

# DCB Bank

**CMP: INR138**

**TP: INR175 (+27%) Upgrade to Buy**

## Business growth steady; valuations reasonable

### Operating leverage to drive RoE recovery

- DCB Bank (DCBB) has seen a healthy recovery in loan growth over the past two years after reporting tepid trends over FY20-22. The bank continues to focus on granular retail loans, with the share of mortgages rising to 45% from 41% in Mar'22.
- DCBB has maintained NIMs within a healthy range of 3.6-4.0%, aided by a granular liability profile, limited reliance on bulk deposits and an improving asset mix as the bank has strategically reduced the mix of low-margin corporate loans.
- While opex has been high owing to investments in business, we expect operating leverage to kick in, pushing RoA toward 1%. We believe the C/I ratio has broadly peaked out at 64% in FY24 and expect it to moderate to ~60% by FY26E.
- We expect a healthy 19% CAGR in revenue over FY24-26E amid stable margins and steady loan growth. We estimate RoA/RoE to reach 1%/14% by FY26 (FY24 RoA: 0.9%).
- We had downgraded our rating on DCBB to Neutral in Jul'19 (stock price at INR239) amid weaker operating performance and an uncertain growth/asset quality outlook. However, with a recovery in loan growth and anticipated improvements in operating leverage, we estimate a 21% earnings CAGR over FY24-26E.
- We, thus, find the current valuations at 0.7x FY26E ABV attractive and accordingly upgrade our rating to BUY from Neutral, with a revised TP of INR175 (0.9x FY26E ABV).

### Loan growth to sustain at 19% CAGR after a blip in FY20-22

DCBB management has oriented its business strategy to generate more business from its existing branch network while investing in digital capabilities to enhance the customer experience at branches. The bank is seeing a healthy recovery in loan growth over the past two years after reporting tepid trends over FY20-22. The bank continues to focus on granular retail loans while also increasing the mix of business loans to deliver profitable growth. The bank has increased the share of mortgages in its book, which now form 45% of the overall portfolio. We estimate the bank to deliver an 18% CAGR in its overall balance sheet for FY24-26E, with advances and deposits garnering a 19-20% CAGR in the same period.

### Retail mix rising; branch expansion to aid business growth

DCBB has put in conscious efforts to make the loan book granular and has curtailed its exposure to the lumpy corporate segment. Over the past two years, the bank has further increased the mix of mortgages and AIB segments by ~800bp to ~70%, while the mix of corporate and SME has declined. DCBB, under the leadership of new MD, Mr. Praveen Kutty, remains focused on delivering steady growth with a focus on retail and business loans. The bank is gradually expanding its branch network by adding 15-20 branches each year through a cluster-based approach and increasing ground staff to support growth momentum. It is focusing on improving productivity and efficiency at existing branches in states with many untapped SMEs and good potential for CASA mobilization. Consequently, the bank aims to double its balance sheet size over next 3-4 years, matching the historical run rate.

## DCB BANK

### Stock Info

Bloomberg	DCBB IN
Equity Shares (m)	313
M.Cap.(INRb)/(USD\$)	43.1 / 0.5
52-Week Range (INR)	163 / 110
1, 6, 12 Rel. Per (%)	0/-7/-9
12M Avg Val (INR M)	365

### Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
NII	19.3	22.9	27.2
OP	8.6	10.9	13.6
NP	5.4	6.4	7.9
NIM (%)	3.7	3.6	3.6
EPS (INR)	17.1	20.4	25.3
EPS Gr. (%)	14.6	19.2	23.8
BV/Sh. (INR)	157	175	198
ABV/Sh. (INR)	147	165	187

### Ratios

RoE (%)	11.9	12.6	13.9
RoA (%)	0.9	0.9	1.0

### Valuations

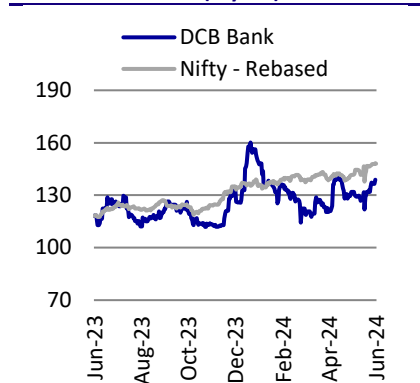
P/E (x)	8.1	6.8	5.5
P/BV (x)	0.9	0.8	0.7
P/ABV (x)	0.9	0.8	0.7

### Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	14.8	14.8	14.8
DII	29.7	34.2	40.0
FII	12.8	13.0	12.3
Others	42.8	38.0	32.9

FII Includes depository receipts

### Stock Performance (1-year)



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

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

**Estimate NIMs to stabilize at ~3.65%**

NIMs have been maintained in the healthy range of 3.6-4.0%, despite a lower CASA ratio of 26%. Several key factors have contributed to this stability, including a granular liability profile, limited reliance on bulk deposits and an improving asset mix, as the bank has strategically reduced the mix of low-margin corporate loans. The bank offers higher rates on higher ticket sizes to attract SA customers; however, the bulk of savings account balances come at the lower end of the pricing range. With deposit re-pricing largely complete, we expect funding costs to remain broadly under control and we believe that SA rate remains a lever that the bank can use to maneuver its funding costs as and when the rate cycle turns. We thus estimate margins to sustain at ~3.65% over FY25-26E, while the CASA mix remains broadly stable.

**Revenue growth to lead opex growth; estimate C/I ratio to decline to ~60%**

DCBB has made aggressive investments in business to enhance the franchise, which has resulted in a sharp rise in the C/I ratio. Consequently, opex growth over the past three years has dwarfed revenue growth, leading to a sharp deterioration in the C/I ratio to 64% (FY18-20 average of 57%). As branches mature and loan growth remains steady, DCBB expects enhanced productivity leading to lower opex growth and an improved C/I ratio. Investments in digital capabilities and branch network optimization are key strategies to enhance customer experience and improve operational performance. We estimate opex growth to moderate to 15% CAGR over FY24-26 (vs. 22% CAGR over FY21-24) as operating leverage in the business improves. The C/I ratio is thus anticipated to decline to 60% by FY26 vs. 64% in FY24.

**Asset quality outlook healthy; GNPA to improve further**

During the Covid phase, the bank experienced asset quality pressure as GNPA deteriorated. However, the bank has corrected its course by focusing more on underwriting quality. The portfolio is now mostly secured, well-diversified, and increasingly granular. Moreover, revamped collection and recovery mechanisms and a streamlined credit appraisal process have improved asset quality. While restructured book still remains relatively elevated (INR10.7b; 2.6% of loans), we expect slippages to remain under control, led by continued growth in secured retail, SME, and agri/microfinance sectors. We estimate GNPA/NNPA ratios to improve to 2.6%/0.8% by FY26 and estimate credit costs to sustain at 0.5% in FY26E.

**Valuation and view: Upgrade to BUY on reasonable valuations**

DCBB has seen a healthy recovery in loan growth after witnessing sluggish trends during FY20-22. The bank's shift in loan mix toward retail loans has not only shielded its margins but also provided stable, profitable growth. The bank has made significant investments in the business and is well poised to sustain the healthy growth rate, while improvement in operating leverage helps sustain RoA at ~1% by FY26E vs. 0.9% in FY24. We, thus, estimate RoE to recover toward ~14% by FY26E vs. average 10% over FY22-24. We had downgraded our rating on DCBB to Neutral in Jul'19 (stock price at INR239) amid weaker operating performance and an uncertain growth/asset quality outlook. However, we find the current valuations at 0.7x FY26E ABV attractive in context to a ~21% earnings CAGR estimated over FY24-26E. We, thus, upgrade our rating to BUY from Neutral, with a revised TP of INR175 (0.9x FY26E ABV).

## Loan growth to sustain at 19% CAGR

### On track to double balance sheet in next 3-4 years after a blip during FY20-22

DCBB has shown a healthy recovery in loan growth over the past two years after reporting tepid trends over FY20-22. The bank continues to focus on granular retail loans while increasing the mix of business loans to deliver profitable growth. Moreover, DCBB has been strengthening its digital capabilities to enhance the customer experience at branches. This shift has aided the recovery in advances growth and we estimate DCBB to sustain a 19% CAGR in loans over FY4-26E. The bank is thus on track to double the size of its balance sheet over the next 3-4 years, thereby mirroring the historical growth rate.

