

BANK OF BARODA

Steady profitability outlook with strengthening asset quality

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Bank of Baroda (BoB) reported a resilient quarterly performance, with steady growth in profitability driven by improved operational efficiency and higher other income. This growth came despite a decline in net interest income (NII), impacted by elevated deposit costs. While the net interest margin (NIM) remained within the guided range, we expect some compression in the near term due to lower incremental yields, driven by the transmission of repo rate cuts and limited exposure to high-yielding assets. The bank has also strengthened its asset quality on a growing loan book, with credit costs remaining well within guidance—supported by a rising share of secured assets and stricter underwriting policies. With a strategic shift towards the retail loan book, improving asset quality, and continued focus on operational efficiency, we expect the bank to sustain its earnings growth momentum with a CAGR of 12% over FY25-FY27E. Accordingly, we reiterate our BUY rating on the stock, valuing it at 0.9x FY27E BVPS, with a revised target price of ₹253.

Higher other income aids profitability

In Q4FY25, BoB's interest income grew merely 3.6% YoY (-0.9% QoQ) to ₹306 bn, despite healthy growth in advances (+13.5% YoY), primarily due to 54bps YoY decline in yield to 8.21%. The bank's interest expense also increased 10.3% YoY (+0.7% QoQ) to ₹196 bn, due to rise in cost of deposits (6bps YoY) to 5.12%. Therefore, the bank's net interest income (NII) de-grew 6.6% YoY to ₹110 bn (-3.5% QoQ), resulting contraction in net interest margin (NIM) of 41bps YoY to 2.94%. However, pre-provision operating profit remained marginally stable at ₹81 bn (+0.3% YoY), led by increased non-interest income (+24.3% YoY), and stable operating expenses with cost-to-income (C/I) at 49.9%. Subsequently, PAT grew 3.3% YoY to ₹50 bn, despite 19.2% YoY rise in provisions.

Healthy growth across ram segments; asset quality continues to improve

During the quarter, growth in advances was led by strong growth in RAM - retail business (+19.4% YoY), agriculture business (+14.2% YoY) and MSME business (+14.2% YoY). Within the retail loans, growth was visible in the mid-yielding assets such as auto loan (+20.3% YoY), home loan (+17.3% YoY), mortgage loan (+18.9% YoY), education loan (+15.9% YoY). Corporate loan increased 8.6% YoY, despite strong demand in the market. The bank continued to increase its deposits (+10.9% YoY), of which current account deposits grew 14.9% YoY and saving deposits grew 4.8% YoY; term deposits continue to rise 11.3% YoY. As a result, the share of CASA deposits in total deposits stood at 39.9% (vs. 41.0% in Q4FY24). Moreover, asset quality improved, with gross non-performing assets (NPAs) and net NPAs at 2.26% and 0.58%, respectively (vs. 2.43% and 0.59% in Q3FY25), led by lower fresh slippages and higher write-offs & recoveries.

Key Financials (₹ bn)	FY23	FY24	FY25	FY26E	FY27E
Loan & Advances	9,410	10,658	12,096	13,668	15,500
Net Interest Income	414	447	457	501	565
PPP ex Except. Items	269	310	324	357	402
Reported Profits	141	178	196	219	246
Earnings Per Share (₹)	27.3	34.4	37.8	42.2	47.5
P/E (x)	8.2	6.5	5.9	5.3	4.7
Adj. BV (₹)	170.3	200.1	239.4	281.6	329.1
P/ABV (x)	1.3	1.1	0.9	0.8	0.7
Gross NPAs Ratio (%)	3.8	2.9	2.3	1.8	1.3
Adj. RoA	1.0	1.2	1.2	1.2	1.2
Adj. RoE	15.3	16.9	15.7	15.3	15.2

BUY

Current Market Price (₹)	:	225
12M Price Target (₹)	:	253
Potential Return (%)	:	12

Stock Data

Sector :	Banking
Face Value (₹)	2
Total MCap (₹ bn)	1,162
Free Float MCap (₹ bn)	415
52-Week High / Low (₹)	300 / 191
BSE Code / NSE Symbol	532134 / BANKBARODA
Bloomberg	BOB:IN
Sensex / Nifty:	80,747 / 24,414

