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Bank of Baroda (BoB), is the India's major public sector lender started in 1908, providing a range of banking and financial services. The Bank operates in four segments: treasury, retail banking, wholesale banking, corporate banking and other banking business. The bank has an extensive network of 3909 branches spanning the length and breadth of the country.

### Investor's Rationale

#### Q4FY'12 net profit up by 17%YoY

The public sector lender, Bank of Baroda (BoB) has reported faded performance on profitability, margins and asset quality in Q4FY'12. However, huge tax write back of ₹3.2 billion came as rescue and lifted net Profit by 17.3% to ₹15.2 billion as against ₹12.9 billion in the year ago quarter.

#### NII grew on improved credit growth

Total income of the bank rose by 25.8% to ₹90.2 billion. Net interest income (NII) rose 7% to ₹28.0 billion, on the back of strong loan growth (25.7%), despite 49bps YoY decline in NIM. While non-interest income growth was muted at 7.6% YoY during Q4FY'12, despite robust recovery growth of 23.9% YoY from PWO (prudential written-off a/c). Fee-based income grew marginally by 2.0% YoY on the back of decline in incidental charges of 16.3% YoY. NIM declined 49bps YoY to 3.0% as cost of deposits rose by 102 bps while, yield on advances rose by only 59 bps.

#### Deterioration in asset quality was the key disappointment

The Bank has witnessed deterioration of asset quality, both on sequential and YoY basis as gross net performing asset ratio climbed at 1.5% as against 1.4% a year back. The slippages for the year have jumped up 82% to ₹34.4 billion, taking slippage ratio higher to 120 bps. The recovery improved 27% to ₹5.8 billion, up-gradation up 77% to ₹3.4 billion. The write off more than doubled to ₹12.2 billion. The bank's restructured book grew by 51.7% QoQ due to restructuring of SEBs and Air India.

#### Business growth remained strong

BoB continued to report strong growth trends. Global Deposits grew 26%YoY and 10%QoQ with 19.3%YoY growth in domestic book (12.1% QoQ), while overseas book grew 6.1%QoQ. Global CASA deposits grew 16%YoY and 7%QoQ. Global loan book grew at 25.7% YoY on the back of strong growth in SME segments (26.1% YoY) as well as overseas book (43.9% YoY, partly aided by the currency depreciation). Funding cost also remained stable with domestic CASA mix at ~33% at the end of FY12.

### Market Data

CMP (₹)	640.6
Target Price	700
Stop Loss	620
Duration	Mid-term
52-week High-Low (₹)	919.3/616.0
Rise from 52WL (%)	4.0
Correction from 52WH (%)	30.3
Beta	1.46
1 year Average Volume (mn)	0.68
Stock Return (%)	3M- (25.8) 6M- (13.7) 9M- (19.2)
Market Cap (₹bn)	250.5
Enterprise Value (₹bn)	(170.6)

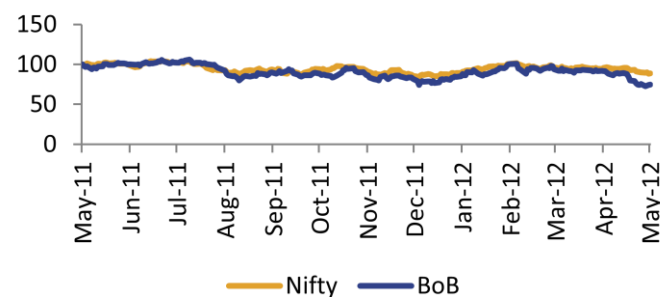
### Shareholding Pattern

	Mar'12	Dec'11	Chg
Promoters (%)	54.3	57.0	(2.7)
FII (%)	13.5	13.6	(0.1)
DII (%)	20.5	17.2	3.3
Public & Others (%)	11.7	12.2	(0.5)

### Quarterly Performance

(₹ bn)	Q4 FY'12	Q4 FY'11	Q3 FY'12	%Y-o-Y Change	%Q-o-Q Change
Total inc.	90.2	71.7	88.2	25.8	2.2
Op. exp	16.4	15.0	12.0	9.4	37.4
Net profit	15.2	12.9	12.9	17.3	17.7
NII	28.0	26.1	26.6	7.0	5.3
NIM (%)	3.0	3.5	3.0	(49bps)	(3bps)
GNPA (%)	1.5	1.4	1.5	17bps	5bps
EPS	38.7	35.5	32.9	9.1	17.6

### One Year Price Chart





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