

Industry
Bloomberg
BSE CODE

Financial
BOB IN
532134

RATING	ACCUMULATE
CMP	51
Price Target	64
Potential Upside	25%
Rating Change	↔
Estimate Change	↔
Target Change	↓

STOCK INFO	
52wk Range H/L	133/36
Mkt Capital (Rs Cr)	23,842
Free float (%)	26.00
Avg. Vol 1M (,000)	21,311
No. of Shares (Crs)	462
Promoters Pledged %	0%

Fig in Rs Cr

FINANCIAL	FY19	FY20	FY21E
NII	18480	27451	27597
PPP	13487	19691	20481
PAT	434	546	1536
NIM %	2.6	3.0	2.5
EPS (Rs)	2	1	3
EPS growth (%)	118	-28	181
ROE (%)	1	1	2
ROA (%)	0.1	0.1	0.1
BV	173	156	159
P/B (X)	0.3	0.3	0.3
P/E (x)	31	43	15

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Profitability driven by better advances growth as well as lower Slippages

4QFY20 Result Update

- Bank reported number above our expectation with profit of Rs 507 Cr mainly on the back of lower expenses. NII degrew by 5% QoQ along with lower margins. NIM declined by 13 bps to 2.67% in 4QFY20 on the account of margins contraction in international business. Operating profit reported growth of 3% QoQ.
- Advances growth has been good at 5% QoQ in 4QFY20 better than our expectations, however deposits also grew by 6% QoQ.
- Asset quality improved as GNPA/NNPA both declined by 103/92 bps QoQ to 9.40%/3.13% in 4QFY20 on the account of lower slippages reported in the quarter. Fresh slippage for the quarter was at Rs 4485 Cr. Watch list for the quarter stood at Rs 12500 Cr increased from Rs 10500 Cr last quarter on the account of one big account of Rs 2500 Cr.

Advance growth

Advances grew by 5% QoQ led by growth in corporate book. Corporate book grew by 8% QoQ whereas retail book grew by 1% QoQ. Growth in SME book remained flat in 4QFY20. Loan book growth is expected to be at 7% for FY21. On loan mix front, loan mix is expected to be same at 50:50 retail and corporate. However Growth is likely to be around 8-10% enough in MSME and double digit in Agricultural loans but retail loan growth is expected to be dampened. Corporate to continue in the same trend. In retail Car loans are not likely to see much growth going ahead. International book growth is likely to recover in double digits but not very high.

Margins Contracted

NII degrew by 5% QoQ along with lower margins. NIM declined by 13 bps to 2.67% in 4QFY20 on the account of margins contraction in international business. Domestic NIM declined by 10 bps QoQ to 2.78% from 2.88% last quarter. Overseas NIM also declined by 30 bps QoQ to 1.21% from 1.51% last quarter. Global yield on advances declined by 12 bps QoQ to 7.82% from 7.94% whereas domestic yield improved by 4 bps QoQ to 8.77% from 8.73%. Global and domestic both cost of deposits declined by 10/5 bps QoQ to 4.76%/5.20% in 4QFY20.

Reduction in Slippages

Asset quality improved as GNPA/NNPA both declined by 103/92 bps QoQ to 9.40%/3.13% in 4QFY20 on the account of lower slippages reported in the quarter. Fresh slippage for the quarter was at Rs 4485 Cr. Watch list for the quarter stood at Rs 12500 Cr increased from Rs 10500 Cr last quarter. the addition came from on international account from UAE geography. On the asset quality front there may be stress on the account of COVID-19 in retail book but no stress expected from the large corporate accounts. So slippages are expected to be low in FY21 as against FY20. SMA II book stood at Rs 4000 Cr and bank provide 20% on them.

View and Valuation

Bank growth has been above the expectations despite the challenges faced in the economy and stress in the corporate accounts earlier. Going ahead as well there may be challenges in retail book growth on the COVID-19 impact but other segments like corporate, SME and Agri are likely to do well. Asset quality has shown sign of improvements but there is still some stress expected from retail book going ahead. Margins are likely to little contract further but lower OPEX will add to the growth going ahead. We expect near term profitability to improve on the account no stress expected from corporate book and improvement in OPEX. Expected Capital raising in 2QFY21 of Rs 4500 Cr will further add to the growth going ahead. WE value stock at 0.4x BVFY21 to arrive at target price of Rs 64 and maintain ACCUMULATE.

