23 October 2026
2QFY27 Results Update | Sector: Capital Markets

SBI Funds Management

Estimate change	⟷
TP change	↓
Rating change	⟷

Bloomberg	SBIFUNDS IN
Equity Shares (m)	2037
M.Cap.(INRb)/(USDb)	943.9 / 9.9
52-Week Range (INR)	625 / 451
1, 6, 12 Rel. Per (%)	-12/-/-
12M Avg Val (INR M)	2265

Financials & Valuations (INR b)

Y/E Mar	FY26	FY27E	FY28E
AAUM	12,091	13,335	15,151
MF Yield (bps)	35.0	35.0	35.0
Rev from Ops	43.9	48.6	55.5
Core PAT	26.2	28.2	32.3
PAT	30.7	31.9	37.6
PAT (bps as AAUM)	25	24	25
Core EPS	13	14	16
EPS	15	16	18
EPS Grw. (%)	21	4	18
BVPS	41	29	35
RoE (%)	43	49	49
Div. Payout (%)	180	65	67
Valuations			
Mcap/AUM (%)	7.8	7.1	6.2
P/E (x)	30.7	29.6	25.1
P/BV (x)	11.4	15.8	13.3

CMP: INR463 **TP: INR590 (+27%)** **Buy**

EBITDA in line; other income drives PAT beat

- SBI Funds Management's (SBIFUNDS) operating revenue grew 9% YoY/4% QoQ to ~INR11.9b (in line). Yields came in at 36.4bp in 2QFY27 vs 36.5bp in 2QFY26 and 36.7bp in 1QFY27. For 1HFY27, operating revenue grew 12% YoY.
- Total opex stood at INR2.8b (19% higher than est.), growing 22% YoY/22% QoQ. EBITDA came in at INR9.1b (in line), rising 5% YoY. EBITDA margin stood at 76.5% vs 79.1% in 2QFY26 and 80.1% in 1QFY27.
- Beat on other income resulted in 7% PAT beat, which stood at INR7b, declining 6% YoY and 20% QoQ. For 1HFY27, PAT declined 1% YoY. PAT margin stood at 58.8% vs 68.1% in 2QFY26 and 76.4% in 1QFY27.
- The marginal decline in blended yields was attributed to a change in asset mix rather than broad-based pressure on product yields. On the expense front, employee expenses are expected to remain at the 2Q run rate going forward.
- We have broadly kept our estimates intact considering the in line operating performance in 2QFY27. **We reiterate our BUY rating on the stock with a TP of INR590, based on a valuation of 38x FY28E core P/E.**

MF AUM continues to grow with industry leading market share of 15%

- Overall MF QAAUM grew 9% YoY/4% QoQ to INR13.1t, driven by 12%/18%/10%/22% YoY growth in equity (incl. hybrid)/liquid/ETF/other QAAUM, while debt QAAUM declined 20% YoY.
- Overall, average AUM declined 6% YoY due to a decline in PMS & advisory AUM to INR26.5t in 2QFY27, with the asset mix comprising equity at 23%, debt at 6%, liquid at 6%, passives at 16%, and AIF/PMS assets at 50%.
- PMS & advisory QAAUM declined 17% YoY to ~INR13.3t (INR16.1t in 2QFY26) due to the reallocation of a large institutional mandate; however, the impact on revenue is not material.
- AIF QAAUM increased 25% YoY to INR74b. Yields on the non-mutual fund business are approximately 35–40bp, excluding the advisory component.
- Passive QAAUM stood at INR4.15t as of Sep'26, growing 11% YoY, indicating a market share of 27.4%. SIF QAAUM stood at INR44b, indicating a market share of 16.2% vs INR35b in 1QFY27.
- Monthly SIP flows improved 3% YoY to INR39b for Sep'26, with SIP AUM at INR2.1t (+15% YoY), indicating a market share of 12.3%. 3.6m fresh SIPs were added during the quarter, taking the live SIP count to 16.2m.
- In terms of channel mix, the direct channel continued to dominate the overall asset sourcing mix with a 57% share, followed by banks at 24%, with SBI contributing 21%, MFDs 11%, and national distributors 11%.
- In terms of equity MAAUM, the distribution mix for MFDs/national distributors/direct/SBI/other banks stood at 20%/13%/27%/35%/5%.
- Unique customers stood at 18.5m as of Sep'26, rising 10% YoY. Total live folios stood at 22.7m, rising 12% YoY during the same period.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.
Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- Five products were launched in 2QFY27, including one SIF. The pipeline across mutual funds, AIFs, PMS, and SIFs provides opportunities to widen the product offering.
- Opex, as a percentage of QAAUM, stood at 8.3bp in 2QFY27 vs. 7.4bp in 2QFY26 (est. 7.3bp).
- Employee costs at ~INR1.3b (22% higher than est.) rose 21% YoY/25% QoQ.
- Other expenses at ~INR1.4b (15% higher than est.) rose 22% YoY/18% QoQ.
- Overall expenses increased due to one-off technology infrastructure spending and the appointment of a new AIF business head.
- Other income came in at INR447m vs INR1b in 2QFY26 and our expectation of negative INR250m.

