

Week Gone

- ⇒ In the week ended on Friday, 3 June 2022, the Sensex gained 884.57 points or 1.61% to settle at 55,769.23. The Nifty 50 index advanced 231.85 points or 1.42% to settle at 16,584.30.
- ⇒ The BSE Mid-Cap index rose 1.14% to settle at 22,774.98.
- ⇒ The BSE Small-Cap index gained 2.98% to settle at 26,384.14.

Week Ahead

- ⇒ The outcome of the Reserve Bank of India's (RBI) monetary policy meeting and global cues will set the course for the stock market next week.
- ⇒ Brent crude hovers above \$117 per barrel mark. Spike in oil prices raises India's import bill as the country imports majority of its crude requirements.
- ⇒ A weak rupee raises the cost of importing crude oil.

Technical Overview

Nifty opened the week on a buoyant note with a breakaway gap, however, it failed to continue on the upside and consolidated in a range defined by the gap area of 16682 - 16484. On Friday the price action managed to break above the mentioned range however it failed to sustain and crawled back into the range with 200 EMA acting as resistance. Going ahead a directional bias can be concluded once Nifty can sustain above 16700 or crack below 16400. The resistance comes near 16680 - 16750 - 16890 whereas support comes near 16480 - 16350 - 16200.



Source: Falcon, BP Equities Research

Weekly Wealth

DOMESTIC INDICES

Index	03-Jun-22	27-May-22	Weekly % Chg
Nifty 50	16,584.3	16,352.4	1.4
Nifty Next 50	38,257.5	38,039.6	0.6
Nifty 100	16,721.5	16,516.8	1.2
Nifty 500	14,077.9	13,873.1	1.5
NIFTY MIDCAP 100	28,042.2	27,657.2	1.4
S&P BSE SENSEX	55,769.2	54,884.6	1.6
S&P BSE 100	16,835.7	16,638.3	1.2
S&P BSE 200	7,147.9	7,063.2	1.2
S&P BSE 500	22,416.3	22,112.9	1.4
S&P BSE MidCap	22,774.9	22,517.7	1.1
S&P BSE SmallCap	26,384.1	25,621.5	3.0

WORLD INDICES

Index	03-Jun-22	27-May-22	Weekly % Chg
Nikkei Index	27,761.5	26,781.6	3.7
Hang Seng Index	21,082.1	20,697.3	1.9
Kospi Index	2,670.6	2,638.0	1.2
Shanghai SE Composite	3,195.4	3,130.2	2.1
Strait Times Index	3,231.9	3,230.5	0.0
Dow Jones	32,942.9	32,942.8	0.0
NASDAQ	12,016.5	12,021.1	0.0
FTSE	7,532.9	7,591.5	-0.8

FOREX

Currency	03-Jun-22	27-May-22	Weekly % Chg
US\$ (Rs.)	77.4	77.6	-0.3
GBP (Rs.)	97.2	97.8	-0.6
Euro (Rs.)	83.0	83.0	0.0
Yen (Rs.) 100 Units	59.0	61.0	-3.3

NIFTY TOP GAINERS (WEEKLY)

Scrip	03-Jun-22	27-May-22	Weekly % Chg
Coal India	197.0	181.9	8.3%
Mahindra & Mahindra	1,028.7	952.9	8.0%
Reliance Industries	2,779.5	2,575.1	7.9%
Zee Entertainment	251.5	237.4	5.9%
TCS	3,440.2	3,261.3	5.5%

FII - ACTIVITY

(INR. Cr.)