Shareholding Pattern

(%)	Mar-25	Dec-24	Sep-24	Jun-24
GOI	63.97	63.97	63.97	63.97
FPIs	8.98	8.91	9.87	11.45
MFs	9.17	9.58	8.81	8.50
Insurance	7.52	7.09	6.50	5.84
Others	10.36	10.45	10.85	10.24

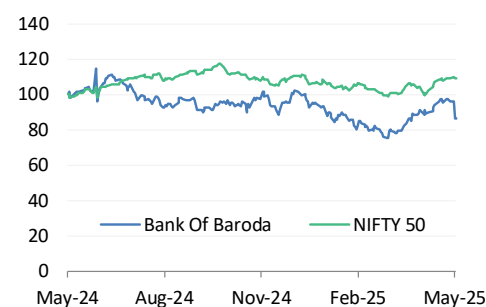
Source: BSE

Price Performance

(%)	1M	3M	6M	12M
BOB	-2.1	3.8	-14.6	-13.3
Nifty 50	10.2	3.6	0.9	9.5

* To date / current date : May 7, 2025

BOB vs Nifty 50



Key Concall Highlights

Business highlights

- The bank has been true to the guidance it has guided before for advances and deposits. The management continues to guide its loan book growth at 11-13% and deposits growth at 9-11% for FY26, on easing of liquidity conditions.
- Management is emphasizing on increasing the proportion of its Retail, Agri, and MSME (RAM) book. During the quarter, the RAM portfolio increased to 59.6% from 57.7% in Q4FY24. The aim is to add ~200 bps annually to reach 66% RAM in about three years, providing diversification benefits.
- The bank focuses on segments within MSME offering good asset quality and earnings, such as CV/CE, supply chain finance, cash flow based lending, and smart overdraft limits. Efforts taken include integrating cash management with MSME accounts for better cash flow understanding and leveraging government-guaranteed schemes.
- While the bank had aimed for a 10% growth in corporate segment, it grew 8.6% YoY. The management noted that while demand exists, the bank did not pursue faster growth in corporate credit to avoid fine-priced assets that could pressure margins.
- The bank is focusing more on retail saving and retail term deposits and reducing dependence on bulk deposits, as these are volatile in nature. As of March 2025, the proportion of bulk deposit remains around 20% of total deposits.

Operational highlights

- Management expects policy rate cuts to weigh on NIM in Q1FY26, due to sticky deposit rates but aims to achieve more than ~3% in FY26, led by gradual recovery in 2HFY26. Further, the bank's loan yield linked to repo rate are ~35%, linked to MCLR are ~45% and rest is fixed rate.
- Growth in other income was mainly driven by higher treasury income (+107% YoY), due to profit from sale of investments.
- Although provisions have increased on YoY basis for the quarter, overall credit costs stood at 0.5% which is significantly better than the guidance of 0.75% for FY25. Provision coverage ratio stood at 74.9% for the quarter.

Asset quality

- While incremental MSME slippages were high, the book also increased ~14-15%, thus, overall MSME GNPA is significantly lower than its post-COVID peak. These slippages are not considered structural and are manageable within the overall slippage ratio.
- According to the bank's policy, write-off for the whole year (₹89 bn) has gone to large corporate accounts that are sufficiently aged and were 100% provided for a long time.

Outlook & Valuation

BoB is expected to maintain steady profitability growth, driven by an increasing focus on high-yielding assets within the RAM portfolio and disciplined control over operational costs. The reduction in SMA accounts indicates improving asset quality, supported by a secured asset-based lending model and stringent underwriting in the unsecured segment, helping to keep credit costs within the guided range. While elevated deposit costs due to heightened competitive intensity have impacted margins, these are expected to remain range-bound in the medium term as the bank emphasizes high-yielding assets and mobilization of low-cost funds. Additionally, the stock is currently trading at 0.7x FY27E BVPS, below its three-year historical average of 0.9x. Hence, we maintain a **BUY** rating on the stock, valuing it at 0.9x FY27E BVPS, with a target price of ₹253.

