

## Buy

### Strong Quarter; Undemanding Valuations

- Operating metrics were in-line with NII and PPOP growth 4% and -5% YoY led by a high base of 3QFY20.
- Credit metrics were impressive** with decline in pro forma GNPA's by 44 bps QoQ to 5.44% led by low pro forma net slippages of Rs24bn. While gross pro forma slippages were at ~Rs80 bn or 1.4%, recoveries of ~Rs60bn from last quarter's agri book resulted in much lower net pro forma slippage for the quarter. Nonetheless, even the Rs80bn were within management guidance and far below our expectations.
- Annualized pro forma slippage of 1.4% for 9MFY21 (vs 2.5% for FY20) remains lower than most private banks.** Pro forma PCR at 68% also compares well with peers. Standard provision buffers (ex of those made towards pro forma NPAs) stood at ~0.3% of loans.
- Restructuring portfolio (including potential RSA) stood at 0.8% of loans, well within management guidance of 1% and much below other PSBs at ~2-3% and slightly higher than large private peers at ~0.5%. **65% of restructuring requests came from corporate book.** Management reiterated its restructuring & slippage guidance of 2.7% for FY21E.
- Loan growth at 3% QoQ and 8% YoY was slightly above estimates, though most of the growth came from SME and retail book (each up 6% QoQ), with **traction in gold loans and x-press credit holding up well.** Disbursements under ELCGS stood at 1% of loans.
- Our earnings upgrade is largely led by decline in slippage estimates for FY21E to 1.6% from 2.5% previously. We expect credit costs to normalize at <1.5% for FY22-23E. **Driven by NIM expansion (higher CD ratio) and lower credit costs, we factor in RoA/RoE of 0.8%/14% for FY23E.** Higher employee provisions continue to be a drag on return ratios, and improvement in the same hereon remains a monitorable.
- We maintain our BUY rating with a revised TP of Rs425 based on 1.1x Dec-22E ABV for standalone bank and the value of its subsidiaries, implying a P/ABV of 1.5x.** The stock currently trades at 1.25x Dec-22 P/ABV.

### Q3FY21 Result (Rs Mn)

| Particulars           | Q3FY21  | Q3FY20  | YoY (%) | Q2FY21  | QoQ (%) |
|-----------------------|---------|---------|---------|---------|---------|
| Net interest income   | 288,199 | 277,790 | 3.7     | 281,820 | 2.3     |
| Other income          | 92,462  | 91,059  | 1.5     | 85,277  | 8.4     |
| Total Net Income      | 380,661 | 368,849 | 3.2     | 367,097 | 3.7     |
| Operating expenses    | 207,329 | 186,622 | 11.1    | 202,494 | 2.4     |
| Pre-provision profits | 173,332 | 182,228 | (4.9)   | 164,603 | 5.3     |
| Provisions            | 103,424 | 72,529  | 42.6    | 101,183 | 2.2     |
| Tax expense           | 17,946  | 53,863  | (66.7)  | 17,673  | 1.5     |
| Reported Net Profit   | 51,962  | 55,836  | (6.9)   | 45,747  | 13.6    |
|                       |         |         | (bps)   |         | (bps)   |
| Advances              | 7.6     |         |         | 6.9     | 76      |
| NIM (%)               | 3.1     | 3.1     | 4       | 3.1     | 2       |
| RoA                   | 0.2     | 0.6     | (41)    | 0.2     | 0       |
| RoE                   | 17.3    | 16.1    | 122     | 16.9    | 42      |
| Gross NPA (%)         | 4.8     | 6.9     | (217)   | 5.3     | (51)    |

|                 |              |
|-----------------|--------------|
| CMP             | Rs 355       |
| Target / Upside | Rs 425 / 20% |
| NIFTY           | 14,790       |

### Scrip Details

|                          |                   |
|--------------------------|-------------------|
| Equity / FV              | Rs 8,925mn / Rs 1 |
| Market Cap               | Rs 3,169bn        |
|                          | USD 43bn          |
| 52-week High/Low         | Rs 358/ 149       |
| Avg. Volume (no)         | 55,570,900        |
| Bloom Code               | SBIN IN           |
| <b>Price Performance</b> | <b>1M 3M 12M</b>  |
| Absolute (%)             | 26 72 16          |
| Rel to NIFTY (%)         | 21 47 (8)         |

### Shareholding Pattern

|                 | Jun'20 | Sep'20 | Dec'20 |
|-----------------|--------|--------|--------|
| Promoters       | 57.6   | 57.6   | 57.6   |
| MF/Banks/FIs    | 24.7   | 24.3   | 24.3   |
| FII's           | 7.9    | 7.8    | 7.8    |
| Public / Others | 9.7    | 10.3   | 10.3   |

### Valuation (x)

|       | FY21E | FY22E | FY23E |
|-------|-------|-------|-------|
| P/E   | 17.0  | 9.5   | 7.7   |
| P/ABV | 1.8   | 1.4   | 1.2   |
| ROAA  | 0.4   | 0.7   | 0.8   |
| ROAE  | 7.7   | 12.6  | 13.7  |

### Estimates (Rs mn)

|        | FY21E     | FY22E     | FY23E     |
|--------|-----------|-----------|-----------|
| NII    | 1,135,906 | 1,261,639 | 1,386,943 |
| PPOP   | 704,636   | 766,349   | 823,704   |
| PAT    | 166,912   | 334,238   | 411,667   |
| Adj BV | 202.9     | 245.9     | 296.0     |

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**Risks to the View:** Asset quality surprises from agri/SME portfolio, weaker recoveries, inability to contain opex, weak than expected macro economy.

