

**BUY**  
 TP: Rs 172 | ▲ 27%

**DCB BANK**

| Banking

| 25 January 2024

**NII sequentially flat on high interest cost**

- NII flat QoQ (6%YoY) in Q3 on higher interest expenses; treasury gains and moderate opex aided 9% YoY PPOP growth
- Reported NIM fell 20bps QoQ to 3.5%, but management retained FY24 guidance at 3.65-3.75%
- Maintain BUY with revised TP of Rs 172 (vs. Rs 144), valuing the stock at 0.9x FY26E ABV (vs. 0.8x on FY25E)

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**Strong business growth:** DCBB’s advances grew at a healthy 18% YoY in Q3FY24 led by AIB (+28%), mortgage (+25%) and co-lending (+59%). The absence of TreDS business slowed down SME and MSME lending (-22%). In a deposit-constrained scenario, the bank is focusing on LAP rather than home loans within its mortgage business to support margins (100bps rate differential). Deposit growth was strong at 19% YoY as term deposits increased while CASA grew at a healthy 13% YoY, leading to a 110bps QoQ rise in CASA ratio. DCBB reiterated its plan to double the balance sheet in three years, and we factor in a credit/deposit CAGR of 19%/19% for FY23-FY26.

**Margin to improve...:** Reported NIM contracted 21bps QoQ to 3.5% due to a higher cost of deposits (+22bps QoQ vs. +16bps in Q2) and a 12bps fall in yield on advances. Management expects deposit rate repricing to be completed over the next two quarters, supporting margins within its earlier guided range of 3.65-3.75% for FY24.

**...but C/I ratio to remain high:** DCBB’s C/I ratio for Q3 came in at 65%. The bank expects to optimise opex and slow down investments in employees even as it continues with network expansion (25-30 branches p.a.) and is targeting cost-to-average assets of 2.4-2.5% in the near term from 2.6% currently. We expect sticky operational costs to keep the C/I ratio elevated at 64% in FY24 with some moderation by FY26 to 61%.

**Asset stress expected to ease:** With no moratorium in place, slippages stayed high at 4.7%, mainly from mortgage and gold loans, pushing up GNPA by 7bps QoQ while NPA declined 6bps. The bank maintained its FY24 credit cost guidance at 40-45bps (28bps reported in Q3), but we bake in ~45bps on a conservative basis.

**Maintain BUY:** Considering healthy growth, relatively stable margins and likely improvement in asset quality, we expect DCBB to clock ROA/ROE of 1%/13% in FY25 vs. 1%/11% in FY23. We introduce FY26 forecasts for the bank and roll valuations forward, translating to a new TP of Rs 172 (vs. Rs 144), set at 0.9x FY26E ABV (vs. 0.8x FY25E ABV) using the Gordon Growth Model. BUY.

**Key changes**

Target	Rating
▲	◀ ▶

Ticker/Price	DCBB IN/Rs 135
Market cap	US\$ 513.7mn
Free float	85%
3M ADV	US\$ 6.7mn
52wk high/low	Rs 163/Rs 97
Promoter/FPI/DII	15%/13%/34%

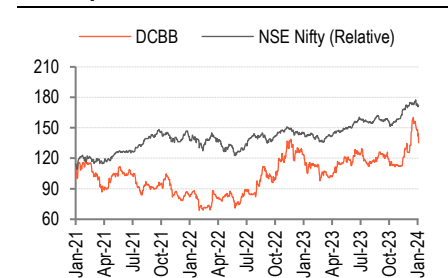
Source: NSE | Price as of 25 Jan 2024

**Key financials**

Y/E 31 Mar	FY23A	FY24E	FY25E
Net interest income	17,170	19,200	23,118
NII growth (%)	26.5	11.8	20.4
Adj. net profit (Rs mn)	4,656	5,127	6,279
EPS (Rs)	15.0	16.4	20.1
Consensus EPS (Rs)	15.0	16.5	20.1
P/E (x)	9.0	8.2	6.7
P/BV (x)	0.9	0.8	0.8
ROA (%)	1.0	0.9	0.9
ROE (%)	10.8	10.7	11.8

