

STATE BANK OF INDIA | Banking

Rerating with increased TP of ₹422

LKP

Result and Price Analysis:

State Bank of India (SBI) has delivered a strong result on operating and assets quality front. Moreover, reported gross slippages stood minuscule at ₹2.8bn v/s ₹30.8bn in the previous quarter. 9MFY21, pro-forma slippages stood at ₹164.6bn. It reported GNPA (4.77% v/s 5.28% in 2QFY21) and NNPA (1.23% v/s 1.59% in 2QFY21) declined substantially along with higher PCR (incl. AUCA) of 90.2%. The Pro-forma GNPA/NNPA ratio declined sequentially to 5.44%/1.81% v/s 5.88%/2.08% in the previous quarter. The bank has witnessed stable net advances (7.6% YoY & 3.2% QoQ) and strong deposit growth (13.6% YoY & 1.9% QoQ) sequentially with better liquidity position (LCR of 140%+). Moreover the bank has reported PAT of ₹52bn (v/s ₹45.7bn in 2QFY21) on back of steady NII growth (3.7% YoY and 2.3% QoQ) along with heavy provisioning expenses of ₹103bn against ₹101bn in the previous quarter. The 2QFY21 ROA and ROE stood at 0.44% and 7.45% respectively. The bank has established total COVID provisioning ~₹130bn (55bps of net advances) as on 3QFY21.

Gazing the core:

Continued trend in asset quality improvement: Slippages during the quarter were ₹2.8bn (v/s ₹30.8bn in 2QFY21). The additional pro-forma slippages in 3QFY21 was moderate at ₹15bn. The headline GNPA and NNPA ratio declined substantially to 4.77% and 1.23% respectively as asset classification stood still. The PCR for the bank stands at 90.2% (+190 bps QoQ). The pro-forma GNPA/NNPA ratio declined to 5.44%/1.81% v/s 5.88%/2.08% in the previous quarter. Agriculture GNPA remain down at 13.71% v/s 14.81% in 2QFY21. Furthermore, the agriculture book is also changing and agriculture gold loan contribution is increasing substantially. Overall corporate GNPA ratio ease down to 7.54% from 7.89% in the previous quarter. Further, GNPA reduction (₹89bn) has assisted the lower slippages to reduce the headline GNPA/NNPA ratio.

Steady operational quarter: Aided by sequentially stable domestic NIMs at 3.34% the NII witnessed steady growth of 3.7% YoY and 2.3% sequentially. The cost of deposit has moderated further to 4.26%; decline 09bps sequentially. Core-fee income has witnessed a growth of 8.4% sequentially. Separately, C/I ratio decreased to 54.5% (v/s 55.2% 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 7.6% YoY and 3.2% sequentially. The retail segment (39% of loan book) growth was 14% YoY and 5% sequentially as other segments grew marginally.

Outlook & Valuations

We expect the bank to post a ROA/ROE of 0.5%/9.1% by FY22E led by healthy balance sheet growth along with higher PCR and stable asset quality. We rerate the stock with strong BUY and increased target price of ₹422 (potential upside of 19%). We value the standalone bank with PBV of 1.2x FY22E Adj. BVPS of ₹258 and value of subsidiaries per share of ₹112.

Key Financials (₹ mn)	FY19	FY20	FY21E	FY22E	FY23E
NII	883,489	980,848	1,138,501	1,238,939	1,391,947
Operating Profit	554,360	681,326	726,350	783,387	890,100
Reported Profits	1,622	139,172	218,931	241,574	348,006
Net Worth	1,962,599	2,082,448	2,301,379	2,542,953	2,890,959
Loan & Advances	21,858,769	23,252,896	24,648,069	27,112,876	30,366,421
Int. Bearing Liabilities	33,144,031	35,562,764	39,478,191	43,177,751	47,601,375

Key Ratios (%)	FY19	FY20	FY21E	FY22E	FY23E
NIM's	2.7	2.8	3.0	3.0	3.1
C/I Ratio	55.7	52.5	51.9	52.0	50.9
Gross NPA Ratio	7.5	6.2	6.2	5.0	4.1
Tier 1 Ratio	10.9	10.5	10.7	10.7	10.9
Adj. RoA Ratio	0.0	0.4	0.5	0.5	0.7
Adj. RoE Ratio	0.4	6.4	9.0	9.1	11.8

Rating	Buy
Current Market Price (₹)	355
12 M Price Target (₹)	422
Potential upside (%)	19

Stock Data

FV (₹) :	1
Market Cap Full (₹ bn) :	3,195
Market Cap Free Float (₹ bn) :	1,363
52-Week High / Low (₹) :	358 / 150
2-Year High / Low (₹) :	374 / 150
1 Year Avg. Dly Traded Volume (in lakh)	655
BSE Code / NSE Symbol :	500112 / SBIN
Bloomberg :	SBIN IN

Shareholding Pattern (%)

