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Q4 FY07
Result Update

Bank of Baroda

BUY

Rs 243

April 30, 2007

Huge growth with healthy asset quality though some margin compression

Company Details		Result Snapshot	
Market Cap:	Rs 88,786m	39.6% growth in advances to Rs. 836.2 bn	
52 Week High/Low:	Rs 296 / 176	33.4% growth in deposit to Rs. 1249 bn	
Bloomberg Code:	BOB@IN	NIM improved in Q4 to 3.42% from 3.21% in 9m FY 07 but has come down from 3.31% in FY 06 to 3.23% in FY 07.	
Reuters Code:	BOB.BO / NS	NII up by huge 35% in Q4 FY 07 but lesser 19% in FY 07	
Shares O/s:	365m	Net profits up by moderate 17.7% in Q4 FY 07 but by higher 24% in FY 07	
Average Volume (3 months):	0.8m	Gross NPAs at 2.47% and net NPAs at 0.6%.	
Price Performance		Stock trades at 0.9x FY 08 ABV. Though monetary tightening may affect stock performance, but due to cheaper valuation, we maintain our Buy rating on the stock.	
(%)	1m	3m	12m
Absolute	13.9	(5.0)	10.0
Relative to Sensex	6.7	(2.3)	(7.3)

Q4 FY07 Result Snapshot

(Rs m)

Y/e March	Q4FY07	Q4FY06	yoy gr. (%)	Q3FY07	FY06	FY07	yoy gr. (%)
Net Int. Income	11,046	8,189	34.9	9,608	31,749	37,861	19.3
Op. Profit	5,866	4,891	19.9	6,569	19,175	24,150	25.9
Net Profit	2,457	2,088	17.7	3,291	8,270	10,265	24.1
Deposits	1,249,160	936,620	33.4	1,122,980	936,620	1,249,160	33.4
Advances	836,209	599,118	39.6	776,610	599,118	836,209	39.6

Valuation Ratios

Y/e March	FY06	FY07E	FY08E	FY09E
EPS (Rs)	25.1	28.1	34.0	41.4
EPS growth (%)	9.0	12.1	20.9	21.8
BV/S (Rs)	214.6	236.7	262.1	293.2
ABV/S (Rs)	200.4	222.9	241.6	266.8
P/E (x)	9.7	8.6	7.2	5.9
P/BV (x)	1.1	1.0	0.9	0.8
P/ABV (x)	1.2	1.1	1.0	0.9
DPS (Rs)	5.7	6.2	7.5	9.2
Dividend Payout ratio (%)	25.1	25.0	25.0	25.0
Dividend yield (%)	2.3	2.6	3.1	3.8

(Stock price as on April 27, 2007)



Result Highlights

Bank of Baroda has reported huge 39.6% growth in advances to Rs. 836.2 bn which is slightly higher than the 38% growth in FY 06. Retail advances have grown by still higher 46% to Rs. 143.2 bn and form slightly higher share of total loans at 21% compared to 19% as on FY 06 and 19.3% as on Q3 FY 07.

Deposits have gone up by huge 33.4% to Rs. 1249 bn. With higher growth in term deposits, share of low cost deposits have come down from 40.4% as on Q3 FY 07 to 38.7%.

With two round of PLR hike, NIM has improved in Q4 FY 07 to 3.42% from 3.21% in 9m FY 07 but it has come down from 3.31% in FY 06 to 3.23% in FY 07.

Huge business growth coupled with margin improvement has resulted in NII going up by huge 35% to Rs. 11046 mn in Q4 FY 07 but due to margin compression for full year, NII has gone up by comparatively lesser 19% to Rs. 37861 mn in FY 07.

Huge NII growth to some extent is inflated due to effect of merger considered in this year.

Net profits have gone up by moderate 17.7% to Rs. 2457 mn in Q4 FY 07 due to higher depreciation losses and higher provisioning requirement on standard assets.

Despite high growth, asset quality has improved year on year as well sequentially with gross NPAs at 2.47% compared to 3.02% as on Q3 FY 07 and net NPAs at 0.6% compared to 0.67% as on Q3 FY 07.

With high growth CAR has come down from 12.24% as on Q3 FY 07 to 11.8%. Though CAR has come down, tier - I is still healthy at 8.74%. This provides sufficient scope for healthy growth without any equity dilution.

Stock trades at 0.9x FY 08 ABV. Though monetary tightening may affect stock performance, but due to cheaper valuation, we maintain our Buy rating on the stock.



