

Indian Banks - Outlook CY-2021

.... Large Tech Savvy Banks to gain market share

LKP

CY 2020 witnessed the Underperformance of the Bank Nifty (-3%) against the Nifty50 (+14%). Our 2020 Top Picks -SBI, KMB, HDFC Bank, ICICI Bank & Indusind Bank outperformed Nifty 50 by 18% by returning close to 40% post our recommendation in September. In CY2021E, we expect significant recovery in Indian Banks on all major fronts, i.e; lower than expected credit cost, sound balance sheet growth, improving C/I ratio and increased profitability. Surge in Digital Banking will help reduce operating cost. The overall performance in 2QFY21 and management commentary indicates lower than anticipated stress. The collection efficacy (90% to 95%) has seen considerable improvement, while the management commentary and industry data suggests the quantum of restructuring (~1% to 4% of book) would be lower than anticipated earlier. The bulky contingency buffer seems to be adequate to safeguard the profitability of the banks under our Coverage Universe. The disbursements are at pre-covid levels led by ECLGS and secured home loans. We estimate further improvement going forward. CY 2020 witnessed the Underperformance of the Bank Nifty (-3%) against the Nifty50 (+14%). This strengthens our hypothesis that the Bank Nifty led by large banks would outperform the market in CY2021. As the large banks with digital adaptation are likely to garner more market share, We recommend ICICI Bank, HDFC Bank, Indusind Bank, SBI and BOB.

Large Banks with Digital Advantage - arriving in a bright era

During the covid crisis, the large banks have emerged stronger as they strengthened capital adequacy, built excess provision and improved liquidity buffer. Furthermore, the digital adoption helped them wrest competitive advantage from their smaller counterparts. A combination of these factors will assist them to gain market share and significantly lower cost to income ratio in coming few years. We expect market share of private banks to be at 37% in FY22E from 30% in 1HFY21.

Advantage of lower interest rate environment

As the RBI has reduced repo rate by 190bps in CY20 to 4%, the banks have witnessed immaterial reduction in MCLR. The credit spread widened further. Therefore, we have seen healthy NIMs across sector. The NPA recognition may squeeze the NIMs but large banks having higher provision buffers are likely to stay immune. The revival in credit growth and decline in CoF may help the banks protect their margins.

ECLGS disbursement played a vital role

ECLGS has helped borrowers to re-start their business post lockdown and assisted banks to safeguard the asset quality. As on mid-November 2020, the sanction and disbursement under ECLGS stood at ₹2tn and ₹1.5tn respectively. The survey conducted by National Institute of Banking Management suggests that only 4 – 5% of respondents used the ECLGS funds to repay past debt obligations. Thus the collection efficacy reported by banks are not influenced by ECLGS disbursement.

Strong Collection Efficacy

At the end of 2QFY21 the banks have reported strong collection trends with some banks nearing at pre-COVID level. Our channel checks suggest that the collection has improved further by Nov-2020. It suggests the quantum of restructuring (~1% - 4% of book) would be lower than anticipated. Moreover, the healthy contingency buffer would safeguard the profitability with lower than expected credit cost.

Lower corporate credit downgrade

Corporate rating downgrades across rating agencies in 1HFY20 have been lower against the previous year. The value of total credit - rating downgrades has been ₹3.3tn in April to October 2020, which is 2.4% of system wide credit and credit substitutes. During FY20, the number was ₹9.34tn which is 7%. The rating downgrade to BB and below pool have been ₹0.5tn (0.35% of credit & credit substitutes) against ₹2.8tn (3.6%) in FY20. The lesser corporate credit downgrade suggests the resilience in corporate banking portfolio. Therefore, we conclude that minuscule stress is likely to emerge from corporate book.

RBI Panel suggestion

RBI had set up an internal working group on 12th June to review and make recommendation on ownership guidelines and corporate structure. The suggestion includes a) cap on promoter stake to be increased to 26% of the paid up capital from current 15% in long run (post 15 years), b) The current rule where promoters of a bank has to hold minimum of 40% in the bank for first 5 years should continue, c) large corporates may be allowed as promoter of banks, d) on completion of 10 years, well run NBFCs with asset size of more than ₹500bn may be considered for conversion into banks. We believe, the working group made some bold recommendations while ensuring safeguards as decision making is still with RBI. Increased cap on the promoter holding is a boost for many lenders including the likes of Indusind Bank.

Exhibit: 1 Banks Valuations

Company	CMP (₹)	M.Cap (₹ Bn)	P/B (x)				Adjusted P/B (x)				RoE (%)				RoA(%)			
			MRQ	FY20	FY21E	FY22E	MRQ	FY20E	FY21E	FY22E	MRQ	FY20	FY21E	FY22E	MRQ	FY20	FY21E	FY22E
State Bank of India	278	2,479	1.0	1.2	1.1	1.0	1.0	1.3	1.2	1.1	7.4	6.4	6.2	8.8	0.4	0.4	0.4	0.5
HDFC Bank	1,428	7,865	4.4	4.5	3.9	3.2	4.4	4.6	3.9	3.3	16.1	16.4	15.6	17.6	1.9	1.9	1.7	2.0
ICICI Bank	530	3,659	2.8	3.0	2.9	2.7	2.9	3.1	3.0	2.8	13.2	7.1	7.6	8.6	1.5	0.8	0.8	0.9
Axis Bank	630	1,930	2.0	2.0	2.0	1.9	2.0	2.1	2.1	2.0	8.0	2.1	2.7	5.9	0.7	0.2	0.2	0.5
Kotak Mahindra Bank	1,999	3,957	6.9	7.8	7.2	6.4	7.0	8.0	7.3	6.4	14.7	13.1	11.8	12.4	2.4	1.8	1.6	1.8
Indusind Bank	917	694	1.7	1.8	1.6	1.4	1.7	1.8	1.6	1.4	7.1	14.6	12.5	14.4	0.8	1.5	1.5	1.8
Federal Bank	67	135	0.9	0.9	0.8	0.7	0.9	1.0	0.9	0.8	8.1	11.1	10.1	13.8	0.6	0.9	0.8	1.1
DCB Bank	119	37	1.1	1.2	1.0	0.9	1.1	1.2	1.1	1.0	9.9	10.3	9.8	10.9	0.9	0.9	0.9	1.0
Bank of Baroda	62	288	0.4	0.4	0.4	0.4	0.4	0.5	0.4	0.4	9.2	0.9	1.7	6.2	0.6	0.1	0.1	0.4
RBL Bank	233	139	1.1	1.1	1.1	1.0	1.1	1.1	1.1	1.0	5.2	5.6	4.7	9.7	0.6	0.6	0.6	1.1

Source: Company, LKP Research

Exhibit: 2 Income Statement Estimates

Company	Net Interest Income (₹ mn)				NIMs (%)				Other Income (₹ mn)			
	MRQ	FY21E	FY22E	FY23E	MRQ	FY21E	FY22E	FY23E	MRQ	FY21E	FY22E	FY23E
State Bank of India	2,81,815	11,37,404	12,45,136	13,77,281	3.1	3.0	3.1	3.1	85,277	3,43,987	3,64,872	3,88,166
HDFC Bank	1,57,764	6,67,665	8,17,497	9,96,977	4.1	4.2	4.4	4.5	60,925	2,46,529	2,82,587	3,24,513
ICICI Bank	93,661	3,67,948	4,06,236	4,61,067	3.6	3.5	3.6	3.7	40,283	1,80,266	1,59,876	1,76,181
Axis Bank	73,261	2,87,350	3,28,021	3,75,247	3.6	3.4	3.6	3.8	38,072	1,40,668	1,51,323	1,62,797
Kotak Mahindra Bank	39,132	1,44,880	1,56,446	1,72,092	4.6	4.1	4.1	4.2	14,520	57,306	64,182	71,308
Indusind Bank	32,780	1,34,800	1,48,776	1,67,256	4.2	4.6	4.6	4.6	15,538	74,734	84,545	95,502
Federal Bank	13,799	52,119	60,674	70,217	-	2.9	3.1	3.2	5,093	21,094	22,972	28,628
DCB Bank	3,339	13,732	15,285	17,296	3.7	3.6	3.7	3.8	925	4,135	4,494	5,509
Bank of Baroda	75,075	3,21,624	3,43,437	3,72,127	2.9	2.9	2.9	2.9	28,023	1,14,780	1,27,702	1,39,757
RBL Bank	9,321	39,572	43,322	47,231	4.3	4.5	4.6	4.7	4,562	20,431	22,695	25,380

Source: Company, LKP Research

Exhibit: 3 Income Statement Estimates

Company	PPP (₹ mn)				Provisioning Expenses				PAT (₹ mn)			
	MRQ	FY21E	FY22E	FY23E	MRQ	FY21E	FY22E	FY23E	MRQ	FY21E	FY22E	FY23E
State Bank of India	1,64,598	6,98,669	7,60,208	8,42,532	1,01,183	5,01,450	4,58,253	4,21,721	45,742	1,47,914	2,26,466	3,15,609
HDFC Bank	1,38,138	5,68,477	6,99,052	8,56,293	37,035	1,81,772	1,84,422	2,19,731	75,131	2,89,255	3,84,943	4,76,148
ICICI Bank	82,611	3,07,627	2,98,664	3,39,035	29,953	1,84,764	1,46,439	1,46,704	42,513	91,656	1,13,560	1,43,479
Axis Bank	68,976	2,47,518	2,82,599	3,22,233	45,807	2,18,197	2,15,500	2,14,846	16,827	22,841	52,270	83,654
Kotak Mahindra Bank	32,975	1,08,262	1,15,845	1,24,586	3,686	26,815	18,628	18,413	21,845	60,678	72,427	79,099
Indusind Bank	28,305	1,22,158	1,34,074	1,50,022	19,644	59,661	49,711	49,357	6,470	46,873	63,272	75,499
Federal Bank	10,065	36,774	42,594	52,683	5,921	16,022	10,760	12,547	3,076	15,481	23,748	29,941
DCB Bank	2,248	8,385	9,586	11,385	1,131	3,660	3,751	3,865	823	3,544	4,376	5,640
Bank of Baroda	55,518	2,40,132	2,57,925	2,80,143	30,016	2,23,672	1,94,740	1,70,632	16,786	12,015	46,125	79,943
RBL Bank	7,198	29,535	31,807	33,660	5,256	22,630	16,705	11,260	1,442	5,144	11,251	16,688

