

**Mixed Performance; Positive outlook maintained**

QFY25 Result Update | Sector: Bank | August 05, 2024

**BUY**

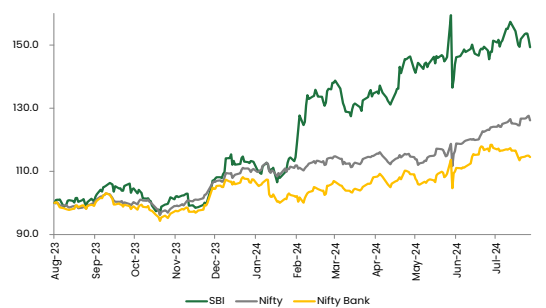
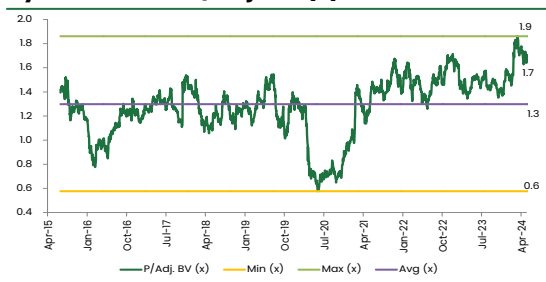
<b>CMP (Rs)</b>	805
<b>Target Price (Rs)</b>	941
<b>Potential Upside</b>	16.9%
<b>Sensex</b>	78,785
<b>Nifty</b>	24,061

**Key Stock data**

<b>BSE Code</b>	500112
<b>NSE Code</b>	SBIN
<b>Bloomberg</b>	SBIN:IN
<b>Shares o/s, Cr (FV 1)</b>	892.5
<b>Market Cap (Rs Cr)</b>	7,18,654
<b>3M Avg Volume</b>	2,08,64,089
<b>52 week H/L</b>	912/543

**Shareholding Pattern**

(%)	Dec-23	Mar-24	Jun-24
Promoter	57.5	57.5	57.5
FII	10.9	11.1	11.2
DII	24.2	24.0	23.6
Public	7.4	7.4	7.7

**1 year relative price performance**

**1 year forward P/Adj. BV (x)**

**Research Analyst**
**Vinay Kalani**

vinay.kalanil@religare.com

**Single digit topline growth:** State Bank of India reported a net interest income growth of 5.7% YoY to Rs 41,126 crore, despite a marginal decline in margins on an annualized basis. Total income increased by 13.6% YoY but decreased by 4% QoQ. However, this growth was offset by a significant rise in interest expenses, which grew by 1.5% QoQ and 23.4% YoY due to elevated deposit costs. Operating expenses remained flat on an annualized basis but declined by 14.7% QoQ, attributed to the completion of wage provisions. Despite the moderation in operating expenses, pre-provision operating profit (PPOP) declined by 8% sequentially, though it saw a marginal increase of 4% YoY. Overall, while income growth was healthy, higher interest expenses impacted profitability, and the bank's focus on managing operating costs provided some relief.

**NIM seeing a marginal decline:** Net interest margin saw slight moderation during the quarter as NIM fell by 11 bps QoQ and YoY basis. The decline in NIM was mainly to increase in cost of deposits by 19bps QoQ/45bps YoY. The management remains confident about the NIM projection in FY25 and expects that NIM would remain around current levels. The bank also expects cost of deposits to stabilize in the coming quarters which shall aid the margins.

**Healthy growth in advances:** Advances during the quarter increased by 1.2% QoQ/15.4% YoY to Rs 38.12 lakhs cr. The growth in advances was broad based as segments such as retail personal (1.2% QoQ/13.6% YoY), Agri (1.4% QoQ/17.1% YoY) and SME (2.4% QoQ/19.9% YoY) wherein all the segments reported healthy growth. Corporate segment which saw uptick during the last quarter remained flat on sequential basis while increasing by 15.9% on annualized basis. Going forward, the management expects that credit growth will be 14-16% in coming quarters of FY25 which shall remain in-line with the industry.