Recent Performance at a glance

Income Statement Analysis

(₹ bn)	Q4FY25	Q4FY24	% yoy / bps	Q3FY25	% qoq / bps	FY25	FY24	% yoy / bps
Interest Inc.	306	296	3.6	309	(0.9)	1,214	1,126	7.8
Interest Expenses	196	178	10.3	195	0.7	758	679	11.6
Net Interest Income	110	118	(6.6)	114	(3.5)	457	447	2.1
Other Income - Total	52	42	24.3	38	38.2	166	145	14.8
Net Operating Revenue	162	160	1.5	152	6.9	623	592	5.2
Employee Expenses	43	45	(4.4)	42	3.3	166	158	5.0
Other Opex	38	33	12.6	33	13.1	133	124	6.7
Total Opex	81	79	2.8	75	7.7	299	283	5.7
Pre Provision Profits	81	81	0.3	77	6.1	324	310	4.7
Exceptional Profit (Loss)	-	-	-	-	-	-	-	-
PPP ex Except. Items	81	81	0.3	77	6.1	324	310	4.7
Provisions & Contingencies - Total	16	13	19.2	11	43.3	60	61	(1.6)
Profit Before Tax	66	68	(3.3)	66	(0.0)	265	249	6.3
Tax	15	19	(20.1)	17	(12.1)	69	71	(3.2)
Reported Profits	50	49	3.3	48	4.3	196	178	10.1
Basic EPS (₹)	9.8	9.5	3.3	9.4	4.4	37.9	34.4	10.1

Source: Company, LKP Research

Balance Sheet Analysis

(₹ bn)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	QoQ % / bps	YoY % / bps
Net Worth	1,112	1,122	1,202	1,265	1,310	1,369	4.5	22.0
RoE (%)	16.5	17.4	14.8	16.6	14.8	14.7	(2)	(267)
Tier 1 (%)	12.7	14.1	14.7	14.2	13.4	14.1	63	-
Total CAR (%)	14.7	16.3	16.8	16.3	16.0	17.2	123	88
RWA - Total	7,757	7,946	7,833	8,222	8,386	8,743	4.3	10.0
Advances - Total	10,241	10,658	10,479	11,212	11,513	12,096	5.1	13.5
Investments	3,698	3,698	3,744	3,738	3,888	3,854	(0.9)	4.2
Total Assets	15,395	15,858	15,770	16,488	17,150	17,812	3.9	12.3
RoA (%)	1.20	1.25	1.13	1.30	1.15	1.16	1	(9)
Deposits	12,453	13,270	13,070	13,635	13,925	14,720	5.7	10.9
CASA Deposits	4,343	4,664	4,490	4,584	4,626	4,965	7.3	6.4
CASA Ratio (%)	40.7	41.3	40.6	39.8	39.7	40.0	29	(136)
Interest Bearing Liabilities - Total	13,737	14,214	13,990	14,696	15,214	15,958	4.9	12.3

Source: Company, LKP Research

Funding Profile Analysis

(₹ bn)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	QoQ % / bps	YoY % / bps
Deposits	12,453	13,270	13,070	13,635	13,925	14,720	5.7	10.9
CASA Deposits	4,343	4,664	4,490	4,584	4,626	4,965	7.3	6.4
Saving Deposit	3,698	3,900	3,824	3,875	3,891	4,087	5.0	4.8
Current Deposit	646	764	667	710	736	878	19.3	14.9
Term Deposits	8,110	8,606	8,580	9,051	9,298	9,756	4.9	13.4
Borrowings	1,284	944	920	1,061	1,290	1,237	(4.1)	31.1
Interest Bearing Liabilities - Total	13,737	14,214	13,990	14,696	15,214	15,958	4.9	12.3

