

28 September 2025

India | Equity Research | Company Update

City Union Bank

Banking

US textile exposure manageable; secured retail disbursement tracking well

We hosted City Union Bank (CUB)'s senior management (business heads and risk personnel) in Chennai. The bank mentioned that its direct exposure to textiles (US export) is manageable at INR 2.2bn or ~40bps of loans. CUB acknowledges the possible rise in systemic stress in small-ticket LAP and unsecured business banking, but reiterated that it is almost absent in those segments. It expects net slippages to be negative for FY26. Retail secured products' disbursements have been tracking well at ~INR 24bn annual run-rate vs. INR 6bn in H2FY25. CUB appears confident to deliver superior growth (15–16% YoY) along with resilient NIM. While we acknowledge a lower base (for both growth/NIM), sustainability ahead shall be crucial. Maintain **BUY** with an unchanged TP of INR 250. A **key risk** is hiccups, if any, in MD&CEO succession, as incumbent MD&CEO is slated to vacate office by Apr'26.

Exposure to 'US export' textile manageable at ~40bps of loans

Total textile exposure stood at ~INR 15bn. Of this, ~INR 5bn is towards export. Within this, US export exposure would be INR 2.2bn (0.4% of loans). The exposure to 100% export-oriented units is INR 200mn. Net slippages are likely to remain negative. ECL transition impact is ~INR 0.5bn, as LGD has been lower (25–30%) and there could be some positive from investment book.

Growth and NIM trajectory progressing well

CUB reiterated its growth aspirations of 15–16% YoY for FY26 led by gold loans, revival in core MSME and aided by secured retail. The bank aspires for 50/30/10/10 mix for MSME/gold/retail/others. The bank reiterated that it envisages a NIM trajectory of 3.45–3.5% for Q2FY26, 3.5–3.55% for Q3 and 3.5–3.6% for FY26 vs. 3.54% in Q1FY26. The bank mentioned that Q2FY26 NIM is tracking well along guided lines and may end up towards the higher end (or even ahead) of the range.

Secured retail disbursement accelerating

The bank hired Mr Irshad Shoukath (ex-RBL) as GM retail in Sep'24. The focus has been only secured retail products. Sourcing mix is dominated by branches (95–96% share) with minor share of DSA (3–4% share) and direct sourcing/NTB customers (1–2%). The disbursement earlier was 90/10 in favour of TN and rest of India, which has become more balanced at 50/50. The division has 140 hires, as of now, with 90% of the hires from open market. It intends to increase strength to ~250 by FY26. LAP ticket size is INR 1–5mn with average of INR 2.1–2.2mn.

Financial Summary

Y/E March	FY24A	FY25A	FY26E	FY27E
NII (INR bn)	21.2	23.2	25.7	31.5
Op. profit (INR bn)	15.2	16.8	18.5	22.0
Net Profit (INR bn)	10.2	11.2	12.2	14.0
EPS (INR)	13.7	15.2	16.5	19.0
EPS % change YoY	8.3	10.6	8.7	15.0
ABV (INR)	104.4	121.2	136.8	154.5
P/BV (x)	1.9	1.7	1.5	1.3
P/ABV (x)	2.0	1.7	1.5	1.4
Return on Assets (%)	1.5	1.5	1.5	1.5
Return on Equity (%)	12.8	12.6	12.2	12.6

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Market Data

Market Cap (INR)	157bn
Market Cap (USD)	1,782mn
Bloomberg Code	CUBK IN
Reuters Code	CTBK.BO
52-week Range (INR)	233 /143
Free Float (%)	97.0
ADTV-3M (mn) (USD)	5.1

Price Performance (%)	3m	6m	12m
Absolute	10.6	36.1	26.4
Relative to Sensex	9.1	26.6	27.1

ESG Score	2023	2024	Change
ESG score	69.5	67.8	(1.7)
Environment	50.7	48.9	(1.8)
Social	55.8	59.9	4.1
Governance	85.8	82.8	(3.0)

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Previous Reports

16-08-2025: [Banking Q1FY26 review](#)

