

Strong growth in Business

Corporation Bank's business growth during the quarter has been impressive led by 36.8% yoy rise in advances to Rs. 64805 crore and 26.2% yoy rise in deposits to Rs. 91035 crore keeping the CD ratio at 71.2% during the quarter. The advances growth was led by 49.5% yoy expansion in SME segment. The CASA ratio at 24.1% (+73 bps yoy) was up on the back of a 30.2% rise in CASA deposits.

Marginal deterioration in asset quality

The asset quality of the bank declined during the quarter with a 11.7% qoq rise in Gross NPL to Rs. 726.8 crore. Gross NPL as a percentage of Gross advances increased by 9 bps (-18 bps yoy) to 1.1% while Net NPLs increased by higher rate at 0.43% (+11 bps yoy, +12 bps qoq). The provisioning coverage stood at 62% during the quarter. However, with inclusion of technical write-offs it was seen at 76.7%. The total restructured loans stood at Rs. 47 crore.

Bank well capitalized with strong return ratios

The CAR for the quarter ended Q1FY11 stood at 15.1% with tier 1 capital at 8.6%. The bank raised upper tier II capital to the tune of Rs550 crore during the quarter. The ROE for the quarter ended June 2010 improved to 21.9% (annualised) from 20.3% recorded in FY2010, while the RoA was more or less flat at 1.3%.

Valuation and Outlook

Corporation Bank is currently quoting at Rs 572 and we downgrade the stock from a BUY to a HOLD while retaining the erstwhile price target of Rs 632 (1 year) which is as per our blended price methodology as per our initiating coverage report Dated Dec 2009.

Result Update



Kyon ki bhaiya, sabse bada rupaiya.

(Rs. In Cr.)

Corporation Bank	Q1FY11	Q1FY10	% Chg.	Q1FY11	Q4FY10	% Chg.	FY201003	FY200903	% Chg.
Interest Earned	2027.8	1742.2	16.4	2027.8	1922.2	5.5	7294.6	6067.4	20.2
Interest on Advances	1392.1	1211.8	14.9	1392.1	1301.2	7.0	4979.2	4384.9	13.6
% of Total Int. Earned	68.7%	69.6%	-	68.7%	67.7%	-	68.3%	72.3%	-
Interest on Balances with RBI	0.5	0.4	41.2	0.5	1.7	-70.6	3.8	85.0	-95.6
% of Total Int. Earned	0.0%	0.0%	-	0.0%	0.1%	-	0.1%	1.4%	-
Income From Investments	576.0	488.4	17.9	576.0	551.2	4.5	2091.4	1507.7	38.7
% of Total Int. Earned	28.4%	28.0%	-	28.4%	28.7%	-	28.7%	24.9%	-
Others	59.2	41.7	42.0	59.2	68.1	-13.1	220.2	89.8	145.3
% of Total Int. Earned	2.9%	2.4%	-	2.9%	3.5%	-	3.0%	1.5%	-
Other Income	266.1	359.3	-25.9	266.1	272.7	-2.4	1186.4	1107.2	7.2
Total Income	2293.9	2101.5	9.2	2293.9	2194.9	4.5	8481.0	7174.6	18.2
Interest Expended	1330.2	1274.7	4.4	1330.2	1282.5	3.7	5084.4	4376.4	16.2
Operating Expenses	343.3	255.6	34.3	343.3	367.4	-6.6	1260.0	1046.6	20.4
Payment to provisions for Employee	170.8	116.0	47.3	170.8	202.6	-15.7	631.7	513.0	23.2
% of Opt. Expenses	49.7%	45.4%	-	49.7%	55.2%	-	50.1%	49.0%	-
Other Opt. Expenses	172.5	139.7	23.5	172.5	164.8	4.7	628.3	533.6	17.7
% of Opt. Expenses	50.3%	54.6%	-	50.3%	44.9%	-	49.9%	51.0%	-
Total Expenses	343.3	255.6	34.3	343.3	367.4	-6.6	1260.0	1046.6	20.4
Operating Profit before prov. & cont.	620.4	571.2	8.6	620.4	545.0	13.8	2136.7	1751.6	22.0
% of Total Int. Earned	30.6%	32.8%	-	30.6%	28.4%	-	29.3%	28.9%	-
Provisions and Contingencies	126.6	155.0	-18.3	126.6	165.1	-23.3	474.4	340.9	39.2
PBT	493.8	416.3	18.6	493.8	379.9	30.0	1662.3	1410.8	17.8
% of Total Int. Earned	24.4%	23.9%	-	24.4%	19.8%	-	22.8%	23.3%	-
Tax	160.0	155.0	3.2	160.0	67.6	136.9	492.1	518.0	-5.0
PAT	333.8	261.3	27.8	333.8	312.3	6.9	1170.3	892.8	31.1
% of Total Int. Earned	16.5%	15.0%	-	16.5%	16.3%	-	16.0%	14.7%	-
Paid up equity share capital	143.4	143.4	0.0	143.4	143.4	0.0	143.4	143.4	0.0
EPS (Rs.)	23.3	18.2	27.8	23.3	21.8	6.9	81.6	62.2	31.1
Capital Adequacy Ratio	0.0	14.8	-1484.0bps	0.0	15.0	-1500.0bps	15.0	13.7	134.0bps
NII	697.6	467.5	49.2	697.6	639.8	9.0	2210.3	1691.0	30.7
NIM									
Gross NPA	726.8	611.5	18.9	726.8	650.9	11.7	650.9	559.2	16.4
% of Gross NPA	1.1	1.3	-18.0bps	1.1	1.0	9.0bps	1.0	1.1	-12.0bps
Net NPA	275.8	150.6	83.1	275.8	197.3	39.8	197.3	138.3	42.6
% of Net NPA	0.4	0.3	11.0bps	0.4	0.3	12.0bps	0.3	0.3	2.0bps
ROA(%)	1.3	1.3	-1.0bps	1.3	1.2	3.0bps	1.3	1.3	0.0bps

Source: ACE Equity

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