18 May 2017

4QFY17 Results Update | Sector: Financials

Bank of Baroda

BSE SENSEX	S&P CNX
30,435	9,429

Bloomberg	BOB IN
Equity Shares (m)	2,304
M.Cap.(INRb)/(USDb)	433.3 / 6.5
52-Week Range (INR)	202 / 128
1, 6, 12 Rel. Per (%)	3/-10/13
Avg Val, INRm	1656
Free float (%)	40.8

Financials & Valuations (INR b)

Y/E March	2017	2018E	2019E
NII	135.1	156.3	180.5
OP	109.8	119.5	131.5
NP	13.8	44.0	57.5
NIM (%)	2.2	2.4	2.5
EPS (INR)	6.0	19.0	24.9
EPS Gr. (%)	NA	218.0	30.7
BV/Sh. (INR)	147.8	162.4	181.4
RoE (%)	4.1	12.3	14.5
RoA (%)	0.2	0.6	0.7
P/E(X)	31.4	9.9	7.6
P/BV (X)	1.3	1.2	1.0

CMP: INR188 TP: INR217(+15%) Buy

Stress additions remain elevated; provisions mar earnings

- Bank of Baroda (BoB) reported PAT of INR1.5b (70% miss) v/s INR2.5b in 3QFY17. The strong operating performance (+17% YoY; 36% beat) was driven by robust fee income growth (+50% YoY/QoQ) and controlled opex (flat YoY). Elevated NPL provisions (2.7% credit costs annualized) on account of continued stress additions led to the PAT miss.
- NIM expanded 11bp QoQ to 2.2% on a low base (3Q had interest income reversal of ~INR2.6b). Margins were also aided by IT refund of INR1.5b.
- Slippages remained elevated at INR40.7b (annualized slippage ratio of 4.3%) v/s INR41.4b in 3Q, led by relapse of INR22.8b from the restructured book. While recoveries and upgrades were lower than previous quarters in FY17, high write-offs of INR15.8b led to flat absolute GNPLs on a sequential basis. Overall NSL stood at ~9.6%.
- **FY17 highlights:** BoB reported PAT of INR24.7b v/s loss of ~INR67b in FY16. This was a year of balance sheet consolidation: loan growth was flat YoY, led by ~12% decline in overseas loans.
- **Other highlights:** a) Retail advances grew 13% QoQ and 14% YoY. b) Average daily CASA ratio improved to 38.8% v/s 37.1% in 3Q. c) CET 1 ratio declined 30bp QoQ to ~9%.
- **Valuation and view**: We like management's focus to clean up the balance sheet and lay the foundation for sustainable growth. We expect stress addition and credit costs to reduce in FY18/19. Additional buffers like non-core financial investments among other options will lead to dilution-free growth in the near term. We largely maintain estimates. Maintain **Buy** with a TP of INR217 (1.2x FY19BV) – based on RI model.

Quarterly Performance (INR Million)

	FY16				FY17				FY16	FY17
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Interest Income	34,596	32,445	27,053	33,304	33,711	34,261	31,344	35,819	127,398	135,130
% Change (YoY)	3.9	-4.6	-17.7	5.0	-2.6	5.6	15.9	7.6	-3.4	6.1
Other Income	9,672	11,440	11,129	17,747	14,444	15,614	17,750	19,773	49,989	67,580
Net Income	44,269	43,885	38,183	51,051	48,155	49,875	49,093	55,591	177,387	202,710
Operating Expenses	22,249	20,515	21,141	25,326	21,460	22,973	23,141	25,390	89,231	92,960
Operating Profit	22,020	23,370	17,041	25,725	26,695	26,902	25,952	30,202	88,156	109,750
% Change (YoY)	-11.2	-2.7	-27.1	-4.5	21.2	15.1	52.3	17.4	-11.1	24.5
Other Provisions	5,997	18,917	61,646	68,577	20,041	17,958	20,795	26,230	155,137	85,020
Profit before Tax	16,022	4,453	-44,604	-42,852	6,654	8,944	5,157	3,972	-66,981	24,730
Tax Provisions	5,501	3,208	-11,184	-10,551	2,418	3,422	2,630	2,425	-13,025	10,900
Net Profit	10,522	1,245	-33,420	-32,301	4,236	5,521	2,527	1,547	-53,955	13,830
% Change (YoY)	-22.7	-88.7	NA	NA	-59.7	343.5	NA	NA	-258.8	-125.6
Operating Parameters										
NIM (Reported, %)	2.3	2.1	1.7	2.2	2.2	2.3	2.1	2.2	2.1	2.2
Deposit Growth (%)	7.5	8.0	4.4	-7.0	-5.2	-7.3	0.0	4.8	-7.0	4.8
Loan Growth (%)	7.0	7.6	-2.4	-10.3	-11.2	-14.6	-8.9	-0.1	-10.3	-0.1
CASA Ratio (%)	31.9	32.0	30.0	33.6	33.8	34.2	40.5	39.4	26.4	32.2
Asset Quality										
OSRL (INR B)	255	229	171	137	142	139	141	108	137	108
OSRL (%)	6.3	5.5	4.5	3.6	3.9	3.9	4.0	2.8	3.6	2.8
Gross NPA (INR B)	173	237	389	405	430	429	426	427	405	427
Gross NPA (%)	4.1	5.6	9.7	10.0	11.2	11.4	11.4	10.5	10.0	10.5

E: MOSL Estimates

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Exhibit 1: Quarterly performance: actuals v/s estimates

Y/E MARCH	4QFY17A	4QFY17E	Var. (%)	Comments
Net Interest Income	**35,819**	**34,445**	**4**	**NII was largely in line after adjusting for interest on IT refund of INR1.5b**
% Change (Y-o-Y)	8	3		
Other Income	19,773	14,542	36	Higher than expect fee income
Net Income	**55,591**	**48,987**	**13**	
Operating Expenses	25,390	26,745	-5	controlled opex performance
Operating Profit	**30,202**	**22,242**	**36**	**PPoP beat led by beat on other income and controlled opex**
% Change (Y-o-Y)	17	-14		
Other Provisions	26,230	15,197	73	Higher than expected NPL provisions
Profit before Tax	**3,972**	**7,045**	**-44**	
Tax Provisions	2,425	1,954	24	tax rate higher than expected
Net Profit	**1,547**	**5,091**	**-70**	**Elevated NPL provisions mar earnings**
% Change (Y-o-Y)	NA	NA		

Source: MOSL, Company

Slippages remained elevated; NNPLs declined 5% QoQ

- Net slippages increased to INR16.5b (net slippage ratio of 1.7%) v/s INR14.7b in 3Q. Absolute GNPA was flat QoQ at INR427b, but declined to 10.5% of loans v/s 11.4% in 3Q.
- GNPA in the overseas operations stand at 7.03% v/s 7.77% in 3QFY17. Excluding the exposure to India based corporates the GNPA (%) of the remaining exposure was at 2.95% (3.41% in 3Q).
- OSRL declined to INR107.8b (2.8% of loans) v/s INR140.6b (4%) in the previous quarter. The decline was led by relapse of INR 22.8b from the restructured book.
- High write offs (INR12.1b) and “other adjustments” of INR3.65b led to sequentially flat GNPA. NNPA declined 5% QoQ in absolute terms and declined 70bp QoQ in % terms to 4.7%.

