

STEADY OUTLOOK

 18th Oct, 2017

CMP: **Rs. 184**
Target Price: **Rs. 200**
Recommendation: **HOLD**

Stock Info

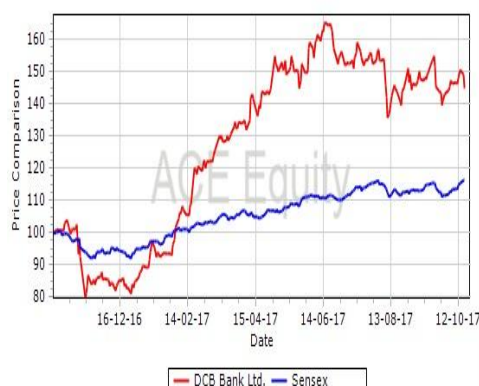
BSE Group	A
BSE Code	532772
NSE Symbol	DCB
Bloomberg	DEVB IN
Reuters	DCBA.BO
BSE Sensex	32,609
NSE Nifty	10,223

Market Info

Market Capital	Rs 5590 cr
Equity Capital	Rs 308 cr
Avg. Trading Vol.	2,318,490
52 Wk High/ Low	Rs 213/100
Face Value	Rs 10

Shareholding Pattern (%) (Sept 2017)

Promoters	15.0
Domestic Institutions	22.8
Foreign Institutions	21.4
Public & Others	40.8

Price Vs Sensex Chart


DCB Bank Ltd. reported strong growth this quarter. Operating Profit came in at Rs. 124 Cr. for Q2 FY18 as against Rs. 101 Cr. in Q1 FY17 registering robust growth of 23%. Net profit increased to Rs 59 Cr up by 21% YoY and de-grew by 10% sequentially.

Deposits:

Deposits for the bank grew at 16% YoY and 7% sequentially. The CASA portion for the bank stood at Rs 5,323 cr rising to 37% of the deposits & 4% sequentially. Retail term deposits stood at 52%. Cost of funds decreased by 12 bps sequentially to 6.5%.

NIM & Advances:

NIM for the quarter came in at 4.22 staying flat sequentially & grew by 26 bps YoY. Bank's advances comprise of Retail Mortgages (42%); Gold Loans (2%); Commercial Vehicles (5%); SME / MSME (12%); Agri and Inclusive Banking (AIB) (17%), Construction Finance (3%) and Corporate Banking (17%). C/D ratio for the bank stood at 85%. Yield on advances dropped by 57 bps YoY and 16 bps sequentially at 11.4%.

Asset quality:

Asset quality for the bank stood stable. Gross NPA for the quarter stood at 1.82% while Net NPA was at 0.90% YoY basis. Fresh slippages during the quarter were Rs 77.5 crs vs. Rs 85.6 crs sequentially and Rs 50 crs YoY. Recovery during the quarter stood at Rs 21.2 crs vs. Rs 21 crs sequentially and Rs 13.9 crs YoY. PCR for the quarter stood at 71.9%.

Expansion:

Bank has added 16 new branches taking the total to 306 and 3 ATM's taking the total to 507. Cost to income ratio for the bank increased to 60.29% from 57.23% QoQ and 59.96% YoY.

Valuation:

We have pegged a multiple of 2.2(x) to FY 19E ABV & arrived at a fair value of Rs.200 per share. At CMP of Rs 184 the stock is available at its FY 19E P/ABV of 2.0(x). We have "HOLD" rating on the stock.

(Rs Cr)	FY17	FY18E	FY19E
Net interest income	797	973	1,218
Operating Profit	418	506	641
PAT	199	245	313
EPS (Rs)	7.0	8.6	11.0
EPS Growth (%)	2.3%	22.6%	27.7%
RoE (%)	10.0	10.5	12.0
P/E (x)	25.3	21.4	16.8
ABV	73	81	91
P/ABV (x)	2.4	2.3	2.0

