

# State Bank of India

Estimate change



TP change



Rating change



Bloomberg	SBIN IN
Equity Shares (m)	8,925
M.Cap.(INRb)/(USDb)	1708.6 / 22.3
52-Week Range (INR)	351 / 150
1, 6, 12 Rel. Per (%)	0/-32/-43
12M Avg Val (INR M)	13268

## Financials & Valuations (INR b)

Y/E March	FY20	FY21E	FY22E
NII	980.8	1,093.1	1,204.6
OP	681.3	738.6	821.0
NP	144.9	152.2	224.0
NIM (%)	3.0	3.0	3.1
EPS (INR)	16.2	17.1	25.1
EPS Gr. (%)	NM	5.1	47.2
ABV (INR)	186.7	194.5	222.2
Cons. BV (INR)	266.7	287.4	316.9

## Ratios

RoE (%)	7.2	7.1	9.6
RoA (%)	0.4	0.4	0.5

## Valuations

P/BV (x) (Cons.)	0.7	0.7	0.6
P/ABV (x)	0.4	0.4	0.3
P/E (x)	4.6	4.4	3.0

\*Adjusted for subsidiaries

## Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	56.9	56.9	57.1
DII	24.6	24.4	23.5
FII	9.1	10.7	12.0
Others	9.4	8.0	7.4

FII Includes depository receipts

**CMP: INR191**
**TP: INR285 (+49%)**
**Buy**

## Robust quarter; Moratorium book declines at rapid pace

### Strong PCR/subsidiaries contribution provides comfort

- SBIN reported strong 1QFY21. This was led by robust NII growth with domestic NIMs improving 30bp QoQ and controlled opex. While deposit growth was strong and led by CASA, loan growth was modest.
- Asset quality improved led by lower slippages and higher provisions. Thus, PCR (incl. TWO) improved to ~86%. Moratorium book (term loans that paid less than two EMIs) declined to 9.5% of term loans v/s 23% earlier.
- We increase our estimate for FY21/22E by 8%/9%, led by healthy NII and business growth. Maintain **Buy**.

### Operating performance strong; PCR improves further to ~86%

- SBIN's 1QFY21 PAT of INR41.9b (higher than our estimates) was led by strong NII growth, stake sale in subs (INR15.4b) and controlled opex. The bank further built COVID-19 provisions of INR18.4b, taking the total COVID related provisions to INR30b (15% on SMA accounts overdue on 29<sup>th</sup> Feb'20).
- NII grew 16% YoY (+17% QoQ) to INR266b with domestic NIMs improving by 30bp QoQ to ~3.24%.
- Other income grew 18% YoY, led by stake sale gains of INR15.4b in SBILIFE while opex growth moderated to 2% YoY (11% QoQ decline), and thus, C/I ratio improved to 50% (v/s 52.5% in 4QFY20). Therefore, PPOP grew 36% YoY while core PPOP increased ~12% YoY.
- Loans grew ~8% YoY (1% QoQ decline) – retail loans grew 13% YoY, international loans grew 11% YoY while corporate loans grew 3.4% YoY (4% QoQ decline). Deposit growth came in strong at 16% YoY (+5.5% QoQ). CASA deposits grew 17% YoY while CASA mix improved 18bp QoQ to 45.3%.
- Total slippages declined to INR39.1b (0.7% annualized), facilitating a 13%/18% QoQ decline in GNPLs/NNPLs. PCR improved ~190bp QoQ to 67% (~86% including TWO).
- Overall, 90.5% of term loans have paid two or more EMIs while the rest have paid less than two EMIs – these include 4.2% in retail and SME, 3.3% in private corporates and the rest 2.0% are AAA or AA rated companies.

### Highlights from management commentary

- Moratorium availed in home loans is INR320b while in personal loans, it is INR110b. Average LTV in home loans is ~60%.
- Loan pipeline in the corporate segment is strong, and therefore, management expects corporate disbursements to pick up.
- Expect recovery of INR100-INR120b from large accounts' resolution (steel and few power accounts) by Dec'20.

**Valuation and view**

SBIN reported strong operating performance in a challenging environment. Deposit growth stood strong and aggressive cut in SA/TD rates enabled margin improvement unlike the decline for many other private banks. Slippages were lower, helped by the RBI's dispensation, which resulted in an improvement in asset quality ratios. We believe that SBIN has prudently improved PCR over the last few years and has one of the lowest stressed assets amongst corporate banks. The proportion of moratorium book has improved further to 9.5% of terms loans (v/s 23% earlier). Further, the moratorium proportion is the lowest v/s peers. We, thus, upgrade our earnings estimate for FY21/FY22E by 8%/9% as we factor in higher NII growth. However, credit cost trends should remain high for FY21E, and thus, we estimate RoA/RoE of 0.5%/9.6% by FY22E. Maintain **Buy** with TP of INR285 (0.8x FY22E ABV for the bank).

