

## 4QFY09 Result Update

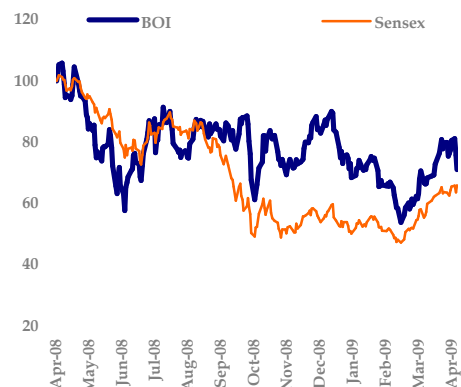
CMP: INR 235

Target: INR 425

OUTPERFORMER

Sector View	NEUTRAL		
Company Risk	MEDIUM		
BSE Sensex	11,403		
S&P Nifty	3,474		
BSE Bankex	5,685		
<b>Bloomberg Consensus</b> (BUY/SELL/HOLD)	23 / 3 / 18		
BSE Code	532149		
NSE Code	BANKOFINDIA		
Bloomberg Code	BOI IN		
Reuters	BOL.BO		
52 Wk High/Low (INR)	368 / 179		
Equity (INR Mn)	5,252		
Market Cap. (INR Mn)	131,686		
<b>Shareholding Pattern (%)</b>			
Foreign	14.9		
Institutions	12.8		
Government	64.5		
Corporate	1.2		
Public & Others	6.6		
<b>Returns</b>			
(%)	Abs Perf	Relative to	
		Sensex	Bankex
1 Month	6.35	-12.82	-22.43
3 Months	-4.10	-25.10	-20.13
1 Year	-29.00	5.04	6.54

### Relative Price Performance



Source: Khandwala Research, Bloomberg

Analyst: Hatim Broachwala

Email: [hatim@kslindia.com](mailto:hatim@kslindia.com)

### Result Highlights

#### ✓ Decreased Margins lead to subdued NII

Net Interest Margin has decreased to 3.0% as against 3.4% in Q3FY09 and 3.2% during Q4FY08. Margins have decreased in domestic as well as international segment by 43 and 18 bps respectively on sequential basis. Net Interest Income has grown by 17.8% to Rs14.3bn. CASA has taken significant hit at 30.5% as against 35.2% last year. Cost of funds is in line with last quarter and yields on advances have come down significantly.

#### ✓ Credit Growth remains healthy

Total Advances increased 26.1% YoY to Rs 1,447bn. Advance growth is healthy and is above industry growth; however it has significantly slowed down from its earlier quarters. Domestic advances grew 26%, whereas overseas advances rose 25% as against 31% and 38% respectively last year. Deposits collection from overseas segment has shown a good rebound which grew 23% as against de-growth of 2% in corresponding quarter last year.

#### ✓ Re-alignment within credit portfolio

Large corporate really seems to be the mantra, which has grown by 35% over last year. The bank has continued its cautious stand on retail segment, which has just grown by 7% on a yearly basis. SME also grew at a healthy rate of 25%.

#### ✓ PAT in line with expectations

Bottom-Line is very much in line with our expectations and has grown by 7% during Q4FY08 to Rs8.1bn. Fee income has grown at comfortable rate of 23% to Rs3.1bn. Recovery from written off accounts has significantly slowed down to Rs0.5bn against Rs1.3bn in corresponding quarter last year. Treasury profits continue to remain healthy at Rs2.2bn as against Rs0.6bn in corresponding quarter last year.

### Valuation

Bank of India's numbers have been broadly in line with market expectations. In view of the growth in business, increasing and sustainable ROE, along with stable earning expectation, we value the bank at Rs 425, which is at a 1.5x its adjusted book value for FY10E. In view of this, we take our call for Bank of India to "OUTPERFORMER", with a target of Rs 425.

