

<b>INDUSTRY</b>	<b>BANKS</b>		
<b>CMP (as on 17 July 2017)</b>	<b>Rs 199</b>		
<b>Target Price</b>	<b>Rs 222</b>		
Nifty	9,916		
Sensex	32,075		
<b>KEY STOCK DATA</b>			
Bloomberg	DCBB IN		
No. of Shares (mn)	308		
MCap (Rs bn) / (\$ mn)	61/949		
6m avg traded value (Rs mn)	495		
<b>STOCK PERFORMANCE (%)</b>			
<b>52 Week high / low</b>	<b>Rs 213/99</b>		
	3M	6M	12M
Absolute (%)	14.6	69.5	98.5
Relative (%)	5.6	51.7	83.3
<b>SHAREHOLDING PATTERN (%)</b>			
Promoters	15.02		
FIs & Local MFs	20.50		
FPIs	22.54		
Public & Others	41.94		
<i>Source : BSE</i>			

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## Multi year growth story

DCB Bank's (DCBB) 1Q earnings optically beat estimates, driven by higher treasury gains (Rs 287mn). Even ex-treasury, the quality of earnings was superior led by sustained credit growth (+22%), superior NIM (4.23%, supported by fund raise), CASA ratio (~26.9%) at a 16-qtr high with 40% SA growth and healthy fee income (+15% QoQ, in a seasonally weak quarter).

Owing to an addition of 28 branches (85 in the last 12 months), the C-I ratio jumped ~260bps QoQ to ~62.9%. Asset quality saw a deterioration (though manageable), with higher slippages. While the continued dip in SME NPAs is encouraging, uptick in mortgage NPAs remains a key monitorable.

We have tweaked our estimates to factor in superior NIM, healthy non-interest income and higher NPAs. With near completion of branch expansion, recent fund raise and traction in core fees, the oplev is expected to improve hereon (key to RoAA improvement). Healthy business traction, no major

### Financial Summary

(Rs mn)	1QFY18	1QFY17	YoY (%)	4QFY17	QoQ (%)	FY16	FY17	FY18E	FY19E
Net Interest Income	2,332	1,770	31.7%	2,203	5.9%	6,195	7,971	9,928	12,323
PPOP	1,364	927	47.1%	1,153	18.3%	3,490	4,182	5,377	6,737
PAT	652	470	38.7%	529	23.4%	1,945	1,997	2,608	3,301
EPS (Rs)	2.1	1.7	28.4%	1.9	14.5%	6.8	7.0	8.5	10.7
RoAE (%)						11.9	10.8	10.9	11.1
RoAA (%)						1.10	0.93	0.97	1.02
Adj. BVPS (Rs)						57.8	63.9	79.0	88.8
P/ABV (x)						3.45	3.12	2.52	2.24
P/E (x)						29.1	28.4	23.4	18.5

Source: DCB Bank, HDFC sec Inst Research

asset quality woes and a conservative management are key virtues. Maintain a BUY with a TP of Rs 222 (2.5x FY19E ABV of Rs 89)

### Highlights of the quarter

- DCBB, yet again surprised with a superior NIM performance (4.23%, +19bps QoQ), driven by fund raise, CASA ratio at 16-qtr high (led by 40% SA growth) and 290bps rise in CD ratio. Despite the beat we have maintained our NIM estimates at ~3.9% over FY17-19E.
- GNPAs were higher 12% QoQ, led by slippages of Rs 856mn (2.2% ann. vs. 2.0% QoQ), albeit cushioned with higher W/Os (Rs 245mn). The rise in mortgage NPAs (tough within manageable level of 1.4%) remains a key monitorable. Despite this hiccup, we are confident on the bank's asset quality, given the granularity (Top 20 loans contribute a mere ~7%).
- Near-term outlook:** Given the recent run up (~70% vs. 26% in bank nifty) in last six months, we expect the stock to remain range bound in the near term.

