

**VIJAYA BANK**

**Result Update**

CMP	67
Target Price	81
Previous Target Price	61
Upside	22%
Change from Previous	33%

**Market Data**

BSE Code	532401
NSE Symbol	VIJAYABANK
52wk Range H/L	70/29
Mkt Capital (Rs Cr)	6657
Av. Volume (,000)	499
Nifty	8741

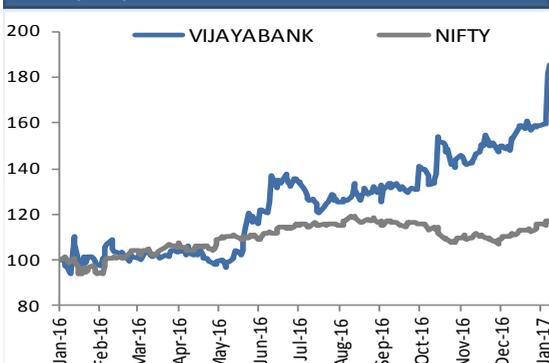
**Stock Performance**

	1Month	3 Month	1Year
Absolute	36.3	117.5	41.8
Rel.to Nifty	6.0	17.2	6.9

**Share Holding Pattern-%**

	3QFY17	2QFY17	1QFY17
Promoters	70.3	70.3	70.3
Public	29.7	29.7	29.7
Others			
Total	100.0	100.0	100.0

**Company Vs NIFTY**



DEEPAK KUMAR

[research.insti@microsec.in](mailto:research.insti@microsec.in)

**Profitability Bouyants on the back of retail banking. Assets Quality improves.**

Once again Vijaya Bank posted the healthy set of performance as per our expectation. The PAT grew by more than 4 times YoY was backed by overall improvement in profitability parameters. NII grew by a robust rate of 23% YoY backed by NIM expansion. Other income grew by 177% YoY due heavy trading gains in this quarter. However Fee income remained healthy and registered 40% YoY growth. Cost to income ratio largely remained flat YoY at 53.6%. Overall operating profit of the bank grew by 55% YoY. Provisions increased by 31% YoY. NIM of the bank improved by 41 bps YoY to 2.85% backed healthy decline in cost of deposits by 84 bps YoY.

Assets quality has further improved on sequential basis with GNPA at 6.98% against 7.07% and NNPA at 4.74% against 5.10%. On absolute term also GNPA declined by 3% QoQ. The improvement in assets quality was backed by lower slippage which declined by 73% QoQ to Rs 200 Cr. Management highlighted the slippage was mostly composed from retail, agriculture and MSME sector and expect the slippages at this level going forward. However current slippage includes the dispensation provided by RBI due to currency ban which has resulted in lower slippage. PCR increased to 55% against 51% QoQ. Restructured assets declined to Rs 1969 Cr against Rs 2285 Cr sequentially.

Demonetization has significantly impacted the balance sheet of the bank on both the sides. Gross Advances was flat YoY but retail advances grew by 23% YoY backed by strong growth of 31% YoY in housing loan. Agriculture grew by 17% YoY while MSME advances were flat led by strong repayments. Corporate advances declined by 29% YoY as per the strategy of management. Retail advances now constitute 30% of the total advances.

Deposits grew by 2% YoY while the CASA saw a healthy growth of 42% YoY led by demonetization. Saving deposits increased by 44% and Current deposits increased by 32% YoY. Bulk deposits declined by 14% YoY. While the retail term deposits increased by 11% YoY.

**View and Valuation**

Focus of management on retail banking has helped the operating profitability to improve significantly. The balance sheet has tilted towards more on retail banking both on assets side as well as liability side. Focus on CASA deposits and shedding the bulk deposits has helped the cost of fund to decline significantly. We expect the NIM to touch 3% mark in FY18 backed by retail banking strategy of management. However due to demonetization we expect the overall retail loan growth to remain muted in FY17 with the growth of sub 5% YoY but going forward in FY18 we expect the loan growth of 8%. We expect the further improvement in assets quality as the slippages will remain range-bound at current level. **At the (P/B of 0.8 in FY19), we recommend 'BUY' with the target price of Rs 81.**

**Quarterly Performance**

(Rs in Crore)

Financials	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	YoY %	QoQ%
Interest Inc.	3034	3132	3091	3009	3028	2956	3060	3128	3137	4%	0%
Interest Exp.	2479	2507	2428	2316	2291	2287	2277	2300	2231	-3%	-3%
NII	555	625	662	693	738	668	783	828	906	23%	10%
Other Income	269	274	198	194	209	273	235	388	577	177%	49%
Total Income	824	899	861	886	946	941	1018	1216	1484	57%	22%
Ope Exp.	473	585	468	487	504	627	559	645	795	58%	23%
PPP	351	314	393	399	443	314	459	571	688	55%	21%
Provisions	308	306	146	273	317	653	268	390	417	31%	7%
PBT	42	9	246	126	125	-339	191	181	271	116%	50%
Tax	5	-90	104	10	73	-411	29	27	41	-43%	55%
Net Profit	37	99	143	115	53	72	162	155	230	338%	49%

**Profitability Metrix**

Ratios	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	YoY(bps)	QoQ(bps)
Yield On Advances	11.3	11.2	10.9	10.8	10.6	10.5	9.8	10.1	10.0	-0.6	-0.1
Cost of Deposits	8.1	8.0	7.6	7.5	7.3	7.3	6.8	6.7	6.4	-0.8	-0.3
NIM	1.9	2.0	2.1	2.3	2.4	2.3	2.5	2.6	2.9	0.4	0.2
NII Growth %	12.1	18.8	23.7	19.7	33.0	6.9	18.2	19.5	22.9		
C/I Ratio	57.5	65.0	54.4	55.0	53.2	66.6	54.9	53.1	53.6	0.4	0.5
Other Inc./Net Inc. %	32.7	30.5	23.1	21.9	22.1	29.0	23.1	31.9	38.9	16.9	7.0
Tax %	11.2	(1,016)	42	8.2	58.1	121.2	15.3	14.6	15.2	-42.9	0.6
PAT Growth %	228.4	(27.3)	(11.7)	(19.8)	40.7	(27.3)	13.4	34.1	337.7		
RoE	2.5	6.5	9.5	7.5	3.4	6.1	9.8	9.1	13.2	9.8	4.1
RoA	0.1	0.3	0.4	0.3	0.2	0.3	0.5	0.4	0.6	0.4	0.2

**Business Metrix**

(Rs in Crore)

	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	YoY %	QoQ%
Gross Advances	79136	87692	84800	87026	89696	90765	90199	91821	90290	0.7%	-1.7%
Deposits	124051	126343	120477	123286	125475	125441	127640	127785	128299	2.3%	0.4%
CASA Deposits	23671	25721	24285	25311	25992	29125	27975	28953	36816	41.6%	27.2%
CASA %	19.08	20.37	20.16	20.53	20.72	23.22	21.92	22.65	28.70	8.0	6.0
<b>Assets Quality</b>	<b>3QFY15</b>	<b>4QFY15</b>	<b>1QFY16</b>	<b>2QFY16</b>	<b>3QFY16</b>	<b>4QFY16</b>	<b>1QFY17</b>	<b>2QFY17</b>	<b>3QFY17</b>	<b>YoY %</b>	<b>QoQ%</b>
GNPA (Rs)	2311	2443	2871	3460	3871	6027	6589	6491	6305	88%	-1%
GNPA %	2.92	2.78	3.39	3.98	4.32	6.64	7.31	7.07	6.98	3.1	-0.2
NNPA (Rs)	1476	1660	2058	2442	2636	4277	4793	4587	4182	88%	-4%
NNPA %	1.89	1.92	2.45	2.84	2.98	4.81	5.42	5.1	4.7	2.3	-0.3
PCR %	65.77	64.01	60.59	58.28	58.07	50.08	48.55	51.29	55.44	-7.0	2.7

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Offices No: 6 , 5th floor Tower- IIInd,  
Stellar IT Park Plot No. C -25 , Sector – 62 ,  
Noida – 201309 . Delhi NCR Phone : +91-120-4155509  
Email: research.insti@microsec.in, Website: www.microsec.in