

November 02, 2012

BANK OF BARODA

BSE Code: 532134 NSE Code: BANKBARODA Reuters Code: BOB.NS Bloomberg Code: BOB:IN

Bank of Baroda (BOB) is a 104 years old State-owned Bank with modern & contemporary personality, offering banking products and services to Large Industrial, SME, Retail & Agricultural customers across India and 24 other countries. The bank operates in four segments which are Treasury, Corporate/Wholesale Banking, Retail Banking and Other Banking Operations. Its Wholesale Banking Division offers a range of loan products and services, such as term loans, short-term loans, demand loans, working capital facilities, trade finance products, treasury products, bridge loans, syndicated loans, infrastructure loans, cross currency/interest rate swaps, foreign currency loans and loan against future rent receivables.

Investor's Rationale

Bottom line growth aided by robust growth in deposits

BOB reported growth in net profit for Q2FY'13 by 27.9% QoQ (4.8% YoY) at ₹17.23bn aided by strong growth in total deposits by 24.0% YoY to ₹4,081.50bn due to increase in domestic term deposit. The domestic CASA deposits grew by 11.7% YoY to ₹929.79bn due to higher saving and current deposits that rose by 13.0% YoY and 6.0% YoY respectively.

Asset quality deterioration a point of concern

BOB's asset quality deteriorated materially for the fourth consecutive quarter with gross NPA registering an increase of 19.1% QoQ and 55.3% YoY. In percentage term, GNPA increased by 57bps YoY (14bps QoQ). The gross slippages during the quarter stood at ₹14.7bn. The incremental slippages accrued primarily in Agri, SME and retail portfolio. Management expects higher recovery in coming quarters as the slippages have largely come in smaller accounts.

Stable NIM and improved yield on investments

The bank's NIM remained stable at 2.71% with marginal change in both yield on advances and cost of funds on QoQ basis. Further, its domestic and International NIM stabilized at 3.23% and at 1.6% respectively. However yield on investments improved by 8bps QoQ to 7.79%. In the medium term, NIM could remain under pressure due to challenging economic environment and with asset re-pricing happening faster than liabilities.

Overseas and SME advances strengthened the loan book

Loan growth grew robustly by 22.2% YoY (1.7% QoQ) to ₹2,921.81bn aided by higher growth in overseas advances by 33.4% YoY (9.6% QoQ) at ₹934.9bn and SME advances by 22.4% YoY (7.0% QoQ) to ₹369.2bn.

Plan to open new branches

The bank has planned plans to open 475 new branches with 241 branches in Tier-I & Tier-II centres & 234 branches in Tier-III to Tier-VI centres.

Market Data

CMP (₹)	743.1
Target Price	820
Stop Loss	700
Duration	Medium-term
52-week High-Low (₹)	881.0 / 605.6
Rise from 52WL (%)	22.7
Correction from 52WH (%)	(15.7)
Beta	1.6
1 year Average Volume (mn)	0.7
Stock Return (%)	3M- 13.0 6M- (1.6) 9M- (1.8)
Market Cap (₹bn)	291.0
Enterprise Value (₹bn)	3,810.1

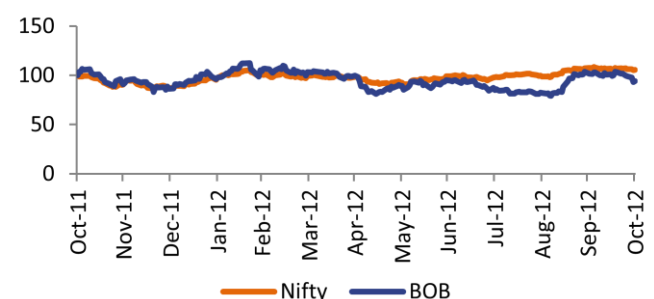
Shareholding Pattern

	Sep'12	Jun'12	Chg
Promoters (%)	54.3	54.3	-
FII (%)	14.9	13.9	1.0
DII (%)	19.1	19.7	(0.7)
Public & Others (%)	11.8	12.1	(0.4)

Quarterly Performance

(₹bn)	Q2 FY'13	Q2 FY'12	Q1 FY'13	YoY Change(%)	QoQ Change(%)
Total income	95.50	79.86	93.28	19.6	2.4
Op. expense	13.08	11.61	13.16	12.6	(0.6)
Net profit	17.23	16.44	13.47	4.8	27.9
NII	28.62	25.67	27.98	11.5	2.3
NIM (%)	2.71	3.07	2.73	(36bps)	(2bps)
Gross NPA (%)	1.98	1.41	1.84	57bps	14bps
EPS(₹)	31.65	29.78	27.70	187.0	395.0

One Year Price Chart





Indbank Merchant Banking Services Ltd.
I Floor, Khiviraj Complex I,
No.480, Anna Salai, Nandanam, Chennai 600035
Telephone No: 044 – 24313094 - 97
Fax No: 044 – 24313093
www.indbankonline.com

Disclaimer

@ All Rights Reserved

This report and Information contained in this report is solely for information purpose and may not be used as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. The investment as mentioned and opinions expressed in this report may not be suitable for all investors. In rendering this information, we assumed and relied upon, without independent verification, the accuracy and completeness of all information that was publicly available to us. The information has been obtained from the sources that we believe to be reliable as to the accuracy or completeness. While every effort is made to ensure the accuracy and completeness of information contained, Indbank Limited and its affiliates take no guarantee and assume no liability for any errors or omissions of the information. This information is given in good faith and we make no representations or warranties, express or implied as to the accuracy or completeness of the information. No one can use the information as the basis for any claim, demand or cause of action.

Indbank and its affiliates shall not be liable for any direct or indirect losses or damage of any kind arising from the use thereof. Opinion expressed is our current opinion as of the date appearing in this report only and are subject to change without any notice.

Recipients of this report must make their own investment decisions, based on their own investment objectives, financial positions and needs of the specific recipient. The recipient should independently evaluate the investment risks and should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document and should consult their advisors to determine the merits and risks of such investment.

The report and information contained herein is strictly confidential and meant solely for the selected recipient and is not meant for public distribution. This document should not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced, duplicated or sold in any form.