

Estimate change



TP change



Rating change



Bloomberg	DCBB IN
Equity Shares (m)	313
M.Cap.(INRb)/(USDb)	41.7 / 0.5
52-Week Range (INR)	163 / 110
1, 6, 12 Rel. Per (%)	-9/-21/-17
12M Avg Val (INR M)	377

## Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
NII	19.3	22.1	26.8
OP	8.6	10.1	13.1
NP	5.4	6.1	7.5
NIM (%)	3.7	3.5	3.6
EPS (INR)	17.1	19.5	24.0
EPS Gr. (%)	14.6	13.5	23.3
BV/Sh. (INR)	157	174	196
ABV/Sh. (INR)	146	163	184

## Ratios

RoE (%)	11.9	12.1	13.3
RoA (%)	0.9	0.9	0.9

## Valuations

P/E (x)	7.8	6.8	5.5
P/BV (x)	0.8	0.8	0.7
P/ABV (x)	0.9	0.8	0.7

## Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	14.8	14.8	14.8
DII	27.6	29.7	39.8
FII	14.7	12.8	12.3
Others	43.0	42.8	33.1

FII Includes depository receipts

**CMP: INR133**

**TP: INR175 (+31%)**

**Buy**

## One-offs, higher opex drag down earnings

### Operating leverage to improve; re-iterates margin, growth guidance

- DCB Bank (DCBB) reported 3.5% YoY decline in PAT to INR1.3b (7% miss) in 1QFY25, due to lower net interest income and higher opex.
- NII grew 5.5% YoY to INR4.97b (6% miss). NIMs moderated 23bp QoQ to 3.39%, affected by interest reversals (due to regulatory changes) and the replacement of penal interest with penal charges.
- Advances grew 19% YoY/3.1% QoQ, supported by healthy growth in mortgages and gold loans. Deposits rose 20.2% YoY/4.7% QoQ, led by growth in term deposits. CASA mix moderated 62bp QoQ to 25.4%.
- Fresh slippages increased to INR3.72b (vs. INR3.22b in 4QFY24) due to higher slippages in mortgages. GNPA/NNPA ratios increased by 10bp/7bp QoQ to 3.33%/1.18%.
- We cut our earnings estimates by 4.3%/3.8% for FY25/FY26. We estimate FY26 RoA/RoE at 0.93%/13.3%. **Reiterate Buy with a TP of INR175 (based on 1x FY26E ABV).**

### Business growth healthy; one-offs dent NIMs by 23bp QoQ

- DCBB reported 3.5% YoY growth in PAT to INR1.3b (7% miss), hit by lower NII and higher opex. NIMs moderated 23bp QoQ to 3.39%, affected by interest reversals (due to regulatory changes) and the replacement of penal interest with penal charges.
- NII thus grew 5.5% YoY to INR4.97b (6% miss, down 2% QoQ). Other income grew 33.7% YoY to INR1.4b (12% beat), resulting in 10.7% YoY growth in total revenues (in line). The management guides for an unchanged NIM outlook at 3.65%-3.75%.
- Opex increased 17.7% YoY (4% above MOFSLe) as the bank continued to invest in the business and increased the employee count. PPop thus declined 1.6% YoY to INR2.05b. C/I ratio increased to 67.9%. Provisions stood at INR284m (down 24.8% YoY/up 18% QoQ).
- Advances grew 19% YoY, supported by healthy growth in mortgages and gold loans. Business loan as % of mortgage stood at 50%, but the bank expects to improve it going further to improve yields. Deposits rose 20.2% YoY/4.7% QoQ, led by growth in term deposits. CASA mix moderated 62bp QoQ to 25.4%. CD ratio thus stood at 81.6% and the management aims to bring it below 80%.
- Fresh slippages increased to INR3.72b (vs. INR3.22b in 4QFY24) due to higher slippages in mortgages. GNPA/NNPA ratios deteriorated 10bp/7bp QoQ to 3.33%/1.18%. PCR moderated 123bp QoQ to 65.2%. The restructured book stood at INR9.87b (2.3% of loans).

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

**Research Analyst: Dixit Sankharva** (Dixit.Sankharva@MotilalOswal.com) | **Disha Singhal** (Disha.Singhal@MotilalOswal.com)

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

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**Highlights from the management commentary**

- The management guided for RoA of 1% and RoE at ~14% in the near term.
- NIM compression was a result of two components: 1) the bank is in the last leg of term deposit renewals, and 2) some regulatory changes in loans resulted in interest reversal, which was a one-time item and included replacement of penal interest with penal charges.
- The bank has also ensured that loan disbursement interests are accrued from the handover date and not necessarily from the disbursement date, so on an ongoing basis, NIM is expected to go up as the bank expects the one-off to get eliminated.

**Valuation and view**

DCBB reported a mixed quarter as earnings came in below our estimate due to lower NII and higher opex and margin moderated 23bp QoQ due to a one-off event. However, the management expects NIMs to remain steady in the coming quarters as the asset mix improves in favor of high-yielding business loans and the bank focuses on SME overdrafts rather than smaller-tenor SME loans. Moreover, margin will also benefit from increased EBLR due to a shift in hybrid loans from fixed rates to floating rates. Loan growth was steady, led by healthy growth in mortgages and gold loans, while deposits too grew strongly. Fresh slippages increased, with asset quality ratios witnessing marginal deterioration. The restructured book was under control at 2.3% of loans. We cut our earnings estimates by 4.3%/3.8% for FY25/FY26. We estimate FY26 RoA/RoE at 0.93%/13.3%. **Reiterate Buy with a TP of INR175 (based on 1x FY26E ABV).**

