

Promising end to FY25

3 May 2025

City Union Bank (CUBK IN) reported a promising quarter, with strong delivery across key metrics – PAT at INR 2.88bn – broadly as estimated. The highlights were: a) a sustained improvement in growth momentum (gross loan grew >5% QoQ and 14.2% YoY and deposit grew 9% QoQ and 14% YoY), b) better core profitability (NIMs improved 2bps QoQ, NII grew 2% QoQ) and c) continued improvement in asset quality (negative net slippages), with CUBK continuing to raise coverage (up >150bps QoQ to >60%).

CUBK has ended FY25 on an encouraging note, delivering on most of the guided metrics, thus positioning itself for a better FY26. The discussion hereon will be centered on sustaining growth and the outcomes of strategic changes made by the bank. CUBK has already invested in these (setting sales culture, revamping retail team, digital transformation etc.) and thus, outcomes become critical and may drive future narratives. **Maintain BUY.**

Operational parameters improved further; sustaining growth, the key: Q4 was characterized by sustained improvement in growth outcomes – loan (gross) grew >5% QoQ and deposit grew a strong 9% QoQ. CUBK's growth trajectory is becoming more predictable – It ended FY25 as guided. The bank's retail portfolio is growing well (now at 1.9% of gross loans) and CUBK expects higher growth in this portfolio in FY26, which remains a key variable to our mind.

Interestingly, better NIMs (up 2bps QoQ), despite higher opex fed into steady core profitability growth. CUBK has invested heavily, which may keep costs elevated, in the near term, but this was quintessential and may define future capability, which is the right move, as per our assessment. Also, turning rate tables may initially strain NIMs and we are conservative in our estimates to that extent.

Improvement in asset quality sustained; credit cost elevated on rising coverage: Q4 was yet another quarter of negative net slippages, consequently leading to lower GNPLs (down 3.2% QoQ to 3.09%). However, credit cost looked elevated as it shored up coverage (up >150bps QoQ to >60%). CUBK expects to sustain the negative net slippage trend in FY26 and has guided for lower gross slippages, which we believe is crucial to deliver steady return ratios in the backdrop of higher cost metrics and some pressure on NIMs.

Maintain BUY with TP retained at INR 205: CUBK has historically been one of the most profitable regional banks, but the past few years have been difficult. We believe operational parameters are starting to turn as changes made by CUBK are starting to take shape. Performance in FY25 does suggest a definitive turn-around. We see the bank as being more predictable and this consistency will aid a re-rating. We maintain BUY with TP retained at INR 205.

Key Financials

YE March	FY24	FY25	FY26E	FY27E	FY28E
PPoP	15,167	16,786	18,248	20,981	24,137
YoY (%)	(16.6)	10.7	8.7	15.0	15.0
NP	10,157	11,236	11,637	13,335	15,295
YoY (%)	8.3	10.6	3.6	14.6	14.7
EPS (INR)	13.7	15.2	15.7	18.0	20.6
YoY (%)	0.1	0.1	0.0	0.1	0.1
P/PPoP	8.5	7.7	7.0	6.1	5.3
RoAE (%)	12.8	12.6	11.7	12.1	12.4
RoAA (%)	1.5	1.6	1.5	1.5	1.5
P/E (x)	12.7	11.4	11.0	9.6	8.4
P/ABV (x)	1.7	1.4	1.3	1.2	1.0

Note: Pricing as on 02 May 2025; Source: Company, Elara Securities Estimate

Rating: **Buy**

Target Price: **INR 205**

Upside: **18%**

CMP: **INR 173**

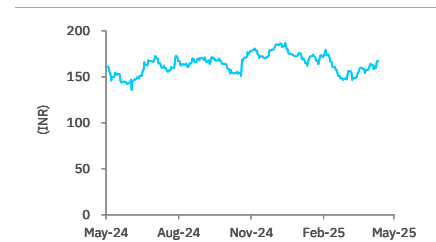
As on 02 May 2025

Key data

Bloomberg	CUBK IN
Reuters Code	CTBK.NS
Shares outstanding (mn)	741
Market cap (INR bn/USD mn)	128,546/1,521
EV (INR bn/USD mn)	0/0
ADTV 3M (INR mn/USD mn)	444/5
52 week high/low	188/130
Free float (%)	97

