

CMP: INR 236

Rating: BUY

Target Price: INR 316

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)	4,098
52w H/L (INR)	280 / 99
Avg Yearly Vol (in 000')	340

Shareholding Pattern %

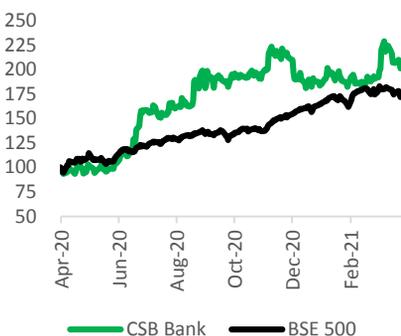
(As on Dec, 2020)

Promoters	49.7
FII	5.1
DII	8.1
Public & Others	37.1

Stock Performance (%)

	3m	6m	12m
CSB Bank	3.9	2.1	108.0
BSE 500	4.7	29.4	85.9

CSB Bank Vs BSE 500



CSB Bank (erstwhile Catholic Syrian Bank) incorporated in 1920, has long operating history in Indian banking sector with strong base in Kerala. Post capital infusion by Fairfax India Holdings Mauritius Investments Ltd (FIHM) and appointment of Mr. Rajendran Chinna Veerappan (MD & CEO) in Nov'16, the bank is continuously making strategic changes in its business model. Gold loans, 2W loans are growth drivers for the bank with continued focus on SME. With the strengthening of the top management team, focus on retail lending approach coupled with improving core metrics, the bank is well poised to returning into growth trajectory. With improving CD ratio (72% in FY20 to 76% in FY23E) and specific move towards high yielding business, we expect margins of the bank to rise from 3.6% in FY20 to 4.8% in FY23E, resulting into RoA of 1.4% by FY23E.

Revamping as new age private sector bank: The bank has a long operating history of over 100 years. Post capital infusion by FIHM, the bank's capital position has improved and bank has made strategic revamp in its business model. The bank started realigning its organizational set-up for efficiently driving the operations and business strategy, wherein branches will be responsible only for deposits, cross-selling, and customer servicing, and all loan products will be driven by dedicated teams.

Gold loans is the primary driver of growth, focus remains on SME : With an intent to increase retail loan growth, the bank is focusing on 2W loans and gold loans which are high yielding business. Share of gold loan in the total advances has gone up to ~40% in Q3FY21 from 24% in FY19. The gold portfolio has helped the bank to achieve strong growth with higher profitability in the business. After consolidation in SME business, SME portfolio expected to accelerate towards growth.

Improving margins due to improving share of high yielding segment: CSB Bank's NIM increased from 3.6% in FY20 to 5.2% in Q3FY21 due to increased share of retail portfolio primarily gold loan. Despite having lower SA rates at 2.1%, banks CASA has improved from 29% in FY20 to 30.4% in Q3FY21, benefitting in margins improvement. We expect NIM to improve further driven by increasing share of retail portfolio and improving CASA ratio of the bank.

Asset quality improved from historical peak level: With strengthening risk management practice, recognition of corporate stress and improving share of SME portfolio with high share of gold loans, GNPA ratio of the bank came down to 3.4% (Proforma) in Q3FY21 from 7.9% in FY19.

Valuation and View: We initiate coverage on the stock with a Buy rating and a target price of INR 316/share based on 2.0x FY23E ABV. With improving business execution capabilities, growing advances book after consolidation in SME/Corporate book, decline in NPA from its peak level, improving funding profile and high margin business, we believe the bank is well poised to deliver RoA/RoE of 1.4%/15% by FY23E. Q4FY21 business update of the bank was quite good with strong deposits and advances growth driven by gold loan.

YE March (INR Cr)	NII	PPOP	PAT	BVPS (INR)	RoA (%)	RoE (%)	P/BV(x)
FY19	440	13	-197	167	-1.2	-13.8	1.4
FY20	592	281	13	113	0.1	0.6	2.1
FY21E	978	656	255	128	1.1	11.5	1.8
FY22E	1,087	667	351	148	1.3	13.7	1.6
FY23E	1,274	807	448	174	1.4	14.9	1.4

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Story in charts

Exhibit 1: Consistent improvement seen in margins led by increased share of high yielding business and lower cost of funds

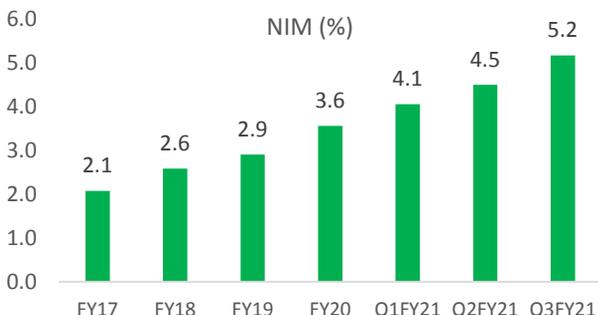


Exhibit 2: Considerable improvement seen in cost of funds due to increasing share of CASA and lower deposits rates

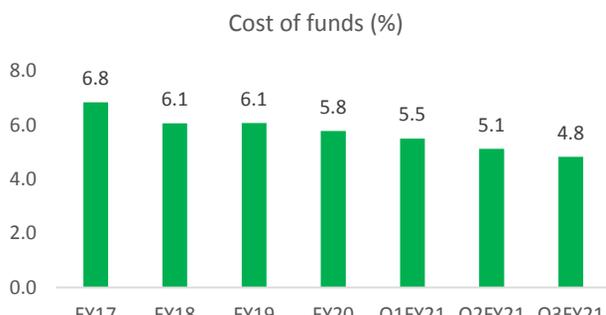


Exhibit 3: Capital position of the bank improved significantly post capital infusion by FIHM; it is at one of the best amongst banks

