State Bank of India (STABAN)

CMP: ₹976 | Target ₹ 1200 (23%) | Target Period: 12 months | BUY

November 4, 2026

Steady fundamentals; Margins remained resilient despite FCNR

About the stock: SBI is a public sector bank and the largest bank in India with a balance sheet size of over ~ ₹78.9 lakh crore.

- Advances mix: RAM – 67.1% & Corporate – 32.9%

Q2FY27 performance: SBI reported healthy Q2FY27 performance, supported by broad-based credit growth, margin expansion and resilient asset quality, though profitability was aided by one-off gains. Advances grew 17.8% YoY (3.2% QoQ) to ₹52.1 lakh crore, led by broad-based traction across RAM segments (+17.3% YoY), while corporate advances also kept pace at 16.1% YoY. Deposits grew 12.3% YoY, led by term deposit (+14.3% YoY) and FCNR(B) inflows of ~$10.9 billion. Domestic NIM improved 11 bps QoQ to 3.11%, aided by lower funding cost, substitution of high-cost wholesale deposits and improved lending yields. Operating profit stood at ₹34,226 crore (+7.3% YoY), supported by gains of ~₹7,288 crore from SBI Funds Management stake sale, partly offset by treasury MTM losses of ~₹1,277 crore. Asset quality remained resilient, with GNPA at 1.39%, its lowest level in over two decades, while credit cost remained benign at 22 bps. PAT stood at ₹23,038 crore, aided by exceptional gains, with underlying H1FY27 RoA came at ~0.98% (vs reported 1.14%).

Investment Rationale:

- **Margin tailwinds and calibrated lending to support sustainable growth:** SBI's focus on profitability over volumes remains evident, with the bank selectively foregoing low-yielding corporate opportunities to protect spreads, while optimising its liability mix through substitution of high-cost wholesale deposits with ~$10.9 billion of FCNR(B) mobilisation. Consequently, domestic NIM improved 11 bps QoQ to 3.11%, with further upside expected from the 25 bps EBLR and 15 bps MCLR hikes as repricing benefits progressively flow through. Comfortable excess SLR of ~₹3.5–3.7 lakh crore provides additional flexibility to fund incremental growth without aggressively competing for deposits. On the growth front, management retained FY27 credit growth guidance of 14–15%, supported by a robust corporate pipeline of ~₹7–7.8 lakh crore and sustained traction across RAM segments, despite subdued mortgage demand and selective corporate lending. While potential deposit repricing amid accelerating credit growth remains a key monitorable, we expect SBI to sustain domestic NIM above 3%, supporting healthy core earnings growth.
- **Operating efficiency and benign credit cost to support sustainable RoA:** Profitability remains supported by improving operating efficiency and resilient asset quality, although reported earnings benefited from ~₹7,288 crore of one-off AMC divestment gains, partly offset by treasury MTM losses of ~₹1,277 crore, while NSE stake sale gains were routed through AFS reserves, alongside ~₹11,000 crore of unrealised gains on the residual holding, strengthening capital buffers. Excluding ~₹850 crore of accelerated expense recognition, overhead growth remained contained at ~9% YoY, with management targeting growth below 10%, aided by digitalisation and productivity initiatives. Asset quality remains healthy, with GNPA at 1.39% and credit cost at just 22 bps, providing earnings stability. Although potential agricultural restructuring (~₹10,000 crore) and incremental ECL impact (~₹19,500 crore) remain monitorable. We expect operating leverage, margin stability and benign credit costs to support through-cycle RoA of ≥1%.

Rating and Target Price: Improving margin outlook, benign credit cost and a comfortable capital position should support sustainable RoA of ≥1%, though we see limited levers for meaningful expansion beyond these levels. Factoring in steady profitability outlook and reasonable valuations, we value standalone bank at ~1.3x FY28E standalone BV and ₹240 for subsidiaries, revising target price to ₹1,200 (earlier 1300). Maintain BUY rating.

