



**3R MATRIX**

	+	=	-
Right Sector (RS)	✓	■	■
Right Quality (RQ)	✓	■	■
Right Valuation (RV)	✓	■	■

+ Positive = Neutral - Negative

**What has changed in 3R MATRIX**

	Old		New
RS	■	↔	■
RQ	■	↔	■
RV	■	↔	■

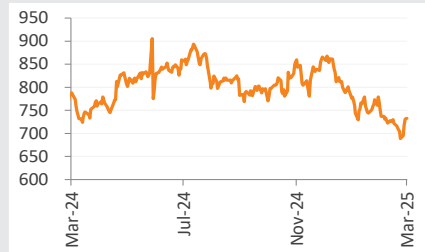
**Company details**

Market cap:	Rs. 6,50,025 cr
52-week high/low:	Rs. 912/680
NSE volume: (No of shares)	128.1 lakh
BSE code:	500112
NSE code:	SBIN
Free float: (No of shares)	384.7 cr

**Shareholding (%)**

Promoters	57.4
FII	10.3
DII	24.9
Others	7.4

**Price chart**



Source: NSE India, Mirae Asset Sharekhan Research

**Price performance**

(%)	1m	3m	6m	12m
Absolute	-1.2	-16.1	-7.0	-5.9
Relative to Sensex	2.9	-7.1	2.5	-6.8

Source: Mirae Asset Sharekhan Research, Bloomberg

**State Bank of India**

**Stable outlook, risk-reward attractive**

Banks	Sharekhan code: SBIN		
Reco/View: Buy	↔	CMP: Rs. 728	Price Target: Rs. 980 ↔
↑ Upgrade	↔ Maintain	↓ Downgrade	

**Summary**

- We reiterate our Buy rating with an unchanged PT of Rs. 980, given steady growth outlook and healthy return ratios. Valuations have turned attractive after the recent correction.
- The bank is confident of sustaining loan growth at ~14-15% and NIMs at ~2.9-3% over the next couple of quarters. It does not expect a meaningful effect on margins in case of a shallow rate cut.
- Asset quality outlook is stable, thus lower credit cost is likely to support earnings/ returns ratio. Guides for ROA/ROE at ~1%/~15% over FY25E-27E.
- Stock trades at 0.9x/0.7x its FY2026E/FY2027E core BV estimates.

**SBI is expected to sustain healthy performance in terms of growth and profitability in the near to medium term. Loan growth guidance is intact at ~14-15% y-o-y and deposit growth at 10% y-o-y. It has sufficient headroom on the credit-deposit ratio to drive credit growth. Deposit growth especially CASA growth is a challenge widely impacting the industry. Thus, focus is on improving current account share. For savings accounts, the bank is outreaching customer particularly focusing on salary accounts. The bank does not expect a meaningful impact on margins in case of a shallow rate cut and has levers to curb margin compression. Asset quality is holding up well and the portfolio is still not showing worrying signs, including unsecured retail loans despite the slowdown in growth. We believe normalisation of credit cost is expected to be gradual until we see a major economic downturn. Lower risk-weights for loans given to NBFCs is expected to release ~25bps to CET1 capital and it does not expect to raise capital in the near-term. The bank continues to guide for ROA/ROE at 1%/15% over FY25E-27E.**

**Steady Loan growth outlook:** The bank continues to guide for 14-15% y-o-y loan growth in the next couple of quarters, with broad based growth across segments. Overall CD ratio (overall) is at ~77%. Domestic CD ratio is at ~69%. Thus, there is sufficient headroom on the CD ratio to drive credit growth. The bank is confident about the growth reviving in unsecured retail segment as slowdown in Personal Loans was attributable to tightening of credit underwriting standards. It has a strong pipeline of Rs. 4.83 lakh crore under corporate loans. SME continues to show strong momentum on the back of earlier investments.

**Impact on NIMs manageable in case of a shallow rate cut:** NIMs are expected to be around ~2.9-3.0% over the next couple of quarters and bank does not expect a meaningful impact on margins in case of a shallow rate cut. It has levers to curb margin compression. Lower share of EBLR loans (~28%), 25-30 bps buffer in MCLR-linked loans, lower bulk deposits and unwinding of excess LCR to partially support NIM guidance.