Key takeaways from the management commentary

- 50–60% of the increase in technology spending will continue to enhance productivity. 2Q employee costs should be treated as the run rate going forward.
- A dedicated business head has been appointed for the AIF franchise, with a focus on product expansion and institutional engagement.
- Yields on the non-mutual fund business are approximately 35–40bp, excluding the advisory component.

Valuation and view

- The mutual fund business remains strong, supported by continued growth in AUM, resilient SIP flows, and a robust SBI-backed distribution network. Continued improvement in flows and yields remains key earnings drivers. PMS & advisory business earnings remain unaffected by the reallocation of a large mandate, while AIF and SIF AUM continue to rise. Increased investments in technology are expected to enhance productivity.
- **We have broadly kept our estimates intact, considering the in line operating performance in 2QFY27. We reiterate our BUY rating on the stock with a TP of INR590, based on a valuation of 38x FY28E core P/E.**

Quarterly Performance (INR m)

Y/E March	FY26			FY27				FY26	FY27E	2Q FY27E	Act v/s Est. (%)	YoY	QoQ
	1Q	2Q	4Q	1Q	2Q	3QE	4QE						
Revenue from Operations	10,009	10,951	11,388	11,527	11,927	12,381	12,775	43,895	48,611	11,459	4.1	8.9	3.5
Change YoY (%)				15%	9%		12%	22.0	10.7				
Fees & Commission	55	71	74	69	98	102	104	266	373	74	32.1	37.7	42.6
Employee Expenses	1,068	1,086	965	1,049	1,313	1,320	1,324	4,410	5,005	1,080	21.6	20.9	25.2
Other expenses	1,013	1,135	1,171	1,181	1,388	1,305	1,301	3,783	5,175	1,204	15.3	22.3	17.6
Total Operating Expenses	2,136	2,292	2,210	2,298	2,800	2,727	2,729	8,460	10,554	2,359	18.7	22.1	21.8
Change YoY (%)				8	22		23.5	11.4	15.0				
EBITDA	7,873	8,659	9,179	9,229	9,127	9,655	10,046	35,435	38,057	9,100	0.3	5.4	-1.1
EBITDA Margin (%)	78.7	79.1	80.6	80.1	76.5	78.0	78.6	80.7	78.3	79.4	-289bps	-254bps	-354bps
Other Income	3,273	1,046	-460	2,372	447	1,000	1,013	5,866	4,832	-250	-278.8	-57.3	-81.1
Depreciation	105	106	118	122	155	161	167	438	605	125	23.9	45.4	26.4
Finance Cost	23	24	23	24	57	58	60	91	200	24	138.9	143.8	134.1
PBT	**11,018**	**9,575**	**8,578**	**11,454**	**9,362**	**10,436**	**10,832**	**40,772**	**42,084**	**8,701**	**7.6**	-2.2	-18.3
Tax Provisions	2,568	2,152	2,268	2,703	2,398	2,609	2,706	9,524	10,416	2,175	10.2	11.4	-11.3
Net Profit	**8,488**	**7,459**	**6,345**	**8,803**	**7,012**	**7,877**	**8,177**	**31,391**	**31,868**	**6,576**	**6.6**	-6.0	-20.3
