

# Bank of Baroda

<b>BSE SENSEX</b>	<b>S&amp;P CNX</b>
25,490	7,815
Bloomberg	BOB IN
Equity Shares (m)	2,310.5
M.Cap. (INR b)/(USD b)	358.0/5.4
52-Week Range (INR)	216 / 109
1, 6, 12 Rel. Per (%)	3/-10/2
12M Avg Val (INR M)	1448
Free float (%)	40.8

## Financials & Valuation (INR Billion)

Y/E Mar	2016	2017E	2018E
NII	127.4	131.4	153.2
OP	88.2	98.5	112.8
NP	-54.0	36.4	45.8
NIM (%)	2.0	2.0	2.1
EPS (INR)	-23.4	15.8	19.8
EPS Gr. (%)	NM	NM	25.7
BV/Sh. (INR)	147.7	159.8	175.0
ABV/Sh. (INR)	93.1	106.9	130.3
RoE (%)	-15.2	10.3	11.8
RoA (%)	-0.8	0.5	0.6
D. Payout (%)	0.0	23.2	23.2

## Valuations

P/E(X)	NM	9.8	7.8
P/BV (X)	1.0	1.0	0.9
P/ABV (X)	1.7	1.4	1.2
Div. Yield (%)	0.0	2.0	2.6

**CMP: INR155**
**TP: INR194 (+25%)**
**Buy**

## Building for brighter future; Focus on core operating profitability

- Bank of Baroda (BOB) reported second consecutive quarterly net loss of INR32b+ led by focus on strengthening balance sheet (aggressive recognition of stress loans and increase in PCR by 810bp) and one-time employee benefit provision (INR15.6b). Balance sheet consolidation and focus on balance sheet clean up led to weak NII growth (-16% YoY, adjusting for interest on IT refund). On a lower base operating expenses grew 43% YoY (18% miss) impacting core PPOP (de-grew 27% YoY).
- Slippages remained elevated at INR59.3b (5.5% of loans, annualized) led by INR10b of AQR related slippages and INR8b of LC devolvement of stress loans. Relapse from restructured loans stood at INR20.6b (35% of slippages). Fresh restructuring during 4Q was INR820m. Three accounts were refinanced under 5:25 scheme amounting to INR9.7b; however, there was no sale to ARC or SDR in 4Q.
- Net stressed loans (ex. SEB/AI) now stand at 7.7% v/s 8.8% led by 20% QoQ decline in OSRL. Gross stressed loans in domestic book now stand at 17.4% implying 20%+ stress in non-retail/agri book.

**Valuation and view:** Large clean up over last few quarters removes the overhang of significant deterioration in asset quality in ensuing quarters. We expect stress addition and credit costs to come down sharply in FY17/18. We like the focus of new management on improving core profitability and risk management practices for sustainable and healthy core PPOP performance in the ensuing years. Healthy CET1 position (10.3%) and additional buffers like non-core financial investments amongst other options will lead to dilution free growth until FY18. Appointment of Chairman and MD&CEO with private sector background is likely to lead to much improved medium term prospects and deserves premium to other PSU banks. Due to net loss in 4Q and earnings cut by ~5% for FY17/18, we have cut BV estimates by ~7% for FY17/18. Higher than expected stress and cut in BV is leading to ~15% cut in adjusted BV. Maintain Buy with TP of 194 (1.1x FY18E P/BV) – based on residual income model.

## Quarterly Performance

	FY15				FY16				(INR Million)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY15	FY16
<b>Net Interest Income</b>	33,283	34,011	32,861	31,717	34,596	32,445	27,053	33,304	131,872	127,398
% Change (YoY)	15.2	17.5	7.5	1.5	3.9	-4.6	-17.7	5.0	10.2	-3.4
<b>Other Income</b>	10,245	9,917	10,904	12,955	9,672	11,440	11,129	17,747	44,020	49,989
<b>Net Income</b>	43,529	43,928	43,765	44,671	44,269	43,885	38,183	51,051	175,892	177,387
<b>Operating Expenses</b>	18,733	19,898	20,375	17,736	22,249	20,515	21,141	25,326	76,741	89,231
<b>Operating Profit</b>	24,796	24,029	23,390	26,935	22,020	23,370	17,041	25,725	99,151	88,156
% Change (YoY)	1.8	13.9	7.2	5.1	-11.2	-2.7	-27.1	-4.5	6.7	-11.1
<b>Other Provisions</b>	5,267	8,880	12,623	18,175	5,997	18,917	61,646	68,577	44,945	155,137
<b>Profit before Tax</b>	19,529	15,149	10,768	8,760	16,022	4,453	-44,604	-42,852	54,206	-66,981
<b>Tax Provisions</b>	5,910	4,107	7,428	2,777	5,501	3,208	-11,184	-10,551	20,222	-13,025
<b>Net Profit</b>	13,619	11,042	3,340	5,984	10,522	1,245	-33,420	-32,301	33,984	-53,956
% Change (YoY)	16.6	-5.5	-68.1	-48.3	-22.7	-88.7	-1,100.7	-639.8	-25.2	-258.8
<b>Operating Parameters</b>										
NIM (Reported, %)	2.4	2.4	2.2	2.2	2.3	2.1	1.7	2.2	2.3	2.1
Deposit Growth (%)	18.1	16.9	12.1	8.6	7.5	8.0	4.4	-7.0	8.6	-7.0
Loan Growth (%)	18.8	13.5	11.7	7.8	7.0	7.6	-2.4	-10.3	7.8	-10.3
CD Ratio (%)	69.2	68.0	69.7	69.3	68.9	67.7	65.2	66.9	69.3	68.9
CASA Ratio (%)	31.3	31.9	32.4	33.0	31.9	32.0	30.0	33.6	26.4	26.4
Tax Rate (%)	30.3	27.1	69.0	31.7	34.3	72.0	25.1	24.6	37.3	19.4
<b>Asset Quality</b>										
OSRL (INR B)	228	224	231	259	255	229	171	137	259	137
OSRL (%)	6.0	5.8	5.9	6.1	6.3	5.5	4.5	3.6	6.1	3.6
Gross NPA (INR B)	121	131	155	163	173	237	389	405	163	405
Gross NPA (%)	3.1	3.3	3.9	3.7	4.1	5.6	9.7	10.0	3.7	10.0

E: MOSL Estimates

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**Investors are advised to refer through disclosures made at the end of the Research Report.**

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**Exhibit 1: Quarterly Performance**

Y/E MARCH	4QFY16A	4QFY16E	Var. (%)	Comments
<b>Net Interest Income</b>	<b>33,304</b>	<b>31,880</b>	<b>4</b>	<b>Adjusted NIMs below expectation</b>
% Change (Y-o-Y)	5	1		
Other Income	17,747	14,371	23	Impacted by one-off exchange gain repatriation
<b>Net Income</b>	<b>51,051</b>	<b>46,251</b>	<b>10</b>	
Operating Expenses	25,326	21,543	18	Staff expenses significantly higher than expected
<b>Operating Profit</b>	<b>25,725</b>	<b>24,708</b>	<b>4</b>	<b>Core PPOP growth below expectation</b>
% Change (Y-o-Y)	-4	-8		
Other Provisions	68,577	21,605	217	Higher than expected credit costs and one-off provision related to employee benefits
<b>Profit before Tax</b>	<b>-42,852</b>	<b>3,103</b>	<b>-1481</b>	
Tax Provisions	-10,551	1,475	-815	
<b>Net Profit</b>	<b>-32,301</b>	<b>1,629</b>	<b>-2083</b>	<b>Higher provisions and weak core PPOP performance drove profit miss</b>
% Change (Y-o-Y)	-640	-73		

Source: Company, MOSL

**Other highlights**

- Overall loans de-grew by 10% YoY (flat QoQ) led by significant calibration in both domestic (-10% YoY, +2% QoQ) and international (-11.5% YoY, -4% QoQ) operations. However, on daily average basis, overall loans grew by 6% YoY.
- Reported global NIM improved 43bp QoQ to 2.15%; however, adjusted of one-off income tax refund of INR6.7b, margins were stable QoQ.
- Domestic CD ratio increased QoQ to 67% v/s 63%
- Domestic CASA growth de-grew by 3% YoY (+7% QoQ) – impacted by 36% YoY decline in CA growth; domestic CASA ratio now stands at 33.6% v/s 33% in FY15.
- GNPA in the overseas operations stand at 5.6% however, excluding the NPAs from the exposure to India dedicated exposures GNPA stands at ~1.95%
- CET1 ratio improved to ~10.3% v/s ~9% in 3QFY16 led by revaluation reserves relaxation given by RBI.

**Update on key priorities for new management**

- **Management would be preparing and presenting the strategic roadmap for next 3-5 years** by July-2016 – identifying the key areas for growth, asset pricing, customer connect, cost rationalization, cross sells, asset quality management/resolution among others.
- **NPA management a key priority:** a) Strengthening the business and governance practices and focus on risk based pricing to improve NIMs and overall profitability b) Avoid being a part of consortium and focus on being a key banker to customer (and thereby, maximize revenue per customer) c) To help borrowers to deleverage with active discussion with government, prospective buyers etc. (strategy similar to that of SBIN)
- **Diversification of portfolio and focus on revenue maximization:** Management wants to reduce the reliance on relatively low margin international business further, within domestic segment wants to focus more on Retail and SME segment. In the mid and large corporate segment would avoid being a part of consortium to the extent possible. Focus is on overall revenue from customer rather than just getting volumes. Fees remain the key focus area to improve profitability

- **Digitalization:** In-line with private banks and several large PSU banks; company intends to focus to digitalization to improve cost efficiencies, product offering/services.
- **Revamping the human resource management:** Management intends to focus on re-organizing and strengthening the organizational structure. Identification of leadership pipeline and improving employee engagement.

