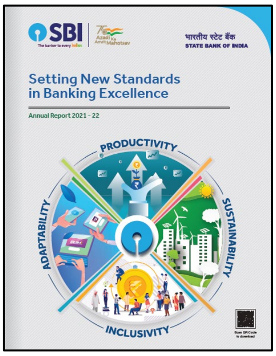
State Bank of India

BSE SENSEX	S&P CNX
52,847	15,774



CMP: INR446 **TP: INR600 (+35%)** **Buy**

Well poised to sustain the growth momentum

Digital penetration improving; remains watchful of rising rate environment

- **State Bank of India (SBIN)'s Annual Report highlights the strong progress that the bank is making in fortifying its balance sheet and restoring RoEs back to the long-term average of 15%. The focus remains on building a superior loan book, while maintaining strong underwriting as evident in its lower stressed assets and high PCR.**
- **Corporate segment reported ~5x YoY jump in PBT to INR270b, underscoring the structural improvement in corporate business. The segment thus contributed ~51% of total profits in FY22 v/s 17% in FY21. Retail PBT grew 33% YoY in FY22 v/s 48% YoY decline in FY21, adversely affected by pandemic-induced provisions.**
- **On the digital front, YONO continued to set new records with ~112m downloads and ~48m registered users, along with average daily logins of ~16.6m as of FY22. SBIN sanctioned 1.14m digital loans worth INR211b in FY22 and overall, 36% of its retail asset accounts and 63% of SA accounts were opened through YONO in FY22.**
- **SBIN reported further improvement in asset quality with PCR improving to 75% (85% on the corporate book) in FY22. Controlled restructuring (1.1%), low SMA pool (13bp) and 100% coverage on SR portfolio provide comfort and would drive a sustained reduction in credit cost. We reiterate BUY with a TP of INR600.**

Loan growth gaining traction; utilization levels improving

SBIN has demonstrated a sharp recovery in loan growth at ~12% during 2HFY22, offsetting the softness in 1HFY22. Utilization levels improved ~860bp to 31% in the wholesale book while retail growth remained steady at ~15% YoY. Within Retail Loans – Home Loans / Xpress Credit grew ~11% / 29% YoY, respectively. The total size of Xpress Credit thus increased to ~INR2.5t with the segment having best-in-class GNPL ratio of 0.6%. We estimate loan growth to sustain at 12% CAGR over FY22-24 driven by steady trends in retail and further recovery in corporate loans.

Deposit share steady; high mix of floating loans to support NII growth

SBIN's deposits grew 10% YoY to INR40.5t in FY22 and remained an unbeatable deposit machine with a deposit market share of 24.6%. SBIN has a high mix of MCLR/Floating Rate/EBLR loans (75% of total), which puts it in a favorable position to support margins in a rising rate environment. This coupled with a gradual increase in CD ratio will support 12% CAGR in NII growth over FY22-24E.

Treasury book relatively insulated in a rising rate environment

SBIN is well positioned to withstand MTM losses on its treasury portfolio as the rate environment continues to harden. The bank booked relatively lower treasury gains in the past (Exhibit 12) as bond yields eased and it reduced the duration of its portfolio to 2.08 years as of FY22 besides transferring of securities to the HTM category that will help limit its MTM losses.

Corporate profitability jumps ~5x after achieving breakeven in FY21

Corporate segment reported a strong uptick in PBT, which grew ~5x YoY to INR270b, underscoring the structural improvement in corporate business. The segment thus contributed ~51% of total profits in FY22 v/s 17% in FY21. Treasury performance, however, was under pressure as SBIN reported a decline of 12% YoY in PBT led by hardening of bond yields. Retail PBT grew 33% YoY and contributed ~24% to the total profits mainly supported by lower provisions.

Stock Info

Bloomberg	SBIN IN
Equity Shares (m)	8,925
M.Cap.(INRb)/(USDb)	3979.5 / 51
52-Week Range (INR)	549 / 400
1, 6, 12 Rel. Per (%)	0/1/3
12M Avg Val (INR M)	10578
Free float (%)	43.1

Financials Snapshot (INR b)

Y/E March	FY22	FY23E	FY24E
NII	1,207	1,354	1,526
OP	753	861	1,010
NP	317	424	522
NIM (%)	2.9	3.0	3.0
EPS (INR)	35.5	47.5	58.4
EPS Gr. (%)	55.2	33.8	23.1
ABV (INR)	256	298	351
Cons. BV (INR)	328	378	441
Ratios			
RoE (%)	13.0	15.5	16.7
RoA (%)	0.7	0.8	0.9
Valuations			
P/BV (x) (Cons.)	1.4	1.2	1.0
P/ABV (x)	1.0	0.8	0.7
P/E (x)	7.1	5.3	4.3

*Price adjusted for value of subs

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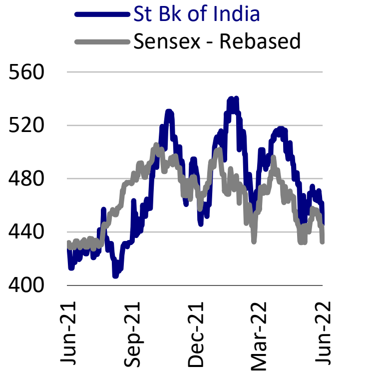
Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	56.9	56.9	56.9
DII	24.5	24.0	24.3
FII	11.0	11.4	11.1
Others	7.5	7.7	7.7

FII Includes depository receipts

Stock Performance (1-year)



Mix of Doubtful/Loss NPLs rises to ~50%; SR book fully provided

The mix of Loss and D-3 assets combined increased to 49% in FY22 (v/s average of ~13% over FY16-19). This signifies the diminishing requirement of aging provisions and higher recovery prospects from fully provided / written-off accounts. SBIN now has 85% coverage on its corporate portfolio, while its overall PCR of 75% stands robust. Further, the SR book stood at INR78.6b in FY22, which was 100% provided.

Building strong digital capability; YONO emerging as a key growth driver

SBIN has established leaderships across Debit Card spends, POS terminals, ATMs, and mobile banking transactions (both in volume and value terms). Management also recently appointed Mr. Nitin Chugh as the Deputy MD and Head of Digital Banking to spearhead the digital initiatives. YONO has witnessed ~112m downloads and has ~48m registered users with average daily logins of ~16.6m. SBIN sanctioned 1.14m digital loans worth INR211b and overall, 36% of its retail asset accounts were opened through YONO in FY22. On the liability side, ~9.9m savings accounts were opened in FY22 with 63% being opened through YONO. The bank also introduced two new End-to-End Digital Loan Journeys: a) pre-approved 2W loan, and b) pre-approved business loan, with loans worth INR219b being extended digitally in FY22.

Requirement of pension/gratuity provisioning easing

SBIN made employee and retirement-related provisions of INR141b in FY22 in addition to the one-time pension cost of ~INR74b that kept the overall staff expenses higher. However, excluding pension/gratuity provisions, staff expenses posted a modest 7% CAGR over FY17-22. With continued control in headcount (staff count of ~244k in FY22 v/s 280k in FY17), we expect staff overhead expenses to remain in check. We thus estimate Cost/Income and Cost/Assets ratios to moderate to 49.5% and 1.6% by FY24E, respectively.

Benign slippage trajectory to drive further reduction in Net NPAs

SBIN's continued focus on improving underwriting has manifested in controlled slippages (1%) and negligible SMA book (13bp). NNPA ratio thus dropped to 1% in FY22 while PCR increased to 75% (85% on corporate book). Higher provisions on stressed accounts (100% on SREI and Future Group) placed SBIN well while high AUCA book at INR1.73t with recoveries in the 4–11% range will aid recoveries and limit the overall provisioning requirement. We thus estimate GNPA/NNPA to moderate to 2.9%/0.6% by FY24E, respectively.

The strong FY22 momentum to continue | Top conviction BUY in the space

SBIN has delivered a strong FY22 propelled by steady business / revenue growth and controlled provisions. Management expects the momentum to remain healthy as utilization levels improve, while Retail growth is likely to remain steady. A higher mix of floating loans and CASA mix will support margin in a rising interest rate environment. Asset quality performance has been strong and the outlook remains healthy as restructured book remains in control at 1.1%, while the SMA pool has declined further to 13bp of loans. We conservatively estimate credit cost to moderate to 0.9%, enabling 28% earnings CAGR over FY22-24. We thus expect SBIN to deliver an RoA/RoE of 0.9%/16.7% in FY24, respectively. **SBIN remains our top BUY in the sector with a TP of INR600 (premised on 1.2x FY24E ABV + INR195 from subsidiaries).**

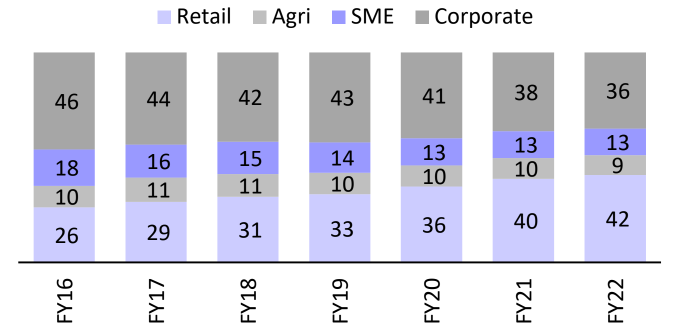
Focus remains on superior underwriting; loan growth outlook strong

~35% market share in Home Loans; Xpress credit – a key growth driver

- SBIN's focus has now shifted to growth momentum with an aim to build a granular and high-quality portfolio led by superior underwriting. As a result, its net advances grew 11.6% YoY in FY22 (v/s 7% CAGR over FY17-21) while the Retail business rose strongly at 15.1% YoY. The Retail segment thus remained the key growth driver and constituted ~42% of the total loan book (v/s ~36% in FY20); including targeted long term repo operation (TLTRO), the loan growth stood higher in FY22.
- Within Retail Loans, Home Loans/Xpress Credit grew ~12%/29% YoY, respectively, and Gold Loans rose ~10% YoY to ~231b. **Growth in Xpress Credit had been the fastest and was primarily driven by the YONO platform; Xpress Credit amounted to ~INR2.5t.** The current penetration of Xpress Credit is at a mere 30% of its corporate salary depositor's base, thus providing significant room for growth. **Together, Home Loans and Xpress Credit portfolios formed ~81% of the total Retail portfolio as on FY22. SBIN is the market leader in Home Loans/Auto Loans, with market shares of ~35%/~24%as on FY22.**
- On the wholesale front, SBIN is witnessing healthy pick-up in corporate loan growth led by improved demand and utilization levels even as focus remains on a high-quality-rated portfolio. **About 80% of the Corporate Loans are rated A and above.**
- **About 46% of corporate loans as on FY22 were towards PSUs or Govt. undertakings while the majority of unsecured retail credit was offered to the Govt. / PSU employees.** There has been a significant improvement in granularity and profile of borrowers, which will allow SBIN to deliver credit cost well below its long-term average.

