

State Bank of India | BUY

Chugging along

In 4QFY25, SBIN reported PAT of ~INR186bn, down 10% YoY but ~5%15% above consensus/JMFe, driving RoA/RoE to ~1.1%/17%. PPOP growth was 9% YoY, ~13%/32% above consensus/JMFe. This beat was driven by higher than expected treasury gains (partly led by NPA transfer) and strong recoveries from WO pool. Loan growth was healthy at ~12%/4% YoY/QoQ which along with stable NIMs QoQ led to NII growth of ~3%/3% YoY/QoQ. Opex was elevated (+18%23% YoY/QoQ) due to a higher Performance Linked Incentives (PLI) for employees. Asset quality was stable as gross/net slippage ratio stood at 43bps/26bps (flat/-5bps QoQ). Though, credit cost inched up to ~63bps (~9bps in 3QFY25) due to inclusion of part provisions for PLI schemes of ~7bn. Mgmt. expects to maintain loan growth of ~12-13%. Margins are expected to remain under pressure in the near term as repo linked book (~29%) reprises faster than deposits. However, mgmt. highlighted that MCLR would be adjusted only after incremental CoD takes effect and expects to maintain margin at ~3% over a medium term. In our view, profitability will remain under pressure in FY26 given pressure on margins, normalization of credit costs and higher cost to income ratio. However, higher treasury gains should hold ROA/ROE at ~1%/15% mark. Further, core bank currently trades at 0.9x FY27 BVPS which provides comfort. We revise our FY26/FY27 EPS estimates by +5%/+1% and value the core bank at 1.2x FY27e Adj BVPS with SoTP based TP of INR 960 (subs valued at INR 242). Maintain BUY.

- **Sequential pickup in growth; though lower than guidance:** Loan growth of +12% YoY, +4% QoQ (at INR 41.6 trln) was lower than expected as corporate segment slowed down to 11% YoY (vs 16% in 3Q25) due to prepayment from some of the PSUs post govt payouts. However, corporate pipeline remained strong with substantial loans sanctioned but not disbursed as of Mar-25. SME (+17% YoY) and Agri (+14% YoY) segments grew faster than Retail (+11% YoY), followed by Retail (+12% YoY). In 4Q25, domestic deposit growth (9% YoY, 3% QoQ) was led by CA accretion (+28% QoQ, +27% YoY). CASA ratio increased to 38.4% (vs 37.6% QoQ). Domestic CD ratio was at 69.7% while overall CD ratio was at 77.4%. We build loan growth CAGR of 14% over FY25-FY27e.
- **Margins hold up well; outlook muted:** In 4Q25, SBIN reported stable domestic margin of 3.15% (flat QoQ) as increase in yields (+4bps QoQ) was offset by increase in CoD (+4bps QoQ) resulting in NII of INR 427.7bn (+3% YoY, +3% QoQ, +1.6% JMFe). Margins are expected to remain under pressure in the near term as repo linked book (~29%) reprises faster than deposits. However, mgmt. highlighted that MCLR would be adjusted only after incremental CoD takes effect and expects to maintain margin at ~3% over a medium term.
- **Asset quality stable:** GNPA/NNPA declined to 1.8%/0.5% (-25bps/-6bps) as the bank wrote off ~INR 100bn in 4Q25. Gross slippage ratio stood at 43bps (flat QoQ) however, recoveries improved to 17.4 bn vs 12.1bn QoQ rendering net slippage ratio at 26bps (-5bps QoQ). Total provisions for the quarter were higher at INR 64bn (vs INR 9bn QoQ) as it included provisios of PLI schemes work ~7bn. Hence, credit cost inched up to ~63bps (~9bps in last quarter). We build in avg credit cost of 45bps over FY26e-FY27e.



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	960
Upside/(Downside)	20.0%
Previous Price Target	940
Change	2.1%

Key Data – SBIN IN

Current Market Price	INR800
Market cap (bn)	INR7,139.7/US\$84.4
Free Float	34%
Shares in issue (mn)	8,924.6
Diluted share (mn)	
3-mon avg daily val (mn)	INR9,436.4/US\$111.6
52-week range	912/680
Sensex/Nifty	80,502/24,347
INR/US\$	84.5

