

NIM miss; lower credit cost cushions PAT

31 January 2025

Bank of Baroda's (BOB IN) Q3 PAT at INR 48.4bn was broadly in line with estimates on lower credit cost, even as NII was a miss. Key highlights were: 1) NIM decline of 16bps QoQ, partially led by lower interest accrual from written-off pool versus last quarter, but was a miss, nonetheless. BOB lowered its NIM guidance but even that seems a stretch, 2) growth momentum was steady (loan growth of 12.4% YoY and deposit growth of 11.8%, YoY), with BOB maintaining FY25 guidance and c) asset quality outperformed with lower slippages feeding into much lower credit cost.

Discussions hereafter will focus on NIM trajectory, business growth and asset quality outcome (essentially on unsecured segments, even on a low base). BOB has sustained its ROA at 1% plus. We believe BOB has levers to deliver an ROE of 12-13% in the near term. Delivery on core performance, excluding one-offs, will drive a rerating. The bank trades at 0.8x FY26E P/BV for medium-term RoE of 12-13%. Maintain BUY with a revised TP of INR 280 (from INR 304).

NIM miss; trajectory key for core delivery: NIM declined 16bps QoQ to 2.94% (9MFY25 NIM at 3.08% below guided range). While NIM was partially hit by absence of interest accrual on large recovery (one-off in Q2FY25), even adjusting for that, it was under pressure and a miss. The business momentum was steady – loan growth of 2.7% QoQ/12.4% YoY, deposit growth of 2.1% QoQ/11.8% YoY, with BOB maintaining FY25 guidance. BOB seems to have limited levers on yield and given pressure on deposit cost, NIM trajectory hereon is key to deliver on core profitability. While BOB is confident of better NIMs, we have factored in lower NIM in our estimates.

Asset quality delivers strong show: Q3 slippages were at INR 29.2bn (1.1%, down QoQ, a commendable feat). Credit cost was also restricted to 30bps and for 9MFY25 was 47bps. BOB is conservative as regards its full-year guidance and may over-achieve its target. Slippages in the unsecured segments (albeit low size) warrant a watch. The SMA pool has also risen but BOB stated that two accounts have already recovered and thus, SMA pool is sub-20bps as on date. We see resilience on asset quality as the key to deliver ROAs, given that incremental levers on other items are limited.

Maintain BUY with revised TP of INR 280: The transformation undertaken in the past years has started to yield results. However, there are challenges given recent earnings volatility. We see BOB has levers to sustain 12-13% ROE. That said, we are guarded on volatility. Given higher volatility on core, we prune our target multiple to 0.9x FY27E P/BV (earlier 1x), feeding into a lower TP of INR 280 (earlier INR 304). Having underperformed, the discount to SBI has widened, which may sustain, given underlying concerns about volatility, which will take a few quarters of steady performance. Maintain BUY.

Rating: **Buy**

Target Price: **INR 280**

Upside: **26%**

CMP: **INR 222**

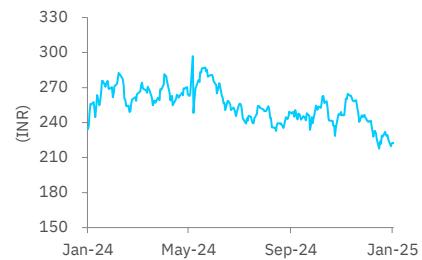
As on 30 January 2025

Key data

Bloomberg	BOB IN
Reuters Code	BOB.NS
Shares outstanding (mn)	5171
Market cap (INR bn/USD mn)	1150/13274
Enterprise Value (INR bn/USD mn)	0/0
Avg daily volume 3M (INR mn/USD mn)	3136/36
52 week high/low	300/216
Free float (%)	36

Note: as on 30 January 2025; Source: Bloomberg

Price chart



Source: Bloomberg

Shareholding (%)	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25
Promoter	64.0	64.0	64.0	64.0
% Pledged	-	-	-	-
FII	12.4	11.5	9.9	8.9
DII	16.3	16.0	16.6	18.1
Others	7.3	8.5	9.5	9.0

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(4.5)	(6.5)	8.0
Bank of Baroda	(11.6)	(13.2)	(6.3)
NSE Mid-cap	(6.4)	(10.1)	10.3
NSE Small-cap	(10.0)	(13.8)	5.7

