Stock Update

Result Update

MIRAE ASSET Sharekhan

State Bank of India

Soft Q4

Banks	Sharekhan code: SBIN
Reco/View: Buy ↔	CMP: Rs. 800
	Price Target: Rs. 980 ↔

↑ Upgrade ↔ Maintain ↓ Downgrade

3R MATRIX	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)	✓		

\+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		↔	
RQ		↔	
RV		↔	

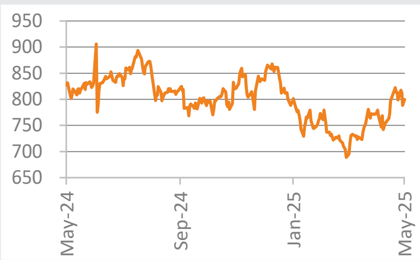
Company details

Market cap:	Rs. 7,13,791 cr
52-week high/low:	Rs. 912 / 680
NSE volume: (No of shares)	119.4 lakh
BSE code:	500112
NSE code:	SBIN
Free float: (No of shares)	383.2 cr

Shareholding (%)

Promoters	57.4
FII	9.9
DII	25.1
Others	7.6

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	2.7	5.1	-2.6	-3.7
Relative to Sensex	-2.4	0.8	-4.7	-11.6

Source: Mirae Asset Sharekhan Research, Bloomberg

Summary

- Q4 earnings were mainly aided by fee income/ treasury gains/other income offsetting weak NII/ higher opex (one off), supporting the return ratios.
- Asset quality improved, led by contained slippages and higher write-offs. Credit cost was higher on low base but remained within guided range. Loan / deposit growth was modest at 12% y-o-y/9% y-o-y, respectively.
- NIMs were stable q-o-q, although the outlook on NIMs is negative. Bank slightly lowered loan growth guidance to 12% for FY26E vs 14% earlier but is confident of maintaining RoA at ~1% going ahead.
- We maintain a Buy with an unchanged PT of Rs. 980 as there are no emerging concerns on asset quality and expect the bank to sustain RoA/RoE at ~1%/14-15% in the near to medium term. We acknowledge that core operating profitability would be under pressure in FY26E but that has already been priced in. Stock trades at 1.0x/0.9x its FY2026E/FY2027E core BV estimates.

Q4 numbers were a mixed bag. NII at Rs. 42,775 crore (in line) grew by 3% y-o-y/ 3% q-o-q. NIMs were stable, declined marginally by 1 bps q-o-q to 3.0% although outlook on NIMs remains negative. Core fee income growth was healthy at 13% y-o-y/ 36% q-o-q. Treasury profit stood at Rs. 6,879 crore vs Rs. 1,194 crore q-o-q and Rs. 3,463 crore y-o-y. Other Income (excluding treasury income) stood at Rs. 7,435 crore vs Rs. 2,580 crore q-o-q and Rs. 5,182 crore y-o-y led by dividend & forex income. Total operating expenses grew by 18% y-o-y / 23% q-o-q mainly led by performance payouts and PLI provisions. Operating profit (PPoP) at Rs. 31,286 crore (above estimates) grew by 9% y-o-y/ 33% q-o-q. Treasury gains and other income aided profitability despite weak NII and higher opex growth. Provisions were higher at Rs. 6,442 crore vs (Est: Rs. 1,430 crore). Core credit cost stood at 39 bps vs 24 bps q-o-q annualised. Credit cost was higher on low base but remained within guided range. PAT at Rs. 18,643 (in line) declined by 10% y-o-y. Higher provisions led by higher write offs offseted higher PPoP, which led to broadly in line earnings. Net advances grew 12% y-o-y/4% q-o-q. Retail, agri, and SME loans grew by 11%, 14%, and 17% y-o-y, respectively. Wholesale domestic corporate book and overseas book grew 9%/15% y-o-y, respectively. Deposits grew 9% y-o-y/3% q-o-q. CASA grew by 6% y-o-y/ 5% q-o-q with current accounts growing at 27% y-o-y and SA balances grew by just 3% y-o-y. CASA ratio stood at 38.4% vs 39.5% y-o-y and 37.6% q-o-q. Domestic term deposits and international deposits grew 11% y-o-y and 12% y-o-y, respectively. GNPA/ NNPA ratios improved by 25 bps /6 bps q-o-q (mainly led by write offs) to 1.82%/0.47%. PCR stood at ~74% versus 75% q-o-q. Slippages were stable at 0.47% q-o-q annualized however net slippages were lower at Rs. 2,580 crore vs Rs. 2,940 crore q-o-q led by slightly higher recoveries. The restructured book stands at 0.31% vs 0.34% q-o-q. SMA 1 & 2 book (cumulative) declined to Rs. 3,333 crore vs Rs. 9,552 crore q-o-q. The bank has non-NPA provisions of ~0.7% of net loans outside the PCR.

