



Company Background

Bank of Baroda (BoB) is one of India's leading public sector banks, providing a comprehensive range of banking and financial services to retail, MSME, corporate, and institutional clients across domestic and international markets. The bank operates an extensive network of over 8,000 branches and 9,000+ ATMs/CDMs in India, along with a presence in 15+ overseas countries, enabling it to serve a diversified customer base. BoB offers a wide portfolio of products including retail loans, corporate credit, trade finance, treasury operations, and digital banking solutions, supported by a strong deposit franchise with a CASA ratio of ~38%. Its centralized processing systems, robust technology infrastructure, and digital platforms such as bob World enable the bank to deliver scalable, value-added and technology-driven financial solutions to its customers.

Investment View

Bank of Baroda is witnessing structural improvement, led by sustained gains in asset quality, disciplined credit growth, and a rising share of granular retail and MSME loans. Investments in digital capabilities and analytics are driving efficiencies and enhancing customer engagement. The bank's improving liability franchise and international presence provide additional growth levers amid rising formalization of the economy.

What We Think:

We believe **Bank of Baroda (BoB)** is entering a value-creation phase with the potential to generate meaningful alpha over the medium term. The bank's ~14–15% YoY credit growth led by retail, agriculture and MSME segments, improving asset quality (GNPA ~2% and NNPA 0.57%), and comfortable capital adequacy (~15%+) provide strong earnings visibility. While NIMs remain under pressure due to higher deposit costs, stable non-interest income, controlled credit costs and disciplined underwriting support operating resilience, positioning BoB for sustainable profitability and steady return improvement over the coming years.

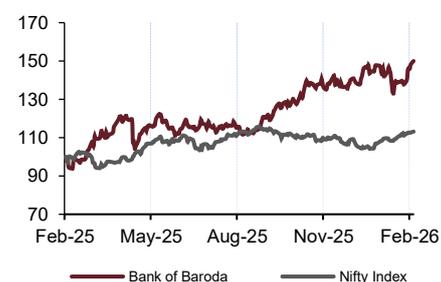
Rating	TP (Rs)	Up/Dn (%)
BUY	381	22

Market data

Current price	Rs	313
Market Cap (Rs.Bn)	(Rs Bn)	1,618
Market Cap (US\$ Mn)	(US\$ Mn)	17,784
Face Value	Rs	2
52 Weeks High/Low	Rs	315.3 / 190.7
Average Daily Volume	('000)	15,301
BSE Code		532134
Bloomberg		BOB.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Dec-25	Sep-25
Promoters	63.97	63.97
Public	36.03	36.03
Total	100	100

Source: Bloomberg

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Why We Think So

Structural Growth Opportunity:

Bank of Baroda remains well positioned to benefit from India's structural credit growth cycle, supported by retail formalization, MSME expansion, infrastructure spending and improving corporate capex. Despite being a large PSU bank, BoB continues to gain traction in higher-yielding segments such as retail, agriculture and MSME, driving ~14–15% YoY loan growth. Its diversified loan mix and expanding digital ecosystem (bob World) enhance cross-sell opportunities within its large customer base, providing meaningful headroom for sustained balance sheet expansion over the medium term.

Calibrated and Risk-Aware Growth Approach:

Having navigated the previous NPA cycle, BoB has adopted a more disciplined underwriting framework with stronger risk filters and granular portfolio mix. Asset quality has improved significantly, with GNPA around ~2% and NNPA below 1%, while credit costs have moderated to sustainable levels. Management continues to guide for controlled credit growth aligned with deposit mobilization, maintaining a balanced advance-deposit ratio. With capital adequacy at ~15%+, the bank has adequate headroom to fund growth without immediate equity dilution, reflecting a calibrated and internally funded expansion strategy.

Margin Resilience and Operating Efficiency:

While industry-wide margin pressures persist from elevated deposit costs, BoB's funding mix remains relatively stable with a CASA ratio of ~38.4% (low-cost deposits), helping cushion net interest margins (NIM guided in the ~ 2.85-3.00% range). Management is focused on protecting spreads through liability management, calibrated asset repricing and a better asset mix, even as deposit costs moderate. Operating efficiency initiatives including digital onboarding, centralised processing and cost control are aiding improvements in the cost-to-income ratio (around high-40s %). With credit growth expected at ~11-13% for FY26 (retail and RAM segments leading), contained credit costs (guided below ~0.6%) and operating leverage, the bank anticipates steady profitability despite near-term NIM moderation.

Strengthened Balance Sheet and Return Profile

Bank of Baroda's balance sheet has strengthened materially with asset quality improving — gross NPA (GNPA) has declined to ~2.04% and net NPA (NNPA) to 0.57%, supported by a healthy provision coverage ratio (92.7%) and a low slippage ratio (0.86%), while credit cost remains modest (0.17%). Global advances have grown strongly (14.7% YoY) and surpassed management's 11–13% guidance, led by retail, housing and MSME segments. Return ratios have improved with RoA around 1.1% and RoE 15.6%, underpinned by stable operating performance and net interest margins.

Valuation

We maintain BUY on Bank of Baroda with a target price of ₹381 per share, valuing the bank at 1.0× FY28E. At current levels, the stock offers an attractive risk-reward, supported by improving profitability, controlled credit costs, and operating leverage benefits.

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