

CMP: ₹ 785

Target: ₹ 940 (20%)

Target Period: 12 months

BUY

May 5, 2025

### Other income aid PAT; treasury to support margin headwind

**About the stock:** SBI is a public sector bank and also the largest bank in India with a balance sheet size of over ~ ₹66 lakh crore.

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

**Q4FY25 performance:** SBI reported a mixed performance in Q4FY25. Moderation was seen in business growth across both advances and deposits. Credit growth remained broadly in line with the industry at 12.4% YoY, driven by MSME, agri, and retail segments, while corporate growth was slightly slower. Deposit accretion was modest at 9.5% YoY, led primarily by term deposits (11.5% YoY). Asset quality stayed robust with slippages down 4 bps QoQ at 55 bps, GNPA down 25 bps QoQ at 1.82% (led by higher write-offs), and NNPA down 6 bps at 0.47%. However, earnings declined 10% YoY, largely due to elevated provisions at ~60 bps (including front-loading of ~₹6000 crore of provision). Treasury and forex gains and one-off recovery (related to accounting of SR) coupled with steady margin at 3% aided PPop, while elevated provision led to 10% decline in earnings.

### Investment Rationale

- Credit growth outlook steady backed by healthy corporate pipeline and revival in Xpress credit:** Management expects to maintain steady credit growth at 12–13% CAGR, supported by a robust corporate pipeline of ₹3.4 lakh crore, and improving trend in Xpress credit. Domestic CD ratio at 69.7% indicates healthy liquidity buffers and ample headroom to fuel incremental growth. Deposit accretion is expected to remain stable, led by continued traction in retail term deposit and calibrated rate adjustments. Revival in Xpress Credit is also poised to aid yields, further strengthening overall outlook.
- CI ratio and asset quality holds firm, despite margin softness:** Management anticipates some NIM compression due to rate cuts but expects the impact to be cushioned, given ~29% of loan book is repo-linked, while ~70% is MCLR and fixed-rate, providing a natural hedge. No further SA rate cuts are planned, while repricing of TD remains a key lever to optimize funding cost. Operationally, SBI aims to maintain CI ratio at ~50–51%, prioritizing income growth over aggressive cost-cutting. Asset quality stayed robust with slippages down 4 bps QoQ at 55 bps, GNPA/NNPA down 25 bps and 6 bps QoQ to 1.82/0.47% respectively. Provision increased at ~60 bps, with increase in other provision related to front-loading of anticipated provisions related staff PLI. Bank maintains its guidance to hold NIMs near 3% and RoA is expected to remain steady at ~1% for FY26-27E.

### Rating and Target Price

- Moderation in credit growth with relatively resilient margins aided by diversified loan mix and consistent strong asset quality reinforce robust operating profile. Treasury gains remain a catalyst. Thus, we maintain multiple at ~1.1x and assign ₹280 for subsidiaries, thereby revising target price to ₹940 per share. Maintain **Buy** rating on the stock.

### Key Financial Summary

₹ Bn	FY23	FY24	FY25	3 Year CAGR (FY22-25)	FY26E	FY27E	2 Year CAGR (FY25-27E)
NII	1448	1599	1670	11%	1862	2087	12%
PPP	837	938	1106	14%	1210	1349	10%
PAT	502	611	745	33%	767	828	5%
ABV (₹)	343.2	399.0	444.8		511.0	581.5	
P/E	14	12	10		9	9	
P/ABV	2.3	2.0	1.8		1.6	1.4	
RoA	1.0	1.0	1.2		1.1	1.1	
RoE	16.5	17.3	18.1		16.1	15.3	

Source: Company, ICICI Direct Research



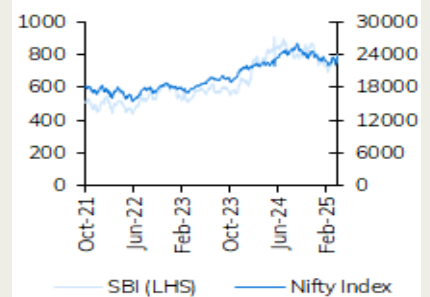
#### Particulars

Particulars	Amount
Market Cap	₹ 7,13,970 crore
52 week H/L	912 / 680
Network	₹ 4,14,939 Crore
Face value	1.0
DII Holding (%)	24.9
FII Holding (%)	9.9

