

Healthy business growth; Margin outlook conservative...

About the stock: Bank of Baroda is the third largest public sector bank with a global loan book of ~₹ 14.3 lakh crore, and strong operating metrics among PSBs.

- The bank has a meaningful presence in international operations with its JVs and subsidiaries. ~18.2% of total business comes from overseas.

Q4FY26 performance: Bank of Baroda reported healthy Q4FY26 performance, led by strong balance sheet expansion, margin recovery and robust asset quality, though provisions were elevated due to prudent buffer creation. Global advances grew 16.2% YoY (6.3% QoQ), driven by broad-based traction across retail (17.9% YoY) and agri (20.7% YoY) segments, along with a meaningful pickup in corporate growth. Deposits grew 12% YoY (6.6% QoQ), aided by healthy CASA mobilisation and bulk deposit. NIM improved 10 bps QoQ to 2.89%, supported by better NII traction (8.7% YoY). Other income improved (10.2% QoQ) led by recoveries, but remained weak YoY due to lower treasury gains. Provisions increased sharply due to ₹1,500 crore floating provision, though underlying credit cost remained benign at 0.32% (ex-buffer). PAT grew 11.3% YoY (11.1% QoQ) to ₹5,616 crore, aided by lower tax outgo. Asset quality remained strong with GNPA/NNPA improving to 1.89%/0.45%, PCR at 93.94%, while RoA remained healthy at 1.15%.

Investment Rationale

- Growth momentum improves; Deposit franchise key:** Management has revised FY27 loan growth guidance upward to 12–14%, driven by continued traction in RAM segments (18.5% YoY) along with gradual pickup in corporate credit (10.7% YoY). Gold, MSME and agri segments are expected to remain key growth drivers, while deposit growth guidance has also been increased to 10–12% with focus on granular CASA mobilisation (up 45 bps QoQ to 38.9%). Though bulk deposit dependence (~19.4% of total deposits) increased during Q4 amid tighter liquidity and faster credit growth, management remains comfortable maintaining bulk deposits below ~20%. Further, recoveries from written-off accounts (run-rate of ₹750–800 crore per quarter) and stable fee income are expected to support other income trajectory, though treasury gains may remain range-bound.
- Margin outlook range-bound; RoA to remain steady:** NIM improved 10 bps QoQ to 2.89% in Q4, aided by better NII traction. However, management conservatively guided for FY27 NIMs of 2.75–2.95%, factoring in sticky deposit cost, asset-liability repricing and volatility in interest on IT refunds. Thus, while balance sheet growth remains healthy, margin expansion may be limited unless asset-side repricing gains traction. Asset quality remains a key comfort, with GNPA/NNPA improving to 1.89%/0.45%, SMA-1&2 declining to 0.18% (vs 0.36% in Q3FY26), and slippages at 0.89%. Reported credit cost was elevated due to ₹1,500 crore floating provision, though adjusted credit cost remained benign at 0.32%, supporting RoA above 1%.

Rating and Target Price

- While business growth momentum and asset quality remain healthy, limited scope for margin improvement is expected to keep RoA at ~1% ahead. Factoring this, we revise our target price at ₹325 (earlier ₹340), valuing the bank at ~1x FY28E BV. Maintain our BUY rating.



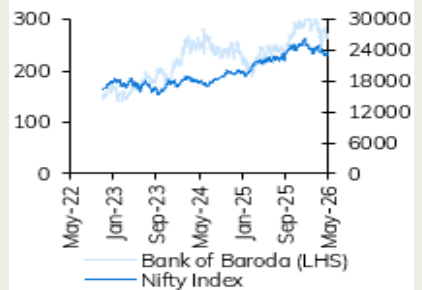
बैंक ऑफ़ बड़ोदा
Bank of Baroda

Particulars

Particulars	Amount
Market Capitalisation	₹ 1,36,472 crore
Networth	₹ 1,65,868 crore
52 week H/L	326 / 224
Face value	2.0
DII Holding (%)	18.9
FII Holding (%)	9.7

Shareholding pattern

(in %)	Jun-25	Sep-25	Dec-25	Mar-26
Promoter	64.0	64.0	64.0	64.0
FII	8.0	8.7	9.8	9.7
DII	19.0	18.9	18.7	18.9
Others	9.0	8.4	7.5	7.4

