

**BANK OF BARODA** | Banking*Inexpensive valuation, Negatives are in price***LKP****Result and Price Analysis:**

In 2QFY21, Bank of Baroda (BOB) has delivered a strong result on operating, assets quality as well as collection efficiencies front. Moreover, reported gross slippages declined to ₹15.2bn v/s ₹30bn in the previous quarter. Furthermore, the collection efficiencies of domestic loans (excluding Agriculture) stood 94% of same quarter in previous year. It reported GNPA (9.14% v/s 9.39% in 1QFY21) and NNPA (2.51% v/s 2.83% in 1QFY21) declined substantially along with higher PCR (incl. TWO) of 85.4%. The bank has witnessed stable net advances (5.1% YoY) and strong deposit growth (6.7% YoY) with better liquidity position (LCR of 140%+). Moreover the bank has reported PAT of ₹16.8bn (v/s loss of ₹8.6bn in 1QFY21) on back of healthy NII growth (6.8% YoY and 10.1% QoQ) along with heavy provisioning expenses of ₹30.1bn against ₹56.2bn in the previous quarter. The 2QFY21 ROA and ROE stood at 0.59% and 9.24% respectively. Factoring the healthy collection efficiency, we believe the COVID provision (~30bps of the net advances) would be adequate to absorb imminent stress. The bank may raise ₹135bn in FY21 which is likely to boost the balance sheet further. We believe the negatives are in the price and an inexpensive valuation (0.4x PBV) makes BOB an attractive BUY.

**Gazing the core:**

**Improving Asset Quality along with higher collection efficiency:** Slippages during the quarter were lower at ₹15.2bn (v/s ₹30bn in 1QFY21) and deduction (up-gradation, recovery & write-off) stood higher at ₹49.5bn (v/s ₹32.5bn in 1QFY21). It has resulted in 25bps and 32bps decline in GNPA and NNPA ratio to 9.14% and 2.51% respectively. The pro-forma GNPA and NNPA ratio would have been 9.3% and 2.67% respectively. Moreover, the bank's collection efficiency is witnessing continuous improvement and Oct-20, collection efficiency stood 94% of Oct-19 levels. With continuous improvement in collection efficiencies, we believe the stress to be at moderate level and way below the earlier anticipation.

**Adequate provision buffer:** In 2QFY21, the bank has made provisioning expenses of ₹30.1bn (Credit cost: 1.24% v/s 1.87% in 1QFY21). The PCR (calculated) inched up 250bps to 74.4%. The PCR (including TWO) stood 85.4% of GNPLs. With COVID provision ₹17.5bn (~30bps of net advances), the bank is better placed to combat the delinquencies post asset classification resumes.

Key Financials (₹ mn)	FY19	FY20	FY21E	FY22E	FY23E
NII	186,838	274,513	321,624	343,437	372,127
Operating Profit	134,868	196,914	240,132	257,925	280,143
Reported Profits	4,335	5,469	12,015	46,125	79,943
Net Worth	414,270	718,562	730,577	768,346	748,015
Loan & Advances	4,688,187	6,901,207	6,970,219	7,388,433	7,831,739
Int. Bearing Liabilities	7,058,910	10,390,537	10,862,654	11,788,304	12,795,355

Key Ratios (%)	FY19	FY20	FY21E	FY22E	FY23E
NIM's	2.6	3.0	2.9	2.9	2.9
C/I Ratio	45.6	47.9	45.0	45.3	45.3
Gross NPA Ratio	9.6	9.4	8.1	5.2	3.0
Tier 1 Ratio	7.5	9.4	11.4	11.0	9.9
Adj. RoA Ratio	0.1	0.1	0.1	0.4	0.6
Adj. RoE Ratio	1.0	0.9	1.7	6.2	10.5

Rating	Buy
Current Market Price (₹)	54
12 M Price Target (₹)	74
Potential upside (%)	37

**Stock Data**

FV (₹):	2
Market Cap Full (₹ bn):	248
Market Cap Free Float (₹ bn):	65
52-Week High / Low (₹):	106 / 36
2-Year High / Low (₹):	144 / 36
1 Year Avg. Dly Traded Volume (in lakh)	328
BSE Code / NSE Symbol:	532134 / BANKBARODA
Bloomberg:	BOB IN

**Shareholding Pattern (%)**

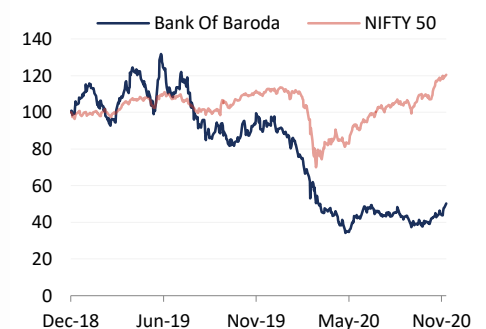
	Sep-20	Jun-20	Mar-20	Dec-19
Promoter	71.60	71.60	71.60	71.60
FPIs	3.94	4.09	4.57	4.83
MFs	7.08	8.79	10.01	9.91
Insurance	4.02	3.56	3.56	3.56
Others	13.36	11.96	10.26	10.10

Source: BSE

**Price Performance (%)**

(%)	1M	3M	6M	1YR
Bank Of Baroda	29.0	13.0	26.6	-48.7
Nifty 50	12.6	14.3	33.4	8.7

\* To date / current date : December 1, 2020

**Bank Of Baroda vs Nifty 50**

**Strong operational 2QFY21:** Aided by sequentially up domestic NIMs to 2.96% (up 33bps from 1QFY21) the NII witnessed healthy growth of 6.8% and 10.1% sequentially. The cost of deposit has moderated further to 3.99%; decline 49bps sequentially. Non-interest income has witnessed a growth of 113% sequentially. Separately, C/I ratio moderated to 46.2% (v/s 50% in the previous quarter). Management indicated that the NIMs are likely to remain stable or moderate further because of interest reversal from slippages.

