Dated: 09 Jun 2026

State Bank of India (SBIN) - BUY

Company Update

Current Market Price (CMP)	Fair Value (FV)
Rs.982	**Rs.1,250**

Rationale:

- We update our model following the release of the annual report.
- The year gone by saw the bank navigating through continued Net Interest Margin (NIM) compression, but loan growth and asset quality were better than expected.
- The growth versus NIM trade-off is set to intensify, but Return on Equity (RoE) should remain resilient despite these pressures.
- Valuation is at a comfortable level, but re-rating will require more conviction on the sustainability of RoE.
- We maintain BUY with an unchanged FV of Rs1,250.

Positives:

- RoE held up well at 16%.
- Loan growth of 17% yoy was broad-based and ahead of the overall banking system.
- Asset quality remained stable, with credit cost of <40 bps (below long-term average).
- Bank has navigated through a testing phase for its unsecured retail franchise very well and allayed investor fears.
- Common Equity Tier 1 (CET-1) ratio improved further to 12.3%, supported by an equity issuance of Rs25,000 cr.

Negatives:

- Net interest margin (NIM) for SBI was down ~20 bps in FY26 to 2.6% after the decline of ~15 bps in FY25.
- Available for Sales (AFS) reserve for the bank declined by ~Rs1500 cr in FY26. Treasury income for SBI is likely to remain weak in FY27 due to the recent rise in bond yields.

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

BUY – We expect the stock to deliver more than 15% returns over the next 12 months

ADD – We expect the stock to deliver 5% - 15% returns over the next 12 months

REDUCE – We expect the stock to deliver -5% - +5% returns over the next 12 months

SELL – We expect the stock to deliver < -5% returns over the next 12 months

NR – **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.

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NA – **Not Available or Not Applicable.** The information is not available for display or is not applicable

NM – **Not Meaningful.** The information is not meaningful and is therefore excluded.

NOTE – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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