

Estimate change	↔
TP change	↔
Rating change	↔

Motilal Oswal values your support in the Asiamoney Brokers Poll 2022 for India Research, Sales, Corporate Access and Trading team. We [request your ballot](#).



Bloomberg	DCBB IN
Equity Shares (m)	311
M.Cap.(INRb)/(USDb)	27.7 / 0.3
52-Week Range (INR)	106 / 68
1, 6, 12 Rel. Per (%)	8/5/-24
12M Avg Val (INR M)	121

#### Financials & Valuations (INR b)

Y/E MARCH	FY22	FY23E	FY24E
NII	13.6	16.5	19.6
OP	8.0	9.8	11.9
NP	2.9	4.3	5.7
NIM (%)	3.5	3.8	3.9
EPS (INR)	9.2	13.7	18.2
EPS Gr. (%)	-14.5	48.2	32.9
BV/Sh. (INR)	126.2	138.4	154.6
ABV/Sh. (INR)	113.3	126.3	143.3

#### Ratios

RoE (%)	7.8	10.6	12.7
RoA (%)	0.7	0.9	1.0

#### Valuations

P/E (x)	9.6	6.5	4.9
P/BV (x)	0.7	0.6	0.6
P/ABV (x)	0.8	0.7	0.6

#### Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	14.9	14.9	14.9
DII	37.6	38.7	38.5
FII	12.5	8.8	12.2
Others	35.1	37.6	34.4

FII Includes depository receipts

**CMP: INR89**      **TP: INR90 (+1%)**      **Neutral**

### Weak operating performance; loan growth seeing a recovery

#### Restructured portfolio remains elevated ~6.1% of loans

- DCBB reported a weak operating performance, led by miss on both NII/PPOP, while PAT came in healthy at INR970m (up 188% YoY; 6% beat) on the back of lower provisions. NIM moderated sharply by 32bp QoQ to 3.61%. On the business front, advances/deposits grew by ~18%/15% YoY.
- Slippages increased sharply to INR5.7b (v/s INR3.8b in 4QFY22). However, healthy upgrades resulted in an improvement in GNPA/NNPA ratio. The outstanding restructured book remains elevated at INR18.2b (6.1% of loans). Collection efficiency remained steady within Home loans and LAP, but continued to be lower in the CV portfolio.
- We remain watchful of asset quality due to a higher restructuring book and estimate RoA/RoE at 1%/12.7% in FY24. **We maintain our Neutral rating.**

#### Lower provisions drive earnings; NIM contracts by 32bp QoQ

- PAT grew 188% YoY to INR970m in 1QFY23 (6% beat), supported by lower provisions (down 78%). NII grew by ~21% YoY, but fell 2% QoQ to INR3.7b, resulting in a 32bp QoQ contraction in margin to 3.61%.
- Other income declined by 24% YoY to INR924m, primarily weighed by lower treasury gains. Fee income grew strongly at 37% YoY to INR648m. OPEX grew by 32% YoY (12% miss) as the bank continues to hire employees and make investments in the business. PPOP declined by 18% YoY (24% miss).
- On the business front, the loan book grew 18% YoY and 2.5% QoQ supported by healthy disbursements across mortgages. The share of the Corporate book was stable at 10%. Deposits grew 15% YoY, led by a 51% growth in CASA deposits. The CASA mix grew 182bp QoQ to 28.6%.
- GNPA/NNPA ratio declined by 11bp/15bp QoQ to 4.21%/1.82%, even as slippages increased sharply to INR5.7b (~9% annualized). This was supported by healthy recoveries and upgrades of INR5.7b. PCR improved to 57.8% (~69% including TWO). The outstanding restructured book stands elevated at INR18.2b (6.1% of loans).
- Collection efficiency remained steady within Home loans and LAP, but continued to be lower in the CV portfolio. Collection efficiency (including the delinquent and restructured book) in Home/Business/CV loans stood at 98.4%/97%/88.6% in Jun'22.

#### Highlights from the management commentary

- Cost-to-income/cost-to-asset ratio is expected to moderate gradually to 55%/2.4% over the next four-to-five quarters.
- NIM is expected to stabilize in the 3.65-3.75% range.
- The management's focus is on doubling the Balance Sheet in three-to-four years. It aims to achieve a RoA/RoE of 1%/14% in four-to-five quarters.

