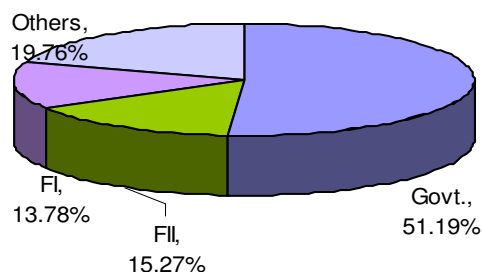


CMP Rs.716
Target Rs.824
Initiating Coverage- Accumulate
Key Share Data

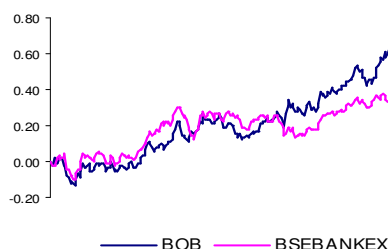
Face Value (Rs.)	10
Equity Capital (Rs. Mn.)	3670
Market Capitalization (Rs. Mn.)	264625.4
52-wk High / Low (Rs.)	753.35 / 371.10
Average Yearly Volume	120965
BSE code	532134
NSE code	BANKBARODA
Reuters code	BOB.BO
Bloomberg code	BOB IN

Shareholding Pattern – 31st March 2010

Financials (Rs. Mn.)

	FY09	FY10	FY11E	FY12E
Net Int.inc.	51234	59395	76522	95890
NIMs (%)	2.77%	2.56%	2.71%	2.81%
Opert Profit	43050	49353	66318	80459
PAT	22272	30583	33278	41862
PAT Gr %	67%	37%	9%	26%
EPS (Rs.)	61	84	91	115
BVPS	337	392	455	536

Key Financial Ratios

	FY09	FY10	FY11E	FY12E
P/E	11.70	8.50	7.80	6.20
P/ABV	2.20	1.90	1.60	1.40
Cost to Income	45.38%	43.57%	39.85%	40.30%
RoA%	1.10%	1.21%	1.08%	1.13%
RoE%	20.33%	22.94%	21.49%	23.12%
CD Ratio	74.46%	72.62%	73.21%	73.81%
Spread %	2.71%	2.51%	2.70%	2.84%
Pro.Coverage%	74.51%	74.46%	74.93%	75.66%
NNPA%	0.32%	0.35%	0.33%	0.29%
CASA	29.59%	29.65%	30.00%	31.00%

1 year Performance comparison BOB v/s BSEBANKEX

Analyst: Amandeep Goraya

Tel No.: +91 22 2281 9012, Mobile +91 9920104371

Email: aman.goraya@skpmoneywise.com

Company Profile

Bank of Baroda (BoB) is the third largest public sector bank. Mr. M.D. Mallya is Chairman and Managing Director of BoB. At present BOB has 38063 staff strength, 3211 total branches and 1315 ATMs. Out of the total branches, 89 are foreign branches and remaining are domestic branches.

BoB is known as the international bank of India as it has one of the largest branch networks in foreign countries. It is well known for conservative approach and transparent and qualitative performance.

Investment Rationale
Strategic Presence:

- BoB has presence in strategically important and industrially developed Maharashtra and Gujarat and also in agricultural belt of India i.e. Central India, Orissa, Punjab etc. Around 36% of its branches are in rural areas; this helps BoB to mobilize low cost deposits from the high potential rural areas.
- BoB plans to open 400 new branches every year taking the total number of branches to 3900 by 2012, enhancing BoB's focus on SME and retail segment leading to better margins and business growth.

Re-branding:

- BoB has launched re-branding campaign, increasing its visibility and business.

International presence:

- BoB has its presence in 25 countries with 78 offices including 48 branches.
- This helped BoB to expand its business mainly on the corporate side and gives access to foreign borrowings which are cheaper than the domestic borrowings.

Qualitative growth:

- BoB is known for its conservative approach along with consistent business growth.
- On back of campaigning, re-branding and customer loyalty, we expect total business to grow at the rate of 22% each in 2011 & 2012.
- We expect asset quality to improve and BoB would easily maintain PCR well above 70%.

Fee income to grow in line with credit growth:

- On back of branch expansion and growth in business and corporate activities, we expect fee income to grow by 25% and 20% for 2011 and 2012 respectively.

