

BANK OF BARODA | Banking*Credit quality outcome better than expected***LKP****Result and Price Analysis:**

In 4QFY21, Bank of Baroda (BOB) has delivered an expected result on operating, assets quality as well as on collection efficiencies. Moreover, resumption of asset classification has translated in slippages of ₹123bn. However, the bank has witnessed total slippages (₹213bn) lower than FY20 slippages of ₹450bn. Furthermore, the collection efficiencies of domestic loans stood at 96% v/s 93% declared earlier. Its reported GNPA (8.87% v/s 9.63% in 3QFY21) and NNPA (3.09% v/s 3.36% in 3QFY21) declined substantially along with higher PCR of 81.8%. The bank has witnessed stable net advances (2.3% YoY, 1.1% QoQ) and deposit growth (2.2% YoY, 1.3% QoQ) with better liquidity position (LCR of 140%+). Moreover BOB has reported net loss of ₹10.5bn on the back of DTA adjustments (Tax: ₹37.3bn v/s ₹5.7bn in 3QFY21). Factoring the difference between the reported NNPA and pro-forma NNPA, we believe the covid provision (₹32bn) could absorb half of the existing stress. Remaining half can be managed with internal accruals. The profitability may soar with lower provision and lower tax regime. We believe the negatives are in the price and inexpensive valuation (0.6x PBV) makes BOB an attractive BUY.

Gazing the core:

Resumption of asset classification has translated in slippages of ₹123bn. However, the bank has witnessed total slippages (₹213bn) lower than FY20 slippages of ₹450bn. The reduction (up-gradation & recovery) stood at ₹88bn v/s ₹70.1bn in the previous quarter. The Bank's SMA 1&2 book inched down to 3.87% v/s 4.41% in the previous quarter. The standard restructured amount stood at ₹94bn (1.34% of advances) and came down marginally from 3QFY21. The lower stress formation acknowledges our conviction of downtrend in NPA.

| Key Financials (₹ mn) | FY20 | FY21 | FY22E | FY23E | FY24E |
|--------------------------|-------------|-------------|-------------|-------------|-------------|
| NII | 2,74,513 | 2,88,090 | 3,01,804 | 3,21,966 | 3,46,540 |
| Operating Profit | 1,96,914 | 2,06,298 | 2,19,111 | 2,35,910 | 2,55,925 |
| Reported Profits | 5,469 | 8,289 | 58,385 | 71,078 | 91,751 |
| Net Worth | 6,57,767 | 7,18,686 | 7,77,071 | 8,48,149 | 9,39,901 |
| Loan & Advances | 69,01,207 | 70,63,005 | 74,86,785 | 80,10,860 | 86,51,729 |
| Int. Bearing Liabilities | 1,03,90,537 | 1,03,38,449 | 1,09,60,951 | 1,16,57,287 | 1,24,74,261 |

| Key Ratios (%) | FY20 | FY21 | FY22E | FY23E | FY24E |
|-----------------|------|------|-------|-------|-------|
| NIM's | 3.0 | 2.6 | 2.7 | 2.7 | 2.7 |
| C/I Ratio | 47.9 | 49.9 | 50.0 | 50.0 | 49.9 |
| Gross NPA Ratio | 9.4 | 8.9 | 8.7 | 8.2 | 7.6 |
| Tier 1 Ratio | 9.4 | 11.7 | 11.8 | 12.0 | 12.3 |
| Adj. RoA Ratio | 0.1 | 0.1 | 0.5 | 0.6 | 0.7 |
| Adj. RoE Ratio | 0.9 | 1.1 | 7.5 | 8.7 | 10.3 |

| Rating | Buy |
|--------------------------|-----|
| Current Market Price (₹) | 81 |
| 12 M Price Target (₹) | 107 |
| Potential upside (%) | 32 |

Stock Data

| | |
|---|---------------------|
| FV (₹) : | 2 |
| Total Market Cap (₹ bn) : | 417 |
| Free Float Market Cap (₹ bn) : | 132 |
| 52-Week High / Low (₹) : | 39 / 100 |
| 2-Year High / Low (₹) : | 36 / 138 |
| 1 Year Avg. Dly Traded Volume (in lakh) | 521 |
| BSE Code / NSE Symbol | 532134 / BANKBARODA |
| Bloomberg : | BOB IN |

Shareholding Pattern (%)

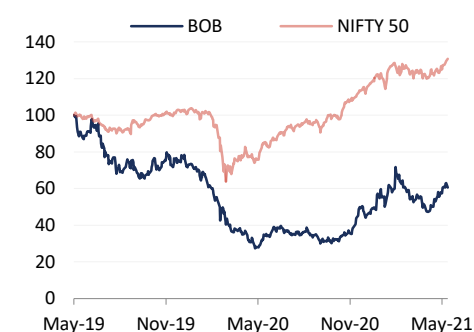
| | Mar-21 | Dec-20 | Sep-20 | Jun-20 |
|-----------|--------|--------|--------|--------|
| GOI | 63.97 | 71.60 | 71.60 | 71.60 |
| FPIs | 6.89 | 4.32 | 3.94 | 4.09 |
| MFs | 9.20 | 6.47 | 7.08 | 8.79 |
| Insurance | 6.32 | 4.56 | 4.02 | 3.56 |
| Others | 13.62 | 13.05 | 13.36 | 11.96 |

Source: BSE

Price Performance (%)

| (%) | 1M | 3M | 6M | 1YR |
|----------|------|------|------|-------|
| BOB | 20.7 | -5.6 | 57.5 | 106.8 |
| Nifty 50 | 6.5 | 7.3 | 20.0 | 62.7 |

* To date / current date : May 31, 2021

BOB vs Nifty 50

Adequate provision buffer: In 4QFY21, the bank has made provisioning expenses of ₹35.8bn (Credit cost: 2.46% v/s 1.16% in 3QFY21). The bank has utilized ₹16.6bn of standard asset provisions made in prior quarters. The PCR (calculated) stood at 67.3% while the PCR (including TWO) stood at 81.8% of GNPLs. With Covid provision of ~₹32bn (~46bps of net advances), the bank would absorb half of the existing stress. Remaining half can be managed with internal accruals.

