

STATE BANK OF INDIA

Well positioned in an improving macro conditions

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State Bank of India (SBI) delivered a decent quarterly performance supported by healthy broad-based loan growth and improved profitability. This was on the back of strong operating efficiency amid high provision expense in a seasonally weak quarter. The bank's NIM moderated on higher cost of deposits and is expected to remain range bound in the near term as deposit rates are expected to remain sticky despite recent repo rate cut. However, the impact of rate cut on margins is expected to be minimal due to its lower share of repo linked loans. Further, the bank's asset quality continues to remain strong, in a challenging macro environment with effective collection efficiency and robust underwriting. With a continued focus on digital transformation, strategic provisioning buffers, and healthy capital levels, SBI is well-positioned to capitalize on improving macro conditions. Hence, we reiterate our BUY rating on the stock with a Sum-of-the-Parts (SOTP)-based target price of ₹908. This includes valuing the core bank at 1.3x FY27E BVPS, and attributing ₹119/share to its subsidiaries.

Profitability improves on operating efficiency

In Q1FY26, SBI's net-interest income (NII) remained flat on YoY basis at ₹411 bn (-4.0% QoQ), despite healthy growth in advances (+11.9% YoY /+0.8% QoQ). The bank's net interest margin (NIM) shrank 30bps YoY to 2.9%, owing to higher cost of deposits and fall in yield on advances owing to repo rate cuts. Further, pre-provision operating profit increased 15.5% YoY to ₹305 bn, due to higher other income (+55.4% YoY) to ₹242 bn, led by higher treasury income. Also, operating expenses growth moderated (+7.9% YoY) leading to a cost-to-income (C/I) at 47.7% (down 170 bps YoY). Subsequently, PAT grew 12.5% YoY to ₹192 bn (+2.8% QoQ), as provisions increased to ₹48 bn from ₹34 bn in Q1FY25 having a seasonal effect.

Broad-based loan growth and stable asset quality

During the quarter, growth in advances was primarily led by robust growth in retail (+12.6 % YoY), Agri (+12.7% YoY), SME (+19.1% YoY) and corporate loans (+5.7% YoY). However, the bank witnessed slowdown in its xpress credit loans (+0.3% YoY), as the bank is cautious on overleveraging of its customers and is in the process of moving it to digital based lending. The bank's deposits increased (+11.7% YoY/+1.7% QoQ), of which current account deposits grew 30.7% YoY and saving account deposits grew 4.7% YoY, respectively; domestic term deposits continue to grow 14.2% YoY, in a falling interest rate scenario. As a result, the share of CASA deposits in total deposits stood at 39.4%. Moreover, asset quality remained stable, with gross non-performing assets (NPAs) and net NPAs at 1.83% and 0.47%, respectively (vs. 1.82% and 0.53% in Q4FY25). This was led by higher write-offs and healthy recoveries, with slippage ratio at 0.75% (vs. 0.55% in Q4FY25).

Key Financials (₹ bn)	FY23	FY24	FY25	FY26E	FY27E
Loan & Advances	31,993	37,040	41,633	46,879	52,973
Net Interest Income	1,449	1,599	1,670	1,827	2,001
PPP ex Except. Items	837	1,009	1,106	1,207	1,315
Reported Profits	502	753	709	758	841
Earnings Per Share (₹)	56.3	84.3	79.4	85.0	94.2
P/E (x)	14.3	9.5	10.1	9.5	8.5
Adj. BV (₹)	324.0	380.0	452.7	537.6	631.9
P/ABV (x)	2.5	2.1	1.8	1.5	1.3
Gross NPAs Ratio (%)	2.8	2.2	1.8	1.7	1.6
Adj. RoA	1.0	1.5	1.1	1.1	1.1
Adj. RoE	17.3	27.6	18.6	16.8	15.8

BUY

Current Market Price (₹)	804
12M Price Target (₹)	908
Potential Return (%)	13

Stock Data

Sector	:	Banking
Face Value (₹)	:	1
Total MCap (₹ bn)	:	7,408
Free Float MCap (₹ bn)	:	3,180
52-Week High / Low (₹)	:	875 / 680
BSE Code / NSE Symbol	:	500112 / SBIN
Bloomberg	:	SBIN IN
Sensex / Nifty	:	79,858 / 24,363

