

Banking Sector Update

Post this Correction Valuation looks attractive:

Having gone through a recent correction since last month, where the Bank Nifty was down 17% as against a 12% decline in Nifty. Currently, most of the Banks are trading at the historical lower P/E multiple, post correction the valuations of stocks in the Private Banking space looks attractive, with limited downside from the current levels.

Amongst the Private Banks we believe, ICICI Bank and HDFC Bank have attractive valuation. ICICI Bank is trading at 11.9x and 10.1x its FY16 and FY17E EPS. Whereas, HDFC Bank is trading at 20.0x and 16.2x its FY16 and FY17E EPS.

Within in Public Sector Banks, SBI is trading at 8.5x and 7.1x its FY16 and FY17E EPS. Whereas, Bank of Baroda is trading at 8.7x and 6.9x its FY16 and FY17E EPS.

Valuation Table:

Particulars	CMP	PE FY16E	PE FY17E	P/BV FY16E	P/BV FY17E	ROE FY16E	ROE FY17E
Private Banks:							
HDFC Bank Ltd.	1,004	20.0	16.2	3.5	3.0	18.68%	19.83%
ICICI Bank Ltd.	261	11.9	10.1	1.7	1.5	14.90%	15.70%
Axis Bank Ltd.	474	12.9	10.6	2.2	1.9	18.02%	18.88%
Yes Bank Ltd.	697	11.7	9.4	2.1	1.8	19.72%	20.86%
IndusInd Bank Ltd.	840	20.5	16.3	3.0	2.6	17.42%	16.84%
The Federal Bank Ltd.	58	9.6	7.7	1.2	1.0	12.65%	14.25%
DCB Bank Ltd.	126	17.2	13.5	2.0	1.8	12.32%	13.92%
Public Sector Banks:							
State Bank Of India	228	8.5	7.1	1.0	0.9	11.50%	12.49%
Bank Of Baroda	178	8.7	6.9	0.9	0.8	11.04%	12.52%

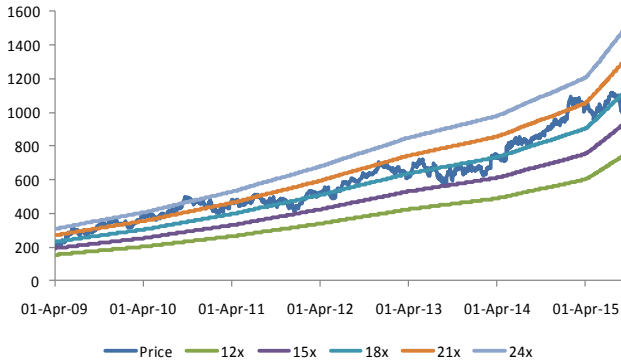
Source: Bloomberg

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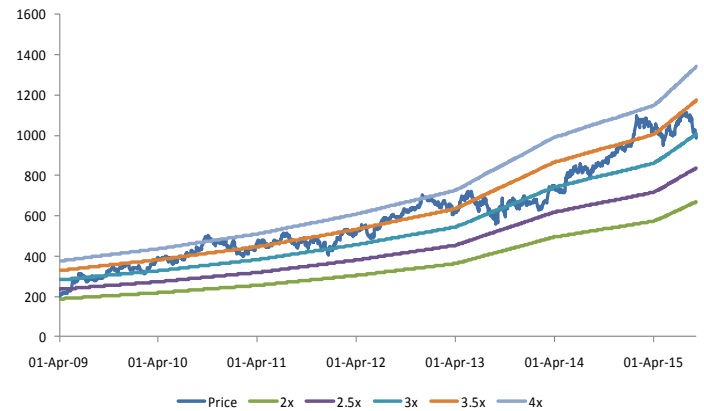
Historical Valuation of different Banks:

