FY25E	FY26E	FY27E
NII	-0.7	-2.6	-2.0
PPOP	+2.6	+0.8	+2.2
PAT	-0.3	-1.1	-0.6

Relative performance



Source: Ace Equity, Axis Securities Research

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Outlook

SBI remains well-poised to continue its growth trajectory with no visible challenges to growth and asset quality. We make minor tweaks to our NII estimates. However, backed by improved performance on non-interest income and controlled costs, we retain our earnings estimates over FY25-27E. We expect a RoA/RoE delivery of 1-1.1%/16-18% over the same period.

Valuation & Recommendation

We maintain our **BUY** rating on the stock with a revised SOTP-based target price of Rs 1,040/share (Valuing the core book at 1.4x Sep'26E ABV vs. current valuations of 1.5x Sep'26E ABV and valuing subsidiaries at Rs 250), thereby implying an upside of 23% from the CMP.

Key Risks to Our Estimates and TP

- The slowdown in systemic credit growth would impact our estimates.

Change in Estimates

(Rs Bn)

	Revised			Old			% Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
NII	1,711	1,919	2,180	1,723	1,969	2,224	-0.7	-2.6	-2.0
PBP	1,131	1,266	1,441	1,102	1,257	1,410	2.6	0.8	2.2
Provisions	168	228	300	140	206	262	20.0	10.4	14.6
PAT	717	777	853	719	786	859	-0.3	-1.1	-0.6

Source: Company, Axis Securities Research

SOTP Valuation

	Per Share	Multiple Assigned
SBI - Parent	790	1.4x Sep'26E ABV
Subsidiaries		
SBI Life	127	2.3x Sep'26E Embedded Value
SBI AMC	78	32x Sep'26E EPS
SBI Cards	46	17x Sep'26E EPS
SBI Capital	55	18x Sep'26E EPS
SBI General Insurance	7	25x Sep'26E EPS
Total Value of Subsidiaries	313	
<i>Less: 20% holding discount</i>	63	
Net Value of Sub.	250	
Target Price	1,040	
CMP	843	
Upside	23%	

Source: Axis Securities Research

Result Review (Standalone)

Rs Bn	Q2FY25	Q2FY24	% YoY	Q1FY25	% QoQ	H1FY25	H1FY24	% YoY
Net Interest Income	416	395	5.4	411	1.2	827	784	5.5
Non-Interest Income	153	108	41.5	112	36.8	80	26	204.0
Operating expenses	276	309	-10.6	258	6.8	534	565	-5.5
Staff Cost	148	189	-21.8	155	-4.3	303	355	-14.8
Pre provision profits	293	194	50.9	264	10.8	557	447	24.7
Provisions and contingencies	45	1	3808.5	34	30.6	80	26	204.0
PBT	248	193	28.4	230	7.8	478	421	13.5
Provision for Tax	65	50	29.9	60	8.3	124	109	14.1
PAT	183	143	27.9	170	7.6	354	312	13.3
Business Update								
Gross Advances	39,207	34,113	14.9	38,121	2.8	39,207	34,113	14.9
Deposits								
	51,173	46,892	9.1	49,017	4.4	51,173	46,892	9.1
CASA Deposits	19,659	18,860	4.2	19,144	2.7	19,659	18,860	4.2
CASA Ratio	38.4	40.2	-180bps	39.1	-64bps	38.4	40.2	-180bps
Yields on Advances	8.9	8.9	1bps	8.8	4bps	7.8	7.5	25bps
Yield on Investments	7.2	6.9	31bps	7.2	1bps	6.3	6.1	27bps
Cost of Deposits	5.0	4.7	38bps	5.0	3bps	3.9	3.8	4bps
Cost of Funds (%)	5.2	4.9	30bps	5.1	6bps	4.0	3.6	36bps
NIMs (%)	3.3	3.5	-18bps	3.4	-8bps	3.6	3.3	28bps
Cost-Income ratio (%)	48.5	61.4	-1288bps	49.4	-91bps	53.9	53.3	55bps
Asset Quality								
Gross NPA (%)	2.1	2.6	-42bps	2.2	-8bps	2.1	2.6	-42bps
Net NPA (%)	0.5	0.6	-11bps	0.6	-4bps	0.5	0.6	-11bps
PCR (%)	75.7	75.4	21bps	74.4	125bps	75.7	75.4	21bps
Slippage Ratio (%)	0.5	0.5	6bps	0.9	-41bps	0.5	0.5	6bps
Capital Adequacy								
CRAR	13.8	14.6	-84bps	13.9	-10bps	13.8	14.6	-84bps
Tier I	11.3	12.1	-78bps	11.8	-46bps	11.3	12.1	-78bps
Tier II	2.4	2.5	-6bps	2.1	36bps	2.4	2.5	-6bps