**Asset quality to remain strong with lower credit cost and slippages:** Overall, asset quality is holding up well and the portfolio is still not showing worrying signs, including unsecured retail loans despite the slowdown in growth. We believe normalisation of credit cost is expected to be gradual until we see a major economic downturn. The bank continues to guide for a normalised credit cost of 50 bps over the next couple of quarters.

**Our Call**

**Valuation - Maintain Buy with an unchanged PT of Rs. 980:** SBI trades at 0.9x/0.7x its FY2026E/FY2027E core book value estimates. We believe that the bank is likely to sustain healthy RoE of ~15% in the near to medium term on the back of a well-positioned balance sheet to capitalise growth and stable asset quality. SBI has additional non-NPA provisions of ~0.7% of loans outside the PCR to take care of any uncertain future events. Impact on NIMs would not be significant due to rate cuts as lower share of repo linked book (~28%) and a shallow rate cut cycle should limit the fall in margins. Focus is also on ramping up other avenues of productivity. Risk-reward is favourable.

**Key Risks**

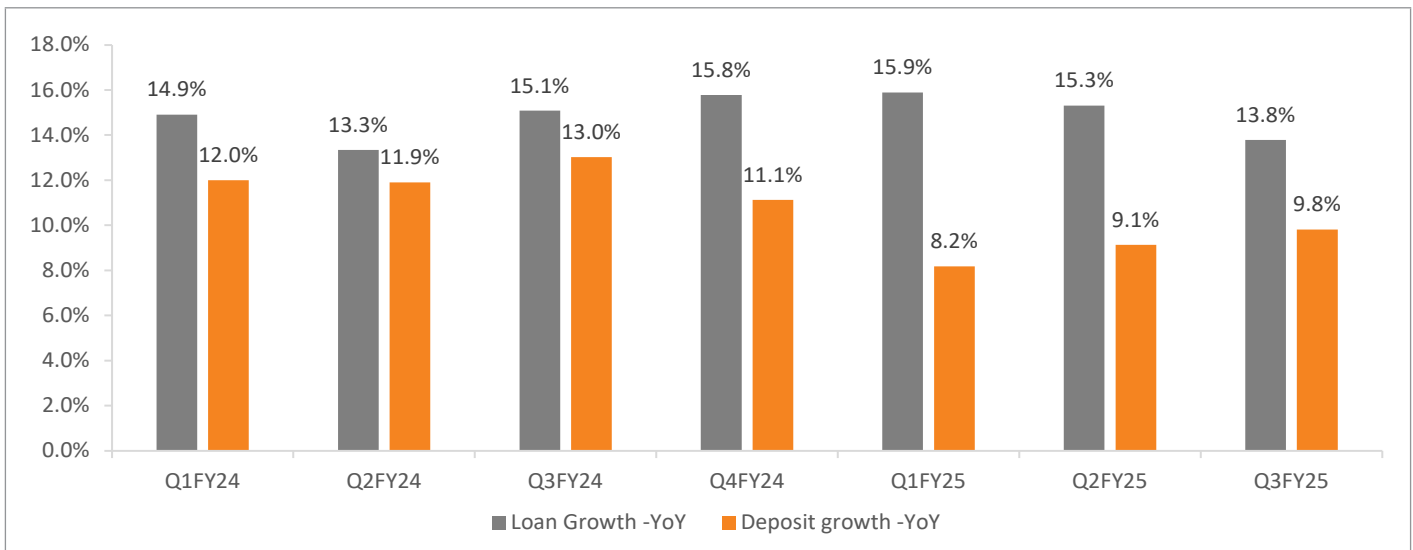
Economic slowdown can lead to slower loan growth and higher-than-anticipated credit costs.