Other highlights

- Overall loans grew by 9.5% QoQ (flat YoY) led by pick-up in growth in domestic loans (+11% QoQ). Overseas loan book also grew 6% QoQ but declined 12% on a YoY basis.
- Reported global NIM increased 11bp QoQ to 2.17%. NIMs were aided by large interest income reversals in 3Q and one off IT refund of INR1.5b; Domestic NIMs were stable QoQ at 2.5%. Domestic cost of deposits declined 15bp to 5.9%, while domestic yield on advances declined 30bp to 8.78%.
- Domestic CASA grew by 31% YoY (-2% QoQ) – driven by robust 30% YoY growth in domestic SA growth and 39% increase in CA growth; domestic CASA ratio now stands at 39.4% v/s 33.6% in FY16. Daily average domestic CASA ratio improved 171bp QoQ to 38.8%
- CET1 moderated by 30bp QoQ to ~8.9%. Capital to risk weighted assets decreased to 12.24% v/s 12.55% in 3QFY17.

4QFY17 Analyst meet highlights

B/S related

- FY18 guidance: Domestic loan growth – 15% (retail, SME 20% each), GNPA – INR450b – 460b; PCR – 70% and NIM of 2.5%

Asset quality related

- 1) SDR – INR67.32b (36 accounts) of which 24 accounts of INR39.78b is NPA and INR27.54b is standard
- 2) S4A – INR22.79b of which 1 account of INR1.42b is NPA and rest INR21.37b is standard
- 3) 5:25 book – INR59.33b (11 accounts) of which INR 36.56b (8 accounts) is NPA and INR22.77b is standard
- 4) SR book – INR 7b (stable QoQ)
- 5) Standard restructured book of INR107.85b
- 6) SMA – 2 book of INR80b (of which non-overlapping part is INR25.11b)
- Out of slippages of INR40.77b, INR35.61b was fresh slippages (most of which from OSRL of last quarter), the remaining was addition to existing accounts
- Divergence: nothing material, no impact on provisions
- IFRS standards will require higher level of provisioning (front-ending) and management is creating a parallel run (IFRS standards). Early buckets will require a lot more work
- NCLT – bank doesn't have to wait for an account to turn into an NPA, can register a case as soon as signs of stress are seen
- Aggregate of top 50 NPA accounts – INR150b, INR77b of which is provided for
- O/S NPA --- steel sector INR77.69b, power sector INR15.07b

Valuation and View

We maintain Buy with a TP of INR117 (1.2x FY19 BV)

- We like the management focus on core profitability and risk management practices for sustainable and healthy core profitability in the ensuing years. Slippages remained elevated, but were led by management aggressive stance on errant customers. BOB has one of the strongest liability franchises post SBIN within the PSB space with the strong presence in CASA rich Western, Central and Northern region.
- Focus on the balance sheet growth (led by international business) in the past has impacted NIMs and core profitability. Large part of international business is short term and there are significant low hanging fruits to improve profitability via margin expansion and focus on overall revenue from the customer than just balance sheet growth. Further, low domestic CD ratio (~64%) is comforting for expected margins improvement.
- The bank has focused on cleaning up the balance-sheet and as well as keep the provision coverage ratio high at ~67% (one of the highest among peers). This provides comfort on strength of the balance-sheet. We expect stress addition and credit costs to come down sharply in FY18/19, although ratios will look elevated due to moderate balance sheet growth.
- Additional buffers like non-core financial investments amongst other options will lead to dilution free growth until FY18. We largely maintain estimates for FY18/19, however, we have not built in one off stake sale gains in our estimates.

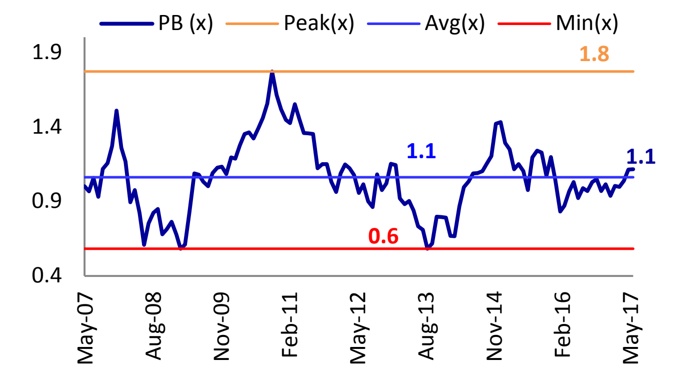
- Valuations at 1.2x FY18E BV is on a higher side on a relative basis (v/s peer state owned banks), however, we draw our comfort from a) management from private sector background (chairman, MD&CEO) b) healthy capitalization (~9% CET1) and liability franchise, and c) improvement in return ratios; valuations on an absolute basis have scope to improve.
- Maintain Buy with TP of 217 (1.2x FY19BV) – based on residual income model. We assume 13.3% cost of equity (7% risk free rate, beta of 1.25, market risk premium of 5% and terminal growth of 5%. Further investments into UTIMF, Life insurance venture and strategic financial investments add INR5-10/share which we have not included into our target price.

Exhibit 2: We largely maintain estimates

INR B	Old Estimate			Revised estimates			Change (%)		
	FY17	FY18	FY19	FY17	FY18	FY19	FY17	FY18	FY19
Net Interest Income	**133.8**	**155.7**	**188.5**	**135.1**	**156.3**	**180.5**	**1.0**	**0.4**	**-4.3**
Other Income	62.4	65.0	65.8	67.6	66.9	67.2	8.4	2.9	2.3
Total Income	**196.1**	**220.7**	**254.2**	**202.7**	**223.2**	**247.7**	**3.4**	**1.1**	**-2.6**
Operating Expenses	94.3	105.5	118.0	93.0	103.7	116.2	-1.4	-1.7	-1.5
Operating Profits	**101.8**	**115.2**	**136.3**	**109.8**	**119.5**	**131.5**	**7.8**	**3.7**	**-3.5**
Provisions	74.0	54.4	52.5	85.0	58.4	51.7	14.9	7.3	-1.6
PBT	**27.8**	**60.8**	**83.8**	**24.7**	**61.1**	**79.8**	**-11.1**	**0.5**	**-4.7**
Tax	10.4	17.0	23.5	10.9	17.1	22.4	4.5	0.5	-4.7
PAT	**17.4**	**43.8**	**60.3**	**13.8**	**44.0**	**57.5**	**-20.4**	**0.5**	**-4.7**
Loans	3,550	3,976	4,572	3,833	4,216	4,722	8.0	6.0	3.3
Deposits	6,085	6,450	7,417	6,017	6,438	7,243	-1.1	-0.2	-2.4
Margins (%)	2.15	2.36	2.54	2.15	2.36	2.48			
Credit Cost (%)	1.75	1.30	1.10	2.00	1.40	1.10			
RoA (%)	**0.3**	**0.6**	**0.7**	**0.2**	**0.6**	**0.7**			
RoE (%)	**5.0**	**11.9**	**14.8**	**4.1**	**12.3**	**14.5**			

