

Bank of Baroda (BoB) reported strong PAT beat at Rs52bn/RoA of 1.3%, mainly due to higher other income (led by treasury gains and recovery in TWO accounts), and partly offset by higher provisions (including contingent provisions). After realigning the book in Q1, BoB reported healthy broad-based credit growth at 12% YoY/7% QoQ. However, NIM shrunk by 8bps QoQ to 3.1% due to lower yields. Headline GNPA's declined by 38bps QoQ to 2.5% in absence of lumpy NPAs, similar to a few peers. Management indicated that 1/3rd of aviation exposure against guarantee has been recovered and the rest is under legal process. The management has revised its guidance for FY25 with credit growth of ~11-13% and deposit growth of 9-11%, while NIMs likely to remain range-bound at 3.15% +/-5bps. We largely retain our earnings estimates and expect the bank to deliver healthy RoA of 1.1-1.2%/RoE of 15-16%. We retain BUY on BoB with an unchanged TP of Rs325 rolling forward on 1.1x SA Sep-26E ABV and subs value at Rs15/sh.

Bank of Baroda: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net profit	141,084	177,888	192,161	206,367	221,492
Loan growth (%)	21.1	13.3	11.1	12.4	13.1
NII growth (%)	26.8	8.1	5.6	10.9	10.2
NIM (%)	3.2	3.1	2.9	2.9	2.9
PPOP growth (%)	20.0	15.3	4.3	12.8	10.2
Adj. EPS (Rs)	27.2	34.4	37.1	39.9	42.8
Adj. EPS growth (%)	94.0	26.1	8.0	7.4	7.3
Adj. BV (Rs)	177.6	206.3	242.9	267.8	299.4
Adj. BVPS growth (%)	21.1	16.2	17.7	10.3	11.8
RoA (%)	1.0	1.2	1.2	1.1	1.1
RoE (%)	15.3	16.9	15.8	15.0	14.5
P/E (x)	8.2	6.5	6.1	5.6	5.3
P/ABV (x)	1.3	1.1	0.9	0.8	0.8

Source: Company, Emkay Research

Growth revives, but margin contracts due to reversal of penal interest

BoB reported strong broad-based credit growth of 12% YoY/7% QoQ (after realigning the book in Q1), mainly due to healthy overseas/domestic corporate as well as retail book. Within retail, the growth remain healthy in the range of 13-25% YoY. Further, the low-base GL book continues to see traction (~4% of the overall retail book), but PL loan growth moderated as the bank tightened non-salaried PL and also stopped its digital PL (Rs110-120bn). Deposit growth too was healthy at 9% YoY/4% QoQ, but focus remains on retail CASA and TD. NIM compressed by 8bps QoQ to 3.1% (albeit remains in the guidance of 3.15% +/-5bps), mainly due to impact of reversal of penal interest (5bps ie Rs1.7-1.8bn), increase in CoD, and higher growth in corporates. Management has lowered its guidance of credit growth to ~11-13% and deposit growth to 9-11%.

Slippages were lower; higher SMA book owing to technical delay in PSUs

Fresh slippages remained range-bound at Rs31bn/1.3% of loans, mainly due to lower slippages across the segment (except agri book) leading to steady improvement in GNPA ratio to 2.5%. However, SMA book increased to Rs 53bn/0.5% on account of technical delay in payment by state PSUs amounting to Rs33-34bn. The bank has recovered 1/3rd of the guaranteed aviation exposure (ie Rs11bn) and recovery of the remaining 2/3rd exposure (collateralized) is under legal process. The bank reiterates its slippages guidance in the range of 1-1.25% and credit cost guidance of <0.75% in FY25E.

We retain BUY on BoB with unchanged TP of Rs325

We largely retain our earnings estimates and expect the bank to deliver healthy RoA of 1.1-1.2%/RoE of 15-16%. We retain BUY on BoB with an unchanged TP of Rs325 rolling forward on 1.1x SA Sep-26E ABV and subs value at Rs15/sh. **Key risks:** Macro slowdown leading to slower credit growth, margin contraction, and asset-quality disruption.

