

STATE BANK OF INDIA | Banking

.....moderated credit cost; stable business growth

LKP

Result and Price Analysis:

State Bank of India (SBI) has delivered a stable result on operating and asset quality front. Moreover, reported gross slippages stood at ₹157bn v/s ₹219bn in the previous quarter. Its reported GNPA (5.32% v/s 4.98% in 4QFY21) and NNPA (1.77% v/s 1.50% in 4QFY21) inched up moderately along with stable PCR (incl. AUCA) of 86%. Furthermore, SMA2 (14bps v/s 28bps) decreased substantially. The bank has witnessed stable advance growth (5.8% YoY & de-grew by 0.7% QoQ) and strong deposit growth (9% YoY & 1% QoQ) sequentially with better liquidity position (LCR of 153%). Moreover the bank has reported PAT of ₹65bn (v/s ₹64bn in 4QFY21) on the back of healthy NII growth (2.1% QoQ and NIMs: 3.15%) along with stable provisioning expenses of ₹100bn against ₹110bn in the previous quarter. The 1QFY22 ROA and ROE stood at 0.57% and 12.12% respectively. The bank has established total standard asset and contingent provision of ~₹298bn (123bps of net advances) as on 1QFY22. With moderate stress formation and heartening collection efficacy (~96% in June'21), we believe the ROE target of 15% is achievable in mid run. We re-iterate our BUY on SBI with unchanged target price of ₹541.

Gazing the core:

Asset Quality stable: Slippages stood ₹157bn (v/s ₹219bn) which includes retail slippages of ₹53bn (34%) and SME slippages of ₹64bn (41%). Write-off (₹35bn v/s ₹86bn in 4QFY21) stood sequentially low. Management indicated that two chunky accounts (amounting to ₹45bn) which slipped in 4QFY21 are expected to upgrade in FY22E (with ₹36.5bn in 1QFY21 itself). The Bank's SMA 1 (₹80bn, 33bps) increased substantially by 71% QoQ; where SMA 2 (₹33bn, 14bps) decreased by 51%. Moreover, BB & below book stood 14% of wholesale book. The bank's reported GNPA/NNPA/PCR ratio stood at 5.32%/1.77%/85.9% against 4.98%/1.50%/87.8% in 4QFY21. GNPA ratio of retail, agriculture, SME and corporate segment stood at 5.13%, 15.63%, 1.28%, 9.22%, and 7.83% respectively. Moreover, the restructured pool stood at ₹178bn (73bps of net advances). On total restructuring, corporate book accounted for ~66%.

Key Financials (₹ bn)	FY20	FY21	FY22E	FY23E	FY24E
NII	981	1,107	1,262	1,439	1,641
Operating Profit	681	716	796	904	1,029
Reported Profits	145	204	311	395	486
Net Worth	2,082	2,303	2,614	3,009	3,495
Loan & Advances	23,253	24,495	26,944	29,908	33,497
Int. Bearing Liabilities	35,563	40,986	45,144	50,034	55,498

Key Ratios (%)	FY20	FY21	FY22E	FY23E	FY24E
NIM's	2.8	2.9	2.9	3.0	3.1
C/I Ratio	54.8	54.1	53.6	53.2	52.9
Gross NPA Ratio	6.2	5.0	4.6	4.2	3.7
Tier 1 Ratio	10.5	10.2	10.4	10.6	10.4
Adj. RoA Ratio	0.7	0.6	0.7	0.8	0.8
Adj. RoE Ratio	11.9	9.7	11.5	12.9	13.9

Rating	Buy
Current Market Price (₹)	442
12 M Price Target (₹)	541
Potential upside (%)	22

Stock Data

FV (₹) :	1
Market Cap Full (₹ bn) :	3,994
Market Cap Free Float (₹ bn) :	1,754
52-Week High / Low (₹) :	176 / 468
2-Year High / Low (₹) :	150 / 468
1 Year Avg. Dly Traded Volume (in lakh)	527
BSE Code / NSE Symbol	500112 / SBIN
Bloomberg :	SBIN IN

Shareholding Pattern (%)

	Jun-21	Mar-21	Dec-20	Sep-20
Promoter	57.62	57.63	57.64	57.63
FPIs	10.34	9.94	9.82	7.75
MFs	12.75	12.57	12.72	12.95
Insurance	10.27	10.71	11.09	11.33
Others	9.02	9.15	8.73	10.34

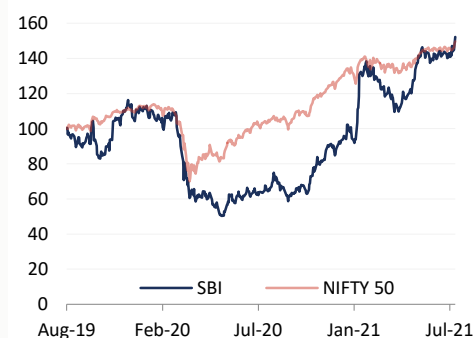
Source: BSE

Price Performance (%)

(%)	1M	3M	6M	1YR
SBI	2.1%	24.4%	12.4%	130.8%
Nifty 50	2.9%	11.5%	9.2%	46.8%

* To date / current date : August 05, 2021

SBI vs Nifty 50



Steady operational quarter: Domestic NIMs (3.15%) grew by 4bps sequentially. Management believes the NIMs to remain stable for FY22E. YOA and COD stood at 7.42% and 3.88% against 7.97% and 3.88% in the previous quarter. Overall NIMs stable at 2.92%. It translated in sequential NII (276bn) growth of 2.1%. Other income de-grew by 27.3% sequentially. Despite a stable NII growth and lower Opex (52% v/s 55% in 4QFY21); PPOP de-grew by 3.7% sequentially mainly because of lower other income. The bank's ROA/ROE stood at 0.57% and 12.12% respectively. Management reiterated the target ROE of 15% in mid run aided by a) increasing credit growth, b) normalization of credit cost, and c) improving operational performance.