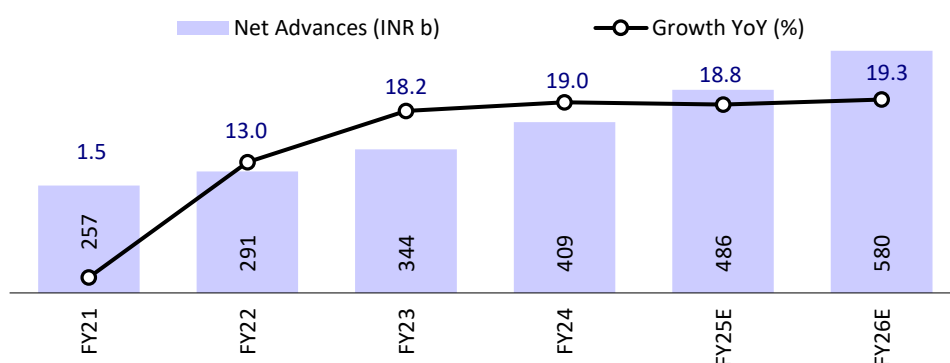
### Portfolio realignment toward secured retail segments

- **Shift toward mortgages and business loans:** DCBB has reported a 24% CAGR in mortgages over the past two years, with the segment mix rising to 45% vs. 41% in Mar'22. The bank is increasing the share of business loans to benefit from healthy demand, aided by steady economic activity and healthy lending yields.
- **Branch expansion:** The bank is expanding its branch network by adding 15-20 branches each year using a cluster-based approach. The bank has been continuously increasing its staff to support this growth as it hired over 3,200 employees over the past two years, taking the total employee count to 11,325.
- **Focus on productivity and efficiency:** The bank is focusing on improving productivity and efficiency at existing branches. It is targeting locations with many untapped SMEs and has good potential for CASA mobilization.
- **Growth projections and strategic goals:** With the focus on strategic expansion and portfolio realignment, the bank's goal of achieving a 19-23% CAGR in its balance sheet seems achievable. The strategy includes balancing growth in mortgages and business loans and improving branch network and digital service capabilities.

**Exhibit 1: Net advances grew 19% YoY to INR409b**

We estimate DCBB to sustain a 19% CAGR in loans over FY24-

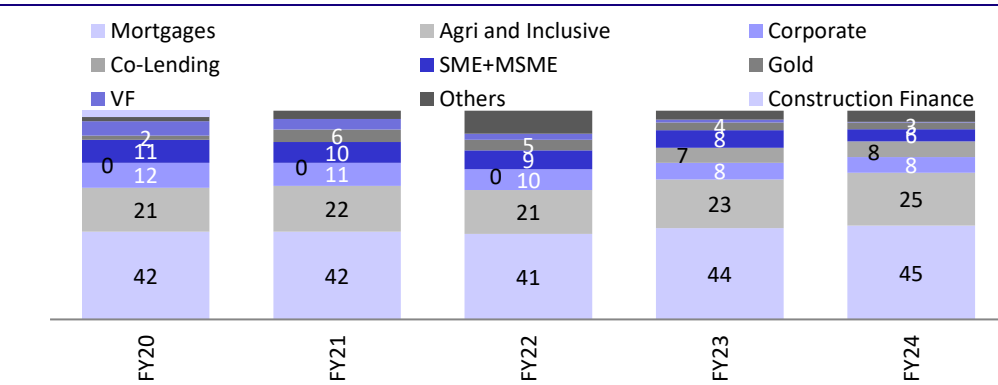
26



Source: Company, MOFSL

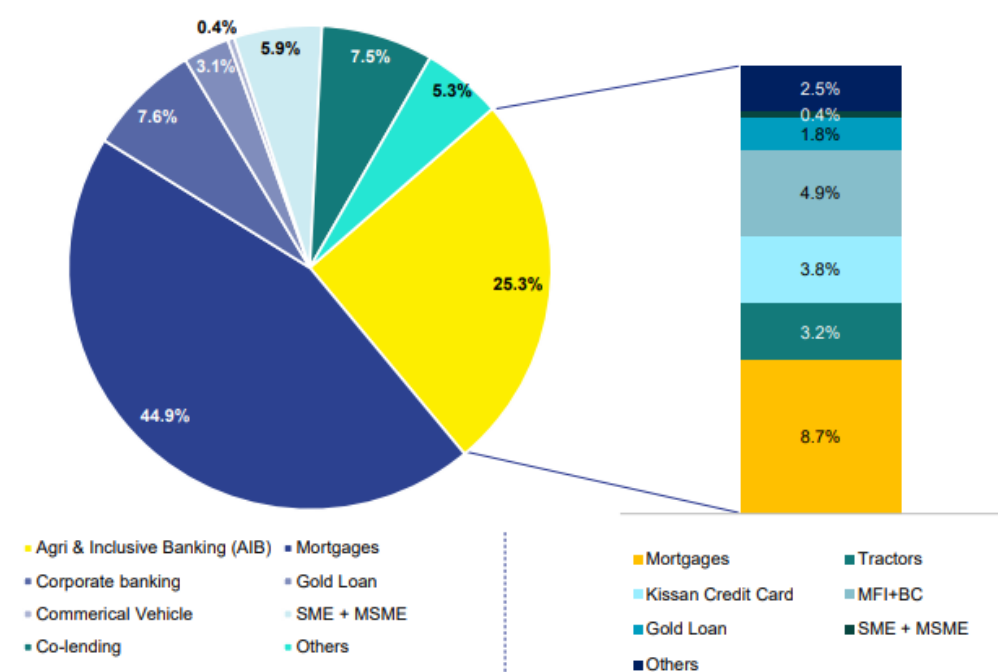
The share of mortgages in the total portfolio increased to 45% in FY24 from 41% in FY22

**Exhibit 2: Loan mix has tilted toward retail with segment forming ~86% of loans**



Source: Company, MOFSL

**Exhibit 3: Agri + Mortgages form 70% of the portfolio**



Source: Company, MOFSL

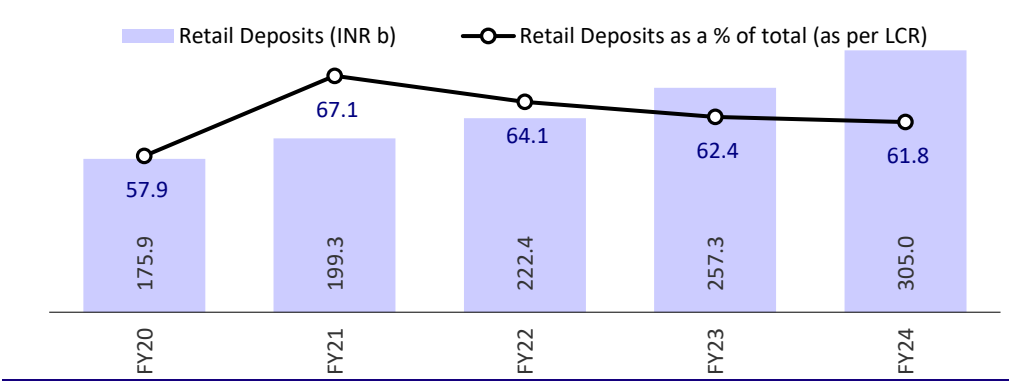
**Liabilities growing at a steady run rate; estimate healthy 19% CAGR over FY24-26E:**

DCBB has delivered a healthy 19% CAGR in deposits over FY22-24 while maintaining a broadly stable CASA mix. During FY24, the bank reported 18.7% YoY growth in SA deposits, backed by consistent focus, new products such as DCB Happy (small ticket-size savings accounts which offers cashback on UPI transactions), and effective fintech tie-ups. Higher interest rates on savings and term deposits also helped attract deposits. The bank has been making efforts to build a highly granular deposit profile, with retail deposits accounting for ~62% of total deposits.

