

Bank of Baroda | BUY

Steady quarter

Bank of Baroda (BOB) reported a steady quarter with PAT at INR 48.4bn (+5.6% YoY, -7.6% QoQ) led by a) steady NII (+2.8% YoY, -1.8% QoQ), b) moderation in opex growth (+2.7% QoQ, +9.1% YoY), and c) lower-than-expected credit costs at 0.38% (vs 0.86% QoQ). Slippages during the quarter moderated to INR 29.1bn (vs INR 31.1bn QoQ). On the growth front, both loans (+12.4% YoY, +2.7% QoQ) and deposit growth (+11.8% YoY, +2.1% QoQ) remained modest reflecting broader macroeconomic conditions. CoDs saw an uptick to 5.2% (+4bps QoQ), while yields declined to 8.87% (-6bps QoQ) in tandem. As a result, margins witnessed a sharp compression to 3.11% (-16bps QoQ). Mgmt. revised margin guidance for the year to 3-3.1%. Recoveries from TWO stood at INR 7.2bn which while was sequentially lower (Q2 saw a substantial recovery of INR 25.2bn), was in-line with mgmt.'s guidance of INR 7.5-8bn run-rate per quarter. Headline asset quality metrics remained steady with GNPA/NNPA at 2.43%/0.59% (-7bps QoQ, -1bps QoQ) and PCR at 76%. Amidst the prevailing tight liquidity conditions and elevated credit costs, the bank's ability to effectively manage slippages while driving growth will be a crucial factor to monitor. While there is limited room for margin expansion and recoveries from previously written-off accounts have largely plateaued, current valuations at 0.7x FY27E BVPS remain attractive, offering compelling value despite the headwinds. We expect RoA/ROE of ~1%/13.8% by FY27E. Maintain BUY with a TP of INR 270 (valuing bank at 0.9x FY27E BVPS).

- Growth remains soft:** Loan growth remained subdued at (+12.4% YoY, +2.7% QoQ) with retail segment growing (+19.5% YoY, +4.8% QoQ), agri book growing (+12.5% YoY, +4.5% QoQ), and MSME segment growing (+13.6% YoY, +3.9% QoQ). Corporate segment saw a sequential de-growth (-0.4% QoQ, +6.8% YoY). Within retail, growth was led by PL (+7.1% QoQ, +24% YoY), followed by auto loans (+21.1% YoY, +6.6% QoQ) and home loans (+16.6% YoY, +4% QoQ). While most peers are scaling back their exposure to unsecured loans, PLs constitute a relatively small portion of BOB's overall advances (~4%). As a result, mgmt. remains confident in sustaining growth of 25-30% in this segment, while continuing to uphold steady asset quality. In-line with broader challenges in deposit accretion, deposit growth also remained soft (+11.8% YoY, +2.1% QoQ), though CASA was stable at 33.2% (-40bps QoQ). We build in a CAGR for loans at 13% and deposits at 11% over FY24-27E.
- In-line operating performance; margins decline:** Operating profit stood at INR 76.6bn (+9.3% YoY, -19.1% QoQ, -2.7% JMFe) led by a) steady NII (+2.8% YoY, -1.8% QoQ) and b) moderation in opex growth (+2.7% QoQ, +9.1% YoY). CODs inched up to 5.2% (+4bps QoQ), while yields saw a marginal decline to 8.87% (-6bps QoQ). As a result, margins saw a sharp contraction to 3.11% (-16bps QoQ). Mgmt. indicated that 5-6bps impact was due to the impact of penal charges. Further, mgmt. has revised NIM guidance for FY25 to 3-3.1%. Credit cost was a positive surprise as it moderated to 0.38% (vs 0.86% QoQ). Slippages also declined to INR 29bn (vs INR 31.1bn QoQ) with slippage ratio moderating to 1.07% (vs 1.17% QoQ). Headline asset quality metrics remained steady with GNPA/NNPA at 2.43%/0.59% (-7bps QoQ, -1bps QoQ) and PCR at 76%. We



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	270
Upside/(Downside)	21.4%
Previous Price Target	280
Change	-3.6%