Source: Company, LKP Research

Exhibit: 4 Balance Sheet Estimates

Company	Credit growth (%)				Deposit growth (%)				Networth (₹ mn)			
	MRQ	FY21E	FY22E	FY23E	MRQ	FY21E	FY22E	FY23E	MRQ	FY21E	FY22E	FY23E
State Bank of India	6.9	6.0	10.0	12.0	14.4	7.8	9.5	10.3	24,57,210	22,30,362	24,56,828	27,72,437
HDFC Bank	15.8	19.0	21.0	22.0	20.3	21.3	18.1	19.4	18,61,124	19,99,116	23,84,059	28,60,207
ICICI Bank	6.4	6.0	12.0	12.5	19.6	6.1	12.3	11.2	13,76,489	12,25,516	13,39,076	14,82,555
Axis Bank	10.5	7.0	9.0	11.0	8.8	7.1	8.9	11.0	9,76,638	8,72,319	9,09,302	9,75,970
Kotak Mahindra Bank	-4.0	1.0	10.5	12.0	12.2	5.3	7.3	10.1	5,94,229	5,45,831	6,18,258	6,97,357
Indusind Bank	2.1	7.0	11.5	14.0	10.2	16.6	11.7	13.4	3,88,833	4,10,128	4,65,203	5,24,307
Federal Bank	6.1	8.5	12.5	14.0	12.3	9.2	11.2	11.0	1,52,353	1,60,607	1,84,355	2,14,296
DCB Bank	0.3	6.0	12.0	15.0	-2.0	5.7	10.6	15.0	35,831	35,382	39,758	45,398
Bank of Baroda	5.1	1.0	6.0	6.0	6.7	4.5	8.5	9.1	7,26,833	7,30,577	7,68,346	7,48,015
RBL Bank	-4.0	6.0	7.0	8.0	2.7	7.4	7.5	9.6	1,08,725	1,10,964	1,22,216	1,29,738

Source: Company, LKP Research

Exhibit: 5 Asset Quality Estimates

Company	Slippages (%)				GNPA (%)				NNPA (%)			
	MRQ	FY21E	FY22E	FY23E	MRQ	FY21E	FY22E	FY23E	MRQ	FY21E	FY22E	FY23E
State Bank of India	0.1	2.4	1.5	1.2	5.3	6.9	6.2	5.2	1.6	2.4	2.0	1.7
HDFC Bank	0.0	2.0	1.6	1.2	1.1	1.4	1.3	1.2	0.2	0.4	0.3	0.3
ICICI Bank	0.5	2.4	1.8	1.5	5.2	6.9	5.6	4.4	1.0	1.5	1.2	0.9
Axis Bank	0.2	4.0	3.5	2.6	4.2	5.2	5.0	4.1	1.0	1.2	1.1	0.8
Kotak Mahindra Bank	0.1	1.5	1.0	0.8	2.6	2.9	2.2	1.8	0.6	0.8	0.7	0.7
Indusind Bank	0.2	3.0	2.2	1.8	2.2	3.1	2.5	2.3	0.5	1.1	0.9	0.9
Federal Bank	0.0	2.1	1.5	1.4	2.8	3.2	2.6	2.3	1.0	1.4	1.2	0.9
DCB Bank	0.0	3.2	2.7	1.5	2.3	2.7	2.2	1.8	0.8	1.3	1.0	0.8
Bank of Baroda	0.2	6.0	4.0	3.5	9.1	8.1	5.2	3.0	2.5	1.9	1.2	0.7
RBL Bank	0.2	6.0	3.5	2.5	3.3	4.7	4.0	3.0	1.4	2.6	2.1	1.7

Source: Company, LKP Research

Performance of ICICI Bank in last few quarters acknowledge our conviction that the bank is preparing for sustainable, prudent and cautious growth despite some exceptional hiccups (Overdue amount of ~3% higher than normal run rate) owing to COVID. The bank has reported a strong show with the key pointers being: 1) The collection efficiencies of overall book stood at 97% of Pre-COVID level, 2) NII growth of 16.2% YoY, with headline NIMs (Domestic: 3.72% & Overall: 3.57%) de-growth of 8bps sequentially owing to higher liquidity available (LCR: 150%), 3) PPOP growth of 20.2% YoY and de-growth of 23.3% sequentially owing to higher base in the previous quarter (stake sale boosted the other income in 1QFY21), 4) Higher slippages (₹30.1bn v/s ₹11.6bn) led by retail slippages (58% of total slippages), 5) NNPA further down 23bps to 1%, 6) PCR (excluding technical write-offs) improved 300bps to 81.5%, however the bank didn't include COVID & general provision (₹147bn) in PCR calculation; 7) Contingent provision (excluding PCR) stood at 2.26% of the loan book, 8) BB & below exposure stood at 1.5% v/s 1.6% of total exposure, 9) considering conservative approach, the advance growth remain moderate at 6.6% YoY and 3.4% sequentially; and 8) deposits witnessed a strong growth of 19.6% YoY with average CASA at 40.3%. However, the overdue loan (~3% of book) may cause some pain and the bank expects the credit cost normalization by FY22E. Factoring stable balance sheet growth and credit cost of 1.7% in FY22E (same as FY20), we estimate the bank's ROA and ROE of 1% and 9% respectively. We have positive outlook on the bank with BUY rating.

Collection efficiencies & COVID provision best among peers

The bank alluded the collection efficiencies at ~97% of Pre-COVID level. Nevertheless, overdue loans are ~3% higher than normal run rate. Despite RBI's interim order the bank reported higher slippages (₹30.1bn v/s ₹11.6bn) with retail share of 58% of total slippages. The bank has built an adequate PCR (81.5% excluding prudential write-off) with the help of bulky provisioning expense (₹29.9bn) which includes ₹4.9bn of COVID provision. The PCR (calculated) including all provisions (COVID + General + Contingencies) stood at 119% of GNPL. Contingent provision (excluding PCR) stood 2.26% of book. The management expects the PCR to be adequate for stress emerging from the pandemic.

Healthy operating quarter

NII has grown at a healthy rate of 16.2% YoY and 0.9% QoQ. NIMs squeezed 12bps to 3.57% because of higher liquidity available. Non – interest income de-grew by 34.4% sequentially; 1QFY21 incomparable because the bank recognized profits from stake sale. On YoY basis, the PPOP grew 20% but dip 23% sequentially. With lower provisioning (₹29.9bn v/s ₹76bn in 1QFY21) the bank has made profit of ₹42.5bn v/s ₹26bn in previous quarter.

Healthy business growth led by deposit accretion

The bank's loan growth (6.4% Yo, 3.4% QoQ) was stable however healthy deposit growth (20% YoY) has led to more than satisfactory liquidity with LCR of 150%. We expect the loan growth to normalize in 2HFY21.

Outlook & Valuations

We expect its loan book to fatten cautiously at CAGR of 10% over FY21-23E, led by balanced growth across segment. In our opinion, the bank's asset quality may witness some hiccups and estimate return ratio ROA/ROE of 0.9% and 8.6% inFY22E. We value the standalone entity with 2.7x FY22E BVPS (₹188) and of investment in subsidiaries and JVs (₹114 per share); we arrive at a target price of ₹621. We recommend BUY with a potential upside of 17%.

Rating	Buy
Current Market Price (₹)	530
12 M Price Target (₹)	621
Potential upside (%)	17

Stock Data

FV (₹) :	2
Market Cap Full (₹ bn) :	3,659
Market Cap Free Float (₹ bn) :	3,587
52-Week High / Low (₹) :	552 / 268
2-Year High / Low (₹) :	552 / 268
1 Year Avg. Dly Traded Volume (in lakh)	371
BSE Code / NSE Symbol :	532174 / ICICIBANK
Bloomberg :	ICICIB IN

Shareholding Pattern (%)

	Sep-20	Jun-20	Mar-20	Dec-19
FPIs	45.66	42.96	43.70	45.79
MFs	27.07	28.28	27.61	25.98
FI's / Banks	0.05	0.16	0.15	0.10
Insurance	13.92	14.80	14.52	15.14
Others	13.30	13.80	14.02	12.99

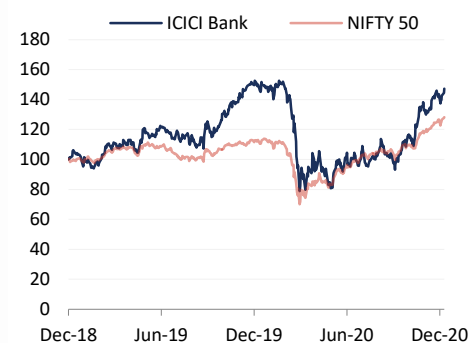
Source: BSE

Price Performance (%)

