

February 7, 2022

## Q3FY22 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	610		540	
NII (Rs. m)	1,387,787	1,548,254	1,363,257	1,514,892
% Chng.	1.8	2.2		
Op. Profit (Rs. m)	862,170	948,081	856,084	938,090
% Chng.	0.7	1.1		
EPS (Rs.)	48.6	53.7	41.4	47.8
% Chng.	17.6	12.3		

### Key Financials - Standalone

Y/e Mar	FY21	FY22E	FY23E	FY24E
NII (Rs bn)	1,107	1,220	1,388	1,548
Op. Profit (Rs bn)	716	760	862	948
PAT (Rs bn)	204	385	434	479
EPS (Rs.)	22.9	43.1	48.6	53.7
Gr. (%)	40.9	88.5	12.8	10.3
DPS (Rs.)	-	4.0	6.0	6.0
Yield (%)	-	0.8	1.1	1.1
NIM (%)	2.9	2.8	3.0	3.0
RoAE (%)	8.4	14.2	14.1	13.8
RoAA (%)	0.5	0.8	0.8	0.8
P/BV (x)	2.1	1.8	1.6	1.4
P/ABV (x)	2.5	2.1	1.8	1.6
PE (x)	23.2	12.3	10.9	9.9
CAR (%)	13.7	14.3	14.5	16.1

### Key Data

SBI.BO | SBIN IN

52-W High / Low	Rs.546 / Rs.321
Sensex / Nifty	58,645 / 17,516
Market Cap	Rs.4,733bn / \$ 63,360m
Shares Outstanding	8,925m
3M Avg. Daily Value	Rs.9947.74m

### Shareholding Pattern (%)

Promoter's	57.62
Foreign	10.55
Domestic Institution	24.17
Public & Others	7.66
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	9.7	16.1	49.3
Relative	11.9	7.6	28.9

Palak Shah

palakshah@plindia.com |

## Healthy performance, outlook better

### Quick Pointers:

- Slippages ratio at 0.4% (Rs25bn of slippages) have declined; recovery trends remain strong.
- NII was slow at 6.5% YoY growth, although core PPOP grew by 10% YoY on lower opex & better other income.

**SBI reported better earnings of Rs84.3bn (PLe: Rs79.3bn) on combination of better other income & relatively lower opex. Slippages of Rs25bn (0.4% of loans) have been coming off with expectations of similar run rate to continue, while recovery trend remains strong. Bank despite slightly slower operating performance is currently clocking 14% ROEs/0.7% ROAs and with credit cost expected to undershoot, rebound in credit growth and gradual improvement in operating performance, ROEs/ROAs remain on track for 15%/0.9%. We retain BUY with revised TP of Rs610 (from Rs540) based on 1.2x Sep-23 core ABV & Rs221 (from Rs218) for Subs.**

- Asset quality improves:** Bank's slippages of Rs25bn have continued to decline and see better recovery/w.off, leading to improvement in GNPA/NNPAs by 40bps/18bps QoQ to 4.50%/1.34%. Bank's reported run-rate of slippages was at 0.4% and management anticipates slippages run rate to be sustained at similar levels, while outlook for recovery remains strong. Higher provisioning sequentially is essentially relating one stress account and some bit of restructuring (Rs.22.0bn) and investment provisioning (Rs.14.9bn). Similarly, bank will continue to assess provisions requirement but should be lower at 70-80bps over FY22-FY23E.
- Other asset quality parameters under control:** Bank's SMA loans stood at Rs41.7bn or 16bps and restructuring of 120bps has been comparatively under control with comfortable provisions to absorb shocks. On the o/s security receipts of Rs.86bn, bank has provided 87% against the same. Thus, Non-NPA stress is quite low and hence worry of book has moved away compared to earlier years.
- Operational performance slightly slower:** NII grew slower at 6.5% YoY/-1.6% QoQ despite of 8.9% YoY/5.5% QoQ loan growth as yields were steady and cost of funds being stagnant. Strong other income, better recovery from w.off pool and relatively lower opex led to PPOP growth by 6.9% YoY (core PPOP grew by 10%).
- Better placed than PSB peers but subs driving large value:** SBIN is better placed on asset quality with lower rate of slippages, PCR of ~70% and manageable share of other stress book, although the outcome of ECLGS portfolio is essential (o/s at Rs310bn). Bank's subsidiaries remain in a better position with premium valuations on improving positioning post COVID impact absorption.