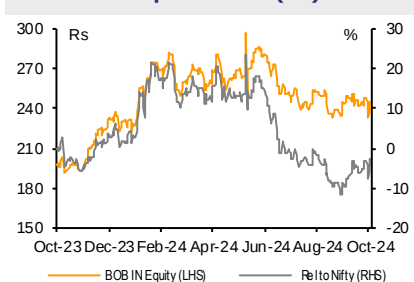
Target Price – 12M	Sep-25
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	35.7
CMP (25-Oct-24) (Rs)	239.5

Stock Data	Ticker
52-week High (Rs)	300
52-week Low (Rs)	188
Shares outstanding (mn)	5,171.4
Market-cap (Rs bn)	1,239
Market-cap (USD mn)	14,732
Net-debt, FY25E (Rs mn)	NA
ADTV-3M (mn shares)	16
ADTV-3M (Rs mn)	3,835.0
ADTV-3M (USD mn)	45.6
Free float (%)	36.0
Nifty-50	24,181
INR/USD	84.1
Shareholding, Sep-24	
Promoters (%)	64.0
FPIs/MFs (%)	9.9/16.6

Price Performance

(%)	1M	3M	12M
Absolute	(1.5)	(2.4)	23.0
Rel. to Nifty	5.9	(1.5)	(2.8)

1-Year share price trend (Rs)



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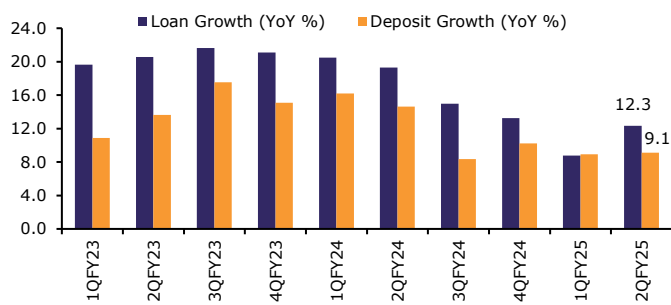
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Story in Charts

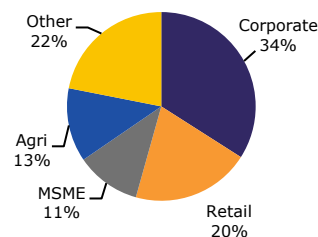
Exhibit 1: Credit growth improved by healthy traction in domestic/overseas corporate



Source: Company, Emkay Research

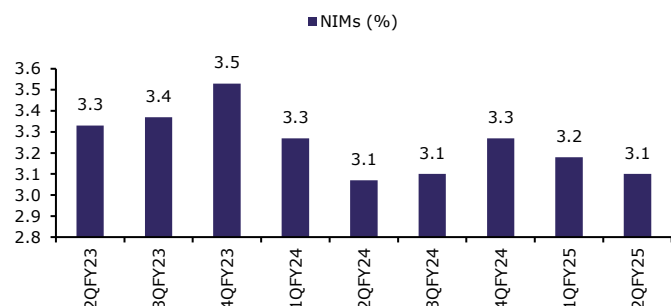
Exhibit 2: BoB remains focused on increasing share of retail portfolio, but has consciously stepped back on unsecured loans

% share in Gross Domestic Credit



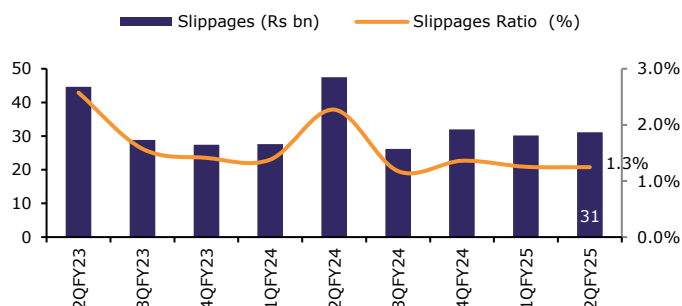
Source: Company, Emkay Research

Exhibit 3: NIM contracts due to reversal of penal interest and lower corporate yields