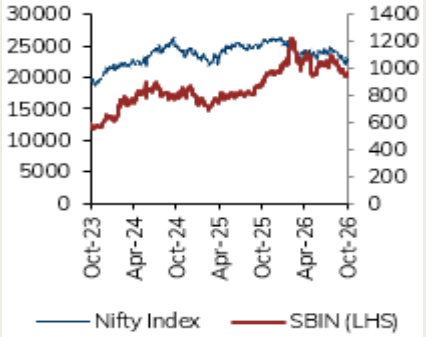
Particulars

Particulars	Amount
Market Cap	₹ 9,03,277 crore
52 week H/L	₹ 1,235 / 934
Networth	₹ 6,71,592 crore
Face value	1.0
DII Holding (%)	26.2
FII Holding (%)	11.1

Shareholding pattern

(in %)	Dec-25	Mar-26	Jun-26	Sep-26
Promoter	55.5	55.5	55.5	55.5
FII	10.3	11.4	10.8	11.1
DII	27.0	26.1	26.5	26.2
Others	7.2	7.0	7.2	7.2

Price Chart



Key risks

(i) Liabilities accretion at competitive rate

(ii) ECL provisioning impacting credit cost

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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%	1,991	2,227	13.4%
PPP	938	1,106	1,184	12.3%	1,300	1,461	11.1%
PAT	611	709	800	16.8%	889	913	6.8%
ABV (₹)	399	441	539		611	687	
P/ABV	2.4	2.2	1.8		1.6	1.4	
RoA	1.0	1.1	1.1		1.1	1.0	
RoE	17.3	17.3	16.2		15.3	13.9	

Source: Company, ICICI Direct Research

Result Update

ICICI Securities – Retail Equity Research

Concall highlights and outlook

Performance and growth outlook

- Advances grew 17.8% YoY (3.2% QoQ) to ₹52.1 lakh crore, led by broad-based traction across RAM segments (+17.3% YoY), including agriculture (+22.6%), SME (+22.0%) and retail (+14.5%), while corporate advances grew 16.1% YoY.
- Deposits grew 12.3% YoY, led by term deposit growth of 14.3%, while total deposits crossed ₹62 lakh crore.
- FY27 credit growth guidance retained at 14–15%, with management expecting stronger disbursement in H2FY27.
- Corporate pipeline remains healthy:
  - ~₹7–7.8 lakh crore, including sanctioned and prospective opportunities.
  - Management expects corporate advances to sustain ~16% growth.
- SBI continues to:
  - Avoid low-yielding corporate loans and refinancing opportunities.
  - Prioritise profitable growth over incremental market share.
  - Focus on working capital and brownfield expansion opportunities in mid-corporate and SME segment.
- FCNR(B) mobilisation stood at ~$10.9 billion against the initial target of $10 billion, with ~$8.83 billion of associated leverage lending, largely through overseas offices.
- SBI had excess SLR of ~₹4.8 lakh crore at September-end, subsequently moderating to ~₹3.5–3.7 lakh crore, providing adequate liquidity to support growth.
- Management indicated that similar credit growth could be achievable in FY28, although formal guidance has not been issued.
- ECLGS exposure stood at ~₹28,800 crore. ECLGS contributed ~50% of SME growth, with lending rates around 9%.
- Home and home-related loan portfolio crossed ₹10 lakh crore in October, although mortgage growth remains subdued amid slower project launches and demand moderation in select markets.
- Auto loan pricing has been recalibrated, with management indicating improved disbursement momentum in October.
- Xpress Credit growth stood at ~7.5%, partly impacted by customer migration towards gold loans.

Margins

- Domestic NIM improved 11 bps QoQ to 3.11%, while management maintained FY27 guidance of not less than 3%.
- Margin improvement was primarily driven by:
  - Lower cost of deposits following substitution of high-cost wholesale deposits with FCNR(B) inflows.
  - Improved daily average CASA balances.
- Higher yields on advances through disciplined corporate loan pricing.
- Loan book composition:
  - EBLR-linked: ~32%.
  - MCLR-linked: ~27%.
  - T-bill-linked: ~17%.
  - Fixed rate: ~21%.
- Management expects further margin support from:
  - 25 bps increase in EBLR and 15 bps increase in MCLR, with benefits accruing progressively.
  - Potential further repo rate increases.
  - Continued optimisation of deposit cost and lending yields.
- Management indicated that stronger credit demand could necessitate higher deposit rates, partly offsetting repricing benefits.