Source: Company, Bloomberg, BOBCAPS Research

**Stock performance**



Source: NSE



**Fig 1 – Quarterly snapshot: Income statement**

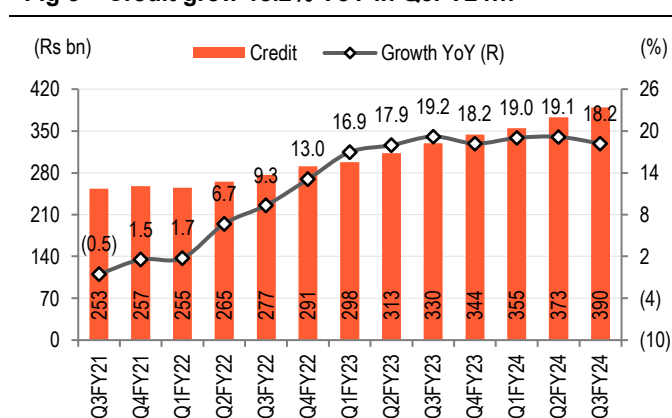
(Rs mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY (%)	QoQ (%)
<b>Income Statement</b>							
Interest Income	8,717	9,502	9,794	10,387	10,813	24.0	4.1
Income on investments	1,822	1,968	2,368	2,494	2,752	51.0	10.3
Int. on bal. with RBI & inter-bank funds & Others	178	322	216	175	177	(0.6)	1.0
<b>Interest income</b>	<b>10,717</b>	<b>11,793</b>	<b>12,377</b>	<b>13,056</b>	<b>13,741</b>	<b>28.2</b>	<b>5.2</b>
Interest expense	6,257	6,933	7,670	8,299	9,001	43.9	8.5
<b>Net interest income</b>	<b>4,460</b>	<b>4,860</b>	<b>4,707</b>	<b>4,757</b>	<b>4,740</b>	<b>6.3</b>	<b>(0.4)</b>
Growth YoY (%)	29.3	27.7	25.9	15.7	6.3	(2,299bps)	(945bps)
Fee Income	700	91	750	970	980	(90.0)	(87.0)
Trading gains/(losses)	20	10	30	40	140	0.0	(50.0)
Forex Income	50	70	50	40	40	0.0	40.0
Others	184	1,052	239	24	77	566.4	471.3
<b>Non-interest income</b>	<b>954</b>	<b>1,223</b>	<b>1,069</b>	<b>1,074</b>	<b>1,237</b>	<b>29.7</b>	<b>15.2</b>
Growth YoY (%)	(19.4)	6.6	15.7	8.2	29.7	4,903bps	2,146bps
<b>Total income</b>	<b>5,414</b>	<b>6,083</b>	<b>5,777</b>	<b>5,831</b>	<b>5,977</b>	<b>10.4</b>	<b>2.5</b>
Growth YoY (%)	16.8	22.8	23.9	14.3	10.4	(645bps)	(386bps)
Staff expenses	1,796	1,865	1,951	1,889	1,984	10.5	5.0
Other operating expenses	1,677	1,778	1,739	1,836	1,878	11.9	2.3
<b>Operating expenses</b>	<b>3,473</b>	<b>3,643</b>	<b>3,690</b>	<b>3,725</b>	<b>3,862</b>	<b>11.2</b>	<b>3.7</b>
<b>Pre-Provisioning Profit (PPoP)</b>	<b>1,941</b>	<b>2,439</b>	<b>2,087</b>	<b>2,105</b>	<b>2,115</b>	<b>9.0</b>	<b>0.5</b>
Growth YoY (%)	(2.4)	10.5	25.6	15.3	9.0	1,134bps	(636bps)
<b>Provisions</b>	<b>407</b>	<b>525</b>	<b>377</b>	<b>397</b>	<b>410</b>	<b>0.8</b>	<b>3.3</b>
Growth YoY (%)	(58.1)	(22.4)	7.8	28.0	0.8	5,884bps	(2,721bps)
<b>PBT</b>	<b>1,534</b>	<b>1,915</b>	<b>1,709</b>	<b>1,708</b>	<b>1,705</b>	<b>11.1</b>	<b>(0.2)</b>
Tax	396	493	440	441	439	11.0	(0.3)
<b>PAT</b>	<b>1,139</b>	<b>1,422</b>	<b>1,269</b>	<b>1,268</b>	<b>1,266</b>	<b>11.2</b>	<b>(0.2)</b>
Growth YoY (%)	51.1	25.4	30.7	12.9	11.2	(3,987bps)	(167bps)
<b>Per Share</b>							
FV (Rs)	10	10	10	10	10	0.0	0.0
EPS (Rs)	4	5	4	4	4	10.9	(0.2)
Book Value (Rs)	142	147	149	153	157	10.7	2.6

Source: Company, BOBCAPS Research

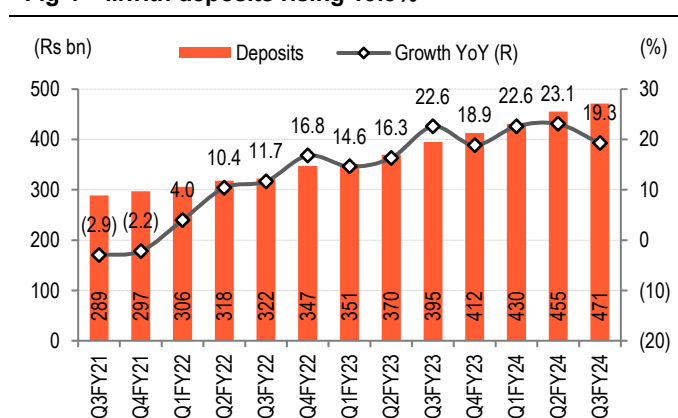
**Fig 2 – Quarterly snapshot: Balance sheet & other key metrics**

