

Key Highlights – Q3FY25

- State Bank of India (SBI) in Q3FY25 posted a soft growth at the operating level impacted by forex losses, however, lower provisions for the quarter improved bottom-line profitability. Business growth was little sluggish this quarter, however, management remains confident of achieving growth guidance provided earlier.
- Reported PAT stood at ₹168.9bn, up +84% YoY/ down -8% YoY, supported by controlled credit costs and provision write-backs.
- NII came in at ₹414.5bn, up +4% YoY/ flat QoQ, with NIM (domestic) at 3.15%, declining -12bps QoQ / -19bps YoY, largely on account of elevated cost of resources/deposits.
- Loan book grew +13% YoY/ +4% QoQ, led by SME (+8.7% QoQ), retail (+3.6%), corporate (+1.7%), and agri (+4.4%).
- Asset quality strengthened, with GNPA down 6bps QoQ to 2.07% while NNPA remained flat at 0.5%.
- Deposit growth stood at 9.8% YoY, with LDR at 76.6%, providing a cushion for loan growth. CASA ratio declined -198bps YoY/ -83bps QoQ to 39.2%.

Important Statistics

Nifty	22,796
Sensex	75,311
LTP* (₹)	720.35
M.CAP (₹ tn)	~6.44
52 Week H/L (₹)	912/716
NSE Code	SBIN
BSE Code	500112
Bloomberg Code	SBIN:IN

LTP* as on 21st Feb 25

Shareholding Pattern (%)	Dec'24
Promoters	57.4
FIIs	10.3
DII	24.9
Public	7.4

Key takeaways from Q3FY25 result
Financials

➤ **Profitability**

- SBI's Q3FY25 performance was soft, with a miss on pre-provision operating profit (PPOP) as non-interest income was impacted by foreign exchange losses. However, management sees MTM losses recouping in Q4FY25.
- In Q3FY25, Net interest income (NII) stood at ₹414bn, up +4% YoY and flat sequentially. NIM during the quarter, declined -12bps QoQ to 3.15% due to rising deposit costs and a shift toward higher-cost term deposits.
- Interest income for the quarter rose +10%YoY / +3%QoQ, reaching ₹1,174bn, supported by stable yields on advances. However, interest expenses surged by +14%YoY/ +5%QoQ to ₹760bn, reflecting the rising cost of funds.
- Operating expenses were well managed at ₹289bn, down -6%YoY/ up +5%QoQ. Employee costs, a major component of opex, stood at ₹161bn, rising +9%QoQ. Cost-to-income ratio stood at 50.95% for 9MFY25.
- Provisions fell during the quarter, to ₹9bn from ₹45bn in Q2FY25, bringing the credit cost down to 0.24%. Management expects credit cost to remain below 50bps on a sustainable basis.
- Resultantly, PAT for Q3FY25 came in at ₹169bn, up +84% YoY but down -8% QoQ.
- During the quarter, RoE declined -32bps QoQ(+199bps YoY) to 21.46%. RoA also declined by -13bps QoQ(+42bps YoY) to 1.04%.

Segment (Rs bn)	Q3FY24	Q3FY25	YoY %
Retail Personal	12,963	14,473	11.7%
Agri	2,917	3,364	15.3%
SME	4,181	4,964	18.7%
Corporate	10,241	11,763	14.9%
Domestic	30,303	34,564	14.1%
Overseas	5,540	6,113	10.4%
Total Advances	35,843	40,678	13.5%