**Quarterly performance****(INRb)**

Y/E March	FY20				FY21E				FY20	FY21E	FY21	V/s
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
<b>Net Interest Income</b>	<b>229.4</b>	<b>246.0</b>	<b>277.8</b>	<b>227.7</b>	<b>266.4</b>	<b>270.0</b>	<b>275.5</b>	<b>281.2</b>	<b>980.8</b>	<b>1,093.1</b>	<b>243.6</b>	<b>9%</b>
% Change (YoY)	5.2	17.7	22.4	-0.8	16.1	9.8	-0.8	23.5	11.0	11.4	6.2	
Other Income	80.2	120.2	91.1	160.8	95.0	85.9	103.1	145.6	452.2	429.6	108.4	-12%
<b>Total Income</b>	<b>309.5</b>	<b>366.2</b>	<b>368.8</b>	<b>388.4</b>	<b>361.4</b>	<b>355.9</b>	<b>378.6</b>	<b>426.8</b>	<b>1,433.1</b>	<b>1,522.7</b>	<b>352.0</b>	<b>3%</b>
Operating Expenses	177.1	184.2	186.6	203.8	180.8	188.2	196.0	219.1	751.7	784.1	191.8	-6%
<b>Operating Profit</b>	<b>132.5</b>	<b>182.0</b>	<b>182.2</b>	<b>184.7</b>	<b>180.6</b>	<b>167.7</b>	<b>182.5</b>	<b>207.7</b>	<b>681.3</b>	<b>738.6</b>	<b>160.1</b>	<b>13%</b>
% Change (YoY)	10.6	30.9	44.3	9.0	36.3	-7.8	0.2	12.5	22.9	8.4	20.9	
Other Provisions	91.8	131.4	72.5	135.0	125.0	123.4	133.6	152.3	430.7	534.3	125.6	0%
<b>Profit before Tax</b>	<b>40.6</b>	<b>50.6</b>	<b>109.7</b>	<b>49.7</b>	<b>55.6</b>	<b>44.3</b>	<b>49.0</b>	<b>55.4</b>	<b>250.6</b>	<b>204.3</b>	<b>34.5</b>	<b>61%</b>
Tax Provisions	17.5	20.5	53.9	13.9	13.7	11.3	12.5	14.6	105.7	52.1	8.7	58%
<b>Net Profit</b>	<b>23.1</b>	<b>30.1</b>	<b>55.8</b>	<b>35.8</b>	<b>41.9</b>	<b>33.0</b>	<b>36.5</b>	<b>40.8</b>	<b>144.9</b>	<b>152.2</b>	<b>25.8</b>	<b>62%</b>
% Change (YoY)	NM	218.7	41.2	327.1	81.2	9.6	-34.6	14.0	NM	5.1	11.6	
<b>Operating Parameters</b>												
Deposits (INR t)	29.5	30.3	31.1	32.4	34.2	34.5	35.2	36.0	32.4	36.0	33.0	3.6%
Loans (INR t)	21.3	21.5	22.0	23.3	23.0	23.6	24.2	24.8	23.3	24.8	23.4	-1.7%
Deposit Growth (%)	7.3	8.0	9.9	11.3	16.0	13.8	13.1	11.0	11.3	11.0	11.9	405
Loan Growth (%)	13.8	9.6	7.4	6.4	7.7	9.8	9.8	6.5	6.4	6.5	9.6	(192)
<b>Asset Quality</b>												
Gross NPA (%)	7.5	7.2	6.9	6.2	5.4	5.3	5.8	6.7	6.2	6.7	6.0	(55)
Net NPA (%)	3.1	2.8	2.7	2.2	1.9	1.8	2.1	2.6	2.2	2.6	2.1	(23)
PCR (%)	61.1	62.9	63.5	65.2	67.1	67.2	65.4	63.4	65.2	63.4	66.5	57