(Rs mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY (%)	QoQ (%)
Deposits	395,060	412,389	430,090	454,963	471,200	19.3	3.6
Growth YoY (%)	22.6	18.9	22.6	23.1	19.3	(330bps)	(382bps)
Advances	329,650	343,807	354,740	372,760	389,510	18.2	4.5
Growth YoY (%)	19.2	18.2	19.0	19.1	18.2	(103bps)	(97bps)
Investment	108,540	125,825	133,950	146,761	154,430	42.3	5.2
Equity	44,220	45,661	46,560	47,839	49,120	11.1	2.7
Assets	498,660	523,659	549,740	577,102	598,040	19.9	3.6
Growth YoY (%)	21.1	16.9	21.6	23.4	19.9	(117bps)	(343bps)
<b>Yield (%)</b>							
Yield on Funds	9.41	9.80	9.79	9.82	9.85	44bps	4bps
Cost of Funds	5.97	6.25	6.59	6.75	6.98	101bps	23bps
Spread	3.44	3.54	3.20	3.07	2.87	(57bps)	(20bps)
Net Interest Margin (calc.)	3.92	4.04	3.72	3.58	3.40	(52bps)	(18bps)
<b>Ratios (%)</b>							
Other Income / Net Income	17.6	20.1	18.5	18.4	20.7	308bps	229bps
Cost to Income ratio	64.1	59.9	63.9	63.9	64.6	46bps	72bps
CASA ratio	27.6	26.4	26.0	25.0	26.1	(149bps)	109bps
C/D ratio	83.4	83.4	82.5	81.9	82.7	(78bps)	73bps
Investment to Assets	21.8	24.0	24.4	25.4	25.8	406bps	39bps
<b>Assets Quality</b>							
GNPA	12,233	11,228	11,814	12,813	13,676	11.8	6.74
NNPA	4,532	3,569	4,239	4,764	4,769	5.2	0.1
Provision	7,701	7,659	7,575	8,048	8,908	15.7	10.7
GNPA (%)	3.62	3.19	3.26	3.36	3.43	(19bps)	7bps
NNPA (%)	1.37	1.04	1.19	1.28	1.22	(15bps)	(6bps)
PCR (%)	63.0	68.2	64.1	62.8	65.1	218bps	232bps
<b>Others</b>							
Branches	418	427	436	439	440	22	1
ATMs	385	396	409	414	416	31	2
Employees	9,649	9,905	9,579	10,024	10,539	890	515

Source: Company, BOBCAPS Research

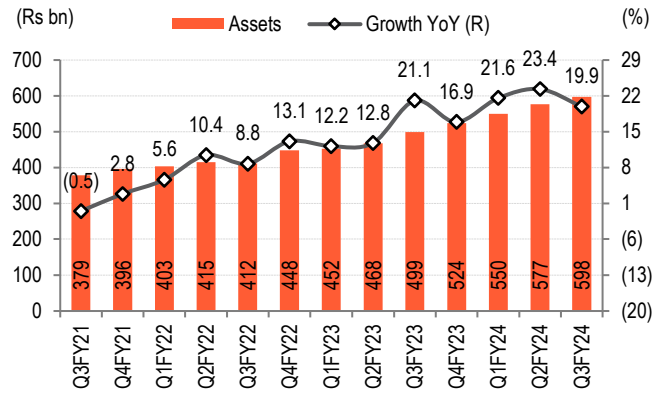
**Fig 3 – Credit grew 18.2% YoY in Q3FY24...**