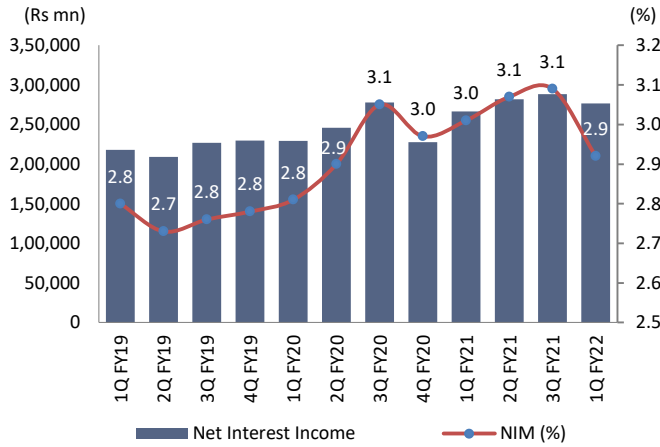
Business growth in line with the industry: The bank's net advances stood at ₹24.3tn; grew by 5.8% YOY and de-grew by 0.7% QOQ. Retail (40.4% contribution) grew by 0.16% sequentially. Corporate (36.7% contribution) and Agriculture (9.7% contribution) de-grew by 3.5% and 2.2% QoQ respectively. The bank disbursed 250bn under ECLGS. ECLGS 2.0 accounts for ₹20bn of disbursement. The bank's deposit stood at ₹37.2tn grew strongly by 8.8% YOY and 1.1% QOQ; CASA stood at 46%. The bank raised ₹199.3bn in Tier 2 and AT1 capital during FY21. In 1QFY22, the bank's CRAR 13.66% vs. 13.74% in the previous quarter with CET 1 of 9.91%. The bank doesn't expect capital raise from the Govt. or market this year. The RWA to assets stood at 49.9% with LCR (153%) well above the regulatory requirement.

Outlook & Valuations

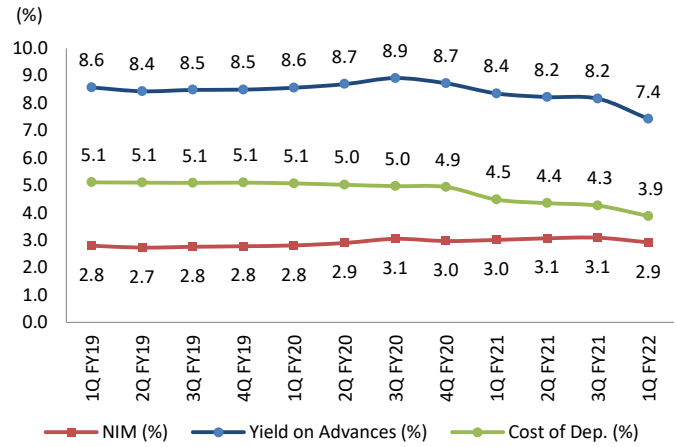
Under base case scenario, we expect the bank to post a ROA/ROE of 0.8%/12.9% by FY23E led by healthy balance sheet growth along with higher PCR and stable asset quality. We re-iterate our BUY on SBI with unchanged target price of ₹541. We value the standalone bank at PBV of 1.4x FY23E Adj. BVPS of ₹307 and value of subsidiaries per share at ₹112.

