STATE BANK OF INDIA | Banking

.....Asset quality improvement; aiming for 15% ROE

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 ₹42bn v/s ₹156bn in the previous quarter. Its reported GNPA (4.9% v/s 5.32% in 1QFY22) and NNPA (1.52% v/s 1.77% in 1QFY22) improved noticeably along with stable PCR (incl. AUCA) of 88%. Furthermore SMA2 (10bps v/s 14bps) decreased considerably. The bank has witnessed stable advance growth (6.5% YoY & 0.5% QoQ) and strong deposit growth (10% YoY & 2.4% QoQ) sequentially with better liquidity position. Moreover the bank has reported PAT of ₹76bn (v/s ₹65bn in 1QFY22) on the back of strong NII growth (13% QoQ and NIMs: 3.33%) along with lower provisioning expenses because of specific provision utilization. The 2QFY22 ROA and ROE stood at 0.66% and 11.4% respectively. Management reiterated the target ROE of 15% in mid run. The bank has established total standard asset and contingent provision of ~₹278bn (114bps of net advances) as on 2QFY22. With improving asset quality, ample contingent buffer and growth outlook (guidance: 10% credit growth in FY22), we believe the ROE target of 15% is achievable in mid run. Therefore, we recommend BUY with increased target price of ₹670 (earlier ₹541).

Gazing the core

Asset quality improvement: Slippages stood ₹42bn (v/s ₹156bn), largely contributed by corporate and includes SREI exposure of ₹27bn. Write-off (₹72bn v/s ₹35bn in 1QFY22) stood sequentially higher. The Bank's SMA 1 (₹43bn, 18bps) decreased substantially by 46% QoQ; where SMA 2 (₹23bn, 10bps) decreased by 29%. Moreover, BB & below book stood 12% of wholesale book. Additionally, the restructured pool went up to ₹303bn (124bps of net advances) from ₹181bn (77bps) in the previous quarter. On total restructuring, retail book accounted for ~50%. Retail restructuring was almost home loans and SME category and there was hardly any restructuring under Xpress credit card. Technically, tenure extension is for 18-24 months under restructuring, but bank might see customers paying back earlier than envisaged.

Key Financials (₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
NII	9,80,848	11,07,100	12,62,057	14,38,876	16,41,060
Operating Profit	6,81,326	7,15,541	7,95,827	9,04,377	10,28,554
Reported Profits	1,44,881	2,04,105	3,11,378	3,94,781	4,86,193
Net Worth	20,82,448	23,02,978	26,14,357	30,09,138	34,95,331
Loan & Advances	2,32,52,896	2,44,94,978	2,69,44,476	2,99,08,368	3,34,97,372
Int. Bearing Liabilities	3,55,62,764	4,09,85,748	4,51,43,946	5,00,33,574	5,54,98,155

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 (₹)	527
12 M Price Target (₹)	670
Potential upside (%)	27

Stock Data	
FV (₹) :	1
Market Cap Full (₹ bn) :	4,738
Market Cap Free Float (₹ bn) :	2,025
52-Week High / Low (₹) :	198 / 542
2-Year High / Low (₹) :	150 / 542
1 Year Avg. Dly Traded Volume (in lakh)	444
BSE Code / NSE Symbol	500112 / SBIN
Bloomberg :	SBIN IN

Shareholding Pattern (%)	Sep-21	Jun-21	Mar-21	Dec-20
Promoter	57.62	57.62	57.63	57.64
FPIs	10.55	10.34	9.94	9.82
MFs	13.04	12.75	12.57	12.72
Insurance	9.92	10.27	10.71	11.09
Others	8.87	9.02	9.15	8.73

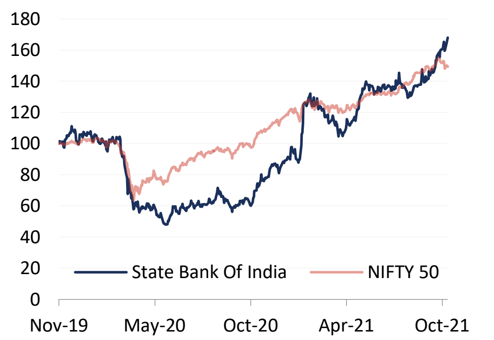
Source: BSE

(%)	1M	3M	6M	1YR
SBI	16.8%	18.2%	50.5%	157.7%
Nifty 50	1.7%	10.5%	21.8%	50.9%

Price Performance (%)

** To date / current date : November 3, 2021*

SBI vs Nifty 50



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The provisioning of ₹1.9bn (Cumulative Credit cost: 0.43% v/s 0.79% in 1QFY22) was much lower because it utilized ₹28.8bn from specific provision made in earlier quarters. Despite drawing back of ₹28.8bn, the bank has established total covid & standard asset provisioning ~₹278bn (114bps of net advances) as on 2QFY22. Bank has provided 100% towards DHFL but not written-off. Hence, now it has adjusted recovery amount against provisions and balance has been written-off. Exposure to SREI group (~₹27bn) is fully provided.

