

## Result and Price Analysis

In 3QFY21, Bank of Baroda (BOB) delivered an expected result on operating, asset quality as well as collection efficiencies. Reported gross slippages inched up to ₹45.6bn (v/s ₹15.2bn in the previous quarter) led by two large accounts slipping into NPA. Furthermore, the collection efficiencies of domestic loans stood at 93% v/s 91% declared earlier. Its reported GNPA (8.48% v/s 9.14% in 1QFY21) and NNPA (2.39% v/s 2.51% in 1QFY21) declined substantially along with higher PCR (incl. TWO) of 85.5%. The Pro-forma GNPA/NNPA ratio were at 9.63%/3.36% v/s 9.3%/2.67% in the previous quarter. The bank witnessed stable net advances (6.8% YoY) and deposit growth (6.5% YoY) with better liquidity position (LCR of 140%+).

Moreover the bank has reported PAT of ₹10.6bn (v/s ₹16.8bn in 2QFY21) on the back of heavy provisioning expenses of ₹39.5bn against ₹30.0bn in the previous quarter. The 3QFY21 ROA and ROE stood at 0.37% and 5.75% respectively. Factoring the difference between the reported NNPA and pro-forma NNPA, we believe the Covid provision (₹32bn) would be enough to absorb half the existing stress. Remaining half can be managed with internal accruals. The bank may raise ₹30bn in FY21 which is likely to boost the balance sheet further. We believe the negatives are in the price and inexpensive valuation (0.5x PBV) makes BOB an attractive BUY.

## Gazing the core

**Delinquency levels form a peak:** Owing to SC directive, the asset classification stood still. However, the bank has witnessed higher slippages of ₹45.6bn (v/s ₹15.2bn in the previous quarter) because of two large accounts slipping into NPA. The deduction (up-gradation & recovery) stood ₹70.8bn v/s ₹49.5bn in the previous quarter. It has resulted in 66bps and 12bps decline in reported GNPA and NNPA ratio to 8.48% and 2.39% respectively. The pro-forma GNPA and NNPA ratio were at 9.63% and 3.36% respectively. 9MFY21 slippages of ₹90.8bn stood much lower against 9MFY20 slippages of ₹257bn. Factoring the pro-forma NNPA, we estimate the slippages in FY21E would be lesser than FY20. Therefore, we conclude that the bad asset formation has peaked.

Key Financials (₹ mn)	FY19	FY20	FY21E	FY22E	FY23E
NII	1,86,838	2,74,513	2,99,122	3,10,981	3,29,554
Operating Profit	1,34,868	1,96,914	2,07,947	2,09,859	2,16,954
Reported Profits	4,335	5,469	26,297	35,675	41,180
Net Worth	4,14,270	7,18,562	7,44,859	7,80,534	8,21,715
Loan & Advances	46,88,187	69,01,207	72,66,281	77,02,258	82,41,416
Int. Bearing Liabilities	70,58,910	1,03,90,537	1,08,21,732	1,14,81,795	1,23,83,033

Key Ratios (%)	FY19	FY20	FY21E	FY22E	FY23E
NIM's	2.6	3.0	2.7	2.7	2.7
C/I Ratio	45.6	47.9	48.7	50.7	52.1
Gross NPA Ratio	9.6	9.4	9.5	8.7	7.7
Tier 1 Ratio	7.5	9.4	11.6	11.5	11.2
Adj. RoA Ratio	0.1	0.1	0.2	0.3	0.3
Adj. RoE Ratio	1.0	0.9	3.6	4.7	5.1

Rating	Buy
Current Market Price (₹)	73
12 M Price Target (₹)	84
Potential upside (%)	15

## Stock Data

FV (₹) :	2
Market Cap Full (₹ bn) :	336
Market Cap Free Float (₹ bn) :	89
52-Week High / Low (₹) :	94 / 36
2-Year High / Low (₹) :	144 / 36
1 Year Avg. Dly Traded Volume (in lakh)	382
BSE Code / NSE Symbol :	532134 / BANKBARODA
Bloomberg :	BOB IN

## Shareholding Pattern (%)

	Dec-20	Sep-20	Jun-20	Mar-20
Promoter	71.60	71.60	71.60	71.60
FPIs	4.32	3.94	4.09	4.57
MFs	6.47	7.08	8.79	10.01
Insurance	4.56	4.02	3.56	3.56
Others	13.05	13.36	11.96	10.26

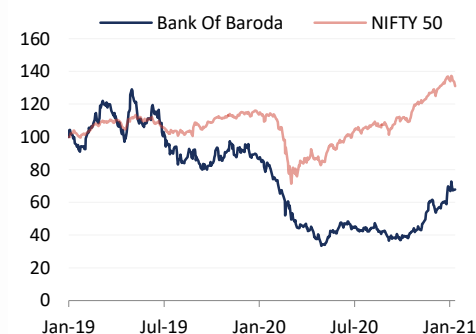
Source: BSE

## Price Performance (%)

(%)	1M	3M	6M	1YR
Bank Of Baroda	21.7	72.7	58.7	-19.8
Nifty 50	1.6	17.5	25.5	15.3

\* To date / current date : January 27, 2021

## Bank Of Baroda vs Nifty 50



**Adequate Provision Buffer:** In 3QFY21, the bank has made provisioning expenses of ₹39.6bn (Credit cost: 1.16% v/s 1.24% in 2QFY21). The PCR (calculated) inched up 80bps to 74.4%. The PCR (including TWO) stood 85.5% of GNPLs. With Covid provision ~₹32bn (~46bps of net advances), the bank would absorb half of the existing stress. Remaining half can be managed with internal accruals.

**Stable operational 3QFY21:** Aided by sequentially up domestic NIMs to 3.07% (up 11bps from 2QFY21) the NII witnessed steady growth of 8.7% and 3.2% sequentially. The cost of deposit has moderated further to 3.85%; declining 14bps sequentially. Non-interest income has witnessed a growth of 3.3% sequentially. Separately, C/I ratio moderated to 47.5% (v/s 47.9% in FY20). Management indicated that the NIMs are likely to remain stable or moderate further because of interest reversal from slippages.

