July 17, 2018

Rating matrix		
Rating	:	Hold
Target	:	₹ 170
Target Period	:	12 months
Potential Upside	:	5%

What's Changed?	
Target	Changed from ₹ 215 to ₹ 170
EPS FY19E	Unchanged
EPS FY20E	Unchanhed
Rating	Changed from Buy to Hold

Quarterly Performance

₹ Crore	Q1FY19	Q1FY18	YoY Gr.(%)	Q4FY18	QoQ Gr.(%)
NII	273.0	233.2	17.1	263.7	3.5
NIM (%)	3.9	4.2	-33bps	4.1	-20bps
PPP	141.4	136.4	3.7	141.6	-0.1
PAT	69.5	65.2	6.6	64.2	8.2

Key Financials

₹ Crore	FY17	FY18E	FY19E	FY20E
NII	797.1	994.4	1165.3	1442.8
PPP	418.2	525.5	617.9	807.5
PAT	199.7	242.9	316.2	430.3
ABV (₹)	63.9	79.1	88.5	102.0

Valuation summary

	FY17	FY18E	FY19E	FY20E
P/E	23.3	20.7	15.9	11.7
Target P/E	24.3	21.6	16.6	12.2
P/ABV	2.5	2.1	1.8	1.6
Target P/ABV	2.7	2.1	1.9	1.7
RoA	0.9	0.9	1.0	1.1
RoE	11.1	10.9	11.7	14.0

Stock data

Particular	Amount
Market Capitalisation	₹ 5002 crore
GNPA (Q1FY19)	₹ 401 crore
NNPA (Q1FY19)	₹ 154 crore
NIM (Q1FY19)	3.9%
52 week H/L	206/155
Networth	₹ 2853 Crore
Face value	₹ 10
DII Holding (%)	26.06
FII Holding (%)	22.13

Price performance (%)

	1M	3M	6M	12M
DCB Bank	9.6	-11.0	-6.4	-0.3
City Union Bank	-2.4	2.9	12.7	31.4
South Indian Bank	-0.4	-23.5	-22.7	11.1

Research Analyst

Kajal Gandhi
kajal.gandhi@icicisecurities.com
Vasant Lohiya
vasant.lohiya@icicisecurities.com
Vishal Narnolia
vishal.narnolia@icicisecurities.com

DCB Bank (DCB)

₹ 162

NIM, NPA pressure offset robust growth…

- DCB Bank reported a mixed set of numbers. NIM came in at 3.9% (lowest in last four quarters). It was impacted by yield pressure in corporate & mortgage portfolio and also owing to a rise in slippages to ₹ 107 crore in Q1FY19 vs. earlier trajectory of ~₹ 80 crore
- GNPA ratio increased to 1.86% vs. 1.79% QoQ while NNPA ratio was flat at 0.72%. PCR was at 76.1% vs. 75.7% in Q4FY18. Higher slippages came as a negative surprise.
- Loans continued to increase at a strong pace of 31% YoY to ₹ 21243 crore mainly led by corporate, SME & mortgage book. Deposits also rose 31% YoY to ₹ 25032 crore with CASA at 24.6%
- NII growth came in lower than estimate at 17% YoY to ₹ 273 crore (I-direct estimate: ₹ 278 crore). This was largely due to lower-than-expected margins as mentioned above. Operating profit came in line at ~₹ 141 crore owing to heathy other income traction
- Cost-to-income ratio was at ~60%
- The bank reported bottomline traction of 6.6% YoY to ₹ 69.5 crore

Return ratios to improve gradually owing to improvement in high CI ratio

With a view to laying the foundation for a future endeavour and counter competition from MFIs who have been awarded small bank licences, DCB in Q2FY16 announced a shift in its strategy from stable growth to aggressive expansion. Consequently, the bank was looking to double its branch count to ~300 till December 2017 (existing branch count – 323). The headcount was aimed to increase ~50% to 5400-5800 from 3800 in Q2FY16. In addition, investment in enhanced customer facing technology was on the anvil. With a bulk of these investments towards increasing scale & scope of reach now complete, we expect the cost-to-income ratio at ~56% by FY20E. With a lag in revenue accretion until new branches achieve break even, we expect RoA to improve gradually and reach 1% by FY20E.

Balance sheet growth to remain healthy; NIM to remain stable

The bank was in a consolidation phase in FY08-11 with ~85 branches and the credit book flat at ~₹ 4200 crore in FY08-11. Post FY11, the credit book grew more than 4x from ₹ 4271.4 crore in FY11 to ₹ 20364 crore in FY18 implying 25% CAGR. DCB has steadily shed its risky unsecured loan book in the past couple of years while loan growth is now contributed by mortgage (secured book), which now comprises ~40% of total credit. Going ahead, with aggressive branch expansion and focus on growing the loan book, the management has guided at doubling the bank's balance sheet in three to four years. We estimate the credit book will grow at ~24.2% CAGR in FY18-20E to ₹ 31435 crore.