Price Performance

%	1M	6M	12M
Absolute	4.2	-3.6	-3.8
Relative*	-2.4	-4.8	-11.7

* To the BSE Sensex

Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Profit	6,10,766	7,09,006	7,10,466	7,71,805	9,31,221
Net Profit (YoY) (%)	21.6%	16.1%	0.2%	8.6%	20.7%
Assets (YoY) (%)	12.0%	8.0%	12.6%	13.3%	14.0%
ROA (%)	1.0%	1.1%	1.0%	1.0%	1.0%
ROE (%)	17.3%	17.3%	15.1%	14.6%	15.6%
EPS	68.4	79.4	79.6	86.5	104.3
EPS (YoY) (%)	21.6%	16.1%	0.2%	8.6%	20.7%
PE (x)	11.7	10.1	10.0	9.3	7.7
BV	423	494	558	627	711
BV (YoY) (%)	15.2%	16.9%	12.9%	12.4%	13.3%
P/BV (x)	1.89	1.62	1.43	1.28	1.13

Source: Company data, JM Financial. Note: Valuations as of 02/May/2025

JM Financial Institutional Securities Limited

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

- **Subsidiaries performance:** SBI Life reported subdued VNB growth of 7% YoY in FY25 while individual rated premium grew by 12% YoY to INR 194bn. The insurer managed to maintain its VNB margins at 27.8% while growth struggled. SBI Cards reported PAT de-growth of c.20% YoY for FY25 while cards in force grew 10% YoY. Amongst unlisted subsidiaries, SBI General Insurance reported a strong PAT of INR 5.1 bn in FY25 (against PAT of INR 2.4bn in FY24). SBI MF saw its PAT growing to INR 25.3bn in FY25 (up 23% YoY) while SBI capital reported PAT of INR 12.1bn in FY25 (-26% YoY).
- **Valuation and view:** The core bank currently trades at 0.9x FY27e Adj BVPS. In our view, profitability will remain under pressure in FY26 given pressure on margins, normalization of credit costs and higher cost to income ratio. However, higher treasury gains should hold ROA/ROE at ~1%/15% mark. We revise our FY26/FY27 EPS estimates by +5%/+1% and value the core bank at 1.2x FY27e Adj BVPS with SoTP based TP of INR 960 (subs valued at INR 242). Maintain BUY.

Key Concall Takeaways -

- Credit growth was lower than expected 14% as some of the central PSUs prepaid their loans as they received large payouts from the government. The bank expects overall loan growth to be 12-13%.
- Corporate book is expected to grow at around 12% with strong visible pipeline.
- As the rate cut cycle plays out, the bank expects treasury and MTM gains to support total income in FY26.
- Q4 generally contains higher provisions for employee expenses
- SBI's board has approved an enabling resolution to raise equity capital worth 25,000 Cr in one or more tranches through QIP/FPO or any other permitted mode or combination during FY26. Mgmt. is expected to look for an opportune time and attractive valuation before going through with the fund raise.
- Mgmt. expects the pace of rate cut will decide the NIM trajectory. 29% of the loans are linked to repo rate, which ~70% are linked to either MCRL or are fixed rate. The bank stated that it would reduce its MCLR rate only after lower incremental COD takes shape. While the margins will remain under pressure in the near term, mgmt. expects to protect the 3% level on margins.
- Cost to income ratio has improved in 4Q25 and mgmt. expects to keep the ratio between 50-51% going ahead driven by higher income on a rigid cost base. Digital channels are expected to bring in operating efficiencies.
- Increase in Yields during 4Q25 was on account of some older MCLR repricing coming into effect.
- Other operating Expense at 17,693 Cr includes new PLI scheme for employees above scale 4 (chief manager) and above employees.

Detailed breakup of other income:

1. Fee income – 9,896 Cr
2. Forex gains - 2,859 Cr
3. Profit on sale of Investments (treasury income) - 6,879 Cr – This contains income from transfer of NPA account to NARCL (85% of 3,300 Cr) amounting to ~2,800 Cr
4. Misc. other income – 4,575 Cr – includes 2,375 Cr of AUCA recoveries

Detailed breakup of provisions:

1. Provisions on NPAs – 3,964 Cr – Includes recovery of ~500 Cr (15% of 3,300 Cr) from account transferred to NARCL
2. Provision on standard assets – 400 Cr
3. Provision on depreciation of investment – 441 Cr
4. Other provisions – 1,636 Cr – Includes provisions on account of Performance linked incentives (PLI) worth ~700 Cr – which has nothing to do with non-performing loans

