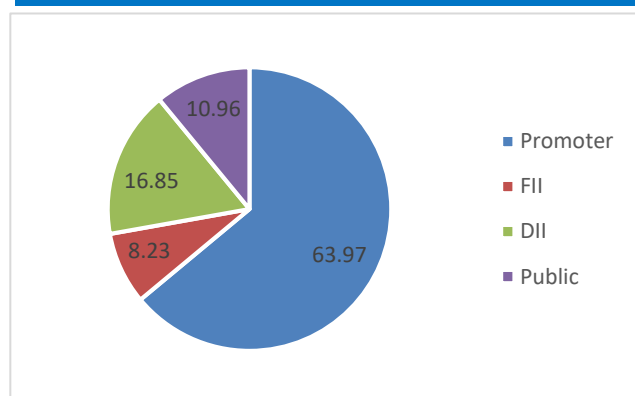


August 2022

## VALUE PARAMETERS

Face Value (Rs.)	2.00
Mrk.Cap (Rs. in Cr)	62,186
52-Week High/Low	124/72.5
EPS	16.6
P/E Ratio (TTM)	7.19
Book Value per share (Rs)	178
Industry P/E	9.72
P/B Ratio (calc at CMP)	0.68
Dividend Yield (%)	2.38
Enterprise value (Rs in Cr)	1,117,288

## SHAREHOLDING PATTERN



## FINANCIAL PERFORMANCE

Standalone	FY22	FY23E	FY24E
NII (Rs. bn)	326.2	372.1	427.1
Op. Profit	223.9	248.9	273.2
PAT	72.7	94	111.3
EPS (Rs)	14	18.2	21.6
DPS (Rs)	-	1.7	2.2
NIM	2.7	3	3.2
P/E	8.3	6.5	5.4
P/BV	0.7	0.6	0.5
P/ABV	0.9	0.8	0.7
RoE	8.5	10.3	10.7
RoA	0.6	0.7	0.7

**Strong business growth – lower provisions aided PAT**

**Our Recommendation:** Bank of Baroda reported strong operating performance in the first quarter of FY23 with reduced provisions and lower credit cost that aided PAT. Asset quality improved both sequentially and yearly with reduced net NPA to 1.58%. Management hopes that asset quality to improve further and it won't impact future earnings. Gradual improvement in corporate book with increase in retail segment to drive growth momentum. Given current scenario, we recommend BUY in price range Rs. 100-110 with target price Rs 140 (upside 33%).

**Investment Rationale:**

**About Company:** Bank of Baroda is an Indian nationalized banking and financial services company. Bank of Baroda is the fourth largest PSU bank in India with 132 million customers, a global presence of 100 overseas offices. The company has global loan book of 8.3 lakh crore. The bank has 8163 branches and 11475 ATMs in India.

**Q1FY23 Results:** Robust increase in PAT aided by strong growth in loan book and lower provisions.

- Bank of Baroda's PAT increased by 79% to Rs 2168 crore from Rs 1209 crore in the same quarter of the previous financial year.
- Net interest income (NII) rose 12% YoY to Rs 8838 crore from Rs 7892 crore in the same quarter from previous financial year.
- Net Interest margins (NIM) was stable at 3.03%.
- C/I increased 543 basis points on QoQ basis to 54.8%. Provisions reduced 55% QoQ and 58% YoY.

**Sharp fall in provisions:** Provisions declined by nearly 58% YoY to Rs 1685 from Rs 4006 crore last year. Sequentially provisions declined by 54% from Rs 3736 crore.

**Improvement in Asset Quality sequentially and YoY basis:** Net NPA reduced to 1.58% from 1.72% (on March 31) on sequential basis. GNPA fell to 6.26 % in June sequentially from 6.61 % in March. GNPA was 8.86% in the same quarter previous financial year. Management said that the bank is taking proactive measures to improve asset quality and bank may not see any significant impact on future financial results.

**Other income impacted by treasury loss:** BoB's other income reduced sharply both on sequential basis and YoY basis. OI declined by 58.7% YoY and 53.1% sequentially to Rs 1182 crore due lower treasury income.