**Exhibit 1: Higher other income & lower opex drive earnings**

*NII grew slow at 6.5% YoY declined 1.6% QoQ supported by increase in yields on advances and funding cost benefits getting fatigued.*

*Other income decreased YoY on slower forex gain.*

*Other expenses were muted mainly on higher digital adoption.*

*Provisions saw sharp increase due to investment & standard asset provisioning.*

*Credit growth resurged while deposit growth was muted sequentially*

*NIMs remained steady due to stable yields and funding costs being bottomed out.*

*Asset quality pressures have eased out as slippages come off and recoveries improve.*

*CASA has remained steady at ~46%*

*Bank's C-I focus should improve going ahead*

Financial Statement (Rs m)	Q3FY22	Q3FY21	YoY gr. (%)	Q2FY22	QoQ gr. (%)
Interest income	6,96,781	6,67,345	4.4	6,94,815	0.3
Interest Expenses	3,89,907	3,79,146	2.8	3,82,976	1.8
<b>Net interest income (NII)</b>	<b>3,06,874</b>	<b>2,88,199</b>	<b>6.5</b>	<b>3,11,839</b>	<b>(1.6)</b>
- Treasury income	5,140	9,590	(46.4)	4,290	19.8
Other income	86,734	92,462	(6.2)	82,076	5.7
<b>Total income</b>	<b>3,93,608</b>	<b>3,80,661</b>	<b>3.4</b>	<b>3,93,915</b>	<b>(0.1)</b>
Operating expenses	2,08,392	2,07,329	0.5	2,13,124	(2.2)
- Staff expenses	1,24,715	1,31,180	(4.9)	1,25,778	(0.8)
- Other expenses	83,677	76,149	9.9	87,346	(4.2)
<b>Operating profit</b>	<b>1,85,216</b>	<b>1,73,332</b>	<b>6.9</b>	<b>1,80,791</b>	<b>2.4</b>
<b>Core operating profit</b>	<b>1,80,076</b>	<b>1,63,742</b>	<b>10.0</b>	<b>1,76,501</b>	<b>2.0</b>
Total provisions	69,740	1,03,424	(32.6)	1,888	3,594.8
<b>Profit before tax</b>	<b>1,15,477</b>	<b>69,908</b>	<b>65.2</b>	<b>1,78,903</b>	<b>(35.5)</b>
Tax	31,158	17,946	73.6	28,454	9.5
<b>Profit after tax</b>	<b>84,319</b>	<b>51,962</b>	<b>62.3</b>	<b>1,50,450</b>	<b>(44.0)</b>
<b>Adjusted Profit</b>	<b>84,319</b>	<b>51,962</b>	<b>62.3</b>	<b>76,266</b>	<b>10.6</b>
<b>Balance Sheet (Rs bn)</b>					
Deposits	38,478	35,358	8.8	38,096	1.0
Advances	25,784	23,681	8.9	24,432	5.5
<b>Ratios (%)</b>					
RoaA	0.7	0.5	22	0.7	5
<b>NIM</b>	<b>3.1</b>	<b>3.1</b>	<b>(1)</b>	<b>3.2</b>	<b>2</b>
Yield on Advances	7.6	8.2	(59)	7.5	6
Cost of Deposits	3.8	4.3	(43)	3.8	(1)
<b>Asset Quality</b>					
Gross NPL (Rs m)	12,00,288	11,72,442	2.4	12,39,418	(3.2)
Net NPL (Rs m)	3,45,397	2,90,317	19.0	3,71,186	(6.9)
<b>Gross NPL ratio</b>	<b>4.5</b>	<b>4.8</b>	<b>(27)</b>	<b>4.9</b>	<b>(40)</b>
<b>Net NPL ratio</b>	<b>1.3</b>	<b>1.2</b>	<b>11</b>	<b>1.5</b>	<b>(18)</b>
Coverage ratio	71.2	76.8	(562)	75.0	117
<b>Business &amp; Other Ratios</b>					
Low-cost deposit mix	45.7	45.2	59	46.2	(50)
Cost-income ratio	52.9	54.5	(152)	54.1	(116)
Non int. inc / total income	22.0	24.3	(225)	20.8	120
Credit deposit ratio	67.0	67.0	3	64.1	288
CAR	13.2	14.5	(127)	13.4	(12)
Tier-I	10.9	11.7	(82)	11.0	(11)

Source: Company, PL

## Q3FY22 Concall Highlights

### Asset & Liabilities Strategy & Outlook

- Bank expects higher credit off take to continue to improve and expects credit growth for FY22 to be 9%. On deposit front, with interest rates going up, Savings account rate is not expected to change however would change Term Deposit Rates of certain maturities post assessing situation on ground.
- Focus remains on sustainable profitable growth with ROE at 15% on the back of its heritage, reach, brand and digital initiatives.
- Corporate loan growth has improved sequentially on the back of utilization of working capital lines, infra spends in state government enterprises and improved credit offtake in various core sectors. Bank has unutilized WC limits and improved from 52% in Sep'21 to 43% in Dec'21 (Rs.2000bn), unavailed Term Loan sanctions coming down by 100bps in Dec'21. Bank has witnessed much better growth in January despite surge in Covid-19 cases, expects momentum to sustain given budget booster on spends.
- International Book growth has been mainly on account of trade finance and local loans in UK, USA, Singapore & Hong Kong. Bank has also started a new line of business activity – factoring which would give decent loan & fee income growth, going forward.
- SME Book – Bank would focus on vendor financing and dealer financing and improve asset quality.
- Sharper focus on growth through YONO along with Personal Loans, KCC reviews and cross selling of subsidiary products. Pre-approved Personal Loans growth has received good response with business of Rs. 141bn in 9MFY22. Strategy would remain to lunch more retail products through YONO.

