

Bank of Baroda | ADD

Tough road ahead; downgrade to ADD

Bank of Baroda reported a stable 3QFY26 performance, with PAT growing +4%/+5% YoY/QoQ; +10% JMF supported primarily by lower credit costs (down 16bps QoQ). NII growth remained modest at +3%/-1% YoY/QoQ; -4% JMF, due to NIM compression of 13bps QoQ, reflecting asset-side re-pricing and elevated wholesale funding costs. Advances grew +15%/+5% YoY/QoQ, while deposits increased +11%/+3% YoY/QoQ, resulting in a 178bps uptick in the CD ratio to ~86%. Asset quality metrics improved sequentially with moderating slippages and lower provisions, enabling RoA to sustain at 1.1%. However, part of the profitability improvement stems from lower provisioning buffers (PCR down 192bps QoQ) and higher treasury gains/recoveries from written off accounts. While the bank has delivered >1% RoA for 14 consecutive quarters, maintaining it looks difficult going forward due to- i) pressure on NIMs as higher growth is coming at the cost of NIMs and CD yield hardens; ii) recoveries from written off pool and treasury gains falls; iii) declining PCR and lower standard asset provisioning makes credit cost trajectory less favourable, especially in-light of upcoming ECL transition. We expect ~14% loan CAGR during FY26-28E with avg. RoE of ~11% during FY27/28E. We have cut our FY27/28E EPS estimates by ~4%-6% and downgrade the stock to ADD with a revised TP of INR 325, valuing the bank at 0.9x FY28 P/BV.

- **Granular expansion intact, liability growth lags:** Business growth remained steady with advances expanding +15%/+5% YoY/QoQ. On the liability side, deposits rose +11%/+3% YoY/QoQ to ~INR 15.5trln. CASA accretion was modest with SA share declining 21bps QoQ, keeping funding costs relatively elevated. Consequently, the CD ratio edged up by 178bps sequentially, though management indicated that liquidity remains comfortable. Management maintained loan growth guidance at 11%-13% and deposit growth of 9%-11%. **We build loan/deposit CAGR of 14%/12% over FY26E-28E.**
- **NIM compress; credit cost benefits from lower coverage ratio:** Profitability moderated with calc. NIM declining ~13bps QoQ to ~2.6%, leading to muted NII growth despite healthy balance-sheet expansion. PAT growth of +4%/+5% YoY/QoQ; +10% JMF was supported by decline in credit cost to ~25 bps (vs. ~40bps QoQ), and recoveries from written-off accounts (~INR 8.1bn vs INR 4.9bn in 2Q). While management expects margin recovery in 4QFY26 from deposit repricing, near-term profitability remains dependent on provisioning trends. Recovery from written-off accounts guided at a normalized INR 7.0bn-7.5bn per quarter and RoA guidance is maintained at ~1.0%.
- **Asset quality metrics benign; buffer dilution and ECL transition warrant caution:** Asset quality remained stable with gross slippages down 9bps QoQ at ~0.95%. However, PCR moderated to ~72.2% (down ~192bps QoQ), implying some buffer release. Further, BoB is guiding for ECL impact (~60-70 bps capital impact and ~18 bps annualized credit cost). In our view, building provisions ahead of transition would have been more conservative than lowering coverage. **We model avg. credit costs of 0.6% over FY27E/28E.**
- **Valuation and view:** BoB continues to deliver steady growth and benign asset quality, but we see limited near-term earnings catalysts. Margin pressure, slower deposit growth, lower provisioning buffers, and reliance on recoveries reduce the quality of current profitability, while the upcoming ECL transition adds uncertainty. Given the balanced risk-reward and absence of strong triggers, we adopt a more measured stance. **We downgrade the stock from BUY to ADD and value the bank at 0.9x FY28 P/BV with a revised TP of INR 325.**



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Recommendation and Price Target

Current Reco.	ADD
Previous Reco.	BUY
Current Price Target (12M)	325
Upside/(Downside)	8.6%
Previous Price Target	350
Change	-7.1%

Key Data – BOB IN

Current Market Price	INR299
Market cap (bn)	INR1,548.3/US\$16.8
Free Float	36%
Shares in issue (mn)	5,177.7
Diluted share (mn)	
3-mon avg daily val (mn)	INR2,994.6/US\$32.6
52-week range	313/191
Sensex/Nifty	82,270/25,321
INR/US\$	92.0

