

Bank of Baroda

Refer to important disclosures at the end of this report

Better growth, margin trajectory to drive RoEs

- Despite lower other income and higher provisions, BOB reported in-line PAT at Rs17.8bn (est.: Rs17.9bn), mainly due to healthy NII growth, lower staff costs and tax provisions. Despite higher slippages, the GNPA ratio rose by 64bps qoq to 6.6% on higher w-offs/recoveries. The standard net restructured book reduced to 2.4% of loans in Q4.
- Credit growth improved to 10% yoy/6% qoq, driven by retail/agri, but corporate/SME growth was sluggish. BOB expects credit growth to be around 10-12% in FY23, which coupled with a higher share of floating rate book, healthy CASA ratio and lower interest reversal on NPAs, should lead to a strong margin trajectory.
- The bank has utilized one-off gains from Air India (Rs10bn in Q4; Rs13bn in Q4) to ramp up the provision cover to 75%, which should contain incremental LLP. Factoring in better growth/NIMs and lower LLP, we expect the bank's RoE to gradually improve to 11-13% over FY23-25E.
- BOB remains well-capitalized among large PSBs, with a CET-1 ratio of 11.7% post QIP. It is also better-positioned to accelerate profitable growth. Retain Buy/OW in EAP with a revised TP of Rs130 (earlier TP of Rs145), based on 0.7x FY24E ABV (0.9x Dec'23E ABV earlier) due to higher CoE.

Growth trend improving: Overall credit growth improved to 10% yoy/6% qoq, led by retail and agri growth. SME growth was subdued, given the bank's conscious risk-averse stance. Corporate growth was also sub-par. Within retail, growth has improved across segments, with housing growing at 11% yoy after a weak performance in Q3. Gold loans also grew at 25% yoy. The CASA ratio declined marginally, but remained high and healthy at 42%. The bank reported healthy NIMs of 3.1%. It believes that the higher share of floating rate book, healthy CASA ratio and lower interest reversal on NPAs will lead to a robust margin trajectory.

Elevated slippages, but NPAs decline due to higher recoveries/w-offs: Fresh slippages were higher at Rs58bn (3.2% of loans), including Future Retail. However, higher recoveries/w-offs, led to a 64bps reduction in the GNPA ratio to 6.6%. The standard net restructured book declined to 2.4% of loans in Q4 from 2.8% in Q3, with a lower relapse rate as of now. The SMA 1 & 2 pool (>Rs50mn) also declined to a low of 0.4% from 1.1% in Q3. BOB has ramped up the provision cover to 75%, utilizing a part of the gains from one-off Air India recovery, which is now on par with peers, and thus should limit incremental provisions in the future.

Outlook and valuations: Factoring in better growth/NIMs and lower LLP, we expect the bank's RoE to gradually improve to 11-13% over FY23-25E from 9% in FY22 and 1% in FY21. BOB is better-positioned to accelerate growth while also maintaining profitability. Retain Buy/OW in EAP revised TP of Rs130 (earlier TP of Rs145), based on 0.7x FY24E ABV (0.9x Dec'23E ABV earlier) due to higher CoE. Key risks: Higher NPA formation, mainly in the corporate/SME book and slower-than-expected growth trajectory.

Please see our sector model portfolio (Emkay Alpha Portfolio): [BFSI-Banks \(Page 8\)](#)

Financial Snapshot (Standalone)

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Net income	4,17,430	4,41,053	4,81,666	5,30,692	5,92,078
Net profit	8,293	72,723	99,385	1,19,192	1,40,639
EPS (Rs)	1.7	14.0	19.2	23.0	27.2
ABV (Rs)	117.3	148.3	164.1	183.5	205.5
RoA (%)	0.1	0.6	0.7	0.8	0.9
RoE (%)	1.1	8.9	10.9	11.8	12.6
PE (x)	56.2	6.8	4.9	4.1	3.5
P/ABV	0.8	0.6	0.6	0.5	0.5

Source: Company, Emkay Research. am.emkay@whitemarquesolutions.com use and downloaded at 05/16/2022 01:01 PM

CMP	Target Price
Rs 95 as of (May 14, 2022)	Rs 130 (▼) 12 months
Rating	Upside
BUY (■)	36.8 %