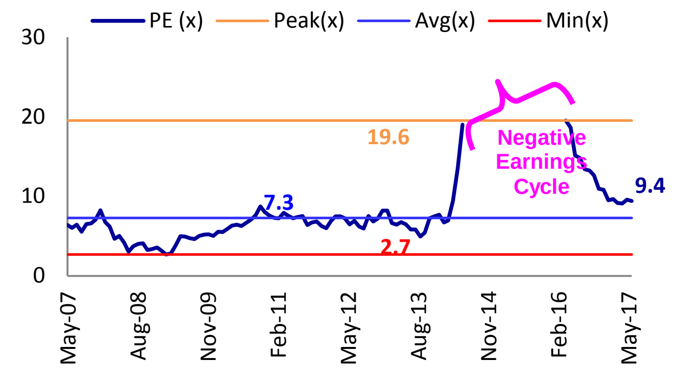
Source: MOSL, Company

Exhibit 3: One year forward P/BV



Source: MOSL, Company

Exhibit 4: One year forward P/E



Source: MOSL, Company

Exhibit 5: DuPont analysis: We expect gradual improvement in asset quality leading to better profitability

Y/E MARCH	FY12	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
Net Interest Income	**2.56**	**2.28**	**1.98**	**1.92**	**1.84**	**1.98**	**2.17**	**2.29**	**2.29**
Fee income	0.45	0.37	0.35	0.32	0.29	0.42	0.43	0.43	0.42
Fee to core Income (%)	*14.9*	*14.1*	*15.0*	*14.3*	*13.8*	*17.4*	*16.4*	*15.9*	*15.6*
Core Income	**3.01**	**2.65**	**2.33**	**2.24**	**2.13**	**2.39**	**2.60**	**2.72**	**2.71**
Net Income	**3.41**	**3.01**	**2.72**	**2.56**	**2.56**	**2.97**	**3.10**	**3.14**	**3.07**
Operating Expenses	**1.28**	**1.20**	**1.18**	**1.12**	**1.29**	**1.36**	**1.44**	**1.47**	**1.46**
Cost to Core Income	42.6	45.1	50.7	49.9	60.4	56.9	55.4	54.2	53.7
Employee cost	0.74	0.69	0.69	0.62	0.72	0.68	0.70	0.69	0.66
Employee to total exp	57.9	58.0	58.0	55.5	55.8	49.9	48.3	47.0	45.6
Others	0.54	0.50	0.50	0.50	0.57	0.68	0.74	0.78	0.79
Core operating Profits	**1.73**	**1.45**	**1.15**	**1.12**	**0.85**	**1.03**	**1.16**	**1.25**	**1.25**
Trading and others	0.40	0.36	0.39	0.32	0.43	0.57	0.50	0.42	0.36
Non Interest income	**0.85**	**0.73**	**0.74**	**0.64**	**0.72**	**0.99**	**0.93**	**0.85**	**0.79**
Operating Profits	**2.13**	**1.81**	**1.54**	**1.44**	**1.27**	**1.61**	**1.66**	**1.67**	**1.62**
Provisions	**0.63**	**0.84**	**0.63**	**0.65**	**2.24**	**1.24**	**0.81**	**0.65**	**0.66**
NPA	0.39	0.62	0.49	0.55	2.02	1.12	0.78	0.62	0.62
Others	0.24	0.22	0.14	0.10	0.22	0.12	0.03	0.03	0.04
PBT	**1.50**	**0.97**	**0.91**	**0.79**	**-0.97**	**0.36**	**0.85**	**1.01**	**0.96**
Tax	0.25	0.07	0.16	0.29	-0.19	0.16	0.24	0.28	0.27
Tax Rate	16.9	7.3	17.4	37.3	19.4	44.1	28.0	28.0	28.0
RoA (%)	**1.24**	**0.90**	**0.75**	**0.49**	**-0.78**	**0.20**	**0.61**	**0.73**	**0.69**
Leverage (x)	17.8	17.9	19.2	19.6	19.6	20.1	20.1	19.9	20.2
RoE (%)	**22.1**	**16.1**	**14.4**	**9.7**	**-15.3**	**4.1**	**12.3**	**14.5**	**13.9**

Source: MOSL, Company

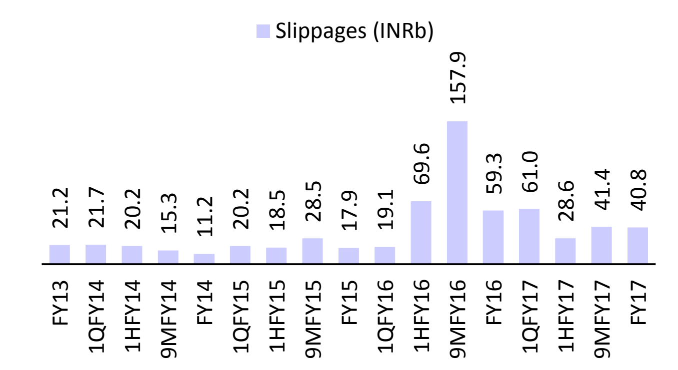
Exhibit 6: DuPont analysis: higher credit costs dent profitability

