

RESULT UPDATE

MID CAP

Share Data

Reuters code	VJBK.BO
Bloomberg code	VJYBK IN
Market cap. (US\$ mn)	524
6M avg. daily turnover (US\$ mn)	5.2
Issued shares (mn)	434
Target price (Rs)	51

Performance (%)	1M	3M	12M
Absolute	13	7	105
Relative	13	(1)	33

Valuation ratios

Yr to 31 Mar	FY11E	FY12E
EPS (Rs)	11.4	13.0
+/- (%)	(3.0)	14.8
ABV (Rs.)	76.7	87.5
+/- (%)	14.0	14.1
PER (x)	4.8	4.1
PABV (x)	0.7	0.6
Dividend/Yield (%)	3.7	4.1

Major shareholders (%)

Promoters	54
FII's	4
MF's	2
BFSI's	13
Public & Others	27

Financial highlights

(Rs mn)	4QFY09	4QFY10	YoY (%)	FY09	FY10	YoY (%)	FY11E	YoY (%)	FY12E	YoY (%)
Interest Earned	13,642	12,179	(10.7)	52,378	52,007	(1.2)	63,428	22.0	75,730	19.4
Interest Expended	10,432	9,289	(11.0)	41,130	37,516	(8.8)	46,352	23.6	55,790	20.4
Net Interest Income	3,211	2,890	(10.0)	11,248	14,491	25.9	17,076	17.8	19,940	16.8
Other Income	2,581	2,938	13.9	6,988	6,795	1.0	7,105	4.6	7,807	9.9
Total Income	16,223	15,117	(6.8)	59,366	58,801	(1.0)	70,532	20.0	83,537	18.4
Total Net Income	5,791	5,828	0.6	18,236	21,286	16.7	24,180	13.6	27,747	14.7
Staff Expenses	1,659	1,636	(1.4)	5,975	7,056	18.1	7,994	13.3	9,176	14.8
Other operating expenses	997	1,048	5.2	3,272	3,660	11.8	4,275	16.8	4,983	16.6
Operating Profit	3,135	3,144	0.3	8,989	10,570	17.6	11,911	12.7	13,588	14.1
Provision & Contingencies	1,642	1,601	(2.5)	3,574	3,558	(0.4)	4,777	34.2	5,275	10.4
Provision for tax	470	234	(50.3)	2,790	1,939	(30.5)	2,212	14.1	2,660	20.3
Reported Profit	1,023	1,309	28.0	2,625	5,073	93.3	4,923	(3.0)	5,653	14.8

Vijaya Bank

Maintain Underperformer

Price: Rs 54

BSE Index: 17,559

3 May 2010

4QFY10 Result – Subdued core earnings

- **Vijaya Bank's (VJYBK) net profit grew 28% YoY to Rs 1.3 bn, but lower than our estimates (9.8%), primarily on account of lower NII and higher provisions, partly off-set by higher other income. Other income was surprisingly high at Rs 2.9 bn, registering 13.9% YoY and 185% QoQ growth.**
- Credit growth improved during the quarter registering 17.1% YoY and 5.5% QoQ expansion, however, could not percolate into higher NII growth and thus dragging NIMs by 7 bps QoQ to 2.8%.
- Asset quality, though still weak, continued to improve with sequentially flat gross NPAs at Rs 9.9 bn and 16 bps fall in gross NPA ratio. However, net NPAs increased 13.5% QoQ to Rs 5.8 bn and Net NPA ratio by 10 bps to 1.4%, due to decline in provision coverage ratio to 41.5% from 48.5% in 3QFY10.
- Capital adequacy ratio declined 84 bps to 12.5%, with Tier I CAR at 7.7% (below 8%). However, the bank is expected to get ~Rs 7 bn from government in 1QFY11, which would improve its capital base and thus overall capital adequacy.

Outlook

The bank witnessed robust profit growth during FY10 (93.3% YoY), driven by strong core earnings progression and improvement in NIMs by 50 bps to 2.5% (reported). However, going forward, margin expansion will be capped considering rising interest rate scenario and relatively lower CASA ratio, along with ~15 bps impact of daily charge on saving deposits. Also despite capital support by the government, capital constraints in long-term remain, which could limit the bank's high growth prospects. We expect 17-18% credit growth over FY10-12E. Asset quality and lower NPA coverage still remain a major concern for the bank, which would call for higher provisions, impacting its bottom-line and thus low RoE. Maintain Underperformer

Income Statement

Yr end 31 Mar (Rs mn)	FY09	FY10	FY11E	FY12E
Interest income	52,378	52,007	63,428	75,730
Interest expense	(41,130)	(37,516)	(46,352)	(55,790)
Net interest income	11,248	14,491	17,076	19,940
<i>Growth (%)</i>	<i>35.5</i>	<i>28.8</i>	<i>17.8</i>	<i>16.8</i>
Non-interest income	6,988	6,795	7,105	7,807
Operating income	18,236	21,285	24,180	27,747
Operating expenses	(9,247)	(10,716)	(12,269)	(14,159)
Pre-provisions profit	8,989	10,570	11,911	13,588
Core operating profit	5,947	9,048	11,151	12,774
<i>Growth (%)</i>	<i>31.9</i>	<i>52.2</i>	<i>23.2</i>	<i>14.6</i>
Provisions & Contingencies	(3,574)	(3,558)	(4,777)	(5,275)
Pre-tax profit (before non-recurring items)	5,415	7,011	7,135	8,313
Pre-tax profit (after non-recurring items)	5,415	7,011	7,135	8,313
Tax (current + deferred)	(2,790)	(1,939)	(2,212)	(2,660)
Net profit	2,625	5,073	4,923	5,653
Adjusted net profit	2,625	5,073	4,923	5,653
<i>Growth (%)</i>	<i>(27.3)</i>	<i>93.3</i>	<i>(3.0)</i>	<i>14.8</i>
Net income	2,625	5,073	4,923	5,653

Balance Sheet

Yr end 31 Mar (Rs mn)	FY09	FY10P	FY11E	FY12E
Cash and balance with RBI/Banks	76,722	55,493	74,745	88,217
Investments	173,877	211,074	241,547	283,922
Advances	354,681	415,217	484,929	570,876
Fixed assets (Net block)	4,932	4,932	5,024	5,105
Other assets	13,614	15,505	17,514	19,739
Total assets	623,826	702,221	823,759	967,859
Deposits	545,354	619,318	726,786	859,591
Borrowings	6,192	1,386	1,663	2,078
Other liabilities and prov.	40,786	46,766	56,750	63,192
Total liabilities	592,333	667,469	785,199	924,862
Share capital	9,335	9,335	9,335	9,335
Reserves & surplus	22,158	25,416	29,225	33,662
Shareholders' funds	31,493	34,751	38,560	42,997
Total equity & liab.	623,826	702,221	823,759	967,859

Key Ratios

Yr end 31 Mar	FY09	FY10P	FY11E	FY12E
Operational & financial ratios (Rs mn)				
Adjusted EPS	6.1	11.7	11.4	13.0
DPS	1.0	2.5	2.0	2.2
Adjusted Book NAV/share	63.3	67.2	76.7	87.5
Profitability ratios (%)				
Yield on investment	7.7	6.7	7.0	7.2
Yield on advances	11.5	10.1	10.5	10.7
Yield on earning assets	9.2	8.1	8.6	8.7
Cost of deposits	7.4	6.0	6.5	6.7
Cost of funds	7.6	6.2	6.7	6.8
Performance ratios (%)				
RoA	0.4	0.8	0.6	0.6
RoE	11.9	20.4	17.3	17.3
Asset quality ratios (%)				
Gross NPLs	1.9	2.4	2.8	2.9
Net NPLs	0.8	1.4	1.2	1.1
Net NPLs/Net worth	9.8	17.0	15.3	14.1
Loan prov./Net int. income	14.2	8.7	26.5	19.9
Loan provisions/Avg loans	0.5	0.3	1.0	0.7
Provisions cover	57.4	41.5	57.0	63.0
Provisions cover [incl General Provisions]	90.0	68.7	79.7	85.5
Capitalisation ratios (%)				
Tier I cap.adequacy	7.7	7.7	7.4	7.2
Total cap.adequacy	13.2	12.5	12.0	11.6
Equity/Total assets	1.5	1.3	1.1	1.0
Loans/Assets	56.9	59.1	58.9	59.0
Investments/Assets	27.9	30.1	29.3	29.3
Loans/Deposits	65.0	67.0	66.7	66.4
Investments/Deposits	31.9	34.1	33.2	33.0
Efficiency ratios (%)				
Cost/Income	50.7	50.3	50.7	51.0
Cost/Core income	60.9	54.2	52.4	52.6
Cost/Assets	1.6	1.6	1.6	1.6
Productivity ratios (Rs mn)				
Staff cost per employee	0.5	0.6	0.6	0.7
Assets per employee	53.3	58.0	66.7	76.8
Optg revenue per employee	1.6	1.8	2.0	2.2
Optg expense per employee	0.8	0.9	1.0	1.1
Adj. net profit per employee	0.2	0.4	0.4	0.4
Valuation ratios (x)				
PER	8.9	4.6	4.8	4.1
Price/Adjusted book	0.9	0.8	0.7	0.6
Yield (%)	1.9	4.6	3.7	4.1

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