

# Bank of India

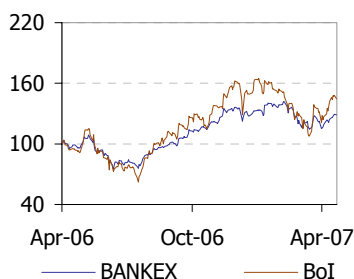
Relative to sector: **Outperformer**

Lead Analyst: **Punit Srivastava**  
Email: punit@enam.com  
Tel: 9122 6754 7609

Analyst: **Siddharth Teli**  
Email: siddharth.teli@enam.com  
Tel: 9122 6754 7603

Associate: **Neha Sanghai**  
Email: neha@enam.com  
Tel: 9122 6754 7526

## Relative Performance



Source: Bloomberg, ENAM Research

## Stock data

No. of shares : 488mn  
Market cap : Rs 90bn  
52 week high/low : Rs 214/ Rs.80  
Avg. daily vol. (6mth) : 2.7mn shares  
Bloomberg code : BOI IN  
Reuters code : BOI.BO

## Shareholding (%) Mar-07 QoQ chg

Shareholder	Mar-07 (%)	QoQ chg
Promoters	69.5	0.0
FIIs	15.4	1.4
NRIs/OCBs	0.8	0.0
MFs / UTI	2.7	(1.8)
Banks / FIs	2.9	0.4
Others	8.7	0.0

## Financial summary

Y/E Mar	PAT (Rs mn)	EPS (Rs.)	Change YoY (%)	P/E (x)	BV (Rs.)	P/BV (x)	NPAs (%)	P/Adj.BV (x)	RoE (%)	RoA (%)
2005	3,400	7.0	(66)	26.4	88	2.1	2.8	2.9	8.4	0.4
2006	7,014	14.4	106	12.8	99	1.9	1.5	2.2	15.4	0.7
2007	11,232	23.0	60	8.0	113	1.6	0.8	1.8	21.7	0.9
2008E	13,691	28.0	22	6.5	135	1.4	0.6	1.5	22.6	0.9

Source: Company, ENAM Estimates

## STILL GOING STRONG

Bank of India's (BOI) Q4FY07 net profit growth at 76% has been higher than estimated, largely driven by a 78% rise in other income. While the reported NII growth at 16% appears moderate, adjusting for income tax refund and change in amortization method in Q4FY06, the growth for Q4FY07 was quite high at 37%, as margins continued to improve on a YoY basis.

## Q4FY07 Highlights

- The bank was able to contain the rise in funding costs to 26 bps YoY to 4.31%. Domestic cost of funds rose by 23 bps YoY to 4.65%, as domestic CASA was largely stable at 40%. Overseas deposits rose 56% YoY vs. a 22% rise in domestic deposits.
- Domestic credit growth stood at 29% while retail credit grew 35% YoY. Domestic Retail portfolio comprised ~25% of the bank's domestic credit, against ~24% last year. Yield on domestic advances improved by 88 bps YoY and 20bps QoQ, driven by two PLR hikes undertaken by the bank in Q4FY07.
- While global NIMs improved sequentially as well as YoY by 2 bps and 17 bps respectively, domestic NIMs, on a QoQ basis fell marginally (5 bps) to 3.7%. NII growth in Q4 includes the impact of a one-time tax refund to the tune of Rs 1.08bn in Q4FY06; excluding this amount, the NII grew 37% in Q4. Even if we exclude one time interest on CRR (Rs 350mn in Q4FY07), the growth in NII will still be quite high at 32%.
- While growth of 23% in operating costs in FY07 appears high, this was largely on account of a 21.5% YoY increase in staff costs. However, rise in staff costs was largely on account of accelerated AS-15 provisioning (Rs 4bn in FY07 against ~Rs 2bn in FY06) undertaken by the bank. Excluding the impact of these provisions, staff costs grew only 8% in FY07.

The bank's numbers have been impressive and improvement in core performance remains on track. At CMP, of Rs 184, the stock trades at 1.4x FY08E Book Value and 6.5x FY08E earnings. We maintain our sector **Outperformer** rating with a target price of Rs 210.

