



Stress Lightens!

15th Nov, 2016

CMP: Rs. 161
Target Price: Rs. 172
Recommendation: HOLD

Stock Info

BSE Group	A
BSE Code	532134
NSE Symbol	BANKBARODA
Bloomberg	BOB IN
Reuters	BOB.BO
BSE Sensex	26,818
NSE Nifty	8,296

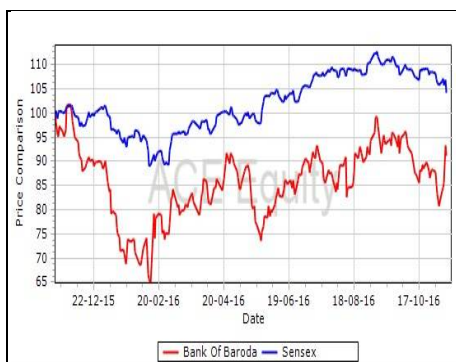
Market Info

Market Capital	Rs. 37,027cr
Equity Capital	Rs. 462cr
Avg. Trading Vol.	10,08,690
52 Wk High/ Low	182/109
Face Value	2

Shareholding Pattern (%) (Sep, 2016)

Promoters	59.2
Domestic Institutions	21.7
Foreign Institutions	11.9
Public & Others	7.1

Price chart:



Bank of Baroda reported Operating Profit of Rs. 2,690 Cr in Q2 FY 2017 as against Rs. 2,337 Cr in corresponding quarter previous year, a growth of 15%. The bank reported net profit of Rs 552 crs for the quarter against Rs 124 crs in corresponding quarter of previous year.

Asset quality for the bank deteriorated. Fresh slippages during the quarter came in at Rs 2,252 crs reflecting plummeting stress in corporate portfolio both in domestic and overseas loan book. Gross NPA for the quarter stood at 11.4 vs. 5.6 YoY and 11.2 QoQ. Net NPA stood at 5.5 vs. 3.1 YoY and 5.7 QoQ. Restructured Standard Advances dropped to Rs. 13,860 Crore against Rs. 22,930 Crore YoY and Rs 14,164 crs QoQ.

Net interest income grew by 5.6% YoY to Rs. 3,426 crs and was higher by 1.6% QoQ. Net interest margins expanded by 20 bps to 2.3 YoY. Domestic NIM stood at 2.9 while overseas NIM stood at 0.98 reporting improvement.

Total (Domestic + Overseas) deposits showed de-growth of 7% YoY & grew by 1% sequentially. Total CASA deposits de-grew by 2% YoY. Share of Domestic CASA to domestic deposits stood at 34.2% as at Sep 30, 2016 vs. 32.0% as at Sep 30, 2015. Domestic CASA share on daily average basis stood at 33.6% as at Sep 30, 2016 vs. 23.5% as at Sep 30, 2015.

Total Advances stood at Rs 3,54,150 Crore against Rs 4,14,900 Crore YoY. Retail Advances stood at Rs 51,254 Crore and constituted 19% of Gross Domestic Advances. Within the Retail Advances, the home loan portfolio increased by 11.6% to Rs 26,327 Crore. Share of agriculture loans increased to 16% from 14% while share of SME grew to 21% vs. 20% YoY. Share of large & Medium corporate however stood flat. Industry wide, share of infrastructure loans dropped to 11.6% vs. 12.8% YoY contributed majorly by drop in loans to power industry which stood at 6% vs. 7.2% YoY. Share of food processing industry dropped to 0.3% vs. 2.7%. Home loans share to total deposits grew from 8.2% in Q2 FY16 to 9.9% this quarter.

Valuation

At CMP of Rs 161 the stock is trading at P/ABV multiple of 1.6(x). We have valued stock on P/ABV(x) of 1.75 (x) on its FY 18E ABV of Rs 98 per share and have arrived at fair value of Rs 172. We have **HOLD** rating on the stock.

(Rs Cr)	FY15	FY16	FY17E	FY18E
Net interest income	13187	12740	14379	16037
Operating Profit	17589	17739	19890	22115
PAT	3398	-5395	2003	2778
EPS (Rs)	15.5	-23.8	8.7	16.2
ABV (Rs)	143	90	92	98
RoE (%)	9.1	-14.6	5.2	6.5
RoA (%)	0.5	-0.8	0.3	0.4
P/E (x)	10.5	-6.2	18.5	9.9
P/ABV (x)	1.1	1.6	1.8	1.6

