

INDUSTRY	BANKS		
<b>CMP (as on 16 Jul 2018)</b>	<b>Rs 162</b>		
<b>Target Price</b>	<b>Rs 216</b>		
Nifty	10,937		
Sensex	36,324		
KEY STOCK DATA			
Bloomberg	DCBB IN		
No. of Shares (mn)	309		
MCap (Rs bn) / (\$ mn)	50/727		
6m avg traded value (Rs mn)	333		
STOCK PERFORMANCE (%)			
<b>52 Week high / low</b>	<b>Rs 207/155</b>		
	3M	6M	12M
Absolute (%)	(15.0)	(16.6)	(20.0)
Relative (%)	(20.9)	(21.1)	(33.5)
SHAREHOLDING PATTERN (%)			
Promoters	14.97		
FIs & Local MFs	37.12		
FPIs	22.13		
Public & Others	25.78		
<i>Source : BSE</i>			

**Darpin Shah**  
 darpin.shah@hdfcsec.com  
 +91-22-6171-7328

**Pranav Gupta**  
 pranav.gupta@hdfcsec.com  
 +91-22-6171-7337

**Kaushik Utpat**  
 kaushik.utpat@hdfcsec.com  
 +91-22-6639-3037

## 1% RoA on the cards?

After beating our growth forecasts for FY18, DCBB delivered faster than expected growth (+31% YoY) yet again. Curbed costs (up merely 4% QoQ) and significantly lower provisions (64bps vs 80bps QoQ) led to a 20% beat in net earnings. Though the erosion in margins (-26bps QoQ) seems massive, it is mostly optical due to the comparison with reported NIMs (annual) in 4Q. The spike in GNPA's (9% QoQ, a 1Q phenomenon) was lower than previous years.

We believe DCBB is beginning to reap the rewards of investments in distribution (opened 118 branches over 2 years) and widening the basket of products offered at each branch. With a calibrated expansion approach hereon, the mgt is focussed on scaling up efficiency and benefit from oplev. While DCBB's well capitalized B/S (~15.6%) will support rapid growth, its fix on asset quality and increasing oplev will boost return ratios (7bps over FY18-20E). Our aggressive cost assumptions (20% CAGR over FY18-20) caps earnings growth. Maintain BUY with a TP of Rs 216 (2.2x Mar-20 ABV of Rs 98).

### FINANCIAL SUMMARY

(Rs mn)	1QFY19	1QFY18	YoY (%)	4QFY18	QoQ (%)	FY16	FY17	FY18	FY19E	FY20E
Net Interest Income	2,730	2,332	17.1%	2,637	3.5%	6,195	7,971	9,954	12,192	14,454
PPOP	1,414	1,364	3.7%	1,416	-0.1%	3,490	4,182	5,250	6,640	7,950
PAT	695	652	6.6%	642	8.2%	1,945	1,997	2,453	3,171	3,912
EPS (Rs)	2.3	2.1	6.2%	2.1	8.0%	6.8	7.0	8.0	10.3	12.7
RoAE (%)						11.5	10.0	9.8	10.8	12.0
RoAA (%)						1.10	0.93	0.90	0.95	0.97
Adj. BVPS (Rs)						57.8	63.9	78.2	87.7	98.1
P/ABV (x)						2.80	2.53	2.07	1.84	1.65
P/E (x)						23.6	23.1	20.3	15.7	12.7

Source: DCB Bank, HDFC sec Inst Research

### Highlights of the quarter

- Yields dropped 45/20bps YoY/QoQ as competition intensified in the bank's focus segments. Hence, NIMs fell 33/26bps YoY/QoQ. However, the mgt attributed this to additional factors like (1) benefit of fund raising in 1QFY18, (2) excess liquidity to stay away from MTM losses and (3) Tier II capital raised at a high rate. With rising interest rates and a chunk of the book linked to MCLR, the mgt stuck to their NIM target of 3.75-3.85%. We have factored in NIMs of ~3.75% over FY18-20E.
- Though the spike in GNPA's (~9% QoQ) is a 1Q phenomenon, it was lesser than (17% in FY17 and 12% in FY18) previous years. The sequential rise in GNPA's was largely led by corp (7% QoQ, one ACs of Rs 70-80mn), SME (10% QoQ) and Mortgage (+6% QoQ). Though additions in the mortgage book will be closely monitored, we do not foresee any major jolts here on. We have factored slippages and LLP of 1.55% and 55bps over FY18-20E.
- Near-term outlook:** Clarity on management continuity and the recent underperformance should provide cushion in the near term.