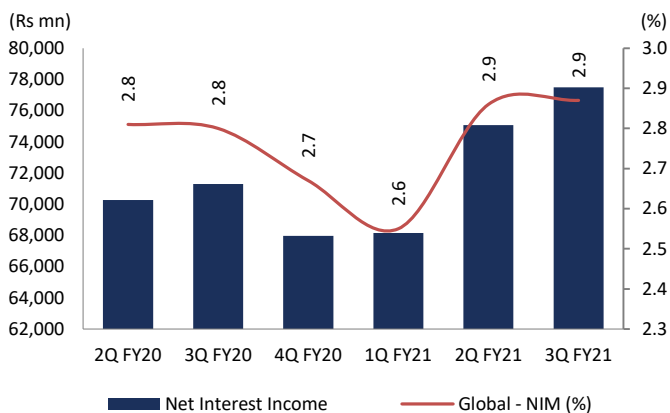
**Adequate capital cushion, fund raise on the cards:** The bank's CRAR stood at 12.93% vs. 13.26% in the previous quarter with CET 1 of 8.98%. The bank has raised ~₹12bn in AT 1 capital. The balance of ~10bn AT1 funds will be raised this quarter. The bank is eyeing a QIP of ~30bn for fresh capital. The RWA to assets stood at 54% with LCR well above the regulatory requirements.

#### **Outlook & Valuations**

We expect the bank to post a ROA/ROE of 0.3%/5.1% by FY22E led by stable balance sheet growth along with higher PCR and marginal blip in asset quality. We value the standalone bank at PBV of 0.6x FY22E Adj. BVPS of ₹140.4 to reach a price target of ₹84. We recommend a BUY rating with potential upside of 15%.