(%)	1M	3M	6M	1YR
ICICI Bank	12%	48%	55%	-4%
Nifty 50	7%	24%	35%	14%

* To date / current date : December 29, 2020

ICICI Bank vs Nifty 50



Annual Projections

Exhibit 1: Profit and Loss Statement					ICICI Bank
Y/E Mar	FY19	FY20	FY21E	FY22E	FY23E
Int. Income / Opr. Revenue	6,34,012	7,47,983	8,06,173	8,69,529	9,58,066
Interest Expenses	3,63,864	4,15,313	4,38,225	4,63,294	4,96,999
Net Interest Income	2,70,148	3,32,671	3,67,948	4,06,236	4,61,067
<i>NIM (%)</i>	3.23	3.52	3.53	3.59	3.66
Other Income - Total	1,45,122	1,64,486	1,80,266	1,59,876	1,76,181
Net Operating Revenue	4,15,270	4,97,157	5,48,214	5,66,112	6,37,248
Employee Exp.	68,082	82,712	91,811	1,00,074	1,09,080
Other Opex	1,12,808	1,33,432	1,48,776	1,67,373	1,89,132
Total Opex	1,80,891	2,16,144	2,40,587	2,67,447	2,98,212
<i>C/I Ratio (%)</i>	43.56	43.48	43.89	47.24	46.80
Pre Provision Profits	2,34,379	2,81,013	3,07,627	2,98,664	3,39,035
<i>PPP Growth (yoy %)</i>	20.8	19.9	9.5	(2.9)	13.5
Provisions & Contingencies - Total	1,96,611	1,40,532	1,84,764	1,46,439	1,46,704
<i>Credit Cost (As % of Op. AUM)</i>	3.77	1.71	2.40	1.70	1.50
Profit Before Tax	37,768	1,40,480	1,22,863	1,52,225	1,92,331
Tax	4,135	61,172	31,207	38,665	48,852
<i>Effective Tax Rate (%)</i>	10.9	43.5	25.4	25.4	25.4
Reported Profits	33,633	79,308	91,656	1,13,560	1,43,479
<i>PAT Growth (yoy %)</i>	(50.4)	135.8	15.6	23.9	26.3

Source: Company, LKP Research

Exhibit 2: Balance Sheet					ICICI Bank
(₹ mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity Share Capital	12,897	12,948	13,795	13,795	13,795
Reserves (ex Revel. Reserve)	10,40,294	11,20,913	12,11,722	13,25,282	14,68,760
Net Worth - Ex Revaluation	10,53,191	11,33,861	12,25,516	13,39,076	14,82,555
Revaluation Reserve	30,445	31,149	30,868	30,986	32,619
Equity Warrant, ESOPs outstanding & Other	47	35	34	33	32
Deposits	65,29,197	77,09,690	81,82,393	91,87,793	1,02,12,341
Borrowings	16,53,200	16,28,968	16,75,912	17,50,056	19,45,208
Interest Bearing Liabilities (₹ mn)	81,82,396	93,38,658	98,58,305	1,09,37,848	1,21,57,549
Other Lia. & Prov.	3,78,515	4,79,950	4,91,226	5,54,191	6,09,339
Total Liabilities	96,44,593	1,09,83,651	1,16,05,948	1,28,62,135	1,42,82,094
Assets					
Cash & Cash Equivalent	8,02,963	11,91,557	12,32,947	13,47,559	14,74,653
Investments	20,77,327	24,95,315	26,44,136	29,08,209	31,78,728
Credit Equivalent	4,54,504	4,46,448	4,83,362	5,48,028	6,21,688
Loan & Advances (₹ mn)	58,66,466	64,52,900	68,40,074	76,60,883	86,18,493
<i>Growth (yoy %)</i>	14.5	10.0	6.0	12.0	12.5
Fixed Assets	79,314	84,103	83,428	83,745	88,160
Other Assets	8,18,524	7,59,777	8,05,363	8,61,739	9,22,061
Total Assets	96,44,593	1,09,83,652	1,16,05,948	1,28,62,135	1,42,82,094

Source: Company, LKP Research

Exhibit 3: Credit Quality					ICICI Bank
(₹ mn)	FY19	FY20	FY21E	FY22E	FY23E
Slippage Ratio (%)	2.1	2.4	2.4	1.8	1.5
Gross NPA	4,56,760	4,08,291	4,72,644	4,29,791	3,76,814
Gross NPAs Ratio (%)	6.7	5.5	6.9	5.6	4.4
PCR (%)	70.6	75.7	78.0	77.9	79.2
PCR - Inc. Tech w/o (%)	80.7	86.8	-	-	-
Net NPA	1,34,497	99,232	1,04,005	94,851	78,547
Net NPAs Ratio (%)	2.1	1.4	1.5	1.2	0.9

Source: Company, LKP Research

Exhibit 4: Detailed ROA Tree

ICICI Bank

Y/E Mar	FY19	FY20	FY21E	FY22E	FY23E
Yields / Margins					
Yield on Advance	8.7	9.3	9.2	9.1	9.0
Yield on Funds	7.6	7.9	7.7	7.7	7.6
Cost of Funds (CoF)	4.7	4.7	4.6	4.5	4.3
Interest Spread	2.9	3.2	3.2	3.2	3.3
NIM's	3.2	3.5	3.5	3.6	3.7
Interest Income / Assets	6.9	7.3	7.1	7.1	7.1
Interest Exp. / Assets	3.9	4.0	3.9	3.8	3.7
NII / Assets	2.9	3.2	3.3	3.3	3.4
Fee Income / Assets	1.3	1.1	0.9	0.9	0.9
Other Non Core Income / Assets	0.1	0.3	0.5	0.2	0.2
Other Income / Assets	1.6	1.6	1.6	1.3	1.3
Net Operating Income / Assets	4.5	4.8	4.9	4.6	4.7
Operating Ratios					
NII to Net Operative Income	65.1	66.9	67.1	71.8	72.4
Other Income to Net Operative Income	34.9	33.1	32.9	28.2	27.6
Empl. Cost/Oper. Exps.	37.6	38.3	38.2	37.4	36.6
Other Op. Exps./Oper. Exps.	62.4	61.7	61.8	62.6	63.4
C/I Ratio (%)	43.6	43.5	43.9	47.2	46.8
Provisions as % PPP	47.3	28.3	33.7	25.9	23.0
Credit Cost (As % of Op. AUM)	3.8	1.7	2.4	1.7	1.5
Effective Tax Rate (%)	10.9	43.5	25.4	25.4	25.4
Employee Exp. / Assets	0.7	0.8	0.8	0.8	0.8
Other Opex/ Assets	1.2	1.3	1.3	1.4	1.4
Total Opex / Assets	2.0	2.1	2.1	2.2	2.2
Operating Profits / Assets	2.5	2.7	2.7	2.4	2.5
Exceptional Items / Assets	-	-	-	-	-
Op Profit ex Except Items / Assets	2.5	2.7	2.7	2.4	2.5
Provisions / Assets	2.1	1.4	1.6	1.2	1.1
Profit Before Tax / Assets	0.4	1.4	1.1	1.2	1.4
Tax Expenses / Assets	0.0	0.6	0.3	0.3	0.4
RoA	0.4	0.8	0.8	0.9	1.1
Leverage (x)	9.2	9.7	9.5	9.6	9.6
RoE	3.2	7.1	7.6	8.6	9.9
Adj. RoA	0.4	0.8	0.8	0.9	1.1
Adj. RoE	3.2	7.1	7.6	8.6	9.9

Source: Company, LKP Research

HDFC Bank: Resilient, best in class underwriting

HDFC Bank reported a strong trend on asset quality and operating performance in the previous quarter. The bank used analytical model (Pro-forma basis) to declare NPA numbers. The reported GNPA ratio stood at 1.08% (against 1.38% under pro-forma basis and 1.36% in the previous quarter). However, moratorium (9% declared earlier) lifted and NPA recognition held standstill, the bank witnessed minuscule slippages. During the quarter it reported sequentially higher provisioning expenses (₹37.0bn v/s ₹38.9bn in 1QFY21). At the same time core fee and commission income increased by 77% sequentially led by sharp uptick in retail loan origination along with, lower third-party product distribution income and lower forex income. Thus, the bank has reported sequential increase in PAT by 12.8% and ROA/ROE of 1.92%/16.15% v/s 1.76%/14.97% in the previous quarter. Furthermore, best-in-class franchise, higher liquidity, marginal stress, adequate coverage and strong capital position makes the bank resilient and we recommend BUY.

Loan growth pick-up led by wholesale book

Overall loan growth was 16% YoY and 3.5% QoQ driven by wholesale book which grew by 5% sequentially. The robust growth has come from many public sector corporations, MNCs and private corporations having higher liquidity. The internal of risk assessments of wholesale book is time tested and remain fruitful for the bank.

Adequate coverage and Reported loan moratorium is lowest among large banks

The last reported moratorium value (9% of book) stood lowest across banking sector, the collection efficiencies has also improved further. The asset quality concern of unsecured retail book may concern red flag. As of 2QFY21, the unsecured retail book (PL & CC) contributes 15.3% of the total advances v/s 17% in previous quarter. The 80% of unsecured book is accounted to salaried employees and rest 20% to the self-employed. However, PLs are entirely towards salaried class. ~70% of the salaried base is towards the employee of big MNCs and AAA rated corporations, where the rest have observed delinquency of 0.09% higher than the salaried portfolio. We expect no impending major threat but are a little pessimistic about the unsecured retail & business banking portfolio (6% of the book). We expect delinquency of 10-30bps higher than the average run rate. However, the covid provisioning (1.3% of loan book) would be adequate to absorb the stress.

An adequate liquidity & Capital position

The Bank carries sufficient liquidity with LCR at 153% in 2QFY21 against the regulatory requirement of 80% announced by RBI in 17th April 2020. The bank has maintained a higher liquidity by virtue of robust deposit traction of 20.3% YoY and 3.4% QoQ.

Outlook and Valuation:

HDFC Bank is expected to weather the current storm led by 1) healthy growth in operating income, 2) much higher provision then regulatory requirement in the balance sheet, 3) strong capital cushion of 17% at CET1 level and d) best in class underwriting and risk management practices. Given these strengths we expect HDFC Bank to remain one of the best among all the lending business. Thus, we maintain BUY rating on the bank with target price of ₹1,598 (based on 3.7x FY22 Price to Adjusted Book Value).

