

DCB Bank

A mixed bag

DCBB's 1QFY21 print was in line. The QoQ de-growth in deposits was underwhelming, but DCBB's focus on improving deposit granularity was evident and is positive. Asset quality was optically stable (benefited by the standstill classification), and the moratorium book dipped significantly. Our estimates remain mostly unchanged, and we expect earnings to remain under pressure in the near term as provisions are set to rise. However, we remain optimistic about the bank's long-term prospects, and this underpins our ADD recommendation (target price of Rs 103, 0.9x FY22E ABV).

- **Funding side trends:** DCBB's deposits dipped 3.1% QoQ, led by a 3.7% dip in term deposits. While overall deposit traction may seem underwhelming, the bank's deposit granularity has improved. The contribution of Top-20 deposits fell from 9.3% as of FY20 to 8.7% as of 1QFY20, and further to 8.1% as of July 2020. The bank fully repaid outstanding certificates of deposits (Rs 6.1bn in 4QFY20). Its focus on retail term deposits (+43% YoY) over CASA (down 8.6% YoY) was clearly visible. Borrowings registered a sharp growth of 48/15.4%. DCBB's CRAR rose 16bps QoQ to 17.9%, aided by a reduction in RWAs. We watch for trends on deposit growth and granularity.
- **Asset quality and moratorium trends:** GNPA's dipped 1.5% QoQ to Rs 6.22bn (2.4%), and slippages were minuscule at 13bps (however, this was aided by the standstill classification). Further, DCBB saw a sharp rise in its restructured book, which now stands at 1.87%. CVs, mortgages, and MSME saw a sharp QoQ rise in restructuring. The proportion of the book under moratorium fell to 26% from 60% in April 2020, and collection efficiency in July improved to 59%. The bank classifies accounts which have not paid a single instalment as under moratorium. Further, the quantum of delinquent accounts (SMA) under moratorium dipped from Rs 19.1bn to Rs 5.1bn. We believe that DCBB's performance on these fronts was par for the course. Nevertheless, we believe that the bank is likely to see a rise in stress, and we factor in slippages of ~4% over FY21E.
- **Provisioning:** Non-tax provisions fell 29.2% QoQ to Rs 837mn but remained elevated (~2x YoY). NPA provisions were 6.1% higher YoY, but 22.2% lower QoQ. The bank made COVID-19 related provisions of Rs 320mn, taking the total stock of such provisions to Rs 950mn (38bps of loans). It carries floating provisions of Rs 1bn (40bps) and Rs 1.17bn of standard asset provisions (47bps). We believe the bank will see a rise in provisions, as COVID-19 related stress manifests as slippages. Consequently, we have kept our provision estimates mostly unchanged at 1.33% over FY21-22E.

Financial Summary

(Rs mn)	1Q FY21	1Q FY20	YoY (%)	4Q FY20	QoQ (%)	FY19	FY20	FY21E	FY22E
Net Interest Income	3,067	3,048	0.6%	3,237	-5.2%	11,493	12,649	12,671	14,261
PPOP	1,911	1,665	14.8%	2,120	-9.8%	6,466	7,531	7,839	8,721
PAT	794	811	-2.1%	687	15.6%	3,254	3,379	2,981	3,818
EPS (Rs)	2.6	2.6	-2.3%	2.2	15.6%	10.5	10.9	9.6	12.3
ROAE (%)						11.0	10.3	8.3	9.8
ROAA (%)						0.99	0.91	0.76	0.90
Adj. BVPS (Rs)						87.8	93.1	93.7	112.9
P/ABV (x)						0.95	0.89	0.89	0.73
P/E (x)						7.9	7.6	8.6	6.7

Source: Bank and HSIE Research

ADD

CMP (as on 07 Aug 2020)	Rs 83
Target Price	Rs 103
NIFTY	11,214

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	Rs 105	Rs 103
EPS %	FY21E	FY22E
	-1.5%	-1.0%

KEY STOCK DATA

Bloomberg code	DCBB IN
No. of Shares (mn)	310
MCap (Rs bn) / (\$ mn)	26/345
6m avg traded value (Rs mn)	203
52 Week high / low	Rs 219/58

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	21.0	(53.2)	(56.1)
Relative (%)	0.0	(45.6)	(59.8)

SHAREHOLDING PATTERN (%)

	Mar-20	June-20
Promoters	14.9	14.9
FIs & Local MFs	35.3	35.9
FPIs	22.8	15.1
Public & Others	27.0	34.1
Pledged Shares	0.0	0.0

Source : BSE

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- **Loan growth:** Expectedly, DCBB saw loan growth slow significantly to 4.2% YoY (-1.1% QoQ). The slowdown in growth was broad-based. In the near term, the management is focused on disbursing home loans, gold loans, and agri loans (under KCC). Further, DCBB expects to disburse at most Rs 20.7bn, under the NCGTC scheme. We have built in loan growth of ~10% over FY21-22E.
- **Operating expenditure:** Operating costs registered a 14.1/12.8% fall, resulting in a 720/85bps fall in the C-I ratio to 50.3%. Most of the fall in 1Q was on account of lower business volumes, as was indicated by management commentary too. Hence, we believe that such a fall in costs is neither structural nor sustainable. Nevertheless, we expect the bank to see an improvement in operating efficiency resulting in a C-I ratio of 57.6% over FY21E and 55.9% over FY22E.
- **Margins:** DCBB registered a 25/22bps fall in NIMs to 3.4%, on account of sticky CoD, which fell 32/6bps, while yields on advances 45/24bps. Amongst other factors, we believe that the stickiness of CoF is a result of the increasing deposit granularity (bulk deposits come in at a lower cost), and high liquidity (20bps impact on NIMs). As we had already factored in a fall in NIMs (vs. earlier levels), our NIM estimates remain largely unchanged at 3.46% over FY21-22E.