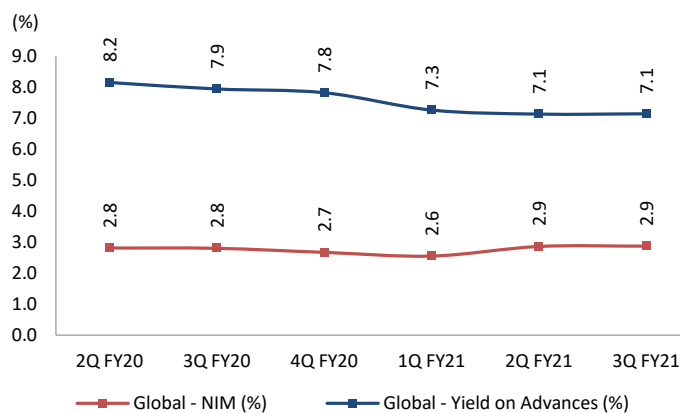
Story in charts

NII Trend

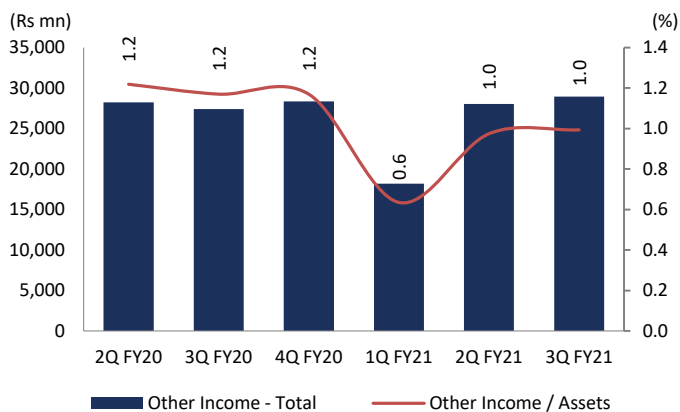


Source: Company, LKP Research

Yields and Margin Trend

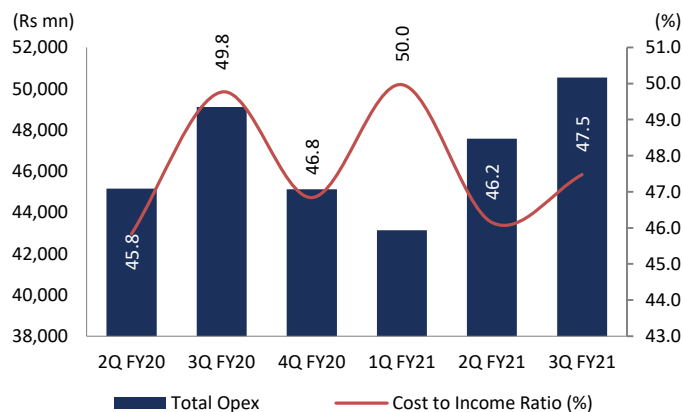


Other Income Trend

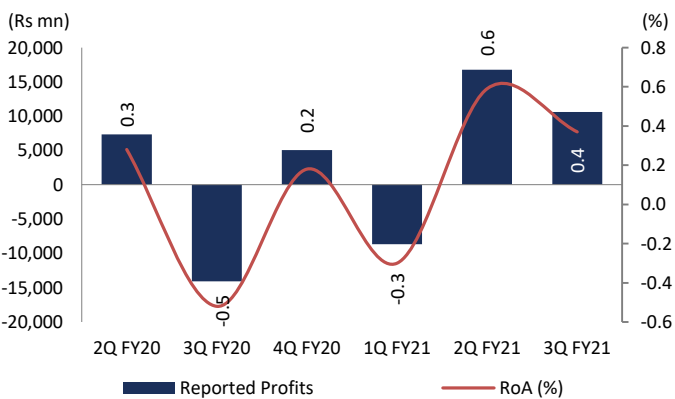


Source: Company, LKP Research

Total Opex Trend

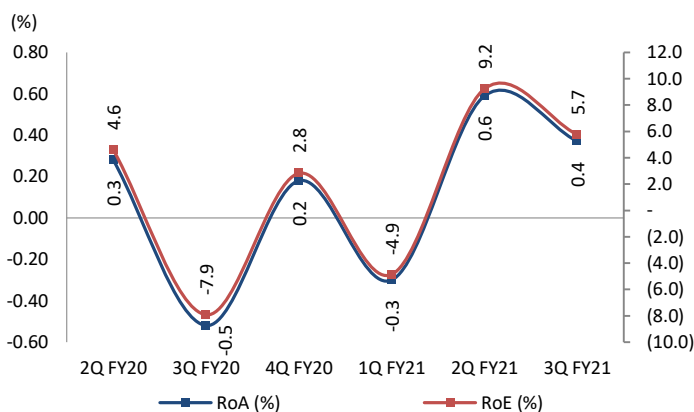


Reported Profit Trend

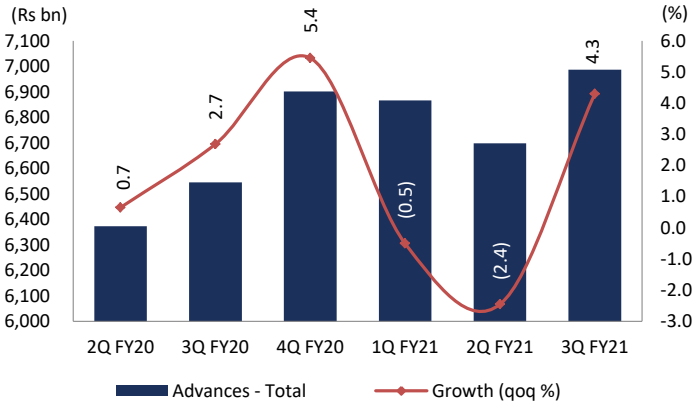


Source: Company, LKP Research

Return Ratio Trend

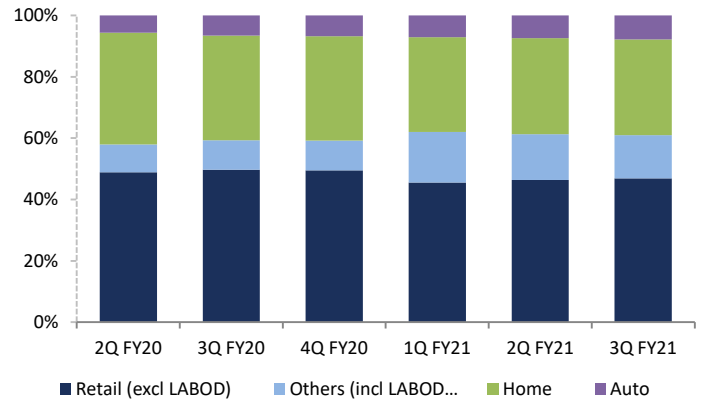


Loan Book Trend

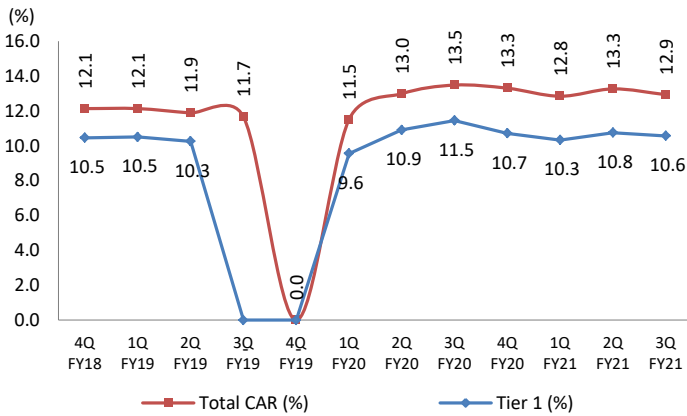


Source: Company, LKP Research

Loan Book Mix Trend

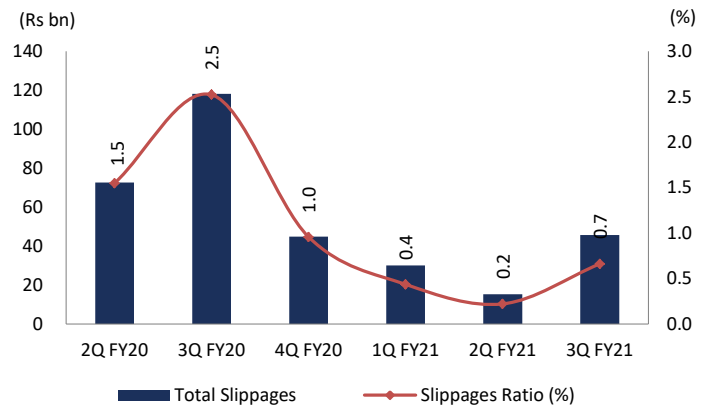


CRAR & Tier 1 Trend

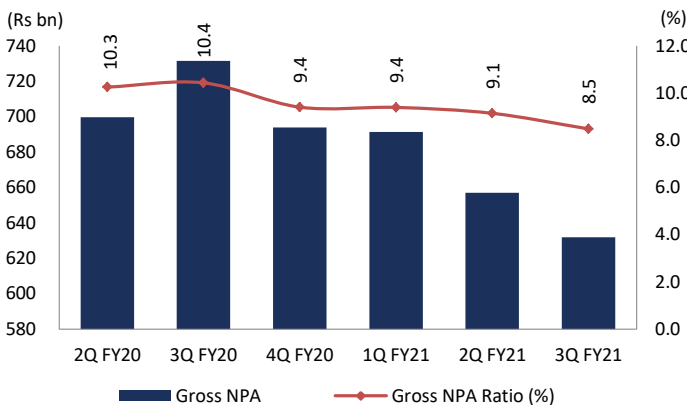


Source: Company, LKP Research

Slippages Trend

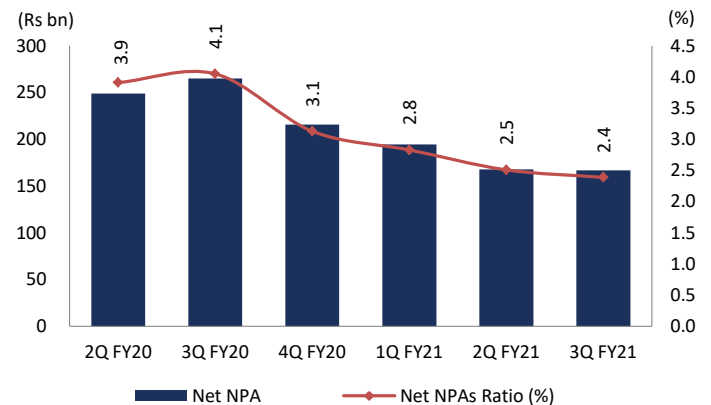


Gross NPA Trend



Source: Company, LKP Research

PCR Trend



## Recent Performance at a glance

## Exhibit: Income Statement Analysis

(₹ mn)	3Q FY21	3Q FY20	% yoy / bps	2Q FY21	% qoq / bps	FY20	FY19	% yoy / bps
Int. on Loan	1,27,561	1,35,831	(6.1)	1,28,380	(0.6)	5,41,158	3,43,890	57.4
Int. on Investment	41,722	45,691	(8.7)	42,568	(2.0)	1,80,974	1,27,867	41.5
Int. on Balances	4,179	3,725	12.2	3,342	25.1	17,687	17,352	1.9
Int. Others	4,225	5,433	(22.2)	4,887	(13.5)	20,018	10,632	88.3
<b>Interest Inc.</b>	<b>1,77,687</b>	<b>1,90,679</b>	<b>(6.8)</b>	<b>1,79,176</b>	<b>(0.8)</b>	<b>7,59,837</b>	<b>4,99,741</b>	<b>52.0</b>
<b>Interest Expenses</b>	<b>1,00,200</b>	<b>1,19,389</b>	<b>(16.1)</b>	<b>1,04,101</b>	<b>(3.7)</b>	<b>4,85,324</b>	<b>3,12,903</b>	<b>55.1</b>
<b>Net Interest Income</b>	<b>77,487</b>	<b>71,291</b>	<b>8.7</b>	<b>75,075</b>	<b>3.2</b>	<b>2,74,513</b>	<b>1,86,838</b>	<b>46.9</b>
<i>NII to Net Operative Income</i>	<i>72.8</i>	<i>72.2</i>	<i>57</i>	<i>72.8</i>	<i>(2)</i>	<i>72.7</i>	<i>75.4</i>	<i>(273)</i>
<i>Global - NIM (%)</i>	<i>2.87</i>	<i>2.8</i>	<i>7</i>	<i>2.9</i>	<i>1</i>	<i>-</i>	<i>-</i>	<i>-</i>
<b>Core Fee Income</b>	<b>13,570</b>	<b>13,800</b>	<b>(1.7)</b>	<b>14,370</b>	<b>(5.6)</b>	<b>54,430</b>	<b>30,720</b>	<b>77.2</b>
<b>Non Core Other Income</b>	<b>15,380</b>	<b>13,612</b>	<b>13.0</b>	<b>13,650</b>	<b>12.7</b>	<b>48,747</b>	<b>15,710</b>	<b>210.3</b>
