

27 July 2025

Bank of Baroda

Challenging quarter, expected to generate 1% RoA; retaining a Buy

Rating: **Buy**

Target price (12-mth): Rs.281

Share price: Rs.243

BoB reported a weak set of figures. Key negatives from the results: 1) weak balance-sheet growth (loans/deposits decline q/q), 2) higher slippages (one-off/seasonality) and 3) weak margins (sector issue). Having said that, with rate-/CRR cut, we expect overall business growth to pick up with higher margins (from H2) and better asset quality. Ahead, we expect the bank to maintain ~1% RoA in the medium term. We retain a Buy rating, with a TP of Rs281, 0.9x P/ABV on the FY28e book.

Stable headline asset quality. Higher write-offs and decent recoveries led to stable headline asset quality, with GNPA/NNPA rising 2bps q/q. Q1 slippages were Rs36.9bn (1.2% of loans), more than last quarter largely due to a large NPL from the international book. The uptick in slippages were in agri/retail too, which are seasonal. Net slippages were 70bps of loans. Collection efficiency (excl. agri) rose to 99.0% in Jun'25 (98.5% in Mar'25). SMA 1 and 2 (Rs50m+) were 18bps, one of the lowest of peers. Ahead, with the low stress pipeline and normal collection efficiency, net slippages would hold below 1%.

RoA to hold near 1%. NIM was 2.91%, down 7bps q/q. The pressure on NIM stemmed from lower yields. Given that we are seeing rate cuts, we expect NIM to be under pressure in the near term and stabilise from H2 FY26. Higher Treasury income (falling G-Secs) and strong income from written-off accounts (large written-off pool) would counterbalance the lower NII, keeping operating performance steady. But higher credit costs (normalisation) would lead to modest RoA. We estimate a ~1% RoA and ~13% RoE through FY26-28.

Valuation. Our Rs281 TP stems from the two-stage DDM model. This implies a ~0.9x P/ABV multiple on its FY28e book. **Risks:** Lumpy slippages in the corporate book; less-than-expected credit growth.

Key financials (YE Mar) (Rs bn)	FY24	FY25	FY26e	FY27e	FY28e
Net interest income	447	457	483	546	603
Pre-provisioning profit	310	324	339	390	435
PAT	178	196	193	212	224
EPS (Rs)	34.4	37.8	37.2	41.0	43.2
NIM (%)	3.2	2.9	2.8	2.9	2.9
Cost-Income (%)	47.7	47.9	49.0	47.7	47.1
RoE (%)	16.9	15.7	13.4	13.3	12.7
RoA (%)	1.2	1.2	1.0	1.0	1.0
Advances growth (%)	13.3	13.5	11.0	11.5	12.0
GNPA (%)	2.9	2.3	2.0	2.0	2.0
CRAR (%)	16.3	17.2	17.0	16.6	16.4
P / E (x)	7.1	6.4	6.5	5.9	5.6
P / BV (x)	1.1	0.9	0.8	0.8	0.7
P / ABV (x)	1.2	1.0	0.9	0.8	0.7

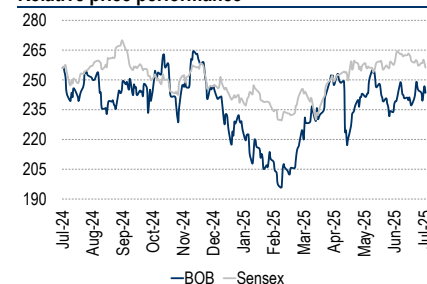
Source: Company, Anand Rathi Research

Key data	BOB IN
52-week high / low	Rs.267 / 191
Sensex / Nifty	81,463 / 24,837
Market cap	Rs.1,259bn
Shares outstanding	5171m

Shareholding pattern (%)	Jun'25	Mar'25	Dec'24
Promoters	64.0	64.0	64.0
- of which, Pledged	-	-	-
Free float	36.0	36.0	36.0
- Foreign institutions	8.1	9.0	8.9
- Domestic institutions	19.1	18.2	18.1
- Public	8.9	8.8	9.0

Estimates revision (%)	FY26e	FY27e
Net interest income	0.1	0.1
Pre-provisioning profit	0.1	0.4
PAT	(0.2)	0.5

Relative price performance



Source: Bloomberg

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Quick Glance – Financials and Valuations