Key Data – BOB IN

Current Market Price	INR222
Market cap (bn)	INR1,150.1/US\$13.3
Free Float	30%
Shares in issue (mn)	5,177.7
Diluted share (mn)	
3-mon avg daily val (mn)	INR2,909.1/US\$33.6
52-week range	300/216
Sensex/Nifty	76,760/23,250
INR/US\$	86.6

Price Performance

%	1M	6M	12M
Absolute	-7.7	-13.2	-6.3
Relative*	-5.9	-7.9	-13.2

* To the BSE Sensex

Financial Summary

Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Profit	1,41,096	1,77,888	1,88,772	1,90,721	2,00,253
Net Profit (YoY) (%)	94.0%	26.1%	6.1%	1.0%	5.0%
Assets (YoY) (%)	14.3%	8.8%	10.1%	11.8%	12.7%
ROA (%)	1.0%	1.2%	1.1%	1.0%	1.0%
ROE (%)	16.5%	17.8%	16.4%	14.7%	13.8%
EPS	27.3	34.4	36.5	36.8	38.7
EPS (YoY) (%)	94.0%	26.1%	6.1%	1.0%	5.0%
PE (x)	8.1	6.5	6.1	6.0	5.7
BV	178	207	236	266	297
BV (YoY) (%)	17.2%	16.1%	14.1%	12.5%	11.6%
P/BV (x)	1.24	1.07	0.94	0.84	0.75

Source: Company data, JM Financial. Note: Valuations as of 30/Jan/2025

JM Financial Institutional Securities Limited

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build in avg. credit costs of 0.7% over FY25E/27E.

- **Valuation and view:** Amidst the prevailing tight liquidity conditions and elevated credit costs, the bank's ability to effectively manage slippages while driving growth will be a crucial factor to monitor. While there is limited room for margin expansion and recoveries from previously written-off accounts have largely plateaued, current valuations at 0.7x FY27E BVPS remain attractive, offering compelling value despite the headwinds. We expect RoA/ROE of ~1%/13.8% by FY27E. Maintain BUY with a TP of INR 270 (valuing bank at 0.9x FY27E BVPS).

BOB – 3QFY25 trends

Exhibit 1. BOB 3QFY25: Results summary

Earnings Table (INR mn)	3Q'24	2Q'25	3Q'25	YoY (%)	QoQ (%)
NII	1,11,013	1,16,221	1,14,169	2.8	-1.8
Trading Profits	380	6,920	7,070	1760.5	2.2
FX Revenues	7,550	6,930	8,130	7.7	17.3
Recoveries	8,470	25,250	7,210	-14.9	-71.4
Fee & Other Income	11,705	12,714	15,279	30.5	20.2
Non-Interest income	28,105	51,814	37,689	34.1	-27.3
Total Income	1,39,118	1,68,035	1,51,858	9.2	-9.6
Employee Cost	38,085	40,397	42,067	10.5	4.1
Other Operating Expenses	30,882	32,867	33,148	7.3	0.9
Total Operating Expenses	68,967	73,265	75,215	9.1	2.7
Operating Profit	70,151	94,770	76,642	9.3	-19.1
Loan Loss Provisions	10,070	17,330	8,710	-13.5	-49.7
Standard Asset Provisions	-4,170	3,360	1,250	-130.0	-62.8
Provisions on Investments	380	1,220	350	-7.9	-71.3
Other Provisions	383	1,447	513	33.9	-64.5
Total Provisions	6,663	23,357	10,823	62.4	-53.7
PBT	63,488	71,413	65,819	3.7	-7.8
Tax	17,694	19,034	17,446	-1.4	-8.3
Reported Profit	45,793	52,379	48,373	5.6	-7.6

Balance sheet (INR bn.)