Collection efficiency trends

Particulars (%)	Jan	Feb	Mar	Apr	Jun	Jul
LAP	97.5	97.7	90.6	51.6	58.8	59.4
Home loans	98.5	98.0	93.2	56.9	63.8	67.3
CV	92.1	89.4	81.3	30.1	37.4	39.3

Source: Bank and HSIE Research

Details of repayments by borrowers

Segment	% of borrowers (by value) who have not paid a single instalment during the period	
	March to July	April to July
Business loans (LAP)	7.0%	29.1%
Home loans	4.4%	21.2%
CV	15.9%	48.2%
SME/MSME (churn in numbers)	97.0%	91.0%
MFI/BC	2.5%	21.6%

Source: Bank and HSIE Research

NII and PPOP were largely in line with estimates

Non-interest income was buoyed by elevated treasury gains, and other components of non-interest income witnessed sharp falls-

Fees and commission income (-50.7/-59.5%)

Forex earnings (-36.4/-32.7%)

While deposits de-grew QoQ, deposit granularity improved

Sticky CoD, and high liquidity resulted in a fall in NIMs

The sharp improvement in the C-I is not sustainable, as it is on account of lower business volumes

The sharp rise in the restructured book stands out

Five quarters at a glance

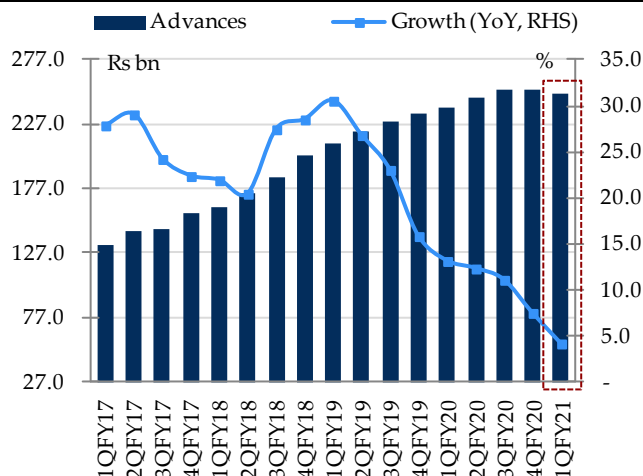
Rs mn	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY Growth	QoQ Growth
Income statement							
Net-interest income	3,048	3,134	3,231	3,237	3,067	0.6%	-5.2%
Non-interest income	868	1,014	931	1,099	776	-10.6%	-29.4%
Treasury income	159	249	70	174	380	139.0%	118.4%
Operating income	3,915	4,148	4,162	4,336	3,843	-1.8%	-11.4%
Operating expenses	2,250	2,303	2,263	2,216	1,932	-14.1%	-12.8%
PPOP	1,665	1,845	1,899	2,120	1,911	14.8%	-9.8%
Other provisions	406	433	590	1,182	837	105.9%	-29.2%
NPA provisions	330	350	520	450	350	6.1%	-22.2%
PBT	1,259	1,412	1,309	938	1,075	-14.7%	14.6%
Tax expense	448	499	342	251	281	-37.4%	11.9%
PAT	811	913	967	687	794	-2.1%	15.6%
Balance sheet items							
Deposits (Rs bn)	287.9	293.6	297.3	303.7	294.3	2.2%	-3.1%
CASA %	24.5	23.2	23.3	21.5	21.9	-260 bps	47 bps
Advances (Rs bn)	240.4	248.0	254.4	253.5	250.6	4.2%	-1.1%
Mortgages (%)	40.0	41.0	41.0	42.0	42.0	200 bps	0 bps
AIB (%)	20.0	20.0	21.0	21.0	21.0	100 bps	0 bps
Corporate (%)	13.0	12.0	12.0	12.0	12.0	-100 bps	0 bps
SME+MSME (%)	12.0	12.0	11.0	11.0	11.0	-100 bps	0 bps
Others (%)	15.0	15.0	15.0	14.0	14.0	-100 bps	0 bps
CD Ratio (%)	83.5	84.5	85.5	83.5	85.1	162 bps	168 bps
CAR (%)	16.1	16.2	15.8	17.8	17.9	185 bps	16 bps
Tier I (%)	12.5	12.6	12.3	13.9	13.9	141 bps	2 bps
Profitability (%)							
Yield on advances	11.58	11.53	11.52	11.37	11.13	-45 bps	-24 bps
Cost of deposits	7.14	7.13	7.10	6.88	6.82	-32 bps	-6 bps
NIM	3.67	3.67	3.71	3.64	3.42	-25 bps	-22 bps
Cost-income ratio	57.5	55.5	54.4	51.1	50.3	-720 bps	-85 bps
Cost-income ratio (ex-treasury)	59.9	59.1	55.3	53.2	55.8	-412 bps	253 bps
Tax rate	35.6	35.3	26.1	26.8	26.1	-949 bps	-63 bps
Asset quality							
Gross NPAs (Rs mn)	4,764	5,232	5,520	6,315	6,218	30.5%	-1.5%
Mortgages (%)	1.85	1.98	1.74	2.14	2.17	32 bps	3 bps
AIB (%)	2.62	2.14	2.08	2.28	2.26	-36 bps	-2 bps
Corporate (%)	0.60	0.63	1.58	1.69	1.71	111 bps	2 bps
SME+MSME (%)	1.74	2.49	2.37	2.63	2.63	89 bps	0 bps
Others (%)	3.34	3.78	3.53	4.03	2.93	-41 bps	-111 bps
Net NPA (Rs mn)	1,958	2,379	2,608	2,935	2,485	26.9%	-15.3%
Gross NPAs (%)	1.96	2.09	2.15	2.46	2.44	48 bps	-2 bps
Net NPAs (%)	0.81	0.96	1.03	1.16	0.99	18 bps	-17 bps
Delinquency ratio (%)	2.49	2.65	3.24	2.38	0.13	-236 bps	-224 bps
Coverage ratio calc. (%)	58.9	54.5	52.8	53.5	60.03	114 bps	651 bps
Coverage ratio reported. (%)	75.6	73.1	72.0	70.8	75.20	-39 bps	439 bps
Restructured Book (%)	0.16	0.16	0.18	0.94	1.87	171 bps	94 bps

