# SBI Cards and Payment Services

## No recovery in sight; downgrade to REDUCE

**SBI Cards' (SBICARD) earnings missed estimates yet again due to higher provisioning (9.4%) and muted fee income. The share of interest earning loans (revolve + instalment loans) remained steady QoQ at 60%, resulting in steady NIMs (10.6%). SBICARD's delinquencies continue to inch up (write-offs at 9.8% vs. 8.2% in Q2FY25) with no near-term moderation in sight. However, the new account additions have picked up pace (+7.2% YoY, +30% QoQ) despite elevated stress in the portfolio, contrary to our expectations. As highlighted in our Company Update, multiple headwinds to SBICARD's profit pools including a lower revolve mix, regulatory pressures on profit pools such as overlimit and penal charges, shrinking interchange, and higher credit costs are likely to imply structurally lower RoA/RoE as a new normal. We cut our FY25/FY26 earnings forecasts by 14%/9% to adjust for higher credit costs and lower loan growth; downgrade from ADD to REDUCE with a revised RI-based TP of INR637 (implying 3.5x Sep-26 ABVPS; 17% discount to BAF).**

- **Soft fee income drives muted PPoP growth**: SBICARD witnessed 11% YoY decline in other income, largely due to a proportionate reduction in spends ( -11% YoY) as well as declining fee yields (spends-based fees, instance-based fees, and subscription fees). NIMs (10.6%) were flat on the back of a steady loan mix as well as stable cost of funds (7.4%).
- **Card issuances ahead of peers; unit spends muted:** SBICARD's new account additions picked up pace (+7% YoY) after witnessing moderation over the past few quarters. The uptick in card issuances, amidst deteriorating asset quality, remains a concern. While SBICARD's CIF market share inched up during the quarter (18.7%), the company has been rapidly shedding spends market share (15.2%) due to lower unit spends, as well as muted corporate spends. Further, per card receivables have remained below industry average post pandemic, on account of a declining share of revolving loans.
- **Credit costs remain stubborn**: SBICARD's credit costs further inched up to 9.4% (Q2FY25: 9%), with write-offs at an elevated 9.8%. In line with our deep dive on unsecured credit, overleveraging of borrowers through multiple loans has translated into elevated stress in unsecured credit and recovery from these accounts is likely to be protracted, compared to earlier trends. While the management cited an improvement in flow rates in delinquencies during the quarter, elevated credit costs, concomitant with low revolve rates (24% of receivables), continue to take a toll on profitability.
- **A structural break in earnings profile:** SBICARD's profitability was soft (RoA/RoE of 2.4%/11.5%), driven by elevated credit costs, concomitant with soft NIMs. Its profitability has been adversely impacted by multiple headwinds such as subdued revolving mix, regulatory headwinds on fee income and rising delinquencies. With limited visibility of steady-state credit costs and other pressure on earnings, we downgrade SBICARD from ADD to REDUCE.

### Financial summary

| (INR bn) | Q3FY25 | Q3FY24 | YoY (%) | Q2FY25 | QoQ (%) | FY24 | FY25E | FY26E | FY27E |
|---|---|---|---|---|---|---|---|---|---|
| NII | 15.7 | 13.9 | *13.2* | 15.0 | *4.6* | 53.3 | 61.8 | 70.1 | 82.2 |
| PPOP | 18.3 | 16.2 | *13.0* | 17.6 | *4.2* | 65.2 | 75.5 | 83.4 | 96.5 |
| PAT | 3.8 | 5.5 | *(30.2)* | 4.0 | *(5.3)* | 24.1 | 19.5 | 28.8 | 35.2 |
| EPS (INR) | 4.0 | 5.8 | *(30.3)* | 4.3 | *(5.2)* | 25.3 | 20.5 | 30.3 | 37.0 |
| ROAE (%) | | | | | | 22.0% | 15.1% | 19.3% | 19.9% |
| ROAA (%) | | | | | | 4.6% | 3.2% | 4.2% | 4.4% |
| ABVPS (INR) | | | | | | 122 | 138 | 164 | 195 |
| P/ABV (x) | | | | | | 6.2 | 5.5 | 4.6 | 3.9 |
| P/E (x) | | | | | | 30.0 | 37.1 | 25.0 | 20.5 |

