

17 November 2024

India | Equity Research | Company Update

State Bank of India

Banking

Takeaways from overseas NDR

We hosted SBI Chairman, in his maiden overseas NDR, post assuming his current role. The bank reiterated its focus on consistency and risk-adjusted profitability. SBI maintains its 14–16% YoY credit growth guidance and reiterated the significant difference in its unsecured book vs. peers. The bank aims to deliver consistent performance led by better efficiency but without adding undue risks. In our view, the risk calibration is visible in its customer selection across corporate, retail, SME and agri (driving one of the lowest net slippages vs. peers), which should ideally lead to higher conversion of operating earnings into PAT. As detailed ([refer link](#)), amid rising concerns on MFI/unsecured asset quality, SBI appears well placed with negligible/no exposure to MFI/credit card and strong track record on unsecured PL (GNPA consistently $\leq 1\%$). We estimate ~100bps/90bps RoA and ~18%/16% RoE for FY25/FY26E. Maintain **BUY** with an SoTP-based unchanged TP of INR 1,000. Key risk: Slowdown in macro impacting growth.

Focus on consistency and risk-adjusted profitability

The discussions revolved around the broader macro slowdown, credit/deposits growth, interest rate environment, retail asset quality, capital adequacy and RBI's arguably conservative stance on growth and unsecured asset quality. SBI acknowledges the slower economic activity in H1FY25; however, it looks forward to a healthy rebound in H2FY25. The bank agrees to the possible pressure on yields, in case policy rates are cut, but it intends to partly offset this with proactive action on MCLR. SBI is cognizant of peer banks' commentary on rising stress in unsecured; nonetheless, it reiterates that SBI's unsecured book is not comparable with private peers. The bank also shared its ambition of scaling-up SBOSS (100% subsidiary) to 20,000–30,000 headcount vs. 9,000 currently, to improve efficiency. The bank acknowledged lower CET 1 vs. peers; thus, is open for growth capital, if required, but maintained that it has been accreting capital and there is significant headroom to grow. The bank acknowledged: 1) slower core fee growth (vs. loan growth); and 2) low loan to assets ratio (vs. peers; one of the factors impacting NIM) and mentioned that humungous balance size and tighter risk calibration as a few reasons, among others.

M/s gains, and stable AQ to drive re-rating; maintain BUY/TP

While systemic loan growth has been moderating, we believe SBI has strong chances of gaining credit market share on improving credit delivery, strong funding franchise, low LDR and idiosyncratic issues at the second-largest lender. We would monitor Xpress credit asset quality though find comfort in strong track record and less risky customer profile. On a relative basis, SBI has clearly fewer challenges on growth and possibly asset quality.

Financial Summary

Y/E March	FY23A	FY24A	FY25E	FY26E
NII (INR bn)	1,448.4	1,598.8	1,705.5	1,851.1
Op. profit (INR bn)	837.1	867.0	1,071.0	1,110.8
Net Profit (INR bn)	502.3	610.8	669.0	670.2
EPS (INR)	56.3	68.4	75.0	75.1
EPS % change YoY	58.6	21.6	9.5	0.2
ABV (INR)	318.0	374.2	434.3	491.4
P/BV (x)	2.4	2.1	1.8	1.6
P/ABV (x)	2.1	1.6	1.4	1.2
Return on Assets (%)	1.0	1.0	1.0	0.9
Return on Equity (%)	18.1	18.8	17.8	15.6

Jai Prakash Mundhra

jai.mundhra@icicisecurities.com
+91 22 6807 7572

Hardik Shah

hardik.shah@icicisecurities.com

Market Data

Market Cap (INR)	7,178bn
Market Cap (USD)	84,968mn
Bloomberg Code	SBIN IN
Reuters Code	SBI.BO
52-week Range (INR)	912 /555
Free Float (%)	43.0
ADTV-3M (mn) (USD)	143.3

Price Performance (%)	3m	6m	12m
Absolute	0.2	(1.7)	38.3
Relative to Sensex	2.1	(7.8)	18.9

ESG Score	2022	2023	Change
ESG score	69.3	68.4	(0.9)
Environment	70.4	76.6	6.2
Social	58.5	64.8	6.3
Governance	75.0	67.2	(7.8)

Note - Score ranges from 0 - 100 with a higher number indicating a higher ESG score.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY25E	FY26E
PAT	-	-

Previous Reports

09-11-2024: [Q2FY25 result review](#)

16-10-2024: [Company Update](#)

Takeaways from NDR

Macro view

- Economic activities in the first half have been tepid, impacted by India's general election and other factors. SBI expects accelerated capex by government in the second half. The bank maintains FY25 GDP growth of 7% (slightly lower than RBI estimate of 7.2%).
- The bank's internal estimate is first rate cut by Feb'25 and estimates it to be a shallow cycle.
- The bank is cognizant of the small moderation in consumption trends in urban/metro areas, as highlighted by various companies. On the rural side, the bank hinted that strong monsoon should aid a faster recovery.

Credit and deposits growth

- Systemic credit growth is likely to be constrained by softer deposits growth. Important to note that systemic liquidity has improved over the last few weeks. SBI expects systemic overall credit growth at 12-13% YoY for FY25. Alternatively, it believes credit growth should be 200bps higher than nominal GDP growth. It expects deposits growth to be ~10% YoY for the system.
- SBI business growth guidance is unchanged. It expects 14-16% YoY credit growth for FY25 and would endeavour to grow deposits at double digits. The bank would target to fund incremental credit by incremental deposits (incremental LDR to be ~100%).
- The bank acknowledged challenges on deposits and CASA growth for the system. It, however, would be focusing more on value-added services and enriching customer engagements vs driving the deposits by card rates. Strong competition in advances also restricts banks to compete on card rates.
- Corporate sanctions / undisbursed loan pipeline has risen to INR 6.5trn. The portfolio is broad-based with sector representation including petro-chemical, renewables (wind, hydro, solar, etc.), airport, roads, office space development, data-centres, etc. Cement sector has slowed down due to consolidations.
- In SME financing, under the BRE model, TAT has come down significantly. It is 15 mins for sanctions and 2 days for disbursements, which should help in SME growth.

