

STATE BANK OF INDIA

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	805
12 month price target (INR)	950
52 Week High/Low	876/680
Market cap (INR bn/USD bn)	7,424/84.7
Free float (%)	44.9
Avg. daily value traded (INR mn)	9,337.2

SHAREHOLDING PATTERN

	Jun-25	Mar-25	Dec-24
Promoter	55.5%	57.4%	57.4%
FII	10.0%	10.0%	10.3%
DII	27.2%	25.1%	24.9%
Pledge	0.0%	0.0%	0.0%

FINANCIALS

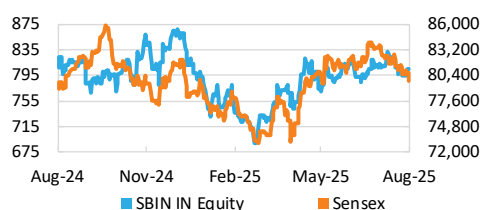
(INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	2115580	2286482	2473095	2753243
PPoP	866972	1105792	1174181	1322949
Adjusted profit	610766	709006	718593	788135
Diluted EPS (INR)	68.4	79.4	77.8	85.4
EPS growth (%)	21.6	16.1	(2.0)	9.7
RoAE (%)	17.3	17.3	14.9	14.2
P/E (x)	11.8	10.1	10.3	9.4
P/ABV (x)	1.8	1.5	1.2	1.1

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	24,73,095	27,53,243	0.1%	-1.0%
PPoP	11,74,181	13,22,949	0.1%	-2.1%
Adjusted profit	7,18,593	7,88,135	-1.9%	-2.2%
Diluted EPS (INR)	77.8	85.4	-5.1%	-5.5%

PRICE PERFORMANCE



Q1FY26 – Core NIM falls less than peers

SBI posted strong Q1FY26 earnings. NIM fell 10bp QoQ to 2.9%, better than peers that logged a higher decrease. Core NIM was even better, down only 2bp QoQ, the smallest fall in the sector. Loans grew 12% YoY/0.8% QoQ. NII was flat YoY/declined 4% QoQ. Slippage at INR84bn/0.9% was in-line and fell 4% YoY. Core PPOP was up 2% YoY/marginally down QoQ. Credit cost was 47bp versus 48bp YoY. Given the recent capital raise, CET-1 is healthy at 12.3%.

The FY26 guidance is for 12–13% loan growth, domestic NIM of 3% (3.02% in Q1) and stable NPL. NIM will likely decline in Q2FY26 and then improve in H2FY26 with deposit-repricing and capital raise. Reiterate 'BUY' with an unchanged TP of INR950/1.4x adjusted BV.

Margin performance better than peers

Loans grew 12% YoY/1% QoQ. Corporate loans rose 6% YoY/fell 3% QoQ. Corporate loan growth was slow due to refinancing by PSU peers at lower rates, but management is confident of 10–11% YoY growth for FY26. SME rose 19% YoY/4% QoQ, retail grew 13% YoY/2% QoQ while overseas rose 15% YoY/3% QoQ. Retail growth was led by home loans at 15% YoY/2% QoQ (among highest in the sector), retail gold at 79% YoY/27% QoQ, auto loans at 8% YoY/flat QoQ while Xpress credit continues to slow down staying flat YoY/down 1% QoQ. The bank weeded out overleveraged customers in Xpress credit with low EMI/NMI ratios in FY25, leading to slower growth. Lower demand from the defence segment due to disturbances also had a small impact. Xpress credit growth will improve from Q2FY26 as management guided for revival in demand. Deposit grew 12% YoY/2% QoQ. SA rose 3% QoQ/5% YoY, CA grew 31% YoY/fell 12% QoQ (seasonal) while term deposits rose 14% YoY/3% QoQ. NIM fell 10bp QoQ to 2.9%. Core NIM stayed flattish QoQ (down only 2bp), which is better than a steeper decline for all peers. Treasury gains stayed high at INR 63bn though they were lower than INR68bn QoQ as Q4 had a one-time revaluation of SR. Fees grew 11% YoY/fell 22% QoQ (the QoQ decline is seasonal). Salaries rose 9% YoY/decreased 6% QoQ. The QoQ decline was driven by PLI provisions made in Q4FY25. Core PPOP grew 2% YoY/decreased marginally QoQ.