	Dec-20	Sep-20	Jun-20	Mar-20
Promoter	57.64	57.63	57.64	57.63
FPIs	9.82	7.75	7.91	9.59
MFs	12.72	12.95	13.18	13.62
Insurance	11.09	11.33	11.27	10.59
Others	8.73	10.34	10.00	8.57

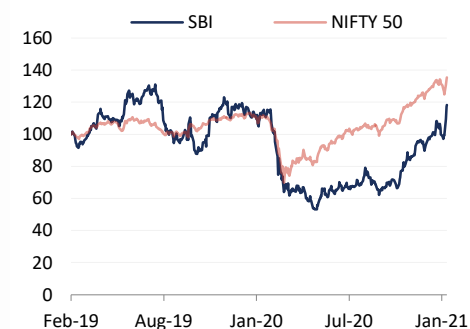
Source: BSE

Price Performance (%)

(%)	1M	3M	6M	1YR
SBI	26.3%	71.5%	85.3%	15.9%
Nifty 50	5.4%	25.1%	34.3%	24.3%

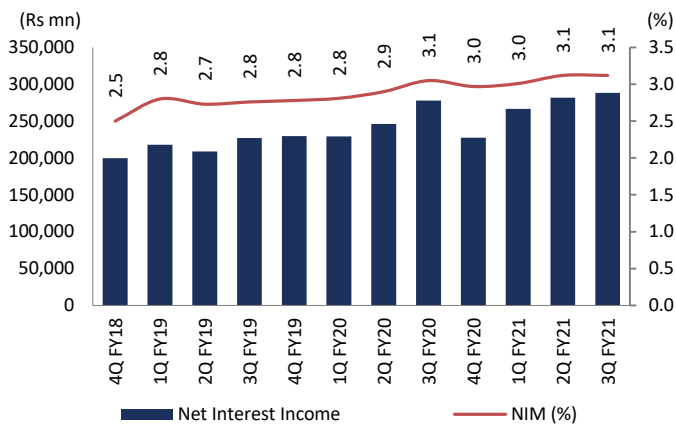
* To date / current date : February 4, 2021

