



Company Overview

SBI Funds Management Ltd. (SBI AMC) is India's largest asset manager, managing quarterly average assets under management (QAAUM) of Rs. 29.5 lakh crores as of FY26. Over the years, the company has evolved beyond a traditional mutual fund house into a diversified investment manager with businesses spanning Mutual Funds, PMS & Advisory, Alternative Investment Funds (AIFs), offshore mandates and passive investment solutions. While the Mutual Fund business remains the core earnings engine, contributing nearly 70% of operating revenues and accounting for around 42% of QAAUM, the PMS & Advisory business today represents the largest share of assets at 57% of QAAUM through institutional and advisory mandates. This diversified structure enables SBI AMC to serve retail, institutional and high-net-worth investors through a single investment platform rather than relying on any one product or investor segment. The company is the market leader across several of its businesses, with a 15.5% market share in Mutual Funds and 39.7% in PMS & Advisory. It has also built India's largest passive investment franchise with a 27.9% market share and the largest B-30 franchise with a 19.2% market share, reflecting both the breadth of its investment capabilities and the strength of its distribution network. The company generates recurring management fees based on the assets it manages, making revenues dependent on investor inflows, market performance and product mix. Active equity strategies typically command higher fee yields than debt and passive products, while the PMS & Advisory business provides relatively stable institutional fee income, creating multiple revenue streams within a single investment platform. Established in 1987 as India's first mutual fund sponsored by a public sector bank, SBI AMC has, since 2011, benefited from its partnership with Amundi, Europe's largest asset manager and one of the world's top ten asset managers. The partnership combines SBI's domestic distribution reach with Amundi's global investment expertise, institutional research, risk management framework, technology platforms and product development capabilities. Products are distributed through an extensive network of over 23,265 SBI branches, 122,460 independent financial advisors, 9,964 national distributors, 95 banking partners and digital platforms such as YONO and InvesTap, providing one of the broadest distribution footprints in the industry. Investment decisions are supported by a process-oriented research framework built around specialised sector teams and institutionalised investment processes rather than individual fund managers, enabling the company to manage diverse investment strategies while maintaining consistency across market cycles.

Objects of the issue

The offer comprises entirely an Offer for Sale (OFS) of up to 20,37,09,239 equity shares by the Promoter Selling Shareholders. The company will not receive any proceeds from the offer. The objects of the offer are to:

- ⇒ Carry out the offer sale of up to 20,37,09,239 equity shares of face value Rs. 1 each by State Bank of India (up to 12,83,34,397 shares) and Amundi India Holding (up to 7,53,74,842 shares).

Investment Rationale

Creating new markets through trust, reach and distribution

Unlike most asset managers that primarily compete for existing mutual fund investors, SBI AMC is focused on expanding the industry's addressable market. Management's philosophy, "we don't just acquire market share, we create new markets," reflects its strategy of converting traditional savers into first-time investors. The opportunity remains significant, with only around 6% of India's 950 million bank account holders currently investing in mutual funds. Backed by the SBI franchise, the company reaches over 530 million customers through 23,265 branches covering 98.2% of India's pin codes, supported by more than 15,000 NISM-certified bank staff. Rather than building an expensive standalone distribution network, SBI AMC leverages SBI's trusted brand to lower the barriers to investing while acquiring customers at a structurally lower cost than peers. This physical reach is complemented by a rapidly scaling digital ecosystem through YONO, which is making customer onboarding increasingly frictionless. Management highlighted that 93% of the 46,928 Jan Nivesh SIP accounts were sourced through YONO, while continued improvements in digital KYC should further accelerate customer acquisition. The strategy has been particularly successful in B-30 cities, where SBI AMC commands a 19.2% market share compared with its overall industry share of 15.5%, with around 65% of SIP accounts originating from these markets. The scale of this distribution platform also creates structural cost advantages, enabling SBI AMC to operate with the lowest operating expense ratio of 0.08% among the top 10 AMCs, compared with an industry range of 0.10-0.25%. We believe this combination of trusted distribution, digital capabilities and cost-efficient customer acquisi-

Issue Details

Offer Period	14th July. 2026 - 16th July. 2026
Price Band	Rs. 545 - Rs. 574
Bid Lot	26
Listing	BSE & NSE
Issue Size (no. of shares in crores)	17
Issue Size (Rs. in crores)	9,813
Face Value (Rs.)	1