#### Shareholding pattern

	Jun-24	Sep-24	Dec-24	Mar-24
Promoter	57.5	57.5	57.4	57.4
FII	11.2	10.7	10.3	9.9
DII	23.6	24.0	24.7	24.9
Others	7.7	7.8	7.6	7.8

#### Price Chart



#### Key risks

- Volatility in margins amid rate cut
- Moderation in deposit accretion could impact business growth

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## Concall Highlights and Outlook

### Performance and growth outlook

- Gross advances grew 12% YoY, led by robust traction across segments: MSME (16.9%), agriculture (14.3%), corporate (9%) and retail personal (11.4%).
- Gross deposits rose 9.5% YoY, with term deposits (11.5%) continuing to outpace CASA (6.3%), CASA ratio now stands at 39.97%.
- Domestic CD ratio stood at 69.7%, indicating ample liquidity and headroom for future growth.
- Management acknowledged that FY25 credit growth moderated to ~12% vs. initial guidance of 14–16%, largely due to unanticipated prepayment in corporate side that dragged overall credit growth downward. Guidance for FY26E stands at 12-13% growth in advances.
- ₹3,300 crore recovery linked to a major account (₹500 crore adjusted in provision; balance to be reflected in treasury via SR revaluation as per RBI's March circular).
- ₹6,600 crore worth of AFS reserves contribute to CET-1 capital buffer.
- Treasury income is expected to benefit from easing rate cycle, with room for both MTM gains and trading profits as yields moderate, though management refrained from providing specific guidance.

### Margins

- Management expects some NIM compression due to rate cut and highlighted that:
  - Only ~29% of loan book is repo-linked; ~70% is MCLR/fixed-rate, cushioning margin impact.
  - The bank aims to sustain NIMs near 3% and maintain >1% RoA, though near-term pressure is anticipated in select quarters.
- SBI does not plan further reductions in the savings deposit rate despite competitors cutting rates by ~25 bps.
- The focus remains on tactical repricing of fixed deposit to balance margin pressure amid an expected ~50 bps further repo rate cut.

### Opex and credit cost

- Management guided for sustained efforts to keep CI ratio below 50–51%, emphasizing income growth over aggressive cost-cutting.
- The ~10% YoY dip in Q4FY25 PAT was attributed to frontloading of provisions related to staff PLI.
- Slippage ratio held steady at 0.55%; credit cost at 0.38%, reflecting robust underwriting and collection process.
- Staff expenses in Q4 were elevated due to:
  - 15-day pay performance-linked incentive (PLI) for all staff.
  - PLI based on grid where 1% of profit is allocated shown in staff expense.
  - ₹1,300 crore provision for performance-based incentives for scale-4 and above (pending government approval), booked under overheads.

### Other Updates

- Capital adequacy ratio: 14.25% (CET-1: 10.81%), comfortably above regulatory requirements. The board approved an enabling resolution to raise up to ₹25,000 crore in equity capital over 12 months, with no immediate capital need flagged.
- Offshore loan growth outpaced domestic trends in FY25, especially via ECBs routed through US, Hong Kong, Dubai (DIFC), and GIFT City branches. International business provides flexibility to rebalance growth when domestic momentum moderates.
- Xpress Credit book saw a modest recovery in Q4; bank anticipates pickup ahead, aided by ~6.5 lakh new CSP (corporate salary package) customer additions.

**Exhibit 1: Variance Analysis**

	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	Comments
NII	42,774	41,655	2.7	41,446	3.2	Stable loan growth and improved yields
NIM (%)	3.09	3.30	-21 bps	3.12	-3 bps	Decline due to ongoing rate cuts and higher cost of deposits
Other Income	24,210	17,369	39.4	11,041	119.3	Boosted by strong treasury gains, incl SR revaluation and higher dividend inflows
Net Total Income	66,984	59,024	13.5	52,487	27.6	
Operating expense	35,698	30,277	17.9	28,935	23.4	Sequential increase due to PLI cost and one-off staff related exp
PPP	31,286	28,747	8.8	23,552	32.8	
Provision	6,441	1,610	300.1	911	607.0	Conservative front-loading of provisions related to staff PLI
PBT	24,845	27,137	-8.4	22,641	9.7	
Tax Outgo	6,202	6,439	-3.7	5,748	7.9	
PAT	18,643	20,698	-9.9	16,893	10.4	PAT declined on account of higher provisioning
<b>Key Metrics</b>						
GNPA	76,880	84,276	-8.8	84,360	-8.9	Slippages ratio down at 55 bps
NNPA	19,667	21,005	-6.4	21,378	-8.0	
Advances	4,163,312	3,703,971	12.4	4,004,567	4.0	Domestic growth driven by across segment
Deposits	5,382,190	4,916,077	9.5	5,229,384	2.9	Term deposits (11.5%) continuing to outpace CASA (6.3%), CASA ratio now stands at 39.97%
GNPA %	1.8	2.2	-42 bps	2.1	-25 bps	
NNPA %	0.47	0.6	-10 bps	0.5	-6 bps	

## Financial Summary

Exhibit 2: Profit and loss statement				
	₹ bn			
(Year-end March)	FY24	FY25	FY26E	FY27E
Interest Earned	4,151	4,625	4,921	5,388
Interest Expended	2,553	2,955	3,058	3,301
Net Interest Income	1,599	1,670	1,862	2,087
% growth	10.4	4.4	11.5	12.1
Non Interest Income	517	617	673	704
Fees and advisory	281	309	331	364
Net Income	2116	2286	2535	2791
Employee cost	712	644	695	751
Other operating Exp.	465	537	631	691
Operating Income	938	1106	1210	1349
Provisions	49	117	181	238
PBT	889	988	1029	1111
Exceptional Items	-71	0	0	0
Taxes	207	244	262	283
Net Profit	611	745	767	828
% growth	22	22	3	8
EPS	68.5	83.5	86.0	92.8

Source: Company, ICICI Direct Research

Exhibit 3: Key ratios				
(Year-end March)	FY24	FY25	FY26E	FY27E
No. of Equity Shares (Crore)	892.0	892.0	892.0	892.0
EPS (₹)	68.5	83.5	86.0	92.8
BV (₹)	422.9	466.8	537.3	613.4
ABV (₹)	399.0	444.8	511.0	581.5
P/E	11.7	9.6	9.3	8.6
P/BV	1.9	1.7	1.5	1.3
P/ABV	2.0	1.8	1.6	1.4
<b>Yields &amp; Margins (%)</b>				
Net Interest Margins (calculated)	3.0	2.8	2.9	2.9
Yield on avg earning assets	7.7	7.8	7.6	7.5
Avg. cost on funds	4.9	5.1	4.9	4.8
Avg. cost of Deposits	4.7	5.0	4.8	4.7
Yield on average advances	8.4	8.0	7.8	7.7
<b>Quality and Efficiency (%)</b>				
Cost / Total net income	55.7	51.6	52.3	51.7
Credit/Deposit ratio	75.3	77.4	79.0	80.2
GNPA	2.2	1.8	1.8	1.8
NNPA	0.6	0.5	0.5	0.5
RoE	17.3	18.1	16.1	15.3
RoA	1.0	1.2	1.1	1.1

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet				
	₹ bn			
(Year-end March)	FY24	FY25	FY26E	FY27E
<b>Sources of Funds</b>				
Capital	8.9	8.9	8.9	8.9
Reserves and Surplus	3764	4432	5061	5740
Networth	3772	4441	5070	5749
Deposits	49161	53822	59175	65439
Borrowings	5976	5636	6282	7035
Other Liabilities & Provisions	2888	2891	3159	3459
Total	61797	66790	73687	81682
<b>Application of Funds</b>				
Fixed Assets	427	441	506	546
Investments	16713	16906	18397	20039
Advances	37040	41633	46751	52503
Other Assets	4509	4408	4472	4863
Cash with RBI & call money	3108	3402	3560	3731
Total	61797	66790	73687	81682

Source: Company, ICICI Direct Research

Exhibit 5: Growth ratios				
(Year-end March)	FY24	FY25	FY26E	FY27E
Total assets	12.0	8.1	10.3	10.8
Advances	15.8	12.4	12.3	12.3
Deposits	11.1	9.5	9.9	10.6
Total Income	16.6	8.1	10.9	10.1
Net interest income	10.4	4.4	11.5	12.1
Operating expenses	20.5	0.3	12.3	8.8
Operating profit	32.3	11.2	4.1	7.9
Net profit	21.6	21.9	3.0	7.9
Book value	15.2	10.4	15.1	14.2
EPS	21.6	21.9	3.0	7.9

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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