

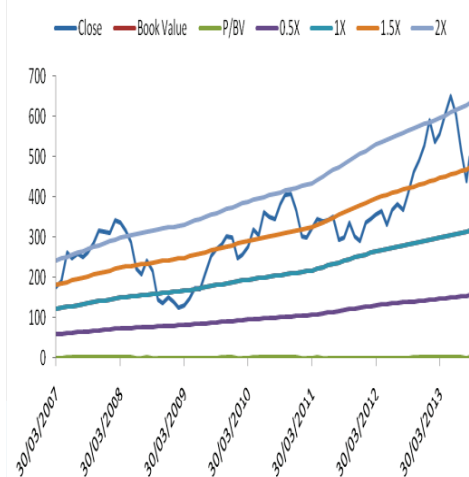
Result update	BUY
CMP	585
Target Price	670
Previous Target Price	670
Upside	15
Change from Previous	-

Market Data	
BSE Code	531807
NSE Symbol	INGVYSYABK
52wk Range H/L	667/377
Mkt Capital (Rs Cr)	9349
Average Daily Volume	49.26
Nifty	6202

Stock Performance			
	1M	1yr	YTD
Absolute	19.7	35.2	35.2
Rel.to Nifty	14.4	25.4	25.4

Share Holding Pattern-%			
	Current	4QFY13	3QFY1
Promoters	43.6	41.9	42.4
FII	28.6	30.2	27.4
DII	14.8	12.3	12.5
Others	13.1	15.6	17.7

INGVYSYA Bank Vs Nifty



Bank has done well in most of operating parameters with robust growth registered in net profit account of higher than expected interest income and stable asset quality. Despite of higher funding cost, bank able to maintain flat margin and guided full year NIM of 3.52%.INGVYSYA bank has surplus investment portfolio which could be used for aggressive loan growth without adequate deposits growth. At the current price of Rs.585, stock is trading at 1.2 times of one year forward book and 14 times of one year forward earnings. We maintain buy with price target of Rs.670.

Better than expected revenue growth led by higher interest income and non-interest income

During quarter bank reported NII growth of 19.4% YoY to Rs.440 cr in line with street expectation. Robust NII growth was due to higher yield on loan, improvement in credit deposits ratio and stable NIM. Total income reported growth of 16.2 YoY to Rs.625 cr supported by 9.3% YoY increased of other income of Rs.185 cr versus Rs.169 cr in 2QFY13.

Improvement in cost income ratio led operating profit growth

Operating expenses increased by 12.5% YoY to Rs.349 cr in which employee cost and other operating cost increased by 13.5% and 11% respectively. During quarter bank reported cost income ratio of 55.8% from 51.2% in 1QFY14 and 57.7% in 1QFY13. Sequentially increased of CI ratio was due to higher treasury gain reported bank during 1QFY14. Operating profit grew by 21.4% YoY to Rs.276 cr.

PCR at best in industry, stable asset quality continue to robust

Bank increased loan loss provision to Rs.18.1 cr from Rs.6.4 cr in 2QFY13. During the quarter one NPA account from the previous quarter was upgraded to standard on implementation of Corporate Debt Restructuring package resulting in release in provision. In absolute term bank's GNPA improved by 3% QoQ to Rs.574 cr from Rs.589 cr. Due to stable asset quality, bank made lower provision on sequential basis, as the result net NPA declined to Rs.62 cr from Rs.64 cr in previous quarter. In percentage term GNPA improve from 1.78% to 1.75% and net NPA stable at 0.19%. Provision coverage ratio remains healthy at 89.1%, providing cushion in earnings in tight liquidity situation.

Financials

	Rs, Cr				
	2011	2012	2013	2014E	2015E
NII	1007	1208	1539	1709	1947
Total Income	1661	1878	2266	2436	2674
PPP	635	768	993	1072	1177
Net Profit	319	456	613	637	693
EPS	26.3	30.4	39.6	41.7	44.7

(Source: Company/Eastwind)

INGVYSA BANK

Reported better than expected earnings

With the support of lower provision and higher NII growth, net profit registered growth of 17.4% YoY to Rs.176 cr beating the street expectation of Rs. 163 cr. Consequently the ROA and ROE would have been 1.32 % and 11.01 % respectively. Despite of challenging macro environment, bank has potential to improve its ROA and ROE which could re-rate valuation multiple.

Margin flat on account of higher funding cost

INGVYSA Bank reported flat margin improvement of 3.46% as against 3.45% in 2QFY13 due to policy action taken by RBI to increase the funding cost. Management has guided margin to maintain at 3.5% in FY14. Loan yield declined to 11.68% from 11.88% on sequential basis whereas cost of deposits increased to 7.29% from 7.25%.

Moderate loan and deposits growth

Deposits grew by 10.7% YoY to Rs. 400 bn in which current and saving account reported growth of 8% and 11% respectively. Term deposits registered growth of 11% YoY to Rs.270 bn. CASA ratio was flat at 32.5% YoY but improved sequentially from 30.2%. loan grew by 9% YoY to Rs.329 bn. Credit deposits ratio stood at 82.1% in 2QFY14 as against 80.7% in 1QFY14 and 83% in 2QFY13. Bank has surplus liquidity in investment portfolio and we expect going forward bank's loan growth will be faster than deposits growth.

Valuation & View

Bank has done well in most of operating parameters with robust growth registered in net profit account of higher than expected interest income and stable asset quality. Despite of higher funding cost, bank able to maintain flat margin and guided full year NIM of 3.52%.INGVYSA bank has surplus investment portfolio which could be used for aggressive loan growth without adequate deposits growth. At the current price of Rs.585, stock is trading at 1.2 times of one year forward book and 14 times of one year forward earnings. We maintain buy with price target of Rs.670.

INGVYSYA BANK

Quarterly Result(Rs Cr)

	2QFY14	1QFY14	2QFY13	% YoY	% QoQ
Interest/discount on advances / bills	961	922	870	10.4	4.2
Income on investments	353	381	327	8.1	-7.2
Interest on balances with Reserve Bank of India	0	0	0	309.1	350.0
Others	3	6	1	309.5	-49.3
Total Interest Income	1317	1309	1198	10.0	0.7
Others Income	185	244	169	9.3	-24.5
Total Income	1502	1553	1366	9.9	-3.3
Interest Expended	877	883	829	5.8	-0.7
NII	440	425	369	19.4	3.5
Other Income	185	244	169	9.3	-24.5
Total Income	625	670	538	16.2	-6.7
Employee	207	202	182	13.5	2.2
Other Expenses	142	141	128	11.0	0.9
Operating Expenses	349	343	310	12.5	1.7
PPP(Rs Cr)	276	327	228	21.4	-15.5
Provisions	18	68	6	183.2	-73.5
PBT	258	259	221	16.7	-0.2
Tax	82	84	71	15.4	-2.0
Net Profit	176	175	150	17.4	0.7

Balance Sheet (Rs Bn)

Net Worth	69	49	43	60.5	39.6
Deposits	400	409	362	10.6	-2.2
Borrowing	66	66	55	19.0	-0.6
Investment	176	166	135	30.2	6.3
Advance	329	330	300	9.4	-0.6

Asset Quality(Rs Cr)

GNPA	574	589	581	-1.2	-2.5
NPA	62	64	40	55.0	-3.1
% GNPA	1.8	1.8	1.9		
% NPA	0.2	0.2	0.1		
PCR(W/O tech. write off)	89.1	89.1	93.1		

INGVYSYA BANK

Financial & Assuption

P/L	2011	2012	2013	2014E	2015E
Interest/discount on advances / bills	2033	2868	3550	4092	4706
Income on investments	646	982	1307	1496	1733
Interest on balances with Reserve Bank of India	2	1	2	2	2
Others	13	7	3	3	3
Total Interest Income	2694	3857	4862	5593	6444
Others Income	655	670	727	727	727
Total Income	3349	4527	5588	6320	7171
Interest on deposits	1357	2153	2579	3023	3507
Interest on RBI/Inter bank borrowings	48	247	393	861	990
Others	283	249	351	0	0
Interest Expended	1688	2648	3323	3884	4497
NII	1007	1208	1539	1709	1947
NII Growth(%)	21.3	20.1	27.3	11.1	13.9
Other Income	655	670	727	727	727
Total Income	1661	1878	2266	2436	2674
Employee	606	651	751	805	883
Other Expenses	420	459	522	559	614
Operating Expenses	1026	1110	1273	1364	1497
PPP(Rs Cr)	635	768	993	1072	1177
Provisions	317	312	380	435	484
Net Profit	319	456	613	637	693
	31.6	43.2	34.3	3.9	8.7

Key Balance sheet data

Deposits	30194	35195	41334	47947	55619
Deposits Growth(%)	16.7	16.6	17.4	16.0	16.0
Borrowings	4147	5696	6511	7488	8611
Borrowings Growth(%)	13.0	37.4	14.3	15.0	15.0
Loan	23602	28721	31772	36538	42019
Loan Growth(%)	27.5	21.7	10.6	15.0	15.0
Investments	11021	12715	18278	21065	24407
Investments Growth(%)	5.2	15.4	43.7	15.2	15.9

Eastwind Calculation

Yield on Advances	8.6	10.0	11.2	11.2	11.2
Yield on Investments	5.9	7.7	7.1	7.1	7.1
Yield on Funds	7.3	8.8	9.3	9.7	9.7
Cost of deposits	4.5	6.1	6.2	6.3	6.3
Cost of Borrowings	8.0	8.7	11.4	11.4	11.5
Cost of fund	4.9	6.5	6.9	7.0	7.0

Valuation

Book Value	217	265	299	484	523
P/BV	1.5	1.3	1.9	1.2	1.1
P/E	12.2	11.7	14.1	14.2	13.1

Source : Eastwind/ Company