State Bank of India

BSE SENSEX	S&P CNX
43,594	12,749

CMP: INR234 TP: INR300 (+28%) Buy

Asset quality steady; PPoP->PAT conversion set to improve

Retail trends in line with top players; Valuations compelling

- **SBIN appears well positioned to report strong uptick in earnings as the uncertainty brought about by the pandemic has receded significantly. While collection trends have improved to ~97%, restructuring of up to 1% of loans is expected. Further, legacy issues in the corporate NPA cycle is now largely behind. SBIN carries healthy PCR of ~88% on corporate NPA. We expect credit costs to normalize from FY22E.**
- **SBIN's focus has been on building a granular and high-quality portfolio. With retail growth back to pre-COVID levels and improving trends in Home loans, Auto loans, Gold loans, etc. we expect gradual deployment of excess liquidity toward incremental retail demand. Also, improvement in cost of funds is likely to drive margins, and thus, enable strong NII growth.**
- **We estimate SBIN's PPoP at 11% CAGR over FY20-23E (v/s 7% CAGR over FY15-20). Therefore, overall PPoP to provisions should strengthen to 2.4x by FY23E (v/s avg. 1.1x over FY17-20). Our PAT estimate stands at INR302b/INR393b for FY22/23E.**
- **The current valuations are compelling with the core bank trading at 0.4x FY22E ABV (1.3x FY22E P/Core PPoP and 3.1x FY22E P/E). RoEs should recover to ~14% by FY23E. We expect rerating in the stock as long awaited earnings normalization cycle has begun. Reiterate Buy with TP of INR300.**

Earnings normalization begins; PPoP conversion to PAT set to improve

- SBIN appears well positioned to report strong uptick in earnings. The NPL formation has moderated significantly while strong pipeline of accounts under recovery should enable further improvement in asset quality. SBIN has improved its PCR sharply (similar to large private peers). It has a PCR of ~88% on the corporate book, which should enable normalization in credit cost from FY22. This, along with an expected uptick in core operating performance will further propel earnings growth, in our opinion.
- We, thus, estimate SBIN's PPoP at 11% CAGR over FY20-23E (v/s 7% CAGR over FY15-20), aided by improvement in cost of funds and market share gains. Overall PPoP to provision coverage should strengthen to 2.4x by FY23E (v/s average of 1.1x over FY17-20). We expect PAT of INR302b/INR393b for FY22/23E.

Franchise continues to gain systemic market share

- SBIN continues to witness market share gains, both in loans and deposits. Unlike other PSBs that have lost market share, SBIN's loan share has improved to 22.4% (v/s 19% in FY15). Also, deposit market share has increased to ~24% (v/s 21.6% in FY15). We also note that market cap to deposits/loans (adjusted for subs) has declined sharply to ~2.7%/4.1%, the lowest levels (including the GFC period). The core bank trades at 1.3x FY22E P/Core PPoP and 3.1x FY22E P/E, providing an attractive risk reward opportunity. The pickup in earnings should enable a rerating in the stock.

Stock Info

Bloomberg	SBIN IN
Equity Shares (m)	8,925
M.Cap.(INRb)/(USDb)	2090.1 / 27.8
52-Week Range (INR)	351 / 150
1, 6, 12 Rel. Per (%)	11/3/-34
12M Avg Val (INR M)	13400
Free float (%)	43.1

Financials Snapshot (INR b)

Y/E March	FY20	FY21E	FY22E
NII	980.8	1,117.8	1,232.8
OP	681.3	749.8	815.9
NP	144.9	216.5	302.3
NIM (%)	3.0	3.1	3.0
EPS (INR)	16.2	24.3	33.9
EPS Gr. (%)	NM	49.4	39.7
ABV (INR)	186.7	215.9	242.5
Cons. BV (INR)	266.7	294.6	332.9
Ratios			
RoE (%)	7.2	9.9	12.4
RoA (%)	0.4	0.5	0.7
Valuations			
P/BV (x) (Cons.)	0.9	0.8	0.7
P/ABV (x)	0.6	0.5	0.4
P/E (x)	6.4	4.3	3.1

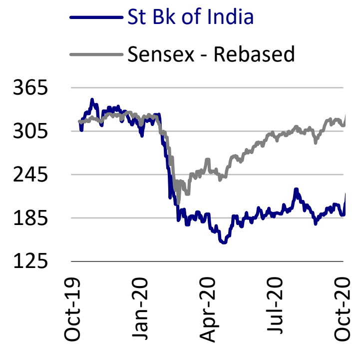
*Price adjusted for value of subs

Shareholding pattern (%)

As On	Sep-20	Jun-20	Sep-19
Promoter	34.7	34.7	34.7
DII	25.1	27.3	25.4
FII	19.9	18.8	21.4
Others	20.4	19.3	18.5

FII Includes depository receipts

Stock Performance (1-year)



Research Analyst: Nitin Aggarwal (Nitin.Aggarwal@MotilalOswal.com) | Himanshu Taluja (Himanshu.Taluja@motilaloswal.com)
Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com); Yash Agarwal (Yash.Agarwal@motilaloswal.com)

Retail credit back to pre-COVID levels – forms 62% of total growth over 1HFY19-21

- SBIN is focused on building a granular and high-quality portfolio, with Retail being a key growth driver. Over the past two years, retail loans delivered ~17% CAGR and contributed 62% of the total credit growth. Thus, the share of retail loans improved to ~38% (v/s ~32% in 2QFY19). Among segments, SBIN's market share in Home loans improved to ~22% (v/s ~16% in FY15), Auto loans improved to ~12% (v/s 9% in FY15). Its credit card base increased to ~18.7%.
- The increase in Xpress credit was also driven through the YONO platform. Further, loans of INR250b and liability of INR600b has been acquired through YONO. ~21k+ savings accounts open daily through the YONO platform.
- As economic activity is picking up pace, sanctions and disbursements in retail are trending back to pre-COVID levels. Home loans witnessed 12% YoY growth in disbursements, Auto loans 27% YoY and personal loans 61% YoY. Gold loans picked up well and grew 4x YoY. With a much superior franchise, SBI is well placed to gain incremental market share in the current environment.

Funding cost yet to bottom out; NII growth robust at ~15% YoY

SBIN offers SA rate of 2.7% (lowest among peers) and has reduced its peak term deposit rate by 180bp to 4.9%. SBIN's cost of deposits moderated to ~4.4% (improved by 13bp QoQ) v/s other large private banks' cost of funds of 3.8-4.6% (improved 25-35bp QoQ). We, thus, expect cost of funds/deposits to further bottom out in the coming quarters. During the 2QFY21, NII grew ~15% YoY, broadly in line with large private banks (HDFCB, ICICIBC), despite CD ratio being at decade low of ~66%. With business momentum picking up, we expect gradual deployment of excess liquidity. Further improvement in cost of funds is likely to support margins.

CE at ~97% is best-in-class; PCR improves to 71% v/s 54% in 1HFY19

- Collection efficiency (CE) was >97% in Oct'20 (97% in Sep'20) and is in line with other large private lenders. The strong collection trend was mainly led by higher share of customers from PSU/Government employees, which stood at ~37% of Corporate loans, 94% of Personal loans and 50% of Home loans customers, thereby aiding low risk profile. The issues in corporate NPA cycle is now largely behind and the bank has improved its PCR sharply (similar to large private peers). It carries healthy PCR of ~88% on the corporate NPA book.
- The bank has indicated total asset quality impact of INR600b (2.6% of loans), including restructuring of <1% while it awaits healthy write-backs from the resolution of stressed assets. We expect credit cost normalization FY22E onwards at 1.6%/1.4% for FY22E/23E (v/s management's investor day guidance of credit cost normalization to <100bp in the base case; <110bp in stress case).

Subs remain strong industry-leading compounding machines

SBIN's subsidiaries – SBI MF, SBI Life Insurance, SBI General Insurance and SBI Cards – have displayed robust performances and gained scale and market share in their respective segments.

- **SBI Cards** has a market share of 18.7% on a card base of 11m and 20.5% share in card spends. It witnessed 42% CAGR in card spends over FY17–20, while PAT

CAGR over the similar period stood at 47%. Return ratios remain healthy with RoE at 27.4% as of FY20.

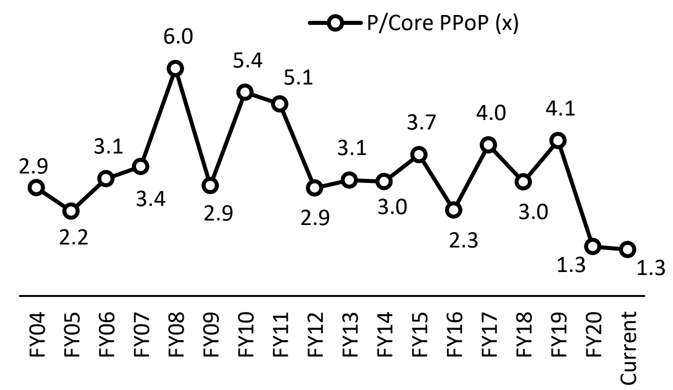
- **SBI Life Insurance:** A 25% CAGR was witnessed in un-weighted NBP over FY15–20 (v/s 18% for private players), with VNB margin of 18.8% as of 1HFY21. It has one of the lowest cost structures, with total expense ratio of 8.8%, enabling it to deliver operating RoEV of 20.5% in FY20.
- **SBI Asset Management** is the largest AMC in India with total AUM of ~INR4.2t and market share of ~15.3%. AUM increased at robust CAGR of 38% over FY15–20 to INR3.7t in FY20 (+31% YoY over 1HFY21). PAT witnessed 30% CAGR over the same period to INR6.0b in FY20 (36% YoY to INR3.85b with RoE of 34.4% over 1HFY21).
- **SBI General Insurance:** In FY20, gross written premiums grew 45%; thus, market share improved to 3.59% in FY20 from 2.77% in FY19. Overall, PAT grew 23% YoY to INR4.1b in FY20 (53% YoY to INR3b with RoE of 27% over 1HFY21).