Note: as on 02 May 2025; Source: Bloomberg

Price chart



Source: Bloomberg

	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25
Shareholding (%)				
Promoter	0.0	0.0	0.0	0.0
% Pledge	0.0	0.0	0.0	0.0
FII	26.4	26.0	27.4	28.0
DII	32.7	33.9	33.7	33.1
Others	40.9	40.1	38.9	38.9

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	3.7	0.2	7.5
City Union Bank	1.2	(2.4)	7.3
NSE Mid-cap	1.9	(3.3)	5.3
NSE Small-cap	(3.8)	(14.4)	(3.1)

Source: Bloomberg

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Financials (YE March)

Income Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Net interest income	21,235	23,157	25,190	28,881	33,071
Fee income	2,914	3,235	3,639	4,087	4,585
Trading profits	1,234	860	1,200	1,200	1,200
Non-interest income	7,417	8,981	10,311	11,416	12,650
Net operating revenue	28,651	32,138	35,501	40,296	45,721
Operating expenses	13,484	15,351	17,253	19,316	21,584
Pre-provisioning operating profit	15,167	16,786	18,248	20,981	24,137
Total provisions	2,860	2,620	3,233	3,774	4,402
Profit before tax	12,307	14,166	15,016	17,207	19,735
Tax	2,150	2,930	3,378	3,872	4,440
Profit after tax	10,157	11,236	11,637	13,335	15,295
Balance Sheet (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Customer loans	455,257	520,813	599,455	689,374	792,090
Investments	156,641	173,361	196,695	225,057	256,336
Cash & bank balances	69,435	52,905	59,840	68,187	76,357
Fixed assets	2,704	3,223	3,523	3,823	4,123
Other assets	24,221	25,929	28,782	31,948	35,462
Total Assets	708,259	776,232	888,295	1,018,388	1,164,368
Networth	84,014	94,666	104,592	116,217	129,800
Deposits	556,566	635,260	725,466	832,110	954,430
Borrowings	47,242	21,694	32,003	42,081	50,274
Other liabilities	20,436	24,612	26,234	27,981	29,864
Total Liabilities	708,259	776,232	888,295	1,018,388	1,164,368
Key operating ratios (%)	FY24	FY25	FY26E	FY27E	FY28E
Lending yield	9.2	9.9	9.5	9.4	9.4
Cost of Funds	5.2	5.4	5.3	5.3	5.2
Spreads	2.8	2.8	2.7	2.7	2.7
Net interest margin	3.2	3.2	3.1	3.1	3.1
CASA Ratio	29.6	28.5	27.1	27.3	27.4
Non-interest income / operating income	25.9	27.9	29.0	28.3	27.7
Cost/income	47.1	47.8	48.6	47.9	47.2
Operating expense/avg assets	(2.0)	(2.1)	(2.2)	(2.1)	(2.0)
Credit costs / avg loans	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Effective tax rate	17.5	20.7	22.5	22.5	22.5
Loan deposit ratio	81.8	82.0	82.6	82.8	83.0
ROA decomposition (%)	FY24	FY25	FY26E	FY27E	FY28E
NII /Assets	3.2	3.2	3.1	3.1	3.1
Fees/Assets	0.4	0.5	0.5	0.4	0.4
Invst profits/Assets	0.2	0.1	0.1	0.1	0.1
Net revenues/Assets	4.1	4.4	4.3	4.3	4.2
Opex /Assets	(2.0)	(2.1)	(2.2)	(2.1)	(2.0)
Provisions/Assets	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Taxes/Assets	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)
Total costs/Assets	(2.8)	(2.9)	(3.0)	(2.9)	(2.9)
ROA	1.5	1.6	1.5	1.5	1.5
Equity/Assets	12.0	12.5	12.4	12.0	11.7
ROAE	12.8	12.6	11.7	12.1	12.4
Key financial ratios (%)	FY24	FY25	FY26E	FY27E	FY28E
Gross NPL	4.0	3.1	2.9	2.7	2.5
Net NPL	2.0	1.3	1.2	1.1	1.0
Slippage ratio	2.3	1.8	1.8	1.9	2.0
Per share data					
EPS (INR)	13.7	15.2	15.7	18.0	20.6
BVPS (INR)	113.4	127.8	141.2	156.8	175.2
adj- BVPS (INR)	104.9	121.6	134.5	149.7	167.5
Valuation (x)					
P/BV	1.5	1.4	1.2	1.1	1.0
P/ABV	1.7	1.4	1.3	1.2	1.0
P/E	12.7	11.4	11.0	9.6	8.4

