

Turnaround Story

CSB Bank (erstwhile Catholic Syrian Bank) has undergone a transformation in last few years after Mr CV Rajendran was appointed as CEO in Dec-16 and after RBI took an exception and permitted a 51% stake by Fairfax India Holdings in Jul-2018. From strengthening its top management, to moving towards product based lending approach, along with balance sheet clean up and improvement in core operating metrics, the bank is now well placed for growth along with adequate capital backing. We expect RoAs to rise to 1.3/1.4% by FY22E/23E led by improving PPOP profile and decline in credit costs. We initiate with an BUY rating with TP of Rs320, valuing the bank at 2.2x Mar-23 P/ABV.

Healthy growth prospects with niche in Gold, SME business

With ~40% of advances towards gold loans as of 3QFY21, the gold business has helped the bank deliver healthy growth and profitability metrics even amidst the last few quarters of stress and risk aversion. Post the completion of consolidation in SME book undergoing over the last few years, the book is well poised to see accelerated growth. This along with increased lateral hiring at market based compensation and product strategy led by business teams instead of branches should aid a 23-25% over FY22-23E in our view (~20% in FY21E).

Improving spreads, subdued CD ratio positive for NIM

CSB has a sticky depositor base and amongst the lowest TD/SA rates in industry. Despite lowest SA rates at 2.1%, CASA growth was above industry at 24% YoY in 3QFY21. Margins also benefit from rise in CD ratio (74% as of 3QFY21) and higher gold lending yields, which increased by ~250 bps since end of FY19 despite a declining interest rate scenario. Consequently, NIM improved by over 100 bps over the last seven quarters. We expect margins to stabilize at 4.2-4.5%.

Balance sheet risks have come off; limited COVID stress so far

Slippages averaged at 1.9% for FY19-20 (2.5% for 9MFY21) against 4.4% of slippages over FY14-18, driven by improved quality of SME portfolio and higher share of gold loans. We expect slippages to be sub 2% in FY22-23E. COVID related stress was limited and lower than peers with decline in pro forma NPAs since Mar-20, restructured book at 0.6%, and SMA (0/1/2/) portfolio at 2.5%.

Multiple levers for RoA improvement; Initiate with BUY

We expect PPOP/assets to improve to 2.5% by FY22E, driven by healthy NIM at over 4%, higher core fee lines, moderation in opex ratios, and healthy growth metrics. Backed by improved execution capabilities, a strong balance sheet after consolidation in Corp/SME books, and decline in credit costs, we feel the bank is well positioned to deliver a 15% RoE by FY23E. We value the bank 2.2x FY23E P/ABV and initiate with a BUY rating with TP of Rs320.

FINANCIALS (Rs Mn)

Particulars	FY19A	FY20A	FY21E	FY22E	FY23E
Net Interest Income	4,400	5,923	9,044	10,226	12,166
Growth(%)		34.6	52.7	13.1	19.0
PPOP	134	2,806	5,266	6,071	7,653
PAT	(1,974)	127	2,134	3,209	4,153
Growth(%)		(106.4)	1577.2	50.4	29.4
EPS (Rs)	(23.0)	0.7	12.3	18.5	23.9
ABV (Rs)	42.0	89.6	101.3	121.4	145.4
ROA (%)	(1.2)	0.1	1.0	1.3	1.4
ROE(%)	(23.6)	0.9	10.3	13.8	15.3
PER(x)	(9.9)	309.8	18.5	12.3	9.5
P/ABV (x)	5.4	2.5	2.2	1.9	1.6

CMP	Rs 227
Target / Upside	Rs 320 / 41%
NIFTY	14,762

Script Details

Equity / FV	Rs 1,735mn / Rs 10
Market Cap	Rs 39bn
	USD 536mn
52-week High/Low	Rs 268/ 96
Avg. Volume (no)	440,776
Bloom Code	CSBBANK IN

Price Performance	1M	3M	12M
Absolute (%)	1	(2)	33
Rel to NIFTY (%)	1	(2)	32

Shareholding Pattern

	Jun'20	Sep'20	Dec'20
Promoters	49.7	49.7	49.7
MF/Banks/FIs	7.5	7.9	8.1
FIIIs	3.2	3.3	5.1
Public / Others	39.6	39.2	37.1

CSB Bank Relative to SENSEX



VP - Research: Mona Khetan

Tel: +91 22 40969762

E-mail: monak@dolatcapital.com

Associate: Shreesh Chandra

Tel: +91 22 40969714

E-mail: shreeshc@dolatcapital.com

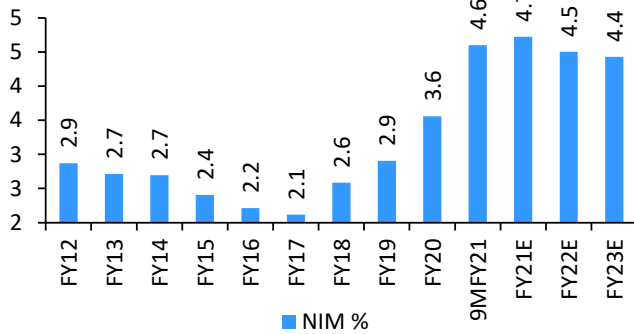
Analyst: Prithvish Uppal

Tel: +91 22 40969714

E-mail: prithvish@dolatcapital.com

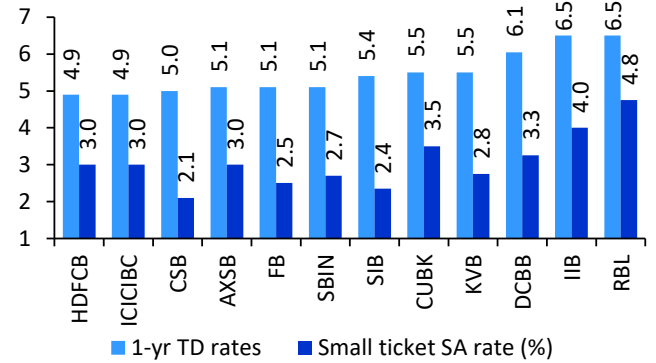
Story in Charts

Exhibit 1: Considerable improvement in NIM led by both higher yields and lower CoF



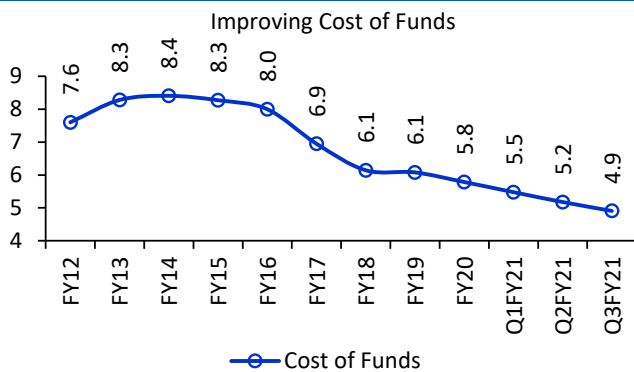
Source: Company, DART

Exhibit 2: 1 year TD/SA rates compares well with some of largest banks, owing to a loyal customer base



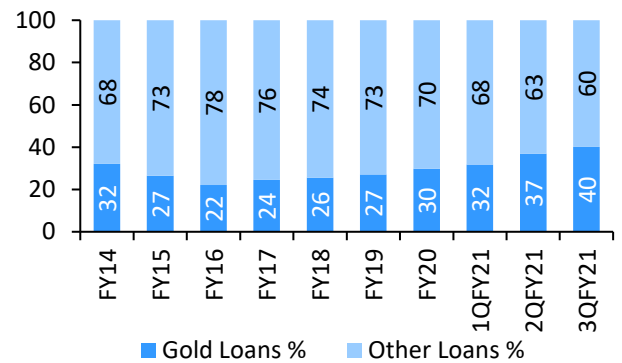
Source: Company, DART

Exhibit 3: Aiding considerable improvement in CoF



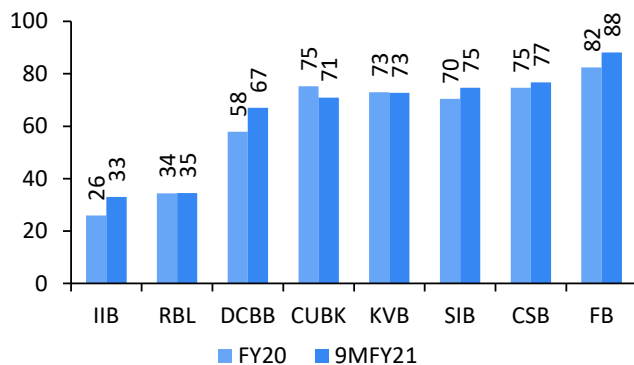
Source: Company, DART

Exhibit 4: Increased share of gold along with rise in yields in the segment is also NIM accretive



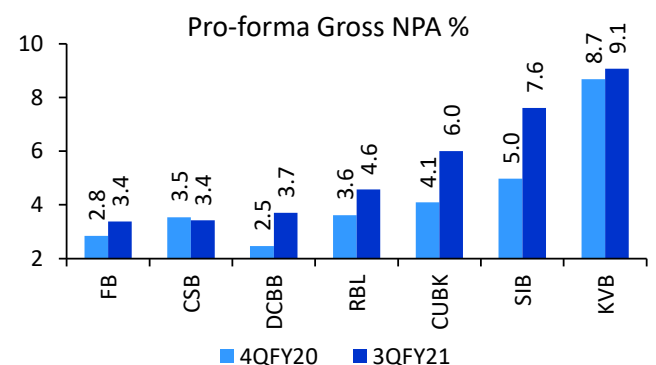
Source: Company, DART

Exhibit 5: High share of retail deposits also lend strength to NIM profile



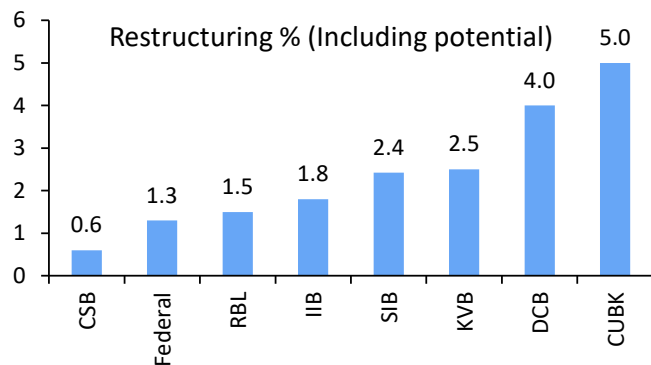
Source: Company, DART

Exhibit 6: Unlike peers, pro forma GNPA improved for CSB



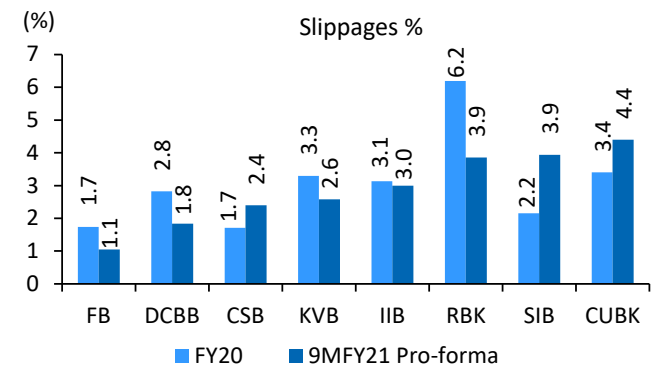
Source: Company, DART

Exhibit 7: Restructured book also better placed vs peers



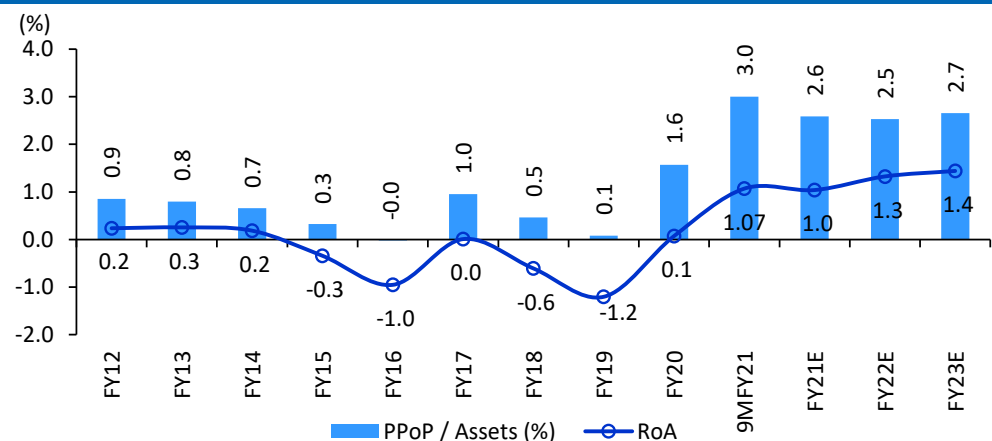
Source: Company, DART

Exhibit 8: Slippages have also been fairly contained, implying clean-up of SME book



