




Healthy Operating Performances despite Flat NII growth

RATING	BUY
CMP	48
Price Target	61
Potential Upside	27%

Rating Change	
Estimate Change	
Target Change	

Stock Info

52wk Range H/L	31/80
Mkt Capital (Rs Cr)	15,746
Free float (%)	9.00%
Avg. Vol 1M (,000)	4,759
No. of Shares (Cr)	328
Promoters Pledged %	

Fig in Rs cr

FINANCIAL	FY19	FY20	FY21E
NII	13658	15257	14428
PPP	8092	11519	10710
PAT	-5547	-2957	1541
NIM %	2.4	2.6	2.3
EPS (Rs)	-20	-9	5
EPS growth	-42	-55	NA
ROE (%)	-14	-7	3
ROA (%)	-0.9	-0.5	0.2
BV	168	134	138
P/B (X)	0.6	0.4	0.4
P/E (x)	-5	-5	10

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1QFY21 Result Update

- ❑ NII during the quarter was flat YoY at Rs 3481 Cr mainly on account lower NIM. The global NIM stood at 2.48% v/s the 2.67% in Q1FY20.
- ❑ Asset quality during the quarter improved with GNPA at 13.91% v/s 14.78% in 4QFY20 ,16.50% in Q1FY20 and NNPA at 3.58% in v/s the 3.88% in Q4FY20 and 5.79% in Q1FY20.
- ❑ Advances during the quarter by grew 11%/1% on YoY/QoQ basis with domestic advances increasing by 11% YoY while the Foreign advances increasing by 7% YoY.

NII Remains Moderate

NII during the quarter was flat YoY at Rs 3481 Cr mainly on account lower NIM. The global NIM stood at 2.48% v/s the 2.67% in Q1FY20. The yield on advance stood at 7.55v/s 8.27% in Q1FY21 while the cost of deposit stood at 4.32% v/s 4.50% in Q1FY21. The operating profit during the quarter increased by 25% YoY on account of healthy growth in other expense and reduction in the OPEX. The profitability increased by 248% YoY on account of the Lower provisioning.

Healthy advance and deposit Growth

Advances during the quarter by grew 11%/1% on YoY/QoQ basis with domestic advances increasing by 11% YoY while the Foreign advances increasing by 7% YoY. Home loans during the quarter grew by 11% YoY while the personal loan segment grew by 32% YoY Bank has guided for advance growth of around 7% for the current year. The deposits during the quarter grew by 16%/7% on YoY/QoQ basis with CASA growing by 15%/5% on YoY/QoQ basis.

Asset Quality Improves but moratorium level increase

Asset quality during the quarter improved with GNPA at 13.91% v/s 14.78% in 4QFY20 ,16.50% in Q1FY20 and NNPA at 3.58% in v/s the 3.88% in Q4FY20 and 5.79% in Q1FY20. The slippages during the quarter stood at Rs 402 Crore. Management has highlighted 2 scenario of slippages expected from the moratorium book. As per the banks stress test in mild scenario there could be slippage of Rs 3200 Cr as of Sept end and in Moderate scenario there could be slippage of Rs 4500 Cr from the moratorium book. The moratorium levels for the bank remain at 53% which remain a bit challenging. But as per the management Rs 91000 Cr worth amount of loan book has received 0,1,2,3 installments and Rs 63000 Cr book has received installments have paid the three installments and there is default for just 1 month. Bank has done 10% provisions in all SMA 1,2,0 accounts during the quarter and also did a stress test to gaze impacts in various scenarios.

View and Valuation

Bank india had healthy quarter despite NIM being flat YoY Pre-provisioning profit growth was strong owing to strong other income growth and reduction in the opex. The asset quality improved during the quarter mostly due to moratorium. Moratorium levels for the bank are high which might provide some challenges but healthy provision coverage and recovery expected to speed up bank might be able to manage the pain. Banks loan book grew healthy while deposit traction also remained strong. Banks believes capital adequacy is sufficient given the growth outlook for now but will raise the capital as and when needed. We change to BUY from ACCUMULATE with TP of 61 at 0.45BVXFY21E.

