

CMP: ₹ 280

Target: ₹ 340 (21%)

Target Period: 12 months

BUY

February 2, 2026

Margin pressure offset by benign credit cost to aid RoA...

About the stock: Bank of Baroda is the third largest public sector bank with a global loan book of ~₹ 13.4 lakh crore, and strong operating metrics among PSBs.

- The bank has a meaningful presence in international operations with its JVs and subsidiaries. ~18.5% of total business comes from overseas.

Q3FY26 performance: Bank of Baroda reported a mixed Q3FY26 performance, with healthy business momentum offset by margin pressure, though provisioning moderated. Global advances rose 14.7% YoY (5.2% QoQ), supported by sustained traction across RAM segments and a pickup in corporate lending during the quarter. Deposit growth remained healthy at 10.3% YoY (3.1% QoQ), driven by granular accretion, while the CD ratio inched up amid faster loan growth. NIM declined 17 bps QoQ to 2.79%, impacted by asset-side repricing and normalization of interest on IT refunds. Other income was supported by recoveries, though treasury gains remained muted. Asset quality improved sequentially, with GNPA declining to 2.74% and slippages remaining contained, leading to a sharp reduction in provisions (-35% QoQ). Consequently, PAT grew 5.1% QoQ to ₹5,055 crore.

Investment Rationale

- RAM-led growth with corporate pick-up:** Credit growth accelerated in Q3FY26 after a softer H1, as corporate loan demand improved and disbursement momentum picked up. Overall advances grew 14.7% YoY (5.2% QoQ), driven by robust RAM growth (Retail 17.4%, Agri 19%, MSME 16.4%), corporate credit also picked up pace this quarter (8% YoY). Deposit growth remained healthy at 10.3% YoY (3.1% QoQ), driven by granular accretion, while CD ratio inched up (169 bps QoQ) amid faster loan growth. Going forward, we expect credit growth at CAGR of ~12-13% in FY26-28E.
- Margin remains range bound, asset quality resilient:** NIM declined to 2.79% (vs 2.96% in Q2), largely due to faster asset-side repricing and lower interest on IT refunds (5-6bps impact). However, management expects FY26-exit NIMs at 2.85-2.9%, supported by the full pass-through of retail deposit rate cuts and with most EBLR-linked assets already repriced. Asset quality remained robust with GNPA/NNPA at 2.04%/0.57%, credit cost at 0.17% (vs 0.29% Q2FY26), and strong recoveries and upgrades. Further, management maintains broad guidance of GNPA <2.25%, slippages at 1-1.25% but revised credit cost guidance downwards to <0.60% (earlier <0.75%), considering stable asset quality and controlled slippages.

Rating and Target Price

- Margin trajectory is expected to remain range-bound though strong RAM-led growth, moderation in credit cost and resilient asset quality are expected to support profitability. Thus, we continue to value the bank at ~1x FY28E BV and maintain target price of ₹340 per share assigning BUY rating.

Key Financial Summary

Key Financials (₹ Crore)	FY23	FY24	FY25	3 Year CAGR (FY22-FY25)	FY26E	FY27E	FY28E	3 Year CAGR (FY25-28E)
NII	41,356	44,722	45,659	11.9%	47,292	53,646	60,964	10.1%
PPP	26,864	30,965	32,435	13.2%	31,050	35,278	40,388	7.6%
PAT	14,110	17,789	19,581	39.1%	19,330	20,305	22,584	4.9%
ABV (₹)	173	192	234		268	303	343	
P/E	11.0	8.7	7.9		8.0	7.6	6.9	
P/ABV	1.7	1.6	1.3		1.1	1.0	0.9	
RoA	1.0	1.2	1.2		1.0	1.0	1.0	
RoE (%)	15.3	16.9	15.7		13.2	12.2	12.1	

Source: Company, ICICI Direct Research



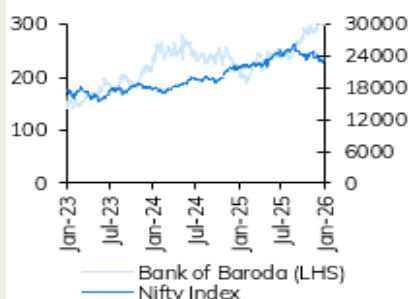
बैंक ऑफ बड़ौदा
Bank of Baroda

Particulars

Particulars	Amount
Market Capitalisation	₹ 1,44,667 crore
Networth	₹ 1,64,216 crore
52 week H/L	313 / 191
Face value	2.0
DII Holding (%)	18.7
FII Holding (%)	9.8