Source: Company, DART

Exhibit 9: Both improving topline and decline in credit costs have therefore aided a turnaround in profits

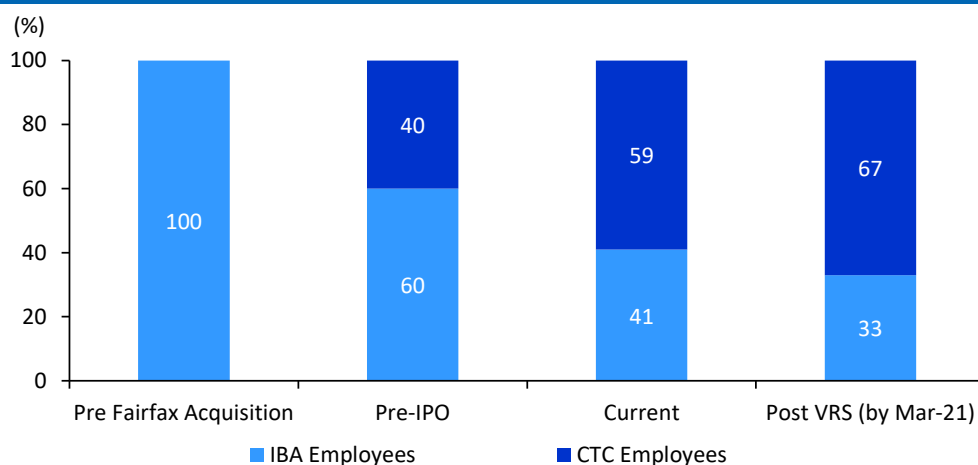


Source: Company, DART

Exhibit 10: Strengthening senior management to be an important lever for improved execution capabilities

Name	Designation	Joining date	Experience (years)	Previous Experience
Pralay Mondal	President - Retail, SME, Operations, IT	Sep-20	30	Last Role: ED and Head of Retail Banking at Axis Bank. Also worked at Yes Bank, HDFC Bank (12 years), Standard Chartered Bank, Wipro InfoTech and Colgate Palmolive.
Neeraj Dhawan	Chief Credit Officer - Retail & SME, Strategy, BIU and Analytics	Sep-20	27	Last Role: CRO at Yes Bank. Previously worked with viz. GE Capital, ABN AMRO Bank, HDFC Bank and ICICI Bank.
Shyam Mani	Head- SME and NRI Banking	Nov-20	24	Last Role: 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	Last Role: National Head – Liability Sales at Axis Bank. Previously worked with Yes Bank.

Source: Company, DART

Exhibit 11: Decline in Union also making the organization more agile


Source: Company, DART

Exhibit 12: Peer Comparison

	Loans	FY22E RoE*	FY22E RoA*	P/ABV		
	(Rs bn)	%	%	Trailing	FY22E*	FY23E*
CSB	131	13.8	1.3	2.2	1.9	1.6
CUBK	359	12.7	1.4	2.6	2.3	1.9
DCB	253	12.3	1.2	1.2	1.0	0.8
Federal	1255	10.5	0.9	1.2	1.1	1.0
IIB	2071	12.2	1.4	2.3	2.0	1.8
KVB	495	7.4	0.7	0.7	0.6	0.6
RBL	564	9.8	1.3	1.2	1.1	1.0
SIB	616	6.1	0.3	0.4	0.4	0.4

Source: Company, DART; *Consensus data for KVB, RBL, SIB.

Exhibit 13: Peer Comparison (continued)

Q3FY21	GNPA (%)*	NNPA (%)*	PCR (%)*	CASA (%)	CET-1 Capital	CRAR
CSB	3.4	1.9	43.6	30.4	19.8	21.0
CUBK	6.0	3.4	43.8	27.5	16.3	17.4
DCBB	3.7	1.9	48.6	23.1	14.3	18.3
FB	3.4	1.1	66.0	34.5	13.0	14.3
IIB	2.9	0.7	75.9	40.4	15.6	16.3
KVB	9.1	4.1	55.0	35.0	16.5	18.5
RBL	4.6	2.5	44.9	31.1	17.1	17.3
SIB	7.6	NA	NA	27.9	11.6	14.5

Source: Company, DART; * Pro-forma

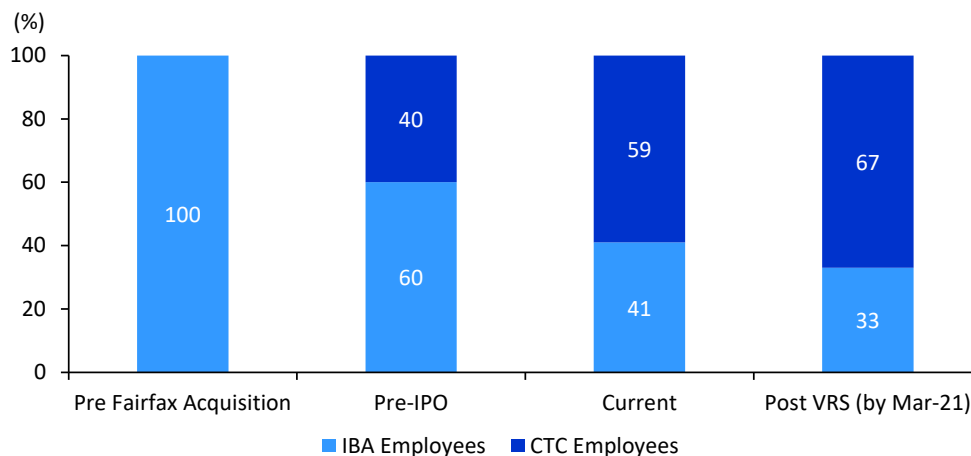
Organizational transformation yielding results

- Successfully reduced the influence of unions
- Strengthened lateral hiring
- Branch rationalization, revised organizational structure long term positives

The new management has successfully reduced the influence of unions, which had been a perennial issue in the bank, with share of IBA based employees coming down to 41% from 100% in 2018 before Fairfax took over. Of the current employee base of ~3200, ~1300 employees are under the union, of which the bank plans to retain ~1000 performing employees, while the remaining have been offered VRS (voluntary retirement scheme). This will lead to a higher opex outflow by 80crs in Q4FY21, but will lower costs thereafter and improve productivity. If all 233 employees who have been offered VRS opt for it, share of IBA employees in the overall employee base will come down to 33%, else these employees should retire over the next four years. The bank intends to hire 1 new employee for every 3 IBA based employees lost.

The bank is also hiring new recruits laterally by offering them market based compensation with a performance linked variable pay component, including employee stock option plans, aligning employees' interest with the performance of the Bank. In the last six months, Pralay Mondal (ex-Axis Bank), Neeraj Dhawan (ex-Yes Bank), Mr. Shyam Mani (ex-Yes Bank), Narendra Dixit (ex-Axis) were some of senior executive hires made by the bank. The bank will continue to hire external candidates for top roles like CTO and compliance over the near term.

Exhibit 14: Considerably reduced the influence of Unions in CSB



Source: Company, DART

Exhibit 15: Key lateral hires in senior management

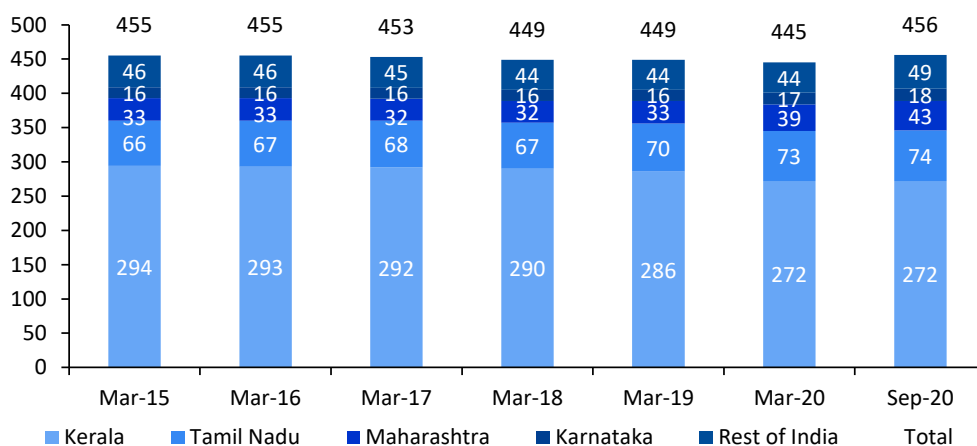
Name	Designation	Joining date	Experience (years)	Previous Experience
Pralay Mondal	President - Retail, SME, Operations, IT	Sep-20	30	Last Role: ED and Head of Retail Banking at Axis Bank. Also worked at Yes Bank, HDFC Bank (12 years), Standard Chartered Bank, Wipro InfoTech and Colgate Palmolive.
Neeraj Dhawan	Chief Credit Officer - Retail & SME, Strategy, BIU and Analytics	Sep-20	27	Last Role: CRO at Yes Bank. Previously worked with viz. GE Capital, ABN AMRO Bank, HDFC Bank and ICICI Bank.
Shyam Mani	Head- SME and NRI Banking	Nov-20	24	Last Role: 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	Last Role: National Head – Liability Sales at Axis Bank. Previously worked with Yes Bank.

Post the new management took over, the bank has rationalized its branch network in Kerala as a part of its transformational plan while expanding in other states. Within Kerala, one-third of the network was previously concentrated around Thrissur district, some of which are being rationalized. In Jan-2015, in view of the bank's delayed IPO, RBI had imposed regulatory restrictions on opening of new branches. In Jan-2020, the restrictions imposed earlier were lifted and the bank is expanding its network outside Kerala.

Branch locations are selected on the basis of potential for gold loans and CASA. Geographies have been selected predominantly on the basis of broad strategy to enhance presence outside Kerala locations in Southern and Western India, particularly Tamil Nadu, Maharashtra and Karnataka. Gold loan focused branches are being modelled on Gold loan NBFC's low opex low capex model, with a view of break-even within a year.

Additionally, the bank is also moving away from branch-centric origination model to a business segment wise organizational structure, under which branches are responsible for origination of deposits, cross-selling and customer servicing, and advances are driven by a dedicated team for each loan product, i.e., retail, SME, and corporate operating as profit centers. Further, the bank has specialized loan product teams within retail banking to focus on specific products such as gold loans and two wheeler loans.

Exhibit 16: Rationalization of branches in Kerala and expansion in other regions



Source: Company, DART

Healthy Growth Prospects Ahead Aided by a Low base

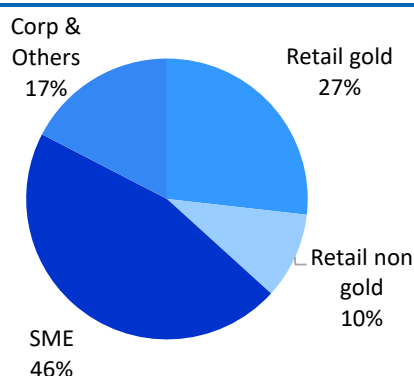
- Gold lending remains a niche; competing with unorganized segment
- SME growth to accelerate hereon post consolidation
- Strengthened management team & low base also positive for growth

Traditionally a SME focused bank with 46% of advances towards SMEs, the bank always had a significant share of gold loans in its portfolio even historically at over 25%. With conscious attempt to exit risky lending businesses like jewel manufacturers, steel trading, hotels, chit-funds, MSME share in book has now come down to 17%. The share of corporates was limited and recent rise is largely attributed to increased lending to NBFCs since 2019. This was led by a sub 65% loan to deposit ratio at the end of FY18. The bank historically had limited/nil exposure to infra loans and participated in very few consortium loans.