Key Financials

YE March	FY23	FY24	FY25E	FY26E	FY27E
PPoP (INR bn)	269	310	307	334	376
YoY (%)	20.0	15.3	(0.7)	8.6	12.6
NP (INR bn)	141	178	185	181	194
YoY (%)	94.0	26.1	4.1	(2.1)	7.0
EPS (INR)	27	34	36	35	37
YoY (%)	94.0	26.1	4.1	(2.1)	7.0
P/PPoP (x)	4.3	3.7	3.7	3.4	3.1
RoAE (%)	15	17	16	14	13
RoAA (%)	1.1	1.2	1.2	1.0	1.0
P/E (x)	8.2	6.5	6.2	6.4	6.0
P/ABV (x)	1.3	1.1	1.0	1.0	1.0

Note: Pricing as on 30 January 2025; Source: Company, Elara Securities Estimate

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Financials (YE March)

Income statement (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Net interest income	413,560	447,215	459,593	508,661	567,132
YoY growth (%)	26.8	8.1	2.8	10.7	11.5
Fee income	36,189	48,507	54,043	60,924	68,727
Trading profits	10,732	14,982	20,000	15,000	13,000
Non interest income	100,258	144,954	145,173	148,445	163,618
Net operating revenue	513,819	592,169	604,767	657,107	730,750
YoY growth (%)	16.5	15.2	2.1	8.7	11.2
Operating expenses	245,183	282,517	297,368	323,324	353,820
YoY growth (%)	12.9	15.2	5.3	8.7	9.4
Pre-provisioning operating profit	268,635	309,652	307,399	333,782	376,930
YoY growth (%)	20.0	15.3	(0.7)	8.6	12.9
Total provisions	71,369	60,756	59,972	91,612	116,851
Profit before tax	197,266	248,896	247,427	242,170	260,080
Tax	56,170	71,008	62,253	60,930	65,436
Profit after tax	141,096	177,888	185,174	181,240	194,644
YoY growth (%)	94.0	26.1	4.1	(2.1)	7.4
Balance sheet (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Customer loans	9,409,983	10,657,817	11,968,729	13,524,663	15,350,493
YoY growth (%)	21.1	13.3	12.3	13.0	13.5
Investments	3,624,854	3,698,168	3,844,655	4,276,422	4,667,993
Cash & bank balances	957,032	951,241	1,038,077	1,149,358	1,232,540
Fixed assets	87,066	79,126	68,898	64,041	57,899
Other assets	506,681	471,618	514,749	558,297	554,866
Total Assets	14,585,615	15,857,971	17,435,107	19,572,782	21,863,791
Net worth	982,229	1,122,236	1,263,176	1,408,551	1,567,329
Sub bonds/pref cap	123,550	123,550	113,550	103,550	93,550
Deposits	12,036,878	13,269,578	14,516,919	16,331,534	18,487,296
YoY growth (%)	15.1	10.2	9.4	12.5	13.2
Borrowings	895,555	820,473	915,174	1,049,876	1,040,518
Other liabilities	547,404	522,134	626,288	679,272	675,098
Total Liabilities	14,585,615	15,857,971	17,435,107	19,572,782	21,863,791
Key operating ratios	FY23	FY24	FY25E	FY26E	FY27E
Lending yield	7.5	8.5	8.4	8.2	8.0
Cost of Funds	3.8	4.8	4.9	4.8	4.7
Spreads	3.1	2.9	2.7	2.6	2.6
Net interest margin	3.2	3.1	2.9	2.8	2.8
CASA Ratio (%)	39.5	38.8	36.7	36.8	36.9
Non interest income / operating income	19.5	24.5	24.0	22.6	22.4
Cost/income	47.7	47.7	49.2	49.2	48.4
Operating expense/avg assets	1.8	1.9	1.8	1.7	1.7
Credit costs / avg loans	0.5	0.7	0.5	0.7	0.8
Effective tax rate	28.5	28.5	25.2	25.2	25.2
Loan deposit ratio	78.2	80.3	82.4	82.8	83.0
ROA decomposition (%)	FY23	FY24	FY25E	FY26E	FY27E
Net interest income/Assets	3.2	3.1	2.9	2.8	2.8
Fees/Assets	0.7	0.9	0.8	0.7	0.7
Investment profits/Assets	0.1	0.1	0.1	0.1	0.1
Net revenues/Assets	3.9	4.0	3.8	3.7	3.6
Operating expense/Assets	(1.9)	(1.9)	(1.8)	(1.8)	(1.8)
Provisions/Assets	(0.5)	(0.4)	(0.4)	(0.5)	(0.6)
Taxes/Assets	(0.4)	(0.5)	(0.4)	(0.3)	(0.3)
Total costs/Assets	(2.9)	(2.8)	(2.6)	(2.7)	(2.7)
ROA	1.1	1.2	1.2	1.0	1.0
Equity/Assets	7.0	7.2	7.4	7.5	7.4
ROAE	15.3	16.9	15.5	13.6	13.1
Key financial ratios	FY23	FY24	FY25E	FY26E	FY27E
Tier I Capital adequacy	14.0	14.1	13.7	13.2	13.0
Gross NPL	3.8	2.9	2.4	2.2	2.2
Net NPL	0.9	0.7	0.6	0.6	0.6
Slippage ratio	1.4	1.1	1.2	1.4	1.5
Assets / equity (x)	14.8	14.1	13.8	13.9	13.9
Per share data					
EPS (INR)	27	34	36	35	38
YoY growth (%)	94.0	26.1	4.1	(2.1)	7.4
BVPS (INR)	190	217	244	272	303
adj- BVPS (INR)	178	207	234	261	289
Dividend yields	2.5	3.5	3.4	2.7	2.7
Valuation (x)					
P/BV	1.2	1.0	0.9	0.8	0.7
P/ABV	1.3	1.1	1.0	0.9	0.8
P/E	8.2	6.5	6.2	6.4	5.9

