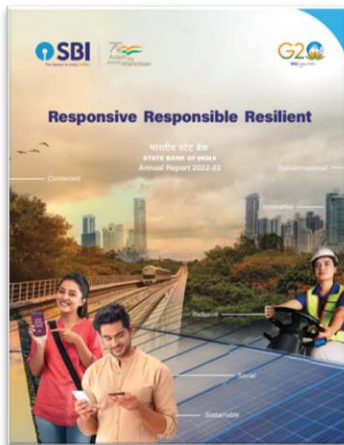


BSE SENSEX 63,385  
S&P CNX 18,826

**CMP: INR571 TP: INR700 (+23%) Buy**

Motilal Oswal values your support in the Asiamoney Brokers Poll 2023 for India Research, Sales, Corporate Access and Trading team. We request your ballot.



#### Stock Info

Bloomberg	SBIN IN
Equity Shares (m)	8925
M.Cap.(INRb)/(USDb)	5098.6 / 62.2
52-Week Range (INR)	630 / 431
1, 6, 12 Rel. Per (%)	-5/-8/7
12M Avg Val (INR M)	8354
Free float (%)	43.1

#### Financials Snapshot (INR b)

Y/E March	FY23	FY24E	FY25E
NII	1,448	1,659	1,826
OP	837	979	1,105
NP	502	589	668
NIM (%)	3.2	3.3	3.2
EPS (INR)	56.3	66.0	74.8
EPS Gr. (%)	58.6	17.2	13.4
ABV (INR)	311	370	436
Cons. BV (INR)	385	456	538

#### Ratios

RoE (%)	18.1	18.1	17.7
RoA (%)	1.0	1.0	1.0

#### Valuations

P/BV (x) (Cons.)	1.5	1.3	1.1
P/ABV (x)	1.2	1.0	0.9
P/E (x)	6.7	5.7	5.0

## Balance sheet strengthens further; RoA/RoE surpass long-term average

### Tech becoming key growth enabler; net NPAs lowest in past two decades

- State Bank of India's (SBIN) FY23 annual report highlights that the bank is steadily strengthening its balance sheet and consistently delivering healthy RoE while maintaining its leadership position.
- The bank continues to focus on building a superior loan book, as evident in a steady decline in stressed assets, improving PCR and robust loan growth (17% in FY23).
- The Retail segment reported a 2.5x jump in PBT after the Corporate segment showed a 5x increase in PBT in FY22. SBIN has delivered an earnings CAGR of 51% over FY20-23 and crossed a key milestone of INR500b of profits in FY23.
- On the digital front, YONO continued to set new records with ~143m downloads and ~60m registered users, along with average daily logins of ~10.3m. SBIN sanctioned 1.39m digital loans worth INR243b and opened 64% of savings accounts through YONO in FY23.
- SBIN reported further improvement in asset quality, with PCR improving to 76% (98.6% on the corporate book) in FY23. Controlled restructuring (0.8%), low SMA pool (10bp) and 100% coverage on SR portfolio provide comfort and would keep credit costs under control. We reiterate BUY with a TP of INR700.

### Loan growth gaining traction; auto loans, Xpress credit up 23% YoY

SBIN delivered steady 17% YoY loan growth in FY23 (~12% in FY22), led by robust 18% YoY growth in the Retail segment. Within Retail, home loans grew 14% YoY, while vehicle financing and Xpress credit grew 23% YoY each. The total size of Xpress credit increased to ~INR3.04t, with the segment having the best-in-class GNPL ratio of 0.6%. We estimate SBIN to sustain a 13% CAGR in loans over FY23-25, driven by steady trends in Retail and a further recovery in Corporate loans.

### Deposit share steady; high mix of MCLR loans to aid NII growth

Deposits grew 9% YoY to INR44.2t in FY23 amid heightened competition for liabilities. The bank maintained a healthy deposit market share, and its CASA mix also remained relatively steady at ~44%. SBIN has a high mix of MCLR/ floating rate/EBLR loans (75% of total), which puts it in a favorable position to maintain healthy margins even as deposit re-pricing gathers pace. In addition to the above factors, a gradual increase in the CD ratio should support a ~12% CAGR in NII over FY23-25E.

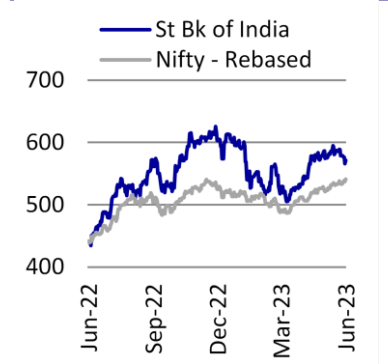
### Treasury performance to improve as bond yields have likely peaked

SBIN is well positioned to benefit from the moderation in bond yields on its treasury portfolio as the rate environment has eased over the past few months. The 10-year G-Sec has moderated to 7.0% in the past 12 months from highs of 7.6%. SBIN booked minor treasury losses in FY23 as bond yields were high for most of the year; however, with AFS mix of 37%, the bank is well positioned to improve its treasury performance in FY24. We, thus, estimate a 12% CAGR in other income over FY23-25 (10% decline in FY23).

**Shareholding pattern (%)**

As On	Mar-23	Dec-22	Mar-22
Promoter	56.9	56.9	56.9
DII	25.0	25.1	24.5
FII	10.8	11.0	11.0
Others	7.3	7.0	7.5

FII Includes depository receipts

**Stock Performance (1-year)****Retail profitability jumps ~2.5x; NIMs expand 25bp in FY23**

Among the segments, Retail reported strong 165% YoY growth in PBT, contributing ~46% to total profits (vs. 24% in FY22). Corporate segment revenue increased 32% YoY and PBT grew 8% YoY (5x in FY22), contributing ~40% to total profits. Treasury performance, however, was under pressure as the bank reported a decline of 31% YoY in treasury PBT. Margins expanded 25 bps to 3.37% in FY23 vs 3.12% in FY22. The bank believes that it has some further cushion in terms of MCLR re-pricing that is likely to support margins.

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

SBIN has emerged as a leader in debit card spending, POS terminals, ATMs and mobile banking transactions (both in volume and value terms). YONO has witnessed ~143m downloads and has ~60m registered users, with average daily logins of ~10.3m. SBIN sanctioned 1.39m digital loans worth INR243b. On the liability side, out of the total 12.4m savings accounts opened in FY23, 64% were opened through YONO. 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.

**High opex in FY23; C/I ratio to moderate to ~52% by FY25E**

SBIN made provisions of INR190b toward employee and retirement-related expenses and spent INR25b toward wage revision in FY23, which kept the overall staff expenses elevated. Excluding pension/gratuity provisions, staff expenses posted an 8% CAGR over FY18-23. The C/I ratio, thus, was high at 54% in FY23. With the headcount remaining under control (235k in FY23 vs. 244k in FY22 and 280k in FY17), we expect overhead expenses to remain in check. We, thus, estimate the cost-to-income and cost-to-assets ratios to moderate to 51.6% and 1.8%, respectively, by FY25.

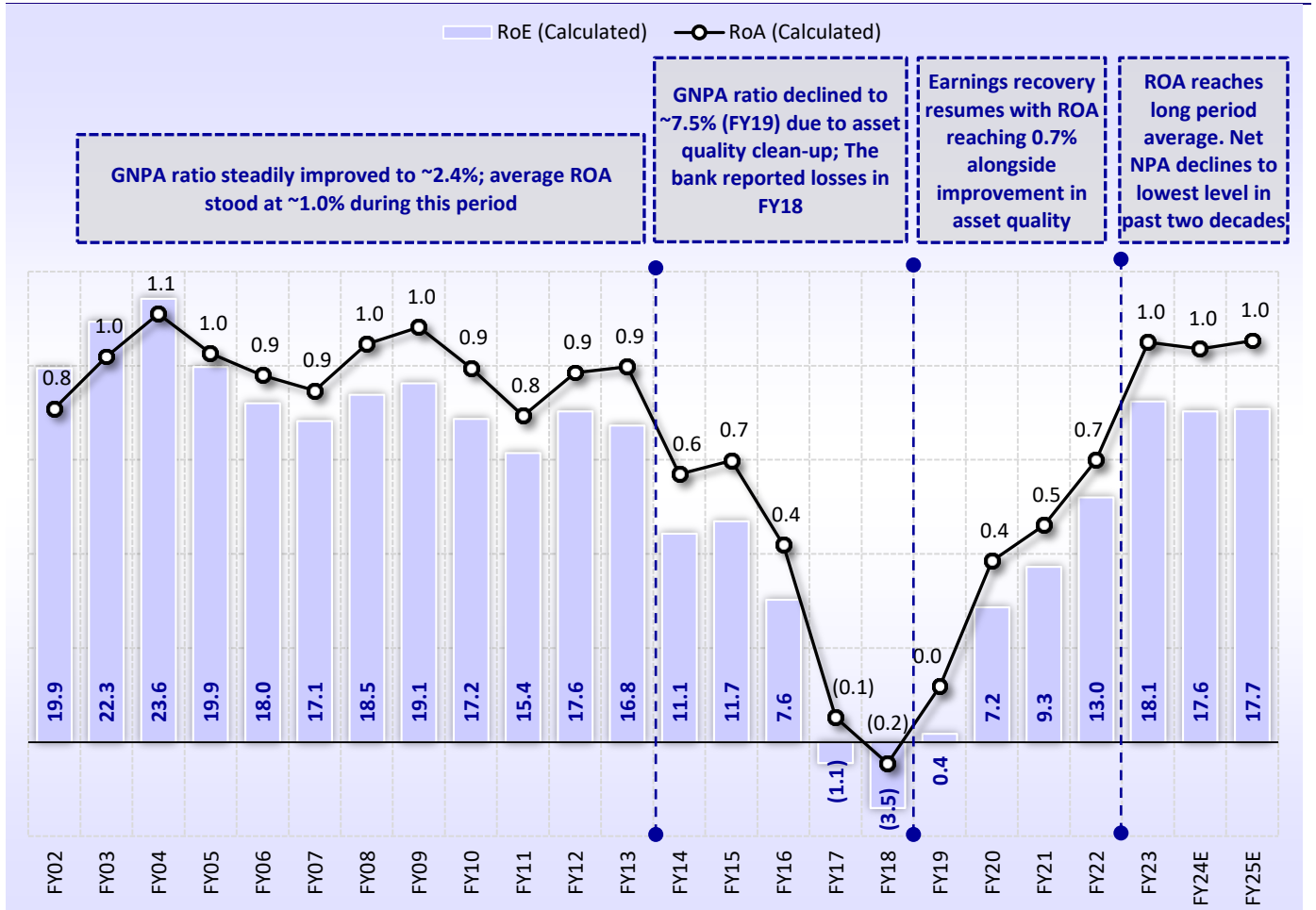
**Controlled slippages to keep credit cost in check**

SBIN's continued focus on improving underwriting standards has resulted in controlled slippages of 0.6%, the lowest among top banks, and negligible SMA book (10bp). The NNPA ratio dropped to 0.68% in FY23, while PCR increased to 76% (98.6% on corporate book). High AUCA book at INR17.5t with recoveries in the 4-9% range will aid recoveries and limit the overall provisioning requirement. Further, the SR book was negligible at INR3.2b in FY23, which is fully provided for. An additional provision of INR76.4b on restructured assets also provides comfort. We thus estimate GNPA/NNPA ratios to moderate to 2.0%/0.4% by FY25E.

**Valuation and view: RoE to sustain at 18% over FY24-25E; reiterate BUY with a TP of INR700**

SBIN delivered a strong performance in FY23, propelled by steady business/revenue growth and controlled provisions. We estimate 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 margins even as the cost of deposits picks up at a faster pace. Asset quality performance has been strong and the outlook remains healthy as restructured book remains in control at 0.8% and the SMA pool has declined further to 10bp of loans. We estimate the credit cost to remain in control at 0.5% over FY23-25, enabling a 15% earnings CAGR over FY23-25E. We estimate SBIN to deliver sustainable RoA/RoE of ~1.0%/18% over FY23-25. **SBIN remains our preferred BUY in the sector with a TP of INR700 (premised on 1.1x FY25E ABV + INR205 from subs).**

Exhibit 1: Earnings trajectory over past two decades – RoA reaches long period average



Source: Company, MOFSL

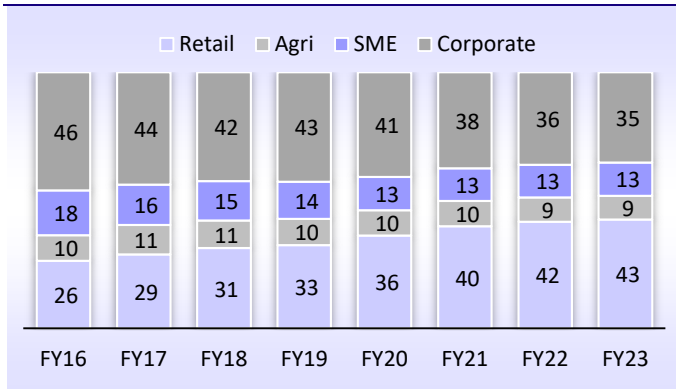
## Delivering robust growth with superior underwriting

~33%/~19% market share in Home Loans/Auto Loans; Xpress credit a key growth driver

About 43% of corporate loans were toward PSUs or govt. undertakings

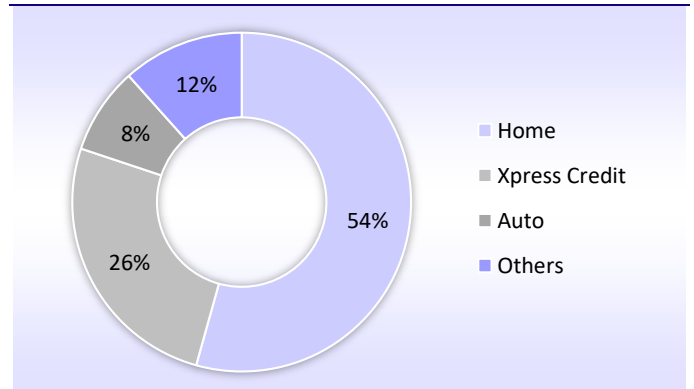
- SBIN has delivered steady 17% YoY loan growth in FY23 (vs. 9% CAGR over FY18-22) while focusing on building a granular and high-quality loan portfolio. Its Retail business grew strongly at 17.6% YoY and remained the key growth driver as it constituted ~43% of the total loan book (vs. ~42% in FY22).
- Within Retail Loans, Home Loans/Xpress Credit grew ~14%/23% YoY, and Auto Loans rose ~23% YoY to ~975b. **Xpress Credit has seen the fastest growth rate, primarily driven by the YONO platform; Xpress Credit amounted to INR3.04t. Together, Home Loans and Xpress Credit portfolios formed ~80% of the total Retail portfolio as of FY23. SBIN is the market leader in Home Loans/Auto Loans, with a market share of ~33%/~19% as of FY23.**
- On the wholesale front, SBIN is witnessing a healthy pick-up in corporate loan growth, led by improved demand and utilization levels even as the bank focuses on a high-quality portfolio. **About 82% of Corporate Loans are rated A and above.**
- About 43% of corporate loans as of FY23 were toward PSUs or other 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 a credit cost well below its long-term average.