Key positives

- SMA 1 & 2 book (cumulative) declined to Rs. 3,333 crore vs Rs. 9,552 crore q-o-q.
- Net slippages were lower at Rs. 2,580 crore vs Rs. 2,940 crore q-o-q
- Core fee income was strong, grew by 13% y-o-y/ 36% q-o-q.
- CA accretion was very strong (up 27% y-o-y/ 28% q-o-q).

Key negatives

- Write-offs were significantly higher at Rs. 10,060 crore versus Rs. 1,949 crore q-o-q and Rs. 4,404 crore.
- Bank has lowered their loan growth guidance to 12% for FY26E versus 14% earlier.

Management Commentary

- The bank has slightly lowered their loan growth guidance to 12% for FY26E vs 14% earlier but is confident of maintaining RoA at ~1% going ahead. Endeavour is to consistently achieve ROE over 15% across cycles.
- Focus is on increasing share of current account in CASA mix while maintaining leadership position in savings deposits by further strengthening customer service and branch network.
- The bank is confident on sustaining better asset quality. There are no concerns on personal loans and endeavour is to grow in double digits in FY26E.
- There will be pressure on NIMs in FY26E however, pressure will be relatively mitigated as repo linked loans are only 29% and there will be some readjustment on the term deposit rates. Savings account rates would be maintained.
- Staff cost & other overheads included performance-linked payouts (one off). Cost to income ratio guidance for the medium term is at 50-51%.
- There is a good visibility on the corporate loan book as Rs. 1.7 lakh crore of loans are in the pipeline, which are sanctioned but not disbursed.

Our Call

Valuation – Maintain Buy with an unchanged PT of Rs. 980 – SBI trades at 1.0x/0.9x its FY2026E/FY2027E core book value estimates. We maintain a Buy rating as there are no emerging concerns on asset quality and expect bank to sustain RoA/RoE at ~1%/14-15% in the near to medium term. Bank has additional non-NPA provisions of ~0.7% of loans outside the PCR to take care of any uncertain future events. We acknowledge that core operating profitability would be under pressure in FY26E led by lower NIMs and slightly lower growth but that has already been priced in. Focus is on ramping up other avenues (treasury, fee income) to sustain RoA at 1%. Its well positioned balance sheet will help to capitalise growth given improving system liquidity.

Key Risks

Economic slowdown can lead to slower loan growth and higher-than-anticipated credit costs.

Valuation (Standalone) Rs cr

Particulars	FY23	FY24	FY25	FY26E	FY27E
NII	1,44,841	1,59,876	1,66,965	1,77,439	1,96,182
PAT	50,232	61,077	70,901	73,035	76,614
EPS (Rs)	56.3	68.4	79.4	81.8	85.8
P/E (x)	10.1	8.3	7.1	6.9	6.6
P/core BV (x)	1.5	1.3	1.1	1.0	0.9
RoE (%)	16.5	17.3	17.3	15.3	13.9
RoA (%)	1.0	1.0	1.1	1.0	1.0

Source: Company; Mirae Asset Sharekhan estimates

Results (Standalone) Rs cr

Particulars	4QFY25	4QFY24	3QFY25	Y-o-Y	Q-o-Q
Interest Inc.	1,19,666	1,11,043	1,17,427	8%	2%
Interest Expenses	76,892	69,387	75,981	11%	1%
Net Interest Income	**42,775**	**41,655**	**41,446**	**3%**	**3%**
NIM (%)	3.00	3.30	3.01		
Core Fee Income	9,896	8,724	7,267	13%	36%
Other Income	14,314	8,645	3,774	66%	279%
Net Income	**66,985**	**59,024**	**52,486**	**13%**	**28%**
Employee Expenses	18,005	16,348	16,074	10%	12%
Other Opex	17,693	13,929	12,862	27%	38%
Total Opex	**35,698**	**30,277**	**28,935**	**18%**	**23%**
Cost to Income Ratio	53.3%	51.3%	55.1%		
Pre Provision Profits	**31,286**	**28,748**	**23,551**	**9%**	**33%**
Provisions & Contingencies - Total	6,442	1,610	911	300%	607%
Profit Before Tax	24,844	27,138	22,640	-8%	10%
Tax	6,202	6,439	5,748	-4%	8%
Effective Tax Rate	25%	24%	25%		
Reported Profits	**18,643**	**20,698**	**16,891**	**-10%**	**10%**
Basic EPS (Rs)	20.9	23.2	18.9	-10%	10%
Diluted EPS (Rs)	20.9	23.2	18.9	-10%	10%
RoA (%)	1.1	1.4	1.0		
Advances	41,63,312	37,03,971	40,04,567	12.4%	4.0%
Deposits	53,82,190	49,16,077	52,29,384	9%	3%
Gross NPA	**76,880**	**84,276**	**84,360**	**-9%**	**-9%**
Gross NPA Ratio (%)	1.82	2.24	2.07		
Net NPA	**19,667**	**21,051**	**21,378**	**-7%**	**-8%**
Net NPAs Ratio (%)	0.47	0.57	0.53		

