

# ING Vysya Bank

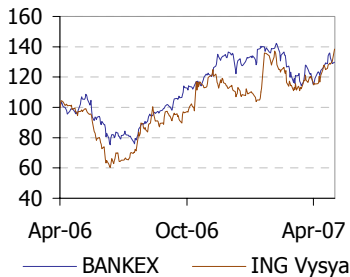
 Relative to sector: **Outperformer**

 Lead Analyst: **Punit Srivastava**  
 Email: punit@enam.com  
 Tel: 9122 6754 7609

 Analyst: **Siddharth Teli**  
 Email: siddharth.teli@enam.com  
 Tel: 9122 6754 7603

 Associate: **Neha Sanghai**  
 Email: neha@enam.com  
 Tel: 9122 6754 7526

## Relative Performance



Source: Bloomberg, ENAM Research

## Stock data

 No. of shares : 91mn  
 Market cap : Rs 18bn  
 52 week high/low : Rs 205/ Rs 82  
 Avg. daily vol. (6mth) : 95,600 shares  
 Bloomberg code : VYSB IN  
 Reuters code : VYSA.BO

## Shareholding (%) Mar-07 QoQ chg

Promoters (Govt.)	: 44.2	0.0
FII's	: 24.3	0.2
MFs / UTI	: 10.3	0.8
Banks / FIs	: 1.0	(0.3)
Others	: 20.2	(0.7)

## Financial summary

Y/E Mar	PAT (Rs mn)	EPS (Rs)	Change YoY (%)	P/E (x)	BV (Rs)	P/BV (x)	P/Adj.BV (x)	NPAs (%)	RoE (%)	RoA (%)
2006	91	1.0	-	200.7	112.4	1.8	2.2	1.8	1.1	0.1
2007	889	9.8	880	20.5	122	1.6	1.9	1.2	8.3	0.5
2008E	1,097	12.1	23	16.6	132	1.5	1.8	1.1	9.5	0.5
2009E	1,568	17.2	43	11.6	146	1.4	1.6	1.0	12.4	0.6

Source: Company, ENAM Research

## TURNAROUND GATHERS MOMENTUM

ING Vysya Bank's Q407 net profit at Rs 184mn was higher than expectations, driven by higher than expected growth in other income (up 113% YoY). While there may have been some pressure on NIM in Q407 on account of a tough funding environment, NIM for FY07 expanded 4 bps on a YOY basis. Growth in advances, deposits, core fee income growth, asset quality improvement have been encouraging and operating leverage story seems to be playing out.

## Result highlights

- NII growth for Q407 stood at 9.4%, which was lower than our estimates, as the bank resorted to short tenor high cost funding during Q407. While this would have marginally impacted NIM for Q4FY07, on a YoY basis, NIM expanded 4 bps to 3.4% for FY07.
- Overall deposit growth at 16% has been encouraging, though CASA fell marginally on a QoQ basis to 29%. Deposit costs rose to 5.8% for Q407 (5.27% for FY07), due to tough funding environment in Q407.
- Advances growth at 17% YoY has been higher than our estimates; yield on advances rose 52 bps YoY to 9.33% for FY07. However, for Q407, yield on advances stood at 9.6%, an improvement of ~30 bps YoY. Sharp improvement in yield on advances has helped the bank maintain margins despite pressure on funding costs.
- Operating expenses continued to decline, and fell 23% on a YoY basis to Rs 1327mn. As a result, cost/ income fell from 105% to 63% for Q407 and from 87% for FY06 to 69% in FY07. Fall in operating costs has helped boost the bottomline, inline with our argument of operating leverage playing out.

Overall, the strategic direction for the bank continues to be right, in our view, in terms of overall balance sheet growth, moderation in costs and sustained improvement in asset quality. Fee income growth coupled with recoveries has been encouraging as well. At CMP the stock trades at 1.5x FY08E book value; we retain our **Outperformer** rating on the stock with a target price of Rs 262.

## Results update

(Rs mn)	Quarter ended					12 months ended		
	Mar-07	Mar-06	% Chg	Dec-06	% Chg	Mar-07	Mar-06	% Chg
Interest Income	3,969	3,142	26.3	3,444	15.3	14,014	12,224	14.6
Interest Expended	2,517	1,813	38.8	2,079	21.1	8,593	7,413	15.9
<b>Net Interest Income</b>	<b>1,452</b>	<b>1,329</b>	<b>9.2</b>	<b>1,365</b>	<b>6.4</b>	<b>5,421</b>	<b>4,812</b>	<b>12.6</b>
<b>Non-Interest Income</b>	<b>661</b>	<b>310</b>	<b>113.5</b>	<b>403</b>	<b>63.9</b>	<b>1,943</b>	<b>1,392</b>	<b>39.6</b>
-Sale of Investments	275	-	-	(2,626)	(110.5)	1,362	2,521	(46.0)
-Others incl. Fee based income	386	-	-	3,029	(87.3)	582	(1,129)	(151.5)
Net Income	2,113	1,639	28.9	1,768	19.5	7,364	6,204	18.7
Operating Expenses	1,327	1,723	(22.9)	1,157	14.7	5,071	5,188	(2.3)
% of Net Income	63	105	(40.2)	65	(4.0)	69	84	(17.7)
- Staff costs	622	707	(11.9)	517	20.5	2,385	2,342	1.8
<b>Operating Income</b>	<b>785</b>	<b>(84)</b>	-	<b>611</b>	<b>28.5</b>	<b>2,293</b>	<b>1,016</b>	<b>125.8</b>
Provision & Contingencies	483	281	72.2	398	21.5	1,017	801	27.0
<b>PBT</b>	<b>302</b>	<b>(365)</b>	-	<b>213</b>	<b>41.6</b>	<b>1,276</b>	<b>215</b>	<b>493.0</b>
Tax	118	(118.2)	-	69.9	68.8	387	125	210.8
<b>Net Profit</b>	<b>184</b>	<b>(247)</b>	-	<b>143</b>	<b>28.3</b>	<b>889</b>	<b>91</b>	<b>881.2</b>
<b>EPS (Rs.)</b>	<b>2</b>	<b>(3)</b>	-	<b>1.6</b>	<b>28.0</b>	<b>9.8</b>	<b>1.0</b>	<b>861</b>
NIM (%)	3.4	3.36	-	-	-	-	3.40	3.36
Yield on Advances (%)	9.6	8.8	-	9.3	-	-	9.33	8.81
Cost of Deposits (%)	5.8	4.9	-	5.1	-	-	5.27	4.91
Advances (Rs.bn)	119.8	102.3	17.0	108.3	10.6	-	119.8	102.3
Investments (Rs.bn)	45.3	43.7	3.6	43.3	4.5	-	45.3	43.7
Deposits (Rs.bn)	154.2	133.4	15.6	143.8	7.2	-	154.2	133.4
Gross NPAs (Rs.bn)	3.11	4.29	-	3.69	-	-	3.11	4.29
Gross NPAs (%)	2.55	4.09	-	3.34	-	-	2.55	4.09
Net NPAs (Rs.bn)	1.14	1.81	-	1.38	-	-	1.14	1.81
Net NPAs (%)	0.95	1.77	-	1.27	-	-	0.95	1.77
CAR (%)	10.56	10.67	-	10.70	-	-	10.56	10.67

Source: Company

- Other income for Q4FY07 rose by 113.5%, driven by strong recoveries, which stood at Rs 240mn for Q4FY07 as against Rs 50mn for Q4FY06. Growth in commission, exchange and brokerage at 43% during Q4FY07 has been encouraging.
- A sharp rise in provisions (up 72% YoY in Q4FY07) was driven by standard asset provisioning to the tune of Rs 210mn as against Rs 110mn for the corresponding quarter last year. Also, the bank accelerated provisioning for bad debts (up 55% YoY in Q4FY07) to Rs 270mn.
- Asset quality improvement remained on track with GNPA's falling 154bps on YoY basis and 79 bps on a QoQ basis. NNPA's also declined 82 bps YoY and 32 bps QoQ to 0.95% levels. Coverage ratio improved to 63% for FY07 as against 58% for FY06.

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