Rating	Buy
Current Market Price (₹)	1,428
12 M Price Target (₹)	1,598
Potential upside (%)	12

Stock Data

FV (₹) :	1
Market Cap Full (₹ bn) :	7,865
Market Cap Free Float (₹ bn) :	6,142
52-Week High / Low (₹) :	1,464 / 739
2-Year High / Low (₹) :	1,464 / 739
1 Year Avg. Dly Traded Volume (in lakh)	149
BSE Code / NSE Symbol :	500180 / HDFCBANK
Bloomberg :	HDFCB IN

Shareholding Pattern (%)

	Sep-20	Jun-20	Mar-20	Dec-19
Promoter	26.02	26.10	26.14	26.18
FPIs	37.43	37.04	36.68	37.92
MFs	13.95	14.04	15.01	14.38
Insurance	4.08	3.78	3.31	2.97
Others	18.52	19.04	18.86	18.55

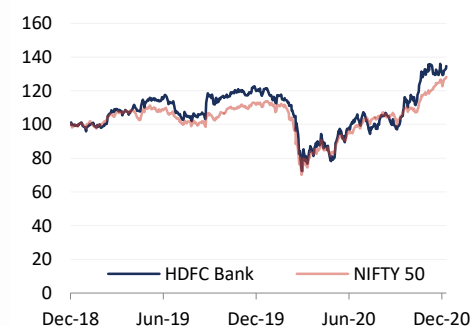
Source: BSE

Price Performance (%)

(%)	1M	3M	6M	1YR
HDFC Bank	-1%	32%	34%	12%
Nifty 50	7%	24%	35%	14%

* To date / current date : December 29, 2020

HDFC Bank vs Nifty 50



Annual Projections

Exhibit 1: Profit and Loss Statement					HDFC Bank
(₹ mn)	FY19	FY20	FY21E	FY22E	FY23E
Int. Income	9,89,721	11,48,127	13,38,983	15,56,548	18,55,995
Interest Expenses	5,07,288	5,86,264	6,71,318	7,39,051	8,59,018
Net Interest Income	4,82,432	5,61,863	6,67,665	8,17,497	9,96,977
<i>NIM (%)</i>	4.36	4.22	4.19	4.39	4.54
Adjusted NII	4,74,485	5,56,237	6,67,665	8,17,497	9,96,977
Core Fee Income	1,38,055	1,63,337	1,71,504	1,99,802	2,32,769
Exchange Income	17,204	21,547	23,702	27,258	31,346
Sale of Investments	3,868	19,344	19,537	19,928	20,526
Other Misc. Income	17,131	28,380	31,786	35,600	39,872
Other Income - Total	1,76,259	2,32,608	2,46,529	2,82,587	3,24,513
Net Operating Revenue	6,58,691	7,94,471	9,14,194	11,00,084	13,21,490
Employee Exp.	77,618	95,257	1,08,593	1,25,967	1,46,122
Other Opex	1,83,576	2,11,719	2,37,125	2,75,065	3,19,075
Total Opex	2,61,194	3,06,975	3,45,717	4,01,032	4,65,197
<i>C/I Ratio</i>	39.65	38.64	37.82	36.45	35.20
Pre Provision Profits	3,97,497	4,87,495	5,68,477	6,99,052	8,56,293
<i>PPP Growth (yoy %)</i>	21.8	22.6	16.6	23.0	22.5
Provisions & Contingencies - Total	75,501	1,21,424	1,81,772	1,84,422	2,19,731
<i>Credit Cost (As % of Op. AUM)</i>	0.97	1.21	1.50	1.25	1.25
Profit Before Tax	3,21,997	3,66,072	3,86,705	5,14,630	6,36,562
Tax	1,11,215	1,03,498	97,450	1,29,687	1,60,414
Effective Tax Rate	34.5	28.3	25.2	25.2	25.2
Reported Profits	2,10,782	2,62,573	2,89,255	3,84,943	4,76,148
<i>PAT Growth (yoy %)</i>	20.5	24.6	10.2	33.1	23.7

Source: Company, LKP Research

Exhibit 2: Balance Sheet

HDFC Bank

(₹ mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity Share Capital	5,447	5,483	5,483	5,483	5,483
Reserves (ex Revel. Reserve)	14,86,617	17,04,377	19,93,632	23,78,575	28,54,724
Net Worth - Ex Revaluation	14,92,063	17,09,860	19,99,116	23,84,059	28,60,207
Deposits	92,31,409	1,14,75,023	1,39,21,537	1,64,41,944	1,96,24,675
Borrowings	11,70,851	14,46,285	12,10,568	12,37,566	12,52,639
Interest Bearing Liabilities	1,04,02,261	1,29,21,308	1,51,32,106	1,76,79,509	2,08,77,314
Other Lia. & Prov.	5,51,083	6,73,944	7,40,130	8,28,653	9,42,211
Total Liabilities	1,24,45,407	1,53,05,113	1,78,71,351	2,08,92,220	2,46,79,732
Assets					
Cash & Cash Equivalent	8,13,476	8,66,187	11,01,252	11,55,951	11,75,517
Investments	29,05,879	39,18,267	42,51,608	46,41,695	51,49,935
Credit Equivalent	4,51,988	6,23,731	6,33,560	6,49,896	6,66,668
Loan & Advances	81,94,012	99,37,029	1,18,25,064	1,43,08,328	1,74,56,160
<i>Growth (yoy %)</i>	<i>24.5</i>	<i>21.3</i>	<i>19.0</i>	<i>21.0</i>	<i>22.0</i>
Fixed Assets	40,300	44,319	46,254	48,469	57,054
Other Assets	4,91,740	5,39,311	6,47,173	7,37,777	8,41,066
Total Assets	1,24,45,407	1,53,05,113	1,78,71,351	2,08,92,220	2,46,79,732

Source: Company, LKP Research

Exhibit 3: Credit Quality

HDFC Bank

Y/E Mar	FY19	FY20	FY21E	FY22E	FY23E
Slippage Ratio	2.2	2.1	2.0	1.6	1.2
Gross NPA (Cl Bal)	1,12,242	1,26,500	1,64,106	1,86,372	2,17,081
Gross NPAs Ratio (%)	1.4	1.3	1.4	1.3	1.2
PCR (%)	71.4	72.0	74.4	75.9	76.8
Net NPA (Cl. Bal.)	32,145	35,424	42,061	44,921	50,339
Net NPAs Ratio (%)	0.4	0.4	0.4	0.3	0.3
Total Impaired Loans	1,12,242	1,26,500	1,64,106	1,86,372	2,17,081
Impaired Loan as % of Loan / AUM	1.3	1.2	1.3	1.2	1.2
Total Risk Reserves	8,00,964	9,10,761	1,22,045	1,41,451	1,66,741
Total Risk As % of Loan Book	9.3	8.6	1.0	0.9	0.9

Source: Company, LKP Research

Exhibit 4 Detailed ROA Tree

HDFC Bank

Y/E Mar	FY19	FY20	FY21E	FY22E	FY23E
Yields / Margins					
Yield on Advance	10.5	10.1	9.8	9.7	9.7
Yield on Funds	8.9	8.6	8.4	8.3	8.5
Cost of Funds (CoF)	5.2	5.0	4.8	4.5	4.5
Interest Spread	3.7	3.6	3.6	3.8	4.0
NIM's	4.4	4.2	4.2	4.4	4.5
Interest Income / Assets	8.6	8.3	8.1	8.0	8.1
Interest Exp. / Assets	4.4	4.2	4.0	3.8	3.8
NII / Assets	4.2	4.0	4.0	4.2	4.4
Fee Income / Assets	1.2	1.2	1.0	1.0	1.0
Other Non Core Income / Assets	0.0	0.1	0.1	0.1	0.1
Other Income / Assets	1.5	1.7	1.5	1.5	1.4
Net Operating Income / Assets	5.7	5.7	5.5	5.7	5.8
Operating Ratios					
NII to Net Operative Income	73.2	70.7	73.0	74.3	75.4
Other Income to Net Operative Income	26.8	29.3	27.0	25.7	24.6
Empl. Cost/Oper. Exps.	29.7	31.0	31.4	31.4	31.4
Other Op. Exps./Oper. Exps.	70.3	69.0	68.6	68.6	68.6
C/I Ratio	39.7	38.6	37.8	36.5	35.2
Provisions as % PPP	11.5	15.3	19.9	16.8	16.6
Credit Cost (As % of Op. AUM)	1.0	1.2	1.5	1.3	1.3
Effective Tax Rate	34.5	28.3	25.2	25.2	25.2
Employee Exp. / Assets	0.7	0.7	0.7	0.6	0.6
Other Opex/ Assets	1.6	1.5	1.4	1.4	1.4
Total Opex / Assets	2.3	2.2	2.1	2.1	2.0
Operating Profits / Assets	3.4	3.5	3.4	3.6	3.8
Op Profit ex Except Items / Assets	3.4	3.5	3.4	3.6	3.8
Provisions / Assets	0.7	0.9	1.1	1.0	1.0
Profit Before Tax / Assets	2.8	2.6	2.3	2.7	2.8
Tax Expenses / Assets	1.0	0.7	0.6	0.7	0.7
RoA	1.8	1.9	1.7	2.0	2.1
Leverage (x)	8.3	9.0	8.9	8.8	8.6
RoE	16.5	16.4	15.6	17.6	18.2
Adj. RoA	1.8	1.9	1.7	2.0	2.1
Adj. RoE	16.5	16.4	15.6	17.6	18.2

Source: Company, LKP Research

Indusind Bank reported better than expected numbers in the previous quarter, as its gross slippages declined at ₹3.9bn v/s ₹15.4bn in 1QFY21. The bank reported provision expenses ₹19.6bn v/s ₹22.6bn in the previous quarter. The bank made additional covid provision of ₹9.55bn with addition to ₹11.9bn made in the previous two quarters. The total covid provisioning stood at ₹21.55bn. The total contingent provision (excluding PCR) stood at 1.7% of loan book. Total loan loss provisions (cumulative, covid and contingent) stood 130% of GNPLs and 3% of book. The bank's collection efficiencies have improved significantly (~95% as on Oct-20) and one of the best among large private banks. The capital infusion (post money CET 1: 14.5%) would provide further cushion. Furthermore the liquidity surplus of ₹400bn is likely to safeguard the balance sheet. We expect the credit cost to normalize in 2HFY21 and return ratios to reach the previous run rate. We have a positive outlook on the bank with a BUY rating.