Q4 FY07 Result Overview

(Rs m)

Y/e March	Q4FY07	Q4FY06	yoy gr. (%)	Q3FY07	FY06	FY07	yoy gr. (%)
Interest on Advances	17,905	10,812	65.6	15,630	37,778	59,374	57.2
Interest on Investments	7,205	6,992	3.0	7,221	29,064	27,689	(4.7)
Others	1,611	1,268	27.0	1,019	3,658	5,064	38.5
Total Interest Earned	26,721	19,073	40.1	23,870	70,500	92,126	30.7
Total non interest Income	2,403	3,368	(28.7)	3,337	11,274	11,732	4.1
Total Income	29,124	22,441	29.8	27,207	81,773	103,859	27.0
Int. Expanded	15,674	10,883	44.0	14,262	38,751	54,266	40.0
Net Int. Income	11,046	8,189	34.9	9,608	31,749	37,861	19.3
Net Total Income	13,450	11,557	16.4	12,944	43,023	49,593	15.3
Op. expenses	7,584	6,667	13.8	6,375	23,848	25,443	6.7
Op. Profit	5,866	4,891	19.9	6,569	19,175	24,150	25.9
Core Op Profit	5,569	4,330	28.6	6,257	16,654	22,763	36.7
Provisions	1,543	2,267	(31.9)	1,417	8,029	7,608	(5.2)
PBT	4,322	2,623	64.8	5,152	11,146	16,543	48.4
Prov. for taxes	1,866	536	248.4	1,861	2,876	6,278	118.3
Net Profit	2,457	2,088	17.7	3,291	8,270	10,265	24.1
<i>Effective tax rate (%)</i>	<i>43.2</i>	<i>20.4</i>		<i>36.1</i>	<i>25.8</i>	<i>37.9</i>	
EPS	6.7	5.7	17.7	9.0	25.1	28.1	12.1
<i>Interest on adv % total</i>	<i>61.5</i>	<i>48.2</i>		<i>57.4</i>	<i>46.2</i>	<i>57.2</i>	
<i>Other income % total</i>	<i>8.3</i>	<i>15.0</i>		<i>12.3</i>	<i>13.8</i>	<i>11.3</i>	
<i>Cost/Income ratio</i>	<i>56.4</i>	<i>57.7</i>		<i>49.3</i>	<i>55.4</i>	<i>51.3</i>	
<i>CAR (%)</i>	<i>11.8</i>	<i>13.7</i>		<i>12.2</i>	<i>15.0</i>	<i>11.8</i>	
Gross NPA	20,921	22,901		23,886	22,901	20,921	
Net NPA	5,017	5,180		5,147	5,180	5,017	
<i>% of gross NPAs</i>	<i>2.5</i>	<i>3.9</i>		<i>3.0</i>	<i>3.9</i>	<i>2.5</i>	
<i>% of net NPAs</i>	<i>0.6</i>	<i>0.9</i>		<i>0.7</i>	<i>0.9</i>	<i>0.6</i>	
Deposits	1,249,160	936,620	33.4	1,122,980	936,620	1,249,160	33.4
Advances	836,209	599,118	39.6	776,610	599,118	836,209	39.6



Key Numbers

(Rs m)

Y/e March	FY06	FY07E	FY08E	FY09E
Market Price	243	243	243	243
Equity Capital	3,655	3,655	3,655	3,655
Market Capitalisation	88,787	88,786	88,786	88,786
Balance sheet size	1,133,925	1,441,119	1,765,475	2,112,615
<i>Market cap to balance sheet size (%)</i>	<i>7.8</i>	<i>6.2</i>	<i>5.0</i>	<i>4.2</i>
Deposits	936,620	1,249,160	1,555,994	1,890,144
Net Advances	599,118	836,209	1,070,552	1,284,662
Investments	351,142	394,680	487,418	576,656
Networth	78,444	86,510	95,819	107,161
NII	31,749	37,861	44,952	54,100
<i>NII Growth (%)</i>	<i>6.6</i>	<i>19.3</i>	<i>18.7</i>	<i>20.4</i>
Operating profits	19,175	24,150	30,523	38,373
Core op profits	16,654	22,763	30,800	38,567
<i>Core op profits growth (%)</i>	<i>(5.7)</i>	<i>36.7</i>	<i>35.3</i>	<i>25.2</i>
PAT	8,270	10,265	12,412	15,122
<i>PAT growth (%)</i>	<i>22.2</i>	<i>24.1</i>	<i>20.9</i>	<i>21.8</i>
<i>NIM (%)</i>	<i>3.2</i>	<i>3.1</i>	<i>2.9</i>	<i>2.9</i>
<i>RoA (%)</i>	<i>0.8</i>	<i>0.8</i>	<i>0.8</i>	<i>0.8</i>
<i>RoE (%)</i>	<i>12.3</i>	<i>12.4</i>	<i>13.6</i>	<i>14.9</i>
<i>Treasury gain as % of OP</i>	<i>13.1</i>	<i>5.7</i>	<i>(0.9)</i>	<i>(0.5)</i>
<i>Treasury gain as % of PBT</i>	<i>22.6</i>	<i>8.4</i>	<i>(1.5)</i>	<i>(0.9)</i>
<i>Cost - Income ratio (%)</i>	<i>55.4</i>	<i>51.3</i>	<i>47.1</i>	<i>43.7</i>
<i>Credit - Deposit ratio (%)</i>	<i>64.0</i>	<i>66.9</i>	<i>68.8</i>	<i>68.0</i>
Gross NPAs	22,901	20,921	28,772	36,339
Net NPAs	5,180	5,017	7,494	9,635
<i>% of Gross NPAs</i>	<i>3.9</i>	<i>2.5</i>	<i>2.6</i>	<i>2.8</i>
<i>% of Net NPA</i>	<i>0.9</i>	<i>0.6</i>	<i>0.7</i>	<i>0.8</i>

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