Source: Company, BOBCAPS Research

**Fig 4 – ...with deposits rising 19.3%**

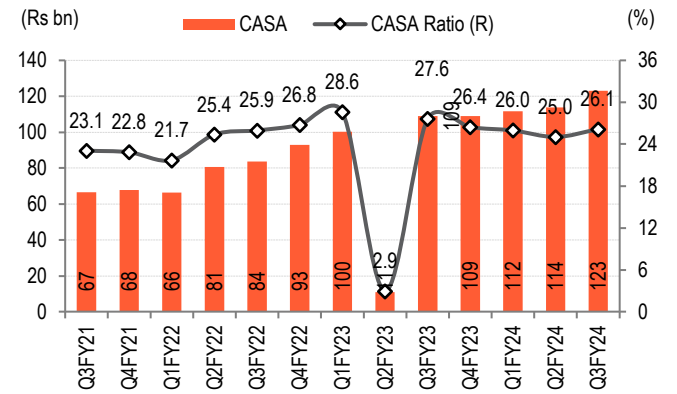
Source: Company, BOBCAPS Research

**Fig 5 – Asset growth healthy**



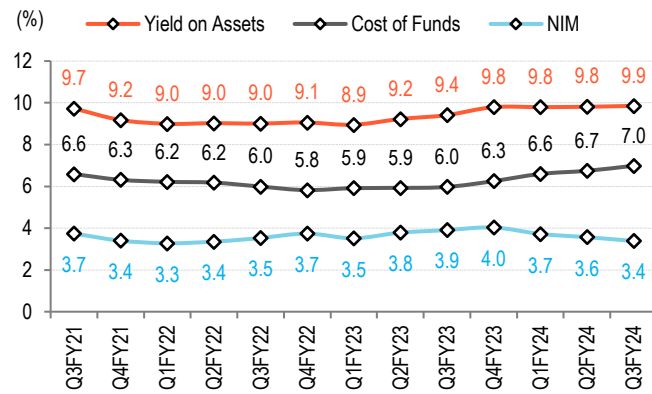
Source: Company, BOBCAPS Research

**Fig 6 – CASA ratio increased 109bps in Q3**



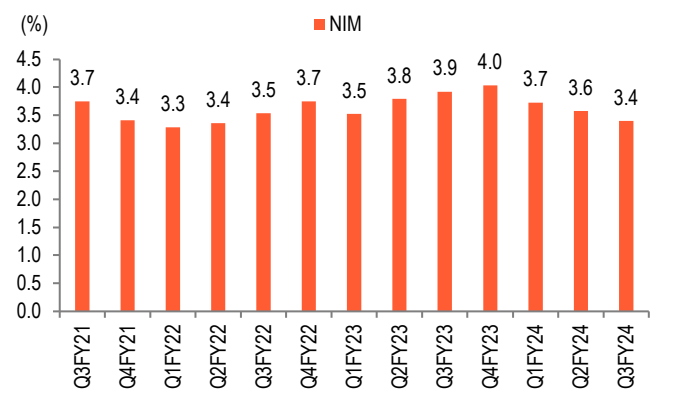
Source: Company, BOBCAPS Research

**Fig 7 – Cost of funds stays high**



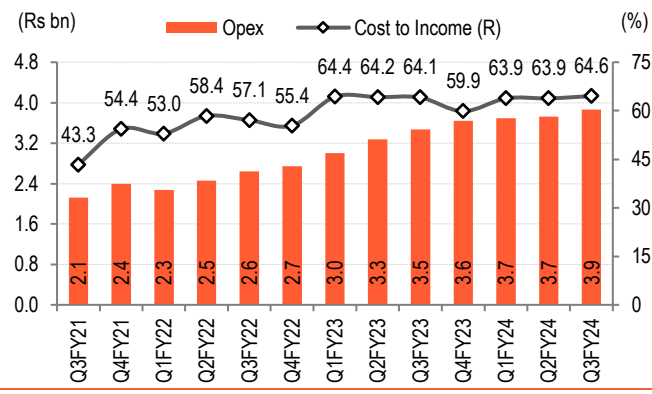
Source: Company, BOBCAPS Research

**Fig 8 – Changing business mix to aid NIM**



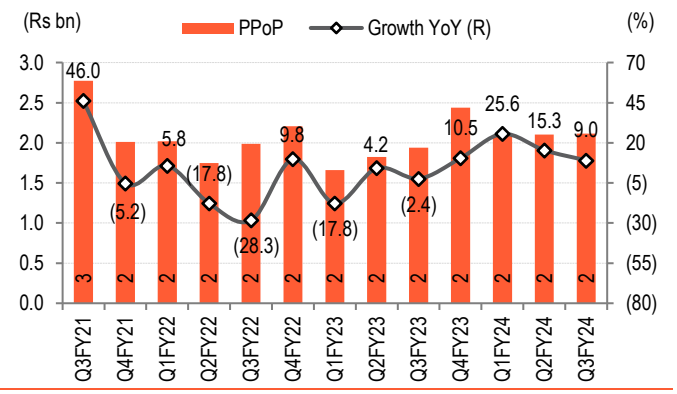
Source: Company, BOBCAPS Research

**Fig 9 – Opex normalisation will take some time**



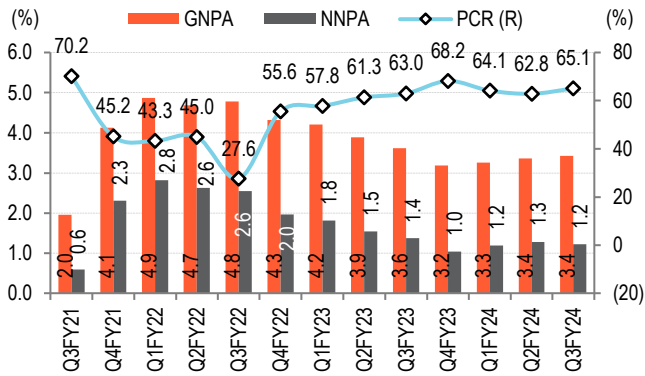
Source: Company, BOBCAPS Research

**Fig 10 – PPOP growth muted**



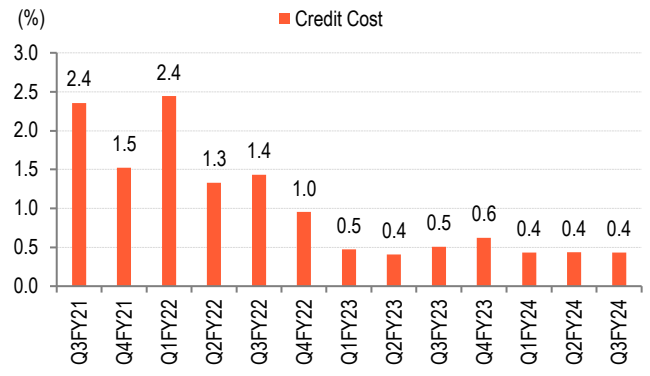
Source: Company, BOBCAPS Research

**Fig 11 – Asset quality stable**



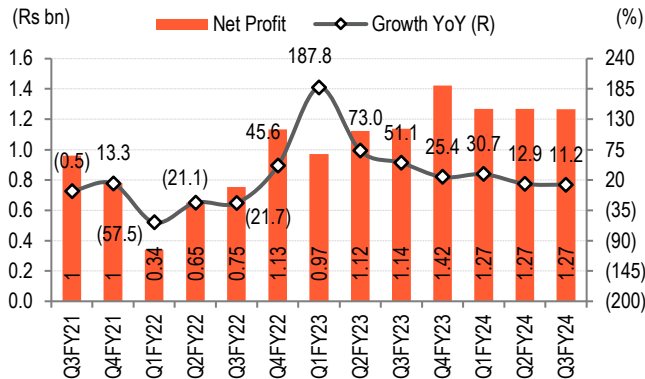
Source: Company, BOBCAPS Research

**Fig 12 – Credit cost to remain at current level for FY24E**



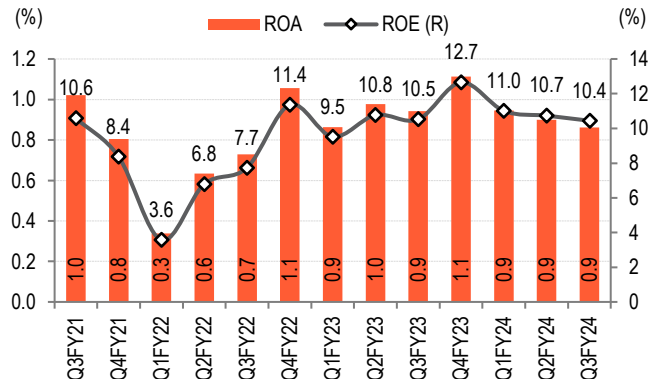
Source: Company, BOBCAPS Research

**Fig 13 – PAT grew 11% YoY**



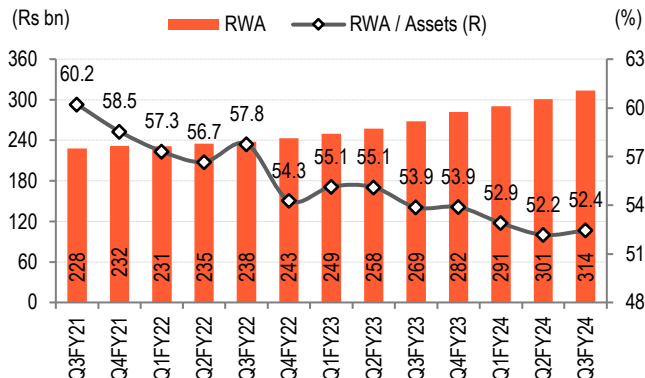
Source: Company, BOBCAPS Research

**Fig 14 – Return ratios likely to improve from hereon**



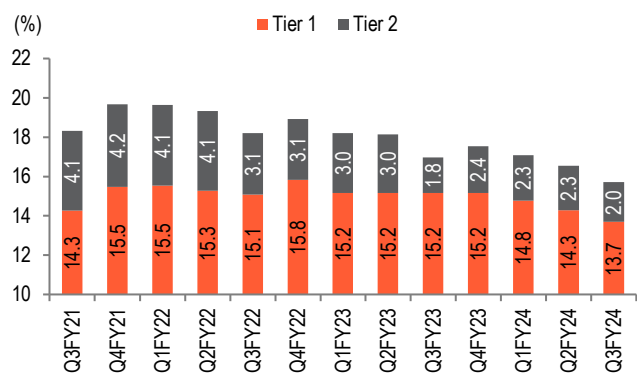
Source: Company, BOBCAPS Research

**Fig 15 – Stable RWA-to-asset ratio to aid CAR**



Source: Company, BOBCAPS Research

**Fig 16 – Well capitalised to fund credit demand**



Source: Company, BOBCAPS Research

**Fig 17 – Loan book trend**

(Rs mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY (%)	QoQ (%)
AIB	72,523	80,107	82,300	87,599	93,093	28.4	6.3
Mortgage	140,761	150,588	158,569	165,505	175,280	24.5	5.9
Corporate banking	32,965	27,161	28,734	31,312	30,382	(7.8)	(3.0)
Gold loans	13,845	13,065	12,771	12,674	12,075	(12.8)	(4.7)
Commercial vehicle loans	5,604	4,813	3,902	2,982	2,337	(58.3)	(21.6)
SME+MSME	29,998	28,880	23,768	24,602	23,371	(22.1)	(5.0)
