

Stumble, not yet a fumble...

We are constrained to downgrade DCB Bank (DCBB) to **NEUTRAL** with a TP of Rs 234 (2x Jun-21E ABV of Rs 117) post a disappointing show in 1QFY20.

HIGHLIGHTS OF THE QUARTER

- Growth Stumbles:** Unexpectedly, growth slowed down further to ~13/2% YoY/QoQ (vs. ~16% in FY19). Ex-corp, loan growth was better, at ~19%. Agri (+26/2%) and CVs (+32/2%) continued to be the fastest growing segments. DCBB's core mortgage book grew in line with the overall book to constitute ~40% of advances. The corp book shrank ~13% YoY, in line with the earlier cautious stance. Despite macro headwinds, due to challenges faced by NBFCs and PSBs, DCBB could have gained credit marketshare, on its small base. But cautious management commentary and sticky, unfavourable macros compel us to tone down loan CAGR of 22% over FY20-21E (vs. 25% earlier). A further cut is not ruled out.
- Asset Quality Blip:** The sharp sequential deterioration (partly seasonal) in asset quality was a dampener. G/NNPAs rose ~8/27%, significantly worse than seasonal trends, despite 4-year high write-offs at Rs

FINANCIAL SUMMARY

(Rs mn)	1QFY20	1QFY19	YoY (%)	4QFY19	QoQ (%)	FY18	FY19	FY20E	FY21E	FY22E
Net Interest Income	3,048	2,730	11.6%	3,009	1.3%	9,954	11,493	13,372	16,222	19,334
PPOP	1,665	1,414	17.8%	1,853	-10.1%	5,250	6,466	8,052	10,194	12,377
PAT	811	695	16.6%	963	-15.9%	2,453	3,254	4,017	5,173	6,422
EPS (Rs)	2.6	2.3	16.2%	3.1	-15.9%	8.0	10.5	13.0	16.7	20.7
RoAE (%)						9.8	11.0	12.2	14.0	15.2
RoAA (%)						0.90	0.99	1.03	1.12	1.18
Adj. BVPS (Rs)						78.2	87.8	98.2	112.5	130.2
P/ABV (x)						3.06	2.73	2.44	2.13	1.84
P/E (x)						30.0	22.8	18.4	14.3	11.5

Source: Bank, HDFC sec Inst Research

433mn. Delinquency ratio jumped ~80bps QoQ to 2.5%. The CV/CE (+32%) and S/MSME (+18%) segments witnessed a sharp sequential rise in delinquent loans. We have still retained slippages at 1.9% over FY20-21E, in view of DCBB's prudent credit filters and track record.

- Near Term Outlook:** The stumble in 1Q (and relatively rich valuations) will keep the stock under pressure.

STANCE

While DCBB's asset quality slip in 1Q exceeded seasonal trends, our faith is not fully shaken, given management's conservative stance and stellar record across cycles. Our earnings estimates fall by ~8% over FY20-21E to factor in slower growth and NIM compression, with no change in asset quality trajectory. However, valuations are ample at 2.1x FY21E ABV (RoAA ~1.1%).

DOWNGRADE to NEUTRAL, despite DCBB's multi-year growth/compounding promise. Our stance is premised on (1) The substantial jump in stress (GNPAs up 8% QoQ), (2) Growth slowing, (unexpectedly) to 13/2% on a small base, and (3) NIM compression 11bps QoQ, that can linger.

INDUSTRY	BANKS
CMP (as on 16 Jul 2019)	Rs 239
Target Price	Rs 234
Nifty	11,663
Sense	39,131
KEY STOCK DATA	
Bloomberg	DCBB IN
No. of Shares (mn)	310
Map (Rs bn) / (\$ mn)	74/1,079
6m avgas traded value (Rs mn)	459
STOCK PERFORMANCE (%)	
52 Week high / low	Rs 245/140
	3M 6M 12M
Absolute (%)	18.2 31.9 47.9
Relative (%)	18.6 24.1 40.1
SHAREHOLDING PATTERN (%)	
	Mar-19 June-19
Promoters	14.9 14.9
FIs & Local MFs	25.4 27.4
FPIs	23.6 24.5
Public & Others	36.1 33.2
Pledged Shares	Nil Nil