Changes in estimates

Rs mn	FY21E			FY22E		
	Old	New	Change	Old	New	Change
NII	12771	12,671	-0.8%	14440	14261	-1.2%
PPOP	7574	7,839	3.5%	8585	8721	1.6%
PAT	3027	2,981	-1.5%	3857	3818	-1.0%
ABV (Rs)	94.6	93.7	-0.9%	114.1	112.9	-1.0%

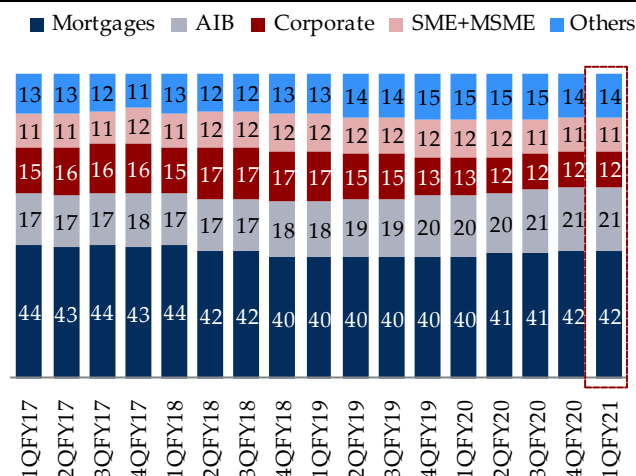
Source: HSIE Research

Loan growth slows further



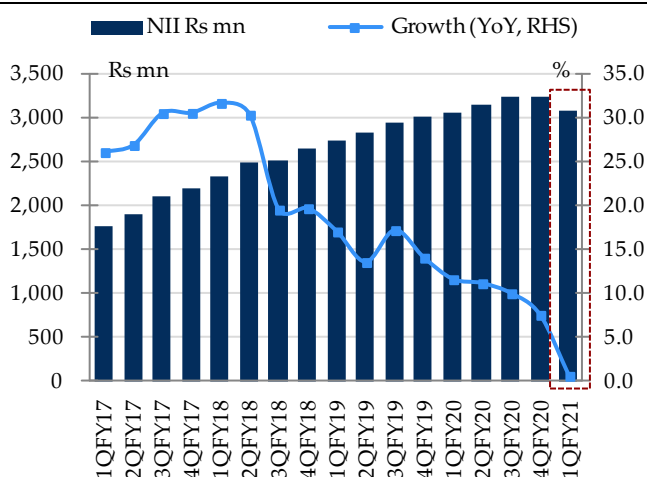
Source: Company, HSIE Research

Loan book split



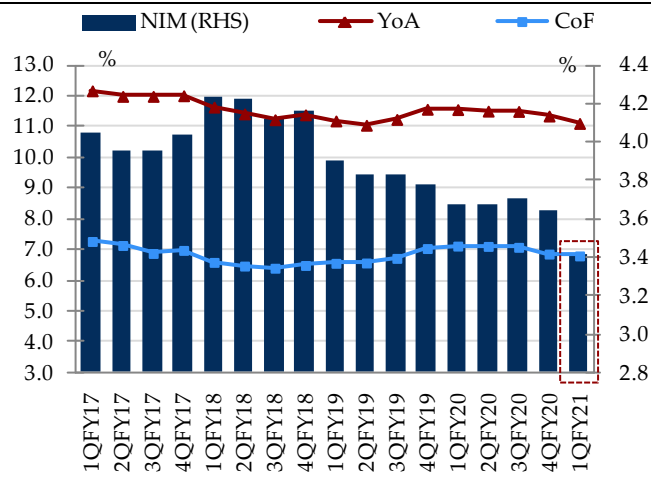
Source: Company, HSIE Research

NII flat YoY, down 5.2% QoQ



Source: Bank, HSIE Research

NIMs contract



Source: Bank, HSIE Research

Deposit split: The contribution of inter-bank TDs continues to decline- a positive