Shareholding Pattern

(%)	Jun-25	Mar-25	Dec-24	Sep-24
GOI	55.50	57.43	57.43	57.51
FPIs	9.98	9.95	10.28	10.71
MFs	13.83	12.16	12.34	11.46
Insurance	11.13	10.75	10.51	10.64
Others	9.56	9.71	9.44	9.68

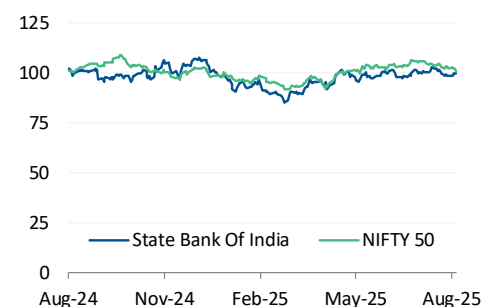
Source: BSE

Price Performance

(%)	1M	3M	6M	12M
SBI	-1.0	4.6	9.1	-0.5
Nifty 50	-4.5	0.4	3.4	1.0

* To date / current date : August 8, 2025

SBI vs Nifty 50



Key Concall Highlights

Business highlight

- Management maintains its guidance of credit growth to be ~12 -13% in FY26, supported by corporate segment with a pipeline of ₹7 tn. Also, the management remains confident in maintaining RoA/RoE levels above 1%/15%, respectively.
- While the growth in xpress credit card is muted, SBI plans to grow its express credit (unsecured personal loan) segment, especially among government employees, and expects continued robust growth in home loans. Gold loans are being pursued as an opportunistic growth area, driven by market demand and price increases.
- The bank successfully raised ₹250 bn crores in equity capital. This capital infusion is projected to support an additional loan growth of approximately ₹2.5 tn.
- Its Capital Adequacy Ratio (CAR) improved by 77 bps YoY to 14.63%, and the CET1 ratio improved by 85 bps YoY to 11.10%. Both ratios are comfortably above regulatory requirements, providing sufficient capital for business expansion
- Regarding the Supreme Court judgment on Bhushan Power & Steel, the bank is studying the order with counsels for lenders, the company, and the Asset Reconstruction Company (RC) to determine the impact.
- The bank believes that the cost of deposits has peaked at 5.2% (5.0% in Q1FY25), while slight increase is expected due to customers locking in fixed deposits.

Operational highlights

- The bank anticipates a U-shaped NIM trajectory, with moderation in Q1 and Q2, followed by a recovery to Q4 (previous financial year) levels by Q4FY26. This recovery is expected from deposit repricing and the benefit of a CRR (Cash Reserve Ratio) cut from September.
- Treasury gains: The profit on the sale of securities for the June quarter was ₹63.3 bn. This is a substantial increase compared to ₹25.9 bn in Q1FY25.

Asset quality

- While fresh slippages in Q1 were marginally higher YoY, primarily in agriculture and MSME segments, the bank has already pulled back ₹16 bn from fresh slippages, suggesting no significant concern regarding asset quality deterioration.
- The bank's SMA 1 & SMA 2 stood at ₹21 bn and ₹29 bn, respectively, indicating lower slippages going ahead.
- The bank's Provision Coverage Ratio (PCR) is robust at 74.5%, with credit cost of 0.47% for the quarter.

Recent Performance at a glance

Income Statement Analysis

(₹ bn)	Q1FY26	Q1FY25	% yoy / bps	Q4FY25	% qoq / bps
Interest Inc.	1,180	1,115	5.8	1,197	(1.4)
Interest Expenses	704	704	-	769	(8.4)
Net Interest Income	411	411	(0.1)	428	(4.0)
<i>NIM (%)</i>	2.9	3.2	(32)	3.1	(19)
Other Income - Total	173	112	55.4	242	(28.4)
Net Operating Revenue	584	523	11.7	670	(12.8)
Employee Expenses	169	155	9.3	180	(6.1)
Other Opex	110	104	5.8	177	(38.0)
Total Opex	279	258	7.9	357	(21.9)
<i>Cost to Income Ratio (%)</i>	47.7	49.4	(170)	53.3	(558)
Pre Provision Profits	305	264	15.5	313	(2.4)
Exceptional Profit (Loss)	-	-	-	-	-
PPP ex Except. Items	305	264	15.5	313	(2.4)
Provisions & Contingencies - Total	48	34	38.0	64	(26.1)
Profit Before Tax	258	230	12.1	248	3.8
Tax	66	60	11.1	62	6.8
Reported Profits	192	170	12.5	186	2.8
Basic EPS (₹)	21.5	19.1	12.5	20.9	2.8

