

# Bank of Baroda

BSE SENSEX  
17,705

S&P CNX  
5,327

CMP: INR772

TP: INR925

Neutral

	Bloomberg	BOB IN	YEAR	NET INCOME	PAT	EPS	EPS	P/E	BY	P/BV	P/ABV	ROAA	ROAE
	Equity Shares (m)	392.8	END	(INR M)	(INR M)	(INR)	GR. (%)	(X)	(INR)	(X)	(X)	(%)	(%)
52-Week Range (INR)	1,050/681		3/10A	87,458	30,583	83.7	37.3	-	383	-	-	1.2	23.8
1,6,12 Rel.Perf.(%)	-7/-8/-12		3/11A	116,114	42,417	108.0	29.1	7.1	508	1.5	1.6	1.3	25.0
M.Cap. (INR b)	303.1		3/12E	134,924	46,398	118.1	9.4	6.5	603	1.3	1.3	1.2	21.3
M.Cap. (USD b)	6.2		3/13E	156,430	53,343	135.8	15.0	5.7	712	1.1	1.1	1.1	20.7

Bank of Baroda (BOB) reported PAT growth of 14% YoY for 2QFY12 to INR11.7b (11% higher than our estimate), driven by higher than expected NII growth and lower tax provisioning.

- **Domestic NIM expands 28bp QoQ:** Reported domestic NIM was 3.67% v/s 3.39% a quarter ago. NIM expanded 28bp QoQ, led by 91bp QoQ increase in yield on loans. Cost of deposits increased by 43bp QoQ.
- **Business growth moderates:** Loans grew ~3% QoQ and 24% YoY to INR2.4t. Global deposits grew 22% YoY and 5% QoQ. CD ratio contracted to 72.6% v/s 74.2% in 1QFY12. Domestic CD ratio stood at 69.1% v/s 71.3% a quarter ago. CASA deposit growth moderated to 13% YoY.
- **Slippages remain under check:** Slippages during the quarter were INR5.8b (annualized slippage ratio was ~1.2%; stable QoQ). Credit cost was 0.5% v/s 0.2% in 1QFY12. Reported PCR declined to 67% from 70% a quarter ago, leading to 9% QoQ increase in NNPA v/s 1% QoQ decline in GNPA. However, PCR including technical write-offs was largely stable QoQ at ~82%. BOB restructured loans of INR6.6b (38bp of domestic loans) during the quarter.
- **Fee income up 15% QoQ and 13% YoY:** Fee income (ex forex) grew 15% QoQ and ~13% YoY (on a higher base) to INR4.5b. Higher recoveries of INR1.2b (INR690m a year ago) compensated for muted trading profits (INR102m v/s INR1.1b a year ago).
- BOB completed the takeover of Memon Cooperative Bank. As a result, a deficit of INR1.4b was created (to be amortized over four years), of which the bank provided INR130m during the quarter.
- **Valuation and view:** The stock trades at 1.3x FY12E and 1.1x FY13E BV. We believe credit cost is at its lowest and room for positive surprise is limited. Maintain **Neutral**.

## Bank of Baroda: Quarterly Performance

(INR Million)

	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Interest Income	47,270	51,587	56,662	63,342	66,318	72,514	77,613	83,439	218,859	299,884
Interest Expense	28,690	31,205	33,739	37,203	43,346	46,845	50,593	54,764	130,837	195,548
<b>Net Interest Income</b>	<b>18,580</b>	<b>20,381</b>	<b>22,923</b>	<b>26,139</b>	<b>22,972</b>	<b>25,669</b>	<b>27,020</b>	<b>28,675</b>	<b>88,023</b>	<b>104,336</b>
% Change (YoY)	54.2	46.8	43.2	49.8	23.6	25.9	17.9	9.7	48.2	18.5
Other Income	6,172	6,813	6,762	8,345	6,409	7,343	7,903	8,933	28,092	30,588
<b>Net Income</b>	<b>24,752</b>	<b>27,194</b>	<b>29,684</b>	<b>34,484</b>	<b>29,380</b>	<b>33,013</b>	<b>34,923</b>	<b>37,608</b>	<b>116,114</b>	<b>134,924</b>
Operating Expenses	9,474	10,627	11,172	15,026	11,198	11,743	12,220	13,203	46,298	48,364
<b>Operating Profit</b>	<b>15,279</b>	<b>16,567</b>	<b>18,512</b>	<b>19,458</b>	<b>18,183</b>	<b>21,270</b>	<b>22,703</b>	<b>24,405</b>	<b>69,816</b>	<b>86,560</b>
% Change (YoY)	51.3	60.6	46.3	19.5	19.0	28.4	22.6	25.4	41.5	24.0
Other Provisions	2,513	1,855	3,041	5,904	3,911	4,834	5,324	5,217	13,313	20,277
<b>Profit before Tax</b>	<b>12,765</b>	<b>14,713</b>	<b>15,471</b>	<b>13,554</b>	<b>14,272</b>	<b>16,436</b>	<b>17,379</b>	<b>19,188</b>	<b>56,503</b>	<b>66,283</b>
Tax Provisions	4,174	4,520	4,783	611	3,944	4,775	5,214	5,952	14,086	19,885
<b>Net Profit</b>	<b>8,592</b>	<b>10,193</b>	<b>10,689</b>	<b>12,944</b>	<b>10,328</b>	<b>11,661</b>	<b>12,165</b>	<b>13,236</b>	<b>42,417</b>	<b>46,398</b>
% Change (YoY)	25.4	60.7	28.4	42.8	20.2	14.4	13.8	2.3	38.7	9.4
Deposit Growth (%)	28.2	30.0	30.9	26.6	22.9	22.1	24.0	24.0	26.6	24.0
Loan Growth (%)	30.7	29.6	32.7	30.6	25.2	23.9	22.3	20.0	30.6	20.0
CD Ratio (%)	72.9	71.6	73.6	74.9	74.2	72.6	72.6	72.5	74.9	72.5
Net Interest Margin (Reported, %)	2.9	3.0	3.2	3.1	2.9	3.1			3.1	
Net Interest Margin (Calculated, %)	2.8	2.9	3.1	3.3	2.7	2.9	2.9	2.9	3.0	2.8
Tax Rate (%)	32.7	30.7	30.9	4.5	27.6	29.1	30.0	31.0	24.9	30.0
Gross NPA (%)	1.4	1.4	1.3	1.4	1.5	1.4	1.4	1.4	1.4	1.4

E: MOSL Estimates

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**Quarterly performance v/s our estimates and reasons for deviation (INR m)**

