

VIJAYA BANK

Result Update

CMP	48
Target Price	61
Previous Target Price	
Upside	27%
Change from Previous	

Market Data

BSE Code	532401
NSE Symbol	VIJAYABANK
52wk Range H/L	54/29.
Mkt Capital (Rs Cr)	4794
Av. Volume (,000)	365
Nifty	8111

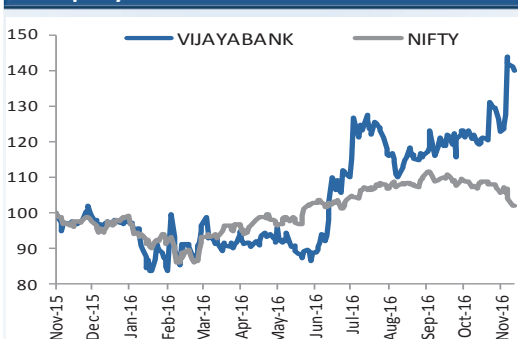
Stock Performance

	1Month	3 Month	1Year
Absolute	20.2	41.4	40.4
Rel.to Nifty	26.5	37.2	38.3

Share Holding Pattern-%

	2QFY17	1QFY17	4QFY16
Promoters	70.3	70.3	68.2
Public	29.7	29.7	31.8
Others			
Total	100.0	100.0	100.0

Company Vs NIFTY



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Operating Profitability improves, Stress Assets decline.

Vijaya Bank posted a healthy set of operational performance with the PAT growth of 34% YoY. NII grew by a 20% YoY backed by NIM expansion. Other Income grew by 100% YoY due to one offs in trading income. Core Fee income grew by 42% YoY. Control in C/I ratio helped the operating profit to grow by 43% YoY. C/I ratio of the bank declined to 53% against 55% a year ago. Provisions grew by 43% YoY. NIM expanded by 31 bps YoY to 2.61% backed by decline in cost of fund by 49 bps YoY to 6.26%. While the yield on assets of the bank declined by 30 bps YoY to 8.47%.

Gross Advances grew by 5.5% to Rs 91821 Cr backed by healthy retail loan growth of 29% YoY. Retail loan growth was backed by 37% YoY growth in home loan. MSE loan also saw robust loan growth of 25% YoY. However the corporate loan has declined by around 40% as per the strategy of the management. Focus of the management is to increase the retail loan and do better rated corporate loan. On the liability side, overall deposits grew by 4% YoY while CASA deposits grew by 14.4% YoY backed by robust 17% YoY growth in saving accounts. Bank has shed up the bulk term deposits with 16% YoY. CASA ratio stands at 22.65% against 20.53% a year back.

Assets quality has improved sequentially with GNPA at 6.64% against 7.07% and NNPA improved to 4.81% against 5.10% on 1Q FY17. The slippages for the quarter were Rs 736 Cr against Rs 1244 Cr on 1Q FY17. Recovery & up-gradation were robust with Rs 611 Cr against Rs 473 Cr which helped the Non- performing assets to decline. PCR of the bank was 51% against 49% in previous quarter. Restructured assets declined to Rs 2285 Cr against Rs 2390 Cr sequentially. CRAR of the company is at 12.58% with Tier 1 capital of 9.40%. Management is further planning to raise Tier 1 capital of Rs 750 Cr in the current financial Year.

View and Valuation

Operating profitability of Vijaya Bank has improved with the focus of management to improve the quality of book. The non performing assets of the bank are still on the high side but have shown the marginal improvement. We expect the assets quality to improve further with the focus of management on retail loan and better rated corporate loans. Due to the strategy of management to shed the corporate portfolio, we expect the loan growth to remain moderate in the range of 8% to 10% in FY17. Earnings are likely to improve further with focus on better quality of book. **We recommend BUY with the target price of Rs 61.**

Quarterly Performance

(Rs in Crore)

Financials	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	YoY %	QoQ%
Interest Inc.	3084	3034	3132	3091	3009	3028	2956	3060	3128	4%	2%
Interest Exp.	2505	2479	2507	2428	2316	2291	2287	2277	2300	-1%	1%
NII	579	555	625	662	693	738	668	783	828	20%	6%
Other Income	170	269	274	198	194	209	273	235	388	100%	65%
Total Income	749	824	899	861	886	946	941	1018	1216	37%	19%
Ope Exp.	442	473	585	468	487	504	627	559	645	32%	15%
PPP	306	351	314	393	399	443	314	459	571	43%	24%
Provisions	152	308	306	146	273	317	653	268	390	43%	46%
PBT	154	42	9	246	126	125	-339	191	181	44%	-5%
Tax	11	5	-90	104	10	73	-411	29	27	159%	-9%
Net Profit	144	37	99	143	115	53	72	162	155	34%	-4%

Profitability Metrix

Ratios	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	YoY(bps)	QoQ(bps)
Yield On Advances	11.6	11.3	11.2	10.9	10.8	10.6	10.5	9.8	10.1	(0.75)	0.28
Cost of Fund	7.5	7.4	7.5	7.0	6.8	6.7	6.8	6.3	6.3	(0.49)	(0.02)
NIM	2.0	1.9	2.0	2.1	2.3	2.4	2.3	2.5	2.6	0.31	0.07
NII Growth %	(0.5)	12.1	18.8	23.7	19.7	33.0	6.9	18.2	19.5		
C/I Ratio	59.1	57.5	65.0	54.4	55.0	53.2	66.6	54.9	53.1	(1.93)	(1.89)
Other Inc./Net Inc. %	29.4	48.5	43.8	30.0	28.0	28.3	40.8	30.1	46.9	18.91	16.82
Tax %	6.9	11.2	(1,016)	42.1	8.2	58.1	121.2	15.3	14.6		
PAT Growth %	5.5	228.4	(27.3)	(11.7)	(19.8)	40.7	(27.3)	13.4	34.1		
RoE	9.8	2.5	6.5	9.5	7.5	3.4	6.1	9.8	9.1	1.57	(0.65)
RoA	0.4	0.1	0.3	0.4	0.3	0.2	0.3	0.5	0.4	0.07	(0.04)

Business Metrix

(Rs in Crore)

	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	YoY %	QoQ%
Gross Advances	78540	79136	87692	84800	87026	89696	90765	90199	91821	6%	2%
Deposits	123199	124051	126343	120477	123286	125475	125441	127640	127785	4%	0%
CASA Deposits	23348	23671	25721	24285	25311	25992	29125	27975	28953	14%	3%
CASA %	18.95	19.08	20.37	20.16	20.53	20.72	23.22	21.92	22.65	2.1	0.7

Assets Quality	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	YoY %	QoQ%
GNPA (Rs)	2239	2311	2443	2871	3460	3871	6027	6589	6491	88%	-1%
GNPA %	2.85	2.92	2.78	3.39	3.98	4.32	6.64	7.31	7.07	3.1	-0.2
NNPA (Rs)	1462	1476	1660	2058	2442	2636	4277	4793	4587	88%	-4%
NNPA %	1.88	1.89	1.92	2.45	2.84	2.98	4.81	5.42	5.1	2.3	-0.3
PCR %	63.1	65.77	64.01	60.59	58.28	58.07	50.08	48.55	51.29	-7.0	2.7