Net interest income

- CASA growth is likely to remain a challenge and systemic growth shall be in single digit in the near term.
- Lower deposits growth has also been influenced by 'just in time' currency management by RBI (which is not accounted in banking system). The float from government has reduced considerably and short-term deposits are now converted into term deposits.
- The deposits rates have peaked and cost of deposits should start stabilising. SBI's focus has now shifted to door step, premier services, etc. to deepen engagement.
- SBI is cognizant of pressure on yields as and when policy rates are cut. However, it has been trying to offset the same. The bank has increased MCLR rates in the last few months, which should aid overall yields over the next few months. ~67% of the deposits are 1-2 years buckets, so there should not be much of a lead lag.
- ~36% of its loans are under MCLR, 22% is fixed, 26% are linked to repo and 10% are linked to T-bills/other benchmarks.
- SBI emphasised that the focus has become sharper on risk-adjusted profitability. The bank has become much more risk conscious in customer selection across corporate, retail, SME and agri offerings. Thus, it would be relevant to look NIM along with riskiness and balance sheet stability.

- SBI acknowledged that low loan/assets at the bank (vs. peers) is one of the factors pulling down the NIM. However, at SBI, with its size and risk-approach, it may not be easy to operate loan/assets in-line with peers.

Unsecured retail

- The bank believes that unsecured retail may not be directly linked to consumption. For unsecured loans, the ease of delivery and availability of the credit itself also drive the demand. The turnaround time in unsecured is one of the lowest and the delivery is hassle-free (have pre-approved). The usage of the Xpress credit also differs across users.
- Growth in SBI Xpress credit was due to weaker demand while repayment remained strong and thus moderation in the growth. However, the traction in Oct'24 has been strong. The bank is hopeful of returning to double digit growth by Q4FY25, if not earlier.
- SBI is cognizant of peer banks' commentary on rising stress in unsecured and RBI views on the same. However, it reiterated that the unsecured book of SBI is significantly different from private banks unsecured loans. Predominant share of the loans is to PSU/state government/central government employees. Almost all customers salary would be credited to SBI and thus strong monitoring and customer selections.
- The bank has relatively lesser reliance on external database in express credit.
- SBI has suggested more frequent information sharing for customer leverage to have better insights on the customer behavior.

Home loans

- SBI has been delivering strong credit growth in home loans (up 13.7% YoY in Q2FY25). The bank has ~27% market share here.
- Around 94% of the customers are first time home buyers.
- The bank has added 350 RACPC (on top of ~210 earlier) for home loans in the last 2-3 years, which has enabled quick and efficient disbursements.
- Average ticket size in HL has gone up to INR 4.2mn vs INR 2.7mn earlier.
- Retail gold is ~INR 400 bn portfolio. Gold including agri is around INR 1trn.

Capital

- Current CET 1 including interim PAT stood at 10.98% vs. 10.36% as of FY24.
- Despite higher risk weightages, the bank accreted CET 1 in FY24.
- In the last three years, the bank has ploughed-back INR 1.14trn.
- Over the medium term, RoE should be higher than credit growth.
- Current capital is sufficient to fund additional INR 6trn and including accruals, it should be sufficient to fund ~INR 10trn. So, apparently there is no need for growth or regulatory capital.
- However, the bank is cognizant of large differential vs peers PSU banks and private banks in terms of CET1 and thus is open to raise growth capital, if required.
- The bank acknowledged possible value unlocking from investments in Yes Bank and NSE though did not share any firm timelines.

Technology / Cost to income

- The bank has been investing in technology and has ahead of the curve tech capabilities. The bank processes humungous quantum of transactions and relies heavily on technology.
- Cyber security is a priority area. The bank has put first of its kind center of excellence in cyber security.
- The bank processes 180mn UPI transactions in a day with one-of-the-lowest technical decline rates.

- The focus of the technical team is simplification of customer journey and reduction in operational costs. Around 0.2-0.3mn persons visit SBI branches every day.
- The system processes 14,000 transactions per second and has capability of doing 28,000 per second.
- The endeavor is to keep cost to income below 50%.

SBOSS

- The bank has seen a sharp rise in business per employee and profit per employee. The attrition rate is <0.5%.
- A large part of the incremental needs is taken care by 100% subsidiary, SBOSS or State Bank Operations Support Services Pvt limited.
- SBOSS was incorporated in Jul'22 and has scaled up significantly. The bank added 5,000 employees in the subsidiary recently. The O/s staff strength is around 9,000. SBI aims to make it 20,000-30,000 in the near term. The bank pays market salary but there is no union involved. The hiring is also done locally to keep costs economical.
- The operational cost is a-tenth of the branch.
- The team would be engaged in sales, collection, acquisition, but not linked to core activity of deposits and lending. The team could also do non-financial services (change of addresses, etc.) and would free-up branch man-power / infrastructure, which can be utilized towards higher value-added activities.

RoRWA

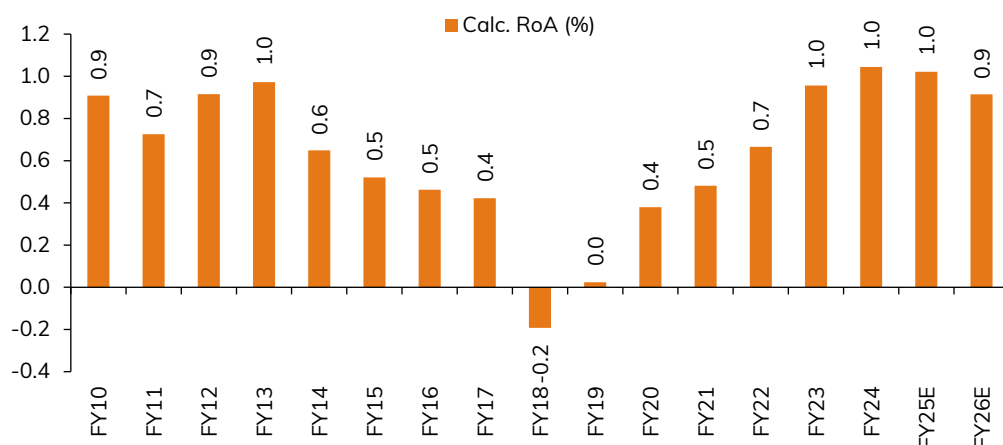
- The bank has been focusing on RoRWA as risk calibration has significantly improved over the last few years.
- The risk calibration has come as SBI manages humongous balance sheet and has to be risk prudent. The business is asset heavy and it is not inclined to take higher risks.
- The risk calibration is visible in its selection of customer across corporate, retail, SME and Agri. The bank is competing with large private banks in prime customers as well.
- The bank would aim consistent improvement in financials by better efficiency and not by adding undue risks.
- The bank emphasised that the focus has become sharper on risk-adjusted profitability. The bank has become much more risk conscious in customer selection across corporate, retail, SME and agri offerings. Thus, it would be relevant to look NIM along with riskiness and balance sheet stability. Due to focus on risk adjusted returns, the conversion of operating profits to PAT should be much higher.
- The product per customers, including services is 3-4x. SBI intends to drive value enhancement from existing customers, increasing engagement with corporate customers, adding higher value-added customers – all at lower costs within its risk parameters.