Source : BSE

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- **CoF Rise Curtails NIMs:** NIMs compressed 23/11bps YoY/QoQ to 3.67% due to a 56/8bps rise in the CoF. Yields rose 37bps YoY but were sequentially flat. Higher interest reversals, too weighed down on NIMs. The renewal and consequent repricing of refinance facilities (NABARD and SIDBI) over FY20 will provide some relief on the margins front. The mgt cited the increasing reliance on retail deposits to better comply with LCR requirements as one the reason for the sharp rise in the CoF. We have thus cut our NIMs by ~15bps over FY20-21E to 3.6%.
- **C-I Inches Up:** Opex grew ~5% YoY/QoQ, driven by a 7/11% rise in staff costs (after a 5% QoQ drop in 4Q). Other opex growth was contained at 3/-1%. The C-I ratio jumped ~376bps QoQ (albeit down ~280bps QoQ) due to sluggish NII growth (+12/1%) and a sequential dip in other income (one-off related to ATM fees). We have factored Core C-I ratio of ~53% in FY21E led by a controlled opex CAGR of ~13%
- **Asset Quality:** The spike in WOs resulted in a sharp drop in corp NPAs (-79/70%) to 60bps (vs. 2% QoQ). GNPA's were the highest in the CV/CE segment (~3.8% vs. 2.9% QoQ), followed by the Agri (~2.6% vs. 2.1%). GNPA's in the mortgage segment increased to ~1.85% vs. 1.73% QoQ. DCBB further restructured one SME account worth Rs 160mn during the qtr. Despite this restructured book stands at a mere 16bps (Rs 380mn).
- **Deposit Growth:** Deposit growth was lackluster at ~15/1% YoY/QoQ, as challenges prevailed at the system level. Retail term deposits grew a whopping ~31/3% to form ~56% of deposits. The shift from inter-bank to residential TDs is clearly visible, with the share of inter-bank TDs declining ~700bps YoY. CASA deposits grew ~15/4% to form ~24.5% of total deposits.
- **Sequential Dip in Other Income:** In spite of a 77% QoQ jump in treasury income, other income dipped ~13% QoQ to ~Rs 159mn. CEB and miscellaneous income fell ~16% and ~46% QoQ resp. Commentary indicates a sharp fall in ATM related fees.
- **Acquisition of the Business of Abu Dhabi Commercial Bank (ABCB):** DCBB intends to acquire the advances (largely corp, ~Rs 10bn, ~4.1% of its existing advances) and deposits (~Rs 11.6bn, ~4% of existing deposits) of ABCB post the necessary due diligence in an all cash deal. We have not factored this transaction in our estimates.

Five Quarters At A Glance

Rs mn	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	YoY Growth	QoQ Growth
Net Interest Income	2,729.7	2,818.4	2,936.1	3,008.7	3,047.5	11.6%	1.3%
Non-interest Income	828.3	734.9	944.8	993.6	867.6	4.7%	-12.7%
<i>Treasury Income</i>	153.0	31.0	112.0	90.0	159.0	3.9%	76.7%
Operating Income	3,558.0	3,553.3	3,880.9	4,002.3	3,915.1	10.0%	-2.2%
Operating Expenses	2,143.9	2,092.1	2,143.1	2,149.5	2,249.7	4.9%	4.7%
Pre Provision Profits	1,414.1	1,461.2	1,737.8	1,852.8	1,665.4	17.8%	-10.1%
Other Provisions	332.3	319.0	401.4	347.8	406.4	22.3%	16.8%
PBT	1,081.8	1,142.2	1,336.4	1,505.0	1,259.0	16.4%	-16.3%
Provision For Tax	386.8	407.8	475.4	541.7	448.4	15.9%	-17.2%
PAT	695.0	734.4	861.0	963.3	810.6	16.6%	-15.9%
Balance Sheet Items/Ratios							
Deposits Rs bn	250.3	261.7	275.1	284.4	287.9	15.0%	1.2%
CASA %	24.6	24.3	24.2	23.9	24.5	-10 bps	58 bps
Advances Rs bn	212.4	220.7	228.9	235.7	240.4	13.2%	2.0%
CD Ratio (%)	84.9	84.3	83.2	82.9	83.5	-135 bps	63 bps
CAR (%)	15.6	15.6	15.5	16.8	16.1	51 bps	-75 bps
Tier I (%)	12.0	12.0	11.9	13.1	12.5	49 bps	-59 bps
Profitability							
Yield On Advances (%)	11.21	11.07	11.26	11.59	11.58	37 bps	-1 bps
Cost Of Deposits (%)	6.58	6.59	6.74	7.06	7.14	56 bps	8 bps
NIM (%)	3.90	3.83	3.83	3.78	3.67	-23 bps	-11 bps
Cost-Income Ratio (%)	60.3	58.9	55.2	53.7	57.5	-279 bps	376 bps
Cost-Income Ex Treasury (%)	63.0	59.4	56.9	54.9	59.9	-307 bps	495 bps
Tax Rate (%)	35.8	35.7	35.6	36.0	35.6	-14 bps	-38 bps
Asset quality							
Gross NPA (Rs mn)	4,006	4,100	4,451	4,395	4,764	18.9%	8.4%
Net NPA (Rs mn)	1,539	1,553	1,634	1,538	1,958	27.2%	27.4%
Gross NPAs (%)	1.86	1.84	1.92	1.84	1.96	10 bps	12 bps
Net NPAs (%)	0.72	0.70	0.71	0.65	0.81	9 bps	16 bps
Delinquency Ratio (%)	2.07	1.81	2.04	1.73	2.49	42 bps	76 bps
Coverage Ratio Calc. (%)	61.58	62.13	63.28	65.01	58.89	-269 bps	-612 bps
Restructured Book (%)	0.15	0.16	0.14	0.09	0.16	1 bps	7 bps