Source: Company, LKP Research

Balance Sheet Analysis

(₹ bn)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	QoQ % / bps	YoY % / bps
Net Worth	3,772	3,974	4,196	4,354	4,412	4,702	6.6	18.3
<i>RoE (%)</i>	21.9	17.1	17.5	15.5	16.9	19.7	278	253
<i>Tier 1 (%)</i>	12.1	11.8	11.3	10.9	12.1	12.5	39	67
<i>Total CAR (%)</i>	14.3	13.9	13.8	13.0	14.3	14.6	38	77
RWA - Total	31,177	31,253	31,238	34,798	33,681	34,167	1.4	9.3
Advances - Total	37,040	37,491	38,574	40,046	41,633	41,962	0.8	11.9
Investments	16,713	16,288	16,655	18,086	16,906	16,835	(0.4)	3.4
Total Assets	61,797	61,912	63,415	66,207	66,761	67,685	1.4	9.3
<i>RoA (%)</i>	1.36	1.10	1.17	1.04	1.12	1.14	2	4
Deposits	49,161	49,017	51,173	52,294	53,822	54,733	1.7	11.7
CASA Deposits	19,420	19,144	19,659	19,168	20,652	20,685	0.2	8.0
<i>CASA Ratio (%)</i>	41.1	40.7	40.0	39.2	40.0	39.4	(64)	(134)
Interest Bearing Liabilities - Total	55,136	54,874	56,761	59,385	59,458	60,110	1.1	9.5

Source: Company, LKP Research

Funding Profile Analysis

(₹ bn)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	QoQ % / bps	YoY % / bps
Global Deposits	49,161	49,017	51,173	52,294	53,822	54,733	1.7	11.7
CASA Deposits	19,420	19,144	19,659	19,168	20,652	20,685	0.2	8.0
Saving Deposit	16,550	16,683	16,875	16,318	17,006	17,468	2.7	4.7
Current Deposit	2,870	2,462	2,784	2,850	3,646	3,217	(11.8)	30.7
Dom. Term Deposits	29,741	29,873	31,514	33,126	33,170	34,047	2.6	14.0
Borrowings	5,976	5,857	5,588	7,091	5,636	5,377	(4.6)	(8.2)
Interest Bearing Liabilities - Total	55,136	54,874	56,761	59,385	59,458	60,110	1.1	9.5

Source: Company, LKP Research

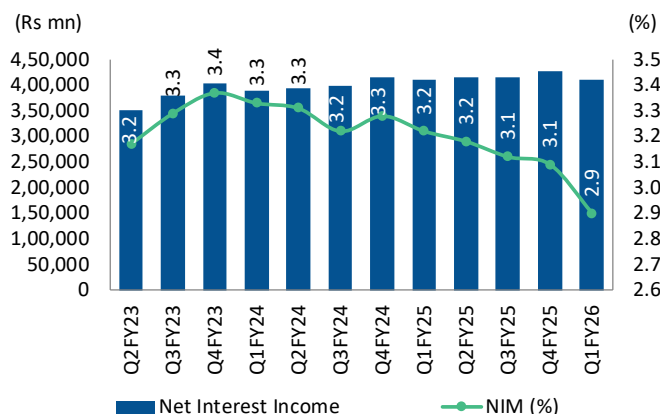
Assets Quality Analysis

(₹ bn)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	QoQ % / bps	YoY % / bps
Total Slippages	40	87	50	41	43	84	94.4	(3.5)
Slippages Ratio (%)	0.12	0.24	0.13	0.11	0.12	0.20	9	(3)
Gross NPA	843	842	834	844	769	780	1.5	(7.3)
Gross NPAs Ratio (%)	2.24	2.21	2.13	2.07	1.82	1.83	1	(38)
PCR - Calculated (%)	75.0	74.4	75.7	74.7	74.4	74.5	7	8
Net NPA	211	216	203	214	197	199	1.2	(7.6)
Net NPAs Ratio (%)	0.57	0.57	0.53	0.53	0.47	0.47	-	(10)