**Rising deposit costs impacts deposit growth:** Deposits during the quarter remained flat sequentially, while increasing by 8.2% YoY to Rs 49 lakh crore. The muted growth was primarily due to a decline in current account deposits, which decreased by 14% QoQ and 4.7% YoY, while term deposits saw a modest growth of 0.26% QoQ and 12.2% YoY. The sluggish growth in CASA deposits led to a decline in the CASA ratio, which dropped by 41 basis points QoQ and 218 basis points YoY to 40.7%. In the current environment of rising deposit costs, management has consciously decided not to aggressively pursue deposits at any price, instead focusing on alternatives at better rates. This strategy has contributed to the slower deposit growth.

**Valuation and outlook:** SBI during the quarter reported steady growth in profitability as employee expenses and provisions moderated. Margins declined sequentially due to higher cost of funds while deposits/advances reported healthy and sustainable growth. The asset quality of the bank continues to remain robust as credit cost remains at cyclical low levels. Financially, we expect its NII/PPOP/PAT to grow at a CAGR of 14.2%/7.6%/7% over FY25-26E. We maintain **Buy** on the bank with a revised target price of **Rs 941** valuing the standalone bank at 1.6x of its FY26E Adj. BV.

**Financial Summary - standalone**

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Net interest income	1,44,841	1,59,876	1,78,846	2,08,527
Total income	3,68,719	4,66,813	4,79,312	5,48,005
Operating profit/(loss)	83,713	93,797	92,074	1,08,687
Margin (%)	22.7	20.1	19.2	19.8
Profit before tax	67,206	88,883	81,875	95,381
Margin (%)	18.2	19.0	17.1	17.4
Profit after tax	50,232	61,077	59,768	69,628
Margin (%)	13.6	13.1	12.5	12.7
EPS (Rs.)	56.3	68.4	67.0	78.0
ABVPS (Rs.)	344.8	399.2	438.2	486.9
RoE (%)	19.4	20.3	15.1	16.0
P/ABV (x)	1.7	1.4	1.3	1.2

Source : RBL Research

**One-off impacting slippage ratio while overall asset quality remains robust:** State Bank of India's asset quality remained robust during the quarter, with GNPA and NNPA declining by 55 basis points and 6.3 basis points YoY to 2.2% and 0.6%, respectively. Despite this, the bank experienced an increase in the slippage ratio, rising to 0.84% from 0.17% in the previous quarter. According to management, this uptick was a one-off event caused by delays in salary payments by the state and central government, as well as seasonal factors affecting the agri side of business. Management remains confident in the bank's asset quality and expects it to stabilize as the year progresses.

#### Con-call highlights:

- Credit in banking sector for quarter grew by 14% while deposit grew by 11% only. This is the 3rd year where credit growth outpaced deposit growth.
- Cost of deposit has risen by 45bps while NIMs has contracted by 11bps.
- Their liquidity ratio's are comfortable and do not face any challenge on liquidity in short term.
- Have received board approval to raise capital raise to the tune of 25,000 crores.
- Cost to income ratio has dipped below 50, and management remains confident to maintain around this levels going forward also.
- Management remains confident of Unsecured retail segments asset quality.

#### Financial summary – standalone

Particulars, Rs bn	Q1FY25E	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
Interest earned	1,11,526	95,975	16.2	1,11,043	0.4
Other income	11,162	12,063	-7.5	17,369	-35.7
Total income	1,22,688	1,08,039	13.6	1,28,412	-4.5
Interest expended	70,400	57,071	23.4	69,387	1.5
<b>Net interest income</b>	<b>41,126</b>	<b>38,905</b>	<b>5.7</b>	<b>41,655</b>	<b>-1.3</b>
Margin (%)	33.5	36.0	-249bps	32.4	108bps
Operating expenses	25,839	25,671	0.7	30,277	-14.7
Total expenditure	96,239	82,742	16.3	99,664	-3.4
<b>Operating profit before prov.&amp; cont. (PPOP)</b>	<b>26,449</b>	<b>25,297</b>	<b>4.6</b>	<b>28,748</b>	<b>-8.0</b>
Provisions and contingencies	3,449	2,501	37.9	1,610	114.3
<b>Profit before tax</b>	<b>23,000</b>	<b>22,796</b>	<b>0.9</b>	<b>27,138</b>	<b>-15.2</b>
Tax	5,964	5,911	0.9	6,439	-7.4
Profit after tax	17,036	16,884	0.9	20,698	-17.7
Margin (%)	13.9	15.6	-174bps	16.1	-223bps
EPS (Rs)	19.1	18.9	0.9	23.2	-17.7