Note: Pricing as on 30 January 2025; Source: Company, Elara Securities Estimate

Quarterly financials

YE March (INR mn)	Q3FY25	Q2FY25	QoQ (%)	Q3FY24	YoY (%)	Q3FY25E	Variance (%)
Operating profit	76,642	94,770	(19.1)	70,151	9.3	80,207	(4.4)
PBT	65,819	71,413	(7.8)	63,488	3.7	64,791	1.6
Net profit	48,373	52,379	(7.6)	45,793	5.6	47,881	1.0

Source: Company, Elara Securities Estimate

Loan growth well within guided range

- ▶ Overall gross loan growth came in at 11.8% YoY, supported by growth in both domestic book which saw a growth of 11.9% YoY and overseas book, up 11.2% YoY. Domestic growth was supported mainly by retail and agri.
- ▶ Retail growth momentum continued at 19.5% YoY and 4.5% QoQ, with auto loans continuing growth momentum at 21.1% YoY /6.6% QoQ. As opposed to the industry trends, personal loans saw a sharp growth in Q3 at 24% YoY/7.1% QoQ. BOB endeavors to grow this segment at this pace.
- ▶ Corporate book saw slow growth of 10.6% YoY, while it was muted QoQ and SME growth was 13.6% YoY/3.9% QoQ. Of gross domestic advances, 91% are rated A & Above from 89% in Q3FY24.
- ▶ BOB reiterated its overall loan growth guidance for FY25 at 11-13% YoY.

Deposit trends continue to be monitorable

- ▶ Deposit growth stood at 9.2% YoY/1.3% QoQ, primarily led by growth in domestic current accounts, domestic term deposits and international deposits.
- ▶ Domestic CASA deposits grew 6.5% YoY/0.9% QoQ due to better growth in current accounts. Domestic CASA ratio declined ~16bps QoQ to 39.7%.
- ▶ With respect to overseas book, deposits grew 27.3% YoY and 6.5% QoQ.
- ▶ BOB reiterated its deposit growth at 9-11% YoY for FY25, with continued focus on CASA and retail deposits.

Overall asset quality trends steady

- ▶ Headline asset quality improved further, with GNPL at 2.4% in Q3FY25 versus 2.5% in Q2FY25.
- ▶ Overall gross slippages were range-bound, amounting to INR 29bn from INR 31bn in Q2FY25. On segmental basis, only international loans saw a rise to INR 2.3bn (due to one-off item) from INR 0.15bn in Q2FY25. Slippages continued in the guided range of 1-1.25%.
- ▶ Collection efficiency (excluding the agri portfolio) was 98.65% in December 2024.
- ▶ SMA-1 and SMA-2 books of >INR 50mn rose further to 49bps versus 47bps in Q2FY25. Out of the five accounts that slipped to SMA, three have been pulled back as on date.
- ▶ Overall exposure to NCLT-referred accounts reduced to INR 427bn, with PCR of ~99%.
- ▶ BOB saw an overall recovery (recoveries and upgradation) were lower at INR 29.95bn in Q3FY25.

