August 2026

Initiating Coverage | Sector: Financials – Capital Market

SBI Funds Management

Trusted legacy; plethora of future possibilities

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SBI Funds Management

- SBI Funds Management (SBIFUNDS) is India's leading asset manager with a total QAAUM of INR29.1t as of Jun'26, including INR12.6t of MF QAAUM, INR16.5t of PMS/advisory QAAUM, and INR68b of AIF AUM.
- The company's MF QAAUM recorded a 19% CAGR over FY21-26, driven by a 33%/20% CAGR in equity/passive QAAUM. Rising trajectory of monthly SIP flows (INR40b from INR25b in Mar'24) and 98% of SIPs registered for >36 months provides visibility for continued inflows, becoming a building block for our expectation of 15% FY26-28 equity AUM CAGR.
- SBIFUNDS is also accelerating growth in higher-yielding AIF, PMS, and offshore businesses (~4% of operating revenue on INR16.5t of AUM). Its newly launched SIF business has already reached INR35b QAAUM, and 25.8% market share within a few quarters. A strong scheme pipeline provides an incremental growth and yield improvement avenue.
- Access to 23,265 SBI branches and 100m+ YONO user base remains a structural distribution advantage, accounting for ~20% of overall AUM and ~35% of equity AUM. Less than 2% of SBI's eligible customer base has been tapped, leaving substantial runway for penetration.
- Opex at just 8bp of AUM in FY26 reflects industry-leading cost efficiency. Continued operating leverage should drive opex down to ~7bp by FY28, supporting an ~81% EBITDA margin.
- We expect 13% MF AUM FY26-28 CAGR, gradually improving yields, and a rising contribution from alternates to drive a 14% FY26-28 revenue CAGR. Supported by ~81% EBITDA margins and continued cost efficiency, PAT is expected to clock ~16% CAGR, translating into a 51-52% RoE. We initiate coverage on the stock with a BUY rating and a TP of INR720, based on FY28E core P/E of 42x.

SBI Funds Management

BSE Sensex	S&P CNX
77,265	24,176

SBI FUNDS MANAGEMENT LIMITED

Stock Info

Bloomberg	SBIFUNDS IN
Equity Shares (m)	2037
M.Cap.(INRb)/(USDb)	1145.9 / 12
52-Week Range (INR)	625 / 537
1, 6, 12 Rel. Per (%)	-3/-/-
12M Avg Val (INR M)	4474
Free float (%)	12.0

Financial Snapshot (INRb)

Y/E March (Consol)	2026	2027E	2028E
AAUM	12,091	13,336	15,457
MF Yield (bps)	35.0	35.3	35.5
Rev from Ops	43.9	49.0	57.3
Core PAT	26.2	29.1	34.4
PAT	30.7	34.8	41.5
PAT (bps as AAUM)	25	26	27
Core EPS	13	14	17
EPS	15	17	20
EPS Grw. (%)	21	13	19
BVPS	41	29	36
RoE (%)	43	52	51
Div. Payout (%)	180	60	60
Valuations			
Mcap/AUM (%)	9.5	8.6	7.4
P/E (x)	37.5	33.0	27.7
P/BV (x)	13.8	19.3	15.6

Shareholding pattern (%)

As On	Jun-26
Promoter	88.2
DII	3.0
FII	1.4
Others	7.0

FII includes depository receipts

CMP: INR564 TP: INR720 (+28%) Buy

Trusted legacy; plethora of future possibilities

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- The company's MF QAAUM recorded a 19% CAGR over FY21-26, driven by a 33%/20% CAGR in equity/passive QAAUM. Rising trajectory of monthly SIP flows (INR40b from INR25b in Mar'24) and 98% of SIPs registered for >36 months provides visibility for continued inflows, becoming a building block for our expectation of 15% FY26-28 equity AUM CAGR.
- The AMC's relatively low concentration in its top five equity schemes (~56% of equity AUM), along with the launch of NFOs, support ~62bp equity yields. With equity already accounting for ~47% of MF QAAUM vs. ~30% in FY21, we expect the continued mix shift towards equity along with optimal commission payouts to support gradual rise in MF yields to ~36bp by FY28.
- SBIFUNDS is also accelerating growth in higher-yielding AIF, PMS, and offshore businesses (~4% of operating revenue on INR16.5t of AUM). Its newly launched SIF business has already reached INR35b QAAUM, and 25.8% market share within a few quarters. A strong scheme pipeline provides an incremental growth and yield improvement avenue.
- Access to 23,265 SBI branches and 100m+ YONO user base remains a structural distribution advantage, accounting for ~20% of overall AUM and ~35% of equity AUM. Less than 2% of SBI's eligible customer base has been tapped, leaving substantial runway for penetration.
- Opex at just 8bp of AUM in FY26 reflects industry-leading cost efficiency. Continued operating leverage should drive opex down to ~7bp by FY28, supporting an ~81% EBITDA margin.
- We expect 13% MF AUM FY26-28 CAGR, gradually improving yields, and a rising contribution from alternates to drive a 14% FY26-28 revenue CAGR. Supported by ~81% EBITDA margins and continued cost efficiency, PAT is expected to clock ~16% CAGR, translating into a 51-52% RoE. We initiate coverage on the stock with a **BUY rating and a TP of INR720**, based on FY28E core P/E of 42x.

Market leader in a structurally underpenetrated industry

- India's MF AUM to GDP ratio sits at ~21% against a global average of ~75% and 125%+ in the US despite industry AUM growing from INR32t in FY21 to INR83t as of Jun'26, reflecting underpenetration despite strong growth. Unique investors at 62m are less than 5% of the country's population, reflecting significant headroom for growth.
- Within this underpenetrated industry, SBIFUNDS is positioned as the largest AMC with an MF QAAUM of INR12.6t (15.1% market share), the largest passive player (27.4% market share), and 25.8% market share in the emerging SIF space. Additionally, it has a strong institutional presence with INR16.5t of PMS AUM and a AIF AUM of INR68b.
- The growing SIP franchise further strengthens the quality of this growth, with SIP AUM reaching ~INR2.1t and monthly SIP flows increasing to ~INR40b.
- As household savings progressively shift towards financial assets, its distribution reach and broad product suite across MF, SIF, AIF, PMS etc. position it to capture this incremental pool across customer cohorts.

Multiple levers for yield expansion

- Rising share of equity AUM in the mix at 46.4% (~30% in FY21) has driven the yield expansion from 30bp to 35bp+ with robust equity yields at ~62bp. Low concentration of large equity schemes and optimal commission structure benefit the company's equity yields.
- The newly launched SIF segment is a yield upgrade opportunity sitting inside the equity bucket with potentially high TERs compared to normal equity schemes and a sticky HNI investor base.
- On the alternates side, while institutional PMS yields are structurally lower, they help in building scale and strengthen institutional engagement. The company is also scaling the retail/corporate PMS along with the AIF piece (QAAUM at INR68b from INR39b in Mar'24) to capture the next big revenue opportunity.

Unreplicable distribution model penetrates deepest into B30

- SBIFUNDS's distribution stack has three layers: 1) support of a deeply penetrated promoter – SBI with its 23,265 branches, 15,700+ NISM-certified staff, and engagement opportunity with 100m+ YONO app customer base; 2) 134,000+ distribution partners pan-India; and 3) proprietary digital platform – InvesTap with 4.1m users driving 10% of fresh SIP registrations.
- The distribution advantage serves as a key lever for AUM growth, with the company aiming to further penetrate the SBI network, targeting first-time MF investors and improve productivity through the SBI Funds Academy.
- The other promoter – Amundi, is a distinct pillar providing access to global institutional mandates and offshore expansion.

Robust operational efficiency – the SBI philosophy

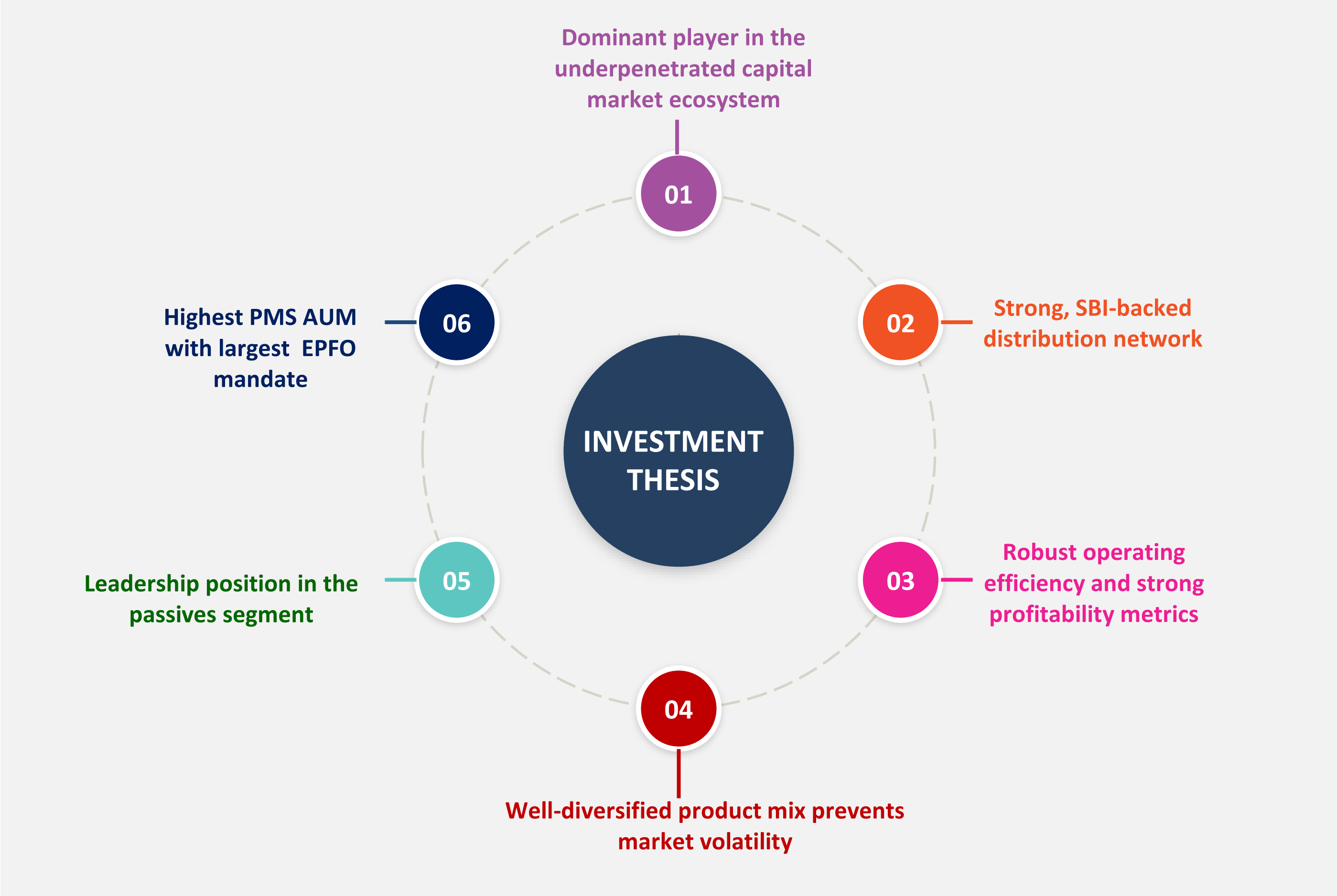
- SBIFUNDS operates at one of the most cost-efficient structures in the industry, with opex at ~8bp of AUM in FY26, creating significant operating leverage as AUM scales despite investments in tech and expansion in emerging segments.
- Access to SBI's strong distribution infrastructure reduces the need for incremental physical infrastructure and supports lower customer engagement costs.
- We forecast opex to decline to ~7bp by FY28, despite continued investments in technology and new product categories. Continued AUM growth should support an ~81% EBITDA margin by FY28.

Valuation and view: Initiate coverage with a BUY rating

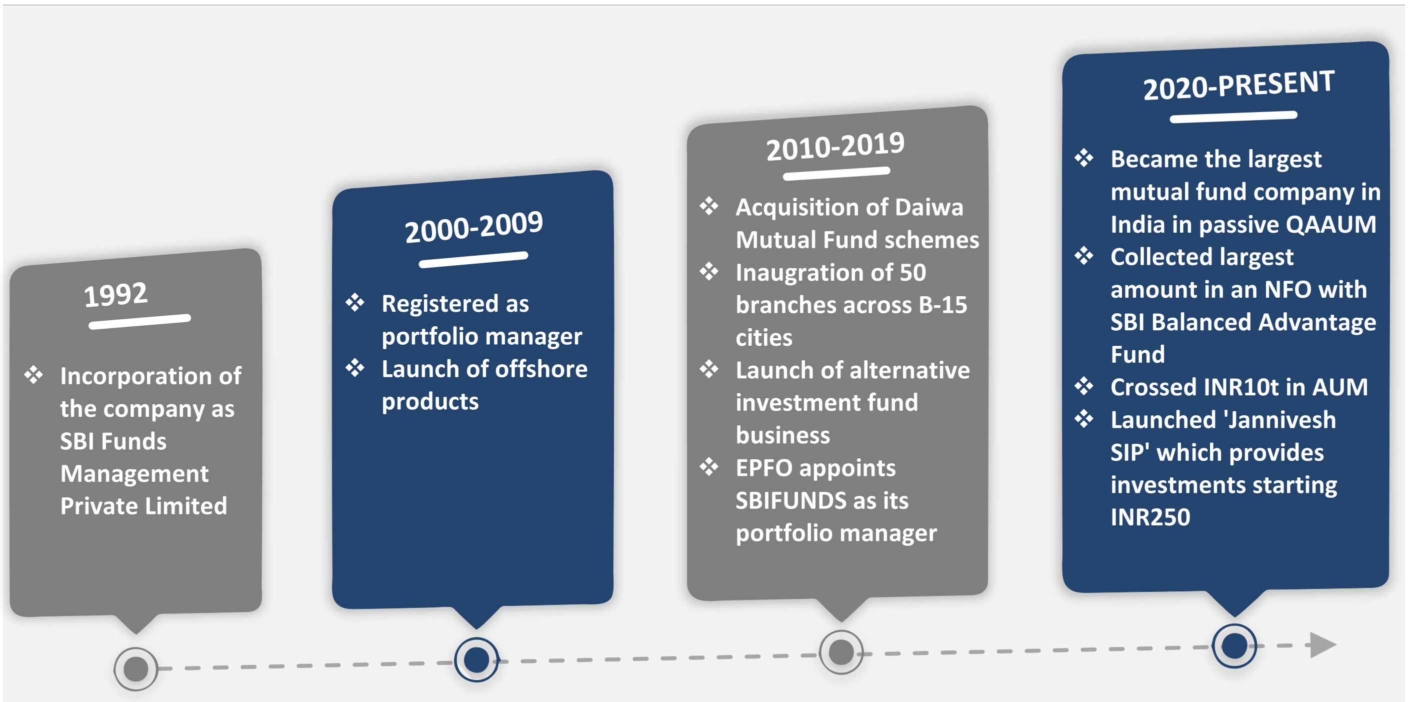
- SBIFUNDS is a high-quality, structurally compounding AMC franchise, supported by its market leadership, SBI-led distribution moat, underpenetrated MF industry, and significant operating leverage.
- We expect 13% MF AUM FY26-28 CAGR, gradually improving yields, and a rising contribution from alternates to drive a 14% FY26-28 revenue CAGR. Supported by ~81% EBITDA margins and continued cost efficiency, PAT is expected to clock ~16% CAGR, translating into a 51-52% RoE. We initiate coverage on the stock with a BUY rating and a TP of INR720, based on FY28E core P/E of 42x.
- Our valuation reflects SBIFUNDS's superior franchise quality and profitability while remaining cognizant of key risks around market-linked AUM volatility, TER/regulatory changes, and pressure on active-equity yields.

STORY IN CHARTS

Investment arguments



Company history



SBIMF is India's leading asset manager

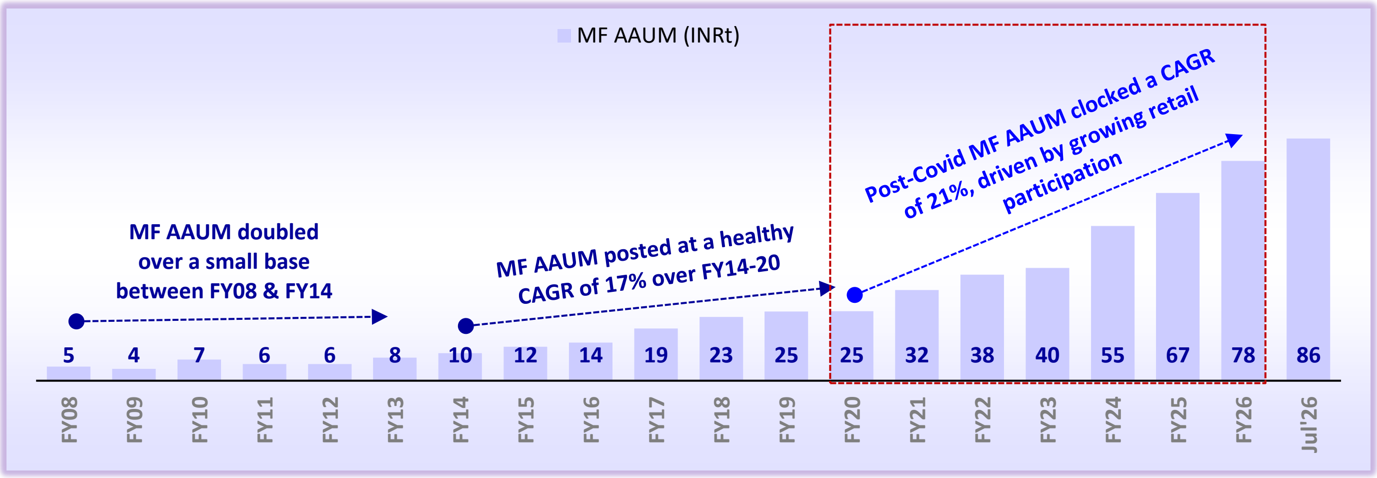
SBIMF is India's leading asset manager with total QAAUM of **INR29.1t** as of Jun-26, including **INR12.6t** of MF QAAUM, **INR16.5t** of PMS/advisory QAAUM, and **INR68b** of AIF AUM.

