Stock Update

State Bank of India Ltd.

March 14, 2022

RETAILRESEARCH

State Bank of India Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Banks	Rs 470	Buy between Rs 475-465 & add more on dips of Rs.420	Rs 520	Rs 570	2 quarters

HDFC Scrip Code	STABANEQNR
BSE Code	500112
NSE Code	SBIN
Bloomberg	SBIN
CMP Mar 11, 2022	470.4
Equity Capital (Rs mn)	8,925
Face Value (Rs)	1
Equity Share O/S (mn)	8,925
Market Cap (Rs bn)	4198
Adj. Book Value (Rs)	228.1
Avg. 52 Wk Volumes	3228196
52 Week High	549.05
52 Week Low	321.15

Share holding Pattern % (Dec, 2021)	
Promoters	57.6
Institutions	34.5
Non Institutions	7.9
Total	100.0

HDFCsec Retail research stock rating meter

for details about the ratings, refer at the end of the report

* Refer at the end for explanation on Risk Ratings

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Our Take:

SBI is the best play on the gradual but surer recovery in the Indian economy. It is better placed to curtail asset quality worries than many other large banks because of quality of its loan book. SBI is almost immune to any liability-side risks at this juncture, given its expansive, granular deposit base and government's majority holding. Unlike other PSU banks, SBI has not lost share in loans or low cost deposits over past decade. SBI's large and granular deposit base is backed by low-cost CASA and this gives it access to low cost funds which is its biggest competitive advantage. Rating wise, AA & above bucket accounts for 65% of the total corporate portfolio and risk profile wise, ~44% of corporate loans are given to PSUs or Government undertakings. Retail book is skewed towards salaried class especially government employees. This shows the resilient quality of current loan book of SBI. Moreover, ample provision coverage will curtail incremental loan loss provisions. Its subsidiary value also provides a margin of safety. We see a potential for a meaningful narrowing of SBI's valuation discount to its private bank peers.

Industry tailwinds like PSB privatization theme, accelerated resolution program through IBC and improved scenario for credit growth could keep the public sector banks in lime light. The asset quality challenges of the previous corporate cycles are behind us and recovery cycle has started. The balance sheet quality across the banking sector has improved. Strong credit growth rebound along with lower need for credit cost could inflate the earnings for PSBs.

We had issued Initiating Report on SBI on 19th June, 2020 and recommended Buy at LTP and add on dips to Rs152-157 band, for base case target of Rs.197 and bull case target of Rs.218 over the next two quarters. The stock achieved our Bull case target of Rs.218 yielding return of 21% on 28th August 2020. We feel that recent correction in the market provides good opportunity to enter in the stock again.

Link for the Initiating Coverage:
https://www.hdfcsec.com/hsl.research.pdf/SBI-Ltd-Initiating-Coverage-19062020.pdf

Valuation & Recommendation:

SBI has reported powerful performance in Q3FY22. The loan book has witnessed strong growth and lower slippage quantum was the key positive surprise element. We expect SBI to grow its loan book at 11% CAGR while NII and Net profit are expected to grow at 11% and 34% CAGR respectively over FY21-24E. ROAA is estimated to improve a bit to 0.9% in FY24E from current 0.5% in FY21. The bank is looking at an overall loan growth of ~9% in the near term with recovery in corporate lending while retail loans growth could remain at 14-15% levels. The bank is expecting to recover Rs.80bn in FY22, of which almost Rs.56bn has been recovered in 9MFY22. We continue to watch out for the steady-state impairments and credit costs, as the bank gradually re-risks the portfolio. Valuations of SBI remain attractive given the medium trends expected on RoEs of the Bank.

We have valued SBI on SoTP basis to arrive base case fair value of Rs.520 (1.1x Sep-23E Core ABV of Rs.333+ Rs.153.8 subsidiaries value after giving 35% holding company discount). Our bull case fair value stands at Rs.570. Investors can buy the stock at Buy between Rs.475-465 & add more on dips of Rs.420 band for next 2 quarters.