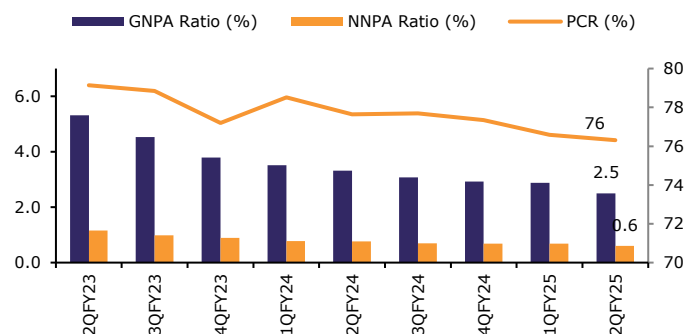
Source: Company, Emkay Research

Exhibit 4: Slippages were contained in absence of any lumpy PSU account like MTNL for peers...



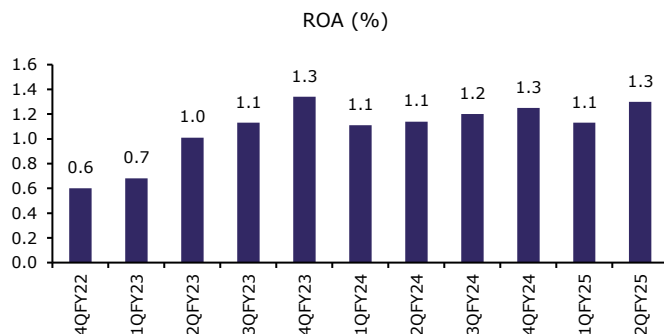
Source: Company, Emkay Research

Exhibit 5: Lower slippages, higher w-offs led to fall in GNPA ratio



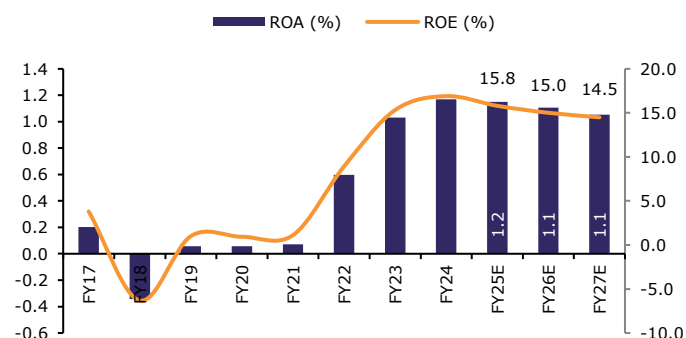
Source: Company, Emkay Research

Exhibit 6: RoA remains >1% over the last nine consecutive quarters



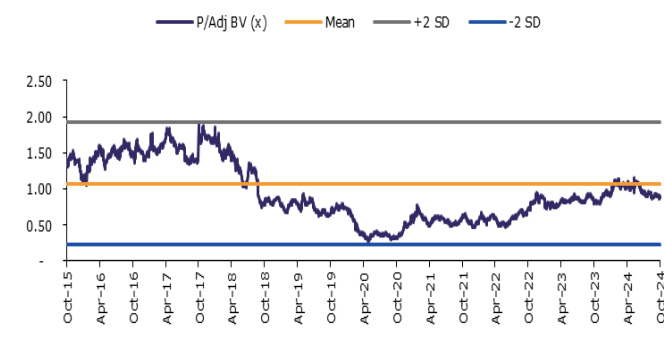
Source: Company, Emkay Research

Exhibit 7: We expect return ratios to remain healthy, led by healthy margins, other income, and contained LLP



