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Rating Information	
Price (Rs)	187
Target Price (Rs)	210
Target Date	30 <sup>th</sup> Sep'18
Target Set On	17 <sup>th</sup> Jul'18
Implied yrs of growth (ERE)	20
Fair Value (ERE)	210
Fair Value (DDM)	NA
Ind Benchmark	BANKEX
Model Portfolio Position	187

Stock Information	
Market Cap (Rs mn)	57,402
Free Float (%)	85.0%
52 Wk H/L (Rs)	213/100
Avg Daily Volume (1yr)	2,326,152
Avg Daily Value (1yr)	357.6
Equity Cap (Rs Mn)	3,077
Face Value (Rs)	10
Bloomberg Code	DCBB IN

Ownership	Recent	3M	12M %
Promoters	15.0 %	-1.2 %	-1.2 %
DII	20.5 %	3.4 %	-2.2 %
FII	22.5 %	-1.0 %	7.5 %
Public	41.9 %	-1.3 %	-4.1 %

Price %	1M%	3M%	12M%
Absolute	-5.7 %	14.6 %	98.5 %
Vs Industry	-8.1 %	4.5 %	73.2 %
CUB	2.1 %	24.2 %	55.5 %
SIB	-3.4 %	26.7 %	43.1 %

#### Standalone Quarterly EPS forecast

Rs/Share	1Q	2Q	3Q	4Q
EPS (17P)	1.7	1.7	1.8	1.9
EPS (18E)	2.2	2.2	2.3	2.3

# DCB Bank

Management Meet Note:Est. (↔), Target (↔), Rating (↔) Regular Coverage

Focus remains on steady growth despite competitive pressures; retain ADD

We recently met the management of DCB Bank (DCB) and key takeaways are: (1) Despite intense competition, focus remains on maintaining healthy asset quality. (2) The bank intends to double its balance sheet in the next 3.5 years driven by growth in small-ticket loans. (3) Productivity improvement from newly-added branches would bring down the C/I ratio. (4) DCB is offering SA interest rates of 6.5% on daily balance above Rs 50mn to government departments. (5) Filings of the New York State Dept of Financial Services (DFS) to fine Habib Bank Limited have no implications on DCB. We have an ADD rating with an ERoE-based TP of Rs 210 set at a 2.5x Sep'18 ABV of Rs 86.

**Competitive pressures remain elevated:** Given increasing focus of FIs on small-ticket collateralized loans, competitive intensity remains high with higher leverage and/or lower rates being offered. For good customers, DCB is willing to reduce interest rates; the bank remains focused on maintaining asset quality, often leading to a run-down of loans if higher leverage is offered by competition. Balance transfer out of DCB's books is ~25%. DCB has tied up with a service provider to assist its borrowers for smooth transition towards GST compliance for a monthly fee.

**To double balance sheet in 3.5 years:** DCB aims to double its balance sheet in 3.5 years led by growth in small-ticket loans. Within mortgage, focus remains on the Rs 3.5mn-Rs 4mn ticket size with an avg. LTV of 60%. About 70% of mortgage loans are sourced via connectors in tier 1/2 cities. Also, 70% of the loan book is below Rs 30mn. In the agri/inclusive banking business, DCB is funding 300/350 tractors a month. It is one of the six banks registered for doing government business with Odisha, and offers SA interest rate of 6.5% on daily balance of >Rs 50mn to govt. departments.

**C/I ratio to improve as productivity of new branches increases:** Planned addition of ~150 branches ends in Sep'17, post which the pace of branch addition would moderate considerably and the C/I ratio would improve. Trend line growth has been maintained in third-party products as the focus remains on selling fixed income-linked investment products. DFS's observation against Pakistan's Habib Bank stems from persistent and serious deficiencies in compliances at its New York branch since 2006, when the bank agreed with the regulator to address the problem. Since DCB is not operationally connected to Habib Bank, this will not have any bearing on its operations.

**Valuation & view:** Given that 86% of DCB's mortgage borrowers are self-employed, it could see some increase in mortgage NPLs in 2QFY18 due to the GST impact. However, we believe eventually, loss given defaults would be contained. Moreover, DCB has floating provisions of ~Rs 440mn. We have an ADD rating with an ERoE-based TP of Rs 210 corresponding to a 2.5x Sep'18 ABV of Rs 86.

Absolute :ADD

Relative : EQUALWEIGHT

12.5% ATR in 14 months

#### Financials

	Revised Estimates		% Change	
	FY18E	FY19E	FY18E	FY19E
NII	10,119	12,492	0.0%	0.0%
Provisions	1,488	1,667	0.0%	0.0%
PAT	2,653	3,557	0.0%	0.0%
EPS (Rs.)	9.0	11.6	0.0%	0.0%
Advances	197,720	253,082	0.0%	0.0%
Deposits	237,257	298,944	0.0%	0.0%

