



CENTRAL BANK OF INDIA

July 23, 2007

Issue Details**Offer Opens** : July 24, 2007**Offer Closes** : July 27, 2007**Shares offered :**

QIB	45.60mn
Non-Institutional	7.60mn
Retail	22.80mn
Employees	4.00mn
Total Shares	80.00mn

Price Band : Rs85-102**Face Value** : Rs10**Issue Size** : Rs6.80-8.16bn**Min Bid Qty** : 60**Equity**

Pre issue : Rs3.24bn

Post issue : Rs4.04bn

Promoter Stake

Pre issue : 100%

Post issue : 80.2%

Company Profile

Central Bank of India (CBoI), founded in 1911 was nationalized in the year 1969, and is currently wholly owned by the GOI. CBoI is the third largest bank in India based on number of branches. As of March 31, 2007, CBoI had 3,194 branches (Central India 27.4%, East - 25.4%, West- 22.2%, South - 12.4%, North - 12.4%), 267 extension counters, 261 ATM's, 34 satellite offices, 17 zonal offices and 78 regional offices in 27 states and 3 union territories. It has implemented the Core Banking Solution (CBS) in 324 branches and 29 extension counters, covering approximately 35.4% of their total gross deposits and advances. CBoI subsidiaries include Centbank Financial and Custodial Services Limited' (PAT Rs1.69mn FY07), & Cent Bank Home Finance Limited' (PAT Rs50.28mn FY07), CBoI has also sponsored 11 Regional Rural Banks in collaboration with the state governments of MP, Chhattisgarh, Bihar, Maharashtra, UP and Rajasthan. It has an overseas JV bank in Zambia (Indo-Zambia Bank Limited) with 20% ownership interest.

Going forward CBoI plans to improve customer service by implementing CBS to cover ~80% of the business, increase number of ATM from 261 to 500. It is looking at entering into ATM sharing agreement with other banks and also planning to join VISA network all by end of FY08. It proposes to leverage on the extensive branch network and large customer base to increase CASA from current 42% and to increase fee based income by cross selling and distributing third party products.

Objects of the issue

- Augment capital to meet future capital requirement arising out of the implementation of BASEL 2 standards and the growth in the assets
- General corporate purpose
- Issue expenses.

Valuation

CBoI is attractively priced at 1.1x - 1.3x FY07 P/B of Rs77.6. Higher CASA, focus on increasing fee based income and acceleration in growth of loans and advances to the corporate and retail sectors would be key growth drivers for CBoI. Although the bank has brought down its net NPAs over last few years, it still stands at a high 1.7%. The CAR ratio stands at 10.4%. The key risks would be adverse movement in interest rate (HTM – 64.15%), changes in RBI policy, slow down in advances.

Financial Highlights

(Rs mn)	FY05	FY06	FY07
Interest Income	52,322	54,097	62,546
Interest Charge	(28,522)	(30,229)	(37,727)
Net Interest Income (NII)	23,800	23,868	24,819
Other operating Income	2,960	3,030	3,507
Other Income	6,247	2,295	1,246
Total Income	33,008	29,193	29,572
Adj PAT	3,595	2,498	5,096
NII (%)*	3.84	3.51	3.16
EPS	11.09	7.71	15.72
Book Value	60.4	66.1	77.6
P/BV at Lower & Upper band (x)	1.41-1.69	1.28-1.54	1.10-1.31
RONW (%)	13.04	8.49	15.37

Source : RHP - Cons. Restated Financial Statement, * NII is for Standalone entity.

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This report is for Retail Clients only

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Analyst holding in stock : Nil