Price Performance

%	1M	6M	12M
Absolute	1.2	25.9	40.3
Relative*	4.8	23.3	32.2

* To the BSE Sensex

Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Profit	177,884	195,811	185,868	162,751	210,143
Net Profit (YoY) (%)	26.1%	10.1%	-5.1%	-12.4%	29.1%
Assets (YoY) (%)	8.7%	12.3%	8.4%	11.7%	13.9%
ROA (%)	1.2%	1.2%	1.0%	0.8%	0.9%
ROE (%)	16.9%	15.7%	12.9%	10.3%	12.1%
EPS	34.4	37.8	35.9	31.4	40.6
EPS (YoY) (%)	26.1%	10.1%	-5.1%	-12.4%	29.1%
PE (x)	8.7	7.9	8.3	9.5	7.4
BV	217	264	293	318	351
BV (YoY) (%)	14.3%	22.0%	10.9%	8.6%	10.2%
P/BV (x)	1.38	1.13	1.02	0.94	0.85

Source: Company data, JM Financial. Note: Valuations as of 30/Jan/2026

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Bank of Baroda - 3QFY26 Conference call KTAs

Guidance

- Loan growth guidance maintained at 11-13% with upside; management clearly indicated FY26 exit closer to ~14.5-15%, subject to liability-side comfort.
- Deposit growth guidance reiterated at 9-11%, with continued focus on granular, low-cost deposits over wholesale funding.
- NIM guidance unchanged at 2.85-3.0% for FY26; management confident of Q4 exit above 2.85%, aided by full-quarter impact of deposit repricing.
- Credit cost guidance revised down to <0.60% (earlier <0.75%), reflecting sustained benign asset quality.
- Recovery from written-off accounts guided at a normalized INR 7bn - 7.5bn per quarter; no one-offs embedded.
- RoA guidance of ~1%+ reiterated, supported by operating profitability and stable credit trends.

Growth

- CD ratio not viewed as a binding constraint as long as liquidity remains comfortable; domestic comfort band reiterated at 82-84%, global at 86-88%.
- Management emphasized that LCR, not LDR/CD, is the primary balance-sheet constraint; growth can be funded via alternative low-cost resources if required.
- MSME book (~INR 1.5 trln) is largely secured, with unsecured exposure limited and typically covered by credit guarantee mechanisms.
- MSME portfolio is composite (working capital + term loans) with average ticket size of ~INR 10-50mn, indicating controlled risk and limited granularity stress.
- Bulk deposits have grown faster in recent quarters, but management stressed this is tactical, not structural; bulk deposits remain at a comfortable ~19-20% of domestic deposits.

Profitability

- Q3 NIM softness was timing-related, driven by staggered repricing rather than structural pressure; management expects Q4 to capture full benefit of lower deposit rates.
- Peak retail term deposit rates have already declined, and ~25% of term deposits are yet to be repriced, providing further tailwind to cost of funds.
- Interest on income-tax refunds impacted NIM by ~5-6 bps; management clarified this is regulatory-core income, not a one-off item.
- NII growth remained muted sequentially due to simultaneous asset-side repricing and elevated wholesale borrowing costs, despite strong loan growth.
- Labour code impact is immaterial (INR ~80-90mn), as existing HR practices already factor in required gratuity provisioning.

Asset Quality

- Asset quality remains in a normalized benign cycle, with consistently low slippages supporting management's confidence on lower credit cost guidance.
- PCR levels considered comfortable; management explicitly stated no need for incremental provisioning at this stage given improving portfolio quality.
- Floating provisions of ~INR 10bn already created, specifically keeping the ECL transition in mind.
- ECL impact clarified: One-time CRAR impact of ~60-70 bps, to be amortized over five years; Steady-state incremental credit cost impact of ~18 bps annually, viewed as manageable within revised guidance.
- Outstanding standard restructured book (~INR 80bn) is no longer a stress pool, with negligible migration risk.

Others

- LCR target reiterated at ~120%; Q3 level of ~116% was temporary due to treasury actions and not indicative of liquidity stress.
- Management highlighted balance-sheet flexibility, with the ability to fund growth through deposits, market borrowings, and alternative instruments.
- Bank has now delivered >1% RoA for ~14 consecutive quarters, underscoring earnings durability and operating consistency.
- Continued emphasis on organic balance-sheet growth, with minimal reliance on pool buyouts.

