



# Bank of India

BSE SENSEX 18,871	S&P CNX 5,680	<b>CMP: INR404</b>	<b>TP: INR460</b>	<b>Neutral</b>								
Bloomberg Equity Shares (m)	BOIIN 547.2	<b>YEAR</b>	<b>NET INCOME</b>	<b>PAT</b>	<b>EPS</b>	<b>EPS</b>	<b>P/E</b>	<b>BY</b>	<b>P/BV</b>	<b>P/ABV</b>	<b>ROAA</b>	<b>ROAE</b>
52-Week Range (INR)	588/385	<b>END</b>	<b>(INR M)</b>	<b>(INR M)</b>	<b>(INR)</b>	<b>GR. (%)</b>	<b>(X)</b>	<b>(INR)</b>	<b>(X)</b>	<b>(X)</b>	<b>(%)</b>	<b>(%)</b>
1,6,12 Rel.Perf.(%)	-5/-12/-4	3/10A	83,725	17,410	33.1	-42.1	-	243	-	-	0.7	14.2
M.Cap. (INR b)	221.1	3/11A	104,525	24,887	45.5	37.4	8.9	292	1.4	1.5	0.8	17.3
M.Cap. (USD b)	5.0	3/12E	110,900	28,413	51.9	14.2	7.8	333	1.2	1.4	0.7	16.6
		3/13E	130,746	35,617	65.1	25.4	6.2	384	1.1	1.2	0.8	18.2

Bank of India's net profit for 1QFY12 was significantly (25%) below our estimate, led by disappointing performance on the asset quality front. Sharp increase in slippages (INR16.8b, annualized slippage ratio of 3.1%) not only led to high credit cost (70bp+ annualized) but also impacted margins (~25bp) due to interest income reversal (INR1.8b).

### Key highlights

- **Sharp QoQ contraction in margins:** Global margins declined sharply by 75bp QoQ to 2.14%, led by sharp drop in domestic margins by 95bp QoQ to 2.43%. Domestic cost of deposits increased 80bp QoQ and yield on loans improved 17bp QoQ. BoI also had other interest income of INR1.75b.
- **Muted QoQ business growth; liquidity remains high:** Loans were flat QoQ and grew 22% YoY to INR2.2t. Deposits declined ~2% QoQ and grew 25% YoY to INR2.93t. Global CD ratio improved QoQ to 73.3% v/s 72.3%.
- **Domestic CASA ratio improves QoQ:** Domestic CASA deposits grew 14.3% YoY and were flat QoQ. Savings deposits were flat QoQ and grew 16% YoY. CA deposits grew 6% QoQ and 8% YoY.
- **Asset quality deteriorates sharply QoQ:** Gross NPAs increased 20% QoQ to INR57.8b whereas net NPAs increased ~40% QoQ to INR26.9b. Slippages during the quarter were INR16.8b (annualized slippage ratio of 3.2% v/s 1.73% for FY11). The bank has already shifted its entire portfolio above INR0.5m to CBS for NPA recognition.

### Valuation and view

Stress on asset quality is hurting margins, leading to sharp downgrade in our earnings estimate by ~18% each for FY12/13. Volatile asset quality performance remains a biggest concern. In the past on several occasions, bank has disappointed on asset quality performance v/s guidance. The stock trades at 1.2x FY12E and 1.1x FY13E BV. Maintain **Neutral**, with a target price of INR460 (1.2x FY13E BV).

### Bank of India: Quarterly Performance

	FY11				FY12				(INR Million)	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY11	FY12E
Interest Income	48,217	51,556	54,675	63,069	66,336	71,245	75,908	81,579	217,517	295,067
Interest Expense	30,813	33,795	34,806	39,996	47,926	51,844	55,485	59,609	139,410	214,864
<b>Net Interest Income</b>	<b>17,405</b>	<b>17,761</b>	<b>19,869</b>	<b>23,073</b>	<b>18,410</b>	<b>19,401</b>	<b>20,423</b>	<b>21,970</b>	<b>78,107</b>	<b>80,203</b>
% Change (Y-o-Y)	33.8	26.1	32.9	48.7	5.8	9.2	2.8	-4.8	35.7	2.7
Other Income	5,859	5,845	6,482	8,231	6,601	7,197	7,973	8,926	26,418	30,697
<b>Net Income</b>	<b>23,264</b>	<b>23,606</b>	<b>26,351</b>	<b>31,304</b>	<b>25,011</b>	<b>26,598</b>	<b>28,396</b>	<b>30,896</b>	<b>104,525</b>	<b>110,900</b>
Operating Expenses	9,158	9,810	12,464	19,251	11,051	11,543	11,808	13,088	50,682	47,491
<b>Operating Profit</b>	<b>14,106</b>	<b>13,796</b>	<b>13,888</b>	<b>12,053</b>	<b>13,959</b>	<b>15,055</b>	<b>16,588</b>	<b>17,807</b>	<b>53,842</b>	<b>63,410</b>
% Change (Y-o-Y)	29.0	14.4	22.9	-5.5	-1.0	9.1	19.4	47.7	14.4	17.8
Other Provisions	3,859	5,274	4,979	4,776	5,672	5,389	4,917	4,381	18,888	20,359
<b>Profit before Tax</b>	<b>10,247</b>	<b>8,522</b>	<b>8,908</b>	<b>7,277</b>	<b>8,287</b>	<b>9,666</b>	<b>11,671</b>	<b>13,426</b>	<b>34,954</b>	<b>43,050</b>
Tax Provisions	2,995	2,355	2,379	2,340	3,112	3,093	3,735	4,697	10,067	14,637
<b>Net Profit</b>	<b>7,251</b>	<b>6,168</b>	<b>6,530</b>	<b>4,936</b>	<b>5,175</b>	<b>6,573</b>	<b>7,936</b>	<b>8,729</b>	<b>24,887</b>	<b>28,413</b>
% Change (Y-o-Y)	24.1	90.8	61.0	15.4	-28.6	6.6	21.5	76.8	42.9	14.2
Deposit Growth (%)	19.8	21.3	22.6	30.1	25.4	26.4	29.2	19.0	30.1	19.0
Loan Growth (%)	19.6	22.7	22.8	26.2	21.6	21.2	24.1	20.1	26.2	20.1
CD Ratio (%)	75.7	76.5	76.3	72.3	73.3	73.3	73.3	73.0	72.3	73.0
Net Interest Margin (Reported, %)	2.9	2.8	3.1	2.9	2.2				2.9	
Net Interest Margin (Cal, %)	2.7	2.7	2.9	3.1	2.3	2.4	2.4	2.4	2.8	2.3
Tax Rate (%)	29.2	27.6	26.7	32.2	37.6	32.0	32.0	35.0	28.8	34.0
Gross NPA	2.7	2.6	2.4	2.2	2.7	3.0	2.8	2.5	2.2	2.5

E: MOSL Estimates

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**Quarterly performance v/s our estimates and reasons for deviation (INR m)**

