

January 30, 2025

Q3FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	285		315	
NII (Rs. m)	5,10,272	5,69,242	5,22,724	5,82,927
% Chng.	(2.4)	(2.3)		
Op. Profit (Rs. m)	3,20,356	3,56,918	3,30,620	3,71,344
% Chng.	(3.1)	(3.9)		
EPS (Rs.)	34.0	38.0	34.1	38.3
% Chng.	(0.5)	(0.9)		

Key Financials - Standalone

Y/e Mar	FY24	FY25E	FY26E	FY27E
NII (Rs m)	4,47,215	4,66,144	5,10,272	5,69,242
Op. Profit (Rs m)	3,09,652	3,17,341	3,20,356	3,56,918
PAT (Rs m)	1,77,888	1,88,214	1,75,931	1,96,534
EPS (Rs.)	34.4	36.4	34.0	38.0
Gr. (%)	26.1	5.8	(6.5)	11.7
DPS (Rs.)	7.6	7.3	6.8	7.6
Yield (%)	3.4	3.3	3.1	3.4
NIM (%)	3.1	2.9	2.8	2.8
RoAE (%)	17.8	15.9	12.9	13.0
RoAA (%)	1.2	1.1	0.9	0.9
P/BV (x)	1.1	0.9	0.8	0.7
P/ABV (x)	1.2	0.9	0.8	0.8
PE (x)	6.5	6.1	6.5	5.9
CAR (%)	16.3	17.6	17.5	17.3

Key Data BOB.BO | BOB IN

52-W High / Low	Rs.300 / Rs.216
Sensex / Nifty	76,760 / 23,250
Market Cap	Rs.1,150bn/ \$ 13,276m
Shares Outstanding	5,171m
3M Avg. Daily Value	Rs.2909.14m

Shareholding Pattern (%)

Promoter's	63.97
Foreign	8.91
Domestic Institution	18.12
Public & Others	9.00
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(7.7)	(13.2)	(6.3)
Relative	(5.9)	(7.9)	(13.2)

Gaurav Jani

gauravjani@plindia.com | 91-22-66322235

Harshada Gite

harshadagite@plindia.com | 91-22-66322237

Aditya Modani

adityamodani@plindia.com | 91-22-66322257

Lower NIM to be offset by better asset quality

Quick Pointers:

- Mixed quarter as miss on NIM was offset by lower provisions.
- Cut in NIM to be neutralized by reduction in provisions.

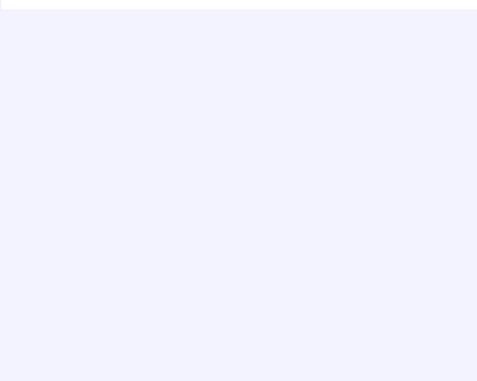
BOB saw a mixed quarter as core PPop was 8.7% below PLe due to lower NIM which was offset by better asset quality. NIM dropped by 16bps QoQ to 2.94% driven by (1) normalization of interest on TWO recovery that was recognized in Q2FY25 (2) tightening of credit filters (3) increase in cost of funds. Guidance on loan/deposit growth in FY25 has been maintained at 11-13% and 9-11%. Asset quality has been consistently improving; net slippages were lesser owing to controlled slippages and write-offs that resulted in lower credit costs at 40bps. Due to focus on better quality underwriting and lower NIM guidance, we trim NIM over FY26/27E by 9/7bps that would be neutralized by fall in provisions by 7/8bps; impact on core PAT is not material. Stock is valued at 0.9/0.8x on FY26/27 ABV (14% discount to SBI). We tweak multiple to 1.0x from 1.1x due to tough macros and cut TP to Rs285 from Rs315. Retain 'BUY'.