**Exhibit 1: Actual v/s estimates**

| (Rs mn)          | Actual  | Estimated | % Variance | Comments         |
|------------------|---------|-----------|------------|------------------|
| NII              | 288,199 | 289,838   | (0.6)      |                  |
| Operating Profit | 173,332 | 176,711   | (1.9)      |                  |
| PAT              | 51,964  | 42,351    | 22.7       | Lower provisions |

Source: Company, DART

**Exhibit 2: Change in estimates**

| (Rs mn)               | Previous  |           |           | Revised   |           |           | Change % |       |       |
|-----------------------|-----------|-----------|-----------|-----------|-----------|-----------|----------|-------|-------|
|                       | FY21E     | FY22E     | FY23E     | FY21E     | FY22E     | FY23E     | FY21E    | FY22E | FY23E |
| Net Operating Revenue | 1,471,395 | 1,610,576 | 1,772,926 | 1,498,176 | 1,632,302 | 1,786,462 | 1.8      | 1.3   | 0.8   |
| Pre Provision Profits | 678,820   | 752,058   | 812,266   | 704,636   | 766,349   | 823,704   | 3.8      | 1.9   | 1.4   |
| PAT                   | 128,395   | 283,876   | 405,524   | 185,912   | 334,238   | 411,667   | 44.8     | 17.7  | 1.5   |

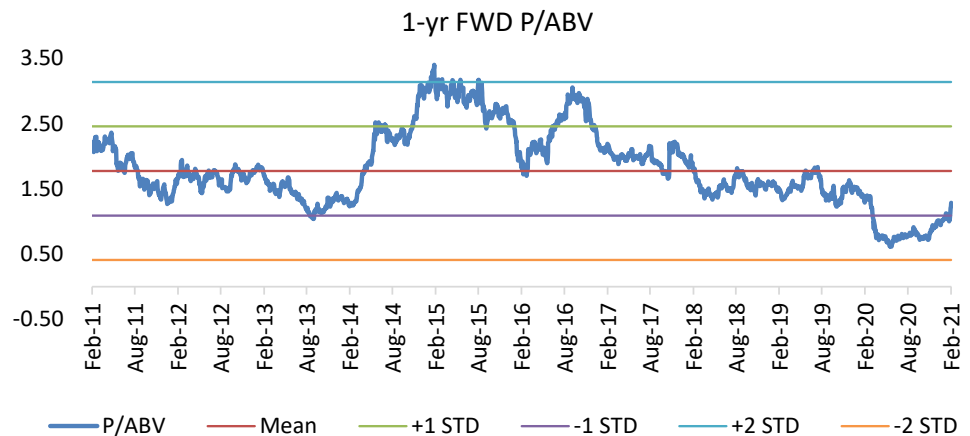
Source: Company, DART

**Exhibit 3: SOTP Valuation**

| Entity                            | Stake | Per Share Value | Methodology        |
|-----------------------------------|-------|-----------------|--------------------|
| <b>Standalone Entity (A)</b>      |       |                 | 1.1x Dec-22E P/ABV |
|                                   | 100%  | 292             |                    |
| <b>Lending Business</b>           |       |                 |                    |
| SBI Card                          | 69%   | 65              | 50x 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>133</b>      |                    |
| Holdco. Discount                  | 15%   |                 |                    |
| <b>Value of the bank (A+B)</b>    |       | <b>425</b>      | (rounded off)      |
| Contribution of subs to total (%) |       | 31              |                    |