Key Risks to our rating and target

- ❑ Moderation in Credit Growth.
- ❑ Significant deterioration in asset quality

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1Q FY21 Results PAT ABOVE ESTIMATES

Financials	Fig in Rs cr									
	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY %	QoQ%	FY19	FY20	YoY %
Interest Inc.	10,332	10,658	10,835	10,528	10,234	-0.9%	-2.8%	40,768	42,353	3.9%
Interest Exp.	6,847	6,798	6,717	6,735	6,753	-1.4%	0.3%	27,110	27,096	-0.1%
NII	3,485	3,860	4,118	3,793	3,481	-0.1%	-8.2%	13,658	15,257	11.7%
Other Income	1,195	1,327	2,503	1,688	1,707	42.9%	1.2%	5,132	6,713	30.8%
Total Income	4,680	5,188	6,621	5,481	5,188	10.9%	-5.3%	18,790	21,970	16.9%
Ope Exp.	2,409	2,728	2,486	2,828	2,344	-2.7%	-17.1%	10,697	10,451	-2.3%
PPP	2,271	2,460	4,135	2,653	2,845	25.2%	7.2%	8,092	11,519	42.3%
Provisions	1,912	2,052	4,015	8,142	1,512	-20.9%	-81.4%	16,806	16,121	-4.1%
PBT	359	408	120	(5,489)	1,332	270.8%	NA	(8,713)	(4,603)	NA
Tax	117	141	14	(1,918)	489	318.7%	NA	(3,167)	(1,646)	NA
Net Profit	243	266	106	(3,571)	844	247.7%	NA	(5,547)	(2,957)	NA

Concall Highlights

- The bank has made the excessive provision of Rs 3941 Cr on the 6 NPA accounts out of which 2 alone constituted Rs 3700 Cr. These accounts are known name out of which one is NBFC and one is Infrastructure account on which 100% provisioning have been done.
- Bank believes for the time being where it is focusing on the well rated account and capital conservatism they have adequate amount of growth capital for next two quarter. As and when the demand picks up they will need the capital and are thinking on the proposal for the same.
- Management believes Q2FY21 will also have healthy treasury gains due to low yields
- Bank has revised the guidance for advance growth from 8.5% to 7% for the current year.
- Bank has done 10% provisions in all SMA 1,2,0 accounts during the quarter and also did a stress test to gaze impacts in various scenarios. As per the banks stress test in mild scenario there could be slippage of Rs 3200 Cr as of Sept end and in Moderate scenario there could be slippage of Rs 4500 Cr from the moratorium book. All overdue loans including SMA 0,1,2 amount to Rs 11100 Cr.
- Bank has made an additional provision of Rs.620 Cr in the stressed accounts wherein moratorium due to COVID-19 pandemic was extended .The total provision of Rs.1035 Cr is held by Bank as on June 30, 2020.
- Recoveries are expected to be better going forward and focus is also going to be on ARC sales. Rs 2500 Cr is expected recovery in Q2FY21 and on average of Rs 2000 Cr per quarter for the remaining year
- 41% of the banks client have been extended the moratorium and in terms of amount its is 53%. Rs 91000 Cr worth amount of loan book has received 0,1,2,3 installments and Rs 63000 Cr book has received installments have paid the three installments and there is default for just 1 month
- Out of Rs 166000 Cr worth loan book under moratorium dispensation, Agri is 8%, Retail is 20%,MSME is 20%,Coporate is 36%, and remaining is others
- Write off during the quarter included some chunky account which have been provided 100% and bank would focus on recovery for the
- TLTRO 1 and TLTRO 2 both combined come to about Rs 4000 Cr and some amount has been given as per partial guarantee scheme.
- On 85% PCR Levels management is comfortable with that and is looking for some recoveries in NCLT 1 and NCLT 2. Net PCR for the bank is around 73%.Rs 38000 Cr is the block in the NCLT list. In NCLT 1, NCLT 2 list by RBI bank has 100% Provisions and account filed by BOI has provisions of 85.4% while those filed by other banks have provision of 89% so overall provision is around 90%.
- Management expect NIM to improve going forward from Q3FY21. CASA is expected to improve going forward as bank is trying to bring down the bulk deposits.
- Out of the outstanding loan book as of June 2020, the direct assignment to NBFC are around Rs 4000-4500 Cr.
- In terms of MUDRA loans it is about Rs 30000 Cr portfolio out of which Shishu loan is Rs 750 Cr and rest is split into Tarun and Kishore. Overall NPA in Mudra loan is about 9-10%
- Provisions carried on the wage settlement are about Rs 1400 Cr and bank is comfortable with it.