Stable operational 4QFY21: Aided by sequentially lower domestic NIMs at 2.73% (up 23bps from 3QFY21) the NII witnessed steady growth of 4.5% YoY. The cost of deposit has moderated further to 4.1%; declining 17bps sequentially. Non-interest income has witnessed a robust growth of 67.4% sequentially. Separately, C/I ratio remain flat at 47.6% (v/s 47.5% in 3QFY21). Management indicated that the NIMs are likely to remain stable.

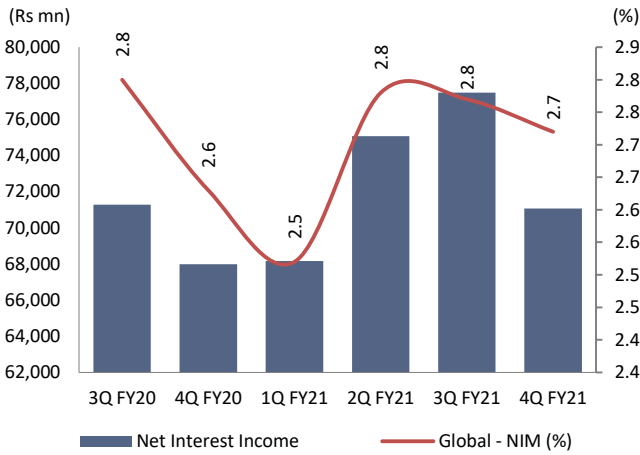
Adequate capital cushion, fund raise on cards: The bank's CRAR stood at 14.99% vs. 12.93% in the previous quarter with CET 1 of 10.94%. The bank has raised ~₹22bn in AT 1 capital. The bank is looking for QIP of ~₹30bn towards fresh capital. The RWA to assets stood at 54% with LCR well above the regulatory requirement.

Outlook & Valuations

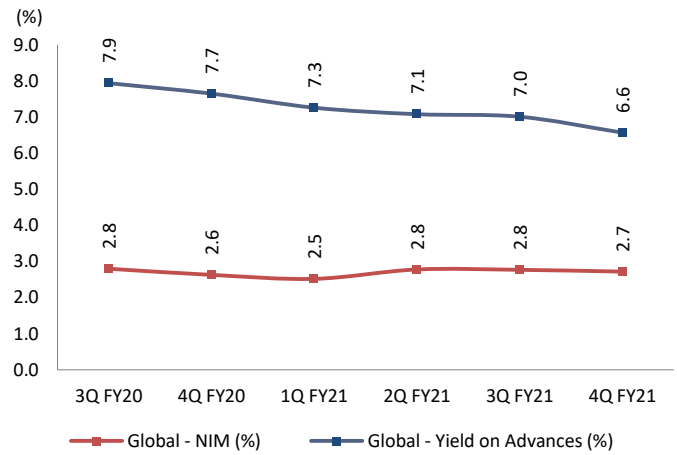
We expect BOB to post a ROA/ROE of 0.6%/8.7% by FY23E led by stable balance sheet growth along with higher PCR and steady asset quality. We value the standalone bank at PBV of 0.8x FY23E Adj. BVPS of ₹134 to arrive at a price target of ₹107.

