

Retail Equity Research Bank of India

Banking

BSE CODE: 532149

NSE CODE: BANKINDIA

Bloomberg CODE: BOI:IN

SENSEX: 52,276

REDUCE

12 Months Investment period

Rating as per Mid cap

CMP Rs. 82

TARGET Rs. 71

RETURN -13%

(Closing: 08-06-21)

KEY CHANGES:

TARGET ↑

RATING ↓

EARNINGS ↑

Muted growth due to rising NPAs

BOI is one of the largest Indian banks with strong domestic presence spanning 5,107 branches. The bank also has a significant international presence with a network of 23 branches across 18 countries.

- Q4FY21 Net interest income shrunk 22.6% YoY, with domestic NIM contracting 102bps YoY to 2.16%
- Pre-provision operating profit fell 21.0% YoY while PAT reached Rs. 250cr, owing to lower provisioning in the quarter.
- We expect the credit costs and NIM margins to worsen on account of weak asset quality (particularly from stressed MSME segment). If Stimulus from government is announced, then it may act as turnaround catalyst for growth in loan book. However given current uncertainties, we downgrade rating on the stock to REDUCE with rolled forward price target of Rs. 71 based on 0.42x FY23E BVPS.

Lower provisioning helps maintain profitability

For Q4FY21, Net interest income subsided to Rs. 2,936cr (-22.6% YoY) with domestic NIM contracting 102bps YoY to 2.16%. For FY2021, domestic yield on advances dropped 118bps YoY to 8.15%, offsetting the benefit from reduction in cost of deposits of 53bps YoY to 4.57%. Interest income as % of advances contracted to 1.7% in Q4FY21 (-36bps YoY). With Cost-to-income ratio worsening to 58.0% (vs 51.6% in Q4FY20), Pre-provision Operating profit registered 21.0% YoY decline to Rs. 2,094cr. Provisions reduced considerably this quarter to Rs. 1,831cr (-77.5% YoY). GNPA/NNPA stood at 13.77%/3.35% with 52bps/89bps QoQ deterioration, due to higher slippages recorded this quarter. Resultantly, Net profit came in at Rs. 250cr (vs. Rs. 3,571cr loss in Q4FY20).

Adequate capital reserved for asset quality concerns

Deposits moderately improved 2.5% QoQ while Borrowings shrunk 12.7% QoQ. CASA ratio remained low at 41.27%. Domestic advances inched down to Rs. 362,361cr (-0.2% QoQ) with NPA exposure rising in high risk MSME sector (18.7% of domestic advances) and Retail (3.8% of domestic credit). Low credit costs of 1.78% is unlikely to be sustainable as the credit risk in the market has risen. CARR ratio stood healthy at 14.93% (vs 12.51% in Q3FY21).

Key call highlights

- Rs. 2,100cr of NPAs has already been recovered for Q1FY22. Recovery target is of Rs. 8,000cr. Collection efficiency is 90-91%
- Restructured loans stands at around Rs. 4,428cr (of which Rs. 3,449cr in MSME, Rs. 738cr in Personal loan and Rs. 640cr in Corporate credit). Loans disbursed under ECLGS scheme was Rs. 4,700cr.

Outlook & Valuation

We expect the credit costs and NIM margins to worsen on account of weak asset quality (particularly from stressed MSME segment). An announcement of government stimulus may act as turnaround catalyst for growth in loan book. Given uncertainties, we downgrade our rating on the stock to REDUCE with rolled forward price target of Rs. 71 based on 0.42x FY23E BVPS.

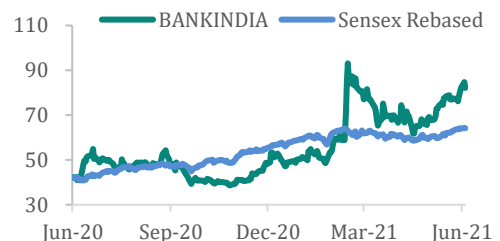
Company Data

Market Cap (cr)	Rs. 26,914
Outstanding Shares (cr)	327.8
Free Float	9.0%
Dividend Yield	0.0%
52 week high	Rs. 101
52 week low	Rs. 38
6m average volume (lac)	8.0
Beta	1.5
Face value	Rs. 1.0