Date	Purchases	Sales	Net
03-Jun-22	5,804.8	9,575.3	-3,770.5
02-Jun-22	7,131.8	7,583.6	-451.8
01-Jun-22	6,446.0	8,376.2	-1,930.2
<u>MTD</u>	19,382.7	25,535.1	-6,152.5

NIFTY TOP LOSERS (WEEKLY)

Scrip	03-Jun-22	27-May-22	Weekly % Chg
Hero MotoCorp	2,583.8	2,719.8	-5.0%
Ultratech Cement	5,678.9	5,948.0	-4.5%
Kotak Mahindra Bank	1,858.7	1,946.2	-4.5%
Sun Pharma Inds.	865.1	903.9	-4.3%
Bajaj Auto	3,672.7	3,833.1	-4.2%

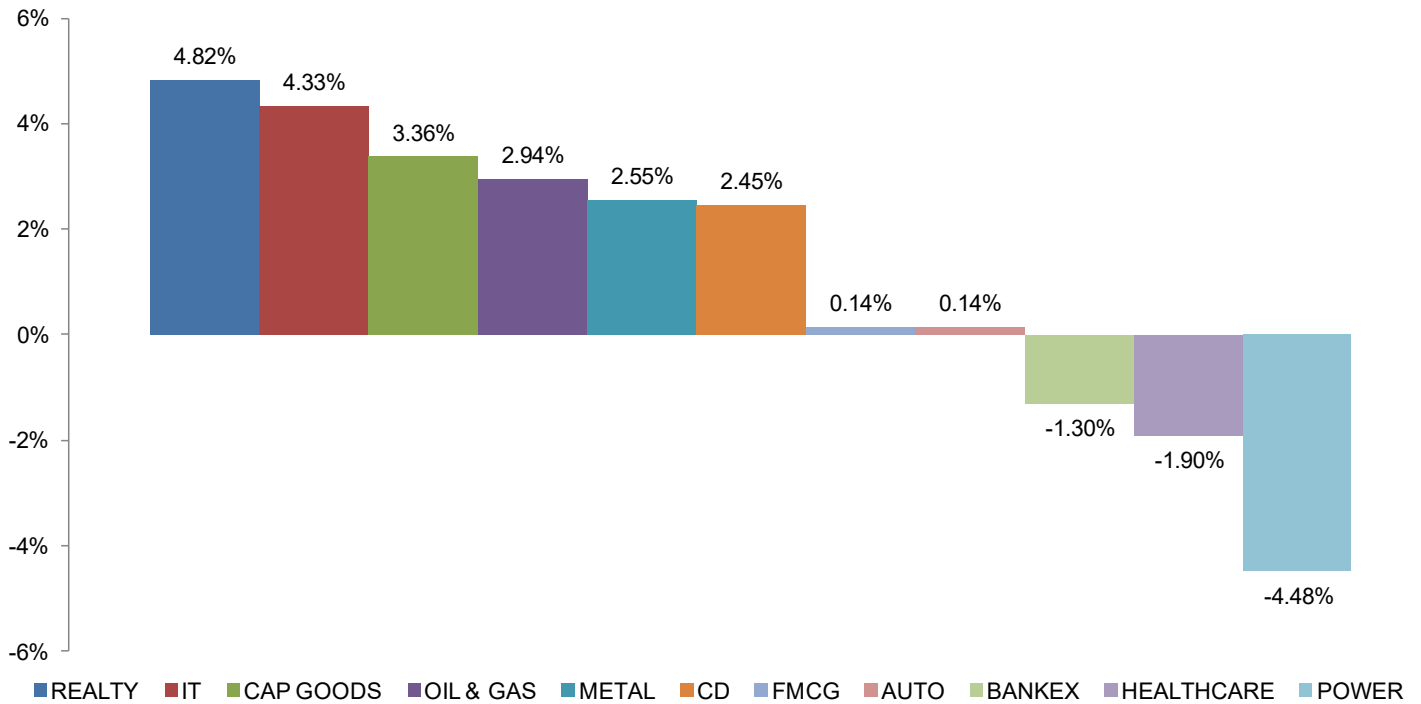
DII - ACTIVITY

(INR. Cr.)