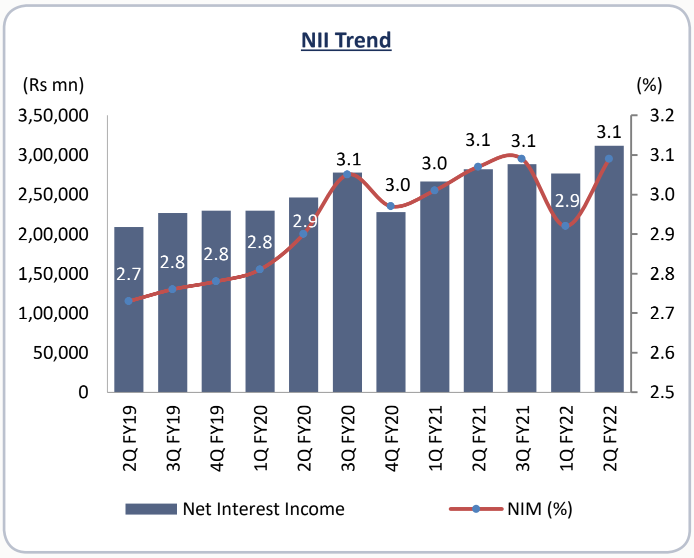
Profitability surges on the back of specific provision utilization: Domestic NIMs (3.33%) grew by 18bps sequentially. Management believes the NIMs to remain stable for FY22E. YOA and COD stood at 7.51% and 3.84% against 7.42% and 3.88% in the previous quarter. Overall NIMs improved 17bps to 3.09%. It translated in sequential NII (312bn) growth of 12.8%. Other income de-grew by 30% sequentially. Despite a stable NII growth the PPOP de-grew by 4.7% sequentially mainly because of lower other income and higher opex (C/I ratio of 54% v/s 52% in the previous quarter). The bank has reported exceptional loss of ₹74bn for provision against change in employee pension rules, without taking deferment of 5 years as per RBI. A sequentially lower provision expense, on the back of specific provision utilization, has translated in 17% sequential jump in PAT to ₹76bn. The bank's ROA/ ROE stood at 0.7% and 11.4% 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.

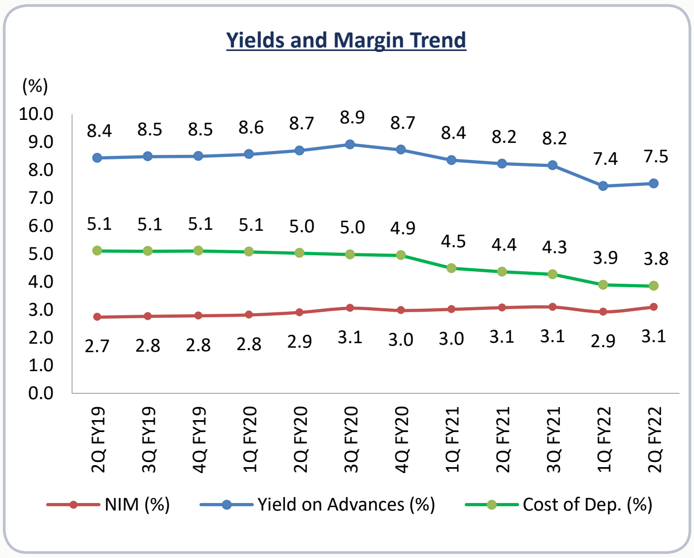
Business growth in line with the industry: The bank's net advances stood at ₹24.4tn; grew steadily by 6.5% YoY and 0.5% QoQ. Retail (42% contribution) and Agriculture (10% contribution) grew by 3.7% and 2.7% sequentially. Corporate (35% contribution) de-grew by 4.3% QoQ. The bank is aiming for 10% growth in FY22. ECLGS portfolio at ₹263.6bn and as of now, only 2% has been classified under GNPA.