Source: Company, HSIE Research

## REDUCE

| | |
|---|---|
| CMP *(as on 28 Jan 2025)* | INR 759 |
| Target Price | INR 637 |
| NIFTY | 22,957 |

| KEY CHANGES | OLD | NEW |
|---|---|---|
| Rating | ADD | REDUCE |
| Price Target | INR690 | INR637 |
| EPS % | FY25E | FY26E |
| | -14.3% | -9.5% |

| KEY STOCK DATA | |
|---|---|
| Bloomberg code | SBICARD IN |
| No. of Shares (mn) | 951 |
| MCap (INR bn) / ($ mn) | 722/8,346 |
| 6m avg traded value (INR mn) | 1,207 |
| 52 Week high / low | INR 817/648 |

STOCK PERFORMANCE (%)

| | 3M | 6M | 12M |
|---|---|---|---|
| Absolute (%) | 13.7 | 5.2 | (0.1) |
| Relative (%) | 18.8 | 11.9 | (7.5) |

SHAREHOLDING PATTERN (%)

| | Sep-24 | Dec-24 |
|---|---|---|
| Promoters | 68.6 | 68.6 |
| FIs & Local MFs | 16.8 | 16.5 |
| FPIs | 9.2 | 9.5 |
| Public & Others | 5.4 | 5.4 |
| Pledged Shares | | 0 |

*Source: BSE*

Pledged shares as % of total shares

**Deepak Shinde**
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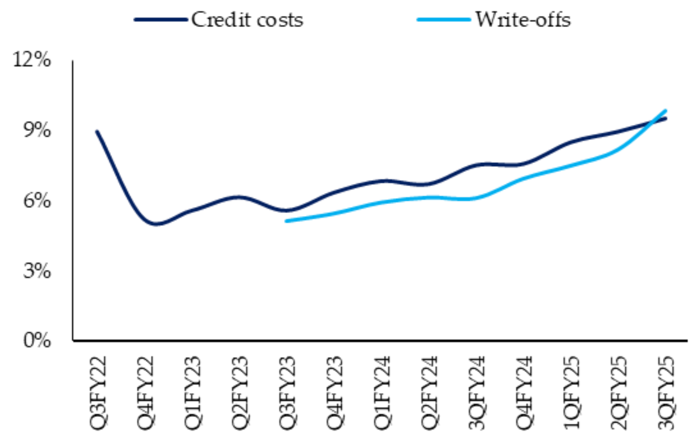
## Asset quality woes continue

- **Credit costs inch up further:** SBICARD's credit costs inched up further to 9.4% (Q2FY25: 9%), with write-offs at a colossal 9.8%. The company's asset quality woes have sustained over the past couple of years despite a sharp drop in the mix of revolve loans post-pandemic, tweaking of sourcing mix towards salaried and better-profile customers and sustained efforts on collections and recoveries. In line with our **deep dive on unsecured credit**, overleveraging of borrowers through multiple loans has translated into elevated stress in unsecured credit and recovery from these accounts is likely to be protracted compared to earlier trends.

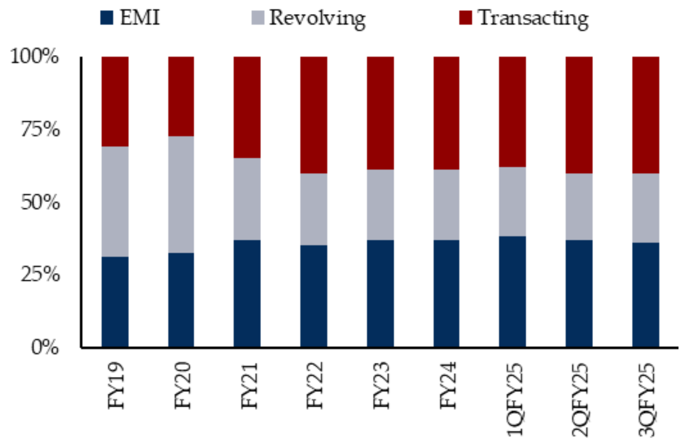
  The management has alluded to decline in flow rates in delinquencies during Q3FY25 and expects credit costs to moderate from these levels. However, we expect credit costs to remain on the higher side (~7%) compared to pre-pandemic levels.