**Nitin Aggarwal - Research Analyst** (Nitin.Aggarwal@MotilalOswal.com)

**Research Analyst: Yash Agarwal** (Yash.Agarwal@MotilalOswal.com) / **Vinayak Agarwal** (Vinayak.Agarwal@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

**Valuation and view**

DCBB reported a tepid operating performance as NII and margin witnessed a sequential decline, while lower provisions drove earnings. Business growth came in healthy, led by traction across segments, primarily mortgages, while deposit growth was healthy. There was a sharp increase in fresh slippages. However, healthy recoveries and upgrades resulted in an improvement in asset quality ratios. CE remains lower in the CV business. We remain watchful of asset quality due to a higher restructuring book and estimate a FY24 RoA/RoE of 1%/12.7%. **We maintain our Neutral rating with an unchanged TP of INR90 (0.6x FY24E P/ABV).**

**Quarterly performance**

	FY22				FY23E				FY22	FY23E	FY23E	(INR m) V/s our Est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
<b>Net Interest Income</b>	<b>3,087</b>	<b>3,233</b>	<b>3,450</b>	<b>3,805</b>	<b>3,740</b>	<b>4,018</b>	<b>4,199</b>	<b>4,510</b>	<b>13,575</b>	<b>16,467</b>	<b>3,853</b>	<b>-3.0</b>
% Change (Y-o-Y)	0.6	-3.2	3.1	22.3	21.1	24.3	21.7	18.5	5.5	21.3	24.8	
Other Income	1,212	977	1,183	1,148	924	1,174	1,356	1,609	4,520	5,063	1,007	-8.2
<b>Total Income</b>	<b>4,299</b>	<b>4,211</b>	<b>4,634</b>	<b>4,953</b>	<b>4,664</b>	<b>5,191</b>	<b>5,555</b>	<b>6,120</b>	<b>18,095</b>	<b>21,530</b>	<b>4,860</b>	<b>-4.0</b>
Operating Expenses	2,277	2,459	2,645	2,744	3,002	2,826	3,023	2,894	10,126	11,746	2,684	11.9
<b>Operating Profit</b>	<b>2,022</b>	<b>1,751</b>	<b>1,988</b>	<b>2,208</b>	<b>1,661</b>	<b>2,366</b>	<b>2,531</b>	<b>3,225</b>	<b>7,970</b>	<b>9,784</b>	<b>2,176</b>	<b>-23.7</b>
% Change (Y-o-Y)	5.8	-17.8	-28.8	9.8	-17.8	35.1	27.3	46.1	-10.0	22.8	7.6	
Provisions	1,565	863	970	676	350	986	1,030	1,674	4,074	4,041	946	-63.0
<b>Profit before Tax</b>	<b>457</b>	<b>888</b>	<b>1,019</b>	<b>1,532</b>	<b>1,311</b>	<b>1,380</b>	<b>1,501</b>	<b>1,551</b>	<b>3,895</b>	<b>5,743</b>	<b>1,230</b>	<b>6.6</b>
Tax	119	239	265	398	340	348	378	416	1,020	1,482	310	9.6
<b>Net Profit</b>	<b>338</b>	<b>649</b>	<b>754</b>	<b>1,134</b>	<b>971</b>	<b>1,032</b>	<b>1,123</b>	<b>1,135</b>	<b>2,875</b>	<b>4,261</b>	<b>920</b>	<b>5.6</b>
% Change (Y-o-Y)	-57.5	-21.1	-21.7	45.6	187.8	58.9	49.0	0.1	-14.4	48.2	172.6	
<b>Operating Parameters</b>												
Deposit (INR b)	306.0	317.7	322.3	346.9	350.8	363.9	376.1	395.5	346.9	395.5	354.2	-1.0
Loan (INR b)	252.9	268.5	276.6	291.0	298.1	306.2	317.1	334.6	291.0	334.6	297.5	0.2
Deposit Growth (%)	4.0	10.4	11.7	16.8	14.6	14.5	16.7	14.0	16.8	14.0	15.7	-1.1
Loan Growth (%)	0.9	7.9	9.3	13.0	17.9	14.1	14.7	15.0	13.0	15.0	16.7	1.2
<b>Asset Quality</b>												
Gross NPA (%)	4.9	4.7	4.8	4.3	4.2	4.1	4.0	3.8	4.3	3.8	4.2	0.0
Net NPA (%)	2.8	2.6	2.6	2.0	1.8	1.8	1.7	1.6	2.0	1.6	1.9	-0.1
PCR (%)	43.3	45.0	48.0	55.6	57.8	57.0	57.5	58.7	55.6	58.7	56.0	1.8

