

August 11, 2025

**Overall healthy performance aided by exceptional gains...**

**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.

**Q2FY26 performance:** State Bank of India (SBI) delivered a strong Q2FY26 performance, driven by broad-based growth, healthy operational trend and resilient asset quality. Advances rose 13.1% YoY, led by RAM segments, while deposits grew 9.3% YoY with improving CASA traction. NIM expanded 7 bps QoQ to 2.97%, supported by lower funding costs and a better CD ratio. Other income jumped 30% YoY, boosted by ₹4,953 crore gains from Yes Bank stake sale. Asset quality remained strong with GNPA/NNPA at 1.73%/0.42% and slippages improving to ~60 bps. PAT grew 10% YoY to ₹20,160 crore, with core RoA steady near 1%.

**Investment Rationale**

- Management upbeat on growth, corporate momentum likely to strengthen:** SBI's management raised its credit growth guidance to 12–14% for FY26E (from ~11% earlier), supported by a strong corporate pipeline at ~₹7 lakh crore, with half already sanctioned and remainder under discussion. Corporate lending momentum is expected to accelerate in H2FY26, led by private-sector capex in renewable energy, power, commercial real estate, and steel, which should sustain in FY27E. On retail side, gold loans surged ~87% YoY, partly cannibalizing Xpress Credit demand, though overall retail traction remains healthy. Deposit accretion is likely to remain stable, aided by steady growth in retail term deposits and calibrated rate actions. Overall, we model ~12.5% loan CAGR over FY26–27E, driven by balanced growth across corporate and retail portfolios.
- Margin uptick and stable credit cost support earnings:** NIM improved 9 bps QoQ to 2.97%, aided by lower funding costs and better CD ratio. Management reaffirmed its NIM guidance above 3% for H2FY26, supported by deposit repricing and CRR cut, expected to flow through by Nov–Dec 2025. The bank recorded ₹4,593 crore in pre-tax gains from Yes Bank stake sale, which was reflected in other income, while retaining a ~10.8% residual stake. Asset quality stayed strong, with slippages easing to 0.6% (vs 0.75% in Q1FY26) and credit cost stable at 0.39%, aided by consistent profitability and prudent balance sheet management. Management expects credit cost to remain below 60 bps with RoA anticipated at 1% or above.

**Rating and Target Price**

- Focus on RAM segment with relatively resilient margins aided by diversified loan mix and consistent strong asset quality re-inforce robust operating profile. Thus, we revise our target price at ₹1120 (earlier ₹940), valuing standalone bank at ~1.4x and assigning ₹247 for subsidiaries. Maintain **Buy** rating on the stock.

**Key Financial Summary**

| Key Financials | FY23  | FY24  | FY25  | 3 Year CAGR<br>(FY22–25) | FY26E | FY27E | 2 Year CAGR<br>(FY25–27E) |
|----------------|-------|-------|-------|--------------------------|-------|-------|---------------------------|
| NII            | 1,448 | 1,599 | 1,670 | 11.4%                    | 1,768 | 1,977 | 8.8%                      |
| PPP            | 837   | 938   | 1,106 | 13.7%                    | 1,169 | 1,250 | 6.3%                      |
| PAT            | 502   | 611   | 709   | 30.8%                    | 741   | 757   | 3.3%                      |
| ABV (₹)        | 343   | 399   | 441   |                          | 519   | 579   |                           |
| P/E            | 17.0  | 14.0  | 12.1  |                          | 11.9  | 11.7  |                           |
| P/ABV          | 2.8   | 2.4   | 2.2   |                          | 1.8   | 1.7   |                           |
| RoA            | 1.0   | 1.0   | 1.1   |                          | 1.1   | 1.0   |                           |
| RoE            | 16.5  | 17.3  | 17.3  |                          | 15.3  | 13.6  |                           |

