



Research@bonanzaonline.com

Result Update

4th May 2010

Vijaya Bank

Hold

Price: - Rs 55

Vijaya Bank has announced Q4 results:

Rs Crore	Q4F09	Q4FY10	%y-o-y	Q3FY10	%q-o-q	FY09	FY10	FY11E
Interest earned	1364	1218	-10.7%	1344	-9.41%	5238	5201	5955
other income	258	294	13.9%	103	184.98%	699	679	713
Total income	1622	1512	-6.8%	1447	4.44%	5937	5880	6668
Interest expense	1043	929	-11.0%	890	4.40%	4113	3752	4239
Operating Expense	266	268	1.1%	259	3.72%	925	1072	1125
Total Expense	1309	1197	-8.5%	1149	4.25%	5038	4823	5364
Profit bfr tax & prov.	313	314	0.3%	299	5.18%	899	1057	1304
Provisions	164	160	-2.5%	131	21.90%	357	356	385
prov.forTax	47	23	-50.3%	43	-45.63%	279	194	229
Net profit	102	131	28.0%	125	5.10%	262	507	690
NII	321	289	-10.0%	455	-36.42%	1125	1449	1715
GNPA%						1.9	2.4	1.8
NNPA%						0.8	1.4	0.8
CAR%						13.1	12.5	13
EPS (Rs)						6.05	11.70	15.92
Book value						53.47	62.85	75.88
CMP (Rs)	55	55		55		55	55	55
P/BV						1.03	0.88	0.72
P/E(x)						9.08	4.70	3.46

- It appears that due to regrouping of income the NII in Q4FY10 is on lower side where as the other income on the higher side. The precise regrouping would be available in the Annual Report 2009-10.

Result Highlights:

Vijaya bank's year end performance came in line with our expectation. We had projected a net profit of Rs 500 cr for FY 10 which is very close to the reported net profit of Rs 507cr. The growth in total business of the bank is also up to or expected projection.

Management guidance for FY11.

- Management is expecting a business growth of 20% in FY11, touching a business level of Rs 126000 cr. VB is planning to expand network by opening 100 new branches across the country.
- Giving more thrust to retail and core business VB is optimistic to improve its NIM to 3%.
- The management has expressed their concern towards deteriorated asset quality and expects to contain the GNPA% and NNPA% within 2% and 1% respectively by FY11.

Financial Performances of FY10:

- Vijaya Bank's net profit rose to an all time high of Rs.507.29 Crore registering a growth of 93% y-o-y on full year basis while there is a 28% y-o-y growth in net profit in Q4FY10.
- The net interest income (NII) grew by 28.8% y-o-y on full year basis while it posted a 21% rise in Q4FY10 as compared to Q4FY09.
- Vijaya Bank improved its Net Interest Margin to 2.54% for FY10 as against 2.04% in FY09 while on Q4FY10 NIM becomes 2.73%.
- As we had mentioned in our earlier report VB has a high NPA level which is a concern for the bank. In Q4FY10 gross NPA on absolute term reduced marginally on q-o-q basis and stood at Rs 994.45 cr while net NPA level rose to Rs 581.5 cr in absolute term. The GNPA% and NNPA% in Q4FY10 is 2.37% and 1.4% respectively.
- Vijaya bank's maintains CAR of 12.5% in FY10 as against CAR of 13.1% in FY09.
- VB's total business (crosses Rs100000 cr mark) grew by 15% with 13.5% and 16.8% growth in deposits and advances respectively.
- During FY10 VB has strengthened its Retail Asset Centralizing Processing Centers to expand its retail portfolio.

Concern:

For the last three quarter there was a declining trend in NPA level of the bank. For the Q4 FY10 the same declining trend continues for GNPA however NNPA for this quarter rose marginally.

Recommendation:

Vijaya Bank's performance came in line with our expectation. . Government capital infusion plan would help bank to improve some of its ratios in the coming days. At CMP Rs 55 the share is trading at forward earning multiple of 3.4x of FY11E and 0.72x of FY11E BV. We maintain our hold status for the scrip.

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