

Press Release
BANK OF INDIA
August 29, 2024
Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Sr
BOND	3000.00	ACUITE AA+ Stable Upgraded Positive to Stable	-
BOND	2000.00	ACUITE AAA Stable Upgraded Positive to Stable	-
Total Outstanding Quantum (Rs. Cr)	5000.00	-	-

Rating Rationale

Acuité has upgraded the long-term rating from 'ACUITE AA' (read as ACUITE double A) to 'ACUITE AA+' (read as ACUITE double A Plus) on the Rs. 3000.00 crore Basel III Additional Tier-I Bonds of Bank of India. The outlook will change from 'Positive' to 'Stable'.

Acuité has upgraded the long-term rating from 'ACUITE AA+' (read as ACUITE double A plus) to 'ACUITE AAA' (read as ACUITE tripple A) on the Rs. 2000.00 crore Basel III compliant Tier-II Bonds of Bank of India. The outlook will change from 'Positive' to 'Stable'.

Rationale for the rating

The rating revision takes into consideration the sustained improvement in the earning profile, capital position and asset quality. Accordingly the bank reported a PAT of Rs. 6317.92 Cr. against Rs. 4022.94 Cr. in FY 23. This is the highest ever PAT that has been recorded by the bank. The rating further factors in the growth momentum in the overall business with the domestic advance scaling to Rs. 5,08,169 Cr. as on Q1FY25 which is a 17.29% growth year on year. The rating continues to factor in Bol's strong parentage and demonstrated capital support from the Government of India. This is well reflected in the bank's healthy capitalization levels of 16.96% as on March 31, 2024 [Tier I CAR: 14.93%]. The rating also takes into account an improvement in the bank's financial performance primarily led by decline in slippages and overall credit costs. The ratings continue to factor in Bol's healthy liability profile characterized by Current Account Savings Account (CASA) mix of 43.21% as on March 31, 2024. Additionally, the bank's high provision cover of 90.59% as on March 31, 2024 which provides adequate buffer against near to medium term asset quality risks. These strengths are offset by the bank's modest albeit improving asset quality. The bank's GNPA and NNPA stood at 4.98% and 1.22% respectively as on March 31, 2024. While the bank continues to have healthy provision cover, performance of restructured portfolio and assets in softer buckets continues to be critical. Going forward, bank's ability to maintain upward trajectory in the overall financial performance as well as contain asset quality risks will be key monitorable.

For AT1 bond ratings, Acuité has considered higher risk features including the discretion of coupon payments in a weak capital scenario and principal loss absorption in part or full at the 'point of non-viability (PONV)' of a bank.

About the company

Mumbai based Bank of India (BoI) was founded in 1906 and nationalised in 1969. The bank is engaged in retail banking, corporate/wholesale banking, priority sector banking, treasury operations and other banking services. The bank operates through a network of 5155 branches across India and 22 overseas branches across 15 countries as on June 30, 2024.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has adopted the standalone approach while assessing the business and financial risk profile of the Bank of India. The standalone approach, however, also duly factors in the support expectations from the parent, i.e. Government of India. In case of the AT1 bond programme, the rating has been appropriately notched down as per the specific rating criteria for these instruments.

Key Rating Drivers

Strength

Ownership and demonstrated capital support from the Government.

Bol remains one of the 12 public sector banks in India subsequent to the consolidation exercise undertaken by the Gol in FY19-20. The bank operates through an extensive network of 5155 branches spread across India and 22 overseas branches across 18 countries. As of March 31, 2024, the government held 73.38 % stake in the bank and has demonstrated its proactive support to the bank through regular equity infusion underlining the strategic importance of the bank in furthering the objective of financial inclusion. The Bank received capital support aggregating to Rs. 29,794 crore over FY17- FY21 (Rs. 2,838 crore in FY17, Rs. 9,232 crore in FY18, Rs. 14,724 crore in FY19 and Rs. 3,000 crore in FY2021) from Gol. Continued Gol support, turnaround in financial performance and ability to raise capital via market route has further augmented the bank's capitalisation position. As on March 31, 2024, the bank reported CAR of 16.96% with Tier I CAR of 14.93%.

Acuité believes that the Gol will continue to provide significant support to large public sector banks like Bol which plays critical role in penetration of financial services and social development.