### NIMs/Opex

- NIMs expansion during the quarter was on account of absolute credit growth, short term financing and syndicated loans. With interest rate cycle going up, endeavor would be to maintain NIMs at same levels.
- Cost to Assets has moved down to 1.78%, management expects the same to go down further as Balance Sheet grows and digital adoption increases.

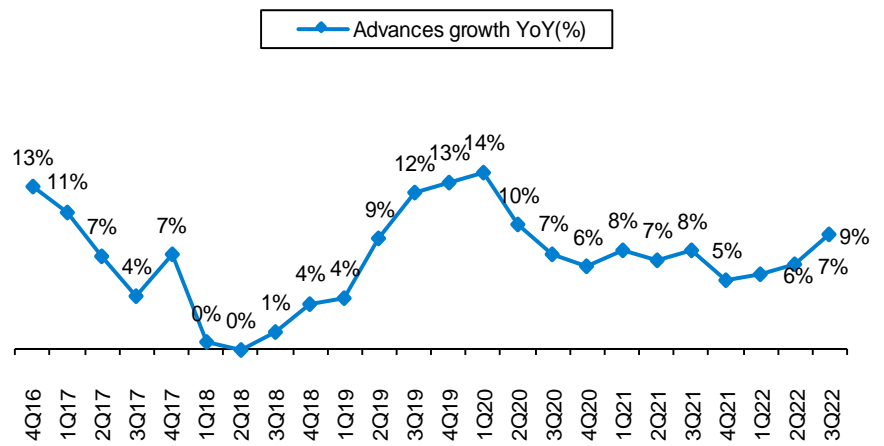
### Asset Quality

- Slippages ratio were 0.4% in Q3 as compared to 0.7% in Q2FY22 and expects the same run rate to continue with improved trends in recovery. Recovery estimated for FY22 is Rs.80bn; for 9M recovery has been Rs.56bn.
- **Restructuring** – Total Restructuring stands at Rs.328.95bn, of which Retail is Rs.155bn, MSME – Rs.122bn & Corporate – Rs.51bn.
- In respect of large retail chain account, bank has fully provided against the account.

### Others

- With regards to capital raise, management feels current CAR is comfortable and with back of profits would be able to support growth, however would look for capital raising in H2FY23.

### Exhibit 2: Loan growth has seen uptick on the back of SME & International book



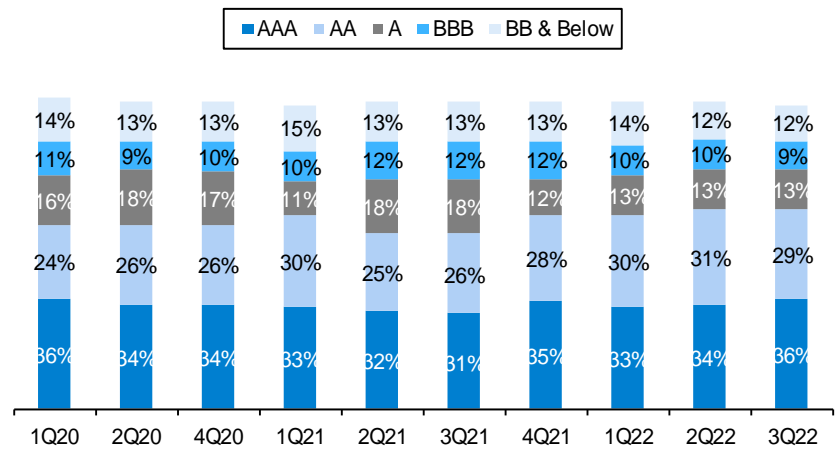
Source: Company, PL

### Exhibit 3: Retail/SME book drives growth, corporate rebounds and sharp uptick in international segment

Loan break up (Rs bn)	Q3FY22	Q3FY21	YoY gr. (%)	Q2FY22	QoQ gr. (%)
<b>Gross Advances</b>	<b>26,646</b>	<b>24,566</b>	<b>8.5</b>	<b>25,308</b>	<b>5.3</b>
Large Corporates	7,834	7,882	(0.6)	7,568	3.5
SME	3,072	2,937	4.6	2,798	9.8
Agri	2,215	2,137	3.7	2,150	3.0
International	4,004	3,299	21.3	3,747	6.8
Retail	9,522	8,311	14.6	9,045	5.3
Home	5,385	4,845	11.2	5,187	3.8
Auto	774	759	2.0	746	3.8
Other Retail	3,363	2,707	24.2	3,111	8.1