Fig 1 – Income statement (Rs bn)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Net interest income	447	457	483	546	603
<i>NII growth (%)</i>	8.1	2.1	5.9	12.9	10.5
Non-interest income	145	166	181	199	219
Income	592	623	665	744	821
<i>Income growth (%)</i>	15.2	5.2	6.7	12.0	10.3
Operating expenses	283	299	326	355	387
PPoP	310	324	339	390	435
<i>PPoP growth (%)</i>	15.3	4.7	4.6	14.8	11.6
Provisions	61	60	81	105	134
PBT	249	265	259	285	300
Tax	71	69	66	73	77
PAT	178	196	193	212	224
<i>PAT growth (%)</i>	26.1	10.1	-1.6	10.1	5.5
EPS (Rs)	34.4	37.8	37.2	41.0	43.2
DPS (Rs)	7.6	8.4	9.3	10.2	10.8

Source: Company, Anand Rathi Research

Fig 2 – Balance sheet (Rs bn)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Share capital	10	10	10	10	10
Reserves & surplus	1,112	1,359	1,503	1,663	1,830
Deposits	13,351	14,720	16,045	17,730	19,680
Borrowings	944	1,237	1,361	1,470	1,587
Other Liabilities & Prov.	440	486	515	498	478
Total liabilities	15,858	17,812	19,435	21,370	23,587
Advances	10,658	12,096	13,426	14,970	16,767
Investments	3,698	3,854	4,008	4,249	4,504
Cash & bank balance	951	1,258	1,384	1,523	1,675
Fixed & other assets	551	604	617	629	641
Total assets	15,858	17,812	19,435	21,370	23,587
No. of shares (m)	5,178	5,178	5,178	5,178	5,178
<i>Deposits growth (%)</i>	10.9	10.3	9.0	10.5	11.0
<i>Advances growth (%)</i>	13.3	13.5	11.0	11.5	12.0

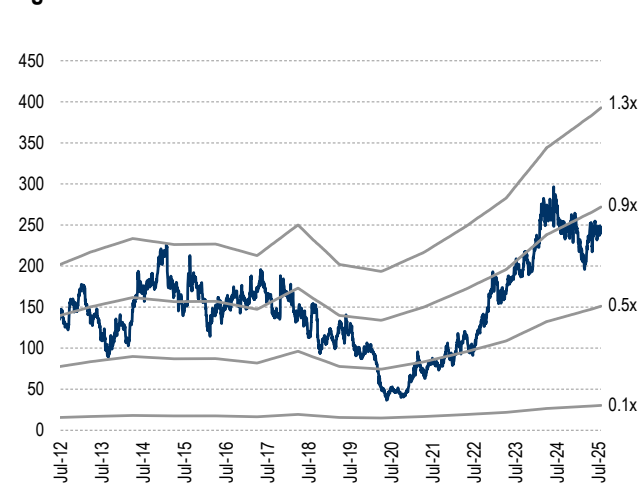
Source: Company, Anand Rathi Research

Fig 3 – Ratio analysis, %

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
NIM	3.2	2.9	2.8	2.9	2.9
Other inc. / total inc.	24.5	26.7	27.3	26.7	26.6
Cost-income	47.7	47.9	49.0	47.7	47.1
DPS (Rs)	7.6	8.4	9.3	10.2	10.8
Credit-deposit	79.8	82.2	83.7	84.4	85.2
Investment-deposit	27.7	26.2	25.0	24.0	22.9
Gross NPA	2.9	2.3	2.0	2.0	2.0
Net NPA	0.7	0.6	0.5	0.5	0.5
Provision coverage	77.3	74.9	75.0	75.0	75.0
BV (Rs)	216.7	264.5	292.4	323.1	355.5
Adj. BV (Rs)	207.0	255.0	283.2	312.9	344.2
CRAR (%)	16.3	17.2	17.0	16.6	16.4
- Tier 1	14.1	14.8	14.8	14.7	14.7
RoE	16.9	15.7	13.4	13.3	12.7
RoA	1.2	1.2	1.0	1.0	1.0