**Valuation (Standalone)**

Particulars	FY23	FY24	FY25E	FY26E	FY27E
NII	1,44,841	1,59,876	1,66,714	1,83,695	2,02,615
PAT	50,232	61,077	71,091	75,374	83,510
EPS (Rs)	56.3	68.4	79.7	84.5	93.6
P/E (x)	9.0	7.4	6.3	6.0	5.4
P/core BV (x)	1.4	1.2	1.0	0.9	0.7
RoE (%)	16.5	17.3	17.2	15.5	14.8
RoA (%)	1.0	1.0	1.1	1.0	1.0

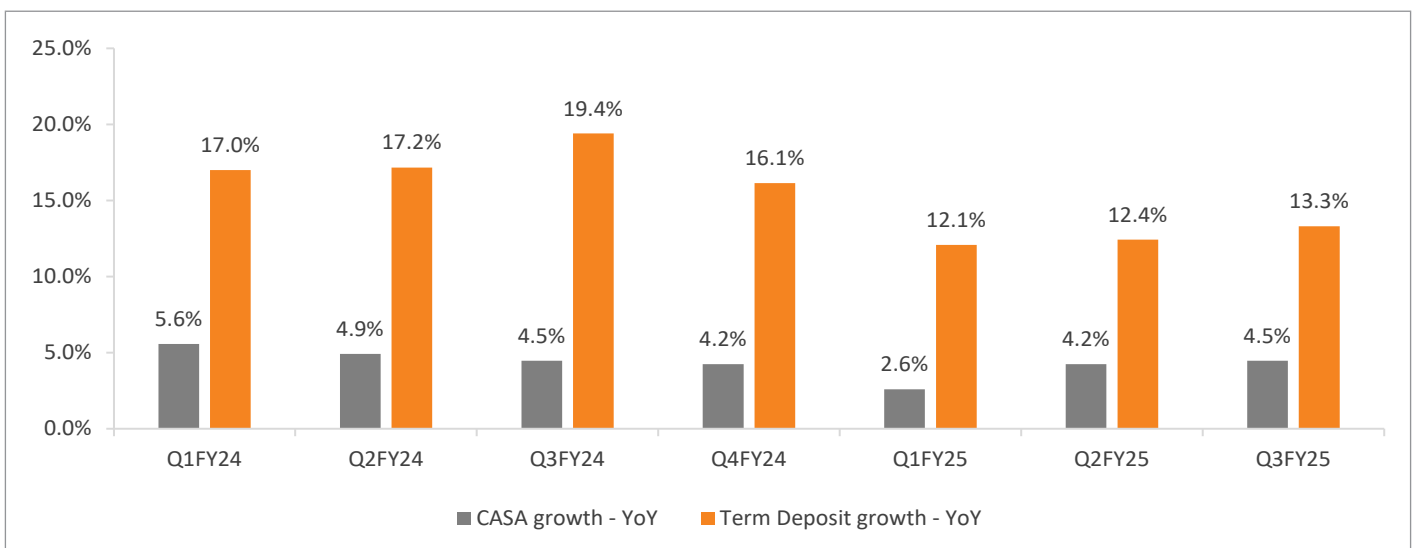
Source: Company; Mirae Asset Sharekhan estimates