Quarterly story in charts

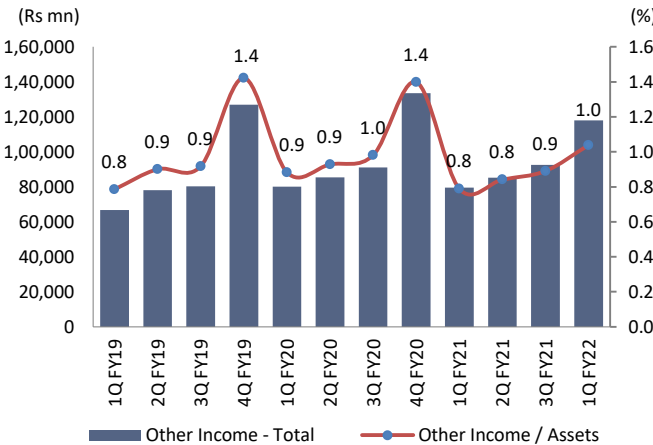
NII Trend



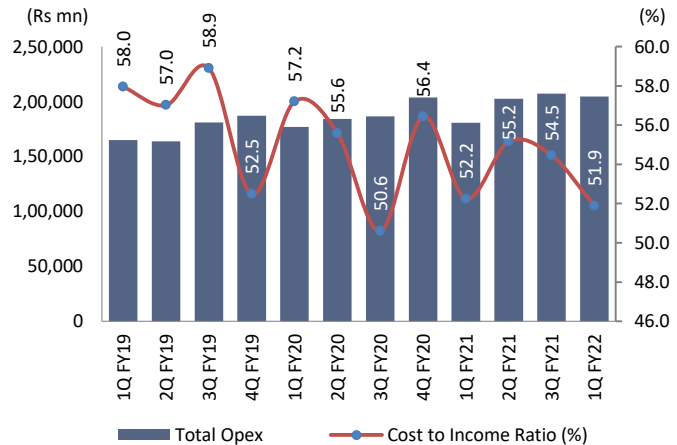
Yields and Margin Trend



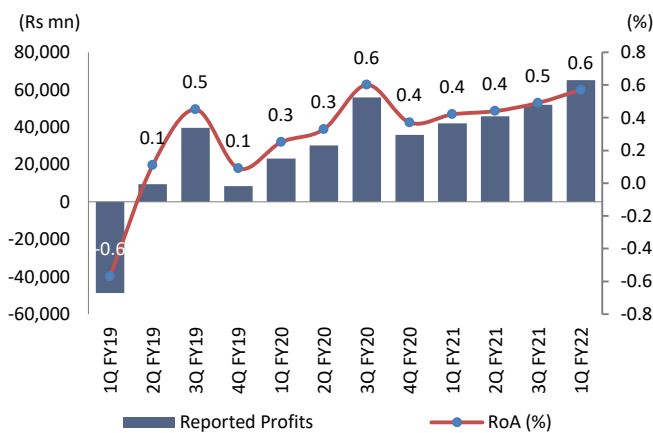
Other income Trend



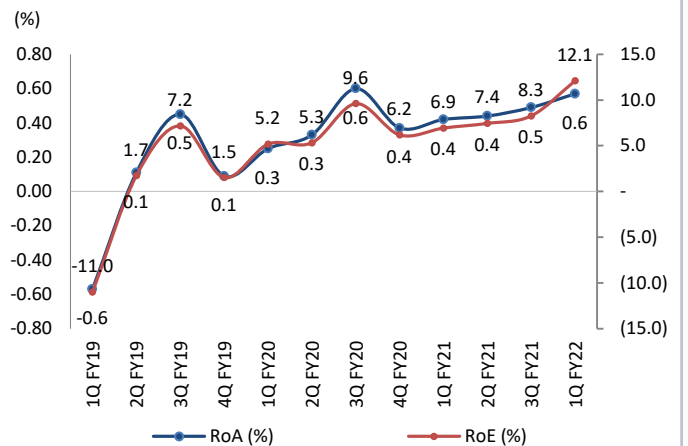
Total Opex Trend



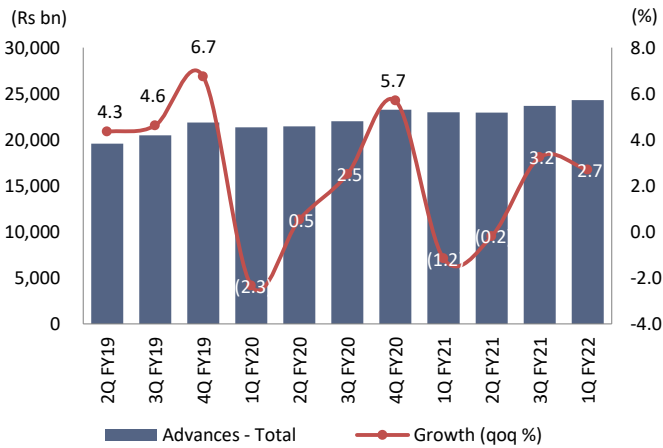
Reported Profit Trend



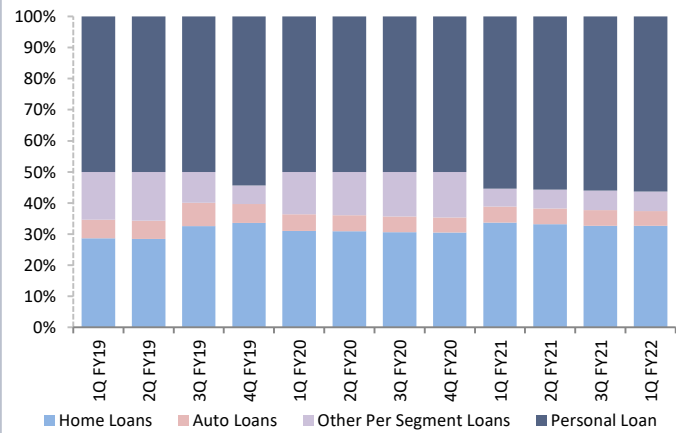
Return Ratio Trend



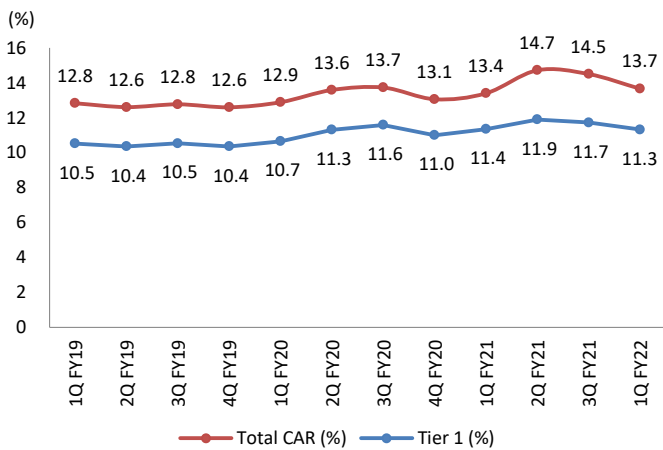
Loan Book Trend



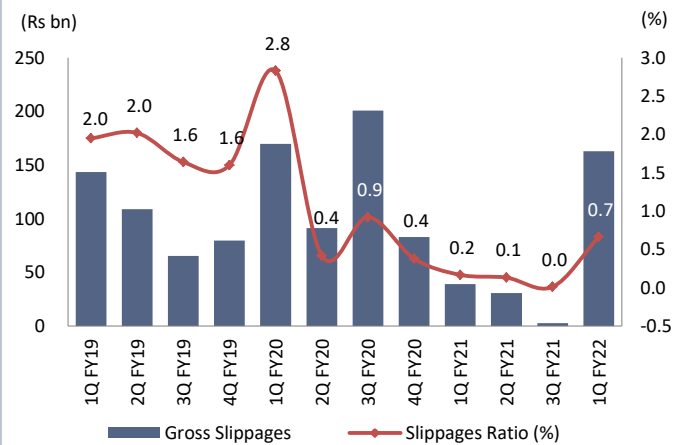
Loan Book Mix Trend



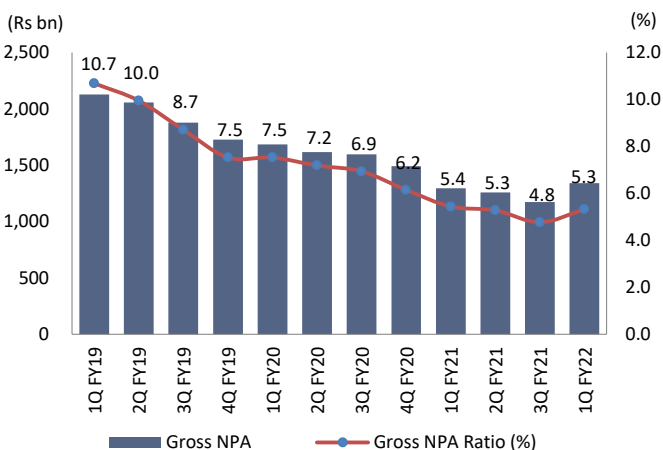
CRAR & Tier 1 Ratio Trend



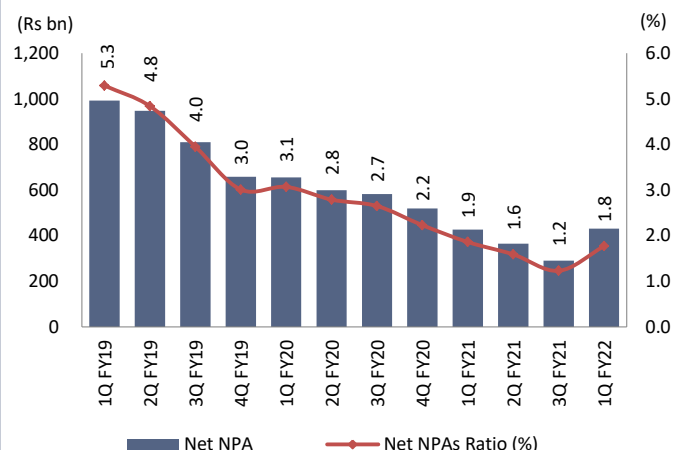
Slippages



Gross NPA Trend



Net NPA Trend



Financial Performance at a glance

Exhibit 1 : Income Statement Analysis

(₹ mn)	1Q FY22	1Q FY21	% yoy / bps	4Q FY21	% qoq / bps	FY21	FY20	% yoy / bps
Int. on Loan	4,11,435	4,41,011	(6.7)	4,02,137	2.3	17,14,291	17,97,488	(4.6)
Int. on Investment	2,03,698	1,87,055	8.9	2,03,769	(0.0)	7,98,081	6,82,047	17.0
Int. on Balances	10,351	17,944	(42.3)	13,659	(24.2)	43,175	29,204	47.8
Int. Others	30,160	18,994	58.8	31,451	(4.1)	95,959	64,496	48.8
Interest Inc.	6,55,644	6,65,004	(1.4)	6,51,016	0.7	26,51,506	25,73,236	3.0
Interest Expenses	3,79,260	3,98,588	(4.8)	3,80,346	(0.3)	15,44,406	15,92,388	(3.0)
Net Interest Income	2,76,384	2,66,416	3.7	2,70,670	2.1	11,07,100	9,80,848	12.9
<i>NII to Net Operative Income</i>	<i>70.1</i>	<i>77.0</i>	<i>(693)</i>	<i>62.5</i>	<i>755</i>	<i>72.5</i>	<i>71.5</i>	<i>97</i>
<i>NIM (%)</i>	<i>2.92</i>	<i>3.0</i>	<i>(9)</i>	<i>2.9</i>	<i>2</i>	<i>-</i>	<i>-</i>	<i>-</i>
Core Fee Income	54,040	44,710	20.9	84,560	(36.1)	2,35,180	2,37,250	(0.9)
