

Institutional Equity Research

## Bank of Baroda

Banking | India

2QFY20 Result Update | November 11, 2019

CMP* (Rs)	94
Upside/ (Downside) (%)	9
Bloomberg Ticker	BOB IN
Market Cap. (Rs bn)	361
Free Float (%)	31
Shares O/S (mn)	3,847



Target Price: Rs102

### Near-term Challenges Remain Despite Improving Prospects; Maintain HOLD

Bank of Baroda (BOB) has reported a better-than-expected performance on PPOP front in 2QFY20 led by expansion in NIMs, higher-than-expected treasury gain and improved recovery from written-off accounts. However, credit cost remained high at 2% driven by elevated slippages at 4.2% of advances. Loan book grew by just 3% YoY and 0.7% QoQ (for the amalgamated entity), partly due to the merger focus. Nonetheless, advances in the retail segment continued to grow by a healthy 16% YoY. For merged entity, NII grew by 10% YoY, with 41% YoY growth in other income, and 23% YoY growth in PPOP. CET improved to 9.84% from 8.5% in 1QFY20, led by equity infusion of Rs70bn by the GoI. It also raised Rs9.3bn via Employee Stock Purchase Scheme in Q3FY20, which is yet to reflect in capital ratios. The Bank continues to recognize taxes as per the old tax regime.

#### Slippages remain elevated; GNPA & NNPA Ratios Sequentially Stable

Despite elevated slippages at 4.2%, GNPA and NNPA ratio remained sequentially stable at 10.3% and 3.9%, as recoveries improved. Around 90% of corporate slippages came from the Bank's predefined watchlist, with the watchlist declining to 2.3% of advances from 2.6% in 1QFY20. Large corporate slippages of Rs34bn mainly came from NBFC, Plastic, Textile, Power and Travel sectors. Additionally, slippages from the MSME portfolio also remained elevated, with higher share of MSME and mid corporate slippages from erstwhile Dena and Vijaya banks' books. Despite sequential decline in the Bank's BBB and below rated book to 26% of corporate book, it remains higher than the peers. Moreover, amidst a weak operating environment, risk of elevated slippages from watchlist/SMA portfolio remain. We raise our slippages estimate for FY20E to 3.9% from 3.5%. Nonetheless, the Bank's NPA recognition and provisioning standards are superior to that of its peers, with high PCR of 64%.

#### Higher Margin & Normalisation in Recoveries Aided Bottom-line

A key positive during the quarter was the ~20bps sequential expansion in margin (despite high interest reversals) driven by sharp rise in yield on advances (+15 bps QoQ) improved cost of deposits (-8 bps QoQ). Improvement in cost of deposits was due to shredding of higher cost bulk deposits and higher CASA ratio (+100bps QoQ to 38%). From a lower sequential base, both recoveries from written-off accounts (doubled QoQ) and overall recoveries & upgrades normalized during the quarter to higher levels, aiding the Bank's profitability as well as asset quality.

#### Outlook & Valuation

Looking ahead, even as we see gradual improvement in core operating metrics, integration-related challenges and ambiguity over management change could continue to impact the bank's near-to-medium term valuation. We lower our loan growth estimate for FY20E to 8% YoY and factor in higher margin and slippages. At CMP, the stock trades at 0.9x FY21E ABV.

**Revising our PAT estimates downwards by 17%/14% for FY20E/FY21E, we maintain our HOLD recommendation on the stock with a revised Target Price of Rs102 (from Rs115 earlier), valuing it at 1x FY21E ABV.**

Quarterly Performance					
(Rs mn)	2Q FY20	2Q FY19	% yoy / bps	1Q FY20	% qoq / bps
Net Interest Income	70,279	63,837	10.1	64,981	8.2
Other Income - Total	28,239	20,062	40.8	19,156	47.4
Total Opex	45,160	41,073	9.9	41,375	9.1
Pre Provision Profits	53,359	42,826	24.6	42,762	24.8
Provisions & Contingencies - Total	42,092	38,860	8.3	32,849	28.1
Profit Before Tax	11,268	3,966	184.1	9,913	13.7
Reported Profits	7,367	1,486	395.7	7,099	(94.4)

Source: Company, RSec Research

Share price (%)	1 mth	3 mth	12 mth
Absolute performance	3.0	(6.1)	(15.5)
Relative to Nifty	(2.2)	(13.2)	(27.8)

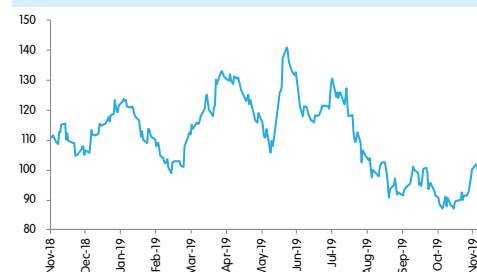
Shareholding Pattern (%)	Jun-19	Sep-19
Promoters	69.2	69.2
Institutions	22.2	22.3
Retail	5.6	6.0
NBFC & Bodies Corporate	3.0	2.5

Key Financials			
(Rs mn)	FY19	FY20E*	FY21E*
Loan & Advances	4,688,187	7,034,947	7,738,442
NII	186,839	268,307	309,268
PPP ex Except.	134,869	181,648	214,669
Reported Profits	4,336	29,029	72,906
P/E (x)	66.6	15.3	6.1
Adj. BV	96.8	91.5	108.4
P/ABV (x)	1.0	1.0	0.9

Note: \*Merged Financials with Dena and Vijaya, past numbers not comparable

Change of Estimates		
(%)	FY20E	FY21E
Net Operating Revenue	1.1	4.7
Pre Provision Profits	0.7	7.8
PAT	(17.2)	(13.8)

#### 1 Year Stock Price Performance



Note: \* CMP as on November 08, 2019

#### Research Analyst :

**Mona Khetan**

Contact : (022) 4303 4634

Email : mona.p.khetan@relianceada.com

#### D. Vijaya Rao

Contact : (022) 4303 4633

Email : vijaya.rao@relianceada.com

Institutional Equity Research

## Bank of Baroda

Banking | India

CMP* (Rs)	94
Upside/ (Downside) (%)	9
Bloomberg Ticker	BOB IN

**HOLD** 

Target Price: Rs102

### Risks to view

- **Downside Risks:** Any major slowdown in economy may impact growth and asset quality; higher-than-expected slippages, any adverse impact on asset quality from management change.
- **Upside Risks:** Lower-than-expected slippages; better-than-expected business growth; higher-than-expected recoveries from NPAs/written off accounts.

