

RESEARCH**BOB ECONOMICS RESEARCH | MONETARY POLICY EXPECTATIONS**

Banking update and Monetary Policy Expectations

BOB ECONOMICS RESEARCH | TAYLOR'S RULE

Does policy rate follow Taylor's Rule or not?

D.P. ABHUSHAN | NOT RATED

Scaling via store expansion and richer mix

SUMMARY**INDIA ECONOMICS: MONETARY POLICY EXPECTATIONS**

Credit deposit growth in India continues to remain buoyant. In recent times, the gap between credit-deposit growth has declined sharply driven by an increase in deposits, due to the surge in FCNR (B) deposits. On the credit side, growth has been broad-based, with industry and services growth outpacing the overall growth in credit. Within industry, infrastructure and export-oriented sectors continuing to outperform.

[Click here](#) for the full report.

INDIA ECONOMICS: TAYLOR'S RULE

Monetary policy discussions often centre around what the factors or choice variables are that influence policy decision. To answer the same, one such simplified rule-based formula i.e. Taylor's rule is widely used to explain the dynamics of monetary policy. In simple words Taylor's rule is an algebraic formula showing the responsiveness of policy rate to deviations in inflation and output from its potential/targeted level. It has its own set of limitations, especially for India, since there are no official estimates of potential GDP and equilibrium real interest rate.

[Click here](#) for the full report.



D.P. ABHUSHAN

- Operates 12 stores (~53.7k sq ft) across MP & Rajasthan; Q1FY27 revenue/EBITDA/PAT +58%/+70%/+77% YoY; SSSG ~52%
- Store economics remain supported by high conversion at ~82% in FY26 and ~81% in Q1FY27, despite largely price-led growth
- Management targets 50 stores by FY30, with COCO-led expansion and a higher studded mix; FOCO introduced selectively

[Click here](#) for the full report.

MONETARY POLICY EXPECTATIONS

05 October 2026

Banking update and Monetary Policy Expectations

Credit deposit growth in India continues to remain buoyant. In recent times, the gap between credit-deposit growth has declined sharply driven by an increase in deposits, due to the surge in FCNR (B) deposits. On the credit side, growth has been broad-based, with industry and services growth outpacing the overall growth in credit. Within industry, infrastructure and export-oriented sectors continuing to outperform.

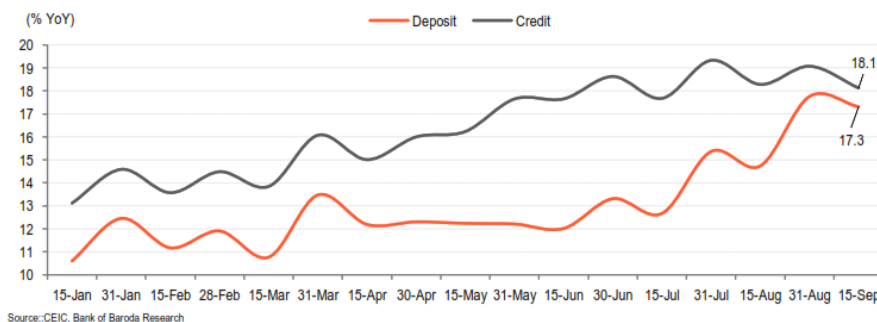
Aditi Gupta
Economist

We expect the MPC to hold rates steady in this policy. The stance is also expected to be maintained at neutral with a cautious tone. Domestic growth has been strong. While inflation is seen inching up, the current print of 4.8% does not necessarily warrant a rate hike. While risks to the inflation outlook are tilted to the upside, the MPC can adopt a wait-and-watch approach to see if the risks materialise and to what extent. We expect the RBI to hike rates in Dec'26, with a cumulative 50-75bps rate hike expected in this cycle. This will also help support festive demand and soften bond yields.