Valuation

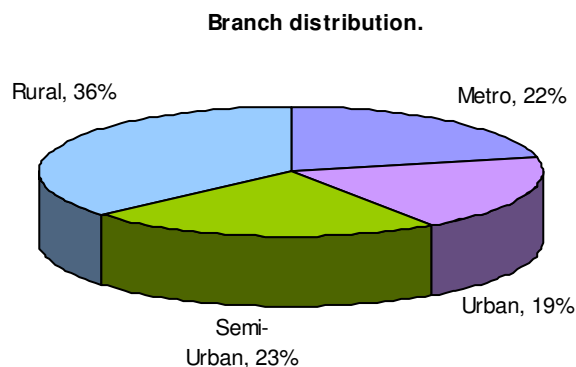
At present Bank of Baroda is trading at 1.9x Adj. BV of FY10. Our target price of Rs.824 is 1.9x and 1.6x to Adj. BV per share of FY11& FY12 respectively.

We hereby initiate coverage on Bank of Baroda and recommend accumulate rating with a target price of Rs.824/- (15% upside) in 12 months.

Company profile

Bank of Baroda (BOB) is a public sector bank; it was incorporated in the year of 1908 by Sir Maharaja Sayajirao Gaekwad - III of Baroda. Bank of Baroda (BoB) was nationalised in 1969. BOB is known as the International bank of India for its active presence in the foreign countries.

Currently BOB has 38063 staff strength and 3211 total branches. Out of the total branches, 89 are foreign branches and remaining are domestic branches. Below is the geographical distribution of domestic branches:



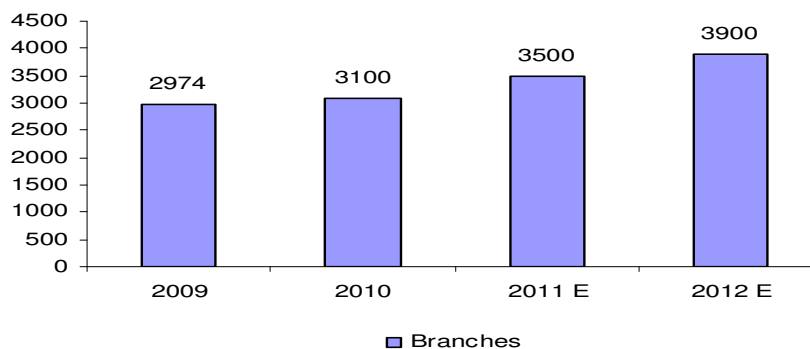
Source: BOB website (24-06-2010)

- BOB has international presence in 25 countries; this avoids the concentration of risk. The biggest strength of BOB is its transparent and ethical working. Till now it has not got into any disputes or allegations of any type at domestic or international level.
- BOB entered in a Joint venture with Indian Overseas Bank and Andhra Bank to establish a branch locally incorporated in Malaysia as it has been awarded commercial banking license by the local government. BOB would hold a 40% stake in the bank, Indian Overseas 35% and Andhra Bank 25%.
- BOBCARDS Ltd., BOB Capital Markets Ltd. and Nainital Bank Ltd. are the domestic subsidiaries of BoB. BOB has international subsidiaries in Ghana, Kenya, Guyana etc.

Investment Arguments

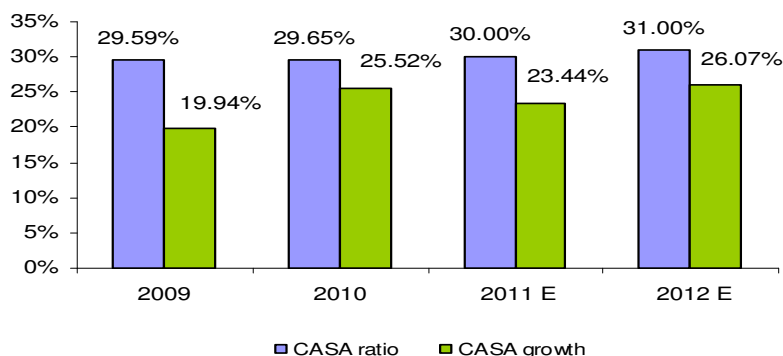
1. Strategic Presence:

- BOB has presence in strategically important and industrially developed Maharashtra and Gujarat and also in agricultural belt of India i.e. Central India, Orissa, Punjab etc.
- This strategic presence is favorable to BoB's strategy to focus on SME and Retail clients for business growth.
- BoB has 3211 branches all over India. Out of the total branches, 36% of branches are in rural area. This would help BoB to mobilize low cost deposits from the high potential rural areas.
- BoB plans to open up at-least 400 new branches each in. FY11 and FY12. taking the total number of branches to 3900 by FY12.