### Loan growth has been trending healthy, but deposit growth is slow



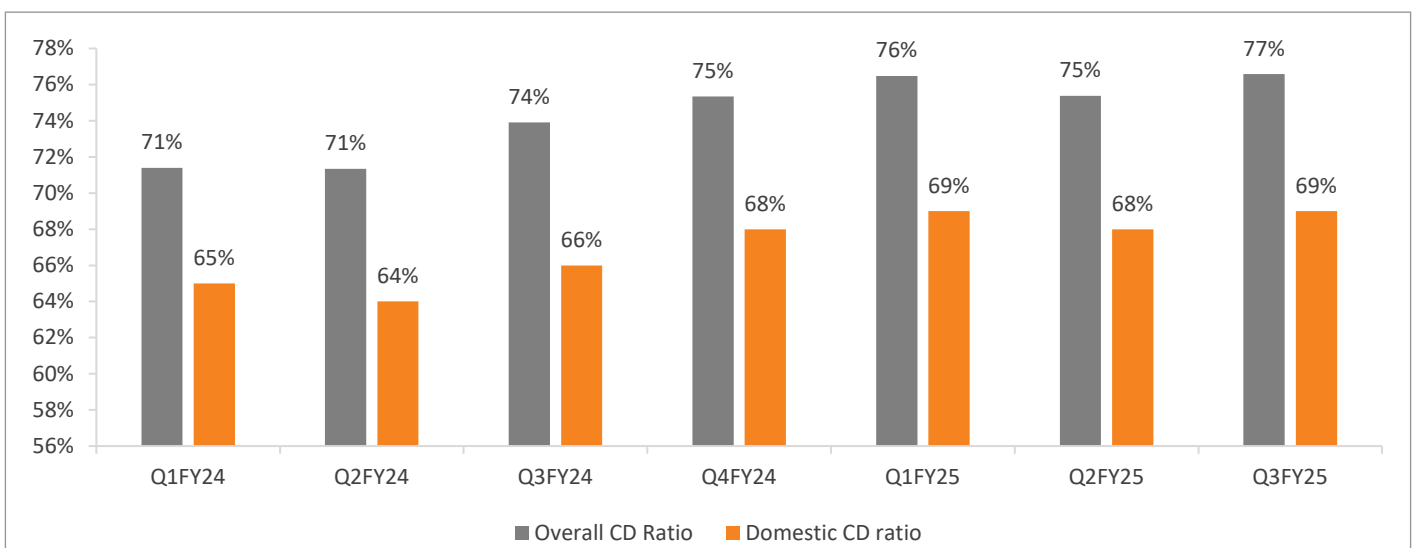
Source: Company; Mirae Asset Sharekhan Research

### Deposit growth is slower mainly led by CASA



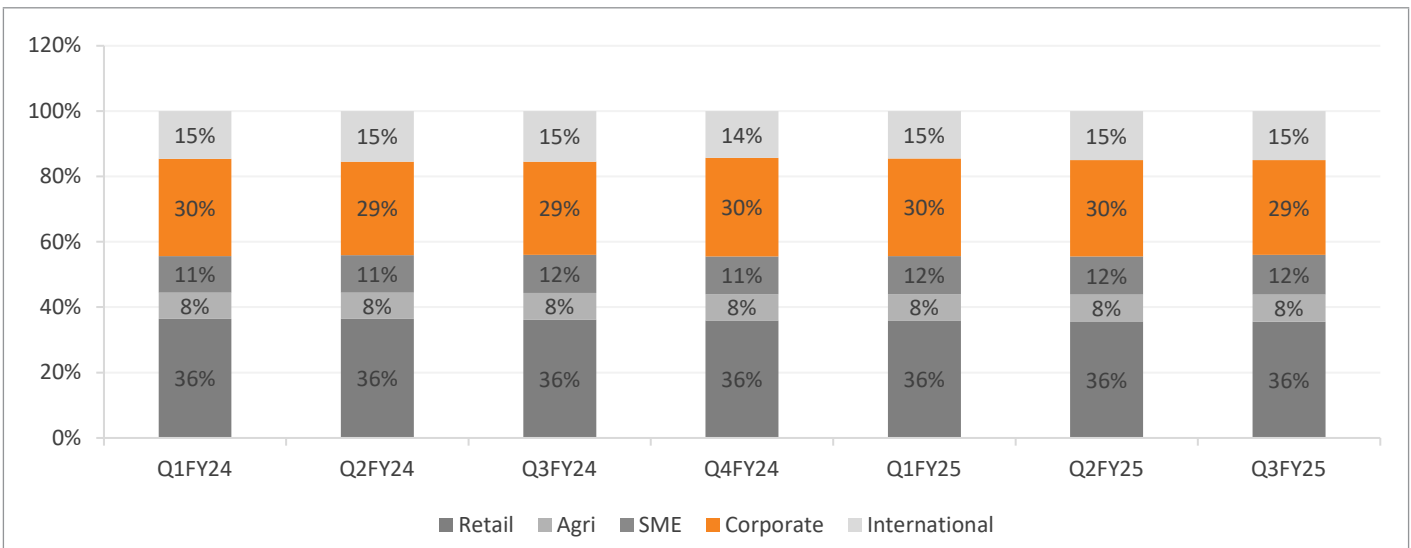
Source: Company; Mirae Asset Sharekhan Research