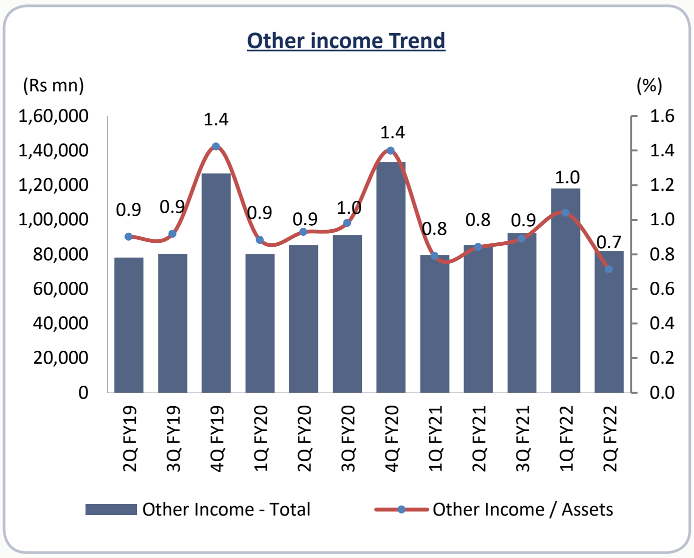
Outlook & Valuations

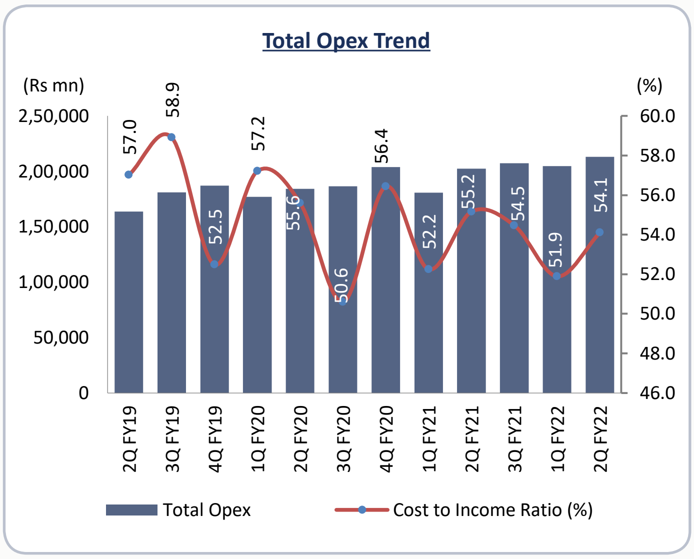
Under base case scenario, we expect the bank to post a ROA/ROE of 0.8%/13% by FY23E led by healthy balance sheet growth along with higher PCR and stable asset quality. We recommend BUY with revised target price of ₹670 (potential upside of 27%). We value the standalone bank at PBV of 1.7xFY23E Adj. BVPS of ₹307 and value of subsidiaries per share of ₹149.