E:MOFSL Estimates

## Quarterly snapshot

INR b	FY19				FY20				FY21	Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
<b>Profit and Loss</b>											
<b>Interest Income</b>	<b>588.1</b>	<b>587.9</b>	<b>622.8</b>	<b>629.9</b>	<b>626.4</b>	<b>643.1</b>	<b>676.9</b>	<b>626.8</b>	<b>665.0</b>	<b>6</b>	<b>6</b>
Loans	388.7	383.3	418.2	426.3	438.6	452.4	480.6	425.8	441.0	1	4
Investment	185.9	190.8	188.2	179.1	169.6	167.0	172.3	173.2	187.1	10	8
<b>Interest Expenses</b>	<b>370.1</b>	<b>378.9</b>	<b>395.9</b>	<b>400.3</b>	<b>397.0</b>	<b>397.1</b>	<b>399.1</b>	<b>399.1</b>	<b>398.6</b>	<b>0</b>	<b>0</b>
<b>Net Interest Income</b>	<b>218.0</b>	<b>209.1</b>	<b>226.9</b>	<b>229.5</b>	<b>229.4</b>	<b>246.0</b>	<b>277.8</b>	<b>227.7</b>	<b>266.4</b>	<b>16</b>	<b>17</b>
<b>Other Income</b>	<b>66.8</b>	<b>93.8</b>	<b>80.4</b>	<b>126.9</b>	<b>80.2</b>	<b>120.2</b>	<b>91.1</b>	<b>160.8</b>	<b>95.0</b>	<b>18</b>	<b>-41</b>
Trading profits	-12.6	13.3	4.3	5.3	4.9	41.6	7.0	32.4	40.3	730	24
Fee Income	49.8	50.2	47.2	85.9	51.8	50.4	56.4	78.7	44.7	-14	-43
Forex Income	4.3	4.9	5.6	6.7	5.2	6.7	6.4	6.9	4.7	-10	-32
Others	25.4	25.4	23.2	28.9	18.4	21.5	21.4	42.8	5.3	-71	-88
<b>Total Income</b>	<b>284.8</b>	<b>302.8</b>	<b>307.3</b>	<b>356.4</b>	<b>309.5</b>	<b>366.2</b>	<b>368.8</b>	<b>388.4</b>	<b>361.4</b>	<b>17</b>	<b>-7</b>
<b>Operating Expenses</b>	<b>165.0</b>	<b>163.8</b>	<b>181.0</b>	<b>187.1</b>	<b>177.1</b>	<b>184.2</b>	<b>186.6</b>	<b>203.8</b>	<b>180.8</b>	<b>2</b>	<b>-11</b>
Employee	97.1	97.0	111.7	104.8	109.2	113.0	114.6	120.4	118.7	9	-1
Others	68.0	66.8	69.3	82.3	67.9	71.2	72.1	83.4	62.1	-9	-26
<b>Operating Profits</b>	<b>119.7</b>	<b>139.0</b>	<b>126.2</b>	<b>169.3</b>	<b>132.5</b>	<b>182.0</b>	<b>182.2</b>	<b>184.7</b>	<b>180.6</b>	<b>36</b>	<b>-2</b>
<b>Core Operating Profits</b>	<b>113.1</b>	<b>125.8</b>	<b>122.0</b>	<b>164.0</b>	<b>108.3</b>	<b>140.4</b>	<b>175.3</b>	<b>152.3</b>	<b>121.1</b>	<b>12</b>	<b>-21</b>
<b>Provisions</b>	<b>192.3</b>	<b>120.9</b>	<b>60.1</b>	<b>165.0</b>	<b>91.8</b>	<b>131.4</b>	<b>72.5</b>	<b>135.0</b>	<b>125.0</b>	<b>36</b>	<b>-7</b>
<b>PBT</b>	<b>-72.6</b>	<b>18.1</b>	<b>66.2</b>	<b>4.3</b>	<b>40.6</b>	<b>50.6</b>	<b>109.7</b>	<b>49.7</b>	<b>55.6</b>	<b>37</b>	<b>12</b>
Taxes	-23.8	8.7	26.6	-4.1	17.5	20.5	53.9	13.9	13.7	-22	-1
<b>PAT</b>	<b>-48.8</b>	<b>9.4</b>	<b>39.5</b>	<b>8.4</b>	<b>23.1</b>	<b>30.1</b>	<b>55.8</b>	<b>35.8</b>	<b>41.9</b>	<b>81</b>	<b>17</b>
<b>Balance Sheet (INR t)</b>											
Deposits	27.5	28.1	28.3	29.1	29.5	30.3	31.1	32.4	34.2	16	5
Loans	18.8	19.6	20.5	21.9	21.3	21.5	22.0	23.3	23.0	8	-1
<b>Asset Quality (INR b)</b>											
GNPA	2,128.4	2,058.6	1,877.6	1,727.5	1,684.9	1,616.4	1,596.6	1,490.9	1,296.6	-23	-13
NNPA	992.4	948.1	809.4	658.9	656.2	599.4	582.5	518.7	427.0	-35	-18
Slippages	143.5	108.9	65.4	79.6	170.0	91.3	201.0	82.9	39.1	-77	-53
<b>Ratios</b>											
<b>Asset Quality Ratios (%)</b>											
GNPA	10.7	10.0	8.7	7.5	7.5	7.2	6.9	6.2	5.4	(209)	(71)
NNPA	5.3	4.8	4.0	3.0	3.1	2.8	2.7	2.2	1.9	(121)	(37)
PCR (Cal.)	53.4	53.9	56.9	61.9	61.1	62.9	63.5	65.2	67.1	601	186
PCR (Rep.)	69.3	70.7	74.6	78.7	79.3	81.2	81.7	83.6	86.3	698	270
<b>Business Ratios (%)</b>											
Fees to Total Income	17.5	16.6	15.4	24.1	16.7	13.8	15.3	20.3	12.4	(435)	(790)
Cost to Core Income	55.5	56.6	59.7	53.3	58.1	56.8	51.6	57.2	56.3	(183)	(94)
Tax Rate	32.8	47.9	40.2	-94.4	43.1	40.5	49.1	28.0	24.6	(1,845)	(330)
Loan/Deposit	68.3	69.7	72.3	75.1	72.4	70.8	70.7	71.7	67.2	(518)	(452)
CAR	12.8	12.6	12.8	12.7	12.9	13.6	13.7	13.1	13.4	51	34
Tier I	10.5	10.4	10.5	10.7	10.7	11.3	11.6	11.0	11.4	70	35
<b>Profitability Ratios (%)</b>											
Yield on Advances	8.6	8.4	8.5	8.5	8.6	8.7	8.9	8.7	8.4	(21)	(37)
Yield on Investments	7.0	7.1	7.1	7.2	7.1	6.9	6.9	6.7	6.6	(51)	(14)
Yield On Funds	7.8	7.8	8.0	8.0	7.9	8.1	8.3	7.4	7.5	(41)	7
Cost of Deposits	5.1	5.1	5.1	5.1	5.1	5.0	5.0	4.9	4.5	(59)	(46)
Margins	2.8	2.7	2.8	2.8	2.8	2.9	3.1	3.0	3.0	20	4
RoA	-0.6	0.1	0.5	0.1	0.3	0.3	0.6	0.4	0.4	17	5



## Highlights from management commentary

### Moratorium update

- **Term loan portfolio:** Only ~9.5% of term loans (only accounts that have paid less than two EMIs) are under moratorium.
- **For working capital,** the interest deferment stands at ~INR48.8b on the overall working capital book of INR7t.
- **Segmental moratorium:** Home loans at INR320b and personal loans at INR110b.

### P&L & balance sheet related

- Loans sanctioned during Jun'20 has picked up well. Further, loan pipeline on corporate loans is strong (mainly project financing). Therefore, expect corporate disbursements to pick up.
- **On the wage revisions** – The bank has built provisions of INR10b during the quarter. Also, an additional impact of ~INR10b is expected in the coming quarter.
- The bank is witnessing strong traction in gold loans.
- Further improvement in margins is not expected. Expect it to remain stable at the present levels.
- **Under credit guarantee scheme,** loans sanctioned stands at INR210b, of which, ~INR150b was disbursed.
- **Home loans** – Average LTV stands at ~60%. 90% of the portfolio comprises first-time buyers. Large proportion of the book is toward government employees.
- Risk weights have reduced due to disbursement toward high-rated entities.

### Asset Quality

- Base line slippages guidance of 1.5-1.6% i.e. INR320-360b. This could increase due to the impact of COVID-19.
- Of the total SMA of INR420b (as at end-Feb'20), the portfolio where less than two EMIs were paid stands at INR130b, on which, the bank has made provisions of INR30b.
- Interest reversal was negligible during the quarter.
- Large HFC exposure (DHFL) was declared as a fraud account in the previous quarter, and thus, provisions of INR35b were made in this quarter. Overall, expect resolution to get completed by Dec'20.
- On the large steel account, expect resolution by 3QFY21. Also, few power accounts are expected to get resolved soon. Overall, expect total recoveries of INR100-120b over the next two quarters.
- No accelerated provision requirements are expected on the legacy portfolio. Thus, expect ageing provisions of INR50b (each quarter) over the next 7 quarters.
- Standard COVID provisions stood at INR30b while provisions for other standard assets were INR2.82b during the quarter.
- CRE Exposure is ~INR418.8, of which, 90% is LRD, exposure to Aviation (0.3% of loans), and Tourism and Hotels (0.47% of loans).