**Quarterly Performance****(INR b)**

	FY24				FY25E				FY24	FY25E	FY25E	V/s our
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Est
<b>Net Interest Income</b>	<b>4.7</b>	<b>4.8</b>	<b>4.7</b>	<b>5.1</b>	<b>5.0</b>	<b>5.4</b>	<b>5.7</b>	<b>6.0</b>	<b>19.3</b>	<b>22.1</b>	<b>5</b>	<b>-6%</b>
% Change (Y-o-Y)	25.9	15.7	6.3	4.4	5.5	13.3	20.3	19.0	12.3	14.6	11.8	
Other Income	1.1	1.1	1.2	1.4	1.4	1.4	1.5	1.5	4.7	5.8	1	12%
<b>Total Income</b>	<b>5.8</b>	<b>5.8</b>	<b>6.0</b>	<b>6.4</b>	<b>6.4</b>	<b>6.8</b>	<b>7.2</b>	<b>7.6</b>	<b>24.0</b>	<b>27.9</b>	<b>7</b>	<b>-2%</b>
Operating Expenses	3.7	3.7	3.9	4.1	4.3	4.4	4.5	4.6	15.4	17.8	4	4%
<b>Operating Profit</b>	<b>2.1</b>	<b>2.1</b>	<b>2.1</b>	<b>2.3</b>	<b>2.1</b>	<b>2.4</b>	<b>2.7</b>	<b>2.9</b>	<b>8.6</b>	<b>10.1</b>	<b>2</b>	<b>-13%</b>
% Change (Y-o-Y)	25.6	15.3	9.0	(4.2)	(1.6)	15.0	27.6	24.8	9.9	16.7	12.5	
Provisions	0.4	0.4	0.4	0.2	0.3	0.5	0.5	0.6	1.4	1.9	0	-36%
<b>Profit before Tax</b>	<b>1.7</b>	<b>1.7</b>	<b>1.7</b>	<b>2.1</b>	<b>1.8</b>	<b>2.0</b>	<b>2.2</b>	<b>2.3</b>	<b>7.2</b>	<b>8.2</b>	<b>2</b>	<b>-7%</b>
Tax	0.4	0.4	0.4	0.5	0.5	0.5	0.6	0.6	1.9	2.1	0	-7%
<b>Net Profit</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.6</b>	<b>1.3</b>	<b>1.5</b>	<b>1.6</b>	<b>1.7</b>	<b>5.4</b>	<b>6.1</b>	<b>1</b>	<b>-7%</b>
% Change (Y-o-Y)	30.7	12.9	11.2	9.5	3.5	15.1	27.2	9.3	15.1	13.5	11.4	
<b>Operating Parameters</b>												
Deposit (INR b)	430.1	455.0	471.2	493.5	516.9	541.6	565.7	589.8	493.5	589.8	512.9	1%
Loan (INR b)	354.7	372.8	389.5	409.2	421.8	447.1	466.0	485.0	409.2	485.0	424.6	-1%
Deposit Growth (%)	22.6	23.1	19.3	19.7	20.2	19.1	20.1	19.5	19.7	19.5	19.2	
Loan Growth (%)	19.0	19.1	18.2	19.0	18.9	19.9	19.6	18.5	19.0	18.5	19.7	
<b>Asset Quality</b>												
Gross NPA (%)	3.3	3.4	3.4	3.2	3.3	3.1	3.0	2.8	3.4	2.8	3.2	
Net NPA (%)	1.2	1.3	1.2	1.1	1.2	1.1	1.1	1.0	1.2	1.0	1.1	
PCR (%)	64.1	62.8	65.1	66.4	65.2	65.5	65.1	65.3	63.9	65.3	66.3	