Source: Company, LKP Research

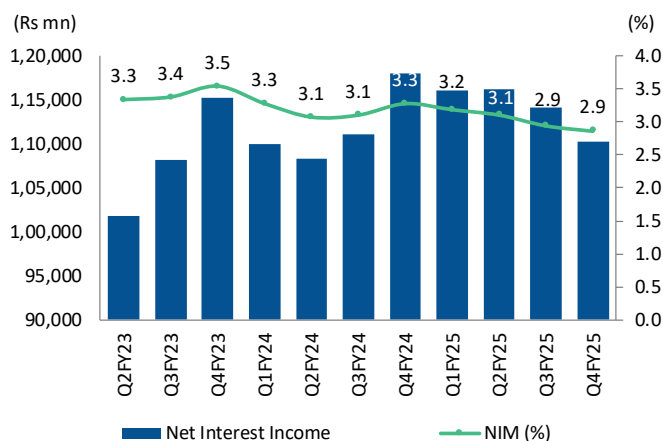
Assets Quality Analysis

(₹ bn)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	QoQ % / bps	YoY % / bps
Total Slippages	26	32	30	31	29	32	8.4	(1.3)
Slippages Ratio (%)	0.28	0.34	0.28	0.29	0.27	0.30	2	(4)
Gross NPA	323	318	309	286	285	278	(2.2)	(12.6)
Gross NPAs Ratio (%)	3.08	2.92	2.88	2.50	2.43	2.26	(17)	(66)
PCR - Calculated (%)	77.7	77.3	76.6	76.3	76.0	74.9	(116)	(247)
Net NPA	72	72	72	68	68	70	2.5	(3.0)
Net NPAs Ratio (%)	0.70	0.68	0.69	0.60	0.59	0.58	(1)	(10)

