26 July 2026

Bank of Baroda

One-off drags earnings; core trends remain intact; maintain BUY

Rating: **BUY**
Target Price (12-mth): Rs.319
Share Price: Rs.246

Bank of Baroda's underlying operating performance (excluding exceptional item) remained healthy in Q1FY27. However, one-off settlement of US$600m NMC-related litigation sharply impacted its reported profitability, with RoA declining by 90bps q/q to 0.25%. Loan growth remained robust, led by RAM segment, while asset quality remained resilient, with gross/net slippages at 97/49bps. Stable core NIM (excluding IT refund-related impact) and controlled operating expenses offset softer fee income, supporting healthy core earnings. The planned FCNR (B)/OFCB/ECB fund-raise should further strengthen liability growth, while the ECL transition remains a key monitorable in the near-term. Looking ahead, we expect the bank's credit growth to remain in-line with system, while profitability is likely to remain steady. We maintain BUY rating on the stock with a TP of Rs319, valuing it at 0.9x FY28e P/ABV.

Business growth remains strong: Credit growth accelerated to ~17.6% y/y (16.5% y/y in Q4FY26), ahead of the guided 11-13% range, led by healthy traction in RAM (up 19% y/y) and overseas (up 23.3% y/y). On liability side, deposit growth improved to ~13.8% y/y (ahead of the guided 9-11% range), while CASA grew 10% y/y during the quarter. LCR was healthy at 127%. The management indicated that the bank has already raised US$500m through the FCNR (B) scheme and aims to mobilise US$4-5bn in total through FCNR (B)/ OFCBs/ECBs.

Headline asset quality remains stable: Asset quality remained healthy, with gross slippages at 97bps in Q1FY27 (vs. 103bps in Q4FY26) and net slippages at 49bps (vs. 35bps in Q4FY26). The bank settled the NMC litigation out of court for US$600m, while settlement terms remain confidential. The management expects a Rs120bn hit on net basis (~120bps on CRAR) from the ECL transition, with steady-state credit cost rising by 15-20bps.

NIM declines: Global NIM declined 12bps q/q to 2.77%, while adjusted for higher I-T refund in Q4FY26, core NIM remained sequentially stable with the management maintaining guidance of 2.75-2.95%. Looking ahead, we expect the bank's margin to remain broadly rangebound, with funding-cost pressure likely to be offset by the yield improvement from mix change. Fee income declined 20% y/y on competitive corporate lending, which the management expects to improve in the coming quarters. Opex/assets rose 4bps q/q to 1.56% in Q1FY27, while employee cost remained higher on elevated pension-related liabilities as G-sec yields fell. Ex-NMC, RoA/RoE would have been 1%+/15%+. The management expects RoA of 1%+ over the next three quarters and targets a medium-term RoE of 15-16%.

Valuation: Expecting the bank's profitability to remain steady in the coming period, we maintain BUY rating on the stock with a TP of Rs319, valuing it at 0.9x FY28e P/ABV.

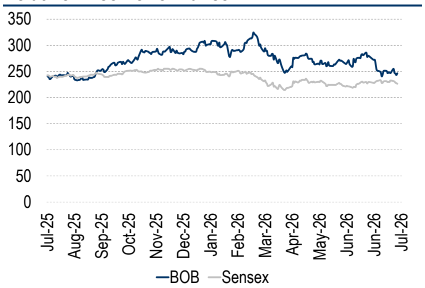
Key Risks: (a) Lumpy slippages from the corporate book; (b) sticky deposit cost; (c) delayed asset repricing; and (c) lower-than-estimated credit growth.

Key Data	BOB IN / BOB.BO
52-week high / low	Rs326 / 231
Sensex / Nifty	76060 / 23767
Market cap	Rs1274bn
Shares outstanding	5171m

Shareholding Pattern (%)	Jun'26	Mar'26	Dec'25
Promoters	64.0	64.0	64.0
- of which, Pledged	-	-	-
Free float	36.0	36.0	36.0
- Foreign institutions	10.1	9.69	9.84
- Domestic institutions	18.3	18.9	18.7
- Public	7.6	7.4	7.5

Estimates Revision (%)	FY27e	FY28e
Net interest income	0.5	1.7
Pre-provisioning profit	1.2	3.5
PAT	(17.6)	2.0