Quarterly story in charts

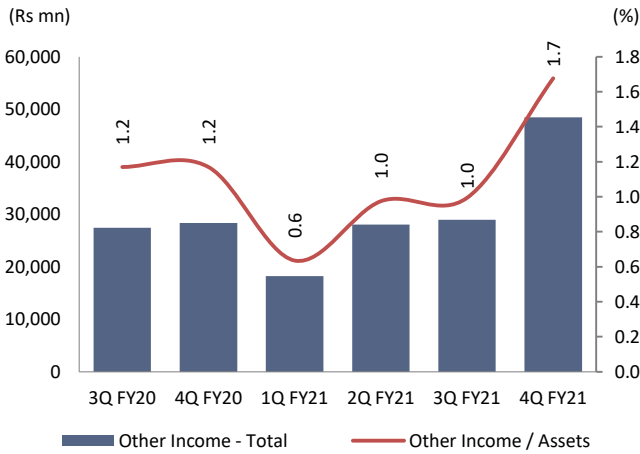
NII Trend



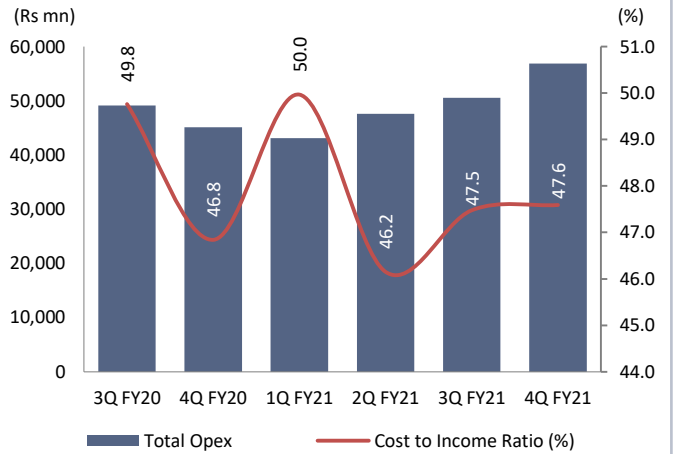
Yields and Margin Trend



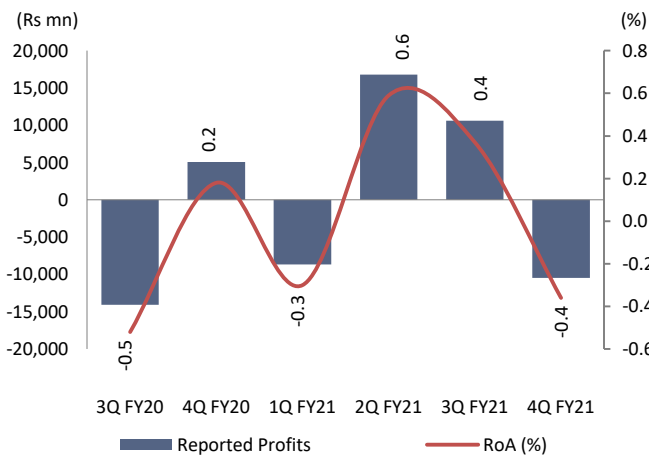
Other Income Trend



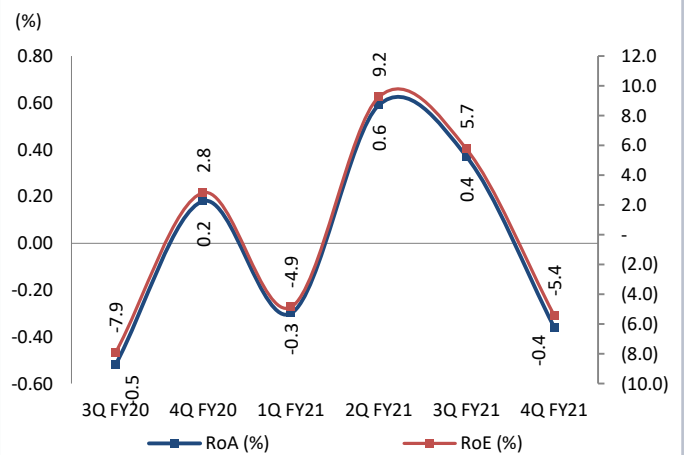
Total Opex Trend



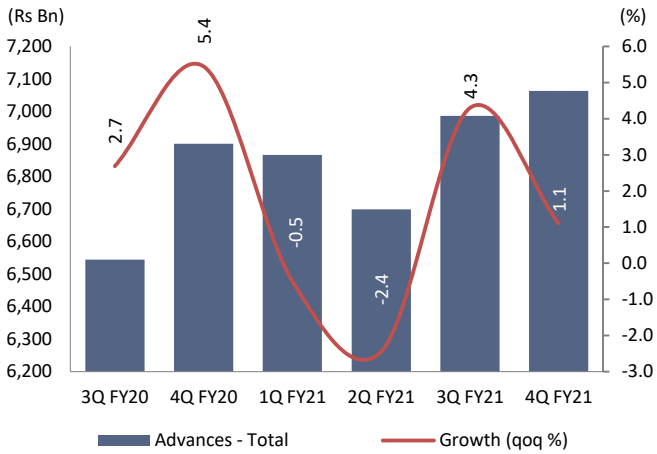
Reported Profit Trend



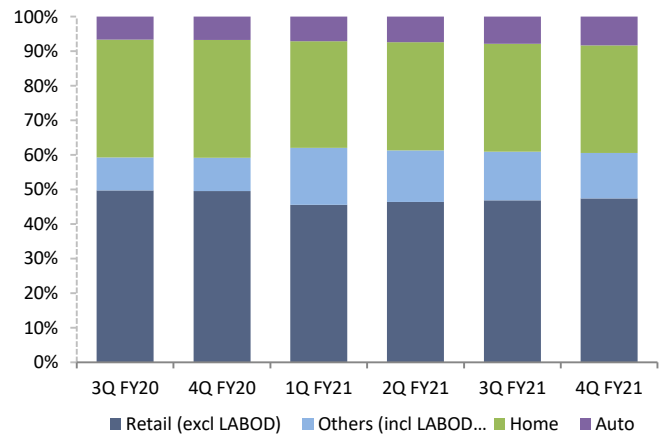
Return Ratio Trend



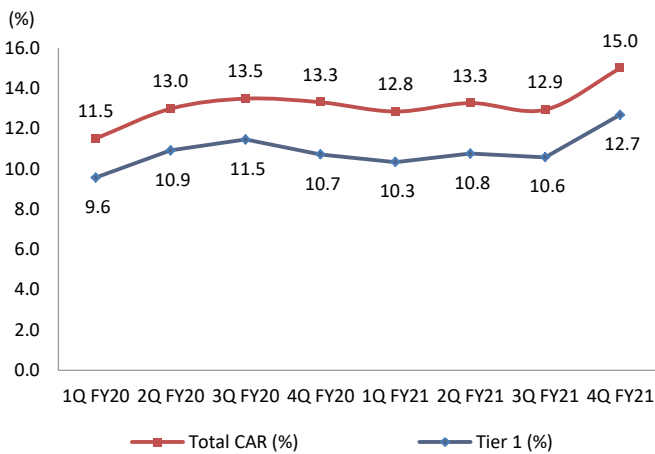
Loan Book Trend



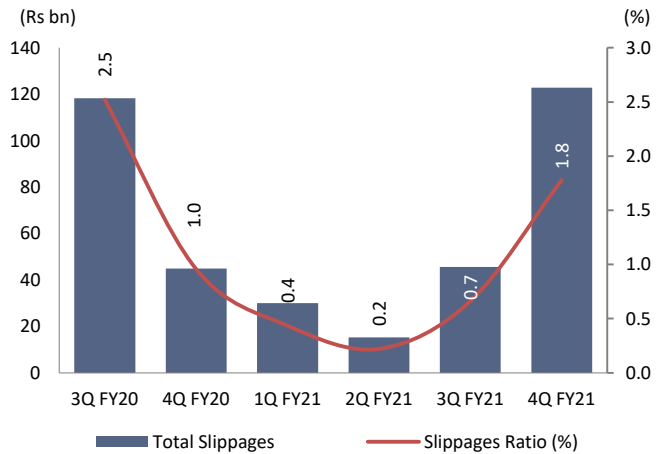
Loan Book Mix Trend



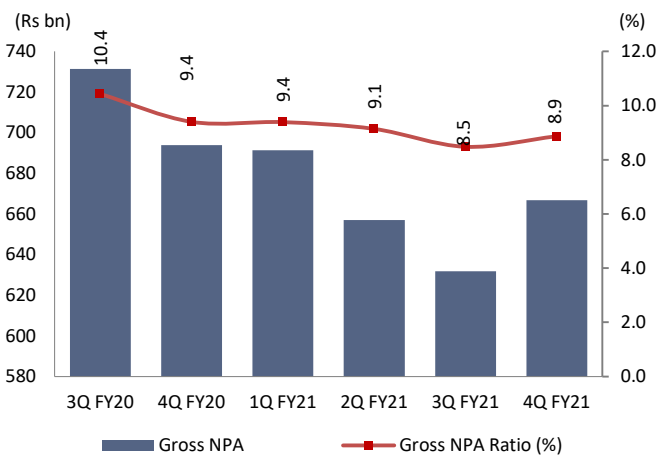
CRAR & Tier 1 Ratio Trend



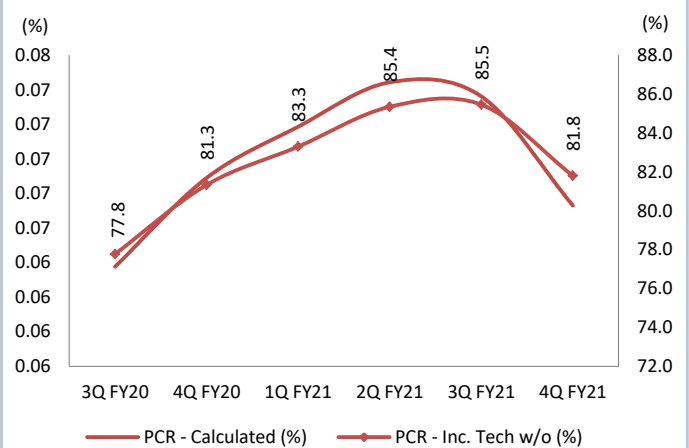
Slippages Trend



Gross NPA Trend



PCR Trend



Financial Performance at a glance

Exhibit 1 : Income Statement Analysis

| (₹ mn) | 4Q FY21 | 4Q FY20 | % yoy / bps | 3Q FY21 | % qoq / bps | FY21 | FY20 | % yoy / bps |
|---|-----------------|-----------------|----------------|-----------------|----------------|-----------------|-----------------|----------------|
| Int. on Loan | 1,17,485 | 1,32,918 | (11.6) | 1,27,561 | (7.9) | 5,00,521 | 5,41,158 | (7.5) |
| Int. on Investment | 41,335 | 44,638 | (7.4) | 41,722 | (0.9) | 1,70,771 | 1,80,974 | (5.6) |
| Int. on Balances | 2,274 | 4,286 | (46.9) | 4,179 | (45.6) | 14,509 | 17,687 | (18.0) |
| Int. Others | 5,751 | 5,143 | 11.8 | 4,225 | 36.1 | 19,149 | 20,018 | (4.3) |
| Interest Inc. | 1,66,845 | 1,86,984 | (10.8) | 1,77,687 | (6.1) | 7,04,951 | 7,59,837 | (7.2) |
| Interest Expenses | 95,779 | 1,19,003 | (19.5) | 1,00,200 | (4.4) | 4,16,860 | 4,85,324 | (14.1) |
| Net Interest Income | 71,066 | 67,982 | 4.5 | 77,487 | (8.3) | 2,88,090 | 2,74,513 | 4.9 |
| <i>NII to Net Operative Income</i> | <i>59.4</i> | <i>70.6</i> | <i>(1,113)</i> | <i>72.8</i> | <i>(1,335)</i> | <i>70.0</i> | <i>72.7</i> | <i>(271)</i> |
| <i>Global - NIM (%)</i> | <i>2.72</i> | <i>2.6</i> | <i>9</i> | <i>2.8</i> | <i>(5)</i> | <i>-</i> | <i>-</i> | <i>-</i> |
| Core Fee Income | 18,990 | 15,350 | 23.7 | 13,570 | 39.9 | 58,700 | 54,430 | 7.8 |
| Non Core Other Income | 29,490 | 13,000 | 126.8 | 15,380 | 91.7 | 64,930 | 48,747 | 33.2 |
