

## Banking

## Corporation Bank

Buy

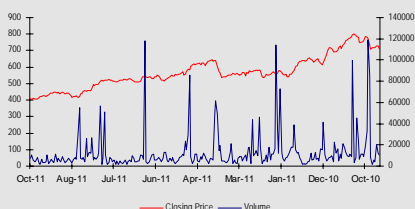
*Superior Return Ratio demands Valuation*

CMP	Rs 415
Target Price	Rs 601

## Key Data

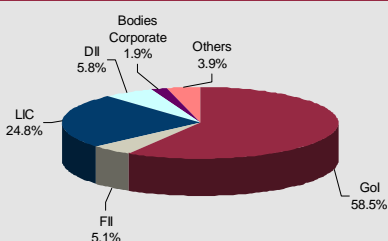
Face Value	10
Market Cap (Rs in mn)	62955
Total O/s Shares in (in mn)	148.1
Free Float	41.48%
52 Week High / Low	815/402
Avg. Monthly Volume (BSE)	3672
Avg. Monthly Volume (NSE)	28800
BSE Code	532179
NSE Code	CORPBANK
Bloomberg Code	CRPBK IN
Beta	0.7
Date of Incorporation	1906
Last Dividend Declared	200%
Six month return	-6.6%
Indices	A

## One Year Price Chart



Source: Capitaline

## Share Holding Pattern 30.09.2011



Source: Company, KJMC Research

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South based Corporation Bank (CRPBK IN) is a mid sized state owned government bank (GoI holding 58.5%) with a network of 1362 branches and balance sheet size of Rs 1.4trillion. Having its dominant presence in Southern parts of India with more than 50% branches, bank is trying to diversify its geographical distribution by adding 150 branches in FY12 particularly in Western and Northern parts; has added 206 branches in FY11. We like Corporation Bank due to its aggressive branch addition, enjoying best asset quality in class & robust business mix growth. With all the banks facing interest rate pressure, NIMs of the bank will also be under pressure in FY12 which has been factored in its current price.

At CMP of 415, the bank is trading at an attractive valuation of 0.7x FY13E ABV. We initiate coverage on Corporation bank with "BUY" rating with a price target of Rs 601 (i.e. discounting FY13E by 1.0x, an upside of 45% from current levels).

## Key Highlights

**Robust business mix growth:** CRPBK has been very aggressive in growing its business mix with advances growing by 30% CAGR over FY08-11 way above industry levels. Although, trend doesn't seem to continue in FY12 due to rising interest rate regime. Thus, we have assumed 22% YoY growth in its advances in FY12E which we assume as lowest assumption looking at the last five years growth in advances. Currently, bank has crossed its business mix of Rs 2trillion and going forward it is expected to be at Rs 2.5 trillion in FY12E.

**Aggressive branch addition to continue in FY12:** In comparison with its peer group, bank has added highest number of 206 branches in FY11. Currently, it has around 1362 branches and is expected to add another 150 branches against management guidance of 200 branches in FY12E which will be used to draw CASA in the longer run.

**Asset Quality best in class:** Gross NPAs of the bank stood at 1.1% which is considered to be best in class as compared to its peers. However, it is expected to rise marginally to 1.2% in FY12 due to slowdown in the economy.

**Superior return ratios demand Valuation:** CRPBK has been consistent in delivering strong RoANW and RoAA above 20% and 1% respectively in last two years. In FY11, RoE and RoA stood at 21.9% and 1.1% respectively reflecting its strong performance in the bottom line. However, we expect decline in both RoANW and RoA in FY12 to 19.1% and 0.9% due to higher interest cost impacting bottom line which will improve back in FY13 to 21.3% and 1% respectively.

## Standalone Financial Snapshot

Rs in mn

Particulars	FY09	FY10	FY11	FY12E	FY13E
Interest Income (Rs)	60673.4	72946.0	91352.5	129937.6	151448.0
NII (Rs)	16909.7	22102.6	29397.4	34122.5	44083.5
PAT (Rs)	8927.7	11702.5	14132.7	14627.6	18781.8
EPS (Rs)	62.2	81.6	95.4	98.8	126.8
ABV (Rs)	331.7	388.8	455.0	520.2	600.5
P/E (x)	6.8	5.2	4.5	4.3	3.4
P/ABV (x)	1.3	1.1	0.9	0.8	0.7

Source: Company, KJMC Research

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## General data sources

Company, Capitaline, Public domain, Bloomberg.