- **Mixed quarter; lower NIM offset by better asset quality:** NII was a miss at Rs114.2bn (PLe Rs119.7bn) due to lower NIM at 2.91% (PLe 3.07%) led by lesser investment yields and higher cost of funds. Loan/deposit growth were in-line at 12.4%/11.8% YoY. Other income was a beat at Rs37.7bn (PLe Rs28.8bn) due to higher treasury and misc. income. Opex at Rs75.2bn was 1.5% above PLe due to more staff cost. Core PPop at Rs65.8bn was 8.7% below PLe; PPop was Rs76.6bn. Asset quality was better as GNPA fell by 7bps QoQ to 2.43% due to lower net slippages. Gross slippages were lower at Rs29.2bn (PLe Rs33bn) and recoveries were better at Rs18.2bn. Hence provisions were lower at Rs10.8bn (PLe Rs23bn); PCR was intact at 76%. Core PAT was 12.8% above PLe at Rs40.4bn while PAT was Rs48.4bn (PLe Rs37.5bn).
- **NIM sees a QoQ blip again; stress reducing:** Reported NIM declined by 16bps QoQ to 2.94% due to (1) normalization of interest recovery (in Q2FY25) to the tune of Rs3.5bn (2) rise in cost of funds and (3) organic contraction in yields. Despite strong retail/SME growth QoQ, reported yields (adjusted for Rs3.5bn) fell by 6-7bps QoQ due to tightened credit filters. Asset quality improved since net slippages were much lower at Rs10.9bn (PLe Rs17.0bn) led by healthy recoveries, while write-offs were controlled leading to lower credit costs. While unsecured GNPA stood at 3.5% (vs retail GNPA of 1.8%), due to its low share in credit (2.9%) contribution to overall slippages is minimal.
- **Credit growth largely led by retail/SME:** Credit growth was 2.7% QoQ driven by retail (4.8%), SME (3.9%) and agri (4.5%) while by corporate growth was soft at -0.4%. Within retail, growth was broad based and spread across home, auto, PL and education. Although unsecured growth was healthy at 7% QoQ, it has slowed down considerably due to stress and underwriting has become more stringent as incremental lending is largely to salaried customers. On liabilities, borrowings increased by Rs370bn over the last 2 quarters as bank is reducing dependence on higher cost wholesale deposits.

Exhibit 1: PAT beat led by higher other income and lower provisions

Financial Statement (Rs m)	Q3FY25	Q3FY24	YoY gr. (%)	Q2FY25	QoQ gr. (%)	Q3FY25E	% Var.
Interest Income	3,09,076	2,86,051	8.0	3,02,633	2.1	3,09,905	(0.3)
Interest Expense	1,94,907	1,75,038	11.4	1,86,412	4.6	1,90,233	2.5
Net Interest Income (NII)	1,14,169	1,11,013	2.8	1,16,221	(1.8)	1,19,672	(4.6)
- Other income	37,689	28,105	34.1	51,814	(27.3)	28,806	30.8
Fee income	16,820	14,820	13.5	17,180	(2.1)	17,180	(2.1)
Other non interest income	20,869	13,285	57.1	34,634	(39.7)	11,626	79.5
Total income	1,51,858	1,39,118	9.2	1,68,035	(9.6)	1,48,477	2.3
Operating expenses	75,215	68,967	9.1	73,265	2.7	74,073	1.5
-Staff expenses	42,067	38,085	10.5	40,397	4.1	41,205	2.1
-Other expenses	33,148	30,882	7.3	32,867	0.9	32,867	0.9
Operating profit	76,642	70,151	9.3	94,770	(19.1)	74,405	3.0
Core operating profit	65,774	69,666	(5.6)	87,006	(24.4)	72,061	(8.7)
Total provisions	10,823	6,663	62.4	23,357	(53.7)	23,000	(52.9)
Profit before tax	65,819	63,488	3.7	71,413	(7.8)	51,405	28.0
Tax	17,446	17,694	(1.4)	19,034	(8.3)	13,879	25.7
Profit after tax	48,373	45,793	5.6	52,379	(7.6)	37,526	28.9
Balance sheet (Rs m)							
Deposits	1,39,24,614	1,24,52,996	11.8	1,36,34,859	2.1	1,39,24,620	(0.0)
Advances	1,15,13,156	1,02,40,986	12.4	1,12,11,709	2.7	1,14,91,913	0.2
Profitability ratios							
RoaA	1.2	1.2	(6)	1.3	(13)	0.9	26
NIM	2.9	3.1	(16)	3.1	(16)	3.4	(47)
Yield on Advances	8.8	9.1	(31)	8.7	5	8.7	3
Cost of Deposits	5.4	5.3	5	5.3	13	5.3	10
Asset Quality							
Gross NPA (Rs m)	2,84,712	3,23,176	(11.9)	2,85,512	(0.3)	2,70,512	5.2
Net NPA (Rs m)	68,251	72,083	(5.3)	67,643	0.9	64,923	5.1
Gross NPL ratio	2.4	3.1	(65)	2.5	(7)	2.3	11
Net NPL ratio	0.6	0.7	(11)	0.6	(1)	0.6	3
Coverage ratio	76.0	77.7	(167)	76.3	(28)	76.0	3
Business & Other Ratios							
Low-cost deposit mix	33.2	40.7	(747)	33.6	(40)	33.3	(3)
Cost-income ratio	49.5	49.6	(4)	43.6	593	49.9	(36)
Non int. inc / total income	24.8	20.2	462	30.8	(602)	19.4	542
Credit deposit ratio	82.7	82.2	44	82.2	45	82.5	15
CAR	16.0	14.7	124	16.3	(30)	-	-
Tier-I	13.4	12.7	78	14.2	(74)	-	-