Source : RBL Research

#### Ratios (%) – standalone

Particulars	Q1FY25E	Q1FY24	YoY (bps)	Q4FY24	QoQ (bps)
<b>Net interest margin</b>	<b>3.4</b>	<b>3.5</b>	<b>(12.0)</b>	<b>3.5</b>	<b>(12.0)</b>
Yield on Investments	7.2	6.8	37.0	7.0	20.0
<b>Cost of Deposits</b>	<b>5.0</b>	<b>4.6</b>	<b>45.0</b>	<b>4.8</b>	<b>19.0</b>
Cost to assets	1.7	1.9	(19.0)	2.0	(32.0)
Cost to income ratio	49.4	50.4	(95.0)	51.3	(188.0)
<b>RoE</b>	<b>21.0</b>	<b>24.4</b>	<b>(344.0)</b>	<b>20.3</b>	<b>66.0</b>
RoA	1.1	1.2	(12.0)	1.4	(26.0)

Source : RBL Research

*NII reported a growth of 5.7% YoY while seeing a decline of 1.3% QoQ*

*PPOP increased by 4.6% YoY while declining by 8% on sequential basis*

*PAT was almost flat on annualized basis, but on QoQ declined by 17.7*

*NIMs declined by 12bps YoY/QoQ*

*RoE/RoA decreased by 344bps/12bps YoY to 21%/1.1%*

Advances/deposits increased by 15.4%/8.2% YoY

GNPA/NNPA ratio declined by 55bps/6bps YoY to 2.2%/0.6%

Total income increased by 13.6% YoY, however declined by 4.5% QoQ.

Employees expenses declined by 6.8% YoY/5.4% QoQ.

Provisions and contingencies increased by 37.9% YoY/114.3% QoQ.

### Balancesheet – standalone

Particulars, Rs cr	Q1FY25E	Q1FY24	YoY (bps)	Q4FY24	QoQ (bps)
<b>Advances</b>	<b>38,12,087</b>	<b>33,03,731</b>	<b>15.4</b>	<b>37,67,534</b>	<b>1.2</b>
Deposits	49,01,726	45,31,237	8.2	49,16,077	-0.3
Business	87,13,813	78,34,968	11.2	86,83,611	0.3
<b>Credit-to-deposit ratio (%)</b>	<b>77.8</b>	<b>72.9</b>	<b>486bps</b>	<b>76.6</b>	<b>113bps</b>
CASA ratio (%)	40.70	42.9	-218bps	41.1	-41bps

Source : RBL Research

Asset quality, Rs cr	Q1FY25E	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
GNPA	84,226	91,328	-7.8	84,276	-0.1
<b>GNPA (%)</b>	<b>2.2</b>	<b>2.8</b>	<b>-55bps</b>	<b>2.2</b>	<b>-3bps</b>
NNPA	21,555	22,995	-6.3	21,051	2.4
<b>NNPA (%)</b>	<b>0.6</b>	<b>0.7</b>	<b>-14bps</b>	<b>0.6</b>	<b>0bps</b>
PCR (%)	74.41	74.8	-41bps	75.0	-61bps

Source : RBL Research

Capital ratios (%)	Q1FY25E	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
<b>CET-1</b>	<b>10.3</b>	<b>10.2</b>	<b>6.0</b>	<b>10.4</b>	<b>(11.0)</b>
Additional tier - 1	1.5	1.8	(25.0)	1.6	(4.0)
Tier - 1	11.8	12.0	(19.0)	11.9	(15.0)
Tier - 2	2.1	2.6	(50.0)	2.4	(27.0)
<b>Capital adequacy ratio</b>	<b>13.9</b>	<b>14.6</b>	<b>(70.0)</b>	<b>14.3</b>	<b>(42.0)</b>