| Other Income - Total | 48,484 | 28,347 | 71.0 | 28,955 | 67.4 | 1,23,644 | 1,03,173 | 19.8 |
| <i>Other Inc to Net Oper. Income (%)</i> | <i>40.6</i> | <i>29.4</i> | <i>1,113</i> | <i>27.2</i> | <i>1,335</i> | <i>30.0</i> | <i>27.3</i> | <i>271</i> |
| Net Operating Revenue | 1,19,550 | 96,328 | 24.1 | 1,06,442 | 12.3 | 4,11,735 | 3,77,686 | 9.0 |
| Employee Expenses | 31,249 | 19,545 | 59.9 | 28,002 | 11.6 | 1,14,455 | 87,695 | 30.5 |
| <i>Empl. Cost/Oper. Exps. (%)</i> | <i>26.1</i> | <i>20.3</i> | <i>585</i> | <i>26.3</i> | <i>(17)</i> | <i>27.8</i> | <i>23.2</i> | <i>458</i> |
| Other Opex | 25,645 | 25,576 | 0.3 | 22,534 | 13.8 | 90,981 | 93,077 | (2.3) |
| <i>Other Opex/ Assets (%)</i> | <i>0.2</i> | <i>0.3</i> | <i>(4)</i> | <i>0.2</i> | <i>3</i> | <i>0.8</i> | <i>1.0</i> | <i>(17)</i> |
| Total Opex | 56,894 | 45,120 | 26.1 | 50,536 | 12.6 | 2,05,437 | 1,80,772 | 13.6 |
| <i>Cost to Income Ratio (%)</i> | <i>47.6</i> | <i>46.8</i> | <i>75</i> | <i>47.5</i> | <i>11</i> | <i>49.9</i> | <i>47.9</i> | <i>203</i> |
| Pre Provision Profits | 62,656 | 51,208 | 22.4 | 55,906 | 12.1 | 2,06,298 | 1,96,914 | 4.8 |
| Provisions & Contingencies - Total | 35,860 | 68,441 | (47.6) | 39,567 | (9.4) | 1,50,738 | 2,14,928 | (29.9) |
| <i>NPA Provisions as % PPP</i> | <i>57.2</i> | <i>133.7</i> | <i>(7,642)</i> | <i>70.8</i> | <i>(1,354)</i> | <i>73.1</i> | <i>109.1</i> | <i>(3,608)</i> |
| Profit Before Tax | 26,796 | (17,233) | (255.5) | 16,340 | 64.0 | 55,560 | (18,014) | (408.4) |
| Tax | 37,261 | (22,299) | (267.1) | 5,729 | 550.4 | 47,271 | (23,483) | (301.3) |
| <i>Effective Tax Rate (%)</i> | <i>139.1</i> | <i>129.4</i> | <i>966</i> | <i>35.1</i> | <i>10,400</i> | <i>85.1</i> | <i>130.4</i> | <i>(4,528)</i> |
| Reported Profits | (10,465) | 5,066 | (306.6) | 10,611 | (198.6) | 8,289 | 5,469 | 51.6 |
| <i>RoA (%)</i> | <i>(0.4)</i> | <i>0.2</i> | <i>(54)</i> | <i>0.4</i> | <i>(73)</i> | <i>-</i> | <i>-</i> | <i>-</i> |
| <i>RoE (%)</i> | <i>(5.4)</i> | <i>2.8</i> | <i>(825)</i> | <i>5.7</i> | <i>(1,118)</i> | <i>-</i> | <i>-</i> | <i>-</i> |