Date	Purchases	Sales	Net
03-Jun-22	6,890.5	4,530.0	2,360.5
02-Jun-22	4,677.2	4,546.5	130.6
01-Jun-22	5,457.1	4,473.0	984.1
<u>MTD</u>	17,024.7	13,549.5	3,475.3

Weekly Wealth

BSE WEEKLY SECTORAL PERFORMANCE



Source: BSE, BP Equities Research

TOP OPEN INTEREST GAINERS (WEEKLY)

SCRIP NAME	03/06/22	27/05/22	Weekly % Chg	03/06/22	27/05/22	Weekly % Chg
	Share Price (Rs.)			Open Interest		
LTI	4,331.2	3,994.3	-7.8	1382850	1770150	28.0
HAL	1,897.4	1,793.0	-5.5	1795500	2270025	26.4
TATASTEEL	1,018.8	995.3	-2.3	28249750	35147925	24.4
NTPC	155.7	147.9	-5.0	72675000	90407700	24.4
PEL	1,787.2	1,648.4	-7.8	2729375	3174875	16.3

TOP OPEN INTEREST LOSERS (WEEKLY)

SCRIP NAME	03/06/22	27/05/22	Weekly % Chg	03/06/22	27/05/22	Weekly % Chg
	Share Price (Rs.)			Open Interest		
JKCEMENT	2,143.5	2,340.1	9.2	388325	238175	-38.7
AARTIIND	723.7	769.1	6.3	3742550	2407200	-35.7
ABB	2,317.2	2,291.9	-1.1	593750	387250	-34.8
ABBOTINDIA	17,877.3	17,947.6	0.4	35200	24350	-30.8
COROMANDEL	937.5	938.5	0.1	1588750	1166250	-26.6

Company Background

City Union Bank (CUB) is one of India's oldest private sector banks, incorporated as The Kumbakonam Bank Ltd in Tamil Nadu, in 1904. In 1957, the bank acquired Commonwealth Bank Ltd. and in 1965, two local banks, The City Forward Bank Ltd and The Union Bank Ltd, were amalgamated with it. Consequently, it was renamed The Kumbakonam City Union Bank Ltd. As on March 31, 2021, it had a network of 727 branches with about 90% of the total branches being in South India. Services offered to clients include savings and current accounts, deposits, credit, foreign deposits, auto loans, educational loans, consumer and jewel loans, life insurance, general insurance and online banking services. The main focus of the Bank – lending to MSME, Retail / Wholesale Trade with granular asset profile including short term and long-term loans to the agriculture sector.

Investment Rationale

Strong track record and adequate capital position

CUB has achieved double-digit credit growth of 11% in FY22. The Bank has been profitable continuously and has a regular dividend pay-out policy in all 116+ years of operations. It has successfully maintained business growth of 20%+ CAGR in the last 10 years. The Bank's strategy to focus on SME/MSME specialized business model, which are large and untapped segments led to higher yields. By concentrating on superior Client servicing it has been able to retain clients and achieve low business acquisition cost. CUB reported a capital adequacy ratio of 20.85% (Tier I: 19.78%) as on 31st March 2022. Higher capital adequacy is mainly because of growth from gold loans, which carry zero risk weight. The improvement in the capital ratios was supported by healthy internal accruals and reduction in risk-weighted assets (RWAs) because of incremental loan disbursements under the Government-guaranteed Emergency Credit Line Guarantee Scheme (ECLGS) and jewel loans, which attract zero risk weight.

Improved operations and advanced growth trajectory

CUB has established a strong retail franchise model, resulting in a fragmented asset and liability base, strong liquidity profile and healthy profitability indicators. Asset Quality showed sharp improvement sequentially with Gross and net NPAs reducing to 4.70% and 2.95%, respectively, in Q4FY22 vs 5.21% and 3.44% in Q3FY22. CUB's CASA ratio increased by 20% in Q4FY22 to Rs. 15,529 crores from Rs. 12,981 crores and CASA% to deposits improved to 33% in FY22 against 29% in FY21. CUB's net interest margins (NIMs) remained strong at 4.01% in Q4 FY22 (3.72% in Q4 FY21), despite the relatively higher funding cost and the excess liquidity carried by the bank. In Q4 FY22 the Bank was able to recover total of Rs.277 crores comprising of Rs.211 crores from live accounts and Rs.66 crores from technically written off accounts. This was the highest in history of CUB and it expects to improve further.

