

CMP: INR 140

Rating: Buy

Target Price: INR 172

Stock Info

BSE	532772
NSE	DCBBANK
Bloomberg	DCB IN
Reuters	DCBA.BO
Sector	Banks
Face Value (INR)	10
Equity Capital (INR Mn)	3,128
Mkt Cap (INR Mn)	42,560
52w H/L (INR)	163 / 101
Avg Yearly Vol (in 000')	2,280

Shareholding Pattern %

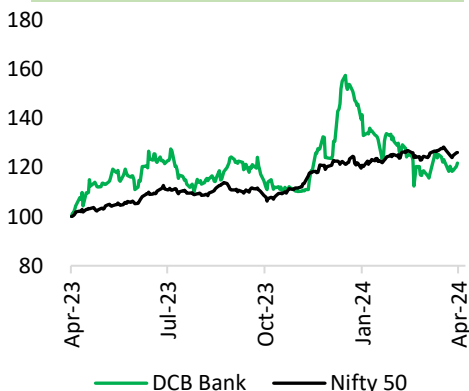
(As on March, 2024)

Promoters	14.77
Public & Others	85.23

Stock Performance (%)

	1m	6m	12m
DCB Bank	18.0	23.2	35.8
Nifty 50	1.8	17.1	26.1

DCB Bank Vs Nifty



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DCB Bank reported 23.0% QoQ/9.5% YoY increase in net profit at INR 1,557 mn. The bank saw a balanced growth in both loan book as well as deposit side. The advances grew by 5.1% QoQ/19.0% YoY while deposits grew by 4.7% QoQ/19.7% YoY. NIM for the quarter increased by 14bps QoQ to 3.62%. Management has reiterated that it expects NIM to be in the range of 3.65-3.75%. Operating profit of the bank increased by 10.5% QoQ/ and down 4.2% YoY to INR 2,097 mn, due to growth in other income by 10.1% QoQ/ 11.4% YoY. Asset quality performance was also good as GNPA & NNPA declined on sequential basis by 20 bps/11 bps to 3.23%/1.11% respectively.

Increase in NIMs sequentially reflects resilience: NIMs increased by 14 bps QoQ to 3.62% in Q4FY24 while Cost of Funds increased by 12 bps sequentially to 7.14%. On an annual comparison, NIMs have fallen by 56 bps from 4.18% in Q4FY23 last year while Cost of Funds have increased by higher proportion by 73 bps from 6.41% in Q4FY23, showing better absorption of rising costs witnessed by the bank. This robust balancing act of Product pricing by the bank is significantly undershadowed. The yield on advances also increased by 27 bps QoQ/4 bps YoY at 11.71% (v/s 11.44% in Q3FY24 & 11.67% in Q4FY23). On the other hand, the Cost of Funds increased to 7.14% for Q4FY24 as it grew by 12 bps QoQ/73 bps YoY. The bank's Management says they have taken several price increase across every product category, and there is only some products where further increase is possible due to market competition. Cost of deposits at 7.08% v/s 6.95% in Q3FY24 (v/s 6.33% in Q4FY23). The cost of funds are expected to stabilize around current levels along with NIMS with chances of further 10-15 bps increase in subsequent quarters.

Asset quality improved sequentially, driven by decreasing slippages and mixed recoveries: The bank has reported lower slippages of INR 3.22 bn as compared to 4.26 bn in Q3FY24. Recoveries and upgrades for the quarter improved to INR 3.07 bn against INR 3.39 bn QoQ. GNPA/NNPA came down by 20 bps/11 bps respectively.

Outlook & Valuation:

Bank has displayed a decent performance during the quarter as well as FY24. Profits increased significantly by 23% QoQ/9.5% YoY in Q4FY24 along with RoA coming at 1.02% over 0.86% in Q3FY24. Going forward, NIMs are expected to be in the range of 3.5 – 3.75% while Cost of Funds also hover between 7.0-7.25% in the coming quarters. We upgrade our recommendation to Buy rating on the stock with a target price of INR 172, based on 0.7x FY27E ABV.