Exhibit 2: Loan mix (%) –Retail inching up, stood at 43% as of FY23



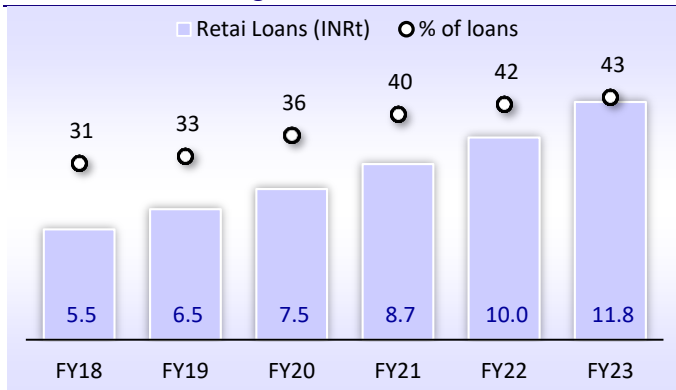
Source: MOFSL, Company

Exhibit 3: Retail Loans geared toward Housing Loans and Xpress Credit (FY23)



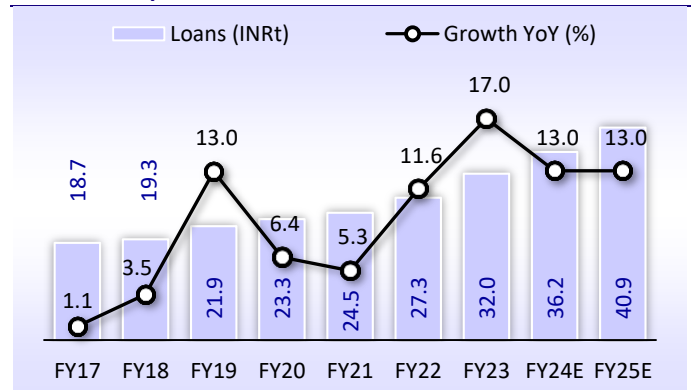
Source: MOFSL, Company

Exhibit 4: Retail loans grew 43% YoY in FY23



Source: MOFSL, Company

Exhibit 5: Expect loans to clock 13% CAGR over FY23-25E



Source: MOFSL, Company

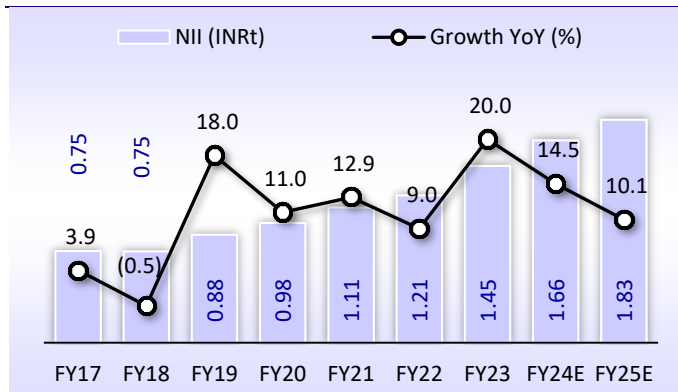
**NII driven by healthy loan growth and 25bp NIM expansion**

**Robust funding profile and high mix of MCLR-linked loans to support NIMs**

Higher mix of floating loans (MCLR), which would benefit from re-pricing, will continue to support NII and overall earnings even as deposit costs could rise.

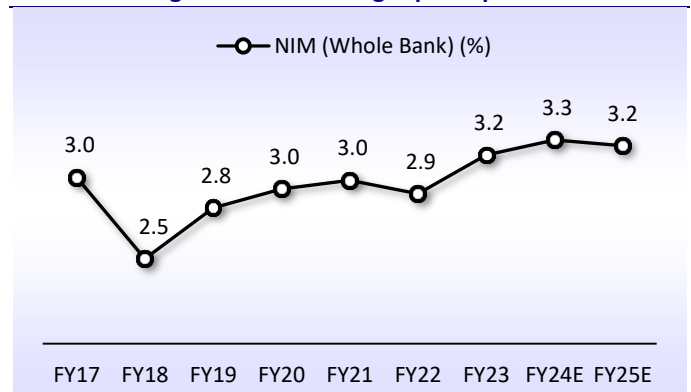
- SBIN has been steadily growing its deposit base, up 9% YoY to INR44.2t in FY23. Despite higher rates being offered by competition, the management does not foresee any challenges in garnering deposits, even at such a large base. The bank maintains its leadership in liability franchise with a deposit a market share of 23% in FY23. We expect deposits to report a healthy 10% CAGR over FY23-25, with a focus on garnering Retail deposits.
- As we are in a rising interest rate cycle, SBIN will benefit from the lagged repricing of the floating portfolio, particularly linked to MCLR, even as the deposit cost will increase successively. About 75% of the bank’s loans are floating in nature , which helps SBIN maintain healthy margins. The domestic CD ratio for the bank too remains in control at ~65%, which will further support margins. We thus estimate a ~12% CAGR in NII over FY23-25.

**Exhibit 6: We estimate 12% CAGR in NII over FY23-25**



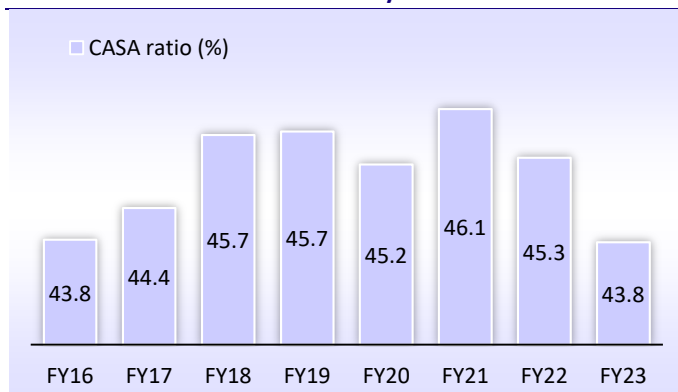
Source: MOFSL, Company

**Exhibit 7: Margin to witness a slight pick-up in the near term**



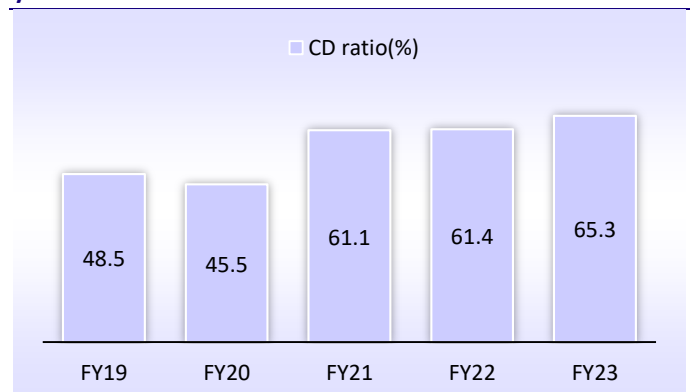
Source: MOFSL, Company

**Exhibit 8: CASA ratio stood healthy at 43.8%**



Source: MOFSL, Company

**Exhibit 9: Domestic CD ratio shows an increasing trend over years**



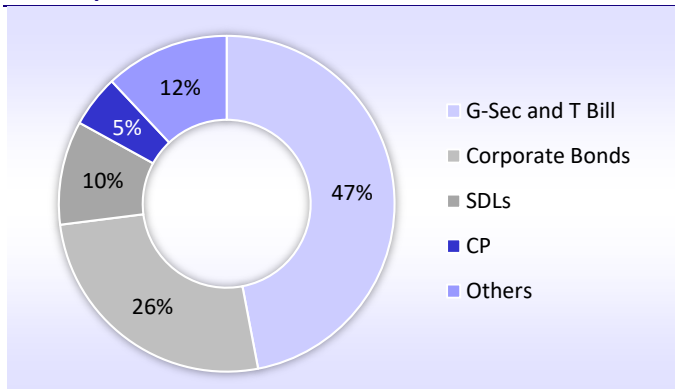
Source: MOFSL, Company

## Muted treasury performance in FY23

### Well positioned to benefit from moderation in bond yields

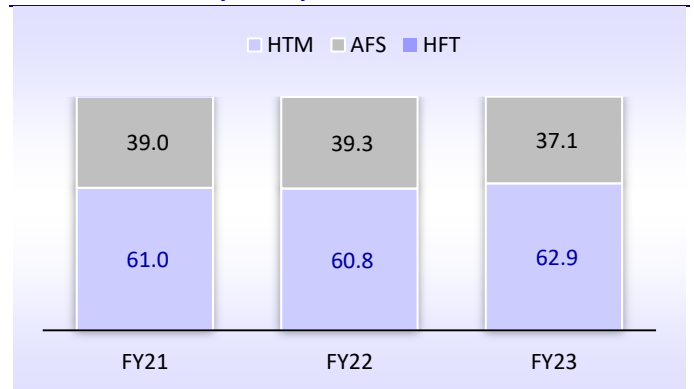
- SBIN is well positioned to benefit from the moderation in bond yields on its treasury portfolio as the rate environment has eased over past 4-5 months. The 10-year G-Sec has moderated to 7.0% in the past 12 months from highs of 7.6% in Jun'22.
- SBIN booked minor treasury losses in FY23 (Exhibit 12) as bond yields stood elevated mainly during the first three quarters of FY23, with the bank reporting a loss of INR65.5b in 1QFY23. Over the year, the bank thus slightly reduced the mix of AFS investment to ~37% from ~39% in FY22.
- The bank's fixed income portfolio was dominated by G-Sec, T-Bills, and Corporate Bonds, accounting for ~73% of total investments.