**Strong loan and deposit growth:** BoB's Global loan book recorded robust growth of 18% on YoY basis which jumped to Rs 8.4 lakh crore. Organic retail advances recorded growth of 23.2% aided by increase in home loan, personal loan, and education loan post-COVID. CASA ratio increased by 97 bps YoY to 44.18%. International loan book recorded healthy growth of 30%.

**Keys Risks:**

- Increase in slippages could impact asset quality.
- Sluggish in net interest margin could dampen operational result.

## Financials and Valuations

### Q1FY23 Quarterly snapshot (Rs in Cr)

Financial Statement (Rs Cr)	Q1FY23	Q1FY22	YoY gr. (%)	Q4FY22	QoQ gr. (%)
Interest Income	18,938	17,053	11.1	18,174	4.2
Interest Expense	10,099	9,161	10.2	9,562	5.6
<b>Net Interest Income (NII)</b>	<b>8,838</b>	<b>7,892</b>	<b>12</b>	<b>8,612</b>	<b>2.6</b>
Other income	1,182	2,970	-60.2	2,522	-53.1
<b>Total income</b>	<b>10,020</b>	<b>10,862</b>	<b>-7.7</b>	<b>11,134</b>	<b>-10</b>
Operating expenses	5,493	5,154	6.6	5,499	-0.1
Staff expenses	3,043	3,060	-0.5	2,702	12.6
Other expenses	2,450	2,095	17	2,797	-12.4
<b>Operating profit</b>	<b>4,528</b>	<b>5,707</b>	<b>-20.7</b>	<b>5,635</b>	<b>-19.7</b>
<b>Core operating profit</b>	<b>5,116</b>	<b>4,312</b>	<b>18.6</b>	<b>5,227</b>	<b>-2.1</b>
Total provisions	1,685	4,112	-59	3,736	-54.9
<b>PBT</b>	<b>2,843</b>	<b>1,595</b>	<b>78.2</b>	<b>1,899</b>	<b>49.7</b>
Tax	675	387	74.4	120	NA
<b>PAT</b>	<b>2,168</b>	<b>1,209</b>	<b>79.4</b>	<b>1,779</b>	<b>21.9</b>
<b>Key Matrices (Rs Cr)</b>					
Deposits	1,032,714	931,317	10.9	1,045,939	-1.3
Advances	799,616	668,382	19.6	777,155	2.9
GNPA (Rs Cr)	525,908	630,288	-16.6	540,594	-2.7
NNPA (Rs Cr)	126,527	202,600	-37.5	133,647	-5.3
<b>Asset Quality measures</b>					
GNPA ratio	6.3	8.9	-260 bps	6.6	-35 bps
NNPA ratio	1.6	3.0	-145 bps	1.7	-14
NIM	3	3	-2	3.1	3.1

### Income Statement standalone (Rs in bn)

Y/E March	FY18	FY19	FY20	FY21	FY22
Interest Income	436.5	497.7	759.8	705	698.8
Interest Expense	281.3	312.9	485.3	416.9	372.6
<b>Net Interest Income</b>	<b>155.2</b>	<b>184.8</b>	<b>274.5</b>	<b>288.1</b>	<b>326.2</b>
<i>Growth (%)</i>	<i>14.9</i>	<i>19.1</i>	<i>48.5</i>	<i>4.9</i>	<i>13.2</i>
Non-Interest Income	66.6	62.9	103.2	129.3	114.8
<b>Total Income</b>	<b>221.8</b>	<b>247.7</b>	<b>377.7</b>	<b>417.4</b>	<b>441.1</b>
<i>Growth (%)</i>	<i>9.4</i>	<i>11.7</i>	<i>52.4</i>	<i>10.5</i>	<i>5.7</i>
Operating Expenses	101.7	112.9	188.7	205.4	217.2
<b>Operating Profit</b>	<b>120.1</b>	<b>134.9</b>	<b>189</b>	<b>212</b>	<b>223.9</b>
<i>Growth (%)</i>	<i>9.4</i>	<i>12.3</i>	<i>40.1</i>	<i>12.2</i>	<i>5.6</i>
Provisions (excl. tax)	148	127.9	207	156.4	130
<b>PBT</b>	<b>-27.9</b>	<b>7</b>	<b>-18</b>	<b>55.6</b>	<b>93.9</b>
Tax	-3.6	2.6	-23.5	47.3	21.1
<i>Tax Rate (%)</i>	<i>12.9</i>	<i>37.9</i>	<i>130.3</i>	<i>85.1</i>	<i>22.5</i>
<b>PAT</b>	<b>-24.3</b>	<b>4.3</b>	<b>5.5</b>	<b>8.3</b>	<b>72.7</b>
<i>Growth (%)</i>	<i>-</i>	<i>-</i>	<i>26</i>	<i>51.8</i>	<i>-</i>