Source: Company, Way2wealth Research

Relative Performance

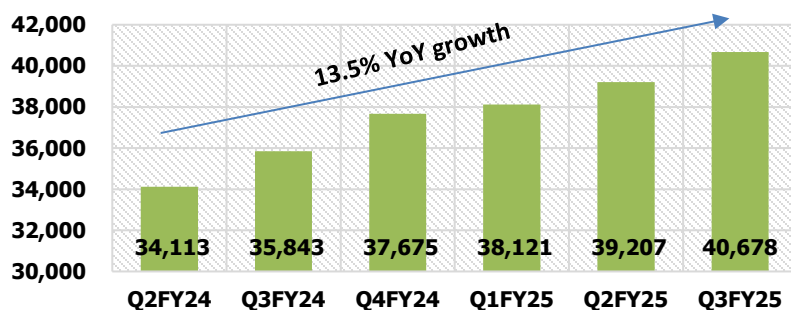
Return (%)	1Yr	3Yr	5Yr
SBI	-5%	49%	138%
Nifty 50	2%	39%	91%
Sensex	2%	37%	84%

Source: Company, Way2wealth

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Gross Advances (₹ bn)



Source: Company, Way2wealth Research

Advances and Deposits

- Gross advances were up +13.5%YoY/ +3.8%QoQ to ₹40,678bn with domestic advances growing +14.1%YoY/ +3.7%QoQ. Overseas business grew at a slightly muted pace of +10.4% YoY/ +3.9% QoQ.
- During the quarter, domestic lending business was led by healthy +14.9%YoY/ +1.7%QoQ growth in corporate segment to ₹11,763bn while retail personal loan segment grew at +11.7%YoY/ +3.6%QoQ growth to ₹14,473bn. SME segment remained the key growth engine for the quarter, growing at a robust pace of +18.7%YoY/ +8.7%QoQ to ₹4,964bn, highlighting the bank's increasing focus on small and medium enterprises. Management also highlighted recent budgetary announcement to be positive for MSME sector.
- For the quarter, deposit base expanded by +9.8%YoY/ +2.2%QoQ to ₹52,294bn, with term deposits driving growth (+13%YoY/ +4%QoQ), while CASA deposit growth remained sluggish, growing at +4.5%YoY/ flat QoQ to ₹19,652bn, leading to a CASA ratio of 39.2% (-198bps YoY/-83bps QoQ).
- The domestic credit-to-deposit ratio increased by 120bps QoQ to 76.6%.

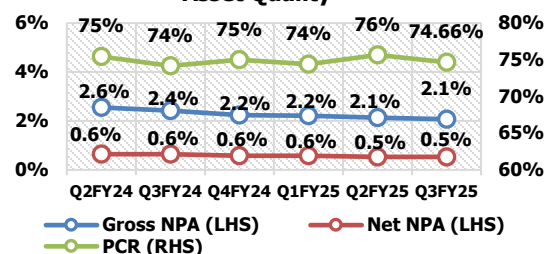
Asset quality

- Improvement in bank's asset quality continued as GNPA contracted -35bpsYoY/ -6bps QoQ to 2.07% while NNPA fell -11bpsYoY to 0.5%. PCR improved slightly by +49bps YoY, but fell -100bps QoQ at 74.7%.
- Express Credit GNPA increased to 1.11%, though this was attributed to a denominator impact rather than deterioration in loan quality.
- Slippages in Q3FY25 stood at ₹38bn, lower QoQ, with the Slippage Ratio at 0.59% (-8bps YoY/-9bps QoQ).

