

DCB BANK

NIMs under pressure; productivity improvement key

India Equity Research | Banking and Financial Services



DCB Bank's (DCB) Q1FY19 PAT of INR695mn (up 7% YoY) is broadly in line with our estimates. Key highlights: a) loan growth rose >30% YoY, but lower NIMs (down 19bps QoQ) kept NII growth below trend at ~17% (25–30% run-rate over previous quarters); b) Asset quality was steady with slippages at 2.1% leading to GNPLs of 1.86% (1.79% in FY18); and c) persistently high cost-income ratio (~60%, albeit improving). As DCB is nearing its branch expansion exercise, we anticipate operating leverage benefits would start flowing in. That said, despite factoring in an improving revenue momentum, we expect RoE to be sub-par (12–13% even by FY20) on high cost ratios, implying limited upside from current level. Maintain 'HOLD'.

Revenue momentum below trend

NII was below trend (+17% YoY versus 25–30% run rate) although loan growth was >30% owing to lower NIMs (down 19bps QoQ). Going ahead, yields are at risk and funding cost benefits are likely to be limited (CASA ratio at 24.6%). Thus, NIMs are expected to come under pressure and productivity improvement is vital for revenue traction.

Productivity improvement vital

Opex growth continues to be steep—up 17% YoY (albeit run-rate is slowing from > 20% earlier). Consequently, DCB's cost ratios remain high, and operating efficiency and productivity improvement of new branches are vital to revenue traction. The cost/income ratio will be a key determinant for any improvement in returns ratios.

Asset quality stays steady

Slippages were restricted to INR1bn (2.1%, similar to the run rate of the past six quarters). Our segmental analysis indicates a rise in the mortgage and agri segments. Meanwhile, recovery/upgrades of INR680mn (run rate of INR530mn over the past six quarters) restricted GNPLs at INR4bn (1.86% versus 1.79% in Q4FY18).

Outlook and valuations: Fairly valued; maintain 'HOLD'

As anticipated, the pressure on NIM has started crystallising, evident from softer revenue traction; meanwhile, there is sharper focus on productivity, and we expect operating leverage to play out. Factoring in 27%-plus earnings CAGR over FY18–20E with operating leverage benefits, we value DCB at 2.0x FY20E ABV for RoE potential of 12–13%, leading to a TP of INR207. We maintain 'HOLD/SP'.

Financials		(INR mn)						
Year to March	Q1FY19	Q1FY18	Growth %	Q4FY18	Growth %	FY18	FY19E	FY20E
Net revenue	3,558	3,189	11.6	3,486	2.1	13,061	15,265	18,345
Net profit	695	652	6.6	642	8.2	2,453	3,171	4,020
Dil. EPS (INR)	2.2	2.1	4.2	2.0	8.3	8.0	10.3	13.0
Adj. BV (INR)						79.7	90.1	103.4
Price/ Adj book (x)						2.0	1.8	1.6
Price/ Earnings (x)						20.3	15.7	12.4

EDELWEISS 4D RATINGS	
Absolute Rating	HOLD
Rating Relative to Sector	Performer
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Overweight

MARKET DATA (R: DCBA.BO, B: DCBB IN)	
CMP	: INR 162
Target Price	: INR 207
52-week range (INR)	: 207 / 155
Share in issue (mn)	: 308.7
M cap (INR bn/USD mn)	: 50 / 728
Avg. Daily Vol.BSE/NSE('000)	: 1,840.5

SHARE HOLDING PATTERN (%)			
	Current	Q4FY18	Q3FY18
Promoters *	15.0	15.0	15.0
MF's, FI's & BK's	24.9	24.9	24.3
FII's	21.3	21.3	21.3
Others	38.7	38.7	39.4
* Promoters pledged shares (% of share in issue)	:	NIL	

PRICE PERFORMANCE (%)			
	Stock	Nifty	EW Banks and Financial Services Index
1 month	(9.6)	1.1	(0.2)
3 months	(14.9)	3.9	3.9
12 months	(20.0)	10.6	8.7

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Banking and Financial Services