Change in Estimates

EPS Chg FY23E/FY24E (%)	4.4/2.2
Target Price change (%)	(10.3)
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY23E	FY24E
Emkay	19.2	23.0
Consensus	18.7	22.1
Mean Consensus TP (12M)	Rs 140	

Stock Details

Bloomberg Code	BOB IN
Face Value (Rs)	2
Shares outstanding (mn)	5,171
52 Week H/L	123 / 73
M Cap (Rs bn/USD bn)	491 / 6.34
Daily Avg Volume (nos.)	395,26,330
Daily Avg Turnover (US\$ mn)	54.9

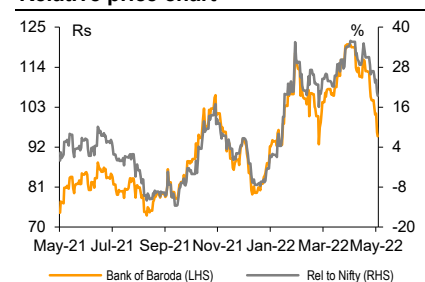
Shareholding Pattern Mar '22

Promoters	64.0%
FIIIs	9.1%
DIIIs	15.1%
Public and Others	11.8%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(20)	(16)	(6)	23
Rel. to Nifty (12)	(8)	8	14	

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

Anand Dama

anand.dama@emkayglobal.com
+91 22 6624 2480

Heet Khimawat

heet.khimawat@emkayglobal.com
+91 22 6612 1275

Dixit Sankharva

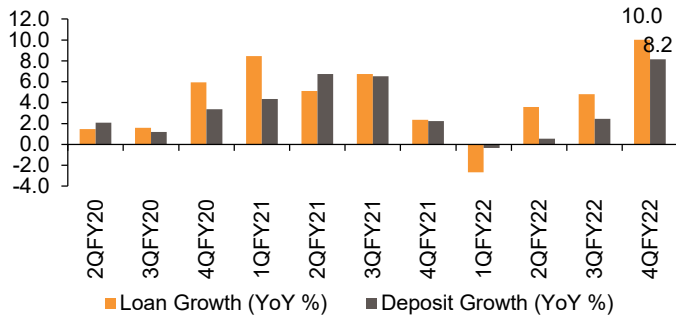
dixit.sankharva@emkayglobal.com
+91 22 6612 1281

Soumya Jain

soumya.jain@emkayglobal.com
+91 22 6612 1262

Story in Charts

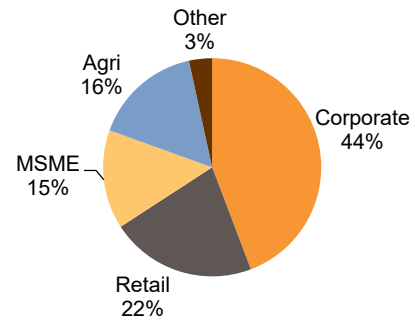
Exhibit 1: Credit growth picks up, led by retail, but corporate growth was sluggish



Source: Company, Emkay Research

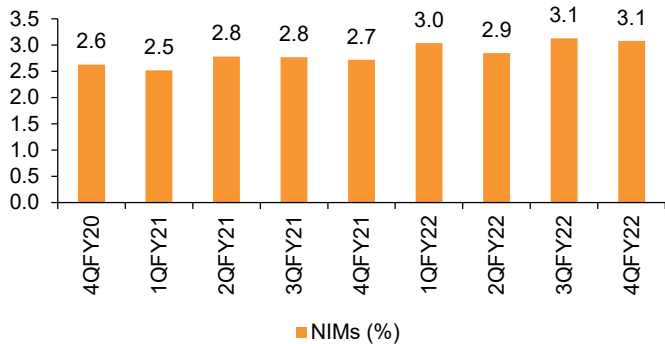
Exhibit 2: BOB carries a relatively healthy share of retail portfolio among PSBs (barring SBI)