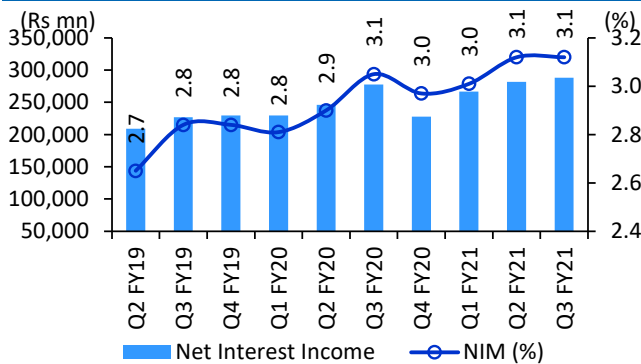
Source: Company, DART

**Exhibit 4: The stock currently trades at 1.3x 1-year forward P/ABV**



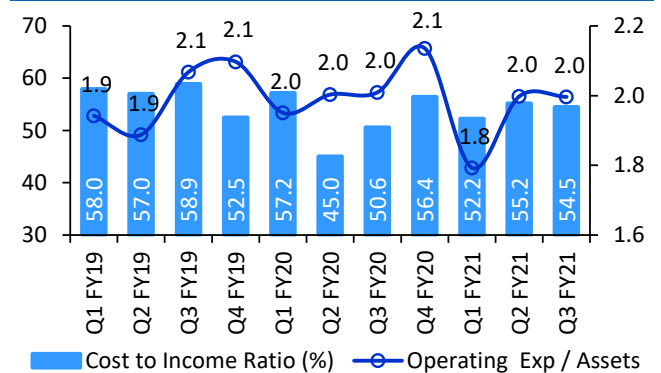
Source: DART, Company

**Exhibit 5: NIM sequentially stable; interest reversals not yet factored**



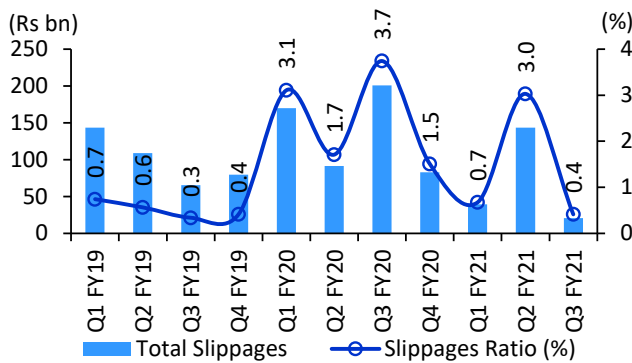
Source: Company, DART

**Exhibit 6: Opex ratios continue to throw surprises**



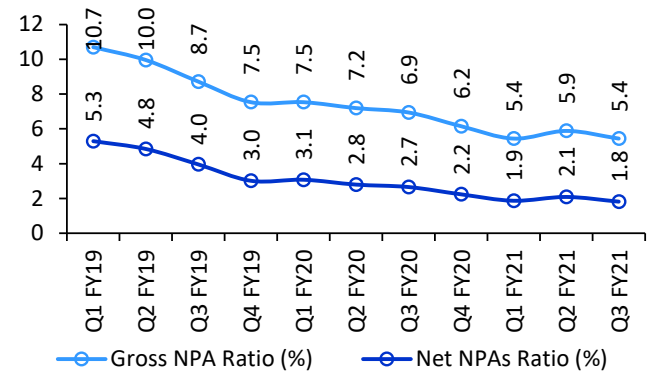
Source: Company, DART

**Exhibit 7: Pro forma slippages surprise positively**



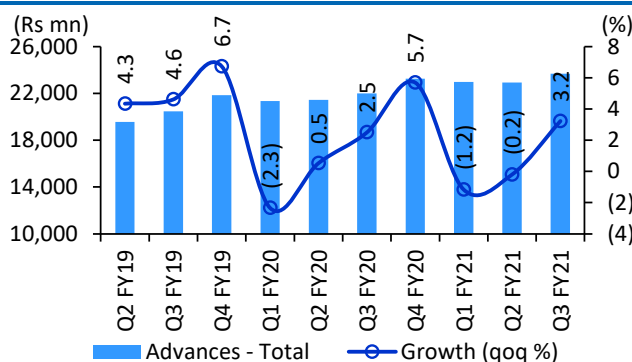
Source: Company, DART

**Exhibit 8: Aiding a decline in Pro forma GNPA's**



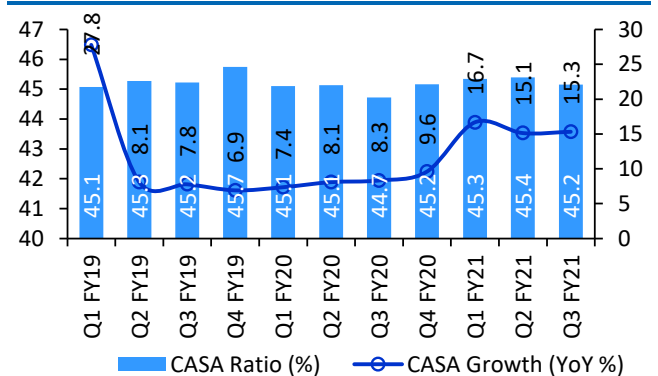
Source: Company, DART

**Exhibit 9: Loan growth picks up**



Source: Company, DART

**Exhibit 10: Healthy growth in CASA despite sharp decline in rates**



Source: Company, DART

## Quarterly Financials

| Profit and Loss (Rs mn)                       | Q3 FY21        | Q3 FY20        | % yoy / bps  | Q2 FY21        | % qoq / bps | 9M FY21          | 9M FY20          | % yoy / bps  |
|---|----------------|----------------|--------------|----------------|-------------|------------------|------------------|--------------|
| Interest Inc.                                 | 667,345        | 676,920        | (1.4)        | 668,146        | (0.1)       | 2,000,495        | 1,946,422        | 2.8          |
| Yield on Advances (%)                         | 8.2            | 8.9            | (75)         | 8.2            | (6)         | 8.2              | 8.7              | (48)         |
| Interest Expenses                             | 379,146        | 399,132        | (5.0)        | 386,326        | (1.9)       | 1,164,060        | 1,193,243        | (2.4)        |
| Cost of Dep. (%)                              | 4.3            | 5.0            | (71)         | 4.4            | (9)         | 4.4              | 5.0              | (66)         |
| <b>Net Interest Income</b>                    | <b>288,199</b> | <b>277,790</b> | <b>3.7</b>   | <b>281,820</b> | <b>2.3</b>  | <b>836,435</b>   | <b>753,179</b>   | <b>11.1</b>  |
| NII to Net Operative Income                   | 75.7           | 75.3           | 40           | 76.8           | (106)       | 76.5             | 74.6             | 189          |
| NIM (%)                                       | 3.1            | 3.1            | 7            | 3.1            | -           | 3.1              | 2.9              | 16           |
| Dom. NIM (%)                                  | 3.3            | 3.3            | 7            | 3.3            | -           | 3.3              | 3.1              | 18           |
| Int. NIM (%)                                  | 1.1            | 1.2            | (7)          | 1.2            | (2)         | 1.1              | 1.2              | (6)          |
| <b>Core Fee Income</b>                        | <b>53,490</b>  | <b>56,350</b>  | <b>(5.1)</b> | <b>52,420</b>  | <b>2.0</b>  | <b>150,620</b>   | <b>158,510</b>   | <b>(5.0)</b> |
| Forex Income                                  | 6,100          | 6,350          | (3.9)        | 5,280          | 15.5        | 16,060           | 18,260           | (12.0)       |
| Profit on Sale / Rev of Investments           | 9,590          | 6,960          | 37.8         | 10,840         | (11.5)      | 45,283           | 18,547           | 144.2        |
| Recovery in w/o accounts                      | 21,420         | 20,870         | 2.6          | 13,950         | 53.5        | 39,850           | 53,090           | (24.9)       |
| Misc Other Income                             | 1,860          | 530            | 250.9        | 2,780          | (33.1)      | 5,500            | 8,190            | (32.8)       |
| <b>Non-Core Other Income</b>                  | <b>38,972</b>  | <b>34,710</b>  | <b>12.3</b>  | <b>32,857</b>  | <b>18.6</b> | <b>106,693</b>   | <b>98,087</b>    | <b>8.8</b>   |
| <b>Other Income - Total</b>                   | <b>92,462</b>  | <b>91,059</b>  | <b>1.5</b>   | <b>85,277</b>  | <b>8.4</b>  | <b>257,313</b>   | <b>256,600</b>   | <b>0.3</b>   |