Shareholding %	Q2FY21	Q3FY21	Q4FY21
Promoters	89.1	89.1	89.1
FII's	0.3	0.3	0.5
MFs/Insti	5.5	5.4	5.1
Public	4.5	4.6	4.7
Others	0.5	0.6	0.6
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	0.6%	54.3%	94.1%
Absolute Sensex	3.6%	14.6%	52.1%
Relative Return*	-3.0%	39.7%	42.0%

*over or under performance to benchmark index



Standalone (cr)	FY21A	FY22E	FY23E
Net Interest Income	14,270	15,619	16,176
Growth (%)	(6.5)	9.5	3.6
NIM (%)	2.6	2.7	2.7
Pre-provision Profit	10,872	14,893	16,917
Net Profit	2,160	2,884	3,976
Growth (%)	n.m.	33.5	37.9
Adj. EPS	6.6	8.8	12.1
Growth (%)	n.m.	33.5	37.9
BVPS	148.5	157.3	169.4
P/E	12.5	9.3	6.8
P/B	0.6	0.5	0.5
P/ABV	0.6	0.5	0.5
ROE (%)	4.7	5.8	7.4
ROA (%)	0.3	0.4	0.5

Quarterly Financials (Standalone)

Profit & Loss Account

	Q4FY21	Q4FY20	YoY Growth %	Q3FY21	QoQ Growth %	FY2021	FY2020	YoY Growth %
Interest Income	9,327	10,528	(11.4)	10,243	(8.9)	40,599	42,353	(4.1)
Interest Expense	6,391	6,735	(5.1)	6,504	(1.7)	26,330	27,096	(2.8)
Net Interest Income (NII)	2,936	3,793	(22.6)	3,740	(21.5)	14,270	15,257	(6.5)
Non-Interest Income	2,053	1,688	21.7	2,068	(0.7)	7,441	6,713	10.9
Total Net Income	4,989	5,481	(9.0)	5,807	(14.1)	21,711	21,970	(1.2)
Total Income	11,380	12,216	(6.8)	12,311	(7.6)	48,041	49,066	(2.1)
Operating Expenses	2,895	2,828	2.4	2,972	(2.6)	10,839	10,451	3.7
Total Expenditure	9,285	9,563	(2.9)	9,475	(2.0)	37,169	37,548	(1.0)
Pre-Provision profit	2,094	2,653	(21.0)	2,836	(26.1)	10,872	11,519	(5.6)
Provisions	1,831	8,142	(77.5)	1,980	(7.5)	7,636	16,121	(52.6)
Profit Before Tax	263	(5,489)	n.m.	856	(69.2)	3,237	(4,603)	n.m.
Tax	13	(1,918)	n.m.	315	(95.8)	1,076	(1,646)	n.m.
Net Profit	250	(3,571)	n.m.	541	(53.7)	2,160	(2,957)	n.m.
EPS - Diluted (Rs)	0.8	(10.9)	n.m.	1.7	(53.3)	6.6	(9.1)	n.m.

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change %	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Net Interest Income (NII)	16,048	-	15,619	16,176	(2.7)	-
Net Interest Margin (%)	2.8	-	2.6	2.7	(16bps)	-
Pre-Provision Profit	12,754	-	14,893	16,917	16.8	-
Net Profit	1,767	-	2,884	3,976	63.2	-
EPS (Rs.)	5.4	-	8.8	12.1	62.9	-

PROFIT & LOSS

Y.E March (Rs. cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Interest Income	40,768	42,353	40,599	43,831	45,784
Interest Expense	27,110	27,096	26,330	28,212	29,609
Net Int. Income	13,658	15,257	14,270	15,619	16,176
% Change	30.0	11.7	(6.5)	9.5	3.6
Non-Int. Income	4,659	6,713	7,441	8,930	11,162
Net Income	18,317	21,970	21,711	24,548	27,338
Total Income	45,427	49,066	48,041	52,761	56,947
Operating Exp.	10,224	10,451	10,839	9,655	10,421
Total Exp.	37,334	37,548	37,169	37,867	40,030
Pre-Prov. Profit	8,092	11,519	10,872	14,893	16,917
Provisions	16,806	16,121	7,636	10,572	10,959
PBT	(8,713)	(4,603)	3,237	4,321	5,957
Tax	(3,167)	(1,646)	1,076	1,437	1,981
Tax Rate (%)	36.3	35.8	33.3	33.3	33.3
Net Profit	(5,547)	(2,957)	2,160	2,884	3,976
% Change	8.2	n.m.	n.m.	33.5	37.9
No. of Shares (cr)	186	325	328	328	328
Adj. EPS (Rs.)	(29.8)	(9.1)	6.6	8.8	12.1
% Change	43.3	69.5	172.4	33.5	37.9
DPS (Rs.)	0.0	0.0	0.0	0.0	0.0

