

Retail Equity Research

City Union Bank Ltd

CMP Rs. ₹ 167
Rating: Overweight

Banks

NSE CODE: CUB BSE CODE: 532210

City Union Bank's financial performance for the quarter ended Dec-24 reflects steady operating momentum. Sales rose 3% QoQ to ₹1,478.74 crore, continuing the sequential uptrend. Operating profit crossed the ₹1,000 crore mark, registering a healthy 4% QoQ growth, driven by controlled expense growth (+1% QoQ). Despite elevated interest costs, which rose to ₹890.99 crore, profit before tax improved 1% to ₹361 crore.

However, net profit stagnated at ₹286 crore, indicating margin compression from rising interest costs and a higher tax outgo. Notably, other income remained strong at ₹228.39 crore, supporting the bottom line. Over the last five quarters, the bank has delivered consistent growth in sales and operating profit, with improved cost efficiency and expanding credit base acting as key levers.

Company Data			
Market Cap (cr)	Rs.		12,351.37
Enterprise Value (cr)	Rs.		63,447.83
Outstanding Shares (cr)			73.97
52 week high	Rs.		188.00
52 week low	Rs.		130.00
1m average volume (lacs)			25.19
Face value	Rs.		1.00
	FY22	FY23	FY24
Sales	4104.78	4714.34	5270.57
Growth(%)	-1%	15%	12%
EBITDA	3258.48	3801.87	4453.22
EBITDA Margin(%)	79.4%	80.6%	84.5%
PAT	760.17	937.48	1,015.73
Growth(%)	28%	23%	8%
EPS	10.3	12.7	13.7
P/E	12.5	9.9	9.9
P/B	1.4	1.2	1.2
EV/EBITDA	17.1	15.7	14.2
ROE(%)	12%	12.6%	12%
ROCE(%)	5%	5.8%	6.4%
ROIC(%)	5%	5.9%	6.8%
D/E	8.05	7.66	7.19

1. Strong Credit and Deposit Growth

City Union Bank reported robust performance with gross advances rising 14.6% YoY to ₹50,409 crore and deposits growing 11% to ₹58,271 crore. CASA deposits also saw a 5% increase, reflecting improved customer engagement and stability in low-cost funds.

2. Improved Asset Quality and Profitability

Asset quality strengthened significantly with Gross NPA dropping to 3.36% and Net NPA to 1.42%. The bank posted 13% PAT growth (₹286 crore) and 20% growth in operating profit, supported by a higher NIM of 3.58% and improved cost-to-income ratio at 46.58%.

3. Digital Push and Retail Expansion

Digital lending fueled credit growth, with 62% of new advances from core segments. The bank introduced co-branded credit cards and remains focused on secured retail loans, while targeting a branch expansion to 850-875 outlets by FY25 end.

Key Highlights

1. Retail-Centric Business Model

City Union Bank (CUB) operates with a strong focus on retail banking, which contributed 59% to its total revenue in FY24, reflecting the bank's deep-rooted retail strategy. This is complemented by its balanced exposure to the treasury (20%) and corporate/wholesale banking (20%) segments, ensuring revenue diversification. The retail banking dominance showcases CUB's continued commitment to serving individual and small business customers—an approach that enhances granularity in earnings and reduces dependency on large-ticket corporate loans.

2. Improving Asset Quality and Strong Capital Position

The bank has made significant strides in strengthening asset quality over the last two years. Gross NPA declined to 3.99% in FY24 from ~5% in FY22, and Net NPA improved to 1.97% from ~3% during the same period. This improvement is backed by a higher Provision Coverage Ratio (PCR) of 72% in FY24, up from 64% in FY22. Moreover, the Capital Adequacy Ratio of approximately 24% as of FY24 provides a solid cushion for future growth and ensures regulatory compliance. These metrics underscore the bank's prudent risk management and conservative provisioning strategy.

3. Robust Loan Book with MSME and Gold Loan Focus

CUB's loan book continues to grow steadily, reaching ₹46,400 crore in FY24, up from ₹41,100 crore in FY22. The bank's primary focus remains on MSME lending, which constitutes 38% of the total advances, reinforcing its role in supporting small businesses and regional economies. The gold loan portfolio, a key strength for CUB, stood at ₹11,045 crore, making up 25% of total advances. This secured and high-yielding asset class acts as a buffer during periods of credit stress and enhances return on assets.