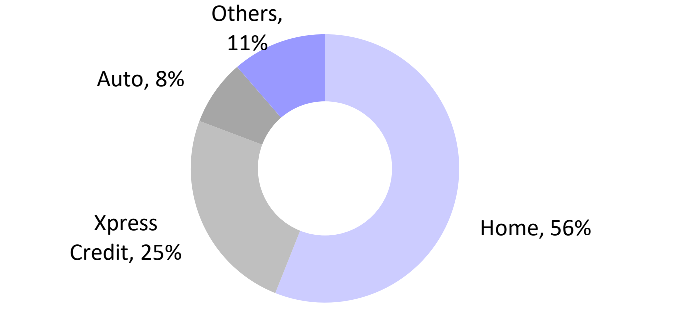
About 46% of corporate loans were towards PSUs or govt. undertakings

Exhibit 1: Loan mix (%) – Mix of Retail inching up and stood at 42% as of FY22



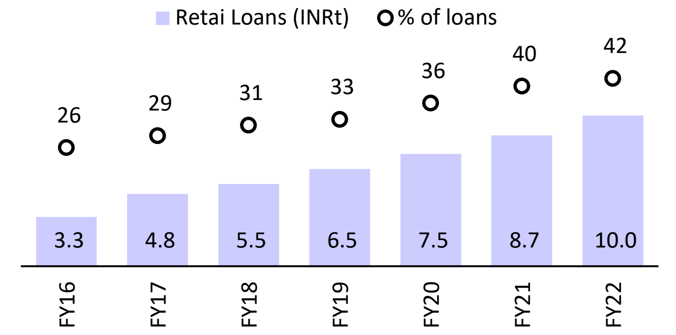
Source: MOFSL, Company

Exhibit 2: Retail Loans geared towards Housing Loans and Xpress Credit (FY22)



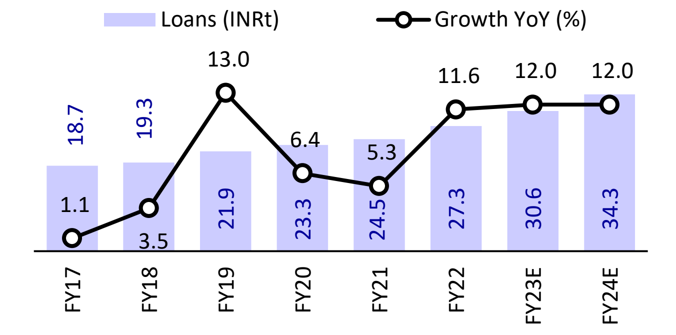
Source: MOFSL, Company

Exhibit 3: Retail loans posed 16% CAGR over FY16–22



Source: MOFSL, Company

Exhibit 4: Expect loans to clock 12% CAGR over FY22-24



Source: MOFSL, Company

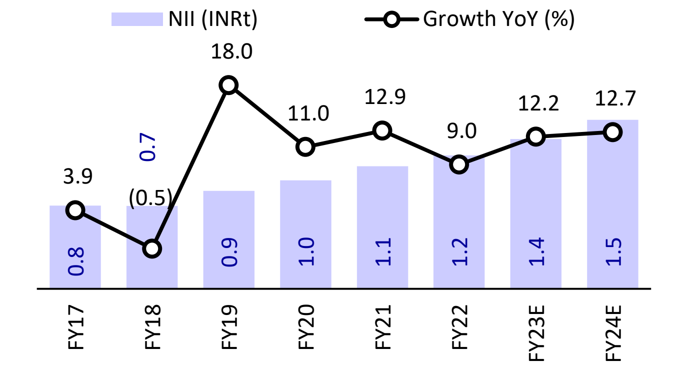
NII growth to recover on the back of improvement in loan growth

Robust funding profile and high mix of floating rate loans to support NIMs

Total mix of MCLR/Floating Rate/EBLR loans stood at ~75% of total advances that along with healthy CASA of ~45% is likely to support margins

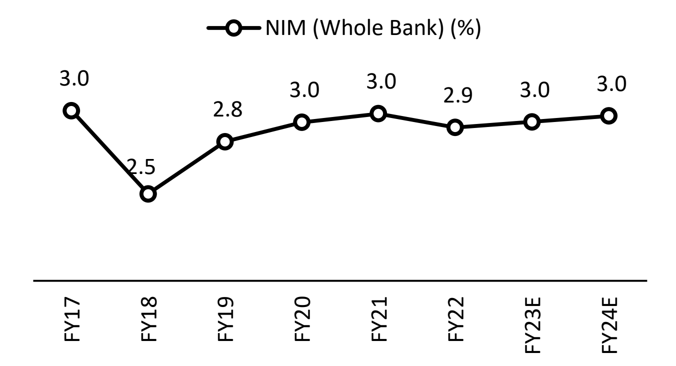
- SBIN has been steadily growing its deposit base that rose 10% YoY to INR40.5t in FY22. Despite higher rates being offered by competition, management does not foresee any challenges in garnering deposits, even at such a large base. The bank remained one of the leading liability franchises among large players, with a deposit market share of 24.6% in FY22. We expect deposits to report a healthy 10% CAGR over FY22-24, with a focus on garnering Retail deposits (CASA mix stood healthy at 45.3% as of FY22).
- As we are in a rising interest rate cycle, while some benefits will be passed on to the depositors, the bulk of the benefits will be enjoyed by the bank. This coupled with a high mix of MCLR/Floating Rate/EBLR loans (75% of total) puts SBIN in a better position to support margins. CD ratio for the bank too is likely to inch up to ~70% by FY24E, which along with the abovementioned factors will support the NII growth. NII is expected to clock 12% CAGR over FY22-24.

Exhibit 5: We expect NII to post 12% CAGR over FY22-24



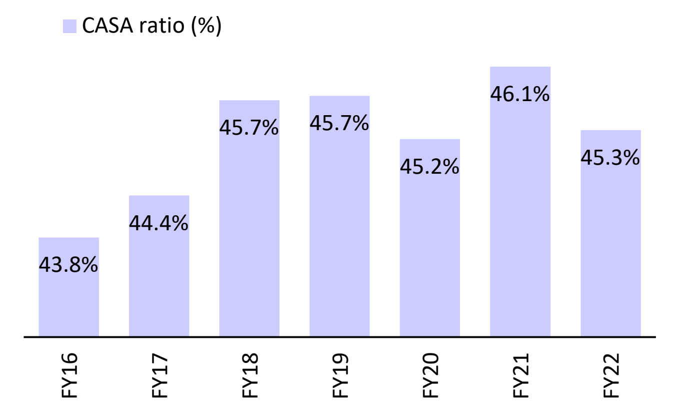
Source: MOFSL, Company

Exhibit 6: Margin to witness a slight pick-up in the near term



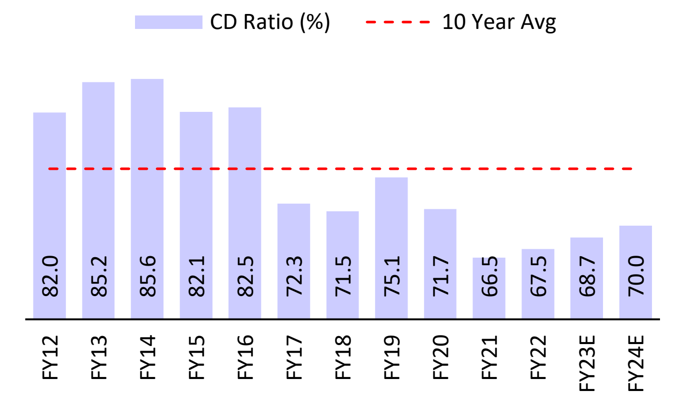
Source: MOFSL, Company

Exhibit 7: CASA ratio stood healthy at 45.3%



Source: MOFSL, Company

Exhibit 8: CD ratio is expected to pick up to ~70% by FY24



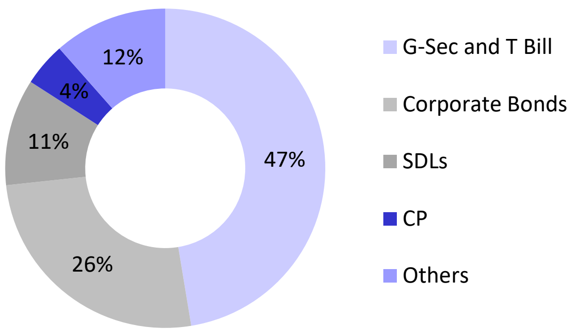
Source: MOFSL, Company

Treasury book relatively insulated in a rising rate environment

Well positioned to withstand MTM losses

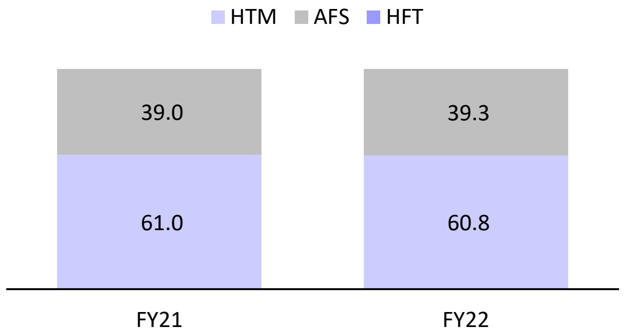
- SBIN is well positioned to withstand MTM losses on its treasury portfolio as the rate environment continues to harden. The bank booked relatively lower treasury gains in the past (Exhibit 12) as bond yields eased and it reduced the duration of its portfolio to 2.08 years as of FY22 besides transferring of securities to the HTM category that will help limit its MTM losses.
- A conservative stance adopted by the management in the past with respect to booking treasury gains ensured that the bank is better placed than peers in a rising rate environment.
- The bank's fixed income portfolio was dominated by G-Sec, T-Bills, and Corporate Bonds with ~73% of its investments being locked in these securities.

Exhibit 9: ~73% of SBIN's investments was in G-Sec, T-Bills, and Corporate Bonds



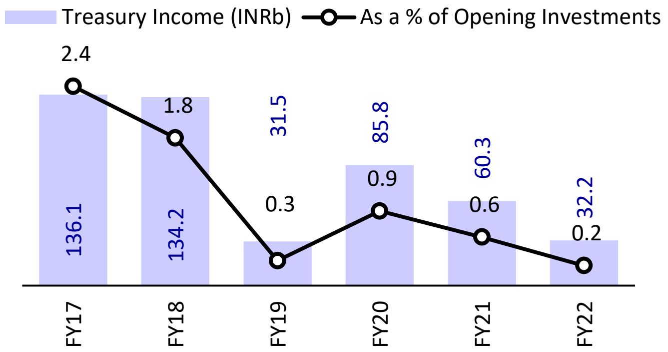
Source: Company, MOFSL

Exhibit 10: Breakdown of domestic investments – HTM and AFS' share relatively steady



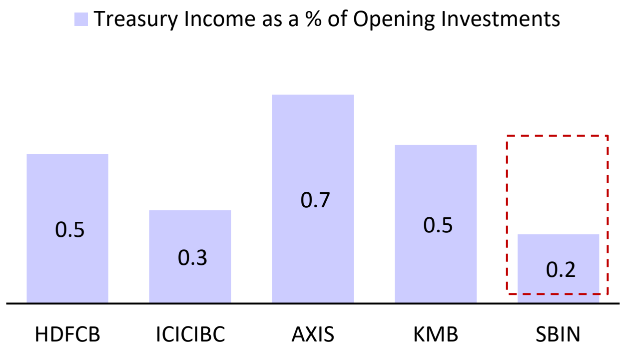
Source: Company, MOFSL

Exhibit 11: SBIN adopted a conservative approach in recognizing income



Source: MOFSL, Company

Exhibit 12: Treasury income across major banks – SBIN booked relatively lower income in FY22



Source: MOFSL, Company

Building strong digital capability; YONO to enable sustainable growth

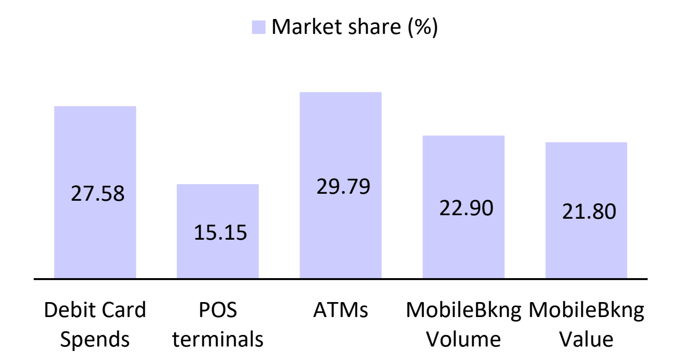
YONO rapidly gaining scale; constant launches to support further growth

- The YONO app – SBIN's flagship digital offering – is helping accelerate the bank's digital focus across all areas of operations. The management sees immense potential in the app and is shifting higher resources and bandwidth to improve it.
- The primary objective of YONO is to create momentum in customer acquisition at a low cost and facilitate cross-sell opportunities to existing customers.
- YONO offers a one-stop shop for Financial Services and a gamut of investment, Insurance, and shopping solutions. It rolled out YONO Krishi for the Agriculture segment. The bank has also unveiled a similar offering for its Corporate customers with the aim to offer seamless services, while catering to their varied needs.
- The YONO application continued to set new records, with ~112m downloads and ~48m registered users, along with average daily logins of ~16.6m as on FY22.
- SBIN sanctioned 1.14m digital loans worth INR211b in FY22. Overall, 36% of retail assets accounts were opened through YONO in FY22. About 96% of transactions were through alternate channels.
- About 96% of eligible savings accounts were opened through YONO. Around 9.9m savings accounts were opened in FY22 with 63% being opened through YONO. Further, E-KYC was introduced through which 0.64m accounts were opened until Mar'22. Further, ~INR375b worth of gold loans was sanctioned through YONO in FY22.
- Two new End-to-End Digital Loan Journeys were introduced: a) pre-approved 2W loan, and b) pre-approved business loan for PoS customers, with loans aggregating to INR219b being extended digitally in FY22.
- NPS account opening via YONO was launched in FY22 through which ~49k accounts were opened.

