

April 28, 2008

BUY

Price **Rs337** Target Price **Rs470**

Sensex **17,126**

Price Performance

(%)	1M	3M	6M	12M
Absolute	13	(6)	(22)	0
Rel. to Sensex	6	(5)	(13)	(17)

Source: Capitaline

Stock Details

Sector	Banks
Reuters	CRBK.BO
Bloomberg	CRPBK @IN
Equity Capital (Rs mn)	1434
Face Value	10
52 Week H/L	490/230
Market Cap	Rs46bn/US\$1.1bn
Daily Avg Volume (No of shares)	154087
Daily Avg Turnover (US\$)	1.1mn

Shareholding Pattern (%)

	M'08	D'07	S'07
Promoters	57.2	57.2	57.2
FII/NRI	10.4	10.2	10.2
Institutions	29.4	30.0	30.1
Private Corp	0.4	0.5	0.2
Public	2.6	2.2	2.3

Kashyap Jhaverikashyap.jhaveri@emkayshare.com

+91 22 6612 1249

Pradeep Agrawalpradeep.agrawal@emkayshare.com

+91 22 6612 1340

Corporation BankResult
Update**Disappointing numbers**

Corporation Bank's (Corp Bank) Q4 FY08 results were marginally above our expectations. The adjusted NII declined by 3.4% yoy to Rs3.6bn compared with our estimates of 9.4% drop. The NIMs contracted by 43bps yoy and were flat qoq. The other income has shown a jump of 20% yoy mainly driven by treasury income and recovery from written off accounts.

Albeit we are not quite enthused with the bank's core performance (dismal NII and no recovery in the core fee income growth), we believe that the valuations of the stock at 5.1x its FY10E EPS and 0.8x FY10E ABV look attractive. We maintain BUY rating on the stock with a price target of Rs470.

Lower NIM's put pressure on NII

Corp Bank has reported a small decline of 3.4% in adjusted NII (the NII includes prior period items of Rs399mn) at Rs3.6bn as the NIMs dipped by 47bps yoy. However, on sequential basis, the NIMs have expanded by 12bp.

Rs mn	Q4FY08	Q4FY07	Q3FY08	% yoy chg	% qoq chg
Reported NII	4,026	3,892	3,337	3.4	20.6
Extra ordinary	399	140	220		
Adjusted NII	3,626	3,752	3,117	-3.4	16.3

Source: Company, Emkay Research

The dip in the margins was driven by a sharp jump of 96bps in cost of funds. Albeit, the rise in the yield on advances partially compensated for the same, lower yield on investments continued to hurt NII.

Yield analysis

%	Q4FY08	Q4FY07	Q3FY08	yoy chg (bps)	qoq chg (bps)
Yield on advances	9.6	9.1	9.8	51	-20
Yield on assets	8.3	7.5	8.2	82	14
Cost of funds	5.9	4.6	5.8	129	2
NIM	2.5	3.0	2.4	-47	12

Source: Company, Emkay Research

Quarterly numbers are calculated on average balances

Strong growth in business

The total advances have grown by 30.8% yoy to Rs392bn driven mainly by corporate and agricultural advances.

The total deposits have grown at 30.9% yoy to Rs554bn with CASA constituting 35% of the total deposits.

Rs bn	Q4FY08	Q4FY07	Q3FY08	% yoy chg	% qoq chg
CASA	194	144	148	34.4	31.5
Term deposits	360	279	344	29.0	4.7
Total deposits	554	424	492	30.9	12.7
CASA ratio (%)	35.0	34.1	30.0	93.4	500.1

Source: Company, Emkay Research

Recovery and treasury continue to drive other income

Non interest income has grown by 20.2%yoy to Rs2.1bn during the quarter. However, the same was mainly driven by higher treasury income and higher recoveries. The core fee income has also grown by 19.8% yoy.

Rs mn	Q4FY08	Q4FY07	Q3FY08	% yoy chg	% qoq chg
Profit on sale	176	122	438	43.7	-59.9
Fee income	1,186	990	917	19.8	29.4
Forex	143	262	83	-45.4	73.7
Recovery	548	397	219	37.9	149.9
Dividend	59	29	13	107.3	342.5
Other Income	2,112	1,757	1,670	20.2	26.5

Source: Company, Emkay Research

Lower employee cost help further...

During the quarter, the Opex declined by 5.2% yoy to Rs2.1bn driven by lower employee expenses. We believe that the same could be because of write back of the provisions on account of AS-15 liabilities.

