

Incorporated in the year 1904, City Union Bank (CUB) is an old generation private sector bank headquartered in Tamil Nadu. A professionally managed bank with no identifiable promoters, CUB mainly caters to the retail/wholesale traders with a granular asset profile. CUB has a network of 550 branches and 1496 ATMs. 89% of the total branches are based in the southern states with 69% in the state of Tamil Nadu itself indicating a dominant presence in the southern region especially Tamil Nadu.

Advances

Led by YoY growth in advances towards the Infrastructure, Agriculture, Wholesale trade and Housing loan sector, CUB's loan book grew 13.20% YoY to ₹238 bn in FY17. Despite subdued performance across segments in the DeMon affected period and higher repayments in core segments, CUB has maintained a strong credit expansion rate. Over 50% of CUB's loan book is pegged to the economic performance of trade and distribution business segment. Though muted performance across this segment caused a dip in the bank's loan book, improvement in economic scenario will ensure strong traction in credit off take. Going forward, pick up in infrastructure projects and increase in manufacturing activity is likely to improve the trade and distribution business.

Deposits

A healthy SA growth (28% YoY) led to an increase in CASA to ₹70.3 bn (27% YoY) in FY17 causing a steady growth in deposits to ₹301.1 bn (11% YoY). CASA as a share of deposits increased 120 bps to YoY to 20.40% in FY17. Efforts have been put in to increase the CASA share through customer base enlargement, increasing branch network, competitive interest rates, new services and innovative technology.

Net Interest Margin (NIM)

In FY17, a positive movement of 40 bps in NIM to 4.2% was witnessed. Despite a CASA share lower than the industry average, CUB has maintained an impressive trajectory of NIMs owing to its focus on advances towards the SME/MSME segment which is high yielding. Approximately 90% of the loan book is on a floating rate basis and re-pricing is possible at short intervals thus reducing interest rate risk.

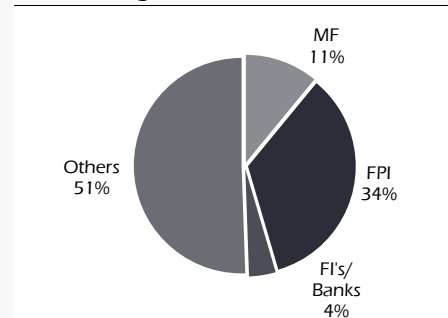
Asset Quality

In FY17, Asset quality declined with Gross NPA increasing to 3.1% (59 bps YoY) and Net NPAs increasing to 1.97% (44 bps YoY). Provision Coverage Ratio (PCR) rose 100 bps YoY to 61%. Lower ticket size backed by adequate collaterals has enabled CUB to maintain its asset quality over the years. Unsecured advances aggregate to only 1.1 % of total advances and exposure to stressed segments like Infrastructure is extremely low at 0.9% of total advances, thus providing comfort in asset quality despite deterioration in FY17.

Stock Data

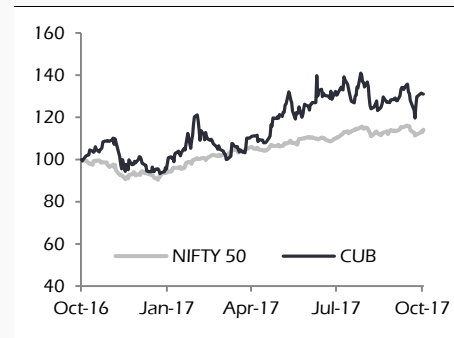
Current Market Price (₹)	164
1-Year Target Price (₹)	198
Potential upside (%)	21
FV (₹)	1
Reuters	CUBK.BO
Bloomberg	CTBK.IN
Market Cap (₹ bn)	107
52-Week Range (₹)	183 / 116

Shareholding Pattern



Fiscal YE	FY15	FY16	FY17	FY18E
NII (₹ bn)	8.1	9.8	12.0	14.6
PAT (₹ bn)	4.0	4.4	5.0	6.4
Deposits (₹ bn)	240.7	271.6	301.2	345.0
Advances (₹ bn)	179.7	210.6	238.3	277.9
Business (Mn ₹)	420.4	482.2	539.5	622.9
Cost to Income (%)	42.8	43.7	40.9	40.0
Yield on advances (%)	13.2	12.1	11.5	11.4
Cost of deposits (%)	8.2	7.6	6.8	6.6
Gross NPAs (%)	1.9	2.4	3.1	2.7
Net NPAs (%)	1.3	1.5	2.0	1.7
Provision Coverage (%)	58.0	60.0	61.0	61.0
RoE (%)	16.7	15.5	15.2	16.5
RoA (%)	1.5	1.5	1.5	1.6
ABV (₹)	45.2	45.9	51.5	60.0
NIM (%)	3.4	3.8	4.2	4.0

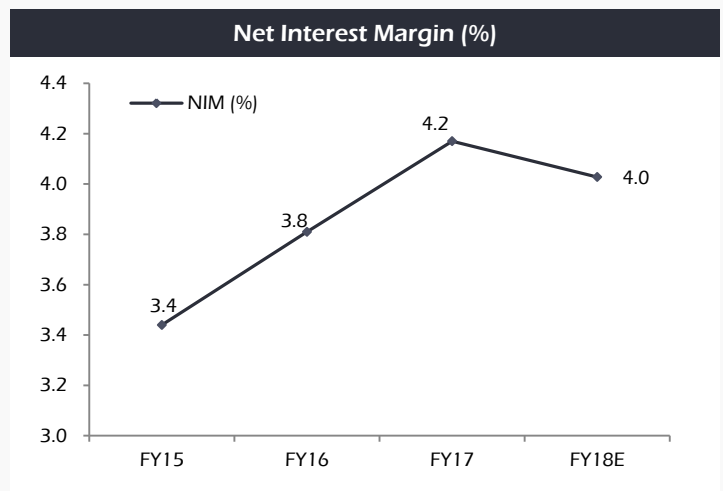
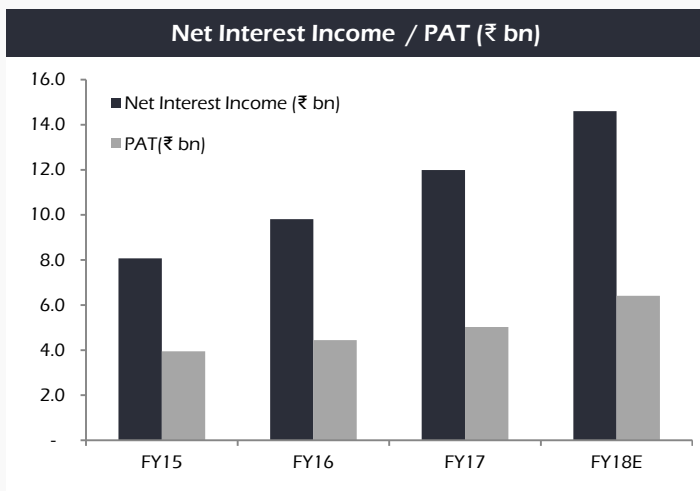
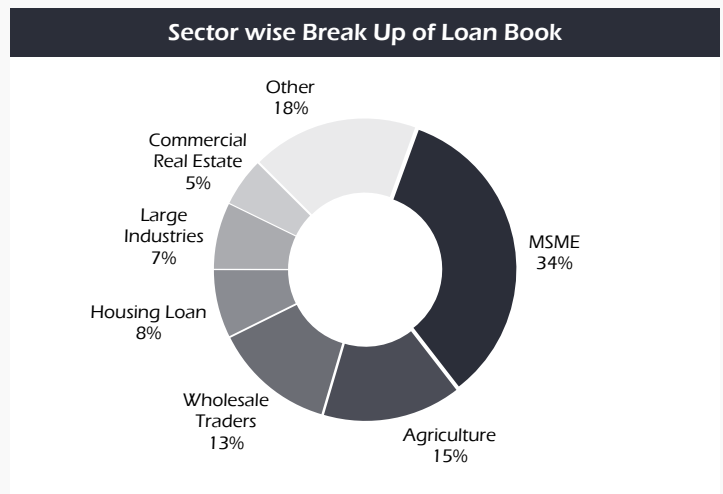
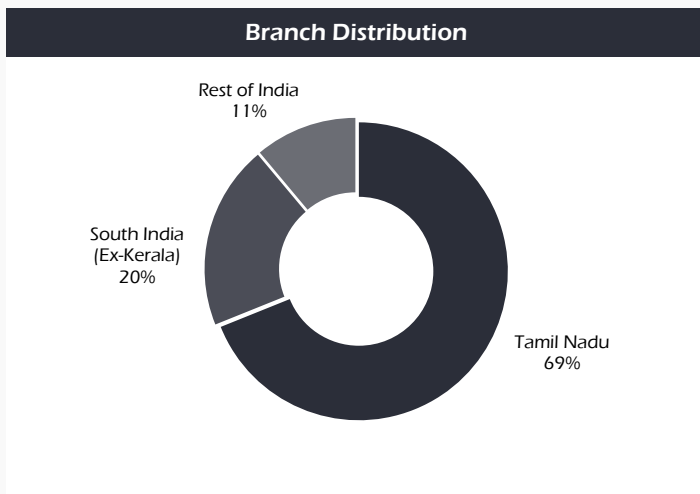
Relative Price Performance



Profitability

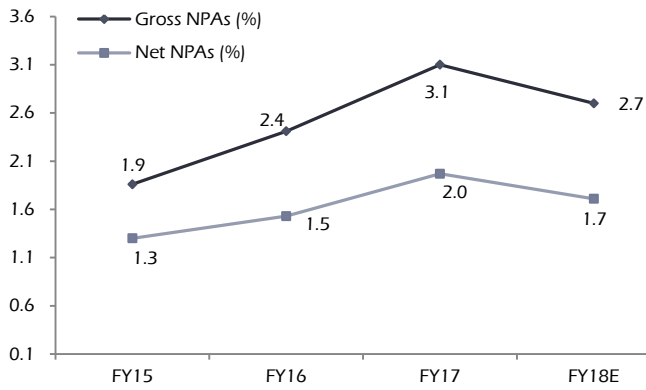
Operating profit increased to ₹9.93 bn (19.25% YoY) mainly led by an increase in NII to ₹11.99 bn (22.2% YoY) and a strong surge in other income which rose to ₹4.8 bn (19% YoY). While the increase in NII was largely driven by drop in the interest cost, higher treasury gains contributed to the sharp rise in other income. OPEX increased 23.5% YoY to ₹16.89 bn due to rise in employee cost caused by wage revision and additional provisions towards bonus. Led by strong expansion in NII, PAT increased 13.20% to ₹5.03 bn. With no significant pressure from gratuity and pension provisioning, CUB has been able to maintain a superior Cost to Income ratio. While the Return on Assets ratio has been steady at 1.51%, the Return on Equity ratio has declined 30bps to 15.20% in FY17.

With low stressed assets and superior NIM, CUB scores over its comparable peers. Moreover, owing to better return ratios and comfortable capital adequacy, CUB is in a better position vis-à-vis other regional players. CUB is currently trading at 2.7x FY18E ABV and we recommend an OUTPERFORMER with a one year price objective of ₹198

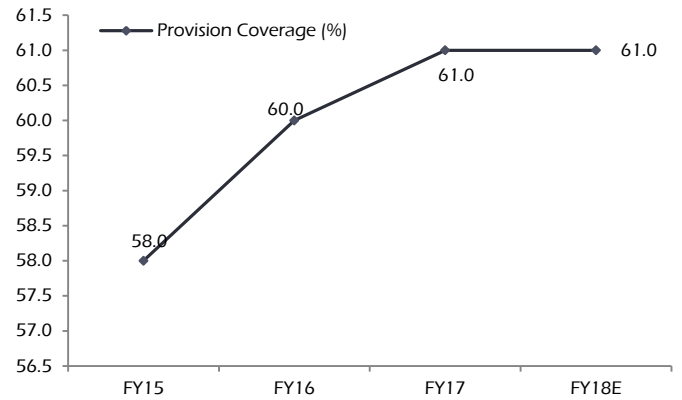


Source: Company, LKP Research

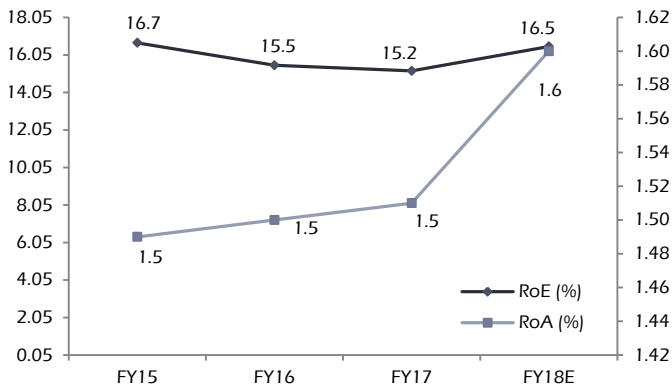
Gross NPA & Net NPA (%)



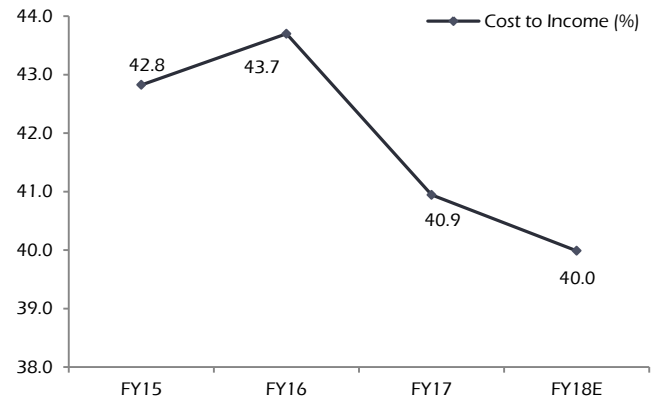
Provision Coverage Ratio (%)



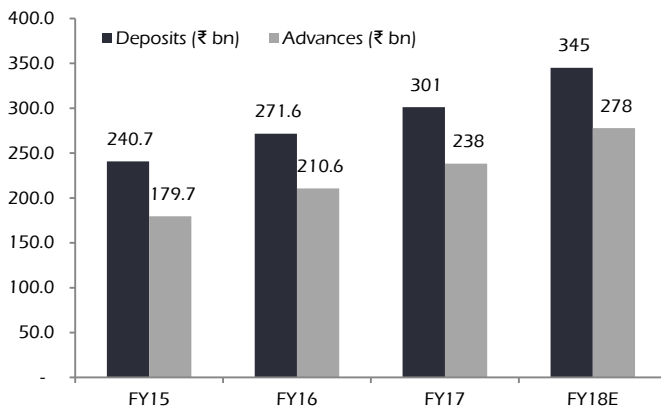
Return Ratios (%)