Change YoY (%)				4	-6		28.9	20.8	3.9				
Core PAT	5,978	6,648	6,683	6,991	6,680	7,127	7,416	26,202	28,232	6,764	**-1.2**	0.5	-4.4
Change YoY (%)				17	0		11.0	27.1	7.7				
Key Operating Parameters (%)													
Revenue / AUM (bps)	35.1	36.5	36.5	36.7	36.4	36.4	36.3	36.3	36.5	36.7	-24bps	-9bps	-24bps
Opex / AUM (bps)	7.3	7.4	6.8	7.1	8.3	7.7	7.5	7.0	7.9	7.3	41bps	85bps	116bps
PAT / AUM (bps)	29.8	0.0	20.3	28.0	21.4	23.2	23.2	26.0	23.9	21.0	213bps	2142bps	-658bps
Cost to Operating Income Ratio	21.3	20.9	19.4	19.9	23.5	22.0	21.4	19.3	21.7	20.6	144bps	254bps	354bps
EBITDA Margin	78.7	79.1	80.6	80.1	76.5	78.0	78.6	80.7	78.3	79.4	-144bps	-254bps	-354bps
Tax Rate	23.3	22.5	26.4	23.6	25.6	25.0	25.0	23.4	24.8	25.0	0bps	313bps	201bps
PAT Margin	84.8	68.1	55.7	76.4	58.8	63.6	64.0	71.5	65.6	57.4	623bps	-932bps	-1757bps
Core PAT Margin	59.7	60.7	58.7	60.6	56.0	57.6	58.1	59.7	58.1	59.0	-146bps	-470bps	-464bps
Opex Mix (%)													
Fees & Commission	2.6	3.1	3.3	3.0	3.5	3.7	3.8	3.1	3.5	3.2	59bps	40bps	51bps
Employee Expenses	50.0	47.4	43.7	45.6	46.9	48.4	48.5	52.1	47.4	45.8	261bps	-47bps	127bps
Others	47.4	49.5	53.0	51.4	49.6	47.9	47.7	44.7	49.0	51.1	-319bps	8bps	-178bps
Key Parameters													
QAUM (INR b)	11,401	11,995	12,480	12,574	13,096	13,595	14,073	12,091	13,335	12,499	8.8	9.2	4.2
Mix (%)													
Equity	46.8	47.3	47.2	47.9	48.5	48.6	48.6	47.1	48.4	0.0		113bps	58bps
Debt	9.9	9.7	8.8	7.7	7.1	7.0	6.9	9.4	7.2	0.0		-262bps	-68bps
Liquid	10.8	10.8	10.6	11.3	11.7	11.6	11.5	10.7	11.5	0.0		86bps	37bps
Others	32.5	32.2	33.4	33.1	32.8	32.9	32.9	32.8	32.9	100.0		63bps	-27bps



Key takeaways from the management commentary

Flows

- SIP inflows continue to grow despite market volatility, alongside stronger demand for hybrid schemes.
- While long-standing mutual fund investors have developed greater maturity, investors with only 2–3 years of experience remain more susceptible to market fluctuations.
- Management is focusing on investor awareness, particularly in B30 locations, to bring new investors into the SIP ecosystem with a better understanding of market risks.
- Industry net sales stood at INR380b in Sep'26, against SIP inflows of INR320b, implying an additional INR50-60b of lumpsum flows.

Performance

- Active equity QAAUM grew 9% YoY, passive AUM increased 11%, and liquid AUM rose 31%.
- SIP AUM grew 15% YoY, with monthly SIP flows at INR40b, supporting the franchise's recurring-flow base.

- Five products were launched in 2QFY27, including one SIF. The pipeline across mutual funds, AIFs, PMS, and SIFs provides opportunities to widen the product offering.
- SBI Funds currently offers two SIF products and will launch additional products post SEBI approval.
- Expenses increased due to one-off technology infrastructure spending and the appointment of a new AIF business head.
- 50–60% of the increase in technology spending will continue to enhance productivity.
- 2Q employee costs should be treated as the run rate going forward.
- Equity yields remained strong at 62bp, while debt yields stood at 34–35bp and liquid yields at 11–12bp.
- The marginal decline in blended yields was attributed to a change in the asset mix rather than broad-based pressure on product yields.

Alternates

- A dedicated business head has been appointed for the AIF franchise, with a focus on product expansion and institutional engagement.
- The company is building capabilities in private equity and private credit, supported by team additions to scale both segments.
- PMS advisory AUM declined following the reallocation of a large institutional mandate; however, the impact on revenue is not material.
- Yields on the non-mutual fund business are approximately 35–40bp, excluding the advisory component.

Distribution

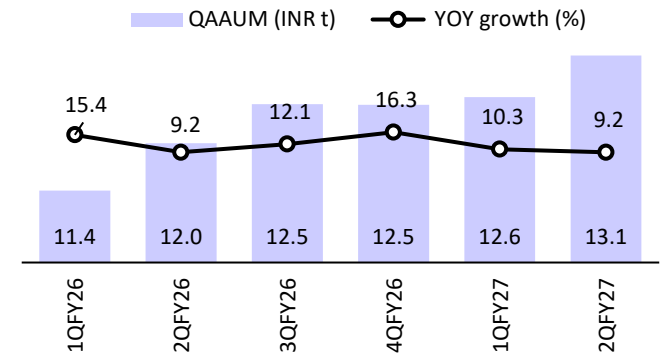
- The network comprises approximately 125,000 IFAs, 10,000 national distributors, and 93 banking partners, including SBI's 23,000 branches, supplemented by 297 SBI Funds Management branches.
- Around two-thirds of SIP inflows originate from B30 locations.
- Continued investor education and distributor engagement in B30 markets should support incremental investor acquisition and long-term SIP growth.

Exhibit 1: Summary of our revised estimates

(INR b)	New		Old		Change in Estimates	
Y/E March	2027E	2028E	2027E	2028E	2027E	2028E
AAUM (INRb)	13,335	15,151	12,922	14,738	3%	3%
MF Yield (bps)	35.0	35.0	35.0	35.0	0bps	0bps
Rev from Ops	48.6	55.5	47.3	54.2	3%	2%
Core PAT	28.2	32.3	28.0	32.5	1%	-1%
PAT	31.9	37.6	31.7	37.8	1%	-1%
PAT (bp/AAUM)	24	25	25	26	-1bps	-1bps
Core EPS	14	16	14	16	1%	-1%
EPS	16	18	16	19	1%	-1%
EPS Grw. (%)	4	18	3	19		
BVPS	29	35	29	35	0%	0%
RoE (%)	49	49	49	49		
Div. Payout (%)	65	67	66	66		

