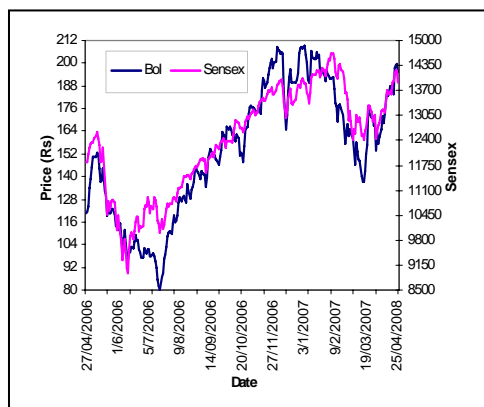


Bank of India
CMP: Rs 199
Buy
**Target Price: Rs 230
(12 Months)**
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Sector	Banking
Market Cap (Rs cr)	9,526
Beta	1.4
52 WK High / Low	214/80
Avg Daily Volume	4,97,575
Face Value (Rs)	10
BSE Sensex	13,909
Nifty	4,084
BSE Code	5,32,149
NSE Code	BANKINDIA
Reuters Code	BOI.BO
Bloomberg Code	BOI IN

Shareholding Pattern (%)

Promoters	69.5
MF/Banks/Indian FIs	6.5
FII/ NRIs/ OCBs	16.2
Indian Public	7.8

Share Price Vs Sensex

Q4FY2007 Result Update
Performance Highlights

- Net Interest Income grew 28% YoY for FY2007:** Bank of India (BoI) Q4FY2007, performance was above our expectations. Interest income of the bank clocked a growth of 31% YoY to Rs 2615cr (Rs 2002cr), while net interest income (NII) (Excluding amortization of expenses) of the bank clocked a moderate growth of 17% YoY Rs 1031cr (Rs 877cr) following a 41% growth in Interest expenses. For FY2007, BOI's NII grew by 28% YoY to Rs 3,685cr (Rs 2,876cr).
- Non-fund income drive Net profit:** For Q4FY2007, Bank of India reported a 76% growth in net profit to Rs 447cr (Rs 254cr) of which 81% is contributed by domestic business to Rs 364cr (Rs 215cr). The growth in Net profit of the bank is largely attributed to a strong growth in non-fund income, as the core fee income of the bank, which registered a growth of 72% to Rs 414cr (Rs 240cr). During the period under review, the bank has witnessed significant improvements in recoveries from bad loan accounts, amounting to Rs 114cr (Rs 58cr). Non-fund income of the bank for FY2007 grew by 32% YoY to Rs 1,563cr (Rs 1,186cr) wherein recoveries from bad accounts stood at Rs 183cr (Rs 153cr). Net profit of the bank for FY2007 grew by 60% to Rs 1,124cr (Rs 703cr).
- Strong growth in margins:** For Q4 FY2007, Yield on advances of the bank grew by 37 bps to 8.38% (8.01%), while the cost of funds with the bank escalated by 56bps to 5.04% (4.48%) due to which Net interest margins (NIMs) of the bank came down during the quarter to 3.34% (3.54%). For FY2007, Net Interest Margins (NIMs) of the bank grew by 17bps to 3.20% (3.03%). Strong low cost deposit proportion has helped the bank in improving margins.

Exhibit 1: Key Financials

Y/E March (Rs cr)	FY2006	FY2007	FY2008E	FY2009E
NII	2875.6	3684.5	4604.0	5582.1
(%)chg	20.5	28.1	25.0	21.2
Net Profit	701.4	1123.6	1301.4	1529.3
(%) chg	106.3	60.2	15.8	17.5
NIM (%)	3.0	3.2	3.3	3.3
EPS (Rs)	14.4	23.0	26.7	31.3
P/E (x)	13.8	8.6	7.5	6.4
P/BV (x)	1.9	1.6	1.4	1.2
P/ABV (x)	2.4	1.8	1.5	1.3
RoANW (%)	14.8	20.6	20.1	19.9
RoAA (%)	0.7	0.9	0.8	0.8

Source: Company, Angel Research

- **Improved asset quality:** On the back of bank' aggressive recovery policy, the bank has witnessed significant improvement in its asset quality. The bank recovered Rs 185cr during FY2007 of which Rs 114cr alone were recovered in the Q4FY2007, which helped the bank to improve profitability. Gross NPA (%) of the bank declined to 2.42% (3.72%) while Net NPA reduced to 0.74% (1.49%).
- **Robust business growth:** For FY2007, Total Business of the bank leaped by 30% to Rs 2,06,673cr (Rs 1,59,106cr). Net Advances of the Bank grew 31% to Rs 85,323cr, following a 35% growth in retail advances at Rs 17,427cr. The Bank witnessed significant growth across all segments of loan book. Deposits of the bank grew by 28% to Rs 1,19,882cr, at the back of strong growth of 28% in low cost deposit comprising of 40% of the bank's domestic deposits.
- **Capital Adequacy:** Capital adequacy has come down marginally to 11.58% from 11.76% as on Q3 FY2007. However, it improved in FY2007, compared to 10.75% in the FY2006.

Outlook and Valuation

Bank of India continues to be on a strong growth trajectory, with its significant global presence strong business growth. The bank continues to focus on enhancing its asset quality and improving its NIMs. We maintain a positive outlook for the bank. At the back of strong performance in FY2007, we have upgraded our earnings estimate for the bank. At the CMP of Rs 199, the stock trades at 6.4x and 1.3x its FY2009E EPS of Rs 31.3 and Adjusted Book Value of Rs 152.1. **We have revised our recommendation from Hold to Buy on the stock with an upgraded price target of Rs 230 from Rs 210.**

Exhibit 2: Quarterly Review

Y/E March (Rs Cr)	Q4FY2007	Q4FY2006	% chg	FY2007	FY2006	% chg
Interest earned	2,615.4	2,002.2	30.6	9,180.3	7,028.7	30.6
Interest expenses	1,584.3	1,124.8	40.9	5,495.8	4,153.1	32.3
Net interest income	1,031.1	877.4	17.5	3,684.5	2,875.6	28.1
Non Interest income	576.0	324.4	77.6	1,563.0	1,185.9	31.8
Fee income	414.0	240.4	72.2	1,175.0	917.3	28.1
Other income	162.0	84.0	92.9	388.0	268.5	44.5
Total Income	1,607.1	1,201.8	33.7	5,247.5	4,061.5	29.2
Operating expenses	649.5	532.4	22.0	2,608.0	2,358.8	10.6
Employee cost	447.7	327.1	36.9	1,614.0	1,328.1	21.5
Others	201.8	205.3	(1.7)	994.0	1,030.7	(3.6)
Pre-provi. Profit	957.6	669.4	43.1	2,639.5	1,702.7	55.0
Provi. & Conting.	369.5	353.6	4.5	1,106.2	785.6	40.8
PBT	588.1	315.9	86.2	1,533.3	917.1	67.2
Provi. Tax	141.4	61.4	130.1	409.7	214.2	91.2
PAT	446.7	254.4	75.6	1,123.6	702.9	59.8
EPS	9.2	5.2	75.6	23.0	14.4	59.8
Cost to Income ratio	40.4	41.4		49.7	58.1	
Effective Tax Rate	24.0	15.4		26.7	23.4	
CAR	11.6	10.8		11.6	10.8	
Net NPA	0.74	1.49		0.74	1.49	

Source: Company, Angel Research


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