**Exhibit 1: Credit costs and write-offs still inching up**




Source: Company, HSIE Research

**Exhibit 2: SBICARD's receivables mix**




Source: Company, HSIE Research

## Gaining CIF market share; ceding share on spends

- **Card issuances ahead of peers; incremental CIF market share gains:** SBICARD's new card additions witnessed an uptick during Q3FY25 post moderation during the previous few quarters. Peers, however, have witnessed significant deceleration during Q3FY25, with a decline in overall CIF for several issuers, especially KMB, which has witnessed a ~17% erosion in CIF to 5mn (Feb-24: 6mn) due to an ongoing embargo. SBICARD's CIF market share has eroded >100bps to 18.7% (Dec-24) from its peak of 19.8% (Feb-23), due to significant moderation in new account additions, while the attrition rates have remained steady (~11-13%).

### Exhibit 3: Pick up in net monthly credit card issuances in 3QFY25 for SBICARD

| ('000) | 4Q FY22 | 1Q FY23 | 2Q FY23 | 3Q FY23 | 4Q FY23 | 1Q FY24 | 2Q FY24 | 3Q FY24 | 4Q FY24 | 1Q FY25 | 2Q FY25 | 3Q FY25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| AXSB | 300 | 223 | -293 | 206 | 895 | 128 | 212 | 146 | 209 | 82 | 111 | 2 |
| HDFCB | 234 | 356 | -426 | 228 | 175 | 272 | 160 | 349 | 238 | 248 | 357 | 247 |
| ICICIBC | 193 | 184 | -72 | 70 | 310 | 115 | 282 | 279 | 157 | 105 | 98 | 113 |
| SBICARD | 202 | 183 | 171 | 352 | 293 | 194 | 177 | 201 | 137 | 117 | 116 | 220 |
| KMB | 151 | 224 | 143 | 146 | 60 | 100 | 104 | 88 | 54 | -146 | -71 | -94 |
| RBK | 74 | 77 | 61 | 46 | 58 | 68 | 64 | 77 | 51 | 22 | -13 | -60 |
| **INDUSTRY** | **1,560** | **1,698** | **-340** | **1,162** | **1,372** | **1,126** | **1,445** | **1,629** | **1,299** | **670** | **767** | **648** |

Source: RBI, HSIE Research | Note: HDFC securities is a subsidiary of HDFC Bank

### Exhibit 4: SBICARD's CIF market share has improved marginally during FY25

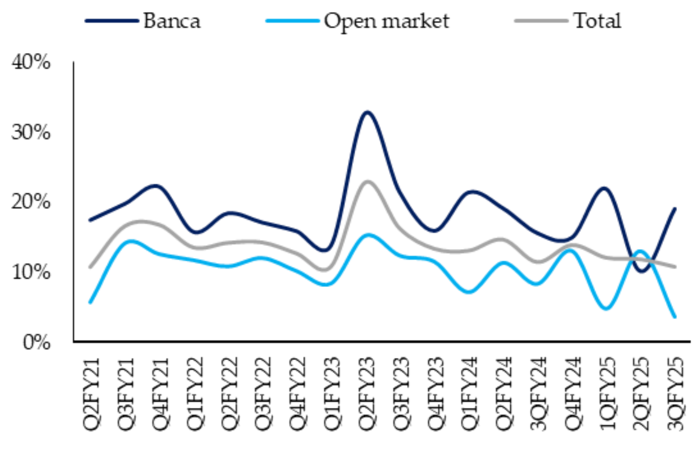
| (%) | Mar-18 | Mar-19 | Mar-20 | Mar-21 | Mar-22 | Mar-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 |
|---|---|---|---|---|---|---|---|---|---|---|
| AXSB | 12.0 | 12.7 | 12.1 | 11.5 | 12.3 | 14.2 | 14.0 | 13.9 | 13.9 | 13.7 |
| HDFCB | 28.5 | 26.5 | 25.1 | 24.2 | 22.5 | 20.6 | 20.2 | 20.5 | 21.1 | 21.4 |
| ICICIBC | 13.3 | 14.1 | 15.8 | 17.1 | 17.6 | 16.9 | 16.7 | 16.6 | 16.6 | 16.6 |
| **SBICARD** | **16.7** | **17.6** | **18.3** | **19.1** | **18.7** | **19.7** | **18.6** | **18.5** | **18.5** | **18.7** |
| KMB | 3.9 | 4.3 | 4.0 | 3.9 | 4.3 | 5.8 | 5.8 | 5.3 | 5.0 | 4.6 |
| RBK | 2.1 | 3.6 | 4.6 | 4.8 | 5.0 | 5.2 | 5.1 | 5.1 | 4.9 | 4.7 |
| OTHERS | 23.5 | 21.3 | 20.1 | 19.6 | 19.6 | 17.7 | 19.7 | 20.0 | 20.0 | **20.3** |