Y/E March	2QFY12A	2QFY12E	Variation (%)	Comments
<b>Net Interest Income</b>	<b>25,669</b>	<b>23,756</b>	<b>8</b>	<b>Margins improve 20bp QoQ, higher than expected</b>
% Change (Y-o-Y)	26	17		
Other Income	7,343	7,173	2	Strong Fees and recoveries
<b>Net Income</b>	<b>33,013</b>	<b>30,929</b>	<b>7</b>	
Operating Expenses	11,743	11,442	3	
<b>Operating Profit</b>	<b>21,270</b>	<b>19,487</b>	<b>9</b>	<b>Higher NII led to higher than est. operating profits</b>
% Change (Y-o-Y)	28	18		
Other Provisions	4,834	3,772	28	Higher investment depreciation and credit costs resulted in higher provisions
<b>Profit before Tax</b>	<b>16,436</b>	<b>15,715</b>	<b>5</b>	
Tax Provisions	4,775	5,186	-8	Tax rate stood lower at 29% v/s est. 33%
<b>Net Profit</b>	<b>11,661</b>	<b>10,529</b>	<b>11</b>	<b>Strong NII growth and lower than expected tax outgo led to healthy PAT growth</b>
% Change (Y-o-Y)	14	3		

Source: Company/MOSL

**Domestic NIM expands 28bp QoQ**

Reported domestic NIM was 3.67% v/s 3.39% a quarter ago. NIM expanded 28bp QoQ, led by 91bp QoQ increase in yield on loans. Cost of deposits increased by 43bp QoQ. Overseas NIM improved marginally by 5bp QoQ to 1.42%. Resultantly, global NIM improved by 20bp QoQ to 3.07%.

**Business growth moderates**

Global loans grew ~3% QoQ and 24% YoY to INR2.4t. Domestic loans grew ~19% YoY but remained flat QoQ. The SME segment, which grew 28% YoY and 6% QoQ, was a major driver of domestic loan growth. The overseas loan portfolio grew 37% YoY and 10% QoQ, partially driven by sharp INR depreciation. Adjusting for the INR depreciation, overseas loan growth during the quarter was ~24% YoY. Global deposits grew 22% YoY and 5% QoQ. While domestic deposits grew 19% YoY and 3% QoQ, overseas deposits grew 33% YoY and 11% QoQ. The global CD ratio contracted to 72.6% v/s 74.2% in 1QFY12. Domestic CD ratio stood at 69.1% v/s 71.3% a quarter ago. CASA deposit growth moderated to 13% YoY.

**Domestic CASA ratio remains flat sequentially**

Global CASA deposit growth moderated to 13% YoY, in line with similar YoY growth in domestic CASA deposits. While domestic SA deposits grew 4% QoQ and 16% YoY, domestic CA deposits grew marginally by 2% YoY and 1% QoQ. Consequently, the domestic CASA ratio remained largely stable at ~34% on a QoQ basis.

**Slippages remain under check**

Slippages during the quarter were INR5.8b, in line with the previous quarter (annualized slippage ratio was ~1.2%; stable QoQ). Despite difficult macroeconomic conditions, the management was able to keep slippages under check, which is commendable. Recoveries improved QoQ to INR1.5b v/s INR1.26b in 1QFY12. However, there was a steep increase in write-offs to INR4.2b (v/s INR1.1b in 1QFY12). Credit cost was 0.5% v/s 0.2% in 1QFY12. Reported PCR declined to 67% from 70% a quarter ago, leading to a 9% QoQ increase in NNPA v/s a 1% QoQ decline in GNPA. However, PCR including technical write-offs was largely stable QoQ at ~82%.

### GNPA flattish QoQ

In absolute terms, GNPA was largely flattish QoQ at INR34b (down 0.7% QoQ) whereas NNPA increased 9% QoQ to INR11.2b. In percentage terms, GNPA improved marginally to 1.4% (~1.5% in 1QFY12) and NNPA was 0.47% (0.44% in 1QFY12). GNPA in the agriculture and SME segments increased from 4.1% and 2.5%, respectively in 1QFY12 to 4.6% and 3.06%. GNPA in large and medium corporate segments declined on a QoQ basis.

### Loans worth INR6.6b restructured during the quarter

The bank restructured additional loans amounting to INR6.6b (38bp of domestic loans) during the quarter. Total outstanding domestic restructured book stands at ~INR78b (4.6% of loan book - largely in line with peers). ~12.3% of the restructured loans have turned into NPA. Of the overall restructured loans, large corporate segment constituted ~58%, SME segment constituted ~23%, retail segment ~7%, and agriculture segment ~11%.

### Other highlights

- BOB completed the takeover of Memon Cooperative Bank. As a result, a deficit of INR1.4b was created (to be amortized over four years), of which the bank provided INR130m during the quarter.
- Tax rate stood at 29% v/s our estimate of 33%.
- Domestic investment was up 7% QoQ to INR850b.
- MTM provisions were high at INR1.65b.
- Overall capital adequacy remained comfortable at 12.73%, with tier-I ratio of 8.82%. Including 1HFY12 PAT, the tier-I ratio could improve by 86bp to 9.68%.

### Valuation and view

Strong pick-up in fee income and continued superior performance on asset quality are positive surprises. The management mentioned that its entire portfolio is on CBS for NPA recognition and that asset quality will remain robust.

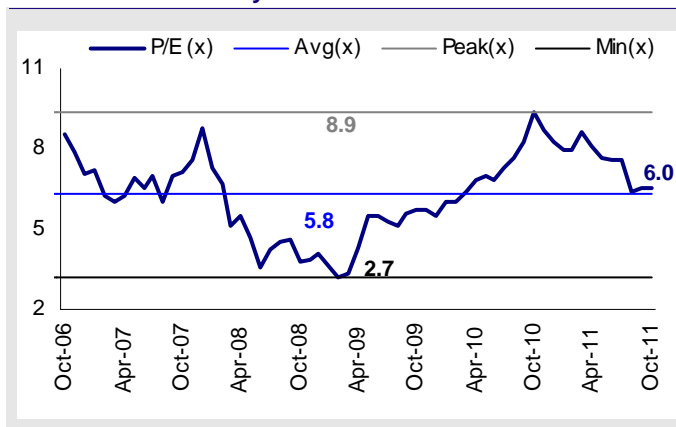
We expect the bank to report an EPS of INR118 for FY12 and INR136 for FY13. BV is likely to be INR603 in FY12 and INR712 in FY13. The stock trades at 1.3x FY12E and 1.1x FY13E BV. We believe credit cost is at its lowest and room for positive surprise is limited. We maintain **Neutral** with a target price of INR925 (1.3x FY13E BV).