Source: Company data, Arihant Research

Q1 FY18 EARNINGS UPDATE- SNAPSHOT

Reported Quarterly Results					
Particulars (Rs in Cr)	Q2FY18	Q2FY17	YoY	Q1FY18	QoQ
Interest Earned	587	506	16%	566	4%
Yield on Advances (%)	11.4	12.0		11.6	
Interest Expended	339	316	7%	333	2%
Net Interest Income	248	190	30%	233	6%
Other Income	65	62	6%	86	-24%
Other income / Net Income (%)	21	24	-15%	27	
Total income	313	252	24%	319	-2%
Operating Expenses	189	151	25%	183	4%
Cost-income Ratio (%)	60.3	60.0		57.2	
Pre-Prov Profits	124	101	23%	136	-9%
Provisions & Contingencies	30	26	14%	36	-15%
PBT	94	74	27%	101	-7%
Provisions for Tax	35	26	36%	36	
Effective Tax Rate (%)	37%	0	8%	35%	
PAT (reported)	59	48	21%	65	-10%
EPS Basic	1.9	1.7		2.1	
GNPA	316	255		285	
NNPA	157	121		149	
GNPA (%)	1.8	1.8		1.8	
NNPA (%)	0.9	0.8		0.9	
Total CAR (%)	14.7	11.9		15.3	
Tier 1 (%)	12.9	10.8		13.4	
Tier 2 (%)	1.8	1.1		1.8	
NIM (%)	4.2	4.0		4.2	
Advances	17,395	14,436	20%	16,266	7%
Deposits	20,567	17,685	16%	19,155	7%

Source: Ace Equity, Arihant Research

Income Statement

Year to 31st March (Rs.Cr)	FY17	FY18E	FY19E
Interest Income	2,076	2,565	3,174
Interest Expenses	1,279	1,592	1,956
Net Interest Income	797	973	1,218
Other Income	249	272	309
Fee-based Income	194	212	243
Treasury Income	56	61	66
Other non interest income	(0)	(0)	(0)
Operating Income	1,047	1,245	1,527
Operating Expenses	628	739	887
- Staff Cost	308	376	451
- Other Operating Exp.	-	363	436
Gross Profits	418	506	641
Provisions	111	130	160
Profit Before Taxes	307	377	481
Taxes	107	132	168
Profit After Taxes	199	245	313

Balance Sheet

As on 31st March (Rs. cr)	FY17	FY18E	FY19E
LIABILITIES			
Capital	285	285	285
Reserves & Surplus	1,918	2,163	2,475
Deposits	19,289	24,180	29,742
Borrowings	1,276	1,403	1,684
Other liabilities & provisions	1,276	1,404	1,545
Total Liabilities	24,046	29,439	35,734
ASSETS			
Cash on hand & with RBI	858	1,155	1,440
Money at call and short notice	334	299	963
Advances	15,818	19,153	23,559
Investments	5,818	7,503	8,294
Fixed assets	489	562	673
Other assets	730	766	805
Total Assets	24,046	29,439	35,734

Ratio Analysis

	FY17	FY18E	FY19E
Basic Ratio (Rs.)			
EPS	7.0	8.6	11.0
Book Value per share	77.3	85.8	96.7
Adjusted Book Value	73.0	81.0	91.2
Dividend per share	0.0	0.0	0.0
Asset Quality (%)			
Gross NPAs	1.6	1.5	1.4
Net NPAs	0.8	0.7	0.7
PCR	75.0	75.0	75.0
Profitability ratios (%)			
RoAE	10.0	10.5	12.0
RoAA	0.9	0.9	1.0
NIM	4.1	4.1	4.2
Cost to Income	60.0	59.3	58.1

Spread analysis (%)

	FY17	FY18E	FY19E
Yield on advances	11.8	12.0	12.2
Yield on investments	7.0	7.0	7.2
Cost of deposits	6.9	6.9	7.0
Cost of funds	6.2	6.2	6.2
Spread	3.3	3.6	3.7
Interest Income to AWF	10.2	10.1	10.2
Net Interest Income to AWF	3.9	3.8	3.9
Non Interest Income to AWF	1.2	1.1	1.0
Operating Expense to AWF	3.1	2.9	2.9
Operating Profit to AWF	2.1	2.0	2.1
Net Profit to AWF	1.0	1.0	1.0
Valuation ratios (x)			
P/E	25.3	21.4	16.8
P/BV	2.3	2.1	1.9
P/ABV	2.4	2.3	2.0

Arihant Research Desk

E. research@arihantcapital.com
T. 022-42254800

Head Office

#1011, Solitaire Corporate park,
Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road
Chakala, Andheri (E)
Mumbai – 400093
Tel: (91-22) 42254800
Fax: (91-22) 42254880

Registered Office

Arihant House
E-5 Ratlam Kothi
Indore - 452003, (M.P.)
Tel: (91-731) 3016100
Fax: (91-731) 3016199

Research Analyst Registration No.**INH000002764****Contact****SMS: 'Arihant' to 56677****Website**www.arihantcapital.com**Email Id**research@arihantcapital.com**Disclaimer:**

This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

Arihant Capital Markets Ltd.www.arihantcapital.com