Asset Quality and Opex

- GNPA ratio improved to 1.39%, its lowest level in over two decades, while provision coverage remained healthy at ~74%.

- Credit cost remained benign at ~22 bps, reflecting disciplined underwriting and recovery mechanisms.
- SMA 1 and SMA 2 balances increased ~15% QoQ, primarily driven by SMA 1:
    - More than half of the incremental SMA 1 exposure had already returned to standard status.
    - Management indicated limited incremental slippages from these accounts.
- Potential agricultural restructuring exposure estimated at ~₹10,000 crore across three drought-affected states, although actual restructuring is expected to be lower, based on historical experience.
- ECL transition impact estimated at ~₹19,500 crore, net of taxes and existing provisions, for the standalone loan portfolio.
    - Estimate excludes potential impact from HTM fair valuation and crop loan treatment.
    - Management indicated availability of four-year regulatory transition dispensation.
    - Recurring credit cost impact remains uncertain, with better visibility expected from Q1FY28 onwards.
- Operating overheads stood at ₹16,531 crore against ₹14,393 crore in Q2FY26.
    - Includes ~₹850 crore of expenses recognised earlier than the historical Q4 booking pattern which includes payment for IT services: ~₹250 crore; vendor payments: ~₹150 crore; MAP services: ~₹450 crore.
    - Excluding these expenses, overhead growth would moderate to ~9% YoY.
- Management targets overhead growth below 10%, supported by digitalisation and operational efficiencies.
- PSLC expenses stood at ₹583 crore in Q2FY27 against ₹118 crore in Q1FY27, reflecting earlier purchases to maximise the period of PSL eligibility.
- PLI provision stood at ~₹940 crore during the quarter, with provisioning being spread across all four quarters.

Other updates

- SBI Funds Management stake sale: Divestment of ~6.35% stake generated gains of ~₹7,288 crore, recognised through the P&L.
- Treasury performance:
    - MTM loss of ~₹1,277 crore in Q2FY27 against gains of ~₹2,877 crore in Q2FY26.
    - Treasury volatility partly offset exceptional gains from the AMC stake sale.
- NSE stake sale gains were recognised in AFS reserves rather than P&L, while mark-to-market gains of ~₹11,000 crore on the residual holding augmented AFS reserves, before offsets from other securities.
- Underlying H1FY27 RoA stood at ~0.98%, excluding SBI Funds Management stake sale, against reported RoA of 1.14%.
- Management reiterated through-cycle guidance of RoA ≥1% and RoE ~15%, while maintaining a focus on capital efficiency and risk-adjusted growth.
- Capital adequacy remained comfortable at 16.09%, up 147 bps YoY.

Exhibit 1: Variance Analysis

	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Comments
NII	49,143.5	42,984.1	14.3	46,992.4	4.6	Aided by improved YoA and steady CoF
NIM (%)	2.94	2.93	1 bps	2.86	8 bps	Domestic NIM up 11 bps QoQ, Management sticks to its previous guidance of not less than 3%
Other Income	19,066.0	15,325.8	24.4	15,923.0	19.7	Treasury loss of ~₹1,277 crore in Q2FY27 against gains of ~₹2,877 crore in Q2FY26
Net Total Income	68,209.5	58,309.8	17.0	62,915.4	8.4	
Operating expense	33,983.0	30,999.0	9.6	29,386.0	15.6	
PPP	34,226.5	27,310.8	25.3	33,529.4	2.1	
Provision	4,218.0	5,400.0	-21.9	5,047.0	-16.4	Credit cost remained benign at ~22 bps
Exceptional items	0.0	4,593.2	-100.0	0.0	NA	Divestment of SBI Funds Management of ~6.35% stake generated gains of ~₹7,288 crore, recognised through the P&L
PBT	30,008.5	26,504.1	13.2	28,482.4	5.4	
Tax Outgo	6,971.0	6,344.4	9.9	7,361.0	-5.3	
PAT	23,037.5	20,159.7	14.3	21,121.4	9.1	Supported by benign credit cost and one-off from AMC sale
Key Metrics						
GNPA	72,529.0	76,243.0	-4.9	74,272.1	-2.3	GNPA improved by 8 bps QoQ to 1.39%
NNPA	18,546.0	18,459.9	0.5	19,158.5	-3.2	
Advances	5,154,323.0	4,361,737.0	18.2	4,992,004.0	3.3	FY27 credit growth guidance retained at 14–15%, with management expecting stronger disbursements in H2FY27
Deposits	6,277,919.0	5,591,700.0	12.3	6,005,805.0	4.5	FCNR(B) mobilisation stood at ~$10.9 billion