Financial Summary (standalone)

Particulars (Rs bn)	Q3 FY22	Q3 FY21	YoY	Q2FY22	QoQ	FY20	FY21	FY22E	FY23E	FY24E
NII	306.9	288.2	*6.5%*	311.8	*-1.6%*	980.8	1,107.1	1,222.2	1,367.2	1,513.8
PPOP	185.2	173.3	*6.9%*	106.6	*73.7%*	681.3	715.5	680.6	897.3	1,067.3
PAT	84.3	52.0	*62.3%*	76.3	*10.6%*	144.9	204.1	320.3	395.3	496.3
EPS (INR)	9.5	5.8	*62.4%*	8.6	*10.5%*	16.2	22.9	35.9	44.3	55.6
ROAE (%)						6.4	8.4	11.9	13.1	14.5
ROAA (%)						0.4	0.5	0.7	0.8	0.9
ABVPS (INR)						188.7	228.1	268.5	308.8	357.2
P/ABV (x)						2.5	2.0	1.7	1.5	1.3
P/E (x)						29.4	20.5	13.1	10.7	8.4

(Source: Company, HDFC sec)

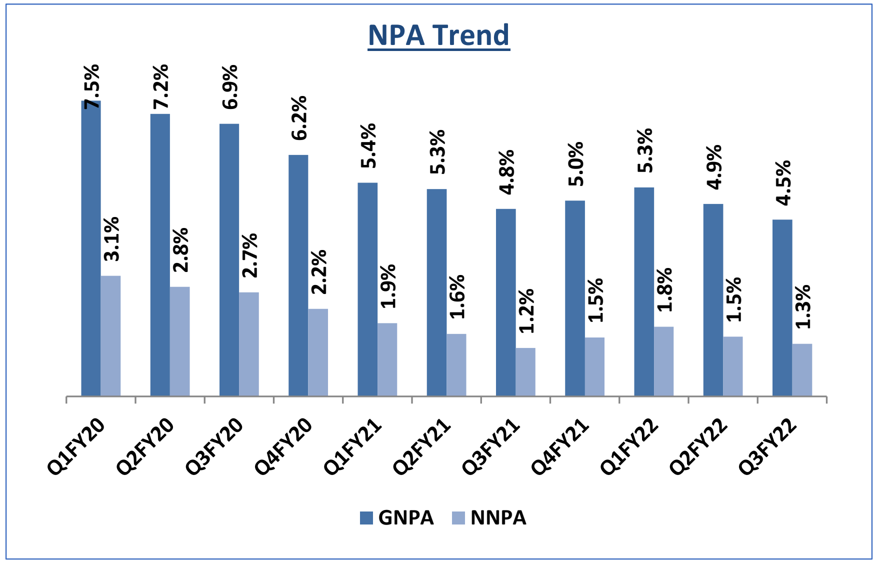
Recent Developments

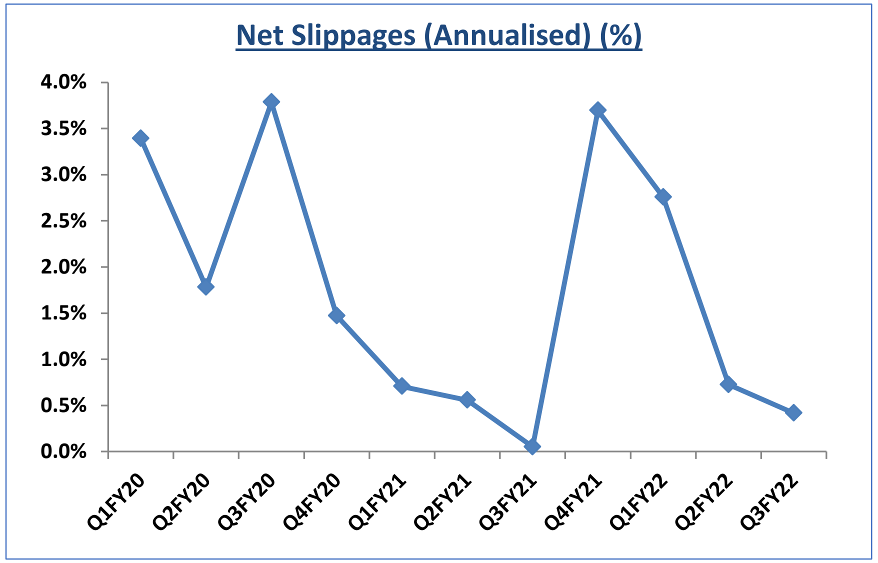
Q3FY22 Result Update

All round performance was delivered by the bank in Q3FY22. Net Interest Income for the quarter rose by 6.5% YoY and 7% YoY in 9MFY22. Domestic NIM declined by 10bp QoQ to 3.4%. Core fee income rose 7.4%/6.6% YoY/QoQ, on the back of strong cross-selling and government business. Treasury gains declined 46% to Rs.5.14bn.The bank is protected till a bond yield of 6.95-7%. The bank's cost to assets ratio has declined to 1.78% from 1.95%. It may improve with the scale up in digital initiatives. Operating profit was up by 7% YoY. Provisions were down 32.6% YoY, which has inflated the net profit by 62.3% YoY and 10.6% QoQ. The bank has registered its highest quarterly net profit of Rs. 84.3 bn in Q3FY22. Whole Bank Advances grew by 8.47% YoY and Deposits grew at 8.83% YoY. CASA ratio remains best in class at 45.74%. The bank however took a hit on investments (Rs14.9bn), mainly due to accelerated provision on security receipts (87% PCR) and partly on the SLR book (now protected till 7% G-sec yield). The bank retained its 10% credit growth guidance for FY22, driven by continued traction in retail (mainly mortgages/personal loans) and sustained corporate traction amid better limit utilization rates and disintermediation from money markets.