The bank's LDR remains in control at 83% (84% in FY22), indicating that DCBB has been able to adequately fund the loan growth, supported by healthy traction in deposits.

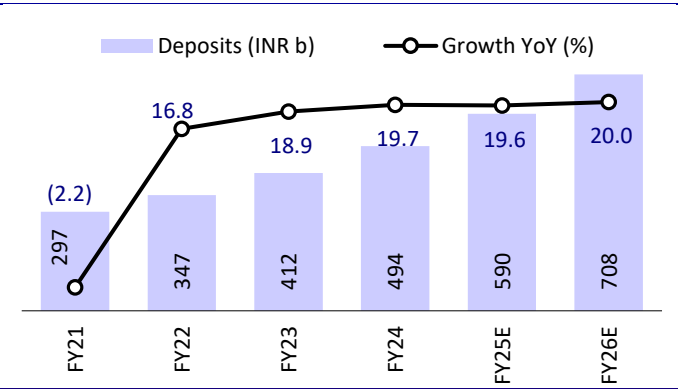
Exhibit 4: Retail deposit mix stands at ~62% for FY24

With retail deposits healthy at ~62%, DCBB has lower reliance on bulk deposits



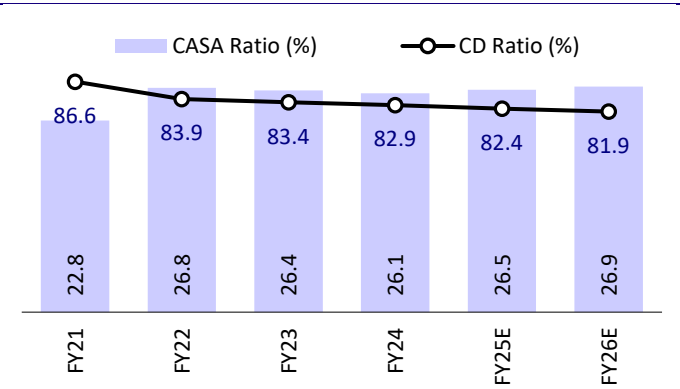
Source: Company, MOFSL

Exhibit 5: Deposits grew ~20% YoY to INR494b



Source: Company, MOFSL

Exhibit 6: CASA ratio stagnant at 27%, CD ratio at 82%



Source: Company, MOFSL

## Estimate NIMs to stabilize at ~3.65%

### Potential turn in the rate cycle to alleviate funding cost

NIMs have been maintained in the healthy range of 3.6-4.0%, despite a lower CASA ratio of 26%. Several key factors contribute to this stability, including a granular liability profile, limited reliance on bulk deposits, and an improving asset mix, as the bank has strategically reduced the mix of low-margin corporate loans. However, the sharp rise in funding costs has exerted pressure on margins, which declined from 4.18% in Mar'23 to 3.62% in Mar'24. The bank offers higher rates on higher bucket ticket sizes to attract SA customers; however, the bulk of savings account balances for the bank come at the lower end of the pricing range. SA rate is the one lever that the bank can use to maneuver the funding costs as and when the rate cycle turns.

The steep rise in interest rates has resulted in a sharp rise in funding costs; however, with deposit re-pricing largely complete, we expect funding cost to remain broadly in control. We estimate the CASA mix to sustain at ~26.5%. We thus estimate DCBB to sustain margins at ~3.65% over FY25-26E.

### Exhibit 7: DCBB offers higher Savings interest rates among peers

(%)	SA Rate
AXSB	3.0%/3.5% (>INR5m)
HDFCB	3.0%/3.5% (>INR5m)
ICICIBC	3.0%/3.5% (>INR5m)
KMB	3.5%/4.0% (>INR5m)
IIB	3.5%/5.0%/6.75% (>INR2.5m)
RBK	4.25%/5.5%/6.0%/7.5% (>INR2.5m)
IDFCFB	3.0%/7.25% (>INR1m)
FB	3.0%/7.1% (>INR500m)
DCBB	3.0%(>INR0.1m<INR0.5m)/5.25% (>INR0.5m<INR1m)/ 7.75% (>INR1m<INR10m)/8% (>INR10m<INR20m)
BANDHAN	3.0%/6.0%/7.0% (>INR1m)
AUBANK	3.0%/7.0% (>INR1m)
BoB	2.75%/3% (>INR500m)
PNB	2.7%/2.75% (>INR1m)
SBIN	2.7%/3% (>INR100m)

Source: MOFSL, Company

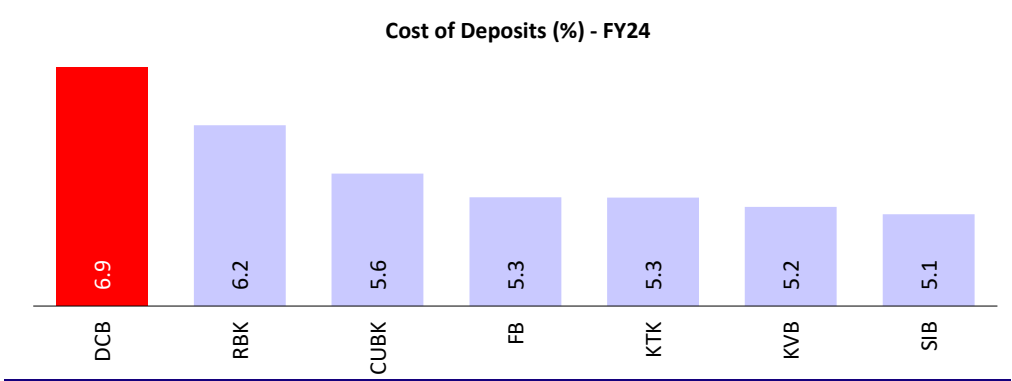
### Exhibit 8: In terms of term deposits too, DCBB offers one of the highest rates

(%)	TD Rate - 1 year
AXSB	6.70%
HDFCB	6.60%
ICICIBC	6.70%
KMB	7.10%
IIB	7.75%
RBK	7.50%
IDFCFB	6.50%
FB	6.80%
DCBB	7.75%
BANDHAN	7.85%
AUBANK	7.85%
BoB	6.85%
PNB	6.75%
SBIN	6.80%

Source: MOFSL, Company

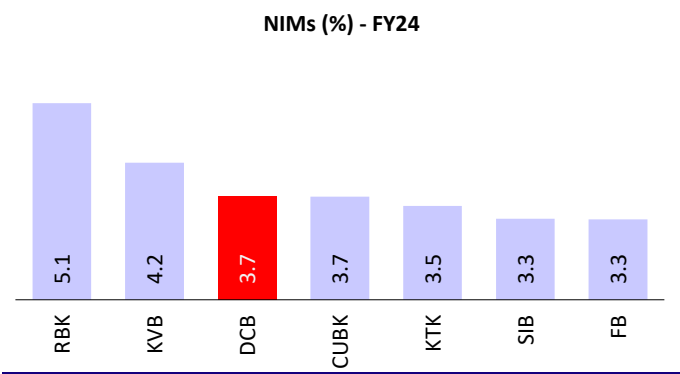
Exhibit 9: DCBB’s cost of deposits is higher vs peers

DCBB offers higher rates among peers, which is reflecting in its higher cost of deposits