Margin to be range-bound

- ▶ Domestic NIM dropped sharply by 16bps QoQ to 2.9% due to a change in following factors: a) a change in accounting norms for penal interest from NII to other income (impact of 5bps). Also, previous quarter had one-time impact of 10bps, excluding which there was an impact of 6bps. BOB has revised its NIM guidance from 3.15% (+/- 5bps) to 3.05% (+/- 5bps). International NIM would be in the range of 1.9-2%.
- ▶ The overall cost of deposit inched up 4bps QoQ to 5.20% while yield on advances saw a decline of 6bps QoQ.

Other highlights

- ▶ In Q3FY25, other income was majorly supported by treasury income, while core fee income remained steady.
- ▶ C/I increased from 43.6% to 49.5%, mainly due to higher provision for employees.

Exhibit 1: P&L highlights – BOB reported PAT of INR 48.4bn; credit cost lower than anticipated

(INR mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
NII	108,183	115,249	109,967	108,307	111,013	117,928	116,001	116,221	114,169
Other income	35,520	34,661	33,223	41,712	28,105	41,915	24,873	51,814	37,689
Net revenue	143,703	149,909	143,189	150,019	139,118	159,843	140,873	168,035	151,858
Opex	61,381	69,180	64,946	69,821	68,967	78,782	69,261	73,265	75,215
PPoP	82,322	80,729	78,243	80,197	70,151	81,061	71,613	94,770	76,642
Investment gains	2,130	2,800	3,310	2,950	3,300	5,370	1,640	5,500	6,710
Core PPoP	80,192	77,929	74,933	77,247	66,851	75,691	69,973	89,270	69,932
Provisions	24,039	14,207	19,468	21,606	6,663	13,019	10,107	23,357	10,823
PAT	38,527	47,753	40,701	42,529	45,793	48,865	44,582	52,379	48,373
YoY (%)									
NII	26.5	33.8	24.4	6.4	2.6	2.3	5.5	7.3	2.8
Other income	41.0	37.4	181.1	128.5	(20.9)	20.9	(25.1)	24.2	34.1
Net revenue	29.8	34.6	42.9	25.0	(3.2)	6.6	(1.6)	12.0	9.2
Opex	9.8	25.8	18.2	17.0	12.4	13.9	6.6	4.9	9.1
PPoP	50.1	43.3	72.8	33.0	(14.8)	0.4	(8.5)	18.2	9.3
Investment gains	(49.4)	105.9	(16.2)	69.5	54.9	91.8	(50.5)	86.4	103.3
Core PPoP	58.4	41.7	81.3	31.9	(16.6)	(2.9)	(6.6)	15.6	4.6
Provisions	(4.1)	(62.0)	15.5	32.8	(72.3)	(8.4)	(48.1)	8.1	62.4
PAT	75.4	168.5	87.7	28.4	18.9	2.3	9.5	23.2	5.6
QoQ (%)									
NII	6.3	6.5	(4.6)	(1.5)	2.5	6.2	(1.6)	0.2	(1.8)
Other income	94.5	(2.4)	(4.1)	25.6	(32.6)	49.1	(40.7)	108.3	(27.3)
Net revenue	19.7	4.3	(4.5)	4.8	(7.3)	14.9	(11.9)	19.3	(9.6)
Opex	2.8	12.7	(6.1)	7.5	(1.2)	14.2	(12.1)	5.8	2.7
PPoP	36.5	(1.9)	(3.1)	2.5	(12.5)	15.6	(11.7)	32.3	(19.1)
Investment gains	22.4	31.5	18.2	(10.9)	11.9	62.7	(69.5)	235.4	22.0
Core PPoP	36.9	(2.8)	(3.8)	3.1	(13.5)	13.2	(7.6)	27.6	(21.7)
Provisions	47.7	(40.9)	37.0	11.0	(69.2)	95.4	(22.4)	131.1	(53.7)
PAT	16.3	23.9	(14.8)	4.5	7.7	6.7	(8.8)	17.5	(7.6)

Source: Company, Elara Securities Research

Exhibit 2: Loans grew 11.8% YoY/2.6% QoQ

INR bn	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Loan book	9,239	9,695	9,910	10,245	10,493	10,905	10,717	11,430	11,730
% YoY	19.7	18.5	18.0	17.3	13.6	12.5	8.1	11.6	11.8
% QoQ	5.8	4.9	2.2	3.4	2.4	3.9	(1.7)	6.7	2.6