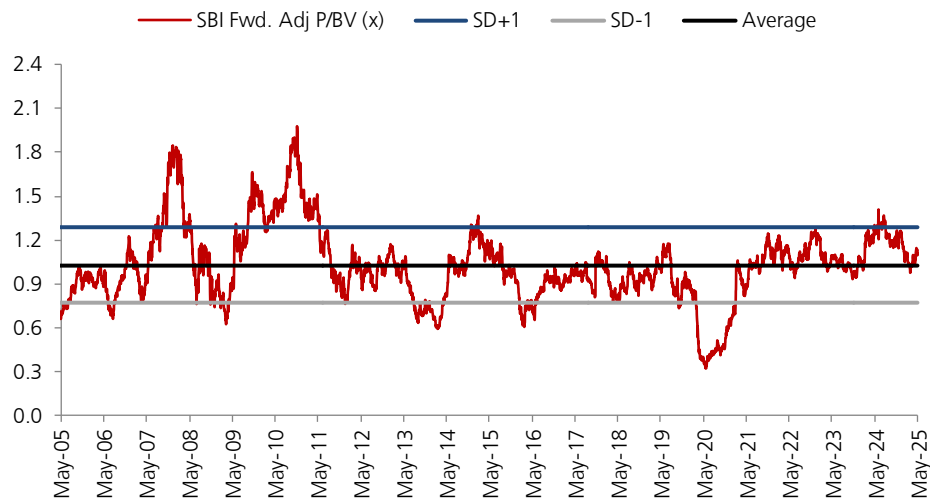
Valuation Summary

Exhibit 1. SOTP-based valuation summary

SBI SOTP	Holding	Valuation Methodology	Value	Contribution
	(%)		per Share	to TP (%)
SBI Bank - Parent	100.0%	1.2x FY27E BVPS/EPS based on excess return	718	75%
Non-Bank Subs and investments			242	25%
SBI Cards	69%	Market cap	59	6%
SBI Life	55%	Using JMF TP of Rs 1,777/share	110	12%
SBI MF	63%	TTM P/E of 30x (in-line with peers), 7% of AUM	53	6%
SBI Caps	100%	20x FY25 EPS	26	3%
SBI General	69%	25x FY25 EPS	9	1%
Others			7	1%
Less: Cost of Investments			-24	-2%
Total (INR)			960	100%

Source: Company, JM Financial

Exhibit 2. SBIN (banking business): One-year forward Price to Book (x)



Source: Company, JM Financial

Exhibit 3. SBIN: Change in estimates - JMFe

SBIN	New Estimates		Old Estimates		Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
EPS (Rs)	80	86	76	86	5%	1%
Std. BVPS (Rs)	534	603	531	602	1%	0%

Source: Company, JM Financial

Exhibit 4. SBIN 4Q25 Results summary (standalone)

Earnings Table (INR bn.)	4QFY24	3QFY25	4QFY25	YoY (%)	QoQ (%)
Net Interest Income	417	414	428	3%	3%
Core Fee income	89	73	128	43%	74%
Other income	84	37	115	36%	207%
Total income	590	525	670	13%	28%
Opex	303	289	357	18%	23%
Operating Profit	287	236	313	9%	33%
Core Operating Profit	203	198	198	-2%	0%
Provisions	16	9	64	300%	607%
Tax	64	57	62	-4%	8%
PAT	207	169	186	-10%	10%
ROA (%)	1.36%	1.04%	1.12%	(24) bps	8 bps
ROE (%)	22.2%	15.8%	17.0%	(518) bps	121 bps
Balance Sheet Items					
Loans	37,040	40,046	41,633	12%	4%
Deposits	49,161	52,294	53,822	9%	3%
C/D ratio	75%	77%	77%	201 bps	78 bps
CASA	19,420	19,652	20,652	6%	5%
CASA (%)	39.5%	37.6%	38.4%	(113) bps	79 bps
Key Ratios					
Yield on advances (Calc, %)	8.59%	8.44%	8.51%	(8) bps	7 bps
Cost of funds (calc, %)	5.15%	5.19%	5.25%	9 bps	6 bps
Loan - deposit spread	3.43%	3.25%	3.26%	(17) bps	1 bps
NIM (calc, %)	3.00%	2.74%	2.81%	(19) bps	7 bps
NIM reported (%)	3.30%	3.01%	3.00%	(30) bps	(1) bps
Asset Quality					
Gross Slippages (%)	0.46%	0.43%	0.43%	(2) bps	0 bps
Net Slippages (%)	0.22%	0.31%	0.26%	4 bps	(5) bps
SMA as % loans	0.09%	0.24%	0.08%	(1) bps	(16) bps
PCR (%)	75.0%	74.7%	74.4%	(60) bps	(24) bps
Credit cost (%)	0.2%	0.1%	0.6%	45 bps	54 bps
Capital Adequacy					
Tier I (%)	11.93%	10.85%	12.11%	18 bps	126 bps
CAR (%)	14.28%	13.03%	14.25%	(3) bps	122 bps
Du-pont Analysis					
NII / Assets (%)	2.70	2.66	2.56	(17) bps	2 bps
Non-Interest Inc. / Assets (%)	0.78	0.98	0.68	31 bps	78 bps
Operating Cost / Assets (%)	2.10	1.76	1.79	15 bps	36 bps
Operating Profits / Assets (%)	1.38	1.87	1.45	(1) bps	43 bps
Provisions / Assets (%)	0.05	0.29	0.06	28 bps	33 bps
ROA (%)	0.62	1.17	1.04	(24) bps	8 bps