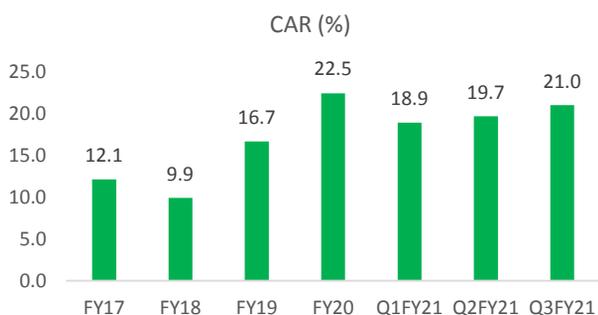


Exhibit 4: Improving share of CASA ratio

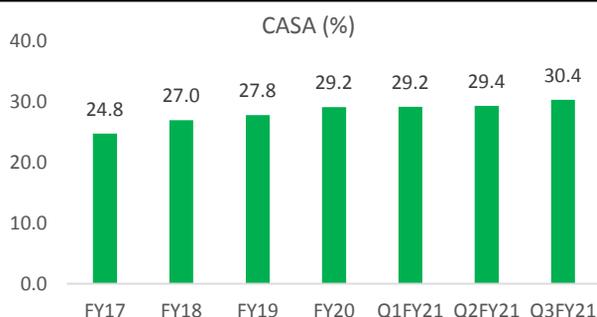


Exhibit 5: Considerable improvement seen in credit-deposits ratio (%)



Exhibit 6: NPA of the bank have come off from its peak level due to change in lending mix and strengthened risk management

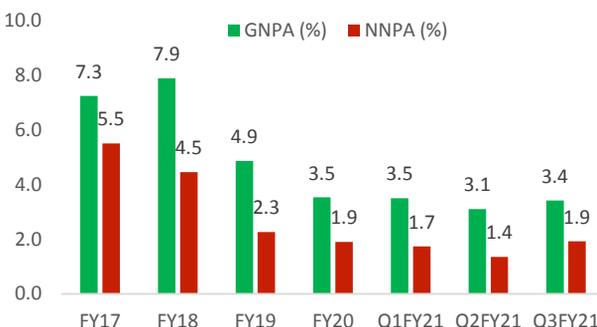
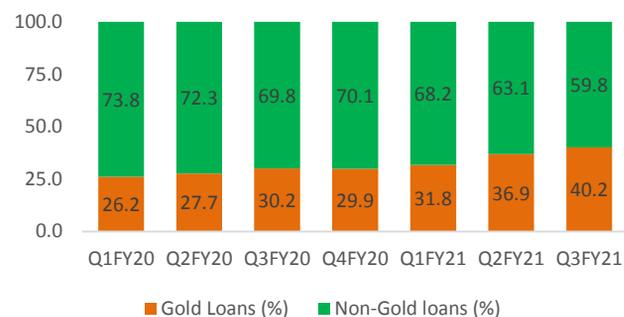


Exhibit 7: Evolution of loan mix; Share of retail portfolio increasing gradually; consolidation seen in SME book



Exhibit 8: Rising share of gold loans to overall loans; benefitting into NIM improvement



Source: Company, Arianth Research

Advances growth expected to pick-up driven by retail & SME portfolio and lower base; gold loans is the primary driver of growth, 2W is newer focus area

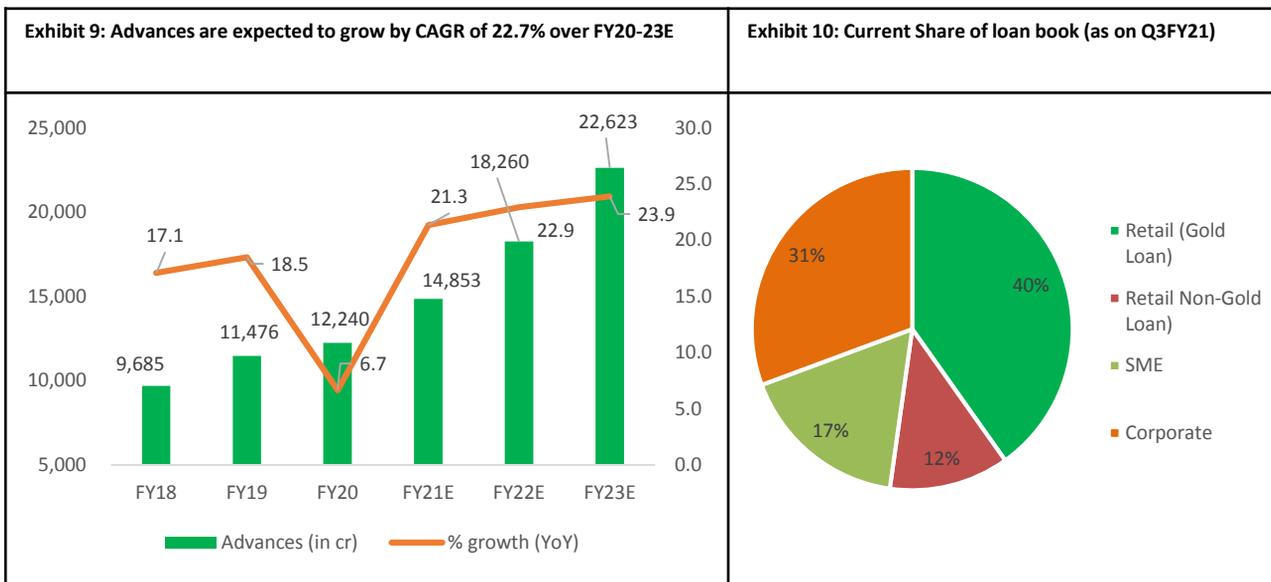
CSB bank had a meaningful share in SME business with 43% of total advances as of FY17 which has been consolidated. Consequently, SME share in the total advances came down to 17% as of Q3FY21. The bank has strategically reduced the exposure from high risk industries like jewellery manufacturing, steel business, hotels, cashew etc. Bank is looking to revamp its SME business and created a separate team focusing on SME business with credit analysts, relationship managers, and cluster heads assisting the branches.