Y/E MARCH	1QFY12A	1QFY12E	Variation (%)	Comments
<b>Net Interest Income</b>	<b>18,410</b>	<b>20,727</b>	<b>-11</b>	<b>Int. income reversal of INR1.75b on the a/cs slipped. NIM contracted sharply ~75bp QoQ</b>
% Change (Y-o-Y)	6	19		
Other Income	6,601	6,034	9	Trading profits and recoveries leading to surprise
<b>Net Income</b>	<b>25,011</b>	<b>26,762</b>	<b>-7</b>	
Operating Expenses	11,051	10,966	1	
<b>Operating Profit</b>	<b>13,959</b>	<b>15,796</b>	<b>-12</b>	<b>Disappointing core operating performance</b>
% Change (Y-o-Y)	-1	12		
Other Provisions	5,672	5,688	0	
<b>Profit before Tax</b>	<b>8,287</b>	<b>10,108</b>	<b>-18</b>	
Tax Provisions	3,112	3,234	-4	Tax Rate at 38% vs estimate of 32%
<b>Net Profit</b>	<b>5,175</b>	<b>6,873</b>	<b>-25</b>	
% Change (Y-o-Y)	-29	-5		

Source: Company/MOSL

**Sharp QoQ contraction in margins**

Global margins declined sharply by 75bp QoQ to 2.14% led by sharp drop in domestic margins by 95bp QoQ 2.43%. Fall in domestic margins was on account of higher savings deposit cost and sharp increase in GNPA. Global cost of deposits increased 69bp QoQ whereas, yield on loans remained stable. Domestic cost of deposits increased 80bp QoQ and yield on loans improved 17bp QoQ. BOI also had other interest income during the quarter of INR1.75b (~20bp) of margins.

**Lower yields and higher cost of deposits impacting margins (%)**

	1QFY12			4QFY11			1QFY11		
	Global	Domestic	Foreign	Global	Domestic	Foreign	Global	Domestic	Foreign
Yield on loans	8.89	10.84	2.80	8.81	10.67	2.82	8.38	9.89	2.89
Cost of deposits	6.01	6.87	1.17	5.32	6.08	1.15	4.79	5.37	1.28
Yield on Investments	7.37	7.50	4.67	8.04	8.27	4.68	6.90	7.14	4.04
NIMs	2.19	2.43	1.22	2.94	3.38	1.24	2.89	3.29	1.20

Source: Company/MOSL

**Muted QoQ business growth; liquidity remains high**

Loans were flat QoQ and grew 22% YoY to INR2.2t and deposits declined ~2% QoQ and grew 25% YoY to INR2.93t. Global CD ratio improved QoQ to 73.3% v/s 72.3% (a quarter ago). Domestic loans declined 2% QoQ and grew 16% YoY whereas, domestic deposits declined 3% QoQ and 22% YoY. Sequentially SME loans declined 5% and grew 9% YoY. Share of international business improved marginally to ~20% v/s ~19% a quarter ago. Domestic CASA deposits grew 14.3% YoY and were flat QoQ. Savings deposits were flat QoQ and grew 16% YoY and CA deposits grew 6% QoQ and 8% YoY. Domestic CASA ratio stood at 30% v/s 29% a quarter ago.

**Fee income grew 16% YoY**

Fee income (excluding forex) grew ~16% YoY and were down 20% QoQ. Trading profits during the quarter stood at INR1.1b v/s INR1.3b in 4QFY11 and INR1b in 1QFY11. Recoveries from written off accounts stood at INR312m v/s INR919m a quarter ago.

**Asset quality deteriorates sharply QoQ**

Gross NPAs in absolute terms increased 20% QoQ to INR57.8b whereas net NPA increased ~40% QoQ to INR26.9b. Slippage during the quarter stood at INR16.8b (annualized slippage ratio of 3.2% v/s 1.73% for FY11). Bank already has shifted entire portfolio above INR0.5m under CBS for recognition of NPA; INR8b of slippage was on account of that. 90% of the portfolio is already shifted on that.

### Valuation and view

Stress on asset quality is hurting margins, leading to sharp downgrade in our earnings estimate by ~18% each for FY12/13. For FY12, Bank has guided for (1) ~20% loans growth, (2) Slippage ratio of ~1.5%, (3) Global margin of ~2.5% (down 40bp YoY), and (4) stable RoA (implied earnings growth of 20%). Volatile asset quality performance remains a biggest concern. In the past on several occasions, bank has disappointed on asset quality performance v/s guidance. We have modeled ~45bp margin compression (despite capital infusion of ~INR10b, NIM benefit of ~5bp in FY12), slippage ratio of 2.2% v/s 1.73% in FY11 and credit cost of 60bp v/s 63bp in FY12.

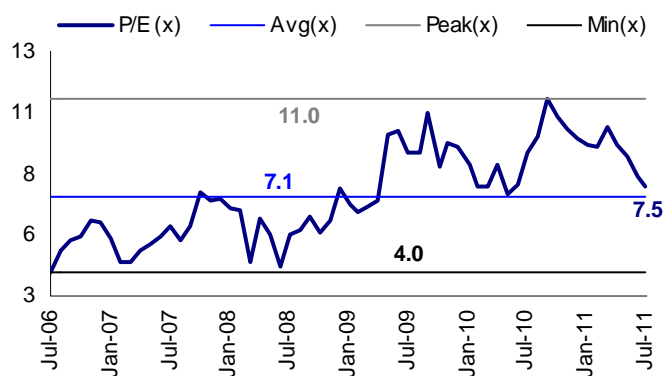
We expect RoA of ~0.8%, RoE at 16-18%, and earnings CAGR of ~21% over FY12-13. We expect the bank to report EPS of INR52 for FY12, INR65 for FY13. BV is expected to be INR333 in FY12 and INR384 in FY13. The stock trades at 1.2x FY12E BV and 1.1x FY13E BV. Maintain **Neutral** with a target price of INR460 (1.2x FY13E BV).

### Stress on asset quality leading to ~18% earnings downgrade (INR b)

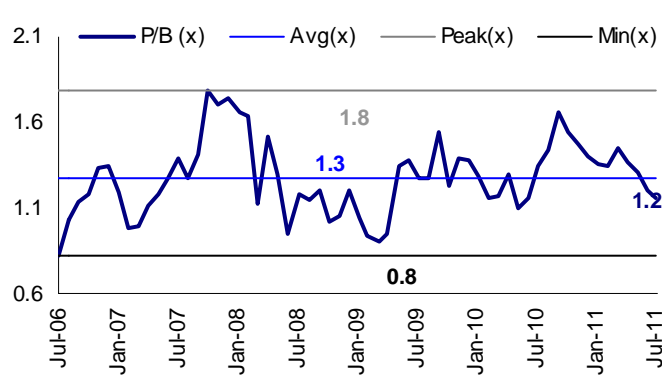
	Old Estimates		Rev. Estimates		Change (%)	
	FY12	FY13	FY12	FY13	FY12	FY13
Net Interest Income	88.9	107.4	80.2	95.8	-9.7	-10.8
Other Income	29.2	33.5	30.7	35.0	5.1	4.5
<b>Total Income</b>	<b>118.1</b>	<b>140.8</b>	<b>110.9</b>	<b>130.7</b>	<b>-6.1</b>	<b>-7.1</b>
Operating Expenses	47.5	52.6	47.5	53.6	0.0	2.0
<b>Operating Profits</b>	<b>70.6</b>	<b>88.2</b>	<b>63.4</b>	<b>77.1</b>	<b>-10.1</b>	<b>-12.6</b>
Provisions	19.9	24.6	20.4	24.7	2.1	0.5
<b>PBT</b>	<b>50.6</b>	<b>63.6</b>	<b>43.1</b>	<b>52.4</b>	<b>-15.0</b>	<b>-17.7</b>
Tax	16.2	20.4	14.6	16.8	-9.6	-17.7
<b>PAT</b>	<b>34.4</b>	<b>43.3</b>	<b>28.4</b>	<b>35.6</b>	<b>-17.5</b>	<b>-17.7</b>
Loans	2,600	3,172	2,557	3,069	-1.6	-3.3
Deposits	3,617	4,412	3,557	4,304	-1.7	-2.5
Margins	2.6	2.5	2.3	2.3		
Credit Cost	0.6	0.7	0.6	0.7		
<b>RoA</b>	<b>0.9</b>	<b>0.9</b>	<b>0.7</b>	<b>0.8</b>		
<b>RoE</b>	<b>19.9</b>	<b>21.2</b>	<b>16.6</b>	<b>18.2</b>		

