

December 18, 2025

Balanced growth underpins earnings visibility...

About the stock: Bank of Baroda is the third largest public sector bank with a global loan book of ~₹ 12.3 lakh crore, and strong operating metrics among PSBs.

- The bank has a meaningful presence in international operations with its JVs and subsidiaries. ~17% of total business comes from overseas.

Investment Rationale

- Balanced growth with improving liabilities profile:** Post slower business growth in 1HFY26, amid muted traction in corporate segment, credit momentum is expected to accelerate in H2FY26, supported by a strong sanction pipeline and seasonal pickup in disbursement. Overall, we expect credit growth to track system level at ~11-12% in FY26-28E, led by retail, MSME and selective corporate lending. Corporate sanctioned pipeline stands at ₹40,000 crore, while ₹25,000 crore is under process. Traction in retail segment remained robust (17.6% in Q2FY26); reduction in GST and 25 bps cut in repo rate is seen to aid continued momentum. Focus on garnering liabilities with granularity remaining intact is seen to support funding cost stability despite interim volatility owing to funding constraints
- Margin range bound in near term, earnings visibility driven by stability ahead:** While margins faced compression in H1, anticipate a range-bound trend in Q3/ Q4, with full benefit of repricing accruing from FY27E onwards. Amid recent 25 bps cut in repo rate, margins are expected to remain range-bound but resilient, supported by a healthy RAM mix, calibrated deposit repricing and improving cost efficiencies. Thus, we expect margins to remain at 2.85-3% in FY26E, in-line with management guidance, with gradual recovery anticipated in FY27E as repricing benefit accrue.
- Asset quality remained resilient; buffer built ahead of ECL:** Asset quality remained robust with GNPA/NNPA at 2.16%/0.57%, - multi-year low, supported by conservative underwriting and healthy recovery. Credit cost is expected to stay benign, creating earnings headroom and reducing volatility across cycles. Recovery run-rate is guided to remain steady at ₹700-750 crore per quarter. The bank created an additional ₹400 crore floating provision, taking the buffer to ₹1,000 crore, safeguard ahead of ECL framework. Further, management maintains broad guidance of GNPA<2%, credit cost <75 bps, slippages at 1-1.25%.

Rating and Target Price

- Strong RAM-led growth, healthier liabilities mix, and resilient asset quality are expected to support profitability. Credit growth is set to align with system levels, margins to remain stable and credit cost is expected to remain contained.
- Rolling over to FY28E, we value the bank at ~1x FY28E BV and revise our target to ₹340 (earlier ₹290). We upgrade rating from Hold to **Buy**.

Key Financial Summary

Key Financials (₹ Crore)	FY22	FY23	FY24	FY25	3 Year CAGR (FY22-FY25)	FY26E	FY27E	FY28E	3 Year CAGR (FY25-28E)
NII	32,621	41,356	44,722	45,659	11.9%	47,214	52,969	58,520	8.6%
PPP	22,389	26,864	30,965	32,435	13.2%	31,694	35,218	39,035	6.4%
PAT	7,272	14,110	17,789	19,581	39.1%	18,731	19,683	21,779	3.6%
ABV (₹)	140.1	173	202	252		286	322	360	
P/E	20.5	10.6	8.4	7.6		8.0	7.6	6.8	
P/ABV	2.1	1.7	1.4	1.1		1.0	0.9	0.8	
RoA	0.6	1.0	1.2	1.2		1.0	1.0	1.0	
RoE (%)	8.9	15.3	16.9	15.7		12.8	11.9	11.8	

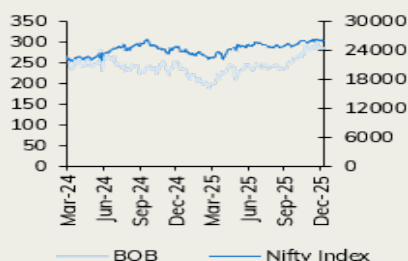
Source: Company, ICICI Direct Research


बैंक ऑफ बड़ौदा
Bank of Baroda
Particulars

Particulars	Amount
Market Capitalisation	₹ 1,48,806 crore
Networth	₹ 1,58,895 crore
52 week H/L	304 / 191
Face value	2.0
DII Holding (%)	18.9
FII Holding (%)	8.7

Shareholding pattern

(in %)	Dec-24	Mar-25	Jun-25	Sep-25
Promoter	64	64	64	64
FII	9	9	8	9
DII	18	18	19	19
Others	9	9	9	8