#### Standalone Financials

Rs. Mn YE Mar	FY17A	FY18E	FY19E	FY20E
Interest Income	20,761	25,615	31,541	39,044
Interest Expense	12,791	15,496	19,049	23,518
Net Interest Inc.	7,971	10,119	12,492	15,526
Other Income	2,495	3,043	3,591	4,238
Operating Exp	6,283	7,602	8,957	10,445
Provisions	1,115	1,488	1,667	2,063
PAT	1,997	2,653	3,557	4,727
Loan and Advances	158,176	197,720	253,082	323,945
Deposits	192,892	237,257	298,944	379,659
Net Worth	22,049	28,498	31,685	35,949
NIM	3.9 %	4.0 %	4.0 %	4.0 %
Prov/Avg Loans	0.78 %	0.84 %	0.74 %	0.72 %
Rs Per Share	FY17A	FY18E	FY19E	FY20E
EPS	7.0	9.0	11.6	15.4
Adjusted EPS	7.0	9.0	11.6	15.4
Book Value	72.3	88.1	98.5	112.4
Adjusted BVPS	65.8	81.2	91.0	104.0
DPS	0.5	0.8	1.0	1.3
P/E (x)	26.6x	20.8x	16.1x	12.1x
Adj P/B (x)	2.8x	2.3x	2.1x	1.8x
ROE (%)	10.8%	11.7%	12.9%	15.1%
RoA (%)	0.9%	1.0%	1.1%	1.2%

Exhibit 1: Slippages remain elevated at ~2.1% in 1QFY18

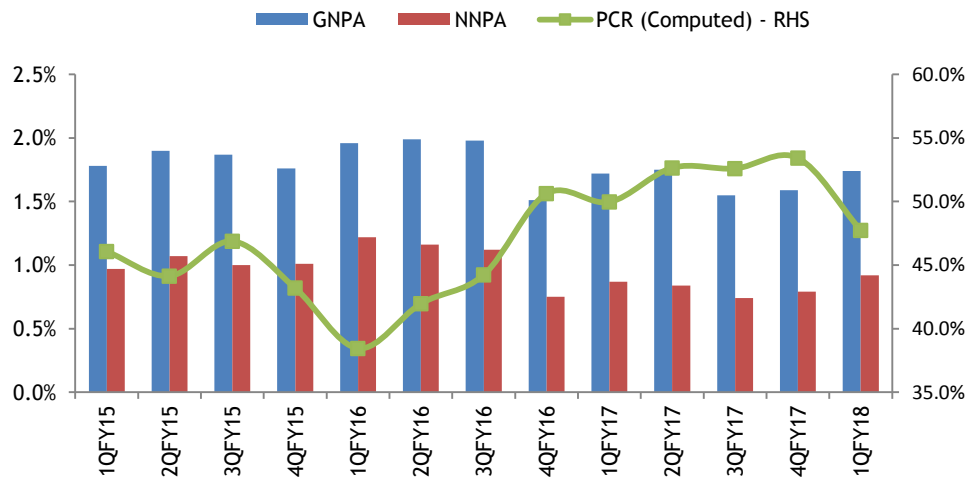
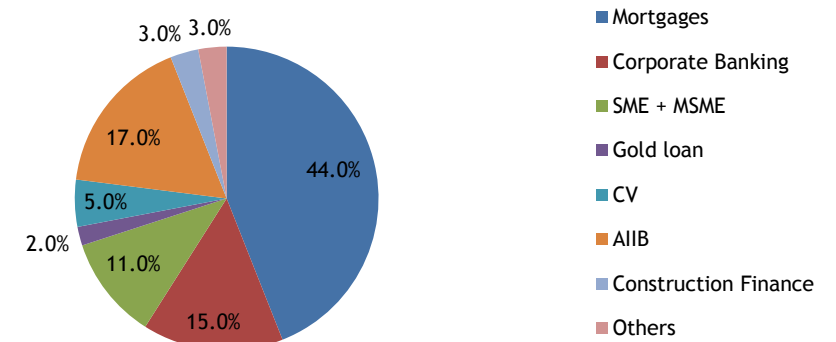
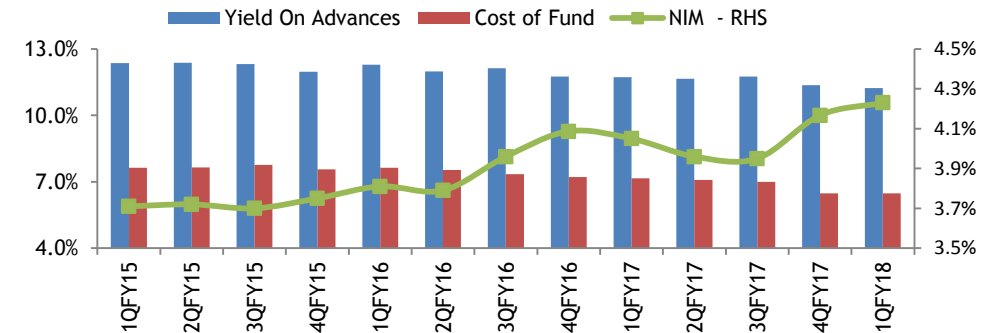