4. Expanding Footprint with Strong South India Presence

As of FY24, City Union Bank has a network of 800 branches and around 1,670 ATMs, spanning 16 states and 3 Union Territories. Of these, 524 branches (74%) are located in Tamil Nadu, indicating a strong regional concentration. The bank has maintained a healthy mix of semi-urban (36%), metro (23%), urban (22%) and rural (19%) branches, enabling it to cater to a wide demographic. Looking ahead, CUB plans to open 50–75 new branches in FY25, extending its presence while staying rooted in its core markets.

5. Digital Transformation Driving Efficiency

CUB has aggressively scaled up its digital initiatives, with 95% of customer transactions occurring online. The launch of a Digital Banking Unit in Q3 FY23 marked a major milestone. New-age offerings such as BBPS, Pay to Contact, UPI ATM-ICCW, WhatsApp Banking, and others have improved user experience and operational efficiency. Notably, the bank invests nearly ₹200 crore annually in technology upgrades, representing 20% of its profit after tax (PAT). This sustained tech investment underscores its commitment to digital-first banking.

6. Healthy Profitability with Stable Margins

In FY24, City Union Bank reported a Return on Assets (ROA) of 1.52%, improving from 1.35% in FY22, reflecting better operational performance. While the Net Interest Margin (NIM) declined marginally to 3.6% from ~3.98% in FY22 due to rising cost of funds, the bank maintained profitability through its granular loan book and lower credit costs. Despite an uptick in the cost of funds (4.7% in FY24 vs 3.88% in FY22), the yield on advances rose to 7.87%, indicating efficient loan pricing. These metrics highlight the bank's ability to manage spreads in a changing interest rate environment.

Quarterly Financial Consolidated

Profit and loss account

(Rs Cr)

	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Sales	1,326.24	1,374.12	1,388.64	1,433.95	1,478.74
Growth(%)	2%	4%	1%	3%	3%
Expenses	390.78	401.99	402.81	450.63	455.14
Operating Profit	935.46	972.13	985.83	983.32	1,023.60
Growth(%)	2%	4%	1%	0%	4%
Other Income	192.88	175.23	192.13	226.32	228.39
Depreciation	-	-	-	-	-
Interest	810.31	827.54	843.47	851.46	890.99
Profit before tax	318.03	319.82	334.49	358.18	361.00
Tax	65.00	65.00	70.00	73.00	75.00
Net profit	253.03	254.82	264.49	285.18	286.00
Growth(%)	-11%	1%	4%	7%	0%

Financial Consolidated

Profit & Loss

(Rs Cr)

	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Sales	4,168.60	4,134.68	4,104.78	4,714.34	5,270.57
Growth(%)	11%	-1%	-1%	15%	12%
Expenses	1,689.83	1,738.13	1,605.38	1,722.83	1,559.01
Operating Profit	2,478.77	2,396.55	2,499.40	2,991.51	3,711.56
Growth(%)	-6%	-3%	4%	20%	24%
Other Income	679.95	688.77	759.08	810.36	741.66
Depreciation	78.99	87.47	85.02	72.85	75.39
Interest	2,493.41	2,305.02	2,188.29	2,551.54	3,147.10
Profit before tax	586.32	692.83	985.17	1,177.48	1,230.73
Tax	110.00	100.00	225.00	240.00	215.00
Net profit	476.32	592.82	760.17	937.48	1,015.73
Growth(%)	-30%	24%	28%	23%	8%

Balance Sheet

(Rs Cr)