| Other Inc to Net Oper. Income (%)             | 24.3           | 24.7           | (40)         | 23.2           | 106         | 23.5             | 25.4             | (189)        |
| <b>Net Operating Revenue</b>                  | <b>380,661</b> | <b>368,849</b> | <b>3.2</b>   | <b>367,097</b> | <b>3.7</b>  | <b>1,093,748</b> | <b>1,009,779</b> | <b>8.3</b>   |
| Employee Expenses                             | 131,180        | 114,556        | 14.5         | 125,702        | 4.4         | 375,532          | 336,763          | 11.5         |
| Empl. Cost/Oper. Exps. (%)                    | 34.5           | 31.1           | 340          | 34.2           | 22          | 34.3             | 33.4             | 98           |
| Other Opex                                    | 76,149         | 72,065         | 5.7          | 76,793         | (0.8)       | 215,068          | 211,182          | 1.8          |
| Other Opex/ Assets (%)                        | 0.2            | 0.2            | (1)          | 0.2            | (1)         | 0.5              | 0.6              | (5)          |
| <b>Total Opex</b>                             | <b>207,329</b> | <b>186,622</b> | <b>11.1</b>  | <b>202,494</b> | <b>2.4</b>  | <b>590,601</b>   | <b>547,945</b>   | <b>7.8</b>   |
| Cost to Income Ratio (%)                      | 54.5           | 50.6           | 387          | 55.2           | (70)        | 54.0             | 54.3             | (27)         |
| <b>Pre Provision Profits</b>                  | <b>173,332</b> | <b>182,228</b> | <b>(4.9)</b> | <b>164,603</b> | <b>5.3</b>  | <b>503,148</b>   | <b>461,835</b>   | <b>8.9</b>   |
| <b>PPP (inc Except. Items)</b>                | <b>173,332</b> | <b>182,231</b> | <b>(4.9)</b> | <b>164,606</b> | <b>5.3</b>  | <b>503,148</b>   | <b>461,845</b>   | <b>8.9</b>   |
| Provision towards NPAs                        | 22,904         | 81,931         | (72.0)       | 56,193         | (59.2)      | 173,301          | 308,821          | (43.9)       |
| Standard Assets Provision                     | 15,060         | (17,520)       | (186.0)      | (2,570)        | (686.0)     | 15,310           | (27,430)         | (155.8)      |
| Provision for investments                     | 5,180          | 32,870         | (84.2)       | 6,530          | (20.7)      | 24,020           | 11,430           | 110.1        |
| Other Provisions                              | 60,280         | (24,750)       | (343.6)      | 41,030         | 46.9        | 116,990          | 2,940            | 3,879.3      |
| <b>Provisions &amp; Contingencies - Total</b> | <b>103,424</b> | <b>72,529</b>  | <b>42.6</b>  | <b>101,183</b> | <b>2.2</b>  | <b>329,620</b>   | <b>295,748</b>   | <b>11.5</b>  |
| NPA Provisions as % PPP                       | 59.7           | 39.8           | 1,987        | 61.5           | (180)       | 65.5             | 64.0             | 148          |
| Profit Before Tax                             | 69,908         | 109,702        | (36.3)       | 63,423         | 10.2        | 173,528          | 166,097          | 4.5          |
| Tax   | 17,946         | 53,863         | (66.7)       | 17,673         | 1.5         | 49,323           | 91,854           | (46.3)       |
| Effective Tax Rate (%)                        | 25.7           | 49.1           | (2,343)      | 27.9           | (219.5)     | 28.4             | 55.3             | (2,688)      |
| <b>Reported Profits</b>                       | <b>51,962</b>  | <b>55,839</b>  | <b>(6.9)</b> | <b>45,750</b>  | <b>13.6</b> | <b>124,205</b>   | <b>74,243</b>    | <b>67.3</b>  |
| RoA (%)                                       | 0.5            | 0.6            | (11)         | 0.4            | 5.0         | 0.5              | 0.4              | 6            |
| Basic EPS (Rs)                                | 5.8            | 6.3            | (7.0)        | 5.1            | 13.5        | 15.6             | 12.2             | 28.0         |