Exhibit 3: Share of mortgages at 44% has been maintained over the past 2 years



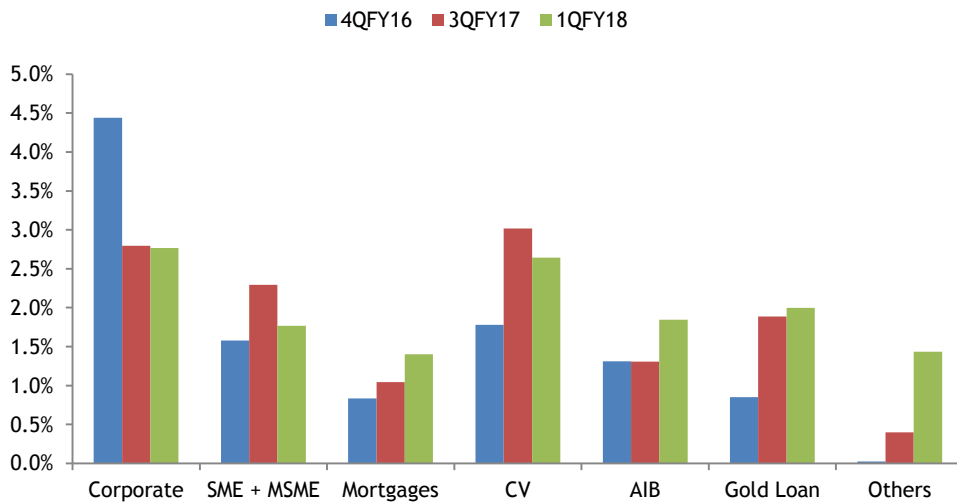
Source: Company, Equirus Securities

Exhibit 4: NIMs healthy at ~4.2% in 1QFY18



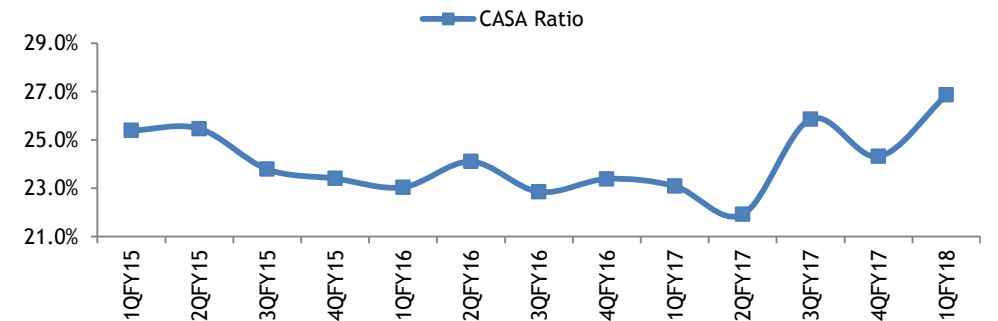
Source: Company, Equirus Securities

Exhibit 2: GNPL ratio in focus segments (SME/MSME, AiIB, mortgages) contained at <2%



Source: Company, Equirus Securities

Exhibit 5: CASA ratio has improved post demonetization to ~27%



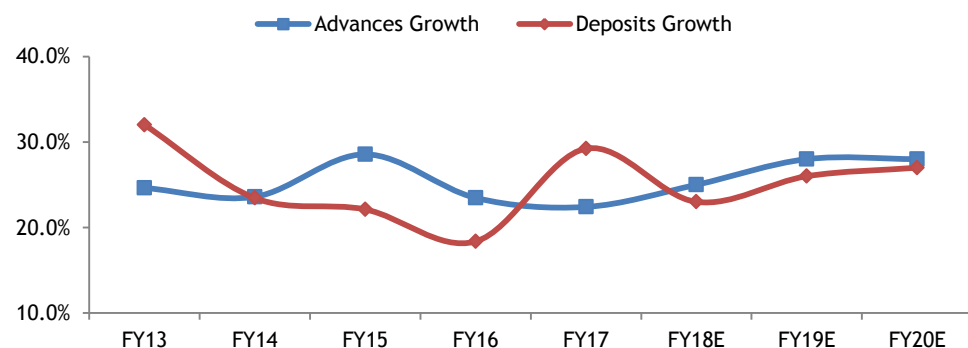
Source: Company, Equirus Securities



Exhibit 6: Slippage ratio has been above 2% in the past three quarters

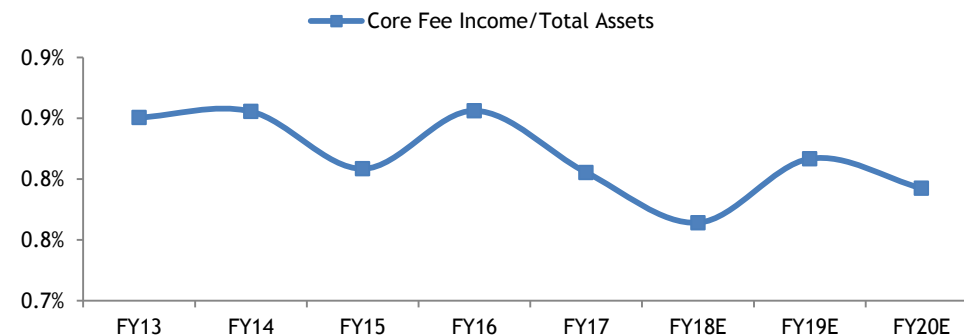
NPA Movement	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18
Opening Balance	1,385	1,492	1,688	1,792	1,861	2,064	2,243	2,349	1,974	2,313	2,554	2,279	2,542
Fresh Slippages	235	418	207	846	572	621	549	502	578	500	793	742	856
Addition to Existing NPAs	5	0	16	12	1	1	2	7	1	1	-	4	31
Deduction	133	222	119	789	370	443	445	884	240	260	1,068	483	576
Closing Balance	1,492	1,688	1,792	1,861	2,064	2,243	2,349	1,974	2,313	2,554	2,279	2,542	2,853
Slippage Ratio	1.2%	2.0%	1.0%	3.4%	2.2%	2.3%	1.9%	1.7%	1.8%	1.4%	2.2%	2.0%	2.2%