### Thus, CD ratio has increased steadily over the past couple of quarters, but has enough room



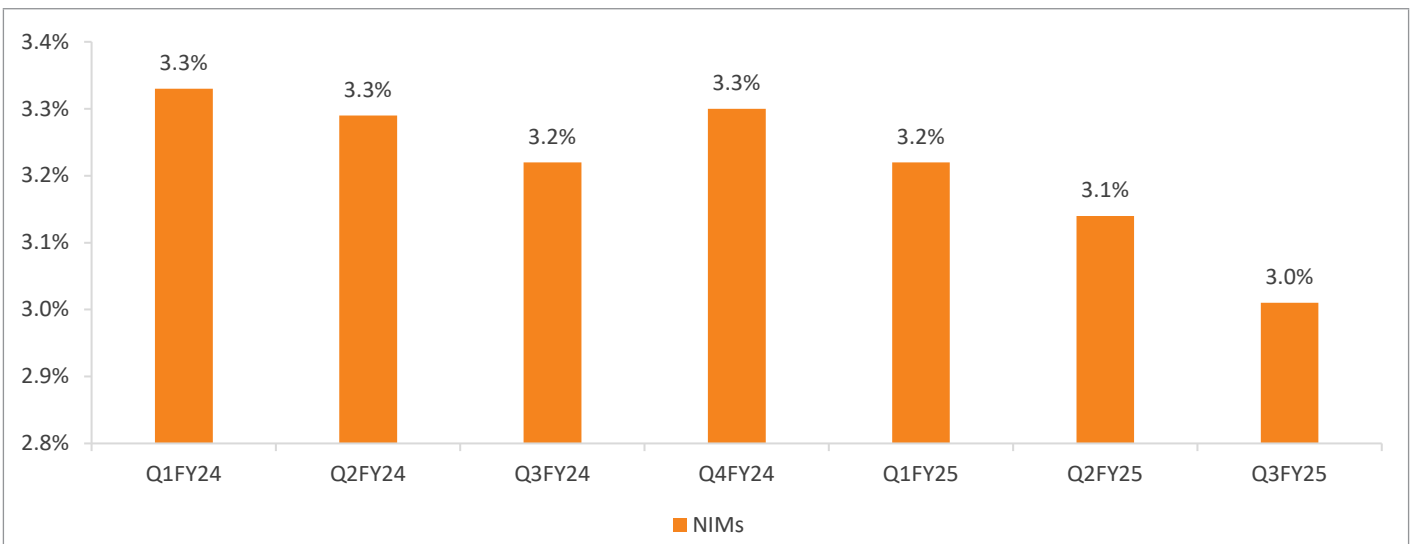
Source: Company; Mirae Asset Sharekhan Research