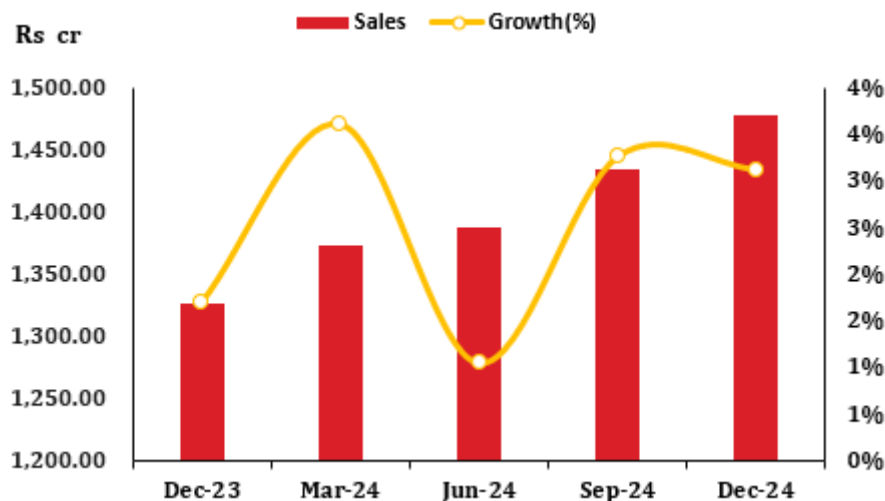
Report Date	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Equity Share Capital	73.73	73.88	73.96	74.04	74.07
Reserves	5,222.34	5,768.59	6,511.75	7,383.17	8,327.36
Borrowings	42,864.89	45,883.06	53,001.49	57,085.95	60,380.80
Other Liabilities	1,572.57	1,586.16	1,943.72	2,051.40	2,043.64
Total	49,733.53	53,311.69	61,530.92	66,594.56	70,825.87
Net Block	245.16	232.69	214.65	239.33	270.37
Capital Work in Progress	-	-	-	-	-
Investments	9,116.79	9,435.94	12,221.22	14,332.63	15,664.11
Other Assets	40,371.58	43,643.06	49,095.05	52,022.60	54,891.39
Total	49,733.53	53,311.69	61,530.92	66,594.56	70,825.87

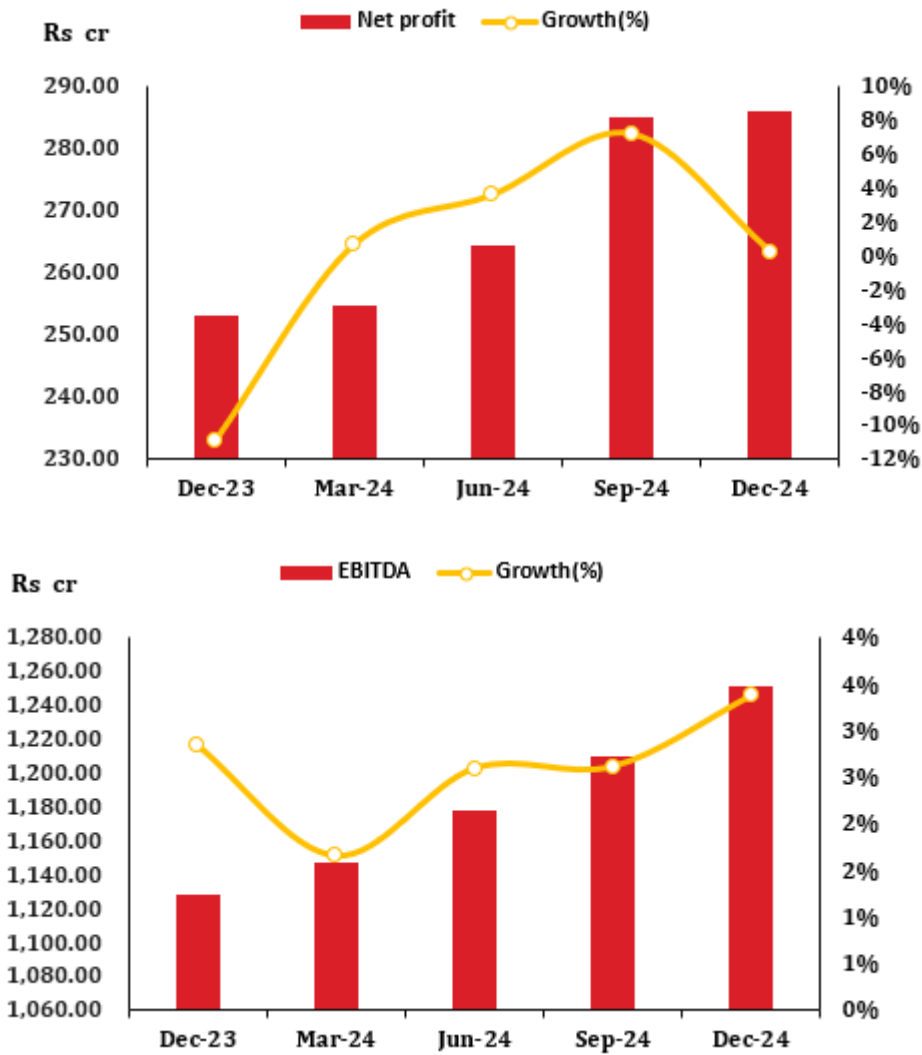
Cash Flow

(Rs Cr)