Source: Company & SKP Research

- BoB would benefit from its high network of branches, as branches play a crucial role in CASA deposits growth. **We expect the CASA to move up to the level of 31% of the total deposits in 2012.**



Source: Company & SKP Research

2. Re-branding:

- BoB has initiated a new re-branding campaign, this would increase its visibility and business.
- BoB is branded as the international bank of India, as it has one of the highest numbers of overseas offices and branches among the few Indian banks having overseas presence. This has helped bank to expand its business internationally mainly by catering to its corporate clients .

3. International presence:

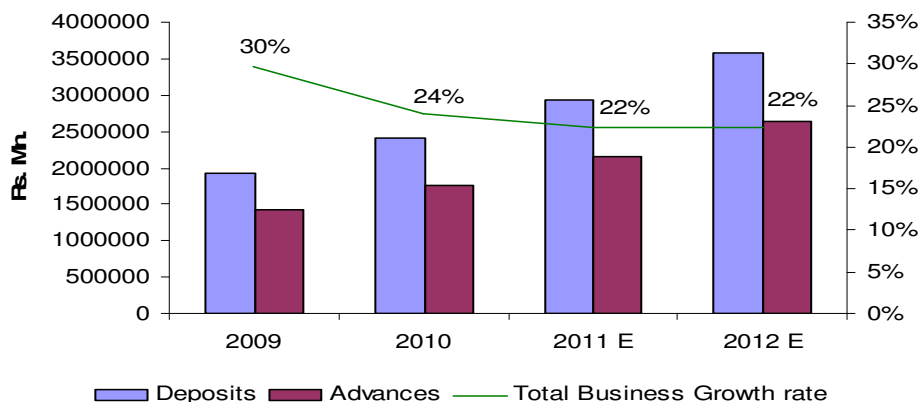
- BoB has presence in 25 countries with 78 offices including 48 branches.
- The contribution of overseas business to BoB's total business was 23.8% as on 31st March 2010.
- BoB has opened a new branch in Malaysia in joint venture with Indian Overseas Bank Ltd. and Andhra bank Ltd.
- BoB's GNPA in overseas operations was 0.47%, the NNPA was 0.11% as on 31st March 2010. This reflects the building up of qualitative asset base of the bank.
- International presence has helped BoB to tap the SME & Corporate segment as it has better knowledge of the international markets and banking systems.

4. Technology:

- BoB has achieved 100% CBS for all domestic branches. Around 94% of BoB's overseas business is covered under the CBS.
- CBS helps in smooth functioning of Current accounts. With 100% CBS branches, we expect increase in current accounts.

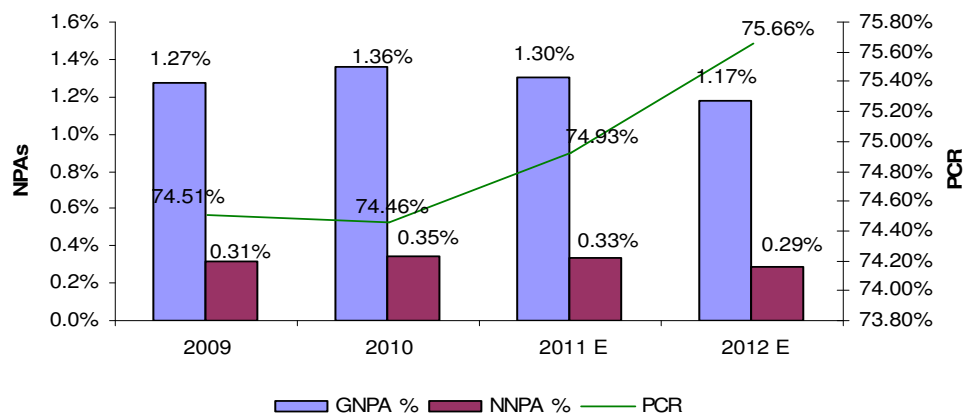
5. Qualitative growth:

- BoB is known for its conservative approach along with consistent business growth.
- **On back of campaigning, re-branding and customer loyalty, we expect total business to grow at the rate of 22% for both years 2011 & 2012.**



