

**Steady Ship Amidst Turbulent Macros; 1% RoA Delivery to Continue!**
**Est. Vs. Actual for Q1FY26: NII – Marginal MISS; PPOP – BEAT; PAT – BEAT**
**Changes in Estimates post Q1FY26**
**FY26E/FY27E (in %) NII: -3.8/-2.1; PPOP: 0.8/0.1; PAT: 0.7/1.0**
**Recommendation Rationale**

- **Growth buoyancy to continue:** SBI has seen strong growth in the Home Loans and SME segments and expects the momentum to continue. The growth in the Xpress credit segment has been muted for the past few quarters. The bank has seen stress emerging amongst the low net income government employee customer segment, owing to over-leveraging. Consequently, SBI consciously slowed down the pace of growth. However, the demand is gradually picking up from Q2 onwards, and the bank is also re-looking at growth in certain segments it had placed on the back burner earlier. The higher prepayments, a common phenomenon in a declining rate cycle in the corporate portfolio, have been a growth dampener. The bank has let go of an opportunity of ~Rs 120 Bn, citing unfavourable risk-reward. Additionally, a few large corporates have tapped the CP market, where rates are attractive, denting the corporate book by another ~Rs 160-180 Bn. However, **the corporate sanctions pipeline remains strong at Rs 7.2 Tn, and SBI expects double-digit corporate growth to resume from Q2 onwards. The management has continued to guide for 12-13% growth in advances for FY26.**
- **Confident on Maintaining Domestic NIMs at 3%:** In Q1FY26, SBI's Domestic/Global NIMs contracted by 13/10 bps QoQ to stand at 3.02/2.9%. The increase in CoF during the quarter was on account of higher flows into TDs and lower CASA balances. Currently, 30.2% of the portfolio is EBLR-linked, 30.7% is MCLR-linked, 22.6% is fixed rate, and 15.9% is T-bill-linked. Thus, **NIMs will continue to contract in Q2, reflecting repo rate changes.** However, the bank is confident of maintaining domestic NIMs at 3% in FY26, driven by recovery in margins in H2. **The CRR cut (releasing ~Rs 520 Bn) and the benefit of the rate cut actions taken on SA and TDs flowing in the CoF from Q3 onwards, should support margin recovery.** We expect NIMs to remain range-bound between 3.0-3.2% over FY26-28E.
- **Asset Quality—No Cause of Concern:** The management has reiterated that the bank does not expect any major asset quality headwinds in any of its segments. The SME segment asset quality continues to hold up well, in contrast to the stress highlighted by certain banks. Of the Rs 79.4 Bn slippages in Q1, the bank has been able to pull back Rs 15.9 Bn so far. **The management remains confident of containing slippages at 0.6% in FY26. Thus, with no major asset quality challenges in sight and a healthy recovery pipeline (guidance of Rs 7-8 Bn in FY26), we expect asset quality to remain stable. This will keep credit costs under check.**

**Sector Outlook: Positive**

**Company Outlook:** SBI remains well-poised to sustain its growth momentum, supported by its comfortable LDR, providing it with leverage to accelerate credit growth. While near-term pressures are expected to be visible on NIMs, benefit from deposit rate cuts, which will reflect in CoF from H2 onwards, should support NIM recovery. The bank is making concentrated efforts to contain Opex growth by focusing on improving productivity and maintaining the C-I Ratio at <50% across cycles. Asset quality does not pose challenges, and thus, credit costs should remain benign. Collectively, this should ensure a comfortable 1% RoA delivery over FY26-28E. The recent QIP has strengthened the Tier I capital, adequate to fuel medium-term growth.

**Current Valuation: 1.25x FY27E ABV; Earlier Valuation: 1.25x FY27E ABV**
**Current TP: Rs 1,025/share; Earlier TP: Rs 1,025/share**
**Recommendation:** We maintain our **BUY** recommendation on the stock.