Profitability Matrix

	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY (+/-)	QoQ (+/-)
C/I Ratio %	54.5	59.2	51.5	52.6	45.0	51.6	45.2	-6.29	-6.43
Empl. Cost/ Tot. Exp. %	55.3	60.8	58.4	58.9	58.5	59.2	61.9	3.46	2.73
Other Exp/Tot. Exp.%	44.7	39.2	41.6	41.1	41.5	40.8	38.1	-3.46	-2.73
Provision/PPP %	396.0	82.4	84.2	83.4	97.1	306.9	53.2	-31.02	-253.79
Tax Rate %	29.6	37.9	32.5	34.6	34.0	34.9	36.7	4.20	1.75
Int Exp./Int Inc. (%)	67.2	62.6	66.3	63.8	64.2	64.0	66.0	-0.28	2.01
Other Inc./Net Inc. %	33.4	28.4	25.5	25.6	41.5	30.8	32.9	7.38	2.11
PAT/ Net Income %	(94.7)	4.5	5.2	5.1	10.7	(65.2)	16.3	11.08	81.42
PAT Growth %	N/A	N/A	155.1	NA	NA	NA	247.7	NA	NA
NII Growth %	33.2	57.7	3.9	31.9	14.2	(6.2)	(0.1)	-4.03	6.09
Op. Profit	67.8	96.5	21.5	49.4	57.5	15.2	25.2	3.72	10.07
RoE %	(58.2)	3.4	2.2	2.3	2.6	(31.4)	7.7	5.50	39.08
RoA %	(3.1)	0.2	0.2	0.2	0.1	(2.2)	0.5	0.35	2.72

Margin Performance

Margin %	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY (+/-)	QoQ (+/-)
Yield (Total Assets)	8.3	8.6	8.3	8.8	8.9	8.5	7.6	11.21	2.43
Yield on Advances	7.3	7.8	7.4	7.2	7.2	6.5	7.0	-0.39	0.53
Cost of deposit	4.5	4.5	4.6	4.6	4.6	4.5	4.3	6.58	1.96
NIM	2.6	2.9	2.7	3.0	3.1	2.9	2.5	3.90	0.91

Exhibit: Yield and Cost

yield and cost deposit decreased

■ Yield on Advances% ■ Cost of Deposits%

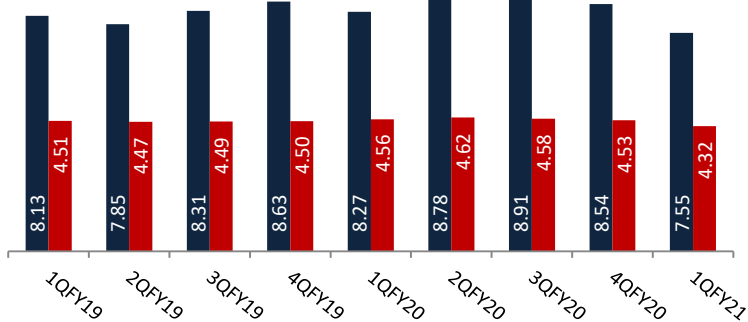


Exhibit: Net Interest Margin

NIM decreases

▲ NIM%

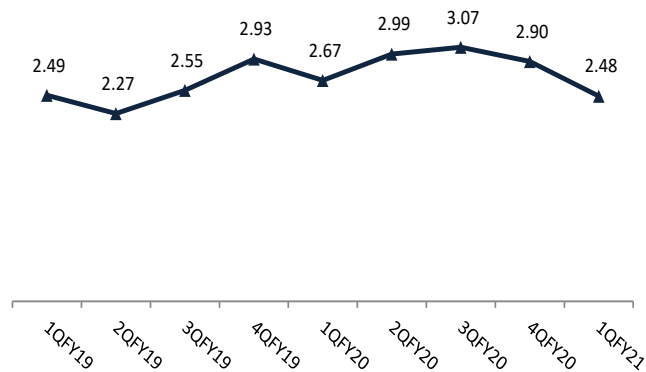


Fig in Rs cr

Other Income Break Up -)

