

Shubh Nivesh



Steady outlook to aid valuations..

About the stock: Bank of Baroda is the third largest public sector bank with a global loan book of ~₹ 11.4 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

- Outlook on growth and margins remains steady:** Advances witnessed growth at 11.6% YoY to ₹11,43,039 crore in Q2FY25. This growth is led by growth in RAM segments including 20% YoY rise in retail book driven by auto (23% YoY), home (16.2%) & personal loans (25.2% YoY). Conscious strategy to decline dependence on bulk deposit and safeguard margins led to slower traction in advances. However, management remains confident of delivering 11-13% growth in FY25E, with strategy to focus on retail portfolio being continued. Strong liabilities franchise and customer base is seen to aid deposit flows thereby aiding credit growth. Margins came at 3.1%, down 8 bps QoQ, with outlook remaining steady. Management anticipates margins at 3.15% plus/minus 5 bps in FY25E, with CD ratio at 80-82%. (currently at ~83.83%) and maturity of low yield corporate exposure.
- Resilient asset quality to support RoA:** Asset quality remained broadly steady with slippages at 1.07% and decline in GNPA ratio from 2.88% in Q1FY25 to 2.5% in Q2FY25. MSME and retail witnessed higher slippages, however, relatively smaller size of unsecured exposure (3-4% of advances) and moderation in unsecured retail credit growth is expected to limit possibility of any major concern. Going ahead, management guides for slippages at 1-1.25% and credit cost at <0.75%.
- Overall performance remains steady with focus on liabilities accretion:** Deposit accretion came at 9.1% YoY (4.3% QoQ) to ₹13,63,486 crore, with CASA ratio at 39.84%. NII grew moderately at 7.3% YoY, while NIM was largely stable at 3.1% (domestic NIM - 3.28%). Moderation in fee income, surge in treasury gains and increased recoveries led to PAT growth of 23.2% YoY (17.5% QoQ) to ₹5,238 crore, with RoA inching up 17 bps QoQ to 1.3%. Slippages ratio was steady at 1.07% and GNPA/NNPA ratios improved 38 bps/9 bps QoQ to 2.5%/0.6% respectively.

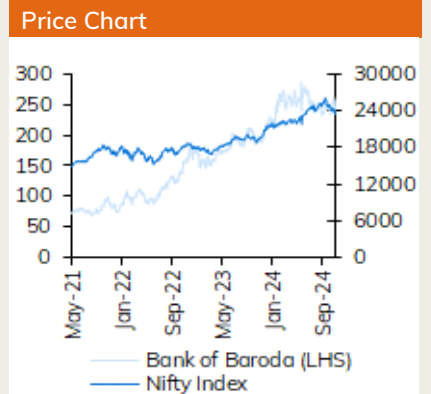
Rating and Target Price

- Steady performance across business growth, margins and asset quality coupled with valuation near long term average makes the stock relatively attractive in current scenario.
- In-line industry growth (12-14%) coupled with steady margin (~3.15%) and benign credit cost (<0.75%) is expected to enable the bank to deliver RoA at 1-1.1% ahead. Thus, we remain positive and value the bank at ~1x FY27E ABV and assign target price at ₹300. Recommend Buy rating.



Particulars	Amount
Market Capitalisation	₹ 1,24,888
Networth	₹ 1,19,712
52 week H/L	300 / 193
Face value	2

Shareholding pattern					
(in %)	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Promoter	64.0	64.0	64.0	64.0	64.0
FII	12.4	12.3	12.4	11.5	9.9
DII	15.7	15.8	16.0	15.8	16.4
Others	7.9	8.0	7.6	8.8	9.8



- ### Key risks
- (i) Moderation in retail credit growth
 - (ii) Erosion in margins led by higher cost of deposit

Research Analyst

Vishal Narnolia
vishal.narnolia@icicisecurities.com

Harshvardhan Giri
harshvardhan.giri@icicisecurities.com

Key Financial Summary

Key Financials (₹ Crore)	FY21	FY22	FY23	FY24	3 Year CAGR (FY21-FY24)	FY25E	FY26E	FY27E	3 Year CAGR (FY24-27E)
NII	28,809	32,621	41,356	44,722	15.8%	47,386	51,865	56,514	8.1%
PPP	21,199	22,389	26,864	30,965	13.5%	31,090	33,370	35,562	4.7%
PAT	829	7,272	14,110	17,789	177.9%	18,032	19,199	20,208	4.3%
ABV (₹)	106.7	140.1	173.2	202.1		233.3	265.6	299.7	
P/E	-12.8	17.2	8.9	7.0		6.9	6.5	6.2	
P/ABV	2.3	1.7	1.4	1.2		1.0	0.9	0.8	
RoA	-0.8	0.6	1.0	1.2		1.1	1.0	1.0	
RoE (%)	-13.1	8.9	15.3	16.9		15.0	14.0	13.1	

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according -to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Vishal Namolia, MBA, Harshvardhan Giri, MMS, Research Analysts Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

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

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Bhavesh Soni Email address: headservicequality@icicidirect.com Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.