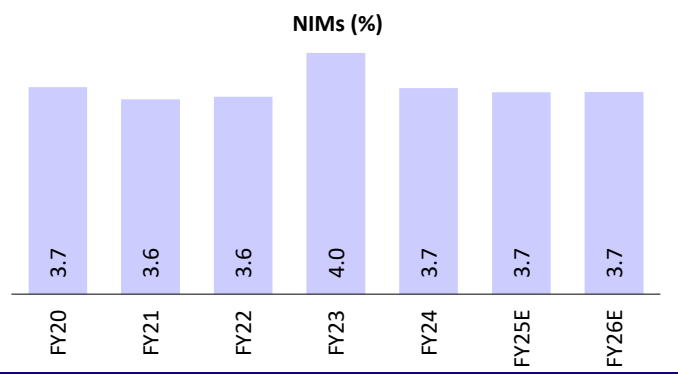
Source: Company, MOFSL

Exhibit 10: Yet, DCBB has better margins vs. most peers



Source: Company, MOFSL

Exhibit 11: Estimate NIMs to sustain at ~3.65% over FY25-26E



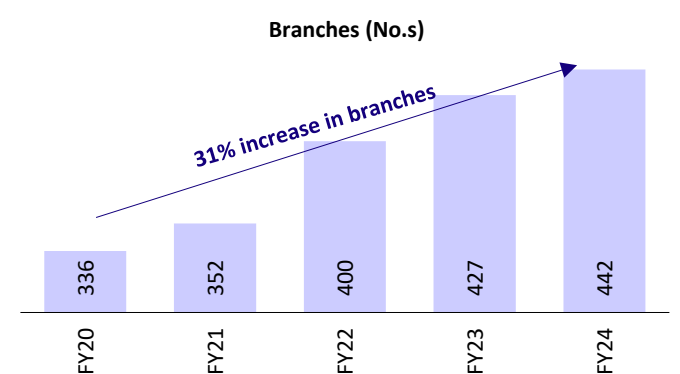
Source: Company, MOFSL

## Operating leverage to improve gradually

### Estimate C/I ratio to moderate to 60% by FY26E vs. ~64% in FY24

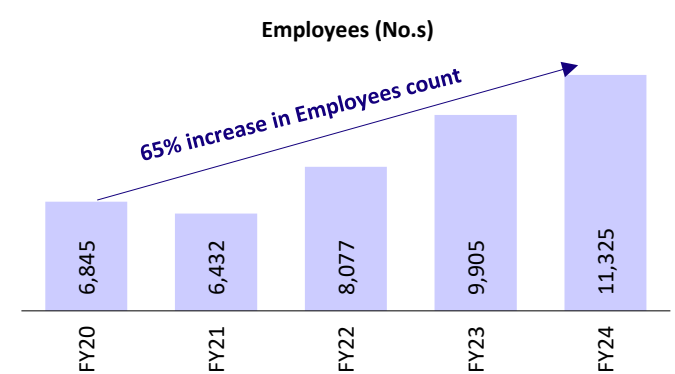
- **Aggressive investments in business lead to high operating costs:** DCBB has made aggressive investments in business to enhance the franchise, which resulted in a sharp rise in the C/I ratio. We note that during FY21-24 the bank opened 90 new branches vs. 34 opened in the prior three years. Likewise, the bank hired ~4,900 employees during FY21-24 vs. barely 691 added during FY18-21. Consequently, opex growth over the past three years lead the revenue growth, resulting in a sharp deterioration in the C/I ratio to 64% (FY18-20 average of 57%). Higher deposit rates have also contributed to the increase in the C/I ratio as NII has grown at a slower pace in recent years.
- **Improvement in productivity to aid operating profitability:** As branches mature, the bank expects enhanced productivity and efficiency, leading to lower opex growth and an improved C/I ratio. Investments in digital capabilities and branch network optimization are key to enhance customer experience and improve operational performance.
- **Estimate opex growth to moderate to 15% CAGR:** We estimate opex growth to moderate to a 15% CAGR over FY24-26 (vs. 22% CAGR over FY21-24) as operating leverage in business improves. The C/I ratio is thus anticipated to decline to 60% by FY26 vs. 64% in FY24, while cost-assets would sustain at 2.5%.

Exhibit 12: Branch count has risen 31% in last four years...



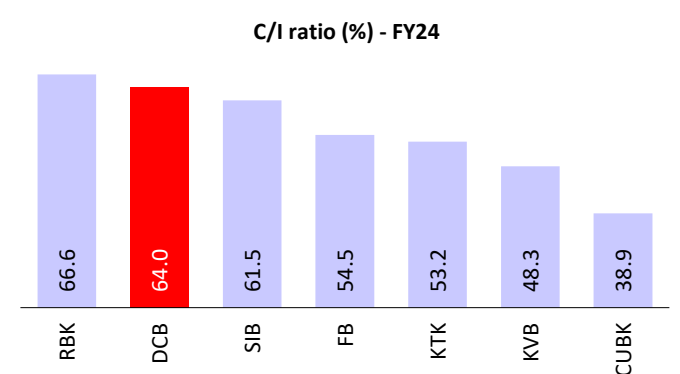
Source: Company, MOFSL

Exhibit 13: ...while employee addition was higher at 65%



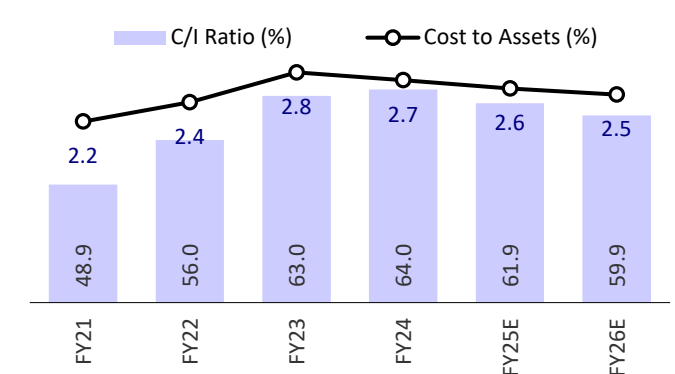
Source: Company, MOFSL

Exhibit 14: C/I ratio for DCBB remains elevated vs. peers'



Source: Company, MOFSL

Exhibit 15: C/I ratio to moderate to 60% in FY26E



Source: Company, MOFSL



## Asset quality outlook healthy; GNPA to improve further

### Credit cost to sustain at 0.5%, led by controlled slippages

- DCBB has shifted its focus toward building a granular, secured retail loan portfolio and has thus consciously pruned its exposure to risky and lumpy lending segments. This has helped the bank to reduce concentration risk and improve overall stability. Alongside, the bank has been putting in efforts to improve its underwriting standards, ensuring that new loans are of higher credit quality without diluting the overall profitability.
- The bank has also revamped its collection and recovery processes, leading to more efficient handling of overdue loans and improved recovery rates. DCBB has thus been able to improve its GNPA ratio from 4.32% in Mar'22 to 3.23% currently and PCR by ~1100bp. Restructured book remains elevated at 2.6% of loans (INR10.7b); however, the management expects limited slippages from this pool and estimate it to decline gradually.
- We thus estimate GNPA/NNPA ratios to improve to 2.6%/0.8% by FY26E and PCR to improve further to 69%.

Exhibit 16: Slippages ratio (excluding gold loans) vs. peers

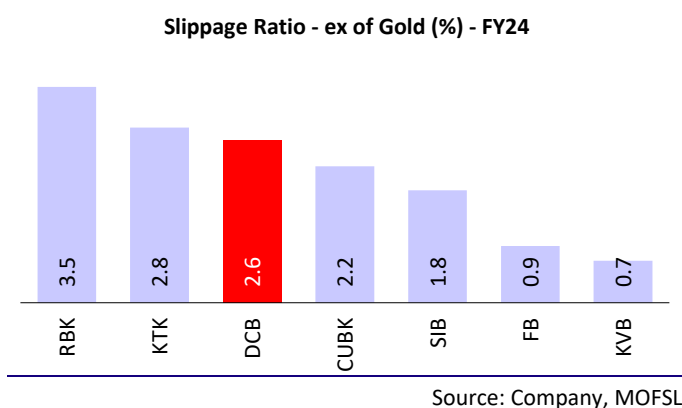


Exhibit 17: Estimate slippage rate to moderate

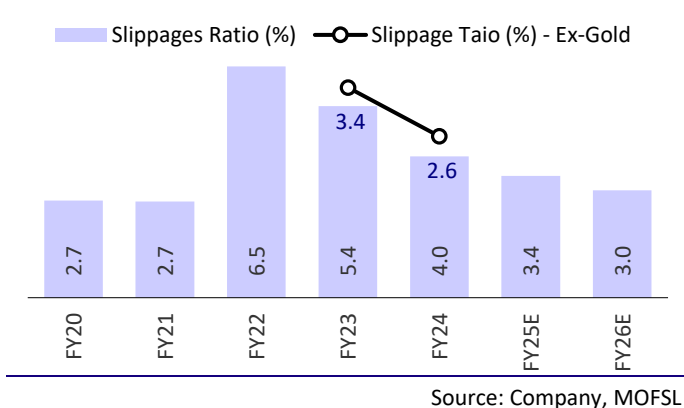


Exhibit 18: Restructured pool remains higher vs. peers...