Exhibit 1: RoA tree time-series

(% of average assets)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Interest Income	7.1	7.2	7.3	7.2	7.3
Interest Expense	4.4	4.5	4.6	4.6	4.6
NII	2.8	2.7	2.7	2.7	2.7
Non-interest income	0.8	0.8	1.1	0.7	1.0
- Fee income	0.5	0.5	0.7	0.5	0.7
- Trading gains	0.1	0.2	0.2	0.2	0.3
- Recovery from TWO	0.1	0.1	0.2	0.1	0.1
Net Revenue	3.5	3.5	3.9	3.4	3.6
Opex	2.2	2.6	2.0	1.7	1.8
Reported PPop	1.4	0.9	1.9	1.7	1.9
Core PPop	1.1	0.6	1.5	1.5	1.6
Provisioning	0.01	0.0	0.1	0.2	0.3
PBT	1.4	0.9	1.8	1.5	1.6
Tax	0.3	0.2	0.4	0.4	0.4
RoA	1.0	0.6	1.4	1.1	1.17
Leverage	16.2	16.2	16.3	16.0	15.3
RoE	16.3	10.1	22.2	17.6	18.0

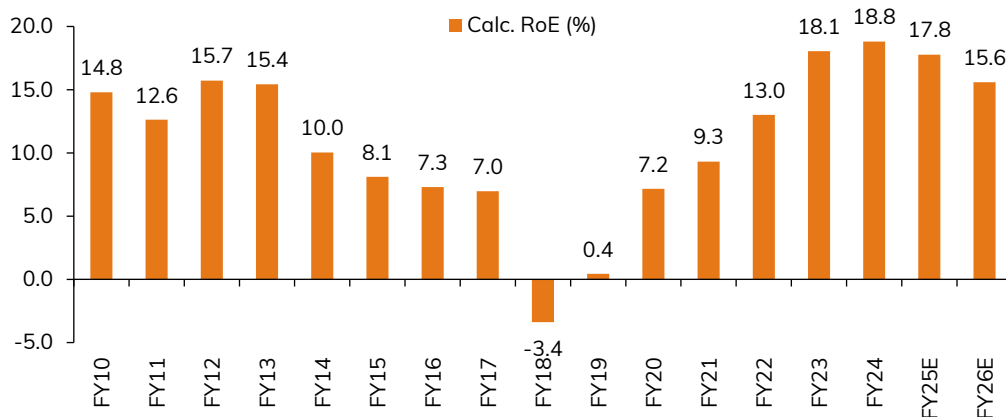
Source: Company data, I-Sec research

Exhibit 2: Expect RoA to remain strong at >100bps/90bps for FY25/FY26E



Source: Company data, I-Sec research

Exhibit 3: RoE likely to remain strong at ~18%/16% for FY25/FY26E



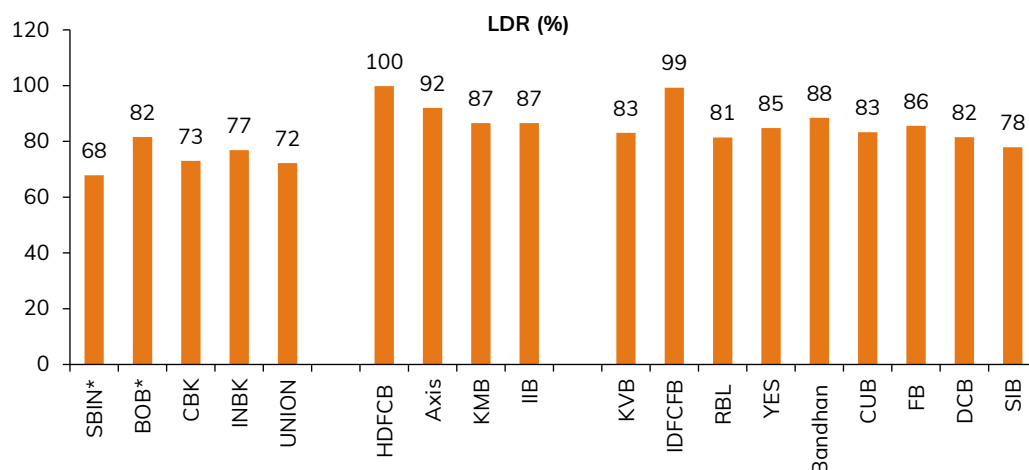
Source: I-Sec research, Company data

Exhibit 4: Key ratios and trends

	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Loan growth (YoY)	20.8	18.6	17.0	14.9	13.3	15.1	15.8	15.9	15.3
Loan growth (QoQ)	4.8	3.6	4.6	1.1	3.4	5.2	5.2	1.2	2.9
Loan composition (%)									
Corporate	31.1	30.2	30.6	30.4	29.2	29.1	30.7	30.4	30.0
Retail	36.4	36.8	36.9	37.2	37.2	36.8	36.5	36.5	36.2
SME	10.7	11.5	11.2	11.4	11.6	11.9	11.7	11.8	11.8
Overseas	16.5	15.9	15.4	14.9	15.8	15.7	14.6	14.7	15.2
Agri	5.2	5.6	5.9	6.0	6.2	6.5	6.5	6.6	6.7
Liability profile & margins									
CASA %	42.9	42.7	42.1	41.8	40.2	39.5	39.5	38.1	38.4
CA %	5.6	5.4	6.4	6.3	5.4	5.2	5.8	5.3	5.4
SA %	37.4	37.3	35.7	35.5	34.8	34.3	33.7	32.8	33.0
Global NIM %	3.32	3.50	3.60	3.33	3.29	3.22	3.30	3.22	3.14
Domestic NIM %	3.55	3.69	3.84	3.47	3.43	3.34	3.47	3.35	3.27

