

Bank of Baroda | BUY

Minor miss due to one-offs; outlook steady

In 4Q24, BOB reported in-line PPOP, however, PAT was below JMFe led by higher provisions and a 28.2% tax rate. Balance sheet performance was strong as advances grew +4.1% QoQ / 13.3% YoY to INR 10.7trln, while deposits grew +6.6% QoQ / +10.2% YoY to INR 13.3trln. NII came in at INR 117.9bn, +6.2% QoQ / +2.3% YoY, with calculated NIMs rising 12bps sequentially to 3.0%. Opex grew +14.2% QoQ / +13.9% YoY to INR 78.8bn, led by higher employee expenses of INR 45.5bn, +19.4% QoQ / +20.3% YoY. The management explained that, of this, INR 8bn was one-time, including INR 4bn on account of actuarial re-valuation of gratuity liabilities. PPOP was in-line at INR 81.1bn, +15.6% QoQ / +0.4% YoY. Asset quality continues to be strong. On the provisions front, BOB provided INR 5.5bn for GoFirst, in addition to INR 12bn, already provided, thereby making 100% provision for the account, up from c.70%. If we exclude this account, NPA provisions would have declined by 7.1% QoQ to INR 9.4bn. Effective tax rate for the quarter came in at 28.2%, leading to PAT miss on JMFe. Overall, in current quarter, the company gained one-time income of INR 3.1bn as interest on I-T refund but provided an additional INR 8bn for employee costs and INR 5.5bn additional provisions for a specific account. Management commentary was upbeat – RoA guidance was revised upwards from 1.0% to 1.1% for FY25, while advances growth was guided at 12%-14%, with retail book growth substantially outpacing wholesale book. With strong deposit accretion in the quarter, management guided for deposit growth to trail advances growth in FY25. We expect BOB to continue deliver on its ROA of 1%+ story driven by continued loan growth momentum, stable margins and low credit costs. We build a loan growth of 15% over FY24-26e and average RoA/RoE of 1.1%/16.3% over FY25-26e. Valuations for BOB are attractive at current levels of 0.9x BVPS. We value the company at 1.0x FY26e BV to get our target price of INR 270. Maintain BUY.

- Strong core business performance:** Balance sheet performance was strong advances grew +4.1% QoQ / 13.3% YoY to INR 10.7trln, while deposits grew +6.6% QoQ / +10.2% YoY to INR 13.3trln. NII came in at INR 117.9bn, +6.2% QoQ / +2.3% YoY, with calculated NIMs rising 12bps sequentially to 3.0%. Retail loan growth was robust at +5.6% QoQ / 20.7% YoY to INR 2,149bn. Management is optimistic of a similar strong growth in retail loans in FY25 as well. Each segment within retail grew at more than 4% QoQ, even as growth in personal loans came down QoQ. Corporate book growth was also strong at +4.7% QoQ. The bank guided for strong growth in advances at 12%-14%. With strong deposit accretion in the quarter, management guided for deposit growth to trail advances growth in FY25. Management commentary was upbeat on NIMs at 3.1% - 3.15% levels, and targeted fee income growth of c.20%. With this, RoA guidance was revised upwards from 1.0% to 1.1% for FY25. Hence, the strong performance is likely to continue going into FY25/FY26.
- Opex elevated with one-offs; asset quality remains robust:** Opex grew +14.2% QoQ / +13.9% YoY to INR 78.8bn, led by higher employee expenses of INR 45.5bn, +19.4% QoQ / +20.3% YoY. Of this, management explained that INR 8bn was a one-time expense, including INR 4bn on account of actuarial re-valuation of gratuity liabilities and



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	270
Upside/(Downside)	2.9%
Previous Price Target	270
Change	0.0%

Key Data – BOB IN

Current Market Price	INR263
Market cap (bn)	INR1,357.5/US\$16.3
Free Float	30%
Shares in issue (mn)	5,177.7
Diluted share (mn)	
3-mon avg daily val (mn)	INR4,458.3/US\$53.5
52-week range	286/179
Sensex/Nifty	74,006/22,502
INR/US\$	83.3