Asset quality remains healthy with seasonal QoQ rise in slippage

Slippage decreased 4% YoY with slippage ratio at 0.9% of lagged loans versus 1.05% YoY. A sharp increase in QoQ slippage took place, which is seasonal for SBI. Around 20% of slippage of Q1 has been upgraded/recovered already in Q2 so far. Credit cost came in at 47bp versus 39bp QoQ/48bp YoY. PCR remained healthy at 74.5% and the bank has not drawn down on its buffer provisions.

Financials

Year to March	Q1FY26	Q1FY25	% Change	Q4FY25	% Change
Net Revenue	5,84,182	5,22,873	11.7%	6,69,845	-12.8%
Pre-provisioning Profits	3,05,445	2,64,486	15.5%	3,12,860	-2.4%
Reported Profits	1,91,604	1,70,352	12.5%	1,86,426	2.8%
EPS	21.5	19.1	12.5%	20.9	2.8%

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Net interest income	15,98,758	16,69,651	17,88,245	20,53,736
Non interest income	5,16,822	6,16,831	6,84,850	6,99,506
Fee and forex income	2,81,261	3,09,186	3,40,105	3,74,116
Misc. income	1,17,535	1,54,815	1,64,745	1,75,391
Investment profits	1,18,026	1,52,830	1,80,000	1,50,000
Net revenues	21,15,580	22,86,482	24,73,095	27,53,243
Operating expense	12,48,608	11,80,690	12,98,914	14,30,293
Employee exp	7,83,370	6,43,522	6,91,915	7,44,384
Other opex	4,65,238	5,37,168	6,07,000	6,85,910
Preprovision profit	8,66,972	11,05,792	11,74,181	13,22,949
Provisions	49,142	1,53,079	2,12,210	2,67,882
PBT	8,17,830	9,52,713	9,61,972	10,55,067
Taxes	2,07,063	2,43,706	2,43,379	2,66,932
PAT	6,10,766	7,09,006	7,18,593	7,88,135
Extraordinaries	0	0	0	0
Reported PAT	6,10,766	7,09,006	7,18,593	7,88,135
Diluted EPS (INR)	68.4	79.4	77.8	85.4

Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Net interest margins	3.0	2.8	2.7	2.8
Tax rate	25.3	25.6	25.3	25.3

Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted PE (x)	11.8	10.1	10.3	9.4
Price/ABV (x)	1.8	1.5	1.2	1.1

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Equity capital	8,925	8,925	9,231	9,231
Reserves	37,63,541	44,02,697	52,27,260	58,58,013
Net worth	37,72,465	44,11,621	52,36,490	58,67,243
Deposits	4,91,60,768	5,38,21,895	6,02,80,523	6,81,16,991
Borrowings	59,75,609	56,35,725	59,17,511	62,13,387
Other liabilities	28,88,097	28,91,291	30,35,856	31,87,648
Total	6,17,96,939	6,67,60,533	7,44,70,380	8,33,85,269
Assets				
Loans	3,70,39,709	4,16,33,121	4,66,29,096	5,26,90,878
Investments	1,67,13,397	1,69,05,727	1,82,57,167	2,00,28,261
Cash & equi	31,08,020	34,02,297	43,13,666	49,00,436
Fixed assets	4,26,173	4,41,076	4,54,308	4,67,937
Other assets	45,09,642	43,78,312	48,16,143	52,97,757
Total	6,17,96,939	6,67,60,533	7,44,70,380	8,33,85,269
BV/share ex reval (INR)	353.8	436.0	510.9	579.2

Balance Sheet Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Credit growth	15.8	12.4	12.0	13.0
Deposit growth	11.1	9.5	12.0	13.0
Gross NPA ratio	2.2	1.8	1.8	1.9
Net NPA ratio	0.6	0.5	0.5	0.5

ROA Decomposition (%)

Year to March	FY24A	FY25A	FY26E	FY27E
NII/Assets	2.7	2.6	2.5	2.6
Fees/Assets	0.5	0.5	0.5	0.5
Inv profits/Assets	0.2	0.2	0.3	0.2
Net revenues/assets	3.4	3.3	3.2	3.3
Opex/Assets	(2.1)	(1.8)	(1.8)	(1.8)
Provisions/Assets	(0.1)	(0.2)	(0.3)	(0.3)
Taxes/Assets	(0.4)	(0.4)	(0.3)	(0.3)
Total costs/Assets	(2.6)	(2.5)	(2.5)	(2.5)
RoA	1.0	1.1	1.0	1.0
Equity/Assets	6.0	6.4	6.8	7.0
RoAE	17.3	17.3	14.9	14.2

Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	21.6	16.1	(2.0)	9.7
RoAE (%)	17.3	17.3	14.9	14.2

Q1FY26 earnings call: Key takeaways

Loan book commentary and growth outlook

- SBI's market share of deposits/advances was 22.2%/19.2% as on Q1FY26. The bank added 14bp of incremental loan market share YoY, primarily led by high return on risk-weighted asset segments such as retail mortgages and secured small business credit.
- Advances growth was lower sequentially at 0.8% due to challenges on the corporate side. The bank reported high levels of prepayments in the corporate book of INR120bn in Q1FY26. Management explained that prepayments are generally high in a downward rate cycle as many corporates try to refinance and renegotiate for better pricing. Furthermore, a shift of borrowers from term loans to CPs resulted in a lost opportunity of INR180bn.
- SBI has a total sanctions pipeline of INR7.2tn, which will support double-digit corporate credit growth from Q2FY26. Management gave corporate credit growth guidance of 10–11% for FY26.
- Total credit growth guidance has been maintained at 12%, with potential upside towards 13%.
- Xpress credit growth has been on the lower end for some quarters as the bank weeded out overleveraged borrowers with high EMI/NMI ratio. The EMI/NMI ratio for borrowers has improved in FY26 and growth in Xpress credit should pick up.
- While Xpress credit loans are given for six–seven years, the average tenure of the loan is two–three years due to faster repayments.
- Amid concerns on the recent SME environment, management said that barring micro loans (below INR0.2 mn), most of the SME book is secured lending. The micro loans are covered by CGTSME. Management does not see any major signs of stress in this segment.
- The bank is getting good enquiries from infrastructure and power segments such as solar, wind and green hydrogen projects; commercial real estate; premium residential; and slum redevelopment. Some consolidation is seen in the cement and steel segments.
- Of the total book, MCLR-linked is 30.7%, EBLR at 30.2%, fixed at 22.6%, and the balance is T-bill linked.

Asset quality

- Recovery from written-off accounts was INR12.29 bn; management aspires to achieve full-year recovery of INR70–80 bn.
- Amid tariff concerns, management explained that the bank's exposure to businesses affected by these tariffs is very low, and they do not see any major signs of risk for the bank.
- Fresh slippages for the quarter were INR79.45bn, of which SME slippages were INR26.80 bn, agriculture at INR24.64bn, personal at INR26.02bn and balance at INR1.96bn. Of these fresh slippages, INR15.85bn has already been pulled back. Slippage ratio guidance has been maintained at 0.6% for FY26.

Yields, cost and margins

- Management maintained domestic NIM guidance at 3.0%. While NIM for Q2FY26 will see a decline, expansion will start from Q3FY26 with benefits flowing from deposit repricing and the recent capital raise.
- Cost of deposits increased to 5.21% in Q1FY26 from 5.00% in Q1FY25 due to an increase in the share of TDs. Management expects the cost of deposits to moderate with the benefit of deposit repricing coming in future quarters.
- Weighted average cost of savings deposits was at 2.68% in Q1FY26.

Capital adequacy

- SBI completed its QIP issuance of INR250bn, with more than 60% contribution from foreign investors.
- CET-1 with profit and QIP stands at 12.33%.

P&L highlights

- Management retained their RoE/RoA guidance of above 15%/above 1%.
- Non-interest income declined 28.4% QoQ due to a high base in Q4FY25 that included year-end incomes like inspection and folio charges.
- Cost-to-income ratio declined to 47.7% in Q1FY26 from 49.4% in Q4FY25, as Q4 saw frontloading of expenses. Management maintained guidance of below 50% for FY26.