Source: Company, LKP Research

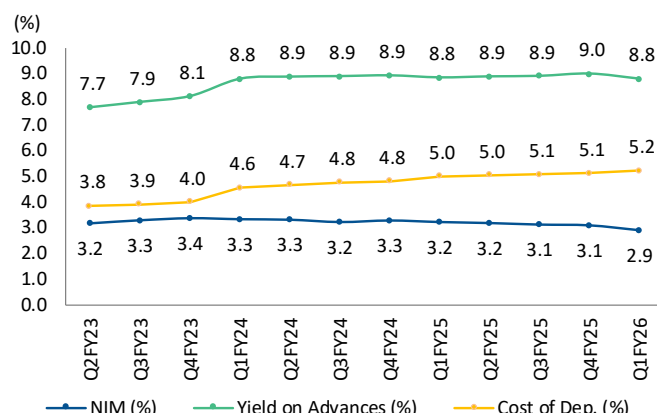
Quarterly story in charts

NII trend



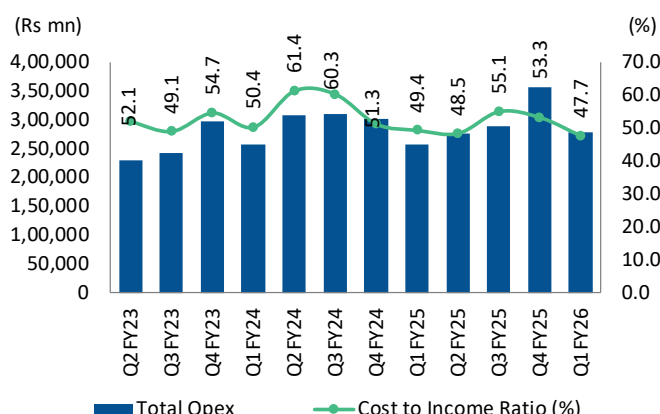
Source: Company, LKP Research

Yields & Margin trend



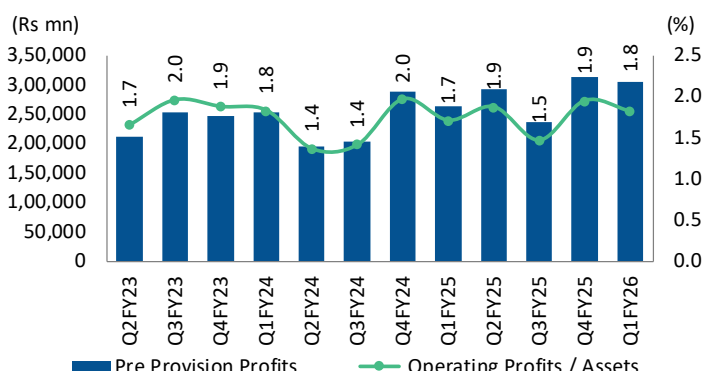
Source: Company, LKP Research

Total Opex Trend



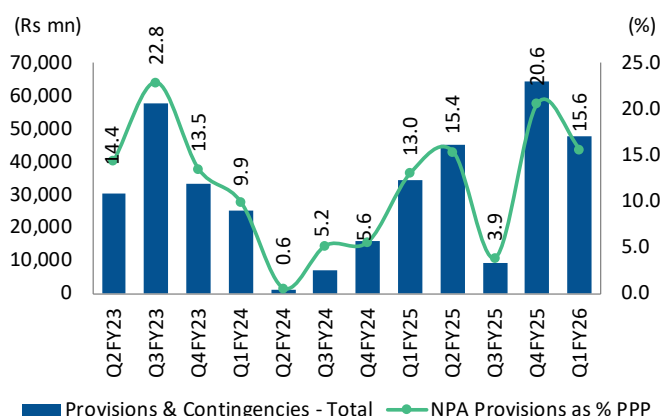
Source: Company, LKP Research

Pre Provision Profit trend



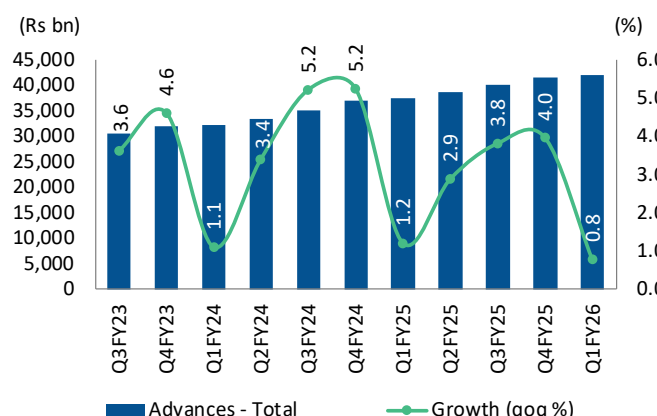
Source: Company, LKP Research

Provision expenses trend



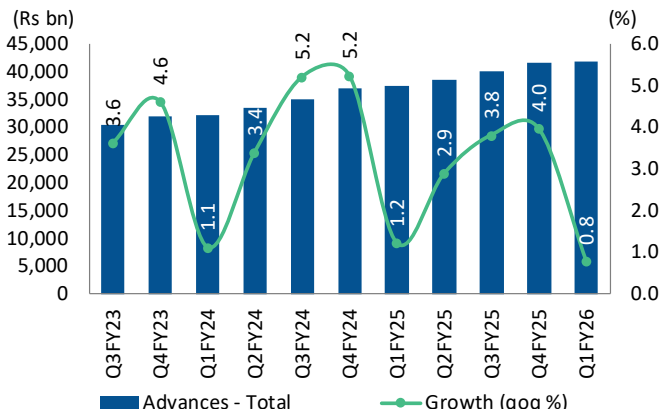
Source: Company, LKP Research

Loan book trend



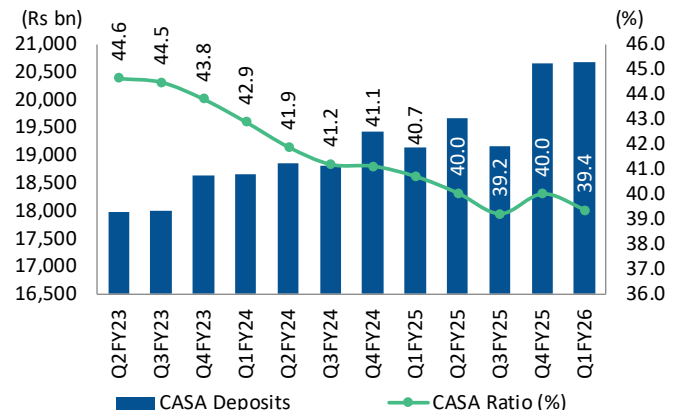
Source: Company, LKP Research

Loan book Mix