## Five Quarters At A Glance

Rs mn	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	YoY Growth	QoQ Growth
Net Interest Income	2,331.6	2,481.1	2,504.6	2,637.0	2,729.7	17.1%	3.5%
Non-interest Income	857.6	652.8	749.4	848.6	828.3	-3.4%	-2.4%
Treasury Income	287.0	71.0	55.0	42.0	153.0	-46.7%	264.3%
Operating Income	3,189.2	3,133.9	3,254.0	3,485.6	3,558.0	11.6%	2.1%
Operating Expenses	1,825.1	1,889.5	2,028.6	2,069.8	2,143.9	17.5%	3.6%
Pre Provision Profits	1,364.1	1,244.4	1,225.4	1,415.8	1,414.1	3.7%	-0.1%
Other Provisions	355.0	302.4	342.5	388.1	332.3	-6.4%	-14.4%
PBT	1,009.1	942.0	882.9	1,027.7	1,081.8	7.2%	5.3%
Provision For Tax	356.9	353.0	312.8	385.6	386.8	8.4%	0.3%
PAT	652.2	589.0	570.1	642.1	695.0	6.6%	8.2%
<b>Balance Sheet Items/Ratios</b>							
Deposits Rs bn	191.5	205.7	213.0	240.1	250.3	30.7%	4.3%
CASA Deposits Rs bn	51.4	53.2	54.7	58.4	61.7	19.9%	5.6%
Advances Rs bn	162.7	174.0	186.0	203.4	212.4	30.6%	4.5%
CD Ratio (%)	84.9	84.6	87.3	84.7	84.9	-5 bps	15 bps
CAR (%)	15.3	14.7	15.8	16.5	15.6	30 bps	-92 bps
Tier I (%)	13.4	12.9	12.5	12.7	12.0	-142 bps	-70 bps
<b>Profitability</b>							
Yield On Advances (%)	11.66	11.44	11.25	11.41	11.21	-45 bps	-20 bps
Cost Of Deposits (%)	6.61	6.49	6.42	6.51	6.58	-3 bps	7 bps
NIM (%)	4.23	4.22	4.12	4.16	3.90	-33 bps	-26 bps
Cost-Income Ratio (%)	57.2	60.3	62.3	59.4	60.3	303 bps	87 bps
Tax Rate (%)	62.9	61.7	63.4	60.1	63.0	8 bps	286 bps
<b>Asset quality</b>							
Gross NPA (Rs mn)	2,853	3,158	3,545	3,690	4,006	40.4%	8.6%
Net NPA (Rs mn)	1,491	1,570	1,615	1,467	1,539	3.2%	4.9%
Gross NPAs (%)	1.74	1.80	1.89	1.79	1.86	12 bps	7 bps
Net NPAs (%)	0.92	0.90	0.87	0.72	0.72	-20 bps	0 bps
Delinquency Ratio (%)	2.21	1.85	2.31	1.67	2.07	-15 bps	39 bps
Coverage Ratio Calc. (%)	47.73	50.29	54.45	60.24	61.58	1385 bps	134 bps
Coverage Ratio Reported (%)	71.83	71.96	73.36	75.72	76.09	426 bps	37 bps
Restructured Book (%)	0.20	0.18	0.13	0.17	0.15	-5 bps	-2 bps

In line with estimates led by healthy loan growth even as NIMs dip; Fees de-grew ~5% QoQ (+15% YoY)

Opex growth contained despite doubling of branches. DCBB added 5 branches in 1Q

Incl. Rs 26mn towards MTM, Provisions were lower even as PCR improved

Retail deposits form ~75%; SA grew 32%

Led by Corporate, SME and Agri; Mortgages grew <20%

Dip primarily owing to falling yields and increase is competitive pressure

Led by SME (+10% QoQ), Corp (7%), Mortgages (+6%) and Agri (16%)

Segment wise GNPA: SME (1.33%), Corp (2.5%), Mortgages (+1.74%) and Agri (1.92%). DCBB has not availed the RBI dispensation on MSME loans

## Change In Estimates

(Rs mn)	FY19E			FY20E		
	Old	New	Change	Old	New	Change
NII	12,192	12,192	0.0%	14,454	14,454	0.0%
PPOP	6,640	6,640	0.0%	7,950	7,950	0.0%
PAT	3,171	3,171	0.0%	3,912	3,912	0.0%
Adj. BVPS (Rs)	87.7	87.7	0.0%	98.1	98.1	0.0%

**Healthy and broad based loan growth sequentially**

**Corp and SME loans grew ~48% and ~43% respectively**

**CV loans grew ~57% YoY; Mortgage loans grew <20% YoY**

**The bank's top 20 advances form < 7% of loans**

**~90% of sourcing of Agri loans and ~30% of mortgage loans are internally sourced**

**Self-employed segment forms ~82% of the Mortgage book and 80% of CASA and Term deposits**

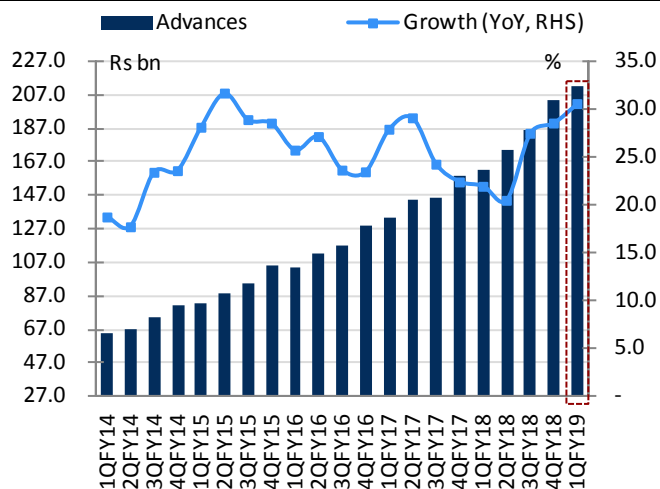
**CASA grew ~20% YoY, driven by 32% growth in SA**

**CASA marginally inched up to 24.6%**

**Growth spikes; Robust SA growth**

- After a solid show in FY18, DCBB's story remained on track as the bank reported robust (+31%) growth in 1QFY19. This was largely broad based and led by corp (+48% YoY), SME (+43% YoY) and Agri (+38% YoY). On a smaller base, CV loans jumped ~57% YoY. Mortgage growth was curbed to sub 20% for the 2<sup>nd</sup> quarter in a row owing to intense competitive pressure.
- As growth in the mortgage portfolio continues to lag overall loan growth, the share of mortgages dipped ~400bps to 40%. Consequently, the share of Corp loans jumped 200bps.