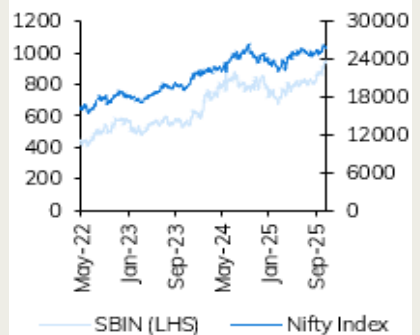
Source: Company, ICICI Direct Research

**Particulars**

| Particulars           | ₹ crore   |
|-----------------------|-----------|
| Market Capitalisation | 8,83,924  |
| 52 week H/L           | 959 / 680 |
| Networth              | 5,69,312  |
| Face value            | 1.0       |
| DII Holding (%)       | 27.6      |
| FII Holding (%)       | 9.6       |

**Shareholding pattern**

|          | Dec-24 | Mar-25 | Jun-25 | Sep-25 |
|----------|--------|--------|--------|--------|
| Promoter | 57.5   | 57.5   | 57.4   | 55.5   |
| FII      | 9.6    | 9.9    | 9.3    | 9.6    |
| DII      | 27.6   | 24.9   | 25.5   | 27.6   |
| Others   | 5.3    | 7.7    | 7.8    | 7.3    |

**Price Chart****Key risks**

- Slower than expected credit growth and stress built-up in RAM segment
- Slower deposit repricing dragging margins

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## Concall Highlights and Outlook

### Performance and growth outlook

- Credit grew 13.1% YoY, with domestic credit up 12.3%. Retail segment was driven by 15.2% YoY growth in home loans, auto loan momentum was steady, with the same to continue in H2. SME growth seen to continue at ~18.8%. Credit growth guidance increased from earlier ~11% to 12-14% for FY27E.
- Xpress Credit (personal loans): Moderate growth; some customers shift towards secured gold loans due to attractive yields.
- Management targets ~10% corporate loan growth in H2FY26, driven by ₹7 lakh crore pipeline — half sanctioned and half under discussion.
- Corporate: Continued traction in high-quality names; focus remains on maintaining pricing discipline and capital-efficient growth.
- International book: Growth of ~8.7% in USD terms; rupee depreciation inflated reported growth. SBI maintains selective exposure based on risk-adjusted return (RORWA) metrics.
- Private sector capex pipeline remains strong, particularly in renewable energy, power, commercial real estate, and steel, with continued traction expected in FY27.
- CASA ratio stood at 39.6%, with CASA market share at 23%. Current account market share improved by 185 bps over the past year.
- Core fee income rose sharply, led by debit card interchange fees and remittance volumes; management expects sustainability near double-digit growth.
- Deposit rates expected to remain stable, with repricing dependent on RBI policy changes.

### Margins

- NIM for the quarter stood at 2.97%, up 9 bps QoQ aided by lower cost of funds and better CASA mix.
- Management reaffirmed NIM guidance above 3% for H2FY26, assuming no further rate cuts.
- Benefits from the CRR cut and continued repricing of deposits to accrue by Nov–Dec 2025.

### Opex and credit cost

- No accelerated provisioning was taken; however, additional ₹750 crore was created on two large accounts due to extension of DCCO (Date of Commencement of Commercial Operations), partly offset by a ₹200 crore reversal, leading to a net standard provision of ~₹550 crore in Q2FY26.
- Miscellaneous operating expenses were higher in Q2FY26 versus both Q1FY26 and Q2FY25, primarily due to GST on expenses and software-related costs.
- GST on expenses rose sharply to ₹1,180 crore in Q2FY26 (vs ₹662 crore in Q2FY25 and ₹588 crore in Q1FY26), forming the bulk of the sequential increase.
- Recovery from written-off accounts during the quarter stood at ₹2,400 crore, exceeding the bank's quarterly guidance of ₹2,000 crore.
- Management believes the ECL-related credit cost increase will be offset through stronger collections and continuous rollback of SMA-1/2 accounts. Further, management intends to utilize time till FY31 to adhere to the guidelines thereby ensuring smooth transition without any substantial impact on earnings.

### Other Updates

- Incremental rise also came from technology and mobile banking-related expenses, reflecting continued investment in digital infrastructure and platforms like YONO 2.0 and Project SARAL.
- Management has directed regional managers to target +1% market share gain per district, even in regions where SBI already holds >60% share.