Relative Price Performance



Source: Bloomberg

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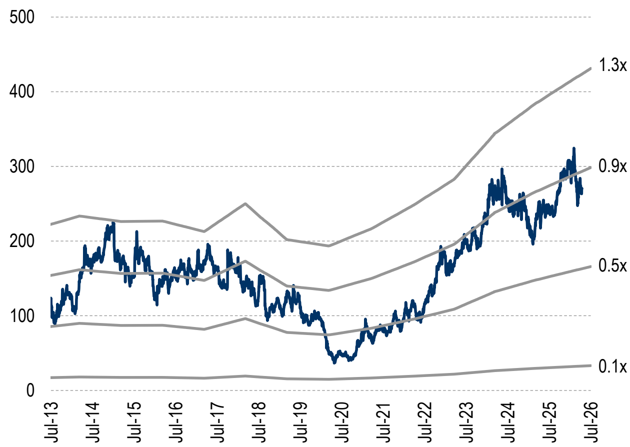
Quick Glance – Financials and Valuations

Fig 1 – Income statement (Rs bn)

Y/E Mar	FY24	FY25	FY26	FY27e	FY28e
Net interest income	447	465	477	541	619
NII growth (%)	8.1	4.0	2.5	13.6	14.3
Non-interest income	145	158	158	176	198
Income	592	623	634	718	817
Income growth (%)	15.2	5.2	1.8	13.2	13.7
Operating expenses	283	299	312	343	381
PPoP	310	324	323	375	436
PPoP growth (%)	15.3	4.7	-0.5	16.2	16.3
Provisions	61	60	71	81	102
PBT	249	265	251	294	333
Tax	71	69	51	59	85
PAT	178	196	200	178	248
PAT growth (%)	26.1	10.1	2.2	17.4	5.6
EPS (Rs)	34.4	37.8	38.7	34.4	48.0
DPS (Rs)	7.6	8.4	8.5	6.9	9.6

Source: Company, Anand Rathi Research

Fig 4 – Price-to-Book Band



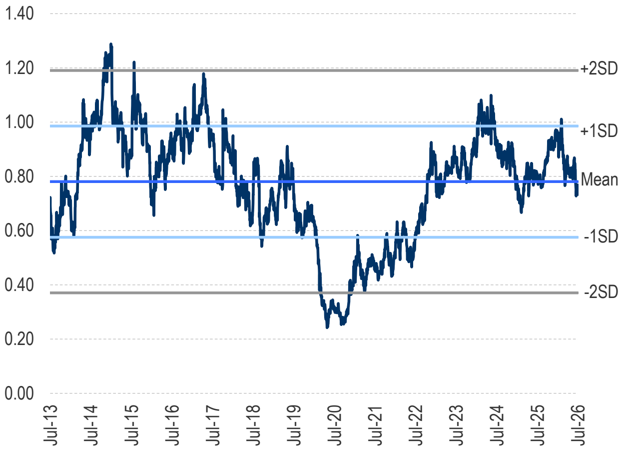
Source: Bloomberg

Fig 2 – Balance Sheet (Rs bn)

Y/E Mar	FY24	FY25	FY26	FY27e	FY28e
Share capital	10	10	10	10	10
Reserves & surplus	1,112	1,359	1,522	1,664	1,863
Deposits	13,351	14,720	16,485	18,710	21,330
Borrowings	944	1,237	1,564	1,876	2,252
Other Liabilities & Prov.	440	486	511	574	642
Total liabilities	**15,858**	**17,812**	**20,092**	**22,835**	**26,096**
Advances	10,658	12,096	14,091	16,205	18,635
Investments	3,698	3,854	3,864	4,328	4,977
Cash & bank balance	951	1,258	1,541	1,695	1,864
Fixed & other assets	551	604	596	608	620
Total assets	**15,858**	**17,812**	**20,092**	**22,835**	**26,096**
No. of shares (m)	5,178	5,178	5,178	5,178	5,178
Deposits growth (%)	10.9	10.3	12.0	13.5	14.0
Advances growth (%)	13.3	13.5	16.5	15.0	15.0

Source: Company, Anand Rathi Research

Fig 5 – 1-Year Fwd. Price-to-BV



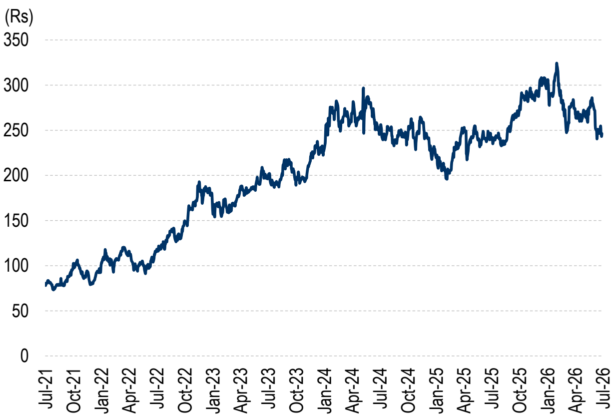
Source: Company, Anand Rathi Research

Fig 3 – Ratio Analysis (%)

