SBI FUNDS MANAGEMENT LTD

IPO NOTE | 13th July,2026

Canara Bank Securities Ltd
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ABOUT THE COMPANY: SBI Funds Management Ltd was established in 1992 and is the largest asset management company (AMC) in India based on assets under management (AUM). The company manages the well-known SBI Mutual Fund. It is a joint venture between State Bank of India and Amundi. The company offers a wide range of investment products such as equity funds, debt funds, hybrid funds,ETFs,and portfolio management services(PMS).

KEY BUSINESS INSIGHTS:

Unmatched Scale & Leadership: India's largest AMC with nearly ₹30 trillion (29.5 lakh crores) in assets under management (AUM). It commands a 15.3% mutual fund market share, a 40% market share in Portfolio Management Services (PMS), and a 28% share in passive assets.Unique Dual Parentage: Backed by State Bank of India (providing massive domestic reach via 22,000+ branches) and Amundi (Europe's largest asset manager with €2.5 trillion in AUM, providing global investment expertise and distribution).Deep Distribution & Digital Execution: Physical and digital networks cover 98.2% of Indian pin codes. Operationally, 95% of the business is conducted digitally, further enhanced by a fully AI-native customer application, InvesTap Next.Highly Sticky SIP Franchise: The undisputed leader in Systematic Investment Plans (SIPs) with over 16.2 million live accounts. Crucially, 97.8% of customers sign up for perpetual (30-year) mandates, locking in highly predictable and recurring revenue.Institutional & Offshore Growth Levers: Beyond retail, the company manages major institutional mandates, with the EPFO accounting for 20% of its total AUM (₹2.7 lakh crores). It also manages $4.5 billion in international investor money and is aggressively scaling its Alternative Investment Funds (AIF).High Efficiency & Expanding Margins: Operates a highly efficient business with a best-in-class cost-to-income ratio of 20%. Unlike competitors facing fee compression, its margins have expanded year-over-year due to an increasing mix of active equity assets.Massive Industry Runway: India’s mutual fund AUM-to-GDP ratio is significantly lower than the global average, signaling massive headroom for growth. The total Indian mutual fund industry is projected to scale to ₹155 lakh crores by Fiscal 2030.

SUBSCRIBE

ISSUE DETAILS	
Price Band (in ₹ per share)	545-574
Issue size (in ₹ Crore)	9813.00
Fresh Issue (in ₹ Crore)	0.00
Offer for Sale (in ₹ Crore)	9813.00
Issue Open Date	14-07-2026
Issue Close Date	16-07-2026
Tentative Date of Allotment	17-07-2026
Tentative Date of Listing	21-07-2026
Total Number of Shares (in lakhs)	1709.57
Face Value (in ₹)	1.00
Exchanges to be Listed on	BSE & NSE

APPLICATION	LOTS	SHARES	AMOUNT (₹)
Retail (Min)	1	26	₹14,924
Retail (Max)	13	338	₹1,94,012
S-HNI (Min)	14	364	₹2,08,936
S-HNI (Max)	67	1,742	₹9,99,908
B-HNI (Min)	68	1,768	₹10,14,832

BRLMs: Kotak Mahindra Capital Company Limited, Axis Capital Limited,BofA Securities India Limited, HSBC Securities & Capital Markets (India) Private Limited,ICICI Securities Limited,Jefferies India Private Limited,JM Financial Limited,Motilal Oswal Investment Advisors Limited,SBI Capital Markets Limited