#### Exhibit 1: Quarterly Performance - Merged

(Rs mn)	2Q FY20	2Q FY19	% yoy / bps	1Q FY20	% qoq / bps
Interest Inc.	192,740	178,921	7.7	189,453	1.7
Interest Expenses	122,460	115,084	6.4	124,472	(1.6)
<b>Net Interest Income</b>	<b>70,279</b>	<b>63,837</b>	<b>10.1</b>	<b>64,981</b>	<b>8.2</b>
Other Income - Total	28,239	20,062	40.8	19,156	47.4
<b>Net Operating Revenue</b>	<b>98,519</b>	<b>83,899</b>	<b>17.4</b>	<b>84,137</b>	<b>17.1</b>
Employee Expenses	22,815	20,476	11.4	19,394	17.6
Other Opex	22,345	20,597	8.5	21,980	1.7
<b>Total Opex</b>	<b>45,160</b>	<b>41,073</b>	<b>9.9</b>	<b>41,375</b>	<b>9.1</b>
Cost to Income Ratio (%)	46	46	11	49	(334)
<b>Pre Provision Profits</b>	<b>53,359</b>	<b>42,826</b>	<b>24.6</b>	<b>42,762</b>	<b>24.8</b>
Provisions & Contingencies - Total	42,092	38,860	8.3	32,849	28.1
<b>Profit Before Tax</b>	<b>11,268</b>	<b>3,966</b>	<b>184.1</b>	<b>9,913</b>	<b>13.7</b>
Tax	3,901	2,480	57.3	2,815	38.6
Effective Tax Rate (%)	35	63	(2,791)	28	623
<b>Reported Profits</b>	<b>7,367</b>	<b>1,486</b>	<b>395.7</b>	<b>7,099</b>	<b>(94.4)</b>

Source: Company, RSec Research

#### Exhibit 2: Quarterly Performance - Merged

(Rs mn)	1Q FY19	2Q FY19	3Q FY19	4Q FY19	1Q FY20	2Q FY20	QoQ % / bps	YTD % / bps	YoY % / bps
Gross NPA	793,200	788,188	743,224	699,240	697,140	699,690	0.4	0.1	(11.2)
Gross NPAs Ratio (%)	12.4	11.8	10.9	10.0	10.3	10.3	(3)	23	(160)
PCR - Calculated (%)	57	58	59	66	64	64	33	(155)	600
Net NPA	339,923	327,718	305,690	237,948	250,303	248,944	(0.5)	4.6	(24.0)
Net NPAs Ratio (%)	5.7	5.3	4.8	3.7	4.0	3.9	(4)	25	(139)
Net Advances	5,949,110	6,188,340	6,373,188	6,513,840	6,331,809	6,373,402	0.7	(2.2)	3.0
Deposits	8,418,297	8,758,611	8,864,314	9,151,591	8,955,420	8,941,298	(0.2)	(2.3)	2.1