Shareholding pattern

(in %)	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	64.0	64.0	64.0	64.0
FII	9.0	8.0	8.7	9.8
DII	18.0	19.0	18.9	18.7
Others	9.1	9.0	8.4	7.5

Price Chart**Key risks**

- Margin pressure persists
- Lower than anticipated business growth

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Concall highlights and outlook

Business Performance

- Global advances grew 14.7% YoY, with domestic advances up 13.6% YoY and international advances up 19.3% YoY.
- Growth remained RAM-led, with Retail +17.4% YoY, Agriculture +19.0% YoY, and MSME +16.4% YoY; corporate loans grew 8.1% YoY, with management targeting ~10% growth for the full year.
- Retail growth was broad-based: Education loans +12.8%, Personal loans +12%, Home loans +16%, Auto loans +17.4%, and Mortgages +21% YoY.
- Total deposits grew 10.3% YoY, driven by domestic deposits (+11.1%), while international deposits grew 5.7% YoY. CASA deposits increased 8.6% YoY, with CASA ratio stable at 38.45%; domestic CD ratio stood at 83.9%, reflecting comfortable liquidity management.
- Management emphasized that profits were purely operational, with no one-offs in non-interest income or treasury, underscoring earnings quality.
- RoA remained consistently above 1% at 1.09%, marking the 14th consecutive quarter above 1%, while RoE stood at 15.59%.
- Management indicated comfort operating at CD ratio of 82–85%, supported by strong liquidity and surplus SLR.
- NBFC loan growth picked up in Q3 after subdued demand in Q2.

Guidance and outlook

- Loan growth guidance maintained at 11–13% for FY26, with upside, supported by strong RAM traction and improving corporate momentum.
- Deposit growth guided at 9–11%, with continued emphasis on low-cost, granular liabilities rather than wholesale funding.
- NIM guidance of 2.85–3.0% reiterated, with Q4 expected to reflect the full benefit of deposit repricing.
- Slippage guidance maintained at 1–1.25%, while credit cost guidance revised positively to below 0.6% (earlier <0.75%), reflecting confidence in asset quality.
- Management reiterated preparedness for ECL transition, highlighting existing buffers (including floating provisions of ~₹1,000 crore) and limited long-term impact on capital and earnings.
- Recoveries from written-off accounts are expected to normalize at ~₹700–750 crore, per quarter over the medium term.

Margins

- NIMs stood at 2.79% down 17 bps sequentially largely owing to:
 - Faster asset side repricing (~9-10 bps)
 - Lower interest on IT refund (~5-7 bps) on QoQ basis
 - Deposit repricing benefit to flow completely in Q4
- NIMs expected to remain range-bound in Q4, with full-year guidance of 2.85–3% reiterated.
- Any future repo cuts could exert mild pressure, but management believes liability-side repricing should offset this.

Credit cost and opex

- Management estimates:
 - 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.
- No fresh stress seen across retail or corporate portfolios.
- Personal loan book is small (~₹12,000 crore); slippages in PL are lower QoQ, indicating stress has largely peaked.
- SMA-1 and SMA-2 remain benign, with management comfortable on near-term asset quality outlook.

Other updates

- CET-1 decline QoQ was due to:
 - AFS valuation impact
 - AT-1 redemptions impact
- Including current profits, capital ratios remain comfortable (~17% CRAR).
- No immediate need for equity or AT-1 issuance; capital raising will be opportunistic and market-linked.

Exhibit 1: Variance Analysis

	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comments
NII	11800	11417	3.4%	11954	-1.3%	Aided by healthy business growth
NIM (%)	2.79	2.94	-15 bps	2.96	-17 bps	Margins compressed due to faster asset side repricing
Other Income	3600	3769	-4.5%	3515	2.4%	Aided by higher TWO recovery though fees income moderated
Net Total Inc	15401	15186	1.4%	15469	-0.4%	
Staff cost	4111	4207	-2.3%	4061	1.2%	Labour code provisioning of ~8 crore
Other OpEx	3913	3315	18.0%	3832	2.1%	Steady opex
PPP	7377	7664	-3.7%	7576	-2.6%	
Provision	799	1082	-26.2%	1232	-35.2%	Reduced slippages and strong recoveries
PBT	6578	6582	-0.1%	6343	3.7%	
Tax Outgo	1524	1745	-12.7%	1534	-0.7%	
PAT	5055	4837	4.5%	4809	5.1%	Lower credit cost supported profitability
Key Metrics						
GNPA	27399	28471	-3.8%	27600	-0.7%	GNPA down 12 bps QoQ
NNPA	7615	6825	11.6%	7141	6.6%	
Advances	1344905	1173034	14.7%	1278847	5.2%	Strong growth led by RAM segment and pickup in corporates
Deposits	1546749	1402911	10.3%	1500012	3.1%	CASA ratio stood at ~38.5%