## Analyst meet takeaways

### Asset Quality Related

- Seven sectors constitute ~45% of funded GNPA – Iron and steel, power, roads, gems and jewellery, construction, commodities and trading and textile sector
- Management has highlighted incremental areas of stress amounting to INR269b for FY17 (restructured book INR137b plus SMA-2 INR132b); Expects ~INR150b of slippages in FY17
- Management expects overall GNPA for FY17 to be contained at INR430-500b; base case net additions is expected at INR50b, bull case INR30b and bear case of INR100b
- Management expects INR70b+ of NPA provision requirement in FY17 – intends to maintain 60%+ provision coverage ratio
- Credit limits of borrowers are now based on overall exposure and RWA exposure
- Domestic slippages in 4QFY16 were INR49.5b and overseas slippages were INR9.8b
- During the quarter, AQR related slippages were ~INR10b (three accounts each from cement, road and engineering sector); further, INR8-9b slippages were on account of LC devolvement of existing NPAs
- Relapse from restructured loans in 4QFY16 was ~INR20b
- There was no SDR or sale to ARC during the quarter; however, three accounts were refinanced under 5:25 amounting to INR9.7b
- ~44% of BOB's corporate credit portfolio is rated BBB or below
- Discom loan reduction from OSRL was ~INR12b
- SEB debt outstanding: 25% of SEB debt not converted under 'UDAY' amounting to INR12.6b and other SEB debt INR8b
- Bank has ~INR6-10b of exposure to top leveraged groups (each); very limited exposure to holding companies
- Expect INR100b of upgrade and recoveries in FY17; have deployed 1100 people
- Bank intends to sell certain exposures in road sector

### P&L Related

- Management expects INR95b of operating profit in FY17 and additional INR15b of income from sale of non-core assets
- Expects 3% domestic NIM and 1.25% overseas NIM in FY17
- During 4Q, bank made additional provisions amounting to INR15.6b related to shifting on new LIC mortality table
- Bank settled overseas tax liability for ~INR4b v/s initial demand of INR15b
- Discount rate assumed for pension and gratuity liabilities remains unchanged at 8%
- BOB has seen ~INR10b interest reversal in FY16

- Interest income in 4QFY16 includes one off interest from IT refund amounting to INR6.7b

#### Other highlights

- CET-1 improved to 10.3% in Q4 on account of relaxation given by RBI towards revaluation reserves and DTA.
- Standalone CET1 ratio stands at 10.3%; consolidated CET1 ratio stands at 10.8%
- Bank has valued its non-core assets at ~INR70b
- Management intends to sell stake in UTI, NSE, CIBIL amongst others in FY17; BOB capital markets has already started the stake sale process
- Balance outstanding in FCTR was INR22b

Maintain Buy with a TP of  
194 (1.1x FY18 BV)

#### Valuation and view

We like new management focus on improving core profitability and risk management practices for sustainable and healthy core profitability in the ensuing years. Near term asset quality performance is expected to be weak led by management aggressive stance on errant customers.

BOB has one of the strongest liability franchise, post SBIN within the PSB space with the strong presence in CASA rich Western, Central and Northern region. Focus on the balance sheet growth (led by international business) in the past has impacted NIMs and core profitability. Large part of international business is short term and there are significant low hanging fruits to improve profitability via margin expansion and focus on overall revenue from the customer than just balance sheet growth.

Our interaction with industry participants suggest that BOB has one of the best risk management practices in the PSU banking space and stress asset recognition is aggressive. BOBs reported domestic stress loans are almost equal to that of PNB. Our estimates factor in aggressive credit cost of 1.25%/1.1%/0.8% for FY17-19E.

**Estimates change:** Management focus is to get the branches in terms of look and feel in-line with private banks. To factor in this we have increased operating expenses assumptions which are also leading to cut in earnings. Despite aggressive NPA provisioning in FY16, we have increased assumption on credit cost by ~20bp for FY17/18 to factor expected higher stress and management focus on strengthening of balance sheet. Management focus on consolidation of international operations and domestic low CD ratio (~66%) is comforting for expected margins improvement. Overall we cut earnings estimates by ~5%. Loss in 4Q and marginal cut in earnings is leading to ~7% cut in BV further significant stress addition is leading to ~15% cut in ABV. ROEs/ROAs are expected to reach to ~12%/0.6% by FY18.

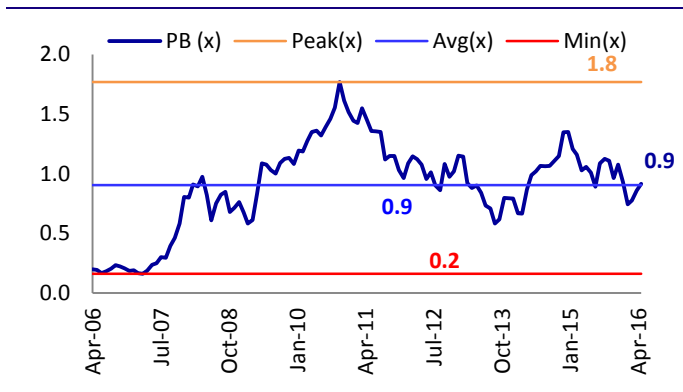
**Target price discussion:** Valuations at ~0.9x PBV FY16/17E is on a higher side on a relative basis (v/s peer state owned banks) however, we draw our comfort from a) management from private sector background (chairman, MD&CEO) b) Strong capitalization (~10% CET1) and liability franchise d) improvement in return ratios and e) lower difference between BV and ABV (at ~20% v/s other PSBs of ~30%). Valuations on an absolute basis have scope to improve. We maintain Buy with a TP of 194 (1.1x FY18 BV) – based on RI model. We assume 14% cost of equity (7.5% risk free rate, beta of 1.3, market risk premium of 5%) and terminal growth of 5%.

**Exhibit 2: We cut earnings estimate by ~4% for FY17/18E largely led by higher expenses and credit costs**

INR B	Old Estimate			Revised Estimate			Change (%)		
	FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18
<b>Net Interest Income</b>	<b>126.0</b>	<b>132.6</b>	<b>156.5</b>	<b>127.4</b>	<b>131.4</b>	<b>153.2</b>	<b>1.1</b>	<b>-0.9</b>	<b>-2.1</b>
Other Income	46.6	67.7	70.4	50.0	66.8	69.8	7.2	-1.2	-0.8
<b>Total Income</b>	<b>172.6</b>	<b>200.3</b>	<b>226.9</b>	<b>177.4</b>	<b>198.2</b>	<b>223.0</b>	<b>2.8</b>	<b>-1.0</b>	<b>-1.7</b>
Operating Expenses	85.4	95.2	107.3	89.2	99.7	110.2	4.4	4.8	2.7
<b>Operating Profits</b>	<b>87.1</b>	<b>105.2</b>	<b>119.7</b>	<b>88.2</b>	<b>98.5</b>	<b>112.8</b>	<b>1.2</b>	<b>-6.3</b>	<b>-5.7</b>
Provisions	108.2	47.7	47.4	155.1	49.9	49.2	43.4	4.6	4.0
<b>PBT</b>	<b>-21.0</b>	<b>57.4</b>	<b>72.3</b>	<b>-67.0</b>	<b>48.6</b>	<b>63.6</b>	<b>NM</b>	<b>-15.4</b>	<b>-12.0</b>
Tax	-1.0	19.5	24.6	-13.0	12.1	17.8	NM	-37.8	-27.6
<b>PAT</b>	<b>-20.0</b>	<b>37.9</b>	<b>47.7</b>	<b>-54.0</b>	<b>36.4</b>	<b>45.8</b>	<b>NM</b>	<b>-3.9</b>	<b>-4.0</b>
Loans	4,067	4,555	5,192	3,838	4,221	4,728	-5.6	-7.3	-8.9
Deposits	6,237	7,017	7,964	5,740	6,429	7,201	-8.0	-8.4	-9.6
Margins (%)	1.88	1.88	1.98	1.98	2.02	2.12			
Credit Cost (%)	2.60	1.05	0.90	3.50	1.25	1.10			
<b>RoA (%)</b>	<b>-0.3</b>	<b>0.5</b>	<b>0.6</b>	<b>-0.8</b>	<b>0.5</b>	<b>0.6</b>			
<b>RoE (%)</b>	<b>-5.4</b>	<b>9.9</b>	<b>11.5</b>	<b>-15.2</b>	<b>10.3</b>	<b>11.8</b>			
<b>BV</b>	<b>159</b>	<b>171</b>	<b>187</b>	<b>148</b>	<b>160</b>	<b>175</b>	<b>-7.0</b>	<b>-6.8</b>	<b>-6.5</b>
ABV	101	126	153	93	107	130	-8.3	-15.1	-14.9
EPS	-9	16	21	-23	16	20	NM	-3.9	-4.0