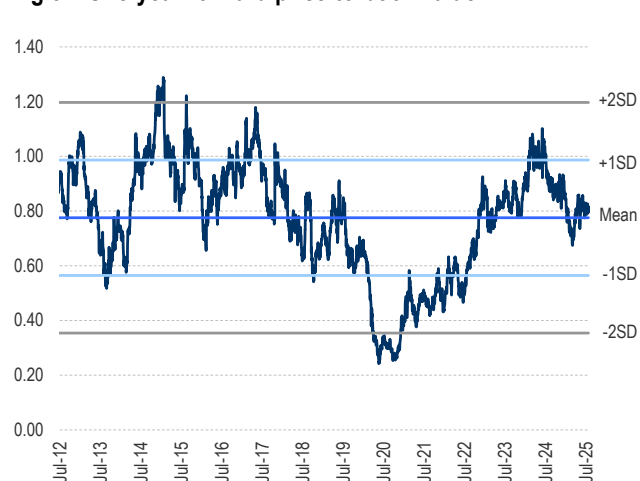
Source: Company, Anand Rathi Research

Fig 4 – Price-to-book band



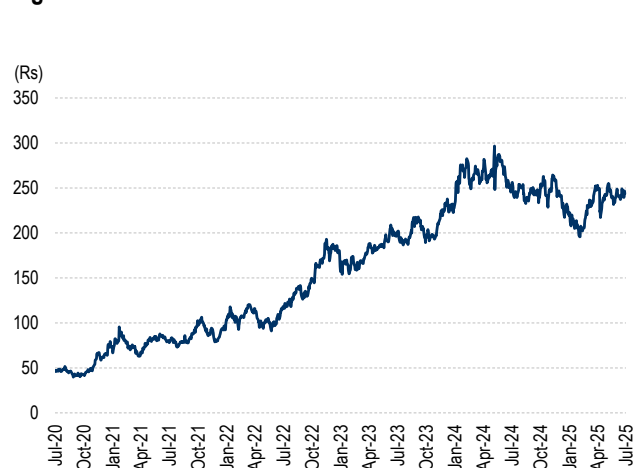
Source: Bloomberg

Fig 5 – One-year-forward price-to-book value



Source: Company, Anand Rathi Research

Fig 6 – Price movement



Source: Bloomberg

Key Highlights

Quarterly snapshot

Fig 7 – Income statement

(Rs bn)	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26
Interest income	296	296	303	309	311	311
Interest expense	178	180	186	195	196	197
NII	118	116	116	114	115	114
Y/Y growth	2.3	5.5	7.3	2.8	(2.5)	(1.4)
Non-interest income	42	25	52	38	47	47
Total income	160	141	168	152	162	161
Y/Y growth	6.6	(1.6)	12.0	9.2	1.5	14.4
Operating expenses	79	69	73	75	81	79
of which, staff cost	45	40	40	42	43	43
PPoP	81	72	95	77	81	82
Y/Y growth	0.4	(8.5)	18.2	9.3	0.3	15.0
Total provisions	13	10	23	11	16	20
PBT	68	62	71	66	66	63
Tax	19	17	19	17	15	17
PAT	49	45	52	48	50	45
Y/Y growth	2.3	9.5	23.2	5.6	3.3	1.9

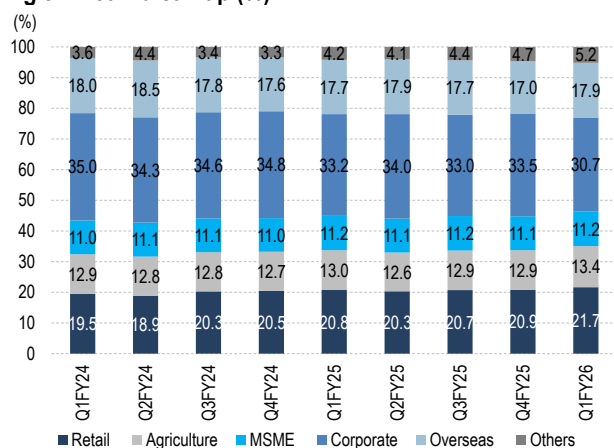
Source: Company, Anand Rath Research

Fig 8 – Balance sheet

(Rs bn)	Q4 2024	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26
Equity capital	10	10	10	10	10	10
Reserves & Surplus	1,112	1,284	1,255	1,300	1,359	1,411
Deposits	13,270	13,306	13,635	13,925	14,720	14,356
Borrowings	944	1,023	1,061	1,290	1,237	1,199
Other liabilities	522	874	527	625	486	578
Total Liabilities	15,858	16,497	16,488	17,150	17,812	17,554
Deposits y/y growth	10.2	10.9	9.1	11.8	10.9	7.9
Deposits q/q growth	6.6	0.3	2.5	2.1	5.7	-2.5
Cash and cash balances	951	1,042	994	1,174	1,258	1,318
Advances	10,658	10,719	11,212	11,513	12,096	11,866
Investments	3,698	4,147	3,738	3,888	3,854	3,730
Other assets	551	589	544	575	604	640
Total Assets	15,858	16,497	16,488	17,150	17,812	17,554
Advances y/y growth	13.3	11.3	12.3	12.4	13.5	10.7
Advances q/q growth	4.1	0.6	4.6	2.7	5.1	-1.9