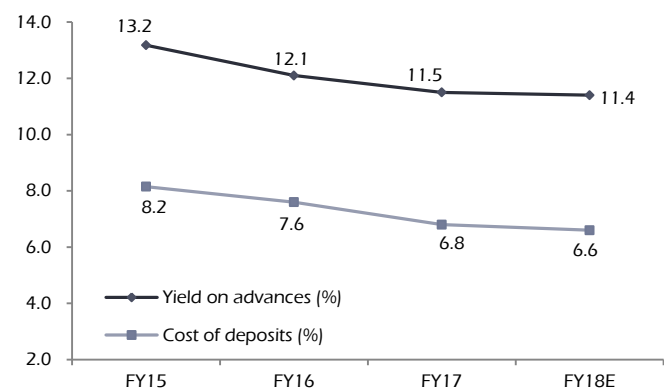
Cost to Income (%)



Deposits / Advances (₹ bn)



Yield on advances / Cost of deposits (%)



Source: Company, LKP Research

Financials
Income statement

YE Mar (₹. mn)	FY15	FY16	FY17	FY18E
Total Interest Earned	26,989	29,442	31,738	36,313
Interest expended	18,915	19,632	19,750	21,706
Net Interest Income	8,074	9,810	11,988	14,607
Other Income	4,041	4,100	4,839	5,160
Net Revenue	12,115	13,910	16,827	19,767
Operating Expenses	5,188	5,577	6,890	7,904
Operating Profit	6,927	8,333	9,938	11,863
Provisions	1,717	2,310	3,010	3,200
PBT	5,210	6,023	6,928	8,663
Tax	1,260	1,580	1,900	2,252
PAT	3,950	4,443	5,028	6,410

Balance sheet

YE Mar (₹. mn)	FY15	FY16	FY17	FY18E
Equity Capital	597	598	601	601
R&S	26,359	29,922	35,101	40,105
SHF	26,955	30,520	35,702	40,706
Deposits	240,750	271,581	301,157	345,000
Borrowing	1,688	6,645	5,310	6,150
Other Liabilities	9,318	9,296	10,538	11,059
Total Liabilities	278,711	318,042	352,707	402,915
Cash/Equivalent	25,367	26,504	28,790	31,676
Advances	179,655	210,569	238,327	277,900
Investments	63,653	68,265	70,315	78,300
Fixed Assets	2,105	2,176	2,151	2,385
Other Assets	7,931	10,530	13,125	12,654
Total Assets	278,711	318,042	352,707	402,915

Key Ratios

YE Mar	FY15	FY16	FY17	FY18E
Growth (%)				
NII Growth	6.0	22.0	22.2	21.8
Operating Profit Growth	19.0	20.0	19.3	19.4
PAT Growth	14.0	13.0	13.2	27.5
Business (%)				
Deposit Growth	9.0	12.8	10.9	14.6
Advances Growth	11.0	17.2	13.2	16.6
Business Growth	10.0	15.0	11.9	15.5
CD	74.6	77.5	79.1	80.6
CASA Share	18.0	19.2	20.4	22.5
Operating Efficiency (%)				
Cost to Income	42.8	43.7	40.9	40.0
Cost to Assets	1.9	1.9	2.1	2.1
Spread (%)				
Yield on advances	13.2	12.1	11.5	11.4
Cost of deposits	8.2	7.6	6.8	6.6
NIM	3.4	3.8	4.2	4.0
Capital Adequacy (%)				
Tier I	16.0	15.1	15.4	15.5
Tier II	0.5	0.5	0.5	0.5
Total CAR	16.5	15.6	15.8	16.0
Asset Quality (%)				
Gross NPAs	1.9	2.4	3.1	2.7
Net NPAs	1.3	1.5	2.0	1.7
Provision Coverage	58.0	60.0	61.0	61.0
Return Ratios (%)				
RoE	16.7	15.5	15.2	16.5
RoA	1.5	1.5	1.5	1.6
Per Share (₹)				
EPS	6.8	7.4	8.4	10.3
ABV	45.2	45.9	51.5	60.0
Valuation				
P/E (x)	24.0	22.2	19.5	15.9
P/ABV (x)	3.6	3.6	3.2	2.7

Source: Company, LKP Research

[Home](#)

Outperformer

Federal Bank

Industry: Banking | Industry View: Positive

LKP
Since 1948

Incorporated in the year 1949, Federal Bank Limited is a major commercial private sector bank headquartered at Aluva in Kerala. With a vision of being the 'Most Admired Bank' which is digitally enabled, there is a sharp focus on Micro, Medium and Middle market enterprises. Out of the total 1252 branches in India, the southern states make up for 878 branches indicating a strong foothold (70.12%) in South India and a dominant presence (47.93%) in Kerala itself.

Advances

Led by a strong momentum in advances towards the corporate sector which grew by 38% YoY, Federal Bank's loan book augmented to ₹ 733.47bn in FY17 (24.76% YoY). Advances towards the retail sector too increased at a healthy pace (26% YoY) while the prospects for SME sector advances remained positive marking a growth of 16% YoY. Federal Bank's loan book has resisted the uncertainties of the economy due to which the credit requirements had suffered a setback in FY17 and their credit growth has been significantly ahead of the industry average. Federal Bank has been focusing on integrated offerings along the supply chain to create better value for SME clients. Also, the bank has been pursuing inorganic loan growth opportunities with emphasis on robust credit delivery and management through regional credit underwriting hubs.

Deposits

CASA grew 23.85% YoY to ₹ 318 bn as CA increased by 27% YoY and SA increased by 23% YoY. Consequently, CASA as a share of deposits increased 13bps to 32.60% in FY17. Aided by the CASA growth, deposits augmented from ₹ 791.7bn in FY16 to ₹ 976.64bn in FY17. Consistent liability profile with a granular deposit portfolio remains core strength of the bank. Federal Bank focuses on growing low cost CASA which has been increasingly expanding.

Net Interest Margin (NIM)

Net interest margin of Federal Bank noted a positive movement from 3.1% in FY16 to 3.3% in FY17. With an impressive CASA as a share of deposits together with sustained spreads and strong bias towards retail funding, Federal Bank has been maintaining a stable trajectory of NIMs.

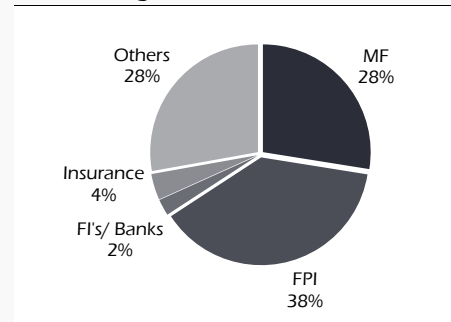
Asset Quality

Asset quality improved significantly with both Gross NPA and Net NPA decreasing to 2.33% (51bps YoY) and 1.28% (36bps YoY) respectively. Provision coverage ratio decreased 30bps YoY to 71.75% owing to slippages staying at a low level. Segregation of sourcing and underwriting has led to high quality assets. With early warning and remedial management processes in place together with a dedicated team to look after the recovery of potentially risky assets, Federal Bank has been focusing on continuous improvement in asset quality. Diminishing slippages with increased recoveries and reduced write-offs signify betterment in asset lending policies.

Stock Data

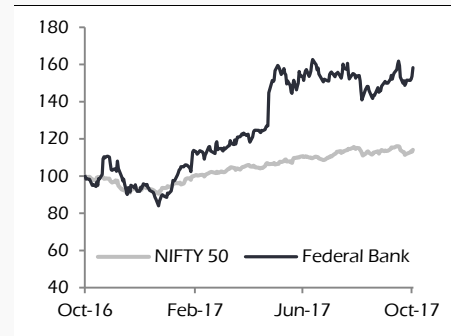
Current Market Price (₹)	117
1-Year Target Price (₹)	140
Potential upside (%)	20
FV (₹)	2
Reuters	FED.BO
Bloomberg	FB IN
Market Cap (₹ bn)	228
52-Week Range (₹)	122 / 62

Shareholding Pattern



Fiscal YE	FY15	FY16	FY17	FY18E
NII (₹ bn)	23.8	25.1	30.5	35.2
PAT (₹ bn)	10.1	4.8	8.3	9.5
Deposits (₹ bn)	708	792	977	1,147
Advances (₹ bn)	513	581	733	893
Business (₹ bn)	1,221	1,373.	1,710	2,040
Cost to Income (%)	50.0	57.1	53.4	52.7
Yield on advances (%)	11.5	10.4	10.0	9.8
Cost of deposits (%)	7.1	6.7	6.0	6.0
Gross NPAs (%)	2.0	2.8	2.3	2.4
Net NPAs (%)	0.7	1.6	1.3	1.4
Provision Coverage (%)	64.7	72.1	71.8	72.0
RoE (%)	13.7	6.0	9.8	12.0
RoA (%)	0.3	0.5	0.8	0.9
ABV (₹)	43.0	41.5	46.4	50.0
NIM (%)	3.2	3.0	3.1	3.0

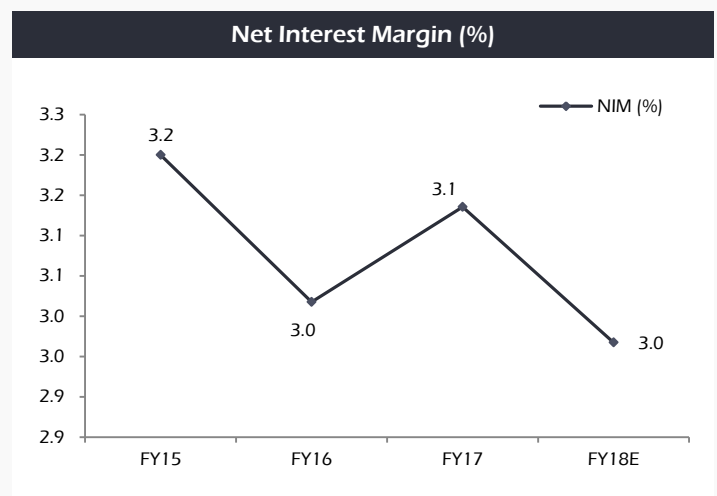
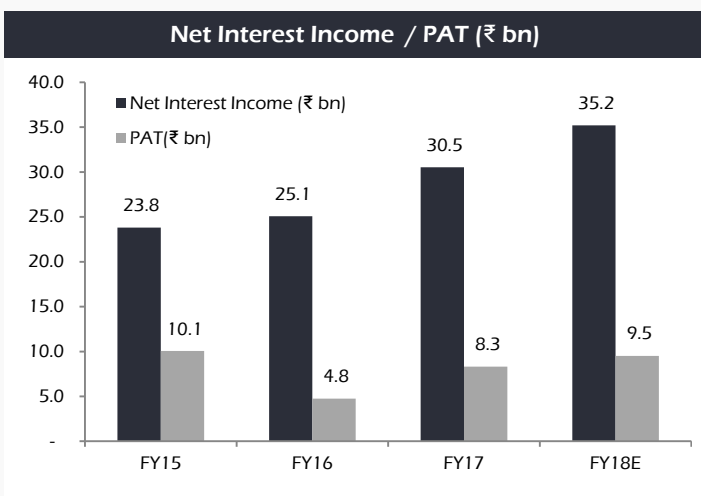
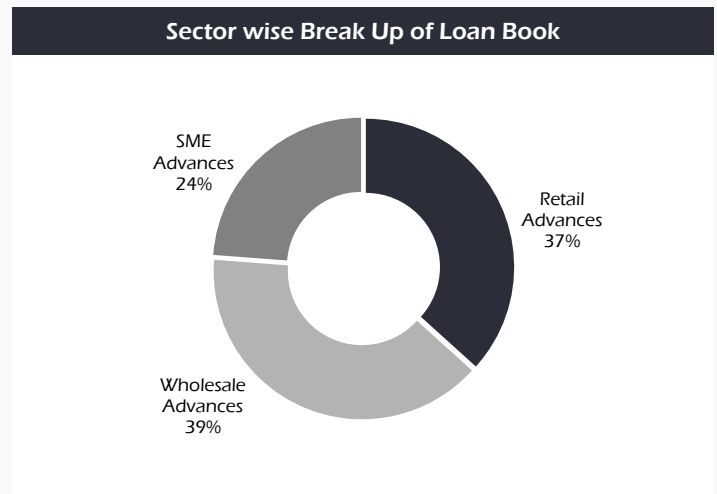
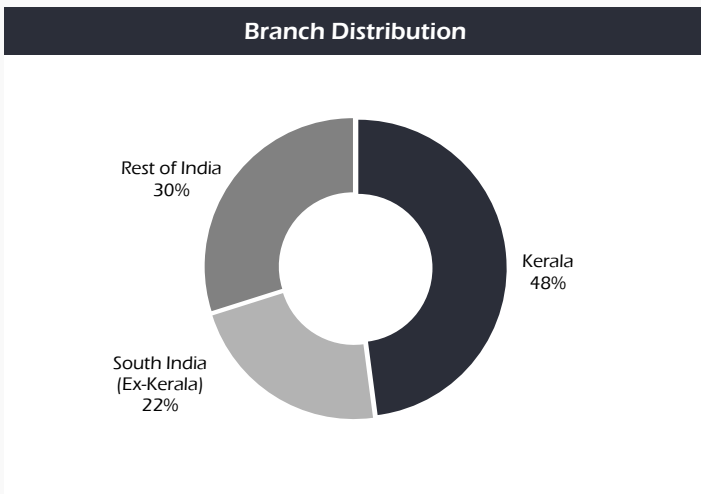
Relative Price Performance



Profitability

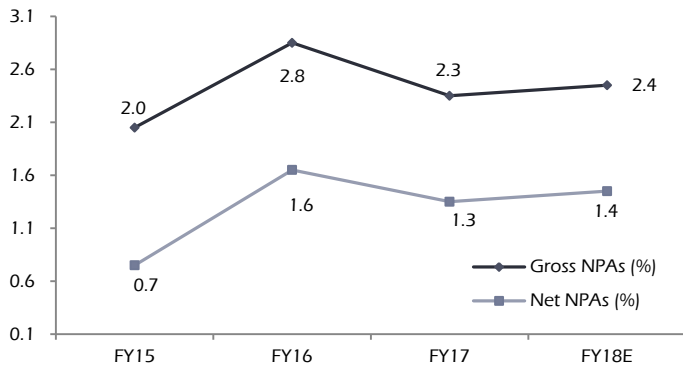
Operating profit increased to ₹ 19.24bn in FY17 (35.20% YoY) on account of a strong surge in other income which augmented to ₹ 10.82bn (33.85% YoY) and an increase in NII to ₹ 31bn (21.73% YoY). Fee income grew 24% in FY17 mainly led by 54% increase in loan processing fee income. Strong total income caused a decline in the Cost to Income ratio by 360bps YoY to 54.3% in FY17. Focus on increasing other income along with emphasis on continuous improvement of operating efficiency will assist improvement in Cost to Income ratio. PAT expanded significantly ₹ 8.30bn (74.66% YoY) mainly due to reduction in operating costs and exceptional increase in total income. The Return on Assets ratio improved 30bps YoY to 0.80% and the Return on Equity ratio enhanced 390bps YoY to 9.9% in FY17.