E: MOFSL estimates

## Quarterly snapshot

	FY21				FY22				FY23	Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
<b>Profit and Loss (INR m)</b>											
Net Interest Income	3,067	3,339	3,348	3,112	3,087	3,233	3,450	3,805	3,740	21	-2
Other Income	776	809	1,566	1,298	1,212	977	1,183	1,148	924	-24	-19
Total Income	3,843	4,148	4,914	4,410	4,299	4,211	4,634	4,953	4,664	8	-6
Operating Expenses	1,932	2,016	2,119	2,399	2,277	2,459	2,645	2,744	3,002	32	9
Employee	1,087	1,050	1,087	1,112	1,227	1,322	1,380	1,463	1,551	26	6
Others	845	966	1,033	1,287	1,049	1,138	1,266	1,282	1,451	38	13
Operating Profits	1,911	2,132	2,795	2,011	2,022	1,751	1,988	2,208	1,661	-18	-25
Core Operating Profits	1,531	1,839	2,054	1,998	1,484	1,647	1,825	2,205	1,661	12	-25
Provisions	837	1,015	1,498	971	1,565	863	970	676	350	-78	-48
PBT	1,075	1,117	1,296	1,040	457	888	1,019	1,532	1,311	187	-14
Taxes	281	294	334	261	119	239	265	398	340	186	-15
PAT	794	823	962	779	338	649	754	1,134	971	188	-14
<b>Balance Sheet (INR B)</b>											
Loans	251	249	253	257	253	269	277	291	298	18	2
Investments	77	75	81	84	91	86	86	91	99	9	10
Deposits	294	288	289	297	306	318	322	347	351	15	1
CASA Deposits	65	65	67	68	66	81	84	93	100	51	8
Borrowings	39	38	36	45	43	40	32	41	40	-7	-2
Total Assets	382	376	379	396	403	415	412	448	452	12	1
<b>Asset Quality</b>											
GNPA	6,218	5,737	5,023	10,834	12,688	12,849	13,398	12,899	12,885	2	0
NNPA	2,485	2,058	1,497	5,942	7,190	7,070	6,965	5,732	5,436	-24	-5
<b>Ratios (%)</b>											
	FY21				FY22				FY23	Change (bps)	
<b>Asset Quality</b>	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>4Q</b>	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>4Q</b>	<b>1Q</b>	<b>YoY</b>	<b>QoQ</b>
GNPA (%)	2.4	2.3	2.0	4.1	4.9	4.7	4.8	4.3	4.2	-66	-11
NNPA (%)	1.0	0.8	0.6	2.3	2.8	2.6	2.6	2.0	1.8	-100	-15
PCR (Calculated, %)	60.0	64.1	70.2	45.2	43.3	45.0	48.0	55.6	57.8	1,448	225
PCR (Reported, %)	75	79	84	62	59	60	62	68	69	1,006	164
<b>Business Ratios</b>											
Fees to Total Income	7.0	10.5	11.2	15.9	11.0	14.6	13.6	13.4	13.9	291	51
Cost to Core Income	57.9	53.4	54.4	62.9	64.0	63.9	64.8	61.4	68.4	446	701
Tax Rate	26.1	26.3	25.8	25.1	26.0	26.9	26.0	26.0	25.9	-14	-6
CASA	21.9	22.4	23.1	22.8	21.7	25.4	25.9	26.8	28.6	688	182
Loan/Deposit	85.1	86.5	87.7	86.6	82.6	84.5	85.8	83.9	85.0	234	112
<b>Profitability Ratios</b>											
RoA	0.8	0.9	1.0	0.8	0.3	0.6	0.7	1.1	0.9	52	-20
RoE	9.9	9.9	11.2	9.0	3.8	7.3	8.3	12.1	10.1	633	-200
Yield on loans	11.1	11.3	11.2	10.7	10.5	10.7	10.7	11.0	10.7	15	-35
Cost of funds	6.8	6.6	6.6	6.5	6.3	6.2	6.1	6.0	6.0	-34	-4
Margins	3.42	3.74	3.75	3.46	3.31	3.37	3.61	3.93	3.61	30	-32
<b>Others</b>											
Branches	341	344	347	352	354	356	367	400	405	51	5
ATM	505	480	471	410	402	344	353	349	373	-29	24



## Highlights from management commentary

### With respect to operating environment and business

- The bank is continuing to invest in the business by hiring people and adding branches. Bank will continue to invest in the business
- C/I ratio and Cost to asset ratio is expected to moderate gradually to 55% and 2.4% over the next 4-5 quarters
- The bank did not witness any treasury losses in 1QFY23
- The endeavor is to cross the CASA ratio of 30% ASAP
- NIMs are expected to remain stable in the range of 3.65-3.75%
- The bank remains focused on doubling the balance sheet in 3-4 years
- ECLGS sanctions stands at INR30b with disbursements at INR10b
- Overall, the target is to achieve RoA of 1% and RoE of 14% ROA in 4-5 quarters

### With respect to asset quality

- The bank continues to witness very strong trends in upgrades
- Slippages were high primarily led by Gold loans and AIB (KCC loans)
- Slippages in CV and Mortgages are almost close to Pre-Covid levels
- Slippages ex of Gold loans should come to Pre-Covid levels in another 2-3 quarters
- Credit cost in FY23 is likely to be lower than FY22. Aspiring to keep the credit cost in the range of 50-60bp in a steady state
- The bank aspired to bring down the GNPA/NNPA ratio to 2.5%/1.5%
- Operating profit to provisions to be maintained at 3-4x going ahead

#### Exhibit 1: Segment-wise GNPA: GNPA witnessed an increase in SMA and AIB segment while moderated in gold loan segment