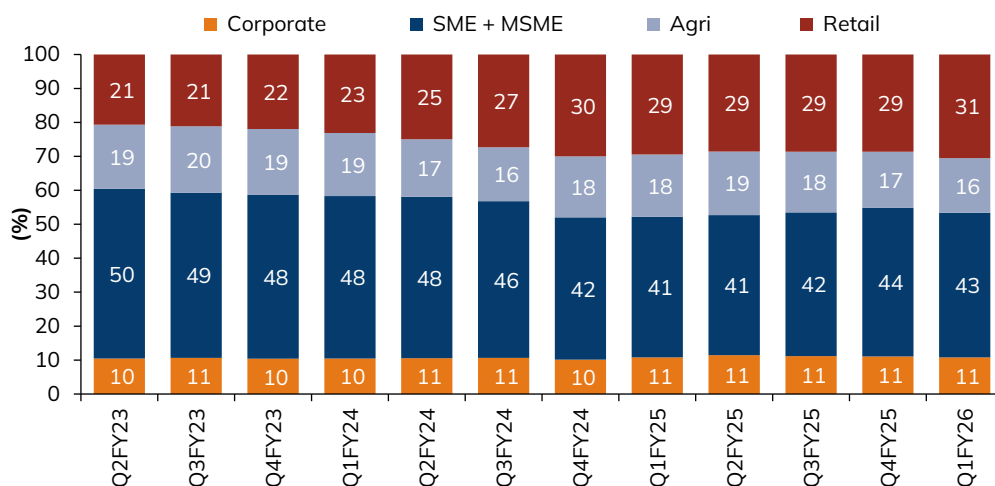
01-08-2025: [Q1FY26 results review](#)

Exhibit 1: Key ratios and trends

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Loans INR mn	4,13,782	4,26,522	4,29,637	4,55,257	4,56,415	4,77,715	4,94,042	5,20,813	5,28,792
Loans YoY	3.0	1.8	2.0	5.7	10.3	12.0	15.0	14.4	15.9
CASA %	30.8	29.6	29.1	30.6	29.5	29.4	27.7	28.5	27.3
NIM %	3.67	3.74	3.50	3.66	3.54	3.67	3.58	3.60	3.54
Slippages (INR mn)	3,822	2,247	1,872	2,194	1,783	1,760	3,794	2,595	1,963
Slippages %	3.8	2.1	1.8	2.0	1.7	1.7	3.5	2.3	1.7
Restructured (O/s) %	2.8	2.6	2.4	2.0	1.8	1.8	1.6	1.3	1.1
Tier I %	22.0	22.2	20.8	22.8	22.6	22.0	21.3	22.7	22.1
RoE Decomposition									
NII	3.2	3.3	3.1	3.2	3.1	3.3	3.3	3.2	3.2
Other Income	0.9	0.9	1.0	0.8	1.0	1.1	1.2	1.2	0.9
Opex	1.8	2.0	2.0	2.1	2.1	2.2	2.1	2.2	2.1
PPOP	2.5	2.3	2.2	2.0	2.1	2.4	2.4	2.3	2.3
Provisioning Cost	0.9	0.3	0.3	0.2	0.2	0.4	0.4	0.4	0.4
PBT	1.6	2.0	1.9	1.9	1.9	2.0	2.0	1.9	1.9
ROA	1.4	1.7	1.5	1.5	1.5	1.6	1.6	1.5	1.6
ROE	12.0	14.4	12.6	12.3	12.3	12.9	12.7	12.3	12.8