%	3Q FY16	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19	1Q FY20	2Q FY20	3Q FY20	4Q FY20	1Q FY21
CASA	23	23	23	22	26	24	27	26	26	24	25	24	24	24	25	25	23	21	22
Non- Residential TD	8	8	8	7	7	7	7	7	7	6	6	6	6	6	6	6	8	9	9
Residential TD	55	55	56	54	50	52	51	49	48	49	49	50	53	55	56	56	58	57	57
Interbank TD	14	14	13	17	17	17	15	18	19	21	20	20	17	15	13	13	11	13	12

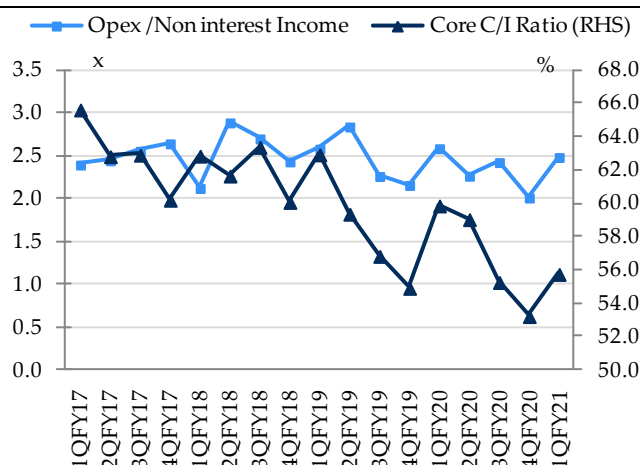
Source: Bank, HSIE Research

A sharp rise in treasury gains buoyed non-interest income

Rs mn	3Q FY16	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19	1Q FY20	2Q FY20	3Q FY20	4Q FY20	1Q FY21
Fees	361	395	379	422	403	452	519	483	567	629	599	559	594	648	546	578	625	664	269
% Loans	1.23	1.22	1.14	1.17	1.11	1.14	1.28	1.11	1.22	1.24	1.13	1.01	1.04	1.10	0.91	0.93	0.98	1.05	0.43
Treasury	45	40	172	116	125	41	287	71	55	42	153	31	112	90	159	249	70	174	380
Forex & Others	66	180	50	78	113	143	52	99	127	178	76	145	239	256	163	187	236	261	127
Total	472	615	601	616	641	636	858	653	749	849	828	735	945	994	868	1,014	931	1,099	776
(%, YoY)	(1.6)	32.8	(4.7)	26.5	35.8	3.5	42.6	5.9	16.9	33.4	(3.4)	12.6	26.1	17.1	4.7	38.0	(1.5)	10.6	(10.6)
% of total inc.	22.7	26.7	25.4	24.5	23.4	22.4	26.9	20.8	23.0	24.3	23.3	20.7	24.3	24.8	22.2	24.4	22.4	25.3	20.2
% of Avg. Assets (ann.)	1.09	1.34	1.24	1.19	1.13	1.07	1.42	1.04	1.13	1.18	1.08	0.92	1.13	1.13	0.96	1.11	0.99	1.15	0.81