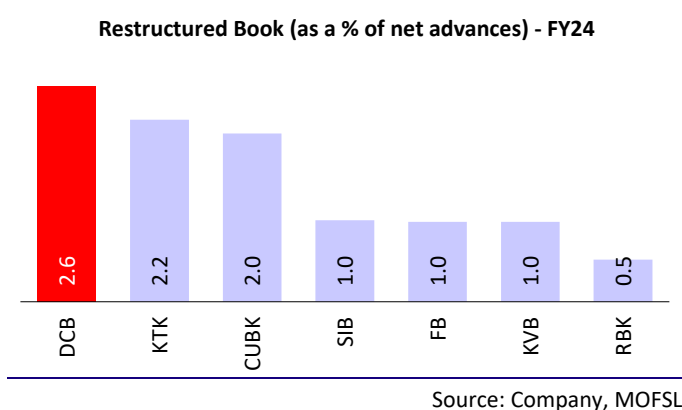
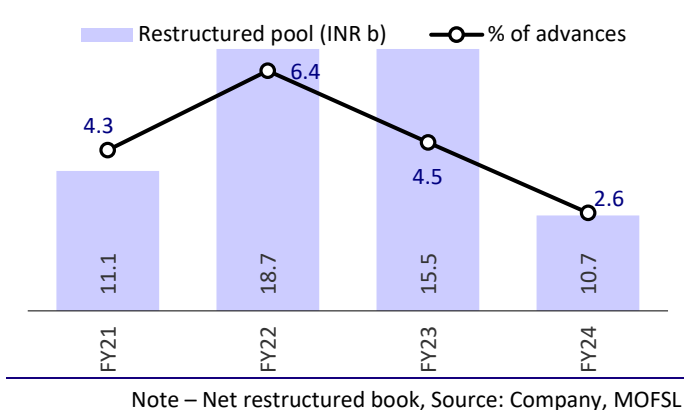
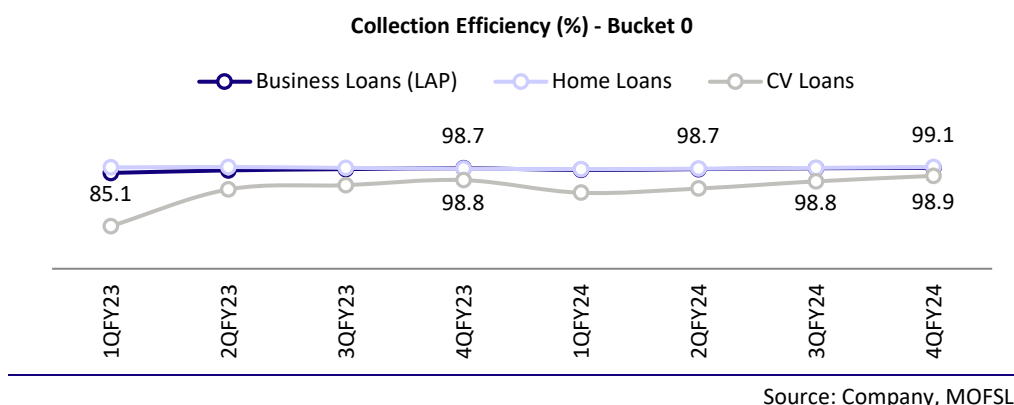


Exhibit 19: ...though has declined sharply from the peak

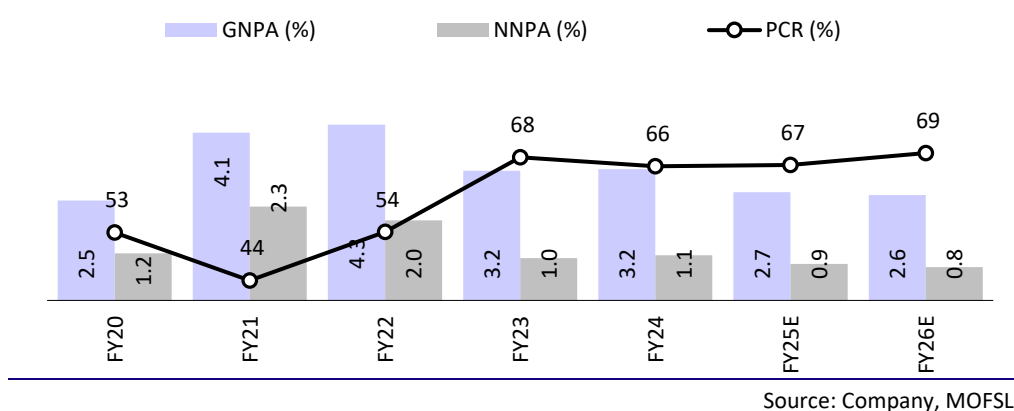


**Exhibit 20: Collection efficiency improves across business segments...**

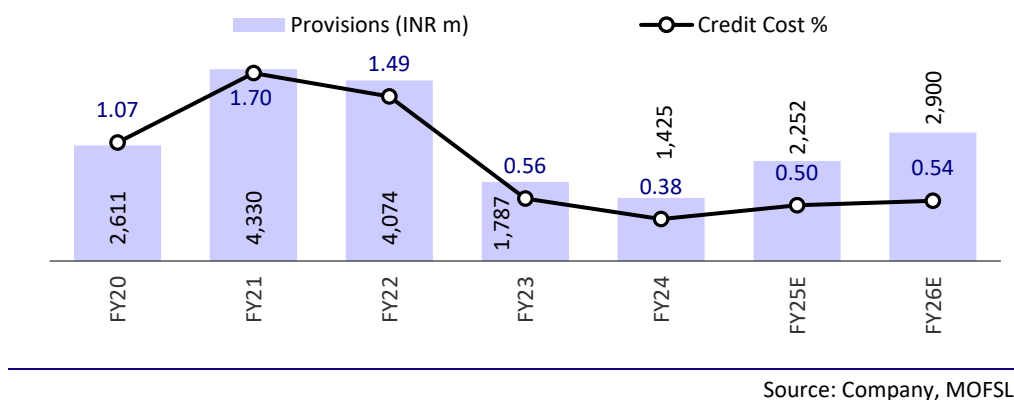
Collection Efficiency touches  
99% across all products

**Exhibit 21: ...which should aid improvement in asset quality ratios**

Estimate GNPA/NNPA ratios to  
improve to 2.6%/0.8%, while  
PCR to improve 69% by FY26E

**Exhibit 22: Credit cost to remain under control at 0.5% over FY25-26E**

Healthy asset quality to led to  
benign credit cost at 0.5%

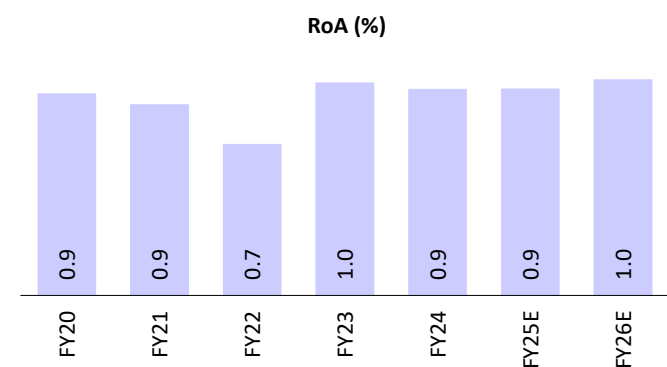
**Exhibit 23: Segment-wise GNPA**

	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	YoY (%)	QoQ (%)
CV/STVL	2,259	2,300	2,180	2,080	1,790	1,520	1,550	1,570	1,490	-16.8	-5.1
Corporate	1,014	1,010	2,040	2,150	1,990	2,210	2,280	2,280	1,950	-2.0	-14.5
SME + MSME	1,380	1,490	1,480	1,470	1,300	1,380	1,540	1,650	1,610	23.8	-2.4
Mortgages	3,423	3,310	2,950	2,900	2,700	3,160	3,610	4,200	4,450	64.8	6.0
AIB	2,916	3,170	2,970	2,900	2,740	2,940	3,000	3,240	3,220	17.5	-0.6
Gold loan	1,330	1,060	410	290	190	240	420	320	330	73.7	3.1
Others	577	540	460	440	520	360	410	420	480	14.3	14.3
<b>Total GNPA</b>	<b>12,899</b>	<b>12,880</b>	<b>12,490</b>	<b>12,230</b>	<b>11,230</b>	<b>11,810</b>	<b>12,810</b>	<b>13,680</b>	<b>13,530</b>	<b>21.6</b>	<b>-1.1</b>