Price Performance

%	1M	6M	12M
Absolute	2.2	32.8	44.3
Relative*	0.9	17.8	20.4

* To the BSE Sensex

Financial Summary

	(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Profit	72,723	1,41,096	1,77,888	1,96,197	2,18,297
Net Profit (YoY) (%)	777.3%	94.0%	26.1%	10.3%	11.3%
Assets (YoY) (%)	10.5%	14.3%	9.2%	13.7%	13.8%
ROA (%)	0.6%	1.0%	1.2%	1.2%	1.1%
ROE (%)	9.7%	16.5%	17.4%	16.4%	16.2%
EPS	14.0	27.3	34.4	37.9	42.2
EPS (YoY) (%)	777.3%	94.0%	26.1%	10.3%	11.3%
PE (x)	18.7	9.7	7.7	6.9	6.2
BV	152	178	217	245	277
BV (YoY) (%)	9.7%	17.2%	21.5%	13.1%	12.9%
P/BV (x)	1.73	1.47	1.21	1.07	0.95

Source: Company data, JM Financial. Note: Valuations as of 19/May/2024

JM Financial Institutional Securities Limited

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
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Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

INR 4bn run-rate of providing for wage revisions. The management does not see any one-offs in employee expenses in FY25. PPOP was in-line at INR 81.1bn, +15.6% QoQ / +0.4% YoY. Asset quality continues to be strong. On the provisions front, BOB provided INR 5.5bn for GoFirst, in addition to INR 12bn, already provided, thereby making 100% provision for the account, up from c.70%. If we exclude this account, NPA provisions would have declined by 7.1% QoQ to INR 9.4bn. Gross slippages increased to INR 32bn, +22.2% QoQ / +16.6% YoY. We see this as normalisation from benign levels and expect the trend to continue into FY25/FY26e as well.

- **Valuation and view:** We expect BOB to continue deliver on its ROA of 1%+ story driven by continued loan growth momentum, stable margins and low credit costs. We build loan growth of 15% over FY24-26e and average RoA/RoE of 1.1%/16.3% over FY25-26e. Valuations for BOB are attractive at current levels of 0.9x BVPS. We maintain BUY with a TP of INR 270, valuing BOB at 1.0x FY26 BVPS.

BOB – 4QFY24 trends

Exhibit 1. BOB 4QFY24: Results summary

Earnings Table (INR mn)	4Q'23	3Q'24	4Q'24	YoY (%)	QoQ (%)
NII	115,249	111,013	117,928	2.3	6.2
Trading Profits	1,220	380	5,190	325.4	1265.8
FX Revenues	5,600	7,550	6,980	24.6	-7.5
Recoveries	14,470	8,470	12,020	-16.9	41.9
Fee & Other Income	13,371	11,705	17,725	32.6	51.4
Non-Interest income	34,661	28,105	41,915	20.9	49.1
Total Income	149,909	139,118	159,843	6.6	14.9
Employee Cost	37,790	38,085	45,467	20.3	19.4
Other Operating Expenses	31,390	30,882	33,315	6.1	7.9
Total Operating Expenses	69,180	68,967	78,782	13.9	14.2
Operating Profit	80,729	70,151	81,061	0.4	15.6
Loan Loss Provisions	3,200	10,070	14,850	364.1	47.5
Standard Asset Provisions	4,190	-4,170	-560	-113.4	-86.6
Provisions on Investments	2,190	380	-1,510	-168.9	-497.4
Other Provisions	4,627	383	239	-94.8	-37.6
Total Provisions	14,207	6,663	13,019	-8.4	95.4
PBT	66,522	63,488	68,042	2.3	7.2
Tax	18,768	17,694	19,177	2.2	8.4
Reported Profit	47,753	45,793	48,865	2.3	6.7

Balance sheet (INR bn.)