SBI vs Nifty 50



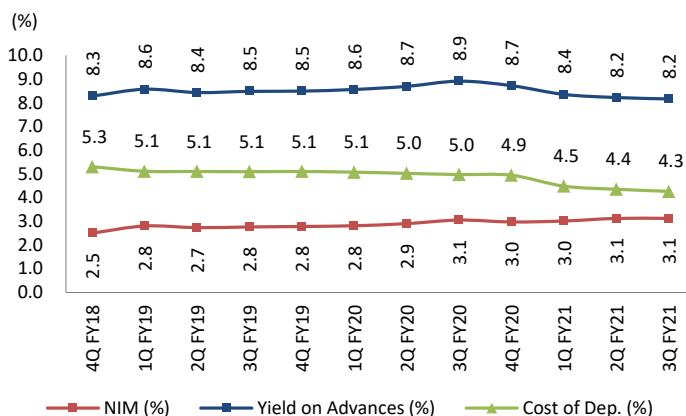
Story in charts

NII Trend

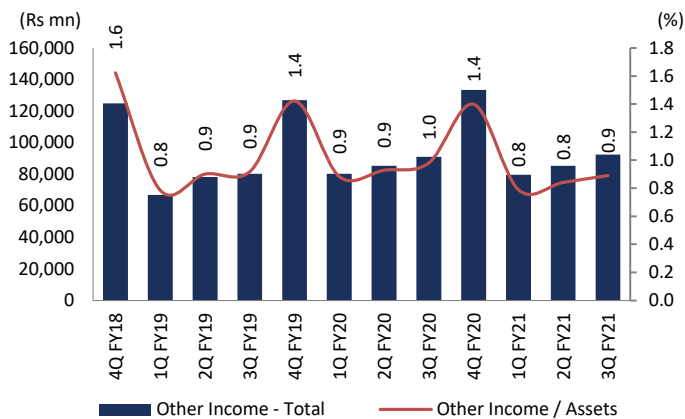


Source: Company, LKP Research

Yields and Margin Trend

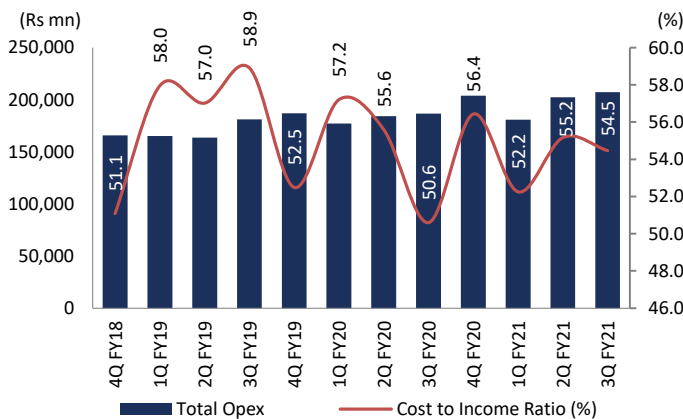


Other Income Trend

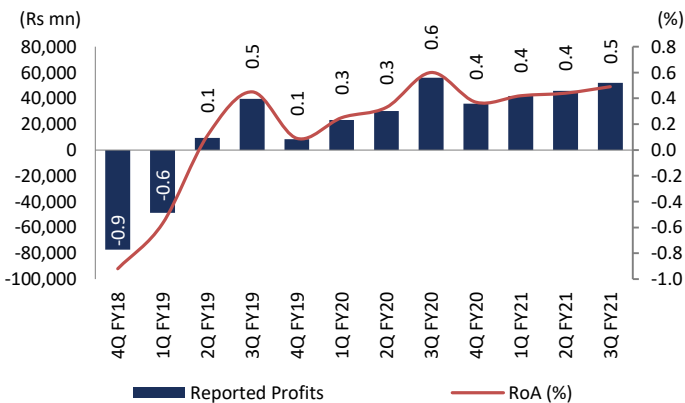


Source: Company, LKP Research

Total Opex Trend

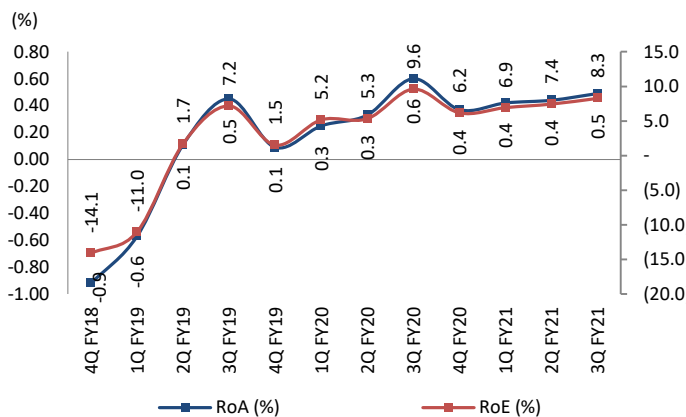


Reported Profit Trend

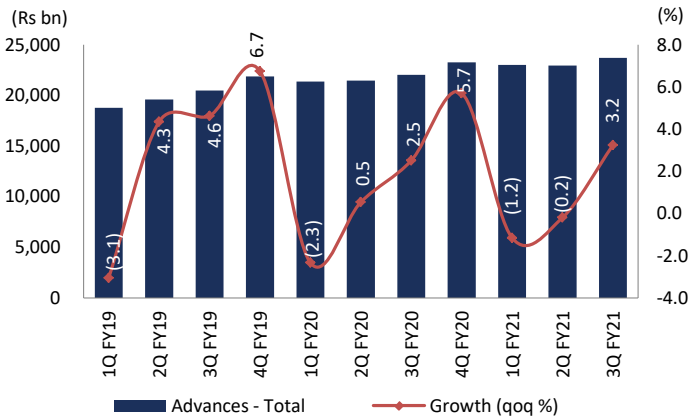


Source: Company, LKP Research

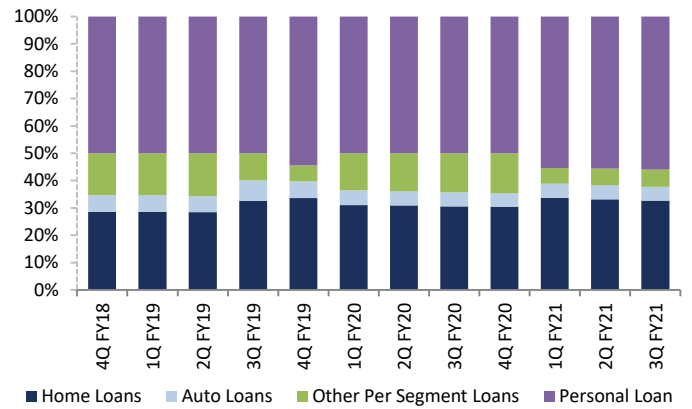
Return Ratio Trend



Loan Book Trend

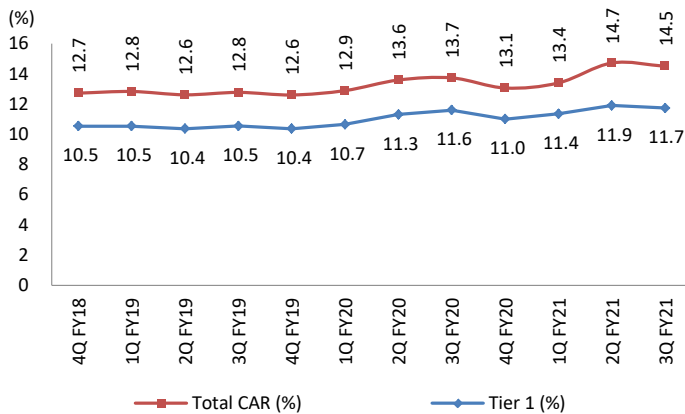


Loan Book Mix Trend

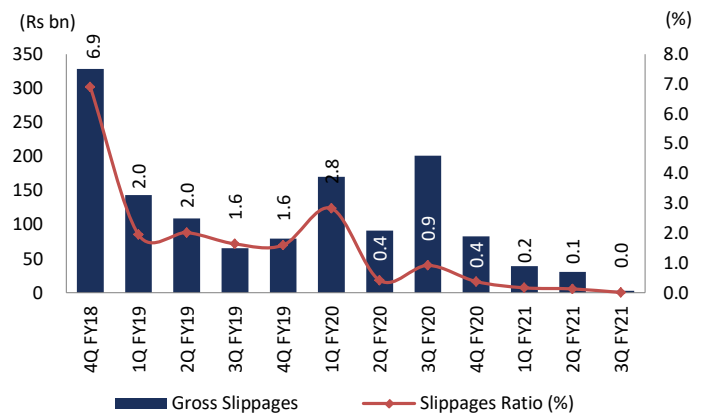


Source: Company, LKP Research

CRAR & Tier 1 Ratio Trend

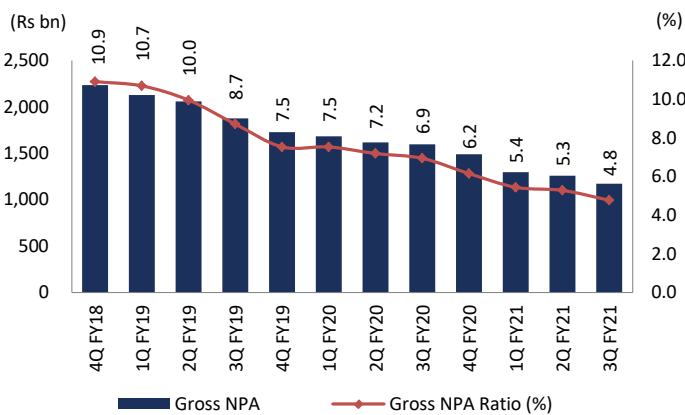


Slippages Trend

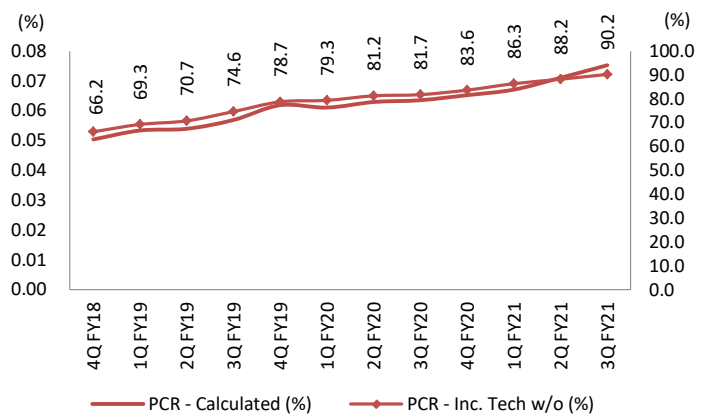


Source: Company, LKP Research

Gross NPA Trend



PCR Trend



Source: Company, LKP Research

Recent Performance at a glance

Exhibit: Income Statement Analysis

(₹ mn)	3Q FY21	3Q FY20	% yoy / bps	2Q FY21	% qoq / bps	FY20	FY19	% yoy / bps
Int. on Loan	437,368	480,633	(9.0)	433,776	0.8	1,797,488	1,616,402	11.2
Int. on Investment	204,721	172,320	18.8	202,537	1.1	682,047	744,062	(8.3)
Int. on Balances	6,482	7,364	(12.0)	5,089	27.4	29,204	11,791	147.7
Int. Others	18,774	16,603	13.1	26,739	(29.8)	64,496	56,432	14.3
Interest Inc.	667,345	676,920	(1.4)	668,141	(0.1)	2,573,236	2,428,687	6.0
Yield on Advances (%)	8.2	8.9	(75)	8.2	(6)	-	8.5	-
