9 November 2024

2QFY25 Results Update | Sector: Financials

State Bank of India

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	SBIN IN
Equity Shares (m)	8925
M.Cap.(INRb)/(USDb)	7524.8 / 89.2
52-Week Range (INR)	912 / 555
1, 6, 12 Rel. Per (%)	11/-4/21
12M Avg Val (INR M)	14236

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
NII	1,599	1,691	1,868
OP	867	1,128	1,246
NP	611	712	764
NIM (%)	3.1	3.0	3.0
EPS (INR)	68.4	79.8	85.6
EPS Gr. (%)	21.6	16.6	7.3
ABV (INR)	365	432	500
Cons. BV (INR)	448	523	618
Ratios			
RoA (%)	1.0	1.1	1.1
RoE (%)	18.8	18.8	17.4
Valuations			
P/BV (x) (Cons.)	1.9	1.6	1.4
P/ABV (x)*	1.6	1.4	1.2
P/E (x)	11.2	9.4	8.5
P/E (x)*	8.6	7.4	6.9

*Adjusted for subsidiaries

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	56.9	56.9	56.9
DII	23.9	23.4	24.2
FII	11.6	12.1	11.6
Others	7.6	7.6	7.3

FII includes depository receipts

CMP: INR841 TP: INR1000 (+19%) Buy

Steady quarter; Asset quality ratios improve further

Margin contracts 8bp QoQ

- State Bank of India (SBIN) reported 2QFY25 PAT of INR183.3b (up 28% YoY, 12% beat), driven by a steady NII and robust treasury income.
- The bank is well poised to deliver robust growth as domestic CD ratio remains controlled at 67.9% while strong underwriting will enable a tight leash on credit cost.
- SBI has delivered three years earnings CAGR of 36% with an average RoA at 1%. The bank under the leadership of Mr. CS Setty has reaffirmed to maintain 14-15% loan growth while RoA to conservatively remain at 1%.
- 2QFY25 NII grew 5.4% YoY to INR416.2b (in-line). NIMs moderated 8bp QoQ to 3.14%.
- Loan book grew 15.3% YoY/2.9% QoQ, while deposits growth was healthy at 9.1% YoY/ 4.4% QoQ, after a sluggish 1Q. CASA ratio moderated 67bp QoQ to 40%.
- Fresh slippages declined to INR48.71b vs INR79b in 1Q. GNPA ratio improved 8bp QoQ to 2.13%, while NNPA ratio too declined 4bp QoQ to 0.53%. SMA 1&2 though inched up to 36bp of loans vs 12bp in 1Q.
- **We broadly maintain our earnings and estimate FY26 RoA/RoE of 1.1%/17.4%. SBI remains our preferred stock in the PSU banking space and we reiterate BUY with a TP of INR1,000 (1.5x FY26E ABV).**

Credit growth guidance at ~14-15%; RoA guidance maintained at 1%

- SBIN reported 2QFY25 PAT of INR183.3b (up 28% YoY, 12% beat), led by robust other income and steady NII. NII grew 5.4% YoY (inline), while margins moderated 8bp QoQ to 3.14%. For 1HFY25, PAT stood at INR353.7b (up 13% YoY) and for 2HFY25, we expect PAT to be at INR358.7b (up 2% YoY, amid lower provisions expense in 2HFY24).
- Other income increased sharply to INR152.7b, on the back of healthy treasury income at INR46.4b (up 130% YoY/79% QoQ).
- Opex declined 11% YoY to INR275.9b (3% higher than MOFSLe). PPoP grew 51% YoY/11% QoQ to INR292.9b (core PPoP grew 42% YoY). C/I ratio moderated 91bp QoQ to 48.5%. Provisions increased 31% QoQ to INR45.1b.
- Advances grew 15.3% YoY/2.9% QoQ. Of which, Retail grew 12% YoY, Corporate grew 18% YoY, and Agri/SME stood at 17.7% YoY/17.4% YoY, respectively. Within Retail, Xpress credit moderated 1.2% QoQ (up 6.6% YoY). Deposits grew 9.1% YoY/4.4% QoQ, while CASA mix moderated 67bp QoQ to 40%. Domestic CD ratio moderated 142bp QoQ to 67.9%.
- Fresh slippages declined to INR48.7b vs INR79b in 1Q (annualized slippage rate at 0.68% vs 0.84% in 1Q). GNPA ratio improved 8bp QoQ to 2.13%, while NNPA ratio declined 4bp QoQ to 0.53%. Restructured book declined to INR148b (0.38% of advances), while SMA 1/2 portfolio inched sharply to INR137b (36bp of loans vs 12bp in 1Q). The bank guides FY25 credit cost at 0.5%.

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- **Subsidiary performance:** SBICARD clocked a PAT of INR4.1b (down 33% YoY). SBILIFE's PAT grew 39.2% YoY to INR5.3b. PAT of the AMC business increased 46.7% YoY to INR6.9b, while SBI General reported a profit of INR2,310m (up 26% QoQ).

Highlights from the management commentary

- Credit growth guidance is at 14-15%, with broad-based growth across all segments.
- Deposits growth guidance is at 10%+ YoY.
- Incremental Credit growth will be funded by the Incremental Deposits growth.
- Credit cost is guided at 0.5% and slippages will be contained.
- RoA guidance is maintained at 1%.

Valuation and view

SBIN reported a healthy quarter, driven by robust treasury income and steady NII. Margins moderated 8bp QoQ; however, the bank now expects NIMs to be maintained at current levels, supported by levers such as CD ratio and MCLR repricing (30-35bp cushion in MCLR pricing). Credit growth was healthy while the unsecured book (Xpress Credit) saw continued moderation. Deposit growth was healthy after a sluggish 1Q though moderation in the CASA mix continues. The bank has seen a reduction in its domestic CD ratio to ~67.9%. Fresh slippages and credit cost were contained, which underscores the improvement in underwriting standards and enabled further reduction in NPA ratios. Restructured book was well in control at 0.38% of advances; however, the SMA pool saw a significant increase to 36bp of loans vs 12bp of loans in 1Q, driven by PSU accounts. **We broadly maintain our earnings and estimate FY26 RoA/RoE of 1.1%/17.4%. SBI remains our preferred stock in the PSU banking space and we reiterate BUY with a TP of INR1,000 (1.5x FY26E ABV).**

Quarterly performance (INR b)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	V/s
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	Est
Net Interest Income	**389.0**	**395.0**	**398.2**	**416.6**	**411.3**	**416.2**	**428.3**	**435.1**	**1,598.8**	**1,690.8**	**416.0**	**0%**
% Change (YoY)	24.7	12.3	4.6	3.1	5.7	5.4	7.6	4.4	10.4	5.8	5.3	
Other Income	120.6	107.9	114.6	173.7	111.6	152.7	130.8	173.4	516.8	568.5	119.9	27%
Total Income	**509.7**	**502.9**	**512.7**	**590.2**	**522.9**	**568.9**	**559.0**	**608.5**	**2,115.6**	**2,259.3**	**535.9**	**6%**
Operating Expenses	256.7	308.7	309.4	302.8	258.4	276.0	286.1	310.5	1,248.6	1,131.0	268.0	3%
Operating Profit	**253.0**	**194.2**	**203.4**	**287.5**	**264.5**	**292.9**	**272.9**	**298.0**	**867.0**	**1,128.3**	**267.8**	**9%**
% Change (YoY)	98.4	-8.1	-19.4	16.8	4.6	50.9	34.2	3.7	3.6	30.1	37.9	
Provisions	25.0	1.2	6.9	16.1	34.5	45.1	50.7	44.5	49.1	174.7	46.7	-4%
Exceptional items (exp)	0.0	0.0	71.0	0.0	0.0	0.0	0.0	0.0	71.0	0.0	0.0	
Profit before Tax	**228.0**	**193.0**	**125.5**	**271.4**	**230.0**	**247.9**	**222.2**	**253.5**	**746.8**	**953.6**	**221.1**	**12%**
Tax Provisions	59.1	49.7	33.8	64.4	59.6	64.6	57.3	59.7	207.1	241.3	57.0	13%
Net Profit	**168.8**	**143.3**	**91.6**	**207.0**	**170.4**	**183.3**	**164.9**	**193.8**	**539.8**	**712.3**	**164.1**	**12%**
% Change (YoY)	178.2	8.0	-35.5	24.0	0.9	27.9	79.9	-6.4	7.5	32.0	14.5	
Adj. Net profit	168.8	143.3	144.0	207.0	170.4	183.3	164.9	193.8	610.8		164.1	
Operating Parameters												
Deposits (INR t)	45.3	46.9	47.6	49.2	49.0	51.2	52.3	53.9	49.2	53.9	51.0	0.4%
Loans (INR t)	32.4	33.5	35.2	37.0	37.5	38.6	39.9	41.3	37.0	41.3	38.8	-0.7%
Deposit Growth (%)	12.0	11.9	13.0	11.1	8.2	9.1	9.9	9.6	11.1	9.6	8.7	
Loan Growth (%)	14.9	13.3	15.1	15.8	15.9	15.3	13.3	11.4	15.8	11.4	16.1	
Asset Quality												
Gross NPA (%)	2.76	2.55	2.42	2.24	2.21	2.13	2.07	2.05	2.24	2.05	2.16	
Net NPA (%)	0.71	0.64	0.64	0.57	0.57	0.53	0.52	0.50	0.57	0.50	0.55	
PCR (%)	74.8	75.4	74.2	75.0	74.4	75.7	75.3	76.0	74.8	76.0	74.8	

Source: Company, MOFSL

Quarterly snapshot

INR b	FY24				FY25		Change (%)	
Profit and Loss	1Q	2Q	3Q	4Q	1Q	2Q	YoY	QoQ
Interest Income	959.8	1,013.8	1,067.3	1,110.4	1,115.3	1,138.7	12	2
Interest Expenses	570.7	618.8	669.2	693.9	704.0	722.5	17	3
Net Interest Income	**389.0**	**395.0**	**398.2**	**416.6**	**411.3**	**416.2**	**5**	**1**
Other Income	120.6	107.9	114.6	173.7	111.6	152.7	42	37
Trading profits	38.5	20.2	25.1	34.6	25.9	46.4	130	79
Fee Income	66.3	65.4	62.4	87.2	69.2	68.3	5	-1
Total Income	**509.7**	**502.9**	**512.7**	**590.2**	**522.9**	**568.9**	**13**	**9**
Operating Expenses	**256.7**	**308.7**	**309.4**	**302.8**	**258.4**	**276.0**	**-11**	**7**
Employee	166.0	189.3	193.6	163.5	154.7	148.1	-22	-4
Others	90.7	119.5	115.8	139.3	103.7	127.9	7	23
Operating Profits	**253.0**	**194.2**	**203.4**	**287.5**	**264.5**	**292.9**	**51**	**11**
Core Operating Profits	**214.5**	**174.0**	**178.3**	**252.8**	**238.6**	**246.5**	**42**	**3**
Provisions	25.0	1.2	6.9	16.1	34.5	45.1	3,809	31
PBT	228.0	193.0	196.5	271.4	230.0	247.9	28	8
Taxes	59.1	49.7	33.8	64.4	59.6	64.6	30	8
PAT	**168.8**	**143.3**	**162.6**	**207.0**	**170.4**	**183.3**	**28**	**8**
Balance Sheet (INR t)								
Loans	32.4	33.5	35.2	37.0	37.5	38.6	15	3
Deposits	45.3	46.9	47.6	49.2	49.0	51.2	9	4
CASA Deposits	18.7	18.9	18.8	19.4	19.1	19.7	4	3
-Savings	16.1	16.3	16.3	16.5	16.7	16.9	3	1
-Current	2.6	2.5	2.5	2.9	2.5	2.8	10	13
Loan mix (%)								
Retail	36.5	36.5	36.2	35.9	35.9	35.6	(83)	(27)
-Home	17.1	17.6	18.2	19.0	19.4	20.0	241	64
-Auto	2.6	2.8	3.0	3.1	3.1	3.1	33	(1)
-Xpress credit	8.2	8.4	8.8	9.1	9.1	9.0	56	(11)
Agri	8.0	8.0	8.1	8.1	8.1	8.2	19	11
SME	11.2	11.4	11.7	11.5	11.6	11.6	24	1
Corporate	29.7	28.7	28.6	30.2	29.9	29.5	85	(35)
International	14.6	15.5	15.5	14.3	14.5	15.0	(45)	50
Asset Quality (INR b)								
GNPA	913.3	869.7	867.5	842.8	842.3	833.7	-4	-1
NNPA	230.0	213.5	224.1	210.5	215.5	202.9	-5	-6
Slippages	78.7	40.8	50.5	39.8	87.1	49.5	21	-43
Asset Quality Ratios (%)	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**YoY(bp)**	**QoQ(bp)**
GNPA	2.8	2.6	2.4	2.2	2.2	2.1	(42)	(8)
NNPA	0.7	0.6	0.6	0.6	0.6	0.5	(11)	(4)
PCR (Cal.)	74.8	75.4	74.2	75.0	74.4	75.7	21	125
PCR (inc TWO)	91.4	91.9	91.5	91.9	91.8	92.2	28	45
Slippage Ratio	1.1	0.6	0.7	0.3	1.1	0.6	4	(48)
Business Ratios (%)								
CASA (Reported)	42.9	41.9	41.2	41.1	40.7	40.0	(185)	(67)
Loan/Deposit	71.4	71.3	73.9	75.3	76.5	75.4	404	(111)
Fees to Total Income	13.0	13.0	12.2	14.8	13.2	12.0	(98)	(123)
Cost to Core Income	54.5	64.0	63.4	54.5	52.0	52.8	(1,114)	83
Tax Rate	25.9	25.8	17.2	23.7	25.9	26.0	29	12
Capitalisation Ratios (%)								
Tier I	12.0	11.8	10.6	11.9	11.8	11.3	(46)	(46)
- CET 1	10.2	9.9	9.1	10.4	10.3	10.0	1	(30)
CAR	14.6	14.3	13.1	14.3	14.3	14.3	-	-
RWA/Total Assets	50.5	49.3	52.6	52.1	53.2	54.0	474	81
LCR	147.8	145.5	137.8	129.0	129.0	0.0	(14,550)	(12,898)
Profitability Ratios (%)								
Yield on Advances	8.8	8.9	8.9	8.9	8.8	8.9	1	4
Yield on Investments	6.4	6.7	7.0	6.7	7.1	6.7	3	(39)
Yield On Funds	8.3	8.4	8.6	16.3	8.6	8.5	13	(14)
Cost of Deposits	4.6	4.7	4.8	4.8	5.0	5.0	38	3
Margins	3.3	3.3	3.2	3.3	3.2	3.1	(15)	(8)