Non Core Other Income	63,987	34,865	83.5	77,693	(17.6)	1,84,386	2,14,973	(14.2)
Other Income - Total	1,18,027	79,575	48.3	1,62,253	(27.3)	4,19,566	3,90,058	7.6
<i>Other Inc to Net Oper. Income (%)</i>	<i>29.9</i>	<i>23.0</i>	<i>693</i>	<i>37.5</i>	<i>(755)</i>	<i>27.5</i>	<i>28.5</i>	<i>(97)</i>
Net Operating Revenue	3,94,412	3,45,990	14.0	4,32,923	(8.9)	15,26,666	13,70,906	11.4
Employee Expenses	1,25,383	1,18,651	5.7	1,33,828	(6.3)	5,09,360	4,57,150	11.4
<i>Empl. Cost/Oper. Exps. (%)</i>	<i>31.8</i>	<i>34.3</i>	<i>(250)</i>	<i>30.9</i>	<i>88</i>	<i>33.4</i>	<i>33.3</i>	<i>2</i>
Other Opex	79,281	62,126	27.6	1,02,094	(22.3)	3,17,162	2,94,587	7.7
<i>Other Opex/ Assets (%)</i>	<i>0.2</i>	<i>0.2</i>	<i>2</i>	<i>0.2</i>	<i>(7)</i>	<i>0.7</i>	<i>0.8</i>	<i>(2)</i>
Total Opex	2,04,664	1,80,777	13.2	2,35,922	(13.2)	8,26,522	7,51,737	9.9
<i>Cost to Income Ratio (%)</i>	<i>51.9</i>	<i>52.2</i>	<i>(36)</i>	<i>54.5</i>	<i>(260)</i>	<i>54.1</i>	<i>54.8</i>	<i>(70)</i>
Pre Provision Profits	1,89,748	1,65,214	14.9	1,97,002	(3.7)	7,00,144	6,19,169	13.1
Provisions & Contingencies - Total	1,00,520	1,25,013	(19.6)	1,10,510	(9.0)	4,40,130	4,33,304	1.6
<i>NPA Provisions as % PPP</i>	<i>53.0</i>	<i>69.2</i>	<i>(1,624)</i>	<i>56.1</i>	<i>(312)</i>	<i>61.5</i>	<i>63.6</i>	<i>(209)</i>
Profit Before Tax	89,229	55,598	60.5	86,491	3.2	2,75,411	2,48,022	11.0
Tax	24,189	13,704	76.5	21,984	10.0	71,307	1,03,141	(30.9)
<i>Effective Tax Rate (%)</i>	<i>27.1</i>	<i>24.6</i>	<i>246</i>	<i>25.4</i>	<i>169</i>	<i>25.9</i>	<i>41.6</i>	<i>(1,569)</i>
Reported Profits	65,040	41,893	55.3	64,507	0.8	2,04,105	1,44,881	40.9