Source: Company, JM Financial

Exhibit 5. SBIN 4Q25: gross loan mix (banking business)

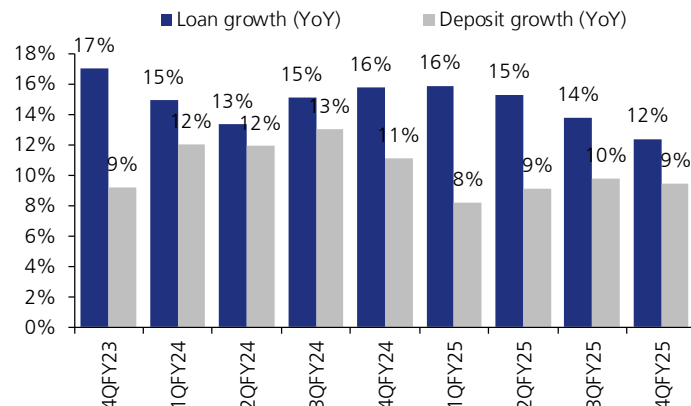
Loan Book Composition (INR bn)	4QFY24	3QFY25	4QFY25	YoY (%)	QoQ (%)
Corporate (Large + Mid+ SME)	15,712	16,727	17,466	11.2%	4.4%
Agriculture	3,049	3,364	3,485	14.3%	3.6%
Retail credit	13,523	14,473	15,065	11.4%	4.1%
Home loans	7,258	7,928	8,308	14.5%	4.8%
Auto loans	1,165	1,245	1,271	9.1%	2.1%
Residual retail loans	5,099	5,300	5,486	7.6%	3.5%
International	5,391	6,113	6,191	14.8%	1.3%
Total Advances	39,207	40,678	42,207	7.7%	3.8%
Loan Mix (%)					
Corporate (Large + Mid+ SME)	40.1%	41.1%	41.4%	1.3%	0.3%
Agriculture	7.8%	8.3%	8.3%	0.5%	0.0%
Retail credit	34.5%	35.6%	35.7%	1.2%	0.1%
Home loans	18.5%	19.5%	19.7%	1.2%	0.2%
Auto loans	3.0%	3.1%	3.0%	0.0%	0.0%
Residual retail loans	13.0%	13.0%	13.0%	0.0%	0.0%
International	13.7%	15.0%	14.7%	0.9%	-0.4%
Total	100%	100%	100%		

Source: Company, JM Financial

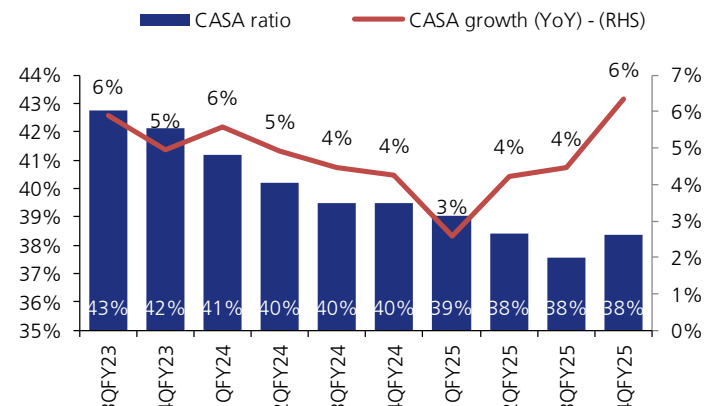
Exhibit 6. SBIN 4Q25: Deposits mix (banking business)

