

# Bank of Baroda

CMP : Rs 138.85

July 27, 2018

## Healthy performance on various indicators

Bank of Baroda reported strong 160% jump in the net profit to Rs 3102.34 crore in the quarter ended June 2018 (Q1FY2019), driven by consistent improvement in margins and better asset quality. The bank has improved cost-to-income ratio to 45.6%, while the credit cost declined to 1.54% in Q1FY2019. The bank has also posted strong growth in the core fee income in Q1FY2019. However, the decline in treasury income and jump in provisions for investment book impacted the earnings of the bank in Q1FY2019.

On business front, the bank has accelerated business growth with strong growth figures from the domestic business in Q1FY2019. The bank has improved net interest margin to 2.65% in Q1FY2019 from 2.51% in Q4FY2018. The CASA deposits has related healthy in the domestic business above 40% mark. The share of retail loans has increased to 24.5% of domestic loans end June 2018 from 22.3% end June 2017.

**Asset quality improves:** Bank has witnessed an improvement in asset quality in substantially in absolute terms than in percentage terms.

- Fresh slippages of advances to sub-standard category stood at Rs 4733 crore in Q1FY2019 from Rs 12569 crore in Q4FY2018.
- The NPA reduction though recoveries, upgradations and write-off as strong Rs 5339 crore up from Rs 4569 crore in the previous quarter.
- The risk weighted assets of the bank was flat at Rs 406645 crore end June 2018 over June 2017.
- The provision coverage ratio has jumped to 69.1% end June 2018.

### Business Highlights:

**Business growth accelerates:** Global business of the bank grew at improved pace of 5% yoy to Rs 996001 crore at end June 2018. The business growth was driven by domestic bus business rising 11% to Rs 787909 crore, while overseas business dipped 13% to Rs 208092 crore at end June 2018.

Global deposits rose 2% to Rs 581484 crore, while global advances moved up 10% to Rs 414517 crore at end June 2018. Credit-deposit ratio of the bank improved to 71.3% at end June 2018 from 66.2% at end June 2017, while eased from 72.3% at end March 2018.

**Domestic loan growth surges:** Domestic advances increased 20% at Rs 353335 crore at end June 2018. Retail credit increased 34% yoy to Rs 72138 crore and agriculture credit galloped 13% to Rs 48802 crore at end June 2018. The corporate credit also gained 25% to Rs 169814 crore, while MSME credit fell 2% to Rs 48713 crore end June 2018.

**Healthy domestic CASA ratio:** Domestic deposits grew 6% yoy to Rs 461509 crore, while overseas deposits dipped 11% to Rs 119975 crore at end June 2018.

CASA deposits of the bank jumped 10% yoy to Rs 206545 crore. Domestic CASA deposits increased 12% to Rs 188374 crore, while domestic CASA ratio stood at 40.8% at end June 2018. Overseas CASA deposits declined 7% to Rs 18171 crore at end June 2018, while overseas CASA ratio eased marginally to 15.1%.

Overall CASA ratio improved to 35.5% at end June 2018 from 33.0% a year ago, while remained steady compared with 35.8% a quarter ago.

**NIM rises:** Bank has witnessed 14 bps qoq jump in NIM to 2.65% in Q1FY2019, driven by 1 bps qoq rise in domestic NIM to 2.93%. Meanwhile, the overseas NIM also jumped 35 bps qoq to 1.49% in Q1FY2019.

Bank has witnessed sharp increase in yield on advances by 37 bps qoq to 7.46%, while cost of deposits rose mere 2 bps qoq to 4.52% in Q1FY2019.

## INDEX DETAILS

|                 |          |
|-----------------|----------|
| SENSEX          | 37336.85 |
| NIFTY (S&P CNX) | 11278.35 |

## SCRIP DETAILS

|                       |                 |
|-----------------------|-----------------|
| Industry              | Banks           |
| Mkt Cap (Rs in Crore) | 36521.35        |
| Book Value (Rs)       | 164.03          |
| Free Float (%)        | 36.29           |
| Avg Vol Weekly (NSE)  | 22415934        |
| 52 Week H/L (NSE)     | 206.60 / 109.60 |
| Dividend Yield (%)    | 0.00            |
| BSE Code              | 532134          |
| NSE Code              | BANKBARODA      |

## SHAREHOLDING PATTERN(%)

| PARTICULARS | LATEST QUARTER | PREVIOUS QUARTER |
|-------------|----------------|------------------|
| Promoters   | 63.71          | 64.03            |
| FIIIs       | 13.10          | 13.94            |
| DIIIs       | 14.86          | 13.97            |
| Others      | 8.33           | 8.06             |
| Totals      | 100            | 100              |

## Price Comparison with Sensex



**Investment book** increased 27% yoy to Rs 176941 crore at end June 2018. Total size of Bank's Domestic Investment Book at end June 2018 stood at Rs 167382 crore at end June 2018 up 28% over June 2017. Yield on the total investment book eased 4 bps qoq to 6.91% in Q1FY2019.

Within the domestic investment book, the share of SLR securities in the total investment book was 86.17%. The bank has 58.65% of domestic investment book in HTM and 41.14% in AFS book at end of June 2018.

The percentage of SLR to NDTL was 29.09% down from 28.10% a quarter ago. Modified duration of AFS book is 1.33 years and that of HTM was 5.2 years.

**Network expansion:** The bank has added 35 new domestic branches, the bank has reduced 89 ATMs during the quarter ended June 2018. The network of branches was 5560 branches (including 58 overseas branches) with ATM count of 9615 at end June 2018.