Lower vs. Estimates, led by slower growth and a dip in NIMs

Sequential dip led by sharp drop in fees, even as treasury gains jumped

LLP of ~Rs 330mn i.e.55bps ann., Std Asset & Floating provisions of ~Rs 80mn

SA grew ~16% YoY; Residential TD grew ~31%

Ex-corp loans, growth was ~19%; Corp loans dipped ~13% YoY

Led by higher slippages (+2.5% vs. 1.7% QoQ), in spite higher W/Os (+80%QoQ)

Segment wise GNPA's: SME (1.7%), Corp (0.6%), Mortgages (1.85%) and Agri (2.62%)

Restructured one SME account worth ~Rs 160mn.

Change In Estimates

(Rs mn)	FY20E			FY21E		
	Old	New	Change	Old	New	Change
NII	13972	13,372	-4.3%	17294	16,222	-6.2%
PPOP	8430	8,052	-4.5%	10979	10,194	-7.1%
PAT	4284	4,017	-6.2%	5700	5,173	-9.2%
Adj. BVPS (Rs)	99.4	98.2	-1.3%	114	112.5	-1.7%

Book growth dipped to ~13/2% YoY/QoQ due to a dip in corporate loans (~13%)

Ex-corporate, the book grew ~19%

Agri loan growth was relatively healthy at ~26/2% YoY/QoQ

CV growth at ~32/2% YoY/QoQ sustained on a small base

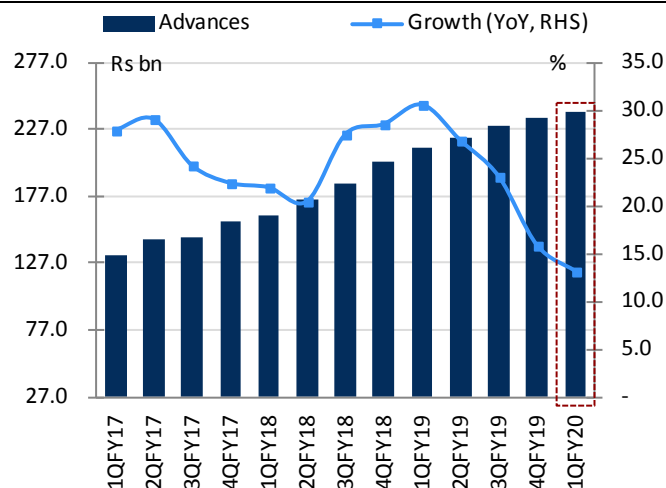
The mortgage (retail) book grew at ~13/2% and constituted a steady 40% of the book

The mgt has guided for subdued loan growth over the next 2 qtrs due to unfavourable macros

As growth in CoF (+56/8bps) outpaced the rise in yields (+37bps/flat QoQ), NIMs compressed ~23/11bps QoQ

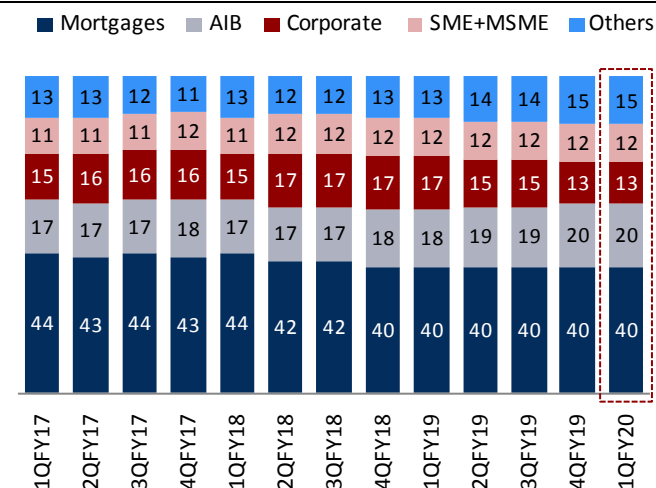
High cost refinance facilities from the SIDBI and NABARD will come up for renewal and repricing after 2QFY20