**Exhibit 10: ~73% of SBIN's investment was in G-Sec, T-Bills, and Corporate Bonds**



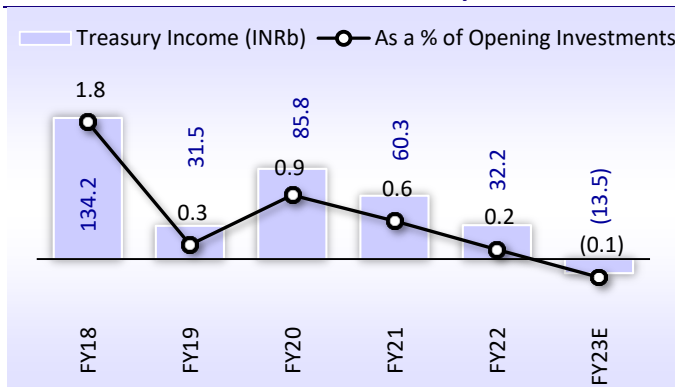
Source: Company, MOFSL

**Exhibit 11: Breakdown of domestic investments – HTM and AFS share relatively steady**



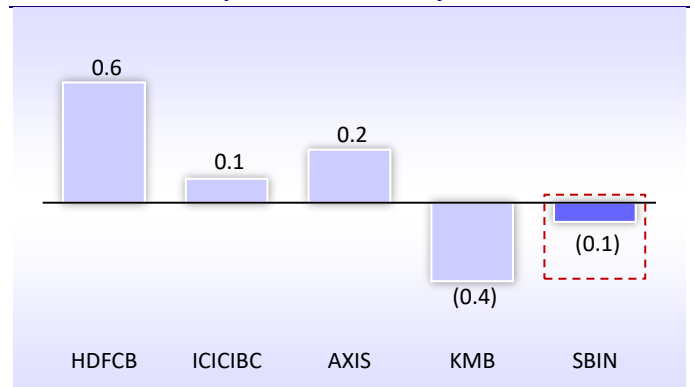
Source: Company, MOFSL

**Exhibit 12: SBIN incurred a minor treasury loss in FY23**



Source: MOFSL, Company

**Exhibit 13: Treasury income across major banks**



Source: MOFSL, Company



## Building strong digital capability

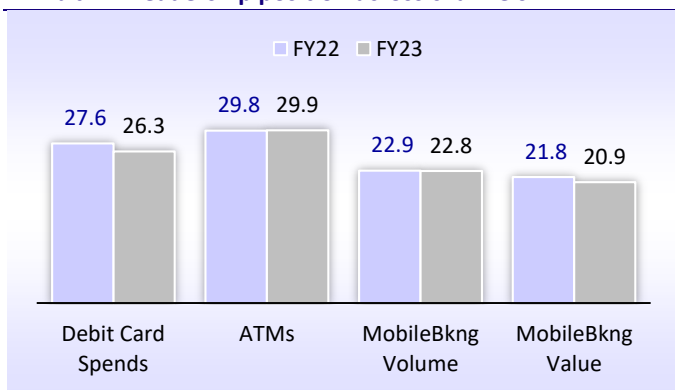
### YONO continues to gain scale

- The YONO app, SBIN’s flagship digital offering, is helping the bank accelerate its digital footprint in all areas of operations. The primary objective of YONO is to create momentum in customer acquisition at a low cost and facilitate cross-sell opportunities to existing customers.
- The YONO application continued to set new records, with ~143m downloads and ~60m registered users, along with average daily logins of ~10.3m, as of FY23.
- SBIN rolled out YONO Krishi for the Agriculture segment. The bank has also unveiled a similar offering for its Corporate customers to cater to their varied needs seamlessly.
- Under YONO, the bank also promoted the initiative of saving papers in FY23, which resulted in the reduction of 555.45 MT of paper waste and 692.61 MtCO<sub>2</sub>e of GHG emissions.
- SBIN sanctioned 1.39m digital loans worth INR243b in FY23. Around 209k current accounts were opened through YONO in FY23. About 97% of transactions were executed through alternate channels. A total of 1.23m pre-approved personal loan accounts have been opened through YONO.
- Around 12.4m savings accounts were opened in FY23, with 64% being opened through YONO. Around 11,547 digital import LCs with a value of INR 1.04t were initiated through YONO.
- SBIN continues to be the leading bank in NPS registrations with a market share of 22%. Around 80% of the total NPS accounts were opened digitally.

### Digital leadership across channels

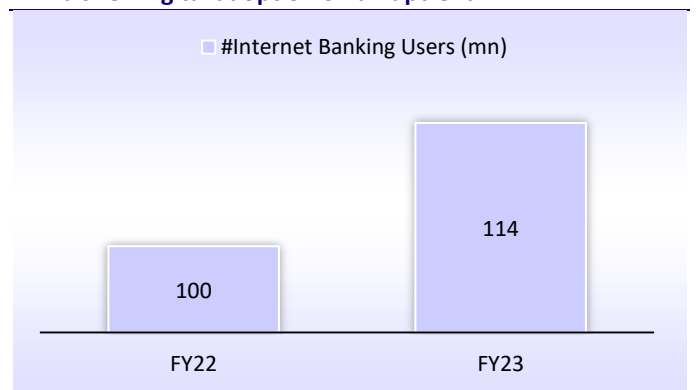
- SBIN has established leaderships across debit card spending, POS terminals, ATMs, and mobile banking transactions (both in volume and value terms). Given its huge customer base and focus on continuous improvement in its digital experience, the bank will maintain its pole position in most segments.

Exhibit 14: Leadership position across channels



Source: Company, MOFSL

Exhibit 15: Digital adoption on an uptrend

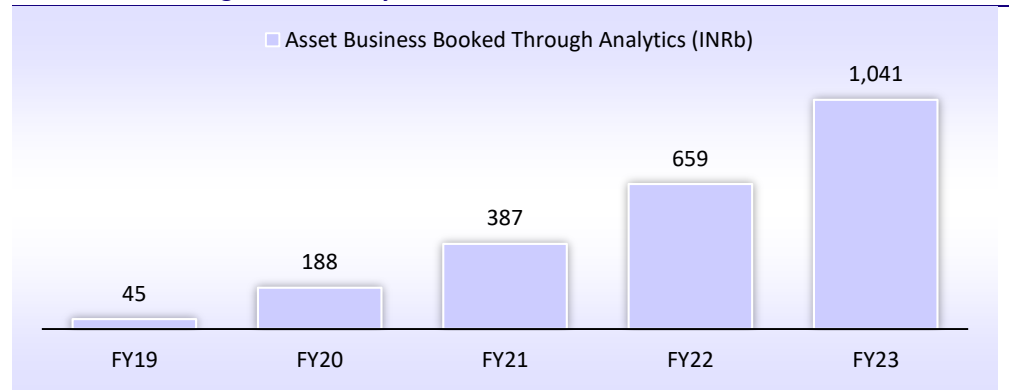


Source: Company, MOFSL

- The bank has the highest market share in remittances at 26% and successfully processed the peak volume of UPI transactions, approximately 165m transactions every day in FY23.

- SBIN's ATM network accounted for ~30% of the country's total ATM and handles the highest share of cash dispensation (34%) in the country. Further, the bank had a 20.89% market share in mobile banking transactions in value as of FY23.
- Due to the extensive use of analytics in sourcing/generating business, the bank is continuously increasing the size of the book generated through these mechanisms.
- **Pre-approved personal loan (PAPL) is a focus area** for the management as it generates 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 cross-sell leads for Health, Life and Motor Insurance.
- 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.

**Exhibit 16: Robust growth in analytics-led business**



Source: Company, MOFSL

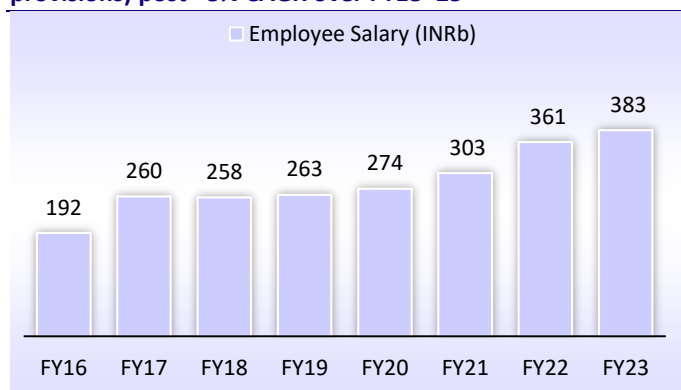


## Digitalization to help contain cost and raise productivity

### Staff expenses elevated due provisioning toward wage revision

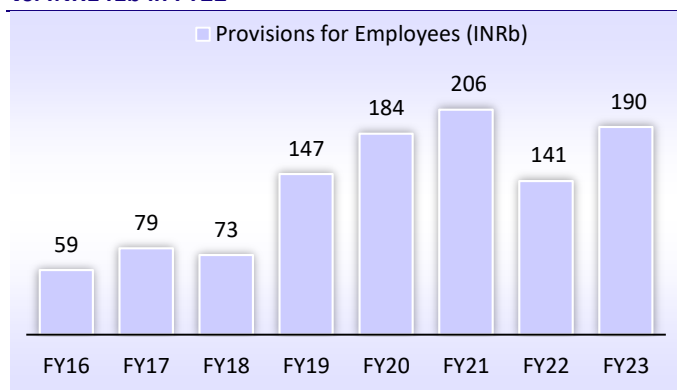
- SBIN made provisions of INR190b toward employee and retirement-related expenses and spent INR25b toward wage revision in FY23, which kept the overall staff expenses elevated. Excluding pension/gratuity provisions, staff expenses increased 14% YoY in FY23 vs. a 9% CAGR over FY19-23.
- The C/I ratio stood at 54% in FY23, which is higher due to INR5b monthly allocation of wage revision. SBIN has rigidity in its cost due to higher retirement benefit costs. However, rationalization is expected in the headcount (declined to ~235k in FY23 from 280k in FY17), we anticipate staff overhead expenses to remain in check. Other factors that could help to control operation expenses include: 1) the rationalization of branches, with focus on increasing the business per branch, and 2) improving productivity, owing to technological initiatives undertaken by the bank on the digital front. We thus estimate the C/I ratio to moderate to 51.6% and the cost-to-assets ratio to remain stable at 1.8% by FY25E.

**Exhibit 17: Employee expenses (excl. pension/gratuity provisions) post ~8% CAGR over FY18-23**



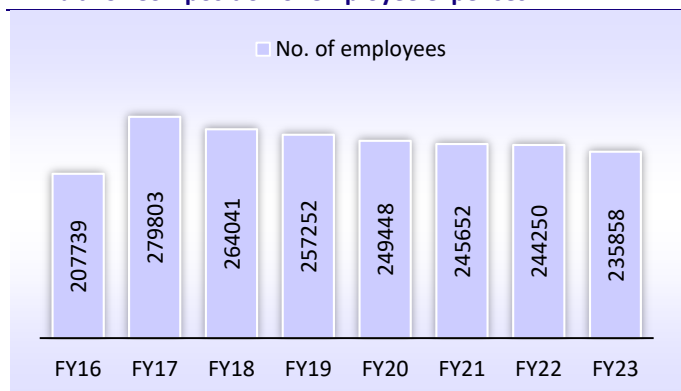
Source: Company, MOFSL

**Exhibit 18: Provisions for employees increased to INR190b vs. INR141b in FY22**



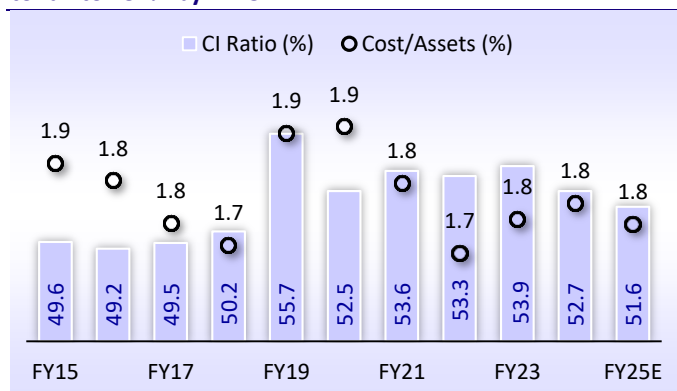
Source: Company, MOFSL

**Exhibit 19: Composition of employee expenses**



Source: Company, MOFSL

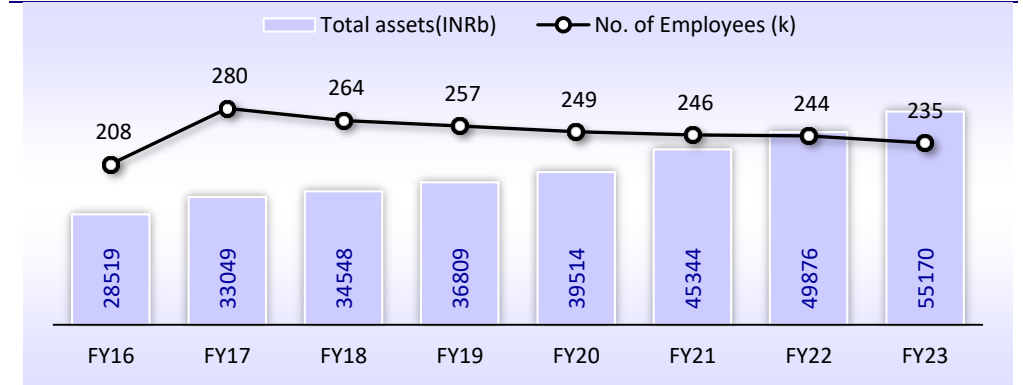
**Exhibit 20: Cost/Asset trend lower vs. peers; expect C/I ratio to fall to ~52% by FY25E**



Source: Company, MOFSL

**Exhibit 21: Trend showing increase in total assets and decline in no. of employees**

SBI is the only bank that is witnessing an increase in total asset but a decline in the no. of employees.

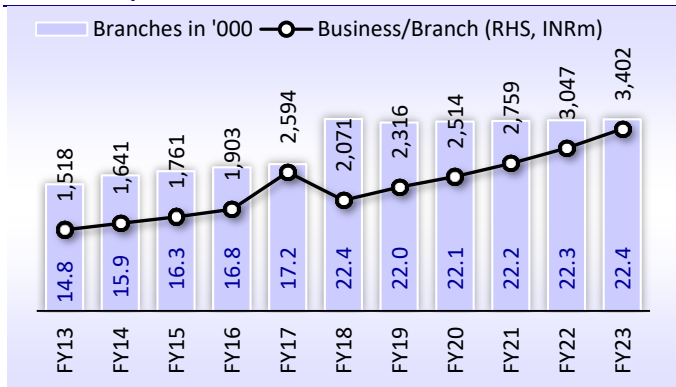


Source: Company, MOFSL

**Business productivity constantly improving; SA per branch rises to INR709m**

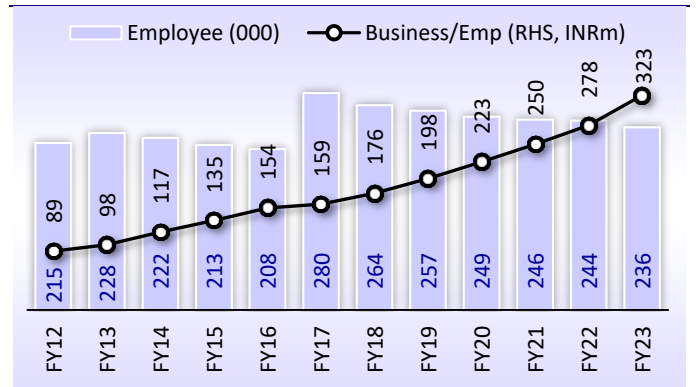
SBIN has been focusing on improving branch productivity by leveraging technology. Its business per branch improved to INR3.4b in FY23 (from INR3.0b in FY22) and business per employee increased to INR323m in FY23 (from INR278m in FY22). Further, SA per branch improved to INR709m in FY23 (from INR686m in FY22), indicating improved productivity and operational efficiency at the branch level.