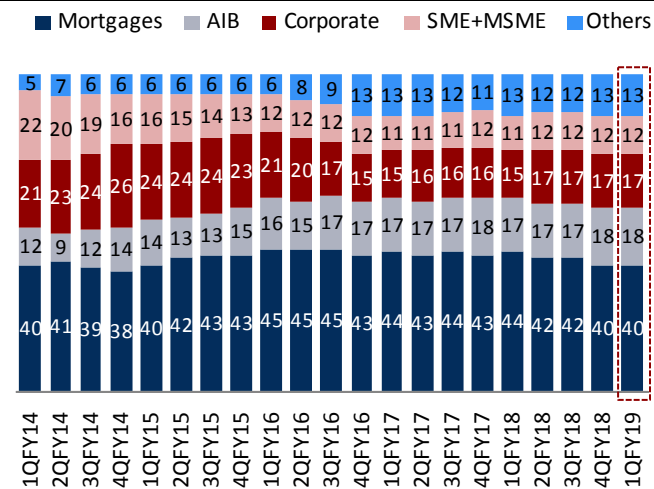
**Loan Growth Healthy At 31/4% YoY/QoQ**



Source: DCB Bank, HDFC sec Inst Research

- Despite the strong loan growth in 1Q, we maintain our 25% loan CAGR over FY19-20E.
- Deposit growth (~31/4% YoY/QoQ) was in line with loan growth. This was largely driven by strong accretion in term deposits which grew ~35% YoY. Though CASA growth was lower at ~20% YoY, the robust SA accretion (+32% YoY) was encouraging.
- While the stagnation in NRI deposit share continued, the share of retail deposits jumped ~100bps sequentially to ~75% of total deposits. NRI deposits now form ~6.2% of total deposits vs.7.3% YoY.

**Loan Mix: Mortgage Share Stable QoQ**



Source: DCB Bank, HDFC sec Inst Research

**Calc. NIMs dipped 14bps QoQ to ~3.71% led by 19bps rise in CoF; Calc. yields jumped ~11bps QoQ**

**Reported NIMs dipped ~26bps QoQ led by 20bps drop in yields**

**Adj. for interest on tax refund of Rs 26.2mn in 4Q, NII grew ~4.6% YoY/QoQ**

**Overall NII grew ~17/4% YoY/QoQ**

**We have factored NIM decline of 16bps over FY18-20E**

**Management maintains its NIM guidance at 375-385bps**

**Fee growth of 15% YoY (down 5% QoQ)**

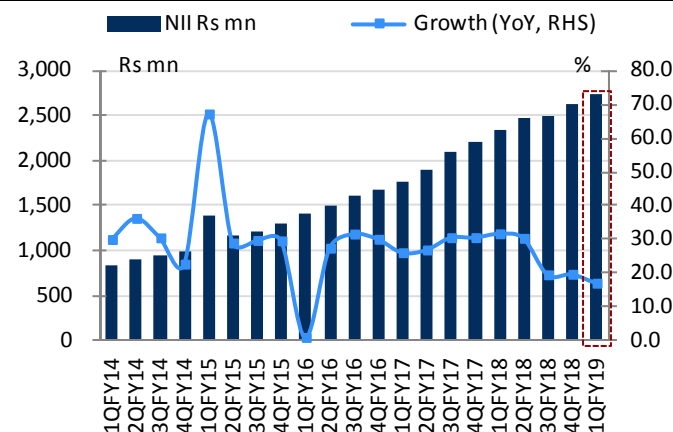
**Treasury gains jumped QoQ to 153mn (a pleasant surprise) of which Rs 100mn in one off.**

### NIMs dip optically higher

- While the erosion (3.90%, down ~20bps sequentially) in reported NIMs is drastic, this is optically higher when compared to the annual NIM of 4.16% reported in 4Q. On a calculated basis, the NIM was down 13bps QoQ to 3.71%.
- The dip in NIMs was no surprise as the pressure on yields continued (down 45/20bps YoY/QoQ) and COF continued to increase (+7bps QoQ).

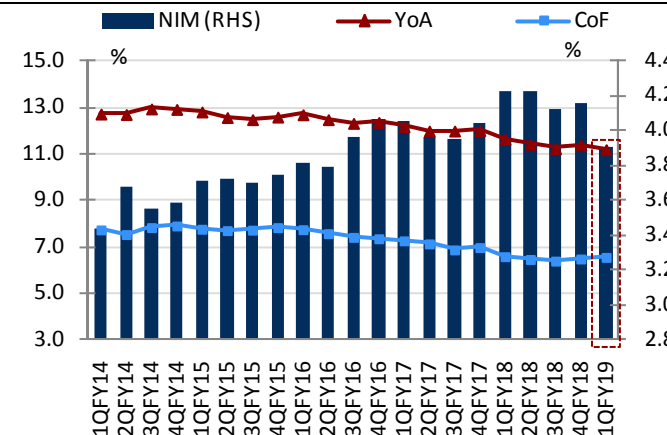
- Though we expected a compression, we believe NIM pressure should bottom out given the rising interest rate scenario. NIMs will be cushioned hereon owing to a high proportion of floating rate loans and hikes in MCLR (25bps over the past 6 months). Hence, we have factored in NIMs of 3.75% over FY19-20E