## Loan mix has been broadly stable



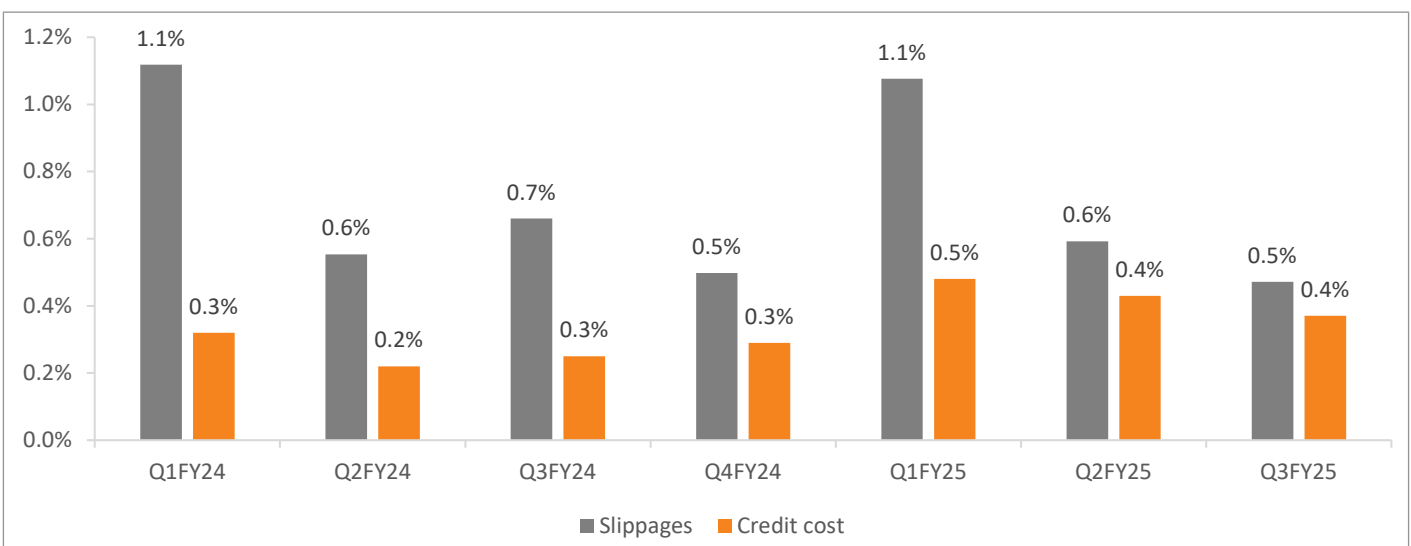
Source: Company; Mirae Asset Sharekhan Research

## NIMs are expected to settle in the range of 2.9-3.0%



Source: Company; Mirae Asset Sharekhan Research

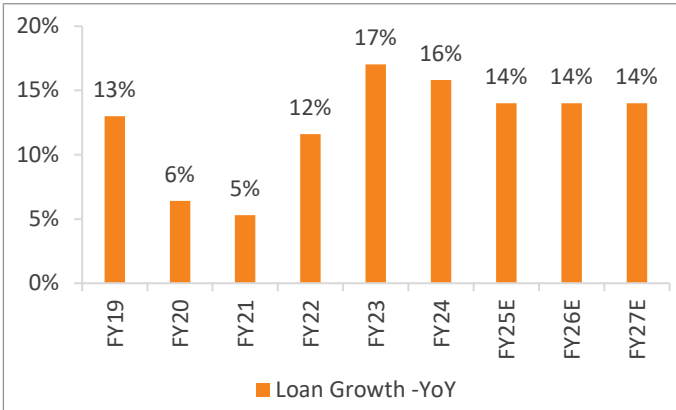
## Slippages and Core Credit cost are expected to remain lower



Source: Company; Mirae Asset Sharekhan Research

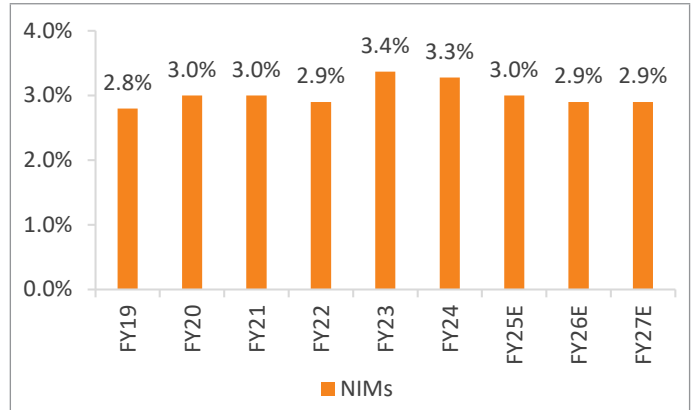
Financials in charts

Trend in Loan growth



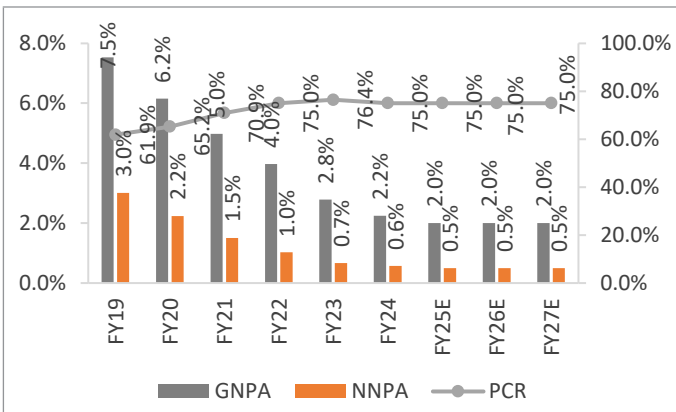
Source: Company; Mirae Asset Sharekhan Research