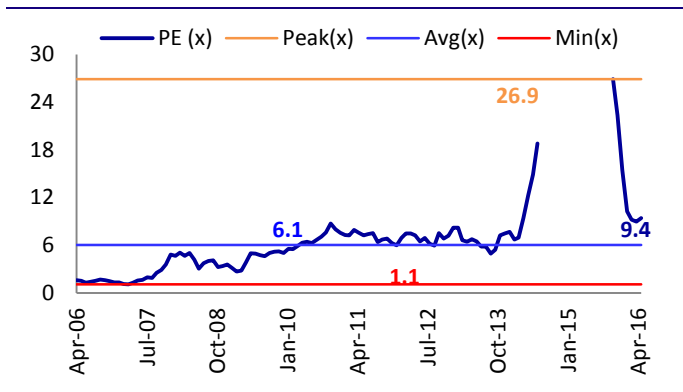
Source: Company, MOSL

**Exhibit 3: One year forward P/BV**



Source: Company, MOSL

**Exhibit 4: One year forward P/E**



Source: Company, MOSL

**Exhibit 5: We expect gradual improvement in asset quality leading to better profitability (%)**

Y/E MARCH	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17E	FY18E	FY19E
<b>Net Interest Income</b>	<b>2.35</b>	<b>2.76</b>	<b>2.56</b>	<b>2.28</b>	<b>1.98</b>	<b>1.92</b>	<b>1.84</b>	<b>1.85</b>	<b>1.93</b>	<b>1.97</b>
Fee income	0.55	0.50	0.45	0.37	0.35	0.32	0.38	0.41	0.41	0.42
Fee to core Income (%)	19.0	15.2	14.9	14.1	15.0	14.3	17.2	18.2	17.6	17.7
<b>Core Income</b>	<b>2.91</b>	<b>3.26</b>	<b>3.01</b>	<b>2.65</b>	<b>2.33</b>	<b>2.24</b>	<b>2.22</b>	<b>2.26</b>	<b>2.34</b>	<b>2.39</b>
<b>Net Income</b>	<b>3.46</b>	<b>3.65</b>	<b>3.41</b>	<b>3.01</b>	<b>2.72</b>	<b>2.56</b>	<b>2.56</b>	<b>2.79</b>	<b>2.81</b>	<b>2.81</b>
<b>Operating Expenses</b>	<b>1.51</b>	<b>1.45</b>	<b>1.28</b>	<b>1.20</b>	<b>1.18</b>	<b>1.12</b>	<b>1.29</b>	<b>1.40</b>	<b>1.39</b>	<b>1.37</b>
Cost to Core Income	51.9	44.6	42.6	45.1	50.7	49.9	58.0	62.1	59.3	57.5
Employee cost	0.93	0.92	0.74	0.69	0.69	0.62	0.72	0.75	0.71	0.68
Others	0.58	0.54	0.54	0.50	0.50	0.50	0.57	0.66	0.68	0.69
<b>Core operating Profits</b>	<b>1.40</b>	<b>1.81</b>	<b>1.73</b>	<b>1.45</b>	<b>1.15</b>	<b>1.12</b>	<b>0.93</b>	<b>0.86</b>	<b>0.95</b>	<b>1.01</b>
Trading and others	0.56	0.39	0.40	0.36	0.39	0.32	0.34	0.53	0.47	0.42
<b>Operating Profits</b>	<b>1.95</b>	<b>2.19</b>	<b>2.13</b>	<b>1.81</b>	<b>1.54</b>	<b>1.44</b>	<b>1.27</b>	<b>1.39</b>	<b>1.42</b>	<b>1.43</b>
<b>Provisions</b>	<b>0.28</b>	<b>0.42</b>	<b>0.63</b>	<b>0.84</b>	<b>0.63</b>	<b>0.65</b>	<b>2.24</b>	<b>0.70</b>	<b>0.62</b>	<b>0.48</b>
NPA	0.36	0.33	0.39	0.62	0.49	0.55	2.05	0.71	0.62	0.45
Others	-0.08	0.09	0.24	0.22	0.14	0.10	0.19	-0.01	0.00	0.03
<b>PBT</b>	<b>1.68</b>	<b>1.77</b>	<b>1.50</b>	<b>0.97</b>	<b>0.91</b>	<b>0.79</b>	<b>-0.97</b>	<b>0.68</b>	<b>0.80</b>	<b>0.95</b>
Tax	0.47	0.44	0.25	0.07	0.16	0.29	-0.19	0.17	0.22	0.27
Tax Rate	27.8	24.9	16.9	7.3	17.4	37.3	19.4	25.0	28.0	28.0
<b>RoA (%)</b>	<b>1.21</b>	<b>1.33</b>	<b>1.24</b>	<b>0.90</b>	<b>0.75</b>	<b>0.49</b>	<b>-0.78</b>	<b>0.51</b>	<b>0.58</b>	<b>0.69</b>
Leverage (x)	19.7	18.9	17.8	17.9	19.2	19.6	19.5	20.0	20.5	20.7
<b>RoE (%)</b>	<b>23.9</b>	<b>25.2</b>	<b>22.1</b>	<b>16.1</b>	<b>14.4</b>	<b>9.7</b>	<b>-15.2</b>	<b>10.3</b>	<b>11.8</b>	<b>14.2</b>

Source: Company, MOSL

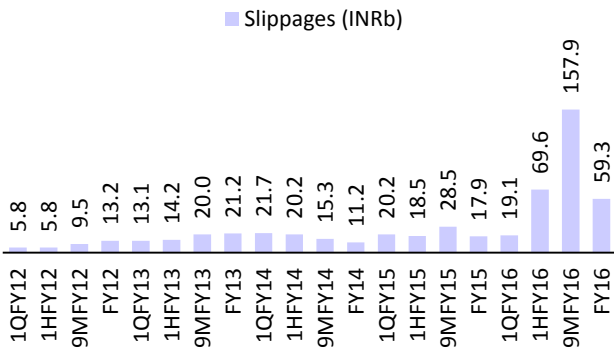
**Exhibit 6: Weak core operating performance and higher credit costs dent profitability (%)**

Y/E MARCH	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16
<b>Net Interest Income</b>	<b>2.04</b>	<b>2.08</b>	<b>2.00</b>	<b>1.85</b>	<b>1.96</b>	<b>1.84</b>	<b>1.55</b>	<b>1.96</b>
Fee income	0.30	0.32	0.34	0.37	0.29	0.33	0.32	0.40
Fee to core income (%)	12.7	13.5	14.5	16.6	13.1	15.3	17.1	17.0
<b>Core Income</b>	<b>2.33</b>	<b>2.41</b>	<b>2.34</b>	<b>2.22</b>	<b>2.26</b>	<b>2.18</b>	<b>1.87</b>	<b>2.36</b>
<b>Operating Expenses</b>	<b>1.15</b>	<b>1.22</b>	<b>1.24</b>	<b>1.03</b>	<b>1.26</b>	<b>1.17</b>	<b>1.21</b>	<b>1.49</b>
Cost to Core Income (%)	49.1	50.6	53.0	46.7	55.9	53.5	64.8	63.1
Employee cost	0.68	0.68	0.68	0.54	0.76	0.59	0.66	0.84
Others	0.47	0.54	0.56	0.49	0.50	0.57	0.55	0.65
<b>Core operating Profits</b>	<b>1.19</b>	<b>1.19</b>	<b>1.10</b>	<b>1.18</b>	<b>0.99</b>	<b>1.01</b>	<b>0.66</b>	<b>0.87</b>
Trading and others	0.33	0.28	0.32	0.39	0.25	0.32	0.32	0.64
<b>Operating Profits</b>	<b>1.52</b>	<b>1.47</b>	<b>1.42</b>	<b>1.57</b>	<b>1.25</b>	<b>1.33</b>	<b>0.97</b>	<b>1.51</b>
<b>Provisions</b>	<b>0.32</b>	<b>0.54</b>	<b>0.77</b>	<b>1.06</b>	<b>0.34</b>	<b>1.08</b>	<b>3.53</b>	<b>4.04</b>
NPAs	0.47	0.36	0.70	0.87	0.32	1.05	3.70	2.87
Others	-0.15	0.19	0.07	0.19	0.02	0.03	-0.18	1.16
<b>PBT</b>	<b>1.20</b>	<b>0.93</b>	<b>0.65</b>	<b>0.51</b>	<b>0.91</b>	<b>0.25</b>	<b>-2.55</b>	<b>-2.52</b>
Tax	0.36	0.25	0.45	0.16	0.31	0.18	-0.64	-0.62
Tax Rate (%)	30.3	27.1	69.0	31.7	34.3	72.0	25.1	24.6
<b>RoA</b>	<b>0.83</b>	<b>0.68</b>	<b>0.20</b>	<b>0.35</b>	<b>0.60</b>	<b>0.07</b>	<b>-1.91</b>	<b>-1.90</b>
Leverage	17.8	17.2	16.9	17.4	17.4	16.7	16.8	16.9
<b>RoE</b>	<b>14.8</b>	<b>11.6</b>	<b>3.4</b>	<b>6.1</b>	<b>10.4</b>	<b>1.2</b>	<b>-32.1</b>	<b>-32.2</b>

Source: Company, MOSL

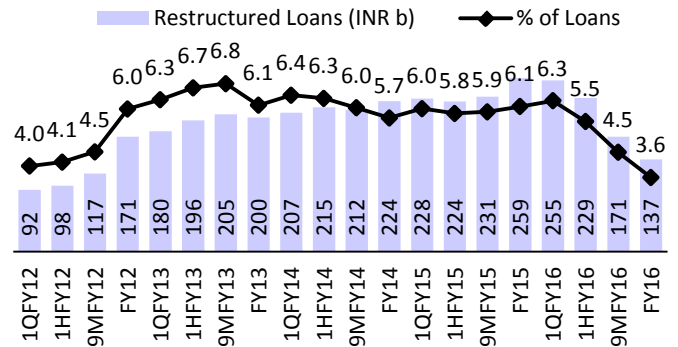
## Story in charts

**Exhibit 7: Slippages expected to return back to normalized levels in FY17**



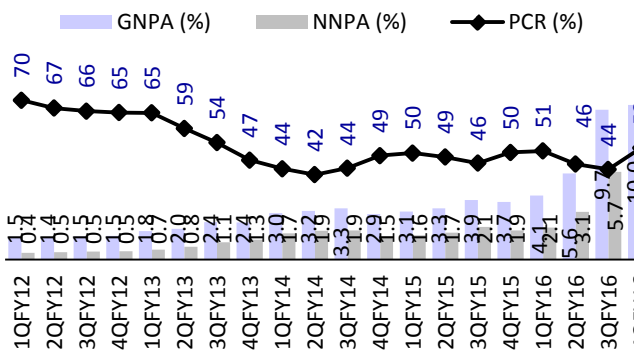
Source: Company, MOSL

**Exhibit 8: Absolute OSRL continues to trend lower**



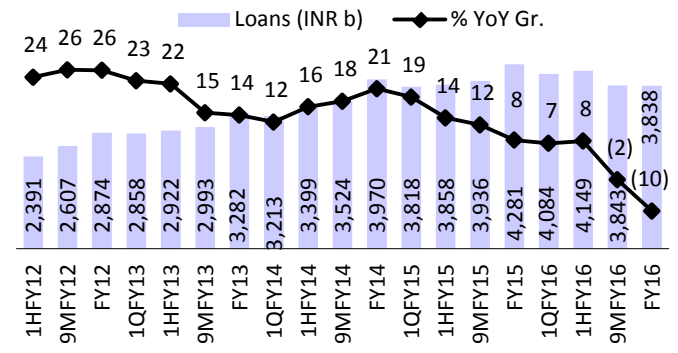
Source: Company, MOSL

**Exhibit 9: Provision coverage ratio improves 810bp QoQ**



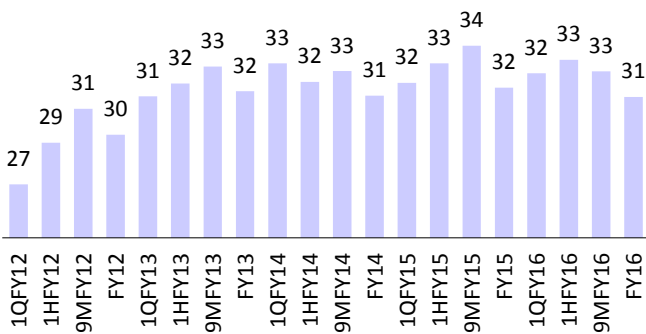
Source: Company, MOSL

**Exhibit 10: Period end loan growth down 10% YoY; however, daily avg. loan growth grew +6% YoY**



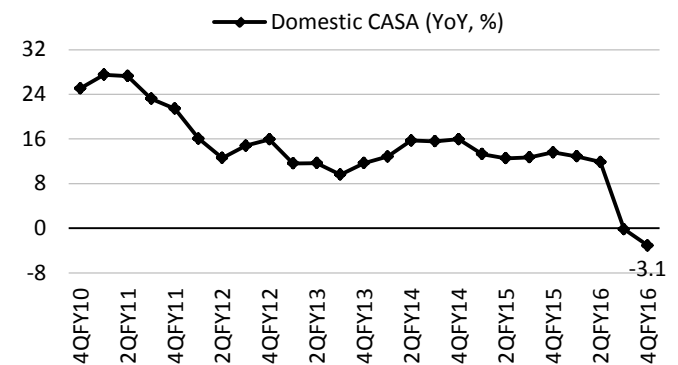
Source: Company, MOSL

**Exhibit 11: Bank to remained cautious in growing its overseas book (overseas book % of loans)**



Source: Company, MOSL

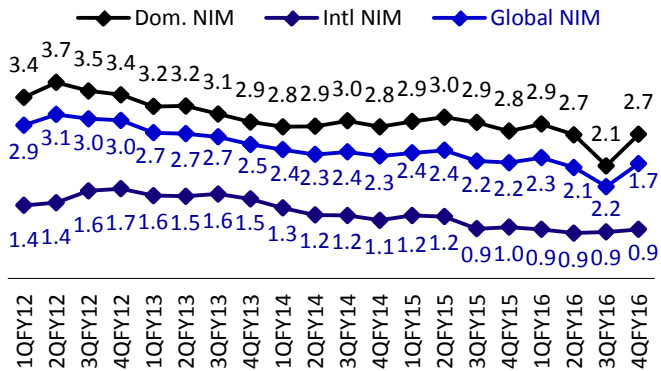
**Exhibit 12: Domestic CASA growth flat YoY led by sharp decline in CA deposit growth (-36% YoY)**