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## Investment Rationale

### Strong growth in advances at 30% CAGR FY08-11

*CRPBK delivered strong growth in its advances at 30% CAGR FY08-11. We have assumed 22% YoY growth in its advances in FY12E which we assume as lowest assumption looking at the last five years growth in advances*

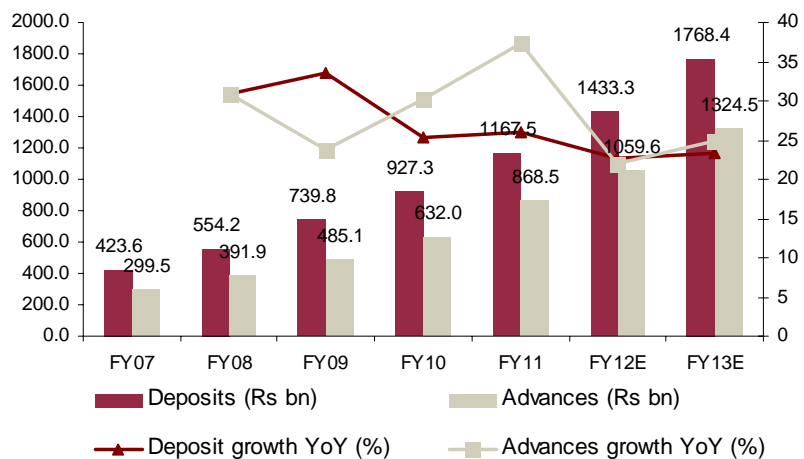
CRPBK IN has been very aggressive in growing its business mix with advances growing by 30% CAGR over FY08-11 way above industry levels. In FY11, advances grew by 37.4% YoY; although trend doesn't seem to continue in FY12 due to rising interest rate regime. Thus, we have assumed 22% YoY growth in its advances which we assume as lowest assumption looking at the last five years growth in advances while management has guided for stronger credit growth of 25% YoY. Currently, bank has crossed its business mix of Rs 2trillion and going forward it is expected to be at Rs 2.5 trillion in FY12E.

**Table 1: Peer comparison of business mix of banks**

Business (Q1 FY12)	Deposits	YoY (%)	Advances	YoY (%)	Business	YoY (%)
Allahabad Bank	1388.2	23.5	987.4	30.4	2325.6	26.4
Andhra Bank	909.0	21.7	757.1	32.5	1666.1	26.4
Corporation Bank	1177.8	29.4	789.0	21.8	1966.9	26.2
Central Bank of India	1858.9	20.3	1260.4	17.2	3119.3	19.0
IOB	1511.7	38.1	1191.5	43.6	2703.2	40.5
OBC	1445.5	17.5	982.2	14.1	2427.7	16.1
Union Bank of India	1991.8	16.1	1455.7	16.7	3447.5	16.4

Source: Company, KJMC Research

**Chart 1: Robust growth in deposit and advances**



Source: Company, KJMC Research

### Bank received capital support from GoI of Rs 3090mn

*CRPBK received 3090mn from GoI as additional capital infusion at Rs 658.5 per share.*

Bank has already received additional capital support by issuing 4.7mn equity shares to GoI at an issue price of Rs 658.5 amounting to Rs 3090mn as a part of recapitalization programme. Consequent upon this GoI holding increased from 57.2% to 58.5%.

**Table 2: Banks Peer comparison in terms of capital adequacy ratio**

Banks	CAR(%)
Allahabad Bank	12.8
Andhra Bank	13.2
Corporation Bank	14.1
Central Bank of India	12.7
IOB	13.4
OBC	13.6
UCO Bank	12.9

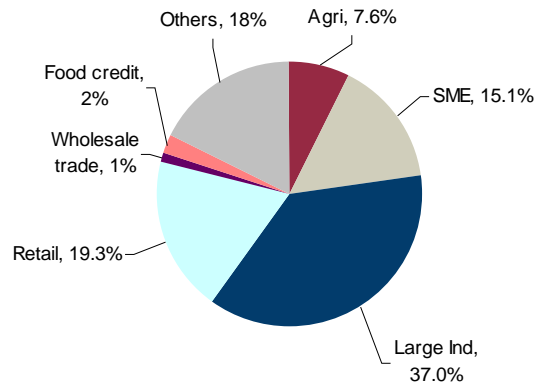
Source: Company, KJMC Research

*CRPBK loan book is well diversified with large industry having dominant share of 37% followed by retail and SME forming 19.3% and 15.1% respectively*

**Well diversified loan book reduces risk**

CRPBK’s loan book has seen a significant growth of 37.4% in FY11 with Credit / Deposit ratio above industry levels of 74.4%. We believe the bank is having well diversified loan book which reduces its risk on the asset quality front. The major portion of the credit demand is mainly driven by sectors like infrastructure and power which is expected to remain same going ahead. Currently, large industry is having a dominant share of 37% in total loan book pie followed by retail and SME forming 19.3% and 15.1% respectively.

**Chart 2: Breakup of Total advances**



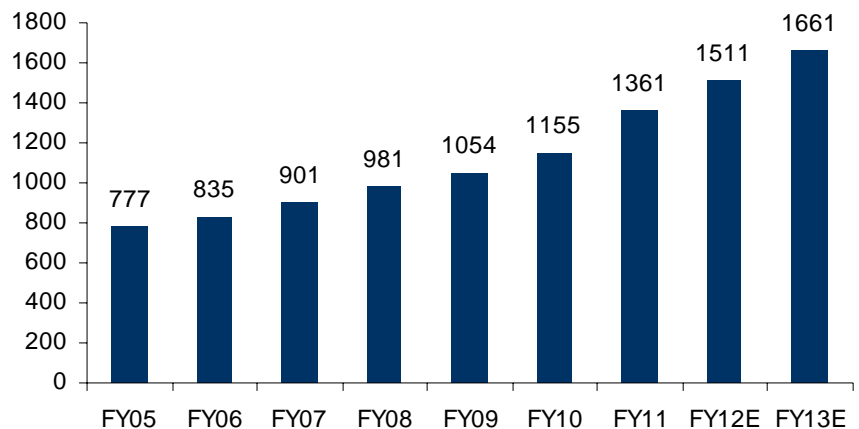
Source: Company, KJMC Research

*CRPBK has added highest number of 206 branches to 1361 in FY11, expected to add another 150 branches in FY12E. Having larger presence in the South, management focus is to increase branch network in Western and Northern parts of the country.*