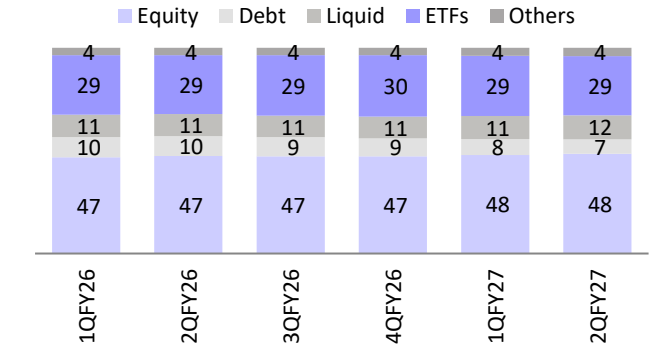
Key exhibits

Exhibit 1: QAAUM grew 9% YoY in 1QFY27



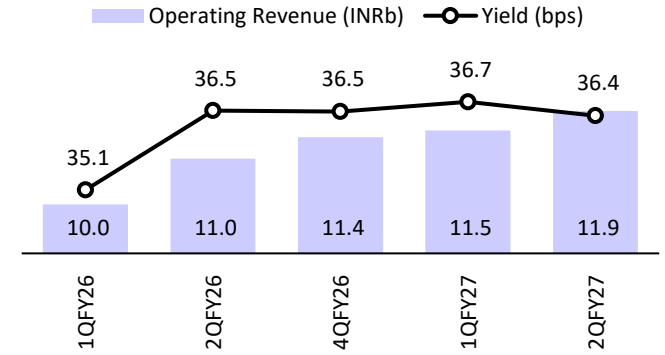
Source: MOFSL, Company

Exhibit 2: Equity dominated AUM mix (%)



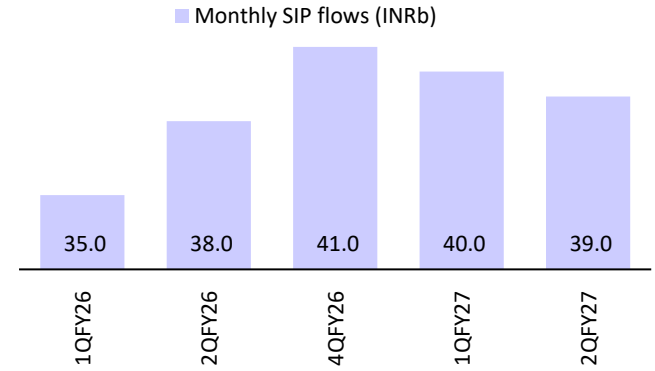
Source: MOFSL, Company

Exhibit 3: Yields declined on a sequential basis in 2QFY27



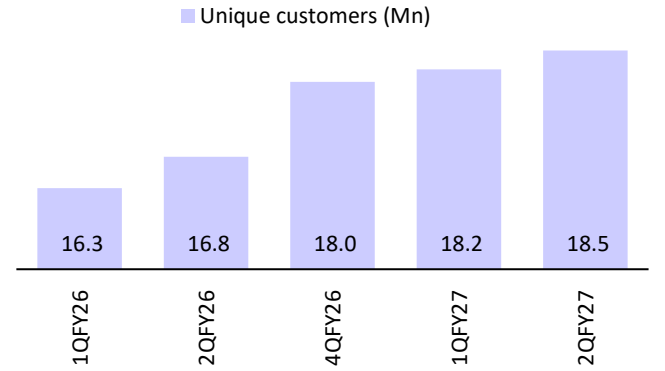
Source: MOFSL, Company

Exhibit 4: Slight dip in SIP flows on a sequential basis



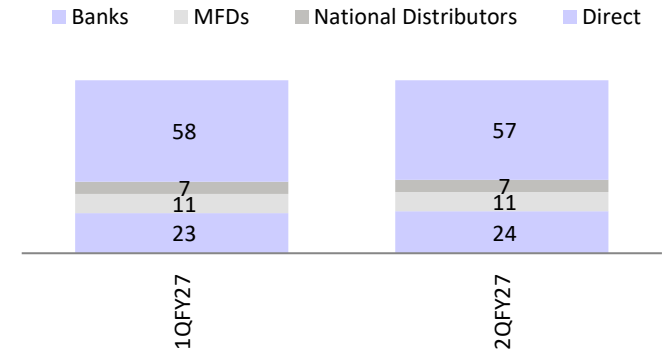
Source: MOFSL, Company

Exhibit 5: Number of customers continue to rise



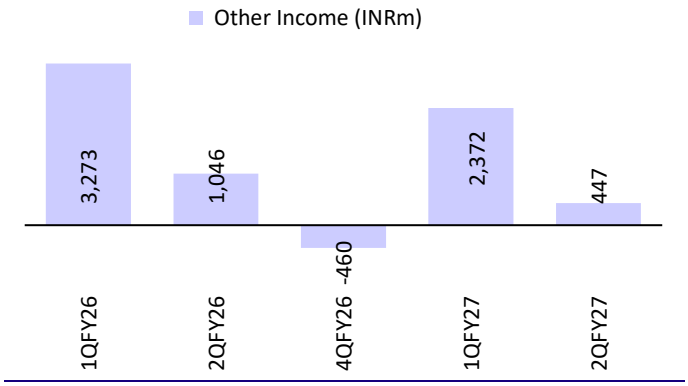
Source: MOFSL, Company

Exhibit 6: Distribution mix (%)