PROMOTERS: STATE BANK OF INDIA, AMUNDI INDIA HOLDING AND AMUNDI ASSET MANAGEMENT

OUR VIEW: SBI Funds Management Limited presents a highly compelling investment proposition as India's undisputed largest asset management company, commanding a 15.3% mutual fund market share and an impressive 39.7% share in the Portfolio Management Services segment. The firm is uniquely insulated by a deep competitive moat stemming from its dual parentage, combining State Bank of India's unparalleled domestic reach across 98.19% of India's pin codes with Amundi's global asset management expertise. Its robust financial health is underpinned by a highly sticky retail Systematic Investment Plan (SIP) franchise of over 16.21 million live accounts that guarantees predictable, recurring inflows, alongside industry-leading efficiency reflected in the lowest operating expense ratio (0.08% of QAAUM) among its top ten peers. Positioned perfectly to capitalize on the massive structural tailwinds of India's underpenetrated mutual fund market and the rapid financialization of household savings, the firm is poised for sustained, long-term growth. At the upper price band of Rs.574, the stock is available at P/E of 38.06 and P/B of 19.60, leaving room for investor wealth creation. The average industry P/E ratio is 41.24 and the average industry P/B ratio is 15.59. The P/E ratio is lower than most of its peers suggesting attractive valuation. Hence, we are giving a "**Subscribe**" recommendation for this IPO because of the company's unmatched market leadership, exceptionally deep multi-channel distribution network, and superior cash-generating capabilities within a rapidly expanding industry.

OBJECTS OF THE OFFER

- To Carry out the Offer for Sale of up to 170,956,631 Equity Shares of face value of ₹1 each by the Promoter Selling Shareholders aggregating up to ₹98130 million.
- To achieve the benefits of listing the Equity Shares on the Stock Exchanges.

BRIEF FINANCIALS

PARTICULARS (Rs. Cr)*	FY26	FY25	FY24
Share Capital	203.68	50.79	50.58
Net Worth	5963.06	8297.53	6747.75
Revenue from Operations	4389.49	3597.76	2690.56
EBITDA	4058.44	3412.94	2718.82
EBITDA Margin (%)	92.46	94.86	101.05
Profit/(Loss) After Tax	3067.38	2540.15	2072.79
EPS (in Rs.)	15.08	12.53	10.29
Net Asset Value (in Rs.)	29.28	40.85	33.35
Total borrowings	0	0	0
P/E#	38.06	NA	NA
P/B#	19.60	NA	NA

****Restated consolidated financials; #Calculated at upper price band. The substantial increase in share capital in FY2026 was primarily driven by a massive bonus issue, supplemented by further ESOP allotments.***

INDUSTRY OVERVIEW

The Indian mutual fund industry has emerged as one of the fastest-growing segments within the financial services sector, growing at a compound annual growth rate (CAGR) of 20.5% between March 2021 and March 2026. By March 31, 2026, the total size of the industry's Quarterly Average Assets Under Management (QAAUM) reached ₹81.5 trillion. This massive growth is underpinned by a structural shift in savings behavior, with retail and high-net-worth investors now accounting for 60.1% of industry AUM.

Market Share of the Company:SBI Funds Management Limited is the undisputed largest asset management company (AMC) in India, commanding a mutual fund market share of 15.3% with a QAAUM of ₹12,509.98 billion as of March 31, 2026. The company's leadership extends across various product categories, holding:27.9% market share in passive funds (ETFs and index funds), making it India's largest passive asset manager,39.7% market share in Portfolio Management Services (PMS),28.2% market share in Specialised Investment Funds (SIFs).

Scope (Future Potential): The scope for industry expansion is vast. While India's mutual fund AUM-to-GDP ratio grew to 23.2% in 2026, it remains significantly lower than developed markets like the United States, Canada, and France, where the ratio exceeds 80%. This massive gap highlights a substantial long-term runway for growth. The industry QAAUM is projected to reach ₹147-155 trillion by Fiscal 2030, growing at an estimated 16-18% CAGR. Furthermore, "Beyond Top 30" (B-30) cities currently account for less than one-fifth of industry assets despite housing the majority of the population, indicating significant untapped geographic potential.

Tailwinds (Growth Drivers):Financialization of Savings: Indian households are increasingly shifting away from traditional physical assets (like gold and real estate) and bank deposits toward market-linked financial assets, with mutual funds' share of household savings jumping to 13% in 2025.**The SIP Boom:** Systematic Investment Plans (SIPs) have become the cornerstone of retail participation. By March 2026, SIP AUM surged to ₹15.1 trillion across 104.5 million active accounts, providing the industry with highly stable and recurring inflows.**Favorable Demographics & Wealth Creation:** India boasts the world's largest youth population with a median age of 28, meaning a significant portion of the country is entering its prime earning and saving years. This is coupled with robust economic growth that is steadily driving up per capita income.**Digitalization:** The rise of digital-first discount brokers, smartphone penetration, and simple onboarding (e.g., e-KYC, UPI payments) has dramatically lowered entry barriers, helping convert traditional savers into long-term mutual fund investors.