Exhibit 7: We expect loan growth to pick up in FY18E/FY19E as newly-added branches turn productive



Source: Company, Equirus Securities

Exhibit 8: We expect core fee income/total assets ratio to remain at ~0.8%



Source: Company, Equirus Securities



## Exhibit 9: ROE-ROA Tree Analysis

Particulars (Rs mn)	FY16A	FY17A	FY18E	FY19E	FY20E
Yield on Loans and Advances	11.6%	11.5%	11.4%	11.3%	11.2%
Yield on Investments	7.4%	7.8%	7.5%	7.5%	7.4%
Cost of Funds	7.2%	7.0%	6.8%	6.7%	6.6%
Net Interest Margin	3.7%	3.9%	4.0%	4.0%	4.0%
Advances (A)	129,214	158,176	197,720	253,082	323,945
Investments (B)	43,333	58,179	68,754	76,524	88,091
Cash In Hand & Balance with RBI (C)	7,034	8,583	10,042	12,565	15,855
Balances with Banks (D)	1,882	3,342	3,063	3,864	4,875
Interest Earning Assets (A+B+C+D)	181,463	228,280	279,580	346,034	432,766
Average Interest Earning Assets	166,463	204,871	253,930	312,807	389,400
NII/AvgInt Earning Assets	3.7%	3.9%	4.0%	4.0%	4.0%
Non IntInc/AvgInt Earning Assets	1.3%	1.2%	1.2%	1.1%	1.1%
Total Income/AvgInt Earning Assets	5.0%	5.1%	5.2%	5.1%	5.1%
Op. Costs/AvgInt Earning Assets	2.9%	3.1%	3.0%	2.9%	2.7%
PPI/AvgInt Earning Assets	2.1%	2.0%	2.2%	2.3%	2.4%
Provisions/AvgInt Earning Assets	0.5%	0.5%	0.6%	0.5%	0.5%
Taxes/AvgInt Earning Assets	0.4%	0.5%	0.6%	0.6%	0.6%
Return on AvgInt Earning Assets	1.2%	1.0%	1.0%	1.1%	1.2%
Extraordinary item	0.0%	0.0%	0.0%	0.0%	0.0%
Adj Return on AvgInt Earning Assets	1.2%	1.0%	1.0%	1.1%	1.2%
Productivity (AvgInt Earning Assets/Avg Total Assets)	94.4%	94.9%	95.1%	95.5%	96.0%
Return on Average Total Assets	1.1%	0.9%	1.0%	1.1%	1.2%
Leverage (Average Total Assets/Average Equity)	10.8	11.7	11.8	11.9	13.0
Return on Average Equity	11.9%	10.8%	11.7%	12.9%	15.1%

Source: Company, Equirus Securities

## Company snapshot

### How we differ from Consensus

		Equirus	Consensus	% Diff	Comment
EPS	FY18E	9.0	7.9	13 %	We are ahead of consensus as we build in higher NII
	FY19E	11.6	10.30	12 %	
NII + Other Inc	FY18E	13,162	12,587	5 %	
	FY19E	16,083	15,274	5 %	
PAT	FY18E	2,653	2,499	6 %	
	FY19E	3,557	3,319	7 %	

**Our key investment arguments:** (1) Core PPOP growth to remain healthy. (2) Loan growth to be above systemic trends at 26-27%. (3) C/I ratio to improve post completion of branch expansion plan in 2QFY18. (4) While there could be a marginal uptick in slippages, overall losses to be contained owing to good quality of underlying collaterals.

Key Assumptions	2016A	2017A	2018E	2019E	FY20E
Net Interest Income (Rsmn)	6,195	7,971	10,119	12,492	15,526
Net interest margin (%)	3.7%	3.9%	4.0%	4.0%	4.0%
Other Income (Rsmn)	2,205	2,495	3,043	3,591	4,238
Total Income (Rsmn)	8,400	10,465	13,162	16,083	19,763
Operating Expense (Rsmn)	4,909	6,283	7,602	8,957	10,445
Cost to Income Ratio (%)	58.4%	60.0%	57.8%	55.7%	52.8%
Credit Cost (%)	0.8%	0.8%	0.8%	0.7%	0.7%
PAT (Rsmn)	1,945	1,997	2,653	3,557	4,727
Advances Growth (%)	23.5%	22.4%	25.0%	28.0%	28.0%
Deposits Growth (%)	18.4%	29.2%	23.0%	26.0%	27.0%

**Key risks:** A substantial increase in slippages from the mortgage portfolio, overleveraging of borrowers, and heightened competitive intensity leading to pricing pressures and delay in productivity of new branches are key risks.