## Five Quarters At A Glance

Rs mn	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	YoY Growth	QoQ Growth
Net Interest Income	1,770.3	1,903.2	2,094.8	2,202.6	2,331.6	31.7%	5.9%
Non-interest Income	601.3	616.2	641.1	635.9	857.6	42.6%	34.9%
Treasury Income	172.0	116.0	125.0	41.0	287.0	66.9%	600.0%
Operating Income	2,371.6	2,519.4	2,735.9	2,838.5	3,189.2	34.5%	12.4%
Operating Expenses	1,444.3	1,510.6	1,643.4	1,685.1	1,825.1	26.4%	8.3%
Pre Provision Profits	927.3	1,008.8	1,092.5	1,153.4	1,364.1	47.1%	18.3%
Other Provisions	205.3	264.8	305.3	339.3	355.0	72.9%	4.6%
PBT	722.0	744.0	787.2	814.1	1,009.1	39.8%	24.0%
Provision For Tax	251.7	259.1	274.2	285.5	356.9	41.8%	25.0%
PAT	470.3	484.9	513.0	528.6	652.2	38.7%	23.4%
<b>Balance Sheet Items/Ratios</b>							
Deposits Rs bn	156.8	176.8	188.4	192.9	191.6	22.2%	-0.7%
CASA Deposits Rs bn	36.2	38.8	48.7	46.9	51.4	42.1%	9.7%
Advances Rs bn	133.4	144.4	145.8	158.2	162.7	22.0%	2.8%
CD Ratio (%)	85.1	81.6	77.4	82.0	84.9	-14 bps	292 bps
CAR (%)	13.2	11.9	13.3	13.8	15.3	210 bps	149 bps
Tier I (%)	11.9	10.8	11.4	11.9	13.4	152 bps	157 bps
<b>Profitability</b>							
Yield On Advances (%)	12.19	12.01	12.01	12.03	11.66	-53 bps	-37 bps
Cost Of Deposits (%)	7.29	7.16	6.90	7.00	6.61	-68 bps	-39 bps
NIM (%)	4.05	3.96	3.95	4.04	4.23	18 bps	19 bps
Cost-Income Ratio (%)	60.9	60.0	60.1	59.4	57.2	-367 bps	-214 bps
Tax Rate (%)	34.9	34.8	34.8	35.1	35.4	51 bps	30 bps
<b>Asset quality</b>							
Gross NPA (Rs mn)	2,313	2,554	2,279	2,542	2,853	23.4%	12.2%
Net NPA (Rs mn)	1,157	1,209	1,089	1,244	1,491	28.9%	19.9%
Gross NPAs (%)	1.72	1.75	1.55	1.59	1.74	2 bps	15 bps
Net NPAs (%)	0.87	0.84	0.74	0.79	0.92	5 bps	13 bps
Delinquency Ratio (%)	1.76	1.44	2.19	1.96	2.21	45 bps	25 bps
Coverage Ratio Calc. (%)	49.97	52.65	52.20	51.10	47.73	-224 bps	-333 bps
Coverage Ratio Reported (%)	75.25	75.40	75.64	73.80	71.83	-342 bps	-197 bps

In line with estimates, driven by 22% loan growth and a healthy NIM

Boosted by treasury gains of ~Rs 287mn; Fees also showed strong growth of ~15% sequentially

Strong growth is driven by ~40% growth in SA deposits. CASA ratio stands at a 16-qtr high

Mortgages (~44% of the book) grew ~5% sequentially, other segments de-grew QoQ,

DCBB raised ~Rs 3.8bn through a QIP in 1QFY18

Attributed to rapid branch expansion, DCBB opened 28 branches in the qtr (85 during the year)

Uptick is driven by a jump in Mortgage NPAs (~Rs 1bn vs ~Rs 717mn sequentially). SME and corporate NPAs dipped QoQ to ~Rs675mn and ~Rs 316mn respectively

## Change In Estimates

(Rs mn)	FY18E			FY19E		
	Old	New	Change	Old	New	Change
NII	9,918	9,928	0.1%	12,267	12,323	0.5%
PPOP	5,209	5,377	3.2%	6,674	6,737	0.9%
PAT	2,565	2,608	1.7%	3,288	3,301	0.4%
Adj. BVPS (Rs)	78.6	79.0	0.5%	88.4	88.8	0.5%

Source: HDFC sec Inst Research

*On a sequential basis, mortgages grew ~5% and CV grew ~29%; all other business segments reported a decline*

*Self-employed segment forms ~86% of the mortgage book and 89% of CASA deposits*

*Loan mix continues to be well diversified and granular*

*CASA grew ~42% YoY, driven by 40% growth in SA ACs*

*CASA Ratio at 26.9% is at a 16-qtr high*

*Retail deposits form ~79.6% vs. 77% QoQ*

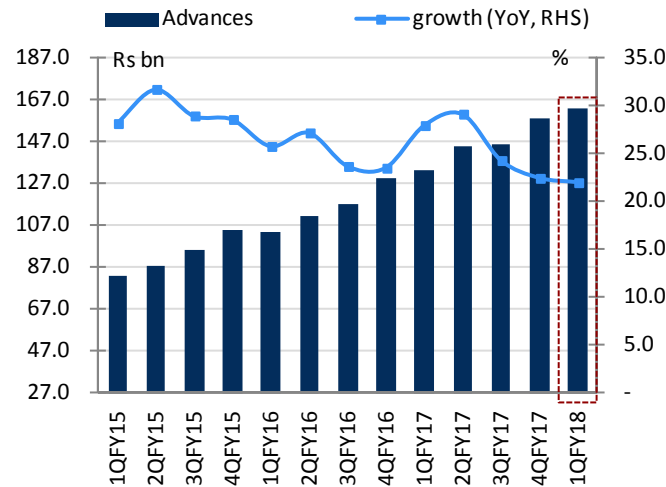
*NRI deposits grew ~11% YoY to form ~7% of deposits*

**CASA ratio at 16-qtr high, healthy loan growth**

- DCBB's liability franchise improved significantly QoQ, with retail deposits forming ~79.6% vs. 77% QoQ. **SA growth of ~40% pleasantly surprised, and drove CASA ratio to a 16-qtr high at ~26.9%, +250bps QoQ.** The share of NRI deposits was largely stable at ~7%.
- Loan growth of ~22% was spread across segments. On a sequential basis, Mortgages grew ~5% QoQ (Rs 71,6bn, 44% of loans), while SME (-6%, 11% of loans), Corporate (-4%, 15% of loans) and Agri (-3%; 17% of loans) reported a decline.