Improved asset quality picture

Lower slippages number has helped improve asset quality; GNPA and NNPA improved to 4.5% and 1.3% compare to 4.9% and 1.5% in Q2FY22. GNPA ratio improved across segments with domestic corporate at 7.1% and retail at 0.9%. Provision coverage ratio during the quarter improved by 120bps QoQ at 71.2%. The bank has fully provided for future retail account. Credit Cost for Q3FY22 stood at 0.49%. One of the exceptional things about the Q3FY22 earning was the slippage number (Rs.23.3 bn). Slippage Ratio for Q3FY22 stood at 0.37% (annualized) only. Restructured book of Rs.329 bn remains at ~1.2% of loans, almost at the same level of Q2FY22. The bank is expecting to recover Rs.80bn in FY22, of which almost Rs.56bn has been recovered in 9MFY22. The SMA 1 & 2 book has declined sequentially from Rs.66.9 bn to Rs.41.7 bn. We continue to watch out for the steady-state impairments and credit costs, as the bank gradually re-risks the portfolio.





A lot of under writing changes were done in the past which has helped the bank in maintaining the asset quality. The bank's risk management department is mainly concerned with evaluating macro and industry level risks. There is now also a separate department to look into proposal specific risks, which provides reviews to the credit committees and helps to maintain the pace of credit sanctioning. The Corporate Solution Group provides solutions to corporates across various verticals of the bank. For the SME segment, AGM-SME position is created zonally supported by Centralised Processing Centers (CPCs) to aid in credit decision making.

The Bank has marked Rs200bn loans for transfer to NARCL, out of which Rs110bn will be transferred under Phase 1, leading to one-off gains in Q4 to the extent of cash recovery.

Credit growth pick-up

Loan growth was strong at 8.5% YoY and 5.5% QoQ in Q3FY22, supported by the retail and overseas portfolios. Retail loan growth of 15% YoY was led by Xpress credit (29% YoY) and gold loans (+26% YoY), with steady growth in home loans (+11% YoY). Home loan constitutes ~24% of the bank's domestic advances. Growth in Corporate and SME segment has also picked up during the quarter. The bank has witnessed improvement in utilisation of loan limits by corporate borrowers. Overseas Advances reported strong growth of 21.35% YoY driven by trade finance, short-term finance and syndicated loans. The bank is looking at an overall growth of ~9% in the near term. Further, management expects the overall loan growth to improve driven by corporate lending while retail loans growth maintained at 14-15% levels.

Digital push

Even on the digital side, SBI has done excellent job as it has enabled the bank in getting sustainable business. Over the years it has launched numerous digital initiatives through which the bank now has been able to achieve major market share across multiple digital channels such as 14.46% in POS terminals, 27.73% in debit card spends, and 24.72% in mobile banking number of transactions. Being increasingly digital plays a big part in helping the bank in reducing costs, which in turn improves profitability matrix.

YONO, the flagship mobile banking and lifestyle app is a one-stop shop offering for financial services, investment, insurance and shopping solutions. In addition, it also offers YONO Krishi which is a comprehensive multi-lingual platform for agriculture segment customers offering simplified finance (KCC Review/Agri Gold Loans), advisory / market intelligence related services (Mitra) as well as market linkage through Online Market Place (Mandi). The bank claims that YONO has re-imagined key customer journeys to provide a superior user experience. YONO has acquired 45.4 mn customers and created significant value for the bank. There is 10.3 mn Average Daily logins by customers (Q3FY22). 30% of retail asset accounts and 67% of savings accounts were opened through YONO in Q3FY22. Preapproved personal loans disbursement of Rs.400bn, sale of Mutual Funds worth Rs.40 bn and ~1.7m policies were sold in FY22 till date, while Agri and gold loans worth Rs.100bn have been disbursed via the YONO app.