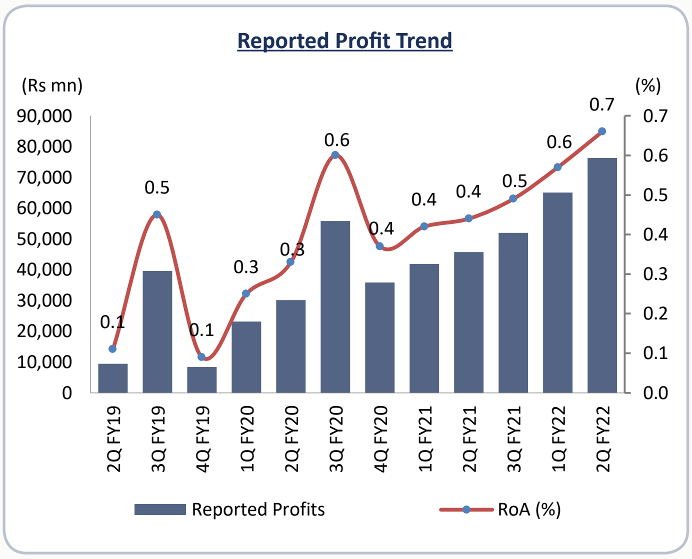
Quarterly story in charts

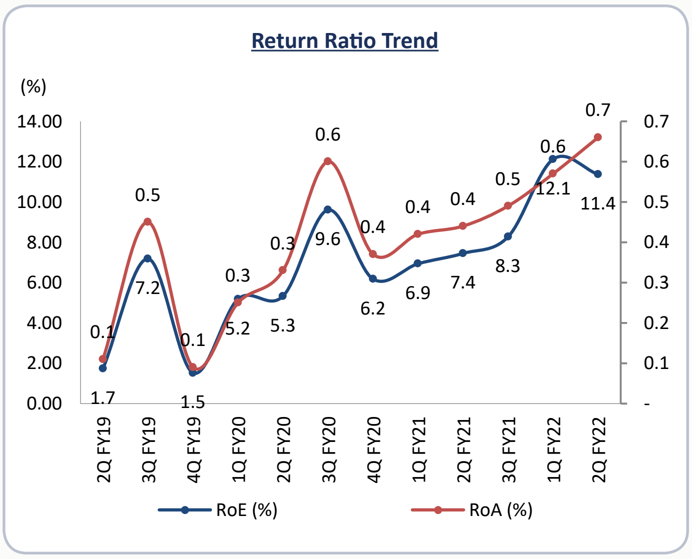




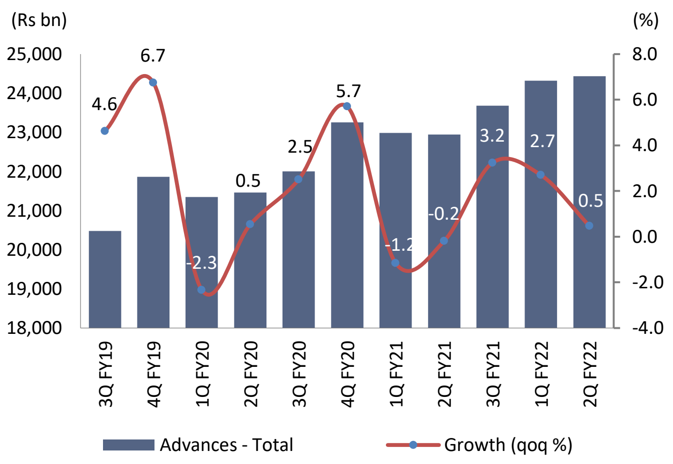




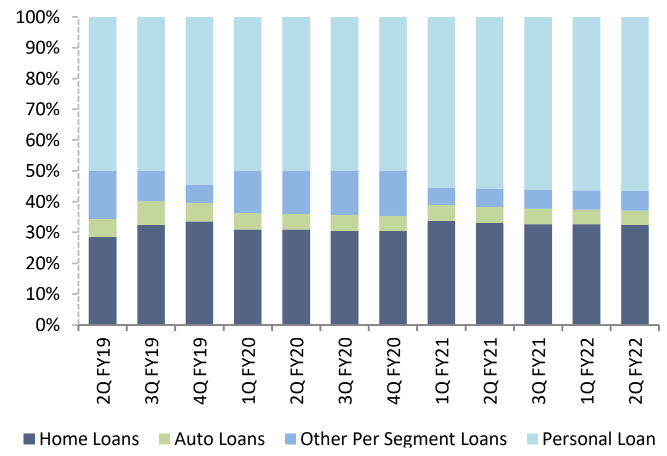




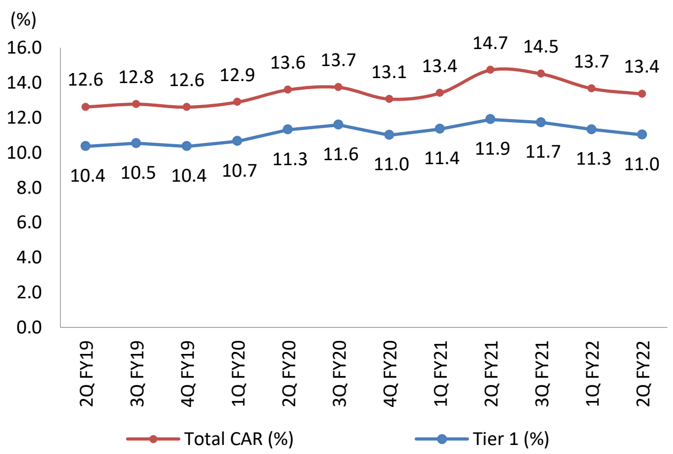
Loan Book Trend



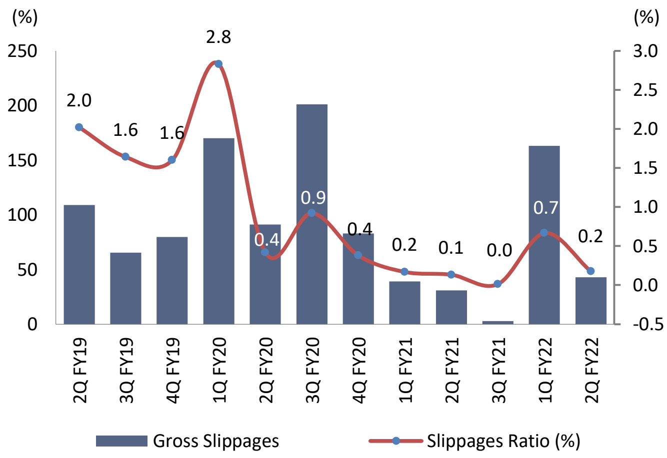
Loan Book Mix Trend



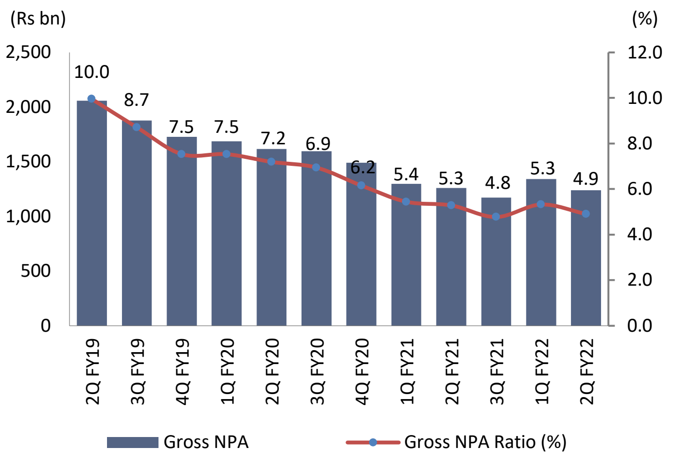
CRAR & Tier 1 Ratio Trend



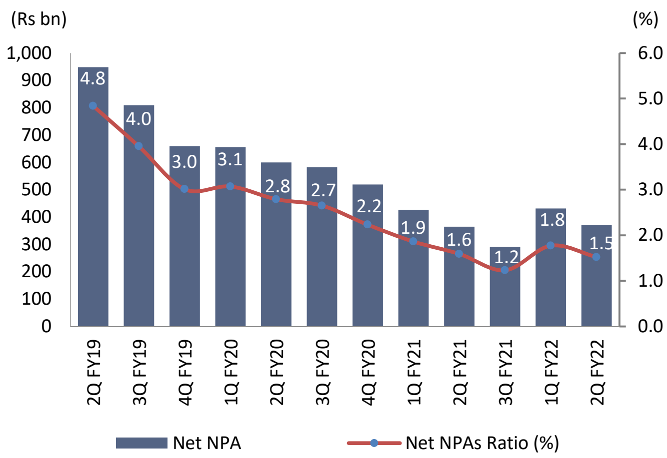
Slippages



Gross NPA Trend



Net NPA Trend



Financial Performance at a glance

Exhibit 1 : Income Statement Analysis

(₹ mn)	2Q FY22	2Q FY21	% yoy / bps	1Q FY22	% qoq / bps	FY21	FY20	% yoy / bps
Int. on Loan	4,23,169	4,33,776	*(2.4)*	4,11,435	*2.9*	17,14,291	17,97,488	*(4.6)*
Int. on Investment	2,10,747	2,02,537	*4.1*	2,03,698	*3.5*	7,98,081	6,82,047	*17.0*
Int. on Balances	12,313	5,089	*141.9*	10,351	*19.0*	43,175	29,204	*47.8*
Int. Others	48,586	26,739	*81.7*	30,160	*61.1*	95,959	64,496	*48.8*
Interest Inc.	**6,94,815**	**6,68,141**	***4.0***	**6,55,644**	***6.0***	**26,51,506**	**25,73,236**	***3.0***
Interest Expenses	**3,82,980**	**3,86,330**	***(0.9)***	**3,79,260**	***1.0***	**15,44,406**	**15,92,388**	***(3.0)***