Federal Bank's growing loan book, strong and granular liability profile with a healthy CASA will be key drivers to a stable growth going forward. Federal Bank is currently trading at 2.3x FY18E ABV and we recommend an OUTPERFORMER with a one year price objective of ₹140.

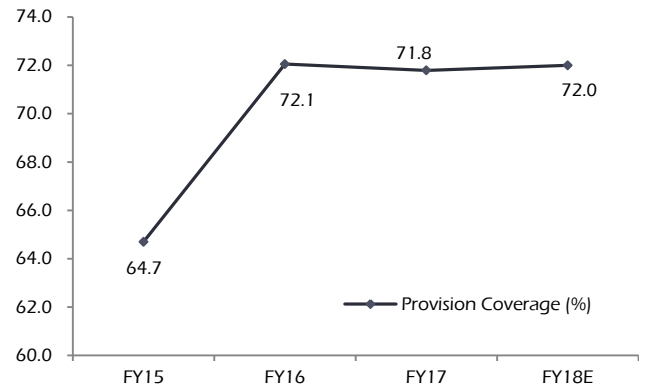


Source: Company, LKP Research

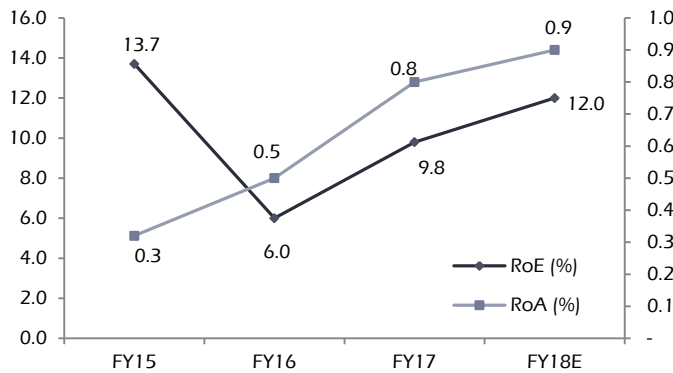
Gross NPA & Net NPA (%)



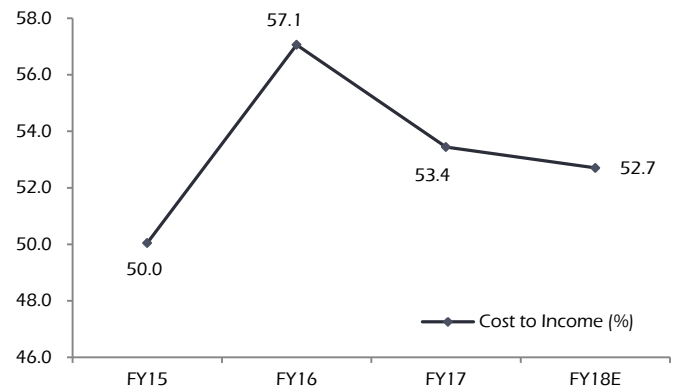
Provision Coverage Ratio (%)



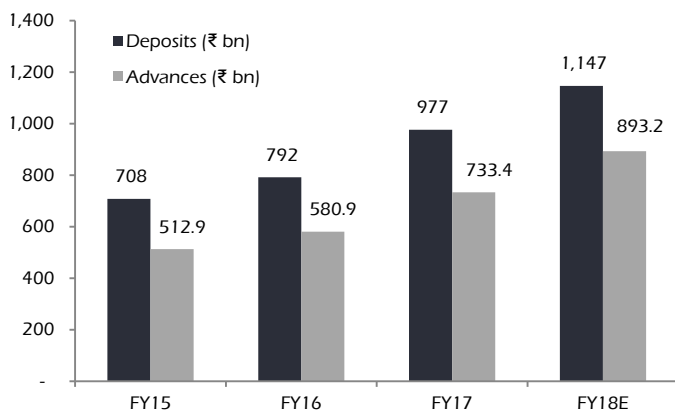
Return Ratios (%)



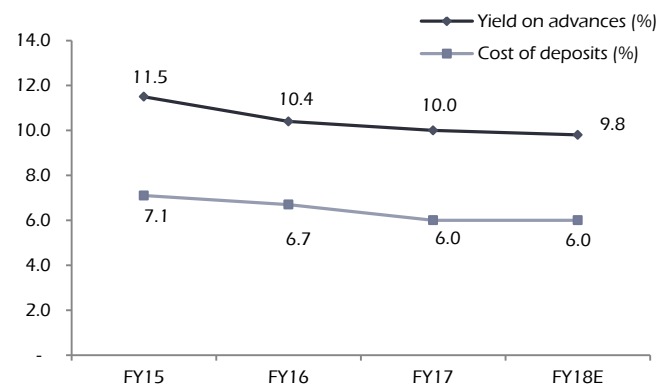
Cost to Income (%)



Deposits / Advances (₹ bn)



Yield on advances / Cost of deposits (%)



Source: Company, LKP Research

Financials
Income statement

YE Mar (₹. mn)	FY15	FY16	FY17	FY18E
Total Interest Earned	74,195	77,482	86,774	99,892
Interest expended	50,391	52,405	56,248	64,685
Net Interest Income	23,804	25,077	30,526	35,207
Other Income	8,783	8,082	10,818	11,900
Net Revenue	32,587	33,159	41,345	47,107
Operating Expenses (IV)	16,309	18,921	22,095	24,828
Operating Profit	16,278	14,238	19,249	22,280
Provisions	1,068	7,041	6,184	8,074
PBT	15,210	7,197	13,065	14,206
Tax	5,153	2,440	4,757	4,688
PAT	10,058	4,757	8,308	9,518

Balance sheet

YE Mar (₹. mn)	FY15	FY16	FY17	FY18E
Equity Capital	1,713	3,438	3,448	3,879
R&S	75,669	77,475	85,975	119,916
SHF	77,382	80,913	89,423	123,795
Deposits	708,250	791,717	976,646	1,146,901
Borrowing	23082	21766	58,973	57070
Other Liabilities	19791	19905	24,727	23680
Total Liabilities	828,505	914,301	1,149,769	1,351,446
Cash/Equivalent	47801	54,199	74,522	87,715
Advances	512,850	580,901	733,363	893,180
Investments	244,092	222,175	281,960	302,170
Fixed Assets	4,666	5,200	4,895	5,098
Other Assets	19,096	51,826	55,029	63,283
Total Assets	828,505	914,301	1,149,769	1,351,446

Key Ratios

YE Mar	FY15	FY16	FY17	FY18E
Growth (%)				
NII Growth	6.80	5.20	21.73	15.33
Operating Profit Growth	10.00	-12.53	35.20	15.74
PAT Growth	19.90	-52.71	74.66	14.56
Business (%)				
Deposit Growth	18.60	11.80	23.36	17.43
Advances Growth	18.10	13.30	26.20	21.79
Business Growth	18.40	12.40	24.60	19.30
Credit to Deposit	72.40	73.40	75.10	77.88
CASA Share	30.80	32.90	32.60	32.20
Operating Efficiency (%)				
Cost to Income	50.05	57.06	53.44	52.70
Cost to Assets	2.20	2.17	2.14	1.99
Spread (%)				
Yield on advances	11.50	10.40	10.00	9.80
Cost of deposits	7.10	6.70	6.00	6.00
NIM	3.20	3.10	3.30	3.10
Capital Adequacy (%)				
Tier I	14.80	13.40	11.80	11.10
Tier II	0.70	0.60	0.60	0.60
Total CAR	15.50	14.00	12.40	11.70
Asset Quality (%)				
Gross NPAs	2.00	2.80	2.30	2.40
Net NPAs	0.70	1.60	1.30	1.40
Provision Coverage	64.7	72.1	71.8	72.0
Return Ratios (%)				
RoE	13.70	6.00	9.80	12.00
RoA	0.32	0.50	0.80	0.90
Per Share (₹)				
EPS	5.90	2.80	4.80	6.50
ABV	43.00	41.50	46.40	50.00
Valuation				
P/E (x)	19.95	42.04	24.52	18.11
P/ABV (x)	2.72	2.82	2.52	2.34

Source: Company, LKP Research

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Incorporated in the year 1924, Karnataka Bank Limited (KTK) is an old generation private sector bank headquartered at Mangalore in Karnataka. KTK has 769 branches and 1398 ATMs with a strong foothold in South India (77.6%) especially due to a dominant presence in Karnataka (61.5%). With the tagline "Your Family Bank. Across India", KTK offers a wide variety of corporate & retail banking products and services to over 8.9mn customers.

Advances

Led by a strong surge in advances towards the priority sector, KTK's loan book augmented to ₹ 370bn in FY17 (9.15% YoY). The market share of KTK in loans and advances was 0.48% and lending under various socio-economic schemes has shown decent progress. A positive outlook in the economic scenario along with an improvement in manufacturing & service sector performance will ensure credit expansion. KTK aims to push retail loan segment by holding housing & car loan campaigns and the government's inclusive growth agenda may also bring additional credit requirements.

Deposits

KTK's CASA expanded 24.23% YoY in FY17 to ₹ 164.73bn and CASA as a share of deposits increased 277bps to 29.04%. Aided by the CASA growth, deposits augmented from ₹ 504.88bn in FY16 to ₹ 567.33bn in FY17. With an objective of growing low cost CASA, KTK is resorting to aggressive marketing and CASA campaigns in order to reach out to new clients.

NIM

In FY17, Net interest margin of KTK remained stable at 2.45%. Resiliency in NIM can be attributed to decline in cost of funds which has been in tandem with the fall witnessed in yield on advances. ALM mismatches have been low and there has been a strong bias towards retail funding which have kept the NIMs steady.

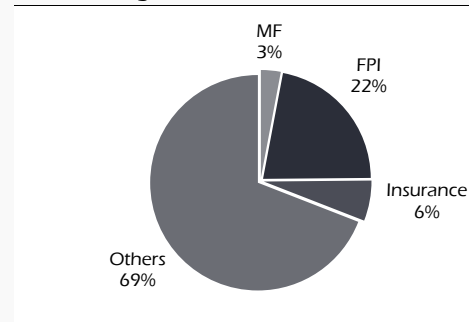
Asset Quality

In view of continuing slowdown in the economy and delinquencies in select sectors, KTK's Gross NPA and Net NPA increased to 4.21% (77bps YoY) and 2.64% (29bps YoY) respectively in FY17. On a positive note, Provision Coverage Ratio (PCR) has improved from 48.39% in FY16 to 54% in FY17. Over the years, the composition of the loan book has changed significantly in favour of retail advances thereby reducing the share of corporate segment which forms a substantial portion of stressed assets. Strengthening of credit quality initiatives, risk management practices and asset lending policies with a dedicated focus on reducing slippages will ensure improvement in asset quality.

Stock Data

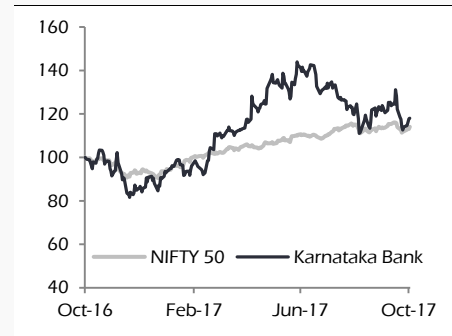
Current Market Price (₹)	147
1-Year Target Price (₹)	180
Potential upside (%)	23
FV (₹)	10
Reuters	KBNK.BO
Bloomberg	KBL IN
Market Cap (₹ bn)	41
52-Week Range (₹)	181 / 100

Shareholding Pattern



Fiscal YE	FY15	FY16	FY17	FY18E
NII (₹ bn)	11.7	13.0	14.9	17.2
PAT (₹ bn)	4.5	4.1	4.5	4.9
Deposits (₹ bn)	460.1	504.9	567.3	657.0
Advances (₹ bn)	316.8	339.0	370.0	407.0
Business (₹ bn)	776.9	843.9	937.4	1,064.0
Cost to Income (%)	53.8	53.7	56.7	55.6
Yield on advances (%)	12.0	11.6	10.8	11.1
Cost of deposits (%)	7.9	7.5	6.7	6.8
Gross NPAs (%)	3.0	3.4	4.2	3.5
Net NPAs (%)	2.0	2.4	2.6	2.1
Provision Coverage (%)	50.5	48.4	54.0	52.0
RoE (%)	14.0	11.7	10.2	10.6
RoA (%)	0.9	0.8	0.7	0.8
ABV (₹)	143.0	153.0	147.0	164.0
NIM (%)	2.4	2.4	2.5	2.5