Source: Company, LKP Research

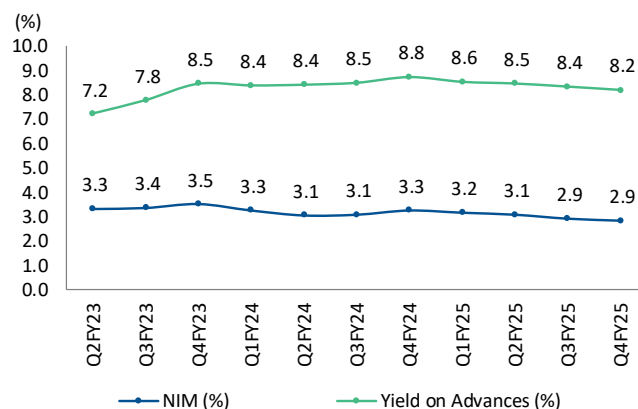
Quarterly story in charts

NII trend



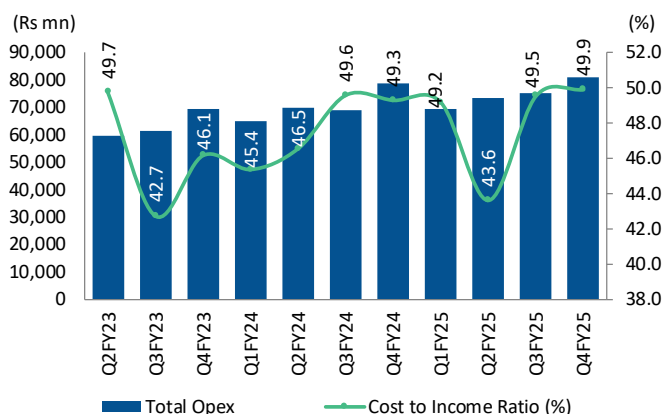
Source: Company, LKP Research

Yields & Margin trend



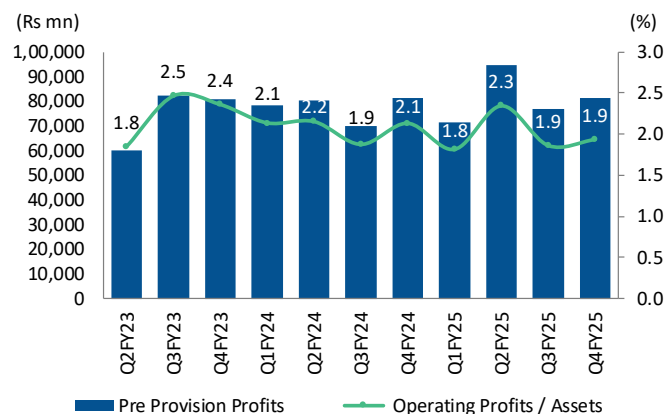
Source: Company, LKP Research

Total Opex Trend



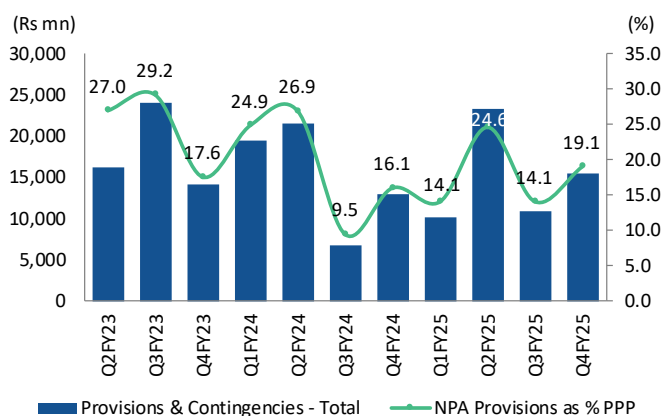
Source: Company, LKP Research

Pre Provision Profit trend



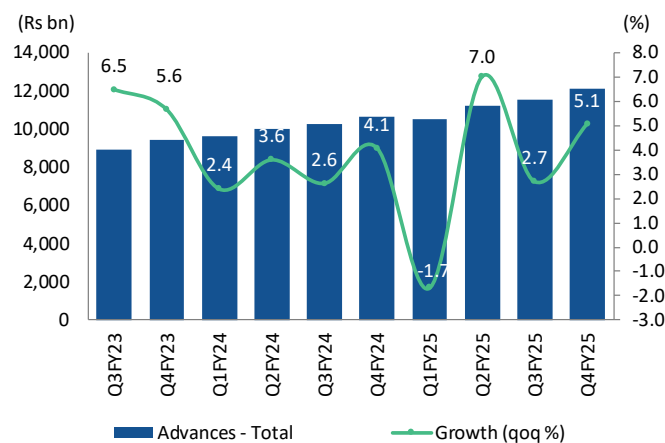
Source: Company, LKP Research

Provision expenses trend



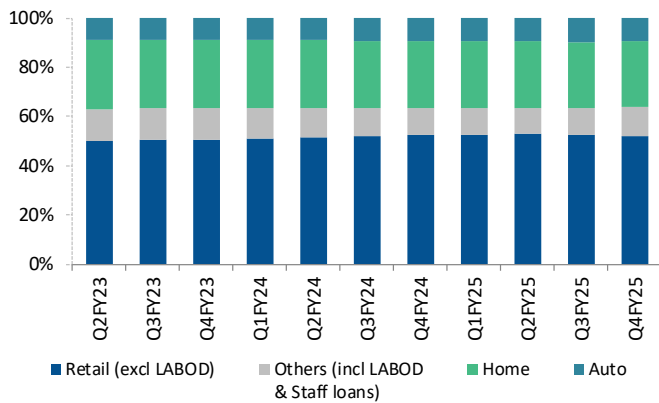
Source: Company, LKP Research

Loan book trend



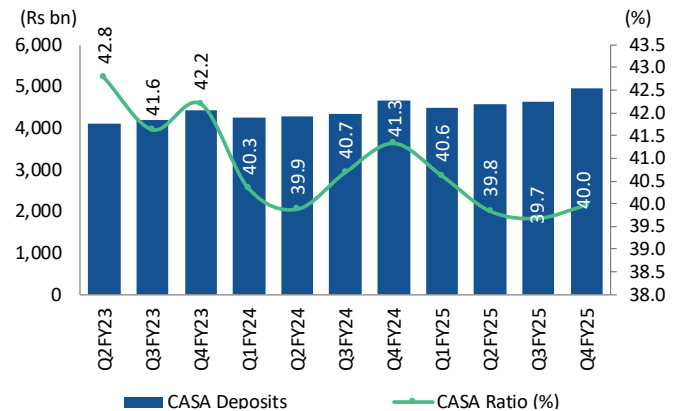
Source: Company, LKP Research

Loan book Mix



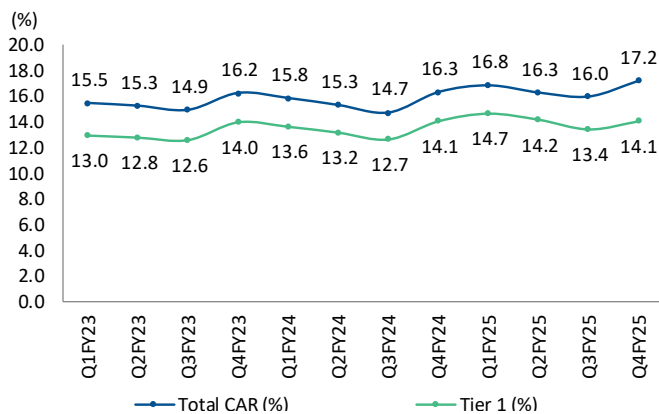
Source: Company, LKP Research

CASA Deposit trend



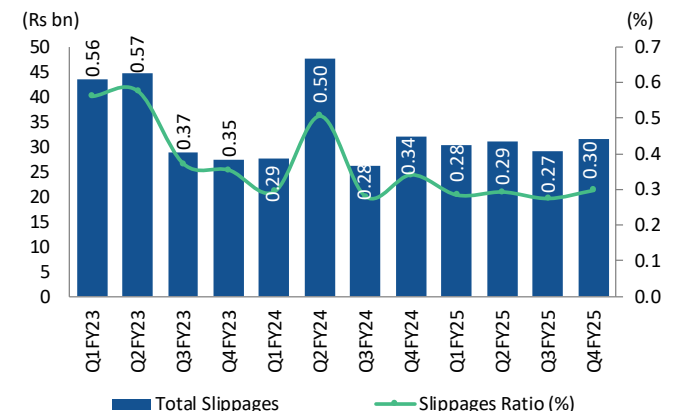
Source: Company, LKP Research

CRAR and Tier 1 trend



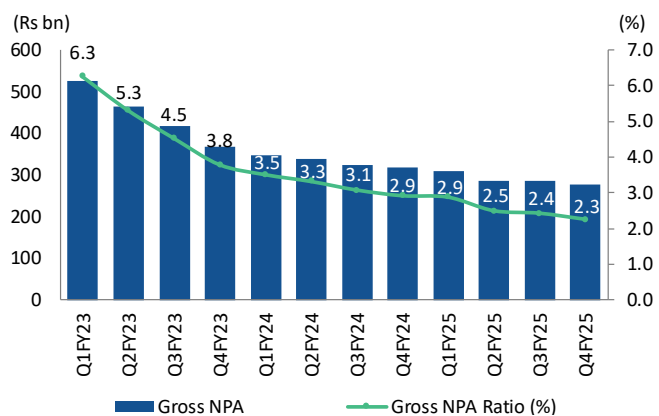
Source: Company, LKP Research

Slippages trend



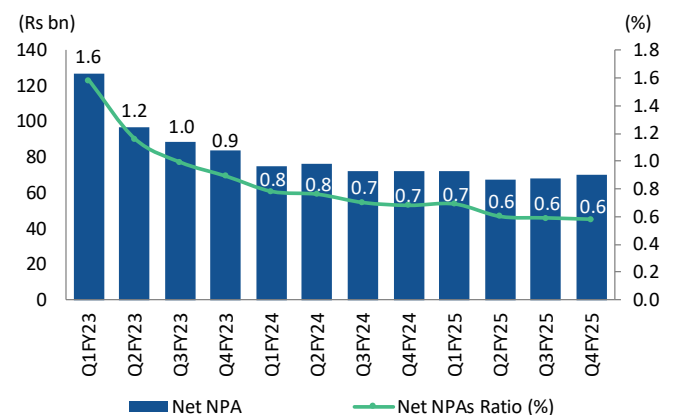