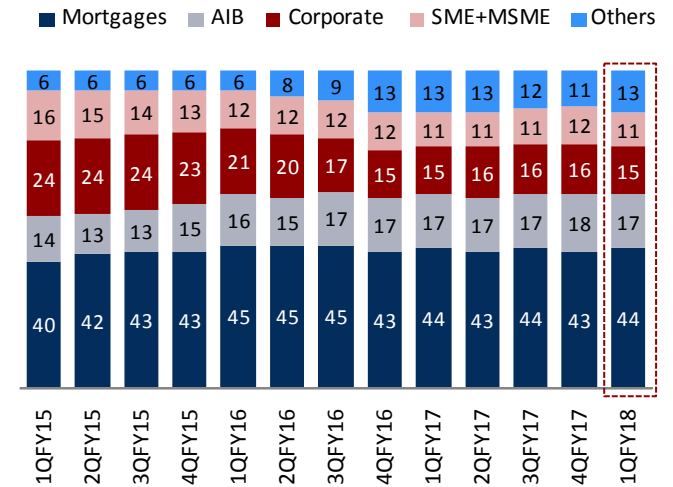
- On a small base, CV loans (5% share, +100bps QoQ) reported high growth of 53/29% YoY/QoQ.
- We have conservatively factored in a loan CAGR of ~25% FY17-19E, which can provide an upside to our earnings estimates.
- With a relatively faster growth in loans, the C-D ratio jumped 290bps QoQ to 84.9%.

**Loan Growth Healthy At 22/3% YoY/QoQ**



Source: DCB Bank, HDFC sec Inst Research

**Loan Mix: Mortgages Form ~44% Of The Book**



Source: DCB Bank, HDFC sec Inst Research

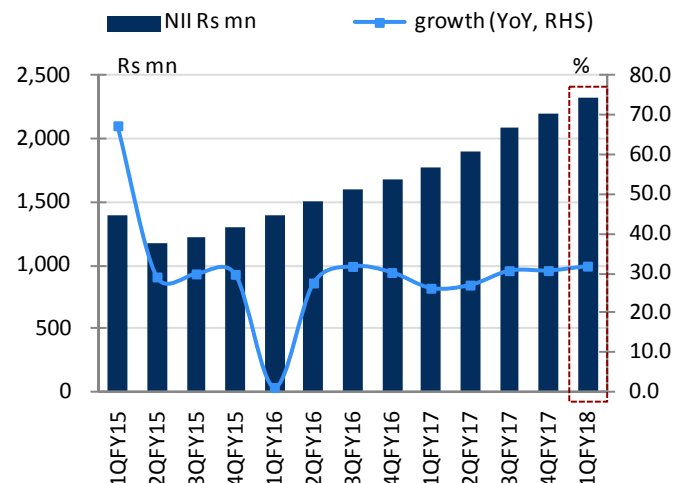
**NIM stood at 4.23%, up 19bps sequentially, driven by fund raise, CASA improvement and rise in CD ratio**

**Superior NIM performance: A positive surprise**

- On the NIM front, DCBB continues to surprise us repeatedly, despite relatively lower CASA and higher competition in the bank's focus segment (Mortgage, ~44% of loans). In 1Q, NIM (4.23%, +190bps QoQ) rose to an all-time high boosted by the recent fund raise of Rs 3.8bn, CASA ratio at 16-qtr high and rise in the C-D ratio.

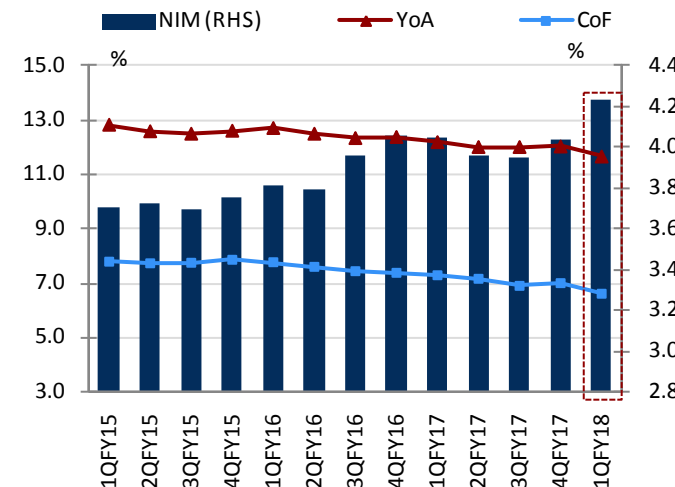
- While yields dipped ~37bps QoQ, the drop in CoF (-40bps) cushioned NIMs. Despite the beat, we have maintained our NIM estimates at 3.9% over FY17-19E.

