

India

HOLD (no change)

Consensus ratings*: Buy 29 Hold 6 Sell 2

Current price: Rs225
 Target price: ▼ Rs240
 Previous target: Rs245
 Up/downside: 6.7%
 InCred Research / Consensus: -11.1%

Reuters: BOB.NS
 Bloomberg: BOB IN
 Market cap: US\$13,685m
 Rs1,160,971m
 Average daily turnover: US\$32.9m
 Rs2791.8m
 Current shares o/s: 240.4m
 Free float: 42.6%

*Source: Bloomberg

Key changes in this note

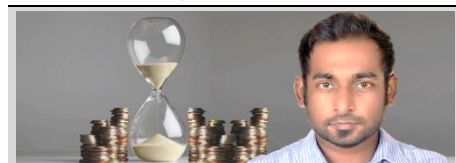
- We revisit our estimates to build margin factoring in ~50bp repo rate cut.
- We cut the risk-free rate by 25bp.
- We introduce FY28F estimates.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(2.1)	3.8	(13.3)
Relative (%)	(10.0)	0.1	(21.2)

Major shareholders	% held
PRESIDENT OF INDIA	64.0
LIC	6.3
HDFC AMC	2.3

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Bank of Baroda**Weak performance**

- The 4Q results were weak on core performance, mainly led by margin miss. Non-core income strong led by recovery from w/off accounts & treasury gains.
- BoB lacks material lever to offset RoA dip over the next few years. We expect RoA to moderate to 0.85% in FY26-27F, from 1.2% in FY25.
- We trim our target price to Rs240 (7% upside), implying 0.8x target multiple. BoB trades at 0.7x FY27F core BV & the risk-reward ratio appears balanced.

Management expects steady full-year margin in FY26F vs. FY25

Bank of Baroda or BoB's margin declined by 8bp QoQ to 2.86% in the Mar 2025 quarter. Management noted that ~3bp of the margin impact was owing to downward repricing of loans and a material portion of the remaining was led by a rise in deposit costs. BoB looks to protect margin through various measures including reducing term deposit card rates (retail as well as wholesale), reducing the share of wholesale bulk deposits (~20% now), improving the mix of higher-yield RAM segment, moderate overseas growth and structurally shift corporate loans away from the EBLR-linked pricing mechanism. Management indicated that the duration of bulk deposits is ~ nine months and the cost of these deposits is already lower by 30-40bp. It expects material benefits over the next few quarters. BoB gave guidance of margin troughing in 1QFY26F and an improvement from there on. We have built margin decline of ~10bp for FY26F to 2.91% vs. 3.02% in FY25 and believe our assumptions have downside risks.

Reiterates growth guidance - loans at 11-13% & deposits at 9-11%

Management reiterated its loan/deposit growth guidance. Within overall loans, it expects growth to be driven by the RAM segment (~15% YoY). The corporate loan book should grow at ~10% YoY while the overseas book growth moderates. Within the MSME segment, the bank noted that revised loan ticket size caps will help drive growth in the mid-corporate segment. Moreover, the focus on segmental loan growth will be premised on its risk-adjusted return on capital model, which was introduced recently.

