

STATE BANK OF INDIA | PSU Banking

Growth better than expected; Margins improved

LKP

Result and Price Analysis

State Bank of India (SBIN) has delivered a strong result on operating and assets quality front. Reported gross slippages stood at ₹24bn v/s ₹97bn in the previous quarter. It's reported GNPA (3.52% v/s 3.91% in 1QFY23) and NNPA (0.8% v/s 1.0% in 1QFY23) holds steady with stable PCR (incl. AUCA) of 92%. Furthermore SMA2 (7bps v/s 6bps) increased marginally. The bank has witnessed better than expected advance growth (21% YoY & 5% QoQ) led by growth across segments and steady deposit base (10.6% YoY & 3.4% QoQ) sequentially with better liquidity position. Moreover the bank has reported highest ever quarterly PAT of ₹132bn (v/s ₹62bn in 1QFY23) on the back of healthy NII (Domestic NIMs: 3.55%) and lower provision (credit cost: 28bps). The 2QFY23 calculated ROA and ROE stood at 1.04% and 17.4% respectively; surpassing the ROE target of 15%. The bank has established total standard asset and contingent provision of ~₹298bn (101bps of net advances) as on 2QFY23. With improving operating environment, ample contingent buffer and strong growth outlook, we believe the annual ROE target of 15% is achievable in FY23-24E. Therefore, we recommend BUY with target price of ₹718.

Gazing the core

Asset Quality improved; increase in SMA unlikely to cause worries: The bank's slippages were suggestively lower sequentially at ₹24bn (v/s ₹97bn). Moreover, bulky recoveries and write-offs (₹52bn and ₹37bn respectively) led to decrease in GNPA ratio to 3.52% v/s 3.91% in the previous quarter. The bank's asset quality improved meaningfully as reported GNPA/NNPA/PCR ratio stood at 3.52%/0.8%/92% against 3.97%/1.0.2%/90% in 4QFY22. GNPA ratio of retail, agriculture, SME and corporate segment stood at 3.4%, 12.2%, 6.0%, and 5.3% respectively. Additionally, The Bank's SMA 1 (₹66bn, 22bps) and SMA 2 (₹19bn, 7bps) inched up. Moreover, BB & below book decreased to 10% of wholesale book v/s 13% in 1QFY23. The restructured pool came down to ₹273bn (93bps of net advances) from ₹287bn (102bps) in the previous quarter. Management expects the pool to stay stable in near term.

Key Financials (₹ mn)	FY20	FY21	FY22	FY23E	FY24E
NII	9,80,848	11,07,100	12,07,076	14,09,125	16,93,887
Operating Profit	6,81,326	7,15,542	6,78,740	8,83,291	10,57,391
Reported Profits	1,44,881	2,04,105	3,16,760	4,27,428	5,30,561
Net Worth	20,82,448	23,02,978	25,67,102	29,94,530	35,25,091
Loan & Advances	2,32,52,896	2,44,94,978	2,73,39,666	3,14,40,616	3,64,71,114
Int. Bearing Liabilities	3,55,62,764	4,09,85,748	4,47,75,775	5,10,50,625	5,85,43,858

Key Ratios (%)	FY20	FY21	FY22	FY23E	FY24E
NIM's	2.8	2.9	2.8	2.9	3.0
C/I	52.5	53.6	53.3	52.3	51.5
Gross NPA	6.2	5.0	4.0	3.7	3.2
Tier 1	11.2	11.7	10.9	11.0	11.1
Adj. RoA	0.4	0.5	0.4	0.8	0.9
Adj. RoE	6.4	8.4	6.3	14.1	15.0

Rating	BUY
Current Market Price (₹)	594
12 M Price Target (₹)	718
Potential upside (%)	21

Stock Data

FV (₹) :	1
Total Market Cap (₹ bn) :	5,316
Free Float Market Cap (₹ bn) :	2,279
52-Week High / Low (₹)	597 / 425
2-Year High / Low (₹) :	597 / 217
1 Year Avg. Dly Traded Volume (in lakh)	168
BSE Code / NSE Symbol	500112 / SBIN
Bloomberg :	SBIN IN

Shareholding Pattern

(%)	Sep-22	Jun-22	Mar-22	Dec-21
GOI	57.52	57.57	57.59	57.60
FPIs	9.95	9.62	9.97	10.37
MFs	13.30	13.18	13.16	12.91
Insurance	10.49	10.45	10.13	9.94
Others	8.74	9.18	9.15	9.18