**Strong NII Growth Of ~32% YoY**



Source: DCB Bank, HDFC sec Inst Research

**NIM At 4.23%, Up 19bps Sequentially**



Source: DCB Bank, HDFC sec Inst Research

**Strong non-interest income growth was driven by healthy treasury income and sustained momentum in core fees (despite a seasonally weak quarter)**

**Core fees jumped ~37/15% YoY/QoQ**

**Non-interest Income : Driven By Treasury Gains; Core Fees To A Positive Surprise**

Rs mn	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18
Fees	253.0	309.0	307.0	336.0	299.0	351.0	361.0	395.0	379.0	422.0	403.0	452.0	519.0
% Loans	1.22	1.41	1.29	1.28	1.15	1.26	1.23	1.22	1.14	1.17	1.11	1.14	1.28
Treasury	43.0	40.0	126.0	68.0	284.0	52.0	45.0	40.0	172.0	116.0	125.0	41.0	287.0
Forex	48.9	21.0	47.0	58.7	48.2	84.0	66.0	179.5	50.3	78.2	113.1	142.9	320.0
Total	344.9	369.6	479.9	462.7	631.2	487.0	472.0	614.5	601.3	616.2	641.1	635.9	857.6
(%, YoY)	(23.5)	35.5	46.1	38.3	83.0	31.8	(1.6)	32.8	(4.7)	26.5	35.8	3.5	42.6
% of total income	19.9	23.9	28.2	26.3	31.0	24.5	22.7	26.7	25.4	24.5	23.4	22.4	26.9
% of Avg. Assets (ann.)	1.07	1.12	1.36	1.20	1.56	1.17	1.09	1.34	1.24	1.19	1.13	1.07	1.42

Source: DCB Bank

**DCBB is well placed to improve opelev with near completion of branch expansion and the recent fund raise**

**Management has guided for a C-I ratio of 55% by the end of FY19**

**Non-tax provisions were higher at Rs 355mn (+73% YoY; 89bps annu.)**

**O/S Floating provisions stood at Rs 440mn i.e. 27bps of loans**

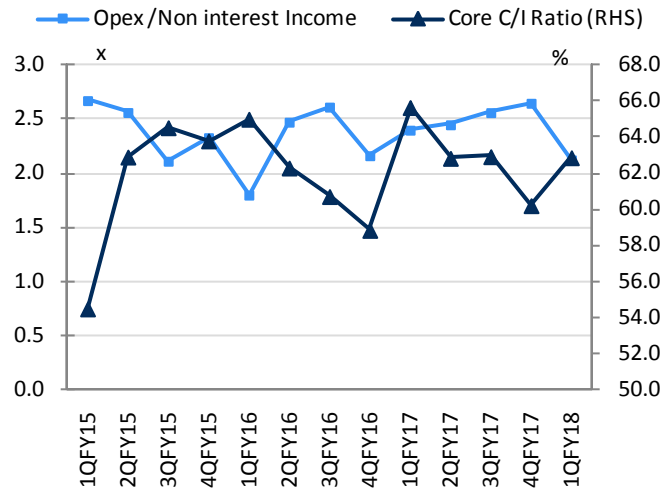
**Core C-I ratio deteriorates, improvement inevitable**

- We believe DCBB’s branch expansion largely completed. It added 28 branches in 1QFY18 (85 branches in the last 12 months), which led to an opex growth of ~26/8% YoY/QoQ (staff cost growth of ~11% QoQ was led by annual appraisals and employee additions). Hence, even as core earnings saw robust growth and core fees improved, the core C-I ratio jumped ~265bps QoQ to 62.9%.
- With plans for a calibrated branch expansion hereon, a tight leash on costs and the recent fund raise, DCBB is well placed to reap opelev benefits. We expect core

operational efficiencies to improve to ~61% from ~63% in FY17. The management has guided for 55% C-I ratio by the end of FY19E.

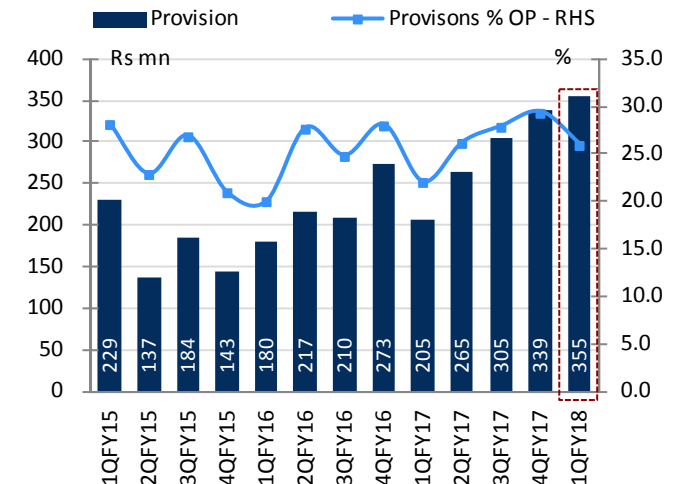
- The overall provisioning cost was flat QoQ at Rs 355mn (+73% YoY), i.e. 89bps vs. 63bps YoY. Provision costs include proceeds from sale to ARC of provisions of ~Rs 17.4mn, and higher floating provisions (O/S floating provisions stood at Rs 440mn i.e.27bps). We have revised our provision cost assumptions higher to ~60bps over FY17-19E.