Growth no concern; margins & NPA trajectory to be watched ahead; HOLD

DCB Bank reported a healthy performance in terms of growth & asset quality in the past few quarters. However, in Q1FY19, margins & asset quality witnessed pressure. Thus, the performance on these two major parameters would need to tracked closely ahead. Further, positive results from the aggressive branch expansion in the last two years (from 198 to 323 now) in terms of a decline in cost-to-income ratio from current ~60% would need to be seen ahead. We revise our target price lower to ₹ 170 (₹ 215 earlier), valuing DCB Bank at 1.7x FY20E ABV. We recommend **HOLD** rating vs Buy earlier on the stock.

Variance analysis

	Q1FY19	Q1FY19E	Q1FY18	YoY (%)	Q4FY18	QoQ (%)	Comments
NII	273	278	233	17.1	264	3.5	Healthy advances growth supported NII growth partly offset by margin pressure
NIM (%)	3.9	4.1	4.2	-33 bps	4.1	-20 bps	Yield pressure and higher slippages kept margins under pressure
Other Income	83	72	86	-3.4	85	-2.4	Sale of HTM investments boost treasury income
Net Total Income	356	350	319	11.6	349	2.1	
Staff cost	109	103	90	20.1	102	6.9	
Other Operating Expenses	106	108	92	14.9	105	0.4	CI ratio increased QoQ to ~60%
PPP	141	139	136	3.7	142	-0.1	
Provision	33.2	36.2	35.5	-6.4	38.8	-14.4	MTM provision on investment at ₹ 2.6 crore fully provided
PBT	108	103	101	7.2	103	5.3	
Tax Outgo	38.7	36.1	35.7	8.4	38.6	0.3	
PAT	69.5	67.1	65.2	6.6	64.2	8.2	Margin pressure and slippages kept PAT growth in single digit
Key Metrics							
GNPA	400.6	387.5	285.3	40.4	369.0	8.6	Slippages increased QoQ to ₹ 107 crore vs.earlier trajectory of ₹ 80 crore
NNPA	153.9	154.1	149.1	3.2	146.7	4.9	NNPA ratio remained flat at 0.72% inspite of slippages
Total Restructured assets	31.0	37.0	32.0	-3.1	31.0	0.0	
Credit Book	15,818	16,266	12,921	22.4	14,584	8.5	Mortgage book has grown at ~20% YoY
Deposit Book	19,289	19,155	14,926	29.2	18,840	2.4	CASA remained steady at ~24%

Source: Company, ICICI Direct Research

Change in estimates

	FY19E			FY20E		
(₹ Crore)	Old	New	% Change	Old	New	% Change
Net Interest Income	1,165	1,165	0.0	1,443	1,443	0.0
Pre Provision Profit	617.9	617.9	0.0	807.5	807.5	0.0
NIM (%)	3.8	3.8	1 bps	4.0	4	-10 bps
PAT	316.2	316.2	0.0	430.3	430.3	0.0
ABV (₹)	89	89	-0.5	102	102	0.0
EPS	10.2	10.2	0.3	13.9	13.9	0.2

Source: Company, ICICI Direct Research

Assumptions

	Current					Earlier	
	FY16	FY17	FY18E	FY19E	FY20E	FY19E	FY20E
Credit growth (%)	23.5	22.4	28.7	24.8	23.7	24.8	23.7
Deposit Growth (%)	18.4	29.2	24.5	22.5	22.5	22.5	22.5
CASA ratio (%)	23.4	24.3	25.1	24.9	24.8	24.9	24.8
NIM Calculated (%)	3.7	3.9	3.9	3.8	3.9	3.8	3.9
Cost to income ratio (%)	58.2	59.6	59.4	59.1	56.3	59.1	56.3
GNPA (₹ crore)	197.4	254.2	369.0	403.6	481.1	403.6	481.1
NNPA (₹ crore)	97.5	124.4	145.0	171.6	184.1	171.6	184.1
Slippage ratio (%)	2.2	2.0	1.6	1.2	1.2	1.2	1.2
Credit cost (%)	0.5	0.6	0.6	0.5	0.4	0.5	0.4

Source: Company, ICICI Direct Research

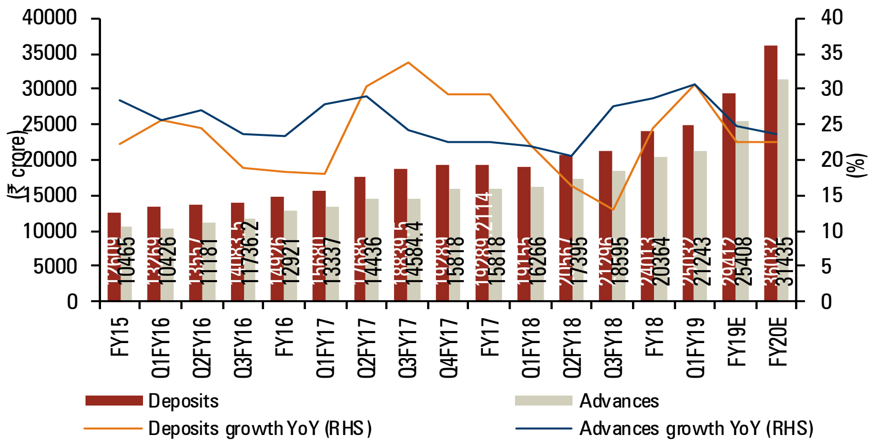
We factor in 24.2% credit CAGR to ₹ 31435 crore in FY18-20E

Company Analysis

In steady growth phase – credit book to almost double in three to four years…

DCB has increased its credit book by more than 4x from ₹ 4271.4 crore in FY11 to ₹ 20337 crore in FY18 implying 25% CAGR. This growth can mainly be attributed to the mortgage segment that contributed 40% (₹ 8135 crore) of credit portfolio as on FY18. Going ahead, we expect DCB to further double its balance sheet in the next three or four years in sync with management guidance. We factor in 24.2% credit CAGR to ₹ 31435 crore in FY18-20E. We expect all segments including agri, corporate, SME & retail to contribute towards this credit growth with major focus on mortgage/SME segment and selective lending to high rated corporate loans.