Valuation and view

- SBIN's performance has been healthy in a challenging environment. Asset quality outlook is better with improvement in CE to 97% (in line with large private peers). The bank expects total asset quality impact of INR600b (2.6% of net advances) including restructuring of <1%. SBIN has also prudently improved PCR over the last few years; corporate PCR now stands at 88%. Thus, we believe the earnings normalization cycle for SBIN has begun as the uncertainty brought about by the COVID pandemic has receded significantly. Also, SBIN has strong franchise, both in assets and liabilities, and is gaining market share unlike other PSBs, which have lost market share to private players. Current valuations too are extremely compelling with the core bank trading at 0.4x FY22E ABV (1.3x FY22E P/Core PPoP and 3.1x FY22E P/E). RoEs should also recover to 14.2% by FY23E. Thus, we believe a rerating in the stock is imminent. **Reiterate Buy with TP of INR300 (0.7x Sep'22E ABV).**

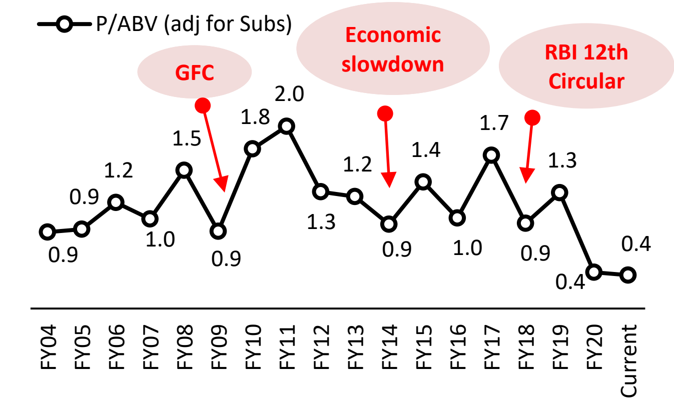
Key charts

Exhibit 1: P/Core PPoP for FY22E trading at cheap valuations of 1.3x…



Source: MOFSL, Company

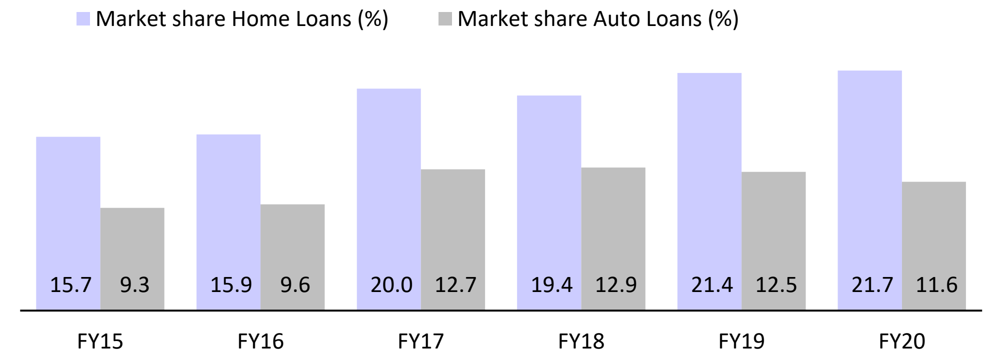
Exhibit 2: … while P/ABV (adjusted for subs) also trading near all-time lows



Source: MOFSL, Company

SBIN has constantly gained/maintained its market share across key segments unlike other PSU banks, which have lost share.

Exhibit 3: SBIN's market share trends in Home loans and Auto loans



Source: MOFSL, Company; market share including NBFC credit

SA/TD rate for SBIN remains one of the lowest at 2.7%/4.9% while cost of deposits remains comparably higher indicating further scope for reduction in cost of deposits/cost of funds.

Exhibit 4: Funding cost yet to bottom out; CASA ratio remains one of the highest (barring KMB)

Deposit Franchise	CASA (%)	Cost of Deposit (%)	Peak TD Rate (%)
AXSB	44.0	4.37	5.1
HDFCB*	41.6	4.26	5.1
ICICBC	43.8	4.22	5.0
KMB*	57.1	3.82	5.1
SBIN	45.4	4.35	4.9

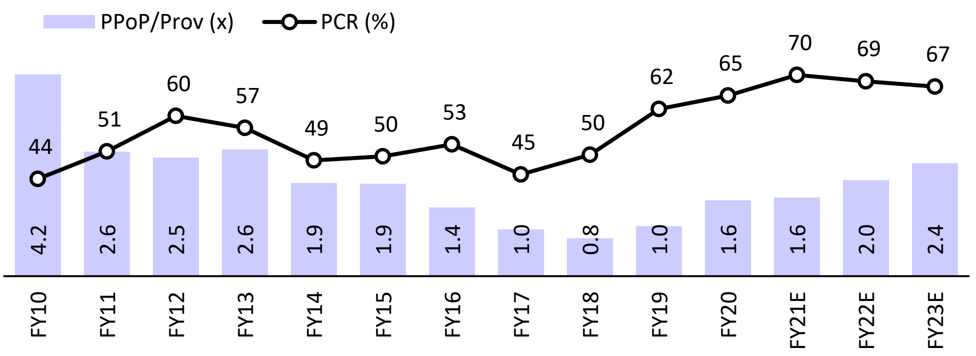
*Calculated cost of funds have been considered since cost of deposits is not available

Source: MOFSL, Company

PPoP at 7% CAGR over FY15-20 along with higher provisions impacted earnings.

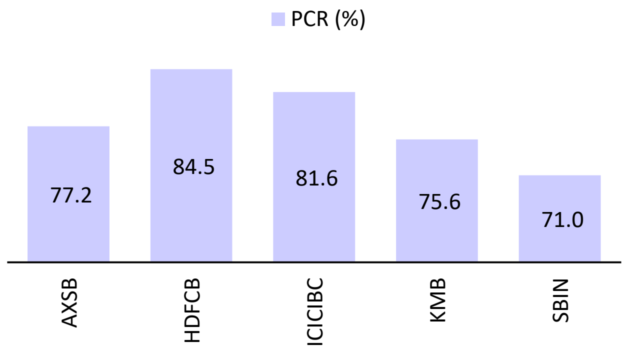
We expect PPoP to deliver 11% CAGR over FY20-23E while moderation in credit cost should enable pickup in return ratios.

Exhibit 5: Operating profits to provisioning gap is widening, which shows earnings normalization; over the past few years, PCR has improved substantially



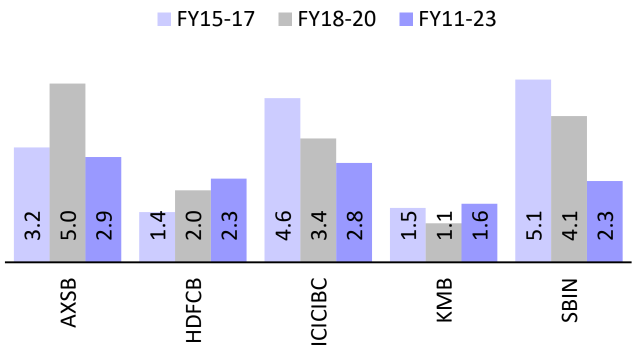
Source: MOFSL, Company; market share including NBFC credit

Exhibit 6: SBIN's PCR at ~71% is comparable to large private peers



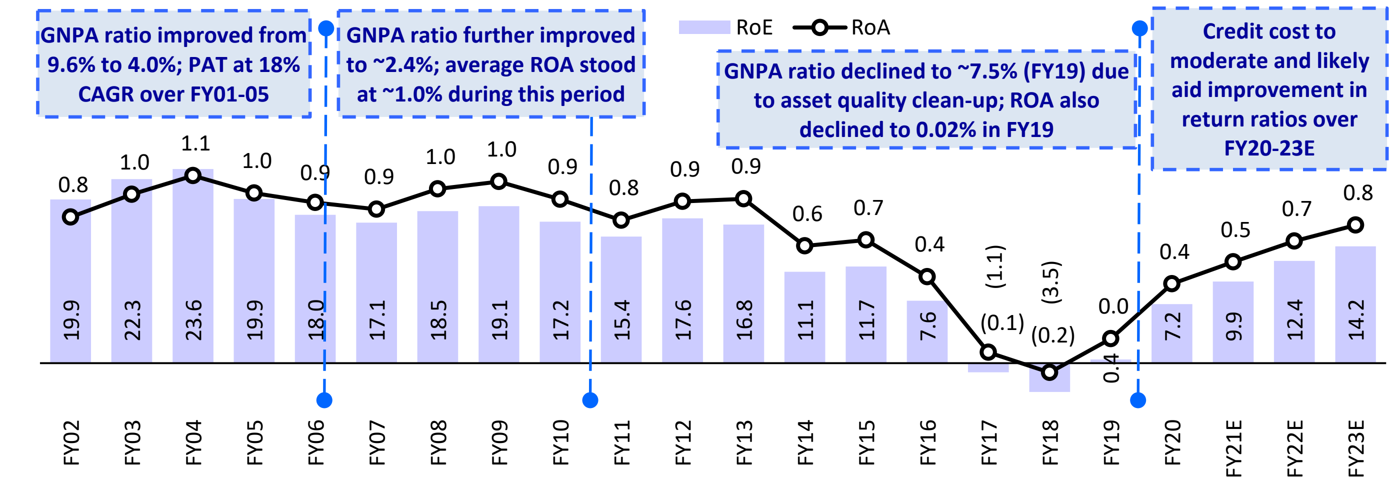
Source: Company, MOFSL

Exhibit 7: Slippages/credit cost remain under control and are lower than corporate banks



Source: Company, MOFSL

Exhibit 8: Return ratios to pick up gradually with RoE reverting back to double-digits over FY22-23E



Source: MOFSL, Company

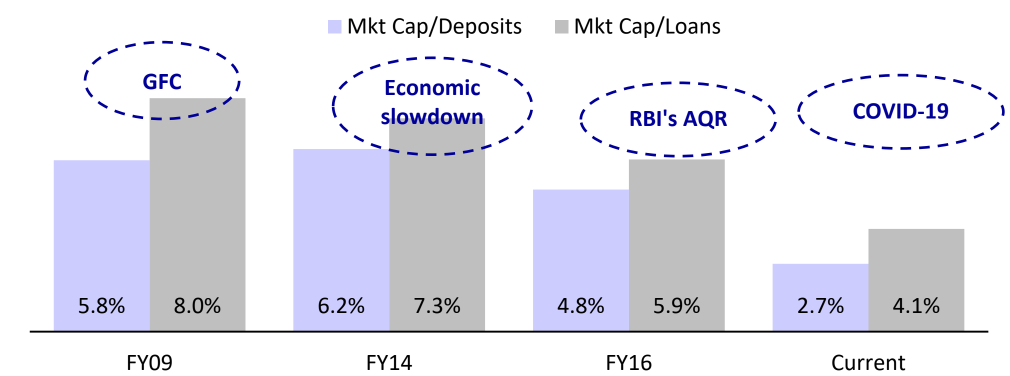
Earnings normalization begins; PPoP conversion to PAT set to improve

Valuations compelling

RoE to revert back to double digits over FY22-23E; RoA likely at 0.8% by FY23E.