Y/E MARCH	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17
Net Interest Income	**1.85**	**1.96**	**1.84**	**1.55**	**1.96**	**2.02**	**2.07**	**1.86**	**2.07**
Fee income	0.37	0.29	0.33	0.32	0.22	0.35	0.41	0.37	0.55
Fee to core income (%)	16.6	13.1	15.3	17.1	10.2	14.8	16.4	16.8	20.9
Core Income	**2.22**	**2.26**	**2.18**	**1.87**	**2.18**	**2.37**	**2.48**	**2.23**	**2.62**
Operating Expenses	**1.03**	**1.26**	**1.17**	**1.21**	**1.49**	**1.29**	**1.39**	**1.37**	**1.47**
Cost to Core Income (%)	46.7	55.9	53.5	64.8	68.3	54.3	56.0	61.4	56.1
Employee cost	0.54	0.76	0.59	0.66	0.84	0.66	0.71	0.68	0.71
Others	0.49	0.50	0.57	0.55	0.65	0.62	0.68	0.70	0.76
Core operating Profits	**1.18**	**0.99**	**1.01**	**0.66**	**0.69**	**1.09**	**1.09**	**0.86**	**1.15**
Trading and others	0.39	0.25	0.32	0.32	0.82	0.52	0.54	0.68	0.60
Operating Profits	**1.57**	**1.25**	**1.33**	**0.97**	**1.51**	**1.60**	**1.63**	**1.54**	**1.75**
Provisions	**1.06**	**0.34**	**1.08**	**3.53**	**4.04**	**1.20**	**1.09**	**1.23**	**1.52**
NPAs	0.87	0.32	1.05	3.70	2.87	1.19	0.99	0.97	1.40
Others	0.19	0.02	0.03	-0.18	1.16	0.01	0.10	0.26	0.11
PBT	**0.51**	**0.91**	**0.25**	**-2.55**	**-2.52**	**0.40**	**0.54**	**0.31**	**0.23**
Tax	0.16	0.31	0.18	-0.64	-0.62	0.15	0.21	0.16	0.14
Tax Rate (%)	31.7	34.3	72.0	25.1	24.6	36.3	38.3	51.0	61.0
RoA	**0.35**	**0.60**	**0.07**	**-1.91**	**-1.90**	**0.25**	**0.33**	**0.15**	**0.09**
Leverage	17.4	17.4	16.7	16.8	16.9	16.5	16.3	16.5	17.0
RoE	**6.1**	**10.4**	**1.2**	**-32.1**	**-32.2**	**4.2**	**5.4**	**2.5**	**1.5**

Source: MOSL, Company

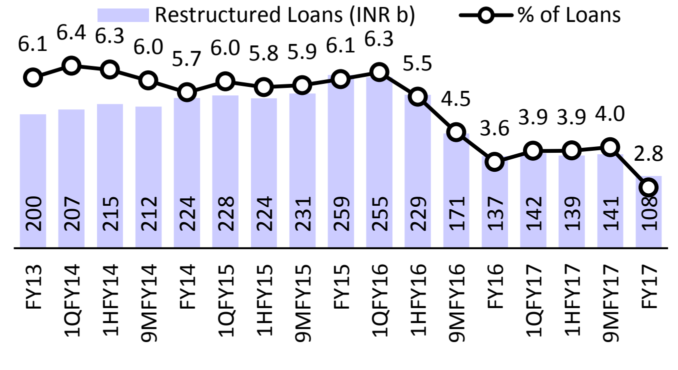
Story in Charts

Exhibit 7: Slippages remained elevated



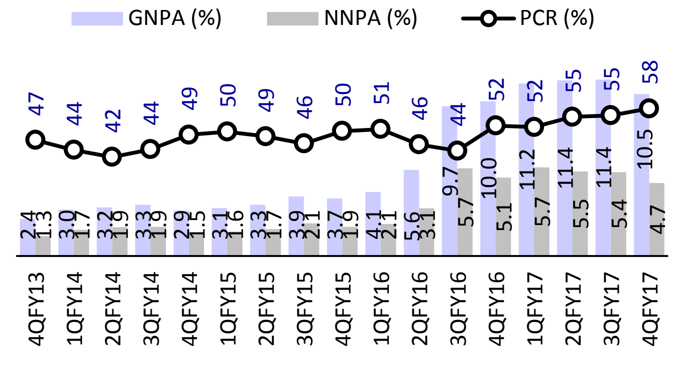
Source: MOSL, Company

Exhibit 8: OSRL declined to 2.8% of loans



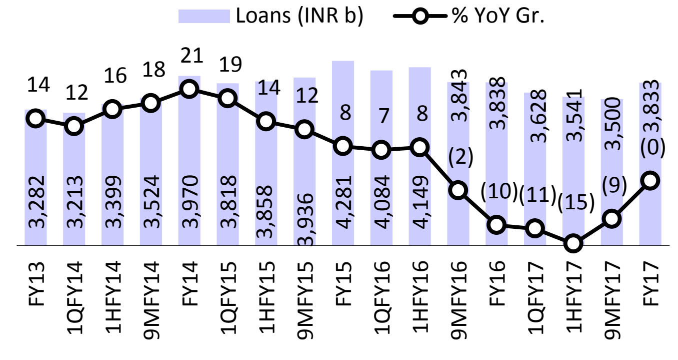
Source: MOSL, Company

Exhibit 9: PCR improved 230bp to ~58%



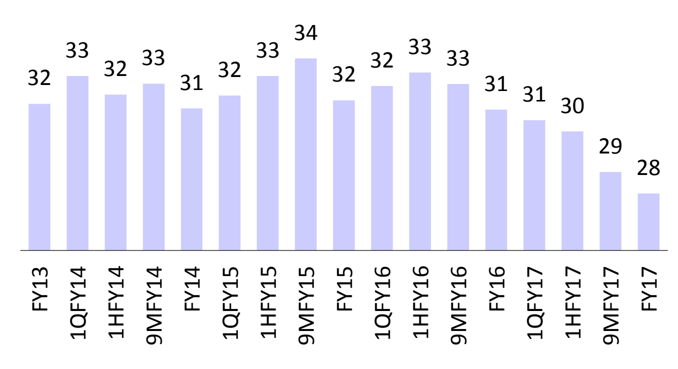
Source: MOSL, Company

Exhibit 10: Loan growth picked up this quarter on a low base



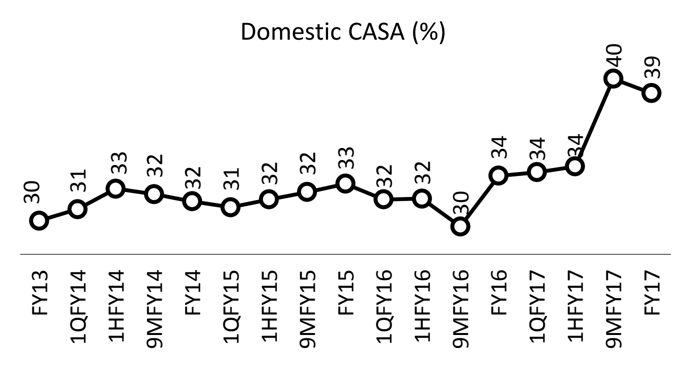
Source: MOSL, Company

Exhibit 11: Share of overseas book in overall loans continue to decline



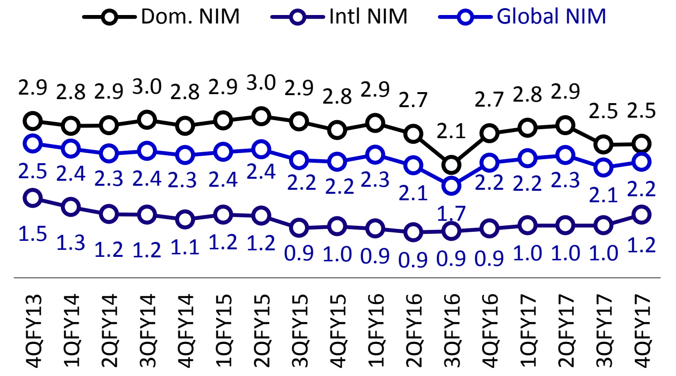
Source: MOSL, Company

Exhibit 12: Domestic CASA grew 31% YoY; CASA ratio improved to 39.4% v/s 34% in FY16



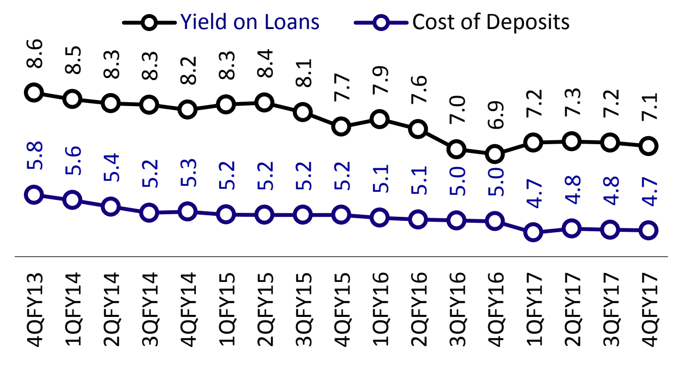
Source: MOSL, Company

Exhibit 13: Global NIMs increased 11bp QoQ



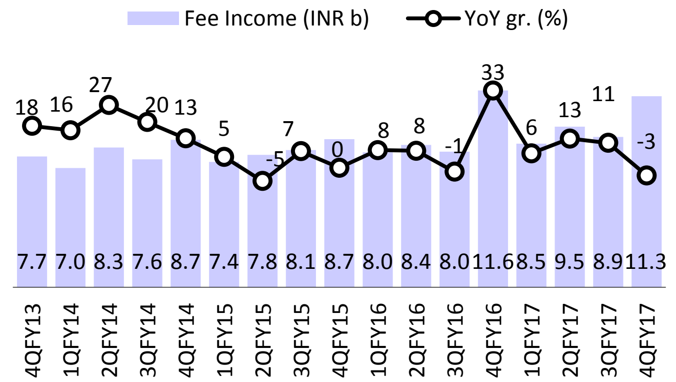
Source: MOSL, Company

Exhibit 14: Spreads largely stable QoQ



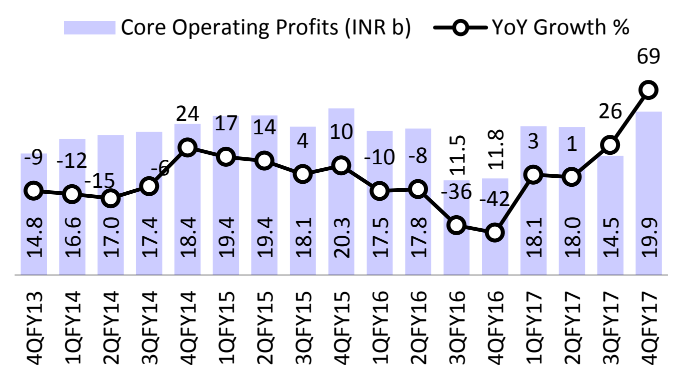
Source: MOSL, Company

Exhibit 15: Fee income picked up during the quarter but remained muted on a YoY basis