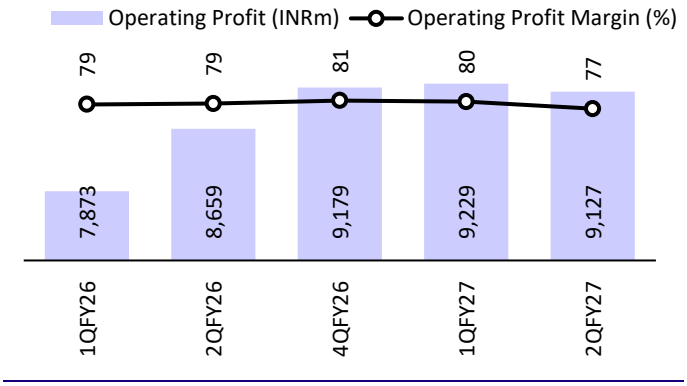
Source: MOFSL, Company

Exhibit 7: Other income stood at INR447m in 2QFY27



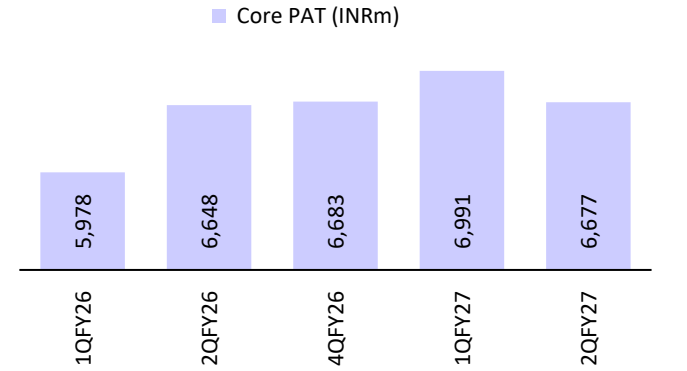
Source: MOFSL, Company

Exhibit 8: Operating profit margin contracted to 77%



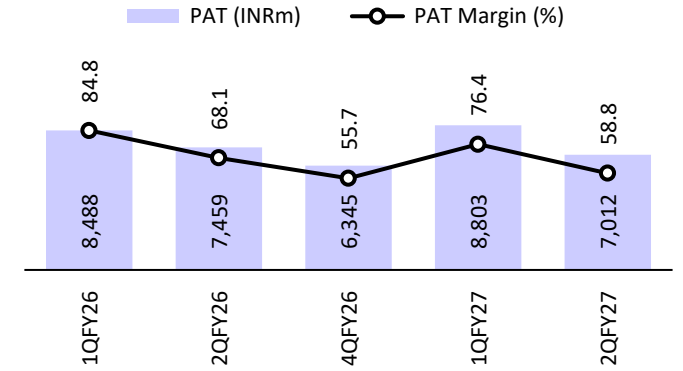
Source: MOFSL, Company

Exhibit 9: Core PAT trend



Source: MOFSL, Company

Exhibit 10: PAT margins contracted in 2Q



Source: MOFSL, Company

Financials and valuations

Income Statement									INR m
Y/E March	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027E**	**2028E**
Investment management fees	12,523	14,375	18,369	21,616	26,906	35,978	43,895	48,611	55,454
Change (%)	-16.1	14.8	27.8	17.7	24.5	33.7	22.0	10.7	14.1
Operating Expenses	4,909	4,460	5,334	6,026	7,078	8,238	9,177	10,554	11,768
Core Operating Profits	**7,614**	**9,915**	**13,034**	**15,590**	**19,828**	**27,740**	**34,718**	**38,057**	**43,686**
Change (%)	28.0	30.2	31.5	19.6	27.2	39.9	25.2	9.6	14.8
Dep/Interest/Provisions	339	357	376	391	447	480	530	805	896
Core PBT	**7,275**	**9,558**	**12,658**	**15,199**	**19,381**	**27,259**	**34,189**	**37,252**	**42,790**
Change (%)	25.8	31.4	32.4	20.1	27.5	40.7	25.4	9.0	14.9
Other Income	663	1,822	1,633	2,510	7,355	6,384	5,866	4,832	7,072
PBT	**7,937**	**11,380**	**14,291**	**17,709**	**26,736**	**33,643**	**40,055**	**42,084**	**49,862**
Change (%)	23.2	43.4	25.6	23.9	51.0	25.8	19.1	5.1	18.5
Tax	1,884	2,761	3,571	4,419	6,133	8,388	9,524	10,416	12,466
Tax Rate (%)	23.7	24.3	25.0	25.0	22.9	24.9	23.8	24.8	25.0
PAT	**6,058**	**8,626**	**10,824**	**13,397**	**20,728**	**25,402**	**30,674**	**31,868**	**37,622**
Change (%)	42.0	42.4	25.5	23.8	54.7	22.5	20.8	3.9	18.1