15.1%
MF AUM market share (largest AMC)

12.5%
Active MF AUM market share

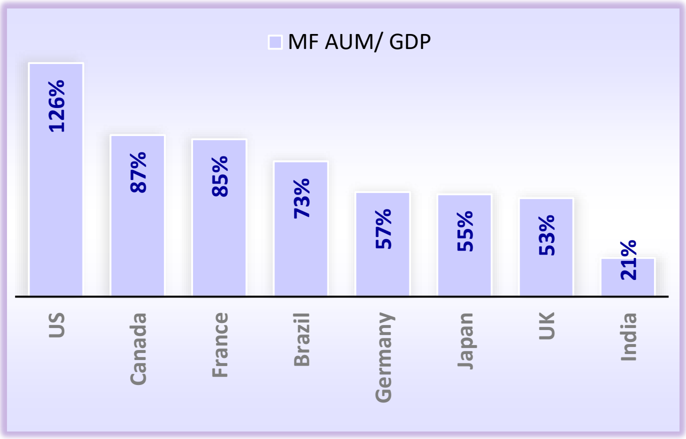
27.4%
Passive AUM market share

Mutual Fund AAUM has scaled over the years and is expected to continue its growth trajectory backed by multiple drivers



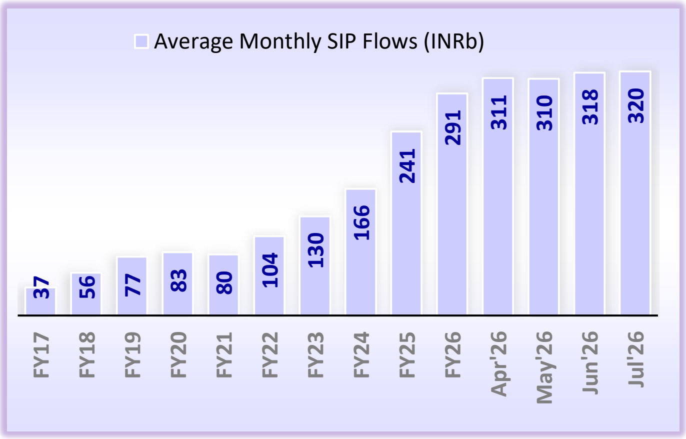
Source: AMFI, MOFSL

Indian MF industry remains underpenetrated



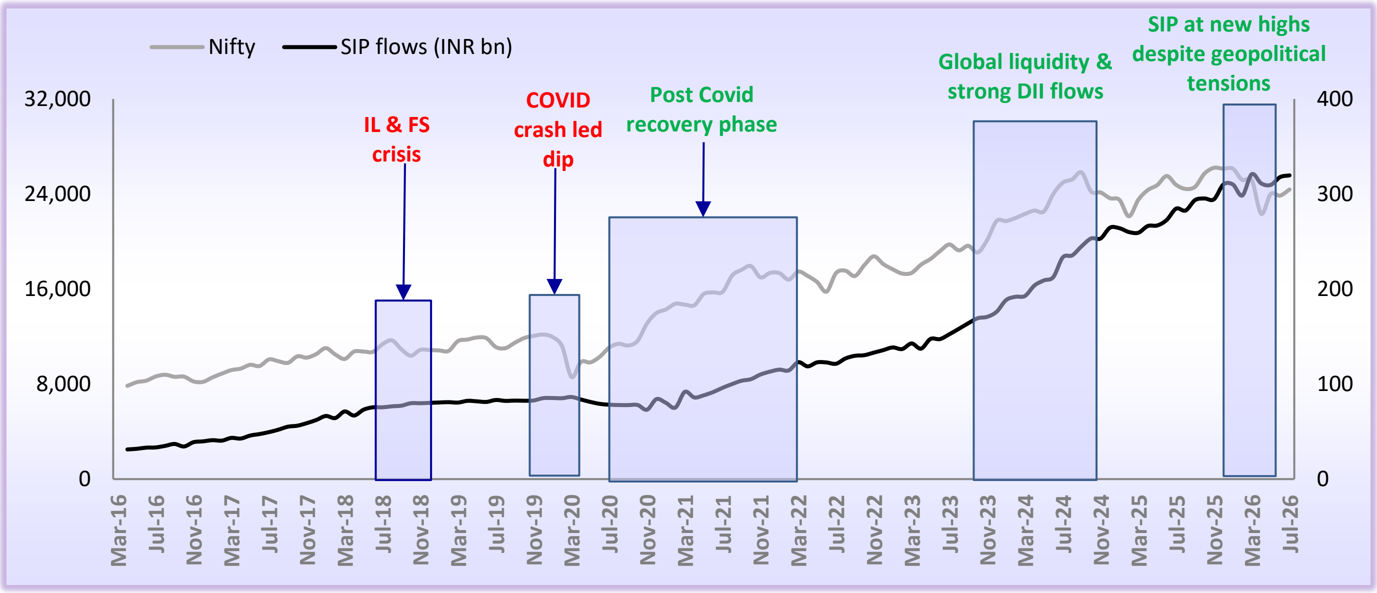
Source: AMFI, MOFSL

SIP flows are expected to remain resilient



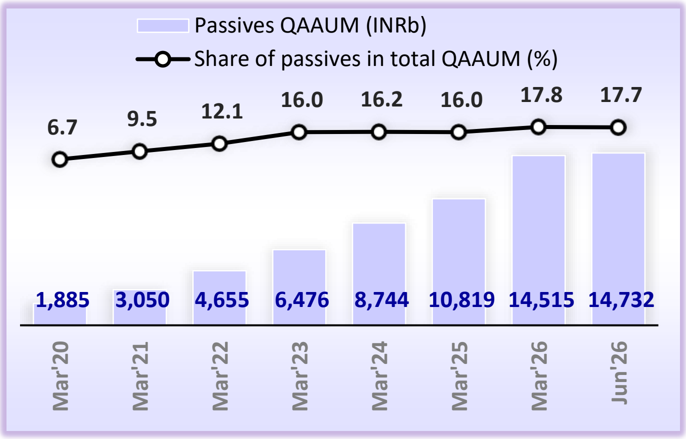
Source: AMFI, MOFSL

Resilient SIP flow trend amid the various NIFTY50 cycles



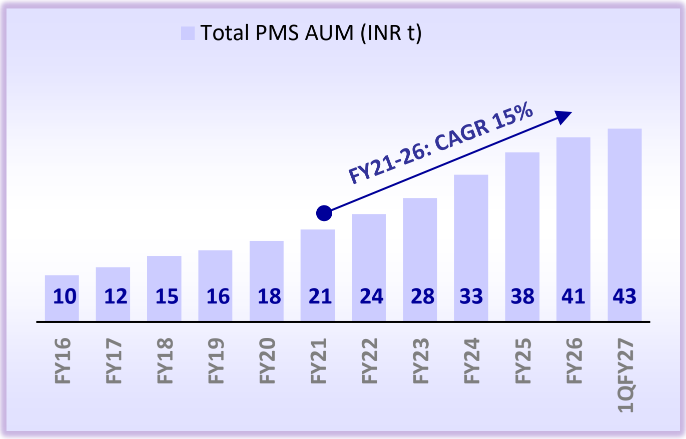
Source: AMFI, MOFSL

Share of passives in QAAUM continues to inch up



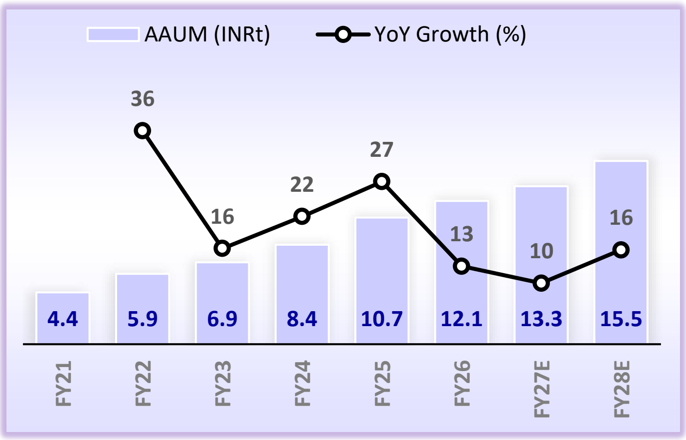
Source: AMFI, MOFSL

PMS AUM is rapidly expanding

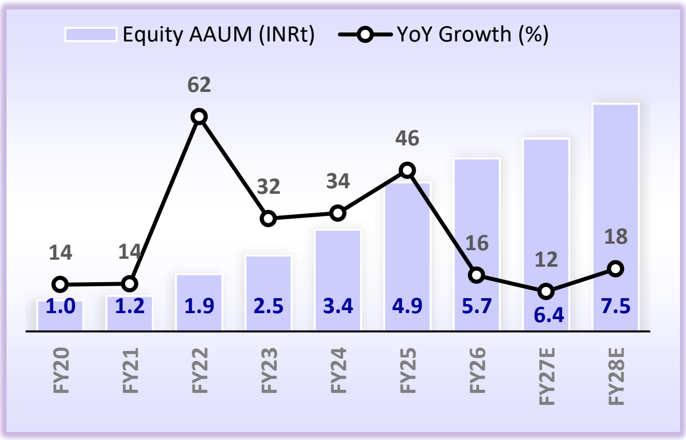


Source: SEBI, MOFSL

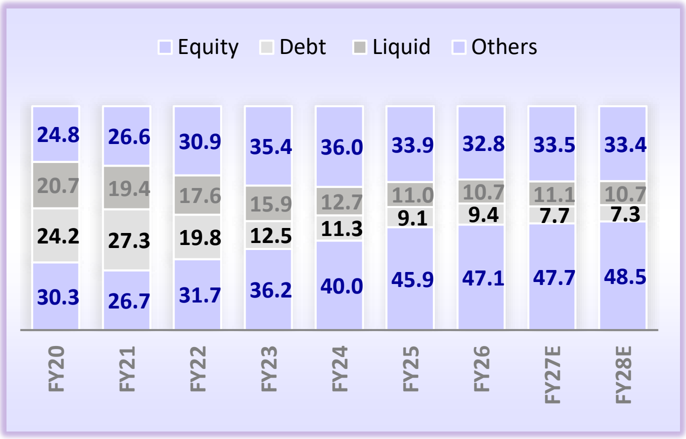
SBIFUNDS's MF AUM to scale to INR15.5t by FY28



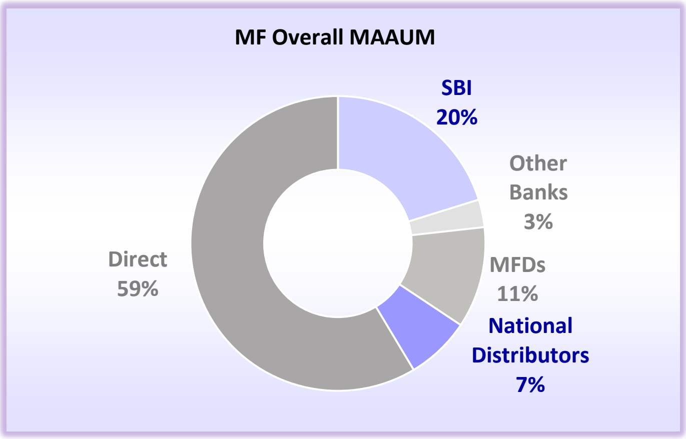
Equity AUM to clock a CAGR of 15%



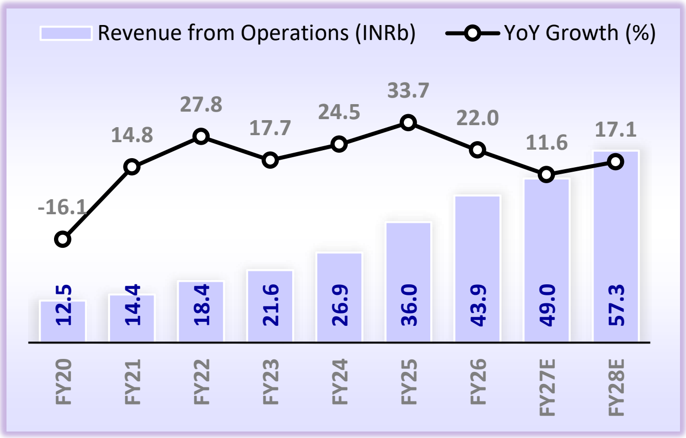
Equity share in AUM is inching up



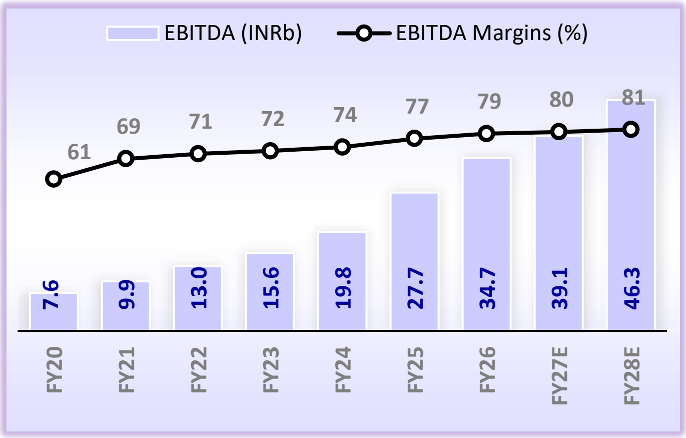
SBI channel contributes 20% of overall MAAUM



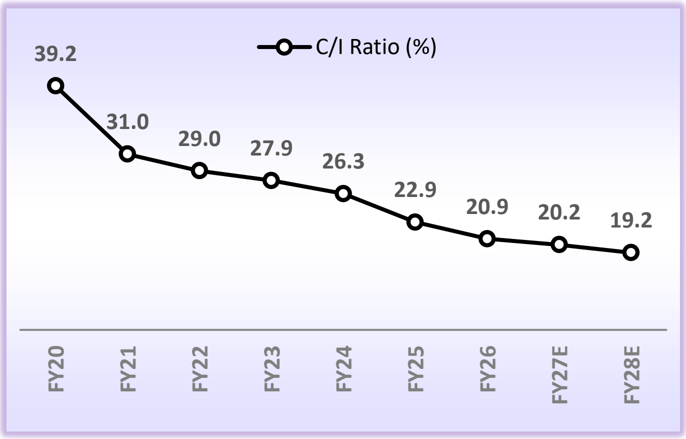
Revenue to record a CAGR of 14%



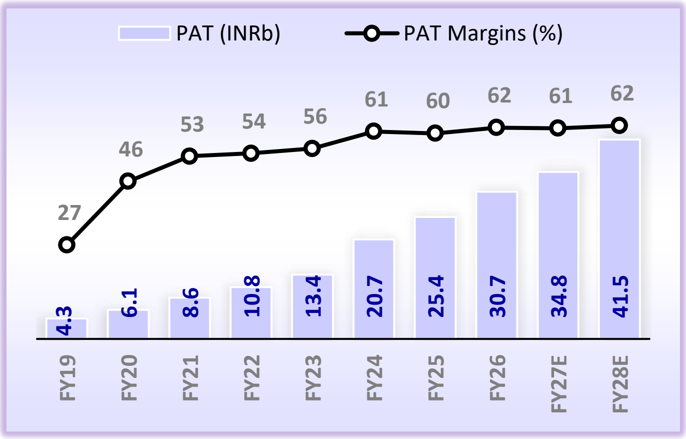
EBITDA margin to improve to 81% by FY28



One of the lowest C/I ratios in the industry



PAT likely to record an FY26-28 CAGR of 16%



Source: Company, MOFSL

Source: Company, MOFSL

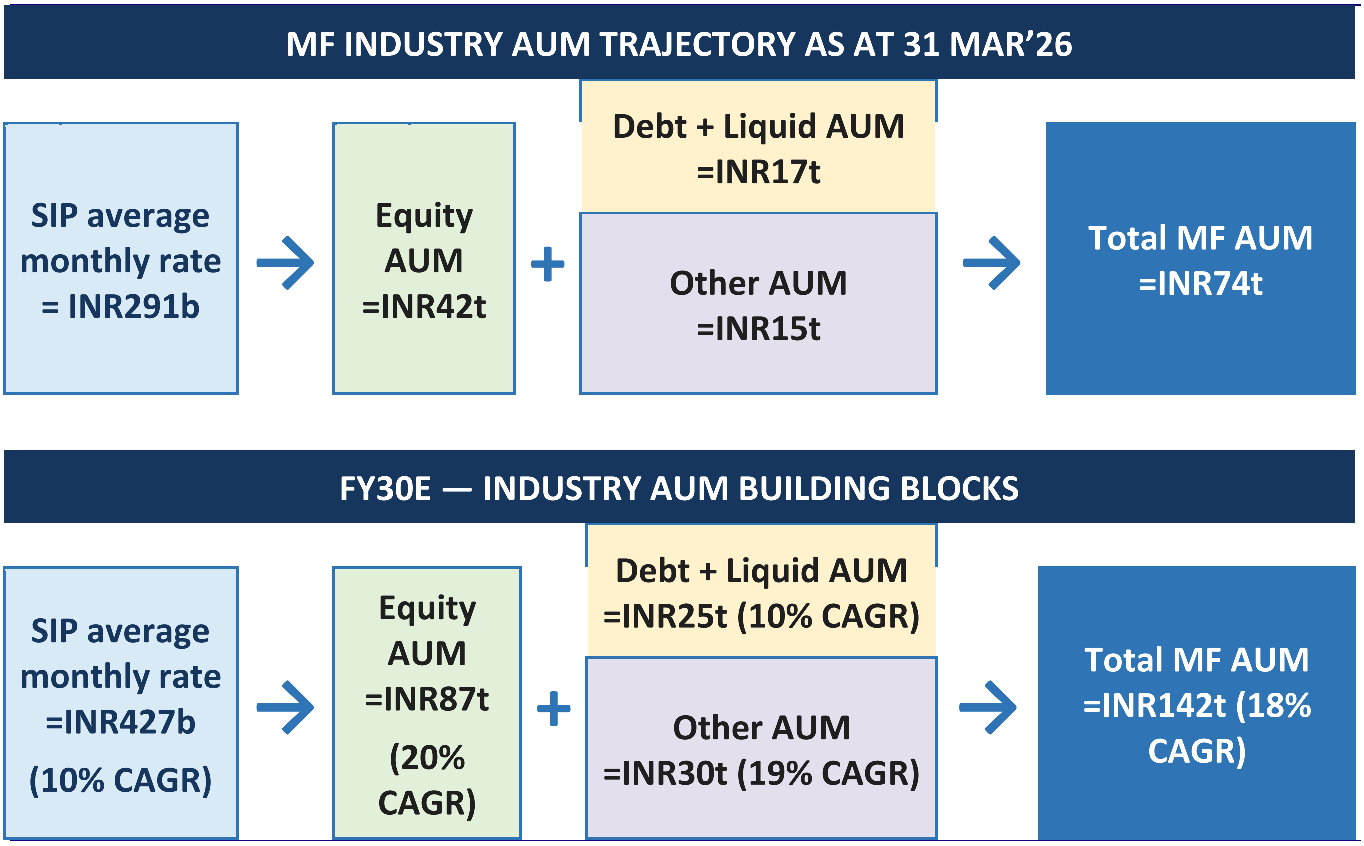
Strong tailwinds driving MF industry growth

AUM growth momentum continues with significant headroom for penetration

Rising retail participation, increasing digital distribution, and continued financialization of household savings to result in 18% AUM CAGR over FY26-30, reaching ~INR142t.