Exhibit 1: Financial Performance

Particulars (Rs Cr)	FY23A	FY24E	FY25E	FY26E	FY27E
Net interest income	1,717	1,931	2,160	2,391	2,646
Operating Profit	787	1,035	1,166	1,287	1,422
PAT	466	654	756	852	956
RoA (%)	1.0	1.2	1.3	1.3	1.3
RoE (%)	10.8	13.4	13.6	13.5	13.3
P/E (x)	9.6	6.9	5.9	5.3	4.7
P/BV	1.0	0.9	0.8	0.7	0.6
P/ABV (x)	1.1	0.9	0.8	0.7	0.6

Particulars (Rs in Mn)	Q4FY24	Q3FY24	Q4FY23	QoQ	YoY
Interest Earned	14,446	13,741	11,793	5.1%	22.5%
Interest Expended	9,371	9,001	6,933	4.1%	35.2%
Net Interest Income	5,075	4,740	4,860	7.1%	4.4%
Other Income	1,362	1,237	1,223	10.1%	11.4%
Total income	6,437	5,977	6,083	7.7%	5.8%
Operating Expenses	4,100	3,862	3,643	6.1%	12.5%
<i>Cost-income Ratio (%)</i>	<i>63.69%</i>	<i>64.61%</i>	<i>59.9%</i>	<i>-93bps</i>	<i>379bps</i>
Pre-Prov Profits	2,338	2,115	2,439	10.5%	-4.2%
Provisions & Contingencies	241	410	525	-41.3%	-54.1%
PBT	2,097	1,705	1,915	23.0%	9.5%
Provisions for Tax	540	439	493	22.9%	9.6%
<i>Effective Tax Rate (%)</i>	<i>25.7%</i>	<i>25.8%</i>	<i>25.7%</i>	<i>-1bps</i>	<i>3bps</i>
PAT (reported)	1,557	1,266	1,422	23.0%	9.5%
Deposits	4,93,530	4,71,200	4,12,390	4.7%	19.7%
CASA (%)	23.10%	23.50%	24.00%	-40bps	-90bps
Advances	4,09,246	3,89,510	3,43,810	5.1%	19.0%
Total Assets	6,30,370	5,98,040	5,23,690	5.4%	20.4%
Capital Adequacy Ratio (%)	16.59%	15.72%	17.55%	87bps	-96bps
Spread Analysis					
Yield on Avg Advances (%)	11.71%	11.44%	11.67%	27bps	4bps
Cost of Funds (%)	7.14%	7.02%	6.41%	12bps	73bps
NIM (%)	3.62%	3.48%	4.18%	14bps	-56bps
Asset Quality					
Gross NPA	13,535	13,676	11,228	-1.0%	20.5%
Net NPA	4,543	4,769	3,569	-4.7%	27.3%
GNPA (%)	3.23%	3.43%	3.19%	-20bps	4bps
NNPA (%)	1.11%	1.22%	1.04%	-11bps	7bps
RoA (%) (annualized)	1.02%	0.86%	1.10%	16bps	-8bps

Concall Highlights:**Management Guidance:**

- The Management of the Bank targets NIMs in the range of 3.65%-3.75% going ahead.
- Fee growth to be mostly in-line with balance sheet growth.
- The bank expects to see Deposit cost stabilizing in next few quarters.
- Credit cost guidance is at 28-30 bps.
- The bank aims to double its balance sheet in 3 to 4 years.
- ROA target is above 1% mark and ROE is expected to be above 14%.

Key Highlights:

- Loan growth was healthy at 19% YoY to INR 409.25 bn and on sequential basis the growth was at 5.1% QoQ.
- The focus on Advances growth was towards secured small ticket segments. Total disbursements for Q4FY24 stood at INR 52.07 bn as against INR 50.73 bn YoY and INR 43.07 bn QoQ.
- Deposit growth for the quarter came in at 19.7% YoY / 4.7% QoQ. CASA deposits were up 17.9% YoY/4.7% QoQ and was slower than overall deposit growth. Thus, CASA ratio declined 40 bps YoY to 23.1%.
- Top 20 deposits contribute around 6.6% for the bank.
- In Q4FY24, Asset Quality improved on a sequential basis as GNPA and NNPA ratio declined by 20 bps/11 bps QoQ respectively to 3.23% and 1.11%.
- Slippages for the quarter were down QoQ to INR 3,220 mn v/s INR 4,260 mn and fresh slippage ratio declined to 3.35% v/s 4.63% on QoQ basis.
- Recoveries and upgrades for Q4FY24 stood at INR 1,530 mn and INR 1,540 mn respectively.
- GNPA in mortgage segment stood at INR 4,450 mn, in Agri Banking it was at INR 3,220 mn and in Corporate Loans it was at INR 1,950 mn.
- Standard Restructured book as on Q4FY24 stands at INR 12,390 mn v/s INR 17,790 mn.
- Collection efficiency in business loans segment was at 98.9% in March 2024 while in home loan segment it was at 99.1%.
- Provision coverage ratio improved to 77.3% from 76.4% QoQ while it was down on YoY basis.
- The bank had 1,500-employee additions during the year.
- It has 8 co-lending partners in the gold loan segment.

Key Financials

Income Statement

Year to 31st March (Rs.Cr)	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	4200	5032	5529	6097	6722
Interest Expenses	2483	3101	3369	3706	4077
Net Interest Income	1717	1931	2160	2391	2646
Other Income	409	442	478	516	557
- Fee-based Income	370	399	430	464	500
- Treasury Income	39	43	47	52	57
Operating Income	2126	2373	2638	2906	3203
Operating Expenses	1340	1338	1472	1619	1781
- Staff Cost	693	762	838	922	1014
- Other Operating Exp.	524	576	633	697	766
Gross Profits	787	1035	1166	1287	1422
Provisions	159	151	144	136	130
Profit Before Taxes	628	883	1022	1151	1292
Taxes	162	230	266	299	336
Profit After Taxes	466	654	756	852	956

Balance Sheet

As on 31st March (Rs. cr)	FY23	FY24	FY25E	FY26E	FY27E
LIABILITIES					
Capital	311	311	311	311	311
Reserves & Surplus	4252	4874	5600	6420	7345
Deposits	41239	44089	48497	53347	58682
Borrowings	4118	4530	4983	5481	6029
Other liabilities & provisions	2443	2549	2657	2767	2879
	52363	56353	62048	68327	75247
ASSETS					
Cash on hand & with RBI	2031	2234	2457	2703	2973
Money at call and short notice	338	365	394	426	460
Advances	34381	36620	40398	44520	49055
Investments	12582	13841	15225	16747	18422
Fixed assets	826	868	911	1009	1134
Other assets	2208	2426	2663	2922	3204
Total Assets	52366	56353	62048	68327	75247

Ratio Analysis					
Particulars	FY23	FY24	FY25E	FY26E	FY27E
Basic Ratio (Rs.)					
EPS	14.9	21.0	24.3	27.3	30.7
Book Value per share	146	166	190	216	246
Adjusted Book Value	135	157	180	205	234
Asset Quality (%)					
Gross NPAs	3.2	3.8	3.8	3.8	3.8
Net NPAs	1.0	0.8	0.8	0.8	0.8
PCR	79.3	80.0	80.0	80.0	80.0
Profitability ratios (%)					
RoAE	10.8	13.4	13.6	13.5	13.3
RoAA	1.0	1.2	1.3	1.3	1.3
NIM	3.7	3.7	3.8	3.8	3.9
Cost to Income	63.0	56.4	55.8	55.7	55.6
Spread analysis (%)					
Particulars	FY23	FY24	FY25E	FY26E	FY27E
Yield on advances	11.1	11.1	11.1	11.1	11.1
Yield on investments	7.0	7.0	7.0	7.0	7.0
Cost of deposits	6.5	6.5	6.5	6.5	6.5
Avg. Cost of funds	5.5	6.4	6.3	6.3	6.3
Spread	3.0	3.0	3.0	3.0	3.1
Interest Income to AWF	10.4	10.9	10.7	10.8	10.8
Net Interest Income to AWF	3.7	3.7	3.8	3.8	3.8
Non Interest Income to AWF	1.0	1.0	0.9	0.9	0.9
Operating Expense to AWF	2.9	2.6	2.6	2.6	2.6
Operating Profit to AWF	1.7	2.0	2.1	2.1	2.1
Net Profit to AWF	1.0	1.3	1.3	1.4	1.4
Valuation ratios (x)					
P/E	9.6	6.9	5.9	5.3	4.7
P/BV	1.0	0.9	0.8	0.7	0.6
P/ABV	1.1	0.9	0.8	0.7	0.6

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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