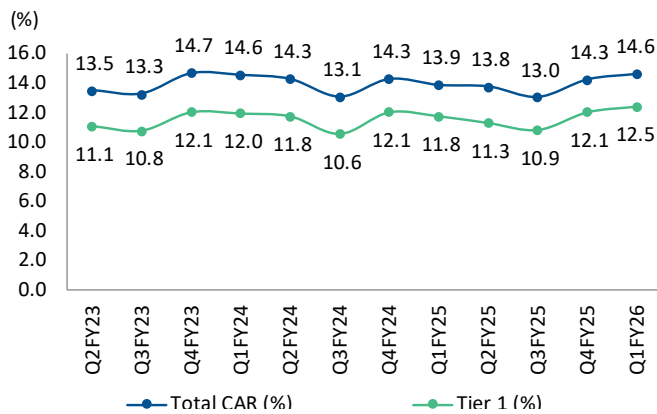
Source: Company, LKP Research

CASA Deposit trend



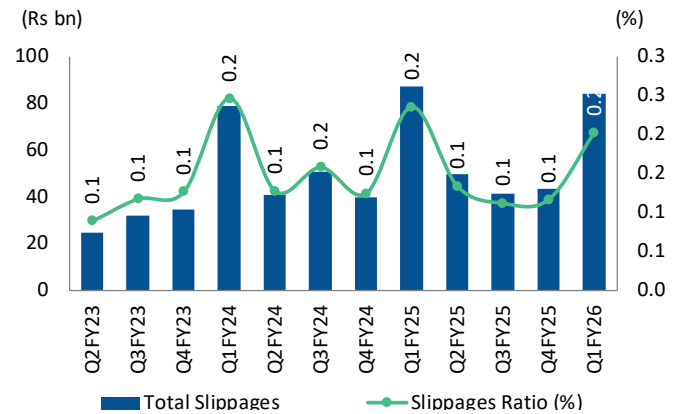
Source: Company, LKP Research

CRAR and Tier 1 trend



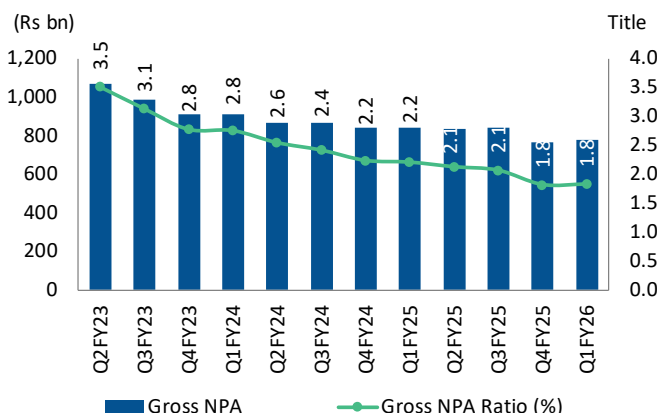
Source: Company, LKP Research

Slippages trend



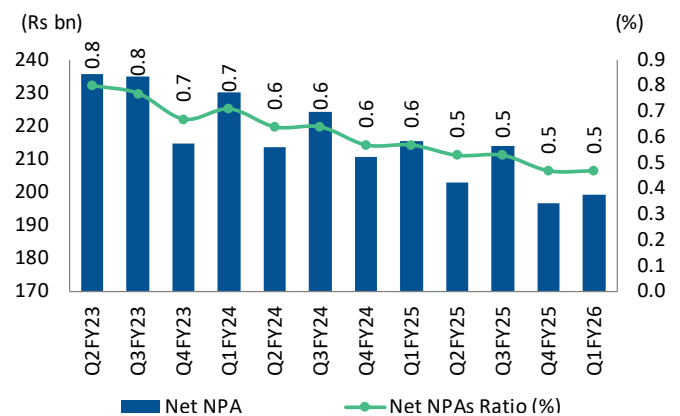
Source: Company, LKP Research

Gross NPA trend



Source: Company, LKP Research

Net NPA trend



Source: Company, LKP Research

Annual Projections

Profit and Loss Statement

(₹ bn)	FY23	FY24	FY25	FY26E	FY27E
Int. Income / Opr. Revenue	3,321	4,151	4,625	5,015	5,461
Interest Expenses	1,873	2,553	2,955	3,187	3,460
Net Interest Income	1,449	1,599	1,670	1,827	2,001
<i>NIM (%)</i>	3.0	3.0	2.8	2.8	2.8
Other Income - Total	366	517	617	668	735
Net Operating Revenue	1,815	2,116	2,286	2,495	2,736
Employee Exp.	573	712	644	698	765
Other Opex	405	465	537	591	656
Total Opex	977	1,178	1,181	1,288	1,420
<i>C/I Ratio (%)</i>	53.9	55.7	51.6	51.6	51.9
Pre Provision Profits	837	938	1,106	1,207	1,315
<i>PPP Growth (yoy %)</i>	23.4	12.0	17.9	9.1	9.0
Provisions & Contingencies - Total	165	49	153	188	185
<i>Credit Cost (As % of Op. AUM)</i>	0.5	0.1	0.4	0.4	0.4
Profit Before Tax	672	960	953	1,019	1,130
Tax	170	207	244	261	289
<i>Effective Tax Rate (%)</i>	25.3	20.1	25.6	25.6	25.6
Reported Profits	502	753	709	758	841
<i>PAT Growth (yoy %)</i>	58.6	49.8	(5.8)	7.0	10.9

