

Bank of Baroda

| | |
|-----------------|---|
| Estimate change | ↔ |
| TP change | ↔ |
| Rating change | ↔ |

| | |
|-----------------------|--------------|
| Bloomberg | BOB IN |
| Equity Shares (m) | 5178 |
| M.Cap.(INRb)/(USD\$) | 963.7 / 11.7 |
| 52-Week Range (INR) | 197 / 90 |
| 1, 6, 12 Rel. Per (%) | 6/15/71 |
| 12M Avg Val (INR M) | 4162 |

Financials & Valuations (INR b)

| Y/E March | FY23 | FY24E | FY25E |
|---------------|-------|-------|-------|
| NII | 413.6 | 478.9 | 541.5 |
| OP | 268.6 | 318.1 | 372.2 |
| NP | 141.1 | 170.8 | 197.3 |
| NIM (%) | 3.2 | 3.2 | 3.2 |
| EPS (INR) | 27.3 | 33.0 | 38.1 |
| EPS Gr. (%) | 94.0 | 21.0 | 15.6 |
| BV/Sh. (INR) | 182 | 209 | 241 |
| ABV/Sh. (INR) | 166 | 192 | 222 |

Ratios

| | | | |
|---------|------|------|------|
| RoE (%) | 15.3 | 16.2 | 16.4 |
| RoA (%) | 1.0 | 1.1 | 1.1 |

Valuations

| | | | |
|-----------|-----|-----|-----|
| P/E(X) | 6.8 | 5.7 | 4.9 |
| P/BV (X) | 1.0 | 0.9 | 0.8 |
| P/ABV (X) | 1.1 | 1.0 | 0.8 |

Shareholding pattern (%)

| As On | Mar-23 | Dec-22 | Mar-22 |
|----------|--------|--------|--------|
| Promoter | 64.0 | 64.0 | 64.0 |
| DII | 17.0 | 17.7 | 15.1 |
| FII | 10.9 | 10.2 | 9.1 |
| Others | 8.1 | 8.1 | 11.8 |

FII Includes depository receipts

CMP: INR186 TP: INR240 (+29%) Buy

Earnings momentum robust; margin expands 16bp QoQ

Asset quality improves further

- Bank of Baroda (BOB) reported a strong quarter as PPOP grew 43% YoY, aided by higher other income and lower provisions. These resulted in strong earnings beat. Business growth was healthy with loans rising 5.6% QoQ and margins expanding 16bp QoQ in 4QFY23.
- Asset quality improved as slippages remained controlled at INR27.4b, which coupled with healthy recoveries/upgrades resulted in GNPA/NNPA ratio moderating to 3.8%/0.9%. PCR was stable at ~77% in 4QFY23. Total SMA 1/2 (>INR50m) was controlled at 32bp of loans, while restructured book moderated to 1.5% of loans during the quarter.
- We maintain our earnings estimate on the stock and estimate FY25 RoA/RoE of 1.1%/16.4%. We value the stock at INR240 (premised on 1.1x Sep'24E ABV). We reiterate our BUY rating on BOB.**

NIMs expand 16bp QoQ; PCR stable at 77%

- BOB reported a PAT of INR47.8b (11% beat), driven by higher other income and lower provisions. NII grew 34% YoY (up 6.5% QoQ; in line) as margin expanded 16bp QoQ to 3.53% in 4QFY23.
- Other income jumped 37% YoY to INR34.7b, aided by higher recoveries from written-off accounts. Treasury income came in at INR1.2b v/s INR9.6b in 3QFY23. Core fee income grew 5% YoY (+11% QoQ). Opex rose 26% YoY. C/I ratio, thus, increased to 46.1% in 4QFY23.
- BOB's PPOP grew 43% YoY to INR80.7b (in line), while core PPOP rose 26% YoY. For FY23, NII/PPoP/PAT increased 27%/20%/94% YoY to INR414b/INR269b/ INR141.1b.
- Advances grew 5.6% QoQ (up 21% YoY). Among segments, Retail loans grew 6.7% QoQ (26.8% YoY), while Corporate book rose 3% QoQ. SME/Agri book grew 5%/4% QoQ. Deposits jumped 15% YoY (4.7% QoQ). Domestic CASA ratio improved 62bp QoQ to 42.3%.
- On the asset quality front, BOB's slippages were controlled at INR27.4b (~1.2% annualized), which coupled with healthy recoveries led to 74bp/ 10bp QoQ improvement in GNPA/NNPA ratios to 3.8%/0.9%. PCR was stable at ~77%. Further, total SMA 1/2 (>INR50m) book was modest at 0.32%, while restructuring book stood at INR160b (1.5% of loans) during the quarter.

Highlights from the management commentary

- Retail loan growth is expected at 1.5x of total loan growth. Overall, management has guided for an advances growth of 13%-14% in FY24.
- Margin for FY24 is likely to remain around the FY23 level (3.31% for FY23).
- The bank has guided for an ROE of 16%-18% and ROA of 1% for FY24.
- Management has guided for a credit cost of ~1% under normal cycle. ECL requirement is likely to be at ~1.0%-1.5% of total loans.

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Valuation and view

With healthy other income and lower provisions driving earnings, BOB reported a strong quarter with RoA/RoE of 1.34%/24.8%. Margin expanded to 3.53%. Business growth was healthy at 5.6% QoQ, aided by strong traction across segments while CASA mix too saw an increase. Asset quality continues to improve with NNPA at 0.9%. A lower SMA book and controlled restructuring provide further comfort on asset quality. **We maintain our earnings estimate on the stock and estimate FY25 RoA/RoE of 1.1%/16.4%. We value the stock at INR240 (premised on 1.1x Sep'24E ABV). We reiterate our BUY rating on BOB.**

Quarterly performance**(INR b)**

| | FY22 | | | | FY23 | | | | FY22 | FY23 | FY23E | V/s |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | | 4QE | Est. |
| Net Interest Income | 78.9 | 75.7 | 85.5 | 86.1 | 88.4 | 101.7 | 108.2 | 115.2 | 326.2 | 413.6 | 113.9 | 1% |
| % Change (YoY) | 15.8 | 2.1 | 14.4 | 21.2 | 12.0 | 34.5 | 26.5 | 33.8 | 13.2 | 26.8 | 32.3 | |
| Other Income | 28.6 | 35.8 | 25.2 | 25.2 | 11.8 | 18.3 | 35.5 | 34.7 | 114.8 | 100.3 | 32.0 | 8% |
| Total Income | 107.5 | 111.5 | 110.7 | 111.3 | 100.2 | 120.0 | 143.7 | 149.9 | 441.1 | 513.8 | 145.9 | 3% |
| Operating Expenses | 51.5 | 54.8 | 55.9 | 55.0 | 54.9 | 59.7 | 61.4 | 69.2 | 217.2 | 245.2 | 64.3 | 8% |
| Operating Profit | 56.0 | 56.7 | 54.8 | 56.4 | 45.3 | 60.3 | 82.3 | 80.7 | 223.9 | 268.6 | 81.7 | -1% |
| % Change (YoY) | 38.6 | 5.8 | 7.9 | -9.6 | -19.2 | 6.4 | 50.1 | 43.3 | 5.6 | 20.0 | 44.9 | |
| Provisions | 40.1 | 27.5 | 25.1 | 37.4 | 16.8 | 16.3 | 24.0 | 14.2 | 130.0 | 71.4 | 25.0 | -43% |
| Profit before Tax | 16.0 | 29.2 | 29.8 | 19.0 | 28.4 | 44.0 | 58.3 | 66.5 | 93.9 | 197.3 | 56.7 | 17% |
| Tax | 3.9 | 8.3 | 7.8 | 1.2 | 6.7 | 10.9 | 19.8 | 18.8 | 21.1 | 56.2 | 13.6 | 38% |
| Net Profit | 12.1 | 20.9 | 22.0 | 17.8 | 21.7 | 33.1 | 38.5 | 47.8 | 72.7 | 141.1 | 43.1 | 11% |
| % Change (YoY) | NM | 24.4 | 107.1 | NM | 79.4 | 58.7 | 75.4 | 168.5 | 777.3 | 94.0 | 142.4 | |
| Operating Parameters | | | | | | | | | | | | |
| Deposit (INR b) | 9,313 | 9,595 | 9,780 | 10,459 | 10,327 | 10,902 | 11,495 | 12,037 | 10,459 | 12,037 | 11,819 | 2% |
| Loan (INR b) | 6,684 | 6,938 | 7,322 | 7,772 | 7,996 | 8,366 | 8,907 | 9,410 | 7,772 | 9,410 | 9,209 | 2% |
| Deposit Growth (%) | (0.3) | 0.5 | 2.5 | 8.2 | 10.9 | 13.6 | 17.5 | 15.1 | 8.2 | 15.1 | 13.0 | 208 |
| Loan Growth (%) | (2.7) | 3.6 | 4.8 | 10.0 | 19.6 | 20.6 | 21.7 | 21.1 | 10.0 | 21.1 | 18.5 | 258 |
| Asset Quality | | | | | | | | | | | | |
| Gross NPA (%) | 8.9 | 8.1 | 7.3 | 6.6 | 6.3 | 5.3 | 4.5 | 3.8 | 6.6 | 3.8 | 4.2 | (37) |
| Net NPA (%) | 3.0 | 2.8 | 2.3 | 1.7 | 1.6 | 1.2 | 1.0 | 0.9 | 1.7 | 0.9 | 0.9 | (1) |
| PCR (%) | 67.9 | 67.1 | 70.6 | 75.3 | 75.9 | 79.1 | 78.8 | 77.2 | 75.3 | 77.2 | 79.1 | (188) |

Quarterly snapshot

| INR b | FY21 | | | | FY22 | | | | FY23 | | | | Change (%) | |
|---------------------------------|-------|-------|-------|-------|-------|-------|-------|--------|--------|--------|--------|--------|--------------|------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | YoY | QoQ |
| Profit and Loss | | | | | | | | | | | | | | |
| Net Interest Income | 68.2 | 74.1 | 74.8 | 71.1 | 78.9 | 75.7 | 85.5 | 86.1 | 88.4 | 101.7 | 108.2 | 115.2 | 34 | 7 |
| Other Income | 18.2 | 29.1 | 29.1 | 48.2 | 28.6 | 35.8 | 25.2 | 25.2 | 11.8 | 18.3 | 35.5 | 34.7 | 37 | -2 |
| Trading profits | 5.4 | 10.1 | 9.3 | 8.7 | 8.4 | 11.7 | 4.5 | -6.8 | -7.7 | -2.4 | 9.6 | 1.2 | -118 | -87 |
| Forex Income | 3.1 | 2.3 | 2.1 | 3.0 | 4.0 | 1.5 | 1.5 | 2.1 | 1.9 | -2.0 | 1.8 | 1.8 | -17 | -2 |
| Recoveries | 0.9 | 3.4 | 5.1 | 20.4 | 3.6 | 7.2 | 5.2 | 9.2 | 4.2 | 6.0 | 8.1 | 14.5 | 58 | 78 |
| Others | 8.7 | 13.3 | 12.7 | 16.0 | 12.6 | 15.4 | 14.1 | 20.8 | 13.6 | 16.6 | 16.0 | 17.2 | -17 | 8 |
| Total Income | 86.3 | 103.2 | 103.9 | 119.2 | 107.5 | 111.5 | 110.7 | 111.3 | 100.2 | 120.0 | 143.7 | 149.9 | 35 | 4 |
| Operating Expenses | 45.9 | 49.6 | 53.0 | 56.9 | 51.5 | 54.8 | 55.9 | 55.0 | 54.9 | 59.7 | 61.4 | 69.2 | 26 | 13 |
| Employee | 25.2 | 27.5 | 30.5 | 31.2 | 30.6 | 31.1 | 31.0 | 27.0 | 30.4 | 31.8 | 33.5 | 37.8 | 40 | 13 |
| Others | 20.7 | 22.1 | 22.5 | 25.6 | 20.9 | 23.6 | 24.9 | 28.0 | 24.5 | 27.9 | 27.9 | 31.4 | 12 | 12 |
| Operating Profits | 40.4 | 53.6 | 50.8 | 62.3 | 56.0 | 56.7 | 54.8 | 56.4 | 45.3 | 60.3 | 82.3 | 80.7 | 43 | -2 |
| Core Operating Profits | 35.0 | 43.6 | 41.6 | 53.6 | 47.6 | 45.0 | 50.4 | 63.2 | 53.0 | 62.7 | 72.7 | 79.5 | 26 | 9 |
| Provisions | 53.5 | 28.1 | 34.5 | 35.6 | 40.1 | 27.5 | 25.1 | 37.4 | 16.8 | 16.3 | 24.0 | 14.2 | -62 | -41 |
| NPA provisions | 34.6 | 22.8 | 20.8 | 45.9 | 25.6 | 26.0 | 42.8 | 52.0 | 15.6 | 16.5 | 8.2 | 3.2 | -94 | -61 |
| Provisions on Inv. | 0.5 | 0.1 | -1.0 | 4.4 | -0.2 | 0.2 | 4.5 | 1.2 | 2.0 | -1.3 | 14.1 | 2.2 | 87 | -84 |
| PBT | -13.1 | 25.5 | 16.3 | 26.8 | 16.0 | 29.2 | 29.8 | 19.0 | 28.4 | 44.0 | 58.3 | 66.5 | 250 | 14 |
| Taxes | -4.4 | 8.7 | 5.7 | 37.3 | 3.9 | 8.3 | 7.8 | 1.2 | 6.7 | 10.9 | 19.8 | 18.8 | 1,464 | -5 |
| PAT | -8.6 | 16.8 | 10.6 | -10.5 | 12.1 | 20.9 | 22.0 | 17.8 | 21.7 | 33.1 | 38.5 | 47.8 | 168 | 24 |
| Balance Sheet (INR b) | | | | | | | | | | | | | | |
| Deposits | 9,345 | 9,543 | 9,546 | 9,670 | 9,313 | 9,595 | 9,780 | 10,459 | 10,327 | 10,902 | 11,495 | 12,037 | 15 | 5 |
| Loans | 6,867 | 6,699 | 6,987 | 7,063 | 6,684 | 6,938 | 7,322 | 7,772 | 7,996 | 8,366 | 8,907 | 9,410 | 21 | 6 |
| Asset Quality (INR b) | | | | | | | | | | | | | | |
| GNPA | 691.3 | 657.0 | 631.8 | 666.7 | 630.3 | 595.0 | 560.0 | 540.6 | 525.9 | 463.7 | 418.6 | 367.6 | -32 | -12 |
| NNPA | 194.5 | 167.9 | 166.7 | 218.0 | 202.6 | 196.0 | 164.6 | 133.6 | 126.5 | 96.7 | 88.5 | 83.8 | -37 | -5 |
| Slippages | 30.0 | 15.2 | 45.6 | 122.7 | 61.9 | 58.0 | 34.9 | 57.8 | 43.5 | 44.7 | 28.8 | 27.4 | -53 | -5 |
| Ratios | FY21 | | | | FY22 | | | | FY23 | | | | Change (bps) | |
| Asset Quality (%) | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | YoY | QoQ |
| GNPA | 9.4 | 9.1 | 8.5 | 8.9 | 8.9 | 8.1 | 7.3 | 6.6 | 6.3 | 5.3 | 4.5 | 3.8 | -282 | -74 |
| NNPA | 2.8 | 2.5 | 2.4 | 3.1 | 3.0 | 2.8 | 2.3 | 1.7 | 1.6 | 1.2 | 1.0 | 0.9 | -83 | -10 |
| PCR | 83.3 | 85.4 | 85.5 | 81.8 | 83.1 | 83.4 | 86.0 | 88.7 | 89.4 | 91.7 | 92.3 | 92.4 | 372 | 9 |
| Credit Cost | 3.2 | 1.4 | 2.0 | 2.6 | 2.4 | 1.5 | 1.4 | 2.8 | 0.9 | 0.9 | 1.2 | 0.7 | -214 | -52 |
| Business Ratios (%) | | | | | | | | | | | | | | |
| Fees to Total Income | 14.8 | 18.4 | 19.1 | 33.1 | 18.8 | 21.6 | 18.7 | 28.8 | 19.5 | 17.2 | 18.0 | 22.3 | -648 | 429 |
| Cost to Core Income | 56.7 | 53.2 | 56.0 | 51.5 | 52.0 | 54.9 | 52.6 | 46.5 | 50.9 | 48.8 | 45.8 | 46.5 | -1 | 75 |
| Tax Rate | 33.9 | 34.2 | 35.1 | 139.1 | 24.2 | 28.4 | 26.2 | 6.3 | 23.7 | 24.8 | 33.9 | 28.2 | 2,189 | -568 |
| CASA Reported | 39.5 | 39.8 | 41.2 | 42.9 | 43.2 | 43.5 | 44.3 | 44.2 | 44.2 | 42.8 | 41.6 | 42.3 | -199 | 62 |
| Loan/Deposit | 73.5 | 70.2 | 73.2 | 73.0 | 71.8 | 72.3 | 74.9 | 74.3 | 77.4 | 76.7 | 77.5 | 78.2 | 387 | 69 |
| CAR | 12.8 | 13.3 | 12.9 | 15.0 | 15.4 | 15.6 | 15.5 | 15.7 | 15.5 | 15.3 | 14.9 | 16.2 | 56 | 131 |
| Tier I | 10.3 | 10.8 | 10.6 | 12.7 | 13.1 | 13.2 | 13.2 | 13.2 | 13.0 | 12.8 | 12.6 | 14.0 | 81 | 137 |
| Profitability Ratios (%) | | | | | | | | | | | | | | |
| Yield on loans | 8.1 | 8.0 | 8.0 | 7.3 | 7.7 | 7.4 | 7.8 | 7.6 | 7.4 | 8.0 | 8.5 | 9.0 | 148 | 58 |
| Yield On Investments | 6.8 | 6.5 | 6.5 | 6.5 | 6.1 | 6.4 | 6.3 | 6.3 | 6.3 | 6.5 | 6.6 | 6.6 | 30 | 6 |
| Cost of Deposits | 4.5 | 4.0 | 3.9 | 3.7 | 3.6 | 3.5 | 3.5 | 3.5 | 3.5 | 3.6 | 4.0 | 4.4 | 90 | 42 |
| Margins | 2.5 | 2.8 | 2.8 | 2.7 | 3.0 | 2.9 | 3.1 | 3.1 | 3.0 | 3.3 | 3.4 | 3.5 | 45 | 16 |
| RoA | -0.3 | 0.6 | 0.4 | -0.4 | 0.4 | 0.7 | 0.7 | 0.6 | 0.7 | 1.0 | 1.1 | 1.3 | 77 | 21 |



Highlights from the management commentary

Balance Sheet and P&L

- Going forward, growth in the international book should be in line with the overall book
- Retail loan growth is expected at 1.5x of total loan growth. Overall, management has guided for an advances growth of 13%-14% in FY24.
- Margin for FY24 is likely to remain around the FY23 level (3.31% for FY23).
- Home loans have grown by 19% YoY in 4QFY23, which have NPA of 1.5%
- Corporate segment will be contributing more to the growth of the bank going forward despite a decline in share in FY23
- Domestic CD ratio stood at 75% as on 4QFY23 and the bank expects a higher utilization of deposits going forward
- Operating matrix is kicking in leading to higher profits at operational as well as post-tax levels
- Opex was high due to wage revision and performance-linked bonus that have been accounted for in 4QFY23
- Wage revision provision stood at INR5b in FY23 (for five months from Nov'22)
- The bank expects deposit growth to be self-sufficient to take care of advances growth for FY24
- **Credit card subsidiary:** Bank is looking for strategic investors. The subsidiary reported a 76% YoY growth in FY23 with ~0.27m new credit cards being issued in 4QFY23.
- The bank has guided for an ROE of 16%-18% and ROA of 1% for FY24E.
- The bank is looking to list its life Insurance subsidiary in the near term and has received the approval from SEBI for filing of DRHP

Asset quality

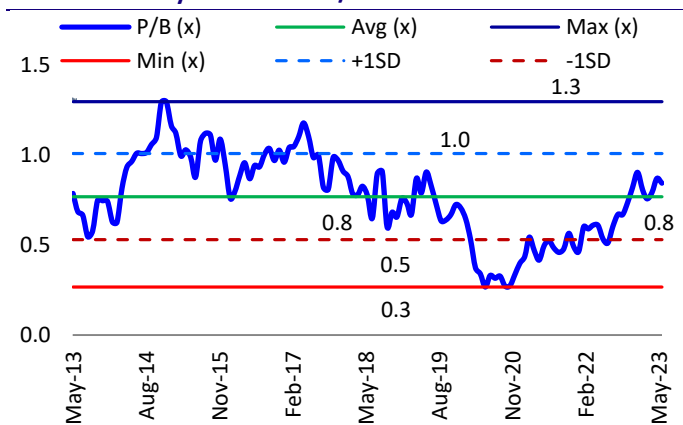
- SMA 1 and 2 book stood at 0.32% while restructured book was at 1.5% amounting to INR160b
- Recoveries are expected to be more than the slippages in FY24 and beyond
- **NACL** – no account has been settled in FY23. For FY24, 5-6 accounts are under process
- The bank has guided for a credit cost of ~1% under normal cycle. ECL requirement is likely to be ~1.0%-1.5% of total loans.
- Bank has made provisions of INR5b for the stressed airline, which is still a standard asset. The bank holds a tangible security and guarantee amounting to INR10b.

Valuation and view: Reiterate BUY

- CET-I ratio stood healthy at ~12%. Hence, BOB appears well capitalized for incremental growth opportunities, likely to be driven by the Retail loans. Conversely, the corporate book is witnessing a healthy recovery and is likely to sustain the momentum, resulting in a healthy loan growth.
- The asset quality outlook has improved significantly as the bank reported a decline in the GNPA/NNPA ratio by 74bp/10bp QoQ. PCR was stable at ~77%. Further, total SMA 1/2 (>INR50m) was controlled at 0.32%, providing comfort on incremental slippages. Collection efficiency (ex-Agri) stood healthy at 98% in Mar'23.

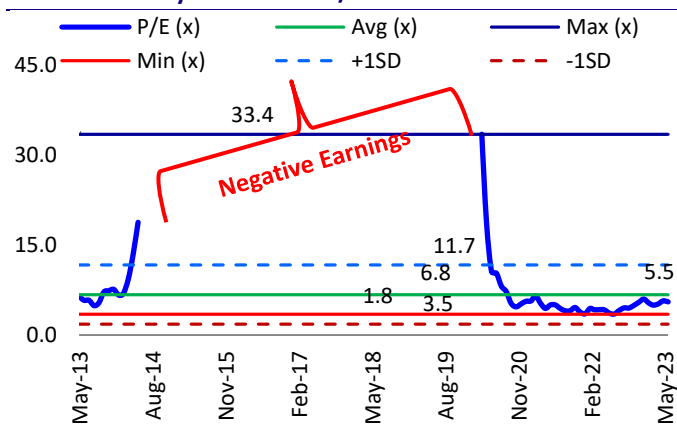
- **Reiterate BUY with a TP of INR240:** With healthy other income and lower provisions driving earnings, BOB reported a strong quarter with RoA/RoE of 1.34%/24.8%. Margin expanded to 3.53%. Business growth was healthy at 5.6% QoQ, aided by strong traction across segments while CASA mix too saw an increase. Asset quality continues to improve with NNPA at 0.9%. A lower SMA book and controlled restructuring provide further comfort on asset quality. **We maintain our earnings estimate on the stock and estimate FY25 RoA/RoE of 1.1%/16.4%. We value the stock at INR240 (premised on 1.1x Sep'24E ABV). We reiterate our BUY rating on BOB.**

Exhibit 1: One-year forward P/B



Source: MOFSL, Company

Exhibit 2: One-year forward P/E



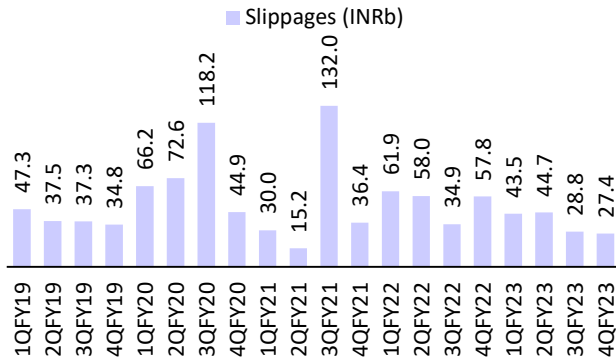
Source: MOFSL, Company

Exhibit 3: DuPont analysis – expect return ratios to remain healthy over FY23-25

| Y/E MARCH | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
|-------------------------------|--------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|
| Interest Income | 6.17 | 6.63 | 7.84 | 6.09 | 5.74 | 6.55 | 6.94 | 6.94 |
| Interest Expense | 3.98 | 4.17 | 5.01 | 3.60 | 3.06 | 3.53 | 3.86 | 3.87 |
| Net Interest Income | 2.19 | 2.46 | 2.83 | 2.49 | 2.68 | 3.02 | 3.08 | 3.07 |
| Fee income | 0.68 | 0.71 | 0.78 | 0.83 | 0.72 | 0.70 | 0.74 | 0.77 |
| Trading and others | 0.27 | 0.13 | 0.28 | 0.29 | 0.22 | 0.03 | 0.03 | 0.02 |
| Other income | 0.94 | 0.84 | 1.06 | 1.12 | 0.94 | 0.73 | 0.77 | 0.79 |
| Total Income | 3.14 | 3.30 | 3.90 | 3.61 | 3.63 | 3.76 | 3.84 | 3.86 |
| Operating Expenses | 1.44 | 1.50 | 1.95 | 1.78 | 1.78 | 1.79 | 1.80 | 1.75 |
| Employee cost | 0.65 | 0.67 | 0.99 | 0.99 | 0.98 | 1.0 | 1.0 | 1.0 |
| Others | 0.79 | 0.83 | 0.96 | 0.79 | 0.80 | 0.82 | 0.81 | 0.79 |
| Operating Profits | 1.70 | 1.80 | 1.95 | 1.83 | 1.84 | 1.96 | 2.04 | 2.11 |
| Core operating Profits | 1.43 | 1.67 | 1.67 | 1.54 | 1.62 | 1.93 | 2.02 | 2.09 |
| Provisions | 2.09 | 1.70 | 2.14 | 1.35 | 1.07 | 0.52 | 0.58 | 0.61 |
| NPA | 2.03 | 1.64 | 1.70 | 1.05 | 1.21 | 0.52 | 0.55 | 0.59 |
| Others | 0.06 | 0.06 | 0.43 | 0.30 | -0.15 | 0.00 | 0.03 | 0.03 |
| PBT | -0.39 | 0.09 | -0.19 | 0.48 | 0.77 | 1.44 | 1.46 | 1.49 |
| Tax | -0.05 | 0.04 | -0.24 | 0.41 | 0.17 | 0.41 | 0.37 | 0.38 |
| RoA (%) | -0.34 | 0.06 | 0.06 | 0.07 | 0.60 | 1.03 | 1.10 | 1.12 |
| Leverage (x) | 18.0 | 15.9 | 15.8 | 15.5 | 14.9 | 14.9 | 14.8 | 14.6 |
| RoE (%) | -6.2 | 0.9 | 0.9 | 1.1 | 8.9 | 15.3 | 16.2 | 16.4 |

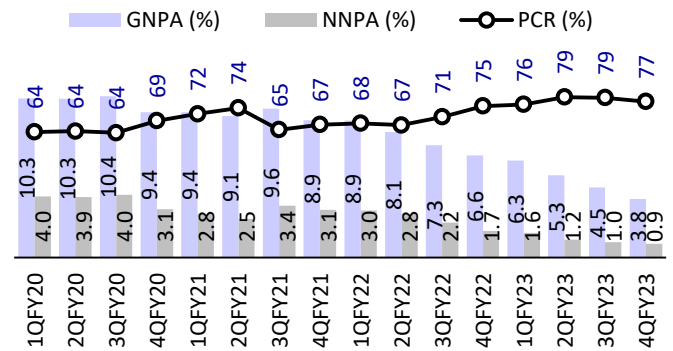
Story in charts

Exhibit 4: Slippages were stable at INR27b



*Including pro forma slippages in 3QFY21 Source: MOFSL, Company

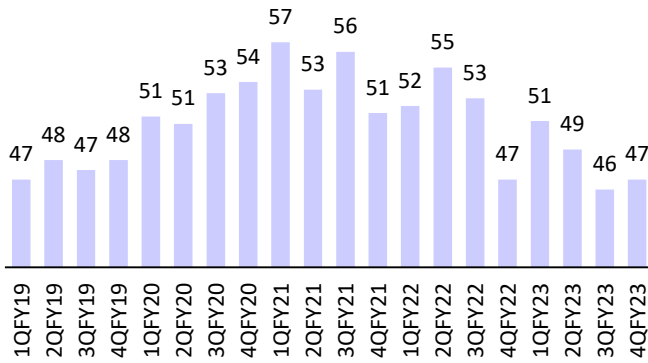
Exhibit 5: Asset quality continued to improve; calculated PCR stable at ~77%



*Pro forma as of 3QFY21

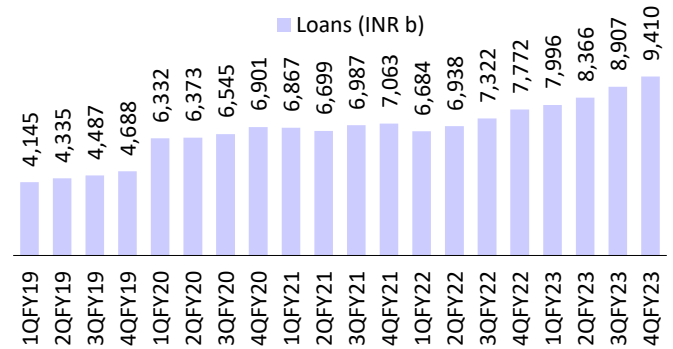
Source: MOFSL, Company

Exhibit 6: Cost-to-core income stood at ~47%



Source: MOFSL, Company

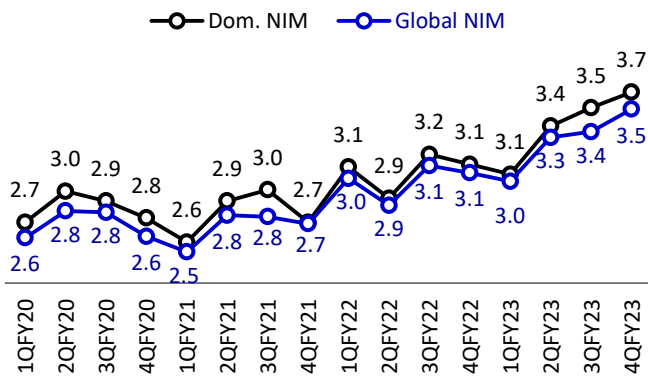
Exhibit 7: Loan book grew ~21% YoY (up 5.6% QoQ)



*FY19 is for the standalone entity

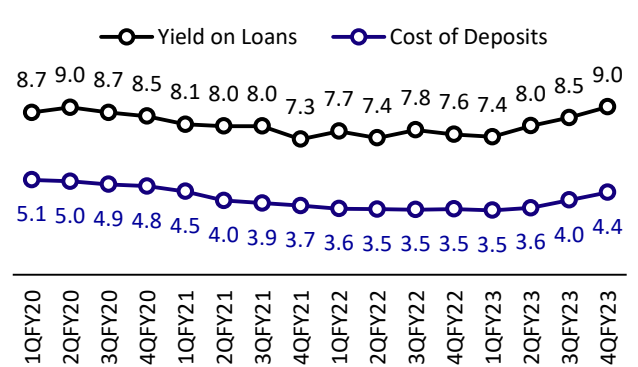
Source: MOFSL, Company

Exhibit 8: Domestic/Global NIMs expanded 11bp/16bp QoQ



Source: MOFSL, Company

Exhibit 9: Loan yield expanded 58bp QoQ to 9.03%; CoD increased to 4.43% (up 42bp QoQ)



Source: MOFSL, Company

Financials and valuations

| Income Statement | | | | | | | (INR b) | |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Y/E March | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
| Interest Income | 436.5 | 497.7 | 759.8 | 705.0 | 698.8 | 895.9 | 1,080.4 | 1,224.4 |
| Interest Expense | 281.3 | 312.9 | 485.3 | 416.9 | 372.6 | 482.3 | 601.5 | 682.9 |
| Net Interest Income | 155.2 | 184.8 | 274.5 | 288.1 | 326.2 | 413.6 | 478.9 | 541.5 |
| Growth (%) | 14.9 | 19.1 | 48.5 | 4.9 | 13.2 | 26.8 | 15.8 | 13.1 |
| Non-Interest Income | 66.6 | 62.9 | 103.2 | 129.3 | 114.8 | 100.3 | 119.3 | 139.6 |
| Total Income | 221.8 | 247.7 | 377.7 | 417.4 | 441.1 | 513.8 | 598.2 | 681.1 |
| Growth (%) | 9.4 | 11.7 | 52.4 | 10.5 | 5.7 | 16.5 | 16.4 | 13.9 |
| Operating Expenses | 101.7 | 112.9 | 188.7 | 205.4 | 217.2 | 245.2 | 280.1 | 308.8 |
| Pre Provision Profits | 120.1 | 134.9 | 189.0 | 212.0 | 223.9 | 268.6 | 318.1 | 372.2 |
| Growth (%) | 9.4 | 12.3 | 40.1 | 12.2 | 5.6 | 20.0 | 18.4 | 17.0 |
| Core PPP | 101.3 | 125.0 | 161.5 | 178.2 | 196.6 | 264.0 | 314.1 | 368.9 |
| Growth (%) | 21.2 | 23.4 | 29.2 | 10.4 | 10.3 | 34.3 | 19.0 | 17.4 |
| Provisions (excl. tax) | 148.0 | 127.9 | 207.0 | 156.4 | 130.0 | 71.4 | 90.4 | 108.4 |
| PBT | -27.9 | 7.0 | -18.0 | 55.6 | 93.9 | 197.3 | 227.7 | 263.8 |
| Tax | -3.6 | 2.6 | -23.5 | 47.3 | 21.1 | 56.2 | 56.9 | 66.5 |
| Tax Rate (%) | 12.9 | 37.9 | 130.3 | 85.1 | 22.5 | 28.5 | 25.0 | 25.2 |
| PAT | -24.3 | 4.3 | 5.5 | 8.3 | 72.7 | 141.1 | 170.8 | 197.3 |
| Growth (%) | NM | NM | 26.0 | 51.8 | NM | 94.0 | 21.0 | 15.6 |

| Balance Sheet | | | | | | | | |
|-------------------------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Y/E March | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
| Equity Share Capital | 5.3 | 5.3 | 9.3 | 10.4 | 10.4 | 10.4 | 10.4 | 10.4 |
| Reserves & Surplus | 428.6 | 504.5 | 709.3 | 760.1 | 848.7 | 971.9 | 1,112.6 | 1,278.7 |
| Net Worth | 433.9 | 509.8 | 718.6 | 770.5 | 859.1 | 982.2 | 1,123.0 | 1,289.1 |
| Deposits | 5,913.1 | 6,386.9 | 9,459.8 | 9,670.0 | 10,459.4 | 12,036.9 | 13,601.7 | 15,369.9 |
| Growth (%) | -1.7 | 8.0 | 48.1 | 2.2 | 8.2 | 15.1 | 13.0 | 13.0 |
| of which CASA Deposits | 2,117.8 | 2,237.9 | 3,338.2 | 3,882.8 | 4,336.1 | 4,935.1 | 5,440.7 | 6,101.8 |
| Growth (%) | 9.4 | 5.7 | 49.2 | 16.3 | 11.7 | 13.8 | 10.2 | 12.2 |
| Borrowings | 625.7 | 672.0 | 930.7 | 668.5 | 1,039.0 | 1,019.1 | 1,194.6 | 1,370.7 |
| Other Liabilities & Prov. | 227.2 | 241.1 | 470.1 | 444.7 | 422.5 | 547.4 | 629.5 | 723.9 |
| Total Liabilities | 7,200.0 | 7,809.9 | 11,579.2 | 11,553.6 | 12,780.0 | 14,585.6 | 16,548.7 | 18,753.6 |
| Current Assets | 929.0 | 892.3 | 1,219.0 | 1,204.1 | 1,226.5 | 957.0 | 1,020.9 | 1,121.6 |
| Investments | 1,631.8 | 1,823.0 | 2,746.1 | 2,612.2 | 3,158.0 | 3,624.9 | 4,117.8 | 4,694.3 |
| Growth (%) | 25.9 | 11.7 | 50.6 | -4.9 | 20.9 | 14.8 | 13.6 | 14.0 |
| Loans | 4,274.3 | 4,688.2 | 6,901.2 | 7,063.0 | 7,771.6 | 9,410.0 | 10,774.4 | 12,282.9 |
| Growth (%) | 11.5 | 9.7 | 47.2 | 2.3 | 10.0 | 21.1 | 14.5 | 14.0 |
| Fixed Assets | 53.7 | 69.9 | 88.9 | 80.2 | 99.2 | 87.1 | 92.3 | 96.9 |
| Other Assets | 311.2 | 336.5 | 623.9 | 594.1 | 524.7 | 506.7 | 543.2 | 557.9 |
| Total Assets | 7,200.0 | 7,809.9 | 11,579.2 | 11,553.6 | 12,780.0 | 14,585.6 | 16,548.7 | 18,753.6 |

| Asset Quality | | | | | | | | |
|-----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| GNPA | 564.8 | 482.3 | 693.8 | 666.7 | 540.6 | 367.6 | 365.5 | 382.9 |
| NNPA | 234.8 | 156.1 | 215.8 | 218.0 | 133.6 | 83.8 | 86.8 | 91.3 |
| GNPA Ratio | 12.3 | 9.6 | 9.4 | 8.9 | 6.6 | 3.8 | 3.3 | 3.0 |
| NNPA Ratio | 5.5 | 3.3 | 3.1 | 3.1 | 1.7 | 0.9 | 0.8 | 0.7 |
| Slippage Ratio | 6.0 | 3.0 | 3.4 | 2.8 | 1.8 | 1.5 | 1.8 | 1.8 |
| Credit Cost | 3.5 | 2.7 | 2.9 | 1.7 | 2.0 | 0.8 | 0.9 | 0.9 |
| PCR (Excl. Tech. write off) | 58.4 | 67.6 | 68.9 | 67.3 | 75.3 | 77.2 | 76.2 | 76.2 |