Source: Company, MOSL

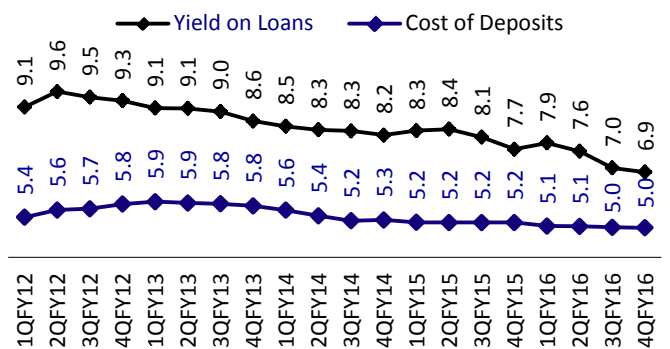
## Story in charts

**Exhibit 13: Adjusted for one-off IT refund and higher interest income reversal, NIMs improved by ~20bp QoQ**



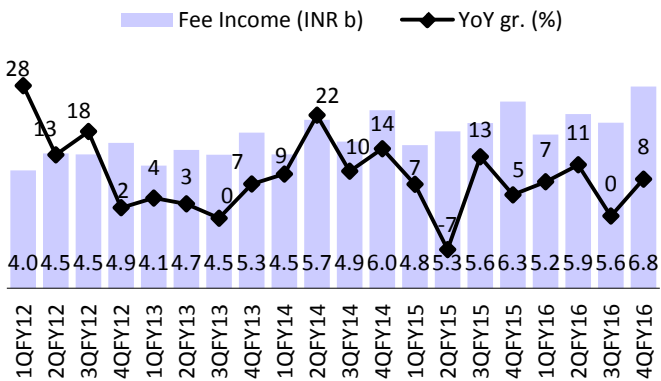
Source: Company, MOSL

**Exhibit 14: Yield on advances continues to trend lower (%)**



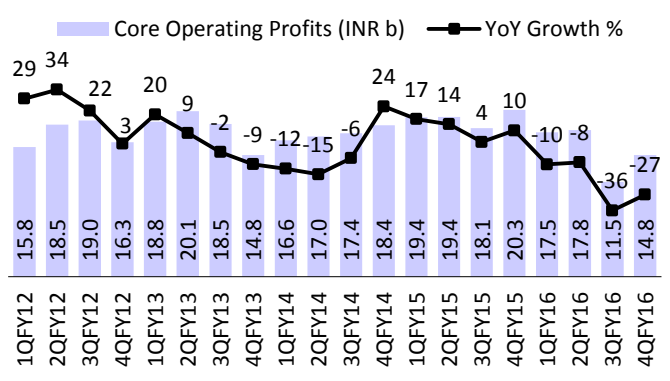
Source: Company, MOSL

**Exhibit 15: Fee income growth improving yet remains moderate**



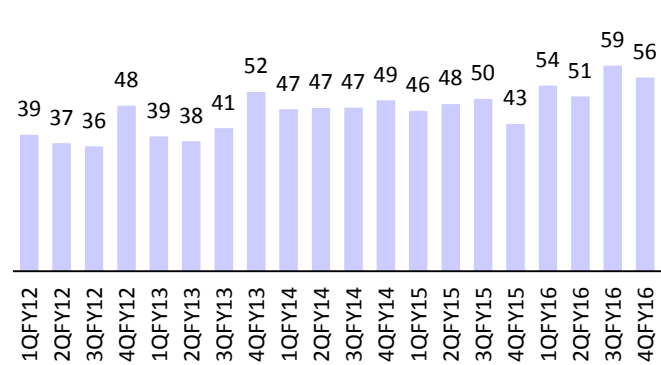
Source: Company, MOSL

**Exhibit 16: Overall core PPOP de-grew 27% YoY led by weak income growth...**



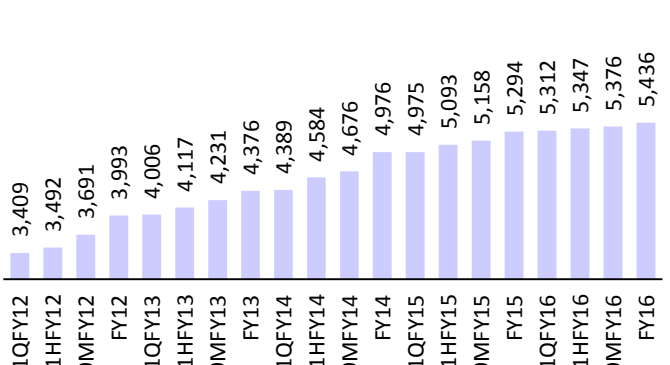
Source: Company, MOSL

**Exhibit 17: ...resultantly cost to core income ratio remaining elevated (%)**



Source: Company, MOSL

**Exhibit 18: Significant moderation in pace of branch addition (branches, nos.)**



Source: Company, MOSL



## Exhibit 19: Quarterly Snapshot

INR m	FY15				FY16				Variation (%)		Cumulative Numbers		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	QoQ	YoY	FY15	FY16	YoY Gr (%)
<b>Profit and Loss</b>													
<b>Net Interest Income</b>	<b>33,283</b>	<b>34,011</b>	<b>32,861</b>	<b>31,717</b>	<b>34,596</b>	<b>32,445</b>	<b>27,053</b>	<b>33,304</b>	<b>23</b>	<b>5</b>	<b>131,872</b>	<b>127,398</b>	<b>-3</b>
<b>Other Income</b>	<b>10,245</b>	<b>9,917</b>	<b>10,904</b>	<b>12,955</b>	<b>9,672</b>	<b>11,440</b>	<b>11,129</b>	<b>17,747</b>	<b>59</b>	<b>37</b>	<b>44,020</b>	<b>49,989</b>	<b>14</b>
Trading profits	2,242	1,790	2,436	3,603	1,570	2,241	2,890	5,090	76	41	10,071	11,792	17
Forex Income	2,561	2,525	2,530	2,444	2,778	2,527	2,410	4,810	100	97	10,060	12,525	25
Recoveries	610	308	361	606	131	792	240	1,040	333	72	1,885	2,203	17
Others (Non core)	4,833	5,294	5,577	6,301	5,194	5,879	5,589	6,807	22	8	22,004	23,469	7
<b>Total Income</b>	<b>43,529</b>	<b>43,928</b>	<b>43,765</b>	<b>44,671</b>	<b>44,269</b>	<b>43,885</b>	<b>38,183</b>	<b>51,051</b>	<b>34</b>	<b>14</b>	<b>175,892</b>	<b>177,387</b>	<b>1</b>
<b>Operating Expenses</b>	<b>18,733</b>	<b>19,898</b>	<b>20,375</b>	<b>17,736</b>	<b>22,249</b>	<b>20,515</b>	<b>21,141</b>	<b>25,326</b>	<b>20</b>	<b>43</b>	<b>76,741</b>	<b>89,231</b>	<b>16</b>
Employee	11,055	11,078	11,198	9,282	13,451	10,440	11,548	14,342	24	55	42,614	49,780	17
Others	7,678	8,820	9,177	8,454	8,798	10,075	9,593	10,985	15	30	34,128	39,451	16
<b>Operating Profits</b>	<b>24,796</b>	<b>24,029</b>	<b>23,390</b>	<b>26,935</b>	<b>22,020</b>	<b>23,370</b>	<b>17,041</b>	<b>25,725</b>	<b>51</b>	<b>-4</b>	<b>99,151</b>	<b>88,156</b>	<b>-11</b>
<b>Provisions</b>	<b>5,267</b>	<b>8,880</b>	<b>12,623</b>	<b>18,175</b>	<b>5,997</b>	<b>18,917</b>	<b>61,646</b>	<b>68,577</b>	<b>11</b>	<b>277</b>	<b>44,945</b>	<b>155,137</b>	<b>245</b>
NPA provisions	7,718	5,843	11,498	14,914	5,678	18,438	64,740	48,800	-25	227	39,973	137,656	244
Provisions on Invst.	-3,189	1,818	-502	379	189	1,120	300	1,800	500	375	-1,494	3,409	NM
Others	738	1,220	1,626	2,882	130	-641	-3,395	17,977	NM	524	6,466	14,071	118
<b>PBT</b>	<b>19,529</b>	<b>15,149</b>	<b>10,768</b>	<b>8,760</b>	<b>16,022</b>	<b>4,453</b>	<b>-44,604</b>	<b>-42,852</b>	<b>NM</b>	<b>NM</b>	<b>54,206</b>	<b>-66,981</b>	<b>NM</b>
Taxes	5,910	4,107	7,428	2,777	5,501	3,208	-11,184	-10,551	NM	NM	20,222	-13,025	NM
<b>PAT</b>	<b>13,619</b>	<b>11,042</b>	<b>3,340</b>	<b>5,984</b>	<b>10,522</b>	<b>1,245</b>	<b>-33,420</b>	<b>-32,301</b>	<b>NM</b>	<b>NM</b>	<b>33,984</b>	<b>-53,956</b>	<b>NM</b>
<b>Ratios (%)</b>													
Fees to Total Income	11.1	12.1	12.7	14.1	11.7	13.4	14.6	13.3			12.5	13.2	
Cost to Core Income	49.1	50.6	53.0	46.7	55.9	53.5	64.8	63.1			49.9	59.1	
Tax Rate	30.3	27.1	69.0	31.7	34.3	72.0	25.1	24.6			37.3	19.4	
CASA Reported	31.3	31.9	32.4	33.0	31.9	32.0	30.0	33.6					
Loan/Deposit	69.2	68.0	69.7	69.3	68.9	67.7	65.2	66.9					
Domestic Loan/ Deposit	71.0	68.2	68.2	70.5	68.1	65.5	62.7	66.7					
CAR	11.9	12.2	12.4	12.6	12.0	12.5	12.2	13.2					
Tier I	9.1	9.3	9.4	9.9	9.4	9.9	9.6	10.8					
<b>Margins Global (%)</b>													
Yield on loans	8.3	8.4	8.1	7.7	7.9	7.6	7.0	6.9	-14	-78	8.1	7.4	-75
Cost of Deposits	5.2	5.2	5.2	5.2	5.1	5.1	5.0	5.0	-2	-18	5.2	5.0	-15
Margins	2.4	2.4	2.2	2.2	2.3	2.1	1.7	2.2	43	-2	2.3	2.1	-23
<b>Margins - Domestic (%)</b>													
Yield on loans	11.1	11.2	11.0	10.6	10.6	10.4	9.6	9.0	-55	-154	11.0	9.9	-103
Cost of Deposits	7.1	7.2	7.1	7.1	6.9	6.9	6.8	6.6	-16	-49	7.1	6.8	-34
Margins	2.9	3.0	2.9	2.8	2.9	2.7	2.1	2.7	59	-6	2.9	2.6	-31
<b>Margins - Overseas (%)</b>													
Yield on loans	2.6	2.5	2.4	2.2	2.3	2.1	2.1	2.3	24	15	2.4	2.2	-23
Cost of Deposits	1.1	1.1	1.0	1.0	0.9	1.0	0.9	1.0	10	7	1.0	1.0	-9
Margins	1.2	1.2	0.9	1.0	0.9	0.9	0.9	0.9	5	-4	1.1	0.9	-17