Comparable valuation		Mkt Cap (Rs Mn)	Price Target	Target Date	EPS			P/E			BPS			P/B			RoE			Div Yield	
Company	Reco.				CMP	FY17A	FY18E	FY19E	FY17A	FY18E	FY19E	FY17A	FY18E	FY17A	FY18E	FY19E	FY17A	FY18E	FY19E	FY17A	FY18E
DCB Bank	ADD	187	57,402	210	Sep '18	7.0	9.0	11.6	26.6	20.8	16.1	65.8	2.3	10.8%	11.7%	12.9%	0.3%	0.4%			
City Union Bank	ADD	160	106,085	171	Sep '18	8.4	9.5	10.4	20.2	17.8	16.3	52.6	3.0	15.2%	15.4%	15.1%	0.2%	0.2%			
South Indian Bank	LONG	29	52,688	35	Sep '18	2.5	2.7	3.3	11.4	10.6	8.6	25.5	1.0	9.0%	9.7%	10.9%	1.4%	2.0%			

Sensitivity to Key Variables	% Change	% Impact on EPS
Net Interest Income	10 %	22.7%
Provisioning Costs	10 %	-4.9%
Loans & Advances Growth	10 %	4.6%

### ERoE Valuations & Assumptions

Rf	Ke	Term. Growth	RoE in Terminal Yr
6.9 %	12.6 %	5.0 %	15.6 %

	FY18E	FY19-22E	FY23-27E	FY28-37E
PAT Growth	32.9 %	25.0 %	15.1 %	15.1 %
Dividend Payout	10.1 %	10.0 %	10.0 %	10.0 %
BV Growth	29.3%	14.6%	15.1%	15.1%
RoE	10.5 %	15.6 %	15.6 %	15.6 %
Years of strong growth	1	5	10	20
Valuation as on date (Rs)	52	115	140	198
Valuation as of Sep '18	55	112	148	210

Our TP of Rs 210 is based on ERoE valuation assuming 20 years of growth, implying 20 years of high growth with an average RoE of 15.1% and cost of equity of 12.6%.

### Company description:

DCB is a modern emerging new generation private sector bank. As on 31 Dec'16, it had a distribution network of 24 branches across 17 states and 2 UTs, and 496 ATMs. Its promoter - Aga Khan Fund for Economic Development (AKFED) - holds a 16.27% stake at present.

