RESULT UPDATE

Bank of India – Q2FY25

AJCONGLOBAL
YOUR FRIENDLY FINANCIAL ADVISORS

"Higher other income boosted the bank's net profit handsomely inspite of a lower NIM"

Ajcon Global's observations & views

1. Under the leadership of Mr Rajneesh Karnatak well supported by top management team of its 4 EDs, CGMs, GMs & the large force of dedicated executives & staff, the bank is poised to fire on all cylinders making FY 25 a historic one.
2. The bank's asset quality has improved substantially with GNPA & NNPA coming down 4.41% & 0.94% respectively , which makes it the cheapest PSB from price to book value point of the view.
3. The emphasis of BOI's IT initiatives is on technological and digital transformation. Along with a focus on compliance and improved corporate governance, the bank will work to increase its efficiency and profitability.

Q2FY25 result analysis

1) **Net interest income** is up by 4% YoY at Rs. 5,986 crores in Q2FY25 against Rs. 5,740 crores in Q2FY24 but it declined by 4.61% QoQ from Rs. 6,275 in Q1FY25.

2) **Operating profit** increased by 10% YoY and 12.78% QoQ at Rs. 4,147 in Q2FY25 against Rs. 3,756 in Q2FY24 and Rs. 3,677 in Q1FY25.3) Net Profit rose by 63% YoY and 39.40% QoQ at Rs. 2,374 in Q2FY25 against Rs. 1,458 in Q2FY24 and Rs. 1,703 in Q1FY25.

4) **Net Interest Margin (NIM)** decreased to 2.82% in Q2FY25 against 3.07% in Q1FY25 and 3.08% in Q2FY24.

5) **Cost of Deposits** has gone up to 4.95% in Q2FY25 against 4.82% in Q1FY25 and 4.49% in Q2FY24. Cost of Funds increased to 4.94% in Q2FY25 against 4.81% in Q1FY25 and 4.55% in Q2FY24. Yield on Advances fell to 8.45% in Q2FY25 against 8.60% in Q1FY25 and 8.54% in Q2FY24.

6) **Total business** rose to 12.05% YoY and 2.37% QoQ at Rs. 13,97,100 in Q2FY25 against Rs. 13,64,660 in Q1FY25 and Rs. 12,46,879 in Q2FY24.

KEY FINANCIAL INDICATORS - Q2FY25

CMP (13.11.2024)	: Rs. 104.74
Face Value	: Rs. 10
Book value per share	: Rs. 137.37
Market Capitalisation	: Rs. 47,525.30
Capital Adequacy Ratio	: 16.63%
C/D Ratio	: 80.23%
CASA Ratio	: 41.18%
Net Interest Margin (NIM)	: 2.82%
Cost / Income Ratio	: 51.22%
Gross Non Performing Assets	: 4.41%
Net Non Performing Assets	: 0.94%
PCR	: 92.22%
Slippage Ratio	: 0.44%
Credit Cost	: 0.97%
Return on Assets	: 0.94%
Return on Equity	: 16.33%

7) **Total Non-Interest Income** increased by 49% YoY and 93.39% QoQ at Rs. 2,518 in Q2FY25 against Rs. 1,688 in Q2FY24 and Rs. 1,302 in Q1FY25.

8) **Cost/Income ratio** increased to 51.22% in Q2FY25 against 49.44% in Q2FY24 but it declined from 51.47% in Q1FY25.

9) **Global gross Advances** increased to 3.60% QoQ and 14.51% YoY at Rs. 6,21,919 crores in Q2FY25 against Rs. 6,00,264 crores in Q1FY25 and Rs. 5,43,128 crores in Q2FY24.

10) **Total deposits** is up by 1.41% QoQ and 10.15% YoY at Rs. 7,75,181 in Q2FY25 against Rs. 7,64,396 in Q1FY25 and Rs. 7,03,751 crores in Q2FY24.

11) **CASA ratio** decreased to 41.18% in Q2FY25 against 42.68% in Q1FY25 and 43.13% in Q2FY24.12) C/D ratio rose to 80.23% in Q2FY25 against 78.53% in Q1FY25 and 77.18% in Q2FY24.

13) **Return on Assets (ROA)** increased to 0.94% in Q2FY25 against 0.70% in Q1FY25 and 0.64% in Q2FY24.

14) **Fresh slippages** increased to Rs. 2,357 crores in Q2FY25 against Rs. 1,689 crores in Q1FY25 and Rs. 1,560 in Q2FY24. Recovery + Upgradation stood at Rs. 1769 crores in Q2FY25 against Rs. 2085 crores in Q1FY25 and Rs. 1638 crores in Q2FY24.

15) **Gross NPA ratio** improved to 4.41% in Q2FY25 as against 5.84% in Q2FY24 and 4.62% in Q1FY25. Net NPAs ratio improved to 0.94% in Q2FY25 as against 1.54% in Q2FY24 and 0.99% in Q1FY25.

16) **Credit cost** decreased to 0.97% in Q2FY25 from 0.54% in Q2FY24.

17) **Provision Coverage ratio** stood at 92.22% in Q2FY25 increased from 92.11% in Q1FY25 and 89.58% in Q2FY24. The bank has made additional provisions for standard asset due to increase in SMA accounts especially in retail and MSME.

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Management Comments

18) The bank intends to attain a 13% deposit growth target for FY25 and would fund Rs 5,000 crore through infrastructure bonds. The BoI's capital adequacy is 16.63%, with plans to issue Rs 2,500 crore in Tier-I bonds, but no equity capital raising are envisaged, said Shri Rajneesh Karnatak, Managing Director and CEO of the bank.
19) The bank has taken a few new business initiatives, such as finalizing a new credit assessment model based on data accessible from the digital footprint and developing a product called Star DGI Biz to be put out digitally for an amount upto Rs.1 Crs.
20) The new internal rating model developed by Crisil has been introduced for rating investment instruments. Launch a virtual account system payment service to assist with virtual life as C code for corporate clients. This will allow for faster collection of their payments through automatic reconciliation.
21) New Bank of India Tata Commercial Vehicle Loan, launched in collaboration with Tata Motor Vehicle Finance.
22) commenting on Net Interest Income (NII), Shri Rajneesh stated that early repayments of corporate loans worth Rs 20,000 crore in July had an impact on NII and margins, but he expressed optimism about margin recovery, forecasting a 2.9% NIM by year-end as new disbursements pick up.
23) Addressing an analyst's concern about the expansion of credit, Shri Karnatak stated that we have a sufficient buffer of resources at our disposal. In addition to refinancing and mobilizing capital through CDs, we have approximately ₹40,000 crore in excess SLR securities. We raised ₹5,000 crore through infra bonds and ₹2,500 crore through tier-2 bonds. Thus, we managed to collect sufficient funds to finance the expansion of the credit. We have around 70,000 crore in loan sanctions (corporate, RAM, and international credit) in the pipeline, he added .