

February 1, 2025

Q3FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	200		190	
NII (Rs. m)	25,902	29,351	25,824	29,295
% Chng.	0.3	0.2		
Op. Profit (Rs. m)	18,086	20,238	17,541	19,515
% Chng.	3.1	3.7		
EPS (Rs.)	16.1	17.9	15.8	17.6
% Chng.	1.9	2.0		

Key Financials - Standalone

Y/e Mar	FY24	FY25E	FY26E	FY27E
NII (Rs m)	21,235	23,183	25,902	29,351
Op. Profit (Rs m)	15,168	16,898	18,086	20,238
PAT (Rs m)	10,158	11,331	11,899	13,289
EPS (Rs.)	13.7	15.3	16.1	17.9
Gr. (%)	8.3	11.5	5.0	11.7
DPS (Rs.)	1.0	2.1	2.2	2.5
Yield (%)	0.6	1.2	1.3	1.5
NIM (%)	3.2	3.3	3.3	3.3
RoAE (%)	12.8	12.7	12.0	12.1
RoAA (%)	1.5	1.5	1.5	1.4
P/BV (x)	1.5	1.3	1.2	1.1
P/ABV (x)	1.7	1.4	1.3	1.2
PE (x)	12.5	11.2	10.7	9.6
CAR (%)	23.7	23.7	24.0	24.3

Key Data

CTBK.BO | CUBK IN

52-W High / Low	Rs.188 / Rs.125
Sensex / Nifty	77,506 / 23,482
Market Cap	Rs.127bn / \$ 1,466m
Shares Outstanding	741m
3M Avg. Daily Value	Rs.416.72m

Shareholding Pattern (%)

Promoter's	-
Foreign	27.44
Domestic Institution	33.58
Public & Others	38.98
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(1.4)	0.1	19.5
Relative	(0.1)	5.7	10.5

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Strong performance continues

Quick Pointers:

- Core earnings higher due to beat on all parameters; asset quality improves.
- Loan growth was better; guided to sustain. New source of credit underway.

CUB saw a strong quarter with beat on all fronts i.e. loan growth, NIM, opex and asset quality. Loan growth at 3.4% QoQ was superior to PLe by 85bps, NIM (calc.) was better at 3.49% (PLe 3.41%) while higher fees and lower opex led to core PPOp beat of 9.2%. Credit growth guidance remains unchanged at 12-14% for FY26E with secured retail likely to contribute 2.0-2.5% to overall loans by FY25 end. LDR would be maintained at 85%. Asset quality was better and may further improve given (1) slippages are guided to be Rs7bn in FY26E (vs Rs8bn in FY25E) and (2) SMA-0,1,2 has declined QoQ from 11.0% to 9.3%. Provisions were a tad elevated as PCR rose QoQ to 58.6% from 55.1%, which was positive. Bank is targeting PCR of 60% suggesting that provision costs could be lower than our estimates of ~55bps. With core RoA profile of 1.4%, we keep multiple at 1.4x on Sep'26 ABV but raise TP to Rs200 from Rs190. Retain 'BUY'.

