



ARIHANT Capital Markets Ltd.

Result Update-Q4 FY17  
Bank of Baroda

## Superior Growth!

19<sup>th</sup> May, 2017

**CMP:** Rs. 188  
**Target Price:** Rs. 214  
**Recommendation:** **ACCUMULATE**

### Stock Info

<b>BSE Group</b>	A
<b>BSE Code</b>	532134
<b>NSE Symbol</b>	BANKBARODA
<b>Bloomberg</b>	BOB IN
<b>Reuters</b>	BOB.BO
<b>BSE Sensex</b>	30,435
<b>NSE Nifty</b>	9,429

### Market Info

<b>Market Capital</b>	Rs. 43,668cr
<b>Equity Capital</b>	Rs. 462cr
<b>Avg. Trading Vol.</b>	1,04,06,710
<b>52 Wk High/ Low</b>	202/128
<b>Face Value</b>	2

### Shareholding Pattern (%) (Dec, 2016)

<b>Promoters</b>	59.2
<b>Domestic Institutions</b>	20.6
<b>Foreign Institutions</b>	11.8
<b>Public &amp; Others</b>	8.4

### Price chart:



Bank of Baroda reported Operating Profit of Rs. 3,020 Cr in Q4 FY 2017 as against Rs. 2,572 Cr in corresponding quarter previous year, a growth of 17.4%. The bank reported net profit of Rs 155 crs for the quarter against loss of Rs 3,230 crs in corresponding quarter of previous year.

Asset quality for the bank was stable. Gross NPA for the quarter stood at 10.46% vs. 9.99% YoY and 11.40% QoQ. Net NPA stood at 4.72% vs. 5.06% YoY and 5.43% QoQ. Fresh slippages during the quarter came in at Rs 3,561 crs reflecting continued stress however incremental additions were lower. Restructured Standard Advances dropped to Rs. 10,785 Crore against Rs. 13,735 Crore YoY and Rs 14,059 crs QoQ.

Net interest income grew by 7.57% YoY to Rs. 3,582 crs. Net interest margins expanded by 11 bps to 2.2% YoY. Domestic NIM stood at 2.5% while overseas NIM stood at 1.18% reporting improvement.

Total (Domestic + Overseas) deposits showed 4.81% growth YoY however and 2% sequentially. Total CASA deposits grew by 31.4% YoY. Share of Domestic CASA to domestic deposits on daily average basis stood at 38.79% as at March 31, 2016 vs. 20.62% as at March 31, 2016.

Total Advances stood at Rs 3,83,259 Crore against Rs 3,83,770 Crore YoY. Retail Advances stood at Rs 57,994 Crore and constituted 19.5% of Gross Domestic Advances. Within the Retail Advances, the home loan portfolio increased by 20.83% to Rs 30,169 Crore, education loans degrew by 3.2%. Share of agriculture loans stood steady at 16% while share of MSME stood at 19.5% and share of large & Medium corporate increased at 23%.

### Valuation

At CMP of Rs 188 the stock is trading at P/ABV multiple of 1.7(x) on FY19E. We have valued stock on P/ABV(x) of 1.9(x) on its FY 19E ABV of Rs 113 per share and have arrived at fair value of Rs 214. We have **ACCUMULATE** rating on the stock.

### Financial Snapshot

(Rs Cr)	FY15	FY16	FY17	FY18E	FY19E
Net interest income	13187	12740	13239	14427	15830
Operating Profit	17589	17739	19454	21294	23427
PAT	3398	-5395	1522	2601	3717
EPS (Rs)	15.5	-23.8	6.6	11.3	16.1
ABV (Rs)	143	90	97	105	113
RoE (%)	9.1	-14.6	4.0	6.1	8.2
RoA (%)	0.5	-0.8	0.2	0.4	0.5
P/E (x)	10.5	-6.2	25.6	15.0	11.7
P/ABV (x)	1.1	1.6	1.7	1.6	1.7

Source: Company Data Ace Equity, Arianth Research

Generating Wealth. Satisfying Investors.



## Q4 FY17 Earnings Snapshot

Reported Quarterly Results					
Particulars (Rs Cr)	Q4FY17	Q4FY16	YoY (%)	Q3FY17	QoQ (%)
Interest Earned	10,875	11,014	-1.3	10,406	4.5
Interest Expended	7,293	7,684	-5.1	7,272	0.3
<b>Net Interest Income</b>	<b>3,582</b>	<b>3,330</b>	<b>7.6</b>	<b>3,134</b>	<b>14.3</b>
Other Income	1,977	1,775	11.4	1,775	11.4
<i>Other income / Net Income(%)</i>	36	35		36	
<b>Total income</b>	<b>5,559</b>	<b>5,105</b>	<b>8.9</b>	<b>4,909</b>	<b>13.2</b>
Employee Expenses	1,222	1,434	-14.8	1,139	7.3
Non-Employee expenses	1,317	1,098	19.9	1,175	12.0
<b>Operating Expenses</b>	<b>2,539</b>	<b>2,533</b>	<b>0.3</b>	<b>2,314</b>	<b>9.7</b>
<i>Cost-income Ratio(%)</i>	46	50		47	
<b>PPOP</b>	<b>3,020</b>	<b>2,572</b>	<b>17.4</b>	<b>2,595</b>	<b>16.4</b>
Provisions & Contingencies	2,623	6,858	-61.8	2,080	26.1
<b>PBT</b>	<b>397</b>	<b>-4,285</b>	<b>-109.3</b>	<b>516</b>	<b>-23.0</b>
Exceptional (Reported)	0	0		0	
Provisions for Tax	242	-1,055	-123.0	263	-7.8
<i>Effective Tax Rate (%)</i>	61	25		51	
<b>PAT (reported)</b>	<b>155</b>	<b>-3,230</b>		<b>253</b>	
EPS Basic	0.7	-14.0		1.1	
EPS Diluted	0.7	-14.0		1.1	
BVPS	145	143		148	
GNPA	42,719	40,521		42,642	
NNPA	18,080	19,406		19,006	
GNPA (%)	10.5	10.0		11.4	
NNPA (%)	4.7	5.1		5.4	
Total CAR (%)	12.2	14.2		12.6	
NIM (%)	2.2	2.2	0.0	2.1	0.1
Advances	3,83,259	3,83,770	-0.1	3,49,960	9.5
Deposits	6,01,675	5,74,038	4.8	5,89,859	2.0