Loan Growth Dips To 13/2% YoY/QoQ



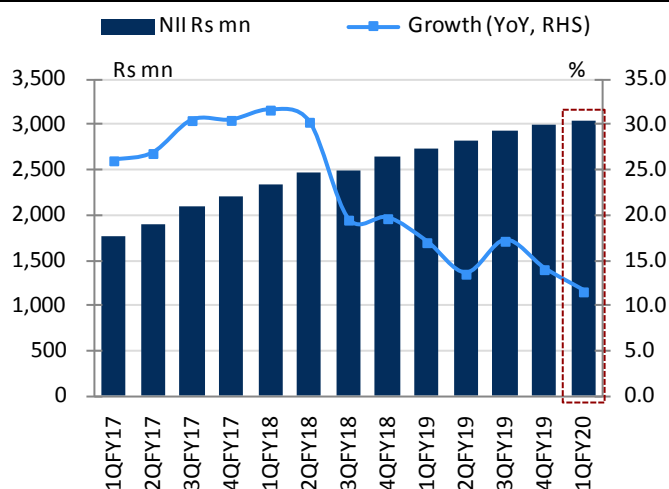
Source: Bank, HDFC sec Inst Research

Loan Mix: Sequentially Stable



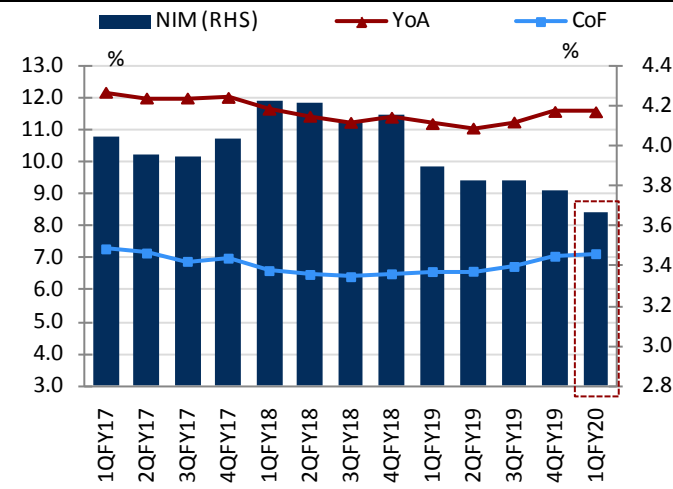
Source: Bank, HDFC sec Inst Research

NII Growth Slows To ~12/1% YoY/QoQ



Source: Bank, HDFC sec Inst Research

Reported NIMs: Dip ~23/11bps YoY/QoQ



Source: Bank, HDFC sec Inst Research

Interbank deposits dipped ~25/12% YoY/QoQ, where as Residential TD grew ~31/3%

Fees dipped ~9/16% YoY/QoQ, partially impacted a sharp decline in ATM related fees

Treasury income grew ~77% QoQ ; Forex Income degrew ~5% QoQ

The bank added 1 branch in the qtr and intends to add another 15-17 in 2H

Staff cost jumped ~11% QoQ (after a dip of 5% QoQ in 4Q) while other opex dipped ~1% QoQ

Non tax provisions jumped ~22/17% YoY/ QoQ to ~Rs 406mn (LLP: Rs 330mn, Std assets + floating Provisions: Rs 80mn)

Deposits Break Up: Shift Visible Towards Retail TDs

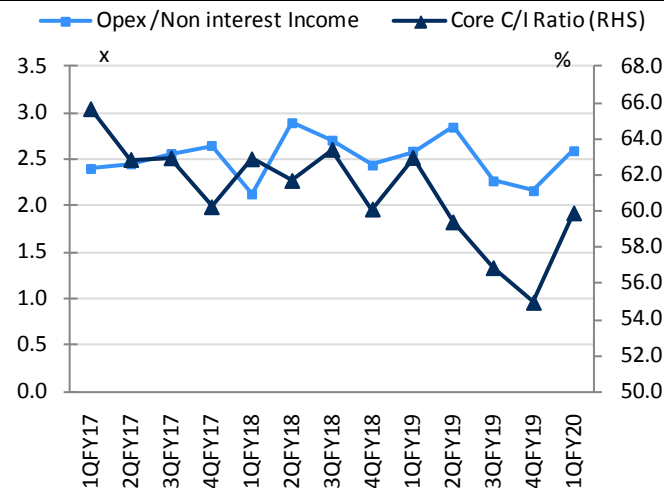
%	3Q FY16	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19	1Q FY20
CASA	23	23	23	22	26	24	27	26	26	24	25	24	24	24	25
Non- Residential TD	8	8	8	7	7	7	7	7	7	6	6	6	6	6	6
Residential TD	55	55	56	54	50	52	51	49	48	49	49	50	53	55	56
Interbank TD	14	14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

Non-interest Income: Sharp Dip QoQ, Led By Fees; Treasury Gains Cushion Fall

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
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
% 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
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
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
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
(%, 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
% 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
% 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