**Aggressive branch addition to continue in FY12**

South based Corporation Bank is having a wide network of 1362 branches with major presence in Southern parts of the country having more than 50% branches located in south. In comparison with its peer group, bank has added highest number of 206 branches in FY11 to 1361. Currently, it has around 1362 branches and is expected to add another 150 branches in FY12E which will be used to draw CASA in the longer run.

**Chart 3: Increasing trend in branch expansion**



Source: Company, KJMC Research

As compared to peers CRPBK is enjoying one of the best asset quality with Gross NPA's at 1.1%. Due to slowdown in economy, Gross NPAs is expected to rise marginally to 1.2% in FY12.

### Asset Quality best in class

Gross NPAs of the bank stood at 1.1% in Q1 FY12 which is considered to be best in class as compared to its peers. Over the past four years, bank has managed to keep its GNPA around 1% levels which exhibit its good credit quality accounts. With provision coverage ratio at healthy levels of 70%, Net NPAs of the bank stood at 0.4% which has remained consistent since FY08. Due to slowdown in economy, Gross NPAs is expected to rise marginally to 1.2% in FY12.

Chart 4: Trend in Asset quality of the banks

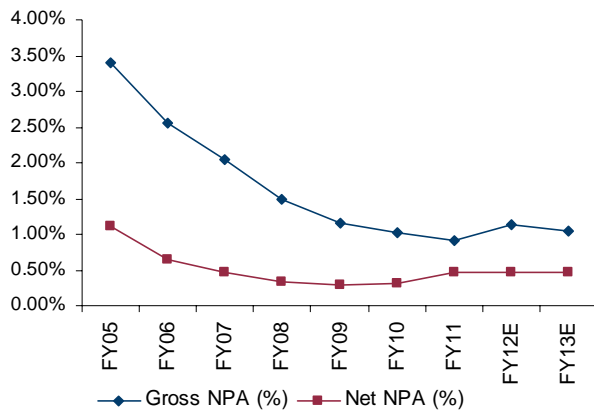
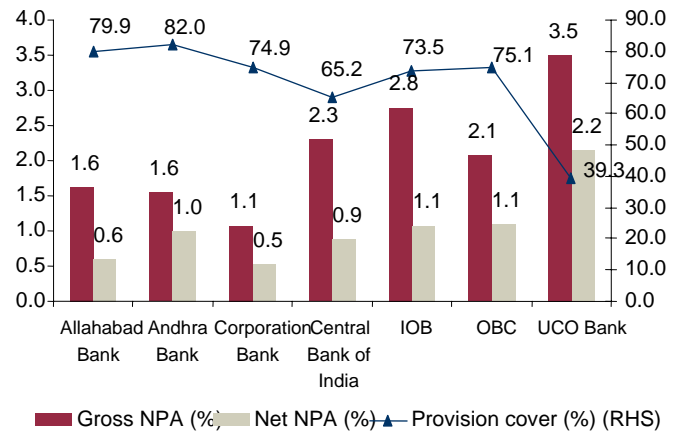


Chart 5: Peer comparison of Asset quality of the banks



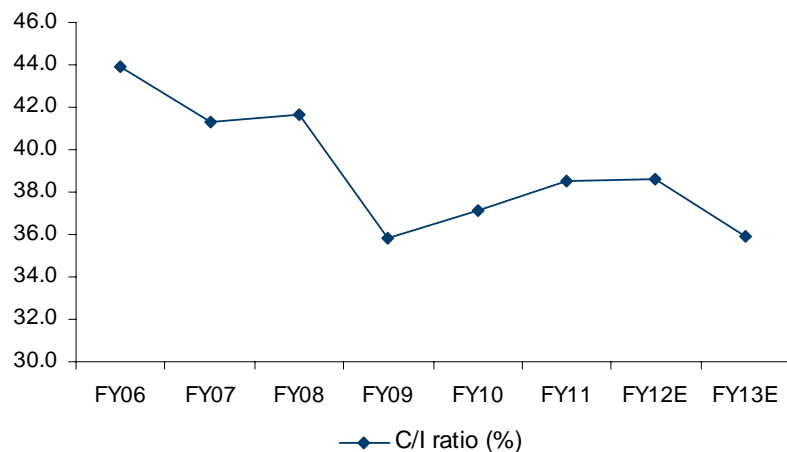
Source: Company, KJMC Research

Bank successfully decreased its C/I ratio to its lowest levels of 38.5%, expected to stabilize at these levels in FY12E

### Cost ratio at comfortable levels

In comparison with its peer group, bank enjoys one of the leanest cost structure of 38.5% in FY11 which is on account of better business productivity per employee. Going forward, C/I is expected to decline to 36% levels in FY13 with new recruitments will replace the older ones resulting in better business productivity per employee.