**We upgrade our earnings estimates by ~5% for FY12/13 (INR b)**

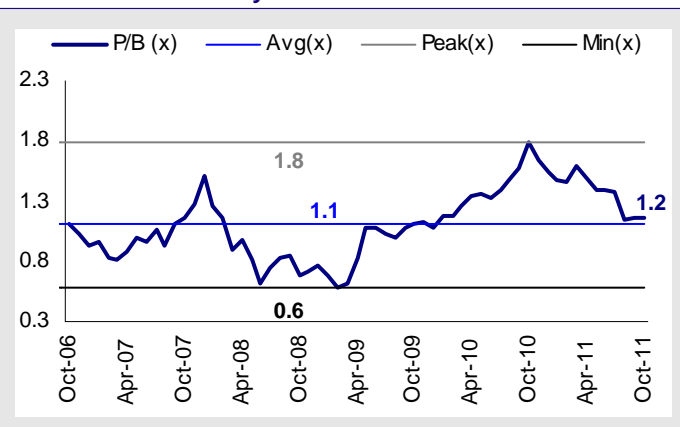
	Old Estimates		Rev. Estimates		Change (%)	
	FY12	FY13	FY12	FY13	FY12	FY13
Net Interest Income	99.9	117.5	104.3	122.0	4.4	3.8
Other Income	30.9	35.3	30.6	34.5	-1.1	-2.3
<b>Total Income</b>	<b>130.8</b>	<b>152.7</b>	<b>134.9</b>	<b>156.4</b>	<b>3.1</b>	<b>2.4</b>
Operating Expenses	48.4	52.9	48.4	52.9	-0.1	-0.1
<b>Operating Profits</b>	<b>82.4</b>	<b>99.8</b>	<b>86.6</b>	<b>103.6</b>	<b>5.0</b>	<b>3.8</b>
Provisions	18.0	23.7	20.3	27.4	12.8	15.5
<b>PBT</b>	<b>64.4</b>	<b>76.1</b>	<b>66.3</b>	<b>76.2</b>	<b>2.9</b>	<b>0.1</b>
Tax	20.6	25.1	19.9	22.9	-3.6	-9.0
<b>PAT</b>	<b>43.8</b>	<b>51.0</b>	<b>46.4</b>	<b>53.3</b>	<b>5.9</b>	<b>4.6</b>
Loans	2,767	3,348	2,744	3,348	-0.8	0.0
Deposits	3,726	4,546	3,787	4,621	1.6	1.6
Margins	2.7	2.7	2.8	2.7		
Credit Cost	0.5	0.7	0.5	0.8		
<b>RoA</b>	<b>1.1</b>	<b>1.1</b>	<b>1.2</b>	<b>1.1</b>		
<b>RoE</b>	<b>20.2</b>	<b>20.0</b>	<b>21.3</b>	<b>20.7</b>		

Source: MOSL

**Bank of Baroda: One year forward P/E**

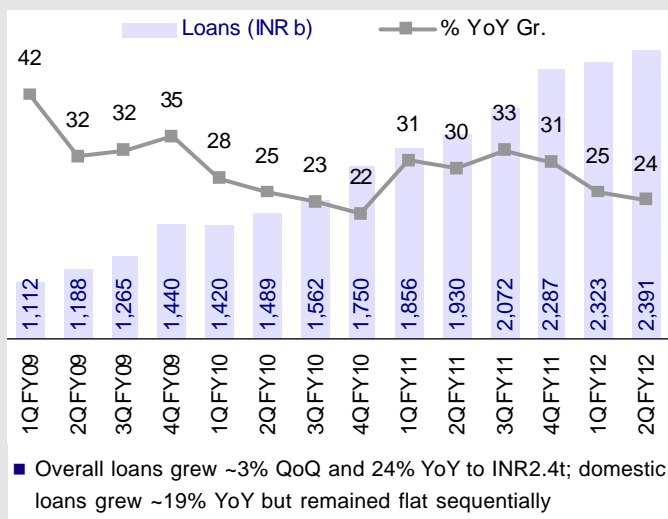


**Bank of Baroda: One year forward P/BV**

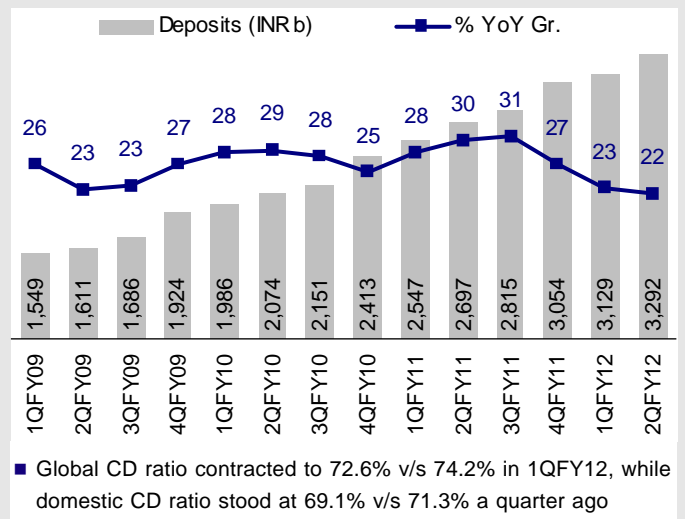


Quarterly trends

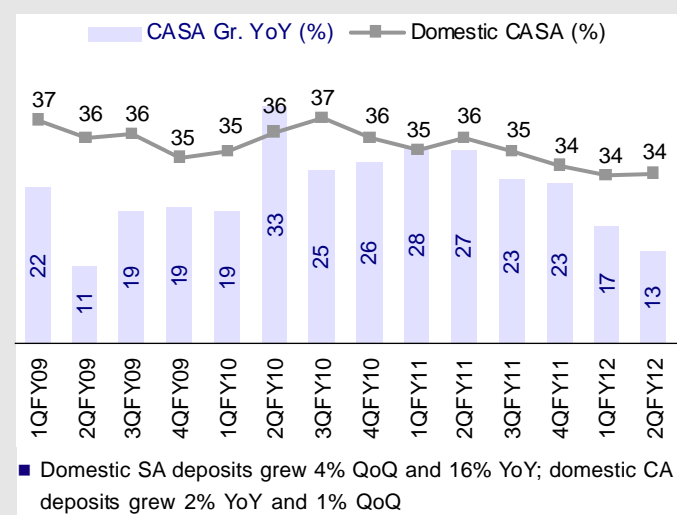
Loan growth remains healthy...