Deposits Composition (INR bn)	4QFY24	3QFY25	4QFY25	YoY (%)	QoQ (%)
Savings Deposits - domestic	16,550	16,802	17,006	2.8%	1.2%
Current Deposits - domestic	2,870	2,850	3,646	27.0%	27.9%
CASA Deposits	19,420	19,652	20,652	6.3%	5.1%
Time Deposits - Domestic	27,823	30,486	31,017	11.5%	1.7%
Total Deposits - Domestic	47,243	50,139	51,669	9.4%	3.1%
Foreign Deposits	1,917	2,155	2,153		
Total Deposits	49,161	52,294	53,822	9.5%	2.9%
Domestic Deposit Mix (%)					
Savings Deposits - domestic	35.0%	33.5%	32.9%	-2.1%	-0.6%
Current Deposits - domestic	6.1%	5.7%	7.1%	1.0%	1.4%
CASA (% domestic)	41.1%	39.2%	40.0%	-1.1%	0.8%
Time Deposits - Domestic	58.9%	60.8%	60.0%	1.1%	-0.8%
Total Deposits	100.0%	100.0%	100.0%		

Source: Company, JM Financial

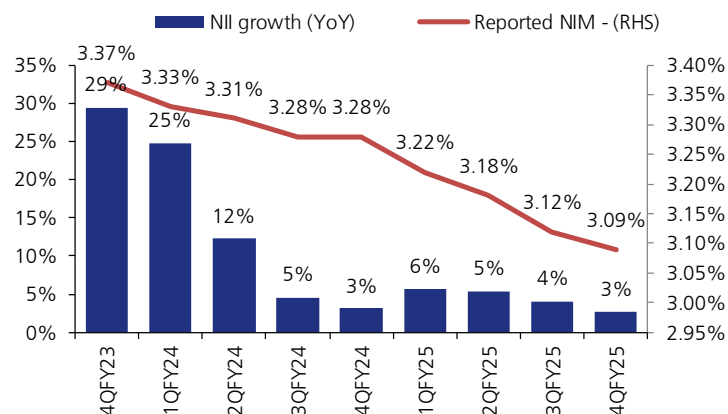
Exhibit 7. SBI: Trend in Loan/Deposit growth

