

Slippery Slope

DCBB's 2QFY20 disappointed with broad-based asset quality deterioration while sustained cost control and stable margins were silver linings. MAINTAIN BUY with a TP of Rs 243.

HIGHLIGHTS OF THE QUARTER

- **Growth Slows Further:** As expected, credit growth moderated further to ~12/3%, led by sustained de-growth in the corporate book (-10/5%) and ex-corporate, loans grew at ~16%. Agri (+18/3%, 20% of loans) and mortgages (+15/6%, 41% of loans) grew the fastest. We have further cut our growth estimates, to a/c for unfavourable macros, given the mgt's conservative approach (welcome) to such conditions. We now build in loan growth of 18% vs. 22% earlier.
- **Asset Quality Deteriorates:** 2QFY20 saw broad-based asset quality deterioration, with the exception of corporate (flat QoQ) and Agri (-16% QoQ) GNPA's. DCBB's core segments: SME (+~95/48%) and Mortgages (+~36/13%) saw a steep rise in delinquencies. The continued increase in CV GNPA's was most striking (2.6x YoY/ +19% QoQ). The delinquency ratio at ~2.77% ann., hit an 18-qtr high. DCBB's focus on the self-employed segment appears to

have exposed it to higher asset quality risks in economic downturns. In spite of DCBB's prudent credit filters and conservative lending approach, we are compelled to build in higher slippages, at 2.2% over FY20-22E vs. 1.8% earlier.

- **Stable NIMs:** In spite of a 5bps QoQ dip in yields, margins were stable QoQ at 3.67%. Investment in low yielding RIDF bonds, (for PSL compliance) suppressed yields. Medium term relief for margins is in store, from re-pricing of high cost borrowings, even as DCBB chases retail TDs. New EB-linked floating rate loans will have a material impact on margins beyond the medium term. We build NIMs of 3.55% over FY20-22E.

STANCE

Yet again, we are compelled to reduce our estimates for DCBB over FY20-22E, as we build slower loan growth and higher slippages. These do not worry us and we like DCBB's relatively conservative approach. Sustainability of opev improvement seen this qtr (key for RoAA expansion) and the NIM impact of linking of fresh retail loans to external benchmarks, will be watched for. **Maintain BUY with a TP of Rs 243 (2 X Sep-21E ABV of Rs 122), especially given the recent correction.**

FINANCIAL SUMMARY

(Rs mn)	2QFY20	2QFY19	YoY (%)	1QFY20	QoQ (%)	FY18	FY19	FY20E	FY21E	FY22E
Net Interest Income	3,134	2,818	11.2%	3,048	2.8%	9,954	11,493	13,109	14,964	17,595
PPOP	1,845	1,461	26.2%	1,665	10.8%	5,250	6,466	7,943	9,114	10,947
PAT	913	734	24.4%	811	12.7%	2,453	3,254	4,101	5,001	6,264
EPS (Rs)						8.0	10.5	13.2	16.2	20.2
RoAE (%)						9.8	11.0	12.4	13.5	14.9
RoAA (%)						0.90	0.99	1.07	1.14	1.22
Adj. BVPS (Rs)						78.2	87.8	97.0	112.9	130.4
P/ABV (x)						2.31	2.06	1.87	1.60	1.39
P/E (x)						22.7	17.2	13.7	11.2	8.9

Source: Bank, HDFC sec Inst Research

INDUSTRY	BANKS
CMP (as on 18 Oct 2019)	Rs 181
Target Price	Rs 243
Nifty	11,662
Sense	39,298

KEY STOCK DATA	
Bloomberg	DCBB IN
No. of Shares (mn)	310
Map (Rs bn) / (\$ mn)	56/790
6m avgas traded value (Rs mn)	401

STOCK PERFORMANCE (%)			
52 Week high / low	Rs 245/148		
	3M	6M	12M
Absolute (%)	(10.0)	(10.3)	13.4
Relative (%)	(11.0)	(10.7)	0.4

SHAREHOLDING PATTERN (%)		
	June-19	Sept-19
Promoters	14.9	14.9
FIs & Local MFs	27.4	30.0
FPIs	24.5	24.1
Public & Others	33.2	31.0
Pledged Shares	Nil	Nil

Source : BSE

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- **Cost Control Visible:** Opex grew merely 10/2% YoY/QoQ, led by a 17/6% rise in other opex as staff costs rose ~4% YoY (-1% QoQ). The C-I ratio improved ~340/190bps to 55.5% (magnified by higher treasury income). The core C-I however improved ~30/80bps to 59.2%. Efficiency improvement, so far, while seriously creditable, will be key for RoAA expansion here on. We build in a Core C-I ratio of 55% over FY20-22E.
- **Deposit Growth:** Even as overall deposit growth slowed further to ~12/2%, retail term deposit growth was resilient at ~27/7%. CASA deposits grew ~7% YoY, but dipped ~3% QoQ to form ~23% of overall

deposits. Retail TD + CASA were ~80% of deposits. The trend of improving deposit granularity persisted, as the share of inter-bank deposits continued to decline (now 13% of deposits).

