

## Buy

## Strong Quarter; Undemanding Valuations

- SBI reported a healthy NII of growth 15% led by NIM expansion, while PPOP grew at 12% YoY adjusted for impact of stake sale in previous quarters. Excluding agri loans, collection efficiency improved to 97% in Sep.
- Pro forma NPAs were sharply higher at 5.88% (up 60 bps QoQ), led by slippages of Rs140bn or 2.5%. Over 60% of these came from the agri portfolio. However, ~Rs.60bn of these have been already upgraded in Oct. Including the impact of interest reversals, NII growth would be lower at 11% YoY.
- The bank reiterated its guidance for restructured loans of ~1% and slippages of 1.7% for FY21E. While management feels it is well covered for the anticipated stress, with standard provisions made over the last 3 quarters at ~Rs71bn, loan cover at 0.3% of advances remains low vis a vis private peers (includes 22% provided against standstill NPAs).
- We factor in stress of 4.5% (including RSA+ slippages) and lower our provisioning estimates for FY22E by ~23%. Improving risk intensity with RWA/assets at 50% and decline in our stress estimates lowers the need for any immediate capital raise.
- With its industry best CoF and strong digital capabilities, SBI could be a key beneficiary of improving recovery trends particularly given the undemanding valuations. **We maintain our BUY rating with a revised TP of Rs280 based on 0.7x Sep-22E ABV for standalone bank and the value of its subsidiaries, implying a P/ABV of 1.4x.** The stock currently trades at 1x Sep-22 P/ABV.

## Higher yielding loans and low interest reversals drive NIM

While overall advances growth was flattish QoQ and up 7% YoY, retail disbursements during the quarter were higher across products YoY. Consequently, retail book posted a growth of 5% QoQ and 15% YoY, with strong growth witnessed in unsecured PL or x-press credit (9%QoQ) and gold loan segments. This partly aided NIM (up 10 bps QoQ), apart from limited interest reversals. We factor in NIM expansion over FY22E/23E driven by increase in CD ratio and rise in share of higher yielding retail loans.

## Q2FY21 Result (Rs Mn)

Particulars	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)
Net interest income	281,820	246,003	14.6	266,416	5.8
Other income	85,277	85,387	(0.1)	79,575	7.2
Total Net Income	367,097	331,390	10.8	345,990	6.1
Operating expenses	202,494	184,243	9.9	180,777	12.0
Pre-provision profits	164,603	147,148	11.9	165,214	(0.4)
Provisions	101,183	131,389	(23.0)	125,013	(19.1)
Tax expense	17,673	20,481	(13.7)	13,704	29.0
Reported Net Profit	45,747	(4,723)	(1068.7)	26,496	72.7
			(bps)		(bps)
Advances Growth (%)	6.9	9.6	(276)	7.7	(78)
NIM (%)	3.1	2.9	17	3.0	6
RoA (%)	0.2	0.2	(5)	0.1	4
RoE (%)	16.9	16.3	65	17.0	(12)
Gross NPA (%)	5.3	7.2	(191)	5.4	(16)

CMP	Rs 207
Target / Upside	Rs 280 / 35%
NIFTY	11,814

## Scrip Details

Equity / FV	Rs 8,925mn / Rs 1
Market Cap	Rs 1,847bn
	USD 25bn
52-week High/Low	Rs 351/ 149
Avg. Volume (no)	55,476,000
Bloom Code	SBIN IN

Price Performance	1M	3M	12M
Absolute (%)	10	8	(35)
Rel to NIFTY (%)	5	0	(36)

## Shareholding Pattern

	Mar'20	Jun'20	Sep'20
Promoters	57.7	57.6	57.6
MF/Banks/FIs	24.4	24.7	24.3
FIIIs	11.0	7.9	7.8
Public / Others	6.9	9.7	10.3

## Valuation (x)

	FY21E	FY22E	FY23E
P/E	14.4	6.5	4.6
P/ABV	1.1	0.9	0.7
ROAA	0.3	0.6	0.8
ROAE	5.4	11.1	14.0

## Estimates (Rs mn)

	FY21E	FY22E	FY23E
NII	1,084,304	1,213,997	1,348,267
PPOP	678,435	751,276	811,465
PAT	113,107	283,291	404,924
Adj BV	196.9	239.2	284.0

VP - Research: Mona Khetan

Tel: +91 22 40969762

E-mail: monak@dolatcapital.com

Associate: Shreesh Chandra

Tel: +91 22 40969714

E-mail: shreeshc@dolatcapital.com

Analyst: Prithvish Uppal

Tel: +91 22 40969700

E-mail: prithvish@dolatcapital.com

## Other Important Highlights

- Restructuring demand stood at Rs 64.95bn of which ~Rs 24.88bn is for retail while ~Rs 40bn is for commercial clients
- On recoveries, bank expects Rs60-70bn of recoveries, including those from w/off accounts but excluding recoveries from Bhushan Power and DHFL (another ~Rs60-70bn for the two accounts).
- Employee expenses should reduce by ~10bn going forward as retrospective wage hike provisions and gratuity provisions should not accrue (~Rs16bn impact in Q1FY21), though wage bill increases by Rs6bn post the wage hike.
- The entire Xpress credit portfolio is to salaried employees of which ~94% are govt and defense employees. The bank's unsecured PL book (xpress credit) remains underpenetrated and can therefore continue to grow. The bank has not seen any reduction in salaries being credited to these customers.