Y/E Mar	FY24	FY25	FY26	FY27e	FY28e
NIM	3.2	3.0	2.7	2.7	2.7
Cost-income	47.7	47.9	49.1	47.8	46.6
RoA	1.2	1.2	1.1	0.8	1.0
RoE	16.9	15.7	13.8	11.1	14.0
DPS (`)	7.6	8.4	8.5	6.9	9.6
LDR	79.8	82.2	85.5	86.6	87.4
Gross NPA	2.9	2.3	1.9	1.8	1.7
Net NPA	0.7	0.6	0.5	0.4	0.4
Provision coverage	77.3	74.9	76.7	75.0	75.0
BV (`)	216.7	264.5	295.9	323.5	361.8
CRAR (%)	16.3	17.2	15.8	14.7	14.0
Tier 1	14.1	14.8	13.6	12.9	12.4
P / E (x)	7.2	6.5	6.4	7.1	5.1
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

Fig 6 – Price Movement



Source: Bloomberg

Key Highlights

Quarterly Snapshot

Fig 7 – Income Statement

(Rs bn)	Q4 FY25	Q1 FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27
Interest income	311	311	315	317	326	332
Interest expense	196	197	196	199	201	207
NII	**115**	**114**	**120**	**118**	**125**	**125**
y/y growth (%)	(2.5)	(1.4)	2.7	3.4	8.7	9.5
Non-interest income	47	47	35	36	40	35
Total income	162	161	155	154	165	160
y/y growth (%)	1.5	14.4	(7.9)	1.4	1.4	(0.7)
Operating expenses	81	79	79	80	74	79
of which, staff cost	43	43	41	41	33	42
PPoP	**81**	**82**	**76**	**74**	**91**	**81**
y/y growth (%)	0.3	15.0	(20.1)	(3.7)	11.5	(1.3)
Total provisions	16	20	12	8	32	6
PBT	**66**	**63**	**63**	**66**	**59**	**75**
Tax	15	17	15	15	3	5
PAT	**50**	**45**	**48**	**51**	**56**	**13**
y/y growth (%)	3.3	1.9	(8.2)	4.5	11.3	(71.9)

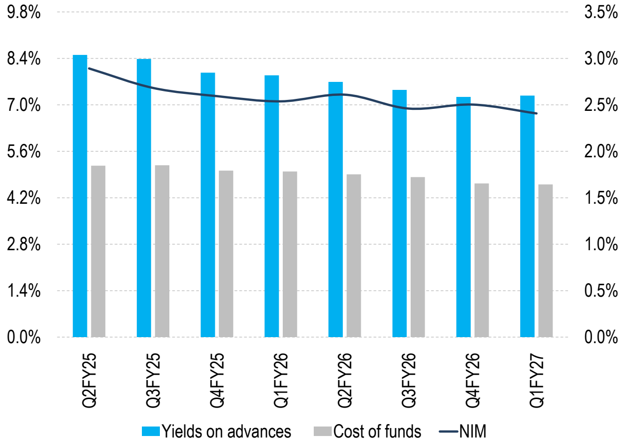
Source: Company, Anand Rathi Research

Fig 8 – Balance Sheet

(Rs bn)	Q4 FY25	Q1 FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27
Equity capital	10	10	10	10	10	10
Reserves & Surplus	1,359	1,411	1,460	1,508	1,522	1,541
Deposits	14,720	14,356	15,000	15,467	16,485	16,336
Borrowings	1,237	1,199	1,339	1,289	1,564	1,591
Other liabilities	486	578	455	533	511	734
Total Liabilities	**17,812**	**17,554**	**18,264**	**18,807**	**20,092**	**20,213**
y/y deposits growth (%)	10.9	9.1	9.3	10.3	12.0	13.8
q/q deposits growth (%)	4.9	-2.5	4.5	3.1	6.6	-0.9
Cash and cash balances	1,258	1,318	1,189	1,377	1,541	1,467
Advances	12,096	11,866	12,583	13,251	14,091	13,957
Investments	3,854	3,730	3,877	3,585	3,864	4,094
Other assets	604	640	614	594	596	694
Total Assets	**17,812**	**17,554**	**18,264**	**18,807**	**20,092**	**20,213**
y/y advances growth (%)	13.5	13.2	12.2	15.1	16.5	17.6
q/q advances growth (%)	5.1	-1.9	6.0	5.3	6.3	-0.9