Digital leadership across channels

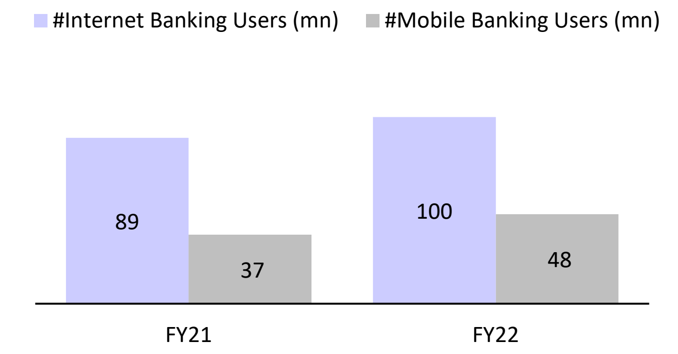
- SBIN has established leaderships across Debit Card spends, POS terminals, ATMs, and mobile banking transactions (both in volume and value terms). Given its humungous customer base and focus on continuous improvement in its digital experience, the bank will continue to maintain its pole position across most segments.

Exhibit 13: Leadership position across channels



Source: Company, MOFSL

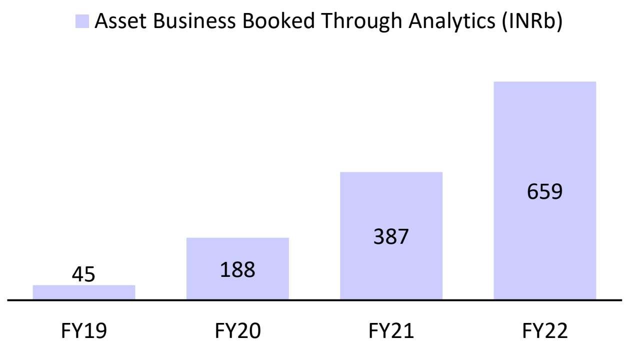
Exhibit 14: Digital adoption on an uptrend



Source: Company, MOFSL

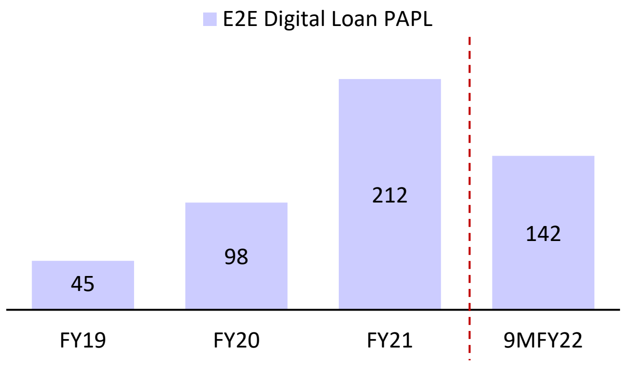
- The bank has the highest market share in remittances at 25% and handled 198m UPI users in FY22.
- ~14% of SBIN's financial transactions were routed through ATMs and automated kiosks in FY22. SBIN's ATM network accounted for ~30% of the country's total ATM. Further, the bank had a total of 48m mobile banking users as on FY22.
- Due to extensive use of analytics in the sourcing/generating business, the bank is continuously increasing the size of the book lent through these mechanisms.
- Pre-approved Personal loans (PAPL) are a focus area for the management as it allows for higher growth, with quality underwriting practices. Credit profiling too is relatively easier.
- Through YONO, SBIN has started offering pre-approved digital 2W loans.
- It aspires to increase the use of AI to identify PoS and overdraft needs of customers and generate leads for Health, Life and Motor Insurance cross-sell.

Exhibit 15: Robust growth in the analytics-led business



Source: Company, MOFSL

Exhibit 16: Focus remains on scaling up its digital PAPL



Source: Company, MOFSL

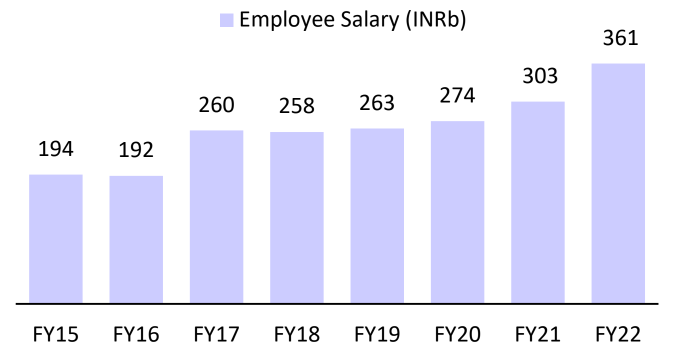
- The bank has been increasingly adopting the use of analytics to offer Digital loans and Credit Cards to customers, with appropriate credit limits, based on the borrower's behavior.
- It has also bagged several awards for analytics in the area of pre-approved Credit Cards, digital SME lending, and migration of routine branch transactions to online.
- SBIN has recently appointed Mr. Nitin Chugh as Deputy MD and Head of Digital Banking. A career banker, Mr. Chugh has spent a large part of his career as Group Head of Digital Banking at HDFC Bank. He was previously associated with Ujjivan SFB as MD and CEO. His appointment showcases the bank's focus on making further strides in its digital ambitions and cementing its leadership position.

Digitalization to help contain cost metrics and improve productivity

Requirement of pension/gratuity provisioning moderating

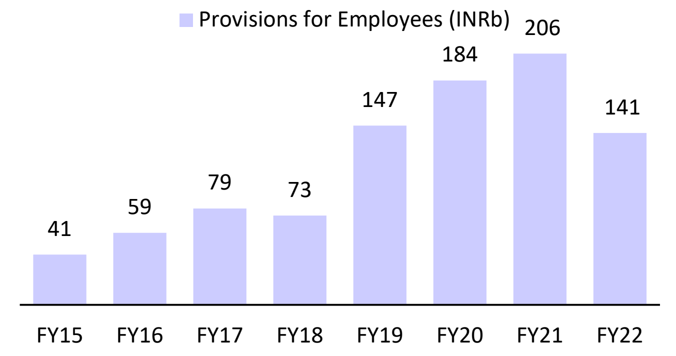
- SBIN made provisions of INR141b towards employee and retirement-related expenses in addition to the one-time pension cost of ~INR74b that kept the overall staff expenses elevated. However, excluding pension/gratuity provisions, staff expenses posted a modest 7% CAGR in FY22.
- With employee-related provisions likely to moderate and rationalization expected in the headcount (employee count down to ~244k in FY22 from 280k in FY17), we anticipate staff overhead expenses to remain in check. Further: a) the rationalization of branches, with focus on increasing the business per branch, and (b) improving productivity, owing to technological initiatives undertaken by the bank on the digital front, should help control operating expenses. We thus estimate Cost/Income and Cost/Assets ratios to moderate to 49.5% and 1.6% by FY24E, respectively.

Exhibit 17: Employee expenses (excl. pension/gratuity provisions) post ~7% CAGR over FY17–22



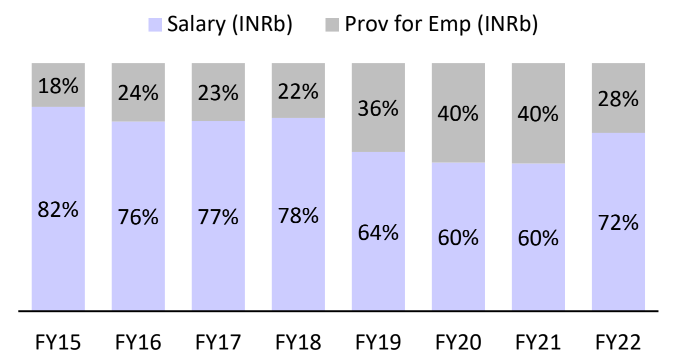
* Merged number from 1st Apr'17 Source: Company, MOFSL

Exhibit 18: Trend in provisions for employees moderated in FY22; expect the same to continue to moderate



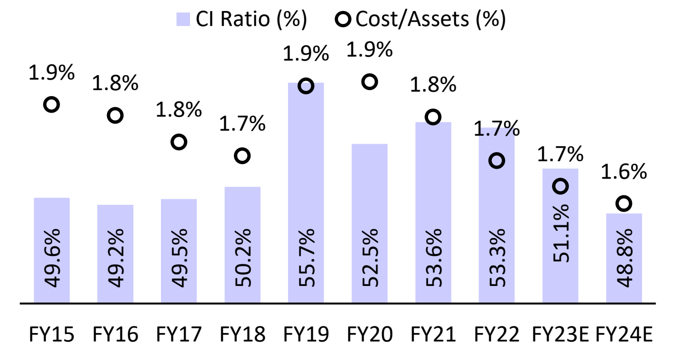
* Merged number from 1st Apr'17 Source: Company, MOFSL

Exhibit 19: Composition of employee expenses; employee provision expenses likely to have peaked



* Merged number from 1st Apr'17 Source: Company, MOFSL

Exhibit 20: Cost/Asset trend lower v/s peers; expect C/I ratio to fall to ~49% by FY24E

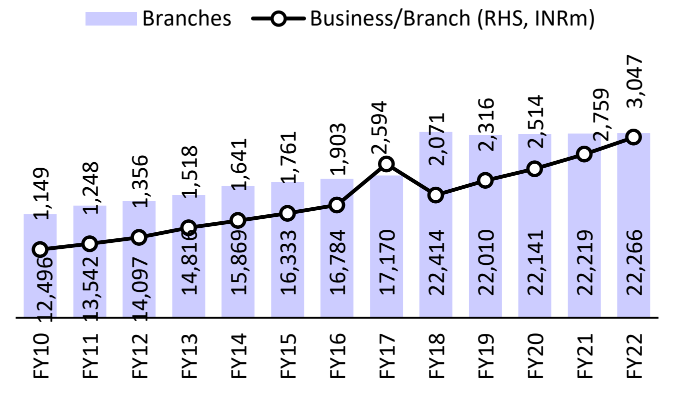


Source: Company, MOFSL

Business productivity constantly improving; SA per branch rises to INR686m

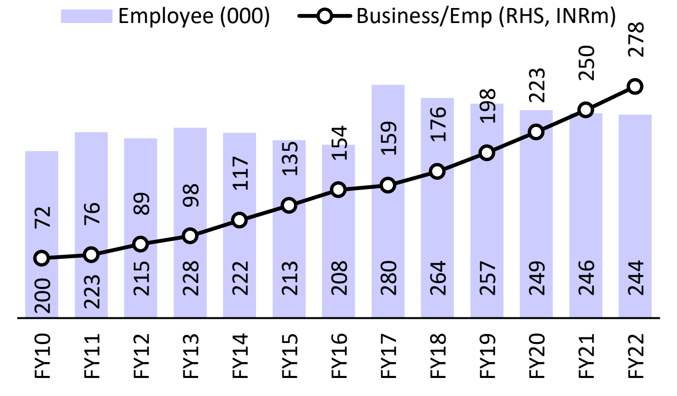
SBIN has been focusing on improving branch productivity by leveraging technology. SBIN's business per branch improved to INR3.0b in FY22 (from INR2.8b in FY21) and business per employee increased to INR278m in FY22 (from INR250m in FY21). Further, SA per branch improved to INR686m in FY22 (from INR623m in FY21), indicating higher productivity and operational efficiency at the branch level.