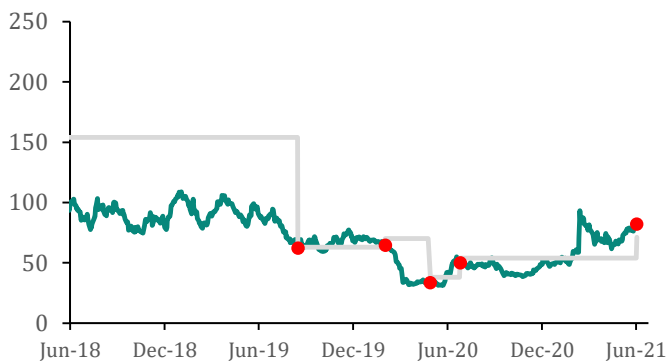
BALANCE SHEET

Y.E March (Rs. cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Cash & Balances	94,811	86,456	126,581	117,978	112,982
Investments	147,639	158,573	187,253	199,799	213,185
Advances	341,006	368,883	365,687	389,456	393,351
Fixed Assets	8,920	8,982	8,914	9,092	9,092
Other Assets	32,846	34,101	37,422	38,171	38,171
Total Assets	625,223	656,995	725,856	754,496	766,781
Capital	2,760	3,278	3,278	3,278	3,278
Reserves & Surplus	43,559	40,539	45,408	48,292	52,268
Deposits	520,862	555,505	627,114	658,469	671,639
Borrowings	44,241	39,752	32,464	26,512	21,651
Other Liabilities	13,800	17,922	17,593	17,945	17,945
Total Liabilities	625,223	656,995	725,856	754,496	766,781
BVPS (Rs.)	248.8	134.8	148.5	157.3	169.4
% Change	(19.5)	(45.8)	10.1	5.9	7.7

RATIOS

Y.E March	FY19A	FY20A	FY21A	FY22E	FY23E
Valuation					
P/E (x)	n.m.	n.m.	12.5	9.3	6.8
P/BV (x)	0.4	0.2	0.6	0.5	0.5
Div. Yield (%)	0.0	0.0	0.0	0.0	0.0
Profitab. & Return (%)					
Yield on Advances	8.0	8.1	7.5	7.5	7.6
Cost of Deposits	4.8	4.7	4.2	4.2	4.3
Spread	3.2	3.4	3.3	3.3	3.3
NIM	2.8	3.0	2.6	2.7	2.7
ROE	n.m.	n.m.	4.7	5.8	7.4
ROA	n.m.	n.m.	0.3	0.4	0.5
Capital Adequacy (%)					
CAR	14.2	13.1	14.9	15.3	16.3
Tier I	11.1	9.9	12.0	12.4	13.5
Tier II	3.1	3.2	3.0	2.9	2.8
Asset Quality (%)					
GNPA	15.8	14.8	13.8	13.8	13.8
NNPA	5.6	3.9	3.4	3.4	3.4
Operating Ratios (%)					
Credit/Deposit	65.5	66.4	58.3	59.1	58.6
Cost/Income	82.2	76.5	77.4	71.8	70.3
CASA	34.9	35.6	35.8	36.5	36.5

Recommendation Summary (Last 3 Years)



Dates	Rating	Target
17-Feb-17	HOLD	129
13-Jun-17	REDUCE	132
15-Dec-17	REDUCE	154
22-Aug-19	REDUCE	63
07-Feb-20	HOLD	70
13-May-20	HOLD	38
01-Jul-20	HOLD	54
09-Jun-21	REDUCE	71

Source: Bloomberg, Geojit research

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated			

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside.

Sell: Exit from the stock.

Not rated: The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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