Exhibit 1: Credit estimated to grow at 24.2% CAGR in FY18-20E



Source: Company, ICICI Direct Research

In Q1FY19, advances growth continued to remain above system growth at 30.6% YoY to ₹ 21243 crore. This was mainly led by corporate & SME segment, which increased 48% YoY & 42% YoY, respectively. The mortgage book has seen growth of 19% YoY to ₹ 8497 crore. In absolute terms, it increased by ₹ 363 crore QoQ. As per the management, 86% of mortgage accounts are from the self-employed segment. The corporate book, post de-growth seen in Q1FY18, has clinched its normal run rate of ~₹ 150-200 crore every quarter.

Exhibit 2: Majority of credit growth contributed by mortgage in FY14-FY18

(₹ crore)	FY15	Q2FY16	Q3FY16	FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Current Proportion (%)
Agriculture	1607.3	1632.1	1995.2	2196.6	2267.3	2454.2	2479.3	2847.2	2765.2	2957.2	3161.2	3660.7	3823.8	18.0
SME	1318.9	1345.9	1408.3	1550.6	1467.1	1588.0	1604.3	1898.1	1789.2	2087.4	2231.4	2440.4	2549.2	12.0
Corporate	2428.2	2196.6	1995.2	1938.2	2000.5	2309.8	2333.5	2530.8	2439.9	2957.2	3161.2	3457.3	3611.4	17.0
Retail banking ex Mortgage	652.2	1004.8	1056.3	1679.8	1733.8	1876.7	1750.1	1739.9	2114.5	2087.4	2231.4	2643.8	2761.6	13.0
Mortgage	4458.5	5001.5	5281.3	5556.2	5868.2	6207.6	6417.1	6801.6	7156.9	7305.9	7810.0	8134.8	8497.4	40.0
Total	10465.1	11180.9	11736.2	12921.4	13336.9	14436.2	14584.4	15817.6	16265.7	17395.0	18595.2	20337.0	21243.4	100.0

Source: Company quarterly presentation, ICICI Direct Research

DCB has a well-diversified book with strong retail (53%), corporate (17%), SME (12%) and agriculture (18%) as on FY18. Going ahead, all segments are expected to contribute to overall credit growth. Corporate lending traction, however, is expected to remain at the lower end among constituents.

The bank had suffered significant losses in FY09 and FY10 mainly on account of its high exposure to the unsecured loan category. Its loan book in FY08 was at ₹ 4068.8 crore of which 28.9% (₹ 1176 crore) was the unsecured portfolio. Of these unsecured portions, personal loans constituted ₹ 726 crore, which was the major stress area for the bank in terms of asset quality.

Over the years, the bank has reduced its risky credit portfolio and increased mortgage lending (secured). Mortgage loans of ₹ 8135 crore as of FY18, constitute 40% of the total credit. Besides, the bank has fully provided for its personal loan exposure.

Deposits franchise strong as retail deposits constitute ~75% of deposits

Deposit growth for DCB bank has been on a declining trend since FY16. However, deposits growth surged in Q2FY17 at 30.4% YoY to ₹ 17685 crore, led by higher growth in bulk deposit. This growth trajectory continued further in Q3FY17, led by demonetisation, with the deposit base at ₹ 18840 crore, up 33.8% YoY. CASA ratio, which was on a declining trend, reversed and saw a surge from Q3FY17 onwards with heavy inflow of low cost deposit. Hence, CASA ratio increased to ~27% in Q1FY18 vs. 21.9% in Q2FY17. In Q1FY19, deposit growth was strong at 30.7% YoY (highest in the last five quarters) to ₹ 25032 crore mainly led by term deposits. CASA ratio increased 30 bps QoQ to ~24.6%.

Exhibit 3: Deposit franchise strong with retail deposits constituting ~75% of total deposits

	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Total deposits	5610.2	6335.6	8363.8	10325.2	12608.7	14926.0	19289.2	24013.3	29411.7	36031.9
Current account	885.8	839.2	899.2	959.1	1045.9	1177.1	1534.7	1918.4	2263.7	2671.1
Saving deposits	1089.6	1195.4	1372.4	1622.2	1903.9	2312.7	3154.5	4100.8	5064.5	6254.7
SA ratio	19.4	18.9	16.4	15.7	15.1	15.5	16.4	17.1	17.2	17.4
CASA ratio	35.2	32.1	27.2	25.0	23.4	23.4	24.3	25.1	24.9	24.8
Term deposits	3634.7	4300.9	6092.2	7743.9	9658.9	11436.1	14600.0	17994.1	22083.5	27106.0
Retail deposits (RD)	4553.8	5348.5	6472.8	7944.2	10339.2	11940.8	15431.4	17769.8	23529.4	28825.5
RD proportion	81.2	84.4	77.4	76.9	82.0	80.0	80.0	74.0	80.0	80.0