Price Chart**Key risks**

- Higher than expected volatility in margins
- Slower business growth

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Key Financial Summary

Key Financials (₹ Crore)	FY24	FY25	FY26	3 Year CAGR (FY23-FY26)	FY27E	FY28E	2 Year CAGR (FY26-28E)
NII	44,722	46,518	47,682	4.0%	53,474	60,843	13.0%
PPP	30,965	32,435	32,259	6.5%	36,194	41,506	13.4%
PAT	17,789	19,581	20,021	11.5%	21,484	24,077	9.7%
ABV (₹)	192	234	268		304	344	
P/E	8.7	7.9	8.0		7.2	6.4	
P/ABV	1.6	1.3	1.0		1.0	0.9	
RoA	1.2	1.2	1.1		1.0	1.0	
RoE	16.9	15.7	13.8		13.0	12.8	

Concall highlights and outlook

Business Performance and guidance

- Global advances grew 16.2% YoY, ahead of earlier guidance; domestic advances grew 14.5% YoY, while international advances grew 24.4% YoY.
- Growth was broad-based, led by RAM segments: Retail 17.9% YoY, Agriculture 20.7% YoY, MSME 15.6% YoY.
- Corporate loans also picked up, growing 11.2% YoY, indicating stronger H2 momentum.
- Deposits grew 12% YoY, with domestic deposits up 12.8% YoY; CASA ratio improved 45 bps QoQ to 38.9%.
- MSME book stood at around ₹1.6 lakh crore, with nearly 55–60% remains working capital exposure.
- Excess SLR remains a liquidity buffer, with management comfortable maintaining ~3–3.5% excess SLR.
- Bank raised ₹10,000 crore through green infrastructure bonds, becoming the first Indian bank to issue such bonds.
- Loan growth guidance: revised upward to 12–14% from 11–13%.
- Deposit growth guidance: revised upward to 10–12% from 9–11%.
- NIM guidance: 2.75–2.95% for FY27.
- RoA guidance: retained at >1%.
- Slippage guidance: retained at 1.0–1.25%.
- Credit cost guidance: retained at <0.60%. Management maintained normalized recovery guidance of ₹750–800 crore per quarter.

Margins

- Management did not quantify IT refund during the call, but indicated that volatility from this line has been factored into FY27 NIM guidance of 2.75–2.95%.
- Cost of deposits remained among the lowest in the system, but management indicated that deposit cost is likely to remain sticky in Q1FY27, given the prevailing liquidity and geopolitical environment.
- Retail deposit repricing is largely complete; incremental margin defence will likely come from asset-side repricing, particularly realigning corporate loans earlier linked to external benchmarks/T-bills back toward MCLR-linked pricing where possible.
- Interest on IT refund remains part of core interest income as per accounting norms, though management acknowledged that the amount can be volatile quarter to quarter.

Credit cost and opex

- Employee cost included a one-time impact of ₹520 crore due to adoption of new mortality tables under AS-15.
- Credit cost rose to 0.76% in Q4 due to ₹1,500 crore prudential floating provision; excluding this, Q4 credit cost would have been 0.32%.
- SMA-1 and SMA-2 declined sharply to 0.18% of standard advances, while collection efficiency excluding agriculture remained strong at 98.9%.
- Management refrained from giving fresh quantified ECL impact until transaction-level computation is completed.
- Floating provisions are not directly tagged to ECL; they are meant to strengthen the balance sheet for extraordinary macro/geopolitical stress and cannot be used without regulatory approval.

Other updates

- Quarterly average LCR stood at ~127%, which management views as comfortable.
- The bank has board approval to raise ₹6,000 crore through AT1/Tier-2 instruments in FY27, if required. It also has enabling approval to raise ₹8,500 crore of equity capital by FY28.

Exhibit 1: Variance Analysis

	Q4FY26	Q4FY25	YoY (%)	Q3FY26 QoQ (%)		Comments
NII	12494	11494	8.7%	11800	5.9%	Interest income growth outpaced interest expense
NIM (%)	2.89	2.98	-9 bps	2.79	10 bps	Sequentially better NII traction and interest income support, though deposit costs remain sticky
Other Income	3967	4735	-16.2%	3600	10.2%	QoQ improved led by TWO recoveries, while YoY decline was due to muted treasury gains
Net Total Inc	16461	16229	1.4%	15401	6.9%	
Staff cost	3262	4347	-25.0%	4111	-20.7%	Lower cost despite ₹520 crore of AS-15 mortality impact
Other Opex	4129	3750	10.1%	3913	5.5%	Steady opex
PPP	9069	8132	11.5%	7377	22.9%	
Provision	3150	1552	103.1%	799	294.3%	Elevated due to ₹1,500 crore floating provision; underlying credit cost remained benign
PBT	5919	6581	-10.1%	6578	-10.0%	
Tax Outgo	303	1533	-80.2%	1524	-80.1%	Lower tax outgo amid higher provisioning / favorable tax adjustment
PAT	5616	5048	11.3%	5055	11.1%	Growth aided by lower tax outgo and strong operating performance despite higher provisioning
Key Metrics						
GNPA	27059	27835	-2.8%	27399	-1.2%	GNPA improved by 15 bps QoQ to 1.89%
NNPA	6316	6994	-9.7%	7615	-17.1%	
Advances	1429879	1230461	16.2%	1344905	6.3%	Driven by gold loans and sequential pickup in corporate (9%)
Deposits	1648487	1472035	12.0%	1546749	6.6%	Supported by bulk deposits and CASA up 45 bps QoQ to 38.9%