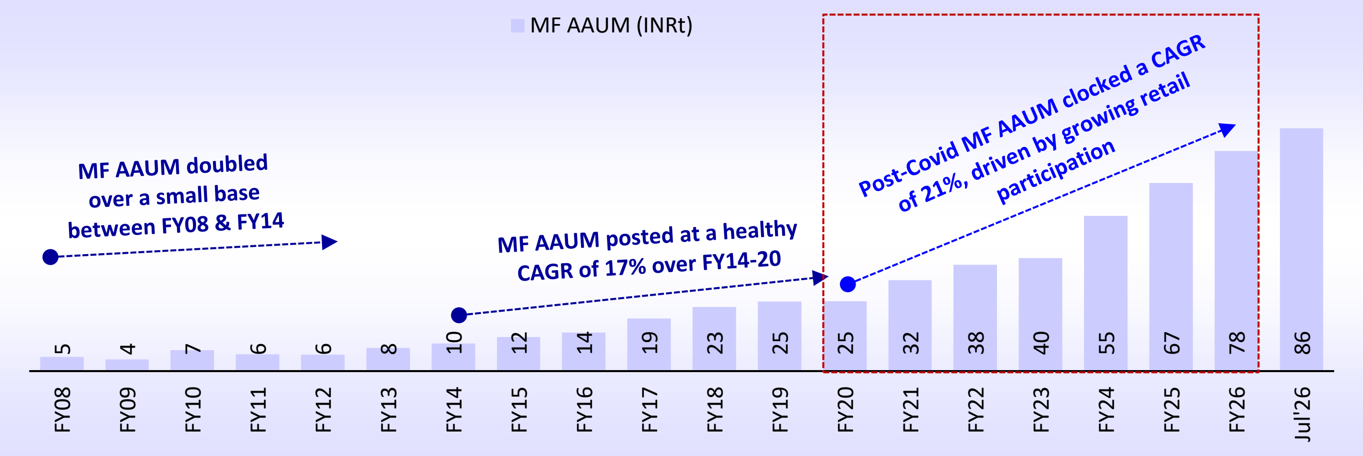
- The Indian MF industry has expanded significantly over the past six years, with closing AUM tripling over FY20–26 to INR85.8t as of Jun'26. Growth has been supported by a strong domestic economy, sustained equity market performance, and rising retail participation through systematic investment channels. Consequently, MF AUM as a percentage of bank deposits increased to 31.2% in Mar'26 from 15.9% in Mar'20.
- Despite the industry's strong growth trajectory, there is still headroom for notable growth opportunities in terms of penetration. The AUM-to-GDP ratio for India stood at ~21% in Mar'26, according to AMFI, which is significantly lower than developed countries (126.3% for the US as of 1QFY25).
- Moving ahead, we expect growth momentum to remain strong, supported by rising retail participation, increasing digital distribution, and continued financialization of household savings. We project industry closing AUM to expand at ~18% CAGR over FY26-30, reaching ~INR142t.

Exhibit 1: MF AUM to clock ~18% CAGR over FY26-30, reaching INR142t



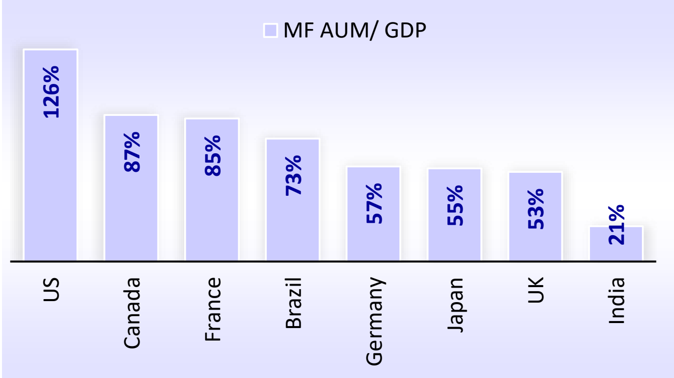
Source: MOFSL

Exhibit 2: MF AAUM growth trajectory in India



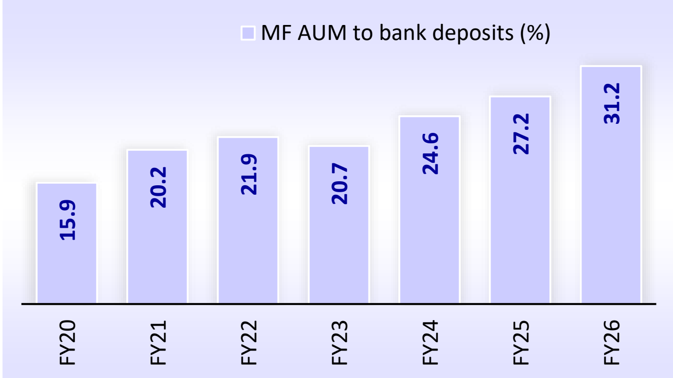
Source: AMFI, MOFSL.

Exhibit 3: India MF penetration below global standard…



Source: AMFI, MOFSL

Exhibit 4: …while MF AUM as % of bank deposit improving



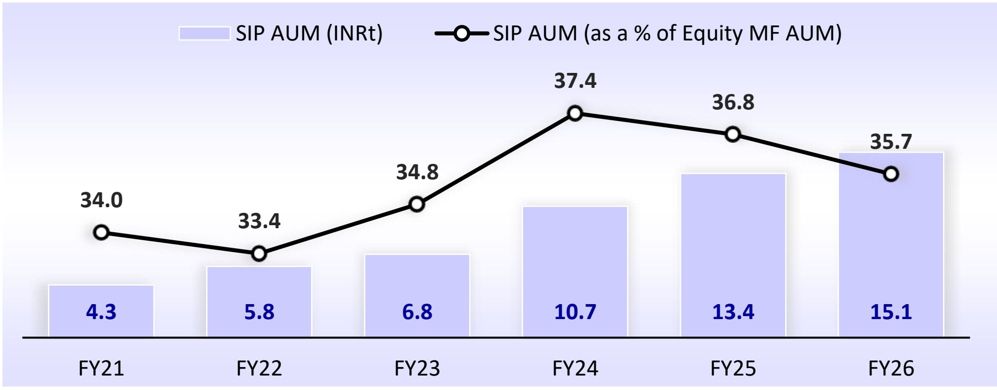
Source: AMFI, MOFSL

SIPs are expected to remain a key driver of incremental AUM growth and flow visibility for asset managers. We expect SIP inflows to clock a CAGR of over 10% during FY26-30.

SIPs: The key engine of sustainable MF AUM growth

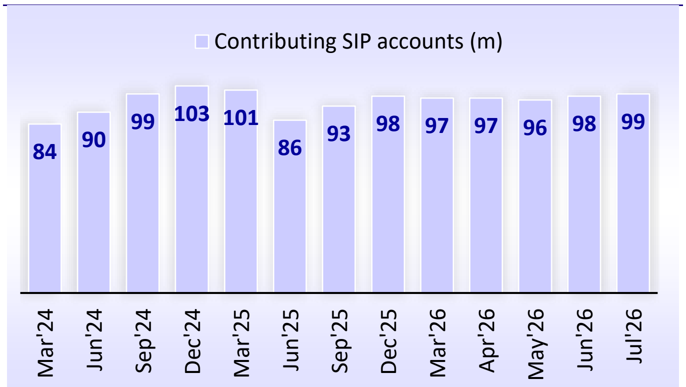
- SIPs have emerged as the preferred mutual fund investment route, ensuring steady inflows while mitigating market timing risks and reducing industry volatility.
- Monthly SIP inflows have surpassed INR300b, and we expect the SIP book to continue compounding, largely insulated from market movements. This structurally reduces earnings cyclicality, making SIPs one of the most resilient revenue streams in India's capital markets ecosystem.
- Rising SIP inflows and account additions reflect the continued financialization of household savings, with SIPs expected to remain a key driver of incremental AUM growth and flow visibility for asset managers. We expect SIP inflows to clock a CAGR of over 10% during FY26-30.
- The trajectory of the NIFTY50 over the past decade underscores the cyclical nature of equity markets; however, SIP flows during this period reflect a transition from being market-sensitive to becoming a structural and resilient source of inflows.

Exhibit 5: SIP AUM jumped ~4x during FY21-26



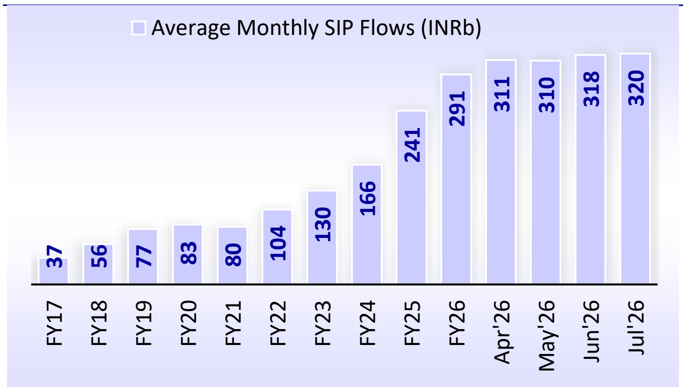
Source: AMFI, MOFSL.

Exhibit 6: SIP account trends remain volatile



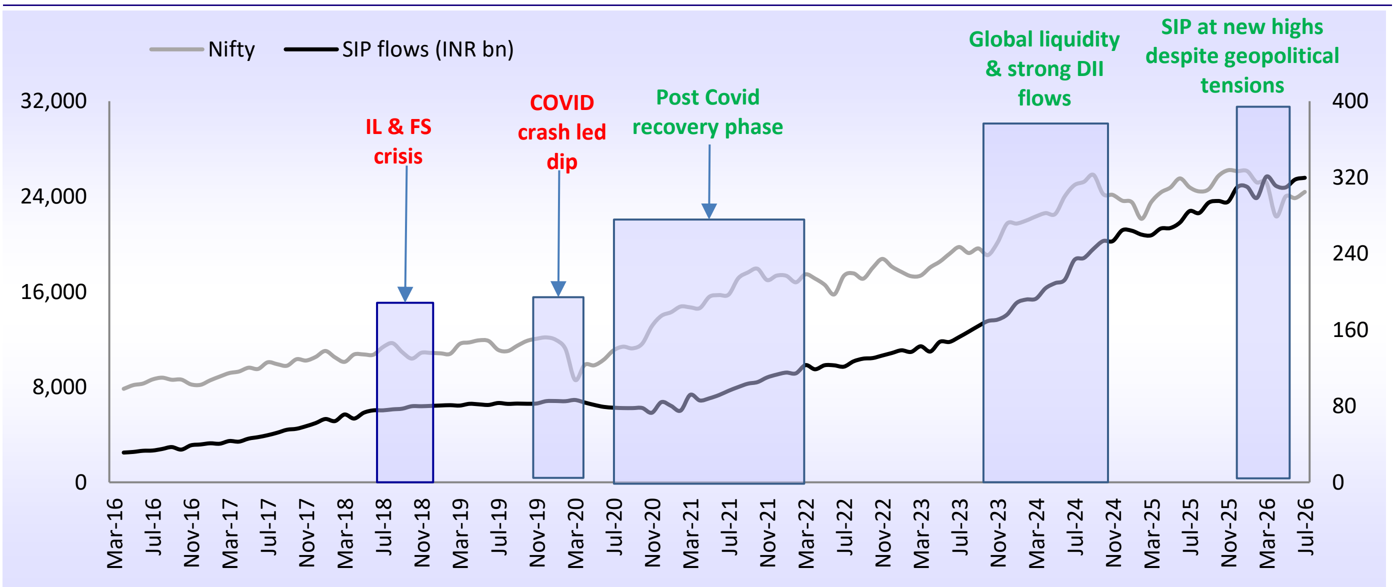
Source: AMFI, MOFSL

Exhibit 7: SIP flows are likely to remain resilient



Source: AMFI, MOFSL

Exhibit 8: Resilient SIP flow trend amid the NIFTY50 cycles



Source: AMFI, MOFSL.

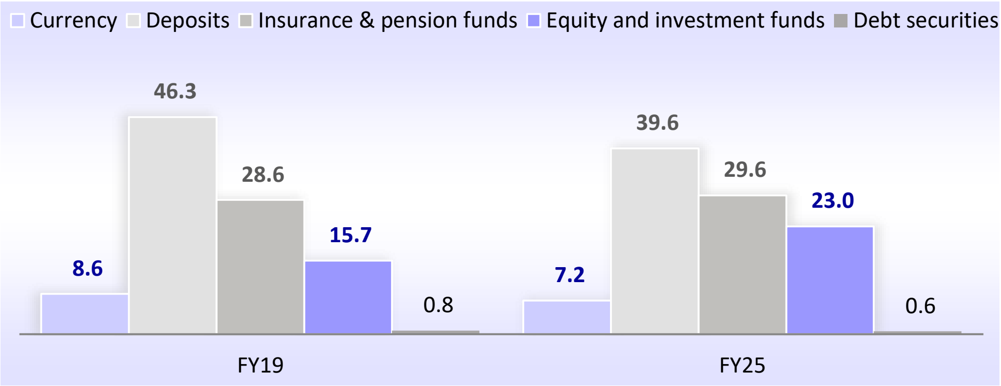
Equities and passives gain share, expanding the MF industry growth runway

- Net equity inflows surged ~8.7x over FY20-26, reaching ~INR5.0t in FY26, with ~INR1.3t already recorded as of 1QFY27YTD. Consequently, equity schemes' share in industry QAAUM rose to ~58% as of Jun'26 from ~39% in Jun'20, highlighting the growing dominance of equities within the mutual fund landscape.

Strong inflows across small-cap, mid-cap, flexi-cap, multi-cap, and thematic funds reflect rising investor preference for diversified equity strategies.

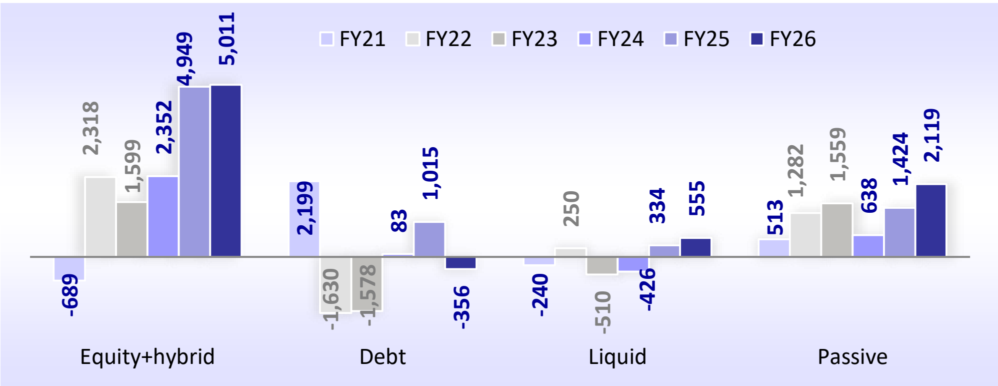
- Strong inflows across small-cap, mid-cap, flexi-cap, multi-cap, and thematic funds reflect rising investor preference for diversified equity strategies, driving equity schemes' share higher within the overall product mix.
- Equity and equity-oriented schemes command higher fee yields than non-equity schemes due to active management, making them a key monetization driver for AMCs.
- With limited impact from the TER regulations effective April 2026, equity schemes are expected to remain the primary growth engine for the MF industry, supported by rising financialization, expanding digital distribution, and sustained SIP inflows.

Exhibit 9: Share of equities in overall financial assets trended above 23% in FY25



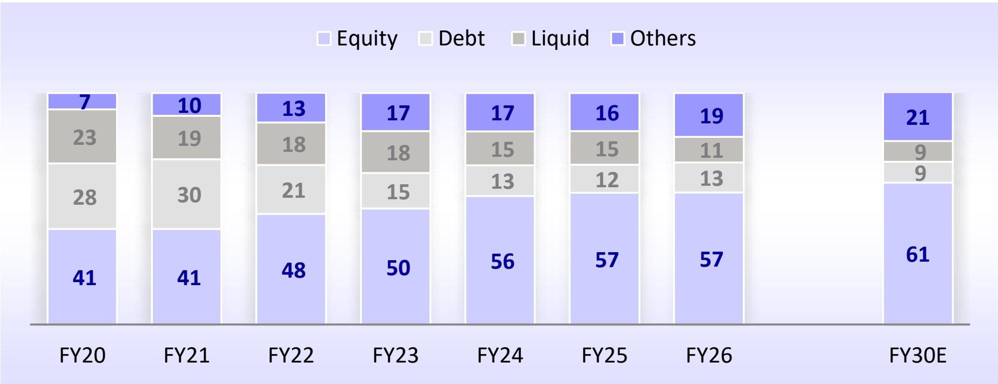
Source: Economic Survey 25-26, MOFSL

Exhibit 10: FY26 witnessed the highest net equity+hybrid inflow over the last six fiscals



Source: AMFI, MOFSL

Exhibit 11: Equity share in the AUM mix has gone up significantly in the last six years



Source: AMFI, MOFSL

Unlike the US and other developed countries (~50% share of passives in QAAUM), where passive asset management garners a larger share of the investment pie, passively managed ETFs and index funds are yet to gain traction in India.