### Strong NII Growth Of ~17/3.5 YoY/QoQ



Source: DCB Bank, HDFC sec Inst Research

### Reported NIM At 3.90%



Source: DCB Bank, HDFC sec Inst Research

### Non-interest Income : Treasury Gains A Positive Surprise

Rs mn	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19
Fees	299.0	351.0	361.0	395.0	379.0	422.0	403.0	452.0	519.0	483.0	567.0	629.0	599.0
% Loans	1.15	1.26	1.23	1.22	1.14	1.17	1.11	1.14	1.28	1.11	1.22	1.24	1.13
Treasury	284.0	52.0	45.0	40.0	172.0	116.0	125.0	41.0	287.0	71.0	55.0	42.0	153.0
Forex	48.2	84.0	66.0	179.5	50.3	78.2	113.1	142.9	51.6	98.8	127.4	177.6	76.3
Total	631.2	487.0	472.0	614.5	601.3	616.2	641.1	635.9	857.6	652.8	749.4	848.6	828.3
(%, YoY)	83.0	31.8	(1.6)	32.8	(4.7)	26.5	35.8	3.5	42.6	5.9	16.9	33.4	(3.4)
% of total inc.	31.0	24.5	22.7	26.7	25.4	24.5	23.4	22.4	26.9	20.8	23.0	24.3	23.3
% of Avg. Assets (ann.)	1.56	1.17	1.09	1.34	1.24	1.19	1.13	1.07	1.42	1.04	1.13	1.18	1.08

Source: DCB Bank

**DCBB is well placed to improve opelev, with completion of branch expansion and sustained growth momentum**

**The mgt has guided at a expanding the network by 15-18 branches each year for the next 2 years**

**The mgt maintains their guidance of achieving a C-I ratio of 55% by 4QFY19**

**Non-tax provisions were lower at Rs 332mn (-6/14% YoY/QoQ)**

**Tax provisions include MTM related provisions of ~Rs 26mn. DCBB did not use the option of spreading these over FY19**

**O/S Floating provisions stood at Rs 600mn (vs. Rs 560mn QoQ)**

**O/S SRs stood at ~Rs 500m; DCBB had redemption of ~Rs 200mn during**

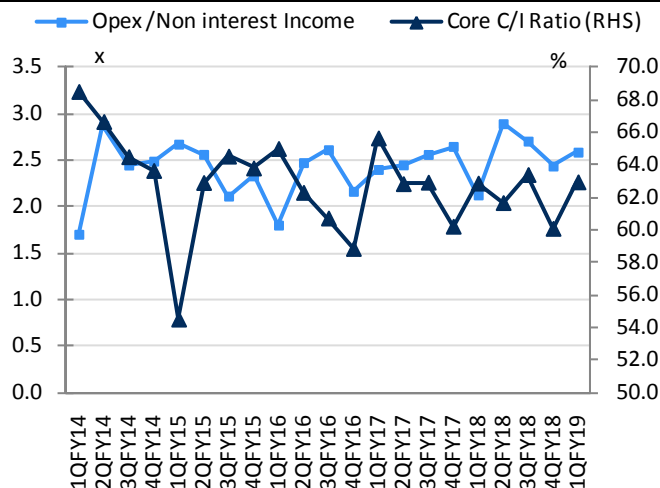
**C-I ratio target intact; Provisions moderate**

- After an improvement in 4Q, DCBB's C-I ratio deteriorated 90bps sequentially to ~60.3%. This was largely due to the dip (~3/2% YoY/QoQ) in non-interest income even as opex growth (~17/4% YoY/QoQ) remained under control. Other opex was flat sequentially even as staff costs jumped ~7% QoQ.
- DCBB has almost doubled its branch network over the past 2 years which has kept costs elevated. However, the management is now focused on improving productivity and improving profitability of each

business. Though meeting the guidance of reducing the C-I ratio to 55% seems like a tough ask, the management is moving various levers to achieve the same. We have factored core C-I improvement of 200bps over FY18-20E to ~59.9%.

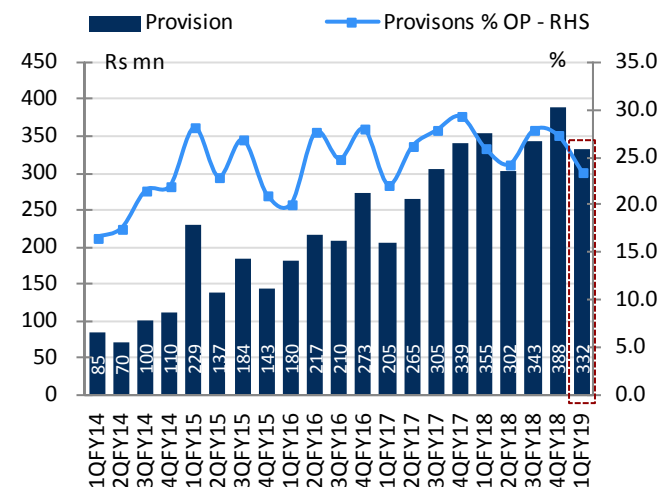
- DCBB opted against using the RBI dispensation of spreading MTM provisions over FY19 and took the entire hit of ~Rs 26mn in 1Q instead. Despite the hit, overall provisions dipped ~14% sequentially to ~Rs 333mn. We have factored LLP of 55bps over FY18-20E