Source: Company, Emkay Research

Exhibit 8: The stock currently trades at 0.9x its 1YF ABV



Source: Bloomberg, Emkay Research

Exhibit 9: Actuals vs Estimates (Q2FY25)

(Rs mn)	Actuals	Estimates		Variation		Comments
		Emkay	Consensus	Emkay	Consensus	
Net income	168,035	152,935	141,484	10%	19%	Sharp rise in other income led to a beat
PPOP	94,770	79,735	76,903	19%	23%	Higher net income as well as lower opex cost drives PPOP beat
PAT	52,379	46,609	45,099	12%	16%	PPOP beat partly offset by higher provisions, led to PAT beat

Source: Company, Emkay Research

Exhibit 10: Quarterly Summary

(Rs mn)	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	YoY (%)	QoQ (%)	FY24A	FY25E	YoY (%)
Interest Earned	278,616	286,051	295,834	296,287	302,633	9	2	1,126,059	1,235,581	10
Interest Expenses	170,309	175,038	177,906	180,286	186,412	9	3	678,844	763,272	12
Net Interest Income	108,307	111,013	117,928	116,001	116,221	7	0	447,215	472,309	6
Global NIM (reported)	3.07	3.10	3.27	3.18	3.10	3bps	-8bps	3.07	2.94	-13bps
Non-interest Income	41,712	28,101	41,915	24,873	51,814	24	108	144,954	149,210	3
Operating Expenses	69,821	68,967	78,782	69,261	73,265	5	6	282,517	298,621	6
Pre Provisioning Profit	80,197	70,147	81,061	71,613	94,770	18	32	309,652	322,898	4
Provision and Contingencies	21,606	6,663	13,019	10,107	23,357	8	131	60,756	56,009	-8
PBT	58,592	63,483	68,042	61,506	71,413	22	16	248,896	266,890	7
Income Tax Expense (Gain)	16,063	17,694	19,177	16,924	19,034	18	12	71,008	74,729	5
Net Profit/(Loss)	42,529	45,789	48,865	44,582	52,379	23	17	177,888	192,161	8
Gross NPA (%)	3.32	3.08	2.92	2.88	2.50	-82bps	-38bps	2.92	2.33	-59bps
Net NPA (%)	0.76	0.70	0.68	0.69	0.60	-16bps	-9bps	0.68	0.59	-8bps
Deposits (Rs bn)	12,496	12,453	13,270	13,070	13,635	9	4	13,270	14,666	11
Net Advances (Rs bn)	9,980	10,241	10,658	10,479	11,212	12	7	10,658	11,839	11

Source: Company, Emkay Research

Exhibit 11: Revision in estimates

Y/E Mar (Rs mn)	FY25E			FY26E			FY27E		
	Earlier	Revised	Change	Earlier	Revised	Change	Earlier	Revised	Change
Net income	626,216	621,519	-0.8%	688,867	687,135	-0.3%	768,300	750,714	-2.3%
PPOP	326,709	322,898	-1.2%	364,852	364,076	-0.2%	417,736	401,182	-4.0%
PAT	195,836	192,161	-1.9%	210,397	206,367	-1.9%	229,279	221,492	-3.4%
EPS (Rs)	37.8	37.1	-1.9%	40.6	39.9	-1.9%	44.3	42.8	-3.4%
BV (Rs)	253.7	253.0	-0.3%	279.6	278.1	-0.5%	315.1	312.1	-0.9%

Source: Company, Emkay Research

Exhibit 12: Key Assumptions

	FY24A	FY25E	FY26E	FY27E
Loan Growth (%)	13.3	11.1	12.4	13.1
Deposit Growth (%)	10.2	10.5	13.2	14.1
NIM (%)	3.1	2.9	2.9	2.9
GNPA (%)	2.9	2.3	2.0	1.9
Credit Cost (%)	0.6	0.4	0.6	0.7