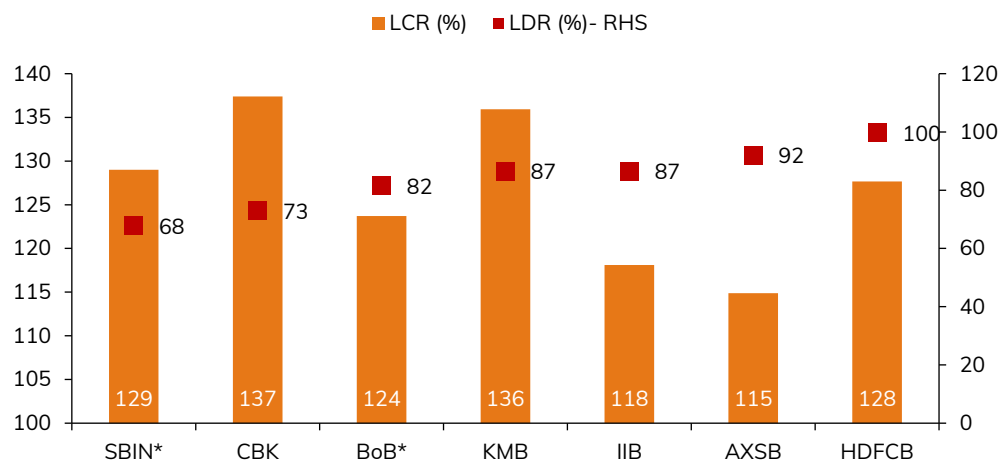
Source: Company data, I-Sec research

Exhibit 5: SBI has lowest LDR amongst peer banks



Source: I-Sec research, Company data
 Note: *Domestic LDR considered for BOB and SBIN

Exhibit 6: SBI is well placed on LDR and LCR vs peers



Source: I-Sec research, Company data
 Note: *Domestic LDR considered for BOB and SBIN

Exhibit 7: Gross advances growth running strong at ~15% YoY

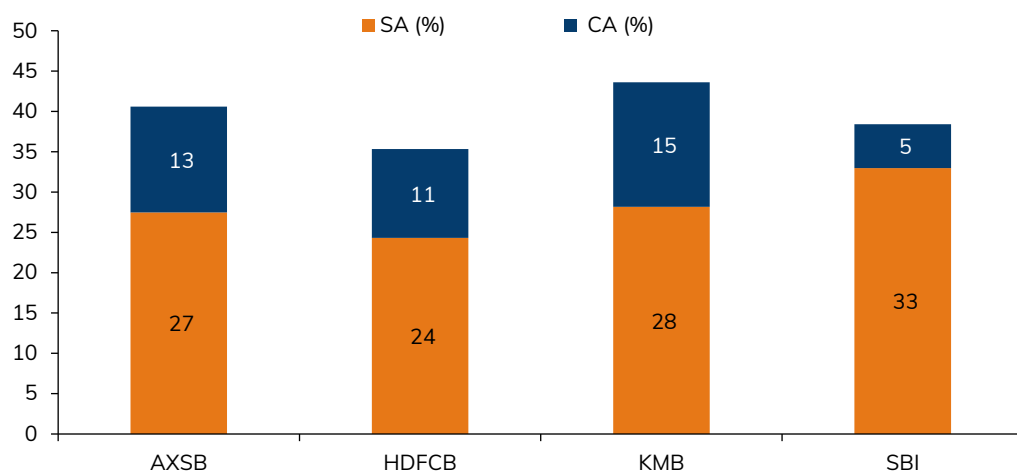
	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	YoY %	QoQ %
Loan book (INR bn)											
Retail Personal	10,749	11,245	11,792	12,043	12,434	12,963	13,523	13,680	13,966	12.3	2.1
Agri	2,386	2,470	2,586	2,641	2,739	2,917	3,049	3,091	3,222	17.7	4.3
SME	3,169	3,506	3,593	3,699	3,890	4,181	4,330	4,434	4,565	17.4	2.9
Corporates	9,170	9,250	9,798	9,822	9,777	10,241	11,382	11,386	11,572	18.4	1.6
Domestic Advances	25,474	26,472	27,768	28,204	28,840	30,303	32,284	32,591	33,325	15.6	2.3
Foreign Office Advances	4,877	4,864	4,924	4,833	5,272	5,540	5,391	5,530	5,882	11.6	6.4
Whole bank advances	30,351	31,336	32,692	33,037	34,113	35,843	37,675	38,121	39,207	14.9	2.8
Mix (%)										YoY (bps)	QoQ (bps)
Retail Personal	35.4	35.9	36.1	36.5	36.5	36.2	35.9	35.9	35.6	-83 bps	-27 bps
Agri	7.9	7.9	7.9	8.0	8.0	8.1	8.1	8.1	8.2	19 bps	11 bps
SME	10.4	11.2	11.0	11.2	11.4	11.7	11.5	11.6	11.6	24 bps	1 bps
Corporates	30.2	29.5	30.0	29.7	28.7	28.6	30.2	29.9	29.5	85 bps	-35 bps
Domestic Advances	83.9	84.5	84.9	85.4	84.5	84.5	85.7	85.5	85.0	45 bps	-50 bps
Foreign Office Advances	16.1	15.5	15.1	14.6	15.5	15.5	14.3	14.5	15.0	-45 bps	50 bps
Total Wholebank advances	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
Growth - YoY (%)											
Retail Personal	18.8	18.1	17.6	16.5	15.7	15.3	14.7	13.6	12.3		
Agri	11.0	11.5	13.3	14.8	14.8	18.1	17.9	17.1	17.7		
SME	13.2	14.2	17.6	18.3	22.8	19.2	20.5	19.9	17.4		
Corporates	21.2	18.1	12.5	12.4	6.6	10.7	16.2	15.9	18.4		
Domestic Advances	18.2	16.9	15.4	15.1	13.2	14.5	16.3	15.6	15.6		
Foreign Office Advances	30.1	21.5	19.6	7.4	8.1	13.9	9.5	14.4	11.6		
Whole bank advances	19.9	17.6	16.0	13.9	12.4	14.4	15.2	15.4	14.9		
Growth - QoQ (%)											
Retail Personal	3.9	4.6	4.9	2.1	3.3	4.3	4.3	1.2	2.1		
Agri	3.8	3.5	4.7	2.1	3.7	6.5	4.5	1.4	4.3		
SME	1.3	10.7	2.5	3.0	5.2	7.5	3.6	2.4	2.9		
Corporates	4.9	0.9	5.9	0.2	-0.5	4.7	11.1	0.0	1.6		
Domestic Advances	3.9	3.9	4.9	1.6	2.3	5.1	6.5	1.0	2.3		
Foreign Office Advances	8.4	-0.3	1.3	-1.9	9.1	5.1	-2.7	2.6	6.4		
Whole bank advances	4.6	3.2	4.3	1.1	3.3	5.1	5.1	1.2	2.8		