<b>Other Income - Total</b>	<b>28,955</b>	<b>27,412</b>	<b>5.6</b>	<b>28,023</b>	<b>3.3</b>	<b>1,03,173</b>	<b>60,910</b>	<b>69.4</b>
<i>Other Inc to Net Oper. Income (%)</i>	<i>27.2</i>	<i>27.8</i>	<i>(57)</i>	<i>27.2</i>	<i>2</i>	<i>27.3</i>	<i>24.6</i>	<i>273</i>
<b>Net Operating Revenue</b>	<b>1,06,442</b>	<b>98,702</b>	<b>7.8</b>	<b>1,03,098</b>	<b>3.2</b>	<b>3,77,686</b>	<b>2,47,748</b>	<b>52.4</b>
Employee Expenses	28,002	25,942	7.9	25,503	9.8	87,695	50,391	74.0
<i>Empl. Cost/Oper. Exps. (%)</i>	<i>26.3</i>	<i>26.3</i>	<i>2</i>	<i>24.7</i>	<i>157</i>	<i>23.2</i>	<i>20.3</i>	<i>288</i>
Other Opex	22,534	23,176	(2.8)	22,077	2.1	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>0</i>	<i>1.0</i>	<i>0.8</i>	<i>13</i>
<b>Total Opex</b>	<b>50,536</b>	<b>49,118</b>	<b>2.9</b>	<b>47,580</b>	<b>6.2</b>	<b>1,80,772</b>	<b>1,12,880</b>	<b>60.1</b>
<i>Cost to Income Ratio (%)</i>	<i>47.5</i>	<i>49.8</i>	<i>(229)</i>	<i>46.2</i>	<i>133</i>	<i>47.9</i>	<i>45.6</i>	<i>230</i>
<b>Pre Provision Profits</b>	<b>55,906</b>	<b>49,585</b>	<b>12.7</b>	<b>55,518</b>	<b>0.7</b>	<b>1,96,914</b>	<b>1,34,868</b>	<b>46.0</b>
<b>Provisions &amp; Contingencies - Total</b>	<b>39,567</b>	<b>71,554</b>	<b>(44.7)</b>	<b>30,016</b>	<b>31.8</b>	<b>2,14,928</b>	<b>1,27,887</b>	<b>68.1</b>
<i>NPA Provisions as % PPP</i>	<i>70.8</i>	<i>144.3</i>	<i>(7,353)</i>	<i>54.1</i>	<i>1,671</i>	<i>109.1</i>	<i>94.8</i>	<i>1,432</i>
<b>Profit Before Tax</b>	<b>16,340</b>	<b>(21,970)</b>	<b>(174.4)</b>	<b>25,502</b>	<b>(35.9)</b>	<b>(18,014)</b>	<b>6,982</b>	<b>(358.0)</b>
<b>Tax</b>	<b>5,729</b>	<b>(7,900)</b>	<b>(172.5)</b>	<b>8,716</b>	<b>(34.3)</b>	<b>(23,483)</b>	<b>2,646</b>	<b>(987.4)</b>
<i>Effective Tax Rate (%)</i>	<i>35.1</i>	<i>36.0</i>	<i>(90)</i>	<i>34.2</i>	<i>88</i>	<i>130.4</i>	<i>37.9</i>	<i>9,246</i>
<b>Reported Profits</b>	<b>10,611</b>	<b>(14,070)</b>	<b>(175.4)</b>	<b>16,786</b>	<b>(36.8)</b>	<b>5,469</b>	<b>4,335</b>	<b>26.2</b>
<i>RoA (%)</i>	<i>0.4</i>	<i>(0.5)</i>	<i>89</i>	<i>0.6</i>	<i>(22)</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>RoE (%)</i>	<i>5.7</i>	<i>(7.9)</i>	<i>1,367</i>	<i>9.2</i>	<i>(349)</i>	<i>-</i>	<i>-</i>	<i>-</i>