Gold loan is the key driver of business growth for the bank as it is a NIM accretive business. In Q3FY21, Gold loan growth was quite higher at 60% YoY driven by LTV advantage and higher gold price. Yield on gold loan increased from 11.8% in FY20 to 12.6% as on Q3FY21. Bank’s share of gold advances in the total advances increased to 40% in Q3FY21 from 30% in FY20. We believe, the higher gold loan growth rate of the bank will moderate going forward driven by fall in gold prices and removal of additional LTV advantage announced by RBI (In August’20, RBI had announced to increase the maximum loan to value (LTV) ratio for gold loans from 75% to 90% for banks valid until March 31, 2021).

Under Corporate banking business, CSB cater to large and mid-size corporates and other business entities. Due to the reorganization of corporate portfolio and conscious strategy to reduce the reliance on big chunky customers, corporate book growth was low at 2% YoY in FY20 and it has de-grown by 2% YoY in Q3FY21 at INR 4,305 cr.

2W loans is the another focus area of the bank whose share is currently lower at 1% of total portfolio. Company’s 2W loans portfolio has increased from INR 21 cr in FY19 to INR 141 cr as on Q3FY21.

As things started normalizing and increasing focus of bank towards SME & retail portfolio and the lower base of the portfolio, loan growth is expected to pick-up going forward. We expect the bank to clock loan growth of 23% CAGR over the period of FY20-23E.



Source: Company, Aриhant Research

Competent and experienced management team; Strengthening the team with recent hiring

Post the joining of new management, the bank has rationalized its branch network in Kerala as a part of its transformational plan while expanding in other states. The bank's key managerial personnel (KMP) bring substantial experience and in-depth knowledge of banking operations and management. While some of its KMP have been with the bank for more than 35 years, it has also brought in other experienced professionals from the banking industry.

Management's capabilities, strong reputation, extensive network of industry relationships, and wide-ranging experience in the finance and banking industry will continue to help the bank to grow, modernize, and develop further. Board of directors and key managerial personnel have been responsible for undertaking initiatives to enhance the bank's business focus by upgrading processes, technology, and human resources.

In order to strengthen the focus of the bank in each business vertical, bank has done the hiring recently. It has recently hired Mr Pralay Mondal (ex-Axis Bank, HDFC Bank) as a President of Retail/SME vertical, Mr. Shyam Mani (ex-Yes Bank) as head of SME and NRI banking and Narendra Dixit (ex-Axis) as Retail banking head. The senior management team comprises of personnel with strong experiences from large private banks.

Exhibit 11: Recent hiring in senior management

Name	Designation	Date of Joining the bank	Experience	Previous employment details
Pralay Mondal	President (Retail, SME, Operations and IT)	Sep'20	30	ED and Head of Retail Banking at Axis Bank. Also worked at Yes Bank, HDFC Bank (12 years), Standard Chartered Bank, Wipro Info Tech and Colgate Palmolive
Shyam Mani	Head- SME and NRI Banking	Nov'20	24	Head- Global Indian Banking (NRI Banking) at Yes Bank. Previously associated with ICICI Bank, HDFC Bank and GE Countrywide.
Narendra Dixit	Head- Retail Banking	Nov'20	22	National Head – Liability Sales at Axis Bank. Prior to Axis Bank, he has worked with Yes Bank as Group President.

Exhibit 12: Key Managerial Personnel

Name	Designation
Rajendran. C. Veerappan	MD & CEO
Mr. B K Divakara	CFO
Mr. Sijo Varghese	CS
Pralay Mondal	President (Retail, SME, Operations and IT)
Neeraj Dhawan	Chief Credit Officer (Retail & SME strategy, BIU and Analytics)
Shyam Mani	Head (SME and NRI Banking)
Narendra Dixit	Head (Retail Banking)
Ganesan V	Head (Recovery and Credit Monitoring)
Mr. Prem Kumar Thampi	Head (Wholesale Banking)

Source: Company, Arianth Research

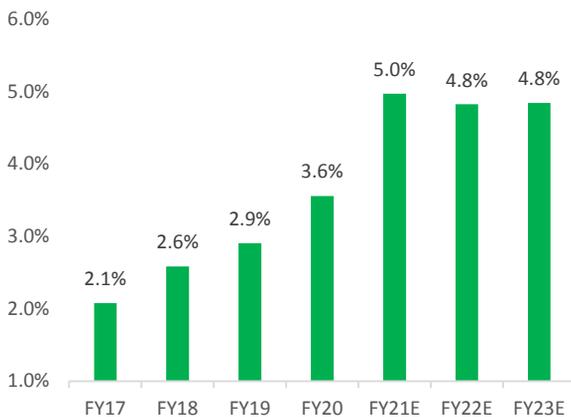
Margins are expected to improve driven by loan mix shift

Bank's NIM increased sharply from 2.1% in FY17 to 5.2% in Q3FY21 due to increased share of retail portfolio (primarily gold loan). High yield business of the bank like Gold loan has grown strongly resulting into sharp improvement in NIM. Gold loans portfolio share of the bank increased from 26.2% in Q1FY20 to 40.2% in Q3FY21.

Decline in cost of funds is another lever for margin improvement. Deposit cost of the bank declined from 6.7% in FY17 to 4.9% as of Q3FY21. Margins of the bank has also improved due to improved CD ratio (70% in FY17 to 74% in Q3FY21).