<i>RoA (%)</i>	<i>0.6</i>	<i>0.4</i>	<i>15</i>	<i>0.6</i>	<i>(1)</i>	<i>0.5</i>	<i>0.4</i>	<i>10</i>
<i>RoE (%)</i>	<i>12.1</i>	<i>6.9</i>	<i>519</i>	<i>10.2</i>	<i>196</i>	<i>9.9</i>	<i>7.7</i>	<i>216</i>

Source: Company, LKP Research

Exhibit 2 : Balance Sheet Analysis

(₹ mn)	4Q FY20	1Q FY21	2Q FY21	3Q FY21	4Q FY21	1Q FY22	QoQ % / bps	YoY % / bps
Net Worth	23,20,074	24,16,557	24,57,210	25,12,430	25,38,752	26,12,804	2.9	8.1
RoE (%)	6.2	6.9	7.4	8.3	10.2	12.1	196	519
CET1 (%)	9.8	10.1	10.5	10.3	10.0	9.9	(11)	(23)
Tier 1 (%)	11.0	11.4	11.9	11.7	11.4	11.3	(12)	(3)
Total CAR (%)	13.1	13.4	14.7	14.5	13.7	13.7	(8)	26
RWA - Total	2,09,89,805	2,12,48,527	2,09,43,122	2,18,67,717	2,24,90,771	2,27,75,914	1.3	7.2
Advances - Total	2,32,52,896	2,29,83,462	2,29,39,012	2,36,81,391	2,44,94,978	2,43,19,081	(0.7)	5.8
Investments	1,04,69,545	1,22,52,284	1,32,91,663	1,31,08,846	1,35,17,052	1,38,65,100	2.6	13.2
Total Assets	3,95,13,939	4,11,79,316	4,15,78,563	4,35,69,868	4,53,44,296	4,55,70,057	0.5	10.7
RoA (%)	0.37	0.42	0.44	0.49	0.58	0.57	(1)	15
Deposits	3,24,16,207	3,41,93,628	3,47,04,617	3,53,57,534	3,68,12,771	3,72,09,870	1.1	8.8
Saving Deposit	1,19,35,660	1,29,43,840	1,31,49,500	1,33,58,610	1,37,00,820	1,43,08,810	4.4	10.5
Current Deposit	21,74,150	20,43,340	21,20,570	21,05,630	27,68,920	22,83,530	(17.5)	11.8
CASA Deposits	1,41,09,810	1,49,87,180	1,52,70,070	1,54,64,240	1,64,69,740	1,65,92,340	0.7	10.7
CASA Ratio (%)	45.2	45.3	45.4	45.2	46.1	46.0	(13)	67
Dom. Term Deposits	1,71,36,347	1,80,68,400	1,83,71,277	1,87,83,904	1,92,31,911	2,06,17,530	7.2	14.1
Interest Bearing Liabilities - Total	3,55,62,764	3,73,23,587	3,76,86,920	3,94,66,265	4,09,85,748	4,11,98,913	0.5	10.4

