

RESULTS REVIEW
Share Data

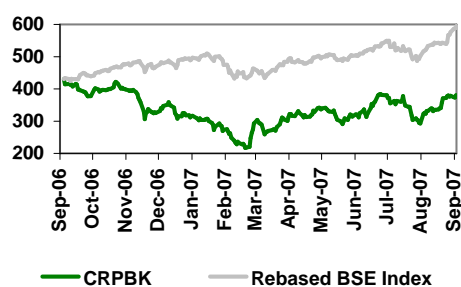
Market Cap	Rs. 53.8 bn
Price	Rs. 375.10
BSE Sensex	17,150.56
Reuters	CRBK.BO
Bloomberg	CRPBK IN
Avg. Volume (52 Week)	35341.2
52-Week High/Low	Rs. 445 / 211.7
Shares Outstanding	143.4 mn

Valuation Ratios

Year to 31 March	2008E	2009E
EPS (Rs.)	45.4	50.7
+/- (%)	21.6%	11.7%
PER (x)	8.3x	7.4x
P / PPP (x)	4.1x	3.5x
P / ABV (x)	1.3x	1.1x

Shareholding Pattern (%)

Promoter	57
FII's	9
Institutions	31
Public & Others	3

Relative Performance

Corporation Bank
Buy
Solid deposit growth coupled with improving asset quality

Corporation Bank reported robust 1Q'07 numbers with net profit increasing 22.8% yoy to Rs. 1.8 bn. The total business of the Bank grew by 23.1% to Rs. 735.8 bn with advances and deposits growing 17.5% and 27.4% respectively. The asset quality of the Bank improved 9bps yoy and 1bps sequentially to 0.46%. Net interest income of the Bank increased 14.6% to Rs. 3.7 bn mainly driven by its assets. However, Bank's NIM decreased 41bps yoy to 3.01%. During the quarter, the Bank has brought all its branches under Core Banking Solution covering 100% business. The capital adequacy ratio of the Bank stood at 13.3% and is sufficient to meet the growing demand and meet Basell II norms.

Considering the improving asset quality and strong long term growth prospects along with attractive valuations, we reiterate Buy rating on the stock.

Result Highlights

Net interest income increased 14.6% yoy to Rs. 3.7 bn primarily on account of increase in cost of funds by almost 85% to Rs. 7.5 bn. Net interest margin decreased 41bps yoy to 3.01%. The margins remain under pressure largely because of high cost term deposits and declining CASA ratio.

Key Figures (Standalone)

Year to March	1Q'07	1Q'08	YoY %	FY06	FY07	YoY %
(Figures in Rs mn, except per share data)						
Net Interest Income	3,248	3,722	14.6%	12,268	13,778	12.3%
Total Net Income	4,898	4,909	0.2%	17,003	19,436	14.3%
Pre-Prov Operating Profit	3,016	2,756	(8.6)%	9,536	11,400	19.6%
Net Profit	1,442	1,771	22.8%	4,444	5,361	20.6%
Cost / Net Interest Income (%)	38.4%	43.9%	-	43.9%	41.3%	-
Net Interest Margin	3.42%	3.01%	-	3.56%	3.24%	-
NPA ratio	0.55%	0.46%	-	0.64%	0.47%	-
Per Share Data (Rs.)						
PPP per share	21.0	19.2	(8.6)%	66.5	79.5	19.6%
EPS	10.1	12.3	22.8%	31.0	37.4	20.6%
Adj. Book value per share	245.3	274.9	12.0%	235.3	262.5	11.6%
PER (x)	-	-	-	12.1x	10.0x	-
P/ABV (x)	-	-	-	1.6x	1.4x	-

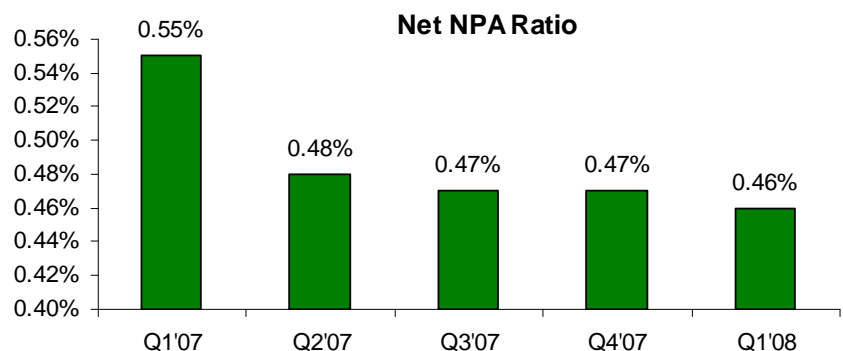
Rs. 270 mn of provision made for AS-15

Non interest income decreased 28.1% yoy to Rs. 1.2 bn due to lower profit on sale of investment which declined 75.3% to Rs. 196 mn. Excluding profit on sale of investments, non interest income increased 15.9% to Rs. 990.9 mn.

Operating expense increased 14.4% yoy to Rs. 2.2 bn primarily on account of Rs. 270 mn provision for AS-15. Other operating expenses increased 9% yoy to Rs. 1.1 bn. Net profit increased 22.8% yoy to Rs. 1.8 bn due to lower provisions made during the quarter.

The total business of the Bank grew 23.1% yoy to Rs. 735.8 bn. Advances of the Bank grew by 17.5% yoy to Rs. 303.5 bn with advances to agriculture and SSI increasing 34% and 21% respectively. On the deposits side, the Bank showed a robust growth of 27.4% yoy to Rs. 432.3 bn. The Bank's asset quality continues to be one of the best in the industry with net NPA improving 9bps yoy to 0.46%.

Asset quality continues to improve



Source: Company data, indiabulls research

Key Events

100% business under CBS

CBS to improve operating performance

During the quarter, the Bank has brought 100% of its business under Core Banking Solution. This will help the Bank to improve its operating performance, going forward.

1,000 branches by the year end

Expanding branch network

The Bank has added 17 new branches during the quarter taking the total number to 918. In addition, the Bank is planning to expand its network to more than 1,000 branches by the year end. This will help the Bank to improve its declining CASA ratio.

Outlook

Corporation Bank would continue to improve its operating performance by rapidly expanding its rural presence and encashing on the strong credit growth. The Bank is planning to increase its total number of branches to more than 1,000 by the end of FY08. This extensive branch network and CBS would facilitate the Bank to improve its business and earnings. Improvement in asset quality, depicted by well managed NPA's, would further strengthen the bottom line of the Bank.

However, factors like continuous decline in CASA and NIM ratios, and slow retail growth can limit the upside in company's valuation. At the current price of Rs. 375.1, the stock is trading at a forward P/AB of 1.3x FY08E and 1.1x FY09E.

Based on a target P/BV multiple of 1.5x for FY08, we value Corporation Bank at Rs. 447 and maintain Buy rating on the stock.

Trading at the forward P/ABV of 1.3x FY08E

Income Statement					Key Ratios				
(Rs mn, Yr. ending March 31)	FY06	FY07	FY08E	FY09E		FY06	FY07	FY08E	FY09E
Interest Income	26,264	34,302	43,106	52,321	Per share data (Rs.)				
Interest Expense	13,997	20,524	27,238	33,722	Shares outstanding (mn)	143.4	143.4	143.4	143.4
Net Interest Income	12,268	13,778	15,869	18,599	Basic EPS	31.0	37.4	45.4	50.7
YoY Growth (%)	8.6%	12.3%	15.2%	17.2%	Diluted EPS	31.0	37.4	45.4	50.7
Other Income	4,736	5,658	5,941	6,832	Book value per share	235.3	262.5	298.0	338.0
Total Net Income	17,003	19,436	21,810	25,431	Adj. book value per share	235.3	262.5	298.0	338.0
YoY Growth (%)	0.4%	14.3%	12.2%	16.6%	Valuation ratios (x)				
Operating Expense	7,468	8,036	8,724	9,918	P/PPP	5.6x	4.7x	4.1x	3.5x
Pre-Provisioning Profit	9,536	11,400	13,086	15,513	P/E	12.1x	10.0x	8.3x	7.4x
Provisions and Contingencies	2,791	3,234	3,358	4,650	P/B	1.6x	1.4x	1.3x	1.1x
Profit Before Tax	6,745	8,166	9,728	10,863	P/ABV	1.6x	1.4x	1.3x	1.1x
Tax	2,300	2,805	3,210	3,585	Performance ratio (%)				
Net Profit	4,444	5,361	6,518	7,278	Return on avg. assets	1.2%	1.2%	1.1%	1.0%
YoY Growth (%)	10.5%	20.6%	21.6%	11.7%	Return on avg. net worth	13.8%	15.0%	16.2%	16.0%
Balance Sheet					Balance Sheet ratios (%)				
(Rs mn, as on March 31)	FY06	FY07	FY08E	FY09E	Advances to deposits	72.9%	70.7%	69.0%	67.4%
Cash and balances with RBI	40,887	67,189	100,343	152,569	Borrowings to advances	6.9%	10.1%	10.0%	10.5%
Investments	106,520	144,175	173,451	204,286	Investments to assets	26.3%	27.3%	26.2%	24.6%
YoY Growth (%)	3.8%	35.4%	20.3%	17.8%	Investments to deposits	32.4%	34.0%	32.5%	30.5%
Advances	239,624	299,497	368,381	451,266	Net Worth to assets	8.3%	7.1%	6.5%	5.8%
YoY Growth (%)	29.2%	25.0%	23.0%	22.5%	Productivity ratio (Rs. mn)				
Fixed Assets (Net)	2,559	2,810	3,023	3,259	Opt. expense per employee	0.7	0.7	0.7	0.8
Other Assets	15,477	13,536	16,011	18,754	Net profit per employee	0.4	0.5	0.5	0.6
Total Assets	405,066	527,206	661,209	830,134	Asset per employee	35.8	44.4	53.0	63.4
Deposits	328,765	423,569	533,697	669,790	Operating ratios (%)				
YoY Growth (%)	20.7%	28.8%	26.0%	25.5%	Operating cost to net income	43.9%	41.3%	40.0%	39.0%
Borrowings	16,601	30,210	36,838	47,383	Operating cost to avg. assets	2.0%	1.7%	1.5%	1.3%
YoY Growth (%)	27.9%	82.0%	21.9%	28.6%					
Other Liabilities & Provisions	25,951	35,773	47,936	64,473					
Total Liabilities	371,317	489,552	618,471	781,646					
Share Capital	1,434	1,434	1,434	1,434					
Reserves & Surplus	32,315	36,220	41,304	47,054					
Total Equity & Liabilities	405,066	527,206	661,209	830,134					

Source: Bank data, Indiabulls research

Note: Some ratios are as per Indiabulls definitions and may not match figures declared by the Bank

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