

Allahabad Bank

Performance Highlights

Particulars (₹ cr)	2QFY16	1QFY16	% chg (qoq)	2QFY15	% chg (yoy)
NII	1,621	1,587	2.2	1504	7.8
Pre-prov. profit	1,159	1,242	(6.7)	1157	0.2
PAT	177	147	20.6	141	25.2

Source: Company, Angel Research

Allahabad Bank reported a 25% growth in PAT for 2QFY2016, aided by higher net interest income and lower provisions along with stable asset quality.

NIM improves qoq; Slippages remain elevated

During 2QFY2016, the bank witnessed a modest growth of 6.3% yoy in its loan book, while deposits growth was sluggish at 1.5% yoy. CASA deposits grew by 8.5% yoy (4.6% qoq), aiding 223bp yoy and 69bp qoq increase in bank's CASA ratio to 34.9%. Yield on funds for the bank declined 18bp qoq to 9.5% while a 25bp qoq decline in the costs of funds on improved CASA ratio led to a 4bp qoq rise in Reported NIMs to 2.95%. The non-interest income (excluding treasury) for the bank saw a decline of 11.2% yoy led by decline in other income which however was partially offset by growth of 17.3% yoy in the fee income.

During the quarter, asset quality pressures for the bank continued, as annualized slippages rate got elevated to 4.4%, higher than 1.9% in 1QFY2016 and 3.8% in 2QFY2015. Gross NPA ratios declined marginally by 0.6% qoq, while net NPA declined 1.6% qoq. The PCR for the bank continued to rise (up 117bp qoq during the quarter to 55.5%). Additionally, the bank restructured advances worth ₹111cr, thereby taking its outstanding restructured book to ₹15,769cr (10.4% of gross credit).

Outlook and valuation: At the current market price, the stock trades at 0.3x FY2017E P/ABV. However, given the stress in certain sectors of the economy and with the bank having a meaningful exposure to these stressed sectors, we would follow a cautious stance in the near-term. **We recommend a Neutral rating on the stock.**

Key financials (standalone)

Y/E March (₹ cr)	FY2014	FY2015	FY2016E	FY2017E
NII	5,311	6,178	6,551	7,277
% chg	9.1	16.3	6.0	11.1
Net profit	1,172	644	931	1,571
% chg	(1.1)	(45.0)	44.6	68.7
NIM (%)	2.5	2.8	2.8	2.9
EPS (₹)	21.5	11.3	16.3	27.5
P/E (x)	3.4	6.5	4.5	2.7
P/ABV (x)	0.5	0.5	0.4	0.3
RoA (%)	0.6	0.3	0.4	0.6
RoE (%)	10.9	5.7	7.6	11.9

Source: Company, Angel Research; Note: CMP as of November 18, 2015

NEUTRAL

CMP ₹74
 Target Price -

Investment Period -

Stock Info

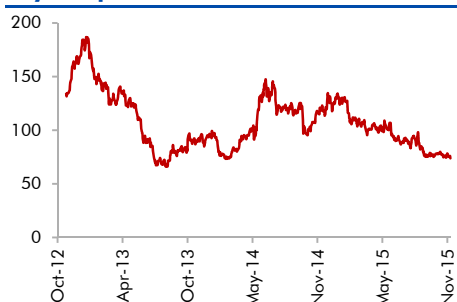
Sector	Banking
Market Cap (₹ cr)	4,432
Beta	1.3
52 Week High / Low	136/72
Avg. Daily Volume	2,508,577
Face Value (₹)	10
BSE Sensex	25,483
Nifty	7,732
Reuters Code	ALBK.BO
Bloomberg Code	ALBK@IN

Shareholding Pattern (%)

Promoters	62.7
MF / Banks / Indian FIs	18.9
FII / NRIs / OCBs	5.2
Indian Public / Others	13.1

Abs. (%)	3m	1yr	3yr
Sensex	(8.4)	(9.5)	39.0
ALBK	(24.7)	(39.9)	(44.9)

3-year price chart



Source: Company, Angel Research

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Exhibit 1: 2QFY2016 performance (standalone)