**Standalone quarterly earnings forecast and key drivers**

Rs in Mn	1Q17A	2Q17A	3Q17A	4Q17A	1Q18A	2Q18E	3Q18E	4Q18E	1Q19E	2Q19E	3Q19E	4Q19E	FY17A	FY18E	FY19E	FY20E
Interest Income	4,706	5,063	5,502	5,491	5,660	6,037	6,407	7,511	7,968	8,367	8,786	6,420	20,761	25,615	31,541	39,044
Interest Expense	2,936	3,160	3,407	3,288	3,329	3,595	3,775	4,798	5,086	5,391	5,552	3,020	12,791	15,496	19,049	23,518
Net Interest Income	1,770	1,903	2,095	2,203	2,332	2,442	2,632	2,713	2,882	2,976	3,234	3,399	7,971	10,119	12,492	15,526
Non Interest Income	601	616	641	636	858	751	707	728	806	851	851	1,084	2,495	3,043	3,591	4,238
Total Income	2,372	2,519	2,736	2,839	3,189	3,192	3,339	3,441	3,688	3,828	4,085	4,483	10,465	13,162	16,083	19,763
Operating and Other Expenses	1,444	1,511	1,643	1,685	1,825	1,852	1,908	2,016	2,097	2,181	2,290	2,390	6,283	7,602	8,957	10,445
Staff Cost	727	748	790	815	905	923	950	980	1,019	1,060	1,113	1,280	3,080	3,758	4,472	5,277
Other Operating Expenses	718	762	853	870	920	930	957	1,036	1,078	1,121	1,177	1,110	3,203	3,844	4,485	5,168
Pre-Provision Income	927	1,009	1,093	1,153	1,364	1,340	1,431	1,425	1,591	1,647	1,795	2,093	4,182	5,560	7,126	9,319
Provisions and Write-offs	205	265	305	339	355	356	400	377	358	343	362	604	1,115	1,488	1,667	2,063
PBT	722	744	787	814	1,009	984	1,031	1,048	1,233	1,304	1,433	1,489	3,067	4,072	5,459	7,256
TAX	252	259	274	286	357	343	359	360	430	454	499	519	1,070	1,419	1,902	2,529
Extraordinary	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PAT	470	485	513	529	652	641	672	688	803	850	934	970	1,997	2,653	3,557	4,727
EPS (Qtrly)	2	2	2	2	2	2	2	2	3	3	3	3	7	9	12	15
Key Drivers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
YoA	12.2 %	12.0 %	12.0 %	12.0 %	11.7 %	11.4 %	11.4 %	11.4 %	11.3 %	11.3 %	11.3 %	11.3 %	11.5 %	11.4 %	11.3 %	11.2 %
YoI	7.1 %	7.7 %	7.8 %	7.4 %	7.4 %	7.4 %	7.4 %	7.4 %	7.4 %	7.4 %	7.4 %	7.4 %	7.8 %	7.5 %	7.5 %	7.4 %
CoF	7.3 %	7.2 %	6.9 %	6.5 %	6.6 %	6.6 %	6.6 %	6.6 %	6.6 %	6.6 %	6.6 %	6.6 %	7.0 %	6.8 %	6.7 %	6.6 %
NIM	4.1 %	4.0 %	4.0 %	4.2 %	4.2 %	4.4 %	4.4 %	4.3 %	4.2 %	4.1 %	4.2 %	4.2 %	3.9 %	4.0 %	4.0 %	4.0 %
C/I Ratio	61 %	60 %	60 %	59 %	57 %	58 %	57 %	59 %	57 %	57 %	56 %	53 %	60 %	58 %	56 %	53 %
CD Ratio	85.1 %	81.6 %	77.4 %	82.0 %	84.9 %	84.9 %	84.9 %	83.3 %	84.1 %	84.9 %	84.9 %	84.7 %	82.0 %	83.3 %	84.7 %	85.3 %
Non-Interest Income/ Total Income	25.4 %	24.5 %	23.4 %	22.4 %	26.9 %	23.5 %	21.2 %	21.2 %	21.8 %	22.2 %	20.8 %	24.2 %	23.8 %	23.1 %	22.3 %	21.4 %
ROA	1.0 %	0.9 %	0.9 %	0.9 %	1.1 %	1.0 %	1.0 %	1.0 %	1.1 %	1.1 %	1.1 %	1.1 %	0.9 %	1.0 %	1.1 %	1.2 %
ROE	10.4 %	10.4 %	10.7 %	10.0 %	10.7 %	9.1 %	8.7 %	9.2 %	11.1 %	11.4 %	12.2 %	12.4 %	10.8 %	11.7 %	12.9 %	15.1 %
Sequential Growth (%)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NII	4.9 %	7.5 %	10.1 %	5.1 %	5.9 %	4.7 %	7.8 %	3.1 %	6.2 %	3.3 %	8.7 %	5.1 %	-	-	-	-
TI	15.7 %	-2.4 %	4.5 %	10.8 %	3.1 %	6.2 %	8.6 %	-0.9 %	4.0 %	4.9 %	6.2 %	5.0 %	-	-	-	-
PPI	-4.4 %	8.8 %	8.3 %	5.6 %	18.3 %	-1.8 %	6.8 %	-0.4 %	11.6 %	3.5 %	9.0 %	16.6 %	-	-	-	-
Provisions and Write-offs	-25 %	29 %	15 %	11 %	5 %	0 %	12 %	-6 %	-5 %	-4 %	6 %	67 %	-	-	-	-
PAT	-32 %	3 %	6 %	3 %	23 %	-2 %	5 %	2 %	17 %	6 %	10 %	4 %	-	-	-	-
EPS	-33 %	4 %	5 %	3 %	17 %	-2 %	5 %	2 %	13 %	6 %	10 %	4 %	-	-	-	-
Advances	3 %	8 %	1 %	8 %	3 %	6 %	6 %	8 %	7 %	6 %	5 %	7 %	-	-	-	-
Deposits	5 %	13 %	7 %	2 %	-1 %	6 %	6 %	10 %	6 %	5 %	5 %	8 %	-	-	-	-
Total Business	5 %	-1 %	7 %	6 %	6 %	6 %	6 %	6 %	5 %	6 %	6 %	8 %	-	-	-	-
Yearly Growth (%)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NII	26 %	27 %	31 %	31 %	32 %	28 %	26 %	23 %	24 %	22 %	23 %	25 %	29 %	27 %	23 %	24 %
TI	17 %	27 %	32 %	23 %	34 %	27 %	22 %	21 %	16 %	20 %	22 %	30 %	25 %	26 %	22 %	23 %
PPI	3 %	29 %	30 %	19 %	47 %	33 %	31 %	24 %	17 %	23 %	25 %	47 %	20 %	33 %	28 %	31 %
Provisions and Write-offs	14 %	22 %	46 %	25 %	73 %	34 %	31 %	11 %	1 %	-4 %	-9 %	60 %	27 %	33 %	12 %	24 %
PAT	0 %	31 %	25 %	-24 %	39 %	32 %	31 %	30 %	23 %	33 %	39 %	41 %	3 %	33 %	34 %	33 %
EPS	-1 %	32 %	24 %	-24 %	32 %	27 %	26 %	30 %	19 %	28 %	34 %	36 %	2 %	28 %	29 %	33 %
Advances	28 %	29 %	24 %	22 %	22 %	19 %	25 %	25 %	30 %	30 %	29 %	28 %	22 %	25 %	28 %	28 %
Deposits	18 %	30 %	34 %	29 %	22 %	15 %	14 %	23 %	31 %	30 %	29 %	26 %	29 %	23 %	26 %	27 %
Total Business	22 %	30 %	29 %	26 %	22 %	17 %	19 %	24 %	31 %	30 %	29 %	27 %	26 %	24 %	27 %	27 %