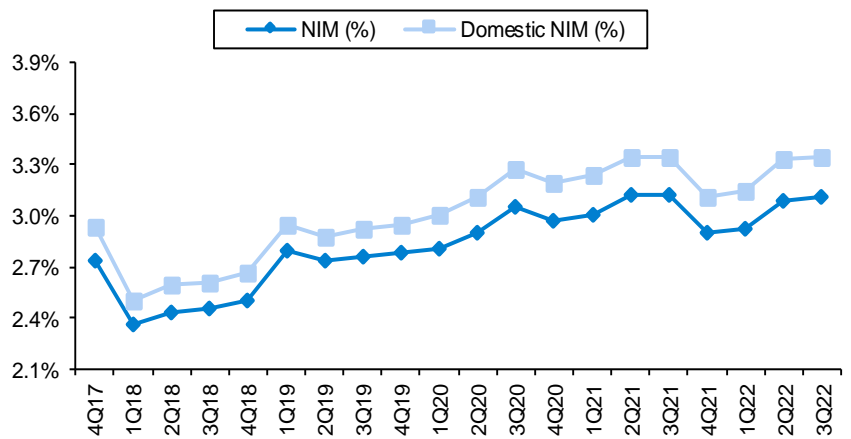
Source: Company, PL

**Exhibit 4: Corporate rating incrementally has moved towards AA & above**



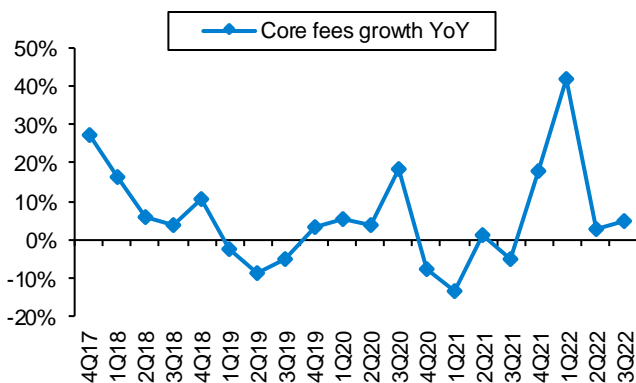
Source: PL, Company

**Exhibit 5: NIMs remains steady as funding cost being bottomed out**



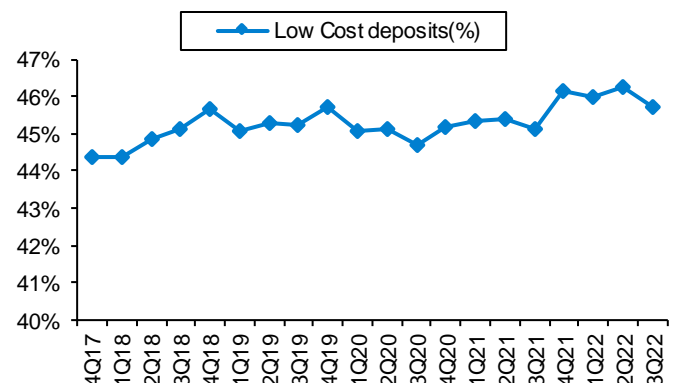
Source: Company, PL

**Exhibit 6: Core fees increases on lower base**



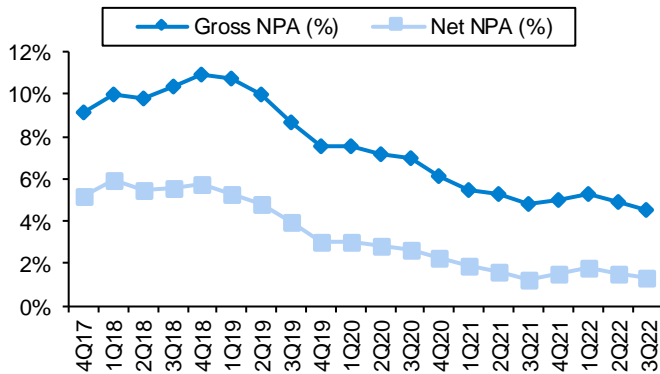
Source: Company, PL

**Exhibit 7: CASA ratio steady at near to 46%**



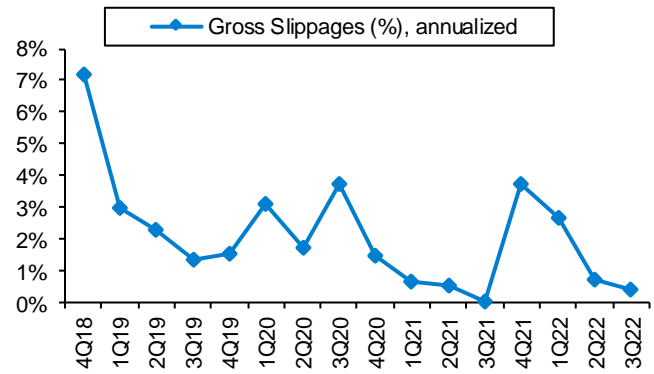
Source: Company, PL

**Exhibit 8: Headline asset quality constantly improving**



Source: Company, PL **Note – GNPA/NNPA on reported basis**

**Exhibit 9: As slippages come off**



Source: Company, PL **Note – Slippages as reported basis**

**Exhibit 10: Slippages came in quite low; while overall stress book is quite manageable at sub <3%**

(Rs mn)	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22
Additions	1,08,880	65,410	79,610	1,69,950	91,260	2,00,980	82,910	39,100	30,850	2,870	220,500	162,980	42,920	25,790
Slippages (%) - annualized	2.32%	1.34%	1.56%	3.11%	1.71%	3.75%	1.51%	0.67%	0.54%	0.05%	3.72%	2.66%	0.71%	0.42%
Pro-forma Slippages									13,563	23,100	54,730	-	-	-
Upgradation + Recovery	43,270	66,170	57,120	57,690	39,310	1,35,530	25,280	36,080	40,380	56,570	43,290	49,690	74,070	23,060
Write offs	1,35,380	1,80,240	1,72,640	1,54,820	1,20,530	85,200	1,63,320	1,97,330	28,450	32,490	85,760	34,590	72,020	41,870
<b>Gross NPAs</b>	<b>20,58,620</b>	<b>18,77,620</b>	<b>17,27,470</b>	<b>16,84,910</b>	<b>16,58,890</b>	<b>17,07,720</b>	<b>16,21,780</b>	<b>12,96,580</b>	<b>12,58,600</b>	<b>11,72,410</b>	<b>12,63,890</b>	<b>13,42,595</b>	<b>12,39,418</b>	<b>12,00,288</b>