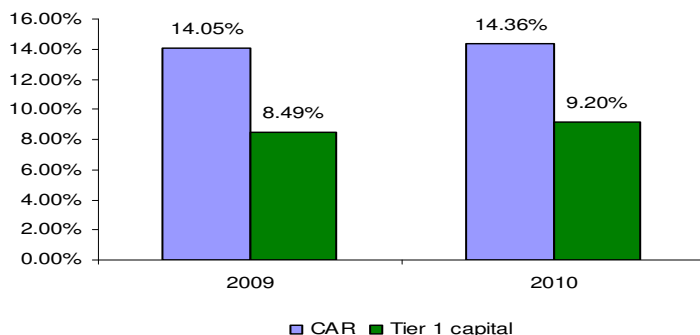
Source: Company & SKP Securities

- Though BoB has been aggressive in developing business, it has also maintained the asset quality.
- This can be seen from its NPA book. As on 31st March 2010, Gross Non performing assets (GNPA) stood at 1.36% and Net Non Performing Assets (NNPA) stood at 0.35%. This is in line with the industry levels of NPAs.
- **We expect the asset quality to improve and BoB to maintain its NPA levels below 2010 levels. We expect GNPA to come down to 1.17% and NNPA to reduce to 0.29% by 2012.**
- **BoB has maintained Provision Coverage ratio (PCR) at 74.46% (which excludes Tech. W/off) as on 31st March 2010, well above the 70% statutory requirement. If we include Tech. W/off then the PCR would be approx. 89%.**



Source: Company & SKP Securities

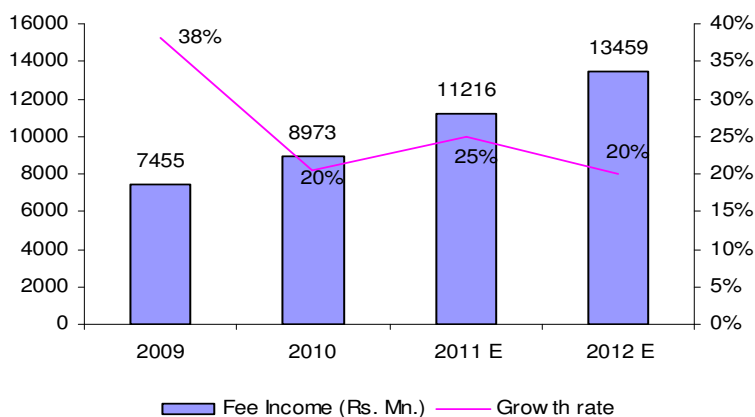
- BoB has well maintained its CAR above the RBI requirement of 12%. As on March 2010 the CAR stood at 14.36% and out of this Tier 1 capital was 9.20%, well above the RBI requirement of 8% for Tier 1 capital.
- Management is determined to maintain its CAR and Tier 1 ratio above the statutory requirements.



Source: Company & SKP Securities

6. Fee income to grow in line with Credit growth:

- BoB registered a high growth of 38% in its Fee income in 2009. But due to financial market crisis the corporate activities subdued which lead to lower growth in fee income for 2010.
- **On back of branch expansion and growth in business and corporate activities, we expect fee income to grow by 25% and 20% for 2011 and 2012 respectively.**