Source: Company, MOFSL

CONFERENCE CALL

Highlights from the management commentary

Opening remarks

- Global growth is expected to remain stable, with potential impacts from U.S. elections, including lower taxes and tighter labor markets.
- Global growth is projected at 3.2%, with India leading as the fastest-growing economy. The agriculture sector in India is expected to perform well.
- Inflation is anticipated at 4.5%.
- System-wide deposit growth has exceeded expectations, with deposits expected to grow by 11-12% and credit by 12-13%.
- The bank has prioritized its liability franchise and enhanced its underwriting processes.
- YoY, deposits grew 9.13% with a CD ratio at 67%. Retail slippages were 0.31%, and the PCR was 75.66%.
- CA growth reached 10% YoY and the CASA ratio remains steady at 40%.
- Credit growth is strong, with domestic growth at 15.5% YoY and the international book growing 11.56%.
- Market share in SA deposits stands at around 26% and advances stand at 19%.
- Credit growth in Q2 was 14% YoY, with a slippage ratio of 0.51% and credit cost at 0.38%.
- The bank’s NPA book is well-provisioned with a PCR above 75%.
- LCR stood at 129% as of September 30. The bank remains well-capitalized, with a CRAR of 13.76%, rising to 14.79% including profits.
- Over 80m customers are registered on the YONO app, which facilitates the opening of 61% of SA accounts.
- SBI distinguishes itself with an RoA above 1%, despite its large scale.
- RoRWA is 2.7%, with significant market share in Indian assets and liabilities.
- The bank is focused on expanding its Current Account share and enhancing customer engagement in Savings Accounts.
- The bank’s RoE outpaces credit growth, supporting sustainable long-term growth.

Advances and deposits related

- Credit and deposit growth are expected to align closely, with deposits as a strong franchise that will maintain its 23% market share. Incremental credit growth will be supported by additional deposits.
- Credit growth is anticipated at 14-15%, while deposit growth is expected to surpass 10%, driven by focused deposit mobilization. A 10-10.5% growth in deposits is seen as achievable, with emphasis shifting to SA growth.
- Xpress credit growth (personal loans) is regaining momentum, with a high turnover and an average tenure of 14 months. Despite apparent slower growth due to repayments of INR160-170b monthly, steady growth is projected.
- October saw strong growth in Xpress credit and other segments.
- Growth in secured credit is likely to continue, supported by a robust pipeline in corporate proposals totaling INR6t, with additional growth from increased working capital utilization.
- Agri loan growth remained robust in Q2 despite heavy rains, with diversification across agri loans, gold loans, crop loans, and SHG, ensuring ongoing strength in the agri loan portfolio.

- SME financing, focused on non-collateral lending, has disbursed INR300b in BRE loans, with a fast two-day turnaround time.
- Home loan sanctions reached record levels in 1H, while the corporate infrastructure sector—particularly thermal, steel, petroleum, petrochemical, and services—continues to rebound.
- The bank’s retail credit portfolio stands apart; home loans are expected to grow 13-14% YoY, while auto loans, despite a slow 1H, have shown a notable recovery.
- The bank has analyzed 330m SA accounts, with deposit rates peaking. TDs have grown healthily, aided by the new "Amrit Vishti" scheme.
- Xpress credit automation adoption initially caused a slight reduction in growth but is now fully integrated.
- CA growth has reached 10%, with initiatives to strengthen CA accounts, and establish transaction banking hubs and relationship management teams that have bolstered current account growth.
- The bank is committed to increasing CA balances and anticipates ongoing growth.
- The MFI portfolio is valued at INR100-110b and is performing well.

Yields, cost, margins, and opex

- In FY22, the NIM was 3.22%. With recent repo rate cuts still to fully impact, there will be an effect due to these cuts as the bank previously had a large MCLR portfolio, which has shifted more toward repo-linked. Over 40% of the portfolio remains MCLR-linked and the T-bill portion benefits from rate adjustments.
- Expected MCLR rate hikes should help protect NIMs. MCLR repricing is anticipated post-December, likely keeping NIMs stable by year-end.
- The bank is taking calculated risks wherever viable and is significantly invested in strengthening its underwriting processes.
- Expense Side: Costs are not as high as previously anticipated. Wage revision adjustments have been addressed, and pension provisions are well-covered based on actuarial assessments. In Q2, gains allowed for reduced employee provisioning.
- MCLR increased 30bp, reflecting deposit cost changes. The ability to adjust MCLR remains crucial, with a 30-35bp margin still available.
- C/I: The target is to keep it under 50% with no additional wage revisions. The focus is on reducing overheads and enhancing other income streams.

Asset quality related

- Retail asset quality remains strong, although there are industry concerns about unsecured personal loans. The bank's unsecured loans primarily target salaried individuals, reducing risk.
- No significant changes have been observed in the SMA book movement for Xpress credit.
- The bank is actively engaged with the government regarding SMA accounts to maintain oversight and manage any potential risks effectively.

Other income

- Other income and recovery from written-off assets are expected to maintain the current run rate. Trading performance is influenced by yield movements, with

duration added to the portfolio. Yields are expected to stay within a 6.6% to 6.9% range.
- Forex income has benefited from recent volatility. The bank aims to sustain other income levels, focusing on maintaining core income sources alongside forex gains.