BoB lacks material lever to offset RoA dip; risk-reward balanced

BoB delivered RoA of ~1.2% in FY25. We expect RoA to moderate to 0.85% in FY26-27F mainly owing to moderation in margin, lower non-core income, and credit cost normalization (60bp vs. 50bp in FY25). RoE to decline to 11.5% in FY26F-27F, from 16% in FY25. BoB trades at 0.7x FY27F BV for RoE of 11.5%. BoB lacks any lever to offset the moderation in margin over the next few years. The risk-reward ratio at the current valuation appears balanced. We maintain HOLD rating on the stock but have slightly reduced our target price to Rs240 (from Rs245). This adjustment reflects our lowered sustainable RoE expectation following an unexpected margin weakness, although this is partially offset by reduced risk-free rate. Downside risks: Lower-than-expected loan/deposit growth, higher delinquencies in retail/MSME portfolios, and higher-than-expected growth in costs. Upside risks: Higher-than-expected margin outcome, stronger-than-expected loan growth, and a significant improvement in the retail liability franchise.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Net Interest Income (Rsm)	447,215	456,587	476,218	546,668	625,573
Total Non-Interest Income (Rsm)	144,954	166,473	144,925	138,718	135,189
Operating Revenue (Rsm)	592,169	623,060	621,143	685,385	760,762
Total Provision Charges (Rsm)	(60,756)	(59,803)	(80,357)	(91,432)	(103,375)
Net Profit (Rsm)	177,888	195,812	164,262	179,662	200,040
Core EPS (Rs)	34.36	37.82	31.73	34.70	38.64
Core EPS Growth	26%	10%	(16%)	9%	11%
FD Core P/E (x)	6.53	5.94	7.08	6.47	5.81
DPS (Rs)	7.60	8.35	6.35	6.94	7.73
Dividend Yield	3.39%	3.72%	2.83%	3.09%	3.44%
BVPS (Rs)	216.7	264.5	287.8	316.2	347.9
P/BV (x)	1.04	0.85	0.78	0.71	0.65
ROE	16.9%	15.7%	11.5%	11.5%	11.6%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly earnings summary

Rs m	4QFY24	3QFY25	4QFY25	YoY (%)	QoQ (%)
Net Interest Income	117,928	114,169	110,196	-7%	-3%
Other Income	41,915	37,689	52,098	24%	38%
--Core Fee	13,900	10,980	15,040	8%	37%
--Treasury Income	5,370	6,710	8,810	64%	31%
--Misc. Income	22,645	19,999	28,248	25%	41%
-----o/w Recovery from w/off	12,020	7,210	9,670	-20%	34%
Total income	159,843	151,858	162,295	2%	7%
--Core Revenue	131,828	125,149	125,236	-5%	0%
Operating Expenses	78,782	75,215	80,973	3%	8%
--Staff Expenses	45,467	42,067	43,472	-4%	3%
--Other Operating Expenses	33,315	33,148	37,501	13%	13%
Operating Profit	81,061	76,642	81,321	0%	6%
--Core PPoP	53,046	49,934	44,263	-17%	-11%
Provisions	13,019	10,823	15,515	19%	43%
PBT	68,042	65,819	65,806	-3%	0%
Tax	19,177	17,446	15,329	-20%	-12%
PAT	48,865	48,373	50,477	3%	4%
EPS	9	9	10		
Advances	10,657,817	11,513,156	12,095,579	13%	5%
Deposits	13,269,578	13,924,614	14,720,349	11%	6%
LD Ratio	80%	83%	82%		
CASA Ratio	35%	33%	34%		
Margins (%)	3.27	2.94	2.86	-0.41	-0.08
Overall provisions (in bp)	50	38	53		
---Credit cost (in bp)	56	37	52		
-----NPA provisions	57	31	44		
GNPA	318,336	284,712	278,349	-13%	-2%
GNPA Ratio (%)	2.92%	2.43%	2.26%		
NNPA	72,133	68,251	69,942	-3%	2%
NNPA Ratio (%)	0.68	0.59	0.58		
PCR	246,203	216,462	208,406	-15%	-4%
PCR Ratio (%)	77%	76%	75%		
Slippages	32,000	29,150	31,590	-1%	8%
--% of trailing loans	1.4%	1.1%	1.2%		
CET-1 Ratio (%)	12.5%	13.8%	13.8%		
RoA	1.3%	1.1%	1.0%		
RoE	17.5%	15.0%	15.1%		