- **Treasury Boosts Profit; Tax Cut Impact To Play Out:** At ~Rs 249mn, treasury gains were ~6x/ 57% higher YoY/QoQ. PPOP and PBT thus came in ~7% higher vs. our estimates. DCBB's effective tax rate was nearly static QoQ at ~35% due to a higher deferred tax charge (Rs 250mn impact). PAT came in 22% higher vs. expectations. as we anticipated higher deferred tax expense for the qtr.

Five Quarters At A Glance

Rs mn	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY Growth	QoQ Growth
Net Interest Income	2,818.4	2,936.1	3,008.7	3,047.5	3,133.6	11.2%	2.8%
Non-interest Income	734.9	944.8	993.6	867.6	1,013.9	38.0%	16.9%
Treasury Income	31.0	112.0	90.0	159.0	249.0	703.2%	56.6%
Operating Income	3,553.3	3,880.9	4,002.3	3,915.1	4,147.5	16.7%	5.9%
Operating Expenses	2,092.1	2,143.1	2,149.5	2,249.7	2,302.9	10.1%	2.4%
Pre Provision Profits	1,461.2	1,737.8	1,852.8	1,665.4	1,844.6	26.2%	10.8%
Other Provisions	319.0	401.4	347.8	406.4	432.7	35.6%	6.5%
PBT	1,142.2	1,336.4	1,505.0	1,259.0	1,411.9	23.6%	12.1%
Provision For Tax	407.8	475.4	541.7	448.4	498.5	22.2%	11.2%
PAT	734.4	861.0	963.3	810.6	913.4	24.4%	12.7%
Balance Sheet Items/Ratios							
Deposits Rs bn	261.7	275.1	284.4	287.9	293.6	12.2%	2.0%
CASA %	24.3	24.2	23.9	24.5	23.2	-106 bps	-129 bps
Advances Rs bn	220.7	228.9	235.7	240.4	248.0	12.4%	3.1%
CD Ratio (%)	84.3	83.2	82.9	83.5	84.5	12 bps	93 bps
CAR (%)	15.6	15.5	16.8	16.1	16.2	59 bps	10 bps
Tier I (%)	12.0	11.9	13.1	12.5	12.6	56 bps	7 bps
Profitability							
Yield On Advances (%)	11.07	11.26	11.59	11.58	11.53	46 bps	-5 bps
Cost Of Deposits (%)	6.59	6.74	7.06	7.14	7.13	54 bps	-1 bps
NIM (%)	3.83	3.83	3.78	3.67	3.67	-16 bps	0 bps
Cost-Income Ratio (%)	58.9	55.2	53.7	57.5	55.5	-335 bps	-194 bps
Cost-Income Ex Treasury (%)	59.4	56.9	54.9	59.9	59.1	-32 bps	82 bps
Tax Rate (%)	35.7	35.6	36.0	35.6	35.3	-40 bps	-31 bps
Asset quality							
Gross NPA (Rs mn)	4,100	4,451	4,395	4,764	5,232	27.6%	9.8%
Net NPA (Rs mn)	1,553	1,634	1,538	1,958	2,379	53.2%	21.5%
Gross NPAs (%)	1.84	1.92	1.84	1.96	2.09	25 bps	13 bps
Net NPAs (%)	0.70	0.71	0.65	0.81	0.96	26 bps	15 bps
Delinquency Ratio (%)	1.81	2.04	1.73	2.49	2.77	96 bps	28 bps
Coverage Ratio Calc. (%)	62.13	63.28	65.01	58.89	54.54	-759 bps	-435 bps
Restructured Book (%)	0.16	0.14	0.09	0.16	0.16	0 bps	0 bps

In line with estimates, led by slower loan growth (+12% YoY) and stable NIMs

Led by higher treasury gains; core fee income grew merely ~3/6%

Visible cost control with flattish staff cost

LLP at Rs 350mn vs. Rs 330mn QoQ

Inter-bank Deposits at 13%; Retail Deposits form 80%

Ex. Corp loans grew 16%, Corp loans dipped 10/5%; Mortgages and Agri grew 15% and 18%

Stable NIMs- a positive

Remained elevated due to DTA impact of Rs 250mn

Broad based deterioration except Corp and Agri segments

Incl. exposures of Rs 50-80mn (~4 a/cs) in the SME and mortgage segments

Change In Estimates

(Rs mn)	FY20E			FY21E			FY22E		
	Old	New	Change	Old	New	Change	Old	New	Change
NII	13372	13,109	-2.0%	16222	14,964	-7.8%	19334	17595	-9.0%
PPOP	8052	7,943	-1.4%	10194	9,114	-10.6%	12377	10947	-11.6%
PAT	4521	4,101	-9.3%	5821	5,001	-14.1%	7226	6264	-13.3%
Adj. BVPS (Rs)	99.6	97.0	-2.6%	115.8	112.9	-2.5%	135.9	130.4	-4.0%

Book growth dipped to ~12/2% YoY/QoQ led by a sustained dip in corporate loans (~13%)