E: MOFSL Estimates

## Quarterly Snapshot

	FY24				FY25	Change (%)	
	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
<b>Profit and Loss (INR m)</b>							
<b>Net Interest Income</b>	4.7	4.8	4.7	5.1	5.0	5	-2
Other Income	1.1	1.1	1.2	1.4	1.4	34	5
<b>Total Income</b>	5.8	5.8	6.0	6.4	6.4	11	-1
Operating Expenses	3.7	3.7	3.9	4.1	4.3	18	6
Employee	2.0	1.9	2.0	2.1	2.3	16	6
Others	1.7	1.8	1.9	2.0	2.1	20	5
<b>Operating Profits</b>	2.1	2.1	2.1	2.3	2.1	-2	-12
<b>Core Operating Profits</b>	2.1	2.1	2.0	2.2	1.9	-8	-15
Provisions	0.4	0.4	0.4	0.2	0.3	-25	18
<b>PBT</b>	1.7	1.7	1.7	2.1	1.8	4	-16
Taxes	0.4	0.4	0.4	0.5	0.5	4	-16
<b>PAT</b>	1.3	1.3	1.3	1.6	1.3	3	-16
<b>Balance Sheet (INR B)</b>							
Loans	355	373	390	409	422	19	3
Deposits	430	455	471	494	517	20	5
CASA Deposits	112	114	123	128	131	18	2
-Savings	91	92	102	104	110	21	6
-Current	21	21	21	24	21	2	-12
<b>Loan Mix (%)</b>							
Retail Banking	72.6	72.1	72.6	73.7	74.3	170	60
-Mortgages	44.7	44.4	45.0	44.9	45.4	70	50
-CV2	1.1	0.8	0.6	0.4	0.4	-70	0
-AIB	23.2	23.5	23.9	25.3	25.2	200	-10
-Gold loans	3.6	3.4	3.1	3.1	3.3	-30	20
SME	8.1	6.6	6.0	5.9	6.2	-190	30
Co-lending	6.7	8.0	8.6	7.5	7.1	40	-40
Corporate	7.8	8.4	7.8	7.6	6.9	-90	-70
<b>Asset Quality</b>							
GNPA	11.81	12.81	13.68	13.53	14.35	21	6
NNPA	4.24	4.76	4.77	4.54	4.99	18	10
Slippages	3.4	4.0	4.3	3.2	3.7	9	15
<b>Asset Quality Ratios (%)</b>							
	1Q	2Q	3Q	4Q	1Q	YoY (bp)	QoQ (bp)
GNPA (%)	3.3	3.4	3.4	3.2	3.3	7	10
NNPA (%)	1.2	1.3	1.2	1.1	1.2	-1	7
PCR (Exc TWO, %)	64.1	62.8	65.1	66.4	65.2	108	-123
Slippage ratio (%)	5.0	5.5	5.7	4.1	4.6	-39	50
<b>Business Ratios (%)</b>							
CASA	26.0	25.0	26.1	26.0	25.4	-56	-62
Loan/Deposit	82.5	81.9	82.7	82.9	81.6	-88	-132
Other income/Total Income	18.5	18.4	20.7	21.2	22.4	385	120
Cost to Income	63.9	63.9	64.6	63.7	67.9	401	420
Cost to Asset	2.9	2.9	2.8	2.8	2.9	-4	7
Tax Rate	25.7	25.8	25.8	25.8	25.8	3	2
<b>Capitalisation Ratios (%)</b>							
Tier-1	14.8	14.3	13.7	14.5	14.0	-78	-53
CAR	17.1	16.6	15.7	16.6	16.0	-114	-64
RWA / Total Assets	52.9	52.2	52.4	52.1	53.0	14	96
LCR	121.5	117.5	127.5	120.7	NA	NA	NA
<b>Profitability Ratios (%)</b>							
Yield on loans	11.6	11.6	11.4	11.7	11.5	-5	-21
Cost of funds	6.7	6.9	7.0	7.1	7.2	49	5
Margins	3.83	3.69	3.48	3.62	3.39	-44	-23
<b>Others</b>							
Branches	436	439	440	442	445	9	3
ATM	409	414	416	418	418	9	0
Employees (K)	9.6	10.0	10.5	11.3	11.9	2	1



## Highlights from the management commentary

### Opening remarks

- In 1Q, the bank's advances grew 19% YoY, while deposits grew 20% YoY.
- Mortgages (Home Loan + LAP), MSME/SME, Gold Loan, Co-lending, AIB, Construction Finance are expected to lead the growth.
- In CASA, the focus is on savings accounts; savings growth was 21% YoY. CASA improvement would be led by the digital channel and relationship manager-led engagement.
- LCR was well above 120%, which is the threshold use internally.
- On the non-financial front, the bank had two very important technology upgrades: 1) it upgraded the treasury system, and 2) from a cyber-security perspective, the bank upgraded the SIEM system.
- Mortgage products are undergoing a revamp. They will be reoriented to business loans. Moreover, the bank is reclaiming the INR5m-INR10m space very well within the MSME self-employed segment.
- Top 20 deposits came down to 6.88% of total deposits in a tight liquidity market.
- SME book will be more focused on the overdraft product than what it is currently.

### Advances and deposits

- On the deposit front, the bank aims to focus on CASA, for which the bank has launched new products and announced an effective fintech tie-up, which resulted in an increase in SA deposits.
- DCBB has always been a playing key role in alliance and partnership and is involved in more than 10 co-lending partners. It also has relationships with many financial institutions.
- The bank has not seen any deterioration in the MFI book and the repayment is consistent.
- ~1.5-2% will be the yield difference between the customer taking business loan and the customer taking home loan.
- If EBLR rate is cut going forward, the bank will have savings deposits, in which rates can be cut to maintain margins.
- The transition from home loans to business loans is in process, which gives the bank additional yields.
- Construction finance book is ~4-5% of the total book.
- Bulk of SA account balances for the bank come at the lower bucket of the pricing band. The bank offers higher rates on higher ticket size to attract customers for SA.
- Repricing of long-tenor term deposits will continue until the middle of 3Q, after which there will be a stabilization in the cost of deposits.
- Movement from 50:50 business loans to higher business loans and a reduction in thread SME will lead to higher yields going forward.
- CD ratio stands at 81.6% currently and there is sufficient cushion. The bank expects it to be under 80% in the short term to have strong liquidity.
- Improving liability profile by focusing more on individual, then on institutions and entities.
- Business loan as % of mortgage is 50% currently, but the bank expects to improve it going further.