Bulky provisioning expenses results in satisfactory PCR and covid buffer

The bank's provisioning expenses (₹19.6bn) decreased 13% sequentially which includes covid provisioning of ₹9.55bn. As of 2QFY21, the total covid provision stood ₹21.55bn. Moreover, the bank held cumulative provisions, floating provision, standard asset provision and other provision of ₹34.8bn, 0.7bn, ₹9.7bn and ₹1.5bn respectively. The total provisions stand at 130% of GNPLs and 3% of loans. Excluding cumulative provision (PCR calculation) the contingent provision is 1.7% of the loan book. The PCR for non-performing loans increased 1000bps to 77%. We believe the contingent provisions to be satisfactory for impending stress.

Decline in NPAs, restructured book to be in low single digit

As a result of no asset classification, the bank's gross slippages declined to ₹3.9bn (0.76% annualized) against ₹15.4bn (2.98% annualized) in the previous quarter. Total GNPA reduction stood at ₹9.7bn v/s ₹15.9bn in 1QFY21. The pro-forma GNPA and NNPA ratio would be 2.32% and 0.61% respectively. A reduction in NPAs emphasizes our hypothesis of stability in asset quality but the management alluded that restructuring is likely to be at low single digit when asset classification resumes. The SMA book (SMA1: 33bps and SMA2: 10bps) is under control. Although, the actual stress will be a key monitor-able, we believe the bank has made adequate provisioning.

Stable NII growth & robust PAT growth sequentially

NII grew by 12.7% YoY and de-grew by 0.9% QoQ driven by sequentially lower NIMs at 4.16%. Bank's YOA remain sequentially stable at 11.97% because of fixed rate loan books and BHFIN MFI books. However, excess liquidity (₹400bn) has resulted in sequentially lower NIMs. As a result PPP sequentially decreased by 1.1%. A bulky but sequentially lower provisioning expenses have translated in 43.5% sequential jump in reported profit at ₹6.47bn. The bank's ROA and ROE for the quarter stood at 0.83% and 7.12% respectively.

Outlook & Valuation

Core operating performance of Indusind Bank remains healthy. A higher PCR is likely to safeguard the bank from credit disruption from covid. We retain our BUY rating with a raised price target of ₹1,034 (based on 1.7x FY22E Adj. BVPS of ₹608).

Rating	Buy
Current Market Price (₹)	917
12 M Price Target (₹)	1,034
Potential upside (%)	13

Stock Data

FV (₹) :	2
Market Cap Full (₹ bn) :	694
Market Cap Free Float (₹ bn) :	492
52-Week High / Low (₹) :	1,585 / 236
2-Year High / Low (₹) :	1,834 / 236
1 Year Avg. Dly Traded Volume (in lakh)	
BSE Code / NSE Symbol :	532187 / INDUSINDBK
Bloomberg :	IIB IN

Shareholding Pattern (%)

	Sep-20	Jun-20	Mar-20	Dec-19
Promoter	14.68	14.65	14.34	14.38
FPIs	51.81	52.07	53.58	55.22
MFs	11.11	12.01	11.81	10.86
FI's / Banks	0.08	0.75	0.61	0.60
Insurance	6.02	1.15	2.92	3.20
Others	16.30	19.37	16.74	15.74

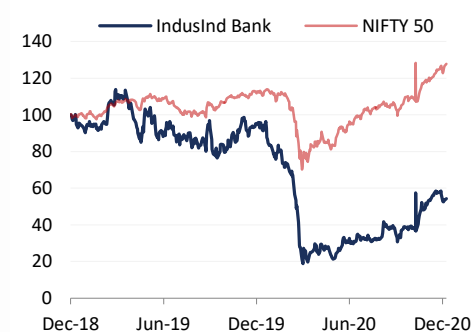
Source: BSE

Price Performance (%)

(%)	1M	3M	6M	1YR
Indusind Bank				
Nifty 50				

* To date / current date : December 29, 2020

Indusind Bank vs Nifty 50



Annual Projections

Exhibit 1: Profit and Loss Statement					INDUSIND BANK
(₹ mn)	FY19	FY20	FY21E	FY22E	FY23E
Interest Income	2,22,612	2,87,828	3,04,177	3,27,818	3,64,310
Interest Expenses	1,34,150	1,67,241	1,69,376	1,79,042	1,97,054
Net Interest Income	88,462	1,20,587	1,34,800	1,48,776	1,67,256
<i>NIM (%)</i>	3.77	4.44	4.58	4.62	4.63
Core Fee Income	50,680	57,850	61,321	68,986	77,609
Securities/MM/FX Trading/Others	5,787	11,663	13,413	15,559	17,892
Other Income - Total	56,467	69,513	74,734	84,545	95,502
Net Operating Revenue	1,44,929	1,90,101	2,09,534	2,33,321	2,62,758
Employee Exp.	18,535	22,085	24,072	27,081	30,467
Other Opex	45,512	60,289	63,303	72,165	82,269
Total Opex	64,047	82,373	87,375	99,247	1,12,735
<i>C/I Ratio</i>	44.19	43.33	41.70	42.54	42.90
<i>Pre Provision Profits</i>	80,882	1,07,727	1,22,158	1,34,074	1,50,022
<i>PPP Growth (yoy %)</i>	21.5	33.2	13.4	9.8	11.9
Core PPP	78,631	1,04,723	1,22,158	1,34,074	1,50,022
PPP ex Except. Items	80,882	1,07,727	1,22,158	1,34,074	1,50,022
<i>PPP ex Except Items Growth (yoy %)</i>	21.5	33.2	13.4	9.8	11.9
Provisions & Contingencies - Total	31,077	46,521	59,661	49,711	49,357
<i>redit Cost (As % of Op. AUM)</i>	1.88	2.18	2.50	2.00	2.00
Profit Before Tax	49,806	61,206	62,497	84,362	1,00,666
Tax	16,795	17,027	15,624	21,091	25,166
<i>Effective Tax Rate</i>	33.7	27.8	25.0	25.0	25.0
Reported Profits	33,011	44,179	46,873	63,272	75,499
<i>PAT Growth (yoy %)</i>	(8.5)	33.8	6.1	35.0	19.3

Source: Company, LKP Research

Exhibit 2: Balance Sheet					INDUSIND BANK
(₹ mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity Share Capital	6,027	6,935	7,565	7,565	7,565
Reserves (ex Reval. Reserve)	2,57,465	3,30,196	4,02,563	4,57,638	5,16,742
Net Worth - Ex Revaluation	2,63,492	3,37,131	4,10,128	4,65,203	5,24,307
Revaluation Reserve	3,256	3,101	2,582	2,297	-
Equity Warrant & Other	112	6,833	127	133	6,833
Minority Interest	-	-	-	-	-
Deposits	19,48,679	20,20,398	23,56,472	26,32,482	29,84,852
Borrowings	4,73,211	6,07,536	4,65,650	5,20,191	5,89,821
Interest Bearing Liabilities	24,21,890	26,27,934	28,22,122	31,52,673	35,74,673
Other Lia. & Prov.	89,444	95,577	85,219	48,418	35,730
Total Liabilities	27,78,194	30,70,576	33,20,177	36,68,724	41,41,543
Assets					
Cash & Cash Equivalent	1,47,834	1,60,037	1,79,772	1,91,699	2,16,843
Investments	5,92,662	5,99,799	6,63,773	7,27,951	8,01,633
AUM/ Credit Exposure	28,28,983	28,28,984	28,28,984	28,28,984	28,28,984
Off Book AUM	9,65,048	7,61,152	-	-	-
Credit Equivalent	52,979	53,537	56,750	60,722	64,973
Loan & Advances	18,63,935	20,67,832	22,12,580	24,67,027	28,12,410
<i>Growth (yoy %)</i>	<i>28.6</i>	<i>10.9</i>	<i>7.0</i>	<i>11.5</i>	<i>14.0</i>
Fixed Assets	17,100	18,201	19,122	19,973	22,374
Other Assets	1,56,663	2,24,707	2,44,930	2,62,075	2,88,283
Total Assets	27,78,194	30,70,576	33,20,177	36,68,724	41,41,543

Source: Company, LKP Research

Exhibit 3: Credit Quality					INDUSIND BANK
(₹ mn)	FY19	FY20	FY21E	FY22E	FY23E
<i>Slippage Ratio</i>	<i>3.7</i>	<i>3.1</i>	<i>3.0</i>	<i>2.2</i>	<i>1.8</i>
Gross NPA (Cl Bal)	39,474	51,467	69,250	62,419	64,639
<i>Gross NPAs Ratio (%)</i>	<i>2.1</i>	<i>2.5</i>	<i>3.1</i>	<i>2.5</i>	<i>2.3</i>
<i>PCR (%)</i>	<i>43.0</i>	<i>63.3</i>	<i>63.8</i>	<i>62.9</i>	<i>62.6</i>
Net NPA (Cl. Bal.)	22,483	18,866	25,073	23,182	24,153
<i>Net NPAs Ratio (%)</i>	<i>1.2</i>	<i>0.9</i>	<i>1.1</i>	<i>0.9</i>	<i>0.9</i>
Total Impaired Loans	39,869	52,496	69,250	62,419	64,639
<i>Impaired Loan as % of Loan / AUM</i>	<i>2.1</i>	<i>2.5</i>	<i>3.1</i>	<i>2.5</i>	<i>2.2</i>
Total Risk Reserves	16,991	32,601	44,177	39,237	40,486
<i>Total Risk As % of Loan Book</i>	<i>0.9</i>	<i>1.5</i>	<i>1.9</i>	<i>1.6</i>	<i>1.4</i>