Table 1: Summary of Q1FY19 performance

(INR mn)	Q1FY19	Q1FY18	Growth (%)	Q4FY18	Growth (%)	Comments
Net interest income	2,730	2,332	17.1	2,637	3.5	NII growth was below trend following NIMs decline. We expect some moderation in NIMs.
Other income	828	858	(3.4)	849	(2.4)	
Operating expenses	2,144	1,825	17.5	2,070	3.6	Opex showing signs of lowering; having said that, productivity improvement will hold key.
Staff expense	1,087	905	20.1	1,017	6.9	
Other opex	1,057	920	14.9	1,053	0.4	
Pre prov Op profit (PPP)	1,414	1,364	3.7	1,416	(0.1)	
Provisions	332	355	(6.4)	388	(14.4)	Slippages were curtailed at 2.1% (similar run-rate over past 6 quarters).
Profit before tax	1,082	1,009	7.2	1,028	5.3	
Provision for tax	387	357	8.4	386	0.3	
Profit after tax	695	652	6.6	642	8.2	
EPS (INR)	2.2	2.1	4.2	2.0	8.3	
Balance sheet (INR mn)						
Advances	2,12,430	1,62,657	30.6	2,03,367	4.5	Loan growth gained momentum at >30% YoY. Loan growth was driven by >10% YoY growth in SME/MSME, >55% growth in CV (albeit on lower base) and >45% YoY growth in corporate loans.
Deposits	2,50,320	1,91,548	30.7	2,40,069	4.3	
CD ratio (%)	84.9	84.9		84.7		
Asset quality (INR mn)						
Gross NPA	4,006	2,853	40.4	3,690	8.6	Slippages were restricted at INR1bn (2.1% similar to run rate over past 6 quarters). Segment-wise analysis indicates rise in mortgage and agri segments.
Gross NPA (%)	1.9	1.7		1.8		
Net NPA	1,539	1,491	3.2	1,467	4.9	
Net NPA (%)	0.7	0.9		0.7		
Restructured book	0.1	0.2		0.2		
Overall stress book	2.0	1.9		2.0		Overall stress book steady at 2%.

Table 2: Loan growth >30% YoY, CD ratio at ~84.9%

	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Advances (INR mn)	1,29,214	1,33,369	1,44,362	1,45,844	1,58,176	1,62,657	1,73,950	1,85,950	2,03,367	2,12,430
Advances growth Q-o-Q (%)	10.1	3.2	8.2	1.0	8.5	2.8	6.9	6.9	9.4	4.5
Advances growth Y-o-Y (%)	23.5	27.9	29.1	24.3	22.4	22.0	20.5	27.5	28.6	30.6
Deposits (INR mn)	1,49,260	1,56,796	1,76,846	1,88,395	1,92,892	1,91,548	2,05,671	2,12,960	2,40,069	2,50,320
Deposit growth Q-o-Q (%)	6.0	5.0	12.8	6.5	2.4	(0.7)	7.4	3.5	12.7	4.3
Deposit growth Y-o-Y (%)	18.4	18.2	30.4	33.8	29.2	22.2	16.3	13.0	24.5	30.7
CD ratio (%)	86.6	85.1	81.6	77.4	82.0	84.9	84.6	87.3	84.7	84.9
CASA (%)	23.4	23.1	21.9	25.9	24.3	26.9	25.9	25.7	24.3	24.6

Table 3: Margins under pressure, sustenance holds key

(%)	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
NIM	3.9	4.1	4.0	4.0	4.0	4.2	4.2	4.1	4.2	3.9
Yield on advances	12.5	12.2	12.0	12.0	12.0	11.7	11.4	11.3	11.4	11.2
Cost of funds	7.5	7.3	7.2	6.9	7.0	6.6	6.5	6.4	6.5	6.6

Source: Company

Table 4: NPAs by segment, rise in mortgage segment

(INR mn)	Q1FY19	Q1FY18	YoY	Q4FY18	QoQ
Mortgages	1,480	1,002	47.7	1,392	6.3
CV/STVL	319	215	48.4	229	39.3
Corporate	902	675	33.6	840	7.4
Others	1,305	961	35.8	1,229	6.2
Total NPAs	4,006	2,853	40.4	3,690	8.6