% share in Gross Domestic Credit



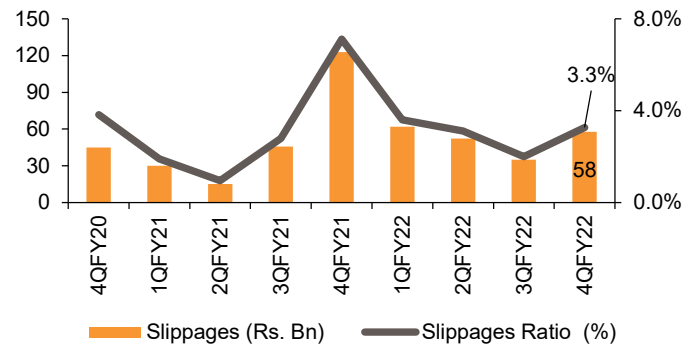
Source: Company, Emkay Research

Exhibit 3: Margin remained stable mainly due to better yields on loans/investments



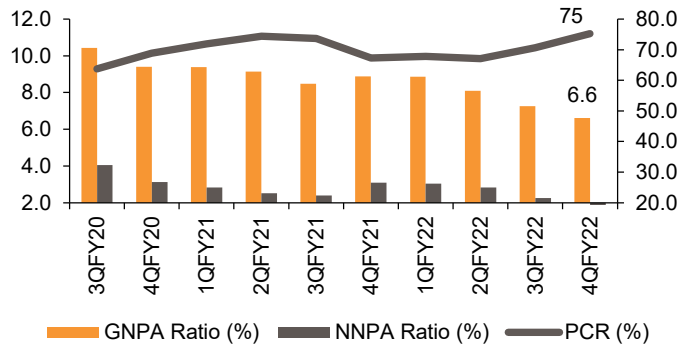
Source: Company, Emkay Research

Exhibit 4: Slippages inched up to 3.3% of loans



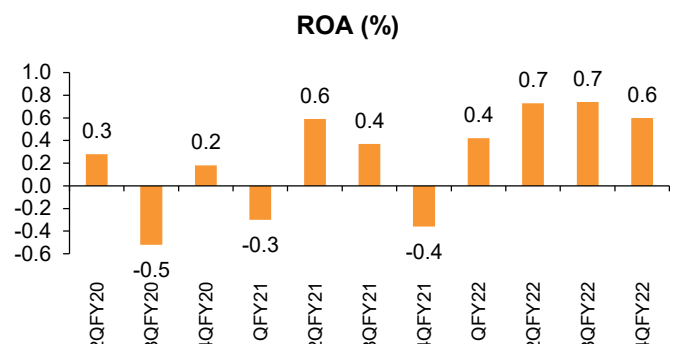
Source: Company, Emkay Research

Exhibit 5: Higher slippages, set off by higher w-offs and healthy recoveries led to a 64bps improvement in GNPA ratio



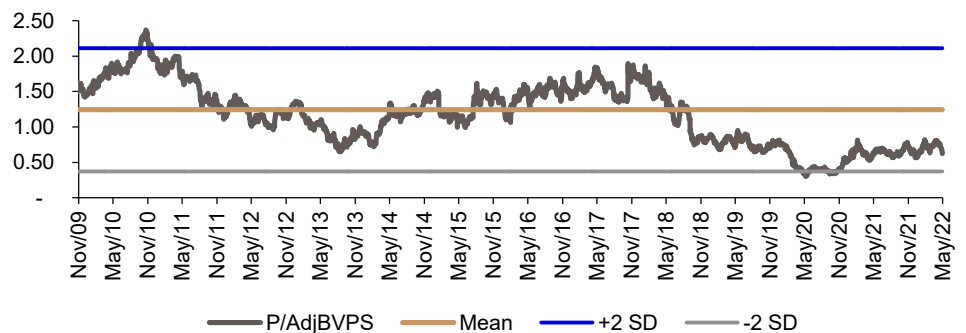
Source: Company, Emkay Research

Exhibit 6: Stable NIMs and higher LLP led to marginal moderation in RoA



Source: Company, Emkay Research

Exhibit 7: The stock currently trades at 0.6x – one-year forward ABV



Source: Bloomberg, Emkay Research

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Exhibit 8: Actual vs. Estimates (Q4FY22)

Rs mn	Actuals	Estimates		% Variation		Comments
		Emkay	Consensus	Emkay	Consensus	
Net income	1,11,340	1,14,949	1,14,645	-3%	-3%	Lower other income led to a miss
PPOP	56,351	55,493	58,373	2%	-3%	Lower staff expenses led a beat
PAT	17,788	17,847	23,986	0%	-26%	Higher LLP offset by lower tax expense led to largely in line PAT