Source: MOSL

Bank of India: One year forward P/E Chart

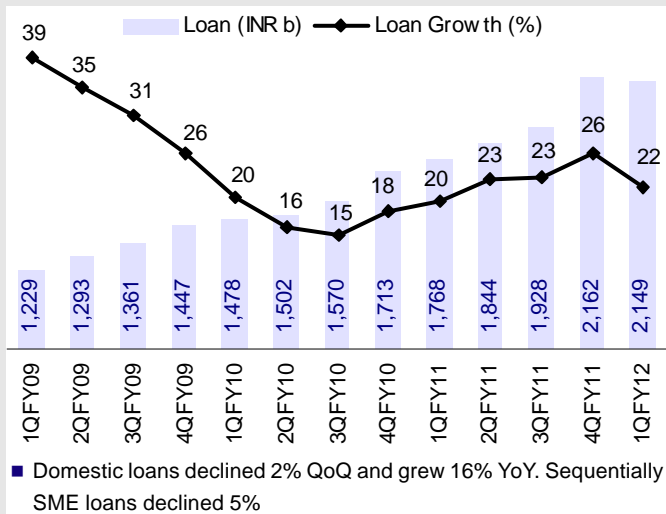


Bank of India: One year forward P/BV Chart

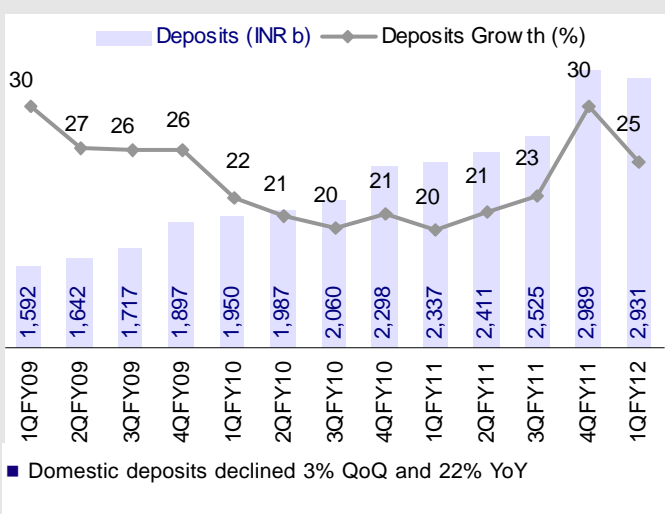


Quarterly trends

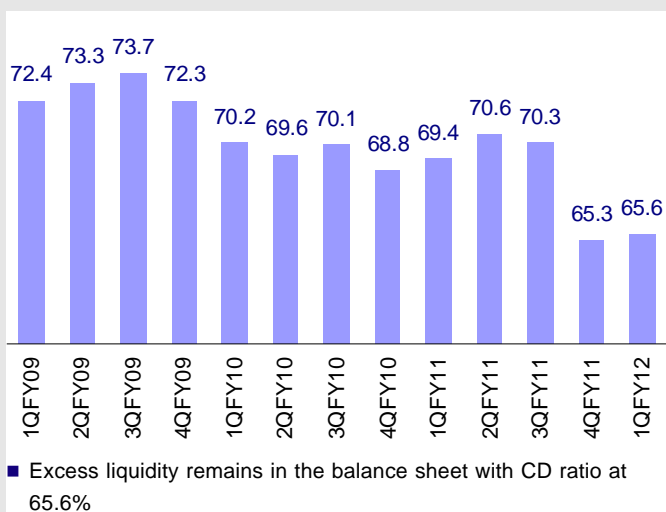
Loan grew 22% YoY ; flat QoQ



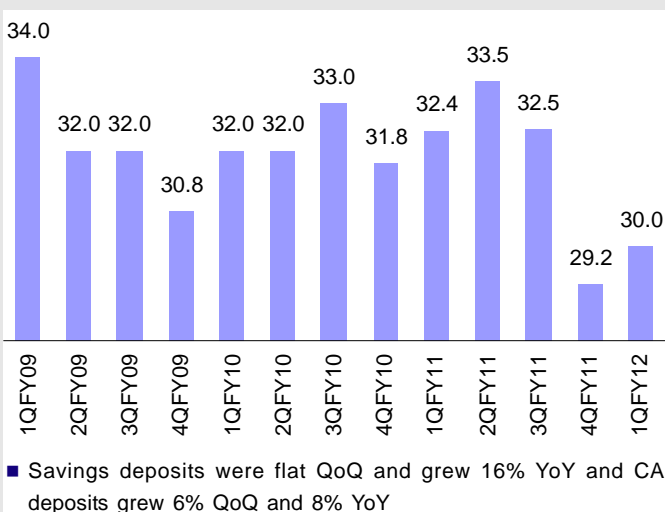
Deposit grew 25% YoY however declined 2% QoQ



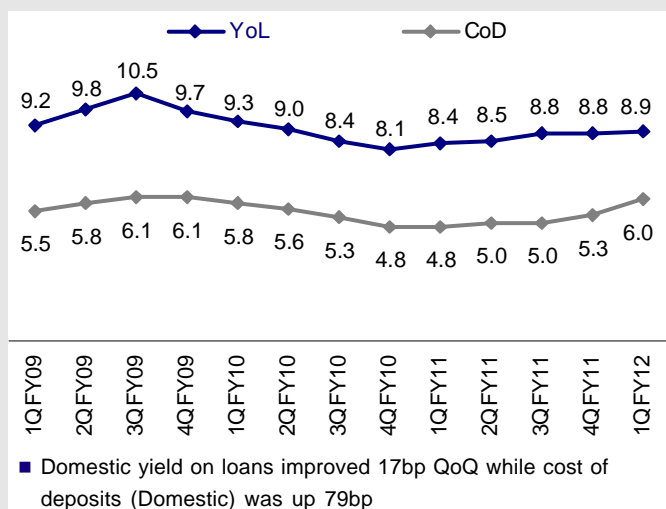
CD ratio stable QoQ (%)