Co-Lending	21,098	24,754	27,670	29,821	33,498	58.8	12.3
Others	12,856	14,440	17,028	18,265	19,476	51.5	6.6
<b>Total</b>	<b>329,650</b>	<b>343,807</b>	<b>354,740</b>	<b>372,760</b>	<b>389,510</b>	<b>18.2</b>	<b>4.5</b>

Source: Company, BOBCAPS Research

**Fig 18 – Loan book distribution**

Segment (%)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY (%)	QoQ (%)
AIB	22.0	23.3	23.2	23.5	23.9	190bps	40bps
Mortgage	42.7	43.8	44.7	44.4	45.0	230bps	60bps
Corporate banking	10.0	7.9	8.1	8.4	7.8	(220bps)	(60bps)
Gold Loan	4.2	3.8	3.6	3.4	3.1	(110bps)	(30bps)
Commercial vehicle loans	1.7	1.4	1.1	0.8	0.6	(110bps)	(20bps)
SME+MSME	9.1	8.4	6.7	6.6	6.0	(310bps)	(60bps)
Co-Lending	6.4	7.2	7.8	8.0	8.6	220bps	60bps
Others	3.9	4.2	4.8	4.9	5.0	110bps	10bps

Source: Company, BOBCAPS Research

**Fig 19 – Loan disbursement**

(Rs mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY (%)	QoQ (%)
Mortgage	13,950	16,650	14,530	14,660	14,940	7.1	1.9
Gold Loans	3,010	3,760	4,230	3,660	3,410	13.3	(6.8)
AIB	10,360	13,640	9,540	11,260	11,420	10.2	1.4
MSME/MSE	9,680	8,380	3,840	4,260	3,270	(66.2)	(23.2)
Corporate	6,220	5,400	7,910	8,920	7,440	19.6	(16.6)
Construction Finance	2,760	2,900	2,320	2,810	2,590	(6.2)	(7.8)
Sub-Total	45,980	50,730	42,370	45,570	43,070	(6.3)	(5.5)
<b>Total Loan disbursed</b>	<b>45,980</b>	<b>50,730</b>	<b>42,370</b>	<b>45,570</b>	<b>43,070</b>	<b>(6.3)</b>	<b>(5.5)</b>

Source: Company, BOBCAPS Research

**Fig 20 – Disbursement distribution**

Segment (%)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY (%)	QoQ (%)
Mortgage	30.3	32.8	34.3	32.2	34.7	435bps	252bps
Gold Loans	6.5	7.4	10.0	8.0	7.9	137bps	(11bps)
AIB	22.5	26.9	22.5	24.7	26.5	398bps	181bps
MSME/MSE	21.1	16.5	9.1	9.3	7.6	(1,346bps)	(176bps)
Corporate	13.5	10.6	18.7	19.6	17.3	375bps	(230bps)
Construction Finance	6.0	5.7	5.5	6.2	6.0	1bps	(15bps)
Sub-Total	100.0	100.0	100.0	100.0	100.0	0bps	0bps
<b>Total Loan disbursed</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>-</b>	<b>-</b>