NII to Net Operative Income	*79.2*	*76.8*	*239*	*70.1*	*909*	*72.5*	*71.5*	*97*
NIM (%)	*3.09*	*3.1*	*2*	*2.9*	*17*	*-*	*-*	*-*
Dom. NIM (%)	*3.3*	*3.3*	*4*	*3.2*	*18*	*3.3*	*3.2*	*7*
Int. NIM (%)	*1.1*	*1.2*	*(9)*	*1.1*	*-*	*-*	*-*	*-*
Core Fee Income	**53,920**	**52,430**	***2.8***	**54,040**	***(0.2)***	**2,35,180**	**2,37,250**	***(0.9)***
Non Core Other Income	**28,156**	**32,847**	***(14.3)***	**63,987**	***(56.0)***	**1,84,386**	**2,14,973**	***(14.2)***
Other Income - Total	*82,076*	*85,277*	*(3.8)*	*1,18,027*	*(30.5)*	*4,19,566*	*3,90,058*	*7.6*
Other Inc to Net Oper. Income (%)	*20.8*	*23.2*	*(239)*	*29.9*	*(909)*	*27.5*	*28.5*	*(97)*
Net Operating Revenue	**3,93,915**	**3,67,092**	***7.3***	**3,94,412**	***(0.1)***	**15,26,666**	**13,70,906**	***11.4***
Employee Expenses	1,25,778	1,25,702	*0.1*	1,25,383	*0.3*	5,09,360	4,57,150	*11.4*
Empl. Cost/Oper. Exps. (%)	*31.9*	*34.2*	*(231)*	*31.8*	*14*	*33.4*	*33.3*	*2*
Other Opex	87,346	76,793	*13.7*	79,281	*10.2*	3,17,162	2,94,587	*7.7*
Other Opex/ Assets (%)	*0.2*	*0.2*	*(0)*	*0.2*	*1*	*0.7*	*0.8*	*(2)*