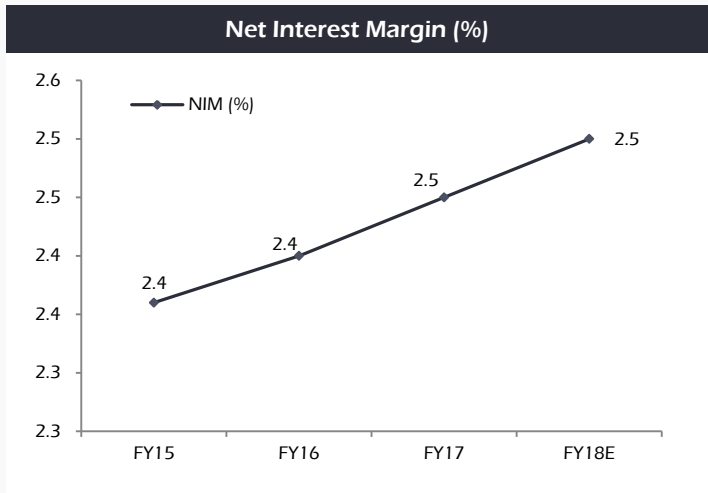
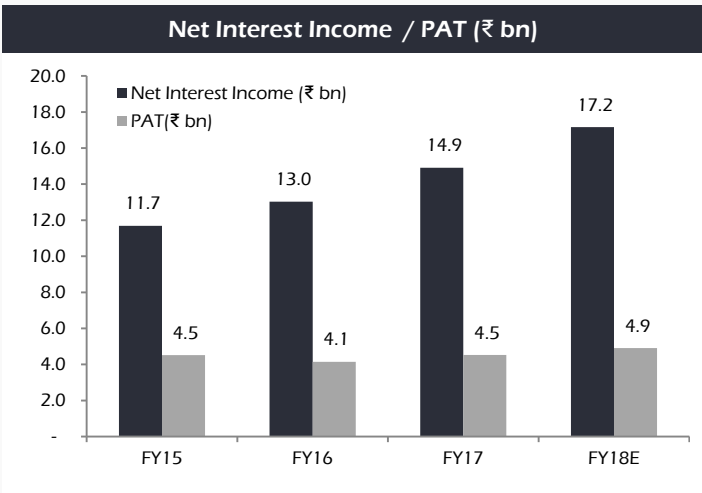
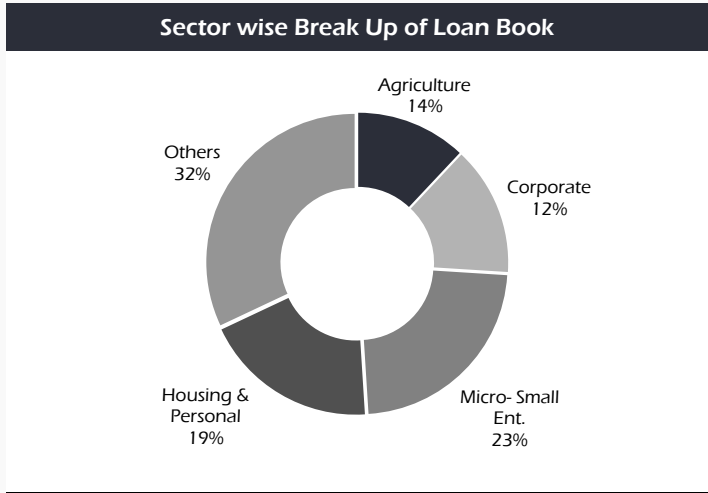
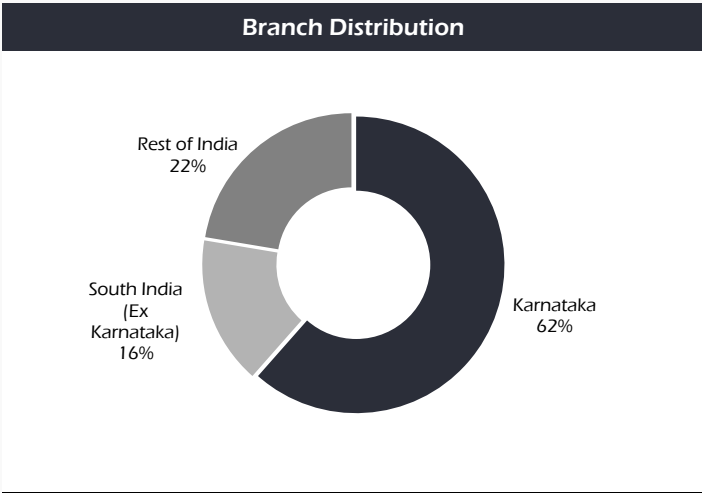
Relative Price Performance



Profitability

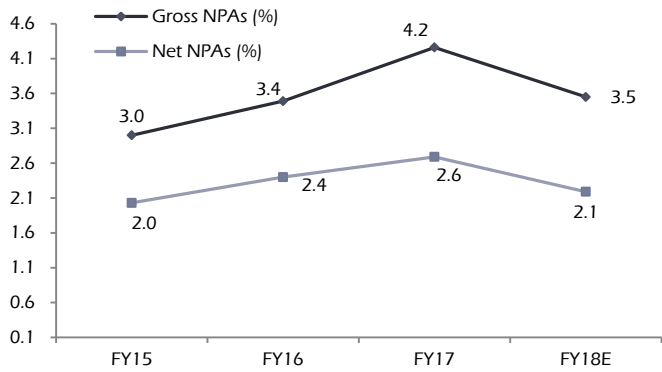
Operating profit increased to ₹9.96 bn in FY17 (16.53% YoY) on account of a strong surge in other income which augmented to ₹8.09 bn (49.09% YoY) and an increase in NII to ₹ 14.91bn (14.41% YoY). Focus on increasing other income along with emphasis on continuous improvement of operating efficiency will assist improvement in Cost to Income ratio which increased 302bps YoY to 56.7% in FY17. The Return on Assets ratio and Return on Equity ratio declined 2bps YoY to 0.74% and 149bps YoY to 10.24% respectively.

Based on the prediction of normal monsoon and pick up in manufacturing activity, the economic scenario is on a verge of an improvement. Demographic shifts in terms of income levels and cultural shifts in terms of lifestyle aspirations are changing the profile of the Indian consumer which is regarded as a key driver of economic growth going forward. Government’s focus on reviving the rural economy will support rural consumption demand more enduringly and may ultimately lead to increased opportunities. KTK is currently trading at 0.9x FY18E ABV and we recommend an **OUTPERFORMER** with a one year price objective of ₹180.

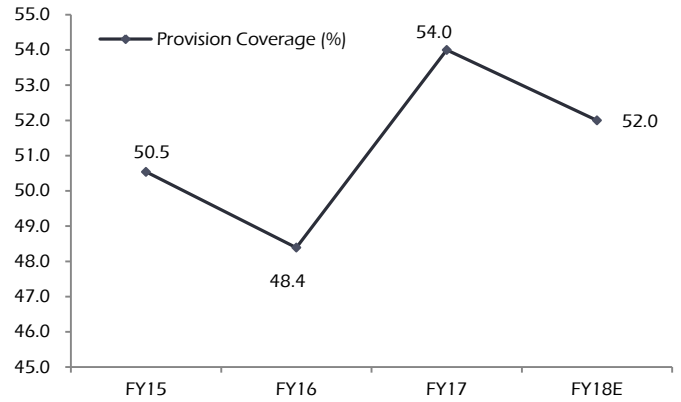


Source: Company, LKP Research

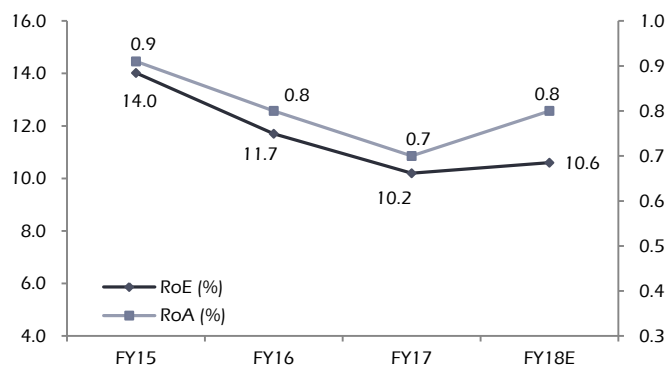
Gross NPA & Net NPA (%)



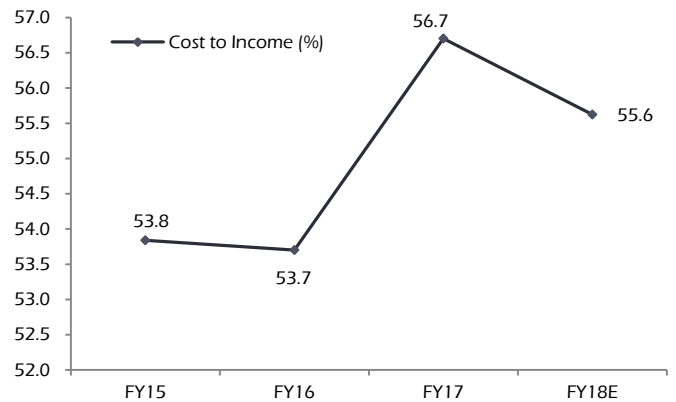
Provision Coverage Ratio (%)



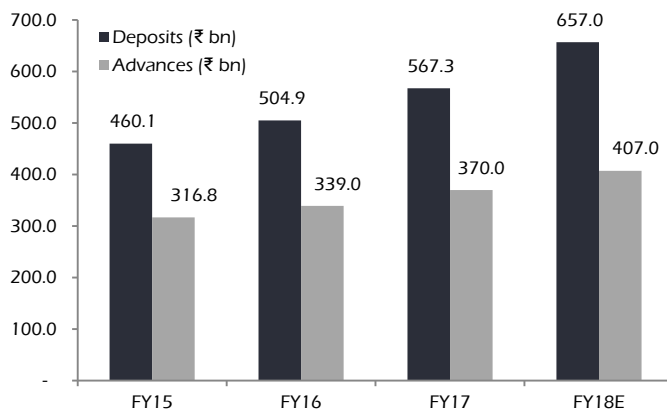
Return Ratios (%)



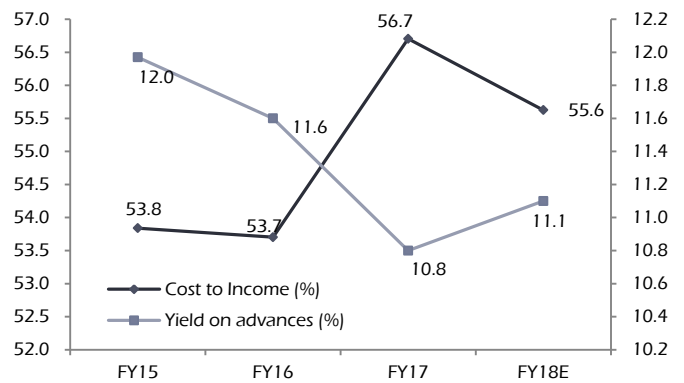
Cost to Income (%)



Deposits / Advances (₹ bn)



Yield on advances / Cost of deposits (%)



Source: Company, LKP Research

Financials
Income statement

YE Mar (₹.mn)	FY15	FY16	FY17	FY18E
Total Interest Earned	46,984	49,922	51,854	58,050
Interest expended	35,296	36,893	36,948	40,890
Net Interest Income	11,688	13,029	14,906	17,160
Other Income	5,070	5,429	8,093	6,750
Net Revenue	16,758	18,457	23,000	23,910
Operating Expenses (IV)	9,025	9,912	13,042	13,300
Operating Profit	7,734	8,545	9,958	10,610
Provisions	2,239	3,270	3,835	3,800
PBT	5,495	5,275	6,123	6,810
Tax	978	1,130	1,600	1,900
PAT	4,516	4,145	4,523	4,910

Balance sheet

YE Mar (₹.mn)	FY15	FY16	FY17	FY18E
Equity Capital	1,885	1,885	2,826	2,826
R&S	32,006	35,021	48,600	52,774
SHF	33,891	36,906	51,426	55,600
Deposits	460,086	504,882	567,331	657,000
Borrowing	10,378	10,515	8,326	8,743
Other Liabilities	14,012	12,701	14,182	15,175
Total Liabilities	518,366	565,003	641,265	736,518
Cash/Equivalent	26,141	30,449	32,740	37,651
Advances	316,800	339,024	370,036	407,040
Investments	140,317	162,567	202,197	242,637
Fixed Assets	2,919	3,066	7,206	7,926
Other Assets	32,189	29,897	29,086	41,263
Total Assets	518,366	565,003	641,265	736,518

Key Ratios

YE Mar	FY15	FY16	FY17	FY18E
Growth (%)				
NII Growth	10.70	11.47	14.41	15.12
Operating Profit Growth	12.52	10.49	16.53	6.55
PAT Growth	45.02	(8.21)	9.10	8.57
Business (%)				
Deposit Growth	13.37	9.74	12.37	15.81
Advances Growth	11.77	7.02	9.15	10.00
Business Growth	12.57	8.63	11.07	13.51
Credit to Deposit	68.86	67.15	65.22	61.95
CASA Share	24.94	26.30	29.00	27.50
Operating Efficiency (%)				
Cost to Income	53.84	53.70	56.70	55.63
Cost to Assets	1.74	1.83	2.16	1.93
Spread (%)				
Yield on advances	11.97	11.60	10.80	11.10
Cost of deposits	7.87	7.50	6.70	6.80
NIM	2.36	2.40	2.45	2.50
Capital Adequacy (%)				
Tier I	10.52	10.60	12.20	12.00
Tier II	1.89	1.50	1.10	0.80
Total CAR	12.41	12.10	13.30	12.80
Asset Quality (%)				
Gross NPAs	2.95	3.44	4.21	3.50
Net NPAs	1.98	2.35	2.64	2.14
Provision Coverage	50.54	48.39	54.00	52.00
Return Ratios (%)				
RoE	14.02	11.70	10.20	10.60
RoA	0.91	0.80	0.70	0.80
Per Share (₹)				
EPS	23.96	22.00	16.00	20.00
ABV	143.00	153.00	147.00	164.00
Valuation				
P/E (x)	6.14	6.68	9.19	7.35
P/ABV (x)	1.03	0.96	1.00	0.90

Source: Company, LKP Research

[Home](#)

Headquartered in Karur, Tamil Nadu, Karur Vysya Bank (KVB) is one of the oldest private sector banks in India. Set up in 1916, it has a continuing history of uninterrupted dividend declaration. KVB was the first bank to get permission from RBI to issue bonus shares and it last issued bonus shares in September, 2010. 606 out of the total 711 branches are based in the southern states with 377 branches in the state of Tamil Nadu itself indicating a dominant presence in that region.

Advances

Led by a tepid growth in advances towards the corporate and retail sector, KVB's loan book marked a muted expansion to ₹ 414.35bn in FY17 (4.67% YoY). Improvement in economic scenario and betterment in performance of segments like Housing, Vehicles and Trade & Distribution which forms a substantial portion of the retail and corporate advances will ensure a pick-up in credit off-take. KVB plans to focus on working capital loans which enable quicker re-pricing and resist the interest rates volatility. The top 20 borrowers make up for 10% of the total loan book in FY17 and this figure has significantly come down from 26% in FY10 indicating a granular focus.