Issue Structure

QIB	50%
NII	15%
Retail	35%

	Axis Capital Ltd., JM Financial Ltd., Kotak Capital Company Ltd., BofA Securities India Ltd., HSBC Pvt. Ltd., ICICI Securities Ltd., Jefferies India Pvt. Ltd., Motilal Oswal Ltd., SBI Ltd.
BRLM	

Registrar	KFin Tech. Ltd.
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Particulars	Pre Issue %	Post Issue %
Promoter & Promoter Group	98.02%	89.79%
Public	1.98%	10.21%
Total	100.0%	100.0%

(Assuming issue subscribed at higher band)

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tion should allow SBI AMC to both expand the mutual fund ecosystem and continue gaining market share as financialisation of household savings accelerates.

Multiple levers in place for improved growth economics ahead

As the investor base expands, management's focus is increasingly shifting towards improving the revenue generated from every rupee of assets under management. SBI AMC is consciously increasing the share of higher-yielding and more specialised investment products that command better fee realisations while broadening its revenue mix. Over the last five years, the share of active equity assets has increased from 32% to 43%, reflecting a deliberate shift towards products that command meaningfully higher management fees than debt and passive funds. At the same time, the company has built India's largest PMS & Advisory franchise with a 39.7% market share, providing stable institutional mandates alongside its retail mutual fund business, while identifying Alternative Investment Funds (AIFs) and Specialised Investment Funds (SIFs) as the next phase of growth in specialised investment solutions. Passive products also remain strategically important despite lower fee yields, acting as a scalable entry point for new investors while strengthening the overall investment platform. Together, this diversified product mix reduces dependence on any single asset class or revenue stream while improving the earnings profile of incremental assets. The partnership with Amundi further reinforces this strategy by extending beyond capital into investment processes, technology, product development and risk management. Access to Amundi's global investment expertise has supported the expansion of specialised products, strengthened the ETF platform, accelerated product innovation and introduced institutional frameworks such as GIPS compliance and the Alto Invest platform, enhancing the company's ability to manage increasingly sophisticated mandates. As higher-yield products account for a larger share of the business, revenue should grow faster than AUM, while the company's scale continues to keep operating costs among the lowest in the industry, reflected in an operating expense ratio of just 0.08%. We believe this combination of improving product mix, global investment capabilities and structural cost leadership should support sustainable margin expansion and strengthen SBI AMC's long-term earnings profile.

Valuation

SBI AMC has delivered consistent growth by combining structural industry tailwinds with deliberate execution across distribution, product strategy and operating efficiency. Total QAAUM increased from Rs. 22.6 lakh crores in FY24 to Rs. 29.5 lakh crores in FY26, representing a CAGR of 14.2%, supported by deeper penetration into under-served markets through SBI's extensive distribution network and increasing financialisation of household savings. The company maintained leadership across Mutual Funds (15.3% market share), Passive Funds (27.9%) and PMS & Advisory (39.7%), reflecting its ability to build scale across multiple investment businesses rather than relying on a single product category. Investment management fees grew at a CAGR of 27.7% to Rs. 4,389.5 crores over FY24-26, driven by a higher mix of equity-oriented products and expansion into specialised investment offerings. Core operating profit outpaced revenue growth, rising at a CAGR of 32.3% to Rs. 3,471.8 crores, with core operating margins improving from 73.7% to 79.1% as digital onboarding, operating leverage and industry-leading cost efficiency allowed incremental AUM to be managed without a proportionate increase in costs. Core PAT grew at a CAGR of 32.1%, ahead of reported PAT growth of 21.7%, highlighting the strengthening quality of the underlying fee-based business. At the upper price band of Rs. 574, the IPO is valued at 38.2x FY26 EPS, compared with the listed peer average of 41.6x. SBI AMC is India's largest asset manager with total QAAUM of Rs. 29.5 lakh crores, significantly ahead of ICICI Prudential AMC's Rs. 11.8 lakh crores. However, this scale advantage has not translated into a proportionate earnings advantage. Despite managing 2.5x higher total QAAUM, SBI AMC generated 24% lower revenue from operations (Rs. 4,389.5 crores vs. Rs. 5,764.6 crores), 7% lower PAT (Rs. 3,067.4 crores vs. Rs. 3,298.3 crores) and roughly half the return on equity (43.0% vs. 85.8%) compared with ICICI Prudential AMC, which currently trades at around 48x FY26 earnings. We believe this profitability gap is largely driven by product mix rather than franchise quality. Management's strategy of increasing the share of higher-yield active equity, specialised investment products and alternative assets should gradually improve fee realisations, profitability and return ratios over the medium term. As the product mix evolves and the profitability gap with peers narrows, SBI AMC offers meaningful scope for a valuation re-rating. **Considering its market leadership, unmatched distribution franchise and valuation below the listed peer average, we assign a 'Subscribe' rating to the issue.**