Source: Company, RSec Research

Institutional Equity Research

# Bank of Baroda

Banking | India

CMP* (Rs)	94
Upside/ (Downside) (%)	9
Bloomberg Ticker	BOB IN

**HOLD** 

Target Price: Rs102

### Exhibit 3: Income Statement Analysis

(Rs mn)	2Q FY20	2Q FY19	% yoy / bps	1Q FY20	% qoq / bps	FY19	FY18	% yoy / bps
<b>Interest Inc.</b>	<b>192,740</b>	<b>120,783</b>	<b>59.6</b>	<b>189,453</b>	<b>1.7</b>	<b>499,741</b>	<b>436,485</b>	<b>14.5</b>
Global - Yield on Advances (%)	8.15	7.41	74	8.00	15	7.65	7.13	52
Global - Yield on Invnt. (%)	8.15	6.97	118	8.00	15	7.31	6.77	54
<b>Interest Expenses</b>	<b>122,460</b>	<b>75,858</b>	<b>61.4</b>	<b>124,472</b>	<b>(1.6)</b>	<b>312,902</b>	<b>281,268</b>	<b>11.2</b>
Global - Cost of Dep. (%)	5.0	4.6	44	5.1	(8)	-	4.5	-
<b>Net Interest Income</b>	<b>70,279</b>	<b>44,925</b>	<b>56.4</b>	<b>64,981</b>	<b>8.2</b>	<b>186,839</b>	<b>155,218</b>	<b>20.4</b>
NII to Net Operative Income	71.3	76.9	(554)	77.2	(590)	75.4	70.0	543
Global - NIM (%)	2.8	2.6	20	2.6	19	2.7	2.4	29
Dom. NIM (%)	3.0	2.8	12	2.9	8	2.9	2.9	5
<b>Adjusted NII</b>	<b>70,279</b>	<b>43,120</b>	<b>63.0</b>	<b>60,506</b>	<b>16.2</b>	<b>176,207</b>	<b>137,780</b>	<b>27.9</b>
<b>Core Fee Income</b>	<b>12,520</b>	<b>9,610</b>	<b>30.3</b>	<b>12,750</b>	<b>(1.8)</b>	<b>38,350</b>	<b>33,990</b>	<b>12.8</b>
Trading Gains	9,420	870	982.8	3,380	178.7	6,380	19,940	(68.0)
Forex Income (Trading/ Other)	1,320	750	76.0	560	135.7	6,320	5,830	8.4
Recovery from PWO	4,650	2,230	108.5	2,030	129.1	8,320	6,209	34.0
<b>Non Core Other Income</b>	<b>15,719</b>	<b>3,910</b>	<b>302.0</b>	<b>6,406</b>	<b>145.4</b>	<b>22,566</b>	<b>32,579</b>	<b>(30.7)</b>
<b>Other Income - Total</b>	<b>28,239</b>	<b>13,516</b>	<b>108.9</b>	<b>19,156</b>	<b>47.4</b>	<b>60,910</b>	<b>66,572</b>	<b>(8.5)</b>
Other Inc to Net Oper. Income (%)	28.7	23.1	554	22.8	590	24.6	30.0	(543)
<b>Net Operating Revenue</b>	<b>98,519</b>	<b>58,442</b>	<b>68.6</b>	<b>84,137</b>	<b>17.1</b>	<b>247,749</b>	<b>221,789</b>	<b>11.7</b>
<b>Net Operating Rev. - Adj.</b>	<b>98,519</b>	<b>56,636</b>	<b>74.0</b>	<b>79,662</b>	<b>23.7</b>	<b>237,117</b>	<b>204,352</b>	<b>16.0</b>
Employee Expenses	22,815	12,217	86.7	19,394	17.6	50,391	46,069	9.4
Empl. Cost/Oper. Exps. (%)	23.2	20.9	225	23.1	11	20.3	20.8	(43)
Other Opex	22,345	15,405	45.0	21,980	1.7	62,489	55,665	12.3
Other Opex/ Assets (%)	0.2	0.2	3	0.2	0	0.8	0.8	5
<b>Total Opex</b>	<b>45,160</b>	<b>27,622</b>	<b>63.5</b>	<b>41,375</b>	<b>9.1</b>	<b>112,880</b>	<b>101,734</b>	<b>11.0</b>
Cost to Income Ratio (%)	45.8	47.3	(143)	49.2	(334)	45.6	45.9	(31)
<b>Pre Provision Profits</b>	<b>53,359</b>	<b>30,819</b>	<b>73.1</b>	<b>42,762</b>	<b>24.8</b>	<b>134,869</b>	<b>120,056</b>	<b>12.3</b>
NPA & Bad Debts	34,250	14,670	133.5	31,680	8.1	121,930	142,120	(14.2)
Depreciation on Invest.	2,720	6,560	(58.5)	(270)	(1,107.4)	1,390	9,540	(85.4)
Standard Advances	2,940	1,800	63.3	(1,090)	(369.7)	1,317	6,880	(80.9)
Other Provisions	2,180	1,265	72.3	2,530	(13.8)	3,245	1,853	75.2
<b>Provi. &amp; Contingencies - Total</b>	<b>42,092</b>	<b>24,295</b>	<b>73.2</b>	<b>32,849</b>	<b>28.1</b>	<b>127,887</b>	<b>147,963</b>	<b>(13.6)</b>
Credit Cost (%)	-	1.31	-	2.0	-	2.43	3.48	(105)
NPA Provisions as % PPP	78.9	78.8	5	76.8	207	94.8	123.2	(2,842)
<b>Profit Before Tax</b>	<b>11,268</b>	<b>6,524</b>	<b>72.7</b>	<b>9,913</b>	<b>13.7</b>	<b>6,982</b>	<b>(27,907)</b>	<b>(125.0)</b>
Tax	3,901	2,270	71.8	2,815	38.6	2,646	(3,589)	(173.7)
Effective Tax Rate (%)	34.6	34.8	(18)	28.4	622.6	37.9	12.9	2,504
<b>Reported Profits</b>	<b>7,367</b>	<b>4,254</b>	<b>73.2</b>	<b>7,099</b>	<b>3.8</b>	<b>4,336</b>	<b>(24,318)</b>	<b>(117.8)</b>
RoA (%)	0.3	0.2	5	0.5	(21.0)	0.1	(0.3)	40
Basic EPS (Rs)	2.0	1.6	25.6	2.0	(1.5)	1.6	(10.5)	(115.6)

Source: Company, RSec Research; Note: Merged Financials with Dena and Vijaya from 1QFY20, YoY numbers not comparable

