

Steady quarter across...

About the stock: SBI is a public sector bank and also the largest bank in India with a balance sheet size of over ~ ₹62 lakh crore.

- SBI has showcased strength in retail portfolios, best operating metrics in the PSU banking space. Large subsidiaries, strong outlook adds value.

Q1FY25 performance: SBI delivered another steady quarter with earnings remaining flat YoY due to higher provision and accounting norms on investment. Growth in advances came at 15.4% YoY to ₹ 38.1 lakh crore, backed by growth across portfolio. Within retail segment, auto (16.6%) and personal loans (20.5%) witnessed healthy traction, while pace in Xpress credit saw marginal moderation. Deposit accretion came at 8.2% YoY, with CASA at 40.7%. Asset quality remained steady with 3 bps QoQ improvement in GNPA at 2.21%, while slippages remained a tad higher at 84 bps, led by ageing and temporary slippages from unsecured book. Operationally, NII increased 5.7% YoY, amid decline in margins (-6 bps QoQ) at 3.22%, other income was impacted due to accounting norms on treasury. Thus, operating profit increased 4.5% YoY, however, higher provisions kept earnings flat at ₹ 17035 crore.

Investment Rationale

- In-line industry credit growth to aid performance:** Loan growth remained healthy at 15.4% YoY, driven by across segment – retail (13.6%), SME (~20%), though corporate segment witnessed higher growth at 16% YoY. Healthy pipeline of corporate sanctions and continued focus on retail segment is expected to keep credit growth broadly in-line with the industry. Management expects advance growth at 13-15% CAGR in FY25-26E.
- RoA to remain steady at ~1%:** While competition on liabilities continue to remain elevated, relatively lower CD ratio at ~60-70% is seen to provide cushion to margins mitigating impact of rising cost of deposits and increasing dependence on term deposits. Impact of changes in accounting norms related to investments is seen to be offset by normalization of opex, thereby keeping RoA at ~1% in FY25-26E.
- Marginal rise in slippages, but not alarming:** Slippages increased to 84 bps, led by seasonal agri segment and delinquency in unsecured retail portfolio, though management indicated that substantial proportion has been normalized. Broad NPA numbers have remained stable with GNPA at 2.21% and NNPA at 0.6%, while PCR continue to remain steady at ~75%. Expect slippages to remain steady with credit cost at ~50 bps in FY25-26E.

Rating and Target Price

- SBI has demonstrated its strength in the last few quarters both on core operating performance and asset quality. Management remains confident on growth, maintenance of margins and improvement in RoA. Sustained balance sheet growth (13-15%), strong liabilities franchise and prudent asset quality is expected to aid RoA at ~1% in FY25-26E. Valuing the bank at ~1.5x FY26E BV and subsidiaries at ~₹210/share, we maintain our target price at ₹1000 and Buy rating on the stock.

Key Financial Summary

₹ Bn	FY21	FY22	FY23	FY24	3 Year CAGR (FY21-24)	FY25E	FY26E	2 Year CAGR (FY24-26E)
NII	1107	1207	1448	1599	13%	1699	1915	9%
PPP	716	753	837	867	7%	994	1134	14%
PAT	204	317	502	609	44%	593	676	5%
ABV (I)	243.3	282.6	343.2	366.0		420.2	480.6	
P/E	36	23	14	12		12	11	
P/ABV	3.3	2.9	2.4	2.2		1.9	1.7	
RoA	0.5	0.7	1.0	1.0		0.9	0.9	
RoE	8.4	11.9	16.5	17.3		14.8	14.9	

Source: Company, ICICI Direct Research



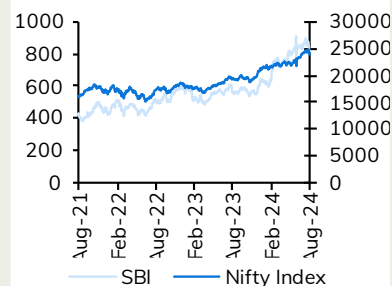
Particulars

Particulars	Amount
Market	₹ 7,25,883 Crore
52 week H/L	912 / 543
Networth	₹ 3,77,246 Crore
Face value	1.0
DII Holding (%)	24.0
FII Holding (%)	11.1