Deposits	12,453	13,635	13,925	11.8	2.1
Net Advances	10,241	11,212	11,513	12.4	2.7
Total Assets	15,395	16,488	17,150	11.4	4.0
Low-cost Deposits (%)	40.7	39.8	39.7	-1.0	-0.2
Loan-Deposit ratio (%)	82.2	82.2	82.7	0.4	0.5

Key Ratios	3Q'24	2Q'25	3Q'25	YoY (%)	QoQ (%)
Credit Quality					
Gross NPAs (Rs. mn.)	323.2	285.5	284.7	-11.9	-0.3
Net NPAs (Rs. mn.)	72.1	67.6	68.3	-5.3	0.9
Gross NPA (%)	3.08	2.50	2.43	-0.7	-0.1
Net NPA (%)	0.70	0.60	0.59	-0.1	0.0
Loan Loss Provisions (%)	0.25	0.78	0.37	0.12	-0.41
Coverage Ratio (%)	77.7	76.3	76.0	-1.7	-0.3
Cost / Income ratio (%)	49.6	43.6	49.5	0.0	5.9
Capital Adequacy					
CET 1 (%)	11.1	12.7	12.4	1.3	-0.3
Tier I (%)	12.9	14.2	13.4	0.5	-0.7
CAR (%)	14.7	16.3	16.0	1.2	-0.3
Du-pont Analysis					
NII / Assets (%)	2.9	2.9	2.7	-0.2	-0.2
Non-Interest Inc. / Assets (%)	0.7	1.3	0.9	0.2	-0.4
Operating Cost / Assets (%)	1.8	1.8	1.8	0.0	0.0
Operating Profits / Assets (%)	1.8	2.4	1.8	0.0	-0.5
Provisions / Assets (%)	0.2	0.6	0.3	0.1	-0.3
ROA (%)	1.2	1.3	1.2	0.0	-0.1

Source: Company, JM Financial

Exhibit 2. BOB 3QFY25: Deposits mix

Deposits Composition (INR bn)	3Q'24	2Q'25	3Q'25	YoY (%)	QoQ (%)
Saving Deposits - Domestic	3,698	3,875	3891	5.2	0.4
Current Deposits - Domestic	646	710	736	13.9	3.7
CASA Deposits - Domestic	4,343	4,584	4,626	6.5	0.9
Time Deposits - Domestic	6,330	6,924	7,033	11.1	1.6
Total Domestic Deposits	10,674	11,508	11,659	9.2	1.3
Total Deposits	12,453	13,635	13,925	11.8	2.1
Mix (%)					
Saving Deposits - Domestic	34.6	33.7	33.4	(1.3)	(0.3)
Current Deposits - Domestic	6.1	6.2	6.3	0.3	0.1
CASA (% domestic)	40.7	39.8	39.7	(1.0)	(0.2)
Time Deposits - Domestic	59.3	60.2	60.3	1.0	0.2
Domestic Deposits (% of total)	85.7	84.4	83.7	(2.0)	(0.7)
Overseas Deposits (% of total)	14.3	15.6	16.3	2.0	0.7

Source: Company, JM Financial

Exhibit 3. BOB 3QFY25: Loan mix

Loan Book Composition (INR bn)	3Q'24	2Q'25	3Q'25	YoY (%)	QoQ (%)
Retail credit	2,036	2,323	2,434	19.5	4.8
SME credit	1,160	1,268	1,318	13.6	3.9
Agriculture credit	1,342	1,445	1,511	12.5	4.5
Wholesale credit & Others	4,082	4,352	4,387	7.5	0.8
Domestic Advances	8,621	9,389	9,649	11.9	2.8
Overseas Advances	1,872	2,042	2,082	11.2	2.0
Total Advances	10,493	11,430	11,730	11.8	2.6
Mix (%)					
Retail credit	23.6	24.7	25.2	1.6	0.5
SME credit	13.5	13.5	13.7	0.2	0.1
Agriculture credit	15.6	15.4	15.7	0.1	0.3
Wholesale credit	47.4	46.4	45.5	-1.9	-0.9
Total Domestic Advances	100.0	100.0	100.0		
Domestic Advances	82.2	82.1	82.3	0.1	0.1
Overseas Advances	17.8	17.9	17.7	-0.1	-0.1