Source: Company quarterly presentation, ICICI Direct Research

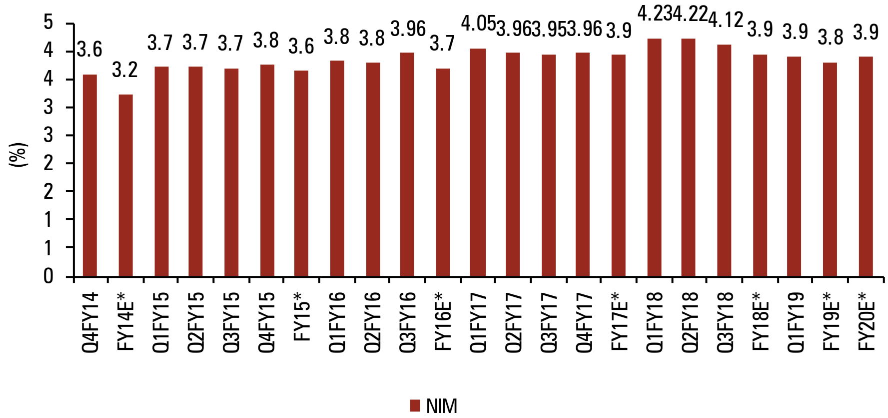
DCB has a healthy liability franchise as its dependence on bulk deposit is limited. About 75% of deposits consist of retail deposits, which are steady by nature and less subject to interest rate volatility.

With aggressive branch expansion in the recent past and focus on garnering higher liabilities base, deposit growth is seen staying healthy in the long term. We expect retail deposits proportion to be maintained at its current level of ~75% in the total deposit mix. We expect total deposits to grow at 22.5% CAGR in FY18-20E to ₹ 36032 crore. In the deposit mix, we expect CASA growth to stay resilient.

Core fee income grew ~15 % YoY to ₹ 59.9 crore in Q1FY19

Margin to stay steady; management guides at ~3.75 to 3.8% levels

Exhibit 4: Steady margin seen ahead

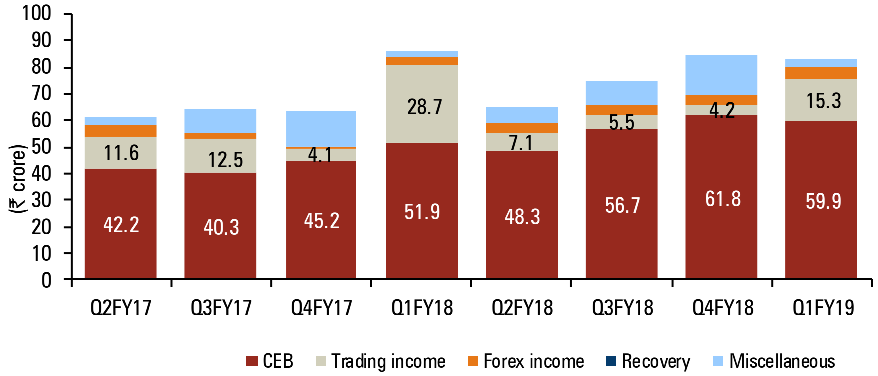


Source: Company quarterly presentation, ICICI Direct Research ** calculated*

Going ahead, the outlook for NIM remains neutral in the medium-term owing to rising competition and loans getting converted to the MCLR regime, which would keep margins under pressure. However, stability in proportion of low cost deposit and focus on high yield retail loans will provide support to margins. Overall, the management expects NIM to stabilise at ~3.75-3.8%.

Growth in core fee income in mid teens; treasury includes one-off

Exhibit 5: CEB income contributes major chunk of other income, which is steady by nature

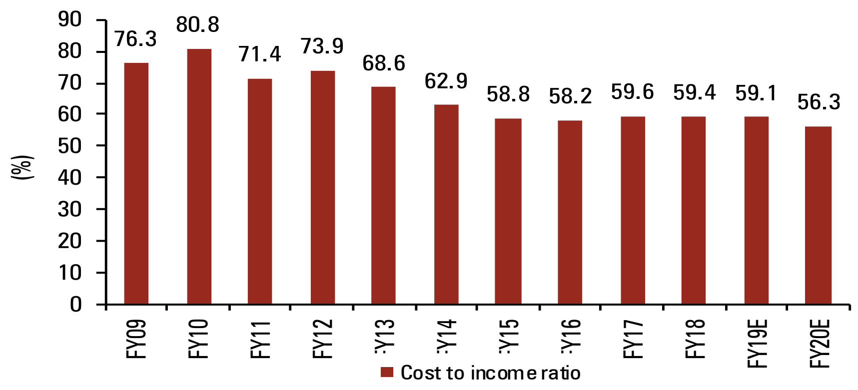


Source: Company quarterly presentation, ICICI Direct Research

Fee income contributes more than 60% of total other income, which is steady in nature. However, volatility in treasury gains has kept overall other income uneven in previous quarters. Decline in G-sec yields and HTM portfolio led to healthy treasury gains in Q1FY18. However, post that non-interest income trajectory remained muted for the next three quarters owing to weak treasury gains. In Q4FY18, core fee income growth remained robust at 39% YoY to ₹ 62.9 crore, supporting overall fee income performance. In Q1FY19, the other income declined 3.4% on a YoY basis to ₹ 82.8 crore due to weak fee income. Within treasury income there were one-off gains of ~₹ 10.2 crore on sale of HTM securities transferred to AFS/HFT. Going ahead, we expect healthy traction in core income to continue from retail segment led by cross-selling financial products and forex income, especially in the wake of higher branch expansion. We expect overall non-interest income to grow at ~16% CAGR in FY18-20E to ₹ 417 crore.

