



Higher Provisions!

17th August, 2017

CMP: Rs. 147
Target Price: Rs. 164
Recommendation: HOLD

Stock Info

BSE Group	A
BSE Code	532134
NSE Symbol	BANKBARODA
Bloomberg	BOB IN
Reuters	BOB.BO
BSE Sensex	31,771
NSE Nifty	9,897

Market Info

Market Capital	Rs. 33,998 cr
Equity Capital	Rs. 462cr
Avg. Trading Vol.	1,01,80,430
52 Wk High/ Low	202/135
Face Value	2

Shareholding Pattern (%) (June, 2017)

Promoters	59.2
Domestic Institutions	21.2
Foreign Institutions	12.0
Public & Others	7.6

Price chart:



Bank of Baroda reported Operating Profit of Rs. 2648 Cr in Q1 FY 2018 as against Rs. 2,669 Cr in corresponding quarter previous year, a de-growth of 0.8%. The bank reported net profit of Rs 203 crs for the quarter against profit of Rs 424 crs in corresponding quarter of previous year.

Asset quality for the bank was stable. Gross NPA for the quarter stood at 11.4% vs. 11.15% YoY and 10.46% QoQ. Net NPA stood at 5.17% vs. 5.73% YoY and 4.72% QoQ. Fresh slippages during the quarter came in at Rs 4,384 crs reflecting continued stress however incremental additions were lower. Restructured Standard Advances dropped to Rs. 11,819 Crore against Rs. 14,164 Crore YoY and increased from Rs 10,785 crs QoQ.

Net interest income grew by 1% YoY to Rs. 3,405 crs. Net interest margins expanded by 5 bps to 2.12% YoY. Domestic NIM stood at 2.5% while overseas NIM stood at 1.15% reporting steady performance.

Total (Domestic + Overseas) deposits grew by 4.1% YoY and 1% sequentially. Total CASA deposits grew by 23.9% YoY. Share of Domestic CASA to domestic deposits on daily average basis stood at 37.7% as at June 30, 2017 vs. 33% as at June 30, 2016.

Total Advances stood at Rs 3,77,607 Crore against Rs 3,62,766 Crore YoY. Retail Advances stood at Rs 60,824 Crore and constituted 21% of Gross Domestic Advances. Within the Retail Advances, the home loan portfolio increased by 9.2% to Rs 32,939 Crore, education loans stood steady at 2,053 Crore. Share of agriculture loans stood steady at 16% while share of MSME stood at 20% and share of large & Medium corporate increased at 23%.

Valuation

At CMP of Rs 147 the stock is trading at P/ABV multiple of 1.5(x) on FY19E. We have valued stock on P/ABV(x) of 1.6(x) on its FY 19E ABV of Rs 101 per share and have arrived at fair value of Rs 164. We have **HOLD** rating on the stock.

Financial Snapshot

(Rs Cr)	FY15	FY16	FY17	FY18E	FY19E
Net interest income	13187	12740	13513	12502	13666
Operating Profit	17589	17739	20271	19919	21913
PAT	3398	-5395	1383	1741	2959
EPS (Rs)	15.5	-23.8	6.0	7.5	12.8
ABV (Rs)	143	90	92	96	101
RoE (%)	9.1	-14.6	3.6	4.3	6.9
RoA (%)	0.5	-0.8	0.2	0.2	0.4
P/E (x)	10.5	-6.2	28.2	22.4	11.5
P/ABV (x)	1.1	1.6	1.8	1.8	1.5



Q1 FY18 Earnings Snapshot

Reported Quarterly Results					
Particulars (Rs Cr)	Q1FY18	Q1FY17	YoY (%)	Q4FY17	QoQ (%)
Interest Earned	10,553	10,434	1.1	10,875	-3.0
Interest Expended	7,148	7,062	1.2	7,293	-2.0
Net Interest Income	3,405	3,371	1.0	3,582	-4.9
Other Income	1,551	1,444	7.4	1,977	-21.6
<i>Other income / Net Income(%)</i>	31	30		36	
Total income	4,956	4,815	2.9	5,559	-10.8
Employee Expenses	1,015	1,108	-8.4	1,222	-17.0
Non-Employee expenses	1,293	1,038	24.6	1,317	-1.8
Operating Expenses	2,308	2,146	7.5	2,539	-9.1
<i>Cost-income Ratio(%)</i>	47	45		46	
PPOP	2,648	2,669	-0.8	3,020	-12.3
Provisions & Contingencies	2,368	2,004	18.2	2,623	-9.7
PBT	280	665	-57.9	397	-29.5
Exceptional (Reported)	0	0		0	
Provisions for Tax	77	242	-68.3	242	-68.4
<i>Effective Tax Rate (%)</i>	27	36		61	
PAT (reported)	203	424		155	
EPS Basic	0.9	1.8		0.7	
EPS Diluted	0.9	1.8		0.7	
BVPS	133	146		145	
GNPA	46,173	42,992		42,719	
NNPA	19,519	20,784		18,080	
GNPA (%)	11.4	11.2		10.5	
NNPA (%)	5.2	5.7		4.7	
Total CAR (%)	11.8	14.1		12.2	
NIM (%)	2.1	2.2	-0.1	2.2	0.0
Advances	3,77,607	3,62,766	4.1	3,83,259	-1.5
Deposits	5,70,608	5,62,174	1.5	6,01,675	-5.2

Source: Company Data Ace Equity, Arianth Research



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
Net Interest Income	13,513	12,502	13,666
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
Operating Income	20,271	19,919	21,913
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
- growth %	24	(4)	11
Provisions	8,502	7,831	7,098
Exceptional Item	-	-	-
Profit Before Taxes	2,473	2,678	4,553
Taxes	1,090	937	1,593
Profit After Taxes	1,383	1,741	2,959

Ratio Analysis

Year to 31st March	FY17	FY18E	FY19E
Basic Ratio (Rs.)			
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
Asset Quality (%)			
Gross NPAs	11.0	10.5	10.0
Net NPAs	5.2	5.1	5.0
NPA Coverage	62.0	65.0	65.0
Profitability ratios (%)			
RoAE	3.6	4.3	6.9
RoAA	0.2	0.2	0.4
NIM	2.3	2.0	2.0

Balance Sheet

As on 31st March (Rs. cr)	FY17	FY18E	FY19E
LIABILITIES			
Capital	462	462	462
Reserves & Surplus	39,842	41,028	43,710
Deposits	6,01,675	6,32,359	6,88,996
- growth %	5	5	9
Borrowings	30,611	29,081	27,627
Other liabilities & provisions	22,286	25,302	26,281
Total Liabilities	6,94,876	7,28,232	7,87,076
ASSETS			
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
- growth %	0	4	9
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
Total Assets	6,94,875	7,28,232	7,87,076

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
Valuation ratios (x)			
P/E	28.2	22.4	14.7
P/BV	1.0	0.9	1.0
P/ABV	1.8	1.8	1.9

**Arihant Research Desk**

E. research@arihantcapital.com
T. 022-42254800

Head Office

#1011, Solitaire Corporate park,
Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road,
Chakala, Andheri (E).
Mumbai - 400093
Tel: (91-22) 42254800
Fax: (91-22) 42254880

Registered Office

E-5 Ratlam Kothi
Indore - 452003, (M.P.)
Tel: (91-731) 3016100
Fax: (91-731) 3016199

Stock Rating Scale

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

Research Analyst Registration No.**Contact****Website****Email Id****INH000002764****SMS: 'Arihant' to 56677**www.arihantcapital.comresearch@arihantcapital.com**Disclaimer:**

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