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CMP: INR 284

Rating: Hold

Target Price: INR 303

Stock Info

BSE	542867
NSE	CSBBANK
Bloomberg	CSBBANK IN
Reuters	CSBB.BO
Sector	Banks
Face Value (INR)	10
Equity Capital (INR Cr)	174
Mkt Cap (INR Cr)	4,923
52w H/L (INR)	300 / 196
Avg Yearly Vol (in 000')	503

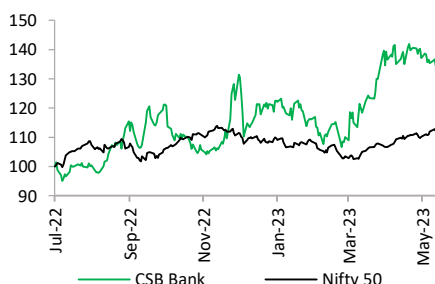
Shareholding Pattern %

(As on June, 2023)

Promoters	49.7
Public & Others	50.3

Stock Performance (%)	1m	6m	12m
CSB Bank	5.8	11.3	35.1
Nifty 50	5.95	10.3	20.3

CSB Bank Vs Nifty 50



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CSB Bank has posted 15% YoY jump in net profit at INR 132 cr,. Provision for the quarter was at INR 5 cr vs. INR 2 cr in Q1FY22. NII of the bank grew marginally at 17.2% YoY driven by 31% YoY growth in advances. Asset quality of the bank improved. GNPA/ NNPA improved by 18bps/10bps QoQ at 1.27%/0.32%. Bank has reported treasury gain of INR 12 cr as compared to INR 7.7 cr in the previous quarter. NIM declined by 40bps QoQ at 5.4% due to increase in deposits. Business growth momentum of the bank started coming back with net advances growth at 31% YoY/14% QoQ led by gold loan book growth of 42% YoY.

NIM declined due to increase in deposits: NII growth for the quarter was at 17.2% YoY/4.5% QoQ to INR 364 cr. NIM of the bank declined by 40bps QoQ at 5.4% due to increase in cost of term deposits by 28bps and cost of total deposits by 15bps, whereas the yield improved marginally by 1bps. Other income for the quarter declined by 3.8% QoQ/ +121% YoY to INR 122 cr. Bank has reported operating profit jump of 15% YoY and decline of 15.4% QoQ basis at INR 132 cr. Cost to income ratio of the bank up by 515bps QoQ at 62.63%.

Loan growth was driven by retail portfolio: Overall, net advances of the bank increased by 31% YoY/14% QoQ to INR 21,103 cr, driven by growth in retail segment. Within retail, gold loan portfolio increased by 42% YoY/4% QoQ to INR 10,072 cr. Share of gold loan portfolio increased from 42% to 46% YoY. Corporate portfolio saw rundown of 3% YoY to INR 6,191 cr and SME book up by 6% QoQ to INR 2,527 cr. Management has stated that Q1FY24 growth was driven by gold loans Deposits growth of the bank stood at 21% YoY. CASA ratio down by 500 bps QoQ at 30.84%.

Asset quality improved: Slippages for the quarter stood at INR 33 cr as compared to INR 35 cr in Q4FY23. Recoveries and upgrades for the quarter stood at INR 23 cr vs. INR 39 cr QoQ. In the previous quarter, recoveries was strong. Calculated PCR ratio of the bank came at 92.54%, increased by 203bps.

Valuation and View: CSB Bank has posted PAT jump with increase of 15% YoY and improvement in asset quality. Credit growth of the bank was mainly led by gold loan portfolio and growth in non-gold portfolio is yet to pick. We maintain our positive outlook on the bank backed by its stable asset quality, and loan growth momentum. We value the bank at 1.3x FY25E ABV which yield a target price of INR 303. We maintain our hold rating on the stock.

Financial Summary

Y/E Mar (Rs Bn)	FY21	FY22	FY23	FY24E	FY25E
NII	7.98	8.16	10.15	11.89	14.04
PAT	4.57	4.71	6.21	7.28	8.69
Networth	26.10	30.67	36.47	43.44	51.81
EPS (Rs)	34	35	47	55	65
P/E (x)	24.2	23.5	17.8	15.2	12.7
P/Adj BV (x)	4.5	3.7	3.1	2.6	2.2
RoA (%)	2.1	1.9	2.0	2.0	2.0
RoE (%)	19.2	16.6	18.5	18.2	18.3

Q1FY24 - Quarterly Performance (Standalone)

(in INR Cr)

Quarterly Result Update (Rs Cr)	Q1FY24	Q4FY23	Q1FY23	Q-o-Q	Y-o-Y
Interest Income	683	636	536	7.4%	27.5%
Interest Expended	319	288	225	10.9%	41.8%
Net Interest Income	364	348	311	4.5%	17.2%
Other Income	122	126	55	-3.8%	121.6%
Operating Income	486	475	366	2.3%	32.8%
Operating Expenses:	304	273	211	11.5%	44.3%
Employee Expenses	182	156	122	16.9%	48.9%
Other Operating Expenses	122	117	89	4.2%	37.8%
PPOP	181	202	155	-10.1%	17.3%
Provisions	5	-9	2	-151.4%	181.5%
PBT	177	211	153	-16.3%	15.5%
Tax Expenses	44	55	39	-18.8%	15.4%
Net Income	132	156	115	-15.4%	15.5%

Source: Arianth Research, Company Filings

Concall Highlights:

- NII Q1FY24 at INR 3,640 Mn as compared to previous quarter INR 3,485 Mn (up by 4% QoQ, up by 17% YoY).
- Operating Profits Q1FY24 came at INR 4,856 Mn (up 33% YoY, up 2% QoQ).
- PAT Q1FY24 stood at INR 1,322 Mn (up by 15% YoY, down 15% QoQ).

Advances & Deposits

- Advances for Q1FY24 amounted to INR 219 Bn as compared to previous quarter figure of INR 215 Bn (up by 2% QoQ, up 29% YoY).
- Deposits for Q1FY24 amounted to INR 245 Bn as compared to previous quarter figure of INR 203 Bn (up 21% YoY).

Loan Mix- Q1FY24

- Gold Loans-46% (Q1FY23-42%), Corporate Loans- 28% (Q1FY23-31%), Retail Loans- 14% (Q1FY23-13%), SME Loans- 12% (Q1FY23-13%).
- The company's asset mix by FY30 will be 20% gold, 30% retail, 20% SME, and 30% wholesale and other businesses, which includes securitization.
- YoY growth- Gold Loans- 42%, Corporate Loans- 16%, Retail Loans- 41%, SME Loans- 6%

Provisions and NPA

- Company has prudential provisioning policy that leads to provision buffer of INR 1700 Mn over and above regulatory requirements.
- Provisions made during the quarter amounted to INR 37 Mn as compared to previous quarter amounted to INR (176) Mn.
- Gross NPA for Q1FY24 is INR 2707 Mn as compared to Q1FY23 of INR 2930 Mn (down by 8% YoY, UP 3% QoQ).
- Net NPA during the quarter is INR 678 Mn as compared to previous quarter figure of INR 968 Mn (down by 30% YoY, down by 8% QoQ).
- PCR for Q1FY24 stands at 92.54% as compared to previous quarter 92.11% (up by 203 bps YoY).

Key Metrics

- NIM for Q1FY24 stood at 5.40% (up by 2 bps QoQ, up by 23 bps YoY).
- ROA p.a. for Q1FY24 is 1.79% (down by 44 bps QoQ, up by 4 bps YoY).
- ROE p.a. for Q1FY24 is 17.5% (down by 446 bps QoQ, down by 107 bps YoY).
- The cost to income ratio for Q1FY24 was 62.63%, and it is expected to reach 45% by FY30.

Investment

- Yield on Investments for Q1FY23 is 6.53% (down by 2 bps QoQ, up by 74 bps YoY).

Key Financials

Profit & Loss Statement (in INR Cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Interest Income	1,872	2,038	2,320	2,942	3,341
Interest Expended	931	885	986	1,159	1,300
Net Interest Income	941	1,153	1,334	1,783	2,041
Other Income	401	247	316	306	331
Operating Income	1,342	1,400	1,650	2,089	2,372
Operating Expenses	729	786	942	1,175	1,318
Employee Expenses	497	482	559	734	849
Other Operating Expenses	232	305	384	442	469
PPOP	613	614	707	913	1,053
Provisions	321	-1	-26	171	236
PBT	292	614	734	743	817
Tax Expenses	0	0	0	0	0
Net Income	74	156	186	187	206

Source: Arihant Research, Company Filings

Balance Sheet (in INR Cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Equity & Liabilities					
Share Capital	174	174	174	174	174
Reserves & Surplus	2,007	2,478	3,030	3,586	4,197
Net Worth	2,180	2,651	3,204	3,759	4,371
Deposits	19,140	20,188	24,506	26,304	30,326
Borrowings	1,426	2,007	783	2,731	2,830
Other Liabilities and Provisions	591	509	670	938	1,172
Total Capital & Liabilities	23,337	25,356	29,162	33,732	38,699
Assets					
Cash & Balances with RBI	736	1,473	1,470	1,917	2,492
Balances with Other Banks & Call Money	978	101	367	186	137
Investments	6,126	7,012	5,849	6,599	7,331
Advances	14,438	15,815	20,651	24,118	27,677
Fixed Assets	269	288	319	354	393
Other Assets	790	668	507	558	669
Total Assets	23,337	25,356	29,162	33,732	38,699

Source: Arihant Research, Company Filings

Key Ratios

Ratios	FY21A	FY22A	FY23A	FY24E	FY25E
Growth rates					
Advances (%)	27.0%	9.5%	30.6%	16.8%	14.8%
Deposits (%)	21.2%	5.5%	21.4%	7.3%	15.3%
Total assets (%)	23.7%	8.7%	15.0%	15.7%	14.7%
NII (%)	58.9%	22.5%	15.7%	33.6%	14.5%
Pre-provisioning profit (%)	118.5%	0.1%	15.3%	29.1%	15.3%
PAT (%)	-38.9%	110.0%	19.6%	0.4%	10.1%
Balance sheet ratios					
Credit/Deposit (%)	75.4%	78.3%	84.3%	91.7%	91.3%
CASA (%)	32.2%	33.7%	30.7%	36.6%	38.4%
Advances/Total assets (%)	61.9%	62.4%	70.8%	71.5%	71.5%
Leverage (x) (Asset/Shareholder's Fund)	10.7%	9.6%	9.1%	9.0%	8.9%
CAR (%)	21.4%	24.9%	28.0%	23.1%	22.9%
CAR - Tier I (%)	20.0%	24.3%	27.4%	22.6%	22.9%
Operating efficiency					
Cost/income (%)	54.3%	56.2%	57.1%	56.3%	55.6%
Opex/total assets (%)	3.1%	3.1%	3.2%	3.5%	3.4%
Opex/total interest earning assets	2.5%	2.1%	2.1%	2.4%	2.4%
Profitability					
NIM (%)	4.7%	4.9%	5.1%	5.8%	5.8%
RoA (%)	0.9%	1.8%	1.9%	1.6%	1.6%
RoE (%)	10.0%	17.3%	17.1%	14.8%	14.0%
Asset quality					
Gross NPA (%)	2.7%	1.8%	1.5%	1.1%	0.7%
Net NPA (%)	1.2%	0.7%	1.0%	0.9%	0.7%
PCR (%)	56.3%	63.3%	35.5%	12.3%	-10.8%
Credit cost (%)	1.7%	0.0%	-0.1%	0.6%	0.7%
Per share data / Valuation					
EPS (INR)	12.6	26.4	31.5	32.0	35.2
BVPS (INR)	126	153	185	217	252
ABVPS (INR)	115	140	166	197	233
P/E (x)	22.5	10.7	9.0	8.8	8.0
P/BV (x)	2.3	1.9	1.5	1.3	1.1
P/ABV (x)	2.5	2.0	1.7	1.4	1.2

Source: Arianth Research, Company Filings

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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