Cost to income ratio to witness improvement from current elevated levels

Exhibit 6: Cost to income ratio to improve over FY18-20E



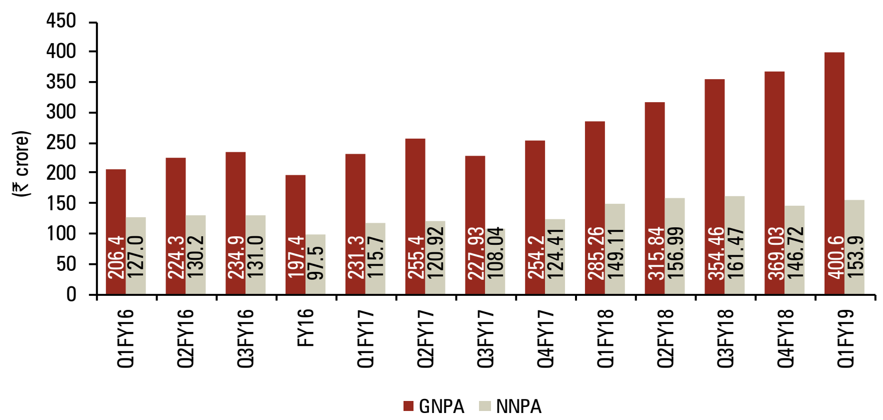
Source: Company, ICICI Direct Research

In spite of branch expansion expense, CI ratio was kept under the 60% mark in the previous couple of quarters. Two years back, the management revised its strategy from 25-30 branch addition every year to doubling its branch network over the next 24 months from Q2FY16, taking the total branch count to more than 300 by December 2017. This milestone has been achieved with 323 branches as on Q1Y19. Going ahead, the bank expects to add only 10-12 branches per year. It has guided to exit FY19E with CIR of ~55%. We factor in CIR of 59% by FY19E and 56.3% for FY20E.

Asset quality witnesses pressure in Q1FY19 but remains manageable

During Q1FY19, slippages came in higher than expected at ₹ 107 crore compared to the earlier trajectory of ~₹ 80 crore. Higher recoveries helped contain the closing GNPA to ~₹ 401 crore (an increase of ₹ 31.6 crore QoQ) with GNPA ratio increasing 7 bps QoQ at 1.86%. NNPA ratio was flat QoQ at 0.72%. PCR remained healthy as on Q1FY19 at 76.1%. Overall asset quality is seen remaining manageable, going ahead.

Exhibit 7: GNPA to remain below 2% in FY18-20E



Source: Company, ICICI Direct Research

Going ahead, we expect the GNPA ratio at 1.5% while the NNPA ratio is estimated at ~0.6% by FY20E. The PCR of >70%, floating provision of ₹ 48 crore and a manageable restructured book provide comfort.

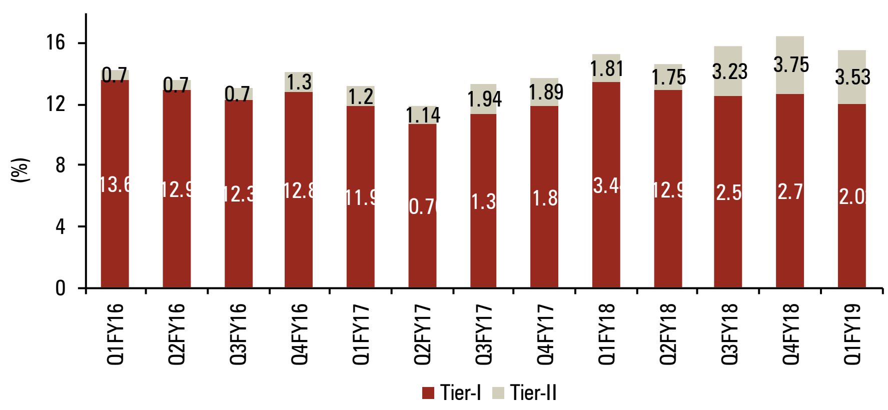
Exhibit 8: Sectoral break-up of gross NPA

	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Personal Loan	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CV/CE	11.1	13.4	17.6	20.0	21.5	29.4	28.3	29.9	31.9
Corporate	86.1	86.1	65.2	85.9	67.5	67.5	84.0	84.0	90.2
SME & MSME	27.9	36.7	36.8	32.4	31.6	32.8	37.3	30.7	33.9
Mortgages	62.6	74.3	66.9	71.7	100.2	116.4	126.9	139.2	148.0
Others	43.6	44.9	41.4	44.2	64.5	69.7	78.0	85.2	96.6
Total GNPA	231.3	255.4	227.9	254.2	285.3	315.8	354.5	369.0	400.6
Total NNPA	115.7	120.9	108.0	124.4	149.1	157.0	161.5	146.7	153.9

Source: Company quarterly presentation, ICICI Direct Research

Strong capital adequacy ratio provides comfort

Exhibit 9: Adequately capitalised for growth



Source: Company quarterly presentation, ICICI Direct Research

In Q3FY17, capital adequacy increased ~143 bps QoQ at 13.33%, led by accumulation in both Tier I and II capital. The bank has undertaken a revaluation of its properties, which added ~₹ 258.9 crore of capital, while it also raised ₹ 150 crore of Tier II capital bonds in Q3FY17. In Q1FY18, the bank raised ₹ 378.8 crore through QIP, which led to an increase in capital adequacy. Current CAR and Tier 1 ratio of 15.55% and 12.02% provide comfort with regard to future growth visibility.

Exhibit 10: Return ratios estimated to improve from current levels

(%)	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Net interest income/ avg. total assets	2.8	2.8	2.9	3.0	3.5	3.5	3.7	3.7	3.5	3.6
Non-interest income/ avg. total assets	1.7	1.3	1.2	1.1	1.1	1.3	1.2	1.2	1.1	1.1
Net total income/ avg. total assets	4.5	4.1	4.0	4.2	4.6	4.8	4.9	4.8	4.6	4.7
Operating expenses/ avg. total assets	3.2	3.0	2.8	2.6	2.7	2.8	2.9	2.9	2.7	2.6
Operating profit/ avg. total assets	1.3	1.1	1.3	1.6	1.9	2.0	2.0	2.0	1.9	2.0
Provisions/ Avg. total assets	0.8	0.4	0.2	0.3	0.5	0.5	0.5	0.5	0.4	0.4
Return on avg. total assets	0.3	0.7	1.0	1.3	1.3	1.1	0.9	0.9	1.0	1.1
Leverage -Avg. total assets/ average equity (x)	12.2	11.7	11.4	11.8	11.0	10.8	11.7	11.9	12.1	12.8
Return on equity	3.9	8.4	11.7	14.8	14.6	12.0	11.1	10.9	11.7	14.0

Source: Company, ICICI Direct Research

Outlook and valuation

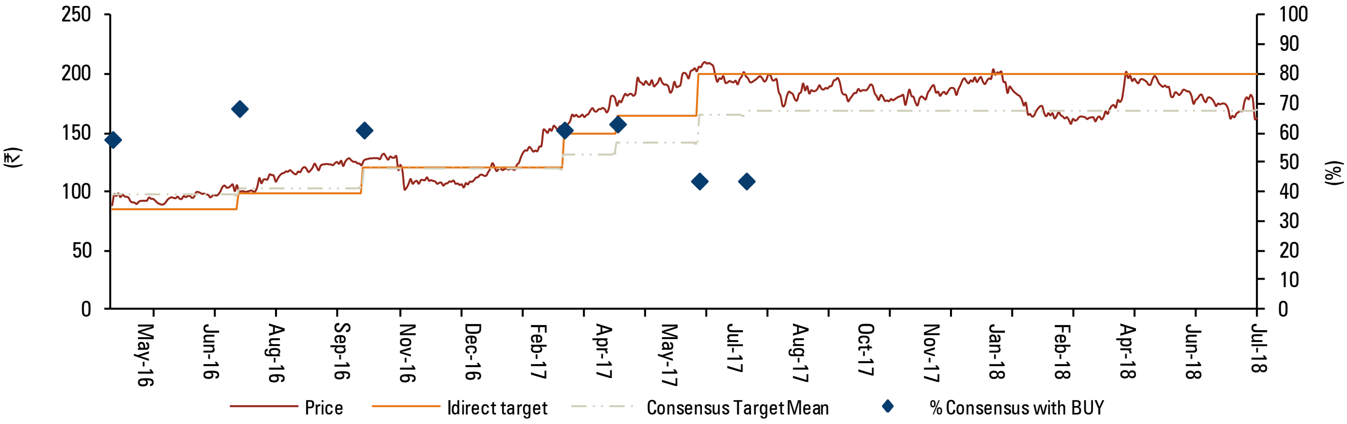
DCB Bank reported a healthy performance in terms of growth & asset quality in past few quarters. However, in Q1FY19, margins & asset quality witnessed pressure. Thus, the performance of these two major parameters would need to tracked closely ahead. Further, positive results from the aggressive branch expansion in the last two years (from 198 to 323 now) in terms of a decline in cost-to-income ratio from current ~60% levels would need to be seen ahead. We revise our target price lower to ₹ 170 (₹ 215 earlier), valuing DCB Bank at 1.7x FY20E ABV. We have a **HOLD** recommendation (vs Buy) on the stock.