Source: Company, PL



Q3FY25 Concall Highlights

Balance Sheet

- Credit growth guidance at 11-13%; deposits guided to grow at 9-11%. Bank intends to bring down dependency on bulk deposits.
- Within PL, bank is moving towards salaried accounts. Bank is comfortable increasing the book by 25% YoY. Quality of the book has improved.
- Home loan book is fully organic and does not include refinancing from other private banks.
- Borrowings have been increasing to replace deposits having higher cost.

Profit & Loss

- NIM dropped QoQ due to (1) increase in cost of deposits and (2) normalization of one-time interest on TWO recovery of Rs3.5bn (included in Q2FY25).
- NIM guidance for FY25 is 3.05% (+/- 5bps) given improved liquidity conditions and rate cut expectations.
- Employee provision increased QoQ due to increase in gratuity liability.

Asset Quality

- Slippage ratio guided to be between 1-1.25%. Credit cost guided to be <75bps.
- PL/gold slippages contribution to overall slippages is not material.
- Slippages in international portfolio were slightly higher due to combination of many small accounts which is expected to normalize.
- SMA-2 balance includes 4-5 accounts due to technical liquidity mismatch; they have been rolled back.
- Normalized run rate for recovery from TWO is Rs7.5-8bn which is expected to continue in future.

Exhibit 2: QoQ loan growth led by retail at 4.8% and Agri at 4.5%

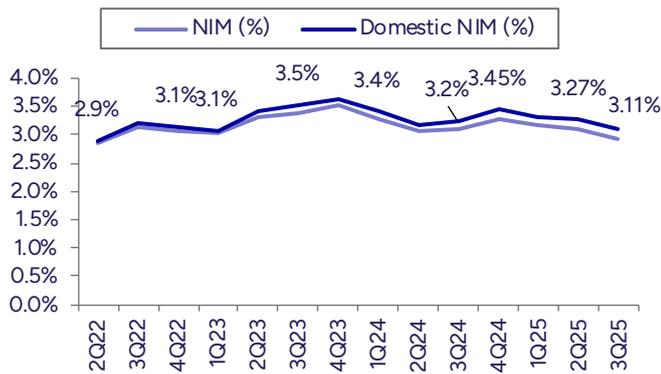
Loan break up (Rs mn)	Q3FY25	Q3FY24	YoY gr. (%)	Q2FY25	QoQ gr. (%)
Domestic Advances	96,48,690	86,20,860	11.9	93,88,830	2.8
Corporate	38,74,050	36,28,130	6.8	38,89,320	(0.4)
SME	13,17,690	11,59,950	13.6	12,68,280	3.9
Retail	24,33,600	20,36,270	19.5	23,23,110	4.8
Agri	15,10,500	13,42,400	12.5	14,45,080	4.5
Other/Misc	5,12,840	4,54,120	12.9	4,63,040	10.8

Advances Mix

Domestic Advances	82	82	0	82	0
Corporate	33	35	(4)	34	(3)
SME	11	11	2	11	1
Retail	21	19	7	20	2
Agri	13	13	1	13	2
Other/Misc	4	4	1	4	8