Chart 6: Decreasing trend in C/I ratio



Source: Company, KJMC Research

*Concerns on decreasing CASA trend will remain in FY12 on the back of higher term deposit rates luring investors; expect CASA ratio to remain stable at 26.4%. With the easing of interest rates and addition of 150 branches in FY13E we expect this ratio to improve to 28%.*

### Decreasing CASA trend to move northwards

Decreasing CASA trend since FY08 has been a big concern for the bank. As compared to industry average CASA of 30%, CRPBK's CASA decreased by 260bps in FY11 to 26% in FY11. Management is strategically working on CASA improvement by way of expanding branches which will give fruits in 18 months. However, in the current downturn we expect CASA to improve by a mere of 40bps to 26.4% in FY12E with higher term deposit rates luring investors, thereby decreasing CASA ratio. With the easing of interest rates and addition of 150 branches in FY13E we expect this ratio to improve to 28%.

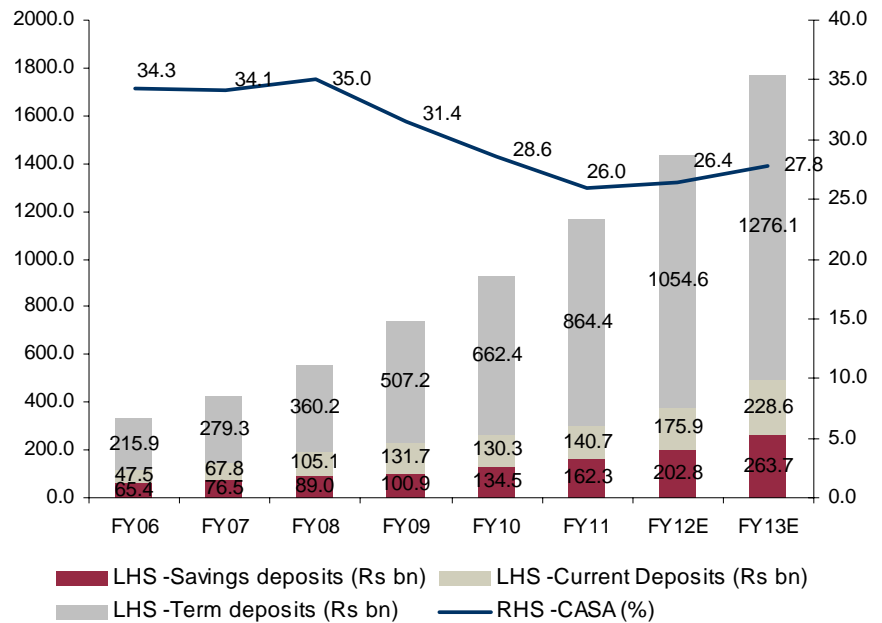
**Table 3: Peer comparison of banks in deposits, CASA share & branches**

Banks (Q1 FY12)	Deposits (Rs bn)	CASA share (%)	Branches
Allahabad Bank	1338.2	32.0	2416
Andhra Bank	909.0	27.8	1640
Corporation Bank	1177.8	21.0	1362
Central Bank of India	1858.9	32.6	3728*
IOB	1511.7	27.6	2184*
OBC	1445.54	23.4	1644
UCO Bank	1275.34	24.2	2213

\*as on FY11

Source: Company, KJMC Research

**Chart 7: Trend in growth of Deposits and CASA share**



Source: Company, KJMC Research

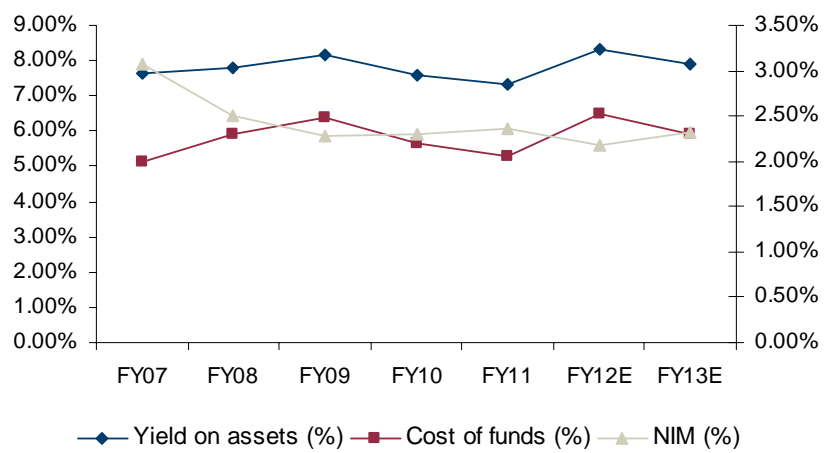
## Concerns

Unlike other banks, CRPBK is also facing major challenge to maintain its NIMs. NIMs will remain under pressure in FY12E due to higher term deposit rates luring investors. In FY13, NIMs is expected to improve on the back of easing of interest rates and repricing of high cost bulk deposits

### Margins to come under pressure

Unlike other banks, one of the major challenge the bank is facing is to maintain its NIMs. Margins of the bank have fallen from its high of 3.4% since FY06 to 2.4% in FY11 which is mainly due to decreasing investment spreads. We believe decreasing investment yield and rising interest cost will pressurize the margins of the bank in this financial year. However, interest rate is expected to ease going ahead which will improve the margins to 2.3% in FY13. Further, repricing of high cost bulk deposit too will reduce the cost of deposits of the bank resulting in wider spreads in FY13. Currently BPLR of the bank is at high of 15% and Base rate at 10.65%.