- Beat on core PAT due to better NII, fees and asset quality:** NII was higher at Rs5.9bn (PLe Rs5.7bn); due to better loan growth and NIM which was 3.49% (PLe 3.41%) owing to superior yields. Credit/deposit growth was 15%/10.5% YoY (PLe 14%/11.1%). Other Income was higher at Rs2.3bn (PLe Rs2.1bn) led by better fees and misc. income. Opex at Rs3.8bn was lower due to softer staff cost and other opex. Core PPOp at Rs4.2bn was 9% above PLe; PPOp was Rs4.4bn (PLe Rs4bn). Asset quality was better; GNPA declined by 18bps QoQ driven by lower net slippages. Gross slippages were a tad lower at Rs2bn (PLe Rs2.1bn) while recoveries were higher at Rs1.6bn (PLe Rs1.4bn). Provisions were a bit more at Rs0.8bn (PLe Rs0.7bn). Core PAT was 10.3% ahead of PLe at Rs2.7bn while PAT was Rs2.9bn (PLe Rs2.6bn).
- Credit growth picking up:** Credit growth was healthy at 3.4% QoQ which was driven by the traditional segments of MSME and agri. Loan growth is guided to be 12-15% in FY26 and retail secured lending would also start supporting overall accretion; it is expected to contribute 2.0-2.5% to total advances in FY25 and 8-9% in next 3-4 years. Within secured retail, bank intends to focus on LAP, affordable home loans and microloans. CUB has converted non-agri portion of gold loans from floating to fixed rate which may cushion NIM when interest rates fall. On liabilities, deposit growth is expected to match loan growth while LDR is expected to be maintained at 85%.
- Asset quality was better; likely to improve further:** Net stress accretion was lower than expected and slippages are guided to be Rs8bn in FY25 and Rs7bn in FY26. Also, SMA-0,1,2 has reduced QoQ from 11.0% to 9.3%, suggesting that incremental stress is reducing. Provisions were a tad elevated as PCR rose QoQ to 58.6% from 55.1%, which was positive. Bank is targeting PCR of 60% suggesting that provision costs could be lower than our estimates of 55bps (for FY26/27E) as only slippages/ageing based provisions would hit the P&L. TWO recovery for Q3FY25 was Rs462mn; bank guided that TWO recovery of Rs600-800mn per quarter is likely to sustain.

Exhibit 1: Beat on PAT at Rs2.9bn due to better NII, fees and asset quality

P&L Statement (Rs m)	Q3FY25	Q3FY24	YoY gr. (%)	Q2FY25	QoQ gr. (%)	Q3FY25E	% Var.
Interest Income	14,787	13,262	11.5	14,339	3.1	14,505	1.9
Interest Expended	8,910	8,103	10.0	8,515	4.6	8,786	1.4
Net interest income (NII)	5,877	5,159	13.9	5,825	0.9	5,719	2.8
Other income	2,284	1,929	18.4	2,263	0.9	2,127	7.4
-Fee income	1,114	912	22.1	1,046	6.5	1,067	4.4
-Other non interest income	1,170	1,017	15.1	1,217	(3.9)	1,060	10.4
Total income	8,161	7,088	15.1	8,088	0.9	7,846	4.0
Operating expenses	3,801	3,448	10.3	3,806	(0.1)	3,867	(1.7)
-Staff expenses	1,785	1,556	14.7	1,835	(2.7)	1,817	(1.7)
-Other expenses	2,016	1,891	6.6	1,971	2.3	2,050	(1.6)
Operating profit	4,360	3,640	19.8	4,282	1.8	3,979	9.6
Core Operating Profit	3,190	2,624	21.6	3,065	4.1	2,919	9.3
Total provisions	750	460	63.0	700	7.1	707	6.1
Profit before tax	3,610	3,180	13.5	3,582	0.8	3,272	10.3
Tax	750	650	15.4	730	2.7	687	9.2
Profit after tax	2,860	2,530	13.0	2,852	0.3	2,585	10.6
Balance Sheet (Rs m)							
Deposits	5,82,713	5,27,264	10.5	5,73,691	1.6	5,85,586	(0.5)
Advances	4,94,178	4,29,901	15.0	4,77,715	3.4	4,90,135	0.8
Ratios (%)							
NIM	3.5	3.3	23	3.5	(2.2)	3.4	9
RoaA	1.6	1.5	9	1.6	(2)	1.5	16
RoaE	13.2	13.2	6	13.6	(38)	12.0	123
Asset Quality							
Gross NPL (Rs m)	16,930	19,681	(14.0)	17,255	(1.9)	16,896	0.2
Net NPL (Rs m)	7,015	9,409	(25.4)	7,750	(9.5)	7,096	(1.1)
Gross NPL ratio	3.36	4.47	(111.12)	3.54	(18)	3.4	(2)
Net NPL ratio	1.42	2.19	(76.87)	1.62	(20)	1.4	(3)
Coverage ratio (Calc)	58.6	52.2	637	55.1	348	58.0	56
Business & Other Ratios							
Low-cost deposit mix	27.7	28.0	(32)	29.4	(176)	29.0	(131)
Cost-income ratio	46.6	48.6	(206)	47.1	(48)	49.3	(271)
Non int. inc / total income	28.0	27.2	77	28.0	0	27.1	87
Credit deposit ratio	84.8	81.5	327	83.3	154	83.7	111
CAR	22.3	21.9	39	23.0	(72)	-	-
Tier-I	1.0	1.0	(7)	1.0	(3)	-	-