Source: Company, LKP Research

## Exhibit: Balance Sheet Analysis

(₹ mn)	2Q FY20	3Q FY20	4Q FY20	1Q FY21	2Q FY21	3Q FY21	QoQ % / bps	YoY % / bps
Net Worth	6,40,119	7,09,953	7,18,562	7,11,005	7,26,833	7,38,676	1.6	4.0
RoE (%)	4.6	(7.9)	2.8	(4.9)	9.2	5.7	(349)	1,367
CET1 (%)	9.8	9.9	9.4	9.1	9.2	9.0	(23)	(87)
Tier 1 (%)	10.9	11.5	10.7	10.3	10.8	10.6	(18)	(88)
Total CAR (%)	13.0	13.5	13.3	12.8	13.3	12.9	(33)	(55)
RWA - Total	-	-	-	60,81,542	60,62,896	63,69,528	5.1	-
Advances - Total	63,73,402	65,44,651	69,01,207	68,66,718	66,98,511	69,86,516	4.3	6.8
Investments	26,41,510	26,58,008	27,46,146	27,08,652	26,59,540	26,71,082	0.4	0.5
Total Assets	1,07,27,533	1,09,35,633	1,15,79,155	1,13,22,554	1,14,28,443	1,17,33,963	2.7	7.3
RoA (%)	0.28	(0.52)	0.18	(0.30)	0.59	0.37	(22)	89
Deposits	89,41,298	89,61,616	94,59,844	93,44,613	95,43,402	95,45,608	0.0	6.5
Saving Deposit	25,45,370	25,88,380	26,63,010	27,36,040	28,03,880	28,73,930	2.5	11.0
Current Deposit	5,74,850	6,14,260	4,96,500	4,76,250	5,21,040	5,65,440	8.5	(7.9)
CASA Deposits	31,20,020	32,02,640	31,59,510	32,12,290	33,24,930	34,39,370	3.4	7.4
CASA Ratio (%)	37.9	38.8	39.1	39.5	39.8	41.2	142	236
Term Deposits	58,21,278	57,58,976	63,00,334	61,32,323	62,18,472	61,06,238	(1.8)	6.0
Interest Bearing Liabilities - Total	97,11,181	98,59,477	1,03,90,537	1,01,12,887	1,02,08,585	1,04,60,240	2.5	6.1

Source: Company, LKP Research

## Exhibit: Funding Profile Analysis

(₹ mn)	2Q FY20	3Q FY20	4Q FY20	1Q FY21	2Q FY21	3Q FY21	QoQ % / bps	YoY % / bps
Interest Bearing Liabilities - Total	97,11,181	98,59,477	1,03,90,537	1,01,12,887	1,02,08,585	1,04,60,240	2.5	6.1
Deposits	89,41,298	89,61,616	94,59,844	93,44,613	95,43,402	95,45,608	0.0	6.5
CASA Deposits	31,20,020	32,02,640	31,59,510	32,12,290	33,24,930	34,39,370	3.4	7.4
Saving Deposit	25,45,370	25,88,380	26,63,010	27,36,040	28,03,880	28,73,930	2.5	11.0
Current Deposit	5,74,850	6,14,260	4,96,500	4,76,250	5,21,040	5,65,440	8.5	(7.9)
Term Deposits	58,21,278	57,58,976	63,00,334	61,32,323	62,18,472	61,06,238	(1.8)	6.0
Borrowings	7,69,883	8,97,861	9,30,693	7,68,274	6,65,183	9,14,632	37.5	1.9
Interest Bearing Liabilities - Total	97,11,181	98,59,477	1,03,90,537	1,01,12,887	1,02,08,585	1,04,60,240	2.5	6.1

Source: Company, LKP Research

## Exhibit: Asset Quality Analysis

(₹ mn)	2Q FY20	3Q FY20	4Q FY20	1Q FY21	2Q FY21	3Q FY21	QoQ % / bps	YoY % / bps
Total Slippages	72,590	1,18,200	44,850	30,020	15,200	45,600	200.0	(61.4)
Slippages Ratio (%)	1.55	2.52	0.96	0.43	0.22	0.66	44	(186)
Gross NPA	6,99,690	7,31,397	6,93,814	6,91,320	6,56,980	6,31,816	(3.8)	(13.6)
Gross NPAs Ratio (%)	10.25	10.43	9.40	9.39	9.14	8.48	(66)	(195)
PCR - Calculated (%)	64.4	63.8	68.9	71.9	74.4	73.6	(82)	986
PCR - Inc. Tech w/o (%)	77.9	77.8	81.3	83.3	85.4	85.5	11	769
Net NPA	2,48,944	2,65,040	2,15,766	1,94,497	1,67,949	1,66,677	(0.8)	(37.1)
Net NPAs Ratio (%)	3.91	4.05	3.13	2.83	2.51	2.39	(12)	(166)