**Exhibit 22: Business/branch consistently improving; came in at INR3.4b per branch**



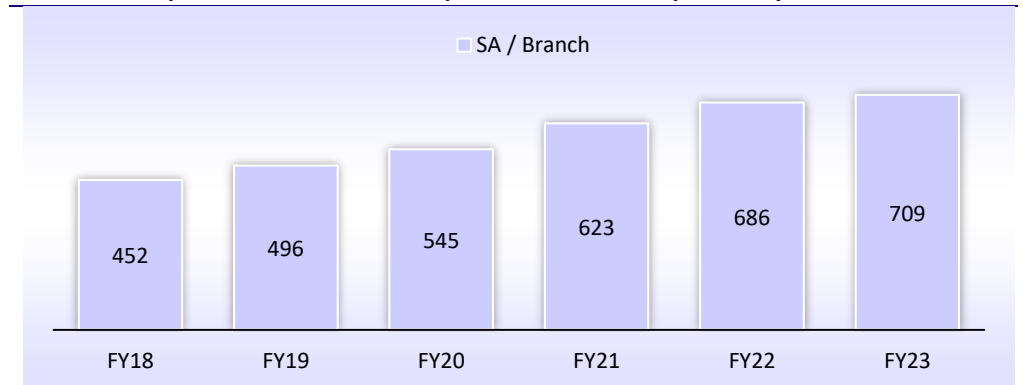
Source: Company, MOFSL

**Exhibit 23: Business/employee increased to INR323m vs. INR278m in FY22**



Source: Company, MOFSL

**Exhibit 24: SA per branch – constant improvement over the past few years**



Source: Company, MOFSL

**Retail segment profitability jumps ~2.5x; treasury performance muted**

Among the segments, Retail reported strong 165% growth YoY in PBT. It contributed ~46% to total profits (vs. 24% in FY22), supported by lower provisions, as revenue growth otherwise stood at 21% YoY. Corporate segment revenues increased 32% YoY and PBT grew 8% YoY, contributing ~40% to total profits. Treasury performance, however, was under pressure as the bank reported a decline of 31% YoY in treasury PBT to INR95b, which contributed ~13% to total profits in FY23.

**Exhibit 25: Segmental trends across business verticals – Retail segment profit zooms 165% YoY**

INR b	Assets				Revenue				PBT			
	FY20	FY21	FY22	FY23	FY20	FY21	FY22	FY23	FY20	FY21	FY22	FY23
Retail	15,806	18,150	20,212	23,105	1,309	1,318	1,385	1,669	181	94	125	332
<b>YoY growth</b>	<b>6%</b>	<b>15%</b>	<b>11%</b>	<b>14%</b>	<b>8%</b>	<b>1%</b>	<b>5%</b>	<b>21%</b>	<b>42%</b>	<b>-48%</b>	<b>33%</b>	<b>165%</b>
Corporate	11,776	11,976	13,022	14,929	902	818	744	980	-40	51	270	290
<b>YoY growth</b>	<b>4%</b>	<b>2%</b>	<b>9%</b>	<b>15%</b>	<b>15%</b>	<b>-9%</b>	<b>-9%</b>	<b>32%</b>	<b>NA</b>	<b>LP</b>	<b>424%</b>	<b>8%</b>
Treasury	11,345	14,531	16,132	16,655	751	919	1,000	1,019	157	171	137	95
<b>YoY growth</b>	<b>13%</b>	<b>28%</b>	<b>11%</b>	<b>3%</b>	<b>-3%</b>	<b>22%</b>	<b>9%</b>	<b>2%</b>	<b>114%</b>	<b>-1%</b>	<b>-12%</b>	<b>-31%</b>

Source: MOFSL, Company

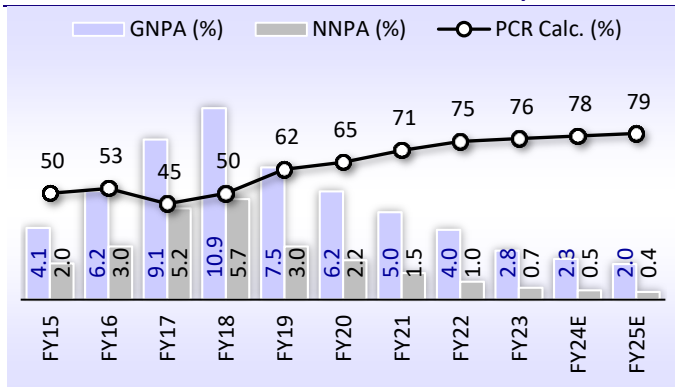
## Strong underwriting drives reduction in credit cost

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

- SBIN’s continued focus on improving its underwriting standards and strengthening its balance sheet has helped the bank improve asset quality ratios. As a result, the bank’s NNPA ratio moderated to 0.7% in FY23 (GNPAs declining further 19% in FY23). Conversely, the coverage ratio increased to 76.2%. Overall improvement has been far higher than peers, including private peers. Even the slippage ratio came in **at 0.6% – the lowest among top banks, including private peers.**
- Restructuring:** Total restructured book stands at INR243b (0.8% of loans), led by Retail and SME segments. SBIN is not witnessing any unusual behavior and expects the overall stress to be under control. Net stressed loans stood at 0.8% of total loans in FY23 vs. 1.2% in FY22.
- We believe that improvement in underwriting standards, negligible SMA book and higher provisions on stressed accounts should keep incremental slippages under control. Thus, we expect GNPA/NNPA ratios to moderate to 2.0%/0.4% by FY25E and credit cost to undershoot long-term trends at 0.5% over FY23-25.

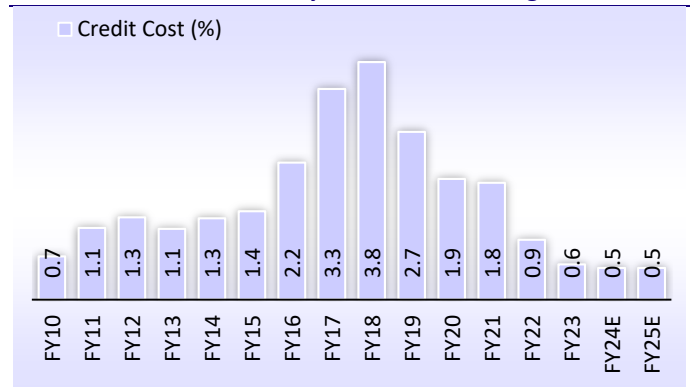
Slippage ratio at 0.6% was the lowest among the top banks, including private peers

Exhibit 26: NNPA moderated to ~0.7%; PCR improve to 76%



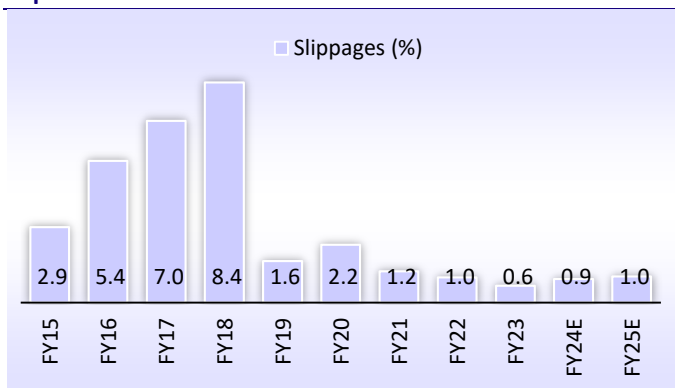
Source: Company, MOFSL

Exhibit 27: Credit cost likely to undershoot long-term trends



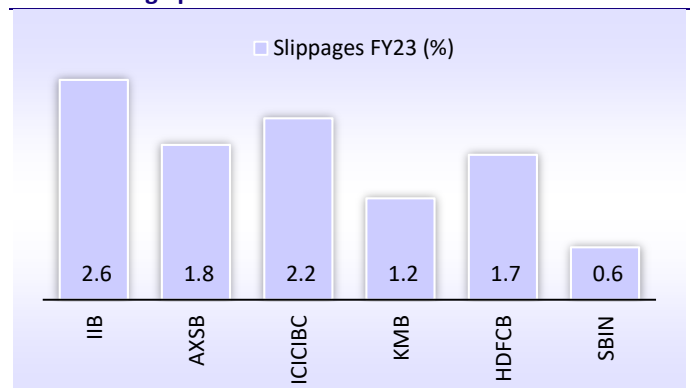
Source: Company, MOFSL

Exhibit 28: SBIN continues to see moderation in slippage; expect it to remain in check



Source: Company, MOFSL

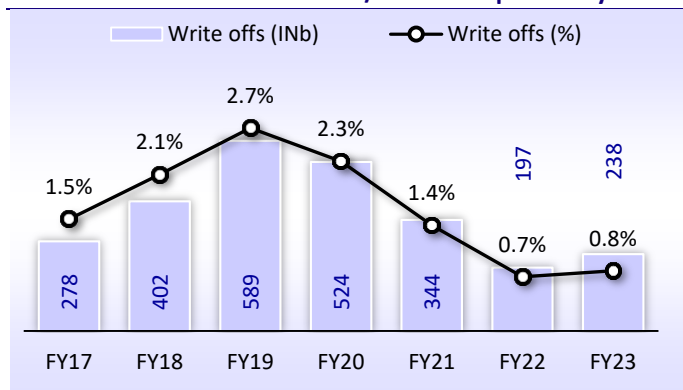
Exhibit 29: Slippage ratio among the lowest; better than even the large private banks



Source: Company, MOFSL

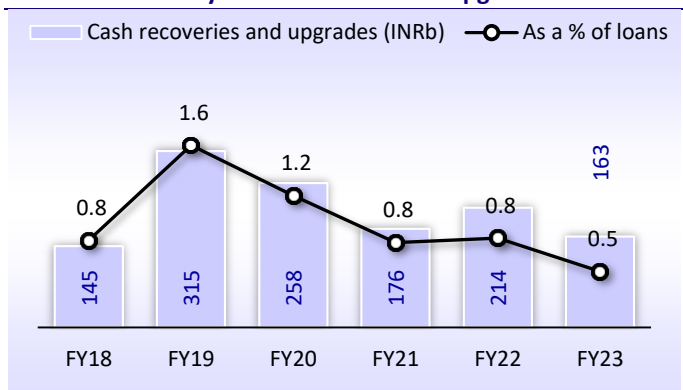
- Notably, the **AUCA book for SBIN stood at INR1.75t**, significantly higher than the GNPA pool. Over the past five years, the bank has recovered ~INR425b from the AUCA book and we expect recovery trends to remain healthy, further supported by the sale of bad loans to NARCL.
- SMA 1 and 2 for the bank stood at INR32.6b (10bp of loans), lower than peers, including large private banks. Further, the bank’s Power/Telecom exposures remained comfortable, with the bulk of the exposure toward PSU entities and better-rated corporates. **Asset quality of the Retail segment has been stellar, much better than private peers, which provides further comfort.**