Provisions related
- Last year, the bank recorded a write-back of INR1.1b, which has not recurred this year.
- PCR stands at 75.66%, with provisions for standard assets totaling INR245b.

Miscellaneous
- Growth from the banca channel has slowed, prompting a shift in focus to the agency channel, as well as online and YONO channels.
- The banca channel is expected to rebound within the next few quarters. Cross-selling reached INR11.09b, marking a 14.9% YoY increase, with Q3 projected as one of the company's strongest quarters.
- Commission levels at the parent level remain unchanged.
- AFS reserve movement is around INR150b.
- Card and Xpress credit operations do not significantly align.
- Recovery from written-off accounts stands at INR23.36b.
- There are no immediate plans to divest the stake in Yes Bank, with future actions dependent on emerging opportunities.

Guidance related
- Credit growth guidance is at 14-15%, with broad-based growth across all segments.
- Deposits growth guidance is at 10%+ YoY.
- Incremental Credit growth will be funded by the Incremental Deposits growth.
- Credit cost guidance will be at 0.5% and the slippages will be contained.
- RoA guidance will be maintained at least at 1%.

The restructuring book improved 4bp QoQ to 0.38% of loans, while the SMA book increased sharply at 36bp of loans.

Fresh slippages declines; GNPA ratio improves; SMA book increases sharply

- Total slippages (fresh + existing) declined QoQ to ~INR49.5b in 2QFY25. Recoveries/upgrades came in at INR26b, while write-offs stood at ~INR32.1b.
- GNPA/NNPA ratios improved 8bp/4bp QoQ to 2.13%/0.53%. PCR ratio improved 125bp QoQ to 75.7%.
- GNPAs in the Agri/Corporate/SME/per segment stood at 9.44%/2.08%/ 3.63%/0.8%.
- Restructuring 1.0/2.0 declined 6.6%/7.7% QoQ to INR41.9b/INR106.4b. Thus, total restructuring stood at INR148.3b (0.38% of loans). The SMA 1/2 portfolio inched up to INR137b vs INR46.4b in 1Q.

Exhibit 1: SMA 1/2 increased sharply to 36bp of loans

INR b	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
SMA 1	65.76	30.59	24.65	56.38	21.8	20.72	12.39	26.62	118.91
SMA 2	19.21	16.88	7.95	15.83	17.84	20.55	20.62	19.74	18.40
Total	**84.97**	**47.47**	**32.6**	72.21	39.64	41.27	33.01	46.36	137.31

Source: Company, MOFSL

Advances up 15.3% YoY/2.9% QoQ; loan book remains well-diversified

- The retail personal segment grew 2.1% QoQ (up 12.3% YoY), led by growth in home loans (up 3.3% QoQ). Xpress credit/auto loans grew 6.6%/12.0% YoY.
- Growth in the corporate book stood at 1.6% QoQ, while the SME/Agri book grew ~2.9%/~4.3% QoQ.

Exhibit 2: Loan book remains well-diversified – SME book up 2.4% QoQ; Retail/Agri book up 1.2/1.4% QoQ

INR b	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	YoY	QoQ
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%
Large corporate	9,170	9,250	9,798	9,822	9,777	10,241	11,382	11,386	**11,572**	18.4%	1.6%

Source: Company, MOFSL

Subsidiary performance

- SBICARD clocked a PAT of INR4.1b (down 33% YoY). SBILIFE's PAT grew 39.2% YoY to INR5.3b. PAT of the AMC business increased 46.7% YoY to INR6.9b, while SBI General reported a profit of INR2,310m (up 26% QoQ).