HDFC Bank

P/E - Forward



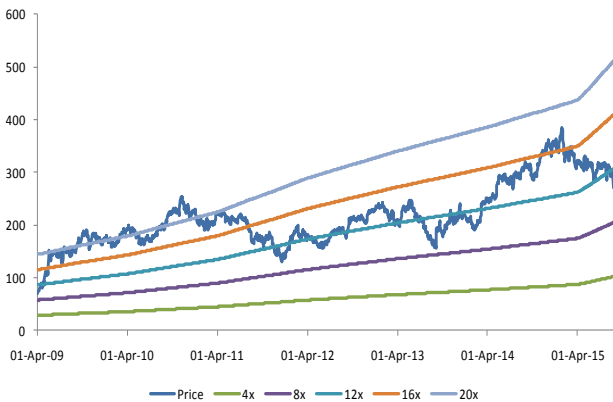
P/BV - Forward



Comment: Historically the share of HDFC Bank trades at 15x its EPS at the lower level and currently it is trading at 16.2x its FY17E its EPS, which looks attractive.

ICICI Bank

P/E - Forward



P/BV - Forward

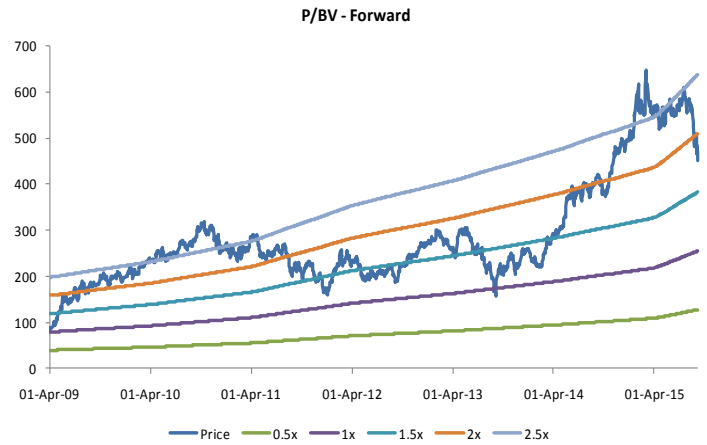
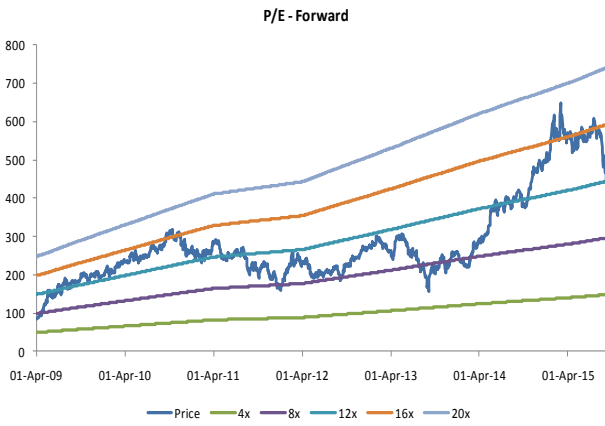


Comment: ICICI Bank bottom outs at sub levels of 9x its EPS at the lower level and currently it is trading at an attractive level of 10.1x its FY17E its EPS.