**Amalgamation Summary of Vijaya Bank and Dena Bank with Bank of Baroda:**

Bank of Baroda (BOB) has become India's third largest lender after its merger with Vijaya Bank and Dena Bank. With a total business of ~₹15tn (Deposit: ₹8.75tn and Advances: ₹6.25tn), the merged entity is the third largest bank after SBI and HDFC Bank. In terms of number of branches, Bank of Baroda ranks second in India having more than 9000 banking outlets. The new merged entity has advances and deposits market share of 6.8% and 7.3% respectively. To make merger a smooth affair, the GOI infused ₹50.4bn in BOB to enhance its capital base to meet additional expenses. Under the SWAP agreement, shareholders of Vijaya Bank got 402 shares of BOB for every 1000 shares and in case of Dena Bank, its shareholders got 110 shares of BOB for every 1000 shares. Vijaya Bank had superior asset quality (NNPA: 1.9%), however, Dena bank had much higher NPAs, the new NNPA ratio of combined entity stood at 4.8% (as on 1st April 2019). At the time of merger the CET 1 of the bank remain unchanged at 9.86%.

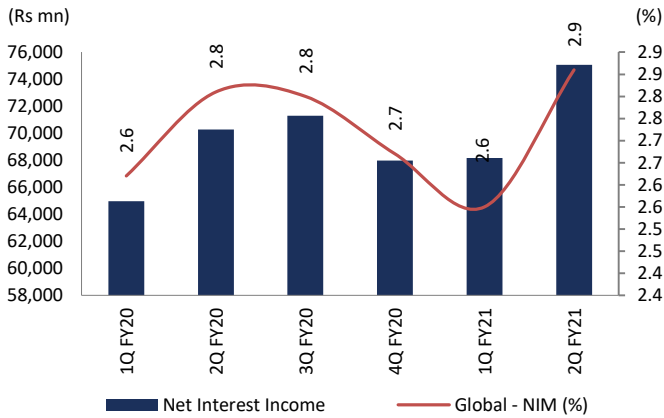
**Adequate capital cushion, fund raise on the cards:** The bank's CRAR 13.26% vs. 12.84% in the previous quarter with CET 1 of 9.21%. The bank has taken an enabling resolution from the board, it may raise ₹135bn in FY21 depending upon the requirement. The RWA to assets stood at 50.4% with LCR well above the regulatory requirement.

**Outlook & Valuations**

We expect the bank to post a ROA/ROE of 0.4%/6.2% by FY22E led by stable balance sheet growth along with higher PCR and stable asset quality. We value the standalone bank with PBV of 0.5x FY22E Adj. BVPS of ₹148 to arrive at a price target of ₹74. We recommend BUY with potential upside of 37.6%.