Source: Company, PL

Q3FY25 Concall Highlights

Balance Sheet

- Credit growth guidance given at 12-15% for FY26 with majority share from MSME segment and ~2-2.5% contribution from retail segment in FY26 and ~8-9% in next 3-4 years. Deposit growth is expected to match credit growth to maintain LDR at 85%.
- In retail secured lending, bank intends to focus on retail, LAP, affordable home loans and microloans. It has already launched the retail segment in Mumbai & Delhi with empanelment of 2 DSAs. No DSAs would be appointed for HL.
- Banks does not intend to do unsecured loans.
- Loan by benchmark: 45% EBLR, 30% MCLR, 15% fixed.
- Non-agri gold loan has moved from EBLR to fixed rate. Bank is fully compliant with the RBI circular on gold loans and does not see any business impact.
- Rs2.5bn of liquidity is going to be available to bank on account of liquidity boost measures taken by RBI.
- Average LCR during the quarter stood at 119%.

Profit & Loss

- Yield on advances for the quarter stood at 9.81% and yield trajectory to remain same next year.
- Yields for agri-gold are 9.25% and for non-agri gold yields are 10.25%.
- Management does not expect any increase in yields on account of new retail secured lending as the HL portfolio will bring down the blended yields.
- Yields may drop from 9.81 to 9.7 post rate cuts by RBI.
- Cost of deposits increased due to lower CASA. Cost of borrowings for the quarter stood at 6.75-7.5%.
- NIMs guided at 3.6 (+/- 10bps) for FY26.
- Fees to remain steady at current levels.
- Employee cost declined QoQ due to change in actuarial valuation. Employee cost is expected to be Rs1.85bn for Q4FY25.
- Branch expansion is on track with a target of 850-875 branches by FY25 end. Branch expansion is mostly focused on north and west.
- Cost to income ratio to remain between 48-50%.

Asset Quality

- Slippages may be equal to recoveries for the next 2 quarters. Slippages are guided to be Rs8bn for FY25 and Rs7bn for FY26.