Valuation and Outlook

In Q4FY22 City Union Bank posted strong financials showing improvement in operational performance and asset quality. Gross NPA's for the quarter improved to 4.7% in Q4FY22 vs 5.2% in Q3FY22. With the covid fears subsiding, management has maintained a positive stance on growth and is confident of faster recoveries, leading to further improvement in asset quality. The bank's strong liquidity, comfortable capital position and granular credit portfolio are strong positives. We value the company based on 1.6x of its FY24e Book-Value and arrive at a target price of INR 185 (29% upside from CMP) with a 12 months investment horizon.

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook

Positive

Stock

CMP (INR)	143
Target Price (INR)	185
NSE Symbol	CUB
BSE Code	532210
Bloomberg	CUBK IN
Reuters	CTBK.BO

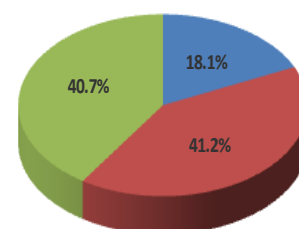
Key Data

Nifty	16.584
52WeekH/L(INR)	184/109
O/s Shares (Mn)	740
Market Cap (INR bn)	105
Face Value (INR)	1

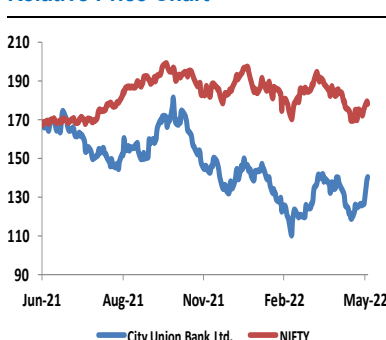
Average volume

3 months	21,64,490
6 months	22,17,830
1 year	23,11,230

Share Holding Pattern (%)



Relative Price Chart



Weekly Wealth

Key Financials

YE March (Rs. millions)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Net Interest Income	14,303	16,115	16,752	18,297	19,165	22,135	25,035
<i>Growth (Y-o-Y)</i>		12.7%	4.0%	9.2%	4.7%	15.5%	13.1%
Operating Income	19,624	21,259	23,551	25,344	26,756	29,197	32,746
<i>Growth (Y-o-Y)</i>		8.3%	10.8%	7.6%	5.6%	9.1%	12.2%
Net Profit	5,920	6,829	4,763	5,928	7,602	8,943	10,890
<i>Growth (Y-o-Y)</i>		15.3%	(30.2%)	24.5%	28.2%	17.6%	21.8%
EPS	8.1	9.3	6.5	8.0	10.3	12.3	15.0
<i>Growth (Y-o-Y)</i>		14.8%	(30.5%)	24.2%	28.1%	19.7%	21.8%

Key Ratios

NIM (%)	7.2%	5.2%	3.7%	3.7%	3.5%	3.9%	4.4%
ROAA (%)	3.0%	1.6%	1.0%	1.2%	1.3%	1.6%	1.9%
RoAE (%)	14.2%	15.2%	9.4%	10.6%	12.2%	12.8%	13.8%
BV per Share (INR.)	57	67	73	80	91	102	116

Valuation Ratios

P/E (x)	17.7x	15.4x	22.2x	17.8x	13.9x	11.6x	9.6x
P/BV (x)	2.3x	2.2x	2.0x	1.8x	1.6x	1.4x	1.2x

Source: Company, BP Equities Research



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Analyst (s) holding in the Stock : Nil**Analyst (s) Certification:**

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