Exhibit 11: Valuation

	NII (₹ cr)	Growth (%)	PAT (₹ cr)	Growth (%)	PE (x)	ABV (₹)	P/ABV (x)	RoA (%)	RoE (%)
FY17	797.1	28.7	199.7	2.8	23.3	63.9	2.5	0.9	11.1
FY18E	994.4	24.8	242.9	21.7	20.7	79.1	2.1	0.9	10.9
FY19E	1,165.3	17.2	316.2	30.2	15.9	88.5	1.8	1.0	11.7
FY20E	1,442.8	23.8	430.3	36.1	11.7	102.0	1.6	1.1	14.0

Source: Company, ICICI Direct Research

Recommendation history vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research

Key events

Date	Event
FY06	Launches new products, namely free style saving account, value savings and M-power current accounts during the year
FY07	Launches products like DCB Privilege Banking, DCB Trio account-a combination of a zero balance savings account, term deposit and accident insurance
FY08	Forms strategic alliance with HDFC Ltd for marketing their home loan products
Mar-08	Launches credit card business called 'DCB advantage fund'
Apr-08	Troubled period for DCB started as it posts loss in Q4FY08 and largely remains a loss making bank till Q1FY11. Unsecured portfolio had hurt severely
May-09	Murali Natrajan appointed CEO
Nov-09	Raises capital of ₹ 81 crore at ₹ 34.14 per share through QIP
Feb-11	Wolfensohn & Co. completes acquisition of minority stake of ₹ 2 crore at ₹ 42 per share
Mar-12	Raises capital of ₹ 94 crore at price of ₹ 47.84 per share through QIP
Mar-13	Stock remains flattish during FY09-13 despite DCB turning from a loss-making bank to one recording PAT of ₹ 150 crore. One reason is the de-rating of small sized
Oct-14	Raises capital of ₹ 250 crore at price of ₹ 82 per share through QIP
Oct-15	Management announces plan to double branches to 300+ in 24 months
Apr-17	Raises capital of ₹ 378.8 crore at price of ₹ 174 per share through QIP

Source: Company, ICICI Direct Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Aga Khan Development Network	31-03-2018	14.17%	43.75M	0
2	Tano Mauritius India FVCI II	31-03-2018	3.45%	10.64M	0
3	Matthews International Capital Management, L.L.C.	31-12-2016	3.35%	10.34M	+5.17M
4	Aditya Birla Sun Life AMC Limited	31-03-2018	3.02%	9.33M	+0.76M
5	Sundaram Asset Management Company Limited	31-05-2018	2.90%	8.96M	+4.46M
6	Prazim Trading & Investment Co. Pvt. Ltd.	31-03-2018	2.89%	8.94M	0
7	DSP BlackRock Investment Managers Pvt. Ltd.	31-05-2018	2.63%	8.12M	-0.02M
8	Dimensional Fund Advisors, L.P.	31-05-2018	2.23%	6.88M	+0.03M
9	Steinberg Asset Management, LLC	31-03-2018	1.63%	5.02M	+0.82M
10	Apax Global Alpha, Ltd.	31-03-2018	1.51%	4.67M	0

Source: Reuters, ICICI Direct Research

Shareholding Pattern

(in %)	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Promoter	16.2	15.0	15.0	15.0	15.0
FII	23.6	22.5	21.4	21.3	22.1
DII	17.1	20.5	22.8	24.3	26.1
Others	43.2	41.9	40.7	39.4	36.8

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Sundaram Asset Management Company Limited	+12.26M	+4.46M	Reliance Nippon Life Asset Management Limited	-3.32M	-1.34M
ICICI Venture Funds Management Co. Ltd.	+8.57M	+3.46M	Motilal Oswal Asset Management Company Ltd.	-0.69M	-0.25M
Mirae Asset Global Investments (India) Pvt. Ltd.	+3.35M	+1.35M	Franklin Templeton Asset Management (India) Pvt. Ltd.	-0.34M	-0.12M
Mirae Asset Global Investments Co., Ltd.	+2.72M	+0.89M	Canara Robeco Asset Management Company Ltd.	-0.31M	-0.12M
Steinberg Asset Management, LLC	+2.03M	+0.82M	IDBI Asset Management Limited	-0.30M	-0.10M

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement				₹ Crore
(Year-end March)	FY17	FY18	FY19E	FY20E
Interest Earned	2,076.1	2,524.5	3,091.3	3,757.9
Interest Expended	1,279.1	1,530.1	1,926.0	2,315.1
Net Interest Income	797.1	994.4	1,165.3	1,442.8
growth (%)	28.7	24.8	17.2	23.8
Non Interest Income	249.5	310.5	358.1	416.8
Net Income	1,046.5	1,304.9	1,523.5	1,859.6
Staff cost	308.0	379.8	422.8	477.9
Other Operating expense	320.3	399.5	482.8	574.2
Operating profit	418.2	525.5	617.9	807.5
Provisions	111.5	137.5	141.0	158.5
Taxes	107.0	145.1	160.7	218.7
Net Profit	199.7	242.9	316.2	430.3
growth (%)	2.8	21.7	30.2	36.1
EPS (₹)	7.0	7.9	10.2	13.9