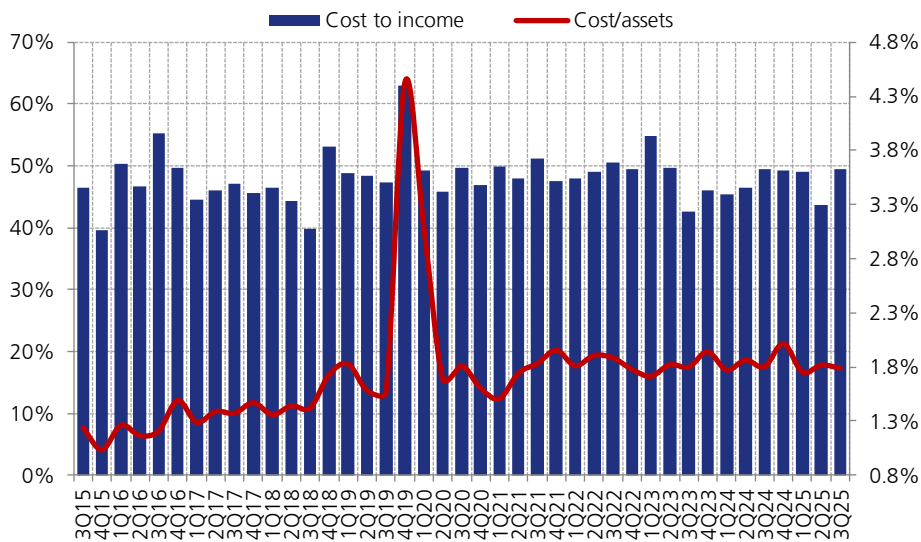
Source: Company, JM Financial

Exhibit 4. BOB 3QFY25: Fee income split

Fee Income Composition (INR mn)	3Q'24	2Q'25	3Q'25	YoY (%)	QoQ (%)
Fees and commissions	11,600	11,870	11,480	-1.0%	-3.3%
Forex and derivatives	7,550	6,930	8,130	7.7%	17.3%
Trading gains/losses	380	6,920	7,070	1760.5%	2.2%
Miscellaneous income	8,475	25,404	10,909	28.7%	-57.1%
Total	28,005	51,124	37,589	34.2%	-26.5%
Fee Income Mix (%)					
Fees and commissions	41.4	23.2	30.5	(10.9)	7.3
Forex and derivatives	27.0	13.6	21.6	(5.3)	8.1
Trading gains/losses	1.4	13.5	18.8	17.5	5.3
Miscellaneous income	30.3	49.7	29.0	(1.2)	(20.7)
Total	100.0	100.0	100.0	-	-