<b>Gross NPA Ratio</b>	<b>9.95%</b>	<b>8.71%</b>	<b>7.53%</b>	<b>7.53%</b>	<b>7.19%</b>	<b>6.94%</b>	<b>6.15%</b>	<b>5.44%</b>	<b>5.28%</b>	<b>4.77%</b>	<b>4.98%</b>	<b>5.32%</b>	<b>4.90%</b>	<b>4.50%</b>
<b>Net NPAs</b>	<b>9,48,100</b>	<b>8,09,435</b>	<b>6,58,947</b>	<b>6,56,239</b>	<b>5,99,392</b>	<b>5,22,486</b>	<b>5,18,713</b>	<b>4,27,036</b>	<b>3,64,507</b>	<b>2,90,317</b>	<b>368,097</b>	<b>4,31,525</b>	<b>3,71,186</b>	<b>3,45,397</b>
<b>Net NPA Ratio</b>	<b>4.84%</b>	<b>3.95%</b>	<b>3.01%</b>	<b>3.07%</b>	<b>2.79%</b>	<b>2.65%</b>	<b>2.23%</b>	<b>1.86%</b>	<b>1.59%</b>	<b>1.23%</b>	<b>1.50%</b>	<b>1.77%</b>	<b>1.52%</b>	<b>1.34%</b>
Provision Coverage Ratio	53.9%	56.9%	61.9%	61.1%	62.9%	67.3%	65.2%	67.1%	71.0%	76.8%	70.9%	67.9%	70.1%	71.2%
<b>SMA 1 &amp; SMA 2</b>	<b>12,320</b>	<b>1,70,590</b>	<b>77,620</b>	<b>1,02,890</b>	<b>1,83,130</b>	<b>81,010</b>	<b>72,660</b>	<b>17,500</b>	<b>1,19,860</b>	<b>1,79,460</b>	<b>115,190</b>	<b>113,030</b>	<b>66,900</b>	<b>41,670</b>
% of loans	0.07%	0.91%	0.39%	0.53%	0.95%	0.41%	0.35%	0.09%	0.58%	0.84%	0.53%	0.52%	0.31%	0.18%
<b>Restructuring/Resolution</b>														
Standard				1,91,420	1,68,220	87,110				1,81,250	178,520	207,620	303,120	3,28,950
% of Loans				0.99%	0.87%	0.44%				0.88%	0.80%	1.00%	1.24%	1.28%
<b>Net Stressed assets (% of loans)</b>	<b>4.91%</b>	<b>4.79%</b>	<b>3.37%</b>	<b>3.56%</b>	<b>3.65%</b>	<b>2.74%</b>	<b>2.54%</b>	<b>1.93%</b>	<b>2.17%</b>	<b>2.95%</b>	<b>2.83%</b>	<b>3.29%</b>	<b>3.03%</b>	<b>2.78%</b>

