State Bank of India (STABAN)

CMP: ₹1097 | Target ₹ 1300 (19%) | Target Period: 12 months | **BUY**

August 9, 2026

Growth momentum in-tact; RoA remains steady…

About the stock: SBI is a public sector bank and the largest bank in India with a balance sheet size of over ~ ₹76.6 lakh crore.

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

Q1FY27 performance: SBI reported a healthy Q1FY27 performance, driven by robust operating income and resilient margins. Advances grew 19% YoY (2.3% QoQ), led by strong traction in RAM segment (18.2% YoY) along with foreign advances (21.4% YoY). Deposits grew 9.7% YoY (0.5% QoQ), as the bank consciously avoided high-cost wholesale deposits amid comfortable liquidity and FCNR(B) inflows. Domestic NIM improved to 3% (up 7 bps QoQ), supported by lower funding cost and improved business mix. Fee income remained healthy, partly offsetting weaker treasury and forex income. Provisions remained elevated largely due to seasonal agri slippages and smoothening of PLI provisioning. Asset quality was resilient with GNPA/NNPA at 1.47%/0.38% and credit cost remained benign at 0.27%. PAT stood at ₹21,121 crore (up 10.2% YoY).

Investment Rationale:

- **Healthy operating performance; management retains growth & margin guidance:** SBI delivered a healthy all-round operating performance in Q1FY27, with broad-based loan growth, resilient margins and stable asset quality. Management reiterated its FY27 credit growth guidance at 14–15%, supported by a strong corporate pipeline of over ₹9 lakh crore, while expecting broad-based traction across RAM segment. We expect recent RBI's revised M&A financing framework to meaningfully support SBI's growth trajectory over mid-to-long term. Domestic NIM remained resilient at 3%, with management retaining its FY27 NIM guidance of ~3%. Margin stability is expected to be supported by a favourable asset mix, led by higher growth in RAM segments, shifting T-bill-linked corporate loans to MCLR, lower wholesale deposits and replacement of high-cost bulk deposits through FCNR(B) mobilisation, with management expecting overall NIM impact to remain largely neutral.
- **RoA to remain steady; asset quality continues to strengthen:** Management expects fee income contribution to gradually increase from ~15% currently towards ~20%, supported by higher loan processing fees, government business, transaction banking and cross-selling opportunities. Operating efficiency continues to improve, with cost-to-assets declining to 1.54% (vs 1.66% in Q1FY26) aided by digitalisation, AI-led sourcing, process simplification and rationalisation of Q4 cost bunching through amortisation of annual expenses. Asset quality also remains resilient, with slippage ratio improving to 0.57% (vs 0.75% in Q1FY26) and credit cost moderating to 27 bps (vs 47 bps in Q1FY26), reflecting disciplined underwriting and healthy recoveries. Consequently, we expect SBI to continue delivering RoA above 1%, while maintaining a prudent balance between growth, profitability and capital efficiency.

Rating and Target Price: SBI is well positioned to deliver heathy growth on advances (amid opportunities in M&A financing and emerging segments), while improving fee income, operating efficiency and benign credit cost should support >1% RoA. Easing liquidity owing to FCNR(B) inflow is expected to aid margins and thus operational performance. Resilient asset quality and a strong capital position provides comfort. Factoring this, we value standalone bank at ~1.4x FY28 standalone BV and ₹271 for subsidiaries, assigning target price of ₹1,300. Maintain BUY rating.

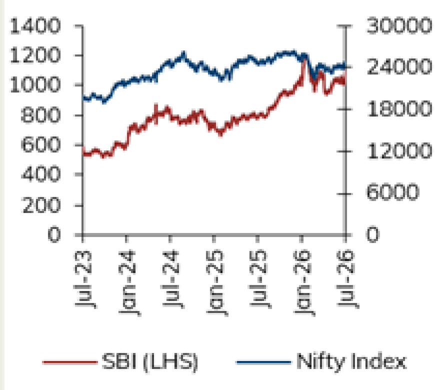
Particulars

Particulars	Amount
Market Cap	₹ 10,12,783 crore
52 week H/L	₹ 1,235 / 798
Networth	₹ 6,21,940 crore
Face value	1.0
DII Holding (%)	26.5
FII Holding (%)	10.8

Shareholding pattern

(in %)	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	55.5	55.5	55.5	55.5
FII	9.6	10.3	11.4	10.8
DII	27.7	27.0	26.1	26.5
Others	7.2	7.2	7.0	7.2

Price Chart



Key risks

(i) Higher than expected credit cost, including potential impact from ECL transition

(ii) Slower than expected business growth may put pressure on margins

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

Key Financials	FY24	FY25	FY26	3 Year CAGR (FY23-26)	FY27E	FY28E	2 Year CAGR (FY26-28E)
NII	1,599	1,670	1,731	6.1%	1,941	2,158	11.7%
PPP	938	1,106	1,230	13.7%	1,332	1,495	10.2%
PAT	611	709	800	16.8%	832	920	7.2%
ABV (₹)	399	441	541		605	676	
P/E	14.9	12.8	11.8		11.3	10.2	
P/ABV	2.6	2.3	1.9		1.7	1.5	
RoA	1.0	1.1	1.1		1.0	1.0	
RoE	17.3	17.3	16.2		14.4	14.1	