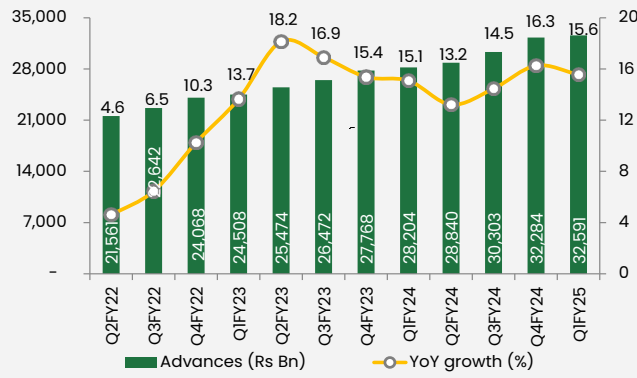
Source : RBL Research

P & L statement, Rs cr	Q1FY25E	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
Income on investments	28,265	25,007	13.0	28,201	0.2
Interest on balances with RBI others	78,693	1,359	5689.2	1,166	6650.3
Interest/discount on advances/bills	78,693	67,128	17.2	77,134	2.0
Others	3,506	2,481	41.3	4,543	-22.8
Interest earned	1,11,526	95,975	16.2	1,11,043	0.4
Other income	11,162	12,063	-7.5	17,369	-35.7
Total income	1,22,688	1,08,039	13.6	1,28,412	-4.5
Interest expended	70,400	57,071	23.4	69,387	1.5
<b>Net interest income</b>	<b>41,126</b>	<b>38,905</b>	<b>5.7</b>	<b>41,655</b>	<b>-1.3</b>
Margin (%)	33.5	36.0	-249bps	32.4	108bps
Payment to provisions for employees	15,466	16,601	-6.8	16,348	-5.4
Other operating expenses	10,373	9,071	14.4	13,929	-25.5
Operating expenses	25,839	25,671	0.7	30,277	-14.7
Total expenditure	96,239	82,742	16.3	99,664	-3.4
<b>Operating profit before prov.&amp; cont. (PPOP)</b>	<b>26,449</b>	<b>25,297</b>	<b>4.6</b>	<b>28,748</b>	<b>-8.0</b>
Margin (%)	21.6	23.4	-186bps	22.4	-83bps
Provisions and contingencies	3,449	2,501	37.9	1,610	114.3
Profit before tax	23,000	22,796	0.9	27,138	-15.2
Tax	5,964	5,911	0.9	6,439	-7.4
Tax rate (%)	25.9	25.9	0bps	23.7	220bps
<b>Profit after tax</b>	<b>17,036</b>	<b>16,884</b>	<b>0.9</b>	<b>20,698</b>	<b>-17.7</b>
Margin (%)	13.9	15.6	-174bps	16.1	-223bps