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Analyst meet highlights

Margin

- Margin declined by 8bp QoQ to 2.86%, of which 3bp came from the repo rate impact (25bp cut – repriced on T+1 basis). As regards the remaining, the material impact was owing to the rise in deposit costs.
- The increase in the cost of deposits is partly explained by back-ended wholesale deposits last quarter, which led to a relatively higher full-quarter interest cost impact in 4QFY25.
- Management noted that the resetting of spreads (over repo rate) can happen at the time of renewal and will be based on the quality of the account and other factors.
- On overseas margin, the bank looks to operate at the 1.75% level. The international loan book is linked to both assets as well as liabilities. The only difference is skewness or timing of the repricing. Global rate cut cycle impacted margin over the last six months.
- Management expects margin to remain broadly steady in FY26F, vs. FY25, at ~3%. The levers offsetting the repo rate cut impact will be a reduction in term deposit rates, conversion of corporate loans from EBLR to MCLR and removing the discount on existing loans. Also, the bank intends to reduce the dependency on bulk deposits, which stood at ~20% as of Mar 2025-end.

- Management stated that the bank will witness some benefits from repricing wholesale deposits (which are currently lower by 30-40bp). The bank has also reduced peak card rates on bulk deposits by 15-20bp. Moreover, within wholesale deposits, 70% comprises bulk deposits (duration of one year) and 30% is CD (duration is three-to-six months). The blended duration of the wholesale loan book is ~ nine months.
- As regards savings account or SA card rates, management does not intend to cut SA rates given the fact that SA rates were not hiked during the repo rate upcycle.

Growth

- Management reiterated its guidance to grow the loan book 11-13% and increase deposits at 9-11%.
- Avg. CASA deposits grew by 6.5% QoQ. Within overall CASA, ~26% is institutional CASA while the balance 74% is retail CASA.
- On CD ratio, the bank gave guidance of keeping the CD ratio in the range of 82-84%. It highlighted that loan growth can also be managed by infrastructure bond borrowing. Moreover, the bank also looks to moderate overseas growth to fix the CD ratio.
- On LCR, the bank looks to keep LCR at 120% level vs. 123% as of Mar 2025-end. Also, management indicated that the bank has 6-7% excess SLR to meet rising demand, if there is any such need.
- The bank expects healthy growth in the MSME segment, partly owing to reclassification of loan ticket size. As a result, demand from mid-corporates can also be met.

Asset quality

- Management stated that the uptick in MSME slippage during 4QFY25 was from legacy accounts. Management highlighted that it is business as usual. It is not overly worried about the MSME asset quality at this stage. Moreover, the bank also takes CGTMSE coverage on some MSME exposure.
- Write-offs during the quarter were related to aged accounts which were 100% provided for - mainly from corporate and international segments.
- SMA - 1&2 at 0.33% includes a lumpy state government guaranteed account. Excluding which, SMA 1&2 exposure stands at 0.1%.

Others

- Loan mix by rate type - repo is 34-35%, MCLR is 45-48%, and the fixed rate book is in low single digit.
- Management expects healthy treasury gains in FY26F. It gave guidance of such gains being broadly similar to the slightly lower treasury gains during FY25.
- Priority sector lending or PSL target for the year was achieved with ~45% compliance (vs. target of 40%) leading to reduced costs. Moreover, the revised PSL guidelines would require 48% compliance.
- AFS reserves stood at Rs20bn (0.2% of RWA).

Figure 2: Our revised earnings estimates

Rs bn	New Estimates			Old Estimates			Change	
	FY25	FY26F	FY27F	FY28F	FY26F	FY27F	FY26F	FY27F
Net Interest Income	457	476	547	626	483	563	-1%	-3%
--Growth YoY	2%	4%	15%	15%	4%	17%		
Non-Interest Income	166	145	139	135	122	124	19%	12%
--Growth YoY	15%	-13%	-4%	-3%	-20%	2%		
Total Income	623	621	685	761	604	687	3%	0%
--Growth YoY	5%	0%	10%	11%	-2%	14%		
Opex	299	327	360	397	325	358	1%	1%
--Growth YoY	6%	9%	10%	10%	10%	10%		
PPOP	324	295	326	365	279	329	5%	-1%
--Growth YoY	5%	-9%	11%	12%	-14%	18%		
Provision	60	80	91	103	92	104	-12%	-12%
--as a % of Avg. Loans	53	63	63	63	72	73		
PBT	265	214	234	261	188	225	14%	4%
Tax	69	50	55	61	47	57	-5%	4%
PAT	196	164	180	200	141	168	17%	7%
--Growth YoY	10%	-16%	9%	12%	-26%	20%		
Advances	12,096	13,539	15,307	17,307	13,338	15,080	2%	2%
--Growth YoY	13%	12%	13%	13%	12%	13%		
Deposits	14,720	16,340	18,464	20,864	16,349	18,475	0%	0%
--Growth YoY	11%	11%	13%	13%	11%	13%		
Book Value	264	288	316	348	266	293	8%	8%
--Growth YoY	22%	9%	10%	10%	8%	10%		
EPS	38	32	35	39	27	33	17%	7%
--Growth YoY	10%	-16%	9%	12%	-26%	20%		