**Core C-I Rises 285bps QoQ**



Source: DCB Bank, HDFC Sec Inst Research

**Non-tax Provisions Down ~6/14% YoY/QoQ**



Source: DCB Bank, HDFC Sec Inst Research

**GNPAs jumped 9% QoQ to 1.86% with higher slippages and flattish recoveries & upgrades (Rs 680mn, +2% QoQ)**

**GNPA rise in 1Q is seasonal phenomenon;**

**The bank has refrained from using the dispensation on MSME loans given by the RBI.**

**The rise in corp GNPA is due to one account taken to NCLT by other banks. DCBB has sufficient collateral to cover its outstanding of Rs 70-80mn**

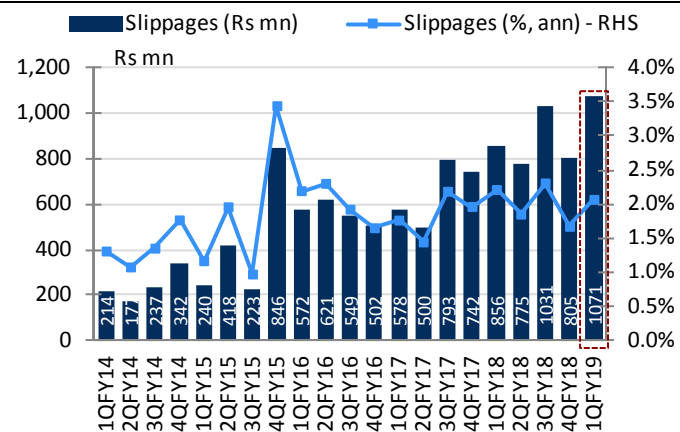
**Agri and SME NPAs were up ~16% and 10% QoQ respectively,**

### GNPAs jump QoQ; PCR improves further

- The 9% sequential jump in GNPAs (+7bps QoQ, 1.86%) was a 1Q phenomenon. However, the spike was lower than previous years (17% in 1QFY17 and 12% in FY18). GNPAs were higher with slippages of ~Rs 1.07bn i.e. 2.07% ann. vs. 1.67% QoQ and 2.21% YoY and flattish recoveries/upgrades (Rs680mn; 2x YoY).
- Segment wise, GNPA rise was largely broad based with Agri/SME/Corp GNPAs up 16/10/7% QoQ. Mortgages NPAs too jumped ~6% QoQ (48% YoY) to ~1.77% of mortgage loans.

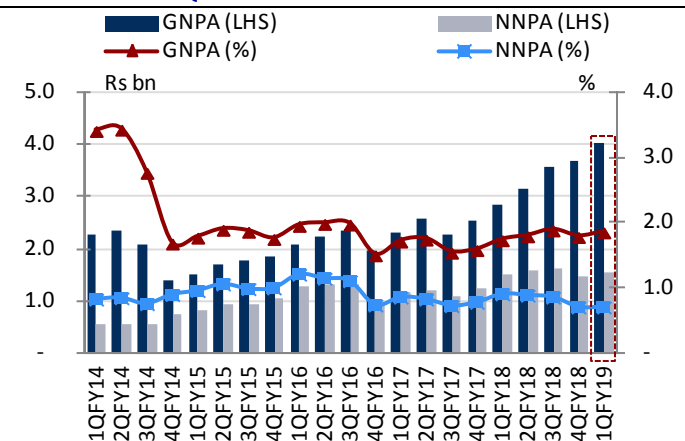
- Though GNPAs jumped (40/9% YoY/QoQ), NNPA rise was curtailed to merely 3% YoY as the bank continued to provide conservatively. Hence, the coverage ratio jumped ~40bps QoQ and now stands at 76.1%.
- With no major exposure to stressed assets and a further dip in restructured book (15bps), we believe stress should remain under control. Behavior of the mortgage portfolio will be keenly eyed. We have factored in slippages of 1.55% over FY18-20E.