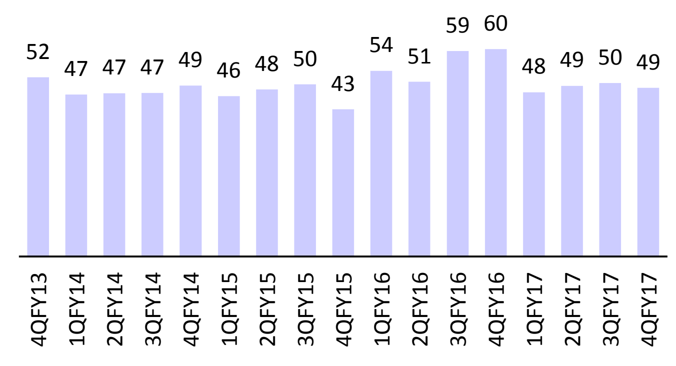
Source: MOSL, Company

Exhibit 16: Core operating profits grew 69% YoY on a low base



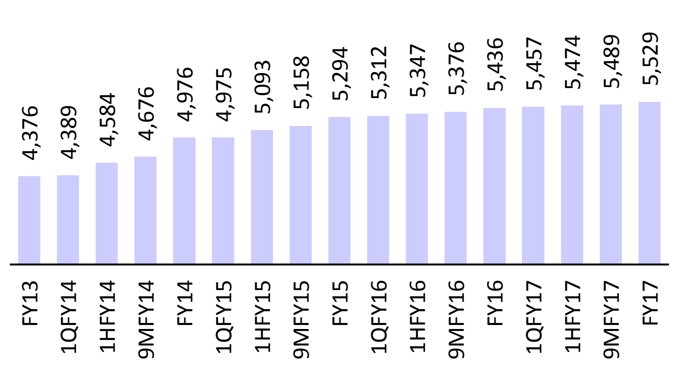
Source: MOSL, Company

Exhibit 17: Cost to core income declined 150bp QoQ to 49%



Source: MOSL, Company

Exhibit 18: BOB added 40 branches during the quarter



Source: MOSL, Company

Exhibit 19: Quarterly snapshot

	FY16				FY17				Variation (%)	
INR m	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	QoQ	YoY
Profit and Loss										
Net Interest Income	**34,596**	**32,445**	**27,053**	**33,304**	**33,711**	**34,261**	**31,344**	**35,819**	**14**	**8**
Other Income	**9,672**	**11,440**	**11,129**	**17,747**	**14,444**	**15,614**	**17,750**	**19,773**	**11**	**11**
Trading profits	1,570	2,241	2,890	5,090	5,570	5,460	8,390	6,770	-19	33
Forex Income	2,778	2,527	2,410	7,837	2,640	2,730	2,550	1,840	-28	-77
Recoveries	131	792	240	1,040	390	680	490	1,720	251	65
Others (Non core)	5,194	5,879	5,589	3,780	5,844	6,744	6,320	9,443	49	150
Total Income	**44,269**	**43,885**	**38,183**	**51,051**	**48,155**	**49,875**	**49,093**	**55,591**	**13**	**9**
Operating Expenses	**22,249**	**20,515**	**21,141**	**25,326**	**21,460**	**22,973**	**23,141**	**25,390**	**10**	**0**
Employee	13,451	10,440	11,548	14,342	11,081	11,685	11,389	12,222	7	-15
Others	8,798	10,075	9,593	10,985	10,379	11,288	11,752	13,167	12	20
Operating Profits	**22,020**	**23,370**	**17,041**	**25,725**	**26,695**	**26,902**	**25,952**	**30,202**	**16**	**17**
Provisions	**5,997**	**18,917**	**61,646**	**68,577**	**20,041**	**17,958**	**20,795**	**26,230**	**26**	**-62**
NPA provisions	5,678	18,438	64,740	48,800	19,860	16,300	16,380	24,250	48	-50
Provisions on Invst.	189	1,120	300	1,800	190	390	440	-830	NA	NA
Others	130	-641	-3,395	17,977	-9	1,268	3,975	2,810	-29	-84
PBT	**16,022**	**4,453**	**-44,604**	**-42,852**	**6,654**	**8,944**	**5,157**	**3,972**	**-23**	**NA**
Taxes	5,501	3,208	-11,184	-10,551	2,418	3,422	2,630	2,425	-8	NA
PAT	**10,522**	**1,245**	**-33,420**	**-32,301**	**4,236**	**5,521**	**2,527**	**1,547**	**-39**	**NA**
Ratios (%)										
Fees to Total Income	11.7	13.4	14.6	7.4	12.1	13.5	12.9	17.0		
Cost to Core Income	55.9	53.5	64.8	68.3	54.3	56.0	61.4	56.1		
Tax Rate	34.3	72.0	25.1	24.6	36.3	38.3	51.0	61.0		
CASA Reported	31.9	32.0	30.0	33.6	33.8	34.2	40.5	39.4		
Loan/Deposit	68.9	67.7	65.2	66.9	64.5	62.4	59.3	63.7		
Domestic Loan/ Deposit	68.1	65.5	62.7	66.7	63.7	60.9	57.1	63.1		
CAR	12.0	12.5	12.2	13.2	13.1	12.9	12.6	12.2		
Tier I	9.4	9.9	9.6	10.8	10.7	10.6	10.0	9.9		
Margins Global (%)										
Yield on loans	7.9	7.6	7.0	6.9	7.2	7.3	7.2	7.1	-10	23
Yield On Investments	7.8	7.5	7.3	7.6	7.5	7.2	7.1	6.9	-21	-67
Cost of Deposits	5.1	5.1	5.0	5.0	4.7	4.8	4.8	4.7	-2	-26
Margins	2.3	2.1	1.7	2.2	2.2	2.3	2.1	2.2	11	2
Margins - Domestic (%)										
Yield on loans	10.6	10.4	9.6	9.0	9.4	9.2	9.1	8.8	-30	-24
Yield On Investments	8.0	7.8	7.5	7.8	7.8	7.5	7.4	7.1	-23	-68
Cost of Deposits	6.9	6.9	6.8	6.6	6.2	6.2	6.0	5.9	-15	-73
Margins	2.9	2.7	2.1	2.7	2.8	2.9	2.5	2.5	1	-20
Margins - Overseas (%)										
Yield on loans	2.3	2.1	2.1	2.3	2.4	2.6	2.6	2.8	23	52
Yield On Investments	3.7	3.9	3.8	3.8	3.7	3.3	3.5	3.2	-35	-68
Cost of Deposits	0.9	1.0	0.9	1.0	1.0	1.1	1.2	1.3	6	21
Margins	0.9	0.9	0.9	0.9	1.0	1.0	1.0	1.2	20	26

Source: MOSL, Company

Exhibit 20: Quarterly snapshot continued

	FY16				FY17				Variation (%)	
INR B	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	QoQ	YoY
Balance sheet										
Deposits	**5,931**	**6,125**	**5,897**	**5,740**	**5,622**	**5,675**	**5,899**	**6,017**	**2**	**5**
Domestic	4,052	4,239	4,131	3,948	3,934	4,048	4,381	4,401	0	11
Overseas	1,879	1,885	1,766	1,792	1,688	1,628	1,518	1,616	6	-10
Loans	**4,084**	**4,149**	**3,843**	**3,838**	**3,628**	**3,541**	**3,500**	**3,833**	**10**	**0**
Domestic	2,758	2,777	2,592	2,633	2,506	2,465	2,500	2,775	11	5
Overseas	1,326	1,372	1,251	1,205	1,121	1,077	999	1,057	6	-12
CASA	**1,535**	**1,541**	**1,415**	**1,513**	**1,518**	**1,568**	**1,962**	**1,935**	**-1**	**28**
Domestic	1,292	1,355	1,238	1,325	1,331	1,386	1,773	1,736	-2	31
Overseas	243	187	177	188	187	182	190	199	5	6
Savings Deposits	**1,079**	**1,116**	**1,101**	**1,167**	**1,193**	**1,240**	**1,558**	**1,510**	**-3**	**29**
Domestic	1,044	1,081	1,065	1,133	1,155	1,203	1,515	1,468	-3	30
Overseas	35	35	36	35	38	37	43	41	-4	20
Current Deposits	**457**	**425**	**315**	**346**	**325**	**328**	**404**	**425**	**5**	**23**
Domestic	248	273	173	193	176	183	258	268	4	39
Overseas	208	152	142	153	149	145	147	158	7	3
Loan Break Up										
Retail Loans	517	522	517	509	509	513	513	580	13	14
of which Housing	228	236	243	250	259	263	265	302	14	21
Agriculture	395	356	348	342	376	394	400	444	11	30
SME	615	579	546	527	501	518	500	541	8	3
Others	1,230	1,320	1,181	1,255	1,120	1,040	1,087	1,210	11	-4
Asset Quality										
GNPA	**172.7**	**237.1**	**389.3**	**405.2**	**429.9**	**429.5**	**426.4**	**427.2**	**0**	**5**
NNPA	**84.7**	**128.0**	**218.1**	**194.1**	**207.8**	**193.4**	**190.1**	**180.8**	**-5**	**-7**
GNPA (%)	4.1	5.6	9.7	10.0	11.2	11.4	11.4	10.5	-94	47
NNPA (%)	2.1	3.1	5.7	5.1	5.7	5.5	5.4	4.7	-71	-34
PCR (Calculated, %)	51.0	46.0	44.0	52.1	51.7	55.0	55.4	57.7	225	557
PCR (Reported, %)	64.9	58.2	52.7	60.1	60.2	63.0	64.5	66.8	233	674
Movement in NPA										
Opening	**162.8**	**172.9**	**237.1**	**389.3**	**405.2**	**429.9**	**429.5**	**426.4**		
Additions	**19.1**	**69.6**	**157.9**	**59.3**	**61.0**	**28.6**	**41.4**	**40.8**		
Deductions	**9.0**	**5.2**	**5.6**	**43.5**	**36.2**	**29.0**	**44.4**	**36.4**		
Of Which : Due to write Off	0.7	1.1	2.4	11.4	11.4	2.2	17.8	12.1		
Due to Upgradation	5.3	0.8	0.1	17.7	14.0	10.3	13.2	8.8		
Due to Recoveries	3.0	3.3	3.1	14.3	10.8	16.5	13.5	15.4		
Closing	**172.9**	**237.3**	**389.3**	**405.2**	**429.9**	**429.5**	**426.4**	**430.9**		
Net Slippages	**10.8**	**65.5**	**154.6**	**27.3**	**36.1**	**1.7**	**14.7**	**16.5**	**13**	**-40**
Net Slippage Ratio (%)	1.1	6.8	15.7	2.6	3.5	0.2	1.5	1.7	19	-83
Credit Cost (%)	0.5	1.8	6.5	5.1	2.1	1.8	1.9	2.6	78	-244
Restructured loans	**255.4**	**229.3**	**171.4**	**137.4**	**141.6**	**138.6**	**140.6**	**107.9**	**-23**	**-21**
% of Loans	6.3	5.5	4.5	3.6	3.9	3.9	4.0	2.8	-120	-76