Source: Company, PL

**Exhibit 11: Return ratios remain on track for improvement for 15% ROE**

RoA decomposition (%)	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Net Interest Income/Assets	2.8%	2.4%	2.7%	2.8%	2.9%	2.8%	3.0%	3.0%
Fees/Assets	1.1%	1.0%	1.1%	1.0%	1.0%	0.8%	0.8%	0.8%
Investment profits/Assets	0.5%	0.4%	0.0%	0.2%	0.2%	0.1%	0.1%	0.1%
<b>Net revenues/Assets</b>	<b>4.5%</b>	<b>3.8%</b>	<b>3.8%</b>	<b>4.1%</b>	<b>4.0%</b>	<b>3.8%</b>	<b>3.9%</b>	<b>3.9%</b>
Operating Expense/Assets	-2.2%	-1.9%	-2.1%	-2.1%	-2.1%	-2.0%	-2.0%	-2.1%
Provisions/Assets	-2.3%	-2.4%	-1.6%	-1.2%	-1.1%	-0.6%	-0.6%	-0.6%
Taxes/Assets	0.0%	0.3%	0.0%	-0.3%	-0.2%	-0.3%	-0.3%	-0.3%
<b>Total Costs/Assets</b>	<b>-4.5%</b>	<b>-4.0%</b>	<b>-3.8%</b>	<b>-3.7%</b>	<b>-3.4%</b>	<b>-2.9%</b>	<b>-2.9%</b>	<b>-2.9%</b>
<b>ROA</b>	<b>-0.1%</b>	<b>-0.2%</b>	<b>0.0%</b>	<b>0.4%</b>	<b>0.5%</b>	<b>0.9%</b>	<b>0.9%</b>	<b>0.9%</b>
Equity/Assets	6.7%	6.9%	6.7%	6.5%	6.3%	6.3%	6.6%	6.7%
<b>ROE</b>	<b>-1.1%</b>	<b>-3.5%</b>	<b>0.4%</b>	<b>7.2%</b>	<b>9.3%</b>	<b>15.5%</b>	<b>15.3%</b>	<b>14.8%</b>

Source: Company Data, PL Research

**Exhibit 12: We slightly tweak estimates and lower credit cost**

Earnings Estimates (Rs mn)	Earlier Estimates			Revised Estimates			% Change		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Net interest income	12,26,838	13,63,257	15,14,892	12,20,355	13,87,787	15,48,254	(0.5)	1.8	2.2
Operating profit	7,85,397	8,56,084	9,38,090	7,60,014	8,62,170	9,48,081	(3.2)	0.7	1.1
Net profit	2,99,386	3,69,063	4,26,549	3,84,685	4,34,085	4,78,993	28.5	17.6	12.3
Loan Growth (%)	7.0	8.5	11.0	7.0	8.5	11.0	-	-	-
Credit Cost (bps)	135	120	110	70	80	80	(65.0)	(40.0)	(30.0)
EPS (Rs)	33.5	41.4	47.8	43.1	48.6	53.7	28.5	17.6	12.3
ABVPS (Rs)	238	275	318	248	292	340	4.3	6.2	6.9
<b>Price target (Rs)</b>		<b>540</b>			<b>610</b>			<b>12.8</b>	
<b>Recommendation</b>		<b>BUY</b>			<b>BUY</b>				

Source: Company, PL

**Exhibit 13: We revise our SOTP up at Rs610 (from Rs540) based on 1.2x Sep-23 ABV & Rs221 (from Rs171) for Subs**

PT calculation and upside	
Terminal growth	5.0%
Market risk premium	7.0%
Risk-free rate	6.3%
Adjusted beta	1.07
<b>Cost of equity</b>	<b>13.7%</b>
Fair price - P/ABV	389
Value of subs/associates	221
<b>Fair value of consol. entity</b>	<b>610</b>
<b>P/ABV – Standalone bank</b>	<b>1.2</b>
<b>P/E - Standalone bank</b>	<b>7.6</b>
Current price, Rs	530
<b>Upside (%)</b>	<b>16%</b>

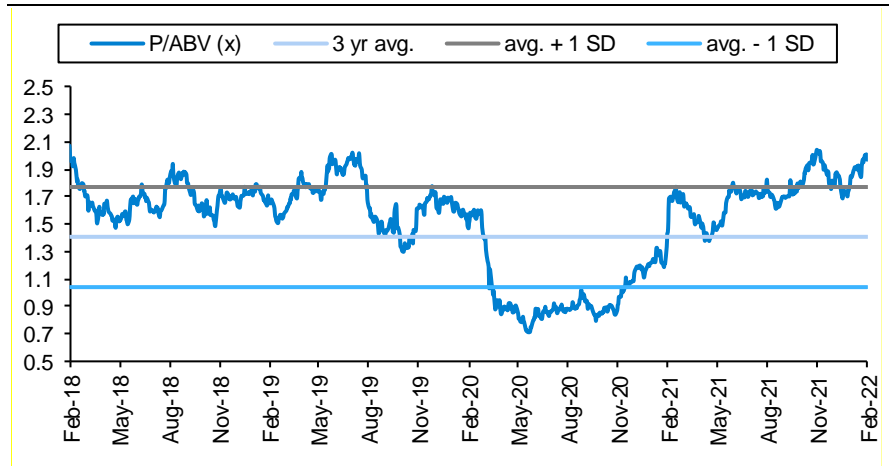
Source: Company, PL

**Exhibit 14: SBIN's SOTP valuation table**

SOTP valuation, Sep-23	Stake (%)	Revised PT	Method
Standalone		<b>389</b>	1.2x Sep-23 P/ABV
SBI Life Insurance	56%	70	2.6x EV & 20x New Biz multiple
Asset management	63%	20	5% of AUMs
Cards	69%	76	P/E model
Others	100%	55	P/E model
<b>Total</b>		<b>610</b>	