| Balance Sheet Analysis | Q3FY20     | Q4FY20     | Q1FY21     | Q2FY21     | Q3FY21     | QoQ % / bps | YoY % / bps |
|------------------------|------------|------------|------------|------------|------------|-------------|-------------|
| Net Worth              | 2,325,207  | 2,320,074  | 2,416,557  | 2,457,210  | 2,512,430  | 2.2         | 8.1         |
| CET1 (%)               | 10.2       | 9.8        | 10.1       | 10.5       | 10.3       | (22)        | 9           |
| Tier 1 (%)             | 11.6       | 11.0       | 11.4       | 11.9       | 11.7       | (17)        | 14          |
| Total CAR (%)          | 13.7       | 13.1       | 13.4       | 14.7       | 14.5       | (22)        | 77          |
| RWA - Total            | 19,259,600 | 20,989,805 | 21,248,527 | 20,943,122 | 21,867,717 | 4.4         | 13.5        |
| Advances - Total       | 21,999,169 | 23,252,896 | 22,983,462 | 22,939,012 | 23,681,391 | 3.2         | 7.6         |
| Investments            | 10,121,007 | 10,469,545 | 12,252,284 | 13,291,663 | 13,108,846 | (1.4)       | 29.5        |
| Total Assets           | 37,491,922 | 39,513,939 | 41,179,316 | 41,578,563 | 43,569,868 | 4.8         | 16.2        |
| RoA (%)                | 0.60       | 0.37       | 0.42       | 0.44       | 0.49       | 5           | (11)        |
| Deposits               | 31,112,286 | 32,416,207 | 34,193,628 | 34,704,617 | 35,357,534 | 1.9         | 13.6        |
| Saving Deposit         | 11,517,010 | 11,935,660 | 12,943,840 | 13,149,500 | 13,358,610 | 1.6         | 16.0        |
| Current Deposit        | 1,891,290  | 2,174,150  | 2,043,340  | 2,120,570  | 2,106,630  | (0.7)       | 11.4        |
| CASA Deposits          | 13,408,300 | 14,109,810 | 14,987,180 | 15,270,070 | 15,464,240 | 1.3         | 15.3        |
| CASA Ratio (%)         | 44.7       | 45.2       | 45.3       | 45.4       | 45.2       | (24)        | 43          |
| Dom. Term Deposits     | 16,573,670 | 17,136,350 | 18,068,400 | 18,371,280 | 18,783,904 | 2.2         | 13.3        |