Source: Company, BOBCAPS Research

**Fig 21 – Deposit trend**

(Rs mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY (%)	QoQ (%)
CASA	109,110	108,960	111,670	113,910	123,110	12.8	8.1
Resident	224,757	238,799	251,870	269,771	275,339	22.5	2.1
Non-Resident	38,603	40,963	41,395	25,920	26,803	(30.6)	3.4
Inter-Bank	22,590	23,668	25,155	97,199	99,554	340.7	2.4
Term Deposits	285,950	303,430	318,420	341,050	348,090	21.7	2.1
<b>Total Deposits</b>	<b>395,060</b>	<b>412,390</b>	<b>430,090</b>	<b>454,960</b>	<b>471,200</b>	<b>19.3</b>	<b>3.6</b>

Source: Company, BOBCAPS Research

**Fig 22 – Deposit distribution**

(%)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY (%)	QoQ (%)
CASA	27.6	26.4	26.0	25.0	26.1	(149bps)	109bps
Resident	56.9	57.9	58.6	59.3	58.4	154bps	(86bps)
Non-Resident	9.8	9.9	9.6	5.7	5.7	(408bps)	(1bps)
Inter-Bank	5.7	5.7	5.8	21.4	21.1	1,541bps	(24bps)
Term Deposits	72.4	73.6	74.0	75.0	73.9	149bps	(109bps)
<b>Total Deposits</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>0bps</b>	<b>0bps</b>

Source: Company, BOBCAPS Research

## Earnings call highlights

### Asset quality

- DCBB's slippage ratio stood at 4.6% in Q3FY24 vs. 4.5% of loans in Q2FY24 (2.5% vs. 2.7% ex-gold loans).
- Slippages were primarily from the mortgage and gold loan portfolios and arose because customers recently emerged from the Covid moratorium phase and could require another 3-4 months to streamline their repayment cycles.
- Per management, higher slippages were predominantly from the gold loan portfolio and are temporary in nature as these loans are secured and hence unlikely to have a major impact on asset profile.
- Credit cost was 28bps for the quarter. The bank maintained its FY24 guidance at 35-40bps.

### Advances and deposits

- DCBB continued with its guidance of doubling the balance sheet in the next three years and now expects ROA/ROE of 1%/14% over the midterm.
- Management intends to achieve loan growth of above 20% in the medium term and is looking to shift the mix towards high-yielding assets such as LAP within the mortgage business to garner higher margins (100bps margin differential between home loans and LAP).
- The co-lending business is based on partnerships with originators who are either in a different segment, a different product or different geography from the bank. DCBB undertakes co-lending in multiple products, including gold loans, home loans, school finance and business loans, across different geographies.

- Though co-lending is relatively low-yielding, it consumes less capital and thus provides a cushion towards risk-weighted assets.
- The bank's focussed approach towards CASA mobilisation through increased rates has paid off, with CASA during the quarter rising 109bps sequentially to 26.1%.

### **NIM**

- Management expects deposit repricing to be completed over the next two quarters, beyond which NIM would likely gain traction, supported by volumes and a changing mix. The bank retained its target NIM range of 3.65-3.75% for FY24.
- In an environment where low-cost CASA mobilisation is a challenge, the bank intends to focus on managing the cost of funds but is ready to sacrifice some costs to gain savings accounts at a higher interest rate versus high-cost term deposits. It has raised the savings rate to 8% for HNI customers while mass ticket size accounts of Rs 100,000-200,000 are at the lower end of the interest rate band.
- Fee income during Q3FY24 was boosted by treasury gains of Rs 140mn (vs. Rs 40mn in Q2). Management expects fees to grow in line with the portfolio.

### **Other highlights**

- Management plans to significantly reduce its cost-to-asset ratio through judicious investments in employee and the network. The bank added 634 employees during 9MFY24 compared to 1,828 employees in FY23.



## Valuation methodology

DCBB clocked strong business growth during Q3FY24, but the higher cost of deposits led to sequential NIM contraction. Even so, management has retained its FY24 margin guidance of 3.65-3.75% considering a planned thrust on business loans in the mix and the likely completion of deposit repricing over the next two quarters. We continue to model for NIM of 3.6% over FY24/FY25 and 3.5% in FY26 (introduced with this report) considering that the benefits from a rise in high-yielding retail loans will be somewhat offset by a higher cost of funds.

Management has reiterated its target of doubling the balance sheet in three years and stated that it intends to continue investing in network expansion. We bake in higher operational costs and hence an elevated C/I ratio of 64.0%/63.5% in FY24/FY25 (61% in FY26), driving a 6%/11% decline in our PAT estimates.

DCBB is confident of asset quality improvement as customers emerging from moratorium streamline their loan repayment cycles over the next 3-4 months. As against management's credit cost guidance of 40-45bps, we continue to model for credit cost of 45bps for FY24/FY25 (54bps for FY26).

On rolling valuations forward, we arrive at a new TP of Rs 172 (vs. Rs 144), set at 0.9x FY26E ABV (vs. 0.8x FY25E ABV) using the Gordon Growth Model. Considering healthy growth, stable margins and likely improvement in asset quality, we retain our BUY rating on the stock.