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	3Q FY21		FY19	FY20	3Q FY21	FY19	FY20	3Q FY21
<b>Deposits</b>	<b>59,13,148</b>	<b>63,86,897</b>	<b>94,59,844</b>	<b>95,45,608</b>	<b>85.2</b>	<b>8.0</b>	<b>48.1</b>	<b>0.9</b>	<b>86.8</b>	<b>85.6</b>	<b>95.5</b>
Saving Deposit	16,57,167	17,68,936	26,92,430	28,73,930	25.7	6.7	52.2	6.7	20.5	25.7	202.1
Current Deposit	4,60,619	4,69,007	6,45,806	5,65,440	5.0	1.8	37.7	(12.4)	1.5	4.9	(89.5)
CASA Deposits	21,17,786	22,37,944	33,38,237	34,39,370	30.7	5.7	49.2	3.0	22.0	30.6	112.6
Term Deposits	37,95,363	41,48,953	61,21,608	61,06,238	54.5	9.3	47.5	(0.3)	64.8	54.9	(17.1)
<b>Borrowings</b>	<b>6,25,720</b>	<b>6,72,013</b>	<b>9,30,693</b>	<b>9,14,632</b>	<b>8.2</b>	<b>7.4</b>	<b>38.5</b>	<b>(1.7)</b>	<b>8.5</b>	<b>7.2</b>	<b>(17.9)</b>
<b>Interest Bearing Liabilities - Total</b>	<b>65,38,868</b>	<b>70,58,910</b>	<b>1,03,90,537</b>	<b>1,04,60,240</b>	<b>93.4</b>	<b>8.0</b>	<b>47.2</b>	<b>0.7</b>	<b>95.3</b>	<b>92.8</b>	<b>77.6</b>
<b>Net Worth</b>	<b>4,33,948</b>	<b>4,59,411</b>	<b>7,18,562</b>	<b>7,38,676</b>	<b>6.6</b>	<b>5.9</b>	<b>56.4</b>	<b>2.8</b>	<b>4.7</b>	<b>7.2</b>	<b>22.4</b>
<b>Working Fund</b>	<b>69,72,816</b>	<b>75,18,321</b>	<b>1,11,09,100</b>	<b>1,11,98,916</b>	<b>100.0</b>	<b>7.8</b>	<b>47.8</b>	<b>0.8</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Interest Exp. / Assets</b>	<b>3.98</b>	<b>4.17</b>	<b>5.01</b>	<b>3.4</b>		<b>19</b>	<b>84</b>	<b>(157)</b>			

Source: Company, LKP Research

### 3QFY21 Result and Con-Call Highlights:

#### Asset Quality:

**Collection Efficiencies:** The bank's collection efficiencies of domestic loans (excluding Agri) stood 93% v/s 91% in 2QFY21.

**GNPA/NNPA/PCR:** 8.48%/2.39%/73.6% against 9.14%/2.51%/74.4% in the previous quarter. The PCR including technical write-off stood 85.5% of GNPLs. The Pro-forma GNPA/NNPA ratio would have been 9.63%/3.36% v/s 9.3%/2.67% in the previous quarter.

**Slippages:** Owing to SC directive, the asset classification stood still. However, the bank has witnessed total slippages (reported) of ₹45.6bn (2.64% annualized) vs. ₹15.2bn (0.88% annualized) in the previous quarter because of two large accounts which slipped into NPA. The deduction (up-gradation & recovery) stood ₹70.8bn v/s ₹49.5bn in the previous quarter.

**Restructured & SMA book:** The Bank's **SMA 1&2** book stood 4.41% in 3QFY21 against 2.4% as on FY20. In June-20 RBI moratorium was forced. The standard restructured amount stood at ~₹95bn (1.39% of advances)

**Provisioning:** The Bank has made provisioning of ₹39.6bn (Credit cost: 1.16% v/s 1.24% in 2QFY21) against ₹30bn in 2QFY21. ~43% of provision expenses was towards standard advances. The contingent provisioning (excluding PCR) stood 46bps of the net advances.

#### Balance Sheet:

**Credit:** The bank's net advances stood at ₹6.98tn; grew by 6.8% YOY and 4.3% QOQ. Retail (15.6% contribution), Corporate (39.0% contribution) and Agriculture (12.9% contribution) grew by 3.7%, 2.8% and 6.7% QoQ respectively.

**Deposits:** The bank's deposit stood at ₹9.5tn grew by 6.5% YOY and flat sequentially; the bank's CASA deposit grew by 3.4% QoQ and **CASA** ratio stood at 41.2%.

**Capital:** The bank's **CRAR** 12.93% vs. 13.26% in the previous quarter with CET 1 of 8.98%. The bank has raised ~₹12bn in AT 1 capital. The balance of ~10bn AT1 fund will be raise this quarter. The bank is looking for QIP of ~30bn for fresh capital. The RWA to assets stood at 54% with LCR well above the regulatory requirement.

#### Income statement:

**NIMs & NII:** Domestic NIMs (3.07%) up by 11bps driven by lower COD. Management believes the NIMs to remain stable for FY21E. YOA and COD stood at 7.14% and 3.85% against 7.13% and 3.99% in the previous quarter. Overall NIMs inched up by 01bps to 2.87% which translated in NII (77.5bn) growth of 8.7% YoY and 3.2% sequentially.

**PPOP:** A moderate NII growth (with interest reversal for pro-forma NPA) and other income (3.3% QoQ) growth have translated in flat PPOP growth of 0.7% QoQ. Bulky provision expenses (₹39.6bn v/s ₹30bn in 2QFY21) has translated in PAT de-growth of 37% sequentially to ₹10.6bn. The bank's ROA/ROE stood at 0.37% and 5.75% respectively.



## Annual Projections

## Exhibit: Profit and Loss Statement

(₹ mn)	FY19	FY20	FY21E	FY22E	FY23E
Int. Income / Opr. Revenue	4,99,741	7,59,837	7,20,751	7,56,746	8,05,710
Interest Expenses	3,12,903	4,85,324	4,21,629	4,45,765	4,76,156
<b>Net Interest Income</b>	<b>1,86,838</b>	<b>2,74,513</b>	<b>2,99,122</b>	<b>3,10,981</b>	<b>3,29,554</b>
NIM (%)	2.62	3.01	2.70	2.67	2.65
<b>Adjusted NII</b>	<b>1,76,206</b>	<b>2,54,495</b>	<b>2,99,122</b>	<b>3,10,981</b>	<b>3,29,554</b>
Core Fee Income	42,389	64,469	66,403	71,715	77,452
Exchange Income	6,932	10,161	10,466	11,199	11,983
Sale of Investments	10,048	27,544	28,370	30,640	33,091
Other Misc. Income	1,541	999	1,029	1,101	1,178
<b>Other Income - Total</b>	<b>60,910</b>	<b>1,03,173</b>	<b>1,06,268</b>	<b>1,14,655</b>	<b>1,23,704</b>
<b>Net Operating Revenue</b>	<b>2,47,748</b>	<b>3,77,686</b>	<b>4,05,391</b>	<b>4,25,636</b>	<b>4,53,259</b>
Employee Exp.	50,391	87,695	1,04,357	1,18,967	1,35,623
Other Opex	62,488	93,077	93,086	96,809	1,00,682
<b>Total Opex</b>	<b>1,12,880</b>	<b>1,80,772</b>	<b>1,97,443</b>	<b>2,15,777</b>	<b>2,36,305</b>
C/I Ratio (%)	45.56	47.86	48.70	50.70	52.13
<b>Pre Provision Profits</b>	<b>1,34,868</b>	<b>1,96,914</b>	<b>2,07,947</b>	<b>2,09,859</b>	<b>2,16,954</b>
PPP Growth (yoy %)	12.3	46.0	5.6	0.9	3.4
<b>Provisions &amp; Contingencies - Total</b>	<b>1,27,887</b>	<b>2,14,928</b>	<b>1,69,275</b>	<b>1,57,397</b>	<b>1,56,395</b>
Credit Cost (As % of Op. AUM)	2.88	3.52	2.20	1.90	1.75
<b>Profit Before Tax</b>	<b>6,981</b>	<b>(18,014)</b>	<b>38,672</b>	<b>52,463</b>	<b>60,559</b>
Tax	2,646	(23,483)	12,375	16,788	19,379
Effective Tax Rate (%)	37.9	130.4	32.0	32.0	32.0
<b>Reported Profits</b>	<b>4,335</b>	<b>5,469</b>	<b>26,297</b>	<b>35,675</b>	<b>41,180</b>
PAT Growth (yoy %)	(117.8)	26.2	380.8	35.7	15.4