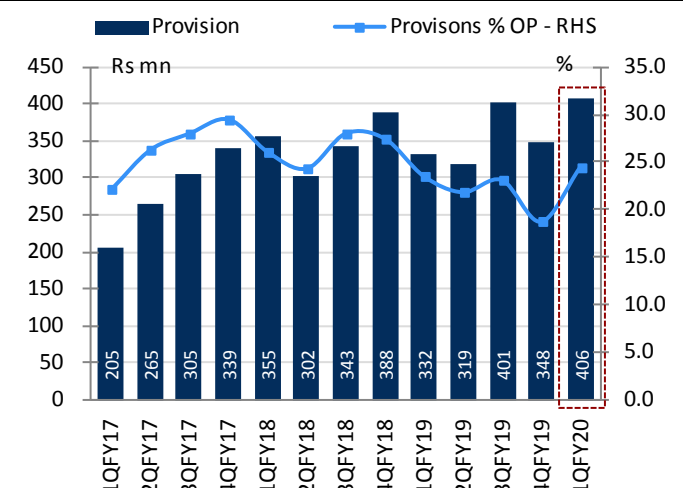
Source: DCB Bank

Core C-I Spikes QoQ



Source: Bank, HDFC Sec Inst Research

Non Tax Provisions Jumped ~17% QoQ



Source: Bank, HDFC Sec Inst Research

Sequentially higher GNPA's were led by a rise in slippages (2.49% vs. 1.73%), despite higher W/Os of Rs433mn (vs. Rs 241mn in 4Q)

Corp GNPA's dipped ~79/70% YoY/QoQ to ~Rs 187mn, due to higher WOs

Mortgage NPAs jumped ~9% QoQ (after being flat in 4Q)

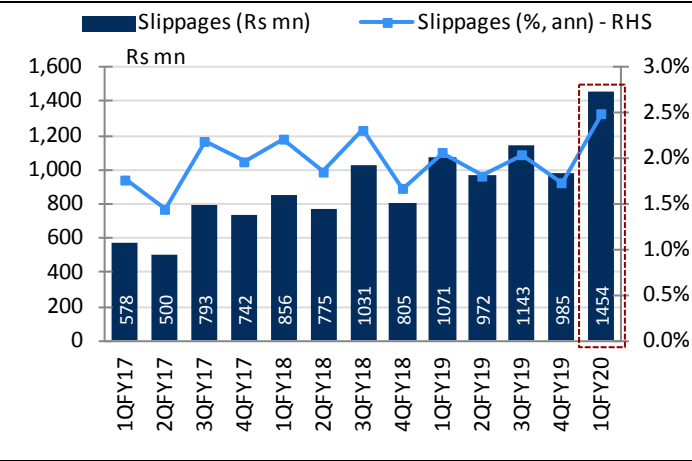
Agri NPAs jumped 28% QoQ led by a rise in tractor loans

CV NPAs too jumped 32% QoQ (on small base), led by new CVs

RWAs jumped 5% QoQ largely due to rise in operational risk; on YoY basis, RWA growth of 6% was lower vs. 13% loan growth

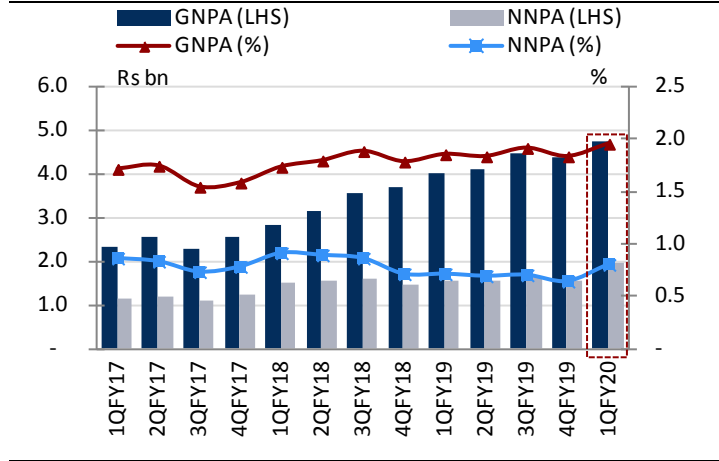
Reported PCR dipped ~320bps QoQ to ~75.6% and Calc. PCR dipped ~610 bps QoQ to 58.9%

Slippages Rise QoQ



Source: Bank, HDFC Sec Inst Research

GNPAs Rise, Despite Higher W/Os



Source: Bank, HDFC Sec Inst Research

Segment-wise GNPA's: Corp NPAs Dip YoY And QoQ Led By W/Os

(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
PL	-	-	-	-	-	-	-	-	-	-	-	-	-	0	0	0
CV/CE	74	89	92	111	134	176	200	215	294	283	299	319	294	385	480	635
Corp.	919	861	861	861	861	652	859	675	675	840	840	902	930	779	619	187
SME	486	522	245	279	367	368	324	316	328	373	307	339	380	403	425	501
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
Others	78	51	24	32	72	90	76	135	136	148	220	232	247	260	260	401
Agri	220	315	288	404	377	324	366	510	561	632	632	734	763	1,018	984	1,261