**Core C-I Jumps 265bps QoQ**



Source: DCB Bank, HDFC Sec Inst Research

**Non-tax Provisions Up ~73/5% YoY/QoQ**



Source: DCB Bank, HDFC Sec Inst Research

**Slippages at 2.2% ann. were driven by the Mortgages, Agri and Gold loan segments; SME NPA were lower QoQ**

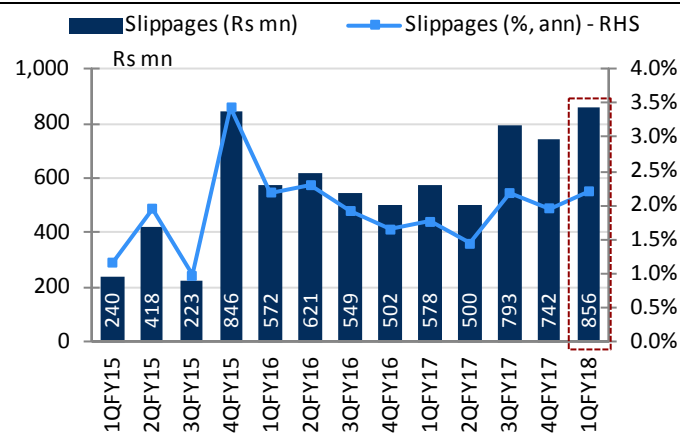
**GNPA's were up ~12% QoQ with higher slippages and lower recoveries**

**Mortgage GNPA's were up ~40% QoQ, Agri NPAs increased ~39% QoQ; SME was down ~2.5% QoQ**

### Deterioration in asset quality, a one-off blip

- With higher slippages and lower recoveries, GNPA's jumped ~12% QoQ. However, the rise was constrained by higher W/O's (Rs 245mn).
- Sequentially, slippages were higher at Rs 856mn (2.2% ann. vs. 2.0% QoQ), with visible stress in Mortgage, Agri and Gold loan portfolio. However, it remains within manageable levels.
- Mortgage NPAs (Rs 1bn, 1.4%) jumped ~40% QoQ, Agri NPAs (Rs 510mn, 1.84%) rose ~39% QoQ and Gold loan NPAs (Rs 65mn) almost doubled. However,

#### Slippages At 2.21% Vs. 1.96% Annu. QoQ



Source : DCB Bank

#### Segment-wise GNPA's

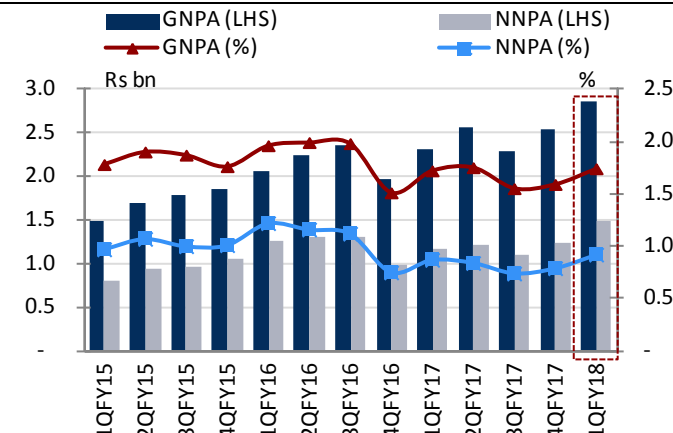
(Rs mn)	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4Q FY17	1QFY18
PL	3	2	3	2	1	0	0	0	0	0	0	0	0
CV/CE	44	60	76	88	70	74	89	92	111	134	176	200	215
Corp.	154	267	261	919	1016	919	861	861	861	861	652	859	675
SME	900	900	927	273	284	486	522	245	279	367	368	324	316
Mortgages	268	294	346	362	349	466	511	464	626	743	669	717	1,002
Others	123	165	179	30	157	78	51	24	32	72	90	76	135
Agri	0	0	0	187	188	220	315	288	404	377	324	366	510

Source: DCB Bank

a continued decline in SME NPA (Rs 316mn, 1.8%) provides some comfort.

- With a 200bps sequential drop in PCR (71.8%), NNPA's jumped ~19% QoQ to Rs 1.5bn (0.9%).
- Despite the hiccup, we are confident of the bank's asset quality, given the granularity (Top 20 loans contribute a mere ~7%), its astute approach and lower exposure to stressed sectors. We have conservatively factored in slippages of ~1.65% over FY17-19E.