Source: Company, LKP Research

Gross NPA trend



Source: Company, LKP Research

Net NPA trend



Source: Company, LKP Research

Annual Projections

Profit and Loss Statement

(₹ bn)	FY23	FY24	FY25	FY26E	FY27E
Int. Income / Opr. Revenue	896	1,126	1,214	1,344	1,489
Interest Expenses	482	679	758	843	924
Net Interest Income	414	447	457	501	565
<i>NIM (%)</i>	3.2	3.1	2.8	2.8	2.8
Other Income - Total	100	145	166	178	189
Net Operating Revenue	514	592	623	679	754
Employee Exp.	134	158	166	178	194
Other Opex	112	124	133	144	158
Total Opex	245	283	299	322	352
<i>C/I Ratio (%)</i>	47.7	47.7	47.9	47.4	46.7
Pre Provision Profits	269	310	324	357	402
<i>PPP Growth (yoy %)</i>	20.0	15.3	4.7	10.2	12.5
Provisions & Contingencies - Total	71	61	60	62	70
<i>Credit Cost (As % of Op. AUM)</i>	0.9	0.6	0.5	0.5	0.5
Profit Before Tax	197	249	265	295	332
Tax	56	71	69	77	86
<i>Effective Tax Rate (%)</i>	28.5	28.5	26.0	26.0	26.0
Reported Profits	141	178	196	219	246
<i>PAT Growth (yoy %)</i>	94.0	26.1	10.1	11.6	12.4