BOB – 3QFY26 trends

Exhibit 1. Bank of Baroda 3QFY26 result summary

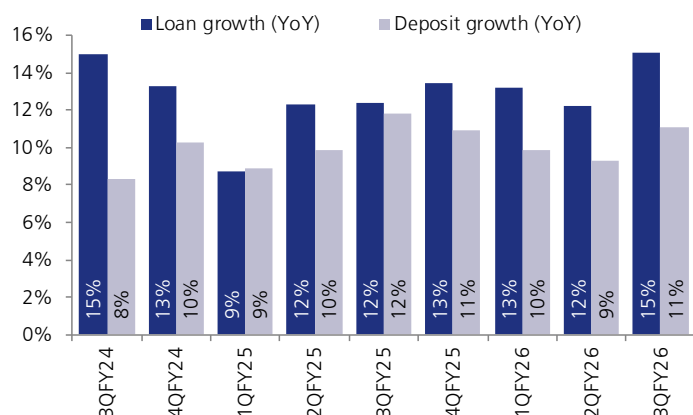
(INR bn)	3QFY25	2QFY26	3QFY26	YoY (%)	QoQ (%)	JMF est.	A/E
Net Interest Income	114	120	118	3%	-1%	123	-4%
Non-interest income	38	35	36	-4%	2%	34	7%
Total Income	152	155	154	1%	0%	157	-2%
Opex	75	79	80	7%	2%	81	-1%
Operating Profit	77	76	74	-4%	-3%	76	-3%
Provisions	11	12	8	-26%	-35%	15	-48%
PBT	66	63	66	0%	4%	61	9%
Tax	17	15	15	-13%	-1%	15	3%
PAT	48	48	51	4%	5%	46	10%
Loan (INR bn)	11,513	12,583	13,251	15%	5%	13,024	2%
Deposit (INR bn)	13,925	15,000	15,467	11%	3%	15,255	1%
Credit/Deposits ratio	82.7%	83.9%	85.7%	299 bps	178 bps	85.4%	0%
NIM (%) - Calc.	2.79%	2.74%	2.61%	(17) bps	(13) bps	2.71%	(10) bps
GNPA (%)	2.43%	2.16%	2.04%	(39) bps	(12) bps	2.4%	(39) bps
Gross Slippages (%)	1.05%	1.04%	0.95%	(9) bps	(9) bps	0.9%	6 bps
Net Slippages (%)	0.39%	0.40%	0.39%	(0) bps	(0) bps	0.4%	1 bps
PCR (%)	76.0%	74.1%	72.2%	(382) bps	(192) bps	74.0%	(179) bps
Credit cost (annualised)	0.38%	0.40%	0.25%	(13) bps	(16) bps	0.5%	(23) bps
ROA (%)	1.2%	1.1%	1.1%	(6) bps	2 bps	1.0%	10 bps
ROE (%)	15.0%	13.3%	13.5%	(149) bps	22 bps	12.3%	126 bps

Source: Company, JM Financial

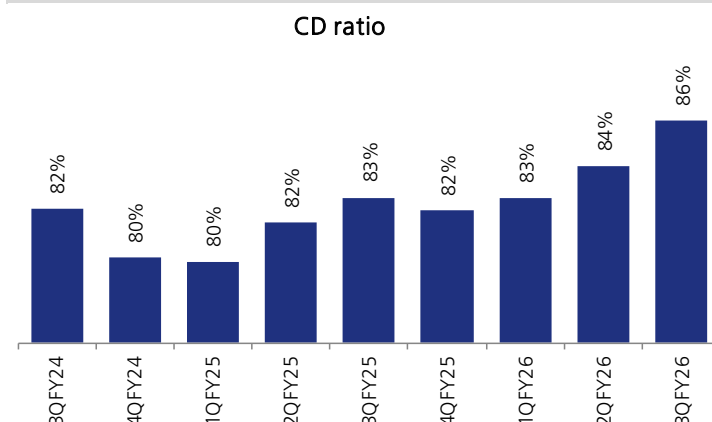
Exhibit 2. Deposit mix- deposit growth was driven by current accounts