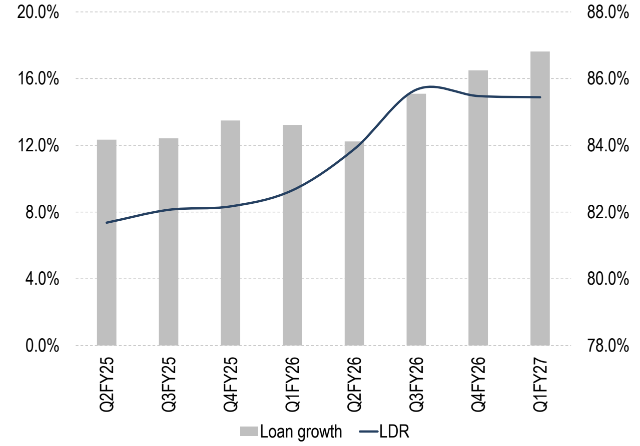
Source: Company, Anand Rathi Research

Fig 9 – Yield, Cost and Margin



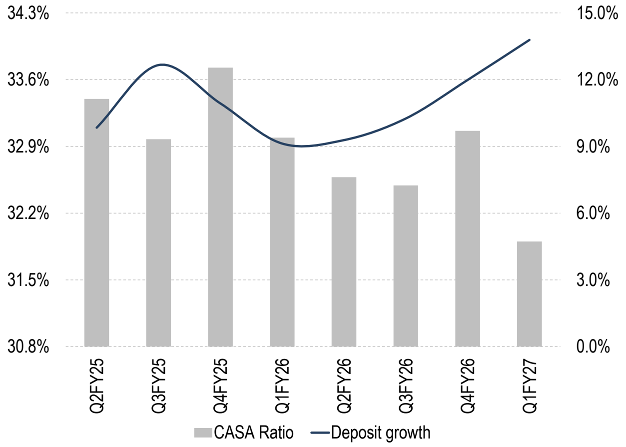
Source: Company, Anand Rathi Research

Fig 10 – Credit Growth vs. LDR



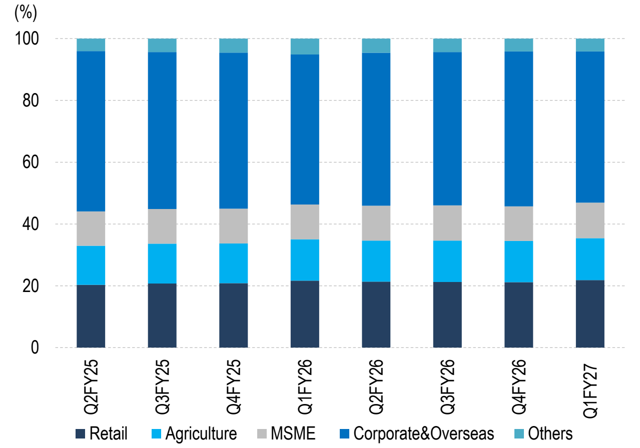
Source: Company, Anand Rathi Research

Fig 11 – Deposit Growth vs. CASA Ratio



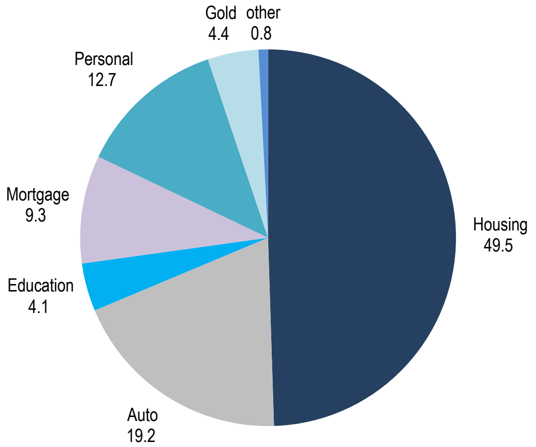
Source: Company, Anand Rathi Research

Fig 12 – Break-up of Loans



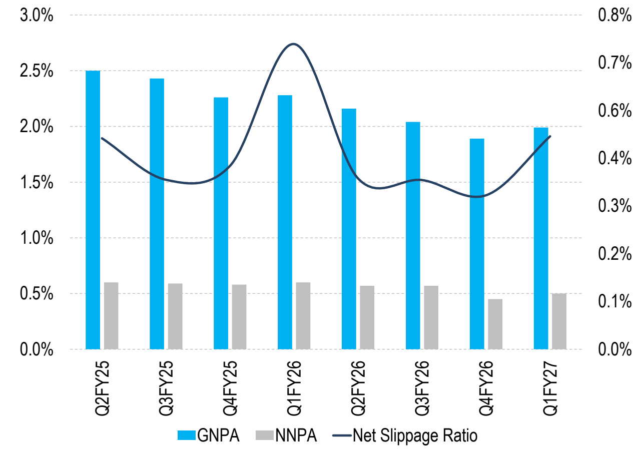
Source: Company, Anand Rathi Research

Fig 13 – Break-up of Retail Loans



Source: Company, Anand Rathi Research

Fig 14 – GNPA, NNPA and RoA



Source: Company, Anand Rathi Research

Outlook and Valuation

Looking ahead, we expect the bank's profitability to remain steady, while credit growth is expected to remain in-line with the system.

We maintain BUY rating on the stock with a TP of Rs319, valuing it at 0.9x FY28e P/ABV.

Fig 15 – DuPont Analysis

(%)	FY24	FY25	FY26	FY27e	FY28e
Interest Income / Assets	7.4	7.3	6.7	6.8	6.8
Interest Expense / Assets	4.5	4.5	4.2	4.2	4.3
Net interest income / Assets	2.9	2.8	2.5	2.5	2.5
Non-interest income / Assets	1.0	0.9	0.8	0.8	0.8
Net revenues / Assets	3.9	3.7	3.3	3.3	3.3
Operating expense / Assets	1.9	1.8	1.6	1.6	1.6