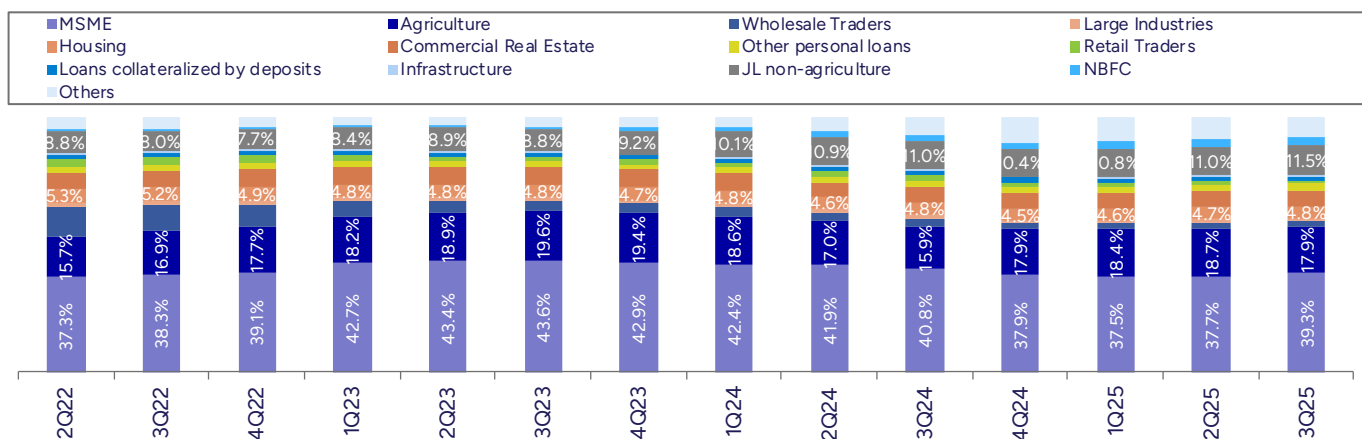
- SMA2 balance for Q3FY25 stood at Rs9.6bn. SMA-0,1,2 has reduced QoQ from Rs52.5bn to Rs46.0bn.
- Normal credit costs guided to be 60-65bps after reaching PCR target of 60%.
- Written off pool balance as of quarter end at Rs14bn. Recovery from TWO for Q3FY25 stood at Rs462mn. Guidance for recovery from TWO is Rs600-800mn per quarter.

Exhibit 2: MSME growth increased 7.9%QoQ, overall advances grew 3.5% QoQ

Advances break-up (Rs m)	Q3FY25	Q3FY24	YoY gr. (%)	Q2FY25	QoQ gr. (%)
MSME	1,98,113	1,79,415	10.4	1,83,691	7.9
Agriculture	90,080	69,883	28.9	91,159	(1.2)
Wholesale Traders	9,444	14,683	(35.7)	10,807	(12.6)
Large Industries	5,946	7,467	(20.4)	6,278	(5.3)
Housing	23,980	20,923	14.6	22,670	5.8
Commercial Real Estate	31,516	25,430	23.9	29,209	7.9
Other personal loans	12,813	12,152	5.4	13,174	(2.7)
Retail Traders	5,802	9,240	(37.2)	6,572	(11.7)
Loans collateralized by deposits	7,731	7,341	5.3	7,998	(3.3)
Infrastructure	2,975	2,838	4.8	2,990	(0.5)
JL non-agriculture	58,115	48,556	19.7	53,565	8.5
NBFC	15,854	11,021	43.9	17,193	(7.8)
Others	41,724	31,224	33.6	41,914	(0.5)
Total Advances	5,04,093	4,40,173	14.5	4,87,220	3.5

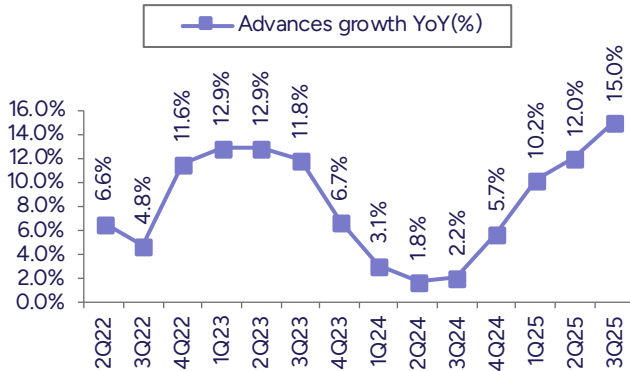
Source: Company, PL

Exhibit 3: MSME maintained dominant share at 39.3%, share of agri loans increased to 17.9%