Source: Company, ICICI Direct Research

Concall highlights and outlook

Performance and growth outlook

- Advances grew 19% YoY (2.3% QoQ), led by strong traction in RAM segment (18.2% YoY) along with foreign advances (21.4% YoY).
- Deposits grew 9.7% YoY (0.5% QoQ), as the bank consciously avoided high-cost wholesale deposits amid comfortable liquidity and FCNR(B) inflows. CASA ratio stood at 39.24%
- Corporate pipeline remains strong:
    - ₹9 lakh crore+ including undisbursed sanctions, WC limits and pipeline.
- SBI had excess SLR of ~₹3.06 lakh crore as of June-end, which had increased to ~₹4 lakh crore subsequently, partly supported by FCNR(B) inflows.
- SBI continues to:
    - Shift loans from T-bill linked pricing to MCLR.
    - Renegotiate spreads on existing floating-rate corporate loans.
- FY27 credit growth guidance was revised from 13-15% earlier to 14–15% for FY27.
- Management believes 18% Q1 growth is largely a base-effect phenomenon. Internal expectation for system credit growth is 15–16%.
- Mobilized:
    - $6 billion FCNR(B) deposits
    - $1 billion YFCB
    - ~$300 million ECB
- Management expects FCNR(B) mobilization of roughly ₹1 lakh crore (~US$10 billion).
- Government current account balances continue to decline. However, non-government current account relationship growth was strong at ~14% YoY.
- Fee income currently contributes ~15% of total income, with potential to reach 20%.

Margins

- Domestic NIM guidance maintained at ~3% for FY27.
- The bank remains confident on FY27 margin delivery, supported by:
    - Lower cost of deposits,
    - Better liability mix,
    - Repricing of corporate book,
    - Disciplined asset pricing.
- Management expects negligible impact on domestic or overseas NIM. Foreign offices are deploying leverage while reducing lower-margin trade finance assets.

Asset Quality and Opex

- Insurance-related expenses declined to ~₹1,723 crore vs ₹2,074 crore in Q1FY26.
- SBI has decided to amortize certain bulk expenses across quarters instead of allowing heavy Q4 bunching, which should smooth quarterly opex trends ahead.
- Q1 fresh slippages stood at ₹7,046 crore, higher sequentially but characterized as seasonal rather than structural.
- SBI had already pulled back/recovered ~₹1,400–1,500 crore of slippages by the date of the call.
- Segmental slippages:
    - Agriculture: ~₹2,600 crore,
    - SME: ~₹2,300 crore,
    - Personal segment: ~₹2,100 crore.
- SBI expects annual PLI of roughly ₹3,000 crore, and unlike last year, is now spreading the provision equally across four quarters rather than back-ending it.

Other updates

- Total gold loan book exceeded ₹3.1 lakh crore:
    - Personal gold loans: ~₹1.25 lakh crore,
    - Agri gold loans: ~₹1.85 lakh crore.
- Yields are broadly in the 8.5–8.9% range, with personal gold loans slightly higher.
- Average ticket size is ~₹2.5 lakh, while LTV remains below 55–56%.
- SBI has created a dedicated collection vertical to deepen penetration into more collection-intensive borrower segments.
- Forex income was weak at ~₹500 crore, largely due to tighter NOP-related guidelines.
- Interest on income-tax refund in Q1FY27 stood at ~₹220 crore.
- Management reiterated that SBI General Insurance remains the next potential listing candidate after SBI Funds Management. However, no timeline has been committed.

Exhibit 1: Variance Analysis

	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Comments
NII	46,992.4	40,907.9	14.9	44,378.9	5.9	Aided by healthy loan growth and repo rate transmission
NIM (%)	2.86	2.90	-4 bps	2.81	5 bps	Margins remained steady with management reiterating FY27 domestic NIM guidance of ~3%
Other Income	15,923.0	17,346.0	-8.2	17,314.0	-8.0	Management targeting fee income-to-total income of ~20% over the medium term (vs ~15% currently)
Net Total Income	62,915.4	58,253.9	8.0	61,692.9	2.0	
Opex	29,386.0	27,874.0	5.4	33,989.9	-13.5	
PPP	33,529.4	30,379.9	10.4	27,703.0	21.0	
Provision	5,047.0	4,759.0	6.1	2,872.0	75.7	Bank started quarterly amortisation of ~₹3,000 crore PLI expense and seasonally elevated Q1 slippages
PBT	28,482.4	25,620.9	11.2	24,831.0	14.7	
Tax Outgo	7,361.0	6,625.0	11.1	5,148.3	43.0	
PAT	21,121.4	18,995.9	11.2	19,682.7	7.3	Earnings momentum remain healthy
Key Metrics						
GNPA	74,272.1	78,040.0	-4.8	73,452.5	1.1	GNPA improved by 2 bps QoQ to 1.47%
NNPA	19,158.5	19,908.0	-3.8	18,830.1	1.7	
Advances	4,992,004.0	4,196,205.0	19.0	4,877,895.0	2.3	Growth remained broad-based with management maintaining FY27 loan growth guidance of 14–15%
Deposits	6,005,805.0	5,473,254.0	9.7	5,975,642.0	0.5	Management consciously reducing expensive wholesale deposits amid ~US$6 billion FCNR(B) mobilisation
GNPA %	1.47	1.8	-36 bps	1.5	-2 bps	
NNPA %	0.4	0.5	-9 bps	0.4	-1 bps	