Source: RBI, HSIE Research | Note: HDFC securities is a subsidiary of HDFC Bank

**Exhibit 5: Pace of gross new account additions has moderated post FY23**

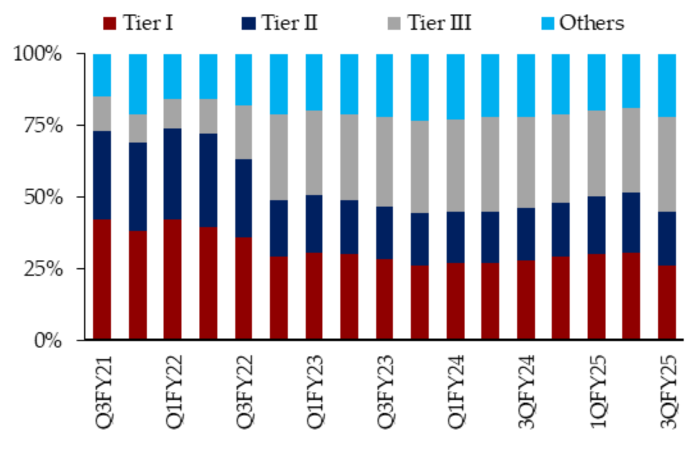

Source: Company, HSIE Research

**Exhibit 6: Card attrition rates remain rangebound for SBICARD**



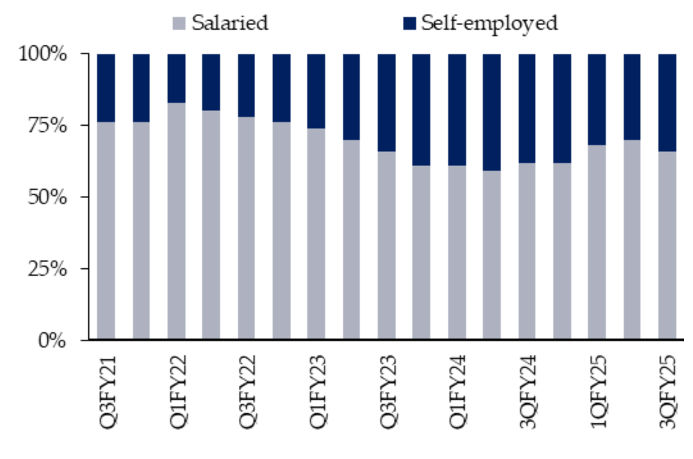

Source: Company, HSIE Research

**Exhibit 7: Shift of new card additions towards Tier III & beyond cities by SBICARD**




Source: Company, HSIE Research

**Exhibit 8: Moderation in share of self-employed customers in incremental card sourcing**




Source: Company, HSIE Research

- **Unit card spends muted, translating into lower unit receivables:** While SBICARD has gained market share in CIF during FY25, its market share in card spends has declined during the same period. SBICARD's retail unit card spends have been increasing steadily (3.2% YoY in Q3FY25). However, corporate spends have remained muted for the last few quarters, leading to overall unit card spend below industry average (~INR 14K per card vs. industry average of INR 17K per card in Q3FY25). Further, per card receivables have remained below industry average post pandemic, with declining share of revolving loans.

**Exhibit 9: SBICARD's spends market share declining after peaking out in FY21**

| (%) | FY21 | FY22 | FY23 | FY24 | Q1 FY25 | Q2 FY25 | Q3 FY25 |
|---|---|---|---|---|---|---|---|
| AXSB | 8.4 | 8.6 | 9.4 | 11.9 | 11.5 | 11.4 | 12.1 |
| HDFCB | 30.9 | 26.3 | 27.9 | 27.0 | 25.8 | 27.1 | 27.2 |
| ICICIBC | 14.6 | 20.0 | 18.0 | 17.8 | 19.1 | 19.1 | 18.7 |
| SBICARD | 19.4 | 19.1 | 18.2 | 17.8 | 15.9 | 15.7 | 15.2 |
| KMB | 2.5 | 2.6 | 3.2 | 3.9 | 4.4 | 3.8 | 3.6 |
| RBK | 4.7 | 4.5 | 4.2 | 4.3 | 4.5 | 4.2 | 4.0 |
| OTHERS | 19.4 | 19.0 | 19.1 | 17.3 | 18.7 | **18.8** | **19.1** |

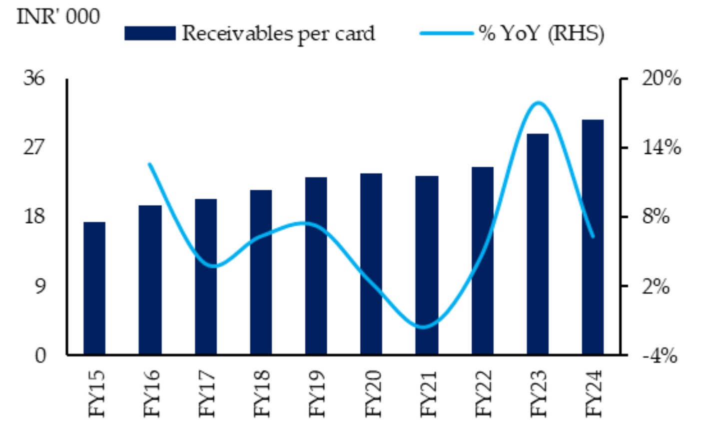
Source: RBI, HSIE Research | Note: HDFC securities is a subsidiary of HDFC Bank

**Exhibit 10: SBICARD's monthly spends per card well below industry average**

| (INR' 000) | FY21 | FY22 | FY23 | FY24 | Q1 FY25 | Q2 FY25 | Q3 FY25 |
|---|---|---|---|---|---|---|---|
| AXSB | 6.2 | 8.6 | 10.6 | 13.8 | 12.9 | 13.4 | 15.2 |
| HDFCB | 11.0 | 13.5 | 19.5 | 21.6 | 19.7 | 21.3 | 22.3 |
| ICICIBC | 7.8 | 13.8 | 15.6 | 17.3 | 17.9 | 18.9 | 19.7 |
| SBICARD | 9.1 | 12.1 | 14.2 | 15.3 | 13.3 | 13.9 | 14.3 |
| KMB | 5.6 | 7.5 | 9.5 | 11.0 | 12.4 | 12.1 | 13.1 |
| RBK | 8.7 | 10.9 | 12.3 | 13.8 | 13.8 | 13.9 | 14.4 |
| **INDUSTRY** | **8.8** | **12.0** | **15.0** | **16.3** | **15.6** | **16.4** | **17.4** |

Source: RBI, HSIE Research | Note: HDFC securities is a subsidiary of HDFC Bank

**Exhibit 11: Receivables per card for the industry have moderated**




Source: RBI, Company, HSIE Research

**Exhibit 12: SBICARD's receivables per card are below industry average**

| (INR' 000) | FY21 | FY22 | FY23 | FY24 | Q1 FY25 | Q2 FY25 | Q3 FY25 |
|---|---|---|---|---|---|---|---|
| AXSB | 18.5 | 17.5 | 26.1 | 29.1 | 29.4 | 29.6 | 29.2 |
| HDFCB | 43.2 | 46.4 | 49.1 | 48.7 | 48.5 | 49.0 | 48.5 |
| ICICIBC | 16.4 | 19.3 | 26.2 | 30.3 | 31.0 | 31.5 | 31.8 |
| SBICARD | 21.2 | 22.7 | 24.3 | 26.9 | 27.4 | 26.9 | 27.1 |
| KMB | 16.5 | 17.4 | 20.5 | 24.4 | 26.5 | 27.2 | 28.1 |
| RBK | 41.1 | 36.3 | 37.6 | 40.3 | 40.7 | 41.0 | 41.7 |
| **INDUSTRY** | **23.3** | **24.4** | **28.8** | **30.6** | NA | NA | NA |

Source: RBI, Company, HSIE Research | Note: HDFC securities is a subsidiary of HDFC Bank

# Earnings profile to undergo significant change

- **A structural break in earnings profile:** SBICARD's earnings profile has been adversely impacted by multiple headwinds such as subdued revolve mix, regulatory headwinds on fee income and rising delinquencies. While we expect elevated delinquencies to begin normalising during FY26, the steady-state RoA is likely to be ~100-150bps below pre-Covid levels.