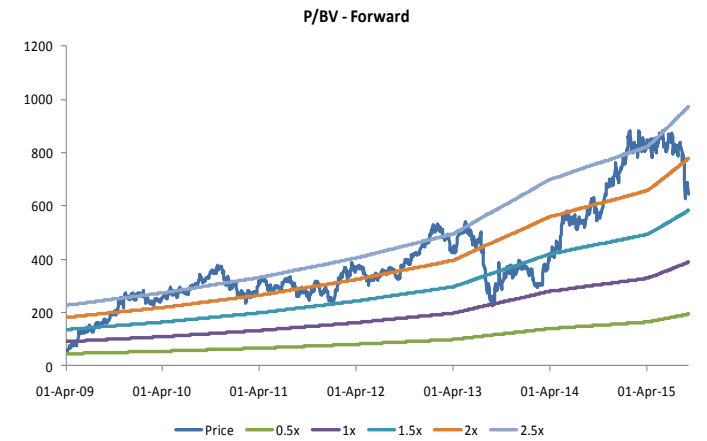
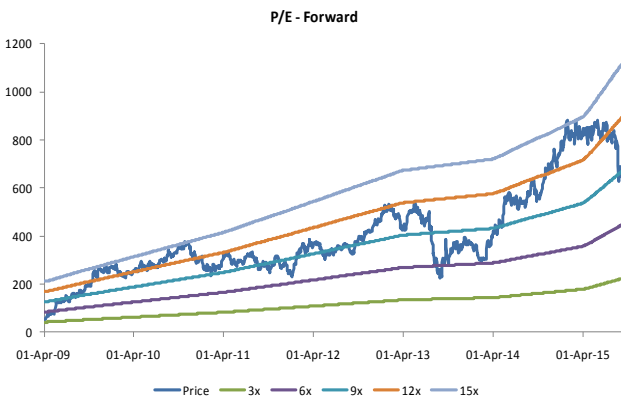
Source: Company data, Nirmal Bang Research

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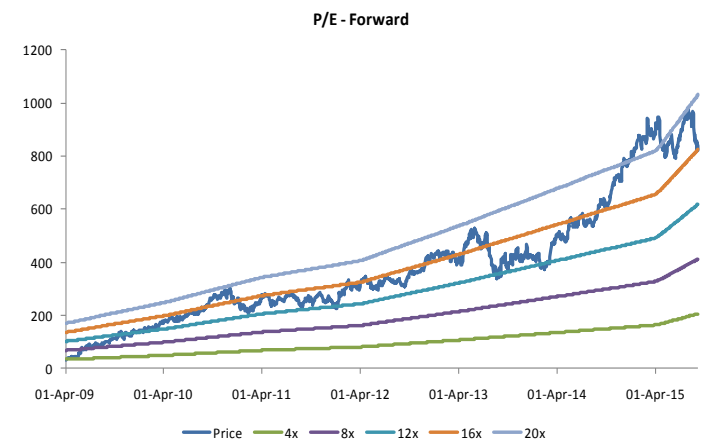
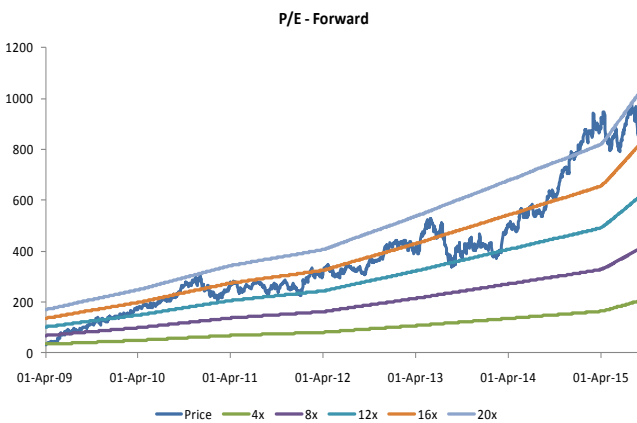
Axis Bank



Yes Bank



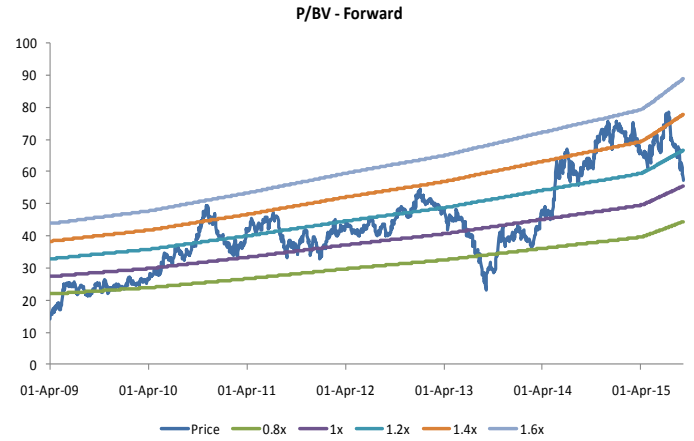
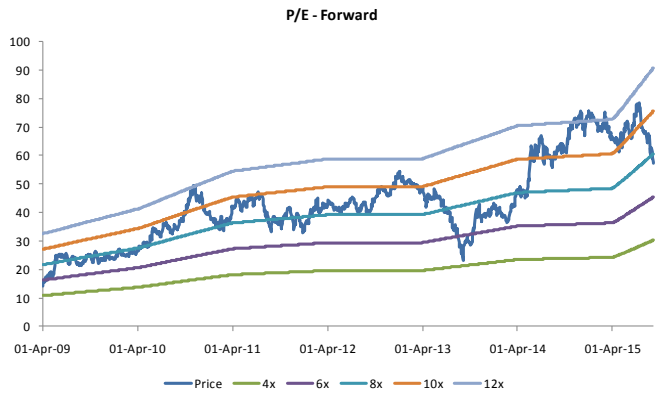
IndusInd Bank



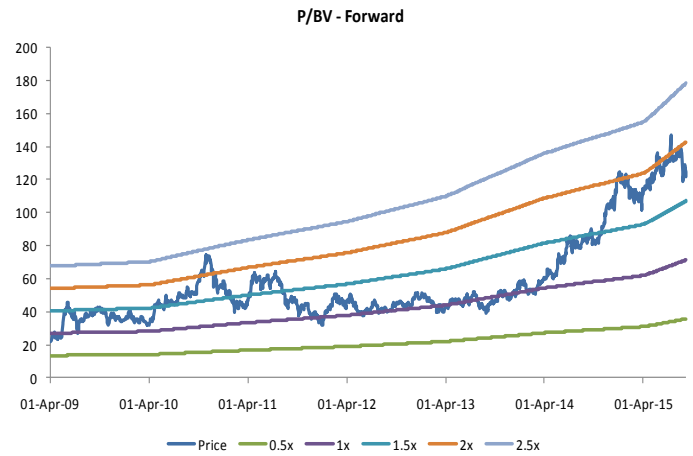
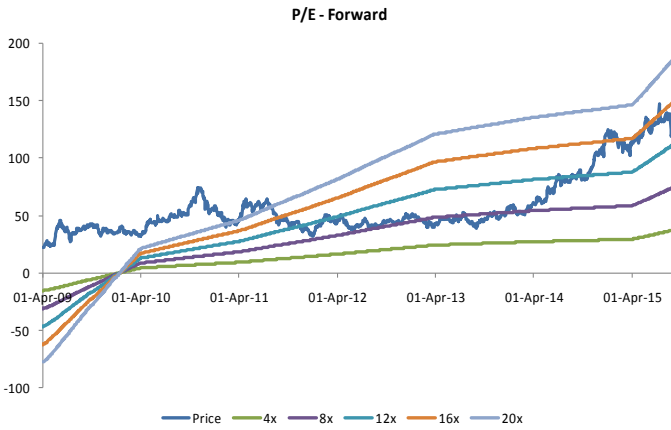
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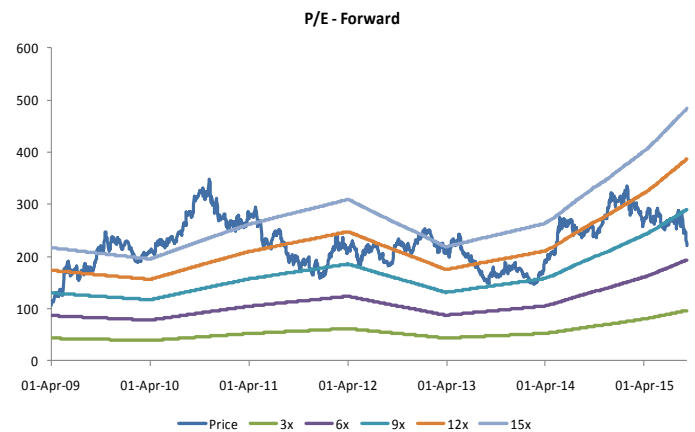
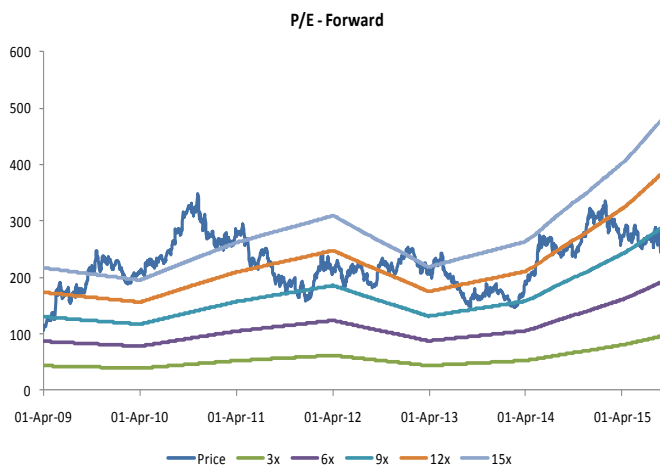
Federal Bank



DCB Bank



State Bank of India

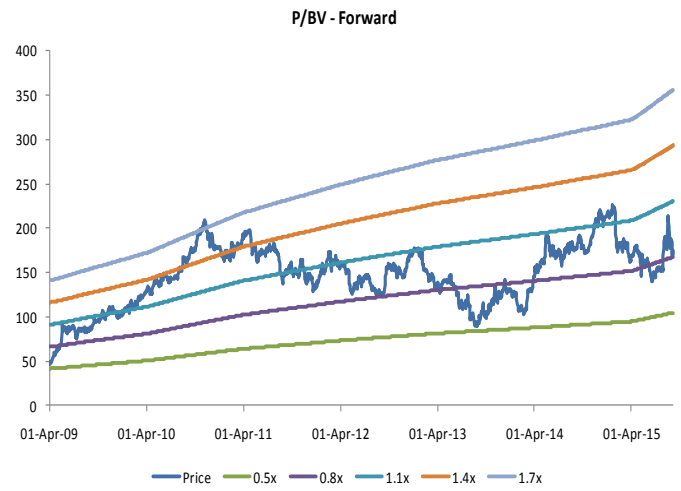
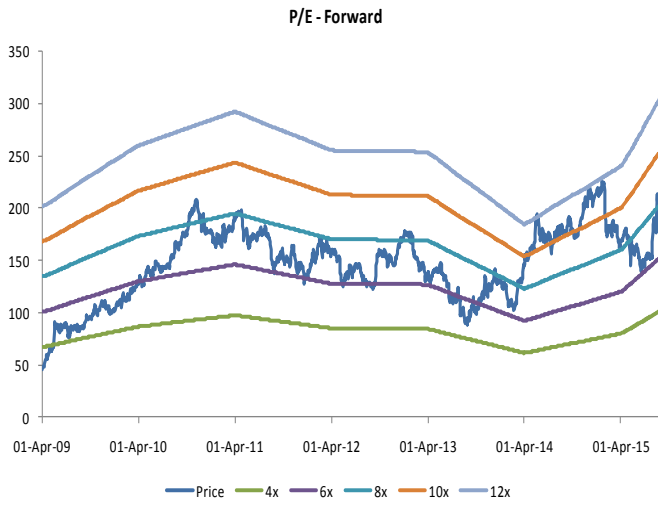


Source: Company data, Nirmal Bang Research



Banking Sector Update

Bank of Baroda



Source: Company data, Nirmal Bang Research

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