Trend in NIMs



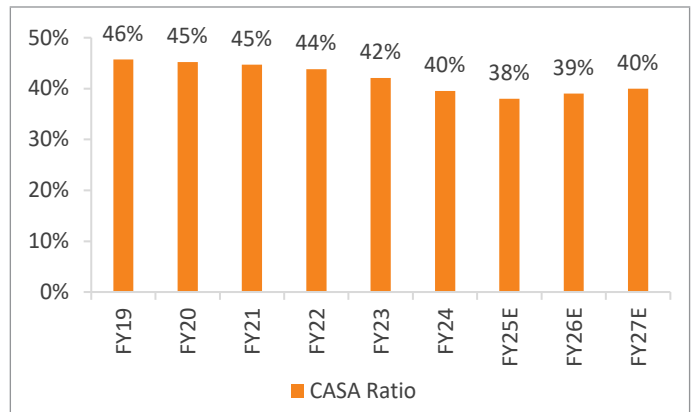
Source: Company; Mirae Asset Sharekhan Research

Trend in Asset quality



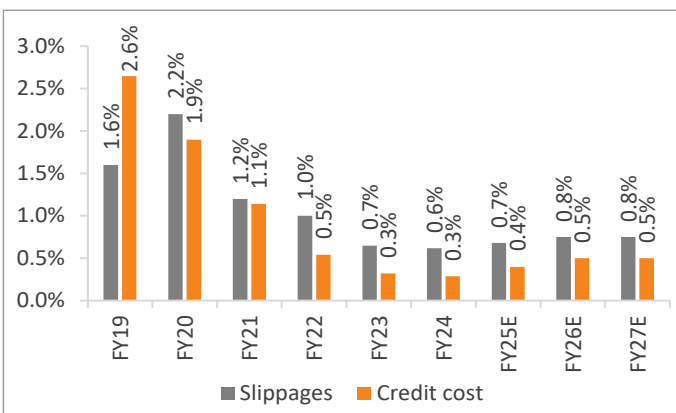
Source: Company; Mirae Asset Sharekhan Research

Trend in CASA



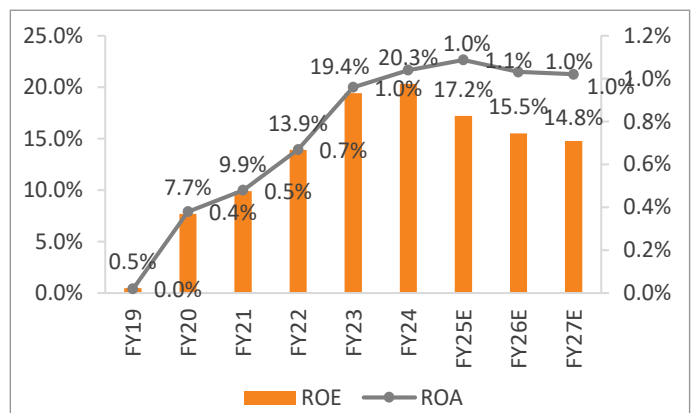
Source: Company; Mirae Asset Sharekhan Research

Trend in Slippages & Core Credit cost



Source: Company; Mirae Asset Sharekhan Research

Trend in Return ratio



Source: Company; Mirae Asset Sharekhan Research

## Outlook and Valuation

### ■ Sector Outlook – Deposit mobilisation and asset quality to be in focus

System credit growth is slowing and has declined to ~11.4% y-o-y from 16.4% in FY2024 as per the latest fortnight data, mainly driven by slower deposit growth, slow down in unsecured retail segment and a high credit-deposit ratio. Deposit growth at 10.3% is lagging loan growth and stays rangebound at 10-12%. Also, deposit growth is mainly led by time deposits rather than CASA. Margins are expected to be under pressure due to elevated cost of term deposits, while lower interest rate cycle will lead to yield pressure. Overall, asset quality outlook is stable to positive for the sector, except for the unsecured retail loans and MFI segment. We believe banks with a robust capital base, strong asset quality, and healthy retail deposit franchises are well-placed to capture growth opportunities