**Exhibit 30: SBIN saw ~INR1.9t w/o over the past five years**



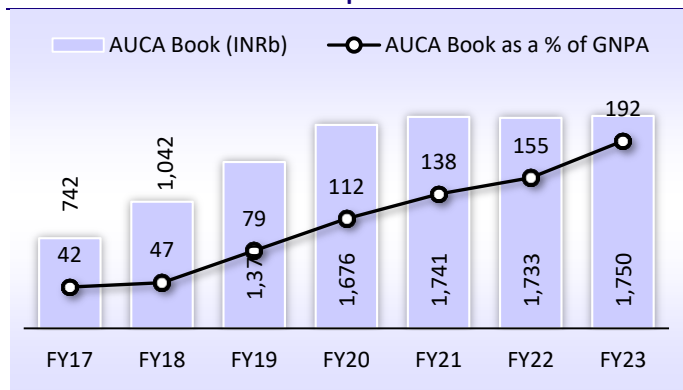
Source: Company, MOFSL

**Exhibit 31: Healthy cash recoveries and upgrades**



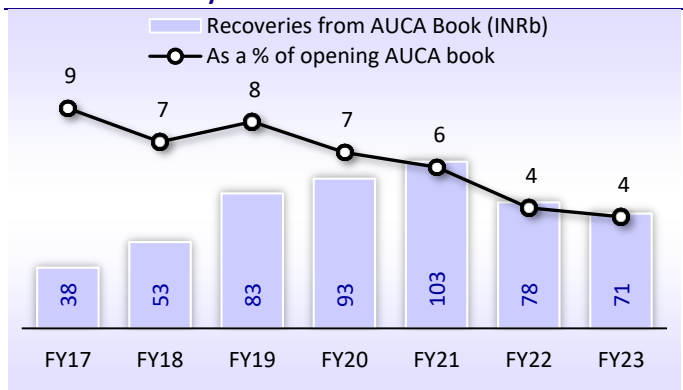
Source: Company, MOFSL

**Exhibit 32: SBIN carried AUCA pool of INR1.75t**



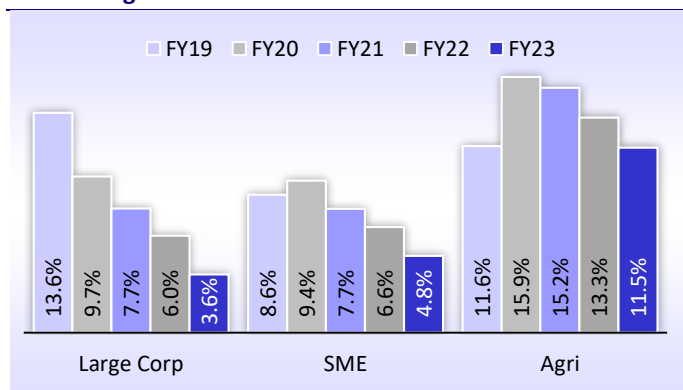
Source: Company, MOFSL

**Exhibit 33: Healthy recoveries from AUCA book**



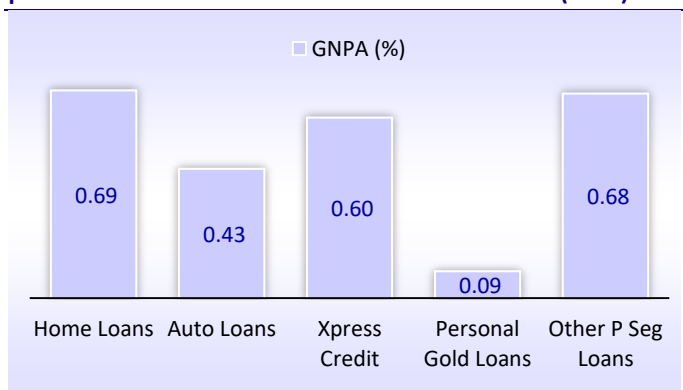
Source: Company, MOFSL

**Exhibit 34: Trend in NPL ratios across sectors – moderation in most segments**



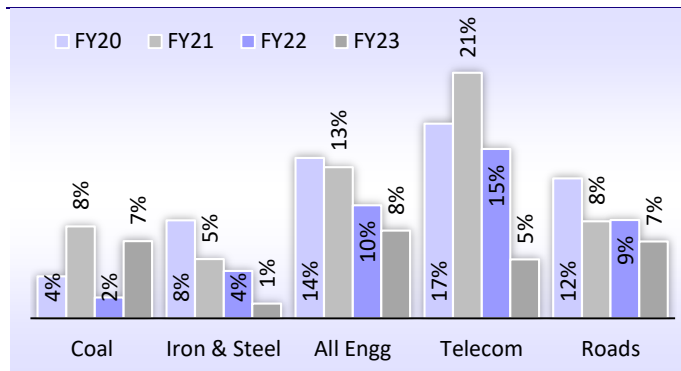
Source: Company, MOFSL

**Exhibit 35: Asset quality in Retail segment better than large private banks – GNPA at 0.6% of total retail loans (FY23)**



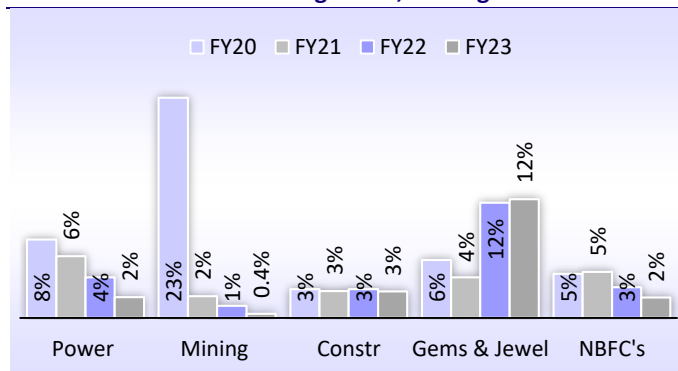
Source: Company, MOFSL

Exhibit 36: NPL ratios in stressed sectors moderate...



Source: Company, MOFSL, Basel III disclosure

Exhibit 37: ...across most segments, barring Coal



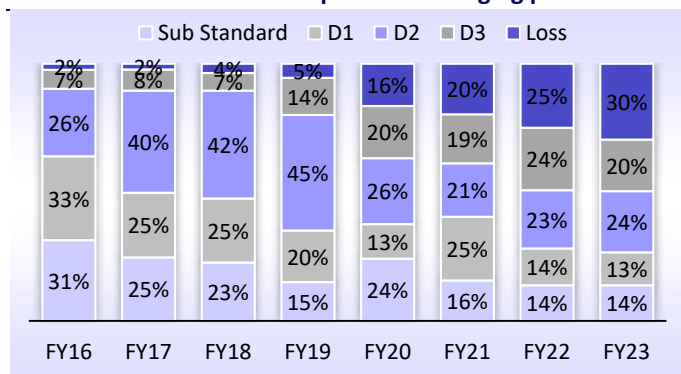
Source: Company, MOFSL, Basel III disclosure

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

- The mix of Loss and D-3 assets combined increased to 50% (vs. 39% in FY21). This indicates 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 ~22% of GNPA. The GNPA ratio for the non-priority sector declined to 2.0% in FY23 (from 2.8% in FY22), due to a drop in Industry/Agriculture GNPA ratios to 4.0%/6.8% (from 5.8%/8.4%). For the priority sector, the GNPA ratio declined to 5.7% in FY23 (from 7.7%), led by a decline in Agri GNPA to 11.6% (from 13.3%), Industry GNPA to 5.1% (from 8.5%) and Services GNPA to 2.5% (from 6.5%) in FY23.

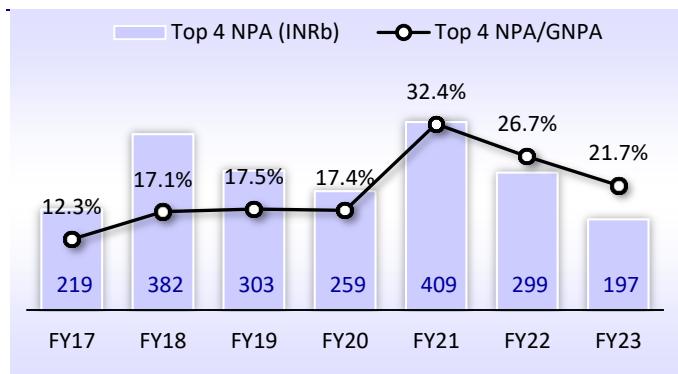
Mix of Loss and D-3 assets combined increased to 50% (vs. 39% in FY21)

Exhibit 38: Higher proportion of Loss and D-3 category accounts reflected lower requirement of aging provisions



Source: Company, MOFSL

Exhibit 39: Concentration of Top 4 NPA accounts moderated to ~22% of GNPA



Source: Company, MOFSL

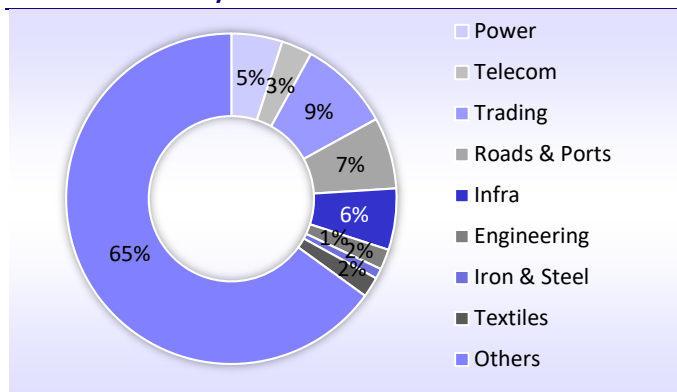
Exhibit 40: GNPA for non-priority/priority sector moderated across segments, barring Services

INR b	FY20		FY21		FY22		FY23	
	O/s advances	GNPA (%)	O/s advances	GNPA (%)	O/s advances	GNPA (%)	O/s advances	GNPA (%)
<b>Priority Sector</b>								
Agriculture	2,042	16.0%	2,128	15.2%	2,263	13.4%	2,560	11.5%
Industry	1,011	18.5%	930	12.1%	1,280	8.5%	1,090	5.1%
Services	839	6.3%	1,221	8.4%	1,534	6.5%	1,615	2.5%
Personal loans	1,668	1.9%	1,715	1.4%	1,879	1.2%	1,993	1.1%
<b>Total (A)</b>	<b>5,559</b>	<b>10.7%</b>	<b>5,994</b>	<b>9.4%</b>	<b>6,956</b>	<b>7.7%</b>	<b>6,956</b>	<b>5.7%</b>
<b>Non-Priority Sector</b>								
Agriculture	22	10.3%	16	13.2%	24	8.4%	29	6.8%
Industry	10,543	7.1%	6,781	7.0%	6,933	5.8%	7,511	4.0%
Services	2,216	4.4%	5,602	3.2%	6,106	2.2%	8,081	1.8%
Personal loans	5,887	0.8%	7,001	0.7%	8,167	0.7%	9,814	0.5%
<b>Total (B)</b>	<b>18,669</b>	<b>4.8%</b>	<b>19,400</b>	<b>3.6%</b>	<b>21,230</b>	<b>2.8%</b>	<b>21,230</b>	<b>2.0%</b>
<b>Total (A+B)</b>	<b>24,228</b>	<b>6.1%</b>	<b>25,394</b>	<b>5.0%</b>	<b>28,187</b>	<b>4.0%</b>	<b>28,187</b>	<b>2.8%</b>

Source: Company, MOFSL

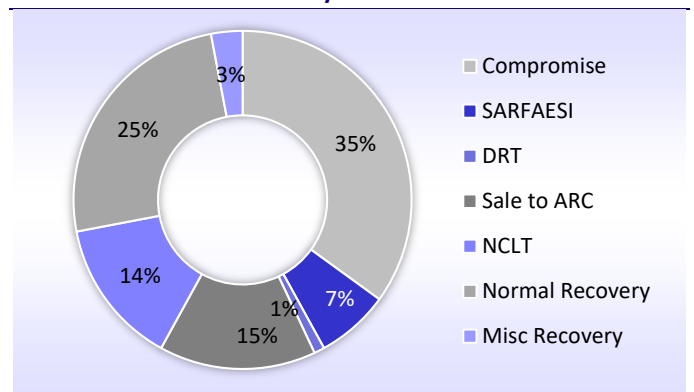
- Floating provisions and lower SR book provide comfort:** The bank held floating provisions of ~INR1.9b and standard assets provisions of INR200b in FY23. **Further, the SR book stood negligible at INR3.2b in FY23, which is fully provided for.** An **additional provision of INR76.4b on restructured Standard assets** over and above regulatory requirement provides comfort.
- Sensitive sector exposure:** The bank's Commercial Real Estate exposure moderated to INR504b in FY23 (from INR684b in FY22), corresponding to 1.6% of total loans; exposure to Capital Markets increased to INR275b.
- Segmental NPAs:** According to the industry-wise classification of NPAs, the segmental split remained largely balanced, with Trading contributing the highest NPA at 9%, followed by Roads & Ports (7%) and Infra (6%). Total recoveries (including those from the AUCA book) were well split, with NCLT, sale to ARC and normal recoveries forming 14%, 15% and 25% share, respectively. A major portion of recoveries also came from Compromise (35%).

**Exhibit 41: Industry-wise distribution of NPAs as of FY23**



Source: MOFSL, Company

**Exhibit 42: Mode of recovery for FY23**

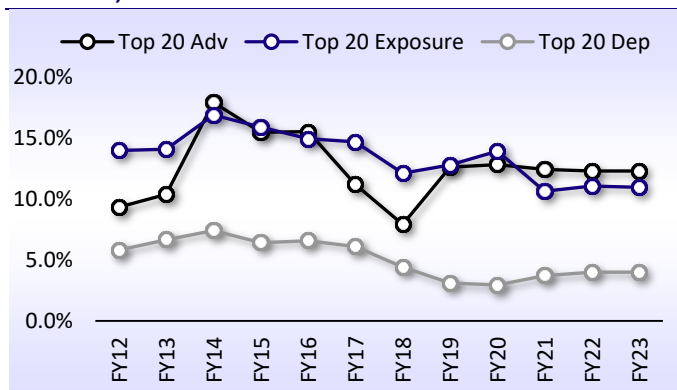


Source: MOFSL, Company

**RWA density moderates; advances concentration remains stable**

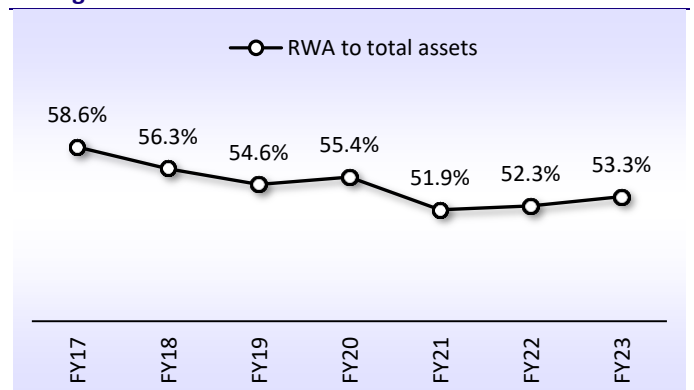
In FY23, SBIN had a Tier-1 ratio of 12.1% (CET-1: 10.3%), while the total CAR stood at 14.7%. The bank's focused lending to the Retail segment resulted in a moderation in RWA density to ~53% in FY23 (from ~75% in FY16). Further, the concentration of the Top 20 depositors/exposures/advances remained stable at 4.0%/11.0%/12.3% in FY23.

**Exhibit 43: Concentration of Top 20 deposits/exposures increased, while that of advances declined**



Source: MOFSL, Company

**Exhibit 44: RWA density increased marginally to ~53% during FY23**



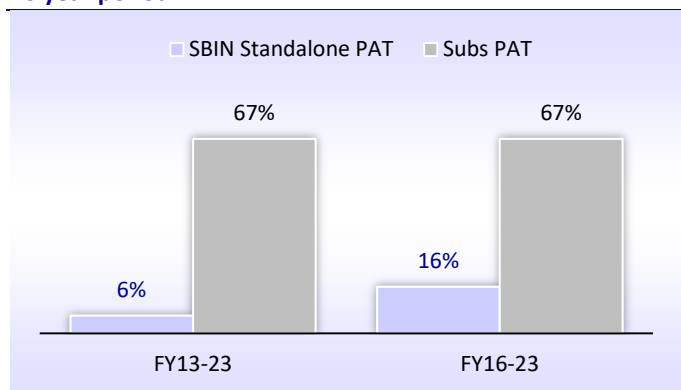
Source: MOFSL, Company

## Subsidiaries remain strong compounding machines

### Subs contributed ~33% of total SoTP-based valuation

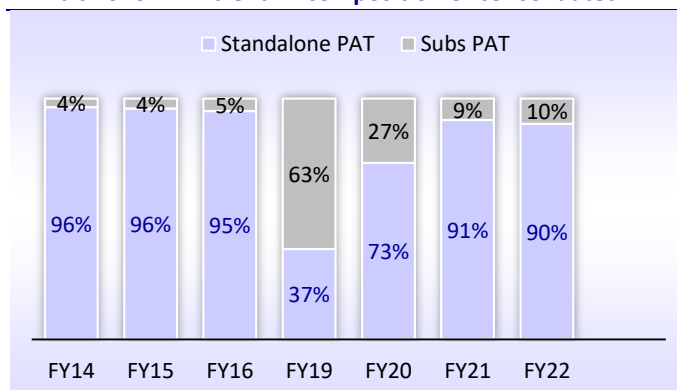
- SBIN’s robust customer base, vast distribution franchise and rising customer awareness about various financial products have reflected in robust growth of its subsidiaries.
- The subsidiaries have gained scale and market share and emerged as market leaders in their respective segments. This has led to a healthy increase in the SoTP-based valuation of SBIN over the past few years. Hence, over time, SBIN has increasingly transformed into an SOTP-based play from a standalone play.
- While the performance of select subs came under pressure over the past few years due to Covid and regulatory/policy changes, we expect a 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.

**Exhibit 45: SBIN – Earnings CAGR for SBI vs. Subs over 7yr / 10 year period**



Source: MOFSL, Company

**Exhibit 46: SBIN – trend in composition of consolidated PAT**



Source: MOFSL, Company

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

### SBI Cards – Operating metrics improving; margins nearly bottomed out

- SBICARD delivered a strong performance in both customer acquisitions and earnings in FY23. As of FY23, it held a market share of ~20%/18% on outstanding cards/spends, with a card base of 16.8m.
- Card spends grew 32% YoY, while PAT rose 40% YoY. Return ratios increased with RoA/RoE of 5.6%/25.3%.
- SBICARD seeks to increase its sourcing from banca customers via penetration into mid-tier cities. While the company has been reporting strong improvement in its operating metrics, led by a pick-up in spends and significant improvement in asset quality, 1HFY24 margins could remain modest on increasing borrowing costs and lower revolves.



**Exhibit 47: Snapshot – PAT grew 40% YoY in FY23**

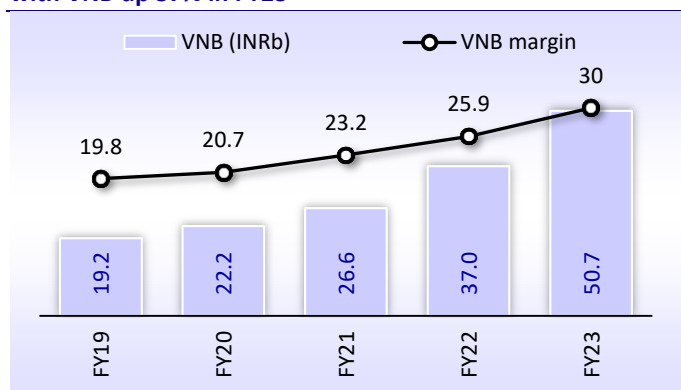
	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Spends on cards (INR b)	291.4	438.5	770.2	1,036.0	1,314.5	1,224.2	1,863.5	2,624.9
Mkt. Share Spends (%)	12.0%	13.2%	16.6%	17.1%	17.8%	19.4%	19.2%	18.2%
Mkt. Share cards base (%)	14.8%	15.3%	16.7%	17.6%	18.3%	19.1%	18.9%	19.7%
Revenue (INR m)	24,918	34,710	53,702	72,869	97,523	97,136	113,022	142,860
PAT (INR m)	2,839	3,729	6,011	8,650	12,448	9,845	16,162	22,585
- growth	6.5%	31.3%	61.2%	43.9%	43.9%	(20.9%)	64.2%	39.7%
RoA (%)	4.0%	4.0%	4.5%	4.8%	5.5%	3.8%	5.4%	5.6%
RoE (%)	26.8%	28.6%	31.6%	29.1%	27.9%	16.6%	22.8%	25.3%
Net Worth (INR m)	11,550	14,488	23,531	35,878	53,412	63,020	77,527	98,300
GNPA (%)	2.0%	2.3%	2.8%	2.4%	2.0%	5.0%	2.2%	2.4%
<b>Total Assets (INR m)</b>	<b>78,803</b>	<b>1,07,650</b>	<b>1,56,860</b>	<b>201,462</b>	<b>253,028</b>	<b>270,129</b>	<b>346,484</b>	<b>346,484</b>

Source: MOFSL, Company

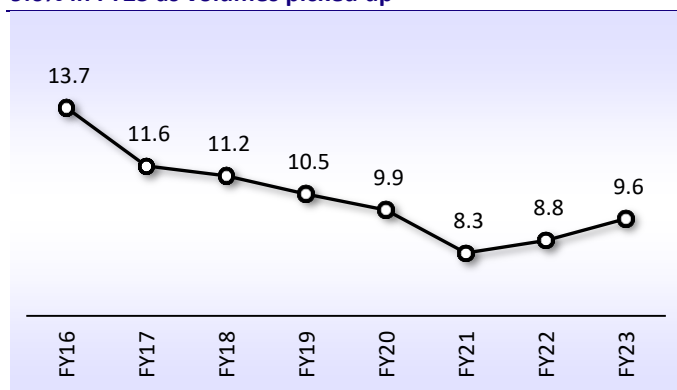
Margins are supported by a shift in product mix in favor of Non-PAR/Protection; Persistency is seeing improving trends

**SBI Life – Healthy growth and improving product mix driving margins**

- SBILIFE delivered healthy 23%/18% YoY growth in NBP/Individual WRP in FY23, led by growth in all distribution channels. We believe distribution strength would continue to aid market share gains. Renewal premium growth too was healthy at 13% YoY, underpinned by improving persistency across cohorts.
- Further, SBILIFE has intensified its focus on Non-PAR Savings /Protection mix, which formed ~33% of APE in FY23 (vs. ~22% in FY22). It, thus, reported consistent improvement in VNB margin to 30.1% (+420bp) in FY23, aided by cost control, an improving Protection/Non-PAR mix, and rising persistency levels.
- SBILIFE has one of the lowest cost structures among peers, which enables it to maintain healthy cost ratios. Total expenses as a % of gross written premium (GWP) increased marginally to 9.6% in FY23, led by a pick-up in activity.
- We believe growth momentum to remain healthy, which, coupled with cost control, would enable further improvement in key operating metrics/margins.

**Exhibit 48: SBILIFE reported 420bp improvement in NBM with VNB up 37% in FY23**

Source: MOFSL, Company

**Exhibit 49: Total expenses (as a % of GWP) increased to 9.6% in FY23 as volumes picked up**

Source: MOFSL, Company

**Exhibit 50: Key operating metrics of SBI Life**

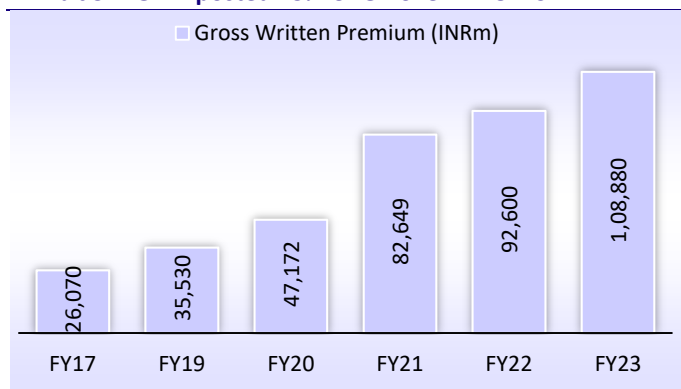
INR b	FY18	FY19	FY20	FY21	FY22	FY23
Gross premium	253.5	329.9	406.3	502.5	587.6	673.2
New business premium	109.7	137.9	165.9	206.2	254.6	295.9
<b>New business margin</b>	<b>18.4%</b>	<b>19.8%</b>	<b>20.7%</b>	<b>23.2%</b>	<b>25.9%</b>	<b>30.1%</b>
<b>Net profit</b>	<b>11.5</b>	<b>13.3</b>	<b>14.2</b>	<b>14.6</b>	<b>15.1</b>	<b>17.2</b>
AUM	1,162.6	1,410.2	1,603.6	2,208.7	2,674.1	3,073.0
<b>Embedded Value</b>	<b>201.7</b>	<b>237.3</b>	<b>276.4</b>	<b>364.0</b>	<b>396.3</b>	<b>460.4</b>

Source: MOFSL, Company

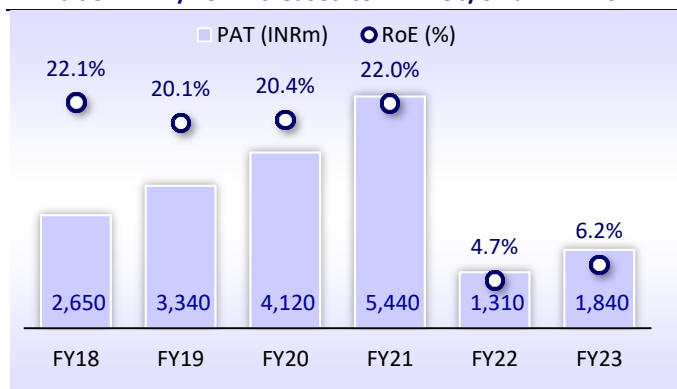
GWP posted a CAGR of 25% over FY18-23; RoE recovered slightly to 6.2% in FY23.

**SBI General Insurance – premium growth steady; profitability modest**

- While SBI General has been delivering healthy premium growth and gaining market share, the profitability in FY23 recovered slightly compared to the FY22 level, which was severely impacted by Covid-19. In FY23, GWP grew 18% (6<sup>th</sup> rank among private insurers) and PAT grew by 41% to INR1.8b. RoE, thus, increased to 6.2% from 4.7% in FY22.
- The operating performance recovered in FY23 vs. FY22 as the company's loss ratio improved in FY23 to 79% from 86% in FY22.
- Consistent improvement in process efficiency, better growth 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 51: GWP posted 25% CAGR over FY18–23**

Source: MOFSL, Company

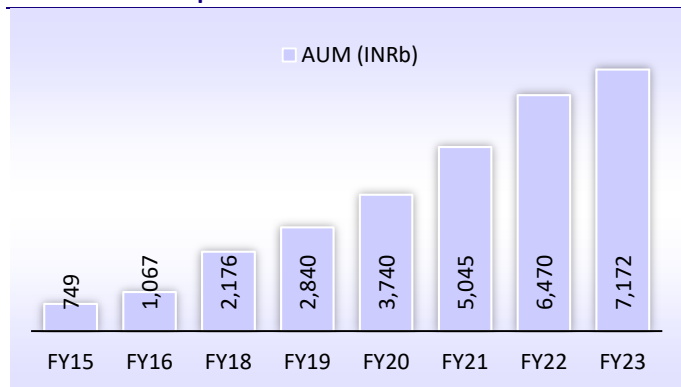
**Exhibit 52: PAT/RoE increased to INR1.8b/6.2% in FY23**

Source: MOFSL, Company

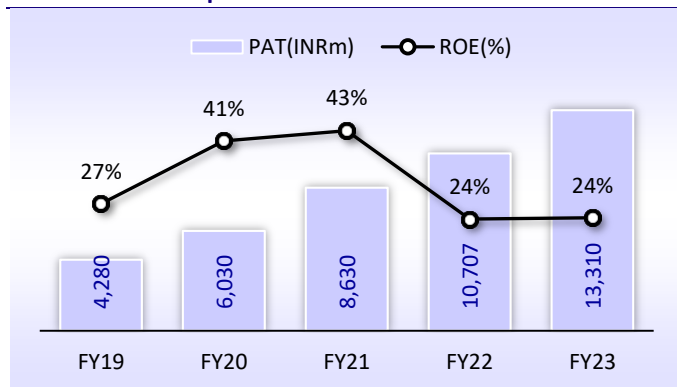
Strengthened its lead as the largest mutual fund, with total AUM of ~INR7.1t

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

- SBI MF is the country's largest ETF provider and the largest mutual fund company, with total AUM of ~INR7.4t and market share of 17.7% as of FY23.
- AUM grew 11% YoY (27% CAGR over FY18-23) vs. the industry growth of 5.6% in FY23. PAT rose 24% YoY to INR13.3b (32% CAGR over FY18-23) in FY23. RoE was at 28%.
- It has the largest investor base, with over 12.2m investor folios (2.7m new folios added in FY23). SBI MF has 2.41m active folios under direct investors and over 0.26m folios under institutional investors.
- Digital mobilization of business is easing the process for customers as well as the operating staff. About 76% of lump-sum transactions and 92% of fresh SIPs were mobilized through the digital mode. With higher inflows from SIPs and an increase in the financialization of savings, we expect SBI MF to continue to gain momentum and maintain its leadership position.