Interest Expenses	379,146	399,132	(5.0)	386,330	(1.9)	1,592,388	1,545,198	3.1
Cost of Dep. (%)	4.3	5.0	(71)	4.4	(9)	-	5.1	-
Net Interest Income	288,199	277,790	3.7	281,815	2.3	980,848	883,489	11.0
NII to Net Operative Income	75.7	75.3	40	76.8	(106)	68.4	70.6	(217)
NIM (%)	3.12	3.1	7	3.1	-	-	2.8	-
Dom. NIM (%)	3.3	3.3	7	3.3	-	3.2	3.0	24
Int. NIM (%)	1.1	1.2	(7)	1.2	(2)	-	1.3	-
Core Fee Income	53,480	56,350	(5.1)	52,430	2.0	237,250	233,040	1.8
Other Income - Total	92,462	91,059	1.5	85,277	8.4	452,215	367,749	23.0
Other Inc to Net Oper. Income (%)	24.3	24.7	(40)	23.2	106	31.6	29.4	217
Net Operating Revenue	380,661	368,849	3.2	367,092	3.7	1,433,063	1,251,238	14.5
Employee Expenses	131,180	114,556	14.5	125,702	4.4	457,150	410,547	11.4
Empl. Cost/Oper. Exps. (%)	34.5	31.1	340	34.2	22	31.9	32.8	(91)
Other Opex	76,149	72,065	5.7	76,793	(0.8)	294,587	286,330	2.9
Other Opex/ Assets (%)	0.2	0.2	(1)	0.2	(1)	0.8	0.8	(3)
Total Opex	207,329	186,622	11.1	202,494	2.4	751,737	696,877	7.9
Cost to Income Ratio (%)	54.5	50.6	387	55.2	(70)	52.5	55.7	(324)
Pre Provision Profits	173,332	182,228	(4.9)	164,598	5.3	681,326	554,360	22.9
Provisions & Contingencies - Total	103,424	72,529	42.6	101,183	2.2	433,304	531,286	(18.4)
NPA Provisions as % PPP	59.7	39.8	1,987	61.5	(180)	63.6	95.8	(3,224)
Profit Before Tax	69,908	109,699	(36.3)	63,415	10.2	248,023	23,075	974.9
Tax	17,946	53,863	(66.7)	17,673	1.5	103,141	14,453	613.7
Effective Tax Rate (%)	25.7	49.1	(2,343)	27.9	(220)	41.6	62.6	(2,105)
Reported Profits	51,962	55,836	(6.9)	45,742	13.6	144,881	8,622	1,580.3