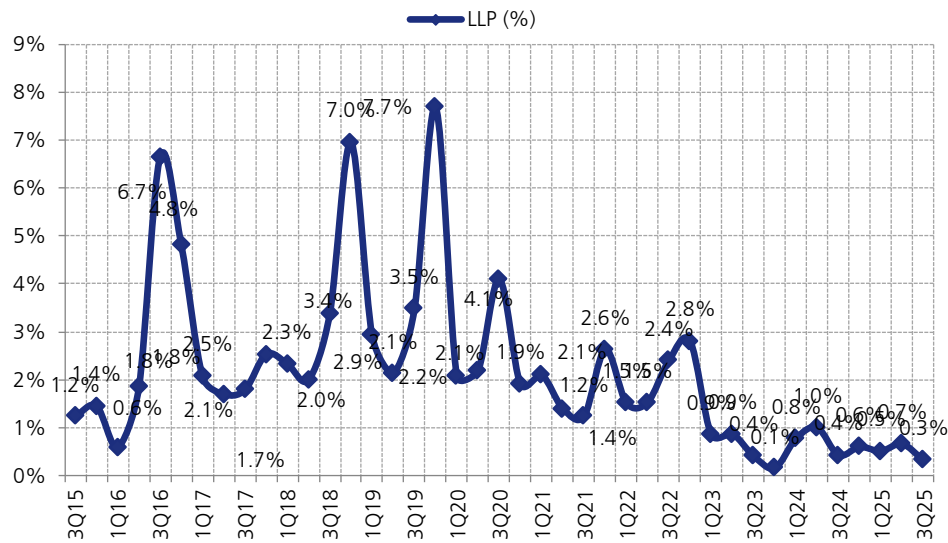
Source: Company, JM Financial

Exhibit 5. BOB 3QFY25: Cost ratios



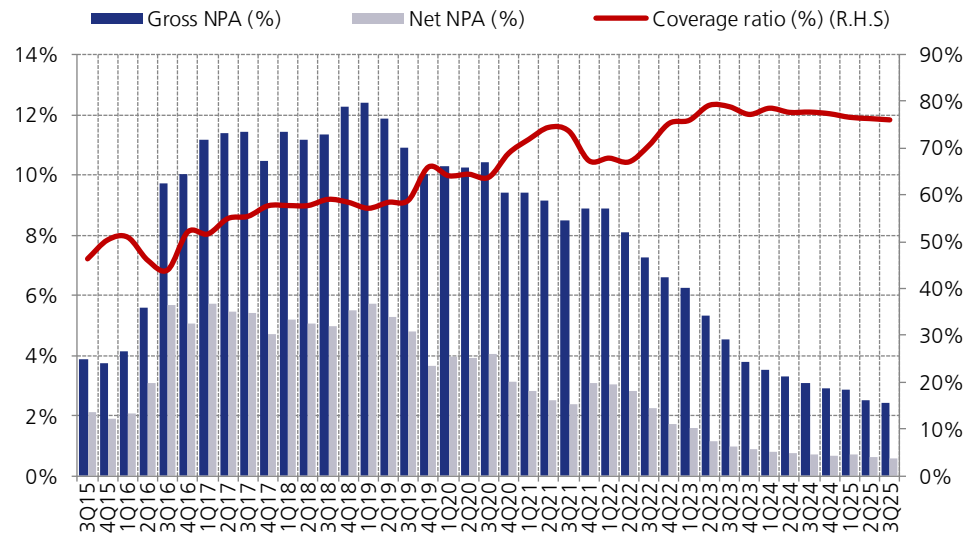
Source: Company, JM Financial

Exhibit 6. BOB 3QFY25: Specific credit costs (%)



Source: Company, JM Financial

Exhibit 7. Asset quality indicators



Source: Company, JM Financial

Valuation and 12M TP

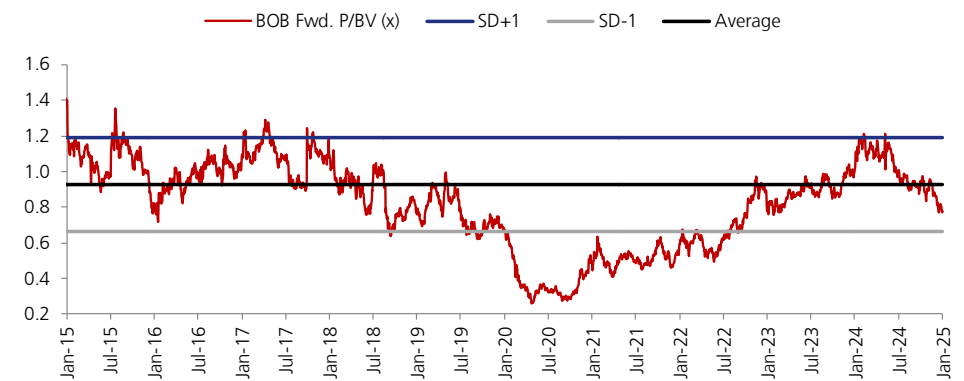
We value Bank of Baroda using two-stage Gordon growth model. Our calculations are, as follows:

Exhibit 8. BOB: Valuation summary

Initial no of years	10
Growth rate for the first 10 years (%)	12%
Pay out ratio for the first 10 years (%)	10%
Perpetual growth rate (%)	6%
Perpetual payout ratio (%)	60%
K1	0.88
K2	5.81
Fully adjusted FY27E BVPS (Rs)	300
Target P/BV (x)	0.9x
Fair value (rounded off)	270

Source: Company, JM Financial

Exhibit 9. BOB: One-year forward P/BV (x)



Source: Company, JM Financial

Financial Tables (Standalone)

Profit & Loss						(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Interest Income	4,13,560	4,47,215	4,64,292	5,23,320	5,78,268	
Profit on Investments	735	19,902	10,000	10,000	10,000	
Exchange Income	6,489	12,887	16,753	19,266	22,156	
Fee & Other Income	93,034	1,12,165	1,27,587	1,24,161	1,39,629	
Non-Interest Income	1,00,258	1,44,954	1,54,340	1,53,427	1,71,785	
Total Income	5,13,818	5,92,169	6,18,632	6,76,747	7,50,052	
Operating Expenses	2,45,183	2,82,517	2,97,367	3,27,793	3,65,949	
Pre-provisioning Profits	2,68,635	3,09,652	3,21,265	3,48,954	3,84,103	
Loan-Loss Provisions	49,823	58,732	65,418	93,910	1,16,349	
Provisions on Investments	17,040	-313	500	500	500	
Others Provisions	4,506	2,337	250	250	250	
Total Provisions	71,369	60,756	66,168	94,660	1,17,099	
PBT	1,97,266	2,48,896	2,55,098	2,54,295	2,67,004	
Tax	56,170	71,008	66,325	63,574	66,751	
PAT (Pre-Extraordinaries)	1,41,096	1,77,888	1,88,772	1,90,721	2,00,253	
Extra ordinaries (Net of Tax)	0	0	0	0	0	
Reported Profits	1,41,096	1,77,888	1,88,772	1,90,721	2,00,253	
Dividend paid	28,442	39,302	37,754	38,144	40,051	
Retained Profits	1,12,654	1,38,586	1,51,018	1,52,577	1,60,202	

Source: Company, JM Financial

Key Ratios					
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Growth (YoY) (%)					
Deposits	15.1%	10.2%	9.0%	11.0%	12.0%
Advances	21.1%	13.3%	12.0%	13.0%	13.0%
Total Assets	14.3%	8.8%	10.1%	11.8%	12.7%
Nil	26.8%	8.1%	3.8%	12.7%	10.5%
Non-interest Income	-12.7%	44.6%	6.5%	-0.6%	12.0%
Operating Expenses	12.9%	15.2%	5.3%	10.2%	11.6%
Operating Profits	20.0%	15.3%	3.8%	8.6%	10.1%
Core Operating profit	30.0%	8.2%	7.4%	8.9%	10.4%
Provisions	-45.1%	-14.9%	8.9%	43.1%	23.7%
Reported PAT	94.0%	26.1%	6.1%	1.0%	5.0%
Yields / Margins (%)					
Interest Spread	2.92%	2.71%	2.48%	2.43%	2.29%
NIM	3.16%	3.05%	2.88%	2.90%	2.83%
Profitability (%)					
Non-IR to Income	19.5%	24.5%	24.9%	22.7%	22.9%
Cost to Income	47.7%	47.7%	48.1%	48.4%	48.8%
ROA	1.04%	1.17%	1.14%	1.04%	0.97%
ROE	16.5%	17.8%	16.4%	14.7%	13.8%
Assets Quality (%)					
Slippages	1.46%	1.11%	1.60%	1.60%	1.65%
Gross NPA	3.79%	2.93%	2.60%	2.53%	2.54%
Net NPAs	0.89%	0.68%	0.64%	0.64%	0.65%
Provision Coverage	77.2%	77.4%	76.0%	75.0%	75.0%
Specific LLP	0.52%	0.65%	0.51%	0.66%	0.73%
Net NPAs / Networth	9.1%	6.7%	6.2%	6.3%	6.4%
Capital Adequacy (%)					
Tier I	13.99%	14.07%	14.29%	14.11%	13.74%
CAR	16.24%	16.31%	14.49%	14.29%	13.89%