Source: Company, LKP Research

Balance Sheet

(₹ bn)	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	9	9	9	9	9
Reserves (ex Revel. Reserve)	2,990	3,488	4,129	4,888	5,729
Net Worth - Ex Revaluation	2,999	3,497	4,138	4,897	5,738
Deposits	44,238	49,161	53,822	59,303	66,142
Borrowings	4,931	5,976	5,636	5,580	5,286
Interest Bearing Liabilities (₹ mn)	49,169	55,136	59,458	64,883	71,428
Other Lia. & Prov.	2,725	2,888	2,891	3,007	3,127
Total Liabilities	55,170	61,797	66,761	73,093	80,626
Assets					
Cash & Cash Equivalent	3,079	3,108	3,402	3,823	4,121
Investments	15,704	16,713	16,906	17,376	18,022
Loan & Advances	31,993	37,040	41,633	46,879	52,973
<i>Growth (yoy %)</i>	17.0	15.8	12.4	12.6	13.0
Fixed Assets	424	426	441	462	501
Other Assets	3,971	4,510	4,378	4,553	5,009
Total Assets	55,170	61,797	66,761	73,093	80,626

Source: Company, LKP Research

Per share data

Y/E Mar	FY23	FY24	FY25	FY26E	FY27E
Face Value (₹)	1	1	1	1	1
Adjusted Share O/S (mn)	8,925	8,925	8,925	8,925	8,925
Earnings Per Share (₹)	56.3	84.3	79.4	85.0	94.2
EPS (% YoY)	58.6	49.8	(5.8)	7.0	10.9
P/E (x)	14.3	9.5	10.1	9.5	8.5
Book Value (₹)	336.0	391.8	463.7	548.7	642.9
BVPS (% YoY)	16.8	16.6	18.3	18.3	17.2
P/BV (x)	2.4	2.1	1.7	1.5	1.3
Adj. BV (₹)	324.0	380.0	452.7	537.6	631.9
Adj. BV (% YoY)	19.1	17.3	19.1	18.8	17.5
P/ABV (x)	2.5	2.1	1.8	1.5	1.3

Source: Company, LKP Research

Detail RoA Tree Analysis (%)

Y/E Mar	FY23	FY24	FY25	FY26E	FY27E
Yields / Margins					
Yield on Advance	7.5	8.3	8.4	8.3	8.2
Yield on Funds	6.9	7.7	7.8	7.7	7.6
Cost of Funds (CoF)	4.0	4.9	5.2	5.1	5.1
Interest Spread	2.9	2.8	2.6	2.6	2.6
NIM's	3.0	3.0	2.8	2.8	2.8
Interest Income / Assets	6.3	7.1	7.2	7.2	7.1
Interest Exp. / Assets	3.6	4.4	4.6	4.6	4.5
NII / Assets	2.8	2.7	2.6	2.6	2.6
Fee Income / Assets	0.4	0.5	0.6	0.6	0.6
Other Non Core Income / Assets	0.1	0.1	0.1	0.1	0.1
Other Income / Assets	0.7	0.9	1.0	1.0	1.0
Net Operating Income / Assets	3.5	3.6	3.6	3.6	3.6
Operating Ratios					
NII to Net Operative Income	79.8	75.6	73.0	73.2	73.1
Other Income to Net Operative Income	20.2	24.4	27.0	26.8	26.9
Empl. Cost/Oper. Exps.	58.6	60.5	54.5	54.1	53.8
Other Op. Exps./Oper. Exps.	41.4	39.5	45.5	45.9	46.2
C/I Ratio (%)	53.9	55.7	51.6	51.6	51.9
Provisions as % PPP	9.1	2.3	6.7	7.5	6.8
Credit Cost (As % of Op. AUM)	0.5	0.1	0.4	0.4	0.4
Effective Tax Rate (%)	25.3	20.1	25.6	25.6	25.6
Employee Exp. / Assets	1.1	1.2	1.0	1.0	1.0
Other Opex/ Assets	0.8	0.8	0.8	0.8	0.9
Total Opex / Assets	1.9	2.0	1.8	1.8	1.8
Operating Profits / Assets	1.6	1.6	1.7	1.7	1.7
Exceptional Items / Assets	-	0.1	-	-	-
Op Profit ex Except Items / Assets	1.6	1.7	1.7	1.7	1.7
Provisions / Assets	0.3	0.1	0.2	0.3	0.2
Profit Before Tax / Assets	1.3	1.6	1.5	1.5	1.5
Tax Expenses / Assets	0.3	0.4	0.4	0.4	0.4
RoA	1.0	1.3	1.1	1.1	1.1
Leverage (x)	18.4	17.7	16.1	14.9	14.1
RoE	17.3	23.2	18.6	16.8	15.8
Adj. RoA	1.0	1.5	1.1	1.1	1.1
Adj. RoE	17.3	27.6	18.6	16.8	15.8