Source: Company, Emkay Research

Exhibit 9: Quarterly summary

(Rs mn)	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	YoY (%)	QoQ (%)	FY22	FY23E	YoY (%)
Interest Earned	1,66,845	1,70,526	1,66,914	1,79,630	1,81,736	9	1	6,98,808	8,07,315	16
Interest Exp	95,779	91,610	91,256	94,110	95,619	0	2	3,72,594	4,38,358	18
Net Interest Income	71,066	78,917	75,659	85,520	86,117	21	1	3,26,213	3,68,958	13
Global NIMs (reported)	2.72	3.04	2.85	3.13	3.08	36bps	-5bps	2.88	2.94	6bps
Non-interest Income	48,174	28,632	35,792	25,193	25,223	-48	0	1,14,840	1,12,708	-2
Operating Expenses	56,894	51,540	54,756	55,880	54,988	-3	-2	2,17,164	2,38,415	10
Pre Provisioning Profit	62,346	56,008	56,695	54,833	56,351	-10	3	2,23,889	2,43,251	9
Provision & Contingencies	35,551	40,054	27,536	25,070	37,364	5	49	1,30,024	1,10,382	-15
PBT	26,796	15,954	29,159	29,763	18,988	-29	-36	93,864	1,32,868	42
Income Tax Expense (Gain)	37,261	3,868	8,281	7,793	1,200	-97	-85	21,142	33,483	58
Net Profit/(Loss)	-10,465	12,086	20,878	21,970	17,788	-270	-19	72,723	99,385	37
Gross NPA (%)	8.87	8.86	8.10	7.25	6.61	-226bps	-64bps	6.61	5.77	-84bps
Net NPA (%)	3.09	3.03	2.83	2.25	1.72	-137bps	-53bps	1.72	1.63	-9bps
Deposits (Rs bn)	9,670	9,313	9,595	9,780	10,459	8	2	10,459	11,361	9
Net Advances (Rs bn)	7,063	6,684	6,938	7,322	7,772	10	6	7,772	8,617	11

Source: Company, Emkay Research

Exhibit 10: Revision in estimates

Y/E Mar (Rs mn)	FY23E			FY24E			FY25E
	Earlier	Revised	% change	Earlier	Revised	% change	Introduced
Net income	4,74,709	4,81,666	1.47%	5,19,411	5,30,692	2.17%	5,92,078
PPOP	2,31,939	2,43,251	4.9%	2,53,460	2,68,014	5.7%	3,03,030
PAT	95,199	99,385	4.4%	1,16,600	1,19,192	2.2%	1,40,639
EPS (Rs)	18.4	19.2	4.4%	22.5	23.0	2.2%	27.2
BV (Rs)	177.3	184.4	4.0%	195.8	204.2	4.3%	227.4

Source: Emkay Research

Exhibit 11: Key assumptions

	FY22A	FY23E	FY24E	FY25E
Loan Growth %	10.0	10.9	12.6	13.7
Deposit Growth %	8.2	8.6	11.8	12.7
NIM %	2.9	2.9	3.0	3.0
GNPA %	6.6	5.8	5.1	4.4
Credit Cost %	1.5	1.1	1.0	1.0

