



## ACCUMULATE

Price	Rs225
Target Price	Rs235
Investment Period	12 months

### Stock Info

Sector	Banking
Market Cap (Rs cr)	3,225
Beta	0.5
52 WK High / Low	358/155
Avg Daily Volume	23255
Face Value (Rs)	10
BSE Sensex	11,372
Nifty	3,470
BSE Code	532179
NSE Code	CORPBANK
Reuters Code	CRBK.BO
Bloomberg Code	CRPBK@IN

### Shareholding Pattern (%)

Promoters	57.2
MF/Banks/Indian FIs	36.2
FII/ NRIs/ OCBs	3.9
Indian Public	2.7

Abs.	3m	1yr	3yr
Sensex (%)	26.3	(33.6)	(3.9)
Corp Bank (%)	26.6	(30.2)	(31.6)

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## Performance Highlights

- Steady Balance Sheet growth; improvement in NIMs:** On a yoy basis, Advances grew 24% to Rs48,512cr while Deposits grew 33.5% to Rs73,984cr. Although the Bank recorded a sequential improvement in CASA ratio to 31%, this was mainly on account of the typical, temporary year-end surge in the current account balances, while on an average daily balance basis, CASA growth remained moderate at around 14% yoy. Competitive pressures on NIMs continued leading to an almost 50bp sequential decline in calculated NIMs. While 3QFY2009 NIMs were unsustainably high due to spurt in pricing power, the sequential decline was higher than expected. Due to this fall in NIMs, Net Interest Income growth was at a moderate 6.4% yoy.
- Moderate slippages; Large restructuring:** Gross additions to NPAs during FY2009 at 0.6% of FY2008 Advances, were one of the lowest amongst peers. NPA provisions were 26% lower sequentially, though the provision coverage improved to 75.3%. On a worrisome note, the Bank restructured a substantial Rs918cr of Advances during FY2009, with another Rs1,280cr pending approval, aggregating to around 5% of Advances. The Bank's Capital Adequacy was at a comfortable 13.7%, with Tier 1 capital comprising a healthy 8.9%.
- Moderate core Fee Income growth:** Overall, Non-Interest Income registered growth of 134% yoy to Rs493cr mainly on account of the substantial Treasury gains of Rs291cr and Forex gains of Rs32cr. Core Fee Income growth stood at a moderate 17% yoy.
- Operating expenses revert to post spurt in 3QFY2009:** Operating expenses, which surged in 3QFY2009 due to wage hike provisions, etc., declined 21%, and reverted closer to levels in earlier quarters (up 17% yoy).
- Net Profit up 27%:** The Bank delivered yoy Net Profit growth of 27% yoy to Rs260cr (Rs206cr), ahead of our expectations mainly on account of the large Treasury gains of Rs291cr.

## Key Financials

Y/E March (Rs cr)	FY2008	FY2009	FY2010E	FY2011E
<b>Nil</b>	<b>1,443</b>	<b>1,691</b>	<b>1,854</b>	<b>1,991</b>
% chg	4.8	17.2	9.7	7.4
<b>Net Profit</b>	<b>735</b>	<b>893</b>	<b>939</b>	<b>841</b>
% chg	37.1	21.5	5.2	(10.5)
NIM (%)	2.5	2.4	2.3	2.2
<b>EPS (Rs)</b>	<b>51.2</b>	<b>62.2</b>	<b>65.5</b>	<b>58.6</b>
P/E (x)	4.4	3.6	3.4	3.8
P/BV (x)	0.8	0.7	0.6	0.5
P/ABV (x)	0.8	0.7	0.6	0.5
RoAA (%)	1.2	1.2	1.1	0.9
RoANW (%)	18.4	19.0	18.0	15.6

Source: Company, Angel Research

## Outlook and Valuation

The Bank's relatively small, regional and urban-centric operations temper the growth outlook on the key competitive parameters of CASA and Fee Income. Recognising and acknowledging the higher competitive pressures that the Bank faces due to its urban focus, management is explicitly targeting branch expansion in smaller towns, though in the medium term, a meaningful change in its competitive standing is unlikely, capping the valuation multiple it can command. However, among the Mid-cap PSU Banks, we prefer the Bank due to its efficient operations reflected in the low Operating expenses as a % to average assets, healthy asset quality and proactive investments in modern distribution and payment systems (relative to peers). At the CMP, the stock is trading at 3.4x FY2010E EPS of Rs65.5 and 0.6x FY2010E Adjusted Book Value of Rs393. In light of the recent run up in the stock and keeping in mind the substantial restructuring relative to its size, **we recommend an Accumulate on the stock, with a Target Price of Rs235, implying an upside of 4%.**

### Exhibit 1: 4QFY2009 Performance

Y/E March (Rs cr)	4QFY2009	4QFY2008	% chg	FY2009	FY2008	% chg
Interest Earned	1,706	1,254	36.1	6,067	4,511	34.5
Interest Expenses	1,278	851	50.2	4,376	3,073	42.4
<b>Net Interest Income</b>	428	403	6.4	1,691	1,438	17.6
Non-Interest Income	493	211	133.5	1,107	705	57.0
Total Income	922	614	50.1	2,798	2,143	30.6
Operating Expenses	247	210	17.4	1,002	892	12.3
Pre-Prov Profit	675	404	67.2	1,797	1,251	43.6
Provisions & Cont.	211	102	106.8	386	186	107.8
PBT	464	302	53.8	1,411	1,065	32.4
Prov. for Taxes	204	96	112.0	518	330	56.8
<b>PAT</b>	260	206	26.7	893	735	21.5
EPS (Rs)	18.2	14.3	26.7	62.2	51.2	21.5
Cost to Income (%)	26.8	34.3		35.8	41.6	
Effective Tax Rate (%)	43.9	31.8		36.7	31.0	
Net NPA	0.3	0.3				

Source: Company, Angel Research



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<b>Ratings (Returns) :</b>	<b>Buy (Upside &gt; 15%)</b> <b>Reduce (Downside upto 15%)</b>	<b>Accumulate (Upside upto 15%)</b> <b>Sell (Downside &gt; 15%)</b>	<b>Neutral (5 to -5%)</b>
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