	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	YoY (%)	QoQ (%)
CV/STVL	1,134	1,082	831	1,699	2,069	2,454	2,363	2,259	2,300	11.2%	1.8%
Corporate	515	418	418	496	836	834	1,016	1,014	1,010	20.8%	-0.4%
SME + MSME	725	531	474	1,184	1,509	1,367	1,198	1,380	1,490	-1.3%	8.0%
Mortgages	2,288	2,207	1,971	4,106	4,716	4,479	3,853	3,423	3,310	-29.8%	-3.3%
AIB	1,189	1,163	1,037	2,348	2,394	2,586	3,003	2,916	3,170	32.4%	8.7%
Gold loan	59	56	44	552	646	531	1,365	1,330	1,060	64.1%	-20.3%
Others	308	280	248	479	518	598	600	577	540	4.2%	-6.4%
<b>Total GNPA's</b>	<b>6,218</b>	<b>5,737</b>	<b>5,023</b>	<b>10,834</b>	<b>12,688</b>	<b>12,849</b>	<b>13,398</b>	<b>12,899</b>	<b>12,880</b>	<b>1.5%</b>	<b>-0.1%</b>

#### Exhibit 2: Collection efficiency remains healthy over 1QFY23

Collections Efficiency (%)	Mar'20	Jun'20	Sep'20	Dec'20	Mar'21	Jun'21	Sep'21	Dec'21	Jan'22	Feb'22	Mar'22	Jun'22
Business Loans (LAP)	90.6	58.8	87.5	89.8	95.2	89.0	95.8	94.8	95.7	95.2	96.7	97.0
Home loans	93.2	63.8	91.3	94.1	96.8	92.8	98.1	98.2	98.2	97.7	98.5	98.4
CV	81.3	37.4	77.1	80.4	86.0	74.5	80.8	84.6	84.2	82.0	85.2	88.6

Source: MOFSL, Company

#### Exhibit 3: Collection efficiency of Current (Bucket 0), including restructuring, remains healthy over 1QFY23

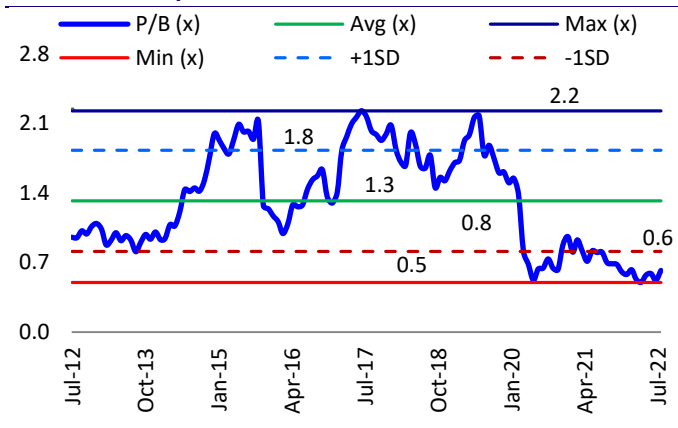
Collections Efficiency (%)	Mar'21	Apr'21	Jul'21	Aug'21	Sep'21	Oct'21	Nov'21	Dec'21	Jan'22	Feb'22	Mar'22	Jun'22
Business Loans (LAP)	97.0	94.3	97.3	97.1	97.2	96.8	96.7	96.0	97.2	96.9	97.7	98.3
Home loans	98.1	96.3	98.8	98.8	98.8	98.6	98.5	98.7	98.9	98.5	99.0	99.1
CV	90.0	82.5	85.0	82.7	84.6	82.2	83.3	85.2	84.8	83.0	85.1	93.8

Source: MOFSL, Company

### Valuation and view

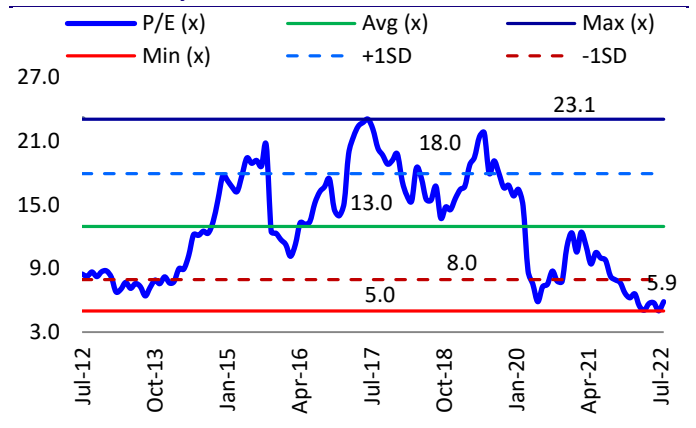
- Business growth is picking up well over the past few quarters, led by healthy traction across segments primarily mortgages. The management expects the traction to continue and thus, we expect an overall loan CAGR of 16% over FY22–FY24E.
- Asset quality ratios improved over 1QFY23 even as slippages stood elevated supported by healthy recoveries/upgrades. Slippages are primarily driven by the Gold Loans and AIB portfolio. Collection efficiency was stable over 1QFY23 and is likely to remain healthy going ahead. Although collection efficiency continues to improve, the restructuring book remains high at ~6.1% of loans, which would keep the asset quality under pressure. Thus, we estimate credit cost trends to remain elevated at 1.3%/1.2% over FY23E/FY24E and slippages to be ~2.5%/2.1% in FY23E/FY24E.
- **Maintain Neutral, with TP of INR90:** DCBB reported a tepid operating performance as NII and margins witnessed a sequential decline while lower provisions drove earnings. Business growth came in healthy, led by traction across segments primarily mortgages, while deposit growth too was healthy. Fresh slippages witnessed a sharp increase however healthy recoveries and upgrades resulted in an improvement in asset quality ratios. CE continues to remain lower in the CV business. We remain watchful of asset quality due to high restructuring book and estimate FY24E RoA/RoE at 1.0%/12.7%. **We maintain our Neutral rating with an unchanged TP of INR90 (0.6x FY24E P/ABV).**