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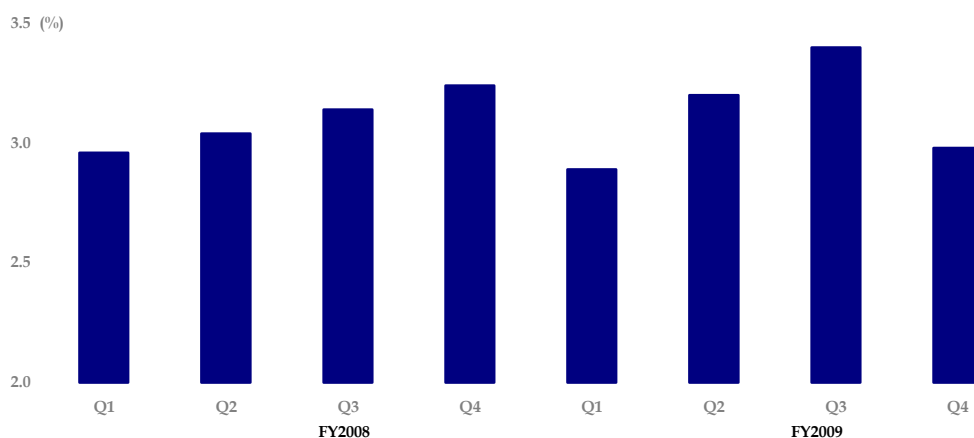
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## Result Highlights

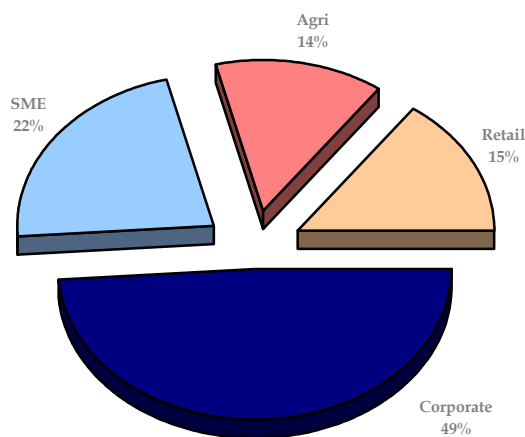
### NIMs remain at healthy levels

NIMs were in pressure on account of significant cuts in PLR during the quarter.



### Diversified Loan Book

Half of loan book in corporate segment retail has been brought down significantly.



### Retail Portfolio Distribution

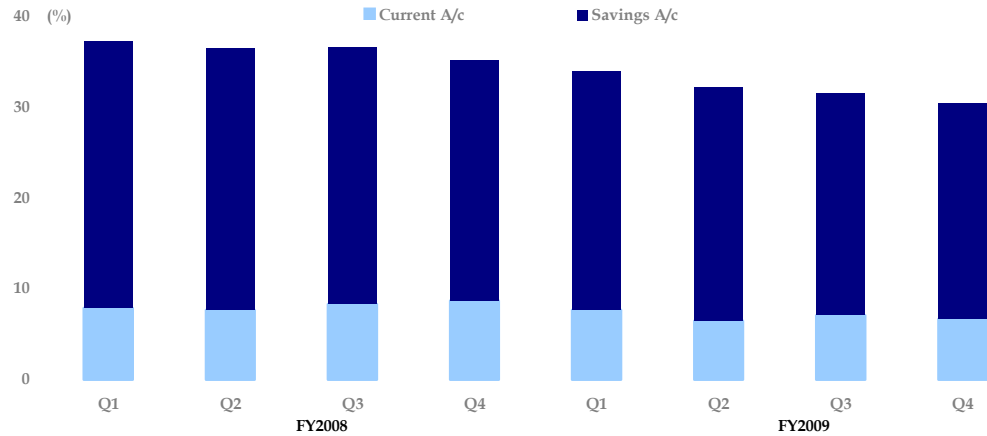
It has significantly slowed down in retail segment across sub sectors except education loan. Surprisingly Auto loan has picked up in this quarter.

Descriptions	INR Mn	Y-o-Y Growth %	% of Portfolio	
			Q4'08	Q4'09
Residential Mortgage	72.7	15.6	38.6	41.8
Business Mortgage	23.3	(27.1)	19.6	13.4
Auto Finance	8.8	49.7	3.6	5.0
Education	13.3	30.5	6.3	7.6
Others	56.0	7.6	31.9	32.2
<b>Total</b>	<b>174.0</b>	<b>6.8</b>	<b>100.0</b>	<b>100.0</b>