Note: CV/STVL represents commercial vehicle and small ticket vehicle loan

Chart 1: Loan mix stable; higher focus on secured lending

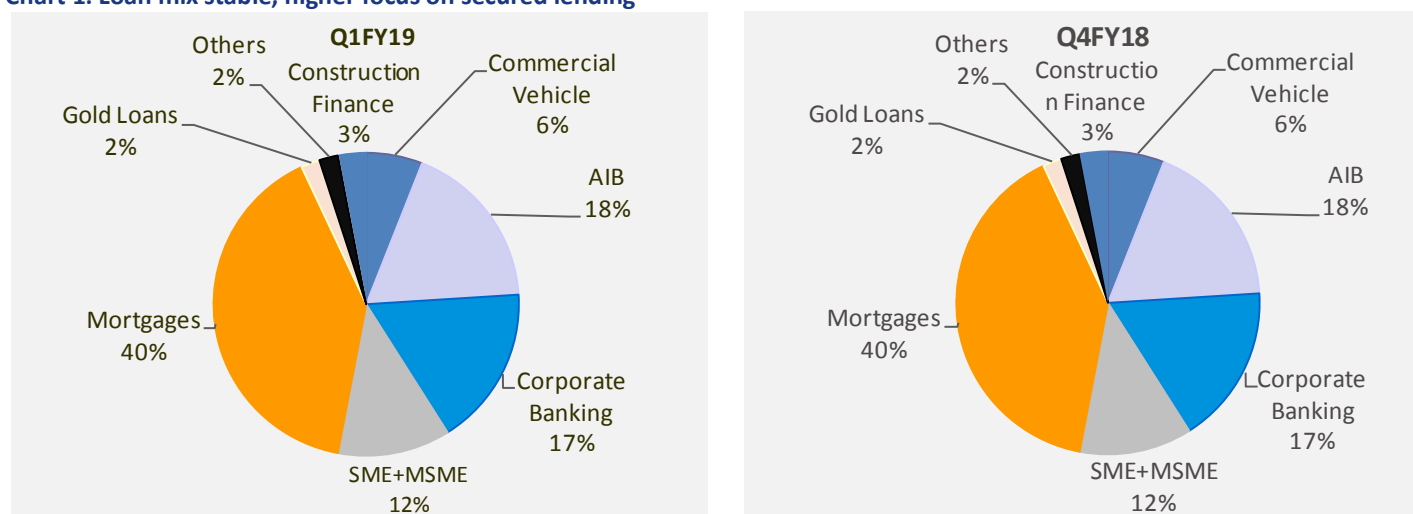
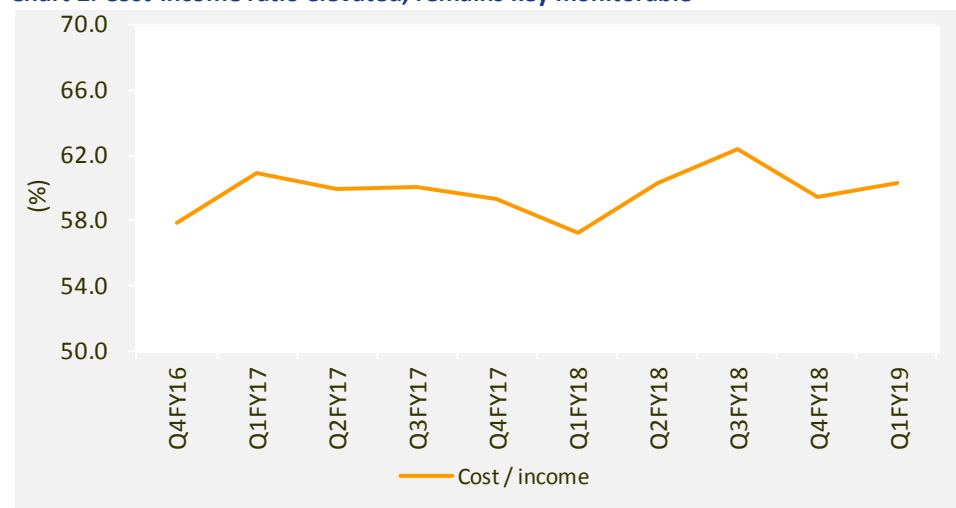


Chart 2: Cost-income ratio elevated, remains key monitorable



Source: Company

Q1FY19 earnings call highlights

- **Murli Natrajan categorically denied any thoughts of moving out of DCB bank to join any other bank at this point in time.**

With respect to operating metrics

- The growth seems to be gaining momentum, registering at > 30% plus growth . **The management continues to maintain that balance sheet will double over next 3 years (focus is to build on granular loan book), and the loan mix would broadly remain same over.**
 - The growth driven by corporate segment (opportunistic , haven't increased the capacity in corporate banking) and commercial vehicle segment (management is seeing good traction on this, they expect growth to continue in this segment).
 - In terms of the sourcing : > 90% in Agri & Inclusive banking is in-house sourcing, further SME, Construction Finance and Gold Loan is all in-house sourcing. It is only mortgage wherein there is 70% sourcing through DSA's and management aims to bring that down further.
- NIMs under pressure due to higher funding cost (excess liquidity kept due to interest rate movement, tier-2 capital raised at 9.85%) and also buyout of PSL portfolio (agri and weaker section). Bank has maintained the NIMs guidance of 3.65-3.75%.
 - Mortgage and corporate banking is facing some pressure on yields.
 - Most of the book is linked to MCLR (ex- CV/ tractor which are fixed rate loans) which are of 3 months duration, bank has raised MCLR which should provide some cushion to margins.