Source: Company, DART

| Asset Quality (Rs mn)   | Q3FY20     | Q4FY20     | Q1FY21     | Q2FY21     | Q3FY21     | QoQ % / bps | YoY % / bps |
|-------------------------|------------|------------|------------|------------|------------|-------------|-------------|
| Gross Advances          | 23,005,935 | 24,242,577 | 23,834,686 | 23,837,688 | 24,579,503 | 3.1         | 6.8         |
| Gross NPA               | 1,596,612  | 1,490,919  | 1,296,607  | 1,258,630  | 1,172,442  | (6.8)       | (26.6)      |
| Gross NPA Ratio (%)     | 6.94       | 6.15       | 5.44       | 5.28       | 4.77       | (51)        | (217)       |
| PCR - Calculated (%)    | 63.5       | 65.2       | 67.1       | 71.0       | 75.2       | 420         | 1,172       |
| PCR - Inc. Tech w/o (%) | 81.73      | 83.62      | 86.32      | 88.19      | 90.21      | 202         | 848         |
| Net Advances            | 21,980,608 | 23,260,673 | 22,958,941 | 22,924,962 | 23,603,024 | 3.0         | 7.4         |
| Net NPA                 | 582,486    | 518,713    | 427,036    | 364,507    | 290,317    | (20.4)      | (50.2)      |
| Net NPAs Ratio (%)      | 2.65       | 2.23       | 1.86       | 1.59       | 1.23       | (36)        | (142)       |

| Loan Book Analysis (Rs mn) | Q3FY20     | Q4FY20     | Q1FY21     | Q2FY21     | Q3FY21     | QoQ % / bps | YoY % / bps |
|----------------------------|------------|------------|------------|------------|------------|-------------|-------------|
| Home Loans                 | 4,404,480  | 4,558,650  | 4,554,430  | 4,683,820  | 4,844,530  | 3.4         | 10.0        |
| Auto Loans                 | 734,620    | 726,620    | 701,510    | 716,310    | 759,370    | 6.0         | 3.4         |
| Other Per Segment Loans    | 2,058,560  | 2,190,620  | 2,232,060  | 2,453,320  | 2,707,440  | 10.4        | 31.5        |
| Personal Loan              | 7,197,660  | 7,475,890  | 7,488,000  | 7,853,450  | 8,311,340  | 5.8         | 15.5        |
| Agriculture                | 2,099,970  | 2,060,670  | 2,042,880  | 2,109,450  | 2,136,680  | 1.3         | 1.7         |
| Domestic Corporate         | 7,710,000  | 8,442,150  | 8,093,220  | 7,875,590  | 7,882,080  | 0.1         | 2.2         |
| MSME                       | 2,780,350  | 2,676,140  | 2,787,110  | 2,772,480  | 2,936,540  | 5.9         | 5.6         |
| Total Domestic Advances    | 19,787,990 | 20,654,840 | 20,411,200 | 20,610,980 | 21,266,640 | 3.2         | 7.5         |
| Foreign Offices            | 3,228,700  | 3,573,600  | 3,445,190  | 3,225,260  | 3,299,430  | 2.3         | 2.2         |
| Loan Book                  | 21,999,169 | 23,252,896 | 22,983,462 | 22,939,012 | 23,681,391 | 3.2         | 7.6         |
| Investments                | 10,121,007 | 10,469,545 | 12,252,284 | 13,291,663 | 13,108,846 | (1.4)       | 29.5        |
| Total Assets               | 37,491,922 | 39,513,939 | 41,179,316 | 41,578,563 | 43,569,868 | 4.8         | 16.2        |

Source: Company, DART

## Conference Call Highlights

- ~70% book is MCLR based. The bank has started repricing loans on a 6-month basis, however majority of the book is still on 1-yr repricing basis. ~15% of the book is EBLR based
- Dom. Margins post interest reversals would be ~9-10bps lower.
- The bank disbursed ~Rs 230bn under **ECLGS** vs sanctions of Rs 260bn. Disbursements under ECLGS 2.0 stood at Rs 4.88bn. ECLGS contributed ~Rs 10bn to growth in SME book
- CC utilization levels for mid/large corporates have seen an improvement in the current quarter and is expected to improve as economic activity resumes pace.
- Management maintained its 2% credit cost guidance
- 41% of incremental retail loans and ~60% of overall PL were from the digital channel (YONO), with gold and unsecured PL commanding a higher share via the digital platform. The bank has disbursed ~15000 digital loans (via YONO) during 9MFY21
- Fee income was flattish sequentially on account of lower processing fees, erratic behavior on remittances (due to migrations) and lower account maintenance charges. The bank expects fee levels to rise as economic activity picks up.
- The bank holds ~Rs 11bn of provisions on O/S SRs (of Rs 85bn) and has made accelerated provisions of ~Rs 18bn in 9MFY21. It will continue providing Rs6bn every quarter against SRs till this book is fully provided for.