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21
Commission, Exchange,	265	278	322	378	321	392	317	326	222
Profit from Exchange	365	373	325	246	294	405	386	418	914
Total Fee-Based Income	630	651	647	624	615	797	703	744	1136
Growth YoY %	-7%	5%	6%	-25%	-2%	22%	9%	19%	85%
Other Non Int Income	457	295	689	613	318	321	406	449	208
Profit from Sale of	-465	-198	71	148	173	112	57	243	333
Recovery In W/o accounts	208	282	262	218	89	98	1337	252	30
Other Income	830	1030	1669	1603	1195	1328	2503	1688	1707
Growth YoY %	-48%	-40%	60%	17%	44%	29%	50%	5%	43%

Exhibit: Fee Income/Advances %

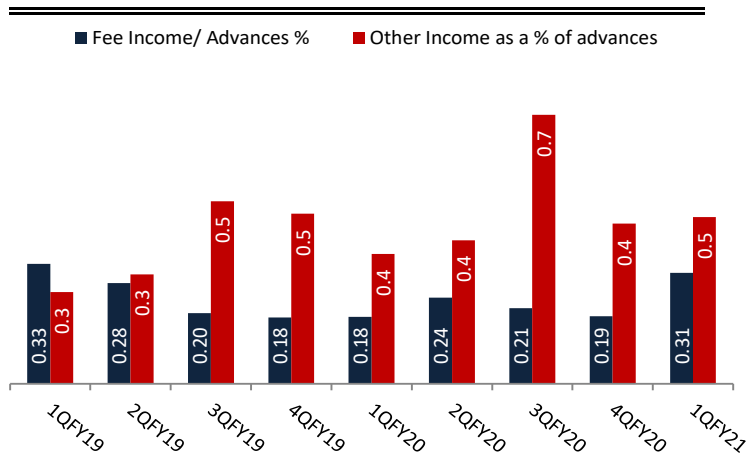
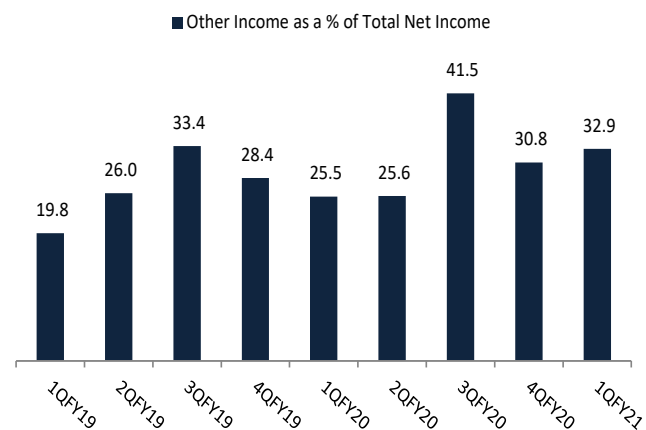


Exhibit: Other Income/ Total Income %

Other income as % of total income increases



Asset Quality

Fig in Rs cr

	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY (+/-)	QoQ (+/-)
GNPA (Rs in Cr)	60,798	60,661	62,068	61,476	61,730	61,550	57,788	-7%	-6%
GNPA %	16.3	15.8	16.5	16.3	16.3	14.8	13.9	-2.59	-0.87
NNPA (Rs in Cr)	19,438	19,119	19,288	19,646	20,113	14,320	13,275	-31%	-7%
NNPA %	5.9	5.6	5.8	5.9	6.0	3.9	3.6	-2.21	-0.30
Slippages (Rs in Cr)	4,315	3,102	3,683	3,166	6,716	2,764	402	-89%	-85%
Specific PCR %	68.0	68.5	68.9	68.0	67.4	76.7	77.0	8.10	0.28