With respect to asset quality

- The bank has chosen to provide extended time to MSME/SME impacted by DeMon / GST (as per RBI guidelines), but in their books of account have recognised them as NPLs (totaling INR300-330mn over period of time) and has provided towards it .
- During the quarter there was one corporate account (of INR60-70mn) which went into NPLs as other lenders have taken it into NCLT. Having said, the bank has physical property and is reasonably sure of recovery in this account.
- Restructured amount is at INR310mn, consisting of 6 accounts.
- **Bank has INR600mn of floating provisions as on Q1FY19.**
- There was SRs (representing SME and mortgage loans) has come down to INR520mn (INR700mn as at FY17) due to redemption.

With respect to expansion plan

- **The branch is 323, expect 15-18 branches addition per year for next 2 years. The bank aims to correct cost/income ratio first before looking to expand again.**
- The management highlighted that generally most of the branches track 50-55% cost income within 24-36months and within all new added branches barring few branches all the other branches are performing on expected lines.

Other highlights

- **The bank is working towards 1% and 14% RoE, and cost/income ratio of 55% for exit quarter of March 2019.**
- Balance transfer starts to reduce as interest rate moves up and that is happening with bank. Moreso, the bank is geared to protect the portfolio and expects balance transfer to dip significantly.
- Have not amortised any of the losses from bond portfolio during the quarter
- Employee count- 6000 (5790 in FY18)

Q4FY18 earnings call highlights

With respect to operating metrics

- The growth seems to be gaining momentum, registering at 29% plus growth . **The management continues to maintain that balance sheet will double over next 3 years, and the loan mix would broadly remain same over.**
 - **The focus is to build on granular loan book** – currently > 70% of loan book is less than INR30mn in terms of ticket size.
 - The growth driven by corporate segment (opportunistic , haven't increased the capacity in corporate banking plus management aims to cap the proportion between 15-20% for corporate) and commercial vehicle segment (management is seeing good traction on this and given large part of this qualifies for PSL – 70-80%, they expect growth to continue in this segment, the bank is more focused on 3-5-10 truck financing).
- After Demon and GST the bank changed some of the credit policy and back out from few of the SME oriented segment, which has impacted new sales also there is lot of pricing pressure in mortgages (thus prepayment is high), consequent to which mortgage proportion has come down. Having said that, the management expect the proportion of mortgage loans to be stable between 35-45% (barring any quarterly divergence).
 - **Of the mortgage loans 70-75% will be the LAP loans and balance 25-30% will be home loans .**
- Management expect fee income to continue to do well , there is lot of ground work done and focus on cross sell which has started to yield positive results.
- Have seen tremendous pressure on lending yields and consequent NIMs over last couple of quarter. Management aims to maintain NIMs in the range of 365-375bps
 - Have seen some rise in funding cost , following tight liquidity and interest rate scenario. Also few of the bulk deposits had to be re-priced higher which led to rising funding cost. Management aims to maintain NIMs in the range of 365-375bps
 - Retail deposits have been doing good, there are few of the good scheme launched basis which they expect the trend to continue.

With respect to expansion plan

- **The branch is 318, expect 15-16 branches addition per year for next 2 years. The bank aims to correct cost/income ratio first before looking to expand again.**
- Avg cost of branch at INR6mn , the management highlighted that generally most of the branches track 50-55% cost income within 24-36months and within all new added branches barring 10-12 branches all the other branches are performing on expected lines.

Other highlights

- **The bank is working towards 1% and 14% RoE, and cost/income ratio of 55% for exit quarter of March 2019.**
- **Restructured book has gone up sequentially as one account of INR90mn (LRD account) got upgraded from restructured NPL to standard restructured book.**
- Have not amortised any of the losses from bond portfolio during the quarter
- Employee count- 5790
SRs (outstanding) – INR620mn (among few banks whose security receipts are being redeemed).

Financial snapshot

(INR mn)

Year to March	Q1FY19	Q1FY18	% change	Q4FY18	% change	FY18	FY19E	FY20E
Interest income	7,014	5,660	23.9	6,492	8.0	24,130	29,777	37,632
Interest exp	4,285	3,329	28.7	3,855	11.1	14,176	18,118	23,356
Net int. inc. (INR mn)	2,730	2,332	17.1	2,637	3.5	9,954	11,659	14,277
Other income	828	858	(3.4)	849	(2.4)	3,107	3,607	4,068
Net revenues	3,558	3,189	11.6	3,486	2.1	13,061	15,265	18,345
Operating expenses	2,144	1,825	17.5	2,070	3.6	7,807	9,025	10,511
Staff expense	1,087	905	20.1	1,017	6.9	3,812	4,556	5,352
Other opex	1,057	920	14.9	1,053	0.4	3,995	4,468	5,159
Pre prov op profit(ppop)	1,414	1,364	3.7	1,416	(0.1)	5,254	6,241	7,834
Provisions	332	355	(6.4)	388	(14.4)	1,392	1,400	1,697
Profit before tax	1,082	1,009	7.2	1,028	5.3	3,862	4,841	6,137
Provision for taxes	387	357	8.4	386	0.3	1,408	1,670	2,117
PAT	695	652	6.6	642	8.2	2,453	3,171	4,020
Diluted EPS (INR)	2.2	2.1	4.2	2.0	8.3	8.0	10.3	13.0