Ex-corporate, the book grew ~16%

Agri loan growth was relatively healthy at ~18/3% YoY/QoQ

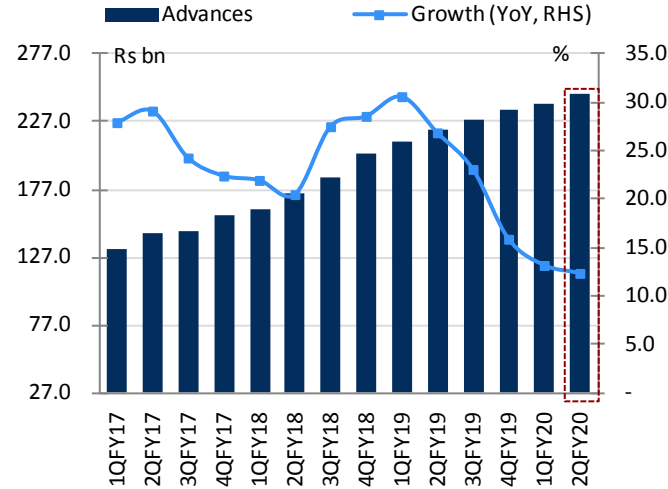
CV growth fell to ~12/3%

Growth in the core mortgage (retail) book accelerated slightly to ~15/6% and mortgages constituted a steady 41% of the book

DCBB's book exhibits high granularity with ~80% of the loans less being than Rs 30mn

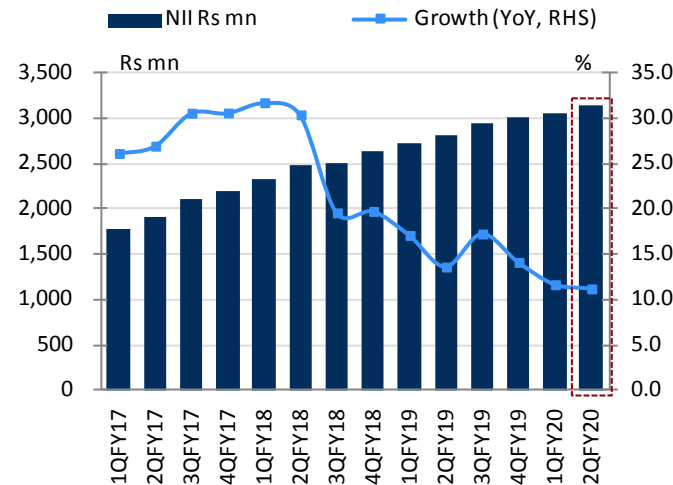
Acquired business from ADCB will come on the book in 3QFY20 (~Rs 3.5bn of loans and ~Rs 7.5bn of deposits)

Loan Growth Dips To 12/2% YoY/QoQ



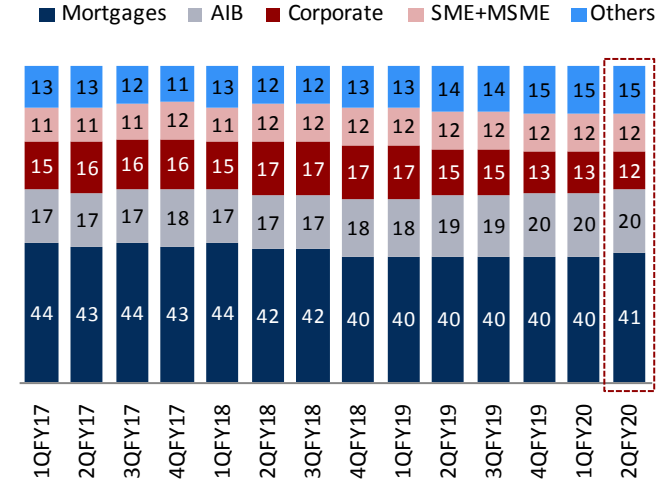
Source: Bank, HDFC sec Inst Research

NII Growth Slows ~100bps to 11%



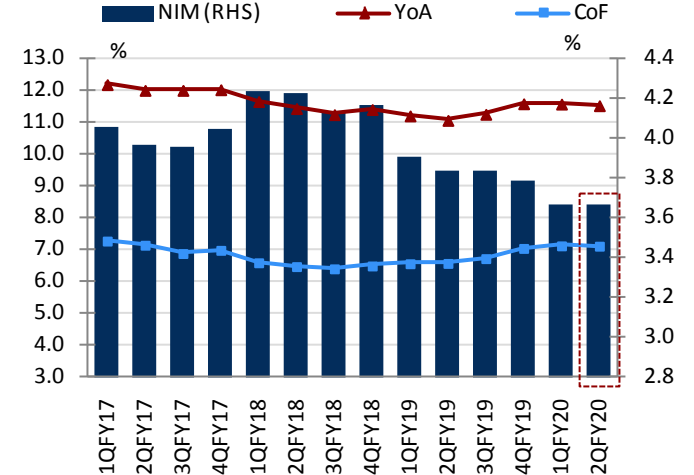
Source: Bank, HDFC sec Inst Research

Loan Mix: Corp Continues To Shrink



Source: Bank, HDFC sec Inst Research

Reported NIMs: Stable QoQ



Source: Bank, HDFC sec Inst Research

Interbank deposits dipped ~27% YoY, whereas Residential TD grew ~26/2%

Inter-bank deposits were mostly long tenure and non-callable

Retail TD growth at 27/7% was resilient

Fee income grew ~3/6%

Treasury income jumped ~6x/66% higher

The bank did not add any branches in 2QFY20

Improving oplev as the core C-I fell ~30/80bps; sustainability of improvement will be key