Story in charts

Exhibit 3: Loans grew 15.3% YoY; deposits up 9.1% YoY

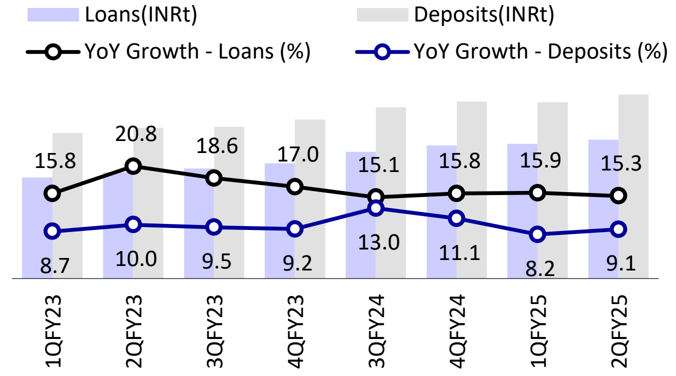


Exhibit 4: Retail loans up ~12.0% YoY

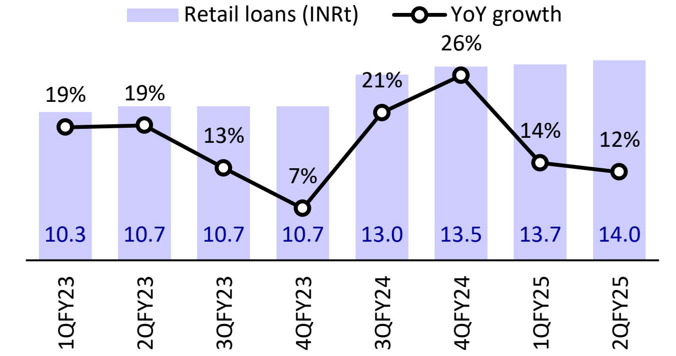


Exhibit 5: CASA ratio moderated to 40%

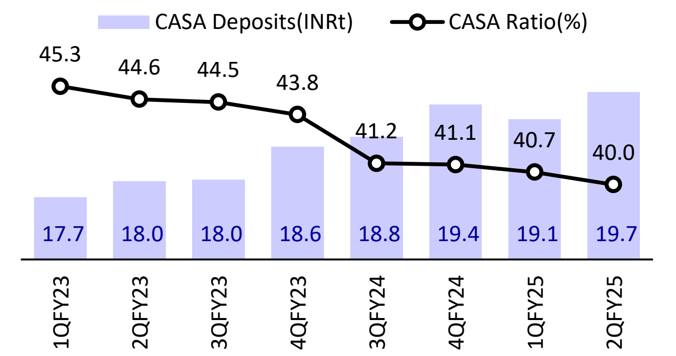


Exhibit 6: Global NIMs moderated 8bp QoQ to 3.14%

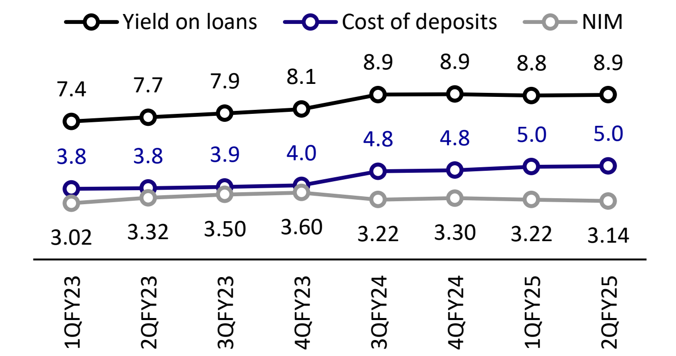


Exhibit 7: C/I ratio declined to 48.5%; cost-to-asset inched to 1.81%

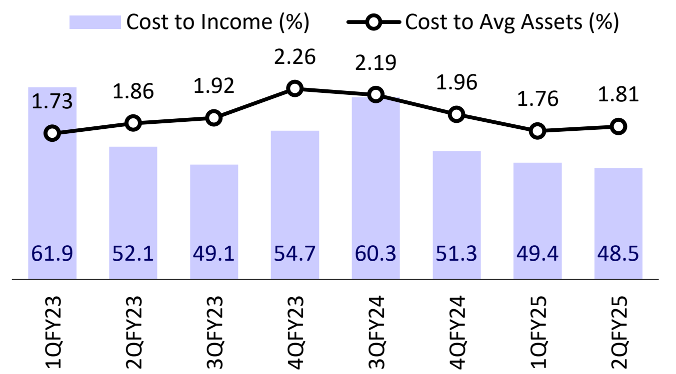


Exhibit 8: CD ratio decreased to 67.9% in 2QFY25

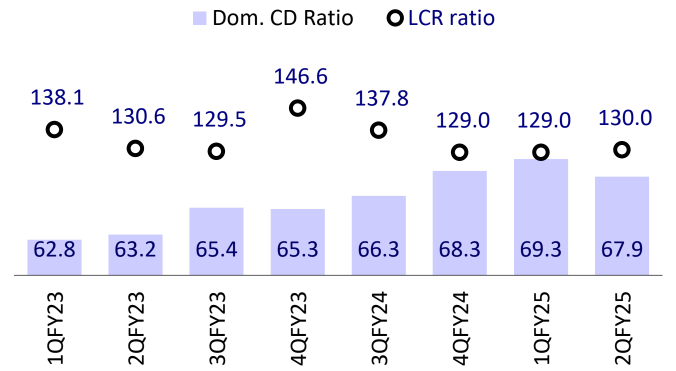
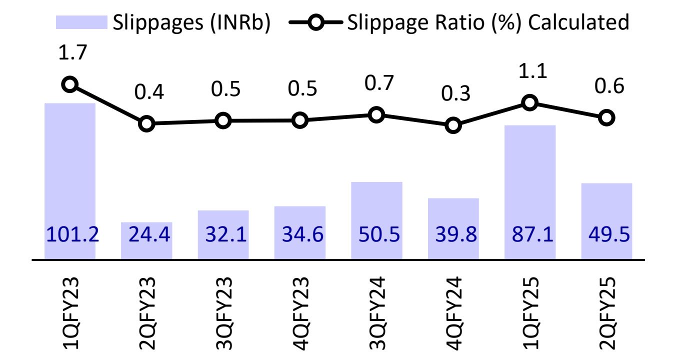
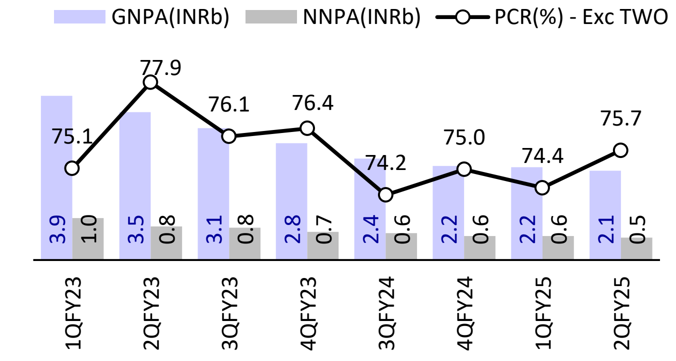