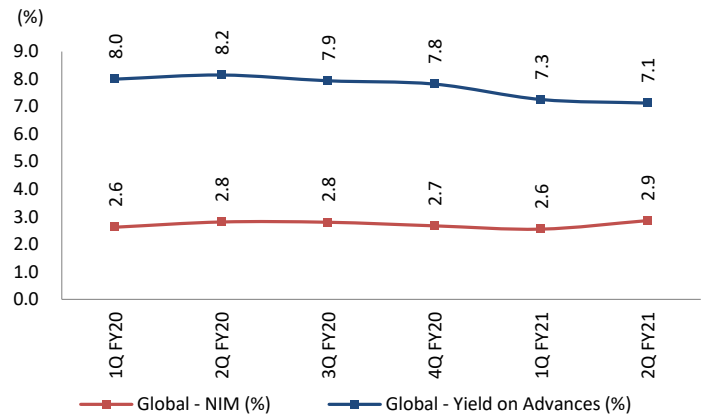
Story in charts

NII Trend

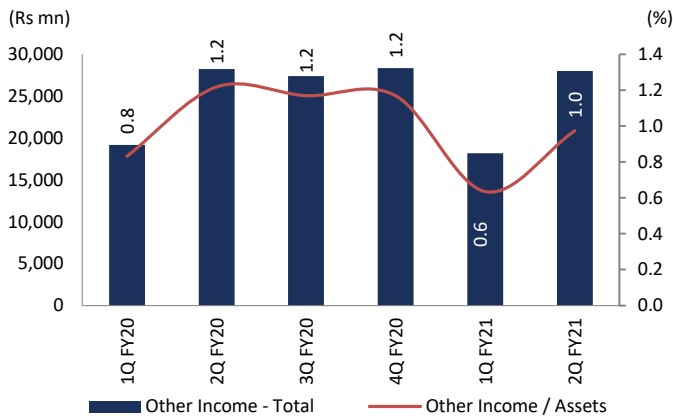


Source: Company, LKP Research

Yields and Margin Trend

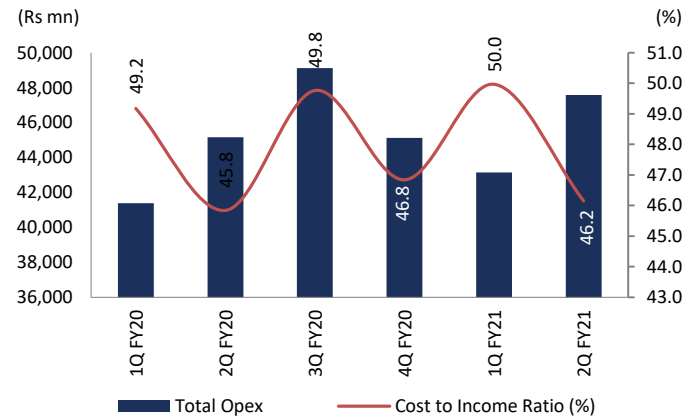


Other Income Trend

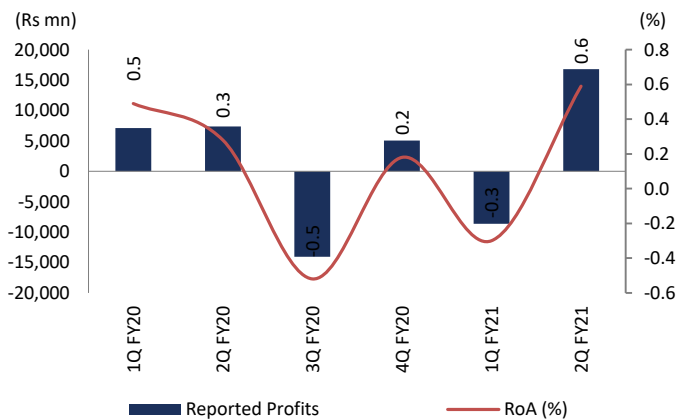


Source: Company, LKP Research

Total Opex Trend

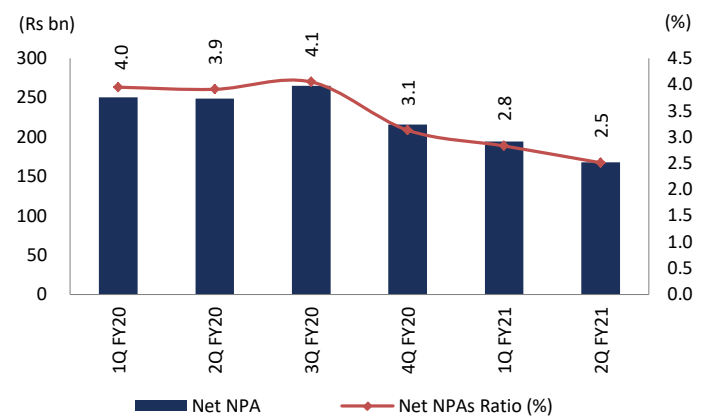


Reported Profit Trend

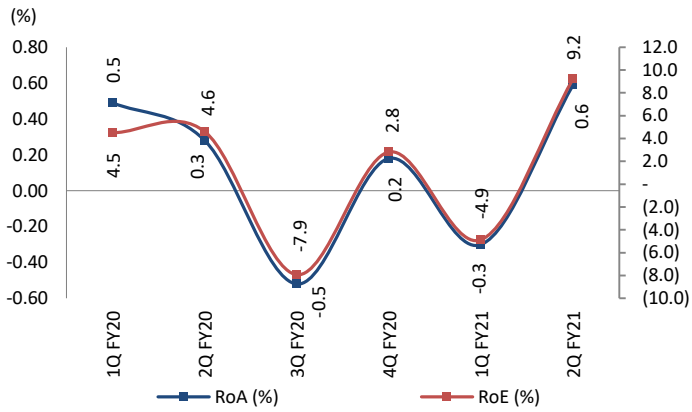


Source: Company, LKP Research

Net NPA Trend

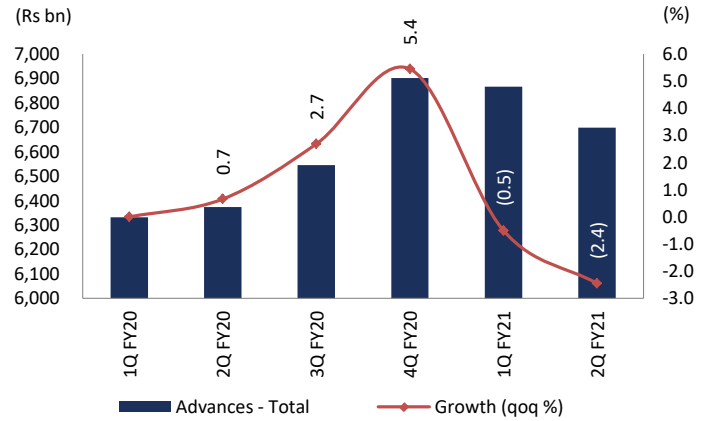


Return Ratio Trend

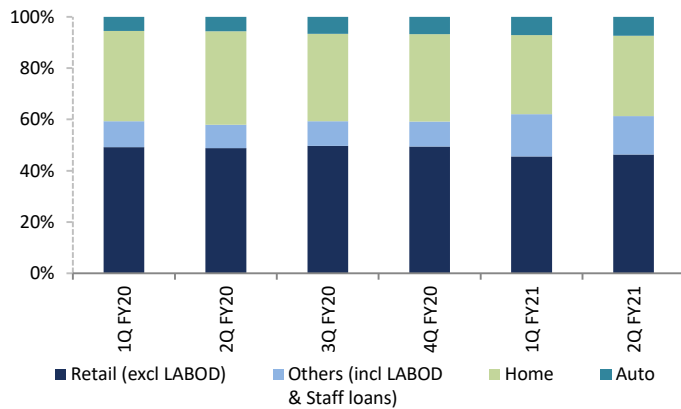


Source: Company, LKP Research

Loan Book Trend

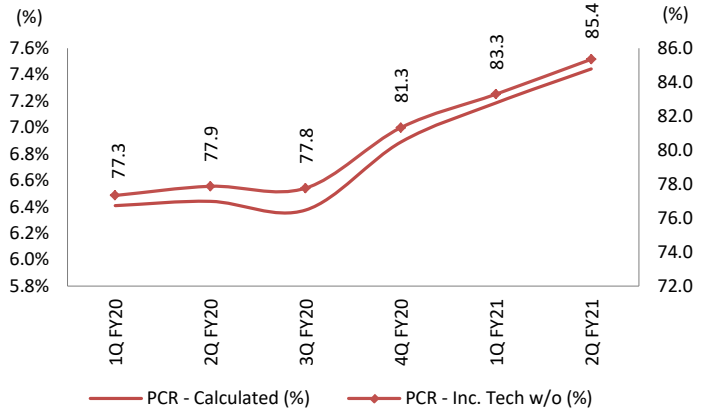


Loan Book Mix Trend

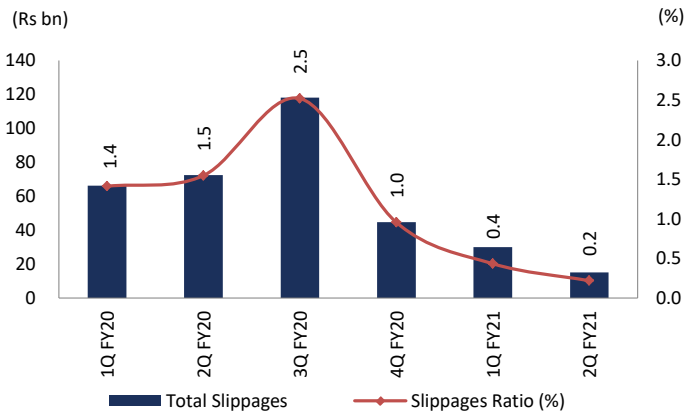


Source: Company, LKP Research

PCR Trend

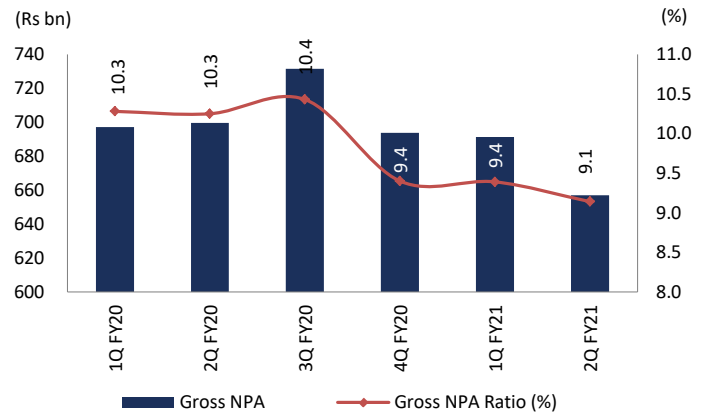


Slippages Trend



Source: Company, LKP Research

Gross NPA Trend



## Recent Performance at a glance

## Exhibit: Income Statement Analysis

(₹ mn)	2Q FY21	2Q FY20	% yoy / bps	1Q FY21	% qoq / bps	FY20	FY19	% yoy / bps
Int. on Loan	128,380	138,907	(7.6)	130,795	(1.8)	541,158	343,890	57.4
Int. on Investment	42,568	44,186	(3.7)	45,147	(5.7)	180,974	127,867	41.5
Int. on Balances	3,342	4,659	(28.3)	4,714	(29.1)	17,687	17,352	1.9
Int. Others	4,887	4,988	(2.0)	4,286	14.0	20,018	10,632	88.3
<b>Interest Inc.</b>	<b>179,176</b>	<b>192,740</b>	<b>(7.0)</b>	<b>184,942</b>	<b>(3.1)</b>	<b>759,837</b>	<b>499,741</b>	<b>52.0</b>
<b>Interest Expenses</b>	<b>104,101</b>	<b>122,460</b>	<b>(15.0)</b>	<b>116,781</b>	<b>(10.9)</b>	<b>485,324</b>	<b>312,903</b>	<b>55.1</b>
<b>Net Interest Income</b>	<b>75,075</b>	<b>70,279</b>	<b>6.8</b>	<b>68,161</b>	<b>10.1</b>	<b>274,513</b>	<b>186,838</b>	<b>46.9</b>
<i>NII to Net Operative Income</i>	<i>72.8</i>	<i>71.3</i>	<i>148</i>	<i>78.9</i>	<i>(612)</i>	<i>72.7</i>	<i>75.4</i>	<i>(273)</i>
<i>Global - NIM (%)</i>	<i>2.86</i>	<i>2.8</i>	<i>5</i>	<i>2.6</i>	<i>31</i>	<i>-</i>	<i>-</i>	<i>-</i>
<b>Core Fee Income</b>	<b>14,370</b>	<b>12,530</b>	<b>14.7</b>	<b>11,770</b>	<b>22.1</b>	<b>54,430</b>	<b>30,720</b>	<b>77.2</b>
<b>Non Core Other Income</b>	<b>13,650</b>	<b>15,709</b>	<b>(13.1)</b>	<b>6,410</b>	<b>112.9</b>	<b>48,747</b>	<b>15,710</b>	<b>210.3</b>