Non tax provisions jumped ~36/7% YoY/ QoQ to ~Rs 433mn (LLP: Rs 350mn, Std assets + floating Provisions: Rs 80mn)

Deposits Break Up: Shift Towards Retail TDs Continues

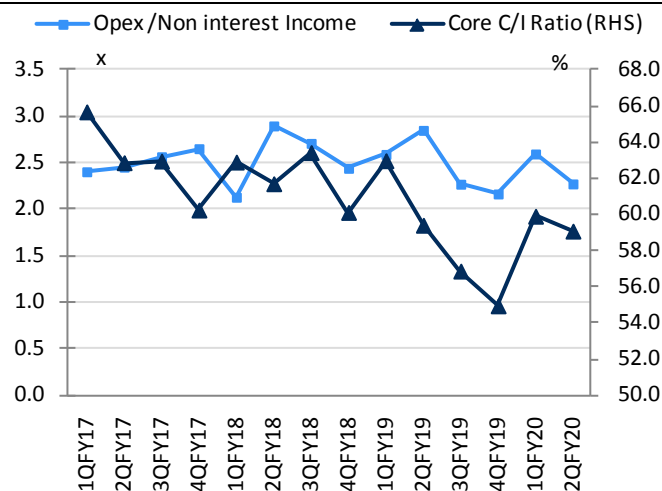
%	3Q FY16	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19	1Q FY20	2Q FY20
CASA	23	23	23	22	26	24	27	26	26	24	25	24	24	24	25	25
Non- Residential TD	8	8	8	7	7	7	7	7	7	6	6	6	6	6	6	6
Residential TD	55	55	56	54	50	52	51	49	48	49	49	50	53	55	56	56
Interbank TD	14	14	13	17	17	17	15	18	19	21	20	20	17	15	13	13

Non-interest Income: Boosted By Treasury

Rs mn	2Q FY16	3Q FY16	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19	1Q FY20	2Q FY20
Fees	351.0	361.0	395.0	379.0	422.0	403.0	452.0	519.0	483.0	567.0	629.0	599.0	559.0	594.0	648.0	546.0	578.0
% Loans	1.26	1.23	1.22	1.14	1.17	1.11	1.14	1.28	1.11	1.22	1.24	1.13	1.01	1.04	1.10	0.91	0.93
Treasury	52.0	45.0	40.0	172.0	116.0	125.0	41.0	287.0	71.0	55.0	42.0	153.0	31.0	112.0	90.0	159.0	249.0
Forex & Others	84.0	66.0	179.5	50.3	78.2	113.1	142.9	51.6	98.8	127.4	177.6	76.3	144.9	238.8	255.6	162.6	186.9
Total	487.0	472.0	614.5	601.3	616.2	641.1	635.9	857.6	652.8	749.4	848.6	828.3	734.9	944.8	993.6	867.6	1,013.9
(%, YoY)	31.8	(1.6)	32.8	(4.7)	26.5	35.8	3.5	42.6	5.9	16.9	33.4	(3.4)	12.6	26.1	17.1	4.7	38.0
% of total inc.	24.5	22.7	26.7	25.4	24.5	23.4	22.4	26.9	20.8	23.0	24.3	23.3	20.7	24.3	24.8	22.2	24.4
% of Avg. Assets (ann.)	1.17	1.09	1.34	1.24	1.19	1.13	1.07	1.42	1.04	1.13	1.18	1.08	0.92	1.13	1.13	0.96	1.11

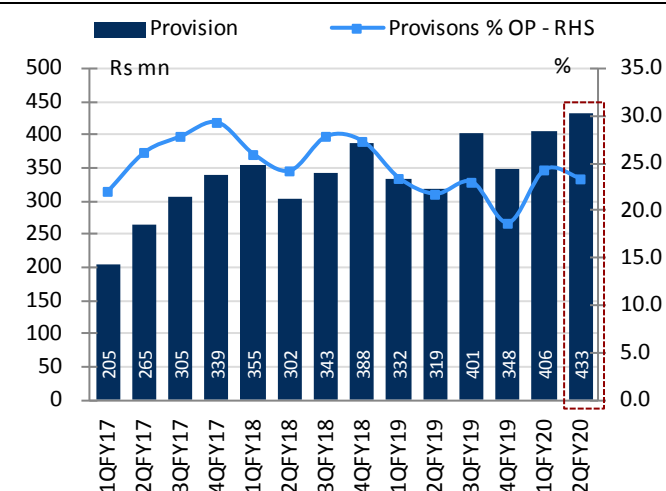
Source: DCB Bank

Core C-I Dips QoQ



Source: Bank, HDFC Sec Inst Research

Non-Tax Provisions Jumped ~7% QoQ



Source: Bank, HDFC Sec Inst Research

At ~Rs 1.61bn (i.e. 2.8% ann.), slippages hit an 18-qtr high

Corp GNPA's were flat QoQ

Steep rise in GNPA's in core segments:

SME +95/48%

Mortgages +36/13%

2-4 a/cs of Rs 50-80mn slipped in the SME and Mortgage segments

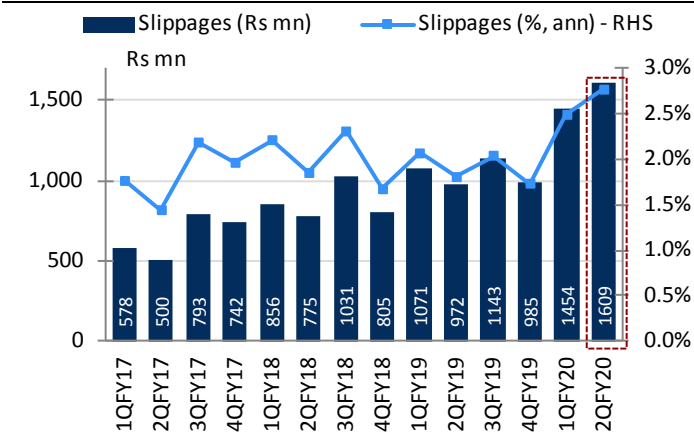
Sharp rise in CV GNPA's continued (2.6x/+19% YoY/QoQ)

Commentary suggests better asset quality in the new CV segment vs. the used segment

Upgrades were ~40/41% higher YoY/QoQ

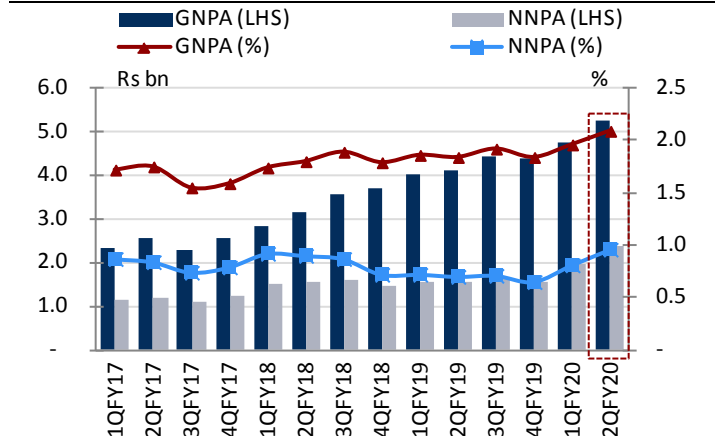
Segment-wise GNPA's:
Corp 63bps (+3bps QoQ)
SME 2.49% (+76bps QoQ)
Mortgages 1.98% (+13bps QoQ)
CV 4.36% (+59bps QoQ)
Agri 2.14% (-48bps QoQ)

Slippages Rise QoQ



Source: Bank, HDFC Sec Inst Research

Higher Slippages Push GNPA's



Source: Bank, HDFC Sec Inst Research

Segment-wise GNPA's: Corp NPAs Flat QoQ; SME and Mortgages Register A Sharp Rise

(Rs mn)	2Q FY16	3Q FY16	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19	1Q FY20	2Q FY20
PL	-	-	-	-	-	-	-	-	-	-	-	-	-	0	0	0	0.00
CV/CE	74	89	92	111	134	176	200	215	294	283	299	319	294	385	480	635	14.47
Corp.	919	861	861	861	861	652	859	675	675	840	840	902	930	779	619	187	3.57
SME	486	522	245	279	367	368	324	316	328	373	307	339	380	403	425	501	14.18
Mortgages	466	511	464	626	743	669	717	1,002	1,164	1,269	1,392	1,480	1,486	1,606	1,627	1,779	38.53
Others	78	51	24	32	72	90	76	135	136	148	220	232	247	260	260	401	8.96
Agri	220	315	288	404	377	324	366	510	561	632	632	734	763	1,018	984	1,261	20.28