Exhibit 4: One-year forward P/B



Source: MOFSL, Company

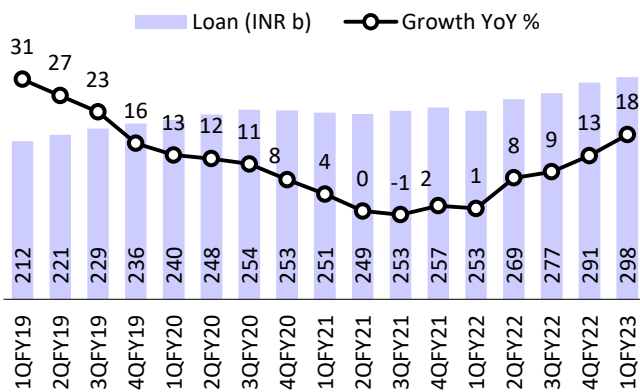
Exhibit 5: One-year forward P/E



Source: MOFSL, Company

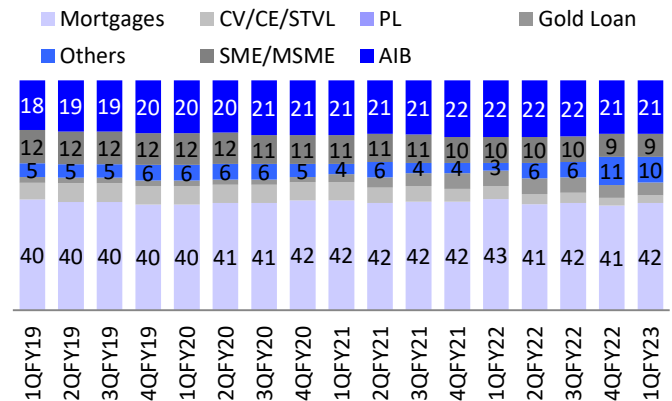
## Story in charts

**Exhibit 6: Loan book grew healthy at 18% YoY (+2.5% QoQ)**



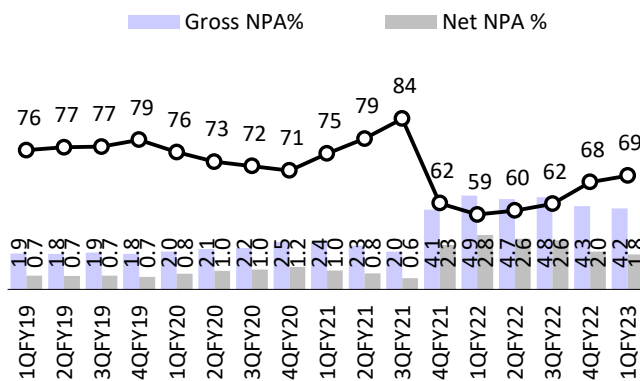
Source: MOFSL, Company

**Exhibit 7: Proportion of corporate advances at 10%**



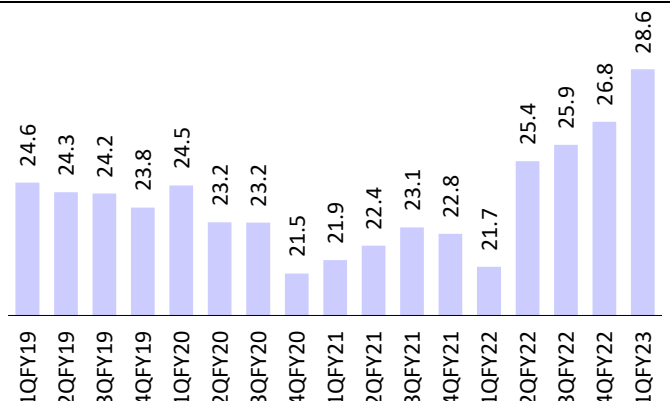
Source: MOFSL, Company

**Exhibit 8: Asset quality improves with GNPA/NNPA ratio declining by 11bp/15bp QoQ; PCR (incl. TWO) at ~69%**



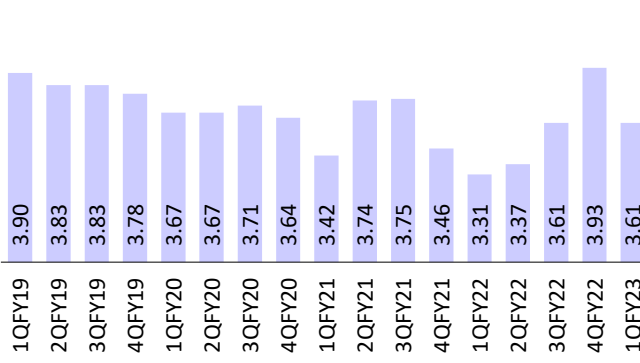
Source: MOFSL, Company

**Exhibit 9: CASA ratio increases to 28.6%**



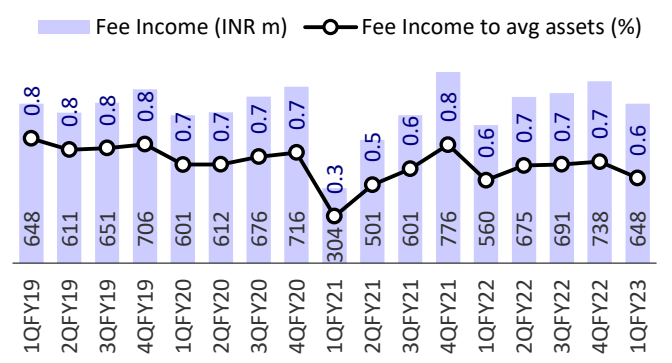
Source: MOFSL, Company

**Exhibit 10: Reported NIM contracts 32bp QoQ to 3.61%**



Source: MOFSL, Company

**Exhibit 11: Fee income to assets moderates to 0.6%**



Source: MOFSL, Company

**Exhibit 12: DuPont Analysis: Return ratios to improve gradually**

<b>DCB Bank</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>
Interest Income	8.89	9.21	9.52	8.86	8.32	8.61	8.83
Interest Expended	5.22	5.73	6.12	5.56	5.10	5.16	5.24
<b>Net interest Income</b>	<b>3.67</b>	<b>3.48</b>	<b>3.41</b>	<b>3.29</b>	<b>3.22</b>	<b>3.45</b>	<b>3.59</b>