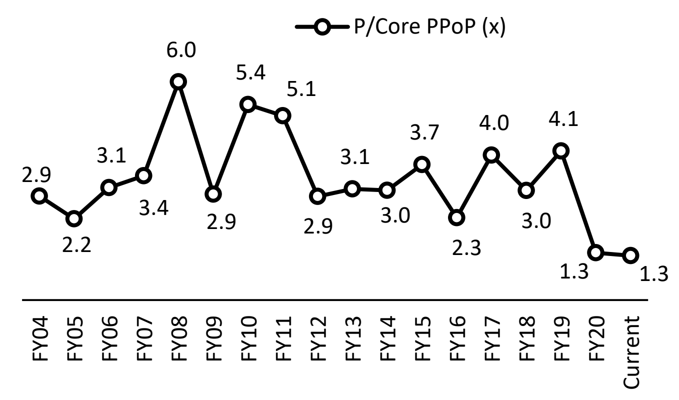
- SBIN appears well positioned to report strong uptick in earnings. The NPL formation has moderated significantly while strong pipeline of accounts under recovery should enable further improvement in asset quality. SBIN has improved its PCR sharply (similar to large private peers) and has PCR of ~88% on the corporate book, which should enable normalization in credit cost from FY22E. This, along with an expected uptick in core operating performance should further propel earnings growth, in our opinion.
- We, thus, estimate SBIN's PPoP at 11% CAGR over FY20-23E (v/s 7% CAGR over FY15-20), aided by improvement in cost of funds and market share gains. Thus, overall PPoP to provision coverage should strengthen to 2.4x by FY23 (v/s average of 1.1x over FY17-20). We expect PAT of INR302b/INR393b for FY22/23E.
- Market cap to deposits / loans (adjusted for subs) have declined sharply to ~2.7%/4.1% – the lowest levels (including GFC). The core bank trades at 1.3x FY22E P/Core PPoP and 3.1x FY22E P/E, providing an attractive risk reward opportunity while the pickup in earnings should enable the bank to re-rate.

Exhibit 9: Market Cap to deposits/loans (adjusted for subs) across various cycles



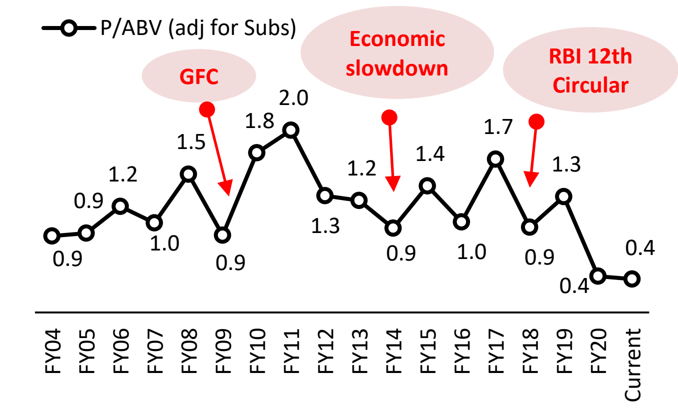
Source: MOFSL, Company

Exhibit 10: P/Core PPoP for FY22E trading at 1.3x



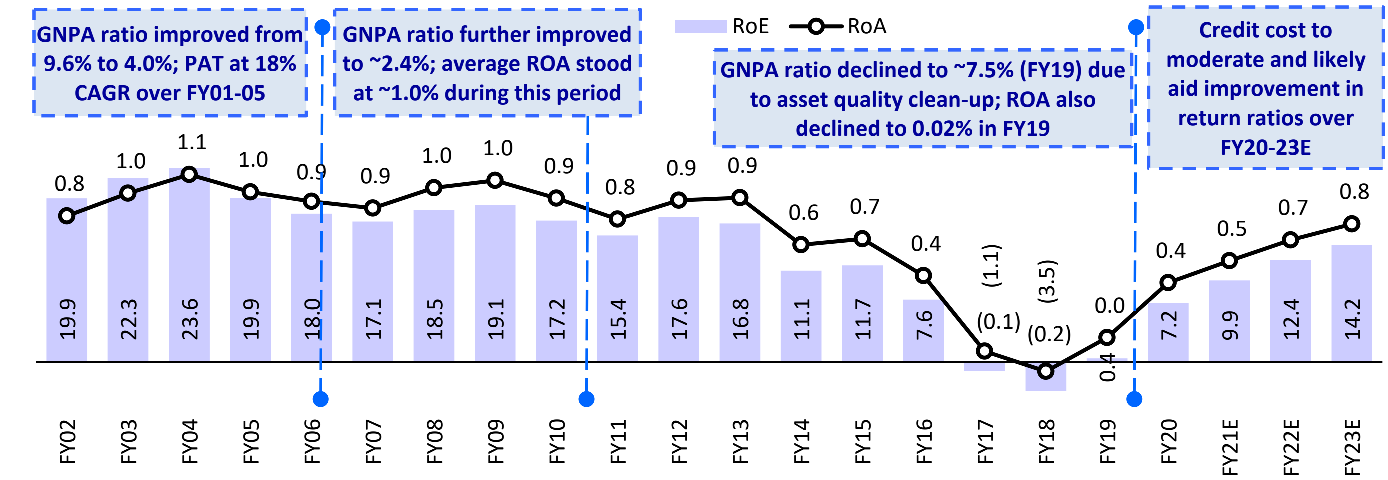
Source: MOFSL, Company

Exhibit 11: P/ABV – Trading at an all-time low



Source: MOFSL, Company

Exhibit 12: Return ratios to improve gradually with RoE reverting back to double digits over FY22-23E

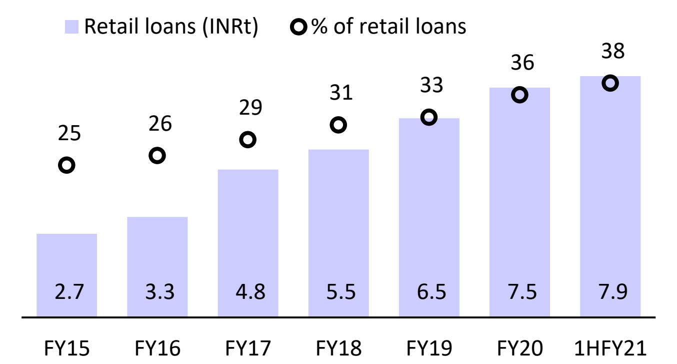


Source: MOFSL, Company

Retail credit back to pre-COVID levels; Contributes 62% of total credit growth over last two years

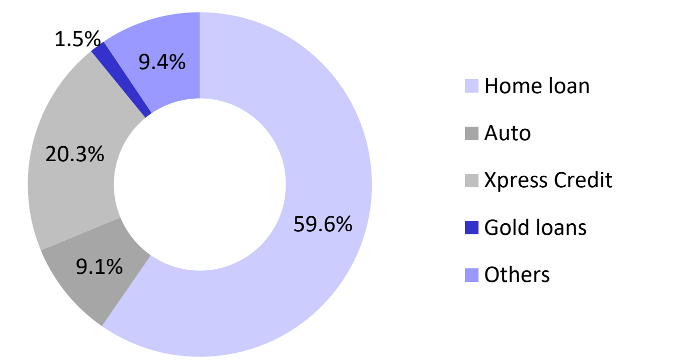
- SBIN's focus has been on building a granular and high-quality portfolio, with Retail being a key growth driver. Over the past two years, retail loans delivered ~17% CAGR and contributed 62% of the total credit growth. Thus, the share of retail loans improved to ~38% (v/s ~32% in 2QFY19). Among segments, SBIN's market share in Home loans improved to ~22% (v/s ~16% in FY15), Auto loans improved to ~12% (v/s 9% in FY15) and in credit cards, its base increased to ~18.7%.
- The increase in Xpress credit was also driven through the YONO platform. Further, loans of INR250b and liability of INR600b has been acquired through YONO. ~21k+ savings accounts open daily through the YONO platform.
- As economic activity is picking up, sanctions and disbursements in retail are trending back to pre-COVID levels with Home loans witnessing 12% YoY growth in disbursements, Auto loans 27% YoY and Personal loans 61% YoY. Gold loans picked up well and grew 4x YoY. With a much superior franchise, SBIN is well placed to gain incremental market share in the current environment.

