



Muted Credit Growth!

14th Feb, 2017

CMP: Rs. 169
Target Price: Rs. 210
Recommendation: **BUY**

Stock Info

BSE Group	A
BSE Code	532134
NSE Symbol	BANKBARODA
Bloomberg	BOB IN
Reuters	BOB.BO
BSE Sensex	28,358
NSE Nifty	8,803

Market Info

Market Capital	Rs. 38,882cr
Equity Capital	Rs. 462cr
Avg. Trading Vol.	1,06,40,310
52 Wk High/ Low	192/118
Face Value	2

Shareholding Pattern (%) (Dec, 2016)

Promoters	59.2
Domestic Institutions	21.2
Foreign Institutions	11.7
Public & Others	7.9

Price chart:



Bank of Baroda reported Operating Profit of Rs. 2,595 Cr in Q3 FY 2017 as against Rs. 1,704 Cr in corresponding quarter previous year, a growth of 52%. The bank reported net profit of Rs 253 crs for the quarter against loss of Rs 3,342 crs in corresponding quarter of previous year.

Asset quality for the bank was stable. Gross NPA for the quarter stood at 11.4 vs. 9.7 YoY and 11.35 QoQ. Net NPA stood at 5.43 vs. 5.67 YoY and 5.46 QoQ. Fresh slippages during the quarter came in at Rs 3,073 crs reflecting continued stress however incremental additions were lower. Restructured Standard Advances dropped to Rs. 14,059 Crore against Rs. 17,135 Crore YoY and Rs 13,860 crs QoQ.

Net interest income grew by 16% YoY to Rs. 3,134 crs and was lower by 8.5% QoQ. Net interest margins expanded by 30 bps to 2.1 YoY. Domestic NIM stood at 2.5 while overseas NIM stood at 0.98 reporting improvement.

Total (Domestic + Overseas) deposits showed stood flat YoY however grew by 3.9% sequentially. Total CASA deposits grew by 39% YoY. Share of Domestic CASA to domestic deposits on daily average basis stood at 37.1% as at Dec 31, 2016 vs. 28.9% as at Dec 31, 2015.

Total Advances stood at Rs 3,49,960 Crore against Rs 3,84,272 Crore YoY. Retail Advances stood at Rs 51,320 Crore and constituted 19% of Gross Domestic Advances. Within the Retail Advances, the home loan portfolio increased by 9.11% to Rs 26,548 Crore. Share of agriculture loans increased to 16% from 12% while share of MSME and share of large & Medium corporate stood flat at 20%. Industry wide, share of infrastructure loans dropped to 10.2% vs. 13% YoY contributed majorly by drop in loans to power industry which stood at 5.7% vs. 7.3% YoY. Share of food processing industry dropped to 0.4% vs. 3.0%. Home loans share to total deposits grew from 8.9% in Q3 FY16 to 9.9% this quarter.

Valuation

At CMP of Rs 169 the stock is trading at P/ABV multiple of 1.6(x). We have valued stock on P/ABV(x) of 2 (x) on its FY 18E ABV of Rs 105 per share and have arrived at fair value of Rs 210. We have **BUY** rating on the stock.

Financial Snapshot

(Rs Cr)	FY15	FY16	FY17E	FY18E
Net interest income	13187	12740	13239	14427
Operating Profit	17589	17739	19454	21294
PAT	3398	-5395	1522	2601
EPS (Rs)	15.5	-23.8	6.6	15.1
ABV (Rs)	143	90	97	105
RoE (%)	9.1	-14.6	4.0	6.1
RoA (%)	0.5	-0.8	0.2	0.4
P/E (x)	10.5	-6.2	25.6	11.2
P/ABV (x)	1.1	1.6	1.7	1.6



Q3 FY17 Earnings Snapshot

Reported Quarterly Results					
Particulars (Rs Cr)	Q3FY17	Q3FY16	YoY (%)	Q2FY17	QoQ (%)
Interest Earned	10,406	10,614	-2.0	10,485	-0.8
Interest Expended	7,272	7,909	-8.1	7,059	3.0
Net Interest Income	3,134	2,705	15.9	3,426	-8.5
Other Income	1,775	1,113	59.5	1,561	13.7
<i>Other income / Net Income(%)</i>	36	29		31	
Total income	4,909	3,818	28.6	4,988	-1.6
Employee Expenses	1,139	1,155	-1.4	1,169	-2.5
Non-Employee expenses	1,175	959	22.5	1,129	4.1
Operating Expenses	2,314	2,114	9.5	2,297	0.7
<i>Cost-income Ratio(%)</i>	47	55		46	
Pre-Prov Profits	2,595	1,704	52.3	2,690	-3.5
Provisions & Contingencies	2,080	6,165	-66.3	1,796	15.8
PBT	516	-4,460	-111.6	894	-42.3
Exceptional (Reported)	0	0		0	
Provisions for Tax	263	-1,118	-123.5	342	-23.1
<i>Effective Tax Rate (%)</i>	51	25		38	
PAT (reported)	253	-3,342	-107.6	552	-54.2
EPS Basic	1.1	-14.5		2.4	
EPS Diluted	1.1	-14.5		2.4	
BVPS	148	154		147	
GNPA	42,642	38,934		42,949	
NNPA	19,006	21,806		19,342	
GNPA (%)	11.4	9.7		11.4	
NNPA (%)	5.4	5.7		5.5	
Total CAR (%)	12.6	13.0		12.9	
NIM (%)	2.1	1.7	0.3	2.3	-0.2
Advances	3,49,960	3,84,272	-8.9	3,54,150	-1.2
Deposits	5,89,859	5,89,687	0.0	5,67,531	3.9

Source: Company Data Ace Equity, Arihant Research



Income Statement				
Year to 31st March (Rs.Cr)	FY15	FY16	FY17E	FY18E
Interest Income	42,964	44,061	42,145	43,982
Interest Expenses	29,776	31,321	28,906	29,555
Net Interest Income	13,187	12,740	13,239	14,427
Fee-based Income	2,389	2,568	3,007	3,221
Treasury Income	1,007	1,179	1,769	2,034
Other Non-interest Income	1,006	1,252	1,440	1,613
Total Non-Interest Income	4,402	4,999	6,215	6,867
Operating Income	17,589	17,739	19,454	21,294
Operating Expenses	7,674	8,923	8,973	9,726
- Staff Cost	4,261	4,978	4,596	4,828
- Other Operating Exp.	3,413	3,945	4,377	4,898
Gross Profits	9,915	8,816	10,481	11,568
- growth %	7	(11)	19	10
Provisions	4,495	15,514	7,943	7,567
Exceptional Item	-	-	-	-
Profit Before Taxes	5,421	(6,698)	2,537	4,001
Taxes	2,022	(1,303)	1,015	1,401
Profit After Taxes	3,398	(5,395)	1,522	2,601

Ratio Analysis				
Year to 31st March	FY15	FY16	FY17E	FY18E
Basic Ratio (Rs.)				
EPS	15.5	-23.8	6.6	15.1
Book Value per share	179.6	174.0	178.8	187.6
Adjusted Book Value	143.2	90.0	96.7	104.8
Dividend per share	3.2	0.0	1.5	2.0
Asset Quality (%)				
Gross NPAs	3.7	10.0	11.5	10.4
Net NPAs	1.9	5.0	5.5	5.0
NPA Coverage	52.7	60.1	62.0	65.0
Profitability ratios (%)				
RoAE	9.1	-14.6	4.0	6.1
RoAA	0.5	-0.8	0.2	0.4
NIM	2.3	2.1	2.2	2.3

Balance Sheet				
As on 31st March (Rs. cr)	FY15	FY16	FY17E	FY18E
LIABILITIES				
Capital	444	462	462	462
Reserves & Surplus	39,392	39,737	40,843	42,889
Deposits	6,17,560	5,74,038	5,95,572	6,32,359
- growth %	9	(7)	4	6
Borrowings	35,264	33,472	31,129	29,572
Other liabilities & provisions	22,329	23,668	26,733	28,049
Total Liabilities	7,14,989	6,71,376	6,94,739	7,33,332
ASSETS				
Cash on hand & with RBI	22,489	21,456	17,530	22,021
Money at call and short notice	1,25,865	1,12,228	1,06,781	1,18,761
Advances	4,28,065	3,83,770	3,66,992	3,97,846
- growth %	8	-10	-4	8
Investments	1,22,320	1,20,666	1,70,575	1,59,046
Fixed assets	2,875	6,254	6,129	6,251
Other assets	13,376	27,002	26,732	29,405
Total Assets	7,14,989	6,71,376	6,94,739	7,33,332

Spread analysis (%)				
	FY15	FY16	FY17E	FY18E
Cost to Income	43.6	50.3	46.1	45.7
Yield on advances	7.5	7.3	7.3	7.0
Yield on investments	7.9	8.8	7.4	7.6
Cost of deposits	4.7	4.6	4.5	4.5
Cost of funds	4.7	5.0	4.8	4.7
Spread	3.1	3.2	3.2	3.3
Net Interest Income to AWF	2.0	1.9	2.0	2.1
Non Interest Income to AWF	0.7	0.7	0.9	1.0
Operating Profit to AWF	1.5	1.3	1.6	1.7
Valuation ratios (x)				
P/E	10.5	-6.2	25.6	11.2
P/BV	0.9	0.8	0.9	0.9
P/ABV	1.1	1.6	1.7	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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