Deposits

CASA grew 27.53% YoY to ₹ 149bn led by SA which increased by 30% YoY. From ₹ 25bn in FY10, SA has marked a significant expansion to ₹ 100bn in FY17. Consequently, CASA as a share of deposits increased 443bps to 27.73% in FY17. KVB had seen a strong surge in its CASA post demonetization; though there were some outflows in the deposits subsequently, overall CASA share remains fairly healthy. Aided by the CASA growth, total deposits augmented from ₹ 500.8bn in FY16 to ₹ 537bn in FY17. A granular liability profile can be attributed to KVB with top 20 depositors contributing to only 7% of the total deposits in FY17.

Net Interest Margin (NIM)

In FY17, NIM rose to 3.70% from 3.42% in FY16 marking an increase of 27 bps. Low cost CASA which has shown extremely strong momentum in KVB's deposit book is a main reason for healthy NIM. However, consequent slippages and interest reversal may have an adverse effect on NIM.

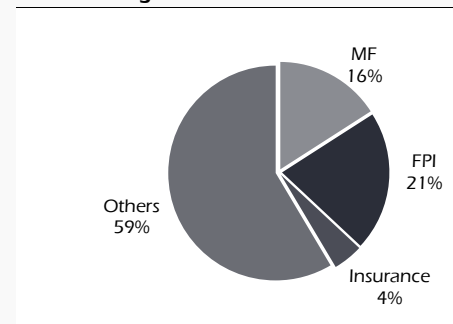
Asset Quality

KVB's asset quality remains a major issue with its GNPA increasing 230bps YoY to 3.60% and NNPA increasing 190bps YoY to 2.50. With elevated slippages, the Provision Coverage Ratio (PCR) has come down marginally from 58.0% in FY16 to 57.8% in FY17. A high percentage of KVB's advances are towards a sector that forms a substantial portion of the stressed assets which indicates deteriorating asset quality. Lower PCR implies higher credit costs going forward and lumpy delinquencies from its corporate loan book are a major worry going forward. However, with a close watch on the asset lending policies and momentum in the recovery process, KVB's asset quality can be expected to resist further deterioration.

Stock Data

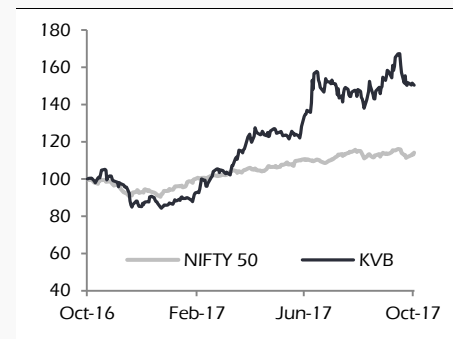
Current Market Price (₹)	145
1-Year Target Price (₹)	165
Potential upside (%)	14
FV (₹)	2
Reuters	KARU.BO
Bloomberg	KVB IN
Market Cap (₹ bn)	76
52-Week Range (₹)	161 / 80

Shareholding Pattern



Fiscal YE	FY15	FY16	FY17	FY18E
NII (₹ bn)	14.7	17.8	20.7	23.8
PAT (₹ bn)	4.6	5.7	6.1	7.6
Deposits (₹ bn)	446.9	500.8	537.0	590.7
Advances (₹ bn)	361.1	390.8	409.1	450.0
Business (₹ bn)	808.0	891.6	946.1	1,040.7
Cost to Income (%)	53.9	47.6	45.0	46.0
Yield on advances (%)	12.1	11.7	11.3	11.1
Cost of deposits (%)	8.0	7.4	6.6	6.2
Gross NPAs (%)	1.9	1.3	3.6	4.0
Net NPAs (%)	0.8	0.6	2.5	2.5
Provision Coverage (%)	59.0	58.0	57.8	58.0
RoE (%)	12.0	12.4	12.0	12.2
RoA (%)	0.9	1.0	1.0	1.0
ABV (₹)	65.2	71.5	65.7	75.1
NIM (%)	2.8	3.4	3.7	3.7

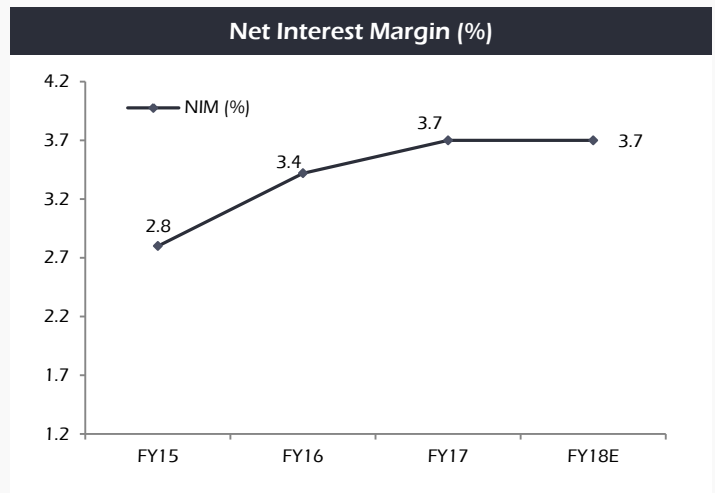
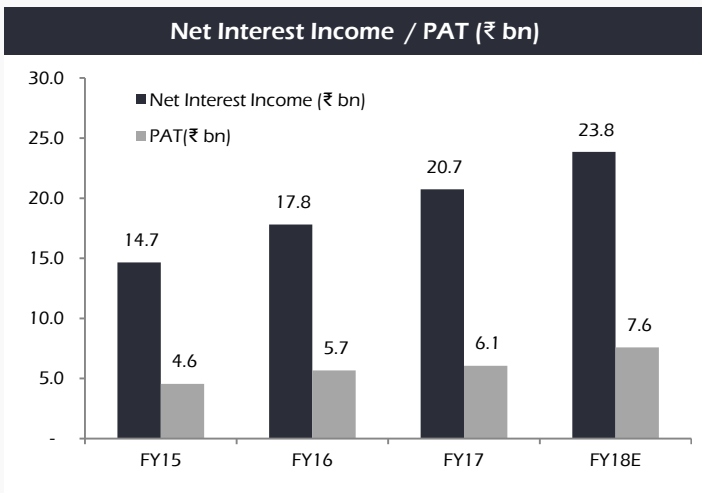
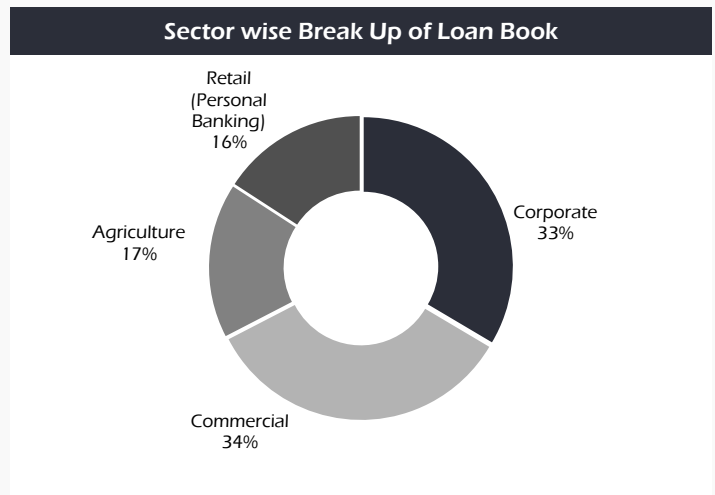
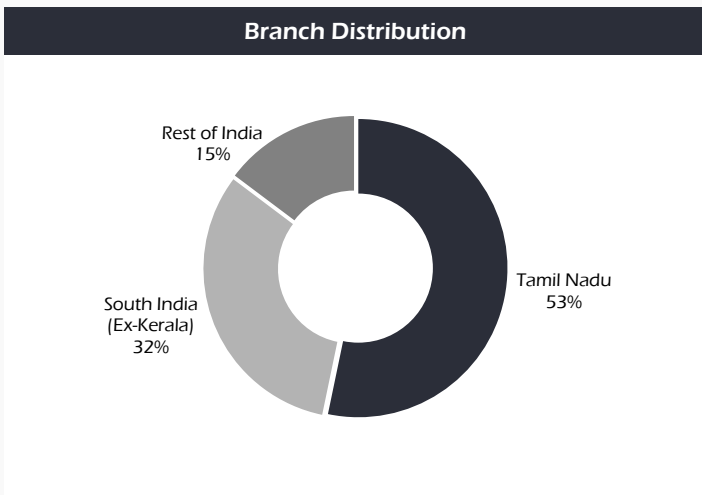
Relative Price Performance



Profitability

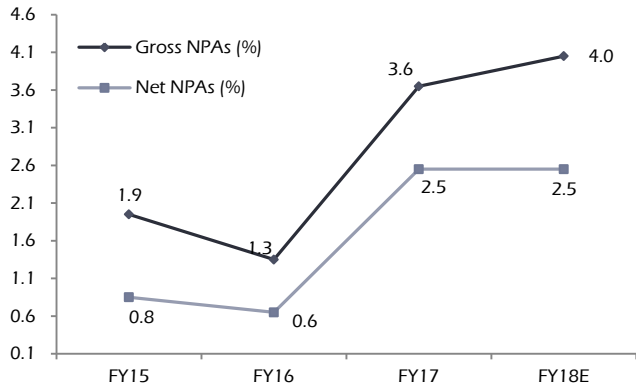
Operating profit increased to ₹ 15.7bn in FY17 (20.56% YoY) on account of a strong surge in NII to ₹ 20.7bn (16.41% YoY). Other income of the bank has remained strong in FY17 marking an increase of 10.7% YoY due to higher transactions and ATM related fees. Due to a larger increase of net revenue (14.8% YoY) over the operating expenses (8.4% YoY), the Cost to Income ratio of KVB has reduced from 47.63% in FY16 to 44.99% in FY17. Higher provisioning has restricted the PAT to ₹ 6bn (6.76% YoY). The Return on Equity ratio declined 40bps YoY to 12.% and the Return Equity ratio has remained flat at 1% in FY17. With an objective to raise capital to meet the incremental growth going forward and strong traction in other income will ensure a positive impact on the return ratios.

Despite the asset quality issues, KVB has maintained strong return ratios and healthy NIMS. With control over costs and improving operating efficiency, KVB remains a strong contender amongst its peers. KVB is currently trading at 1.9x FY18E ABV and we recommend an OUTPERFORMER with a one year price objective of ₹165

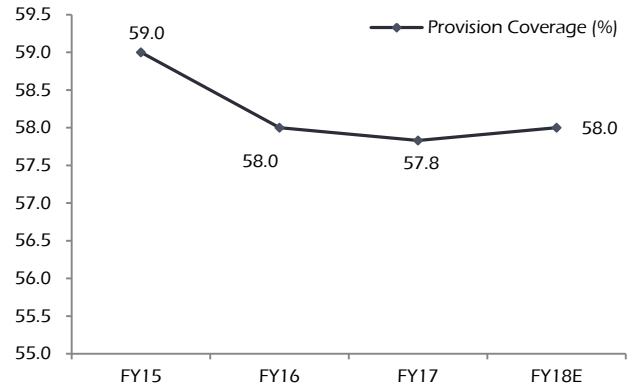


Source: Company, LKP Research

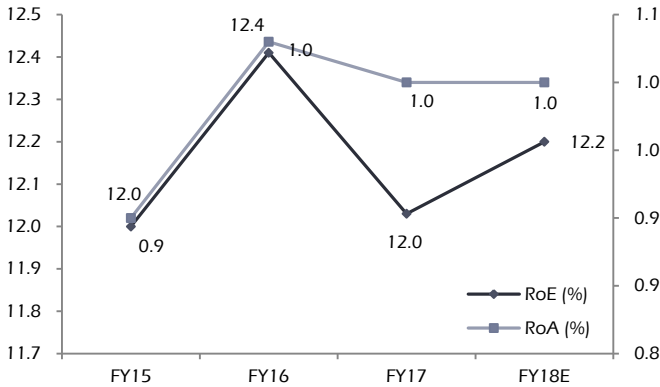
Gross NPA & Net NPA (%)



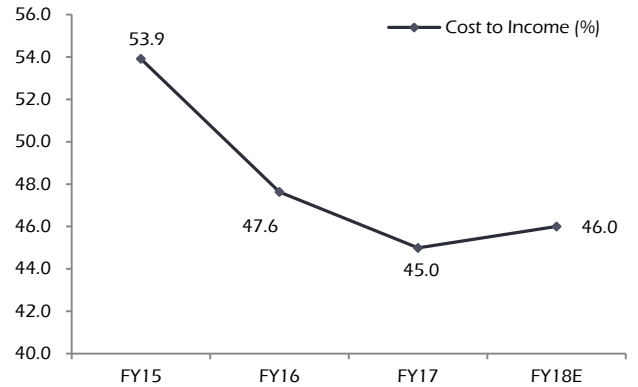
Provision Coverage Ratio (%)



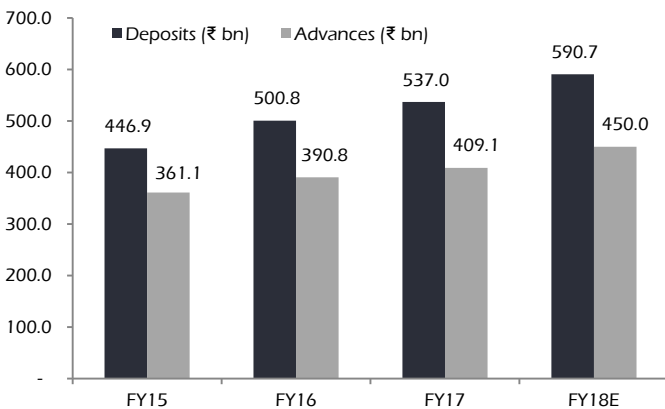
Return Ratios (%)



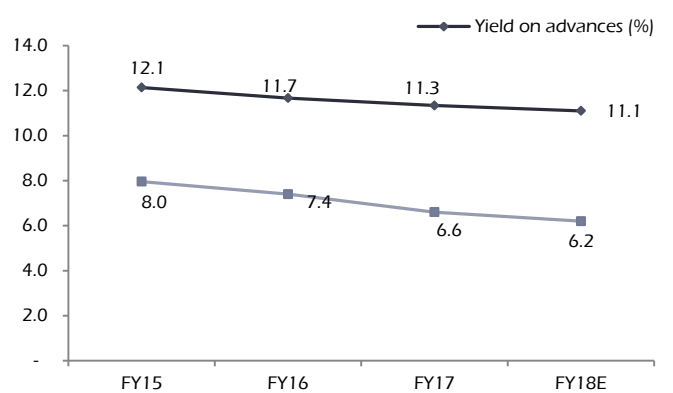
Cost to Income (%)