Over the last two years or so, there was a sharp rise in both share of gold loans and yields from the gold portfolio. Gold yields have increased by ~250-300 bps to ~12.5% over the last few years, despite a declining interest rate scenario more recently. Gold loan franchise has helped deliver growth even in current times, with overall advances growth at 16% since Mar-20 against 3% for industry. Customer profile in this segment lies between those of banks and NBFCs and the bank has successfully created a repeat customer base in gold lending business.

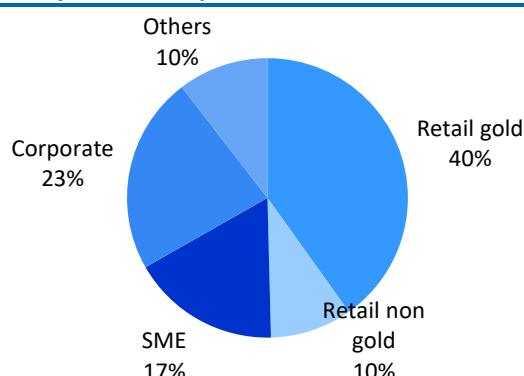
Limited lending comfort amid COVID and consolidation in SME/corp books resulted in a sharp rise in gold share in loans to 40% as of 3QFY21. This should not rise further as other segments, mainly SME, gain traction hereon driven by strengthening of respective teams and completion of consolidation process. Moreover, even as gold share is high in overall book, CSB's market share in gold loans at ~1.5% remains low and has further scope to rise. As things normalize, target loan mix is expected to move towards 40% retail, 35% MSMEs, and 25% Corporate/others as per management. Nonetheless, over the next 4-5 quarters, we expect gold to make up a considerable part of overall advances. Given the low base with loan-book of Rs130bn and growth orientation, we expect the bank to clock loan growth of ~23-25% YoY over the next two fiscals.

Exhibit 17: FY15: An SME focused bank with meaningful gold share

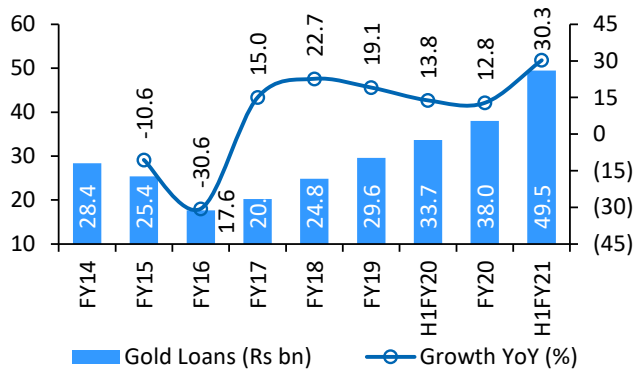


Source: Company, DART

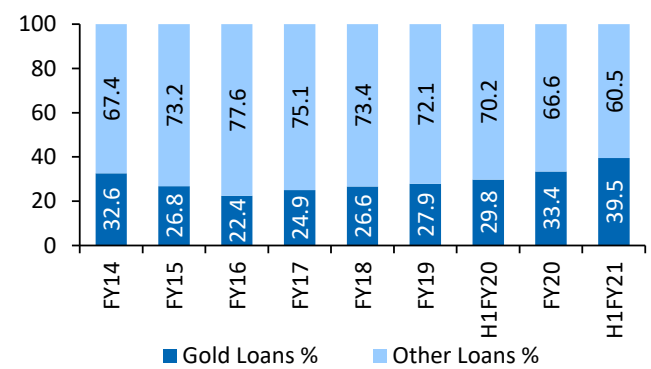
Exhibit 18: Q3FY21: gold share has increased materially in recent quarters



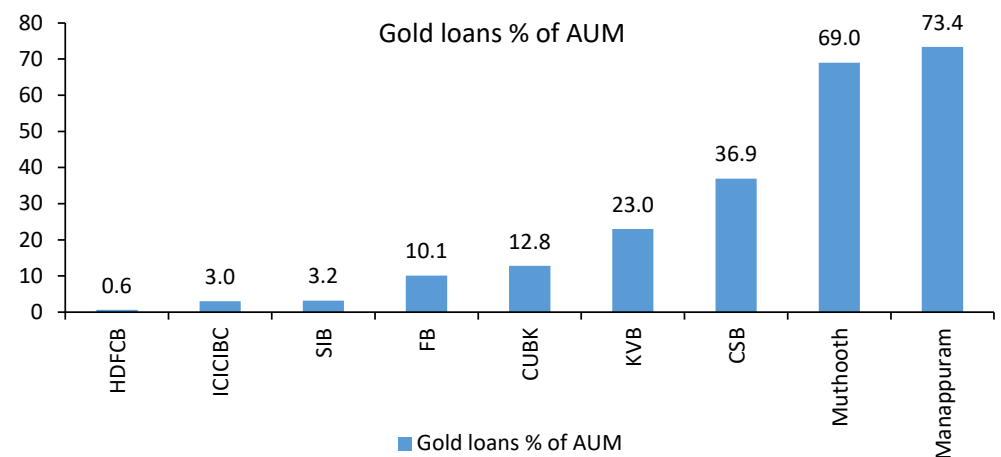
Source: Company, DART

Exhibit 19: CSB has been clocking high growth in gold book


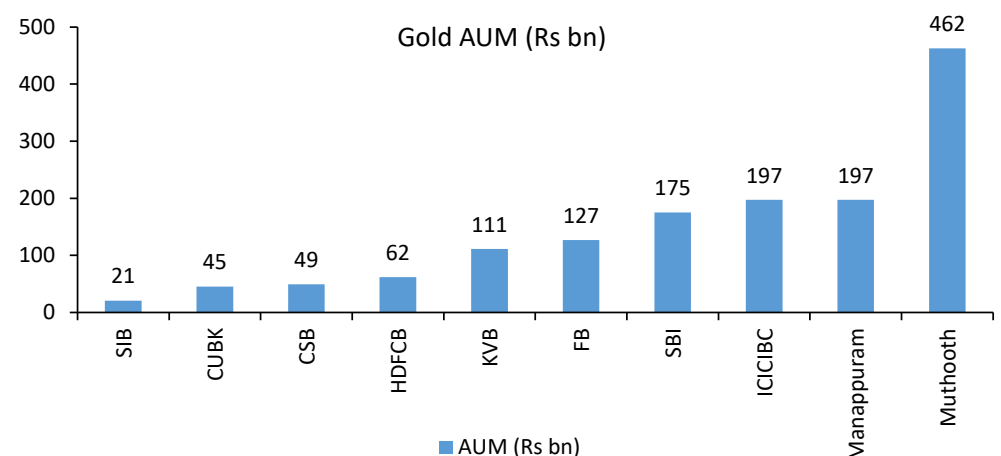
Source: Company, DART

Exhibit 20: Raising share of gold book to ~40%


Source: Company, DART

Exhibit 21: While gold share as % of AUM is high (Q2FY21)


Source: Company, DART

Exhibit 22: Its industry market share is still not meaningful, can further grow


Source: Company, DART

Exhibit 23: Loan book mix: SME book has consolidated, now well placed for growth

%	FY15	FY16	FY17	FY18	FY19	FY20	3QFY21
Gold	27	22	24	26	27	30	40
Non-gold Retail	10	14	14	17	13	10	9
Total Retail	36	36	38	42	40	40	49
SME	45	48	45	38	25	20	17
Corp and others	18	16	16	20	35	40	33

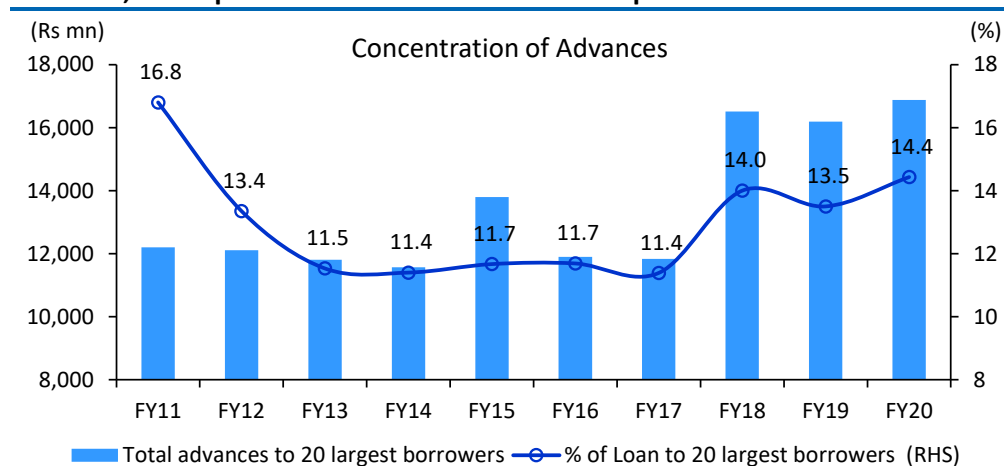
Source: Company, DART

Exhibit 24: Exposure to key sectors: Share of NBFC loans increased since 2018 led by a low CD ratio; Textile and CRE share has moderated

(%)	FY15	FY16	FY17	FY18	FY19	FY20	3QFY21
NBFC	0.9	0.4	1.2	22.7	13.2	15.8	10.9
Textile	7.6	8.0	8.6	7.1	7.3	6.4	3.4
CRE	5.1	7.1	3.9	3.6	2.6	1.1	2.2
Infrastructure	-	-	-	-	-	2.4	1.8

Source: Company, DART

Exhibit 25: Rise in NBFC exposure has resulted in a higher concentration in advances, but exposure is towards well rated enterprises



Source: Company, DART

Deposit profile sticky; Lower CoF relative to peers

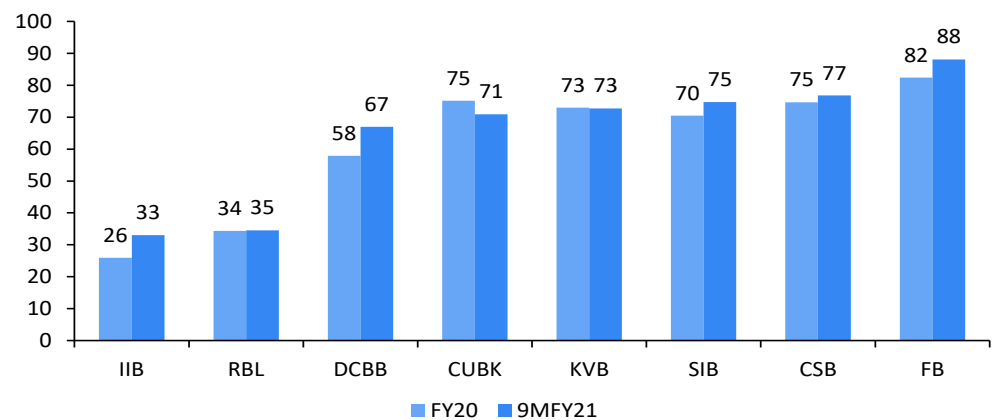
- High share of retail deposits with a loyal customer franchise
- SA/TD rate amongst the lowest in industry, much below mid-sized peers
- CoD also benefit from a low loan-deposit ratio at 74%
- 65% of deposits concentrated in Kerala; with 25% share of NR deposits

CSB boasts of a loyal retail deposit base, with 25% of deposits from non-residents and over 75% of its deposits being retail. Even during time of weak capital position and continued loss (FY14-19), deposit concerns were not there for the bank, presumably due to its sticky customer base.

