



Target ₹208 – 215

Recommendation BUY

Highlights

- Bank of Baroda (BOB) announced its highest-ever quarterly and annual net profits of ₹4,775Cr (+168% YoY) and ₹14,110Cr (+94% YoY), respectively, for FY23, reporting a 2x jump in earnings.
- Due to this considerable improvement in profitability, the Bank's Return on Assets (RoA) for FY23 climbed by 43 bps YoY to 1.03% (FY23), while RoA for Q4FY23 improved by 77 bps YoY to 1.34%.
- The Bank's Return on Equity (RoE) for FY23 rises by 648 bps YoY to 18.34%; for Q4FY23, RoE is 24.82%, up by 1321 bps YoY.
- Strong Net Interest Income (NII) increase of 33.8% & 26.8% for Q4FY23 & FY23, respectively, supported this profitable development.
- Sustained NII growth is attributable to growth in advances of 18.5% (YoY) coupled with traction in Net Interest Margins (NIM), which grew 16 bps QoQ/ 45 bps YoY to end the quarter at 3.53% and 28 bps YoY for the full year FY23.
- Strong operating profit growth of 43.3% YoY for the fourth quarter of FY23 and 20% YoY for FY2023 were produced by strong income growth combined with a moderate increase in operating expenses.
- BOB's asset quality has improved significantly, with GNPA falling by 282 bps YoY & 74 bps QoQ to 3.79%. The bank's NNPA improved to 0.89%, down 83 bps YoY and 10 bps QoQ.
- Due to this significant improvement in asset quality, the bank's credit costs were at an all-time low of 0.14% for Q4FY23 and 0.53% for FY23. Q4FY23 reported revenue
- The Board of the Bank has recommended to declare a dividend of ₹5.5 per share, subject to requisite approval

Q4FY23 Result Highlights
Profitability

- In Q4FY23, BOB recorded a standalone Net Profit of ₹4,775Cr, up from ₹1,779Cr in Q4FY22. It increased by 94% YoY and now stands at ₹14,110Cr for FY23.
- NII increased by 33.8% YoY to ₹11,525Cr in Q4FY23. In FY23, NII increased by 26.8% YoY to ₹41,355Cr.
- The global NIM increased by 45 bps YoY in Q4 FY23 to 3.53%. NIM is 3.31% for FY23 compared to 3.03% for FY22.
- Yield on Advances rose from 6.81 % in Q4FY22 to 8.47 % in Q4FY23.
- Cost of Deposits increased from 3.53 % in Q4FY22 to 4.43 % in Q4FY23.
- Operating income for Q4FY23 was ₹14,991Cr, a 34.6% increase YoY. For FY23, it increased by 16.5% YoY to ₹51,381Cr.
- The cost-to-income ratio fell to 46.15% in Q4FY23, down from 49.39% in Q4FY22. It fell by 152 basis points YoY and now stands at 47.72% for FY23.

Asset Quality

- The bank's Gross NPA declined by 32% YoY to ₹36,764Cr in Q4FY23, and the gross NPA ratio improved to 3.79% in Q4FY23 from 6.61% in Q4FY22.
- The bank's Net NPA Ratio reached a record low of 0.89% in Q4FY23, down from 1.72% in Q4FY22.
- Slippage ratio decreased to 1.02% in Q4FY23 from 2.52% in Q4FY22. The slippage ratio for FY23 has been lowered by 54 basis points to 1.07%.
- The credit cost for Q4FY23 at 0.14%, with a total cost of 0.53% for the entire year FY23.

Capital Adequacy

- The bank's CRAR as of March 23, was 16.24%. Tier-I stood at 13.99% (CET-1 at 12.24%, AT1 at 1.75%) and Tier-II stood at 2.25% as of Mar'23.
- The Liquidity Coverage Ratio (LCR) consolidated stands at 135.4%.