Fee income	0.98	0.94	0.88	0.78	0.88	0.89	0.90
Trading and others	0.17	0.12	0.18	0.37	0.19	0.17	0.17
<b>Non-interest Income</b>	<b>1.14</b>	<b>1.06</b>	<b>1.05</b>	<b>1.14</b>	<b>1.07</b>	<b>1.06</b>	<b>1.07</b>
<b>Total Income</b>	<b>4.81</b>	<b>4.54</b>	<b>4.46</b>	<b>4.44</b>	<b>4.29</b>	<b>4.50</b>	<b>4.66</b>
<b>Operating expenses</b>	<b>2.88</b>	<b>2.58</b>	<b>2.43</b>	<b>2.17</b>	<b>2.40</b>	<b>2.46</b>	<b>2.48</b>
Employees	1.40	1.31	1.24	1.11	1.28	1.31	1.32
Others	1.47	1.27	1.20	1.06	1.12	1.15	1.17
<b>Operating profits</b>	<b>1.93</b>	<b>1.96</b>	<b>2.03</b>	<b>2.27</b>	<b>1.89</b>	<b>2.05</b>	<b>2.17</b>
<b>Core PPP</b>	<b>1.77</b>	<b>1.84</b>	<b>1.85</b>	<b>1.90</b>	<b>1.70</b>	<b>1.88</b>	<b>2.01</b>
<b>Provisions</b>	<b>0.51</b>	<b>0.42</b>	<b>0.70</b>	<b>1.11</b>	<b>0.96</b>	<b>0.85</b>	<b>0.78</b>
NPA	0.41	0.06	0.23	-0.07	0.09	0.82	0.74
Others	0.10	0.36	0.47	1.18	0.88	0.03	0.03
<b>PBT</b>	<b>1.42</b>	<b>1.53</b>	<b>1.32</b>	<b>1.16</b>	<b>0.92</b>	<b>1.20</b>	<b>1.40</b>
Tax	0.52	0.55	0.41	0.30	0.24	0.31	0.36
<b>ROAA (%)</b>	<b>0.90</b>	<b>0.99</b>	<b>0.91</b>	<b>0.86</b>	<b>0.68</b>	<b>0.89</b>	<b>1.04</b>
Leverage (x)	12.05	12.17	12.27	11.64	11.49	11.91	12.26
<b>ROAE (%)</b>	<b>10.89</b>	<b>11.99</b>	<b>11.16</b>	<b>10.01</b>	<b>7.82</b>	<b>10.62</b>	<b>12.72</b>