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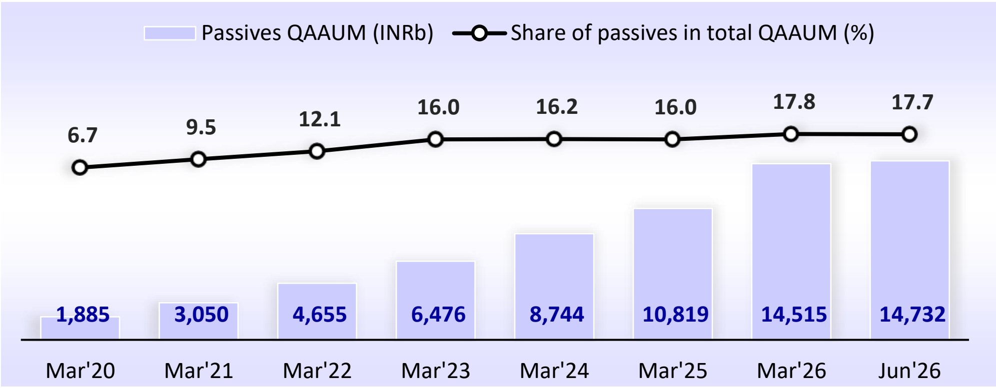
- The share of passive funds in industry QAAUM increased to ~18% as of Jun'26 from ~7% in Mar'20, driven by greater investor awareness, lower costs, and improved digital accessibility.
- Growth was driven by ETFs and index funds, supported by strong inflows and increased product launches across sectoral, thematic, and factor-based strategies. Passive AUM clocked ~36% CAGR over Jun'21–Jun'26 to ~INR14.5t, with ETFs accounting for the majority of assets. Moreover, with EPFO AUM increasing, large investments have been made in ETFs.
- A larger passive franchise enables AMCs to cross-sell higher-yielding products, lower customer acquisition costs, and benefit from the scalability of institutional mandates, making it an attractive long-term growth segment.

Exhibit 12: Share of passive funds in QAAUM has more than doubled in the last six years



Source: AMFI, MOFSL

PMS and AIFs: Structural growth opportunities from rising affluence

- India's USD30m+ population has grown 63% over FY21-26, reaching ~20,000. The UHNI base is expected to grow further to 25,217 by 2031, according to Knight Frank, with India emerging as one of the top 20 fastest-growing players.
- **PMS:** The PMS industry has expanded steadily, driven by a growing HNI base, rising demand for customized investment solutions, and increasing awareness of the product.
- PMS AUM reached ~INR41.4t as of Mar'26, delivering a ~12% CAGR over FY21–26, supported by strong demand for bespoke, high-performance strategies.
- Demand for professional wealth management is expected to remain strong, supported by rising incomes, digital distribution, HNI growth, and regulatory initiatives to improve transparency.
- AMC-backed PMS providers are well-positioned to leverage the growing demand, driven by existing brand reputation, vast distribution network, and strong research and analysis capabilities.
- **AIFs:** They have emerged as one of India's fastest-growing private market segments, with total commitments recording ~28.8% CAGR over Mar'20–Mar'26 to INR16.9t, driven by rising HNI, UHNI, and institutional participation. The segment is expected to remain one of the fastest-growing managed product categories over the next few years, as a rising number of HNIs, UHNIs, and institutional investors seek differentiated products that offer the potential for higher returns.

Despite spectacular growth, the alternative markets in India remain underpenetrated, with alternatives constituting only 7% of total AUM vs. the 15% global average, and AIF AUM to GDP at 2% vs. the 19% global average.

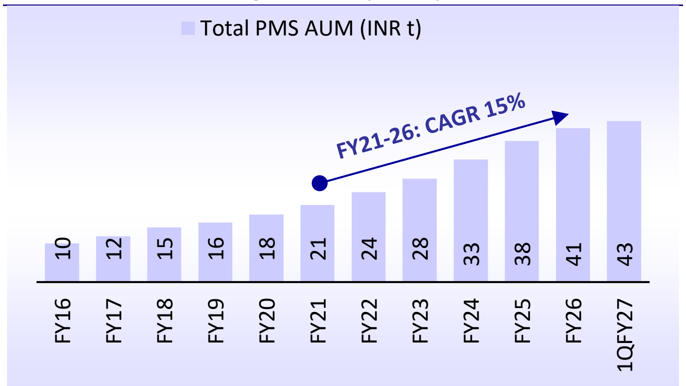
- Growing demand for portfolio diversification and higher-yielding investment opportunities continues to support the adoption of alternative investments.
- AIFs provide access to differentiated, high-growth opportunities while enhancing portfolio diversification. Growth is expected to be supported by experienced fund managers, a rising affluent investor base, supportive regulation, expanding investment opportunities, and the emergence of GIFT City as an alternative investment hub.
- Despite spectacular growth, the alternative markets in India remain underpenetrated, with alternatives constituting only 7% of total AUM vs. the 15% global average, and AIF AUM to GDP at 2% vs. the 19% global average. This indicates a significant runway for growth.

Exhibit 13: India's UHNI population grew the fastest over 2021-26

UHNI population (USD30m+)	2021	2021 Mkt share	2026	2026 Mkt share	2031E	2031E Mkt share	2021-2026 CAGR	2026-2031E CAGR
Australia	12,424	2.3	16,460	2.3	26,095	2.8	5.8	9.7
Mainland China	98,924	17.9	1,21,677	17.1	1,44,602	15.2	4.2	3.5
France	17,737	3.2	21,518	3.0	24,703	2.6	3.9	2.8
Canada	10,653	1.9	12,920	1.8	16,796	1.8	3.9	5.4
Germany	28,942	5.2	38,215	5.4	47,004	5.0	5.7	4.2
India	**12,161**	**2.2**	**19,877**	**2.8**	**25,217**	**2.7**	**10.3**	**4.9**
Italy	12,547	2.3	15,433	2.2	16,667	1.8	4.2	1.6
Japan	16,305	3.0	18,914	2.7	21,634	2.3	3.0	2.7
Singapore	4,642	0.8	7,171	1.0	10,495	1.1	9.1	7.9
UK	24,871	4.5	27,876	3.9	30,942	3.3	2.3	2.1
US	1,84,436	33.4	2,51,352	35.2	3,87,422	40.9	6.4	9.0
Total	**5,51,435**		**7,13,626**		**9,48,241**		**5.3**	**5.8**

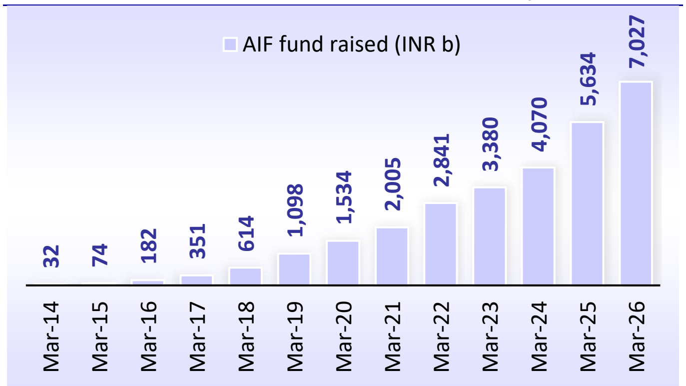
Source: MOFSL, Knight Frank Wealth Report 2026

Exhibit 14: PMS AUM growth trajectory



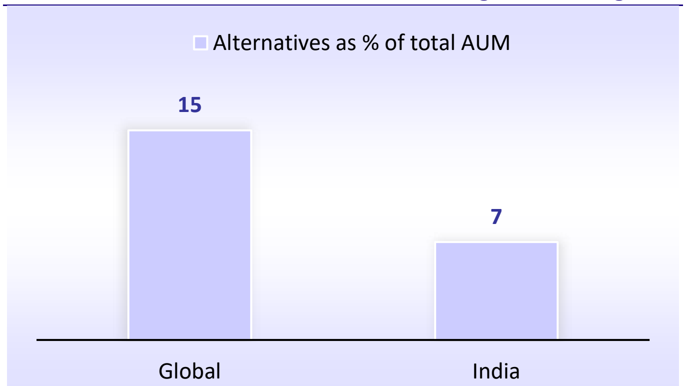
Source: SEBI, MOFSL

Exhibit 15: AIF Funds raised continue to scale up



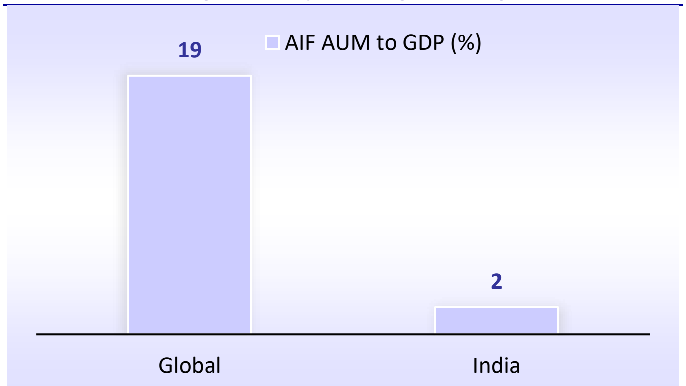
Source: SEBI, MOFSL

Exhibit 16: Alternates' contribution below global average



Source: Nuvama Wealth, MOFSL

Exhibit 17: AIFs significantly below global avg as % of GDP



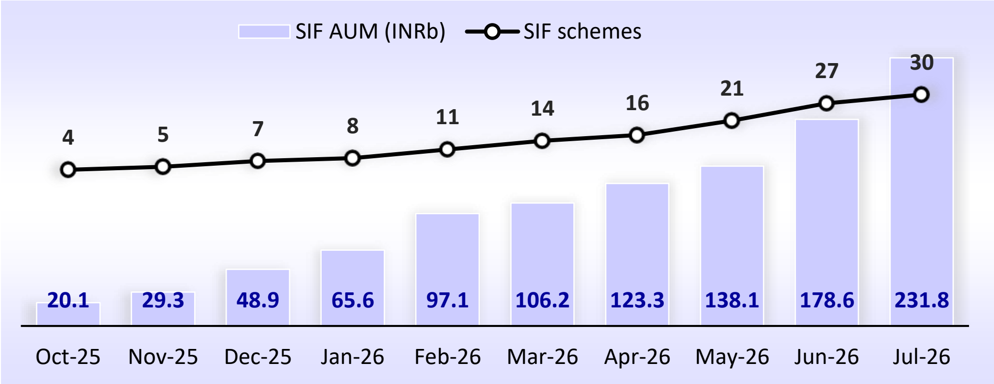
Source: Nuvama Wealth, MOFSL

The number of SIF schemes grew from 4 in Oct'25 to 30 in Jul'26, with AUM surging ~10x from INR20.1b in Oct'25 to INR231.8b in Jul'26 reflecting strong traction following the launch of new products driven by the benchmark-beating performance of most of the schemes.

SIFs emerge as the next growth frontier

- SEBI introduced the Specialized Investment Funds (SIF) framework, effective 1st Apr'25, to bridge the gap between mutual funds and PMS by offering a new investment avenue for retail and sophisticated investors.
- SIFs enable more flexible investment strategies, including long-short equity through derivatives within a pooled structure, aligning with global demand for tactical and sector-specific investment solutions.
- SIFs have sustained their momentum and investor interest in their initial months, with hybrid investment strategies emerging as a key driver of their early success, contributing to ~70+% of SIF AUM as of Jul'26.
- The number of schemes grew from 4 in Oct'25 to 30 in Jul'26, with AUM surging ~10x from INR20.1b in Oct'25 to INR231.8b in Jul'26. This jump reflects strong traction following the launch of new products driven by the benchmark-beating performance of most of the schemes.

Exhibit 18: SIF AUM has surged 10x since Oct'25



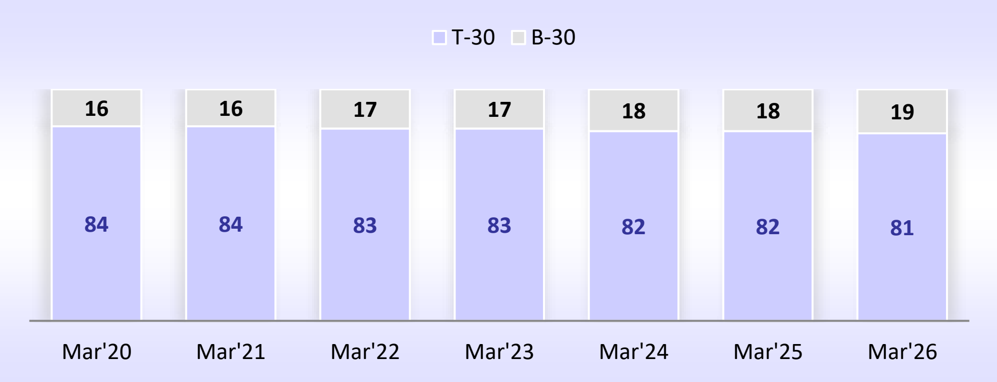
Source: AMFI, MOFSL

B30 expansion and digital distribution to drive the next leg of expansion

- Assets from B30 locations witnessed a 20% CAGR, rising from INR3.8t in Mar'19 to INR13.9t in Mar'26 and further increasing to INR15.9t in Jun'26 (~19.3% of total AAUM of the mutual fund industry in India).
- This surge can be attributed to increasing financial awareness and enhanced distribution channels in these smaller cities, which are now making a significant contribution to the mutual fund sector. Overall, the growth of mutual fund contributions from small cities in India is a positive trend, driven by increasing financial literacy, digitalization, and government initiatives.
- While banks remain a trusted channel for HNIs and older investors, fintech platforms are the fastest-growing distribution channel. Meanwhile, IFAs and national distributors are increasingly leveraging technology to strengthen advisory capabilities.

While banks remain a trusted channel for HNIs and older investors, fintech platforms are the fastest-growing distribution channel. Meanwhile, IFAs and national distributors are increasingly leveraging technology to strengthen advisory capabilities.

Exhibit 19: Share of B30 improved to 19% in FY26 from 16% as of FY20



Source: AMFI, MOFSL

Regulatory scenario for mutual funds and distribution

- **TER Rationalization:** SEBI has introduced TER rationalization, splitting TER into three different components: BER, brokerage, and statutory/regulatory levies, and has revised caps in several categories to enhance cost transparency and reduce investor expenses.
- **Mutual Fund Lite (MF Lite) Framework (Dec'24):** SEBI introduced a simplified regulatory framework for passive-only fund houses. This lowers entry barriers and compliance costs, potentially increasing competition within the passive segment.
- **Specialized Investment Funds – SIF (Feb'25):** SEBI introduced a separate framework for high-risk, high-ticket funds (INR1m minimum investment) to bridge the gap between MFs and PMS.
- **5bp Exit Load Rationalization (Dec'25):** SEBI removed the 5bp exit load for redemptions to improve investor outcomes by lowering transaction costs and enhancing transparency in mutual fund pricing.
- **Regulations for MF-only PMS (Proposed; Jul'26):** SEBI has proposed an MF-only PMS category with a INR2.5m minimum investment, allowing portfolio managers to manage portfolios exclusively through mutual funds. Investors would pay PMS fees in addition to the underlying mutual fund expense ratios. The move expands PMS offerings but raises questions around cost and value versus direct MF investing.

Company overview

- SBIFUNDS is the largest and oldest asset management company in India with mutual fund QAAUM of INR12.6t, PMS QAAUM of INR16.5t and an AIF QAAUM of INR68b as of Jun’26.
- The company is jointly promoted by State Bank of India (~55%) and Amundi India Holdings (~33%), combining a strong domestic banking-led distribution franchise with global asset management expertise.

Exhibit 20: Key highlights of SBIFUNDS

QAAUM (INRb) as of Jun'26
- ✓ Equity: 6,022 (2nd highest)
- ✓ Debt: 973
- ✓ Liquid:1,422
- ✓ Passives & Others: 4,157 (Highest)
- ✓ SIF: 35
- ✓ SIP: 2,061
- ✓ AIF: 68
- ✓ PMS: 16,459

Financial Highlights (FY26)
- ✓ ROE: 43%
- ✓ CIR: 21%
- ✓ Revenue CAGR (FY21-26): 25%
- ✓ EBITDA CAGR (FY21-26): 28%
- ✓ PAT CAGR (FY21-26): 29%

Operational Parameters
- ✓ Unique Investors: 18.2m
- ✓ Total MF Investor folios: 22.3m
- ✓ Live SIPs: 16.0m
- ✓ Distribution partners: 134k+

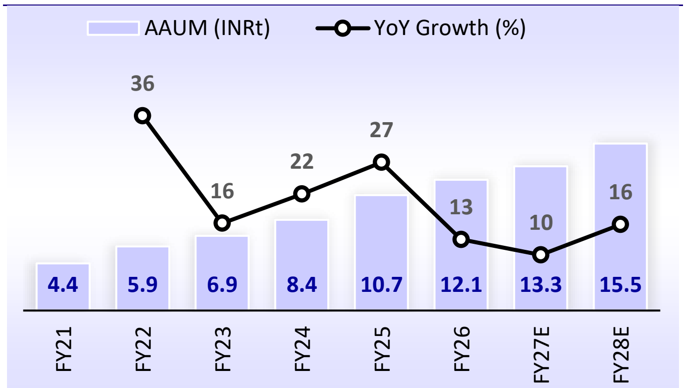
Source: Company, AMFI, MOFSL

SBIFUNDS is the largest and oldest asset management company in India with mutual fund QAAUM of INR12.6t, PMS QAAUM of INR16.5t and an AIF QAAUM of INR68b as of Jun’26.

Mutual Funds – The crown jewel

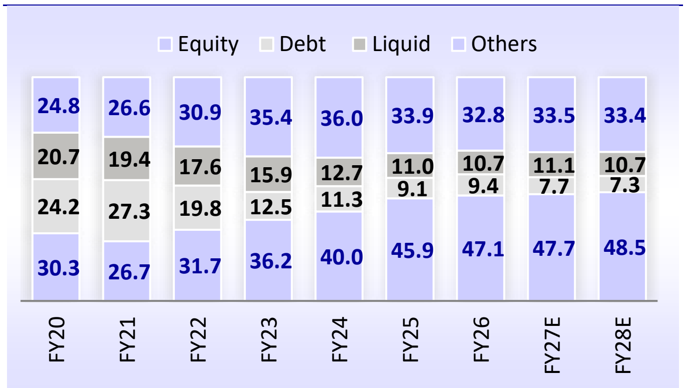
- The largest AMC, with a QAAUM market share of 15.1% as of Jun’26, SBIFUNDS’s mutual fund QAAUM has registered a CAGR of 19.9% during FY21-26 and was at INR12.6t at the end of Jun’26. We expect the MF AAUM to record a CAGR of 13% over FY26-28, supported by an 15% CAGR in equity MF AAUM.
- It is also India’s largest passive (ETF and index funds) asset manager with passive QAAUM of INR4t, representing a market share of 27.4% as of 1QFY27, a leadership position held since Mar’21. We expect passives’ QAAUM to clock a CAGR of 14% over FY26-28.
- The AMC has a total of 122 schemes as of Jun’26, with six new schemes launched in 1QFY27. It has a portfolio of 35 equity-oriented schemes, 36 debt-oriented schemes, and 43 ETF, and index-fund schemes.
- In Oct’25, the company became the first bank-backed AMC to launch a SIF platform with “Magnum SIF - offered by SBI Mutual Fund,” representing a market share of 26% of the entire SIF segment in India as of Jun’26 and AUM of INR35b. It plans to scale its SIF business through additional schemes.

Exhibit 21: AAUM to rise to INR15.5t in FY28



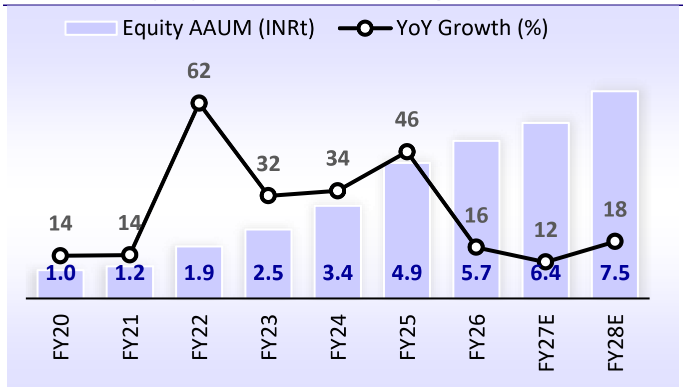
Source: Company, MOFSL

Exhibit 22: Equity dominated AUM mix



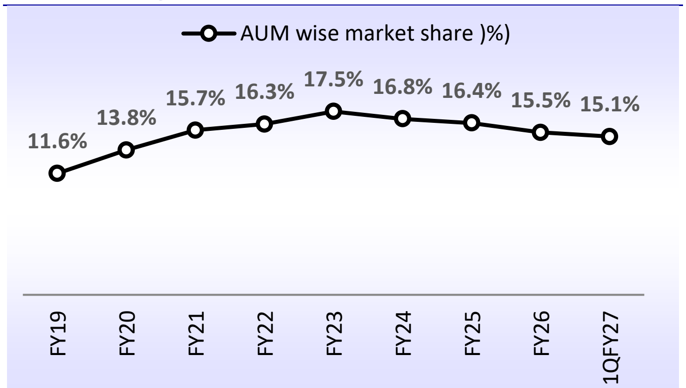
Source: Company, MOFSL

Exhibit 23: Equity AUM to continue to grow



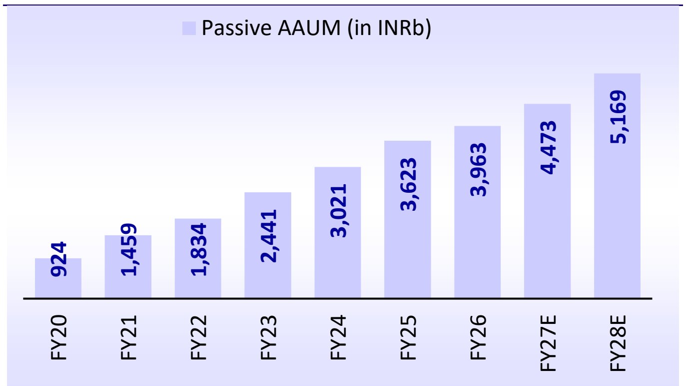
Source: AMFI, MOFSL

Exhibit 24: Highest market share in terms of AUM



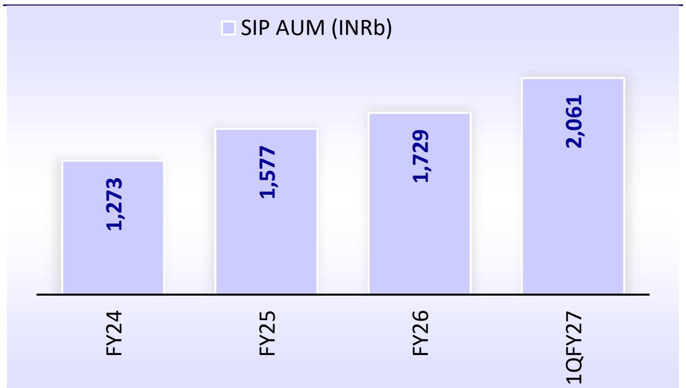
Source: AMFI, MOFSL

Exhibit 25: Passive QAAUM continues to scale



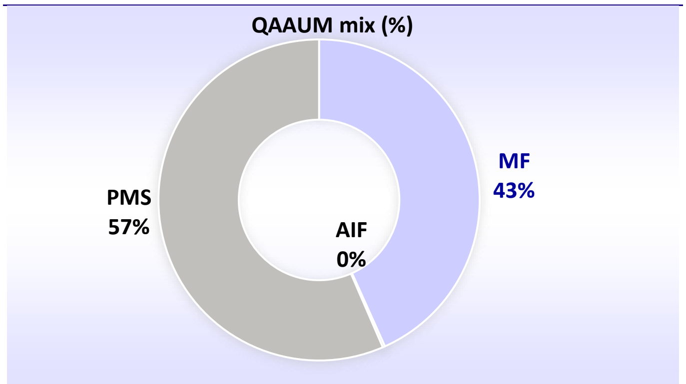
Source: AMFI, MOFSL

Exhibit 26: SIP AUM on an upward trajectory



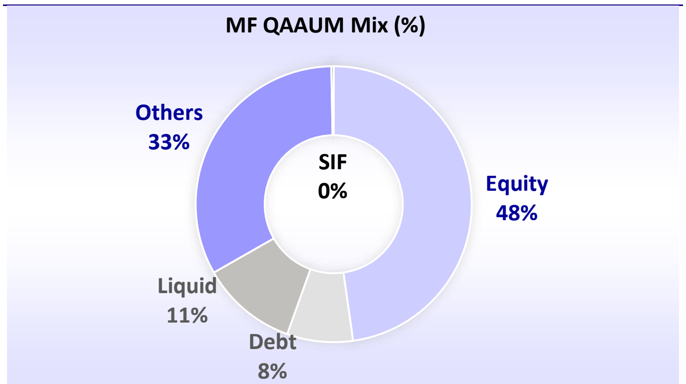
Source: Company, MOFSL

Exhibit 27: Product-wise AUM mix (%)



Source: Company, MOFSL

Exhibit 28: MF QAAUM mix (%)



Source: AMFI, MOFSL

Assuming 7% YoY growth in SIP inflows from INR40b/month and 10% MTM growth, SBIFUNDS's equity AUM could double from its FY26 closing level of INR5.4t.

Strong retail penetration provides significant runway for growth

- The number of unique investors in the MF business served by the company has grown to 18.2m in 1QFY27 from 11m in FY24, across a diversified portfolio of 122 mutual fund schemes.
- B30 mutual fund MAAUM stood at INR2.8t, representing ~23% of total mutual fund MAAUM (higher than the industry) as of Mar'26, demonstrating deeper penetration in tier 2 and tier 3 cities.
- The company occupies a leadership position in SIPs, with 16m live SIPs and SIP AUM of INR2.1t as of Jun'26. Monthly SIP flows of ~INR40b in 1QFY27 provide significant visibility for equity AUM growth going forward, adding INR480b of inflows annually. Assuming 7% YoY growth in SIP inflows from INR40b/month and 10% MTM growth, SBIFUNDS's equity AUM could double from its FY26 closing level of INR5.4t.
- The average SIP size of INR2,545 has further scope to increase, supported by multi-product adoption (products per customer at 1.8) and rising incomes.
- Product innovation and continued enhancement of digital capabilities can provide SBIFUNDS with the potential to materially expand its retail investor funnel going forward.

Exhibit 29: Equity AUM could double by FY30 with monthly SIP inflows rising at 7% YoY and 10% MTM

INRb	FY27E	FY28E	FY29E	FY30E
Equity opening AUM	5,383	6,401	7,554	8,859
Average Monthly SIP inflows	40.0	42.8	45.8	49.0
MTM	10%	10%	10%	10%
Equity closing AUM	**6,401**	**7,554**	**8,859**	**10,333**

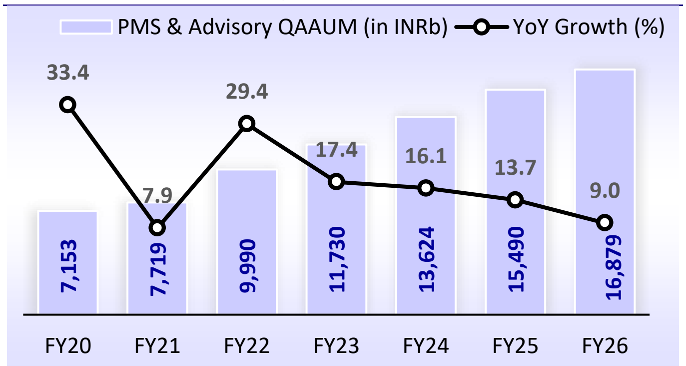
Source: MOFSL

Mutual funds remain the core business, but SBIFUNDS sees significant growth opportunities in AIFs, PMS, and other alternative products.

Strengthening non-MF segments

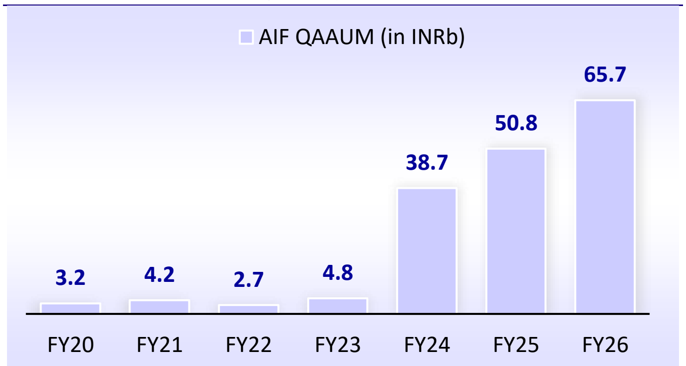
- SBIFUNDS operates India's largest institutional asset management platform, spanning PMS, AIFs, and global offshore mandates.
- The company's PMS and advisory QAAUM stood at INR16.5t as of Jun'26 spanning retail, institutional, and global investor PMS. While most of the PMS business is derived from the EPFO mandate, SBIFUNDS is investing towards scaling higher-yielding PMS offerings to HNIs and institutions.
- The company's PMS AUM remains EPFO dominated, however the share of EPFO in PMS AUM mix has declined from ~100% in Mar'21 to 91.1% in Jul'26. During the same period, the share of corporates has gone up from 0.1% to 8.7%.
- The global book is currently modest at INR440b, but SBIFUNDS sees potential for meaningful growth as global interest in Indian equities recovers. Leveraging the strengths of its promoter, Amundi, SBIFUNDS wants to capitalize on global institutional mandate opportunities and strengthen offshore fund management. SBIFUNDS is also launching new outbound products and expanding its GIFT City operations.
- The AIF business has reached a QAAUM of INR68b as of 1QFY27 and the company is expected to launch new AIF offerings across categories.
- SBIFUNDS is developing capabilities across Category II/III AIFs and other alternative products, with an ambition to become a leading player in the segment.
- Mutual funds remain the core business, but SBIFUNDS sees significant growth opportunities in AIFs, PMS, and other alternative products. While the contribution of non-mutual-fund businesses to operating revenue is currently only ~3–4%, it is yield accretive and is likely to rise meaningfully over time.

Exhibit 30: PMS AUM trajectory



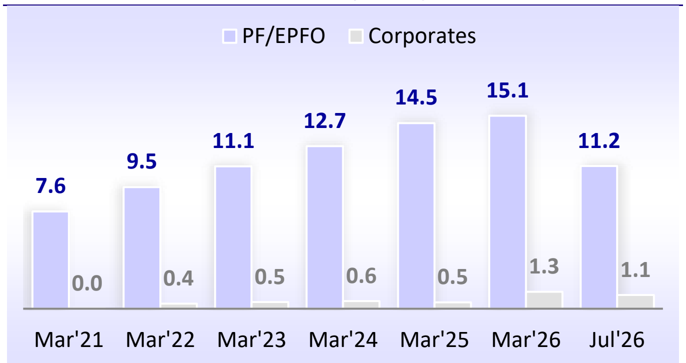
Source: Company, MOFSL

Exhibit 31: AIF AUM trajectory



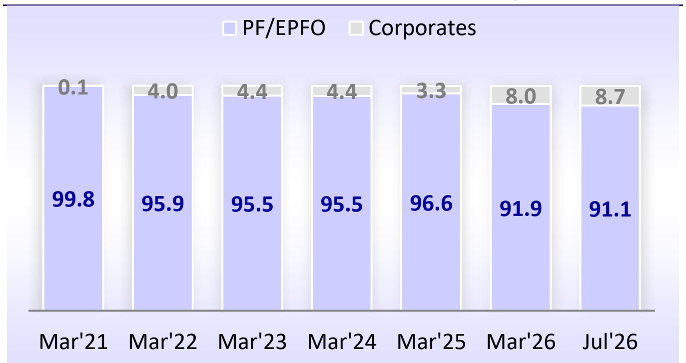
Source: Company, MOFSL

Exhibit 32: PMS AUM (INRt) trajectory for SBIFUNDS



Source: SEBI, MOFSL

Exhibit 33: PF/EPFO share in (%) on a declining trend



Source: SEBI, MOFSL

Robust distribution network

SBI as a distribution moat:

Less than 2% of SBI's eligible customer base is currently invested in mutual funds, and even moving towards ~6% penetration by FY30 offers a multifold growth opportunity in equity AUM being contributed by SBI channel

- The company benefits from a strong and trusted brand franchise, underpinned by the parentage of SBI and Amundi India Holdings, which enhances institutional credibility and distribution reach. The company leverages SBI's 23k+ branch network and integrated digital platforms under a closed-architecture model.
- SBI channel MAAUM contributes ~20% of the overall MAAUM, while the channel's equity MAAUM contributes 35% of overall equity MAAUM. The robust network of SBI branches especially in B30 locations provides a huge advantage in distribution to SBI Funds. SBIFUNDS maintains a 95%+ counter share in SBI bank giving visibility of continued growth through one of the biggest mutual fund distributors of the country.
- SBI YONO now has 100m+ total customers, making it the largest fintech platform in India with an attached bank balance. Deep integration with SBI Funds Management is now in place, with all products fully available on the platform. Additionally, the Bank Mitra ecosystem of the bank could significantly expand MF penetration in the deeper geographies of the country.
- Less than 2% of SBI's eligible customer base is currently invested in mutual funds, and even an increase to ~6% penetration by FY30 would offer a multifold growth opportunity for equity AUM contributed through the SBI channel. The company is also focusing on SBI's wealth, corporate account group and international operations as additional distribution pools.
- For other SBI group subsidiaries like SBI Life, the bancassurance channel contributed ~60% of total APE in FY26, indicating the strength of SBI's distribution network. Similarly we expect the channel to remain a key contributor to SBIFUNDS's growth.
- The proposed KYC 2.0 provides an additional growth opportunity, given SBI's enormous customer base, where the bank customers will be able to invest in SBIFUNDS' products through a few clicks on the platform, rather than repeating the KYC processes.

Exhibit 34: MF MAAUM distribution mix (%)

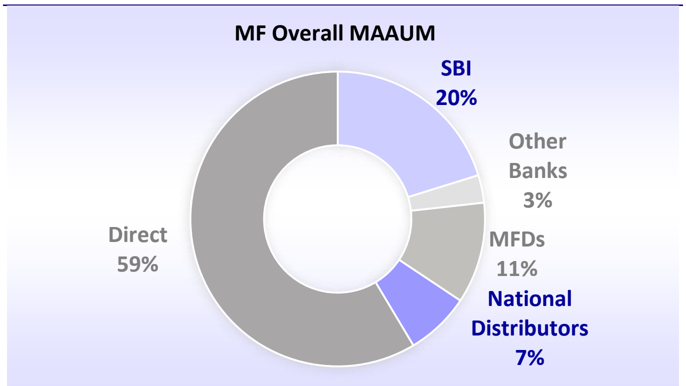


Exhibit 35: MF equity MAAUM distribution mix (%)

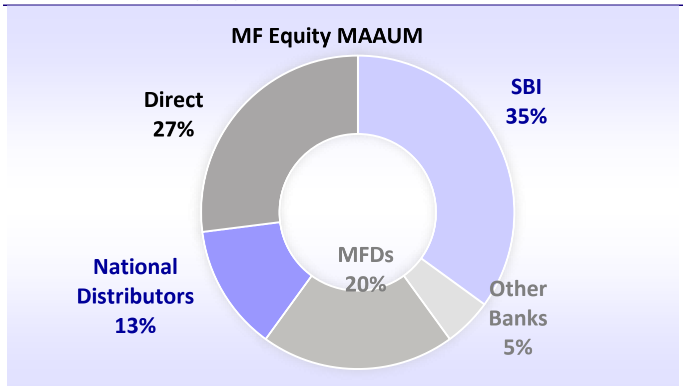
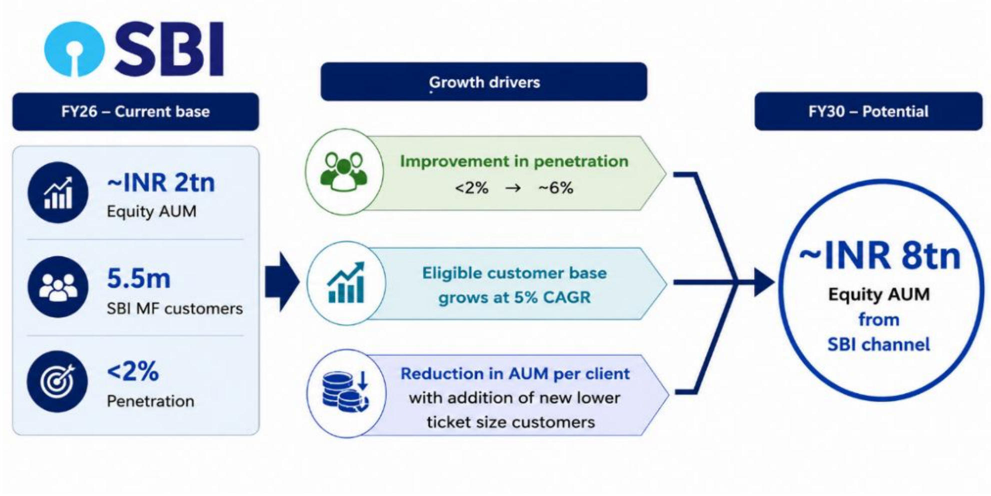


Exhibit 36: Strong counter share within the SBI group subsidiaries

(All values in INRb)	Net inflow	AAUM of SBIFUNDS (FY25)	Total net inflow	Total AAUM (FY25)	AAUM counter share of SBIFUNDS
SBICAP Securities	4.4	7.6	9.8	20.8	36.7
SBI	260.3	2,221.5	270.6	2,303.7	96.4

Source: AMFI, Company, MOFSL

Exhibit 37: Equity AUM can grow multifold as SBI penetration deepens



Source: MOFSL

Wide geography and well-diversified distribution network

The company holds the largest B30 AUM among the top 10 AMCs, representing 23.2% of total MAAUM vs. the industry average of 18.4%, as at of Jun'26. B30 market share of 19.3% exceeds the overall market share of 15.4%.

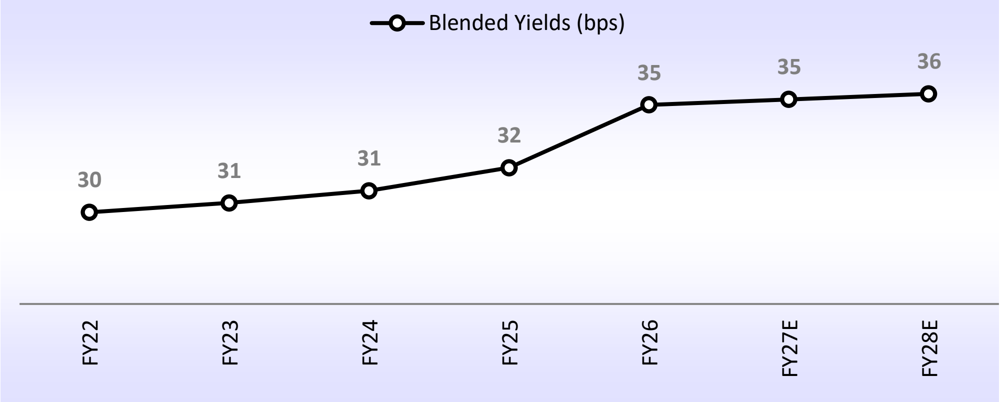
- The company has ~134k empaneled distributors which include MFDs, national distributors, banks, IFAs, etc.
- Direct channel MAAUM grew from INR4.1t as of Mar'23 to INR7.3t as of Jun'26, reflecting continued investor preference for direct plans. Third party distributor MAAUM grew from INR2.9t as of Mar'23 to INR5.3t as at Jun'26, reflecting the growing role of the intermediary ecosystem in expanding the investor base.
- Digital distribution platforms have scaled rapidly to serve digitally native investors and enhance distributor productivity. The InvesTap mobile application has 4.1m registered users, while 3.7m active users are on its own digital platforms (website and InvesTap) as of Jun'26. Monthly digital transactions processed at the overall company level across platforms stood at 1.3m.
- The company holds the largest B30 AUM among the top 10 AMCs, representing 23.2% of total MAAUM vs. the industry average of 18.4%, as at of Jun'26. B30 market share of 19.3% exceeds the overall market share of 15.4%.

Blended yields have been increasing for ~2 years, driven by (1) declining share of low-yield passive assets in the mix and (2) growing share of active and high-yield hybrid equity products. We expect this trend to continue going forward, with yields to improve to 36bp by FY28.

Yields

- The blended yield for the company stood at 35bp as of FY26; however, it has a large share of the entire EPFO-managed equity corpus within the PMS structure. Since EPFO mandates operate at compressed fee structures, this leads to moderation of SBIFUNDS's blended revenue yield.
- Within the MF segment, the Equity yields are at 62bp, liquid at 11bp and for commodity ETFs it is at 44-45bp.
- Blended yields have been increasing for ~2 years, driven by (1) declining share of low-yield passive assets in the mix and (2) growing share of active and high-yield hybrid equity products. We expect the continued mix shift towards equity along with optimal commission payouts to support gradual rise in MF yields to ~36bp by FY28.

Exhibit 38: As equity share in overall AUM mix is increasing, yields to improve



Source: Company, MOFSL

- The commissions paid by SBIFUNDS are lower than industry, which enables it to earn higher yields on equity schemes than the industry average.
- In the majority of the categories, SBI's commission is lower than the industry average by 9bp or more.

Exhibit 39: TER for direct schemes across key schemes in the industry

Direct	Large cap	Midcap	Small Cap	Multi Cap	Large & Midcap	Flexi cap
Max	1.07	1.22	0.95	1.10	1.26	1.41
Min	0.61	0.51	0.58	0.68	0.66	0.64
Average	**0.90**	**0.85**	**0.74**	**0.93**	**0.90**	**0.92**
SBI	**0.85**	**1.01**	**0.74**	**1.00**	**0.82**	**1.27**

Source: NAV India, MOFSL

Exhibit 40: TER for indirect schemes across key schemes in the industry

Indirect	Large cap	Midcap	Small Cap	Multi Cap	Large & Midcap	Flexi cap
Max	1.84	2.29	1.86	2.12	2.40	2.24
Min	1.51	1.31	1.41	0.84	1.61	1.30
Average	**1.68**	**1.75**	**1.68**	**1.78**	**1.84**	**1.71**
SBI	**1.51**	**1.82**	**1.57**	**1.81**	**1.65**	**2.07**

Source: NAV India, MOFSL

Exhibit 41: Comparison of commissions paid to distributors as of Jul'26

Commission	Large cap	Midcap	Small Cap	Multi Cap	Large & Midcap	Flexi cap
Average	**0.78**	**0.90**	**0.94**	**0.85**	**0.94**	**0.79**
SBI	**0.66**	**0.81**	**0.83**	**0.81**	**0.83**	**0.80**

Source: NAV India, MOFSL

- SBIFUNDS stands out for combining significant scale with relatively low scheme concentration. In terms of equity AUM, SBI is the second-largest player in the peer set, yet only 56% of its equity AUM is concentrated in its five largest schemes—the lowest among the major peers shown.
- Its largest scheme also accounts for just 13% of equity AUM, indicating a relatively well-diversified equity product portfolio.
- The well-diversified equity scheme portfolio of SBIFUNDS helps mitigate its exposure to market-related volatility.

Exhibit 42: Concentration of AUM among top schemes

AMC	Top 5 equity schemes	Largest equity scheme
Aditya Birla MF	58%	20%
HDFC MF	73%	25%
ICICI Pru MF	58%	24%
Nippon India MF	79%	24%
SBIFUNDS	**56%**	**13%**
UTI MF	65%	24%

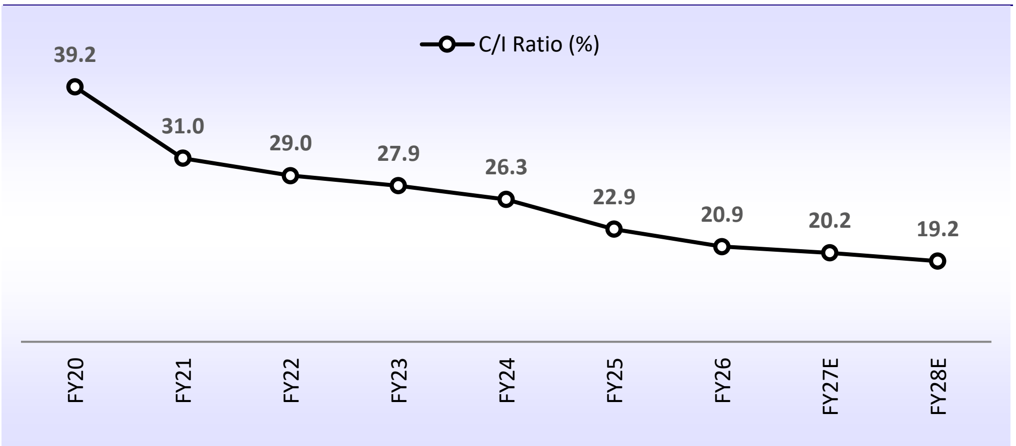
Source: NAV India, MOFSL

Best-in-class cost structure

Its scale provides significant economies of scale, enabling it to achieve the lowest operating expense ratio among the top 10 AMCs, with operating expenses as a percentage of QAAUM at 0.08% in FY26 vs. 0.10%–0.19% among the other top 10 AMCs during the same period.

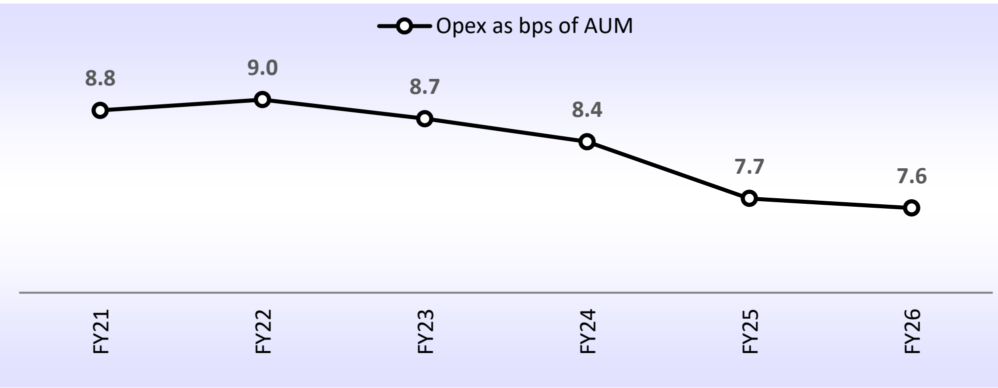
- SBI AMC was consistently among the bottom two among the top 10 AMCs in terms of cost-to-income ratio between FY24 and FY26.
- The AMC's affiliation with SBI enables it to leverage SBI's infrastructure for investor servicing, KYC processing, and payment systems, resulting in the second lowest cost-to-income ratio among the top 10 AMCs at 20.9% as of FY26. We expect it to further come down to <20 levels by FY28.
- Its scale provides significant economies of scale, enabling it to achieve the lowest operating expense ratio among the top 10 AMCs, with operating expenses as a percentage of QAAUM at 0.08% in FY26 vs. 0.10%–0.19% among the other top 10 AMCs during the same period.

Exhibit 43: Low cost-to-income ratio



Source: Company, MOFSL

Exhibit 44: Declining trend of opex as a bp of AUM



Source: Company, MOFSL

Peer comparison

Mutual Fund QAAUM

- SBIFUNDS is the largest asset management company by QAAUM, with total QAAUM of INR12.6t and equity QAAUM of INR6.0t as of Jun'26.
- As of Jun'26, SBIFUNDS's QAAUM mix remains equity-led, with equity, including hybrid, contributing ~48% to total assets, followed by ETFs (~29%), liquid funds (~11%), and debt (~9%), reflecting a diverse asset class mix that provides stability to yields during periods of market volatility.

Exhibit 45: QAAUM mix of listed peers

	SBIFUNDS		IPRU		HDFC		Nippon		ABSL		UTI	
QAAUM mix %	FY26	1QFY27	FY26	1QFY27	FY26	1QFY27	FY26	1QFY27	FY26	1QFY27	FY26	1QFY27
Equity	47	48	59	59	62	62	46	47	44	45	32	32
Debt	10	8	14	13	13	12	8	7	21	19	6	6
Liquid	11	11	10	10	14	14	10	10	25	26	13	14
ETFs	29	29	13	13	5	5	33	32	3	3	34	34
Others	4	4	5	5	7	7	3	3	6	6	14	14

Source: AMFI, MOFSL

Market share

- Based on overall AUM market share, SBIFUNDS holds the largest position in the industry, accounting for ~15.1% share as of Jun'26.
- The company's market share has remained largely stable over the past few months, despite market volatility and regulatory changes. This stability underscores the resilience of its franchise, diversified product mix, and sustained investor confidence.
- In the total equity segment (including hybrid funds), SBIFUNDS has the 3rd largest market share at 12.1%, while in debt/liquid/others it has the 2nd/1st/1st highest market share at 14.0%/13.0%/31.0% as of Jun'26. This leadership highlights its strong positioning across categories.
- The company has consistently maintained its leadership in the passive space with a significantly high market share.

Exhibit 46: SBIFUNDS continues to hold the largest market share on AAUM (%)

Overall AUM Market Share (%)	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	1QFY27
SBI	11.6	13.8	15.7	16.3	17.5	16.8	16.4	15.5	15.1
IPRU	13.1	13.0	12.6	12.3	12.2	12.2	12.8	13.3	13.4
HDFC	14.0	13.7	12.9	11.9	11.0	10.8	11.5	11.4	11.2
NAM	9.5	7.6	7.1	7.3	7.3	7.3	8.3	8.6	9.0
ABSL	10.1	9.2	8.4	8.0	7.1	6.3	5.8	5.5	5.1
UTI	6.5	5.6	5.7	5.8	5.9	5.4	5.2	4.9	4.7

Source: AMFI, MOFSL

PMS AUM

- As of Jun'26, SBI AMC maintained its position as the largest provider of discretionary PMS, with AUM of INR16.5t.

Exhibit 47: PMS AUM comparison between AMCs

Total PMS closing AUM for clients (in INRb)	FY26	3MFY27
IPRU	998	1,080
SBI	16,885	16,459
HDFC	131	148
Nippon (PMS+AIF)	940	975
UTI	15,319	12,151

Source: Companies, MOFSL

Flows and flow-wise market share

- Despite recent volatility due to geopolitical tensions flows into SBIFUNDS's equity and hybrid funds have been robust backed by the extensive distribution network of SBIFUNDS. In Jul'26, it recorded inflows of INR3.9b.
- In Jul'26, the flow market share of SBIFUNDS was the one of the highest among listed AMCs at 10%. Going forward, we expect the flow momentum to remain strong for the company.

Exhibit 48: Flows market share (%)

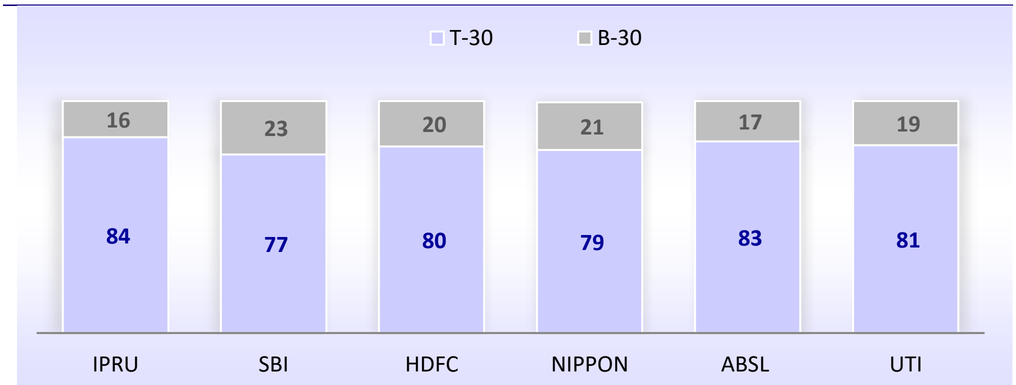
Market Share (%)	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26
IPRU	12	14	14	16	14	17	12	19	22	24	16	31	10	13	15	7
HDFC	13	9	10	10	10	15	19	15	15	12	14	21	13	11	8	11
NAM	8	7	7	8	7	10	11	10	10	9	10	16	11	9	9	9
ABSL	3	4	5	3	3	-2	2	2	0	4	1	-7	2	2	1	1
UTI	0	-1	1	1	2	1	2	1	-1	1	0	-3	1	0	0	-2
SBI	4	6	15	15	13	7	1	10	8	15	14	-1	9	7	17	10

Source: NAV India, MOFSL

Highest market share in B30 AUM & 2nd highest share through direct channel

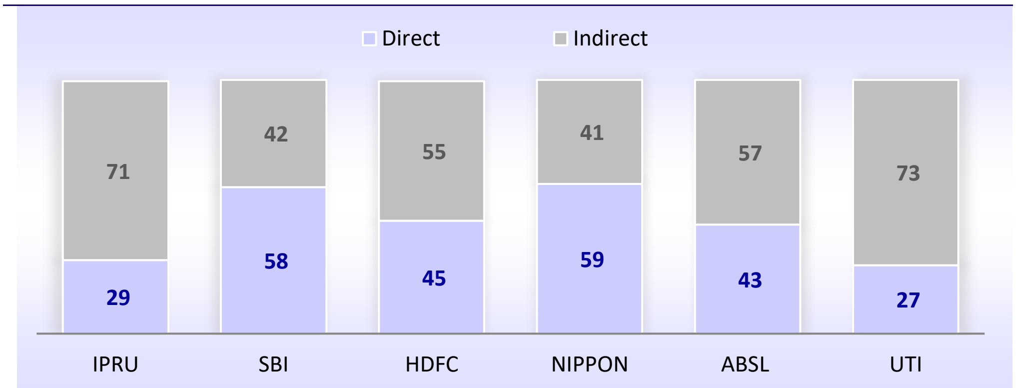
- SBI held the largest market share of B30 AUM at 18.9% as of Jun'26. SBI AMC also has a significant share of B30 AUM in its total AUM, at 23.2%, underscoring its wide distribution network.
- As of Jun'26, SBI AMC had 58% of its AUM invested through direct channels, second only to Nippon.

Exhibit 49: Distribution mix for T30/B30 based on AUM



Note: Data for ABSL AMC and IPRU AMC is for 9MFY26. Source: Companies, MOFSL

Exhibit 50: Direct vs. indirect mix (%)



Source: Companies, MOFSL

One of the best cost-to-income ratios

- SBI AMC has consistently had the 2nd best cost to income ratio for the period between FY24 and FY26. The AMC's affiliation with SBI enables it to leverage SBI's infrastructure for investor servicing, KYC processing, and payment systems, resulting in one of the lowest cost-to-income ratio among the top 10 AMCs at 19.9% as of Jun'26.

Exhibit 51: Cost-to-income ratio comparison between AMCs

CIR (%)	FY21	FY22	FY23	FY24	FY25	FY26	3MFY27
IPRU	26	27	28	29	29	26	28
SBI	31	29	28	26	23	21	20
HDFC	21	24	25	24	20	20	20
Nippon	48	39	41	40	35	34	34
ABSL	44	39	43	44	41	40	44
UTI	65	56	58	60	52	58	53

Source: Companies, MOFSL. Note: Numbers are on consolidated basis

Return on Equity

- As of FY26, SBIFUNDS has the second best RoE, only behind IPRU AMC. Its RoE for FY26 stood at 43%.

Exhibit 52: RoE comparison between AMCs

ROE (%)	FY21	FY22	FY23	FY24	FY25	FY26
IPRU	80	77	70	79	83	86
SBI	38	35	32	36	34	43
HDFC	30	27	24	29	32	33
Nippon	24	23	21	30	31	34
ABSL	35	34	25	27	27	25
UTI	16	16	12	18	16	10

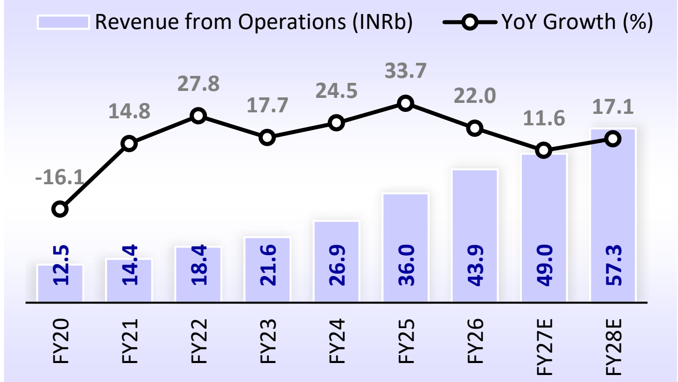
Source: Companies, MOFSL. Note: Numbers are on consolidated basis

Financial performance

Mid-teen revenue growth expected as AUM scales and yield improves

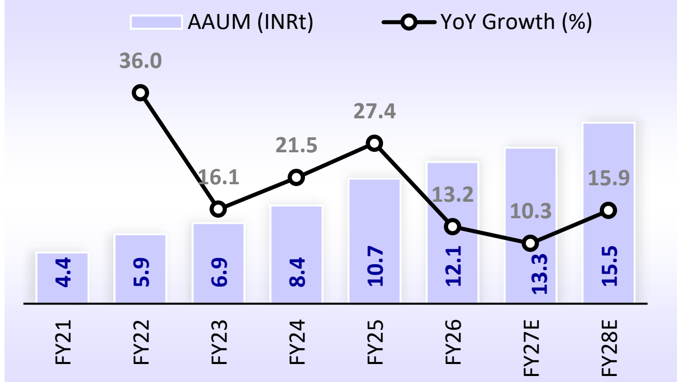
- SBIFUNDS's operating revenue registered an FY23-26 CAGR of 27%, with 96.5% of revenue being contributed by management fees in FY26. We expect its revenue to clock a 14% CAGR over FY26-28. We expect the AAUM to clock a 13% CAGR over FY26-28.

Exhibit 53: FY26-28 revenue CAGR expected at 14%...



Source: Company, MOFSL

Exhibit 54: ...as AUM grows at a FY26-28 CAGR of 13%

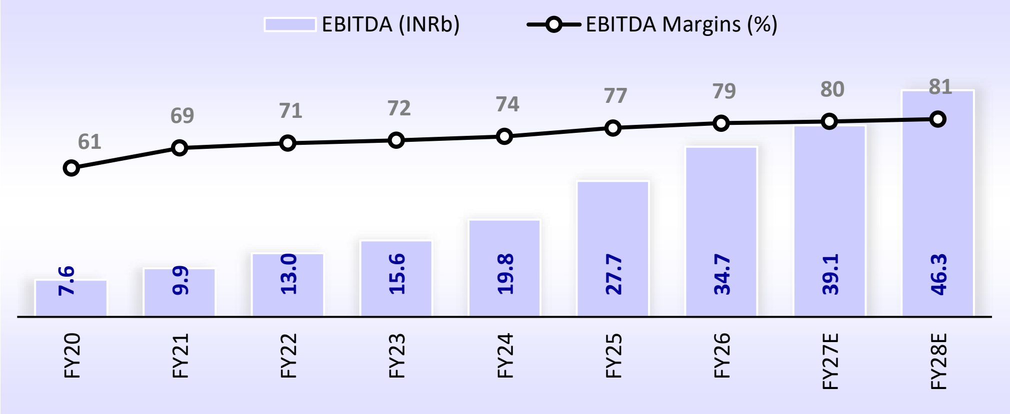


Source: Company, MOFSL

Robust EBITDA margin backed by strong operational efficiency

- SBIFUNDS's adjusted EBITDA has grown at a FY23-26 CAGR of 31% with an EBITDA margin of 79% for FY26. Robust operational efficiency, backed by a lean cost structure, will boost margin expansion for the company. We expect EBITDA to grow at a FY26-28 CAGR of 15%, with the margin expanding to ~81% by FY28.

Exhibit 55: EBITDA margin to remain stable on the back of operating efficiency

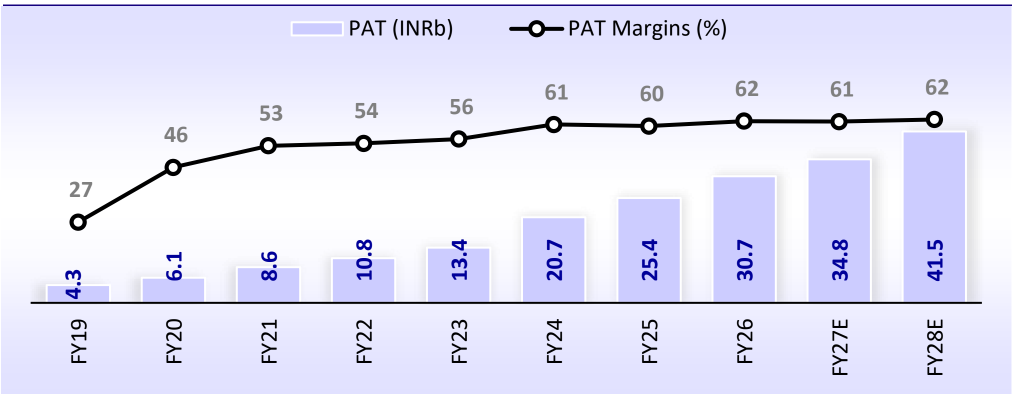


Source: Company, MOFSL

Revenue momentum and operational leverage to boost PAT growth

- SBIFUNDS's PAT has grown at a FY23-26 CAGR of 32% with a PAT margin of 61.6% in FY26. Going forward, we expect the PAT to clock an FY26-28 CAGR of 16%, backed by strong revenue growth momentum as well as robust operational efficiency.

Exhibit 56: PAT expected to grow at 16% FY26-28 CAGR

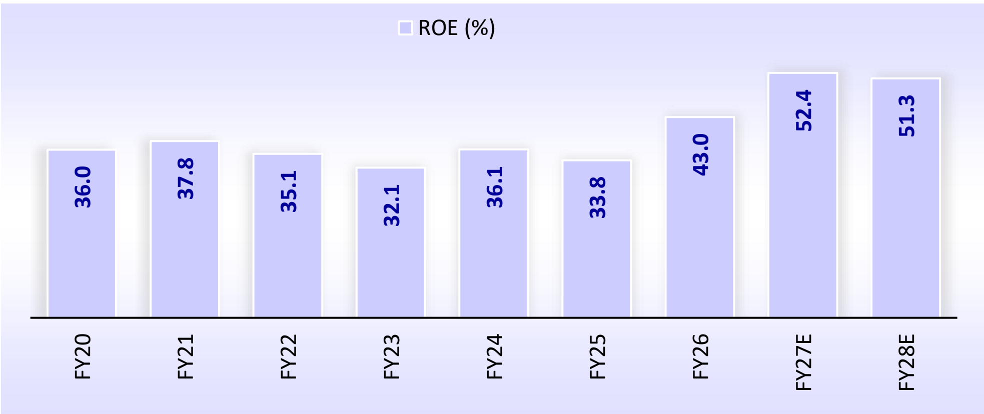


Source: Company, MOFSL

RoE continues to improve

- SBIFUNDS has been reporting one of the lowest CI ratios in the industry between FY24-26.
- Compared with other AMCs, it ranks second in terms of RoE among listed players.

Exhibit 57: RoE trends



Source: Company, MOFSL

Valuation and view

Initiate coverage with a BUY rating

- SBIFUNDS is India's leading asset manager with a dominant franchise built on scale, SBI's unmatched distribution network, strong brand credibility and a diversified product portfolio. Beyond the largest AMC (15.1% market share), SBIFUNDS has built meaningful scale across PMS, AIF, offshore and SIF businesses, providing multiple avenues for AUM growth and mix improvement.
- Its strong 18.9% B-30 AUM market share coupled with access to 23,265 branches of the largest bank in the country – SBI, strengthens its positioning to capitalize on the underpenetration opportunity as industry growth increasingly shifts beyond the top cities. With SIP flows reaching INR40b/month, we expect SBIFUNDS to continue gaining from rising household financialization and deliver 12% AUM CAGR for FY26-28.
- Rising equity contribution to ~47% of MF QAAUM from ~30% in FY21, along with optimal commission payouts, has supported improvement in MF yields, while traction in higher-yielding AIF, PMS and SIF businesses should provide further mix benefits.
- At the same time, SBIFUNDS's ~8bp opex/AUM in FY26 is among the lowest in the industry, supported by scale, lower commission payouts, and the use of SBI's existing distribution infrastructure. We expect continued operating leverage to drive opex towards ~7bp by FY28 and sustain EBITDA margins at ~80%.
- We expect the company to deliver ~14% revenue CAGR and ~16% PAT CAGR over FY26-28, driven by MF AUM growth, stable yields and increasing contribution from higher-yielding alternate businesses. With limited incremental capital requirements and strong cash generation, we expect RoE to remain above 50%, making SBIFUNDS one of the most attractive compounding franchises within the financial sector. We believe the combination of market leadership, structural industry growth and operating leverage warrants a premium to broader financials and supports a potential valuation re-rating as earnings compound.
- **We initiate coverage with a BUY rating and a one-year TP of INR720, based on 42x FY28E Core P/E.** Our valuation is supported by SBIFUNDS's market-leading franchise, superior profitability and a long runway for AUM growth.
- **Key risks:**
  - Slowdown in net flows/ SIP impacting AUM and revenue growth
  - Prolonged equity market correction impacting MTM-led AUM growth as well as income earned on investments
  - MF yield compression from TER rationalization and investor preference shift towards passives
  - Slower traction in AIF/PMS/offshore/SIF
  - Highly regulated industry
  - Key-person attrition risk
  - Operational, compliance, and cybersecurity risks

We initiate coverage with a BUY rating and a one-year TP of INR720, based on 42x FY28E Core P/E. Our valuation is supported by SBIFUNDS's market-leading franchise, superior profitability and a long runway for AUM growth.

Valaution matrix

Company	HDFC AMC			NAM AMC			UTI AMC			ABSL AMC			IPRU AMC			SBI FUNDS		
Rating	BUY			BUY			BUY			BUY			BUY			BUY		
CMP INR	2,569			1,194			888			1,048			3,140			564		
Markt Cap (INRb)	1,100.6			752.2			113.6			301.8			1,551.8			1,148.8		
Target Price	3,300			1,380			1,080			1,290			3,800			720		
Upside (%)	28			16			22			23			21			28		
	FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
MF AAUM (INRt)	8.9	10.1	11.8	6.7	8.1	9.7	3.8	4.2	4.7	4.3	4.7	5.3	10.3	11.7	13.7	12.1	13.3	15.5
Equity AAUM (INRt)	5.5	6.2	7.4	3.2	3.8	4.5	1.3	1.3	1.4	1.9	2.1	2.4	6.1	6.9	8.2	5.7	6.4	7.5
MF AUM Mix (%)																		
Equity	61	62	63	47	47	47	33	31	31	44	45	46	59	59	60	47	48	49
Debt	14	12	12	9	7	7	6	6	6	22	20	19	15	13	12	9	8	7
Liquid	15	14	13	11	10	9	14	15	15	25	26	26	10	10	9	11	11	11
ETFs	3	5	5	30	33	34	33	34	34	3	3	3	11	13	14	29	30	29
Others	7	7	8	4	3	3	14	14	15	6	6	6	5	5	5	4	4	4
Operating metrics (INRb)																		
Operating Revenue	41.2	47.3	54.1	27.1	32.5	37.8	15.4	16.0	17.1	18.5	19.8	22.3	57.6	64.9	75.4	43.9	49.0	57.3
EBITDA	33.0	37.7	43.7	17.9	21.8	25.4	6.5	7.1	8.0	11.0	11.4	12.5	42.9	46.9	54.7	34.7	39.1	46.3
PAT	28.6	33.2	38.0	15.3	18.8	21.6	4.7	8.2	8.7	9.8	11.5	12.8	33.0	37.7	43.9	30.7	34.8	41.5
Core PAT	24.7	27.8	32.4	13.5	15.9	18.6	3.4	4.8	5.5	8.1	8.1	8.9	31.2	34.1	39.9	26.2	29.1	34.4
Ratios (%)																		
Blended Yield	0.46	0.47	0.46	0.40	0.40	0.39	0.40	0.38	0.36	0.43	0.42	0.42	0.56	0.56	0.55	0.36	0.37	0.37
EBITDA Margin	79.9	79.5	80.9	66.3	67.0	67.3	42.2	44.2	46.7	59.9	57.5	56.1	74.5	72.3	72.5	79.1	79.8	80.8
PAT Margins	61.8	61.0	61.8	52.1	51.7	51.7	27.6	40.1	40.8	47.5	47.2	46.5	55.0	54.1	54.3	61.6	61.5	62.2
Dividend Payout Ratio	80.9	75.0	75.0	89.7	88.0	88.0	9.8	17.6	17.8	75.5	67.8	67.4	80.1	80.0	80.0	179.8	59.7	60.4
Valuation																		
RoE (%)	32.9	34.4	36.0	34.4	39.4	43.1	9.8	17.6	17.8	25.2	27.1	27.8	85.8	82.9	81.8	43.0	52.2	50.7
P/E (x)	38.5	33.1	29.0	49.2	39.4	34.3	23.9	13.9	13.0	30.9	26.3	23.5	47.0	41.1	35.3	37.5	33.0	27.7
Core P/E (x)	44.5	39.6	34.0	55.5	46.8	39.9	33.6	23.5	20.6	37.1	37.2	34.0	49.7	45.5	38.9	43.8	39.5	33.4
Mcap/AUM (%)	12.4	10.9	9.3	11.2	9.3	7.8	3.0	2.7	2.4	7.1	6.4	5.7	15.0	13.3	11.3	12.8	11.6	10.0
Dividend Yield (%)	2.1	2.3	2.6	1.8	2.2	2.5	40.0	44.4	47.3	2.4	2.6	2.9	1.7	1.9	2.3	12.4	1.8	2.2

ESG initiatives

Environmental initiatives

- **Clean energy access**: 8 solar-irrigation pumps and 57 biogas plants were installed, supporting sustainable energy solutions in rural and agricultural communities.
- **Afforestation**: 1,980 trees were planted as part of green cover initiatives.
- These initiatives are part of FY2025-26 CSR program spanning 19 States/UTs and 60 districts, with 17,000+ lives impacted overall (across Environmental, Rural Development, Education, Skill Development, and Healthcare pillars).

Social initiatives

- Implementing agencies to provide market driven vocational training courses to youth, with a focus on improving employability and enabling entrepreneurial development
- The company has contributed to strengthening healthcare infrastructure, including initiatives to improve access to healthcare for underprivileged sections of society
- Flagship Comprehensive Village Development Program aims to transform clusters of villages into self-reliant and prosperous communities through integrated interventions across infrastructure, livelihoods, and community services.

Governance

- The company has established internal policies and procedures to enable and monitor compliance across the organization, which are periodically reviewed and updated.
- It has ensured compliance with regulatory requirements relating to Board composition and the constitution of Board committees, including the Audit Committee, SEBI ESG Advisory Committee, AMFI ESG Committee, and FICCI ESG Committee.

Exhibit 58: ESG highlights

Source: Company

Bull and Bear cases

Bull case

- ☑ In our bull case, we factor in a higher AUM CAGR of 16% (vs. 13% in the base case) over FY26-28 and a yield increase of 0.6bp (vs. 0.4bp in the base case) each year over FY26-28.
- ☑ Given the operating leverage in the business, we expect a 20% EBITDA CAGR vs. 15% in the base case.
- ☑ As a result, we estimate a PAT CAGR of 20% over FY26-28 vs. 16% in the base case.