Institutional Equity Research

Bank of Baroda

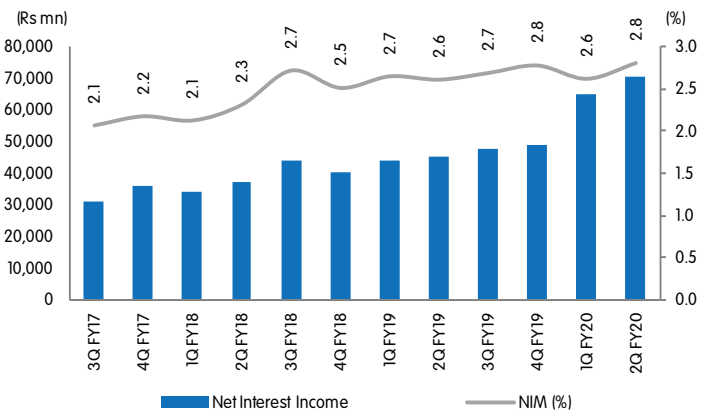
Banking | India

CMP* (Rs)	94
Upside/ (Downside) (%)	9
Bloomberg Ticker	BOB IN

**HOLD** 

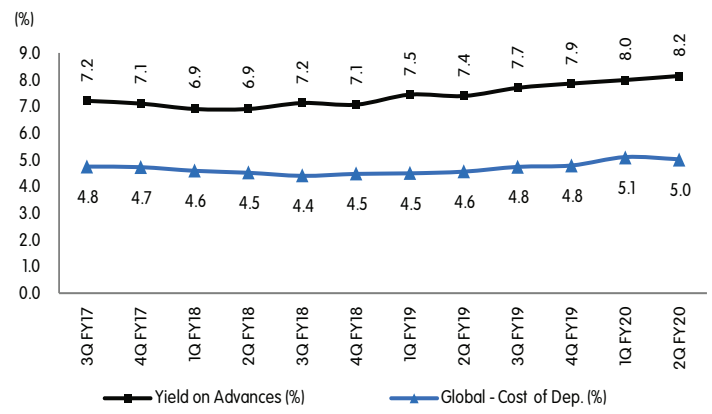
Target Price: Rs102

Exhibit 4: NII Trend



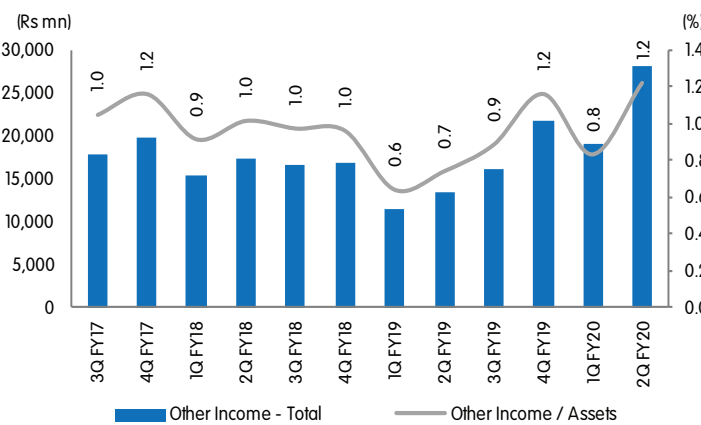
Source: Company, RSec Research

Exhibit 5: Yield & Cost of deposits Trend



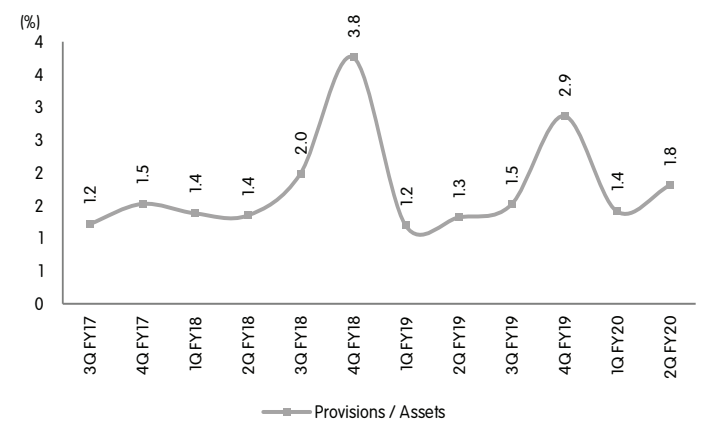
Source: Company, RSec Research

Exhibit 6: Other Income Trend



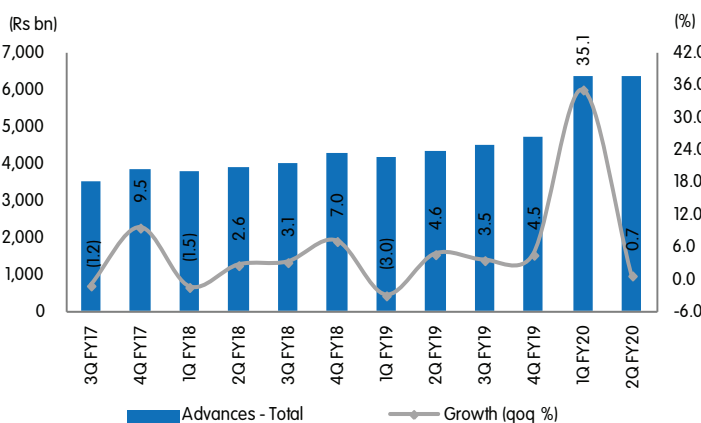
Source: Company, RSec Research

Exhibit 7: Provisions / Assets Trend



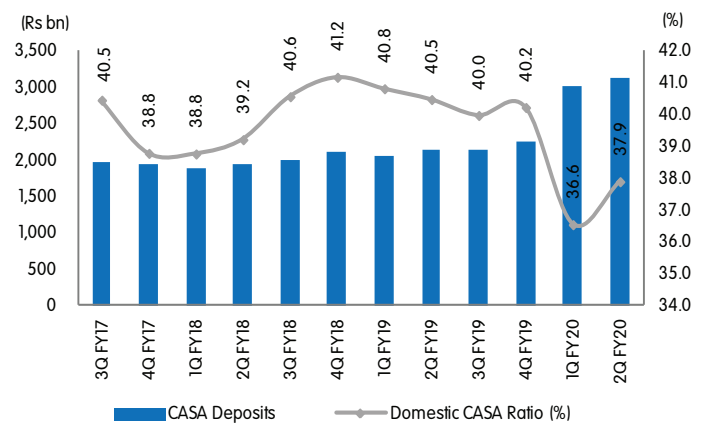
Source: Company, RSec Research

Exhibit 8: Loan Book Trend



Source: Company, RSec Research

Exhibit 9: CASA Deposit Trend



Source: Company, RSec Research

Note: Merged Financials with Dena and Vijaya from 1QFY20, YoY numbers not comparable