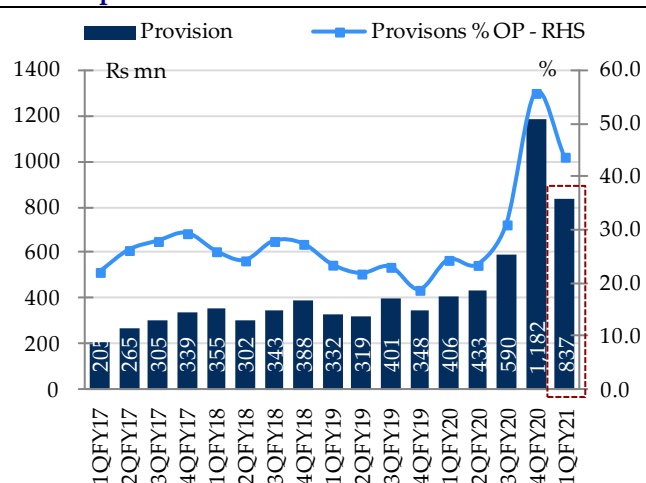
Source: Bank, HSIE Research

Fall in cost ratios not structural



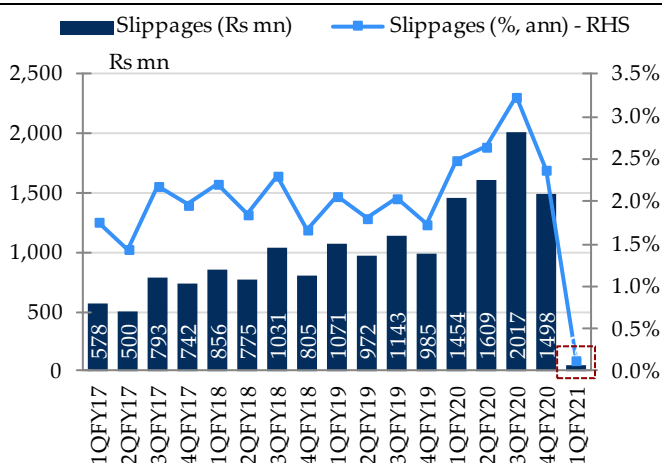
Source: Bank, HSIE Research

Non-tax provisions remain elevated



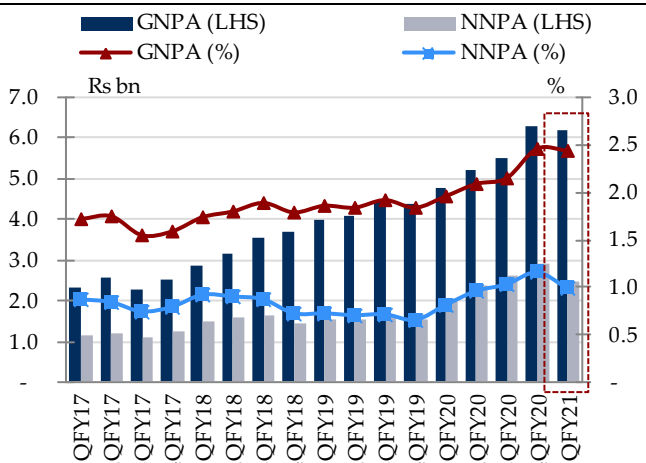
Source: Bank, HSIE Research

Miniscule slippages, aided by the standstill classification



Source: Bank, HSIE Research

GNPAs stable QoQ, aided by the standstill classification



Source: Bank, HSIE Research

Asset quality movement

Rs mn	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19	1Q FY20	2Q FY20	3Q FY20	4Q FY20	1Q FY21
Opening GNPA	2,350	1,975	2,314	2,555	2,280	2,543	2,854	3,159	3,546	3,691	4,007	4,101	4,452	4,396	4,765	5,233	5,521	6,316
Slippages	509	579	501	793	746	887	779	1,038	814	1,074	978	1,147	1,007	1,482	1,689	2,032	1,509	84
(%) ann.	1.65	1.76	1.44	2.19	1.96	2.21	1.85	2.31	1.67	2.07	1.81	2.04	1.73	2.49	2.77	3.24	2.38	0.13
Reductions	884	240	260	1,068	483	576	474	651	669	758	884	796	1,063	1,113	1,149	1,744	714	181
W/O	348	4	-	349	90	245	1	75	2	78	184	166	241	433	353	416	1	65
Recovery	426	193	139	641	225	210	212	307	284	248	327	279	368	311	273	815	326	98
Upgrades	110	43	121	78	168	121	261	269	383	432	373	351	454	369	523	513	387	18
Closing GNPA	1,975	2,314	2,555	2,280	2,543	2,854	3,159	3,546	3,691	4,007	4,101	4,452	4,396	4,765	5,305	5,521	6,316	6,219

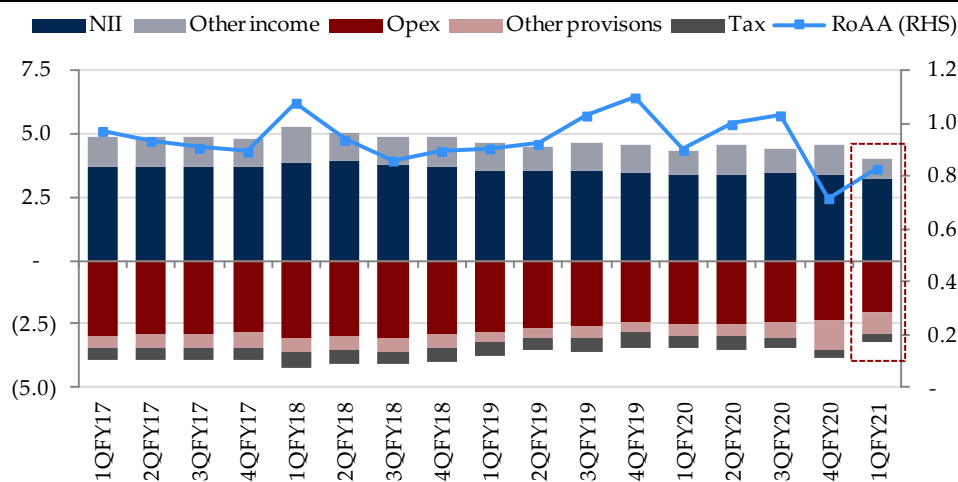
Source: Bank, HSIE Research

Segment-wise GNPA's

(%)	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19	1Q FY20	2Q FY20	3Q FY20	4Q FY20	1Q FY21
CV/CE/STVL	2.08%	2.32%	3.02%	3.16%	2.64%	3.38%	3.04%	2.45%	2.50%	1.90%	2.40%	2.91%	3.77%	4.36%	5.63%	6.56%	6.47%
Corporate	4.30%	3.73%	2.79%	3.39%	2.77%	2.28%	2.66%	2.43%	2.50%	2.81%	2.27%	2.02%	0.60%	0.63%	1.58%	1.69%	1.71%
SME +MSME	1.90%	2.31%	2.29%	1.71%	1.77%	1.57%	1.67%	1.26%	1.33%	1.43%	1.47%	1.50%	1.74%	2.49%	2.37%	2.63%	2.63%
Mortgages	1.07%	1.20%	1.04%	1.05%	1.40%	1.59%	1.62%	1.71%	1.74%	1.68%	1.75%	1.73%	1.85%	1.98%	1.74%	2.14%	2.17%
Others	0.34%	0.71%	1.03%	1.20%	1.66%	1.95%	1.99%	2.70%	2.73%	2.80%	2.84%	2.21%	3.34%	3.78%	3.53%	4.03%	2.93%
Agri	1.78%	1.54%	1.31%	1.29%	1.84%	1.90%	2.00%	1.73%	1.92%	1.82%	2.34%	2.09%	2.62%	2.14%	2.08%	2.28%	2.26%

