

## Strong Retail Growth

17<sup>th</sup> Nov, 2017

**CMP:** Rs. 183  
**Target Price:** Rs. 211  
**Recommendation:** **ACCUMULATE**

### Stock Info

BSE Group	A
BSE Code	532134
NSE Symbol	BANKBARODA
Bloomberg	BOB IN
Reuters	BOB.BO
BSE Sensex	33,107
NSE Nifty	10,215

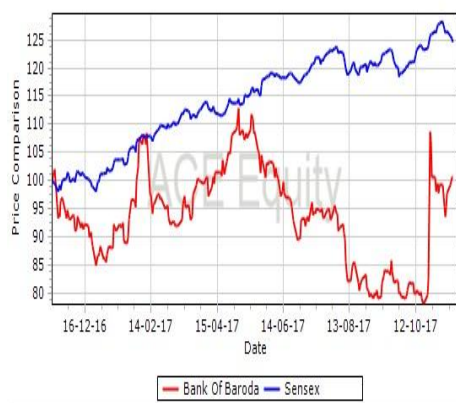
### Market Info

Market Capital	Rs. 42,166 cr
Equity Capital	Rs. 462cr
Avg. Trading Vol.	1,22,75,360
52 Wk High/ Low	207/133
Face Value	2

### Shareholding Pattern (%) (June, 2017)

Promoters	59.2
Domestic Institutions	18.7
Foreign Institutions	12.8
Public & Others	9.3

### Price chart:



Bank of Baroda reported Operating Profit of Rs. 3048 Cr in Q1 FY 2018 as against Rs. 2,690 Cr in corresponding quarter previous year, a growth of 13%. The bank reported net profit of Rs 355 crs for the quarter against profit of Rs 552 crs in corresponding quarter of previous year.

Asset quality for the bank improved. Gross NPA for the quarter stood at 11.16% vs. 11.35% YoY and 11.40% QoQ. Net NPA stood at 5.05% vs. 5.46% YoY and 4.17% QoQ. Fresh slippages during the quarter came in at Rs 2,586 crs vs Rs.4384 crs QoQ reflecting decreased stress due to lower incremental additions. Slippages constituted of Agri : Rs.700 cr, MSME: Rs.739 crs, Retail: Rs.340 crs & corporate exposure of Rs.650crs. Restructured Standard Advances dropped to Rs. 11,722 Crore against Rs. 13,860 Crore YoY and Rs 11,819 crs QoQ. Management is targeting NNPA of 2.5% by next year as expecting NCLT based write-backs and interest additions as well in Q4FY18 and Q1FY19.

Net interest income grew by 8.6% YoY to Rs. 3,426 crs. Net interest margins expanded by 19 bps to 2.31% YoY. Domestic NIM improved to 2.68% while overseas NIM stood at 1.15% reporting steady performance.

Total (Domestic + Overseas) deposits grew by 2.7% YoY and 2.2% sequentially. Total CASA deposits grew by 24.3% YoY. Share of Domestic CASA to domestic deposits on daily average basis stood at 38.33% as at Sept 30, 2017 vs. 33.63% as at Sept 30, 2016.

Total Advances stood at Rs 3,87,302 Crore against Rs 3,54,150 Crore YoY. Retail Advances stood at Rs 64,317 Crore and constituted 21.3% of Gross Domestic Advances. Within the Retail Advances, the home loan portfolio increased by 34.1% to Rs 35,308 Crore, education loans stood steady at 2,087 Crore. Share of agriculture loans stood at 15% while share of MSME stood at 17% , share of corporate stood at 46% & share of retail increased to 21% driven by strong home loans growth.

### Valuation

At CMP of Rs 183 the stock is trading at P/ABV multiple of 1.8(x) on FY19E. We have valued stock on P/ABV(x) of 2.1(x) on its FY 19E ABV of Rs 101 per share and have arrived at fair value of Rs 211. We have **ACCUMULATE** rating on the stock.

### Financial Snapshot

(Rs Cr)	FY16	FY17	FY18E	FY19E
Net interest income	12740	13513	12502	13666
Operating Profit	17739	20271	19919	21913
PAT	-5395	1383	1741	2959
EPS (Rs)	-23.8	6.0	7.5	12.8
ABV (Rs)	90	92	96	101
RoE (%)	-14.6	3.6	4.3	6.9
RoA (%)	-0.8	0.2	0.2	0.4
P/E (x)	-6.2	28.2	24.3	14.3
P/ABV (x)	1.6	1.8	1.9	1.8