<b>Other Income - Total</b>	<b>28,023</b>	<b>28,239</b>	<b>(0.8)</b>	<b>18,183</b>	<b>54.1</b>	<b>103,173</b>	<b>60,910</b>	<b>69.4</b>
<i>Other Inc to Net Oper. Income (%)</i>	<i>27.2</i>	<i>28.7</i>	<i>(148)</i>	<i>21.1</i>	<i>612</i>	<i>27.3</i>	<i>24.6</i>	<i>273</i>
<b>Net Operating Revenue</b>	<b>103,098</b>	<b>98,519</b>	<b>4.6</b>	<b>86,344</b>	<b>19.4</b>	<b>377,686</b>	<b>247,748</b>	<b>52.4</b>
Employee Expenses	25,503	22,815	11.8	22,418	13.8	87,695	50,391	74.0
<i>Empl. Cost/Oper. Exps. (%)</i>	<i>24.7</i>	<i>23.2</i>	<i>158</i>	<i>26.0</i>	<i>(123)</i>	<i>23.2</i>	<i>20.3</i>	<i>288</i>
Other Opex	22,077	22,345	(1.2)	20,726	6.5	93,077	62,488	49.0
<i>Other Opex/ Assets (%)</i>	<i>0.2</i>	<i>0.2</i>	<i>(5)</i>	<i>0.2</i>	<i>1</i>	<i>1.0</i>	<i>0.8</i>	<i>13</i>
<b>Total Opex</b>	<b>47,580</b>	<b>45,160</b>	<b>5.4</b>	<b>43,144</b>	<b>10.3</b>	<b>180,772</b>	<b>112,880</b>	<b>60.1</b>
<i>Cost to Income Ratio (%)</i>	<i>46.2</i>	<i>45.8</i>	<i>31</i>	<i>50.0</i>	<i>(382)</i>	<i>47.9</i>	<i>45.6</i>	<i>230</i>
<b>Pre Provision Profits</b>	<b>55,518</b>	<b>53,359</b>	<b>4.0</b>	<b>43,199</b>	<b>28.5</b>	<b>196,914</b>	<b>134,868</b>	<b>46.0</b>
<b>Provisions &amp; Contingencies - Total</b>	<b>30,016</b>	<b>42,092</b>	<b>(28.7)</b>	<b>56,277</b>	<b>(46.7)</b>	<b>214,928</b>	<b>127,887</b>	<b>68.1</b>
<i>NPA Provisions as % PPP</i>	<i>54.1</i>	<i>78.9</i>	<i>(2,482)</i>	<i>130.3</i>	<i>(7,621)</i>	<i>109.1</i>	<i>94.8</i>	<i>1,432</i>
<b>Profit Before Tax</b>	<b>25,502</b>	<b>11,268</b>	<b>126.3</b>	<b>(13,078)</b>	<b>(295.0)</b>	<b>(18,014)</b>	<b>6,982</b>	<b>(358.0)</b>
<b>Tax</b>	<b>8,716</b>	<b>3,901</b>	<b>123.4</b>	<b>(4,435)</b>	<b>(296.5)</b>	<b>(23,483)</b>	<b>2,646</b>	<b>(987.4)</b>
<i>Effective Tax Rate (%)</i>	<i>34.2</i>	<i>34.6</i>	<i>(44)</i>	<i>33.9</i>	<i>27</i>	<i>130.4</i>	<i>37.9</i>	<i>9,246</i>
<b>Reported Profits</b>	<b>16,786</b>	<b>7,367</b>	<b>127.9</b>	<b>(8,643)</b>	<b>(294.2)</b>	<b>5,469</b>	<b>4,335</b>	<b>26.2</b>
<i>RoA (%)</i>	<i>0.6</i>	<i>0.3</i>	<i>31</i>	<i>(0.3)</i>	<i>89</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>RoE (%)</i>	<i>9.2</i>	<i>4.6</i>	<i>463</i>	<i>(4.9)</i>	<i>1,410</i>	<i>-</i>	<i>-</i>	<i>-</i>