Exhibit 9: Total slippages declined to INR49.5b in 2QFY25



Source: MOFSL, Company

Exhibit 10: GNPA/NNPA ratio stood at 2.13%/0.53%



Source: MOFSL, Company

Subsidiaries performance and consolidated earnings snapshot

Exhibit 11: SBI life: Reported 2Q PAT of INR5.3b, RoE of 13.5%

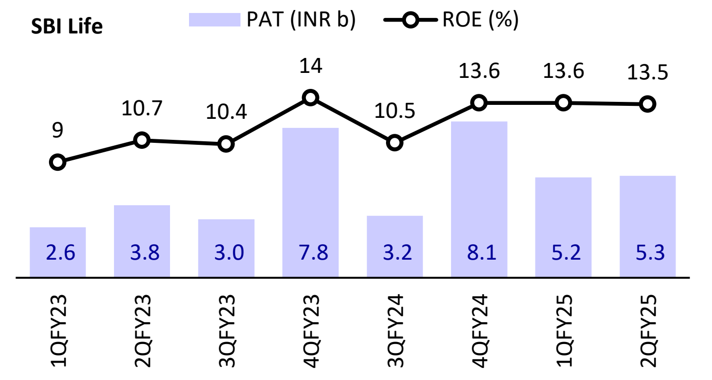


Exhibit 12: SBI Life: GWP grew 1.2% YoY to INR204b

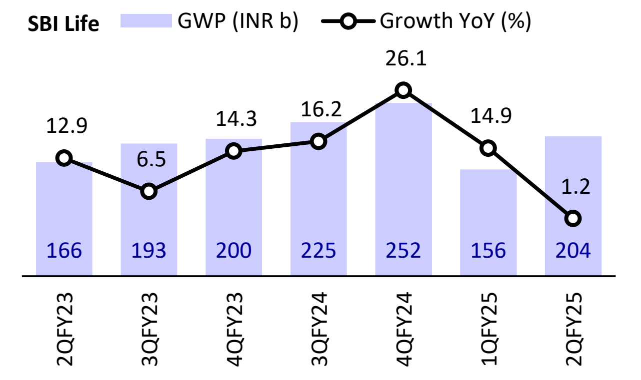


Exhibit 13: SBICARD: Reported PAT of INR4.1b; RoE at 15.7%

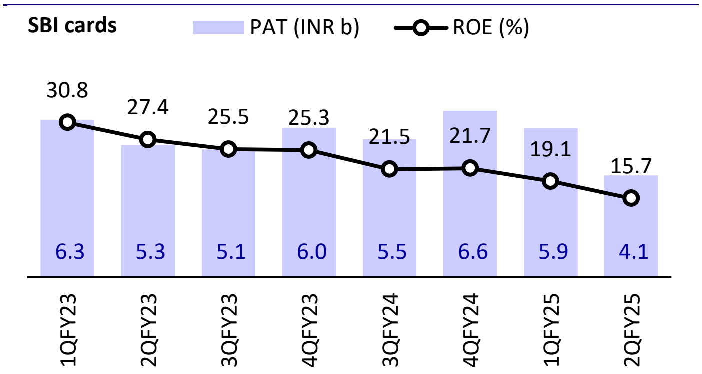


Exhibit 14: SBICARD: Market share in CIF stands at 18.7%

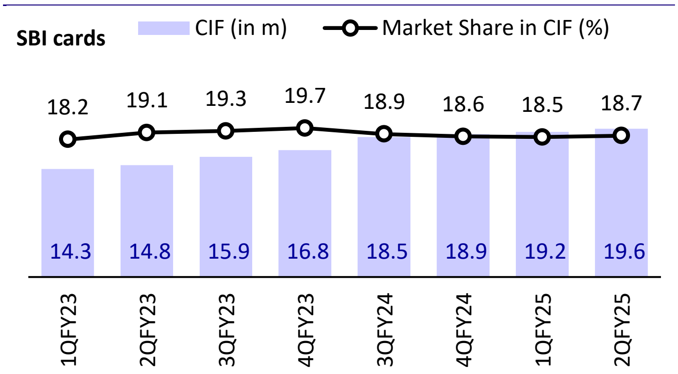


Exhibit 15: SBI MF: PAT stood at INR6.9b; RoE at 33.6%

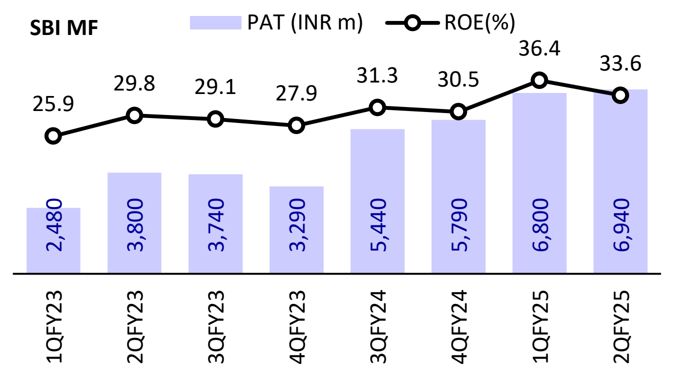


Exhibit 16: SBI General: GWP stood at INR39.9b

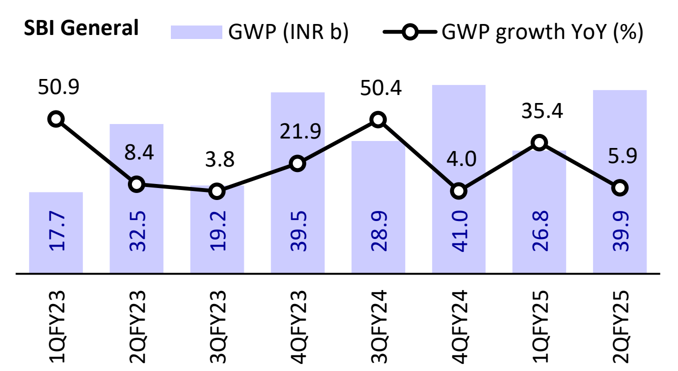
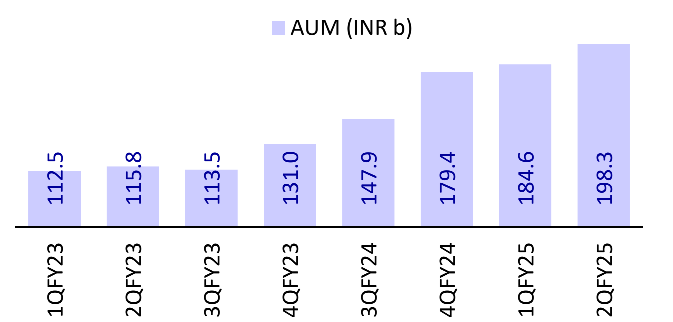


Exhibit 17: SBI General: AUM stood at INR198.3b



Source: MOFSL, Company

Exhibit 18: SBI: Consol Earnings snapshot

	2QFY24	1QFY25	2QFY25	YoY (%)	QoQ (%)
Standalone bank	143.3	170.4	183.3	27.9	7.6
SBI Life	3.8	5.2	5.3	39.2	1.7
SBI Funds Management	4.7	6.8	6.9	46.7	2.1
SBI cards	6.0	5.9	4.1	(32.8)	(31.8)
SBI General	(0.1)	1.8	2.3	NA	26.2
SBI Caps	3.7	2.1	4.6	26.3	122.7
Total	**161.4**	**192.2**	**206.5**	**28.0**	**7.5**

Source: MOFSL, Company

Valuation and view: Reiterate BUY with a TP of INR1,000

- SBIN reported a healthy quarter, driven by robust treasury income and steady NII. Margins moderated 8bp QoQ; however, the bank now expects NIMs to be maintained at current levels supported by levers such as CD ratio and MCLR repricing (30-35bp cushion in MCLR pricing).
- Credit growth was healthy while the unsecured book (Xpress Credit) saw continued moderation. Deposit growth was healthy after a sluggish 1Q, though moderation in the CASA mix continues. The bank has seen a reduction in its domestic CD ratio to ~67.9%.
- Fresh slippages and credit cost were contained, which underscores the improvement in underwriting standards and enabled further reduction in NPA ratios. Restructured book was well in control at 0.38% of advances. However, the SMA pool saw a significant increase to 36bp of loans vs 12bp of loans in 1Q, driven by PSU accounts.
- **We broadly maintain our earnings and estimate FY26 RoA/RoE of 1.1%/17.4%. SBI remains our preferred stock in the PSU banking space and we reiterate BUY with a TP of INR1,000 (1.5x FY26E ABV).**