## Asset Quality

- One large corporate account included in the pro-forma slippages was purely due to ratings downgrade. The bank expects pullback in the corporate slippages going ahead.
- ~Rs 60bn of pullbacks from Q2FY21 pro-forma slippages vs downgrades of ~Rs 80bn in the current quarter led to net additions or pro forma additions of ~Rs20bn.
- Agri AQ remains a challenge and management expects to tide over once the crop season gets over. The bank does not expect significant slippages in 4QFY21 from the agri book.

## Restructuring

- The bank has received requests for ~Rs 180bn of which ~Rs 45bn has been implemented. The bank has provided Rs 14.64bn or 8% against this Rs180bn. ~60% of the retail restructuring (of Rs 38.65bn) is towards the housing portfolio.
- Corporate restructuring includes one large corporate account. Loan account behaviour is being closely monitored. Lot of effort will be needed to maintain asset quality
- No abnormal spike is expected in Q4. Almost negligible retail personal restructuring expected in Q4

### **Employee expenses**

- The management guided quarterly run-rate of ~Rs 120bn per quarter of employee expenses, inclusive of actuarial and other wage related provisions
- The bank's salary bill stands at ~Rs 69bn per quarter; since the bank has paid off all wage settlements thus employee provisions are expected to be lower by ~Rs 10bn going forward.
- The bank currently holds ~Rs 150bn of wage settlement provisions

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

| Particulars                    | FY20A          | FY21E            | FY22E            | FY23E            |
|--------------------------------|----------------|------------------|------------------|------------------|
| Interest Income                | 2,573,236      | 2,668,666        | 2,903,317        | 3,178,207        |
| Interest expenses              | 1,592,388      | 1,532,760        | 1,641,678        | 1,791,264        |
| <b>Net interest income</b>     | <b>980,848</b> | <b>1,135,906</b> | <b>1,261,639</b> | <b>1,386,943</b> |
| Other incomes                  | 390,058        | 362,270          | 370,663          | 399,519          |
| Total expenses                 | 751,737        | 793,540          | 865,953          | 962,758          |
| - Employee cost                | 457,150        | 496,007          | 550,568          | 622,142          |
| - Other                        | 294,587        | 297,533          | 315,385          | 340,616          |
| <b>Pre provisioning profit</b> | <b>619,170</b> | <b>704,636</b>   | <b>766,349</b>   | <b>823,704</b>   |
| Provisions                     | 432,914        | 475,189          | 319,686          | 273,567          |
| Profit before taxes            | 186,256        | 229,446          | 446,663          | 550,137          |
| Tax provision                  | 105,747        | 62,534           | 112,425          | 138,469          |
| Profit after tax               | 80,509         | 166,912          | 334,238          | 411,667          |
| <b>Adjusted profit</b>         | <b>80,509</b>  | <b>166,912</b>   | <b>334,238</b>   | <b>411,667</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         | 2,469,125         | 2,783,233         | 3,176,750         |
| Minority Interest                        | 0                 | 0                 | 0                 | 0                 |
| Net worth                                | 2,082,448         | 2,478,049         | 2,792,158         | 3,185,674         |
| Borrowings                               | 3,146,557         | 3,758,857         | 4,182,762         | 4,538,469         |
| - Deposits                               | 32,416,207        | 35,808,059        | 37,644,858        | 40,846,217        |
| - Other interest bearing liabilities     | 0                 | 0                 | 0                 | 0                 |
| Current liabilities & provisions         | 1,631,101         | 1,494,045         | 2,174,856         | 2,470,235         |
| <b>Total Liabilities</b>                 | <b>39,276,313</b> | <b>43,539,010</b> | <b>46,794,634</b> | <b>51,040,595</b> |
| <b>Application of Funds</b>              |                   |                   |                   |                   |
| Cash and balances with RBI               | 2,510,970         | 2,678,074         | 2,805,745         | 3,064,307         |
| Investments                              | 10,469,545        | 12,663,670        | 13,587,727        | 14,367,083        |
| Advances                                 | 23,252,896        | 24,531,805        | 26,494,349        | 29,408,728        |
| Fixed assets                             | 388,552           | 399,562           | 413,807           | 426,208           |
| Other current assets, loans and advances | 2,896,136         | 3,272,633         | 3,501,717         | 3,781,855         |
| <b>Total Assets</b>                      | <b>39,518,098</b> | <b>43,545,744</b> | <b>46,803,346</b> | <b>51,048,179</b> |