Exhibit 21: Business/branch consistently improving; came in at INR3.0b per branch



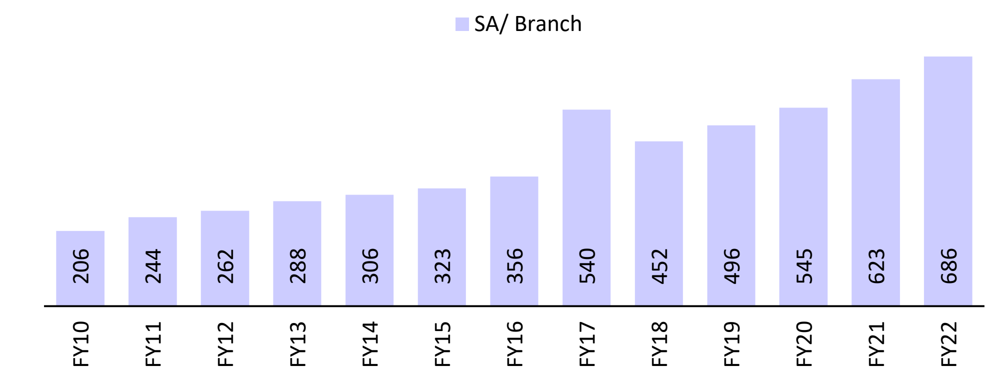
Source: Company, MOFSL

Exhibit 22: Business/employee up to INR278m v/s INR250m in FY21



Source: Company, MOFSL

Exhibit 23: SA per branch – constant improvement over the past few years



Source: Company, MOFSL

Corporate segment profitability jumps ~5x; treasury performance muted

Segmental profitability suggests Retail PBT grew 33% YoY and contributed ~24% to the total profits, supported by lower provisions, as revenue growth was modest at 5% YoY. Corporate segment revenues declined 9% YoY, but it reported a strong uptick in PBT which jumped ~5x to INR270b underscoring the structural improvement in corporate business. This segment thus contributed ~51% of total profits v/s 17% in FY21. Treasury performance, however, was under pressure as the bank reported a decline of 12% YoY in PBT to INR137b (led by hardening of bond yields – that is expected to remain soft over FY23), which contributed ~26% to the total profits in FY22.

Exhibit 24: Segmental trends across business segments – Corporate witnessed profit after four years of consecutive loss

	Assets				Revenue				PBT			
INR b	**FY19**	**FY20**	**FY21**	**FY22**	**FY19**	**FY20**	**FY21**	**FY22**	**FY19**	**FY20**	**FY21**	**FY22**
Retail	14,917	15,806	18,150	20,212	1,210	1,309	1,318	1,385	127	181	94	125
YoY growth	**13%**	**6%**	**15%**	**11%**	**8%**	**8%**	**1%**	**5%**	**-34%**	**42%**	**-48%**	**33%**
Corporate	11,333	11,776	11,976	13,022	786	902	818	744	-163	-40	51	270
YoY growth	**12%**	**4%**	**2%**	**9%**	**24%**	**15%**	**-9%**	**-9%**	**NA**	**NA**	**LP**	**424**
Treasury	10,028	11,345	14,531	16,132	777	751	919	1,000	73	157	156	137
YoY growth	**-8%**	**13%**	**28%**	**11%**	**-5%**	**-3%**	**22%**	**9%**	**33%**	**114%**	**-1%**	**-12%**

Source: MOFSL, Company

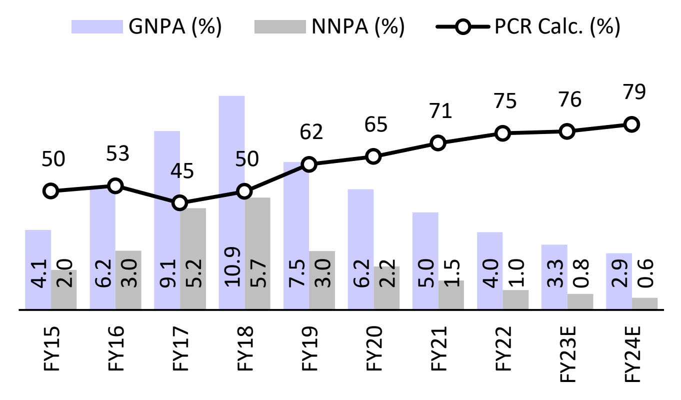
Strong underwritng to drive sustained improvement in credit cost

Slippage ratio at decadal low – among the lowest across large/private banks

Slippage ratio at 1.0% – the lowest among the top banks, including private peers

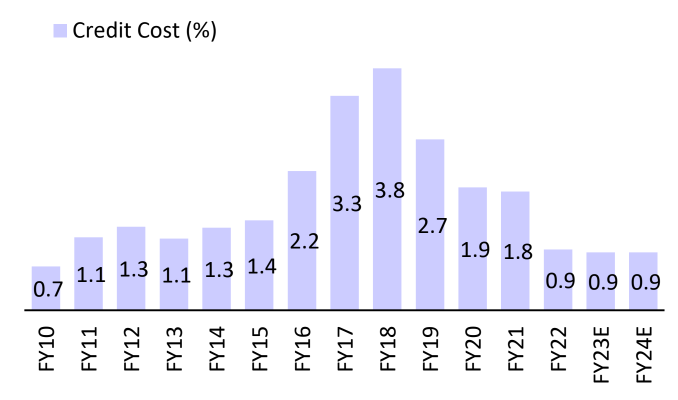
- SBIN's continued focus on improving the underwriting and strengthening the balance sheet has been reaping benefits with an overall improvement in asset quality ratios led by moderation in slippages, negligible SMA book, controlled restructuring and higher PCR. As a result, NNPA ratio for the bank moderated to 1% in FY22 (GNPAs declining a further 11% in FY22). Conversely, the coverage ratio increased to 75% (85% on corporate book). Overall improvement has been far higher than peers, including private peers. Even the slippage ratio came in **at 1.0% – the lowest among the top banks, including private peers.**
- **Covid Restructuring:** Total restructured book stands at INR310b (1.1% of loans), led by Retail and SME segments. SBIN is not witnessing any unusual behavior and expects the overall stress to be controlled and carries 26% PCR on the same. Over 2HFY22, slippages from this book came in at INR17.9b (~5% of loans).
- We believe that improvement in underwriting standards, negligible SMA book and higher provisions on stressed accounts (100% on SREI and Future Group) placed SBIN well to keep the incremental slippages under control. Thus, we expect GNPA/NNPA to moderate to 2.9%/0.6% by FY24E and credit cost to undershoot long-term trends at 0.9% over FY22-24.

Exhibit 25: NNPA moderated to ~1%; PCR improved to ~75%



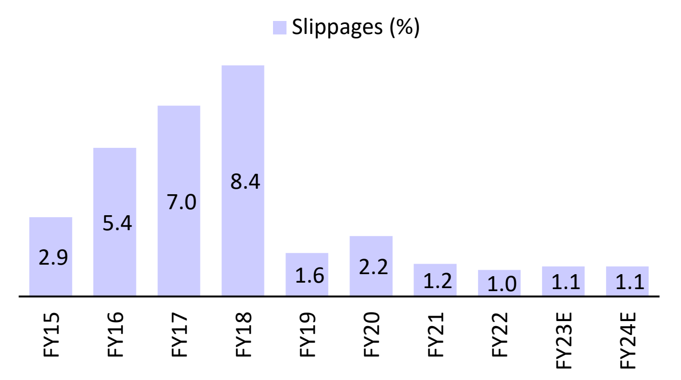
Source: Company, MOFSL

Exhibit 26: Credit cost expected to undershoot LTA



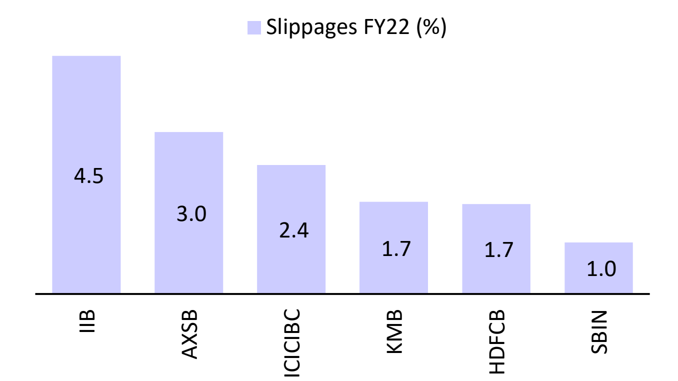
Source: Company, MOFSL

Exhibit 27: SBIN continues to see moderation in slippage; expect this to remain in check



Source: Company, MOFSL

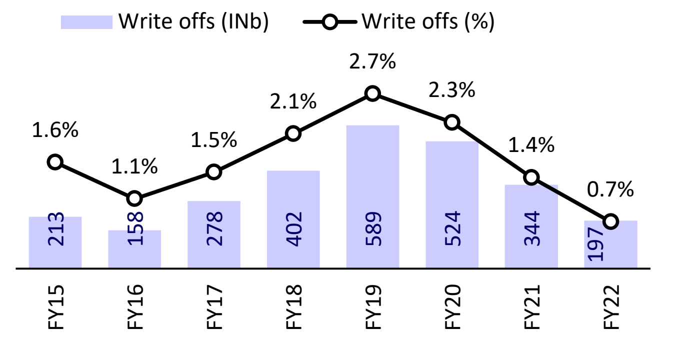
Exhibit 28: Slippage ratio among the lowest; better than even the large private banks



Source: Company, MOFSL

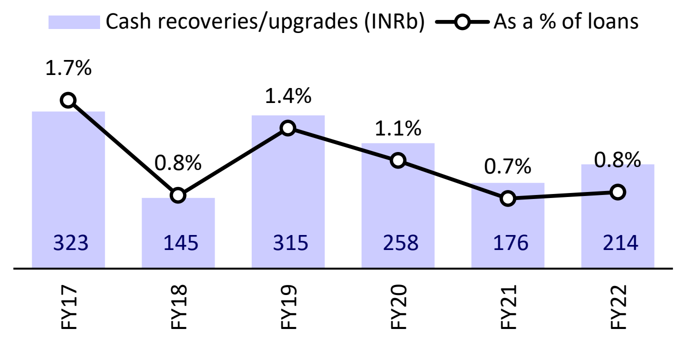
- Notably, the **AUCA book for SBIN stood at INR1.73t**, significantly higher than the GNPA pool, with recoveries in the range of 4–11%. Over the past five years, the bank has recovered ~INR410b from the AUCA book and we expect recovery trends to remain healthy, further supported by sale of bad loans to NARCL.
- SMA 1 and 2 for the bank stood at INR35.4b (13bp of loans), lower than peers, including large private banks. Further, the bank's Power/Telecom exposures remained comfortable, with the bulk of the exposure towards PSU entities and better rated corporates. **Asset quality within the Retail segment has been stellar, much better than private peers, which provides further comfort.**