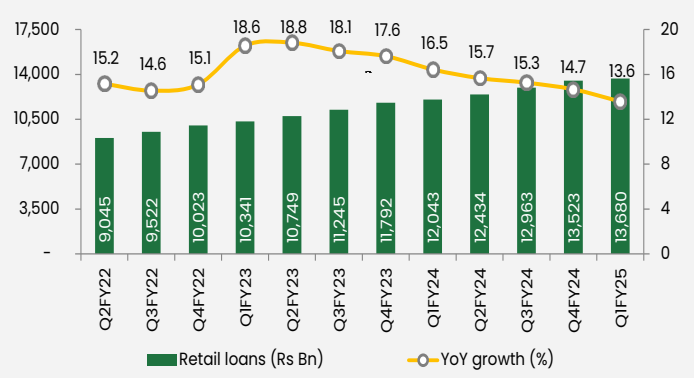
Source : RBL Research

Story in charts

Advances increased by 0.95% QoQ/15.6% YoY

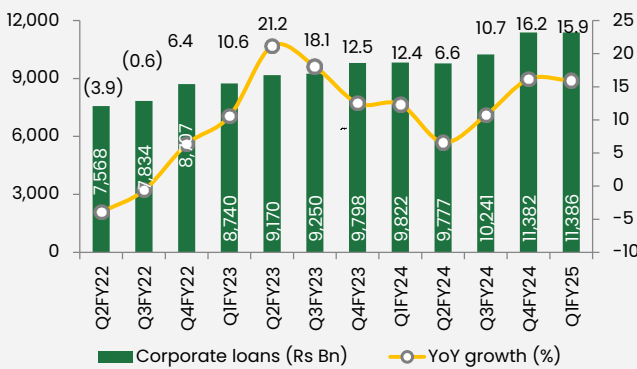


Retail loans increased by 1.2% QoQ/13.6% YoY

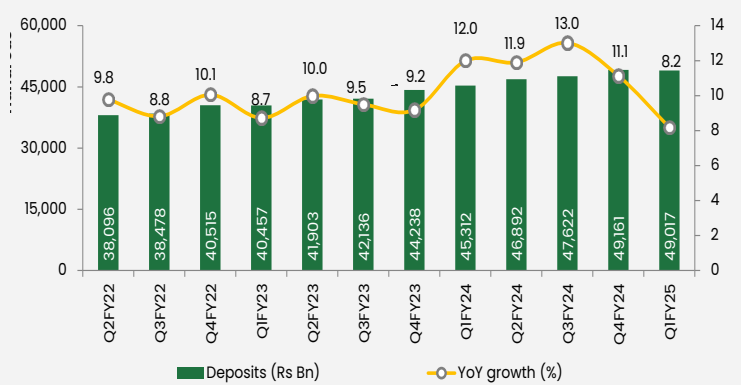


Source : RBL Research

Corporate loans reported healthy growth of 15.9% YoY

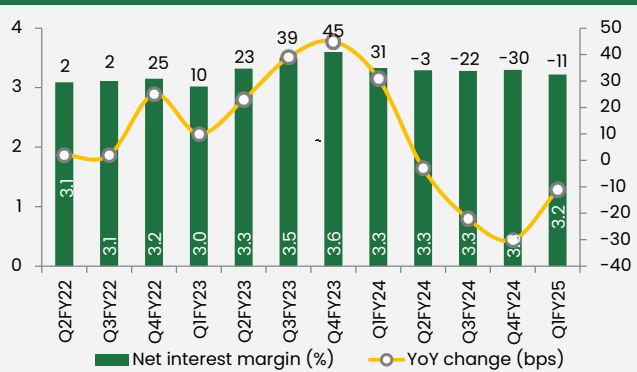


Deposits saw marginal decline on sequential basis.

