

**Key Highlights – Q1FY25**

- State Bank of India (SBI) in Q1FY25 posted a steady earnings result, with stable asset quality, controlled opex costs and robust loan book growth.
- Reported Profit after tax stood at ₹170bn flat YoY/ down -18% QoQ.
- In Q1FY25, NII stood at ₹411bn rising +6% YoY/ flat QoQ with NIM (domestic) coming in at 3.4%, down -12bps YoY and QoQ.
- Overall loan book growth of +15.4% YoY/ +1.2% QoQ to ₹38,121bn was driven mainly by the international business growth while domestic business remained flat on a sequential basis during the quarter.
- Total bank deposits increased by +8.2% YoY/ flat QoQ to ₹49,017bn. CASA ratio witnessed compression of -218bps YoY/ -41bps QoQ to 40.7%.
- Asset Quality further strengthened with GNPA / NNPA falling to 2.2% / 0.6% in Q1FY25.
- During the quarter, Return on equity improved to 21%, while Return on Assets declined to 1.1%.

**Important Statistics**

<b>Nifty</b>	23,993
<b>Sensex</b>	78,593
<b>M.CAP (₹ tn)</b>	7.11
<b>52 Week H/L (₹)</b>	912.00/543.20
<b>NSE Code</b>	SBIN
<b>BSE Code</b>	500112
<b>Bloomberg Code</b>	SBIN:IN

**Shareholding Pattern Jun'24**

Promoters	57.54%
FII's	11.15%
DII	23.64%
Public	07.67%

**Key takeaways from Q1FY25 result**

- **Profitability**
  - SBIN posted a decent set of numbers with moderation in NIM somewhat offset by controlled growth in operating expenses during the quarter. Higher credit cost impacted bottom-line profitability, however, the management believes inch-up in delinquencies in retail segment is less worrisome.
  - In Q1FY25, net interest income stood at ₹411bn up +6% YoY/ flat QOQ on the back of decline in NIMs during the quarter by -12bps sequentially (-12bps YoY) to 3.4%. Sequential fall in NIM factored in interest on IT refund worth ₹13.4bn received in Q4FY24. Management expects NIM to remain sustainable at current levels.
  - Interest income rose +16% YoY/ flat QoQ to ₹1,115bn with yields on advances rising +5bps YoY/ fell -8bps QoQ during the quarter to 8.8%. Higher cost of deposits at 5.0% up +45bps YoY/ +19bps QoQ led to interest expense rising +23% YoY/ flat QoQ to ₹704bn. Term deposit rate hikes led to increase in overall cost of funds.
  - Employee costs stood at ₹155bn coming down by -7% YoY/-5% QoQ. Operating expenses increased by +14% YoY/-26%QoQ to ₹104bn. Controlled opex growth resulted cost-income ratio falling below 50%.
  - For the quarter, provisions stood at ₹34bn up from ₹16bn in Q4FY24, thus credit cost coming in at 0.48% increasing +16bps YoY/+19bps QoQ. Management anticipates credit cost to remain ~0.5% in FY25.
  - Resultantly, reported profit after tax for Q1FY25 came in at ₹170bn up +1% YoY/ -18% QoQ.
  - During the quarter, RoE expanded +66bps YoY(-344bps YoY) to 21%, however, RoA contracted by -26bps QoQ(-12bps YoY) to 1.1%.

**Financials**

Segment (Rs bn)	Q1FY24	Q1FY25	YoY %
Retail Personal	12,043	13,680	13.6%
Agri	2,641	3,091	17.1%
SME	3,699	4,434	19.9%
Corporate	9,822	11,386	15.9%
Domestic	28,204	32,591	15.6%
Overseas	4,833	5,530	14.4%
Total Advances	33,037	38,121	15.4%

Source: Company, Way2wealth Research

**Relative Performance**

Return (%)	1Yr	3Yr	5Yr
<b>SBI</b>	<b>39%</b>	<b>85%</b>	<b>174%</b>
Nifty	23%	48%	122%
Sensex	19%	45%	115%

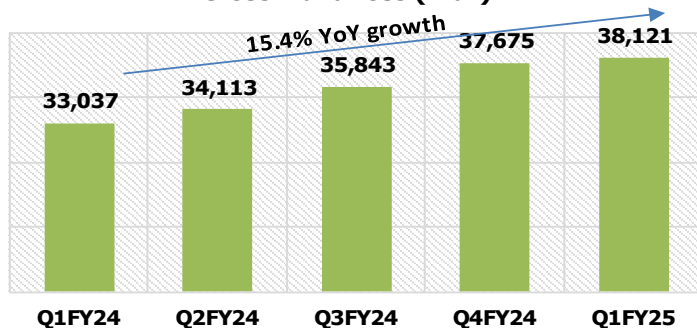
Source: Company, Way2wealth

**Prasad Hase**

[prasadhase@way2wealth.com](mailto:prasadhase@way2wealth.com)

91-22-4019 2908

**Gross Advances (₹ bn)**



Source: Company, Way2wealth Research

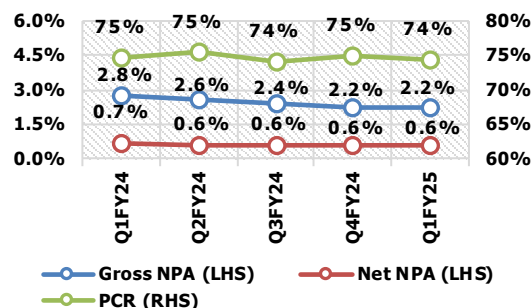
**Advances and Deposits**

- Gross advances were up +15.4% YoY/+1.2% QoQ to ₹38,121bn with domestic advances growing +15.6% YoY/+1.0% QoQ. This quarter, overseas business grew at robust pace of +14.4% YoY/+2.6% QoQ. Gross Advances Mix : MCLR: 36%, EBLR: 27%, Fixed Book: 20%, Others:14%.
- During the quarter, domestic lending business was led by healthy +19.9% YoY/+2.4% QoQ growth in SME segment to ₹4,434bn while retail personal loan segment grew at a muted pace of +13.6% YoY/+1.2% QoQ growth to ₹13,680bn. Corporate lending book grew at +16% YoY to ₹11,386bn but came flat sequentially. Lending to infra segment stands at ~₹3,000bn and bank looking to grow this segment.
- For the quarter, deposit base grew by +8.2% YoY/flat QoQ to ₹49,017bn. It was driven by growth in term deposits increasing +12% YoY/flat QoQ to ₹27,895bn while CASA growth remained subdued at +2.6% YoY/-1.4% QoQ to ₹19,144bn.
- Resultantly, CASA ratio in Q1FY25 stood at 40.7%, down -218ps YoY/-41bps QoQ. More than 60% of regular savings accounts opened digitally via YONO SBI. Bank's market share in saving account is ~27%.

**Asset quality**

- Improvement in bank's asset quality continued as GNPA contracted -55bps YoY/-3bps QoQ to 2.2% while NNPA fell -14bps YoY/flat QoQ to 0.6%. PCR fell by -41bps YoY/-61bps QoQ at 74%.
- Elevated Xpress Credit Card GNPA should moderate going forward. While GNPA ratio in retail segment increased by ~20bps QoQ, management believes it is due to increase in delinquencies which should moderate and not much concerned about this inch-up.
- Slippages in Q1FY25 rose +3.2% YoY/+104.4% QoQ to ₹79bn, while Slippage Ratio came at 0.8% down -10bps YoY and +22bps QoQ.