**Risks to the View:** Higher than expected impact on asset quality from COVID-19 for the SME/mid corporate loans, weaker recoveries.

### Exhibit 1: Actual v/s estimates

(Rs mn)	Actual	Estimated	% Variance	Comments
NII	2,81,820	2,61,079	7.9	Lower interest reversals and better fee lines
Operating Profit	1,64,603	1,35,420	21.5	
PAT	45,747	18,491	147.4	Lower credit cost and higher PPOP

Source: Company, DART

### Exhibit 2: Change in estimates

Particulars	Previous		Revised		Change %		Comments
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	
Net Operating Revenue	14,97,514	16,25,998	14,71,010	16,09,794	(1.8)	(1.0)	
Pre-Provision Profits	6,91,225	7,50,263	6,78,435	7,51,276	(1.9)	0.1	
PAT	1,26,215	1,98,901	1,28,107	2,83,291	1.5	42.4	Factoring in lower credit cost

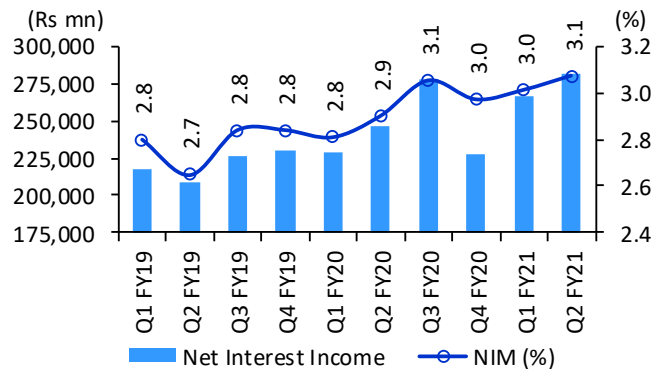
Source: Company, DART

### Exhibit 3: SOTP Valuation

Entity	Stake	Per Share Value	Methodology
<b>Standalone Entity (A)</b>	100%	161	0.7x Sep-22E P/ABV
<b>Lending Business</b>			
SBI Card	70%	52	40x P/E
<b>Insurance Business</b>			
SBI Life Insurance	56%	59	2.6x EV
SBI General Insurance	70%	11	25x P/E
<b>Capital Market</b>			
SBI Funds Management	57%	22	8% of AUM
<b>Value of Subsidiaries (B)</b>		<b>123</b>	
Holdco. Discount	15%		
<b>Value of the bank (A+B)</b>		<b>280</b>	(rounded off)
Contribution of subs to total (%)		43	

