September 14, 2022

Business growth, earnings trajectory on strong footing

Buoyed by strong and continued credit demand from the retail and SME segment coupled with bottoming of asset quality issues, the banking sector witnessed an outperformance compared to the overall index. The banking sector witnessed a continued revival in earnings in Q1FY23. While credit growth continued to remain buoyant and asset quality remained steady, rising yields on treasury impacted operating profit, though lower provision led to a jump in the bottomline. Lag in passing rate hike led to steady margin vs. our expectation of a sequential increase.

Loan growth for the quarter was at 15.4% YoY, 2.2% QoQ at ₹ 114.9 lakh crore, led by retail & MSME segment and lower base of previous fiscal. Resultantly, NII grew at a healthy pace of 13.5% YoY and 2.5% QoQ. C/I ratio inched up 177 bps QoQ from 49.0% to 50.8%, mainly on account of increased business activities, higher tech, marketing and employee cost coupled with lower topline owing to treasury loss. Credit cost (provisions) for the quarter declined both QoQ and YoY due to better asset quality performance and lower slippages. Thus, growth trajectory of earnings continued to increase. However, earnings growth pace moderated QoQ due to a weaker topline. Net profit grew 32.4% YoY but de grew 10% QoQ at ₹ 41242 crore.

Sustained robust credit demand aids operational growth in Q1

For Q1FY23, business momentum was healthy in Q1FY23, attributable to robust demand in the retail and MSME segment. Lower base of the previous year (last year business activities were impacted by the pandemic) also enabled a higher growth trajectory. Loan growth for the quarter came in at 15.4% YoY, 2.2% QoQ at ₹ 114.9 lakh crore. Among peers, private banks continued their outperformance with 18% YoY growth while PSU banks also put up a good show. Sectoral data shows the retail segment was up 18.1% YoY and agri credit jumped 13% YoY. Large corporate credit, which had been a drag on overall banking credit growth has started to enter the positive territory and was up 3.3% YoY. Management commentaries and data indicated that improving capex, WC limits have seen better utilisation and, thus, aided credit offtake in this segment. NII grew at a healthy pace of 13.5% YoY and 2.5% QoQ, mainly due to healthy loan growth. Lag in transmission of rate hike led to steady to marginal dip in margins vs. our expectation of sequential rise in NIMs.

Improvement in asset quality keeps credit cost lower

The asset quality trend continued to improve led by healthy recoveries and steady incremental slippages. GNPA ratio for banks in our coverage declined in the range of 6-35 bps with average drop (all banks) at ~10 bps. Even on an absolute basis, GNPA declined ~1% QoQ, 12.1% YoY for the banking sector. The restructured book also declined by an average of 20 bps QoQ, thus indicating overall reduction in stress. In the PSU space, SBI reported an 8 bps QoQ decline in GNPA and 7 bps decline in the r/s book. Bank of Baroda continued to maintain its healthy run on the asset quality front as GNPA was down 35 bps while restructuring also declined ~7 bps QoQ. We believe the asset quality trend should continue to improve as well while management commentaries have also indicated incremental stress will be lower.

Well positioned as beneficiary of sustained economic recovery

Momentum in credit growth and operational performance are expected to continue ahead. In FY23E, credit growth is likely to witness expansion. Firing up unsecured book is expected to aid in initial quarters of FY23E; recovery in corporate credit offtake is expected to revive credit growth from H2FY23. Gradual transmission of rate hike would offset rising competitive intensity on deposits. Deposit mobilisation and, thus, trend in CD ratio to be watched. Overall, we **expect continued traction in valuation with preference for lenders with healthy CASA base, higher floating rate asset, adequate PCR and capital. Top picks: SBI, Axis Bank and City Union Bank.**

Sector Top picks

Company	CMP	Target Price	Upside (%)
SBI	558	650	16%
Axis Bank	806	970	20%
City Union Bank	183	215	17%

Sector View: Positive

Banking stocks have been outperforming broader markets mainly on the back of

- Sustained robust credit offtake at ~15.4% YoY led by retail and MSME segment
- Gradual improvement in asset quality, which has been a cause for concern earlier
- Decline in yields leading to reversal in treasury losses, which impacted Q1FY23 performance

Key Risks

(i) Delayed pick up in credit demand from corporate segment

(ii) Significant slippage from restructured pool could lead to increase credit cost and impact earnings

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Sector Update

ICICI Securities – Retail Equity Research

Company specific views:

IndusInd Bank (INDBA)

IndusInd Bank is a Hinduja group promoted newer age private sector bank with a strong pan-India presence with 5939 branches as on June 2022. In Q1FY23, growth momentum picked up sharply with traction in loans at 17.7% YoY and 3.7% QoQ to ₹ 2.47 lakh crore. Deposit growth was healthy at 13.1% YoY and 3.1% QoQ to ₹ 3.02 lakh crore, driven by 16% YoY uptick in CASA. **Loan growth is expected to be 15-18% YoY in FY23E (16-18% YoY growth in VF, 25-30% YoY growth in MFI book).**

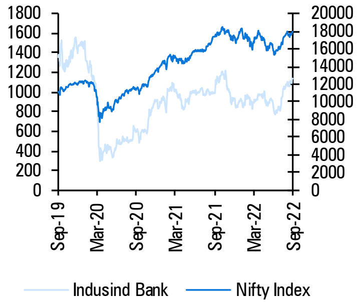
The vehicle finance segment saw its highest quarterly disbursements in Q1FY23. Disbursements were strong in CV, UV, cars, tractor segment while disbursements were muted in 2-W, 3-W segments. Highest quarterly disbursement was also seen in Bharat Financial in Q1FY23. Corporate book remained healthy and growth was across segments with large corporate book/mid corporate and small corporate growing 3%, 5%, and 8% QoQ, respectively. Mid corporate growth was driven by SME and healthcare segments. Business banking and LAP witnessed intense competition in the last few quarters while credit card spends remained strong.

GNPA and NNPA inched up slightly by 8 bps and 3 bps QoQ to 2.35% and 0.67%, respectively. Restructured book declined 50 bps QoQ to 2.1%. Slippages remained a tad higher at ₹ 2250 crore vs. ₹ 2088 crore in Q4FY22, with slippage from restructured pool. GNPAs in consumer segment remained elevated during the quarter on a QoQ basis. **Overall loan related provisions declined to 3.38% vs. 3.5% of loans in the previous quarter. Credit cost is expected to be in the range of 120-150 bps in FY23E.** Collection efficiency in vehicle finance segment remained stable at pre-Covid levels. Restructured book of VF segment has reduced from ₹ 3298 crore to ₹ 3131 crore. in MFI, collection efficiency (standard book) maintained at 99.1% QoQ. The 30-90 days past due (DPD) book including restructured book was at 2.2% in Q1FY23 vs. 2.6% in Q4FY22.

The operational performance remained healthy with **C/I ratio largely steady QoQ at 43.9% but on a YoY basis it has increased 252 bps. CI ratio to 41% to 43% levels, respectively, (tech and marketing cost to go up)**. Provisions were down 14.5% QoQ 32.2% YoY to ₹ 1251 crore (utilised contingent buffer of ₹325 crore). Thus, net profit was up 64.4% YoY and 17.8% QoQ to ₹ 1603 crore.

The stock price of IndusInd Bank has appreciated ~1.7x in the past two years. With focus on new growth engines, investment in retail franchise and gradual retaliation of liabilities, the bank is poised to pedal growth and report a healthy margin trajectory. Healthy provision buffer of 3.4% and focus on collections are expected to keep credit cost at normalised levels, thereby leading to improvement in RoA ahead. **Thus, we reiterate our BUY rating with a target price of ₹ 1330 (1.8x FY24E ABV).**

Price Chart



Particulars

Particulars	Amount
Market Capitalisation	₹ 90245 crore
52 week H/L	1242 / 763
Net worth	₹ 49707 Crore
Face Value	₹ 10
DII Holding (%)	45.8
FII Holding (%)	21.0

