

Karur Vysya Bank Ltd

BSE SENSEX
 26817

S&P CNX
 8209

CMP: INR470
TP: INR600(+27)
Buy

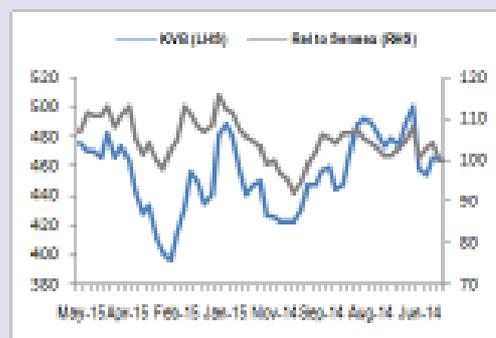
Equity Shares (cr)	12.2
52-Week Range (Rs)	516/394
1,6,12 Abs.Perf.(%)	-1 / 8 / 7
M.Cap. (Rs cr)	5,727
M.Cap. (US\$ m)	852

YEAR	NET INC	PAT	EPS	EPS	PE	ABV	P/BV	P/ABV	ROAA	ROAE
END	(INRCr)	(INRCr)	(INRCr)	Gr.(%)	(X)	(INR)	(X)	(X)	(%)	(%)
3/15A	2,055	464	38	(4.8)	12.3	326	1.3	1.4	0.9	12.3
3/16A	2,488	568	47	22.3	10.1	358	1.3	1.3	1.0	12.9
3/17E	2,853	760	62	33.8	7.5	403	1.1	1.2	1.3	15.7

Result Highlights: Lower gross NPAs in a troubled environment is a tribute to process and asset quality standards

- NII growth of 19% to INR473cr was driven by lower cost of funds and expansion in NIMs to 3.55%
- Fall in cost of funds was driven by higher CASA (23.3% of funds) as well as a sharp fall in the cost of funds.
- Advances growth at ~8% is below industry growth.
- Gross NPAs have fallen QoQ and provisions have been reversed in 4Q as a results.
- Higher tax outgo on account of a lower base has restricted PAT growth to 7%.

INR Cr.	3QFY15	2QFY16	3QFY16	% y-o-y	% q-o-q
Interest Income	1,328	1,352	1,370	3%	1%
Interest Expense	930	904	898	-4%	-1%
Net Interest Income	397	448	473	19%	5%
Other Income	180	173	166	-8%	-4%
Net Income	577	621	639	11%	3%
Operating Expenses	317	295	380	20%	29%
Operating Profit	260	326	259	0%	-21%
Provisions	195	93	(13)	-106%	-114%
Profit Before Tax	65	233	272	317%	17%
Tax Provisions	(64)	80	134	-309%	67%
Net Profit	129	153	138	7%	-10%
Deposit Growth (%)	4.1	4.9	12.1		
Loan Growth (%)	6.8	5.9	9.3		
NIMs (%)	3.15	3.47	3.55		
Cost to Inc. Ratio(%)	55.0	47.5	59.5		
Gross NPAs (%)	1.85	1.91	1.31		
Net NPAs (%)	0.78	0.96	0.55		



Valuation and view

- Improvement in GDP to 7-8% range will drive credit growth and KVB with its wide branch network and small balance sheet size stands a good chance of bettering industry growth.
- We do not see significant scope for improvement in NIMs from 3.55% after having bottomed out at 2.67% in Sep'13. Infact recent interactions with finance companies suggest that the improvement seen now could witness a reversal partly as advances get repriced.
- We are bullish on KVB's due to strong business growth, limited NPA's, healthy ROE & ROA coupled with handsome payout ratio. KVB is quoting at a P/ABV of 1.2x FY17E. We continue to recommend to BUY KVB with a target of INR. 600.

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1. Analyst ownership of the stocks mentioned above	No
2. Served as an officer, director or employee	No

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