Source: Company, JM Financial

Exhibit 8. SBI: Trend in CASA ratio and CASA growth

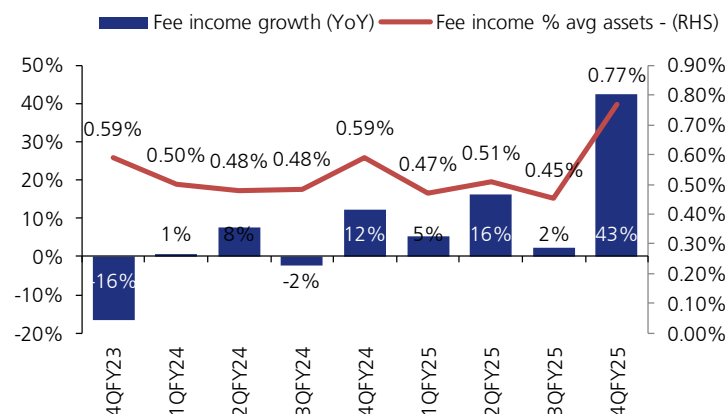
Source: Company, JM Financial

Exhibit 9. SBI: Trend in NII growth and margin



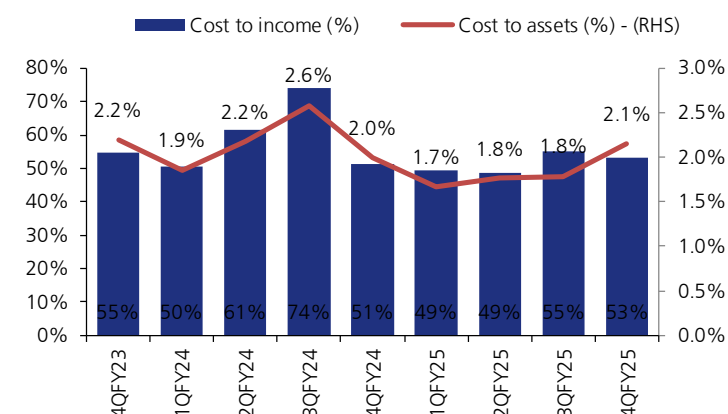
Source: Company, JM Financial

Exhibit 10. SBI: Trend in Fee Income



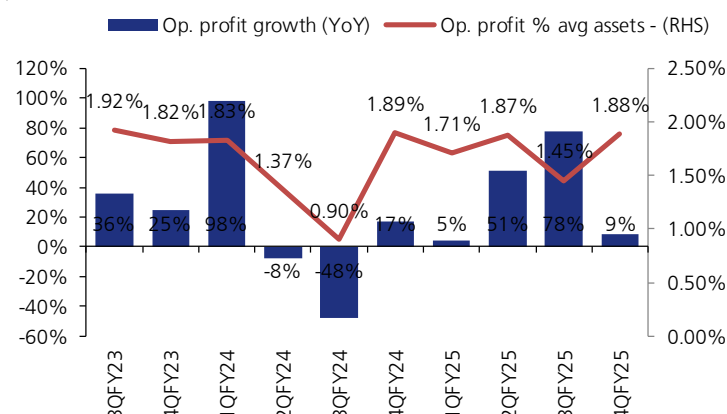
Source: Company, JM Financial

Exhibit 11. SBI: Trend in cost to income/cost to assets



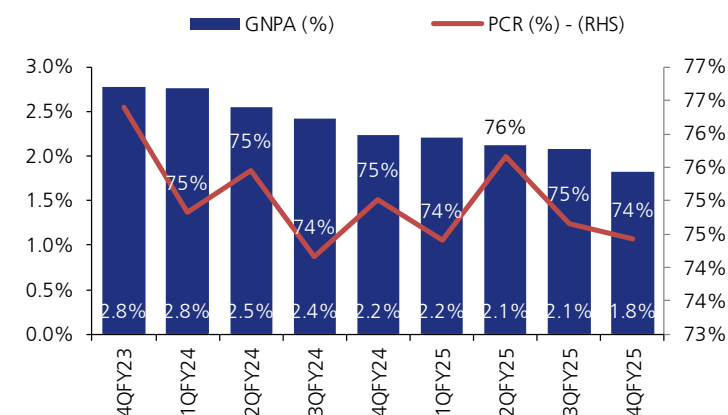
Source: Company, JM Financial

Exhibit 12. SBI: Trend in operating profit



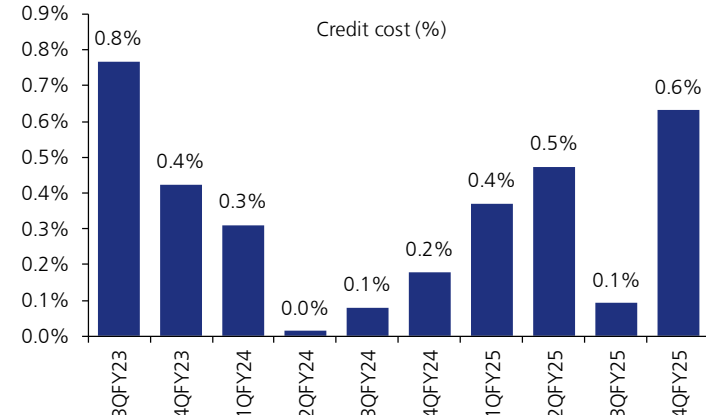
Source: Company, JM Financial

Exhibit 13. SBI: Trend in GNPA/PCR



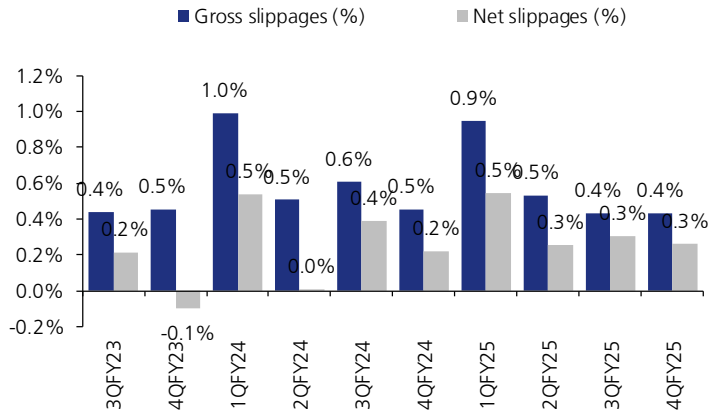
Source: Company, JM Financial

Exhibit 14. SBI: Trend in credit cost



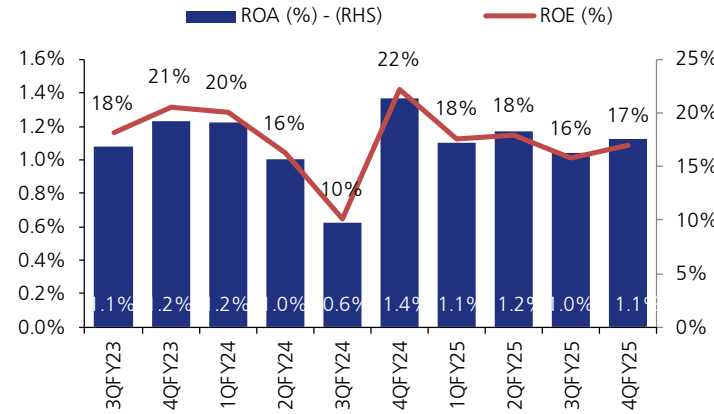
Source: Company, JM Financial

Exhibit 15. SBI: Trend in Gross/Net Slippages



Source: Company, JM Financial

Exhibit 16. SBI: Trend in ROA/ROE



Source: Company, JM Financial

Financial Tables (Standalone)

Profit & Loss (INR bn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Interest Income	1,599	1,670	1,804	1,998	2,309
Profit on Investments	118	153	135	100	100
Exchange Income	17	44	0	0	0
Fee & Other Income	381	420	519	580	654
Non-Interest Income	517	617	654	680	754
Total Income	2,116	2,286	2,458	2,677	3,063
Operating Expenses	1,178	1,181	1,307	1,417	1,574
Pre-provisioning Profits	938	1,106	1,151	1,260	1,489
Loan-Loss Provisions	81	147	0	0	0
Provisions on Investments	-6	5	0	0	0
