

BUZZING

STOCK

Indian Overseas Bank

CMP – Rs.114

Analyst

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Key Stock Data

Sensex	14218
Nifty	4167
Sector	Banks – Public
Bloomberg	IOB IN
Reuters	IOBK.BO
No. of shares (m)	545
Market Cap (Rs m)	61,912
Market Cap (US\$ m)	1,510
52-week H/L	Rs.129/66

Shareholding Pattern (%)

Promoters	61.23
Mutual Funds	5.61
FII's	18.04
Corporate Bodies	1.25
Pubic & Others	13.87

FY07 Results

It's been another year of exciting performance for IOB. The Chennai based PSB has ended FY07 with a net profit of Rs.10,085m, a YoY change of 29%. The Q4FY07 net profit has increased 42% YoY to Rs.2,900m. Interestingly, IOB has made very handsome gains in treasury income, more from interest earnings side. The bank has maintained an RoE of 30% while improving it's RoA 8bps to 1.4%.

Strong business growth and core performance

IOB would an exceptional case where even after a sizeable dip in low cost deposits, the NIM has improved. This reflects the bank's strong ability to pass on the increasing fund costs to it's customers. The cost of deposits of IOB increased 59bps YoY to 5.24% against a 107bps increase in it's yield on advances. This again is one of the sharpest increases in yields and spreads. Owing to this, IOB's NIM in Q4FY07 has improved to 4.16% from 3.89%. It is 4.1% for FY07 against 4.05% in FY06.

IOB attributes the strong NIM of the bank to it's ability to raise capital at competitive coupon rates as also it's efficiency in raising retail deposits.

The core operating income, which excludes treasury gains made also saw an increase of 45.8% YoY to Rs.18,835m whereas the core operating profit increased 55% YoY to touch Rs.5,094m.

The bank's business in this period has registered a 35% YoY increase. The deposits improved 36% YoY to Rs.687bn while the advances showed a sharper 70% increase to Rs.479bn. The CD ratio has now touched 70% against a more benign 63% in FY06. The CASA deposits have however shown a 5% dip to 35% in FY07.

Good momentum in non-interest income

Though the increase in non-interest income reflected in the bank's statement is just 6.2%, the actual increase excluding the amortization expenses works out to 25.2% YoY in Q4FY07. The bank carried up revaluation losses and amortization expenses to adjust them in other income against the usual practice of charging them to provisions and contingencies. The FY07 other income has reduced 28% YoY to Rs.3,871m.

The major contributors to fee income were fees Rs.1,028m, bancassurance and merchant banking Rs.301m in Q4FY07.

Asset quality, capital adequacy improve further

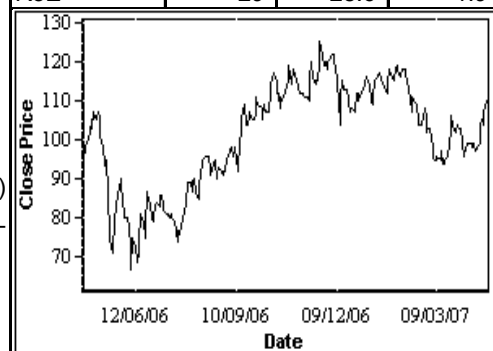
Despite a strong growth in credit, IOB has been able to reduce it's GNPA's even in absolute terms from Rs.12,276m to Rs.11,202m. The GNPA's stand at 2.34% against 3.43% in FY06, while the NNPA's stand at just 0.55% against 0.65% in FY06.

IOB's capital adequacy has improved to 13.27% from 13.04% in FY06. The Tier I stood at 8.2%.

Valuation

IOB's BVPS has increased to Rs.71.4 from Rs.56.1 in FY06. The bank's share is currently trading at just 1.6x FY07 ABV. The CMP still remains significantly lower than the 52-w high of Rs.129.

Financial Snapshot										
Indian Overseas Bank						Rs.m	Ratios (%)			
	Q4FY07	Q4FY06	Chng (%)	FY07	FY06	Chng (%)		FY07	FY06	Chng (%)
Interest Income	17,454	11,618	50	58,321	44,063	32	CD	71	63	11.8
Interest expended	9,772	6,207	57	32,713	23,391	40	CAR	13	13	1.8
NII	7,682	5,411	42	25,608	20,672	24	NIM	4.1	3.9	5.4
Other Income	1,905	1,752	9	3,871	5,411	(28)	RoA	1.40	1.38	1.4
Net Income	9,587	7,163	33.8	29,478	26,083	13	RoE	29	28.6	1.9
Operating expenses	3,969	3,424	16	13,878	12,616	10				
Payments to employees	2,423	2,256	7	9,311	8,936	4				
Other expenses	1,547	1,168	32	4,567	3,680	24				
Operating income	5,618	3,739	50	15,601	13,467	16				
Provisions and contg.	1,820	1,915	(4.9)	1,866	3,611	(48)				
Provisions	1,820	1,915	-	1,866	3,611	-				
PBT	3,798	1,825	108	13,735	9,856	39				
Taxes	900	(220)	(509)	3,650	2,023	80				
PAT	2,898	2,045	41.7	10,085	7,834	29				



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