Key Risks to our rating and target

- Slippages from retail segment.
- Advance growth.

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4QFY20 Results

PAT Above Expectation

Fig in Rs Cr

FINANCIALS	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY%	QoQ%	FY19	FY20	YoY%
Interest Inc.	13,314	18,945	19,274	19,068	18,698	42.6%	-1.9%	49,771	75,984	52.7%
Interest Exp.	8,247	12,447	12,246	11,939	11,900	44.3%	-0.3%	31,290	48,532	55.1%
NII	5,067	6,498	7,028	7,129	6,798	39.8%	-4.6%	18,480	27,451	48.5%
Other Income	1,970	1,916	2,824	2,741	2,835	30.4%	3.4%	6,294	10,317	63.9%
Total Income	7,037	8,414	9,852	9,870	9,633	36.9%	-2.4%	24,775	37,769	52.4%
Ope Exp.	3,177	4,137	4,516	4,912	4,512	42.0%	-8.1%	11,288	18,077	60.1%
PPP	3,861	4,276	5,336	4,958	5,121	32.6%	3.3%	13,487	19,691	46.0%
Provisions	5,399	3,285	4,209	7,155	6,844	26.8%	-4.4%	12,789	21,494	68.1%
PBT	(1,539)	991	1,127	(2,197)	(1,723)	NA	NA	698	(1,802)	NA
Tax	(547)	281	390	(790)	(2,230)	NA	NA	265	(2,348)	NA
Net Profit	(991)	710	737	(1,407)	507	NA	NA	434	546	26.0%

Note: YoY Numbers for 4QFY20 not comparable due to amalgamation

Concall Highlights

- Global NIM fell to 2.67% from 2.80% QoQ on the account of fall in international NIM due to softening of rates and lag in liability reprising.
- C/I ratio fell substantially to 47% from 50% last quarter and is expected to improve further going ahead by around 100 bps and is likely to be under 50%.
- Integration moving forward as per plan despite COVID-19 with IT integration to be completed in the current financial year.
- 65% of the book (amount basis) is under moratorium as at end of April 2020 and 55% as at end May 2020 and is expected to fall to 35% by August 2020.
- Loan amount sanctioned under Emergency Credit Guarantee scheme stands at Rs 6500 Cr .The book eligible is Rs 10000 Cr.2/3rd already sanctioned.
- Recovery and Up gradation stood at Rs 6000 Cr of which Rs 2500 f one big account recovery in 4QFY20.
- Employee cost has been low in 4QFY20 QoQ on the account of one off of Rs 300 Cr on the account of ESPS expense in last quarter.
- On loan mix front, loan mix is expected to be same at 50:50 retail and corporate. However Growth is likely to be around 8-10% enough in MSME and double digit in Agricultural loans but retail loan growth is expected to be dampened. Corporate to continue in the same trend. In retail Car loans are not likely to see much growth going ahead. International book growth is likely to recover in double digits but not very high. Loan book growth is expected to be at 7% for FY21.
- Watch list increased to Rs 12500 Cr from Rs 10000 Cr last quarter the addition came from on international account from UAE geography.
- The bank has plan to Raise Rs 13500 Cr of capital.Rs 4500 Cr through AT1 bond to be done in 2QFY21 and remaining from equity going ahead.
- Wage hike has been taken at 12%.
- On BB& below book outlook front recovery is expected going ahead.
- Unsecured book stood at Rs 4000 Cr i.e. around 3% of retail book.
- The banks' exposure to DHFL stands at Rs 2000 Cr and RS 500 Cr of provisioning has been done.
- Around 5% of the book is linked to external benchmark.
- New tax rate will be applicable from this financial year FY21.
- On the asset quality front there may be stress on the account of COVID-19 in retail book but no stress expected from the large corporate accounts. So slippages are expected to be low in FY21 as against FY20.
- SMAII book stood at Rs 4000 Cr and bank provide 20% on them.