Source: Company, LKP Research

Exhibit 3: Funding Profile Analysis

(₹ mn)	4Q FY20	1Q FY21	2Q FY21	3Q FY21	4Q FY21	1Q FY22	QoQ % / bps	YoY % / bps
Interest Bearing Liabilities - Total	3,55,62,764	3,73,23,587	3,76,86,920	3,94,66,265	4,09,85,748	4,11,98,913	0.5	10.4
Global Deposits	3,24,16,207	3,41,93,628	3,47,04,617	3,53,57,534	3,68,12,771	3,72,09,870	1.1	8.8
CASA Deposits	1,41,09,810	1,49,87,180	1,52,70,070	1,54,64,240	1,64,69,740	1,65,92,340	0.7	10.7
Saving Deposit	1,19,35,660	1,29,43,840	1,31,49,500	1,33,58,610	1,37,00,820	1,43,08,810	4.4	10.5
Current Deposit	21,74,150	20,43,340	21,20,570	21,05,630	27,68,920	22,83,530	(17.5)	11.8
Dom. Term Deposits	1,71,36,347	1,80,68,400	1,83,71,277	1,87,83,904	1,92,31,911	2,06,17,530	7.2	14.1
Borrowings	31,46,557	31,29,959	29,82,303	41,08,731	41,72,977	39,89,043	(4.4)	27.4
Interest Bearing Liabilities - Total	3,55,62,764	3,73,23,587	3,76,86,920	3,94,66,265	4,09,85,748	4,11,98,913	0.5	10.4

Source: Company, LKP Research

Exhibit 4: Funding mix and Incremental Contribution

	As on (₹ mn)				As % of Total Working Fund	YoY/ YTD growth			Incremental Contribution YoY/ YTD Growth (%)		
	FY18	FY19	FY20	1Q FY22		FY19	FY20	1Q FY22	FY19	FY20	1Q FY22
Global Deposits	2,70,63,433	2,91,13,860	3,24,16,207	3,72,09,870	84.9	7.6	11.3	14.8	82.8	130.5	80.9
Saving Deposit	1,01,37,745	1,09,17,520	1,20,63,720	1,43,08,810	32.7	7.7	10.5	18.6	31.5	45.3	37.9
Current Deposit	19,01,739	20,58,752	22,73,356	22,83,530	5.2	8.3	10.4	0.4	6.3	8.5	0.2
CASA Deposits	1,20,39,484	1,29,76,272	1,43,37,076	1,65,92,340	37.9	7.8	10.5	15.7	37.8	53.8	38.0
Dom. Term Deposits	1,39,54,451	1,51,66,162	1,69,09,083	2,06,17,530	47.1	8.7	11.5	21.9	48.9	68.9	62.5
Borrowings	36,21,421	40,30,171	31,46,557	39,89,043	9.1	11.3	(21.9)	26.8	16.5	(34.9)	14.2
Interest Bearing Liabilities - Total	3,06,84,854	3,31,44,031	3,55,62,764	4,11,98,913	94.0	8.0	7.3	15.8	99.3	95.6	95.1
Net Worth	21,91,286	22,09,138	23,20,074	26,12,804	6.0	0.8	5.0	12.6	0.7	4.4	4.9
Working Fund	3,28,76,139	3,53,53,170	3,78,82,838	4,38,11,717	100.0	7.5	7.2	15.7	100.0	100.0	100.0
<i>Interest Exp. / Assets</i>	<i>4.73</i>	<i>4.33</i>	<i>4.17</i>	<i>3.3</i>		<i>(40)</i>	<i>(16)</i>	<i>(84)</i>			

Source: Company, LKP Research

Exhibit 5: Asset Quality Analysis

(₹ mn)	4Q FY20	1Q FY21	2Q FY21	3Q FY21	4Q FY21	1Q FY22	QoQ % / bps	YoY % / bps
Gross Slippages	82,910	39,100	30,850	2,870	2,20,500	1,62,980	(26.1)	316.8
Slippages Ratio (%)	0.38	0.17	0.13	0.01	0.95	0.67	(28)	50
Gross NPA	14,90,919	12,96,607	12,58,630	11,72,442	12,63,890	13,42,595	6.2	3.5
Gross NPAs Ratio (%)	6.15	5.44	5.28	4.77	4.98	5.32	34	(12)
PCR - Calculated (%)	65.2	67.1	71.0	75.2	70.9	67.9	(302)	79
PCR - Inc. Tech w/o (%)	83.6	86.3	88.2	90.2	87.8	85.9	(182)	(39)
Net NPA	5,18,713	4,27,036	3,64,507	2,90,317	3,68,097	4,31,525	17.2	1.1
Net NPAs Ratio (%)	2.23	1.86	1.59	1.23	1.50	1.77	27	(9)

Source: Company, LKP Research

Annual Projections

Exhibit 6: Profit and Loss Statement

(₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
Int. Income / Opr. Revenue	25,73,236	26,51,506	29,71,994	32,96,048	36,77,634
Interest Expenses	15,92,388	15,44,406	17,09,937	18,57,172	20,36,574
Net Interest Income	9,80,848	11,07,100	12,62,057	14,38,876	16,41,060
<i>NIM (%)</i>	2.80	2.85	2.90	2.99	3.08
Adjusted NII	9,16,352	10,11,141	12,62,057	14,38,876	16,41,060
Core Fee Income & Dividend	2,47,176	2,65,875	2,87,145	3,12,988	3,44,287
Exchange Income	22,865	24,595	26,563	28,953	31,849
Sale of Investments	10,849	11,669	12,603	13,737	15,111
Other Misc. Income	1,09,168	1,17,427	1,26,821	1,38,235	1,52,058
Other Income - Total	3,90,058	4,19,566	4,53,132	4,93,913	5,43,305
Net Operating Revenue	13,70,906	15,26,666	17,15,189	19,32,789	21,84,365
Employee Exp.	4,57,150	5,09,360	5,70,483	6,44,646	7,41,343
Other Opex	2,94,587	3,17,162	3,48,878	3,83,766	4,14,468
Total Opex	7,51,737	8,26,522	9,19,362	10,28,412	11,55,810
<i>C/I Ratio (%)</i>	54.84	54.14	53.60	53.21	52.91
Pre Provision Profits	6,19,169	7,00,144	7,95,827	9,04,377	10,28,554
<i>PPP Growth (yoy %)</i>	11.7	13.1	13.7	13.6	13.7
Provisions & Contingencies - Total	4,33,304	4,40,130	3,83,295	3,81,349	3,84,419
<i>Credit Cost (As % of Op. AUM)</i>	-	1.87	1.50	1.35	1.22
Profit Before Tax	2,48,022	2,75,411	4,12,532	5,23,028	6,44,135
Tax	1,03,141	71,307	1,01,153	1,28,247	1,57,943
<i>Effective Tax Rate (%)</i>	33.3	24.5	24.5	24.5	24.5
Reported Profits	1,44,881	2,04,105	3,11,378	3,94,781	4,86,193
<i>PAT Growth (yoy %)</i>	8,831.1	40.9	52.6	26.8	23.2

