

Bank of India

February 06, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Infrastructure Bonds	5,000.00	CARE AA+; Stable	Assigned
Infrastructure Bonds	5,000.00	CARE AA+; Stable	Reaffirmed
Infrastructure Bonds	5,000.00	CARE AA+; Stable	Reaffirmed
Tier-I Bonds	2,500.00	CARE AA; Stable	Reaffirmed
Tier-II Bonds	3,000.00	CARE AA+; Stable	Reaffirmed
Tier-II Bonds	2,500.00	CARE AA+; Stable	Reaffirmed
Fixed deposit	0.00	CARE AA+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Tier-II Bonds under Basel III are characterised by a point-of-non-viability (PONV) trigger due to which the investor may suffer a loss of principal. PONV will be determined by the Reserve Bank of India (RBI) and is a point at which the bank may no longer remain a going concern on its own unless appropriate measures are taken to revive its operations, and thus, enable it to continue as a going concern. In addition, the difficulties faced by a bank should be such that these are likely to result in financial losses, and raising the Common Equity Tier-I capital of the bank should be considered as the most appropriate way to prevent the bank from turning non-viable.

#CARE Ratings Limited (CARE Ratings) has rated the mentioned Basel-III compliant additional Tier-I bonds after taking into consideration following key features:

- The bank has full discretion, at all times, to cancel coupon payments. The coupon is to be paid from the current year's profits. However, if the current year's profits are not sufficient, the payment of such coupon is likely to result in losses in the current year, balance coupon payment may be made from revenue reserves, including statutory reserves and/or credit balance in profit and loss account and excluding share premium, revaluation reserve, foreign currency translation reserve, investment reserve, and reserves created on amalgamation, provided the bank meets the minimum regulatory requirements for CET I, Tier-I and total capital ratios, and capital buffer frameworks as prescribed by the RBI.
- The instrument may be written down on CET I breaching pre-specified trigger 6.125% on and after October 01, 2021, or written off/converted into common equity shares on the occurrence of the trigger event called PONV. PONV trigger will be determined by the RBI.

Delays in payment of interest or principal (as the case may be) due to invocation of features mentioned will constitute an event of default per CARE Ratings' definition of default, and as such these instruments may exhibit somewhat sharper migration of the rating compared to other subordinated debt instruments.

Rationale and key rating drivers

Ratings assigned to debt instruments of Bank of India (BOI) factor in expectation of continued support from the Government of India (GOI), having a majority (73.38% as on December 31, 2024) shareholding in the bank. The rating also favourably factor in the bank's established franchise through its pan India branch network, which has helped the bank build a granular deposit base. Ratings further factor in the bank's comfortable capitalisation supported by periodic capital infusions, its diversified advances portfolio, and improvement in financial performance over the last few years.

These strengths are partly offset by its relatively weaker, albeit improving, asset quality and earnings profile compared to its peer banks.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in profitability with return on total asset (ROTA) of above 0.8% on a sustained basis
- Sustained improvement in asset quality parameters

Negative factors

- Decline in profitability with ROTA below 0.30% on a sustained basis
- Decline in the capitalisation level with decline in cushion over the minimum regulatory requirement by less than 2.5%
- Deterioration in asset quality parameters from the current levels

Analytical approach: Standalone

The rating is based on the bank's standalone profile and factors in the strong and continued support from the GoI, which holds the majority shareholding in the bank.

Outlook: Stable

Stable outlook reflects CARE Ratings' expectation that BOI would demonstrate a stable financial performance with gradual improvement in asset quality parameters and low credit costs, while maintaining healthy capitalisation.