Business Performance

- The bank's global advances climbed by 18.5% YoY to ₹9,69,548Cr, while the domestic advances grew by 16.3% YoY to ₹7,95,560Cr. International advances increased by 6.3% sequentially in Q4FY23 to ₹1,73,988Cr.
- The amount of global deposits expanded by 15.1% YoY to ₹12,03,688Cr. Domestic deposits grew 13% YoY to ₹10,47,375Cr in March of this year. International Deposits increased by 31.4% YoY in March of 23 to reach ₹1,56,313Cr.
- Domestic CASA deposits have increased by 7.9% YoY to ₹4,42,511Cr.
- Domestic Current Deposits increased by 9.2% YoY in Mar'23 while Domestic Saving Deposits increased by 7.6% YoY.
- Organic Retail Advances increased by 26.8% on a YoY basis, with growth in high priority areas including Auto Loan (24.4%), Home Loan (19.5%), Personal Loan (101.5%), Mortgage Loan (18%), and Education Loan (21.8%) being the main drivers of this expansion.
- The portfolio of agricultural loans increased by 13.2% YoY to ₹1,24,247Cr while the whole gold loan portfolio, which includes retail and agricultural loans, now stands at ₹38,251Cr, up 30.5% YoY.
- The organic MSME portfolio increased by 11.7% YoY to ₹1,08,196Cr.

Important Data

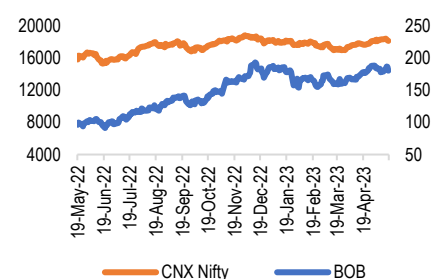
Nifty Sensex	18,203 61,730
CMP	₹180
Market Cap (₹ bn)	~₹933bn
52W High/Low	₹197/ 89.9
Shares o/s (mn)	5,171
20D Avg Volume	21,941,295
BSE Code	532134
NSE Code	BANKBARODA
Bloomberg Code	BOB:IN

Shareholding Pattern (%) – Mar'23

Promoter	63.9
DII's	16.7
FII's	10.9
Public & Others	8.1

Financials & Ratios

Particulars (₹cr)	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Revenue	18,174	18,937	21,254	23,540	25,857
NP	1,779	2,168	3,313	3,853	4,775
EPS	3.44	4.19	6.41	7.45	9.23
NIM %	3.08	3.02	3.33	3.37	3.53
Cost to Income	49.39	54.81	49.74	42.71	46.15
RoE	11.61	13.63	19.56	21.08	24.82
RoA	0.57	0.68	1.01	1.13	1.34
Cost of Deposit	3.53%	3.46%	3.59%	4.01%	4.43%
Yield on Adv	6.81%	6.58%	7.22%	7.78%	8.47%
GNPA %	6.61	6.26	5.31	4.53	3.79
NPA %	1.72	1.58	1.16	0.99	0.89
CASA	44.24	44.18	39.83	41.63	42.25

Relative performance

Analyst

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VIEW

Bank of Baroda with its highest-ever quarterly and annual net profit and lowest-ever credit costs is in a good position to maintain growth. The lender's earnings substantially rose as a result of increased interest income, significantly lower provisions, and improved net interest margin. Strong growth in income combined with a moderate rise in operating expenses has led to significant growth in operating profit. The strong and sustainable improvement in asset quality has resulted in record-low Credit Cost for the Bank at 0.14% for Q4FY23 & 0.53% for FY23.