Source: Company, LKP Research

Exhibit 4: Detailed ROA Tree

INDUSIND BANK

Y/E Mar	FY19	FY20	FY21E	FY22E	FY23E
Yields / Margins					
Yield on Advance	11.0	12.2	11.9	11.8	11.7
Yield on Funds	9.5	10.6	10.3	10.2	10.1
Cost of Funds (CoF)	6.2	6.6	6.2	6.0	5.9
Interest Spread	3.3	4.0	4.1	4.2	4.2
NIM's	3.8	4.4	4.6	4.6	4.6
Interest Income / Assets	8.9	9.8	9.5	9.4	9.3
Interest Exp. / Assets	5.4	5.7	5.3	5.1	5.0
NII / Assets	3.5	4.1	4.2	4.3	4.3
Fee Income / Assets	2.0	2.0	1.9	2.0	2.0
Other Income / Assets	2.3	2.4	2.3	2.4	2.4
Net Operating Income / Assets	5.8	6.5	6.6	6.7	6.7
Operating Ratios					
NII to Net Operative Income	61.0	63.4	64.3	63.8	63.7
Other Income to Net Operative Income	39.0	36.6	35.7	36.2	36.3
Empl. Cost/Oper. Exps.	28.9	26.8	27.6	27.3	27.0
Other Op. Exps./Oper. Exps.	71.1	73.2	72.4	72.7	73.0
C/I Ratio	44.2	43.3	41.7	42.5	42.9
Provisions as % PPP	21.4	24.5	28.5	21.3	18.8
Credit Cost (As % of Op. AUM)	1.9	2.2	2.5	2.0	2.0
Effective Tax Rate	33.7	27.8	25.0	25.0	25.0
Employee Exp. / Assets	0.7	0.8	0.8	0.8	0.8
Other Opex/ Assets	1.8	2.1	2.0	2.1	2.1
Total Opex / Assets	2.6	2.8	2.7	2.8	2.9
Operating Profits / Assets	3.2	3.7	3.8	3.8	3.8
Op Profit ex Except Items / Assets	3.2	3.7	3.8	3.8	3.8
Provisions / Assets	1.2	1.6	1.9	1.4	1.3
Profit Before Tax / Assets	2.0	2.1	2.0	2.4	2.6
Tax Expenses / Assets	0.7	0.6	0.5	0.6	0.6
RoA	1.3	1.5	1.5	1.8	1.9
Leverage (x)	10.5	9.1	8.1	7.9	7.9
RoE	13.1	14.6	12.5	14.4	15.2
Adj. RoA	1.3	1.5	1.5	1.8	1.9
Adj. RoE	13.1	14.6	12.5	14.4	15.2

Source: Company, LKP Research

State Bank of India (SBI) has delivered a strong result on operating, assets quality as well as collection efficiencies front. Moreover, reported gross slippages declined to ₹30.8bn v/s ₹39.1bn in the previous quarter. Furthermore, the collection efficiencies of domestic loans (excluding Agriculture) stood 97%. It reported GNPA (5.28% v/s 5.44% in 1QFY21) and NNPA (1.59% v/s 1.86% in 1QFY21) declined substantially along with higher PCR (incl. AUCA) of 88.2%. The bank has witnessed muted net advances (-0.2% QoQ) and strong deposit growth (1.5% QoQ) sequentially with better liquidity position (LCR of 140%+). Moreover the bank has reported PAT of ₹45.7bn (v/s ₹41.7bn in 1QFY21) on back of healthy NII growth (15% YoY and 6% QoQ) along with heavy provisioning expenses of ₹101bn against ₹125bn in the previous quarter. The 2QFY21 ROA and ROE stood at 0.44% and 7.45% respectively.

Continued trend in Asset Quality improvement

Slippages during the quarter were ₹30.1bn (v/s ₹39.1bn in 1QFY21) of these, 37% came from the retail book while Agriculture, corporate and SME slippages contributed 13%, 6% and 27% respectively. The additional pro-forma slippages in 2QFY21 was ₹143.9bn. The headline GNPA and NNPA ratio declined substantially to 5.28% and 1.59% respectively as asset classification stood still. The PCR for the bank stands at 88.2% (+190 bps QoQ). The pro-forma GNPA/NNPA ratio would have been 5.88%/2.08%. Agriculture GNPA remain flat at 14.81% v/s 15.37% in 1QFY21. Furthermore, the agriculture book is also changing and agriculture gold loan contribution is increasing substantially. Overall corporate GNPA ratio inched up to 7.89% from 7.73% in the previous quarter. Further, GNPA reduction (₹69bn) has assisted the lower slippages to reduce the headline GNPA/NNPA ratio.

Steady operational quarter

Aided by sequentially up domestic NIMs to 3.34% (vs. 3.24% for 1QFY21) the NII witnessed healthy growth of 15% and 6% sequentially. The cost of deposit has moderated further to 4.35%; decline 13bps sequentially. Core-fee income has witnessed a growth of 17% sequentially. Separately, C/I ratio increased to 55.2% (v/s 52.2% in the previous quarter). Management indicated that the NIMs are likely to remain stable or moderate further because of interest reversal from slippages.

Business growth in line with the industry

The Bank has been retaining its market share (21% of total SCB's credit) as the credit grew by 6.9% YoY though de-grew by 0.2% sequentially. The retail segment (37% of loan book) growth was 5% sequentially as other segments de-grew considering risk aversion.

Outlook & Valuations

We expect the bank to post a ROA/ROE of 0.5%/8.9% by FY22E led by healthy balance sheet growth along with higher PCR and stable asset quality. We value the standalone bank with PBV of 0.8x FY22E Adj. BVPS of ₹255 and value of subsidiaries per share of ₹112 to reach a price target of ₹315. We recommend BUY with potential upside of 13%. Among all PSU banks, SBI is our Top Pick.

Rating	Buy
Current Market Price (₹)	278
12 M Price Target (₹)	315
Potential upside (%)	13

Stock Data

FV (₹) :	1
Market Cap Full (₹ bn) :	2,479
Market Cap Free Float (₹ bn) :	1,066
52-Week High / Low (₹) :	340/ 150
2-Year High / Low (₹) :	374 / 150
1 Year Avg. Dly Traded Volume (in lakh)	639
BSE Code / NSE Symbol :	500112 / SBIN
Bloomberg :	SBIN IN

Shareholding Pattern (%)

	Sep-20	Jun-20	Mar-20	Dec-19
Promoter	57.63	57.64	57.63	57.68
FPIs	7.75	7.91	9.59	10.98
MFs	12.95	13.18	13.62	13.75
Insurance	11.33	11.27	10.59	10.55
Others	10.34	10.00	8.57	7.04

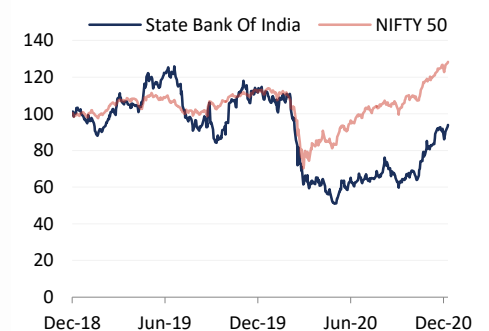
Source: BSE

Price Performance (%)

(%)	1M	3M	6M	1YR
SBI	13.7%	50.1%	54.9%	-17.7%
Nifty 50	7.4%	24.1%	35.1%	13.8%

* To date / current date : December 29, 2020

SBI vs Nifty 50



Annual Projections

Exhibit 1: Profit and Loss Statement					STATE BANK OF INDIA
(₹ mn)	FY19	FY20	FY21E	FY22E	FY23E
Int. Income / Opr. Revenue	24,28,687	25,73,236	26,80,384	28,54,127	30,85,952
Interest Expenses	15,45,198	15,92,388	15,42,980	16,08,990	17,08,672
Net Interest Income	8,83,489	9,80,848	11,37,404	12,45,136	13,77,281
<i>NIM (%)</i>	2.69	2.80	3.03	3.07	3.09
Adjusted NII	8,27,057	9,16,352	11,37,404	12,45,136	13,77,281
Core Fee Income & Dividend	2,33,039	2,37,251	2,45,554	2,57,832	2,70,724
Exchange Income	21,558	25,164	26,171	27,741	29,405
Sale of Investments	10,228	85,757	60,030	66,333	74,293
Other Misc. Income	1,02,924	1,04,044	12,232	12,966	13,744
Other Income - Total	3,67,749	4,52,215	3,43,987	3,64,872	3,88,166
Net Operating Revenue	12,51,238	14,33,063	14,81,391	16,10,008	17,65,447
Employee Exp.	4,10,547	4,57,150	5,02,865	5,53,151	6,08,466
Other Opex	2,86,330	2,94,587	2,79,858	2,96,649	3,14,448
Total Opex	6,96,877	7,51,737	7,82,723	8,49,800	9,22,915
<i>C/I Ratio (%)</i>	55.70	52.46	52.84	52.78	52.28
Pre Provision Profits	5,54,360	6,81,326	6,98,669	7,60,208	8,42,532
<i>PPP Growth (yoy %)</i>	(6.8)	22.9	2.5	8.8	10.8
Provisions & Contingencies - Total	5,38,286	4,39,013	5,01,450	4,58,253	4,21,721
<i>Credit Cost (As % of Op. AUM)</i>	2.82	2.03	2.10	1.80	1.50
Profit Before Tax	16,075	2,42,313	1,97,219	3,01,955	4,20,812
Tax	14,453	1,03,141	49,305	75,489	1,05,203
<i>Effective Tax Rate (%)</i>	62.6	41.6	25.0	25.0	25.0
Reported Profits	1,622	1,39,172	1,47,914	2,26,466	3,15,609
<i>PAT Growth (yoy %)</i>	(102.5)	8,479.2	6.3	53.1	39.4