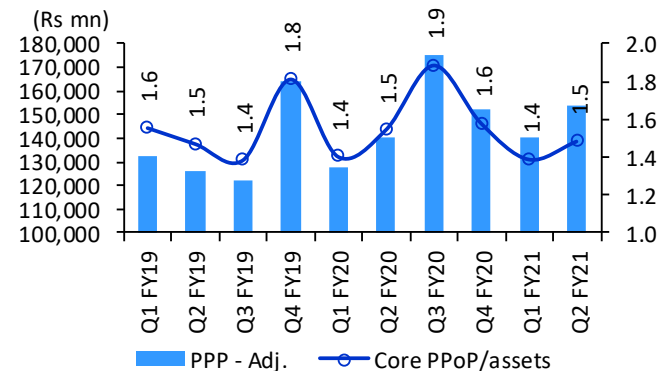
Source: Company, DART

**Exhibit 4: NIM expansion led by high yielding loans and low interest reversals**



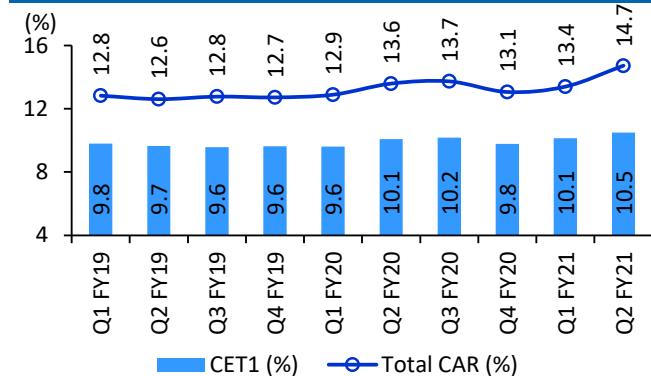
Source: Company, DART

**Exhibit 5: Despite higher opex, recovery in fees aid core PPoP improvement.**



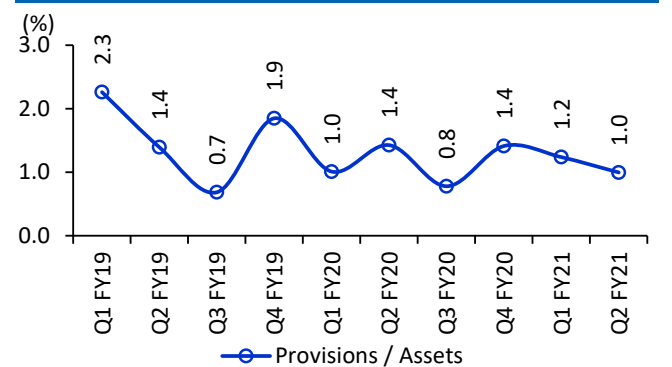
Source: Company, DART

**Exhibit 6: Improved capital consumption and capital raise aids overall capital adequacy**



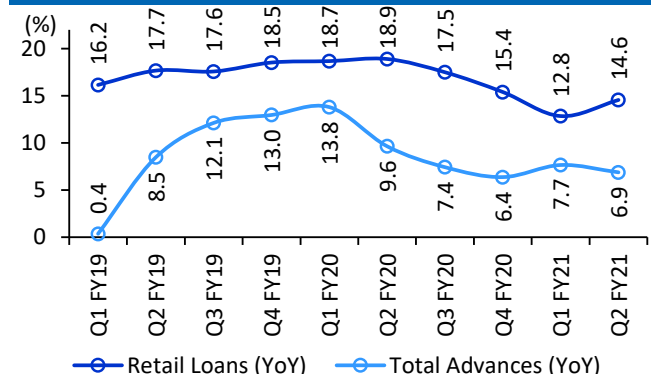
Source: Company, DART

**Exhibit 7: Provisions decline but remain elevated**



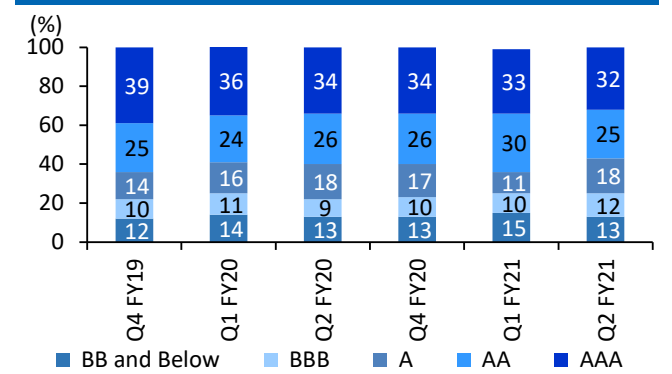
Source: Company, DART

**Exhibit 8: Retail loans continue to drive advances growth**



Source: Company, DART

**Exhibit 9: Rise in share of A and BBB rated pools led by rating downgrades**



Source: Company, DART

## Quarterly Financials

Profit and Loss (Rs mn)	Q2 FY21	Q2 FY20	% yoy / bps	Q1 FY21	% qoq / bps	1H FY21	1H FY20	% yoy / bps
<b>Interest Inc.</b>	<b>6,68,146</b>	<b>6,43,124</b>	<b>3.9</b>	<b>6,65,004</b>	<b>0.5</b>	<b>13,33,150</b>	<b>12,69,502</b>	<b>5.0</b>
Yield on Advances (%)	8.2	8.7	(47)	8.4	(13)	8.3	8.6	(34)
<b>Interest Expenses</b>	<b>3,86,326</b>	<b>3,97,121</b>	<b>(2.7)</b>	<b>3,98,588</b>	<b>(3.1)</b>	<b>7,84,914</b>	<b>7,94,111</b>	<b>(1.2)</b>
Cost of Dep. (%)	4.4	5.0	(67)	4.5	(13)	4.4	5.0	(63)
<b>Net Interest Income</b>	<b>2,81,820</b>	<b>2,46,003</b>	<b>14.6</b>	<b>2,66,416</b>	<b>5.8</b>	<b>5,48,236</b>	<b>4,75,391</b>	<b>15.3</b>
NII to Net Operative Income	76.8	74.2	254	77.0	(23)	76.9	74.2	271
NIM (%)	3.1	2.9	17	3.0	6	3.0	2.9	19
Dom. NIM (%)	3.3	3.1	18	3.2	5	3.3	3.1	21
Int. NIM (%)	1.2	1.2	(5)	1.1	2	1.1	1.2	(5)
<b>Core Fee Income</b>	<b>52,420</b>	<b>50,400</b>	<b>4.0</b>	<b>44,710</b>	<b>17.2</b>	<b>-</b>	<b>1,02,160</b>	<b>(100.0)</b>
Forex Income	5,280	6,730	(21.5)	4,680	12.8	9,960	11,910	(16.4)
Profit on Sale / Rev of Investments	10,840	6,737	60.9	24,853	(56.4)	35,693	11,587	208.0
Recovery in w/o accounts	13,950	18,640	(25.2)	4,480	211.4	18,430	32,220	(42.8)
Miscellaneous Other Income	2,780	2,880	(3.5)	860	223.3	3,640	7,660	(52.5)
<b>Non-Core Other Income</b>	<b>32,857</b>	<b>34,987</b>	<b>(6.1)</b>	<b>34,865</b>	<b>(5.8)</b>	<b>67,722</b>	<b>63,377</b>	<b>6.9</b>