### Slippages Higher At 2.07% vs. 1.67% Ann.



Source : DCB Bank

### GNPA Rise 1Q Phenomenon



Source : DCB Bank

### Segment-wise GNPAs

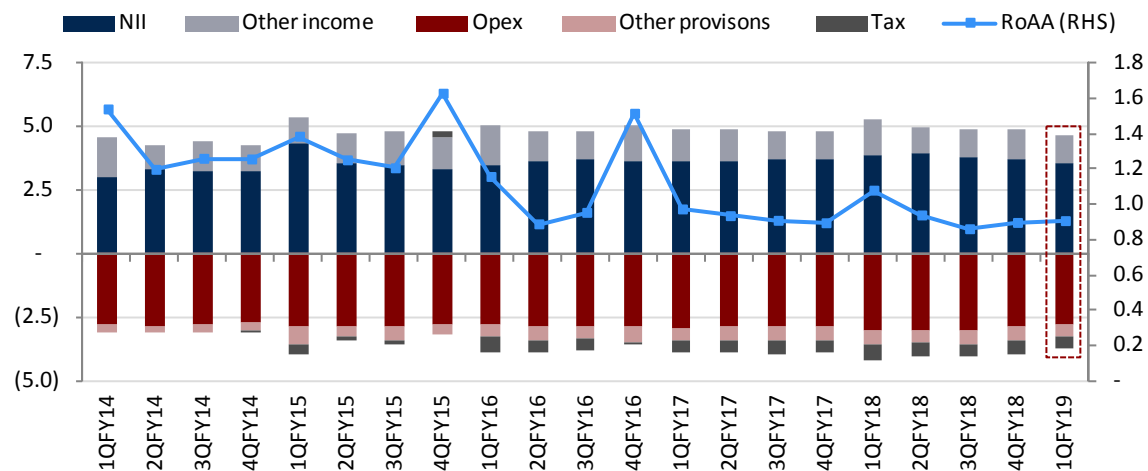
(Rs mn)	1Q FY16	2Q FY16	3Q FY16	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3QFY18	4QFY18	1QFY19
PL	1	0	0	0	0	0	0	0	0	0	0	0	0
CV/CE	70	74	89	92	111	134	176	200	215	294	283	299	319
Corp.	1016	919	861	861	861	861	652	859	675	675	840	840	902
SME	284	486	522	245	279	367	368	324	316	328	373	307	339
Mortgages	349	466	511	464	626	743	669	717	1,002	1,164	1269	1392	1480
Others	157	78	51	24	32	72	90	76	135	136	148	220	232
Agri	188	220	315	288	404	377	324	366	510	561	632	632	734

**Asset Quality Movement: GNPA Rise Led Higher Slippages**

Rs mn	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19
Opening GNPA	1,861	2,065	2,244	2,350	1,975	2,314	2,555	2,280	2,543	2,854	3,159	3,546	3,691
<b>Slippages</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>	<b>779</b>	<b>1,038</b>	<b>814</b>	<b>1,074</b>
(%) ann.	2.19	2.30	1.92	1.65	1.76	1.44	2.19	1.96	2.21	1.85	2.31	1.67	2.07
Reductions	369	443	445	884	240	260	1,068	483	576	474	651	669	758
W/O	148	70	34	348	4	-	349	90	245	1	75	2	78
Recovery	116	213	249	426	193	139	641	225	210	212	307	284	248
Upgrades	105	160	162	110	43	121	78	168	121	261	269	383	432
<b>Closing GNPA</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>	<b>3,159</b>	<b>3,546</b>	<b>3,691</b>	<b>4,007</b>

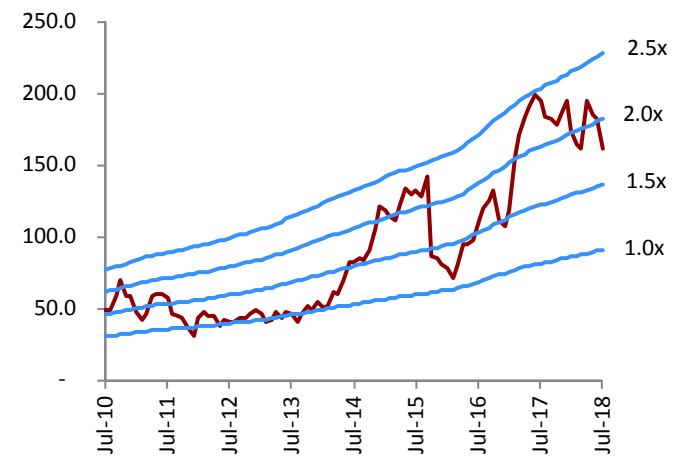
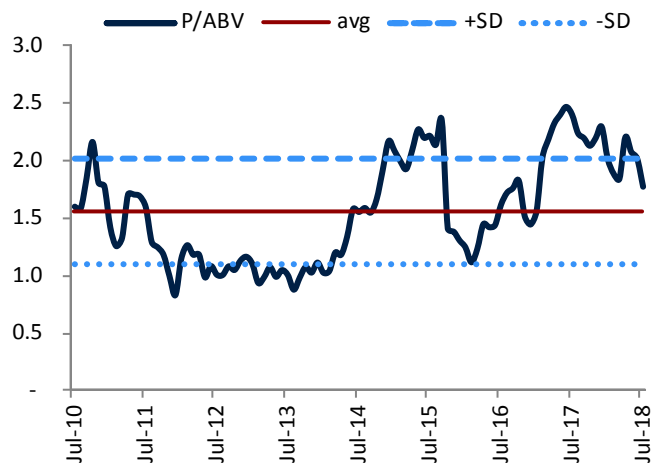
Source: DCB Bank

