

Bank of Baroda

BUY

INDUSTRY	BANKS
CMP (as on 19 May 2017)	Rs 189
Target Price	Rs 220
Nifty	9,428
Sensex	30,465
KEY STOCK DATA	
Bloomberg	BOB IN
No. of Shares (mn)	2,304
MCap (Rs bn) / (\$ mn)	435/6,729
6m avg traded value (Rs mn)	1,803
STOCK PERFORMANCE (%)	
52 Week high / low	Rs 203/128
	3M 6M 12M
Absolute (%)	13.6 6.7 37.6
Relative (%)	6.6 (9.8) 17.6
SHAREHOLDING PATTERN (%)	
Promoters	59.2
FIs & Local MFs	20.6
FIIIs	11.8
Public & Others	8.4
Source : BSE	

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In the right direction

BOB's 4Q results vindicate our thesis of steady mend. As expected, operational performance witnessed improvement, with sequential loan growth (+9.5%), NIM expansion (despite interest reversals on SDR and S4A) and strong core PPOP growth (+33% QoQ). While slippages were elevated, stable GNPA's, improving coverage ratio (highest amongst peers at 66.8%, +230bps QoQ) and a sharp drop in overall stressed exposures (-360bps QoQ to 12%) were inspiring. However, higher provisions (LLP at 2.5%) led to a miss in net earnings.

We believe that the management's steps towards transforming the bank have gradually started showing returns. The bank's 4Q performance reinforces our belief that operating metrics will further improve. Lower stressed assets (incl. 5:25 and SDR), best-in-class PCR, healthy CRAR and management's focus on profitable growth will drive return ratios (+39bps to 0.59% by FY19). Our conservative estimates on slippages and LLP provide

Financial Summary

(Rs mn)	4QFY17	4QFY16	YoY (%)	3QFY17	QoQ (%)	FY16	FY17P	FY18E	FY19E
Net Interest Income	31,344	27,053	15.9%	34,261	-8.5%	127,399	135,134	154,728	184,213
PPOP	25,952	17,041	52.3%	26,902	-3.5%	88,156	109,750	126,223	147,722
PAT	2,527	(33,420)	-107.6%	5,521	-54.2%	(53,955)	13,830	30,148	45,864
EPS (Rs)	1.1	(14.5)	-107.6%	2.4	-54.2%	(23.4)	6.0	13.0	19.9
ROAE (%) (ex revaluations)						(14.4)	3.8	8.0	11.2
ROAA (%)						(0.78)	0.20	0.42	0.59
Adj. BVPS (Rs)						72.1	87.3	121.7	157.4
P/ABV (x)						2.62	2.17	1.55	1.20
P/E (x)						(8.1)	31.6	14.5	9.5

Source: Company, HDFC sec Inst Research

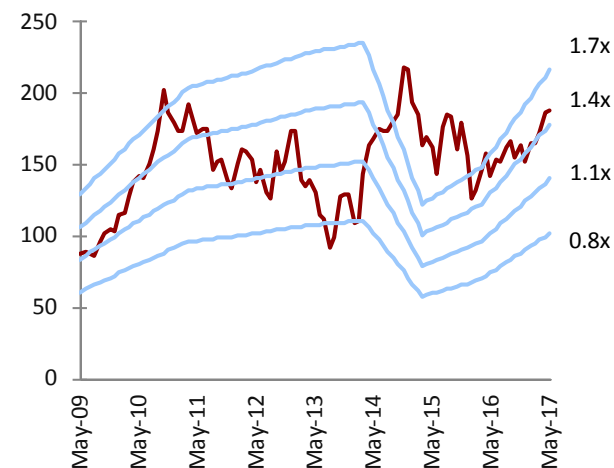
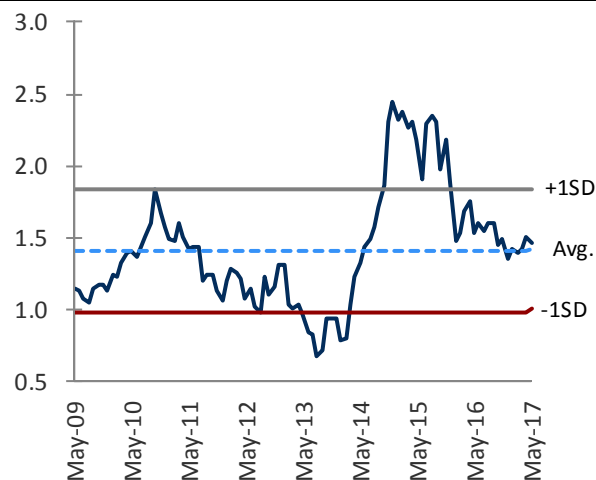
upside risk. **Maintain BUY with a TP of Rs 220 (1.4x Mar-18 ABV of Rs 157).**