Headwinds (Challenges & Risks)Market Volatility & Macroeconomic Shocks: The industry is highly sensitive to geopolitical tensions, inflation, and global interest rate changes. For instance, in Fiscal 2026, foreign institutional investors (FIIs) recorded a massive net outflow of ₹1.8 trillion amid global trade uncertainties and a preference for AI-driven global markets.**Regulatory Changes & Fee Compression:** The regulatory environment frequently shifts, impacting AMC economics. SEBI's introduction of the Base Expense Ratio (BER) framework effective April 2026 aims to lower allowable expense limits, which will compress AMC management fees. Tax amendments, such as the removal of long-term capital gains indexation benefits for debt mutual funds, also threaten product attractiveness.**Intense Competition & Alternatives:** Mutual funds face stiff competition from direct equity investing, Unit-Linked Insurance Plans (ULIPs), and the rapid rise of low-fee passive investment products which put downward pressure on the industry's blended revenue yields.

How the Company is Well-Placed Among Competition:SBI Funds Management is uniquely positioned to capitalize on industry growth and weather market headwinds due to several key competitive strengths:Unmatched Dual Parentage: The company perfectly combines State Bank of India's (SBI) unparalleled domestic distribution network (over 23,000 branches and 100+ million digital YONO users) with Amundi's (Europe's largest asset manager) global investment expertise and international distribution reach.Deepest B-30 Penetration: The company operates a pan-India multi-channel network of 132,519 distributors covering 98.19% of India's pin codes. It is the absolute leader in penetrating untapped smaller cities, commanding a 19.2% market share in B-30 locations.Best-in-Class Operating Leverage: Because of its massive scale, the company is the most efficient among the top 10 AMCs, operating with the lowest cost-to-income ratio (19.5%) and the lowest operating expense ratio as a percentage of QAAUM (0.08%) in Fiscal 2026.Market-Leading Retail SIP Franchise: The company holds a 15.5% market share in the SIP segment with 16.21 million live accounts. The quality of this book is exceptionally high, with 15.87 million SIPs remaining active for over 37 months, providing highly predictable and sticky revenues.Consistent Investment Performance: The company's large, process-driven investment team has consistently delivered strong returns, with 54 out of 85 tracked schemes outperforming their respective benchmarks over a 3-year period.

COMPETITIVE STRENGTHS OF THE COMPANY

- **Unmatched Scale and Operating Leverage:** As India's largest asset management company, the firm held a mutual fund QAAUM of ₹12,509.98 billion and a 15.3% market share as of March 2026.This massive scale drives industry-leading efficiency, yielding an operating expense ratio of just 0.08% as a percentage of QAAUM.
- **Unique Dual Parentage: The** firm combines State Bank of India's vast domestic network of 23,265 branches with Amundi's global asset management capabilities. This dual advantage enables the management of ₹107,834.60 million in global UCITS India-focused funds and provides unparalleled distribution reach.
- **Market-Leading SIP Franchise:** The organization commands a dominant 15.5% market share with 16.21 million live Systematic Investment Plan (SIP) accounts. Investor retention is highly resilient, with 15.87 million of these SIPs remaining active for over 37 months, ensuring highly predictable and recurring inflows.
- **Dominance in PMS and Alternative Assets: It** operates India's largest institutional Portfolio Management Services (PMS) platform, holding a 39.7% market share with a PMS and advisory QAAUM of ₹16,878.99 billion. Additionally, it captures 28.2% of the Specialised Investment Fund (SIF) segment.
- **Deep Geographic Penetration:** A highly diversified network of 132,519 distributors covers 98.19% of India's pin codes. The entity leads in untapped "Beyond Top 30" (B-30) locations, commanding a 19.2% market share of the industry's B-30 MAAUM.
- **Process-Driven Investment Performance: A** 71-member investment team actively covers over 450 companies to mitigate key-person dependency. This disciplined approach resulted in 25.51% of equity-oriented schemes and 25.42% of hybrid schemes delivering top-quartile returns over a three-year period.
- **Robust Technology Infrastructure: Operating** at massive digital scale, the firm processed 1.31 million monthly transactions with a 94.25% digital execution rate in Fiscal 2026. Its proprietary "InvesTap" mobile application has achieved 5.8 million downloads and 3.39 million active users.
- **Institutional-Grade Governance:** The organization has pioneered major governance milestones in the Indian asset management industry, becoming the first to adopt the CFA Institute's Asset Manager Code of Professional Conduct in 2015 and the first to achieve full compliance with Global Investment Performance Standards in 2020.