Source: Company, JM Financial

Balance Sheet						(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Equity Capital	10,355	10,355	10,355	10,355	10,355	
Reserves & Surplus	9,13,266	10,61,757	12,12,775	13,65,352	15,25,554	
Deposits	1,20,36,878	1,32,69,578	1,44,63,840	1,60,54,863	1,79,81,446	
Borrowings	10,19,105	9,44,023	10,58,066	12,06,893	13,82,509	
Other Liabilities	5,47,404	5,22,134	6,52,668	8,15,834	10,19,793	
Total Liabilities	1,45,27,008	1,58,07,848	1,73,97,704	1,94,53,297	2,19,19,657	
Investments	36,24,854	36,98,168	39,86,694	42,69,163	51,64,747	
Net Advances	94,09,983	1,06,57,817	1,19,36,755	1,34,88,533	1,52,42,043	
Cash & Equivalents	9,57,032	9,51,241	10,14,781	13,89,807	13,64,836	
Fixed Assets	28,458	29,002	30,179	31,800	33,639	
Other Assets	5,06,681	4,71,618	4,29,295	2,73,994	1,14,392	
Total Assets	1,45,27,008	1,58,07,848	1,73,97,704	1,94,53,297	2,19,19,657	

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Nil / Assets	3.04%	2.95%	2.80%	2.84%	2.80%
Other Income / Assets	0.74%	0.96%	0.93%	0.83%	0.83%
Total Income / Assets	3.77%	3.90%	3.73%	3.67%	3.63%
Cost / Assets	1.80%	1.86%	1.79%	1.78%	1.77%
PBP / Assets	1.97%	2.04%	1.94%	1.89%	1.86%
Provisions / Assets	0.52%	0.40%	0.40%	0.51%	0.57%
PBT / Assets	1.45%	1.64%	1.54%	1.38%	1.29%
Tax rate	28.5%	28.5%	26.0%	25.0%	25.0%
ROA	1.04%	1.17%	1.14%	1.04%	0.97%
RoRWAs	2.13%	2.38%	2.24%	2.01%	1.86%
Leverage	15.7	14.7	14.2	14.1	14.3
ROE	16.5%	17.8%	16.4%	14.7%	13.8%

Source: Company, JM Financial

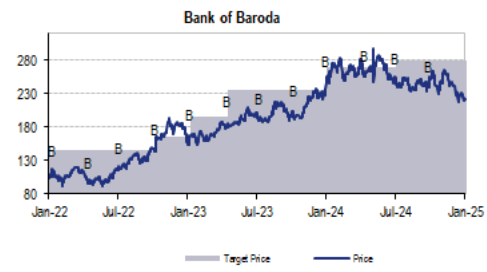
Valuations					
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Shares in Issue	5,177.7	5,177.7	5,177.7	5,177.7	5,177.7
EPS (INR)	27.3	34.4	36.5	36.8	38.7
EPS (YoY) (%)	94.0%	26.1%	6.1%	1.0%	5.0%
PER (x)	8.1	6.5	6.1	6.0	5.7
BV (INR)	178	207	236	266	297
BV (YoY) (%)	17.2%	16.1%	14.1%	12.5%	11.6%
ABV (INR)	167	200	229	269	300
ABV (YoY) (%)	9.5%	20.0%	14.1%	17.6%	11.7%
P/BV (x)	1.24	1.07	0.94	0.84	0.75
P/ABV (x)	1.33	1.11	0.97	0.83	0.74
DPS (INR)	5.5	7.6	7.3	7.4	7.7
Div. yield (%)	2.5%	3.4%	3.3%	3.3%	3.5%

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
11-Aug-20	Hold	55	
29-Oct-20	Hold	55	0.0
11-Jan-21	Buy	95	72.7
28-Jan-21	Buy	95	0.0
31-May-21	Buy	95	0.0
9-Aug-21	Buy	95	0.0
11-Oct-21	Buy	110	15.8
10-Nov-21	Buy	135	22.7
7-Feb-22	Buy	145	7.4
15-May-22	Buy	145	0.0
1-Aug-22	Buy	145	0.0
6-Nov-22	Buy	165	13.8
6-Feb-23	Buy	195	18.2
16-May-23	Buy	235	20.5
6-Aug-23	Buy	235	0.0
5-Nov-23	Buy	235	0.0
31-Jan-24	Buy	270	14.9
12-May-24	Buy	270	0.0
1-Aug-24	Buy	280	3.7
27-Oct-24	Buy	280	0.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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