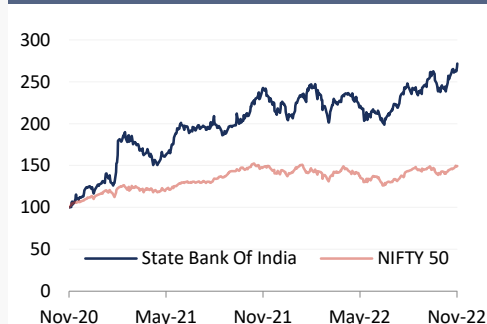
Source: BSE

Price Performance

(%)	1M	3M	6M	1YR
SBI	11.5%	11.4%	23.8%	12.0%
Nifty 50	4.9%	4.2%	8.6%	1.1%

* To date / current date : November 4, 2022

SBI vs Nifty 50



On total restructuring, retail book accounted for ~55%. Retail restructuring was almost home loans and SME category and there was hardly any restructuring under Xpress credit cards. The provision towards restructuring (₹78bn) stood around 30% of the restructured book which is quite similar to large private banks. The provisioning expenses of ₹30bn (Credit cost: 0.28% v/s 0.61% in 1QFY23) was in line with expectations and carries ₹20bn for loan loss provisions. Standard asset provisions worth ₹1.25bn reported 2QFY23 against ₹13bn has written back in the previous quarter. The bank has established total provision outside PCR of ~₹298bn (101bps of net advances) as on 2QFY23.

Highest ever quarterly profit: Domestic NIMs (3.55%) up by 28bps sequentially. Management believes the NIMs to remain stable. YOA and COD stood at 7.66% and 3.84% against 7.43% and 3.80% in the previous quarter. Overall NIMs stood at 3.17%. It translated in 12.8% sequential growth in NII (351bn). Strong NII growth and lower opex. (C/I: 52% v/s 62% in 1QFY23) resulted in the PPOP growth of 66% sequentially. Lower loan loss provision (~₹20bn v/s ~₹43bn in 1QFY23) has translated in lower provision expenses of ₹30.3bn v/s ₹43.9bn in the previous quarter. Hence the net profit witnessed strong jump of 119% sequentially. The bank's ROA/ROE (calculated, annualized) stood at 1.04% and 17.4% respectively; surpassing the ROE target of 15%.

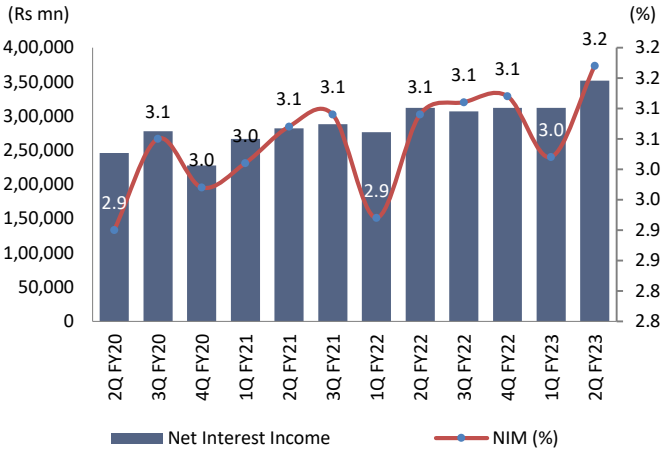
Superior credit growth: The bank's net advances stood at ₹29.5tn; grew healthy by 20.8% YOY and 4.8% QOQ. Retail (42% contribution) and Agriculture (9.4% contribution) grew by 3.9% and 3.8% sequentially. Corporate (36% contribution) grew by 4.9% QoQ. Corporate credit witnessed a higher YOY growth due to higher capacity utilization and robust growth on system level. The bank's investments are ~15.5tn of which ₹9.3tn are HTM and ₹6.2tn are AFS with modified duration of 1.9. Around 22% of loan book is linked to EBLR, 49% MCLR, 17% fixed rate and 0.24% are repo linked. The bank's deposit stood at ₹41.9tn grew steadily by 10.6% YOY and 3.4% QoQ. CASA ratio improved to 44.6% v/s 45.3% in 1QFY23. In 2QFY23, the bank's CRAR 13.51% vs. 13.43% in the previous quarter with CET 1 of 9.53%. The bank does not expect capital raise from the GOI or from the market in the near term.

Outlook & Valuations

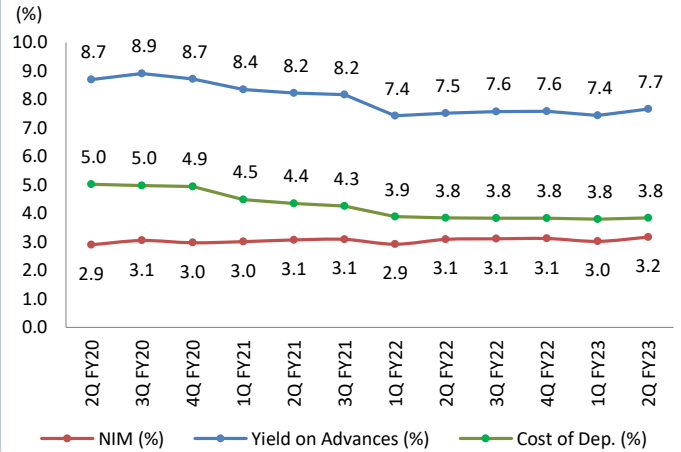
We expect the SBI to post a ROA/ROE of 0.9%/15% by FY24E led by healthy balance sheet growth along with higher PCR and stable asset quality. We recommend a BUY with target price of ₹718 (potential upside of 21%). We value the standalone bank with PBV of 1.5x FY24E Adj. BVPS of ₹379 and value of subsidiaries per share of ₹149.