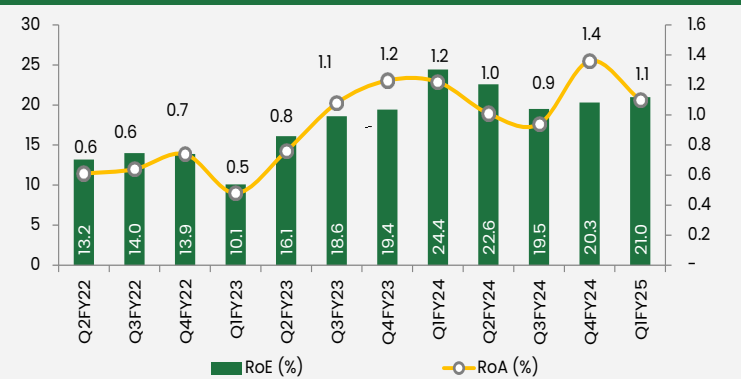


Source : RBL Research

Overall NIMs declined by 11bps YoY/QoQ

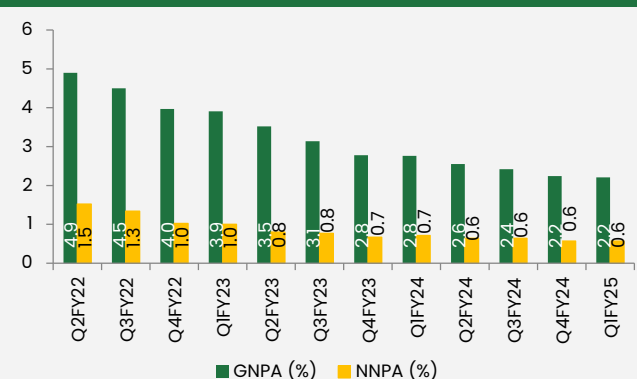


RoA/RoE declined on annualised basis and stood at 1.1%/21%

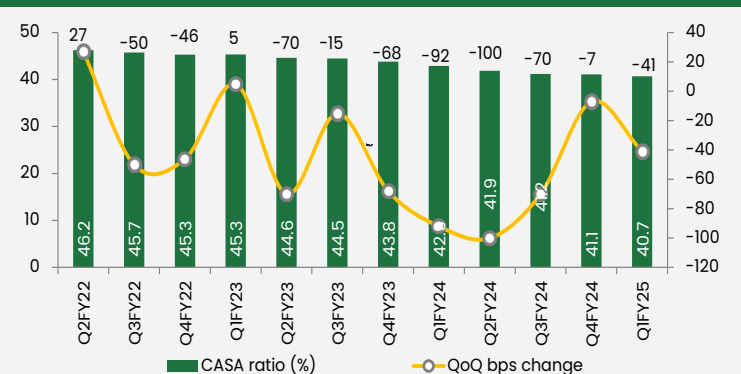


Source : RBL Research

Asset quality improved as GNPA/NNPA stood at 2.2%/0.6%



CASA ratio declined by 41bps QoQ/218bps YoY to 40.7%



Source : RBL Research

### Income statement – standalone

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Interest earned	3,32,103	4,15,131	4,38,399	5,04,990
Interest expended	1,87,263	2,55,255	2,59,552	2,96,462
<b>Net interest income</b>	<b>1,44,841</b>	<b>1,59,876</b>	<b>1,78,846</b>	<b>2,08,527</b>
Other income	36,616	51,682	40,913	43,016
Total income	3,68,719	4,66,813	4,79,312	5,48,005
<b>Operating expenses</b>	<b>97,743</b>	<b>1,17,761</b>	<b>1,27,685</b>	<b>1,42,856</b>
Total expenditure	2,85,006	3,73,016	3,87,238	4,39,318
Operating profit/(loss)	83,713	93,797	92,074	1,08,687
Provisions and contingencies	16,507	4,914	10,199	13,306
Profit before tax	67,206	88,883	81,875	95,381
Tax	16,973	20,706	22,106	25,753
<b>Profit after tax</b>	<b>50,232</b>	<b>61,077</b>	<b>59,768</b>	<b>69,628</b>

Source : RBL Research

### DuPont Analysis – standalone

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Interest earned	3,32,103	4,15,131	4,38,399	5,04,990
Interest expended	1,87,263	2,55,255	2,59,552	2,96,462
Other income	36,616	51,682	40,913	43,016
<b>Total income</b>	<b>3,68,719</b>	<b>4,66,813</b>	<b>4,79,312</b>	<b>5,48,005</b>
Operating expenses	97,743	1,17,761	1,27,685	1,42,856
Provisions and contingencies	16,507	4,914	10,199	13,306
<b>Profit before tax</b>	<b>67,206</b>	<b>88,883</b>	<b>81,875</b>	<b>95,381</b>
Tax	16,973	20,706	22,106	25,753
<b>RoA(%)</b>	<b>1.0</b>	<b>1.0</b>	<b>0.9</b>	<b>1.0</b>
<b>RoE (%)</b>	<b>19.4</b>	<b>20.3</b>	<b>15.1</b>	<b>16.0</b>

Source : RBL Research

### Valuation Ratios (%)

Particulars	FY23	FY24	FY25E	FY26E
P/E	10.2	8.4	8.6	7.4
P/B	1.6	1.4	1.2	1.1
<b>P/ABV</b>	<b>1.7</b>	<b>1.4</b>	<b>1.3</b>	<b>1.2</b>