Deposits / Advances (₹ bn)



Yield on advances / Cost of deposits (%)



Source: Company, LKP Research

Financials
Income statement

YE Mar (₹.mn)	FY15	FY16	FY17	FY18E
Total Interest Earned	53,959	54,434	56,224	64,657
Interest expended	39,300	36,620	35,486	40,809
Net Interest Income	14,659	17,814	20,737	23,848
Other Income	5,808	7,068	7,822	8,761
Net Revenue	20,467	24,882	28,559	32,608
Operating Expenses (IV)	11,034	11,851	12,850	14,777
Operating Profit	9,433	13,031	15,710	17,831
Provisions	4,810	3,914	6,870	6,500
PBT	4,623	9,116	8,840	11,331
Tax	70	3,440	2,780	3,739
PAT	4,553	5,676	6,060	7,592

Balance sheet

YE Mar (₹.mn)	FY15	FY16	FY17	FY18E
Equity Capital	1,216	1,219	1,219	1,219
R&S	41,244	44,511	49,138	52,960
SHF	42,460	45,729	50,357	54,179
Deposits	446,903	500,789	536,998	590,698
Borrowing	29,008	28,942	16,957	15,400
Other Liabilities	13,154	14,386	13,765	14,200
Total Liabilities	531,525	589,847	618,076	674,477
Cash/Equivalent	27,491	28,916	43,451	38,000
Advances	361,089	390,844	409,077	449,985
Investments	127,730	144,427	148,575	163,432
Fixed Assets	4,112	4,201	4,186	4,605
Other Assets	11,103	21,459	12,787	18,455
Total Assets	531,525	589,847	618,076	674,477

Key Ratios

YE Mar	FY15	FY16	FY17	FY18E
Growth (%)				
NII Growth	14.20	21.50	16.41	15.00
Operating Profit Growth	12.60	38.14	20.56	13.51
PAT Growth	6.00	24.67	6.76	25.29
Business (%)				
Deposit Growth	2.10	12.06	7.23	10.00
Advances Growth	6.20	8.24	4.67	10.00
Business Growth	4.15	10.35	6.11	10.00
Credit to Deposit	80.80	78.05	76.18	76.18
CASA Share	22.00	23.30	27.73	30.00
Operating Efficiency (%)				
Cost to Income	53.91	47.63	44.99	46.00
Cost to Assets	2.08	2.11	2.13	2.29
Spread (%)				
Yield on advances	12.14	11.67	11.34	11.10
Cost of deposits	7.96	7.40	6.60	6.20
NIM	2.80	3.42	3.70	3.70
Capital Adequacy (%)				
Tier I	13.60	11.30	11.70	12.00
Tier II	1.00	0.90	0.80	0.80
Total CAR	14.60	12.20	12.50	12.80
Asset Quality (%)				
Gross NPAs	1.90	1.30	3.60	4.00
Net NPAs	0.80	0.60	2.50	2.50
Provision Coverage	59.00	58.00	57.83	58.00
Return Ratios (%)				
RoE	12.00	12.41	12.03	12.20
RoA	0.90	1.03	1.00	1.00
Per Share (₹)				
EPS	7.50	9.30	10.00	10.70
ABV	65.20	71.50	65.70	75.10
Valuation				
P/E (x)	19.33	15.59	14.50	13.55
P/ABV (x)	2.22	2.03	2.21	1.93

Source: Company, LKP Research

[Home](#)

Lakshmi Vilas Bank (LVB) is an old generation private sector bank incorporated in the year 1926. Headquartered in Chennai, LVB has granular customer segmentation and a customer base of 2.8Mn. With a substantial foothold in the Southern states (85%) and a dominant presence in Tamil Nadu (56%), LVB has a network of 480 branches and 958 ATMs across 16 states in India. In FY17, for the first time in its 90 year history, LVB accessed the public markets to raise direct equity which it did through a successful QIP to the extent of ₹1.68 bn.

Advances

The loan book of LVB augmented to ₹237 bn in FY17 marking an increase of 20.8% YoY mainly driven by growth in advances towards the retail and MSME sector. With an intention to expand retail portfolio in its loan book, LVB aims to make its presence felt in mortgage loans and eventually grow in the two & four wheeler segment. India has steadily been improving in these sectors mainly due to population growth, urbanization, increase in disposable income, emergence of nuclear families, and up gradation in standard of living. LVB continues to focus on working capital financing ensuring stable asset quality due to backing from business cash flows and shorter period of advances.

Deposits

Deposits grew by 20.14% from ₹254 bn in FY16 to ₹306 bn in FY17 led by a 32.24% YoY growth in CASA deposits which augmented to ₹58 bn. CASA as a share of deposits increased 175bps to 19.11% in FY17. As compared to its regional peers, LVB's CASA as a share of deposits is low and thus the management is focused on expanding CASA through customer base enlargement, increasing branch network, competitive interest rates, new services and innovative technology. Though LVB has a very strong retail deposit franchise, maturities have been relatively small. Since rate changes happen only when deposit maturity and replacement occurs, LVB has not been able to take advantage of reducing cost of deposits.

Net Interest Margin (NIM)

In FY17, LVB's NIM increased 7bps to 2.85%. Focus on enlarging the share of low cost CASA will enable LVB to bring down its overall cost of deposits ensuring an improvement in NIM. Bias towards retail funding with low ALM mismatches will stabilize NIM going forward.

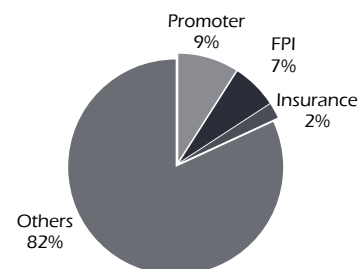
Asset Quality

Gross NPA deteriorated to 2.67% (67bps YoY) and Net NPAs declined to 1.76% (56bps YoY). During the year, LVB has taken steps to improve borrower selection and credit assessment. Credit monitoring has been strengthened and the follow up methodology was further improved. Conduct of high value credit portfolio was put under constant monitoring. Wherever stress was noticed, immediate remedial steps were taken and stressed assets were nursed. The Provision Coverage Ratio (PCR) has declined to 59.51% (904bps YoY). However, a low percentage of advances are towards the sectors that form a substantial portion of the stressed assets indicating stability in quality of assets.

Stock Data

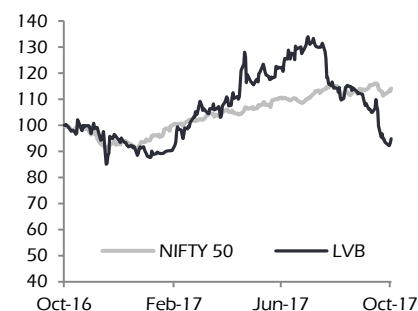
Current Market Price (₹)	148
1-Year Target Price (₹)	175
Potential upside (%)	18
FV (₹)	10
Reuters	LVLS.BO
Bloomberg	LVB IN
Market Cap (₹ bn)	28
52-Week Range (₹)	210 / 125

Shareholding Pattern



Fiscal YE	FY15	FY16	FY17	FY18E
NII (₹ bn)	5.3	6.5	7.8	9.0
PAT (₹ bn)	1.4	1.8	2.6	3.5
Deposits (₹ bn)	219.6	254.3	305.5	366.6
Advances (₹ bn)	163.5	196.4	237.3	284.7
Business (₹ bn)	383.2	450.7	542.8	651.4
Cost to Income (%)	53.6	57.1	50.7	50.1
Yield on advances (%)	12.8	12.2	11.3	10.9
Cost of deposits (%)	8.6	8.2	7.3	6.8
Gross NPAs (%)	2.8	2.0	2.7	2.4
Net NPAs (%)	1.8	1.2	1.8	1.5
Provision Coverage (%)	60.8	68.6	59.5	63.0
RoE (%)	10.1	11.7	14.4	14.0
RoA (%)	0.6	0.7	0.83	0.9
ABV (₹)	82.4	88.7	102.7	110.0
NIM (%)	2.4	2.8	2.9	3.0

Relative Price Performance

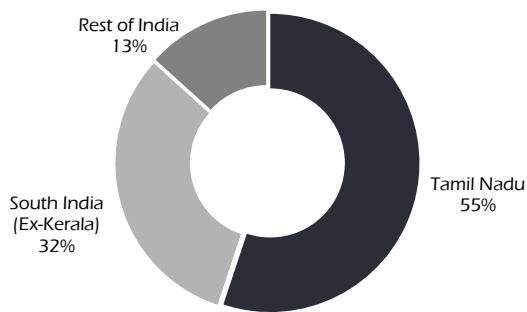


Profitability

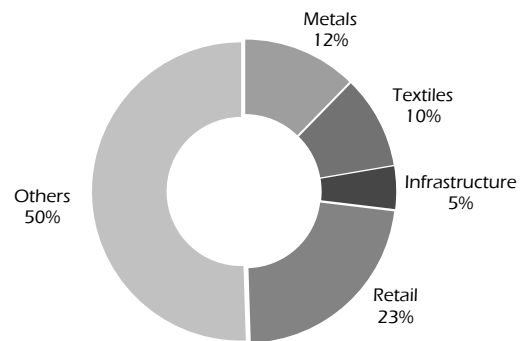
Led by a 65% YoY growth in other income and 21% increase in NII, operating profit of LVB has expanded to ₹6.3 bn (56% YoY). The operating cost will be moderate going forward as LVB was in an investment phase encouraging staff augmentation. Focus on increasing other income will further assist improvement in Cost to Income ratio which has reduced 646bps to 50.67% in FY17. Low provisioning has enabled PAT to expand 42% YoY to ₹2.5bn. The Return on Assets ratio improved 13bps YoY to 0.83% and the Return Equity ratio enhanced 265bps to 14.39% in FY17.

Sustained branch productivity with aggressive expansion, implementation of innovative technology and continued focus staff training along with brand building signify healthy growth for LVB going forward. LVB is currently trading at 1.4x FY18E ABV and we recommend an OUTPERFORMER with a one year price objective of ₹175

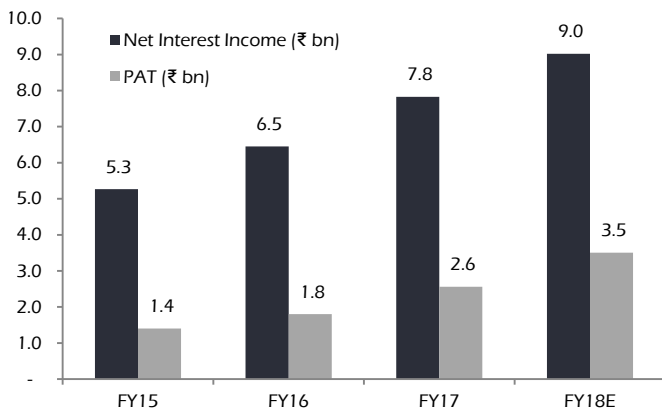
Branch Distribution



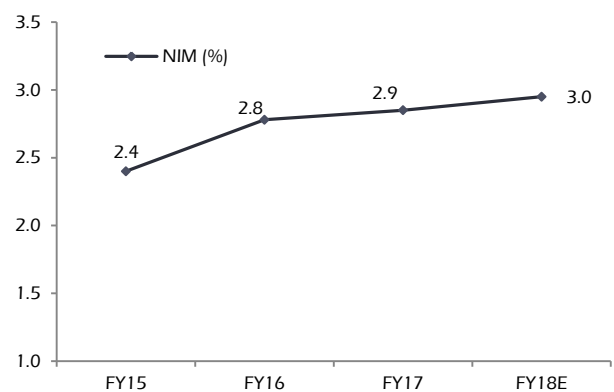
Sector wise Break Up of Loan Book



Net Interest Income / PAT (₹ bn)

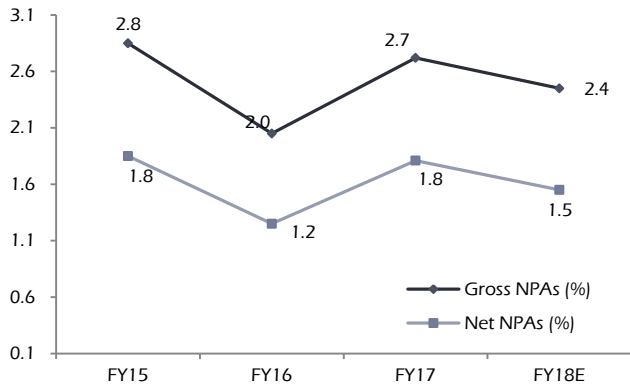


Net Interest Margin (%)

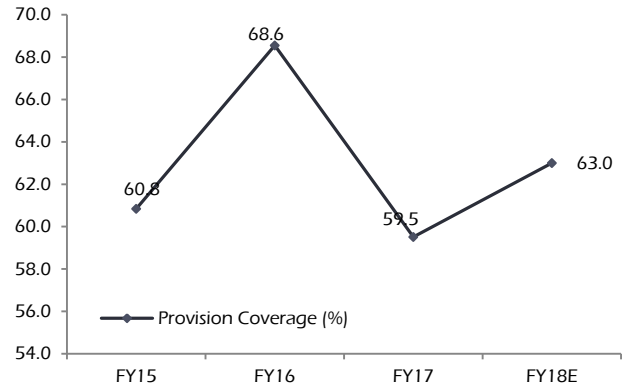


Source: Company, LKP Research

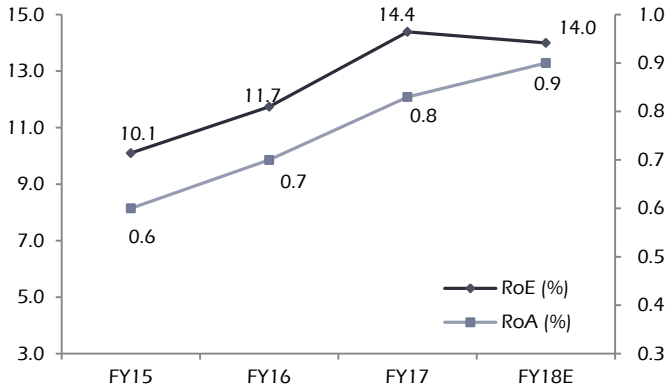
Gross NPA & Net NPA (%)