Shareholding pattern

	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Promoter	57.5	57.5	57.5	57.5	57.5
FII	10.4	10.7	10.9	11.1	11.2
DII	24.8	24.4	24.2	24.0	23.6
Others	7.3	7.4	7.5	7.4	7.7

Price Chart



Key risks

- Deceleration in business growth
- Increase in slippages

Research Analyst

Vishal Narnolia
vishal.narnolia@icicisecurities.com

Gaurav Singh
gaurav.si@icicisecurities.com

Krishna Vyas
krishna.vyas@icicisecurities.com

Concall highlights and outlook

Financial Highlights

- Advance growth target unchanged at 15% for FY25
- Slippages remained a tad higher in Q1FY25 owing to ageing provision from standard book and temporary impact in unsecured loans due to delay in credit of salaries in some state government
- The bank aims to maintain NIM at current levels, but recognizes that macroeconomic factors may impact this target. Targets to keep margins at current level with minimal variation.
- Relatively lower CD ratio at ~69%, strong customer accretion (60,000 accounts daily of which 34,000-40,000 opened through Yono)) and excess SLR is seen to aid growth and margins. Thus, aims for margins to be at 3.2-3.4%, with variation of not more than 10 bps
- Break-up of slippages is as follows – Retail (Personal & Home Loans) - ₹ 3,000 crore, SME – ₹ 2,000 crore, Corporate – ₹ 2,000 crore, the balance being Agri Loans. Credit cost expected at ~50 bps
- Total provisions stood at ₹ 4,518 crore of which ₹ 1,940 crore was due to slippage, provision due to aging was ₹ 2,473 crore, remaining ₹ 106 crore was attributed to agricultural provisioning.
- Management expects CD ratio to be at 70% with maximum pull up by 200 bps
- Net positive impact on CET 1 due to accounting changes on investment is ₹ 3,600 crore
- Advance break-up: MCLR – 36%, EBLR – 27%, Fixed – 20%, T-bills & other – 14%

Other remarks

- Management expressed confidence in terms of current capital adequacy which seems adequate to grow the book by ₹ 6.5- ₹ 7 trillion without raising any capital. Thus, equity capital plans are not poised in near term. No plans to divest and list any subsidiary in FY25E.
- Board approval to raise ₹25,000 crore of Tier I and ₹15,000 crore of Tier II capital
- Xpress credit – ticket size (₹ 7.18 lakh) and yield upwards of 11.5%
- The bank has launched several initiatives to boost CA growth a year ago, including (i) a network of 60 banking transaction hubs, (ii) deployment of about 500 RMs to mobilize CA revenue through merchants, hospitals, nursing homes, etc.
- LCR for the quarter (on standalone basis) stood at 129% and bank has excess SLR of ₹ 3.7 trillion.

Exhibit 1: Variance Analysis

	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	Comments
NII	41,125	38,905	5.7	41,655	-1.3	Steady credit growth offset by margins
NIM (%)	3.2	3.3	-11 bps	3.3	-8 bps	6 bps QoQ decline in margins led by higher cost of deposits
Other Income	11,162	12,063	-7.5	17,369	-35.7	Accounting change impacting treasury income
Net Total Income	52,287	50,968	2.6	59,024	-11.4	
Operating expense	32,939	25,671	28.3	30,277	8.8	
PPP	19,349	25,297	-23.5	28,747	-32.7	
Provision	-3,650	2,501	-245.9	1,610	-326.7	Credit cost higher at 84 bps led by ageing of NPA and temporary slippages in unsecured retail segment
PBT	22,999	22,796	0.9	27,137	-15.3	
Tax Outgo	5,964	5,911	0.9	6,439	-7.4	
PAT	17,035	16,885	0.9	20,698	-17.7	Lower NII and other income kept earnings flat
Key Metrics						
GNPA	84,226	91,328	-7.8	84,276	-0.1	Improvement in GNPA by 3 bps QoQ to 2.21%
NNPA	21,555	22,995	-6.3	21,005	2.6	
Advances	37,49,139	32,35,023	15.9	37,03,971	1.2	Domestic growth driven by across segment
Deposits	49,01,726	45,31,237	8.2	49,16,077	-0.3	
GNPA %	2.2	2.8	-55 bps	2.2	-3 bps	
NNPA %	0.6	0.7	-14 bps	0.6	0 bps	