**Exhibit 53: AUM posted 27% CAGR over FY18–23**

Source: MOFSL , Company

**Exhibit 54: PAT reported 33% CAGR over FY19-23**

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 13 states and 1 union territory. These RRBs have a combined branch network of 4,751, spanning 223 districts, as of 31<sup>st</sup> Mar'23.
- **In FY23, aggregate deposits grew 9.2% YoY to INR1.24t and advances rose 15.4% YoY to INR851.2b. As a planned strategy of diversifying the portfolio, RRBs grew their housing by 22.5% and gold loans by 38.2% YoY in FY23.**
- RRBs posted net profit of ~INR23.0b in FY23 (vs. INR16.6b in FY22) despite having substantial pension provisions of INR10.7b. 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 RRBs declined to 4.2% in FY23 (from 4.6% in FY22). The NNPA ratio moderated to 0.8% (from 1.2% in FY22).**
- Business per employee improved to ~INR117m in FY23 from ~INR108m in FY22.

**Other highlights from the Annual Report**

- **The bank's contingent liabilities** decreased ~9% in FY23 (15% CAGR over FY18–22), largely due to a decline in forward contracts and acceptances. As a result, the proportion of contingent liabilities to total assets moderated to ~35% in FY23 from 42% in FY22 (40% in FY21).

**Exhibit 55: Contingent liabilities moderated to ~35% of total assets**

Contingent Liabilities (INR b)	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Claims not acknowledged as debt	290	352	434	716	791	860	904
O/s forward exch. contracts	5,726	6,441	5,966	6,358	10,280	12,124	10,392
Guarantees given in India	1,312	1,489	1,572	1,656	1,731	1,665	1,651
Guarantees given outside India	712	675	724	706	727	952	1,049
Acceptances, Endorsements etc.	1,001	1,212	1,242	1,324	1,488	1,787	1,518
Uncalled liability on investments	6	6	5	17	15	20	17
Others	1,418	1,446	1,218	1,373	2,038	2,664	2,734
<b>Total</b>	<b>10,464</b>	<b>11,620</b>	<b>11,161</b>	<b>12,150</b>	<b>17,069</b>	<b>20,071</b>	<b>18,265</b>
<b>% of total assets</b>	<b>37.0</b>	<b>34.4</b>	<b>31.3</b>	<b>31.8</b>	<b>40.2</b>	<b>42.2</b>	<b>34.8</b>

Source: MOFSL, Company

- **Fraud accounts:** The total number reported during the year moderated to 2,755, with the amount involved being INR48b vs. INR71b in FY22. The bank has made 100% provisions for all fraud accounts.
- **PSLC purchase increases** in FY23: The bank purchased priority sector lending certificates (PSLCs) worth INR2.02t (vs. INR1.38t in FY22). It has not sold any PSLCs in the past five years.
- **Salary account customer base increases to 17.9m:** The total salary account customer base stood at 18.1m as of Mar'23, with the bank adding ~0.4m new salary customers in FY23. About 1,724 new corporate tie-ups were established in FY23.
- **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 21% YoY to 359k in Mar'23 (from 297k in Mar'22). AUM grew 17% YoY and stood at INR2.9t as of Mar'23 (vs. INR2.5t in Mar'22).
- **Government business:** SBIN is the market leader in the Government business, with a market share of over 66% in Central Government turnover. Total turnover from the Government business stood at INR60.4t in FY23, with INR39.5b commissions earned. Further, the bank distributed ~INR405b under PM Kisan Samman Nidhi Yojana and it was the sole banker for processing of Direct Benefit Transfers (DBTs) of LPG subsidy. Further, it added ~0.25m new pension accounts, ~0.51m PPF accounts, ~0.29m SSA accounts and ~0.21m SCSS in FY23.
- **Bancassurance fee/Commission from JV:** Fees from bancassurance grew strongly at 29% YoY to INR24.4b (from INR18.9b in FY22). Further, in terms of commissions earned from JVs, SBI General/SBI MF/SBI Cards witnessed strong growth of 25%/19%/30% YoY; SBI Life witnessed growth of 30% YoY.

**Exhibit 56: Bancassurance fee income – witnessing strong uptick**

INR b	FY19	FY20	FY21	FY22	FY23
Sale of Life Insurance	9.5	11.2	12.4	15.7	20.4
Sale of Non-Life Insurance	2.7	3.1	3.3	3.2	4.0
Others	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>12.3</b>	<b>14.4</b>	<b>15.7</b>	<b>18.9</b>	<b>24.4</b>

Source: MOFSL , Company

**Exhibit 57: Commissions earned from JVs – MF, Credit Cards and Life Insurance continue to show healthy traction**

INR b	FY19	FY20	FY21	FY22	FY23
SBI Life	9.5	11.2	12.4	15.7	20.4
SBI MF	5.0	3.8	4.6	7.4	8.8
SBI General	2.7	3.2	3.3	3.2	4.0
SBI Cards	1.9	2.1	1.4	2.0	2.6
SSL	0.1	0.1	0.0	0.0	0.0
NPS	0.0	0.1	0.1	0.1	0.2
<b>Total</b>	<b>19.3</b>	<b>20.3</b>	<b>21.8</b>	<b>28.4</b>	<b>36.0</b>

Source: MOFSL , Company

- **Change in discount rates:** The discount rate used for pension provisions increased to 7.53% in FY23 (from 7.35% in FY22), while it increased to 7.48% 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 6.0% in FY23.

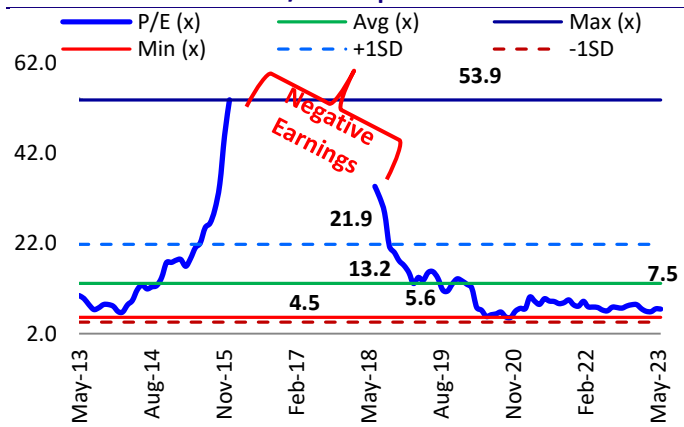
## Valuation and view

- SBIN has strengthened its balance sheet by creating higher provisions. It raised its PCR (including TWO) to ~92% in 4QFY23 (from ~65% in 1QFY18) and held a higher (~96%) provision coverage on Corporate NPAs.
- The bank has one of the best liability franchises (CASA mix: ~44%). This puts it in a better position to manage pressure on yields and support margin to a large extent in a rising interest rate scenario.
- Its subsidiaries – SBI MF, SBILIFE, SBICARD, and SBI Cap – have exhibited healthy performances over the last few years, supporting our SoTP-based valuation for SBIN.
- Headline asset quality continues to improve. Fresh slippages remained under control, enabling continued decline in GNPA/NNPA ratios to 2.8%/0.7%, aided by higher recoveries and upgrades. We expect slippages to remain under control going forward and estimate a credit cost of ~50bp over FY23-25.
- Among PSU banks, SBIN remains the best play on continued recovery in the Indian economy, with a healthy PCR (~76%), Tier I of ~12%, a strong liability franchise, and improved core operating profitability.
- **BUY with a TP of INR700:** SBIN delivered a mixed quarter, as margin expansion and lower provisions boosted earnings but higher opex dented operating profits. Business growth remained healthy, driven by growth across segments. A higher mix of floating loans (MCLR), which could benefit further from re-pricing, will continue to support NII and overall earnings even as the deposit cost could increase. Asset quality was strong thanks to tight control on slippages and improvement in headline asset quality ratios, with the restructured book under control at 0.8%. We estimate SBIN to deliver FY25 RoA/RoE of 1.0%/ 17.1%. **Maintain BUY with a TP of INR700 (based on 1.1x FY25E ABV + INR205 from subs).**

### Exhibit 58: SOTP-based pricing

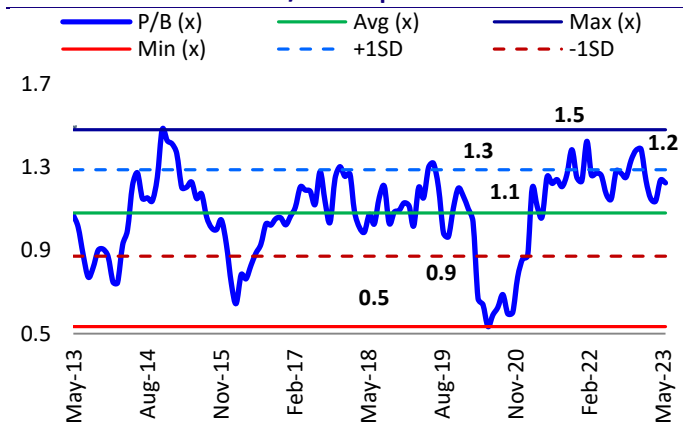
Name	Stake (%)	Value for SBIN (INR b)	Value per Share- (at our PT)	% of total value	Rationale
<b>SBI Bank</b>	<b>100</b>	<b>4,419</b>	<b>495</b>	<b>71</b>	<b>1.2x FY25E ABV</b>
Life insurance	55	913	102	15	2.4x FY25E EV
Cards	69	671	75	11	27x FY25E PAT
Asset management	63	324	36	5	30x FY25E PAT
General insurance	70	62	7	1	25x FY25E PAT
YES Bank	26	127	14	2	Based on CMP
Capital Market/DFHI/Others		189	21	3	
<b>Total Value of Subs</b>		<b>2,288</b>	<b>256</b>	<b>37</b>	
Less: 20% holding disc		458	51	7	
<b>Value of Subs (Post Holding Disc)</b>		<b>1,830</b>	<b>205</b>	<b>29</b>	
<b>Target Price</b>		<b>6,249</b>	<b>700</b>		

Exhibit 59: Evolution of P/E multiple of the bank



Source: MOFSL, Company

Exhibit 60: Evolution of P/B multiple of the bank



Source: MOFSL, Company

Exhibit 61: DuPont Analysis: Return ratios would continue to improve gradually over FY23-25E

Y/E MARCH	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Interest Income	6.52	6.81	6.74	6.25	5.79	6.32	6.63	6.65
Interest Expense	4.31	4.33	4.17	3.64	3.25	3.57	3.76	3.78
<b>Net Interest Income</b>	<b>2.21</b>	<b>2.48</b>	<b>2.57</b>	<b>2.61</b>	<b>2.54</b>	<b>2.76</b>	<b>2.87</b>	<b>2.87</b>
Fee income	0.92	0.94	0.96	0.88	0.78	0.72	0.74	0.75
Trading and others	0.40	0.09	0.22	0.14	0.07	-0.03	-0.03	-0.03
<b>Non Interest income</b>	<b>1.32</b>	<b>1.03</b>	<b>1.19</b>	<b>1.03</b>	<b>0.85</b>	<b>0.70</b>	<b>0.71</b>	<b>0.72</b>
<b>Total Income</b>	<b>3.53</b>	<b>3.51</b>	<b>3.76</b>	<b>3.63</b>	<b>3.39</b>	<b>3.45</b>	<b>3.58</b>	<b>3.59</b>
<b>Operating Expenses</b>	<b>1.77</b>	<b>1.95</b>	<b>1.97</b>	<b>1.95</b>	<b>1.81</b>	<b>1.86</b>	<b>1.88</b>	<b>1.85</b>
Employee cost	0.98	1.15	1.20	1.20	1.05	1.09	1.11	1.09
Others	0.79	0.80	0.77	0.75	0.75	0.77	0.77	0.76
<b>Operating Profit</b>	<b>1.76</b>	<b>1.55</b>	<b>1.79</b>	<b>1.69</b>	<b>1.58</b>	<b>1.59</b>	<b>1.69</b>	<b>1.74</b>
<b>Core Operating Profit</b>	<b>1.36</b>	<b>1.47</b>	<b>1.56</b>	<b>1.54</b>	<b>1.51</b>	<b>1.62</b>	<b>1.72</b>	<b>1.77</b>
<b>Provisions</b>	<b>2.22</b>	<b>1.49</b>	<b>1.13</b>	<b>1.04</b>	<b>0.51</b>	<b>0.31</b>	<b>0.33</b>	<b>0.33</b>
NPA	2.11	1.53	1.13	0.64	0.30	0.17	0.29	0.30
Others	0.11	-0.04	0.00	0.39	0.22	0.14	0.03	0.03
<b>PBT</b>	<b>-0.46</b>	<b>0.06</b>	<b>0.66</b>	<b>0.65</b>	<b>0.91</b>	<b>1.28</b>	<b>1.37</b>	<b>1.41</b>
Tax	-0.27	0.04	0.28	0.17	0.25	0.32	0.35	0.36
<b>RoA</b>	<b>-0.19</b>	<b>0.02</b>	<b>0.38</b>	<b>0.48</b>	<b>0.67</b>	<b>0.96</b>	<b>1.02</b>	<b>1.05</b>
Leverage (x)	18.0	18.3	18.9	19.4	19.6	18.9	17.8	16.8
<b>RoE</b>	<b>-3.5</b>	<b>0.4</b>	<b>7.2</b>	<b>9.3</b>	<b>13.0</b>	<b>18.1</b>	<b>18.1</b>	<b>17.7</b>