**Book Value** per share stood at Rs 153.7 per share at end June 2018, while adjusted book value (net of NNPA and 25% of restructured advances) stood at Rs 69.3 per share at end June 2018.

#### Quarterly Performance:

**NII surges, as NIM improves:** NII of the bank surged 29% to Rs 4381.08 crore in the quarter ended June 2018. Interest income increased 10% to Rs 11639.88 crore, while interest expenses rose mere 2% to Rs 7258.80 crore in Q1FY2019.

**Strong growth in core fee income:** The non-interest income of the bank declined 26% to Rs 1147.83 crore in Q1FY2019. Fee-based income increased 17% to Rs 794 crore, while recoveries from written off account improved 20% to Rs 97 crore. However, the treasury income dipped 81% to Rs 105 crore and profit on forex transaction declined 36% to Rs 152 crore in Q1FY2019.

Net Total Income of the bank increased 12% to Rs 5528.91 crore in the quarter ended June 2018.

**Expense ratio improves:** Operating expenses increased 9% to Rs 2523.32 crore on the back of 10% rise in the other operating expenses to Rs 1422.42 crore, while employee expenses rose 8% to Rs 1100.90 crore. The expense ratio improved to 45.6% in Q1FY2019 from 46.6% in Q1FY2018.

The operating profit increased 13% to Rs 3005.59 crore in Q1FY2019.

**Provisions declines:** The provisions and contingencies fell 9% to Rs 2165.64 crore, as NPA provisions declined 18% to Rs 1760 crore. The standard asset provisions were written back worth Rs 249 crore. However, the provisions related to depreciation of investments surged Rs 488 crore in Q1FY2019 from Rs 133 crore Q1FY2018.

The decline in provisions led to 200% jump in the Profit before Tax to Rs 839.95 crore in Q1FY2019.

**Tax rate jumps:** The effective tax rate jumped to 37.1% in Q1FY2019 from 27.4% in Q1FY2018, allowing the net profit to jump 159.7% to Rs 528.26 crore in the quarter ended June 2018.

#### Annual Financial Performance:

For the year ended March 2018 (FY2018), the bank has posted net loss of Rs 2431.81 crore. The net interest income improved 15% to Rs 15521.77 crore, while non-interest income fell 1% to Rs 6657.15 crore in FY2018. The expense ratio was flat at 45.9% in FY2018. The operating expenses increased 9% to Rs 10173.37 crore, but provision and contingencies jumped 74% to Rs 14796.29 crore in FY2018. The pre-tax loss came in at Rs 2790.74 crore in FY2018. The bank has written back tax provision of Rs 358.93 crore, helping to reduce net loss to Rs 2431.81 crore in FY2018.

## Asset Quality Indicators: Bank of Baroda

| Particulars                | Q1FY19   | Q4FY18   | Q3FY18   | Q2FY18   | Q1FY18   | Variation |     |
|----------------------------|----------|----------|----------|----------|----------|-----------|-----|
|                            |          |          |          |          |          | QoQ       | YoY |
| Gross NPA (Rs Crore)       | 55874.81 | 56480.39 | 48480.44 | 46306.83 | 46172.77 | -1        | 21  |
| Net NPA (Rs Crore)         | 22384.1  | 23482.65 | 19852.15 | 19572.62 | 19519.31 | -5        | 15  |
| % Gross NPA                | 12.46    | 12.26    | 11.31    | 11.16    | 11.4     | 20        | 106 |
| % Net NPA                  | 5.4      | 5.49     | 4.97     | 5.05     | 5.17     | -9        | 23  |
| % Provision Coverage Ratio | 69.11    | 67.21    | 68.03    | 67.18    | 66.28    | 190       | 283 |
| % CRAR - Basel III         | 12.13    | 12.13    | 11.55    | 11.64    | 11.81    | 0         | 32  |
| % CRAR - Tier I Basel III  | 10.5     | 10.46    | 9.52     | 9.61     | 9.77     | 4         | 73  |

## Bank of Baroda: Financial Results

| Particulars                | Q1FY19   | Q1FY18   | Var (%) | FY18     | FY17     | Var % |
|----------------------------|----------|----------|---------|----------|----------|-------|
| Interest Earned            | 11639.88 | 10552.71 | 10      | 43648.54 | 42199.93 | 3     |
| Interest Expended          | 7258.8   | 7147.76  | 2       | 28126.77 | 28686.52 | -2    |
| Net Interest Income        | 4381.08  | 3404.95  | 29      | 15521.77 | 13513.41 | 15    |
| Other Income               | 1147.83  | 1551.15  | -26     | 6657.15  | 6758.06  | -1    |
| Net Total Income           | 5528.91  | 4956.1   | 12      | 22178.92 | 20271.47 | 9     |
| Operating Expenses         | 2523.32  | 2307.99  | 9       | 10173.37 | 9296.4   | 9     |
| Operating Profits          | 3005.59  | 2648.11  | 13      | 12005.55 | 10975.07 | 9     |
| Provisions & Contingencies | 2165.64  | 2368.05  | -9      | 14796.29 | 8502.38  | 74    |
| Profit Before Tax          | 839.95   | 280.06   | 200     | -2790.74 | 2472.69  | PL    |
| Provision for Tax          | 311.69   | 76.67    | 307     | -358.93  | 1089.56  | LP    |
| Net Profit                 | 528.26   | 203.39   | 160     | -2431.81 | 1383.13  | PL    |
| EPS*(Rs)                   | 7.97     | 3.07     |         | -9.17    | 5.22     |       |

## NOTES

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