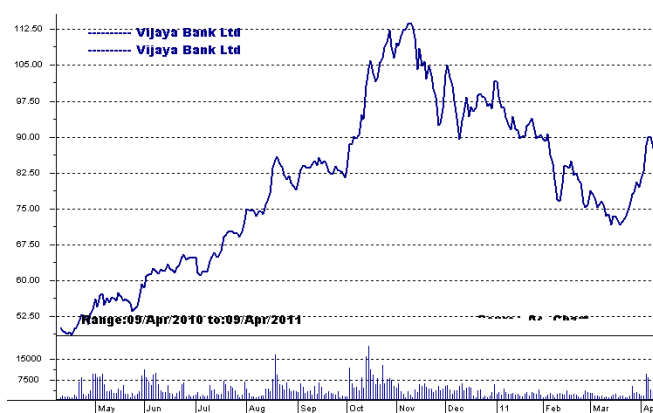




Report Date	11th April 2011
Company Name	Vijaya Bank Ltd
Recommendation	Buy at CMP Rs 87.65(Medium risk-Medium return)
Target price	₹ 97.00
Stop loss	₹ 81.50



Company profile

Vijaya Bank (VB) is a Public Sector Bank providing banking services through a network of 1190 branches, 47 extension counters and 516 ATMs(As on 28th Feb'2011).

Recent Developments

- Vijaya Bank posted a healthy growth of net profit of 21.6% y-o-y at ₹151.8cr in Q3FY11 on the back of strong net interest income (NII) growth of 36.5% y-o-y to ₹ 536cr. Net interest margin (NIM) also improved to 3.44% in Q3FY11 as against 2.65% in Q3FY10. Aggregate business of the bank touched ₹107272cr with a growth of 10.7% and 8.1% y-o-y in advances and deposits respectively. Management has guided for 16% y-o-y business growth and a minimum 35% growth in NII for FY11.
- Recent capital infusion of ₹ 700cr through Perpetual Non Cumulative Preference Shares has increased the capital base of the bank and supports its business growth.
- Cost to income ratio has reduced by 235 bps from 51.9% in 9MFY10 to 49.6% in 9MFY11
- Capital adequacy ratio of the bank stood at 13.67% in Q3FY11 with a 9.25% tier-I capital.
- Asset quality has improved on y-o-y basis

Key Details (Rs)	
Equity Capital (₹ Cr)	433.52
Face Value (₹)	10.00
52 Week High/Low	115.35/47.60
Market Capitalization (₹ Cr)	3810.62
Basic/Diluted EPS (TTM)	13.85
Dividend declared (₹)	2.50
P/E ratio (X)	6.32
P/BV ratio (X)	1.22
Share Holding pattern as on Dec'10	
Promoter (%)	53.87
FII (%)	8.66
Others (%)	37.47

Particular	Dec-10	Dec-09	%chg	Sep-10	%chg
(₹ in Cr)					
Int.Earned	1482.5	1282.7	15.6%	1403.2	5.6%
Int.exp	946.2	889.7	6.3%	916.0	3.3%
Total exp	1257.8	1148.5	9.5%	1225.1	2.7%
PBT&Prov	326.6	298.9	9.3%	295.9	10.4%
Provision	114.8	131.3	-12.6%	101.5	13.1%
Tax	60.0	43.0	39.5%	50.0	20.0%
PAT	151.8	124.6	21.9%	144.3	5.2%
EPS(Rs)	3.5	2.9	21.9%	3.3	5.2%
NII	536.3	392.9	36.5%	487.2	10.1%
NIM%	3.4	2.7	29.8%	3.2	8.9%
NNPA%	1.4	1.3	6.2%	1.3	4.5%
GNPA%	2.5	2.5	-2.8%	2.4	0.8%
CAR	13.7	13.3	0.0	14.3	-4.1%
PCR %	67.6	NA	0.0	68.7	-1.6%

although there is increase in slippages on q-o-q basis. In Q3FY11 GNPA% and NNPA% of the bank is 2.46% and 1.38% respectively as against 2.53% and 1.30% in Q3FY10.

- VB has been improving its practices about managing NPA's and expects significant improvement from June 2011 onwards.
- VB has a provision coverage ratio of 67.7% in Q3FY11 which is lower than the stipulated 70%PCR by 31st Mar'2011. Therefore higher provision is expected during Q4FY11.

Concerns

- Quality of assets is a major concern area for the bank. Hardening of interest rates can cause further slippage.

Technical View & Recommendation

After a steep correction from the highs of 115, Vijaya Bank is holding above crucial support formed through the convergence of long term trend line. Recovery from lows was well supported by increasing volumes indicating upside rally to continue. On weekly chart also, the stock is showing a bullish trend reversal pattern. One should buy the stock at CMP for target price of ₹ 97.00 with a stop loss of ₹ 81.50 (closing basis)

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Further, Please note that Bonanza, its directors employees and associates may have trading or investment positions in the securities mentioned herein.

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