Source: Company, Elara Securities Research

Exhibit 3: Segment-wise loan book – Loan growth led by Retail segment

INR bn	Gross loans (INR bn)					Loan growth YoY (%)					Loan mix (%)				
	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Retail	2,036	2,149	2,225	2,323	2,434	22.0	20.7	20.9	19.9	19.5	19.4	19.7	20.8	20.3	20.7
Home	1,063	1,118	1,147	1,193	1,240	15.6	14.1	14.7	16.2	16.6	10.1	10.3	10.7	10.4	10.6
Auto	371	387	402	421	449	24.3	23.8	25.1	22.9	21.1	3.5	3.5	3.8	3.7	3.8
Education	94	98	100	106	110	18.3	19.6	18.8	17.2	16.9	0.9	0.9	0.9	0.9	0.9
Other Retail loans	508	547	576	603	635	37.0	34.7	32.2	26.3	24.9	4.8	5.0	5.4	5.3	5.4
Agriculture	1,342	1,386	1,392	1,445	1,511	12.6	11.6	9.1	10.6	12.5	12.8	12.7	13.0	12.6	12.9
SME	1,160	1,194	1,199	1,268	1,318	12.6	10.4	9.8	11.7	13.6	11.1	11.0	11.2	11.1	11.2
Large & Medium Corporate	3,628	3,797	3,554	3,889	3,874	10.2	11.6	2.5	10.6	6.8	34.6	34.8	33.2	34.0	33.0
Misc. including Trade	454	454	448	463	513	8.2	1.6	(0.2)	2.3	12.9	4.3	4.2	4.2	4.1	4.4
Gross domestic Loans	8,621	8,981	8,818	9,389	9,649	13.4	12.9	8.5	12.5	11.9	82.2	82.4	82.3	82.1	82.3
International credit	1,872	1,924	1,899	2,042	2,082	14.4	10.6	6.5	7.6	11.2	17.8	17.6	17.7	17.9	17.7
Total	10,493	10,905	10,717	11,430	11,730	13.6	12.5	8.1	11.6	11.8	100.0	100.0	100.0	100.0	100.0

Source: Company, Elara Securities Research

Exhibit 4: Deposit growth came in at 11.8% YoY/2.1% QoQ, CASA ratio steady at ~39.7%

INR bn	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Deposits	11,495	12,037	11,999	12,496	12,453	13,270	13,070	13,635	13,925
YoY %	17.5	15.1	16.2	14.6	8.3	10.2	8.9	9.1	11.8
QoQ %	5.4	4.7	(0.3)	4.1	(0.3)	6.6	(1.5)	4.3	2.1
CA	652	751	630	618	646	764	667	710	736
YoY %	(0.1)	9.2	(0.7)	(4.8)	(0.9)	1.7	5.8	14.9	13.9
QoQ %	0.5	15.2	(16.1)	(2.0)	4.6	18.3	(12.7)	6.4	3.7
SA	3,526	3,674	3,571	3,666	3,698	3,900	3,824	3,875	3,891
YoY %	9.2	7.6	5.6	6.2	4.9	6.2	7.1	5.7	5.2
QoQ %	2.1	4.2	(2.8)	2.6	0.9	5.5	(2.0)	1.3	0.4
Domestic CASA ratio (%)	41.6	42.2	40.3	39.9	40.7	41.3	40.6	39.8	39.7

Source: Company, Elara Securities Research

Exhibit 5: Global margins declined by 16bps QoQ to 2.94%

%	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Global yield on loans	7.78	8.47	8.40	8.43	8.51	8.75	8.55	8.48	8.35
Domestic yield on loans	8.45	9.03	8.91	8.92	8.95	9.25	8.99	8.93	8.87
Overseas yield on loans	4.68	5.84	6.06	6.28	6.50	6.43	6.52	6.43	6.00
Cost of deposits	4.01	4.43	4.68	4.92	4.96	5.06	5.06	5.12	5.08
Domestic cost of deposits	4.11	4.52	4.74	4.99	5.00	5.11	5.13	5.16	5.20
Overseas cost of deposits	3.27	3.78	4.25	4.45	4.73	4.77	4.66	4.84	4.43
Cost of funds	4.42	4.83	5.05	5.40	5.44	5.33	5.33	5.35	5.39
Global NIM	3.37	3.53	3.27	3.07	3.10	3.27	3.18	3.10	2.94
Domestic NIM	3.54	3.65	3.41	3.19	3.23	3.45	3.30	3.27	3.11
Overseas NIM	1.74	2.17	1.92	1.96	2.04	1.95	2.23	2.00	1.83