... As also lower provisioning

The operating performance was further aided by lower provisioning as the bank made lower provision for NPA as well as MTM. This has helped the bank to report a strong 73.5% yoy growth in net profit to Rs2.1 bn

Rs mn	Q4FY08	Q4FY07	Q3FY08	% yoy chg	% qoq chg
NPA provisioning	470	595	60	-21.0	683.3
As % of advances	0.1	0.2	0.0		
Investment Depreciation	146	529	-15	-72.4	NA
Standard assets	280	377	50	-25.7	460.0
Others	123	12	2	918.2	6,060.0
Total	1,019	1,513	97	-32.6	947.3

Asset quality remains robust

Asset quality remained robust with gross NPAs at 1.47% (2.1% last year) and net NPAs to 0.32% (0.47% last year). The provision cover also remains robust at 78%.

Valuations and view

Albeit we are not quite enthused with the bank's core performance (dismal NII and no recovery in the core fee income growth), we believe that the valuations of the stock at 5.1x its FY10E EPS and 0.8x FY10E ABV look attractive. We maintain BUY rating on the stock with a price target of Rs470.

Quarterly results

Rs mn	FY08	FY07	% y-o-y chg	Q4FY08	Q4FY07	Q3FY08	% y-o-y chg	% q-o-q chg
NII	14,433	13,081	10.3	4,026	3,892	3,337	3.4	20.6
Other Income	6,998	6,356	10.1	2,112	1,757	1,670	20.2	26.5
<i>Fee income</i>	434	394	10.2	139	124	101	12.2	37.1
Net Income	21,432	19,437	10.3	6,138	5,649	5,007	8.6	22.6
Operating expenses	8,920	8,036	11.0	2,103	2,217	2,231	-5.2	-5.8
Pre-provision profits	12,512	11,401	9.7	4,035	3,432	2,776	17.6	45.4
Provisions	1,857	3,228	-42.5	1,019	1,513	97	-32.6	947.3
<i>NPA provisioning</i>	1,230	2,035	-39.6	470	595	60	-21.0	683.3
Profit before tax	10,655	8,172	30.4	3,016	1,919	2,240	57.1	34.6
Taxes	3,304	2,804	17.8	960	735	769	30.7	24.8
Net Profit	7,351	5,368	36.9	2,056	1,185	1,909	73.5	7.7

Valuation table

Y/E March 31	Net income (Rs mn)	Net profit (Rs mn)	EPS (Rs)	ABV (Rs)	RoA (%)	RoE (%)	PE (x)	P/ABV (x)
FY2007	19,025	5,361	37.4	252.6	1.2	15.0	9.6	1.4
FY2008E	21,432	7,351	51.2	288.3	1.1	15.8	8.1	1.2
FY2009E	24,390	7,634	53.2	338.7	1.2	16.8	6.3	1.0
FY2010E	28,498	9,410	65.6	410.0	1.2	18.0	5.1	0.8

DISCLAIMER: This document is not for public distribution and has been furnished to you solely for your information and may not be reproduced or redistributed to any other person. The manner of circulation and distribution of this document may be restricted by law or regulation in certain countries, including the United States. Persons into whose possession this document may come are required to inform themselves of, and to observe, such restrictions. This material is for the personal information of the authorized recipient, and we are not soliciting any action based upon it. This report is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. No person associated with Emkay Share & Stock Brokers Ltd is obligated to call or initiate contact with you for the purposes of elaborating or following up on the information contained in this document. The material is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon. Neither Emkay Share & Stock Brokers Ltd, nor any person connected with it, accepts any liability arising from the use of this document. The recipient of this material should rely on their own investigations and take their own professional advice. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. We and our affiliates, officers, directors, and employees world wide, including persons involved in the preparation or issuance of this material may; (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company (ies) discussed herein or may perform or seek to perform investment banking services for such company(ies) or act as advisor or lender / borrower to such company(ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions. The same persons may have acted upon the information contained here. No part of this material may be duplicated in any form and/or redistributed without Emkay Share & Stock Brokers Ltd's prior written consent. No part of this document may be distributed in Canada or used by private customers in the United Kingdom. In so far as this report includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Emkay Share and Stock Brokers Ltd.,

Paragon Center, Ground Floor, C-6

Pandurang Budhkar Marg, Worli, Mumbai – 400 013. , Tel no. 66121212. Fax: 66121299