

Result Update



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.

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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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