Exhibit 29: SBIN saw ~INR2.1t w/o over the past five years



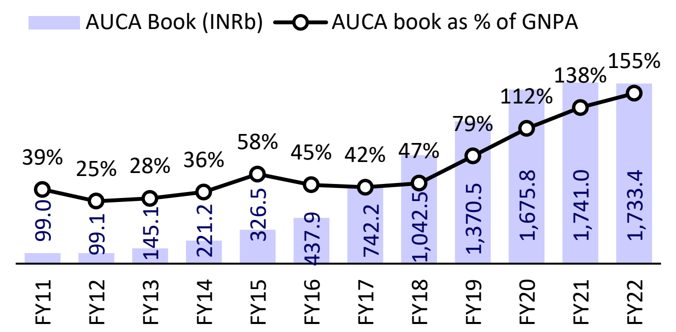
Source: Company, MOFSL

Exhibit 30: Healthy cash recoveries and upgrades



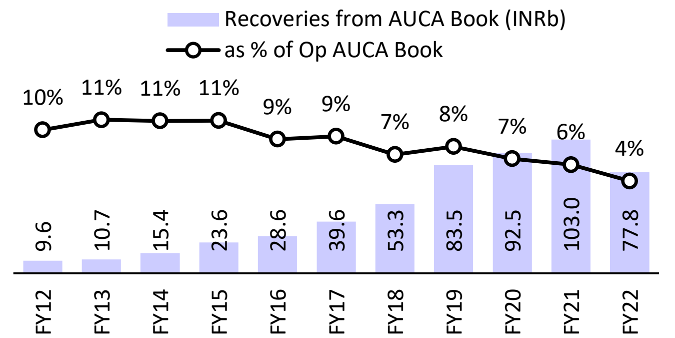
Source: Company, MOFSL

Exhibit 31: SBIN carried AUCA pool of INR1.73t



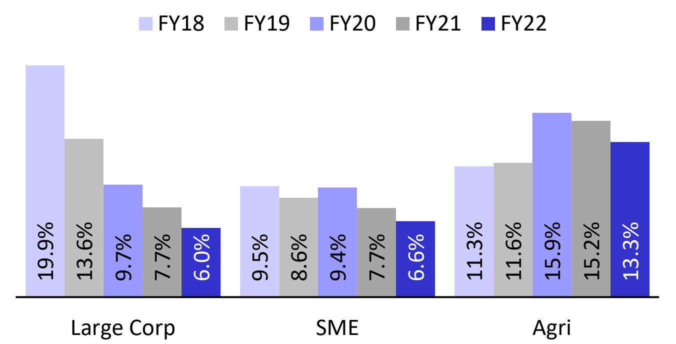
Source: Company, MOFSL

Exhibit 32: Healthy recoveries from AUCA book



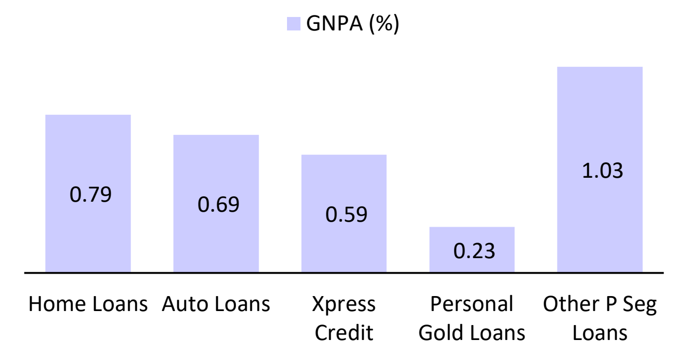
Source: Company, MOFSL

Exhibit 33: Trend in NPL ratios across sectors – moderation across most segments



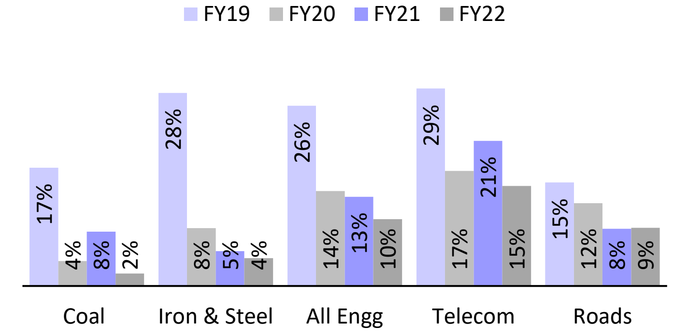
Source: Company, MOFSL

Exhibit 34: Asset quality in Retail segment better than large private banks – GNPA at 0.7% of total retail loans (FY22)



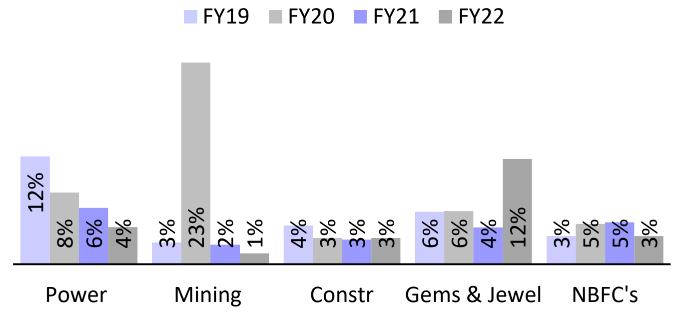
Source: Company, MOFSL

Exhibit 35: NPL ratios in stressed sectors moderate…



Source: Company, MOFSL, Basel III disclosure

Exhibit 36: …across most segments, barring Coal/Telecom



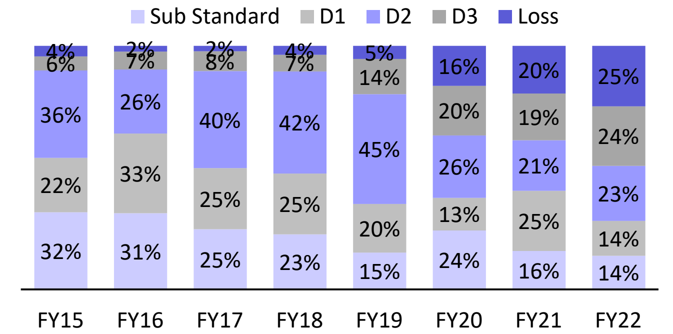
Source: Company, MOFSL, Basel III disclosure

Mix of Doubtful-3/Loss NPLs rises to ~50%

Mix of Loss and D-3 assets combined increased to ~49% (v/s ~19% in FY19)

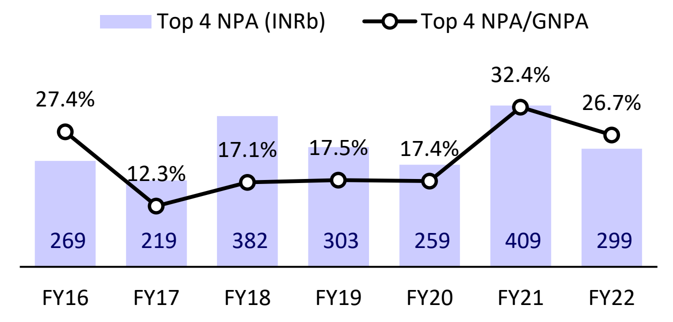
- The mix of Loss and D-3 assets combined increased to ~49% (v/s ~19% in FY19). This indicated the diminishing requirement of aging provisions and high recovery prospects from fully provided/written-off accounts. Further, the concentration of the Top 4 NPA accounts moderated to ~27% of GNPA. The GNPAs for the non-priority sector declined to 2.8% in FY22 (from 3.6% in FY21), due to a drop in Industry/Services GNPA to 5.8%/2.2% (from 7.0%/3.2%), respectively. For the priority sector, the GNPA ratio declined to 7.7% in FY22 (from 9.4%), led by decline in Agri GNPA to 13.4% (from 15.2%), Industry GNPA to 8.5% (from 12.1%) and Services GNPA to 6.5% (from 8.4%) in FY22.

Exhibit 37: Higher proportion of Loss and D-3 category accounts reflected lower requirement of aging provisions



Source: Company, MOFSL

Exhibit 38: Concentration of Top 4 NPA accounts moderated to ~27% of GNPA



Source: Company, MOFSL

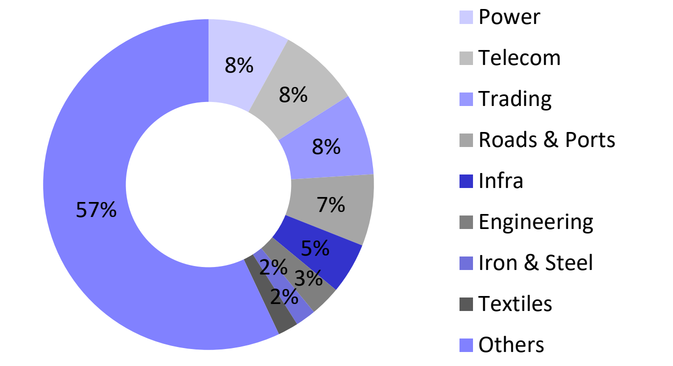
Exhibit 39: GNPAs for non-priority/priority sector moderated across segments, barring Services

	FY19		FY20		FY21		FY22	
INR b	**O/s advances**	**GNPA (%)**	**O/s advances**	**GNPA (%)**	**O/s advances**	**GNPA (%)**	**O/s advances**	**GNPA (%)**
Priority Sector								
Agriculture	1,998	11.7%	2,042	16.0%	2,128	15.2%	2,263	13.4%
Industry	971	12.9%	1.011	18.5%	930	12.1%	1,280	8.5%
Services	992	9.8%	839	6.3%	1,221	8.4%	1,534	6.5%
Personal loans	1,594	1.8%	1,668	1.9%	1,715	1.4%	1,879	1.2%
Total (A)	**5,556**	**8.7%**	**5,559**	**10.7%**	**5,994**	**9.4%**	**6,956**	**7.7%**
Non-Priority Sector								
Agriculture	194	0.5%	22	10.3%	16	13.2%	24	8.4%
Industry	9,759	11.5%	10,543	7.1%	6,781	7.0%	6,933	5.8%
Services	2,475	3.2%	2,216	4.4%	5,602	3.2%	6,106	2.2%
Personal loans	4,951	0.8%	5,887	0.8%	7,001	0.7%	8,167	0.7%
Total (B)	**17,379**	**7.2%**	**18,669**	**4.8%**	**19,400**	**3.6%**	**21,230**	**2.8%**
Total (A+B)	**22,935**	**7.5%**	**24,228**	**6.1%**	**25,394**	**5.0%**	**28,187**	**4.0%**

Source: Company, MOFSL,

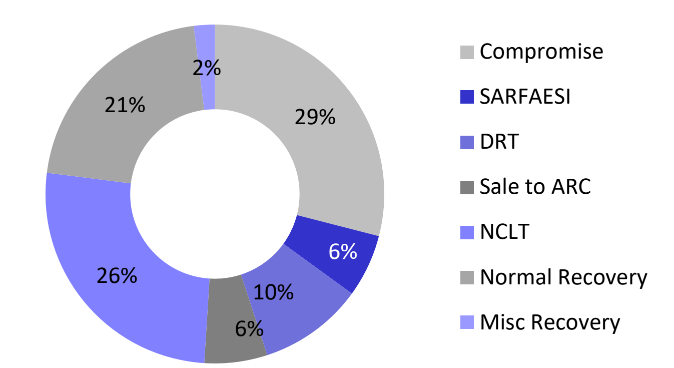
- **Floating provisions and lower SR book provide comfort:** The bank held floating provisions of ~INR1.9b and standard assets provisions of INR200b in FY22. **Further, the SR book stood at INR78.6b in FY22, which was 100% provided.**
- **Sensitive sector exposure**: The bank's Commercial Real Estate exposure increased to INR684b in FY22 (from INR563b in FY21), corresponding to 2.5% of total loans; exposure to Capital Markets increased to INR206b.
- **Segmental NPAs:** According to the industry-wise classification of NPAs, the segmental split remained largely balanced, with Power, Telecom and Trading contributing the highest NPA at 8% each, followed by Roads & Ports (7%) and Infra (5%). Total recoveries (including those from the AUCA book) were well split with NCLT and normal recoveries forming 26% and 21% share, respectively. A major portion of recoveries also came from Compromise (29%), besides NCLT.

Exhibit 40: Industry-wise distribution of NPAs as of FY22



Source: MOFSL, Company

Exhibit 41: Mode of recovery for FY22

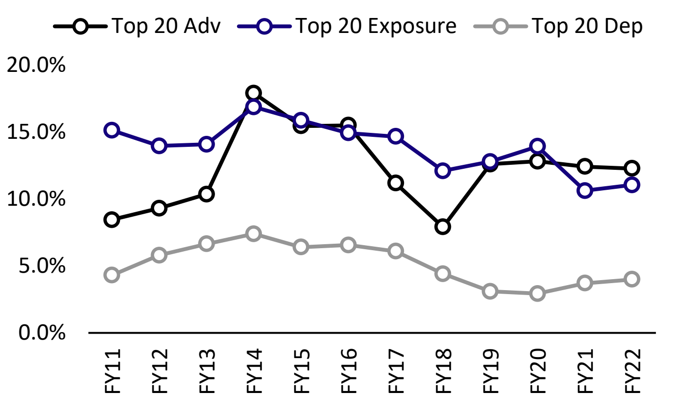


Source: MOFSL, Company

RWA density moderates; advances concentration improves

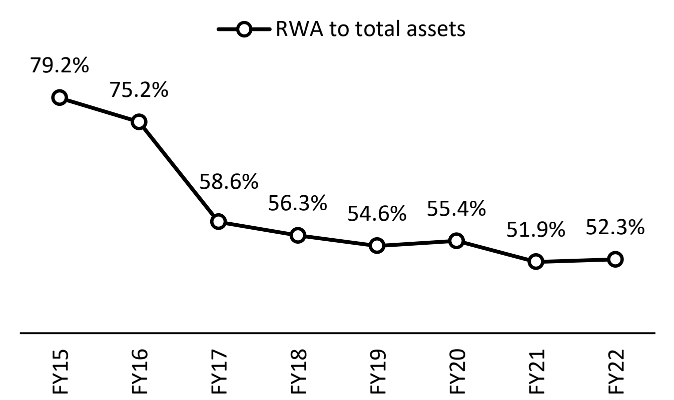
In FY22, SBIN had a Tier-1 ratio of 11.4% (CET 1 of 9.9%), while the total CAR stood at 13.8%. The bank's focused lending to the Retail segment resulted in moderation in RWA density to ~52% in FY22 (from ~75% in FY16). Further, the concentration of the Top 20 depositors/exposures increased 29bp/42bp YoY to 4.0%/11.1%, respectively in FY22. The concentration of Top 20 advances dipped ~15bp to 12.3%.

Exhibit 42: Concentration of Top 20 deposits/exposures increased, while that of advances declined



Source: MOFSL, Company

Exhibit 43: RWA density moderated to ~52% (stable YoY) v/s 75% in FY16



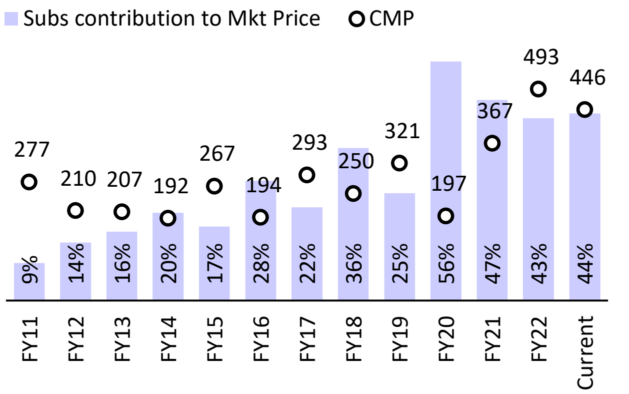
Source: MOFSL, Company

Subsidiaries remain strong compounding machines; expect recovery as normalcy returns

Subsidiaries contribute ~32%, stressing importance of the SOTP-based valuation

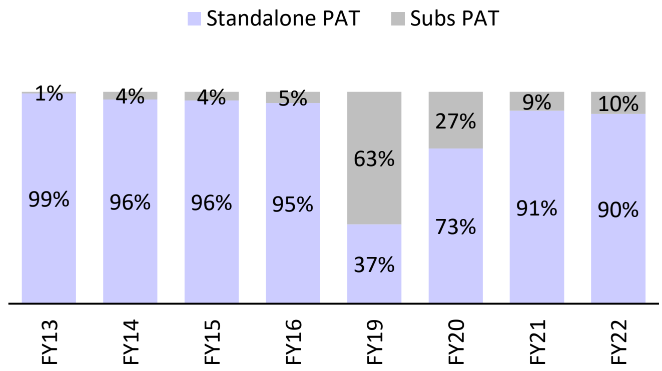
- For the past few years, increasing customer awareness about various financial products is reflected in the robust earnings of SBIN's subsidiaries. The subsidiaries have gained scale and market share and emerged as market leaders in their respective segments. This has led to strong expansion in their market multiples.
- Hence, over time, SBIN has increasingly transformed into an SOTP-based play from a standalone play. The contribution of subsidiaries to the bank's SOTP valuation has increased significantly – they now contribute ~32% to the SOTP (~35% as a percentage of CMP). While their performances have been slightly under pressure over the past few quarters due to the challenging macro-environment, we expect gradual recovery as normalcy returns. As these businesses gain further scale and market share, they will remain strong industry-leading compounding machines and continue to add value to SBIN's SOTP. Value unlocking from SBI MF and SBI General Insurance could result in further gains.

Exhibit 44: SBIN – subs' contribution to CMP



Source: MOFSL, Company

Exhibit 45: SBIN – trend in composition of consolidated PAT



Source: MOFSL, Company

SBI Cards – Operating metrics improving; MDR uncertainty – key overhang

SBICARD is witnessing healthy recovery in terms of spends while asset quality has also improved significantly

- SBICARD has delivered a strong performance in both customer acquisitions and earnings in FY22, post witnessing a subdued cycle during Covid-19. SBICARD gained an incremental market share of 21% over the past three years and had a market share of ~19% each on outstanding cards/spends, with a card base of 13.8m in FY22.
- Card spends grew robustly at 52% YoY, while PAT rose 64% YoY. Return ratios, which were adversely impacted by Covid-19, recovered with an RoA/RoE of 5.4%/22.8%, respectively.
- SBICARD seeks to expand by increasing its sourcing from banca customers via penetration into mid-tier cities. While the company has been reporting stark improvement in its operating metrics led by pick up in spends and significant improvement in asset quality, the uncertainty around the revision of Merchant Discount Rate (MDR) charges as proposed by the RBI poses a near-term overhang on the overall performance of the stock.

Exhibit 46: Snapshot – PAT/spend grew 64%/52% YoY in FY22

INR m	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Spends on cards (INR b)	212.8	291.4	438.5	770.2	1,036.0	1,314.5	1,224.2	1,863.5
Mkt. Share Spends	11.1%	12.0%	13.2%	16.6%	17.1%	17.8%	19.4%	19.2%
Mkt. Share cards base	15.0%	14.8%	15.3%	16.7%	17.6%	18.3%	19.1%	18.9%
Revenue	19,045	24,918	34,710	53,702	72,869	97,523	97,136	113,022
PAT	2,667	2,839	3,729	6,011	8,650	12,448	9,845	16,162
RoA	4.9%	4.0%	4.0%	4.5%	4.8%	5.5%	3.8%	5.4%
RoE	31.2%	26.8%	28.6%	31.6%	29.1%	27.9%	16.6%	22.8%
Net Worth	9,656	11,550	14,488	23,531	35,878	53,412	63,020	77,527
GNPA	1.9%	2.0%	2.3%	2.8%	2.4%	2.0%	5.0%	2.2%
Total Assets	**62,573**	**78,803**	**1,07,650**	**1,56,860**	**201,462**	**253,028**	**270,129**	**346,484**

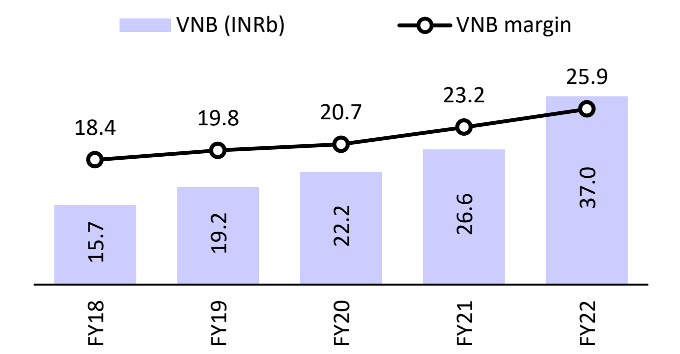
Source: MOFSL, Company

SBI Life – Strong growth and improving product mix driving margins

Margins are supported by a shift in product mix in favor of Non-PAR/Protection; Persistency is seeing improving trends

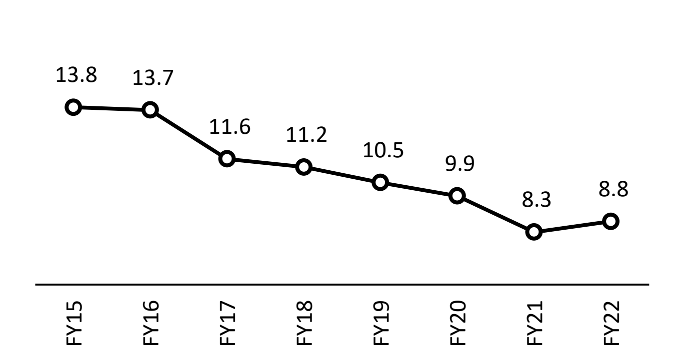
- SBILIFE delivered a strong 23%/25% YoY growth in NBP/Individual WRP in FY22, respectively, led by growth across all distribution channels. We believe distribution strength would continue to aid market share gains. Renewal premium growth too was healthy at 12% YoY, underpinned by improved persistency across cohorts.
- Further, SBILIFE has intensified its focus on Non-PAR Savings / Protection mix, which formed ~23% of APE in FY22 (v/s ~16% in FY20). It thus reported consistent improvement in VNB margin to 25.9% (+270bp) in FY22, aided by cost control, an improving Protection/Non-PAR mix, and rising persistency levels.
- SBILIFE further has one of the lowest cost structures among peers that enable it to maintain healthy cost ratios. Total expense as a % of gross written premium (GWP) increased marginally to 8.8% in FY22, led by a pick-up in activity levels.
- We believe growth momentum to remain healthy, which coupled with cost control would enable further improvement in key operating metrics/margins.

Exhibit 47: SBILIFE reported 270bp improvement in NBM (ETR base), with VNB up 39% in FY22



Source: MOFSL, Company

Exhibit 48: Total expense (as a % of GWP) increased marginally to 8.8% in FY22 as activity volumes picked up



Source: MOFSL, Company

Exhibit 49: Key operating metrics of SBI Life

INR b	FY17	FY18	FY19	FY20	FY21	FY22
Gross premium	210.2	253.5	329.9	406.3	502.5	587.6
New business premium	101.4	109.7	137.9	165.9	206.2	254.6
New business margin (ETR)	**NA**	**18.4%**	**19.8%**	**20.7%**	**23.2%**	**25.9%**
Net profit	**9.6**	**11.5**	**13.3**	**14.2**	**14.6**	**15.1**
AUM	977.4	1,162.6	1,410.2	1,603.6	2,208.7	2,674.1
Embedded Value (ETR)	**NA**	**201.7**	**237.3**	**276.4**	**364.0**	**396.3**

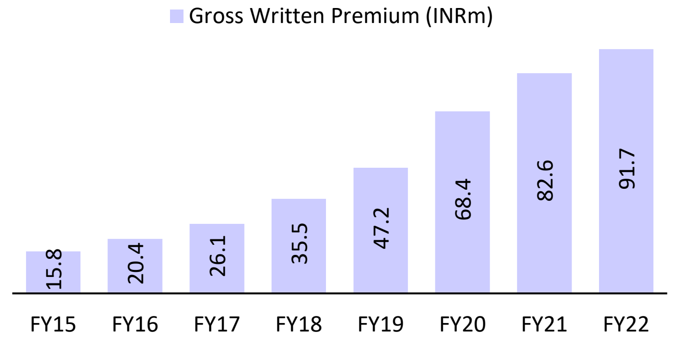
Source: MOFSL, Company

SBI General Insurance – Near-term performance impaired by Covid-19

GWP posted a CAGR of 29% over FY17–22; RoE though declined sharply to 5% owing to Covid-19

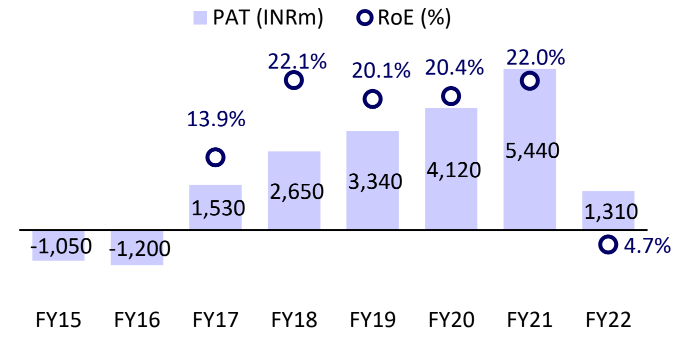
- While SBI General has been delivering healthy performance and gaining market share, the performance over FY22 was severely impacted by Covid-19. In FY22, GWP grew 11% (7th rank among private insurers), while PAT declined significantly by 76% to INR1.3b. RoE thus plunged to 4.7% from 22% in FY21.
- The operating performance suffered due to higher Covid-related claims as the loss ratio jumped 1,200bp YoY to 89%. As Covid-related claims recede, we expect the company to quickly bounce back to pre-Covid performance levels.
- Continuous improvement in process efficiency, better growth rate in premiums, a well-diversified premium base, and the ability to leverage SBI's mammoth branch network should help the company achieve superior operating metrics.