Highlights of the quarter

- Slippages were elevated at Rs 40.8bn (incl. fresh slippages of Rs 35bn, 4.4% ann.), led by relapse of ~Rs 22.8bn. With reductions of Rs 40bn, GNPA's were flat (Rs 427bn, 10.5%). With a sharp drop in the restructured book (Rs 108bn, -23% QoQ; 2.8%), lower proportion of SMA II (2%), other stressed exposures (S4A, SDR and 5:25) and a massive cleanup drive, our positive stance on BOB's asset quality is justified. Our slippage (2.7%) and LLP (1.8%) assumptions over FY17-19E remain conservative.
- NIM improved 11bps QoQ to 2.2%, led by an improving CD ratio and lower CoF, despite interest reversals of Rs 1.9bn in SDR and S4A exposures. Our NIM (38bps) improvement assumption is driven by a improving CD ratio (domestic CD ratio at a mere 63.1%, the lowest amongst peers), increasing share of the domestic book and management's focus on profitable growth.

- Overall loans grew ~10% QoQ (flat YoY), with a ~5/11% YoY/QoQ growth in the domestic book (72% of loans). The strong growth was witnessed after five consecutive quarters of decline. On an avg. basis, loans grew 2% QoQ (highest in last eight qtrs), with a 3% rise in domestic loans and marginal drop in the overseas book. **In the domestic book, growth was broad-based, led by Retail (+12% QoQ), Agri (+10% QoQ) and SME (7% QoQ). Despite higher Tier I, presence across segments and domestic CD ratio at a mere 64%, we have factored in lower loan CAGR of 13%.**
- Deposits grew a mere 2% QoQ, with overseas growth of ~7% QoQ, whereas domestic deposits were flat QoQ. As expected, CASA was marginally lower at 32.2%, with a drop in the domestic CASA ratio to 39.4%. On an avg. basis, domestic CASA grew 31/7% YoY/QoQ to form ~32% of deposits.
- Sequential NIM improvement (2.2%, +11bps) was led by an improvement in the overseas book (1.18%; +20bps QoQ). Domestic NIM (2.5%) was flat QoQ, despite the surge in CD ratio and drop in CoF. The flattish NIM is attributable to a sharp drop in yields. **With management's focus on profitable growth, improving CD ratio (domestic CD ratio at 66%), lower slippages and increasing share of the domestic book, we expect NIM improvement to continue. We have factored in NIM of ~2.4% over FY16-18E.**
- LLP was higher QoQ at Rs 24.2bn (2.65% annu. vs. 1.86% ann.), as BOB continued to improve its PCR (66.8%, +233bps QoQ and 670bps in FY17). **We have factored LLP of 1.8% over FY17-19E, which too provides an upside risk to estimates.**

P/ABV Band Chart



Source: Company, HDFC sec Inst Research

Five Quarters At A Glance

Rs mn	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	YoY Growth	QoQ Growth
Net Interest Income	33,304	33,711	34,261	31,344	35,819	7.6%	14.3%
Non-interest Income	17,747	14,444	15,614	17,750	19,773	11.4%	11.4%
Treasury Gains	5,090	5,570	5,460	8,390	6,770	33.0%	-19.3%
Operating Income	51,051	48,155	49,875	49,093	55,591	8.9%	13.2%
Operating Expenses	25,326	21,460	22,973	23,141	25,390	0.3%	9.7%
Pre-provision Profits	25,725	26,695	26,902	25,952	30,202	17.4%	16.4%
Provisions And Contingencies	68,577	20,041	17,958	20,795	26,230	-61.8%	26.1%
NPA Provisions	48,800	19,860	16,305	16,378	24,251	-50.3%	48.1%
PBT	(42,852)	6,654	8,944	5,157	3,972	-109.3%	-23.0%
Provision For Tax	(10,551)	2,418	3,422	2,630	2,425	-123.0%	-7.8%
PAT	(32,301)	4,236	5,521	2,527	1,547	-104.8%	-38.8%
Other Details							
Balance Sheet Items/Ratios							
Deposits (Rs bn)	5,740	5,622	5,675	5,899	6,017	4.8%	2.0%
CASA Deposits (Rs bn)	1,513	1,518	1,568	1,962	1,935	27.9%	-1.4%
Advances (Rs bn)	3,838	3,628	3,541	3,500	3,833	-0.1%	9.5%
CD Ratio (%)	66.9	64.5	62.4	59.3	63.7	-316 bps	437 bps
CAR (%)	13.2	13.1	12.9	12.6	12.2	-93 bps	-31 bps
Tier I (%)	10.8	10.7	10.6	9.3	9.9	-85 bps	66 bps
Profitability							
Yield On Advances (%)	6.9	7.2	7.3	7.2	7.1	23 bps	-10 bps
Cost Of Deposits (%)	5.0	4.7	4.8	6.0	5.9	88 bps	-15 bps
NIM (%)	2.15	2.23	2.29	2.06	2.17	2 bps	11 bps
Domestic NIM (%)	2.70	2.80	2.85	2.49	2.50	-20 bps	1 bps
Overseas NIM (%)	0.92	0.98	0.98	0.98	1.18	26 bps	20 bps
Cost-Income Ratio (%)	49.6	44.6	46.1	47.1	45.7	-394 bps	-147 bps
Tax Rate (%)	NA	36.3	38.3	51.0	61.0	NA	1004 bps
Asset Quality							
Gross NPA (Rs bn)	405.2	429.9	429.5	426.4	427.2	5.4%	0.2%
Net NPA (Rs bn)	194.1	207.8	193.4	190.1	180.8	-6.8%	-4.9%
Gross NPAs (%)	9.99	11.15	11.35	11.40	10.46	47 bps	-94 bps
Net NPAs (%)	5.06	5.73	5.46	5.43	4.72	-34 bps	-71 bps
Delinquency Ratio (%)	6.18	6.53	3.19	4.70	4.45	-173 bps	-25 bps
O/s Domestic Restructured Pool (%)	3.58	3.90	3.91	4.02	2.81	-76 bps	-120 bps
Coverage Ratio (% incl. w/o)	60.1	60.2	63.0	64.5	66.8	674 bps	233 bps
Coverage Ratio (% excl. w/o)	52.1	51.7	55.0	55.4	57.7	557 bps	225 bps
SMA II (%)	NA	4.7	5.0	3.5	2.1	-266 bps	-37 bps