Ratios

NII/GII (%)	38.9	41.2		40.6		41.3	39.2	37.9
Cost/income (%)	60.3	57.2		59.4		59.8	59.1	57.3
Provisions / PPOP	23.5	26.0		27.4		26.5	22.4	21.7
Tax rate (%)	35.8	35.4		37.5		36.5	34.5	34.5

Bal. sheet data (INR mn)

Advances	212,430	162,657	30.6	203,367	4.5	203,367	256,242	320,303
Deposits	250,320	191,548	30.7	240,069	4.3	240,069	299,188	379,052
Capital adequacy (%)	15.6	15.3		16.5		13.8	16.5	15.2
CD ratio (%)	84.9	84.9		84.7		84.7	85.6	84.5

Asset quality

Gross NPA	4,006	2,853	40.4	3,690	8.6	3,690	4,305	4,822
Gross NPA (%)	1.9	1.7		1.8		1.8	1.7	1.5
Net NPA	1,539	1,491	3.2	1,467	4.9	1,467	1,427	1,287
Net NPA (%)	0.7	0.9		0.7		0.7	0.6	0.4
B/V per share (INR)						83.0	93.3	106.3
Adj book value / share						79.7	90.1	103.4
Price/ Adj. book (x)						2.0	1.8	1.6
Price/ Earnings						20.3	15.7	12.4

Company Description

DCB Bank (DCB) is an emerging generation private sector bank with 323 branches across 19 states and three union territories. The bank boasts contemporary technology and infrastructure, including state-of-the-art internet banking, to cater to more than 6,00,000 active customers.

DCB's business segments are retail, micro-SMEs, SMEs, mid-corporate, agriculture, commodities, government, PSUs, Indian banks, co-operative banks and non-banking finance companies (NBFCs).

DCB has deep roots in India since its inception in 1930s. Its promoter and promoter group, the Aga Khan Fund for Economic Development (AKFED) and Platinum Jubilee Investments Limited, own ~15%. AKFED is an international development enterprise, and is dedicated to promoting entrepreneurship and building economically sound companies.

Investment Theme

While revenue traction has been softer than we would prefer, we anticipate operating leverage to play out. Estimating 27%-plus earnings CAGR over FY18–20E with operating leverage benefits, we value DCB at 2.0x FY20E ABV for RoE potential of 12–13%. This yields a target price of INR207. Key variables to watch out for: 1) blip in productivity could mar revenue traction; and b) rising NPLs in the loan against property segment.

Key Risks

- Small balance sheet size renders the bank vulnerable to any lumpy slippages due to economic downturn
- Competition from existing players, which are getting incrementally aggressive in retail, and new players as and when RBI issues licenses
- A major risk that the bank is facing is with respect to human capital. With most of the core team members sticking together through tough times, a unique coterie of employees may have been created.

Financial Statements

Key Assumptions

Year to March	FY17	FY18	FY19E	FY20E
Macro				
GDP(Y-o-Y %)	7.1	6.5	7.1	7.6
Inflation (Avg)	4.5	3.6	4.5	5.0
Repo rate (exit rate)	6.3	6.0	6.3	6.5
USD/INR (Avg)	67.1	64.5	68.0	69.0
Sector				
Credit growth	9.0	12.0	14.0	17.0
Deposit growth	14.0	12.0	13.0	14.0
CRR	4.0	4.0	4.0	4.0
SLR	20.0	20.0	19.5	19.0
G-sec yield	6.5	6.5	7.0	7.1
Company				
Op. metric assumpt. (%)				
Yield on advances	11.5	10.7	10.5	10.5
Yield on investments	7.8	7.0	7.1	6.9
Yield on asset	10.1	9.3	9.3	9.5
Cost of funds	6.5	5.8	6.0	6.3
Net interest margins	3.9	3.8	3.6	3.6
Cost of deposits	6.9	6.0	6.2	6.3
Cost of borrowings	7.2	7.0	7.0	7.0
Spread	3.6	3.6	3.3	3.2
Balance sheet assumption (%)				
Credit growth	22.2	28.6	26.0	25.0
Deposit growth	29.2	24.5	24.6	26.7
SLR ratio	23.2	19.4	21.0	21.0
Low-cost deposits	24.3	24.3	25.3	26.1
Gross NPA ratio	1.6	1.8	1.7	1.5
Net NPA ratio	0.8	0.7	0.6	0.4
Net NPA / Equity	6.4	5.7	5.0	3.9
Capital adequacy	13.8	16.5	15.2	13.9
Incremental slippage	2.0	2.2	1.6	1.6
Provision coverage	51.1	60.2	66.9	73.3

Income statement

(INR mn)

Year to March	FY17	FY18	FY19E	FY20E
Interest income	20,762	24,130	29,777	37,632
Interest expended	12,791	14,176	18,118	23,356
Net interest income	7,971	9,954	11,659	14,277
Non interest income	2,495	3,107	3,607	4,068
- Fee & forex income	1,760	2,331	2,707	3,168
- Misc. income	282	322	400	400
- Investment profits	452	454	500	500
Net revenue	10,466	13,061	15,265	18,345
Operating expense	6,283	7,807	9,025	10,511
- Employee exp	3,080	3,812	4,556	5,352
- Other opex	3,203	3,995	4,468	5,159
Preprovision profit	4,182	5,254	6,241	7,834
Provisions	1,115	1,392	1,400	1,697
Loan loss provisions	728	1,123	1,190	1,487
Investment depreciation	(1)	61	10	10
Other provisions	388	208	200	200
Profit Before Tax	3,067	3,862	4,841	6,137
Less: Provision for Tax	1,070	1,408	1,670	2,117
Profit After Tax	1,997	2,453	3,171	4,020
Shares o /s (mn)	285	308	308	308
Adj. Diluted EPS (INR)	7.0	8.0	10.3	13.0

Growth ratios (%)

Year to March	FY17	FY18	FY19E	FY20E
NII growth	28.7	24.9	17.1	22.5
Fees growth	13.6	32.4	16.1	17.1
Opex growth	28.0	24.3	15.6	16.5
PPOP growth	21.4	28.7	19.6	27.8
PPP growth	19.8	25.6	18.8	25.5
Provisions growth	26.8	24.9	0.6	21.2
Adjusted Profit	2.7	22.9	29.2	26.8

Operating ratios

Year to March	FY17	FY18	FY19E	FY20E
Yield on advances	11.5	10.7	10.5	10.5
Yield on investments	7.8	7.0	7.1	6.9
Yield on assets	10.1	9.3	9.3	9.5
Cost of funds	6.5	5.8	6.0	6.3
Net interest margins	3.9	3.8	3.6	3.6
Cost of deposits	6.9	6.0	6.2	6.3
Cost of borrowings	7.2	7.0	7.0	7.0
Spread	3.6	3.6	3.3	3.2
Cost-income	60.0	59.8	59.1	57.3
Tax rate	34.9	36.5	34.5	34.5

Banking and Financial Services

Balance sheet		(INR mn)			
As on 31st March	FY17	FY18	FY19E	FY20E	
Share capital	2,854	3,081	3,081	3,081	
Reserves & Surplus	16,630	22,493	25,664	29,683	
Net worth	19,484	25,574	28,744	32,764	
Sub bonds/pref cap	-	6,866	6,866	6,866	
Deposits	192,892	240,069	299,188	379,052	
Total Borrowings	12,758	12,401	16,901	21,401	
Other liabilities	13,006	15,063	3,468	4,394	
Total liabilities	238,140	299,973	355,168	444,477	
Loans	158,176	203,367	256,242	320,303	
Cash and Equivalents	11,925	23,720	11,774	14,917	
Gilts	47,711	49,090	66,379	84,095	
Others	10,468	13,099	16,453	20,516	
Fixed assets	2,321	2,436	2,218	1,983	
Other Assets	7,539	8,261	2,103	2,664	
Total assets	238,140	299,973	355,168	444,477	
Credit growth	22.2	28.6	26.0	25.0	
Deposit growth	29.2	24.5	24.6	26.7	
EA growth	25.8	26.7	21.3	25.4	
SLR ratio	23.2	19.4	21.0	21.0	
C-D ratio	82.2	84.9	85.8	84.7	
Low-cost deposits	24.3	24.3	25.3	26.1	
Provision coverage	51.1	60.2	66.9	73.3	
Gross NPA ratio	1.6	1.8	1.7	1.5	
Net NPA ratio	0.8	0.7	0.6	0.4	
Incremental slippage	2.0	2.2	1.6	1.6	
Net NPA / Equity	6.4	5.7	5.0	3.9	
Capital adequacy	13.8	16.5	15.2	13.9	
- Tier 1	11.9	12.7	11.4	10.1	