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Interest Earned	122,300.6	126,993.7	141,763.3	158,152.4
Interest Expended	75,783.0	79,311.2	88,289.5	97,309.7
Net Interest Income	46,517.6	47,682.5	53,473.8	60,842.6
growth (%)	4.0	2.5	12.1	13.8
Non Interest Income	15,788.4	15,756.8	16,649.5	17,913.4
Net Income	62,306.0	63,439.3	70,123.3	78,756.1
Employee cost	16,607.6	15,741.5	17,040.3	18,539.9
Other operating Exp.	13,263.7	15,438.8	16,889.4	18,709.8
Operating Income	32,434.6	32,259.0	36,193.7	41,506.4
Provisions	5,980.3	7,148.8	7,925.4	9,403.7
PBT	26,454.4	25,110.2	28,268.2	32,102.7
Taxes	6,873.2	5,089.1	6,784.4	8,025.7
Net Profit	19,581.1	20,021.1	21,483.8	24,077.0
growth (%)	10.1	2.2	7.3	12.1
EPS	37.8	38.7	41.5	46.5

Source: Company, ICICI Direct Research

Exhibit 3: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
No. of Equity Shares	517.8	517.8	517.8	517.8
EPS (₹)	37.8	38.7	41.5	46.5
BV (₹)	246.2	283.6	323.5	366.3
ABV (₹)	233.7	268.3	304.1	344.0
P/E	7.9	6.8	7.2	6.4
P/BV	1.2	0.9	0.9	0.8
P/ABV	1.3	1.0	1.0	0.9
Yields & Margins (%)				
Net Interest Margins	2.9	2.7	2.7	2.8
Yield on avg earning assets	7.7	7.3	7.2	7.2
Avg. cost on funds	5.0	4.8	4.7	4.7
Av. Cost of Deposits	4.8	4.7	4.6	4.5
Yield on average advances	8.2	7.6	7.5	7.5
Quality and Efficiency (%)				
Cost / Total net income	47.9	49.1	48.4	47.3
Credit/Deposit ratio	82.2	85.5	87.4	88.4
GNPA	2.3	1.9	1.8	1.7
NNPA	0.5	0.5	0.6	0.6
RoE	15.7	13.8	13.0	12.8
RoA	1.2	1.1	1.0	1.0

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Sources of Funds				
Capital	1,035.5	1,035.5	1,035.5	1,035.5
Reserves and Surplus	135,890.2	152,173.3	175,907.6	198,114.5
Networth	136,925.8	153,208.8	176,943.1	199,150.0
Deposits	1,472,034.8	1,648,487.2	1,834,952.5	2,031,377.0
Borrowings	123,716.2	156,357.5	146,590.5	154,362.1
Other Liab & Prov	48,570.6	51,110.3	53,549.1	56,226.6
Total	1,781,247.4	2,009,163.8	2,212,035.2	2,441,115.7
Application of Funds				
Fixed Assets	12,376.3	11,879.3	12,698.0	13,713.9
Investments	385,398.4	386,415.4	417,113.6	442,911.5
Advances	1,209,557.9	1,409,094.1	1,603,604.4	1,796,681.3
Other Assets	48,065.3	47,694.2	50,485.0	53,587.1
Cash with RBI & call money	125,849.5	154,080.8	128,134.2	134,221.9
Total	1,781,247.4	2,009,163.8	2,212,035.2	2,441,115.7

Source: Company, ICICI Direct Research

Exhibit 5: Growth ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Total assets	12.3	12.8	10.1	10.4
Advances	13.5	16.5	13.8	12.0
Deposits	10.3	12.0	11.3	10.7
Total Income	5.2	1.8	10.5	12.3
Net interest income	4.0	2.5	12.1	13.8
Operating expenses	5.7	4.4	8.8	9.8
Operating profit	4.7	-0.5	12.2	14.7
Net profit	10.1	2.2	7.3	12.1
Book value	18.9	15.2	14.0	13.3
EPS	10.1	2.4	7.2	12.1

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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