Source: Company, LKP Research

Exhibit 2 : Balance Sheet Analysis

| (₹ mn) | 3Q FY20 | 4Q FY20 | 1Q FY21 | 2Q FY21 | 3Q FY21 | 4Q FY21 | QoQ % / bps | YoY % / bps |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Net Worth | 7,09,953 | 7,18,562 | 7,11,005 | 7,26,833 | 7,38,676 | 7,70,457 | 4.3 | 7.2 |
| RoE (%) | (7.9) | 2.8 | (4.9) | 9.2 | 5.7 | (5.4) | (1,118) | (825) |
| CET1 (%) | 9.9 | 9.4 | 9.1 | 9.2 | 9.0 | 10.9 | 196 | 150 |
| Tier 1 (%) | 11.5 | 10.7 | 10.3 | 10.8 | 10.6 | 12.7 | 210 | 196 |
| Total CAR (%) | 13.5 | 13.3 | 12.8 | 13.3 | 12.9 | 15.0 | 206 | 169 |
| RWA - Total | - | - | 60,81,542 | 60,62,896 | 63,69,528 | 62,07,538 | (2.5) | - |
| Advances - Total | 65,44,651 | 69,01,207 | 68,66,718 | 66,98,511 | 69,86,516 | 70,63,005 | 1.1 | 2.3 |
| Investments | 26,58,008 | 27,46,146 | 27,08,652 | 26,59,540 | 26,71,082 | 26,12,203 | (2.2) | (4.9) |
| Total Assets | 1,09,35,633 | 1,15,79,155 | 1,13,22,554 | 1,14,28,443 | 1,17,33,963 | 1,15,53,648 | (1.5) | (0.2) |
| RoA (%) | (0.52) | 0.18 | (0.30) | 0.59 | 0.37 | (0.36) | (73) | (54) |
| Deposits | 89,61,616 | 94,59,844 | 93,44,613 | 95,43,402 | 95,45,608 | 96,69,969 | 1.3 | 2.2 |
| Saving Deposit | 25,88,380 | 26,63,010 | 27,36,040 | 28,03,880 | 28,73,930 | 30,64,180 | 6.6 | 15.1 |
| Current Deposit | 6,14,260 | 4,96,500 | 4,76,250 | 5,21,040 | 5,65,440 | 6,16,090 | 9.0 | 24.1 |
| CASA Deposits | 32,02,640 | 31,59,510 | 32,12,290 | 33,24,930 | 34,39,370 | 36,80,270 | 7.0 | 16.5 |
| CASA Ratio (%) | 38.8 | 39.1 | 39.5 | 39.8 | 41.2 | 42.9 | 167 | 380 |
| Term Deposits | 57,58,976 | 63,00,334 | 61,32,323 | 62,18,472 | 61,06,238 | 59,89,699 | (1.9) | (4.9) |
| Interest Bearing Liabilities - Total | 98,59,477 | 1,03,90,537 | 1,01,12,887 | 1,02,08,585 | 1,04,60,240 | 1,03,38,449 | (1.2) | (0.5) |

Source: Company, LKP Research

Exhibit 3: Funding Profile Analysis

| (₹ mn) | 3Q FY20 | 4Q FY20 | 1Q FY21 | 2Q FY21 | 3Q FY21 | 4Q FY21 | QoQ % / bps | YoY % / bps |
|---|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------|--------------|
| Interest Bearing Liabilities - Total | 98,59,477 | 1,03,90,537 | 1,01,12,887 | 1,02,08,585 | 1,04,60,240 | 1,03,38,449 | (1.2) | (0.5) |
| Deposits | 89,61,616 | 94,59,844 | 93,44,613 | 95,43,402 | 95,45,608 | 96,69,969 | 1.3 | 2.2 |
| CASA Deposits | 32,02,640 | 31,59,510 | 32,12,290 | 33,24,930 | 34,39,370 | 36,80,270 | 7.0 | 16.5 |
| Saving Deposit | 25,88,380 | 26,63,010 | 27,36,040 | 28,03,880 | 28,73,930 | 30,64,180 | 6.6 | 15.1 |
| Current Deposit | 6,14,260 | 4,96,500 | 4,76,250 | 5,21,040 | 5,65,440 | 6,16,090 | 9.0 | 24.1 |
| Term Deposits | 57,58,976 | 63,00,334 | 61,32,323 | 62,18,472 | 61,06,238 | 59,89,699 | (1.9) | (4.9) |
| Borrowings | 8,97,861 | 9,30,693 | 7,68,274 | 6,65,183 | 9,14,632 | 6,68,479 | (26.9) | (28.2) |
| Interest Bearing Liabilities - Total | 98,59,477 | 1,03,90,537 | 1,01,12,887 | 1,02,08,585 | 1,04,60,240 | 1,03,38,449 | (1.2) | (0.5) |