Deposits	12,037	12,453	13,270	10.2	6.6
Net Advances	9,410	10,241	10,658	13.3	4.1
Total Assets	14,586	15,395	15,858	8.7	3.0
Low-cost Deposits (%)	42.2	40.7	41.3	-0.9	0.6
Loan-Deposit ratio (%)	78.2	82.2	80.3	2.1	-1.9

Key Ratios	4Q'23	3Q'24	4Q'24	YoY (%)	QoQ (%)
Credit Quality					
Gross NPAs (Rs. mn.)	367.6	323.2	318.3	-13.4	-1.5
Net NPAs (Rs. mn.)	83.8	72.1	72.1	-14.0	0.1
Gross NPA (%)	3.79	3.08	2.92	-0.9	-0.2
Net NPA (%)	0.89	0.70	0.68	-0.2	0.0
Loan Loss Provisions (%)	0.34	0.25	0.57	0.23	0.32
Coverage Ratio (%)	77.2	77.7	77.3	0.1	-0.4
Cost / Income ratio (%)	46.1	49.6	49.3	3.1	-0.3
Capital Adequacy					
CET 1 (%)	12.2	11.1	12.5	0.3	1.4
Tier I (%)	14.0	12.9	1.5	-12.5	-11.4
CAR (%)	16.2	14.7	16.3	0.1	1.6
Du-pont Analysis					
NII / Assets (%)	3.2	2.9	3.0	-0.2	0.1
Non-Interest Inc. / Assets (%)	1.0	0.7	1.1	0.1	0.3
Operating Cost / Assets (%)	1.9	1.8	2.0	0.1	0.2
Operating Profits / Assets (%)	2.3	1.8	2.1	-0.2	0.2
Provisions / Assets (%)	0.4	0.2	0.3	-0.1	0.2
ROA (%)	1.3	1.2	1.3	-0.1	0.1

Source: Company, JM Financial

Exhibit 2. BOB 4QFY24: Deposits mix

Deposits Composition (INR bn)	4Q'23	3Q'24	4Q'24	YoY (%)	QoQ (%)
Saving Deposits - Domestic	3,674	3,698	3,900	6.2	5.5
Current Deposits - Domestic	751	646	764	1.7	18.3
CASA Deposits - Domestic	4,425	4,343	4,664	5.4	7.4
Time Deposits - Domestic	6,049	6,330	6,621	9.5	4.6
Total Domestic Deposits	10,474	10,674	11,285	7.7	5.7
Total Deposits	12,037	12,453	13,270	10.2	6.6
Mix (%)					
Saving Deposits - Domestic	35.1	34.6	34.6	(0.5)	(0.1)
Current Deposits - Domestic	7.2	6.1	6.8	(0.4)	0.7
CASA (% domestic)	42.2	40.7	41.3	(0.9)	0.6
Time Deposits - Domestic	57.8	59.3	58.7	0.9	(0.6)
Domestic Deposits (% of total)	87.0	85.7	85.0	(2.0)	(0.7)
Overseas Deposits (% of total)	13.0	14.3	15.0	2.0	0.7

Source: Company, JM Financial

Exhibit 3. BOB 4QFY24: Loan mix

Loan Book Composition (INR bn)	4Q'23	3Q'24	4Q'24	YoY (%)	QoQ (%)
Retail credit	1,780	2,036	2,149	20.7	5.6
SME credit	1,082	1,160	1,194	10.4	2.9
Agriculture credit	1,242	1,342	1,386	11.6	3.3
Wholesale credit & Others	3,851	4,082	4,251	10.4	4.1
Domestic Advances	7,956	8,621	8,981	12.9	4.2
Overseas Advances	1,740	1,872	1,924	10.6	2.8
Total Advances	9,695	10,493	10,905	12.5	3.9
Mix (%)					
Retail credit	22.4	23.6	23.9	1.6	0.3
SME credit	13.6	13.5	13.3	-0.3	-0.2
Agriculture credit	15.6	15.6	15.4	-0.2	-0.1
Wholesale credit	48.4	47.4	47.3	-1.1	0.0
Total Domestic Advances	100.0	100.0	100.0		
Domestic Advances	82.1	82.2	82.4	0.3	0.2
Overseas Advances	17.9	17.8	17.6	-0.3	-0.2