Quarterly story in charts

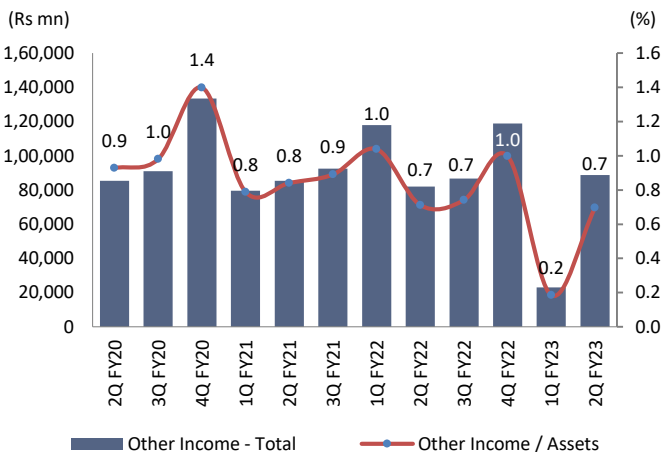
NII trend



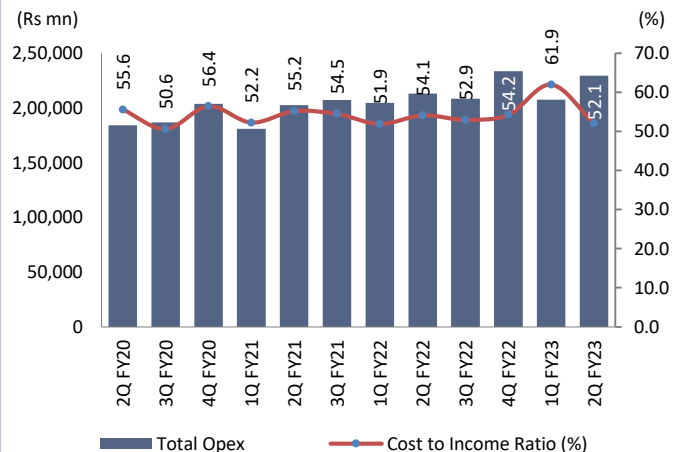
Yields & margin trend



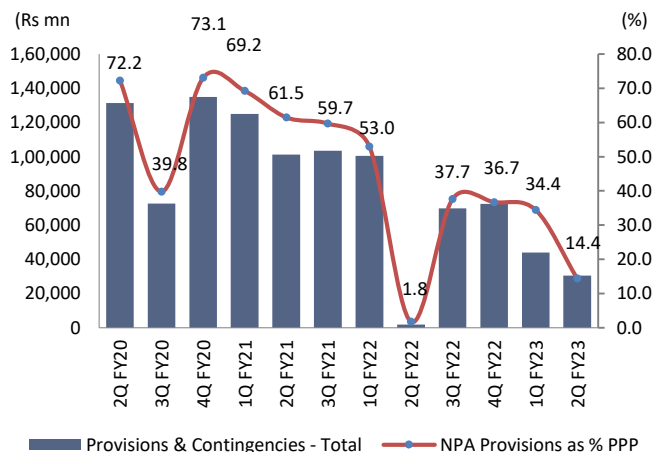
Other income trend



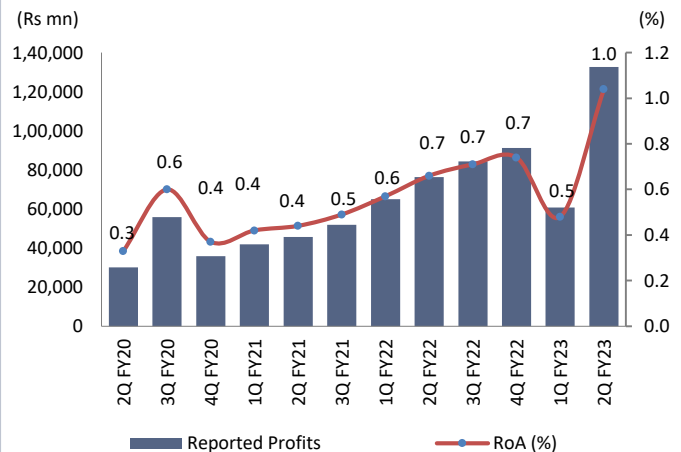
Total opex trend



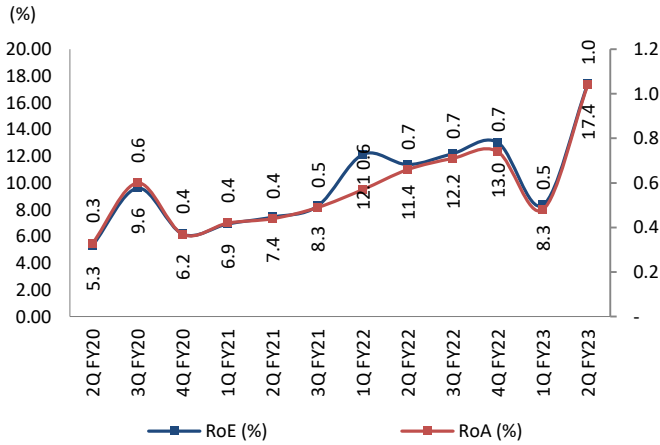
Provision expenses trend



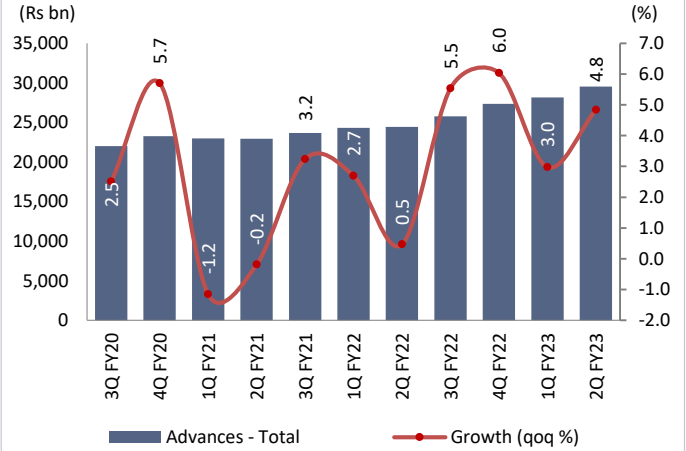
Reported profit trend



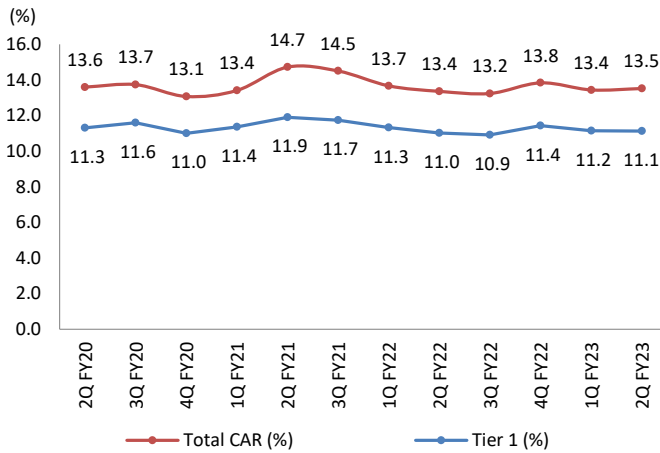
Return ratio trend



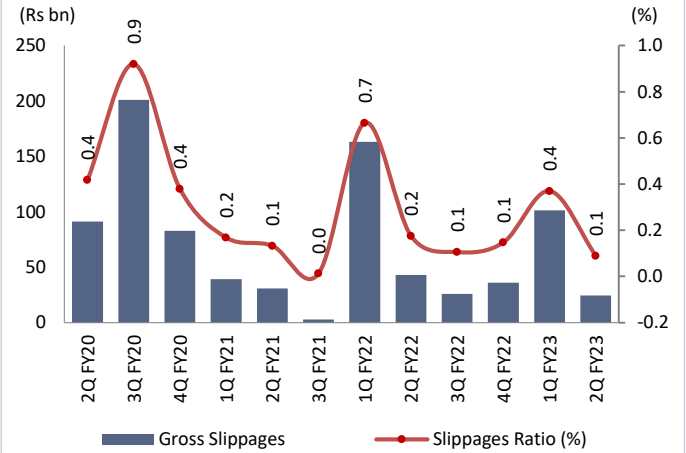
Loan book trend



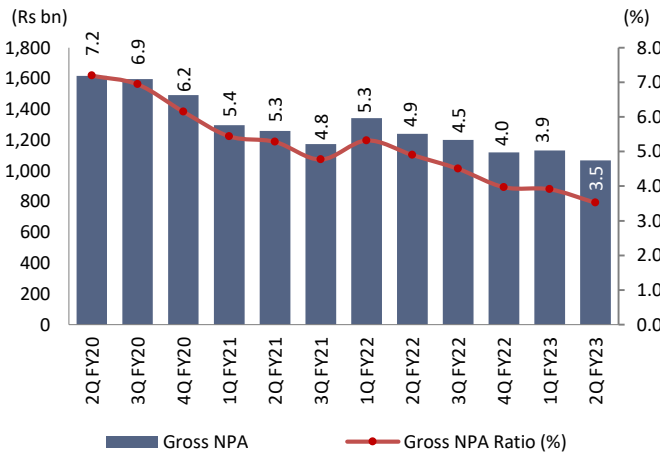
CRAR & Tier 1 ratio trend



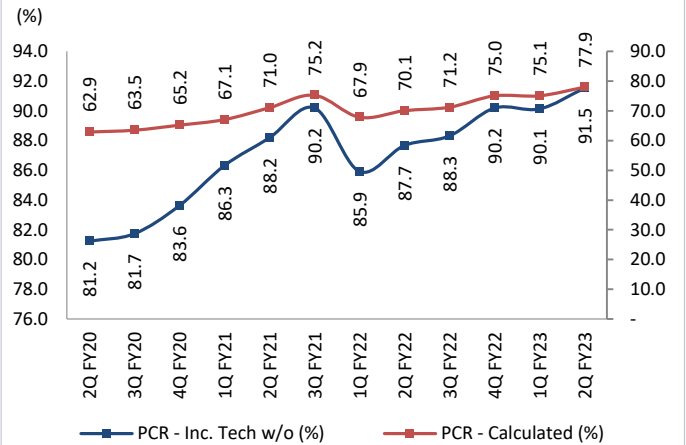
Slippages trend



Gross NPA trend



PCR Trend



Financial Performance at a glance

Exhibit 1 : Income Statement Analysis

(₹ mn)	2Q FY23	2Q FY22	% yoy / bps	1Q FY23	% qoq / bps	FY22	FY21	% yoy / bps
Interest Inc.	7,98,596	6,94,815	14.9	7,26,764	9.9	27,54,573	26,51,506	3.9