Exhibit 1: Change in estimates

	FY26E Old	FY27E	FY26E New	FY27E	FY26E % change	FY27E
NII, INR M	17,86,951	20,82,591	17,88,245	20,53,736	0.1%	-1.4%
PAT, INR M	7,32,415	8,06,093	7,18,593	7,88,135	-1.9%	-2.2%
EPS, INR	82.1	90.3	77.8	85.4	-5.1%	-5.5%
Target price, INR		950		950		
CMP				805		
% Change to CMP				18.1%		
Rating		BUY		BUY		

Source: Company, Nuvama Research

Exhibit 2: Movement in yield, cost and margins

(%)	Q1FY26	Q4FY25	Q3FY25	Q2FY25	Q1FY25	YoY	QoQ
- Overall NIM - reported	2.90%	3.00%	3.01%	3.14%	3.22%	-32bp	-10bp
- Domestic NIM - reported	3.02%	3.15%	3.15%	3.27%	3.35%	-33bp	-13bp
Total yield on loans (calculated)	8.18%	8.39%	8.51%	8.57%	8.45%	-27bp	-22bp
Cost of funds (total calculated)	5.15%	5.18%	5.23%	5.18%	5.12%	3bp	-3bp

Source: Company, Nuvama Research

Exhibit 3: Breakdown of loans

INR bn	Q1FY26	Q4FY25	Q3FY25	Q2FY25	Q1FY25	YoY (%)	QoQ (%)
Large & Mid corporate	12,034	12,406	11,763	11,572	11,386	5.7%	-3.0%
SME	5,281	5,060	4,964	4,565	4,434	19.1%	4.4%
Large + Mid + SME	17,315	17,466	16,727	16,137	15,820	9.5%	-0.9%
International	6,348	6,191	6,113	5,882	5,530	14.8%	2.5%
Retail	15,399	15,065	14,473	13,966	13,680	12.6%	2.2%
-Home loans	8,509	8,308	7,928	7,641	7,396	15.0%	2.4%
-Auto loans	1,271	1,271	1,245	1,174	1,176	8.1%	0.0%
-Xpress credit	3,468	3,501	3,449	3,415	3,456	0.3%	-1.0%
-Personal gold loans	635	500	437	388	354	79.1%	26.9%
-Other retail loans	1,517	1,485	1,414	1,348	1,298	16.8%	2.2%
Agri loans	3,483	3,485	3,364	3,222	3,091	12.7%	-0.1%
Total advances	42,545	42,207	40,678	39,207	38,121	11.6%	0.8%

Source: Company, Nuvama Research

Exhibit 4: Outstanding stress loans

INR bn	Q1FY26	Q4FY25	Q3FY25	Q2FY25	Q1FY25
GNPLs	780	769	844	834	842
GNPL ratio, %	1.8%	1.8%	2.1%	2.1%	2.2%
Write offs	1,620	1,714	1,745	1,770	1,773
GNPL ratio including write offs, %	5.6%	5.9%	6.4%	6.6%	6.9%
Restructuring	-	129	137	148	160
SMA 1+2	50	33	96	137	46
Total standard stress	50	163	233	286	207
Standard stress as % of gross loans	0.1%	0.4%	0.6%	0.7%	0.5%
Total stress loans incl w/off	2,451	2,646	2,821	2,890	2,822
Total stress loans ex w/off	831	931	1,076	1,119	1,049
Total stress ex w/of as % of gross loans	2.0%	2.2%	2.6%	2.9%	2.8%
Provisions on NPLs	581	572	630	631	627
Standard provisions ex mandatory general provisions	197	199	196	213	215
PCR on GNPLs ex w/of, %	74%	74%	75%	76%	74%
PCR on GNPLs incl w/of, %	92%	92%	92%	92%	92%
Standard provisions as % of gross loans	0.5%	0.5%	0.5%	0.5%	0.6%

Source: Company, Nuvama Research

Exhibit 5: Movement in NPLs

INR bn	Q1FY26	Q4FY25	Q3FY25	Q2FY25	Q1FY25	YoY (%)	QoQ (%)
Opening level of Gross NPA	768.8	843.6	833.7	842.2	842.8	-9%	-9%
NPA Additions	84.0	43.2	41.5	49.5	87.1	-4%	94%
Cash recovery & Upgrades	32.5	17.4	12.1	26.0	36.7	-11%	87%
Write off	39.9	100.6	19.5	32.1	50.9	-22%	-60%
Closing level of GNPA	780.4	768.8	843.6	833.7	842.2	-7%	2%
GNPA %	1.8%	1.8%	2.1%	2.1%	2.2%	-38bp	1bp
NNPA %	0.5%	0.5%	0.5%	0.5%	0.6%	-10bp	0bp
PCR %	74.5%	74.4%	74.7%	75.7%	74.4%	8bp	7bp