	3QFY25	2QFY26	3QFY26	YoY (%)	QoQ (%)
Domestic deposits	11,659	12,720	13,072	12%	3%
CA	736	803	847	15%	5%
SA	3,891	4,083	4,179	7%	2%
TD	7,137	7,833	8,046	13%	3%
Overseas deposits	2,266	2,280	2,396	6%	5%
Total Deposits	13,925	15,000	15,467	11%	3%
Domestic deposits	84%	85%	85%	78 bps	(29) bps
CA	5%	5%	5%	19 bps	12 bps
SA	28%	27%	27%	(92) bps	(21) bps
TD	51%	52%	52%	77 bps	(20) bps
Overseas deposits	16%	15%	15%	(78) bps	29 bps
Total Deposits	100%	100%	100%		

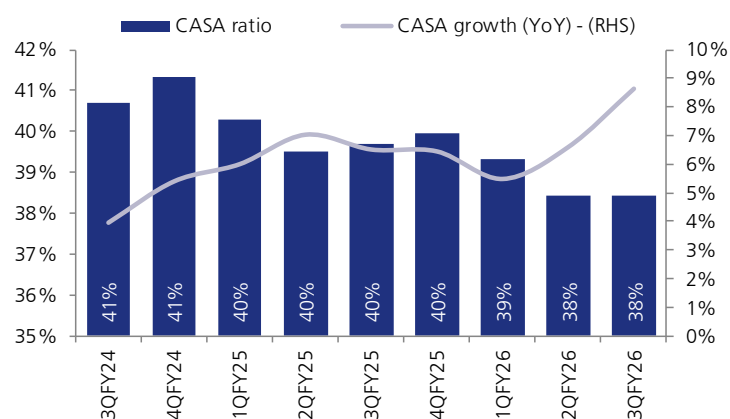
Source: Company, JM Financial

Exhibit 3. Loan growth higher than deposit growth...