Total Opex	*2,13,124*	*2,02,494*	*5.2*	*2,04,664*	*4.1*	*8,26,522*	*7,51,737*	*9.9*
Cost to Income Ratio (%)	*54.1*	*55.2*	*(106)*	*51.9*	*221*	*54.1*	*54.8*	*(70)*
Pre Provision Profits	**1,80,791**	**1,64,598**	***9.8***	**1,89,748**	***(4.7)***	**7,00,144**	**6,19,169**	***13.1***
Exceptional Profit (Loss)	(74,184)	-	*-*	-	*-*	15,397	62,156	*(75.2)*
Provisions & Contingencies - Total	**1,888**	**1,01,183**	***(98.1)***	**1,00,520**	***(98.1)***	**4,40,130**	**4,33,304**	***1.6***
Credit Cost (%)	*0.43*	*1.24*	*(81)*	*0.8*	*(36)*	*1.12*	*1.87*	*(75)*
NPA Provisions as % PPP	*1.8*	*61.5*	*(5,970)*	*53.0*	*(5,120)*	*61.5*	*63.6*	*(209)*
Profit Before Tax	**1,04,719**	**63,415**	***65.1***	**89,229**	***17.4***	**2,75,411**	**2,48,022**	***11.0***
Tax	**28,454**	**17,673**	***61.0***	**24,189**	***17.6***	**71,307**	**1,03,141**	***(30.9)***
Effective Tax Rate (%)	*27.2*	*27.9*	*(70)*	*27.1*	*6*	*25.9*	*41.6*	*(1,569)*
Reported Profits	**76,266**	**45,742**	***66.7***	**65,040**	***17.3***	**2,04,105**	**1,44,881**	***40.9***
RoA (%)	*0.7*	*0.4*	*22*	*0.6*	*9*	*0.5*	*0.4*	*10*
RoE (%)	*11.4*	*7.4*	*392*	*12.1*	*(75)*	*9.9*	*7.7*	*216*