Share of NR deposits has further scope for improvement given the bank's prominence in NR rich Kerala. Federal Bank, its Kerala based peer, has over 35% of deposits from NRs despite its larger base. Bank intends to capitalize further on this and has set up NRI vertical to sharpen NRE deposit focus.

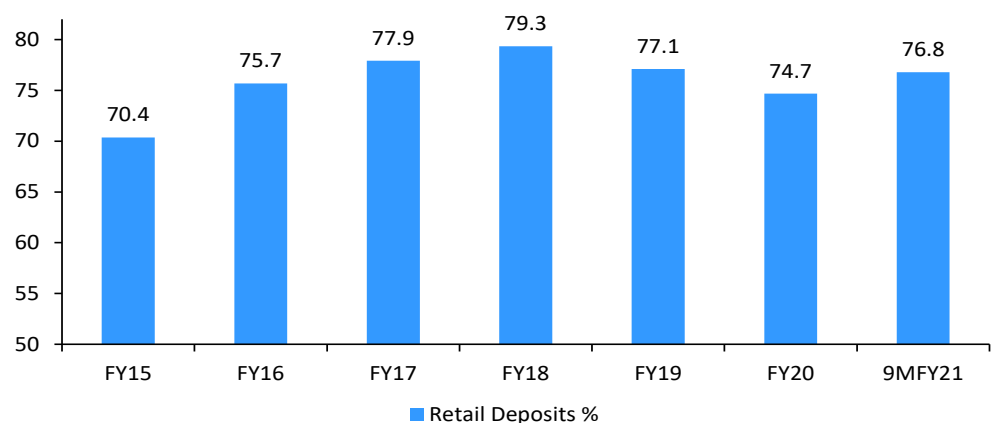
The bank has also re-oriented the focus of branches from loan products to deposits, cross sell and customer service and strengthened its senior management team to drive the bank's liability strategy. Recent momentum in CASA growth at ~24% YoY (3QFY21) is encouraging. Also, average ticket size of deposits is up by 10% in the last few months, with most of it coming from increased wallet share in retail deposit segment rather than accretion of large ticket deposits. The bank's term deposit in some pockets are lower than even the larger peers while SA rate is currently the lowest in industry.