Source: Company, LKP Research

## Exhibit: Balance Sheet Analysis

(₹ mn)	1Q FY20	2Q FY20	3Q FY20	4Q FY20	1Q FY21	2Q FY21	QoQ % / bps	YoY % / bps
Net Worth	631,022	640,119	709,953	718,562	711,005	726,833	2.2	13.5
RoE (%)	4.5	4.6	(7.9)	2.8	(4.9)	9.2	1,410	463
CET1 (%)	8.5	9.8	9.9	9.4	9.1	9.2	13	(63)
Tier 1 (%)	9.6	10.9	11.5	10.7	10.3	10.8	42	(16)
Total CAR (%)	11.5	13.0	13.5	13.3	12.8	13.3	42	28
RWA - Total	-	-	-	-	6,081,542	6,062,896	(0.3)	-
Advances - Total	6,331,809	6,373,402	6,544,651	6,901,207	6,866,718	6,698,511	(2.4)	5.1
Investments	2,550,542	2,641,510	2,658,008	2,746,146	2,708,652	2,659,540	(1.8)	0.7
Total Assets	10,619,079	10,727,533	10,935,633	11,579,155	11,322,554	11,428,443	0.9	6.5
RoA (%)	0.49	0.28	(0.52)	0.18	(0.30)	0.59	89	31
Deposits	8,955,420	8,941,298	8,961,616	9,459,844	9,344,613	9,543,402	2.1	6.7
Saving Deposit	2,425,280	2,545,370	2,588,380	2,663,010	2,736,040	2,803,880	2.5	10.2
Current Deposit	446,680	574,850	614,260	496,500	476,250	521,040	9.4	(9.4)
CASA Deposits	2,871,960	3,120,020	3,202,640	3,159,510	3,212,290	3,324,930	3.5	6.6
CASA Ratio (%)	36.6	37.9	38.8	39.1	39.5	39.8	29	190
Term Deposits	6,083,460	5,821,278	5,758,976	6,300,334	6,132,323	6,218,472	1.4	6.8
Interest Bearing Liabilities - Total	9,661,126	9,711,181	9,859,477	10,390,537	10,112,887	10,208,585	0.9	5.1

Source: Company, LKP Research

## Exhibit: Funding Profile Analysis

(₹ mn)	1Q FY20	2Q FY20	3Q FY20	4Q FY20	1Q FY21	2Q FY21	QoQ % / bps	YoY % / bps
Interest Bearing Liabilities - Total	9,661,126	9,711,181	9,859,477	10,390,537	10,112,887	10,208,585	0.9	5.1
Deposits	8,955,420	8,941,298	8,961,616	9,459,844	9,344,613	9,543,402	2.1	6.7
CASA Deposits	2,871,960	3,120,020	3,202,640	3,159,510	3,212,290	3,324,930	3.5	6.6
Saving Deposit	2,425,280	2,545,370	2,588,380	2,663,010	2,736,040	2,803,880	2.5	10.2
Current Deposit	446,680	574,850	614,260	496,500	476,250	521,040	9.4	(9.4)
Term Deposits	6,083,460	5,821,278	5,758,976	6,300,334	6,132,323	6,218,472	1.4	6.8
Borrowings	705,707	769,883	897,861	930,693	768,274	665,183	(13.4)	(13.6)
Interest Bearing Liabilities - Total	9,661,126	9,711,181	9,859,477	10,390,537	10,112,887	10,208,585	0.9	5.1

Source: Company, LKP Research

## Exhibit: Asset Quality Analysis

(₹ mn)	1Q FY20	2Q FY20	3Q FY20	4Q FY20	1Q FY21	2Q FY21	QoQ % / bps	YoY % / bps
Total Slippages	66,240	72,590	118,200	44,850	30,020	15,200	(49.4)	(79.1)
Slippages Ratio (%)	1.41	1.55	2.52	0.96	0.43	0.22	(21)	(133)
Gross NPA	697,140	699,690	731,397	693,814	691,320	656,980	(5.0)	(6.1)
Gross NPAs Ratio (%)	10.28	10.25	10.43	9.40	9.39	9.14	(25)	(111)
PCR - Calculated (%)	64.1	64.4	63.8	68.9	71.9	74.4	257	1,002
Net NPA	250,303	248,944	265,040	215,766	194,497	167,949	(13.6)	(32.5)
Net NPAs Ratio (%)	3.95	3.91	4.05	3.13	2.83	2.51	(32)	(140)