Source: HDFC sec Inst Research

Slightly ahead of expectations, led by 11bps improvement in NIM's

Gained mainly due to Fees (+50/39% QoQ/YoY) and higher recoveries; Treasury gains moderated, as expected.

Highest the bank has ever reported, driven by an uptick in credit. Provisions continued to remain elevated

Deposit growth was fuelled by Non- CASA deposits as the CASA deposits fell post demonitisation. The Global CASA ratio dropped 111bps QoQ to ~32.2%

Advances growth was mainly driven by Retail (+12% QoQ, 19% of loans), and Agri (+10% QoQ, 16% of loans) Other loans grew by ~15% QoQ

Despite interest reversals on SDR and S4A exposures, driven by strong credit growth and lower interest reversals

GNPAs were under check despite higher slippages due to higher reductions. Slippages were majorly from infra, metals and textiles with the largest account at ~Rs 2.7bn

The SMA-2 book was ~Rs 80bn. ~Rs 21.5bn does not overlap with the restructured book

Rationalisation in the overseas book (27.6% of loans) continued as it was down ~12% YoY (albeit up 6% sequentially), while domestic loans grew ~11/5% QoQ/YoY

BOB buyer's credit book jumped to ~48% (vs ~44% QoQ) of the overseas book

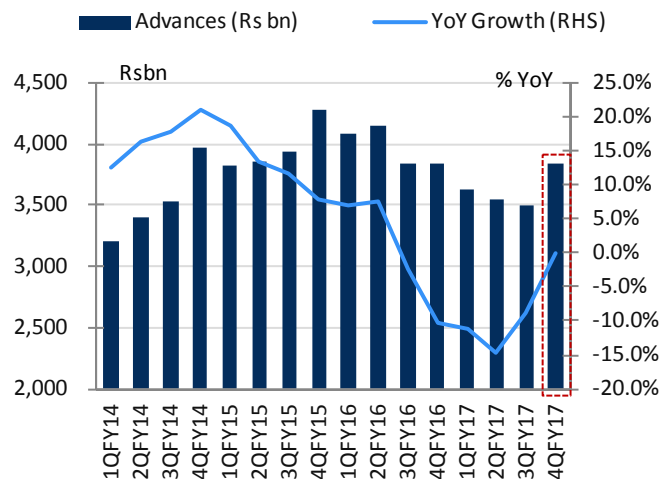
On an avg basis, loans were up ~2% QoQ, as overseas loans were down ~17% QoQ and domestic loans grew ~3% sequentially

Post demonetisation, CASA deposits were down, as the ratio fell 111bps to ~32.2% largely due to a fall of 102bps in domestic CASA.

On an avg basis, CASA grew ~31/7% YoY/QoQ, led by ~36/8% YoY/QoQ rise in domestic CASA, overseas CASA was flat sequentially

Overall SA grew ~29% YoY while overall CA grew by ~23% YoY

Advances Grew ~10% QoQ, Albeit Flat YoY



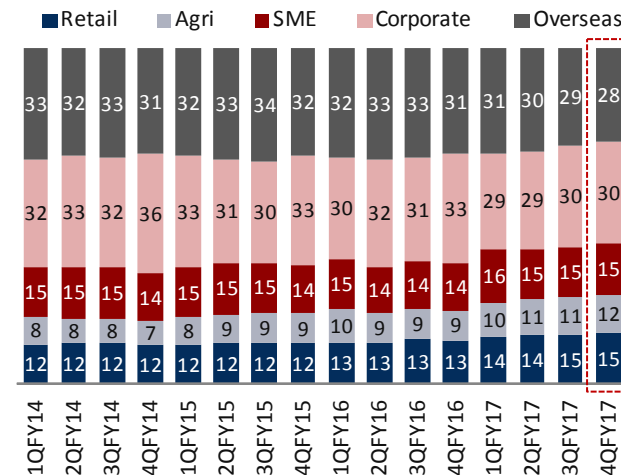
Source: Company, HDFC sec Inst Research

Deposit Mix

Rs bn	1Q FY15	2Q FY15	3Q FY15	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17
Overseas	1,862	1,873	1,821	2,033	1,879	1,885	1,766	1,792	1,688	1,628	1,518	1,616
% Total Deposit	33.8	33.0	32.3	32.9	31.7	30.8	29.9	31.2	30.0	28.7	25.7	26.9
W/w CASA %	13.0	14.4	13.8	12.9	12.9	9.9	10.0	10.5	11.1	11.2	12.5	12.3
CA %	11.3	12.6	11.9	11.2	11.1	8.1	8.0	8.6	8.8	8.9	9.7	9.8
SA %	1.7	1.8	1.9	1.7	1.9	1.8	2.0	1.9	2.2	2.3	2.8	2.6
Domestic	3,654	3,797	3,825	4,143	4,052	4,239	4,131	3,948	3,934	4,048	4,381	4,401
W/w CASA %	31.3	31.9	32.4	33.0	31.9	32.0	30.0	33.6	33.8	34.2	40.5	39.4
CA %	5.9	6.3	6.4	7.2	6.1	6.4	4.2	4.9	4.5	4.5	5.9	6.1
SA %	25.4	25.6	26.0	25.8	25.8	25.5	25.8	28.7	29.4	29.7	34.6	33.4
Overall CASA %	25.1	26.1	26.4	26.4	25.9	25.2	24.0	26.4	27.0	27.6	33.3	32.2

Source: Bank, HDFC sec Inst Research

Retail Continues To Gain Share



Source: Company, HDFC sec Inst Research

Fees were up ~50/39% QoQ/YoY to 0.53% of loans (vs 0.42% in 3Q)

Recoveries zoomed 2.5x on a sequential basis

Treasury gains were down ~19% sequentially, as G-Sec yields hardened

Overall CD ratio jumped 437bps to 63.7%, driven by strong credit growth of ~5% QoQ. Domestic loans grew ~10% QoQ and CD ratio improved ~600bps to ~63.1%

On the back of strong credit growth and lower interest reversals of ~Rs 1.9bn, global NIM's jumped 11bps to 2.17%.

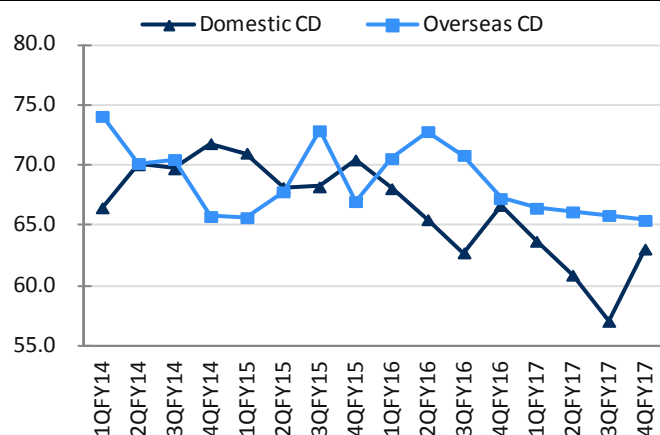
Domestic NIM's remained flat QoQ at 2.50%

Non-interest Income

Rs bn	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17
Fee	4.8	5.3	5.6	6.3	5.2	5.9	5.6	6.8	5.8	6.8	6.3	9.4
% Ann.	0.36	0.35	0.38	0.42	0.33	0.35	0.34	0.47	0.36	0.42	0.42	0.53
Treasury	2.2	1.8	2.4	3.6	1.6	2.2	2.9	5.1	5.6	5.5	8.3	6.8
% OP	9%	7%	10%	13%	7%	10%	17%	20%	21%	20%	32%	22%
FX	2.6	2.5	2.5	2.4	2.8	2.5	2.4	4.8	2.6	2.7	2.6	1.8
Others	0.6	0.3	0.4	0.6	0.1	0.8	0.2	1.0	0.4	0.7	0.5	1.7
Total	10.2	9.9	10.9	13.0	9.7	11.4	11.1	17.7	14.4	15.6	17.7	19.8
YoY %	-17%	2%	17%	-2%	-6%	15%	2%	37%	49%	36%	59%	11%