**Asset Quality**

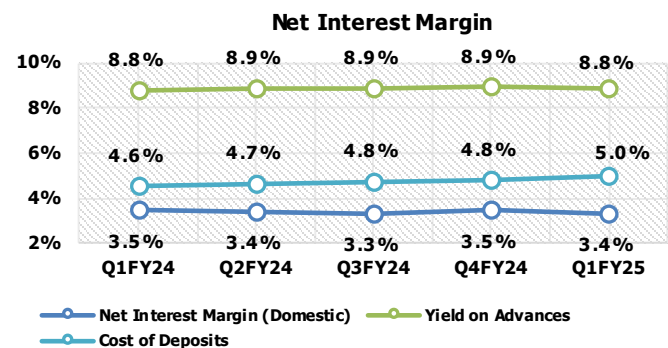
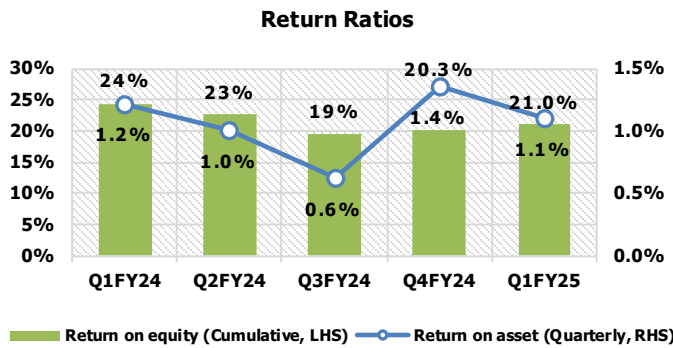
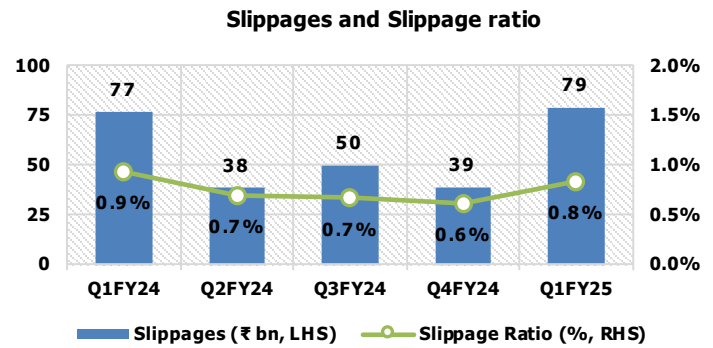
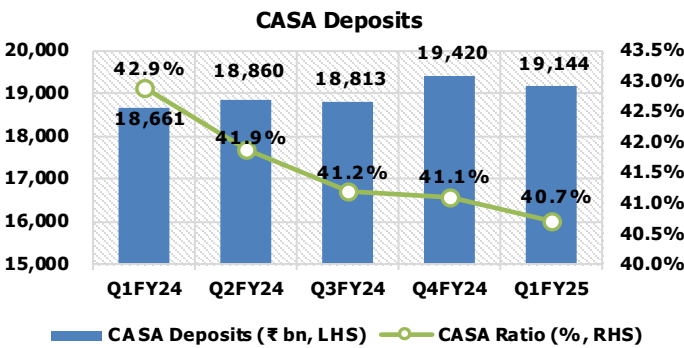
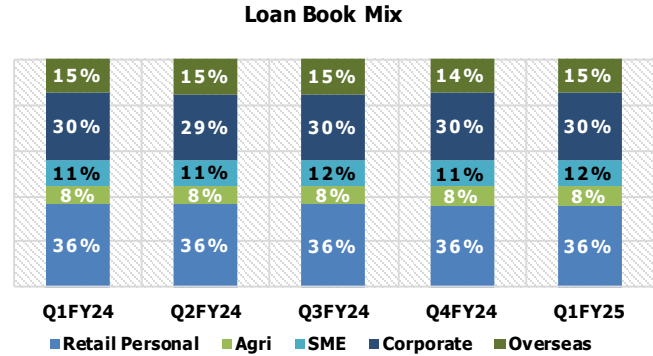
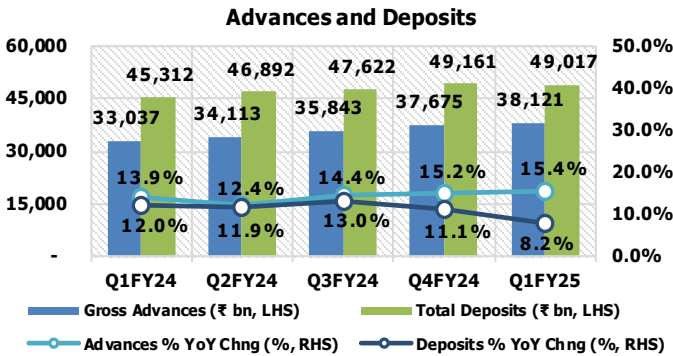