Source: Company, MOSL

## Exhibit 20: Quarterly Snapshot continued

INR B	FY14				FY15				FY16				Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	QoQ	YoY
<b>Balance sheet</b>														
<b>Deposits</b>	<b>4,670</b>	<b>4,849</b>	<b>5,038</b>	<b>5,689</b>	<b>5,516</b>	<b>5,669</b>	<b>5,646</b>	<b>6,176</b>	<b>5,931</b>	<b>6,125</b>	<b>5,897</b>	<b>5,740</b>	<b>-3</b>	<b>-7</b>
Domestic	3,242	3,296	3,409	3,791	3,654	3,797	3,825	4,143	4,052	4,239	4,131	3,948	-4	-5
Overseas	1,428	1,554	1,628	1,898	1,862	1,873	1,821	2,033	1,879	1,885	1,766	1,792	1	-12
<b>Loans</b>	<b>3,213</b>	<b>3,399</b>	<b>3,524</b>	<b>3,970</b>	<b>3,818</b>	<b>3,858</b>	<b>3,936</b>	<b>4,281</b>	<b>4,084</b>	<b>4,149</b>	<b>3,843</b>	<b>3,838</b>	<b>0</b>	<b>-10</b>
Domestic	2,156	2,308	2,377	2,722	2,595	2,588	2,609	2,919	2,758	2,777	2,592	2,633	2	-10
Overseas	1,058	1,090	1,148	1,248	1,223	1,270	1,327	1,362	1,326	1,372	1,251	1,205	-4	-12
<b>CASA</b>	<b>1,182</b>	<b>1,277</b>	<b>1,321</b>	<b>1,465</b>	<b>1,386</b>	<b>1,480</b>	<b>1,491</b>	<b>1,630</b>	<b>1,535</b>	<b>1,541</b>	<b>1,415</b>	<b>1,513</b>	<b>7</b>	<b>-7</b>
Domestic	1,011	1,076	1,100	1,204	1,145	1,211	1,240	1,368	1,292	1,355	1,238	1,325	7	-3
Overseas	171	201	220	261	242	270	251	262	243	187	177	188	6	-28
<b>Savings Deposits</b>	<b>835</b>	<b>883</b>	<b>904</b>	<b>964</b>	<b>960</b>	<b>1,005</b>	<b>1,028</b>	<b>1,102</b>	<b>1,079</b>	<b>1,116</b>	<b>1,101</b>	<b>1,167</b>	<b>6</b>	<b>6</b>
Domestic	812	856	876	934	928	972	994	1,067	1,044	1,081	1,065	1,133	6	6
Overseas	24	28	28	31	32	33	34	34	35	35	36	35	-3	0
<b>Current Deposits</b>	<b>347</b>	<b>394</b>	<b>417</b>	<b>501</b>	<b>426</b>	<b>475</b>	<b>463</b>	<b>528</b>	<b>457</b>	<b>425</b>	<b>315</b>	<b>346</b>	<b>10</b>	<b>-34</b>
Domestic	199	220	225	270	216	238	246	300	248	273	173	193	12	-36
Overseas	148	173	192	231	210	237	217	228	208	152	142	153	8	-33
<b>Loan Break Up</b>														
Retail Loans	380	409	428	460	445	474	487	525	517	522	517	509	-2	-3
of which Housing	165	174	184	196	202	209	216	225	228	236	243	250	3	11
Agriculture	271	261	265	317	313	304	353	327	395	356	348	342	-2	5
SME	471	519	544	566	574	589	593	620	615	579	546	527	-3	-15
Others	1,033	1,119	1,140	1,378	1,262	1,221	1,175	1,447	1,230	1,320	1,181	1,255	6	-13
<b>Asset Quality</b>														
<b>GNPA</b>	<b>97.6</b>	<b>108.9</b>	<b>119.3</b>	<b>118.8</b>	<b>120.9</b>	<b>130.6</b>	<b>154.5</b>	<b>162.6</b>	<b>172.7</b>	<b>237.1</b>	<b>389.3</b>	<b>405.2</b>	<b>4</b>	<b>149</b>
<b>NNPA</b>	<b>54.4</b>	<b>63.2</b>	<b>66.2</b>	<b>60.3</b>	<b>60.2</b>	<b>67.0</b>	<b>82.9</b>	<b>80.7</b>	<b>84.7</b>	<b>128.0</b>	<b>218.1</b>	<b>194.1</b>	<b>-11</b>	<b>140</b>
GNPA (%)	3.0	3.2	3.3	2.9	3.1	3.3	3.9	3.7	4.1	5.6	9.7	10.0	31	627
NNPA (%)	1.7	1.9	1.9	1.5	1.6	1.7	2.1	1.9	2.1	3.1	5.7	5.1	-61	317
PCR (Calculated, %)	44.3	42.0	44.5	49.2	50.2	48.7	46.3	50.4	51.0	46.0	44.0	52.1	812	173
PCR (Reported, %)	63.6	61.7	62.2	65.5	66.7	65.4	62.4	65.0	64.9	58.2	52.7	60.1	739	-490
<b>Movement in NPA</b>														
<b>Opening</b>	<b>79.9</b>	<b>98.0</b>	<b>108.9</b>	<b>119.3</b>	<b>118.8</b>	<b>121.0</b>	<b>130.6</b>	<b>155.0</b>	<b>162.8</b>	<b>172.9</b>	<b>237.1</b>	<b>389.3</b>		
<b>Additions</b>	<b>21.7</b>	<b>20.2</b>	<b>15.3</b>	<b>11.2</b>	<b>20.2</b>	<b>18.5</b>	<b>28.5</b>	<b>17.9</b>	<b>19.1</b>	<b>69.6</b>	<b>157.9</b>	<b>59.3</b>		
<b>Deductions</b>	<b>3.6</b>	<b>9.2</b>	<b>5.0</b>	<b>11.7</b>	<b>18.0</b>	<b>8.9</b>	<b>4.2</b>	<b>10.0</b>	<b>9.0</b>	<b>5.2</b>	<b>5.6</b>	<b>43.5</b>		
Of Which: Due to write Off	0.1	4.4	0.2	4.9	5.0	3.7	0.4	6.6	0.7	1.1	2.4	11.4		
Due to Upgradation	1.5	1.9	3.0	0.5	7.4	2.4	1.4	-0.6	5.3	0.8	0.1	17.7		
Due to Recoveries	2.0	2.9	1.7	6.3	5.6	2.9	2.4	4.1	3.0	3.3	3.1	14.3		
<b>Closing</b>	<b>98.0</b>	<b>108.9</b>	<b>119.3</b>	<b>118.8</b>	<b>121.0</b>	<b>130.6</b>	<b>155.0</b>	<b>162.8</b>	<b>172.9</b>	<b>237.3</b>	<b>389.3</b>	<b>405.2</b>		
<b>Net Slippages</b>	<b>18.2</b>	<b>15.4</b>	<b>10.6</b>	<b>4.4</b>	<b>7.2</b>	<b>13.3</b>	<b>24.7</b>	<b>14.4</b>	<b>10.8</b>	<b>65.5</b>	<b>154.6</b>	<b>27.3</b>	<b>-82</b>	<b>89</b>
Net Slippage Ratio (%)	2.5	2.1	1.4	0.5	0.9	1.6	2.8	1.5	1.1	6.8	15.7	2.6	-1,316	110
Credit Cost (%)	0.8	1.0	0.9	0.7	0.8	0.6	1.2	1.5	0.5	1.8	6.5	5.1	-140	363
<b>Restructured loans</b>	<b>207.2</b>	<b>215.3</b>	<b>211.7</b>	<b>224.5</b>	<b>228.3</b>	<b>224.2</b>	<b>231.0</b>	<b>259.1</b>	<b>255.4</b>	<b>229.3</b>	<b>171.4</b>	<b>137.4</b>	<b>-20</b>	<b>-47</b>
% of Loans	6.4	6.3	6.0	5.7	6.0	5.8	5.9	6.1	6.3	5.5	4.5	3.6	-88	-247

Source: Company, MOSL

## Exhibit 1: Financials: Valuation metrics

	Rating	CMP (INR)	Mcap (USDb)	EPS (INR)		P/E (x)		BV (INR)		P/BV (x)		ABV (INR)		P/ABV (x)		RoA (%)		RoE (%)	
				FY17	FY18	FY17	FY18	FY17	FY18	FY17	FY18	FY17	FY18	FY17	FY18	FY17	FY18	FY17	FY18
ICICIBC*	Buy	227	20.0	18.1	20.8	8.7	6.3	145	159	1.01	0.82	122	137	1.29	1.06	1.19	1.22	11.1	11.8
HDFCB	Buy	1,140	43.7	58.5	70.3	19.5	16.2	332	386	3.43	2.95	327	379	3.49	3.01	1.88	1.85	18.9	19.6
AXSB	Buy	491	17.7	35.0	41.0	14.0	12.0	251	285	1.95	1.72	234	266	2.10	1.85	1.45	1.43	14.7	15.2
KMB*	Buy	709	19.7	26.1	33.7	27.1	21.1	207	239	3.43	2.96	207	239	3.43	2.96	1.50	1.70	13.9	14.8
YES	Buy	949	6.0	74.6	91.8	12.7	10.3	387	460	2.45	2.06	383	459	2.48	2.07	1.71	1.72	20.9	21.7
IIB	Buy	1,065	9.6	50.5	63.8	21.1	16.7	334	389	3.19	2.74	329	383	3.23	2.78	1.92	1.96	16.2	17.6
IDFC Bk	Buy	47	2.4	3.0	4.1	15.6	11.3	42	46	1.10	1.02	40	43	1.16	1.09	1.09	1.12	7.2	9.4
FB	Neutral	50	1.3	3.7	4.5	13.4	11.2	50	53	1.00	0.94	46	50	1.08	1.00	0.64	0.65	7.7	8.7
DCBB	Buy	94	0.4	7.1	8.4	13.3	11.3	69	77	1.37	1.22	65	72	1.46	1.31	0.94	0.90	10.9	11.5
JKBK	Neutral	64	0.5	18.0	21.6	3.6	3.0	152	168	0.42	0.38	137	156	0.47	0.41	1.02	1.07	12.4	13.5
SIB	Buy	19	0.4	3.1	3.7	6.1	5.1	31	34	0.60	0.55	28	30	0.68	0.61	0.58	0.61	10.3	11.4
<b>Private Aggregate</b>		<b>121.7</b>				<b>17.4</b>	<b>14.6</b>			<b>2.35</b>	<b>2.09</b>								
SBIN (cons)*	Buy	185	21.8	24.1	28.7	7.7	6.4	243	266	0.72	0.65	193	226	0.90	0.77	0.61	0.64	10.2	11.3
PNB	Neutral	78	2.3	16.8	21.6	4.6	3.6	220	239	0.35	0.32	122	139	0.64	0.56	0.48	0.55	7.9	9.4
BOI	Neutral	86	1.0	4.0	18.7	21.3	4.6	318	334	0.27	0.26	179	232	0.48	0.37	0.05	0.19	1.3	5.7
BOB	Buy	155	5.4	16.4	20.7	9.4	7.5	171	187	0.90	0.83	126	153	1.23	1.01	0.49	0.55	9.9	11.5
CBK	Neutral	187	1.5	47.3	55.2	3.9	3.4	584	626	0.32	0.30	396	458	0.47	0.41	0.41	0.43	8.4	9.1
UNBK	Buy	116	1.2	28.2	38.4	4.1	3.0	323	354	0.36	0.33	209	240	0.55	0.48	0.45	0.54	9.1	11.3
OBC	Neutral	83	0.4	25.0	32.2	3.3	2.6	458	483	0.18	0.17	271	310	0.31	0.27	0.29	0.33	5.6	6.8
INBK	Buy	91	0.7	22.5	28.3	4.1	3.2	310	331	0.29	0.28	257	287	0.35	0.32	0.50	0.55	7.5	8.8
ANDB	Buy	51	0.5	22.8	27.9	2.2	1.8	196	216	0.26	0.24	174	198	0.29	0.26	0.62	0.65	12.2	13.6
IDBI	Neutral	66	1.9	5.7	8.7	11.4	7.5	125	132	0.52	0.50	87	97	0.76	0.67	0.29	0.39	4.7	6.8
<b>Public Aggregate</b>		<b>36.7</b>				<b>7.7</b>	<b>6.0</b>			<b>0.59</b>	<b>0.55</b>								
<b>Banks Aggregate</b>		<b>158.3</b>				<b>13.5</b>	<b>11.0</b>			<b>1.39</b>	<b>1.26</b>								
HDFC*	Buy	1,166	27.9	36.3	41.9	20.8	16.4	192	216	3.58	2.84	192	216	4.29	3.50	1.89	1.90	20.0	20.1
LICHF	Buy	457	3.5	40.1	48.6	11.4	9.4	213	252	2.14	1.81	212	251	2.16	1.82	1.51	1.51	20.4	20.9
IHFL	Buy	714	4.6	67.6	82.0	10.6	8.7	302	336	2.36	2.12	302	336	2.36	2.12	3.84	3.69	23.4	25.7
GRHF	Buy	258	1.4	8.3	10.7	31.0	24.2	28	35	9.10	7.32	28	35	9.10	7.32	2.33	2.34	32.4	33.5
REPCO	Buy	661	0.6	30.3	39.0	21.8	17.0	179	214	3.68	3.09	179	214	3.68	3.09	2.14	2.17	18.2	19.8
DEWH	Buy	204	0.9	29.4	36.2	6.9	5.6	194	221	1.05	0.92	193	221	1.06	0.92	1.18	1.20	16.1	17.4
<b>Housing Finance</b>		<b>39.0</b>				<b>19.2</b>	<b>16.2</b>			<b>3.67</b>	<b>3.26</b>								
RECL	Neutral	165	2.5	44.1	50.5	3.7	3.3	332	370	0.50	0.44	332	370	0.50	0.44	1.90	1.88	14.0	14.4
POWF	Neutral	175	3.5	41.6	43.0	4.2	4.1	310	341	0.56	0.51	310	341	0.56	0.51	2.07	1.85	14.1	13.2
<b>Infra Finance</b>		<b>6.0</b>				<b>4.0</b>	<b>3.7</b>			<b>0.53</b>	<b>0.48</b>								
SHTF	Buy	1,073	3.7	75.5	94.2	14.2	11.4	507	581	2.12	1.85	506	579	2.12	1.85	2.17	2.27	15.7	17.1
MMFS	Buy	301	2.6	15.5	18.8	19.4	16.0	119	133	2.52	2.27	107	123	2.81	2.45	2.14	2.26	13.7	15.0
BAF	Buy	7,614	6.1	302.9	366.4	25.1	20.8	1,622	1,928	4.69	3.95	1,622	1,928	4.69	3.95	3.04	2.79	20.3	20.6
MUTH	Buy	211	1.3	24.8	31.8	8.5	6.6	156	177	1.36	1.20	151	171	1.40	1.23	2.96	3.22	16.8	19.2
SKSM	Buy	605	1.2	34.7	49.3	17.4	12.3	142	179	4.28	3.38	142	179	4.28	3.38	4.76	4.91	27.9	30.7
<b>Asset Finance</b>		<b>14.8</b>				<b>17.4</b>	<b>14.0</b>			<b>2.72</b>	<b>2.47</b>								
<b>NBFC Aggregate</b>		<b>59.8</b>				<b>13.7</b>	<b>11.8</b>			<b>2.20</b>	<b>1.97</b>								
<b>Financials</b>		<b>218.1</b>				<b>13.5</b>	<b>11.2</b>			<b>1.55</b>	<b>1.40</b>								