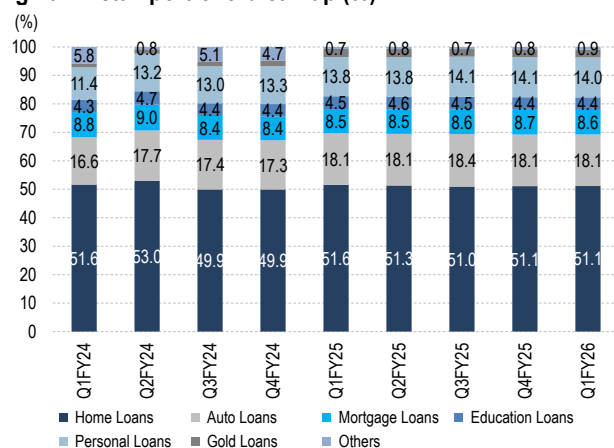
Source: Company, Anand Rath Research

Fig 9 – Loan break-up (%)



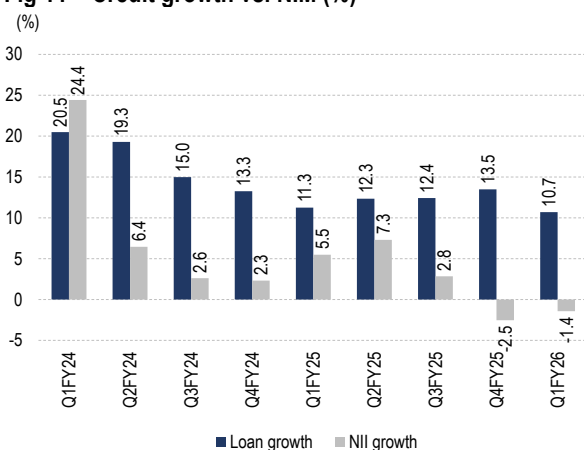
Source: Company, Anand Rathi Research

Fig 10 – Retail portfolio break-up (%)



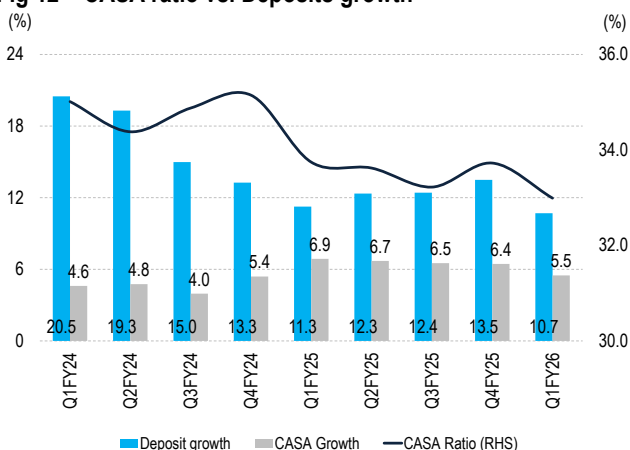
Source: Company, Anand Rathi Research

Fig 11 – Credit growth vs. NIM (%)