Source: Company, ICICI Direct Research

Financial summary

Exhibit 2: **Profit and loss statement** ₹ Bn

(Year-end March)	FY25	FY26	FY27E	FY28E
Interest Earned	4,624.9	4,828.0	5,440.8	6,103.4
Interest Expended	2,955.2	3,096.8	3,450.1	3,876.7
Net Interest Income	1,669.7	1,731.2	1,990.7	2,226.7
% growth	4.4	3.7	15.0	11.9
Non Interest Income	616.8	688.5	636.6	698.0
Net Income	2,286.5	2,419.7	2,627.3	2,924.7
Employee cost	643.5	657.2	703.2	773.6
Other operating Exp.	537.2	578.3	623.9	689.7
Operating Income	1,105.8	1,184.2	1,300.2	1,461.4
Provisions	153.1	175.4	179.3	235.5
PBT	952.7	1,008.8	1,120.9	1,225.9
Exceptional Items	0.0	45.9	72.9	0.0
Taxes	243.7	254.4	304.4	312.6
Net Profit	709.0	800.3	889.4	913.3
% growth	16.1	12.9	11.1	2.7
EPS	79.5	86.7	96.4	99.0

Source: Company, ICICI Direct Research

Exhibit 3: **Key ratios**

(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	96.4	99.0
BV (₹)	463.5	559.9	638.9	720.0
ABV (₹)	441.3	539.3	611.1	687.3
P/E	12.3	11.3	10.1	9.9
P/BV	2.1	1.7	1.5	1.4
P/ABV	2.2	1.8	1.6	1.4
Yields & Margins (%)				
Net Interest Margins (calculated)	2.8	2.6	2.7	2.7
Yield on avg earning assets	7.8	7.3	7.3	7.3
Avg. cost on funds	5.1	4.9	4.8	4.9
Avg. cost of Deposits	5.0	4.9	4.9	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	50.0
Credit/Deposit ratio	77.4	81.6	84.0	85.2
GNPA	1.9	1.5	1.4	1.4
NNPA	0.5	0.4	0.5	0.5
RoE	17.3	16.2	15.3	13.9
RoA	1.1	1.1	1.1	1.0

Source: Company, ICICI Direct Research

Exhibit 4: **Balance sheet** ₹ Bn

(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	6,164.5	6,913.4
Networth	4,411.6	5,444.4	6,173.7	6,922.6
Deposits	53,821.9	59,756.4	67,183.1	75,521.3
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	84,728.7	94,995.5
Application of Funds				
Fixed Assets	441.1	547.9	660.7	808.6
Investments	16,905.7	18,012.5	19,119.3	20,460.9
Advances	41,633.1	48,778.9	56,411.8	64,330.8
Other Assets	4,378.3	5,045.1	4,611.4	5,233.6
Cash with RBI & call money	3,402.3	3,845.6	3,925.4	4,161.5
Total	66,760.5	76,230.1	84,728.7	94,995.5

Source: Company, ICICI Direct Research

Exhibit 5: **Growth ratios (%)**

(Year-end March)	FY25	FY26	FY27E	FY28E
Total assets	8.0	14.2	11.1	12.1
Advances	12.4	17.2	15.6	14.0
Deposits	9.5	11.0	12.4	12.4
Total Income	8.1	5.8	8.6	11.3
Net interest income	4.4	3.7	15.0	11.9
Operating expenses	0.3	4.6	7.4	10.3
Operating profit	7.2	5.9	11.1	9.4
Net profit	16.1	12.9	11.1	2.7
Book value	9.6	20.8	14.1	12.7
EPS	16.1	9.1	11.1	2.7

Source: Company, ICICI Direct Research

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