Institutional Equity Research

# Bank of Baroda

Banking | India

CMP* (Rs)	94
Upside/ (Downside) (%)	9
Bloomberg Ticker	BOB IN

**HOLD** 

Target Price: Rs102

## Exhibit 10: Balance Sheet Analysis

(Rs mn)	1Q FY19	2Q FY19	3Q FY19	4Q FY19	1Q FY20	2Q FY20	QoQ % / bps	YTD % / bps	YoY % / bps
Net Worth	441,662	452,335	452,449	459,411	631,022	640,119	1.4	41.5	41.5
<i>CET1 (%)</i>	<i>9.3</i>	<i>9.1</i>	<i>8.7</i>	<i>10.5</i>	<i>8.5</i>	<i>9.8</i>	<i>135</i>	<i>9</i>	<i>79</i>
<i>Tier 1 (%)</i>	<i>10.5</i>	<i>10.3</i>	<i>9.9</i>	<i>11.6</i>	<i>9.6</i>	<i>10.9</i>	<i>135</i>	<i>6</i>	<i>66</i>
<i>Total CAR (%)</i>	<i>12.1</i>	<i>11.9</i>	<i>11.7</i>	<i>13.5</i>	<i>11.5</i>	<i>13.0</i>	<i>148</i>	<i>9</i>	<i>110</i>
RWA - Total	4,066,447	4,190,741	4,144,130	4,071,524	5,765,135	5,740,909	(0.4)	37.0	37.0
Advances - Total	4,145,173	4,335,491	4,486,794	4,688,187	6,331,809	6,373,402	0.7	47.0	47.0
Investments	1,746,428	1,842,044	1,843,296	1,822,981	2,550,542	2,641,510	3.6	43.4	43.4
Total Assets	7,144,024	7,414,339	7,480,498	7,809,874	10,619,079	10,727,533	1.0	44.7	44.7
<i>RoA (%)</i>	<i>0.29</i>	<i>0.23</i>	<i>0.25</i>	<i>(0.52)</i>	<i>0.49</i>	<i>0.28</i>	<i>(21)</i>	<i>22</i>	<i>5</i>
Deposits	5,814,839	6,069,732	6,105,692	6,386,897	8,955,420	8,941,298	(0.2)	47.3	47.3
Saving Deposit	1,631,200	1,691,270	1,700,010	1,768,930	2,451,160	2,545,370	3.8	50.5	50.5
Current Deposit	434,240	452,800	436,320	469,010	564,560	574,850	1.8	27.0	27.0
CASA Deposits	2,065,450	2,144,140	2,136,330	2,237,940	3,015,720	3,120,220	3.5	45.5	45.5
<i>CASA Ratio (%)</i>	<i>40.8</i>	<i>40.5</i>	<i>40.0</i>	<i>40.2</i>	<i>36.6</i>	<i>37.9</i>	<i>135</i>	<i>(6)</i>	<i>(258)</i>
Term Deposits	3,749,389	3,925,592	3,969,362	4,148,957	5,939,700	5,821,078	(2.0)	48.3	48.3
Interest Bearing Liabilities - Total	6,454,990	6,732,516	6,778,997	7,058,910	9,661,126	9,711,181	0.5	44.2	44.2

Source: Company, RSec Research; Note: Merged Financials with Dena and Vijaya from 1QFY20, YoY numbers not comparable

## Exhibit 11: Earning Assets Mix & Incremental Contribution

(Rs mn)	As on (Rs mn)				As % of Working Assets	YoY/ YTD growth (% / bps)			Incremental Contribution YoY/ YTD Growth (%)		
	FY17	FY18	FY19	2Q FY20		FY18	FY19	2Q FY20	FY18	FY19	2Q FY20
Retail	509,990	687,650	853,900	1,139,220	11.2	34.8	24.2	33.4	88.2	29.3	10.5
Agriculture	444,038	495,830	566,230	805,190	7.9	11.7	14.2	42.2	25.7	12.4	8.8
SME	541,172	517,300	554,550	845,810	8.3	(4.4)	7.2	52.5	(11.8)	6.6	10.7
Large & Medium Corporate	1,221,106	1,609,180	1,859,430	2,719,010	26.8	31.8	15.6	46.2	192.6	44.0	31.5
Domestic Misc.	58,934	202,730	132,760	210,680	2.1	244.0	(34.5)	58.7	71.3	(12.3)	2.9
Gross Domestic Loan	2,775,240	3,512,690	3,966,870	5,719,910	56.4	26.6	12.9	44.2	365.9	79.9	64.2
Overseas	1,057,350	1,094,750	721,317	653,492	6.4	3.5	(34.1)	(9.4)	18.6	(65.7)	(2.5)
Advances - Total	3,832,592	4,274,318	4,688,187	6,373,402	62.9	11.5	9.7	35.9	219.2	72.8	61.7
Global - Yield on Advc (%)	7.3	7.1	7.7	8.2		(14)	52	50			
<b>Investments</b>	<b>1,296,305</b>	<b>1,631,845</b>	<b>1,822,981</b>	<b>2,641,510</b>	<b>26.1</b>	<b>25.9</b>	<b>11.7</b>	<b>44.9</b>	<b>166.5</b>	<b>33.6</b>	<b>30.0</b>
<b>Cash &amp; Cash Equivalent</b>	<b>1,504,699</b>	<b>928,974</b>	<b>892,296</b>	<b>1,118,233</b>	<b>11.0</b>	<b>(38.3)</b>	<b>(3.9)</b>	<b>25.3</b>	<b>(285.7)</b>	<b>(6.5)</b>	<b>8.3</b>
<b>Working Assets</b>	<b>6,633,597</b>	<b>6,835,137</b>	<b>7,403,464</b>	<b>10,133,146</b>	<b>100.0</b>	<b>3.0</b>	<b>8.3</b>	<b>36.9</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Company, RSec Research; Note: Merged Financials with Dena and Vijaya from 1QFY20, YoY numbers not comparable