PPoP / Assets	2.0	1.9	1.7	1.7	1.8
Provision / Assets	0.4	0.4	0.4	0.4	0.4
Taxes / Assets	0.5	0.4	0.3	0.3	0.3
RoA	1.2	1.2	1.1	1.1	1.0
RoAE	16.9	15.7	13.8	11.1	14.0

Source: Company, Anand Rathi Research

Fig 16 – Change in Estimates

	FY27e			FY28e		
(Rs bn)	New Estimates	Old Estimates	Change (%)	New Estimates	Old Estimates	Change (%)
NII	541	539	0.5	619	609	1.7
PPoP	375	371	1.2	436	421	3.5
PAT	178	216	(17.6)	248	244	2.0

Source: Anand Rathi Research

Key Risks

- Lumpy slippages from the corporate book.
- Sticky deposit cost.
- Delayed asset repricing.
- Lower-than-estimated credit growth.

Appendix

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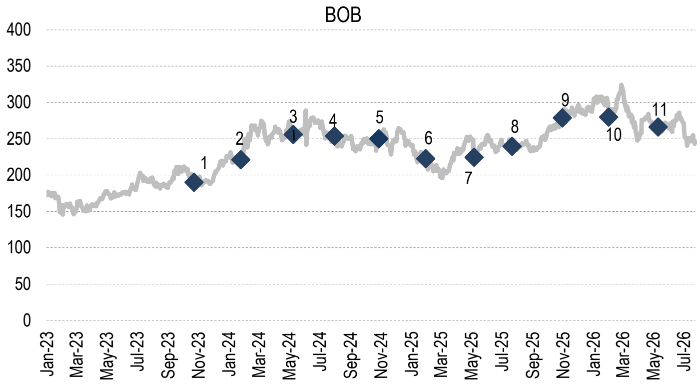

	Date	Rating	TP (Rs)	Share Price (Rs)
1	16-Oct-23	Hold	225	206
2	31-Jan-24	Buy	288	248
3	11-May-24	Buy	294	256
4	31-Jul-24	Buy	293	254
5	26-Oct-24	Buy	299	240
6	30-Jan-25	Buy	289	222
7	7-May-25	Buy	266	225
8	27-Jul-25	Buy	281	243
9	2-Nov-25	Buy	345	278
10	1-Feb-26	Buy	344	299
11	11-May-26	Buy	329	264

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ARSSBL registered address: Express Zone, A Wing, 10th Floor, Western Express Highway, Diagonally Opposite Oberoi Mall, Malad (E), Mumbai – 400097.
Tel No: +91 22 6281 7000 | Fax No: +91 22 4001 3770 | CIN: U67120MH1991PLC064106.