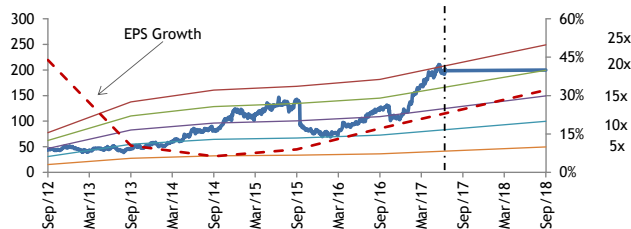
Standalone financials

P&L (Rsmn)	FY17A	FY18E	FY19E	FY20E
Interest Income	20,761	25,615	31,541	39,044
Interest Expense	12,791	15,496	19,049	23,518
Net Interest Income	7,971	10,119	12,492	15,526
% Growth	0	0	0	0
Treasury Income	558	800	640	675
Other Inc.	1,937	2,243	2,951	3,563
Total Income	10,465	13,162	16,083	19,763
Employees Expenses	3,080	3,758	4,472	5,277
Other Op. Expenses	3,203	3,844	4,485	5,168
Operating Profit	4,182	5,560	7,126	9,319
% Growth	19.8%	27.5%	29.0%	31.4%
Tax	1,070	1,419	1,902	2,529
Total Provisions	1,114.9	1,488.0	1,667.4	2,062.9
Net Profit	1,996.8	2,653.0	3,556.5	4,727.1
% Growth	2.7%	31.0%	35.4%	32.7%
<b>Earnings Ratios</b>				
Int Inc. / Avg. assets	9.6%	9.6%	9.6%	9.6%
Int Exp./ Avg. assets	5.9 %	5.8 %	5.8 %	5.8 %
NIM (%)	3.9 %	4.0 %	4.0 %	4.0 %
Int. exp/ Int earned	61.6 %	60.5 %	60.4 %	60.2 %
Oth. Inc./ Tot. Inc.	23.8 %	23.1 %	22.3 %	21.4 %
Staff exp/Opex	49.0 %	49.4 %	49.9 %	50.5 %
Cost/ Income Ratio	60.0 %	57.8 %	55.7 %	52.8 %
Prov./ Oper Profit	26.7 %	26.8 %	23.4 %	22.1 %
Prov./Avg. loans	0.8 %	0.8 %	0.7 %	0.7 %

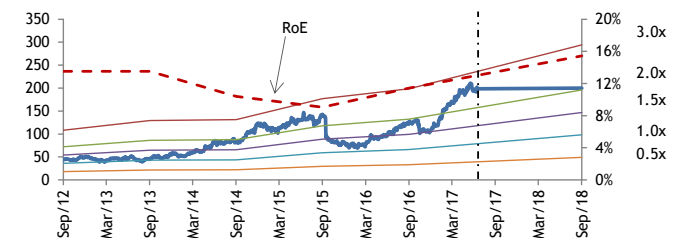
Balance Sheet (Rs mn)	FY17A	FY18E	FY19E	FY20E
Capital	2,853	3,073	3,073	3,073
Reserves and Surplus	19,195	25,425	28,611	32,876
Deposits	192,892	237,257	298,944	379,659
Borrowings	12,758	13,797	15,169	16,705
Other Liabilities	12,765	14,041	15,586	17,300
Total liabilities	240,464	293,594	361,384	449,614
Cash & Bal with RBI	8,583	10,042	12,565	15,855
Bal. with banks	3,342	3,063	3,864	4,875
Investments	58,179	68,754	76,524	88,091
Advances	158,176	197,720	253,082	323,945
Fixed Assets	4,886	6,351	7,304	8,400
Other Assets	7,298	7,663	8,046	8,448
Total assets	240,464	293,594	361,384	449,614
% Growth	25.8%	21.5%	23.2%	24.5%
<b>Key assumptions</b>				
<b>Deposits</b>				
Avg deposit growth (%)	29.2%	23.0%	26.0%	27.0%
Avg cost of deposits (%)	6.9%	6.8%	6.8%	6.6%
<b>Advances</b>				
Avg. advances growth	22.4 %	25.0 %	28.0 %	28.0 %
Avg yield on advances	11.5%	11.4%	11.3%	11.2%
<b>Investments</b>				
Avg. investments Gr.	34.3 %	18.2 %	11.3 %	15.1 %
Avg. Yol	7.8 %	7.5 %	7.5 %	7.4 %

Particulars	FY17A	FY18E	FY19E	FY20E
<b>Asset Quality</b>				
Gross NPA (Rs mn)	2,542	3,813	4,699	6,005
Gross NPA (%)	1.6%	1.9%	1.9%	1.9%
Net NPA (Rs mn)	1,270	1,789	2,113	2,598
Net NPA (%)	0.8%	0.9%	0.8%	0.8%
% coverage of NPA	50.0%	53.1%	55.0%	56.7%
Delinquencies (%)	1.8%	2.0%	2.0%	2.0%
<b>Business Ratios</b>				
Credit / Deposit (%)	82.0%	83.3%	84.7%	85.3%
Investment/ Deposit	30.2%	28.4%	25.2%	22.9%
CASA (%)	24.3%	25.2%	26.4%	27.6%
RoA (%)	0.9%	1.0%	1.1%	1.2%
RoE (%)	10.8 %	11.7 %	12.9 %	15.1 %
Dividend Yield (%)	0.1 %	0.1 %	0.1 %	0.1 %
<b>CAR</b>				
RWA (Rs. bn)	172.8	211.7	265.1	331.9
Tier I (%)	11.9 %	12.7 %	11.4 %	10.4 %
Tier II (%)	1.9%	1.5%	1.2%	1.0%
Total CAR (%)	13.8%	14.3%	12.6%	11.4%
<b>Per Share Data</b>				
BVPSRs	72.3	88.1	98.5	112.4
Adj. BVPS, Rs.	65.8	81.2	91.0	104.0
Price/ Adj. BV	2.8	2.3	2.1	1.8
EPS, Rs.	7.0	9.0	11.6	15.4
P/E Ratio	26.6	20.8	16.1	12.1