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)	4,08,966	7,09,308	7,35,606	7,71,281	8,12,461
<b>Net Worth - Ex Revaluation</b>	<b>4,14,270</b>	<b>7,18,562</b>	<b>7,44,859</b>	<b>7,80,534</b>	<b>8,21,715</b>
Deposits	63,86,897	94,59,844	97,39,559	1,04,48,434	1,13,30,475
Borrowings	6,72,013	9,30,693	10,82,173	10,33,362	10,52,558
<b>Interest Bearing Liabilities (₹ mn)</b>	<b>70,58,910</b>	<b>1,03,90,537</b>	<b>1,08,21,732</b>	<b>1,14,81,795</b>	<b>1,23,83,033</b>
Other Lia. & Prov.	2,41,133	4,70,056	5,14,834	5,45,739	5,94,755
<b>Total Liabilities</b>	<b>78,09,874</b>	<b>1,15,79,155</b>	<b>1,20,81,425</b>	<b>1,28,08,068</b>	<b>1,37,99,502</b>
<b>Assets</b>					
Cash & Cash Equivalent	8,92,296	12,19,011	13,02,330	13,79,816	14,86,759
Investments	18,22,981	27,46,146	27,51,642	29,11,713	31,07,891
Credit Equivalent	81,514	1,37,261	1,38,634	1,45,248	1,52,713
Loan & Advances (₹ mn)	46,88,187	69,01,207	72,66,281	77,02,258	82,41,416
Growth (yoy %)	9.7	47.2	5.3	6.0	7.0
Fixed Assets	69,903	88,893	99,840	1,04,913	1,11,734
Other Assets	3,36,507	6,23,898	6,61,331	7,01,011	7,43,072
<b>Total Assets</b>	<b>78,09,874</b>	<b>1,15,79,155</b>	<b>1,20,81,425</b>	<b>1,27,99,712</b>	<b>1,36,90,872</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>5.7</b>	<b>7.7</b>	<b>8.9</b>
EPS (% YoY)	(108.9)	44.6	380.8	35.7	15.4
P/E (x)	90.3	62.5	13.0	9.6	8.3
<b>Adj. EPS (₹)</b>	<b>0.8</b>	<b>1.2</b>	<b>5.7</b>	<b>7.7</b>	<b>8.9</b>
Adj. EPS (% YoY)	(108.9)	44.6	380.8	35.7	15.4
Adj. Price-Earnings (x)	90.3	62.5	13.0	9.6	8.3
<b>Book Value (₹)</b>	<b>78.1</b>	<b>155.3</b>	<b>161.0</b>	<b>168.7</b>	<b>177.6</b>
BVPS (% YoY)	(48.5)	98.8	3.7	4.8	5.3
P/BV (x)	0.9	0.5	0.5	0.4	0.4
<b>Adj. BV (₹)</b>	<b>53.9</b>	<b>121.1</b>	<b>132.7</b>	<b>140.4</b>	<b>149.3</b>
Adj. BV (% YoY)	(39.1)	124.6	9.6	5.8	6.3
P/ABV (x)	1.4	0.6	0.6	0.5	0.5
<b>Adj. BVPS ex Sub. &amp; Invest 9₹)</b>	<b>53.9</b>	<b>121.1</b>	<b>132.7</b>	<b>140.4</b>	<b>149.3</b>
Price-ABV (Adj. for & invt in subs)	1.4	0.6	0.6	0.5	0.5

Source: Company, LKP Research

## Exhibit: Detailed ROA Tree

Y/E Mar	FY19	FY20	FY21E	FY22E	FY23E
<i>Yields / Margins</i>					
Yield on Advance	7.7	9.3	7.2	7.2	7.2
Yield on Funds	7.0	8.3	6.5	6.5	6.5
Cost of Funds (CoF)	4.6	5.6	4.0	4.0	4.0
<b>Interest Spread</b>	<b>2.4</b>	<b>2.8</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>
<b>NIM's</b>	<b>2.6</b>	<b>3.0</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>
<i>Interest Income / Assets</i>					
Interest Income / Assets	6.7	7.8	6.1	6.1	6.1
Interest Exp. / Assets	4.2	5.0	3.6	3.6	3.6
<b>NII / Assets</b>	<b>2.5</b>	<b>2.8</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>
Fee Income / Assets	0.6	0.7	0.6	0.6	0.6
Other Non Core Income / Assets	0.1	0.3	0.2	0.2	0.2
<b>Other Income / Assets</b>	<b>0.8</b>	<b>1.1</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>
<b>Net Operating Income / Assets</b>	<b>3.3</b>	<b>3.9</b>	<b>3.4</b>	<b>3.4</b>	<b>3.4</b>
<i>Operating Ratios</i>					
NII to Net Operative Income	75.4	72.7	73.8	73.1	72.7
Other Income to Net Operative Income	24.6	27.3	26.2	26.9	27.3
Empl. Cost/Oper. Exps.	44.6	48.5	52.9	55.1	57.4
Other Op. Exps./Oper. Exps.	55.4	51.5	47.1	44.9	42.6
<b>C/I Ratio (%)</b>	<b>45.6</b>	<b>47.9</b>	<b>48.7</b>	<b>50.7</b>	<b>52.1</b>
<b>Provisions as % PPP</b>	<b>51.6</b>	<b>56.9</b>	<b>41.8</b>	<b>37.0</b>	<b>34.5</b>
<b>Credit Cost (As % of Op. AUM)</b>	<b>2.9</b>	<b>3.5</b>	<b>2.2</b>	<b>1.9</b>	<b>1.8</b>
<b>Effective Tax Rate (%)</b>	<b>37.9</b>	<b>130.4</b>	<b>32.0</b>	<b>32.0</b>	<b>32.0</b>
<i>Employee Exp. / Assets</i>					
Employee Exp. / Assets	0.7	0.9	0.9	1.0	1.0
Other Opex/ Assets	0.8	1.0	0.8	0.8	0.8
<b>Total Opex / Assets</b>	<b>1.5</b>	<b>1.9</b>	<b>1.7</b>	<b>1.7</b>	<b>1.8</b>
<b>Operating Profits / Assets</b>	<b>1.8</b>	<b>2.0</b>	<b>1.8</b>	<b>1.7</b>	<b>1.6</b>
<b>Op Profit ex Except Items / Assets</b>	<b>1.8</b>	<b>2.0</b>	<b>1.8</b>	<b>1.7</b>	<b>1.6</b>
Provisions / Assets	1.7	2.2	1.4	1.3	1.2
<b>Profit Before Tax / Assets</b>	<b>0.1</b>	<b>(0.2)</b>	<b>0.3</b>	<b>0.4</b>	<b>0.5</b>
Tax Expenses / Assets	0.0	(0.2)	0.1	0.1	0.1
<b>RoA</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.3</b>	<b>0.3</b>
Leverage (x)	18.9	16.1	16.2	16.4	16.7
<b>RoE</b>	<b>1.0</b>	<b>0.9</b>	<b>3.6</b>	<b>4.7</b>	<b>5.1</b>
<b>Adj. RoA</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.3</b>	<b>0.3</b>
<b>Adj. RoE</b>	<b>1.0</b>	<b>0.9</b>	<b>3.6</b>	<b>4.7</b>	<b>5.1</b>

Source: Company, LKP Research

## Exhibit: Balance Sheet Ratio

Y/E Mar	FY19	FY20	FY21E	FY22E	FY23E
Credit / Deposit Ratio	73.4	73.0	74.6	73.7	72.7
Incremental C/D Ratio	87.4	72.0	130.5	61.5	61.1
Investment Deposit Ratio	28.5	29.0	28.3	27.9	27.4
Dom. SLR Investment / Deposits	30.7	30.2	29.2	28.2	27.5
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
<b>Slippage Ratio (%)</b>	<b>3.2</b>	<b>9.6</b>	<b>2.4</b>	<b>2.0</b>	<b>1.8</b>
Gross NPA	4,82,328	6,93,814	6,93,570	6,70,281	6,37,374
<b>Gross NPAs Ratio (%)</b>	<b>9.6</b>	<b>9.4</b>	<b>9.5</b>	<b>8.7</b>	<b>7.7</b>
<b>PCR (%)</b>	<b>67.6</b>	<b>68.9</b>	<b>72.0</b>	<b>76.0</b>	<b>77.8</b>
Net NPA	1,56,095	2,15,766	1,93,898	1,60,571	1,41,634
<b>Net NPAs Ratio (%)</b>	<b>3.3</b>	<b>3.1</b>	<b>2.7</b>	<b>2.1</b>	<b>1.7</b>
Total Impaired Loans	4,82,328	6,93,814	6,93,570	6,70,281	6,37,374
<b>Impaired Loan as % of Loan / AUM</b>	<b>10.1</b>	<b>9.9</b>	<b>9.4</b>	<b>8.5</b>	<b>7.6</b>
Total Risk Reserves	3,26,233	4,78,048	4,99,672	5,09,710	4,95,740
<b>Total Risk As % of Loan Book</b>	<b>6.8</b>	<b>6.8</b>	<b>6.7</b>	<b>6.5</b>	<b>5.9</b>

Source: Company, LKP Research

## Exhibit: Key Assumptions &amp; Forecasts

Y/E Mar	FY19	FY20	FY21E	FY22E	FY23E
<b>Loan &amp; Advances (₹ mn)</b>	<b>46,88,187</b>	<b>69,01,207</b>	<b>72,66,281</b>	<b>77,02,258</b>	<b>82,41,416</b>
Growth (yoy %)	9.7	47.2	5.3	6.0	7.0
<b>Interest Bearing Liabilities (₹ mn)</b>	<b>70,58,910</b>	<b>1,03,90,537</b>	<b>1,08,21,732</b>	<b>1,14,81,795</b>	<b>1,23,83,033</b>
Growth (yoy %)	9.7	47.2	5.3	6.0	7.0
<b>Yield on Funds</b>	<b>7.0</b>	<b>8.3</b>	<b>6.5</b>	<b>6.5</b>	<b>6.5</b>
Cost of Funds (CoF)	4.6	5.6	4.0	4.0	4.0
Interest Spread	2.4	2.8	2.5	2.5	2.5
NIM's	2.6	3.0	2.7	2.7	2.7
Other Income Growth	(8.5)	69.4	3.0	7.9	7.9
C/I Ratio (%)	45.6	47.9	48.7	50.7	52.1
Effective Tax Rate (%)	37.9	130.4	32.0	32.0	32.0

## Return Ratios

Adj. RoA	0.1	0.1	0.2	0.3	0.3
Adj. RoE	1.0	0.9	3.6	4.7	5.1

## Asset Quality Metrics

Credit Cost (As % of Op. AUM)	2.9	3.5	2.2	1.9	1.8
Gross NPAs Ratio (%)	9.6	9.4	9.5	8.7	7.7
Net NPAs Ratio (%)	3.3	3.1	2.7	2.1	1.7

Source: Company, LKP Research

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