Source: Company Data Ace Equity, Arihant Research



Q2 FY17 Earnings Snapshot

Reported Quarterly Results					
Particulars (Rs Cr)	Q2FY17	Q2FY16	YoY (%)	Q1FY17	QoQ (%)
Interest Earned	10,485	11,156	-6.0	10,434	0.5
Interest Expended	7,059	7,912	-10.8	7,062	0.0
Net Interest Income	3,426	3,244	5.6	3,371	1.6
Other Income	1,561	1,144	36.5	1,444	8.1
<i>Other income / Net Income(%)</i>	31	26		30	
Total income	4,988	4,389	13.6	4,815	3.6
Employee Expenses	1,169	1,044	11.9	1,108	5.4
Non-Employee expenses	1,129	1,008	12.0	1,038	8.8
Operating Expenses	2,297	2,051	12.0	2,146	7.1
<i>Cost-income Ratio(%)</i>	46	47		45	
Pre-Prov Profits	2,690	2,337	15.1	2,669	0.8
Provisions & Contingencies	1,796	1,892	-5.1	2,004	-10.4
PBT	894	445	100.8	665	34.4
Exceptional (Reported)	0	0		0	
Provisions for Tax	342	321	6.7	242	41.5
<i>Effective Tax Rate (%)</i>	38	72		36	
PAT (reported)	552	124	343.5	424	30.3
EPS Basic	2.4	0.6		1.8	
EPS Diluted	2.4	0.6		1.8	
BVPS	147	173		146	
GNPA	42,949	23,710		42,992	
NNPA	19,342	12,798		20,784	
GNPA (%)	11.4	5.6		11.2	
NNPA (%)	5.5	3.1		5.7	
Total CAR (%)	12.9	13.3		14.1	
NIM (%)	2.3	2.1	0.2	2.2	0.1
Advances	3,54,150	4,14,900	-14.6	3,62,766	-2.4
Deposits	5,67,531	6,12,458	-7.3	5,62,174	1.0

Source: Company Data Ace Equity, Aриhant Research



Income Statement				
Year to 31st March (Rs.Cr)	FY15	FY16	FY17E	FY18E
Interest Income	42,964	44,061	43,284	44,291
Interest Expenses	29,776	31,321	28,905	28,254
Net Interest Income	13,187	12,740	14,379	16,037
- growth %	10	(3)	13	12
Fee-based Income	2,389	2,568	2,811	3,016
Treasury Income	1,007	1,179	1,297	1,491
Other Non-interest Income	1,006	1,252	1,402	1,571
Total Non-Interest Income	4,402	4,999	5,510	6,078
Operating Income	17,589	17,739	19,890	22,115
- growth %	7	1	12	11
Operating Expenses	7,674	8,923	9,303	10,254
- Staff Cost	4,261	4,978	5,080	5,494
- Other Operating Exp.	3,413	3,945	4,224	4,760
Gross Profits	9,915	8,816	10,586	11,861
- growth %	7	(11)	20	12
Provisions	4,495	15,514	7,504	7,893
Exceptional Item	-	-	-	-
Profit Before Taxes	5,421	(6,698)	3,082	3,968
Taxes	2,022	(1,303)	1,079	1,190
Profit After Taxes	3,398	(5,395)	2,003	2,778

Ratio Analysis				
Year to 31st March	FY15	FY16	FY17E	FY18E
Basic Ratio (Rs.)				
EPS	15.5	-23.8	8.7	16.2
Book Value per share	179.6	174.0	180.7	190.4
Adjusted Book Value	143.2	90.0	91.7	98.3
Dividend per share	3.2	0.0	1.6	2.0
Asset Quality (%)				
Gross NPAs	3.7	10.0	12.0	11.0
Net NPAs	1.9	5.0	5.8	5.5
NPA Coverage	52.7	60.1	62.0	62.0
Profitability ratios (%)				
RoAE	9.1	-14.6	5.2	6.5
RoAA	0.5	-0.8	0.3	0.4
NIM	2.3	2.1	2.5	2.6
Operating Profit Margin	20.9	18.0	21.7	23.5
Net Profit Margin	7.2	-11.0	4.1	5.5
Cost to Income	43.6	50.3	46.8	46.4

Balance Sheet				
As on 31st March (Rs. cr)	FY15	FY16	FY17E	FY18E
LIABILITIES				
Capital	444	462	462	462
Reserves & Surplus	39,392	39,737	41,296	43,519
Deposits	6,17,560	5,74,038	5,95,572	6,32,359
- growth %	9	(7)	4	6
Borrowings	35,264	33,472	30,292	27,263
Other liabilities & provisions	22,329	23,668	18,637	17,690
Total Liabilities	7,14,989	6,71,376	6,86,260	7,21,293
ASSETS				
Cash on hand & with RBI	22,489	21,456	23,246	24,244
Money at call and short notice	1,25,865	1,12,228	1,15,719	1,05,564
Advances	4,28,065	3,83,770	3,74,890	4,06,534
- growth %	8	-10	-2	8
Investments	1,22,320	1,20,666	1,39,481	1,52,330
Fixed assets	2,875	6,254	6,567	6,895
Other assets	13,376	27,002	26,357	25,725
Total Assets	7,14,989	6,71,376	6,86,260	7,21,293

Spread analysis (%)				
	FY15	FY16	FY17E	FY18E
Yield on advances	7.5	7.3	7.3	6.9
Yield on investments	7.9	8.8	8.0	7.6
Yield on interest-earning assets	7.9	8.1	8.3	8.1
Cost of deposits	4.7	4.6	4.5	4.2
Cost of borrowings	6.0	5.7	5.8	6.0
Cost of funds	4.7	5.0	4.8	4.5
Spread	3.1	3.2	3.5	3.6
Net Interest Income to AWF	2.0	1.9	2.2	2.3
Non Interest Income to AWF	0.7	0.7	0.8	0.9
Operating Profit to AWF	1.5	1.3	1.6	1.7
Net Profit to AWF	0.5	-0.8	0.3	0.4
Valuation ratios (x)				
P/E	10.5	-6.2	18.5	9.9
P/BV	0.9	0.8	0.9	0.8
P/ABV	1.1	1.6	1.8	1.6

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Stock Rating Scale

	Absolute Return
Buy	> 20%
Accumulate	12% to 20%
Hold	5% to 12%
Neutral	-5% to 5%
Reduce	< -5%

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