

June 18, 2012

BSE Code: 532418 NSE Code: ANDHRABANK Reuters Code: ADBK.NS Bloomberg Code: ANDB:IN

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. During FY'12, the Bank has opened 80 branches taking the PAN India presence to 2821 delivery channels consisting of 1,712 branches, 15 extension Counters, 38 satellite offices and 1,056 ATMs.

Investor's Rationale

Net up by 8.6%YoY on lower tax provisioning

Public sector lender, Andhra Bank posted 8.6% rise in net profit at ₹3.4 billion in the fourth quarter ended March 31, 2012 as against ₹3.1 billion in the year-ago period, aided by rise in its core income, lower tax provisioning.

Healthy growth in advances boost NII by 6.1% YoY

Net interest income (NII) moved up 6.1% to ₹9.1 billion in Q4FY'12, on YoY basis mainly aided by healthy growth in advances (17.4% YoY). The bank's core fee income reported healthy growth of 19.2% YoY to ₹0.7 billion, though decline in foreign exchange income and treasury gains resulted into a decline in total other income by 23% YoY to ₹2.3 billion. However, NIM declined sharply by 35bps YoY and 47bps QoQ to 3.3% during Q4FY'12. Going forward, the bank expects margin could decline by 25-35bps to 3.35%-3.45%.

Asset quality improved on sequential basis on high PCR

During the quarter, the bank's gross NPA declined 4.6% QoQ to ₹17.9 billion. Gross NPA ratio declined by 26bps QoQ to 2.1% while net NPA ratio fell by 30bps to 0.9%, as strong recoveries at ₹5.5 billion has helped to reduce the gross NPAs. The provision coverage ratio improved for second consecutive quarter to 71% from 66% (including technical write-offs) in Q3FY'12 on the back of higher credit cost of 0.5% compared to 0.2% in Q3FY'12.

Loan growth of 17.4%YoY driven by SME and agriculture

Advances grew 17.4% during Q4FY'12 mainly aided by strong growth in agriculture, large corporate and MSME segments, while growth in retail segment remained muted at 7.8%. Deposit growth was relatively moderate (14.9% YoY) leading to marginal improvement in C/D ratio. Within deposits, CASA mix grew by only 4.4% YoY, while term deposits grew 19.2% YoY, leading to 266 bps contraction in CASA share (26.4% at the end of Q4FY'12), although CASA mix remained stable QoQ. The Bank has set itself a business expansion target of 20% growth in deposits and 20% increase in advances.

Market Data

CMP (₹)	115.3
Target Price	130
Stop Loss	110
Duration	Mid-term
52-week High-Low (₹)	139.6/79.0
Rise from 52WL (%)	45.9
Correction from 52WH (%)	17.4
Beta	1.47
1 year Average Volume (mn)	0.07
Stock Return (%)	3M- (15.2) 6M- 24.3 9M- (3.4)
Market Cap (₹bn)	64.5
Book Value (₹bn)	140.1

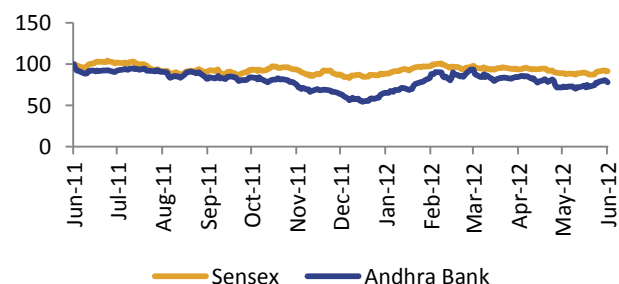
Shareholding Pattern

	Mar'12	Dec'11	Chg
Promoters (%)	58.0	58.0	-
FII (%)	13.5	13.1	0.4
DII (%)	15.3	15.4	(0.1)
Public & Others (%)	13.3	13.6	(0.3)

Quarterly Performance

(₹ bn)	Q4 FY'12	Q4 FY'11	Q3 FY'12	%Y-o-Y Change	%Q-o-Q Change
Total income	32.3	26.6	31.6	21.3	2.2
Op. expense	4.83	4.5	4.5	7.5	6.9
Net profit	3.4	3.1	3.0	8.6	12.0
NII	9.1	8.6	9.8	6.1	(7.1)
NIM (%)	3.3	3.8	3.7	(47bps)	(35bps)
Net NPA (%)	2.1	1.4	2.4	74.0	(26bps)
EPS	6.1	6.4	5.4	(4.7)	12.0

One Year Price Chart





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