Source: Company data, I-Sec research

Exhibit 8: Deposits growth time series

	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	YoY %	QoQ %
Deposits (INR bn)											
CA	2,326	2,277	2,814	2,852	2,530	2,495	2,870	2,462	2,784	10.0	13.1
SA	15,652	15,730	15,815	16,078	16,330	16,318	16,550	16,683	16,875	3.3	1.2
CASA	17,978	18,007	18,629	18,931	18,860	18,813	19,420	19,144	19,659	4.2	2.7
TD	23,925	24,129	25,609	26,382	28,032	28,809	29,741	29,873	31,514	12.4	5.5
Total	41,903	42,136	44,238	45,312	46,892	47,622	49,161	49,017	51,173	9.1	4.4
CD ratio	70.4	72.6	72.3	71.4	71.3	73.9	75.3	76.5	75.4	404 bps	-111 bps
Deposits mix (%)											
CA	5.6	5.4	6.4	6.3	5.4	5.2	5.8	5.0	5.4	5 bps	42 bps
SA	37.4	37.3	35.7	35.5	34.8	34.3	33.7	34.0	33.0	-185 bps	-106 bps
CASA	42.9	42.7	42.1	41.8	40.2	39.5	39.5	39.1	38.4	-180 bps	-64 bps
TD	57.1	57.3	57.9	58.2	59.8	60.5	60.5	60.9	61.6	180 bps	64 bps
Total	100	100	100	100	100	100	100	100	100		
Growth - YoY (%)											
CA	-8.0	0.2	7.5	22.0	8.8	9.6	2.0	-13.7	10.0		
SA	7.7	6.7	4.5	4.8	4.3	3.7	4.6	3.8	3.3		
CASA	5.4	5.9	4.9	7.1	4.9	4.5	4.2	1.1	4.2		
TD	13.8	12.4	12.5	15.8	17.2	19.4	16.1	13.2	12.4		
Total	10.0	9.5	9.2	12.0	11.9	13.0	11.1	8.2	9.1		
Growth - QoQ (%)											
CA	-0.5	-2.1	23.6	1.3	-11.3	-1.4	15.0	-14.2	13.1		
SA	2.0	0.5	0.5	1.7	1.6	-0.1	1.4	0.8	1.2		
CASA	1.7	0.2	3.5	1.6	-0.4	-0.3	3.2	-1.4	2.7		
TD	5.0	0.9	6.1	3.0	6.3	2.8	3.2	0.4	5.5		
Total	3.6	0.6	5.0	2.4	3.5	1.6	3.2	-0.3	4.4		

Source: Company data, I-Sec research

Exhibit 9: Despite lower SA rate, SBI has higher SA share; CA lags peers
Source: I-Sec research, Company data
Note- CA and SA as of Sep-24
Exhibit 10: Reported RoA and RoE

Return ratios	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	YoY (bps)	QoQ (bps)
RoE (%)	16.1	18.6	19.4	24.4	22.6	22.0	20.3	21.0	21.8	-77 bps	82 bps
RoA (%)	1.04	1.08	1.23	1.22	1.01	0.62	1.36	1.10	1.17	16 bps	7 bps

Source: Company data, I-Sec research

Exhibit 11: CET-1 trend

Capital adequacy ratio (%)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	YoY (bps)	QoQ (bps)
CET-1	9.53	9.26	10.27	10.19	9.94	9.09	10.36	10.25	9.95	1 bps	-30 bps
Tier-1	11.12	10.80	12.06	11.97	11.78	10.58	11.93	11.78	11.32	-46 bps	-46 bps
CRAR	13.51	13.27	14.68	14.56	14.28	13.05	14.28	13.86	13.76	-52 bps	-10 bps

Source: Company data, I-Sec research

Exhibit 12: Domestic/global margin trend

Net Interest Margins	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	YoY (bps)	QoQ (bps)
NIM - Global (%)	3.32	3.50	3.60	3.33	3.29	3.22	3.30	3.22	3.14	-15 bps	-8 bps
NIM - Domestic (%)	3.55	3.69	3.84	3.47	3.43	3.34	3.47	3.35	3.27	-16 bps	-8 bps
NIM - International (%) (cumulative)	1.44	1.67	1.69	2.24	2.19	2.21	2.16	2.22	2.14	-5 bps	-8 bps

Source: Company data, I-Sec research

Exhibit 13: Yield, cost of deposits and calculated NIM trends

Yields, cost and margins	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	YoY (bps)	QoQ (bps)
Yield on advances % (calc.)	6.78	7.14	7.45	7.55	7.74	7.86	7.96	7.86	7.91	17 bps	4 bps
Cost of deposits % (calc.)	3.82	3.94	4.11	4.46	4.73	4.92	4.87	4.92	5.05	32 bps	13 bps
NIM % (calc.)	2.99	3.14	3.24	3.06	3.02	2.93	2.99	2.90	2.89	-13 bps	-1 bps

Source: Company data, I-Sec research

Exhibit 14: Asset quality - key ratios and trends

Asset quality	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	YoY %	QoQ %
Gross NPA (INR bn)	1,068	983	909	913	870	867	843	842	834	-4.1	-1.0
Gross NPA (%)	3.52	3.14	2.78	2.76	2.55	2.42	2.24	2.21	2.13	-42 bps	-8 bps
Net NPA (INR bn)	236	235	215	230	214	224	211	216	203	-5.0	-5.8
Net NPA (%)	0.80	0.77	0.67	0.71	0.64	0.64	0.57	0.57	0.53	-11 bps	-4 bps
Provision coverage ratio (%)	78	76	76	75	75	74	75	74	76	21 bps	125 bps
Restructured book (INR bn)	273	260	243	227	209	189	173	160	148	-28.9	-7.4
As a % of loan book	0.93	0.85	0.76	0.70	0.62	0.54	0.47	0.43	0.38	-24 bps	-4 bps
SMA-1 (INR mn)	65,760	30,590	24,650	56,380	21,800	20,720	12,390	26,620	1,18,910	445.5	346.7
As a % of loan book	0.22	0.10	0.08	0.17	0.07	0.06	0.03	0.07	0.31	24 bps	24 bps
SMA-2 (INR mn)	19,210	16,880	7,950	15,830	17,840	20,550	20,620	19,740	18,400	3.1	-6.8
As a % of loan book	0.07	0.06	0.02	0.05	0.05	0.06	0.06	0.05	0.05	-1 bps	0 bps
SMA-1 + SMA-2 (INR mn)	84,970	47,470	32,600	72,210	39,640	41,270	33,010	46,360	1,37,310	246.4	196.2
As a % of loan book	0.29	0.16	0.10	0.22	0.12	0.12	0.09	0.12	0.36	24 bps	23 bps
P&L total provisions (INR mn)	30,387	57,606	33,157	25,013	1,153	6,879	16,098	34,494	45,057	3,808.5	30.6
As a % of loan book	0.41	0.75	0.41	0.31	0.01	0.08	0.17	0.37	0.47	45 bps	10 bps