Source: Company, Elara Securities Research

Exhibit 6: Asset quality healthy with GNPA at 2.43%

INR mn	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Opening GNPA	463,730	418,570	367,630	348,310	339,660	323,160	318,330	308,720	285,500
Slippages	28,810	27,440	27,610	47,510	26,180	32,000	30,180	31,100	29,150
Recoveries and upgradation	26,350	28,020	19,370	22,070	16,970	20,100	16,570	18,370	18,210
Write-offs and other adjustments	47,620	50,360	27,560	34,090	25,710	16,730	23,220	35,950	11,740
Closing GNPA	418,570	367,630	348,310	339,660	323,160	318,330	308,720	285,500	284,700
GNPL (%)	4.53	3.79	3.51	3.32	3.08	2.92	2.88	2.50	2.43
NNPL (%)	0.99	1.34	0.78	0.76	0.70	0.68	0.69	0.60	0.59
PCR (%) - Calculated	78.8	77.2	78.5	77.6	77.7	77.3	76.6	76.3	76.0
Credit cost (%) - Calculated	1.1	0.6	0.8	0.9	0.3	0.5	0.4	0.9	0.4

Source: Company, Elara Securities Research

Exhibit 7: Overall slippage ratio declined sequentially, whereas slippages in corporate up

Slippages - INR bn	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Retail	5.5	4.2	6.1	4.8	5.5	6.0	8.4	8.2	7.5
Agri	7.2	5.4	4.4	5.6	5.3	9.2	6.4	7.4	5.2
MSME	8.4	12.2	11.4	8.9	8.7	11.4	12.1	11.6	9.6
Corporate	7.6	5.5	5.6	28.0	6.5	5.4	3.1	3.9	6.7
Others	0.10	0.09	0.10	0.08	0.15	0.10	0.18	0.06	0.12
Total	28.8	27.4	27.6	47.5	26.2	32.0	30.2	31.1	29.2
Slippage ratio (as % of lagged loans) - Calculated	1.7	1.2	1.7	1.2	1.3	1.3	1.8	1.7	1.5
Retail	2.74	1.97	1.57	1.96	1.79	2.95	2.02	2.26	1.54
Agri	3.6	5.0	4.7	3.5	3.4	4.2	4.4	4.1	3.3
MSME	0.75	0.51	0.50	2.45	0.53	0.42	0.23	0.29	0.49
Corporate	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.1
Total slippages (%)	1.49	1.34	1.32	2.18	1.13	1.32	1.22	1.21	1.11

Source: Company, Elara Securities Research

Exhibit 8: Calculated credit cost at 0.38% versus 0.86% in Q2

INR mn	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Loan loss	8,170	3,200	16,930	22,850	10,070	14,850	12,690	17,330	8,710
Investment loss	14,090	2,190	(110)	920	380	(1,510)	(1,360)	1,220	350
Standard accounts	1,240	4,190	1,440	(3,600)	(4,170)	(560)	(1,920)	3,360	1,250
Other purposes	539	4,627	1,200	1,430	380	240	700	1,440	510
Total provisions	24,039	14,207	19,460	21,600	6,660	13,020	10,110	23,350	10,820
Overall credit cost (%) – Calculated	1.11	0.62	0.82	0.88	0.26	0.50	0.38	0.86	0.38

Source: Company, Elara Securities Research

Exhibit 9: Q3FY25 results highlights

INR mn	Q3FY25	Q2FY25	QoQ (%)	Q3FY24	YoY (%)
Interest income	309,076	302,633	2.1	286,051	8.0
Interest expenses	194,907	186,412	4.6	175,038	11.4
Net interest income	114,169	116,221	(1.8)	111,013	2.8
Other income	37,689	51,814	(27.3)	28,105	34.1
Operating expenses	75,215	73,265	2.7	68,967	9.1
Staff expense	42,067	40,397	4.1	38,085	10.5
Other opex	33,148	32,867	0.9	30,882	7.3
Pre prov op profit (PPP)	76,642	94,770	(19.1)	70,151	9.3
Provisions	10,823	23,357	(53.7)	6,663	62.4
Profit before tax	65,819	71,413	(7.8)	63,488	3.7
Provision for tax	17,446	19,034	(8.3)	17,694	(1.4)
Profit after tax	48,373	52,379	(7.6)	45,793	5.6
EPS (INR)	9.4	10.1		8.9	
Ratios					
NII / GII	36.9	38.4		38.8	
Cost - income	49.5	43.6		49.6	
Provisions / PPOP	14.1	24.6		9.5	
Tax rate	26.5	26.7		27.9	
Balance sheet					
Net advances (INR bn)	11,513	11,212	2.7	10,241	12.4
Deposits (INR bn)	13,925	13,635	2.1	12,453	11.8
CD ratio (%)	83	82		82	
Asset quality					
Gross NPA	284,712	285,512	(0.3)	323,176	(11.9)
Gross NPAs (%)	2	3		3	
Net NPA	68,251	67,643	0.9	72,083	(5.3)
Net NPA(%)	1	1		1	
Provision coverage (%)	76	76		78	