Core PAT	5,552	7,246	9,599	11,514	15,060	20,609	26,202	28,232	32,317
Change (%)	45.0	30.5	32.5	19.9	30.8	36.8	27.1	7.7	14.5

Balance Sheet									INR m
Y/E March	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027E**	**2028E**
Equity Share Capital	500	501	503	503	506	508	2,037	2,037	2,037
Reserves & Surplus	19,352	25,245	35,364	47,011	66,972	82,467	57,594	68,687	81,255
Net Worth	**19,852**	**25,746**	**35,867**	**47,514**	**67,477**	**82,975**	**59,631**	**70,723**	**83,292**
Borrowings	0	0	0	0	0	0	0	0	0
Other Liabilities	1,707	2,531	2,112	2,325	3,592	4,743	4,574	5,030	5,533
Total Liabilities	**21,559**	**28,277**	**37,979**	**49,838**	**71,069**	**87,719**	**64,204**	**75,753**	**88,825**
Cash and Investments	17,749	24,889	34,281	46,402	67,038	82,038	58,128	68,578	80,117
Change (%)	47.6	40.2	37.7	35.4	44.5	22.4	-29.1	18.0	16.8
Loans	**0**	**0**	**5**	**3**	**2**	**3**	**2**	**2**	**2**
Net Fixed Assets	1,702	1,595	2,203	2,273	2,510	3,764	3,895	4,684	5,619
Current Assets	2,109	1,793	1,490	1,161	1,518	1,914	2,180	2,489	3,088
Total Assets	**21,559**	**28,277**	**37,979**	**49,839**	**71,069**	**87,719**	**64,204**	**75,753**	**88,825**

E: MOSL Estimates

Y/E March	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027E**	**2028E**
AAAUM (INR B)	**3,386**	**4,367**	**5,940**	**6,899**	**8,386**	**10,685**	**12,091**	**13,335**	**15,151**
Change (%)	116.5	29.0	36.0	16.1	21.5	27.4	13.2	10.3	13.6
Equity (Including Hybrid)	30.3	26.7	31.7	36.2	40.0	45.9	47.1	48.4	49.0
Debt	24.2	27.3	19.8	12.5	11.3	9.1	9.4	7.2	6.9
Liquid	20.7	19.4	17.6	15.9	12.7	11.0	10.7	11.5	11.4
Others	24.8	26.6	30.9	35.4	36.0	33.9	32.8	32.9	32.7