RoA (%)	0.5	0.6	(11)	0.4	5	0.4	0.0	36
RoE (%)	8.3	9.6	(133)	7.4	83	7.7	0.5	726

Source: Company, LKP Research

Exhibit: Balance Sheet Analysis

(₹ mn)	2Q FY20	3Q FY20	4Q FY20	1Q FY21	2Q FY21	3Q FY21	QoQ % / bps	YoY % / bps
Net Worth	2,260,753	2,325,207	2,320,074	2,416,557	2,457,210	2,512,430	2.2	8.1
RoE (%)	5.3	9.6	6.2	6.9	7.4	8.3	83	(133)
CET1 (%)	10.1	10.2	9.8	10.1	10.5	10.3	(22)	9
Tier 1 (%)	11.3	11.6	11.0	11.4	11.9	11.7	(17)	14
Total CAR (%)	13.6	13.7	13.1	13.4	14.7	14.5	(22)	77
RWA - Total	18,949,059	20,729,283	20,989,805	21,248,527	20,943,122	21,867,717	4.4	5.5
Advances - Total	21,461,598	21,999,169	23,252,896	22,983,462	22,939,012	23,681,391	3.2	7.6
Investments	9,850,222	10,121,007	10,469,545	12,252,284	13,291,663	13,108,846	(1.4)	29.5
Total Assets	36,780,006	37,491,922	39,513,939	41,179,316	41,578,563	43,569,868	4.8	16.2
RoA (%)	0.33	0.60	0.37	0.42	0.44	0.49	5	(11)
Deposits	30,333,958	31,112,286	32,416,207	34,193,628	34,704,617	35,357,534	1.9	13.6
Saving Deposit	11,308,220	1,891,290	11,935,660	12,943,840	13,149,500	13,358,610	1.6	606.3
Current Deposit	1,953,490	11,517,010	2,174,150	2,043,340	2,120,570	2,105,630	(0.7)	(81.7)
CASA Deposits	13,261,710	13,408,300	14,109,810	14,987,180	15,270,070	15,464,240	1.3	15.3
CASA Ratio (%)	45.1	44.7	45.2	45.3	45.4	45.2	(20)	48
Dom. Term Deposits	16,125,838	16,573,670	17,136,347	18,068,400	18,371,277	18,783,904	2.2	13.3
Interest Bearing Liabilities - Total	33,075,816	33,737,772	35,562,764	37,323,587	37,686,920	39,466,265	4.7	17.0