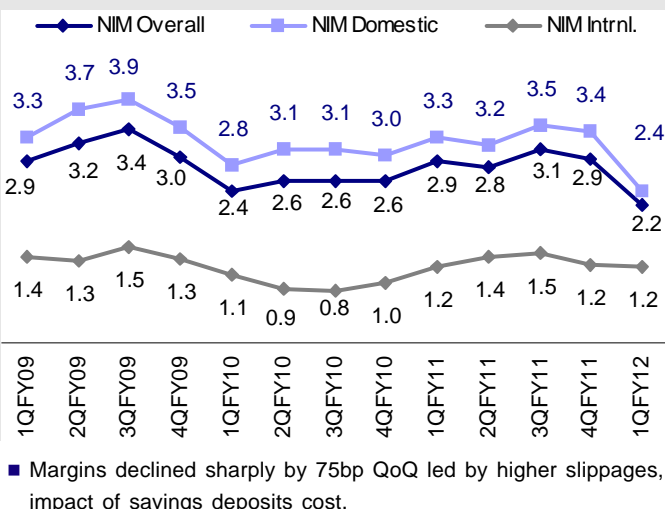
CASA ratio improves QoQ to 30%



Global Cost of deposits increases 69bp QoQ (%)

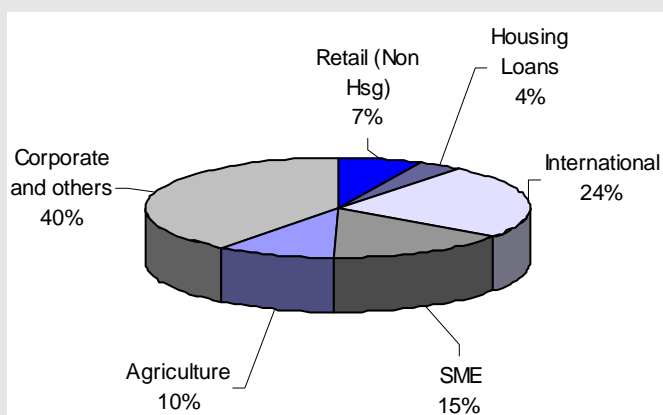


Sharp drop in margins QoQ (%)



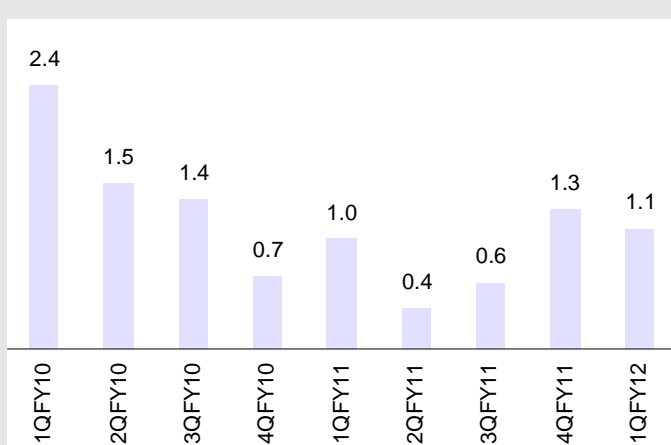
Quarterly trends

Well diversified loan book (%)



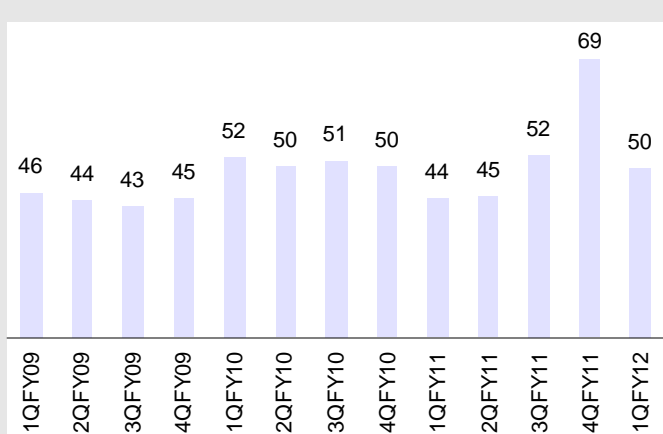
International loans grew 5% QoQ and 44% YoY

Trading profits contribution remains high (INR b)



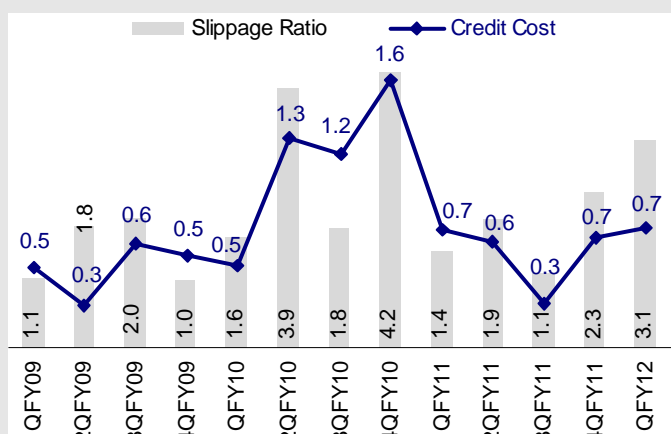
Fee income (excluding forex) grew ~16% YoY and was down 20% QoQ

Cost to core income declines to ~50%



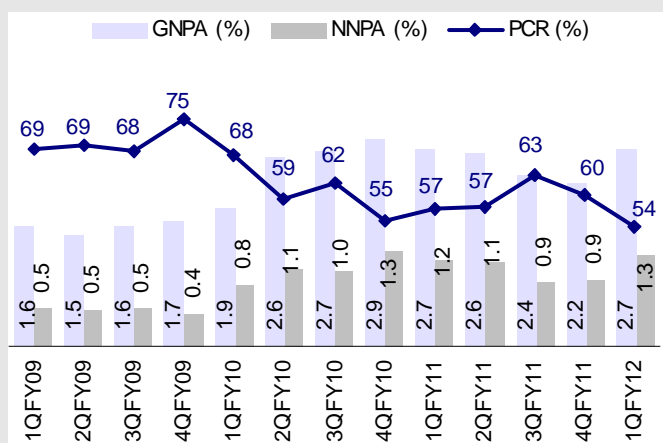
Cost to core income remains high as compared to peers

Asset quality - continues to disappoint (%)



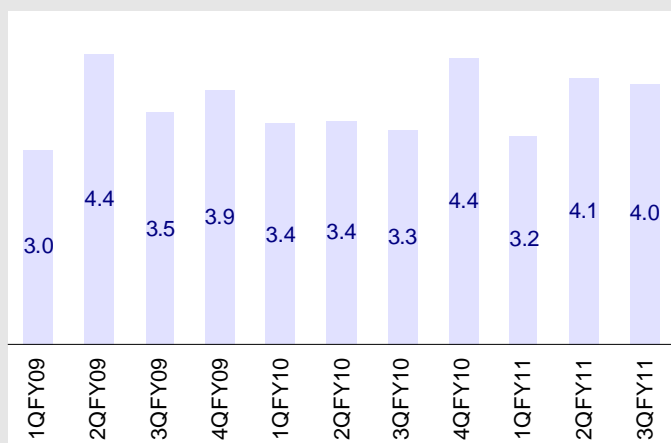
Credit cost remained flat QoQ, however slippage ratio increased to 3.1% v/s 2.3% a quarter ago