<b>Other Income - Total</b>	<b>85,277</b>	<b>85,387</b>	<b>(0.1)</b>	<b>79,575</b>	<b>7.2</b>	<b>1,64,852</b>	<b>1,65,541</b>	<b>(0.4)</b>
Other Inc to Net Oper. Income (%)	23.2	25.8	(254)	23.0	23	23.1	25.8	(271)
<b>Net Operating Revenue</b>	<b>3,67,097</b>	<b>3,31,390</b>	<b>10.8</b>	<b>3,45,990</b>	<b>6.1</b>	<b>7,13,087</b>	<b>6,40,932</b>	<b>11.3</b>
Employee Expenses	1,25,702	1,13,026	11.2	1,18,651	5.9	2,44,352	2,22,207	10.0
Empl. Cost/Oper. Exps. (%)	34.2	34.1	14	34.3	(5)	34.3	34.7	(40)
Other Opex	76,793	71,217	7.8	62,126	23.6	1,38,919	1,39,116	(0.1)
Other Opex/ Assets (%)	0.2	0.2	(0)	0.2	4	0.3	0.4	(4)
<b>Total Opex</b>	<b>2,02,494</b>	<b>1,84,243</b>	<b>9.9</b>	<b>1,80,777</b>	<b>12.0</b>	<b>3,83,271</b>	<b>3,61,323</b>	<b>6.1</b>
Cost to Income Ratio (%)	55.2	45.0	1,013	52.2	291	53.7	56.4	(263)
<b>Pre-Provision Profits</b>	<b>1,64,603</b>	<b>1,47,148</b>	<b>11.9</b>	<b>1,65,214</b>	<b>(0.4)</b>	<b>3,29,816</b>	<b>2,79,609</b>	<b>18.0</b>
Exceptional Profit (Loss)	-	34,843	-	15,397	-	-	-	-
<b>PPP (inc Except. Items)</b>	<b>1,64,603</b>	<b>1,81,994</b>	<b>(9.6)</b>	<b>1,80,614</b>	<b>(8.9)</b>	<b>3,29,816</b>	<b>2,79,615</b>	<b>18.0</b>
Provision towards NPAs	56,193	1,10,410	(49.1)	94,205	(40.4)	1,50,397	2,26,890	(33.7)
Standard Assets Provision	(2,570)	2,970	(186.5)	2,820	(191.1)	250	(9,910)	(102.5)
Provision for investments	6,530	(9,190)	(171.1)	12,310	(47.0)	18,840	(21,440)	(187.9)
Other Provisions	41,030	27,210	50.8	15,680	161.7	56,710	27,690	104.8
<b>Provisions &amp; Contingencies - Total</b>	<b>1,01,183</b>	<b>1,31,389</b>	<b>(23.0)</b>	<b>1,25,013</b>	<b>(19.1)</b>	<b>2,26,196</b>	<b>2,23,219</b>	<b>1.3</b>
Credit Cost (%)	0.98	2.06	(108)	1.6	(66)	1.24	1.98	(74)
NPA Provisions as % PPP	61.5	72.2	(1,072)	69.2	(774)	68.6	79.8	(1,125)
<b>Profit Before Tax</b>	<b>63,420</b>	<b>50,604</b>	<b>25.3</b>	<b>55,601</b>	<b>14.1</b>	<b>1,03,620</b>	<b>56,397</b>	<b>83.7</b>
<b>Tax</b>	<b>17,673</b>	<b>20,481</b>	<b>(13.7)</b>	<b>13,704</b>	<b>29.0</b>	<b>31,377</b>	<b>37,991</b>	<b>(17.4)</b>
Effective Tax Rate (%)	27.9	40.5	(1,261)	24.6	321.9	30.3	67.4	(3,708)
<b>Reported Profits</b>	<b>45,747</b>	<b>30,123</b>	<b>51.9</b>	<b>41,896</b>	<b>9.2</b>	<b>72,243</b>	<b>18,405</b>	<b>292.5</b>
RoA (%)	0.4	0.3	11	0.4	2.0	0.43	0.29	14
Basic EPS (Rs)	5.1	3.4	52.1	4.7	9.2	9.8	6.0	64.8