Exhibit 1: Financial summary for IndusInd Bank

₹ Crore	FY20	FY21	FY22	3 year CAGR (FY19-FY22)	FY23E	FY24E	2 year CAGR (FY22-24E)
NII	12,059	13,528	15,001	19%	16,805	20,184	16%
PPP	10,773	11,727	12,839	17%	14,543	17,610	17%
PAT	4,418	2,836	4,611	12%	7,105	9,068	40%
ABV (₹)	473	542	592		674	776	
P/E	18.3	31.7	19.6		12.7	9.9	
P/ABV	2.5	2.1	2.0		1.7	1.5	
RoA	1.5	0.8	1.2		1.7	1.9	
RoE	14.4	7.3	10.1		14.0	15.7	

Source: Company, ICICI Direct Research

IDFC First Bank (IDFBAN)

IDFC First Bank reported a strong operational performance with funded assets up 21% YoY at ₹ 1.37 lakh crore wherein retail funded assets were up 25% YoY to ₹ 90630 crore. Asset quality improved sequentially as GNPA and NNPA declined 34 bps and 23 bps QoQ to 3.36% and 1.30%, respectively.

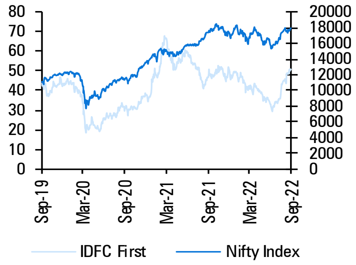
In Q1FY23, total funded assets were up 21% YoY and 6.7% QoQ to ₹ 1.37 lakh crore, wherein retail funded assets were up 25% YoY to ₹ 90630 crore. Customer deposit growth was at 21.2% YoY to ₹ 1.02 lakh crore. This was led by 22% YoY uptick in CASA. CASA ratio is now at 50.04% vs. 48.44% QoQ. **Growth is expected to pick up in the commercial finance segment, going ahead.**

Asset quality improved sequentially as GNPA and NNPA declined 34 bps and 23 bps QoQ to 3.36% and 1.30%, respectively. Retail GNPA declined from 2.63% to 2.12% while corporate segment saw GNPA increase from 2.75% to 3.67% QoQ. GNPA in infra segment was largely flat QoQ at 21.7%. Gross slippages in Q1FY23 were lower by 20% QoQ; overall restructured book has come down to 1.3% vs. 1.8% in Q4FY22. Going ahead, the **management maintained credit cost guidance of 1.5% for FY23E.**

NII was up 25.9% YoY to ₹ 2751 crore, driven by 39 bps YoY expansion in net interest margin at 5.89%. On a sequential basis, NIMs declined 38 bps, owing to a lag in passing on rates to customers. The benefit will start coming from Q2FY23 onwards with an upwards trajectory expected in NIMs. **The management guided NIMs to be at ~6%.** CI income ratio (excluding trading gains) improved to 72.95% vs. 77.16% in Q1FY22. **A gradual improvement is anticipated in CI ratio in mid-60% levels in the next couple of years.**

IDFC First's stock performance was volatile in the past year mainly due to concerns on growth & asset quality. However, given healthy business growth, steady asset quality and gradual improvement in CI ratio, RoA is poised to improve from hereon. Thus, we remain positive on the fundamentals which warrants uptick in valuation. **Hence, we maintain our BUY rating with a target price of ₹ 60 (1.6x FY24E ABV).**

Price Chart



Particulars

Particulars	Amount
Market Capitalisation	₹ 31319 crore
Networth	₹ 21003 crore
52 week H/L	54/ 29
Face value	₹ 10
DII Holding (%)	10.2
FII Holding (%)	11.0

Exhibit 2: Financial summary for IDFC First Bank

Key Financials	FY20	FY21	FY22	3 year CAGR (FY19-FY22)	FY23E	FY24E	2 year CAGR (FY22-24E)
NII	6,076	7,380	9,706	45%	11,709	14,283	21%
Net profit (₹ crore)	(2,864)	452	146	-	1,609	2,406	307%
EPS (₹)	(6.0)	0.8	0.2	-	2.6	3.9	
P/E (x)	NM	63.2	215.1		19.5	13.0	
ABV (₹)	30.2	28.1	30.8		34.6	37.3	
P/ABV (x)	1.7	1.8	1.6		1.5	1.4	
RoA (%)	(1.9)	0.3	0.1		0.8	1.0	
RoE (%)	(18.7)	2.7	0.8		7.4	10.1	

Source: Company, ICICI Direct Research

Federal Bank (FEDBAN)

Federal Bank is an old private sector bank based out of Kerala and has a balanced loan mix with retail: wholesale mix of 54:46 and strong liability franchisee with over 94% of total deposits being retail.

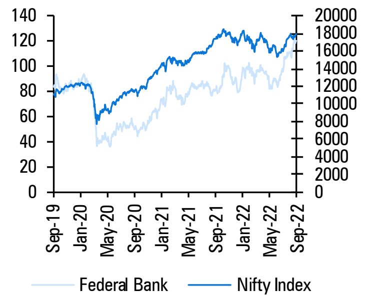
Total funded assets were up 16.9% YoY and 4.7% QoQ to ₹ 1.51 lakh crore, led by CV/CE segment, which grew 56% YoY. Retail segment was up 14% YoY to ₹ 49872 crore. Agri loans were up 19% YoY to ₹ 19988 crore. Customer deposit growth was at 8.2% YoY to ₹ 1.83 lakh crore, led by 15% YoY uptick in CASA. CASA ratio is now at 36.84% vs. 36.94% QoQ. New business segment like CV, business banking, gold, credit cards, MFI started seeing traction. In the next two to three years, these segments will be major growth drivers. **Average credit growth is expected to be 16-18% YoY in FY23E.**

Asset quality improved as GNPA and NNPA declined 11 bps and 2 bps QoQ to 2.69% and 0.94%, respectively. Total stressed book continues to decline at 2.22%. Retail GNPA increased 3.1% QoQ while corporate GNPA declined 5.3% QoQ. Thus, provisions were down 69% YoY to ₹ 165 crore. Total ~15-18% slippages are seen in the restructured retail book. Out of total restructured book, ~43% has come out of moratorium. Retail slippages in FY23E are expected at ₹ 1800 crore; loss given default to be lower.

NII was up 13.1% YoY, 5.2% QoQ to ₹ 1605 crore, largely due to strong advances growth. Margins expanded 6 bps QoQ to 3.22%. Other income reported de-growth both QoQ and YoY at ₹ 453 crore due to base effect of treasury income in Q1FY22. **Margins are expected to be in the range of 3.25-3.27%. RoA guidance – 1.1-1.15% in FY23E and 1.25% in FY24E.**

Federal Bank's share price has increased by ~12% in the past one year. Healthy business traction, in line with guidance (16-18%), coupled with digital & fintech partnerships to aid growth. Focus on high yield products (CV/CE, micro & personal loans) to aid margins while steady asset quality and focus on RoA of ~1.25% induces confidence on fundamental strength. Thus, we value Federal Bank at ₹ 135, **valuing it at ~1.35x FY24E ABV.**

Price Chart



Particulars

Particulars	Amount
Market Capitalisation	₹ 25077 crore
52 week H/L	129 /78
Net Worth	₹19393
Face value	₹ 2
DII Holding (%)	42.1
FII Holding (%)	26.2

Exhibit 3: Financial summary for Federal Bank

₹ crore	FY20	FY21	FY22	3 Year CAGR (FY19-FY22)	FY23E	FY24E	2 Year CAGR (FY22-24E)
NII	4,649	5,534	5,962	13%	6,818	7,769	14%
PPP	3,205	3,787	3,758	11%	4,477	5,068	16%
PAT	1,543	1,590	1,890	15%	2,262	2,604	17%
ABV (₹)	64.8	72.9	82.7		88.8	98.2	
P/E	15.4	14.9	13.2		11.1	9.6	
P/ABV	1.8	1.6	1.4		1.3	1.2	
RoE (%)	11.1	10.4	10.8		11.5	12.0	
RoA (%)	0.9	0.8	0.9		1.0	1.0	

Source: Company, ICICI Direct Research

Bank of Baroda (BANBAR)

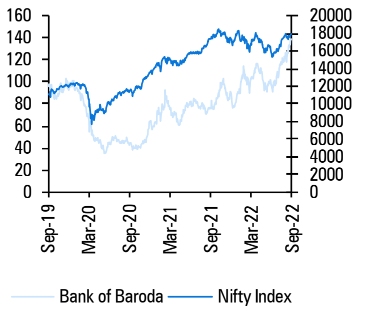
Bank of Baroda (BoB) is among leading PSU banks with loan book size of ~₹ 8.3 lakh crore, 8163 branches and 11475 ATMs across India. Post slower business growth and NPA pile up of corporate exposure, the bank has delivered robust performance on growth as well as asset quality front post Covid.

Global loan book (gross) growth was healthy at 18.0% YoY in Q1FY23 to ₹ 8.4 lakh crore driven by 23% YoY rise in retail loans. Deposit book jumped 10.9% YoY in which domestic deposits were up 8.5% YoY to ₹ 9.1 lakh crore and CASA ratio at 44.18%. Asset quality showed a sequential improvement with 35 bps and 14 bps QoQ decline in GNPA and NNPA to 6.26% and 1.58%, respectively. Slippages for the quarter were down to ₹ 3266 crore vs. ₹ 4514 crore while recoveries and upgrades were at ₹ 1740 crore and ₹ 859 crore, respectively. Net interest income was up 12% YoY and 2.6% QoQ to ₹ 8838 crore, driven by healthy credit growth. However, other income sharply declined by 58.7% YoY and 53.1% QoQ to ₹ 1182 crore due to lower treasury income.

The management has guided for loan growth to be higher than industry (expect industry growth ~12%). Steady liabilities and lower slippages are expected to aid ~10 bps improvement in margins in FY23E. Credit cost is anticipated to be in the range of 1.25-1.5% for FY23E.

The stock price of BoB has appreciated ~2.6x over the last two years. Given a gradual pick-up in corporate book coupled with healthy offtake in retail segment, faster repricing of loans and bottoming of NPA issue, the RoA trajectory is set to improve from here on. In addition, a **recent decline in yields is expected to lead to a reversal in treasury losses and could act as a near term catalyst**. Thus, **we maintain BUY rating and revise our target price to ₹ 160 (~0.9x FY24E ABV).**

Price Chart



Particulars

Particulars	Amount
Market Capitalisation	₹ 60530 crore
Networth	₹ 94119 crore
52 week H/L	141/76
Face value	₹ 2
DII Holding (%)	16.9
FII Holding (%)	8.2

Exhibit 4: Financial summary for Bank of Baroda

Key Financials (₹ Crore)	FY20	FY21	FY22	3 year CAGR (FY19-FY22)	FY23E	FY24E	2 year CAGR (FY22-24E)
NII	27,451	28,809	32,621	20.4%	37,201	42,672	14.4%
PPP	18,896	21,199	22,389	18.4%	24,486	27,227	10.3%
PAT	546	829	7,272	156.0%	9,385	11,075	23.4%
ABV (₹)	108.7	106.7	140.1		160.6	181.6	
P/E	117.5	-7.3	9.9		7.6	6.5	
P/ABV	1.3	1.3	1.0		0.9	0.8	
RoA	0.1	-0.8	0.6		0.7	0.7	
RoE (%)	0.9	(13.1)	8.9		10.2	10.6	

Source: Company, ICICI Direct Research

State Bank of India (STABAN)

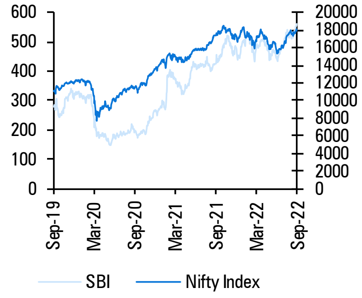
SBI is largest public sector bank in India (balance sheet size of over ~ ₹ 50 lakh crore) with strong retail portfolios and best operating metrics in the PSU banking space. Bank has witnessed continued improvement in asset quality coupled with healthy PCR. Higher share of floating rate loans to support margins trajectory. MTM reversals expected in coming quarters.

Gross loan book growth was healthy at 14.9% YoY in Q1FY23 to ₹ 29.0 lakh crore driven by 18.6% YoY rise in retail loans. Deposit book jumped 8.7% YoY in which CASA deposits were up 6.5% YoY to ₹ 17.7 lakh crore and CASA ratio at 45.33%. Asset quality showed a sequential improvement with 6 bps and 2 bps QoQ decline in GNPA and NNPA to 3.9% and 1.0%, respectively. Slippages for the quarter inched up to ₹ 9740 crore vs. ₹ 2845 crore (QoQ) while recoveries & upgrades were at ₹ 5208 crore vs ₹ 6756 crore (QoQ). Net interest income was up 12.9% YoY and flat QoQ to ₹ 31196 crore, mainly due to decline in NIMs. Other income too impacted due to MTM losses and declined by ~80% YoY and QoQ to ₹ 2312 crore.

The management has guided for loan growth of ~15% YoY. As most of the loans are repo linked (interest rates are reset every month), management expect margins to improve from current levels.

The stock price of SBI has surged by ~2x over the last five years. Continued healthy performance on growth and asset quality coupled with scope for value unlocking in large subsidiaries remains key fundamental strength. In addition, a **recent decline in yields is expected to lead to a reversal in treasury losses and could act as a near term catalyst**. Thus, **we maintain our BUY rating on the stock and revise our target price to ₹ 650, valuing core bank at 1.3x FY24 ABV and assigning ₹ 192 to subsidiaries.**

Price Chart



Particulars

Particulars	Amount
Market Capitalisation	₹ 510309 Crore
52 week H/L	574/425
Networth	₹ 291363 Crore
Face value	₹ 1
DII Holding (%)	25.1
FII Holding (%)	9.6

Exhibit 5: Financial summary for State Bank of India

₹ Bn	FY20	FY21	FY22	3 Year CAGR (FY19-22)	FY23E	FY24E	2 Year CAGR (FY22-24E)
NII	981	1107	1207	11%	1365	1649	17%
PPP	681	716	679	8%	748	968	19%
PAT	145	204	317	232%	344	394	11%
ABV (₹)	203.2	243.3	282.6		320.8	361.6	
P/E	35	25	16		15	13	
P/ABV	2.8	2.3	2.0		1.8	1.6	
RoA	0.4	0.5	0.7		0.7	0.7	
RoE	6.4	8.4	11.9		11.6	11.9	

Source: Company, ICICI Direct Research

Indian Bank (INDIBA)

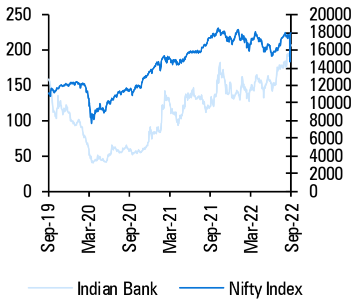
Indian Bank is one of the better performing PSU banks with a diversified loan mix wherein RAM (retail/agri/MSME) forms ~61% of book. Pan-India strong branch network of 5721 domestic branches, total business at ₹ 10.1 lakh crore and diversified asset and liabilities mix remain core to fundamental strength of the bank.

In Q1FY23, advances were up 9.1% YoY to ₹ 425203 crore, led by retail & agri segment, though corporate book de-grew 2% YoY. Thus, RAM segment constitutes ~61% of total loans. Deposit growth was at 8.2% YoY to ₹ 584251 crore, with CASA constituting ~40.73% of deposits. Asset quality improved as GNPA, NNPA declined 34 bps, 15 bps QoQ to 8.1%, 2.13%, respectively. Operationally, NII was up 13.5% YoY, 6.6% QoQ to ₹ 4534 crore, largely driven by retail segment and 25 bps YoY expansion in margin to 3.1%. Other income reported de-growth of 11.9% YoY, mainly on account of treasury losses during the quarter. However, 13.3% YoY decline in provision led to 2.7% YoY, 23.3% QoQ growth in PAT to ₹ 1213.4 crore.

Going ahead, credit growth is guided at 10% YoY in FY23E with CD ratio maintained at 73-74% level. Overall NIMs are expected to be steady in FY23E; with strong traction seen in the corporate segment. Asset quality is expected to remain buoyant with GNPA, NNPA at ~7%, < 2%, respectively, in FY23E, while credit cost is expected to be < 2%. Plan to recover ₹ 8000 crore in FY23E (~₹ 2000 crore every quarter) is expected to further aid earnings.

Indian Bank's share price has remained unimpressive with ~7% returns in the past three years. However, improvement in credit growth outlook with focus on better yielding RAM segment and gradual uptick in asset quality with adequate capital position gives comfort. Thus, we expect earnings to grow at 29% CAGR in FY23-24E while RoE is expected to improve from 0.6% in FY22 to ~0.9% in FY24E. In addition, the **recent decline in yields is expected to lead to a reversal in treasury losses that could act as a near term catalyst.** Thus, **we maintain BUY rating and revise our target price to ₹ 250 (~0.8x FY24E ABV).**

Price Chart



Particulars

Particulars	Amount
Market Capitalisation	₹ 25568 Crore
52 week H/L	211/123
Net Worth (₹ crore)	₹ 34826
Face value	₹ 10
DII Holding (%)	11.7
FII Holding (%)	2.0

Exhibit 6: Financial summary for Indian Bank

₹ crore	FY20	FY21	FY22	3 year CAGR (FY19-22)	FY23E	FY24E	2 year CAGR (FY22-24E)
NII	7606	15666	16728	34%	18551	21047	12%
PPP	6498	11396	12717	38%	14200	16142	13%
PAT	753	3005	3945	131%	5557	6613	29%
ABV (₹)	249.3	212.2	261.6		275.2	324.0	
P/E	16.6	7.7	6.5		4.6	3.9	
P/ABV	0.8	1.0	0.8		0.7	0.6	
RoA	0.3	0.5	0.6		0.8	0.9	
RoE	4.3	9.8	11.2		12.3	13.4	

Source: Company, ICICI Direct Research

DCB Bank (DCB)

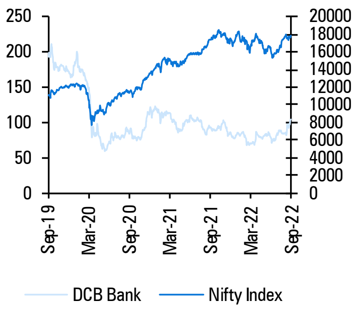
DCB Bank is a new generation private sector bank offering a comprehensive range of financial products and has a niche in mortgage lending, which contributes ~42% of book.

Slower business growth led by consolidation in corporate book and focus on collection amid Covid related cautions impacted the earnings trajectory. However, now with normalisation kicking in and economic revival, the management is pedalling business growth, which is evident from 6% QoQ growth in Q4FY22 followed by 2% QoQ uptick in Q1FY23. **Building up of distribution infrastructure (branches and headcounts) coupled with focus on improving technology subset is expected to aid business growth** ahead.

Stability followed by gradual improvement in asset quality, especially in mortgage book, remains a positive. In addition, provision coverage at ~58% provides comfort against any hiccups in slippages ahead. Thus, lower slippages coupled with adequate coverage is expected to keep credit cost lower thereby providing a boost to earnings and return ratios.

Post caution in business growth and asset quality volatility amid Covid, the bank has remained an underperformer. However, **the bank is well positioned to benefit from economic recovery in terms of pedalling higher business growth with stability in asset quality expected to act as a catalyst for improvement in return ratios and, thus, re-rating** of valuations. Thus, **we upgrade the stock from HOLD to BUY with a target price of ₹ 130 (~1x FY24E ABV).**

Price Chart



Particulars

Particular	Amount
Market Capitalisation	₹3397
52 week H/L	110/68
Networth	₹ 4116 Crore
Face value	₹ 10
DII Holding (%)	37.6
FII Holding (%)	12.5

Exhibit 7: Financial summary for DCB Bank

₹ Crore	FY20	FY21	FY22	FY23E	3 year CAGR (FY19-FY22)	FY23E	FY24E	2 year CAGR (FY22-FY24E)
NII	1265	1287	1358	1424	6%	1424	1771	14%
PPP	753	886	797	834	7%	834	1187	22%
PAT	338	336	288	315	-4%	315	548	38%
ABV (₹)	93	94	104	116		116	134	
P/E	9.8	9.8	11.5	10.5		10.5	6.0	
P/ABV	1.1	1.1	1.0	0.9		0.9	0.8	
RoA	0.9	0.9	0.7	0.7		0.7	1.0	
RoE	11.3	10.0	7.8	7.8		7.8	12.0	

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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