Source: Company, LKP Research

Exhibit: Funding Profile Analysis

(₹ mn)	2Q FY20	3Q FY20	4Q FY20	1Q FY21	2Q FY21	3Q FY21	QoQ % / bps	YoY % / bps
Interest Bearing Liabilities - Total	33,075,816	33,737,772	35,562,764	37,323,587	37,686,920	39,466,265	4.7	17.0
Global Deposits	30,333,958	31,112,286	32,416,207	34,193,628	34,704,617	35,357,534	1.9	13.6
CASA Deposits	13,261,710	13,408,300	14,109,810	14,987,180	15,270,070	15,464,240	1.3	15.3
Saving Deposit	11,308,220	1,891,290	11,935,660	12,943,840	13,149,500	13,358,610	1.6	606.3
Current Deposit	1,953,490	11,517,010	2,174,150	2,043,340	2,120,570	2,105,630	(0.7)	(81.7)
Dom. Term Deposits	16,125,838	16,573,670	17,136,347	18,068,400	18,371,277	18,783,904	2.2	13.3
Borrowings	2,741,858	2,625,487	3,146,557	3,129,959	2,982,303	4,108,731	37.8	56.5
Interest Bearing Liabilities - Total	33,075,816	33,737,772	35,562,764	37,323,587	37,686,920	39,466,265	4.7	17.0

Source: Company, LKP Research

Exhibit: Funding mix and Incremental Contribution

	As on (₹ mn)				As % of Total Working Fund	YoY/ YTD growth			Incremental Contribution YoY/ YTD Growth (%)		
	FY18	FY19	FY20	3Q FY21		FY19	FY20	3Q FY21	FY19	FY20	3Q FY21
Global Deposits	27,063,433	29,113,860	32,416,207	35,357,534	84.2	7.6	11.3	9.1	82.8	130.5	71.8
Saving Deposit	10,137,745	10,917,520	12,063,720	13,358,610	31.8	7.7	10.5	10.7	31.5	45.3	31.6
Current Deposit	1,901,739	2,058,752	2,273,356	2,105,630	5.0	8.3	10.4	(7.4)	6.3	8.5	(4.1)
CASA Deposits	12,039,484	12,976,272	14,337,076	15,464,240	36.8	7.8	10.5	7.9	37.8	53.8	27.5
Dom. Term Deposits	13,954,451	15,166,162	16,909,083	18,783,904	44.7	8.7	11.5	11.1	48.9	68.9	45.8
Borrowings	3,621,421	4,030,171	3,146,557	4,108,731	9.8	11.3	(21.9)	30.6	16.5	(34.9)	23.5
Interest Bearing Liabilities - Total	30,684,854	33,144,031	35,562,764	39,466,265	94.0	8.0	7.3	11.0	99.3	95.6	95.3
Net Worth	2,191,286	2,209,138	2,320,074	2,512,430	6.0	0.8	5.0	8.3	0.7	4.4	4.7
Working Fund	32,876,139	35,353,170	37,882,838	41,978,695	100.0	7.5	7.2	10.8	100.0	100.0	100.0
Interest Exp. / Assets	4.73	4.33	4.17	3.7		(40)	(16)	(52)			

Source: Company, LKP Research

Exhibit: Asset Quality Analysis

(₹ mn)	2Q FY20	3Q FY20	4Q FY20	1Q FY21	2Q FY21	3Q FY21	QoQ % / bps	YoY % / bps
Gross Slippages	91,261	200,980	82,910	39,100	30,850	2,870	(90.7)	(98.6)
Slippages Ratio (%)	0.42	0.92	0.38	0.17	0.13	0.01	(12)	(91)
Gross NPA	1,616,361	1,596,612	1,490,919	1,296,607	1,258,630	1,172,442	(6.8)	(26.6)
Gross NPAs Ratio (%)	7.19	6.94	6.15	5.44	5.28	4.77	(51)	(217)
PCR - Calculated (%)	62.9	63.5	65.2	67.1	71.0	75.2	420	1,172
PCR - Inc. Tech w/o (%)	81.2	81.7	83.6	86.3	88.2	90.2	202	848
Net NPA	599,392	582,486	518,713	427,036	364,507	290,317	(20.4)	(50.2)
Net NPAs Ratio (%)	2.79	2.65	2.23	1.86	1.59	1.23	(36)	(142)
SMA 1&2	183,130	81,010	72,660	17,500	119,860	179,460	49.7	121.5