Profitability Matrix

	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY (+/-)	QoQ (+/-)
C/I Ratio %	47	44	45	49	46	50	47	2	-3
Empl. Cost/ Tot. Exp. %	44	46	44	47	51	53	43	-1	-9
Other Exp/Tot. Exp.%	56	54	56	53	49	47	57	1	9
Provision/PPP %	79	79	140	77	79	144	134	-6	-11
Tax /PBT %	35	37	36	28	35	36	129	94	93
Int Exp./Int Inc. (%)	63	63	63	66	64	63	64	1	1
Other Inc./Net Inc. %	23	25	31	23	29	28	29	-1	2
PAT/ Net Income %	7	7	(14)	8	7	(14)	5	19	20
PAT Growth %	20	322	(68)	34	73	(399)	(151)	-83	247
NII Growth % (YoY)	21	8	22	48	56	50	40	18	-11
Oper. Profit Growth YoY %	1	(3)	45	42	73	40	33	-12	-7

Margin Performance

MARGIN %	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY (+/-)	QoQ (+/-)
Yield on Advances%	7.4	7.7	7.9	8.0	8.2	7.9	7.8	-0.05	-0.12
Yield on Total Assets %	7.2	7.6	7.5	7.6	7.7	7.6	7.2	-0.25	-0.30
Cost Of Funds%	4.6	4.8	4.9	5.0	5.1	5.0	4.8	-0.08	-0.16
Cost of Deposits%	4.6	4.8	4.8	5.1	5.0	4.9	4.8	-0.04	-0.10
NIM%	2.6	2.7	2.9	2.6	2.8	2.8	2.7	-0.23	-0.13

Exhibit: Yield and Cost

Yield and cost both declined

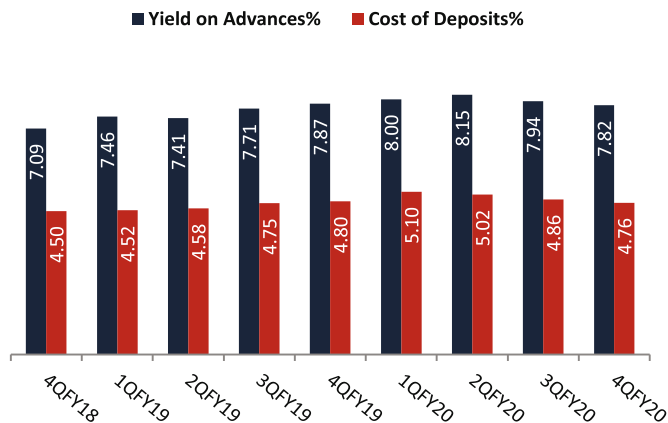
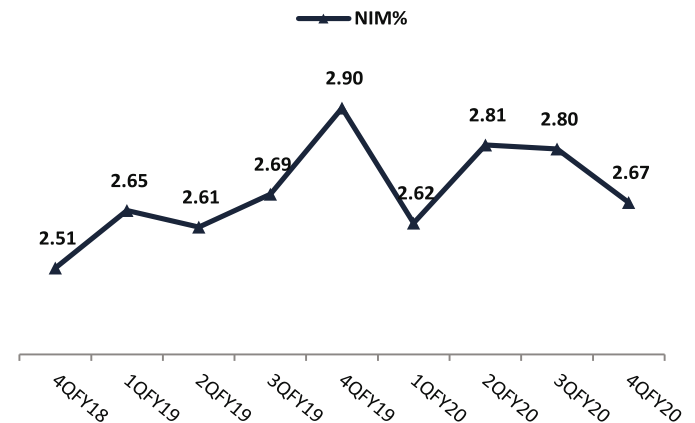