Source: Company, LKP Research

Balance Sheet

(₹ bn)	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	10	10	10	10	10
Reserves (ex Revel. Reserve)	913	1,062	1,264	1,483	1,729
Net Worth - Ex Revaluation	924	1,072	1,275	1,493	1,739
Deposits	12,037	13,270	14,720	16,497	18,576
<i>Growth (yoy %)</i>		10.2%	10.9%	12.1%	12.6%
Borrowings	1,019	944	1,237	1,318	1,463
Interest Bearing Liabilities	13,056	14,214	15,958	17,815	20,039
Other Lia. & Prov.	547	522	486	496	501
Total Liabilities	14,586	15,858	17,812	19,805	22,278
Assets					
Cash & Cash Equivalent	957	951	1,258	1,336	1,362
Investments	3,625	3,698	3,854	4,168	4,732
Loan & Advances	9,410	10,658	12,096	13,668	15,500
<i>Growth (yoy %)</i>		13.3	13.5	13.0	13.4
Fixed Assets	87	79	124	136	153
Other Assets	507	472	481	496	532
Total Assets	14,586	15,858	17,812	19,805	22,278

Source: Company, LKP Research

Per share data

Y/E Mar	FY23	FY24	FY25	FY26E	FY27E
Face Value (₹)	2	2	2	2	2
Adjusted Share O/S (mn)	5,178	5,178	5,178	5,178	5,178
Earnings Per Share (₹)	27.3	34.4	37.8	42.2	47.5
EPS (% YoY)	94.0	26.1	10.1	11.6	12.4
P/E (x)	8.2	6.5	5.9	5.3	4.7
Book Value (₹)	178.4	207.1	246.2	288.4	335.9
BVPS (% YoY)	17.2	16.1	18.9	17.2	16.5
P/BV (x)	1.3	1.1	0.9	0.8	0.7
Adj. BV (₹)	170.3	200.1	239.4	281.6	329.1
Adj. BV (% YoY)	22.2	17.5	19.6	17.6	16.9
P/ABV (x)	1.3	1.1	0.9	0.8	0.7

Source: Company, LKP Research

Detail RoA Tree Analysis (%)

Y/E Mar	FY23	FY24	FY25	FY26E	FY27E
Yields / Margins					
Yield on Advance	7.5	8.5	8.2	8.1	8.0
Yield on Funds	6.9	7.7	7.5	7.4	7.3
Cost of Funds (CoF)	3.9	5.0	5.0	5.0	4.9
Interest Spread	2.9	2.7	2.4	2.4	2.4
NIM's	3.2	3.1	2.8	2.8	2.8
Interest Income / Assets	6.5	7.4	7.2	7.1	7.1
Interest Exp. / Assets	3.5	4.5	4.5	4.5	4.4
NII / Assets	3.0	2.9	2.7	2.7	2.7
Fee Income / Assets	0.5	0.7	0.7	0.7	0.6
Other Non Core Income / Assets	0.1	0.1	0.2	0.2	0.2
Other Income / Assets	0.7	1.0	1.0	0.9	0.9
Net Operating Income / Assets	3.8	3.9	3.7	3.6	3.6
Operating Ratios					
NII to Net Operative Income	80.5	75.5	73.3	73.8	74.9
Other Income to Net Operative Income	19.5	24.5	26.7	26.2	25.1
Empl. Cost/Oper. Exps.	54.5	56.0	55.6	55.3	55.1
Other Op. Exps./Oper. Exps.	45.5	44.0	44.4	44.7	44.9
C/I Ratio (%)	47.7	47.7	47.9	47.4	46.7
Provisions as % PPP	13.9	10.3	9.6	9.1	9.3
Credit Cost (As % of Op. AUM)	0.9	0.6	0.5	0.5	0.5
Effective Tax Rate (%)	28.5	28.5	26.0	26.0	26.0
Employee Exp. / Assets	1.0	1.0	1.0	0.9	0.9
Other Opex/ Assets	0.8	0.8	0.8	0.8	0.8
Total Opex / Assets	1.8	1.9	1.8	1.7	1.7
Operating Profits / Assets	2.0	2.0	1.9	1.9	1.9
Exceptional Items / Assets	-	-	-	-	-
Op Profit ex Except Items / Assets	2.0	2.0	1.9	1.9	1.9
Provisions / Assets	0.5	0.4	0.4	0.3	0.3
Profit Before Tax / Assets	1.4	1.6	1.6	1.6	1.6
Tax Expenses / Assets	0.4	0.5	0.4	0.4	0.4
RoA	1.0	1.2	1.2	1.2	1.2
Leverage (x)	15.8	14.8	14.0	13.3	12.8
RoE	15.3	16.9	15.7	15.3	15.2
Adj. RoA	1.0	1.2	1.2	1.2	1.2
Adj. RoE	15.3	16.9	15.7	15.3	15.2