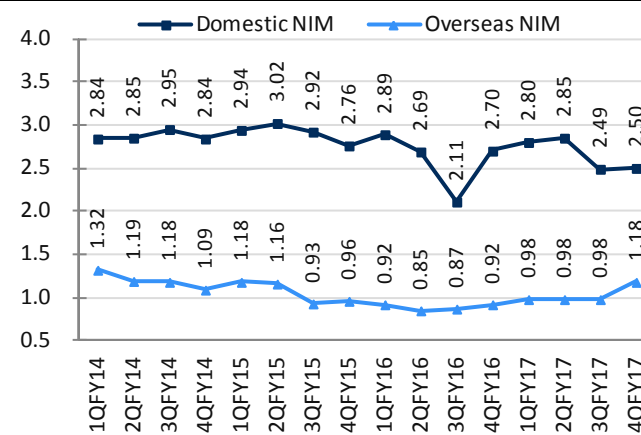
Source: Bank, HDFC sec Inst Research

Domestic CD Jumps ~600Bps To ~63.1%



Source: Bank, HDFC sec Inst Research

Global NIM's Up ~11bps



Source: Bank, HDFC sec Inst Research

Provisions

Rs bn	1Q FY15	2Q FY15	3Q FY15	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17
NPA	7.7	5.8	11.5	14.9	5.7	18.4	64.7	48.8	19.9	16.3	16.4	24.3
% Ann.	0.79	0.61	1.18	1.45	0.54	1.78	6.74	5.09	2.19	1.84	1.87	2.53
MTM	(3.2)	1.8	(0.5)	0.4	0.2	1.1	0.3	1.8	0.2	0.4	0.4	(0.8)
Std Asset	0.8	0.1	1.4	3.1	0.1	(0.8)	(3.7)	1.8	(0.3)	1.2	4.3	2.6
Others	(0.1)	1.1	0.2	(0.3)	0.0	0.2	0.3	16.1	0.3	0.1	(0.3)	0.3
Total	5.3	8.9	12.6	18.2	6.0	18.9	61.6	68.6	20.0	18.0	20.8	26.2
YoY %	-48%	3%	66%	58%	14%	113%	388%	277%	234%	-5%	-66%	-62%

Source : Bank, HDFC sec Inst Research

Slippages stood at Rs 40.77bn (4.45% ann. Vs 4.7% QoQ) including fresh slippages at Rs 36bn, largely led by infra, metals and textiles

There was no divergence in classification of NPA's as per RBI

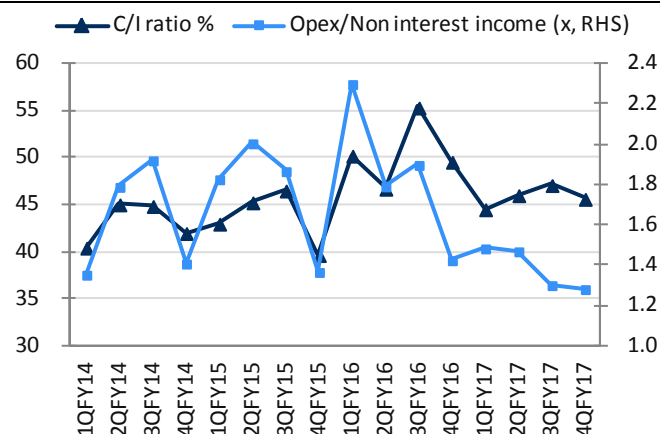
The SMA-2 book was ~Rs 80bn. ~Rs 21.5bn does not overlap with the restructured book

O/S std. SDR of Rs 27.6bn; Std 5:25 at Rs 22.8bn and S4A at Rs 21.4bn

SMA II stands at Rs 80bn, of which ~Rs 21.5bn does not overlap with the restructured book

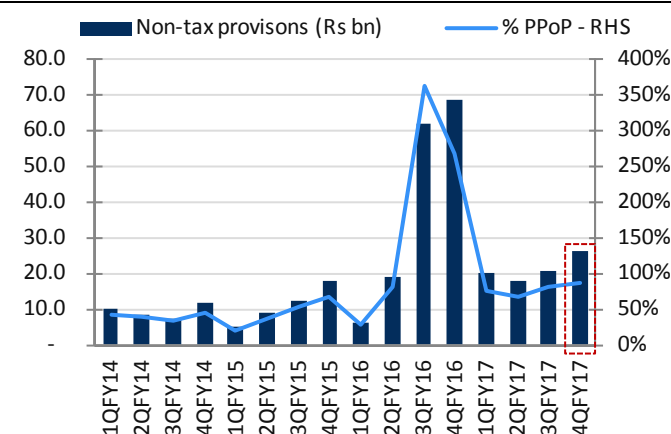
Restructured book stood at ~Rs 107.8bn (2.8% vs.4%)

C-I Ratio Dips ~147bps QoQ



Source: Bank, HDFC sec Inst Research

NPA Provisions Rise ~48% Sequentially



Source: Bank, HDFC sec Inst Research

Asset Quality Movement

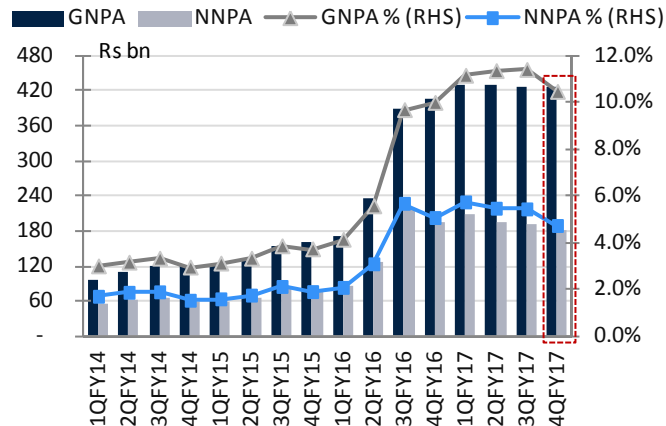
Rs bn	1Q FY15	2Q FY15	3Q FY15	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17
Op. GNPA	118.8	120.9	130.6	154.5	162.6	172.7	237.1	389.3	405.2	429.9	429.5	426.4
Slippages	20.2	18.5	30.4	17.9	19.1	69.6	157.9	59.3	61.0	28.6	41.4	40.8
% Ann.	2.08	1.93	3.12	1.74	1.82	6.77	15.80	6.18	6.53	3.19	4.70	4.45
Upgrades	7.4	2.4	0.8	1.9	5.3	0.8	0.1	17.7	14.0	10.3	13.2	8.8
Recoveries	5.6	2.8	2.4	4.2	3.0	3.3	3.1	14.3	10.8	16.5	13.5	15.4
Write-Off	5.0	3.7	3.3	3.7	0.7	1.1	2.4	11.4	11.4	2.2	17.8	15.8
Closing GNPA	121.0	130.6	154.5	162.7	172.7	237.1	389.3	405.2	429.9	429.5	426.4	427.2
QoQ %	2%	8%	18%	5%	6%	37%	64%	4%	6%	0%	-1%	0%

Source: Bank, HDFC sec Inst Research

GNPA remained stable QoQ with higher recoveries and upgrades, despite higher slippages

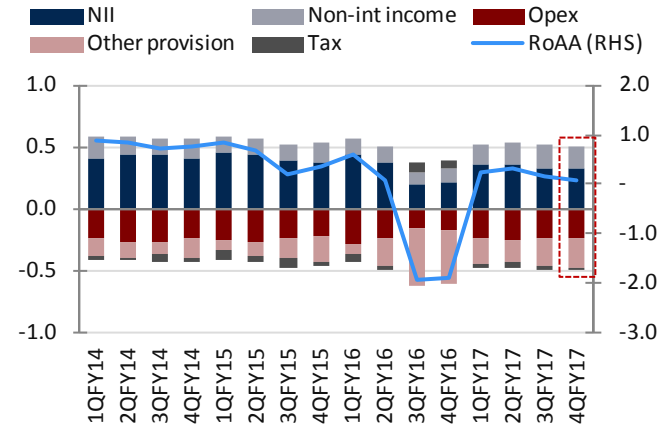
Despite higher NII, elevated provisions led to a drop in RoA (0.09% ann. v/s 0.15% ann. in 3QFY17)

Stable Asset Quality



Source : Company, HDFC sec Inst Research

RoAA Dip Led By Higher Provisions



Source : Company, HDFC sec Inst Research

Change In Estimates

(Rs mn)	FY18E			FY19E		
	Old	New	Change	Old	New	Change
NII	157,735	154,728	-1.9%	180,086	184,213	2.3%
PPOP	126,845	126,223	-0.5%	144,587	147,722	2.2%
PAT	35,876	30,148	-16.0%	47,884	45,864	-4.2%
Adj. BVPS (Rs)	123	122	-1.2%	157	157	0.1%