Institutional Equity Research

## Bank of Baroda

Banking | India

CMP* (Rs)	94
Upside/ (Downside) (%)	9
Bloomberg Ticker	BOB IN

**HOLD** 

Target Price: Rs102

### Exhibit 12: Funding Mix & Incremental Contribution

	As on (Rs mn)				As % of Total Working Fund	YoY/ YTD growth			Incremental Contribution YoY/ YTD Growth (%)		
	FY17	FY18	FY19	2Q FY20		FY18	FY19	2Q FY20	FY18	FY19	2Q FY20
<b>Deposits</b>	<b>6,016,752</b>	<b>5,913,148</b>	<b>6,386,897</b>	<b>8,941,298</b>	<b>92.1</b>	<b>(1.7)</b>	<b>8.0</b>	<b>40.0</b>	<b>(48.0)</b>	<b>91.1</b>	<b>96.3</b>
Saving Deposit	1,509,765	1,657,167	1,768,930	2,545,370	26.2	9.8	6.7	43.9	68.2	21.5	29.3
Current Deposit	425,193	460,619	469,010	574,850	5.9	8.3	1.8	22.6	16.4	1.6	4.0
CASA Deposits	1,934,958	2,117,786	2,237,940	3,120,220	32.1	9.4	5.7	39.4	84.6	23.1	33.3
Term Deposits	4,081,794	3,795,363	4,148,957	5,821,078	59.9	(7.0)	9.3	40.3	(132.6)	68.0	63.0
Borrowings	306,114	625,720	672,013	769,883	7.9	104.4	7.4	14.6	148.0	8.9	3.7
<b>Interest Bearing Liabilities - Total</b>	<b>6,322,866</b>	<b>6,538,868</b>	<b>7,058,910</b>	<b>9,711,181</b>	<b>100.0</b>	<b>3.4</b>	<b>8.0</b>	<b>37.6</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Company, RSec Research; Note: \*Merged Financials with Dena and Vijaya from 1QFY20, YoY numbers not comparable

### Exhibit 13: Asset Quality Analysis

(Rs mn)	1Q FY19	2Q FY19	3Q FY19	4Q FY19	1Q FY20	2Q FY20	QoQ % / bps	YTD % / bps	YoY % / bps
Total Slippages	47,330	37,510	37,330	37,450	66,240	72,590	9.6	93.5	93.5
Slippages Ratio (%)	2.84	2.32	2.84	2.97	3.29	1.55	(174)	(142)	(77)
Gross NPA	558,748	551,214	531,843	482,328	697,140	699,690	0.4	26.9	26.9
Gross NPAs Ratio (%)	12.46	11.78	11.01	9.61	10.28	10.25	(3)	64	(153)
PCR - Calculated (%)	59.9	61.8	64.0	67.6	64.1	64.4	33	(322)	263
PCR - Inc. Tech w/o (%)	69.1	70.8	73.5	78.7	77.3	77.9	54	(80)	713
Net NPA	223,841	210,592	191,305	156,095	250,303	248,944	(0.5)	18.2	18.2
Net NPAs Ratio (%)	5.40	4.86	4.26	3.33	3.95	3.91	(4)	58	(95)

Source: Company, RSec Research; Note: \*Merged Financials with Dena and Vijaya from 1QFY20, YoY numbers not comparable

Institutional Equity Research

## Bank of Baroda

Banking | India

CMP* (Rs)	94
Upside/ (Downside) (%)	9
Bloomberg Ticker	BOB IN

**HOLD** 

Target Price: Rs102

### Profit & Loss Statement

Y/E Mar (Rs mn)	FY18	FY19	FY20E*	FY21E*
Int. Income / Opr. Revenue	436,485	499,741	768,915	854,956
Interest Expenses	281,268	312,902	500,608	545,688
<b>Net Interest Income</b>	<b>155,218</b>	<b>186,839</b>	<b>268,307</b>	<b>309,268</b>
NIM (%)	2.30	2.62	2.95	2.76
<b>Other Income - Total</b>	<b>66,572</b>	<b>60,910</b>	<b>92,134</b>	<b>97,543</b>
<b>Net Operating Revenue</b>	<b>221,789</b>	<b>247,749</b>	<b>360,441</b>	<b>406,811</b>
Employee Exp.	46,069	50,391	88,184	97,003
Other Opex	55,665	62,489	90,609	95,139
<b>Total Opex</b>	<b>101,734</b>	<b>112,880</b>	<b>178,793</b>	<b>192,142</b>
C/I Ratio (%)	45.87	45.56	49.60	47.23
<b>Pre Provision Profits</b>	<b>120,056</b>	<b>134,869</b>	<b>181,648</b>	<b>214,669</b>
PPP Growth (yoy %)	9.4	12.3	34.7	18.2
Total Stress Loan Provision	142,120	121,923	128,178	102,479
Standard Assets Provision	6,880	(350)	2,084	1,407
Investment Depreciation	(2,890)	1,380	2,696	568
Other Provisions	1,853	4,934	6,000	3,000
<b>Prov. &amp; Contingencies - Total</b>	<b>147,963</b>	<b>127,887</b>	<b>138,959</b>	<b>107,454</b>
<b>Crd. Cost (As % of Op. AUM)</b>	<b>3.32</b>	<b>1.87</b>	<b>1.82</b>	<b>1.32</b>
<b>Profit Before Tax</b>	<b>(27,907)</b>	<b>6,982</b>	<b>42,690</b>	<b>107,215</b>
Tax	(3,589)	2,646	13,661	34,309
Effective Tax Rate (%)	12.9	37.9	32.0	32.0
<b>Reported Profits</b>	<b>(24,318)</b>	<b>4,336</b>	<b>29,029</b>	<b>72,906</b>
PAT Growth (yoy %)	(275.8)	(117.8)	569.5	151.1

Note: \*Merged Financials with Dena and Vijaya, past numbers not comparable

### Balance Sheet

Y/E March (Rs mn)	FY18	FY19	FY20E*	FY21E*
<b>Equity Share Capital</b>	5,304	6,161	9,440	9,440
Res. (ex Revel. Reserve)	397,081	458,529	662,903	728,705
<b>Net Worth - Ex Revaluation</b>	<b>402,384</b>	<b>464,690</b>	<b>672,343</b>	<b>738,145</b>
Revaluation Reserve	31,563	45,141	59,947	50,263
Deposits	5,913,148	6,386,897	9,625,655	10,256,236
Borrowings	625,720	672,013	729,523	734,939
<b>Interest Bearing Liabi. (Rs mn)</b>	<b>6,538,868</b>	<b>7,058,910</b>	<b>10,132,269</b>	<b>10,969,236</b>
Other Lia. & Prov.	227,182	241,133	468,640	432,965
<b>Total Liabilities</b>	<b>7,199,998</b>	<b>7,809,874</b>	<b>11,333,198</b>	<b>12,190,610</b>