Exhibit 26: High share of retail deposits vs peers at 77%



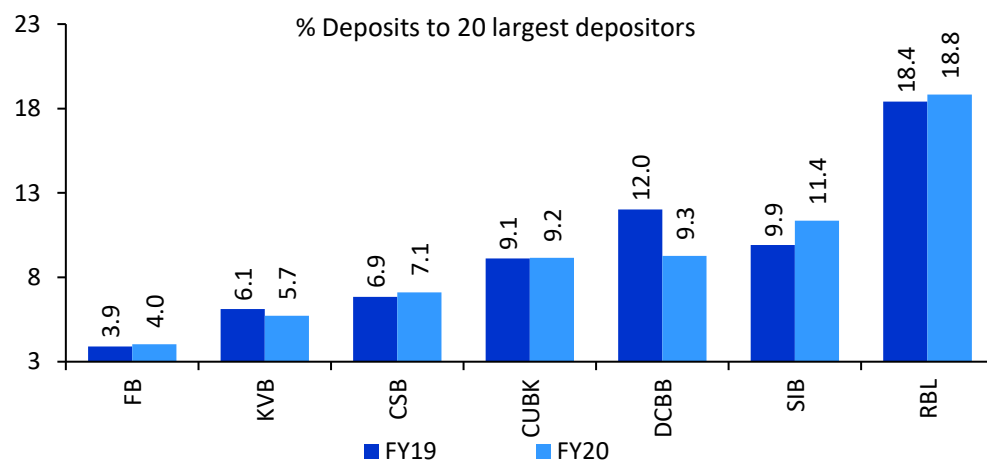
Source: Company, DART

Exhibit 27: Retail Share has remained consistent over the years



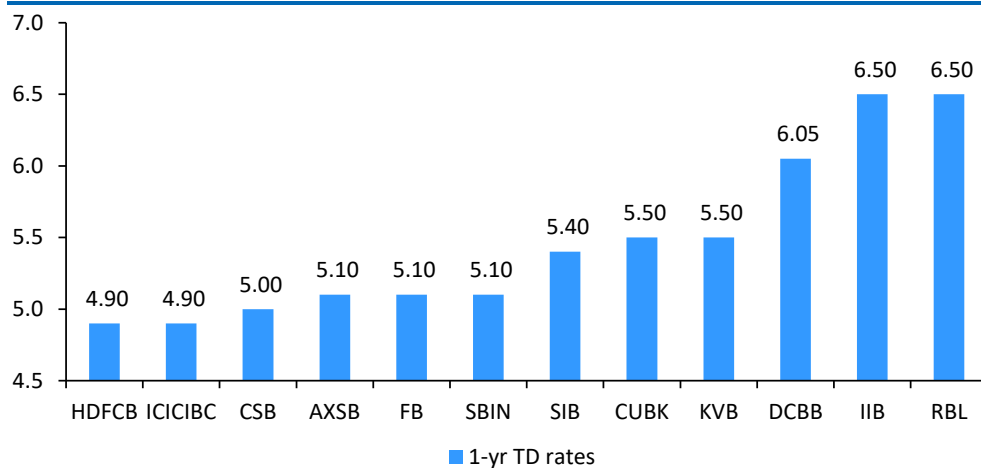
Source: Company, DART

Exhibit 28: Low deposit concentration vs peers



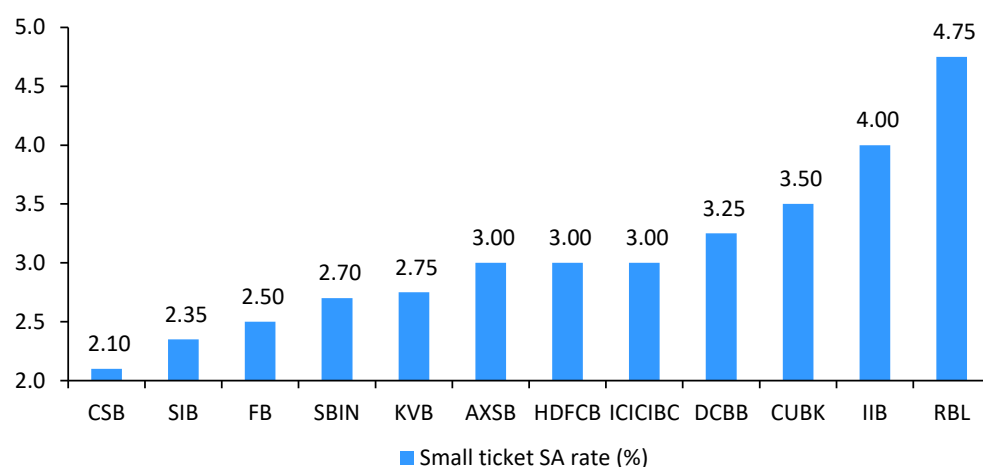
Source: Company, DART

Exhibit 29: TD rates (1 year) compare well with larger peers



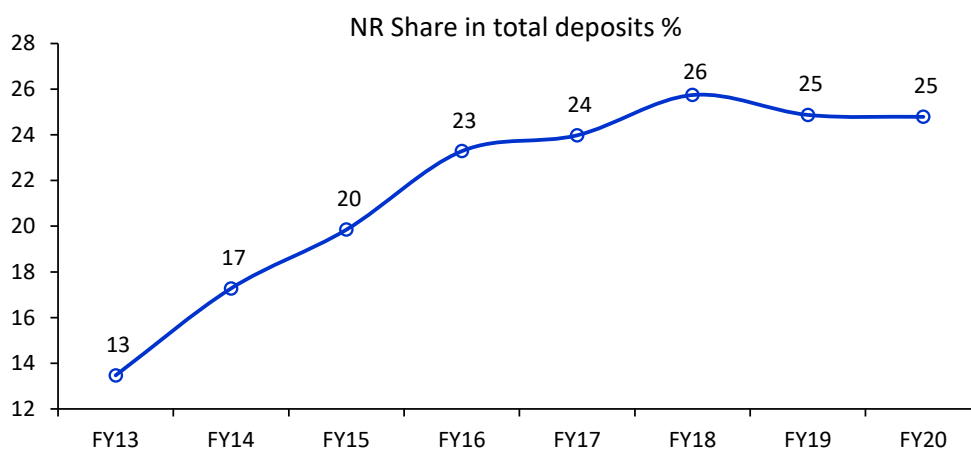
Source: Company, DART

Exhibit 30: SA rates (small ticket) lowest in industry



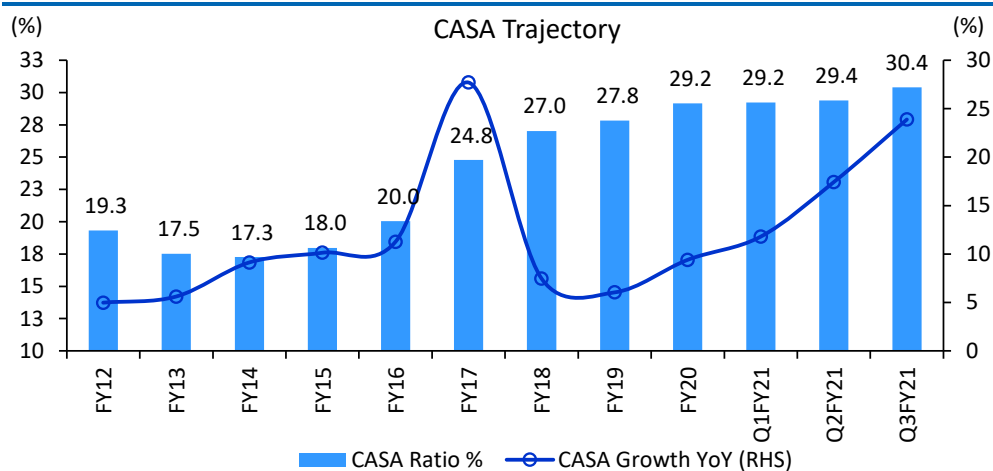
Source: Company, DART

Exhibit 31: Meaningful share of NR deposits led by its Kerala presence



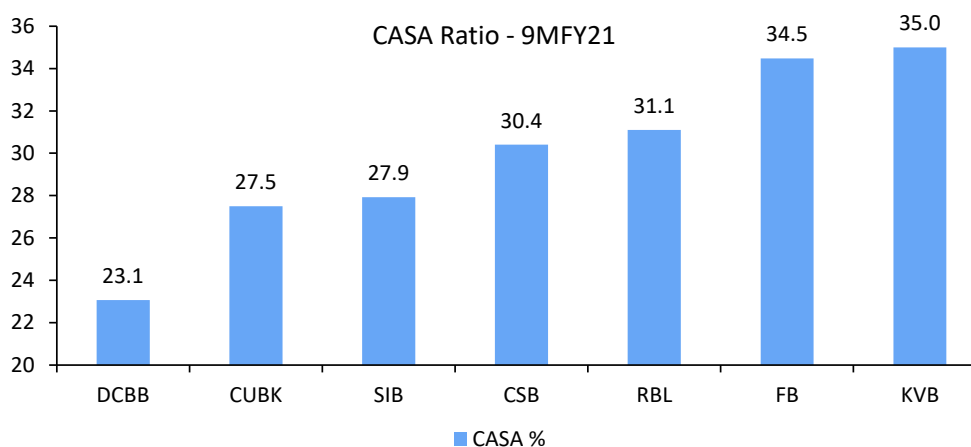
Source: Company, DART

Exhibit 32: Recent pick-up in CASA growth is encouraging



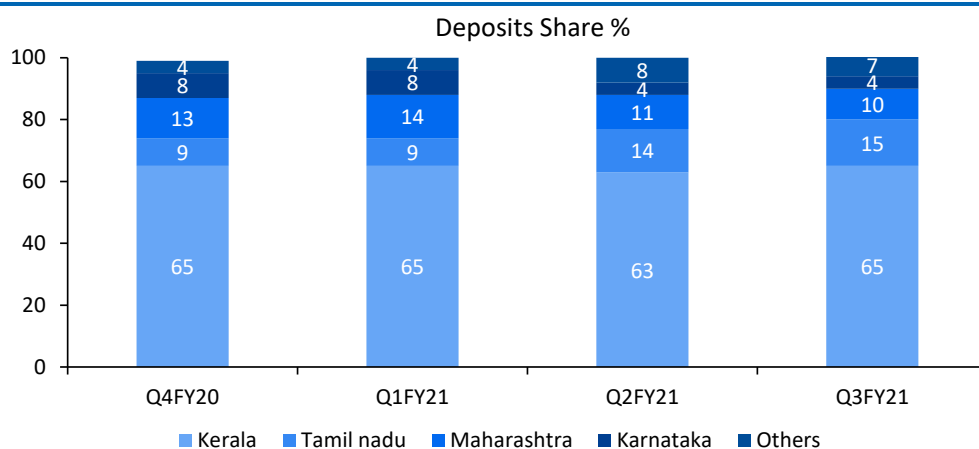
Source: Company, DART

Exhibit 33: CASA ratio in line with peers



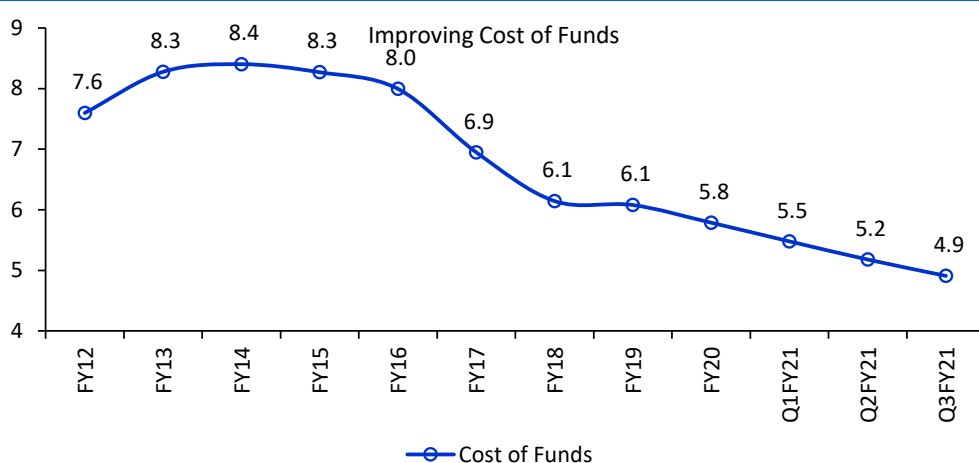
Source: Company, DART

Exhibit 34: Deposits concentrated in Kerala, increased share of branches outside Kerala to reduce concentration risk



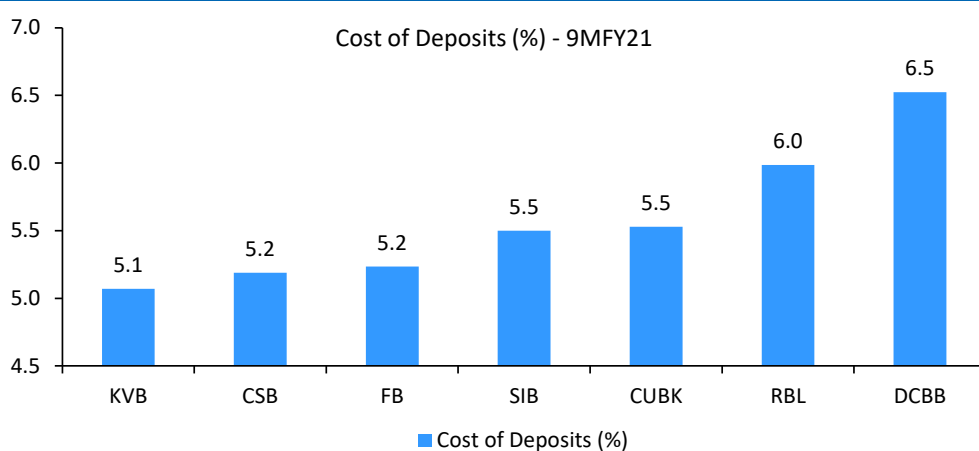
Source: Company, DART

Exhibit 35: Lowest TD/FD rates relative to industry aid improvement in CoF



Source: Company, DART

Exhibit 36: CoF lower than peers



Source: Company, DART

Asset quality cleanup done with; COVID stress has been limited

- Recent asset quality trend encouraging with limited slippages/RSA/SMA portfolio
- PCR (ex WOs) lower than industry; compensated by low LGD gold book
- Provisioning has been revised higher; above regulatory requirements
- Standard asset provision buffers at 0.8% of advances

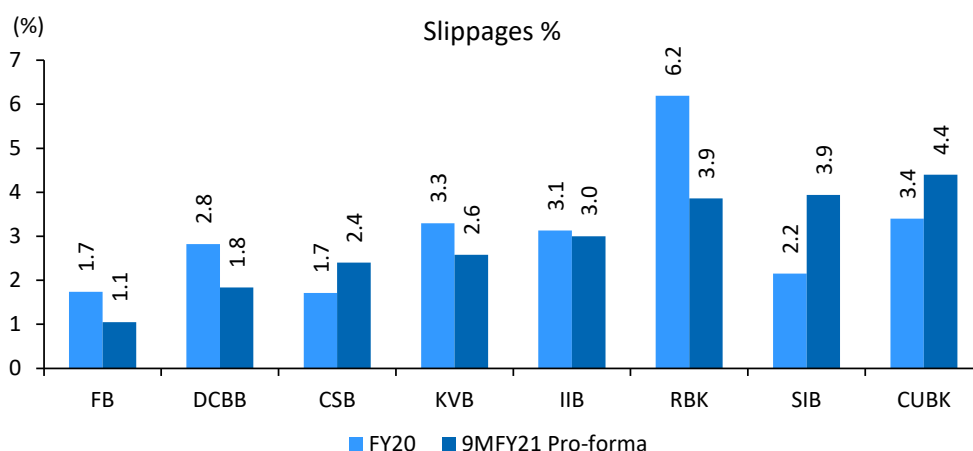
Post the current CEO took over his role in Dec-16, and even before Fairfax infused capital in the bank in FY19-20, the clean-up of asset quality had begun with write-off of weaker SME exposures and decline in GNPA from its peak of 7.9% to ~3.5% at the time of IPO.

Against 4.4% of slippages seen over FY14-18, slippages averaged at 1.9% for FY19-20, and 2.5% for 9MFY21. We expect slippages to be sub 2% in FY22-23E. The decline in slippages will both be driven by a strengthened SME portfolio and an increased share of gold book where delinquencies/LGD are typically lower.

COVID related stress was limited with annualized slippages at 6.7%/2.3% during Q3FY21/9MFY21, with 2/3rd of quarterly slippages in 3Q coming from the gold book. 1/3rd of the gold slippages were recovered by Jan-21. Annualized slippages 3QFY21 would be at 2.4% if gold loans were to be excluded. Restructured book stood at Rs0.8bn of 0.6% of loans, much below mid-sized peers. SMA book at 2.5% also compares well with the best in industry.

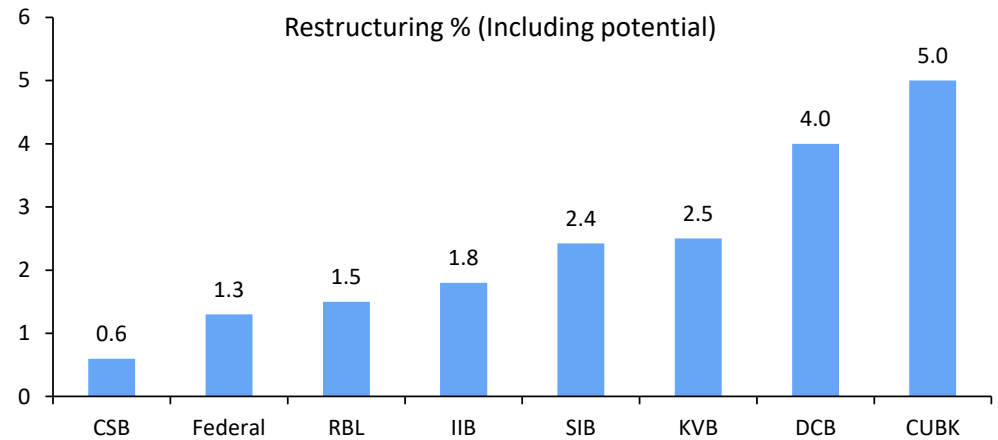
As per the bank's internal provisioning policy, it provides more than the minimum regulatory requirement against delinquent loans. Currently, other than higher provisions made towards pro forma NPAs, the bank has also provided 25% against restructured and SMA loans (0/1/2). While its pro forma PCR at 45% (ex of write-offs) is lower vs peers, this is partly led by high share of gold loans where LGDs are lower. Std asset provisions (ex of general provisions and those made towards pro forma NPAs) stood at 0.8% of advances.

Exhibit 37: Unlike peers, pro forma GNPA improved for CSB led by limited slippages and high loan growth



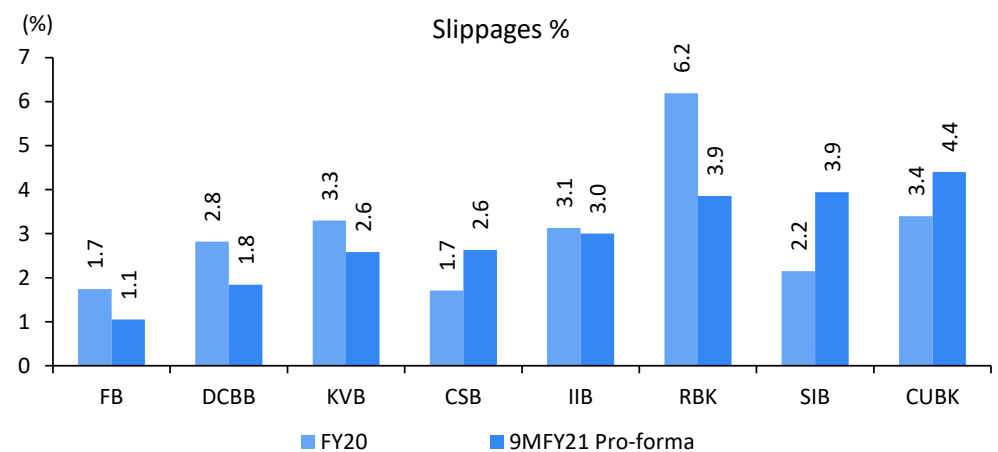
Source: Company, DART

Exhibit 38: Restructured portfolio (including invocations) is small relative to peers