Exhibit 50: GWP posted 29% CAGR over FY17–22



Source: MOFSL , Company

Exhibit 51: PAT/RoE declined significantly owing to Covid-19



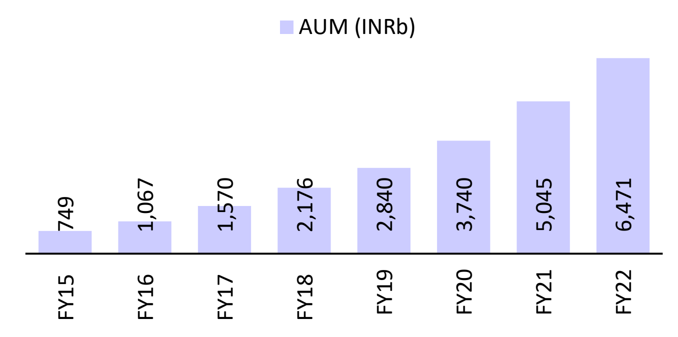
Source: MOFSL , Company

SBI Asset Management – Largest MF player with market share of 16.9%

Strengthened its lead as the largest mutual fund, with total AUM of ~INR6.5t

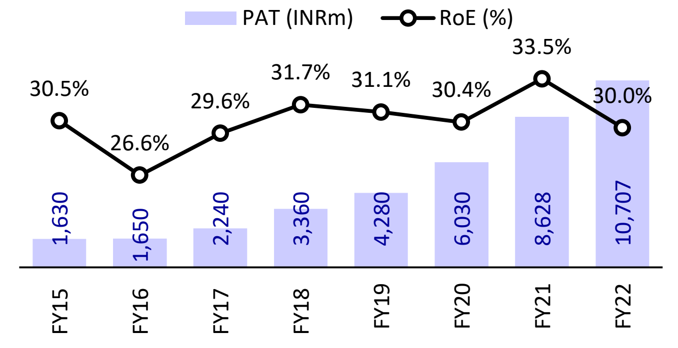
- SBI MF is the country's largest ETF provider and the largest mutual fund, with total AUM of ~INR6.5t and market share of 16.9% as of FY22.
- AUM grew 28% YoY (CAGR of 33% over FY17–22) while PAT rose 24% YoY to INR10.7b (37% CAGR over FY17-21) in FY22; RoE was at 30%.
- It has the largest investor base of over 10.7m investor folios, (3.15m new folios being added in FY22). It has 2.28m active folios under direct investor and over 0.2m folios under institutional investor, including 1,240 superannuation funds.
- SBI MF has a wide reach with 6m retail investors and 5,000+ institutional clients. With higher inflows from SIP and an increase in the financialization of savings, we expect SBI MF to continue to gain momentum and maintain its market share.

Exhibit 52: AUM posted 33% CAGR over FY17–22



Source: MOFSL , Company

Exhibit 53: PAT reported 37% CAGR over FY17–22



Source: MOFSL , Company

Snapshot of regional rural banks (RRBs); asset quality ratios improving

- SBIN has sponsored 14 regional rural banks with operations at regional levels in 14 states. These RRBs have a combined branch strength of 4,725, spanning 217 districts, as of 31st Mar'22.
- **In FY22, aggregate deposits grew 7.5% YoY to INR1.14t and advances rose 10.8% YoY to INR737.6b. As a planned strategy to diversify the portfolio, RRBs grew their housing and gold loans by ~19.1% and ~30.9% YoY, respectively, in FY22.**
- RRBs posted net profit of ~INR16.6b in FY22 (v/s INR10.0b in FY21) despite having higher pension provisions of INR12.5b. The RRBs continued to focus on improving their earnings from their core banking business, strengthening fee income streams, and controlling the operating costs.
- **The combined GNPA ratio of the RRBs declined to 4.64% in FY22 (from 5.44% in FY21), despite the challenging Covid-19 environment. The NNPA ratio moderated significantly to 1.22% (from 2.16% in FY21).**
- Business per employee improved to ~INR108m in FY22 from ~INR101m in FY21.

Other highlights from the Annual Report

- **The bank's contingent liabilities** increased ~18% in FY22 (14% CAGR over FY16–21), largely led by an increase in forward contracts and guarantees. As a result, the proportion of total assets rose to ~42% in FY22 from 40% in FY21 (32% in FY20).

Exhibit 54: Contingent liabilities constituted ~42% of total assets

Contingent Liabilities (INR b)	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Claims not acknowledged as debt	123	290	352	434	716	791	860
O/s forward exch. contracts	5,064	5,726	6,441	5,966	6,358	10,280	12,124
Guarantees given in India	1,358	1,312	1,489	1,572	1,656	1,731	1,665
Guarantees given outside India	828	712	675	724	706	727	952
Acceptances, Endorsements etc.	1,069	1,001	1,212	1,242	1,324	1,488	1,787
Uncalled liability on investments	2	6	6	5	17	15	20
Others	1,276	1,418	1,446	1,218	1,373	2,038	2,664
Total	**9,720**	**10,464**	**11,620**	**11,161**	**12,150**	**17,069**	**20,071**
% of total assets	**44.1**	**37.0**	**34.4**	**31.3**	**31.8**	**40.2**	**42.2**

Source: MOFSL, Company

- **Fraud accounts:** The total number reported during the year moderated to 4,192, with the amount involved being INR71b v/s INR101b in FY21. The bank has made 100% provisions for all fraud accounts.
- **In FY22, the RBI imposed penalties of INR5m** for failure to accurately report the data on large credit to RBI, INR10m for non-compliance with the directions on Fraud classification/reporting and INR10m for contravention of provisions of sub-section (2) of Section 19 of the RBI Act.
- **PSLC purchase increases** in FY22: The bank purchased priority sector lending certificates (PSLCs) worth INR1.38t (v/s INR1.26t in FY21). It has not sold any PSLCs in the past four years.
- **Salary account customer base increases to 17.9m:** The bank further highlighted that the total salary account customer base stood at 17.9m as of Mar'22, with the bank adding ~0.5m new salary package customers in FY22. About 1,300 new corporate tie-ups were established in FY22.
- **Wealth Management business**: This business has been making strong progress and has shown exponential growth in acquiring clients and AUM. The number of

clients increased 16% YoY to 297k in Mar'22 (from 255k in Mar'21). AUM grew 22% YoY and stood at INR2.5t as of Mar'22 (v/s INR2.1t in Mar'21).

- **Financial Inclusion**: SBIN had a total of ~142m accounts under Financial Inclusion – it transacted worth INR544m through the BC channel in FY22.
- **Government business**: SBIN is the market leader in the Government business, with a market share of over 63% in Central Government turnover. Total turnover from the Government business stood at INR55.2t in FY22, with INR37.1b commissions earned. Further, the bank distributed ~INR624b under PM Kisan Samman Nidhi Yojana and it was the sole banker for processing of direct benefit transfers (DBTs) of LPG subsidy. Further, new pension accounts of ~0.34m pensioners, ~0.46m PPF accounts, ~0.24 SSA accounts and ~0.14 SCSS were added during FY22.
- **Supply chain finance / Agri**: SBIN extended supply chain finance to ~31k+ dealers and ~12k+ vendors, with total sanctioned limits of over INR445b. ~37 new tie-ups were established during FY22. The bank catered to ~14.2m farmers – the highest by any bank.
- **Bancassurance fee / Commission from JV:** Fees from bancassurance grew strongly at 20% YoY to INR18.9b (from INR15.7b in FY21). Further, in terms of commissions earned from JVs, SBI MF/SBI Cards witnessed strong traction and growth of 64%/48%YoY; SBI Life saw growth of 26% YoY. Commissions from SBI General declined 3% YoY due to the pandemic.

Exhibit 55: Bancassurance fee income – witnessing strong uptick

INR b	FY18	FY19	FY20	FY21	FY22
Sale of Life Insurance	7.1	9.5	11.2	12.4	15.7
Sale of Non-Life Insurance	2.1	2.7	3.1	3.3	3.2
Others	0.0	0.0	0.0	0.0	0.0
Total	**9.3**	**12.3**	**14.4**	**15.7**	**18.9**

Source: MOFSL , Company

Exhibit 56: Commissions earned from JVs – MF, Credit Cards and Life Insurance continue to show healthy traction

INR b	FY18	FY19	FY20	FY21	FY22
SBI Life	7.1	9.5	11.2	12.4	15.7
SBI MF	5.6	5.0	3.8	4.6	7.4
SBI General	2.1	2.7	3.2	3.3	3.2
SBI Cards	1.4	1.9	2.1	1.4	2.0
SSL	0.1	0.1	0.1	0.0	0.0
NPS	0.0	0.0	0.1	0.1	0.1
Total	**16.3**	**19.3**	**20.3**	**21.8**	**28.4**

Source: MOFSL , Company

- **Change in discount rates:** The discount rate used for pension provisions increased to 7.35% in FY22 (from 6.9% in FY21), while it increased to 7.27% for other employee benefits. Expected return on plan assets also saw a similar change, while the salary escalation rate was revised up by 20bp to 5.8% in FY22.

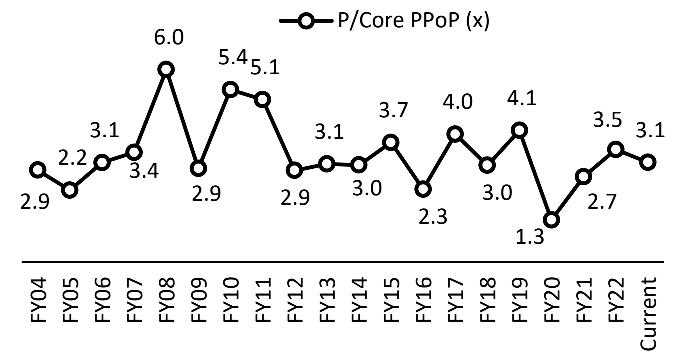
Valuation and view

- SBIN has strengthened its Balance Sheet by creating higher provisions on stressed accounts (100% PCR on SREI and Future Group). It raised its PCR (Inc. TWO) to ~90% in 4QFY22 (from ~65% in 1QFY18) and holds a higher (~85%) provision coverage on Corporate NPAs. This has resulted in significant clean-up for the balance sheet with the focus now shifting on growth. We thus expect loan growth momentum to pick up and report 12% CAGR over FY22-24.
- The bank has one of the best liability franchises (CASA mix: ~45%). This coupled with a high mix of MCLR/Floating rate/EBLR loans (75% of total loans) puts it in a better position to support margins in a rising interest rate scenario.
- Its subsidiaries – SBI MF, SBILIFE, SBICARD, and SBI Cap – exhibited robust performances over the last few years, supporting our SoTP value for the bank. Unlocking of value from SBI MF over FY23E could further support the SOTP.
- Asset quality improved considerably with an impeccable Retail GNPA of ~0.74%. Overall, fresh slippages were controlled at ~1% of loans, which were lower than the private peers. This, coupled with healthy recoveries/upgrades, resulted in a further decline in GNPA/NNPA ratio to 4%/1%, respectively. We expect slippages to remain controlled going forward and estimate credit cost to undershoot long-term trends at ~0.9% over FY22-24.
- Among PSU Banks, SBIN remains the best play on a gradual recovery in the Indian economy, with a healthy PCR (~75%), Tier I of 11.4%, a strong liability franchise, and improved core operating profitability.
- **Retain BUY with a TP of INR600:** SBIN has delivered a strong FY22 propelled by steady business / revenue growth and controlled provisions. Management expects the momentum to remain healthy as utilization levels improve, while Retail growth is likely to remain steady. A higher mix of floating loans and CASA mix will support margin in a rising interest rate environment. Asset quality performance has been strong and the outlook remains healthy as restructured book remains in control at 1.1%, while the SMA pool has declined further to 13bp of loans. We conservatively estimate credit cost to moderate to 0.9%, enabling 28% earnings CAGR over FY22-24. We thus expect SBIN to deliver an RoA/RoE of 0.9%/16.7% in FY24, respectively. **SBIN remains our top BUY in the sector with a TP of INR600 (premised on 1.2x FY24E ABV + INR195 from subsidiaries).**

Exhibit 57: SOTP-based pricing

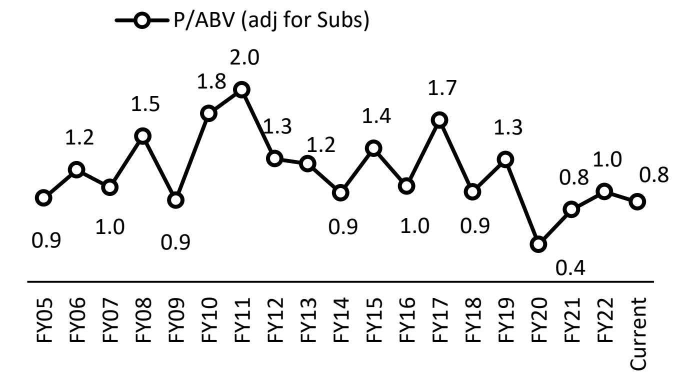
Name	Stake (%)	Value for SBIN (INR b)	Value per Share- (at our PT)	% of total value	Rationale	Value per Share- (at CMP)	% of total value
SBI Bank	**100**	**3,615**	**405**	**68**	❖ **1.2x FY24E ABV**	**289**	**65**
Life insurance	55	804	90	15	❖ 2.6x FY24E EV	71	16
Cards	69	728	82	14	❖ 29x FY24E PAT	54	12
Asset management	63	312	35	6	❖ 30x FY24E PAT	35	8
General insurance	70	79	9	1	❖ 25x FY24E PAT	9	2
YES Bank	30	95	11	2		11	2
Capital Market/DFHI/Others		156	17	3		17	4
Total Value of Subs		**2,174**	**244**	**41**		**197**	**44**
Less: 20% holding disc		435	49	8		39	9
Value of Subs (Post Holding Disc)		**1,739**	**195**	**32**		**157**	**35**
Target Price		**5,354**	**600**			**446**	

Exhibit 58: P/Core PPoP for FY23E trading at 3.1x…



Source: MOFSL, Company

Exhibit 59: …while P/ABV (adj. for sub) trading at 0.8x FY23E



Source: MOFSL, Company

Exhibit 60: DuPont Analysis: Return ratios would continue to improve gradually over FY22-24E

Y/E MARCH	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Interest Income	6.52	6.81	6.74	6.25	5.79	6.10	6.21
Interest Expense	4.31	4.33	4.17	3.64	3.25	3.52	3.57
Net Interest Income	**2.21**	**2.48**	**2.57**	**2.61**	**2.54**	**2.58**	**2.63**
Fee income	0.92	0.94	0.96	0.88	0.78	0.74	0.75
Trading and others	0.40	0.09	0.22	0.14	0.07	0.07	0.07
Non-Interest income	**1.32**	**1.03**	**1.19**	**1.03**	**0.85**	**0.80**	**0.82**
Total Income	**3.53**	**3.51**	**3.76**	**3.63**	**3.39**	**3.38**	**3.45**
Operating Expenses	**1.77**	**1.95**	**1.97**	**1.95**	**1.81**	**1.74**	**1.71**
Employee cost	0.98	1.15	1.20	1.20	1.05	1.00	0.97
Others	0.79	0.80	0.77	0.75	0.75	0.75	0.74
Operating Profit	**1.76**	**1.55**	**1.79**	**1.69**	**1.58**	**1.64**	**1.74**
Core Operating Profit	**1.36**	**1.47**	**1.56**	**1.54**	**1.51**	**1.57**	**1.68**
Provisions	**2.22**	**1.49**	**1.13**	**1.04**	**0.51**	**0.55**	**0.53**
NPA	2.11	1.53	1.13	0.64	0.30	0.50	0.50
Others	0.11	-0.04	0.00	0.39	0.22	0.05	0.02
PBT	**-0.46**	**0.06**	**0.66**	**0.65**	**0.91**	**1.09**	**1.22**
Tax	-0.27	0.04	0.28	0.17	0.25	0.28	0.32
RoA	**-0.19**	**0.02**	**0.38**	**0.48**	**0.67**	**0.81**	**0.90**
Leverage (x)	18.0	18.3	18.9	19.4	19.6	19.1	18.5
RoE	**-3.5**	**0.4**	**7.2**	**9.3**	**13.0**	**15.5**	**16.7**

Financials and valuations

Income Statement							(INRb)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Interest Income	2,205.0	2,428.7	2,573.2	2,651.5	2,754.6	3,202.3	3,598.0
Interest Expense	1,456.5	1,545.2	1,592.4	1,544.4	1,547.5	1,848.2	2,071.9
Net Interest Income	**748.5**	**883.5**	**980.8**	**1,107.1**	**1,207.1**	**1,354.1**	**1,526.1**
Change (%)	-0.5	18.0	11.0	12.9	9.0	12.2	12.7
Non-Interest Income	**446.0**	**367.7**	**452.2**	**435.0**	**405.6**	**421.9**	**472.5**
Total Income	**1,194.5**	**1,251.2**	**1,433.1**	**1,542.1**	**1,612.7**	**1,776.0**	**1,998.6**
Change (%)	1.4	4.7	14.5	7.6	4.6	10.1	12.5
Operating Expenses	599.4	696.9	751.7	826.5	859.8	915.4	988.7
Pre Provision Profits	**595.1**	**554.4**	**681.3**	**715.5**	**752.9**	**860.6**	**1,009.9**
Change (%)	0.1	-6.8	22.9	5.0	5.2	14.3	17.3
Core Provision Profits	**460.9**	**522.9**	**595.6**	**655.2**	**720.7**	**825.2**	**970.9**
Change (%)	0.5	13.5	13.9	10.0	10.0	14.5	17.7
Provisions (exc. tax)	750.4	531.3	430.7	440.1	244.5	288.1	305.0
Exceptional Items	NA	NA	NA	NA	NA	NA	NA
PBT	**-155.3**	**23.1**	**250.6**	**275.4**	**434.2**	**572.6**	**704.9**
Tax	-89.8	14.5	105.7	71.3	117.5	148.9	183.3
Tax Rate (%)	57.8	62.6	42.2	25.9	27.1	26.0	26.0
PAT	**-65.5**	**8.6**	**144.9**	**204.1**	**316.8**	**423.7**	**521.6**
Change (%)	NM	NM	NM	40.9	55.2	33.8	23.1
Cons. PAT post MI	**-45.6**	**23.0**	**197.7**	**224.1**	**353.7**	**475.5**	**594.1**
Change (%)	NM	NM	NM	13.3	57.9	34.4	24.9

Balance Sheet							
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Share Capital	9	9	9	9	9	9	9
Reserves & Surplus	2,182	2,200	2,311	2,530	2,792	3,139	3,574
Net Worth	**2,191**	**2,209**	**2,320**	**2,539**	**2,801**	**3,148**	**3,583**
Deposits	**27,063**	**29,114**	**32,416**	**36,813**	**40,515**	**44,567**	**49,024**
Change (%)	4.7	7.6	11.3	13.6	10.1	10.0	10.0
of which CASA Deposits	**12,039**	**12,976**	**14,337**	**16,713**	**18,036**	**20,367**	**22,502**
Change (%)	0.4	7.8	10.5	16.6	7.9	12.9	10.5
Borrowings	3,621	4,030	3,147	4,173	4,260	4,844	5,462
Other Liab. & Prov.	1,671	1,456	1,631	1,820	2,299	2,529	2,757
Total Liabilities	**34,548**	**36,809**	**39,514**	**45,344**	**49,876**	**55,088**	**60,825**
Current Assets	1,919	2,225	2,511	3,430	3,946	3,938	4,079
Investments	**10,610**	**9,670**	**10,470**	**13,517**	**14,814**	**16,444**	**18,319**
Change (%)	13.7	-8.9	8.3	29.1	9.6	11.0	11.4
Loans	**19,349**	**21,859**	**23,253**	**24,495**	**27,340**	**30,620**	**34,295**
Change (%)	3.5	13.0	6.4	5.3	11.6	12.0	12.0
Fixed Assets	400	392	384	384	377	385	396
Other Assets	2,270	2,663	2,896	3,518	3,399	3,700	3,737
Total Assets	**34,548**	**36,809**	**39,514**	**45,344**	**49,876**	**55,088**	**60,825**

Asset Quality							
GNPA	2,234	1,728	1,491	1,264	1,120	1,047	1,017
NNPA	1,109	659	519	368	280	253	215
GNPA Ratio	10.91	7.53	6.15	4.98	3.98	3.3	2.9
NNPA Ratio	5.73	3.01	2.23	1.50	1.02	0.8	0.6
Slippage Ratio	8.4	1.6	2.2	1.2	1.0	1.1	1.1
Credit Cost	3.8	2.7	1.9	1.8	0.9	0.9	0.9
PCR (Exc. Tech. W/O)	50.4	61.9	65.2	70.9	75.0	75.9	78.9

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Yield and Cost Ratios (%)							
Avg. Yield-Earning Assets	**7.4**	**7.8**	**7.7**	**7.2**	**6.7**	**7.0**	**7.0**
Avg. Yield on loans	7.4	7.8	8.0	7.2	6.6	7.6	7.7
Avg. Yield on Investments	7.2	7.5	6.9	6.8	6.1	6.3	6.3
Avg. Cost-Int. Bear. Liab.	**4.9**	**4.8**	**4.6**	**4.0**	**3.6**	**3.9**	**4.0**
Avg. Cost of Deposits	5.1	5.0	4.8	4.1	3.7	4.0	4.1
Interest Spread	**2.5**	**2.9**	**3.1**	**3.1**	**3.0**	**3.1**	**3.1**
Net Interest Margin	**2.5**	**2.8**	**3.0**	**3.0**	**2.9**	**3.0**	**3.0**
Capitalization Ratios (%)							
CAR	12.7	12.8	13.3	14.0	14.0	13.7	13.4
Tier I	10.5	10.8	11.2	11.7	11.7	11.6	11.6
Tier II	2.2	2.1	2.1	2.3	2.4	2.1	1.8
Business and Efficiency Ratios (%)							
Loans/Deposit Ratio	71.5	75.1	71.7	66.5	67.5	68.7	70.0
CASA Ratio	44.5	44.6	44.2	45.4	44.5	45.7	45.9
Cost/Assets	1.7	1.9	1.9	1.8	1.7	1.7	1.6
Cost/Total Income	50.2	55.7	52.5	53.6	53.3	51.5	49.5
Cost/Core Income	56.5	57.1	55.8	55.8	54.4	52.6	50.5
Int. Expense./Int. Income	66.1	63.6	61.9	58.2	56.2	57.7	57.6
Fee Income/Total Income	26.1	26.9	25.6	24.3	23.2	21.8	21.7
Non Int. Inc./Total Income	37.3	29.4	31.6	28.2	25.2	23.8	23.6
Emp. Cost/Total Expense	55.3	58.9	60.8	61.6	58.3	57.2	56.9
Investment/Deposit Ratio	39.2	33.2	32.3	36.7	36.6	36.9	37.4
Profitability Ratios and Valuation							
RoE	-3.5	0.4	7.2	9.3	13.0	15.5	16.7
RoA	-0.2	0.0	0.4	0.5	0.7	0.8	0.9
RoRWA	-0.3	0.0	0.7	0.9	1.2	1.4	1.5
Consolidated RoE	-2.0	1.0	7.9	8.2	11.8	14.3	15.7
Consolidated RoA	-0.1	0.1	0.5	0.5	0.7	0.8	0.9
Book Value (INR)	230	232	245	270	299	338	387
Change (%)	-4.0	0.9	5.6	10.0	10.9	13.0	14.4
Price-BV (x)	**1.1**	**1.1**	**1.0**	**0.9**	**0.8**	**0.7**	**0.6**
Consol BV (INR)	243	248	267	294	328	378	441
Change (%)	-2.0	2.0	7.7	10.3	11.5	15.3	16.7
Price-Consol BV (x)	**1.8**	**1.8**	**1.7**	**1.5**	**1.4**	**1.2**	**1.0**
Adjusted BV (INR)	135	170	187	221	256	298	351
Price-ABV (x)	**1.9**	**1.5**	**1.3**	**1.1**	**1.0**	**0.8**	**0.7**
Adjusted Consol BV	152	192	212	250	290	341	407
Price-Consol ABV (x)	**2.6**	**2.3**	**2.1**	**1.8**	**1.5**	**1.3**	**1.1**
EPS (INR)	-7.7	1.0	16.2	22.9	35.5	47.5	58.4
Change (%)	NM	NM	NM	40.9	55.2	33.8	23.1
Price-Earnings (x)	**NM**	**NM**	**15.5**	**11.0**	**7.1**	**5.3**	**4.3**
Consol EPS (INR)	-5.3	2.6	22.1	25.1	39.6	53.3	66.6
Change (%)	NM	NM	NM	13.3	57.9	34.4	24.9
Price-Consol EPS (x)	**NM**	**NM**	**20.1**	**17.8**	**11.2**	**8.4**	**6.7**

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.

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