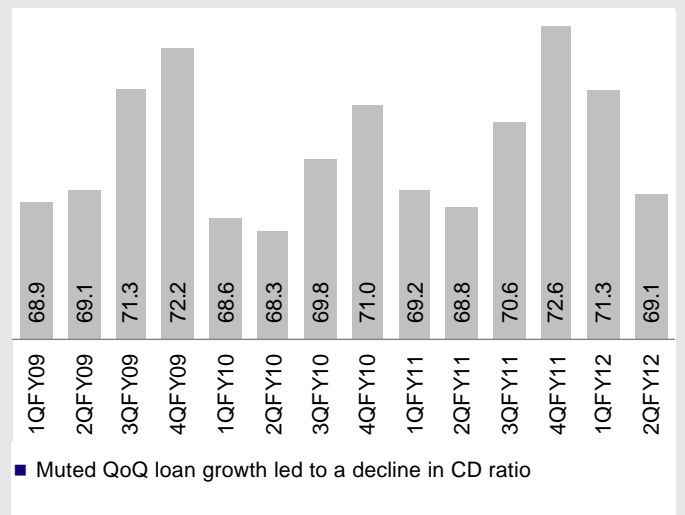
...as does deposit growth



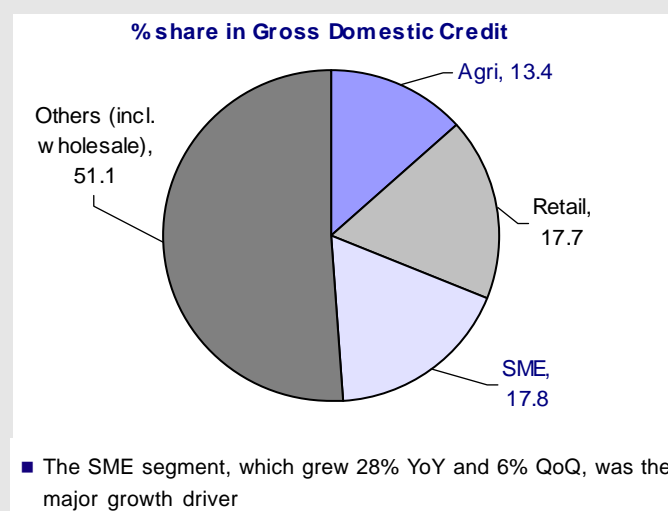
CASA deposit growth moderates further



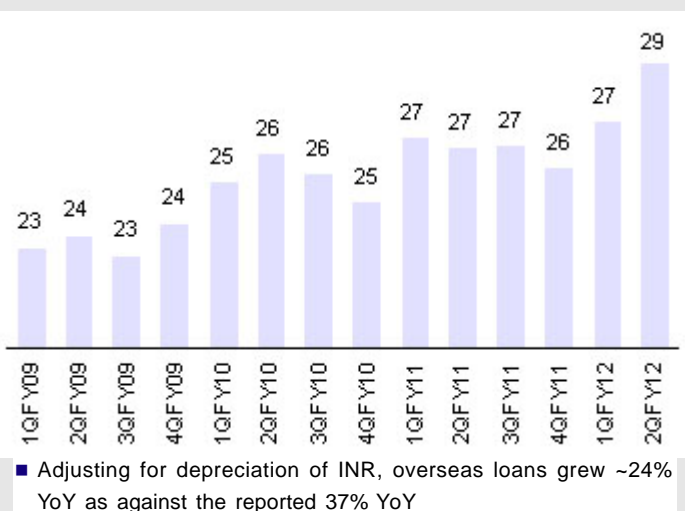
Domestic CD ratio declines QoQ (%)



Well diversified loan book

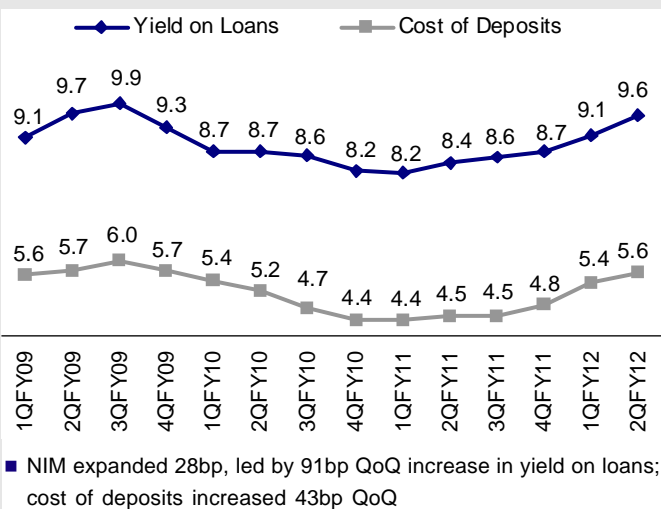


Share of international loan book increases QoQ

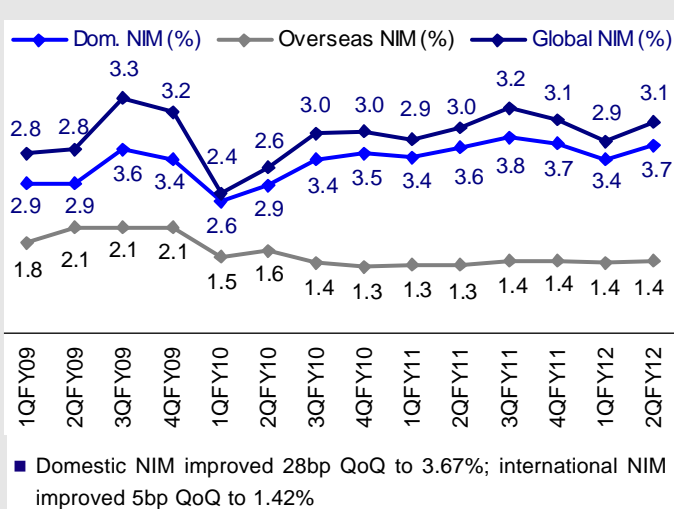


Quarterly trends (continued)

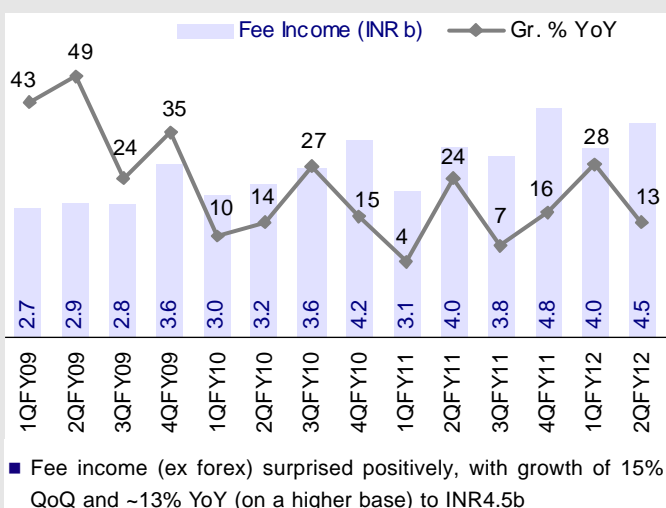
Global yield on loans increases 53bp QoQ (%)



