

ACCUMULATE
CMP: 258

BSE Code	532149
NSE Code	BANKINDIA

Key Data

Sensex	9734
52 week H/L (Rs)	466/189
Oct month H/L (Rs)	312/195
Market Cap (Rs Cr)	14516
Avg. daily vol. (6m)	786071
Face Value (Rs)	10

Source: Capitaline

Shareholding Pattern (%)

Promoters	64.47
Institution	11.85
Foreign holding	15.96
Non-promoter corp. holding	1.08
Public & Others	6.63

Source: Capitaline

One-Year Performance (Rel. to Sensex)


Source: Capitaline

Persists High On Growth

Bank of India reported phenomenal growth of 79% yoy in its Net Profit at Rs 763 Cr, while 36% growth on sequential basis, far ahead of expectations. 35% rise in advances and improved C/D ratio by 479 bps on yoy basis propelled NII at Rs 1363 Cr from Rs 986 Cr i.e. 38% growth. But high business growth impaired the CASA level to 32% as compared to 34% of the last quarter. NIM has improved 31 bps at 3.20% . Net NPA stood at 0.48% vs 0.75% of last year. Bank has entirely provided for Lehman Exposure for Rs 108.6 Cr in this quarter.

Q2FY09 Performance Highlights
Commendable Performance Continues...

Net Profit jumped to Rs 763 Cr from Rs 425 Cr of the corresponding quarter of last year, registering 79% growth, while operating profit grew 45% at yoy Rs 1215 Cr. This profit is driven by 38% rise in NII and 23% rise in non interest income. Interest rate hike in this quarter and improved C/D ratio led the interest income up by 33% at Rs 3963 Cr. As a result of it, NIM has improved by 31 bps on sequential basis and 16 bps on YOY basis at 3.20%.

Comfortable Asset Slippage Levels

Net NPA of the bank dropped to Rs 608 Cr from Rs 714 Cr of corresponding quarter of last year. In percentage term it stood at 0.48% of its advances vs 0.75% of last year and 0.52% of the last quarter, below industry average of 1%. The bank has the provision coverage ratio of 81%.

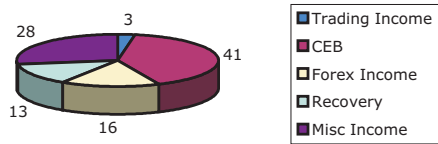
Fully provided for Lehman Exposure

After marking to market the investment exposure in Lehman and derivative transactions with the group, the bank has fully provided the shortfall of Rs 108.60 Cr in this quarter. The bank has EUR 8 ml exposure in floating rate notes and USD 20 ml in credit linked notes in Lehman Brothers.

CAR at 12.26%

Capital Adequacy Ratio of the Bank stood at 12.26% of which 8.16% is of tier 1 capital against RBI's mandatory requirement of 6%. The bank has risk weighted assets at Rs 132171 Cr.

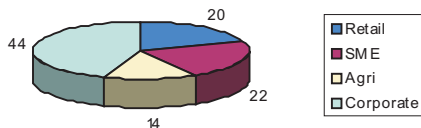
Other Income Segments % wise



Strong Growth in Non Interest Income

Total non interest income grew by 23% at Rs 650 Cr as compared to Rs 528 Cr on the last year, however core non interest income grew 62% at Rs 530 Cr. CEB has increased 36% while forex income has jumped 55%. Recoveries have gone up 47% at Rs 87 Cr. The bank has reported degrowth of 86% in trading income at Rs 18 Cr as compared to Rs 125 Cr of last year.

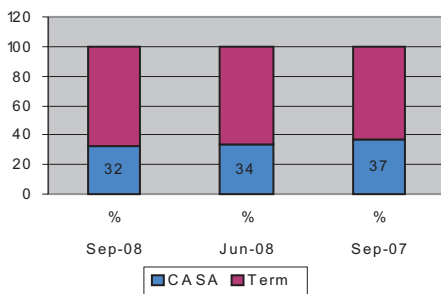
Domestic Advance Classification % wise



Robust Business Expansion

The business of the bank expanded 30% yoy at Rs 293560 Cr from Rs 95816 Cr of last year. Advances grew 35% at Rs 129314 Cr from Rs 95816 cr. Corporate loans having 35% proportion in total advances and 45% in domestic advances reported highest growth of 64% among all sectors.

Domestic Deposits



Deposits went up by 27% at Rs 164246 Cr from Rs 129590 Cr of Q2FY08. CASA in absolute terms augmented 10% yoy and 17% QOQ but in percentage term it declined to 32% of its deposit as compared to 34% of last quarter. C/D ratio improved to 78.73% from 73.94 % of the last year.

View & Valuation

Being one of the larger PSU banks, BOI is able to witness strong financial growth driven by improvement in all business parameters. Comfortable level of CASA, acceptable asset slippage level and ROA above 1.5% are the key indicators of consistent performance by the bank. At CMP of Rs 258 the stock is trading at 1.54x P/BV ratio, we recommend '**Accumulate**' on this stock.

Growth	Q2FY09	Q2FY08	YOY Gr	Q1FY09	QOQ Gr
	Rs Cr	Rs Cr	%	Rs Cr	%
Deposits	164246	129590	26.74	159234	3.15
CASA	52559	47948	9.62	44904	17.05
Term	111687	81642	36.80	114330	-2.31
Advances	129314	95816	34.96	122889	5.23
Foreign	28100	21100	33.18	26900	4.46
Retail	19800	18400	7.61	19500	1.54
SME	22400	17800	25.84	21100	6.16
Agri	14000	11100	26.13	12900	8.53
Corporate % Others	45000	27400	64.23	42500	5.88
Business	293560	225406	30.24	282123	4.05
Interest Income	3963	2975	33.19	3548	11.68
Interest Expenses	2600	1990	30.67	2368	9.80
NII	1363	986	38.28	1181	15.44
Non int income	650	528	22.91	566	14.67
CEB	264	194	36.08	230	14.78
Forex	102	66	54.55	113	-9.73
Recovery	87	59	47.46	87	0.00
Trading	18	125	-85.60	68	-73.53
Misc	179	84	113.10	68	161.70
Operating Exp	798	674	18.31	675	18.25
Operating Profit	1215	840	44.64	1072	13.27
Provision	287	299	-4.19	349	-17.84
PAT	763	425	79.38	562	35.75
Diluted EPS Rs	14.51	8.71		10.69	
Yield/margins %					
Yield on Advance	9.79	9.99		10.30	
Cost of Deposit	5.79	5.53		6.01	
NIM	3.20	3.04		2.89	
ROA	1.58	1.15		1.22	
Cost to Income Ratio	39.64	44.54		38.62	
Asset Quality					
Gross NPA Rs Cr	1978.12	1983.69		2017.3	
Net NPA Rs Cr	608	713.68		628.49	
Provision Coverage %	69.26	64.02		68.84	
Gross NPA %	1.53	2.07		1.64	
Net NPA %	0.48	0.75		0.52	
Capital Adequacy %					
Tier 1	8.16	7.08		7.83	
CAR Basel II	12.26	NA		12.39	
CAR Basel I	12.45	12.57		12.24	

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RATING INTERPRETATION

Buy Expected to appreciate more than 20% over a 12-month period

Accumulate Expected to appreciate up to 20% over a 12-month period

Hold Expected to remain in a narrow range

Avoid Expected to depreciate up to 10% over a 12-month period

Exit Expected to depreciate more than 10% over a 12-month period

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