### Cost and income

- NIMs moderated 23bp QoQ to 3.39%. NIM compression was a result of two component. One is that the bank is in the last leg of term deposit renewals and the other is that some regulatory changes in loans resulted in interest reversal, which was a one-time event and included replacement of penal interest with penal charges.
- Also, the bank has ensured that loan disbursement interests are accrued from the handover date and not necessarily from the disbursement date, and so on an ongoing basis, NIM is expected to go up as the bank expects this one-off to get eliminated.
- The pace of increase in the cost of deposits has come down and is expected to stabilize by the middle of third quarter.
- Three drivers for NIM expansion going forward are:
  - Rejig of the mortgage book, which would lead to higher quantum of business loans over home loans. The onboarding rate on business loans is significantly higher than that on housing loans.
  - Focusing on overdraft SME at the expense of SME thread, which is a smaller-tenor loan at a lower yield. It will compensate with SME overdraft facility and a difference in the yield can be seen.
  - As and when hybrid loans come up from fixed to floating, the bank gets the benefit of the increased EPLR, which is not being passed on because of the benchmark changing.
- The cost-to-avg assets is expected to come down to 2.5% in the near future.
- There has been a considerable usage of capital as the bank works on 53% RWA, which resulted in RoE being ~12.5x RoA.
- If the bank expects 20% growth, then the fresh infusion of capital would certainly happen.
- In case of a rate cut, the bank will ensure that there is a simultaneous drop in a similar rate on a savings account book, where the proportions would be similar. The bank has ~INR110b book on savings accounts and if that particular portion of INR420b of asset book were to have a benchmark-related reduction, the bank would see a similar reduction in a similar timeframe happening on the savings account book too.
- INR1.14b of fee income was primarily due to some good performances from the third party, distribution, processing fee, etc. It was also due to the penal charges coming to play instead of penal interest, which would otherwise come in as fee income.
- Opex was high due to an increase in the headcount and investments in technology, of which the impact is yet to come.
- Term deposit rates will stabilize in 2Q; volume growth will reflect in NII growth from mid-3Q.
- Salary increases were done in 1Q. The incremental frontline workforce hiring resulted in cost increases.
- Income coming from IPO financing also helped to increase core fee income, along with many one-offs. Core fee income is expected to reach the 1% mark going forward.
- The bank's hiring strategy is a lever to maintain productivity.

### Asset quality

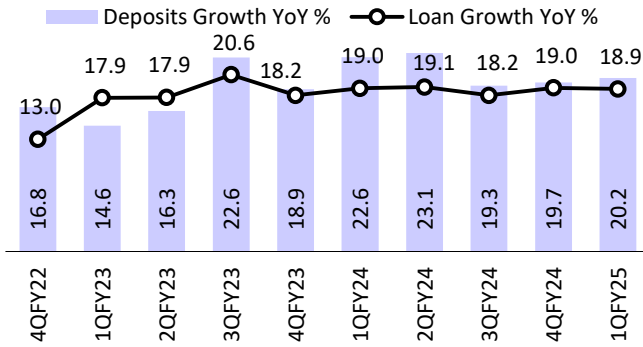
- GNPA/NNPA ratios deteriorated 10bp/7bp QoQ to 3.33%/1.18%. PCR stood at 76%.
- The bank has guided for GNPA of below 2.50% and NNPA of 1.00%.
- Fresh slippages increased due to higher slippages in mortgages; however, recoveries are expected to pick up.
- Collection efficiency is improving and the bank expects this to continue.
- DCBB has a vintage tool from which a recovery is expected to happen; ~INR7b of mortgage and SME recovery tool is there.
- The bank expects RWA to be in range of 53-54% going forward as well.
- It guides for credit cost at ~45-55bp.

#### Guidance

- The bank guides for RoA of 1% or above and RoE closer to 14% in the near term.
  - It expects C/I ratio of 55% or below in the near term and the cost-to-average assets of 2.4% to 2.5%.
  - DCBB aims to double the book in the next 3-4 years.
  - The bank expects NIMs to be ~3.65%-3.75% going forward.
  - Comfortable 19-20% growth in advances expected.
  - The bank will continue to add the headcount to continue to fund the growth.
- The bank plans to add branches every year.