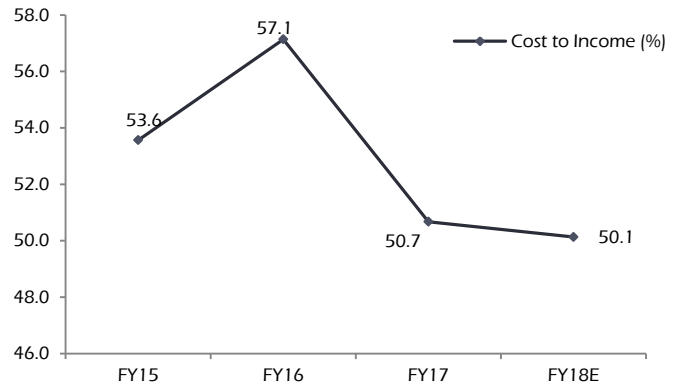
Provision Coverage Ratio (%)



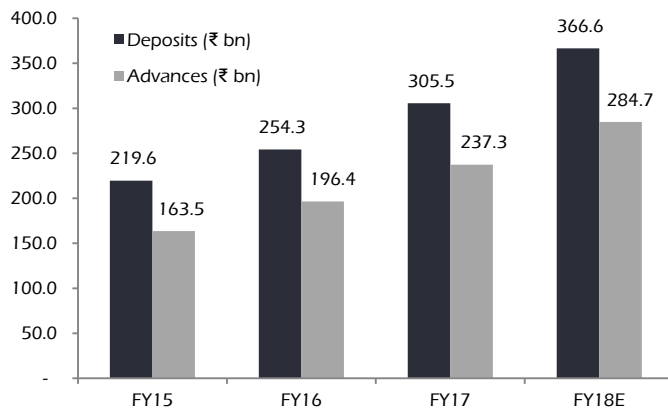
Return Ratios (%)



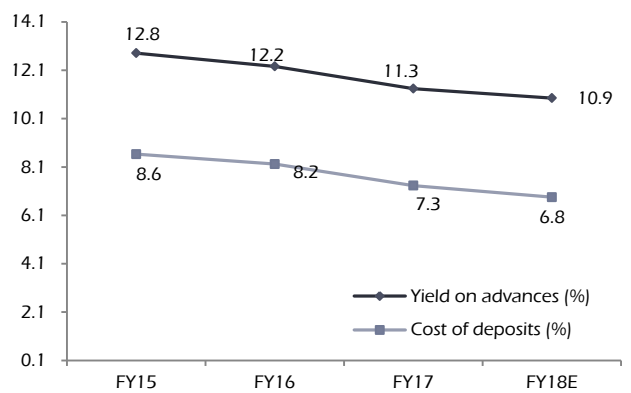
Cost to Income (%)



Deposits / Advances (₹ bn)



Yield on advances / Cost of deposits (%)



Source: Company, LKP Research

Financials
Income statement

YE Mar (₹ Mn)	FY15	FY16	FY17	FY18E
Total Interest Earned	22,145	25,683	28,467	31,313
Interest expended	16,879	19,230	20,640	22,291
Net Interest Income	5,267	6,453	7,827	9,022
Other Income	2,840	3,045	5,028	5,530
Net Revenue	8,107	9,498	12,854	14,552
Operating Expenses (IV)	4,343	5,427	6,514	7,295
Operating Profit	3,764	4,071	6,341	7,257
Provisions	1,800	1,770	2,513	2,100
PBT	1,964	2,301	3,828	5,157
Tax	560	500	1,267	1,650
PAT	1,404	1,801	2,561	3,507

Balance sheet

YE Mar (₹ Mn)	FY15	FY16	FY17	FY18E
Equity Capital	1,792	1,795	1,914	1,914
R&S	13,770	15,841	19,449	21,520
SHF	15,561	17,636	21,363	23,434
Deposits	219,642	254,310	305,534	366,640
Borrowing	4,581	7,230	17,731	18,618
Other Liabilities	7,270	7,529	7,819	8,210
Total Liabilities	247,054	286,705	352,447	416,902
Cash/Equivalent	13,187	13,686	16,239	18,675
Advances	163,520	196,437	237,289	284,747
Investments	61,038	65,455	86,517	99,495
Fixed Assets	2,434	3,670	3,591	3,771
Other Assets	6,875	7,457	8,811	10,215
Total Assets	247,054	286,705	352,447	416,902

Key Ratios

YE Mar	FY15	FY16	FY17	FY18E
Growth (%)				
NII Growth	8.40	22.53	21.28	15.27
Operating Profit Growth	25.48	8.15	55.74	14.46
PAT Growth	120.00	28.25	42.17	36.95
Business (%)				
Deposit Growth	18.30	15.78	20.14	20.00
Advances Growth	26.90	20.13	20.80	20.00
Business Growth	22.60	17.64	20.43	20.00
Credit to Deposit	74.45	77.24	77.66	77.66
CASA Share	16.67	17.36	19.11	23.00
Operating Efficiency (%)				
Cost to Income	53.57	57.14	50.67	50.13
Cost to Assets	1.76	2.03	2.04	1.90
Spread (%)				
Yield on advances	12.76	12.21	11.29	10.90
Cost of deposits	8.58	8.17	7.28	6.80
NIM	2.40	2.78	2.85	2.95
Capital Adequacy (%)				
Tier I	9.30	8.70	8.75	8.70
Tier II	2.00	2.00	1.63	1.80
Total CAR	11.30	10.70	10.38	10.50
Asset Quality (%)				
Gross NPAs	2.80	2.00	2.67	2.40
Net NPAs	1.80	1.20	1.76	1.50
Provision Coverage	60.84	68.55	59.51	63.00
Return Ratios (%)				
RoE	10.10	11.74	14.39	14.00
RoA	0.60	0.70	0.83	0.90
Per Share (₹)				
EPS	7.40	10.00	14.07	10.70
ABV	82.40	88.70	102.74	110.00
Valuation				
P/E (x)	20.00	14.80	10.52	13.83
P/ABV (x)	1.80	1.67	1.44	1.35

Source: Company, LKP Research

[Home](#)

Incorporated in the year 1928, South Indian Bank (SIB) is an old generation private sector bank headquartered at Thrissur in Kerala. Under the RBI Act, SIB was the first private sector bank in Kerala to become a Scheduled Commercial Bank in 1946. Moreover, SIB was the first private sector bank in India to open a Currency Chest on behalf of the RBI (1992), open a NRI branch (1992) and start an Industrial Finance Branch (1993). Out of the total 850 branches in India, the southern states make up for 709 branches indicating a strong foothold (83.41%) in South India and a dominant presence (54.47%) in Kerala itself.

Advances

Despite credit weakness witnessed in the economy, SIB's loan book augmented by 12.91% YoY to ₹470.84 bn in FY17 led by the growth in advances towards the SME (12% YoY), Agriculture (15% YoY) and Retail sector (14% YoY). The increase in advances towards retail sector is led by Manufacturing, Trading and Housing loan segment. In case of SME sector, SIB has a cluster based approach in industry hubs and focused 'Green Channel' branches to drive faster loan growth with a target to become banker of choice to SMEs thereby getting other business as well and becoming sole banker for all banking needs.

Deposits

CASA grew 26.38% YoY to ₹157.46 bn as CA increased by 39% YoY and SA increased by 24% YoY. CASA as a share of deposits increased 146bps to 23.8% in FY17. Aided by the CASA growth, deposits augmented from ₹557.21 bn in FY16 to ₹661.17 bn in FY17. SIB has a strategy and road map in place to increase CASA funds. Consistent liability profile with a granular deposit portfolio remains core strength of the bank.

Net Interest Margin

In FY17, Credit-Deposit ratio declined 377bps to 71.21% offsetting the effect of sharp increase in CASA and causing the NIM to remain flat annually at 2.7%. Enlarging the share of low cost CASA will enable LVB to bring down its overall cost of deposits ensuring an improvement in NIM.

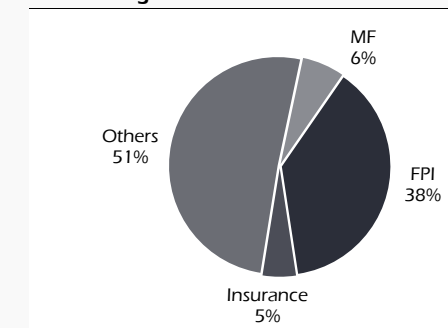
Asset Quality

Asset quality improved significantly with both Gross NPA and Net NPA declining to 2.45% (132bps YoY) and 1.45% (143bps YoY) respectively. Provision coverage ratio increased 1480bps YoY to 55.10% in FY17. A low percentage of advances are towards sectors that form a substantial portion of the stressed assets indicating stability in quality of assets. Power and infrastructure segment which contributes significantly to stressed assets has been at a low focus of SIB's loan portfolio. For improving asset quality, SIB has a granular loan book that spreads out risk. A cautious approach on large corporate lending and special recovery cells for monitoring non-performing and restructured assets signify improvement in asset lending policies.

Stock Data

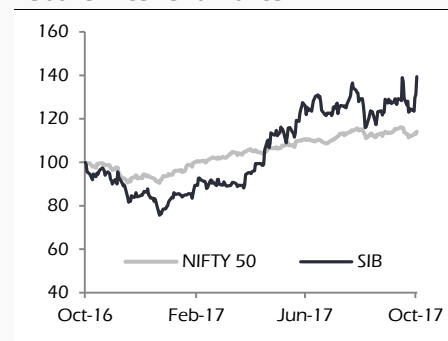
Current Market Price (₹)	32
1-Year Target Price (₹)	37
Potential upside (%)	17
FV (₹)	1
Reuters	SIBK.BO
Bloomberg	SIB IN
Market Cap (₹ bn)	57
52-Week Range (₹)	32 / 17

Shareholding Pattern



Fiscal YE	FY15	FY16	FY17	FY18E
NII (₹ bn)	13.7	15.1	16.8	18.4
PAT (₹ bn)	3.1	3.3	3.9	4.3
Deposits (₹ bn)	519.1	557.2	661.2	737.2
Advances (₹ bn)	373.9	410.9	463.9	528.8
Business (₹ bn)	893.0	968.1	1,125.1	1,266.1
Cost to Income (%)	52.7	56.6	49.2	48.8
Yield on advances (%)	11.3	11.1	10.2	9.9
Cost of deposits (%)	7.4	7.1	6.5	6.2
Gross NPAs (%)	1.7	3.8	2.5	3.2
Net NPAs (%)	1.0	2.9	1.5	1.6
Provision Coverage (%)	44.0	40.3	55.1	57.0
RoE (%)	7.9	9.3	9.5	10.2
RoA (%)	0.5	0.6	0.6	0.6
ABV (₹)	23.8	21.8	23.0	24.7
NIM (%)	2.6	2.8	2.7	2.8

Relative Price Performance

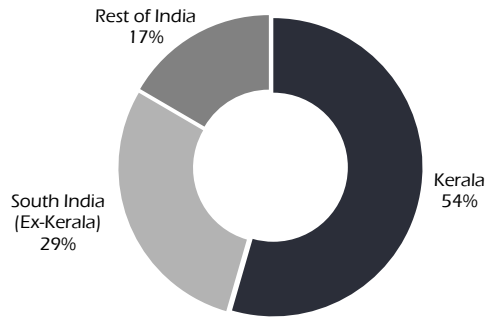


Profitability

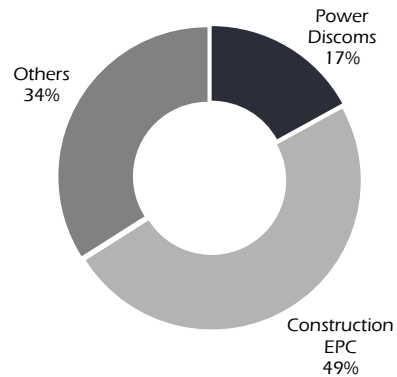
Operating profit increased to ₹12.15 bn in FY17 (38% YoY) on account of a strong surge in other income which augmented to ₹7.6 bn (39% YoY) and an increase in NII to ₹16.75 bn (11% YoY). While the increase in NII was largely driven by drop in the interest cost, sustainable transaction fees and treasury gains contributed to the sharp rise in other income. Strong total income caused a decline in the Cost to Income ratio by 742bps YoY to 49.20% in FY17. Despite higher provisioning, PAT expanded 18% YoY to ₹3.93 bn mainly due to improvement in operating efficiency and significant increase in total income. The Return on Assets ratio increased 2bps YoY to 0.57 and the Return on Equity increased 20bps YoY to 9.50% in FY17.

With stable asset quality and enhanced risk management along with focus on improvement of profitability, SIB looks to improve its performance significantly. SIB is currently trading at 1.3x FY18E ABV and we recommend an OUTPERFORMER with a one year price objective of ₹37.