## Financials and valuations

Income Statement								(INR b)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Interest Income	2,205.0	2,428.7	2,573.2	2,651.5	2,754.6	3,321.0	3,835.0	4,231.2
Interest Expense	1,456.5	1,545.2	1,592.4	1,544.4	1,547.5	1,872.6	2,176.3	2,404.7
<b>Net Interest Income</b>	<b>748.5</b>	<b>883.5</b>	<b>980.8</b>	<b>1,107.1</b>	<b>1,207.1</b>	<b>1,448.4</b>	<b>1,658.7</b>	<b>1,826.5</b>
Change (%)	-0.5	18.0	11.0	12.9	9.0	20.0	14.5	10.1
<b>Non Interest Income</b>	<b>446.0</b>	<b>367.7</b>	<b>452.2</b>	<b>435.0</b>	<b>405.6</b>	<b>366.2</b>	<b>410.1</b>	<b>459.3</b>
<b>Total Income</b>	<b>1,194.5</b>	<b>1,251.2</b>	<b>1,433.1</b>	<b>1,542.1</b>	<b>1,612.7</b>	<b>1,814.6</b>	<b>2,068.8</b>	<b>2,285.8</b>
Change (%)	1.4	4.7	14.5	7.6	4.6	12.5	14.0	10.5
Operating Expenses	599.4	696.9	751.7	826.5	859.8	977.4	1,089.8	1,180.4
<b>Pre Provision Profits</b>	<b>595.1</b>	<b>554.4</b>	<b>681.3</b>	<b>715.5</b>	<b>752.9</b>	<b>837.1</b>	<b>979.0</b>	<b>1,105.4</b>
Change (%)	0.1	-6.8	22.9	5.0	5.2	11.2	16.9	12.9
<b>Core Provision Profits</b>	<b>460.9</b>	<b>522.9</b>	<b>595.6</b>	<b>655.2</b>	<b>720.7</b>	<b>850.7</b>	<b>995.2</b>	<b>1,124.9</b>
Change (%)	0.5	13.5	13.9	10.0	10.0	18.0	17.0	13.0
Provisions (excl tax)	750.4	531.3	430.7	440.1	244.5	165.1	188.5	209.2
Exceptional Items (Exp)	NA	NA	NA	NA	74.2	NA	NA	NA
<b>PBT</b>	<b>-155.3</b>	<b>23.1</b>	<b>250.6</b>	<b>275.4</b>	<b>434.2</b>	<b>672.1</b>	<b>790.5</b>	<b>896.2</b>
Tax	-89.8	14.5	105.7	71.3	117.5	169.7	201.6	228.5
Tax Rate (%)	57.8	62.6	42.2	25.9	27.1	25.3	25.5	25.5
<b>PAT</b>	<b>-65.5</b>	<b>8.6</b>	<b>144.9</b>	<b>204.1</b>	<b>316.8</b>	<b>502.3</b>	<b>588.9</b>	<b>667.7</b>
Change (%)	NA	-113.2	1,580.3	40.9	55.2	58.6	17.2	13.4
<b>Cons. PAT post MI</b>	<b>-45.6</b>	<b>23.0</b>	<b>197.7</b>	<b>224.1</b>	<b>353.7</b>	<b>556.5</b>	<b>664.7</b>	<b>773.8</b>
Change (%)	-1,988.8	-150.5	759.6	13.3	57.9	57.3	19.4	16.4

### Balance Sheet

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Share Capital	9	9	9	9	9	9	9	9
Reserves & Surplus	2,182	2,200	2,311	2,530	2,792	3,267	3,765	4,336
<b>Net Worth</b>	<b>2,191</b>	<b>2,209</b>	<b>2,320</b>	<b>2,539</b>	<b>2,801</b>	<b>3,276</b>	<b>3,774</b>	<b>4,345</b>
<b>Deposits</b>	<b>27,063</b>	<b>29,114</b>	<b>32,416</b>	<b>36,813</b>	<b>40,515</b>	<b>44,238</b>	<b>48,219</b>	<b>53,041</b>
Change (%)	4.7	7.6	11.3	13.6	10.1	9.2	9.0	10.0
<b>of which CASA Dep</b>	<b>12,039</b>	<b>12,976</b>	<b>14,337</b>	<b>16,713</b>	<b>18,036</b>	<b>18,874</b>	<b>21,843</b>	<b>24,187</b>
Change (%)	0.4	7.8	10.5	16.6	7.9	4.7	15.7	10.7
Borrowings	3,621	4,030	3,147	4,173	4,260	4,931	5,539	6,204
Other Liab. & Prov.	1,671	1,456	1,631	1,820	2,299	2,725	2,970	3,237
<b>Total Liabilities</b>	<b>34,548</b>	<b>36,809</b>	<b>39,514</b>	<b>45,344</b>	<b>49,876</b>	<b>55,170</b>	<b>60,502</b>	<b>66,827</b>
Current Assets	1,919	2,225	2,511	3,430	3,946	3,079	3,393	3,668
<b>Investments</b>	<b>10,610</b>	<b>9,670</b>	<b>10,470</b>	<b>13,517</b>	<b>14,814</b>	<b>15,704</b>	<b>16,803</b>	<b>18,063</b>
Change (%)	13.7	-8.9	8.3	29.1	9.6	6.0	7.0	7.5
<b>Loans</b>	<b>19,349</b>	<b>21,859</b>	<b>23,253</b>	<b>24,495</b>	<b>27,340</b>	<b>31,993</b>	<b>36,152</b>	<b>40,851</b>
Change (%)	3.5	13.0	6.4	5.3	11.6	17.0	13.0	13.0
Fixed Assets	400	392	384	384	377	424	458	494
Other Assets	2,270	2,663	2,896	3,518	3,399	3,971	3,696	3,750
<b>Total Assets</b>	<b>34,548</b>	<b>36,809</b>	<b>39,514</b>	<b>45,344</b>	<b>49,876</b>	<b>55,170</b>	<b>60,502</b>	<b>66,827</b>

### Asset Quality

GNPA	2,234	1,728	1,491	1,264	1,120	909	852	837
NNPA	1,109	659	519	368	282	217	192	178
GNPA Ratio	10.91	7.53	6.15	4.98	3.98	2.78	2.3	2.0
NNPA Ratio	5.73	3.01	2.23	1.50	1.03	0.68	0.5	0.4
Slippage Ratio	8.4	1.6	2.2	1.2	1.0	0.6	0.9	1.0
Credit Cost	3.8	2.7	1.9	1.8	0.9	0.6	0.5	0.5
PCR (Excl Tech. W/O)	50.4	61.9	65.2	70.9	74.9	76.2	77.5	78.7

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Yield and Cost Ratios (%)</b>								
<b>Avg. Yield-Earning Assets</b>	<b>7.4</b>	<b>7.8</b>	<b>7.7</b>	<b>7.2</b>	<b>6.7</b>	<b>7.2</b>	<b>7.5</b>	<b>7.5</b>
Avg. Yield on loans	7.4	7.8	8.0	7.2	6.6	7.5	8.0	7.9
Avg. Yield on Investments	7.2	7.5	6.9	6.8	6.1	6.4	6.8	6.9
<b>Avg. Cost-Int. Bear. Liab.</b>	<b>4.9</b>	<b>4.8</b>	<b>4.6</b>	<b>4.0</b>	<b>3.6</b>	<b>4.0</b>	<b>4.2</b>	<b>4.3</b>
Avg. Cost of Deposits	5.1	5.0	4.8	4.1	3.7	3.8	4.3	4.3
<b>Interest Spread</b>	<b>2.5</b>	<b>2.9</b>	<b>3.1</b>	<b>3.1</b>	<b>3.0</b>	<b>3.2</b>	<b>3.3</b>	<b>3.2</b>
<b>Net Interest Margin</b>	<b>2.5</b>	<b>2.8</b>	<b>3.0</b>	<b>3.0</b>	<b>2.9</b>	<b>3.2</b>	<b>3.3</b>	<b>3.2</b>

### Capitalization Ratios (%)

CAR	12.7	12.8	13.3	14.0	13.8	14.7	13.7	13.7
<i>Tier I</i>	10.5	10.8	11.2	11.7	11.4	12.1	11.2	11.5
<i>Tier II</i>	2.2	2.1	2.1	2.3	2.4	2.6	2.5	2.2

### Business and Efficiency Ratios (%)

Loans/Deposit Ratio	71.5	75.1	71.7	66.5	67.5	72.3	75.0	77.0
CASA Ratio	44.5	44.6	44.2	45.4	44.5	42.7	45.3	45.6
Cost/Assets	1.7	1.9	1.9	1.8	1.7	1.8	1.8	1.8
Cost/Total Income	50.2	55.7	52.5	53.6	53.3	53.9	52.7	51.6
Cost/Core Income	56.5	57.1	55.8	55.8	54.4	53.5	52.3	51.2
Int. Expense./Int. Income	66.1	63.6	61.9	58.2	56.2	56.4	56.7	56.8
Fee Income/Total Income	26.1	26.9	25.6	24.3	23.2	20.9	20.6	20.9
Non Int. Inc./Total Income	37.3	29.4	31.6	28.2	25.2	20.2	19.8	20.1
Empl. Cost/Total Expense	55.3	58.9	60.8	61.6	58.3	58.6	58.9	58.9
Investment/Deposit Ratio	39.2	33.2	32.3	36.7	36.6	35.5	34.8	34.1

### Profitability Ratios and Valuation

RoE	-3.5	0.4	7.2	9.3	13.0	18.1	18.1	17.7
RoA	-0.2	0.0	0.4	0.5	0.7	1.0	1.0	1.0
RoRWA	-0.3	0.0	0.7	0.9	1.2	1.7	1.7	1.7
Consolidated RoE	-2.0	1.0	7.9	8.2	11.8	16.2	16.7	16.9
Consolidated RoA	-0.1	0.1	0.5	0.5	0.7	1.0	1.1	1.1
Book Value (INR)	230	232	245	270	299	350	406	470
Change (%)	-4.0	0.9	5.6	10.0	10.9	16.9	15.9	15.8
<b>Price-BV (x)</b>	<b>1.6</b>	<b>1.6</b>	<b>1.5</b>	<b>1.4</b>	<b>1.2</b>	<b>1.1</b>	<b>0.9</b>	<b>0.8</b>
Consol BV (INR)	243	248	267	294	328	385	456	538
Change (%)	-2.0	2.0	7.7	10.3	11.5	17.4	18.4	18.1
<b>Price-Consol BV (x)</b>	<b>2.4</b>	<b>2.3</b>	<b>2.2</b>	<b>2.0</b>	<b>1.8</b>	<b>1.5</b>	<b>1.3</b>	<b>1.1</b>
Adjusted BV (INR)	135	170	187	221	256	311	370	436
<b>Price-ABV (x)</b>	<b>2.7</b>	<b>2.2</b>	<b>2.0</b>	<b>1.7</b>	<b>1.4</b>	<b>1.2</b>	<b>1.0</b>	<b>0.8</b>
Adjusted Consol BV	152	192	212	250	289	350	422	505
<b>Price-Consol ABV (x)</b>	<b>3.4</b>	<b>3.0</b>	<b>2.7</b>	<b>2.3</b>	<b>2.0</b>	<b>1.6</b>	<b>1.4</b>	<b>1.1</b>
EPS (INR)	-7.7	1.0	16.2	22.9	35.5	56.3	66.0	74.8
Change (%)	238.0	-112.6	1,580.3	40.9	55.2	58.6	17.2	13.4
<b>Price-Earnings (x)</b>	<b>-48.1</b>	<b>382.9</b>	<b>22.8</b>	<b>16.2</b>	<b>10.4</b>	<b>6.6</b>	<b>5.6</b>	<b>4.9</b>
Consol EPS (INR)	-5.3	2.6	22.1	25.1	39.6	62.4	74.5	86.7
Change (%)	-1,859.9	-148.2	759.6	13.3	57.9	57.3	19.4	16.4
<b>Price-Consol EPS (x)</b>	<b>-97.9</b>	<b>223.2</b>	<b>26.0</b>	<b>22.9</b>	<b>14.5</b>	<b>9.2</b>	<b>7.7</b>	<b>6.6</b>
Dividend Per Share (INR)	0.0	0.0	0.0	4.0	7.1	11.3	10.2	10.8
<b>Dividend Yield (%)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.7</b>	<b>1.2</b>	<b>2.0</b>	<b>1.8</b>	<b>1.9</b>

E: MOFSL Estimates

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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

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