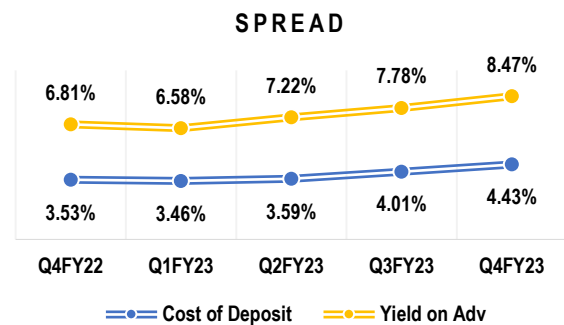
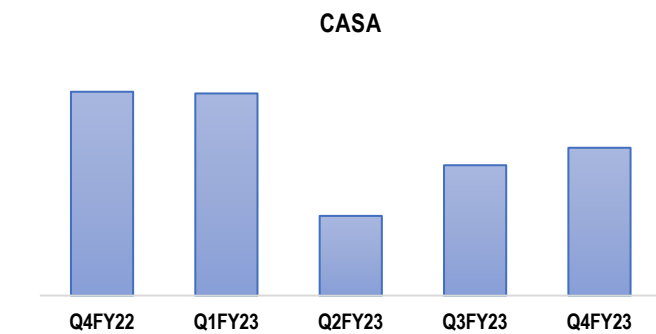
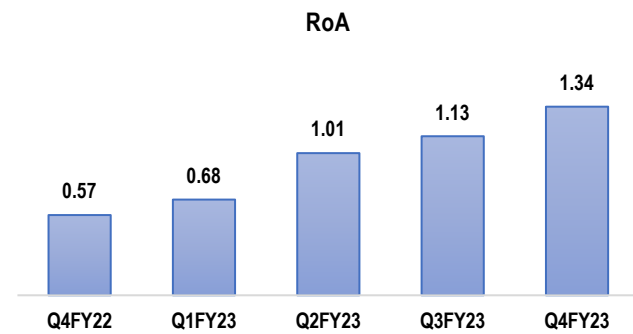
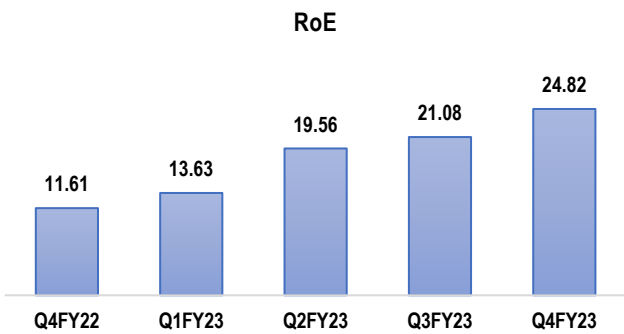
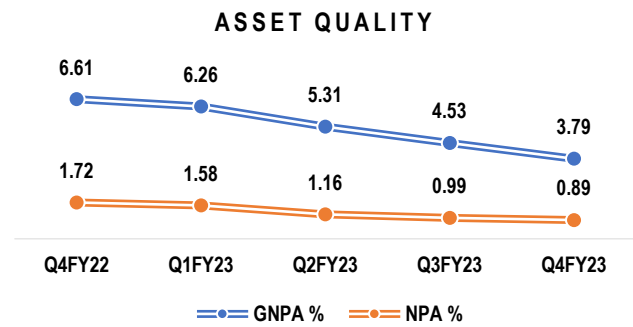
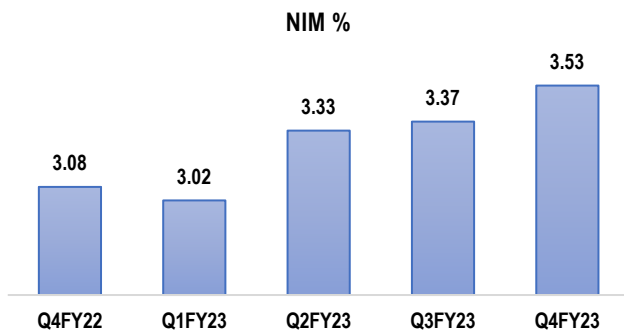
The management's projected margin for FY24 is probably going to stay roughly around the FY23 levels (3.31% for FY23). For FY24, the bank anticipates a RoE of 16- 18% and RoA of 1%. The management is also optimistic about industry expansion and wants to increase retail at 1.5 times the rate of the whole book.