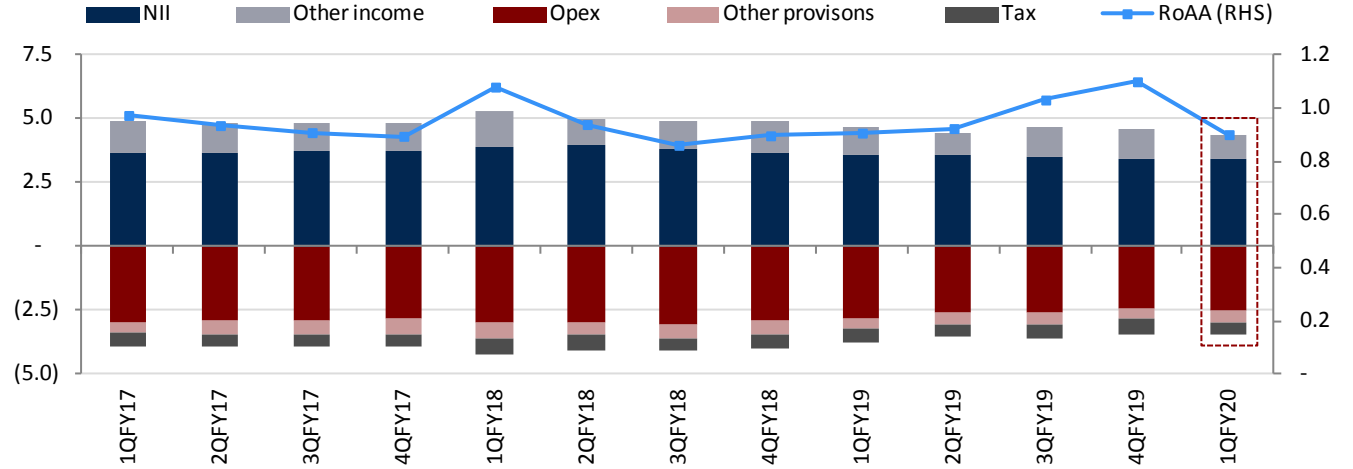
Source: Bank, HDFC Sec Inst Research

Asset Quality Movement: Rise Led By Higher Slippages

Rs mn	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
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
Slippages	509	579	501	793	746	887	779	1,038	814	1,074	978	1,147	1,007	1,482
(%) 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
Reductions	884	240	260	1,068	483	576	474	651	669	758	884	796	1,063	1,113
W/O	348	4	-	349	90	245	1	75	2	78	184	166	241	433
Recovery	426	193	139	641	225	210	212	307	284	248	327	279	368	311
Upgrades	110	43	121	78	168	121	261	269	383	432	373	351	454	369
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