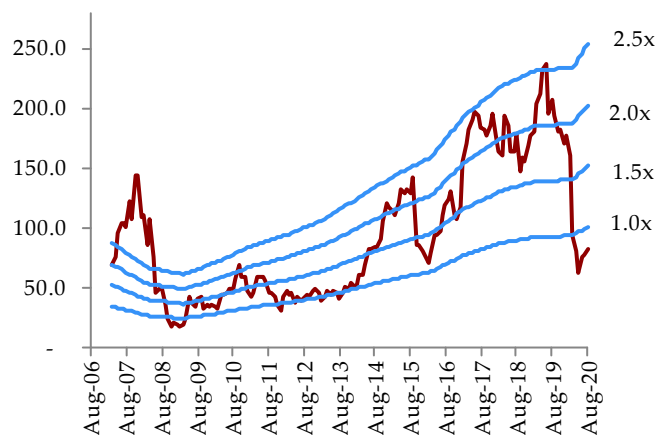
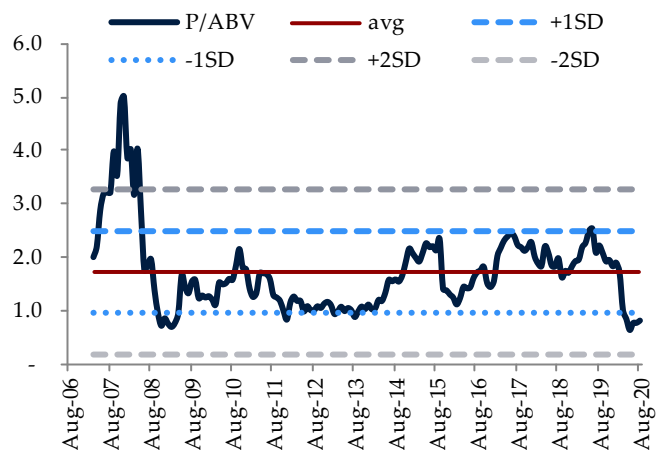
Source: Bank, HSIE Research

RoAA trends



Source: Bank, HSIE Research

P/ABV Band Chart



Source: Bank, HSIE Research

Peer set comparison

BANK	Mcap (Rs bn)	CMP (Rs)	Rating	TP (Rs)	ABV (Rs)			P/E (x)			P/ABV (x)			ROAE (%)			ROAA (%)		
					FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E
AUBANK	216	709	ADD	724	135	148	175	31.3	31.5	26.7	5.14	4.70	3.98	18.6	14.5	14.8	1.61	1.41	1.47
AXSB#	1,222	433	BUY	565	268	291	344	72.0	13.3	9.5	1.55	1.42	1.19	2.1	9.8	12.2	0.19	0.93	1.18
CUBK	91	123	BUY	164	61	65	77	19.0	17.9	12.0	2.00	1.89	1.61	9.4	9.2	12.3	1.00	1.00	1.38
DCBB	26	83	ADD	103	93	94	113	7.6	8.6	6.7	0.89	0.89	0.73	10.3	8.3	9.8	0.91	0.76	0.90
FB	109	55	BUY	64	65	64	75	7.1	9.1	7.0	0.84	0.85	0.73	11.1	8.0	9.6	0.91	0.64	0.75
IIB	393	509	ADD	584	459	511	580	8.0	13.5	9.1	1.11	1.00	0.88	14.7	7.6	9.7	1.51	0.91	1.23
KMB#	2,655	1,342	ADD	1,331	232	287	328	34.3	34.2	29.2	4.61	3.78	3.20	13.9	11.8	11.1	1.78	1.66	1.70
KVB	28	35	REDUCE	35	60	51	62	12.0	8.7	6.1	0.59	0.69	0.57	3.6	4.8	6.7	0.34	0.46	0.61
RBK	97	191	REDUCE	148	185	196	215	19.2	20.1	11.9	1.04	0.98	0.89	5.6	4.5	7.2	0.60	0.53	0.82
SBIN#	1,701	191	BUY	286	175	170	210	4.5	6.1	3.1	0.42	0.44	0.35	6.4	4.6	8.3	0.38	0.27	0.48