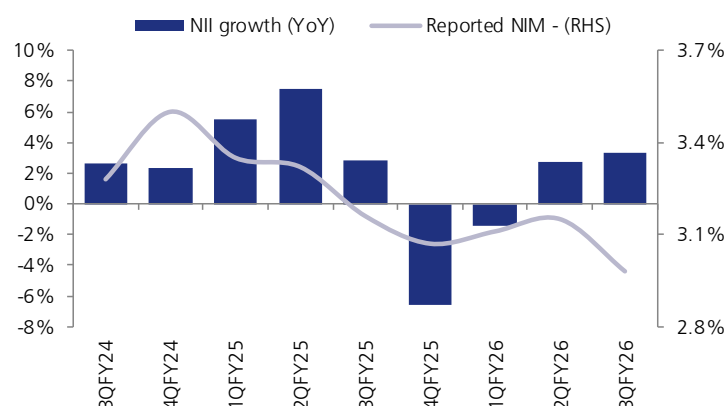
Source: Company, JM Financial

Exhibit 4. ...led to further increase in CD ratio

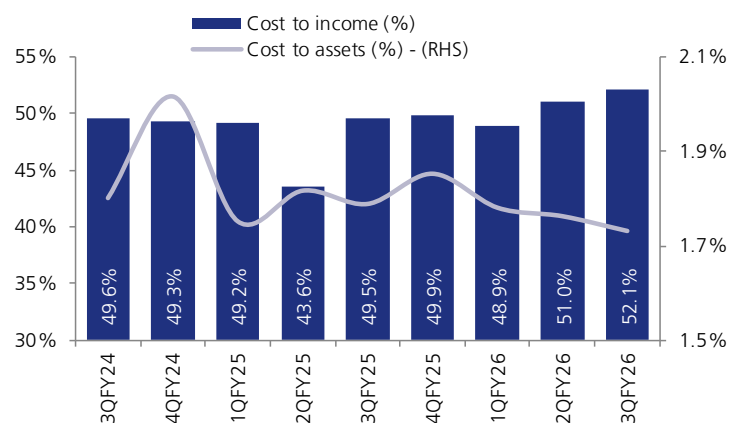
Source: Company, JM Financial

Exhibit 5. CASA growth was driven by 11% QoQ CA growth

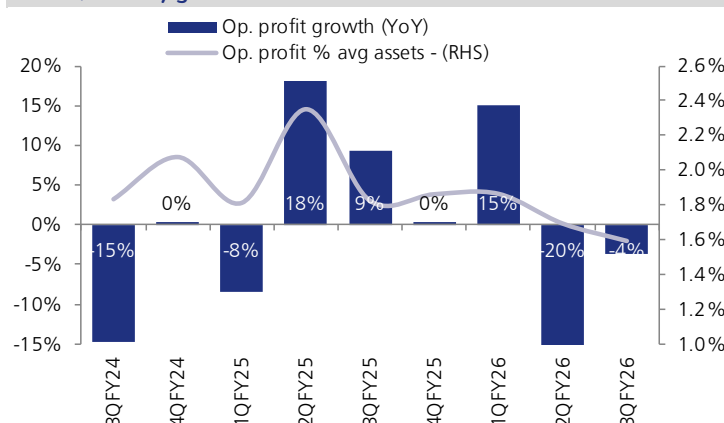
Source: Company, JM Financial

Exhibit 6. NIM expansion led by I-T refund; adjusted for it, NIM was down 3bps QoQ

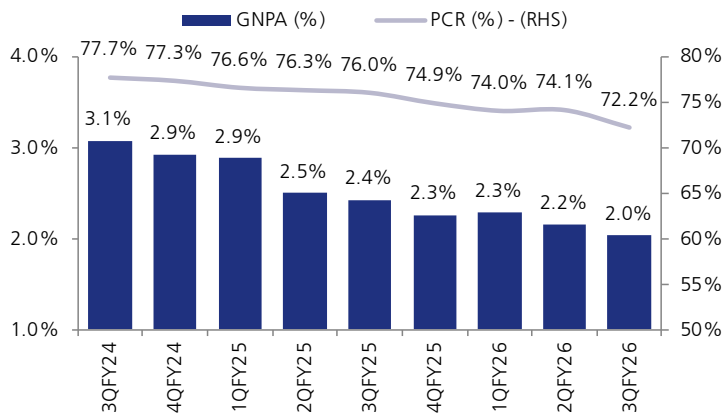
Source: Company, JM Financial

Exhibit 7. Opex was flat QoQ

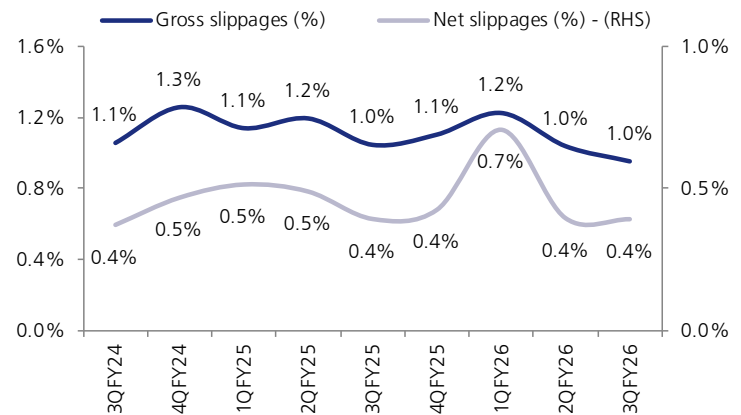
Source: Company, JM Financial

Exhibit 8. Operating profitability was impacted due to lower fee income/treasury gains