Source: Company, LKP Research

Exhibit 2 : Balance Sheet Analysis

(₹ mn)	1Q FY21	2Q FY21	3Q FY21	4Q FY21	1Q FY22	2Q FY22	QoQ % / bps	YoY % / bps
Net Worth	24,16,557	24,57,210	25,12,430	25,38,752	26,12,804	26,84,004	2.7	9.2
RoE (%)	*6.9*	*7.4*	*8.3*	*10.2*	*12.1*	*11.4*	*(75)*	*392*
CET1 (%)	*10.1*	*10.5*	*10.3*	*10.0*	*9.9*	*9.8*	*(15)*	*(73)*
Tier 1 (%)	*11.4*	*11.9*	*11.7*	*11.4*	*11.3*	*11.0*	*(30)*	*(88)*
Total CAR (%)	*13.4*	*14.7*	*14.5*	*13.7*	*13.7*	*13.4*	*(31)*	*(137)*
RWA - Total	2,12,48,527	2,09,43,122	2,18,67,717	2,24,90,771	2,27,75,914	2,31,17,076	1.5	10.4
Advances - Total	2,29,83,462	2,29,39,012	2,36,81,391	2,44,94,978	2,43,19,081	2,44,31,942	0.5	6.5
Investments	1,22,52,284	1,32,91,663	1,31,08,846	1,35,17,052	1,38,65,100	1,46,65,295	5.8	10.3
Total Assets	4,11,79,316	4,15,78,563	4,35,69,868	4,53,44,296	4,55,70,057	4,69,19,173	3.0	12.8
RoA (%)	*0.42*	*0.44*	*0.49*	*0.58*	*0.57*	*0.66*	*9*	*22*
Deposits	3,41,93,628	3,47,04,617	3,53,57,534	3,68,12,771	3,72,09,870	3,80,96,299	2.4	9.8
Saving Deposit	1,29,43,840	1,31,49,500	1,33,58,610	1,37,00,820	1,43,08,810	1,45,36,240	1.6	10.5
Current Deposit	20,43,340	21,20,570	21,05,630	27,68,920	22,83,530	25,27,630	10.7	19.2
CASA Deposits	1,49,87,180	1,52,70,070	1,54,64,240	1,64,69,740	1,65,92,340	1,70,63,870	2.8	11.7
CASA Ratio (%)	*45.3*	*45.4*	*45.2*	*46.1*	*46.0*	*46.2*	*27*	*84*
Dom. Term Deposits	1,80,68,400	1,83,71,277	1,87,83,904	1,92,31,911	2,06,17,530	2,10,32,429	2.0	14.5
Interest Bearing Liabilities - Total	3,73,23,587	3,76,86,920	3,94,66,265	4,09,85,748	4,11,98,913	4,22,85,806	2.6	12.2

Source: Company, LKP Research

Exhibit 3: Funding Profile Analysis

(₹ mn)	1Q FY21	2Q FY21	3Q FY21	4Q FY21	1Q FY22	2Q FY22	QoQ % / bps	YoY % / bps
Interest Bearing Liabilities - Total	**3,73,23,587**	**3,76,86,920**	**3,94,66,265**	**4,09,85,748**	**4,11,98,913**	**4,22,85,806**	***2.6***	***12.2***
Global Deposits	3,41,93,628	3,47,04,617	3,53,57,534	3,68,12,771	3,72,09,870	3,80,96,299	*2.4*	*9.8*
CASA Deposits	1,49,87,180	1,52,70,070	1,54,64,240	1,64,69,740	1,65,92,340	1,70,63,870	*2.8*	*11.7*
Saving Deposit	1,29,43,840	1,31,49,500	1,33,58,610	1,37,00,820	1,43,08,810	1,45,36,240	*1.6*	*10.5*
Current Deposit	20,43,340	21,20,570	21,05,630	27,68,920	22,83,530	25,27,630	*10.7*	*19.2*
Dom. Term Deposits	1,80,68,400	1,83,71,277	1,87,83,904	1,92,31,911	2,06,17,530	2,10,32,429	*2.0*	*14.5*
Borrowings	31,29,959	29,82,303	41,08,731	41,72,977	39,89,043	41,89,508	*5.0*	*40.5*
Interest Bearing Liabilities - Total	**3,73,23,587**	**3,76,86,920**	**3,94,66,265**	**4,09,85,748**	**4,11,98,913**	**4,22,85,806**	***2.6***	***12.2***

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 (%)		
	FY19	FY20	FY21	2Q FY22		FY20	FY21	2Q FY22	FY20	FY21	2Q FY22
Global Deposits	**2,91,13,860**	**3,24,16,207**	**3,68,12,771**	**3,80,96,299**	***84.7***	***11.3***	***13.6***	***3.5***	***130.5***	***77.9***	***88.8***
Saving Deposit	1,09,17,520	1,20,63,720	1,37,00,820	1,45,36,240	*32.3*	*10.5*	*13.6*	*6.1*	*45.3*	*29.0*	*57.8*
Current Deposit	20,58,752	22,73,356	27,68,920	25,27,630	*5.6*	*10.4*	*21.8*	*(8.7)*	*8.5*	*8.8*	*(16.7)*
CASA Deposits	1,29,76,272	1,43,37,076	1,64,69,740	1,70,63,870	*37.9*	*10.5*	*14.9*	*3.6*	*53.8*	*37.8*	*41.1*
Dom. Term Deposits	1,51,66,162	1,69,09,083	1,90,14,290	2,10,32,429	*46.8*	*11.5*	*12.5*	*10.6*	*68.9*	*37.3*	*139.6*
Borrowings	**40,30,171**	**31,46,557**	**41,72,977**	**41,89,508**	***9.3***	***(21.9)***	***32.6***	***0.4***	***(34.9)***	***18.2***	***1.1***
Interest Bearing Liabilities - Total	**3,31,44,031**	**3,55,62,764**	**4,09,85,748**	**4,22,85,806**	***94.0***	***7.3***	***15.2***	***3.2***	***95.6***	***96.1***	***90.0***
Net Worth	**22,09,138**	**23,20,074**	**25,38,752**	**26,84,004**	***6.0***	***5.0***	***9.4***	***5.7***	***4.4***	***3.9***	***10.0***
Working Fund	**3,53,53,170**	**3,78,82,838**	**4,35,24,500**	**4,49,69,810**	***100.0***	***7.2***	***14.9***	***3.3***	***100.0***	***100.0***	***100.0***
Interest Exp. / Assets	*4.33*	*4.17*	*3.64*	*3.3*		*(16)*	*(53)*	*(32)*			