Credit-Deposit growth rate:

Credit growth by SCBs remained buoyant at 18.1% as of 15 Sep 2026, compared with 10.4% in the same period last year. Deposit growth of SCBs has also shown significant traction at 17.3% as of 15 Sep 2026 versus 9.5% in the same period last year. Despite the pickup, credit growth continues to outpace the growth in deposits even though the gap has narrowed substantially. The credit/deposit ratio has declined from a high of 83.4% as of 15 Jun 2026 to 80.8% as of 15 Sep 2026.

Figure 1: Gap between credit and deposit growth has narrowed



However, in terms of incremental credit/deposit, while incremental credit in FYTD27 stands at Rs. 9.7 lakh crores, incremental deposits have been much higher at Rs. 13.9 lakh crores. The incremental credit/deposit ratio stands at ~70%.

Decomposition of deposits: In terms of breakup of deposits, both demand and time deposits have shown a remarkable growth of 16.6% and 17.4% respectively in Sep'26 versus 10.4% and 7.0% respectively in the same period last year.



TAYLOR'S RULE

05 October 2026

Does policy rate follow Taylor's Rule or not?

Dipanwita Mazumdar
Economist

Monetary policy discussions often centre around what the factors or choice variables are that influence policy decision. To answer the same, one such simplified rule-based formula i.e. Taylor's rule is widely used to explain the dynamics of monetary policy. In simple words Taylor's rule is an algebraic formula showing the responsiveness of policy rate to deviations in inflation and output from its potential/targeted level. It has its own set of limitations, especially for India, since there are no official estimates of potential GDP and equilibrium real interest rate.

However, the simple formula makes it appealing. In this exercise, we try to calculate Taylor's rule-based rate discounting the complexities of rigorous research and see how its trajectory has evolved compared to actual policy repo rate. The exercise is done post the adoption of flexible inflation targeting framework, as India adopted a formal inflation target. The results are interesting. It shows there exists directional convergence between Taylor's rule-based rate and actual policy rate. In fact, Taylor's rule-based rate is more responsive to inflationary shocks. On the other hand, actual policy rate incorporates a wider set of information in its reaction function and hence is more calibrated.

Taylor's Rule in retrospect:

In today's world of ever-changing macro and market dynamics, monetary policy rules are difficult to follow any sacrosanct algebraic formula. Policymakers deal with multiple endogeneities in a real-world scenario which is difficult to interpret in terms of policy rules or any specific equation. Taylor's Rule is a hypothetical but representative policy rule. In simple words, it shows the responsiveness of policy rate to changes in price level and real income. Taylor's rule practical application centres around two case studies- German unification and 1990 oil price shock. There also have been several instances where discretion-based policies precede rule-based policy. The example of Black Monday-stock market crash on 19 Oct 1987 and Federal Reserve pumping abundant liquidity as an immediate response, is one such instance where Taylor's rule does not fit in, as it ignores episodes of high financial volatility. Even in today's world of complexities, the rule may not strictly adhere to the decision making of global central banks. However, it can give some directional approach or a forward guidance to where policy rate is headed. The advantage of this rule was that it expressed a complicated phenomenon of monetary policy reaction function in very simple terms (McCallum, 1999).

The main assumption of Taylor's rule is that each central bank adjusts its short-term interest-rate regime in response to changes in the price level and real output from a target, under a flexible exchange rate regime.



NOT RATED**D.P. ABHUSHAN**

| Consumer Staples

| 06 October 2026

Scaling via store expansion and richer mix

- Operates 12 stores (~53.7k sq ft) across MP & Rajasthan; Q1FY27 revenue/EBITDA/PAT +58%/+70%/+77% YoY; SSSG ~52%
- Store economics remain supported by high conversion at ~82% in FY26 and ~81% in Q1FY27, despite largely price-led growth
- Management targets 50 stores by FY30, with COCO-led expansion and a higher studded mix; FOCO introduced selectively

Lavita Lasrado
 Research Analyst
 research@bobcaps.in

Scaling Up with Healthy Store Economics: D.P. Abhushan's 12-store network delivers robust productivity with ~₹7.6 lakh/sq ft sales, ~82% conversion, 4.7x inventory turns and ~20% SSSG. Revenue grew at ~27% CAGR during FY23-26, while EBITDA margin improved to 7.6% on operating leverage and a richer product mix. Although recent growth has been largely value-led amid elevated gold prices, management remains confident of sustaining growth with a revenue target of ₹48-50bn in FY27 and Rs 55bn+ in FY28.

Ticker	DPAI IN
CMP	2,130
Mcap (Rs mn)	48,630
Promoters	74.89
FII	0.23
DII	0
Public	24.88

Store expansion to drive the next leg of growth: The company currently operates 12 stores across Madhya Pradesh and Rajasthan and targets expanding its network to 51 stores by FY30, primarily across Tier-II and Tier-III cities. In FY27, it plans to open around 3-4 company-owned stores, alongside a phased rollout of franchise and FOCO outlets. The company has earmarked approximately Rs50cr in capex, funded through internal accruals, for this expansion.

Key financials

Particulars	FY23	FY24	FY25	FY26
Revenue	19,711	23,368	33,070	40,651
EBITDA	785	1,027	1,757	3,045
PAT	453	619	1,127	2,118
EPS	20.30	27.70	49.60	92.90

Source: Company, BOBCAPS Research

Strengthening the leadership: The company has made selective additions to its senior leadership team as it prepares for a larger scale of operations. Notably, Mr. Manish Ladha was appointed as Chief Financial Officer in June 2025, strengthening the finance function at a time when the business is undertaking an accelerated store expansion program and managing a growing working-capital base. The company further appointed Mr. Lav Kush as Chief Transformation Officer (CTO) / Head of Strategy in October 2025, with a mandate focused on organisational transformation, process standardisation and strategic execution.

Mix is the margin lever: Studded jewellery earns ~20-30% gross margin versus ~9-11% for gold. Management aims to lift its share from ~5-6% to ~15% by FY28, with studded revenue rising from ~Rs2.4bn in FY26 to ~Rs4.5-5.0bn over the next year. Silver (revenue +168% YoY in FY26) is a second, fast-growing category. Management targeting an increase in studded jewellery contribution from ~5-6% currently to ~15% by Mar'28. Diamond rev is expected to rise from ~Rs2.4bn in FY26 to ~Rs4.5-5.0bn over the next year, supported by higher penetration and store expansion.



NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA ("US") OR IN OR INTO ANY OTHER JURISDICTION IF SUCH AN ACTION IS PROHIBITED BY APPLICABLE LAW.

Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited**
 Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**
 SEBI Research Analyst Registration No: **INH000000040 (Perpetual)**
 SEBI Stock Broker Registration No: **INZ000159332**
 SEBI Depository Participant Registration No: **IN-DP-728-2022**
 SEBI Merchant Banker Registration No: **INM000009926**
 Phone: +91-22-61389300
 Name of the Compliance Officer: Mr. Sameer Khobrekar
 Email ID: Compliance@bobcaps.in; Phone no.: +91-22-61389358
 For any queries or grievances, you may contact the Grievance Officer.
 Name of the Grievance Officer: Mr. Nilesh Mehta
 Email ID: head-customer@bobcaps.in; Phone no: 92288 60945

Brand Name: **BOBCAPS**
 Website: <https://www.bobcaps.in/>
 CIN: **U65999MH1996GOI098009**

Logo:  **BOBCAPS**
 TRUST | INNOVATION | EXCELLENCE

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.
 Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Analyst certification

Each of the analysts mentioned in this research report certify, with respect to the sections of the report for which they are responsible, that (1) all of the views expressed in this report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOB Capital Markets Limited (BOBCAPS).

Important disclosures

This product is a compilation of previously published research notes. To view the complete report along with the associated Analyst certifications and Company-specific disclosures, please click on the hyperlink accompanying each excerpt.

General disclaimers

BOBCAPS is engaged in the business of Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. BOBCAPS research reports follow rules laid down by Securities and Exchange Board of India and individuals employed as research analysts are separate from other employees who are performing sales trading, dealing, corporate finance advisory or any other activity that may affect the independence of its research reports.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company or third party in the past 12 months in connection with research report/activities. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

Other disclaimers

BOBCAPS and MAYBANK (as defined below) make no representation or warranty, express or implied, as to the accuracy or completeness of any information obtained from third parties and expressly disclaim the merchantability, suitability, quality and fitness of this report. The information in this report has not been independently verified, is provided on an "as is" basis, should not be relied on by you in connection with any contract or commitment, and should not be used as a substitute for enquiries, procedures and advice which ought to be undertaken by you. This report also does not constitute an offer or solicitation to buy or sell any securities referred to herein and you should not construe this report as investment advice. All opinions and estimates contained in this report constitute BOBCAPS's judgment as of the date of this report and are subject to change without notice, and there is no obligation on BOBCAPS or MAYBANK to update this report upon issuance. This report and the information contained herein may not be reproduced, redistributed, disseminated or copied by any means without the prior consent of BOBCAPS and MAYBANK.

To the full extent permitted by law neither BOBCAPS, MAYBANK nor any of their respective affiliates, nor any other person, accepts any liability howsoever arising, whether in contract, tort, negligence, strict liability or any other basis, including without limitation, direct or indirect, special, incidental, consequential or punitive damages arising from any use of this report or the information contained herein. By accepting this report, you agree and undertake to fully indemnify and hold harmless BOBCAPS and MAYBANK from and against claims, charges, actions, proceedings, losses, liabilities, damages, expenses and demands (collectively, the "Losses") which BOBCAPS and/or MAYBANK may incur or suffer in any jurisdiction including but not limited to those Losses incurred by BOBCAPS and/or MAYBANK as a result of any proceedings or actions brought against them by any regulators and/or authorities, and which in any case are directly or indirectly occasioned by or result from or are attributable to anything done or omitted in relation to or arising from or in connection with this report.

Distribution into the United Kingdom ("UK"):

This research report will only be distributed in the United Kingdom, in accordance with the applicable laws and regulations of the UK, by Maybank Securities (London) Ltd ("MSL") who is authorised and regulated by the Financial Conduct Authority ("FCA") in the United Kingdom (MSL and its affiliates are collectively referred to as "MAYBANK"). BOBCAPS is not authorized to directly distribute this research report in the UK.

This report has not been prepared by BOBCAPS in accordance with the UK's legal and regulatory requirements.

This research report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of MAYBANK as selected by MAYBANK solely at its discretion; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended from time to time (the "Order"), or (c) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc. as mentioned in the stated Article) of the Order; (all such persons together being referred to as "relevant persons").

This research report is directed only at relevant persons and must not be acted on or relied on by any persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

The relevant person as recipient of this research report is not permitted to reproduce, change, remove, pass on, distribute or disseminate the data or make it available to third parties without the written permission of BOBCAPS or MAYBANK. Any decision taken by the relevant person(s) pursuant to the research report shall be solely at their costs and consequences and BOBCAPS and MAYBANK shall not have any liability of whatsoever nature in this regard.

No distribution into the US:

This report will not be distributed in the US and no US person may rely on this communication.

Other jurisdictions:

This report has been prepared in accordance with SEBI (Research Analysts) Regulations and not in accordance with local regulatory requirements of any other jurisdiction. In any other jurisdictions, this report is only for distribution (subject to applicable legal or regulatory restrictions) to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions by Maybank Securities Pte Ltd. (Singapore) and / or by any broker-dealer affiliate or such other affiliate as determined by Malayan Banking Berhad.

If the recipient of this report is not as specified above, then it should not act upon this report and return the same to the sender.

By accepting this report, you agree to be bound by the foregoing limitations.