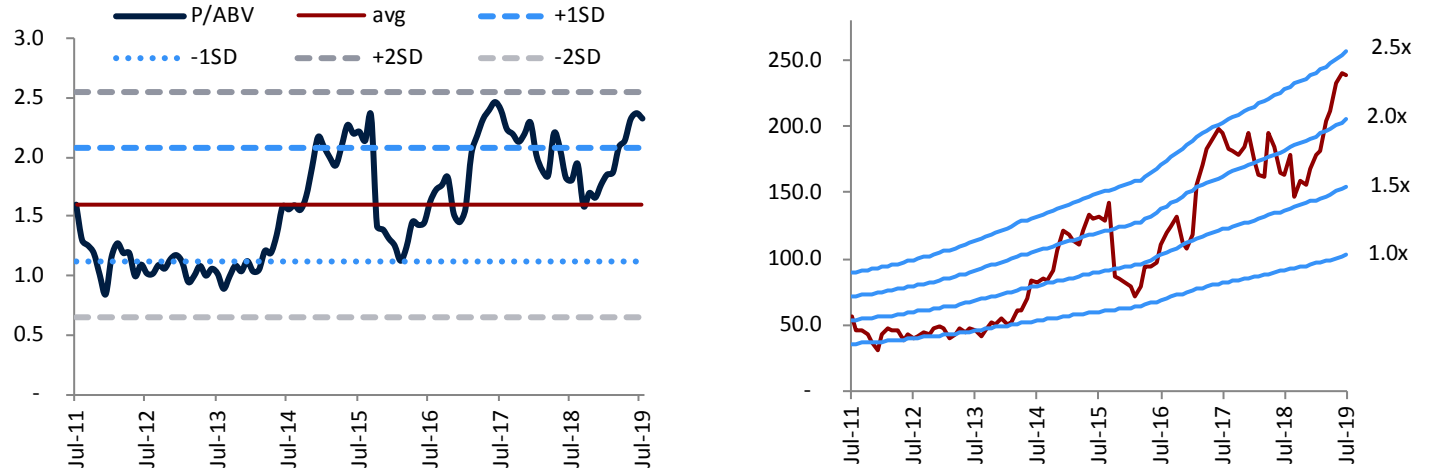
Source: Bank, HDFC Sec Inst Research

RoAA Dips to 89BPS



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 (%)		
					FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E
KMB#	2,866	1,501	BUY	1,481	201	238	272	46.9	38.3	31.1	5.96	5.01	4.30	13.0	13.7	14.3	1.70	1.74	1.76
ICICIBC #	2,738	425	BUY	454	138	153	172	17.1	18.9	13.2	2.36	2.10	1.84	12.2	9.2	12.0	1.33	1.07	1.33
AXSB	1,992	761	BUY	896	215	261	309	40.2	21.5	15.0	3.40	2.80	2.37	7.2	12.4	15.4	0.63	1.05	1.32
IIB	1,020	1,473	BUY	1,964	400	515	550	26.9	20.7	15.8	3.68	2.86	2.68	13.3	16.1	17.2	1.32	1.58	1.68
RBL	278	579	BUY	803	168	243	268	28.5	22.8	17.0	3.44	2.38	2.16	12.2	12.5	12.9	1.22	1.31	1.36
FB	213	107	BUY	117	59	64	75	17.1	13.3	10.1	1.83	1.67	1.42	9.8	11.5	13.7	0.84	0.93	1.06
CUB	152	207	BUY	240	58	68	80	22.3	19.3	16.3	3.58	3.03	2.60	15.2	15.1	15.4	1.60	1.61	1.61
DCBB	74	239	NEU	234	88	98	112	22.8	18.4	14.3	2.73	2.44	2.13	11.0	12.2	14.0	0.99	1.03	1.12
KVB	55	69	NEU	84	50	52	60	26.1	16.0	9.3	1.37	1.31	1.14	3.3	5.3	8.9	0.31	0.47	0.73
SBIN #	3,252	364	BUY	383	146	188	222	284.4	9.9	6.7	1.88	1.46	1.22	0.4	10.6	14.0	0.02	0.64	0.85
AUSFB	203	672	BUY	680	101	128	151	51.4	36.3	25.9	6.64	5.24	4.45	14.1	15.3	17.3	1.48	1.49	1.62

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	36,012	43,588	52,353
Interest Expended	14,176	18,922	22,640	27,366	33,019
Net Interest Income	9,954	11,493	13,372	16,222	19,334
Non-interest Income	3,103	3,502	4,181	4,833	5,707
<i>Fee Income (CEB)</i>	2,176	2,399	2,866	3,518	4,238
<i>Treasury Income</i>	454	386	550	500	600
Total Income	13,057	14,995	17,553	21,056	25,041
Total Operating Exp	7,807	8,529	9,501	10,862	12,665
<i>Employee Expense</i>	3,812	4,340	4,809	5,442	6,311
PPOP	5,250	6,466	8,052	10,194	12,377
Provisions & Contingencies	1,388	1,401	2,011	2,416	2,720
<i>Prov. For NPAs (Incl. Std Prov.)</i>	1,338	1,381	1,861	2,166	2,470
PBT	3,862	5,065	6,041	7,779	9,657
Provision for Tax	1,408	1,812	2,024	2,606	3,235
PAT	2,453	3,254	4,017	5,173	6,422

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	31,620	36,218	41,926
Shareholders' Funds	28,078	31,156	34,727	39,325	45,033
<i>Savings</i>	40,048	49,757	60,952	74,361	90,721
<i>Current</i>	18,355	18,342	20,177	22,699	26,103
<i>Term Deposit</i>	181,665	216,252	257,493	311,381	366,778
Total Deposits	240,069	284,351	338,621	408,441	483,602
Borrowings	19,267	27,232	31,644	35,626	39,672
Other Liabilities	14,807	15,179	16,411	18,276	20,353
Total Liabilities	302,221	357,918	421,403	501,668	588,659
APPLICATION OF FUNDS					
Cash & Bank Balance	23,720	27,934	29,714	28,681	28,859
Investments	62,190	78,441	88,799	104,111	118,120
<i>G-Secs</i>	49,090	60,007	69,417	83,730	96,720
Advances	203,367	235,680	286,587	351,804	423,797
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	302,221	357,918	421,403	501,668	588,659