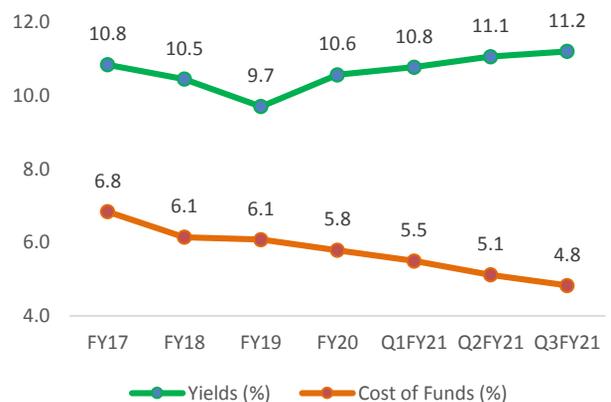
We expect NIM to improve further driven by increasing focus towards retail and SME portfolio and rising share of low cost deposits. We believe, NIM of the bank will stabilize near 4.8% by FY23E.

Exhibit 13: NIM to remain high going forward



Source: Company, Arianth Research

Exhibit 14: Yields and Cost of funds movement



Gold loan is the primary driver of growth

Gold loan emerged as key driver of business growth for the CSB. Gold loan is high yielding segment and it is fully secured in nature. Hence, there is a limited risk of NPA. Improving gold loan franchise has helped the bank to improve its operating metrics even in Covid period.

Traditionally, gold loan business has run on a branch based model for CSB bank due to the physical collateral involved which requires customers to visit branches for valuation and paperwork. However, with technology interventions, there is an opportunity to make a lot of business processes associated with gold loans efficient and paper free. The bank is increasing its gold loan origination by entering into business partnerships based on BC model and DSAs.

Though, CSB's 40% portfolio comprises of gold loan but its market share in overall organized market is low at ~1.6%. So, there is a further room for a growth in gold loans.

LTV of the bank in gold loan stood at 75% in Q3FY21, largely due to increased LTV advantage. Going forward, we expect gold loan portfolio to achieve healthy growth rate given by lower base of the portfolio.

Exhibit 15: Trend in Gold loan (in INR cr.)

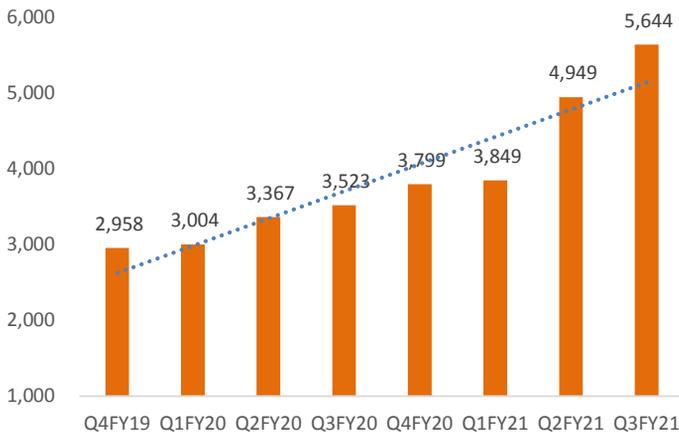
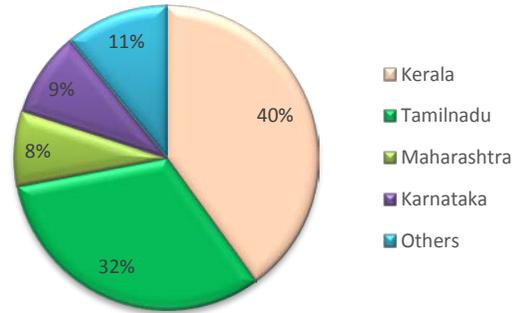


Exhibit 16: State wise share of gold loan (As on Q3FY21)



Liability profile – CASA share improving, Focus remains on granular retail deposits

Deposits profile of the bank remained largely stable over FY17-20 and it has grown by CAGR 2% over the same period due to bank’s conscious strategy of not focusing on bulk deposit.

Being a Kerala based bank, CSB has a decent share of NRI deposits and it remains a focus area for the bank. NRI deposits have been a stable source of funding for the Bank, constituting 24% of the total deposits as on Q3FY21. Bank intends to increase their focus on NRI vertical to sharpen NRE deposit focus.

The bank is currently focusing on maintaining granularity in deposits. As on FY20, retail deposit share in the total deposits stood at ~75%. Increased momentum on CASA ratio front is quite encouraging. CASA share of the bank increased from 25% in FY17 to 30.4% as on Q3FY21 and 32.2% as on Q4FY21. CSB Bank’s deposit concentration towards twenty largest depositors stood low at 7.1% as on FY20.

Cost of deposits of the bank remain lowest amongst peers at 4.9% as on Q3FY21 due to low interest rate. Savings deposits rate of CSB bank is lowest in the industry at 2.1%.

Exhibit 17: Deposits growth is picking up

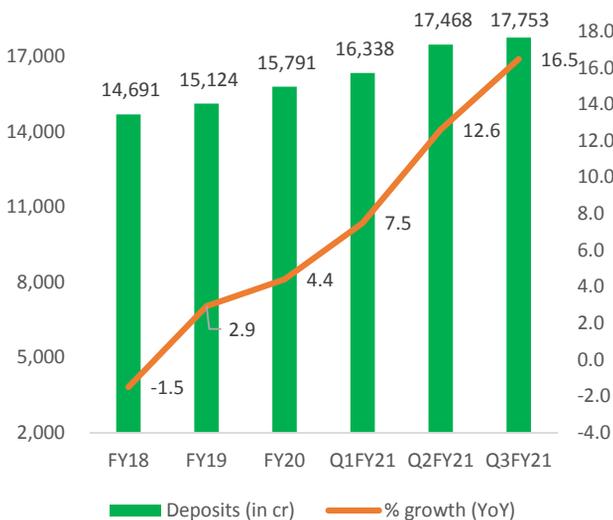
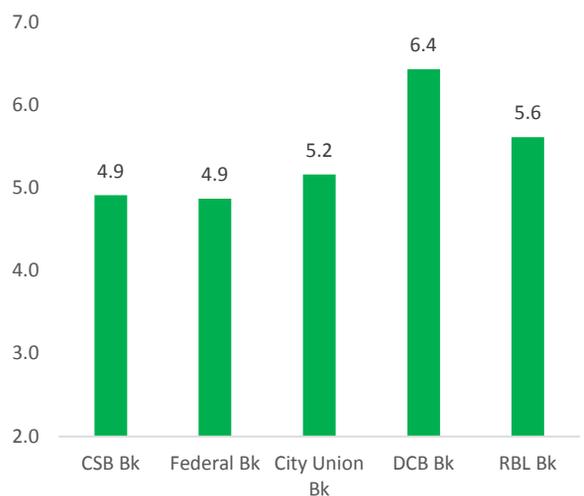


Exhibit 18: Lowest cost of deposits amongst peers (in %) (As on Q3FY21)



Manageable Asset quality; So far no major concern seen on asset quality due to Covid

From the peak of 7.9% GNPA in FY18, GNPA of the bank declined substantially to 3.5% in FY20, due to write-off of loans and consolidation in SME and corporate book exposure.

Covid related stress on asset quality front has been limited and well manageable so far. Proforma GNPA of the bank in Q3FY21 was at 3.42% vs. 3.11% in Q2FY21. Slippages in Q3FY21 was negligible due to SC ruling order on asset classification. However, the bank has unrecognized slippages of INR 211 cr as on Q3FY21, of which ~62% slippages is in gold loan which will be recovered as it is fully collateralized. In addition to this, the bank has stress pool of ~2.9% of loans, on which it carries 25% provision.

Restructuring book of the bank was much below than mid sized private sector bank. The bank has reported standard restructured a/cs of Rs 81 cr (0.6% of net advances). Collection efficiency at ~95% for February'21 is at comfortable level.

CSB bank follows a prudential provisioning policy norms above the RBI requirements. Currently, other than the provisions made towards proforma NPAs, the bank has also provided 25% against restructured and SMA loans. The proforma PCR of the bank stood lower than peers due to high share of gold loan business in which LGD (loss given defaults) is lower. Standard asset provisions (ex of general provisions and those made towards proforma NPAs) stood at 0.8% of advances.

So far, Covid impact on asset quality of the bank has been limited as major proportion of slippages was from gold portfolio and restructuring portfolio was also much lower than peers.

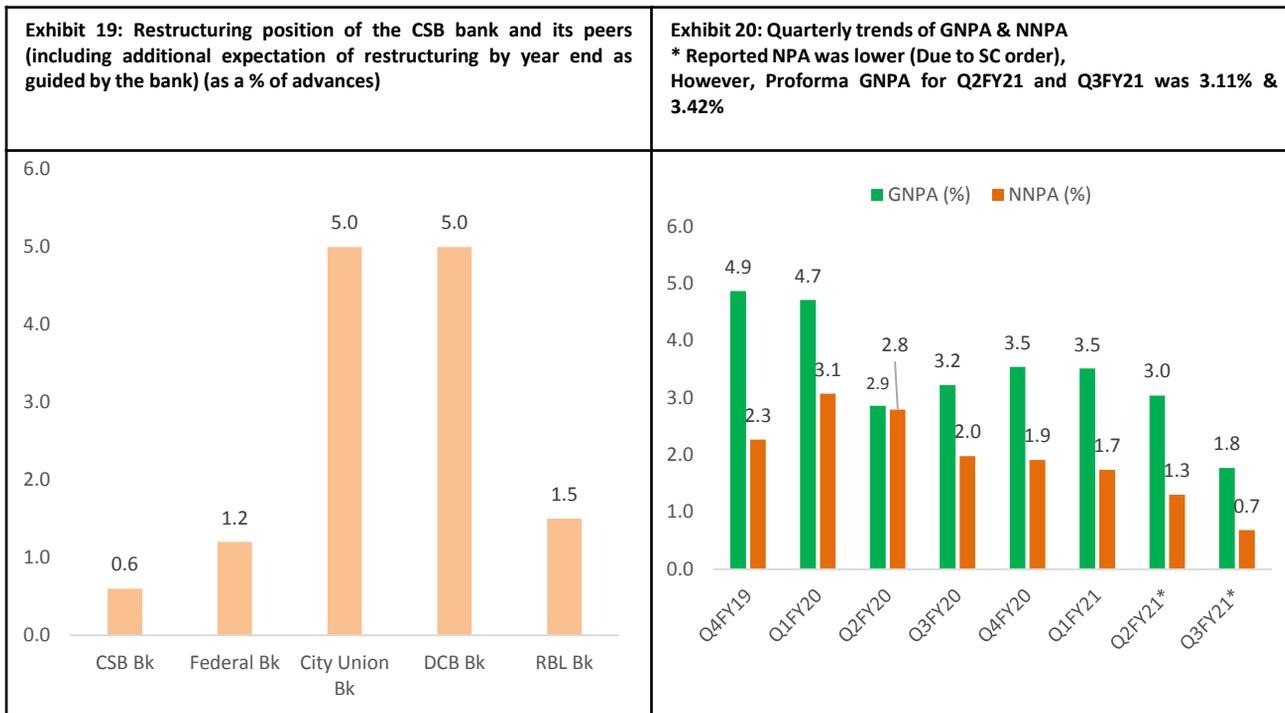


Exhibit 21: Peer group comparison

Banks	CMP (INR)	Mcap (INR cr.)	Loan book (INR cr.)	Proforma GNPA (%)	Proforma NNPA (%)	CASA (%)	NIM (%)	CAR (%)
CSB Bank	236	4,098	13,137	3.4	1.9	30.4	5.2	21.0
Federal Bank*	77	15,740	1,25,505	3.4	1.1	34.5	3.2	14.3
City Union Bank	161	11,902	36,504	2.9*	3.4	27.5	4.2	17.4
DCB Bank	104	3,240	25,300	3.7	1.9	23.1	3.8	18.3
RBL Bank*	216	12,929	56,444	4.6	2.4	31.1	4.2	17.9

Source: Company, Arianth Research; * Bloomberg consensus taken for Federal Bank and RBL Bank

Exhibit 22: Peer group comparison (Continued)

Banks	ROA (%)				ROE (%)				P/BV(x)			
	FY20A	FY21E	FY22E	FY23E	FY20A	FY21E	FY22E	FY23E	FY20A	FY21E	FY22E	FY23E
CSB Bank	0.1	1.1	1.3	1.4	0.6	11.5	13.7	14.9	2.1	1.8	1.6	1.4
Federal Bank*	0.9	0.8	1.0	1.0	11.1	9.5	11.6	12.8	1.1	1.0	0.9	0.8
City Union Bank	1.0	1.1	1.4	1.6	9.4	10.4	12.8	14.0	2.2	2.0	1.8	1.5
DCB Bank	0.9	0.8	0.8	1.2	10.3	8.7	8.7	12.3	0.9	0.9	0.8	0.7
RBL Bank*	0.6	0.6	1.1	1.4	5.6	4.7	8.8	11.9	1.0	1.0	1.0	0.9

Note: Financials are as on Q3FY21 unless stated

CUB GNPA number is reported GNPA not on proforma basis

Source: Company, Arianth Research; * Bloomberg consensus taken for Federal Bank and RBL Bank

Exhibit 23: RoA Decomposition of CSB Bank

in %	FY18	FY19	FY20	FY21E	FY22E	FY23E
Interest Income/Avg. Assets	8.1	8.2	8.4	9.7	9.5	9.4
Interest Expended/Avg. Assets	5.7	5.5	5.1	4.9	5.1	5.1
Net Interest Income/Avg. Assets	2.4	2.7	3.3	4.7	4.4	4.3
Other Income/Avg. Assets	0.8	0.8	1.2	1.7	1.4	1.3
Operating Income/Avg. Assets	3.2	3.5	4.6	6.4	5.8	5.6
Operating Expenses/Avg. Assets	2.7	3.4	3.0	3.2	3.1	2.9
Employee Expenses/Avg. Assets	1.8	2.3	1.9	2.2	2.1	2.0
Other Operating Expenses/Avg. Assets	0.9	1.1	1.1	1.1	1.0	0.8
PPOP/Avg. Assets	0.5	0.1	1.6	3.2	2.7	2.7
Provisions/Avg. Assets	1.4	1.9	0.8	1.5	0.8	0.7
PBT/Avg. Assets	-0.9	-1.8	0.7	1.6	1.9	2.0
Tax Expenses/Avg. Assets	-0.3	-0.6	0.7	0.4	0.5	0.5
Net Income (RoAA)	-0.6	-1.2	0.1	1.2	1.4	1.5
RoAE (%)	-10.3	-17.0	0.8	12.2	14.7	16.1

About the Bank

CSB Bank is one of the oldest private sector banks in India with a history of over 100 years has headquarter in Thrissur, Kerala where it has 61% of its branches. Also, the bank has good presence in Tamil Nadu, Karnataka and Maharashtra. The bank has faced significant challenges in the past with respect to higher GNPA's, weak operating profit, lower capital position. Over the period of FY17-FY20, the bank has undertaken higher provisioning stance to recognize the higher NPA and hence, the bottom line of the bank was impacted. CSB bank has three principal business areas namely; a) Corporate (30.6% of advances), b) SME (17% of advances) and c) Retail banking (52% of advances). As on December 31, 2020, CSB has a branch network of 454 branches and 319 ATMs. The bank has bancassurance tie with leading insurance companies for distribution of life and general insurance

In Feb'18, RBI accorded its approval to Fairfax India through FIHM to acquire 51% stake resulting in capital infusion of ~INR 1208 cr in the bank, of which INR 721 crore was received in the Oct'18 and second and final tranche of INR 487 cr was infused in Aug'19. As a part of regulatory requirements to list the bank, CSB Bank came out with an IPO of INR 410 cr (Fresh issue: INR 24 cr, OFS of INR 386 cr). The bank got listed on NSE & BSE on 4th Dec 2019. In 2019, the bank has rebranded itself as '**CSB Bank Ltd**' from '**The Catholic Syrian Bank Ltd**'.

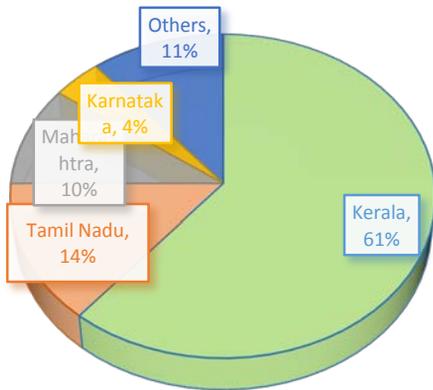
Post capital infusion by marquee investor FIHM capital position of the bank has improved and currently (CAR at 21.02% as on Dec'20) it is one of the best in banking sector which provides the room for growth acceleration. CSB is now focusing on implementation of strategic changes in their business model to function efficiently as new age private sector bank by (i) realigning its product portfolio, (ii) focusing on technology, (iii) leveraging strong deposits franchise, (iv) increasing presence beyond home state and other enhancing customer experience and (v) continue to strengthened the risk management.

Exhibit 24: Top Shareholders (As on December 2020)

Particulars	Holding (%)
FIH Mauritius Investments Ltd (Part of promoter group)	49.73
SBI Small Cap Fund	4.93
Yusuffali Musaliam Veettil Abdul Kader	2.14
Omers Administration Corporation	2.07
Nomura Singapore Limited Odi	1.73
Sundaram Mutual Fund	1.67
Plutus Wealth Management LLP	1.27
Vallabh Bhanshali	1.26
Infinity Holdings	1.14
Zafar Ahmadullah	1.07
Volrado Venture Partners Fund II	1.03
Satpal Khattar	1.02
Lal Arakulath Sankappa	1.01

Source: Ace equity, Arianth Research

Exhibit 25: Branch Distribution



Branch Network

The bank has a branch network of 454 branches and 319 ATMs as on Q3FY21. As a part of transformation, bank is rationalizing its branch network with expansion into other states than Kerala. In Jan’15, RBI has imposed a restriction on the bank for opening new branches due to delayed IPO of the bank. However, in Jan’20, restrictions imposed earlier were lifted and the bank is expanding its network outside Kerala.

The bank has a plan to open 100 branches in FY21 of which 83 branches has already been opened. Branch locations are selected on the basis of potential for gold loans and CASA. Geographies have been selected predominantly on the basis of the broad strategy to enhance presence in outside Kerala locations in Southern and Western India. Gold loan focused branches will be modelled on Gold loan NBFC’s low opex low capex model, with target of break-even of branches within one year of opening.

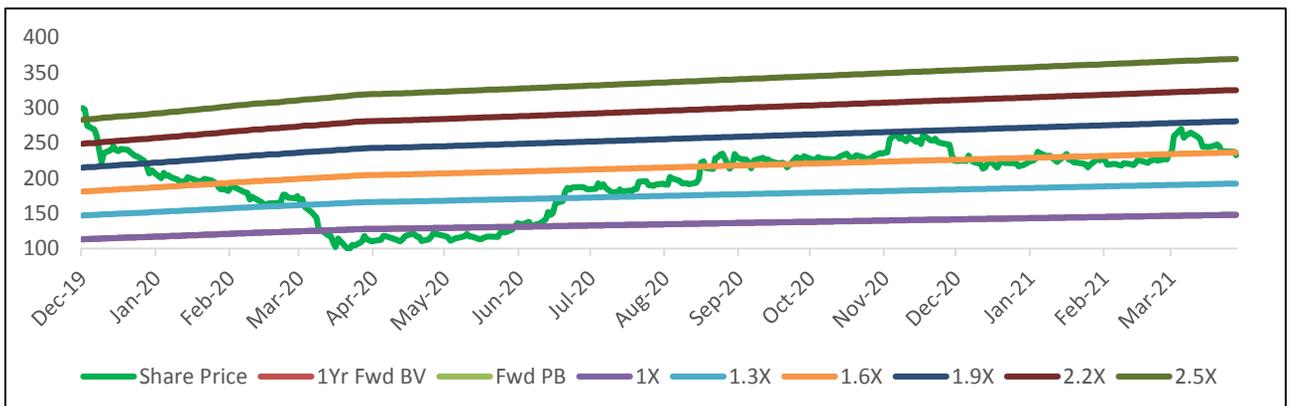
It plans to open specialized gold-centric branches across the country. Share of gold loan in overall banking system is fairly low and bank intends to encash opportunities outside home state as well. As on FY20, employee count of the bank was 3204, of which 1805 employees are are governed under IBA pay structure.

Valuation and View

On business front, CSB Bank is chasing for growth in its advances book with objective of shifting loan mix towards retail portfolio with focus on SME book and granularity in its liability franchise. Historical performance of the bank was weak due to lower capital position, subdued operating performance, higher NPA level, lower deposits growth. However, with improving business execution capabilities & strong management pedigree, growing retail book, rising share of low cost deposits, healthy NIM over 4% and improving core metrics, we believe the bank is well positioned to deliver RoA/RoE of 1.4%/15% by FY23E. The bank has reported good business performance during Q4FY21 with strong advances growth of 27% YoY driven by gold loan growth of 61.5% YoY. Deposits growth for Q4FY21 stood at 21% YoY with CASA deposit growth of 34% on a YoY basis. CASA ratio in Q4FY21 stood at 32.2% vs. 30.3% QoQ.

We value the bank 2.0x FY23E P/ABV and initiate coverage on the stock with a BUY rating with TP of INR 316/share implying a return potential of 34% from the current level.

Exhibit 26: 1 year FWD P/BV chart



Q3FY21 Result Snapshot

Quarterly Result Update (INR Cr)	Q3FY21	Q2FY21	Q3FY20	Q-o-Q	Y-o-Y
Interest Income	483	470	389	2.7%	24.2%
Interest Expended	231	241	233	-3.9%	-0.9%
Net Interest Income	251	229	155	9.6%	61.8%
Other Income	117	98	51	19.5%	130.4%
Operating Income	368	327	206	12.5%	78.7%
Operating Expenses	185	154	136	20.4%	36.5%
Employee Expenses	128	104	84	23.2%	51.8%
Other Operating Expenses	58	50	52	14.7%	11.6%
PPOP	182	173	70	5.5%	160.5%
Provisions	111	81	28	38.1%	303.7%
PBT	71	92	42	-23.1%	67.2%
Tax Expenses	18	23	14	-23.1%	25.1%
Net Income	53	69	28	-23.0%	88.6%
Balance Sheet Analysis					
Advances	13,137	12,538	10,808	4.8%	21.6%
Deposits	17,753	17,468	15,241	1.6%	16.5%
Total Assets	21,497	22,115	17,782	-2.8%	20.9%
CASA Deposits	5,393	5,134	4,353	5.0%	23.9%
CASA (%)	30.4%	29.4%	28.6%	99bps	182bps
CAR (%)	21.0%	19.7%	23.0%	133bps	-198bps
Spreads					
NIMs (%)	5.17%	4.50%	3.92%	67bps	125bps
Cost of Funds	4.83%	5.12%	6.05%	-29bps	-123bps
Yield on Average Advances	11.21%	11.07%	10.95%	14bps	26bps
Asset Quality					
GNPA	234	387	353	-39.5%	-33.5%
NNPA	90	164	214	-45.3%	-58.1%
GNPA (%)	1.77%	3.04%	3.22%	-127bps	-145bps
NNPA (%)	0.68%	1.30%	1.98%	-62bps	-130bps
Returns & Expenses					
RoA	0.99%	1.25%	0.63%	-26bps	35bps
RoE	9.93%	13.24%	5.57%	-331bps	436bps
Cost / Income Ratio	50.42%	47.13%	66.00%	330bps	-1557bps

Key Financials

Profit & Loss Statement (in INR Cr)	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Interest Income	1,297	1,348	1,510	2,002	2,359	2,788
Interest Expended	912	908	918	1,024	1,272	1,514
Net Interest Income	385	440	592	978	1,087	1,274
Other Income	125	136	222	351	344	386
Operating Income	510	576	814	1,329	1,431	1,660
Operating Expenses	436	563	533	673	764	853
Employee Expenses	287	384	331	455	525	602
Other Operating Expenses	149	178	202	218	239	251
PPOP	74	13	281	656	667	807
Provisions	224	313	147	315	198	208
PBT	-149	-300	134	341	469	599
Tax Expenses	-52	-103	121	86	118	151
Net Income	-97	-197	13	255	351	448

Source: Arian Research, Company Filings, Ace Equity, Bloomberg

Balance Sheet (in INR Cr)	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Equity & Liabilities						
Share Capital	81	86	174	174	174	174
Reserves & Surplus	808	1,346	1,787	2,042	2,393	2,842
Net Worth	889	1,432	1,961	2,216	2,567	3,015
Deposits	14,691	15,124	15,791	18,999	23,072	28,102
Borrowings	42	0	794	953	972	1,020
Other Liabilities and Provisions	249	356	319	366	414	420
Total Capital & Liabilities	15,870	16,911	18,864	22,533	27,025	32,558
Assets						
Cash & Balances with RBI	678	725	548	536	482	415
Balances with Other Banks & Call Money	537	248	392	289	247	267
Investments	4,114	4,028	5,360	5,896	6,485	7,134
Advances	9,337	10,615	11,366	13,950	17,150	21,249
Fixed Assets	216	218	228	239	251	263
Other Assets	987	1,077	970	1,622	2,409	3,230
Total Assets	15,870	16,911	18,864	22,533	27,025	32,558

Source: Arian Research, Company Filings, Ace Equity, Bloomberg

Key Ratios

Ratios	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Growth rates						
Advances (%)	15.0%	13.7%	7.1%	22.7%	22.9%	23.9%
Deposits (%)	-1.5%	2.9%	4.4%	20.3%	21.4%	21.8%
Total assets (%)	-2.2%	6.6%	11.5%	19.4%	19.9%	20.5%
NII (%)	22.7%	14.3%	34.6%	65.1%	11.1%	17.3%
PAT (%)	NA	NA	NA	1904.8%	37.6%	27.7%
Balance sheet ratios						
Credit/Deposit (%)	63.6%	70.2%	72.0%	73.4%	74.3%	75.6%
CASA (%)	27.0%	27.8%	29.2%	31.7%	34.2%	36.8%
Advances/Total assets (%)	58.8%	62.8%	60.3%	61.9%	63.5%	65.3%
Leverage (x) (Asset/Shareholder's Fund)	17.9%	11.8%	9.6%	10.2%	10.5%	10.8%
CAR (%)	9.9%	16.7%	26.4%	23.6%	22.2%	21.1%
CAR - Tier I (%)	9.5%	16.0%	25.7%	23.0%	21.7%	20.6%
Operating efficiency						
Cost/income (%)	85.4%	97.7%	65.5%	50.6%	53.4%	51.4%
Opex/total assets (%)	2.7%	3.3%	2.8%	3.0%	2.8%	2.6%
Opex/total interest earning assets	1.9%	2.5%	2.0%	2.4%	2.3%	2.3%
Profitability						
NIM (%)	2.6%	2.9%	3.6%	5.1%	4.8%	4.8%
RoA (%)	-0.6%	-1.2%	0.1%	1.1%	1.3%	1.4%
RoE (%)	-11.0%	-13.8%	0.6%	11.5%	13.7%	14.9%
Asset quality						
Gross NPA (%)	7.9%	4.9%	3.5%	3.2%	2.6%	2.3%
Net NPA (%)	4.5%	2.3%	1.9%	1.7%	1.4%	1.1%
PCR (%)	45.5%	54.6%	47.0%	47.8%	46.1%	54.4%
Credit cost (%)	2.5%	3.1%	1.3%	2.4%	1.3%	1.1%
Per share data / Valuation						
EPS (INR)	-12.0	-23.0	0.7	14.7	20.2	25.8
BVPS (INR)	110	167	113	128	148	174
ABVPS (INR)	58	139	100	111	131	158
P/E (x)	-19.6	-10.3	321.8	16.1	11.7	9.1
P/BV (x)	2.2	1.4	2.1	1.8	1.6	1.4
P/ABV (x)	4.0	1.7	2.3	2.1	1.8	1.5

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

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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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