Since all the core profitability metrics have improved on an annual and sequential basis backed by estimated banking system growth at 12-13% for FY24, **we continue with our BUY recommendation with a target of 208-215.**

Business Position

Particulars	Q4FY23	Q4FY22	YoY	Q3FY23	QoQ
Domestic deposits	10,47,375	9,27,011	13%	10,03,737	4%
Domestic CASA	4,42,511	4,10,123	8%	4,17,812	6%
Global deposits	12,03,688	10,45,939	15%	11,49,507	5%
Domestic advances	7,95,560	6,84,153	16%	7,60,249	5%
Of which, retail loan portfolio	1,78,037	1,40,399	27%	1,66,861	7%
Global advances	9,69,548	8,18,120	19%	9,23,878	5%
NIM Global %	3.53	3.08	45	3.37	16
Key Ratios	Q4FY23	Q4FY22	YoY bps	Q3FY23	QoQ bps
Return on Assets (%)	1.34	0.57	77	1.13	21
CRAR (%)	16.24	15.68	56	14.93	131
CET-1 (%)	12.24	11.42	82	10.83	141
Gross NPA (%)	3.79	6.61	-282	4.53	-74
Net NPA (%)	0.89	1.72	-83	0.99	-10
PCR (with TWO) (%)	92.43	88.71	372	92.34	9

Source: Company, Way2Wealth



Source: Company, Way2Wealth

FINANCIAL & OPERATIONAL PERFORMANCE

Particulars (₹ Cr)	Q4FY23	Q3FY23	QoQ % / bps	Q4FY22	YoY % / bps	FY23	FY22	YoY % / bps
Interest earned	25,857	23,540	10%	18,174	42%	89,589	69,881	28%
Interest discount on advances / bills	19,095	17,106	12%	12,835	49%	64,073	49,279	30%
Income on investments	6,057	5,717	6%	4,767	27%	22,156	17,617	26%
Interest on balances with RBI & other inter bank funds	433	396	9%	252	72%	1,437	1,015	42%
Others	272	321	-15%	319	-15%	1,922	1,970	-2%
Other Income	3,466	3,552	-2%	2,522	37%	10,026	11,484	-13%
Total Income	29,323	27,092	8%	20,696	42%	99,614	81,365	22%
Interest Expended	14,332	12,722	13%	9,562	50%	48,233	37,259	29%
NII	11,525	10,818	7%	8,612	34%	41,356	32,621	27%
NIM %	3.53	3.37	16	3.08	45	3.31	3.03	28
Operating Expenses	6,918	6,138	13%	5,499	26%	24,518	21,716	13%
Employees cost	3,779	3,347	13%	2,702	40%	13,353	11,979	11%
Other operating expenses	3,139	2,791	12%	2,796	12%	11,166	9,738	15%
Total Expenditure excluding provisions & contingencies	21,250	18,860	13%	15,061	41%	72,751	58,976	23%
Operating Profit before Provisions and Contingencies	8,073	8,232	-2%	5,635	43%	26,864	22,389	20%
Provisions (other than tax) and Contingencies	1,421	2,404	-41%	3,736	-62%	7,137	13,002	-45%
Profit from Ordinary Activities before tax	6,652	5,828	14%	1,899	250%	19,727	9,386	110%
Provision for Taxes	1,877	1,976	-5%	120	1464%	5,617	2,114	166%
Net Profit / Loss	4,775	3,853	24%	1,779	168%	14,110	7,272	94%
Analytical Ratios								
Capital Adequacy Ratio(%) -Basel-III	16.24	14.93	131	15.68	56	16.24	15.68	56
CET I Ratio (%)	12.24	10.83	141	11.42	82	12.24	11.42	82
Additional Tier 1 Ratio (%)	1.75	1.79	-4	1.76	-1	1.75	1.76	-1
Earnings Per Share	9.23	7.45	24%	3.44	168%	27.28	14.06	94%
Gross NPA	36,764	41,858	-12%	54,059	-32%	36,764	54,059	-32%
Net NPA	8,384	8,854	-5%	13,365	-37%	8,384	13,365	-37%
Gross NPA to Gross Advances %	3.79	4.53	-74	6.61	-282	3.79	6.61	-282
Net NPA to Net Advances %	0.89	0.99	-10	1.72	-83	0.89	1.72	-83
Return on Assets (annualized) %	1.34	1.13	21	0.57	77	1.03	0.6	43
Debt Equity ratio	0.43	0.45	-2	0.53	-10	0.43	0.53	-10
Total Debt to Total Assets Ratio	0.07	0.07	0	0.08	-1	0.07	0.08	-1
Net Worth	76,951	73,123	5%	61,299	26%	76,951	61,299	26%
Operating Profit Margin %	27.53	30.39	-286	27.23	30	26.97	27.52	-55
Net Profit Margin %	16.29	14.22	207	8.59	770	14.16	8.94	522
RoE	24.82	21.08	374	11.61	1321	18.34	11.86	648
RoA	1.34	1.13	21	0.57	77	1.03	0.6	43