Detailed description of key rating drivers:

Key strengths

Expected of continued support from GOI

GoI has been supporting public sector banks (PSBs) with regular capital infusions and steps to improve operational efficiency and asset quality. BOI has received continued support from the GoI through capital infusions in the past, when the bank was classified under prompt corrective action (PCA) framework of RBI. In FY22, the bank raised equity capital of ₹2,550 crore through qualified institutional placement (QIP) (non-government) route, resulting in reduction in GoI's shareholding in the bank from 89.10% as on March 31, 2021, to 81.41% as on March 31, 2022. Post capital infusion through QIP of equity shares in Q3FY24, GoI's shareholding came down to 73.38% as on December 31, 2023. However, GoI continues to hold a significant majority shareholding in the bank. Considering the bank's significance as one of the largest PSBs, and with a majority shareholding, CARE Ratings expects timely and regular support from GoI, to maintain its capitalisation levels, and the same remains a key rating sensitivity.

Long track record of operations and pan-India presence

BOI has a long and established operational track record of over a century and is the sixth-largest nationalised bank in terms of advances with advances of ₹6.51 lakh crore and total business (Advances + Deposits) of ₹14.46 lakh crore as on December 31, 2024. Its pan India geographical presence has risen substantially, furthering its existing strong franchise with a network of 5,202 branches in India and 22 branches overseas, and having a large customer base as on December 31, 2024 with ~65% of its total domestic branches catering to rural and semi-urban areas. The bank has a strong liability profile, as depicted by increasing deposit base and healthy share of current account savings accounts (CASA). Nevertheless, the bank's CASA deposit ratio (as a proportion of domestic deposits) marginally decreased from 44.73% as on March 31, 2023, to 43.21% as on March 31, 2024, and dipped further to 41.05% as on December 31, 2024, due to increased deposit interest rates, which led to customers shifting from CASA to term deposits and other investment avenues, which has been observed across banks.

Comfortable capitalisation levels

The bank has been maintaining adequate cushion over the minimum regulatory requirement to support its credit growth. As on March 31, 2024, the bank's capital adequacy ratio (CAR) stood at 16.96% with Common Equity Tier-(CET) I Ratio of 14.24% and Tier-I CAR of 14.93% (March 31, 2023: 16.28%, 13.6% and 14.41%, respectively). There is a sufficient capital cushion to absorb

asset quality pressures and support growth in the near term. The bank raised Infrastructure bonds and Tier II bonds of ₹5,000 crore and ₹2,500 crore respectively in the quarter ended September 30, 2024. The bank reported CAR of 16.00% with CET I Ratio of 12.96% as on December 31, 2024.

With improvement in profitability, CARE Ratings expects the bank to maintain a sufficient capital cushion of at least 250 bps over and above the regulatory requirement in the near-to-medium term.

Diversified advances profile and deposit growth

The bank's gross advances stood at ₹6.52 lakh crore as on December 31, 2024. The bank's focus on Retail, Agriculture and MSME (RAM) segments continued, and it constituted 57.14% of domestic advances as on December 31, 2024. In FY24, exposure to government and government-guaranteed advances has reduced, which is aligned with the bank's strategy to reduce low-yielding loans. Its international portfolio (which is largely corporate) constituted ~16.15% of the total advances as on December 31, 2024. The overseas bank branches are across 15 countries. Major part of overseas exposure is towards oil marketing companies and remaining are given to the companies from diversified sectors.

BOI's overall deposits have grown y-o-y by 10.21% in FY24 (6.6% in FY23 y-o-y). While CASA deposits grew at a slower pace of 7.03% (y-o-y) in FY24, term deposits grew by 12.42% (y-o-y) in this period, leading to decline in CASA proportion (ratio (as a proportion of global deposits) to 36.57% as on March 31, 2024. CASA proportion stood at 34.88% as on December 31, 2024. In 9MFY25, the bank saw 15.30% (y-o-y) growth in advances and 12.29% (y-o-y) growth in deposits while CASA deposits grew by 0.58% (y-o-y). The proportion of bulk term deposits to total term deposits stood at 13.25% as on December 31, 2024 compared to 14.06% as on March 31, 2024.

Key weaknesses

Relatively moderate, albeit improving, asset quality parameters

Although the bank's asset quality parameters improved over the years with gross non-performing assets (GNPA) ratio and net non-performing assets (NNPA) ratio of 4.98% and 1.22%, respectively, as on March 31, 2024 (7.31% and 1.66% as on March 31, 2023) against 9.98% and 2.34%, respectively, as on March 31, 2022, it remained relatively high than its peers. Reduction in GNPA was mainly due to higher write-offs of ₹9,749 crore and cash recoveries of ₹5,261 crore. The bank's slippage ratio reduced from 1.94% in FY23 to 1.58% in FY24.

While gross stressed assets* and net stressed assets* decreased y-o-y, they continued to remain high at 6.65% of the gross advances (March 31, 2023: 9.53%) and 28.02% of the net worth as on March 31, 2024 (March 31, 2023: 52.27%), respectively. The bank has special team looking at Special Mention Accounts (SMA) which has resulted in significant decline in SMAs in FY24. The SMA (above ₹5 crore) declined from 3.55% of net standard advances as on March 31, 2023, to 1.28% of net standard advances as on March 31, 2024. In quarter ended September 2024, the bank witnessed increase in slippages due to a large corporate exposure, which resulted in increase in provisions in the quarter.

BOI reported GNPA ratio of 3.69% and NNPA ratio of 0.85% as on December 31, 2024, compared to GNPA ratio of 5.35% and NNPA ratio of 1.41% as on December 31, 2023. Going forward, improvement in asset quality parameters and benchmarking of the same against peer banks remains a key rating monitorable.

**Gross Stressed Asset = Gross NPA + Standard Restructured Assets + Security Receipts*

**Net Stressed Assets = Net NPA + Standard Restructured Assets + Security Receipts*

Below par profitability

The bank has seen continuous improvement in its profitability over the last five years, due to reducing cost of deposits y-o-y led by increase in the proportion of CASA deposits and increase in the gross advances post coming of the PCA framework. The bank's net interest margin (NIM) improved to 2.70% in FY24 from 2.64% in FY23 as the bank was able to pass on its incremental cost of deposits. The bank's total income increased by 22% to ₹66,804 crore in FY24 from ₹54,748 in FY23. The bank witnessed increase in operating expenses by 8% to ₹15,079 crore in FY24 from ₹13,982 crore in FY23 largely due to increase in employee cost on account by wage revision. BOI's pre provisioning operating profit (PPOP) increased by 5% to ₹14,069 crore for FY24 compared to ₹13,393 crore for FY23. The bank's credit cost (provisioning) declined by 45% to ₹3,970 crore for FY24 from ₹7,163 crore for FY23 which helped the bank report profit after tax (PAT) of ₹6,318 crore for FY24 compared to PAT of ₹4,023 crore for FY23. In 9MFY25, the bank reported PAT of ₹6,593 crore on total income of ₹58,069 crore compared to PAT of ₹4,879 crore on total income of ₹48,892 crore in 9MFY24 with ROTA of 0.92% (annualised) for 9MFY25.

The bank's return on total assets (ROTA) increased to 0.74% for FY24 compared to 0.52% for FY23. Despite the improvement, ROTA remained lower compared to larger public sector banks. The bank is expected to have ROTA of ~0.90% for FY25 with similar NIM and lower operating and credit costs. The bank's ability to contain credit costs and improve its profitability in line with peers is a key rating monitorable.

Liquidity: Adequate

The bank's liquidity profile is supported by the bank's strong retail and CASA depositor base. The bank's reported liquidity coverage ratio (LCR) was 116.11% for quarter ended September 30, 2024, against minimum regulatory requirement of 100%. The bank also had an excess SLR investments of ~₹30,000 crore as on December 31, 2024, which provides a liquidity buffer, and allows the bank to borrow against it, in case of liquidity requirement for contingencies. The bank has access to RBI's liquidity adjustment facility (LAF) and marginal standing facility (MSF) and access to refinancing from SIDBI, NHB, and NABARD, among others, and access to call money markets.

Environment, social, and governance (ESG) risks

The bank's board has adopted ESG Policy (Environment, Social and Governance), which includes the governance structure for taking the cause ahead and also set deliverables for the departments in the bank. The ESG policy outlines the bank's intent to move in the direction of net zero as per the country's commitment and also enable to comply with regulatory requirement on ESG and related disclosures. The bank has also taken staff welfare initiatives to improve cordial working atmosphere under ESG (Environmental Social Governance) programme launched by human resources.

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Government Support](#)

[Rating Outlook and Rating Watch](#)

[Bank](#)

[Financial Ratios - Financial Sector](#)

[Rating Basel III - Hybrid Capital Instruments issued by Banks](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Banks	Public sector bank

BOI was incorporated in September 1906 by a group of eminent businessmen from Mumbai. The bank was under private ownership and control till July 1969, when it was nationalised along with 13 other banks. BOI is the sixth-largest PSB in India in terms of advances, with net advances of ₹6.32 lakh-crore as on December 31, 2024. The bank's franchise is across 5,202 branches in India and 22 branches overseas as on December 31, 2024. ~65% of its total domestic branches cater rural and semi-urban areas.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	December 31, 2024 (UA)
Total operating income	54,747	66,804	58,069
PAT	4,023	6,318	6,593
Total Assets	802,021*	902,899*	1,031,878^
Net NPA (%)	1.66	1.22	0.85
ROTA (%)	0.52	0.74	0.92 [#]

A: Audited UA: Unaudited; Note: these are latest available financial results *as per CARE Ratings' calculation; ^reported; [#]annualised

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Bonds-Infrastructure Bonds	INE084A08185	19-Jul-2024	7.54	19-Jul-2034	5000.00	CARE AA+; Stable
Bonds-Infrastructure Bonds	INE084A08201	29-Nov-2024	7.41	29-Nov-2034	5000.00	CARE AA+; Stable
Bonds-Infrastructure Bonds (proposed)	-	-	-	-	5000.00	CARE AA+; Stable
Bonds-Tier-I Bonds (proposed)	-	-	-	-	2500.00	CARE AA; Stable

Bonds-Tier-II Bonds	INE084A08193	26-Sep-2024	7.49	26-Sep-2034	2500.00	CARE AA+; Stable
Bonds-Tier-II Bonds	INE084A08060	31-Dec-2015	8.52	31-Dec-2025	3000.00	CARE AA+; Stable
Fixed deposit	-	-	-	-	0.00	CARE AA+; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Bonds-Tier-II Bonds	LT	3000.00	CARE AA+; Stable	1)CARE AA+; Stable (19-Nov-24) 2)CARE AA+; Stable (12-Sep-24) 3)CARE AA+; Stable (04-Jul-24) 4)CARE AA+; Stable (04-Apr-24)	1)CARE AA+; Stable (06-Jun-23)	-	-
2	Fixed deposit	LT	0.00	CARE AA+; Stable	1)CARE AA+; Stable (19-Nov-24) 2)CARE AA+; Stable (12-Sep-24)	-	-	-

					3)CARE AA+; Stable (04-Jul-24) 4)CARE AA+; Stable (04-Apr-24)			
3	Bonds-Infrastructure Bonds	LT	5000.00	CARE AA+; Stable	1)CARE AA+; Stable (19-Nov-24) 2)CARE AA+; Stable (12-Sep-24) 3)CARE AA+; Stable (04-Jul-24)	-	-	-
4	Bonds-Infrastructure Bonds	LT	5000.00	CARE AA+; Stable	1)CARE AA+; Stable (19-Nov-24) 2)CARE AA+; Stable (12-Sep-24)	-	-	-
5	Bonds-Tier-II Bonds	LT	2500.00	CARE AA+; Stable	1)CARE AA+; Stable (19-Nov-24) 2)CARE AA+; Stable (12-Sep-24)	-	-	-
6	Bonds-Tier-I Bonds	LT	2500.00	CARE AA; Stable	1)CARE AA; Stable (19-Nov-24)	-	-	-

7	Bonds-Infrastructure Bonds	LT	5000.00	CARE AA+; Stable				
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LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Bonds-Infrastructure Bonds	Simple
2	Bonds-Tier-I Bonds	Highly Complex
3	Bonds-Tier-II Bonds	Complex
4	Fixed deposit	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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