Source: Company data, I-Sec research

Exhibit 15: Movement of gross NPA

Movement of GNPA (INR bn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	YoY %	QoQ %
Opening balance	1,133	1,068	983	909	913	870	867	843	842	-7.8	-0.1
Add: Slippages	24	32	35	79	41	50	40	87	50	21.3	-43.1
Ann. Slippage ratio	0.33	0.42	0.43	0.97	0.49	0.57	0.43	0.93	0.51	3 bps	-42 bps
Less: Recovery + Upgrades	52	16	42	36	40	18	21	37	26	-35.2	-29.1
Less: Write-offs	37	100	67	39	44	35	44	51	32	-27.4	-37.0
Closing balance	1,068	983	909	913	870	867	843	842	834	-4.1	-1.0
Net slippages	-28	16	-7	43	1	32	19	50	24	3,462.1	-53.4
Ann. Net Slippage ratio	-0.37	0.20	-0.09	0.53	0.01	0.37	0.21	0.54	0.24	24 bps	-29 bps

Source: Company data, I-Sec research

Exhibit 16: Product wise retail gross NPA

Retail GNPA (%)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	YoY (bps)	QoQ (bps)
Home Loans	0.75	0.74	0.69	0.76	0.74	0.77	0.76	0.81	0.78	4 bps	-3 bps
Auto Loans	0.58	0.52	0.43	0.47	0.44	0.43	0.38	0.44	0.41	-3 bps	-3 bps
Xpress Credit	0.65	0.63	0.60	0.70	0.69	0.73	0.77	0.97	1.00	31 bps	3 bps
Gold Loans	0.16	0.14	0.09	0.22	0.18	0.12	0.16	0.28	0.21	3 bps	-7 bps
Other Personal Loans	0.84	1.01	0.68	0.73	0.66	0.67	0.62	0.62	0.66	0 bps	4 bps
Total Retail	0.71	0.70	0.63	0.71	0.68	0.71	0.70	0.81	0.78	10 bps	-3 bps

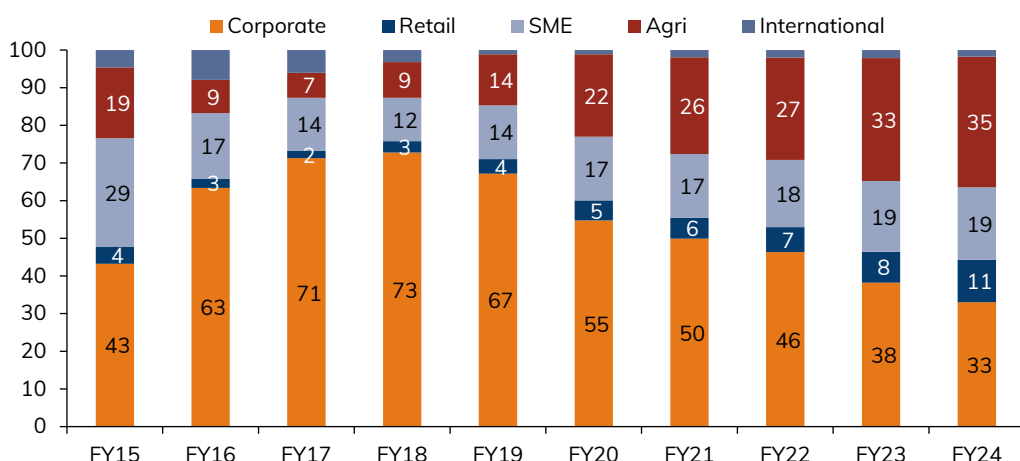
Source: Company data, I-Sec research

Exhibit 17: Segmental GNPA ratio

Segmental GNPA (%)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	YoY (bps)	QoQ (bps)
Retail	3.43	3.24	3.02	3.04	2.88	2.77	2.63	2.74	2.66	-22 bps	-8 bps
Agri	12.25	12.03	11.47	11.28	10.66	10.09	9.58	9.84	9.44	-122 bps	-40 bps
Personal	0.71	0.70	0.63	0.71	0.68	0.71	0.70	0.81	0.78	10 bps	-3 bps
SME	6.03	5.20	4.76	4.77	4.41	4.06	3.75	3.75	3.63	-78 bps	-12 bps
Corporate	5.32	4.37	3.55	3.42	3.09	2.87	2.45	2.17	2.08	-101 bps	-9 bps
International	0.42	0.41	0.40	0.37	0.35	0.32	0.28	0.25	0.24	-11 bps	-1 bps
Total	3.52	3.14	2.78	2.76	2.55	2.42	2.24	2.21	2.13	-42 bps	-8 bps

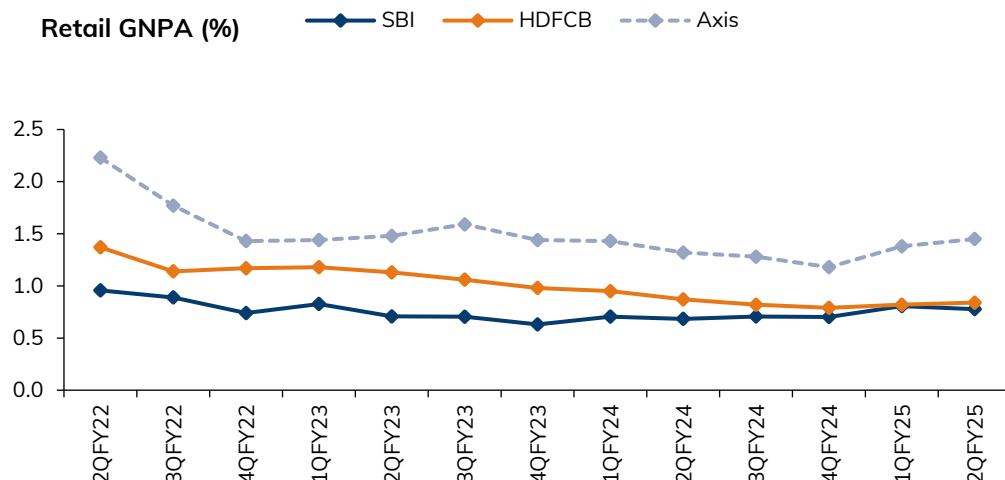
Source: Company data, I-Sec research

Exhibit 18: Segmental GNPA mix (%)