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement

₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Interest Earned	121,441.6	128,293.1	141,207.8	156,239.0
Interest Expended	75,783.0	81,001.4	87,561.6	95,275.3
Net Interest Income	45,658.7	47,291.7	53,646.2	60,963.6
growth (%)	2.1	3.6	13.4	13.6
Non Interest Income	16,647.3	15,818.4	16,649.5	17,913.4
Net Income	62,306.0	63,110.1	70,295.7	78,877.1
Employee cost	16,607.6	16,905.2	18,128.6	19,779.5
Other operating Exp.	13,263.7	15,155.2	16,889.4	18,709.8
Operating Income	32,434.6	31,049.7	35,277.7	40,387.7
Provisions	5,980.3	5,276.8	8,204.5	10,276.0
PBT	26,454.4	25,772.9	27,073.2	30,111.7
Taxes	6,873.2	6,443.2	6,768.3	7,527.9
Net Profit	19,581.1	19,329.7	20,304.9	22,583.8
growth (%)	10.1	-1.3	5.0	11.2
EPS	37.8	37.3	39.2	43.6

Source: Company, ICICI Direct Research

Exhibit 3: Key ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
No. of Equity Shares	517.8	517.8	517.8	517.8
EPS (₹)	37.8	37.3	39.2	43.6
BV (₹)	246.2	283.6	321.6	362.2
ABV (₹)	233.7	268.3	303.2	342.6
P/E	7.9	8.0	7.6	6.9
P/BV	1.2	1.1	0.9	0.8
P/ABV	1.3	1.1	1.0	0.9
Yields & Margins (%)				
Net Interest Margins	2.9	2.7	2.8	2.8
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	7.6	7.5	7.5
Quality and Efficiency (%)				
Cost / Total net income	47.9	50.8	49.8	48.8
Credit/Deposit ratio	82.2	85.3	86.7	87.1
GNPA	2.3	2.0	1.9	1.8
NNPA	0.5	0.6	0.6	0.6
RoE	15.7	13.2	12.2	12.1
RoA	1.2	1.0	1.0	1.0

Source: Company, ICICI Direct Research

Exhibit 4: 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	135,890.2	155,296.4	174,964.4	195,976.7
Networth	136,925.8	156,331.9	176,000.0	197,012.3
Deposits	1,472,034.8	1,616,848.3	1,789,846.7	1,996,465.2
Borrowings	123,716.2	129,528.2	135,783.7	142,520.0
Other Liab & Prov	48,570.6	50,999.1	53,549.1	56,226.6
Total	1,781,247.4	1,953,707.6	2,155,179.5	2,392,223.9
Application of Funds				
Fixed Assets	12,376.3	13,366.4	14,435.7	15,590.5
Investments	385,398.4	394,464.2	423,807.0	464,263.5
Advances	1,209,557.9	1,378,896.0	1,551,340.9	1,738,070.7
Other Assets	48,065.3	38,772.4	37,461.7	40,077.4
Cash with RBI & call money	125,849.5	128,208.6	128,134.2	134,221.9
Total	1,781,247.4	1,953,707.6	2,155,179.5	2,392,223.9

Source: Company, ICICI Direct Research

Exhibit 5: Growth ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
Total assets	12.3	9.7	10.3	11.0
Advances	13.5	14.0	12.5	12.0
Deposits	10.3	9.8	10.7	11.5
Total Income	5.2	1.3	11.4	12.2
Net interest income	2.1	3.6	13.4	13.6
Operating expenses	5.7	7.3	9.2	9.9
Operating profit	4.7	-4.3	13.6	14.5
Net profit	10.1	-1.3	5.0	11.2
Book value	18.9	15.2	13.4	12.6
EPS	10.1	-1.3	5.0	11.2

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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