	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Cash from Operating Activity	1836.23	921.8	1165.5	724.13	436.2
Cash from Investing Activity	-59.59	-37.96	-62.84	-71.88	-106.41
Cash from Financing Activity	-18.28	9.57	-30.79	-689.9	-35.53
Net Cash Flow	1758.36	893.41	1071.87	-37.66	294.25

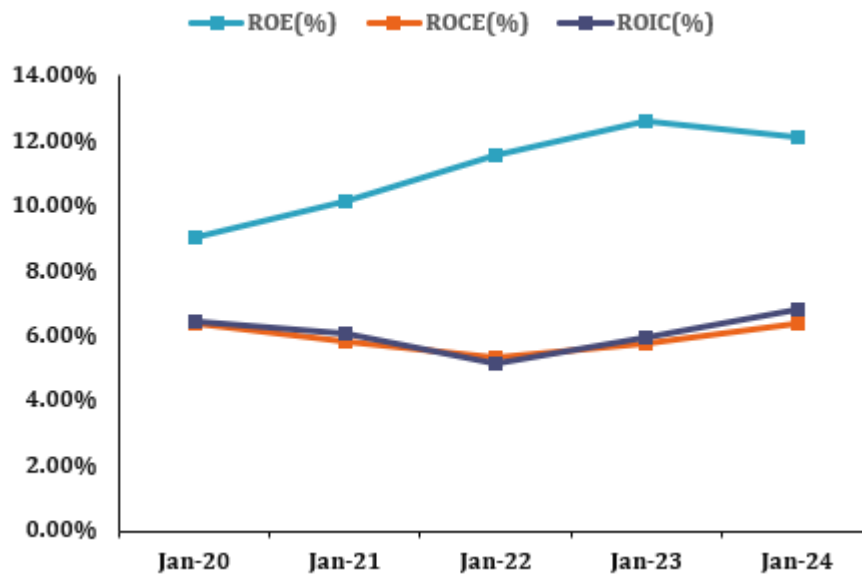
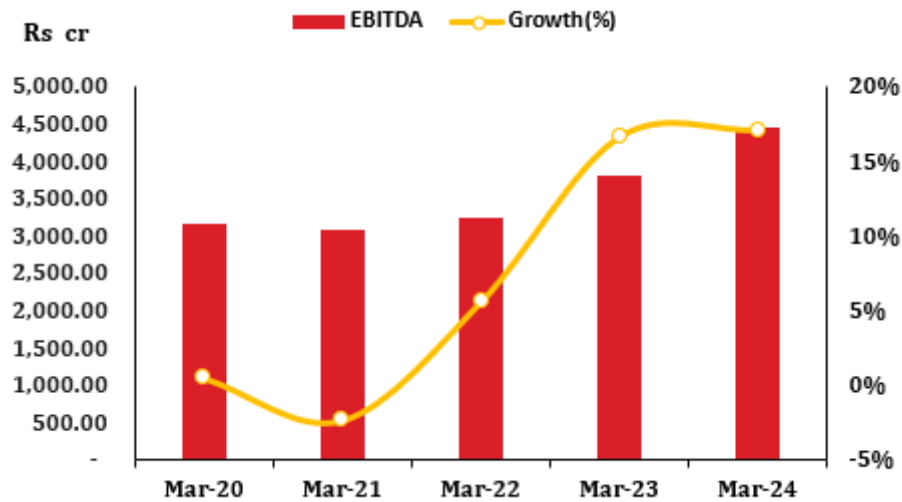
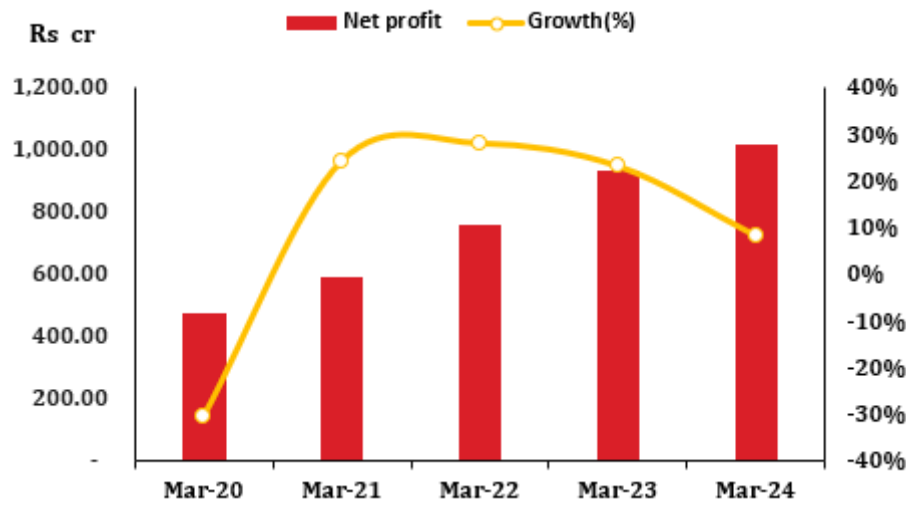
Key Metrics: Quarterly