Source: MOSL, Company

Financials and Valuations

Income Statement									(INR Million)
Y/E March	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018E**	**2019E**	**2020E**
Net Interest Income	**103,170**	**113,153**	**119,653**	**131,872**	**127,398**	**135,134**	**156,329**	**180,464**	**204,481**
Change (%)	17.2	9.7	5.7	10.2	-3.4	6.1	15.7	15.4	13.3
Non Interest Income	34,223	36,306	44,627	44,020	49,989	67,581	66,851	67,249	70,242
Net Income	**137,393**	**149,459**	**164,281**	**175,892**	**177,387**	**202,715**	**223,180**	**247,713**	**274,724**
Change (%)	18.3	8.8	9.9	7.1	0.8	14.3	10.1	11.0	10.9
Operating Expenses	51,587	59,467	71,371	76,741	89,231	92,964	103,713	116,188	130,212
Pre Provision Profits	**85,806**	**89,992**	**92,910**	**99,151**	**88,156**	**109,751**	**119,467**	**131,525**	**144,512**
Change (%)	22.9	4.9	3.2	6.7	-11.1	24.5	8.9	10.1	9.9
Provisions (excl tax)	25,548	41,679	37,937	44,945	155,137	85,024	58,372	51,680	59,168
PBT	**60,258**	**48,312**	**54,973**	**54,206**	**-66,981**	**24,727**	**61,095**	**79,845**	**85,344**
Tax	10,188	3,505	9,562	20,222	-13,025	10,896	17,107	22,356	23,896
Tax Rate (%)	16.9	7.3	17.4	37.3	19.4	44.1	28.0	28.0	28.0
PAT	**50,070**	**44,807**	**45,411**	**33,984**	**-53,955**	**13,831**	**43,989**	**57,488**	**61,448**
Change (%)	18.0	-10.5	1.3	-25.2	-258.8	-125.6	218.0	30.7	6.9
Equity Dividend (Incl tax)	**8,123**	**10,596**	**10,837**	**8,517**	**0**	**3,223**	**10,249**	**13,395**	**14,317**
Core PPP*	**69,588**	**72,278**	**69,446**	**77,136**	**61,612**	**70,541**	**83,336**	**98,332**	**112,100**
Change (%)	21.0	3.9	-3.9	11.1	-20.1	14.5	18.1	18.0	14.0

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

Balance Sheet									(INR Million)
Y/E March	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018E**	**2019E**	**2020E**
Equity Share Capital	4,124	4,225	4,307	4,436	4,621	4,621	4,621	4,621	4,621
Reserves & Surplus	270,645	315,469	355,550	393,918	397,369	398,412	430,151	472,244	517,374
Net Worth	**274,769**	**319,694**	**359,857**	**398,353**	**401,990**	**403,033**	**434,772**	**476,865**	**521,995**
Deposits	**3,848,711**	**4,738,833**	**5,688,944**	**6,175,595**	**5,740,379**	**6,016,752**	**6,437,924**	**7,242,665**	**8,329,065**
Change (%)	*26.0*	*23.1*	*20.0*	*8.6*	*-7.0*	*4.8*	*7.0*	*12.5*	*15.0*
of which CASA Dep	**1,035,239**	**1,199,809**	**1,464,878**	**1,629,689**	**1,513,345**	**1,934,960**	**2,179,911**	**2,523,807**	**2,921,993**
Change (%)	*18.2*	*15.9*	*22.1*	*11.3*	*-7.1*	*27.9*	*12.7*	*15.8*	*15.8*
Borrowings	235,731	265,793	368,130	352,643	334,717	306,114	321,114	336,114	351,114
Other Liabilities & Prov.	114,005	147,034	178,115	223,294	236,679	222,856	252,525	286,905	326,948
Total Liabilities	**4,473,215**	**5,471,354**	**6,595,045**	**7,149,885**	**6,713,765**	**6,948,754**	**7,446,335**	**8,342,549**	**9,529,122**
Current Assets	641,685	853,989	1,308,779	1,483,532	1,339,003	1,504,699	1,450,864	1,625,742	1,861,420
Investments	**832,094**	**1,213,937**	**1,161,127**	**1,168,122**	**1,204,505**	**1,296,305**	**1,425,936**	**1,597,048**	**1,788,694**
Change (%)	*16.5*	*45.9*	*-4.4*	*0.6*	*3.1*	*7.6*	*10.0*	*12.0*	*12.0*
Loans	**2,873,773**	**3,281,858**	**3,970,058**	**4,280,651**	**3,837,702**	**3,832,592**	**4,215,851**	**4,721,754**	**5,430,017**
Change (%)	*25.7*	*14.2*	*21.0*	*7.8*	*-10.3*	*-0.1*	*10.0*	*12.0*	*15.0*
Fixed Assets	23,415	24,531	27,341	28,748	62,538	57,584	57,474	57,364	57,254
Other Assets	102,247	97,039	127,740	188,832	270,017	257,574	296,210	340,641	391,738
Total Assets	**4,473,215**	**5,471,354**	**6,595,045**	**7,149,885**	**6,713,765**	**6,948,754**	**7,446,335**	**8,342,549**	**9,529,122**

Asset Quality									(%)
GNPA (INR m)	44,648	79,826	120,390	162,610	405,210	427,190	435,475	414,316	411,301
NNPA (INR m)	15,436	41,920	60,348	80,695	194,065	180,802	182,747	162,431	153,581
GNPA Ratio	1.54	2.40	2.99	3.73	10.01	10.47	9.75	8.33	7.23
NNPA Ratio	0.54	1.28	1.52	1.89	5.06	4.72	4.33	3.44	2.83
PCR (Excl Tech. write off)	65.4	47.5	48.5	50.4	52.1	57.7	58.0	60.8	62.7
PCR (Incl Tech. Write off)	80.1	68.2	65.5	65.0	60.1	66.8	68.7	72.6	75.2