Source: Emkay Research

Exhibit 12: Key ratios and trends

	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22
Balance Sheet									
Loans (Rs bn)	7,379	7,364	7,188	7,452	7,512	7,112	7,337	7,717	8,178
-growth (YoY) %	47.2	8.6	5.3	6.3	1.8	-3.4	2.1	3.6	8.9
-growth (QoQ) %	5.3	-0.2	-2.4	3.7	0.8	-5.3	3.2	5.2	6.0
Liability Profile									
Deposit (Rs bn)	9,460	9,345	9,543	9,546	9,670	9,313	9,595	9,780	10,459
-growth (YoY) %	48.1	4.3	6.7	6.5	2.2	-0.3	0.5	2.5	8.2
-growth (QoQ) %	5.6	-1.2	2.1	0.0	1.3	-3.7	3.0	1.9	6.9
CASA %	35.3	36.2	36.7	37.9	40.2	40.2	39.2	42.0	42.0
Capital Adequacy									
CAR (%)	13.3	12.8	13.3	12.9	15.0	15.4	15.6	15.5	16.0
Tier I (%)	10.7	10.3	10.8	10.6	12.7	13.1	13.1	13.2	13.5
Asset Quality									
GNPA (%)	9.4	9.4	9.1	8.5	8.9	8.9	8.1	7.3	6.6
NNPA (%)	3.1	2.8	2.5	2.4	3.1	3.0	2.8	2.2	1.7
PCR (%)	68.9	71.9	74.4	73.6	67.3	73.6	67.1	70.6	75.3
Slippages %	3.8	1.9	1.0	2.8	7.1	3.0	3.1	2.0	3.3
NIM (%) - Global	2.6	2.5	2.8	2.8	2.7	3.0	2.9	3.1	3.1
NIM (%) - Domestic	2.8	2.6	2.9	3.0	2.7	3.1	2.9	3.2	3.1
Cost/ Income (%)	46.8	50.0	45.7	47.5	47.7	47.9	49.1	50.5	49.4
ROE Decomposition %									
NII	2.8	2.7	3.0	3.1	2.8	3.1	3.0	3.4	3.2
Other Income (Ex Treasury)	0.8	0.5	0.8	0.8	1.6	0.8	0.9	0.8	0.9
Treasury	0.4	0.2	0.4	0.4	0.4	0.4	0.5	0.2	0.1
Opex	1.9	1.7	1.9	2.0	2.3	2.1	2.2	2.2	2.0
PPOP	2.1	1.7	2.3	2.2	2.5	2.2	2.3	2.1	2.1
Provisioning Cost	2.8	2.3	1.1	1.6	1.4	1.6	1.1	1.0	1.4
PBT	-0.7	-0.5	1.1	0.7	1.1	0.6	1.2	1.2	0.7
Tax	-0.9	-0.2	0.3	0.2	1.5	0.2	0.3	0.3	0.0
ROA	0.2	-0.3	0.7	0.4	-0.4	0.4	0.7	0.7	0.6
Leverage (x)	15.8	16.0	15.8	15.8	15.4	14.6	14.4	14.5	14.6
ROE	2.8	-4.8	11.0	5.8	-5.5	6.2	10.5	10.8	8.4

Source: Company, Emkay Research

Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Net interest income	2,88,091	3,26,213	3,68,958	4,15,346	4,67,163
Other income	1,29,340	1,14,840	1,12,708	1,15,346	1,24,915
Fee income	25,209	27,710	30,758	34,757	39,970
Net income	4,17,430	4,41,053	4,81,666	5,30,692	5,92,078
Operating expenses	2,05,437	2,17,164	2,38,415	2,62,678	2,89,048
Pre provision profit	2,11,994	2,23,889	2,43,251	2,68,014	3,03,030
PPP excl treasury	1,78,234	1,96,609	2,21,427	2,47,281	2,83,334
Provisions	1,56,430	1,30,024	1,10,382	1,08,666	1,15,010
Profit before tax	55,564	93,864	1,32,868	1,59,348	1,88,020
Tax	47,271	21,142	33,483	40,156	47,381
Tax rate	85	23	25	25	25
Profit after tax	8,293	72,723	99,385	1,19,192	1,40,639

Balance Sheet

Y/E Year End (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Equity	10,355	10,355	10,355	10,355	10,355
Reserves	7,60,102	8,57,275	9,44,234	10,46,858	11,66,786
Net worth	7,70,457	8,67,630	9,54,589	10,57,213	11,77,141
Deposits	96,69,968	104,59,386	113,60,718	126,98,910	143,08,364
Borrowings	4,44,344	7,92,444	7,52,822	7,90,463	8,29,986
Total liabilities	115,53,646	127,79,998	139,10,444	154,67,009	173,36,968
Cash and bank	3,88,410	5,51,844	4,74,824	4,45,781	4,14,607
Investments	26,12,201	31,57,954	33,73,060	37,02,200	40,88,605
Loans	70,63,005	77,71,552	86,17,489	97,07,320	110,33,007
Others	5,94,149	5,24,724	5,72,515	6,29,138	6,92,714
Total assets	115,53,645	127,79,998	139,10,444	154,67,009	173,36,968

Key Ratios (%)