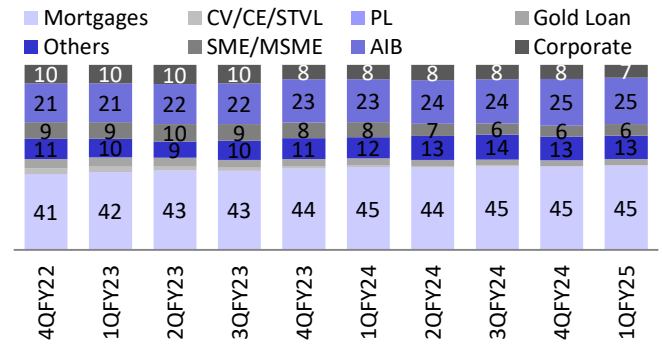
## Story in charts

**Exhibit 1: Loan/Deposit book grew 19% YoY/20% YoY**



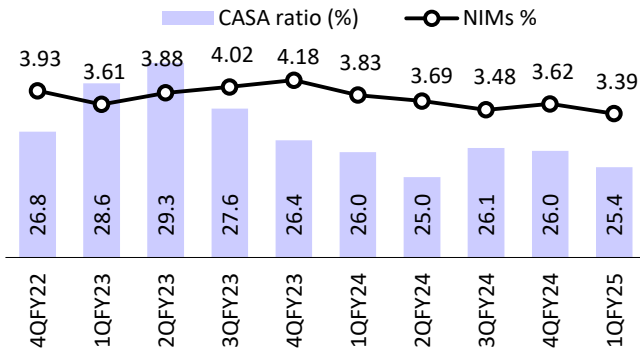
Source: MOFSL, Company

**Exhibit 2: Loan mix**



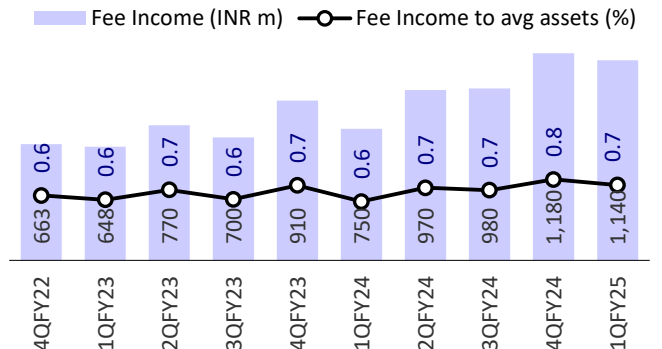
Source: MOFSL, Company

**Exhibit 3: CASA ratio stood at 25.4%; NIMs at 3.39%**



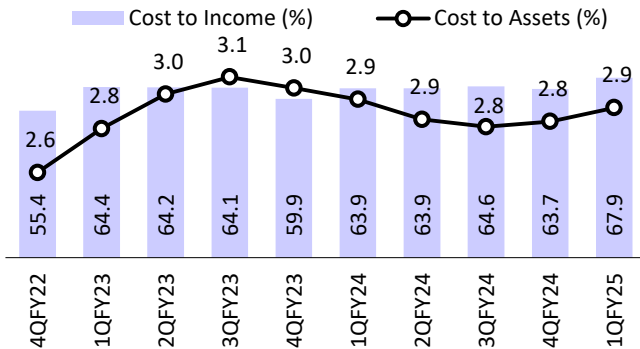
Source: MOFSL, Company

**Exhibit 4: Fee income to assets stood at 0.7% of avg assets**



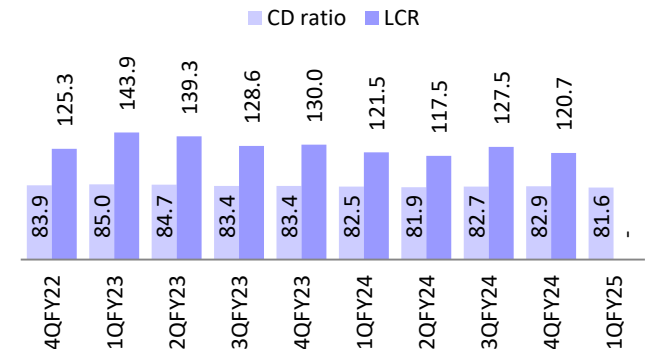
Source: MOFSL, Company

**Exhibit 5: CI ratio increased to 67.9%; Cost/asset at 2.9%**



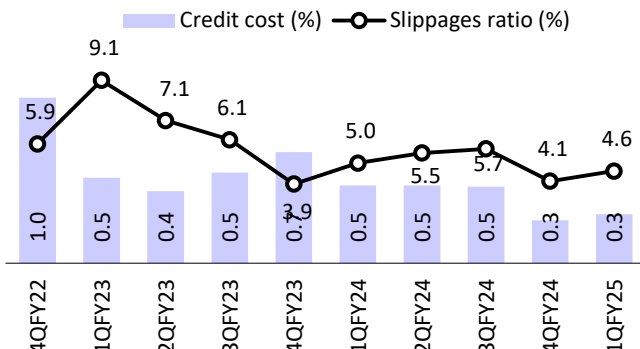
Source: MOFSL, Company

**Exhibit 6: CD ratio at 81.6% during the quarter**



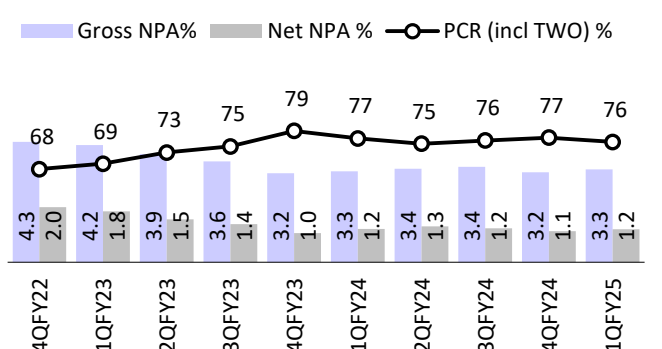
Source: MOFSL, Company

**Exhibit 7: Slippage ratio increased to 4.6%**



Source: MOFSL, Company

**Exhibit 8: GNPA/NNPA ratio deteriorated to 3.3%/1.2%**



Source: MOFSL, Company



### Valuation and view - Maintain Buy with a TP of INR175

- DCBB reported a mixed quarter as earnings came in below our estimate due to lower NII and higher opex and margin moderated 23bp QoQ due to a one-off event. However, the management expects NIMs to remain steady in the coming quarters as the asset mix improves in favor of high-yielding business loans and the bank focuses on SME overdrafts rather than smaller-tenor SME loans. Moreover, margin will also benefit from increased EBLR due to a shift in hybrid loans from fixed rates to floating rates.
- Loan growth was steady, led by healthy growth in mortgages and gold loans, while deposits too grew strongly. Fresh slippages increased, with asset quality ratios witnessing marginal deterioration. The restructured book was under control at 2.3% of loans.
- We cut our earnings estimates by 4.3%/3.8% for FY25/FY26. We estimate FY26ERoA/RoE at 0.93%/13.3%. **Reiterate Buy with a TP of INR175 (based on 1x FY26E ABV).**