\*Multiples adj. for value of key ventures/Investments; For ICICI Bank and HDFC Ltd BV is adjusted for investments in subsidiaries

## Financials and valuations

### Income Statement

(INR Million)

Y/E March	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E
Interest Income	218,859	296,737	351,967	389,397	429,636	440,613	435,615	478,865	533,231
Interest Expense	130,837	193,567	238,814	269,744	297,763	313,214	304,219	325,693	359,135
<b>Net Interest Income</b>	<b>88,023</b>	<b>103,170</b>	<b>113,153</b>	<b>119,653</b>	<b>131,872</b>	<b>127,398</b>	<b>131,396</b>	<b>153,172</b>	<b>174,097</b>
Change (%)	48.2	17.2	9.7	5.7	10.2	-3.4	3.1	16.6	13.7
Non Interest Income	28,092	34,223	36,306	44,627	44,020	49,989	66,837	69,838	74,480
<b>Net Income</b>	<b>116,114</b>	<b>137,393</b>	<b>149,459</b>	<b>164,281</b>	<b>175,892</b>	<b>177,387</b>	<b>198,233</b>	<b>223,010</b>	<b>248,577</b>
Change (%)	32.8	18.3	8.8	9.9	7.1	0.8	11.8	12.5	11.5
Operating Expenses	46,298	51,587	59,467	71,371	76,741	89,231	99,746	110,170	121,640
<b>Pre Provision Profits</b>	<b>69,816</b>	<b>85,806</b>	<b>89,992</b>	<b>92,910</b>	<b>99,151</b>	<b>88,156</b>	<b>98,487</b>	<b>112,840</b>	<b>126,937</b>
Change (%)	41.5	22.9	4.9	3.2	6.7	-11.1	11.7	14.6	12.5
Provisions (excl tax)	13,313	25,548	41,679	37,937	44,945	155,137	49,905	49,249	42,363
<b>PBT</b>	<b>56,503</b>	<b>60,258</b>	<b>48,312</b>	<b>54,973</b>	<b>54,206</b>	<b>-66,981</b>	<b>48,582</b>	<b>63,591</b>	<b>84,574</b>
Tax	14,086	10,188	3,505	9,562	20,222	-13,025	12,146	17,805	23,681
Tax Rate (%)	24.9	16.9	7.3	17.4	37.3	19.4	25.0	28.0	28.0
<b>PAT</b>	<b>42,417</b>	<b>50,070</b>	<b>44,807</b>	<b>45,411</b>	<b>33,984</b>	<b>-53,956</b>	<b>36,437</b>	<b>45,786</b>	<b>60,893</b>
Change (%)	38.7	18.0	-10.5	1.3	-25.2	-258.8	-167.5	25.7	33.0
<b>Equity Dividend (Incl tax)</b>	<b>7,534</b>	<b>8,123</b>	<b>10,596</b>	<b>10,837</b>	<b>8,517</b>	<b>0</b>	<b>8,490</b>	<b>10,668</b>	<b>14,188</b>
<b>Core PPP*</b>	<b>57,507</b>	<b>69,588</b>	<b>72,278</b>	<b>69,446</b>	<b>77,136</b>	<b>64,656</b>	<b>65,787</b>	<b>80,636</b>	<b>94,844</b>
Change (%)	63.1	21.0	3.9	-3.9	11.1	-16.2	1.8	22.6	17.6

\*Core PPP is (NII+Fee income-Opex)

### Balance Sheet

(INR Million)

Y/E March	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E
Equity Share Capital	3,928	4,124	4,225	4,307	4,436	4,621	4,621	4,621	4,621
Reserves & Surplus	206,003	270,645	315,469	355,550	393,918	397,369	420,316	450,433	492,138
<b>Net Worth</b>	<b>209,931</b>	<b>274,769</b>	<b>319,694</b>	<b>359,857</b>	<b>398,353</b>	<b>401,990</b>	<b>424,937</b>	<b>455,054</b>	<b>496,759</b>
<b>Deposits</b>	<b>3,054,395</b>	<b>3,848,711</b>	<b>4,738,833</b>	<b>5,688,944</b>	<b>6,175,595</b>	<b>5,740,379</b>	<b>6,429,224</b>	<b>7,200,731</b>	<b>8,064,819</b>
Change (%)	26.6	26.0	23.1	20.0	8.6	-7.0	12.0	12.0	12.0
<b>of which CASA Dep</b>	<b>875,887</b>	<b>1,035,239</b>	<b>1,199,809</b>	<b>1,464,878</b>	<b>1,629,689</b>	<b>1,513,350</b>	<b>1,688,026</b>	<b>1,916,731</b>	<b>2,199,974</b>
Change (%)	22.6	18.2	15.9	22.1	11.3	-7.1	11.5	13.5	14.8
Borrowings	223,079	235,731	265,793	368,130	352,643	334,717	362,387	400,124	440,135
Other Liabilities & Prov.	96,567	114,005	147,034	178,115	223,294	236,679	269,658	307,844	351,697
<b>Total Liabilities</b>	<b>3,583,972</b>	<b>4,473,215</b>	<b>5,471,354</b>	<b>6,595,045</b>	<b>7,149,885</b>	<b>6,713,765</b>	<b>7,486,206</b>	<b>8,363,753</b>	<b>9,353,410</b>
Current Assets	499,341	641,685	853,989	1,308,779	1,483,532	1,339,004	1,566,731	1,758,639	1,981,630
<b>Investments</b>	<b>713,966</b>	<b>832,094</b>	<b>1,213,937</b>	<b>1,161,127</b>	<b>1,168,122</b>	<b>1,204,505</b>	<b>1,324,956</b>	<b>1,457,451</b>	<b>1,603,196</b>
Change (%)	16.7	16.5	45.9	-4.4	0.6	3.1	10.0	10.0	10.0
<b>Loans</b>	<b>2,286,764</b>	<b>2,873,773</b>	<b>3,281,858</b>	<b>3,970,058</b>	<b>4,280,651</b>	<b>3,837,702</b>	<b>4,221,472</b>	<b>4,728,049</b>	<b>5,295,414</b>
Change (%)	30.6	25.7	14.2	21.0	7.8	-10.3	10.0	12.0	12.0
Fixed Assets	22,997	23,415	24,531	27,341	28,748	62,538	62,528	62,518	62,508
Other Assets	60,904	102,247	97,039	127,740	188,832	270,017	310,519	357,097	410,661
<b>Total Assets</b>	<b>3,583,972</b>	<b>4,473,215</b>	<b>5,471,354</b>	<b>6,595,045</b>	<b>7,149,885</b>	<b>6,713,765</b>	<b>7,486,206</b>	<b>8,363,753</b>	<b>9,353,410</b>