**Stable RoAA At 91bps**



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 (%)		
					FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
KMB #	2684	1408	BUY	1371	175	207	238	54.0	41.1	32.0	6.62	5.49	4.67	13.2	13.8	14.9	1.72	1.82	1.87
ICICIBC #	1667	259	BUY	377	105	126	150	16.3	10.7	7.3	1.62	1.24	0.93	7.3	9.5	9.8	0.81	1.00	1.17
AXSB	1363	523	NEU	538	184	226	269	487.0	26.7	14.4	2.85	2.32	1.94	0.5	7.7	12.9	0.04	0.69	1.13
IIB	1144	1923	BUY	1,966	379	443	524	32.0	25.7	20.4	5.08	4.34	3.67	16.5	17.7	19.1	1.80	1.80	1.83
RBL	230	550	BUY	582	152	170	194	36.3	26.0	19.8	3.62	3.23	2.84	11.5	12.6	14.8	1.15	1.27	1.31
FB	146	74	NEU	102	54	60	68	16.6	13.3	9.7	1.37	1.23	1.09	8.3	8.7	11.0	0.69	0.73	0.85
CUB	113	170	BUY	231	55	66	77	19.1	16.3	14.0	3.06	2.57	2.21	15.3	15.4	15.4	1.57	1.60	1.57
KVB	72	99	BUY	156	61	70	78	20.8	14.5	8.0	1.63	1.41	1.27	6.1	7.8	13.6	0.54	0.70	1.14
<b>DCBB</b>	<b>50</b>	<b>162</b>	<b>BUY</b>	<b>216</b>	<b>78</b>	<b>88</b>	<b>98</b>	<b>20.3</b>	<b>15.7</b>	<b>12.7</b>	<b>2.07</b>	<b>1.84</b>	<b>1.65</b>	<b>9.8</b>	<b>10.8</b>	<b>12.0</b>	<b>0.90</b>	<b>0.95</b>	<b>0.97</b>
SBIN #	2,247	252	BUY	328	93	137	175	-20.7	13.0	6.0	1.63	1.10	0.86	-3.3	4.8	9.8	-0.21	0.29	0.60
BOB	262	114	BUY	182	75	108	138	-12.4	15.0	7.4	1.51	1.05	0.82	-6.1	4.5	8.6	-0.34	0.27	0.50
AUBANK	191	635	NEU	673	73	117	135	62.1	42.7	32.4	8.66	5.45	4.72	13.8	15.0	14.9	1.98	1.98	1.96

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

**Income Statement**

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Interest Earned	16,985	20,761	24,130	29,942	36,680
Interest Expended	10,790	12,791	14,176	17,750	22,226
<b>Net Interest Income</b>	<b>6,195</b>	<b>7,971</b>	<b>9,954</b>	<b>12,192</b>	<b>14,454</b>
<b>Non-interest Income</b>	<b>2,205</b>	<b>2,495</b>	<b>3,103</b>	<b>3,790</b>	<b>4,564</b>
<i>Fee Income (CEB)</i>	1,405	1,657	2,192	2,799	3,491
<i>Treasury Income</i>	423	454	454	500	550
<b>Total Income</b>	<b>8,400</b>	<b>10,465</b>	<b>13,057</b>	<b>15,982</b>	<b>19,018</b>
<b>Total Operating Exp</b>	<b>4,909</b>	<b>6,283</b>	<b>7,807</b>	<b>9,343</b>	<b>11,068</b>
<i>Employee Expense</i>	2,451	3,080	3,812	4,521	5,336
<b>PPOP</b>	<b>3,490</b>	<b>4,182</b>	<b>5,250</b>	<b>6,640</b>	<b>7,950</b>
Provisions & Contingencies	879	1,115	1,388	1,799	1,978
<i>Prov. For NPAs (Incl. Std Prov.)</i>	760	1,082	1,338	1,644	1,798
<b>PBT</b>	<b>2,611</b>	<b>3,067</b>	<b>3,862</b>	<b>4,840</b>	<b>5,973</b>
Provision for Tax	666	1,070	1,408	1,670	2,061
<b>PAT</b>	<b>1,945</b>	<b>1,997</b>	<b>2,453</b>	<b>3,171</b>	<b>3,912</b>

Source: Bank, HDFC sec Inst Research

**Balance Sheet**

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
<b>SOURCES OF FUNDS</b>					
Share Capital	2,860	2,869	3,095	3,095	3,095
Reserves	15,062	19,179	24,983	27,811	31,309
<b>Shareholders' Funds</b>	<b>17,922</b>	<b>22,049</b>	<b>28,078</b>	<b>30,906</b>	<b>34,404</b>
<i>Savings</i>	23,127	31,545	40,048	50,060	61,073
<i>Current</i>	11,771	15,347	18,355	21,109	24,275
<i>Term Deposit</i>	114,361	146,000	181,665	227,535	278,563
<b>Total Deposits</b>	<b>149,260</b>	<b>192,892</b>	<b>240,069</b>	<b>298,703</b>	<b>363,911</b>
Borrowings	11,479	12,758	19,267	21,471	25,773
Other Liabilities	12,525	12,765	14,807	16,658	18,324
<b>Total Liabilities</b>	<b>191,185</b>	<b>240,464</b>	<b>302,221</b>	<b>367,738</b>	<b>442,411</b>
<b>APPLICATION OF FUNDS</b>					
Cash & Bank Balance	8,916	11,925	23,720	21,154	20,442
Investments	43,333	58,179	62,190	76,514	90,933
<i>G-Secs</i>	39,855	47,711	49,090	62,728	76,421
Advances	129,214	158,176	203,367	256,771	317,374
Fixed Assets	2,480	4,886	4,940	5,064	5,190
Other Assets	7,242	7,298	8,004	8,235	8,472
<b>Total Assets</b>	<b>191,185</b>	<b>240,464</b>	<b>302,221</b>	<b>367,738</b>	<b>442,411</b>