Exhibit 9: Summary of our revised estimates

(INR b)	Old Estimates		Revised Estimates		Change (%/bp)	
	FY25	FY26	FY25	FY26	FY25	FY26
NII	22.7	27.0	22.1	26.8	-2.7	-0.9
Other Income	5.6	6.6	5.8	6.8	4.2	3.4
<b>Total Income</b>	<b>28.3</b>	<b>33.6</b>	<b>27.9</b>	<b>33.6</b>	<b>-1.3</b>	<b>-0.1</b>
Operating Expenses	17.5	20.1	17.8	20.5	1.7	2.2
<b>Operating Profits</b>	<b>10.8</b>	<b>13.6</b>	<b>10.1</b>	<b>13.1</b>	<b>-6.3</b>	<b>-3.4</b>
Provisions	2.2	3.1	1.9	3.0	-14.4	-2.2
<b>PBT</b>	<b>8.6</b>	<b>10.5</b>	<b>8.2</b>	<b>10.1</b>	<b>-4.3</b>	<b>-3.8</b>
Tax	2.2	2.7	2.1	2.6	-4.3	-3.8
<b>PAT</b>	<b>6.4</b>	<b>7.8</b>	<b>6.1</b>	<b>7.5</b>	<b>-4.3</b>	<b>-3.8</b>
Loans	486	580	485	577	-0.3	-0.5
Deposits	590	708	590	702	-0.1	-0.9
Margins (%)	3.6	3.6	3.5	3.6	-10	-2
Credit Cost (%)	0.5	0.6	0.4	0.6	-7	-1
<b>RoA (%)</b>	<b>0.93</b>	<b>0.96</b>	<b>0.89</b>	<b>0.93</b>	<b>-4</b>	<b>-3</b>
<b>RoE (%)</b>	<b>12.6</b>	<b>13.7</b>	<b>12.1</b>	<b>13.3</b>	<b>-50</b>	<b>-42</b>
BV	175	197	174	196	-0.5	-0.9
ABV	165	187	163	184	-1.1	-1.7
EPS	20	25	19	24	-4.3	-3.8

Exhibit 10: One-year forward P/B ratio

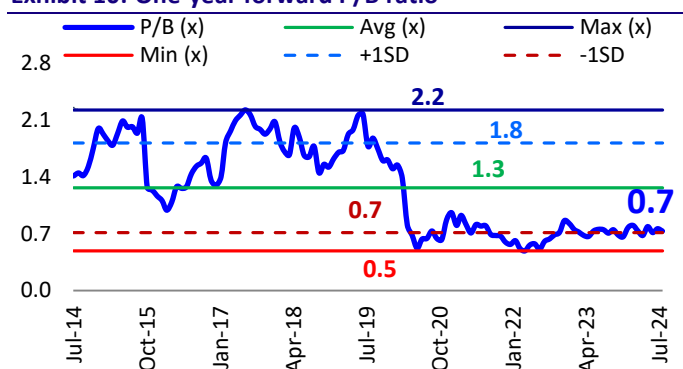
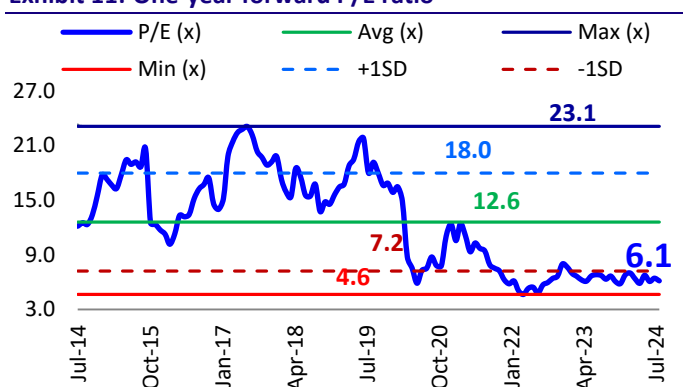


Exhibit 11: One-year forward P/E ratio





**Exhibit 12: DuPont Analysis – Estimate RoA to sustain at ~0.93%**

<b>DCB Bank</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>
Interest Income	9.52	8.86	8.32	8.65	9.29	9.04	9.05
Interest Expended	6.12	5.56	5.11	5.11	5.95	5.81	5.73
<b>Net interest Income</b>	<b>3.41</b>	<b>3.29</b>	<b>3.22</b>	<b>3.53</b>	<b>3.34</b>	<b>3.22</b>	<b>3.31</b>
Fee income	0.88	0.78	0.88	0.82	0.89	0.89	0.90
Trading and others	0.18	0.37	0.19	0.02	-0.07	-0.04	-0.06
<b>Non-interest Income</b>	<b>1.05</b>	<b>1.14</b>	<b>1.07</b>	<b>0.84</b>	<b>0.82</b>	<b>0.85</b>	<b>0.84</b>
<b>Total Income</b>	<b>4.46</b>	<b>4.44</b>	<b>4.29</b>	<b>4.38</b>	<b>4.16</b>	<b>4.07</b>	<b>4.16</b>
<b>Operating expenses</b>	<b>2.43</b>	<b>2.17</b>	<b>2.40</b>	<b>2.76</b>	<b>2.66</b>	<b>2.60</b>	<b>2.54</b>
Employees	1.24	1.11	1.28	1.43	1.38	1.34	1.31
Others	1.20	1.06	1.12	1.33	1.29	1.26	1.23
<b>Operating profits</b>	<b>2.03</b>	<b>2.27</b>	<b>1.89</b>	<b>1.62</b>	<b>1.50</b>	<b>1.47</b>	<b>1.62</b>
<b>Core PPOP</b>	<b>1.85</b>	<b>1.90</b>	<b>1.70</b>	<b>1.60</b>	<b>1.57</b>	<b>1.51</b>	<b>1.68</b>
<b>Provisions</b>	<b>0.70</b>	<b>1.11</b>	<b>0.97</b>	<b>0.37</b>	<b>0.25</b>	<b>0.28</b>	<b>0.37</b>
NPA	0.23	-0.07	0.09	0.13	0.25	0.25	0.34
Others	0.47	1.18	0.88	0.24	0.00	0.03	0.03
<b>PBT</b>	<b>1.32</b>	<b>1.16</b>	<b>0.92</b>	<b>1.25</b>	<b>1.25</b>	<b>1.20</b>	<b>1.25</b>
Tax	0.41	0.30	0.24	0.29	0.32	0.31	0.32
<b>ROA (%)</b>	<b>0.91</b>	<b>0.86</b>	<b>0.68</b>	<b>0.96</b>	<b>0.93</b>	<b>0.89</b>	<b>0.93</b>
Leverage (x)	12.27	11.64	11.48	12.01	12.77	13.61	14.31
<b>ROE (%)</b>	<b>11.16</b>	<b>10.01</b>	<b>7.82</b>	<b>11.51</b>	<b>11.86</b>	<b>12.07</b>	<b>13.29</b>