### Assets

Cash & Cash Equivalent	928,974	892,296	1,031,456	1,099,994
Investments	1,631,845	1,822,981	2,695,774	2,838,420
Loan & Advances (Rs mn)	4,274,318	4,688,187	7,034,947	7,738,442
<i>Growth (yoy %)</i>	<i>11.5</i>	<i>9.7</i>	<i>50.1</i>	<i>10.0</i>
Fixed Assets	53,674	69,903	99,911	89,756
Other Assets	311,186	336,507	471,109	423,998
<b>Total Assets</b>	<b>7,199,998</b>	<b>7,809,874</b>	<b>11,333,198</b>	<b>12,190,610</b>

Note: \*Merged Financials with Dena and Vijaya, past numbers not comparable

Institutional Equity Research

# Bank of Baroda

Banking | India

CMP* (Rs)	94
Upside/ (Downside) (%)	9
Bloomberg Ticker	BOB IN

**HOLD** 

Target Price: Rs102

## Per Share Data

Y/E Mar	FY18	FY19	FY20E*	FY21E*
Face Value (Rs)	2	2	2	2
Adjusted Share O/S (mn)	2,652	3,080	4,720	4,720
Earnings Per Share (Rs)	(9.2)	1.4	6.2	15.4
EPS (% YoY)	(253.2)	(115.3)	336.9	151.1
P/E (x)	-10.2	66.6	15.3	6.1
Adj. EPS (Rs)	(9.2)	1.4	6.2	15.4
Adj. EPS (% YoY)	(253.2)	(115.3)	336.9	151.1
Adj. Price-Earnings (x)	-10.2	66.6	15.3	6.1
Book Value (Rs)	151.7	150.9	142.4	156.4
BVPS (% YoY)	(4.5)	(0.6)	(5.6)	9.8
P/BV (x)	0.6	0.6	0.7	0.6
Adj. BV (Rs)	59.4	96.8	91.5	108.4
Adj. BV (% YoY)	(26.4)	63.0	(5.5)	18.4
P/ABV (x)	1.6	1.0	1.0	0.9

Note: \*Merged Financials with Dena and Vijaya, past numbers not comparable

## Detail RoA Tree Analysis

Y/E Mar (%)	FY18	FY19	FY20E*	FY21E*
<b>Yields / Margins</b>				
Yield on Advance	7.2	7.7	9.4	8.3
Yield on Funds	6.5	7.0	8.5	7.6
Cost of Funds (CoF)	4.4	4.6	5.8	5.2
Interest Spread	2.1	2.4	2.6	2.4
NIM's	2.3	2.6	3.0	2.8
Interest Income / Assets	6.2	6.7	8.0	7.3
Interest Exp. / Assets	4.0	4.2	5.2	4.6
NII / Assets	2.2	2.5	2.8	2.6
Fee Income / Assets	0.5	0.5	0.6	0.6
Other Non Core Income / Assets	0.3	0.1	0.2	0.1
Other Income / Assets	0.9	0.8	1.0	0.8
Net Operating Income / Assets	3.1	3.3	3.8	3.5
<b>Operating Ratios</b>				
NII to Net Operative Income	70.0	75.4	74.4	76.0
Other Inc. to Net Operative Income	30.0	24.6	25.6	24.0
Empl. Cost/Oper. Exps.	45.3	44.6	49.3	50.5
Other Op. Exps./Oper. Exps.	54.7	55.4	50.7	49.5
C/I Ratio (%)	45.9	45.6	49.6	47.2
Provisions as % PPP	66.7	51.6	38.6	26.4
Credit Cost (As % of Op. AUM)	3.3	1.9	1.8	1.3
Effective Tax Rate (%)	12.9	37.9	32.0	32.0
Employee Exp. / Assets	0.7	0.7	0.9	0.8
Other Opex/ Assets	0.8	0.8	0.9	0.8
Total Opex / Assets	1.4	1.5	1.9	1.6
Operating Profits / Assets	1.7	1.8	1.9	1.8
Provisions / Assets	2.1	1.7	1.5	0.9
Profit Before Tax / Assets	(0.4)	0.1	0.4	0.9
Tax Expenses / Assets	(0.1)	0.0	0.1	0.3
RoA	(0.3)	0.1	0.3	0.6
Leverage (x)	17.9	16.8	16.9	16.5
RoE	(5.8)	0.9	4.7	9.6
Adj. RoA	(0.3)	0.1	0.3	0.6
Adj. RoE	(5.8)	0.9	4.7	9.6

Note: \*Merged Financials with Dena and Vijaya, past numbers not comparable



Institutional Equity Research

**Bank of Baroda**

Banking | India

CMP* (Rs)	94
Upside/ (Downside) (%)	9
Bloomberg Ticker	BOB IN

**HOLD** 

Target Price: Rs102

**Balance Sheet Ratio**

Y/E Mar (%)	FY18	FY19	FY20E*	FY21E*
Credit / Deposit Ratio	72.3	73.4	73.1	75.5
Incremental C/D Ratio	(426.4)	87.4	72.5	111.6
Investment Deposit Ratio	27.6	28.5	28.0	27.7
Dom. SLR Investment / Deposits	30.1	30.7	28.7	28.3
CASA Ratio	45.4	43.2	41.0	41.0

Note: \*Merged Financials with Dena and Vijaya, past numbers not comparable

**Credit Quality**

Y/E Mar (Rs mn)	FY18	FY19	FY20E*	FY21E*
Slippage Ratio (%)	6.3	3.2	3.9	2.8
Gross NPA	564,804	482,330	657,558	618,018
Gross NPAs Ratio (%)	12.3	9.6	8.7	7.3
PCR (%)	58.4	67.6	65.0	65.0
Net NPA	234,827	156,095	230,145	216,306
Net NPAs Ratio (%)	5.5	3.3	3.3	2.8