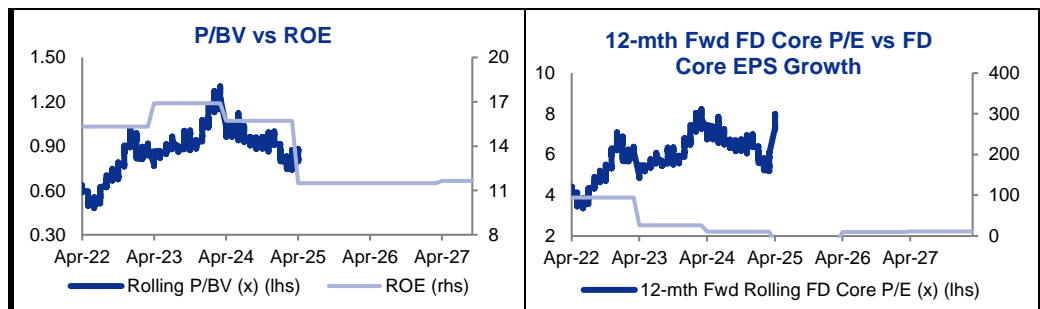
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Financial summary

Bank of Baroda									
Profit and Loss Statement					Per Share Data and Valuations				
Rs M (Year-end March)	FY25	FY26F	FY27F	FY28F	Year-end March	FY25	FY26F	FY27F	FY28F
Interest Income	1,214,416	1,330,838	1,493,583	1,696,074	Per Share Data (in Rs)				
Interest Expense	757,830	854,620	946,916	1,070,501	EPS (diluted)	37.8	31.7	34.7	38.6
Net Interest Income	456,587	476,218	546,668	625,573	Book Value	264.5	287.8	316.2	347.9
---Fee Income	28,899	31,789	34,968	38,465	Core Op. Profit	42.4	42.0	50.5	63.2
---Forex Income	0	0	0	0	DPS	8.4	6.3	6.9	7.7
---Capital Gains	27,360	27,000	20,000	6,000	Valuations				
---Miscellaneous Inc.	110,214	86,136	83,749	90,724	P/E	5.9	7.1	6.5	5.8
Total Non Interest Income	166,473	144,925	138,718	135,189	P/BV	0.8	0.8	0.7	0.6
Total Operating Income	623,060	621,143	685,385	760,762	Price to Core Op. Profit	5.3	5.3	4.4	3.6
---Employee Exp	166,076	177,547	192,002	207,902	Dividend Yield	3.7%	2.8%	3.1%	3.4%
---Other Expenses	132,637	149,094	167,731	188,697	Ratio Analysis				
Total Operating Expenses	298,714	326,641	359,733	396,599	(Year-end March)	FY25	FY26F	FY27F	FY28F
Operating Profit	324,346	294,502	325,652	364,163	Spread Analysis				
---Prov. For Investment Dep.	370	0	0	0	Average yield on assets	7.5%	7.3%	7.3%	7.4%
---Loan Loss Provisions	51,700	75,307	85,242	96,377	Cost of earning assets	4.7%	4.7%	4.7%	4.7%
---Other Provisions	7,733	5,051	6,190	6,998	Net Interest Margin (Reported)	3.0%	2.9%	3.0%	3.0%
Total provisions	59,803	80,357	91,432	103,375	Growth Ratios				
Profit Before Tax	264,544	214,144	234,221	260,788	Net Interest Income	2.1%	4.3%	14.8%	14.4%
Provision for Tax	68,732	49,883	54,559	60,748	Non Interest Income	14.8%	-12.9%	-4.3%	-2.5%
Net Profit	195,812	164,262	179,662	200,040	Operating expenses	5.7%	9.3%	10.1%	10.2%
Core Operating profit	186,772	181,366	221,903	267,439	Core Operating Profit	12.1%	14.3%	15.8%	15.8%
Balance Sheet Data					Net Profit	10.1%	-16.1%	9.4%	11.3%
Rs M (Year-end March)	FY25	FY26F	FY27F	FY28F	EPS	9.9%	-16.1%	9.4%	11.3%
Shareholders' equity	1,369,257	1,490,285	1,637,095	1,801,203	Deposits	10.9%	11.0%	13.0%	13.0%
Deposits	14,720,349	16,339,587	18,463,733	20,864,018	Advances	13.5%	11.9%	13.1%	13.1%
Borrowings	1,027,862	1,161,484	1,318,284	1,496,253	Total Assets	12.3%	11.0%	12.8%	12.8%