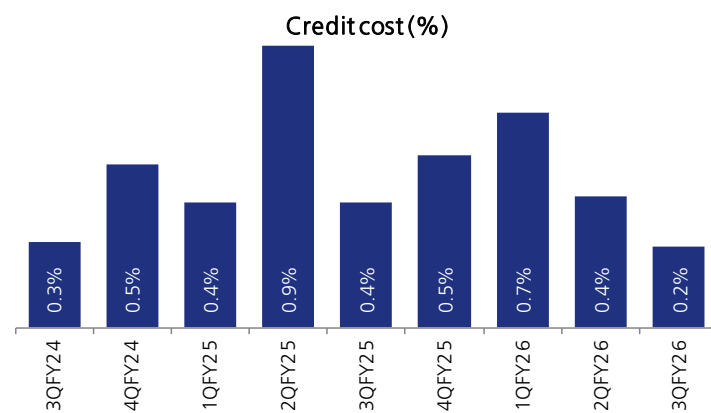
Source: Company, JM Financial

Exhibit 9. Assets quality continue to remain stable

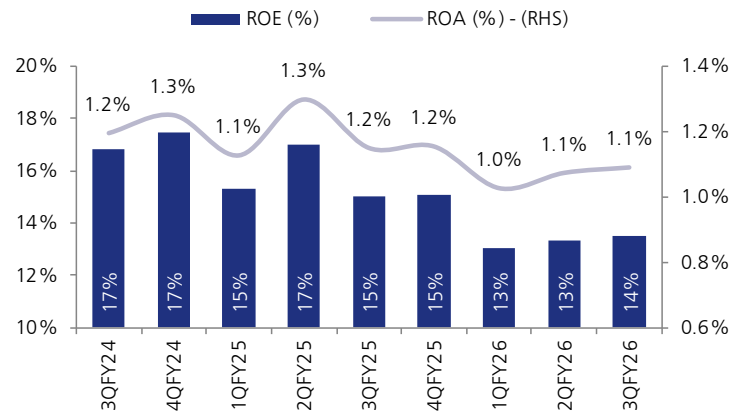
Source: Company, JM Financial

Exhibit 10. Slippages improve sequentially...

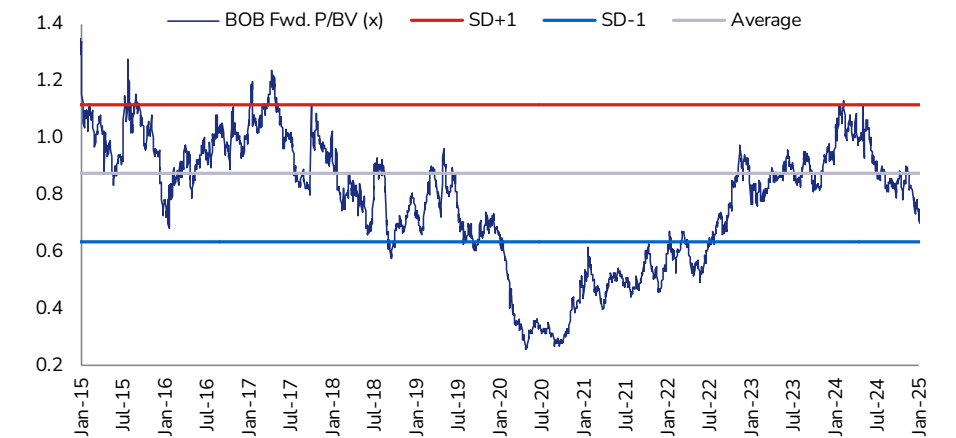
Source: Company, JM Financial

Exhibit 11. ...driving lower credit cost

Source: Company, JM Financial

Exhibit 12. Overall, return ratios steady

Source: Company, JM Financial

Exhibit 13. Re-rating underway on the back of improving assets quality and profitability

Source: Company, Bloomberg, JM Financial

Exhibit 14. SOTP valuation

Subsidiaries/JVs	Valuation metric	Metric value (INR mn)	(Implied / Assigned) multiple	Stake (%)	Stake value (INR mn)	Per share (INR)
Standalone Bank		FY25				303
IndiaFirst Life Insurance	GWP	72,180	1.1	65%	51,593	10
India Infradebt	BV	34,953	1.0	41%	14,327	3
Nainital Bank	BV	8,275	1.5	99%	12,234	2
Baroda AMC	AUM	477,170	6.0%	50%	14,344	3
BOBCARD Ltd.	BV	11,119	2.0	100%	22,238	4
Total consol value						325