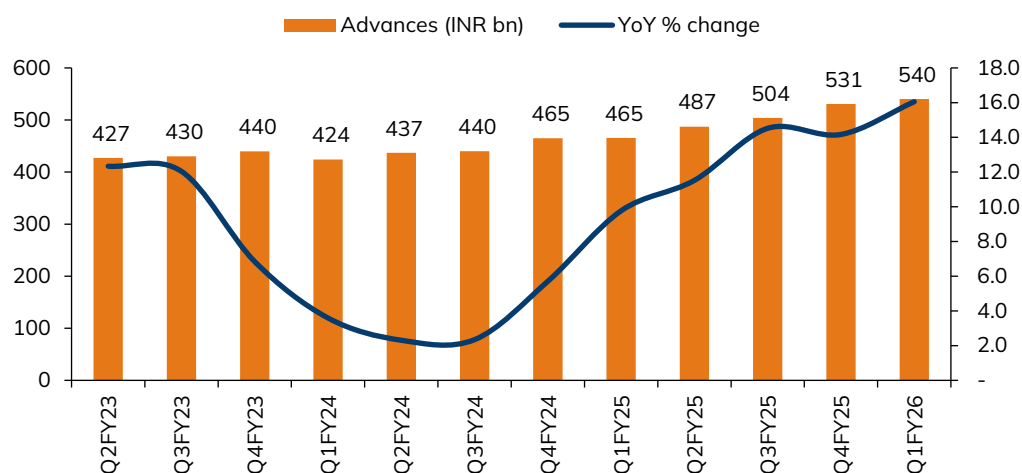
Source: Company data, I-Sec research

Exhibit 2: Retail mix rising partly on gold loans and partly on new launches

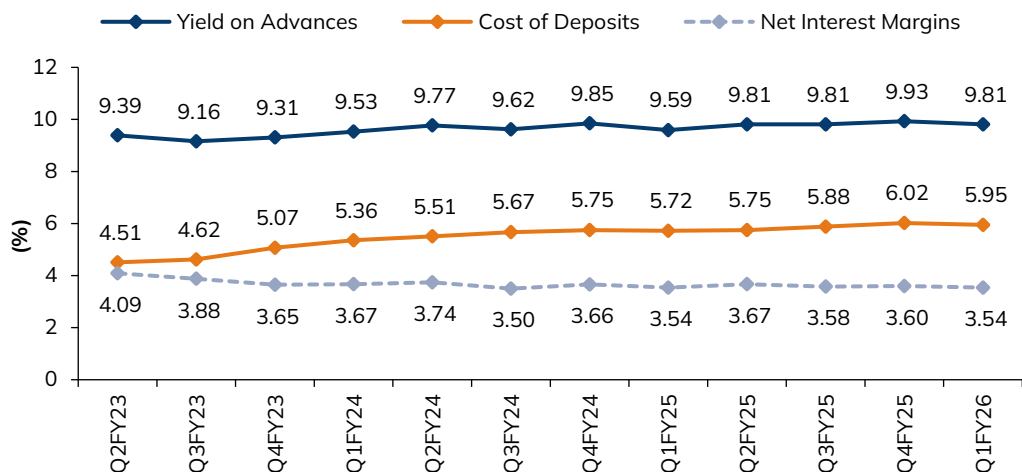


Source: Company data, I-Sec research

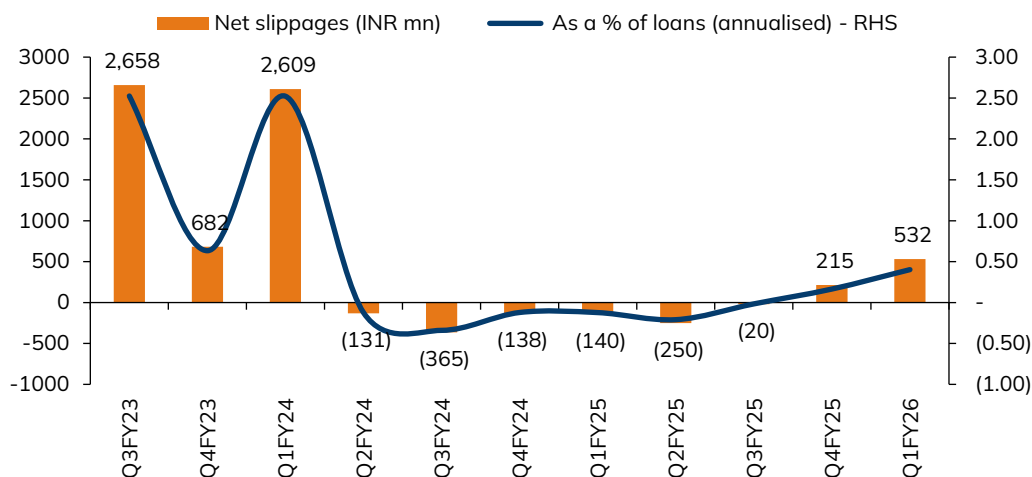
Exhibit 3: Advances growth in firm acceleration mode