Source : RBL Research

### Balance sheet – standalone

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Share Capital	892	892	892	892
Reserves and Surplus	3,26,716	3,76,354	4,12,272	4,56,965
<b>Net worth</b>	<b>3,27,608</b>	<b>3,77,247</b>	<b>4,13,164</b>	<b>4,57,858</b>
Deposits	44,23,778	49,16,077	55,35,631	62,16,289
Borrowings	4,93,135	5,97,561	5,78,460	6,22,726
Other Liabilities & Provisions	2,72,457	2,88,810	3,54,058	4,00,086
<b>Total Equities &amp; Liabilities</b>	<b>55,16,979</b>	<b>61,79,694</b>	<b>68,81,313</b>	<b>76,96,958</b>
Total cash balances	3,07,900	3,10,802	3,51,702	3,96,944
Investments	15,70,366	16,71,340	18,26,044	19,81,741
Advances	31,99,269	37,03,971	42,91,789	49,19,614
<b>Net Block</b>	<b>42,382</b>	<b>42,617</b>	<b>42,954</b>	<b>43,327</b>
Other Assets	3,97,062	4,50,964	3,68,824	3,55,332
<b>Total Assets</b>	<b>55,16,979</b>	<b>61,79,694</b>	<b>68,81,313</b>	<b>76,96,958</b>

Source : RBL Research

### Efficiency ratios (%) – standalone

Particulars	FY23	FY24	FY25E	FY26E
Loans/Deposits(x)	0.1x	0.1x	0.1x	0.1x
CASA ratio (%)	43.8	41.1	39.1	37.4
<b>Cost Income Ratio (%)</b>	<b>53.9</b>	<b>55.7</b>	<b>59.2</b>	<b>58.7</b>
Credit/Deposits (%)	72.3	75.3	77.5	79.1
Incremental loans/Deposits (%)	18.0	21.2	(3.1)	6.5
Interest Expended / Interest earned (%)	56.4	61.5	59.2	58.7
<b>Interest income / Total funds (%)</b>	<b>6.6</b>	<b>7.4</b>	<b>6.9</b>	<b>7.1</b>
Operating Costs to Assets	1.8	1.9	1.9	1.9
PATM (%)	13.6	13.1	12.5	12.7
<b>ABVPS Growth (%)</b>	<b>17.9</b>	<b>15.8</b>	<b>9.8</b>	<b>11.1</b>
Investment/Deposit (%)	35.5	34.0	33.0	31.9

Source : RBL Research

## Research Team

---

Name	Email ID
Ajit Mishra	<a href="mailto:ajit.mishra@religare.com">ajit.mishra@religare.com</a>
Gaurav Arora	<a href="mailto:gaurav.arora3@religare.com">gaurav.arora3@religare.com</a>
Abhijeet Banerjee	<a href="mailto:abhijeet.banerjee@religare.com">abhijeet.banerjee@religare.com</a>
Gaurav Sharma	<a href="mailto:gauravsharma2@religare.com">gauravsharma2@religare.com</a>
Ashwani Harit	<a href="mailto:ashwani.harit@religare.com">ashwani.harit@religare.com</a>
Divya Parmar	<a href="mailto:divya.parmar@religare.com">divya.parmar@religare.com</a>
Vinay Kalani	<a href="mailto:vinay.kalani@religare.com">vinay.kalani@religare.com</a>

**Before you use this research report, please ensure to go through the disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014 and Research Disclaimer at the following link: <https://www.religareonline.com/disclaimer>**

**Specific analyst(s) specific disclosure(s) inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014 is/are as under:**

**Statements on ownership and material conflicts of interest, compensation– Research Analyst (RA)**

S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? <b>[If answer is yes, nature of Interest is given below this table]</b>		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

**[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]**

**Nature of Interest ( if answer to F (a) above is Yes :**

.....

**Name(s) with Signature(s) of RA(s).**

**[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]**

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

Copyright in this document vests exclusively with RBL. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose, without prior written permission from RBL. We do not guarantee the integrity of any emails or attached files and are not responsible for any changes made to them by any other person.

Research Disclaimer: <https://www.religareonline.com/disclaimer>