Capital Adequacy

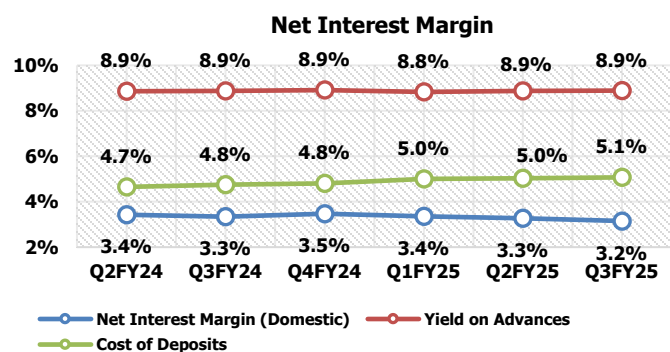
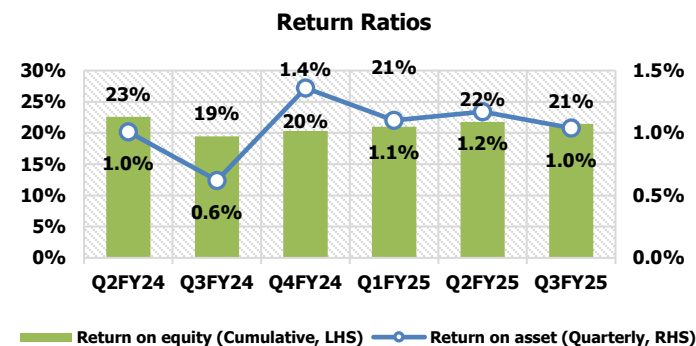
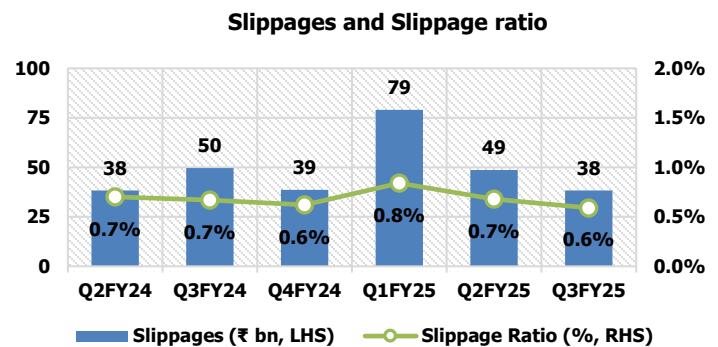
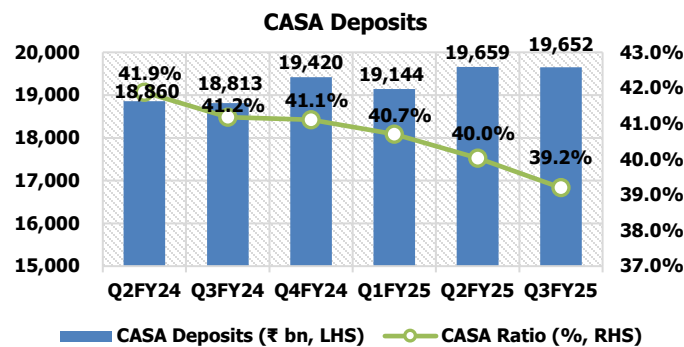
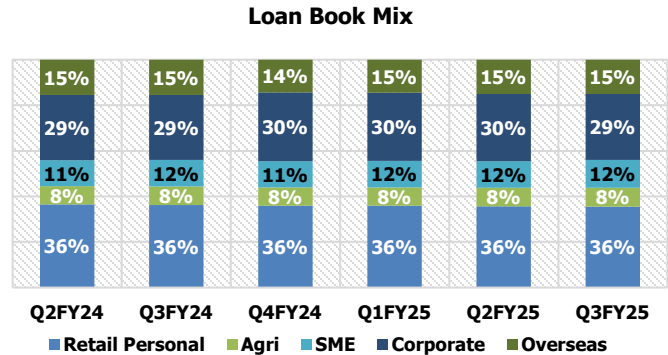
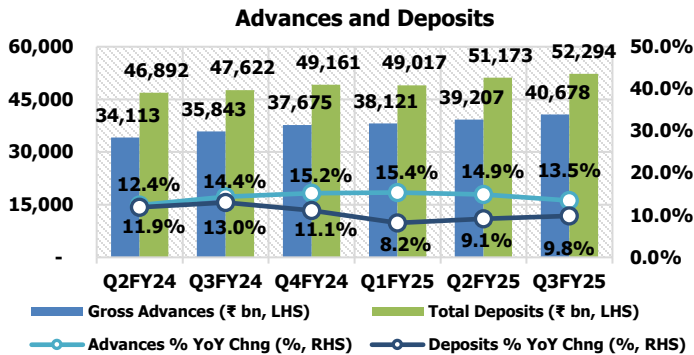
- In Q3FY25, the Capital Adequacy Ratio (CAR) fell -2bps YoY / -73bps QoQ to 13.03%.