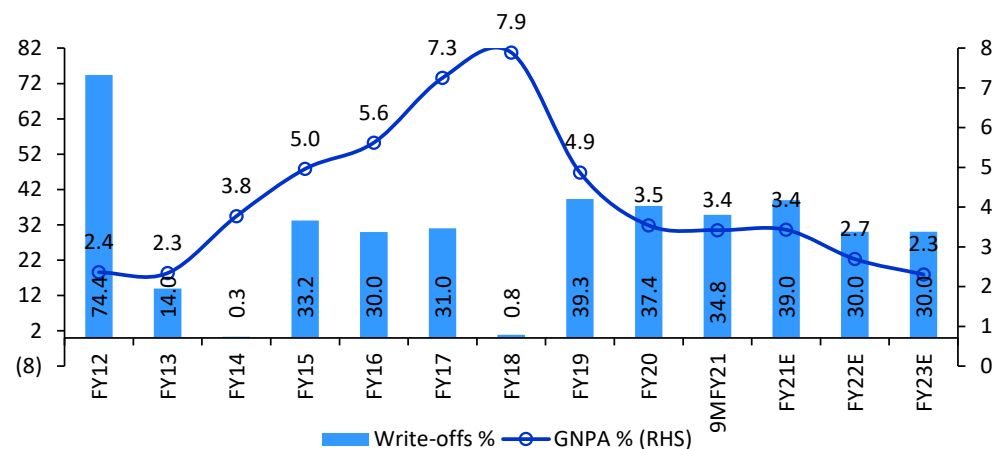
Source: Company, DART

Exhibit 39: Slippages have also been fairly contained for CSB



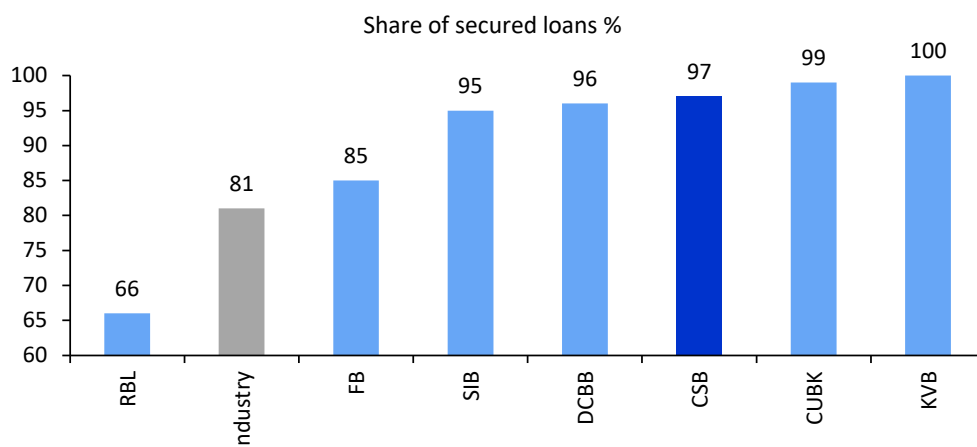
Source: Company, DART

Exhibit 40: High write-offs aided asset quality cleanup in the last few years



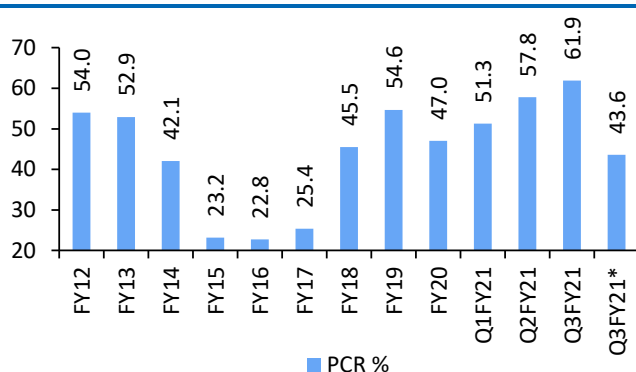
Source: Company, DART

Exhibit 41: High share of secured loans vs peers



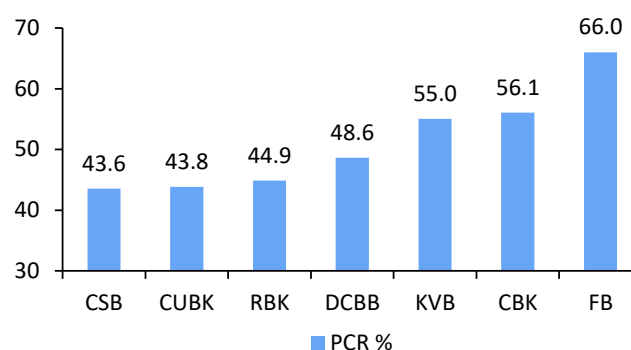
Source: Company, DART

Exhibit 42: Pro forma PCR inched up from the lows of 2016-17



Source: Company, DART; * Pro-forma

Exhibit 43: Pro forma PCR is lower than peers; partly owing to low LGD gold book



Source: Company, DART

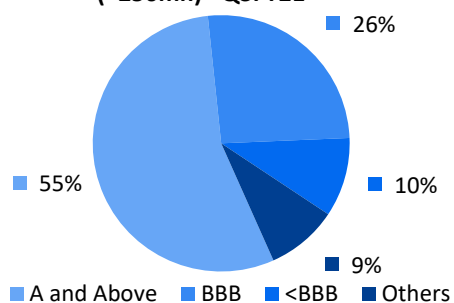
Exhibit 44: Revised Provisioning Policy: CSB provides more than regulatory requirements

Asset Classification		RBI Norms (%)	CSB Norms (%)
Sub Standard Assets	Secured	15	25
	Unsecured	25	50
Doubtful Assets (Up to one year)	Secured	25	50
	Unsecured	100	100
Doubtful Assets (One to three years)	Secured (1st Year)	40	100
	Secured (2nd Year)	40	100
	Unsecured	100	100
Doubtful Assets (More than three years)	Secured / Unsecured	100	100
Loss Assets	Secured / Unsecured	100	100

Source: DART, Company

Exhibit 45: High share of BB and below book owing to MSME exposures graduating to Corporate book

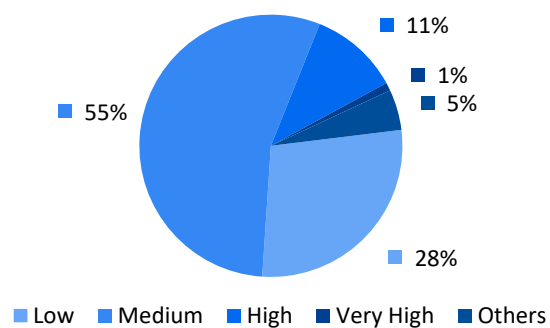
External Rating of Corporate Accounts (>250mn) - Q3FY21



Source: Company, DART

Exhibit 46: 83% of MSME loans in low to medium risk category a positive

Internal Rating of SME Accounts - Q3FY21



Source: Company, DART

Core Profitability Metrics Improve; Expect a gradual Re-rating

- Margins to remain over 4% led by low CoF and improvement in yields
- Fee lines to gain traction as branches focus on deposits and fee
- Credit costs to normalize at ~1%, aiding return ratios

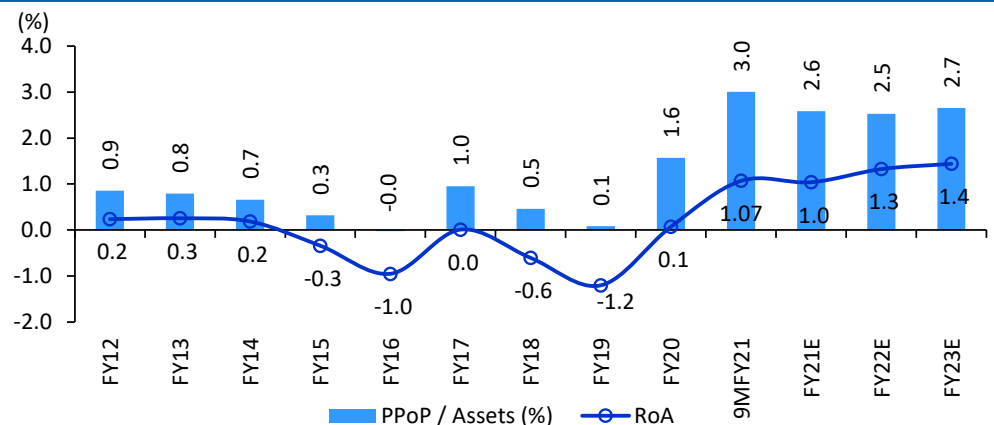
Owning to lower operating profits over FY11-19 which averaged at 0.5% of assets, the bank made either marginal profits or losses in the past. Consequently, profitability remained sub-par historically. However, margins have inched up over the last few quarters driven by increased lending yields from gold book, higher growth in advances relative to deposits, and declining CoF. While the latter two will continue to benefit NIM over near term, yield improvement may pause as the bank starts lending towards other segments like SME, LAP etc.

With improved margins, better fee lines, and declining costs ratios, the Bank is at the cusp of transformation with PPoP/assets and core PPoP/assets improving to over 3%/2.2% for 9M FY21 against 1.6%/1.4% for FY20. Aggregate weighted yield on gold loan portfolio has increased by ~250 bps to ~12.5% in the last few quarters. Unlike other banks, rural branches are not a drag on profitability in CSB's case due to gold lending business.

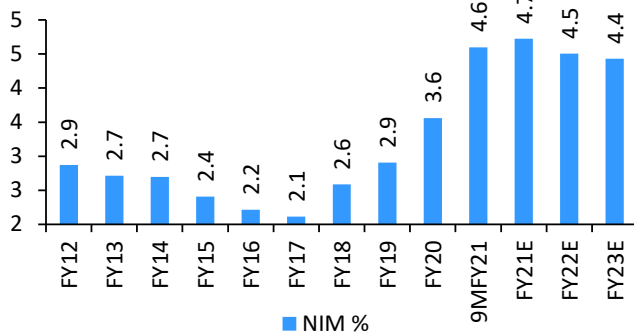
Opex costs could be higher in FY21 due to the voluntary retirement offer rolled out for 233 employees, resulting in an increase in opex outflow by 80crs in Q4FY21. But this will lower costs thereafter and improve productivity. If all 233 employees who have been offered VRS opt for it, share of IBA employees in the overall employee base will come down to 33%, else these employees should retire over the next four years. The bank intends to hire 1 new employee for every 3 IBA based employees lost.

RoAs will also benefit from lower credit costs, which we anticipate should normalize at 1% for the bank, supporting RoA/RoE of 1.4%/15% for FY23E. We therefore expect gradual re-rating led by increased conviction in quality of book, improving fee lines, and sustainable margins. We assign a 2.2x multiple to FY23E P/ABV and arrive at a TP of Rs320 for the bank.

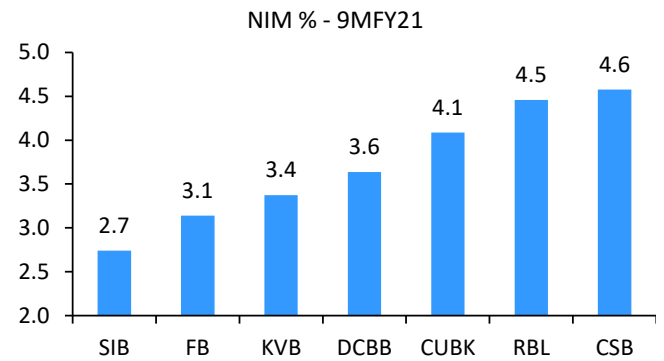
Exhibit 47: Turned profitable in FY20; Sharp improvement in operating metrics