Interest Expenses	4,46,760	3,82,980	16.7	4,14,800	7.7	15,47,497	15,44,406	0.2
Net Interest Income	3,51,834	3,11,839	12.8	3,11,959	12.8	12,07,076	11,07,100	9.0
<i>NII to Net Operative Income</i>	<i>79.9</i>	<i>79.2</i>	<i>69</i>	<i>93.1</i>	<i>(1,324)</i>	<i>74.8</i>	<i>71.8</i>	<i>305</i>
<i>NIM (%)</i>	<i>3.17</i>	<i>3.1</i>	<i>8</i>	<i>3.0</i>	<i>15</i>	<i>2.8</i>	<i>-</i>	<i>-</i>
Other Income - Total	88,743	82,076	8.1	23,122	283.8	4,05,639	4,34,964	(6.7)
<i>Other Inc to Net Oper. Income (%)</i>	<i>20.1</i>	<i>20.8</i>	<i>(69)</i>	<i>6.9</i>	<i>1,324</i>	<i>25.2</i>	<i>28.2</i>	<i>(305)</i>
Net Operating Revenue	4,40,577	3,93,915	11.8	3,35,081	31.5	16,12,715	15,42,064	4.6
Employee Expenses	1,28,674	1,25,778	2.3	1,20,514	6.8	5,01,436	5,09,360	(1.6)
Other Opex	1,00,703	87,346	15.3	87,042	15.7	3,58,355	3,17,162	13.0
Total Opex	2,29,377	2,13,124	7.6	2,07,556	10.5	8,59,791	8,26,522	4.0