Source: Company; Mirae Asset Sharekhan Research

SOTP Valuation

Subsidiary/Associate	Per share value (Rs.)
A. SBI Life Insurance	127
B. SBI Cards	56
C. SBI MF	63
D. SBI Caps	25
E. Others	20
Valuation of subs. and associates (A+B+C+D+E)	**291**
(less) holding co. discount (20%)	58
F. Value of subs/associates post holdco discount	233
G. Core Bank Value	747
Total SOTP Valuation (Rs.) (F+G)	**980**

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

Sector Outlook – Deposit mobilisation, NIMs and asset quality to be in focus

Deposit mobilisation and asset quality to be in focus System credit growth is slowing and has declined to ~11.4% y-o-y from 16.4% in FY2024 as per the latest fortnight data, mainly driven by slower deposit growth, slowdown in unsecured retail segment and a high credit-deposit ratio. Deposit growth at 10.3% is lagging loan growth and stays rangebound at 10-12%. Moreover, deposit growth is mainly led by time deposits rather than CASA. Margins are expected to be under pressure due to the elevated cost of term deposits, while a lower interest rate cycle will lead to yield pressure. Overall, asset quality outlook is stable to positive for the sector, except for the unsecured retail loans and MFI segment. We believe banks with a robust capital base, strong asset quality, and healthy retail deposit franchises are well-placed to capture growth opportunities.

Company Outlook – Retaining constructive view

We remain constructive on SBI given its well positioned balance sheet to capitalise growth and healthy subsidiary performance. There are no concerns on asset quality and on the back of that, we expect the bank to sustain healthy return ratios in near to medium term. Pressure on operating profitability is transient.

Valuation – Maintain Buy with an unchanged PT of Rs. 980

SBI trades at 1.0x/0.9x its FY2026E/FY2027E core book value estimates. We maintain a Buy rating as there are no emerging concerns on asset quality and expect bank to sustain RoA/RoE at ~1%/14-15% in the near to medium term. Bank has additional non-NPA provisions of ~0.7% of loans outside the PCR to take care of any uncertain future events. We acknowledge that core operating profitability would be under pressure in FY26E led by lower NIMs and slightly lower growth but that has already been priced in. Focus is on ramping up other avenues (treasury, fee income) to sustain RoA at 1%. Its well positioned balance sheet will help to capitalise growth given improving system liquidity.

Peer Comparison

Companies	CMP (Rs/ Share)	MCAP (Rs Cr)	P/E (x)		P/B (x)		RoE (%)		RoA (%)	
			FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
State Bank of India	800	7,13,791	6.9	6.6	1.0	0.9	15.3	13.9	1.0	1.0
Bank of Baroda	249	1,28,508	6.2	5.8	0.9	0.8	14.5	13.0	1.0	1.0

Source: Company; Mirae Asset Sharekhan Research

About company

SBI is the largest public-sector bank in terms of assets, deposits, branches, number of customers, and employees having a pan-India presence. The bank has been designated by the RBI as a domestic systemically important bank (D-SIB), which means that its continued functioning is critical for the economy. The bank is well-placed to gain market share, driven by strong balance sheet strength.

Investment theme

SBI enjoys a dominant position and market share in the Indian banking sector. SBI has a strong presence in both retail liabilities as well as retail asset side along with its corporate relationships (due to size, history, and market knowledge), which are key differentiators for it. In recent times, its results indicate the inherent business strength and past few years' efforts that have enabled the bank to move towards improving operating metrics along with strong sector tailwinds. Overall, the asset-quality outlook continues to remain stable to positive. We believe improved performance should sustain over the medium term.

Key Risks

Economic slowdown can lead to slower loan growth and higher-than-anticipated credit costs.

Additional Data

Key management personnel

Name	Designation
C.S. Setty	Chairman
Ashwini Kumar Tewari	Managing Director
Vinay M. Tonse	Managing Director
Rana Ashutosh Kumar Singh	Managing Director
Rama Mohan Rao Amara	Managing Director

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Republic of India	56.92
2	Life Insurance Corp of India	9.29
3	SBI Funds Management Ltd	2.95
4	ICICI Prudential Asset Management	1.66
5	NPS Trust A/c Uti Retirement Solut	1.47
6	HDFC Asset Management Co Ltd	1.33
7	Nippon Life India Asset Management	1.19
8	Kotak Mahindra Asset Management Co	0.96
9	Blackrock Inc	0.72
10	Vanguard Group Inc/The	0.72

Source: Bloomberg

Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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