Exhibit: Net Interest Margin

NIM declined



Asset & Borrowings Growth Trend

Fig in Rs Cr

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Net Advances (Rs in Cr)	427432	414517	433549	448679	468819	633181	637340	654465	690121
Adv. Growth YoY %	11.5	9.8	11.9	12.3	9.7	53.0	47.0	46.0	47.0
Growth QoQ %	7.0	-3.0	4.0	3.0	4.0	-3.0	1.0	2.7	5.5

Note: YoY Numbers for 4QFY20 not comparable due to amalgamation

	5QFY18	6QFY18	7QFY18	8QFY18	9QFY18	10QFY18	11QFY18	12QFY18	1QFY19
Deposits (Rs in Cr)	591315	581484	606973	610569	638690	895542	894130	896162	945985
Growth YoY %	(1.7)	1.9	4.1	6.5	8.0	54.0	47.0	46.8	48.1
Growth QoQ %	3.1	(1.7)	4.4	0.6	4.6	(2.1)	(0.2)	0.2	5.6
CASA (Rs Cr)	211779	206544	214414	213633	223794	301572	312022	320264	333825
Growth YoY %	9.4	9.7	10.0	7.6	5.7	46.0	45.0	49.9	49.2
Growth QoQ %	6.7	(2.5)	3.8	(0.4)	4.8	(3.1)	3.5	2.6	4.2

Note: YoY Numbers for 4QFY20 not comparable due to amalgamation

Exhibit: Fee Income/Advances %

Fee income increased

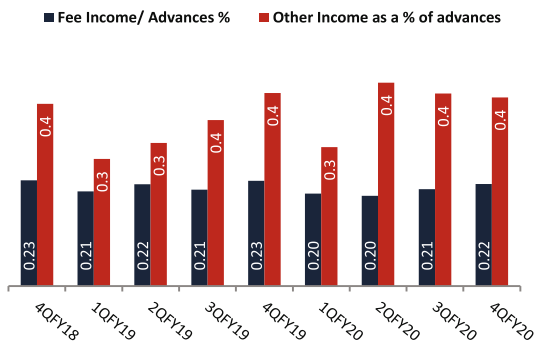
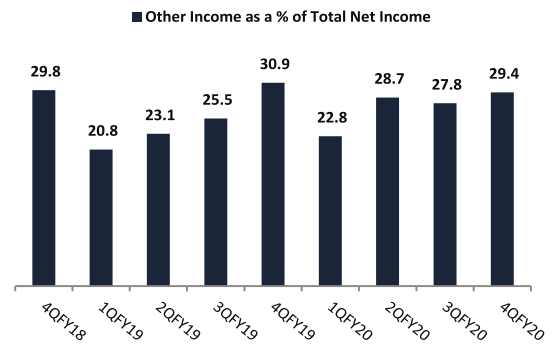


Exhibit: Other Income/ Total Income %

Other income declined



Asset Composition %

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Large Corporates%	67	67	67	66	67	65	66	65	66
SME /MSME%	12	12	12	12	12	13	13	13	13
Retail Advance%	16	17	18	18	18	18	18	18	17
Others%	5	3	3	3	3	4	3	3	3
Total	100	100	100	100	100	100	100	100	100

Borrowing Mix

Fig in Rs Cr

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
CASA %	36	36	35	35	35	34	35	36	35
CA %	8	7	7	7	7	6	6	7	7
SA %	28	28	28	28	28	27	28	29	28

Asset Quality

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
GNPA (Rs Cr)	56,480	55,874	55,121	53,184	48,233	69,714	69,969	73,139	69,381
GNPA %	12	12	12	11	10	10	10	10	9
NNPA (Rs Cr)	23,483	22,384	21,059	19,130	15,609	25,030	24,894	26,504	21,577
NNPA %	5	5	5	4	3	4	4	4	3
Slippages (Rs Cr)	12,569	4,733	3,751	3,733	3,745	6,624	7,259	11,820	4,485
Std Restructured Assets %	-	-	-	-	-	-	-	-	-
Net Stress Assets %	8	7	7	6	6	4	4	4	3
PCR %	67	69	71	73	79	77	78	78	81
Credit Cost %	7	2	1	3	4	2	2	4	2
Prov/Avg Adv% (Annl.)	6	2	2	3	5	2	3	4	4
Specific PCR%	58	60	62	64	68	64	64	64	69

Note: YoY Numbers for 4QFY20 not comparable due to amalgamation

Exhibit: Asset Quality

Asset quality deteriorated.