Balance Sheet Analysis	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	QoQ % / bps	YoY % / bps
Net Worth	22,60,753	23,25,207	23,20,074	24,16,557	24,57,210	1.7	8.7
CET1 (%)	10.1	10.2	9.8	10.1	10.5	35	41
Tier 1 (%)	11.3	11.6	11.0	11.4	11.9	55	59
Total CAR (%)	13.6	13.7	13.1	13.4	14.7	132	113
RWA - Total	2,03,43,021	1,92,59,600	2,09,89,805	2,12,48,527	2,09,43,122	(1.4)	2.9
Advances - Total	2,14,61,598	2,19,99,169	2,32,52,896	2,29,83,462	2,29,39,012	(0.2)	6.9
Investments	98,50,222	1,01,21,007	1,04,69,545	1,22,52,284	1,32,91,663	8.5	34.9
Total Assets	3,67,80,006	3,74,91,922	3,95,13,939	4,11,79,316	4,15,78,563	1.0	13.0
RoA (%)	0.33	0.60	0.37	0.42	0.44	2	11
Deposits	3,03,33,958	3,11,12,286	3,24,16,207	3,41,93,628	3,47,04,617	1.5	14.4
Saving Deposit	1,13,08,220	1,15,17,010	1,19,35,660	1,29,43,840	1,31,49,500	1.6	16.3
Current Deposit	19,53,490	18,91,290	21,74,150	20,43,340	21,20,570	3.8	8.6
CASA Deposits	1,32,61,710	1,34,08,300	1,41,09,810	1,49,87,180	1,52,70,070	1.9	15.1
CASA Ratio (%)	45.1	44.7	45.2	45.3	45.4	5	26
Dom. Term Deposits	1,61,25,838	1,65,73,670	1,71,36,350	1,80,68,400	1,83,71,280	1.7	13.9

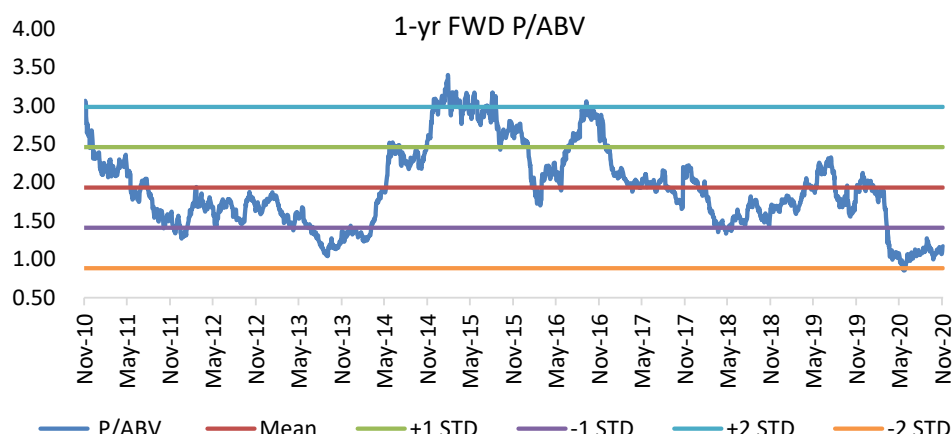
Source: Company, DART

Asset Quality (Rs mn)	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	QoQ % / bps	YoY % / bps
Gross Advances	2,24,80,675	2,30,05,935	2,42,42,577	2,38,34,686	2,38,37,688	0.0	6.0
Gross NPA	16,16,361	15,96,612	14,90,919	12,96,607	12,58,630	(2.9)	(22.1)
Gross NPA Ratio (%)	7.19	6.94	6.15	5.44	5.28	(16)	(191)
PCR - Calculated (%)	62.9	63.5	65.2	67.1	71.0	397	812
PCR - Inc. Tech w/o (%)	81.23	81.73	83.62	86.32	88.19	187	696
Net Advances	2,14,83,591	2,19,80,608	2,32,60,673	2,29,58,941	2,29,24,962	(0.1)	6.7
Net NPA	5,99,392	5,82,486	5,18,713	4,27,036	3,64,507	(14.6)	(39.2)
Net NPAs Ratio (%)	2.79	2.65	2.23	1.86	1.59	(27)	(120)