Source: Company, LKP Research

Balance Sheet Ratios

Y/E Mar	FY23	FY24	FY25	FY26E	FY27E
Credit / Deposit Ratio	78.2	80.3	82.2	82.9	83.4
Incremental C/D Ratio	103.9	101.2	99.1	88.5	88.1
Investment Deposit Ratio	30.1	27.9	26.2	25.3	25.5
Dom. SLR Investment / Deposits	29.4	28.4	26.6	25.9	26.5
CASA Ratio	41.5	41.3	39.7	41.0	41.0

Source: Company, LKP Research

Credit Quality

Y/E Mar	FY23	FY24	FY25	FY26E	FY27E
Slippage Ratio (%)	1.9	1.4	1.1	1.1	1.0
Gross NPA	3,67,637	3,18,336	2,78,349	2,41,336	2,07,522
Gross NPAs Ratio (%)	3.8	2.9	2.3	1.8	1.3
PCR (%)	77.2	77.3	74.9	66.5	61.1
Net NPA	83,843	72,133	69,942	80,762	80,728
Net NPAs Ratio (%)	0.9	0.7	0.6	0.6	0.5
Total Impaired Loans	3,67,637	3,18,336	2,78,349	2,41,336	2,07,522
Impaired Loan as % of Loan / AUM	3.8	2.9	2.3	1.7	1.3
Total Risk Reserves	2,83,794	2,46,203	2,08,406	1,60,574	1,26,794
Total Risk As % of Loan Book	2.9	2.3	1.7	1.2	0.8

Source: Company, LKP Research

Key Assumptions & Forecasts

(₹ bn)	FY23	FY24	FY25	FY26E	FY27E
Loan & Advances	9,410	10,658	12,096	13,668	15,500
Growth (yoy %)		13.3	13.5	13.0	13.4
Interest Bearing Liabilities	13,056	14,214	15,958	17,815	20,039
Growth (yoy %)		8.9	12.3	11.6	12.5
Yield on Funds	6.9	7.7	7.5	7.4	7.3
Cost of Funds (CoF)	3.9	5.0	5.0	5.0	4.9
Interest Spread	2.9	2.7	2.4	2.4	2.4
NIM's	3.2	3.1	2.8	2.8	2.8
Other Income Growth	(12.7)	44.6	14.8	6.7	6.5
C/I Ratio (%)	47.7	47.7	47.9	47.4	46.7
Effective Tax Rate (%)	28.5	28.5	26.0	26.0	26.0
Return Ratios					
Adj. RoA	1.0	1.2	1.2	1.2	1.2
Adj. RoE	15.3	16.9	15.7	15.3	15.2
Asset Quality Metrics					
Credit Cost (As % of Op. AUM)	0.9	0.6	0.5	0.5	0.5
Gross NPAs Ratio (%)	3.8	2.9	2.3	1.8	1.3
Net NPAs Ratio (%)	0.9	0.7	0.6	0.6	0.5

Source: Company, LKP Research

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