Source: Company, HSIE Research, # Adjusted for subsidiaries value

Financials

Income statement

(Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Interest earned	14,224	16,985	20,761	24,130	30,415	35,366	36,274	39,076
Interest expended	9,142	10,790	12,791	14,176	18,922	22,717	23,603	24,816
Net interest income	5,082	6,195	7,971	9,954	11,493	12,649	12,671	14,261
Non-interest income	1,657	2,205	2,489	3,103	3,502	3,911	4,134	4,325
<i>Fee income (CEB)</i>	<i>1,193</i>	<i>1,405</i>	<i>1,651</i>	<i>2,176</i>	<i>2,399</i>	<i>2,412</i>	<i>1,995</i>	<i>2,427</i>
<i>Treasury income</i>	<i>277</i>	<i>423</i>	<i>454</i>	<i>454</i>	<i>386</i>	<i>653</i>	<i>1,250</i>	<i>950</i>
Total income	6,739	8,400	10,459	13,057	14,995	16,560	16,805	18,586
Total operating expense	3,965	4,909	6,277	7,807	8,529	9,029	8,966	9,864
<i>Employee expense</i>	<i>1,960</i>	<i>2,451</i>	<i>3,080</i>	<i>3,812</i>	<i>4,340</i>	<i>4,588</i>	<i>4,639</i>	<i>5,060</i>
PPOP	2,774	3,490	4,182	5,250	6,466	7,531	7,839	8,721
Provisions & contingencies	694	879	1,115	1,388	1,401	2,611	3,856	3,620
<i>Prov. for NPAs (incl. Std Prov.)</i>	<i>590</i>	<i>760</i>	<i>1,082</i>	<i>1,338</i>	<i>1,381</i>	<i>1,770</i>	<i>4,006</i>	<i>3,770</i>
PBT	2,080	2,611	3,067	3,862	5,065	4,919	3,984	5,102
Provision for tax	168	666	1,070	1,408	1,812	1,540	1,003	1,284
PAT	1,912	1,945	1,997	2,453	3,254	3,379	2,981	3,818

Source: Company, HSIE Research

Balance sheet

(Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
SOURCES OF FUNDS								
Share capital	2,852	2,860	2,869	3,095	3,107	3,114	3,114	3,114
Reserves	13,034	15,062	19,179	24,983	28,049	31,108	34,089	37,715
Shareholders' funds	15,886	17,922	22,049	28,078	31,156	34,222	37,202	40,829
<i>Savings</i>	<i>19,040</i>	<i>23,127</i>	<i>31,545</i>	<i>40,048</i>	<i>49,757</i>	<i>46,023</i>	<i>50,625</i>	<i>58,219</i>
<i>Current</i>	<i>10,461</i>	<i>11,771</i>	<i>15,347</i>	<i>18,355</i>	<i>18,342</i>	<i>19,169</i>	<i>19,553</i>	<i>20,530</i>
<i>Term</i>	<i>96,591</i>	<i>114,361</i>	<i>146,000</i>	<i>181,665</i>	<i>216,252</i>	<i>238,507</i>	<i>244,599</i>	<i>276,069</i>
Total deposits	126,091	149,260	192,892	240,069	284,351	303,699	314,777	354,818
Borrowings	11,638	11,479	12,758	19,267	27,232	34,080	34,915	36,746
Other liabilities	7,708	12,525	12,765	14,807	15,179	13,051	14,400	15,889
Total liabilities	161,323	191,185	240,464	302,221	357,918	385,051	401,294	448,283
APPLICATION OF FUNDS								
Cash & bank balances	7,192	8,916	11,925	23,720	27,934	35,459	36,907	36,197
Investments	39,622	43,333	58,179	62,190	78,441	77,415	77,843	86,071
<i>G-Secs</i>	<i>34,749</i>	<i>39,855</i>	<i>47,711</i>	<i>49,090</i>	<i>60,007</i>	<i>61,363</i>	<i>61,381</i>	<i>69,190</i>
Advances	104,651	129,214	158,176	203,367	235,680	253,453	265,986	303,370
Fixed assets	2,367	2,480	4,886	4,940	5,260	5,459	5,568	5,707
Other assets	7,492	7,242	7,298	8,004	10,604	13,266	14,990	16,939
Total assets	161,323	191,185	240,464	302,221	357,918	385,051	401,294	448,283