Particulars (₹ cr)	2QFY16	1QFY16	% chg (qoq)	2QFY15	% chg (yoy)	FY2015	FY2014	% chg
Interest earned	4,852	4,918	(1.3)	4,901	(1.0)	19,716	18,747	5.2
- on Advances / Bills	3,778	3,819	(1.1)	3,671	2.9	14,966	13,912	7.6
- on investments	988	1,005	(1.7)	1,181	(16.4)	4,486	4,563	(1.7)
- on balance with RBI & others	56	58	(3.8)	42	33.3	202	116	74.9
- on others	30	36	(17.0)	7	323.5	62	157	(60.6)
Interest Expended	3,230	3,331	(3.0)	3,397	(4.9)	13,538	13,435	0.8
Net Interest Income	1,621	1,587	2.2	1,504	7.8	6,178	5,311	16.3
Other income	465	478	(2.8)	516	(9.7)	1,996	2,166	(7.8)
Other income excl. treasury	384	329	16.6	433	(11.2)	1,427	1,878	(24.0)
- Fee Income	265	244	8.6	226	17.3	988	928	6.4
- Treasury Income	81	149	(45.6)	83	(2.4)	569	288	97.6
- Others	119	85	39.6	207	(42.2)	439	949	(53.8)
Operating income	2,087	2,066	1.0	2,020	3.3	8,174	7,477	9.3
Operating expenses	928	824	12.6	863	7.5	3,714	3,457	7.5
- Employee expenses	572	472	21.1	529	8.2	2,307	2,245	2.8
- Other Opex	356	352	1.2	334	6.5	1,407	1,212	16.1
Pre-provision Profit	1,159	1,242	(6.7)	1,157	0.2	4,460	4,020	10.9
Provisions & Contingencies	703	855	(17.7)	730	(3.7)	2,857	2,384	19.8
- Provisions for NPAs	838	561	49.4	1,016	(17.5)	2,004	2,030	(1.3)
- Provisions for Investments	(149)	181	(182.3)	49	(404.1)	(91)	137	(166.4)
- Other Provisions	14	113	(87.5)	(335)	(104.2)	944	216	336.0
PBT	456	387	17.8	427	6.8	1,603	1,637	(2.0)
Provision for Tax	279	240	16.1	285	(2.4)	982	465	111.4
PAT	177	147	20.6	141	25.2	621	1,172	(47.0)
Effective Tax Rate (%)	61.1	62.0	(89)bp	66.9	(572)bp	61.3	28.4	3288bp

Source: Company, Angel Research

Exhibit 2: 2QFY2016 performance analysis (standalone)

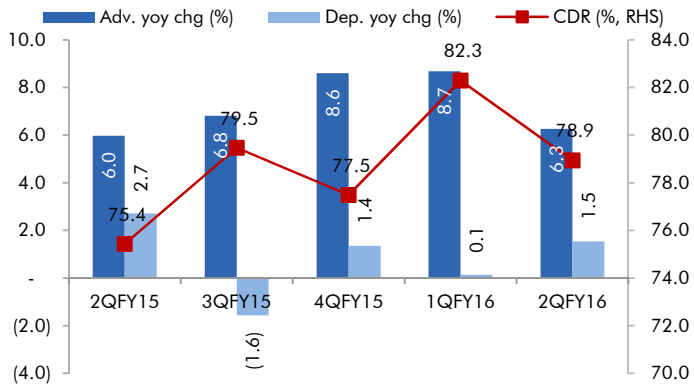
Particulars (₹ cr)	2QFY16	1QFY16	% chg (qoq)	2QFY15	% chg (yoy)
Balance sheet					
Advances (₹ cr)	1,48,526	1,51,027	(1.7)	1,39,772	6.3
Deposits (₹ cr)	1,88,151	1,83,521	2.5	1,85,297	1.5
Credit-to-Deposit Ratio (%)	78.9	82.3	(335)bp	75.4	351bp
Current deposits (₹ cr)	9,423	9,218	2.2	8,288	13.7
Saving deposits (₹ cr)	56,304	53,633	5.0	52,309	7.6
CASA deposits (₹ cr)	65,727	62,851	4.6	60,597	8.5
CASA ratio (%)	34.9	34.2	69bp	32.7	223bp
CAR (%)	10.4	10.2	13bp	11.1	(72)bp
Tier 1 CAR (%)	7.8	7.5	25bp	7.7	2bp
Profitability Ratios (%)					
Cost of deposits	6.7	6.9	(19)bp	7.1	(42)bp
Yield on advances	10.5	10.7	(21)bp	10.9	(44)bp
Yield on investments	7.5	7.6	(4)bp	8.0	(45)bp
Yield on funds	9.5	9.7	(18)bp	9.9	(38)bp
Cost of funds	6.4	6.7	(25)bp	7.0	(56)bp
Reported NIM	2.95	2.91	4bp	3.05	(10)bp
Cost-to-income ratio	44.5	39.9	457bp	42.7	174bp
Asset quality					
Gross NPAs (₹ cr)	7,986	7,987	(0.0)	7,674	4.1
Gross NPAs (%)	5.3	5.3	(3)bp	5.4	(10)bp
Net NPAs (₹ cr)	5,360	5,421	(1.1)	4,948	8.3
Net NPAs (%)	3.6	3.7	(6)bp	3.5	7bp
Provision coverage ratio (%)	55.5	54.3	117bp	55.2	29bp
Annualized slippage ratio (%)	4.4	1.9	251bp	3.8	66bp
NPA prov. to avg. assets (%)	1.5	1.1	49bp	1.9	(38)bp