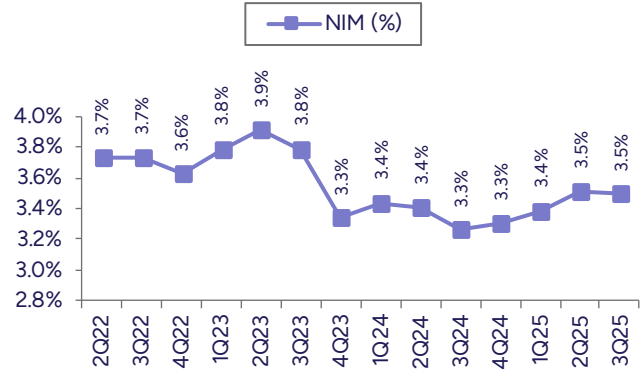
Source: Company, PL

Exhibit 4: Advances growth increased to 15% YoY



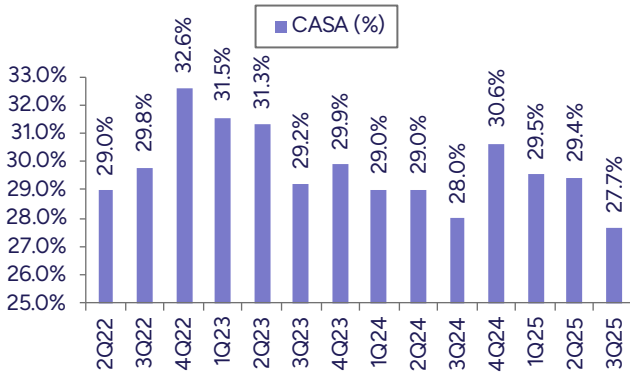
Source: Company, PL

Exhibit 5: NIMs declined slightly due to increased CoF



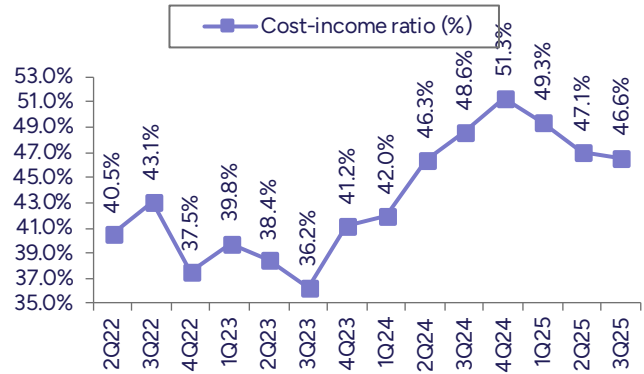
Source: Company, PL

Exhibit 6: CASA mix decreased by 180bps QoQ



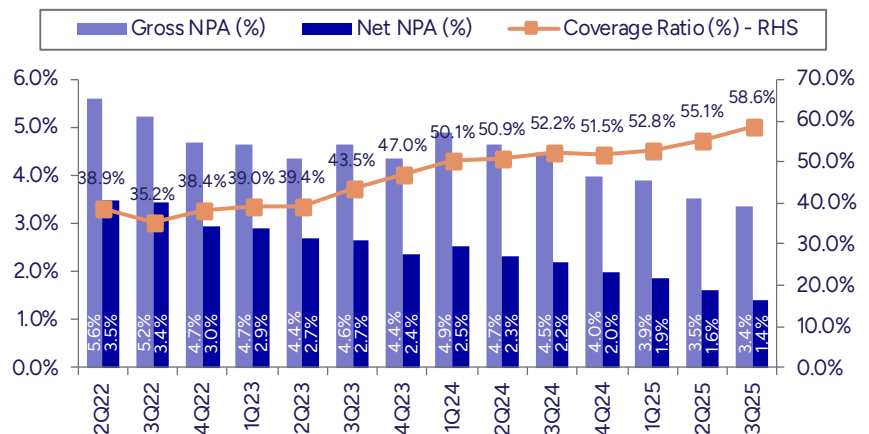
Source: Company, PL

Exhibit 7: C/I declined to 46.6% due to increased revenue



Source: Company, PL

Exhibit 8: GNPA fell by 18bps QoQ to 3.4%, while PCR increased to 58.6%



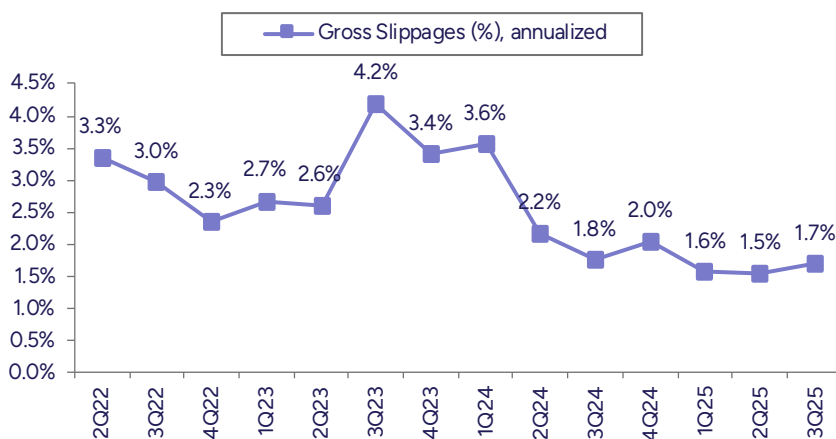
Source: Company, PL

Exhibit 9: Slippages increased sequentially to 1.82%

Movement of NPL	Q3FY25	Q3FY24	YoY gr. (%)	Q2FY25	QoQ gr. (%)
Opening	17,255	20,346	(15.2)	18,065	(4.5)
Additions	2,011	1,872	7.4	1,760	14.3
Reduction	2,336	2,537	(7.9)	2,570	(9.1)
Closing	16,930	19,681	(14.0)	17,255	(1.9)
Slippages (%)	1.82	1.80	2	1.59	23

Source: Company, PL

Exhibit 10: Gross slippages increased to 1.7% QoQ



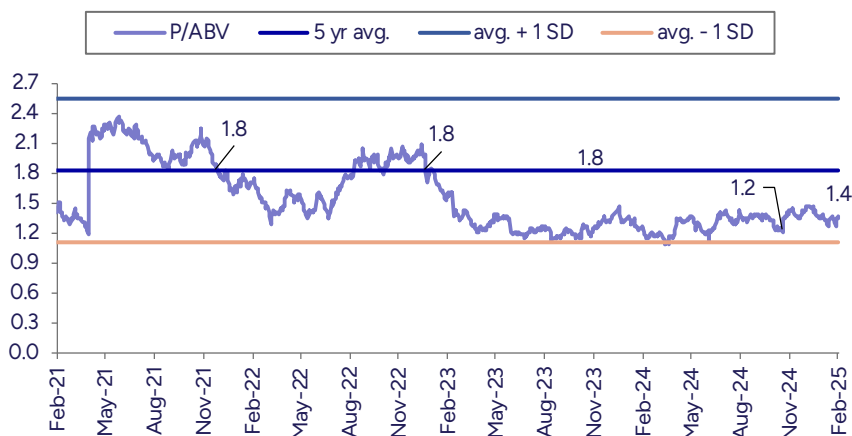
Source: Company, PL

Exhibit 11: Return ratios to range around 12%

Du-pont Analysis	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
NII/Assets	3.5	3.6	3.3	3.4	3.1	3.1	3.2	3.2
Other inc./Assets	1.4	1.3	1.3	1.3	1.1	1.2	1.2	1.2
Net revenues/Assets	5.0	4.9	4.7	4.64	4.17	4.35	4.32	4.33
Opex/Assets	2.1	2.0	1.9	1.80	1.96	2.06	2.11	2.14
Provisions/Assets	1.6	1.5	1.1	1.0	0.4	0.4	0.4	0.4
Taxes/Assets	0.2	0.2	0.4	0.4	0.3	0.4	0.4	0.4
ROA (%)	1.0	1.2	1.3	1.5	1.5	1.5	1.5	1.4
ROE (%)	9.4	10.6	12.2	13.4	12.8	12.7	12.0	12.1

Source: Company, PL

Exhibit 12: On one-year forward basis, CUBK trades at 1.4x



Source: Company, PL

Income Statement (Rs. m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Int. Earned from Adv.	41,534	46,989	53,072	59,049
Int. Earned from invt.	9,589	10,693	11,207	12,414
Others	1,583	824	350	293
Total Interest Income	52,706	58,506	64,629	71,756
Interest Expenses	31,471	35,323	38,727	42,405
Net Interest Income	21,235	23,183	25,902	29,351
Growth(%)	(1.8)	9.2	11.7	13.3
Non Interest Income	7,417	8,897	9,478	10,635
Net Total Income	28,652	32,080	35,381	39,986
Growth(%)	8.8	12.1	9.9	11.2
Employee Expenses	6,138	7,203	8,370	9,836
Other Expenses	6,592	7,978	8,925	9,912
Operating Expenses	13,484	15,181	17,295	19,748
Operating Profit	15,168	16,898	18,086	20,238
Growth(%)	(16.6)	11.4	7.0	11.9
NPA Provision	3,270	2,343	2,755	3,113
Total Provisions	2,860	2,597	3,024	3,417
PBT	12,308	14,301	15,061	16,821
Tax Provision	2,150	2,971	3,163	3,532
Effective tax rate (%)	17.5	20.8	21.0	21.0
PAT	10,158	11,331	11,899	13,289
Growth(%)	8.4	11.5	5.0	11.7

Balance Sheet (Rs. m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Face value	1	1	1	1
No. of equity shares	741	741	741	741
Equity	741	741	741	741
Networth	84,014	94,203	1,04,436	1,16,059
Growth(%)	12.7	12.1	10.9	11.1
Adj. Networth to NNPA's	8,987	6,479	6,226	6,478
Deposits	5,56,566	6,10,455	6,89,617	7,79,045
Growth(%)	6.2	9.7	13.0	13.0
CASA Deposits	1,70,502	1,70,623	1,93,822	2,15,526
% of total deposits	30.6	28.0	28.1	27.7
Total Liabilities	7,08,259	7,67,989	8,68,117	9,80,941
Net Advances	4,55,257	5,18,887	5,86,175	6,62,188
Growth(%)	5.7	14.0	13.0	13.0
Investments	1,56,641	1,67,424	1,89,135	2,13,661
Total Assets	7,08,259	7,67,989	8,68,117	9,80,941
Growth (%)	6.4	8.4	13.0	13.0

Asset Quality

Y/e Mar	FY24	FY25E	FY26E	FY27E
Gross NPAs (Rs m)	18,544	16,183	15,569	16,195
Net NPAs (Rs m)	8,987	6,479	6,226	6,478
Gr. NPAs to Gross Adv.(%)	4.0	3.1	2.6	2.4
Net NPAs to Net Adv. (%)	2.0	1.2	1.1	1.0
NPA Coverage %	51.5	60.0	60.0	60.0

Profitability (%)

Y/e Mar	FY24	FY25E	FY26E	FY27E
NIM	3.2	3.3	3.3	3.3
RoAA	1.5	1.5	1.5	1.4
RoAE	12.8	12.7	12.0	12.1
Tier I	22.7	22.8	23.0	23.3
CRAR	23.7	23.7	24.0	24.3

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Interest Income	13,741	13,886	14,339	14,787
Interest Expenses	8,275	8,435	8,515	8,910
Net Interest Income	5,466	5,452	5,825	5,877
YoY growth (%)	6.3	4.3	8.2	13.9
CEB	937	1,007	1,046	1,114
Treasury	-	-	-	-
Non Interest Income	1,752	1,921	2,263	2,284
Total Income	15,493	15,808	16,603	17,071
Employee Expenses	1,678	1,744	1,835	1,785
Other expenses	2,022	1,894	1,971	2,016
Operating Expenses	3,700	3,638	3,806	3,801
Operating Profit	3,518	3,735	4,282	4,360
YoY growth (%)	(15.6)	(9.8)	10.8	19.8
Core Operating Profits	2,703	2,821	3,065	3,190
NPA Provision	330	320	700	750
Others Provisions	320	390	700	750
Total Provisions	320	390	700	750
Profit Before Tax	3,198	3,345	3,582	3,610
Tax	650	700	730	750
PAT	2,548	2,645	2,852	2,860
YoY growth (%)	16.9	16.4	1.6	13.0
Deposits	5,56,566	5,48,569	5,73,691	5,82,713
YoY growth (%)	6.2	6.2	8.8	10.5
Advances	4,55,257	4,55,950	4,77,715	4,94,178
YoY growth (%)	5.7	10.2	12.0	15.0

Key Ratios

Y/e Mar	FY24	FY25E	FY26E	FY27E
CMP (Rs)	171	171	171	171
EPS (Rs)	13.7	15.3	16.1	17.9
Book Value (Rs)	113	127	141	157
Adj. BV (Rs)	101	118	133	148
P/E (x)	12.5	11.2	10.7	9.6
P/BV (x)	1.5	1.3	1.2	1.1
P/ABV (x)	1.7	1.4	1.3	1.2
DPS (Rs)	1.0	2.1	2.2	2.5
Dividend Payout Ratio (%)	17.2	19.5	20.0	20.8
Dividend Yield (%)	0.6	1.2	1.3	1.5

Efficiency

Y/e Mar	FY24	FY25E	FY26E	FY27E
Cost-Income Ratio (%)	47.1	47.3	48.9	49.4
C-D Ratio (%)	81.8	85.0	85.0	85.0
Business per Emp. (Rs m)	-	-	-	-
Profit per Emp. (Rs lacs)	-	-	-	-
Business per Branch (Rs m)	-	-	-	-
Profit per Branch (Rs m)	-	-	-	-

Du-Pont

Y/e Mar	FY24	FY25E	FY26E	FY27E
NII	3.09	3.14	3.17	3.17
Total Income	4.17	4.35	4.32	4.33
Operating Expenses	1.96	2.06	2.11	2.14
PPoP	2.21	2.29	2.21	2.19
Total provisions	0.42	0.35	0.37	0.37
RoAA	1.48	1.54	1.45	1.44
RoAE	12.81	12.72	11.98	12.05

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-25	BUY	190	171
2	22-Oct-24	BUY	190	150
3	07-Oct-24	Accumulate	185	158
4	29-Jul-24	Accumulate	185	169
5	08-Jul-24	Accumulate	170	170
6	21-May-24	Accumulate	170	145
7	09-Apr-24	Accumulate	160	155
8	02-Feb-24	Accumulate	160	144

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	Accumulate	1,900	1,705
2	Axis Bank	BUY	1,350	1,038
3	Bank of Baroda	BUY	285	222
4	Can Fin Homes	BUY	860	708
5	City Union Bank	BUY	190	171
6	DCB Bank	BUY	155	117
7	Federal Bank	BUY	210	184
8	HDFC Asset Management Company	BUY	4,700	3,865
9	HDFC Bank	BUY	1,950	1,666
10	ICICI Bank	BUY	1,550	1,209
11	IndusInd Bank	BUY	1,500	991
12	Kotak Mahindra Bank	BUY	2,230	1,759
13	LIC Housing Finance	Hold	675	583
14	Nippon Life India Asset Management	BUY	725	653
15	State Bank of India	BUY	1,025	779
16	UTI Asset Management Company	BUY	1,320	1,296

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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