CMP: ₹ 278 | Target: ₹ 290 (4%) | Target Period: 12 months | HOLD

November 3, 2025

Mixed Q2; H2FY26 performance to remain steady.....

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.

Q2FY26 performance: Bank of Baroda reported a steady Q2FY26 performance, with global advances rising 11.9% YoY, led by continued traction in RAM portfolio (Retail 17.6% YoY, Agri 17.4%, MSME 13.9%) even as corporate credit growth remained muted at 3%. Deposit growth up 9.3% YoY was supported by granular accretion while dependence on bulk deposits have increased, while credit–deposit ratio stood at 85.3%. NIM improved 5 bps QoQ to 2.96%, aided by interest on IT refund. Asset quality remained resilient with GNPA/NNPA declining to 2.16%/0.57%, slippages at 0.91% (vs 1.16% Q1FY26), and credit cost at 0.29%. The bank created an additional ₹400 crore floating provision. PAT stood at ₹4,889 crore, up 6% QoQ.

Investment Rationale

- **Credit momentum in H2FY26 remains to be key monitorable**: Business growth in H1FY26 was slower than anticipated, as corporate loan demand remained muted and certain large borrowers tapped bond markets for funding. However, management expects momentum to accelerate in H2FY26, supported by a strong sanction pipeline and seasonal pickup in disbursement. Overall advances grew 11.9% YoY, driven by robust RAM growth (Retail 17.6%, Agri 17.4%, MSME 13.9%), while corporate credit is guided to expand 10–11% for FY26. Deposits rose 9.3% YoY, with dependence on bulk deposit rising amid slower traction in term deposit. We expect credit growth at CAGR of ~11-12% in FY26-27E.
- **Margin range bound, revival expected from Q4FY26:** Margins improved sequentially, with NIM rising 5 bps QoQ to 2.96%, aided primarily by 7-8 bps cushion from interest on IT refund. Management guided for FY26 NIMs in 2.85–3.0% range, expecting range-bound trends in Q3 and improvement in Q4 as repricing benefits accrue fully. Asset quality remained robust with GNPA/NNPA at 2.16%/0.57%, credit cost at 0.29% (vs 0.55% Q1FY26), and strong recoveries and upgrades. 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 <2.25%, 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. However, margin trajectory is expected to remain range-bound, while preparation for ECL adoption is expected to result in recurring additional burden. Thus, we continue to value the bank at ~0.9x FY27E BV and marginal revise our target to ₹290 per share (earlier ₹280). Given recent run-up in stock price, downgrade rating to Hold.

Key Financial Summary

Key Financials (₹ Crore)	FY23	FY24	FY25	3 Year CAGR (FY22-FY25)	FY26E	FY27E	2 Year CAGR (FY25-27E)
NII	41,356	44,722	45,659	11.9%	47,214	52,969	7.7%
PPP	26,864	30,965	32,435	13.2%	31,694	35,218	4.2%
PAT	14,110	17,789	19,581	39.1%	18,731	19,683	0.3%
ABV (₹)	173	202	252		286	322	
P/E	10.2	8.1	7.4		7.7	7.3	
P/ABV	1.6	1.4	1.1		1.0	0.9	
RoA	1.0	1.2	1.2		1.0	1.0	
RoE (%)	15.3	16.9	15.7		12.8	11.9	

Source: Company, ICICI Direct Research

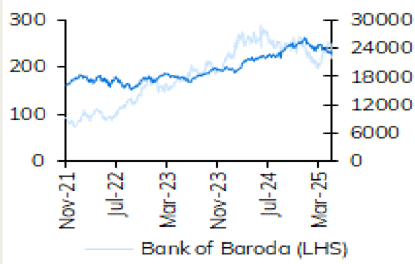
Particulars

Particulars	Amount
Market Capitalisation	₹ 1,43,971 crore
Networth	₹ 1,58,895 crore
52 week H/L	281 / 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