Source: Bank, HDFC sec Inst Research

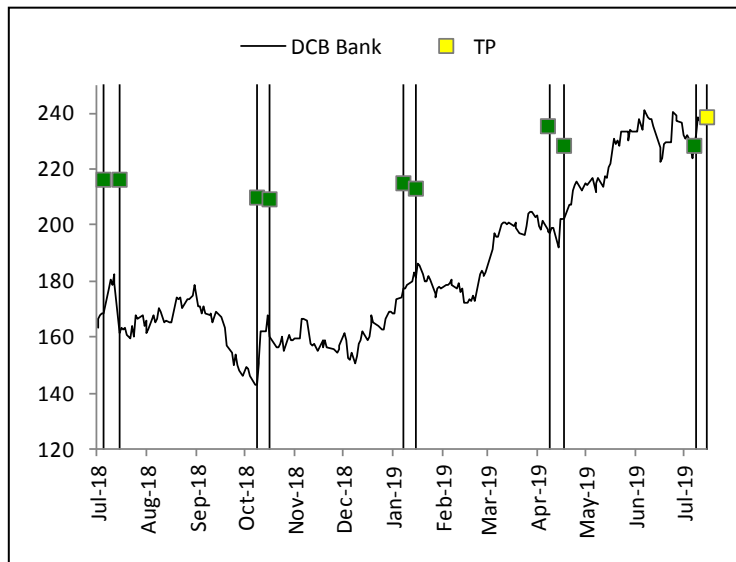
Key Ratios

	FY18	FY19	FY20E	FY21E	FY22E
VALUATION RATIOS					
EPS (Rs)	8.0	10.5	13.0	16.7	20.7
Earnings Growth (%)	22.9	32.6	23.5	28.8	24.1
BVPS (Rs)	91.1	100.6	112.1	127.0	145.4
Adj. BVPS (Rs)	78.2	87.8	98.2	112.5	130.2
DPS (Rs)	0.8	1.0	1.2	1.6	2.0
ROAA (%)	0.90	0.99	1.03	1.12	1.18
ROAE (%)	9.8	11.0	12.2	14.0	15.2
P/E (x)	30.0	22.8	18.4	14.3	11.5
P/ABV (x)	3.06	2.73	2.44	2.13	1.84
P/PPOP (x)	14.1	11.5	9.2	7.3	6.0
Dividend Yield (%)	0.3	0.4	0.5	0.7	0.8
PROFITABILITY					
Yield On Advances (%)	10.73	11.02	11.13	11.20	11.23
Yield On Investment (%)	6.99	7.61	7.50	7.40	7.30
Cost Of Deposits (%)	5.95	6.52	6.65	6.75	6.87
Core Spread (%)	4.78	4.50	4.48	4.46	4.37
NIM (%)	3.85	3.64	3.58	3.65	3.66
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	55.9	52.8	51.8
BALANCE SHEET STRUCTURE					
Loan Growth (%)	28.6	15.9	21.6	22.8	20.5
Deposit Growth (%)	24.5	18.4	19.1	20.6	18.4
C/D Ratio (%)	84.7	82.9	84.6	86.1	87.6
Equity/Assets (%)	9.3	8.7	8.2	7.8	7.7
Equity/Advances (%)	13.8	13.2	12.1	11.2	10.6
CASA (%)	24.3	23.9	24.0	23.8	24.2
Capital Adequacy Ratio (CAR, %)	16.5	16.8	15.5	14.5	13.9
W/w Tier I CAR (%)	12.7	13.1	12.4	11.9	11.7

	FY18	FY19	FY20E	FY21E	FY22E
ASSET QUALITY					
Gross NPLs (Rs mn)	3,690	4,395	5,179	5,849	6,593
Net NPLs (Rs mn)	1,467	1,538	1,885	2,053	2,262
Gross NPLs (%)	1.79	1.84	1.77	1.64	1.53
Net NPLs (%)	0.72	0.65	0.66	0.58	0.53
Slippage (%)	1.93	1.92	2.00	1.80	1.70
Coverage Ratio (%)	60.2	65.0	63.6	64.9	65.7
Provision/Avg. Loans (%)	0.71	0.60	0.60	0.57	0.53
ROAA TREE					
Net Interest Income	3.67%	3.48%	3.43%	3.51%	3.55%
Non-interest Income	1.14%	1.06%	1.07%	1.05%	1.05%
<i>Treasury Income</i>	<i>0.17%</i>	<i>0.12%</i>	<i>0.14%</i>	<i>0.11%</i>	<i>0.11%</i>
Operating Cost	2.88%	2.58%	2.44%	2.35%	2.32%
Provisions	0.51%	0.42%	0.52%	0.52%	0.50%
<i>Provisions For NPAs</i>	<i>0.48%</i>	<i>0.40%</i>	<i>0.41%</i>	<i>0.39%</i>	<i>0.38%</i>
Tax	0.52%	0.55%	0.52%	0.56%	0.59%
ROAA	0.90%	0.99%	1.03%	1.12%	1.18%
Leverage (x)	10.76	11.49	12.13	12.76	13.07
ROAE	9.73%	11.32%	12.51%	14.30%	15.40%

Source: Bank, HDFC sec Inst Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
6-Jul-18	169	BUY	216
16-Jul-18	162	BUY	216
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

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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

INSTITUTIONAL RESEARCH
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