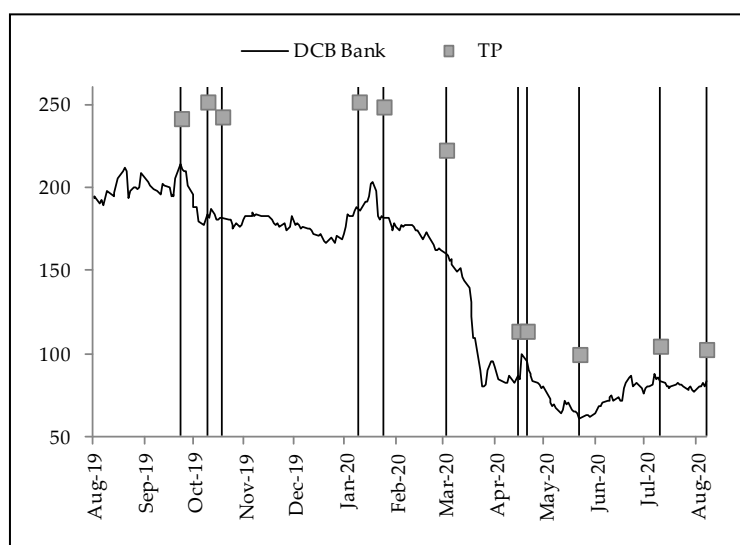
Source: Bank, HSIE Research

Key ratios

	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
VALUATION RATIOS								
EPS (Rs)	6.8	6.8	7.0	8.0	10.5	10.9	9.6	12.3
Earnings growth (%)	26.3	1.7	2.7	22.9	32.6	3.9	(11.8)	28.1
BVPS (Rs)	56.2	63.0	77.2	91.1	100.6	110.2	119.8	131.5
ABPVS (Rs)	50.6	57.8	63.9	78.2	87.8	93.1	93.7	112.9
DPS (Rs)	0.0	0.0	0.5	0.8	1.0	-	-	0.6
RoAA (%)	1.32	1.10	0.93	0.90	0.99	0.91	0.76	0.90
RoAE (%)	14.0	11.5	10.0	9.8	11.0	10.3	8.3	9.8
P/E (x)	12.2	12.1	11.9	10.4	7.9	7.6	8.6	6.7
P/ABV (x)	1.64	1.44	1.30	1.06	0.95	0.89	0.89	0.73
P/PPOP (x)	8.5	6.8	5.7	4.9	4.0	3.4	3.3	3.0
Dividend yield (%)	-	-	0.6	0.9	1.2	-	-	0.7
PROFITABILITY (%)								
Yield on advances (%)	11.81	11.58	11.46	10.73	11.15	11.62	11.28	11.17
Yield on investment (%)	6.90	7.42	7.75	6.99	7.61	7.99	7.85	7.80
Cost of deposits (%)	7.33	7.33	6.89	5.95	6.52	6.88	6.76	6.60
Core spread (%)	4.47	4.25	4.58	4.78	4.63	4.74	4.52	4.57
NIM (%)	3.68	3.72	3.89	3.85	3.64	3.57	3.39	3.54
OPERATING EFFICIENCY								
Cost/Avg. Asset Ratio (%)	2.7	2.8	2.9	2.9	2.6	2.4	2.3	2.3
Cost-Income Ratio (Ex. Treasury)	61.4	61.5	62.7	61.9	58.4	56.8	57.6	55.9
BALANCE SHEET STRUCTURE								
Loan growth (%)	28.6	23.5	22.4	28.6	15.9	7.5	4.9	14.1
Deposit growth (%)	22.1	18.4	29.2	24.5	18.4	6.8	3.6	12.7
C/D ratio (%)	83.0	86.6	82.0	84.7	82.9	83.5	84.5	85.5
Equity/assets (%)	9.8	9.4	9.2	9.3	8.7	8.9	9.3	9.1
Equity/advances (%)	15.2	13.9	13.9	13.8	13.2	13.5	14.0	13.5
CASA (%)	23.4	23.4	24.3	24.3	23.9	21.5	22.3	22.2
Capital adequacy ratio (CAR, %)	15.0	14.1	13.8	16.5	16.8	17.8	17.1	16.5
W/w Tier I CAR (%)	14.2	12.8	11.9	12.7	13.1	13.9	13.6	13.4
ASSET QUALITY								
Gross NPLs (Rs mn)	1,861	1,974	2,542	3,690	4,395	6,315	11,336	9,107
Net NPLs (Rs mn)	1,057	975	1,244	1,467	1,538	2,935	5,731	3,390
Gross NPLs (%)	1.69	1.51	1.59	1.79	1.84	2.46	4.09	2.91
Net NPLs (%)	0.91	0.75	0.79	0.72	0.65	1.16	2.15	1.12
Slippage (%)	1.87%	1.93%	1.82%	1.93%	1.92%	2.72%	4.00%	3.00%
Coverage ratio (%)	43.2	50.6	51.1	60.2	65.0	53.5	49.4	62.8
Provision/avg. Loans (%)	0.45	0.54	0.60	0.71	0.60	0.66	1.44	1.22
ROAA TREE								
Net interest income	3.50%	3.51%	3.69%	3.67%	3.48%	3.41%	3.22%	3.36%
Non-interest income	1.14%	1.25%	1.15%	1.14%	1.06%	1.05%	1.05%	1.02%
<i>Treasury income</i>	0.19%	0.24%	0.21%	0.17%	0.12%	0.18%	0.32%	0.22%
Operating cost	2.73%	2.79%	2.91%	2.88%	2.58%	2.43%	2.28%	2.32%
Provisions	0.48%	0.50%	0.52%	0.51%	0.42%	0.70%	0.98%	0.85%
<i>Provisions for NPAs</i>	0.29%	0.36%	0.40%	0.48%	0.40%	0.44%	0.95%	0.82%
Tax expense	0.12%	0.38%	0.50%	0.52%	0.55%	0.41%	0.26%	0.30%
RoAA	1.32%	1.10%	0.93%	0.90%	0.99%	0.91%	0.76%	0.90%
Leverage (x)	10.59	10.43	10.8	10.83	11.14	11.36	11.01	10.89
RoAE	13.94%	11.51%	9.99%	9.79%	10.99%	10.34%	8.35%	9.78%

Source: Bank, HSIE Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
22-Sep-19	205	BUY	242
9-Oct-19	184	BUY	252
21-Oct-19	181	BUY	243
9-Jan-20	189	BUY	252
27-Jan-20	182	BUY	249
2-Mar-20	162	BUY	223
15-Apr-20	87	ADD	114
20-Apr-20	96	ADD	114
24-May-20	60	ADD	100
10-Jul-20	86	ADD	105
09-Aug-20	83	ADD	103

From 2nd March 2020, we have moved to new rating system

Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

Disclosure:

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