## Results update

(Rs mn)	Quarter ended					12 months ended		
	Mar-07	Mar-06	% Chg	Dec-06	% Chg	Mar-07	Mar-06	% Chg
<b>Interest Income</b>	<b>26,154</b>	<b>20,022</b>	<b>30.6</b>	<b>23,187</b>	<b>12.8</b>	<b>91,803</b>	<b>70,287</b>	<b>30.6</b>
-Interest on Advances	18,577	12,380	50.1	16,382	13.4	63,975	45,730	39.9
-Income on Investment	6,301	5,812	8.4	6,384	(1.3)	24,601	21,613	13.8
-Interest on Balances	1,271	753	68.8	421	202.1	3,222	1,863	72.9
-Others Interests	5	1,078	(99.5)	0	-	5	1,081	(99.5)
<b>Interest Expended</b>	<b>16,474</b>	<b>11,644</b>	<b>41.5</b>	<b>14,599</b>	<b>12.8</b>	<b>57,399</b>	<b>43,967</b>	<b>30.5</b>
Net Interest Income	9,680	8,378	15.5	8,588	12.7	34,405	26,320	30.7
Non-Interest Income	5,767	3,244	77.8	3,223	78.9	15,630	11,844	32.0
<b>Net Income</b>	<b>15,447</b>	<b>11,622</b>	<b>32.9</b>	<b>11,811</b>	<b>30.8</b>	<b>50,034</b>	<b>38,164</b>	<b>31.1</b>
Operating Expenses	6,495	5,324	22.0	6,279	3.4	26,084	21,151	23.3
- Staff Costs	4,477	3,271	36.9	3,842	16.5	16,140	13,281	21.5
- % of Net Income	42	46	(8.2)	53	(20.9)	52	55	(5.2)
Operating Income	8,952	6,298	42.1	5,532	61.8	23,950	17,012	40.8
Provision & Contingencies	3,064	3,140	(2.4)	2,286	34.0	8,621	7,856	9.7
<b>PBT</b>	<b>5,888</b>	<b>3,159</b>	<b>86.4</b>	<b>3,246</b>	<b>81.4</b>	<b>15,329</b>	<b>9,157</b>	<b>67.4</b>
Tax	1,414	614	130.1	697	102.9	4,097	2,142	91.3
<b>Net Profit</b>	<b>4,474</b>	<b>2,544</b>	<b>75.9</b>	<b>2,549</b>	<b>75.6</b>	<b>11,232</b>	<b>7,014</b>	<b>60.1</b>
<b>EPS (Rs.)</b>	<b>9</b>	<b>5</b>	<b>75.9</b>	<b>5</b>	<b>75.6</b>	<b>23</b>	<b>14</b>	<b>60.1</b>
Global NIM (excluding amortization)	3.2	3.03	-	3.18	-	3.2	2.78	-
Domestic NIM (%)	3.7	3.55	-	3.76	-	3.7	2.78	-
Yield on Advances	8.52	7.58	-	8.43	-	8.52	7.58	-
Yield on Investments	7.31	7.15	-	-	-	7.31	7.15	-
Cost of Deposits	4.3	4.05	-	4.4	-	4.05	4.05	-
Advances (Rs.bn)	868	667	30.1	798	8.7	868	667	30.1
Retail Advances (Rs.bn)	174	129	35.0	199	(12.2)	174	129	35.0
Deposits (Rs.bn)	1,199	939	27.7	1,066	12.4	1,199	939	27.7
CASA (%)	40	41	-	41.3	-	40	41	-
Gross NPAs (Rs.bn)	21.0	24.8	-	21.9	-	21.0	24.8	-
Gross NPAs (%)	2.42	3.72	-	2.74	-	2.42	3.72	-
Net NPAs (Rs.bn)	6.3	9.7	-	7.5	-	6.3	9.7	-
Net NPAs (%)	0.74	1.49	-	0.95	-	0.74	1.49	-
Tier I (%)	6.5	6.8	-	6.2	-	6.5	6.8	-
Tier II (%)	5.0	4.0	-	5.5	-	5.0	4.0	-
CAR (%)	11.6	10.8	-	11.8	-	11.6	10.8	-

Source: Company, ENAM Estimates

- GNPA's fell 32 bps QoQ and 130 bps YoY to 2.42%. As a result, despite a sharp fall in provisioning for NPAs in Q4FY07 (down 53% YoY to 1.01bn), NNPA's fell 21 bps on a QoQ basis and 75 bps on a YoY basis. The provisioning coverage ratio stood at 70%, as against 61% for FY06.
- Non-interest income growth at 77% was one of the primary reasons for sharp rise in net profits. Q4 FY07 non-interest income included one-off items like profits booked on sale of oil bonds (earlier written off) to the tune of Rs 520mn, profit on sale of property in Hong Kong (Rs 150mn) and

dividends on equity investments to the tune of 150mn booked in Q4FY07. Also, recoveries from written-off assets remained strong for Q4FY07.

- After undertaking a hybrid issue of USD 85mn in Q4FY07, the bank's tier-I now stands at 6.54% vs. 6.22% in the previous quarter. Also, the bank has raised Rs 7.3bn as upper Tier-II capital during Q407. The management believes that further headroom of Rs 4.5bn available for hybrid Tier-I capital, coupled with internal accruals would suffice to fund a balance sheet growth of 22-25% over the next 2 years.

---

This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Nothing in this document should be construed as investment or financial advice, and nothing in this document should be construed as an advice to buy or sell or solicitation to buy or sell the securities of companies referred to in this document. The intent of this document is not in recommendatory nature

Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors

Enam Securities Private Limited has not independently verified all the information given in this document. Accordingly, no representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document

The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval

Enam securities Private Limited, its affiliates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document

This report has been prepared on the basis of information, which is already available in publicly accessible media or developed through analysis of ENAM Securities Private Limited. The views expressed are those of analyst and the Company may or may not subscribe to all the views expressed therein

This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. Neither this document nor any copy of it may be taken or transmitted into the United State (to U.S. Persons), Canada, or Japan or distributed, directly or indirectly, in the United States or Canada or distributed or redistributed in Japan or to any resident thereof. The distribution of this document in other jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions

Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information.

**Copyright in this document vests exclusively with ENAM Securities Private Limited.**