Source: Company, LKP Research

Balance Sheet Ratios

Y/E Mar	FY23	FY24	FY25	FY26E	FY27E
Credit / Deposit Ratio	72.3	75.3	77.4	79.1	80.1
Incremental C/D Ratio	125.0	102.5	98.5	95.7	89.1
Investment Deposit Ratio	35.5	34.0	31.4	29.3	27.2
Dom. SLR Investment / Deposits	28.8	27.6	25.5	23.8	22.2
CASA Ratio	43.5	40.8	39.7	39.7	39.7

Source: Company, LKP Research

Credit Quality

Y/E Mar	FY23	FY24	FY25	FY26E	FY27E
Slippage Ratio (%)	0.7	0.7	0.6	0.6	0.5
Gross NPA	9,09,278	8,42,763	7,68,802	8,14,432	8,36,934
Gross NPAs Ratio (%)	2.8	2.2	1.8	1.7	1.6
PCR (%)	76.4	75.0	74.4	76.3	77.4
Net NPA	2,14,666	2,10,511	1,96,669	1,92,736	1,88,881
Net NPAs Ratio (%)	0.7	0.6	0.5	0.4	0.4
Total Impaired Loans	9,09,278	8,42,763	7,68,802	8,14,432	8,36,934
Impaired Loan as % of Loan / AUM	2.6	2.1	1.7	1.6	1.5
Total Risk Reserves	6,94,611	6,32,253	5,72,133	6,21,696	6,48,053
Total Risk As % of Loan Book	2.0	1.6	1.3	1.3	1.2

Source: Company, LKP Research

Key Assumptions & Forecasts

Y/E Mar	FY23	FY24	FY25	FY26E	FY27E
Loan & Advances	31,993	37,040	41,633	46,879	52,973
Growth (yoy %)		15.8	12.4	12.6	13.0
Interest Bearing Liabilities (₹ mn)	49,169	55,136	59,458	64,883	71,428
Growth (yoy %)		12.1	7.8	9.1	10.1
Yield on Funds	6.9	7.7	7.8	7.7	7.6
Cost of Funds (CoF)	4.0	4.9	5.2	5.1	5.1
Interest Spread	2.9	2.8	2.6	2.6	2.6
NIM's	3.0	3.0	2.8	2.8	2.8
Other Income Growth	(9.7)	41.1	19.4	8.3	10.0
C/I Ratio (%)	53.9	55.7	51.6	51.6	51.9
Effective Tax Rate (%)	25.3	20.1	25.6	25.6	25.6
Return Ratios					
Adj. RoA	1.0	1.5	1.1	1.1	1.1
Adj. RoE	17.3	27.6	18.6	16.8	15.8
Asset Quality Metrics					
Credit Cost (As % of Op. AUM)	0.5	0.1	0.4	0.4	0.4
Gross NPAs Ratio (%)	2.8	2.2	1.8	1.7	1.6
Net NPAs Ratio (%)	0.7	0.6	0.5	0.4	0.4

Source: Company, LKP Research

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