**CASA on a continuous decline**

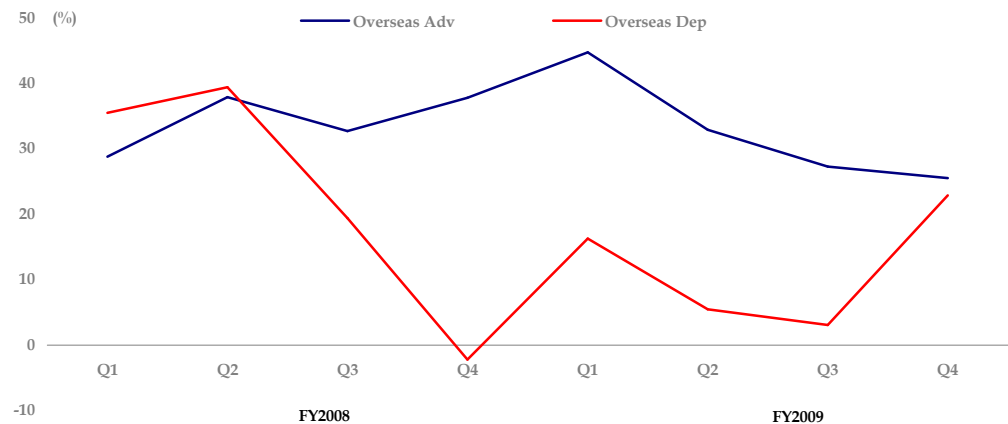
CASA has off late remained continuous under pressure. It is not able to grow its current and saving account deposits in line with total deposits. In times of increasing interest rate scenario, CASA deposits tend to shift towards term deposits. We do believe CASA could rebound as the business growth slows down and interest rate cools off.



**Overseas Business**

It has been doing well in overseas advances, which grew by 25.5% over corresponding quarter last year; unfortunately it was not earlier able to garner overseas deposits due to ongoing global financial crisis. However it was able to garner huge overseas deposits during last quarter, which grew 23% sequentially.

**Growth in Overseas Business**





### Slowdown in Non Interest Income

Fee income growth has significantly slowed down to 23.4% from ~40-50% achieved during previous quarters. Fee Income from corporate activity and third party distribution has significantly slowed down. Recovery from written off accounts has also slowed down. It booked healthy profits on its bond book, as yield slips during the early part of the quarter.

Fee Income	INR Bn	% YoY Gwth	% QoQ Gwth
Commission Income	3.1	23.4	8.4
Exchange Income	1.2	32.6	(50.2)
Recovery in W/off	0.5	(57.4)	(120.0)
Sale of Securities	2.2	273.3	(48.5)
Others	0.8	(37.1)	(16.2)
<b>Total</b>	<b>7.9</b>	<b>20.3</b>	<b>(25.2)</b>

### Relatively Shielded Asset Quality

NPA scenario seems to be reasonably under control. Although absolute Gross NPA increased by 11% on a sequential basis, but it is still better than what other banks are reporting. Provision coverage ratio is healthy.

NPA Movement	Q4'08	Q1'09	Q2'09	Q3'09	Q4'09
Gross NPA (bn)	19.3	20.2	19.8	22.1	24.7
Net NPA (bn)	5.9	6.3	6.1	7.0	6.3
Gross NPA (%)	1.7	1.6	1.5	1.6	1.7
Net NPA (%)	0.5	0.5	0.5	0.5	0.4
Prov Coverage (%)	69.3	68.9	69.3	68.4	74.6
Slippage for the quarter (%)	0.4	0.2	0.4	0.4	0.2