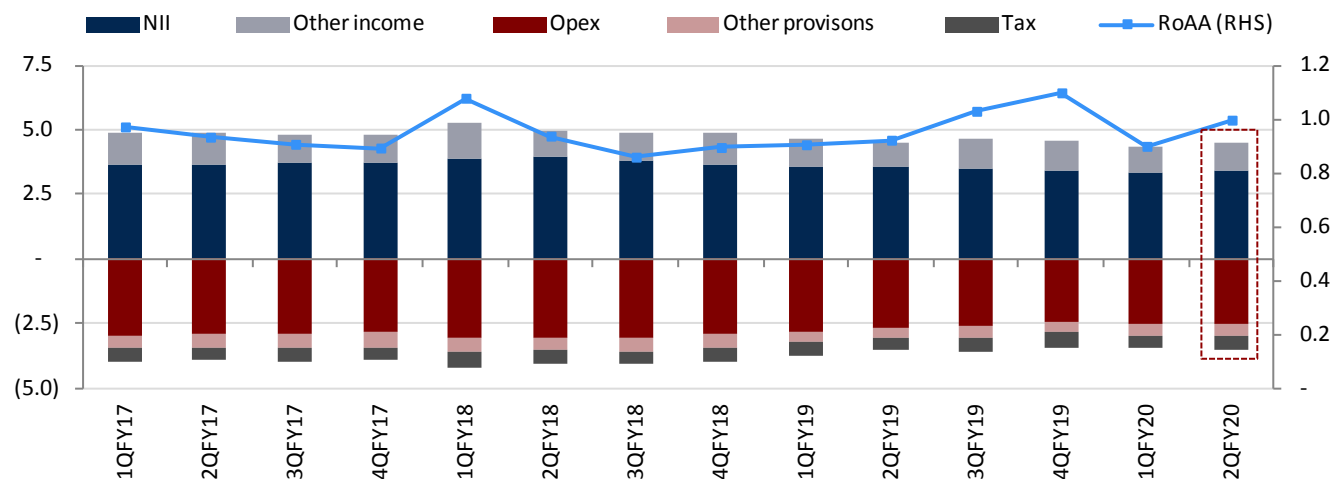
Source: Bank, HDFC Sec Inst Research

Asset Quality Movement: GNPA Rise Led By Higher Slippages

Rs mn	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19	1Q FY20	2Q FY20
Opening GNPA	2,350	1,975	2,314	2,555	2,280	2,543	2,854	3,159	3,546	3,691	4,007	4,101	4,452	4,396	4,765
Slippages	509	579	501	793	746	887	779	1,038	814	1,074	978	1,147	1,007	1,482	1,689
(%) ann.	1.65	1.76	1.44	2.19	1.96	2.21	1.85	2.31	1.67	2.07	1.81	2.04	1.73	2.49	2.77
Reductions	884	240	260	1,068	483	576	474	651	669	758	884	796	1,063	1,113	1,149
W/O	348	4	-	349	90	245	1	75	2	78	184	166	241	433	353
Recovery	426	193	139	641	225	210	212	307	284	248	327	279	368	311	273
Upgrades	110	43	121	78	168	121	261	269	383	432	373	351	454	369	523
Closing GNPA	1,975	2,314	2,555	2,280	2,543	2,854	3,159	3,546	3,691	4,007	4,101	4,452	4,396	4,765	5,305