Asset quality deteriorates sharply QoQ



Gross NPAs in absolute terms increased 20% QoQ whereas net NPA increased ~40% QoQ

Higher slippages during the quarter (INR b)



Out of total slippages of INR16.8b; INR8b of slippage was on account of implementation of CBS

## Quarterly Snapshot

	FY10				FY11				FY12	Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	QoQ	YoY
<b>Profit and Loss (INR m)</b>											
<b>Interest Income</b>	<b>43,777</b>	<b>44,890</b>	<b>44,862</b>	<b>45,251</b>	<b>48,217</b>	<b>51,556</b>	<b>54,675</b>	<b>63,069</b>	<b>66,336</b>	<b>5</b>	<b>38</b>
Loans	33,520	33,002	31,758	32,752	34,919	36,598	40,234	43,252	45,959	6	32
Investment	9,643	10,765	12,303	11,932	11,776	13,072	12,750	14,120	16,407	16	39
Others	615	1,123	801	567	1,522	1,886	1,692	5,698	3,970	-30	161
<b>Interest Expenses</b>	<b>30,771</b>	<b>30,801</b>	<b>29,915</b>	<b>29,734</b>	<b>30,813</b>	<b>33,795</b>	<b>34,806</b>	<b>39,996</b>	<b>47,926</b>	<b>20</b>	<b>56</b>
<b>Net Interest Income</b>	<b>13,006</b>	<b>14,089</b>	<b>14,948</b>	<b>15,517</b>	<b>17,405</b>	<b>17,761</b>	<b>19,869</b>	<b>23,073</b>	<b>18,410</b>	<b>-20</b>	<b>6</b>
<b>Other Income</b>	<b>6,459</b>	<b>6,760</b>	<b>5,716</b>	<b>7,232</b>	<b>5,859</b>	<b>5,845</b>	<b>6,482</b>	<b>8,231</b>	<b>6,601</b>	<b>-20</b>	<b>13</b>
Trading profits	2,402	1,508	1,365	661	999	360	592	1,266	1,097	-13	10
Forex Income	360	1,317	758	1,283	1,309	1,111	1,271	1,334	1,471	10	12
Recoveries	327	543	332	935	369	301	658	919	312	-66	-15
Others (Non core)	3,370	3,392	3,261	4,353	3,182	4,073	3,961	4,712	3,721	-21	17
<b>Total Income</b>	<b>19,465</b>	<b>20,849</b>	<b>20,664</b>	<b>22,749</b>	<b>23,264</b>	<b>23,606</b>	<b>26,351</b>	<b>31,304</b>	<b>25,011</b>	<b>-20</b>	<b>8</b>
<b>Operating Expenses</b>	<b>8,529</b>	<b>8,789</b>	<b>9,366</b>	<b>9,997</b>	<b>9,158</b>	<b>9,810</b>	<b>12,464</b>	<b>19,251</b>	<b>11,051</b>	<b>-43</b>	<b>21</b>
Employee	5,331	5,448	6,195	5,989	5,738	6,031	8,369	14,616	7,000	-52	22
Others	3,197	3,341	3,171	4,008	3,420	3,779	4,094	4,635	4,052	-13	18
<b>Operating Profits</b>	<b>10,936</b>	<b>12,060</b>	<b>11,298</b>	<b>12,752</b>	<b>14,106</b>	<b>13,796</b>	<b>13,888</b>	<b>12,053</b>	<b>13,959</b>	<b>16</b>	<b>-1</b>
<b>Provisions</b>	<b>2,234</b>	<b>6,021</b>	<b>5,764</b>	<b>8,090</b>	<b>3,859</b>	<b>5,274</b>	<b>4,979</b>	<b>4,776</b>	<b>5,672</b>	<b>19</b>	<b>47</b>
NPA provisions	1,780	4,698	4,465	6,600	3,078	2,863	1,236	3,367	3,880	15	26
Provisions on Invst.	-1,276	1,343	1,306	1,061	5	628	658	780	900	15	17,900
Others	1,730	-20	-7	429	776	1,783	3,085	629	892	42	15
<b>PBT</b>	<b>8,702</b>	<b>6,038</b>	<b>5,534</b>	<b>4,662</b>	<b>10,247</b>	<b>8,522</b>	<b>8,908</b>	<b>7,277</b>	<b>8,287</b>	<b>14</b>	<b>-19</b>
Taxes	2,859	2,805	1,479	385	2,995	2,355	2,379	2,340	3,112	33	4
<b>PAT</b>	<b>5,843</b>	<b>3,233</b>	<b>4,055</b>	<b>4,277</b>	<b>7,251</b>	<b>6,168</b>	<b>6,530</b>	<b>4,936</b>	<b>5,175</b>	<b>5</b>	<b>-29</b>
<b>Ratios (%)</b>											
Fees to Total Income	17.3	16.3	15.8	19.1	13.7	17.3	15.0	15.1	14.9		
Cost to Core Income	52.1	50.3	51.4	50.3	44.5	44.9	52.3	69.3	49.9		
Tax Rate	32.9	46.5	26.7	8.3	29.2	27.6	26.7	32.2	37.6		
CASA Reported (Domestic)	32.0	32.0	33.0	31.8	32.4	33.5	32.5	29.2	30.0		
Loan/Deposit	75.8	75.6	76.2	74.6	75.7	76.5	76.3	72.3	73.3		
Domestic Loan/ Deposit	70.2	69.6	70.1	68.8	69.4	70.6	70.3	65.3	65.6		
CAR	13.3	13.5	13.6	12.9	13.3	13.0	12.4	12.2	11.6		
Tier I	9.2	9.2	9.2	8.5	8.5	8.4	8.0	8.3	8.0		
<b>Margins Global (%)</b>											
Yield on loans	9.3	9.0	8.4	8.1	8.4	8.5	8.8	8.8	8.9	8	51
Yield On Investments	7.1	7.1	7.4	7.0	6.9	7.3	7.7	8.0	7.4	-67	47
Cost of Deposits	5.8	5.6	5.3	4.8	4.8	5.0	5.0	5.3	6.0	69	122
Margins	2.4	2.6	2.6	2.6	2.9	2.8	3.1	2.9	2.2	-75	-70
<b>Margins - Domestic (%)</b>											
Yield on loans	10.7	10.4	9.9	9.6	9.9	10.0	10.4	10.7	10.8	17	95
Yield On Investments	7.3	7.4	7.7	7.2	7.1	7.5	7.9	8.3	7.5	-77	36
Cost of Deposits	6.5	6.2	5.9	5.4	5.4	5.7	5.6	6.1	6.9	79	150
Margins	2.8	3.1	3.1	3.0	3.3	3.2	3.5	3.4	2.4	-95	-86
<b>Margins - Overseas (%)</b>											
Yield on loans	3.9	3.6	3.0	2.8	2.9	3.1	3.1	2.8	2.8	-2	-9
Yield On Investments	4.9	4.5	4.2	4.2	4.0	4.2	4.7	4.7	4.7	-1	63
Cost of Deposits	2.1	1.9	1.6	1.3	1.3	1.3	1.3	1.2	1.2	2	-11
Margins	1.1	0.9	0.8	1.0	1.2	1.4	1.5	1.2	1.2	-2	2

Source: Company/MOSL, For %age change QoQ and YoY is bp

## Quarterly Snapshot continued

	FY10				FY11				FY12	Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	QoQ	YoY
<b>Balance sheet (INR b)</b>											
<b>Deposits</b>	<b>1,950</b>	<b>1,987</b>	<b>2,060</b>	<b>2,298</b>	<b>2,337</b>	<b>2,411</b>	<b>2,525</b>	<b>2,989</b>	<b>2,931</b>	<b>-2</b>	<b>25</b>
Domestic	1,660	1,699	1,751	1,966	2,007	2,048	2,147	2,530	2,456	-3	22
International	290	288	309	332	330	362	378	459	475	3	44
<b>Loans</b>	<b>1,478</b>	<b>1,502</b>	<b>1,570</b>	<b>1,713</b>	<b>1,768</b>	<b>1,844</b>	<b>1,928</b>	<b>2,162</b>	<b>2,149</b>	<b>-1</b>	<b>22</b>
Domestic	1,165	1,183	1,228	1,352	1,394	1,447	1,509	1,651	1,611	-2	16
International	313	320	342	361	375	397	419	510	538	5	44
<b>CASA Deposits</b>	<b>513</b>	<b>528</b>	<b>567</b>	<b>618</b>	<b>649</b>	<b>681</b>	<b>693</b>	<b>731</b>	<b>742</b>	<b>1</b>	<b>14</b>
Savings	394	418	441	478	507	542	557	587	588	0	16
Current	119	109	126	141	142	139	136	144	153	6	8
Intl business as a % of total busi	17.6	17.4	17.9	17.3	17.2	17.8	17.9	18.8	19.9		
<b>Domestic Loan Break Up</b>											
Retail	170	153	154	158	155	153	156	166	163	-2	6
of which Housing	80	69	70	72	85	74	76	75	78	5	-7
SME	256	292	306	296	311	273	279	356	339	-5	9
Agriculture	160	164	177	183	178	193	205	227	222	-2	25
Corporate	578	573	590	716	750	828	869	902	887	-2	18
<b>Domestic Investments Break Up</b>											
SLR	467	536	598	577	579	576	606	679	658	-3	14
NON SLR	43	50	47	50	52	58	66	146	188	29	NA
HTM	366	440	461	458	490	461	475	534	530	-1	8
AFS	143	146	184	169	141	173	198	291	315	8	123
<b>Asset Quality</b>											
GNPA	28	39	42	49	48	49	45	48	58	20	21
NNPA	9	16	16	22	21	21	17	19	27	38	30
GNPA (%)	1.9	2.6	2.7	2.9	2.7	2.6	2.4	2.2	2.7	46.4	-62.0
NNPA (%)	0.8	1.1	1.0	1.3	1.2	1.1	0.9	0.9	1.3	36.0	-40.0
PCR (Calculated, %)	67.6	59.1	61.9	54.8	57.0	57.5	63.4	59.6	53.6	-602.3	478.7
PCR (Reported, %)	74.6	0.0	69.9	65.5	68.3	70.0	74.5	72.2	66.8	-542.0	667.0
<b>Movement in Gross NPA</b>											
Opening	24.7	27.9	39.2	41.9	48.8	48.1	49.6	46.5	48.1		
<b>Additions</b>	<b>5.9</b>	<b>14.1</b>	<b>6.5</b>	<b>15.0</b>	<b>6.2</b>	<b>8.2</b>	<b>4.8</b>	<b>10.0</b>	<b>16.8</b>	<b>68.5</b>	<b>172.4</b>
<b>Deductions</b>	<b>2.8</b>	<b>2.8</b>	<b>2.4</b>	<b>7.7</b>	<b>6.9</b>	<b>6.7</b>	<b>7.8</b>	<b>6.7</b>	<b>5.1</b>	<b>-24.5</b>	<b>-26.6</b>
Of Which : Due to write Off	1.1	0.7	0.5	5.1	2.4	3.7	-0.4	3.1	1.5	-51.4	-37.6
Due to Upgradation	0.6	0.4	0.6	0.5	2.1	1.2	6.1	1.0	1.3	23.6	-39.3
Due to Recoveries	1.1	1.7	1.4	2.1	2.4	1.9	2.1	2.6	2.3	-11.7	-4.6
<b>Closing</b>	<b>27.9</b>	<b>39.2</b>	<b>43.3</b>	<b>49.2</b>	<b>48.1</b>	<b>49.6</b>	<b>46.5</b>	<b>49.8</b>	<b>59.9</b>	<b>20.2</b>	<b>24.5</b>
Slippage Ratio (%)	1.2	3.3	1.3	3.4	0.4	1.2	-0.8	1.5	2.5	97.1	-196.4
Credit Cost (%)	0.5	1.3	1.2	1.6	0.7	0.6	0.3	0.7	0.7	6.1	-95.0
<b>Restructured loans (Global)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>106</b>	<b>101</b>	<b>100</b>	<b>103</b>	<b>106</b>	<b>111</b>	<b>4</b>	<b>10</b>
% to Loans	-	-	-	6.2	5.7	5.4	5.4	4.9	5.2	24.1	-127.0
<b>Total NPA from Restructured loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18</b>	<b>17</b>	<b>19</b>	<b>17</b>	<b>18</b>	<b>23</b>	<b>2935</b>
% to restructured Loans	-	-	-	16.6	17.0	19.2	16.9	17.0	21.1	401.2	39.8

Source: Company/MOSL, For %age change QoQ and YoY is bp

## Stock Info

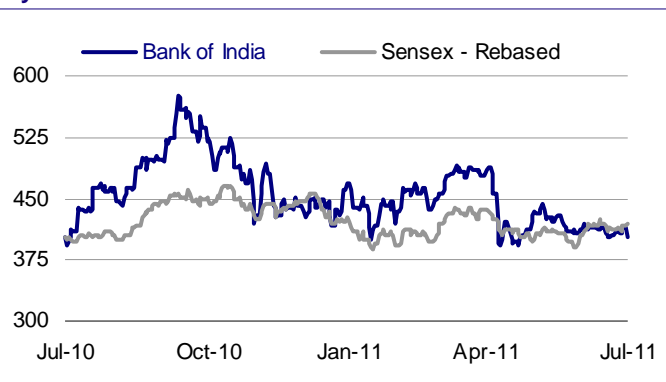
### EPS: MOSL forecast v/s consensus (Rs)

	MOSL Forecast	Consensus Forecast	Variation (%)
FY12	51.9	56.0	-7.4
FY13	65.1	70.2	-7.3

### Shareholding pattern (%)

	Jun-11	Mar-11	Jun-10
Promoter	65.9	65.9	64.5
Domestic Inst	12.4	12.5	13.1
Foreign	15.5	14.7	14.5
Others	6.3	6.9	7.9

### 1-year Sensex rebased



### Banking: Valuation Matrix

	Rating	CMP (INR)	Mkt. Cap (USD\$b)	TP (INR)	Upside (%)	EPS (INR)		P/E (x)		P/BV (x)		RoA (%)		RoE (%)	
						FY12	FY13	FY12	FY13	FY12	FY13	FY12	FY13	FY12	FY13
ICICI*	Buy	1,074	27.8	1,360	26.6	56	67	15.4	12.5	2.1	1.9	1.5	1.5	14.0	15.2
HDFCB	Neutral	505	5.3	515	2.0	22	28	22.8	18.3	4.0	3.4	1.7	1.7	18.9	20.2
Axis	Buy	1,337	12.3	1,597	19.4	99	115	13.5	11.6	2.5	2.1	1.5	1.4	19.7	19.5
Kotak	Neutral	487	4.0	436	-10.5	23	27	20.0	16.9	2.7	2.3	2.2	2.1	15.5	15.7
Yes	Buy	333	2.6	400	20.2	27	33	12.4	10.1	2.5	2.1	1.4	1.3	22.2	22.6
Indusind	Buy	277	2.9	333	20.2	16	20	17.2	13.7	2.9	2.5	1.5	1.5	18.2	19.6
ING Vysya	Buy	359	1.0	487	35.9	28	34	12.7	10.5	1.4	1.3	1.0	1.0	13.3	12.6
Federal	Buy	458	1.8	537	17.3	40	46	11.4	9.9	1.4	1.3	1.2	1.2	12.9	13.5
J&K Bk	Buy	872	0.9	977	12.0	160	175	5.4	5.0	1.0	0.9	1.4	1.3	20.5	19.2
SIB	Buy	24	0.6	28	19.4	3	4	7.8	6.4	1.4	1.2	0.9	0.9	18.7	19.8
<b>Private Aggregate</b>			<b>59</b>					<b>12.7</b>	<b>10.6</b>	<b>1.8</b>	<b>1.6</b>				
SBI (cons)*	Buy	2,514	35.9	3,000	19.3	242	302	10.0	8.0	1.7	1.4	0.9	1.0	16.9	19.5
PNB	Buy	1,197	8.5	1,400	16.9	169	213	7.1	5.6	1.6	1.3	1.3	1.3	24.4	24.8
BOI	Neutral	404	5.0	461	14.3	52	65	7.8	6.2	1.2	1.1	0.7	0.8	16.6	18.2
BoB	Neutral	913	8.1	1,069	17.1	117	138	7.8	6.6	1.5	1.3	1.2	1.1	21.0	21.0
Canara	Buy	524	5.2	710	35.6	99	118	5.3	4.4	1.1	0.9	1.2	1.2	22.4	21.9
Union	Buy	305	3.6	390	27.9	52	63	5.9	4.9	1.2	1.0	1.1	1.1	22.9	22.7
OBC	Buy	375	2.5	529	41.2	55	68	6.8	5.5	1.0	0.8	0.9	0.9	14.9	16.4
Indian Bk Corporation	Buy	237	2.3	309	30.1	45	52	5.3	4.5	1.1	0.9	1.4	1.4	21.9	21.6
Andhra Bk	Buy	139	1.7	188	35.5	26	31	5.3	4.5	1.0	0.9	1.2	1.2	20.8	21.1
IDBI *	Neutral	136	3.0	172	26.8	20	22	5.6	5.1	0.8	0.7	0.7	0.7	14.5	14.3
Dena Bank	Buy	89	0.7	141	58.1	20	24	4.4	3.8	0.7	0.6	0.9	0.8	18.1	17.9
<b>Public Aggregate</b>			<b>80</b>					<b>8.5</b>	<b>6.9</b>	<b>1.4</b>	<b>1.2</b>				
HDFC*	Neutral	707	23.3	700	-1.0	28	33	18.4	15.2	4.8	4.3	2.8	2.8	26.2	27.4
LICHF	Buy	218	2.3	257	17.7	24	29	9.1	7.5	2.1	1.7	2.0	1.9	24.9	24.8
DHFL	Buy	238	0.6	322	35.3	27	34	6.5	5.1	1.7	1.3	1.5	1.5	16.7	18.2
IDFC	Neutral	143	4.7	173	20.6	10	12	12.2	10.0	1.6	1.4	2.8	2.8	12.9	13.5
REC	Buy	224	5.0	310	38.5	30	35	7.5	6.4	1.5	1.3	3.2	3.1	21.3	21.7
PFC	Buy	212	5.5	291	37.8	24	28	8.9	7.4	1.3	1.2	2.8	2.7	17.1	16.6
STF	Buy	702	3.6	938	33.7	65	73	10.8	9.6	2.6	2.1	3.2	3.1	26.5	24.1
MMFSL	Neutral	703	1.6	845	20.1	57	68	12.3	10.3	2.5	2.1	4.3	4.2	21.5	22.0
<b>IBFC Aggregate</b>			<b>47</b>					<b>13.7</b>	<b>11.5</b>	<b>3.3</b>	<b>2.7</b>				

\* Multiples adjusted for value of key ventures/investments; For ICICI Bank, HDFC Ltd BV is adjusted for investments in subsidiaries

## Financials and Valuation

INCOME STATEMENT					(INR Million)	
Y/E MARCH	2008	2009	2010	2011	2012E	2013E
Interest Income	123,552	163,474	178,779	217,517	295,067	366,377
Interest Expense	81,260	108,485	121,220	139,410	214,864	270,587
<b>Net Interest Income</b>	<b>42,292</b>	<b>54,989</b>	<b>57,559</b>	<b>78,107</b>	<b>80,203</b>	<b>95,790</b>
Change (%)	22.9	30.0	4.7	35.7	2.7	19.4
Non Interest Income	21,169	30,519	26,166	26,418	30,697	34,956
<b>Net Income</b>	<b>63,461</b>	<b>85,508</b>	<b>83,725</b>	<b>104,525</b>	<b>110,900</b>	<b>130,746</b>
Change (%)	26.8	34.7	-2.1	24.8	6.1	17.9
Operating Expenses	26,450	30,940	36,678	50,682	47,491	53,633
<b>Pre Provision Profits</b>	<b>37,012</b>	<b>54,568</b>	<b>47,047</b>	<b>53,842</b>	<b>63,410</b>	<b>77,113</b>
Change (%)	54.5	47.4	-13.8	14.4	17.8	21.6
Provisions (excl tax)	10,165	12,920	22,109	18,888	20,359	24,736
<b>PBT</b>	<b>26,847</b>	<b>41,648</b>	<b>24,938</b>	<b>34,954</b>	<b>43,050</b>	<b>52,377</b>
Tax	6,753	11,571	7,528	10,067	14,637	16,761
Tax Rate (%)	25.2	27.8	30.2	28.8	34.0	32.0
<b>PAT</b>	<b>20,094</b>	<b>30,077</b>	<b>17,410</b>	<b>24,887</b>	<b>28,413</b>	<b>35,617</b>
Change (%)	78.9	49.7	-42.1	42.9	14.2	25.4
<b>Equity Dividend (Incl tax)</b>	<b>2,461</b>	<b>4,915</b>	<b>4,286</b>	<b>4,443</b>	<b>5,984</b>	<b>7,501</b>
<b>Core PPP*</b>	<b>30,509</b>	<b>44,565</b>	<b>38,974</b>	<b>48,377</b>	<b>56,513</b>	<b>69,816</b>
Change (%)	51.9	46.1	-12.5	24.1	16.8	23.5