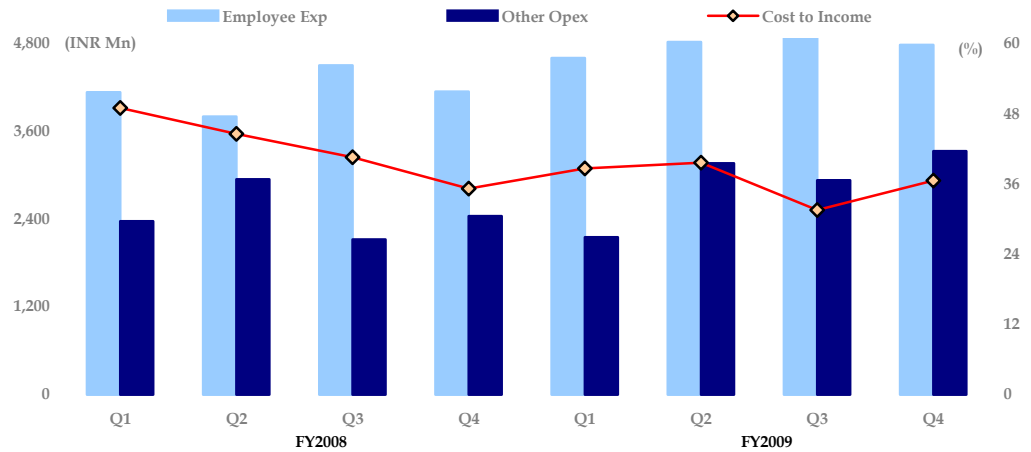
### Healthy Provisioning

It has provided Rs 900mn against investment depreciation. It has fully provided on its exposure to Lehman group with floating rate notes of 8 mn euros and credit linked notes of \$20 mn. Aggregate provision for lehman exposure is Rs1.5bn & 2.0bn for other than lehman CLN exposure.



**Commendable Operating Efficiency**

Although the employee expenses and other operating expense are growing at a reasonable pace, still the bank is able to maintain a tight control over cost to income ratio. Slight jump in Cost-to-Income ratio is on account of slowdown in non-interest income; still it is well below its peers.

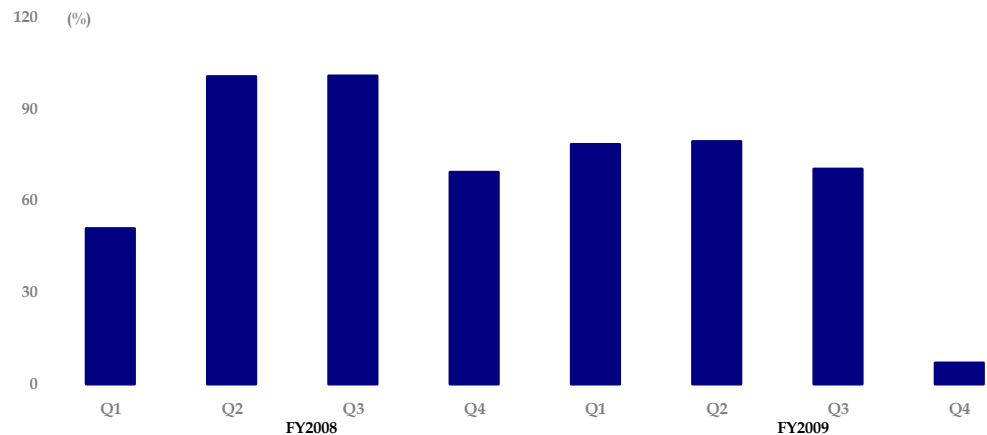


**Fabulous Return Ratios**

Despite subdued PAT growth, BoI has registered impressive return ratio. It has recorded an ROA of 1.5% for the quarter as well as full year. ROE is at 29.5% for the quarter and 30.5% for the full year.

**Growth in PAT subdued**

Bank of India has reported a subdued growth of 7% yoy in PAT to Rs 8.1 bn. It is mainly on account of slowdown in non-interest income, lower balance sheet, stressed NIMs and higher provisions.