Source: Company, PL

Exhibit 15: SBIN - One year forward P/ABV trends



Source: Company, PL



**Income Statement (Rs. m)**

Y/e Mar	FY21	FY22E	FY23E	FY24E
Int. Earned from Adv.	1,714,291	1,741,703	2,008,280	2,250,113
Int. Earned from invt.	798,081	843,293	1,028,861	1,209,566
Others	95,959	121,225	102,620	89,546
<b>Total Interest Income</b>	<b>2,651,506</b>	<b>2,762,676</b>	<b>3,185,952</b>	<b>3,587,525</b>
Interest Expenses	1,544,406	1,542,321	1,798,165	2,039,271
<b>Net Interest Income</b>	<b>1,107,100</b>	<b>1,220,355</b>	<b>1,387,787</b>	<b>1,548,254</b>
<i>Growth(%)</i>	7.6	4.8	12.3	11.2
Non Interest Income	434,964	395,817	427,482	470,231
<b>Net Total Income</b>	<b>1,542,064</b>	<b>1,616,172</b>	<b>1,815,270</b>	<b>2,018,485</b>
<i>Growth(%)</i>	2.0	2.3	14.4	12.3
Employee Expenses	509,360	514,454	576,188	651,092
Other Expenses	283,987	307,700	341,547	382,532
Operating Expenses	826,522	856,158	953,100	1,070,404
<b>Operating Profit</b>	<b>715,542</b>	<b>760,014</b>	<b>862,170</b>	<b>948,081</b>
<i>Growth(%)</i>	5.0	6.2	13.4	10.0
NPA Provision	272,700	177,466	218,588	240,012
Total Provisions	440,130	245,935	282,075	307,973
<b>PBT</b>	<b>275,411</b>	<b>514,079</b>	<b>580,095</b>	<b>640,108</b>
Tax Provision	71,307	129,394	146,010	161,115
<i>Effective tax rate (%)</i>	25.9	25.2	25.2	25.2
<b>PAT</b>	<b>204,105</b>	<b>384,685</b>	<b>434,085</b>	<b>478,993</b>
<i>Growth(%)</i>	40.9	88.5	12.8	10.3

**Balance Sheet (Rs. m)**

Y/e Mar	FY21	FY22E	FY23E	FY24E
Face value	1	1	1	1
No. of equity shares	8,925	8,925	8,925	8,925
Equity	8,925	8,925	8,925	8,925
Networth	2,538,752	2,887,739	3,268,276	3,693,721
<i>Growth(%)</i>	9.4	13.7	13.2	13.0
Adj. Networth to NNPA's	368,097	324,193	320,019	328,019
Deposits	36,812,771	39,941,856	44,335,461	49,655,716
<i>Growth(%)</i>	13.6	8.5	11.0	12.0
CASA Deposits	16,712,813	17,893,952	20,039,628	22,444,384
<i>% of total deposits</i>	45.4	44.8	45.2	45.2
<b>Total Liabilities</b>	<b>45,344,296</b>	<b>48,828,183</b>	<b>53,958,156</b>	<b>60,126,329</b>
Net Advances	24,494,978	26,209,626	28,437,445	31,565,564
<i>Growth(%)</i>	5.3	7.0	8.5	11.0
Investments	13,517,052	15,126,719	17,837,862	20,257,862
<b>Total Assets</b>	<b>45,344,296</b>	<b>48,828,183</b>	<b>53,958,156</b>	<b>60,126,329</b>
<i>Growth (%)</i>	14.8	7.7	10.5	11.4

**Asset Quality**

Y/e Mar	FY21	FY22E	FY23E	FY24E
Gross NPAs (Rs m)	1,263,890	1,151,109	1,076,103	1,059,485
Net NPAs (Rs m)	368,097	324,193	320,019	328,019
<i>Gr. NPAs to Gross Adv.(%)</i>	5.0	4.3	3.7	3.3
<i>Net NPAs to Net Adv. (%)</i>	1.5	1.2	1.1	1.0
<i>NPA Coverage %</i>	70.9	71.8	70.3	69.0

**Profitability (%)**

Y/e Mar	FY21	FY22E	FY23E	FY24E
NIM	2.9	2.8	3.0	3.0
RoAA	0.5	0.8	0.8	0.8
RoAE	8.4	14.2	14.1	13.8
Tier I	11.4	12.2	12.6	14.1
CRAR	13.7	14.3	14.5	16.1