Source: Company, LKP Research

Exhibit 4: Funding mix and Incremental Contribution

| | As on (₹ mn) | | | | As % of Total Working Fund | YoY/ YTD growth | | | Incremental Contribution YoY/ YTD Growth (%) | | |
|---|------------------|------------------|--------------------|--------------------|-------------------------------|-----------------|-------------|---------------|---|--------------|---------------------|
| | FY18 | FY19 | FY20 | 4Q FY21 | | FY19 | FY20 | 4Q FY21 | FY19 | FY20 | 4Q FY21 |
| Deposits | 59,13,148 | 63,86,897 | 94,59,844 | 96,69,969 | 87.0 | 8.0 | 48.1 | 2.2 | 86.8 | 85.6 | (1,08,502.6) |
| Saving Deposit | 16,57,167 | 17,68,936 | 26,92,430 | 30,64,180 | 27.6 | 6.7 | 52.2 | 13.8 | 20.5 | 25.7 | (1,91,960.9) |
| Current Deposit | 4,60,619 | 4,69,007 | 6,45,806 | 6,16,090 | 5.5 | 1.8 | 37.7 | (4.6) | 1.5 | 4.9 | 15,344.6 |
| CASA Deposits | 21,17,786 | 22,37,944 | 33,38,237 | 36,80,270 | 33.1 | 5.7 | 49.2 | 10.2 | 22.0 | 30.6 | (1,76,616.3) |
| Term Deposits | 37,95,363 | 41,48,953 | 61,21,608 | 59,89,699 | 53.9 | 9.3 | 47.5 | (2.2) | 64.8 | 54.9 | 68,113.7 |
| Borrowings | 6,25,720 | 6,72,013 | 9,30,693 | 6,68,479 | 6.0 | 7.4 | 38.5 | (28.2) | 8.5 | 7.2 | 1,35,399.7 |
| Interest Bearing Liabilities - Total | 65,38,868 | 70,58,910 | 1,03,90,537 | 1,03,38,449 | 93.1 | 8.0 | 47.2 | (0.5) | 95.3 | 92.8 | 26,897.1 |
| Net Worth | 4,33,948 | 4,59,411 | 7,18,562 | 7,70,457 | 6.9 | 5.9 | 56.4 | 7.2 | 4.7 | 7.2 | (26,797.1) |
| Working Fund | 69,72,816 | 75,18,321 | 1,11,09,099 | 1,11,08,906 | 100.0 | 7.8 | 47.8 | (0.0) | 100.0 | 100.0 | 100.0 |
| <i>Interest Exp. / Assets</i> | <i>3.98</i> | <i>4.17</i> | <i>5.01</i> | <i>3.3</i> | | <i>19</i> | <i>84</i> | <i>(169)</i> | | | |

Source: Company, LKP Research

Exhibit 5: Asset Quality Analysis

| (₹ mn) | 3Q FY20 | 4Q FY20 | 1Q FY21 | 2Q FY21 | 3Q FY21 | 4Q FY21 | QoQ % / bps | YoY % / bps |
|---|--------------|-------------|-------------|-------------|---------------|---------------|--------------|--------------|
| Total Slippages | 1,18,200 | 44,850 | 30,020 | 15,200 | 45,600 | 1,22,740 | 169.2 | 173.7 |
| Slippages Ratio (%) | 2.52 | 0.96 | 0.43 | 0.22 | 0.66 | 1.78 | 112 | 82 |
| Gross NPA | 7,31,397 | 6,93,814 | 6,91,320 | 6,56,980 | 6,31,816 | 6,66,710 | 5.5 | (3.9) |
| Gross NPAs Ratio (%) | 10.43 | 9.40 | 9.39 | 9.14 | 8.48 | 8.87 | 39 | (53) |
| PCR - Calculated (%) | 63.8 | 68.9 | 71.9 | 74.4 | 73.6 | 67.3 | (632) | (160) |
| <i>PCR - Inc. Tech w/o (%)</i> | <i>77.8</i> | <i>81.3</i> | <i>83.3</i> | <i>85.4</i> | <i>85.5</i> | <i>81.8</i> | <i>(366)</i> | <i>47</i> |
| Net NPA | 2,65,040 | 2,15,766 | 1,94,497 | 1,67,949 | 1,66,677 | 2,17,999 | 30.8 | 1.0 |
| Net NPAs Ratio (%) | 4.05 | 3.13 | 2.83 | 2.51 | 2.39 | 3.09 | 70 | (4) |
| <i>Standard Restructured</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>95,010</i> | <i>94,340</i> | <i>(0.7)</i> | <i>-</i> |
| <i>Std. Rest. Adv. as % of Advances</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>1.39</i> | <i>1.34</i> | <i>(5)</i> | <i>-</i> |

Source: Company, LKP Research

Annual Projections

Exhibit 6: Profit and Loss Statement

| (₹ mn) | FY20 | FY21 | FY22E | FY23E | FY24E |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Int. Income / Opr. Revenue | 7,59,837 | 7,04,951 | 7,27,717 | 7,74,127 | 8,28,793 |
| Interest Expenses | 4,85,324 | 4,16,860 | 4,25,914 | 4,52,161 | 4,82,253 |
| Net Interest Income | 2,74,513 | 2,88,090 | 3,01,804 | 3,21,966 | 3,46,540 |
| <i>NIM (%)</i> | 3.01 | 2.65 | 2.69 | 2.69 | 2.71 |
| Adjusted NII | 2,54,495 | 2,68,941 | 3,01,804 | 3,21,966 | 3,46,540 |
| Core Fee Income | 64,469 | 77,260 | 84,986 | 93,485 | 1,02,833 |
| Exchange Income | 10,161 | 12,178 | 13,395 | 14,735 | 16,209 |
| Sale of Investments | 27,544 | 33,009 | 36,310 | 39,941 | 43,935 |
| Other Misc. Income | 999 | 1,197 | 1,317 | 1,449 | 1,594 |
| Other Income - Total | 1,03,173 | 1,23,644 | 1,36,009 | 1,49,610 | 1,64,571 |
| Net Operating Revenue | 3,77,686 | 4,11,735 | 4,37,813 | 4,71,575 | 5,11,110 |
| Employee Exp. | 87,695 | 1,14,455 | 1,25,901 | 1,41,009 | 1,58,635 |
| Other Opex | 93,077 | 90,981 | 92,801 | 94,657 | 96,550 |
| Total Opex | 1,80,772 | 2,05,437 | 2,18,702 | 2,35,666 | 2,55,185 |
| <i>C/I Ratio (%)</i> | 47.86 | 49.90 | 49.95 | 49.97 | 49.93 |
| Pre Provision Profits | 1,96,914 | 2,06,298 | 2,19,111 | 2,35,910 | 2,55,925 |
| <i>PPP Growth (yoy %)</i> | 46.0 | 4.8 | 6.2 | 7.7 | 8.5 |
| Provisions & Contingencies - Total | 2,14,928 | 1,50,738 | 1,41,264 | 1,41,138 | 1,33,590 |
| <i>Credit Cost (As % of Op. AUM)</i> | 3.52 | 1.68 | 1.50 | 1.40 | 1.20 |
| Profit Before Tax | (18,014) | 55,560 | 77,846 | 94,771 | 1,22,335 |
| Tax | (23,483) | 47,271 | 19,462 | 23,693 | 30,584 |
| <i>Effective Tax Rate (%)</i> | 130.4 | 85.1 | 25.0 | 25.0 | 25.0 |
| Reported Profits | 5,469 | 8,289 | 58,385 | 71,078 | 91,751 |
| <i>PAT Growth (yoy %)</i> | 26.2 | 51.6 | 604.3 | 21.7 | 29.1 |