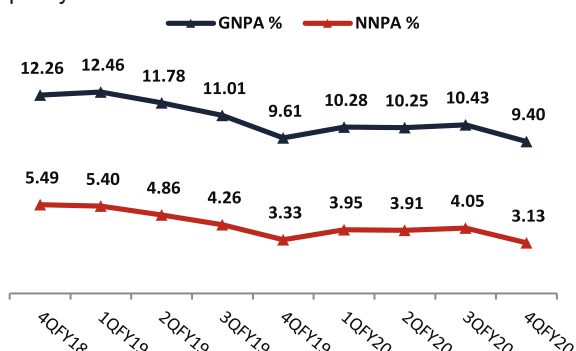


Exhibit: Provisions

PCR stable

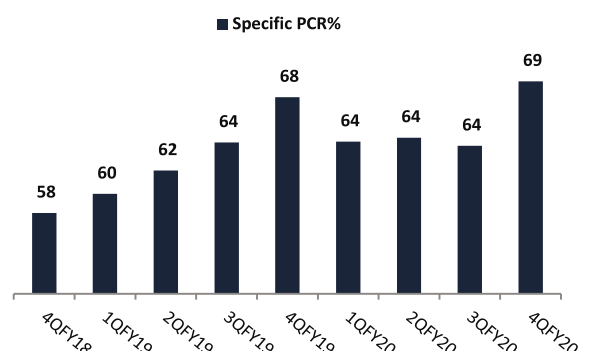


Exhibit: Advances Performance

Advances growth

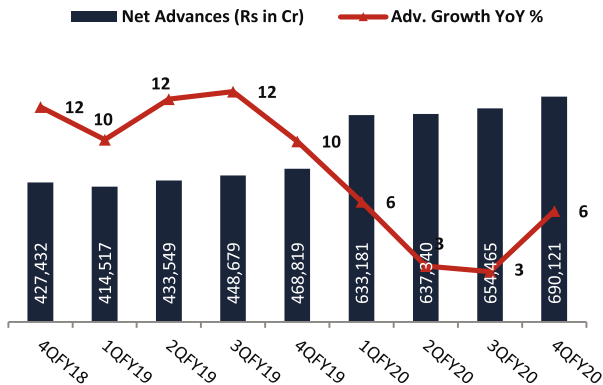


Exhibit: Advances Breakup%

Advance mix.

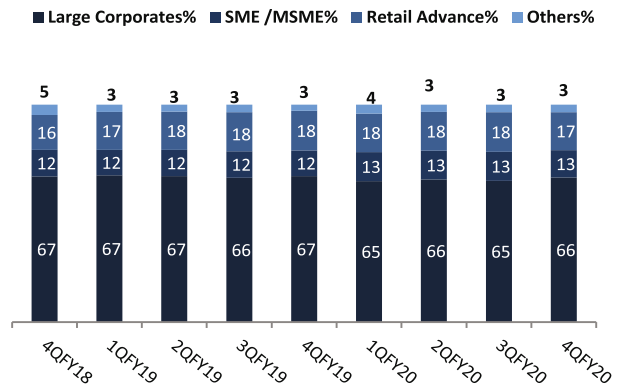


Exhibit: Deposits Performance

Deposits growth.