Source: Company, LKP Research

Exhibit 2: Balance Sheet

STATE BANK OF INDIA

(₹ mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity Share Capital	8,925	8,925	8,925	8,925	8,925
Reserves (ex Revel. Reserve)	19,53,674	20,73,523	22,21,437	24,47,903	27,63,512
Net Worth - Ex Revaluation	19,62,599	20,82,448	22,30,362	24,56,828	27,72,437
Deposits	2,91,13,860	3,24,16,207	3,49,32,840	3,82,37,832	4,21,83,621
Borrowings	40,30,171	31,46,557	31,41,100	34,15,580	39,18,697
Interest Bearing Liabilities (₹ mn)	3,31,44,031	3,55,62,764	3,80,73,940	4,16,53,411	4,61,02,318
Other Lia. & Prov.	14,55,973	16,31,101	17,94,498	19,40,683	20,57,125
Total Liabilities	3,68,09,143	3,95,13,939	4,23,28,235	4,62,74,187	5,11,52,717
Assets					
Cash & Cash Equivalent	22,24,901	25,10,970	27,36,607	29,52,841	31,82,131
Investments	96,70,219	1,04,69,545	1,13,59,911	1,22,58,341	1,32,24,412
Credit Equivalent	13,83,369	17,64,211	18,14,306	18,91,841	19,73,089
Loan & Advances (₹ mn)	2,18,58,769	2,32,52,896	2,46,48,069	2,71,12,876	3,03,66,421
Growth (yoy %)	13.0	6.4	6.0	10.0	12.0
Fixed Assets	3,91,976	3,84,393	4,12,379	4,45,878	4,90,034
Other Assets	26,63,277	28,96,136	31,71,268	35,04,252	38,89,719
Total Assets	3,68,09,143	3,95,13,939	4,23,28,235	4,62,74,187	5,11,52,717

Source: Company, LKP Research

Exhibit 3: Credit Quality

STATE BANK OF INDIA

(₹ mn)	FY19	FY20	FY21E	FY22E	FY23E
<i>Slippage Ratio (%)</i>	2.1	2.5	2.4	1.5	1.2
Gross NPA	17,27,503	14,89,125	16,93,974	16,90,591	15,90,815
<i>Gross NPAs Ratio (%)</i>	7.5	6.2	6.9	6.2	5.2
<i>PCR (%)</i>	61.9	65.2	65.3	67.9	67.1
Net NPA	6,58,947	5,18,713	5,86,971	5,42,784	5,23,395
<i>Net NPAs Ratio (%)</i>	3.0	2.2	2.4	2.0	1.7
Total Impaired Loans	17,79,328	14,89,125	16,93,974	16,90,591	15,90,815
<i>Impaired Loan as % of Loan / AUM</i>	7.7	6.0	6.4	5.8	4.9
Total Risk Reserves	10,68,556	9,70,412	11,07,002	11,47,806	10,67,420
<i>Total Risk As % of Loan Book</i>	4.6	3.9	4.2	4.0	3.3

Source: Company, LKP Research

Exhibit 4: Detailed ROA Tree

STATE BANK OF INDIA

Y/E Mar	FY19	FY20	FY21E	FY22E	FY23E
Yields / Margins					
Yield on Advance	7.8	8.0	7.8	7.7	7.5
Yield on Funds	7.4	7.4	7.1	7.0	6.9
Cost of Funds (CoF)	4.8	4.6	4.2	4.0	3.9
Interest Spread	2.6	2.7	3.0	3.0	3.0
NIM's	2.7	2.8	3.0	3.1	3.1
Interest Income / Assets	6.8	6.7	6.6	6.4	6.3
Interest Exp. / Assets	4.3	4.2	3.8	3.6	3.5
NII / Assets	2.5	2.6	2.8	2.8	2.8
Fee Income / Assets	0.7	0.6	0.6	0.6	0.6
Other Non Core Income / Assets	0.0	0.2	0.1	0.1	0.2
Other Income / Assets	1.0	1.2	0.8	0.8	0.8
Net Operating Income / Assets	3.5	3.8	3.6	3.6	3.6
Operating Ratios					
NII to Net Operative Income	70.6	68.4	76.8	77.3	78.0
Other Income to Net Operative Income	29.4	31.6	23.2	22.7	22.0
Empl. Cost/Oper. Exps.	58.9	60.8	64.2	65.1	65.9
Other Op. Exps./Oper. Exps.	41.1	39.2	35.8	34.9	34.1
C/I Ratio (%)	55.7	52.5	52.8	52.8	52.3
Provisions as % PPP	42.5	30.2	33.8	28.5	23.9
Credit Cost (As % of Op. AUM)	2.8	2.0	2.1	1.8	1.5
Effective Tax Rate (%)	62.6	41.6	25.0	25.0	25.0
Employee Exp. / Assets	1.2	1.2	1.2	1.2	1.2
Other Opex/ Assets	0.8	0.8	0.7	0.7	0.6
Total Opex / Assets	2.0	2.0	1.9	1.9	1.9
Operating Profits / Assets	1.6	1.8	1.7	1.7	1.7
Op Profit ex Except Items / Assets	1.6	1.8	1.7	1.7	1.7
Provisions / Assets	1.5	1.1	1.2	1.0	0.9
Profit Before Tax / Assets	0.1	0.6	0.5	0.7	0.9
Tax Expenses / Assets	0.0	0.3	0.1	0.2	0.2
RoA	0.0	0.4	0.4	0.5	0.6
Leverage (x)	18.8	19.0	19.0	18.8	18.5
RoE	0.4	6.4	6.2	8.8	11.1
Adj. RoA	0.0	0.4	0.4	0.5	0.6
Adj. RoE	0.4	6.4	6.2	8.8	11.1

Source: Company, LKP Research

In 2QFY21, Bank of Baroda (BOB) has delivered a strong result on operating, assets quality as well as collection efficiencies front. Moreover, reported gross slippages declined to ₹15.2bn v/s ₹30bn in the previous quarter. Furthermore, the collection efficiencies of domestic loans (excluding Agriculture) stood 94% of same quarter in previous year. It reported GNPA (9.14% v/s 9.39% in 1QFY21) and NNPA (2.51% v/s 2.83% in 1QFY21) declined substantially along with higher PCR (incl. TWO) of 85.4%. The bank has witnessed stable net advances (5.1% YoY) and strong deposit growth (6.7% YoY) with better liquidity position (LCR of 140%+). Moreover the bank has reported PAT of ₹16.8bn (v/s loss of ₹8.6bn in 1QFY21) on back of healthy NII growth (6.8% YoY and 10.1% QoQ) along with heavy provisioning expenses of ₹30.1bn against ₹56.2bn in the previous quarter. The 2QFY21 ROA and ROE stood at 0.59% and 9.24% respectively. Factoring the healthy collection efficiency, we believe the covid provision (~30bps of the net advances) would be adequate to absorb imminent stress. The bank may raise ₹135bn in FY21 which is likely to boost the balance sheet further. We believe the negatives are in the price and inexpensive valuation (0.4x PBV) makes BOB an attractive BUY.

Improving asset quality along with higher collection efficiency

Slippages during the quarter were lower at ₹15.2bn (v/s ₹30bn in 1QFY21) and deduction (up-gradation, recovery & write-off) stood higher at ₹49.5bn (v/s ₹32.5bn in 1QFY21). It has resulted in 25bps and 32bps decline in GNPA and NNPA ratio to 9.14% and 2.51% respectively. The pro-forma GNPA and NNPA ratio would have been 9.3% and 2.67% respectively. Moreover, the bank's collection efficiency is witnessing continuous improvement and Oct-20, collection efficiency stood 94% of Oct-19 levels. With continuous improvement in collection efficiencies, we believe the stress to be moderate level and way below the earlier anticipation.

Adequate Provision Buffer

In 2QFY21, the bank has made provisioning expenses of ₹30.1bn (Credit cost: 1.24% v/s 1.87% in 1QFY21). The PCR (calculated) inched up 250bps to 74.4%. The PCR (including TWO) stood 85.4% of GNPLs. With covid provision ₹17.5bn (~30bps of net advances), the bank is at better placed to combat the delinquencies appearing post resumption of asset classification.

Strong operational 2QFY21

Aided by sequentially up domestic NIMs to 2.96% (up 33bps from 1QFY21) the NII witnessed healthy growth of 6.8% and 10.1% sequentially. The cost of deposit has moderated further to 3.99%; decline 49bps sequentially. Non-interest income has witnessed a growth of 113% sequentially. Separately, C/I ratio moderated to 46.2% (v/s 50% in the previous quarter). Management indicated that the NIMs are likely to remain stable or moderate further because of interest reversal from slippages.

Adequate capital cushion, fund raise on cards

The bank's CRAR 13.26% vs. 12.84% in the previous quarter with CET 1 of 9.21%. The bank has taken an enabling resolution from the board, it may raise ₹135bn in FY21 depending upon the requirement. The RWA to assets stood at 50.4% with LCR well above the regulatory requirement.