Source: Company, LKP Research

## Exhibit: Funding mix and Incremental Contribution

	As on (₹ mn)				As % of Total Working Fund	YoY/ YTD Growth			Incremental Contribution YoY/ YTD Growth (%)		
	FY18	FY19	FY20	2Q FY21		FY19	FY20	2Q FY21	FY19	FY20	2Q FY21
<b>Deposits</b>	<b>5,913,148</b>	<b>6,386,897</b>	<b>9,459,844</b>	<b>9,543,402</b>	<b>87.3</b>	<i>8.0</i>	<i>48.1</i>	<i>0.9</i>	<i>86.8</i>	<i>85.6</i>	<i>(48.1)</i>
Saving Deposit	1,657,167	1,768,936	2,692,430	2,803,880	25.6	6.7	52.2	4.1	20.5	25.7	(64.2)
Current Deposit	460,619	469,007	645,806	521,040	4.8	1.8	37.7	(19.3)	1.5	4.9	71.8
CASA Deposits	2,117,786	2,237,944	3,338,237	3,324,930	30.4	5.7	49.2	(0.4)	22.0	30.6	7.7
Term Deposits	3,795,363	4,148,953	6,121,608	6,218,472	56.9	9.3	47.5	1.6	64.8	54.9	(55.8)
<b>Borrowings</b>	<b>625,720</b>	<b>672,013</b>	<b>930,693</b>	<b>665,183</b>	<b>6.1</b>	<i>7.4</i>	<i>38.5</i>	<i>(28.5)</i>	<i>8.5</i>	<i>7.2</i>	<i>152.9</i>
<b>Interest Bearing Liabilities - Total</b>	<b>6,538,868</b>	<b>7,058,910</b>	<b>10,390,537</b>	<b>10,208,585</b>	<b>93.4</b>	<i>8.0</i>	<i>47.2</i>	<i>(1.8)</i>	<i>95.3</i>	<i>92.8</i>	<i>104.8</i>
<b>Net Worth</b>	<b>433,948</b>	<b>459,411</b>	<b>718,562</b>	<b>726,833</b>	<b>6.6</b>	<i>5.9</i>	<i>56.4</i>	<i>1.2</i>	<i>4.7</i>	<i>7.2</i>	<i>(4.8)</i>
<b>Working Fund</b>	<b>6,972,816</b>	<b>7,518,321</b>	<b>11,109,100</b>	<b>10,935,418</b>	<b>100.0</b>	<i>7.8</i>	<i>47.8</i>	<i>(1.6)</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>
<i>Interest Exp. / Assets</i>	<i>3.98</i>	<i>4.17</i>	<i>5.01</i>	<i>3.6</i>		<i>19</i>	<i>84</i>	<i>(139)</i>			

Source: Company, LKP Research

## 2QFY21 Result and con-call highlights:

### Asset Quality:

**Collection Efficiencies:** The bank's collection efficiencies of domestic loans (excluding Agri) stood 91% in 2QFY21, In Oct-20, the efficiency is even 50bps higher than 2QFY21.

**GNPA/NNPA/PCR:** 9.14%/2.51%/74.4% against 9.39%/2.83%/71.9% in the previous quarter. The PCR including technical write-off stood 85.4% of GNPLs. The Pro-forma GNPA/NNPA ratio would have been 9.3%/2.67%.

**Slippages:** Owing to SC directive, the bank has witnessed lower total slippages (reported) of ₹15.2bn (0.88% annualized) vs. ₹30bn (1.72%) in the previous quarter. The deduction (up-gradation & recovery) stood ₹49.5bn v/s ₹32.5bn in the previous quarter.

**SMA book:** The Bank's SMA 1&2 book stood 5.46% in 2QFY21 against 2.4% as on FY20. In June-20 RBI moratorium was forced.

**Provisioning:** The Bank has made provisioning of ₹30.1bn (Credit cost: 1.24% v/s 1.87% in 1QFY21) against ₹56.3bn in 1QFY21.

### Balance Sheet:

**Credit:** The bank's net advances stood at ₹6.7tn; grew by 5.1% YOY and de-grew by 2.4% QOQ. Retail (15.6% contribution), Corporate (37.9% contribution) and Agriculture (13% contribution) grew by 4.5%, -7.1% and 5.9% QoQ respectively.

**Deposits:** The bank's deposit stood at ₹9.5tn grew strongly by 6.7% YOY and 2.1% QOQ; CASA stood at 39.8%.

**Capital:** The bank's CRAR 13.26% vs. 12.84% in the previous quarter with CET 1 of 9.21%. The bank has taken an enabling resolution from the board, it may raise ₹135bn in FY21 depending upon the requirement. The RWA to assets stood at 50.4% with LCR well above the regulatory requirement.

### Income Statement:

**NIMs & NII:** Domestic NIMs (2.96%) up by 33bps driven by interest reversal from agriculture book. Management believes the NIMs to remain stable for FY21E. YOA and COD stood at 7.13% and 3.99% against 7.26% and 4.48% in the previous quarter. Overall NIMs inched up by 31bps to 2.86% which translated in NII (75bn) growth of 6.8% YoY and 10.1% sequentially.

**PPP:** A healthy NII growth (Although accrued interest income) and strong other income (113% QoQo) growth have translated in strong PPP growth of 28.5% QoQ. Bulky, though sequentially lower, provision expenses (₹30.1bn v/s ₹56.2bn in 1QFY21) has translated in 127% YoY growth in PAT to ₹16.8bn. The bank's ROA/ROE stood at 0.59% and 9.24% respectively.