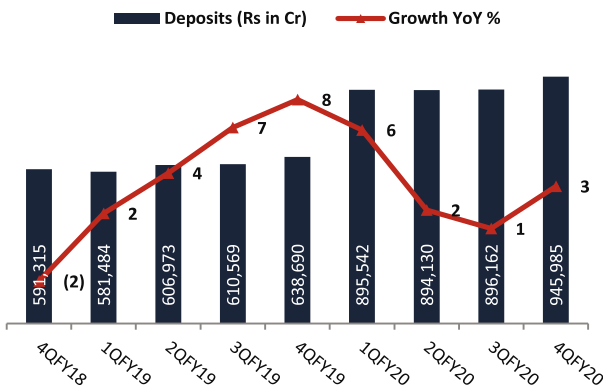


Exhibit: CASA Performance

CASA ratio

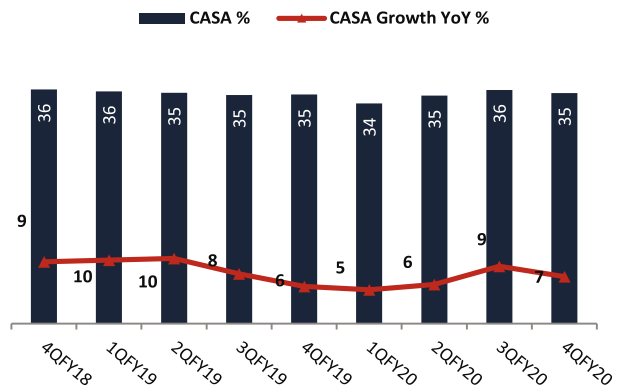


Exhibit: Credit Deposits Ratio

CD ratio stable

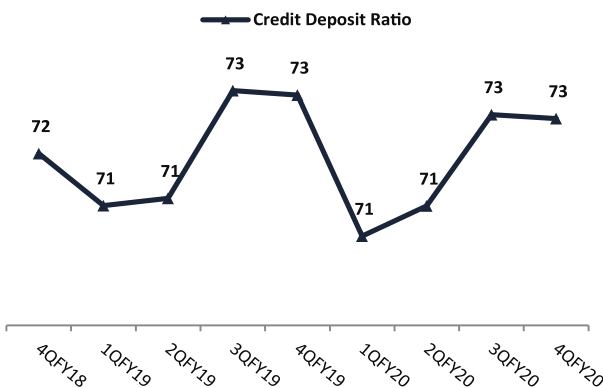
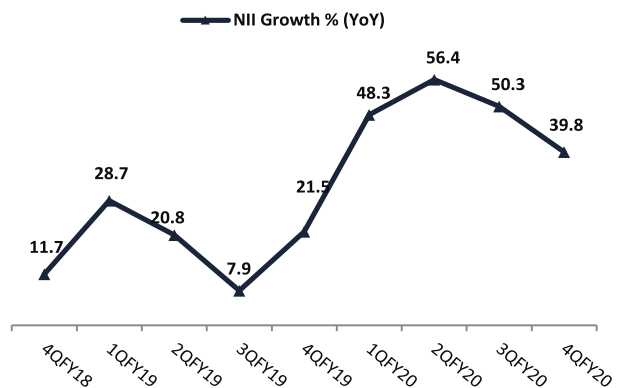


Exhibit: Improving NII growth

NII Trend



Financial Details

Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Share Capital	431	444	462	462	530	530	925	925
Equity Capital	431	444	462	462	530	530	925	925
Preference Capital	0	0	0	0	0	0	0	0
Reserves & Surplus	35555	39392	39737	39841	42864	50453	70931	72467
Networth	35986	39835	40199	40303	43395	45941	71856	73393
Deposits	568894	617560	574038	601675	591315	638690	945984	1002094
Change (%)	20	9	-7	5	-2	8	48	6
CASA Deposits	146489	162969	151334	193496	211779	223794	333825	360754
Change (%)	22	11	-7	28	9	6	49	8
Borrowings	36813	35264	33472	30611	62572	67201	93069	96627
Other Liabilities & Provisions	17812	22329	23667	22286	22718	24113	47006	35073
Total Liabilities	659505	714989	671376	694875	720000	780987	1157916	1207186
Cash & Bank	130878	148353	133900	150470	92897	89230	121901	123123
Investments	116113	122320	120450	129631	163185	182298	274615	285597
Change (%)	-4	5	-2	8	26	12	51	4
Advances	397006	428065	383770	383259	427432	468819	690121	731528
Change (%)	21	8	-10	0	12	10	47	6
Fixed Assets	2734	2875	6254	5758	5367	6990	8889	10667
Other Assets	12774	13376	27002	25757	31119	33651	62390	56271
Total Assets	659505	714989	671376	694875	720000	780987	1157916	1207186

Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Interest income	38,940	42,964	44,061	42,200	43,649	49,771	75,984	76,907
Interest expended	26,974	29,776	31,321	28,687	28,127	31,290	48,532	49,310
Net Interest Income	11,965	13,187	12,740	13,513	15,522	18,480	27,451	27,597
Change (%)	5.7	10.2	(3.4)	6.1	14.9	19.1	48.5	0.5
Other Income	4,463	4,402	4,999	6,758	6,657	6,294	10,317	10,360
Change (%)	22.9	(1.4)	13.6	35.2	(1.5)	(5.4)	63.9	0.4
Core Fee Income	2,117	2,200	2,346	2,835	3,277	3,837	5,442	5,592
Treasury Income	1,783	2,013	2,432	3,595	2,699	1,268	3,174	4,368
Others	563	189	221	328	681	1,189	1,701	400
Total Net Income	16,428	17,589	17,739	20,271	22,179	24,775	37,769	37,957
Operating Expenses	7,075	7,674	8,923	9,296	10,173	11,288	18,077	17,476
Change (%)	20.5	8.5	16.3	4.2	9.4	11.0	60.1	(3.3)
Employee Expenses	4,140	4,261	4,978	4,638	4,607	5,039	8,770	8,165
Pre-provisioning Profit	9,353	9,915	8,816	10,975	12,006	13,487	19,691	20,481
Change (%)	3.1	6.0	(11.1)	24.5	9.4	12.3	46.0	4.0
Provisions	3,794	4,495	15,514	8,502	14,796	12,789	21,494	18,427
Change (%)	(9.0)	18.5	245.2	(45.2)	74.0	(13.6)	68.1	(14.3)
PBT	5,497	5,421	(6,698)	2,473	(2,791)	698	(1,802)	2,053
Tax	956	2,022	(1,303)	1,090	(359)	265	(2,348)	517
Profit After Tax	4,541	3,398	(5,396)	1,383	(2,432)	434	546	1,536
Change (%)	1.3	(25.2)	(258.8)	(125.6)	(275.8)	117.8	26.0	181.3

Financial Details

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Balance Sheet Metrics								
Loan Growth (%)	21.0	7.8	(10.3)	(0.1)	11.5	9.7	47.2	6.0
Deposit Growth (%)	20.0	8.6	(7.0)	4.8	(1.7)	8.0	48.1	5.9
C/D Ratio (%)	69.8	69.3	66.9	63.7	72.3	73.4	73.0	73.0
CASA (%)	25.7	26.4	26.4	32.2	35.8	35.0	35.3	36.0
Investment/Deposit (%)	20.4	19.8	21.0	21.5	27.6	28.5	29.0	28.5
CRAR (%)	12.3	12.6	13.2	12.2	12.1	13.4	13.3	13.3
Tier 1 (%)	9.3	9.9	10.8	9.9	10.5	11.6	10.7	11.5
Tier 2 (%)	3.0	2.7	2.4	2.3	1.7	1.9	2.6	1.8

Assets Quality Metrics

								Fig in Rs Cr
Gross NPA	11,876	16,261	40,521	42,718	56,480	48,233	69,381	74,255
Gross NAP (%)	2.9	3.7	10.0	10.5	12.3	9.6	9.4	9.5
Net NPA	6,035	8,069	19,406	18,080	23,483	15,609	21,577	22,276
Net NPA (%)	1.5	1.9	5.1	4.7	5.5	3.3	3.1	3.0
Slippages (%)	2.1	2.2	7.3	4.7	7.3	3.9	7.1	4.2
Provision Coverage (%)	65.5	65.0	60.1	66.8	67.2	78.7	81.3	81.5
Provision/Average Advances (%)	1.0	1.1	3.8	2.2	3.7	2.9	3.7	2.6