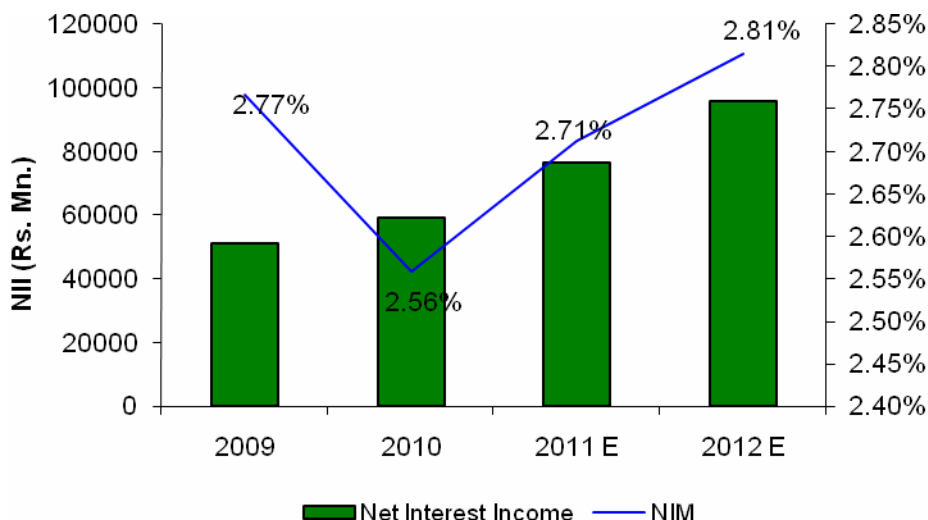


Source: Company & SKP Research

Financial Performance

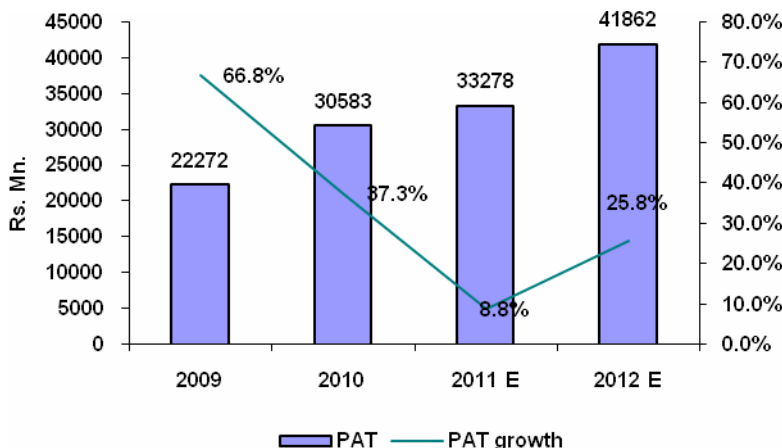
1. Margins & Profitability:

- BOB has been very consistent in delivering good results year after year. We expect that BOB would again be on track of high growth by 2012.
- On back of the improved market conditions and by leveraging its presence in strategic locations, BoB would be able to improve its margins. **We expect NIM to move from 2.56% as for 2010 to 2.81% by 2012.**



Source: Company & SKP Research

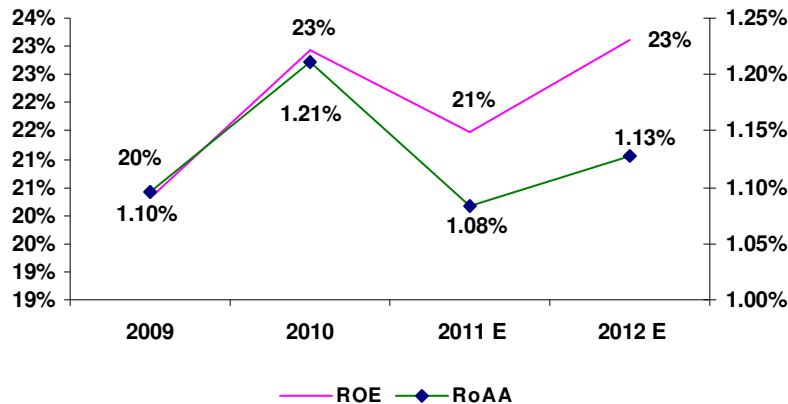
- We expect the PAT to grow at low rate on back of increased operational cost due to opening of new branches and provisions.
- **We expect the PAT growth to stabilize near to 26% by 2012.**



Source: Company & SKP Research

2. Performance:

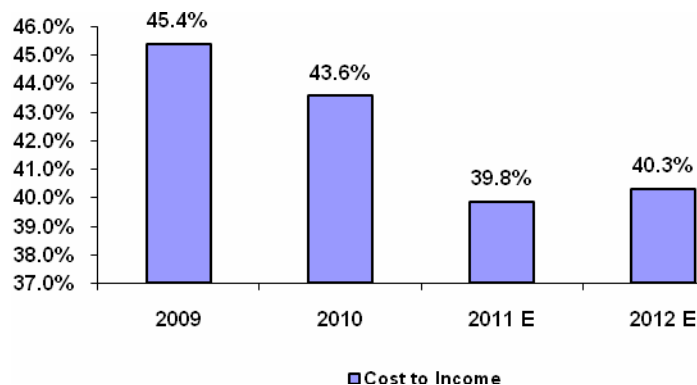
- We expect the total assets to grow by 20.8% and 21.2% for 2011 & 2012 respectively.
- Along with this balance sheet growth we expect, BoB to achieve RoE of 23% by 2012.
- We expect BoB to achieve RoAA of 1.13% by 2012.