Stable liability franchise

Bol has significant presence in semi urban and rural areas (64.61 percent of the overall branches) which facilitates mobilisation of small ticket/ CASA deposits. The resource profile also derives significant strength from robust Current Account Savings Account (CASA) base steadily improving from 37.1 percent as on March 31, 2015 to 43.21 percent as on March 31, 2024. The CASA improved aided by steady accretion of savings deposits coupled with a considerable reduction of bulk deposits over this period. The CASA deposits increased by 7.03 percent year-on-year at the end of FY24.

Acuité expects Bank of India to continue to benefit by way of access to lower cost of funds on the back of its sovereign parentage, stable retail deposit base and robust CASA share.

Improvement in Financial Performance

The bank turned profitable during FY2021 after 5 years of losses. The bank reported a (Profits After Tax) of Rs. 6317.92 Cr. in FY2024 as compared to Rs. 4022.94 Cr. in FY2023. The improvement was majorly on account of rise in interest income, reduction in overall slippages and associated credit costs. The NIM of the bank improved to 2.97 % during FY24 as compared to 3.01 % in FY23.

Acuité believes that the ability of the bank to maintain upward trajectory in the overall financial performance will be key monitorable.

Weakness

Moderate Asset Quality

Over the last few quarters, the bank's asset quality has been improving led by falling slippages and higher recoveries/ write-offs. The bank's GNPA levels have steadily improved to 4.98 percent as on March 31, 2024 as compared to 7.31 percent as on March 31, 2023. The bank continues to have healthy provision cover, performance of restructured portfolio and assets in softer buckets continues to be important.

While Acuité does not expect the bank to witness any major surge in delinquencies in the near to medium term, bank's ability to maintain upward trajectory in the overall financial performance as a well contain asset quality risks will be key monitorables.

ESG Factors Relevant for Rating

Public sector banks play a significant role in promoting financial inclusion in the country including facilitation of banking services in unbanked areas. Healthy corporate governance practices are important for sustainability in a bank's long term performance. Some of the critical governance factors in the banking sector include board independence and diversity, effectiveness of the board sub committees, shareholders' rights as well as policies on KMP compensation and business ethics. Further, for the financial services sector, data privacy, security of financial instruments and responsible investments are relevant social factors. Other material social factors involve employee management and talent retention given the manpower intensive nature of banking operations and various initiatives for community support and development. While the banking sector has low exposure to environmental risks, energy efficiency and electronic waste management carry moderate materiality. Bank of India has taken multiple steps towards enhancement of shareholder rights. The bank has formed a stakeholders' relationship committee for redressal of grievances of shareholders and investors. The bank board also has a committee for performance evaluation of MD & CEO, Executive Directors and General Managers; this committee is constituted as per Government of India, Ministry of Finance, Department of Financial Services directives. The bank has taken initiatives and programmes for improvement of business ethics; these include full, accurate timely and meaningful disclosures in the periodic reports required to be filed by the Bank with government and regulatory agencies. In the environmental category, the bank has financing products or services that help develop clean or renewable energy. Further in the social category, the bank continues to take initiatives towards career development of its employees by bridging the skill gap and imparting training through its 7 training colleges. The bank has recognised the importance of data privacy and has taken several initiatives towards it; it has put in place Captive Security Operation Centre (SOC) at Data Center and has also employed information security tools for Real-time monitoring of Information Security breach attempts / incidents / events on 24x7 basis. Some of the programmes of the bank under Corporate Social Responsibility (CSR) include engagement in Swachh Bharat Abhiyan, Beti Bachao Beti Padhao Abhiyan, rural socioeconomic development and health care to poor and under privileged

Rating Sensitivity

- Continued ownership & support from Gol
- Movement in asset quality and profitability metrics
- Movement in capitalization adequacy levels

Liquidity Position

Adequate

The bank's liquidity position is supported by sovereign ownership and stable liability franchise. Its liquidity coverage ratio stood at 150% as on March 31, 2024 as against minimum regulatory requirement of 100%.