Exhibit 13: Retail loans at 21% CAGR over FY15-1HFY21



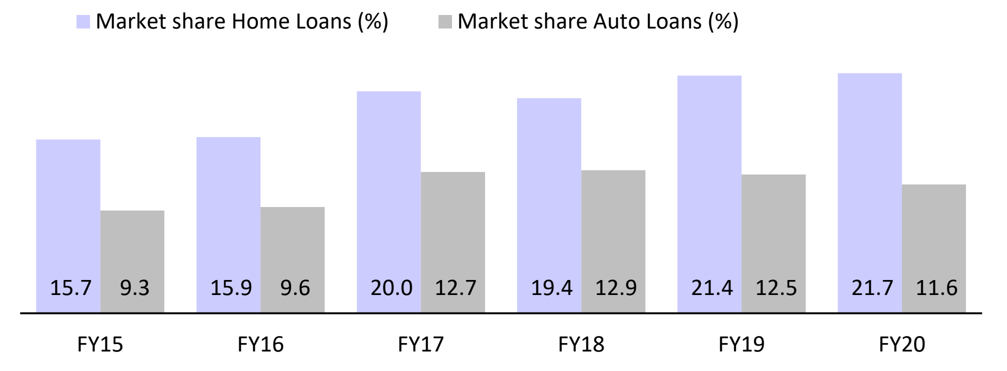
Source: MOFSL, Company

Exhibit 14: Retail loans mix composition



Source: MOFSL, Company

Exhibit 15: SBIN's market share trends in Home loans and Auto loans segment



Source: MOFSL, Company; market share including NBFC credit

Exhibit 16: Market share in credit cards

Market Share (%)	FY15	FY16	FY17	FY18	FY19	FY20
HDFCB	28.3	29.7	28.6	28.5	26.5	25.1
SBIN	15.0	14.8	15.3	16.7	17.6	18.3
ICICIBC	15.8	14.9	14.3	13.3	14.1	15.8
AXSB	8.2	9.8	11.2	12.0	12.7	12.1
RBL	0.4	0.6	0.9	2.1	3.6	4.6

Source: Company, MOFSL

Robust funding profile; CASA ratio healthy at ~45%

SBIN continues to see strong growth in deposits and has succeeded in maintaining a robust liability franchise, with market share in deposits improving by 46bp to 22.8% as at FY20. Domestic deposit growth came in strong at 15% YoY and overseas deposits grew at 12% YoY over 1HFY20. Growth in domestic deposits was led by CASA deposits at 15.1%; term deposits growth came in at 13.9% YoY. Overall, the bank's CASA ratio stood at 45.4%. **Retail domestic CASA grew 10.8% YoY to INR10.2t; thus, the total retail domestic CASA ratio stood at 48.3% as at FY20.** Currently, SBIN opens ~70,000 savings accounts per day.

CASA ratio witnessing an improvement over 2QFY21.

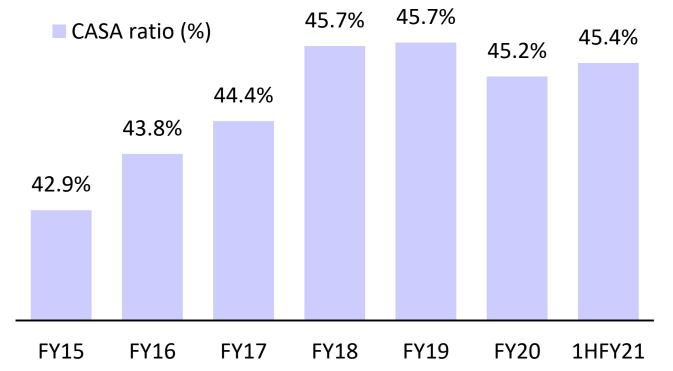
We believe the impetus for strong incremental growth in term deposits is low. This is attributable to the narrowing of the differential between SA and TD accounts, driven by 135–200bp decline in TD rates in the past year. This is likely to aid growth in CASA deposits, enabling further improvement in CASA ratios.

Exhibit 17: CASA ratio trends across banks for the past few quarters

CASA (%)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
AXSB	41.0	41.0	41.0	41.0	41.0	44.0
DCBB	24.5	23.2	23.2	21.5	21.9	22.4
HDFCB	39.7	39.3	39.5	42.2	40.1	41.6
ICICIBC	45.2	46.7	47.0	45.1	42.5	43.8
IIB	43.1	41.4	42.4	40.4	40.0	40.3
KMB	50.7	53.6	53.7	56.2	56.7	57.1
YES	30.2	30.8	32.1	26.6	25.8	24.8
FB	31.4	31.6	31.5	30.5	32.0	33.7
RBK	25.8	26.5	26.8	29.6	30.1	31.1
SBIN	45.1	45.1	44.7	45.2	45.3	45.4

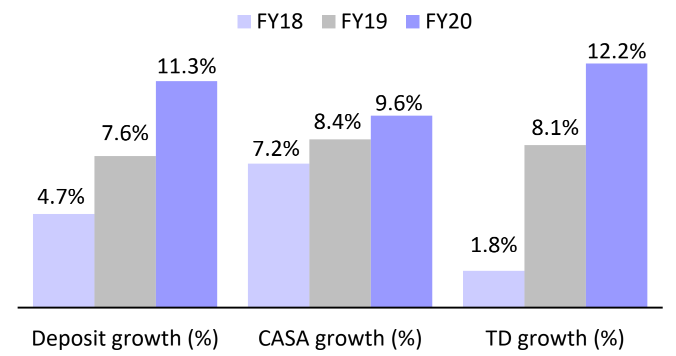
Source: MOFSL, Company

Exhibit 18: CASA ratio stands at 45.4%



Source: MOFSL, Company

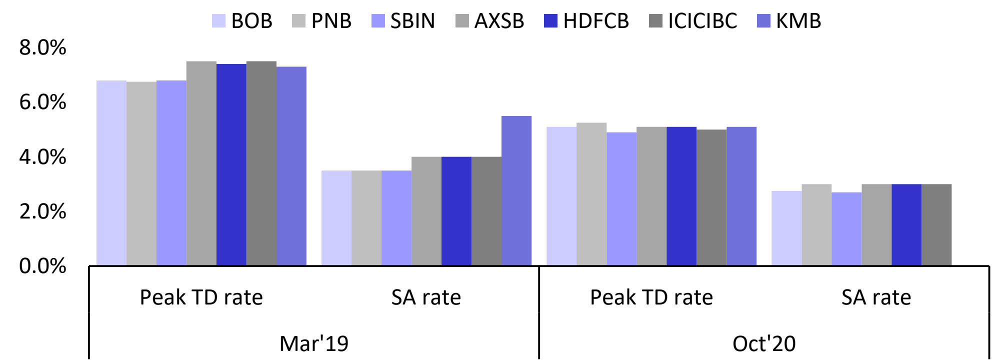
Exhibit 19: TD growth marginally higher than CASA growth



Source: MOFSL, Company

Peak TD rates decline 135–200bp in the past year

Exhibit 20: Differential between peak TD and SA rate trends over Mar'19–Oct'20



Source: MOFSL, Company

SBIN has lowered its SA rate to 2.7% (the lowest among peers).

Funding cost yet to bottom out; Margins to remain steady

SBIN offers a SA rate of 2.7% (lowest among peers) and has reduced its peak term deposit rate by 180bp to 4.9%. SBIN's cost of deposits moderated to ~4.4% (improved by 13bp QoQ) v/s other large private banks cost of funds of 3.8-4.6% (improved 25-35bp QoQ). We, thus, expect cost of funds/deposits to further bottom out in the coming quarters. Overall, we expect gradual deployment of excess liquidity as CD ratio is at decadal low of ~66% currently. Also, further improvement in cost of funds is likely to support margins.

Exhibit 21: NIM trend across banks – pressured for the past few quarters; expect NIM to stabilize/improve

NIM (%)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
AXSB	3.40	3.51	3.57	3.55	3.40	3.58
DCBB	3.67	3.67	3.71	3.64	3.42	3.74
HDFCB	4.30	4.20	4.20	4.30	4.30	4.10
ICICIBC	3.61	3.64	3.77	3.87	3.69	3.57
IIB	4.05	4.10	4.15	4.25	4.28	4.16
KMB	4.49	4.61	4.69	4.72	4.40	4.52
YES	2.80	2.70	1.40	1.90	3.00	3.10
FB	3.15	3.01	3.00	3.04	3.07	3.13
RBK	4.31	4.35	4.57	4.93	4.85	4.34
SBIN	2.81	2.90	3.05	2.97	3.01	3.12

Source: MOFSL, Company

Exhibit 22: Cost of deposits declining

Cost of Deposits (%)	2QFY21	YoY (bps)	QoQ (bps)
AXSB	4.37%	(97)	(36)
HDFCB	NM	NM	NM
ICICIBC	4.22%	(84)	(31)
KMB	NM	NM	NM
SBIN	4.35%	(67)	(13)
IIB	5.58%	(112)	(15)
DCBB	6.47%	(52)	(20)
FB	5.10%	(83)	(27)
RBK	5.98%	(92)	(29)

Source: MOFSL, Company

Exhibit 23: Cost of funds declining

Cost of Funds (%)	2QFY21	YoY (bps)	QoQ (bps)
AXSB	4.60%	(102)	(33)
HDFCB*	4.26%	(114)	(27)
ICICIBC	4.35%	(84)	(26)
KMB*	3.82%	(143)	(36)
SBIN*	4.12%	(74)	(25)
IIB	4.94%	(96)	(16)
DCBB	6.61%	(52)	(21)
FB*	5.03%	(76)	(14)
RBK	5.92%	(83)	(23)

*On a calculated basis

Source: MOFSL, Company

Exhibit 24: One-year peak TD rates across banks

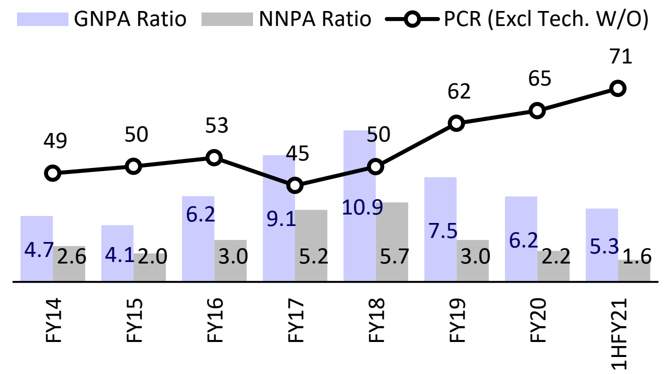
Peak Deposit rate (%)	Mar'19	Jun'19	Aug'19	Sep'19	Nov'19	Apr'20	May'20	June'20	July'20	Oct'20	Change (bps)
BOB	6.80	6.80	6.70	6.60	6.40	5.70	5.70	5.30	5.20	5.10	-150
PNB	6.75	6.75	6.75	6.60	6.40	5.80	5.75	5.50	5.40	5.25	-135
SBIN	6.80	6.80	6.70	6.70	6.25	5.70	5.30	5.30	5.20	4.90	-180
AXSB	7.50	7.50	7.20	7.00	6.85	6.10	5.80	5.80	5.50	5.10	-190
HDFCB	7.40	7.40	7.30	7.00	6.85	6.00	5.75	5.50	5.30	5.10	-190
ICICIBC	7.50	7.50	7.10	7.00	6.85	6.00	5.75	5.50	5.30	5.00	-200
KMB	7.30	7.30	6.90	6.80	6.50	5.80	5.25	5.25	5.20	5.10	-170
Repo Rate	6.25	5.75	5.40	5.40	5.15	4.40	4.00	4.00	4.00	4.00	-140