**Alternative BUY Ideas from our Coverage:**
**ICICI Bank (TP – Rs 1,650), HDFC Bank (TP – Rs 2,300), Kotak Mahindra Bank (TP – Rs 2,500)**
**Financial Performance**

- **Operational Highlights:** Advances grew by 12/1% YoY/QoQ, in line with our expectations. Retail and SME book growth was healthy at 13/2% and 19/4% YoY/QoQ, respectively. Corporate book de-grew by 3% QoQ but grew by 6% YoY. Deposits growth was ahead of our expectations and stood at 12/2% YoY/QoQ. This growth was driven by TDs (+14/3% YoY/QoQ), while CASA Deposits growth stood at 8%/flat YoY/QoQ. CASA Ratio stood at 37.8% vs 39.1/38.4% YoY/QoQ. LDR remains comfortable at 76.7% vs 76.5/77.4% YoY/QoQ.
- **Financial Highlights:** NII was flat YoY but declined 4% QoQ, largely owing to sharper-than-expected margin compression. Domestic/Global NIMs stood at 2.9/3.02% vs 3.0/3.15%. Non-interest income growth was healthy at 55% YoY, driven by healthy treasury income. Opex growth was controlled at 8/-22% YoY/QoQ. Employee Opex was up 9% YoY but down 6% QoQ, while other expenses growth stood at 6/-38% YoY/QoQ. C-I Ratio stood at 47.7% vs 49.4/53.3% YoY/QoQ. PPOP grew by 15/-2% YoY/QoQ. Credit costs stood at 46 bps vs 37/63 bps YoY/QoQ. PAT increased by 12/3% YoY/QoQ.
- **Asset Quality** remained stable with GNPA/NNPA at 1.83/0.47% vs 1.82/0.4% QoQ. Slippages during the quarter stood at Rs 84 Bn with a slippage ratio at 0.8% vs 0.9/0.4% YoY/QoQ. Asset quality across segments was largely stable sequentially.

**Key Financials (Standalone)**

(Rs Bn)	Q1FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
NII	410.7	-4.0	-0.1	420.1	-2.2
PPOP	305.4	-2.4	+15.5	278.1	+9.8
PAT	191.6	+2.8	+12.5	168.6	+13.6
NNPA (%)	0.5	0 bps	-10 bps	0.5	+7 bps
RoA (%)	1.1	+2 bps	+4 bps	1.0	+14 bps

Source: Company, Axis Securities Research

 (CMP as of 08<sup>th</sup> August, 2025)

CMP (Rs)	805
Upside /Downside (%)	27%
High/Low (Rs)	876/680
Market cap (Cr)	7,42,649
Avg. daily vol. (Shrs)	1,20,25,720
No. of shares (Cr)	923.1

**Shareholding (%)**

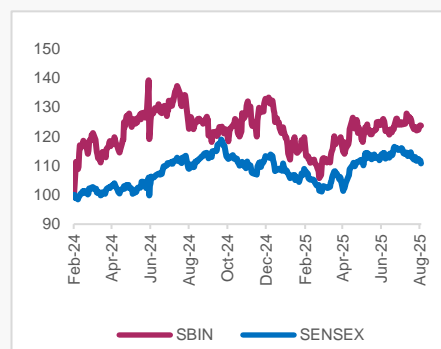
	Dec-24	Mar-25	Jun-25
Promoter	57.4	57.4	57.4
FIIIs	10.3	10.0	13.0
DIIIs	24.9	25.1	25.7
Retail	7.4	7.4	3.9

**Financial & Valuations**

Y/E Mar (Rs Bn)	FY26E	FY27E	FY28E
NII	1,741	2,036	2,278
PPOP	1,168	1,349	1,501
Net Profit	709	806	894
EPS (Rs)	76.8	87.3	96.9
ABV (Rs)	544.8	612.5	686.0
P/ABV (x)	1.5	1.3	1.2
RoA (%)	1.0	1.0	1.0
NNPA (%)	0.4	0.4	0.4

**Change in Estimates (%)**

Y/E Mar	FY26E	FY27E
NII	-3.8	-2.1
PPOP	+0.8	+0.1
PAT	+0.7	+1.0

**Relative Performance**


Source: Ace Equity, Axis Securities Research

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## Key Takeaways

**Productivity Gains to Drive Opex Ratio Improvement:** The bank had upfronted certain expenses in Q4, resulting in lower opex growth in Q1. **The management intends to maintain the C-I Ratio at <50% across cycles, supported by improved productivity.**

## Outlook

SBI remains well poised to continue its growth with no visible challenges to growth and asset quality. We trim our NII estimates by 2-4% over FY26-27E, as we expect near-term pressures on NIM. However, strong traction on fee income, controlled opex keeping cost ratios under check and a strong asset quality profile keeping credit costs benign, we largely maintain our earnings estimates over FY26-27E, with minor tweaks. We expect SBI's RoA to range comfortably over 1% and RoE between 14-15% over the medium term. We expect SBI to deliver a steady Advances/Deposits/NII/Earnings growth of 12/11/11/8% CAGR over FY25-28E.