Exhibit 19: We estimate RoA/RoE of 1.1%/18.2% for FY26

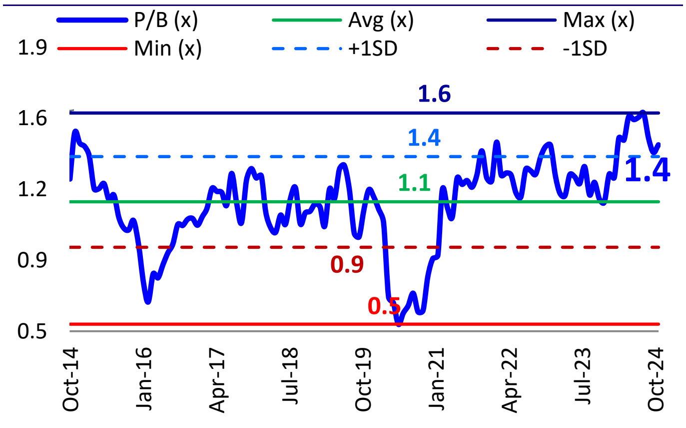
INR B	Old Estimates		Revised Estimates		Change (%)/bps	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Net Interest Income	1,705.1	1,915.2	1,690.8	1,868.5	-0.8	-2.4
Other Income	537.5	596.6	568.5	614.0	5.8	2.9
Total Income	**2,242.6**	**2,511.8**	**2,259.3**	**2,482.4**	**0.7**	**-1.2**
Operating Expenses	1,131.0	1,247.0	1,131.0	1,236.0	0.0	-0.9
Operating Profits	**1,111.6**	**1,264.8**	**1,128.3**	**1,246.4**	**1.5**	**-1.5**
Provisions	177.1	217.0	174.7	223.7	-1.3	3.1
PBT	**934.5**	**1,047.8**	**953.6**	**1,022.7**	**2.0**	**-2.4**
Tax	236.4	265.1	241.3	258.8	2.0	-2.4
PAT	**698.1**	**782.7**	**712.3**	**764.0**	**2.0**	**-2.4**
Loans (INRt)	41.8	47.3	41.3	46.0	-1.2	-2.7
Deposits (INRt)	53.9	59.5	53.9	59.5	0.0	0.0
Margins (%)	3.0	3.0	3.0	3.0	-1	-5
Credit Cost (%)	0.4	0.5	0.4	0.5	0	3
RoA (%)	**1.1**	**1.1**	**1.1**	**1.1**	**2**	**-2**
RoE (%)	**18.5**	**17.9**	**18.8**	**17.4**	**34**	**-45**
Standalone ABV	429.0	497.9	432.0	499.6	0.7	0.3
Consol BV	521.3	618.0	522.9	617.5	0.3	-0.1

Source: Company, MOFSL

Exhibit 20: SoTP-based pricing

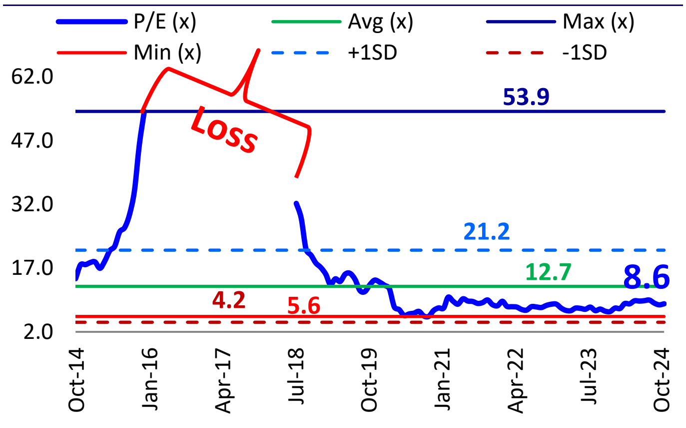
Name	Stake (%)	Value (INRb)	Fair Value per Share	% of total value	Rationale
SBI Bank	**100**	**6,665**	**747**	**75**	**1.5x FY26E ABV**
Life insurance	55.4	1,234	138	14	2.3x FY26E EV
Cards	68.6	557	62	6	23x FY26E PAT
Asset management	62.2	481	54	5	30x FY26E PAT
General insurance	69.1	81	9	1	25x FY26E PAT
YES Bank	26.1	184	21	2	Based on CMP
Capital Market/DFHI/Others		292	33	3	
Total Value of Subs		**2,829**	**317**	**32**	
Less: 20% holding disc		566	63	6	
Value of Subs (Post Holding Disc)		**2,263**	**254**	**25**	
Target Price		**8,928**	**1,000**		

Exhibit 21: One year forward P/BV



Source: MOFSL, Company

Exhibit 22: One year forward P/E



Source: MOFSL, Company

Exhibit 23: DuPont analysis

Y/E MARCH	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	6.32	7.10	7.26	7.20	7.14
Interest Expense	3.57	4.36	4.65	4.58	4.49
Net Interest Income	**2.76**	**2.73**	**2.61**	**2.63**	**2.65**
Fee income	0.72	0.68	0.66	0.62	0.61
Trading and others	-0.03	0.20	0.22	0.24	0.26
Non Interest income	**0.70**	**0.88**	**0.88**	**0.86**	**0.87**
Total Income	**3.45**	**3.62**	**3.49**	**3.49**	**3.52**
Operating Expenses	**1.86**	**2.13**	**1.75**	**1.74**	**1.73**
Employee cost	1.09	1.34	0.98	0.97	0.97
Others	0.77	0.80	0.77	0.77	0.76
Operating Profit	**1.59**	**1.48**	**1.74**	**1.75**	**1.79**
Core Operating Profit	1.62	1.28	1.52	1.51	1.53
Provisions	0.31	0.08	0.27	0.31	0.32
PBT	**1.28**	**1.40**	**1.47**	**1.44**	**1.47**
Tax	0.32	0.35	0.37	0.36	0.37
RoA	**0.96**	**1.04**	**1.10**	**1.07**	**1.10**
Leverage (x)	18.9	18.0	17.1	16.2	15.6
RoE	**18.1**	**18.8**	**18.8**	**17.4**	**17.2**

Source: Company, MOFSL

Financials and valuations

Income Statement					(INRb)
Y/E March	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Interest Income	3,321.0	4,151.3	4,698.4	5,123.5	5,626.8
Interest Expense	1,872.6	2,552.5	3,007.6	3,255.0	3,538.2
Net Interest Income	**1,448.4**	**1,598.8**	**1,690.8**	**1,868.5**	**2,088.6**
- Growth (%)	20.0	10.4	5.8	10.5	11.8
Non Interest Income	**366.2**	**516.8**	**568.5**	**614.0**	**681.5**
Total Income	**1,814.6**	**2,115.6**	**2,259.3**	**2,482.4**	**2,770.1**
- Growth (%)	12.5	16.6	6.8	9.9	11.6
Operating Expenses	977.4	1,248.6	1,131.0	1,236.0	1,362.9
Pre Provision Profits	**837.1**	**867.0**	**1,128.3**	**1,246.4**	**1,407.3**
- Growth (%)	23.3	3.6	30.1	10.5	12.9
Core Provision Profits	**850.7**	**748.6**	**986.3**	**1,076.0**	**1,202.7**
- Growth (%)	31.6	-12.0	31.7	9.1	11.8
Provisions (excl tax)	165.1	49.1	174.7	223.7	249.9
Exceptional Items (Exp)	NA	0.0	NA	NA	NA
PBT	**672.1**	**817.8**	**953.6**	**1,022.7**	**1,157.4**
Tax	169.7	207.1	241.3	258.8	292.8
Tax Rate (%)	25.3	25.3	25.3	25.3	25.3
PAT	**502.3**	**610.8**	**712.3**	**764.0**	**864.5**
- Growth (%)	58.6	21.6	16.6	7.3	13.2
Cons. PAT post MI	**556.5**	**670.9**	**796.6**	**881.9**	**1,029.7**
- Growth (%)	57.3	20.6	18.7	10.7	16.8