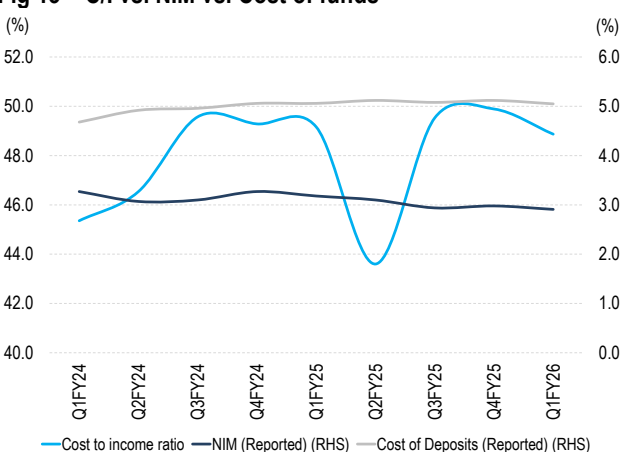
Source: Company, Anand Rathi Research

Fig 12 – CASA ratio vs. Deposits growth



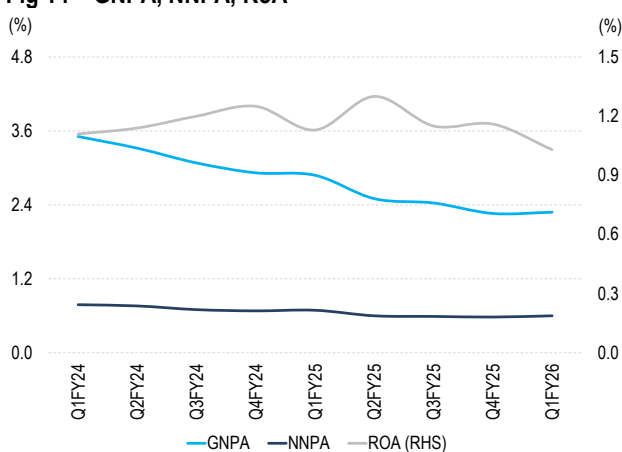
Source: Company, Anand Rathi Research

Fig 13 – C/I vs. NIM vs. Cost of funds



Source: Company, Anand Rathi Research

Fig 14 – GNPA, NNPA, RoA



Source: Company, Anand Rathi Research

Valuation

Our target price of Rs281 is based on the two-stage DDM model. This implies a ~0.9x P/ABV multiple on the FY28e book.

Fig 15 – du Pont analysis

(%)	FY24	FY25	FY26e	FY27e	FY28e
Interest Income / Assets	7.4	7.2	7.1	7.1	7.2
Interest Expense / Assets	4.5	4.5	4.5	4.5	4.5
Net interest income / Assets	2.9	2.7	2.6	2.7	2.7
Non-interest income / Assets	1.0	1.0	1.0	1.0	1.0
Net revenues / Assets	3.9	3.7	3.6	3.6	3.7
Operating expense / Assets	1.9	1.8	1.7	1.7	1.7
PPoP / Assets	2.0	1.9	1.8	1.9	1.9
Provision / Assets	0.4	0.4	0.4	0.5	0.6
Taxes / Assets	0.5	0.4	0.4	0.4	0.3
RoA	1.2	1.2	1.0	1.0	1.0
RoAE	16.9	15.7	13.4	13.3	12.7

Source: Company, Anand Rath Research

Fig 16 – Estimates revision

(Rs bn)	FY26e			FY27e		
	New	Old	Chg (%)	New	Old	Chg (%)
Net interest income	483	483	0.1	546	545	0.1
Pre-provisioning profit	339	339	0.1	390	388	0.4
PAT	193	193	(0.2)	212	211	0.5

Source: Anand Rath Research

Risks

- Lumpy slippages from the corporate book. Though unexpected, these would mar our forecasts.
- Less-than-expected credit growth could eat into our estimates.

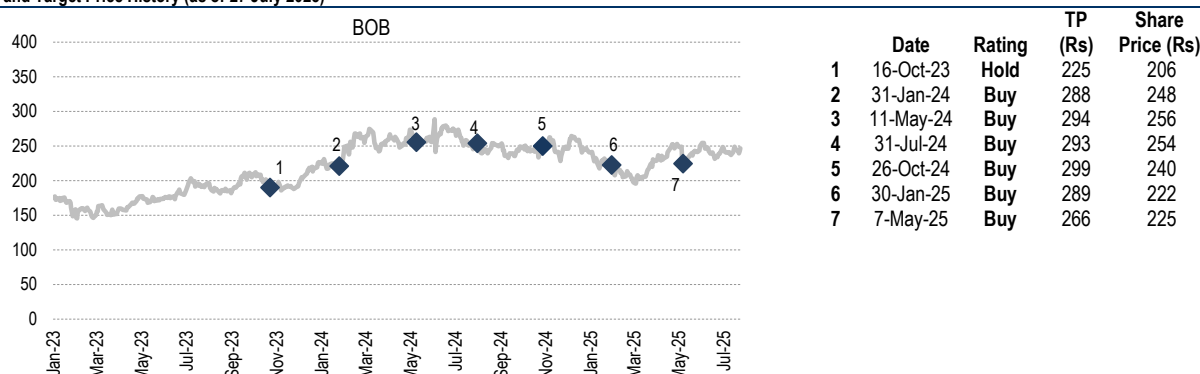
Appendix

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