Others Provisions	-26	1	0	0	0
Total Provisions	49	153	201	229	244
PBT	889	953	950	1,032	1,245
Tax	207	244	239	260	314
PAT (Pre-Extraordinaries)	682	709	710	772	931
Extra ordinaries (Net of Tax)	-71	0	0	0	0
Reported Profits	611	709	710	772	931
Dividend paid	122	142	142	154	186
Retained Profits	488	567	568	617	745

Source: Company, JM Financial

Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Growth (YoY) (%)					
Deposits	11.1%	9.5%	12.3%	14.0%	15.0%
Advances	15.8%	12.4%	13.4%	14.2%	14.5%
Total Assets	12.0%	8.0%	12.6%	13.3%	14.0%
NII	10.4%	4.4%	8.1%	10.7%	15.6%
Non-interest Income	41.1%	19.4%	6.0%	4.0%	11.0%
Operating Expenses	20.5%	0.3%	10.7%	8.4%	11.1%
Operating Profits	12.0%	17.9%	4.1%	9.5%	18.2%
Core Operating profit	-5.7%	17.0%	7.7%	15.9%	21.1%
Provisions	-70.2%	211.5%	31.6%	13.4%	6.9%
Reported PAT	21.6%	16.1%	0.2%	8.6%	20.7%
Yields / Margins (%)					
Interest Spread	2.82%	2.63%	2.52%	2.45%	2.50%
NIM	2.97%	2.81%	2.74%	2.68%	2.71%
Profitability (%)					
Non-IR to Income	24.4%	27.0%	26.6%	25.4%	24.6%
Cost to Income	55.7%	51.6%	53.2%	52.9%	51.4%
ROA	1.04%	1.10%	1.00%	0.96%	1.02%
ROE	17.3%	17.3%	15.1%	14.6%	15.6%
Assets Quality (%)					
Slippages	0.00%	0.00%	0.00%	0.00%	0.00%
Gross NPA	2.24%	1.82%	1.58%	1.53%	1.50%
Net NPAs	0.57%	0.47%	0.40%	0.39%	0.38%
Provision Coverage	75.0%	74.4%	75.0%	75.0%	75.0%
Specific LLP	0.27%	0.37%	0.42%	0.45%	0.45%
Net NPAs / Networth	5.6%	4.5%	3.8%	3.7%	3.7%
Capital Adequacy (%)					
Tier I	11.93%	12.11%	12.76%	12.66%	12.57%
CAR	14.28%	14.25%	15.31%	15.21%	15.12%