Note: \*Merged Financials with Dena and Vijaya, past numbers not comparable

**Capital and Asset-Liability Profile (%)**

Y/E Mar (%)	FY18	FY19	FY20E*	FY21E*
Total RWAs (Rs mn)	4,077,741	4,071,905	5,800,814	6,282,148
RWA as % of Total Assets	56.6	52.1	51.2	51.5
Shareholders' Equ. to Assets (x)	5.6	6.0	5.9	6.1
CET 1 Ratio	9.2	10.5	9.3	8.6
AT 1 Ratio	1.2	1.1	0.8	0.7
Tier 1 Ratio	10.5	11.5	10.0	9.3
Tier 2 Ratio	1.7	2.0	1.5	1.5
Total CRAR Ratio	12.1	13.5	11.6	10.9

Note: \*Merged Financials with Dena and Vijaya, past numbers not comparable

## Institutional Equity Research

## Bank of Baroda

Banking | India

CMP* (Rs)	94
Upside/ (Downside) (%)	9
Bloomberg Ticker	BOB IN


**HOLD**

Target Price: Rs102

## Rating History

Date	Reco	CMP	TP
26-July-19	HOLD	110	115
23-May-19	BUY	131	150
08-Apr-19	BUY	130	150
30-Jan-19	BUY	114	130
01-Nov-18	BUY	111	102
30-July-18	BUY	152	192
28-May-18	BUY	145	192
16-Feb-18	BUY	159	207

[PLEASE CLICK HERE FOR PREVIOUS REPORTS](#)

## Rating Guides

Rating	Expected absolute returns (%) over 12 months
BUY	>10%
HOLD	-5% to 10%
REDUCE	>-5%

Reliance Securities Limited (RSL), the broking arm of Reliance Capital is one of the India's leading retail broking houses. Reliance Capital is amongst India's leading and most valuable financial services companies in the private sector. Reliance Capital has interests in asset management and mutual funds, life and general insurance, commercial finance, equities and commodities broking, wealth management services, distribution of financial products, private equity, asset reconstruction, proprietary investments and other activities in financial services. The list of associates of RSL is available on the website [www.reliancecapital.co.in](http://www.reliancecapital.co.in). RSL is registered as a Research Analyst under SEBI (Research Analyst) Regulations, 2014

**General Disclaimers:** This Research Report (hereinafter called 'Report') is prepared and distributed by RSL for information purposes only. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice for the purpose of purchase or sale of any security, derivatives or any other security through RSL nor any solicitation or offering of any investment /trading opportunity on behalf of the issuer(s) of the respective security(ies) referred to herein. These information / opinions / views are not meant to serve as a professional investment guide for the readers. No action is solicited based upon the information provided herein. Recipients of this Report should rely on information/data arising out of their own investigations. Readers are advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by RSL to be reliable. RSL or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. While due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of RSL shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way whatsoever from the information / opinions / views contained in this Report.

**Risks:** Trading and investment in securities are subject to market risks. There are no assurances or guarantees that the objectives of any of trading / investment in securities will be achieved. The trades/ investments referred to herein may not be suitable to all categories of traders/investors. The names of securities mentioned herein do not in any manner indicate their prospects or returns. The value of securities referred to herein may be adversely affected by the performance or otherwise of the respective issuer companies, changes in the market conditions, micro and macro factors and forces affecting capital markets like interest rate risk, credit risk, liquidity risk and reinvestment risk. Derivative products may also be affected by various risks including but not limited to counter party risk, market risk, valuation risk, liquidity risk and other risks. Besides the price of the underlying asset, volatility, tenor and interest rates may affect the pricing of derivatives.

**Disclaimers in respect of jurisdiction:** The possession, circulation and/or distribution of this Report may be restricted or regulated in certain jurisdictions by appropriate laws. No action has been or will be taken by RSL in any jurisdiction (other than India), where any action for such purposes is required. Accordingly, this Report shall not be possessed, circulated and/or distributed in any such country or jurisdiction unless such action is in compliance with all applicable laws and regulations of such country or jurisdiction. RSL requires such recipient to inform himself about and to observe any restrictions at his own expense, without any liability to RSL. Any dispute arising out of this Report shall be subject to the exclusive jurisdiction of the Courts in India.

**Disclosure of Interest:** The research analysts who have prepared this Report hereby certify that the views /opinions expressed in this Report are their personal independent views/opinions in respect of the securities and their respective issuers. None of RSL, research analysts, or their relatives had any known direct /indirect material conflict of interest including any long/short position(s) in any specific security on which views/opinions have been made in this Report, during its preparation. RSL's Associates may have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report. RSL, its Associates, the research analysts, or their relatives might have financial interest in the issuer company(ies) of the said securities. RSL or its Associates may have received a compensation from the said issuer company(ies) in last 12 months for the brokerage or non brokerage services.RSL, its Associates, the research analysts or their relatives have not received any compensation or other benefits directly or indirectly from the said issuer company(ies) or any third party in last 12 months in any respect whatsoever for preparation of this report.

The research analysts has served as an officer, director or employee of the said issuer company(ies)?: No

RSL, its Associates, the research analysts or their relatives holds ownership of 1% or more, in respect of the said issuer company(ies)?: No

**Copyright:** The copyright in this Report belongs exclusively to RSL. This Report shall only be read by those persons to whom it has been delivered. No reprinting, reproduction, copying, distribution of this Report in any manner whatsoever, in whole or in part, is permitted without the prior express written consent of RSL.

RSL's activities were neither suspended nor have defaulted with any stock exchange with whom RSL is registered. Further, there does not exist any material adverse order/judgments/ strictures assessed by any regulatory, government or public authority or agency or any law enforcing agency in last three years. Further, there does not exist any material enquiry of whatsoever nature instituted or pending against RSL as on the date of this Report.

Important These disclaimers, risks and other disclosures must be read in conjunction with the information / opinions / views of which they form part of.

**RSL CIN:** U65990MH2005PLC154052. SEBI registration no. ( Stock Brokers: NSE - INB / INF / INE 231234833; BSE - INB / INF / INE 011234839, Depository Participants: CDSL IN-DP-257-2016 IN-DP-NSDL-363-2013, Research Analyst: INH000002384); AMFI ARN No.29889.