Source: Company, LKP Research

Exhibit 7: Balance Sheet

| (₹ mn) | FY20 | FY21 | FY22E | FY23E | FY24E |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Equity Share Capital | 9,254 | 10,355 | 10,355 | 10,355 | 10,355 |
| Reserves (ex Reval. Reserve) | 6,48,513 | 7,08,331 | 7,66,716 | 8,37,794 | 9,29,545 |
| Net Worth - Ex Revaluation | 6,57,767 | 7,18,686 | 7,77,071 | 8,48,149 | 9,39,901 |
| Deposits | 94,59,844 | 96,69,969 | 1,02,59,450 | 1,09,22,878 | 1,17,00,857 |
| Borrowings | 9,30,693 | 6,68,479 | 7,01,501 | 7,34,409 | 7,73,404 |
| Interest Bearing Liabilities (₹ mn) | 1,03,90,537 | 1,03,38,449 | 1,09,60,951 | 1,16,57,287 | 1,24,74,261 |
| Other Lia. & Prov. | 4,70,056 | 4,44,742 | 5,45,541 | 6,01,322 | 6,60,454 |
| Total Liabilities | 1,15,79,155 | 1,15,53,648 | 1,22,83,563 | 1,31,06,758 | 1,40,74,616 |
| Assets | | | | | |
| Cash & Cash Equivalent | 12,19,011 | 12,04,128 | 13,31,178 | 14,29,847 | 15,34,989 |
| Investments | 27,46,146 | 26,12,203 | 27,53,042 | 29,04,004 | 30,65,743 |
| Credit Equivalent | 1,37,261 | 1,30,566 | 1,31,189 | 1,32,829 | 1,35,596 |
| Loan & Advances (₹ mn) | 69,01,207 | 70,63,005 | 74,86,785 | 80,10,860 | 86,51,729 |
| <i>Growth (yoy %)</i> | <i>47.2</i> | <i>2.3</i> | <i>6.0</i> | <i>7.0</i> | <i>8.0</i> |
| Fixed Assets | 88,893 | 80,162 | 82,760 | 88,162 | 94,360 |
| Other Assets | 6,23,898 | 5,94,149 | 6,29,798 | 6,73,884 | 7,27,795 |
| Total Assets | 1,15,79,155 | 1,15,53,648 | 1,22,83,563 | 1,31,06,758 | 1,40,74,616 |

Source: Company, LKP Research

Exhibit 8: Per share data

| Y/E Mar | FY20 | FY21 | FY22E | FY23E | FY24E |
|-------------------------|--------------|--------------|--------------|-------------|-------------|
| Face Value (₹) | 2 | 2 | 2 | 2 | 2 |
| Adjusted Share O/S (mn) | 4,627 | 5,178 | 5,178 | 5,178 | 5,178 |
| Earnings Per Share (₹) | 1.2 | 1.6 | 11.3 | 13.7 | 17.7 |
| EPS (% YoY) | 44.6 | 35.4 | 604.3 | 21.7 | 29.1 |
| P/E (x) | 70.9 | 52.4 | 7.4 | 6.1 | 4.7 |
| Book Value (₹) | 142.2 | 138.8 | 150.1 | 163.8 | 181.5 |
| BVPS (% YoY) | 82.0 | (2.4) | 8.1 | 9.1 | 10.8 |
| P/BV (x) | 0.6 | 0.6 | 0.6 | 0.5 | 0.5 |
| Adj. BV (₹) | 108.0 | 108.1 | 119.9 | 133.6 | 151.4 |
| Adj. BV (% YoY) | 100.3 | 0.1 | 11.0 | 11.4 | 13.3 |
| P/ABV (x) | 0.8 | 0.8 | 0.7 | 0.6 | 0.6 |

Source: Company, LKP Research

Exhibit 9: Detailed ROA Tree

| Y/E Mar | FY20 | FY21 | FY22E | FY23E | FY24E |
|---|--------------|-------------|-------------|-------------|-------------|
| Yields / Margins | | | | | |
| Yield on Advance | 9.3 | 7.2 | 7.2 | 7.2 | 7.2 |
| Yield on Funds | 8.3 | 6.5 | 6.5 | 6.5 | 6.5 |
| Cost of Funds (CoF) | 5.6 | 4.0 | 4.0 | 4.0 | 4.0 |
| Interest Spread | 2.8 | 2.5 | 2.5 | 2.5 | 2.5 |
| NIM's | 3.0 | 2.6 | 2.7 | 2.7 | 2.7 |
| Interest Income / Assets | 7.8 | 6.1 | 6.1 | 6.1 | 6.1 |
| Interest Exp. / Assets | 5.0 | 3.6 | 3.6 | 3.6 | 3.5 |
| NII / Assets | 2.8 | 2.5 | 2.5 | 2.5 | 2.5 |
| Fee Income / Assets | 0.7 | 0.7 | 0.7 | 0.7 | 0.8 |
| Other Non Core Income / Assets | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Other Income / Assets | 1.1 | 1.1 | 1.1 | 1.2 | 1.2 |
| Net Operating Income / Assets | 3.9 | 3.6 | 3.7 | 3.7 | 3.8 |
| Operating Ratios | | | | | |
| NII to Net Operative Income | 72.7 | 70.0 | 68.9 | 68.3 | 67.8 |
| Other Income to Net Operative Income | 27.3 | 30.0 | 31.1 | 31.7 | 32.2 |
| Empl. Cost/Oper. Exps. | 48.5 | 55.7 | 57.6 | 59.8 | 62.2 |
| Other Op. Exps./Oper. Exps. | 51.5 | 44.3 | 42.4 | 40.2 | 37.8 |
| C/I Ratio (%) | 47.9 | 49.9 | 50.0 | 50.0 | 49.9 |
| Provisions as % PPP | 56.9 | 36.6 | 32.3 | 29.9 | 26.1 |
| Credit Cost (As % of Op. AUM) | 3.5 | 1.7 | 1.5 | 1.4 | 1.2 |
| Effective Tax Rate (%) | 130.4 | 85.1 | 25.0 | 25.0 | 25.0 |
| Employee Exp. / Assets | 0.9 | 1.0 | 1.1 | 1.1 | 1.2 |
| Other Opex/ Assets | 1.0 | 0.8 | 0.8 | 0.7 | 0.7 |
| Total Opex / Assets | 1.9 | 1.8 | 1.8 | 1.9 | 1.9 |
| Operating Profits / Assets | 2.0 | 1.8 | 1.8 | 1.9 | 1.9 |
| Op Profit ex Except Items / Assets | 2.0 | 1.8 | 1.8 | 1.9 | 1.9 |
| Provisions / Assets | 2.2 | 1.3 | 1.2 | 1.1 | 1.0 |
| Profit Before Tax / Assets | (0.2) | 0.5 | 0.7 | 0.7 | 0.9 |
| Tax Expenses / Assets | (0.2) | 0.4 | 0.2 | 0.2 | 0.2 |
| RoA | 0.1 | 0.1 | 0.5 | 0.6 | 0.7 |
| Leverage (x) | 17.6 | 16.1 | 15.8 | 15.5 | 15.0 |
| RoE | 0.9 | 1.1 | 7.5 | 8.7 | 10.3 |
| Adj. RoA | 0.1 | 0.1 | 0.5 | 0.6 | 0.7 |
| Adj. RoE | 0.9 | 1.1 | 7.5 | 8.7 | 10.3 |