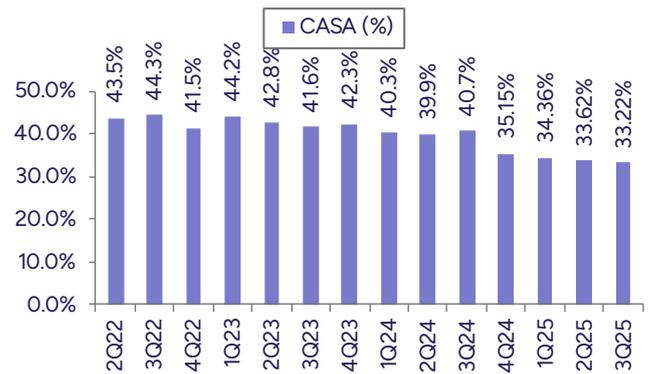
Source: Company, PL

Exhibit 3: Domestic NIM declines to 3.11%



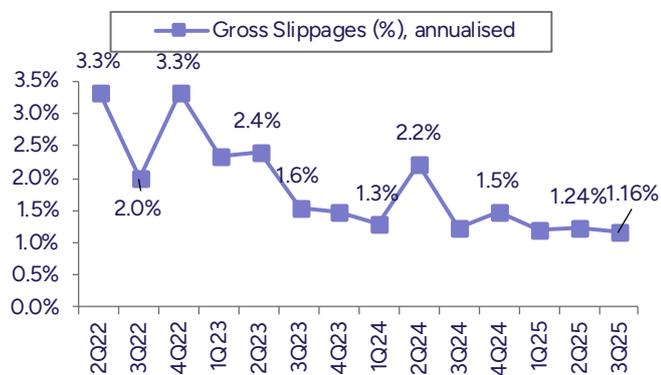
Source: Company, PL

Exhibit 4: CASA ratio declines by 40bps QoQ to 33.2%



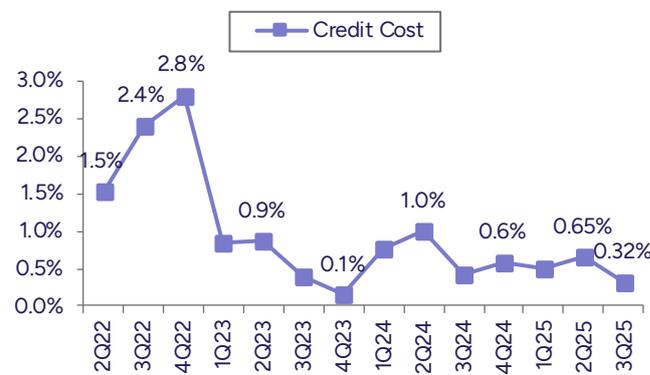
Source: Company, PL

Exhibit 5: Gross slippage decrease by 8bps to 1.16%



Source: Company, PL

Exhibit 6: Credit cost decreases by 33bps to 0.32%



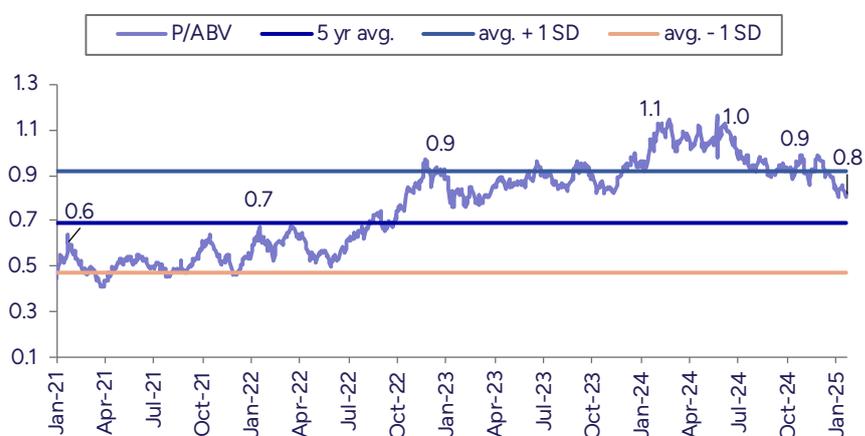
Source: Company, PL

Exhibit 7: Return ratios to range at 12-13%

ROAE decomposition	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
NII/Assets	2.5	2.5	2.7	3.0	2.9	2.8	2.7	2.7
Other Income/Assets	0.9	1.1	0.9	0.7	1.0	0.9	0.7	0.7
Net revenues/Assets	3.4	3.6	3.6	3.8	3.9	3.7	3.5	3.5
Opex/Assets	1.6	1.8	1.8	1.8	1.9	1.8	1.8	1.8
Provisions/Assets	1.9	1.4	1.1	0.5	0.4	0.4	0.4	0.4
Taxes/Assets	-0.2	0.4	0.2	0.4	0.5	0.4	0.3	0.3
ROAA	0.0	0.1	0.6	1.0	1.2	1.1	0.9	0.9
ROAE	0.9	1.2	9.6	16.5	17.8	15.9	12.9	13.0

Source: Company, PL Note – FY20 represents merged numbers

Exhibit 8: One-year forward P/ABV trades at 0.8x



Source: Company, PL

Income Statement (Rs. m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Int. Earned from Adv.	8,50,982	9,42,627	10,29,462	11,31,654
Int. Earned from invt.	2,48,657	2,62,129	2,78,509	3,04,762
Others	9,210	6,832	5,687	6,401
Total Interest Income	11,26,059	12,27,873	13,33,014	14,65,195
Interest Expenses	6,78,844	7,61,728	8,22,742	8,95,954
Net Interest Income	4,47,215	4,66,144	5,10,272	5,69,242
Growth(%)	8.1	4.2	9.5	11.6
Non Interest Income	1,44,954	1,48,640	1,40,506	1,55,142
Net Total Income	5,92,169	6,14,784	6,50,778	7,24,384
Growth(%)	27.6	8.3	7.0	10.0
Employee Expenses	1,58,160	1,65,512	1,84,897	2,06,825
Other Expenses	1,24,357	1,31,931	1,45,525	1,60,641
Operating Expenses	2,82,517	2,97,443	3,30,422	3,67,466
Operating Profit	3,09,652	3,17,341	3,20,356	3,56,918
Growth(%)	15.3	2.5	1.0	11.4
NPA Provision	64,709	47,306	65,737	72,920
Total Provisions	60,756	59,858	79,355	87,693
PBT	2,48,896	2,57,483	2,41,001	2,69,225
Tax Provision	71,008	69,269	65,070	72,691
Effective tax rate (%)	28.5	26.9	27.0	27.0
PAT	1,77,888	1,88,214	1,75,931	1,96,534
Growth(%)	26.1	5.8	(6.5)	11.7

Balance Sheet (Rs. m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Face value	2	2	2	2
No. of equity shares	5,178	5,178	5,178	5,178
Equity	10,355	10,355	10,355	10,355
Networth	11,22,236	13,43,862	14,84,607	16,45,955
Growth(%)	14.3	19.7	10.5	10.9
Adj. Networth to NNPA's	72,133	67,687	66,099	66,266
Deposits	1,32,69,578	1,44,71,688	1,61,58,074	1,79,31,636
Growth(%)	10.2	9.1	11.7	11.0
CASA Deposits	51,43,662	48,92,140	54,24,881	60,22,481
% of total deposits	38.8	33.8	33.6	33.6
Total Liabilities	1,58,57,971	1,77,76,622	1,97,64,501	2,19,45,171
Net Advances	1,06,57,817	1,19,39,142	1,32,49,621	1,47,03,941
Growth(%)	13.3	12.0	11.0	11.0
Investments	36,98,168	40,40,665	45,11,524	50,06,723
Total Assets	1,58,57,971	1,77,76,622	1,97,64,501	2,19,45,171
Growth (%)	8.7	12.1	11.2	11.0

Asset Quality

Y/e Mar	FY24	FY25E	FY26E	FY27E
Gross NPAs (Rs m)	3,18,336	2,81,495	2,75,247	2,76,178
Net NPAs (Rs m)	72,133	67,687	66,099	66,266
Gr. NPAs to Gross Adv.(%)	2.9	2.3	2.0	1.9
Net NPAs to Net Adv. (%)	0.7	0.6	0.5	0.5
NPA Coverage %	77.3	76.0	76.0	76.0

Profitability (%)

Y/e Mar	FY24	FY25E	FY26E	FY27E
NIM	3.1	2.9	2.8	2.8
RoAA	1.2	1.1	0.9	0.9
RoAE	17.8	15.9	12.9	13.0
Tier I	14.1	14.9	14.8	14.7
CRAR	16.3	17.6	17.5	17.3