Slippages moderated across Agri and corporate while retail witnessed an increase.

### Overall slippages moderated led by Agri/Corp; stress asset pool declines sequentially

- Total slippages declined to INR39.1b (INR82.9b in 4QFY20), led by decline across Agri (INR4.7b) and corporate (INR2.13b) segments. On the other hand, SME (INR9.9b) and retail (INR13.3b) witnessed an increase.
- Recoveries/upgrades picked up to INR36.1b while write-offs for the quarter stood at INR197.3b. As a result, absolute GNPA/NNPA declined 13%/18% QoQ to INR1.3t/INR427b. GNPL/NNPL ratios, thus, declined to 5.4% (-71bp QoQ)/1.9% (-37bp QoQ). The bank's reported PCR increased 270bp QoQ to 86.3%.
- GNPA in agriculture segment declined to 15.4% (v/s 15.9% in 4QFY20) while corporate segment declined to 7.7% (v/s 9.7% in 4QFY20). GNPA in retail and SME segment stood stable at 1.1% and 9.1%.
- Total SMA-1 and SMA-2 declined sequentially to INR17.5b (0.1% of advances).

#### Exhibit 1: SMA 1 and SMA 2 declined sharply in 1QFY21

INR b	3QFY19	4QFY19	2QFY20	3QFY20	4QFY20	1QFY21
SMA 1	134.40	49.96	106.81	<b>44.24</b>	<b>35.94</b>	<b>14.71</b>
SMA 2	36.19	27.66	76.32	<b>36.77</b>	<b>36.72</b>	<b>2.79</b>
<b>Total</b>	<b>170.59</b>	<b>77.62</b>	<b>183.13</b>	<b>81.01</b>	<b>72.66</b>	<b>17.50</b>

Source: Company, MOFSL

Retail loans grew 12.8% YoY, led by growth in home loans.

### Corporate book declined ~4% QoQ; Retail growth remains strong

- Retail segment continued exhibiting strong growth (+12.8% YoY), led by healthy growth in home loans (+10.7%) while auto loans declined 2.2% YoY. Retail – wholesale mix now stands at 60:40.
- Corporate book, on the other hand, witnessed sequential decline of 4.1% QoQ (+3.4% YoY) along with International book, which declined 3.6% QoQ (+11.2% YoY). SME book grew 4.1% YoY (-0.9% YoY) while Agri book grew 1.6% YoY.

#### Exhibit 2: Loan book remains well diversified – Retail's wholesale mix stands at 60:40

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	4QFY20	YoY (%)	QoQ (%)
Large corporate	7,011	7,453	7,747	8,516	7,826	7,660	7,710	8,442	8,093	3.4%	-4.1%
International	2,667	2,909	2,763	3,027	3,099	3,202	3,229	3,574	3,445	11.2%	-3.6%
SME	2,751	2,657	2,931	2,886	2,812	2,741	2,780	2,676	2,787	-0.9%	4.1%
Retail	5,591	5,766	6,126	6,478	6,636	6,856	7,198	7,476	7,488	12.8%	0.2%
Agri	1,881	1,907	1,987	2,027	2,011	2,025	2,100	2,061	2,043	1.6%	-0.9%

### Other highlights

- Domestic NIMs expanded 30bp QoQ to 3.24%.
- CET 1 ratio stood at 10.1%, with Tier 1 ratio of 11.4% (CAR of 13.4%).
- **Subsidiaries performance:** Performance of subsidiaries remains strong, with PAT for SBI Life, SBI Fund Mgt., SBI Cards and SBI General Insurance coming in at INR3.9b, INR1.9b, INR3.9b and INR1.4b, respectively.

## Valuation view

- SBIN is strengthening its balance sheet by creating higher provisions toward stressed accounts. The bank increased its PCR (including TWO) to ~86% in 1QFY21 from ~65% in 1QFY18. SBIN holds higher provision coverage on power NPAs (~73% PCR) than peers.
- SBIN does not have exposure to any large-ticket corporate accounts; thus, it has guided for the slippage trajectory to remain under 2% during the COVID-19 crisis. Also, the moratorium book is at ~9.5% of total term loans, better than other large banks. Furthermore, moratorium availed in corporate accounts is much lower than expected while total COVID-19 provisions of INR30b and lower SMA book of INR17.5 (0.1% of loans) provides comfort.
- Among PSU banks, SBIN remains the best play on the gradual recovery in the Indian economy, with a healthy PCR of 67% (86% including TWO), robust capitalization (Tier 1 of ~11.4%), a strong liability franchise and improved core operating profitability.
- **Buy with target price of INR285:** SBIN reported strong operating performance in a challenging environment. Deposit growth stood strong and aggressive cut in SA/TD rates enabled margin improvement unlike the decline for many other private banks. Slippages were lower, helped by the RBI's dispensation, which resulted in an improvement in asset quality ratios. We believe that SBIN has prudently improved PCR over the last few years and has one of the lowest stressed assets amongst corporate banks. The proportion of moratorium book has improved further to 9.5% of terms loans (v/s 23% earlier). Further, the moratorium proportion is the lowest v/s peers. We, thus, upgrade our earnings estimate for FY21/FY22E by 8%/9% as we factor in higher NII growth. However, credit cost trends should remain high for FY21E, and thus, we estimate RoA/RoE of 0.5%/9.6% by FY22E. Maintain **Buy** with TP of INR285 (0.8x FY22E ABV for the bank).