Source: Company Data Ace Equity, Arianth Research



### Income Statement

Year to 31st March (Rs.Cr)	FY16	FY17E	FY18E	FY19E
Interest Income	44,061	42,145	43,982	47,612
Interest Expenses	31,321	28,906	29,555	31,783
<b>Net Interest Income</b>	<b>12,740</b>	<b>13,239</b>	<b>14,427</b>	<b>15,830</b>
Fee-based Income	2,568	3,007	3,221	3,452
Treasury Income	1,179	1,769	2,034	2,339
Other Non-interest Income	1,252	1,440	1,613	1,806
Total Non-Interest Income	4,999	6,215	6,867	7,597
<b>Operating Income</b>	<b>17,739</b>	<b>19,454</b>	<b>21,294</b>	<b>23,427</b>
Operating Expenses	8,923	8,973	9,726	10,610
- Staff Cost	4,978	4,596	4,828	5,222
- Other Operating Exp.	3,945	4,377	4,898	5,388
Gross Profits	8,816	10,481	11,568	12,817
<b>- growth %</b>	<b>(11)</b>	<b>19</b>	<b>10</b>	<b>11</b>
Provisions	15,514	7,943	7,567	7,098
Exceptional Item	-	-	-	-
<b>Profit Before Taxes</b>	<b>(6,698)</b>	<b>2,537</b>	<b>4,001</b>	<b>5,719</b>
Taxes	(1,303)	1,015	1,401	2,002
<b>Profit After Taxes</b>	<b>(5,395)</b>	<b>1,522</b>	<b>2,601</b>	<b>3,717</b>

### Ratio Analysis

Year to 31st March	FY16	FY17E	FY18E	FY19E
<b>Basic Ratio (Rs.)</b>				
EPS	-23.8	6.6	11.3	16.1
Book Value per share	174.0	178.8	187.6	202.5
Adjusted Book Value	90.0	96.7	104.8	112.9
Dividend per share	0.0	1.5	2.0	1.0
<b>Asset Quality (%)</b>				
Gross NPAs	10.0	11.5	10.4	9.9
Net NPAs	5.0	5.5	5.0	5.0
NPA Coverage	60.1	62.0	65.0	65.0
<b>Profitability ratios (%)</b>				
RoAE	-14.6	4.0	6.1	8.2
RoAA	-0.8	0.2	0.4	0.5
NIM	2.1	2.2	2.3	2.4

### Balance Sheet

As on 31st March (Rs. cr)	FY16	FY17E	FY18E	FY19E
<b>LIABILITIES</b>				
Capital	462	462	462	462
Reserves & Surplus	39,737	40,843	42,889	46,329
Deposits	5,74,038	5,95,572	6,32,359	6,88,996
<b>- growth %</b>	<b>(7)</b>	<b>4</b>	<b>6</b>	<b>9</b>
Borrowings	33,472	31,129	29,572	28,094
Other liabilities & provisions	23,668	26,733	28,049	29,648
<b>Total Liabilities</b>	<b>6,71,376</b>	<b>6,94,739</b>	<b>7,33,332</b>	<b>7,93,529</b>
<b>ASSETS</b>				
Cash on hand & with RBI	21,456	17,530	22,021	21,576
Money at call and short notice	1,12,228	1,06,781	1,18,761	1,30,637
Advances	3,83,770	3,66,992	3,97,846	4,33,949
<b>- growth %</b>	<b>-10</b>	<b>-4</b>	<b>8</b>	<b>9</b>
Investments	1,20,666	1,70,575	1,59,046	1,70,997
Fixed assets	6,254	6,129	6,251	6,377
Other assets	27,002	26,732	29,405	29,993
<b>Total Assets</b>	<b>6,71,376</b>	<b>6,94,739</b>	<b>7,33,332</b>	<b>7,93,529</b>

### Spread analysis (%)

	FY16	FY17E	FY18E	FY19E
Cost to Income	50.3	46.1	45.7	45.3
Yield on advances	7.3	7.3	7.0	7.2
Yield on investments	8.8	7.4	7.6	7.8
Cost of deposits	4.6	4.5	4.5	4.5
Cost of funds	5.0	4.8	4.7	4.7
Spread	3.2	3.2	3.3	3.4
Net Interest Income to AWF	1.9	2.0	2.1	2.2
Non Interest Income to AWF	0.7	0.9	1.0	1.0
Operating Profit to AWF	1.3	1.6	1.7	1.7
<b>Valuation ratios (x)</b>				
P/E	-6.2	25.6	15.0	11.7
P/BV	0.8	0.9	0.9	0.9
P/ABV	1.6	1.7	1.6	1.7

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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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