E: MOFSL Estimates

Financials and valuations

Cashflow									INR m
Y/E March	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027E**	**2028E**
Cashflow from operations	**5,491**	**9,733**	**10,129**	**14,258**	**21,620**	**26,537**	**29,701**	**32,592**	**38,335**
PBT	7,937	11,380	14,291	17,709	26,736	33,643	40,055	42,084	49,862
Depreciation and amortization	302	317	332	338	370	394	438	605	696
Tax Paid	-1,884	-2,761	-3,571	-4,419	-6,133	-8,388	-9,524	-10,416	-12,466
Deferred tax	-17	147	-110	34	638	654	-342	106	116
Interest, dividend income (post-tax)	0	0	0	0	0	0	0	0	0
Interest expense (post-tax)	28	30	33	39	59	65	69	151	150
Change in Working Capital	-876	620	-846	556	-51	169	-996	62	-24
Cash from investments	**-6,154**	**-6,497**	**-9,970**	**-12,622**	**-20,822**	**-16,542**	**22,993**	**-16,178**	**-17,720**
Capex	-841	-201	-352	-410	-606	-1,624	-550	-1,395	-1,634
Others	-5,313	-6,296	-9,618	-12,213	-20,216	-14,918	23,542	-14,782	-16,086
Cash from financing	**-152**	**-2,679**	**-666**	**-1,653**	**-525**	**-9,656**	**-52,533**	**-20,786**	**-25,043**
Equity	0	1	2	0	3	2	1,529	0	0
Dividend	0	0	0	-1,761	-2,023	-11,173	-55,151	-20,776	-25,053
Debt	-134	92	79	150	313	332	48	190	210
Interest costs	-36	-40	-44	-53	-77	-86	-91	-200	-200
Others	18	-2,732	-703	11	1,259	1,269	1,133	0	0
Change of cash	**-815**	**557**	**-507**	**-17**	**273**	**339**	**161**	**-4,371**	**-4,428**
Opening Cash	1,093	278	835	328	311	584	923	1,084	-3,287
Closing Cash	**278**	**835**	**328**	**311**	**584**	**923**	**1,084**	**-3,287**	**-7,715**
FCFF	-663	3,236	159	1,636	799	9,995	52,694	16,414	20,615

Y/E March	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027E**	**2028E**
Margins Analysis (%)									
Operating income to total income	95.0	88.7	91.8	89.6	78.5	84.9	88.2	91.0	88.7
Cost to Core Income Ratio	**39.2**	**31.0**	**29.0**	**27.9**	**26.3**	**22.9**	**20.9**	**21.7**	**21.2**
EBITDA Margins	60.8	69.0	71.0	72.1	73.7	77.1	79.1	78.3	78.8
Core PBT Margins	**58.1**	**66.5**	**68.9**	**70.3**	**72.0**	**75.8**	**77.9**	**76.6**	**77.2**
PBT Margins (On total income)	60.2	70.3	71.5	73.4	78.0	79.4	80.5	78.7	79.7
Profitability Ratios (%)									
RoE	36.0	37.8	35.1	32.1	36.1	33.8	43.0	48.9	48.9
Dividend Payout Ratio				13.1	9.8	44.0	179.8	65.2	66.6

Valuations	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027E**	**2028E**
BVPS (INR)	10	13	18	23	33	41	29	35	41
Change (%)		29.7	39.3	32.5	42.0	23.0	-28.1	18.6	17.8
Price-BV (x)	**51.3**	**39.6**	**28.4**	**21.4**	**15.1**	**12.3**	**17.1**	**13.3**	**11.3**
EPS (INR)	3.0	4.2	5.3	6.6	10.2	12.5	15.1	15.6	18.5
Change (%)		42.4	25.5	23.8	54.7	22.5	20.8	3.9	18.1
Price-Earnings (x)	**168.1**	**118.1**	**94.1**	**76.0**	**49.1**	**40.1**	**33.2**	**29.6**	**25.1**
Core EPS (INR)	2.7	3.6	4.7	5.7	7.4	10.1	12.9	13.9	15.9
Change (%)		30.5	32.5	19.9	30.8	36.8	27.1	7.7	14.5
Core Price-Earnings (x)	**183.4**	**140.5**	**106.1**	**88.5**	**67.6**	**49.4**	**38.9**	**33.4**	**29.2**
DPS (INR)				3.5	4.0	22.0	70.0	10.2	12.3
Dividend Yield (%)				**0.7**	**0.8**	**4.4**	**14.0**	**2.2**	**2.7**

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