Scenario analysis - Bull Case

INRm	FY25	FY26	FY27E	FY28E
MF AAUM	10,685	12,091	13,699	16,289
Growth (%)	27	13	13	19
Net revenues	36	44	51	61
Net Yields (Bps)	33.7	36.3	36.9	37.5
Cost to Income (%)	23	21	19.7	18.7
Core Operating Profits	28	35	41	50
Other expenses	0	1	1	1
Other income	6	6	8	10
PBT	34	40	48	59
PAT	25	31	36	44
Core PAT	21	26	30	37
EPS (INR)	12.5	15.1	17.8	21.8
Core EPS (INR)	10.1	12.9	14.7	18.0
Target Core PE multiple (FY28E)				47
Target price (INR)				850
Upside (%)				51

Bear case

- ☑ In our bear case, we factor in a lower AUM CAGR of 10% (vs. 13% in the base case) over FY26-28 and 0.2bp increase in yields (vs. 0.4bp increase in the base case) over FY26-28.
- ☑ Given the operating leverage in the business, we expect a 12% EBITDA CAGR vs. 15% in the base case.
- ☑ As a result, we estimate a PAT CAGR of 12% over FY26-28 vs. 16% in the base case.

Scenario analysis - Bear Case

INRm	FY25	FY26	FY27E	FY28E
MF AAUM	10,685	12,091	12,973	14,648
Growth (%)	27	13	7	13
Net revenues	36	44	47	54
Net Yields (Bps)	33.7	36.3	36.5	36.8
Cost to Income (%)	23	21	20.7	19.7
Core Operating Profits	28	35	38	43
Other expenses	0	1	1	1
Other income	6	6	7	8
PBT	34	40	44	51
PAT	25	31	33	38
Core PAT	21	26	28	32
EPS (INR)	12.5	15.1	16.1	18.8
Core EPS (INR)	10.1	12.9	13.6	15.7
Target Core PE multiple (FY28E)				38
Target price (INR)				600
Upside (%)				6

SWOT analysis

- ☑ Strong parentage of SBI and jointly by SBI and Amundi, providing strong credibility and trust among retail investors
- ☑ Manages PMS assets, the third-largest non-discretionary PMS manager and also discretionary PMS manager
- ☑ Extensive distribution leveraging the branch network of SBI.
- ☑ Diversified AUM mix across equity, debt, passive, and SIF products reducing earnings volatility.

- ☑ Earnings remain linked to equity market levels and investor sentiments.
- ☑ High concentration in low-fee institutional and passive funds.
- ☑ High dependence on SBI ecosystem for distribution

- ☑ Structural financialization of savings in India shifting from physical to financial assets.
- ☑ Rising SIP penetration beyond Tier-1 cities.
- ☑ Leadership in passive investing (ETFs, index funds) and target maturity products.
- ☑ Relatively higher dominance in index funds/ETF segment.
- ☑ Investments in new growth engines – AIF/PMS/SIF

- ☑ Prolonged equity market corrections leading to mark-to-market AUM decline and weaker inflows
- ☑ Regulatory changes impacting mutual fund fees and expenses
- ☑ Intensifying competition from established AMCs
- ☑ Key fund manager attrition impacting performance perception and flows

Management team

Mr. Debashish Mishra, MD & CEO

He has been associated with SBI for over 30 years and oversees business growth, investment oversight, governance frameworks, risk and compliance supervision and stakeholder engagement. He holds a bachelor's degree in technology from Orissa University of Agriculture and Technology, a postgraduate diploma in forestry department, and qualifications financial advisory.

Mr. Denys Charles Jean Marie Fougeroux De Campigneulles, Deputy CEO

He has over 32 years of experience in the asset management sector. He was previously associated with LCL Bank, Paris, France, NH-CA Asset management, et al. He holds an investment management certificate from the Institute of Investment Management and Research, London, United Kingdom.

Mr. Devinder Pal Singh, Joint CEO

He has over 20 years of experience in the finance sector and was previously associated with State Bank of India as a senior management grade scale – V officer. He holds a bachelor's degree in commerce from Multani Mal Modi Degree College, Patiala, Punjabi University and a master's degree in commerce from Government Bikram College of Commerce, Patiala, Punjabi University.

Mr. R.S. Srinivas Jain, Chief of Strategy, Digital & Technology and Head - Investor Relations

He has over 29 years of experience and was previously associated with Birla Capital International AMC Limited as an executive. He holds a bachelor's degree in commerce from Vijaya Evening College, affiliated to Bangalore University and has passed the intermediate examination of the Institute of Cost and Works Accountants of India.

Mr. Inderjeet Ghuliani, CFO

He has over 35 years of experience and has been previously associated with Bank of India, JCT Limited, et al. He holds a bachelor's degree in commerce from Directorate of Correspondence Courses, Punjab University, Chandigarh.

Financials and valuations

Income Statement

INR m

Y/E March	2020	2021	2022	2023	2024	2025	2026	2027E	2028E
Investment management fees	12,523	14,375	18,369	21,616	26,906	35,978	43,895	48,976	57,328
Change (%)	-16.1	14.8	27.8	17.7	24.5	33.7	22.0	11.6	17.1
Operating Expenses	4,909	4,460	5,334	6,026	7,078	8,238	9,177	9,892	11,031
Core Operating Profits	**7,614**	**9,915**	**13,034**	**15,590**	**19,828**	**27,740**	**34,718**	**39,084**	**46,298**
Change (%)	28.0	30.2	31.5	19.6	27.2	39.9	25.2	12.6	18.5
Dep/Interest/Provisions	339	357	376	391	447	480	530	599	680
Core PBT	**7,275**	**9,558**	**12,658**	**15,199**	**19,381**	**27,259**	**34,189**	**38,485**	**45,618**
Change (%)	25.8	31.4	32.4	20.1	27.5	40.7	25.4	12.6	18.5
Other Income	663	1,822	1,633	2,510	7,355	6,384	5,866	7,629	9,429
PBT	**7,937**	**11,380**	**14,291**	**17,709**	**26,736**	**33,643**	**40,055**	**46,114**	**55,047**
Change (%)	23.2	43.4	25.6	23.9	51.0	25.8	19.1	15.1	19.4
Tax	1,884	2,761	3,571	4,419	6,133	8,388	9,524	11,529	13,762
Tax Rate (%)	23.7	24.3	25.0	25.0	22.9	24.9	23.8	25.0	25.0
PAT	**6,058**	**8,626**	**10,824**	**13,397**	**20,728**	**25,402**	**30,674**	**34,786**	**41,510**
Change (%)	42.0	42.4	25.5	23.8	54.7	22.5	20.8	13.4	19.3
Core PAT	5,552	7,246	9,599	11,514	15,060	20,609	26,202	29,064	34,438
Change (%)	45.0	30.5	32.5	19.9	30.8	36.8	27.1	10.9	18.5

Balance Sheet

INR m

Y/E March	2020	2021	2022	2023	2024	2025	2026	2027E	2028E
Equity Share Capital	500	501	503	503	506	508	2,037	2,037	2,037
Reserves & Surplus	19,352	25,245	35,364	47,011	66,972	82,467	57,594	71,604	88,062
Net Worth	**19,852**	**25,746**	**35,867**	**47,514**	**67,477**	**82,975**	**59,631**	**73,641**	**90,098**
Borrowings	0	0	0	0	0	0	0	0	0
Other Liabilities	1,707	2,531	2,112	2,325	3,592	4,743	4,574	5,030	5,533
Total Liabilities	**21,559**	**28,277**	**37,979**	**49,838**	**71,069**	**87,719**	**64,204**	**78,671**	**95,631**
Cash and Investments	17,749	24,889	34,281	46,402	67,038	82,038	58,128	71,495	86,923
Change (%)	47.6	40.2	37.7	35.4	44.5	22.4	-29.1	23.0	21.6
Loans	**0**	**0**	**5**	**3**	**2**	**3**	**2**	**2**	**2**
Net Fixed Assets	1,702	1,595	2,203	2,273	2,510	3,764	3,895	4,684	5,619
Other Assets	2,109	1,793	1,490	1,161	1,518	1,914	2,180	2,489	3,088
Total Assets	**21,559**	**28,277**	**37,979**	**49,839**	**71,069**	**87,719**	**64,204**	**78,671**	**95,631**

Cash Flow Statement

Y/E March	2020	2021	2022	2023	2024	2025	2026	2027E	2028E
Cashflow from operations	**5,491**	**9,733**	**10,129**	**14,258**	**21,620**	**26,537**	**29,701**	**35,303**	**42,008**
PBT	7,937	11,380	14,291	17,709	26,736	33,643	40,055	46,114	55,047
Depreciation and amortization	302	317	332	338	370	394	438	504	580
Tax Paid	-1,884	-2,761	-3,571	-4,419	-6,133	-8,388	-9,524	-11,529	-13,762
Deferred tax	-17	147	-110	34	638	654	-342	106	116
Interest, dividend income (post-tax)	0	0	0	0	0	0	0	0	0
Interest expense (post-tax)	28	30	33	39	59	65	69	71	75
Working capital	-876	620	-846	556	-51	169	-996	37	-49
Cash from investments	**-6,154**	**-6,497**	**-9,970**	**-12,622**	**-20,822**	**-16,542**	**22,993**	**-16,077**	**-17,604**
Capex	-841	-201	-352	-410	-606	-1,624	-550	-1,295	-1,518
Interest, dividend income (post-tax)	0	0	0	0	0	0	0	0	0
Investments	-5,313	-6,296	-9,618	-12,213	-20,216	-14,918	23,542	-14,782	-16,086
Cash from financing	**-152**	**-2,679**	**-666**	**-1,653**	**-525**	**-9,656**	**-52,533**	**-20,681**	**-24,943**
Equity	0	1	2	0	3	2	1,529	0	0
Dividend	0	0	0	-1,761	-2,023	-11,173	-55,151	-20,776	-25,053
Debt	-134	92	79	150	313	332	48	190	210
Interest costs	-36	-40	-44	-53	-77	-86	-91	-95	-100
Others	18	-2,732	-703	11	1,259	1,269	1,133	0	0
Change of cash	**-815**	**557**	**-507**	**-17**	**273**	**339**	**161**	**-1,454**	**-539**
Cash start	1,093	278	835	328	311	584	923	1,084	-370
Cash end	278	835	328	311	584	923	1,084	-370	-909
FCFF	**-663**	**3,236**	**159**	**1,636**	**799**	**9,995**	**52,694**	**19,226**	**24,404**

Financials and valuations

Y/E March	2020	2021	2022	2023	2024	2025	2026	2027E	2028E
AAAUM (INR B)	**2,025**	**5,045**	**5,940**	**6,899**	**8,386**	**10,685**	**12,091**	**13,336**	**15,457**
Change (%)	29.5	149.1	17.8	16.1	21.5	27.4	13.2	10.3	15.9
Equity (Including Hybrid)	52.9	27.2	31.7	36.2	40.0	45.9	47.1	47.7	48.5
Debt	46.8	27.8	19.8	12.5	11.3	9.1	9.4	7.7	7.3
Liquid	0.0	16.1	17.6	15.9	12.7	11.0	10.7	11.1	10.7
Others	0.3	28.9	30.9	35.4	36.0	33.9	32.8	33.5	33.4

E: MOFSL Estimates

Dupont Analysis (Bps of AAAUM)

Y/E March	2020	2021	2022	2023	2024	2025	2026	2027E	2028E
Operating Income	62	28	31	31	32	34	36	37	37
Operating Expenses	24	9	9	9	8	8	8	7	7
EBITDA	**38**	**20**	**22**	**23**	**24**	**26**	**29**	**29**	**30**
Depreciation and Others	2	1	1	1	1	0	0	0	0
Core PBT	**36**	**19**	**21**	**22**	**23**	**26**	**28**	**29**	**30**
Other Income	3	4	3	4	9	6	5	6	6
PBT	**39**	**23**	**24**	**26**	**32**	**31**	**33**	**35**	**36**
Tax	9	5	6	6	7	8	8	9	9
ROAAAUM	**30**	**17**	**18**	**19**	**25**	**24**	**25**	**26**	**27**

Y/E March	2020	2021	2022	2023	2024	2025	2026	2027E	2028E
Margins Analysis (%)									
Operating income to total income	95.0	88.7	91.8	89.6	78.5	84.9	88.2	86.5	85.9
Cost to Core Income Ratio	**39.2**	**31.0**	**29.0**	**27.9**	**26.3**	**22.9**	**20.9**	**20.2**	**19.2**
EBITDA Margins	60.8	69.0	71.0	72.1	73.7	77.1	79.1	79.8	80.8
Core PBT Margins	**58.1**	**66.5**	**68.9**	**70.3**	**72.0**	**75.8**	**77.9**	**78.6**	**79.6**
PBT Margins (On total income)	60.2	70.3	71.5	73.4	78.0	79.4	80.5	81.5	82.5
Profitability Ratios (%)									
RoE	36.0	37.8	35.1	32.1	36.1	33.8	43.0	52.2	50.7
Dividend Payout Ratio				13.1	9.8	44.0	179.8	59.7	60.4

Valuations	2020	2021	2022	2023	2024	2025	2026	2027E	2028E
BVPS (INR)	10	13	18	23	33	41	29	36	44
Change (%)		29.7	39.3	32.5	42.0	23.0	-28.1	23.5	22.3
Price-BV (x)	**57.9**	**44.6**	**32.0**	**24.2**	**17.0**	**13.8**	**19.3**	**15.6**	**12.8**
EPS (INR)	3.0	4.2	5.3	6.6	10.2	12.5	15.1	17.1	20.4
Change (%)		42.4	25.5	23.8	54.7	22.5	20.8	13.4	19.3
Price-Earnings (x)	**189.6**	**133.2**	**106.1**	**85.7**	**55.4**	**45.2**	**37.5**	**33.0**	**27.7**
Core EPS (INR)	2.7	3.6	4.7	5.7	7.4	10.1	12.9	14.3	16.9
Change (%)		30.5	32.5	19.9	30.8	36.8	27.1	10.9	18.5
Core Price-Earnings (x)	**206.9**	**158.5**	**119.7**	**99.8**	**76.3**	**55.7**	**43.8**	**39.5**	**33.4**
DPS (INR)				3.5	4.0	22.0	70.0	10.2	12.3
Dividend Yield (%)				**0.6**	**0.7**	**3.9**	**12.4**	**1.8**	**2.2**

E: MOFSL Estimates

NOTES

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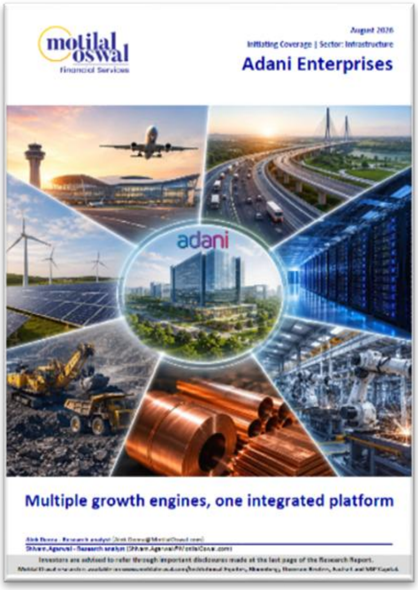

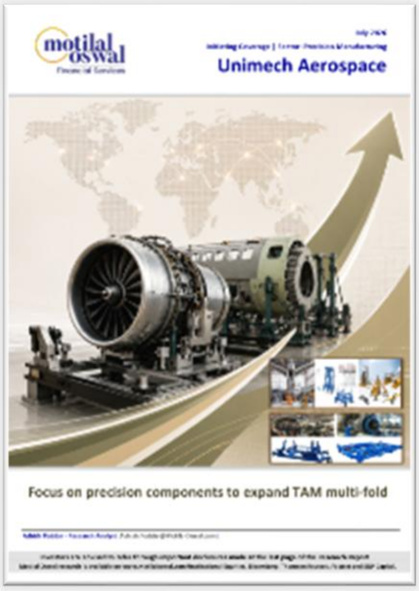

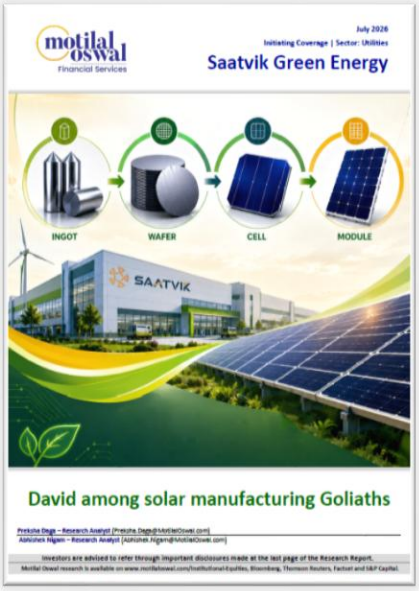

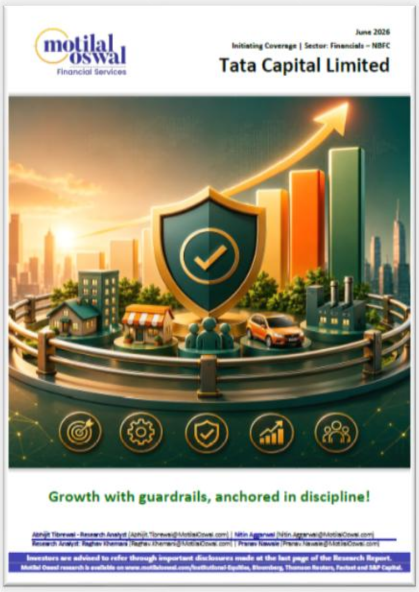

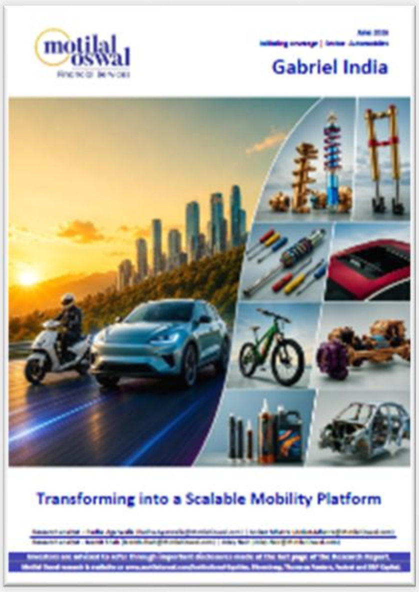

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