Source: Company, ICICI Direct Research

Financial summary

Exhibit 2: Profit and loss statement (₹ crore)

(Year-end March)	FY25	FY26	FY27E	FY28E
Interest Earned	4,624.9	4,828.0	5,428.2	6,082.7
Interest Expended	2,955.2	3,096.8	3,487.3	3,924.6
Net Interest Income	1,669.7	1,731.2	1,940.9	2,158.1
% growth	4.4	3.7	12.1	11.2
Non Interest Income	616.8	734.4	752.2	844.5
Net Income	2,286.5	2,465.6	2,693.1	3,002.6
Employee cost	643.5	657.2	703.2	759.5
Other operating Exp.	537.2	578.3	658.1	748.2
Operating Income	1,105.8	1,230.2	1,331.8	1,494.9
Provisions	153.1	175.4	215.3	259.7
PBT	952.7	1,054.8	1,116.5	1,235.2
Exceptional Items	0.0	0.0	0.0	0.0
Taxes	243.7	254.4	284.7	315.0
Net Profit	709.0	800.3	831.8	920.2
% growth	16.1	12.9	3.9	10.6
EPS	79.5	86.7	90.1	99.7

Source: Company, ICICI Direct Research

Exhibit 3: Key ratios (₹ crore)

(Year-end March)	FY25	FY26	FY27E	FY28E
No. of Equity Shares (Crore)	892.0	923.0	923.0	923.0
EPS (₹)	79.5	86.7	90.1	99.7
BV (₹)	463.5	559.9	633.7	715.5
ABV (₹)	441.3	541.3	605.1	676.0
P/E	12.8	11.8	11.3	10.2
P/BV	2.2	1.8	1.6	1.4
P/ABV	2.3	1.9	1.7	1.5
Yields & Margins (%)				
Net Interest Margins (calculated)	2.8	2.6	2.6	2.6
Yield on avg earning assets	7.8	7.3	7.3	7.3
Avg. cost on funds	5.1	4.9	4.9	4.9
Avg. cost of Deposits	5.0	4.9	5.0	5.0
Yield on average advances	8.4	7.7	7.5	7.5
Quality and Efficiency (%)				
Cost / Total net income	51.6	50.1	50.5	50.2
Credit/Deposit ratio	77.4	81.6	83.4	84.8
GNPA	1.9	1.5	1.5	1.6
NNPA	0.5	0.4	0.5	0.6
RoE	17.3	16.2	14.4	14.1
RoA	1.1	1.1	1.0	1.0

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet (₹ crore)

(Year-end March)	FY25	FY26	FY27E	FY28E
Sources of Funds				
Capital	8.9	9.2	9.2	9.2
Reserves and Surplus	4,402.7	5,435.2	6,117.2	6,871.8
Networth	4,411.6	5,444.4	6,126.5	6,881.0
Deposits	53,821.9	59,756.4	67,109.7	75,436.9
Borrowings	5,635.7	7,312.5	7,303.4	8,088.7
Other Liabilities & Provisions	2,891.3	3,716.7	4,068.4	4,462.8
Total	66,760.5	76,230.1	84,608.0	94,869.5
Application of Funds				
Fixed Assets	441.1	547.9	660.7	808.6
Investments	16,905.7	18,012.5	19,265.9	20,619.3
Advances	41,633.1	48,778.9	55,937.8	63,971.3
Other Assets	4,378.3	5,045.1	4,674.8	5,152.1
Cash with RBI & call money	3,402.3	3,845.6	4,068.8	4,318.2
Total	66,760.5	76,230.1	84,608.0	94,869.5

Source: Company, ICICI Direct Research

Exhibit 5: Growth ratios (%)

(Year-end March)	FY25	FY26	FY27E	FY28E
Total assets	8.0	14.2	11.0	12.1
Advances	12.4	17.2	14.7	14.4
Deposits	9.5	11.0	12.3	12.4
Total Income	8.1	7.8	9.2	11.5
Net interest income	4.4	3.7	12.1	11.2
Operating expenses	0.3	4.6	10.2	10.7
Operating profit	7.2	10.7	5.8	10.6
Net profit	16.1	12.9	3.9	10.6
Book value	9.6	20.8	13.2	12.9
EPS	16.1	9.1	3.9	10.6

Source: Company, ICICI Direct Research

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