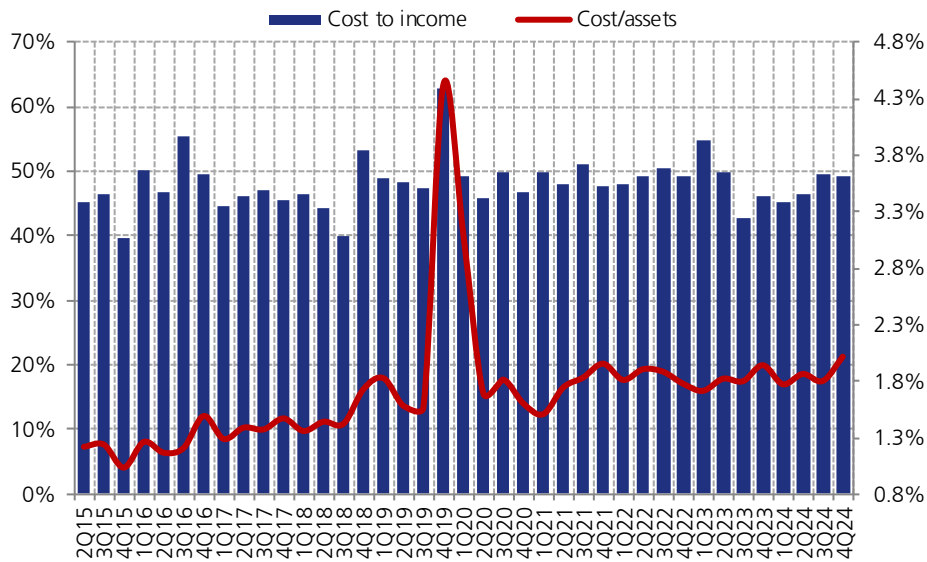
Source: Company, JM Financial

Exhibit 4. BOB 4QFY24: Fee income split

Fee Income Composition (INR mn)	4Q'23	3Q'24	4Q'24	YoY (%)	QoQ (%)
Fees and commissions	13,290	11,600	14,510	9.2%	25.1%
Forex and derivatives	5,600	7,550	6,980	24.6%	-7.5%
Trading gains/losses	1,220	380	5,190	325.4%	1265.8%
Miscellaneous income	14,471	8,475	15,155	4.7%	78.8%
Total	34,581	28,005	41,835	21.0%	49.4%
Fee Income Mix (%)					
Fees and commissions	38.4	41.4	34.7	(3.7)	(6.7)
Forex and derivatives	16.2	27.0	16.7	0.5	(10.3)
Trading gains/losses	3.5	1.4	12.4	8.9	11.0
Miscellaneous income	41.8	30.3	36.2	(5.6)	6.0
Total	100.0	100.0	100.0	-	-