Source: Company, LKP Research

Annual Projections

Exhibit: Profit and Loss Statement

(₹ mn)	FY19	FY20	FY21E	FY22E	FY23E
Int. Income / Opr. Revenue	2,428,687	2,573,236	2,672,637	2,888,785	3,165,498
Interest Expenses	1,545,198	1,592,388	1,534,136	1,649,846	1,773,551
Net Interest Income	883,489	980,848	1,138,501	1,238,939	1,391,947
NIM (%)	2.69	2.80	3.00	2.99	3.06
Adjusted NII	827,057	916,352	1,138,501	1,238,939	1,391,947
Core Fee Income & Dividend	233,039	237,251	245,554	257,832	270,724
Exchange Income	21,558	25,164	26,171	27,741	29,405
Sale of Investments	10,228	85,757	86,614	95,709	107,194
Other Misc. Income	102,924	104,044	12,232	12,966	13,744
Other Income - Total	367,749	452,215	370,572	394,248	421,067
Net Operating Revenue	1,251,238	1,433,063	1,509,072	1,633,187	1,813,014
Employee Exp.	410,547	457,150	502,865	553,151	608,466
Other Opex	286,330	294,587	279,858	296,649	314,448
Total Opex	696,877	751,737	782,723	849,800	922,915
C/I Ratio (%)	55.70	52.46	51.87	52.03	50.90
Pre Provision Profits	554,360	681,326	726,350	783,387	890,100
PPP Growth (yoy %)	(6.8)	22.9	6.6	7.9	13.6
Provisions & Contingencies - Total	538,286	439,013	431,691	458,253	421,721
Credit Cost (As % of Op. AUM)	2.82	2.03	1.80	1.80	1.50
Profit Before Tax	16,075	242,313	294,658	325,134	468,379
Tax	14,453	103,141	75,727	83,559	120,373
Effective Tax Rate (%)	62.6	41.6	25.7	25.7	25.7
Reported Profits	1,622	139,172	218,931	241,574	348,006
PAT Growth (yoy %)	(102.5)	8,479.2	57.3	10.3	44.1

Source: Company, LKP Research

Exhibit: Balance Sheet

(₹ mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity Share Capital	8,925	8,925	8,925	8,925	8,925
Reserves (ex Revel. Reserve)	1,953,674	2,073,523	2,292,454	2,534,028	2,882,034
Net Worth - Ex Revaluation	1,962,599	2,082,448	2,301,379	2,542,953	2,890,959
Deposits	29,113,860	32,416,207	36,221,240	40,155,308	44,269,279
Borrowings	4,030,171	3,146,557	3,256,951	3,022,443	3,332,096
Interest Bearing Liabilities (₹ mn)	33,144,031	35,562,764	39,478,191	43,177,751	47,601,375
Other Lia. & Prov.	1,455,973	1,631,101	1,634,432	1,815,611	1,955,015
Total Liabilities	36,809,143	39,513,939	43,646,080	47,764,670	52,673,003
Assets					
Cash & Cash Equivalent	2,224,901	2,510,970	3,600,798	3,937,122	4,141,129
Investments	9,670,219	10,469,545	11,359,911	12,258,341	13,224,412
Credit Equivalent	1,383,369	1,764,211	1,814,306	1,891,841	1,973,089
Loan & Advances (₹ mn)	21,858,769	23,252,896	24,648,069	27,112,876	30,366,421
<i>Growth (yoy %)</i>	<i>13.0</i>	<i>6.4</i>	<i>6.0</i>	<i>10.0</i>	<i>12.0</i>
Fixed Assets	391,976	384,393	417,132	456,044	500,722
Other Assets	2,663,277	2,896,136	3,620,169	4,000,287	4,440,319
Total Assets	36,809,143	39,513,939	43,646,080	47,764,670	52,673,003

Source: Company, LKP Research

Exhibit: Per share data

Y/E Mar	FY19	FY20	FY21E	FY22E	FY23E
Face Value (₹)	1	1	1	1	1
Adjusted Share O/S (mn)	8,925	8,925	8,925	8,925	8,925
Earnings Per Share (₹)	0.2	15.6	24.5	27.1	39.0
<i>EPS (% YoY)</i>	<i>(102.5)</i>	<i>8,479.2</i>	<i>57.3</i>	<i>10.3</i>	<i>44.1</i>
<i>P/E (x)</i>	<i>1,953.0</i>	<i>22.8</i>	<i>14.5</i>	<i>13.1</i>	<i>9.1</i>
Book Value (₹)	219.9	233.3	257.9	284.9	323.9
<i>BVPS (% YoY)</i>	<i>1.0</i>	<i>6.1</i>	<i>10.5</i>	<i>10.5</i>	<i>13.7</i>
<i>P/BV (x)</i>	<i>1.6</i>	<i>1.5</i>	<i>1.4</i>	<i>1.2</i>	<i>1.1</i>
Adj. BV (₹)	183.0	204.3	231.4	258.5	297.5
<i>Adj. BV (% YoY)</i>	<i>17.6</i>	<i>11.6</i>	<i>13.3</i>	<i>11.7</i>	<i>15.1</i>
<i>P/ABV (x)</i>	<i>1.9</i>	<i>1.7</i>	<i>1.5</i>	<i>1.4</i>	<i>1.2</i>