## Financials and valuations

Income Statement							INRm	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	
Interest Income	24,130	30,415	35,366	34,582	35,128	41,136	48,214	
Interest Expense	14,176	18,922	22,717	21,716	21,553	24,670	28,604	
<b>Net Interest Income</b>	<b>9,954</b>	<b>11,493</b>	<b>12,649</b>	<b>12,866</b>	<b>13,575</b>	<b>16,467</b>	<b>19,610</b>	
Growth (%)	24.9	15.5	10.1	1.7	5.5	21.3	19.1	
Non-Interest Income	3,103	3,502	3,911	4,458	4,520	5,063	5,822	
<b>Total Income</b>	<b>13,057</b>	<b>14,995</b>	<b>16,560</b>	<b>17,324</b>	<b>18,095</b>	<b>21,530</b>	<b>25,432</b>	
Growth (%)	24.8	14.8	10.4	4.6	4.5	19.0	18.1	
Operating Expenses	7,807	8,529	9,029	8,466	10,126	11,746	13,563	
<b>Pre Provision Profits</b>	<b>5,250</b>	<b>6,466</b>	<b>7,531</b>	<b>8,858</b>	<b>7,970</b>	<b>9,784</b>	<b>11,869</b>	
Growth (%)	25.5	23.2	16.5	17.6	-10.0	22.8	21.3	
<b>Core PPP</b>	<b>4,796</b>	<b>6,080</b>	<b>6,878</b>	<b>7,431</b>	<b>7,161</b>	<b>8,962</b>	<b>10,946</b>	
Growth (%)	32.1	26.8	13.1	8.0	-3.6	25.1	22.1	
Provisions (excl. tax)	1,388	1,401	2,611	4,330	4,074	4,041	4,237	
<b>PBT</b>	<b>3,862</b>	<b>5,065</b>	<b>4,919</b>	<b>4,528</b>	<b>3,895</b>	<b>5,743</b>	<b>7,633</b>	
Tax	1,409	1,812	1,540	1,170	1,020	1,482	1,969	
<b>PAT</b>	<b>2,453</b>	<b>3,254</b>	<b>3,379</b>	<b>3,358</b>	<b>2,875</b>	<b>4,261</b>	<b>5,663</b>	
Growth (%)	22.8	32.7	3.9	-0.6	-14.4	48.2	32.9	

Balance Sheet							
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	3,081	3,095	3,104	3,105	3,110	3,110	3,110
Reserves & Surplus	24,983	28,049	31,108	34,471	37,365	41,161	46,202
<b>Net Worth</b>	<b>28,064</b>	<b>31,144</b>	<b>34,212</b>	<b>37,576</b>	<b>40,475</b>	<b>44,271</b>	<b>49,312</b>
<b>Deposits</b>	<b>240,069</b>	<b>284,351</b>	<b>303,699</b>	<b>297,039</b>	<b>346,917</b>	<b>395,485</b>	<b>458,763</b>
Growth (%)	24.5	18.4	6.8	-2.2	16.8	14.0	16.0
<b>of which CASA Deposits</b>	<b>58,403</b>	<b>68,099</b>	<b>65,192</b>	<b>67,865</b>	<b>92,811</b>	<b>102,431</b>	<b>119,737</b>
Growth (%)	24.5	16.6	-4.3	4.1	36.8	10.4	16.9
Borrowings	19,267	27,232	34,080	44,823	40,818	44,450	49,644
<b>Total Liabilities</b>	<b>302,222</b>	<b>357,918</b>	<b>385,051</b>	<b>396,021</b>	<b>448,401</b>	<b>507,411</b>	<b>584,404</b>
Current Assets	23,720	27,934	35,459	30,393	40,908	44,433	47,790
<b>Investments</b>	<b>62,190</b>	<b>78,441</b>	<b>77,415</b>	<b>84,137</b>	<b>90,982</b>	<b>100,081</b>	<b>112,090</b>
<b>Loans</b>	<b>203,367</b>	<b>235,680</b>	<b>253,453</b>	<b>257,372</b>	<b>290,958</b>	<b>334,601</b>	<b>391,484</b>
Growth (%)	28.6	15.9	7.5	1.5	13.0	15.0	17.0
Fixed Assets	4,940	5,260	5,459	5,685	6,612	6,924	7,617
<b>Total Assets</b>	<b>302,222</b>	<b>357,918</b>	<b>385,051</b>	<b>396,021</b>	<b>448,401</b>	<b>507,411</b>	<b>584,404</b>

ASSET QUALITY							
GNPA (INR M)	3,690	4,395	6,315	10,834	12,899	12,979	13,464
NNPA (INR M)	1,467	1,538	2,935	5,942	5,732	5,364	5,033
GNPA Ratio	1.8	1.8	2.5	4.1	4.3	3.8	3.4
NNPA Ratio	0.7	0.7	1.2	2.3	2.0	1.6	1.3
Slippage Ratio	1.93	1.92	2.72	2.69	6.46	2.50	2.10
Credit Cost	0.77	0.64	1.07	1.70	1.49	1.29	1.17
PCR (Excl. Tech. write off)	60.1	65.0	53.4	43.9	53.5	58.7	62.6



