

Bank of India

CMP : Rs 107.75

May 28, 2018

Weak core performance, elevated slippages of loans

Bank of India has posted hefty net loss of Rs 3969.27 crore in the quarter ended March 2018 (Q4FY2018), as the provisions for bad debt jumped sharply to Rs 6699 crore, with elevated fresh slippages of loans for Q4FY2018. The bank has also exhibited continuous sharp decline in net interest income at 26%, while non-interest income also dipped 22% with treasury losses in Q4FY2018. The net interest margin of the bank declined to 1.65% in Q4FY2018 from 1.88% in Q3FY2018 and 2.39% in Q4FY2017.

On business front, the business of the bank declined 4% with 5% decline in loans and 4% fall in deposits in FY2018. However, the bank has recorded strong 19% growth in retails, while priority sector loans also improved 8% end March 2018. The CASA deposit ratio has continued to improve to 41.4% end March 2018 from 39.8% end March 2018.

Asset quality under pressure: The elevated fresh slippages of advances continued exert pressure on asset quality of the bank in Q4FY2018.

- Fresh slippages remained higher at Rs 12973 crore in the quarter ended March 2018, while the recoveries, upgradations, write-offs and sales of bad loans together surged to Rs 14894 crore in Q4FY2018.
- Bank has conducted fresh restructuring of advances worth Rs 150 crore the quarter ended March 2018. Outstanding standard restructured advances of the bank stood at Rs 7630 crore (2.0% of global advances) at end March 2018.
- Risk weighted asset of the bank declined 8% to Rs 317546 crore at end March 2018.
- The bank has witnessed gross NPA divergence of Rs 14057 crore, net NPA divergence of Rs 9707 crore and provision divergence of Rs 4350 crore against the net loss of Rs 1558 crore reported for FY2017.

Business Performance:

Business declines: Business of the bank declined 4% at Rs 896850 crore at end March 2018. Total deposits fell 4% at Rs 520854 crore, while the advances also declined 5% to Rs 375995 crore at end March 2018. The domestic business rose 1% at Rs 714712 crore, while foreign business declined 19% to Rs 182138 crore at end March 2018.

CASA improves: CASA deposits of bank increased 4% to Rs 172787 crore. Current account deposits rose 9% at Rs 25579 crore, while saving account deposits improved 3% to Rs 147208 crore. The CASA ratio improved to 41.4% at end March 2018 from 40.4% at end December 2017 and 39.8% at end March 2017.

Domestic loan growth improving: The domestic advances book expanded at improved pace of 3% to Rs 293500 crore at end March 2018. Within the domestic advances, the retail credit grew 19% to Rs 47817 crore, while credit to industry moved up 6% to Rs 123357 crore. Agri credit increased 6% to Rs 48822 crore, while services credit declined 12% at Rs 73504 crore at end March 2018.

Investment book of the bank increased 9% to Rs 135680 crore at end March 2018, as SLR investment rose 1% to Rs 112030 crore at end March 2018. Within the SLR book, the AFS investment increased 3% to Rs 31659 crore at end March 2018. The duration of the AFS-SLR book stood at 4.44 years, while that of total SLR investment book also stood at 4.44 years at end March 2018.

NIM declines: Global NIM of the bank declined to 1.65% in Q4FY2018 from 1.88% in Q3FY2018 and 2.39% in Q4FY2017. Yield on advances dipped 27 bps qoq to 6.74%, while cost of deposits rose 11 bps qoq to 4.58% in Q4FY2018 impacting NIMs.

Network Expansion: The bank has added only 4 branches raising branch network to 5127 branches from 5123 branches end March 2017. However, the bank has substantially reduced ATMs network to 7423 ATMs from 7717 ATMs in FY2018.

INDEX DETAILS

SENSEX	35165.48
NIFTY (S&P CNX)	10688.65

SCRIP DETAILS

Industry	Banks
Mkt Cap (Rs in Crore)	18798.02
Book Value (Rs)	193.36
Free Float (%)	16.91
Avg Vol Weekly (NSE)	10946253
52 Week H/L (NSE)	216.70 / 91.35
Dividend Yield (%)	0.00
BSE Code	532149
NSE Code	BANKINDIA

SHAREHOLDING PATTERN(%)

PARTICULARS	LATEST QUARTER	PREVIOUS QUARTER
Promoters	83.09	75.12
FIIIs	1.51	4.03
DIIIs	11.35	15.95
Others	4.05	4.90
Totals	100	100

Price Comparison with Sensex



Book Value per share stood at Rs 172 per share at end March 2018, while adjusted book value (net of NNPA and 25% of restructured advances) was negative at Rs 0.7 per share at end March 2018.

Quarterly Performance:

NII dips, as advances decline and margin narrows: For the quarter ended March 2018, the NII of the bank declined 26% to Rs 2563.85 crore, Interest earned declined 12% to Rs 9346.84 crore, while interest expenses fell 5% to Rs 6782.99 crore.

Core fee income improves, but treasury into losses: The core fee income of the bank improved 22% to Rs 783 crore, while forex income jumped 274% to Rs 456 crore and other non-interest income also moved up 36% to Rs 406 crore. However, the treasury segment recorded losses of Rs 34 crore in Q4FY2018, causing overall 22% decline in the non-interest income to Rs 1375 crore in Q4FY2018.

Net Total income declined 25% yoy basis to Rs 3939.08 crore in quarter under review.

Expense ratio jumps: Operating expenses galloped 32% to Rs 2766.96 crore with 77% increase in other operating expenses to Rs 1237.23 crore, while employee expenses moved up 10% to Rs 1529.73 crore. The expense ratio increased 30.1 percentages yoy to 70.2% in Q4FY2018 from 40.1% in Q4FY2017.

Operating profit declined 63% to Rs 1172.12 crore in the quarter ended March 2018.

Provision zooms: The provision for NPA jumped 49% to Rs 6699 crore in Q4FY2018, while the provisions for investment depreciation also increased 32% to Rs 351 crore in Q4FY2018. The bank has written back standard advances provisions of Rs 470 crore in Q4FY2018. Overall provisions jumped 41% to Rs 6674.12 crore in Q4FY2018 from Rs 4736.21 crore in Q4FY2017.

The surge in provisions, led to pre-tax losses of Rs 5502.00 crore in the quarter ended March 2018.

Tax provision reversals: The bank has written back tax provisions of Rs 1532.73 crore, helping to reduce net losses to Rs 3969.27 crore for Q4FY2018.

Annual Financial Performance:

For the year ended March 2018 (FY2018), the bank has posted the net loss of Rs 6043.71 crore in addition to net loss of Rs 1558.34 crore in FY2017. The net interest income fell 11% to Rs 10506.34 crore, while non-interest income dipped 15% to Rs 5733.76 crore in FY2018. The expense ratio galloped to 56.0% in FY2018 compared to 47.7% in FY2017. The operating expenses rose 3% to Rs 9101.17 crore, while provision and contingencies jumped 30% to Rs 15772.43 crore. The pre-tax losses came in at Rs 8633.50 crore in FY2018. Bank has reversed tax provisions of Rs 2589.79 crore, and net loss stood at Rs 6043.71 crore in FY2018.

Notes:

- The bank has opted to avail dispensation to spread provisioning for mark to market losses on the investments held in AFS and HFT categories, only in respect of depreciation provision arising in Q4FY2018 and accordingly depreciation of Rs 347.55 crore has been charged to P&L for Q4FY2018 and remaining depreciation of Rs 1042.65 crore will be charged to P&L in the subsequent quarters of FY2019.
- The bank has opted to avail dispensation to spread additional liability on account of enhancement in gratuity limits over four quarters commencing Q4FY2018 charging Rs 108.78 crore in Q4FY2018 and deferred Rs 326.34 crore for subsequent quarters of FY2019.

Asset Quality Indicators: Bank of India

Particulars	Q4FY18	Q3FY18	Q2FY18	Q1FY18	Q4FY17	Variation	
						QoQ	YoY
Gross NPA (Rs Crore)	62328.46	64248.58	49306.9	51019.11	52044.52	-3	20
Net NPA (Rs Crore)	28207.27	36117.23	23565.73	24369.98	25305.05	-22	11
% Gross NPA	16.58	16.93	12.62	13.05	13.22	-35	336
% Net NPA	8.26	10.29	6.47	6.7	6.9	-203	136
% Provision Coverage Ratio	65.85	56.96	65.23	63.48	61.47	889	438
% CRAR - Basel III	12.94	12.05	12.23	12.38	12.14	89	80
Tier I - Basel III %	9.73	8.82	8.86	9.02	8.9	91	83

Bank of India: Financial Results

Particulars	Q4FY18	Q4FY17	Var (%)	FY18	FY17	Var %
Interest Earned	9346.84	10581.69	-12	38071.41	39290.85	-3
Interest Expended	6782.99	7113.11	-5	27565.07	27464.74	0
Net Interest Income	2563.85	3468.58	-26	10506.34	11826.11	-11
Other Income	1375.23	1754.02	-22	5733.76	6772.33	-15
Net Total Income	3939.08	5222.6	-25	16240.1	18598.44	-13
Operating Expenses	2766.96	2095.11	32	9101.17	8865.8	3
Operating Profits	1172.12	3127.49	-63	7138.93	9732.64	-27
Provisions & Contingencies	6674.12	4736.21	41	15772.43	12105.19	30
Profit Before Tax	-5502	-1608.72	-	-8633.5	-2372.55	-
Provisions for tax	-1532.73	-563.18	-	-2589.79	-814.21	-
Net Profit	-3969.27	-1045.54	-	-6043.71	-1558.34	-
EPS*(Rs)	-91.05	-23.98	-	-34.66	-8.94	-

NOTES :-

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Main Office : Ck-15, Sector-II, Salt Lake City, Kolkata-700091.