Source: MOFSL, Company website

CE at ~97% best-in-class; PCR improves to 71% v/s 54% in 1HFY19

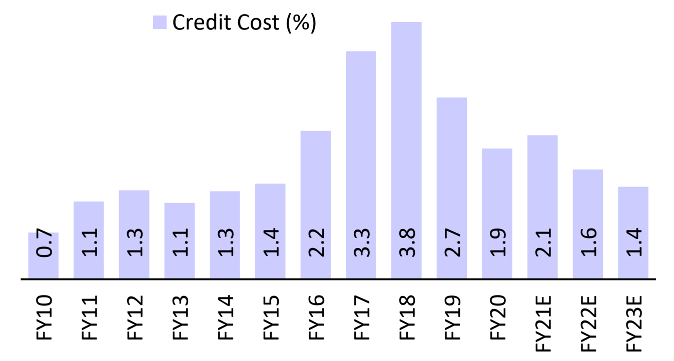
- CE was >97% in Oct'20 (97% in Sep'20) and is in line with other large private lenders. The strong collection trend was mainly led by higher share of customers from PSU/Government employees, which stands at ~37% of corporate loans, 94% of personal loans and 50% of home loans customers, thereby aiding low risk profile. The issues in the corporate NPA cycle is now largely behind and the bank has improved its PCR sharply (similar to large private peers). It carries healthy PCR of ~88% on the corporate NPA book.
- The bank indicated total asset quality impact of INR600b (2.6% of loans), including restructuring of <1% while it awaits healthy write-backs from the resolution of stressed assets. We expect credit cost normalization from FY22E at 1.6%/1.4% for FY22E/23E (v/s management's investor day guidance of credit cost normalization to <100bp in the base case and <110bp in the stress case).

Exhibit 25: Provision coverage improves to ~71%



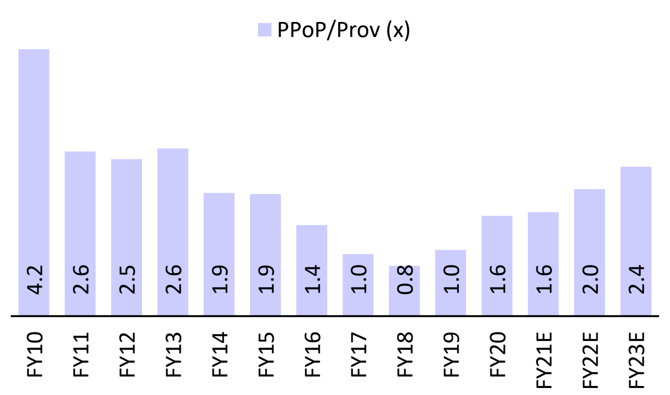
Source: Company, MOFSL

Exhibit 26: Credit cost to normalize from FY22E, in line with top private banks



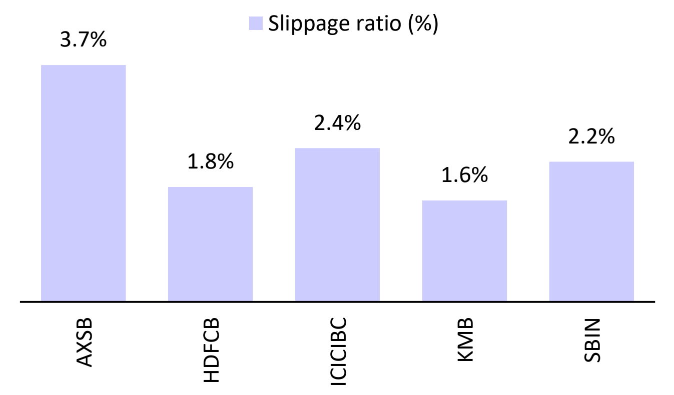
Source: Company, MOFSL

Exhibit 27: Operating profits to provisioning gap is widening, which shows that earnings normalization has begun



Source: Company, MOFSL

Exhibit 28: During FY20, slippage ratio for SBIN was the lowest among corporate banks



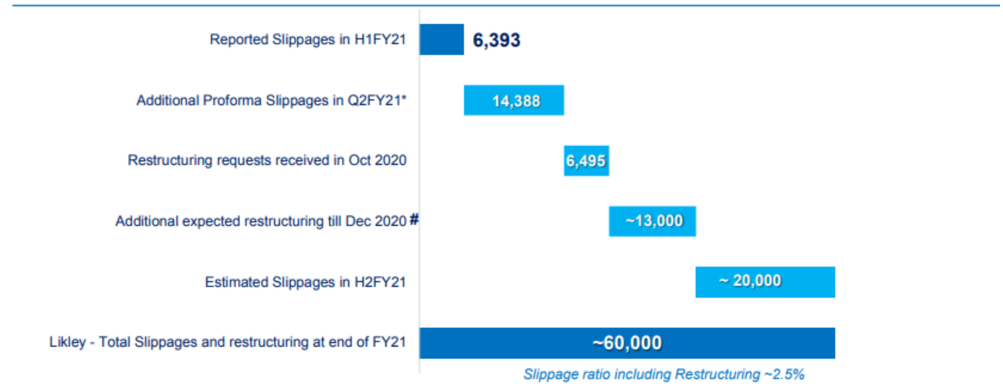
Source: Company, MOFSL

Exhibit 29: SMA 1 and SMA 2 increased sharply over 2QFY21

INR b	4QFY19	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21
SMA 1	49.96	106.81	44.24	35.94	14.71	85.97
SMA 2	27.66	76.32	36.77	36.72	2.79	33.89
Total	**77.62**	**183.13**	**81.01**	**72.66**	**17.50**	**119.86**

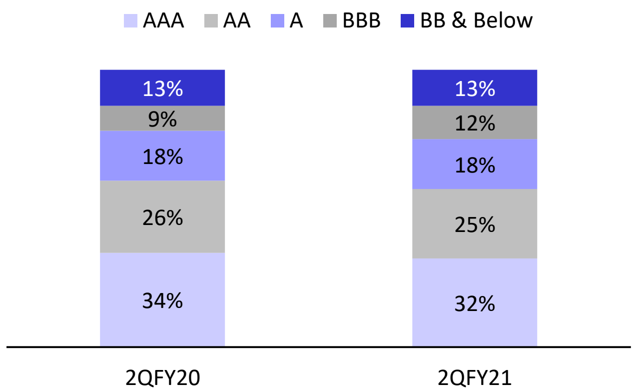
Source: Company, MOFSL

Exhibit 30: SBI guided potential stress of 2.6% of loans, including restructuring



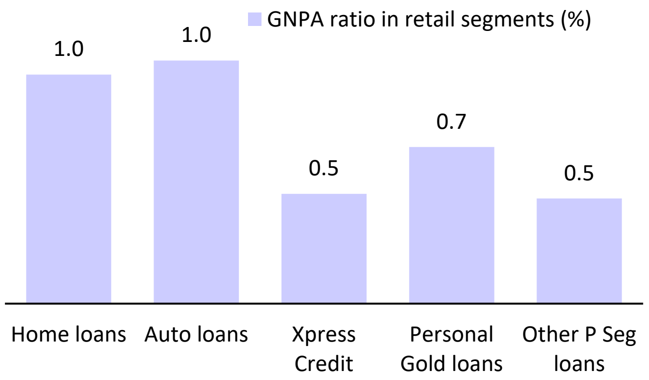
Source: Company, MOFSL

Exhibit 31: Rating mix – corporate portfolio



Source: MOFSL, Company

Exhibit 32: Asset quality in retail segment is comparable to large private banks



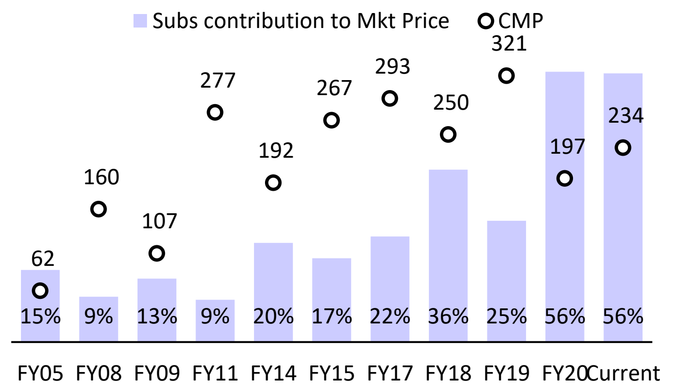
Source: MOFSL, Company

Subs' contribution to consolidated profit increasing steadily

Underscoring the importance of an SOTP-based valuation

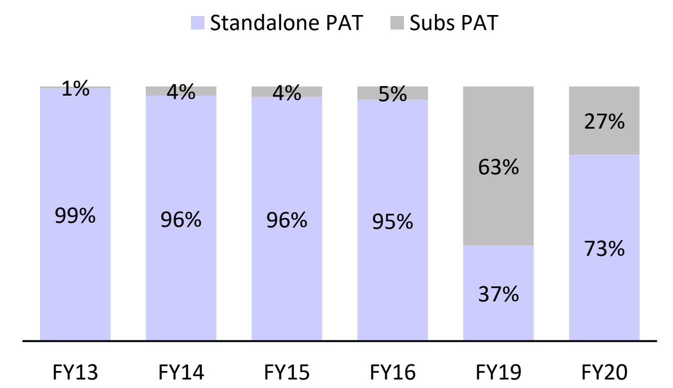
Over the past few years, growing customer awareness for various financial products such as mutual funds, insurance products and credit cards is reflected in the robust earnings performance of SBIN's subsidiary businesses. At the same time, these subsidiaries have gained scale and market share in their respective business segments, resulting in strong expansion in their market multiples. Hence, over time, SBIN has increasingly transformed into an SOTP-based play v/s standalone play. The contribution of subsidiaries to the SOTP of banks has increased significantly, with SBIN's subsidiaries contributing ~43% to our SOTP (~56% as a percentage of CMP). Similarly, the contribution of subsidiaries to overall consolidated profits has been increasing in the last few years; in FY20, the subs of SBIN contributed ~27% of its consolidated profits. As these businesses gain further scale and market share, the contribution of subs to the SOTP of banks is expected to improve.