Source: Company, Nuvama Research

Exhibit 6: Gross NPLs by segment

Segment (%)	Q1FY26	Q4FY25	Q3FY25	Q2FY25	Q1FY25
Retail	2.5%	2.4%	2.6%	2.7%	2.7%
-Agri	8.7%	8.4%	9.1%	9.4%	9.8%
-Personal loans	0.8%	0.7%	0.8%	0.8%	0.8%
-SME	3.3%	3.3%	3.5%	3.6%	3.8%
Corporate	1.4%	1.5%	2.0%	2.1%	2.2%
International	0.2%	0.2%	0.2%	0.2%	0.3%
Total	1.8%	1.8%	2.1%	2.1%	2.2%

Source: Company, Nuvama Research

Exhibit 7: Breakdown of retail GNPLs

%	Q1FY26	Q4FY25	Q3FY25	Q2FY25	Q1FY25
Home Loans	0.73	0.72	0.76	0.78	0.81
Auto Loans	0.45	0.38	0.41	0.41	0.44
Xpress Credit	1.21	1.07	1.11	1.00	0.97
Personal Gold Loans	0.09	0.16	0.13	0.21	0.28
Other Loans	0.65	0.58	0.65	0.66	0.85
Total (Retail personal segment)	0.78	0.74	0.79	0.78	0.81

Source: Company, Nuvama Research

STATE BANK OF INDIA

Exhibit 8: Income statement summary

INR bn	Q1FY26	Q4FY25	Q1FY25	YoY (%)	QoQ (%)
- Interest on advances	854.4	857.1	786.9	8.6%	-0.3%
- Interest on resources operations	277.5	294.6	282.7	-1.8%	-5.8%
- Other interest	48.1	45.0	45.7	5.3%	6.9%
Interest Income	1,180.0	1,196.7	1,115.3	5.8%	-1.4%
- Interest on deposits	690.4	674.5	603.4	14.4%	2.4%
- Interest on borrowings	44.8	61.5	72.1	-37.9%	-27.2%
- Other interest	34.1	33.0	28.5	19.6%	3.4%
Interest expended	769.2	768.9	704.0	9.3%	0.0%
Net Interest Income	410.7	427.7	411.2	-0.1%	-4.0%
- Fees	76.8	99.0	69.2	10.9%	-22.4%
- Trading gains	63.3	68.8	25.9	144.3%	-8.0%
- Forex income	16.3	28.6	3.6	352.1%	-42.9%
- Other income	17.1	45.8	12.9	32.6%	-62.6%
Total non interest income	173.5	242.1	111.6	55.4%	-28.3%
- Payment to employees	124.7	133.4	114.9	8.5%	-6.5%
- Contribution to employees	44.3	46.6	39.8	11.4%	-5.0%
Employee expenses	169.0	180.1	154.7	9.3%	-6.1%
- Rent	13.9	18.1	13.5	3.3%	-23.0%
- Depreciation	9.6	9.3	8.3	15.4%	3.2%
- Others	86.3	149.6	82.0	5.2%	-42.3%
Total other operating expenses	109.7	176.9	103.7	5.8%	-38.0%
Total Operating expenses	278.7	357.0	258.4	7.9%	-21.9%
Operating Profit	305.4	312.8	264.5	15.5%	-2.4%
- Loan loss provisions	49.3	39.6	45.2	9.2%	24.5%
- Standard assets provisions	-3.2	4.0	1.3	NA	NA
- Investment depreciation	-0.5	4.4	0.8	NA	NA
- Other provisions	1.9	16.4	-12.7	NA	-88.3%
Provisions	47.6	64.4	34.5	38.0%	-26.1%
PBT	257.9	248.4	230.0	12.1%	3.8%
Core PBT	194.6	179.7	204.1	-4.7%	8.3%
Tax	66.2	62.0	59.6	11.1%	6.8%
Net Profit	191.6	186.4	170.3	12.5%	2.8%

Source: Company, Nuvama Research

Company Description

SBI is India's largest commercial bank with balance sheet size of >INR67tn. It has nearly >22k branches on standalone basis. Over the past two years, the bank has sharpened focus on retail credit to provide itself the necessary growth momentum and improve spreads. Further, to manage operations better, SBI has integrated its treasury operations and has a common technology platform across all its six subsidiary banks. This has increased synergies amongst its banking subsidiaries.