E – Estimates



**Important Ratios**

| Particulars   | FY20A     | FY21E     | FY22E     | FY23E     |
|---|-----------|-----------|-----------|-----------|
| <b>(A) Margins (%)</b>                              |           |           |           |           |
| Yield on advances                                   | 8.0       | 7.3       | 7.4       | 7.5       |
| Yields on interest earning assets                   | 7.4       | 7.0       | 7.0       | 7.1       |
| Yield on investments                                | 7.3       | 6.8       | 7.0       | 6.9       |
| Costs of funds                                      | 4.6       | 4.5       | 4.6       | 4.6       |
| Cost of deposits                                    | 5.0       | 4.8       | 4.1       | 4.1       |
| NIMs  | 2.8       | 3.0       | 3.0       | 3.1       |
| <b>(B) Asset quality and capital ratios (%)</b>     |           |           |           |           |
| GNPA  | 6.2       | 5.3       | 4.4       | 3.5       |
| NNPA  | 2.2       | 1.7       | 1.3       | 1.0       |
| PCR   | 65.2      | 69.0      | 72.0      | 74.0      |
| Slippages   | 2.5       | 1.6       | 1.7       | 1.8       |
| NNPA to NW  | 24.9      | 19.0      | 13.7      | 9.8       |
| CASA  | 45.2      | 46.0      | 46.0      | 46.0      |
| CAR   | 12.5      | 11.3      | 11.5      | 11.8      |
| Tier 1  | 10.6      | 9.8       | 10.3      | 10.7      |
| Credit - Deposit                                    | 71.7      | 68.5      | 70.4      | 72.0      |
| <b>(C) Dupont as a percentage of average assets</b> |           |           |           |           |
| Interest income                                     | 6.7       | 6.4       | 6.4       | 6.5       |
| Interest expenses                                   | 4.2       | 3.7       | 3.6       | 3.7       |
| Net interest income                                 | 2.6       | 2.7       | 2.8       | 2.8       |
| Non interest Income                                 | 1.0       | 0.9       | 0.8       | 0.8       |
| Total expenses                                      | 2.0       | 1.9       | 1.9       | 2.0       |
| - cost to income                                    | 54.8      | 53.0      | 53.1      | 53.9      |
| Provisions  | 1.1       | 1.1       | 0.7       | 0.6       |
| Tax   | 0.3       | 0.2       | 0.2       | 0.3       |
| RoA   | 0.4       | 0.4       | 0.7       | 0.8       |
| Leverage  | 19.0      | 19.4      | 18.4      | 17.4      |
| RoE   | 6.3       | 7.7       | 12.6      | 13.7      |
| RoRwa   | 0.0       | 0.7       | 0.7       | 1.2       |
| <b>(D) Measures of Investments</b>                  |           |           |           |           |
| EPS - adjusted                                      | 16.0      | 20.8      | 37.5      | 46.1      |
| BV  | 233.3     | 251.0     | 285.5     | 328.6     |
| ABV   | 174.6     | 202.9     | 245.9     | 296.0     |
| 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      | 15.8      | 11.1      | 9.9       |
| PPoP  | 14.9      | 13.8      | 8.8       | 7.5       |
| Adj PAT   | (1253.0)  | 107.3     | 100.2     | 23.2      |
| Advances  | 6.4       | 5.5       | 8.0       | 11.0      |
| Total borrowings                                    | (21.9)    | 19.5      | 11.3      | 8.5       |
| Total assets  | 7.3       | 10.2      | 7.5       | 9.1       |
| <b>(F) Valuation Ratios</b>                         |           |           |           |           |
| Market Cap (Rs. mn)                                 | 3,169,125 | 3,169,125 | 3,169,125 | 3,169,125 |
| CMP (Rs.)   | 355       | 355       | 355       | 355       |
| P/E (x)   | 22.2      | 17.0      | 9.5       | 7.7       |
| P/BV (x)  | 1.5       | 1.4       | 1.2       | 1.1       |
| P/ABV (x)   | 2.0       | 1.8       | 1.4       | 1.2       |
| Div Yield (%)                                       | 0.7       | 0.7       | 0.7       | 0.7       |

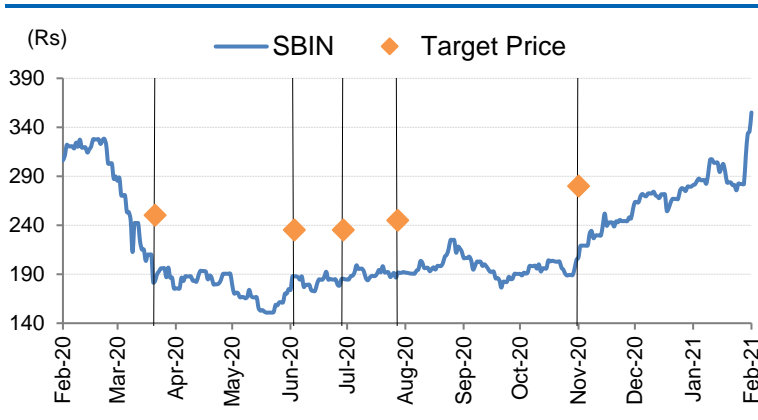
E – Estimates

### 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.) |
|--------|------------|----------|-------------|
| Mar-20 | Accumulate | 250      | 183         |
| Jun-20 | Buy        | 235      | 188         |
| Jul-20 | Buy        | 235      | 185         |
| Jul-20 | Buy        | 245      | 191         |
| Nov-20 | Buy        | 280      | 207         |

\*Price as on recommendation date

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