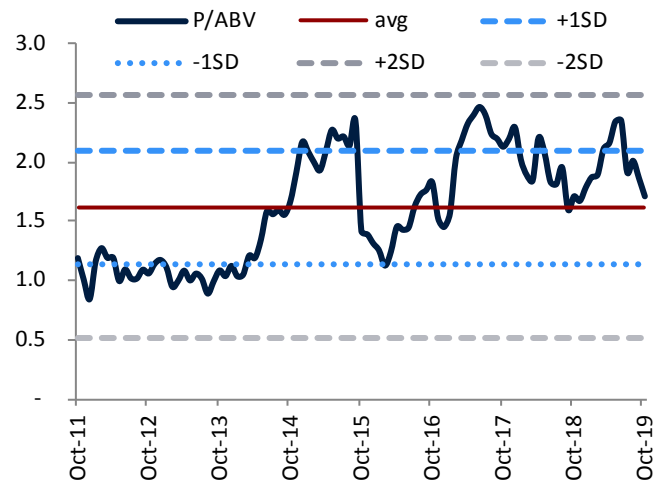
Source: Bank, HDFC Sec Inst Research

RoAA: Higher Treasury Income Boosts RoAA QoQ

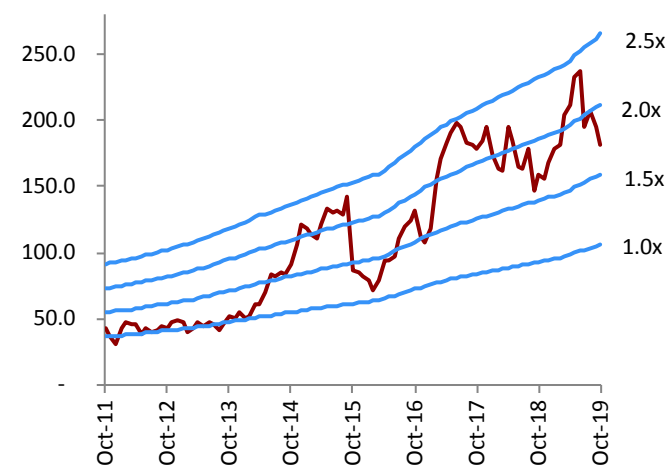


Source: Bank, HDFC sec Inst Research

P/ABV Band Chart



Source: Bank, HDFC sec Inst Research



Peer Set Comparison

BANK	Mcap (Rs bn)	CMP (Rs)	Rating	TP (Rs)	ABV (Rs)			P/E (x)			P/ABV (x)			ROAE (%)			ROAA (%)		
					FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
KMB#	3,064	1,605	NEU	1,638	242	283	329	36.8	29.8	24.2	5.40	4.53	3.80	15.5	15.9	16.4	2.01	2.05	2.09
ICICIBC #	2,843	441	BUY	510	156	181	214	19.6	12.4	8.8	2.16	1.83	1.51	9.3	13.5	16.4	1.08	1.48	1.79
AXSB	2,001	710	BUY	986	278	322	376	23.4	14.6	12.0	2.45	2.11	1.81	10.5	13.8	14.8	0.97	1.36	1.43
IIB	950	1,340	BUY	1,904	515	581	688	18.0	14.1	11.2	2.60	2.31	1.95	16.5	16.6	18.1	1.73	1.86	1.94
RBL	124	290	NEU	428	173	198	231	15.9	10.1	7.8	1.67	1.47	1.26	9.9	14.0	16.1	0.89	1.18	1.28
FB	167	84	BUY	119	63	74	85	9.8	8.1	6.5	1.32	1.14	0.99	12.2	13.2	14.8	1.00	1.04	1.13
CUB	159	217	BUY	261	68	80	94	18.9	16.5	14.4	3.17	2.70	2.32	16.0	15.8	15.5	1.72	1.69	1.65
DCBB	56	181	BUY	243	97	113	130	13.7	11.2	8.9	1.87	1.60	1.39	12.4	13.5	14.9	1.07	1.14	1.22
KVB	46	57	BUY	89	52	61	67	12.5	7.1	4.5	1.09	0.93	0.85	5.6	9.6	14.6	0.50	0.79	1.11
SBIN #	2,365	265	BUY	416	184	222	261	7.9	4.5	3.3	0.95	0.77	0.62	8.6	13.5	15.7	0.51	0.81	0.97
AUSFB	196	648	BUY	795	120	146	181	30.0	22.0	16.6	5.39	4.44	3.59	17.5	18.8	20.7	1.72	1.82	1.91

Source: Bank, HDFC sec Inst Research, # Adjusted for subsidiaries value

Income Statement

(Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
Interest Earned	24,130	30,415	35,171	40,629	48,001
Interest Expended	14,176	18,922	22,062	25,665	30,406
Net Interest Income	9,954	11,493	13,109	14,964	17,595
Non-interest Income	3,103	3,502	4,195	4,726	5,412
<i>Fee Income (CEB)</i>	<i>2,176</i>	<i>2,399</i>	<i>2,680</i>	<i>3,210</i>	<i>3,893</i>
<i>Treasury Income</i>	<i>454</i>	<i>386</i>	<i>750</i>	<i>700</i>	<i>650</i>
Total Income	13,057	14,995	17,304	19,690	23,007
Total Operating Exp	7,807	8,529	9,361	10,576	12,060
<i>Employee Expense</i>	<i>3,812</i>	<i>4,340</i>	<i>4,809</i>	<i>5,442</i>	<i>6,149</i>
PPOP	5,250	6,466	7,943	9,114	10,947
Provisions & Contingencies	1,388	1,401	2,084	2,430	2,577
<i>Prov. For NPAs (Incl. Std Prov.)</i>	<i>1,338</i>	<i>1,381</i>	<i>1,934</i>	<i>2,280</i>	<i>2,427</i>
PBT	3,862	5,065	5,859	6,683	8,371
Provision for Tax	1,408	1,812	1,758	1,682	2,107
PAT	2,453	3,254	4,101	5,001	6,264

Source: Bank, HDFC sec Inst Research

Balance Sheet

(Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
SOURCES OF FUNDS					
Share Capital	3,095	3,107	3,107	3,107	3,107
Reserves	24,983	28,049	31,694	36,140	41,707
Shareholders' Funds	28,078	31,156	34,801	39,247	44,814
<i>Savings</i>	<i>40,048</i>	<i>49,757</i>	<i>60,952</i>	<i>74,361</i>	<i>90,721</i>
<i>Current</i>	<i>18,355</i>	<i>18,342</i>	<i>19,718</i>	<i>22,084</i>	<i>24,734</i>
<i>Term Deposit</i>	<i>1,81,665</i>	<i>2,16,252</i>	<i>2,44,596</i>	<i>2,84,689</i>	<i>3,36,790</i>
Total Deposits	2,40,069	2,84,351	3,25,266	3,81,134	4,52,245
Borrowings	19,267	27,232	31,301	34,819	38,744
Other Liabilities	14,807	15,179	16,411	18,276	20,353
Total Liabilities	3,02,221	3,57,918	4,07,779	4,73,476	5,56,156
APPLICATION OF FUNDS					
Cash & Bank Balance	23,720	27,934	30,294	32,467	33,498
Investments	62,190	78,441	87,688	99,656	1,15,466
<i>G-Secs</i>	<i>49,090</i>	<i>60,007</i>	<i>68,306</i>	<i>79,276</i>	<i>94,067</i>
Advances	2,03,367	2,35,680	2,73,495	3,24,282	3,89,308
Fixed Assets	4,940	5,260	5,391	5,526	5,664
Other Assets	8,004	10,604	10,911	11,545	12,220
Total Assets	3,02,221	3,57,918	4,07,779	4,73,476	5,56,156