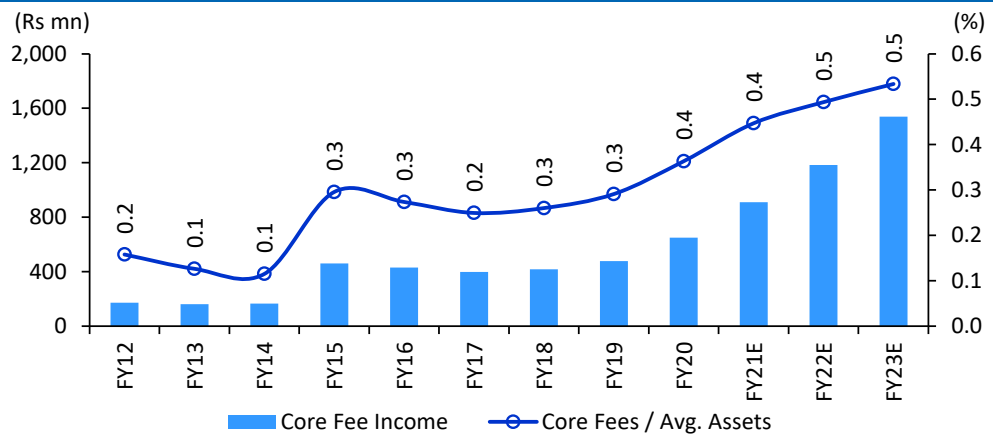
Source: Company, DART

Exhibit 48: Increased spreads, higher CD ratio drive NIM


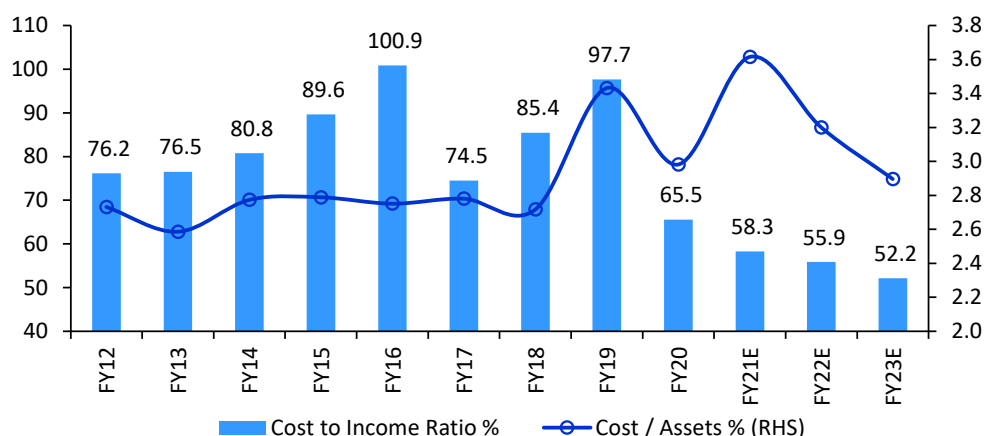
Source: Company, DART

Exhibit 49: High NIM vs peers aid operating metrics


Source: Company, DART

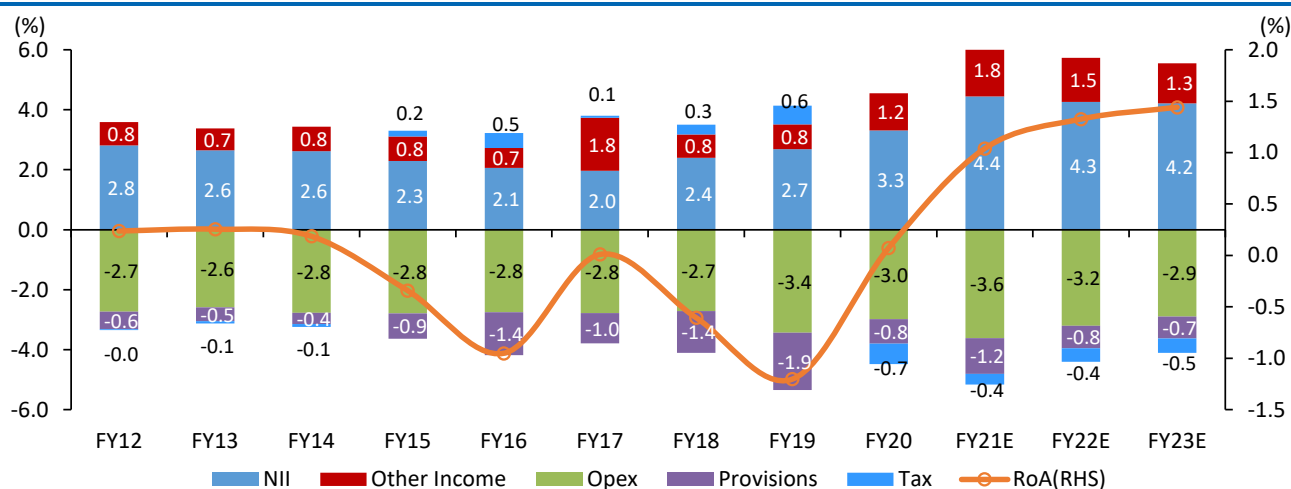
Exhibit 50: Core fee to rise from its low base as cross sell focus increases


Source: Company, DART

Exhibit 51: Cost ratios to decline, be more predictable as IBA linked opex reduces


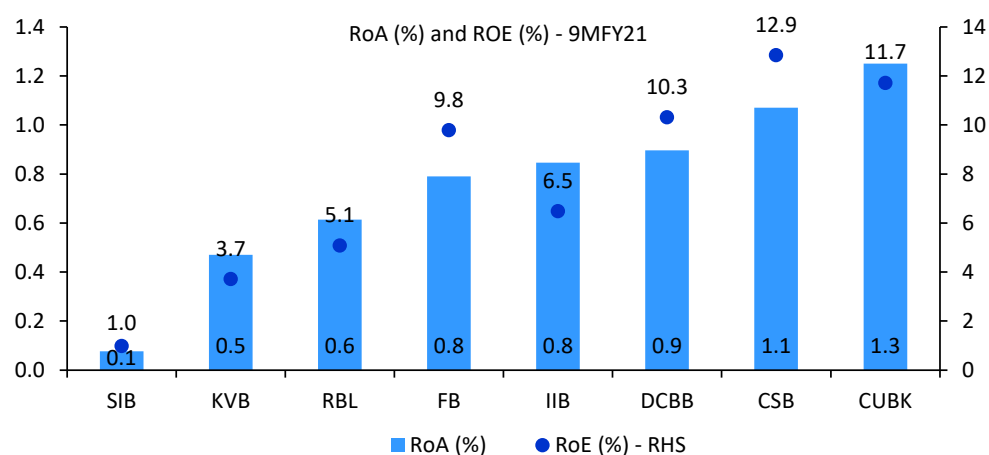
Source: Company, DART

Exhibit 52: RoA Decomposition: Several levers to RoA improvement



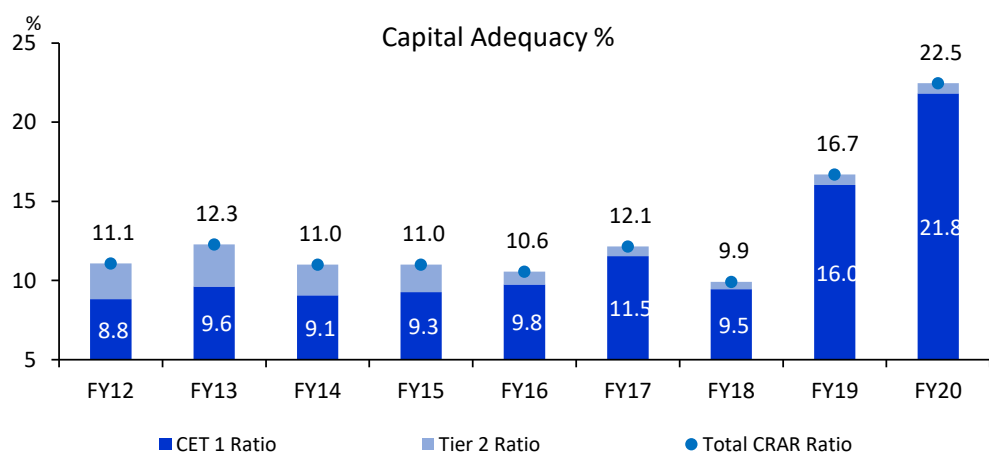
Source: Company, DART

Exhibit 53: Return Profile – vs Key Peers

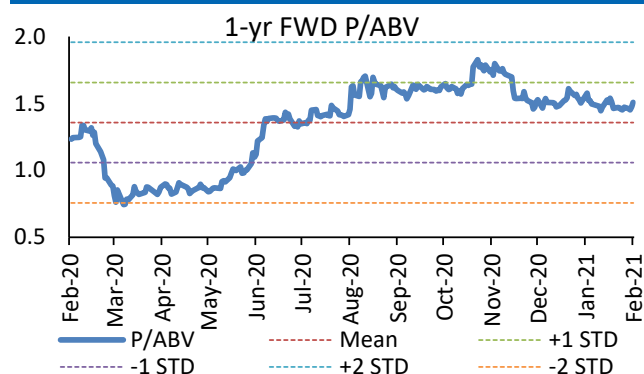


Source: Company, DART

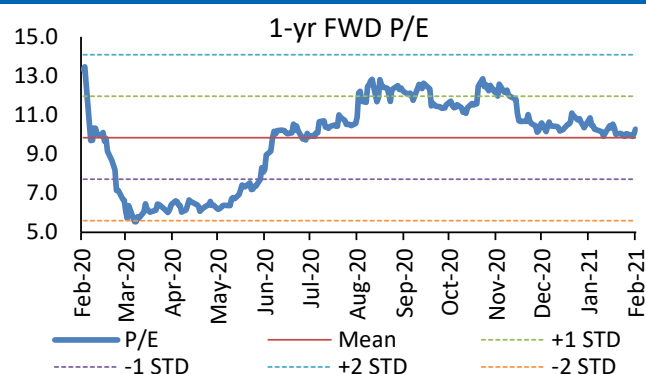
Exhibit 54: High capital base conducive for growth



Source: Company, DART

Exhibit 55: The stock currently trades at 1.6x 1-year forward P/ABV and 9.9x 1-year forward P/E


Source: DART, Company



Source: DART, Company

Exhibit 56: DuPont Analysis

FY21E	CSB	CUBK	DCBB	FB	IIB
NII / Assets	4.4	3.7	3.5	3.0	4.3
Other Income / Assets	1.8	1.4	1.1	1.1	2.1
Opex / Assets	3.6	2.1	2.2	2.0	2.7
Provisions / Assets	1.2	1.9	1.3	1.0	2.4
Tax Expenses / Assets	0.4	0.2	0.3	0.3	0.3
RoA	1.0	1.0	0.8	0.8	1.0

FY22E	CSB	CUBK	DCBB	FB	IIB
NII / Assets	4.3	3.8	3.6	3.0	4.0
Other Income / Assets	1.5	1.2	0.9	0.9	1.8
Opex / Assets	3.2	2.1	2.2	2.0	2.8
Provisions / Assets	0.7	1.2	0.7	0.8	1.1
Tax Expenses / Assets	0.5	0.4	0.4	0.3	0.5
RoA	1.3	1.4	1.2	0.9	1.4

FY23E	CSB	CUBK	DCBB	FB	IIB
NII / Assets	4.2	3.9	3.6	3.1	4.0
Other Income / Assets	1.3	1.3	0.9	1.0	1.8
Opex / Assets	2.9	2.1	2.3	2.0	2.9
Provisions / Assets	0.7	1.0	0.4	0.7	0.8
Tax Expenses / Assets	0.5	0.4	0.5	0.3	0.5
RoA	1.4	1.7	1.4	1.0	1.5

Source: DART, Company

About the Company

CSB, founded in Nov 1920 as Catholic Syrian Bank, is an old private sector bank headquartered in Thrissur, Kerala. It has a strong base in southern states, especially Kerala, which houses ~60% of its branches. The bank has had a chequered history with weak corporate governance, low operating profits and fragile capital levels. In Feb-18, RBI allowed Fairfax India through FIHM (Fairfax India Holdings Mauritius) to acquire 51% stake resulting in capital infusion of ~INR12bn in the bank, the second and final tranche of which was infused in Aug-2019. As part of regulatory requirements, the bank was subsequently listed in Dec-2019. The Rs4.1bn IPO offer involved fresh issue of Rs0.24bn and offer for sale by investors of Rs3.85bn. In the year 2019, the bank rebranded itself to “CSB Bank Limited” from ‘The Catholic Syrian Bank Limited’.

According to road map prepared around the time of Fairfax’s acquisition of CSB, Fairfax was required to cut its stake to 40% in CSB over the next five years, to 30% in the subsequent five, and to 15% by the end of 15 years. This may however change if the ownership guidelines which are currently under review are revised, as per which cap on promoter holding may be raised upwards to 26% from 15% currently.

With the Fairfax’s backing, CSB is now focusing on implementation of strategic changes in their business model to function efficiently as a full service new age bank by (a) re-aligning organizational set-up, (b) digitization & technology, (c) expanding products and services, (d) enhancing customer experience and (e) marketing & branch building.