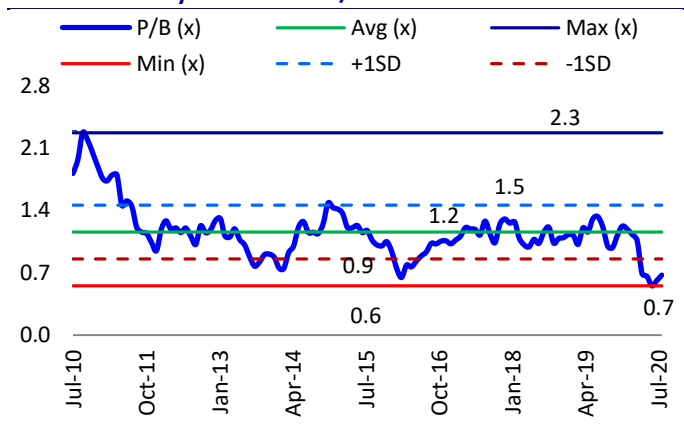
### Exhibit 3: SOTP-based pricing

Name	Stake (%)	Value for SBIN (INRb)	Value per Share- (at our PT)	% of total value	Rationale	Value per Share- (at CMP)	% of total value
<b>SBI Bank</b>	<b>100</b>	<b>1,497</b>	<b>168</b>	<b>59</b>	<b>0.8x FY22E ABV</b>	<b>68</b>	<b>35</b>
Life insurance	56	489	55	19	2.4x FY22E EV	57	30
Cards	70	412	46	16	25x FY22E PAT	53	28
Asset management	63	196	22	8	5.5% of FY22E AUM	22	11
General insurance	70	139	16	5	30x FY22E PAT	16	8
Capital Market/DFHI/Others		67	7	3		7	4
<b>Total Value of Subs</b>		<b>1,303</b>	<b>146</b>	<b>51</b>		<b>155</b>	<b>81</b>
Less: 20% holding disc		261	29	10		31	16
<b>Value of Subs (Post Holding Disc)</b>		<b>1,042</b>	<b>117</b>	<b>41</b>		<b>124</b>	<b>65</b>
<b>Target Price</b>		<b>2,540</b>	<b>285</b>			<b>191</b>	

**Exhibit 4: We increase our estimates for FY21/FY22E by 8%/9% as we build in higher NII growth**

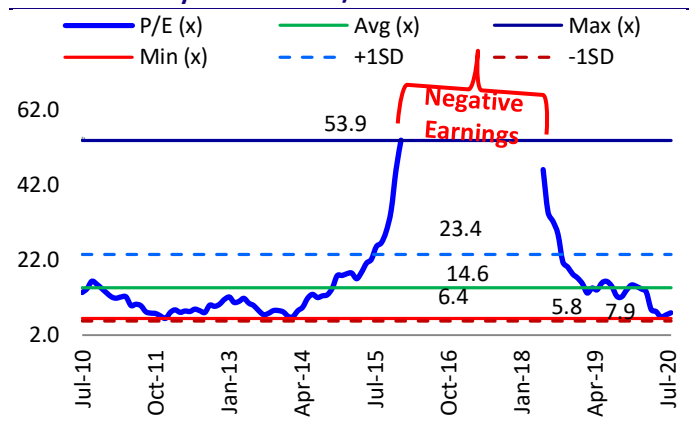
INR B	Old Estimates		Revised Estimates		Change (%)/bps	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Net Interest Income	1,014.8	1,106.9	1,093.1	1,204.6	7.7	8.8
Other Income	461.3	484.3	429.6	446.8	-6.9	-7.7
<b>Total Income</b>	<b>1,476.1</b>	<b>1,591.2</b>	<b>1,522.7</b>	<b>1,651.4</b>	<b>3.2</b>	<b>3.8</b>
Operating Expenses	779.9	822.9	784.1	830.4	0.5	0.9
<b>Operating Profits</b>	<b>696.2</b>	<b>768.3</b>	<b>738.6</b>	<b>821.0</b>	<b>6.1</b>	<b>6.9</b>
Provisions	502.4	486.0	534.3	520.3	6.3	7.1
<b>PBT</b>	<b>193.8</b>	<b>282.3</b>	<b>204.3</b>	<b>300.7</b>	<b>5.4</b>	<b>6.5</b>
Tax	52.3	76.2	52.1	76.7	-0.4	0.6
<b>PAT</b>	<b>141.5</b>	<b>206.1</b>	<b>152.2</b>	<b>224.0</b>	<b>7.6</b>	<b>8.7</b>
<b>Cons. PAT</b>	<b>200.6</b>	<b>272.3</b>	<b>211.3</b>	<b>290.2</b>	<b>5.4</b>	<b>6.6</b>
Loans (INRt)	24.6	27.1	24.8	27.2	0.5	0.5
Deposits (INRt)	35.3	38.9	36.0	39.9	1.8	2.8
Margins (%)	2.9	2.9	3.0	3.1	19	18
Credit Cost (%)	2.4	1.9	2.4	2.0	0	10
<b>RoA (%)</b>	<b>0.3</b>	<b>0.5</b>	<b>0.4</b>	<b>0.5</b>	<b>2</b>	<b>3</b>
<b>RoE (%)</b>	<b>6.6</b>	<b>8.9</b>	<b>7.1</b>	<b>9.6</b>	<b>48</b>	<b>69</b>
Standalone ABV	193.6	224.5	194.5	222.2	0.5	-1.0
Consol BV	286.2	313.7	287.4	316.9	0.4	1.0
Consol EPS	22.5	30.5	23.7	32.5	5.4	6.6
Consol PAT post MI	200.6	272.3	211.3	290.2	5.4	6.6