<i>Cost to Income Ratio (%)</i>	<i>52.1</i>	<i>54.1</i>	<i>(204)</i>	<i>61.9</i>	<i>(988)</i>	<i>53.3</i>	<i>53.6</i>	<i>(29)</i>
Pre Provision Profits	2,11,200	1,80,791	16.8	1,27,526	65.6	7,52,924	7,15,542	5.2
Provisions & Contingencies - Total	30,387	1,888	1,509.9	43,924	(30.8)	2,44,521	4,40,130	(44.4)
<i>NPA Provisions as % PPP</i>	<i>14.4</i>	<i>1.8</i>	<i>1,262</i>	<i>34.4</i>	<i>(2,006)</i>	<i>36.0</i>	<i>61.5</i>	<i>(2,548)</i>
Profit Before Tax	1,80,814	1,04,719	72.7	83,602	116.3	4,34,219	2,75,411	57.7
Tax	48,168	28,454	69.3	22,921	110.1	1,17,459	71,307	64.7
<i>Effective Tax Rate (%)</i>	<i>26.6</i>	<i>27.2</i>	<i>(53)</i>	<i>27.4</i>	<i>(78)</i>	<i>27.1</i>	<i>25.9</i>	<i>116</i>
Reported Profits	1,32,645	76,266	73.9	60,681	118.6	3,16,760	2,04,105	55.2
<i>RoA (%)</i>	<i>1.0</i>	<i>0.7</i>	<i>38</i>	<i>0.5</i>	<i>56</i>	<i>0.7</i>	<i>0.5</i>	<i>19</i>
<i>RoE (%)</i>	<i>17.4</i>	<i>11.4</i>	<i>604</i>	<i>8.3</i>	<i>907</i>	<i>11.9</i>	<i>9.9</i>	<i>196</i>