Outlook: Stable

Acuité believes that BOI will benefit from the momentum financial performance until now in the near to medium term. The outlook may be revised to 'Positive' in case of higher than expected growth in loan book, equity infusion, improvement in key operating metrics and liquidity. The outlook may be revised to 'Negative' in case of any headwinds faced in scaling up of operations or in case of any challenges in maintaining its asset quality and profitability

metrics or any deterioration in liquidity position.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY24 (Actual)	FY23 (Actual)
Interest Income	Rs. Cr.	60,709.49	47,647.72
Interest Expense	Rs. Cr.	37656.57	27,372.82
Profit After Tax (PAT)	Rs. Cr.	6317.92	4,022.94
Deposits	Rs. Cr.	7,37,920.21	6,69,585.77
Net Advances	Rs. Cr.	5,63,144.67	4,85,899.64
Investments	Rs. Cr.	2,27,144.47	2,04,397.88
Capital Adequacy	(%)	16.96	16.51
Return on Average Assets (RoAA)	(%)	0.76	0.50
Gross NPA	(%)	4.98	7.31
Net NPA	(%)	1.22	1.66

Status of non-cooperation with previous CRA (if applicable):

Not Applicable

Any other information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Banks And Financial Institutions: <https://www.acuite.in/view-rating-criteria-45.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Aug 2023	Proposed Perpetual Additional Tier I Bonds	Long Term	148.00	ACUITE AA Positive (Reaffirmed)
	Basel III AT1 Bonds	Long Term	750.00	ACUITE AA Positive (Reaffirmed)
	Basel III AT1 Bonds	Long Term	602.00	ACUITE AA Positive (Reaffirmed)
	Basel III AT1 Bonds	Long Term	1500.00	ACUITE AA Positive (Reaffirmed)
	Proposed Basel III compliant Tier II Bonds	Long Term	2000.00	ACUITE AA+ Positive (Assigned)
23 Nov 2022	Proposed Perpetual Additional Tier I Bonds	Long Term	148.00	ACUITE AA Positive (Reaffirmed)
	Basel III AT1 Bonds	Long Term	750.00	ACUITE AA Positive (Reaffirmed)
	Basel III AT1 Bonds	Long Term	602.00	ACUITE AA Positive (Reaffirmed)
	Proposed Perpetual Additional Tier I Bonds	Long Term	1500.00	ACUITE AA Positive (Assigned)
22 Nov 2022	Proposed Perpetual Additional Tier I Bonds	Long Term	148.00	ACUITE AA Positive (Reaffirmed)
	Basel III AT1 Bonds	Long Term	750.00	ACUITE AA Positive (Reaffirmed)
	Basel III AT1 Bonds	Long Term	602.00	ACUITE AA Positive (Reaffirmed)
24 Nov 2021	Perpetual Additional Tier I Bonds	Long Term	602.00	ACUITE AA Stable (Reaffirmed)
	Perpetual Additional Tier I Bonds	Long Term	750.00	ACUITE AA Stable (Reaffirmed)
	Proposed Perpetual Additional Tier I Bonds	Long Term	148.00	ACUITE AA Stable (Reaffirmed)
18 Jan 2021	Proposed Perpetual Additional Tier I Bonds	Long Term	1500.00	ACUITE AA Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	INE084A08136	Basel III AT1 Bonds	28 Jan 2021	9.04	Not avl. / Not appl.	Highly Complex	750.00	ACUITE AA+ Stable Upgraded Positive to Stable (from ACUITE AA)
Not Applicable	INE084A08144	Basel III AT1 Bonds	30 Mar 2021	9.30	Not avl. / Not appl.	Highly Complex	602.00	ACUITE AA+ Stable Upgraded Positive to Stable (from ACUITE AA)
Not Applicable	INE084A08169	Basel III AT1 Bonds	02 Dec 2022	8.57	Not avl. / Not appl.	Highly Complex	1500.00	ACUITE AA+ Stable Upgraded Positive to Stable (from ACUITE AA)
Not Applicable	INE084A08177	Basel III Tier II Bonds	15 Sep 2023	7.88	15 Sep 2033	Highly Complex	2000.00	ACUITE AAA Stable Upgraded Positive to Stable (from ACUITE AA+)
Not Applicable	Not avl. / Not appl.	Proposed Perpetual Additional Tier I Bonds	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Highly Complex	148.00	ACUITE AA+ Stable Upgraded Positive to Stable (from ACUITE AA)

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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