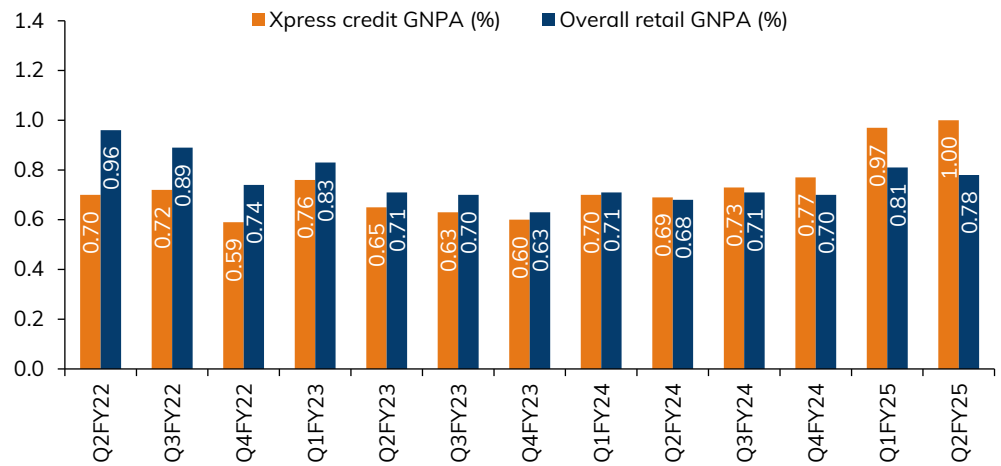
Source: I-Sec research, Company data

Exhibit 19: Retail GNPA comparison vs peers



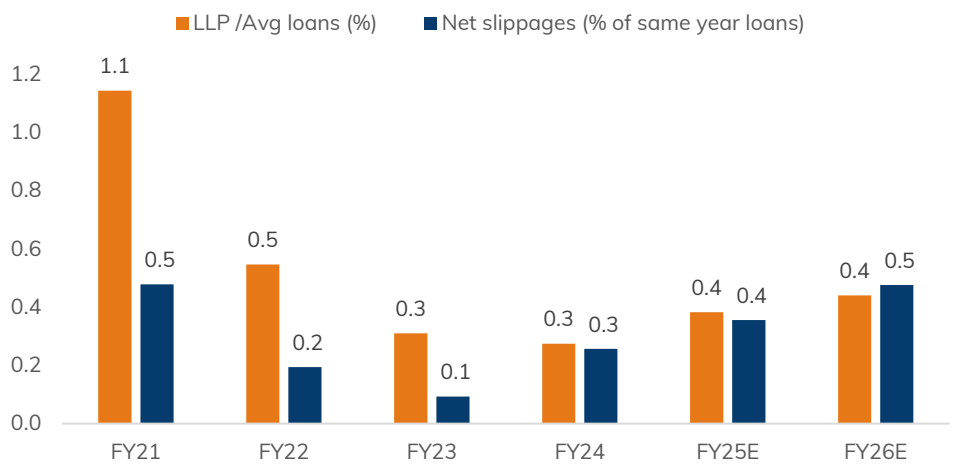
Source: I-Sec research, Company data

Exhibit 20: GNPA % in Xpress credit and overall retail has been stable



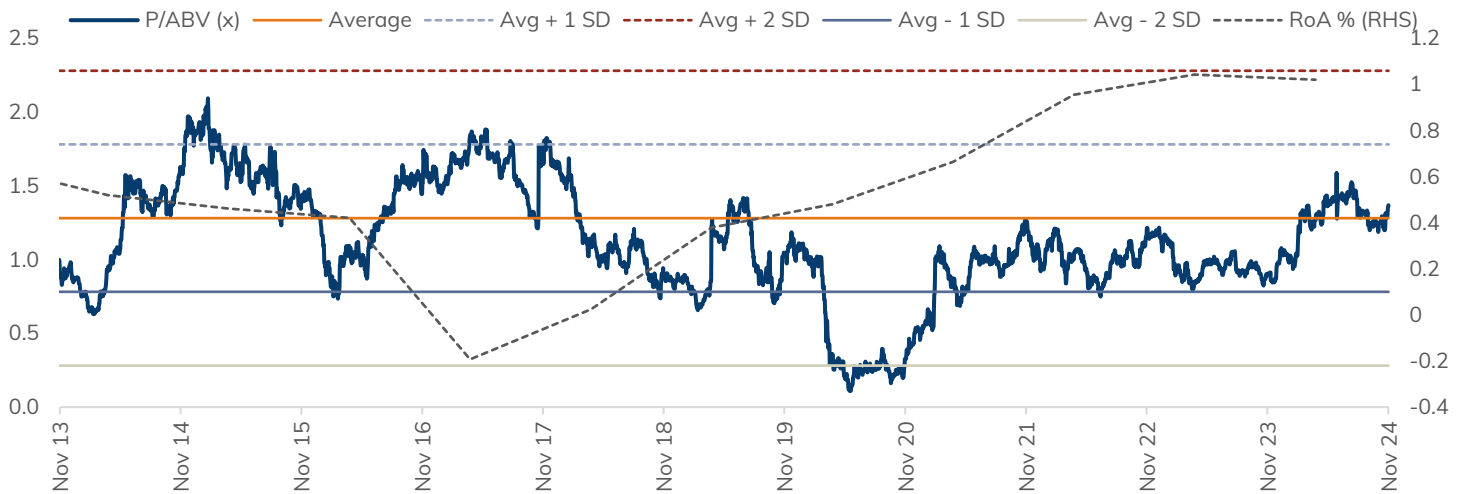
Source: I-Sec research, Company data

Exhibit 21: We estimate net slippages to inch-up to 0.4/0.5% for FY25/FY26 but credit costs to remain comfortable at ~40bps as net NPA seems plateaued



Source: I-Sec research, Company data

Exhibit 22: Risk returns are attractive



Source: I-Sec research, Company data

Exhibit 23: SoTP-based valuation

Parameters	Value of Business (INR bn)	Stake (%)	SOTP Value Per share	Comments
SBI Life Insurance	1,981	55	123	At I-Sec Target Market cap
SBI General Insurance	218	69	17	25x FY26E PAT
SBI AMC	869	63	61	7% FY26E AUM
SBI Cards	780	69	60	At I-Sec Target Market cap
SBI Capital	396	100	44	15x FY26E PAT + NSE stake value
Yes Bank	601	24	16	At I-Sec Target Market cap
Value of Subsidiaries			338	
Holding Co. discount			68	
<i>Holding Co. discount (in %)</i>			20	
Subs Value post Holdco Disc.			271	
SBI Bank - Core book			729	1.55x FY26E ABV
Target Price (INR)			1,000	