RoE decomposition (%)					
Year to March	FY17	FY18	FY19E	FY20E	
Net int. income/assets	3.9	3.8	3.6	3.6	
Fees/Assets	1.0	1.0	1.0	0.9	
Invst. profits/Assets	0.2	0.2	0.2	0.1	
Net revenues/assets	5.1	5.0	4.8	4.6	
Operating expense/assets	(3.1)	(3.0)	(2.8)	(2.7)	
Provisions/assets	(0.5)	(0.5)	(0.4)	(0.4)	
Taxes/assets	(0.5)	(0.5)	(0.5)	(0.5)	
Total costs/assets	(4.1)	(4.1)	(3.8)	(3.6)	
ROA	1.0	0.9	1.0	1.0	
Equity/assets	9.0	8.7	8.5	7.8	
ROAE (%)	10.8	10.9	11.7	13.1	

Valuation parameters					
Year to March	FY17	FY18	FY19E	FY20E	
Adj. Diluted EPS (INR)	7.0	8.0	10.3	13.0	
Y-o-Y growth (%)	2.3	13.8	29.2	26.8	
BV per share (INR)	68.3	83.0	93.3	106.3	
Adj. BV per share (INR)	65.2	79.7	90.1	103.4	
Diluted P/E (x)	23.1	20.3	15.7	12.4	
Price/ BV	2.4	2.0	1.7	1.5	
Price/ Adj. BV (x)	2.5	2.0	1.8	1.6	

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		Price/ Adj. BV (X)		ROAE (%)	
		FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
DCB Bank	728	15.7	12.4	1.8	1.6	11.7	13.1
Axis Bank	19,544	17.3	12.7	2.2	1.9	11.7	14.3
Federal Bank	2,138	10.4	8.0	1.2	1.1	11.0	12.9
HDFC Bank	82,339	26.8	21.4	4.0	3.5	17.3	17.4
ICICI Bank	24,307	12.2	8.8	2.0	1.7	12.9	16.3
IndusInd Bank	16,831	25.8	20.2	4.3	3.6	17.4	18.9
Karnataka Bank	609	5.6	4.6	0.8	0.7	11.3	12.8
South Indian Bank	555	6.0	5.1	0.8	0.7	12.7	13.0
Yes Bank	12,722	15.9	12.1	3.0	2.5	19.6	21.8
Median	-	15.7	12.1	2.0	1.7	12.7	14.3
AVERAGE	-	15.1	11.7	2.2	1.9	14.0	15.6

Source: Edelweiss research

Additional Data

Directors Data

Nasser Munjee	Chairman	Murali M. Natrajan	Managing Director & CEO
Altaf Jiwani	Director	Amin Manekia	Director
Imran Contractor	Director	Iqbal Ishaq Khan	Director
Chakrapany Narasimhan	Director	Ashok Barat	Director
S. Sridhar	Director	Jamal Pradhan	Director
Shaffiq Dharamshi	Director	Rupa Devi Singh	Director

Auditors - Deloitte Haskins & Sells

**as per last annual report*

Holding - Top 10

	Perc. Holding		Perc. Holding
Matthews Intl Capital Management	4.69	Sundaram Asset Management Co Ltd	3.54
Tano Mauritius India Fvci	3.45	Prazim Trading & Inv Co	3.03
Dsp Blackrock Investment Manager	2.90	Birla Sun Life Asset Management	2.63
Apax Global Aloha Ltd	2.38	Dimensional Fund Advisors Lp	1.52
Steinberg India Em Op Fund	1.36	Mirae Asset Global Investment	1.18

**as per last available data*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
18 Apr 2018	Abu Dhabi Investment Authority - Behave	Buy	2100000	198.18

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
20 Apr 2018	Mr. R. Venkatesh	Sell	48000.00
20 Apr 2018	Praveen Kutty	Sell	67342.00
19 Apr 2018	Sona Holding & Trading Company Private Limited	Buy	260000.00
19 Apr 2018	Mr. Bharat Laxmidas Sampat	Sell	50000.00
27 Sep 2017	V. Seshadri	Sell	20000.00