Note: Pricing as on 02 May 2025; Source: Company, Elara Securities Estimate

Improving trends in loan growth – Monitor execution

- ▶ Overall advances grew 11.0% YoY /2.3% QoQ, with higher growth from MSME, jewel loans (non-Agri), housing loans and Infrastructure. With this, CUBK expects credit growth in FY26 to continue. Also, growth in FY26 would be driven by core MSME and gold loans.
- ▶ With regulatory concerns around unsecured retail loans, personal loan saw a de-growth in Q4. In addition to this, wholesale traders continued to see a decline. CUBK aims to maintain the overall unsecured loan proportion at less than 5% of total loans.
- ▶ Gold loan saw strong traction at 29.2% YoY/10% QoQ, forming ~27% of total advances. Of the total gold loan, ~55% was agri-linked gold loan. CUBK has increased the fixed rate proportion, which has been supporting yields. The bank expects momentum in gold loans to continue.
- ▶ Overall deposits grew by 14.1% YoY/9% QoQ. In Q4, CASA deposits grew a healthy 12.3% QoQ, which resulted in a sequential improvement of 84bps in CASA ratio to 28.52%. CASA growth was led by higher current account. Term deposit grew 17.6% YoY/7.8% QoQ.
- ▶ CUBK expects credit growth for FY26 to be 200-300bps above the system level growth and aims to keep its LDR at ~85% levels.

Margin trajectory, key

- ▶ In Q4, NIMs were steady sequentially at 3.6%. In FY26, CUBK expect NIMs to remain at ~3.6% (+/- 10bps). With SA and TD rate cut, the bank expects to have a positive bearing in the next 2-3 quarters.
- ▶ Yield on advances improved 12bps QoQ while the cost of funds rose 7bps QoQ, keeping the margins stable.

Asset quality continues to improve

- ▶ Reported GNPA and NNPA improved to 3.09% and 1.25% from 3.36% and 1.42% in the previous quarter, respectively. In Q4, slippages were slightly elevated, with slippage ratio inching up to 2.1% from 1.7% in Q3, while the pace of recoveries and upgrades continued, culminating into improving GNPA's. The management believes this trend may continue in the coming quarters.

Restructured book came off to 1.34% from 1.54% in Q3; uptick of 17bps QoQ in overall SMA-2 portfolio

- ▶ CUBK has been focused on strengthening its PCR (including technical write-offs), which rose in Q4FY25 to 78%. This improvement provides the management with an added cushion, further fortifying the bank's balance sheet.
- ▶ Going forward, in FY26, with improvement in slippages and continued rise in recoveries, CUBK expects the overall asset quality to further improve.

Others highlights

- ▶ The cost-to-income ratio in Q4 inched up to 48.2%. Despite an increase in the cost-to-income ratio, it is still in the guided range of 48-50%. The retail digital lending infrastructure was slightly delayed and the cost will be incurred in FY26.
- ▶ **Non-interest income:** Treasury gains in Q4 stood at INR 262mn versus INR 178mn in Q3. With improvement in business momentum, better volumes aided non-interest income.
- ▶ CUBK is well capitalized with CRAR at 23.75% and tier-1 at 22.7%.