**Exhibit 5: One-year forward P/B**



Source: MOFSL, Company

**Exhibit 6: One-year forward P/E**

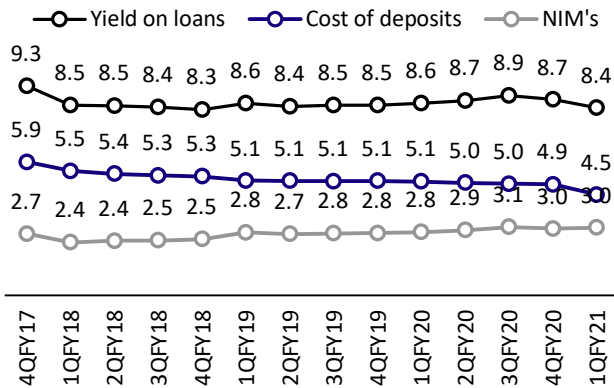


Source: MOFSL, Company



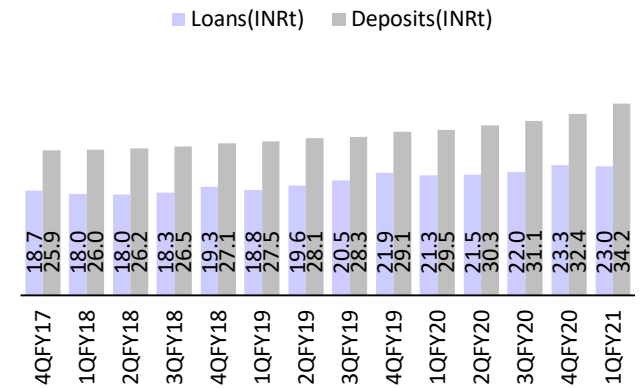
## Story in Charts

**Exhibit 7: NIMs expanded 4bp QoQ to 3.01%**



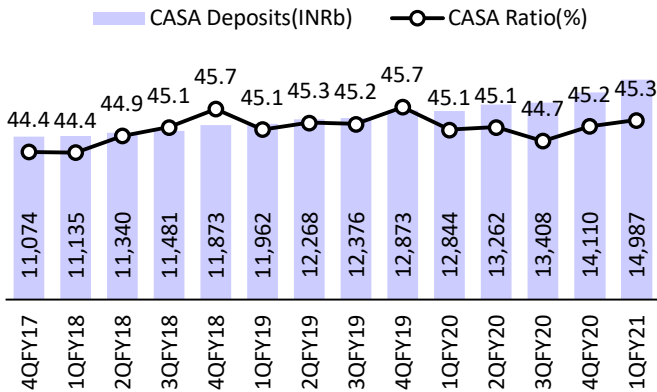
Source: MOFSL, Company

**Exhibit 8: Loans grew 8% YoY while deposits grew 16% YoY**



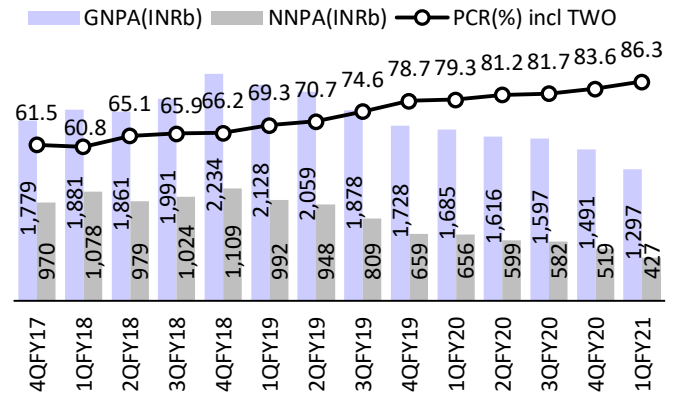
Source: MOFSL, Company

**Exhibit 9: CASA ratio improved to 45.3%**



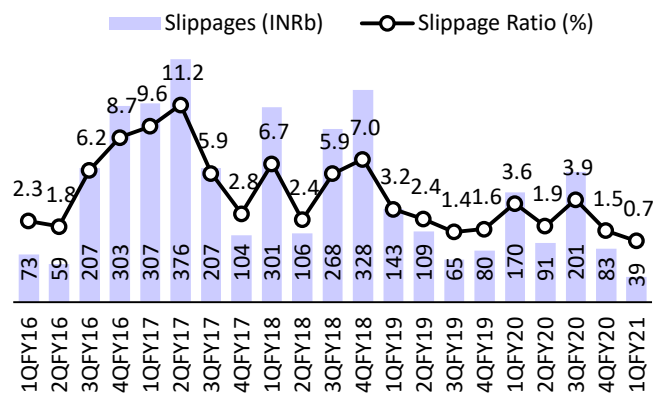
Source: MOFSL, Company

**Exhibit 10: PCR (incl. TWO) improved 270bp QoQ to 86.3%**



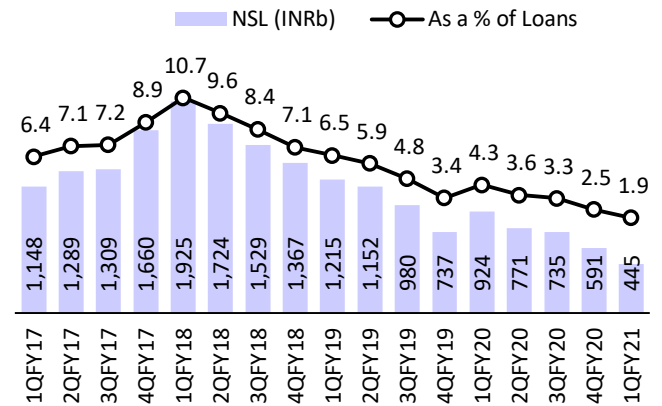
Source: MOFSL, Company

**Exhibit 11: Slippage ratio moderated to 0.7%**



Source: MOFSL, Company

**Exhibit 12: Net Stressed Loans stands at 1.9% of total loans**



Source: MOFSL, Company



**Exhibit 13: DuPont Analysis: Return ratios to remain subdued in the near term**

<b>Y/E MARCH</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>
Interest Income	7.89	7.28	6.52	6.81	6.74	6.43	6.39
Interest Expense	5.23	4.83	4.31	4.33	4.17	3.77	3.70
<b>Net Interest Income</b>	<b>2.66</b>	<b>2.44</b>	<b>2.21</b>	<b>2.48</b>	<b>2.57</b>	<b>2.66</b>	<b>2.68</b>
Fee income	0.74	0.94	0.92	0.94	0.96	0.81	0.76
Trading and others	0.49	0.44	0.40	0.09	0.22	0.23	0.23
<b>Non-Interest income</b>	<b>1.23</b>	<b>1.39</b>	<b>1.32</b>	<b>1.03</b>	<b>1.19</b>	<b>1.04</b>	<b>1.00</b>
<b>Total Income</b>	<b>3.88</b>	<b>3.83</b>	<b>3.53</b>	<b>3.51</b>	<b>3.76</b>	<b>3.70</b>	<b>3.68</b>
<b>Operating Expenses</b>	<b>1.91</b>	<b>1.90</b>	<b>1.77</b>	<b>1.95</b>	<b>1.97</b>	<b>1.90</b>	<b>1.85</b>
Employee cost	1.08	1.10	0.98	1.15	1.20	1.18	1.14
Others	0.83	0.79	0.79	0.80	0.77	0.73	0.71
<b>Operating Profit</b>	<b>1.97</b>	<b>1.93</b>	<b>1.76</b>	<b>1.55</b>	<b>1.79</b>	<b>1.79</b>	<b>1.83</b>
<b>Core Operating Profit</b>	<b>1.48</b>	<b>1.49</b>	<b>1.36</b>	<b>1.47</b>	<b>1.56</b>	<b>1.57</b>	<b>1.60</b>
<b>Provisions</b>	<b>1.37</b>	<b>1.97</b>	<b>2.22</b>	<b>1.49</b>	<b>1.13</b>	<b>1.30</b>	<b>1.16</b>
NPA	1.29	1.80	2.11	1.53	1.13	1.40	1.16
Others	0.08	0.17	0.11	-0.04	0.00	-0.10	0.00
<b>PBT</b>	<b>0.60</b>	<b>-0.04</b>	<b>-0.46</b>	<b>0.06</b>	<b>0.66</b>	<b>0.50</b>	<b>0.67</b>
Tax	0.17	0.02	-0.27	0.04	0.28	0.13	0.17
<b>RoA</b>	<b>0.43</b>	<b>-0.06</b>	<b>-0.19</b>	<b>0.02</b>	<b>0.38</b>	<b>0.37</b>	<b>0.50</b>
Leverage (x)	17.0	17.6	18.0	18.3	18.9	19.1	19.2
<b>RoE</b>	<b>7.2</b>	<b>-1.0</b>	<b>-3.5</b>	<b>0.4</b>	<b>7.2</b>	<b>7.1</b>	<b>9.6</b>

## Financials and Valuations

Income Statement					(INRb)	
Y/E March	FY17	FY18	FY19	FY20	FY21E	FY22E
Interest Income	2,239.8	2,205.0	2,428.7	2,573.2	2,645.2	2,866.4
Interest Expense	1,487.8	1,456.5	1,545.2	1,592.4	1,552.1	1,661.8