Source: Company, LKP Research

Exhibit 7: Balance Sheet

(₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	8,925	8,925	8,925	8,925	8,925
Reserves (ex Reval. Reserve)	20,73,523	22,94,054	26,05,432	30,00,213	34,86,406
Net Worth - Ex Revaluation	20,82,448	23,02,978	26,14,357	30,09,138	34,95,331
Deposits	3,24,16,207	3,68,12,771	4,10,80,991	4,60,30,888	5,16,13,284
Borrowings	31,46,557	41,72,977	40,62,955	40,02,686	38,84,871
Interest Bearing Liabilities (₹ mn)	3,55,62,764	4,09,85,748	4,51,43,946	5,00,33,574	5,54,98,155
Other Lia. & Prov.	16,31,101	18,19,797	18,63,085	19,39,087	23,54,398
Total Liabilities	3,95,13,939	4,53,44,296	4,98,61,765	5,52,32,419	6,16,09,885
Assets					
Cash & Cash Equivalent	25,10,970	34,30,387	37,65,188	41,68,919	46,43,871
Investments	1,04,69,545	1,35,17,052	1,48,90,951	1,64,12,956	1,81,01,191
Credit Equivalent	17,64,211	22,77,742	25,05,516	27,56,068	30,31,675
Loan & Advances (₹ mn)	2,32,52,896	2,44,94,978	2,69,44,476	2,99,08,368	3,34,97,372
<i>Growth (yoy %)</i>	6.4	5.3	10.0	11.0	12.0
Fixed Assets	3,84,393	3,84,192	3,91,694	4,08,386	4,26,931
Other Assets	28,96,136	35,17,687	38,69,455	43,33,790	49,40,521
Total Assets	3,95,13,939	4,53,44,296	4,98,61,765	5,52,32,419	6,16,09,885

Source: Company, LKP Research

Exhibit 8: Per share data

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
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 (₹)	16.2	22.9	34.9	44.2	54.5
EPS (% YoY)	8,831.1	40.9	52.6	26.8	23.2
P/E (x)	28.2	20.0	13.1	10.3	8.4
Book Value (₹)	233.3	258.0	292.9	337.2	391.7
BVPS (% YoY)	6.1	10.6	13.5	15.1	16.2
P/BV (x)	2.0	1.8	1.6	1.4	1.2
Adj. BV (₹)	204.3	237.4	262.3	306.5	361.0
Adj. BV (% YoY)	11.6	16.2	10.5	16.9	17.8
P/ABV (x)	2.2	1.9	1.7	1.5	1.3

Source: Company, LKP Research

Exhibit 9: Detailed ROA Tree

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
Yields / Margins					
Yield on Advance	8.0	7.2	7.2	7.3	7.3
Yield on Funds	7.4	6.8	6.8	6.9	6.9
Cost of Funds (CoF)	4.6	4.0	4.0	3.9	3.9
Interest Spread	2.7	2.8	2.9	3.0	3.0
NIM's	2.8	2.9	2.9	3.0	3.1
Interest Income / Assets	6.7	6.2	6.2	6.3	6.3
Interest Exp. / Assets	4.2	3.6	3.6	3.5	3.5
NII / Assets	2.6	2.6	2.7	2.7	2.8
Fee Income / Assets	0.6	0.6	0.6	0.6	0.6
Other Non Core Income / Assets	0.0	0.0	0.0	0.0	0.0
Other Income / Assets	1.0	1.0	1.0	0.9	0.9
Net Operating Income / Assets	3.6	3.6	3.6	3.7	3.7
Operating Ratios					
NII to Net Operative Income	71.5	72.5	73.6	74.4	75.1
Other Income to Net Operative Income	28.5	27.5	26.4	25.6	24.9
Empl. Cost/Oper. Exps.	60.8	61.6	62.1	62.7	64.1
Other Op. Exps./Oper. Exps.	39.2	38.4	37.9	37.3	35.9
C/I Ratio (%)	54.8	54.1	53.6	53.2	52.9
Provisions as % PPP	31.6	28.8	22.3	19.7	17.6
Credit Cost (As % of Op. AUM)	-	1.9	1.5	1.4	1.2
Effective Tax Rate (%)	33.3	24.5	24.5	24.5	24.5
Employee Exp. / Assets	1.2	1.2	1.2	1.2	1.3
Other Opex/ Assets	0.8	0.7	0.7	0.7	0.7
Total Opex / Assets	2.0	1.9	1.9	2.0	2.0
Operating Profits / Assets	1.6	1.7	1.7	1.7	1.8
Op Profit ex Except Items / Assets	1.8	1.7	1.7	1.7	1.8
Provisions / Assets	1.1	1.0	0.8	0.7	0.7
Profit Before Tax / Assets	0.6	0.6	0.9	1.0	1.1
Tax Expenses / Assets	0.3	0.2	0.2	0.2	0.3
RoA	0.4	0.5	0.7	0.8	0.8
Leverage (x)	19.0	19.7	19.1	18.4	17.6
RoE	6.4	8.4	11.5	12.9	13.9
Adj. RoA	0.7	0.6	0.7	0.8	0.8
Adj. RoE	11.9	9.7	11.5	12.9	13.9