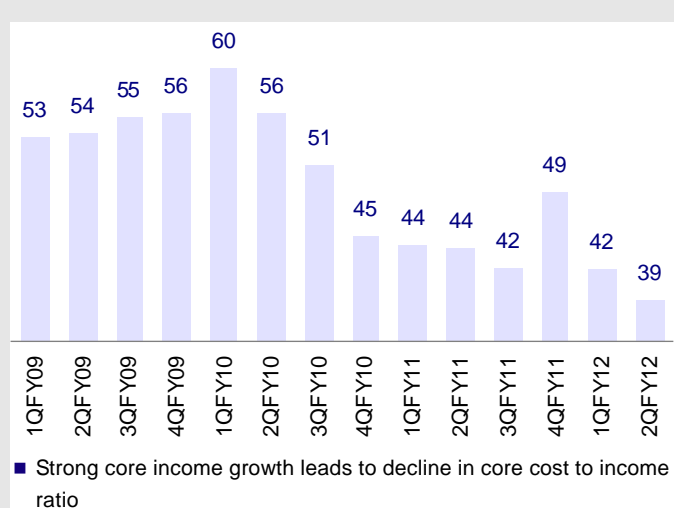
Domestic NIM improves 28bp QoQ



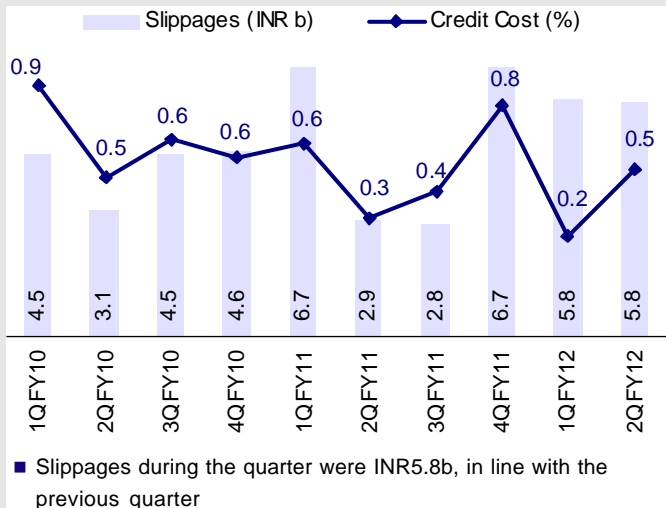
Fee income growth remains volatile



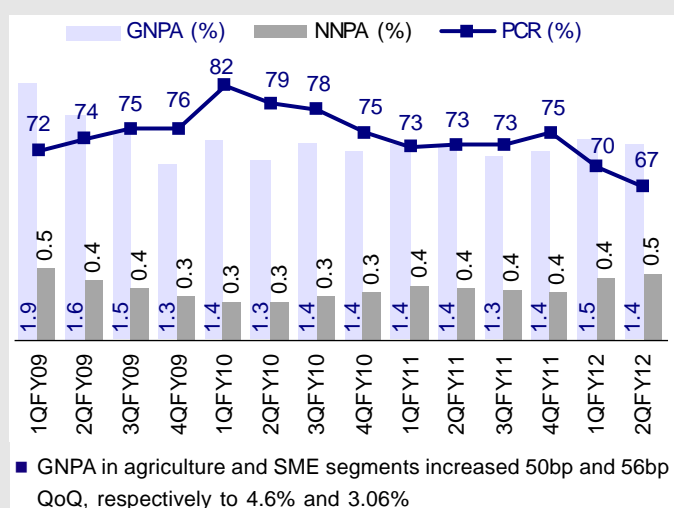
Core C/I declines QoQ (%)



Annualized slippage ratio at ~1.2%; under check



GNPA largely flattish QoQ; PCR declines



## Quarterly Snapshot

	FY11				FY12		Variation (%)		Cumulative Numbers		
	1Q	2Q	3Q	4Q	1Q	2Q	QoQ	YoY	1HFY11	1HFY12	YoY Gr (%)
<b>Profit and Loss (INR m)</b>											
<b>Net Interest Income</b>	<b>18,580</b>	<b>20,381</b>	<b>22,923</b>	<b>26,139</b>	<b>22,972</b>	<b>25,669</b>	<b>12</b>	<b>26</b>	<b>38,961</b>	<b>48,641</b>	<b>25</b>
Other Income	6,172	6,813	6,762	8,345	6,409	7,343	15	8	12,985	13,752	6
Trading profits	1,279	1,101	848	1,209	740	102	-86	-91	2,381	842	-65
Forex Income	1,216	1,000	1,471	1,461	1,400	1,473	5	47	2,216	2,873	30
Recoveries	561	692	615	859	288	1,220	324	76	1,253	1,507	20
Others (Non core)	3,116	4,020	3,828	4,817	3,981	4,549	14	13	7,136	8,530	20
<b>Total Income</b>	<b>24,752</b>	<b>27,194</b>	<b>29,684</b>	<b>34,484</b>	<b>29,380</b>	<b>33,013</b>	<b>12</b>	<b>21</b>	<b>51,947</b>	<b>62,393</b>	<b>20</b>
Operating Expenses	9,474	10,627	11,172	15,026	11,198	11,743	5	10	20,101	22,941	14
Employee	5,767	6,562	6,942	9,897	6,454	6,466	0	-1	12,329	12,920	5
Others	3,706	4,065	4,230	5,129	4,744	5,277	11	30	7,772	10,021	29
<b>Operating Profits</b>	<b>15,279</b>	<b>16,567</b>	<b>18,512</b>	<b>19,458</b>	<b>18,183</b>	<b>21,270</b>	<b>17</b>	<b>28</b>	<b>31,846</b>	<b>39,452</b>	<b>24</b>
Provisions	2,513	1,855	3,041	5,904	3,911	4,834	24	161	4,368	8,744	100
NPA provisions	2,775	1,423	2,064	4,244	1,320	2,981	126	110	4,198	4,301	2
Provisions on Invst.	-589	-201	535	346	1,385	1,651	19	-921	-790	3,036	-484
Others	327	633	442	1,314	1,206	201	-83	-68	960	1,407	46
<b>PBT</b>	<b>12,765</b>	<b>14,713</b>	<b>15,471</b>	<b>13,554</b>	<b>14,272</b>	<b>16,436</b>	<b>15</b>	<b>12</b>	<b>27,478</b>	<b>30,708</b>	<b>12</b>
Taxes	4,174	4,520	4,783	611	3,944	4,775	21	6	8,693	8,719	0
<b>PAT</b>	<b>8,592</b>	<b>10,193</b>	<b>10,689</b>	<b>12,944</b>	<b>10,328</b>	<b>11,661</b>	<b>13</b>	<b>14</b>	<b>18,785</b>	<b>21,989</b>	<b>17</b>
<b>Ratios (%)</b>											
Fees to Total Income	12.6	15	12.9	14.0	13.5	13.8			13.7	13.7	
Cost to Core Income	43.7	44	41.8	48.5	41.5	38.9			43.6	40.1	
Tax Rate	32.7	31	30.9	4.5	27.6	29.1			31.6	28.4	
CASA Reported	35.2	36	35.1	34.4	33.9	34.0					
Loan/Deposit	72.9	72	73.6	74.9	74.2	72.6					
Domestic Loan/ Deposit	69.2	69	70.6	72.6	71.3	69.1					
CAR	13.3	13	12.5	14.5	13.1	12.7					
Tier I	8.2	8	7.7	10.0	9.1	8.8					
<b>Margins Global (%)</b>											
Yield on loans	8.2	8.4	8.6	8.7	9.1	9.6	53	124	8.3	9.4	109
Yield On Investments	6.7	7.1	7.4	7.5	7.5	7.6	11	52	6.9	7.5	67
Cost of Deposits	4.4	4.5	4.5	4.8	5.4	5.6	25	111	4.4	5.5	104
Margins	2.9	3.0	3.2	3.1	2.9	3.1	20	5	3.0	3.0	1
<b>Margins - Domestic (%)</b>											
Yield on loans	9.8	10.2	10.3	10.7	11.2	12.1	91	197	10.0	11.7	171
Yield On Investments	6.8	7.2	7.6	7.6	7.6	7.7	13	48	7.0	7.7	62
Cost of Deposits	5.1	5.3	5.3	5.6	6.4	6.8	43	157	5.2	6.6	145
Margins	3.4	3.6	3.8	3.7	3.4	3.7	28	5	3.5	3.5	1
<b>Margins - Overseas (%)</b>											
Yield on loans	3.7	3.8	3.7	3.5	3.4	3.4	-1	-38	3.7	3.4	-34
Yield On Investments	3.7	3.7	3.9	4.3	4.9	4.2	-62	53	3.7	4.6	84
Cost of Deposits	2.0	2.0	1.9	1.8	1.8	1.8	2	-20	2.0	1.8	-18
Margins	1.3	1.3	1.4	1.4	1.4	1.4	5	9	1.3	1.4	8
<b>Franchise</b>											
Branches	3,106	3,202	3,259	3,364	3,409	3,492	83	290			
ATM	1,372	1,443	1,512	1,561	1,657	1,800	143	357			