Asset Quality



Source: Company, Way2wealth Research

Story in Charts



Source: Company, Way2wealth Research


 24th February 2025

LTP* – ₹720.35/-

 View – **BUY**
View

State Bank of India posted a steady Q3FY25 performance and stable asset quality as the challenging times in MFI and unsecured lending remains a key highlight for the sector. Though the business growth remained a tad below expectations however management remains confident of achieving earlier guided 14-16% credit growth backed by strong pipeline of sanctioned loans. Management remains upbeat on MSME segment with revamped SME funding processes to drive advances growth and anticipates govt.'s announcements in union budget to be structurally supportive for the sector. Additionally, SBI's comfortable position on LDR front provides enough cushioning even if deposit mobilization remains soft in near term.

Multiple factors such as structural headwinds in terms of MFI and Unsecured lending related asset quality challenges, high cost of fund led NIM compressions and moderation in systemic credit growth have led to a significant underperformance of banking sector for past many quarters now, leading to valuation derating as well. SBI is the key beneficiary of an economic upcycle and would benefit out of government's focused efforts on accelerating the economic activity through capex pick-up and consumption revival. Given notable correction in SBI stock price and comfortable valuation of 1.2x P/Bk FY26e, **we feel long term investors can BUY this stock at current levels.**


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View – BUY

Financials

(₹ bn)

Particulars (₹ bn)	Q3FY25	Q3FY24	% YoY Chng	Q2FY25	% QoQ Chng	9MFY25	9MFY24	% YoY Chng
Interest/ discount on advances / bills	834	735	13%	815	2%	2,436	2,109	16%
Income on investments	293	284	3%	280	5%	856	804	6%
Interest on balances with RBI & other inter-bank funds	12	13	-2%	10	27%	33	39	-16%
Others	35	35	0%	33	5%	103	88	17%
Interest earned	1,174	1,067	10%	1,139	3%	3428	3041	13%
Interest expended	760	669	14%	723	5%	2,186	1,859	18%
Net Interest Income	414	398	4%	416	0%	1,242	1,182	5%
Other income	110	115	-4%	153	-28%	375	343	9%
Total income	525	513	2%	569	-8%	1,617	1,525	6%
Employee costs	161	194	-17%	148	9%	463	549	-16%
Operating expenses	129	116	11%	128	1%	360	326	11%
Core Profit	236	203	16%	293	-20%	793	650	22%
Provisions and contingencies	9	7	32%	45	-80%	89	33	168%
Profit before tax	226	196	15%	248	-9%	704	617	14%
Tax expense	57	34	70%	65	-11%	182	143	27%
Net profit	169	163	4%	183	-8%	523	475	10%
Exceptional items	-	71		-		-	71	
Reported PAT	169	92	84%	183	-8%	523	404	29%
Earnings per share (EPS)	19	10	84%	21	-8%	59	45	29%
NIM (Overall)	3.0%	3.2%	-21 bps	3.1%	-13 bps	3.1%	3.3%	-16 bps
NIM (Domestic)	3.2%	3.3%	-19 bps	3.3%	-12 bps	3.3%	3.4%	-16 bps
Cost to Income ratio	55.1%	60.3%	-521 bps	48.5%	662 bps	51.0%	57.4%	-640 bps
Cost to Assets	1.8%	2.1%	-31 bps	1.8%	3 bps	1.7%	2.0%	-31 bps

Source: Company, Way2wealth Research

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Disclosure of Interest Statement State Bank of India (SBI) as on 24th February 2025

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
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