Source: Company, LKP Research

Exhibit 5: Asset Quality Analysis

(₹ mn)	1Q FY21	2Q FY21	3Q FY21	4Q FY21	1Q FY22	2Q FY22	QoQ % / bps	YoY % / bps
Gross Slippages	39,100	30,850	2,870	2,20,500	1,62,980	42,930	*(73.7)*	*39.2*
Slippages Ratio (%)	**0.17**	**0.13**	**0.01**	**0.95**	**0.67**	**0.18**	***(49)***	***4***
Gross NPA	12,96,607	12,58,630	11,72,442	12,63,890	13,42,595	12,39,418	*(7.7)*	*(1.5)*
Gross NPAs Ratio (%)	**5.44**	**5.28**	**4.77**	**4.98**	**5.32**	**4.90**	***(42)***	***(38)***
PCR - Calculated (%)	**67.1**	**71.0**	**75.2**	**70.9**	**67.9**	**70.1**	***219***	***(99)***
PCR - Inc. Tech w/o (%)	86.3	88.2	90.2	87.8	85.9	87.7	*175*	*(51)*
Net NPA	4,27,036	3,64,507	2,90,317	3,68,097	4,31,525	3,71,186	*(14.0)*	*1.8*
Net NPAs Ratio (%)	**1.86**	**1.59**	**1.23**	**1.50**	**1.77**	**1.52**	***(25)***	***(7)***

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**
NIM (%)	*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**
C/I Ratio (%)	*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**
PPP Growth (yoy %)	*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**
Credit Cost (As % of Op. AUM)	*-*	*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
Effective Tax Rate (%)	*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**
PAT Growth (yoy %)	*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 Revel. 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
Growth (yoy %)	*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)	***32.7***	***23.2***	***15.2***	***12.0***	***9.7***
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)	***2.3***	***2.1***	***1.8***	***1.6***	***1.4***
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)	***2.6***	***2.2***	***2.0***	***1.7***	***1.5***

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
Credit / Deposit Ratio	*71.7*	*66.5*	*65.6*	*65.0*	*64.9*
Incremental C/D Ratio	*42.2*	*28.3*	*57.4*	*59.9*	*64.3*
Investment Deposit Ratio	*32.3*	*36.7*	*36.2*	*35.7*	*35.1*
Dom. SLR Investment / Deposits	*25.7*	*29.2*	*28.8*	*28.3*	*27.7*
CASA Ratio	*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
Slippage Ratio (%)	***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
Gross NPAs Ratio (%)	***6.2***	***5.0***	***4.6***	***4.2***	***3.7***
PCR (%)	***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
Net NPAs Ratio (%)	***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
Impaired Loan as % of Loan / AUM	***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
Total Risk As % of Loan Book	***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**
Growth (yoy %)		*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**
Growth (yoy %)		*15.2*	*10.1*	*10.8*	*10.9*
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*
Other Income Growth	*6.1*	*7.6*	*8.0*	*9.0*	*10.0*
C/I Ratio (%)	*54.8*	*54.1*	*53.6*	*53.2*	*52.9*
Effective Tax Rate (%)	*33.3*	*24.5*	*24.5*	*24.5*	*24.5*
Return Ratios					
Adj. RoA	*0.7*	*0.6*	*0.7*	*0.8*	*0.8*
Adj. RoE	*11.9*	*9.7*	*11.5*	*12.9*	*13.9*
Asset Quality Metrics					
Credit Cost (As % of Op. AUM)	*-*	*1.9*	*1.5*	*1.4*	*1.2*
Gross NPAs Ratio (%)	*6.2*	*5.0*	*4.6*	*4.2*	*3.7*
Net NPAs Ratio (%)	*2.2*	*1.5*	*1.5*	*1.3*	*1.1*

Source: Company, LKP Research

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