

25th July, 2018

CMP – ₹53.8

View– Positive

Company Background And Business Model

Vijaya Bank is an Indian state-owned banking and financial services company founded in 1931 in Mangalore, Karnataka. Vijaya Bank has a network of 2,136 branches, 13 extension counters and 2,155 ATM's. The deposits and advances as on 31st March, 2018 stood at ₹1.5tn and ₹1.1tn respectively.

Company Information

M.Cap (Cr)	7,016
52 Week H/L (₹)	76.5/48.0
NSE Code	VIJAYABANK
BSE Code	532401

Investment Argument

As per the Govt. of India's re-capitalization plan, Vijaya Bank has received ₹1,277Cr from the GoI by way of preferential allotment of equity shares in the first tranche. To further enhance its Tier-I Capital under Basel-III norms and improve the capital adequacy ratio, the Board of Vijaya Bank approved raising ₹700Cr in Sep-17 via QIP and ₹1300Cr in Dec-17 by way of additional Tier-I bonds. This would enable the Bank to improve its financial position and meet the regulatory requirements.

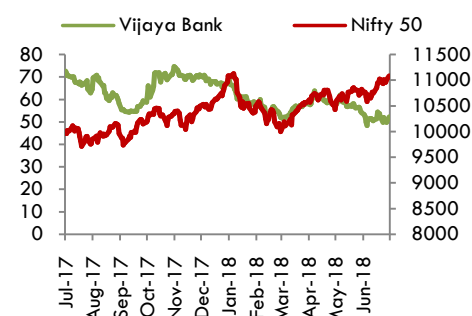
Key highlights of Q1FY19 results are as below:

- Interest earned increased by 16.8% to ₹3,510cr in Q1FY19 from ₹3,005cr in Q1FY18.
- Profit before Provisions and Contingencies increased by 13.2% to ₹852cr in Q1FY19 from ₹753Cr in Q1FY18.
- Net Interest Income increased by 27.9% to ₹1,206Cr in Q1FY19 from ₹944Cr in Q1FY18.
- Gross NPA and Net NPA ratio stood at 6.19% and 4.10% as at June-18 as against 7.3% and 5.24% as at June-17, showing an improvement of 111bps and 114bps respectively over the year ago period. Provision coverage ratio improved to 61.18% as at Jun-18 from 56.01% as at Jun-17.
- Capital Adequacy ratio improved to 13.91% in Q1FY19 from 12.73% in Q1FY18. Common Equity Tier-I ratio improved from 8.47% as at Jun-17 to 10.35% as at Jun-18. However, Additional Tier-I Ratio declined from 1.54% as at Jun-17 to 1.35% as at Jun-18.
- The RBI had offered special dispensations to Banks in the form of reduction of provisions with respect to NCLT cases from 50% to 40%, spreading over of mark to market losses equally over 4 quarters and spreading additional liability arising out of enhancement of gratuity payable over 4 quarters. Vijaya Bank has not availed these dispensations. Had the Bank availed of these dispensations, the Bank's profit would have been higher by ₹402Cr in Q4FY18.

Financials

(₹ Cr)		
Particulars	FY17	FY18
Interest Earned	12,379	12,590
Profit before Provisions and Contingencies	2,421	3,098
PAT	750	727
Book Value per share (₹)	81.6	81.5

Source: Company, Way2Wealth Inst. Equity.


Valuations

At CMP of ₹53.8, Vijaya Bank is trading at a Mar-18P/B of 0.66. Given the recent measures taken to improve the capital adequacy ratio, improved operational parameters in Q1FY19 and attractive valuations, we are **POSITIVE** on Vijaya Bank.

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Disclosure of Interest Statement in Vijaya Bank as on July 25th, 2018

Name of the Security	Vijaya Bank
Name of the analyst	Chintan Gupta
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
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