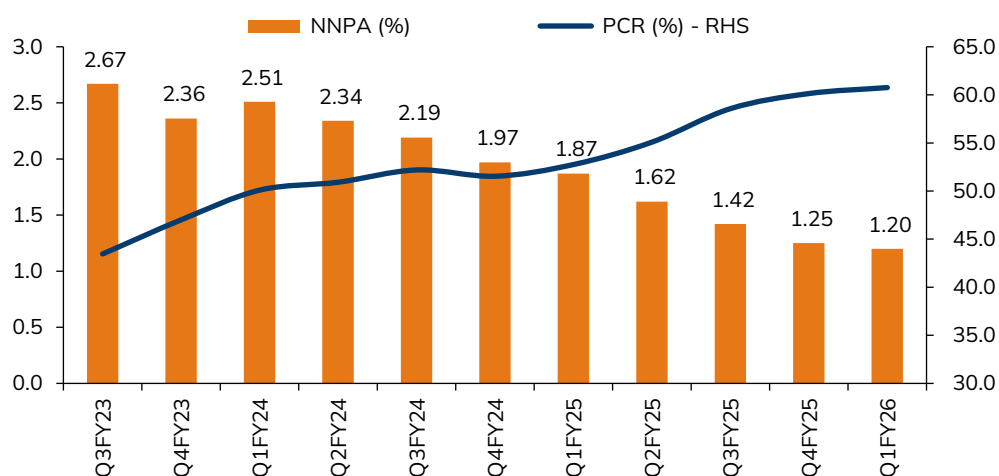
Source: Company data, I-Sec research

Exhibit 4: NIM declined 6bps QoQ in Q1FY26

Source: Company data, I-Sec research

Exhibit 5: Net slippages remain miniscule

Source: Company data, I-Sec research

Exhibit 6: NNPA ratio trending lower

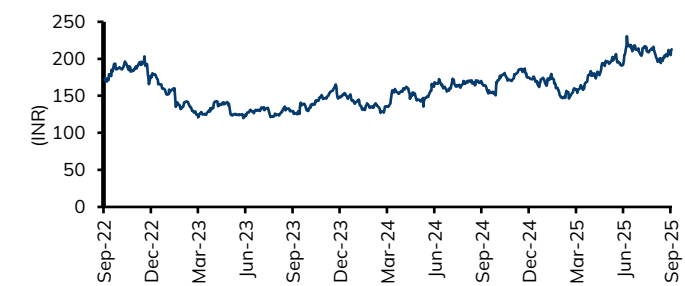
Source: Company data, I-Sec research

Exhibit 7: Shareholding pattern

%	Dec'24	Mar'25	Jun'25
Promoters	0.0	0.0	0.0
Institutional investors	61.0	61.2	62.1
MFs and others	28.6	28.0	28.8
FIs/Banks	0.6	0.6	0.8
Insurance	3.8	4.0	5.2
FIIIs	28.0	28.6	27.4
Others	39.0	38.8	37.9

Source: Bloomberg, I-Sec research

Exhibit 8: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 9: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Interest income	52,706	58,340	65,427	75,456
Interest expense	31,471	35,183	39,680	43,929
Net interest income	21,235	23,157	25,747	31,526
Non-interest income	7,417	8,981	10,488	10,765
Operating income	28,651	32,138	36,235	42,291
Operating expense	13,484	15,351	17,731	20,260
Staff expense	6,138	7,330	8,658	10,022
Operating profit	15,167	16,786	18,504	22,032
Core operating profit	14,651	16,165	17,154	21,132
Provisions & Contingencies	2,860	2,620	3,232	4,475
Pre-tax profit	12,307	14,166	15,272	17,557
Tax (current + deferred)	2,150	2,930	3,054	3,511
Net Profit	10,157	11,236	12,218	14,046
Adjusted net profit	10,157	11,236	12,218	14,046