Financials and valuations

Ratios

| Y/E March | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
|-----------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Yield and Cost Ratios (%) | | | | | | | | |
| Avg. Yield-Earning Assets | 6.5 | 7.0 | 7.0 | 6.5 | 5.7 | 6.9 | 7.2 | 7.2 |
| Avg. Yield on loans | 7.2 | 7.7 | 7.8 | 7.1 | 6.3 | 7.5 | 7.8 | 7.7 |
| Avg. Yield on Investments | 7.3 | 7.5 | 6.6 | 6.6 | 5.6 | 6.6 | 6.9 | 7.2 |
| Avg. Cost-Int. Bear. Liab. | 4.4 | 4.6 | 4.7 | 4.0 | 3.2 | 3.9 | 4.3 | 4.3 |
| Avg. Cost of Deposits | 4.4 | 4.5 | 4.6 | 3.9 | 3.2 | 3.8 | 4.3 | 4.3 |
| Interest Spread | 2.1 | 2.4 | 2.3 | 2.4 | 2.5 | 2.9 | 2.9 | 2.9 |
| Net Interest Margin | 2.3 | 2.6 | 2.5 | 2.7 | 2.7 | 3.2 | 3.2 | 3.2 |

Capitalisation Ratios (%)

| | | | | | | | | |
|---------|------|------|------|------|------|------|------|------|
| CAR | 12.9 | 13.4 | 13.9 | 15.7 | 16.3 | 16.2 | 15.5 | 14.9 |
| Tier I | 11.3 | 11.6 | 11.3 | 13.5 | 13.9 | 14.0 | 13.4 | 13.0 |
| Tier II | 1.6 | 1.9 | 2.6 | 2.3 | 2.4 | 2.3 | 2.0 | 1.9 |

Business and Efficiency Ratios (%)

| | | | | | | | | |
|----------------------------|------|------|------|------|------|------|------|------|
| Loans/Deposit Ratio | 72.3 | 73.4 | 73.0 | 73.0 | 74.3 | 78.2 | 79.2 | 79.9 |
| CASA Ratio | 35.8 | 35.0 | 35.3 | 40.2 | 41.5 | 41.0 | 40.0 | 39.7 |
| Cost/Assets | 1.4 | 1.4 | 1.6 | 1.8 | 1.7 | 1.7 | 1.7 | 1.6 |
| Cost/Total Income | 45.9 | 45.6 | 50.0 | 49.2 | 49.2 | 47.7 | 46.8 | 45.3 |
| Cost/Core Income | 50.1 | 47.5 | 53.9 | 53.5 | 52.5 | 48.2 | 47.1 | 45.6 |
| Int. Expense/Int. Income | 64.4 | 62.9 | 63.9 | 59.1 | 53.3 | 53.8 | 55.7 | 55.8 |
| Fee Income/Total Income | 21.5 | 21.4 | 20.0 | 22.9 | 19.9 | 18.6 | 19.3 | 20.0 |
| Non Int. Inc./Total Income | 30.0 | 25.4 | 27.3 | 31.0 | 26.0 | 19.5 | 19.9 | 20.5 |
| Emp. Cost/Total Expense | 45.3 | 44.6 | 50.7 | 55.7 | 55.2 | 54.5 | 54.8 | 54.9 |
| Investment/Deposit Ratio | 27.6 | 28.5 | 29.0 | 27.0 | 30.2 | 30.1 | 30.3 | 30.5 |

Profitability Ratios and Valuation

| | | | | | | | | |
|---------------------------|--------------|--------------|--------------|--------------|-------------|------------|------------|------------|
| RoE | -5.8 | 0.9 | 0.8 | 1.1 | 8.5 | 15.3 | 16.2 | 16.4 |
| RoA | -0.3 | 0.1 | 0.0 | 0.1 | 0.6 | 1.0 | 1.1 | 1.1 |
| RoRWA | -0.6 | 0.1 | 0.1 | 0.1 | 1.1 | 2.1 | 2.3 | 2.3 |
| Book Value (INR) | 157 | 183 | 148 | 143 | 158 | 182 | 209 | 241 |
| Growth (%) | -5.3 | 16.4 | -19.0 | -3.2 | 10.5 | 15.0 | 14.9 | 15.3 |
| Price-BV (x) | 1.2 | 1.0 | 1.3 | 1.3 | 1.2 | 1.0 | 0.9 | 0.8 |
| Adjusted BV (INR) | 91 | 136 | 112 | 111 | 136 | 166 | 192 | 222 |
| Price-ABV (x) | 2.0 | 1.4 | 1.7 | 1.7 | 1.4 | 1.1 | 1.0 | 0.8 |
| EPS (INR) | -9.8 | 1.6 | 1.2 | 1.6 | 14.0 | 27.3 | 33.0 | 38.1 |
| Growth (%) | NM | NM | -27.8 | 35.6 | NM | 94.0 | 21.0 | 15.6 |
| Price-Earnings (x) | -19.0 | 114.0 | 157.9 | 116.4 | 13.3 | 6.8 | 5.7 | 4.9 |

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|----------------------------------|--|
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| SELL | < - 10% |
| NEUTRAL | < - 10 % to 15% |
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