<b>Net Interest Income</b>	<b>752.0</b>	<b>748.5</b>	<b>883.5</b>	<b>980.8</b>	<b>1,093.1</b>	<b>1,204.6</b>
Change (%)	3.9	-0.5	18.0	11.0	11.4	10.2
<b>Non-Interest Income</b>	<b>426.4</b>	<b>446.0</b>	<b>367.7</b>	<b>452.2</b>	<b>429.6</b>	<b>446.8</b>
<b>Total Income</b>	<b>1,178.4</b>	<b>1,194.5</b>	<b>1,251.2</b>	<b>1,433.1</b>	<b>1,522.7</b>	<b>1,651.4</b>
Change (%)	11.4	1.4	4.7	14.5	6.3	8.4
Operating Expenses	583.8	599.4	696.9	751.7	784.1	830.4
<b>Pre Provision Profits</b>	<b>594.6</b>	<b>595.1</b>	<b>554.4</b>	<b>681.3</b>	<b>738.6</b>	<b>821.0</b>
Change (%)	10.7	0.1	-6.8	22.9	8.4	11.2
<b>Core Provision Profits</b>	<b>458.5</b>	<b>460.9</b>	<b>522.9</b>	<b>595.6</b>	<b>644.3</b>	<b>717.2</b>
Change (%)	-4.3	0.5	13.5	13.9	8.2	11.3
Provisions (excl. tax)	607.2	750.4	531.3	430.7	534.3	520.3
<b>PBT</b>	<b>-12.6</b>	<b>-155.3</b>	<b>23.1</b>	<b>250.6</b>	<b>204.3</b>	<b>300.7</b>
Tax	5.5	-89.8	14.5	105.7	52.1	76.7
Tax Rate (%)	-43.3	57.8	62.6	42.2	25.5	25.5
<b>PAT</b>	<b>-18.0</b>	<b>-65.5</b>	<b>8.6</b>	<b>144.9</b>	<b>152.2</b>	<b>224.0</b>
Change (%)	NM	NM	NM	NM	5.1	47.2
<b>Cons. PAT post MI</b>	<b>2.4</b>	<b>-45.6</b>	<b>23.0</b>	<b>197.7</b>	<b>211.3</b>	<b>290.2</b>
Change (%)	-98.0	NM	NM	NM	6.9	37.3
<b>Balance Sheet</b>						
Y/E March	FY17	FY18	FY19	FY20	FY21E	FY22E
Share Capital	8	9	9	9	9	9
Reserves & Surplus	2,110	2,182	2,200	2,311	2,456	2,667
<b>Net Worth</b>	<b>2,118</b>	<b>2,191</b>	<b>2,209</b>	<b>2,320</b>	<b>2,465</b>	<b>2,676</b>
<b>Deposits</b>	<b>25,853</b>	<b>27,063</b>	<b>29,114</b>	<b>32,416</b>	<b>35,982</b>	<b>39,940</b>
Change (%)	15.4	4.7	7.6	11.3	11.0	11.0
<b>of which CASA Dep</b>	<b>11,988</b>	<b>12,039</b>	<b>12,976</b>	<b>14,337</b>	<b>16,372</b>	<b>18,412</b>
Change (%)	39.3	0.4	7.8	10.5	14.2	12.5
Borrowings	3,321	3,621	4,030	3,147	2,613	2,395
Other Liabilities & Prov.	1,756	1,671	1,456	1,631	1,762	1,903
<b>Total Liabilities</b>	<b>33,049</b>	<b>34,548</b>	<b>36,809</b>	<b>39,514</b>	<b>42,821</b>	<b>46,913</b>
Current Assets	2,709	1,919	2,225	2,511	2,299	2,355
<b>Investments</b>	<b>9,329</b>	<b>10,610</b>	<b>9,670</b>	<b>10,470</b>	<b>12,249</b>	<b>13,597</b>
Change (%)	51.6	13.7	-8.9	8.3	17.0	11.0
<b>Loans</b>	<b>18,690</b>	<b>19,349</b>	<b>21,859</b>	<b>23,253</b>	<b>24,764</b>	<b>27,241</b>
Change (%)	1.1	3.5	13.0	6.4	6.5	10.0
Fixed Assets	499	400	392	384	396	416
Other Assets	1,822	2,270	2,663	2,896	3,112	3,304
<b>Total Assets</b>	<b>33,049</b>	<b>34,548</b>	<b>36,809</b>	<b>39,514</b>	<b>42,821</b>	<b>46,913</b>
<b>Asset Quality</b>						
GNPA	1,779	2,234	1,728	1,491	1,738	1,780
NNPA	970	1,109	659	519	636	596
GNPA Ratio	9.12	10.91	7.53	6.15	6.72	6.26
NNPA Ratio	5.19	5.73	3.01	2.23	2.57	2.19
Slippage Ratio	7.0	8.4	1.6	2.2	3.7	2.0
Credit Cost	3.3	3.8	2.7	1.9	2.4	2.0
PCR (Excl. Tech. W/O)	45.5	50.4	61.9	65.2	63.4	66.5