Exhibit 1: Q4 PAT at INR 2.88bn, up 13% YoY/0.7% QoQ

(INR mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
NII	5,226	5,384	5,159	5,466	5,452	5,825	5,877	6,003
Other income	1,915	1,821	1,929	1,752	1,921	2,263	2,284	2,512
Net revenue	7,141	7,205	7,088	7,218	7,373	8,088	8,161	8,515
Opex	2,998	3,339	3,448	3,700	3,638	3,806	3,801	4,106
PPoP	4,143	3,866	3,640	3,518	3,735	4,282	4,360	4,410
Investment gains	405	268	242	319	172	248	178	262
Core PPoP	3,738	3,598	3,398	3,199	3,563	4,034	4,182	4,148
Provisions	1,520	560	460	320	390	700	750	780
PAT	2,273	2,806	2,530	2,548	2,645	2,852	2,860	2,880
YoY (%)								
NII	(0.4)	(5.2)	(7.2)	6.3	4.3	8.2	13.9	9.8
Other income	(12.0)	5.0	(14.0)	(10.1)	0.3	24.3	18.4	43.4
Net revenue	(3.8)	(2.8)	(9.1)	1.8	3.3	12.3	15.1	18.0
Opex	1.5	17.2	21.9	26.6	21.4	14.0	10.3	11.0
PPoP	(7.3)	(15.3)	(26.8)	(15.6)	(9.9)	10.8	19.8	25.3
Investment gains	93.8	(41.1)	(31.4)	44.3	(57.5)	(7.5)	(26.4)	(17.9)
Core PPoP	(12.3)	(12.4)	(26.4)	(19.0)	(4.7)	12.1	23.1	29.6
Provisions	-	(46.7)	(79.5)	(79.9)	(74.3)	25.0	63.0	143.8
PAT	1.0	1.5	16.2	16.9	16.4	1.6	13.0	13.0
QoQ (%)								
NII	1.6	3.0	(4.2)	5.9	(0.3)	6.8	0.9	2.1
Other income	(1.8)	(4.9)	5.9	(9.1)	9.6	17.8	0.9	10.0
Net revenue	0.7	0.9	(1.6)	1.8	2.1	9.7	0.9	4.3
Opex	2.6	11.4	3.3	7.3	(1.7)	4.6	(0.1)	8.0
PPoP	(0.7)	(6.7)	(5.8)	(3.4)	6.2	14.6	1.8	1.1
Investment gains	83.3	(33.8)	(9.7)	31.8	(46.1)	44.2	(28.2)	47.2
Core PPoP	(5.3)	(3.7)	(5.6)	(5.9)	11.4	13.2	3.7	(0.8)
Provisions	(4.4)	(63.2)	(17.9)	(30.4)	21.9	79.5	7.1	4.0
PAT	4.3	23.4	(9.8)	0.7	3.8	7.8	0.3	0.7

Source: Company, Elara Securities Research

Exhibit 2: Net loans grew by 11.0% YoY/2.3% QoQ

In Mn	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Net loans	424,048	436,881	440,173	464,815	465,479	487,220	504,093	515,867
-YoY (%)	3.6	2.3	2.3	5.7	9.8	11.5	14.5	11.0
-QoQ (%)	-3.6	3.0	0.8	5.6	0.1	4.7	3.5	2.3

Source: Company, Elara Securities Research

Exhibit 3: Loan growth largely driven by MSME and Retail segment

	(INR mn)					YoY (%)				
Loan mix	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Retail	139,482	137,051	139,321	144,363	151,855	44.6	39.8	27.8	20.1	8.9
- Housing/LAP	21,133	21,529	22,670	23,980	25,153	2.0	5.3	12.1	14.6	19.0
- Personal Loans	13,634	13,116	13,174	12,813	12,137	43.9	36.0	30.4	5.4	(11.0)
- Loans collateralized by Dep	8,249	7,520	7,998	7,731	8,845	25.1	14.9	12.0	5.3	7.2
- JL Non Agri	48,579	50,214	53,565	58,115	66,453	20.6	17.5	12.9	19.7	36.8
- Others	47,887	44,672	41,914	41,724	39,267	147.1	139.0	73.7	33.6	(18.0)
Agriculture	83,515	85,439	91,159	90,080	87,872	(2.2)	8.5	22.9	28.9	5.2
SME & MSME	194,703	192,735	201,070	213,359	232,108	(8.2)	(5.0)	(3.1)	4.9	19.2
- Wholesale traders	11,194	10,942	10,807	9,444	8,976	(28.7)	(28.2)	(31.0)	(35.7)	(19.8)
- Retail Traders	7,017	7,022	6,572	5,802	6,436	(11.6)	(10.6)	(25.8)	(37.2)	(8.3)
- MSME	176,492	174,771	183,691	198,113	216,696	(6.4)	(2.8)	0.4	10.4	22.8
Corporate	47,115	50,254	55,670	56,291	44,032	3.1	13.1	20.7	20.4	(6.5)
- Large Industries	4,849	5,951	6,278	5,946	3,371	(27.5)	(11.1)	(8.4)	(20.4)	(30.5)
- NBFC	11,946	14,034	17,193	15,854	12,137	144.3	201.4	47.4	43.9	1.6
- Infrastructure	3,032	3,096	2,990	2,975	3,371	(5.2)	2.6	11.7	4.8	11.2
- Commercial Real Estate	27,288	27,173	29,209	31,516	25,153	(11.7)	(9.6)	17.2	23.9	(7.8)
Overall	464,815	465,479	487,220	504,093	515,867	5.7	9.8	11.5	14.5	11.0

Source: Company, Elara Securities Research

Exhibit 4: RAM advances contributed ~92% to the loan book

Loan mix (%)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Retail	23.1	25.0	27.3	30.0	29.4	28.6	28.6	29.4
- Housing/LAP	4.8	4.6	4.8	4.5	4.6	4.7	4.8	4.9
- Personal Loans	2.3	2.3	2.8	2.9	2.8	2.7	2.5	2.4
- Loans collateralized by Dep	1.5	1.6	1.7	1.8	1.6	1.6	1.5	1.7
- JL Non Agri	10.1	10.9	11.0	10.5	10.8	11.0	11.5	12.9
- Others	4.4	5.5	7.1	10.3	9.6	8.6	8.3	7.6
Agriculture	18.6	17.0	15.9	18.0	18.4	18.7	17.9	17.0
SME & MSME	47.8	47.5	46.2	41.9	41.4	41.3	42.3	45.0
- Wholesale traders	3.6	3.6	3.3	2.4	2.4	2.2	1.9	1.7
- Retail Traders	1.9	2.0	2.1	1.5	1.5	1.3	1.2	1.2
- MSME	42.4	41.9	40.8	38.0	37.5	37.7	39.3	42.0
Corporate	10.5	10.6	10.6	10.1	10.8	11.4	11.2	8.5
- Large Industries	1.6	1.6	1.7	1.0	1.3	1.3	1.2	0.7
- NBFC	1.1	2.7	2.5	2.6	3.0	3.5	3.1	2.4
- Infrastructure	0.7	0.6	0.6	0.7	0.7	0.6	0.6	0.7
- Commercial Real Estate	7.1	5.7	5.8	5.9	5.8	6.0	6.3	4.9
Overall	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Company, Elara Securities Research

Exhibit 5: Proportion of gold loan increased to 27.7% of gross advances

INR mn	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Gold loan – Agri	64,774	60,639	56,847	61,130	64,418	69,144	70,870	76,293
Gold loan – Non agri	43,031	48,159	49,063	49,317	50,214	54,646	58,925	66,453
Total	107,805	108,798	105,910	110,447	114,632	123,790	129,795	142,746
Gross advances	424,048	436,881	440,173	464,815	465,479	487,220	504,093	515,867
Percentage of gold loans to gross advances (%)	25.4	24.9	24.1	23.8	24.6	25.4	25.7	27.7

Source: Company, Elara Securities Research

Exhibit 6: Deposit grew by 14.1% YoY/9.0% QoQ; CASA ratio improved sequentially from 27.7% to 28.5%

In mn	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Deposits	516,548	527,140	527,264	556,566	548,569	573,691	582,713	635,260
-YoY (%)	5.9	5.7	5.5	6.2	6.2	8.8	10.5	14.1
-QoQ (%)	(1.4)	2.1	0.0	5.6	(1.4)	4.6	1.6	9.0
CA	NA	NA	43,922	54,888	46,242	50,891	47,513	60,738
-YoY (%)	NA	NA	9.5	15.2	NA	NA	NA	NA
-QoQ (%)	NA	NA	NA	25.0	(15.8)	10.1	(6.6)	27.8
SA	NA	NA	109,667	115,613	115,708	118,043	113,806	120,451
-YoY (%)	NA	NA	3.5	6.1	NA	NA	NA	NA
-QoQ (%)	NA	NA	NA	5.4	0.1	2.0	(3.6)	5.8
CASA	158,931	155,903	153,589	170,502	160,950	168,934	161,319	181,189
-YoY (%)	3.3	(0.1)	5.2	8.9	1.3	8.4	5.0	6.3
-QoQ (%)	1.5	(1.9)	(1.5)	11.0	(5.6)	5.0	(4.5)	12.3
Term deposits	357,617	371,237	373,675	386,064	387,619	404,757	421,394	454,071
-YoY (%)	7.1	8.3	5.6	5.1	8.4	9.0	12.8	17.6
-QoQ (%)	(2.7)	3.8	0.7	3.3	0.4	4.4	4.1	7.8
CASA (%)	30.8	29.6	29.1	30.6	29.5	29.4	27.7	28.5

Source: Company, Elara Securities Research

Exhibit 7: Margins expanded by 2bps to 3.60%, whereas overall cost of funds rose by 7bps to 4.95%

%	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Cost of deposits	5.36	5.51	5.67	5.75	5.72	5.75	5.88	6.02
Yield on advances	9.53	9.77	9.62	9.85	9.59	9.81	9.81	9.93
Yield on investments	6.10	6.28	6.31	6.39	6.48	6.54	6.49	6.51
NIM	3.67	3.74	3.50	3.66	3.54	3.67	3.58	3.60
Cost to income	41.98	46.34	48.64	51.26	49.34	47.06	46.58	48.21
Cost of funds	4.57	4.60	4.76	4.80	4.80	4.76	4.88	4.95
Yield on funds	7.78	7.84	7.80	7.97	7.91	8.01	8.09	8.14

Source: Company, Elara Securities Research

Exhibit 8: Asset quality metrics improved with strengthening PCR

INR mn	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Opening GNPA	19,202	20,811	20,346	19,681	18,544	18,065	17,255	16,930
Additions	3,822	2,247	1,872	2,194	1,783	1,760	2,011	2,595
Recoveries and upgradation	1,213	2,378	2,237	2,332	1,922	2,011	2,031	2,380
Write offs	1,000	334	300	999	340	559	305	763
Closing GNPA	20,811	20,346	19,681	18,544	18,065	17,255	16,930	16,382
GNPL (%)	4.9	4.7	4.5	4.0	3.9	3.5	3.4	3.1
NNPL (%)	2.5	2.3	2.2	2.0	1.9	1.6	1.4	1.3
PCR (%)	70.0	71.0	71.0	72.0	73.0	75.0	77.0	78.0

Source: Company, Elara Securities Research

Exhibit 9: Total restructured std assets stood at INR 6.9bn

INR mn	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
MSME	5,494	5,384	5,105	4,229	3,550	4,026	3,654	2,870
Non-MSME	0	0	0	0	0	0	0	0
Covid-19 Resolution Framework	5,918	5,646	5,185	5,062	4,726	4,558	4,121	4,020
Total restructured standard assets	11,412	11,030	10,290	9,291	8,276	8,584	7,775	6,890
PCR (%)	2.69	2.52	2.34	2.00	1.78	1.76	1.54	1.34

Source: Company, Elara Securities Research

Exhibit 10: CRAR stood at 23.75% with tier-1 constituting 22.7%

%	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Tier 1	22.0	21.2	20.8	22.8	22.6	22.0	21.3	22.7
Tier 2	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.1
CRAR	23.02	22.21	21.87	23.84	23.58	22.98	22.26	23.75

Source: Company, Elara Securities Research

Q4FY25 earnings – Conference call highlights

Business momentum

- ▶ CUBK is witnessing healthy trends across business growth (healthy credit offtake), asset quality (slippages, SMA and PCR front), improved non-interest income and productivity metrics.
- ▶ Gross advances grew by 14% YoY – CUBK witnessed improvement on sequential basis in FY25 with growing 10%, 12% and 15% in the prior three quarters (Q1FY25, Q2FY25 and Q3FY25).
- ▶ Despite CUBK letting of its IBPC portfolio of INR 12bn and low-yielding NBFC portfolio of INR 1.5bn (of this total INR 13.50bn, INR 7.5bn was in Q4FY25), the bank was able to clock healthy credit growth of 14% YoY. IBPC yield was 6-6.5% and NBFC advances yield 8-8.5%.
- ▶ Deposits grew by 14% YoY and CASA ratio stood at 29%. CD ratio was 84%.

- ▶ MSME loans grew by 23% YoY compared with 14% overall loan growth. CUBK disbursed ~INR 100bn of MSME loans (CC portion will be having lower utilization). Of the total of INR 65bn of credit growth YoY, ~INR 40bn has been derived from MSME loans. The new MSME software has delivered a good show.
- ▶ Of the total loan mix, 31% is fixed rate book and 48% EBLR loans.
- ▶ Gold loans: CUBK does not expect growth to slow down from the current levels. The bank moved from floating to fixed rate loan in July 2024.
- ▶ Overall risk weighted assets for CUBK stood at INR 399bn.
- ▶ Personal loans in the loan mix pertain to the loan given to the bank's MSME borrowers.
- ▶ CUBK achieved double-digit growth in all the four quarters of FY25 and expects this growth to stabilize and move forward.
- ▶ Credit growth was driven by the core MSME business and gold loans. Retail journey had started in H2FY25, and CUBK expects this segment to contribute largely in FY26.
- ▶ Deposit growth is back on track and CUBK expects to capitalize this.
- ▶ Impact due to global trade tariffs: CUBK's exposure to export-oriented players is low. In case of any negative turn further, it expects the impact to minimal.
- ▶ Affordable home loans are through branch-based strategy and CUBK has set-up an entirely new team for this.
- ▶ CUBK aims to maintain the overall unsecured loan proportion at <5% of the total loans.
- ▶ CUBK expects credit growth for FY26 to be 200-300bps above system level growth and aims to keep its LDR at ~85% levels.

Asset quality

- ▶ Headline asset quality numbers of GNPLs/NNPLs came down to 3.09%/1.25% versus 3.36%/1.42% QoQ, with coverage rising to ~60%.
- ▶ **Asset quality:** Lower slippages and improved recovery trends continued in FY25. CUBK expects a slippage run-rate of INR 6.5-7bn in FY26 and recoveries will continue to outpace slippages.
- ▶ CUBK's annualized slippages are INR 8.15bn versus the guided range of INR 8bn for FY25. Slippage ratio stood at 1.54% versus 2.18% in FY24.
- ▶ Recoveries stood at INR 8.34bn from live NPA and INR 2.08bn from technical written off pool.
- ▶ SMA-2 reduced substantially YoY to 1.10% from 2.08% in Q4FY25.
- ▶ CUBK has reached 60% PCR (without technical write-offs) in Q4. **CUBK does not aim to improve PCR at the cost of ROA.**

Cost, margins and other highlights

- ▶ NIMs were 3.6% In FY25. In FY26, CUBK expect NIMs to be ~3.6% (+/- 10 bps). With SA and TD rate cut, the bank expects to have a positive bearing in the next 2-3 quarters.
- ▶ The first rate cut of 25bps led to a yield reduction of 10bps. The cost of deposits was 6.02% versus 5.75% in Q4FY24, led by higher cost of TD.
- ▶ With respect to 48% EBLR loans, CUBK has already passed-on a 25bps cut earlier and will pass on another 25bps cut in the next week.
- ▶ The Board had appointed V. Ramesh as Executive Director in February 2025. Shareholders' approval is work in progress. CUBK has two whole-time directors apart from the MD and the CEO.
- ▶ The cost-to-income ratio stood at 47.77% (versus the guided range of 48-50%). It remained low as the retail digital lending infrastructure was delayed slightly and the cost will be incurred in FY26.
- ▶ ROA for FY25 stood at 1.55% versus 1.52% in FY24. ROA for all the four quarters stood above 1.5% each (which is CUBK's long-term average ROA).

- ▶ CUBK's partnership with IPL teams (CSK and SRH) went live from April 2025. The bank has issued cards entirely through digital modes and has seen positive traction.
- ▶ CRAR for CUBK stood at 23.75% with CET-1 ratio of 22.70%.
- ▶ Other income improved, largely led by an increase in business volumes through improved credit growth and insurance income.
- ▶ CUBK added 75 branches in FY25 and aims to add another 50-75 branches in FY26 in unbanked rural centres of non-Tamil Nadu states.

Exhibit 11: Q4FY25 results highlights

INR mn	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)
Interest income	15,327	13,741	11.5	14,787	3.7
Interest expenses	9,324	8,275	12.7	8,910	4.6
Net interest income	6,003	5,466	9.8	5,877	2.1
Other income	2,512	1,752	43.4	2,284	10.0
Operating expenses	4,106	3,700	11.0	3,801	8.0
Staff expense	1,965	1,678	17.1	1,785	10.1
Other opex	2,140	2,022	5.9	2,016	6.2
Pre prov op profit (PPP)	4,410	3,518	25.3	4,360	1.1
Provisions	780	320	143.8	750	4.0
Profit before tax	3,630	3,198	13.5	3,610	0.5
Provision for tax	750	650	15.4	750	-
Profit after tax	2,880	2,548	13.0	2,860	0.7
EPS (INR)	3.9	3.4		3.9	
Ratios (%)					
NII / GII	70.5	75.7		72.0	
Cost - income	48.2	51.3		46.6	
Provisions / PPOP	17.7	9.1		17.2	
Tax rate	20.7	20.3		20.8	
Balance sheet					
Advances (INR bn)	516	465	11.0	504	2.3
Deposits (INR bn)	635	557	14.1	583	9.0
CD ratio (%)	81.21	83.51		86.51	
Asset quality					
Gross NPA	16,382	18,544	(11.7)	16,930	(3.2)
Gross NPAs (%)	3.1	4.0		3.4	
Net NPA	6,531	8,987	(27.3)	7,015	(6.9)
Net NPA(%)	1.3	2.0		1.4	
Provision coverage (%)	78.0	72.0		77.0	

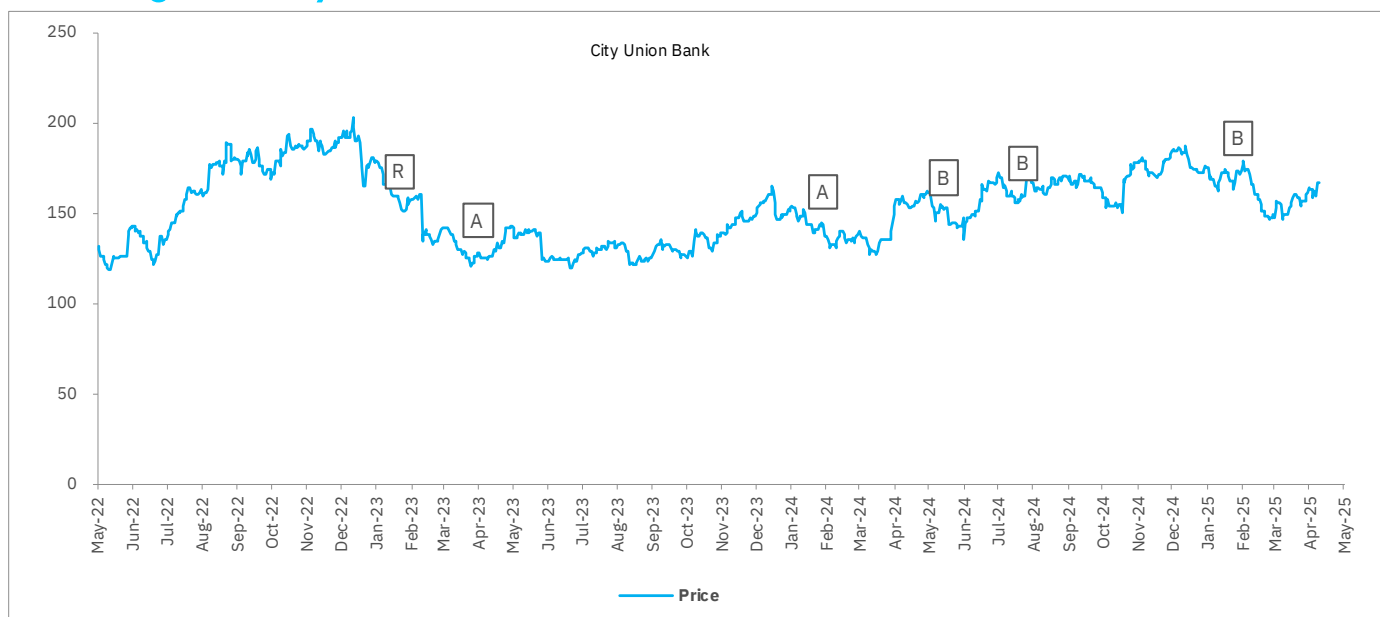
Source: Elara Securities Research

Exhibit 12: Change in estimate

INR mn	Revised		Old		% Change		New
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY28E
Net interest income	25,190	28,881	25,206	28,761	-0.1	0.4	33,071
Operating profit	18,248	20,981	18,113	21,006	0.7	-0.1	24,137
Net profit	11,637	13,335	11,356	12,976	2.5	2.8	15,295

Source: Elara Securities Estimate

Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
24-Jan-2023	Reduce	165	155
03-Apr-2023	Accumulate	145	128
01-Feb-2024	Accumulate	158	144
17-May-2024	Buy	182	152
26-Jul-2024	Buy	188	160
31-Jan-2025	Buy	205	174

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