Outlook & Valuations

We expect the bank to post a ROA/ROE of 0.4%/6.2% by FY22E led by stable balance sheet growth along with higher PCR and stable asset quality. We value the standalone bank with PBV of 0.5x FY22E Adj. BVPS of ₹148 to reach a price target of ₹74. We recommend BUY rating with potential upside of 19%.

Rating	Buy
Current Market Price (₹)	62
12 M Price Target (₹)	74
Potential upside (%)	19

Stock Data

FV (₹) :	2
Market Cap Full (₹ bn) :	288
Market Cap Free Float (₹ bn) :	75
52-Week High / Low (₹) :	106 / 36
2-Year High / Low (₹) :	105 / 36
1 Year Avg. Dly Traded Volume (in lakh)	355
BSE Code / NSE Symbol :	532134 / BANKBARODA
Bloomberg :	BOB IN

Shareholding Pattern (%)

	Sep-20	Jun-20	Mar-20	Dec-19
Promoter	71.60	71.60	71.60	71.60
FPIs	3.94	4.09	4.57	4.83
MFs	7.08	8.79	10.01	9.91
Insurance	4.02	3.56	3.56	3.56
Others	13.36	11.96	10.26	10.10

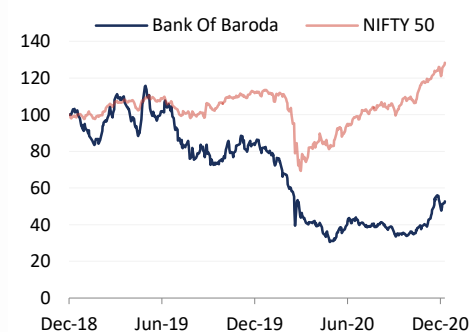
Source: BSE

Price Performance (%)

(%)	1M	3M	6M	1YR
Bank Of Baroda	23.2	53.2	27.2	-37.4
Nifty 50	7.9	24.6	36.3	14.6

* To date / current date : December 29, 2020

Bank Of Baroda vs Nifty 50



Annual Projections

Exhibit 1: Profit and Loss Statement					BANK OF BARODA
(₹ mn)	FY19	FY20	FY21E	FY22E	FY23E
Int. Income / Opr. Revenue	4,99,741	7,59,837	8,55,520	9,10,156	9,85,382
Interest Expenses	3,12,903	4,85,324	5,33,896	5,66,719	6,13,255
Net Interest Income	1,86,838	2,74,513	3,21,624	3,43,437	3,72,127
NIM (%)	2.62	3.01	2.89	2.90	2.90
Adjusted NII	1,76,206	2,54,495	3,21,624	3,43,437	3,72,127
Core Fee Income	42,389	64,469	72,205	80,869	90,574
Exchange Income	6,932	10,161	11,178	12,295	13,525
Sale of Investments	10,048	27,544	30,298	33,328	34,328
Other Misc. Income	1,541	999	1,099	1,209	1,330
Other Income - Total	60,910	1,03,173	1,14,780	1,27,702	1,39,757
Net Operating Revenue	2,47,748	3,77,686	4,36,404	4,71,139	5,11,884
Employee Exp.	50,391	87,695	92,957	98,534	1,04,446
Other Opex	62,488	93,077	1,03,315	1,14,680	1,27,295
Total Opex	1,12,880	1,80,772	1,96,272	2,13,214	2,31,741
C/I Ratio (%)	45.56	47.86	44.97	45.26	45.27
Pre Provision Profits	1,34,868	1,96,914	2,40,132	2,57,925	2,80,143
PPP Growth (yoy %)	12.3	46.0	21.9	7.4	8.6
Provisions & Contingencies - Total	1,27,887	2,14,928	2,23,672	1,94,740	1,70,632
Credit Cost (As % of Op. AUM)	2.88	3.52	3.00	2.50	2.00
Profit Before Tax	6,981	(18,014)	16,459	63,185	1,09,511
Tax	2,646	(23,483)	4,444	17,060	29,568
Effective Tax Rate (%)	37.9	130.4	27.0	27.0	27.0
Reported Profits	4,335	5,469	12,015	46,125	79,943
PAT Growth (yoy %)	(117.8)	26.2	119.7	283.9	73.3

Source: Company, LKP Research

Exhibit 2: Balance Sheet

BANK OF BARODA

(₹ mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity Share Capital	5,304	9,254	9,254	9,254	9,254
Reserves (ex Reval. Reserve)	4,08,966	7,09,308	7,21,324	7,59,092	7,38,762
Net Worth - Ex Revaluation	4,14,270	7,18,562	7,30,577	7,68,346	7,48,015
Deposits	63,86,897	94,59,844	98,85,015	1,07,27,356	1,17,07,749
Borrowings	6,72,013	9,30,693	9,77,639	10,60,947	10,87,605
Interest Bearing Liabilities (₹ mn)	70,58,910	1,03,90,537	1,08,62,654	1,17,88,304	1,27,95,355
Other Lia. & Prov.	2,41,133	4,70,056	5,31,463	5,88,714	6,70,240
Total Liabilities	78,09,874	1,15,79,155	1,21,24,695	1,31,45,364	1,42,13,610
Assets					
Cash & Cash Equivalent	8,92,296	12,19,011	13,07,286	14,19,381	15,46,856
Investments	18,22,981	27,46,146	30,85,824	35,29,884	39,76,326
Credit Equivalent	81,514	1,37,261	1,60,596	1,87,032	2,17,832
Loan & Advances (₹ mn)	46,88,187	69,01,207	69,70,219	73,88,433	78,31,739
Growth (yoy %)	9.7	47.2	1.0	6.0	6.0
Fixed Assets	69,903	88,893	1,00,034	1,06,655	1,15,617
Other Assets	3,36,507	6,23,898	6,61,331	7,01,011	7,43,072
Total Assets	78,09,874	1,15,79,155	1,21,24,695	1,31,45,364	1,42,13,610

Source: Company, LKP Research

Exhibit 3: Asset Quality

BANK OF BARODA

(₹ mn)	FY19	FY20	FY21E	FY22E	FY23E
Slippage Ratio (%)	3.2	9.6	6.0	4.0	3.5
Gross NPA	4,82,328	6,93,814	5,68,029	3,82,670	2,33,854
Gross NPAs Ratio (%)	9.6	9.4	8.1	5.2	3.0
PCR (%)	67.6	68.9	76.1	76.8	76.9
Net NPA	1,56,095	2,15,766	1,35,695	88,771	53,963
Net NPAs Ratio (%)	3.3	3.1	1.9	1.2	0.7
Total Impaired Loans	4,82,328	6,93,814	5,68,029	3,82,670	2,33,854
Impaired Loan as % of Loan / AUM	10.1	9.9	8.0	5.1	2.9
Total Risk Reserves	3,26,233	4,78,048	4,32,334	2,93,900	1,79,891
Total Risk As % of Loan Book	6.8	6.8	6.1	3.9	2.2

Source: Company, LKP Research

Exhibit 4: Detailed ROA Tree

BANK OF BARODA

Y/E Mar	FY19	FY20	FY21E	FY22E	FY23E
Yields / Margins					
Yield on Advance	7.7	9.3	8.4	8.4	8.4
Yield on Funds	7.0	8.3	7.7	7.7	7.7
Cost of Funds (CoF)	4.6	5.6	5.0	5.0	5.0
Interest Spread	2.4	2.8	2.7	2.7	2.7
NIM's	2.6	3.0	2.9	2.9	2.9
Interest Income / Assets					
Interest Income / Assets	6.7	7.8	7.2	7.2	7.2
Interest Exp. / Assets	4.2	5.0	4.5	4.5	4.5
NII / Assets	2.5	2.8	2.7	2.7	2.7
Fee Income / Assets	0.6	0.7	0.6	0.6	0.7
Other Non Core Income / Assets	0.1	0.3	0.3	0.3	0.3
Other Income / Assets	0.8	1.1	1.0	1.0	1.0
Net Operating Income / Assets	3.3	3.9	3.7	3.7	3.7
Operating Ratios					
NII to Net Operative Income	75.4	72.7	73.7	72.9	72.7
Other Income to Net Operative Income	24.6	27.3	26.3	27.1	27.3
Empl. Cost/Oper. Exps.	44.6	48.5	47.4	46.2	45.1
Other Op. Exps./Oper. Exps.	55.4	51.5	52.6	53.8	54.9
C/I Ratio (%)	45.6	47.9	45.0	45.3	45.3
Provisions as % PPP	51.6	56.9	51.3	41.3	33.3
Credit Cost (As % of Op. AUM)	2.9	3.5	3.0	2.5	2.0
Effective Tax Rate (%)	37.9	130.4	27.0	27.0	27.0
Employee Exp. / Assets					
Employee Exp. / Assets	0.7	0.9	0.8	0.8	0.8
Other Opex/ Assets					
Other Opex/ Assets	0.8	1.0	0.9	0.9	0.9
Total Opex / Assets	1.5	1.9	1.7	1.7	1.7
Operating Profits / Assets	1.8	2.0	2.0	2.0	2.0
Op Profit ex Except Items / Assets	1.8	2.0	2.0	2.0	2.0
Provisions / Assets					
Provisions / Assets	1.7	2.2	1.9	1.5	1.2
Profit Before Tax / Assets	0.1	(0.2)	0.1	0.5	0.8
Tax Expenses / Assets					
Tax Expenses / Assets	0.0	(0.2)	0.0	0.1	0.2
RoA	0.1	0.1	0.1	0.4	0.6
Leverage (x)					
Leverage (x)	18.9	16.1	16.6	17.1	19.0
RoE	1.0	0.9	1.7	6.2	10.5
Adj. RoA	0.1	0.1	0.1	0.4	0.6
Adj. RoE	1.0	0.9	1.7	6.2	10.5

Source: Company, LKP Research

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