Source: Company, LKP Research

Exhibit 2 : Balance Sheet Analysis

(₹ mn)	1Q FY22	2Q FY22	3Q FY22	4Q FY22	1Q FY23	2Q FY23	QoQ % / bps	YoY % / bps
Net Worth	26,12,804	26,84,004	27,67,823	28,00,881	29,13,635	30,49,128	4.7	13.6
RoE (%)	12.1	11.4	12.2	13.0	8.3	17.4	907	604
Tier 1 (%)	11.3	11.0	10.9	11.4	11.2	11.1	(3)	10
Total CAR (%)	13.7	13.4	13.2	13.8	13.4	13.5	8	16
RWA - Total	2,27,75,914	2,31,17,076	2,40,41,839	2,47,88,359	2,56,11,578	2,61,28,999	2.0	13.0
Advances - Total	2,43,19,081	2,44,31,942	2,57,83,865	2,73,39,666	2,81,52,492	2,95,12,875	4.8	20.8
Investments	1,38,65,100	1,46,65,295	1,48,98,758	1,48,14,455	1,52,92,037	1,55,53,219	1.7	6.1
Total Assets	4,55,70,057	4,69,19,173	4,82,18,690	4,98,75,974	5,02,58,199	5,19,98,008	3.5	10.8
RoA (%)	0.57	0.66	0.71	0.74	0.48	1.04	56	38
Deposits	3,72,09,870	3,80,96,299	3,84,77,937	4,05,15,341	4,04,56,956	4,19,02,549	3.6	10.0
CASA Deposits	1,65,92,340	1,70,63,870	1,70,06,880	1,77,50,840	1,76,76,660	1,79,77,510	1.7	5.4
CASA Ratio (%)	46.0	46.2	45.7	45.3	45.3	44.6	(70)	(161)
Interest Bearing Liabilities - Total	4,11,98,913	4,22,85,806	4,34,75,179	4,47,75,775	4,52,63,487	4,67,88,633	3.4	10.6

Source: Company, LKP Research

Exhibit 3: Funding Profile Analysis

(₹ mn)	1Q FY22	2Q FY22	3Q FY22	4Q FY22	1Q FY23	2Q FY23	QoQ % / bps	YoY % / bps
Global Deposits	3,72,09,870	3,80,96,299	3,84,77,937	4,05,15,341	4,04,56,956	4,19,02,549	3.6	10.0
CASA Deposits	1,65,92,340	1,70,63,870	1,70,06,880	1,77,50,840	1,76,76,660	1,79,77,510	1.7	5.4
Saving Deposit	1,43,08,810	1,45,36,240	1,47,35,060	1,51,32,050	1,53,39,590	1,56,51,740	2.0	7.7
Current Deposit	22,83,530	25,27,630	22,71,820	26,18,790	23,37,070	23,25,770	(0.5)	(8.0)
Dom. Term Deposits	2,06,17,530	2,10,32,429	2,14,71,057	2,27,64,501	2,27,80,296	2,39,25,039	5.0	13.8
Borrowings	39,89,043	41,89,508	49,97,242	42,60,434	48,06,531	48,86,084	1.7	16.6
Interest Bearing Liabilities - Total	4,11,98,913	4,22,85,806	4,34,75,179	4,47,75,775	4,52,63,487	4,67,88,633	3.4	10.6

Source: Company, LKP Research

Exhibit 4: Asset Quality Analysis

(₹ mn)	1Q FY22	2Q FY22	3Q FY22	4Q FY22	1Q FY23	2Q FY23	QoQ % / bps	YoY % / bps
Gross Slippages	1,62,980	42,930	25,790	36,050	1,01,150	24,410	(75.9)	(43.1)
Slippages Ratio (%)	0.67	0.18	0.11	0.15	0.37	0.09	(28)	(9)
Gross NPA	13,42,595	12,39,418	12,00,288	11,20,234	11,32,717	10,68,041	(5.7)	(13.8)
Gross NPAs Ratio (%)	5.32	4.90	4.50	3.97	3.91	3.52	(39)	(138)
PCR - Calculated (%)	67.9	70.1	71.2	75.0	75.1	77.9	288	788
Net NPA	4,31,525	3,71,186	3,45,397	2,79,657	2,82,579	2,35,722	(16.6)	(36.5)
Net NPAs Ratio (%)	1.77	1.52	1.34	1.02	1.00	0.80	(20)	(72)