## Financials and Valuations

### Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21E	FY22E
<b>Yield and Cost Ratios (%)</b>						
<b>Avg. Yield-Earning Assets</b>	<b>9.0</b>	<b>7.4</b>	<b>7.8</b>	<b>7.7</b>	<b>7.3</b>	<b>7.3</b>
Avg. Yield on loans	9.3	7.4	7.8	8.0	7.8	7.7
Avg. Yield on Investments	8.5	7.2	7.5	6.9	6.8	6.7
<b>Avg. Cost-Int. Bear. Liabilities</b>	<b>6.0</b>	<b>4.9</b>	<b>4.8</b>	<b>4.6</b>	<b>4.2</b>	<b>4.1</b>
Avg. Cost of Deposits	6.4	5.1	5.0	4.8	4.2	4.2
<b>Interest Spread</b>	<b>3.0</b>	<b>2.5</b>	<b>2.9</b>	<b>3.1</b>	<b>3.1</b>	<b>3.2</b>
<b>Net Interest Margin</b>	<b>3.0</b>	<b>2.5</b>	<b>2.8</b>	<b>3.0</b>	<b>3.0</b>	<b>3.1</b>

### Capitalization Ratios (%)

CAR	13.0	12.7	12.7	13.1	12.4	12.2
<i>Tier I</i>	10.4	10.5	10.7	11.0	10.6	10.5
<i>Tier II</i>	2.6	2.2	2.1	2.1	1.9	1.7

### Business and Efficiency Ratios (%)

Loans/Deposit Ratio	72.3	71.5	75.1	71.7	68.8	68.2
CASA Ratio	46.4	44.5	44.6	44.2	45.5	46.1
Cost/Assets	1.8	1.7	1.9	1.9	1.8	1.8
Cost/Total Income	49.5	50.2	55.7	52.5	51.5	50.3
Cost/Core Income	56.0	56.5	57.1	55.8	54.9	53.7
Int. Expense./Int. Income	66.4	66.1	63.6	61.9	58.7	58.0
Fee Income/Total Income	24.6	26.1	26.9	25.6	22.0	20.8
Non Int. Inc./Total Income	36.2	37.3	29.4	31.6	28.2	27.1
Emp. Cost/Total Expense	58.2	55.3	58.9	60.8	61.8	61.6
Investment/Deposit Ratio	36.1	39.2	33.2	32.3	34.0	34.0

### Profitability Ratios and Valuation

RoE	-1.1	-3.5	0.4	7.2	7.1	9.6
RoA	-0.1	-0.2	0.0	0.4	0.4	0.5
RoRWA	-0.1	-0.3	0.0	0.7	0.7	0.9
Consolidated RoE	0.1	-2.0	1.0	7.9	8.0	10.3
Consolidated RoA	0.0	-0.1	0.1	0.5	0.5	0.6
Consol BV (INR)	248	243	248	267	287	317
Change (%)	11.6	-2.0	2.0	7.7	7.8	10.3
<b>Price-Consol BV (x)</b>	<b>0.7</b>	<b>0.7</b>	<b>0.8</b>	<b>0.7</b>	<b>0.7</b>	<b>0.6</b>
Adjusted BV (INR)	139	135	170	187	195	222
<b>Price-ABV (x)</b>	<b>0.5</b>	<b>0.6</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.3</b>
EPS (INR)	-2.3	-7.7	1.0	16.2	17.1	25.1
Change (%)	NM	NM	NM	NM	5.1	47.2
<b>Price-Earnings (x)</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>	<b>4.6</b>	<b>4.4</b>	<b>3.0</b>
Dividend Per Share (INR)	3.0	0.0	0.0	0.0	0.9	1.4
<b>Dividend Yield (%)</b>	<b>1.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.4</b>	<b>0.7</b>

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

#### Disclosures

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