Source: Company, ICICI Direct Research

Key ratios				
(Year-end March)	FY17	FY18	FY19E	FY20E
Valuation				
No. of Equity Shares	28.5	30.9	30.9	30.9
EPS (₹)	7.0	7.9	10.2	13.9
BV (₹)	68.2	83.8	94.1	108.0
ABV (₹)	63.9	79.1	88.5	102.0
P/E (x)	23.3	20.7	15.9	11.7
P/BV (x)	2.4	1.9	1.7	1.5
P/ABV (x)	2.5	2.1	1.8	1.6
Yields & Margins (%)				
Net Interest Margins	3.9	3.9	3.8	3.9
Yield on assets	10.2	10.0	10.1	10.2
Avg. cost on funds	7.0	6.6	6.7	6.6
Yield on average advances	11.5	11.5	11.5	11.4
Avg. Cost of Deposits	6.9	6.6	6.7	6.6
Quality and Efficiency (%)				
Credit/Deposit ratio	82.0	84.8	86.4	87.2
GNPA	1.6	1.8	1.6	1.5
NNPA	0.8	0.7	0.7	0.6
Cost to income ratio	59.6	59.4	59.1	56.3
RoE	11.1	10.9	11.7	14.0
ROA	0.9	0.9	1.0	1.1

Source: Company, ICICI Direct Research

Balance sheet				₹ Crore
(Year-end March)	FY17	FY18	FY19E	FY20E
Sources of Funds				
Capital	285.4	308.9	308.9	308.9
Reserves and Surplus	1,917.9	2,537.3	2,853.5	3,283.8
Networth	2,203.3	2,846.2	3,162.4	3,592.7
Deposits	19,289.2	24,013.3	29,411.7	36,031.9
Borrowings	1,275.8	1,919.6	2,173.0	2,460.8
Other Liabilities & Provisions	1,276.5	1,340.3	1,407.3	1,477.7
Total	24,046.4	30,120.9	36,155.9	43,564.5
Applications of Funds				
Fixed Assets	488.6	597.0	778.5	992.1
Investments	5,817.9	6,218.1	6,786.4	7,578.0
Advances	15,817.6	20,363.8	25,407.8	31,434.8
Other Assets	729.8	1,578.1	1,620.1	1,764.9
Cash with RBI & call money	1,192.5	1,363.9	1,563.1	1,794.6
Total	24,046.4	30,120.9	36,155.9	43,564.5

Source: Company, ICICI Direct Research

Growth ratios				(%)
(Year-end March)	FY17	FY18	FY19E	FY20E
Total assets	25.8	25.3	20.0	20.5
Advances	22.4	28.7	24.8	23.7
Deposit	29.2	24.5	22.5	22.5
Total Income	21.3	21.8	21.6	21.0
Net interest income	28.7	24.8	17.2	23.8
Operating expenses	28.0	24.0	16.2	16.2
Operating profit	19.8	25.7	17.6	30.7
Net profit	2.8	21.7	30.2	36.1
Net worth	11.9	33.0	12.2	14.8
EPS	2.5	12.4	30.2	36.1

Source: Company, ICICI Direct Research

ICICI Direct Research coverage universe (Banking)

	CMP			M Cap	EPS (₹)			P/E (x)			P/ABV (x)			RoA (%)			RoE (%)		
Sector / Company	(₹)	TP(₹)	Rating	(₹ Cr)	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Bank of Baroda (BANBAR)	115	185	Buy	30,410	67	78	94	1.7	1.5	1.2	0.3	0.2	0.2	1.8	1.8	1.9	18.1	17.1	16.6
State Bank of India (STABAN)	253	340	Buy	225,480	-7	26	17	-34.4	9.7	14.6	2.1	1.2	1.6	-0.2	0.7	0.4	-3.0	9.7	6.5
Axis Bank (AXIBAN)	524	600	Buy	134,599	1	21	38	488.1	24.5	13.8	2.9	2.7	2.3	0.0	0.7	1.1	0.0	0.7	1.1
City Union Bank (CITUNI)	167	200	Buy	12,241	9	9	11	18.8	18.7	15.2	3.1	2.9	2.2	1.6	1.6	1.7	15.6	15.1	15.0
DCB Bank (DCB)	163	170	Hold	5,023	8	10	14	20.7	15.9	11.7	2.1	1.8	1.6	0.9	1.0	1.1	10.9	11.7	14.0
Federal Bank (FEDBAN)	76	105	Buy	14,942	4	6	7	16.9	12.3	10.2	1.4	1.2	1.1	0.7	0.8	0.9	8.2	9.3	10.4
IndusInd Bank (INDBA)	1,907	2,150	Buy	114,476	60	81	106	31.7	23.4	18.0	5.0	4.2	3.5	1.8	2.0	2.1	16.2	18.8	20.6
Jammu & Kashmir Bk(JAMKAS)	46	75	Buy	2,559	4	9	12	12.6	5.2	3.9	0.8	0.7	0.7	0.2	0.5	0.6	3.4	7.8	9.6
Kotak Mahindra Bank (KOTMAH)	1,395	1,440	Buy	265,905	21	27	34	65.1	51.3	41.5	7.4	6.8	6.1	1.7	1.8	1.9	12.5	13.2	14.8
Yes Bank (YESBAN)	382	375	Hold	88,113	18	23	27	20.8	16.4	14.1	3.6	3.0	2.5	1.6	1.6	1.5	17.6	18.9	18.6
Bandhan Bank (BANBAN)	553	600	Buy	65,998	11	17	22	33.9	22.6	17.5	4.9	4.2	3.4	3.6	4.0	4.0	19.5	19.6	21.1

Source: Company, ICICI Direct Research

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Pankaj Pandey **Head – Research** **pankaj.pandey@icicisecurities.com**

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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