## Valuation & Recommendation

**We maintain our BUY rating on the stock** with an SOTP-based target price of Rs 1,025/share (Valuing the core book at 1.25x FY27E ABV vs. current valuations of 1.1x FY27E ABV and valuing subsidiaries at Rs 256), thereby implying an upside of 27% from the CMP.

## Key Risks to Our Estimates and TP

- The slowdown in systemic credit growth would impact our estimates.

## Change in Estimates

(Rs Bn)

	Revised			Old			% Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
NII	1,741	2,036	2,278	1,810	2,080	-	-3.8	-2.1	-
PBP	1,168	1,349	1,501	1,158	1,348	-	0.8	0.1	-
PAT	709	806	894	704	798	-	0.7	1.0	-

Source: Company, Axis Securities Research

**SOTP Valuation**

	Per Share	Multiple Assigned
SBI Parent	766	1.25x FY27E ABV
<b>Subsidiaries</b>		
SBI Life	130	2.25x FY27E Embedded Value
SBI AMC	77	32x FY27E EPS
SBI Cards	70	25x FY27E EPS
SBI Capital	31	18x FY27E EPS
SBI General Insurance	12	25x FY27E EPS
<b>Total Value of Subsidiaries</b>	<b>320</b>	
<i>Less: 20% holding discount</i>	<i>64</i>	
<b>Net Value of Sub.</b>	<b>256</b>	
<b>Target Price</b>	<b>1025</b>	
CMP	805	
<b>Upside</b>	<b>27%</b>	

Source: Axis Securities Research

**Result Review (Standalone)**

(Rs Bn)	Q1FY26	Q1FY25	% YoY	Q4FY25	% QoQ
Net Interest Income	411	411	-0.1	428	-4.0
Non-Interest Income	173	112	55.4	242	-28.4
Operating expenses	279	258	7.9	357	-21.9
Staff Cost	169	155	9.3	180	-6.1
Pre-provision profits	305	264	15.5	313	-2.4
Provisions and contingencies	48	34	38.0	64	-26.1
PBT	258	230	12.1	248	3.8
Provision for Tax	66	60	11.1	62	6.8
PAT	192	170	12.5	186	2.8

**Business Update**

Gross Advances	42,545	38,121	11.6	42,207	0.8
<i>Retail</i>	15,399	13,680	12.6	15,065	3.8
<i>Agri</i>	3,483	3,091	12.7	3,485	3.8
<i>SME</i>	5,281	4,434	19.1	5,060	3.8
<i>Corporate</i>	12,034	11,386	5.7	12,406	3.8
<i>Foreign office advances</i>	6,348	5,530	14.8	6,191	3.8

**Deposits**

	<b>54,733</b>	<b>49,017</b>	<b>11.7</b>	<b>53,822</b>	<b>1.7</b>
CASA Deposits	20,685	19,144	8.0	20,652	0.2
CASA Ratio	37.8	39.1	-126bps	38.4	-58bps

Yields on Advances (%)	8.8	8.8	-5bps	9.0	-20bps
Yield on Investments (%)	7.1	7.2	-7bps	7.2	-8bps
Cost of Deposits (%)	5.2	5.0	21bps	5.1	10bps
Cost of Funds (%)	5.1	5.1	3bps	5.2	-3bps
NIMs (%)	3.0	3.4	-33bps	3.2	-20bps
Cost-Income ratio (%)	47.7	49.4	-170bps	53.3	-558bps

**Asset Quality**

Gross NPA (%)	1.8	2.2	-38bps	1.8	1bps
Net NPA (%)	0.5	0.6	-10bps	0.5	0bps
PCR (%)	74.5	74.4	8bps	74.4	7bps
Slippage Ratio (%)	0.8	0.9	-13bps	0.4	38bps