Source: Company & SKP Research

3. Operational efficiency:

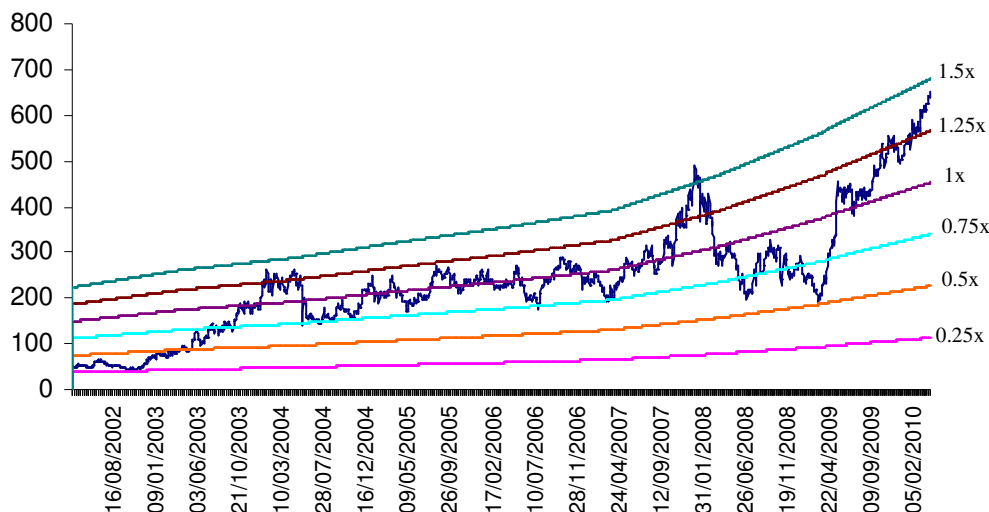
- BoB has achieved 100% CBS branches in 2010. This would bring in operational efficiency, leading to reduced cost of operations.
- We expect the Cost to Income ratio to stabilize to 40.3% by 2012.



Source: Company & SKP Research

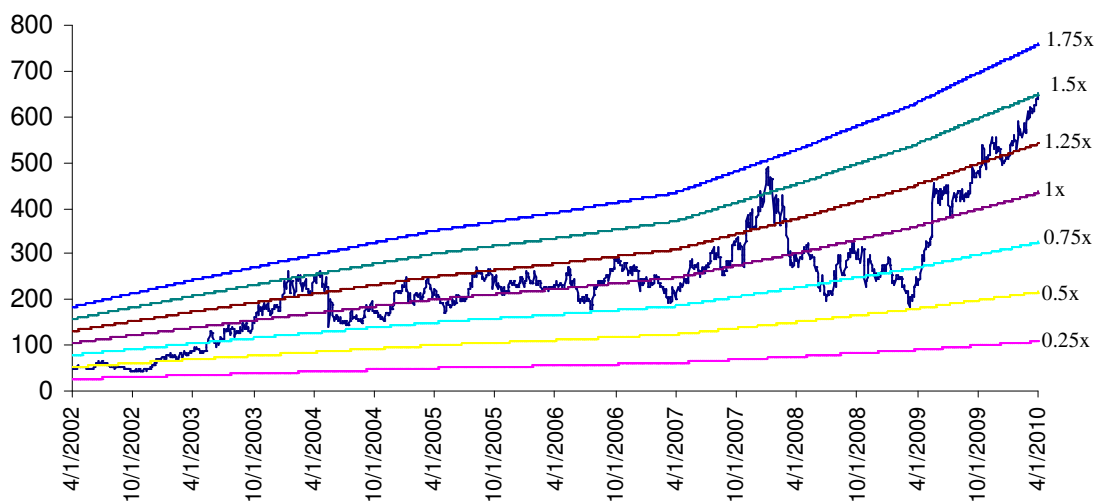
Valuations & Outlook

Price to Book value band chart:



Source: Capitaline & SKP Research

Price to Adj. Book value band chart:



Source: Capitaline & SKP Research

At present Bank of Baroda is trading at 1.9x Adj. BV of FY10. Our target price of Rs.824 is 1.9x and 1.6x to Adj. BV per share of FY11& FY12 respectively.

We hereby initiate coverage on Bank of Baroda and recommend accumulate rating with a target price of Rs.824/- (15% upside) in 12 months.