TTM P/E vs. 2 yr forward EPS growth



TTM P/B vs. 2 yr forward RoE



**Historical standalone financials**

P&L (Rs mn)	FY14A	FY15A	FY16A	FY17A
Interest Income	11,283	14,224	16,985	20,761
Interest Expense	7,599	9,142	10,790	12,791
Net Interest Income	3,684	5,082	6,195	7,971
% Growth	29.5%	38.0%	21.9%	28.7%
Treasury Income	281	353	568	558
Other Inc. ExcTrrery	241	350	694	879
Total Income	5,071	6,739	8,400	10,465
Employees Expenses	1,571	1,960	2,451	3,080
Other Op. Expenses	1,620	2,005	2,458	3,203
Operating Profit	1,880	2,774	3,490	4,182
% Growth	49.0%	47.6%	25.8%	19.8%
Tax	0	168	666	1,070
Total Provisions	365.6	694.2	879.1	1,114.9
Net Profit	1,513.6	1,911.8	1,945.2	1,996.8
% Growth	48.3%	26.3%	1.7%	2.6%
<b>Earnings Ratios</b>				
Int Inc. / Avg. assets	9.3%	9.8%	9.6%	9.6%
Int Exp./ Avg. assets	6.3%	6.3%	6.1%	5.9%
NIM (%)	3.2%	3.7%	3.7%	3.9%
Int. exp/ Int earned	67.3%	64.3%	63.5%	61.6%
Oth. Inc./ Tot. Inc	27.3%	24.6%	26.2%	23.8%
Staff exp/Opt. exp	49.2%	49.4%	49.9%	49.0%
Cost/ Income Ratio	62.9%	58.8%	58.4%	60.0%
Prov. / Op. Profit	19.5%	25.0%	25.2%	26.7%
Prov. /Avg. loans	0.5%	0.7%	0.8%	0.8%

Balance Sheet (Rs mn)	FY14A	FY15A	FY16A	FY17A
Capital	2,503	2,820	2,844	2,853
Reserves and Surplus	9,036	13,066	15,077	19,195
Deposits	103,252	126,091	149,260	192,892
Borrowings	8,602	11,638	11,479	12,758
Other Liabilities	5,839	7,708	12,525	12,765
Total liabilities	129,231	161,323	191,185	240,464
Cash & Bal with RBI	5,051	6,337	7,034	8,583
Bal. with bank	1,845	855	1,882	3,342
Investments	36,342	39,622	43,333	58,179
Advances	81,402	104,651	129,214	158,176
Fixed Assets	2,386	2,367	2,480	4,886
Other Assets	2,205	7,492	7,242	7,298
Total assets	129,231	161,323	191,185	240,464
% Growth	14.6%	24.8%	18.5%	25.8%
<b>Key assumptions</b>				
<b>Deposits</b>				
Avg deposit growth (%)	23.5%	22.1%	18.4%	29.2%
Avg cost of deposits (%)	7.1%	7.3%	7.3%	6.9%
<b>Advances</b>				
Avg. advances growth	23.6%	28.6%	23.5%	22.4%
Avg yield on advances	11.8%	11.8%	11.6%	11.5%
<b>Investments</b>				
Avg. investment growth	8.2%	9.0%	9.4%	34.3%
Avg. Yol	7.0%	6.9%	7.4%	7.8%

Particular	FY14A	FY15A	FY16A	FY17A
<b>Asset Quality</b>				
Gross NPA (Rs mn)	1,385	1,861	1,974	2,542
Gross NPA (%)	1.7%	1.8%	1.5%	1.6%
Net NPA (Rs mn)	740	1,057	975	1,270
Net NPA (%)	0.9%	1.0%	0.8%	0.8%
% coverage of NPA	54.9%	58.4%	50.9%	50.0%
Delinquencies (%)	1.3%	1.9%	1.9%	1.8%
<b>Business Ratios</b>				
Credit / Deposit(%)	78.8%	83.0%	86.6%	82.0%
Investmnt / Deposit	35.2%	31.4%	29.0%	30.2%
CASA (%)	25.0%	23.4%	23.4%	24.3%
RoA (%)	1.3%	1.3%	1.1%	0.9%
RoE (%)	14.8%	14.5%	11.9%	10.2%
Dividend Yield (%)	0.0%	0.0%	0.0%	0.1%
<b>CAR</b>				
RWA (Rs. bn)	85	106	134	173
Tier I (%)	12.9%	14.2%	12.8%	11.9%
Tier II (%)	0.9%	0.7%	1.3%	1.9%
Total CAR (%)	13.7%	15.0%	14.1%	13.8%
<b>Per Share Data</b>				
BVPS	44.9	55.3	62.0	72.3
Adj. BVPS, Rs.	42.4	52.4	59.4	65.8
Price/ Adj. BV	4.4	3.6	3.1	2.8
EPS, Rs.	6.0	7.2	6.9	7.0
P/E Ratio	30.8	26.0	27.2	26.6





- **UNDERWEIGHT:** likely to under-perform the benchmark by at least 5% over investment horizon

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Investment Horizon is set at a minimum 3 months to maximum 18 months with target date falling on last day of a calendar quarter.

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