Source: Company, Axis Securities Research

Financials (Standalone)

Profit & Loss

(Rs Bn)

Y/E March	FY24	FY25E	FY26E	FY27E
Net Interest Income	1,599	1,711	1,919	2,180
Other Income	517	514	563	621
Total Income	2,116	2,224	2,481	2,802
Total Operating Exp	1,249	1,093	1,215	1,361
PPOP	867	1,131	1,266	1,441
Provisions & Contingencies	49	168	228	300
PBT	818	963	1,039	1,141
Provision for Tax	207	245	262	287
PAT	611	717	777	853

Source: Company, Axis Securities Research

Balance Sheet

(Rs Bn)

Y/E March	FY24	FY25E	FY26E	FY27E
SOURCES OF FUNDS				
Share Capital	9	9	9	9
Reserves	3,764	4,337	4,959	5,641
Shareholder's Funds	3,772	4,346	4,968	5,650
Total Deposits	49,161	54,269	60,704	67,970
Borrowings	55,136	61,297	69,645	79,162
Other Liabilities & Provisions	2,888	3,436	3,905	4,439
Total Liabilities	61,797	69,079	78,518	89,251
APPLICATION OF FUNDS				
Cash & Bank Balance	3,108	3,540	3,959	4,433
Investments	16,713	17,365	19,424	21,749
Advances	37,040	42,658	48,864	55,940
Fixed & Other Assets	4,936	5,517	6,271	7,129
Total Assets	61,797	69,079	78,518	89,251

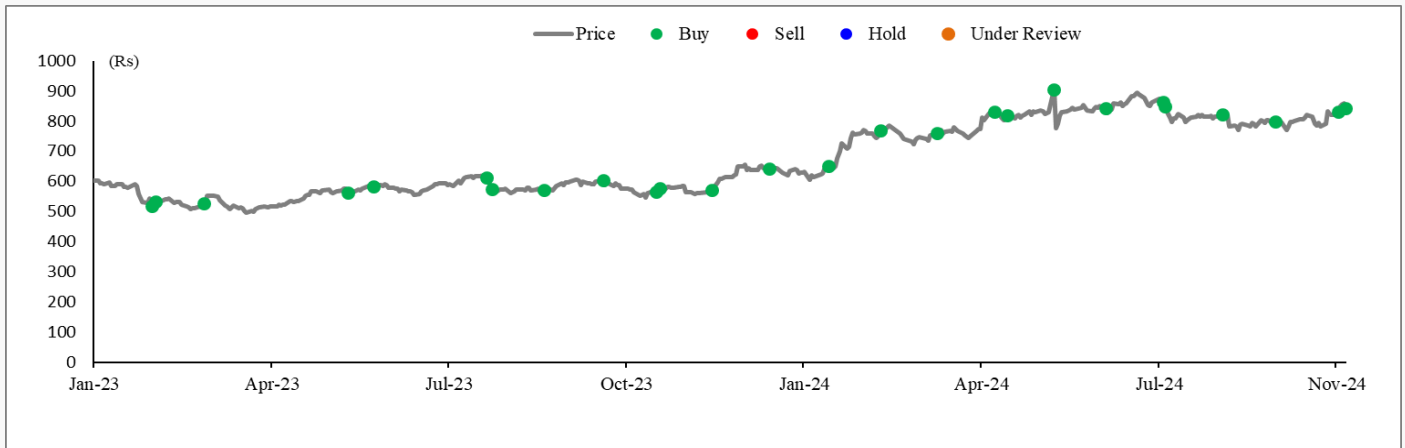
Source: Company, Axis Securities Research