Loan Book Analysis (Rs mn)	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	QoQ % / bps	YoY % / bps
Home Loans	42,44,870	44,04,480	45,58,650	45,54,430	46,83,820	2.8	10.3
Auto Loans	7,07,260	7,34,620	7,26,620	7,01,510	7,16,310	2.1	1.3
Other Per Segment Loans	19,03,570	20,58,560	21,90,620	22,32,060	24,53,320	9.9	28.9
Personal Loan	68,55,700	71,97,660	74,75,890	74,88,000	78,53,450	4.9	14.6
Agriculture	20,24,620	20,99,970	20,60,670	20,42,880	21,09,450	3.3	4.2
Domestic Corporate	76,59,860	77,10,000	84,42,150	80,93,220	78,75,590	(2.7)	2.8
MSME	27,41,410	27,80,350	26,76,140	27,87,110	27,72,480	(0.5)	1.1
Total Domestic Advances	1,92,81,580	1,97,87,990	2,06,54,840	2,04,11,200	2,06,10,980	1.0	6.9
Foreign Offices	32,01,550	32,28,700	35,73,600	34,45,190	32,25,260	(6.4)	0.7
Loan Book	2,14,61,598	2,19,99,169	2,32,52,896	2,29,83,462	2,29,39,012	(0.2)	6.9
Investments	98,50,222	1,01,21,007	1,04,69,545	1,22,52,284	1,32,91,663	8.5	34.9
Total Assets	3,67,80,006	3,74,91,922	3,95,13,939	4,11,79,316	4,15,78,563	1.0	13.0

Source: Company, DART

### Exhibit 1: The stock currently trades at 1.2x 1-year forward P/ABV



Source: DART, Company

### Conference Call Highlights

- The bank has made adequate COVID provisions to take care of slippages, and does not see any stress on profitability of the bank
- Overall collection efficiency stood at 97.5% in October encompassing all segments except agriculture. Collection efficiency is in the context of demand raised and amount collected against the same during the month and does not include any arrears cleared by the customers.
- Highest collection efficiency recorded in personal unsecured segment, which showcases the strength of the bank's retail lending franchise.
- Interest reversals of ~Rs 8.76bn (which have not been accounted for in the current quarter) would have impacted NIM by 5bps. The bank will recognize the same if these accounts turn NPA post SC judgement, however the quantum is expected to be lower.
- Identification of potential stress has been made on a granular level with inputs from the relationship managers.
- The bank expects potential slippages and restructuring to the tune of Rs 600bn, on which ~15% provisions or Rs90bn will be needed. The bank has already made COVID related provisions amounting to Rs 70.91bn, while an additional Rs 20bn would be provided in the following quarters.
- Of the proforma slippages of Rs 143.38bn, the bank has upgraded ~Rs 60bn in the month of October,
  - The bank upgraded ~Rs 30bn from SME; Rs 8bn from corporate, and Rs 11bn from the Agri portfolio
  - Agri slippages were higher due to mobility restrictions. The slackness in collections led to higher recognition of slippages
- Higher employee expenses during the quarter can be attributed to IBA wage hike revision @15%, against which ~Rs 10bn has been made. Employee expenses also include ~Rs 6bn of provisions linked to salary benefits, gratuity, and pension.
- Under the ECLGS scheme the bank sanctioned Rs 250bn and disbursed Rs 240bn
- Restructuring demand stood at Rs 64.95bn of which ~Rs 24.88bn is for retail while ~Rs 40bn is for commercial clients



- Recoveries of Rs 60-70bn are expected in 2HFY21. Management expects to get better visibility on NCLT resolutions by December. Recoveries are expected from NPA movement as well as from w/off accounts.
- Ratings compositions movement was largely due to financial performance and re-rating by agencies.
- The bank's unsecured PL book remains underpenetrated. The bank's penetration is ~19% and is looking to tap potential markets to enhance the portfolio
- Xpress credit and PL limits/amounts are automatically hiked as they are linked to the respective borrowers' salary credits. The bank has not seen any reduction in the amount of salary being credited to these customers.
- The entire Xpress credit portfolio is to salaried employees of which ~94% are govt and defense employees.
- Home loan exposures are ~50% to Govt employees ~20% to employees of well rated corporates and ~30% to self-employed. Most of the customers are first time borrowers with low average ticket sizes.
- YONO app more geared towards the younger generation, however traction is observed amongst all age groups for both banking and non-banking transactions. Ecommerce has seen good volumes. Opening ~23000 new accounts daily via app. Of the total customer base, the 39mn have registered via YONO. Usage of YONO has helped in reducing costs.
- RBI's CA circular is yet to cast its effect on CA balances. The bank hopes to enrich their offerings and offer enhanced cash management services.
- The bank is adequately capitalized and has raised AT-1 and Tier-2 bonds at industry leading rates. Current levels of capital and claw back of profits are expected to support the bank's growth aspirations.
- Fee income dependent on disbursements and gets recognised by system upon actual disbursals
- ~17-20% of employees have been moved from administrative positions to customer facing roles. The bank plans to keep improving employee productivity.
- Most of the loan repayments are via NACH, although the bank utilizes all modes of electronic clearances.
- Credit growth is expected to flow from capital expenditures by Public Sector Undertakings, construction of road, and renewable energy. FMCG and Pharma are also expected to drive growth although the pharma sector does not borrow much.
- **Top priorities of the new Chairman**
  - Deploy and leverage analytics for risk management, sourcing, and compliances.
  - Reap all growth opportunities available for the bank