#### GNPAs At 1.74%, Reported PCR 71.8%



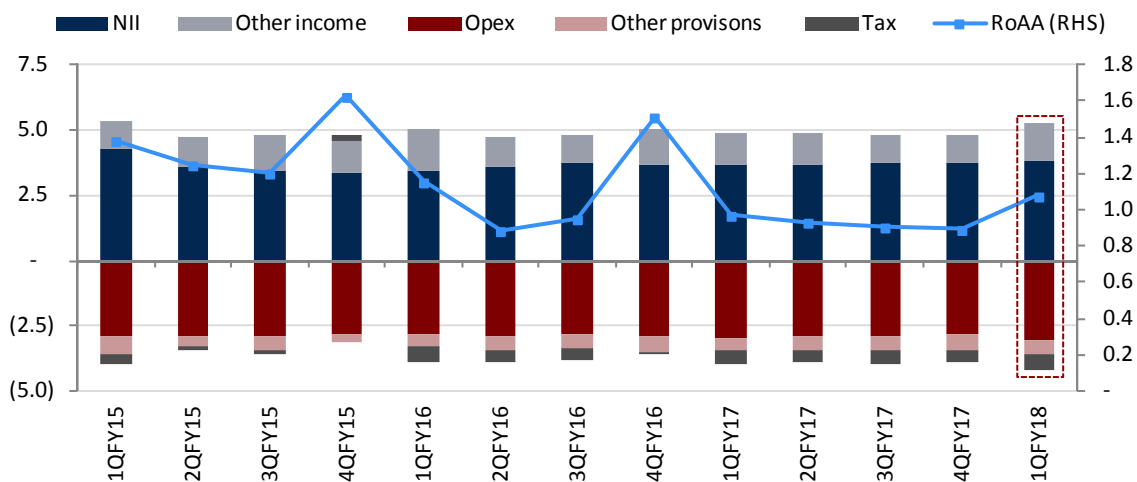
Source : DCB Bank

**Asset Quality Movement**

Rs mn	1Q FY15	2Q FY15	3Q FY15	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18
Opening GNPA	1,385	1,492	1,688	1,792	1,861	2,065	2,244	2,350	1,975	2,314	2,555	2,280	2,543
<b>Slippages</b>	<b>240</b>	<b>418</b>	<b>223</b>	<b>858</b>	<b>573</b>	<b>622</b>	<b>551</b>	<b>509</b>	<b>579</b>	<b>501</b>	<b>793</b>	<b>746</b>	<b>887</b>
(%) ann.	1.17	1.96	0.97	3.44	2.19	2.30	1.92	1.65	1.76	1.44	2.19	1.96	2.21
Reductions	133	222	119	789	369	443	445	884	240	260	1,068	483	576
W/O	-	32	-	443	148	70	34	348	4	-	349	90	245
Recovery	27	190	119	272	116	213	249	426	193	139	641	225	210
Upgrades	106	-	-	74	105	160	162	110	43	121	78	168	121
<b>Closing GNPA</b>	<b>1,492</b>	<b>1,688</b>	<b>1,792</b>	<b>1,861</b>	<b>2,065</b>	<b>2,244</b>	<b>2,350</b>	<b>1,975</b>	<b>2,314</b>	<b>2,555</b>	<b>2,280</b>	<b>2,543</b>	<b>2,854</b>

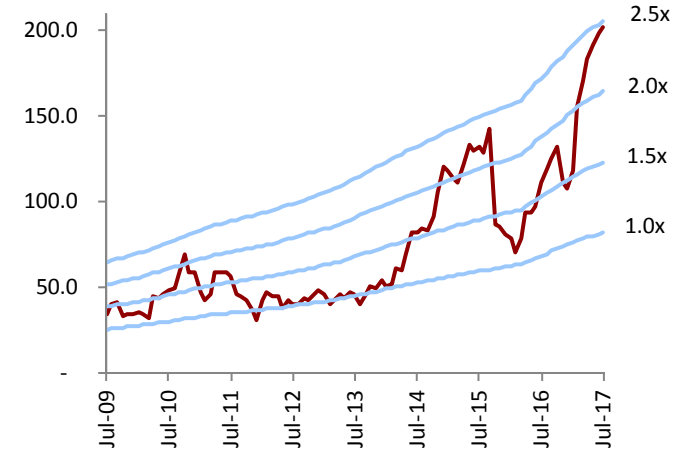
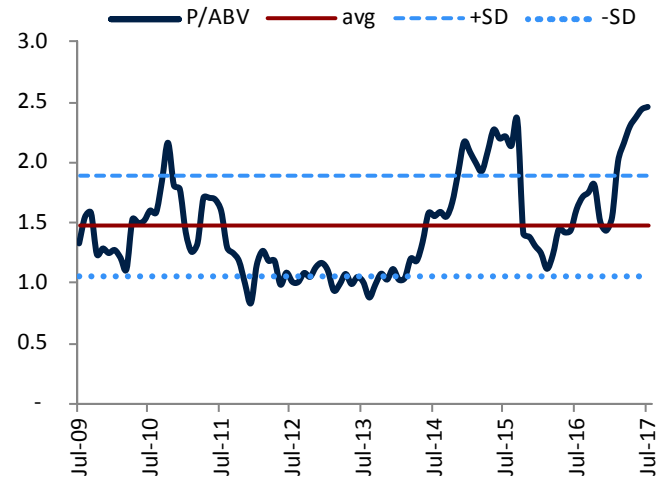
Source: DCB Bank