Source: Company, JM Financial

Exhibit 15. Change in estimates

	New Estimates			Old Estimates			Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Recommendation	ADD			BUY					
Target price (Rs)	325			350			-7%		
Assumptions									
YoY advances growth	14.6%	13.1%	14.4%	13.6%	13.6%	14.6%	103 bps	(52) bps	(13) bps
Net interest margins (calculated)	2.6%	2.5%	2.8%	2.6%	2.6%	2.8%	(1) bps	(5) bps	(2) bps
Fee income to asset	0.4%	0.5%	0.5%	0.4%	0.4%	0.5%	(1) bps	1 bps	2 bps
Cost to assets	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1 bps	1 bps	2 bps
Credit cost	0.5%	0.5%	0.7%	0.5%	0.6%	0.7%	(5) bps	(4) bps	(0) bps
Outputs (Rs bn)									
Loans	13,860	15,672	17,934	13,736	15,603	17,875	1%	0%	0%
Deposits	16,296	18,053	20,400	16,102	17,736	20,511	1%	2%	-1%
Assets	19,305	21,556	24,558	19,682	22,220	25,421	-2%	-3%	-3%
NII	471	499	615	479	525	643	-2%	-5%	-4%
Other income	159	150	167	157	146	167	2%	2%	0%
Total income	630	649	782	635	671	810	-1%	-3%	-3%
Opex	323	354	393	325	361	402	0%	-2%	-2%
Operating profit	307	295	389	311	310	408	-1%	-5%	-5%
Provisions	60	79	111	65	84	111	-9%	-6%	0%
Net Profit	186	163	210	184	170	223	1%	-4%	-6%
EPS (Rs)	35.9	31.4	40.6	35	33	43	1.2%	-4.1%	-5.7%
ROA (%)	1.00%	0.80%	0.91%	0.98%	0.81%	0.94%	2 bps	(1) bps	(2) bps
ROE (%)	12.9%	10.3%	12.1%	12.7%	10.7%	12.8%	15 bps	(43) bps	(67) bps

Source: Company, JM Financial

Financial Tables (Standalone)

Profit & Loss (INR bn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Interest Income	447	457	471	499	615
Profit on Investments	15	23	42	14	15
Exchange Income	13	11	0	0	0
Fee & Other Income	117	133	117	136	152
Non-Interest Income	145	166	159	150	167
Total Income	592	623	630	649	782
Operating Expenses	283	299	323	354	393
Pre-provisioning Profits	310	324	307	295	389
Loan-Loss Provisions	58	56	0	0	0
Provisions on Investments	0	0	0	0	0
Others Provisions	3	4	0	0	0
Total Provisions	61	60	60	79	111
PBT	249	265	247	216	278
Tax	71	69	61	53	68
PAT (Pre-Extraordinaries)	178	196	186	163	210
Extra ordinaries (Net of Tax)	0	0	0	0	0
Reported Profits	178	196	186	163	210
Dividend paid	39	43	37	33	42
Retained Profits	139	153	149	130	168

Source: Company, JM Financial

Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Growth (YoY) (%)					
Deposits	10.2%	10.9%	10.7%	10.8%	13.0%
Advances	13.3%	13.5%	14.6%	13.1%	14.4%
Total Assets	8.7%	12.3%	8.4%	11.7%	13.9%
NII	8.1%	2.1%	3.1%	6.1%	23.0%
Non-interest Income	44.6%	14.8%	-4.3%	-6.1%	11.9%
Operating Expenses	15.2%	5.7%	8.2%	9.6%	10.8%
Operating Profits	15.3%	4.7%	-5.4%	-3.9%	32.1%
Core Operating profit	0.0%	0.0%	0.0%	0.0%	0.0%
Provisions	-14.9%	-1.6%	-0.5%	33.2%	40.1%
Reported PAT	26.1%	10.1%	-5.1%	-12.4%	29.1%
Yields / Margins (%)					
Interest Spread	2.71%	2.45%	2.34%	2.31%	2.51%
NIM	3.05%	2.81%	2.63%	2.53%	2.76%
Profitability (%)					
Non-IR to Income	24.5%	26.7%	25.3%	23.0%	21.4%
Cost to Income	47.7%	47.9%	51.3%	54.6%	50.2%
ROA	1.17%	1.16%	1.00%	0.80%	0.91%
ROE	16.9%	15.7%	12.9%	10.3%	12.1%
Assets Quality (%)					
Slippages	1.11%	0.88%	1.05%	1.00%	1.10%
Gross NPA	2.92%	2.26%	1.93%	1.81%	1.87%
Net NPAs	0.68%	0.58%	0.55%	0.51%	0.53%
Provision Coverage	77.3%	74.9%	72.0%	72.0%	72.0%
Specific LLP	0.67%	0.46%	0.38%	0.50%	0.59%
Net NPAs / Network	6.4%	5.1%	5.0%	4.9%	5.3%
Capital Adequacy (%)					
Tier I	14.07%	14.79%	14.94%	14.59%	14.18%
CAR	16.31%	17.19%	17.34%	16.98%	16.57%