Ratio Analysis
(%)

Y/E March	FY24	FY25E	FY26E	FY27E
VALUATION RATIOS				
EPS	68.4	80.3	87.0	95.6
Earnings Growth (%)	21.6%	17.4%	8.3%	9.8%
BVPS	422.7	487.0	556.6	633.1
Adj. BVPS	399.1	461.7	527.9	600.7
ROAA (%)	1.0	1.1	1.1	1.0
ROAE (%)	17.3	17.7	16.7	16.1
P/E (x)	12.3	10.5	9.7	8.8
P/ABV (x)	2.1	1.8	1.6	1.4
DPS	11.3	16.1	17.4	19.1
Dividend Yield (%)	1.3%	1.9%	2.1%	2.3%
PROFITABILITY				
NIM - Domestic (%)	3.4	3.3	3.3	3.3
NIM – Global (%)	3.3	3.1	3.1	3.1
Cost-Income Ratio	59.0	49.2	49.0	48.6
Growth RATIOS				
Loan Growth (%)	15.8	15.2	14.5	14.5
Deposit Growth (%)	11.1	10.4	11.9	12.0
C-D Ratio (%)	75.3	78.6	80.5	82.3
Equity to Assets (%)	6.1	6.3	6.3	6.3
Equity to Loans (%)	10.2	10.2	10.2	10.1
CRAR (%)	14.3	13.8	13.5	13.1
Tier I (%)	11.9	11.6	11.5	11.2
ASSET QUALITY				
Gross NPLs (%)	2.2	2.1	2.1	2.0
Net NPLs (%)	0.6	0.5	0.5	0.5
Provision Coverage Ratio (%)	75.0	75.0	75.0	75.0
Credit Costs (%)	0.1	0.4	0.5	0.6
RoE TREE (%)				
NII	2.7	2.6	2.6	2.6
Non-Interest Income	0.9	0.8	0.7	0.7
OPEX	2.1	1.7	1.6	1.6
Provisions	0.1	0.3	0.3	0.4
Taxes	0.4	0.4	0.4	0.3
RoA	1.0	1.1	1.1	1.0
Leverage (x)	16.6	16.1	15.8	15.8
RoE	17.3	17.7	16.7	16.1

Source: Company, Axis Securities Research

State Bank of India Price Chart and Recommendation History



Date	Reco	TP	Research
01-Jan-23	BUY	740	Top Picks
06-Feb-23	BUY	750	Result Update
01-Mar-23	BUY	750	Top Picks
01-Apr-23	BUY	750	Top Picks
18-May-23	BUY	715	Result Update
01-Jun-23	BUY	715	Top Picks
01-Jul-23	BUY	715	Top Picks
01-Aug-23	BUY	715	Top Picks
07-Aug-23	BUY	715	Result Update
01-Sep-23	BUY	715	Top Picks
03-Oct-23	BUY	715	Top Picks
01-Nov-23	BUY	715	Top Picks
06-Nov-23	BUY	715	Result Update
01-Dec-23	BUY	715	Top Picks
01-Jan-24	BUY	800	Top Picks
05-Feb-24	BUY	800	Result Update
02-Feb-24	BUY	800	Top Picks
02-Feb-24	BUY	800	Result Update
01-Mar-24	BUY	800	Top Picks
01-Apr-24	BUY	860	Top Picks
02-May-24	BUY	920	Top Picks
10-May-24	BUY	1010	Result Update
03-Jun-24	BUY	1,010	Top Picks
01-Jun-24	BUY	1,010	Top Picks
01-Jul-24	BUY	1,010	Top Picks
01-Aug-24	BUY	1,010	Top Picks
05-Aug-24	BUY	1,030	Result Update
02-Sep-24	BUY	1,030	Result Update
01-Oct-24	BUY	1,030	Top Picks
04-Nov-24	BUY	1,030	Top Picks
11-Nov-24	BUY	1,040	Result Update

Source: Axis Securities Research

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