## 4QFY09 Result Update

Descriptions (INR Mn)	Q4FY09 Mar-09	Q4FY08 Mar-08	Y-O-Y Growth	FY2009 Mar-09	FY2008 Mar-08	Y-O-Y Growth
Interest Earned	44,931	35,020	28.3%	163,471	123,552	32.3%
Interest Expended	30,598	22,850	33.9%	108,479	81,265	33.5%
<b>Net Interest Income</b>	<b>14,333</b>	<b>12,170</b>	<b>17.8%</b>	<b>54,992</b>	<b>42,287</b>	<b>30.0%</b>
Other Income	7,854	6,530	20.3%	30,515	21,164	44.2%
- Fee Income	3,110	2,520	23.4%	10,920	7,820	39.6%
- Other Income	4,744	4,010	18.3%	19,595	13,344	46.8%
<b>Net Revenue</b>	<b>22,187</b>	<b>18,700</b>	<b>18.6%</b>	<b>85,507</b>	<b>63,451</b>	<b>34.8%</b>
Operating Expenses	8,107	6,580	23.2%	30,943	26,443	17.0%
- Employee Exp	4,779	4,140	15.4%	19,376	16,570	16.9%
- Other Exp	3,328	2,440	36.4%	11,567	9,873	17.2%
<b>Operating Profit</b>	<b>14,080</b>	<b>12,120</b>	<b>16.2%</b>	<b>54,564</b>	<b>37,008</b>	<b>47.4%</b>
Provision & Contingencies	3,846	2,860	34.5%	12,924	10,163	27.2%
-NPL Provision	1,920	1,800	6.7%	6,230	6,970	-10.6%
<b>PBT</b>	<b>10,234</b>	<b>9,260</b>	<b>10.5%</b>	<b>41,640</b>	<b>26,845</b>	<b>55.1%</b>
Taxes	2,131	1,690	26.1%	11,566	6,752	71.3%
<b>PAT</b>	<b>8,103</b>	<b>7,570</b>	<b>7.0%</b>	<b>30,074</b>	<b>20,093</b>	<b>49.7%</b>
EPS (INR)	15.4	15.5	-0.6%	57.2	40.1	42.8%
Book Value (INR)	211.9	164.1	29.2%	211.9	164.1	29.2%
Advances	1,447,320	1,147,930	26.1%	1,447,320	1,147,930	26.1%
Deposits	1,897,080	1,500,120	26.5%	1,897,080	1,500,120	26.5%



## INDIA

EQUITY RESEARCH		TEL. NO. +91 22 4076 7373	FAX +91 22 4076 7378
Name	Designation	Sectors	E-mail
Ashok Jainani	VP, Head Research	Market Strategy	ashokjainani@kslindia.com
Dipesh Mehta	Research Analyst	IT, Telecom	dipesh@kslindia.com
Hatim K Broachwala	Research Analyst	BFSI	hatim@kslindia.com
Vinay Nair	Research Analyst	Energy	vinay.nair@kslindia.com
Giriraj Daga	Research Analyst	Metals & Mining	giriraj@kslindia.com
Kruti Shah	Research Associate	Economics	kruti.shah@kslindia.com
Sandeep Shrimali	Research Associate	Cement	sandeep.shrimali@kslindia.com
Dinesh Bhatia	Research Associate	Technical Analysis	dinesh.bhatia@kslindia.com
Sandeep Bhatkhande	Research Associate	Publishing	sandeep@kslindia.com
Lydia Rodrigues	Research Executive	Data Mining	lydia@kslindia.com

INSTITUTIONAL DEALING		TEL NO. +91 22 4076 7342-47/56	FAX NO. +91 22 4076 73 77-78
Biranchi Sahu	Head	Institutional Equity	bsahu@kslindia.com
Gopi Doshi	Senior Dealer	Institutional Equity	gopi.doshi@kslindia.com
Mayank Patwardhan	Dealer	Institutional Equity	mayank.patwardhan@kslindia.com

PRIVATE CLIENT GROUP		TEL No. +91 22 4076 7317-21	FAX NO. +91 22 4076 73 77
Sanjay K Thakur	President	Sales & Marketing	thakursk@kslindia.com
Subroto Duttaroy	General Manager	Equity & Portfolio Mgmt. Service	subroto@kslindia.com
Jagdish R Modi	Manager	Equity & Portfolio Mgmt. Service	jrmodi@kslindia.com

BRANCH OFFICE (PUNE)		TEL NO. +91 20 2567 1404/06	FAX NO. +91 20 2567 1405
Ajay G Laddha	Vice President		ajay@kslindia.com

### Corporate Office:

Vikas Building, Ground Floor,  
Green Street, Fort,  
MUMBAI 400 023.  
Tel. No. (91) (22) 4076 7373  
Fax No. (91) (22) 4076 7377/78  
E-mail: research@kslindia.com

**Web site: [www.kslindia.com](http://www.kslindia.com)**

### Branch Office:

C8/9, Dr. Herekar Park,  
Off. Bhandarkar Road,  
PUNE 411 004  
Tel. No. (91) (20) 2567 1404/06  
Fax. No. (91) (20) 2567 1405  
Email: pune@kslindia.com

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