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Interest Income	2,95,834	2,96,287	3,02,633	3,09,076
Interest Expenses	1,77,906	1,80,286	1,86,412	1,94,907
Net Interest Income	1,17,928	1,16,001	1,16,221	1,14,169
YoY growth (%)	2.3	5.5	7.3	2.8
CEB	18,540	14,190	17,180	16,820
Treasury	-	-	-	-
Non Interest Income	41,915	24,873	51,814	37,689
Total Income	3,37,749	3,21,160	3,54,447	3,46,765
Employee Expenses	45,467	40,140	40,397	42,067
Other expenses	33,315	29,121	32,867	33,148
Operating Expenses	78,782	69,261	73,265	75,215
Operating Profit	81,061	71,613	94,770	76,642
YoY growth (%)	0.4	(8.5)	18.2	9.3
Core Operating Profits	75,871	70,733	87,850	69,572
NPA Provision	14,850	12,690	17,330	8,710
Others Provisions	13,019	10,107	23,357	10,823
Total Provisions	13,019	10,107	23,357	10,823
Profit Before Tax	68,042	61,506	71,413	65,819
Tax	19,177	16,924	19,034	17,446
PAT	48,865	44,582	52,379	48,373
YoY growth (%)	2.3	9.5	23.2	5.6
Deposits	1,32,69,578	1,30,69,941	1,36,34,859	1,39,24,614
YoY growth (%)	10.2	8.9	9.1	11.8
Advances	1,06,57,817	1,04,79,487	1,12,11,709	1,15,13,156
YoY growth (%)	13.3	8.8	12.3	12.4

Key Ratios

Y/e Mar	FY24	FY25E	FY26E	FY27E
CMP (Rs)	222	222	222	222
EPS (Rs)	34.4	36.4	34.0	38.0
Book Value (Rs)	207	250	277	308
Adj. BV (Rs)	193	237	264	295
P/E (x)	6.5	6.1	6.5	5.9
P/BV (x)	1.1	0.9	0.8	0.7
P/ABV (x)	1.2	0.9	0.8	0.8
DPS (Rs)	7.6	7.3	6.8	7.6
Dividend Payout Ratio (%)	22.1	20.0	20.0	20.0
Dividend Yield (%)	3.4	3.3	3.1	3.4

Efficiency

Y/e Mar	FY24	FY25E	FY26E	FY27E
Cost-Income Ratio (%)	47.7	48.4	50.8	50.7
C-D Ratio (%)	80.3	82.5	82.0	82.0
Business per Emp. (Rs m)	317	347	383	420
Profit per Emp. (Rs lacs)	24	25	23	25
Business per Branch (Rs m)	2,889	3,179	3,529	3,905
Profit per Branch (Rs m)	21	23	21	24

Du-Pont

Y/e Mar	FY24	FY25E	FY26E	FY27E
NII	2.94	2.77	2.72	2.73
Total Income	3.89	3.66	3.47	3.47
Operating Expenses	1.86	1.77	1.76	1.76
PPoP	2.03	1.89	1.71	1.71
Total provisions	0.40	0.36	0.42	0.42
RoAA	1.17	1.12	0.94	0.94
RoAE	17.83	15.91	12.90	12.97

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-25	BUY	315	232
2	26-Oct-24	BUY	315	240
3	07-Oct-24	BUY	300	251
4	01-Aug-24	BUY	300	254
5	08-Jul-24	BUY	290	274
6	11-May-24	BUY	290	255
7	09-Apr-24	BUY	270	268
8	01-Feb-24	BUY	270	248

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	Accumulate	1,900	1,681
2	Axis Bank	BUY	1,350	1,038
3	Bank of Baroda	BUY	315	232
4	Can Fin Homes	BUY	860	708
5	City Union Bank	BUY	190	171
6	DCB Bank	BUY	155	117
7	Federal Bank	BUY	210	184
8	HDFC Asset Management Company	BUY	4,700	3,865
9	HDFC Bank	BUY	1,950	1,666
10	ICICI Bank	BUY	1,550	1,209
11	IndusInd Bank	BUY	1,500	984
12	Kotak Mahindra Bank	BUY	2,230	1,759
13	LIC Housing Finance	Hold	675	583
14	Nippon Life India Asset Management	BUY	725	653
15	State Bank of India	BUY	1,025	779
16	UTI Asset Management Company	BUY	1,320	1,296

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Gaurav Jani- CA, Passed CFA Level II, Ms. Harshada Gite- CA, Mr. Aditya Modani- CA, Passed CFA Level II Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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