State Bank of India

Retail Note | Capital Market

DALAL & BROACHA
STOCK BROKING PVT. LTD.

Equity Research Desk

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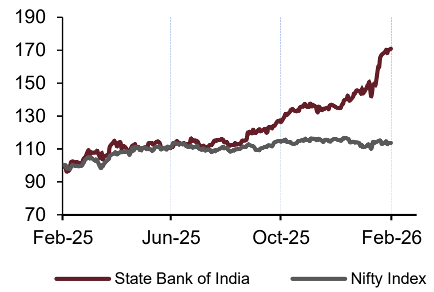
Rating	TP (Rs)	Up/Dn (%)
BUY	**1,406**	**15**

Market data		
Current price	**Rs**	**1,224**
Market Cap (Rs.Bn)	(Rs Bn)	11,298
Market Cap (US$ Mn)	(US$ Mn)	128,882
Face Value	Rs	1
52 Weeks High/Low	Rs	1231.25 / 679.65
Average Daily Volume	('000)	10,605
BSE Code		500112
Bloomberg		SBIN.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	**Dec-25**	**Sep-25**
Promoters	55.5	55.5
Public	44.5	44.5
Others		
Total	**100**	**100**

Source: Bloomberg

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Company Background

State Bank of India (SBI) is India's largest public sector bank, serving more than 48 crore customers through a network of 22,000+ branches and 63,000+ ATMs/CDMs across India, along with a presence in 30+ countries. The bank offers a comprehensive range of retail, corporate, MSME, and treasury services, supported by a strong deposit base of over ₹57 lakh crore with a CASA ratio of ~40%+, and a robust digital ecosystem through YONO with 7+ crore registered users, enabling scalable and technology-driven financial solutions.

Investment View

State Bank of India is emerging as a structurally stronger bank, supported by improving asset quality, robust growth in retail and SME lending, and a diversified loan mix. Continued investments in digital platforms, analytics, and risk management systems are enhancing operating efficiency and customer acquisition. With its strong liability franchise and leadership in financial inclusion, the bank is well positioned to benefit from rising retail participation and the ongoing financialization of savings in India.

What We Think:

We believe **State Bank of India (SBI)** is actively delivering on its value-creation journey, positioning it for sustained medium-to-long-term alpha generation. Broad-based credit growth (~15% YoY), healthy asset quality with improving GNPA/NNPA ratios, and a stable funding profile (~40% CASA) support resilient core earnings, while a comfortable capital adequacy ratio (>14%) provides growth headroom. With FY26 credit growth guidance of 13–15% and rising digital traction through YONO, SBI is well positioned for sustained earnings momentum and operating leverage over the coming years.

Why We Think So

Structural Credit Tailwinds:

State Bank of India (SBI) remains a key beneficiary of India's multi-year credit expansion cycle, supported by retail formalization, infrastructure spending, MSME penetration and an improving corporate capex environment. Despite its leadership position, SBI continues to gain share across retail, SME and corporate segments, sustaining ~13–15% loan growth. Strong pipelines in home loans, personal credit, SME financing and working capital demand provide visibility on balance sheet expansion, while cross-sell opportunities within its 48+ crore customer base offer incremental growth levers.

Disciplined Risk Framework and Portfolio Granularity:

Following the previous NPA cycle, SBI has strengthened underwriting with tighter risk controls and greater portfolio granularity, driving material improvement in asset quality gross NPA has declined to around ~1.57% and net NPA to ~0.39%, while credit costs have normalised near ~0.29-0.38%. A diversified loan mix across retail, corporate and SME segments reduces concentration risk, supported by slippage ratios around ~0.40-0.62% and robust recoveries. Capital adequacy remains comfortable with CAR above ~14%, providing sufficient headroom to fund growth without immediate dilution and reflecting a calibrated, risk-aware expansion strategy.

Resilient Margins and Operating Efficiency:

While industry-wide NIMs are under pressure from higher deposit costs, SBI's strong CASA franchise with a ~39-40% ratio provides relative funding stability and helps support margins, with domestic NIMs around ~3.09-3.12% recently. Management is focused on margin resilience through disciplined asset repricing and liability management. Continued digital penetration with over 64% of savings accounts opened digitally via YONO and alternate channels accounting for almost 98.6% of transactions is boosting operating efficiency and productivity as volumes scale, driving sustainable operating leverage.

Strengthened Returns and Capital Position:

SBI's profitability profile has structurally improved, with RoA sustained above 1.15% and RoE near ~20–21% on the back of robust operating profits and disciplined costs. Lower slippages and stronger underwriting have driven asset quality to multi-year bests gross NPA down to ~1.57% and net NPA to ~0.39% while strong provisioning buffers (PCR ~92% including AUCA) and healthy internal accruals reinforce balance sheet strength. With credit growth running ~15% YoY and management guiding full-year growth of ~13-15%, and capital adequacy remaining comfortable (~14%+ CAR), resilient operating cash flows support funding for growth and dividend payouts, positioning the bank for durable earnings compounding and sustained value creation.

Valuation:

We **maintain a BUY on State Bank of India** with a **target price of ₹1,406 per share**, implying meaningful upside from current levels. Our valuation is based on 1.9x FY28E, reflecting improving earnings quality, steady RoA/RoE trajectory, and strengthening capital position. Overall valuations remain reasonable, supported by the bank's strong franchise, resilient liability profile, and improving earnings visibility.

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