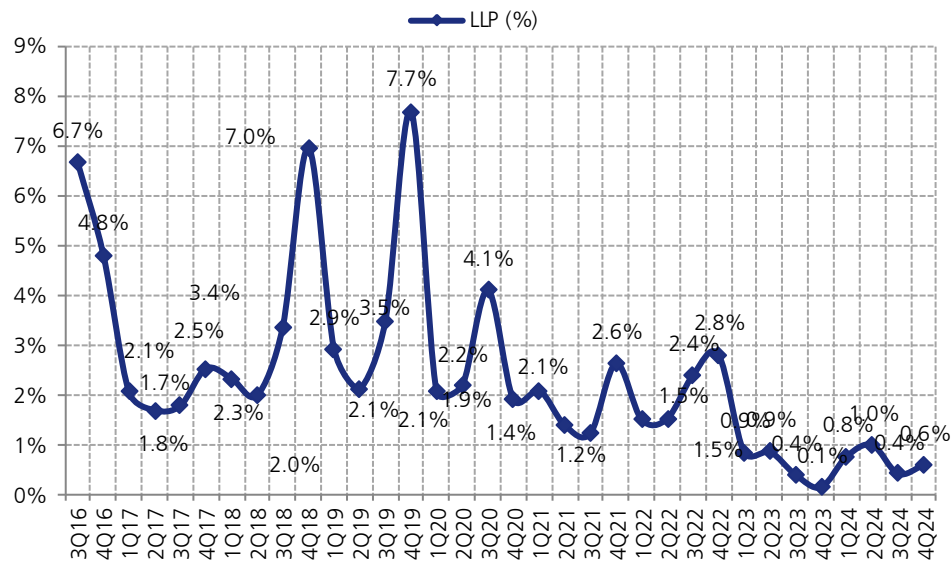
Source: Company, JM Financial

Exhibit 5. BOB 4QFY24: Cost ratios



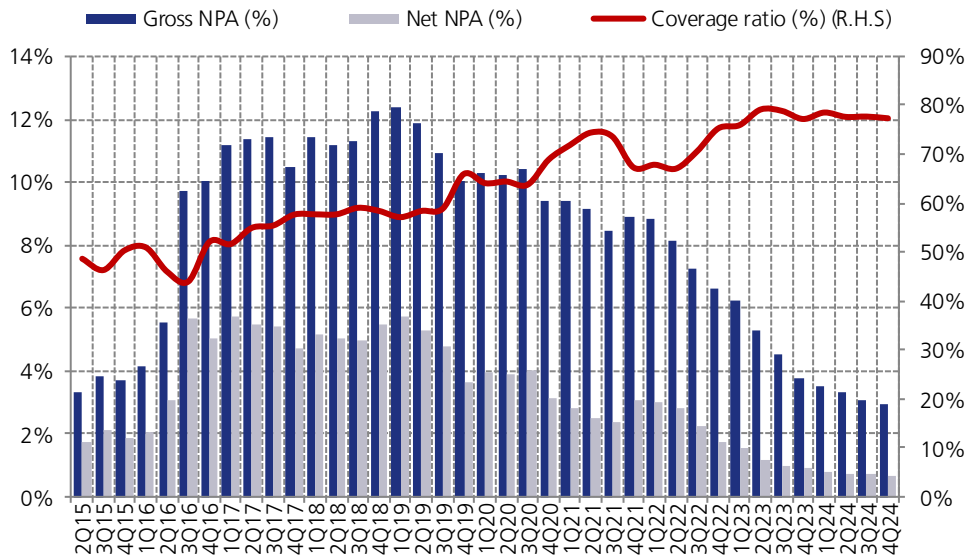
Source: Company, JM Financial

Exhibit 6. BOB 4QFY24: Specific credit costs (%)



Source: Company, JM Financial

Exhibit 7. Asset quality indicators



Source: Company, JM Financial

Valuation and 12M TP

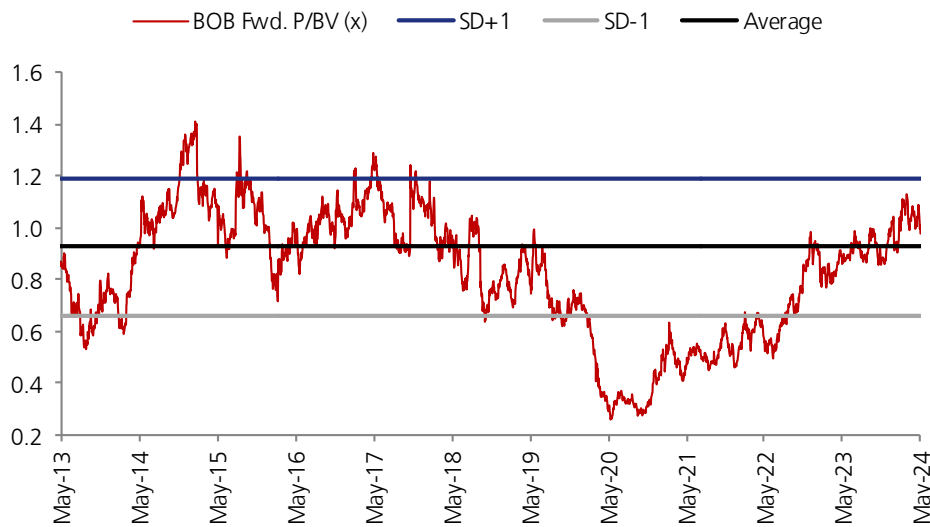
We value Bank of Baroda using two-stage Gordon growth model. Our calculations are, as follows:

Exhibit 8. BOB Valuation summary

Initial no of years	10
Growth rate for the first 10 years (%)	12%
Pay out ratio for the first 10 years (%)	10%
Perpetual growth rate (%)	6%
Perpetual payout ratio (%)	60%
K1	0.88
K2	5.88
Fully adjusted FY26E BVPS (INR)	281
Target P/BV (x)	0.97x
Fair value (rounded off)	270

Source: Company, JM Financial

Exhibit 9. BOB: One-year forward P/BV (x)



Source: Company, JM Financial

Financial Tables (Standalone)

Profit & Loss						(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Interest Income	3,26,213	4,13,560	4,47,215	5,25,461	6,06,823	
Profit on Investments	17,735	735	19,900	10,000	10,000	
Exchange Income	11,527	6,489	12,890	16,757	20,108	
Fee & Other Income	85,578	93,034	1,12,164	1,22,500	1,38,268	
Non-Interest Income	1,14,840	1,00,258	1,44,954	1,49,257	1,68,376	
Total Income	4,41,053	5,13,818	5,92,169	6,74,718	7,75,199	
Operating Expenses	2,17,164	2,45,183	2,82,517	3,18,942	3,54,780	
Pre-provisioning Profits	2,23,888	2,68,635	3,09,652	3,55,776	4,20,419	
Loan-Loss Provisions	1,21,101	49,823	57,820	92,680	1,27,856	
Provisions on Investments	5,590	17,040	-310	1,000	1,000	
Others Provisions	3,334	4,506	3,246	500	500	
Total Provisions	1,30,024	71,369	60,756	94,180	1,29,356	
PBT	93,864	1,97,266	2,48,896	2,61,596	2,91,063	
Tax	21,142	56,170	71,008	65,399	72,766	
PAT (Pre-Extraordinaries)	72,723	1,41,096	1,77,888	1,96,197	2,18,297	
Extra ordinaries (Net of Tax)						
Reported Profits	72,723	1,41,096	1,77,888	1,96,197	2,18,297	
Dividend paid	14,738	28,442	39,350	49,049	54,574	
Retained Profits	57,984	1,12,654	1,38,538	1,47,148	1,63,723	

Source: Company, JM Financial

Key Ratios					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Growth (YoY) (%)					
Deposits	8.2%	15.1%	10.2%	13.5%	14.0%
Advances	10.0%	21.1%	15.8%	15.0%	14.0%
Total Assets	10.5%	14.3%	9.2%	13.7%	13.8%
NII	13.2%	26.8%	8.1%	17.5%	15.5%
Non-interest Income	-11.2%	-12.7%	44.6%	3.0%	12.8%
Operating Expenses	5.7%	12.9%	15.2%	12.9%	11.2%
Operating Profits	5.6%	20.0%	15.3%	14.9%	18.2%
Core Operating profit	19.5%	30.0%	8.2%	19.3%	18.7%
Provisions	-16.9%	-45.1%	-14.9%	55.0%	37.3%
Reported PAT	777.3%	94.0%	26.1%	10.3%	11.3%
Yields / Margins (%)					
Interest Spread	2.65%	2.92%	2.65%	2.71%	2.78%
NIM	2.83%	3.16%	3.03%	3.16%	3.21%
Profitability (%)					
Non-IR to Income	26.0%	19.5%	24.5%	22.1%	21.7%
Cost to Income	49.2%	47.7%	47.7%	47.3%	45.8%
ROA	0.60%	1.04%	1.17%	1.16%	1.13%
ROE	9.7%	16.5%	17.4%	16.4%	16.2%
Assets Quality (%)					
Slippages	2.08%	1.46%	1.11%	1.65%	1.80%
Gross NPA	6.61%	3.79%	2.86%	2.59%	2.79%
Net NPAs	1.72%	0.89%	0.66%	0.58%	0.68%
Provision Coverage	75.3%	77.2%	77.3%	78.0%	76.0%
Specific LLP	1.99%	0.52%	0.64%	0.70%	0.87%
Net NPAs / Networth	17.0%	9.1%	6.4%	5.7%	6.8%
Capital Adequacy (%)					
Tier I	13.18%	13.99%	14.07%	13.79%	13.48%
CAR	15.68%	16.24%	16.31%	15.73%	15.17%

Source: Company, JM Financial

Balance Sheet						(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Equity Capital	10,355	10,355	10,355	10,355	10,355	
Reserves & Surplus	7,77,874	9,13,266	11,11,881	12,59,028	14,22,751	
Deposits	1,04,59,386	1,20,36,878	1,32,69,578	1,50,60,971	1,71,69,507	
Borrowings	10,38,993	10,19,105	9,44,023	10,50,959	11,73,935	
Other Liabilities	4,22,523	5,47,404	5,22,134	6,52,668	7,50,568	
Total Liabilities	1,27,09,130	1,45,27,008	1,58,57,971	1,80,33,981	2,05,27,117	
Investments	31,57,954	36,24,854	36,98,168	41,42,014	43,27,777	
Net Advances	77,71,552	94,09,983	1,08,98,220	1,25,32,953	1,42,87,566	
Cash & Equivalents	12,26,550	9,57,032	9,51,241	10,53,189	14,70,263	
Fixed Assets	28,351	28,458	79,126	88,180	98,317	
Other Assets	5,24,724	5,06,681	2,31,216	2,17,645	3,43,193	
Total Assets	1,27,09,130	1,45,27,008	1,58,57,971	1,80,33,981	2,05,27,117	

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
NII / Assets	2.69%	3.04%	2.94%	3.10%	3.15%
Other Income / Assets	0.95%	0.74%	0.95%	0.88%	0.87%
Total Income / Assets	3.64%	3.77%	3.90%	3.98%	4.02%
Cost / Assets	1.79%	1.80%	1.86%	1.88%	1.84%
PBP / Assets	1.85%	1.97%	2.04%	2.10%	2.18%
Provisions / Assets	1.07%	0.52%	0.40%	0.56%	0.67%
PBT / Assets	0.78%	1.45%	1.64%	1.54%	1.51%
Tax rate	22.5%	28.5%	28.5%	25.0%	25.0%
ROA	0.60%	1.04%	1.17%	1.16%	1.13%
RoRWAs	1.16%	2.13%	2.38%	2.29%	2.21%
Leverage	16.1	15.7	14.1	14.2	14.3
ROE	9.7%	16.5%	17.4%	16.4%	16.2%

Source: Company, JM Financial

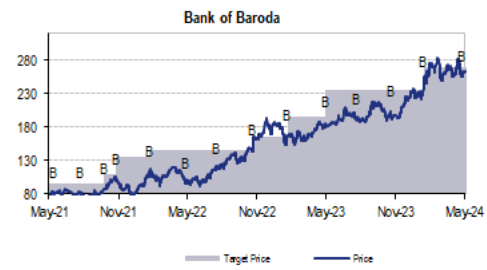
Valuations					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Shares in Issue	5,177.7	5,177.7	5,177.7	5,177.7	5,177.7
EPS (INR)	14.0	27.3	34.4	37.9	42.2
EPS (YoY) (%)	777.3%	94.0%	26.1%	10.3%	11.3%
PER (x)	18.7	9.7	7.7	6.9	6.2
BV (INR)	152	178	217	245	277
BV (YoY) (%)	9.7%	17.2%	21.5%	13.1%	12.9%
ABV (INR)	153	167	210	239	281
ABV (YoY) (%)	12.7%	9.5%	25.8%	13.8%	17.8%
P/BV (x)	1.73	1.47	1.21	1.07	0.95
P/ABV (x)	1.72	1.57	1.25	1.10	0.93
DPS (INR)	2.8	5.5	7.6	9.5	10.5
Div. yield (%)	1.1%	2.1%	2.9%	3.6%	4.0%

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
13-Apr-20	Hold	50	
24-Jun-20	Hold	55	10.0
11-Aug-20	Hold	55	0.0
29-Oct-20	Hold	55	0.0
11-Jan-21	Buy	95	72.7
28-Jan-21	Buy	95	0.0
31-May-21	Buy	95	0.0
9-Aug-21	Buy	95	0.0
11-Oct-21	Buy	110	15.8
10-Nov-21	Buy	135	22.7
7-Feb-22	Buy	145	7.4
15-May-22	Buy	145	0.0
1-Aug-22	Buy	145	0.0
6-Nov-22	Buy	165	13.8
6-Feb-23	Buy	195	18.2
16-May-23	Buy	235	20.5
6-Aug-23	Buy	235	0.0
5-Nov-23	Buy	235	0.0
31-Jan-24	Buy	270	14.9
12-May-24	Buy	270	0.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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