

BANK OF BARODA

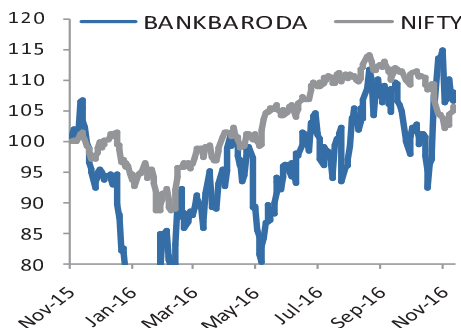
Result Update	
CMP	162
Target Price	188
Previous Target Price	
Upside	16%
Change from Previous	

Market Data	
BSE Code	532134
NSE Symbol	BANKBARODA
52wk Range H/L	179/104.
Mkt Capital (Rs Cr)	37235
Av. Volume (,000)	1461
Nifty	8192

Stock Performance			
	1Month	3 Month	1Year
Absolute	9.6	(3.4)	4.8
Rel.to Nifty	13.0	(7.8)	1.3

Share Holding Pattern-%			
	2QFY17	1QFY17	4QFY16
Promoters	59.2	59.2	59.2
Public	40.8	40.8	40.8
Others			
Total	100.0	100.0	100.0

Company Vs NIFTY



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Steady Quarter, Focus on Profitability

Operating Profit grew by 15% YoY on the back of Net Interest Income turning positive and registering the growth of 6% YoY. Operating expenses grew by 12% YoY which led the C/I ratio to stable at 46% YoY. Other income grew by 36% YoY backed by treasury income. Core fee income picked up by 13% YoY.

NIM improved by 21 bps YoY to 2.29% largely led by improvement in both domestic as well as overseas NIM of 16 bps and 13 bps YoY respectively. This improvement in NIM was backed by decline in cost of fund which was supported by healthy CASA and shedding of high cost of deposits. Overseas NIM improved on the back of focus on high yielding assets. Management has targeted the domestic NIM of 3% and overseas NIM more than 1%.

Stress Assets Decline

Slippages were restricted to Rs 2861 Cr against Rs 6096 Cr on 1Q FY17 giving a sign of improvement from this quarter. Healthy recovery & up-gradation has also helped to decline the net NPA at Rs 42949 Cr against Rs 42992 Cr QoQ. Recovery & Up-gradation increased by 8% QoQ. The GNPA and NNPA of the bank stand at 11.35% and 5.46% against 11.15% and 5.73% in previous quarter. PCR improved to 63% against 60% QoQ. Standard restructured assets now stands at Rs 13860 Cr which declined by 25 QoQ. This quarter management invoked an SDR of Rs 2370 Cr and there was no 5/25 refinance. These all give us comfort on stress assets which seems to improve further going forward. However management has maintained their stance on the earlier guidance of GNPA at RS 45000 Cr to Rs 50000 Cr in FY17.

Advances Consolidate

As the focus of the management is on profitability, balance sheet continues to be on consolidation phase. Thus, resulting decline in advances by 15% YoY. Domestic advances declined by 11% and overseas advances declined by 22% YoY. As a strategy on overseas portfolio, management has shifted focused towards higher yielding assets i.e. local credit and syndicated loans. Buyers' credit which comprise low yield will decline further. Corporate portfolio declined by 10% YoY. Home loan portfolio increased by 12% YoY. However the loan growth must pick up for the further improvement in operating profitability.