Price Chart**Key risks**

- Elevated volatility in margin
- Lower than anticipated credit growth

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Financial Summary

Exhibit 1: Profit and loss statement

₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Interest Earned	1,21,441.6	1,28,215.7	1,40,453.4	1,53,632.9
Interest Expended	75,783.0	81,001.4	87,484.3	95,113.0
Net Interest Income	45,658.7	47,214.3	52,969.1	58,520.0
growth (%)	2.1	3.4	12.2	10.5
Non Interest Income	16,647.3	17,135.3	18,098.7	19,508.2
Net Income	62,306.0	64,349.5	71,067.8	78,028.2
Employee cost	16,607.6	17,558.0	19,158.8	20,875.8
Other operating Exp.	13,263.7	15,097.8	16,690.7	18,117.7
Operating Income	32,434.6	31,693.8	35,218.3	39,034.7
Provisions	5,980.3	6,718.8	8,974.1	9,996.6
PBT	26,454.4	24,974.9	26,244.2	29,038.1
Taxes	6,873.2	6,243.7	6,561.1	7,259.5
Net Profit	19,581.1	18,731.2	19,683.2	21,778.6
growth (%)	10.1	-4.3	5.1	10.6
EPS	37.8	36.2	38.0	42.1

Source: Company, ICICI Direct Research

Exhibit 2: Key ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
No. of Equity Shares	517.8	517.8	517.8	517.8
EPS (₹)	37.8	36.2	38.0	42.1
BV (₹)	264.5	301.0	338.0	377.4
ABV (₹)	252.0	286.0	322.0	360.1
P/E	7.6	8.0	7.6	6.8
P/BV	1.1	1.0	0.9	0.8
P/ABV	1.1	1.0	0.9	0.8
Yields & Margins (%)				
Net Interest Margins	2.9	2.7	2.7	2.7
Yield on avg earning assets	7.7	7.3	7.3	7.2
Avg. cost on funds	5.0	4.8	4.8	4.7
Avg. Cost of Deposits	4.8	4.7	4.6	4.5
Yield on average advances	8.2	7.7	7.6	7.5
Quality and Efficiency (%)				
Cost / Total net income	47.9	50.7	50.4	50.0
Credit/Deposit ratio	82.2	83.5	84.6	84.7
GNPA	2.3	2.1	2.0	1.9
NNPA	0.5	0.6	0.6	0.5
RoE	15.7	12.8	11.9	11.8
RoA	1.2	1.0	1.0	1.0

Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet

₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Sources of Funds				
Capital	1,035.5	1,035.5	1,035.5	1,035.5
Reserves and Surplus	1,35,890.2	1,54,817.6	1,73,988.3	1,94,356.4
Networth	1,36,925.8	1,55,853.1	1,75,023.8	1,95,391.9
Deposits	14,72,034.8	16,16,848.3	17,85,428.3	19,91,604.9
Borrowings	1,23,716.2	1,29,528.2	1,35,783.7	1,42,520.0
Other Liab & Prov	48,570.6	50,999.1	53,549.1	56,226.6
Total	17,81,247.4	19,53,228.8	21,49,784.9	23,85,743.3
Application of Funds				
Fixed Assets	12,376.3	13,366.4	14,435.7	15,590.5
Investments	3,85,398.4	4,13,977.0	4,44,903.2	4,87,435.5
Advances	12,09,557.9	13,49,741.7	15,10,315.2	16,87,464.0
Other Assets	48,065.3	47,935.1	45,990.3	54,845.0
Cash with RBI & call money	1,25,849.5	1,28,208.6	1,34,140.5	1,40,408.3
Total	17,81,247.4	19,53,228.8	21,49,784.9	23,85,743.3

Source: Company, ICICI Direct Research

Exhibit 4: Growth ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
Total assets	12.3	9.7	10.1	11.0
Advances	13.5	11.6	11.9	11.7
Deposits	10.3	9.8	10.4	11.5
Total Income	5.2	3.3	10.4	9.8
Net interest income	2.1	3.4	12.2	10.5
Operating expenses	5.7	9.3	9.8	8.8
Operating profit	4.7	-2.3	11.1	10.8
Net profit	10.1	-4.3	5.1	10.6
Book value	22.0	13.8	12.3	11.6
EPS	10.1	-4.3	5.1	10.6

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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