## Financials and valuations

Income Statement						(INRb)	
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Interest Income	35.4	34.6	35.1	42.0	53.6	62.0	73.1
Interest Expense	22.7	21.7	21.6	24.8	34.3	39.9	46.3
<b>Net Interest Income</b>	<b>12.6</b>	<b>12.9</b>	<b>13.6</b>	<b>17.2</b>	<b>19.3</b>	<b>22.1</b>	<b>26.8</b>
-growth (%)	10.1	1.7	5.5	26.5	12.3	14.6	21.3
Non Interest Income	3.9	4.5	4.5	4.1	4.7	5.8	6.8
<b>Total Income</b>	<b>16.6</b>	<b>17.3</b>	<b>18.1</b>	<b>21.3</b>	<b>24.0</b>	<b>27.9</b>	<b>33.6</b>
-growth (%)	10.4	4.6	4.5	17.5	13.0	16.3	20.4
Operating Expenses	9.0	8.5	10.1	13.4	15.4	17.8	20.5
<b>Pre Provision Profits</b>	<b>7.5</b>	<b>8.9</b>	<b>8.0</b>	<b>7.9</b>	<b>8.6</b>	<b>10.1</b>	<b>13.1</b>
-growth (%)	16.5	17.6	-10.0	-1.3	9.9	16.7	29.9
<b>Core PPop</b>	<b>6.9</b>	<b>7.4</b>	<b>7.2</b>	<b>7.8</b>	<b>9.0</b>	<b>10.4</b>	<b>13.6</b>
-growth (%)	13.1	8.0	-3.6	8.3	16.6	14.8	30.7
Provisions	2.6	4.3	4.1	1.8	1.4	1.9	3.0
<b>PBT</b>	<b>4.9</b>	<b>4.5</b>	<b>3.9</b>	<b>6.1</b>	<b>7.2</b>	<b>8.2</b>	<b>10.1</b>
Tax	1.5	1.2	1.0	1.4	1.9	2.1	2.6
Tax Rate (%)	31.3	25.8	26.2	23.4	25.8	25.8	25.8
<b>PAT</b>	<b>3.4</b>	<b>3.4</b>	<b>2.9</b>	<b>4.7</b>	<b>5.4</b>	<b>6.1</b>	<b>7.5</b>
-growth (%)	3.9	-0.6	-14.4	61.9	15.1	13.5	23.3

Balance Sheet							
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	3.1	3.1	3.1	3.1	3.1	3.1	3.1
Equity Share Capital	3.1	3.1	3.1	3.1	3.1	3.1	3.1
Preference Share Capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reserves & Surplus	31.1	34.5	37.4	42.5	47.6	52.9	59.7
<b>Net Worth</b>	<b>34.2</b>	<b>37.6</b>	<b>40.5</b>	<b>45.6</b>	<b>50.7</b>	<b>56.1</b>	<b>62.8</b>
<b>Deposits</b>	<b>303.7</b>	<b>297.0</b>	<b>346.9</b>	<b>412.4</b>	<b>493.5</b>	<b>589.8</b>	<b>701.8</b>
-growth (%)	6.8	-2.2	16.8	18.9	19.7	19.5	19.0
<b>of which CASA Dep</b>	<b>65.2</b>	<b>67.9</b>	<b>92.8</b>	<b>109.0</b>	<b>128.8</b>	<b>151.0</b>	<b>188.8</b>
-growth (%)	-4.3	4.1	36.8	17.4	18.2	17.2	25.0
Borrowings	34.1	44.8	40.8	41.2	62.2	67.1	77.0
Other Liabilities & Prov.	13.1	16.6	19.7	24.4	23.9	28.5	33.6
<b>Total Liabilities</b>	<b>385.0</b>	<b>396.0</b>	<b>447.9</b>	<b>523.6</b>	<b>630.3</b>	<b>741.4</b>	<b>875.2</b>
Current Assets	35.5	30.4	40.9	23.7	30.7	33.5	37.1
<b>Investments</b>	<b>77.4</b>	<b>84.1</b>	<b>90.5</b>	<b>125.8</b>	<b>162.1</b>	<b>191.3</b>	<b>227.6</b>
-growth (%)	-1.3	8.7	7.6	39.0	28.8	18.0	19.0
<b>Loans</b>	<b>253.5</b>	<b>257.4</b>	<b>291.0</b>	<b>343.8</b>	<b>409.2</b>	<b>485.0</b>	<b>577.1</b>
-growth (%)	7.5	1.5	13.0	18.2	19.0	18.5	19.0
Fixed Assets	5.5	5.7	6.6	8.3	8.6	9.2	10.1
Other Assets	13.3	18.4	18.9	22.1	19.7	22.5	23.2
<b>Total Assets</b>	<b>385.1</b>	<b>396.0</b>	<b>447.9</b>	<b>523.7</b>	<b>630.4</b>	<b>741.4</b>	<b>875.2</b>

ASSET QUALITY							
GNPA	6.3	10.8	12.9	11.2	14.1	13.6	15.8
NNPA	2.9	5.9	5.7	3.6	5.1	4.7	5.2
GNPA Ratio (%)	2.46	4.13	4.33	3.19	3.37	2.76	2.69
NNPA Ratio (%)	1.16	2.31	1.97	1.04	1.24	0.97	0.90
Slippage Ratio (%)	2.7	2.7	6.5	5.4	4.0	3.3	3.0
Credit Cost (%)	1.07	1.70	1.49	0.56	0.38	0.4	0.6
PCR (Excl Tech. write off) (%)	53.4	43.9	53.5	68.2	63.9	65.3	67.1

E: MOSL Estimates

## Financials and valuations

### Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Yield and Cost Ratios (%)</b>							
<b>Avg. Yield-Earning Assets</b>	<b>10.0</b>	<b>9.4</b>	<b>8.8</b>	<b>9.2</b>	<b>9.8</b>	<b>9.4</b>	<b>9.4</b>
Avg. Yield on loans	11.6	10.9	10.3	10.7	11.3	10.9	10.8
Avg. Yield on Investments	8.0	7.2	6.8	6.6	7.3	6.9	6.9
<b>Avg. Cost-Int. Bear. Liab.</b>	<b>7.0</b>	<b>6.4</b>	<b>5.9</b>	<b>5.9</b>	<b>6.8</b>	<b>6.6</b>	<b>6.5</b>
Avg. Cost of Deposits	6.9	6.3	5.9	5.9	6.4	6.5	6.4
<b>Interest Spread</b>	<b>3.0</b>	<b>3.0</b>	<b>2.9</b>	<b>3.3</b>	<b>3.0</b>	<b>2.9</b>	<b>3.0</b>
<b>Net Interest Margin</b>	<b>3.7</b>	<b>3.6</b>	<b>3.6</b>	<b>4.0</b>	<b>3.7</b>	<b>3.5</b>	<b>3.6</b>

### Profitability Ratios (%)

CAR	17.8	19.7	18.9	17.6	16.5	15.3	14.2
Tier I	13.9	15.5	15.8	15.2	14.5	13.5	12.7
Tier II	3.9	4.2	3.1	2.4	2.1	1.8	1.5

### Business Ratio (%)

Loans/Deposit Ratio	83.5	86.6	83.9	83.4	82.9	82.2	82.2
CASA Ratio	21.5	22.8	26.8	26.4	26.1	25.6	26.9
Cost/Assets	2.4	2.2	2.4	2.8	2.7	2.6	2.5
Cost/Income	54.5	48.9	56.0	63.0	64.0	63.9	61.0
Cost/ Core Income	56.8	53.3	58.6	63.3	63.0	63.2	60.2
Int. Expense/Int.Income	64.2	62.8	61.4	59.1	64.0	64.3	63.4
Fee Income/Net Income	19.7	17.5	20.5	18.7	21.4	22.0	21.7
Other. Inc./Net Income	23.6	25.7	25.0	19.3	19.7	20.9	20.3
Empl. Cost/Op. Exps.	50.8	51.2	53.2	51.7	51.7	51.7	51.7

### Efficiency Ratios (INRm)

Employee per branch (in nos)	20.4	18.3	20.2	23.2	25.6	26.1	26.3
Staff cost per employee	0.7	0.7	0.7	0.7	0.7	0.8	0.8
CASA per branch	204.5	194.0	192.8	232.0	255.2	291.4	322.3
Deposits per branch	853.9	903.9	843.9	867.3	965.8	1,116.6	1,258.8
Business per Employee	84.8	81.4	86.2	79.0	76.3	79.7	87.9
Profit per Employee	5.3	4.9	5.2	3.6	4.7	4.7	5.0

### Profitability and Valuations Ratios

RoE	11.2	10.0	7.8	11.5	11.9	12.1	13.3
RoA	0.9	0.9	0.7	1.0	0.9	0.9	0.9
RoRWA	1.4	1.4	1.2	1.6	1.6	1.6	1.7
Book Value (INR)	106	117	126	141	157	174	196
-growth (%)	10.1	10.3	7.9	12.0	11.0	10.9	12.3
<b>Price-BV (x)</b>	<b>1.3</b>	<b>1.1</b>	<b>1.1</b>	<b>0.9</b>	<b>0.8</b>	<b>0.8</b>	<b>0.7</b>
Adjusted BV (INR)	99	104	113	133	146	163	184
<b>Price-ABV (x)</b>	<b>1.3</b>	<b>1.3</b>	<b>1.2</b>	<b>1.0</b>	<b>0.9</b>	<b>0.8</b>	<b>0.7</b>
EPS (INR)	10.9	10.8	9.2	14.9	17.1	19.5	24.0
-growth (%)	3.6	-0.7	-14.5	61.7	14.6	13.5	23.3
<b>Price-Earnings (x)</b>	<b>12.2</b>	<b>12.3</b>	<b>14.4</b>	<b>8.9</b>	<b>7.8</b>	<b>6.8</b>	<b>5.5</b>
Dividend Per Share (INR)	1.2	0.0	1.0	1.0	2.0	2.2	2.5
<b>Dividend Yield (%)</b>	<b>0.9</b>	<b>0.0</b>	<b>0.8</b>	<b>0.8</b>	<b>1.5</b>	<b>1.7</b>	<b>1.9</b>

E: MOSL Estimates

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SELL	< - 10%
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Nainesh

Email: [nainesh.rajani@motilaloswal.com](mailto:nainesh.rajani@motilaloswal.com)

Contact: (+65) 8328 0276

Rajani

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Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal,

Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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