Source: Company, Way2wealth Research

**Capital Adequacy**

- In Q1FY25, the Capital Adequacy Ratio (CAR) fell -70bps YoY / -42bps QoQ to 13.86%.

**Story in Charts**



Source: Company, Way2wealth Research

07<sup>th</sup> August 2024

CMP – ₹798/-

View – BUY

**View**

State Bank of India posted a steady performance in Q1FY25 reporting a robust loan book growth banking on its strong franchise. Govt. of India's strong infra investment push would certainly support SBI's loan book expansion efforts on the back of largest distribution network in the country. While deposit growth likely to lag advances growth this year, the bank remains well positioned in terms of liquidity as well as LCR.

Improvement in asset quality likely to continue in coming quarters as well. With one-time impact of wage provision behind, we expect operating costs to moderate as was seen in this quarter. Thus, lower credit cost couple with moderation in cost to income ratio would be key driver for bank's improvement in return ratios. **At CMP of ₹798, the stock is trading at ~1.3x its FY26e P/adj. BV. Thus, we maintain our BUY rating on the stock.**

**Financials**

(₹ bn)

Particulars (₹ bn)	Q1FY25	Q1FY24	% YoY Chng	Q4FY24	% QoQ Chng	FY24	FY23	% YoY Chng
Interest/ discount on advances / bills	787	671	17%	771	2%	2,880	2,214	30%
Income on investments	283	250	13%	282	0%	1,086	959	13%
Interest on balances with RBI & other inter-bank funds	11	14	-22%	12	-9%	51	35	46%
Others	35	25	41%	45	-23%	134	113	18%
<b>Interest earned</b>	<b>1,115</b>	<b>960</b>	<b>16%</b>	<b>1,110</b>	<b>0%</b>	<b>4151</b>	<b>3321</b>	<b>25%</b>
Interest expended	704	571	23%	694	1%	2,553	1,873	36%
<b>Net Interest Income</b>	<b>411</b>	<b>389</b>	<b>6%</b>	<b>417</b>	<b>-1%</b>	<b>1,599</b>	<b>1,448</b>	<b>10%</b>
Other income	112	121	-7%	174	-36%	517	366	41%
<b>Total income</b>	<b>523</b>	<b>510</b>	<b>3%</b>	<b>590</b>	<b>-11%</b>	<b>2,116</b>	<b>1,815</b>	<b>17%</b>
Employee costs	155	166	-7%	163	-5%	712	573	24%
Operating expenses	104	91	14%	139	-26%	465	405	15%
<b>Core Profit</b>	<b>264</b>	<b>253</b>	<b>5%</b>	<b>287</b>	<b>-8%</b>	<b>938</b>	<b>837</b>	<b>12%</b>
Provisions and contingencies	34	25	38%	16	114%	49	165	-70%
Exceptional item	-	-		-		-	-	
<b>Profit before tax</b>	<b>230</b>	<b>228</b>	<b>1%</b>	<b>271</b>	<b>-15%</b>	<b>889</b>	<b>672</b>	<b>32%</b>
Tax expense	60	59	1%	64	-7%	207	170	22%
<b>Net profit</b>	<b>170</b>	<b>169</b>	<b>1%</b>	<b>207</b>	<b>-18%</b>	<b>682</b>	<b>502</b>	<b>36%</b>
<b>Exceptional items</b>	<b>-</b>	<b>-</b>		<b>-</b>		<b>71</b>	<b>-</b>	
<b>Reported PAT</b>	<b>170</b>	<b>169</b>	<b>1%</b>	<b>207</b>	<b>-18%</b>	<b>611</b>	<b>502</b>	<b>22%</b>
Earnings per share (EPS)	19	19	1%	23	-18%	68	56	22%
NIM (Overall)	3.2%	3.3%	-11 bps	3.3%	-8 bps	3.3%	3.4%	-9 bps
<b>NIM (Domestic)</b>	<b>3.4%</b>	<b>3.5%</b>	<b>-12 bps</b>	<b>3.5%</b>	<b>-12 bps</b>	<b>3.4%</b>	<b>3.6%</b>	<b>-15 bps</b>
Cost to Income ratio	49.4%	50.4%	-95 bps	51.3%	-188 bps	55.7%	53.9%	179 bps
Cost to Assets	1.7%	1.9%	-19 bps	2.0%	-32 bps	2.0%	1.9%	15 bps