Source Company data, I-Sec research

Exhibit 10: Balance sheet

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Cash and balance with RBI/Banks	69,435	52,905	72,116	77,939
Investments	1,56,641	1,73,361	1,83,736	2,00,769
Advances	4,55,257	5,20,813	5,99,781	6,97,138
Fixed assets	2,704	3,223	3,102	3,539
Other assets	24,221	25,929	30,339	35,851
Total assets	7,08,259	7,76,232	8,89,074	10,15,235
Deposits	5,56,566	6,35,260	7,21,957	8,26,969
Borrowings	47,242	21,694	37,158	39,015
Other liabilities and provisions	20,436	24,612	24,558	31,286
Share capital	741	741	741	741
Reserve & surplus	83,274	93,925	1,04,661	1,17,224
Total equity & liabilities	7,08,259	7,76,232	8,89,074	10,15,235
% Growth	6.4	9.6	14.5	14.2

Source Company data, I-Sec research

Exhibit 11: Key ratios

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
No. of shares and per share data				
No. of shares (mn)	741	741	741	741
Adjusted EPS	13.7	15.2	16.5	19.0
Book Value per share	113	128	142	159
Adjusted BVPS	104	121	137	155
Valuation ratio				
PER (x)	15.4	14.0	12.9	11.2
Price/ Book (x)	1.9	1.7	1.5	1.3
Price/ Adjusted book (x)	2.0	1.7	1.5	1.4
Dividend Yield (%)	0.7	0.9	0.9	0.9
Profitability ratios (%)				
Yield on advances	9.4	9.6	9.4	9.5
Yields on Assets	7.7	7.9	7.9	7.9
Cost of deposits	5.4	5.5	5.4	5.2
Cost of funds	4.6	4.7	4.8	4.6
NIMs	3.3	3.3	3.2	3.5
Cost/Income	47.1	47.8	48.9	47.9
Dupont Analysis (as % of Avg Assets)				
Interest Income	7.7	7.9	7.9	7.9
Interest expended	4.6	4.7	4.8	4.6
Net Interest Income	3.1	3.1	3.1	3.3
Non-interest income	1.1	1.2	1.3	1.1
Trading gains	0.1	0.1	0.2	0.1
Fee income	1.0	1.1	1.1	1.0
Total Income	4.2	4.3	4.4	4.4
Total Cost	2.0	2.1	2.1	2.1
Staff costs	0.9	1.0	1.0	1.1
Non-staff costs	1.1	1.1	1.1	1.1
Operating Profit	2.2	2.3	2.2	2.3
Core Operating Profit	2.1	2.2	2.1	2.2
Non-tax Provisions	0.4	0.4	0.4	0.5
PBT	1.8	1.9	1.8	1.8
Tax Provisions	0.3	0.4	0.4	0.4
Return on Assets (%)	1.5	1.5	1.5	1.5
Leverage (x)	8.7	8.3	8.3	8.5
Return on Equity (%)	12.8	12.6	12.2	12.6
Asset quality ratios (%)				
Gross NPA	4.0	3.1	2.6	2.2
Net NPA	2.0	1.3	0.9	0.7
PCR	51.5	60.1	66.0	70.0
Gross Slippages	2.4	1.8	1.7	1.6
LLP / Avg loans	0.7	0.5	0.7	0.6
Total provisions / Avg loans	0.6	0.5	0.6	0.7
Net NPA / Networth	10.7	6.9	5.1	3.9
Capitalisation ratios (%)				
Core Equity Tier 1	22.7	22.7	21.5	20.4
Tier 1 cap. adequacy	22.7	22.7	21.5	20.4
Total cap. adequacy	23.7	127.7	110.4	95.4

Source Company data, I-Sec research

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