For %age change QoQ and YoY is bp

Source: Company/MOSL

## Quarterly Snapshot

	FY10				FY11				FY12		Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	QoQ	YoY
<b>Balance Sheet (INR b)</b>												
<b>Deposits</b>	<b>1,986</b>	<b>2,074</b>	<b>2,151</b>	<b>2,413</b>	<b>2,547</b>	<b>2,697</b>	<b>2,815</b>	<b>3,054</b>	<b>3,129</b>	<b>3,292</b>	<b>5</b>	<b>22</b>
Domestic	1,544	1,606	1,662	1,855	1,962	2,060	2,154	2,333	2,365	2,447	3	19
Overseas	442	467	490	558	585	637	661	721	764	845	11	33
<b>Loans</b>	<b>1,420</b>	<b>1,489</b>	<b>1,562</b>	<b>1,750</b>	<b>1,856</b>	<b>1,930</b>	<b>2,072</b>	<b>2,287</b>	<b>2,323</b>	<b>2,391</b>	<b>3</b>	<b>24</b>
Domestic	1,059	1,096	1,160	1,316	1,357	1,417	1,520	1,694	1,686	1,690	0	19
Overseas	361	393	402	434	499	512	552	593	637	701	10	37
<b>CASA</b>	<b>585</b>	<b>627</b>	<b>666</b>	<b>715</b>	<b>748</b>	<b>798</b>	<b>820</b>	<b>876</b>	<b>872</b>	<b>902</b>	<b>3</b>	<b>13</b>
Domestic	542	581	614	660	691	739	756	802	802	833	4	13
Overseas	43	46	52	54	57	59	64	74	70	69	-1	18
<b>Savings Deposits</b>	<b>442</b>	<b>470</b>	<b>495</b>	<b>525</b>	<b>561</b>	<b>593</b>	<b>615</b>	<b>645</b>	<b>657</b>	<b>685</b>	<b>4</b>	<b>15</b>
Domestic	431	457	482	513	548	580	601	630	642	670	4	16
Overseas	11	12	14	13	13	14	14	15	15	15	2	13
<b>Current Deposits</b>	<b>142</b>	<b>157</b>	<b>170</b>	<b>189</b>	<b>187</b>	<b>205</b>	<b>205</b>	<b>231</b>	<b>216</b>	<b>216</b>	<b>0</b>	<b>6</b>
Domestic	111	123	132	148	143	160	155	172	161	162	1	2
Overseas	32	34	38	42	44	45	49	59	55	54	-2	20
<b>Loan Break Up</b>												
Retail Loans	202	214	223	242	250	272	296	324	309	299	-3	10
of which Housing	87	94	98	103	108	113	119	125	129	133	3	17
Agriculture	180	186	188	216	211	216	231	245	232	226	-3	5
SME	151	167	202	211	216	235	253	274	284	301	6	28
Others	886	923	948	1,081	1,179	1,207	1,292	1,443	1,498	1,565	4	30
<b>Asset Quality</b>												
GNPA	21	20	23	24	27	27	28	32	34	34	-1	25
NNPA	4	4	5	6	7	7	7	8	10	11	9	53
GNPA (%)	1.4	1.3	1.4	1	1.4	1	1.3	1	1.5	1.4	-5	2
NNPA (%)	0.3	0.3	0.3	0.3	0.4	0	0.4	0.4	0.4	0.5	3	9
PCR (Calculated, %)	82	79	78	74.9	73	73	73	74.9	70	67	-297	-599
PCR (Reported, %)			89	89	86	86	85	85	83	82	-55	-359
<b>Movement in NPA</b>												
Opening	18.4	20.8	19.6	22.4	24.0	27	27.2	27.6	31.4	34.1	9	28
Additions	4.5	3.1	4.5	5	6.7	3	2.8	6.7	5.8	5.8	0	102
Deductions	2.2	4.3	1.7	2.9	4.1	2	2.4	2.8	3.1	6.1	94	168
Of Which : Due to write Off	0.1	2.5	0.6	2	1.6	1	1.2	1.3	1.1	4.2	264	358
Due to Upgradation	1.3	0.6	0.1	0.1	1.1	0	0.1	0.5	0.7	0.4	-41	20
Due to Recoveries	0.7	1.2	1.0	1.0	1.4	1	1.1	1.1	1.3	1.5	16	47
<b>Closing</b>	<b>20.8</b>	<b>19.6</b>	<b>22.4</b>	<b>24.0</b>	<b>26.6</b>	<b>27</b>	<b>27.6</b>	<b>31.4</b>	<b>34.1</b>	<b>33.9</b>	<b>-1</b>	<b>25</b>
Slippage Ratio	1.6	1.1	1.4	1.3	1.9	1	0.7	1.5	1.3	1.2	-5	43
Credit Cost	0.9	0.5	0.6	0.6	0.6	0	0.4	0.8	0.2	0.5	28	21
<b>Restructured loans</b>	<b>40.0</b>	<b>45.0</b>	<b>48.0</b>	<b>51.1</b>	<b>52.8</b>	<b>54</b>	<b>60.5</b>	<b>67.1</b>	<b>71.7</b>	<b>78.3</b>	<b>9</b>	<b>44</b>
% to Loans	2.8	3.0	3.1	2.9	2.8	3	2.9	2.9	3.1	3.3	19	46

For %age change QoQ and YoY is bp

Source: Company/MOSL



## Stock Info

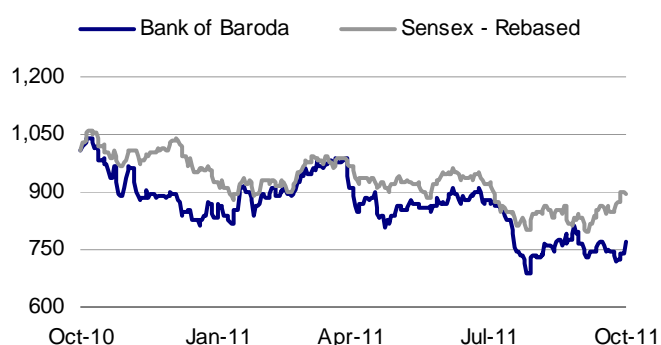
### EPS: MOSL forecast v/s consensus (INR)

