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Q4 FY07  
Result Update

# Bank of India

Outperformer

Rs 183

April 24, 2007

## High business growth with stable margins

Company Details				Result Snapshot	
Market Cap:	Rs 89,330m			31% growth in advances to Rs. 853.2 bn	
52 Week High/Low:	Rs 214 / 80			27% growth in deposits to Rs. 1198.8 bn	
Bloomberg Code:	BOI@IN			CASA ratio healthy at 40% though down from 41.3% as on Q3	
Reuters Code:	BOI.BO / NS			NII has gone up by 15.5% to Rs. 9680 mn.	
Shares O/s:	488m			NIM has improved by 17 bps on YoY basis though sequentially it has come down marginally	
Average Volume (3 months):	2.7m			Net profit is up by 76% to Rs. 4474 mn	
Price Performance				Stock trades at 1.4x FY 09ABV. We reiterate our Outperformer rating on the stock	
(%)	1m	3m	12m		
Absolute	6.6	(7.4)	51.4		
Relative to Sensex	2.2	(5.4)	35.9		

### Q4 FY07 Result Snapshot

(Rs m)

Y/e March	Q4FY07	Q4FY06	yoy gr. (%)	Q3FY07	FY06	FY07	yoy gr. (%)
Net Int. Income	9,680	8,378	15.5	8,588	26,320	34,405	30.7
Op. Profit	8,952	6,298	42.1	5,532	17,012	23,950	40.8
Net Profit	4,474	2,544	75.9	2,549	7,014	11,232	60.1
Net Advances	853,225	651,737	30.9	783,815	651,737	853,225	30.9
Deposits	1,198,820	939,320	27.6	1,066,120	939,320	1,198,820	27.6

### Valuation Ratios

Y/e March	FY06	FY07E	FY08E	FY09E
EPS (Rs)	14.4	23.0	27.2	32.0
EPS growth (%)	106.3	60.1	18.3	17.8
BV/S (Rs)	93.8	110.0	130.4	154.4
ABV/S (Rs)	73.9	97.0	113.3	134.3
P/E (x)	12.7	8.0	6.7	5.7
P/BV (x)	2.0	1.7	1.4	1.2
P/ABV (x)	2.5	1.9	1.6	1.4
DPS (Rs)	3.4	5.1	6.0	7.1
Dividend Payout ratio (%)	23.8	25.0	25.0	25.0
Dividend yield (%)	1.9	2.8	3.3	3.9

(Stock price as on April 24, 2007)



## Result Highlights

Bank of India has reported 31% growth in advances to Rs. 853.2 bn. Retail advances have gone up by 35% to Rs. 174.3 bn. Advances growth is slightly higher than the 29% growth reported in Q3 FY 07.

Deposits have gone up by 27.6% to Rs. 1198.8 bn, which is higher than 21.4% growth reported in Q3 FY 07. Low cost deposits form healthy 40% of total deposits though share has come down marginally from 41.3% as on Q3 FY 07.

NII has gone up by 15.5% to Rs. 9680 mn. If we adjust for one off items in Q4 FY 06 (interest on IT refund) and Q4 FY 06 (interest income on CRR balance from June 2006 to February 2007) then NII growth would turn out to be 27%.

NIM has improved from 3.03% in FY 06 to 3.2% in FY 07 though sequentially it has come down marginally from 3.22% in 9m FY 07. Similarly NIM for domestic operation too have improved from 3.55% in FY 06 to 3.7% in FY 07, though compared to 9m FY 07, it remains flat.

Other includes Rs. 1140 mn of recovery on written off assets. High other income coupled with healthy NII growth has resulted in net profit going up by 76% to Rs. 4474 mn in Q4 FY 07.

Asset quality has improved both on year on year basis and sequentially, both in absolute terms and in % terms. Gross NPAs stand at 2.42% compared to 2.74% as on Q3 FY 07 and net NPAs stand at 0.74% compared to 0.95% as on Q3 FY 07.

Capital adequacy has come down marginally from 11.76% as on Q3 FY 07 to 11.58%.

Stock trades at 1.4x FY 09ABV. We reiterate our Outperformer rating on the stock.



Q4 FY07 Result Overview

(Rs m)