Source : HDFC sec Inst Research

Peer Valuations

BANK	Mcap (Rs bn)	CMP (Rs)	Rating	TP (Rs)	ABV (Rs)			P/E (x)			P/ABV (x)			ROAE (%)			ROAA (%)		
					FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E	FY17E	FY18E	FY19E
ICICI #	1,789	307	BUY	333	110	123	146	14.3	13.5	11.1	2.18	1.91	1.52	10.1	10.8	11.5	1.31	1.24	1.28
KMB #	1,718	937	BUY	1,013	136	157	183	42.7	33.0	26.8	5.80	4.90	4.09	13.2	15.0	15.6	1.68	1.86	1.90
AXSB	1,202	502	NEU	507	197	217	255	32.7	20.9	12.9	2.55	2.31	1.97	6.8	10.0	14.6	0.65	0.89	1.24
IIB	827	1,389	BUY	1,552	332	382	443	29.0	23.6	19.3	4.19	3.64	3.14	15.3	16.2	17.1	1.80	1.78	1.77
FB	194	112	BUY	116	46	52	58	23.3	18.9	14.8	2.42	2.16	1.93	9.8	11.0	12.7	0.81	0.82	0.88
CUB	101	169	BUY	175	52	61	70	20.1	17.6	15.3	3.23	2.79	2.42	15.4	15.5	15.7	1.49	1.47	1.47
DCBB	59	191	BUY	221	64	79	88	27.3	22.9	17.8	2.99	2.43	2.16	10.8	10.8	11.1	0.93	0.96	1.01
SBIN #	2,391	308	BUY	328	112	129	148	18.9	15.1	11.7	2.17	1.81	1.51	7.4	8.3	9.6	0.43	0.46	0.53
BOB	436	189	BUY	220	87	122	157	31.6	14.5	9.5	2.17	1.55	1.20	3.8	8.0	11.2	0.20	0.42	0.59
Equitas	53	158	BUY	187	61	63	67	28.0	38.9	24.0	2.58	2.50	2.35	10.6	5.9	8.9	2.47	1.34	1.64
Ujjivan	38	321	NEU	390	164	159	175	16.9	17.0	12.9	2.20	1.95	1.70	15.4	12.1	14.0	3.33	2.55	2.61

Source: Company, HDFC sec Inst Research, # Adjusted for subsidiaries value

Income Statement

(Rs mn)	FY15	FY16	FY17P	FY18E	FY19E
Interest Earned	429,636	440,613	421,999	447,815	497,854
Interest Expended	297,763	313,214	286,865	293,088	313,642
Net Interest Income	131,872	127,399	135,134	154,728	184,213
Other Income	44,020	49,989	67,580	70,531	73,011
<i>Fee Income (CEB)</i>	14,820	15,015	15,660	16,995	19,336
<i>Treasury Income</i>	10,070	11,789	26,180	23,562	19,500
Total Income	175,892	177,387	202,714	225,259	257,224
Total Operating Exp	76,741	89,231	92,964	99,036	109,502
<i>Employee Expense</i>	42,613	49,780	46,378	51,672	57,665
PPOP	99,151	88,156	109,750	126,223	147,722
Provisions & Contingencies	44,945	155,137	85,020	83,453	83,392
<i>Prov. For NPAs (Incl. Std Prov.)</i>	43,340	137,496	84,570	82,953	82,892
PBT	54,206	(66,981)	24,730	42,770	64,329
Provision for Tax	20,222	(13,025)	10,900	12,622	18,465
PAT	33,984	(53,955)	13,830	30,148	45,864

Source: Bank, HDFC sec Inst Research

Balance Sheet

(Rs mn)	FY15	FY16	FY17P	FY18E	FY19E
SOURCES OF FUNDS					
Share Capital	4,436	4,621	4,621	4,621	4,621
Reserves	393,918	397,369	398,412	425,032	465,530
Shareholders' Funds	398,353	401,990	403,033	429,653	470,151
<i>Savings</i>	1,101,722	1,167,054	1,509,770	1,736,236	1,979,308
<i>Current</i>	527,967	346,291	425,190	463,457	509,803
<i>Term Deposit</i>	4,545,907	4,227,034	4,081,792	4,235,971	4,562,551
Total Deposits	6,175,595	5,740,379	6,016,752	6,435,663	7,051,662
Borrowings	352,643	334,717	306,114	363,749	331,296
Other Liabilities	223,294	236,679	222,856	259,721	272,568
Total Liabilities	7,149,885	6,713,765	6,948,754	7,488,785	8,125,676
APPLICATION OF FUNDS					
Cash & Bank Balance	1,483,532	1,339,003	1,504,699	1,068,337	1,120,049
Investments	1,168,122	1,204,505	1,296,305	1,802,046	1,753,107
<i>G-Secs</i>	968,976	1,004,284	1,112,688	1,608,916	1,551,366
Advances	4,280,651	3,837,702	3,832,592	4,292,503	4,914,916
Fixed Assets	28,748	62,538	57,584	59,311	61,684
Other Assets	188,832	270,017	257,574	266,589	275,919
Total Assets	7,149,885	6,713,765	6,948,754	7,488,785	8,125,676