**Profit and Loss Account (Rs Mn)**

Particulars	FY20A	FY21E	FY22E	FY23E
Interest Income	2,573,236	2,739,820	3,009,256	3,279,042
Interest expenses	1,592,388	1,655,516	1,795,259	1,930,774
<b>Net interest income</b>	<b>980,848</b>	<b>1,084,304</b>	<b>1,213,997</b>	<b>1,348,267</b>
Other incomes	390,058	386,706	395,798	423,856
Total expenses	751,737	792,575	858,519	960,659
- Employee cost	457,150	489,150	542,957	613,541
- Other	294,587	303,425	315,562	347,118
<b>Pre provisioning profit</b>	<b>619,170</b>	<b>678,435</b>	<b>751,276</b>	<b>811,465</b>
Provisions	432,914	522,237	372,696	270,339
Profit before taxes	186,256	156,198	378,580	541,126
Tax provision	105,747	43,090	95,289	136,201
Profit after tax	80,509	113,107	283,291	404,924
<b>Adjusted profit</b>	<b>80,509</b>	<b>113,107</b>	<b>283,291</b>	<b>404,924</b>

**Balance Sheet (Rs Mn)**

Particulars	FY20A	FY21E	FY22E	FY23E
<b>Sources of Funds</b>				
Equity Capital	8,925	8,925	8,925	8,925
Reserves & Surplus	2,073,523	2,411,319	2,674,374	3,060,741
Minority Interest	0	0	0	0
Net worth	2,082,448	2,420,244	2,683,298	3,069,666
Borrowings	3,146,557	3,162,412	3,372,173	3,655,674
- Deposits	32,416,207	36,367,738	38,779,984	42,040,247
- Other interest bearing liabilities	0	0	0	0
Current liabilities & provisions	1,631,101	1,613,048	1,886,368	2,191,773
<b>Total Liabilities</b>	<b>39,276,313</b>	<b>43,563,441</b>	<b>46,721,823</b>	<b>50,957,361</b>
<b>Application of Funds</b>				
Cash and balances with RBI	2,510,970	2,760,915	2,796,956	3,054,550
Investments	10,469,545	12,663,670	13,587,727	14,367,083
Advances	23,252,896	24,415,540	26,368,784	29,269,350
Fixed assets	388,552	399,386	412,968	424,861
Other current assets, loans and advances	2,896,136	3,330,556	3,563,695	3,848,790
<b>Total Assets</b>	<b>39,518,098</b>	<b>43,570,067</b>	<b>46,730,129</b>	<b>50,964,634</b>

E – Estimates



### Important Ratios

Particulars	FY20A	FY21E	FY22E	FY23E
<b>(A) Margins (%)</b>				
Yield on advances	8.0	7.9	8.0	8.0
Yields on interest earning assets	7.4	7.2	7.3	7.3
Yield on investments	7.3	6.8	6.6	6.7
Costs of funds	4.6	4.5	4.6	4.6
Cost of deposits	5.0	4.8	4.5	4.5
NIMs	2.8	2.9	2.9	3.0
<b>(B) Asset quality and capital ratios (%)</b>				
GNPA	6.2	5.3	4.3	3.6
NNPA	2.2	1.7	1.1	1.0
PCR	65.2	69.0	75.0	75.0
Slippages	2.5	2.5	2.0	1.9
NNPA to NW	24.9	19.3	12.3	9.9
CASA	45.2	46.0	46.0	46.0
CAR	12.5	11.1	11.2	11.4
Tier 1	10.6	9.6	9.9	10.4
Credit - Deposit	71.7	67.1	68.0	69.6
<b>(C) Dupont as a percentage of average assets</b>				
Interest income	6.7	6.6	6.7	6.7
Interest expenses	4.2	4.0	4.0	4.0
Net interest income	2.6	2.6	2.7	2.8
Non interest Income	1.0	0.9	0.9	0.9
Total expenses	2.0	1.9	1.9	2.0
- cost to income	54.8	53.9	53.3	54.2
Provisions	1.1	1.3	0.8	0.6
Tax	0.3	0.1	0.2	0.3
RoA	0.4	0.3	0.6	0.8
Leverage	19.0	20.0	19.2	18.1
RoE	6.3	5.4	11.1	14.0
RoRwa	0.0	0.7	0.5	1.0
<b>(D) Measures of Investments</b>				
EPS - adjusted	16.0	14.4	31.7	45.4
BV	233.3	244.6	273.3	315.7
ABV	174.6	196.9	239.2	284.0
DPS	2.6	2.5	2.5	2.5
Dividend payout ratio	0.0	0.0	0.0	0.0
<b>(E) Growth Ratios (%)</b>				
Net interest income	11.0	10.5	12.0	11.1
PPoP	14.9	9.6	10.7	8.0
Adj PAT	(1253.0)	40.5	150.5	42.9
Advances	6.4	5.0	8.0	11.0
Total borrowings	(21.9)	0.5	6.6	8.4
Total assets	7.3	10.3	7.3	9.1
<b>(F) Valuation Ratios</b>				
Market Cap (Rs. mn)	1,847,392	1,847,392	1,847,392	1,847,392
CMP (Rs.)	207	207	207	207
P/E (x)	12.9	14.4	6.5	4.6
P/BV (x)	0.9	0.8	0.8	0.7
P/ABV (x)	1.2	1.1	0.9	0.7
Div Yield (%)	1.3	1.2	1.2	1.2

