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Bank of India (BOI) was founded on 7th September, 1906, India's major public sector lender, providing a range of banking and financial services. The bank has continued focus on SME, retail and rural business. The bank has sizable presence abroad, with a network of 29 branches. With a net worth of ₹196,469 million, the bank aims to drive more customer especially, by opening new branches at institutional areas.

Investor's Rationale

Higher bottom-line growth on written-back of investments

BOI witnessed a whopping 71.5% YoY growth in its Q1FY'13 net profit at ₹8.9 billion, largely due to recoveries from written-off accounts and write-back of investments. Net interest income (NII) of the bank grew 11.0% YoY to ₹20.4 billion while non-interest income recorded 27.4% YoY, primarily, led by higher recoveries. NIM declined sharply by 59bps QoQ to 2.3% from 2.9% in Q4FY'12 due to 88bps QoQ decline in yield on advances to 8.8% and higher liability cost.

Stressed asset quality in Q1FY'13

BOI's asset quality deteriorated in Q1FY'13 due to rise in gross and net NPA ratios to 2.6% and 1.7% from 2.3% and 1.5% respectively in Q4FY'12. Higher provisioning though not adequate as against the rise in NPA led to decline in provision coverage ratio to 60.9% from 64.2% in Q4FY'12. During the quarter, the bank has higher slippages of ₹17.5 billion. Recovery, upgradations and write-off stood at ₹8.6 billion, ₹2.2 billion and ₹3.1 billion, respectively during Q1FY'13. The outstanding restructured loan book has increased to ₹205.9 billion from ₹142 billion in end Q4FY'12.

Healthy business growth driven by overseas market

Total business of the bank increased 18.7% YoY to ₹6,031 billion in Q1FY'13. Advances surged 22.8% YoY and 6.2% QoQ to ₹2,642 billion, mainly driven by 50.0% growth in the overseas advances. Domestic gross advances grew by 13.7% YoY to ₹1,834 billion, driven by sharp growth in agriculture and retail credit at 27.9% and 44.8%, respectively. Deposits of the bank grew by 15.7% YoY to ₹3,390 billion, due to 50.0% YoY growth in the overseas deposits while domestic deposits grew by just 8.5%YoY. The current account and savings account (CASA) deposit grew by 12.2% YoY.

Expects improved asset quality in FY13E

The capital adequacy ratio (CAR) of the bank stood at 11.42% with Tier I of 8.29% in Q1FY'13 against a CAR of 11.57% with Tier I of 8.02% a year ago. Besides, the bank operates the network of 4,022 branches with additional 1,501 ultra-small branches. Going forward, the bank expects healthy asset quality with gross NPA ratio and net NPA ratio to decline to 2.0% and 1.25% respectively by the end of FY'13.

Market Data

CMP (₹)	260.1
Target Price	302.0
Stop Loss	242.2
Duration	Short-term
52-week High-Low (₹)	408.0/253.3
Rise from 52WL (%)	2.7
Correction from 52WH (%)	36.3
Beta	0.8
1 year Average Volume (mn)	0.6
Stock Return (%)	1M- (4.5) 3M- (26.9) 6M- (29.0)
Market Cap (₹bn)	149.6
Book Value (₹)	343.4

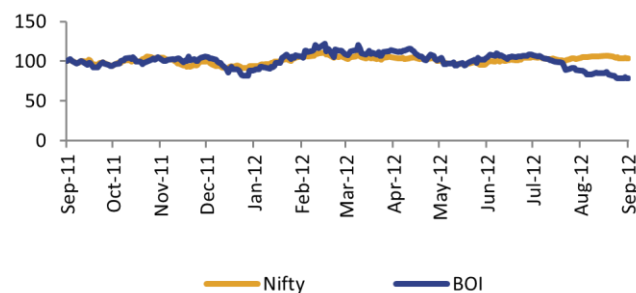
Shareholding Pattern

	Jun'12	Mar'12	Chg
Promoters (%)	62.7	62.7	-
FII (%)	15.0	14.7	0.3
DII (%)	16.1	16.3	(0.2)
Public & Others (%)	6.2	6.3	(0.1)

Quarterly Performance

(₹ bn)	Q1 FY'13	Q1 FY'12	Q4 FY'12	YoY Change(%)	QoQ Change(%)
Total income	85.5	72.9	87.8	17.2	(2.6)
Op. expense	12.1	11.1	14.5	9.6	(16.7)
Net profit	8.9	5.2	9.5	71.5	(6.8)
NII	20.4	18.4	25.0	11.0	(18.3)
NIM (%)	2.3	2.2	2.9	8bps	(59bps)
Gross NPA (%)	2.6	2.7	2.3	(13bps)	22bps
EPS(₹)	15.47	9.5	17.4	63.4	(11.1)

One Year Price Chart





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