E: MOSL Estimates

Financials and Valuations

Ratios

Y/E March	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
Spreads Analysis (%)									
Avg. Yield-Earning Assets	**8.0**	**7.5**	**6.8**	**6.6**	**6.8**	**6.7**	**6.4**	**6.4**	**6.2**
Avg. Yield on loans	8.7	8.4	7.7	7.5	7.3	7.2	6.7	6.7	6.6
Avg. Yield on Investments	8.0	7.3	7.3	8.1	9.0	8.5	7.8	7.5	7.3
Avg. Cost-Int. Bear. Liab.	**5.3**	**5.3**	**4.9**	**4.7**	**5.0**	**4.6**	**4.1**	**4.0**	**3.8**
Avg. Cost of Deposits	5.1	5.2	4.8	4.7	4.9	4.5	3.9	3.8	3.6
Interest Spread	**2.7**	**2.3**	**1.9**	**1.9**	**1.9**	**2.1**	**2.3**	**2.4**	**2.4**
Net Interest Margin	**2.8**	**2.4**	**2.1**	**2.0**	**2.0**	**2.2**	**2.4**	**2.5**	**2.5**
Profitability Ratios (%)									
RoE	22.1	16.1	14.4	9.7	-15.3	4.1	12.3	14.5	13.9
RoA	1.2	0.9	0.8	0.5	-0.8	0.2	0.6	0.7	0.7
Int. Expense/Int.Income	65.2	67.9	69.3	69.3	71.1	68.0	62.9	61.1	60.2
Fee Income/Net Income	15.2	16.6	16.2	17.9	18.1	16.3	17.1	16.8	16.9
Non Int. Inc./Net Income	24.9	24.3	27.2	25.0	28.2	33.3	30.0	27.1	25.6
Efficiency Ratios (%)									
Cost/Income*	40.3	42.5	47.2	46.3	53.9	52.7	51.3	50.2	49.8
Empl. Cost/Op. Exps.	57.9	58.0	58.0	55.5	55.8	49.9	48.3	47.0	45.6
Busi. per Empl. (Rs m)	143.0	171.0	192.2	203.7	192.6	185.3	184.3	192.5	208.2
NP per Empl. (Rs lac)	1.2	1.0	1.0	0.7	-1.0	0.3	0.8	1.0	1.0
* ex treasury and RWO									
Asset-Liability Profile (%)									
Loans/Deposit Ratio	74.7	69.3	69.8	69.3	66.9	63.7	65.5	65.2	65.2
CASA Ratio	26.9	25.3	25.7	26.4	26.4	32.2	33.9	34.8	35.1
Investment/Deposit Ratio	21.6	25.6	20.4	18.9	21.0	21.5	22.1	22.1	21.5
G-Sec/Investment Ratio	83.3	84.2	82.5	83.0	83.4	84.9	82.6	82.9	85.1
CAR	14.7	13.3	12.3	12.6	13.2	12.2	12.4	12.3	11.8
Tier 1	10.8	10.1	9.3	9.9	10.8	9.9	10.0	9.9	9.6

Valuation

	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
Book Value (INR)	124.2	141.5	153.7	166.4	146.4	147.8	162.4	181.4	201.8
Change (%)	23.8	13.9	8.7	8.2	-12.0	0.9	9.9	11.8	11.2
Price-BV (x)						**1.3**	**1.2**	**1.0**	**0.9**
Adjusted BV (INR)	119.3	128.6	135.5	142.7	91.8	96.9	110.9	135.7	158.6
Price-ABV (x)						**1.9**	**1.7**	**1.4**	**1.2**
EPS (INR)	24.3	21.2	21.1	15.3	-23.4	6.0	19.0	24.9	26.6
Change (%)	12.4	-12.7	-0.6	-27.3	NA	-125.6	218.0	30.7	6.9
Price-Earnings (x)						**31.4**	**9.9**	**7.6**	**7.1**
Dividend Per Share (INR)	3.4	4.3	4.3	3.2	0.0	1.2	3.8	5.0	5.3
Dividend Yield (%)						**0.6**	**2.0**	**2.6**	**2.8**

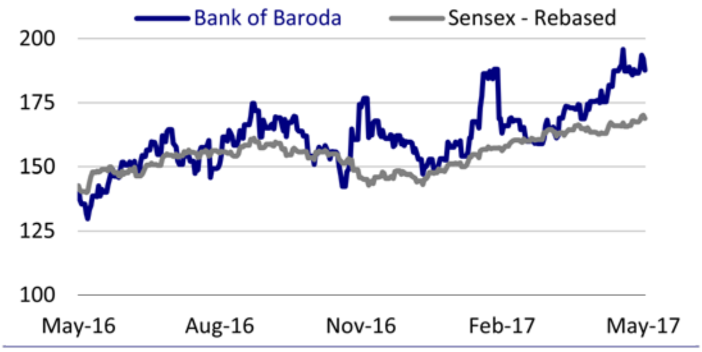
E: MOSL Estimates

Corporate profile

Company description

Bank of Baroda (BoB), established in 1908, is amongst the oldest commercial banks in India with a substantial footprint in the domestic and international markets. BoB has a wide presence overseas with almost one-third of the total business, coming from its international business. As of June-16, BOB has a network of 5,351 domestic branches, 107 overseas branches and 9,117 ATMs. The Government of India holds 59.2% stake in the bank.

Exhibit 1: Sensex rebased



Source: MOSL/Bloomberg

Exhibit 2: Shareholding pattern (%)

	Mar-17	Dec-16	Mar-16
Promoter	59.2	59.2	59.2
DII	20.6	21.2	22.4
FII	11.8	11.7	11.5
Others	8.4	7.9	7.0

Note: FII Includes depository receipts Source: Capitaline

Exhibit 3: Top holders

Holder Name	% Holding
LIFE INSURANCE COPORATION OF INDIA	10.0
HDFC MUTUAL FUND (HDFC TRUSTEE COMPANY LIMITED-HDFC EQUITY FUND)	4.3
THELEME MASTER FUND LIMITED	2.5
R SHARES NIFTY BEES - INVESTMENT A/C	1.0
NA	0.0

Source: Capitaline

Exhibit 4: Top management

Name	Designation
Ravi Venkatesan	Chairman (Non-Executive)
P S Jayakumar	Managing Director & CEO
Ashok Kumar Garg	Executive Director
Mayank K Mehta	Executive Director
Papia Sengupta	Executive Director
M L Jain	Company Secretary

Source: Capitaline

Exhibit 5: Directors

Name	Name
Prem Kumar Makkar	Surekha Marandi
Usha A Narayanan	Gopal Krishan Agarwal
Bharatkumar D Dangar	R Narayanaswami
Mohammad Mustafa	BIJU VARKKEY

*Independent

Exhibit 6: Auditors

Name	Type
Kalyaniwalla & Mistry LLP	Statutory
Khandelwal Jain & Co	Statutory
Rodi Dabir & Co	Statutory
S R Goyal & Co	Statutory
Wahi & Gupta	Statutory

Source: Capitaline

Exhibit 7: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY18	19.3	15.8	21.8
FY19	22.9	21.4	6.9

Source: Bloomberg

NOTES

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