Source: Company, LKP Research

Exhibit 10: Balance Sheet Ratios

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
<i>Credit / Deposit Ratio</i>	71.7	66.5	65.6	65.0	64.9
<i>Incremental C/D Ratio</i>	42.2	28.3	57.4	59.9	64.3
<i>Investment Deposit Ratio</i>	32.3	36.7	36.2	35.7	35.1
<i>Dom. SLR Investment / Deposits</i>	25.7	29.2	28.8	28.3	27.7
<i>CASA Ratio</i>	45.9	46.4	46.5	46.5	46.5

Source: Company, LKP Research

Exhibit 11: Asset Quality

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
<i>Slippage Ratio (%)</i>	2.5	1.3	1.1	0.9	0.8
Gross NPA	14,89,125	12,63,890	12,48,557	12,51,790	12,41,459
<i>Gross NPAs Ratio (%)</i>	6.2	5.0	4.6	4.2	3.7
<i>PCR (%)</i>	65.2	70.9	68.3	68.6	69.1
Net NPA	5,18,713	3,68,097	3,95,197	3,92,992	3,84,030
<i>Net NPAs Ratio (%)</i>	2.2	1.5	1.5	1.3	1.1
Total Impaired Loans	14,89,125	12,63,890	12,48,557	12,51,790	12,41,459
<i>Impaired Loan as % of Loan / AUM</i>	6.0	4.7	4.2	3.8	3.4
Total Risk Reserves	9,70,412	8,95,793	8,53,359	8,58,799	8,57,429
<i>Total Risk As % of Loan Book</i>	3.9	3.3	2.9	2.6	2.3

Source: Company, LKP Research

Exhibit 12: Key Assumptions & Forecasts

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
Loan & Advances (₹ mn)	2,32,52,896	2,44,94,978	2,69,44,476	2,99,08,368	3,34,97,372
<i>Growth (yoy %)</i>		5.3	10.0	11.0	12.0
Interest Bearing Liabilities (₹ mn)	3,55,62,764	4,09,85,748	4,51,43,946	5,00,33,574	5,54,98,155
<i>Growth (yoy %)</i>		15.2	10.1	10.8	10.9
<i>Yield on Funds</i>	7.4	6.8	6.8	6.9	6.9
<i>Cost of Funds (CoF)</i>	4.6	4.0	4.0	3.9	3.9
<i>Interest Spread</i>	2.7	2.8	2.9	3.0	3.0
<i>NIM's</i>	2.8	2.9	2.9	3.0	3.1
<i>Other Income Growth</i>	6.1	7.6	8.0	9.0	10.0
<i>C/I Ratio (%)</i>	54.8	54.1	53.6	53.2	52.9
<i>Effective Tax Rate (%)</i>	33.3	24.5	24.5	24.5	24.5
Return Ratios					
<i>Adj. RoA</i>	0.7	0.6	0.7	0.8	0.8
<i>Adj. RoE</i>	11.9	9.7	11.5	12.9	13.9
Asset Quality Metrics					
<i>Credit Cost (As % of Op. AUM)</i>	-	1.9	1.5	1.4	1.2
<i>Gross NPAs Ratio (%)</i>	6.2	5.0	4.6	4.2	3.7
<i>Net NPAs Ratio (%)</i>	2.2	1.5	1.5	1.3	1.1

Source: Company, LKP Research

DISCLAIMERS AND DISCLOSURES

LKP Sec. Ltd. (CIN-L67120MH1994PLC080039, www.Lkpsec.com) and its affiliates are a full-fledged, brokerage and financing group. LKP was established in 1992 and is one of India's leading brokerage and distribution house. LKP is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX). LKP along with its subsidiaries offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, insurance broking and services rendered in connection with distribution of primary market issues and financial products like mutual funds etc.

LKP hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years. However, SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on LKP for certain operational deviations in ordinary/routine course of business. LKP has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

LKP offers research services to clients. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by LKP and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

Research Analyst or his/her relative's financial interest in the subject company. (NO)

LKP or its associates may have financial interest in the subject company.

LKP or its associates and Research Analyst or his/her relative's does not have any material conflict of interest in the subject company. The research Analyst or research entity (LKP) has not been engaged in market making activity for the subject company.

LKP or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report: (NO)

LKP or its associates may have received any compensation including for investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

LKP or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

LKP or its associates may have received any compensation or other benefits from the Subject Company or third party in connection with the research report.

Subject Company may have been client of LKP or its associates during twelve months preceding the date of distribution of the research report and LKP may have co-managed public offering of securities for the subject company in the past twelve months.

Research Analyst has served as officer, director or employee of the subject company: (NO)

LKP and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject LKP or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person.

Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom.

All trademarks, service marks and logos used in this report are trademarks or registered trademarks of LKP or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

All material presented in this report, unless specifically indicated otherwise, is under copyright to LKP. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of LKP.