Other Liabilities & Prov.	695,006	785,357	891,380	1,011,716	Profitability Ratios				
Total Liabilities	17,812,473	19,776,713	22,310,492	25,173,190	Return On Equity	15.7%	11.5%	11.5%	11.6%
Cash & Balances with RBI	560,685	623,092	704,301	796,095	Return on Assets	1.2%	0.9%	0.9%	0.8%
Balances with Banks	697,807	788,522	894,972	1,015,794	Efficiency Ratios				
Investments	3,853,985	4,156,520	4,657,633	5,221,715	Cost Income Ratio	47.9%	52.6%	52.5%	52.1%
Advances	12,095,579	13,538,582	15,307,093	17,306,621	Expenses/Avg Assets	1.8%	1.7%	1.7%	1.7%
Fixed Assets	123,763	126,857	130,028	133,279	Capital Ratios				
Other Assets	480,655	543,140	616,464	699,687	CET 1 Ratio	13.8%	13.7%	13.7%	13.7%
Total Assets	17,812,473	19,776,713	22,310,492	25,173,190	Tier 1 Ratio	14.8%	14.6%	14.5%	14.5%
Earning Assets	17,208,056	19,106,716	21,564,000	24,340,224	Capital Adequacy Ratio	17.0%	16.8%	16.7%	16.7%
Asset Quality					Source: Company Data, InCred Research				
Credit Costs / Advances (bps)	52	63	63	63	E=InCred Research Estimates				
Gross NPL	293,766	323,766	381,766	439,766					
Net NPL	69,942	94,636	137,394	169,017					
Gross NPL Ratio	2.4%	2.4%	2.5%	2.5%					
Net NPL Ratio	0.6%	0.7%	0.9%	1.0%					
NPL Coverage Ratio	76%	71%	64%	62%					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Net Interest Income	447,215	456,587	476,218	546,668	625,573
Total Non-Interest Income	144,954	166,473	144,925	138,718	135,189
Operating Revenue	592,169	623,060	621,143	685,385	760,762
Total Non-Interest Expenses	(282,517)	(298,714)	(326,641)	(359,733)	(396,599)
Pre-provision Operating Profit	309,652	324,346	294,502	325,652	364,163
Total Provision Charges	(60,756)	(59,803)	(80,357)	(91,432)	(103,375)
Operating Profit After Provisions	248,896	264,544	214,144	234,221	260,788
Pretax Income/(Loss) from Assoc.					
Operating EBIT (incl Associates)	248,896	264,544	214,144	234,221	260,788
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	248,896	264,544	214,144	234,221	260,788
Exceptional Items					
Pre-tax Profit	248,896	264,544	214,144	234,221	260,788
Taxation	(71,008)	(68,732)	(49,883)	(54,559)	(60,748)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	177,888	195,812	164,262	179,662	200,040
Minority Interests					
Pref. & Special Div					
FX And Other Adj.					
Net Profit	177,888	195,812	164,262	179,662	200,040
Recurring Net Profit					