\*Core PPP is (Nil+Fee income-Opex)

BALANCE SHEET					(INR Million)	
Y/E MARCH	2008	2009	2010	2011	2012E	2013E
Equity Share Capital	5,259	5,259	5,259	5,472	5,472	5,472
Reserves & Surplus	100,635	129,690	137,041	167,435	189,764	217,780
<b>Net Worth</b>	<b>105,894</b>	<b>134,949</b>	<b>142,300</b>	<b>172,907</b>	<b>195,236</b>	<b>223,252</b>
<b>Deposits</b>	<b>1,500,120</b>	<b>1,897,085</b>	<b>2,297,619</b>	<b>2,988,858</b>	<b>3,556,741</b>	<b>4,303,657</b>
Change (%)	25.1	26.5	21.1	30.1	19.0	21.0
<b>of which CASA Dep</b>	<b>459,116</b>	<b>507,752</b>	<b>639,631</b>	<b>759,676</b>	<b>894,741</b>	<b>1,055,131</b>
Change (%)	18.9	10.6	26.0	18.8	17.8	17.9
Borrowings	121,184	156,732	223,999	220,214	244,506	271,201
Other Liabilities & Prov.	61,102	66,252	85,746	129,747	157,252	188,351
<b>Total Liabilities</b>	<b>1,788,300</b>	<b>2,255,018</b>	<b>2,749,665</b>	<b>3,511,725</b>	<b>4,153,736</b>	<b>4,986,461</b>
Current Assets	177,174	217,613	312,301	373,100	391,750	476,315
<b>Investments</b>	<b>418,029</b>	<b>526,072</b>	<b>670,802</b>	<b>858,724</b>	<b>1,030,469</b>	<b>1,236,563</b>
Change (%)	17.8	25.8	27.5	28.0	20.0	20.0
<b>Loans</b>	<b>1,134,763</b>	<b>1,429,094</b>	<b>1,684,907</b>	<b>2,130,962</b>	<b>2,557,154</b>	<b>3,068,585</b>
Change (%)	33.6	25.9	17.9	26.5	20.0	20.0
Fixed Assets	24,261	25,319	23,518	24,807	25,404	26,248
Other Assets	34,073	56,920	58,136	124,132	148,959	178,750
<b>Total Assets</b>	<b>1,788,300</b>	<b>2,255,018</b>	<b>2,749,665</b>	<b>3,511,725</b>	<b>4,153,736</b>	<b>4,986,461</b>

ASSET QUALITY					(%)	
GNPA (INR M)	19,309	24,709	48,827	48,116	65,845	74,389
NNPA (INR M)	5,920	6,282	22,075	19,450	29,630	31,616
GNPA Ratio	1.68	1.71	2.86	2.23	2.54	2.39
NNPA Ratio	0.52	0.44	1.31	0.91	1.16	1.03
PCR (Excl Tech. write off)	69.3	74.6	54.8	59.6	55.0	57.5
PCR (Incl Tech. Write off)			65.5	72.2	66.7	67.5

E: MOSL Estimates

## Financials and Valuation

<b>Ratios</b>						
<b>YE MARCH</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>
<b>Spreads Analysis (%)</b>						
<b>Avg. Yield-Earning Assets</b>	<b>8.5</b>	<b>8.8</b>	<b>7.8</b>	<b>7.7</b>	<b>8.5</b>	<b>8.8</b>
Avg. Yield on loans	9.3	9.8	8.4	8.1	9.1	9.6
Avg. Yield on Investments	6.8	7.1	7.5	6.8	7.6	7.6
<b>Avg. Cost-Int. Bear. Liab.</b>	<b>5.5</b>	<b>5.9</b>	<b>5.3</b>	<b>4.9</b>	<b>6.1</b>	<b>6.5</b>
Avg. Cost of Deposits	5.2	5.8	5.2	4.6	6.0	6.3
<b>Interest Spread</b>	<b>2.9</b>	<b>2.9</b>	<b>2.5</b>	<b>2.8</b>	<b>2.4</b>	<b>2.4</b>
<b>Net Interest Margin</b>	<b>2.9</b>	<b>3.0</b>	<b>2.5</b>	<b>2.8</b>	<b>2.3</b>	<b>2.3</b>
<b>Profitability Ratios (%)</b>						
RoE	27.6	29.2	14.2	17.3	16.6	18.2
RoA	1.3	1.5	0.7	0.8	0.7	0.8
Int. Expense/Int. Income	65.8	66.4	67.8	64.1	72.8	73.9
Fee Income/Net Income	23.1	24.0	21.6	20.0	21.5	21.2
Non Int. Inc./Net Income	33.4	35.7	31.3	25.3	27.7	26.7
<b>Efficiency Ratios (%)</b>						
Cost/Income*	44.2	39.6	47.2	50.0	44.6	42.6
Empl. Cost/Op. Exps.	62.6	62.6	62.6	68.6	61.1	60.4
Busi. per Empl. (INR m)	57.7	74.2	92.1	114.4	132.8	150.6
NP per Empl. (INR lac)	4.9	7.5	4.4	6.3	6.7	8.0
* ex treasury						
<b>Asset-Liability Profile (%)</b>						
Loans/Deposit Ratio	75.6	75.3	73.3	71.3	71.9	71.3
CASA Ratio	30.6	26.8	27.8	25.4	25.2	24.5
Investment/Deposit Ratio	27.9	27.7	29.2	28.7	29.0	28.7
G-Sec/Investment Ratio	80.8	82.1	85.5	78.8	78.9	79.5
CAR	12.0	13.0	12.9	12.2	11.0	10.0
<i>Tier 1</i>	<i>7.7</i>	<i>8.9</i>	<i>8.5</i>	<i>8.3</i>	<i>7.8</i>	<i>7.3</i>
<b>VALUATION</b>						
Book Value (INR)	167.8	224.1	243.4	291.9	332.8	384.2
<i>Change (%)</i>	<i>42.6</i>	<i>33.5</i>	<i>8.6</i>	<i>19.9</i>	<i>14.0</i>	<i>15.4</i>
Price-BV (x)	2.4	1.8	1.7	1.4	1.2	1.1
Adjusted BV (INR)	160.5	216.3	216.1	268.8	297.7	346.7
Price-ABV (x)	2.5	1.9	1.9	1.5	1.4	1.2
EPS (Rs)	38.2	57.2	33.1	45.5	51.9	65.1
<i>Change (%)</i>	<i>66.0</i>	<i>49.7</i>	<i>-42.1</i>	<i>37.4</i>	<i>14.2</i>	<i>25.4</i>
Price-Earnings (x)	10.6	7.1	12.2	8.9	7.8	6.2
Dividend Per Share (INR)	4.0	8.0	7.0	7.0	9.3	11.7
Dividend Yield (%)	1.0	2.0	1.7	1.7	2.3	2.9
E: MOSL Estimates						

**N O T E S**

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