Financial Statements & Ratios

Income Statement				
Financial Year (Rs.Mn.)	2009	2010	2011 E	2012 E
Interest Income	150916	166983	210553	265599
Interest Expenses	99682	107589	134030	169709
Net Interest Income	51234	59395	76522	95890
Fee based Income	7455	8973	11216	13459
Treasury Income	12725	11092	13310	15307
Miscellaneous Income	7396	7999	9199	10118
Other Income	27577	28064	33725	38885
Operating Income	78811	87458	110247	134774
Staff Cost	23481	23509	26650	30457
Other Operating Expenses	12279	14597	17280	23858
Operating Expenses	35761	38106	43930	54315
Operating Profit	43050	49353	66318	80459
Provisions	9621	6972	21347	23889
Profit before Taxes	33429	42381	44971	56570
Taxes	11157	11797	11692	14708
Profit after Taxes	22272	30583	33278	41862

Balance Sheet				
Financial Year (Rs. Mn.)	2009	2010	2011 E	2012 E
LIABILITIES				
Capital	3655	3655	3655	3655
Reserves & Surplus	125142	147409	173123	206432
Deposits	1923970	2410443	2940740	3587703
Borrowings	127679	133501	146851	168879
Other Liabilities	86277	88160	92568	101824
Total	2266722	2783167	3356937	4068493
ASSETS				
Cash & Balances with RBI	105963	135400	191072	233480
Balances with bank	134908	219271	239165	302348
Advances	1432514	1750353	2152934	2648109
Investments	524459	611824	703597	809137
Fixed Assets	23097	22848	24523	25208
Other assets	45781	43472	45646	50210
Total Assets	2266722	2783167	3356937	4068493

Ratios	2009	2010	2011 E	2012 E
Spread analysis (%)				
Yield on advances	8.96%	7.88%	8.27%	8.66%
Yield on investments	6.87%	6.43%	6.63%	6.74%
Yield on interest-earning assets	8.15%	7.19%	7.46%	7.80%
Cost of deposits	5.33%	4.56%	4.58%	4.74%
Cost of funds	5.44%	4.68%	4.76%	4.96%
Spread	2.71%	2.51%	2.70%	2.84%
Profitability ratios (%)				
RoAA	1.10%	1.21%	1.08%	1.13%
ROE	20.33%	22.94%	21.49%	23.12%
NIM	2.77%	2.56%	2.71%	2.81%
Cost to Income	45.38%	43.57%	39.85%	40.30%
Asset Quality (%)				
Gross NPAs%	1.29%	1.37%	1.31%	1.18%
Net NPAs%	0.32%	0.35%	0.33%	0.29%
Provision Coverage Ratio	74.51%	74.46%	74.93%	75.66%
Net NPA as % to Networth	3.64%	4.20%	4.27%	3.90%
Delinquency Rate	0.70%	0.95%	0.91%	0.91%
Burden Efficiency Ratio	0.24%	0.24%	0.20%	0.25%
Valuation ratios (x)				
EPS	61	84	91	115
BV per share	337	392	455	536
Adj. BV	325	376	435	515
P/E	11.7	8.5	7.8	6.2
P/Adj.BV	2.2	1.9	1.6	1.4
Business Ratio				
Credit Deposit ratio	74.46%	72.62%	73.21%	73.81%
Investment Deposit ratio	27.26%	25.38%	23.93%	22.55%
SLR to Investment ratio	78.37%	82.11%	87.07%	92.03%
CASA ratio	29.59%	29.65%	30.00%	31.00%
Total Business Growth rate	29.73%	23.96%	22.42%	22.42%

Cash Flow Statement (Rs. Mn.)	2009	2010	2011 E	2012 E
PBT	33429	42381	44971	56570
Net Cash from Operating Activities	11255	112525	106498	175674
Net Cash used in Investing Activities	-2389	-3351	-24539	-62384
Net cash generated from Financing Activities	9013	4625	-6393	-7698
Net Increase in cash & cash equivalents	17879	113799	75567	105591
Cash & Cash Equivalents as at year start.	222993	240872	354670	430237
Cash & Cash Equivalents as at year end.	240872	354670	430237	535829

The above analysis and data are based on last available prices and not official closing rates. SKP Research is also available on Bloomberg, Thomson First Call & Investext Myiris, Moneycontrol, Tickerplant and ISI Securities

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Entities

Member: NSE BSE NSDL CDSL NCDEX* MCX* MCX-SX FPSB
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*Group