**Sequentially Stable RoAA At 1.1%**



Source: Bank, HDFC sec Inst Research

**P/ABV Band Chart**



Source: Bank, HDFC sec Inst Research



**Peer Valuations**

BANK	Mcap (Rs bn)	CMP (Rs)	Rating	TP (Rs)	ABV (Rs)			P/E (x)			P/ABV (x)			ROAE (%)			ROAA (%)		
					FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E
ICICIBC #	1,796	980	BUY	1,121	136	183	208	45.0	35.3	28.5	6.13	4.48	3.82	13.2	14.0	13.7	1.68	1.90	1.94
KMB #	1,767	303	BUY	317	111	111	132	14.0	15.0	12.3	2.14	2.13	1.71	10.0	10.8	11.6	1.31	1.24	1.29
AXSB	1,222	510	NEU	507	197	217	255	33.2	21.1	13.1	2.59	2.35	2.00	6.8	10.0	14.6	0.65	0.89	1.24
IIB	943	1,585	BUY	1,663	331	382	443	33.0	26.7	21.9	4.78	4.15	3.57	15.3	16.3	17.2	1.78	1.79	1.78
FB	221	114	BUY	128	46	59	64	23.7	21.5	16.8	2.46	1.94	1.78	9.8	9.7	10.2	0.81	0.81	0.86
CUB	102	170	BUY	179	53	62	72	20.3	17.8	15.5	3.24	2.77	2.38	15.2	15.0	14.9	1.51	1.52	1.51
<b>DCBB</b>	<b>61</b>	<b>199</b>	<b>BUY</b>	<b>222</b>	<b>64</b>	<b>79</b>	<b>89</b>	<b>28.4</b>	<b>23.4</b>	<b>18.5</b>	<b>3.12</b>	<b>2.52</b>	<b>2.24</b>	<b>10.8</b>	<b>10.9</b>	<b>11.1</b>	<b>0.93</b>	<b>0.97</b>	<b>1.02</b>
SBIN #	2,276	293	BUY	348	109	126	152	14.2	12.2	9.8	1.71	1.49	1.22	6.8	6.7	7.9	0.42	0.43	0.49
BOB	380	165	BUY	220	88	121	157	27.5	12.6	8.3	1.86	1.36	1.05	3.8	7.9	11.1	0.20	0.42	0.59
Equitas	57	168	BUY	176	63	65	70	35.7	50.1	28.3	2.68	2.58	2.39	8.9	5.0	8.2	2.00	1.11	1.63
Ujjivan	40	339	NEU	354	147	159	175	16.7	24.9	18.5	2.31	2.14	1.94	16.4	8.9	10.9	2.92	1.79	2.01

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

**Income Statement**

(Rs mn)	FY15	FY16	FY17	FY18E	FY19E
Interest Earned	14,224	16,985	20,761	25,486	31,218
Interest Expended	9,142	10,790	12,791	15,557	18,896
<b>Net Interest Income</b>	<b>5,082</b>	<b>6,195</b>	<b>7,971</b>	<b>9,928</b>	<b>12,323</b>
<b>Non-interest Income</b>	<b>1,657</b>	<b>2,205</b>	<b>2,495</b>	<b>3,245</b>	<b>3,811</b>
<i>Fee Income (CEB)</i>	1,193	1,405	1,657	2,066	2,589
<i>Treasury Income</i>	277	423	454	750	750
<b>Total Income</b>	<b>6,739</b>	<b>8,400</b>	<b>10,465</b>	<b>13,174</b>	<b>16,133</b>
<b>Total Operating Exp</b>	<b>3,965</b>	<b>4,909</b>	<b>6,283</b>	<b>7,797</b>	<b>9,397</b>
<i>Employee Expense</i>	1,960	2,451	3,080	3,997	4,884
<b>PPOP</b>	<b>2,774</b>	<b>3,490</b>	<b>4,182</b>	<b>5,377</b>	<b>6,737</b>
Provisions & Contingencies	694	879	1,115	1,396	1,698
<i>Prov. For NPAs (Incl. Std Prov.)</i>	590	760	1,082	1,326	1,578
<b>PBT</b>	<b>2,080</b>	<b>2,611</b>	<b>3,067</b>	<b>3,981</b>	<b>5,039</b>
Provision for Tax	168	666	1,070	1,373	1,739
<b>PAT</b>	<b>1,912</b>	<b>1,945</b>	<b>1,997</b>	<b>2,608</b>	<b>3,301</b>

Source: Bank, HDFC sec Inst Research

**Balance Sheet**

(Rs mn)	FY15	FY16	FY17	FY18E	FY19E
<b>SOURCES OF FUNDS</b>					
Share Capital	2,852	2,860	2,869	3,087	3,087
Reserves	13,034	15,062	19,179	25,093	28,034
<b>Shareholders' Funds</b>	<b>15,886</b>	<b>17,922</b>	<b>22,049</b>	<b>28,180</b>	<b>31,121</b>
<i>Savings</i>	19,040	23,127	31,545	41,008	51,670
<i>Current</i>	10,461	11,771	15,347	17,189	19,595
<i>Term Deposit</i>	96,591	114,361	146,000	178,872	219,505
<b>Total Deposits</b>	<b>126,091</b>	<b>149,260</b>	<b>192,892</b>	<b>237,069</b>	<b>290,770</b>
Borrowings	11,638	11,479	12,758	14,735	16,567
Other Liabilities	7,708	12,525	12,765	14,679	16,881
<b>Total Liabilities</b>	<b>161,323</b>	<b>191,185</b>	<b>240,464</b>	<b>294,663</b>	<b>355,340</b>
<b>APPLICATION OF FUNDS</b>					
Cash & Bank Balance	7,192	8,916	11,925	13,851	12,026
Investments	39,622	43,333	58,179	68,915	80,679
<i>G-Secs</i>	34,749	39,855	47,711	56,896	67,459
Advances	104,651	129,214	158,176	198,669	248,907
Fixed Assets	2,367	2,480	4,886	5,130	5,386
Other Assets	7,492	7,242	7,298	8,098	8,341
<b>Total Assets</b>	<b>161,323</b>	<b>191,185</b>	<b>240,464</b>	<b>294,663</b>	<b>355,340</b>