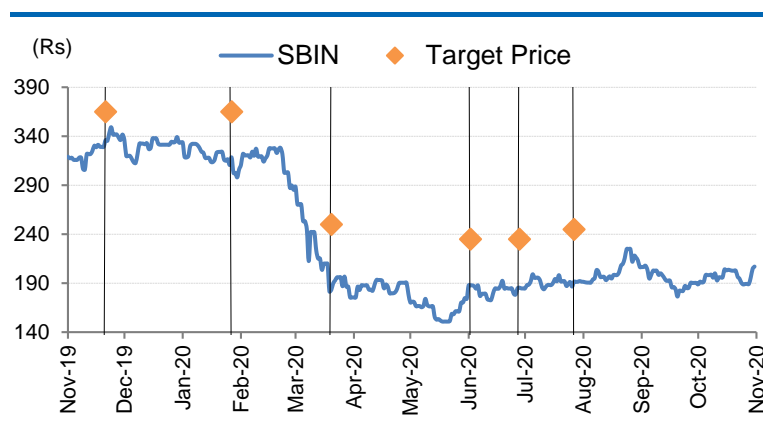
E – Estimates

### DART RATING MATRIX

Total Return Expectation (12 Months)

<b>Buy</b>	<b>&gt; 20%</b>
<b>Accumulate</b>	<b>10 to 20%</b>
<b>Reduce</b>	<b>0 to 10%</b>
<b>Sell</b>	<b>&lt; 0%</b>

### Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Nov-19	Accumulate	365	336
Jan-20	Accumulate	365	318
Mar-20	Accumulate	250	183
Jun-20	Buy	235	188
Jul-20	Buy	235	185
Jul-20	Buy	245	191

\*Price as on recommendation date

### DART Team

<b>Purvag Shah</b>	<b>Managing Director</b>	<b>purvag@dolatcapital.com</b>	<b>+9122 4096 9747</b>
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<b>Amit Khurana, CFA</b>	<b>Head of Equities</b>	<b>amit@dolatcapital.com</b>	<b>+9122 4096 9745</b>
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### CONTACT DETAILS

Equity Sales	Designation	E-mail	Direct Lines
Dinesh Bajaj	VP - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kapil Yadav	VP - Equity Sales	kapil@dolatcapital.com	+9122 4096 9735
Yomika Agarwal	VP - Equity Sales	yomika@dolatcapital.com	+9122 4096 9772
Jubbin Shah	VP - Derivatives Sales	jubbins@dolatcapital.com	+9122 4096 9779
Ashwani Kandoi	AVP - Equity Sales	ashwanik@dolatcapital.com	+9122 4096 9725
Lekha Nahar	AVP - Equity Sales	lekhan@dolatcapital.com	+9122 4096 9740
Equity Trading	Designation	E-mail	
P. Sridhar	SVP and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	VP - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	VP - Head Domestic Derivatives Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Asia Head Derivatives	kartikm@dolatcapital.com	+9122 4096 9715
Dinesh Mehta	Co- Head Asia Derivatives	dinesh.mehta@dolatcapital.com	+9122 4096 9765
Bhavin Mehta	VP - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

**Dolat Capital Market Private Limited.**

Sunshine Tower, 28th Floor, Senapati Bapat Marg, Dadar (West), Mumbai 400013

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Registered office: Office No. 141, Centre Point, Somnath, Daman – 396 210, Daman & Diu

Board: +9122 40969700 | Fax: +9122 22651278 | Email: [research@dolatcapital.com](mailto:research@dolatcapital.com) | [www.dolatresearch.com](http://www.dolatresearch.com)

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