

Andhra Bank is one of the oldest banks of India, catering to the banking needs of both retail and corporate customers. The bank's operations are mostly concentrated in southern India; the region accounts for over 60% of the bank's advances and deposits. As of March 31, 2011, the Bank had 1,632 branches, 981 ATMs, 25 extension counters and 38 satellite offices, generating a total business of around ₹1,643 billion.

Investor's Rationale

Q3FY'12 Net profit down by 8.5% on yoy basis

Public-sector lender Andhra Bank posted a decline of 8.5% in net profit at ₹3.0 billion for the third quarter ended December 31, 2011 as against ₹3.3 billion in the corresponding period of the previous year. The decline is mainly due to heavy provisioning and restructuring of corporate accounts and NPAs.

NII witnessed 17.1% yoy growth

Total income of the bank rose by 36.1% to ₹31.6 billion from ₹23.2 billion a year earlier. Net interest income (NII) grew 17.1% yoy mainly aided by healthy growth in advances (20.7% yoy) despite 10 bps decline (yoy) in net interest margin (NIM). The NIM for the third quarter contracted at 3.81% in Q3FY'12 as against 3.9% in the quarter ended December 2010. Non-interest income grew at healthy pace (18.4% yoy) to ₹2.3 billion in Q3FY12 mainly aided by strong growth in non-core component of other income (90.5% yoy).

Asset quality affected due to higher exposure to infrastructure and telecom sector

The bank has set aside ₹3.0 billion towards the total Provision and Contingencies, of which provision for NPAs was ₹390 million. Last year, in the same quarter, the provisioning was of ₹1.7 billion. Net NPAs for the quarter were recorded at 1.2% as against 0.5% over last year while Gross NPA ratio stood at 2.4% in Q3FY'12. The asset quality of the bank was affected due to higher exposure to infrastructure and telecom sector.

Witnessed healthy business growth

Advances increased 20.7% to ₹791.7 billion, mainly supported by strong growth in 'Corporate & Mid Corporate' and MSME segments while growth in agriculture and retail segments remained muted at 13.0% and 9.1%, respectively. The bank's deposits recorded a healthy growth of 20.2% at ₹986.8 billion with CASA mix grew only by 12.1% yoy, while term deposits grew 23.4% yoy. Total business grew 20.4% to ₹1,778.5 billion.

Market Data

CMP (₹)	129
Target Price	148
Stop Loss	123
Duration	Mid-term
52-week High-Low (₹)	159.0/79.0
Rise from 52WL (%)	63.5
Correction from 52WH (%)	18.8
Beta	1.29
1 year Average Volume (mn)	0.08
Stock Return (%)	3M- 32.8 6M- 0.08 9M- (10.3)
Market Cap (₹bn)	72.2
Enterprise Value (₹bn)	52.3

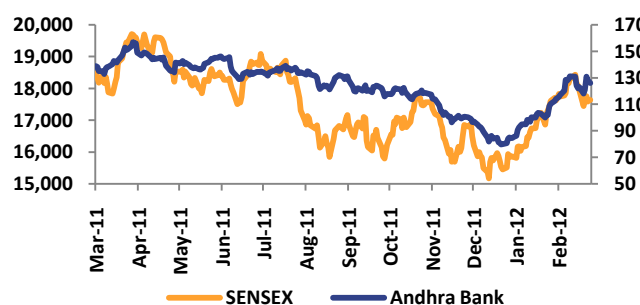
Shareholding Pattern

	Dec'11	Sep'11	Chg
Promoters (%)	58.0	58.0	-
FII (%)	13.1	13.0	0.1
DII (%)	15.4	15.8	(0.5)
Public & Others (%)	13.6	13.1	0.4

Quarterly Performance

(₹ bn)	Q3 FY'12	Q3 FY'11	Q2 FY'12	%Y-o-Y Change	%Q-o-Q Change
Total income	31.6	23.2	29.6	36.1	6.7
Op. expense	4.5	4.1	4.4	9.6	2.1
Net profit	3.0	3.3	3.1	(8.5)	(4.1)
NII	9.8	8.4	9.5	17.1	3.4
NIM (%)	3.8	3.9	3.8	(10bps)	-
Net NPA (%)	1.2	0.5	1.5	70bps	(30bps)
EPS	5.4	6.8	5.7	(20.5)	(4.1)

One Year Price Chart





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