Source: Company, JM Financial

Balance Sheet (INR bn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Equity Capital	9	9	9	9	9
Reserves & Surplus	3,764	4,403	4,971	5,589	6,333
Deposits	49,161	53,822	60,466	68,931	79,271
Borrowings	5,976	5,636	6,127	6,984	8,032
Other Liabilities	2,888	2,891	3,584	3,650	3,463
Total Liabilities	61,797	66,761	75,157	85,163	97,109
Investments	16,713	16,906	18,979	21,256	24,445
Net Advances	37,040	41,633	47,214	53,900	61,723
Cash & Equivalents	3,108	3,402	3,663	4,175	4,802
Fixed Assets	426	441	485	534	312
Other Assets	4,510	4,378	4,816	5,298	5,828
Total Assets	61,797	66,761	75,157	85,163	97,109

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
NII / Assets	2.73%	2.60%	2.54%	2.49%	2.53%
Other Income / Assets	0.88%	0.96%	0.92%	0.85%	0.83%
Total Income / Assets	3.62%	3.56%	3.46%	3.34%	3.36%
Cost / Assets	2.01%	1.84%	1.84%	1.77%	1.73%
PBP / Assets	1.60%	1.72%	1.62%	1.57%	1.63%
Provisions / Assets	0.08%	0.24%	0.28%	0.29%	0.27%
PBT / Assets	1.52%	1.48%	1.34%	1.29%	1.37%
Tax rate	23.3%	25.6%	25.2%	25.2%	25.2%
ROA	1.04%	1.10%	1.00%	0.96%	1.02%
RoRWAs	2.03%	2.06%	1.88%	1.85%	1.96%
Leverage	16.4	15.1	15.1	15.2	15.3
ROE	17.3%	17.3%	15.1%	14.6%	15.6%

Source: Company, JM Financial

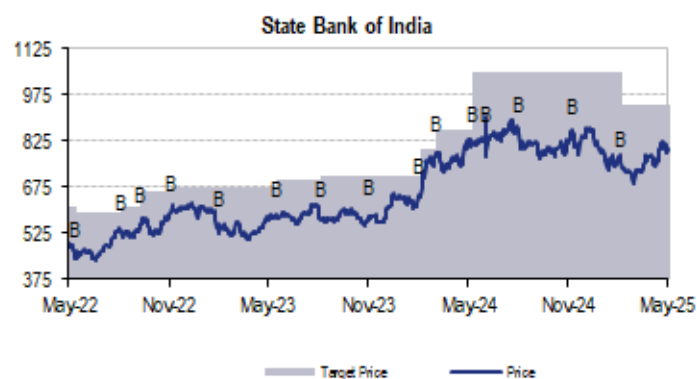
Valuations					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shares in Issue	8.9	8.9	8.9	8.9	8.9
EPS (INR)	68.4	79.4	79.6	86.5	104.3
EPS (YoY) (%)	21.6%	16.1%	0.2%	8.6%	20.7%
PER (x)	11.7	10.1	10.0	9.3	7.7
BV (INR)	423	494	558	627	711
BV (YoY) (%)	15.2%	16.9%	12.9%	12.4%	13.3%
ABV (INR)	399	471	534	603	687
ABV (YoY) (%)	15.6%	18.0%	13.5%	13.0%	13.8%
P/BV (x)	1.89	1.62	1.43	1.28	1.13
P/ABV (x)	2.01	1.70	1.50	1.33	1.16
DPS (INR)	13.7	15.9	15.9	17.3	20.9
Div. yield (%)	1.7%	2.0%	2.0%	2.2%	2.6%

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
21-May-21	Buy	525	
4-Aug-21	Buy	525	0.0
11-Oct-21	Buy	535	1.9
3-Nov-21	Buy	615	15.0
5-Feb-22	Buy	610	-0.8
15-May-22	Buy	590	-3.3
7-Aug-22	Buy	610	3.4
11-Sep-22	Buy	660	8.2
6-Nov-22	Buy	675	2.3
3-Feb-23	Buy	675	0.0
18-May-23	Buy	700	3.7
6-Aug-23	Buy	710	1.4
5-Nov-23	Buy	710	0.0
4-Feb-24	Buy	800	12.7
5-Mar-24	Buy	860	7.5
10-May-24	Buy	1,050	22.1
6-Jun-24	Buy	1,050	0.0
4-Aug-24	Buy	1,050	0.0
10-Nov-24	Buy	1,050	0.0
7-Feb-25	Buy	940	-10.5

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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