	MOSL Forecast	Consensus Forecast	Variation (%)
FY12	118.1	119.4	-1.1
FY13	135.8	141.7	-4.1

### Shareholding pattern (%)

	Jun-11	Mar-11	Jun-10
Promoter	57.0	57.0	53.8
Domestic Inst	16.8	16.3	16.9
Foreign	14.9	16.6	18.5
Others	11.4	10.1	10.9

### 1-year Sensex rebased



### Financials: Valuation Matrix

	Rating	CMP (INR)	Mkt. Cap (USDb)	EPS (INR)		P/E (x)		P/BV (x)		RoA (%)		RoE (%)	
				FY12	FY13	FY12	FY13	FY12	FY13	FY12	FY13	FY12	FY13
ICICI*	Buy	931	21.7	55	65	13.0	10.7	1.8	1.6	1.4	1.5	13.9	14.9
HDFCB	Neutral	489	23.0	22	28	22.0	17.6	3.9	3.3	1.6	1.7	18.9	20.3
Axis	Buy	1,160	9.6	97	114	12.0	10.2	2.2	1.9	1.5	1.5	19.9	19.9
Kotak	Neutral	511	3.8	22	27	21.8	18.1	2.8	2.4	2.1	2.1	15.0	15.7
Yes	Buy	315	2.2	27	33	11.7	9.5	2.4	2.0	1.4	1.4	22.3	22.7
Indusind	Buy	287	2.7	17	21	17.4	13.9	3.0	2.6	1.5	1.5	18.6	19.9
ING Vysya	Buy	337	0.8	29	34	11.7	10.0	1.3	1.2	1.0	1.0	13.5	12.4
Federal	Buy	415	1.4	45	51	9.3	8.2	1.3	1.1	1.3	1.3	14.2	14.5
J&K Bk	Buy	841	0.8	156	179	5.4	4.7	1.0	0.9	1.4	1.3	20.0	19.8
SIB	Buy	24	0.5	3	4	7.3	6.1	1.3	1.2	1.0	0.9	20.0	20.2
<b>Private Aggregate</b>			<b>67</b>			<b>15.7</b>	<b>13.1</b>	<b>2.3</b>	<b>2.0</b>				
SBI (cons)*	Buy	1,907	24.5	220	269	8.3	6.7	1.3	1.1	0.8	0.9	15.7	17.1
PNB	Buy	977	6.2	168	200	5.8	4.9	1.3	1.0	1.3	1.3	24.0	23.5
BOI	Neutral	332	3.7	52	65	6.4	5.1	1.0	0.9	0.7	0.8	16.6	18.2
BoB	Neutral	772	6.1	118	136	6.5	5.7	1.3	1.1	1.2	1.1	21.3	20.7
Canara	Buy	469	4.2	80	96	5.9	4.9	1.0	0.8	1.0	1.0	18.2	18.7
Union	Buy	226	2.4	40	49	5.7	4.6	0.9	0.8	0.8	0.9	17.6	18.7
IOB	UR	102	1.3	22	25	4.6	4.1	0.7	0.6	0.7	0.7	15.8	16.1
OBC	Buy	290	1.7	42	54	7.0	5.4	0.8	0.7	0.7	0.8	11.4	13.4
Indian Bk Corporation	Buy	217	1.9	44	52	4.9	4.2	1.0	0.8	1.4	1.4	21.5	21.4
Andhra Bk	Buy	119	1.3	26	28	4.5	4.2	0.9	0.8	1.2	1.1	21.1	19.5
IDBI *	Neutral	117	2.3	20	21	4.7	4.3	0.6	0.6	0.7	0.7	14.5	14.1
Dena Bank	Buy	81	0.5	22	25	4.3	3.5	0.7	0.6	0.9	0.9	17.9	18.4
<b>Public Aggregate</b>			<b>57</b>			<b>7.2</b>	<b>6.1</b>	<b>1.1</b>	<b>1.0</b>				
HDFC*	Neutral	687	20.4	28	32	17.7	14.8	5.0	4.5	2.8	2.8	27.1	29.4
LICHF	Buy	234	2.2	23	28	10.0	8.2	2.2	1.8	2.0	1.9	24.2	24.3
DHFL	Buy	228	0.5	30	39	7.7	5.8	1.2	1.0	1.4	1.4	18.7	19.6
IDFC	Neutral	132	3.9	9.7	11.7	13.6	11.3	1.5	1.3	2.8	2.8	12.9	13.7
REC	Buy	180	3.6	29	35	6.2	5.1	1.2	1.0	3.1	3.1	20.9	22.0
PFC	Buy	150	3.5	22	27	6.8	5.5	1.0	0.9	2.6	2.6	16.2	16.6
STF	Buy	611	2.8	61	71	9.9	8.7	2.3	1.9	3.1	3.0	25.3	23.5
MMFSL	Neutral	674	1.4	56	70	12.0	9.7	2.4	2.0	4.1	4.1	21.3	22.4
<b>IBFC Aggregate</b>			<b>38</b>			<b>12.8</b>	<b>10.6</b>	<b>3.1</b>	<b>2.6</b>				

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

## Financials and valuation

<b>Income Statement</b>		<b>(INR Million)</b>					
<b>Y/E March</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	
Interest Income	118,135	150,916	166,983	218,859	299,884	373,118	
Interest Expense	79,017	99,682	107,589	130,837	195,548	251,143	
<b>Net Interest Income</b>	<b>39,118</b>	<b>51,234</b>	<b>59,395</b>	<b>88,023</b>	<b>104,336</b>	<b>121,975</b>	
Change (%)	9.3	31.0	15.9	48.2	18.5	16.9	
Non Interest Income	20,510	27,577	28,064	28,092	30,588	34,455	
<b>Net Income</b>	<b>59,628</b>	<b>78,811</b>	<b>87,458</b>	<b>116,114</b>	<b>134,924</b>	<b>156,430</b>	
Change (%)	20.2	32.2	11.0	32.8	16.2	15.9	
Operating Expenses	30,343	35,761	38,106	46,298	48,364	52,863	
<b>Pre Provision Profits</b>	<b>29,286</b>	<b>43,050</b>	<b>49,353</b>	<b>69,816</b>	<b>86,560</b>	<b>103,567</b>	
Change (%)	21.3	47.0	14.6	41.5	24.0	19.6	
Provisions (excl tax)	7,214	9,621	6,972	13,313	20,277	27,363	
<b>PBT</b>	<b>22,072</b>	<b>33,429</b>	<b>42,381</b>	<b>56,503</b>	<b>66,283</b>	<b>76,204</b>	
Tax	7,716	11,157	11,797	14,086	19,885	22,861	
Tax Rate (%)	35.0	33.4	27.8	24.9	30.0	30.0	
<b>PAT</b>	<b>14,355</b>	<b>22,272</b>	<b>30,583</b>	<b>42,417</b>	<b>46,398</b>	<b>53,343</b>	
Change (%)	39.8	55.1	37.3	38.7	9.4	15.0	
<b>Equity Dividend (Incl tax)</b>	<b>3,421</b>	<b>3,836</b>	<b>6,393</b>	<b>7,534</b>	<b>9,229</b>	<b>10,610</b>	
<b>Core PPP*</b>	<b>20,330</b>	<b>31,418</b>	<b>39,118</b>	<b>62,653</b>	<b>80,923</b>	<b>98,180</b>	
Change (%)	0.6	54.5	24.5	60.2	29.2	21.3	