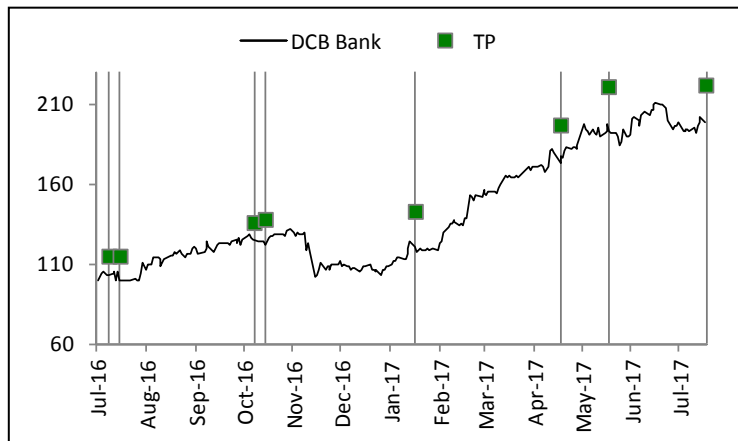
Source: Bank, HDFC sec Inst Research

## Key Ratios

	FY15	FY16	FY17	FY18E	FY19E
<b>VALUATION RATIOS</b>					
EPS (Rs)	6.8	6.8	7.0	8.5	10.7
Earnings Growth (%)	26.3	1.7	2.6	30.6	26.6
BVPS (Rs)	56.2	63.0	77.2	91.7	101.3
Adj. BVPS (Rs)	50.6	57.8	63.9	79.0	88.8
ROAA (%)	1.32	1.10	0.93	0.97	1.02
ROAE (%)	14.2	11.9	10.8	10.9	11.1
P/E (x)	29.4	29.1	28.4	23.4	18.5
P/ABV (x)	3.93	3.45	3.12	2.52	2.24
P/PPOP (x)	20.5	16.3	13.7	11.4	9.1
Dividend Yield (%)	-	-	0.3	0.4	0.5
<b>PROFITABILITY</b>					
Yield On Advances (%)	11.81	11.58	11.46	11.29	11.15
Yield On Investment (%)	6.90	7.42	7.75	7.70	7.65
Cost Of Deposits (%)	7.33	7.33	6.89	6.80	6.79
Core Spread (%)	4.47	4.25	4.58	4.49	4.37
NIM (%)	3.68	3.72	3.89	3.90	3.96
<b>OPERATING EFFICIENCY</b>					
Cost/Avg. Asset Ratio (%)	2.7	2.8	2.9	2.9	2.9
Cost-Income Ratio (Ex. Treasury)	61.4	61.5	62.8	62.8	61.1
<b>BALANCE SHEET STRUCTURE</b>					
Loan Growth (%)	28.6	23.5	22.4	25.6	25.3
Deposit Growth (%)	22.1	18.4	29.2	22.9	22.7
C/D Ratio (%)	83.0	86.6	82.0	83.8	85.6
Equity/Assets (%)	9.8	9.4	9.2	9.6	8.8
Equity/Advances (%)	15.2	13.9	13.9	14.2	12.5
CASA (%)	23.4	23.4	24.3	24.5	24.5
Capital Adequacy Ratio (CAR, %)	15.0	14.1	13.8	14.6	13.0
W/w Tier I CAR (%)	14.2	12.8	11.9	13.0	11.7

	FY15	FY16	FY17	FY18E	FY19E
<b>ASSET QUALITY</b>					
Gross NPLs (Rs mn)	1,861	1,974	2,542	3,275	3,843
Net NPLs (Rs mn)	1,057	975	1,244	1,325	1,260
Gross NPLs (%)	1.69	1.51	1.59	1.62	1.52
Net NPLs (%)	0.91	0.75	0.79	0.67	0.51
Slippage (%)	1.87	1.93	1.82	1.70	1.60
Coverage Ratio (%)	43.2	50.6	51.1	59.5	67.2
Provision/Avg. Loans (%)	0.45	0.54	0.60	0.58	0.54
<b>ROAA TREE</b>					
Net Interest Income	3.50%	3.51%	3.69%	3.71%	3.79%
Non-interest Income	1.14%	1.25%	1.16%	1.21%	1.17%
<i>Treasury Income</i>	<i>0.19%</i>	<i>0.24%</i>	<i>0.21%</i>	<i>0.28%</i>	<i>0.23%</i>
Operating Cost	2.73%	2.79%	2.91%	2.91%	2.89%
Provisions	0.48%	0.50%	0.52%	0.52%	0.52%
<i>Provisions For NPAs</i>	<i>0.29%</i>	<i>0.36%</i>	<i>0.40%</i>	<i>0.39%</i>	<i>0.37%</i>
Tax	0.12%	0.38%	0.50%	0.51%	0.53%
ROAA	1.32%	1.10%	0.93%	0.97%	1.02%
Leverage (x)	10.82	10.77	11.71	10.46	11.42
ROAE	14.24%	11.88%	10.83%	10.19%	11.60%

Source: Bank, HDFC sec Inst Research

**RECOMMENDATION HISTORY**


Date	CMP	Reco	Target
8-Jul-16	103	BUY	115
15-Jul-16	100	BUY	115
7-Oct-16	125	BUY	136
15-Oct-16	122	BUY	138
17-Jan-17	121	BUY	143
18-Apr-17	173	BUY	197
18-May-17	197	BUY	221
18-Jul-17	199	BUY	222

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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

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