Key Metrics: Yearly





Key Ratio:

Leverage Ratios	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
D/E	8.09	7.85	8.05	7.66	7.19
Debt/Assets	0.86	0.86	0.86	0.86	0.85
Debt/Ebitda	13.57	14.87	16.27	15.02	13.56
Debt/Capital Ratio	89%	89%	89%	88%	88%
Cash flow/Debt	0.04	0.02	0.02	0.01	0.01
Interest coverage ratio	1.24	1.30	1.45	1.46	1.39
Sales Change	11%	-1%	-1%	15%	12%
Ebit Change	0%	-3%	6%	18%	17%
Operating Leverage	-0.53	4.08	-5.93	1.33	2.04
Financial Leverage	9.39	9.12	9.34	8.93	8.43

Efficiency ratios					
Receivable days	0	0	0	0	0
Receivable turnover	-	-	-	-	-
Inventory days	-	-	-	-	-
Inventory turnover					
Net Fixed assets turnover	17.00	17.77	19.12	19.70	19.49
Sales/capital employed	0.09	0.08	0.07	0.07	0.08
Total Asset Turnover	0.08	0.08	0.07	0.07	0.07

Profitability ratios					
Ebitda	3158.72	3085.32	3258.48	3801.87	4453.22
Ebitda margin	76%	75%	79%	81%	84%
Gross Profit	4075.38	4051.41	3997.55	4599.34	5116.42
Gross Profit Margin	98%	98%	97%	98%	97%
EBIT	3079.73	2997.85	3173.46	3729.02	4377.83
EBIT Margin	74%	73%	77%	79%	83%
ROE	9%	10%	12%	13%	12%
Net profit margin	11%	14%	19%	20%	19%
EPS	6.46	8.02	10.28	12.66	13.71
DU Pont ROE	9%	10%	12%	13%	12%
Net Profit Margin	11%	14%	19%	20%	19%
Sales/Total assets	0.08	0.08	0.07	0.07	0.07
Financial Leverage	9.39	9.12	9.34	8.93	8.43
DU PONT ROA	1%	1%	1%	1%	1%
Net Profit Margin	11%	14%	19%	20%	19%
Sales/Total assets	0.08	0.08	0.07	0.07	0.07

Capital Allocation Ratios	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
ROCE	6%	5%	5%	5%	6%
EBIT Margin	74%	73%	77%	79%	83%
Sales/cap employed	0.09	0.08	0.07	0.07	0.08
NOPAT	2501.94	2565.15	2448.68	2968.95	3613.05
Capital employed	48160.96	51725.53	59587.2	64543.16	68782.23
ROIC	5%	5%	4%	5%	5%

Valuation Ratios					
Price/Earnings	19.98	19.44	12.54	9.94	9.86
Price/Book	1.80	1.97	1.45	1.25	1.19
Marketcap	9,514.86	11,521.59	9,533.44	9,317.93	10,010.56
Enterprise Value	47,658.10	51,789.59	55,848.00	59,754.61	63,447.83
EV/EBITDA	15.09	16.79	17.14	15.72	14.25

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