**Capital Adequacy**

CRAR	14.5	13.9	62bps	14.3	23bps
Tier I	12.3	11.8	52bps	12.1	19bps
Tier II	2.2	2.1	10bps	2.1	4bps

Source: Company, Axis Securities Research

## Financials (Standalone)

### Profit & Loss

(Rs Bn)

Y/E March	FY25	FY26E	FY27E	FY28E
Net Interest Income	1,670	1,741	2,036	2,278
Other Income	617	702	713	761
<b>Total Income</b>	<b>2,286</b>	<b>2,443</b>	<b>2,749</b>	<b>3,039</b>
Total Operating Expense	1,181	1,275	1,400	1,538
PPOP	1,106	1,168	1,349	1,501
Provisions & Contingencies	153	220	272	305
<b>PBT</b>	<b>953</b>	<b>947</b>	<b>1,077</b>	<b>1,196</b>
Provision for Tax	244	239	272	301
<b>PAT</b>	<b>709</b>	<b>709</b>	<b>806</b>	<b>894</b>

Source: Company, Axis Securities Research

### Balance Sheet

(Rs Bn)

Y/E March	FY25	FY26E	FY27E	FY28E
<b>SOURCES OF FUNDS</b>				
Share Capital	9	9	9	9
Reserves	4,403	5,219	5,863	6,579
<b>Shareholder's Funds</b>	<b>4,412</b>	<b>5,228</b>	<b>5,873</b>	<b>6,588</b>
<b>Total Deposits</b>	<b>53,822</b>	<b>59,921</b>	<b>66,747</b>	<b>74,282</b>
Borrowings	59,458	66,352	74,045	82,906
Other Liabilities & Provisions	2,891	3,123	3,487	3,905
<b>Total Liabilities</b>	<b>66,761</b>	<b>74,704</b>	<b>83,405</b>	<b>93,398</b>
<b>APPLICATION OF FUNDS</b>				
Cash & Bank Balance	3,402	4,087	4,353	4,844
Investments	16,906	18,582	20,699	23,035
Advances	41,633	46,641	52,333	58,777
Fixed & Other Assets	4,819	5,393	6,021	6,742
<b>Total Assets</b>	<b>66,761</b>	<b>74,704</b>	<b>83,405</b>	<b>93,398</b>

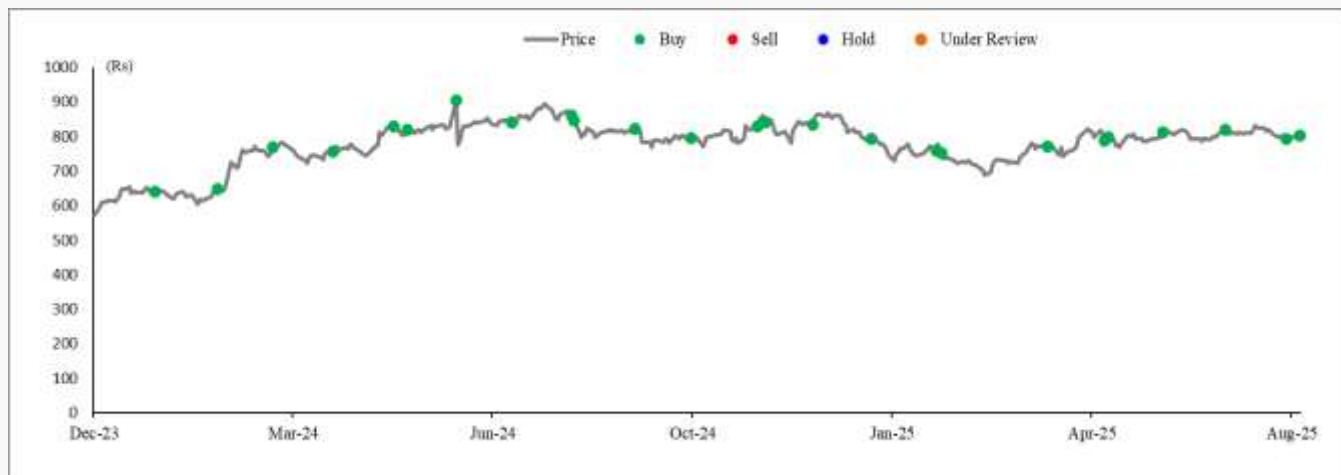
Source: Company, Axis Securities Research