Source: Bank, HDFC sec Inst Research

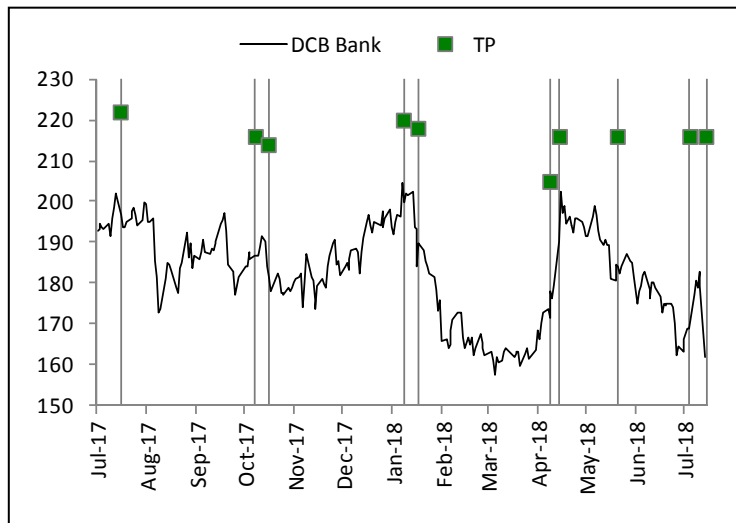
## Key Ratios

	FY16	FY17	FY18	FY19E	FY20E
<b>VALUATION RATIOS</b>					
EPS (Rs)	6.8	7.0	8.0	10.3	12.7
Earnings Growth (%)	1.7	2.6	22.9	29.2	23.4
BVPS (Rs)	63.0	77.2	91.1	100.3	111.6
Adj. BVPS (Rs)	57.8	63.9	78.2	87.7	98.1
DPS (Rs)	0.0	0.5	0.8	1.0	1.2
ROAA (%)	1.10	0.93	0.90	0.95	0.97
ROAE (%)	11.5	10.0	9.8	10.8	12.0
P/E (x)	23.6	23.1	20.3	15.7	12.7
P/ABV (x)	2.80	2.53	2.07	1.84	1.65
P/PPOP (x)	13.2	11.1	9.5	7.5	6.3
Dividend Yield (%)	-	0.3	0.5	0.6	0.7
<b>PROFITABILITY</b>					
Yield On Advances (%)	11.58	11.46	10.73	10.63	10.57
Yield On Investment (%)	7.42	7.75	6.99	6.94	6.89
Cost Of Deposits (%)	7.33	6.89	5.95	6.13	6.24
Core Spread (%)	4.25	4.58	4.78	4.50	4.34
NIM (%)	3.72	3.89	3.85	3.79	3.69
<b>OPERATING EFFICIENCY</b>					
Cost/Avg. Asset Ratio (%)	2.8	2.9	2.9	2.8	2.7
Cost-Income Ratio (Ex. Treasury)	61.5	62.8	61.9	60.3	59.9
<b>BALANCE SHEET STRUCTURE</b>					
Loan Growth (%)	23.5	22.4	28.6	26.3	23.6
Deposit Growth (%)	18.4	29.2	24.5	24.4	21.8
C/D Ratio (%)	86.6	82.0	84.7	86.0	87.2
Equity/Assets (%)	9.4	9.2	9.3	8.4	7.8
Equity/Advances (%)	13.9	13.9	13.8	12.0	10.8
CASA (%)	23.4	24.3	24.3	23.8	23.5
Capital Adequacy Ratio (CAR, %)	14.1	13.8	16.5	14.6	13.2
W/w Tier I CAR (%)	12.8	11.9	12.7	11.5	10.7

	FY16	FY17	FY18	FY19E	FY20E
<b>ASSET QUALITY</b>					
Gross NPLs (Rs mn)	1,974	2,542	3,690	3,976	4,644
Net NPLs (Rs mn)	975	1,244	1,467	1,375	1,658
Gross NPLs (%)	1.51	1.59	1.79	1.52	1.44
Net NPLs (%)	0.75	0.79	0.72	0.54	0.52
Slippage (%)	1.93	1.82	1.93	1.60	1.50
Coverage Ratio (%)	50.6	51.1	60.2	65.4	64.3
Provision/Avg. Loans (%)	0.54	0.60	0.71	0.55	0.50
<b>ROAA TREE</b>					
Net Interest Income	3.51%	3.69%	3.67%	3.64%	3.57%
Non-interest Income	1.25%	1.16%	1.14%	1.13%	1.13%
<i>Treasury Income</i>	0.24%	0.21%	0.17%	0.15%	0.14%
Operating Cost	2.79%	2.91%	2.88%	2.79%	2.73%
Provisions	0.50%	0.52%	0.51%	0.54%	0.49%
<i>Provisions For NPAs</i>	0.36%	0.40%	0.48%	0.38%	0.35%
Tax	0.38%	0.50%	0.52%	0.50%	0.51%
ROAA	1.10%	0.93%	0.90%	0.95%	0.97%
Leverage (x)	10.44	10.81	10.76	11.90	12.86
ROAE	11.52%	10.00%	9.73%	11.26%	12.42%

Source: Bank, HDFC sec Inst Research

**RECOMMENDATION HISTORY**



Date	CMP	Reco	Target
18-Jul-17	199	BUY	222
9-Oct-17	186	BUY	216
17-Oct-17	184	BUY	214
9-Jan-18	197	BUY	220
18-Jan-18	184	BUY	218
10-Apr-18	172	BUY	205
17-Apr-18	190	BUY	216
23-May-18	185	BUY	216
6-Jul-18	169	BUY	216
16-Jul-18	162	BUY	216

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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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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station - Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Binkle R. Oza Email: [complianceofficer@hdfcsec.com](mailto:complianceofficer@hdfcsec.com) Phone: (022) 3045 3600

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Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,  
Senapati Bapat Marg, Lower Parel, Mumbai - 400 013  
Board : +91-22-6171 7330 [www.hdfcsec.com](http://www.hdfcsec.com)