Source: Emkay Research

Exhibit 13: Key ratios and trends

	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Loans (Rs bn)	8,733	9,237	9,694	9,908	10,245	10,494	10,904	10,716	11,430
- Growth — YoY (%)	19.0	19.7	18.5	18.0	17.3	13.6	12.5	8.2	11.6
- Growth — QoQ (%)	4.0	5.8	4.9	2.2	3.4	2.4	3.9	-1.7	6.7
Liability Profile									
Deposit (Rs bn)	10,902	11,495	12,037	11,999	12,496	12,453	13,270	13,070	13,635
- Growth YoY (%)	13.6	17.5	15.1	16.2	14.6	8.3	10.2	8.9	9.1
- Growth QoQ (%)	5.6	5.4	4.7	-0.3	4.1	-0.3	6.6	-1.5	4.3
CASA (%)	39.8	38.6	39.2	37.2	39.8	40.7	41.3	41.0	41.0
Capital Adequacy									
CAR (%)	15.3	14.9	16.2	15.8	15.3	14.7	16.1	16.8	16.3
Tier I (%)	12.8	12.6	14.0	13.6	13.2	12.7	14.5	14.7	14.2
Asset Quality									
GNPA (%)	5.3	4.5	3.8	3.5	3.3	3.1	2.9	2.9	2.5
NNPA (%)	1.2	1.0	0.9	0.8	0.8	0.7	0.7	0.7	0.6
PCR (%)	79.1	78.9	77.2	78.5	77.6	77.7	77.3	76.6	76.3
Slippages (%)	2.6	1.6	1.4	1.4	2.3	1.2	1.4	1.3	1.2
NIM – Global (%)	3.3	3.4	3.5	3.3	3.1	3.1	3.3	3.2	3.1
NIM – Domestic (%)	3.4	3.5	3.7	3.3	3.2	3.2	3.5	3.3	3.3
Cost/Income (%)	49.7	42.7	46.1	45.4	46.5	49.6	49.3	49.2	43.6
ROE Decomposition (%)									
NII	3.5	3.5	3.6	3.3	3.2	3.2	3.3	3.2	3.2
Other Income (Ex. Treasury)	0.6	1.1	1.0	0.9	1.1	0.7	1.0	0.6	1.3
Treasury	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.0	0.1
Opex	2.0	2.0	2.2	2.0	2.1	2.0	2.2	1.9	2.0
PPOP	2.1	2.7	2.5	2.4	2.4	2.0	2.3	2.0	2.6
Provisioning Cost	0.6	0.8	0.4	0.6	0.6	0.2	0.4	0.3	0.6
PBT	1.5	1.9	2.1	1.8	1.7	1.8	1.9	1.7	1.9
Tax	0.4	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5
ROA	1.0	1.1	1.3	1.1	1.1	1.2	1.3	1.1	1.3
Leverage (x)	14.5	14.5	14.7	14.6	14.3	14.1	14.0	13.6	13.1
ROE	14.7	16.4	19.6	16.2	16.3	16.8	17.5	15.3	17.0

Source: Company, Emkay Research

Bank of Baroda: Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	895,885	1,126,059	1,235,581	1,344,503	1,466,861
Interest Expense	482,325	678,844	763,272	820,680	889,479
Net interest income	413,560	447,215	472,309	523,824	577,381
NII growth (%)	26.8	8.1	5.6	10.9	10.2
Other income	100,258	144,954	149,210	163,311	173,333
Total Income	513,819	592,169	621,519	687,135	750,714
Operating expenses	245,195	282,517	298,621	323,059	349,532
PPOP	268,624	309,652	322,898	364,076	401,182
PPOP growth (%)	20.0	15.3	4.3	12.8	10.2
Core PPOP	267,884	289,751	303,503	337,893	369,762
Provisions & contingencies	71,369	60,756	56,009	77,455	105,069
PBT	197,255	248,896	266,890	286,621	296,112
Extraordinary items	0	0	0	0	0
Tax expense	56,170	71,008	74,729	80,254	74,620
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	141,084	177,888	192,161	206,367	221,492
PAT growth (%)	94.0	26.1	8.0	7.4	7.3
Adjusted PAT	141,084	177,888	192,161	206,367	221,492
Diluted EPS (Rs)	27.2	34.4	37.1	39.9	42.8
Diluted EPS growth (%)	94.0	26.1	8.0	7.4	7.3
DPS (Rs)	5.5	6.7	7.6	8.0	8.8
Dividend payout (%)	20.2	22.0	23.1	22.6	23.2
Effective tax rate (%)	28.5	28.5	28.0	28.0	25.2
Net interest margins (%)	3.2	3.1	2.9	2.9	2.9
Cost-income ratio (%)	47.7	47.7	48.0	47.0	46.6
Shares outstanding (mn)	5,177.7	5,177.7	5,177.7	5,177.7	5,177.7