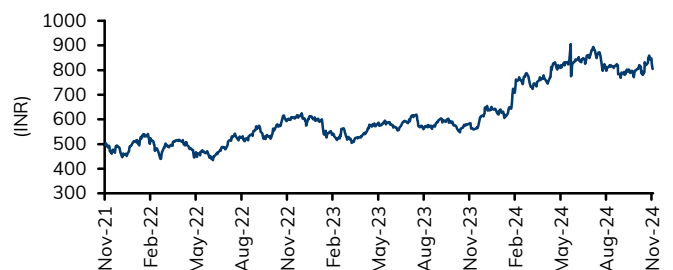
Source: Company data, I-Sec research

Exhibit 24: Shareholding pattern

%	Mar'24	Jun'24	Sep'24
Promoters	57.5	57.5	57.5
Institutional investors	35.1	34.8	33.3
MFs and other	11.6	12.6	11.5
FIs/ Banks	0.0	0.0	0.5
Insurance Cos.	10.4	10.4	10.6
FIIIs	13.1	11.8	10.7
Others	7.4	7.7	9.2

Source: Bloomberg, I-Sec research

Exhibit 25: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 26: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Interest income	33,21,031	41,51,307	46,94,208	51,08,876
Interest expense	18,72,626	25,52,548	29,88,722	32,57,746
Net interest income	14,48,405	15,98,758	17,05,486	18,51,131
Non-interest income	3,66,156	5,16,822	5,40,438	5,56,070
Operating income	18,14,561	21,15,580	22,45,923	24,07,201
Operating expense	9,77,431	12,48,608	11,74,890	12,96,392
Staff expense	5,72,918	7,83,370	6,50,197	6,95,711
Operating profit	8,37,130	8,66,972	10,71,033	11,10,809
Core operating profit	8,50,674	7,48,612	9,54,033	10,25,809
Provisions & Contingencies	1,65,073	49,142	1,76,636	2,14,863
Pre-tax profit	6,72,056	8,17,830	8,94,397	8,95,945
Tax (current + deferred)	1,69,732	2,07,063	2,25,388	2,25,778
Net Profit	5,02,325	6,10,766	6,69,009	6,70,167
Adjusted net profit	5,02,325	6,10,766	6,69,009	6,70,167

Source Company data, I-Sec research

Exhibit 27: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Cash and balance with RBI/Banks	30,78,996	31,08,020	37,09,119	38,07,589
Investments	1,57,03,662	1,67,13,397	1,74,27,084	1,82,53,446
Advances	3,19,92,692	3,70,39,708	4,22,11,192	4,83,53,620
Fixed assets	4,23,818	4,26,172	4,62,623	5,06,232
Other assets	39,70,616	45,09,642	53,43,836	65,35,475
Total assets	5,51,69,784	6,17,96,940	6,91,53,856	7,74,56,360
Deposits	4,42,37,776	4,91,60,768	5,54,43,344	6,28,04,148
Borrowings	49,31,352	59,75,609	63,75,311	64,24,742
Other liabilities and provisions	27,24,572	28,88,097	30,27,529	33,83,664
Share capital	8,925	8,925	8,925	8,925
Reserve & surplus	32,67,160	37,63,541	42,98,748	48,34,882
Total equity & liabilities	5,51,69,784	6,17,96,940	6,91,53,856	7,74,56,360
% Growth	10.6	12.0	11.9	12.0

Source Company data, I-Sec research

Exhibit 28: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
No. of shares and per share data				
No. of shares (mn)	8,925	8,925	8,925	8,925
Adjusted EPS	56.3	68.4	75.0	75.1
Book Value per share	336	392	452	512
Adjusted BVPS	318	374	434	491
Valuation ratio				
PER (x)	14.3	11.8	10.7	10.7
Price/ Book (x)	2.4	2.1	1.8	1.6
Price/ Adjusted book (x)	2.1	1.6	1.4	1.2
Dividend Yield (%)	1.4	1.7	1.9	1.9
Profitability ratios (%)				
Yield on advances	7.5	8.3	8.4	8.1
Yields on Assets	6.3	7.1	7.2	7.0
Cost of deposits	3.8	4.7	5.0	4.8
Cost of funds	3.6	4.4	4.6	4.4
NIMs	3.0	3.0	2.8	2.8
Cost/Income	53.9	59.0	52.3	53.9
Dupont Analysis (as % of Avg Assets)				
Interest Income	6.3	7.1	7.2	7.0
Interest expended	3.6	4.4	4.6	4.4
Net Interest Income	2.8	2.7	2.6	2.5
Non-interest income	0.7	0.9	0.8	0.8
Trading gains	0.0	0.2	0.2	0.1
Fee income	0.7	0.6	0.6	0.6
Total Income	3.5	3.6	3.4	3.3
Total Cost	1.9	2.1	1.8	1.8
Staff costs	1.1	1.3	1.0	0.9
Non-staff costs	0.8	0.8	0.8	0.8
Operating Profit	1.6	1.5	1.6	1.5
Core Operating Profit	1.6	1.3	1.5	1.4
Non-tax Provisions	0.3	0.1	0.3	0.3
PBT	1.3	1.4	1.4	1.2
Tax Provisions	0.3	0.4	0.3	0.3
Return on Assets (%)	1.0	1.0	1.0	0.9
Leverage (x)	18.9	18.0	17.4	17.0
Return on Equity (%)	18.1	18.8	17.8	15.6
Asset quality ratios (%)				
Gross NPA	2.8	2.2	2.0	2.0
Net NPA	0.7	0.6	0.5	0.5
PCR	76.4	75.0	76.0	75.0
Gross Slippages	0.7	0.6	0.7	0.8
LLP / Avg loans	0.3	0.3	0.4	0.4
Total provisions / Avg loans	0.6	0.1	0.4	0.5
Net NPA / Networth	6.6	5.6	4.8	5.0
Capitalisation ratios (%)				
Core Equity Tier 1	10.3	10.4	10.4	10.4
Tier 1 cap. adequacy	12.1	11.9	11.8	11.6
Total cap. adequacy	14.7	14.3	13.9	13.4

Source Company data, I-Sec research

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, E-mail Address : complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Bhavesh Soni Email address: headservicequality@icicidirect.com Contact Number: 18601231122