### Exhibit 13: Shifting RoA profile of SBICARD – significant shift compared to pre-Covid levels

| (% of average assets) | FY19 | FY23 | FY24 | FY25E | FY26E | FY27E |
|---|---|---|---|---|---|---|
| Interest earned | 20.0% | 15.3% | 15.3% | 15.3% | 15.4% | 15.4% |
| Interest expended | 5.7% | 4.1% | 5.0% | 5.2% | 5.2% | 5.2% |
| **Net interest income** | **14.4%** | **11.2%** | **10.3%** | **10.1%** | **10.1%** | **10.2%** |
| Other income | 20.8% | 20.3% | 18.4% | 15.4% | 16.1% | 15.9% |
| Opex | 21.9% | 18.6% | 16.1% | 13.2% | 14.2% | 14.1% |
| PPoP | 13.2% | 12.9% | 12.6% | **12.3%** | **12.0%** | **12.0%** |
| Non-tax provisions | 5.7% | 5.4% | 6.3% | 8.1% | 6.5% | 6.1% |
| Tax expenditure | 2.6% | 1.9% | 1.6% | 1.1% | 1.4% | 1.5% |
| **RoAA** | **4.8%** | **5.6%** | **4.6%** | **3.2%** | **4.2%** | **4.4%** |
| Assets/Equity (x) | 6.0 | 4.6 | 4.7 | 4.74 | 4.63 | 4.55 |
| **RoAE** | **29.1%** | **25.7%** | **22.0%** | **15.1%** | **19.3%** | **19.9%** |

Source: Company, HSIE Research

We revise our FY25/FY26 earnings forecasts downwards by 14%/9% to adjust for lower fee income, lower loan growth and higher loan loss provisions. We expect SBICARD to deliver sub-4% RoA during FY25 and sub-5% RoA during FY26E-FY27E. We downgrade SBICARD from ADD to REDUCE with a revised RI-based TP of INR637 (implying 3.5x Sep-26 ABVPS, which is at an ~17% discount to our implied valuation for BAF).

### Exhibit 14: Change in estimates

| (INR bn) | FY25E | | | FY26E | | | FY27E | | |
|---|---|---|---|---|---|---|---|---|---|
| | Old | New | Change | Old | New | Change | Old | New | Change |
| AUM | 592 | 559 | -5.6% | 675 | 646 | -4.2% | 785 | 760 | -3.3% |
| NIM (%) | 10.5 | 10.6 | 11 bps | 10.6 | 10.6 | 2 bps | 10.8 | 10.7 | -14 bps |
| NII | 62.4 | 61.8 | -1.0% | 72.3 | 70.1 | -3.0% | 85.0 | 82.2 | -3.2% |
| PPOP | 76.7 | 75.5 | -1.6% | 86.4 | 83.4 | -3.5% | 100.0 | 96.5 | -3.5% |
| PAT | 22.7 | 19.5 | -14.3% | 31.9 | 28.8 | -9.5% | 37.6 | 35.2 | -6.3% |
| Adj. BVPS (INR) | 140 | 138 | -1.3% | 168 | 164 | -2.7% | 202 | 195 | -3.3% |

Source: Company, HSIE Research

# Financials

## Income Statement

| (INR mn) | FY22 | FY23 | FY24 | FY25E | FY26E | FY27E |
|---|---|---|---|---|---|---|
| Interest earned | 48,660 | 61,530 | 79,271 | 93,847 | 106,441 | 124,367 |
| Interest expended | 10,273 | 16,476 | 25,952 | 32,014 | 36,334 | 42,130 |
| **Net interest income** | **38,387** | **45,053** | **53,319** | **61,834** | **70,108** | **82,237** |
| Other income | 64,355 | 81,327 | 95,564 | 94,606 | 111,619 | 128,162 |
| Total income | 102,742 | 126,380 | 148,883 | 156,440 | 181,727 | 210,399 |
| Operating expenditure | 58,444 | 74,484 | 83,690 | 80,980 | 98,312 | 113,942 |
| **Pre-provisioning operating profit** | **44,298** | **51,896** | **65,192** | **75,460** | **83,415** | **96,456** |
| Non-tax provisions | 22,558 | 21,591 | 32,874 | 49,442 | 44,848 | 49,415 |
| Profit before tax | 21,740 | 30,306 | 32,318 | 26,018 | 38,567 | 47,041 |
| Share of net profit of associates and joint ventures | 0 | 0 | 0 | 0 | 0 | 0 |
| Exceptional gain/(loss) | 0 | 0 | 0 | 0 | 0 | 0 |
| Tax expenditure | 5,560 | 7,721 | 8,239 | 6,557 | 9,719 | 11,854 |
| Profit attributable to non-controlling interests | 0 | 0 | 0 | 0 | 0 | 0 |
| **Profit after tax** | **16,179** | **22,585** | **24,079** | **19,461** | **28,848** | **35,187** |