**Q2 FY18 Earnings Snapshot:**

Reported Quarterly Results					
Particulars (Rs Cr)	Q2FY18	Q2FY17	YoY (%)	Q1FY18	QoQ (%)
Interest Earned	10,753	10,485	2.6	10,553	1.9
Interest Expended	7,033	7,059	-0.4	7,148	-1.6
<b>Net Interest Income</b>	<b>3,721</b>	<b>3,426</b>	<b>8.6</b>	<b>3,405</b>	<b>9.3</b>
Other Income	1,737	1,561	11.2	1,551	12.0
<i>Other income / Net Income(%)</i>	32	31		31	
<b>Total income</b>	<b>5,458</b>	<b>4,988</b>	<b>9.4</b>	<b>4,956</b>	<b>10.1</b>
Employee Expenses	1,213	1,169	3.8	1,015	19.5
Non-Employee expenses	1,203	1,129	6.5	1,293	-7.0
<b>Operating Expenses</b>	<b>2,416</b>	<b>2,297</b>	<b>5.2</b>	<b>2,308</b>	<b>4.7</b>
<i>Cost-income Ratio(%)</i>	44	46		47	
<b>PPOP</b>	<b>3,042</b>	<b>2,690</b>	<b>13.1</b>	<b>2,648</b>	<b>14.9</b>
Provisions & Contingencies	2,329	1,796	29.7	2,368	-1.6
<b>PBT</b>	<b>712</b>	<b>894</b>	<b>-20.3</b>	<b>280</b>	<b>154.4</b>
Exceptional (Reported)	0	0		0	
Provisions for Tax	357	342	4.4	77	365.8
<i>Effective Tax Rate (%)</i>	50	38		27	
<b>PAT (reported)</b>	<b>355</b>	<b>552</b>		<b>203</b>	
EPS Basic	1.5	2.4		0.9	
EPS Diluted	1.5	2.4		0.9	
BVPS	133	147		133	
GNPA	46,307	42,949		46,173	
NNPA	19,573	19,342		19,519	
GNPA (%)	11.2	11.4		11.4	
NNPA (%)	5.1	5.5		5.2	
Total CAR (%)	11.6	12.9		11.8	
NIM (%)	2.3	2.3	0.0	2.1	0.2
Advances	3,87,302	3,54,150	9.4	3,77,607	2.6
Deposits	5,83,212	5,67,531	2.8	5,70,608	2.2

**Income Statement**

Year to 31st March (Rs.Cr)	FY17	FY18E	FY19E
Interest Income	42,200	41,876	45,258
Interest Expenses	28,687	29,374	31,593
<b>Net Interest Income</b>	<b>13,513</b>	<b>12,502</b>	<b>13,666</b>
Fee-based Income	3,035	3,260	3,504
Treasury Income	2,618	3,011	3,462
Other Non-interest Income	1,105	1,147	1,281
Total Non-Interest Income	6,758	7,418	8,247
<b>Operating Income</b>	<b>20,271</b>	<b>19,919</b>	<b>21,913</b>
Operating Expenses	9,296	9,410	10,262
- Staff Cost	4,638	4,828	5,222
- Other Operating Exp.	4,659	4,581	5,040
Gross Profits	10,975	10,509	11,651
<b>growth %</b>	<b>24</b>	<b>(4)</b>	<b>11</b>
Provisions	8,502	7,831	7,098
Exceptional Item	-	-	-
<b>Profit Before Taxes</b>	<b>2,473</b>	<b>2,678</b>	<b>4,553</b>
Taxes	1,090	937	1,593
<b>Profit After Taxes</b>	<b>1,383</b>	<b>1,741</b>	<b>2,959</b>

**Balance Sheet**

As on 31st March (Rs. cr)	FY17	FY18E	FY19E
<b>LIABILITIES</b>			
Capital	462	462	462
Reserves & Surplus	39,842	41,028	43,710
Deposits	6,01,675	6,32,359	6,88,996
<b>growth %</b>	<b>5</b>	<b>5</b>	<b>9</b>
Borrowings	30,611	29,081	27,627
Other liabilities & provisions	22,286	25,302	26,281
<b>Total Liabilities</b>	<b>6,94,876</b>	<b>7,28,232</b>	<b>7,87,076</b>
<b>ASSETS</b>			
Cash on hand & with RBI	22,780	13,809	11,627
Money at call and short notice	1,27,690	1,50,405	1,65,445
Advances	3,83,259	3,97,846	4,33,949
<b>growth %</b>	<b>0</b>	<b>4</b>	<b>9</b>
Investments	1,29,631	1,31,419	1,40,606
Fixed assets	5,758	6,420	6,549
Other assets	25,757	28,333	28,900
<b>Total Assets</b>	<b>6,94,875</b>	<b>7,28,232</b>	<b>7,87,076</b>

**Ratio Analysis**

Year to 31st March	FY17	FY18E	FY19E
<b>Basic Ratio (Rs.)</b>			
EPS	6.0	7.5	12.8
Book Value per share	174.4	179.6	191.2
Adjusted Book Value	92.4	96.1	100.7
Dividend per share	1.4	2.0	1.0
<b>Asset Quality (%)</b>			
Gross NPAs	11.0	10.5	10.0
Net NPAs	5.2	5.1	5.0
NPA Coverage	62.0	65.0	65.0
<b>Profitability ratios (%)</b>			
RoAE	3.6	4.3	6.9
RoAA	0.2	0.2	0.4
NIM	2.3	2.0	2.0

**Spread analysis (%)**

	FY17	FY18E	FY19E
Cost to Income	45.9	47.2	46.8
Yield on advances	7.3	7.0	7.2
Yield on investments	7.4	7.6	7.8
Cost of deposits	4.5	4.5	4.5
Cost of funds	4.7	4.6	4.7
Spread	3.2	2.8	2.9
Net Interest Income to AWF	2.1	1.8	1.9
Non Interest Income to AWF	1.0	1.1	1.1
Operating Profit to AWF	1.7	1.5	1.6
<b>Valuation ratios (x)</b>			
P/E	28.2	24.3	14.3
P/BV	1.0	1.0	1.0
P/ABV	1.8	1.9	1.8

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**Stock Rating Scale**

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

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