Source: Company, LKP Research

Exhibit 10: Balance Sheet Ratios

| Y/E Mar | FY20 | FY21 | FY22E | FY23E | FY24E |
|---------------------------------------|------|------|-------|-------|-------|
| <i>Credit / Deposit Ratio</i> | 73.0 | 73.0 | 73.0 | 73.3 | 73.9 |
| <i>Incremental C/D Ratio</i> | 72.0 | 77.0 | 71.9 | 79.0 | 82.4 |
| <i>Investment Deposit Ratio</i> | 29.0 | 27.0 | 26.8 | 26.6 | 26.2 |
| <i>Dom. SLR Investment / Deposits</i> | 30.2 | 28.1 | 28.1 | 27.9 | 27.6 |
| <i>CASA Ratio</i> | 41.3 | 44.5 | 44.5 | 44.5 | 44.5 |

Source: Company, LKP Research

Exhibit 11: Asset Quality

| Y/E Mar | FY20 | FY21 | FY22E | FY23E | FY24E |
|---|----------|----------|----------|----------|----------|
| <i>Slippage Ratio (%)</i> | 9.6 | 3.1 | 2.8 | 2.6 | 2.4 |
| Gross NPA | 6,93,814 | 6,66,710 | 6,54,844 | 6,57,240 | 6,59,162 |
| <i>Gross NPAs Ratio (%)</i> | 9.4 | 8.9 | 8.7 | 8.2 | 7.6 |
| <i>PCR (%)</i> | 68.9 | 67.3 | 72.2 | 75.3 | 76.6 |
| Net NPA | 2,15,766 | 2,17,999 | 1,81,884 | 1,62,427 | 1,54,201 |
| <i>Net NPAs Ratio (%)</i> | 3.1 | 3.1 | 2.4 | 2.0 | 1.8 |
| Total Impaired Loans | 6,93,814 | 6,66,710 | 6,54,844 | 6,57,240 | 6,59,162 |
| <i>Impaired Loan as % of Loan / AUM</i> | 9.9 | 9.3 | 8.6 | 8.1 | 7.5 |
| Total Risk Reserves | 4,78,048 | 4,48,711 | 4,72,960 | 4,94,812 | 5,04,961 |
| <i>Total Risk As % of Loan Book</i> | 6.8 | 6.2 | 6.2 | 6.1 | 5.7 |

Source: Company, LKP Research

Exhibit 12: Key Assumptions & Forecasts

| Y/E Mar | FY20 | FY21 | FY22E | FY23E | FY24E |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Loan & Advances (₹ mn) | 69,01,207 | 70,63,005 | 74,86,785 | 80,10,860 | 86,51,729 |
| <i>Growth (yoy %)</i> | 47.2 | 2.3 | 6.0 | 7.0 | 8.0 |
| Interest Bearing Liabilities (₹ mn) | 1,03,90,537 | 1,03,38,449 | 1,09,60,951 | 1,16,57,287 | 1,24,74,261 |
| <i>Growth (yoy %)</i> | 47.2 | 2.3 | 6.0 | 7.0 | 8.0 |
| <i>Yield on Funds</i> | 8.3 | 6.5 | 6.5 | 6.5 | 6.5 |
| <i>Cost of Funds (CoF)</i> | 5.6 | 4.0 | 4.0 | 4.0 | 4.0 |
| <i>Interest Spread</i> | 2.8 | 2.5 | 2.5 | 2.5 | 2.5 |
| <i>NIM's</i> | 3.0 | 2.6 | 2.7 | 2.7 | 2.7 |
| <i>Other Income Growth</i> | 69.4 | 19.8 | 10.0 | 10.0 | 10.0 |
| <i>C/I Ratio (%)</i> | 47.9 | 49.9 | 50.0 | 50.0 | 49.9 |
| <i>Effective Tax Rate (%)</i> | 130.4 | 85.1 | 25.0 | 25.0 | 25.0 |
| Return Ratios | | | | | |
| <i>Adj. RoA</i> | 0.1 | 0.1 | 0.5 | 0.6 | 0.7 |
| <i>Adj. RoE</i> | 0.9 | 1.1 | 7.5 | 8.7 | 10.3 |
| Asset Quality Metrics | | | | | |
| <i>Credit Cost (As % of Op. AUM)</i> | 3.5 | 1.7 | 1.5 | 1.4 | 1.2 |
| <i>Gross NPAs Ratio (%)</i> | 9.4 | 8.9 | 8.7 | 8.2 | 7.6 |
| <i>Net NPAs Ratio (%)</i> | 3.1 | 3.1 | 2.4 | 2.0 | 1.8 |

Source: Company, LKP Research

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