Source: Company, Emkay Research

Asset quality and other metrics					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Asset quality					
Gross NPLs	367,636.6	318,336.1	280,381.9	264,188.2	293,924.0
Net NPLs	83,843.2	72,133.4	70,095.5	71,330.8	88,177.2
GNPA ratio (%)	3.8	2.9	2.3	2.0	1.9
NNPA ratio (%)	0.9	0.7	0.6	0.5	0.6
Provision coverage (%)	77.2	77.3	75.0	73.0	70.0
Gross slippages	111,503.9	103,965.3	126,513.9	161,937.8	198,238.8
Gross slippage ratio (%)	1.2	1.0	1.1	1.2	1.3
LLP ratio (%)	1.5	0.5	0.6	0.4	0.6
NNPA to networth (%)	7.9	6.1	5.1	4.7	5.2
Capital adequacy					
Total CAR (%)	16.2	16.8	16.5	15.8	15.7
Tier-1 (%)	14.0	14.5	15.2	14.5	14.4
CET-1 (%)	11.7	12.9	13.7	13.3	13.3
RWA-to-Total Assets (%)	47.8	48.6	49.0	50.0	50.0
Miscellaneous					
Total income growth (%)	22.4	27.6	9.0	8.9	8.8
Opex growth (%)	12.9	15.2	5.7	8.2	8.2
Core PPOP growth (%)	29.9	8.2	4.7	11.3	9.4
PPOP margin (%)	27.0	24.4	23.3	24.1	24.5
PAT/PPOP (%)	52.5	57.4	59.5	56.7	55.2
LLP-to-Core PPOP (%)	26.6	21.0	18.5	22.9	28.4
Yield on advances (%)	7.6	8.5	8.5	8.3	8.0
Cost of funds (%)	3.9	5.0	5.1	4.9	4.7

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	10,355	10,355	10,355	10,355	10,355
Reserves & surplus	971,874	1,112,132	1,299,691	1,429,637	1,605,566
Net worth	982,229	1,122,487	1,310,046	1,439,992	1,615,921
Deposits	12,036,878	13,269,578	14,666,184	16,601,061	18,934,517
Borrowings	1,019,105	944,023	941,538	988,615	1,038,045
Interest bearing liab.	13,603,387	14,735,484	16,226,359	18,314,714	20,693,519
Other liabilities & prov.	547,404	521,883	618,637	725,038	720,956
Total liabilities & equity	14,585,615	15,857,971	17,536,405	19,754,706	22,309,439
Net advances	9,409,983	10,657,817	11,838,656	13,301,958	15,043,394
Investments	3,624,854	3,698,168	4,030,369	4,512,677	5,061,281
Cash, other balances	957,032	951,241	1,092,136	1,231,668	1,438,025
Interest earning assets	13,991,869	15,307,227	16,961,160	19,046,303	21,542,700
Fixed assets	87,066	79,126	116,079	128,949	143,252
Other assets	506,681	471,618	459,166	579,454	623,488
Total assets	14,585,615	15,857,971	17,536,405	19,754,706	22,309,439
BVPS (Rs)	189.7	216.7	253.0	278.1	312.1
Adj. BVPS (INR)	177.6	206.3	242.9	267.8	299.4
Gross advances	9,693,776	10,904,020	12,048,942	13,494,815	15,249,141
Credit to deposit (%)	78.2	80.3	80.7	80.1	79.4
CASA ratio (%)	39.5	38.8	37.7	37.8	38.4
Cost of deposits (%)	3.7	4.7	4.9	4.8	4.6
Loans-to-Assets (%)	64.5	67.2	67.5	67.3	67.4
Net advances growth (%)	21.1	13.3	11.1	12.4	13.1
Deposit growth (%)	15.1	10.2	10.5	13.2	14.1
Book value growth (%)	14.3	14.3	16.7	9.9	12.2