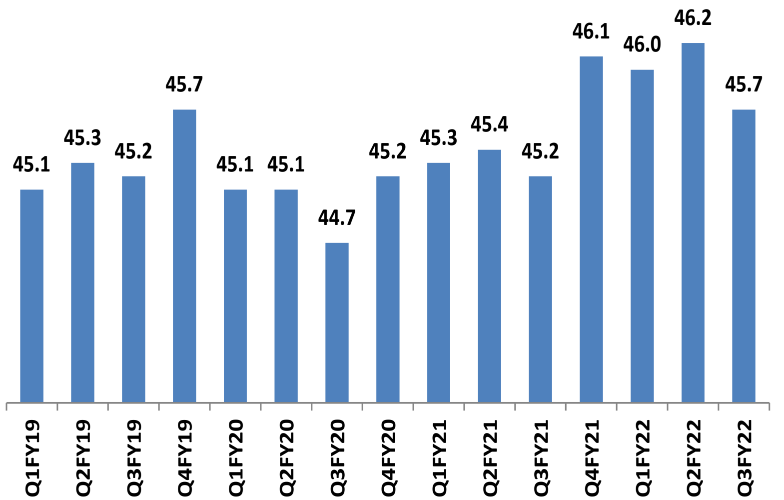
SBI has recently appointed Nitin Chugh as Deputy Managing Director (DMD) and Head of Digital Banking. He would be responsible for driving growth of customer acquisition through digital channels, along with defining and implementing digital strategies.

Immune to any liability-side risks

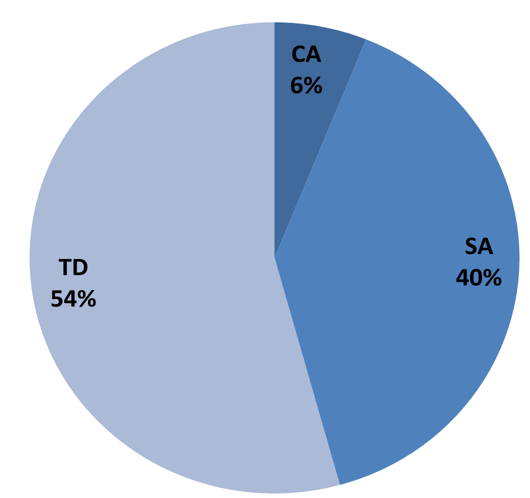
SBI is almost immune to any liability-side risks at this juncture, given its expansive, granular deposit base and government's majority holding. It has ~23% market share in total deposits and ~20% market share in total advances of Indian banking industry. Unlike other PSU banks, SBI has not lost share in loans or low cost deposits over past decade. SBI's large and granular deposit base is backed by low-cost current account and savings account (CASA). This gives it access to low cost funds which is biggest competitive advantage. CASA Ratio stood at 45.74% (up 59 bps YoY) as of Q3FY22. During the quarter, total deposits grew at 8.83% YoY; Saving Bank Deposits grew by 10.30% YoY while Current Account Deposits grew by 7.89% YoY.

The bank also has adequate capitalization. Its Tier-I and overall capital adequacy ratio stood at 11.85% and 14.17%, respectively, as on December 31, 2021. Management has informed that they expect a healthy profit in FY22 which could strengthen the capitalization level. Further, the SBIMF IPO could also help (timing is not confirmed yet). So there would be no fund raising in near term; optimization of risk weighted assets and improving internal accruals will fund the growth.

CASA Ratio stayed above 44% mark



CASA Mix (%)



Retail focused superior quality book

Over the last couple of years, SBI has shifted its focus on retail segment as a key growth driver. Of total retail loan book, 56.6% is home loans, 24% Xpress Credit, 8.1% is auto and 11.3% is others. The strong domestic loan growth in Q3FY22 was led by growth in retail personal loans, driven by home loans, Xpress credit and gold loans. 95% of Xpress loans are for salaried employees of government sector or of well-rated corporates. Growth in Xpress Credit is primarily driven by the YONO platform.

In the corporate book, the incremental sanctions are done to better rated originations. Rating wise, AA & above bucket accounts for 65% of the total corporate portfolio while BB & below (Including NPA book and Unrated) forms 12% as of Dec-21. Risk profile wise, ~44% of corporate loans are toward PSUs or Government undertakings. The bank has tried to reduce the exposure towards risky sectors i.e. Exposure towards Aviation & Airports is down 60% YoY and within Infra also, the exposure to the Power sector is down 6% YoY and Roads & Ports is down 3% YoY. Iron/steel exposure is down 32% YoY. Exposure to the telecom industry is towards A-rated companies.