### ■ Company Outlook – Stable growth prospects

We remain constructive on SBI given its well positioned balance sheet to capitalise growth and strong subsidiary performance. NIMs are expected to be broadly stable across cycles. We do not expect any further deterioration in cost structure from here on, barring adjustments to interest rate changes. There are no concerns on asset quality and expect the bank to deliver healthy return ratios in the medium term.

### ■ Valuation – Maintain Buy with an unchanged PT of Rs. 980

SBI trades at 0.9x/0.7x its FY2026E/FY2027E core book value estimates. We believe that the bank is likely to sustain healthy RoE of ~15% in the near to medium term on the back of a well-positioned balance sheet to capitalise growth and stable asset quality. SBI has additional non-NPA provisions of ~0.7% of loans outside the PCR to take care of any uncertain future events. Impact on NIMs would not be significant due to rate cuts as lower share of repo linked book (~28%) and a shallow rate cut cycle should limit the fall in margins. Focus is also on ramping up other avenues of productivity. Risk-reward is favourable.

#### SOTP Valuation

Subsidiary/Associate	Per share value (Rs.)
A. SBI Life Insurance	115
B. SBI Cards	73
C. SBI MF	52
D. SBI Caps	20
E. Others	20
<b>Valuation of subs. and associates (A+B+C+D+E)</b>	<b>280</b>
(less) holding co. discount (20%)	56
A. Value of subs/associates post holdco discount	224
B. Core Bank Value	756
<b>Total SOTP Valuation (Rs.) (F+G)</b>	<b>980</b>

Source: Company; Mirae Asset Sharekhan Research

#### Peer Comparison

Companies	CMP (Rs/Share)	MCAP (Rs Cr)	P/E (x)		P/B (x)		RoE (%)		RoA (%)	
			FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
State Bank of India	728	6,50,025	6.0	5.4	0.9	0.7	15.5	14.8	1.0	1.0
Bank of Baroda	204	1,05,548	5.1	4.5	0.7	0.6	14.5	13.0	1.1	1.0

Source: Company; Mirae Asset Sharekhan Research

## About company

SBI is the largest public-sector bank in terms of assets, deposits, branches, number of customers, and employees having a pan-India presence. The bank has been designated by the RBI as a domestic systemically important bank (D-SIB), which means that its continued functioning is critical for the economy. The bank is well-placed to gain market share, driven by strong balance sheet strength.

## Investment theme

SBI enjoys a dominant position and market share in the Indian banking sector. SBI has a strong presence in both retail liabilities as well as retail asset side along with its corporate relationships (due to size, history, and market knowledge), which are key differentiators for it. In recent times, its results indicate the inherent business strength and past few years' efforts that have enabled the bank to move towards improving operating metrics. Overall, the asset-quality outlook continues to remain stable to positive. We believe improved performance should sustain over the medium term.

## Key Risks

Economic slowdown can lead to slower loan growth and higher-than-anticipated credit costs.

## Additional Data

### Key management personnel

Management	Designation
C.S. Setty	Chairman
Ashwini Kumar Tewari	Managing Director
Vinay M. Tonse	Managing Director
Rana Ashutosh Kumar Singh	Managing Director
Rama Mohan Rao Amara	Managing Director

Source: Company Website

### Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Republic of India	56.92
2	Life Insurance Corp of India	9.04
3	SBI Funds Management Ltd	3.05
4	ICICI Prudential Asset Management	1.55
5	NPS Trust A/c Uti Retirement Solut	1.39
6	HDFC Asset Management Co Ltd	1.34
7	Nippon Life India Asset Management	1.15
8	Kotak Mahindra Asset Management Co	1.00
9	Blackrock Inc	0.72
10	Goldman Sachs Group Inc/The	0.71

Source: Bloomberg

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## Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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