Exhibit 33: SBIN – Subs' contribution to CMP



Source: MOFSL, Company

Exhibit 34: SBIN – Trend in composition of consolidated PAT



Source: MOFSL, Company

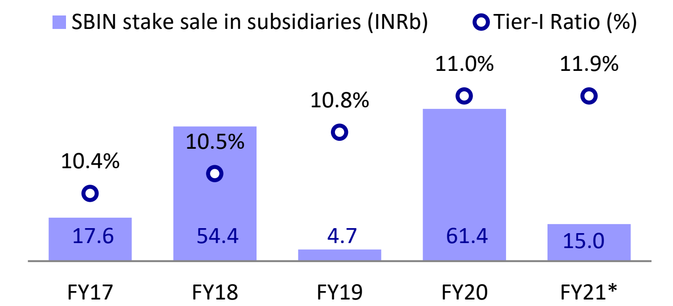
Furthermore, over the past few years, the bank has been facing asset quality challenges that have impacted its earnings, capital position and ability to pursue growth. This has resulted in subdued valuations and ability to access the capital markets. Therefore, the bank is focused on monetizing stakes in non-core assets to improve its capital position. SBIN has sold stakes in various subsidiaries, such as the Insurance and Cards businesses, raising ~INR154b over FY17–1HFY21.

Exhibit 35: SBIN's stake sale in various subsidiaries

Subs	Date	% of stake sale	Net gains (INR b)
SBI LIFE	FY21	2.1	15.0
SBI LIFE	FY20	4.5	34.8
SBI Cards	FY20	4.0	26.5
SBI General Insurance	FY19	4.0	4.7
SBI LIFE	FY18	8.0	54.4
SBI LIFE	FY17	3.9	17.6

Source: MOFSL, Company

Exhibit 36: Monetization in subs over the last few years



Source: MOFSL, Company

SBI Cards – Operating metrics remain healthy; Near-term growth under pressure

SBI Cards delivered PAT CAGR of 47% over FY17–20.

SBI Cards has delivered strong performance in both customer acquisition and earnings till FY20. As of 1HFY21, SBI Cards had market share of 18.7% on a card base of 11m and 20.5% in card spends. It delivered 42% CAGR on card spend over FY17–20, while PAT CAGR over the similar period stood at 47%. Return ratios remained healthy with RoE at 27.4%. Write-offs were also controlled and in line with the industry average. SBI Cards seeks to expand its sourcing by leveraging SBIN's higher penetration, integrating with SBIN's platforms and cross-selling opportunities with subsidiaries. The COVID-19 outbreak has impacted business growth, resulting in sharp moderation in spends. While spends are increasing as the economy recovers, asset quality outlook remains uncertain as SBI Cards witnessed sharp deterioration in asset quality ratios and the restructuring book remains high at ~9%. Thus, the near-term outlook remains under pressure.

Exhibit 37: Snapshot – PAT/Spend at CAGR of 42%/50% over past two years

INR m	FY15	FY16	FY17	FY18	FY19	FY20	1HFY21
Spends on cards	2,33,610	3,09,050	4,60,070	7,98,080	10,36,046	13,09,150	4,86,750
Mkt. Share Spends	11.3%	11.9%	13.1%	16.8%	17.1%	17.9%	20.5%
Mkt. Share cards base	15.0%	14.8%	15.3%	16.4%	17.6%	18.2%	18.7%
Revenue	19,050	24,920	33,630	51,870	72,869	97,506	47,057
PAT	2,670	2,840	3,904	5,810	8,650	12,448	5,994
PBT	2,710	4,380	5,980	7,760	13,316	17,308	8,065
RoA	4.4%	3.7%	3.7%	4.6%	4.8%	5.5%	4.9%
RoE	30.8%	26.7%	29.5%	33.4%	28.4%	27.4%	21.1%
Net Worth	8,660	10,610	13,217	16,141	35,817	53,412	58,772
Total Assets	**60,480**	**78,800**	**1,06,521**	**1,46,950**	**195,930**	**253,028**	**243,128**

Source: MOFSL , Company

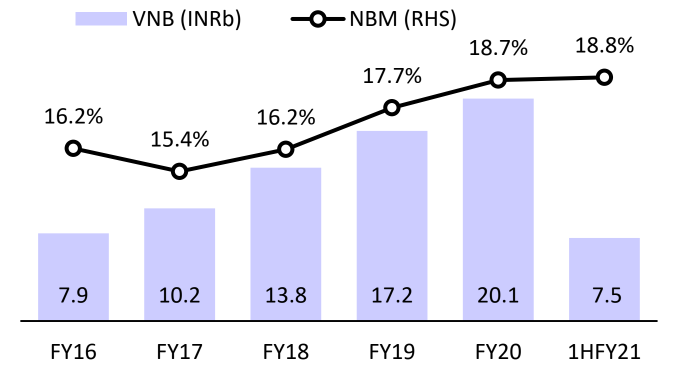
SBI Life – Strong parentage, unmatched distribution; VNB margins improving

New business premiums stood at CAGR of 25% over FY15–20.

SBI Life delivered ~21%/23% CAGR in new business/individual WRP over FY16–20, led by strong distribution network and healthy execution. We believe distribution strength would continue to aid market share gains. Also, renewal premium growth remains strong (29% CAGR over FY16–20), supported by improved persistency. Also, SBI Life has increased its focus on the Non-PAR Savings/Protection mix, which forms ~24% of APE (v/s ~6% in FY18). Overall, we expect the share of Protection/Annuity to increase in the near term. SBI Life reported consistent improvement in new business margins to 18.8% in 1HFY21, backed by cost control, improving Protection/Non-PAR mix, and rising persistency levels.

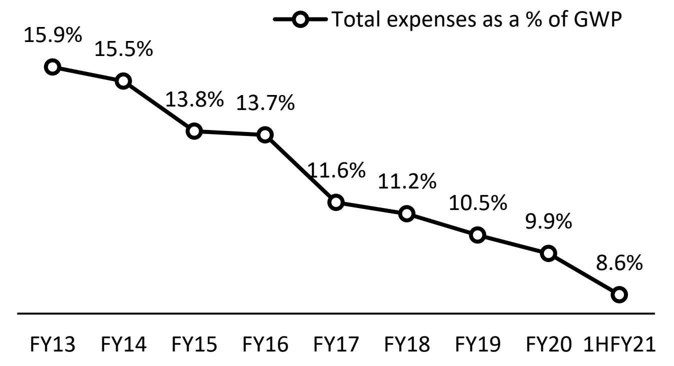
SBI Life has one of the lowest cost structures among peers. Interestingly, the company steadily reduced its total expenses as a percentage of the gross written premium (GWP) to 8.6% in 1HFY21 from 15.9% in FY13, led by higher mix of ULIPs and strong banca channel. However, the increasing mix toward the Non-PAR Savings /Protection business would limit major improvements on the cost front, in our view.

Exhibit 38: SBI Life reported 100bp improvement in NBM over FY20, while VNB grew 17% in FY20



Source: MOFSL , Company

Exhibit 39: Total expense (as a % of GWP) improved to 8.6% in 1HFY21 from ~16% in FY13



Source: MOFSL , Company

Exhibit 40: Key operating metrics of SBI Life

INR b	FY17	FY18	FY19	FY20	1HFY21
Gross premium	210.2	253.5	329.9	406.3	207.3
New business premium	101.4	109.7	137.9	165.9	90.0
New business margin	**15.7%**	**16.0%**	**17.7%**	**18.7%**	**18.8%**
Net profit	**9.6**	**11.5**	**13.3**	**14.2**	**6.9**
AUM	977.4	1,162.6	1,410.2	1,603.6	1,863.6
Embedded Value	**165.4**	**190.6**	**224.0**	**262.9**	**298.6**

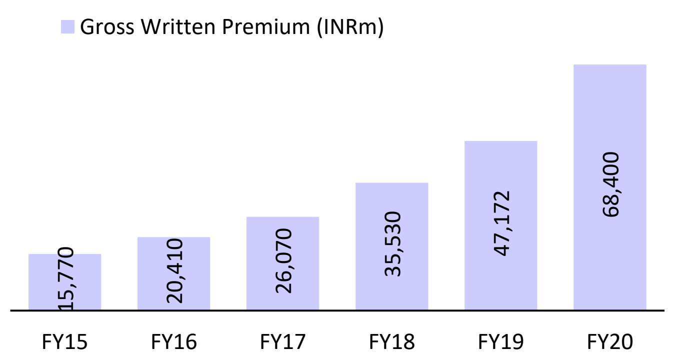
Source: MOFSL , Company

SBI General Insurance – Rapidly gaining scale and profitability

Gross written premiums stood at CAGR of 34% over FY15–20.

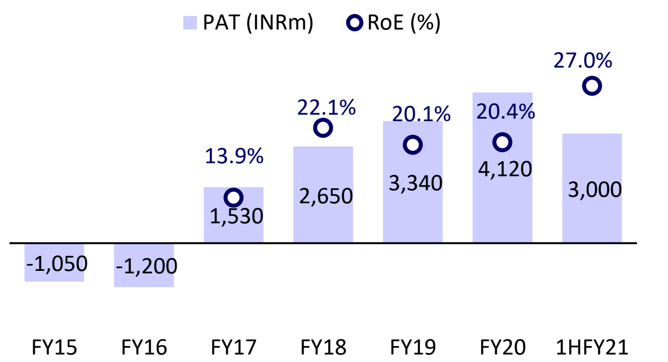
The company has delivered robust performance, improving its market position and operational performance. In FY20, gross written premiums grew 45% (higher than industry growth). SBI General Insurance ranks 8th among private insurers and 13th in the industry on the basis of gross written premiums. Its market share improved to 3.59% in FY20 from 2.77% in FY19. The company delivered ~34% CAGR in gross written premiums over FY15–20. PAT grew 23% YoY to INR4.1b in FY20 from INR3.3b in FY19, with RoE of 20.4%. PAT further grew 53% YoY to INR3b with RoE of 27% over 1HFY21. Continuous improvement in process efficiencies, claims, and expenses led to improved operating ratios. A better growth rate in premiums, a well-diversified premium base, and the ability to leverage SBI's mammoth branch network should help the company achieve superior operating metrics. According to a news article (Link), SBI General Insurance business is valued at ~INR120b.