Key Risks:

- ⇒ SBI FML's revenue and profitability are directly linked to its quarterly average assets under management (QAAUM). Any material decline in QAAUM due to equity market corrections, investor redemptions, or a shift in scheme mix could disproportionately impact profitability given the largely fixed nature of operating costs such as employee expenses and technology infrastructure.
- ⇒ A portion of the company's mutual fund QAAUM and revenue from mutual fund operations is concentrated in a limited number of schemes, exposing the company to scheme-specific performance or redemption risk.
- ⇒ The company is subject to extensive and evolving regulation by SEBI, including Total Expense Ratio (TER) and Base Expense Ratio restrictions on fees chargeable to mutual fund schemes. Regulatory changes effective April 1, 2026 require the company to absorb certain expenses previously charged to schemes, which could compress margins going forward.
- ⇒ The Jan Nivesh SIP product, targeted at first-time and low-ticket retail investors, may experience higher SIP discontinuance rates than the company's broader SIP book, given the relative price sensitivity and lower financial resilience of this customer segment.

SBI Funds Management Ltd.

Income Statement (Rs. in crores)

Particulars	FY24	FY25	FY26
Investment management fees	2,691	3,598	4,390
Operating expenses	707	823	918
Core operating profit	1,983	2,775	3,472
<i>Core operating margin (%)</i>	<i>73.7%</i>	<i>77.1%</i>	<i>79.1%</i>
Dep/interest/provisions	45	49	53
Core PBT	1,938	2,726	3,419
Other income	748	653	601
PBT	2,686	3,379	4,020
Tax	613	839	952
<i>Tax (%)</i>	<i>22.8%</i>	<i>24.8%</i>	<i>23.7%</i>
PAT	2,073	2,540	3,067
Core PAT*	1,496	2,049	2,609
Diluted EPS (Rs.)	10.23	12.5	15.04

Source: RHP, BP Equities Research

Core PAT = Core PBT(1-Tax rate)

Cash Flow Statement (Rs. in crores)

Particulars	FY24	FY25	FY26
Cash Flow from operating activities	1,438	1,992	2,488
Cash flow from/(used in) investing activities	-1,305	-938	2,974
Net cash flows (used in) / from financing activities	-132	-1,043	-5,458
Net increase/(decrease) in cash and cash equivalents	2	12	4
Cash and cash equivalents at the beginning of the period	2	4	15
Cash and cash equivalents at the end of the period	4	15	20

Source: RHP, BP Equities Research

Balance Sheet (Rs. in crores)

Particulars	FY24	FY25	FY26
ASSETS			
Current assets			
Cash and cash equivalents	4	15	20
Bank balance	55	77	89
Receivables	108	123	88
Loans	0	0	0
Investments	6,603	8,054	5,633
Investments accounted for using equity method	43	57	71
Other financial assets	8	9	19
Total current assets	6,820	8,336	5,921
Non-current assets			
Current tax assets (Net)	1	4	39
Property, plant and equipment	253	266	390
Capital work-in-progress	-	110	-
Other intangible assets	6	3	1
Other non-financial assets	27	52	69
Total non-current assets	287	436	500
Total assets	7,107	8,772	6,420
LIABILITIES AND EQUITY			
LIABILITIES			
Current liabilities			
Payables	20	20	24
Other financial liabilities	112	128	137
Total current liabilities	132	148	161
Non-current liabilities			
Provisions	130	158	157
Deferred tax liabilities (Net)	74	140	106
Other non-financial liabilities	23	29	34
Total non-current liabilities	228	326	297
EQUITY			
Equity share capital	51	51	204
Other equity	6,697	8,247	5,759
Total equity	6,748	8,298	5,963
Total liabilities and equity	7,107	8,772	6,420

Source: RHP, BP Equities Research

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil**Analyst (s) Certification:**

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