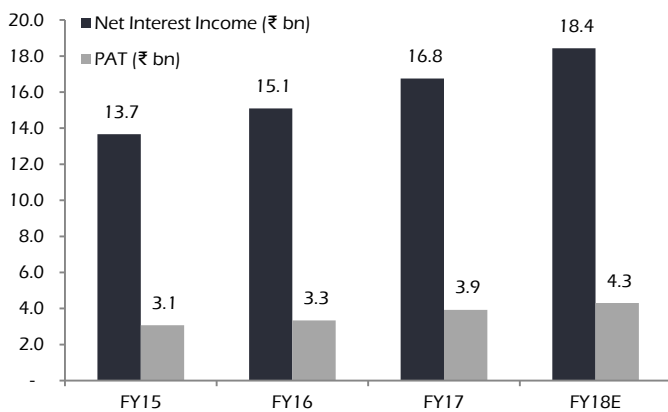
Branch Distribution



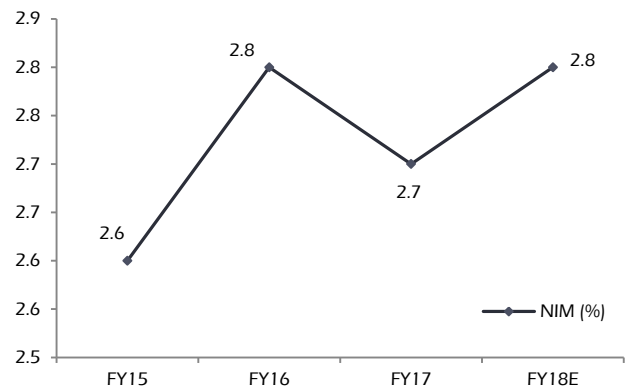
Sector wise Break Up of Loan Book



Net Interest Income / PAT (₹ bn)

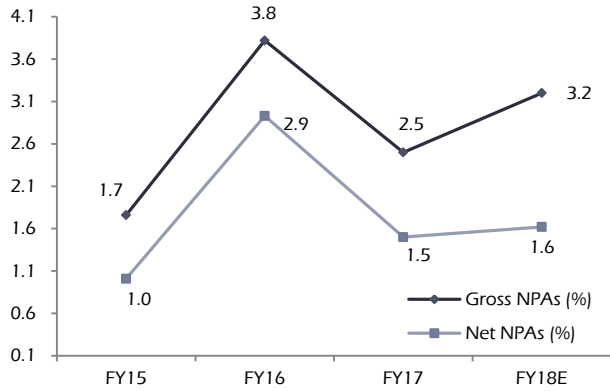


Net Interest Margin (%)

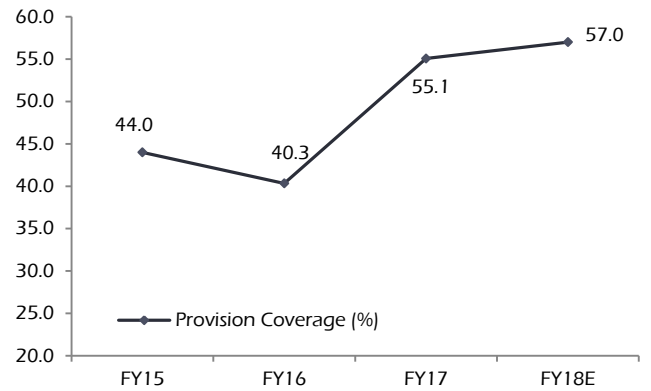


Source: Company, LKP Research

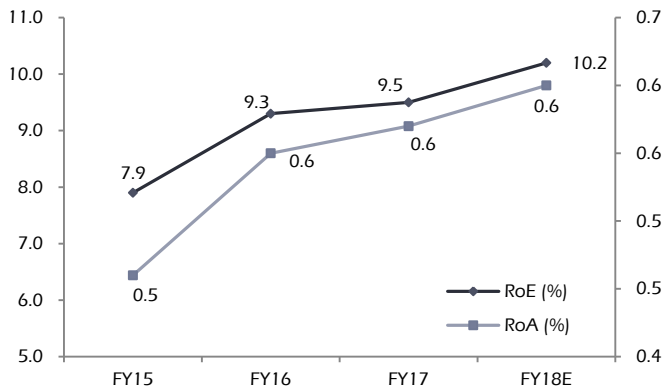
Gross NPA & Net NPA (%)



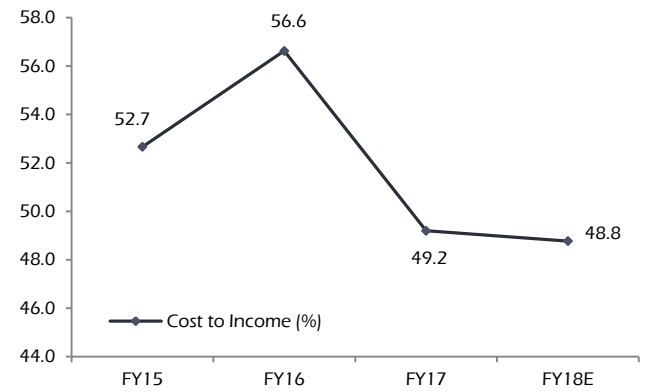
Provision Coverage Ratio (%)



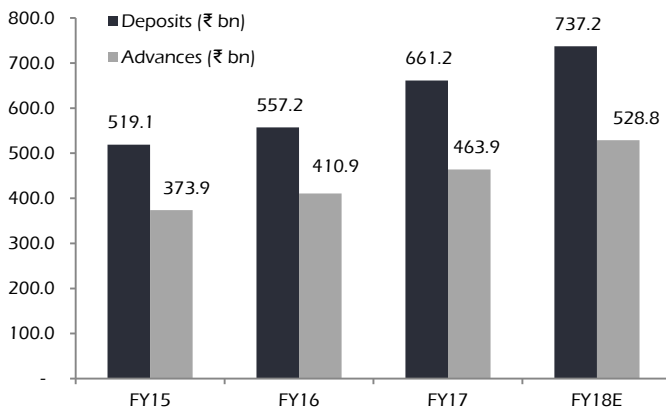
Return Ratios (%)



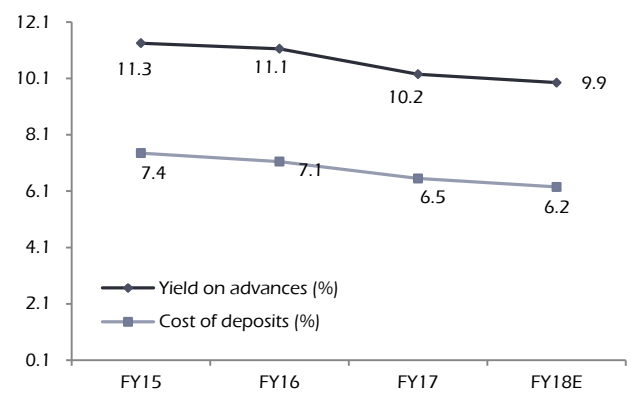
Cost to Income (%)



Deposits / Advances (₹ bn)



Yield on advances / Cost of deposits (%)



Source: Company, LKP Research

Financials
Income statement

YE Mar (₹ Mn)	FY15	FY16	FY17	FY18E
Total Interest Earned	52,862	55,572	58,471	64,318
Interest expended	39,200	40,475	41,716	45,888
Net Interest Income	13,662	15,097	16,755	18,430
Other Income	4,971	5,174	7,156	8,229
Net Revenue	18,633	20,271	23,911	26,660
Operating Expenses (IV)	9,813	11,478	11,764	13,003
Operating Profit	8,820	8,793	12,147	13,657
Provisions	4,570	3,696	6,144	7,082
PBT	4,250	5,097	6,003	6,575
Tax	1,608	1,764	2,077	2,268
Extra-Ordinary Item	430	-	-	-
PAT	3,072	3,333	3,926	4,307

Balance sheet

YE Mar (₹ Mn)	FY15	FY16	FY17	FY18E
Equity Capital	1,350	1,350	1,803	1,803
R&S	34,544	37,106	46,574	51,142
SHF	35,894	38,456	48,377	52,945
Deposits	519,125	557,207	661,175	737,210
Borrowing	22,325	23,150	19,578	28,403
Other Liabilities	13,819	12,936	13,990	15,641
Total Liabilities	591,163	631,749	743,120	834,199
Cash/Equivalent	35,951	30,995	38,877	44,490
Advances	373,916	410,857	463,895	528,840
Investments	140,861	146,189	194,297	210,920
Fixed Assets	4,790	4,870	6,561	7,469
Other Assets	35,644	38,837	39,490	42,479
Total Assets	591,162	631,748	743,120	834,199

Key Ratios

YE Mar	FY15	FY16	FY17	FY18E
Growth (%)				
NII Growth	-2.30	10.50	10.98	10.00
Operating Profit Growth	-0.31	-0.31	38.14	12.43
PAT Growth	-39.50	8.50	17.79	9.70
Business (%)				
Deposit Growth	9.30	7.34	18.66	11.50
Advances Growth	3.20	9.88	12.91	14.00
Business Growth	6.25	8.40	16.22	12.53
Credit to Deposit	72.03	73.74	70.16	71.74
CASA Share	20.60	22.40	23.80	24.00
Operating Efficiency (%)				
Cost to Income	52.66	56.62	49.20	48.77
Cost to Assets	2.20	1.88	1.71	1.65
Spread (%)				
Yield on advances	11.30	11.10	10.20	9.90
Cost of deposits	7.40	7.10	6.50	6.20
NIM	2.60	2.80	2.70	2.80
Capital Adequacy (%)				
Tier I	10.70	9.80	11.70	11.30
Tier II	1.10	1.70	1.70	1.60
Total CAR	11.80	11.50	13.40	12.90
Asset Quality (%)				
Gross NPAs	1.71	3.77	2.45	3.15
Net NPAs	0.96	2.88	1.45	1.57
Provision Coverage	44.00	40.34	55.07	57.00
Return Ratios (%)				
RoE	7.90	9.30	9.50	10.20
RoA	0.46	0.55	0.57	0.60
Per Share (₹)				
EPS	2.30	2.50	2.20	2.60
ABV	23.80	21.80	23.00	24.70
Valuation				
P/E (x)	13.72	12.62	14.34	12.13
P/ABV (x)	1.33	1.45	1.37	1.28

Source: Company, LKP Research

[Home](#)

A Comparison

Particulars (FY17)	City Union Bank	Federal Bank	Karnataka Bank	Karur Vysya Bank	Lakshmi Vilas Bank	South Indian Bank
Net Interest Income (₹ bn)	12.0	30.5	14.9	20.7	7.8	16.8
NII Growth (%)	22.2	21.7	14.4	16.4	21.3	11.0
PAT (₹ bn)	5.0	8.3	4.5	6.1	2.6	3.9
PAT Growth (%)	13.2	74.7	9.1	6.8	42.2	17.8
Deposits (₹ bn)	301.2	976.6	567.3	537.0	305.5	661.2
Deposit Growth (%)	10.9	23.4	12.4	7.2	20.1	18.7
Advances (₹ bn)	238.3	733.4	370.0	409.1	237.3	463.9
Advances Growth (%)	13.2	26.2	9.1	4.7	20.8	12.9
Total Business (₹ bn)	539.5	1,710.0	937.4	946.1	542.8	1,125.1
Business Growth (%)	12.1	24.8	10.8	5.9	20.5	15.8
Credit to Deposit Ratio (%)	79.1	75.1	65.2	76.2	77.7	70.2
Cost to Income (%)	40.9	53.4	56.7	45.0	50.7	49.2
Gross NPAs (%)	3.1	2.3	4.2	4.0	2.7	2.5
Net NPAs (%)	2.0	1.3	2.6	2.5	1.8	1.5
Provision Coverage (%)	61.0	45.5	54.0	50.0	59.5	41.3
RoE (%)	15.2	9.8	10.2	12.5	13.0	9.5
RoA (%)	1.5	0.8	0.7	1.0	0.8	0.6
NIM (%)	3.8	3.3	2.5	3.5	2.6	2.7
P/E (x)	18.5	22.9	8.9	13.5	10.2	12.7
P/ABV (x)	3.0	2.4	1.0	1.9	1.4	1.2

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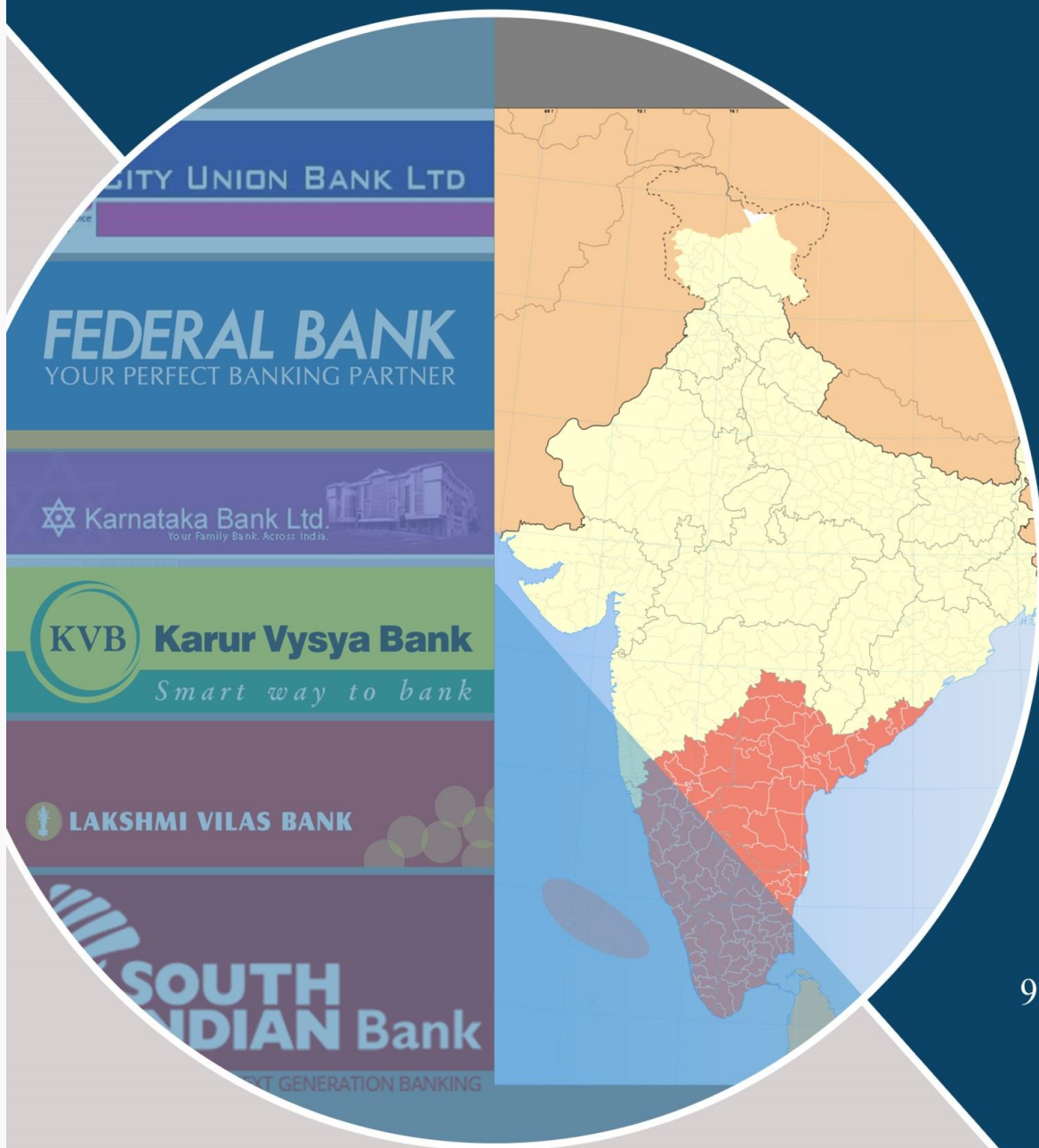
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South Based Old Generation Private Sector Banks

-Navigating Turbulent Times



9 October 2017