**Ratio Analysis**
**(%)**

Y/E March	FY25	FY26E	FY27E	FY28E
<b>VALUATION RATIOS</b>				
EPS	79.4	76.8	87.3	96.9
Earnings Growth (%)	16.1	-3.4	13.7	11.0
BVPS	494.3	566.4	636.2	713.7
Adj. BVPS	472.3	544.8	612.5	686.0
ROAA (%)	1.1	1.0	1.0	1.0
ROAE (%)	17.3	14.7	14.5	14.4
P/E (x)	10.1	10.5	9.2	8.3
P/ABV (x)	1.7	1.5	1.3	1.2
DPS	15.9	15.4	17.5	19.4
Dividend Yield (%)	2.0	1.9	2.2	2.4
<b>PROFITABILITY</b>				
NIM - Domestic (%)	3.3	3.1	3.2	3.2
NIM – Global (%)	3.2	3.0	3.2	3.2
Cost-Income Ratio	51.6	52.2	50.9	50.6
<b>Growth RATIOS</b>				
Loan Growth (%)	12.4	12.0	12.2	12.3
Deposit Growth (%)	9.5	11.3	11.4	11.3
C-D Ratio (%)	77.4	77.8	78.4	79.1
Equity to Assets (%)	6.6	7.0	7.0	7.1
Equity to Loans (%)	10.6	11.2	11.2	11.2
CRAR (%)	14.3	14.4	14.1	13.6
Tier I (%)	12.1	12.4	12.2	11.9
<b>ASSET QUALITY</b>				
Gross NPLs (%)	1.8	1.7	1.7	1.7
Net NPLs (%)	0.5	0.4	0.4	0.4
Provision Coverage Ratio (%)	74.4	75.0	75.0	75.0
Credit Costs (%)	0.4	0.5	0.5	0.5
<b>RoE TREE (%)</b>				
NII	2.6	2.5	2.6	2.6
Non-Interest Income	1.0	1.0	0.9	0.9
OPEX	1.8	1.8	1.8	1.7
Provisions	0.2	0.3	0.3	0.3
Taxes	0.4	0.3	0.3	0.3
RoA	1.1	1.0	1.0	1.0
Leverage (x)	15.7	14.7	14.2	14.2
RoE	17.3	14.7	14.5	14.4

Source: Company, Axis Securities Research

## State Bank of India Price Chart and Recommendation History



Date	Reco	TP	Research
01-Jan-24	BUY	800	Top Picks
05-Feb-24	BUY	800	Result Update
02-Feb-24	BUY	800	Top Picks
02-Feb-24	BUY	800	Result Update
01-Mar-24	BUY	800	Top Picks
01-Apr-24	BUY	860	Top Picks
02-May-24	BUY	920	Top Picks
10-May-24	BUY	1,010	Result Update
01-Jun-24	BUY	1,010	Top Picks
01-Jul-24	BUY	1,010	Top Picks
01-Aug-24	BUY	1,010	Top Picks
05-Aug-24	BUY	1,030	Result Update
02-Sep-24	BUY	1,030	Top Picks
01-Oct-24	BUY	1,030	Top Picks
03-Nov-24	BUY	1,030	Top Picks
11-Nov-24	BUY	1,040	Result Update
01-Dec-24	BUY	1,040	Top Picks
01-Jan-25	BUY	1,040	Top Picks
03-Feb-25	BUY	1,040	Top Picks
07-Feb-25	BUY	1,025	Result Update
01-Mar-25	BUY	1,025	Top Picks
01-Apr-25	BUY	1,025	Top Picks
02-May-25	BUY	1,025	Top Picks
05-May-25	BUY	1,025	Result Update
01-Jun-25	BUY	1,025	Top Picks
01-Jun-25	BUY	1,025	Top Picks
01-Aug-25	BUY	1,025	Top Picks
11-Aug-25	BUY	1,025	Result Update

Source: Axis Securities Research

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<b>Ratings</b>	<b>Expected absolute returns over 12 – 18 months</b>
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.