## Financials and valuations

### Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Yield and Cost Ratios (%)</b>							
<b>Avg. Yield-Earning Assets</b>	<b>9.3</b>	<b>9.6</b>	<b>10.0</b>	<b>9.4</b>	<b>8.8</b>	<b>9.1</b>	<b>9.4</b>
Avg. Yield on loans	10.7	11.2	11.6	10.9	10.3	10.5	10.7
Avg. Yield on Investments	7.0	7.6	8.0	7.2	6.8	7.0	7.2
<b>Avg. Cost-Int. Bear. Liab.</b>	<b>6.1</b>	<b>6.6</b>	<b>7.0</b>	<b>6.4</b>	<b>5.9</b>	<b>6.0</b>	<b>6.0</b>
Avg. Cost of Deposits	6.0	6.5	6.9	6.3	5.9	5.9	5.9
<b>Interest Spread</b>	<b>3.2</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>2.9</b>	<b>3.2</b>	<b>3.3</b>
<b>Net Interest Margin</b>	<b>4.0</b>	<b>3.8</b>	<b>3.7</b>	<b>3.6</b>	<b>3.5</b>	<b>3.8</b>	<b>3.9</b>

### Profitability Ratios (%)

CAR	16.5	16.8	17.8	19.7	18.9	18.2	16.1
Tier I	12.7	13.1	13.9	15.5	15.8	15.5	13.8
Tier II	3.8	3.7	3.9	4.2	3.1	2.7	2.3

### Business & Efficiency Ratio (%)

Loans/Deposit Ratio	84.7	82.9	83.5	86.6	83.9	84.6	85.3
CASA Ratio	24.3	23.9	21.5	22.8	26.8	25.9	26.1
Cost/Assets	2.9	2.6	2.4	2.2	2.4	2.5	2.5
Cost/Income	59.8	56.9	54.5	48.9	56.0	54.6	53.3
Cost/ Core Income	61.9	58.4	56.8	53.3	58.6	56.7	55.3
Int. Expense/Int. Income	58.7	62.2	64.2	62.8	61.4	60.0	59.3
Fee Income/Net Income	20.3	20.8	19.7	17.5	20.5	19.7	19.3
Non Int. Inc./Net Income	23.8	23.4	23.6	25.7	25.0	23.5	22.9
Emp. Cost/Op. Exp.	48.8	50.9	50.8	51.2	53.2	53.2	53.0
Investment/Deposit Ratio	25.9	27.6	25.5	28.3	26.2	25.3	24.4

### Profitability and Valuations Ratios

RoE	10.9	12.0	11.2	10.0	7.8	10.6	12.7
RoA	0.9	1.0	0.9	0.9	0.7	0.9	1.0
RoRWA	1.2	1.5	1.4	1.4	1.2	1.5	1.8
Book Value (INR)	86.7	96.3	106.0	116.9	126.2	138.4	154.6
Price-BV (x)	1.0	0.9	0.8	0.8	0.7	0.6	0.6
Adjusted BV (INR)	83.3	92.8	99.4	103.5	113.3	126.3	143.3
Price-ABV (x)	1.1	1.0	0.9	0.9	0.8	0.7	0.6
EPS (INR)	8.0	10.5	10.9	10.8	9.2	13.7	18.2
Price-Earnings (x)	11.2	8.5	8.2	8.2	9.6	6.5	4.9

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

#### Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOFSL is a subsidiary company of Passionate Investment Management Pvt. Ltd.. (PIMPL). MOFSL is a listed public company, the details in respect of which are available on [www.motilaloswal.com](http://www.motilaloswal.com). MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://www.bseindia.com). Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

#### Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

#### For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

#### For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

#### For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co.Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore. As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

#### Specific Disclosures

- 1 MOFSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
- 2 MOFSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
- 3 MOFSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
- 4 MOFSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
- 5 Research Analyst has not served as director/officer/employee in the subject company
- 6 MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 7 MOFSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
- 9 MOFSL has not received any compensation or other benefits from third party in connection with the research report
- 10 MOFSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company
- received compensation/other benefits from the subject company in the past 12 months
- other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

#### Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

#### Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

#### Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 71934200/ 022-71934263; Website [www.motilaloswal.com](http://www.motilaloswal.com) CIN no.: L67190MH2005PLC153397. Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad(West), Mumbai- 400 064. Tel No: 022 7188 1000.

Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL)\*: INZ000158836(BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579;PMS:INP000006712. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP000000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance Products and IPOs. Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Investment in securities market is subject to market risk, read all the related documents carefully before investing. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: [na@motilaloswal.com](mailto:na@motilaloswal.com), Contact No.:022-71881085.

\* MOSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench.