

## RESULT UPDATE

### MID CAP

#### Share Data

Reuters code	CRBK.BO
Bloomberg code	CRPBK IN
Market cap. (US\$ mn)	1,603
6M avg. daily turnover (US\$ mn)	0.6
Issued shares (mn)	143
Target price (Rs)	470

Performance (%)	1M	3M	12M
Absolute	12	10	124
Relative	11	5	41

#### Valuation ratios

Yr to 31 Mar	FY11E	FY12E
EPS	90.4	109.9
+/- (%)	10.8	21.7
ABV	458.9	539.8
+/- (%)	16.6	17.6
PER(x)	5.5	4.5
PABV(x)	1.1	0.9
Dividend/Yield (%)	3.6	0.9

#### Major shareholders (%)

Promoters	57
FII's	4
MF's	7
BFSI's	28
Public & Others	4

#### Financial highlights

(Rs mn)	4QFY09	4QFY10	YoY (%)	FY09	FY10	YoY (%)	FY11E	YoY (%)	FY12E	YoY (%)
Interest Earned	17,064	19,222	12.6	60,674	72,946	20.2	94,298	29.3	117,435	24.5
Interest Expended	12,781	12,824	0.3	43,764	50,844	16.2	66,937	31.7	83,727	25.1
<b>Net Interest Income</b>	<b>4,283</b>	<b>6,398</b>	<b>49.4</b>	<b>16,910</b>	<b>22,103</b>	<b>30.7</b>	<b>27,361</b>	<b>23.8</b>	<b>33,707</b>	<b>23.2</b>
Other Income	4,933	2,727	(44.7)	11,072	11,864	7.2	12,357	4.2	15,170	22.8
Total Income	21,996	21,949	(0.2)	71,746	84,810	18.2	106,655	25.8	132,605	24.3
<b>Total Net Income</b>	<b>9,216</b>	<b>9,124</b>	<b>(1.0)</b>	<b>27,982</b>	<b>33,967</b>	<b>21.4</b>	<b>39,718</b>	<b>16.9</b>	<b>48,877</b>	<b>23.1</b>
Staff Expenses	1,039	2,026	95.0	4,680	6,317	35.0	7,592	20.2	9,325	22.8
Other operating expenses	1,429	1,648	15.3	5,336	6,283	17.7	7,683	22.3	9,208	19.9
<b>Operating Profit</b>	<b>6,747</b>	<b>5,450</b>	<b>(19.2)</b>	<b>17,966</b>	<b>21,367</b>	<b>18.9</b>	<b>24,443</b>	<b>14.4</b>	<b>30,345</b>	<b>24.1</b>
Provision & Contingencies	2,107	1,651	(21.7)	3,859	4,744	23.0	5,925	24.9	6,807	14.9
Provision for tax	2,035	676	(66.8)	5,180	4,921	(5.0)	5,555	12.9	7,768	39.8
<b>Reported Profit</b>	<b>2,605</b>	<b>3,124</b>	<b>19.9</b>	<b>8,928</b>	<b>11,702</b>	<b>31.1</b>	<b>12,963</b>	<b>10.8</b>	<b>15,770</b>	<b>21.7</b>

## Corporation Bank

Maintain Underperformer

Price: Rs 497

BSE Index: 17,694

23 April 2010

### 4QFY10 Result – Strong growth but margins suffer

- Corporation Bank's (CRPBK) net profit grew 19.9% YoY well supported by a) healthy NII growth (49.4% YoY) with strong credit growth of 30.3% YoY and 11.4% QoQ b) Core-fee income up 35.2% YoY to Rs 1.86 bn and c) lower tax provisions. The deposits grew 25.3% YoY and C-D ratio improved to 68.2%.
- Key positives:** Savings deposit accretion has been the key highlight of the quarter registering 8.3% QoQ and 29.1% YoY growth, which has helped improve the bank's average CASA ratio to ~24% and thus in-turn improve cost of deposits by QoQ 26 bps to 5.39%.
- Key negatives:** Higher than expected credit growth of 11.4% QoQ did not help improve NIMs, which fell by 4 bps QoQ to 2.5%. This indicates that credit growth was partly due to short-term large corporate credit growth in 4QFY10.
- Gross NPA position improved QoQ largely as the bank moved back the NPA accounts from agriculture portfolio (~Rs 1 bn) in standard category. Further, the bank also witnessed improvement in its NPA coverage ratio to 80.8% (including technical write-offs).
- Bank continues to maintain capital adequacy at comfortable level of 15.4% with Tier-I ratio at 9.3%.

### Outlook

CRPBK has posted strong performance in terms of business and profit growth. Bank has done well to improve its average CASA ratio to ~23-24%, however, still remains lower than industry averages. We expect credit growth of ~24% with flat margins over FY10-12E. Margins improvement is going to be challenging as deposit re-pricing at lower cost is over. We believe that bank's profitability will remain under pressure considering likely higher NPA provisions and lower treasury gains/investment provisioning in FY11. We have marginally lowered our EPS estimates by 2.4% for FY11 and also introduce FY12 estimates. We revise our target price to Rs 470 based on 0.9x FY12E ABV. **Maintain Underperformer.**

## Income Statement

Yr end 31 Mar (Rs mn)	FY09	FY10E	FY11E	FY12E
Interest income	60,674	72,946	94,298	117,435
Interest expense	(43,764)	(50,844)	(66,937)	(83,727)
<b>Net interest income</b>	<b>16,910</b>	<b>22,103</b>	<b>27,361</b>	<b>33,707</b>
<i>Growth (%)</i>	<i>17.2</i>	<i>30.7</i>	<i>23.8</i>	<i>23.2</i>
Non-interest income	11,072	11,864	12,357	15,170
Operating income	27,982	33,967	39,718	48,877
Operating expenses	(10,016)	(12,600)	(15,275)	(18,533)
<b>Pre-provisions profit</b>	<b>17,966</b>	<b>21,367</b>	<b>24,443</b>	<b>30,345</b>
Core operating profit	13,541	18,279	22,899	28,569
<i>Growth (%)</i>	<i>21.4</i>	<i>35.0</i>	<i>25.3</i>	<i>24.8</i>
Provisions & Contingencies	(4,104)	(4,744)	(5,925)	(6,807)
Pre-tax profit	13,862	16,623	18,518	23,538
(before non-recurring items)				
Pre-tax profit	13,862	16,623	18,518	23,538
(after non-recurring items)				
Tax (current + deferred)	(4,935)	(4,921)	(5,555)	(7,768)
<b>Net profit</b>	<b>8,928</b>	<b>11,702</b>	<b>12,963</b>	<b>15,770</b>
Adjusted net profit	8,928	11,702	12,963	15,770
<i>Growth (%)</i>	<i>21.5</i>	<i>31.1</i>	<i>10.8</i>	<i>21.7</i>
<b>Net income</b>	<b>8,928</b>	<b>11,702</b>	<b>12,963</b>	<b>15,770</b>

## Balance Sheet

Yr end 31 Mar (Rs mn)	FY09	FY10E	FY11E	FY12E
Cash & balance with RBI/Banks	105,397	107,919	133,028	168,497
Investments	249,378	345,226	402,497	476,386
Advances	485,122	632,026	782,093	968,997
Fixed assets (Net block)	2,989	2,893	3,023	3,167
Other assets	26,174	28,609	29,767	31,465
<b>Total assets</b>	<b>869,059</b>	<b>1,116,673</b>	<b>1,350,408</b>	<b>1,648,513</b>
Deposits	739,839	927,337	1,112,489	1,359,656
Borrowings	20,724	60,775	66,853	73,538
Other liabilities & provisions	59,530	70,812	103,375	135,383
<b>Total liabilities</b>	<b>820,093</b>	<b>1,058,924</b>	<b>1,282,717</b>	<b>1,568,577</b>
Share capital	1,434	1,434	1,434	1,434
Reserves & surplus	47,531	56,314	66,256	78,502
<b>Shareholders' funds</b>	<b>48,965</b>	<b>57,749</b>	<b>67,691</b>	<b>79,937</b>
<b>Total equity &amp; liabilities</b>	<b>869,058</b>	<b>1,116,673</b>	<b>1,350,408</b>	<b>1,648,513</b>

## Key Ratios

Yr end 31 Mar	FY09	FY10E	FY11E	FY12E
<b>Operational &amp; financial ratios (Rs)</b>				
Adjusted EPS	62.2	81.6	90.4	109.9
DPS	12.5	16.5	18.0	21.0
Adjusted Book NAV/share	335.3	393.5	458.9	539.8
<b>Profitability ratios (%)</b>				
Yield on investment	7.1	7.0	7.2	7.3
Yield on advances	10.0	8.9	9.2	9.5
Yield on earning assets	8.2	7.6	7.9	8.0
Cost of deposits	6.3	5.5	5.9	6.2
Cost of funds	6.4	5.6	6.0	6.3
<b>Performance ratios (%)</b>				
RoA	1.2	1.2	1.1	1.1
RoE	18.6	20.9	19.6	20.2
<b>Asset quality ratios (%)</b>				
Gross NPLs	1.1	1.0	1.3	1.4
Net NPLs	0.3	0.3	0.4	0.4
Net NPLs/Net worth	2.7	3.3	3.9	4.5
Loan provisions/Net int. income	10.6	17.3	18.0	17.2
Loan provisions/Avg loans	0.4	0.7	0.7	0.7
Provisions cover (%)	75.3	69.7	72.0	72.0
Provisions cover	119.3	113.6	109.6	106.5
[incl General Provisions]				
<b>Capitalisation ratios (%)</b>				
Tier I cap.adequacy	8.9	9.3	8.7	8.0
Total cap.adequacy	13.6	15.4	14.0	12.5
Equity/Total assets	0.2	0.1	0.1	0.1
Loans/Assets	55.8	56.6	57.9	58.8
Investments/Assets	28.7	30.9	29.8	28.9
Loans/Deposits	65.6	68.2	70.3	71.3
Investments/Deposits	33.7	37.2	36.2	35.0
<b>Efficiency ratios (%)</b>				
Cost/Income	35.8	37.1	38.5	37.9
Cost/Core income	42.5	40.8	40.0	39.3
Cost/Assets	1.3	1.3	1.2	1.2
<b>Productivity ratios (Rs m)</b>				
Staff cost per employee	0.4	0.5	1.2	1.4
Assets per employee	71.0	88.5	211.6	252.4
Optg revenue per employee	2.3	2.7	6.2	7.5
Optg expense per employee	0.8	1.0	2.4	2.8
Adjusted net profit per employee	0.7	0.9	2.0	2.4
<b>Valuation ratios (x)</b>				
PER	8.0	6.1	5.5	4.5
Price/Adjusted book	1.5	1.3	1.1	0.9
Yield (%)	2.5	3.3	3.6	4.2

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  3. **UNDERPERFORMER:** 0 to -25%
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