Y/E Year End	FY21	FY22	FY23E	FY24E	FY25E
NIM	2.7	2.9	2.9	3.0	3.0
Non-II/avg assets	1.1	0.9	0.8	0.8	0.8
Fee income/avg assets	0.2	0.2	0.2	0.2	0.2
Opex/avg assets	1.8	1.8	1.8	1.8	1.8
Provisions/avg assets	1.4	1.1	0.8	0.7	0.7
PBT/avg assets	0.5	0.8	1.0	1.1	1.1
Tax/avg assets	0.4	0.2	0.3	0.3	0.3
RoA	0.1	0.6	0.7	0.8	0.9
RoAE	1.1	8.9	10.9	11.8	12.6
GNPA (%)	8.9	6.6	5.8	5.1	4.4
NNPA (%)	3.1	1.7	1.6	1.5	1.4

Per Share Data (Rs)	FY21	FY22	FY23E	FY24E	FY25E
EPS	1.7	14.0	19.2	23.0	27.2
BVPS	148.8	167.6	184.4	204.2	227.4
ABVPS	117.3	148.3	164.1	183.5	205.5
DPS	0.0	1.6	2.4	3.2	4.0

Valuations (x)	FY21	FY22	FY23E	FY24E	FY25E
PER	56.2	6.8	4.9	4.1	3.5
P/BV	0.8	0.6	0.6	0.5	0.5
P/ABV	0.8	0.6	0.6	0.5	0.5
P/PPOP	2.3	2.2	2.0	1.8	1.6
Dividend Yield (%)	0.0	1.7	2.5	3.4	4.2

Source: Company, Emkay Research

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Growth (%)	FY21	FY22	FY23E	FY24E	FY25E
NII	4.9	13.2	13.1	12.6	12.5
PPOP	7.7	5.6	8.6	10.2	13.1
PAT	51.6	776.9	36.7	19.9	18.0
Loans	2.3	10.0	10.9	12.6	13.7

Quarterly (Rs mn)	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
NII	71,066	78,917	75,659	85,520	86,117
NIM(%)	2.7	3.0	2.9	3.1	3.1
PPOP	62,346	56,008	56,695	54,833	56,351
PAT	(10,465)	12,086	20,878	21,970	17,788
EPS (Rs)	(2.02)	2.33	4.03	4.24	3.44

Source: Company, Emkay Research

Shareholding Pattern (%)	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Promoters	64.0	64.0	64.0	64.0	64.0
FII	6.9	7.9	7.8	7.4	9.1
DII	15.9	14.5	14.7	14.7	15.1
Public and Others	13.2	13.6	13.5	14.0	11.8

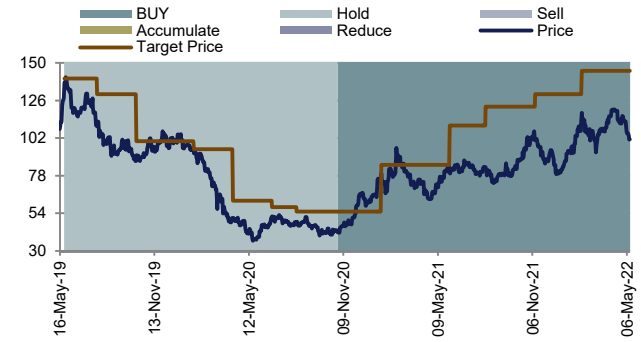
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
08-Feb-22	118	145	12m	Buy	Anand Dama
11-Nov-21	101	130	12m	Buy	Anand Dama
08-Aug-21	83	122	12m	Buy	Anand Dama
31-May-21	81	110	12m	Buy	Anand Dama
28-May-21	84	85	12m	Buy	Anand Dama
28-Jan-21	67	85	12m	Buy	Anand Dama
20-Jan-21	79	85	12m	Buy	Anand Dama
29-Oct-20	43	55	12m	Buy	Anand Dama
11-Aug-20	47	55	12m	Hold	Anand Dama
25-Jun-20	52	58	12m	Hold	Anand Dama
11-Apr-20	51	62	12m	Hold	Anand Dama
27-Jan-20	92	95	12m	Hold	Anand Dama
09-Nov-19	94	100	12m	Hold	Anand Dama
09-Oct-19	91	100	12m	Hold	Anand Dama
23-Sep-19	101	130	12m	Hold	Anand Dama
03-Sep-19	91	130	12m	Hold	Anand Dama
26-Jul-19	113	130	12m	Hold	Anand Dama
24-May-19	137	140	12m	Hold	Anand Dama