RISK FACTORS

Heavy Reliance on AUM and Shift to Lower-Fee Passive Products

- Revenue is highly dependent on the scale of assets, with management fees constituting 96.47% of operating revenue in Fiscal 2026.
- A structural shift toward passive products—which grew to 32.42% of mutual fund QAAUM by March 2026—compresses overall margins, as these products carry significantly lower expense ratios (0.04% to 0.36%) compared to actively managed equity funds (0.75% to 2.43%).

High Scheme Concentration

Assets and revenues are heavily concentrated in a few top-performing schemes.

- As at March 31,2026,57.68% of our mutual fund MAAUM is sourced through our direct channel[1] and our top 5 distributors account for 25.26% of our total mutual fund MAAUM, and any disruption in distribution channels or deterioration in relationships with key distributors could adversely affect our ability to attract and retain investors.
- As of March 31, 2026, the top 5 and top 10 schemes accounted for 42.57% and 59.47% of total mutual fund QAAUM, respectively.
- Furthermore, revenue from these top 10 schemes made up 46.45% of total mutual fund revenue, amplifying the impact of any adverse developments in these specific funds.
- Unable to trace certain historical records. Legal proceedings or regulatory actions may be initiated in the future in relation to the untraceable filings and corporate records, which may impact the financial condition and reputation.

Outstanding Litigations and Contingent Liabilities

- There is an outstanding GST demand of ₹1,319.30 million (including penalties) regarding input tax credits, and unprovided contingent liabilities stood at ₹1,762.09 million (2.96% of Net Worth) in Fiscal 2026.
- Furthermore, the promoter, State Bank of India, is involved in 8,875 criminal and 526 tax proceedings with aggregate claims involving ₹1,172,633.41 million.

Trademark and Brand Dependency

- The "SBI" trademark is not owned, but licensed from the State Bank of India. A royalty fee is paid for this usage, amounting to ₹506.32 million in Fiscal 2026 (5.22% of total expenses).
- The inability to use the "SBI" brand—should the license be terminated—would severely damage investor trust and business prospects.

PEER COMPARISON

Name of the company	Revenue from Operations(in cr)	Face Value (Rs per share)	EPS (in Rs)	NAV (Per share Rs)	RoE (%)	P/E*	P/B*
SBI Funds Management Limited	4389.49	1	15.08	29.28	43.02	38.06	19.6
ICICI Prudential Asset Management Company Limited	5764.63	1	66.73	84.39	85.8	47.35	37.44
HDFC Asset Management Company Limited	4122.16	5	66.77	215.42	32.9	41.52	12.82
Nippon Life India Asset Management Limited	2708.74	10	24.05	73.01	34.5	51.32	16.61
Aditya Birla Sun Life Asset Management Company Limited	1845.03	5	33.76	139.94	25.53	34.04	8.19
UTI Asset Management Company Limited	1698.05	10	31.51	350.5	11.22	31.97	2.87

Source:RHP,Calculated at upper price band for IPO Company.*Calculated at closing of 10th July 2026.The data is as per FY-26 (Consolidated)

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(A Wholly Owned Subsidiary of Canara Bank)

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