Source: Company, HSIE Research

## Balance Sheet

| (INR mn) | FY22 | FY23 | FY24 | FY25E | FY26E | FY27E |
|---|---|---|---|---|---|---|
| Share capital | 9,432 | 9,461 | 9,510 | 9,510 | 9,510 | 9,510 |
| Reserves and surplus | 68,095 | 88,840 | 111,331 | 127,873 | 152,394 | 182,303 |
| Net worth | 77,527 | 98,300 | 120,840 | 137,383 | 161,903 | 191,812 |
| Borrowings | 232,849 | 315,311 | 402,148 | 453,060 | 517,690 | 606,008 |
| Other liabilities and provisions | 36,108 | 41,844 | 58,724 | 53,101 | 62,223 | 71,079 |
| **Total equity and liabilities** | **346,484** | **455,456** | **581,712** | **643,544** | **741,816** | **868,899** |
| | | | | | | |
| Cash and cash equivalents | 11,064 | 13,545 | 27,296 | 30,112 | 29,100 | 25,602 |
| Investments | 12,972 | 21,397 | 35,191 | 45,045 | 56,757 | 71,513 |
| **Advances** | **301,873** | **393,610** | **490,790** | **538,527** | **622,911** | **734,483** |
| Fixed assets | 4,537 | 5,737 | 5,644 | 6,491 | 7,464 | 8,584 |
| Other assets | 16,039 | 21,168 | 22,791 | 23,368 | 25,584 | 28,717 |
| **Total assets** | **346,484** | **455,456** | **581,712** | **643,544** | **741,816** | **868,899** |

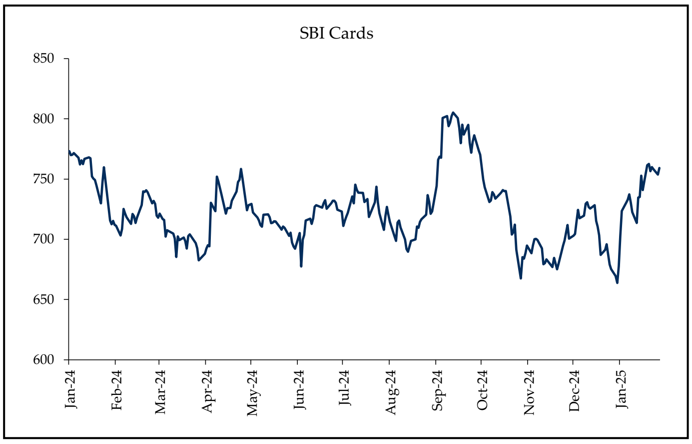
Source: Company, HSIE Research

## Key Ratios

| | FY22 | FY23 | FY24 | FY25E | FY26E | FY27E |
|---|---|---|---|---|---|---|
| **VALUATION RATIOS** | | | | | | |
| EPS | 17.2 | 23.9 | 25.3 | 20.5 | 30.3 | 37.0 |
| Earnings Growth (%) | 64.4% | 39.6% | 6.6% | -19.2% | 48.2% | 22.0% |
| BVPS (ex reval.) | 82 | 104 | 127 | 144 | 170 | 202 |
| Adj. BVPS (ex reval. & 100% cover) | 80 | 100 | 122 | 138 | 164 | 195 |
| ROAA (%) | 5.2% | 5.6% | 4.6% | 3.2% | 4.2% | 4.4% |
| ROAE (%) | 23.0% | 25.7% | 22.0% | 15.1% | 19.3% | 19.9% |
| P/E (x) | 44.1 | 31.8 | 30.0 | 37.1 | 25.0 | 20.5 |
| P/ABV (x) | 9.5 | 7.6 | 6.2 | 5.5 | 4.6 | 3.9 |
| P/PPOP (x) | 16.1 | 13.8 | 11.1 | 9.6 | 8.7 | 7.5 |
| | | | | | | |
| **PROFITABILITY (%)** | | | | | | |
| Yield on Advances (%) | 17.3% | 17.1% | 17.3% | 17.6% | 17.7% | 17.7% |
| Cost of Funds (%) | 5.0% | 6.0% | 7.2% | 7.5% | 7.5% | 7.5% |
| Core Spread (%) | 12.3% | 11.1% | 10.1% | 10.1% | 10.2% | 10.2% |
| NIM (%) | 13.4% | 12.1% | 10.9% | 10.6% | 10.6% | 10.7% |
| **OPERATING EFFICIENCY** | | | | | | |
| Cost to average AUM ratio (%) | 19.0% | 18.6% | 16.1% | 13.2% | 14.2% | 14.1% |
| Cost-income ratio (%) | 56.9% | 58.9% | 56.2% | 51.8% | 54.1% | 54.2% |
| **BALANCE SHEET STRUCTURE RATIOS** | | | | | | |
| Loan growth (%) | 28.7% | 30.4% | 24.7% | 9.7% | 15.7% | 17.9% |
| AUM growth (%) | 28.7% | 30.4% | 24.7% | 9.7% | 15.7% | 17.9% |
| Borrowing growth (%) | 28.9% | 35.4% | 27.5% | 12.7% | 14.3% | 17.1% |
| Debt/Equity (x) | 3.0 | 3.2 | 3.3 | 3.3 | 3.2 | 3.2 |
| Equity/Assets (%) | 22.4% | 21.6% | 20.8% | 21.3% | 21.8% | 22.1% |
| Equity/Loans (%) | 25.7% | 25.0% | 24.6% | 25.5% | 26.0% | 26.1% |
| Total Capital Adequacy Ratio (CAR) (%) | 23.8% | 23.1% | 20.5% | 21.0% | 21.2% | 21.1% |
| Tier I CAR (%) | 21.0% | 20.4% | 16.5% | 17.4% | 18.0% | 18.4% |
| **ASSET QUALITY** | | | | | | |
| Gross NPL (INR mn) | 6,934 | 9,575 | 14,042 | 18,313 | 18,916 | 18,916 |
| Net NPL (INR mn) | 2,409 | 3,487 | 4,930 | 6,410 | 6,242 | 6,242 |
| Gross NPL (%) | 2.2% | 2.4% | 2.8% | 3.3% | 2.9% | 2.5% |
| Net NPL (%) | 0.8% | 0.9% | 1.0% | 1.2% | 1.0% | 0.8% |
| Coverage Ratio (%) | 65.3% | 63.6% | 64.9% | 65.0% | 67.0% | 67.0% |
| Provision/Avg. AUM (%) | 8.0% | 6.0% | 7.2% | 9.3% | 7.4% | 7.0% |
| **DUPONT ANALYSIS** | | | | | | |
| Interest earned | 15.8% | 15.3% | 15.3% | 15.3% | 15.4% | 15.4% |
| Interest expended | 3.3% | 4.1% | 5.0% | 5.2% | 5.2% | 5.2% |
| Net interest income | **12.5%** | **11.2%** | **10.3%** | **10.1%** | **10.1%** | **10.2%** |
| Non-interest income | 20.9% | 20.3% | 18.4% | 15.4% | 16.1% | 15.9% |
| Operating expenses | 19.0% | 18.6% | 16.1% | 13.2% | 14.2% | 14.1% |
| Pre-provisioning profit | **14.4%** | **12.9%** | **12.6%** | **12.3%** | **12.0%** | **12.0%** |
| Provisions | 7.3% | 5.4% | 6.3% | 8.1% | 6.5% | 6.1% |
| Tax | 1.8% | 1.9% | 1.6% | 1.1% | 1.4% | 1.5% |
| ROAA | **5.2%** | **5.6%** | **4.6%** | **3.2%** | **4.2%** | **4.4%** |
| Leverage (x) | 4.4 | 4.6 | 4.7 | 4.7 | 4.6 | 4.6 |
| ROAE | **23.0%** | **25.7%** | **22.0%** | **15.1%** | **19.3%** | **19.9%** |

Source: Company, HSIE Research

**1 Yr. Price history**




**Rating Criteria**

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: >10% Downside return potential

**Disclosure:**

We, **Deepak Shinde, PGDM, Krishnan ASV, PGDM & Akshay Badlani, CA** authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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