## Valuations and view: Upgrade to BUY with TP of INR175

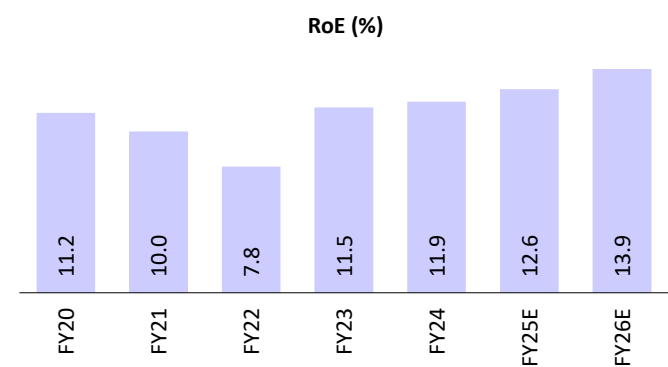
- DCBB has seen a healthy recovery in loan growth after witnessing sluggish trends during FY20-22. The bank's shift in loan mix towards retail loans has not only shielded its margins but also provided stable, profitable growth.
- The bank has made significant investments in the business and is well poised to sustain the healthy growth rate while improvement in operating leverage helps sustain RoA at ~1% by FY26E vs 0.9% in FY24. We thus estimate RoE to recover towards ~14% by FY26E vs average 10% over FY22-24.
- We had downgraded our rating on DCBB to Neutral in Jul'19 (stock price at INR239) amid weaker operating performance and an uncertain growth/ asset quality outlook. However, with a recovery in loan growth and anticipated improvement in operating leverage, we estimate a 21% earnings CAGR over FY24-26E.
- **We, thus, find the current valuations at 0.7x FY26E ABV attractive and accordingly upgrade our rating to BUY from Neutral, with a revised TP of INR175 (0.9x FY26E ABV).**

Exhibit 24: RoA estimated to sustain 1% by FY26E...



Source: Company, MOFSL

Exhibit 25: ...while RoE estimated to sustain at 14%



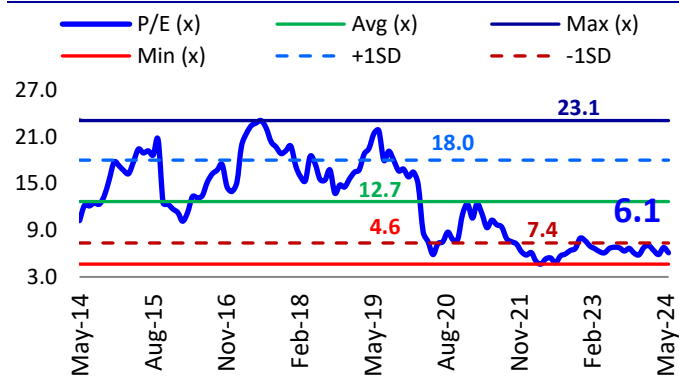
Source: Company, MOFSL

Exhibit 26: DCB Bank: DuPont Analysis – Estimate return ratios to improve gradually

DCB Bank	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Interest Income	9.52	8.86	8.32	8.65	9.29	9.04	9.02
Interest Expended	6.12	5.56	5.11	5.11	5.95	5.71	5.68
<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>3.33</b>	<b>3.35</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	-0.08	-0.09
<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>0.82</b>	<b>0.81</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>4.15</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>2.57</b>	<b>2.49</b>
Employees	1.24	1.11	1.28	1.43	1.38	1.33	1.29
Others	1.20	1.06	1.12	1.33	1.29	1.23	1.20
<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>1.58</b>	<b>1.67</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>1.66</b>	<b>1.76</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>0.33</b>	<b>0.36</b>
<b>PBT</b>	<b>1.32</b>	<b>1.16</b>	<b>0.92</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.31</b>
Tax	0.41	0.30	0.24	0.29	0.32	0.32	0.34
<b>ROA (%)</b>	<b>0.91</b>	<b>0.86</b>	<b>0.68</b>	<b>0.96</b>	<b>0.93</b>	<b>0.93</b>	<b>0.97</b>
Leverage (x)	12.27	11.64	11.48	12.01	12.77	13.57	14.26
<b>ROE (%)</b>	<b>11.16</b>	<b>10.01</b>	<b>7.82</b>	<b>11.51</b>	<b>11.86</b>	<b>12.63</b>	<b>13.88</b>

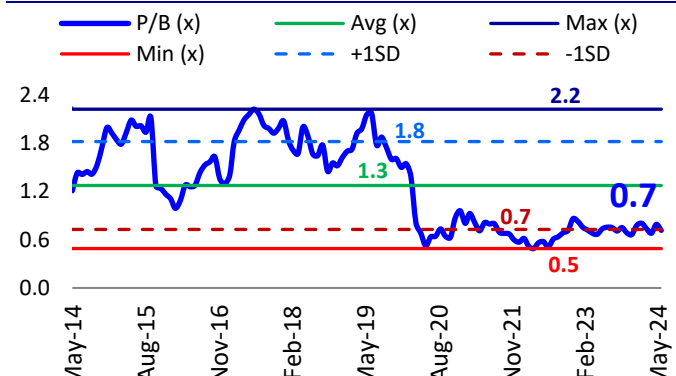
Source: MOFSL, Company

Exhibit 27: One-year forward PE: DCB Bank



Source: Company, MOFSL

Exhibit 28: One-year forward PB: DCB Bank



Source: Company, MOFSL

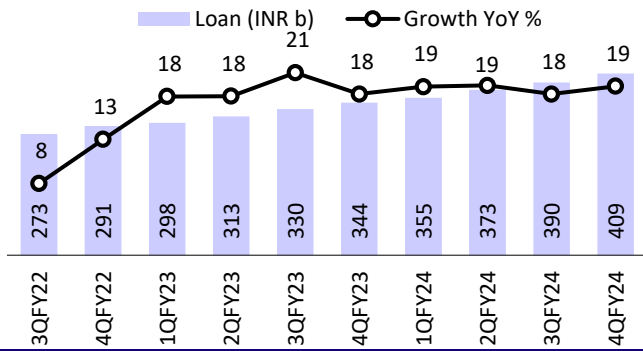
Exhibit 29: Benchmarking DCB vs peers

As on FY24	CUBK	DCB	FB	KTK	KVB	RBK	SIB
Loans (INR b)	455	409	2,094	715	737	840	781
- Growth - 3 year CAGR (%)	8.0	16.7	16.7	11.6	13.5	12.7	10.4
Deposits (INR b)	557	494	2,525	981	891	1,035	1,019
- Growth - 3 year CAGR (%)	7.7	18.4	13.5	9.0	12.1	12.3	7.2
<b>Asset Quality Ratios</b>							
GNPA (%)	4.0	3.2	2.1	3.5	1.4	2.7	4.5
NNPA (%)	2.0	1.1	0.6	1.6	0.4	0.7	1.5
Slippage Ratio (%)	2.2	4.0	0.9	2.8	0.7	3.5	1.8
PCR (%)	72.0	77.3	72.3	79.2	70.1	72.7	68.7
Restructured Book (%)	2.0	2.6	1.0	2.2	1.0	0.5	1.0
<b>Business and Efficiency Ratios</b>							
CASA Ratio (%)	30.6	26.0	29.4	32.0	30.0	35.2	32.1
LDR (%)	81.8	82.9	82.9	72.9	82.7	81.2	76.6
C/I Ratio (%)	38.9	64.0	54.5	53.2	48.3	66.6	61.5
<b>Yields and Cost ratios</b>							
Yield on Advances (%)	9.7	11.6	9.2	9.9	9.9	12.9	9.3
COF	4.7	6.9	5.5	5.4	5.2	5.9	4.6
NIMs (%)	3.7	3.7	3.3	3.5	4.2	5.1	3.3
<b>Profitability Ratios</b>							
RoA (%)	1.5	0.9	1.3	1.2	1.6	0.9	0.9
RoE (%)	13.4	12.1	14.7	13.7	16.0	8.2	12.1
<b>Capitalisation Ratios</b>							
CAR (%)	23.7	16.6	16.1	18.0	16.7	16.2	19.9
Tier - 1 (%)	22.7	14.5	14.6	16.2	15.5	14.4	17.7
<b>Others</b>							
Employees	7,188	11,325	13,475	8,652	9,085	12,473	9,836
Branches	800	442	1,504	925	838	545	955
Presence in States and UTs	20	19	18	24	22	23	30
<b>Valuations - FY26E</b>							
EPS	15	25	22	39	25	34	5
BV	139	198	155	327	165	279	41
P/B	1.1	0.7	1.2	0.7	1.3	1.0	0.7

(Color Code: Green – Best, Red – Worst), (Consensus Valuations FY26E for CUBK, KTK, KVB, SIB), Source: MOFSL, Company  
 CUBK – City Union Bank, DCB – DCB bank, FB – Federal Bank, KTK – Karnataka Bank, KVB – Karur Vysya Bank, RBK – RBL Bank, SIB – South Indian Bank

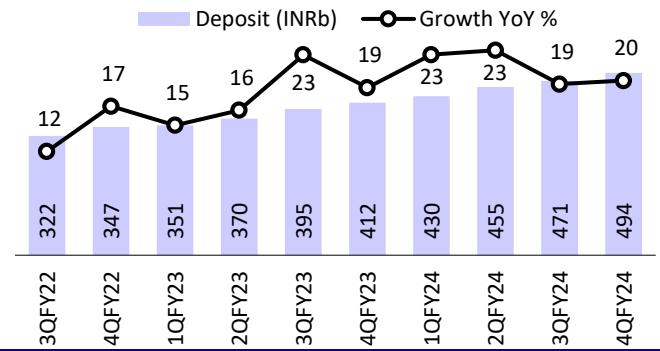
## Story in Charts

**Exhibit 1: Loan book grew 19% YoY (5.1% QoQ)**



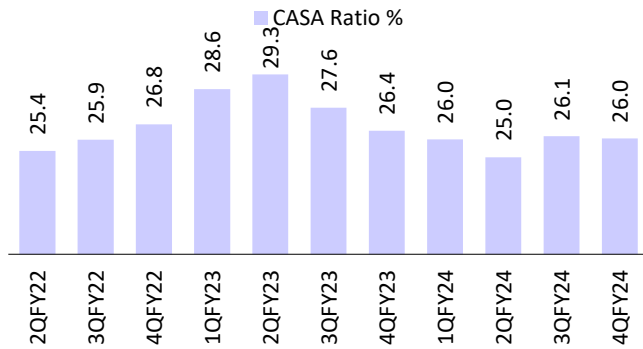
Source: MOFSL, Company

**Exhibit 2: Deposits book grew 20% YoY (4.7% QoQ)**



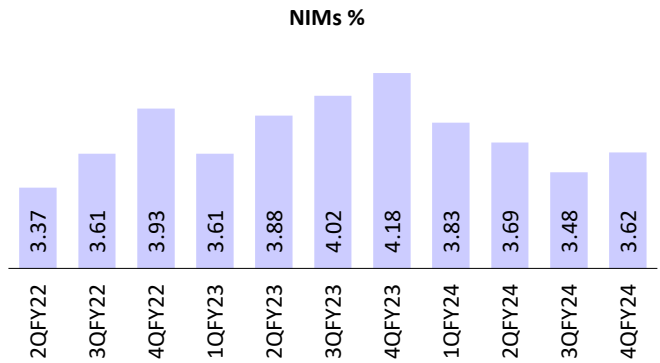
Source: MOFSL, Company

**Exhibit 3: CASA ratio stood at 26% in 4QFY24**



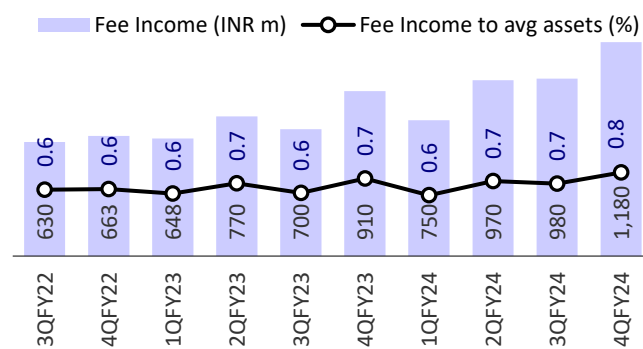
Source: MOFSL, Company

**Exhibit 4: Reported NIM improved 14bp QoQ to 3.62%**



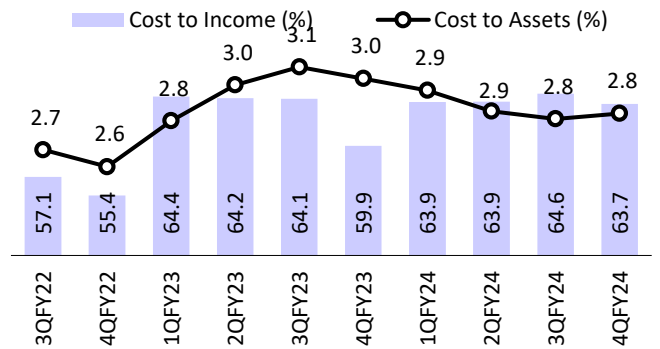
Source: MOFSL, Company

**Exhibit 5: Fee to average asset has recovered to 0.8%**



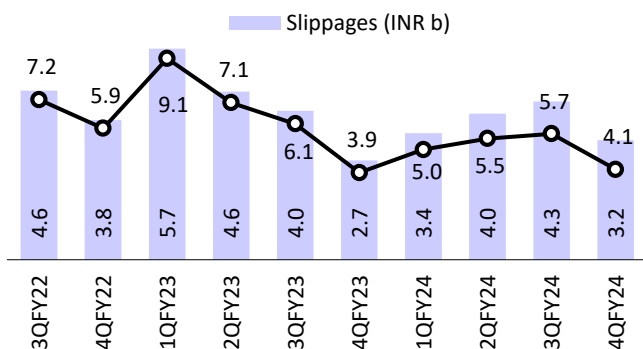
Fee inc to avg assets is annualized, Source: MOFSL, Company

**Exhibit 6: CI ratio has increased to ~64%**



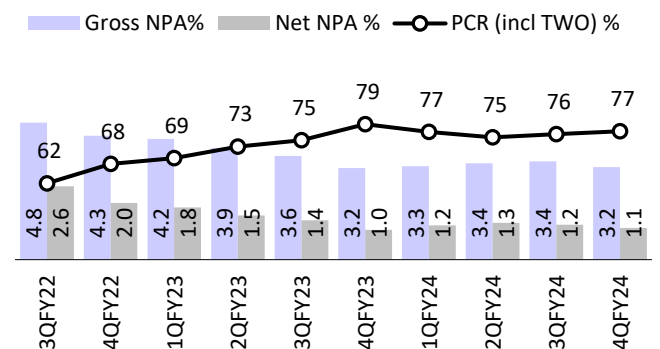
Source: MOFSL, Company

**Exhibit 7: Slippages has moderated to INR3.2b in 4QFY24**



Source: MOFSL, Company

**Exhibit 8: GNPA/NNPA ratio has improved to 3.2%/1.1%**



Source: MOFSL, Company

## DCB BANK: Financials and valuations

Income Statement						INRm	
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Interest Income	35,366	34,582	35,128	42,003	53,620	62,039	73,310
Interest Expense	22,717	21,716	21,553	24,833	34,341	39,168	46,107
<b>Net Interest Income</b>	<b>12,649</b>	<b>12,866</b>	<b>13,575</b>	<b>17,170</b>	<b>19,279</b>	<b>22,872</b>	<b>27,203</b>
Growth (%)	10.1	1.7	5.5	26.5	12.3	18.6	18.9
Non Interest Income	3,911	4,458	4,520	4,094	4,742	5,596	6,603
<b>Total Income</b>	<b>16,560</b>	<b>17,324</b>	<b>18,095</b>	<b>21,264</b>	<b>24,021</b>	<b>28,468</b>	<b>33,806</b>
Growth (%)	10.4	4.6	4.5	17.5	13.0	18.5	18.8
Operating Expenses	9,029	8,466	10,126	13,397	15,377	17,609	20,251
<b>Pre Provision Profits</b>	<b>7,531</b>	<b>8,858</b>	<b>7,970</b>	<b>7,867</b>	<b>8,644</b>	<b>10,858</b>	<b>13,555</b>
Growth (%)	16.5	17.6	-10.0	-1.3	9.9	25.6	24.8
<b>Core PPOp</b>	<b>6,878</b>	<b>7,431</b>	<b>7,161</b>	<b>7,758</b>	<b>9,045</b>	<b>11,398</b>	<b>14,283</b>
Growth (%)	13.1	8.0	-3.6	8.3	16.6	26.0	25.3
Provisions	2,611	4,330	4,074	1,787	1,425	2,252	2,900
<b>PBT</b>	<b>4,919</b>	<b>4,528</b>	<b>3,895</b>	<b>6,080</b>	<b>7,220</b>	<b>8,607</b>	<b>10,655</b>
Tax	1,540	1,170	1,020	1,424	1,860	2,220	2,749
Tax Rate (%)	31.3	25.8	26.2	23.4	25.8	25.8	25.8
<b>PAT</b>	<b>3,379</b>	<b>3,358</b>	<b>2,875</b>	<b>4,656</b>	<b>5,360</b>	<b>6,386</b>	<b>7,906</b>
Growth (%)	3.9	-0.6	-14.4	61.9	15.1	19.2	23.8

Balance Sheet							
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	3,104	3,105	3,110	3,115	3,128	3,128	3,128
Reserves & Surplus	31,108	34,471	37,365	42,515	47,551	53,249	60,373
<b>Net Worth</b>	<b>34,212</b>	<b>37,576</b>	<b>40,475</b>	<b>45,630</b>	<b>50,679</b>	<b>56,377</b>	<b>63,501</b>
<b>Deposits</b>	<b>3,03,699</b>	<b>2,97,039</b>	<b>3,46,917</b>	<b>4,12,389</b>	<b>4,93,530</b>	<b>5,90,262</b>	<b>7,08,315</b>
Growth (%)	6.8	-2.2	16.8	18.9	19.7	19.6	20.0
<b>of which CASA Dep</b>	<b>65,192</b>	<b>67,865</b>	<b>92,811</b>	<b>1,08,956</b>	<b>1,28,811</b>	<b>1,56,419</b>	<b>1,90,537</b>
Growth (%)	-4.3	4.1	36.8	17.4	18.2	21.4	21.8
Borrowings	34,080	44,823	40,818	41,181	62,195	67,120	76,955
<b>Total Liabilities</b>	<b>3,85,051</b>	<b>3,96,021</b>	<b>4,47,926</b>	<b>5,23,628</b>	<b>6,30,336</b>	<b>7,42,238</b>	<b>8,82,376</b>
Current Assets	35,459	30,393	40,908	23,684	30,659	33,527	37,457
<b>Investments</b>	<b>77,415</b>	<b>84,137</b>	<b>90,507</b>	<b>1,25,825</b>	<b>1,62,109</b>	<b>1,91,288</b>	<b>2,27,633</b>
Growth (%)	-1.3	8.7	7.6	39.0	28.8	18.0	19.0
<b>Loans</b>	<b>2,53,453</b>	<b>2,57,372</b>	<b>2,90,958</b>	<b>3,43,807</b>	<b>4,09,246</b>	<b>4,86,184</b>	<b>5,80,017</b>
Growth (%)	7.5	1.5	13.0	18.2	19.0	18.8	19.3
Fixed Assets	5,459	5,685	6,612	8,263	8,649	9,203	10,123
Other Assets	13,266	18,434	18,942	22,080	19,708	22,037	27,145
<b>Total Assets</b>	<b>3,85,051</b>	<b>3,96,021</b>	<b>4,47,926</b>	<b>5,23,659</b>	<b>6,30,370</b>	<b>7,42,238</b>	<b>8,82,376</b>

ASSET QUALITY							
GNPA (INR M)	6,315	10,834	12,899	11,228	13,533	13,192	15,333
NNPA (INR M)	2,935	5,942	5,732	3,569	4,541	4,389	4,745
GNPA Ratio	2.46	4.13	4.33	3.19	3.24	2.67	2.60
NNPA Ratio	1.16	2.31	1.97	1.04	1.11	0.90	0.82
Slippage Ratio	2.7	2.7	6.5	5.4	4.0	3.4	3.0
Credit Cost	1.07	1.70	1.49	0.56	0.38	0.5	0.5
PCR (Excl Tech. write off)	53.4	43.9	53.5	68.2	66.4	66.7	69.1

E: MOFSL Estimates

## DCB BANK: 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>6.5</b>	<b>6.4</b>
Avg. Cost of Deposits	6.9	6.3	5.9	5.9	6.4	6.4	6.3
<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>3.0</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>3.6</b>	<b>3.6</b>

### Profitability Ratios (%)

CAR	17.8	19.7	18.9	17.6	16.6	15.4	14.4
Tier I	13.9	15.5	15.8	15.2	14.5	13.6	12.8
Tier II	3.9	4.2	3.1	2.4	2.1	1.8	1.5

### Business & Efficiency Ratio (%)

Loans/Deposit Ratio	83.5	86.6	83.9	83.4	82.9	82.4	81.9
CASA Ratio	21.5	22.8	26.8	26.4	26.1	26.5	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	61.9	59.9
Cost/ Core Income	56.8	53.3	58.6	63.3	63.0	60.7	58.6
Int. Expense/Int.Income	64.2	62.8	61.4	59.1	64.0	63.1	62.9
Fee Income/Net Income	19.7	17.5	20.5	18.7	21.4	21.6	21.7
Other. Inc./Net Income	23.6	25.7	25.0	19.3	19.7	19.7	19.5
Empl. Cost/Op. Exps.	50.8	51.2	53.2	51.7	51.7	51.9	51.9
CASA per branch (INR m)	204.5	194.0	192.8	232.0	255.2	291.4	333.9
Deposits per branch (INR m)	853.9	903.9	843.9	867.3	965.8	1,116.6	1,259.8
Busi. per Empl. (INR m)	84.8	81.4	86.2	79.0	76.3	79.7	88.0
NP per Empl. (INR lac)	5.3	4.9	5.2	3.6	4.7	4.7	5.2

### Profitability and Valuations Ratios

RoE	11.2	10.0	7.8	11.5	11.9	12.6	13.9
RoA	0.9	0.9	0.7	1.0	0.9	0.9	1.0
RoRWA	1.4	1.4	1.2	1.6	1.7	1.7	1.8
Book Value (INR)	106	117	126	141	157	175	198
Growth (%)	10.1	10.3	7.9	12.0	11.0	11.5	13.0
<b>Price-BV (x)</b>	<b>1.3</b>	<b>1.2</b>	<b>1.1</b>	<b>1.0</b>	<b>0.9</b>	<b>0.8</b>	<b>0.7</b>
Adjusted BV (INR)	99	104	113	133	147	165	187
<b>Price-ABV (x)</b>	<b>1.4</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	20.4	25.3
Growth (%)	3.6	-0.7	-14.5	61.7	14.6	19.2	23.8
<b>Price-Earnings (x)</b>	<b>12.8</b>	<b>12.9</b>	<b>15.0</b>	<b>9.3</b>	<b>8.1</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>0.7</b>	<b>0.7</b>	<b>1.4</b>	<b>1.6</b>	<b>1.8</b>

E: MOFSL Estimates

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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