Source: Company, JM Financial

Balance Sheet (INR bn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Equity Capital	10	10	10	10	10
Reserves & Surplus	1,112	1,359	1,508	1,638	1,806
Deposits	13,270	14,720	16,296	18,053	20,400
Borrowings	944	1,237	1,417	1,785	2,018
Other Liabilities	522	486	74	70	324
Total Liabilities	15,858	17,812	19,305	21,556	24,558
Investments	3,698	3,854	3,543	3,769	4,259
Net Advances	10,658	12,096	13,860	15,672	17,934
Cash & Equivalents	951	1,258	1,240	1,389	1,569
Fixed Assets	79	124	134	144	156
Other Assets	472	481	529	582	640
Total Assets	15,858	17,812	19,305	21,556	24,558

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
NII / Assets	2.94%	2.71%	2.54%	2.44%	2.67%
Other Income / Assets	0.95%	0.99%	0.86%	0.73%	0.73%
Total Income / Assets	3.89%	3.70%	3.39%	3.18%	3.39%
Cost / Assets	1.86%	1.77%	1.74%	1.73%	1.70%
PBP / Assets	2.03%	1.93%	1.65%	1.44%	1.69%
Provisions / Assets	0.40%	0.36%	0.32%	0.39%	0.48%
PBT / Assets	1.64%	1.57%	1.33%	1.06%	1.21%
Tax rate	28.5%	26.0%	24.8%	24.5%	24.5%
ROA	1.17%	1.16%	1.00%	0.80%	0.91%
RoRWAs	2.38%	2.35%	2.02%	1.59%	1.82%
Leverage	14.1	13.0	12.7	13.1	13.5
ROE	16.9%	15.7%	12.9%	10.3%	12.1%

Source: Company, JM Financial

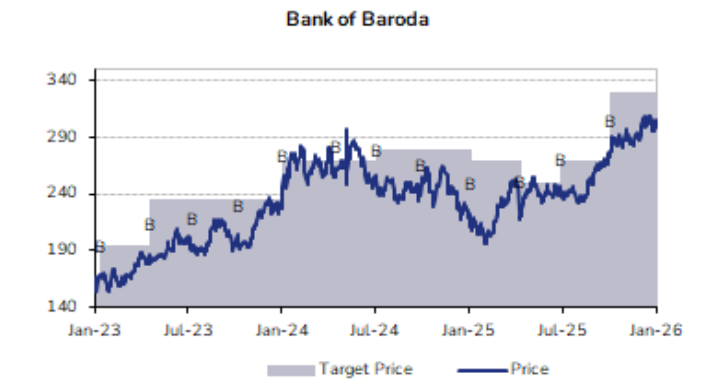
Valuations					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shares in Issue	5.2	5.2	5.2	5.2	5.2
EPS (INR)	34.4	37.8	35.9	31.4	40.6
EPS (YoY) (%)	26.1%	10.1%	-5.1%	-12.4%	29.1%
PER (x)	8.7	7.9	8.3	9.5	7.4
BV (INR)	217	264	293	318	351
BV (YoY) (%)	14.3%	22.0%	10.9%	8.6%	10.2%
ABV (INR)	206	251	280	305	338
ABV (YoY) (%)	15.1%	21.9%	11.4%	9.0%	10.6%
P/BV (x)	1.38	1.13	1.02	0.94	0.85
P/ABV (x)	1.45	1.19	1.07	0.98	0.89
DPS (INR)	7.6	8.4	7.2	6.3	8.1
Div. yield (%)	2.5%	2.8%	2.4%	2.1%	2.7%

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
31-May-21	Buy	95	
9-Aug-21	Buy	95	0.0
11-Oct-21	Buy	110	15.8
10-Nov-21	Buy	135	22.7
7-Feb-22	Buy	145	7.4
15-May-22	Buy	145	0.0
1-Aug-22	Buy	145	0.0
6-Nov-22	Buy	165	13.8
6-Feb-23	Buy	195	18.2
16-May-23	Buy	235	20.5
6-Aug-23	Buy	235	0.0
5-Nov-23	Buy	235	0.0
31-Jan-24	Buy	270	14.9
12-May-24	Buy	270	0.0
1-Aug-24	Buy	280	3.7
27-Oct-24	Buy	280	0.0
30-Jan-25	Buy	270	-3.6
7-May-25	Buy	250	-7.4
27-Jul-25	Buy	270	8.0
1-Nov-25	Buy	330	22.2

Recommendation History



APPENDIX I

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

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Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return \geq 15% over the next twelve months.
ADD	Expected return \geq 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return \geq -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

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