Source: Company, LKP Research

Annual Projections

Exhibit 5: Profit and Loss Statement

(₹ mn)	FY20	FY21	FY22	FY23E	FY24E
Int. Income / Opr. Revenue	25,73,236	26,51,506	27,54,573	31,55,229	37,05,454
Interest Expenses	15,92,388	15,44,406	15,47,497	17,46,104	20,11,567
Net Interest Income	9,80,848	11,07,100	12,07,076	14,09,125	16,93,887
<i>NIM (%)</i>	2.80	2.85	2.76	2.86	3.01
Other Income - Total	4,52,215	4,34,964	4,05,639	4,42,147	4,86,361
Net Operating Revenue	14,33,063	15,42,064	16,12,715	18,51,272	21,80,249
Employee Exp.	4,57,150	5,09,360	5,01,436	5,66,623	6,57,282
Other Opex	2,94,587	3,17,162	3,58,355	4,01,358	4,65,575
Total Opex	7,51,737	8,26,522	8,59,791	9,67,981	11,22,858
<i>C/I Ratio (%)</i>	52.46	53.60	53.31	52.29	51.50
Pre Provision Profits	6,81,326	7,15,542	7,52,924	8,83,291	10,57,391
<i>PPP Growth (yoy %)</i>	22.9	5.0	5.2	17.3	19.7
Provisions & Contingencies - Total	4,33,304	4,40,130	2,44,521	2,48,896	2,69,925
<i>Credit Cost (As % of Op. AUM)</i>	1.96	1.76	0.93	0.85	0.80
Profit Before Tax	2,48,022	2,75,411	4,34,219	6,34,395	7,87,466
Tax	1,03,141	71,307	1,17,459	2,06,967	2,56,905
<i>Effective Tax Rate (%)</i>	41.6	25.9	32.6	32.6	32.6
Reported Profits	1,44,881	2,04,105	3,16,760	4,27,428	5,30,561
<i>PAT Growth (yoy %)</i>	1,580.3	40.9	55.2	34.9	24.1

Source: Company, LKP Research

Exhibit 6: Balance Sheet

(₹ mn)	FY20	FY21	FY22	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	25,58,177	29,85,605	35,16,167
Net Worth - Ex Revaluation	20,82,448	23,02,978	25,67,102	29,94,530	35,25,091
Deposits	3,24,16,207	3,68,12,771	4,05,15,341	4,64,56,069	5,38,60,349
Borrowings	31,46,557	41,72,977	42,60,434	45,94,556	46,83,509
Interest Bearing Liabilities (₹ mn)	3,55,62,764	4,09,85,748	4,47,75,775	5,10,50,625	5,85,43,858
Other Lia. & Prov.	16,31,101	18,19,797	22,99,319	22,93,197	22,35,008
Total Liabilities	3,95,13,939	4,53,44,296	4,98,75,974	5,66,01,493	6,46,04,237
Assets					
Cash & Cash Equivalent	25,10,970	34,30,387	39,45,523	44,87,993	51,35,793
Investments	1,04,69,545	1,35,17,052	1,48,14,455	1,65,09,268	1,83,99,891
Loan & Advances (₹ mn)	2,32,52,896	2,44,94,978	2,73,39,666	3,14,40,616	3,64,71,114
<i>Growth (yoy %)</i>	6.4	5.3	11.6	15.0	16.0
Fixed Assets	3,84,393	3,84,192	3,77,082	4,24,444	4,84,348
Other Assets	28,96,136	35,17,687	33,99,249	37,39,174	41,13,091
Total Assets	3,95,13,939	4,53,44,296	4,98,75,974	5,66,01,493	6,46,04,237

Source: Company, LKP Research

Exhibit 7: Per share data

Y/E Mar	FY20	FY21	FY22	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	35.5	47.9	59.4
<i>EPS (% YoY)</i>	1,580.3	40.9	55.2	34.9	24.1
<i>P/E (x)</i>	36.6	26.0	16.7	12.4	10.0
Adj. EPS (₹)	16.2	22.9	-	-	-
<i>Adj. EPS (% YoY)</i>	1,580.3	40.9	-	-	-
<i>Adj. Price-Earnings (x)</i>	36.6	26.0	-	-	-
Book Value (₹)	233.3	258.0	287.6	335.5	395.0
<i>BVPS (% YoY)</i>	6.1	10.6	11.5	16.7	17.7
<i>P/BV (x)</i>	2.5	2.3	2.1	1.8	1.5
Adj. BV (₹)	204.3	237.4	272.0	319.9	379.3
<i>Adj. BV (% YoY)</i>	11.6	16.2	14.6	17.6	18.6
<i>P/ABV (x)</i>	2.9	2.5	2.2	1.9	1.6

Source: Company, LKP Research

Exhibit 8: Detail RoA Tree (%)

Y/E Mar	FY20	FY21	FY22	FY23E	FY24E
Yields / Margins					
Yield on Advance	8.0	7.2	6.6	6.7	6.9
Yield on Loan Book - NBFC	-	-	-	-	-
Yield on Funds	7.4	6.8	6.3	6.4	6.6
Cost of Funds (CoF)	4.6	4.0	3.6	3.6	3.7
Interest Spread	2.7	2.8	2.7	2.8	2.9
NIM's	2.8	2.9	2.8	2.9	3.0
Interest Income / Assets	6.7	6.2	5.8	5.9	6.1
Interest Exp. / Assets	4.2	3.6	3.3	3.3	3.3
NII / Assets	2.6	2.6	2.5	2.6	2.8
Fee Income / Assets	0.6	0.6	0.5	0.4	0.4
Other Non Core Income / Assets	0.2	0.1	0.1	0.1	0.1
Other Income / Assets	1.2	1.0	0.9	0.8	0.8
Net Operating Income / Assets	3.8	3.6	3.4	3.5	3.6
Operating Ratios					
NII to Net Operative Income	68.4	71.8	74.8	76.1	77.7
Other Income to Net Operative Income	31.6	28.2	25.2	23.9	22.3
Empl. Cost/Oper. Exps.	60.8	61.6	58.3	58.5	58.5
Other Op. Exps./Oper. Exps.	39.2	38.4	41.7	41.5	41.5
C/I Ratio (%)	52.5	53.6	53.3	52.3	51.5
Provisions as % PPP	30.2	28.5	15.2	13.4	12.4
Credit Cost (As % of Op. AUM)	2.0	1.8	0.9	0.9	0.8
Effective Tax Rate (%)	41.6	25.9	32.6	32.6	32.6
Employee Exp. / Assets	1.2	1.2	1.1	1.1	1.1
Other Opex/ Assets	0.8	0.7	0.8	0.8	0.8
Total Opex / Assets	2.0	1.9	1.8	1.8	1.9
Operating Profits / Assets	1.8	1.7	1.6	1.7	1.7
Exceptional Items / Assets	-	-	(0.2)	-	-
Op Profit ex Except Items / Assets	1.8	1.7	1.4	1.7	1.7
Provisions / Assets	1.1	1.0	0.5	0.5	0.4
Profit Before Tax / Assets	0.6	0.6	0.9	1.2	1.3
Tax Expenses / Assets	0.3	0.2	0.2	0.4	0.4
RoA	0.4	0.5	0.7	0.8	0.9
Leverage (x)	19.0	19.7	19.4	18.9	18.3
RoE	6.4	8.4	11.9	14.1	15.0
Adj. RoA	0.4	0.5	0.4	0.8	0.9
Adj. RoE	6.4	8.4	6.3	14.1	15.0

Source: Company, LKP Research

Exhibit 9: Balance Sheet Ratios

Y/E Mar	FY20	FY21	FY22	FY23E	FY24E
Credit / Deposit Ratio	71.7	66.5	67.5	67.7	67.7
Incremental C/D Ratio	42.2	28.3	76.8	69.0	67.9
Investment Deposit Ratio	32.3	36.7	36.6	35.5	34.2
Dom. SLR Investment / Deposits	25.7	29.6	29.4	28.8	27.8
CASA Ratio	45.9	46.8	45.2	45.5	45.5

Source: Company, LKP Research

Exhibit 10: Credit Quality

Y/E Mar	FY20	FY21	FY22	FY23E	FY24E
Slippage Ratio (%)	2.5	1.2	1.1	1.0	0.9
Gross NPA	14,89,125	12,63,890	11,20,234	11,59,876	11,77,826
Gross NPAs Ratio (%)	6.2	5.0	4.0	3.7	3.2
PCR (%)	65.2	70.9	75.0	74.6	74.6
PCR - Inc. Tech w/o (%)	83.6	87.8	90.2	-	-
Net NPA	5,18,713	3,68,097	2,79,657	2,95,142	2,99,450
Net NPAs Ratio (%)	2.2	1.5	1.0	0.9	0.8
Total Impaired Loans	14,89,125	12,63,890	11,20,234	11,59,876	11,77,826
Impaired Loan as % of Loan / AUM	6.0	4.7	3.8	3.4	3.0
Total Risk Reserves	9,70,412	8,95,793	8,40,577	8,64,735	8,78,376
Total Risk As % of Loan Book	3.9	3.3	2.8	2.5	2.2

Source: Company, LKP Research

Exhibit 11: Key Assumptions & Forecasts

Y/E Mar	FY20	FY21	FY22	FY23E	FY24E
Loan & Advances (₹ mn)	2,32,52,896	2,44,94,978	2,73,39,666	3,14,40,616	3,64,71,114
Growth (yoy %)		5.3	11.6	15.0	16.0
Interest Bearing Liabilities (₹ mn)	3,55,62,764	4,09,85,748	4,47,75,775	5,10,50,625	5,85,43,858
Growth (yoy %)		15.2	9.2	14.0	14.7
Yield on Funds	7.4	6.8	6.3	6.4	6.6
Cost of Funds (CoF)	4.6	4.0	3.6	3.6	3.7
Interest Spread	2.7	2.8	2.7	2.8	2.9
NIM's	2.8	2.9	2.8	2.9	3.0
Other Income Growth	23.0	(3.8)	(6.7)	9.0	10.0
C/I Ratio (%)	52.5	53.6	53.3	52.3	51.5
Effective Tax Rate (%)	41.6	25.9	32.6	32.6	32.6
Return Ratios					
Adj. RoA	0.4	0.5	0.4	0.8	0.9
Adj. RoE	6.4	8.4	6.3	14.1	15.0
Asset Quality Metrics					
Credit Cost (As % of Op. AUM)	2.0	1.8	0.9	0.9	0.8
Gross NPAs Ratio (%)	6.2	5.0	4.0	3.7	3.2
Net NPAs Ratio (%)	2.2	1.5	1.0	0.9	0.8

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.