Exhibit: Asset Quality

asset quality improves

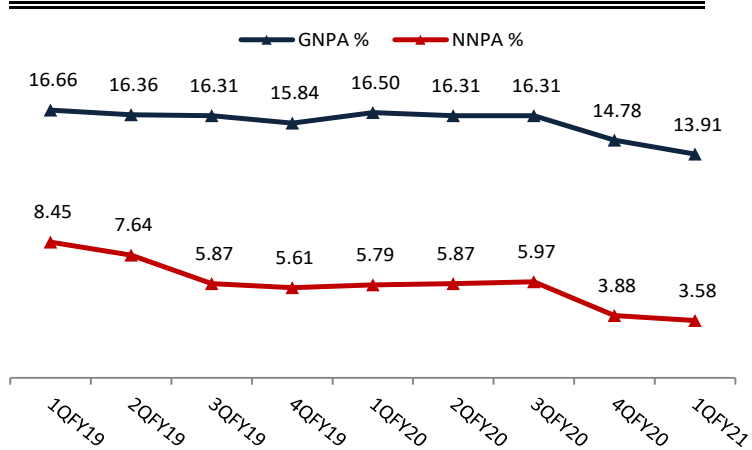


Exhibit: Provisions

PCR increases

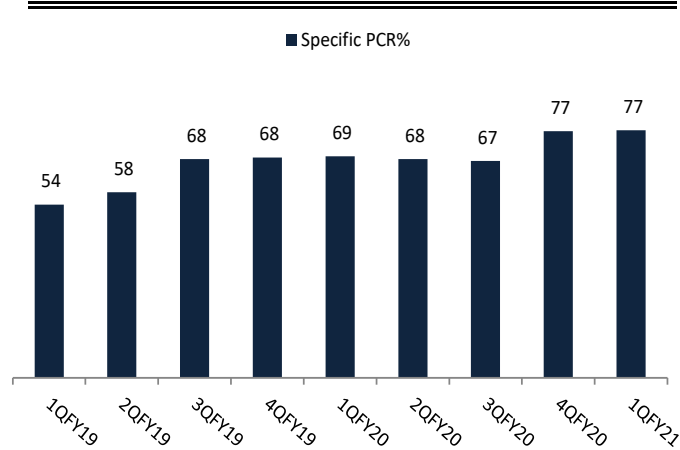


Exhibit: Advances Performance

advance growth increases

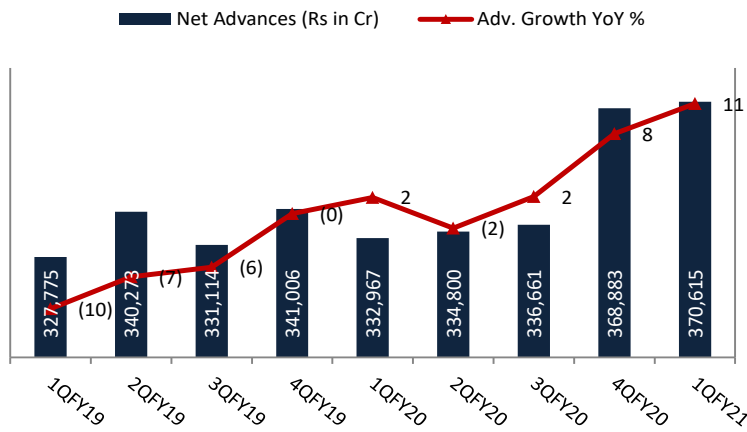


Exhibit: Advances Breakup%

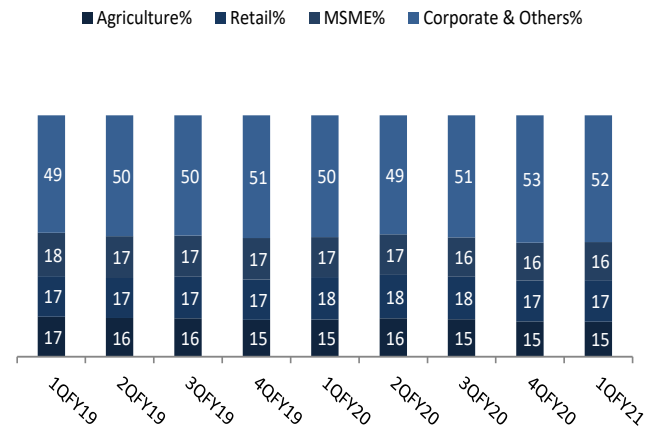


Exhibit: Deposits Performance

Deposit growth increased

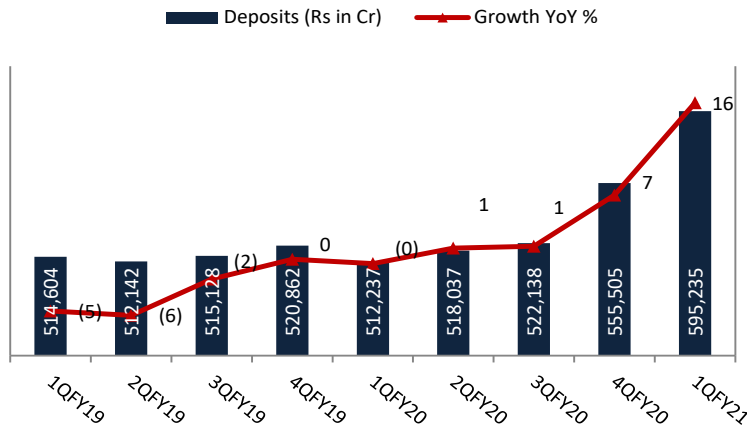


Exhibit: CASA Performance

CASA growth improved

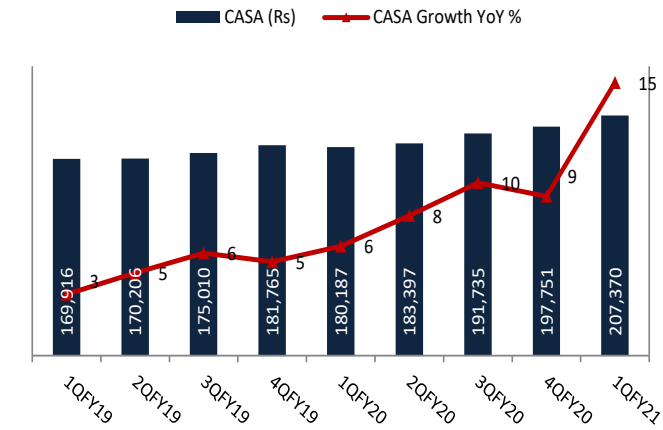
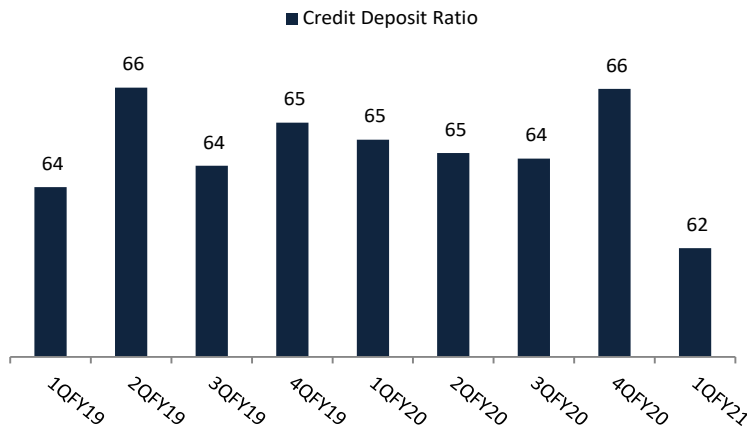


Exhibit: Credit Deposit Ratio

CD ratio increases



Financial Details

Balance Sheet

Fig in Rs cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Share Capital	643	666	817	1055	1744	2760	3277	3278
>> Equity Capital	643	666	817	1055	1744	2760	3277	3277
>> Preference Capital	0	0	0	0	0	0	0	1
Reserves & Surplus	29280	30781	31500	31432	33797	43559	40539	41780
Networth	29923	31447	32317	32487	35541	46319	43815	45057
Deposits	476974	531907	513005	540032	520854	520862	555505	595888
Change (%)	25	12	-4	5	-4	0	7	7
>> CASA Deposits	105467	114386	127924	166609	172787	181765	197751	208561
Change (%)	12	8	12	30	4	5	9	5
Borrowings	48428	40057	51083	39406	43589	44241	39752	36021
Other Liabilities & Prov.	17866	15287	13509	14385	9591	13800	17922	15890
Total Liabilities	573190	618698	609914	626309	609575	625223	656995	692857
Cash & Bank	61382	76404	99141	95888	95883	94811	86456	95547
Investments	114152	119792	118849	127827	137111	147639	158573	166849
Change (%)	21	5	-1	8	7	8	7	5
Advances	370734	402026	359189	366482	341380	341006	368883	387327
Change (%)	28	8	-11	2	-7	0	8	5
Fixed Assets	5786	5886	8480	8462	8265	8920	8982	8802
Other Assets	21136	14591	24254	27651	26936	32846	34101	34331
Total Assets	573190	618698	609914	626309	609575	625223	656995	692857

