State Bank of India (STABAN)

ICICI Direct

CMP: ₹ 804 | Target: ₹ 940 (17%) | Target Period: 12 months | **BUY**

August 11, 2025

Result Update

Navigating challenges and optimizing performance…

About the stock: SBI is a public sector bank and also the largest bank in India with a balance sheet size of over ~ ₹68 lakh crore.

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

Q1FY26 performance: SBI reported healthy business growth and operational performance aided by treasury gains. Credit growth remained healthy at 11.6% YoY, driven by MSME, agri, and retail segment, while corporate growth continued to remain slower. Deposit accretion was strong at 11.7% YoY, led primarily by term deposits (14.2% YoY). Asset quality stayed robust with slippages at 75 bps vs 84 bps in Q1FY25, GNPA and NNPA remained flat at 1.83% and 0.47%. Sequential pressure on margins (-20 bps QoQ in domestic NIM at 3.02%) kept NII flat, however, treasury gains and 10.9% YoY growth in fee income offset seasonally higher slippages resulting in 12.5% YoY growth in earnings.

Investment Rationale

- **Credit growth outlook steady backed by robust execution in SME/ retail segment with revival anticipated in Xpress credit:** Management expects to maintain steady credit traction surpassing nominal growth (11–13% CAGR), supported by continued momentum in retail and SME segment, robust corporate pipeline of ₹7.2 lakh crore, and improvement in Xpress credit. Domestic CD ratio at ~78% and capital raising (QIP of ₹25,000 crore) indicates healthy liquidity buffers and ample headroom to fuel incremental growth. Deposit accretion is expected to remain stable, led by continued traction in retail term deposit and calibrated rate adjustments. Revival in Xpress Credit is also poised to aid yields, further strengthening overall outlook.
- **CI ratio and asset quality holds firm, despite margin softness:** Management anticipates further NIM compression in Q2FY26 but expects recovery in 2HFY26 as benefit of repricing of term deposits, benefit of SA cut and reduction in CRR accrue. Optimizing Xpress credit lever could further cushion yields and thereby aid margins. Thus, management continues to maintain guidance of domestic margins at 3%. Operationally, SBI aims to maintain CI ratio at ~50–51%, with increased focus on digitization. While seasonal factors kept slippages elevated in Q1FY26, GNPA/ NNPA remained flat with no alarming signals from any segment including SME. Management expects credit cost to remain below 60 bps with RoA anticipated at 1% or above.

Rating and Target Price

- Steady performance despite headwinds showcases resilience. Business growth with focus on RAM segment with relatively resilient margins aided by diversified loan mix and consistent strong asset quality reinforce robust operating profile. Recent capital raising induces confidence, while treasury gains remain a catalyst. Thus, we continue to maintain our target price at ₹940, valuing standalone bank at ~1.1x and ₹275 for subsidiaries. Maintain **Buy** rating on the stock.

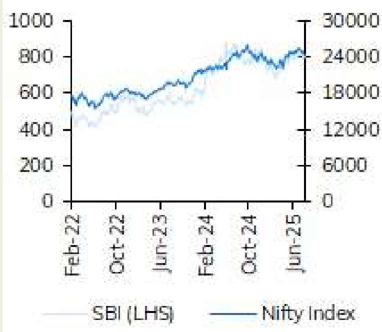
Particulars

Particulars	₹ crore
Market	7,42,557
52 week H/L	876 / 680
Networth	4,70,194.0
Face value	1.0
DII Holding (%)	27.1
FII Holding (%)	10.0

Shareholding pattern

	Jun-24	Sep-24	Dec-24	Jul-25
Promoter	57.5	57.5	57.5	55.5
FII	11.2	10.7	10.0	10.0
DII	23.6	24.0	27.1	27.1
Others	7.7	7.8	5.4	7.4

Price Chart



Key risks

(i) Delay in deposit repricing could impact margin estimates

(ii) Volatility in business growth or asset quality amid external headwinds

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ICICI Securities – Retail Equity Research

Key Financial Summary

Key Financials	FY23	FY24	FY25	3 Year CAGR (FY22-25)	FY26E	FY27E	2 Year CAGR (FY25-27E)
NII	1,448	1,599	1,670	11.4%	1,770	1,990	9.2%
PPP	837	938	1,106	13.7%	1,121	1,249	6.3%
PAT	502	611	709	30.8%	674	747	2.6%
ABV (₹)	343	399	441		513	575	
P/E	14	12	10		11	10	
P/ABV	2	2	2		2	1	
RoA	1	1	1		1	1	
RoE	17	17	17		14	14	

Source: Company, ICICI Direct Research

Concall Highlights and Outlook

Performance and growth outlook

- SBI reported 22.17% share of domestic deposits and 19.24% share of system-wide advances along with 14 bps gain in incremental loan market share YoY, primarily in retail mortgages and secured small business credit segment.
- SBI reported a net profit of ₹19,160 crore for Q1FY26, up 12.48% YoY, delivering RoE of 19.7% and RoA of 1.14%, supported by strong operating performance and disciplined risk management.
- Credit grew 11.6% YoY, with domestic credit up 11.1%. Retail segment was driven by 15% YoY growth in home loans, auto loan momentum was subdued due to weak volume, with recovery expected in H2. SME growth seen to continue at 19-21%.
- Xpress credit growth was impacted by tightening for certain lower-income segment amid signs of overleverage, operational adjustment owing to digital process migration. Management expects revival in disbursement from Q2 amid gradual improvement in repayment behaviour of customers.
- Corporate growth was muted due to ~₹12,000 crore in prepayments and ₹16,000-18,000 crore, migration to the CP market; however, corporate pipeline remains strong at ₹7.2 lakh crore (sanctioned and proposed), with management guiding for 10-11% growth in FY26E.
- Deposits rose 11.7% YoY, led by ~14% growth in term deposits, while CASA growth was modest, aided by inflows in both government and non-government current account.
- Daily average CA balances improved sequentially. Domestic CD ratio stood at 68.9%, providing ample liquidity to support targeted credit growth.
- Management reiterated FY26 credit growth guidance surpassing nominal growth at ~12%, led by retail, SME, green energy projects, commercial real estate, and government-led capex.
- Management reaffirmed target of maintaining an RoE above 15% and RoA at 1%, with an upside bias.
- AFS reserves rose to ₹7,700 crore from ₹6,600 crore QoQ, enhancing capital flexibility.
- Treasury gains were supported by easing yields but tempered by lower forex derivative MTM gains versus Q4FY25. Management expects the easing rate cycle to provide further MTM and trading gain opportunities, though refrained from providing specific guidance.

Margins

- NIM for the quarter stood at 2.9%, down 10 bps QoQ due to higher cost of deposits from a shift toward term deposits and CASA moderation.
- Management maintained its full-year domestic NIM guidance at 3%, anticipating further softening in Q2 before improving in H2FY26 as deposit repricing benefits, savings rate reduction, and CRR cut deployment (₹52,000 crore liquidity release) accrue.
- Only ~30% of loan book is repo-linked, with ~31% MCLR-linked and ~23% fixed-rate, providing a cushion against immediate margin compression.
- SA CoF stood at ~2.68%

Opex and credit cost

- Management guided for sustained efforts to keep CI ratio below 50–51%, emphasizing income growth over aggressive cost-cutting.
- Operating expenses fell 21.9% YoY, aided by a 38% drop in overheads following front-loaded costs in Q4FY25 and efficiency gains from Project SARAL. This initiative is reengineering retail processes to simplify, automate, centralize, and outsource, integrating AI-led tools to enhance productivity and customer service.
- Slippage ratio improved 9 bps YoY to 0.75% with SME at ₹2,680 crore, agriculture at ₹2,464 crore, and retail loans at ₹2,602 crore. Out of these slippages, ₹1,585 crore, has been pulled back. Credit cost remained contained at ~0.38%, with PCR at 74.49%.

- Management retained FY26 slippage guidance below 0.6% with recovery from AUCA estimated at ₹7000-8000 crore for FY26E.

Other Updates

- Capital adequacy ratio: 15.33% (CET-1: 11.8%), post raising of ₹25,000 crore of confidence capital with ~60% participation from global investors. The raise was for CET-1 strengthening, leaving a ~233 bps buffer over regulatory minimum.
- Minimal exposure to sectors affected by tariff uncertainties; management sees no systemic risk but acknowledges some shipment delays.
- Barring MFI exposure (which is miniscule), major proportion of SME exposure is secured or backed by CGTMSE.
- Digital transformation remains a key focus, with predictive AI underwriting already in use and Gen AI integration planned. Digital BRE loans, auto-renewal journeys, and vendor verification modules are being scaled across YONO and SME platforms.

Exhibit 1: Variance Analysis

	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Comments
NII	41,072.5	41,125.5	-0.1	42,774.0	-4.0	Margin pressure impacted NII growth
NIM (%)	2.9	3.2	-32 bps	3.1	-19 bps	Transmission of rate cut impacted margins
Other Income	17,346.0	11,161.9	55.4	24,210.0	-28.4	Boosted by strong treasury gains, fee income growth healthy
Net Total Income	58,418.5	52,287.3	11.7	66,984.0	-12.8	
Operating expense	27,874.0	25,838.7	7.9	35,698.0	-21.9	Cost to asset ratio steady at 1.66%
PPP	30,544.5	26,448.6	15.5	31,286.0	-2.4	
Provision	4,759.0	3,450.0	37.9	6,441.0	-26.1	Credit cost steady at 47 bps
PBT	25,785.5	22,998.6	12.1	24,845.0	3.8	
Tax Outgo	6,625.0	5,964.0	11.1	6,202.0	6.8	
PAT	19,160.5	17,034.6	12.5	18,643.0	2.8	Treasury gains and steady opex aided earnings
Key Metrics						
GNPA	78,040.0	84,226.0	-7.3	76,880.2	1.5	Slippages ratio steady YoY at 75 bps
NNPA	19,908.0	21,554.7	-7.6	19,666.9	1.2	
Advances	41,96,205.0	37,49,138.9	11.9	41,63,312.0	0.8	Retail & SME majorily credit growth
Deposits	54,73,254.0	49,01,726.0	11.7	53,82,190.0	1.7	Term deposits (14.2%) continuing to outpace CASA (8%), CASA mometum aided by current deposits
GNPA %	1.8	2.2	-38 bps	1.8	1 bps	
NNPA %	0.5	0.6	-10 bps	0.5	0 bps	

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement ₹ bn

(Year-end March)	FY24	FY25	FY26E	FY27E
Interest Earned	4,151.3	4,624.9	4,914.8	5,369.7
Interest Expended	2,552.5	2,955.2	3,144.4	3,379.7
Net Interest Income	1,598.8	1,669.7	1,770.4	1,990.1
% growth	10.4	4.4	6.0	12.4
Non Interest Income	516.8	616.8	547.9	558.5
Fees and advisory	281.3	309.2	340.1	363.9
Net Income	2,115.6	2,286.5	2,318.3	2,548.6
Employee cost	712.4	643.5	695.0	750.6
Other operating Exp.	465.2	537.2	502.4	549.1
Operating Income	938.0	1,105.8	1,120.9	1,248.9
Provisions	49.1	153.1	216.0	246.7
PBT	888.8	952.7	905.0	1,002.2
Exceptional Items	-71.0	0.0	0.0	0.0
Taxes	207.1	243.7	230.8	255.6
Net Profit	610.8	709.0	674.2	746.6
% growth	21.6	16.1	-4.9	10.7
EPS	68.5	79.5	73.1	80.9

Source: Company, ICICI Direct Research

Exhibit 3: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
No. of Equity Shares (Crore)	892.0	892.0	922.6	922.6
EPS (₹)	68.5	79.5	73.1	80.9
BV (₹)	422.9	463.5	535.2	601.5
ABV (₹)	399.0	441.3	513.5	575.3
P/E	11.7	10.1	11.0	9.9
P/BV	1.9	1.7	1.5	1.3
P/ABV	2.0	1.8	1.6	1.4
Yields & Margins (%)				
Net Interest Margins (calculated	3.0	2.8	2.7	2.8
Yield on avg earning assets	7.7	7.8	7.6	7.5
Avg. cost on funds	4.9	5.1	5.0	4.9
Avg. cost of Deposits	4.7	5.0	5.0	4.9
Yield on average advances	8.4	8.4	7.8	7.7
Quality and Efficiency (%)				
Cost / Total net income	55.7	51.6	51.7	51.0
Credit/Deposit ratio	75.3	77.4	78.6	79.5
GNPA	2.2	1.9	1.8	1.9
NNPA	0.6	0.5	0.4	0.5
RoE	17.3	17.3	14.0	13.5
RoA	1.0	1.1	1.0	1.0

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet ₹ bn

(Year-end March)	FY24	FY25	FY26E	FY27E
Sources of Funds				
Capital	8.9	8.9	9.2	9.2
Reserves and Surplus	3,763.5	4,402.7	5,205.2	5,817.5
Networth	3,772.5	4,411.6	5,214.5	5,826.7
Deposits	49,160.8	53,821.9	59,324.7	65,616.5
Borrowings	5,975.6	5,635.7	5,359.6	5,829.2
Other Liabilities & Provisions	2,888.1	2,891.3	3,171.4	3,486.6
Total	61,796.9	66,760.5	73,070.1	80,759.0
Application of Funds				
Fixed Assets	427.1	440.8	496.6	550.1
Investments	16,713.4	16,905.7	18,401.6	20,051.5
Advances	37,039.7	41,633.1	46,599.6	52,161.4
Other Assets	4,508.6	4,378.5	4,011.0	4,263.7
Cash with RBI & call money	3,108.1	3,402.3	3,561.3	3,732.3
Total	61,796.9	66,760.5	73,070.1	80,759.0

Source: Company, ICICI Direct Research

Exhibit 5: Growth ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Total assets	12.0	8.0	9.5	10.5
Advances	15.8	12.4	11.9	11.9
Deposits	11.1	9.5	10.2	10.6
Total Income	16.6	8.1	1.4	9.9
Net interest income	10.4	4.4	6.0	12.4
Operating expenses	20.5	0.3	1.4	8.5
Operating profit	32.3	7.2	-5.0	10.7
Net profit	21.6	16.1	-4.9	10.7
Book value	15.2	9.6	15.5	12.4
EPS	21.6	16.1	-8.1	10.7

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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