Balance Sheet					
Y/E March	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Share Capital	9	9	9	9	9
Reserves & Surplus	3,267	3,764	4,345	4,948	5,652
Net Worth	**3,276**	**3,772**	**4,354**	**4,957**	**5,661**
Deposits	**44,238**	**49,161**	**53,880**	**59,538**	**65,968**
- Growth (%)	9.2	11.1	9.6	10.5	10.8
of which CASA Dep	**18,874**	**19,614**	**22,091**	**24,827**	**27,509**
- Growth (%)	4.7	3.9	12.6	12.4	10.8
Borrowings	4,931	5,976	6,171	6,774	7,482
Other Liab. & Prov.	2,725	2,888	3,148	3,431	3,740
Total Liabilities	**55,170**	**61,797**	**67,553**	**74,700**	**82,851**
Current Assets	3,079	3,108	3,025	3,248	3,491
Investments	**15,704**	**16,713**	**17,883**	**19,582**	**21,619**
- Growth (%)	6.0	6.4	7.0	9.5	10.4
Loans	**31,993**	**37,040**	**41,262**	**46,007**	**51,390**
- Growth (%)	17.0	15.8	11.4	11.5	11.7
Fixed Assets	424	426	447	479	512
Other Assets	3,971	4,510	4,936	5,384	5,839
Total Assets	**55,170**	**61,797**	**67,553**	**74,700**	**82,851**

Asset Quality					
GNPA (INR b)	909	843	861	944	1,042
NNPA (INR b)	217	212	207	221	242
Slippages (INR m)	184	203	313	393	438
GNPA Ratio (%)	2.78	2.2	2.1	2.0	2.0
NNPA Ratio (%)	0.68	0.6	0.5	0.5	0.5
Slippage Ratio (%)	0.6	0.6	0.8	0.9	0.9
Credit Cost (%)	0.6	0.1	0.4	0.5	0.5
PCR (Excl Tech. W/O)	76.2	74.8	76.0	76.5	76.7

E: MOFSL Estimates

Financials and valuations

Ratios					
Y/E March	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Yield and Cost Ratios (%)					
Avg. Yield-Earning Assets	**7.2**	**8.1**	**8.2**	**8.1**	**8.0**
Avg. Yield on loans	7.5	8.3	8.6	8.4	8.3
Avg. Yield on Investments	6.4	6.8	6.9	6.9	6.8
Avg. Cost-Int. Bear. Liab.	**4.0**	**4.9**	**5.2**	**5.2**	**5.1**
Avg. Cost of Deposits	3.8	4.7	5.0	4.9	4.8
Interest Spread	**3.2**	**3.2**	**3.0**	**3.0**	**3.0**
Net Interest Margin	**3.2**	**3.1**	**3.0**	**3.0**	**3.0**
Capitalization Ratios (%)					
CAR	14.7	14.3	14.1	14.3	14.4
Tier I	12.1	11.9	11.8	12.2	12.5
-CET-1	10.3	10.4	10.2	10.6	10.8
Tier II	2.6	2.4	2.4	2.2	2.0
Business Ratios (%)					
Loans/Deposit Ratio	72.3	75.3	76.6	77.3	77.9
CASA Ratio	42.7	39.9	41.0	41.7	41.7
Cost/Assets	1.8	2.0	1.7	1.7	1.6
Cost/Total Income	53.9	59.0	50.1	49.8	49.2
Cost/Core Income	53.5	62.5	53.4	53.5	53.1
Int. Expense./Int. Income	56.4	61.5	64.0	63.5	62.9
Fee Income/Total Income	20.9	18.8	18.9	17.9	17.2
Non Int. Inc./Total Income	20.2	24.4	25.2	24.7	24.6
Empl. Cost/Total Expense	58.6	62.7	56.1	56.0	55.8
Efficiency Ratios (INRm)					
Employee per branch (in nos)	10.4	10.2	10.2	9.9	9.6
Staff cost per employee	2.4	3.4	2.7	2.8	3.1
CASA per branch	842.4	870.1	942.3	1,008.6	1,064.3
Deposits per branch	1,974.5	2,180.9	2,298.3	2,418.7	2,552.3
Business per Employee	323.2	371.1	397.6	432.0	470.8
Net profit per Employee	21.3	26.3	29.8	31.3	34.7
Profitability Ratios and Valuation					
RoE	18.1	18.8	18.8	17.4	17.2
RoA	1.0	1.0	1.1	1.1	1.1
RoRWA	1.7	1.8	1.8	1.7	1.7
Consolidated RoE	16.2	16.7	17.5	16.8	16.7
Consolidated RoA	1.0	1.1	1.1	1.1	1.1
Book Value (INR)	350	406	471	538	617
- Growth (%)	16.9	15.9	16.1	14.4	14.6
Price-BV (x)	**1.7**	**1.5**	**1.3**	**1.1**	**1.0**
Consol BV (INR)	385	448	523	618	729
- Growth (%)	17.4	16.3	16.7	18.1	18.0
Price-Consol BV (x)	**2.2**	**1.9**	**1.6**	**1.4**	**1.2**
Adjusted BV (INR)	311	365.3	432.0	499.6	577.9
Price-ABV (x)	**1.9**	**1.6**	**1.4**	**1.2**	**1.0**
EPS (INR)	56.3	68.4	79.8	85.6	96.9
- Growth (%)	58.6	21.6	16.6	7.3	13.2
Price-Earnings (x)	**10.5**	**8.6**	**7.4**	**6.9**	**6.1**
Consol EPS (INR)	62.4	75.2	89.3	98.8	115.4
- Growth (%)	57.3	20.6	18.7	10.7	16.8
Price-Consol EPS (x)	**13.5**	**11.2**	**9.4**	**8.5**	**7.3**
Dividend Per Share (INR)	11.3	13.7	17.4	18.0	18.0
Dividend Yield (%)	**1.3**	**1.6**	**2.1**	**2.1**	**2.1**

NOTES

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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