Y/e March	Q4FY07	Q4FY06	yoy gr. (%)	Q3FY07	FY06	FY07	yoy gr. (%)
Int. on Advances	18,247	12,380	47.4	16,382	45,730	63,975	39.9
Int. on Investments	6,301	5,811	8.4	6,384	21,613	24,601	13.8
Others	1,276	1,831	-30.3	421	2,944	3,227	9.6
Total Int. Earned	25,824	20,022	29.0	23,187	70,287	91,803	30.6
Treasury income	422	130	223.6	555	1,141	2,050	79.7
Non treasury non interest income	5,346	3,114	71.7	2,668	10,703	13,580	26.9
Total Other Income	5,767	3,244	77.8	3,223	11,844	15,630	32.0
Total Income	31,592	23,266	35.8	26,410	82,131	107,433	30.8
Int. Expanded	16,145	11,644	38.7	14,599	43,967	57,399	30.5
<b>Net Int. Income</b>	<b>9,680</b>	<b>8,378</b>	<b>15.5</b>	<b>8,588</b>	<b>26,320</b>	<b>34,405</b>	<b>30.7</b>
Net Total Income	15,447	11,622	32.9	11,811	38,164	50,034	31.1
Op. expenses	6,495	5,324	22.0	6,279	21,151	26,084	23.3
<b>Op. Profit</b>	<b>8,952</b>	<b>6,298</b>	<b>42.1</b>	<b>5,532</b>	<b>17,012</b>	<b>23,950</b>	<b>40.8</b>
<b>Core Op Profit</b>	<b>8,530</b>	<b>6,168</b>	<b>38.3</b>	<b>4,976</b>	<b>15,871</b>	<b>21,900</b>	<b>38.0</b>
Provisions	3,064	3,140	-2.4	2,286	7,856	8,621	9.7
PBT	5,888	3,158	86.4	3,246	9,157	15,329	67.4
Prov. for taxes	1,414	614	130.1	697	2,142	4,097	91.2
<b>Net Profit</b>	<b>4,474</b>	<b>2,544</b>	<b>75.9</b>	<b>2,549</b>	<b>7,014</b>	<b>11,232</b>	<b>60.1</b>
<i>Effective tax rate (%)</i>	<i>24.0</i>	<i>19.4</i>		<i>21.5</i>	<i>23.4</i>	<i>26.7</i>	
EPS	9.2	5.2	75.9	5.2	14.4	23.0	60.1
<i>Int on adv % total</i>	<i>57.8</i>	<i>53.2</i>		<i>62.0</i>	<i>55.7</i>	<i>59.5</i>	
<i>Other inc. % total</i>	<i>18.3</i>	<i>13.9</i>		<i>12.2</i>	<i>14.4</i>	<i>14.5</i>	
<i>Cost/Income ratio (%)</i>	<i>42.0</i>	<i>45.8</i>		<i>53.2</i>	<i>55.4</i>	<i>52.1</i>	
<i>CAR (%)</i>	<i>11.6</i>	<i>10.8</i>		<i>11.8</i>	<i>10.8</i>	<i>11.6</i>	
Gross NPA	21,005	24,792		21,859	24,792	21,005	
Net NPA	6320	9695		7484	9695	6320	
<i>% of gross NPAs</i>	<i>2.4</i>	<i>3.7</i>		<i>2.7</i>	<i>3.7</i>	<i>2.4</i>	
<i>% of net NPAs</i>	<i>0.7</i>	<i>1.5</i>		<i>1.0</i>	<i>1.5</i>	<i>0.7</i>	
Net advances	853,225	651,737	30.9	783,815	651,737	853,225	30.9
Deposits	1,198,820	939,320	27.6	1,066,120	939,320	1,198,820	27.6



## Key Figures

(Rs m)

Y/e March	FY06	FY07E	FY08E	FY09E
Market Price	183	183	183	183
Equity Capital	4,881	4,881	4,881	4,881
Market Capitalisation	89,330	89,330	89,330	89,330
Balance sheet size	1,122,743	1,419,679	1,685,787	1,954,184
<i>Market cap to balance sheet size (%)</i>	<i>8.0</i>	<i>6.3</i>	<i>5.3</i>	<i>4.6</i>
Deposits	939,320	1,198,820	1,449,069	1,720,643
Net Advances	651,737	853,225	1,040,812	1,228,158
Investments	317,818	375,844	447,702	519,692
Networth	45,773	53,690	63,653	75,387
NII	26,320	34,405	40,754	47,111
<i>Growth (%)</i>	<i>17.7</i>	<i>30.7</i>	<i>18.5</i>	<i>15.6</i>
Operating profits	17,012	23,950	27,492	33,128
PAT	7,014	11,232	13,284	15,644
<i>PAT growth (%)</i>	<i>106.3</i>	<i>60.1</i>	<i>18.3</i>	<i>17.8</i>
<i>RoA (%)</i>	<i>0.7</i>	<i>0.9</i>	<i>0.9</i>	<i>0.9</i>
<i>RoE (%)</i>	<i>16.3</i>	<i>22.6</i>	<i>22.6</i>	<i>21.3</i>
<i>Treasury gain as % of OP</i>	<i>6.7</i>	<i>8.6</i>	<i>4.9</i>	<i>4.2</i>
<i>Treasury gain as % of PBT</i>	<i>12.5</i>	<i>13.4</i>	<i>7.2</i>	<i>6.5</i>
<i>Cost - Income ratio (%)</i>	<i>55.4</i>	<i>52.1</i>	<i>50.4</i>	<i>47.6</i>
<i>Credit - Deposit ratio (%)</i>	<i>69.4</i>	<i>71.2</i>	<i>71.8</i>	<i>71.4</i>
Gross NPAs	24,792	21,005	24,448	35,259
Net NPAs	9,695	6,320	8,326	9,825
<i>% of Gross NPAs</i>	<i>3.7</i>	<i>2.4</i>	<i>2.3</i>	<i>2.8</i>
<i>% of Net NPA</i>	<i>1.5</i>	<i>0.7</i>	<i>0.8</i>	<i>0.8</i>

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