Financial Summary

Exhibit 2: Profit and loss statement

	₹ bn				
(Year-end March)	FY22	FY23	FY24	FY25E	FY26E
Interest Earned	2,755	3,321	4,151	4,579	5,081
Interest Expended	1,547	1,873	2,553	2,880	3,166
Net Interest Income	1,207	1,448	1,599	1,699	1,915
% growth	9.0	20.0	10.4	6.3	12.7
Non Interest Income	406	366	517	478	526
Fees and advisory	246	262	281	309	340
Treasury Income and sale of Invnt.	35	-14	118	41	48
Other income	125	117	117	127	137
Net Income	1613	1815	2116	2177	2440
Employee cost	501	573	783	666	732
Other operating Exp.	358	405	465	517	573
Operating Income	753	837	867	994	1134
Provisions	245	165	49	198	227
PBT	508	672	818	797	907
Exceptional Items	-74	0	0	0	0
Taxes	117	170	209	203	231
Net Profit	317	502	609	593	676
% growth	55	59	21	-3	14
EPS	35.5	56.3	68.3	66.5	75.8

Source: Company, ICICI Direct Research

Exhibit 3: Key ratios

	FY22	FY23	FY24	FY25E	FY26E
No. of Equity Shares (Crore)	892.0	892.0	892.0	892.0	892.0
EPS (₹)	35.5	56.3	68.3	66.5	75.8
BV (₹)	314.0	367.3	391.9	446.4	508.6
ABV (₹)	282.6	343.2	366.0	420.2	480.6
P/E	22.9	14.4	11.9	12.2	10.7
P/BV	2.6	2.2	2.1	1.8	1.6
P/ABV	2.9	2.4	2.2	1.9	1.7
Yields & Margins (%)					
Net Interest Margins (calculated)	2.8	3.0	2.9	2.8	2.8
Yield on avg earning assets	6.3	6.8	7.6	7.5	7.4
Avg. cost on funds	3.6	4.0	4.9	4.9	4.8
Avg. cost of Deposits	3.7	3.9	4.9	4.9	4.7
Yield on average advances	6.6	7.2	8.0	7.8	7.6
Quality and Efficiency (%)					
Cost / Total net income	53.3	53.9	59.0	54.3	53.5
Credit/Deposit ratio	67.5	72.3	75.3	75.6	76.3
GNPA	4.0	2.8	2.3	2.1	2.0
NNPA	1.0	0.7	0.6	0.6	0.5
RoE	11.9	16.5	17.3	14.8	14.9
RoA	0.7	1.0	1.0	0.9	0.9

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet

	₹ bn				
(Year-end March)	FY22	FY23	FY24	FY25E	FY26E
Sources of Funds					
Capital	8.9	8.9	8.9	8.9	8.9
Reserves and Surplus	2792	3267	3764	4250	4804
Networth	2801	3276	3772	4259	4813
Deposits	40515	44238	49161	55843	63651
Borrowings	4260	4931	5976	5888	6459
Other Liabilities & Provisions	2299	2725	2888	3425	3848
Total	49876	55170	61797	69415	78772
Application of Funds					
Fixed Assets	377	423	427	467	506
Investments	14814	15704	16713	19145	21172
Advances	27340	31993	37040	42206	48582
Other Assets	3399	3971	4509	4152	4888
Cash with RBI & call money	3946	3079	3108	3446	3624
Total	49876	55170	61797	69415	78772

Source: Company, ICICI Direct Research

Exhibit 5: Growth ratios

	FY22	FY23	FY24	FY25E	FY26E
Total assets	10.0	10.6	12.0	12.3	13.5
Advances	11.6	17.0	15.8	13.9	15.1
Deposits	10.1	9.2	11.1	13.6	14.0
Total Income	2.4	16.7	6.1	1.0	4.5
Net interest income	9.0	20.0	10.4	6.3	12.7
Operating expenses	0.4	1.4	27.7	-5.3	10.4
Operating profit	5.2	11.2	21.7	-2.6	13.9
Net profit	55.2	58.6	21.3	-2.6	13.9
Book value	10.3	17.0	6.7	13.9	13.9
EPS	55.2	58.6	21.3	-2.6	13.9

Source: Company, ICICI Direct Research

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Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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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

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