Balance Sheet Employment

(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Gross Loans/Cust Deposits					
Avg Loans/Avg Deposits	79.3%	81.3%	82.5%	82.9%	82.9%
Avg Liquid Assets/Avg Assets	96.2%	96.6%	96.6%	96.6%	96.7%
Avg Liquid Assets/Avg IEAs	107.0%	107.3%	107.9%	108.0%	108.0%
Net Cust Loans/Assets					
Net Cust Loans/Broad Deposits					
Equity & Provns/Gross Cust Loans					
Asset Risk Weighting					
Provision Charge/Avg Cust Loans	0.61%	0.53%	0.63%	0.63%	0.63%
Provision Charge/Avg Assets	0.40%	0.36%	0.43%	0.43%	0.44%
Total Write Offs/Average Assets					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Gross Loans	10,657,817	12,095,579	13,538,582	15,307,093	17,306,620
Liquid Assets & Invst. (Current)	3,698,169	3,853,985	4,156,520	4,657,633	5,221,715
Other Int. Earning Assets					
Total Gross Int. Earning Assets	14,355,986	15,949,564	17,695,102	19,964,726	22,528,336
Total Provisions/Loan Loss Reserve					
Total Net Interest Earning Assets	14,355,986	15,949,564	17,695,102	19,964,726	22,528,336
Intangible Assets					
Other Non-Interest Earning Assets	471,619	480,655	543,140	616,464	699,687
Total Non-Interest Earning Assets	550,744	604,418	669,997	746,492	832,966
Cash And Marketable Securities	951,241	1,258,492	1,411,614	1,599,273	1,811,889
Long-term Investments					
Total Assets	15,857,971	17,812,474	19,776,712	22,310,492	25,173,190
Customer Interest-Bearing Liabilities	13,269,578	14,720,348	16,339,587	18,463,734	20,864,018
Bank Deposits					
Interest Bearing Liabilities: Others					
Total Interest-Bearing Liabilities	13,950,786	15,748,210	17,501,070	19,782,018	22,360,270
Banks Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	784,949	695,006	785,357	891,380	1,011,716
Total Liabilities	14,735,735	16,443,216	18,286,428	20,673,398	23,371,988
Shareholders Equity	1,122,236	1,369,257	1,490,285	1,637,095	1,801,203
Minority Interests					
Total Equity	1,122,236	1,369,257	1,490,285	1,637,095	1,801,203

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Income Growth	8.1%	2.1%	4.3%	14.8%	14.4%
Operating Profit Growth	15.3%	4.7%	(9.2%)	10.6%	11.8%
Pretax Profit Growth	26%	6%	(19%)	9%	11%
Net Interest To Total Income	75.5%	73.3%	76.7%	79.8%	82.2%
Cost Of Funds	5.07%	5.10%	5.14%	5.08%	5.08%
Return On Interest Earning Assets	8.2%	8.0%	7.9%	7.9%	8.0%
Net Interest Spread	3.15%	2.91%	2.77%	2.85%	2.90%
Net Interest Margin (Avg Deposits)	3.53%	3.26%	3.07%	3.14%	3.18%
Net Interest Margin (Avg RWA)					
Provisions to Pre Prov. Operating Profit	20%	18%	27%	28%	28%
Interest Return On Average Assets	2.94%	2.71%	2.53%	2.60%	2.63%
Effective Tax Rate	28.5%	26.0%	23.3%	23.3%	23.3%
Net Dividend Payout Ratio	22.1%	22.1%	20.0%	20.0%	20.0%
Return On Average Assets	1.17%	1.16%	0.87%	0.85%	0.84%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.