**Fig 23 – Revised estimates**

(Rs mn)	New		Old		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Loan	408,787	488,500	408,787	482,369	0.0	1.3
Deposits	494,867	591,366	500,228	594,771	(1.1)	(0.6)
Assets	622,724	744,176	620,291	730,124	0.4	1.9
NII	19,200	23,118	19,764	23,073	(2.9)	0.2
PPOP	8,495	10,458	8,928	11,450	(4.9)	(8.7)
Provisions	1,618	2,019	1,618	2,005	0.0	0.7
PAT	5,127	6,279	5,450	7,027	(5.9)	(10.6)

Source: BOBCAPS Research

**Fig 24 – Key operational assumptions**

Parameter (%)	FY23	FY24E	FY25E	FY26E
Advances Growth	18.2	18.9	19.5	19.0
NII Growth	26.5	11.8	20.4	17.2
PPoP Growth	(1.3)	8.0	23.1	26.2
PAT Growth	61.9	10.1	22.5	22.1
NIM	3.8	3.6	3.6	3.5
GNPA	3.2	3.4	3.0	2.8
CAR	17.6	16.0	15.2	14.4

Source: Company, BOBCAPS Research

**Fig 25 – Key valuation assumptions**

Gordon growth model	(%)
Return on Equity (RoE)	11.6
Cost of Equity (Ke)	12.5
Growth (Period 1)	9.3
Growth (Long Term)	4.6
Initial High Growth Period (yrs)	10.0
Dividend Payout (Period 1)	20.0
Dividend Payout (Long Term)	60.0
Factor 1	1.7
Factor 2	6.0
Justified P/BV Multiple	0.9

Source: Company, BOBCAPS Research

## Key risks

- Inability of the bank to manage a higher cost of funds with faster deposit repricing would represent a key downside risk to our estimates.

## Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Axis Bank	AXSB IN	39.1	1,042	1,252	BUY
Bandhan Bank	BANDHAN IN	4.3	221	276	BUY
DCB Bank	DCBB IN	0.5	135	172	BUY
Federal Bank	FB IN	4.2	142	189	BUY
HDFC Bank	HDFCB IN	131.6	1,435	1,896	BUY
ICICI Bank	ICICIB IN	86.2	1,010	1,189	BUY
Indusind Bank	IIB IN	14.3	1,512	1,952	BUY
Kotak Mahindra Bank	KMB IN	46.2	1,768	2,100	BUY
RBL Bank	RBK IN	1.9	255	309	BUY
State Bank of India	SBIN IN	66.6	613	747	BUY

Source: BOBCAPS Research, NSE | Price as of 25 Jan 2024

## Glossary

Glossary of Abbreviations			
<b>AUCA</b>	Advance Under Collection Account	<b>LCR</b>	Liquidity Coverage Ratio
<b>AIB</b>	Agri & Inclusive Banking	<b>MCLR</b>	Marginal Cost of Funds-based Lending Rate
<b>ARC</b>	Asset Reconstruction Company	<b>MFI</b>	Microfinance Institution
<b>BC</b>	Business Correspondent	<b>MTM</b>	Mark to Market
<b>BRDS</b>	Bills Rediscounting Scheme	<b>NII</b>	Net Interest Income
<b>CASA</b>	Current Account and Savings Account	<b>NIM</b>	Net Interest Margin
<b>CAR</b>	Capital Adequacy Ratio	<b>NNPA</b>	Net Non-Performing Assets
<b>CET1</b>	Common Equity Tier 1	<b>PCR</b>	Provision Coverage Ratio
<b>CD</b>	Credit-Deposit Ratio	<b>PPOP</b>	Pre-Provision Operating Profit
<b>C/I</b>	Cost-Income Ratio	<b>PSU</b>	Public Sector Unit
<b>CRB</b>	Commercial and Rural Banking	<b>RWA</b>	Risk-weighted Assets
<b>EBLR</b>	External Benchmark-based Lending Rate	<b>SLR</b>	Statutory Liquidity Ratio
<b>ECL</b>	Expected Credit Loss	<b>SMA</b>	Special Mention Account
<b>GNPA</b>	Gross Non-Performing Assets	<b>SME</b>	Small and Medium-sized Enterprises
<b>IBPC</b>	Interbank Participation Certificate	<b>TreDS</b>	Trade Receivables electronic Discounting System
<b>LAP</b>	Loans against Property		

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
<b>Net interest income</b>	<b>13,575</b>	<b>17,170</b>	<b>19,200</b>	<b>23,118</b>	<b>27,104</b>
NilI growth (%)	5.5	26.5	11.8	20.4	17.2
Non-interest income	4,520	4,094	4,616	5,536	6,575
Total income	18,095	21,264	23,816	28,654	33,679
Operating expenses	10,126	13,397	15,322	18,196	20,483
PPOP	7,970	7,867	8,495	10,458	13,197
PPOP growth (%)	(11.3)	(1.3)	8.0	23.1	26.2
Provisions	4,074	1,592	1,618	2,019	2,889
PBT	3,895	6,276	6,876	8,439	10,308
Tax	1,020	1,620	1,749	2,160	2,639
<b>Reported net profit</b>	<b>2,875</b>	<b>4,656</b>	<b>5,127</b>	<b>6,279</b>	<b>7,669</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>2,875</b>	<b>4,656</b>	<b>5,127</b>	<b>6,279</b>	<b>7,669</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Equity capital	3,110	3,115	3,121	3,121	3,121
Reserves & surplus	37,378	42,546	47,165	52,816	59,335
Net worth	40,488	45,661	50,286	55,937	62,456
Deposits	346,917	412,389	494,867	591,366	700,769
Borrowings	40,818	41,181	58,477	67,249	75,991
Other liab. & provisions	19,702	24,427	19,094	29,625	40,102
<b>Total liab. &amp; equities</b>	<b>447,926</b>	<b>523,659</b>	<b>622,724</b>	<b>744,176</b>	<b>879,318</b>
Cash & bank balance	40,908	23,684	26,567	32,587	40,702
Investments	90,507	125,825	156,887	187,854	215,306
Advances	290,958	343,807	408,787	488,500	581,316
Fixed & Other assets	25,554	30,342	30,483	35,235	41,994
<b>Total assets</b>	<b>447,926</b>	<b>523,659</b>	<b>622,724</b>	<b>744,176</b>	<b>879,318</b>
Deposit growth (%)	16.8	18.9	20.0	19.5	18.5
Advances growth (%)	12.1	18.2	18.9	19.5	19.0