Margin Metrics

Yield On Advances (%)	7.7	7.5	7.3	7.2	7.2	7.7	9.3	7.6
Yield On Investment (%)	7.3	8.1	8.8	8.5	7.1	7.4	7.9	6.6
Yield on Earning Assets (%)	6.7	6.5	6.7	6.5	6.5	7.1	8.3	6.9
Cost Of Deposits (%)	4.8	4.7	4.9	4.6	4.4	4.5	-	4.5
Cost Of Funds (%)	4.8	4.7	4.9	4.5	4.3	4.5	5.4	4.5
Spread (%)	1.9	1.8	1.8	2.0	2.2	2.5	2.9	2.4
NIM (%)	2.1	2.0	1.9	2.1	2.3	2.6	3.0	2.5

Profitability & Efficiency Metrics

Int. Expense/Int.Income (%)	69.3	69.3	71.1	68.0	64.4	62.9	63.9	64.1
Fee Income/NII (%)	17.7	16.7	18.4	21.0	21.1	20.8	19.8	20.3
Cost to Income (%)	43.1	43.6	50.3	45.9	45.9	45.6	47.9	46.0
Cost on Average Assets (%)	1.2	1.1	1.3	1.4	1.4	1.5	1.9	1.5
Tax Rate (%)	17.4	37.3	19.4	44.1	12.9	37.9	130.3	25.2

Valuation Ratio Metrics

EPS (Rs)	21	15	(24)	6	(9)	2	1	3
Change (%)	(0.6)	(27.3)	(258.8)	(125.6)	(247.0)	117.8	(27.7)	181.3
ROAE (%)	13.5	9.0	(13.5)	3.4	(5.8)	1.0	0.9	2.1
ROAA (%)	0.8	0.5	(0.8)	0.2	(0.3)	0.1	0.1	0.1
Dividend Payout (%)	20.4	20.9	-	19.2	-	-	-	-
Dividend yield (%)	3.0	2.0	-	0.7	-	-	-	-
Book Value (Rs)	167	180	181	182	164	173	156	159
Change (%)	10.4	7.5	0.9	0.3	(10.0)	5.9	(10.2)	2.1
ABVPS (Rs)	134	139	75	84	62	101	101	103
P/B (X)	0.9	0.9	0.8	1.0	0.9	0.3	0.3	0.3
P/E (X)	6.8	10.7	(6.0)	27.7	(15.5)	31.1	43.0	15.3

Financial Details

Exhibit: DuPont Analysis

	FY15	FY16	FY17	FY18	FY19E	FY20	FY21E
Interest Income	6.3	6.4	6.2	6.2	6.6	7.8	6.5
Interest expended	4.3	4.5	4.2	4.0	4.2	5.0	4.2
Net Interest Income	1.9	1.8	2.0	2.2	2.5	2.8	2.3
Non-Fund Based Income	0.6	0.7	1.0	0.9	0.8	1.1	0.9
Core Fee Income	0.3	0.3	0.4	0.5	0.5	0.6	0.5
Trading and Other Income	0.3	0.4	0.6	0.5	0.3	0.5	0.4
Core Operating Income	2.2	2.2	2.4	2.7	3.0	3.4	2.8
Total Income	2.6	2.6	3.0	3.1	3.3	3.9	3.2
Total Operating Expenses	1.1	1.3	1.4	1.4	1.5	1.9	1.5
Employee Expenses	0.6	0.7	0.7	0.7	0.7	0.9	0.7
Other Expenses	0.5	0.6	0.7	0.8	0.8	1.0	0.8
Operating Profit	1.4	1.3	1.6	1.7	1.8	2.0	1.7
Provisions	0.7	2.2	1.2	2.1	1.7	2.2	1.6
Others	-	-	-	-	-	-	-
PBT	0.8	(1.0)	0.4	(0.4)	0.1	(0.2)	0.2
Tax	0.3	(0.2)	0.2	(0.1)	0.0	(0.2)	0.0
PAT/RoAA	0.5	(0.8)	0.2	(0.3)	0.1	0.1	0.1
Equity Multiplier (x)	18.1	17.3	17.0	16.9	16.8	16.5	16.3
ROAE	9.0	(13.5)	3.4	(5.8)	1.0	0.9	2.1

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