Source: Company, Elara Securities Research

Conference call highlights

Strategic perspective by MD and CEO

- ▶ Underlying market condition of liquidity led to elevated cost structure on the deposits front.
- ▶ BOB is moving towards retailization of the banks. RAM advances improved 200bps QoQ with retail continuously growing at 20%+. BOB aims to continue at current levels to cushion margins.
- ▶ CASA grew at 6.5% YoY – BOB will continue to focus on retail CASA and improve digital journeys.
- ▶ Operating profit: Key focus remained on core operating performance.
- ▶ Guidance for FY25: Deposit and advances remained unchanged at 9-11% and 11-13% respectively. Slippage ratio was in the range of 1-1.25% and credit cost below 75bps.

Business momentum

- ▶ Advances grew by 11.8% with domestic growing at 11.9% and international book up at 11.2%. Retail loans grew by 20% YoY, with Home loans 16.3% YoY, mortgage loans at 16.6%, auto loans at 21% YoY and education loan 17%. Personal loans growth continued to moderate at 24% YoY. Corporate loan growth was a tad slower at 6.8% YoY.
- ▶ Deposits grew by 11.8% YoY. Overall CD ratio was elevated at 84.24%. CASA grew 6.5% YoY with overall CASA maintained at 39.7%, well within the guided ~40%.
- ▶ BOB aims to reduce its dependency on bulk deposits. However, in Q3, it saw an uptick due to CDs, which are short-tenor instruments.
- ▶ PPOP was up 9.3% YoY and PAT 5.6% YoY. Profitability metrics stood healthy – ROA at 1.15% (more than 1% in past 10 quarters) with ROE at 17%.
- ▶ MSME loans: For MSME loans up to INR 1mn, BOB is prohibited to take any collateral. It is adhering to these guidelines.
- ▶ Gold loans: Retail gold loans are at INR 60bn. The entire business is compliant with the current guidelines.
- ▶ Personal loans: BOB is comfortable growing the book at 25-30% YoY levels with controlled slippages as it is an NIM-accretive business. BOB is moving towards salaried class, which renders additional comfort.
- ▶ NBFC exposure has declined on account of regulatory guidelines.
- ▶ Borrowings grew to INR 1.3tn from INR 900bn. This was done to substitute the cost of deposits. In Q3, BOB raised INR 50bn of infra bonds and INR 150bn in 9MFY25.

Asset quality

- ▶ GNPA/NNPA stood at 2.43% / 0.59% versus 3.08% / 0.7% in Dec '23.
- ▶ Slippage ratio improved to 0.90% as against the guided range of 1-1.125%. BOB has normalized the slippage run rate of ~INR 25bn on quarterly basis.
- ▶ SMA book stood largely stable at 0.49% versus 0.47% in previous quarter. SMA, including restructured book, stood at INR 284bn (2.48% of the total loan). Out of the five accounts in this pool, three have been pulled back as on date.
- ▶ Collection efficiency stood healthy at 99%.
- ▶ International book – Slippages stood at INR 2.26bn versus INR 0.15bn – this is a one-off item.

Cost, margins and other highlights

- ▶ NIMs declined by 16bps QoQ to 2.94% (previous quarter had one-time impact of 10bps – adjusted for it, NIMs declined by 6bps QoQ). Earlier, BOB had guided NIMs to remain ~3.15% (+/- 5 bps). Considering current liquidity scenario, repo rate expectations and penal interest impact of 5 to 6bps on full-year basis, BOB has lowered its guidance to 3.05% (+/- 5 bps). It aims to achieve the upper band of the revised guidance.