(i) Faster revival in margin

(ii) Lower than anticipated credit growth

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Result Update

ICICI Securities – Retail Equity Research

Concall highlights and outlook

Performance and growth outlook

- Global advances up 11.9% YoY; Domestic advances up 11.5% YoY, International book rose 13.8% YoY (Q2FY26).
- Growth led by RAM segments: Retail 17.6% YoY, Agriculture 17.4% YoY, MSME 13.9% YoY; Corporate 3% YoY with sequential momentum at 8%.
- Within retail, healthy traction across products: Education 14% YoY, Home 16.5%, Auto 17.7%, PL 18.6%, Mortgages 19.8%.
- Management acknowledged muted H1FY26 credit growth (3.9%) versus full-year guidance of 11–13%, attributing it to seasonal weakness in Q1–Q2 and corporate clients' preference for bond markets.
- Reaffirmed FY26E credit growth guidance of 10–11%, backed by a robust sanction pipeline and expected pickup in Q3–Q4 as corporates return to the loan market.
- NBFC lending revived in Q2 after muted Q1 demand; mix largely MCLR-linked, yields healthy; focus on A & above-rated NBFCs.
- Retail term deposits grew 9.1% YoY; CASA share remains strong at 38.4%.
- Wholesale deposits grew ~17% YoY, driven by higher CD issuances (short-tenor, lower-priced).

Margins

- Interest on IT refund this quarter ~₹750 crore (vs ₹370 crore in Q1), adding 7–8 bps to NIM.
- Management clarified IT refund income is recurring but variable, not a one-off.
- Deposit repricing largely completed; only marginal movements expected in Q3.
- NIM outlook: Range-bound in Q3, improvement in Q4; FY26 NIM guidance 2.85–3% (global).
- Cost of deposits (4.91%) remains among the lowest in the system, expected to stabilize at current levels.

Credit cost and opex

- Lower employee-related provisions in Q2 due to higher yield movement on pension/gratuity liabilities (6.44% → 6.72%).
- Parked ₹400 crore floating provision in Q2FY26. Indicative one-time ECL impact on capital estimated at 1.25% of CRAR, partly offset by ~60–70 bps benefit from RWA recalibration; net ~70-75 bps reduction in capital ratio over 5-year glide path.
- Steady-state credit cost could rise 20–35 bps post-ECL implementation.
- Management emphasized ECL transition not material given strong capital and provisioning buffers.
- Recovery from written-off accounts at ₹493 crore (below normalized ₹700–750 crore run-rate); management expects normalization in H2. Total written-off pool: ~₹63,000 crore; recoveries to strengthen going forward.
- Write-offs declined (₹1,000 crore vs ₹2,400 crore last quarter) reflecting lower fresh slippages and improved collections.
- Personal loan portfolio modest (~₹12,000 crore); slippages lower sequentially, stress peaked out.
- Asset quality guidance: Maintain GNPA <2.25%, credit cost <75 bps, slippages 1–1.25%.

Other updates

- CET-1 13.36%, Tier-1 14.15%, CRAR 16.54%, LCR stands at 121%.
- Comfortable operating CD ratio range: 82–85%; current level (85%) acceptable given strong liquidity and SLR surplus.

Exhibit 1: Variance Analysis

	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Comments
NII	11954	11622	2.9%	11435	4.5%	Steady margins and advance trajectory aid NII
NIM (%)	2.96	3.10	-14 bps	2.91	5 bps	Decline in CoF and IT refund led improvement
Other Income	3515	5181	-32.2%	4675	-24.8%	Higher recovery seen in Q2FY25, lower treasury gains QoQ
Net Total Inc	15469	16803	-7.9%	16109	-4.0%	
Staff cost	4061	4040	0.5%	4308	-5.7%	
Other OpEx	3832	3287	16.6%	3565	7.5%	Steady opex
PPP	7576	9477	-20.1%	8236	-8.0%	
Provision	1232	2336	-47.2%	1967	-37.3%	Includes floating provision of ₹400 crore, slippages steady at ~91 bps
PBT	6343	7141	-11.2%	6270	1.2%	
Tax Outgo	1534	1903	-19.4%	1728	-11.2%	
PAT	4809	5238	-8.2%	4541	5.9%	Lower credit cost offset by lower other income
Key Metrics						
GNPA	27600	28551	-3.3%	27572	0.1%	Better recoveries and lower write-offs
NNPA	7141	6764	5.6%	7158	-0.2%	
Advances	1278847	1143039	11.9%	1207056	5.9%	Momentum across segment including corporates
Deposits	1500012	1372614	9.3%	1435634	4.5%	