Source: Company, Angel Research

NIM improves qoq; Slippages remain elevated

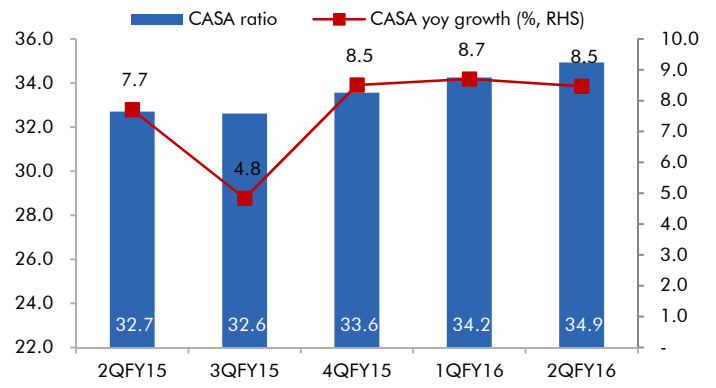
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Exhibit 3: Business growth at moderate pace



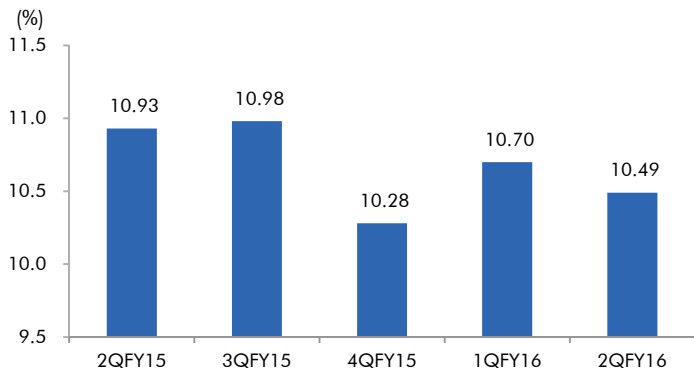
Source: Company, Angel Research

Exhibit 4: CASA ratio rises qoq and yoy



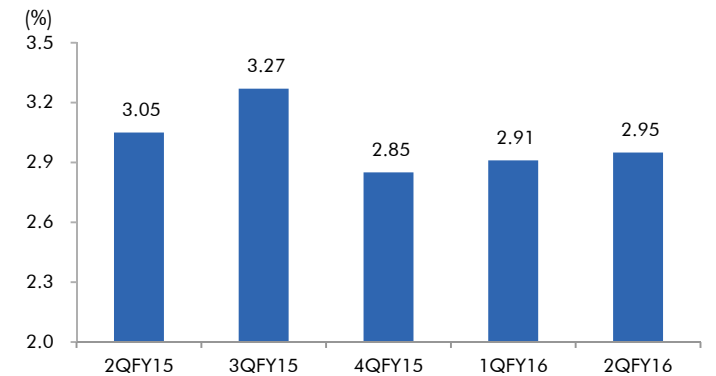
Source: Company, Angel Research

Exhibit 5: Yield on Advances decline qoq



Source: Company, Angel Research

Exhibit 6: NIM surges 4bp qoq

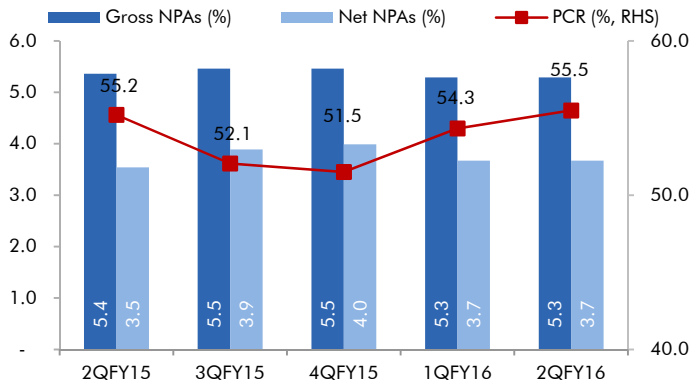


Source: Company, Angel Research

NPA levels under control; slippages hover at elevated levels

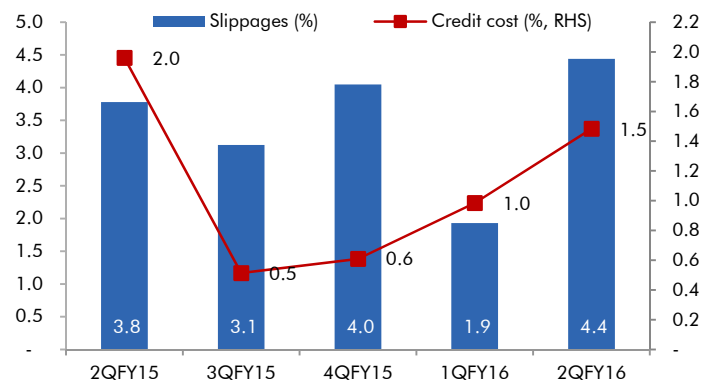
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Exhibit 7: NPA ratios witness moderate pressure



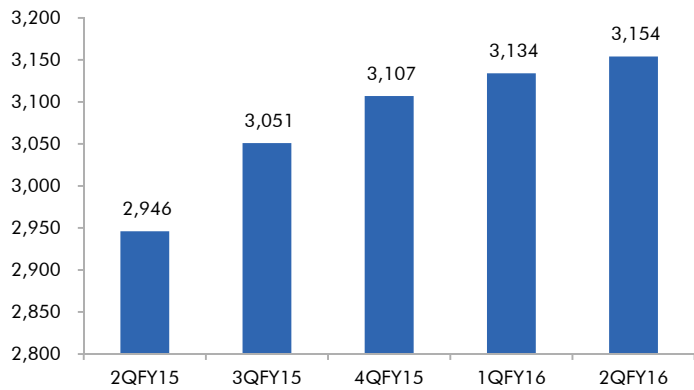
Source: Company, Angel Research; Note: PCR incl. technical write-offs

Exhibit 8: Elevated slippages



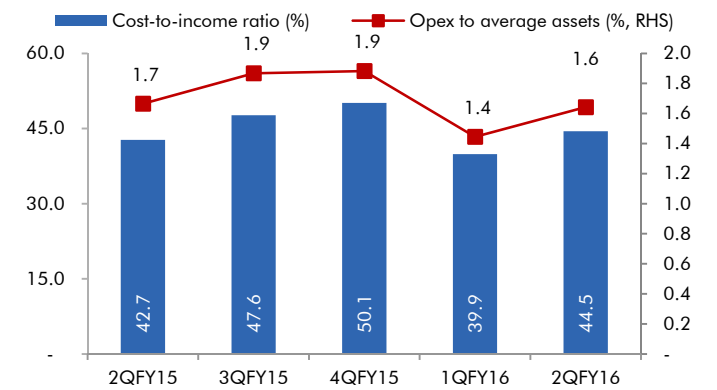
Source: Company, Angel Research

Exhibit 9: Branch expansion slows down



Source: Company, Angel Research

Exhibit 10: Cost ratios trends



Source: Company, Angel Research

Outlook and valuation

At the current market price, the stock trades at 0.3x FY2017E P/ABV. However, given the stress in certain sectors of the economy and with the bank having a meaningful exposure to these stressed sectors, we would follow a cautious stance in the near-term. **We recommend a Neutral rating on the stock.**

Exhibit 11: Recommendation summary

Company	Reco.	CMP (₹)	Tgt. price (₹)	Upside (%)	FY2016E P/ABV (x)	FY2016E Tgt. P/ABV (x)	FY2016E P/E (x)	FY2014-16E EPS CAGR (%)	FY2016E RoA (%)	FY2016E RoE (%)
HDFCBk	Buy	1,048	1,262	20.4	3.2	3.8	17.2	22.4	1.9	19.7
ICICIBk*	Buy	260	354	36.1	1.8	2.0	10.7	13.4	1.6	14.7
YesBk	Buy	723	921	27.3	1.9	2.4	10.4	20.5	1.6	19.6
AxisBk	Buy	464	630	35.8	1.9	2.6	10.7	18.4	1.8	18.9
SBI*	Buy	241	283	17.4	1.2	1.2	9.9	17.8	0.7	12.7
FedBk	Neutral	55	-	-	1.0	1.0	8.9	3.1	1.0	11.9
SIB	Neutral	20	-	-	0.7	0.8	6.1	21.6	0.7	11.6
BOB	Neutral	168	-	-	0.9	0.9	8.0	17.5	0.6	10.6
PNB	Neutral	136	-	-	0.6	0.6	5.0	28.5	0.7	12.0
BOI	Neutral	129	-	-	0.3	0.8	3.9	14.0	0.3	7.6
IndBk	Neutral	126	-	-	0.4	0.3	4.2	19.4	0.6	8.6
Vijaya Bank	Neutral	34	-	-	0.5	0.5	5.1	14.1	0.4	8.8
OBC	Neutral	146	-	-	0.3	0.5	3.2	65.5	0.5	9.4
Allahabad Bank	Neutral	74	-	-	0.3	0.3	2.7	56.2	0.6	11.9
UnionBk	Neutral	160	-	-	0.5	0.4	4.1	18.1	0.6	11.4
CanBk	Neutral	270	-	-	0.4	0.3	3.8	12.0	0.6	11.2
AllBk	Neutral	74	-	-	0.3	0.4	2.7	56.2	0.6	11.9
IDBI#	Neutral	83	-	-	0.5	0.6	5.8	61.6	0.6	9.3
DenaBk	Neutral	41	-	-	0.3	0.4	4.1	45.6	0.4	7.9

Source: Company, Angel Research; Note: *Target multiples=SOTP Target Price/ABV (including subsidiaries), #Without adjusting for SASF

Company Background

Allahabad Bank is a mid-sized public sector bank, with a network of ~3,154 branches and balance sheet of ~₹2.2lakh cr. The bank has around 62% of its branches in rural and semi-urban locations.

Income statement (standalone)

Y/E March (₹ cr)	FY12	FY13	FY14	FY15	FY16E	FY17E
Net Interest Income	5,163	4,866	5,311	6,178	6,551	7,277
- YoY Growth (%)	28.3	(5.7)	9.1	16.3	6.0	11.1
Other Income	1,299	1,477	2,166	1,996	2,018	2,116
- YoY Growth (%)	(5.2)	13.7	46.6	(7.8)	1.1	4.8
Operating Income	6,461	6,343	7,477	8,174	8,569	9,392
- YoY Growth (%)	19.8	(1.8)	17.9	9.3	4.8	9.6
Operating Expenses	2,691	2,958	3,457	3,714	3,877	4,265
- YoY Growth (%)	15.1	9.9	16.9	7.5	4.4	10.0
Pre - Provision Profit	3,770	3,385	4,020	4,460	4,692	5,127
- YoY Growth (%)	23.4	(10.2)	18.8	10.9	5.2	9.3
Prov. & Cont.	1,607	1,833	2,384	2,796.3	2,829	2,725
- YoY Growth (%)	43.0	14.0	30.1	17.3	1.2	(3.7)
Profit Before Tax	2,163	1,553	1,637	1,663	1,863	2,402
- YoY Growth (%)	12.0	(28.2)	5.4	1.6	12.0	29.0
Prov. for Taxation	296	367	465	1,019	931	831
- as a % of PBT	13.7	23.7	28.4	61.3	50.0	34.6
PAT	1,867	1,185	1,172	644	931	1,571
- YoY Growth (%)	31.2	(36.5)	(1.1)	(45.0)	44.6	68.7

Balance sheet (standalone)

Y/E March (₹ cr)	FY12	FY13	FY14	FY15	FY16E	FY17E
Share Capital	500	500	545	571	571	571
Reserves & Surplus	10,007	10,852	11,256	12,095	12,855	14,140
Deposits	1,59,593	1,78,742	1,90,843	1,93,424	2,06,964	2,27,660
- Growth (%)	21.0	12.0	6.8	1.4	7.0	10.0
Borrowings	5,183	6,386	8,419	10,697	11,428	12,542
Tier 2 Capital	3,912	3,712	3,712	3,619	3,529	3,440
Other Liab. & Prov.	3,740	4,181	5,660	6,690	7,283	7,915
Total Liabilities	1,82,935	2,04,373	2,20,434	2,27,096	2,42,630	2,66,269
Cash Balances	8,712	7,808	8,834	9,660	10,348	11,383
Bank Balances	5,313	5,263	5,461	7,474	7,985	8,763
Investments	54,283	58,306	63,961	56,479	61,619	68,824
Advances	1,11,145	1,29,490	1,38,007	1,49,877	1,58,869	1,73,168
- Growth (%)	18.7	16.5	6.6	8.6	6.0	9.0
Fixed Assets	1,198	1,252	1,310	1,405	1,456	1,550
Other Assets	2,283	2,255	2,862	2,202	2,352	2,582
Total Assets	1,82,935	2,04,373	2,20,434	2,27,096	2,42,630	2,66,269
- Growth (%)	20.9	11.7	7.9	3.0	6.8	9.7

Ratio Analysis (standalone)

Y/E March	FY12	FY13	FY14	FY15	FY16E	FY17E
Profitability ratios (%)						
NIMs	3.2	2.6	2.5	2.8	2.8	2.9
Cost to Income Ratio	41.7	46.6	46.2	45.4	45.2	45.4
RoA	1.1	0.6	0.6	0.3	0.4	0.6
RoE	21.6	11.8	10.9	5.7	7.6	11.9
B/S ratios (%)						
CASA Ratio	30.5	30.7	31.3	33.6	34.2	34.5
Credit/Deposit Ratio	69.6	72.4	72.3	77.5	76.8	76.1
CAR	12.8	11.0	10.3	10.8	10.5	10.3
- Tier I	9.1	8.1	7.7	8.0	8.0	8.1
Asset Quality (%)						
Gross NPAs	1.8	3.9	5.7	5.5	6.8	6.9
Net NPAs	1.0	3.2	4.1	4.0	4.0	3.0
Slippages	2.4	5.3	4.6	3.6	3.5	3.0
Loan Loss Prov./Avg. Assets	0.7	0.8	1.0	0.9	1.0	1.0
Provision Coverage	74.0	50.0	46.0	52.5	57.5	67.5
Per Share Data (₹)						
EPS	37.3	23.7	21.5	11.3	16.3	27.5
ABVPS	192.1	168.7	145.2	157.2	173.8	221.6
DPS	6.0	6.0	0.0	1.7	3.0	5.0
Valuation Ratios						
PER (x)	2.0	3.1	3.4	6.5	4.5	2.7
P/ABVPS (x)	0.4	0.4	0.5	0.5	0.4	0.3
Dividend Yield	8.1	8.1	-	2.3	4.1	6.8
DuPont Analysis (%)						
NII	3.1	2.5	2.5	2.8	2.8	2.9
(-) Prov. Exp.	1.0	0.9	1.1	1.2	1.2	1.1
Adj. NII	2.1	1.6	1.4	1.5	1.6	1.8
Treasury	0.1	0.1	0.1	0.3	0.2	0.2
Int. Sens. Inc.	2.2	1.7	1.5	1.8	1.8	2.0
Other Inc.	0.7	0.6	0.9	0.6	0.6	0.6
Op. Inc.	2.9	2.3	2.4	2.4	2.4	2.6
Opex	1.6	1.5	1.6	1.7	1.7	1.7
PBT	1.3	0.8	0.8	0.7	0.8	0.9
Taxes	0.2	0.2	0.2	0.5	0.4	0.3
RoA	1.1	0.6	0.6	0.3	0.4	0.6
Leverage (x)	19.3	19.2	19.8	19.7	19.3	19.3
RoE	21.6	11.8	10.9	5.7	7.6	11.9

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Note: Please refer to the important 'Stock Holding Disclosure' report on the Angel website (Research Section). Also, please refer to the latest update on respective stocks for the disclosure status in respect of those stocks. Angel Broking Pvt. Limited and its affiliates may have investment positions in the stocks recommended in this report.

Disclosure of Interest Statement

Allahabad Bank

1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors

Ratings (Based on expected returns over 12 months investment period):

Buy (> 15%)

Accumulate (5% to 15%)
Reduce (-5% to -15%)

Neutral (-5 to 5%)
Sell (< -15)