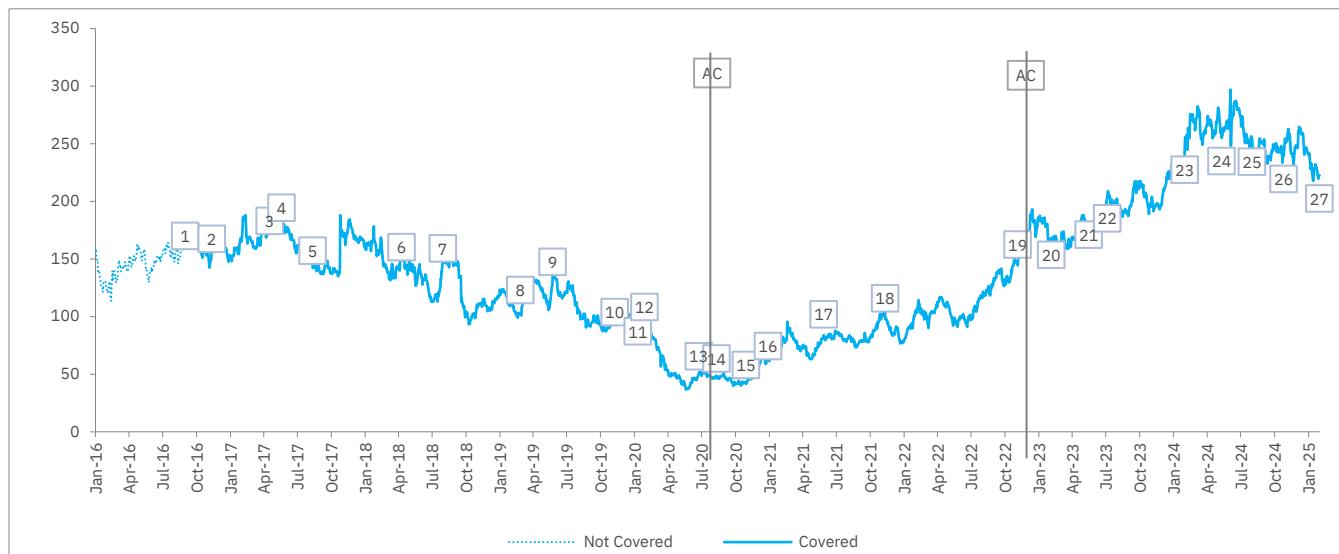
- ▶ International NIMs: Reset on International book comes on with a lag, which led to a decline in International NIMs. BOB aims it to be in the range of ~1.9-2% on full year FY25.
- ▶ Cost of deposits stood at 5.08% versus 5.12% QoQ. Yield on advances declined by 13bps QoQ to 8.35%.
- ▶ CRAR stood at 15.96% with tier-1 at 12.38% (including profits, stood at 17.34% and 13.77% respectively).
- ▶ Employee cost: Provision remains elevated due to factoring of discount rate. BOB believes that it has adequately provided as gratuity moved from 6.99% to 7.05%.
- ▶ Core fees income grew by 12.6% (to remain key for BOB's operating performance).
- ▶ Recovery from written off accounts on quarterly run-rate is INR 7.5-8bn.
- ▶ Interest income reversal had an impact of INR 3-3.5bn in Q2 (not there in Q3).

Exhibit 10: Change in estimates

(INR mn)	Revised			Earlier			% Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Net interest income	459,593	508,661	567,132	481,704	530,654	588,120	(4.6)	(4.1)	(3.6)
Operating profit	307,399	333,782	376,930	322,078	353,657	397,789	(4.6)	(5.6)	(5.2)
Net profit	185,174	181,240	194,644	185,551	185,006	204,519	(0.2)	(2.0)	(4.8)
TP (INR)			280			305			(8)

Source: Elara Securities Estimate

Coverage History



Date	Rating	Target Price	Closing Price
20	3-Feb-2023	Accumulate	INR 182
21	16-May-2023	Accumulate	INR 196
22	5-Jul-2023	Buy	INR 247
23	31-Jan-2024	Buy	INR 295
24	10-May-2024	Buy	INR 305
25	31-Jul-2024	Accumulate	INR 305
26	25-Oct-2024	Buy	INR 305
27	30-Jan-2025	Buy	INR 280

Guide to Research Rating

BUY	Absolute Return >+20%
ACCUMULATE	Absolute Return +5% to +20%
REDUCE	Absolute Return -5% to +5%
SELL	Absolute Return < -5%

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