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	8.2	6.5	6.1	5.6	5.3
P/B (x)	1.4	1.2	1.0	0.9	0.8
P/ABV (x)	1.3	1.1	0.9	0.8	0.8
P/PPOP (x)	4.6	4.0	3.8	3.4	3.1
Dividend yield (%)	2.3	2.8	3.2	3.3	3.7
DuPont-RoE split (%)					
NII/avg assets	3.0	2.9	2.8	2.8	2.7
Other income	0.7	1.0	0.9	0.9	0.8
Fee income	0.5	0.5	0.5	0.6	0.6
Opex	1.8	1.9	1.8	1.7	1.7
PPOP	2.0	2.0	1.9	2.0	1.9
Core PPOP	2.0	1.9	1.8	1.8	1.8
Provisions	0.5	0.4	0.3	0.4	0.5
Tax expense	0.4	0.5	0.4	0.4	0.4
RoA (%)	1.0	1.2	1.2	1.1	1.1
Leverage ratio (x)	14.9	14.5	13.7	13.6	13.8
RoE (%)	15.3	16.9	15.8	15.0	14.5
Quarterly data					
Rs mn, Y/E Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
NII	108,307	111,013	117,928	116,001	116,221
NIM(%)	3.1	3.1	3.3	3.2	3.1
PPOP	80,197	70,147	81,061	71,613	94,770
PAT	42,529	45,789	48,865	44,582	52,379
EPS (Rs)	8.22	8.84	9.44	8.61	10.12

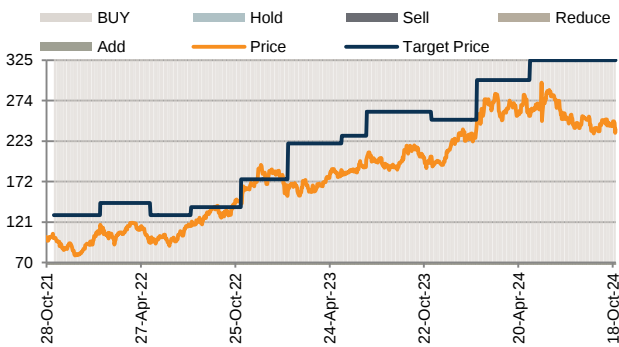
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
01-Aug-24	251	325	Buy	Anand Dama
12-May-24	255	325	Buy	Anand Dama
31-Jan-24	248	300	Buy	Anand Dama
30-Nov-23	197	250	Buy	Anand Dama
05-Nov-23	204	250	Buy	Anand Dama
05-Aug-23	191	260	Buy	Anand Dama
04-Jul-23	202	260	Buy	Anand Dama
17-May-23	186	230	Buy	Anand Dama
09-Mar-23	172	220	Buy	Anand Dama
03-Feb-23	164	220	Buy	Anand Dama
05-Nov-22	145	175	Buy	Anand Dama
01-Aug-22	116	140	Buy	Anand Dama
15-May-22	95	130	Buy	Anand Dama
08-Feb-22	118	145	Buy	Anand Dama
11-Nov-21	101	130	Buy	Anand Dama

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

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