Source: Bank, HDFC sec Inst Research

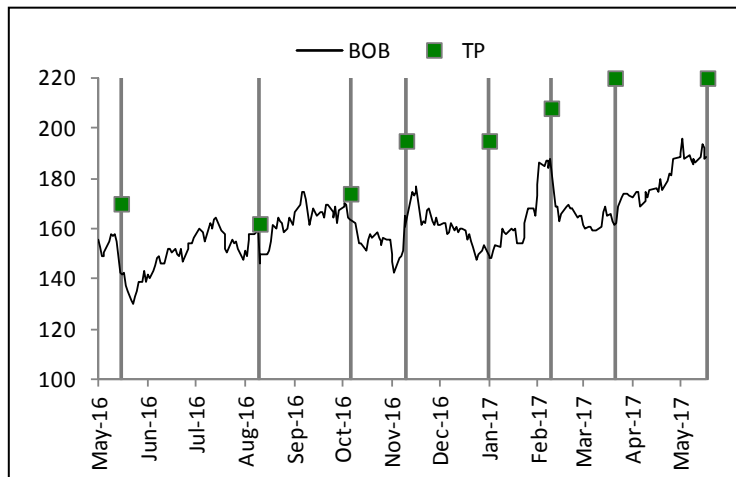
Key Ratios

	FY15	FY16	FY17P	FY18E	FY19E
VALUATION RATIOS					
EPS (Rs.)	15.3	(23.4)	6.0	13.0	19.9
Earnings Growth (%)	(26.2)	(258.8)	(125.6)	118.0	52.1
BVPS (Rs.)	175.2	156.1	156.6	168.1	185.6
Adj. BVPS(Rs.)	138.8	72.1	87.3	121.7	157.4
ROAA (%)	0.49	(0.78)	0.20	0.42	0.59
ROAE (%)	9.21	(14.40)	3.83	8.04	11.22
P/E (x)	12.3	(8.1)	31.6	14.5	9.5
P/ABV (x)	1.36	2.62	2.17	1.55	1.20
P/PPOP (x)	0.8	1.0	0.8	0.7	0.6
Dividend Yield (%)	1.7	-	0.6	0.7	1.1
PROFITABILITY					
Yield On Advances (%)	7.47	7.34	7.18	7.09	7.13
Yield On Investment (%)	8.10	9.00	8.47	8.17	7.90
Cost Of Funds (%)	4.73	4.97	4.63	4.47	4.42
Cost Of Deposits (%)	4.65	4.90	4.53	4.40	4.35
Core Spread (%)	2.73	2.37	2.55	2.62	2.70
NIM (%)	2.03	1.98	2.15	2.32	2.53
OPERATING EFFICIENCY					
Cost/Avg. Asset Ratio (%)	1.12	1.29	1.36	1.37	1.40
Cost-Income Ratio (Excl Treasury)	46.3	53.9	52.7	49.1	46.1
BALANCE SHEET STRUCTURE					
Loan Growth (%)	7.8	(10.3)	(0.1)	12.0	14.5
Deposit Growth (%)	8.6	(7.0)	4.8	7.0	9.6
C/D Ratio (%)	69.3	66.9	63.7	66.7	69.7
Equity/Assets (%)	5.6	6.0	5.8	5.7	5.8
Equity/Advances (%)	9.3	10.5	10.5	10.0	9.6
CASA (%)	26.4	26.4	32.2	34.2	35.3
Capital Adequacy Ratio (CAR, %)	13.1	13.2	12.3	12.0	11.7
W/w Tier I CAR (%)	10.4	10.8	9.9	9.5	9.5

	FY15	FY16	FY17P	FY18E	FY19E
ASSET QUALITY					
Gross NPLs (Rsm)	162,614	405,210	427,190	430,137	440,502
Net NPLs (Rsm)	80,695	194,065	180,802	129,977	87,927
Gross NPLs (%)	3.76	10.13	10.46	9.84	8.83
Net NPLs (%)	1.89	5.06	4.72	3.03	1.79
Slippages (%)	2.06	6.86	3.47	2.60	2.00
Coverage Ratio (%)	65.0	60.1	66.8	77.4	85.5
Provision/Avg. Loans (%)	0.92	3.45	2.00	1.90	1.65
ROAA TREE					
Net Interest Income	1.92%	1.84%	1.98%	2.14%	2.36%
Non Interest Income	0.64%	0.72%	0.99%	0.98%	0.94%
<i>Treasury Income</i>	<i>0.15%</i>	<i>0.17%</i>	<i>0.38%</i>	<i>0.33%</i>	<i>0.25%</i>
Operating Cost	1.12%	1.29%	1.36%	1.37%	1.40%
Provisions	0.65%	2.24%	1.24%	1.16%	1.07%
<i>Provisions for NPAs</i>	<i>0.55%</i>	<i>2.02%</i>	<i>1.12%</i>	<i>1.07%</i>	<i>0.98%</i>
Tax	0.29%	-0.19%	0.16%	0.17%	0.24%
ROAA	0.49%	-0.78%	0.20%	0.42%	0.59%
Leverage (x)	18.63	18.50	18.91	19.25	19.11
ROAE	9.21%	-14.40%	3.83%	8.04%	11.22%

Source: Bank, HDFC sec Inst Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
16-May-16	155	BUY	170
12-Aug-16	146	BUY	162
7-Oct-16	165	BUY	174
15-Nov-16	161	BUY	195
2-Jan-17	149	BUY	195
13-Feb-17	188	BUY	208
23-Mar-17	162	BUY	220
19-May-17	189	BUY	220

Rating Definitions

BUY : Where the stock is expected to deliver more than 10% returns over the next 12 month period
NEUTRAL : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period
SELL : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

Disclosure:

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