## Balance Sheet standalone (Rs in bn)

Y/E March	FY18	FY19	FY20	FY21	FY22
Equity Share Capital	5.3	5.3	9.3	10.4	10.4
Reserves & Surplus	428.6	504.5	709.3	760.1	848.7
<b>Net Worth</b>	<b>433.9</b>	<b>509.8</b>	<b>718.6</b>	<b>770.5</b>	<b>859.1</b>
<b>Deposits</b>	<b>5,913.10</b>	<b>6,386.90</b>	<b>9,459.80</b>	<b>9,669.97</b>	<b>10,459.39</b>
<i>Growth (%)</i>	-1.7	8	48.1	2.2	8.2
Borrowings	625.7	672	930.7	668.5	1,039.00
Other Liabilities & Prov.	227.2	241.1	470.1	444.7	422.5
<b>Total Liabilities</b>	<b>7,200.00</b>	<b>7,809.90</b>	<b>11,579.20</b>	<b>11,553.60</b>	<b>12,780.00</b>
Current Assets	929	892.3	1,219.00	1,204.10	1,226.50
<b>Investments</b>	<b>1,631.80</b>	<b>1,823.00</b>	<b>2,746.10</b>	<b>2,612.20</b>	<b>3,158.00</b>
<i>Growth (%)</i>	25.9	11.7	50.6	-4.9	20.9
<b>Loans</b>	<b>4,274.30</b>	<b>4,688.20</b>	<b>6,901.20</b>	<b>7,063.00</b>	<b>7,771.60</b>
<i>Growth (%)</i>	11.5	9.7	47.2	2.3	10
Fixed Assets	53.7	69.9	88.9	80.2	99.2
Other Assets	311.2	336.5	623.9	594.1	524.7
<b>Total Assets</b>	<b>7,200.00</b>	<b>7,809.90</b>	<b>11,579.20</b>	<b>11,553.60</b>	<b>12,780.00</b>

## Asset Quality

Y/E March	FY18	FY19	FY20	FY21	FY22
Gross NPA (Rs in bn)	564.8	482.3	693.8	666.7	540.6
Net NPA (Rs in bn)	234.8	156.1	215.8	218	133.6
GNPA Ratio	12.3	9.6	9.4	8.9	6.6
NNPA Ratio	5.5	3.3	3.1	3.1	1.7
Slippage Ratio	6	3	3.4	2.8	1.8
Credit Cost	3.5	2.7	2.9	1.7	2
PCR (Excl. Tech. write off)	58.4	67.6	68.9	67.3	75.3

## Key Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22
<b>Per Share Data (Rs)</b>					
EPS	-7.13	4.16	2.01	2.99	15.18
BV/Share	163.97	171.64	151.64	159.32	177.65
DPS	-	-	-	-	2.85
<b>Valuation Ratios</b>					
P/E (x)	16.1	30.7	99.1	-6.2	8.3
P/BV (x)	0.8	0.7	0.8	0.8	0.7
<b>Return Ratios (%)</b>					
ROE	-5.6	0.8	0.8	1.1	8.5
ROA	-0.3	0.1	0.0	0.1	0.6
<b>Yield and margins</b>					
Net Interest Margin	2.38	2.62	2.56	2.74	2.71
CASA ratio	35.63	34.61	35.03	39.8	41.14
Slippage Ratio	6	3	3.4	2.8	1.8
Credit Cost	3.5	2.7	2.9	1.7	2
<b>Quality and efficiency</b>					
GNPA Ratio	12.3	9.6	9.4	8.9	6.6
NNPA Ratio	5.5	3.3	3.1	3.1	1.7
Credit/Deposit (%)	72.09	72.75	72.6	72.62	74.11

VP – Head Research - Dr. Ravi Singh  
Mob: +919810313561  
Email ID: ravi.singh@shareindia.com

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