Income Statement

Fig in Rs cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Interest income	37,910	43,430	41,796	39,291	38,071	40,768	42,353	42,139
Interest expended	27,080	32,086	30,072	27,465	27,565	27,110	27,096	27,711
Net Interest Income	10,831	11,344	11,725	11,826	10,506	13,658	15,257	14,428
Change (%)	20	5	3	1	-11	30	12	-5
Other Income	4,292	4,233	3,653	6,772	5,734	5,132	6,713	6,491
Change (%)	14	-1	-14	85	-15	-10	31	-3
>> Core Fee Income	2,137	2,296	2,066	2,501	2,735	2,552	2,859	3,361
>> Treasury Income	795	931	750	3,298	1,438	(444)	585	1,842
>> Others	1,360	1,006	837	973	1,561	3,024	3,269	1,288
Total Net Income	15,122	15,576	15,377	18,598	16,240	18,790	21,970	20,919
Operating Expenses	6,699	8,089	9,342	8,866	9,101	10,697	10,451	10,209
Change (%)	26	21	15	-5	3	18	-2	-2
>> Employee Expenses	3,991	4,986	5,357	5,397	4,903	6,021	6,141	6,170
Pre-provisioning Profit	8,423	7,488	6,036	9,733	7,139	8,092	11,519	10,710
Change (%)	13	-11	-19	61	-27	13	42	-7
Provisions	4,878	5,693	13,826	12,105	15,772	16,806	16,121	8,320
Change (%)	10	17	143	-12	30	7	-4	-48
PBT	3,545	1,795	(7,791)	(2,373)	(8,634)	(8,713)	(4,603)	2,390
Tax	816	86	(1,702)	(814)	(2,590)	(3,167)	(1,646)	848
Profit After Tax	2,729	1,709	(6,089)	(1,558)	(6,044)	(5,547)	(2,957)	1,541
Change (%)	-1	-37	-456	-74	NA	-8	NA	NA

Financial Details

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Balance Sheet Metrics								
Loan Growth (%)	28	8	(11)	2	(7)	(0)	8	5
Deposit Growth (%)	25	12	(4)	5	(4)	0	7	7
C/D Ratio (%)	78	76	70	68	66	65	66	65
CASA (%)	22	22	25	31	33	35	36	35
Investment/Deposit (%)	24	23	23	24	26	28	29	28
CRAR (%)	10.0	10.7	12.0	12.1	12.9	14.2	13.1	14.3
>> Tier 1 (%)	7.2	8.2	9.0	8.9	9.7	11.1	9.9	9.9
>> Tier 2 (%)	2.7	2.6	3.0	3.2	3.2	3.1	3.2	3.1

Assets Quality Metrics

Gross NPA (Rs)	11,868	22,193	49,879	52,045	62,328	60,661	61,550	60,587
Gross NPA (%)	3.2	5.4	13.1	13.2	16.6	15.8	14.8	13.9
Net NPA (Rs)	7,417	13,518	27,996	25,305	28,207	19,119	14,311	15,147
Net NPA (%)	2.0	3.4	7.8	6.9	8.3	5.6	3.9	3.9
Slippages (%)	3.1	4.6	10.1	6.1	11.0	5.7	5.1	3.6
Provision Coverage (%)	38	39	44	61	66	77	84	83
Provision/Average Advances (%)	1.5	1.5	3.6	3.3	4.5	4.9	4.5	2.2

Margin Metrics

Yield On Advances (%)	8.2	8.2	8.0	7.5	7.1	8.0	8.1	7.6
Yield On Investment (%)	8.1	8.0	7.5	7.3	6.9	7.0	7.0	7.1
Yield on Earning Assets (%)	7.8	7.7	7.3	6.9	6.7	7.3	7.3	6.8
Cost Of Deposits (%)	5.5	5.7	5.2	4.6	4.6	4.4	4.4	4.4
Cost Of Funds (%)	5.6	5.7	5.2	4.7	4.8	4.7	4.6	4.4
Spread (%)	2.2	2.0	2.1	2.2	2.0	2.5	2.7	2.4
NIM (%)	2.2	2.0	2.1	2.1	1.9	2.4	2.6	2.3