**Chart 8: Trend in Yield on assets, cost of funds & NIM**



Source: Company, KJMC Research

**Table 4: Peer comparison of NIM & RoA of banks**

in %	NIM		RoA	
	Q1 FY12	Q1 FY11	Q1 FY12	Q1 FY11
Allahabad Bank	3.4	3.1	1.12	1.16
Andhra Bank	3.8	3.7	1.43	1.47
Central Bank of India	3.0	2.9	0.56	0.78
Corporation Bank	2.1	2.6	1.04	1.25
IOB	2.8	2.9	0.44	0.58
OBC	2.9	3.3	0.88	1.03
UCO Bank	2.5	3.1	0.75	0.79

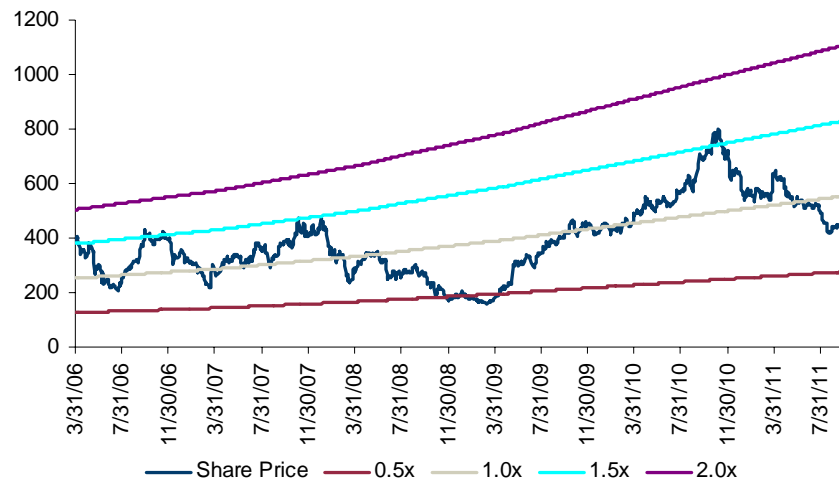
Source: Company, KJMC Research



## Valuation

In comparison with its peers, Corporation Bank has delivered strong performance in terms of growth in business mix since FY06. We like Corporation Bank due to its robust credit growth, better operational efficiency, good asset quality, improvement in cost ratios, higher coverage ratio and stable return ratios. We initiate coverage on Corporation Bank with “BUY” rating with a target price of Rs 601, giving upside potential of 45% from the current levels; discounting its FY13E ABV by 1.0x. Currently, the bank is trading at 0.7x FY13E ABV of Rs 600.5.

**Chart 9: Rolling 1-yr forward P/ABV valuation band**



Source: Company, KJMC Research

**Table 5: Peer comparison of Banks**

Banks	CMP (Rs.)	BV (Rs.)		EPS (Rs.)		P/BV (x)		P/E (x)		RoE (%)	
		FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
Allahabad Bank*	155	175.4	217.6	40.3	51.5	0.9	0.7	3.8	3.0	20.7	22.1
Andhra Bank	122	132.9	155.2	26.1	30.5	0.9	0.8	4.7	4.0	20.2	20.3
Central Bank of India	104	145.7	172.3	22.9	30.0	0.7	0.6	4.5	3.5	16.9	17.2
Corporation Bank*	415	520.2	600.6	98.8	126.9	0.8	0.7	4.2	3.3	19.1	21.3
Indian Bank	205	228.2	269.7	43.7	57.0	0.9	0.8	4.7	3.6	20.3	21.1
Oriental Bank of Commerce	299	390.1	444.5	57.5	70.7	0.8	0.7	5.2	4.2	14.9	16.3

Note: Marked with \* is KJMC Research Estimates

Source: Bloomberg

## Company Background

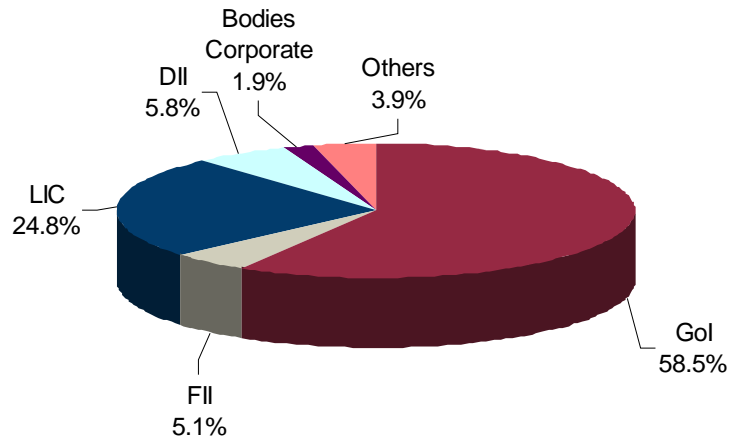
Corporation bank is one of the oldest nationalized bank incorporated way back in 1906, currently headquartered in Mangalore. CRPBK is a mid size PSU bank with balance sheet size of Rs 1.4trillion having larger presence in the southern parts of the country. CRPBK has been very aggressive in branch expansion, adding 206 branches in FY11 to 1361; expected to add 150 branches in FY12E. Bank is also widely known for its dividend yield. As per current CMP, dividend yield stood at 4.8%. Currently, GoI and LIC hold 58.5% and 24.8% respectively.

**Table 6: Key Management Personnel**

Personnel	Designation
Mr. Ajai Kumar	CMD
Mr. Narendra Singh	Executive Director
Mr. Ashwani Kumar	Executive Director
Mr. C.G. Pinto	CFO

Source: Company, KJMC Research

**Chart 10: Shareholding pattern – LIC holds 24.8%**



Source: Company, KJMC Research

## Quarterly Result Q1 FY12

Particulars (Rs in mn)	Q1FY12	Q1FY11	yoy (%)
<b>Interest earned</b>	<b>29783.2</b>	<b>20277.6</b>	<b>46.9</b>
-Interest/discount on advances/bills	22041.6	13920.5	58.3
-Income on investments	6595.2	5760.2	14.5
-Interest on bal. with RBI	46.2	5.0	829.2
-Others	1100.2	591.9	85.9
Interest expenses	22707.6	13301.6	70.7
<b>Net Interest Income (NII)</b>	<b>7075.6</b>	<b>6975.9</b>	<b>1.4</b>
Other Income	2896.9	2661.0	8.9
Total income	9972.5	9636.9	3.5
Operating expenses	4208.4	3433.0	22.6
-Employee cost	2151.1	1707.7	26.0
-Other operating expenses	2057.3	1725.3	19.2
<b>Operating profit</b>	<b>5764.1</b>	<b>6203.9</b>	<b>-7.1</b>
Provision for contingencies	1672.6	1266.1	32.1
<b>PBT</b>	<b>4091.5</b>	<b>4937.8</b>	<b>-17.1</b>
Provision for taxes	577.0	1600.0	-63.9
<b>Net profit</b>	<b>3514.5</b>	<b>3337.8</b>	<b>5.3</b>
Equity	1481.3	1434.4	3.3
EPS	23.7	23.3	2.0
<b>Ratios (%)</b>			
Int. exp/Int earned (%)	76.2	65.6	-
Cost/Income ratio (%)	42.2	35.6	-
Emp. cost/Int. Income (%)	7.2	8.4	-
Gross NPAs (Rs)	8481.9	7267.9	16.7
Net NPAs (Rs)	4115.4	2757.6	49.2
Gross NPAs (%)	1.1	1.1	-
Net NPAs (%)	0.5	0.4	-
ROA (%)	1.0	1.3	-
CAR (%)	14.1	15.1	-
Advances (Rs)	789,039.3	648,047.8	21.8
Deposits (Rs)	1,177,822.6	910,347.0	29.4
Business (Rs)	1,966,861.9	1,558,394.8	26.2
CD ratio (%)	67.0	71.2	-
Investments (Rs)	490866.7	394014.1	24.6
Total assets (Rs)	1393797.9	1132279.3	23.1
Provisions (Rs)	4366.5	4510.2	-3.2
Provision coverage (%)	51.5	62.1	-17.0

Source: Company, KJMC Research

## Financial Summary

### Income Statement

(Year ending March, Rs in mn)	FY09	FY10	FY11	FY12E	FY13E
<b>Interest Income</b>					
-Interest/Discount on advances and bills	43848.7	49792.0	64752.1	93511.8	108474.0
-Income on Investments	15076.7	20914.3	23276.8	32903.3	38932.7
-Int. on bal. with RBI	850.3	37.5	148.9	189.0	207.9
-Others	897.8	2202.2	3174.7	3333.4	3833.5
<b>Total Interest Income</b>	<b>60673.5</b>	<b>72946.0</b>	<b>91352.5</b>	<b>129937.6</b>	<b>151448.0</b>
Interest on deposits	40828.3	45553.0	53335.5	85981.5	95564.3
Interest on RBI / Inter-bank borrowings	1060.0	278.1	1598.2	2283.0	2739.7
Others	1875.4	5012.3	7021.4	7550.5	9060.6
<b>Total Interest expense</b>	<b>43763.7</b>	<b>50843.4</b>	<b>61955.1</b>	<b>95815.0</b>	<b>107364.5</b>
<b>Net Interest Income</b>	<b>16909.8</b>	<b>22102.6</b>	<b>29397.4</b>	<b>34122.5</b>	<b>44083.5</b>
Other Income	11072.1	11864.2	13243.7	13501.5	14852.0
<b>Total Income</b>	<b>27981.9</b>	<b>33966.8</b>	<b>42641.1</b>	<b>47624.0</b>	<b>58935.5</b>
Employees Cost	4679.7	6317.0	8949.4	10105.8	12060.2
Other operating expenses	5336.0	6282.5	7467.7	8292.6	9112.0
Total operating expenses	10015.8	12599.5	16417.1	18398.4	21172.2
<b>Operating Profit</b>	<b>17966.1</b>	<b>21367.3</b>	<b>26224.0</b>	<b>29225.7</b>	<b>37763.2</b>
Provisions and contingencies	4103.7	4744.3	6887.7	9187.8	10932.2
<b>Profit before tax (PBT)</b>	<b>13862.4</b>	<b>16623.0</b>	<b>19336.3</b>	<b>20037.8</b>	<b>26831.1</b>
Tax provisions	4934.8	4920.5	5203.6	5410.2	8049.3
<b>Profit After Tax (PAT)</b>	<b>8927.6</b>	<b>11702.5</b>	<b>14132.7</b>	<b>14627.6</b>	<b>18781.8</b>
(% change)	21.5	31.1	20.8	3.5	28.4
EPS	62.2	81.6	95.4	98.8	126.8
Share Capital	1434.4	1434.4	1481.3	1481.3	1481.3

Source: Company, KJMC Research

### Balance Sheet

(Year ending March, Rs in million)	FY09	FY10	FY11	FY12E	FY13E
<b>Application of funds</b>					
Share Capital	1434	1434	1481	1481	1481
Reserves & Surplus	47531	56314	69897	80530	93386
Total Deposits	739839	927337	1167475	1433306	1768385
Borrowings	48099	90775	159654	191585	229901
Other Liabilities and provisions	32155	40812	36579	49053	55053
<b>Total liabilities</b>	<b>869058</b>	<b>1116673</b>	<b>1435086</b>	<b>1755955</b>	<b>2148206</b>
<b>Sources of funds</b>					
Cash and Balances with RBI & Bal. with banks	105397	107919	103925	143191	143386
Total Advances / Credit	485122	632026	868504	1059575	1324469
Total Investments	249378	345226	434527	519191	642979
Fixed Assets	2989	2893	3310	3778	4153
Other Assets	26173	28609	24819	30220	33220
<b>Total assets</b>	<b>869058</b>	<b>1116673</b>	<b>1435086</b>	<b>1755955</b>	<b>2148206</b>

Source: Company, KJMC Research

## Ratios

(A) Efficiency Ratios (%)	FY09	FY10	FY11	FY12E	FY13E
Int. exp/Int. earned	72.1	69.7	67.8	73.7	70.9
NII / Total Income	60.4	65.1	68.9	71.6	74.8
Other income / Total Income	39.6	34.9	31.1	28.4	25.2
Fee income / Other income	24.7	20.2	26.7	28.8	28.8
Fee income / Total Income	9.8	8.9	8.3	8.2	7.3
Cost / Income	35.8	37.1	38.5	38.6	35.9
C-D ratio	65.6	68.2	74.4	73.9	74.9
I-D ratio	33.7	37.2	37.2	36.2	36.4
Incremental CD ratio	50.3	78.3	98.5	71.9	79.1
Incremental ID ratio	41.0	51.1	37.2	31.8	36.9
Loan / Assets ratio	55.8	56.6	60.5	60.3	61.7
Deposits / Assets ratio	85.1	83.0	81.4	81.6	82.3
<b>B) Spreads (%)</b>					
Yield on Assets	8.2	7.6	7.3	8.3	7.9
Yield on Advances	10.0	8.9	8.6	9.7	9.1
Yield on Investments	7.1	7.0	6.0	6.9	6.7
Cost of Funds	6.4	5.6	5.3	6.5	5.9
Cost of Deposits	6.3	5.5	5.1	6.6	6.0
Cost of Earning Assets	5.9	5.3	5.0	6.1	5.6
Net Interest Spread	1.8	1.9	2.0	1.8	2.0
Net Interest Margin	2.3	2.3	2.4	2.2	2.3
Spreads on Advances	3.6	3.3	3.3	3.2	3.2
Spreads on Investments	0.8	1.4	0.7	0.4	0.8
<b>C) Solvency</b>					
Gross NPAs (Rs)	5,592.2	6,509.4	7,902.3	11,910.8	13,544.1
Net NPAs (Rs)	1,383.0	1,972.5	3,977.4	4,953.3	5,915.7
Gross NPAs/ Gross Advances(%)	1.1	1.0	0.9	1.1	1.0
Net NPAs/ Net Advances (%)	0.3	0.3	0.5	0.5	0.4
Delinquency rate(%)	0.6	1.0	1.3	1.2	1.2
Provision coverage ratio (excl. technical written off assets)	74.2	65.5	45.9	58.4	56.3
<b>D) Measures of Investment</b>					
EPS (Rs)	62.2	81.6	95.4	98.8	126.8
BV (Rs)	341.4	402.6	481.9	553.6	640.4
Adjusted BV (Rs)	331.7	388.8	455.0	520.2	600.5
DPS (Rs)	12.5	16.5	20.0	22.0	24.0
Avg. ROE (%)	19.6	21.9	21.9	19.1	21.2
Avg. ROA (%)	1.2	1.2	1.1	0.9	1.0
Pre-tax ROA (%)	2.3	2.2	2.1	1.8	1.9
Pre-provisioning operating ROA (%)	2.3	2.2	2.1	1.8	1.9
Pre-provisioning operating ROE (%)	39.4	40.0	40.6	38.1	42.7
P/E (x)	6.8	5.2	4.5	4.3	3.4
P/BV (x)	1.2	1.1	0.9	0.8	0.7
P/ABV (x)	1.3	1.1	0.9	0.8	0.7
P/PPOP (%)	2.8	2.2	1.8	1.5	1.3
Dividend yield (%)	2.9	3.9	4.7	5.2	5.6
Dividend Payout ratio (%)	20.1	20.2	21.0	22.3	18.9
Effective tax rate (%)	35.6	29.6	26.9	27.0	30.0

Source: Company, KJMC Research

## Ratios

E) Breakdown of ROA (%)	FY09	FY10	FY11	FY12E	FY13E
Interest Income	7.9%	7.3%	7.2%	8.1%	7.8%
Interest expenses	5.7%	5.1%	4.9%	6.0%	5.5%
NII/avg assets	2.2%	2.2%	2.3%	2.1%	2.3%
Non-NII/avg. assets	1.4%	1.2%	1.0%	0.8%	0.8%
Total Income	3.6%	3.4%	3.3%	3.0%	3.0%
Fee income/avg. assets	0.3%	0.3%	0.3%	0.2%	0.2%
Operating exp/avg. assets	1.3%	1.3%	1.3%	1.2%	1.1%
Operating profit/avg assets	2.3%	2.2%	2.1%	1.8%	1.9%
Provisions/avg. assets	0.5%	0.5%	0.5%	0.6%	0.6%
PBT/avg. assets	1.8%	1.7%	1.5%	1.3%	1.4%
Tax/avg. assets	0.6%	0.5%	0.4%	0.3%	0.4%
PAT/avg. assets	1.2%	1.2%	1.1%	0.9%	1.0%
<b>F) Growth Rates (%)</b>					
Interest Income	34.3	20.2	25.2	42.2	16.6
Interest Expenses	42.4	16.2	21.9	54.7	12.1
NII	17.2	30.7	33.0	16.1	29.2
Other Income	58.2	7.2	11.6	1.9	10.0
Total Income	30.6	21.4	25.5	11.7	23.8
Operating Income	43.6	18.9	22.7	11.4	29.2
Net Profit	21.5	31.1	20.8	3.5	28.4
Deposits	33.5	25.3	25.9	22.8	23.4
Advances	23.8	30.3	37.4	22.0	25.0
<b>H) Other performance parameters</b>					
No. of branches (No.)	1054	1155	1361	1511	1661
No. of employees (No.)	12465	12494	13861	15861	17861
Business per branch (Rs mn)	1162.2	1350.1	1495.9	1649.8	1862.0
Profit per branch (Rs mn)	8.5	10.1	10.4	9.7	11.3
Business per employee (Rs mn)	98.3	124.8	146.9	157.2	173.2
Profit per employee (Rs mn)	0.7	0.9	1.0	0.9	1.1

Source: Company, KJMC Research

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#### Recommendation Parameters

Expected returns in absolute terms over a one-year period

<b>Buy</b>	- appreciate more than 20% over a 12- month period
<b>Accumulate</b>	- appreciate 10% to 20% over a 12- month period
<b>Hold / Neutral</b>	- appreciate up to 10% over a 12- month period
<b>Reduce</b>	- depreciate up to 10% over a 12- month period
<b>Sell</b>	- depreciate more than 10% over a 12- month period

### KJMC Research Basket

Products	Contains	Frequency
<b>(A) Fundamental Reports</b>		
Company Reports	Initiating Coverage on Company based on Fundamental Research	Time to Time
Company Updates	Quarterly / Event Update on companies covered	Time to Time
Visit Note / Analyst Meet Note / Concall Update	Reports containing management meet, analyst meet & concall update on companies	Time to Time
IPO Note	Reports based on IPO Analyst Meet and Company Fundamentals	Time to Time
Event Report	Reports based on special events such Budget, Monetary policy etc.	Time to Time
Morning Market Compass	Morning Market Compass containing information on Indian & Global Markets, Indices and key company events.	Mon-Fri
<b>(B) Alternative Research</b>		
Dividend Yield Stocks	Reports based on analysis of Dividend Yield.	Time to Time
Alternative Research Note	Investments based on Open Offer, Buy-Back, FPO Arbitrage, IPO/FPO leverage investments.	Time to Time
What's in & What's out	List of companies, Purchase / Sold in particular month by different AMC's.	Monthly
<b>(C) Mutual Funds &amp; IPO's Research</b>		
Daily Performance Report for Liquid & Liquid Plus Funds	Report containing daily, weekly, monthly, half yearly & yearly performance of only Liquid & Liquid Plus plans along with ranking of each fund for Corporates & Institutions.	Mon-Fri
Daily Performance Report for all Debt & Equity Funds	Report containing daily, weekly, monthly, half yearly & yearly performance along with ranking of each fund.	Mon-Fri
Product Notes	Brief Details about different products like Mutual fund, Fixed Deposits, Bonds, IPOs, Insurance & Home Loans.	Time to time

Data Sources : Capitalline, Companies, Bloomberg, Various Websites & publication available on Public domain.

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