Source: Company, LKP Research

Exhibit: Detailed ROA Tree

Y/E Mar	FY19	FY20	FY21E	FY22E	FY23E
Yields / Margins					
Yield on Advance	7.8	8.0	7.7	7.7	7.7
Yield on Funds	7.4	7.4	7.0	7.0	7.0
Cost of Funds (CoF)	4.8	4.6	4.1	4.0	3.9
Interest Spread	2.6	2.7	3.0	3.0	3.0
NIM's	2.7	2.8	3.0	3.0	3.1
Interest Income / Assets					
Interest Income / Assets	6.8	6.7	6.4	6.3	6.3
Interest Exp. / Assets	4.3	4.2	3.7	3.6	3.5
NII / Assets	2.5	2.6	2.7	2.7	2.8
Fee Income / Assets	0.7	0.6	0.6	0.6	0.5
Other Non Core Income / Assets	0.0	0.2	0.2	0.2	0.2
Other Income / Assets	1.0	1.2	0.9	0.9	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	75.4	75.9	76.8
Other Income to Net Operative Income	29.4	31.6	24.6	24.1	23.2
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	51.9	52.0	50.9
Provisions as % PPP	42.5	30.2	28.6	28.1	23.3
Credit Cost (As % of Op. AUM)	2.8	2.0	1.8	1.8	1.5
Effective Tax Rate (%)	62.6	41.6	25.7	25.7	25.7
Operating Expenses / Assets					
Employee Exp. / Assets	1.2	1.2	1.2	1.2	1.2
Other Opex/ Assets	0.8	0.8	0.7	0.6	0.6
Total Opex / Assets	2.0	2.0	1.9	1.9	1.8
Operating Profits / Assets	1.6	1.8	1.7	1.7	1.8
Op Profit ex Except Items / Assets	1.6	1.8	1.7	1.7	1.8
Provisions / Assets	1.5	1.1	1.0	1.0	0.8
Profit Before Tax / Assets	0.1	0.6	0.7	0.7	0.9
Tax Expenses / Assets	0.0	0.3	0.2	0.2	0.2
RoA	0.0	0.4	0.5	0.5	0.7
Leverage (x)	18.8	19.0	19.0	18.8	18.2
RoE	0.4	6.4	9.0	9.1	11.8
Adj. RoA	0.0	0.4	0.5	0.5	0.7
Adj. RoE	0.4	6.4	9.0	9.1	11.8

Source: Company, LKP Research

Exhibit: Balance Sheet Ratio

Y/E Mar	FY19	FY20	FY21E	FY22E	FY23E
Credit / Deposit Ratio	75.1	71.7	68.0	67.5	68.6
Incremental C/D Ratio	122.4	42.2	36.7	62.7	79.1
Investment Deposit Ratio	33.2	32.3	31.4	30.5	29.9
Dom. SLR Investment / Deposits	27.1	25.7	25.3	24.8	24.5
CASA Ratio	46.1	45.9	46.0	46.5	46.5

Source: Company, LKP Research

Exhibit: Asset Quality

(₹ mn)	FY19	FY20	FY21E	FY22E	FY23E
Slippage Ratio (%)	2.1	2.5	2.4	1.5	1.2
Gross NPA	1,727,503	1,489,125	1,533,761	1,342,190	1,242,415
Gross NPAs Ratio (%)	7.5	6.2	6.2	5.0	4.1
PCR (%)	61.9	65.2	61.7	59.3	57.2
Net NPA	658,947	518,713	586,971	546,174	531,270
Net NPAs Ratio (%)	3.0	2.2	2.4	2.0	1.7
Total Impaired Loans	1,779,328	1,489,125	1,533,761	1,342,190	1,242,415
Impaired Loan as % of Loan / AUM	7.7	6.0	5.8	4.6	3.8
Total Risk Reserves	1,068,556	970,412	946,790	796,016	711,145
Total Risk As % of Loan Book	4.6	3.9	3.6	2.7	2.2

Source: Company, LKP Research

Exhibit: Key Assumptions & Forecasts

Y/E Mar	FY19	FY20	FY21E	FY22E	FY23E
Loan & Advances (₹ mn)	21,858,769	23,252,896	24,648,069	27,112,876	30,366,421
Growth (yoy %)	13.0	6.4	6.0	10.0	12.0
Interest Bearing Liabilities (₹ mn)	33,144,031	35,562,764	39,478,191	43,177,751	47,601,375
Growth (yoy %)	13.0	6.4	6.0	10.0	12.0
Yield on Funds	7.4	7.4	7.0	7.0	7.0
Cost of Funds (CoF)	4.8	4.6	4.1	4.0	3.9
Interest Spread	2.6	2.7	3.0	3.0	3.0
NIM's	2.7	2.8	3.0	3.0	3.1
Other Income Growth	(17.5)	23.0	(18.1)	6.4	6.8
C/I Ratio (%)	55.7	52.5	51.9	52.0	50.9
Effective Tax Rate (%)	62.6	41.6	25.7	25.7	25.7

Return Ratios

Adj. RoA	0.0	0.4	0.5	0.5	0.7
Adj. RoE	0.4	6.4	9.0	9.1	11.8

Asset Quality Metrics

Credit Cost (As % of Op. AUM)	2.8	2.0	1.8	1.8	1.5
Gross NPAs Ratio (%)	7.5	6.2	6.2	5.0	4.1
Net NPAs Ratio (%)	3.0	2.2	2.4	2.0	1.7

Source: Company, LKP Research

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