Source: Company, Way2wealth Research

**Disclaimer**

**Analyst Certification:** I, Prasad Hase, the research analyst and author of this report, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s), principally responsible for the preparation of this research report, receives compensation based on overall revenues of the company (Way2Wealth Brokers Private Limited, hereinafter referred to as Way2Wealth) and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

It is confirmed that Prasad Hase, the author of this report has not received any compensation from the companies mentioned in the report in the preceding 12 months. Our research professionals are paid in part based on the profitability of Way2Wealth, which include earnings from other business. Neither Way2Wealth nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information contained in this report.

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. Way2Wealth is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. The contents of this material are general and are neither comprehensive nor appropriate for every individual and are solely for the informational purposes of the readers. This material does not take into account the specific objectives, financial situation or needs of an individual/s or a Corporate/s or any entity/s.

This research has been prepared for the general use of the clients of the Way2Wealth and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient, you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Way2Wealth will not treat recipients as customers by virtue of their receiving this report. The distribution of this document in other jurisdictions may be restricted by the law applicable in the relevant jurisdictions and persons into whose possession this document comes should inform themselves about, and observe any such restrictions.

The report is based upon information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up to date and it should not be relied upon as such. Way2Wealth or any of its affiliates or employees makes no warranties, either express or implied of any kind regarding any matter pertaining to this report, including, but not limited to warranties of suitability, fitness for a particular purpose, accuracy, timeliness, completeness or non-infringement. We accept no obligation to correct or update the information or opinions in it. Way2Wealth or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. The recipients of this report should rely on their own investigations. In no event shall Way2Wealth be liable for any damages of any kind, including, but not limited to, indirect, special, incidental, consequential, punitive, lost profits, or lost opportunity, whether or not Way2Wealth has advised of the possibility of such damages.

This material contains statements that are forward-looking; such statements are based upon the current beliefs and expectations and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. These uncertainties include but are not limited to: the risk of adverse movements or volatility in the securities markets or in interest or foreign exchange rates or indices; adverse impact from an economic slowdown; downturn in domestic or foreign securities and trading conditions or markets; increased competition; unfavorable political and diplomatic developments; change in the governmental or regulatory policies; failure of a corporate event and such others. This is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any particular trading strategy. No part of this material may be copied or duplicated in any form by any means or redistributed without the written consent of Way2Wealth. In no event shall any reader publish, retransmit, redistribute or otherwise reproduce any information provided by Way2Wealth in any format to anyone. Way2Wealth and its affiliates, officers, directors and employees including persons involved in the preparation or issuance of this report may from time to time have interest in securities / positions, financial or otherwise in the securities related to the information contained in this report.

To enhance transparency, Way2Wealth has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

**Disclosure of Interest Statement State Bank of India (SBI) as on 07<sup>th</sup> August 2024**

Name of the Security	State Bank of India (SBI)
Name of the analyst	Prasad Hase
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

This information is subject to change without any prior notice. Way2Wealth reserves at its absolute discretion the right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, Way2Wealth is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors