

Bloomberg Code	CSBBANK IN
No of share O/S (Cr)	17.35
Market Cap (Rs Cr)	3921.84
Face Value (Rs)	10.00
Dividend Yield (%)	0.00
52 Wk High/Low (Rs)	314.2/95.0

Con-call Quick Takeaways:

The bank had discontinued retail lending for the following products viz: mortgage loans and housing loans, considering the high risk external environment inflicted by the economic crisis that has followed the lockdowns. As unlocking is underway, the bank is looking to resume retail lending in these product categories around October.

Currently, the bank has been focussing on collateralised lending with the thrust being on gold loans.

Gold loan book (Direct + Indirect), which constitutes nearly 1/3rd of the bank's portfolio, is expected to reach a 40% share by the end of the year. The yield for this book is currently at 12% and the bank expects to expand the yield to 13.5%. This thrust on Gold loans will help maintain the average yields despite the contraction in interest rates.

Introduction of high yielding products like MSME, agriculture, micro finance and 2-wheeler will ensure that the NIMs remain strong. The bank expects to grow these high yielding portfolios as the economy slowly crawls towards normalcy.

As on June 2020, the bank has 413 branches. Going further, it plans on opening 100 new branches by the end of the year. Branch expansions along with hiring of people for the new verticals is expected to bring up the cost to income ratio within the range of 52% to 55% (Current ratio at 50.26%).

The bank expects a very low impact of COVID 19 on its portfolio as only 1.5% of the total portfolio is not paying all the instalments. Within the "moratorium availed" book (18% of total loans), the collection ratio has been above 50%. Excluding the gold loan book, the collection ratio is near 73%.



The bank's CASA ratio as on June 2020 stands at 29.23%. The bank has a comparatively low CASA ratio on account of its participation in the TLTRO scheme. Going further, aided by branch expansion, the bank expects the CASA ratio to reach 32%-33%.

The SMA 0,1 and 2 book currently stand at around Rs. 126 cr with SMA 1 and 2 contributing Rs. 30 cr and the remaining portion in SMA 0.

On the Asset quality front, around 2% of the bank's SME portfolio is expected to be under stress. It has supported these borrowers through Government Guarantee Loans. The bank has made a provision of Rs. 31 Cr towards COVID, which it expects to be sufficient.

The bank has a CAR of 18.93% with a Tier 1 ratio at 17.93%. Going forward, the bank does not plan to raise capital for the next 2 years.

The bank has targeted an ROA and ROE of 1.3% and 18%, respectively, for the next 5 years from the date of the IPO and is well in line with meeting these targets.

Valuation: Stock is trading at FY20 P/B of 1.14X

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