Exhibit 41: GWP at CAGR of 34% over FY15–20



Source: MOFSL , Company

Exhibit 42: PAT grows sharply over the past few years, with RoE improving to ~27% as on 1HFY21



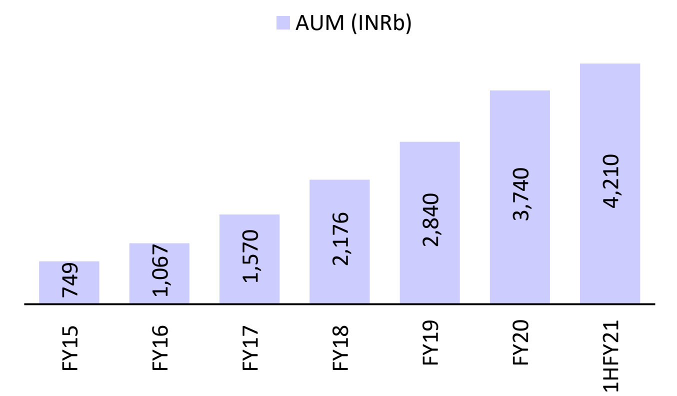
Source: MOFSL , Company

SBI Asset Management – Rapidly gaining market share

It is the largest mutual fund, with total AUM of ~INR4.2t.

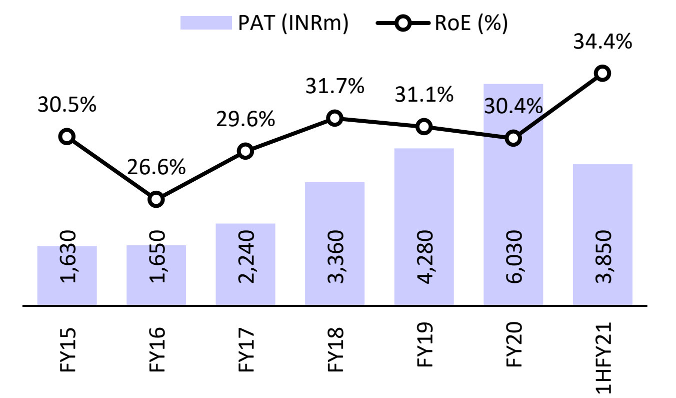
SBI Mutual Fund is the country's largest ETF provider and mutual fund, with total AUM of ~INR4.2t and market share of 15.27% as at 1HFY21. AUM has been robust at 38% CAGR over FY15–20 to INR3.7t in FY20 from INR749b in FY15 (+31% YoY over 1HFY21). PAT over the same period witnessed 30% CAGR to INR6.0b in FY20, with RoE at 30.4%. PAT further grew 36% YoY over 1HFY21 to INR3.85b with RoE at 34.4%. SBI MF has a wide reach with ~6m retail investors and 5,000+ institutional investors. With broadly stable inflows from SIP accounts and an increase witnessed in the financialization of savings, we expect SBI MF to continue gaining momentum and maintain market share (~680bp over FY15–20).

Exhibit 43: AUM at CAGR of 38% over FY15–20



Source: MOFSL , Company

Exhibit 44: PAT at CAGR of 30% over FY15–20



Source: MOFSL , Company

Valuation view

- SBIN is strengthening its balance sheet by creating higher provisions toward stressed accounts. The bank increased its PCR (including TWO) to ~88% in 1QFY21 from ~65% in 1QFY18. SBIN holds higher provision coverage on power NPAs (~73% PCR) than peers.
- SBIN does not have exposure to any large-ticket corporate account; thus, it has guided for slippages + restructuring to remain at ~2.5% during the COVID-19 crisis. Also, CE of the domestic book at ~97% is in line with other large banks. Furthermore, total COVID-19 provisions of INR71b, including INR32b toward potential slippages, provides comfort.
- Among PSU banks, SBIN remains the best play on the gradual recovery in the Indian economy, with healthy PCR of 71% (88% including TWO), robust capitalization (Tier 1 of ~11.9%), strong liability franchise and improved core operating profitability.

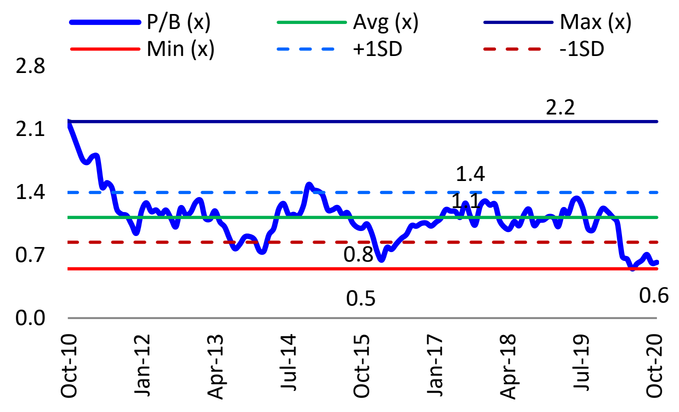
Core bank trades at cheap valuation of 1.3x FY22E Core PPoP and 3.1x FY22E P/E.

- **Buy with a target price of INR300:** SBIN's performance has been healthy in a challenging environment. Asset quality outlook is better with improvement in CE to 97% (in-line with large private peers). The bank expects total asset quality impact of INR600b (2.6% of net advances) including restructuring of <1%. SBIN has also prudently improved PCR over the last few years; corporate PCR now stands at 88%. Thus, we believe the earnings normalization cycle for SBIN has begun as the uncertainty brought about by the COVID pandemic has receded significantly. Also, SBIN has strong franchise, both in assets and liabilities, and is gaining market share unlike other PSBs, which have lost market share to private players. Current valuations too are extremely compelling with the core bank trading at 0.4x FY22E ABV (1.3x FY22E P/Core PPoP and 3.1x FY22E P/E). RoEs should also recover to 14.2% by FY23E. Thus, we believe a rerating in the stock is imminent. **Reiterate Buy with TP of INR300 (0.7x Sep'22E ABV).**

Exhibit 45: SOTP-based pricing

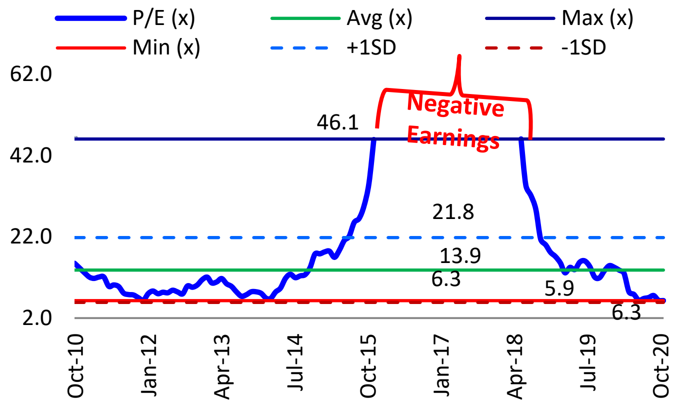
Name	Stake (%)	Value for SBIN (INR b)	Value per Share- (at our PT)	% of total value	Rationale	Value per Share- (at CMP)	% of total value
SBI Bank	**100**	**1,521**	**170**	**57**	**0.7x Sep-22E ABV**	**104**	**44**
Life insurance	56	577	65	22	2.6x Sep-22E EV	52	22
Cards	69	406	46	15	25x Sep-22E PAT	59	25
Asset management	63	217	24	8	5.5% of Sep-22E AUM	24	10
General insurance	70	171	19	6	25x Sep-22E PAT	19	8
Capital Market/DFHI/Others		75	8	3		8	4
Total Value of Subs		**1,446**	**162**	**54**		**163**	**70**
Less: 20% holding disc		289	32	11		33	14
Value of Subs (Post Holding Disc)		**1,157**	**130**	**43**		**130**	**56**
Target Price		**2,677**	**300**			**234**	

Exhibit 46: One-year forward P/B



Source: MOFSL, Company

Exhibit 47: One-year forward P/E



Source: MOFSL, Company

Exhibit 48: DuPont Analysis — Return ratios to remain subdued in the near term

Y/E MARCH	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Interest Income	7.89	7.28	6.52	6.81	6.74	6.43	6.34	6.27
Interest Expense	5.23	4.83	4.31	4.33	4.17	3.74	3.66	3.61
Net Interest Income	**2.66**	**2.44**	**2.21**	**2.48**	**2.57**	**2.70**	**2.68**	**2.66**
Fee income	0.74	0.94	0.92	0.94	0.96	0.79	0.68	0.63
Trading and others	0.49	0.44	0.40	0.09	0.22	0.23	0.23	0.22
Non-Interest income	**1.23**	**1.39**	**1.32**	**1.03**	**1.19**	**1.01**	**0.90**	**0.85**
Total Income	**3.88**	**3.83**	**3.53**	**3.51**	**3.76**	**3.71**	**3.58**	**3.52**
Operating Expenses	**1.91**	**1.90**	**1.77**	**1.95**	**1.97**	**1.89**	**1.80**	**1.72**
Employee cost	1.08	1.10	0.98	1.15	1.20	1.17	1.11	1.06
Others	0.83	0.79	0.79	0.80	0.77	0.72	0.69	0.66
Operating Profit	**1.97**	**1.93**	**1.76**	**1.55**	**1.79**	**1.82**	**1.78**	**1.79**
Core Operating Profit	**1.48**	**1.49**	**1.36**	**1.47**	**1.56**	**1.59**	**1.56**	**1.57**
Provisions	**1.37**	**1.97**	**2.22**	**1.49**	**1.13**	**1.10**	**0.88**	**0.76**
NPA	1.29	1.80	2.11	1.53	1.13	1.21	0.89	0.74
Others	0.08	0.17	0.11	-0.04	0.00	-0.10	0.00	0.02
PBT	**0.60**	**-0.04**	**-0.46**	**0.06**	**0.66**	**0.72**	**0.90**	**1.04**
Tax	0.17	0.02	-0.27	0.04	0.28	0.19	0.23	0.27
RoA	**0.43**	**-0.06**	**-0.19**	**0.02**	**0.38**	**0.53**	**0.66**	**0.77**
Leverage (x)	17.0	17.6	18.0	18.3	18.9	18.9	18.9	18.6
RoE	**7.2**	**-1.0**	**-3.5**	**0.4**	**7.2**	**10.0**	**12.5**	**14.3**