**Exhibit 1: Variance Analysis**

|                    | Q2FY26      | Q2FY25      | YoY (%) | Q1FY26      | QoQ (%) | Comments  |
|--------------------|-------------|-------------|---------|-------------|---------|---|
| NII                | 42,984.1    | 41,619.5    | 3.3     | 41,072.5    | 4.7     | NII sustained owing to continued growth and margin uptick                                     |
| NIM (%)            | 2.97        | 3.14        | -17 bps | 2.90        | 7 bps   | Decline in CoF and increase in CD ratio aided margins   |
| Other Income       | 19,919.0    | 15,270.6    | 30.4    | 17,346.0    | 14.8    | ~₹4953 crore gains from sale of Yes Bank stake  |
| Net Total Income   | 62,903.1    | 56,890.1    | 10.6    | 58,418.5    | 7.7     |   |
| Operating expense  | 30,999.0    | 27,596.4    | 12.3    | 27,874.0    | 11.2    | CI ratio rose by ~157 bps sequentially to 49.28%  |
| PPP                | 31,904.1    | 29,293.7    | 8.9     | 30,544.5    | 4.5     |   |
| Provision          | 5,400.0     | 4,506.0     | 19.8    | 4,759.0     | 13.5    | Credit cost steady at ~39 bps   |
| PBT                | 26,504.1    | 24,787.7    | 6.9     | 25,785.5    | 2.8     |   |
| Tax Outgo          | 6,344.0     | 6,457.0     | -1.8    | 6,625.0     | -4.2    |   |
| PAT                | 20,160.1    | 18,330.7    | 10.0    | 19,160.5    | 5.2     | Excluding one-time gain, operational performance remains steady                               |
| <b>Key Metrics</b> |             |             |         |             |         |   |
| GNPA               | 76,243.0    | 83,369.2    | -8.5    | 78,040.0    | -2.3    | Slippages ratio improved to 60 bps (vs 75 bps Q1FY26)   |
| NNPA               | 18,459.9    | 20,294.3    | -9.0    | 19,908.0    | -7.3    |   |
| Advances           | 4,361,737.0 | 3,857,423.5 | 13.1    | 4,196,205.0 | 3.9     | Retail & SME majorly credit growth  |
| Deposits           | 5,591,700.0 | 5,117,285.0 | 9.3     | 5,473,254.0 | 2.2     | Term deposits (9.9%) continuing to outpace CASA (8%), CASA momentum aided by current deposits |

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 | 4,873.0 | 5,368.4 |
| Interest Expended    | 2,552.5 | 2,955.2 | 3,105.0 | 3,391.0 |
| Net Interest Income  | 1,598.8 | 1,669.7 | 1,768.0 | 1,977.4 |
| % growth             | 10.4    | 4.4     | 5.9     | 11.8    |
| Non Interest Income  | 516.8   | 616.8   | 687.2   | 680.0   |
| Net Income           | 2,115.6 | 2,286.5 | 2,455.2 | 2,657.4 |
| Employee cost        | 712.4   | 643.5   | 695.0   | 750.6   |
| Other operating Exp. | 465.2   | 537.2   | 591.5   | 656.3   |
| Operating Income     | 938.0   | 1,105.8 | 1,168.7 | 1,250.5 |
| Provisions           | 49.1    | 153.1   | 173.9   | 234.1   |
| PBT                  | 888.8   | 952.7   | 994.8   | 1,016.3 |
| Exceptional Items    | -71.0   | 0.0     | 0.0     | 0.0     |
| Taxes                | 207.1   | 243.7   | 253.7   | 259.2   |
| Net Profit           | 610.8   | 709.0   | 741.1   | 757.2   |
| % growth             | 21.6    | 16.1    | 4.5     | 2.2     |
| EPS                  | 68.5    | 79.5    | 80.3    | 82.1    |