### Per Share

Y/E 31 Mar (Rs)	FY22A	FY23A	FY24E	FY25E	FY26E
EPS	9.3	15.0	16.4	20.1	24.6
Dividend per share	1.0	1.3	1.6	2.0	3.7
Book value per share	130.2	146.6	161.1	179.2	200.1

### Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23A	FY24E	FY25E	FY26E
P/E	14.6	9.0	8.2	6.7	5.5
P/BV	1.0	0.9	0.8	0.8	0.7
Dividend yield (%)	0.7	0.9	1.2	1.5	2.7

### DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23A	FY24E	FY25E	FY26E
Net interest income	3.2	3.5	3.3	3.4	3.3
Non-interest income	1.1	0.8	0.8	0.8	0.8
Operating expenses	2.4	2.8	2.7	2.7	2.5
Pre-provisioning profit	1.9	1.6	1.5	1.5	1.6
Provisions	1.0	0.3	0.3	0.3	0.4
PBT	0.9	1.3	1.2	1.2	1.3
Tax	0.2	0.3	0.3	0.3	0.3
ROA	0.7	1.0	0.9	0.9	0.9
Leverage (x)	10.8	11.3	11.9	12.9	13.7
ROE	7.4	10.8	10.7	11.8	13.0

### Ratio Analysis

Y/E 31 Mar	FY22A	FY23A	FY24E	FY25E	FY26E
<b>YoY growth (%)</b>					
Net interest income	5.5	26.5	11.8	20.4	17.2
Pre-provisioning profit	(11.3)	(1.3)	8.0	23.1	26.2
EPS	(14.5)	61.7	9.9	22.3	22.1
<b>Profitability &amp; Return ratios (%)</b>					
Net interest margin	3.4	3.8	3.6	3.6	3.5
Fees / Avg. assets	0.1	0.2	0.2	0.2	0.2
Cost-Income	56.0	63.0	64.3	63.5	60.8
ROE	7.4	10.8	10.7	11.8	13.0
ROA	0.7	1.0	0.9	0.9	0.9
<b>Asset quality (%)</b>					
GNPA	4.2	3.2	3.4	3.0	2.8
NNPA	2.0	1.0	1.2	1.1	1.0
Slippage ratio	6.8	5.8	4.6	4.0	3.6
Credit cost	1.5	0.5	0.4	0.5	0.5
Provision coverage	53.6	67.2	63.8	63.9	64.0
<b>Ratios (%)</b>					
Credit-Deposit	83.9	83.4	82.6	82.6	83.0
Investment-Deposit	26.1	30.5	31.7	31.8	30.7
CAR	18.9	17.6	16.0	15.2	14.4
Tier-1	15.8	15.2	13.9	13.2	12.5

Source: Company, BOBCAPS Research

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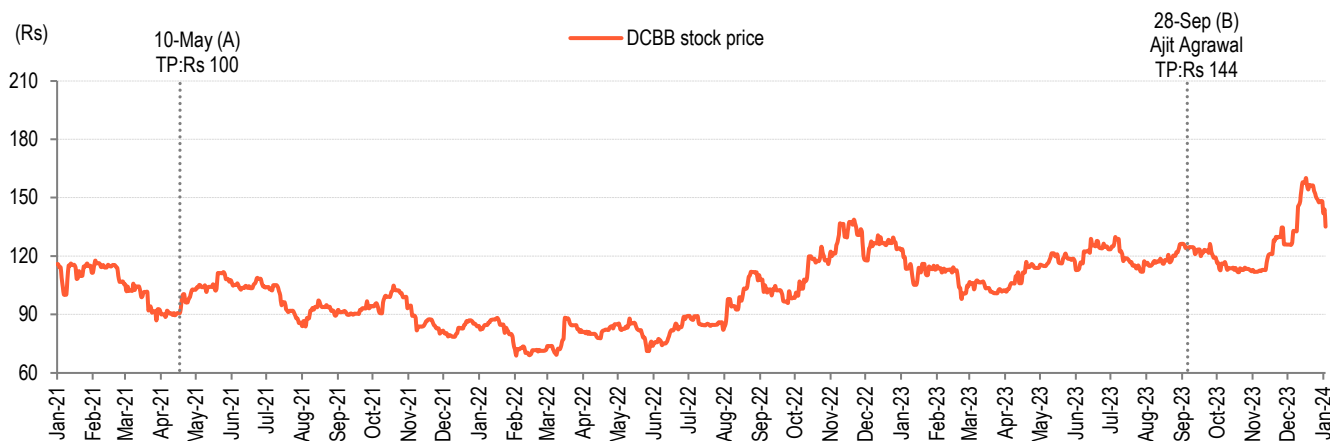
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