Loan Book Mix (%)

Rs. Bn	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22
Large Corporate	8093	7876	7882	8187	7905	7568	7834
International	3445	3225	3299	3569	3675	3747	4004
SME	2787	2772	2937	2789	2843	2798	3072
Retail	7488	7853	8311	8707	8721	9045	9522
Agri	2043	2109	2137	2142	2094	2150	2215
Total	**23856**	**23835**	**24566**	**25394**	**25238**	**25308**	**26647**

Industry Mix (%)

Sectors	Rs. Bn	% Share
Infrastructure	3332.1	14.7
of which: Power	1834.1	8.1
Telecommunication	346.6	1.5
Roads & Ports	649.4	2.9
Other Infrastructure	502.0	2.2
Services	2375.3	10.5
Iron & Steel	338.5	1.5
Aviation & Airports	43.9	0.2
Tourism & Hotels	88.2	0.4
Textiles	334.5	1.5
Petroleum & Petrochemicals	398.6	1.8
Engineering	224.6	1.0
Comm. Real Estate	429.5	1.9
Other Industries	3340.4	14.8
Home Loans	5384.8	23.8
Auto Loans	774.4	3.4
Other Retail Loans	3362.8	14.9
Agriculture	2214.8	9.78

Rating profile of corporate customers

A Financial Conglomerate

SBI is a financial conglomerate. Through its various subsidiaries and JV companies, it has presence in insurance, asset management, credit cards and various other services including stake in various regional rural banks. All these are performing exceptionally well and adding substantial value to the bank's valuation. These subsidiaries have grown by a 25-40% CAGR over the last 3-5 years and have become market leaders (also driven by the distribution strength of SBI). The industry they are working in has low penetration so we feel that they will keep on driving high growth in the bank's consolidated net profit. This will also help SBI hedging against downturns in specific segments and access multiple growth avenues. SBI can divest its stake to unlock the value of its subsidiaries and raise capital. It holds high promoter holding in some of its listed companies so it can sell via OFS and a few other big subsidiaries like general insurance, AMC can be listed in new future.

Sector outlook

Economy has started opening up gradually, which is evident from the strong growth in economical head line numbers (IIP, eight core infra, manufacturing PMI etc.) and we expect the credit growth to improve further. In Q3FY22, the systematic credit growth was around 9% led by recovery in corporate credit especially in the case of large banks and accelerated growth in the consumer retail segment. For the sector as a whole we feel that the retail and MSME will be the key growth driver in the near term as the capex led corporate demand is yet to take off meaningfully. However, we can see some recovery in working capital credit demand as the cash conversion cycle starts to weaken due to higher commodity prices and other factors. For long term we feel that a long waited capex cycle should start as there was a big push for this in recent budget. This increased capex could push pedals of virtuous cycle of consumption led growth. This could not only improve the economic growth but it could also revive private investments, which ultimately could accelerate credit growth for the banking system. In the retail category, housing loan demand remained strongest and vehicle category is also recovering with improving chip supply scenario. Credit card loans or unsecured loans growth remains healthy and outlook is also positive.

Other important point to note here was that the opex across the board has risen. This is due to investment in technology and wage inflation. Digital advancement will help the banks in smooth process across the life cycle of the loan process, better reach and all these could ultimately improve the cost to income ratio. As we to enter in the rising interest rate trend, the MTM hit on investment could impact the treasury income.

In the case of PSU banks, there are two structural changes are happening; one at a macro level and another at the fundamental side (i.e. improved balance sheet quality). Industry tailwinds like PSB privatization theme, accelerated resolution program through IBC and improved scenario for credit growth could keep the public sector banks in lime light. The asset quality outlook seems promising as majority of the NPAs from the previous corporate cycle have been recognised and moved to resolution phase. Most of the provisioning has also been done. The BB & Below rated corporates are shrinking from the overall corporate book of PSBs. In Q2FY22 and Q3FY22, SMA books across banks saw moderation. This augurs well for incremental slippage to remain controlled. We expect lower slippages and higher resolutions and recoveries in the coming quarters. The public sector banks are now well provided for, which place them in line with private players. The balance sheet quality has become more resilient with PCR at 68% in FY21 (even more improved as of 9MFY22) v/s 47% in FY18. This could help the banks improve the return ratios. Strong credit growth rebound along with lower need for credit cost could inflate the earnings for PSBs. All this combined with low valuations make a case for buying well run PSBs.

Risks & Concerns

- A higher-than-expected deterioration in the asset quality could result in the erosion of the Tier I capital. Fresh formation of bad loans could keep provisioning high and return ratios compressed for a longer time.
- Any delay in the recovery, higher than expected haircuts or sharp rise in the slippages could impact the profitability and business growth prospects.
- Any unfavorable change in rules and regulatory policies can have a negative impact on earnings outlook of the Bank.
- The rise in interest rates may impact the loan growth and NIMs; the bank has high retail facing loan book and high interest rates negatively impacts the demand for credit. However almost 49% of the portfolio is linked to MCLR and 22% to T-bill, which should protect NIMs in a rising interest-rate scenario. A marginally rising interest rate scenario implies provisions for retirement expenses should be lower which should result in a stable-to-improving cost structure.
- Rise in G-sec yields beyond 7% (for 10 year paper) could lead to MTM losses for the Bank.
- Slower than expected growth of subsidiaries can impact consolidated profitability of the bank.
- Credit growth in the economy especially in the corporate segment will be a key thing to watch-out for the loan growth of the bank.

Company Background:

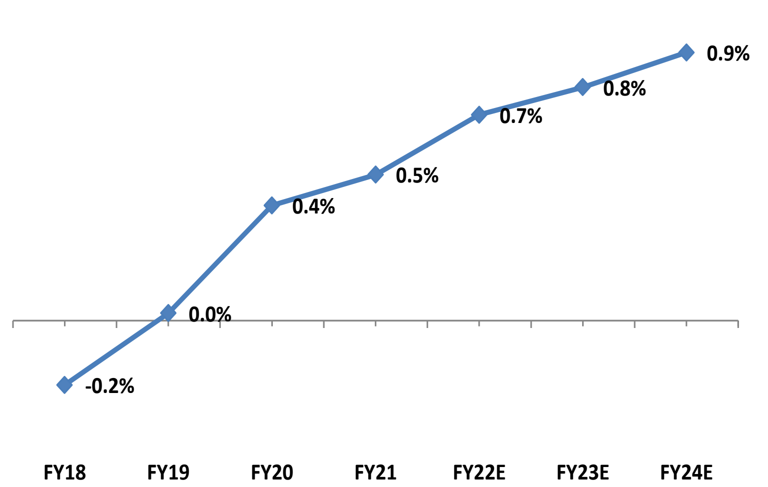
With a legacy of over 200 years, State Bank of India (SBI) is an Indian multinational, public sector banking and financial services statutory body. SBI is the oldest and largest bank in India. As on December 31, 2021, GoI owned 56.92% of the bank's equity capital. The SBI group offers a wide range of banking and non-banking products and services to its corporate and retail customers. The bank has a strong portfolio of distinctive products & services, and leverages technology to deliver and manage them in a personalised and customer centric way. It had 22,250 branches and 64,216 automated teller machines (ATMs) as on December 31, 2021. Headquartered in Mumbai, SBI provides a wide range of products and services to individuals, commercial enterprises, large corporates, public bodies, and institutional customers through its various branches and outlets, joint ventures, subsidiaries, and associate companies.

Through its non-banking subsidiaries and joint ventures, it offers a wide range of financial services, such as investment banking, credit cards, life insurance, general insurance, fund management, primary dealership, broking and factoring.

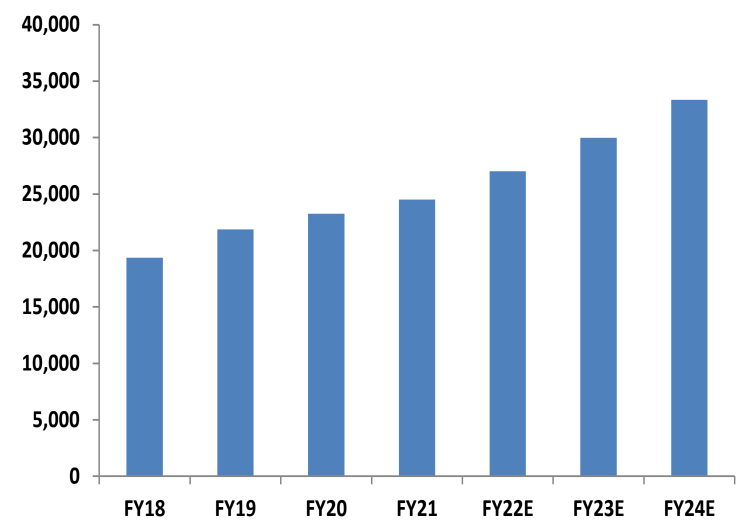
Peer Comparison:

	CMP	P/ABV			P/E			FY21						
		FY21	FY22E	FY23E	FY21	FY22E	FY23E	ROAE (%)	ROAA (%)	NIM %	GNPA %	NNPA %	CASA %	Loan Book (Rs. Bn)
ICICI Bank	678	3.6	3.1	2.7	31.1	23.1	18.3	12.3	1.4	3.75	5.3	1.2	46.3	7337
Axis Bank	691	2.3	2.0	1.7	31.3	16.5	11.8	7.1	0.7	3.7	3.7	1.1	44.9	6237
Kotak Bank	1764	6.0	5.3	4.7	54.6	47.9	42.5	12.4	1.9	4.7	3.3	1.2	58	2237
SBI	470	2.1	1.7	1.5	20.5	13.1	10.7	8.4	0.5	3	5.2	1.5	45.4	24495

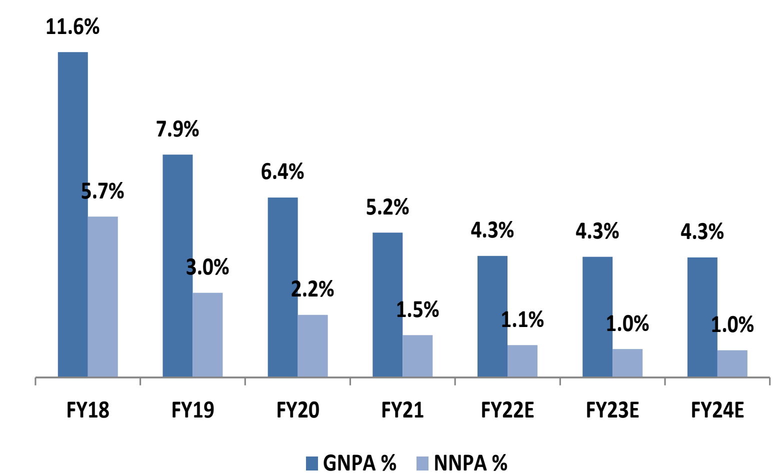
RoAA (%)



Loan Book to grow at 11% CAGR over FY21-24E



NPA Trend



SoTP Valuation Table:

Particulars	Stake	Per Share	Rationale
SBI (Standalone)	**100.0%**	**366.3/416.3**	**1.1x/1.25 Sep-23E Core ABV of Rs 333**
SBI Life	55.5%	95.2	2.7x Sep-23E EV
SBI Cards	69.4%	80.5	30x Sep-23 EPS
SBI AMC	63.0%	40.3	7% of Sep'23 AUM
SBI General insurance	70.0%	9.2	15x Sep-23 EPS
SBI Capital Markets	100.0%	11.4	15x Sep-23 EPS
Total Value Of Subsidiaries		236.5	
Less: 35% Holdco Discount		82.8	
Net Value Of Subsidiaries		**153.8**	
Total Value		**520/570**	

Financials (standalone)

Income Statement

(Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Interest earned	25,73,236	26,51,506	28,45,160	31,47,102	34,82,664
Interest expended	15,92,388	15,44,406	16,22,929	17,79,910	19,68,833
Net interest income	**9,80,848**	**11,07,100**	**12,22,231**	**13,67,192**	**15,13,830**
Other income	4,52,215	4,34,964	3,70,546	4,77,006	5,70,872
Treasury income	85,757	60,309	34,630	49,959	51,718
Total income	14,33,063	15,42,064	15,92,777	18,44,198	20,84,702
Operating expenditure	7,51,737	8,26,522	9,12,144	9,46,879	10,17,382
Pre-provisioning operating profit	**6,81,326**	**7,15,542**	**6,80,633**	**8,97,319**	**10,67,321**
Non-tax provisions	4,30,698	4,40,130	2,46,034	3,68,863	4,03,801
NPA provisions	4,29,975	2,72,700	2,31,150	3,68,752	3,80,004
Profit before tax	2,50,628	2,75,411	4,34,599	5,28,456	6,63,519
Tax expenditure	1,05,747	71,307	1,14,300	1,33,171	1,67,207
Profit after tax	**1,44,881**	**2,04,105**	**3,20,300**	**3,95,285**	**4,96,313**

Balance Sheet

(Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Share capital	8,925	8,925	8,925	8,925	8,925
Reserves and surplus	23,11,150	25,29,827	28,32,278	31,82,940	36,34,629
Net worth	23,20,074	25,38,752	28,41,202	31,91,864	36,43,554
Deposits	**324,16,207**	**368,12,771**	**399,13,342**	**439,65,454**	**481,28,235**
CASA	143,37,076	167,12,813	180,04,388	198,65,605	218,59,399
Borrowings	31,46,557	41,72,977	44,03,086	45,17,567	46,36,103
Other liabilities and provisions	16,31,101	18,19,797	19,31,984	20,08,230	22,22,373
Total equity and liabilities	**395,13,939**	**453,44,296**	**490,89,614**	**536,83,116**	**586,30,264**
Cash and cash equivalents	25,10,970	34,30,387	35,27,435	45,22,960	48,10,923
Investments	104,69,545	135,17,052	141,86,780	143,61,425	151,91,781
Government securities	80,32,701	105,52,886	108,57,525	106,66,265	110,80,511
Advances	**232,52,896**	**244,94,978**	**270,12,677**	**299,89,058**	**333,37,898**
Fixed assets	3,84,393	3,84,192	3,95,718	4,11,547	4,28,009
Other assets	28,96,136	35,17,687	39,67,005	43,98,126	48,61,654
Total assets	**395,13,939**	**453,44,296**	**490,89,614**	**536,83,116**	**586,30,264**

(Source: Company, HDFC sec)

State Bank of India Ltd.

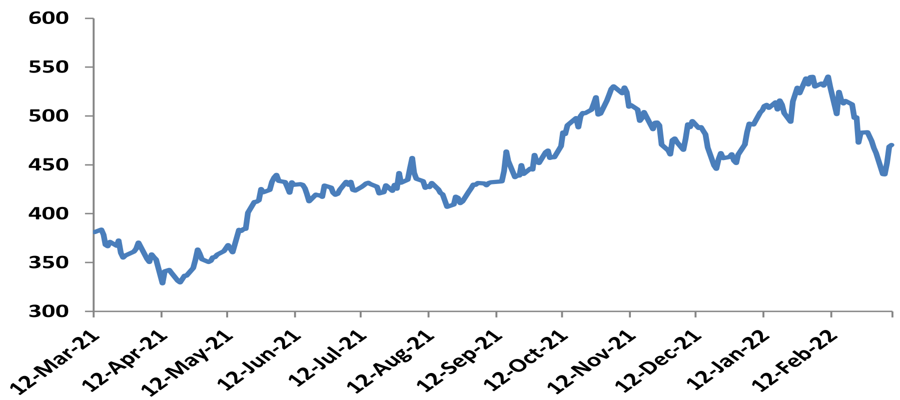
Key Ratio

	FY20	FY21	FY22E	FY23E	FY24E
Valuation metrics					
EPS (Rs.)	16	23	36	44	56
BVPS (Rs.)	260	284	318	358	408
ABVPS (Rs.)	189	228	269	309	357
RoAA	0.4%	0.5%	0.7%	0.8%	0.9%
RoAE	6.4%	8.4%	11.9%	13.1%	14.5%
P/E(x)	29.4	20.5	13.1	10.7	8.4
P/ABV (x)	2.5	2.1	1.7	1.5	1.3
Profitability ratios					
Yield on advances	8.0%	7.18%	7.04%	7.35%	7.40%
Cost of funds	4.6%	4.04%	3.81%	3.84%	3.89%
Cost of deposits	4.8%	4.11%	3.90%	3.91%	3.94%
Core spread	3.2%	3.07%	3.14%	3.44%	3.46%
Net interest margin	2.9%	3.00%	2.98%	3.08%	3.13%
Operating efficiency ratios					
Cost-average assets	1.97%	1.95%	1.93%	1.84%	1.81%
Cost-income	52.46%	53.60%	57.27%	51.34%	48.80%

Key Ratio

	FY20	FY21	FY22E	FY23E	FY24E
Balance sheet structure ratios					
Loan growth	6.4%	5.3%	10.3%	11.0%	11.2%
Deposit growth	11.3%	13.6%	8.4%	10.2%	9.5%
C/D ratio	71.7%	66.5%	67.7%	68.2%	69.3%
CASA	44.2%	45.4%	45.1%	45.2%	45.4%
CRAR	13.5%	14.0%	13.8%	13.6%	13.6%
Tier 1	11.5%	11.7%	11.7%	11.8%	12.0%
Asset quality metrics					
Gross NPAs (Rs. mn)	14,90,919	12,63,890	11,69,263	12,89,083	14,25,228
Net NPAs(Rs. mn)	5,18,713	3,68,097	3,10,139	3,00,906	3,21,310
PCR	65.2%	70.9%	73.5%	76.7%	77.5%
GNPA	6.4%	5.2%	4.3%	4.3%	4.3%
NNPA	2.2%	1.5%	1.1%	1.0%	1.0%
Slippages	2.2%	1.2%	1.0%	1.5%	1.5%
Credit costs	1.9%	1.1%	0.9%	1.3%	1.2%

One Year Price Chart



HDFC Sec Retail Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

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