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

<b>Balance Sheet</b>		<b>(INR Million)</b>					
<b>Y/E March</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	
Equity Share Capital	3,655	3,655	3,655	3,928	3,928	3,928	
Reserves & Surplus	106,784	125,142	147,409	206,003	242,377	284,315	
<b>Net Worth</b>	<b>110,439</b>	<b>128,797</b>	<b>151,064</b>	<b>209,931</b>	<b>246,305</b>	<b>288,243</b>	
<b>Deposits</b>	<b>1,520,351</b>	<b>1,923,970</b>	<b>2,412,619</b>	<b>3,054,395</b>	<b>3,787,450</b>	<b>4,620,688</b>	
Change (%)	21.7	26.5	25.4	26.6	24.0	22.0	
<b>of which CASA Dep</b>	<b>474,720</b>	<b>569,385</b>	<b>714,675</b>	<b>875,887</b>	<b>972,568</b>	<b>1,118,453</b>	
Change (%)	14.5	19.9	25.5	22.6	11.0	15.0	
Borrowings	93,498	127,679	133,501	223,079	242,985	285,477	
Other Liabilities & Prov.	71,717	86,277	85,983	96,567	108,213	130,471	
<b>Total Liabilities</b>	<b>1,796,005</b>	<b>2,266,722</b>	<b>2,783,167</b>	<b>3,583,972</b>	<b>4,384,952</b>	<b>5,324,879</b>	
Current Assets	223,003	240,871	354,671	499,341	634,549	774,212	
<b>Investments</b>	<b>438,701</b>	<b>524,459</b>	<b>611,824</b>	<b>712,606</b>	<b>908,573</b>	<b>1,090,288</b>	
Change (%)	25.5	19.5	16.7	16.5	27.5	20.0	
<b>Loans</b>	<b>1,067,013</b>	<b>1,432,514</b>	<b>1,750,353</b>	<b>2,286,764</b>	<b>2,744,116</b>	<b>3,347,822</b>	
Change (%)	27.6	34.3	22.2	30.6	20.0	22.0	
Fixed Assets	24,270	23,097	22,848	22,997	22,997	22,897	
Other Assets	43,018	45,781	43,472	62,264	74,717	89,660	
<b>Total Assets</b>	<b>1,796,005</b>	<b>2,266,722</b>	<b>2,783,167</b>	<b>3,583,972</b>	<b>4,384,952</b>	<b>5,324,879</b>	

<b>Asset Quality</b>		<b>(%)</b>					
GNPA (INR m)	19,814	18,429	24,007	31,525	39,936	53,622	
NNPA (INR m)	4,936	4,490	6,023	7,909	11,981	16,087	
GNPA Ratio	1.83	1.27	1.36	1.36	1.44	1.58	
NNPA Ratio	0.46	0.31	0.34	0.35	0.44	0.48	
Slippage Ratio	1.20	0.94	1.17	1.08	1.15	1.30	
Credit Cost	0.46	0.21	0.57	0.52	0.50	0.75	
PCR (Excl Tech. write off)	73.6	74.5	74.9	74.9	70.0	70.0	
PCR (Incl Tech. Write off)			87.0	85.0	82.4	80.3	

E: MOSL Estimates

## Financials and valuation

### Ratios

Y/E March	2008	2009	2010	2011	2012E	2013E
<b>Spreads Analysis (%)</b>						
<b>Avg. Yield-Earning Assets</b>	<b>7.9</b>	<b>8.1</b>	<b>7.1</b>	<b>7.4</b>	<b>8.2</b>	<b>8.4</b>
Avg. Yield on loans	8.8	9.0	7.9	8.0	9.1	9.4
Avg. Yield on Investments	6.9	6.9	6.4	7.2	7.6	7.8
<b>Avg. Cost-Int. Bear. Liab.</b>	<b>5.4</b>	<b>5.4</b>	<b>4.7</b>	<b>4.5</b>	<b>5.4</b>	<b>5.6</b>
Avg. Cost of Deposits	5.3	5.3	4.6	4.3	5.3	5.6
<b>Interest Spread</b>	<b>2.4</b>	<b>2.7</b>	<b>2.5</b>	<b>2.9</b>	<b>2.8</b>	<b>2.7</b>
<b>Net Interest Margin</b>	<b>2.6</b>	<b>2.7</b>	<b>2.5</b>	<b>3.0</b>	<b>2.8</b>	<b>2.7</b>

### Profitability Ratios (%)

RoE	15.8	20.8	23.8	25.0	21.3	20.7
RoA	0.9	1.1	1.2	1.3	1.2	1.1
Int. Expense/Int. Income	66.9	66.1	64.4	59.8	65.2	67.3
Fee Income/Net Income	16.3	14.7	18.2	15.4	15.5	16.0
Non Int. Inc./Net Income	34.4	35.0	32.1	24.2	22.7	22.0

### Efficiency Ratios (%)

Cost/Income*	55.9	51.2	47.5	41.5	36.5	34.4
Empl. Cost/Op. Exps.	62.7	65.7	61.7	63.0	54.7	51.2
Busi. per Empl. (Rs m)	63.5	80.7	96.5	118.7	137.7	157.5
NP per Empl. (Rs lac)	0.4	0.6	0.8	1.1	1.1	1.2

\* ex treasury

### Asset-Liability Profile (%)

Loans/Deposit Ratio	70.2	74.5	72.5	74.9	72.5	72.5
CASA Ratio	31.2	29.6	29.6	28.7	25.7	24.2
Investment/Deposit Ratio	28.9	27.3	25.4	23.3	24.0	23.6
G-Sec/Investment Ratio	79.1	78.4	82.1	84.0	82.8	84.2
CAR	12.9	14.1	14.4	14.5	12.7	11.2
Tier 1	7.6	8.5	9.2	10.0	9.0	8.2

### Valuation

Book Value (Rs)	266.5	318.7	383.1	508.4	603.0	711.8
Change (%)	16.1	19.6	20.2	32.7	18.6	18.0
Price-BV (x)	2.9	2.4	2.0	1.5	1.3	1.1
Adjusted BV (Rs)	257.7	310.7	372.4	495.3	583.2	685.2
Price-ABV (x)	3.0	2.5	2.1	1.6	1.3	1.1
EPS (Rs)	39.3	60.9	83.7	108.0	118.1	135.8
Change (%)	39.8	55.1	37.3	29.1	9.4	15.0
Price-Earnings (x)	19.6	12.7	9.2	7.1	6.5	5.7
Dividend Per Share (Rs)	8.0	9.0	15.0	16.5	20.1	23.1
Dividend Yield (%)	1.0	1.2	1.9	2.1	2.6	3.0

E: MOSL Estimates

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