

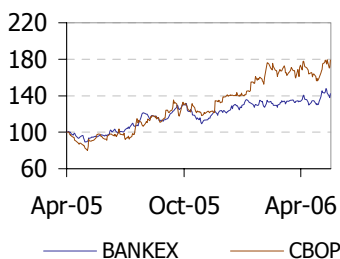
Centurion Bank of Punjab

 Relative to sector: **Neutral**

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Relative Performance



Source: Bloomberg, ENAM Research

Stock data

 No. of shares : 1,408mn
 Market cap : Rs.37.1bn
 52 week high/low : Rs.31/ Rs.14
 Avg. daily vol. (6mth) : 3.0mn shares
 Bloomberg code : CBOP IN
 Reuters code : CENB.BO

Shareholding (%) Apr-06 QoQ chg

Shareholder	Apr-06 (%)	QoQ chg (%)
FII, NRI & Oth FDI	26.1	14.6
Domestic Investors	29.1	(3.2)
Bank of Muscat	18.6	(1.9)
GDRs	14.3	(4.6)
Kepple Corp	8.1	(0.9)
Sabre Capital	3.2	(0.3)
Centurion & Empl	0.6	(3.8)
Trusts		

Financial summary

Y/E Mar	PAT (Rs. mn)	EPS (Rs.)	Change YoY (%)	P/E (x)	BV (Rs.)	P/BV (x)	NPAs (%)	P/Adj.BV (x)	RoE (%)	RoA (%)
2005*	(356)	-	-	-	5.1	5.1	3.6	6.3	-	-
2006	878	0.6	-	42	6.5	4.0	1.1	4.2	11	0.8
2007E	1,349	1.0	54	27	7.4	3.5	1.2	3.8	14	1.0
2008E	1,936	1.4	44	19	8.6	3.0	1.2	3.3	17	1.2

Source: Company, ENAM Research. Note: * Pro-forma Merged

SUBSTANTIAL CLEAN UP

As expected, during Q4FY06, Centurion Bank of Punjab (CBoP) cleaned up its credit book substantially, by using the proceeds of sale of its own stock. The bank booked ~ Rs.625mn of capital gains, while selling 40mn of CBoP stocks. These proceeds were used to provide for NPAs, resulting in net NPAs falling to 1.1% in Q4 from 2.6% in Q3.

Operating performance remained strong with NII growing 10% sequentially and other income (mostly fee-based), growing 54%. NIM at 4.84% was slightly higher than 4.81% in Q3. (The results are not comparable on YoY basis due to the merger of Bank of Punjab. Hence all numbers are compared on sequential basis)

Highlights

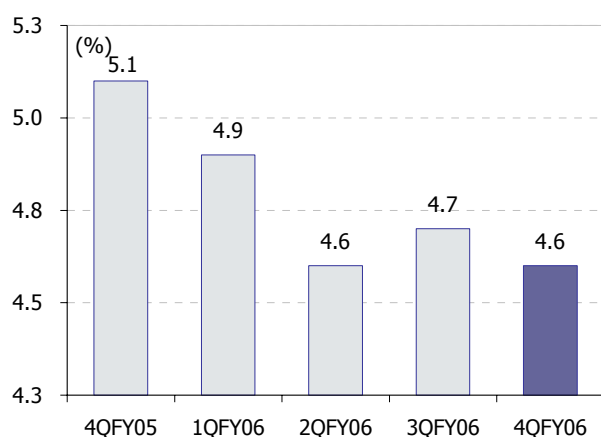
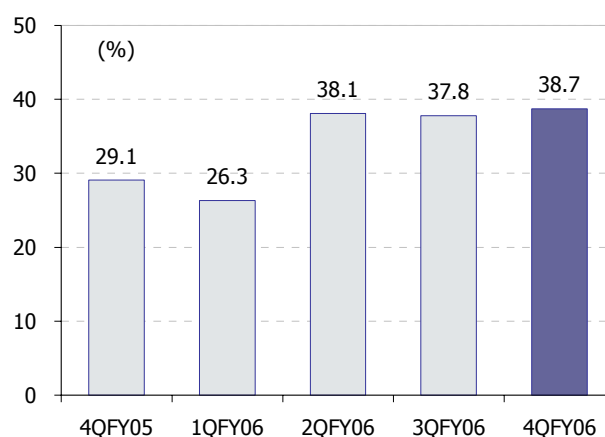
- While credit grew 15% sequentially, deposits grew 9% QoQ.
- Retail portfolio now contributes around 70%, almost the same as in Q3, though the proportion is down significantly when compared to 78% in FY05 (standalone Centurion Bank).
- Within the retail book, the proportion of Two-wheeler loans has fallen to 27% from almost 40% in FY05.
- The bank managed to improve its CASA to 38.7% from 37.8% in the previous quarter, which also helped the bank in marginally bringing down the cost of deposits to 4.6% from 4.7% in Q3.

The bank is also in compliance with the new RBI guidelines of provisioning for standard assets. While the bank does enjoy strong growth potential with balance sheet size of just Rs.113bn, valuations at 3.0x FY08E BV have remained on the higher side as well. We maintain our sector **Neutral** rating on the stock.

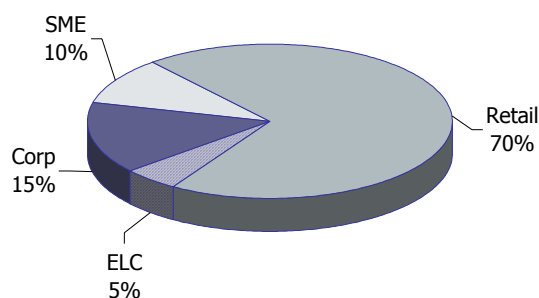
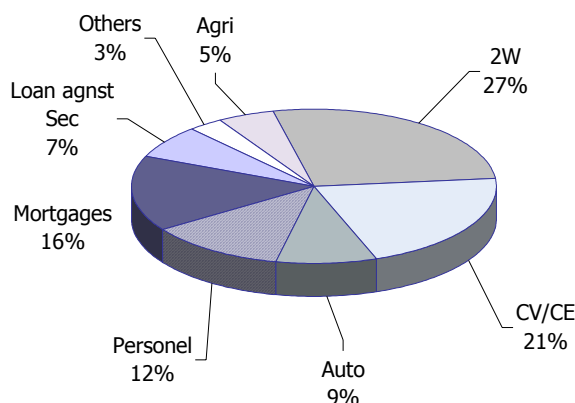
Results update

(Rs. mn)	Quarter ended			Y/E		
	Mar-05	Dec-05	% Chg	Mar-06	Mar-05*	% Chg
Interest income	2,247	2,082	7.9	8,032	6,747	19.0
Interest expended	1,095	1,037	5.6	4,044	3,618	11.8
Net interest income	1,152	1,045	10.2	3,988	3,129	27.4
Non-interest income	911	591.3	54.1	2,489	1,335	86.4
- Trading income	9	8	15.4	33	(451)	-
- Other income Incl. fee based	902	584	54.6	2,456	1,786	37.5
Net income	2,063	1,636	26.1	6,476	4,464	45.1
Operating expenses	1,498	1,288	16.3	4,997	4,032	23.9
% of net income	73	79	(7.7)	77	90	(14.6)
Operating income	565	349	62.1	1,480	432	242.5
FSA Profit	625	-	-	625	-	-
Provision & contingencies	919	38	2305.8	1234	1,030	19.8
PBT	271	311	(12.6)	871	(598)	-
Tax	11	77.8	(85.9)	(7)	(242)	-
Net profit	260	233	11.8	878	(356)	-
Annualized EPS (Rs.)	0.74	0.66	11.8	0.62	(0.29)	-
NIMs (%)	4.8	4.8	-	4.8	4.5	-
Cost of Deposits (%)	4.6	4.7	-	4.6	4.9	-
Net Advances (Rs. mn)	65,334	56,951	14.7	65,334	46,110	41.7
Net Retail Advances (Rs. mn)	46,783	40,582	15.3	46,783	25,638	82.5
Total Deposits (Rs. mn)	93,996	85,880	9.5	93,996	78,370	19.9
Gross NPAs (%)	4.6	7.0	-	4.6	8.7	-
Net NPAs (%)	1.1	2.6	-	1.1	3.6	-
Tier I (%)	10.8	7.9	-	10.8	12.4	-
CAR (%)	12.5	10.2	-	12.5	16.1	-

Source: Company, ENAM Research, Note: * Pro-forma Merged

CBoP: Cost of Deposits**CBoP: Demand Deposits (CASA)**

Source: Company, Note: Data for Q2FY06 onwards is for CBoP after the merger

CBoP: Total Advances (Mar-06)**CBoP: Retail Advances (Mar-06)**

Source: Company

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