Investment Theme

The FY26 guidance is for 12–13% loan growth, NIM of 3% (2.9% in Q1) and stable asset quality. NIM will likely decline in Q2FY26 and then improve in H2FY26 with the repricing of deposits. With a healthy result, we retain 'BUY' with unchanged TP of INR950/1.4x adjusted BV.

Key Risks

- Any increase in credit cost from the current lows will hurt earnings.
- Increasing competition and lower share of Xpress loans may put pressure on NIM

Additional Data

Management

Chairman	C.S. Setty
MD	Ashwini Kumar Tewari
MD	Vinay Tonse
Director	Ketan S. Vikamsey
Auditor	K C Mehta & Co LLP

Holdings – Top 10*

% Holding		% Holding	
LIC	9.57	Nippon MF	1.35
SBI Funds	2.97	Kotak MF	1.14
ICICI MF	1.86		
HDFC MF	1.70		
NPS Trust scheme	1.66		

*Latest public data

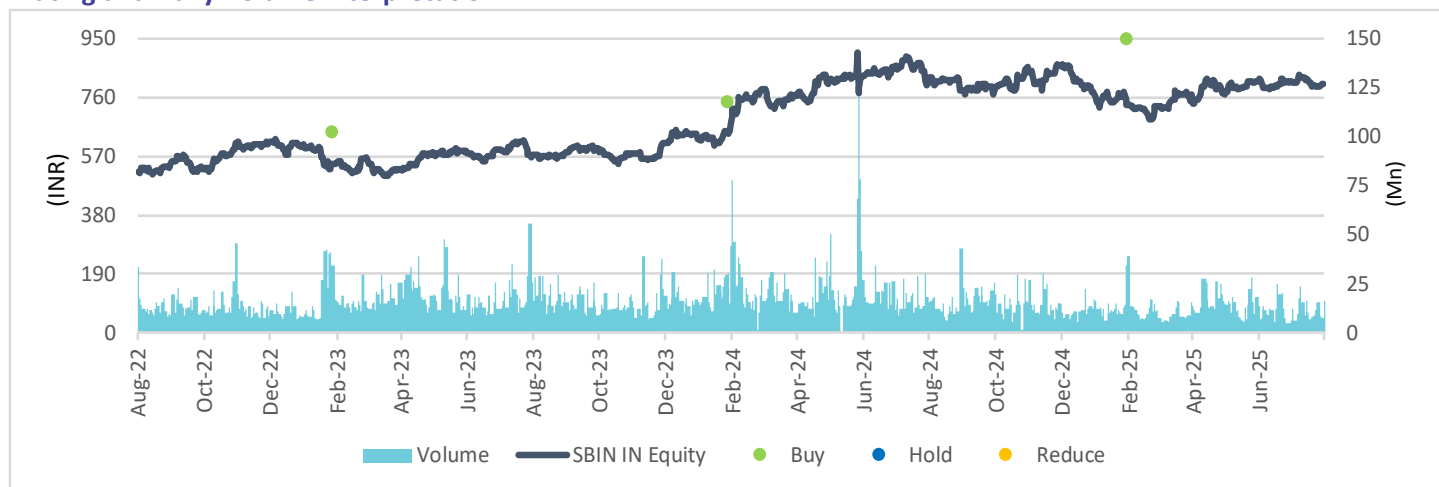
Recent Company Research

Date	Title	Price	Reco
03-May-25	Respite for NIM after two quarters of fa; <i>Result Update</i>	800	Buy
06-Feb-25	Q3FY25: Beat on credit cost; miss on NIM; <i>Result Update</i>	752	Buy
08-Nov-24	In-line core with strong asset quality; <i>Result Update</i>	843	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
02-Aug-25	Federal Bank	Sharp spike in credit cost led by MFI/BU; <i>Result Update</i>
28-Jul-25	IndusInd Bank	Fees crash, uptick in NPL; RoA at 45bp; <i>Result Update</i>
27-Jul-25	IDFC First Bank	MFI stress reduces; good progress on C/I; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	202
Hold	<15% and >-5%	66
Reduce	<-5%	36

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