Source: Bank, HDFC sec Inst Research

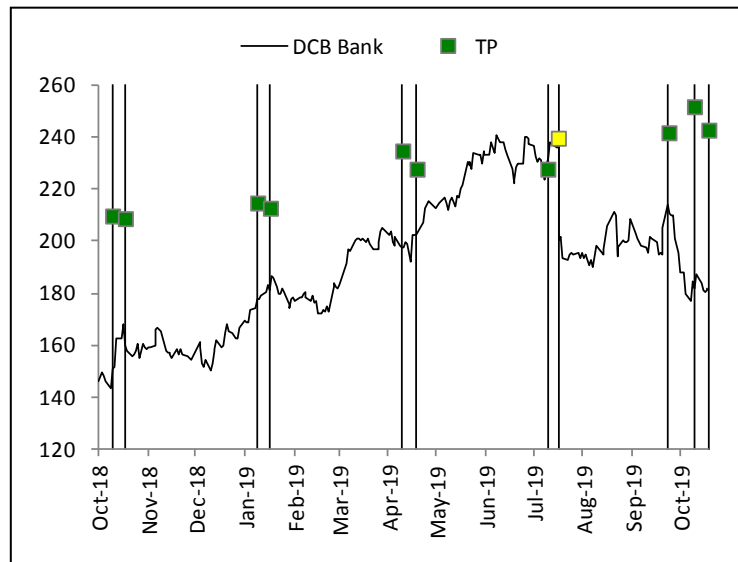
Key Ratios

	FY18	FY19	FY20E	FY21E	FY22E
VALUATION RATIOS					
EPS (Rs)	8.0	10.5	13.2	16.2	20.2
Earnings Growth (%)	22.9	32.6	26.1	21.9	25.2
BVPS (Rs)	91.1	100.6	112.4	126.8	144.7
Adj. BVPS (Rs)	78.2	87.8	97.0	112.9	130.4
DPS (Rs)	0.80	1.0	1.3	1.5	1.9
ROAA (%)	0.90	0.99	1.07	1.14	1.22
ROAE (%)	9.8	11.0	12.4	13.5	14.9
P/E (x)	22.7	17.2	13.7	11.2	8.9
P/ABV (x)	2.31	2.06	1.87	1.60	1.39
P/PPOP (x)	10.7	8.7	7.1	6.2	5.1
Dividend Yield (%)	0.4	0.6	0.7	0.8	1.1
PROFITABILITY					
Yield On Advances (%)	10.73	11.02	11.11	11.05	11.04
Yield On Investment (%)	6.99	7.61	7.50	7.40	7.40
Cost Of Deposits (%)	5.95	6.52	6.61	6.68	6.75
Core Spread (%)	4.78	4.50	4.49	4.37	4.29
NIM (%)	3.85	3.64	3.57	3.53	3.54
OPERATING EFFICIENCY					
Cost/Avg. Asset Ratio (%)	2.9	2.6	2.4	2.4	2.3
Cost-Income Ratio (Ex. Treasury)	61.9	58.4	56.5	55.7	53.9
BALANCE SHEET STRUCTURE					
Loan Growth (%)	28.6	15.9	16.0	18.6	20.1
Deposit Growth (%)	24.5	18.4	14.4	17.2	18.7
C/D Ratio (%)	84.7	82.9	84.1	85.1	86.1
Equity/Assets (%)	9.3	8.7	8.5	8.3	8.1
Equity/Advances (%)	13.8	13.2	12.7	12.1	11.5
CASA (%)	24.3	23.9	24.8	25.3	25.5
Capital Adequacy Ratio (CAR, %)	16.5	16.8	16.2	15.5	14.8
W/w Tier I CAR (%)	12.7	13.1	12.9	12.6	12.4

	FY18	FY19	FY20E	FY21E	FY22E
ASSET QUALITY					
Gross NPLs (Rs mn)	3,690	4,395	5,705	5,834	6,553
Net NPLs (Rs mn)	1,467	1,538	2,325	1,844	1,995
Gross NPLs (%)	1.79	1.84	2.04	1.77	1.66
Net NPLs (%)	0.72	0.65	0.85	0.57	0.51
Slippage (%)	1.93	1.92	2.50	2.20	2.00
Coverage Ratio (%)	60.2	65.0	59.3	68.4	69.6
Provision/Avg. Loans (%)	0.71	0.60	0.65	0.66	0.57
ROAA TREE					
Net Interest Income	3.67%	3.48%	3.42%	3.40%	3.42%
Non-interest Income	1.14%	1.06%	1.10%	1.07%	1.05%
<i>Treasury Income</i>	<i>0.17%</i>	<i>0.12%</i>	<i>0.20%</i>	<i>0.16%</i>	<i>0.13%</i>
Operating Cost	2.88%	2.58%	2.45%	2.40%	2.34%
Provisions	0.51%	0.42%	0.54%	0.55%	0.50%
<i>Provisions For NPAs</i>	<i>0.48%</i>	<i>0.40%</i>	<i>0.44%</i>	<i>0.45%</i>	<i>0.40%</i>
Tax	0.52%	0.55%	0.46%	0.38%	0.41%
ROAA	0.90%	0.99%	1.07%	1.14%	1.22%
Leverage (x)	10.76	11.49	11.72	12.06	12.41
ROAE	9.73%	11.32%	12.55%	13.69%	15.10%

Source: Bank, HDFC sec Inst Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
9-Oct-18	143	BUY	210
18-Oct-18	160	BUY	209
8-Jan-19	173	BUY	215
17-Jan-19	181	BUY	213
9-Apr-19	198	BUY	235
19-Apr-19	202	BUY	228
9-Jul-19	224	BUY	228
17-Jul-19	234	NEU	239
22-Sep-19	205	BUY	242
9-Oct-19	184	BUY	252
21-Oct-19	181	BUY	243

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- BUY** : Where the stock is expected to deliver more than 10% returns over the next 12 month period
NEUTRAL : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period
SELL : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

Disclosure:

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