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  | 80.3  | 82.1  |
| BV (₹)                            | 422.9 | 463.5 | 541.1 | 608.4 |
| ABV (₹)                           | 399.0 | 441.3 | 519.2 | 578.9 |
| P/E                               | 14.0  | 12.1  | 11.9  | 11.7  |
| P/BV                              | 2.3   | 2.1   | 1.8   | 1.6   |
| P/ABV                             | 2.4   | 2.2   | 1.8   | 1.7   |
| <b>Yields &amp; Margins (%)</b>   |       |       |       |       |
| Net Interest Margins (calculated) | 3.0   | 2.8   | 2.7   | 2.8   |
| Yield on avg earning assets       | 7.7   | 7.8   | 7.5   | 7.5   |
| Avg. cost on funds                | 4.9   | 5.1   | 5.0   | 4.9   |
| Avg. cost of Deposits             | 4.7   | 5.0   | 4.9   | 4.8   |
| Yield on average advances         | 8.4   | 8.4   | 7.7   | 7.7   |
| <b>Quality and Efficiency (%)</b> |       |       |       |       |
| Cost / Total net income           | 55.7  | 51.6  | 52.4  | 52.9  |
| Credit/Deposit ratio              | 75.3  | 77.4  | 78.8  | 80.0  |
| GNPA                              | 2.2   | 1.9   | 1.7   | 1.8   |
| NNPA                              | 0.6   | 0.5   | 0.4   | 0.5   |
| RoE                               | 17.3  | 17.3  | 15.3  | 13.6  |
| RoA                               | 1.0   | 1.1   | 1.1   | 1.0   |

Source: Company, ICICI Direct Research

**Exhibit 4: Balance sheet**

₹ bn

| (Year-end March)               | FY24     | FY25     | FY26E    | FY27E    |
|--------------------------------|----------|----------|----------|----------|
| <b>Sources of Funds</b>        |          |          |          |          |
| Capital                        | 8.9      | 8.9      | 9.2      | 9.2      |
| Reserves and Surplus           | 3,763.5  | 4,402.7  | 5,260.1  | 5,881.0  |
| Networth                       | 3,772.5  | 4,411.6  | 5,269.4  | 5,890.2  |
| Deposits                       | 49,160.8 | 53,821.9 | 59,616.4 | 65,867.8 |
| Borrowings                     | 5,975.6  | 5,635.7  | 5,659.4  | 6,158.9  |
| Other Liabilities & Provisions | 2,888.1  | 2,891.3  | 3,171.4  | 3,486.6  |
| Total                          | 61,796.9 | 66,760.5 | 73,716.6 | 81,403.5 |
| <b>Application of Funds</b>    |          |          |          |          |
| Fixed Assets                   | 427.1    | 440.8    | 496.6    | 550.1    |
| Investments                    | 16,713.4 | 16,905.7 | 18,061.5 | 19,309.8 |
| Advances                       | 37,039.7 | 41,633.1 | 46,972.4 | 52,710.5 |
| Other Assets                   | 4,508.6  | 4,378.5  | 4,624.7  | 5,100.8  |
| Cash with RBI & call money     | 3,108.1  | 3,402.3  | 3,561.3  | 3,732.3  |
| Total                          | 61,796.9 | 66,760.5 | 73,716.6 | 81,403.5 |

Source: Company, ICICI Direct Research

**Exhibit 5: Growth ratios**

| (Year-end March)    | FY24 | FY25 | FY26E | FY27E |
|---------------------|------|------|-------|-------|
| Total assets        | 12.0 | 8.0  | 10.4  | 10.4  |
| Advances            | 15.8 | 12.4 | 12.8  | 12.2  |
| Deposits            | 11.1 | 9.5  | 10.8  | 10.5  |
| Total Income        | 16.6 | 8.1  | 7.4   | 8.2   |
| Net interest income | 10.4 | 4.4  | 5.9   | 11.8  |
| Operating expenses  | 20.5 | 0.3  | 9.0   | 9.4   |
| Operating profit    | 32.3 | 7.2  | 4.4   | 2.2   |
| Net profit          | 21.6 | 16.1 | 4.5   | 2.2   |
| Book value          | 15.2 | 9.6  | 16.7  | 12.4  |
| EPS                 | 21.6 | 16.1 | 1.1   | 2.2   |

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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