Profitability & Efficiency Metrics

Int. Expense/Int. Income (%)	71.4	73.9	71.9	69.9	72.4	66.5	64.0	65.8
Fee Income/NII (%)	19.7	20.2	17.6	21.1	26.0	18.7	18.7	23.3
Cost to Income (%)	44.3	51.9	60.7	47.7	56.0	56.9	47.6	48.8
Cost on Average Assets (%)	1.3	1.4	1.5	1.4	1.5	1.7	1.6	1.5
Tax Rate (%)	23.0	4.8	21.8	34.3	30.0	36.3	35.8	35.5

Valuation Ratio Metrics

EPS (Rs)	42.4	25.7	(74.5)	(14.8)	(34.7)	(20.1)	(9.0)	4.7
Change (%)	(7.9)	(39.5)	(390.2)	(80.2)	134.7	(42)	(55.1)	(152.1)
ROAE (%)	10.1	5.6	(19.1)	(4.8)	(17.8)	(13.6)	(6.6)	3.5
ROAA (%)	0.5	0.3	(1.0)	(0.3)	(1.0)	(0.9)	(0.5)	0.2
Dividend Payout (%)	11.8	19.5	-	-	-	-	-	-
Dividend yield (%)	2.2	2.6	-	-	-	-	-	-
Book Value (Rs)	465.4	472.4	395.4	307.8	203.8	167.9	133.7	137.5
Change (%)	16	2	(16)	(22)	(34)	(18)	(20)	3
P/B (X)	0.5	0.4	0.2	0.5	0.5	0.6	0.4	0.4
P/E (X)	5.4	7.6	(1.3)	(9.4)	(3.0)	(5.2)	(5.4)	10.3

Financial Details

Exhibit: DuPont Analysis

	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
<i>Interest Income</i>	7.3	6.8	6.4	6.2	6.6	6.6	6.2
<i>Interest expended</i>	5.4	4.9	4.4	4.5	4.4	4.2	4.1
<i>Net Interest Income</i>	1.9	1.9	1.9	1.7	2.2	2.4	2.1
<i>Non-Fund Based Income</i>	0.7	0.6	1.1	0.9	0.8	1.0	1.0
>> <i>Core Fee Income</i>	0.4	0.3	0.4	0.4	0.4	0.4	0.5
>> <i>Trading and Other Income</i>	0.3	0.3	0.7	0.5	0.4	0.6	0.5
<i>Core Operating Income</i>	2.3	2.2	2.3	2.1	2.6	2.8	2.6
<i>Total Income</i>	2.6	2.5	3.0	2.6	3.0	3.4	3.1
<i>Total Operating Expenses</i>	1.4	1.5	1.4	1.5	1.7	1.6	1.5
>> <i>Employee Expenses</i>	0.8	0.9	0.9	0.8	1.0	1.0	0.9
>> <i>Other Expenses</i>	0.5	0.6	0.6	0.7	0.8	0.7	0.6
<i>Operating Profit</i>	1.3	1.0	1.6	1.2	1.3	1.8	1.6
<i>Provisions</i>	1.0	2.3	2.0	2.6	2.7	2.5	1.2
<i>Others</i>	-	-	-	-	-	-	-
<i>PBT</i>	0.3	(1.3)	(0.4)	(1.4)	(1.4)	(0.7)	0.4
<i>Tax</i>	0.0	(0.3)	(0.1)	(0.4)	(0.5)	(0.3)	0.1
<i>PAT/RoAA</i>	0.3	(1.0)	(0.3)	(1.0)	(0.9)	(0.5)	0.2
<i>Equity Multiplier (x)</i>	19.4	19.3	19.1	18.2	15.1	14.2	15.2
<i>ROAE</i>	5.6	(19.1)	(4.8)	(17.8)	(13.6)	(6.6)	3.5

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Analyst's ownership of the stocks mentioned in the Report	NIL
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