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – BFSI-Banks



Analyst: Anand Dama

Contact Details

anand.dama@emkayglobal.com
+91 22 6624 2480

Sector

Banks

Analyst bio

Anand Dama is a CA, CPM (ICFAI) with total 13 years of research experience, in addition to 3 years in the finance/rating industry. His team currently covers 21 banks and 15 stocks in the NBFC/Insurance space.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight based on Current NAV	Change vs last published EAP (bps)
BFSI-Banks	19.51	19.51	0.0%	0	100.00	
Axis Bank	1.92	1.96	2%	4	10.03	0
AU Small Finance Bank	0.30	0.25	-17%	-5	1.28	0
Bandhan Bank	0.22	0.26	15%	3	1.32	0
Bank of Baroda	0.19	0.19	0%	0	0.99	0
Canara Bank	0.12	0.05	-54%	-6	0.28	0
City Union Bank	0.00	0.04	NA	4	0.19	0
DCB Bank	0.00	0.00	NA	0	0.00	0
Equitas Small Finance Bank	0.00	0.00	NA	0	0.00	0
Federal Bank	0.18	0.22	21%	4	1.15	0
HDFC Bank	6.17	6.24	1%	6	31.97	0
ICICI Bank	5.23	5.36	3%	13	27.48	0
Indian Bank	0.00	0.00	NA	0	0.00	0
Indusind Bank	0.57	0.67	18%	10	3.43	0
Karur Vysya Bank	0.00	0.00	NA	0	0.00	0
Kotak Mahindra Bank	2.50	2.22	-11%	-27	11.40	0
Punjab National Bank	0.09	0.00	-100%	-9	0.00	0
RBL Bank	0.00	0.00	NA	0	0.00	0
State Bank of India	1.92	2.05	7%	13	10.49	0
Ujjivan Small Finance Bank	0.00	0.00	NA	0	0.00	0
Union Bank of India	0.04	0.00	-100%	-4	0.00	0
Yes Bank	0.04	0.00	-100%	-4	0.00	0
Cash	0.00	0.00	NA	0	0.00	0

Source: Emkay Research

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

Sector portfolio NAV

	Base 1-Apr-19	12-May-21	12-Nov-21	11-Feb-22	12-Apr-22	Latest 12-May-22
EAP - BFSI-Banks	100.0	111.2	132.6	131.8	127.4	115.0
BSE200 Neutral Weighted Portfolio (ETF)	100.0	109.1	130.1	129.2	124.9	112.8

*Performance measurement base date 1st April 2019

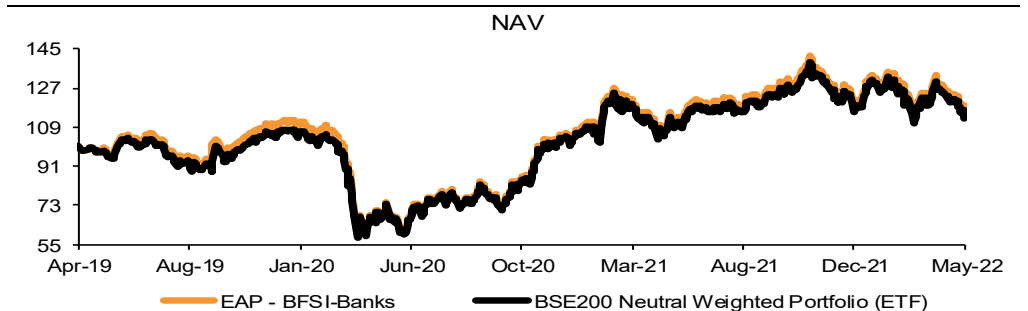
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - BFSI-Banks	-9.7%	-12.7%	-13.2%	3.5%
BSE200 Neutral Weighted Portfolio (ETF)	-9.6%	-12.7%	-13.3%	3.5%

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

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HOLD	Between -5% to 15%
SELL	Below -5%

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CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com