Financials and valuations

Income Statement (INRb)

Y/E March	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Interest Income	2,239.8	2,205.0	2,428.7	2,573.2	2,667.7	2,918.0	3,244.7
Interest Expense	1,487.8	1,456.5	1,545.2	1,592.4	1,549.9	1,685.2	1,867.6
Net Interest Income	**752.0**	**748.5**	**883.5**	**980.8**	**1,117.8**	**1,232.8**	**1,377.0**
Change (%)	3.9	-0.5	18.0	11.0	14.0	10.3	11.7
Non-Interest Income	**426.4**	**446.0**	**367.7**	**452.2**	**416.0**	**411.9**	**436.6**
Total Income	**1,178.4**	**1,194.5**	**1,251.2**	**1,433.1**	**1,533.9**	**1,644.6**	**1,813.6**
Change (%)	11.4	1.4	4.7	14.5	7.0	7.2	10.3
Operating Expenses	583.8	599.4	696.9	751.7	784.1	828.7	890.7
Pre Provision Profits	**594.6**	**595.1**	**554.4**	**681.3**	**749.8**	**815.9**	**922.9**
Change (%)	10.7	0.1	-6.8	22.9	10.0	8.8	13.1
Core Provision Profits	**458.5**	**460.9**	**522.9**	**595.6**	**655.4**	**712.2**	**808.8**
Change (%)	-4.3	0.5	13.5	13.9	10.0	8.7	13.6
Provisions (excl. tax)	607.2	750.4	531.3	430.7	457.2	407.4	391.7
PBT	**-12.6**	**-155.3**	**23.1**	**250.6**	**292.5**	**408.6**	**531.3**
Tax	5.5	-89.8	14.5	105.7	76.1	106.2	138.1
Tax Rate (%)	-43.3	57.8	62.6	42.2	26.0	26.0	26.0
PAT	**-18.0**	**-65.5**	**8.6**	**144.9**	**216.5**	**302.3**	**393.1**
Change (%)	NM	NM	NM	NM	49.4	39.7	30.0
Cons. PAT post MI	**2.4**	**-45.6**	**23.0**	**197.7**	**275.6**	**368.6**	**469.3**
Change (%)	-98.0	NM	NM	NM	39.4	33.7	27.3

Balance Sheet

Y/E March	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Share Capital	8	9	9	9	9	9	9
Reserves & Surplus	2,110	2,182	2,200	2,311	2,520	2,812	3,192
Net Worth	**2,118**	**2,191**	**2,209**	**2,320**	**2,529**	**2,821**	**3,201**
Deposits	**25,853**	**27,063**	**29,114**	**32,416**	**36,436**	**41,172**	**46,525**
Change (%)	15.4	4.7	7.6	11.3	12.4	13.0	13.0
of which CASA Dep	**11,988**	**12,039**	**12,976**	**14,337**	**16,833**	**19,310**	**22,285**
Change (%)	39.3	0.4	7.8	10.5	17.4	14.7	15.4
Borrowings	3,321	3,621	4,030	3,147	2,888	3,003	3,238
Other Liabilities & Prov.	1,756	1,671	1,456	1,631	1,566	1,675	1,810
Total Liabilities	**33,049**	**34,548**	**36,809**	**39,514**	**43,418**	**48,672**	**54,774**
Current Assets	2,709	1,919	2,225	2,511	2,234	2,293	2,438
Investments	**9,329**	**10,610**	**9,670**	**10,470**	**13,401**	**16,014**	**18,416**
Change (%)	51.6	13.7	-8.9	8.3	28.0	19.5	15.0
Loans	**18,690**	**19,349**	**21,859**	**23,253**	**24,416**	**26,613**	**29,806**
Change (%)	1.1	3.5	13.0	6.4	5.0	9.0	12.0
Fixed Assets	499	400	392	384	388	408	428
Total Assets	**33,049**	**34,548**	**36,809**	**39,514**	**43,418**	**48,672**	**54,774**

Asset Quality

	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
GNPA	1,779	2,234	1,728	1,491	1,538	1,746	1,967
NNPA	970	1,109	659	519	456	545	640
GNPA Ratio	9.12	10.91	7.53	6.15	6.03	6.28	6.32
NNPA Ratio	5.19	5.73	3.01	2.23	1.87	2.05	2.15
Slippage Ratio	7.0	8.4	1.6	2.2	2.70	2.20	1.90
Credit Cost	3.3	3.8	2.7	1.9	2.1	1.6	1.4
PCR (Excl. Tech. W/O)	45.5	50.4	61.9	65.2	70.4	68.8	67.5

Financials and valuations

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Yield and Cost Ratios (%)							
Avg. Yield-Earning Assets	**9.0**	**7.4**	**7.8**	**7.7**	**7.3**	**7.2**	**7.1**
Avg. Yield on loans	9.3	7.4	7.8	8.0	7.8	7.7	7.6
Avg. Yield on Investments	8.5	7.2	7.5	6.9	6.7	6.5	6.4
Avg. Cost-Int. Bear. Liab.	**6.0**	**4.9**	**4.8**	**4.6**	**4.1**	**4.0**	**4.0**
Avg. Cost of Deposits	6.4	5.1	5.0	4.8	4.2	4.1	4.0
Interest Spread	**3.0**	**2.5**	**2.9**	**3.1**	**3.2**	**3.1**	**3.1**
Net Interest Margin	**3.0**	**2.5**	**2.8**	**3.0**	**3.1**	**3.0**	**3.0**
Capitalization Ratios (%)							
CAR	13.0	12.7	12.7	13.1	13.3	13.2	12.9
Tier I	*10.4*	*10.5*	*10.7*	*11.0*	*11.4*	*11.4*	*11.4*
Tier II	*2.6*	*2.2*	*2.1*	*2.1*	*2.0*	*1.8*	*1.6*
Business and Efficiency Ratios (%)							
Loans/Deposit Ratio	72.3	71.5	75.1	71.7	67.0	64.6	64.1
CASA Ratio	46.4	44.5	44.6	44.2	46.2	46.9	47.9
Cost/Assets	1.8	1.7	1.9	1.9	1.8	1.7	1.6
Cost/Total Income	49.5	50.2	55.7	52.5	51.1	50.4	49.1
Cost/Core Income	56.0	56.5	57.1	55.8	54.5	53.8	52.4
Int. Expense./Int. Income	66.4	66.1	63.6	61.9	58.1	57.8	57.6
Fee Income/Total Income	24.6	26.1	26.9	25.6	21.0	18.7	17.8
Non Int. Inc./Total Income	36.2	37.3	29.4	31.6	27.1	25.0	24.1
Empl. Cost/Total Expense	58.2	55.3	58.9	60.8	61.8	61.7	61.7
Investment/Deposit Ratio	36.1	39.2	33.2	32.3	36.8	38.9	39.6
Profitability Ratios and Valuation							
RoE	-1.1	-3.5	0.4	7.2	9.9	12.4	14.2
RoA	-0.1	-0.2	0.0	0.4	0.5	0.7	0.8
RoRWA	-0.1	-0.3	0.0	0.7	1.0	1.2	1.4
Consolidated RoE	0.1	-2.0	1.0	7.9	10.3	12.6	14.1
Consolidated RoA	0.0	-0.1	0.1	0.5	0.6	0.8	0.9
Book Value (INR)	240	230	232	245	269	301	344
Change (%)	15.7	-4.0	0.9	5.6	9.5	12.2	14.1
Price-BV (x)	**0.4**	**0.5**	**0.5**	**0.4**	**0.4**	**0.3**	**0.3**
Consol BV (INR)	248	243	248	267	295	333	383
Change (%)	11.6	-2.0	2.0	7.7	10.5	13.0	14.9
Price-Consol BV (x)	**0.8**	**0.8**	**0.9**	**0.9**	**0.8**	**0.7**	**0.6**
Adjusted BV (INR)	139	135	170	187	216	242	278
Price-ABV (x)	**0.8**	**0.8**	**0.6**	**0.6**	**0.5**	**0.4**	**0.4**
Adjusted Consol BV	159	152	192	212	244	275	317
Price-Consol ABV (x)	**1.3**	**1.3**	**1.2**	**1.0**	**1.0**	**0.9**	**0.7**
EPS (INR)	-2.3	-7.7	1.0	16.2	24.3	33.9	44.1
Price-Earnings (x)	**NM**	**NM**	**NM**	**6.4**	**4.3**	**3.1**	**2.4**
Consol EPS (INR)	0.3	-5.3	2.6	22.1	30.9	41.3	52.6
Price-Consol EPS (x)	**NM**	**NM**	**NM**	**10.6**	**7.6**	**5.7**	**4.5**
Dividend Per Share (INR)	3.0	0.0	0.0	0.0	0.9	1.1	1.4
Dividend Yield (%)	**1.3**	**0.0**	**0.0**	**0.0**	**0.4**	**0.5**	**0.6**

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOFSL is a subsidiary company of Passionate Investment Management Pvt. Ltd.. (PIMPL). MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL),NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the"1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL , including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co.Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore.As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

Specific Disclosures

1 MOFSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
2 MOFSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
3 MOFSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
4 MOFSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
5 Research Analyst has not served as director/officer/employee in the subject company
6 MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
7 MOFSL has received compensation for investment banking/merchant banking/brokerage services from the subject company in the past 12 months
8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
9 MOFSL has not received any compensation or other benefits from third party in connection with the research report
10 MOFSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company
- received compensation/other benefits from the subject company in the past 12 months

- other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 71934200/ 022-71934263; Website www.motilaloswal.com.CIN no.: L67190MH2005PLC153397.Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad(West), Mumbai-400 064. Tel No: 022 7188 1000.

Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL)*: INZ000158836(BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579;PMS:INP000006712. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP000000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs,Insurance Products and IPOs.Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Investment in securities market is subject to market risk, read all the related documents carefully before investing. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: na@motilaloswal.com, Contact No.:022-71881085.

* MOSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench.