

VIJAYA BANK

Market Cap (Rs. Cr) **2081**

52 Week-H/L(Rs) **60 / 31.90**

60 / 31.90

CMP

Rs. **48.00**

Target Price

Rs. **56/76**

Bloomberg [VJYBK@IN](#)

Reuters

VJBK.BO

BSE 532401

NSE

VIJAYABANK

Investment Arguments

During the financial year 2006-2007 the bank has opened 43 Branches, upgraded 10 extension counters, converted 2 Regional Foreign Exchange cells into full fledged Overseas Branches. The bank has network of 978 branches, 52 Extension Counters and 171 ATMs. In current year, bank is further **planning to increase branches to 1050 and ATM's to 375 levels.** It will also add more **Core banking solutions in branches covering 90% of the business** from present 80%. Bank expects to increase the business by 21% in current year. Its business activities are also diversified into merchant banking, credit cards, housing finance etc. Vijaya Bank **focuses on retail banking and SME lending**, which has emerged as the fastest growing segment. The bank had introduced new products and entered new fields like the distribution of insurance policies and mutual funds.

For the year ended Mar'07 Vijaya bank recorded 10% increase in Net interest income at Rs 1071.95 crore backed by 22% increase in interest earned at Rs 2823.11 crore and 31% increase in interest expended at Rs 1751.16 crore. The other income for the period declined marginally by 3% to Rs 274.79 crore and the operating expenses increased by 4% to Rs 650.72 crore thus, restricting the operating profit to increase by 10% to Rs 696.02 crore. The provision and contingencies for the period reduced by 23% to Rs 348.27 crore. The provision for tax too was low by 69% to Rs 16.41 crore thus, leading the Net profit to increase by whopping 161% to Rs 331.34 crore. The total deposits of the Bank recorded an impressive increase of 35.7% from Rs. 27709.29 Crore as on 31.3.2006 to Rs. 37604.50 Crore as on 31.3.2007.

The bank has satisfactory **CAR of around 11% and net NPA levels are consistently brought down and may touch 0.5% in current FY.** Based on this the overall health of bank looks pink and going by the trend it can easily maintain or improve the fundamentals further in coming years. It can achieve Basel-II norms by 2008-2009.

The bank expects the credit growth to be around 26-27% for FY08 and planning to raise Rs 500-600 crore in Q1FY08 via Tier-2 bonds. The bank also expects cash recoveries of about Rs 375 crore for the FY08. Its earnings is likely to grow at a healthy pace and based on our projections, **bank is right now available at one time of adjusted BV for '08 and around 5X of expected '08.** This appears quite attractive and long term investors can definitely buy the bank for reasonable appreciation. **Accumulate.**

Financials for the year ended (in Rs. Crores)

Latest result update (in Rs. Crores)

PARTICULARS	Mar 06	Mar 07	Mar 08 E	Mar 09 E	PARTICULARS	Q1 2007-08	Q1 2006-07	% change
Interest income	2311.80	2823.11	3610.00	4310.00	Interest income	898.23	613.44	46.43
Interest Expenses	1339.02	1751.16	2330.00	2788.00	Interest Expenses	634.62	355.11	78.71
Net interest income	972.78	1071.95	1280.00	1522.00	Net interest income	263.61	258.33	2.04
Non Interest income	372.54	380.18	390.00	395.00	PAT	111.35	72.63	53.31
Pre provision profits	818.59	899.81	1055.00	1150.00	Equity	433.52	433.52	0.00
Depreciation	39.85	39.58	41.00	42.50	EPS	2.57	1.68	53.31
PAT	126.88	331.34	395.00	482.00				
Equity	433.52	433.52	433.52	433.52				
EPS (in Rs.)	2.93	7.64	9.11	11.12				
CEPS (in Rs.)	3.85	8.56	10.06	12.10				
Book Value (in Rs)	37.37	42.70	49.80	58.80				
Face Value (in Rs)	10.00	10.00	10.00	10.00				
Dividend (in%)	10.00	20.00	25.00	25.00				
Networth	1620.13	1851.33	2166.00	2540.00				
Net interest margin	0.42	0.38	0.35	0.35				
Credit Deposit ratio	58.13	62.60	62.10	62.35				
CAR (%)	11.94	11.21	10.80	10.78				
NPA Gross (%)	3.17	2.29	1.88	1.65				
NPA Net (%)	0.85	0.59	0.50	0.40				
P.E. (x)	16.40	6.28	5.27	4.32				
RoA	0.45	0.92	0.84	0.92				

Technical Trend:-



After making a top of Rs 76 in March'05, the stock underwent a long correction of more than two years and in the process touched a low of Rs 33 during July'06.

There after it consolidated for almost an year and is now making higher tops and higher bottoms in weekly chart since then.

One can buy the stock around current or slightly lower price with stop loss of Rs 42/-. In short to medium term stock can touch Rs 56 and then 76. Traders should try to buy it near to 42-43 level; for quick short term gains.

Shareholding Pattern