Exhibit 57: Top Shareholders (Dec-2020)

Particulars	(%)
FIH Mauritius Investments Ltd	49.73
SBI Small Cap Fund	4.93
Yusuffali Musaliyam Veettil Abdul Kader	2.14
Omers Administration Corporation	2.07
Nomura Singapore Limited	1.73
Sundaram Equity hybrid Fund	1.67
Plutus Wealth Management	1.27
Vallabh Bhansali	1.26
Infinity Holdings	1.14
Zafar Ahmadullah	1.07
Volrado Venture Partners (AIF)	1.03

Source: DART, Company

Exhibit 58: KMP

Name	Designation	Details
Mr. Rajendran Chinna Veerappan	MD & CEO	Mr. CV Rajendran holds a bachelor's and a master's degree in commerce from Madurai Kamaraj University and is an associate of the Indian Institute of Bankers. He previously served as the chief executive of the AMFI. He has over 40 years of experience and was previously associated with Corporation Bank, Andhra Bank and BoM. He has been on the Board since November 24, 2016.
Mr. B K Divakara	CFO	Mr. B K Divakara holds a bachelor's degree in Business Management from University of Mysore. Further he is a CA and CS. Prior to joining CSB, he has worked with CBol and Corporation Bank and has over 33 years of experience in the field of banking.
Mr. Pralay Mondal	President - Retail, SME, Operations, IT	Mr. Pralay Mondal joined the Bank in Sep-20. He is an Engineer from IIT, Kharagpur and a MBA from IIM, Calcutta. Prior to joining CSB Bank, he was ED and Head of Retail Banking at Axis Bank. He also played an instrumental role in setting up the retail franchise at Yes Bank. Mr. Mondal has around 30 years of banking experience across HDFC Bank (12 years), Standard Chartered Bank, Wipro InfoTech and Colgate Palmolive.
Mr. Neeraj Dhawan	Chief Credit Officer - Retail & SME, Strategy, BIU and Analytics	Mr. Neeraj Dhawan holds a bachelor's degree in Commerce from University of Calcutta. He is a Chartered Accountant and also an associate of the ICAI and ICWAI. Prior to CSB, he was the CRO at Yes Bank. He has 27 years of experience and has previously worked with viz. GE Capital, ABN AMRO Bank, HDFC Bank and ICICI Bank.
Mr. Ganesan V	Head (Recovery and Credit Monitoring)	Mr. Ganesan V. holds a bachelor's degree in science from Madurai University. He has over 40 years of experience in the field of banking. He was associated with the Bank since 1978 and retired in 2016 on attaining superannuation. Thereafter, he worked with Pegasus Assets Reconstruction Private Limited and joined CSB in 2018.
Mr. Kesava Naidu Rayar	Head (Treasury)	Mr. Rayar joined the bank in 2018. He holds a bachelor's degree in law and master's degree in psychology from Annamalai University. He is also a certified associate of ICWA and a CS. He has about 35 years of experience in the field of banking. Prior to joining the Bank, he was associated with Andhra Bank.
Mr. Arvind K Sharma	Chief Risk Officer	Mr Sharma brings more than twenty-seven years of diverse banking experience, having worked previously with SBI for 24 years and Bank Sohar in Oman for three years. Arvind is a MA in Economics with a PG Diploma in Financial Engineering and a Graduate of Advanced Management Programme from Harvard Business School.
Mr. Shyam Mani	Head- SME and NRI Banking	Shyam Mani joined CSB in Nov-20. Mr. He is an Engineer from Bangalore University. He has overall 24 years of experience in varied functions that includes Branch Banking, SME, Retail and NRI Banking. He has previously worked with Yes Bank, ICICI Bank, HDFC Bank and GE Countrywide in leadership and senior roles covering retail, SME and Retail.
Mr. Prem Kumar Thampi	Head- Wholesale Banking	Mr Thampi holds a bachelor's and master's degree in science from BHU and joined the bank in 2015. He is a fellow member of the Institute of Directors and has over 30 years of experience in the field of banking and treasury. Prior to joining our Bank, he was associated with the SBI, Bank M (Tanzania) and ICICI Bank.
Mr Narendra Dixit	Head- Retail Banking	Narendra Dixit is joined CSB in Nov-20 and has over 22 years of experience in the field of banking. Prior to joining CSB, he was associated with Axis Bank as National Head – Liability Sales. Prior to Axis Bank, he has also worked with Yes Bank.
Mr. Vuppala Srinivasa Rao	Chief Technology Officer	Mr. Rao holds a bachelor's degree in commerce from Sri Venkateswara University and is a certified associate of the Indian Institute of Bankers. Mr Srinivasa joined the bank in 2018 and has about 39 years of experience. He was previously associated with Andhra Bank.

Source: DART, Company

Profit and Loss Account (Rs Mn)

Particulars	FY20A	FY21E	FY22E	FY23E
Interest Income	15,099	18,368	20,766	25,032
Interest expenses	9,176	9,324	10,540	12,866
Net interest income	5,923	9,044	10,226	12,166
Other incomes	2,216	3,585	3,520	3,840
Total expenses	5,333	7,363	7,674	8,353
- Employee cost	3,313	5,201	5,253	5,568
- Other	2,020	2,162	2,421	2,785
Pre provisioning profit	2,806	5,266	6,071	7,653
Provisions	1,466	2,413	1,781	2,101
Profit before taxes	1,340	2,853	4,290	5,552
Tax provision	1,213	719	1,081	1,399
Profit after tax	127	2,134	3,209	4,153
Adjusted profit	127	2,134	3,209	4,153

Balance Sheet (Rs Mn)

Particulars	FY20A	FY21E	FY22E	FY23E
Sources of Funds				
Equity Capital	1,735	1,735	1,735	1,735
Reserves & Surplus	17,872	19,977	23,226	27,450
Minority Interest	0	0	0	0
Net worth	19,607	21,712	24,961	29,185
Borrowings	7,940	8,411	4,317	2,562
- Deposits	157,907	178,497	211,555	253,662
- Other interest bearing liabilities	0	0	0	0
Current liabilities & provisions	3,189	10,087	20,095	30,506
Total Liabilities	188,642	218,707	260,928	315,916
Application of Funds				
Cash and balances with RBI	9,393	11,678	14,021	17,066
Investments	53,599	58,244	65,909	74,724
Advances	113,664	136,396	167,767	209,709
Fixed assets	2,283	2,489	2,838	3,295
Other current assets, loans and advances	9,704	9,898	10,393	11,121
Total Assets	188,642	218,707	260,928	315,916

E – Estimates

Important Ratios

Particulars	FY20A	FY21E	FY22E	FY23E
(A) Margins (%)				
Yield on advances	10.6	10.9	10.5	10.4
Yields on interest earning assets	9.1	9.6	9.1	9.1
Yield on investments	8.5	6.6	7.9	6.9
Costs of funds	5.8	5.3	5.2	5.5
Cost of deposits	5.8	5.8	5.3	5.3
NIMs	3.6	4.7	4.5	4.4
(B) Asset quality and capital ratios (%)				
GNPA	3.5	3.5	2.7	2.3
NNPA	1.9	1.9	1.4	1.1
PCR	47.0	45.0	48.0	52.0
Slippages	1.7	2.6	1.8	1.7
NNPA to NW	12.0	12.9	9.9	8.4
CASA	29.2	30.5	31.0	31.0
CAR	22.5	22.0	19.9	17.8
Tier 1	21.8	20.2	18.4	16.5
Credit - Deposit	72.0	76.4	79.3	82.7
(C) Dupont as a percentage of average assets				
Interest income	8.4	9.0	8.7	8.7
Interest expenses	5.1	4.6	4.4	4.5
Net interest income	3.3	4.4	4.3	4.2
Non interest Income	1.2	1.8	1.5	1.3
Total expenses	3.0	3.6	3.2	2.9
- cost to income	65.5	58.3	55.8	52.2
Provisions	0.8	1.2	0.7	0.7
Tax	0.7	0.4	0.5	0.5
RoA	0.1	1.0	1.3	1.4
Leverage	1045.4	1083.8	1115.7	1147.1
RoE	0.9	10.3	13.8	15.3
RoRwa	0.2	2.2	2.6	2.6
(D) Measures of Investments				
EPS - adjusted	0.7	12.3	18.5	23.9
BV	104.0	116.3	134.8	158.7
ABV	89.6	101.3	121.4	145.4
DPS	0.0	0.0	0.0	0.0
Dividend payout ratio	0.0	0.0	0.0	0.0
(E) Growth Ratios (%)				
Net interest income	34.6	52.7	13.1	19.0
PPoP	1998.4	87.7	15.3	26.1
Adj PAT	(106.4)	1577.2	50.4	29.4
Advances	7.1	20.0	23.0	25.0
Total borrowings		5.9	(48.7)	(40.7)
Total assets	11.5	15.9	19.3	21.1
(F) Valuation Ratios				
Market Cap (Rs. mn)	39,430	39,430	39,430	39,430
CMP (Rs.)	227	227	227	227
P/E (x)	309.8	18.5	12.3	9.5
P/BV (x)	2.2	2.0	1.7	1.4
P/ABV (x)	2.5	2.2	1.9	1.6
Div Yield (%)	0.0	0.0	0.0	0.0

E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

DART Team

Purvag Shah	Managing Director	purvag@dolatcapital.com	+9122 4096 9747
Amit Khurana, CFA	Head of Equities	amit@dolatcapital.com	+9122 4096 9745

CONTACT DETAILS

Equity Sales	Designation	E-mail	Direct Lines
Dinesh Bajaj	VP - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kapil Yadav	VP - Equity Sales	kapil@dolatcapital.com	+9122 4096 9735
Yomika Agarwal	VP - Equity Sales	yomika@dolatcapital.com	+9122 4096 9772
Jubbin Shah	VP - Equity Sales	jubbins@dolatcapital.com	+9122 4096 9779
Ashwani Kandoi	AVP - Equity Sales	ashwanik@dolatcapital.com	+9122 4096 9725
Lekha Nahar	AVP - Equity Sales	lekhan@dolatcapital.com	+9122 4096 9740
Equity Trading	Designation	E-mail	
P. Sridhar	SVP and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	VP - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	VP - Head Domestic Derivatives Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Asia Head Derivatives	kartikm@dolatcapital.com	+9122 4096 9715
Dinesh Mehta	Co- Head Asia Derivatives	dinesh.mehta@dolatcapital.com	+9122 4096 9765
Bhavin Mehta	VP - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

Analyst(s) Certification

The research analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

I. Analyst(s) and Associate (S) holding in the Stock(s): (Nil)

II. Disclaimer:

This research report has been prepared by Dolat Capital Market Private Limited. to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its affiliated company(ies) solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of Dolat Capital Market Private Limited. This report has been prepared independent of the companies covered herein. Dolat Capital Market Private Limited. and its affiliated companies are part of a multi-service, integrated investment banking, brokerage and financing group. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, financing or any other advisory services to the company(ies) covered herein. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have received or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services. Research analysts and sales persons of Dolat Capital Market Private Limited. may provide important inputs to its affiliated company(ies) associated with it. While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and Dolat Capital Market Private Limited. does not warrant its accuracy or completeness. Dolat Capital Market Private Limited. may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision. The investment discussed or views expressed herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and Dolat Capital Market Private Limited. reserves the right to make modifications and alterations to this statement as they may deem fit from time to time. Dolat Capital Market Private Limited. and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction. This report is not directed or intended for distribution to, or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Dolat Capital Market Private Limited. and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

For U.S. Entity/ persons only: This research report is a product of Dolat Capital Market Private Limited., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Dolat Capital Market Private Limited. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person or entity.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Dolat Capital Market Private Limited. has entered into an agreement with a U.S. registered broker-dealer Ltd StoneX Financial Inc. ("StoneX"). Transactions in securities discussed in this research report should be effected through StoneX Financial Inc. ("StoneX") or another U.S. registered broker dealer/Entity as informed by Dolat Capital Market Private Limited. from time to time.



Dolat Capital Market Private Limited.

Corporate Identity Number: U65990DD1993PTC009797

Member: BSE Limited and National Stock Exchange of India Limited.

SEBI Registration No: BSE – INZ000274132, NSE - INZ000274132, Research: INH000000685

Registered office: Office No. 141, Centre Point, Somnath, Daman – 396 210, Daman & Diu

Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com