## Annual Projections

## Exhibit: Profit and Loss Statement

(₹ mn)	FY19	FY20	FY21E	FY22E	FY23E
Int. Income / Opr. Revenue	499,741	759,837	855,520	910,156	985,382
Interest Expenses	312,903	485,324	533,896	566,719	613,255
<b>Net Interest Income</b>	<b>186,838</b>	<b>274,513</b>	<b>321,624</b>	<b>343,437</b>	<b>372,127</b>
NIM (%)	2.62	3.01	2.89	2.90	2.90
<b>Adjusted NII</b>	<b>176,206</b>	<b>254,495</b>	<b>321,624</b>	<b>343,437</b>	<b>372,127</b>
Core Fee Income	42,389	64,469	72,205	80,869	90,574
Exchange Income	6,932	10,161	11,178	12,295	13,525
Sale of Investments	10,048	27,544	30,298	33,328	34,328
Other Misc. Income	1,541	999	1,099	1,209	1,330
<b>Other Income - Total</b>	<b>60,910</b>	<b>103,173</b>	<b>114,780</b>	<b>127,702</b>	<b>139,757</b>
<b>Net Operating Revenue</b>	<b>247,748</b>	<b>377,686</b>	<b>436,404</b>	<b>471,139</b>	<b>511,884</b>
Employee Exp.	50,391	87,695	92,957	98,534	104,446
Other Opex	62,488	93,077	103,315	114,680	127,295
<b>Total Opex</b>	<b>112,880</b>	<b>180,772</b>	<b>196,272</b>	<b>213,214</b>	<b>231,741</b>
C/I Ratio (%)	45.56	47.86	44.97	45.26	45.27
<b>Pre Provision Profits</b>	<b>134,868</b>	<b>196,914</b>	<b>240,132</b>	<b>257,925</b>	<b>280,143</b>
PPP Growth (yoy %)	12.3	46.0	21.9	7.4	8.6
<b>Provisions &amp; Contingencies - Total</b>	<b>127,887</b>	<b>214,928</b>	<b>223,672</b>	<b>194,740</b>	<b>170,632</b>
Credit Cost (As % of Op. AUM)	2.88	3.52	3.00	2.50	2.00
<b>Profit Before Tax</b>	<b>6,981</b>	<b>(18,014)</b>	<b>16,459</b>	<b>63,185</b>	<b>109,511</b>
Tax	2,646	(23,483)	4,444	17,060	29,568
Effective Tax Rate (%)	37.9	130.4	27.0	27.0	27.0
<b>Reported Profits</b>	<b>4,335</b>	<b>5,469</b>	<b>12,015</b>	<b>46,125</b>	<b>79,943</b>
PAT Growth (yoy %)	(117.8)	26.2	119.7	283.9	73.3

Source: Company, LKP Research

## Exhibit: Balance Sheet

(₹ mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity Share Capital	5,304	9,254	9,254	9,254	9,254
Reserves (ex Reval. Reserve)	408,966	709,308	721,324	759,092	738,762
<b>Net Worth - Ex Revaluation</b>	<b>414,270</b>	<b>718,562</b>	<b>730,577</b>	<b>768,346</b>	<b>748,015</b>
Deposits	6,386,897	9,459,844	9,885,015	10,727,356	11,707,749
Borrowings	672,013	930,693	977,639	1,060,947	1,087,605
<b>Interest Bearing Liabilities (₹ mn)</b>	<b>7,058,910</b>	<b>10,390,537</b>	<b>10,862,654</b>	<b>11,788,304</b>	<b>12,795,355</b>
Other Lia. & Prov.	241,133	470,056	531,463	588,714	670,240
<b>Total Liabilities</b>	<b>7,809,874</b>	<b>11,579,155</b>	<b>12,124,695</b>	<b>13,145,364</b>	<b>14,213,610</b>
<b>Assets</b>					
Cash & Cash Equivalent	892,296	1,219,011	1,307,286	1,419,381	1,546,856
Investments	1,822,981	2,746,146	3,085,824	3,529,884	3,976,326
Credit Equivalent	81,514	137,261	160,596	187,032	217,832
Loan & Advances (₹ mn)	4,688,187	6,901,207	6,970,219	7,388,433	7,831,739
Growth (yoy %)	9.7	47.2	1.0	6.0	6.0
Fixed Assets	69,903	88,893	100,034	106,655	115,617
Other Assets	336,507	623,898	661,331	701,011	743,072
<b>Total Assets</b>	<b>7,809,874</b>	<b>11,579,155</b>	<b>12,124,695</b>	<b>13,145,364</b>	<b>14,213,610</b>

Source: Company, LKP Research

## Exhibit: Per share data

Y/E Mar	FY19	FY20	FY21E	FY22E	FY23E
Face Value (₹)	2	2	2	2	2
Adjusted Share O/S (mn)	5,304	4,627	4,627	4,627	4,627
<b>Earnings Per Share (₹)</b>	<b>0.8</b>	<b>1.2</b>	<b>2.6</b>	<b>10.0</b>	<b>17.3</b>
EPS (% YoY)	(108.9)	44.6	119.7	283.9	73.3
P/E (x)	65.8	45.5	20.7	5.4	3.1
<b>Adj. EPS (₹)</b>	<b>0.8</b>	<b>1.2</b>	<b>2.6</b>	<b>10.0</b>	<b>17.3</b>
Adj. EPS (% YoY)	(108.9)	44.6	119.7	283.9	73.3
Adj. Price-Earnings (x)	65.8	45.5	20.7	5.4	3.1
<b>Book Value (₹)</b>	<b>78.1</b>	<b>155.3</b>	<b>157.9</b>	<b>166.1</b>	<b>161.7</b>
BVPS (% YoY)	(48.5)	98.8	1.7	5.2	(2.6)
P/BV (x)	0.7	0.3	0.3	0.3	0.3
<b>Adj. BV (₹)</b>	<b>53.9</b>	<b>121.1</b>	<b>139.7</b>	<b>147.9</b>	<b>143.5</b>
Adj. BV (% YoY)	(39.1)	124.6	15.4	5.8	(3.0)
P/ABV (x)	1.0	0.4	0.4	0.4	0.4
<b>Adj. BVPS ex Sub. &amp; Invest 9₹)</b>	<b>53.9</b>	<b>121.1</b>	<b>139.7</b>	<b>147.9</b>	<b>143.5</b>
Price-ABV (Adj. for & invt in subs)	1.0	0.4	0.4	0.4	0.4

Source: Company, LKP Research

## Exhibit: Detailed ROA Tree

Y/E Mar	FY19	FY20	FY21E	FY22E	FY23E
<b>Yields / Margins</b>					
Yield on Advance	7.7	9.3	8.4	8.4	8.4
Yield on Funds	7.0	8.3	7.7	7.7	7.7
Cost of Funds (CoF)	4.6	5.6	5.0	5.0	5.0
Interest Spread	2.4	2.8	2.7	2.7	2.7
NIM's	2.6	3.0	2.9	2.9	2.9
<b>Interest Income / Assets</b>					
Interest Income / Assets	6.7	7.8	7.2	7.2	7.2
Interest Exp. / Assets	4.2	5.0	4.5	4.5	4.5
NII / Assets	2.5	2.8	2.7	2.7	2.7
Fee Income / Assets	0.6	0.7	0.6	0.6	0.7
Other Non Core Income / Assets	0.1	0.3	0.3	0.3	0.3
Other Income / Assets	0.8	1.1	1.0	1.0	1.0
Net Operating Income / Assets	3.3	3.9	3.7	3.7	3.7
<b>Operating Ratios</b>					
NII to Net Operative Income	75.4	72.7	73.7	72.9	72.7
Other Income to Net Operative Income	24.6	27.3	26.3	27.1	27.3
Empl. Cost/Oper. Exps.	44.6	48.5	47.4	46.2	45.1
Other Op. Exps./Oper. Exps.	55.4	51.5	52.6	53.8	54.9
C/I Ratio (%)	45.6	47.9	45.0	45.3	45.3
Provisions as % PPP	51.6	56.9	51.3	41.3	33.3
Credit Cost (As % of Op. AUM)	2.9	3.5	3.0	2.5	2.0
Effective Tax Rate (%)	37.9	130.4	27.0	27.0	27.0
<b>Employee Exp. / Assets</b>					
Employee Exp. / Assets	0.7	0.9	0.8	0.8	0.8
<b>Other Opex/ Assets</b>					
Other Opex/ Assets	0.8	1.0	0.9	0.9	0.9
<b>Total Opex / Assets</b>					
Total Opex / Assets	1.5	1.9	1.7	1.7	1.7
<b>Operating Profits / Assets</b>					
Operating Profits / Assets	1.8	2.0	2.0	2.0	2.0
<b>Op Profit ex Except Items / Assets</b>					
Op Profit ex Except Items / Assets	1.8	2.0	2.0	2.0	2.0
<b>Provisions / Assets</b>					
Provisions / Assets	1.7	2.2	1.9	1.5	1.2
<b>Profit Before Tax / Assets</b>					
Profit Before Tax / Assets	0.1	(0.2)	0.1	0.5	0.8
<b>Tax Expenses / Assets</b>					
Tax Expenses / Assets	0.0	(0.2)	0.0	0.1	0.2
<b>RoA</b>					
RoA	0.1	0.1	0.1	0.4	0.6
<b>Leverage (x)</b>					
Leverage (x)	18.9	16.1	16.6	17.1	19.0
<b>RoE</b>					
RoE	1.0	0.9	1.7	6.2	10.5
<b>Adj. RoA</b>					
Adj. RoA	0.1	0.1	0.1	0.4	0.6
<b>Adj. RoE</b>					
Adj. RoE	1.0	0.9	1.7	6.2	10.5

Source: Company, LKP Research

## Exhibit: Balance Sheet Ratio

Y/E Mar	FY19	FY20	FY21E	FY22E	FY23E
Credit / Deposit Ratio	73.4	73.0	70.5	68.9	66.9
Incremental C/D Ratio	87.4	72.0	16.2	49.6	45.2
Investment Deposit Ratio	28.5	29.0	31.2	32.9	34.0
Dom. SLR Investment / Deposits	30.7	30.2	32.2	33.2	33.8
CASA Ratio	43.2	41.3	42.0	42.0	42.0

Source: Company, LKP Research

## Exhibit: Asset Quality

(₹ mn)	FY19	FY20	FY21E	FY22E	FY23E
Slippage Ratio (%)	3.2	9.6	6.0	4.0	3.5
<b>Gross NPA</b>	<b>482,328</b>	<b>693,814</b>	<b>568,029</b>	<b>382,670</b>	<b>233,854</b>
Gross NPAs Ratio (%)	9.6	9.4	8.1	5.2	3.0
PCR (%)	67.6	68.9	76.1	76.8	76.9
<b>Net NPA</b>	<b>156,095</b>	<b>215,766</b>	<b>135,695</b>	<b>88,771</b>	<b>53,963</b>
Net NPAs Ratio (%)	3.3	3.1	1.9	1.2	0.7
<b>Total Impaired Loans</b>	<b>482,328</b>	<b>693,814</b>	<b>568,029</b>	<b>382,670</b>	<b>233,854</b>
Impaired Loan as % of Loan / AUM	10.1	9.9	8.0	5.1	2.9
<b>Total Risk Reserves</b>	<b>326,233</b>	<b>478,048</b>	<b>432,334</b>	<b>293,900</b>	<b>179,891</b>
Total Risk As % of Loan Book	6.8	6.8	6.1	3.9	2.2

Source: Company, LKP Research

## Exhibit: Key Assumptions &amp; Forecasts

Y/E Mar	FY19	FY20	FY21E	FY22E	FY23E
<b>Loan &amp; Advances (₹ mn)</b>	<b>4,688,187</b>	<b>6,901,207</b>	<b>6,970,219</b>	<b>7,388,433</b>	<b>7,831,739</b>
Growth (yoy %)	9.7	47.2	1.0	6.0	6.0
<b>Interest Bearing Liabilities (₹ mn)</b>	<b>7,058,910</b>	<b>10,390,537</b>	<b>10,862,654</b>	<b>11,788,304</b>	<b>12,795,355</b>
Growth (yoy %)	9.7	47.2	1.0	6.0	6.0
<b>Yield on Funds</b>	<b>7.0</b>	<b>8.3</b>	<b>7.7</b>	<b>7.7</b>	<b>7.7</b>
Cost of Funds (CoF)	4.6	5.6	5.0	5.0	5.0
Interest Spread	2.4	2.8	2.7	2.7	2.7
NIM's	2.6	3.0	2.9	2.9	2.9
Other Income Growth	(8.5)	69.4	11.2	11.3	9.4
C/I Ratio (%)	45.6	47.9	45.0	45.3	45.3
Effective Tax Rate (%)	37.9	130.4	27.0	27.0	27.0

## Return Ratios

Adj. RoA	0.1	0.1	0.1	0.4	0.6
Adj. RoE	1.0	0.9	1.7	6.2	10.5

## Asset Quality Metrics

Credit Cost (As % of Op. AUM)	2.9	3.5	3.0	2.5	2.0
Gross NPAs Ratio (%)	9.6	9.4	8.1	5.2	3.0
Net NPAs Ratio (%)	3.3	3.1	1.9	1.2	0.7

Source: Company, LKP Research

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