### Asset Quality

(%)

GNPA (INR m)	31,525	44,648	79,826	120,390	162,610	405,210	429,429	429,444	430,133
NNPA (INR m)	7,909	15,436	41,920	60,348	80,695	194,065	187,914	158,707	139,301
GNPA Ratio	1.36	1.54	2.40	2.99	3.73	10.01	9.62	8.59	7.70
NNPA Ratio	0.35	0.54	1.28	1.52	1.89	5.06	4.45	3.36	2.63
PCR (Excl Tech. write off)	74.9	65.4	47.5	48.5	50.4	52.1	56.2	63.0	67.6
PCR (Incl Tech. Write off)	85.0	80.1	68.2	65.5	65.0	60.1	64.0	70.3	74.5

E: MOSL Estimates

## Financials and valuations

### Ratios

Y/E March	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E
<b>Spreads Analysis (%)</b>									
<b>Avg. Yield-Earning Assets</b>	<b>7.4</b>	<b>8.0</b>	<b>7.5</b>	<b>6.8</b>	<b>6.6</b>	<b>6.8</b>	<b>6.7</b>	<b>6.6</b>	<b>6.6</b>
Avg. Yield on loans	8.0	8.7	8.4	7.7	7.5	7.3	7.2	7.2	7.2
Avg. Yield on Investments	7.2	8.0	7.3	7.3	8.1	9.0	8.5	8.3	8.3
<b>Avg. Cost-Int. Bear. Liab.</b>	<b>4.5</b>	<b>5.3</b>	<b>5.3</b>	<b>4.9</b>	<b>4.7</b>	<b>5.0</b>	<b>4.7</b>	<b>4.5</b>	<b>4.5</b>
Avg. Cost of Deposits	4.3	5.1	5.2	4.8	4.7	4.8	4.4	4.2	4.1
<b>Interest Spread</b>	<b>2.9</b>	<b>2.7</b>	<b>2.3</b>	<b>1.9</b>	<b>1.9</b>	<b>1.9</b>	<b>2.0</b>	<b>2.1</b>	<b>2.1</b>
<b>Net Interest Margin</b>	<b>3.0</b>	<b>2.8</b>	<b>2.4</b>	<b>2.1</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.1</b>	<b>2.2</b>

### Profitability Ratios (%)

RoE	25.2	22.1	16.1	14.4	9.7	-15.2	10.3	11.8	14.2
RoA	1.3	1.2	0.9	0.8	0.5	-0.8	0.5	0.6	0.7
Int. Expense/Int.Income	59.8	65.2	67.9	69.3	69.3	71.1	69.8	68.0	67.4
Fee Income/Net Income	15.4	15.2	16.6	16.2	17.9	18.1	18.2	17.8	17.8
Non Int. Inc./Net Income	24.2	24.9	24.3	27.2	25.0	28.2	33.7	31.3	30.0

### Efficiency Ratios (%)

Cost/Income*	42.5	40.3	42.5	47.2	46.3	53.9	55.7	53.4	51.9
Empl. Cost/Op. Exps.	63.0	57.9	58.0	58.0	55.5	55.8	53.3	51.4	49.4
Busi. per Empl. (Rs m)	118.7	143.0	171.0	192.2	203.7	199.7	189.9	200.6	213.4
NP per Empl. (Rs lac)	1.1	1.2	1.0	1.0	0.7	-1.1	0.7	0.8	1.0

\* ex treasury and RWO

### Asset-Liability Profile (%)

Loans/Deposit Ratio	74.9	74.7	69.3	69.8	69.3	66.9	65.7	65.7	65.7
CASA Ratio	28.7	26.9	25.3	25.7	26.4	26.4	26.3	26.6	27.3
Investment/Deposit Ratio	23.4	21.6	25.6	20.4	18.9	21.0	20.6	20.2	19.9
G-Sec/Investment Ratio	84.0	83.3	84.2	82.5	83.0	82.0	83.4	85.0	86.5
CAR	14.5	14.7	13.3	12.3	12.6	13.2	12.8	12.4	12.2
Tier 1	10.0	10.8	10.1	9.3	9.9	10.8	10.5	10.2	10.0

### Valuation

Book Value (INR)	100.3	124.2	141.5	153.7	166.4	147.7	159.8	175.0	195.2
Change (%)	30.8	23.8	13.9	8.7	8.2	-11.2	8.2	9.5	11.6
<b>Price-BV (x)</b>		<b>1.2</b>	<b>1.1</b>	<b>1.0</b>	<b>0.9</b>	<b>1.0</b>	<b>1.0</b>	<b>0.9</b>	<b>0.8</b>
Adjusted BV (INR)	97.7	119.3	128.6	135.5	142.7	93.1	106.9	130.3	156.0
<b>Price-ABV (x)</b>		<b>1.3</b>	<b>1.2</b>	<b>1.1</b>	<b>1.1</b>	<b>1.7</b>	<b>1.4</b>	<b>1.2</b>	<b>1.0</b>
EPS (INR)	21.6	24.3	21.2	21.1	15.3	-23.4	15.8	19.8	26.4
Change (%)	29.1	12.4	-12.7	-0.6	-27.3	-252.4	-167.5	25.7	33.0
<b>Price-Earnings (x)</b>		<b>6.4</b>	<b>7.3</b>	<b>7.3</b>	<b>10.1</b>	<b>-6.6</b>	<b>9.8</b>	<b>7.8</b>	<b>5.9</b>
Dividend Per Share (INR)	3.3	3.4	4.3	4.3	3.2	0.0	3.2	4.0	5.3
<b>Dividend Yield (%)</b>		<b>2.2</b>	<b>2.8</b>	<b>2.8</b>	<b>2.1</b>	<b>0.0</b>	<b>2.0</b>	<b>2.6</b>	<b>3.4</b>

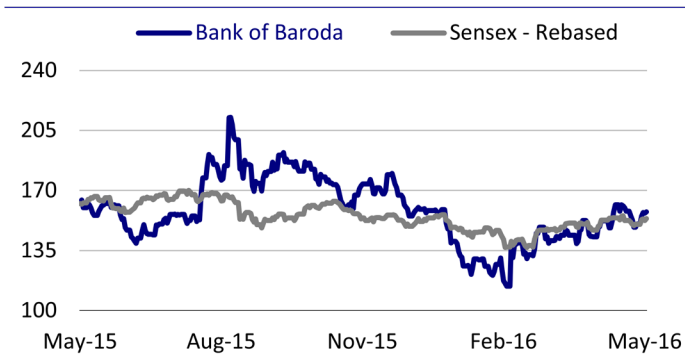
E: MOSL Estimates

## Corporate profile: Bank of Baroda

### Company description

Bank of Baroda (BoB), established in 1908, is amongst the oldest commercial banks in India with a substantial footprint in the domestic and international markets. BoB has a wide presence overseas with almost one-third of the total business, coming from its international business. As of Mar-16, BOB has a network of 5,436 domestic branches, 105 overseas branches and 10,110 ATMs. The Government of India holds 59.2% stake in the bank.

### Exhibit 24: Sensex rebased



### Exhibit 22: Shareholding pattern (%)

	Mar-16	Dec-15	Mar-15
Promoter	59.2	59.2	57.5
DII	22.4	21.8	17.8
FII	11.5	11.9	16.5
Others	7.0	7.1	8.2

Note: FII Includes depository receipts

### Exhibit 24: Top management

Name	Designation
Ranjan Dhawan	Executive Director
Bhuwanchandra B. Joshi	Executive Director
Rupa Nitsure	Chief Economist

### Exhibit 23: Top holders

Holder Name	% Holding
LIC OF INDIA FORTUNE PLUS SECURED FUND	11.9
HDFC TRUSTEE COMPANY LIMITED HDFC EQUITY	4.3
ICICI Prudential Midcap Fund	1.5
COPTHALL MAURITIUS INVESTMENT LIMITED	1.1

### Exhibit 25: Directors

Name	Name
Surekha Marandi	Ranjan Dhawan
Prem Kuma Makkar	Bhuwanchandra B Joshi
R Narayanaswami	Mohammad Mustafa
Bharatkumar Dhirubhai Dangar	

\*Independent

### Exhibit 26: Auditors

Name	Type
KASG & Co	Statutory
Khandelwal Jain & Co	Statutory
Laxminiwas Neeth & Co	Statutory
N B S & Co	Statutory
Ray & Ray	Statutory
S K Mittal & Co	Statutory

### Exhibit 27: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY16	-23.4	-7.2	225.3
FY17	34.7	12.4	178.9
FY18	49.3	19.4	154.3

NOTES

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### Bank of Baroda

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No

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