*Source: Company Data, PL Research*
**Quarterly Financials (Rs. m)**

Y/e Mar	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Interest Income	667,345	651,016	655,644	694,815
Interest Expenses	379,146	380,346	379,260	382,976
<b>Net Interest Income</b>	<b>288,199</b>	<b>270,670</b>	<b>276,384</b>	<b>311,839</b>
<i>YoY growth (%)</i>	3.7	18.9	3.7	10.7
CEB	53,490	84,550	54,030	53,910
Treasury	-	-	-	-
Non Interest Income	92,462	162,253	118,027	82,076
<b>Total Income</b>	<b>759,807</b>	<b>813,270</b>	<b>773,672</b>	<b>776,891</b>
Employee Expenses	131,180	133,828	125,383	125,778
Other expenses	76,149	102,094	79,281	87,346
Operating Expenses	207,329	235,922	204,664	213,124
<b>Operating Profit</b>	<b>173,332</b>	<b>197,002</b>	<b>189,748</b>	<b>180,791</b>
<i>YoY growth (%)</i>	(4.9)	6.7	5.1	9.8
Core Operating Profits	-	-	-	-
NPA Provision	22,900	99,142	50,298	26,993
Others Provisions	103,424	110,510	100,520	1,888
Total Provisions	103,424	110,510	100,520	1,888
<b>Profit Before Tax</b>	<b>69,908</b>	<b>86,491</b>	<b>89,229</b>	<b>178,903</b>
Tax	17,946	21,984	24,189	28,454
<b>PAT</b>	<b>51,962</b>	<b>64,507</b>	<b>65,040</b>	<b>150,450</b>
<i>YoY growth (%)</i>	(6.9)	80.1	55.3	228.9
<b>Deposits</b>	<b>35,357,534</b>	<b>36,812,771</b>	<b>37,209,870</b>	<b>38,096,299</b>
<i>YoY growth (%)</i>	13.6	13.6	8.8	9.8
<b>Advances</b>	<b>23,681,391</b>	<b>24,494,978</b>	<b>24,319,081</b>	<b>24,431,942</b>
<i>YoY growth (%)</i>	7.6	5.3	5.8	6.5

**Key Ratios**

Y/e Mar	FY21	FY22E	FY23E	FY24E
CMP (Rs)	530	530	530	530
EPS (Rs)	22.9	43.1	48.6	53.7
Book Value (Rs)	258	297	340	387
Adj. BV (70%)(Rs)	209	251	294	341
P/E (x)	23.2	12.3	10.9	9.9
P/BV (x)	2.1	1.8	1.6	1.4
P/ABV (x)	2.5	2.1	1.8	1.6
DPS (Rs)	-	4.0	6.0	6.0
<i>Dividend Payout Ratio (%)</i>	-	9.3	12.3	11.2
<i>Dividend Yield (%)</i>	-	0.8	1.1	1.1

**Efficiency**

Y/e Mar	FY21	FY22E	FY23E	FY24E
<i>Cost-Income Ratio (%)</i>	53.6	53.0	52.5	53.0
<i>C-D Ratio (%)</i>	66.5	65.6	64.1	63.6
Business per Emp. (Rs m)	250	267	290	321
Profit per Emp. (Rs lacs)	8	16	17	19
Business per Branch (Rs m)	2,731	2,964	3,246	3,607
Profit per Branch (Rs m)	9	17	19	21

**Du-Pont**

Y/e Mar	FY21	FY22E	FY23E	FY24E
NII	2.85	2.84	2.95	2.97
Total Income	3.97	3.76	3.86	3.87
Operating Expenses	2.13	1.99	2.03	2.05
PPoP	1.84	1.77	1.83	1.82
Total provisions	1.13	0.57	0.60	0.59
RoAA	0.53	0.89	0.92	0.92
RoAE	9.31	15.53	15.27	14.76

*Source: Company Data, PL Research*

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	12-Jan-22	BUY	540	506
2	6-Oct-21	BUY	540	457
3	5-Aug-21	BUY	530	457
4	6-Jul-21	BUY	480	430
5	22-May-21	BUY	480	401
6	6-Apr-21	BUY	445	354

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Axis Bank	Accumulate	860	743
2	Bank of Baroda	BUY	105	92
3	Federal Bank	Accumulate	97	96
4	HDFC Bank	BUY	1,870	1,545
5	ICICI Bank	BUY	906	805
6	IDFC First Bank	Reduce	42	49
7	IndusInd Bank	BUY	1,297	904
8	Kotak Mahindra Bank	Accumulate	1,978	1,898
9	Punjab National Bank	BUY	40	50
10	South Indian Bank	Hold	9	11
11	State Bank of India	BUY	540	506

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

## ANALYST CERTIFICATION

### (Indian Clients)

We/I, Ms. Palak Shah- CA, B.Com Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

### (US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

## DISCLAIMER

### Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at [www.plindia.com](http://www.plindia.com).

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is in the process of applying for certificate of registration as Research Analyst under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Ms. Palak Shah- CA, B.Com Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts 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.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates 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 are 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.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

### US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

**Prabhudas Lilladher Pvt. Ltd.**

**3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209**

[www.plindia.com](http://www.plindia.com)