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Interest Earned	112,605.9	121,441.6	128,215.7	140,453.4
Interest Expended	67,884.4	75,783.0	81,001.4	87,484.3
Net Interest Income	44,721.5	45,658.7	47,214.3	52,969.1
growth (%)	8.1	2.1	3.4	12.2
Non Interest Income	14,495.4	16,647.3	17,135.3	18,098.7
Fees and advisory	3,562.0	3,365.8	3,702.3	0.0
Treasury Income /sale of Invt.	1,491.9	2,266.2	2,492.9	0.0
Other income	9,441.4	11,015.3	10,940.1	18,098.7
Net Income	59,216.9	62,306.0	64,349.5	71,067.8
Employee cost	15,816.0	16,607.6	17,558.0	19,158.8
Other operating Exp.	12,435.7	13,263.7	15,097.8	16,690.7
Operating Income	30,965.2	32,434.6	31,693.8	35,218.3
Provisions	6,075.6	5,980.3	6,718.8	8,974.1
PBT	24,889.6	26,454.4	24,974.9	26,244.2
Taxes	7,100.8	6,873.2	6,243.7	6,561.1
Net Profit	17,788.8	19,581.1	18,731.2	19,683.2
growth (%)	26.1	10.1	-4.3	5.1
EPS	34.4	37.8	36.2	38.0

Source: Company, ICICI Direct Research

Exhibit 3: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
No. of Equity Shares	517.8	517.8	517.8	517.8
EPS (₹)	34.4	37.8	36.2	38.0
BV (₹)	216.7	264.5	301.0	338.0
ABV (₹)	202.1	252.0	286.0	322.0
P/E	8.1	7.4	7.7	7.3
P/BV	1.3	1.1	0.9	0.8
P/ABV	1.4	1.1	1.0	0.9
Yields & Margins (%)				
Net Interest Margins	3.2	2.9	2.7	2.7
Yield on avg earning assets	8.0	7.7	7.3	7.3
Avg. cost on funds	5.0	5.0	5.2	4.1
Avg. Cost of Deposits	4.7	4.8	4.7	4.6
Yield on average advances	8.5	8.2	7.7	7.6
Quality and Efficiency (%)				
Cost / Total net income	47.7	47.9	50.7	50.4
Credit/Deposit ratio	79.8	82.2	83.5	84.6
GNPA	2.9	2.3	2.1	2.0
NNPA	0.7	0.5	0.6	0.6
RoE	16.9	15.7	12.8	11.9
RoA	1.2	1.2	1.0	1.0

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Sources of Funds				
Capital	1,035.5	1,035.5	1,035.5	1,035.5
Reserves and Surplus	111,188.1	135,890.2	154,817.6	173,988.3
Networth	112,223.7	136,925.8	155,853.1	175,023.8
Deposits	1,335,136.4	1,472,034.8	1,616,848.3	1,785,428.3
Borrowings	94,402.3	123,716.2	129,528.2	135,783.7
Other Liab & Prov	44,034.8	48,570.6	50,999.1	53,549.1
Total	1,585,797.2	1,781,247.4	1,953,228.8	2,149,784.9
Application of Funds				
Fixed Assets	7,912.6	12,376.3	13,366.4	14,435.7
Investments	369,816.8	385,398.4	413,977.0	444,903.2
Advances	1,065,781.7	1,209,557.9	1,349,741.7	1,510,315.2
Other Assets	47,161.9	48,065.3	47,935.1	45,990.3
Cash with RBI & call money	95,124.1	125,849.5	128,208.6	134,140.5
Total	1,585,797.2	1,781,247.4	1,953,228.8	2,149,784.9

Source: Company, ICICI Direct Research

Exhibit 5: Growth ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Total assets	8.7	12.3	9.7	10.1
Advances	13.3	13.5	11.6	11.9
Deposits	10.9	10.3	9.8	10.4
Total Income	15.2	5.2	3.3	10.4
Net interest income	8.1	2.1	3.4	12.2
Operating expenses	15.2	5.7	9.3	9.8
Operating profit	15.3	4.7	-2.3	11.1
Net profit	26.1	10.1	-4.3	5.1
Book value	14.3	22.0	13.8	12.3
EPS	26.1	10.1	-4.3	5.1

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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