Source – Company, Way2Wealth

Business Segments

(₹ Cr)

Particulars	Q4FY23	Q3FY23	QoQ %	Q4FY22	YoY %	FY23	FY22	YoY %
Segment Revenue								
Treasury Operations	7113	7256	-2%	5117	39%	27009	23880	13%
Wholesale Banking	10330	9665	7%	6604	56%	33527	26678	26%
Retail Banking	11766	10063	17%	8426	40%	38703	29910	29%
Digital Banking								
Other Retail Banking	11766	10063	17%	-	-	38703	-	-
Other Banking Operations	114	108	6%	548	-79%	376	897	-58%
Total Revenue	29323	27092	8%	20696	42%	99614	81365	22%
Segment Results								
Treasury Operations	537	-243	-321%	-130	-512%	1584	3489	-55%
Wholesale Banking	5165	4871	6%	0	-	12669	1550	717%
Retail Banking	3034	2913	4%	3905	-22%	12333	1940	536%
Digital Banking	-2	-1	51%	-	-	-4	-	-
Other Retail Banking	3036	2914	4%	-	-	12336	-	-
Other Banking Operations	114	108	6%	548	-79%	376	897	-58%
Total	8851	7649	16%	3126	183%	26961	14875	81%
Unallocated Expenditure	2198	1821	21%	1227	79%	7235	5488	32%
Profit before Tax	6652	5828	14%	1899	250%	19727	9386	110%
Provision for Tax	1877	1976	-5%	120	1464%	5617	2114	166%
Net Profit	4775	3853	24%	1779	168%	14110	7272	94%
Segment Assets								
Treasury Operations	469909	458615	2%	452674	4%	469909	452674	4%
Wholesale Banking	580381	541751	7%	473839	22%	580381	473839	22%
Retail Banking	387640	371213	4%	330030	17%	387640	330030	17%
Digital Banking	8	4	98%	-	-	8	-	-
Other Retail Banking	387632	371209	4%	-	-	383632	-	-
Other Banking Operations								
Unallocated	20631	21188	-3%	21457	-4%	20631	21457	-4%
Total Assets	1458562	1392767	5%	1278000	14%	1458562	1278000	14%
Segment Liabilities								
Treasury Operations	438265	426911	3%	422245	4%	438265	422245	4%
Wholesale Banking	541297	504300	7%	441987	22%	541297	441987	22%
Retail Banking	361536	345551	5%	307844	17%	361536	307844	17%
Digital Banking	8	4	99%	-	-	8	-	-
Other Retail Banking	361528	345547	5%	-	-	361528	-	-
Other Banking Operations								
Unallocated	19242	19723	-2%	20014	-4%	19242	20014	-4%
Total Liabilities	1360339	1296485	5%	1192090	14%	1360339	1192090	14%
Capital Employed								
Treasury Operations	31645	31704	0%	30430	4%	31645	30430	4%
Wholesale Banking	39084	37451	4%	31852	23%	39084	31852	23%
Retail Banking	26305	25662	3%	22185	19%	26105	22185	18%
Digital Banking	1	0	93%	-	-	1	-	-
Other Retail Banking	26104	25662	2%	-	-	26104	-	-
Other Banking Operations								
Unallocated	1389	1465	-5%	1442	-4%	1389	1442	-4%
Total Capital Employed	98223	96282	2%	85910	14%	98223	85910	14%

Source- Company, Way2Wealth

Deposits

Particulars (₹ Cr)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)
Domestic CASA Deposits	4,42,511	4,10,123	7.9	4,17,812	5.9
Domestic Saving Deposits	3,67,400	3,41,343	7.6	3,52,620	4.2
Domestic Current Deposits	75,111	68,780	9.2	65,192	15.2
Domestic Term Deposits	6,04,864	5,16,888	17	5,85,925	3.2
Retail Term Deposits	4,15,211	4,05,187	2.5	4,09,593	1.4
Bulk Deposits (including CD)	1,89,653	1,11,701	69.8	1,76,332	7.6
Domestic Deposits	10,47,375	9,27,011	13	10,03,737	4.3
International Deposits	1,56,313	1,18,928	31.4	1,45,770	7.2
Total Deposits	12,03,688	10,45,939	15.1	11,49,507	4.7
Domestic CASA(%)	42.25%	44.24%	(199 bps)	41.63%	62 bps

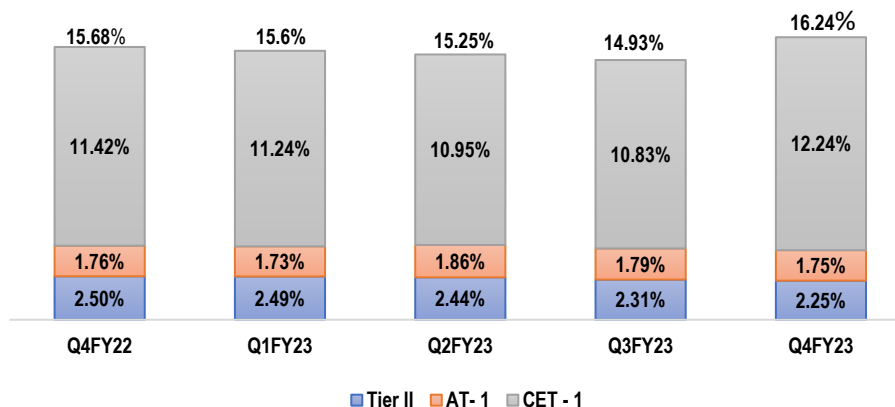
Source - Company, Way2Wealth

Advances

Particulars (₹ Cr)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)
Retail	1,78,037	1,40,399	26.8	1,66,861	6.7
Home Loans	98,014	82,009	19.5	91,989	6.5
Auto Loans	31,261	25,130	24.4	29,821	4.8
Mortgages Loans	16,801	14,242	18	16,196	3.7
Education Loans	8,196	6,731	21.8	7,942	3.2
Personal Loans	19,645	9,748	101.5	17,230	14
Gold Loans	2,420	1,371	76.5	2,069	17
Others	1,700	1,168	45.5	1,614	5.3
Agriculture	1,24,247	1,09,796	13.2	1,19,197	4.2
Gold Loans	35,831	27,946	28.2	33,065	8.4
MSME	1,08,196	96,863	11.7	1,03,003	5
Corporate	3,40,408	3,00,693	13.2	3,29,212	3.4
Others	44,672	36,402	22.7	41,976	6.4
Gross Domestic Advances	7,95,560	6,84,153	16.3	7,60,249	4.6
International Gross Advances	1,73,988	1,33,968	29.9	1,63,629	6.3
Global Gross Advances	9,69,548	8,18,120	18.5	9,23,878	4.9

Source - Company, Way2Wealth

Capital Adequacy



Source - Company, Way2Wealth

Geographic Segment

Particulars	Q4FY23	Q3FY23	QoQ %	Q4FY22	YoY %	FY23	FY22	YoY %
Revenue								
Domestic	26559	24617	8%	19902	33%	92028	78067	18%
International	2764	2475	12%	794	248%	7586	3297	130%
Total	29323	27092	8%	20696	42%	99614	81365	22%
Assets								
Domestic	1414840	1193529	19%	1090876	30%	1414840	1090876	30%
International	43721	199239	-78%	187124	-77%	43721	187124	-77%
Total	1458562	1392767	5%	1278000	14%	1458562	1278000	14%

Source - Company, Way2Wealth

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Disclosure of Interest Statement Bank of Baroda as on 22 May 2023

Name of the Security	Bank of Baroda
Name of the analyst	Dhananjay Kansara
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

This information is subject to change without any prior notice. Way2Wealth reserves at its absolute discretion the right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, Way2Wealth is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

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