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Aditya Birla Capital	BUY	SO	M	Allahabad Bank	HOLD	SU	M
Axis Bank	HOLD	SU	M	Bajaj Finserv	BUY	SP	L
Bank of Baroda	BUY	SP	M	Bharat Financial Inclusion	BUY	SP	M
Capital First	BUY	SO	M	DCB Bank	HOLD	SP	M
Dewan Housing Finance	BUY	SO	M	Equitas Holdings Ltd.	BUY	SO	M
Federal Bank	BUY	SP	L	HDFC	HOLD	SP	L
HDFC Bank	BUY	SO	L	ICICI Bank	BUY	SO	L
IDFC Bank	BUY	SP	L	Indiabulls Housing Finance	BUY	SO	M
IndusInd Bank	BUY	SP	L	Karnataka Bank	BUY	SP	M
Kotak Mahindra Bank	BUY	SO	M	L&T FINANCE HOLDINGS LTD	BUY	SO	M
LIC Housing Finance	BUY	SP	M	Magma Fincorp	BUY	SP	M
Mahindra & Mahindra Financial Services	HOLD	SP	M	Manappuram General Finance	BUY	SO	H
Max Financial Services	BUY	SO	L	Multi Commodity Exchange of India	HOLD	SU	M
Muthoot Finance	BUY	SO	M	Oriental Bank Of Commerce	HOLD	SP	L
Power Finance Corp	BUY	SO	M	Punjab National Bank	REDUCE	SU	M
Reliance Capital	BUY	SP	M	Repc Home Finance	BUY	SO	M
Rural Electrification Corporation	BUY	SO	M	Shriram City Union Finance	BUY	SO	M
Shriram Transport Finance	BUY	SO	M	South Indian Bank	BUY	SO	M
State Bank of India	BUY	SP	L	Union Bank Of India	HOLD	SP	M
Yes Bank	BUY	SO	M				

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return

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Coverage group(s) of stocks by primary analyst(s): Banking and Financial Services

Allahabad Bank, Axis Bank, Bharat Financial Inclusion, Bajaj Finserv, Bank of Baroda, Capital First, DCB Bank, Dewan Housing Finance, Equitas Holdings Ltd., Federal Bank, HDFC, HDFC Bank, ICICI Bank, IDFC Bank, Indiabulls Housing Finance, IndusInd Bank, Karnataka Bank, Kotak Mahindra Bank, LIC Housing Finance, L&T FINANCE HOLDINGS LTD, Max Financial Services, Multi Commodity Exchange of India, Manappuram General Finance, Magma Fincorp, Mahindra & Mahindra Financial Services, Muthoot Finance, Oriental Bank Of Commerce, Punjab National Bank, Power Finance Corp, Reliance Capital, Rural Electrification Corporation, Repco Home Finance, State Bank of India, Shriram City Union Finance, Shriram Transport Finance, South Indian Bank, Union Bank Of India, Yes Bank

Recent Research

Date	Company	Title	Price (INR)	Recos
13-Jul-18	Karnataka Bank	Asset quality improves; core soft; <i>Result Update</i>	122	Buy
11-Jul-18	Insurance	Insurance premiums: Growth momentum softening; <i>Sector Update</i>		
10-Jul-18	IndusInd Bank	Sustainable growth with granularity; <i>Result Update</i>	1,935	Buy

Distribution of Ratings / Market Cap

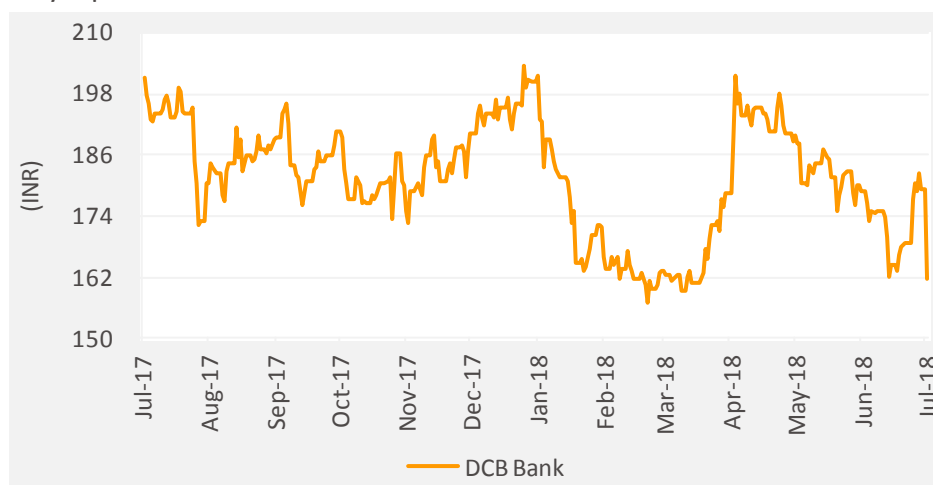
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



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