ANANDRATHI

India I Equities

Financials

Result Update

Change in Estimates ☑ Target ☑ Reco ☐

26 July 2026

DCB Bank

Another strong quarter; RoE to improve sustainably; maintain BUY

Rating: **BUY**
Target Price (12-mth): Rs.298
Share Price: Rs.186

DCB Bank delivered a strong performance for another quarter, supported by: (a) healthy growth in balance-sheet (deposits up 20.1% y/y and advances up 17.1% y/y); (b) core operating profit outpacing balance-sheet growth; and (c) healthy asset quality. Growth was broad-based, led by gold, corporate and agri, with deposits continuing to outpace loans, and supports an improving LDR. Margin remained largely rangebound, as pressure on yields was offset by a lower cost of funds, while fee income remained healthy and opex ratios eased. Net slippages remained modest at 22bps, while gross slippages (ex-gold) held near 1.5% levels. Looking ahead, with stable margin, sustained fee-income momentum and moderate credit cost, we expect the bank's RoE to improve sustainably from ~11-12% to 13-14% over FY27/28e. Thus, we maintain BUY on DCB Bank with a 12-month TP of Rs298, valuing it at 1.1x FY28e P/ABV.

Asset quality remains healthy: The bank's GNPA/NNPA improved to 2.43/0.84% (down 2bps/5bps q/q) in Q1FY27, while PCR strengthened to 66% (up 166bps q/q). Despite seasonally higher stress, asset quality remained healthy, with gross/net slippages coming in at 2.7%/0.2% in Q1FY27 compared to 4.6%/1.4%s in Q1FY26 and 2.3%/-0.2% in Q4FY26. Slippages (ex-gold) stood at 1.52% (up 5bps q/q/down 158bps y/y). The bank maintains a Rs2.1 bn provisioning buffer for ECL transition and does not expect any material impact form the same. With improving business traction and normalising collections, we expect the bank's net slippages to remain contained at sub-50bps levels in FY27e.

Strong balance-sheet momentum sustains: Credit growth stood at 17.1% y/y, led by strong traction in gold (up 128% y/y), corporate (up 41.6% y/y) and agri (up 22.6% y/y). We expect the bank to grow 200-250bps higher than the system with incremental growth from mortgage, MSME and CV segments. Co-lending is expected to grow broadly in line with overall credit. Deposit growth continues to outpace loans at 20.1% y/y, supporting an improvement in LDR.

RoE to expand 150-200bps in the medium-term: NIM declined 4bps q/q to 3.35% on account of 23bps q/q decline in yields and 220bps decline in LDR, which was partially offset by 14bps decline in CoF. We expect margin to remain largely rangebound, as any pressure on funding cost is likely to be offset by improving loan-mix with a higher share of better-yielding assets. Fee income remained healthy (up 21.8% y/y), while opex/assets declined 4bps q/q to 2.43%. Consequently, core operating profit increased by 45.2% y/y, outpacing balance sheet growth. Looking ahead, improving margin, sustained growth in fee income and moderate credit cost should support profitability, driving a 150-200bps expansion in RoE over the next two years.

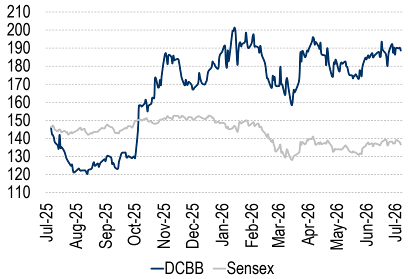
Valuation: We maintain BUY rating on the stock with a 12-mth TP of Rs298, valuing it at 1.2x FY28e P/ABV. **Key Risks:** (a) Slower loan-book growth; and (b) large slippages in mortgage book.

Key Data	DCBB IN / DCBA.BO
52-week high / low	Rs206 / 120
Sensex / Nifty	76060 / 23767
Market cap	Rs60bn
Shares outstanding	322m

Shareholding Pattern (%)	Jun'26	Mar'26	Dec'25
Promoters	16.2	16.2	16.2
- *of which, Pledged*	-	-	-
Free float	83.8	83.8	83.8
- Foreign institutions	13.5	13.5	12.6
- Domestic institutions	32.3	32.3	32.8
- Public	38.0	38.0	38.3

Estimates Revision (%)	FY27e	FY28e
NII	1.4	2.5
PPoP	1.5	2.8
PAT	4.5	6.9

Relative Price Performance



Source: Bloomberg

Yuvraj Choudhary, CFA
Research Analyst

Subhanshi Rathi
Research Associate

Sagar Rungta
Research Associate

Quick Glance – Financials and Valuations

Fig 1 – Income Statement (Rs m)

Y/E Mar	FY24	FY25	FY26	FY27e	FY28e
Net interest income	19,279	21,066	24,565	29,133	34,642
NII growth (%)	12.3	9.3	16.6	18.6	18.9
Non-interest income	4,742	7,505	8,551	10,176	12,211
Income	24,021	28,571	33,117	39,309	46,854
Income growth (%)	13.0	18.9	15.9	18.7	19.2
Operating expenses	15,377	18,201	20,159	23,213	27,029
PPoP	8,644	10,370	12,957	16,096	19,825
PPoP growth (%)	9.9	20.0	25.0	24.2	23.2
Provisions	1,425	2,084	3,188	3,286	4,007
PBT	7,220	8,286	9,770	12,810	15,818
Tax	1,860	2,133	2,454	3,228	3,986
PAT	5,360	6,153	7,316	9,582	11,832
PAT growth (%)	15.1	14.8	18.9	31.0	23.5
EPS (Rs)	17.1	19.6	22.7	29.8	36.8
DPS (Rs)	1.3	1.4	1.5	1.9	2.4

Source: Company, Anand Rathi Research

Fig 2 – Balance Sheet (Rs m)

Y/E Mar	FY24	FY25	FY26	FY27e	FY28e
Share capital	3,128	3,143	3,219	3,219	3,219
Reserves & surplus	47,585	53,764	62,131	71,090	82,152
Deposits	4,93,530	6,00,310	7,25,833	8,56,482	10,02,084
Borrowings	62,195	91,152	60,864	69,994	87,493
Other liabilities	23,932	19,730	28,648	32,736	38,971
Total liabilities	**6,30,370**	**7,68,098**	**8,80,695**	**10,33,521**	**12,13,920**
Advances	4,09,246	5,10,469	6,00,218	7,14,259	8,57,111
Investments	1,62,108	2,01,499	2,03,780	2,34,347	2,62,469
Cash & bank balances	30,659	26,986	42,204	48,995	56,926
Fixed & other assets	28,357	29,144	34,493	35,921	37,414
Total assets	**6,30,370**	**7,68,098**	**8,80,695**	**10,33,521**	**12,13,920**
No. of shares (m)	313	314	322	322	322
Deposits growth (%)	19.7	21.6	20.9	18.0	17.0
Advances growth (%)	19.0	24.7	17.6	19.0	20.0

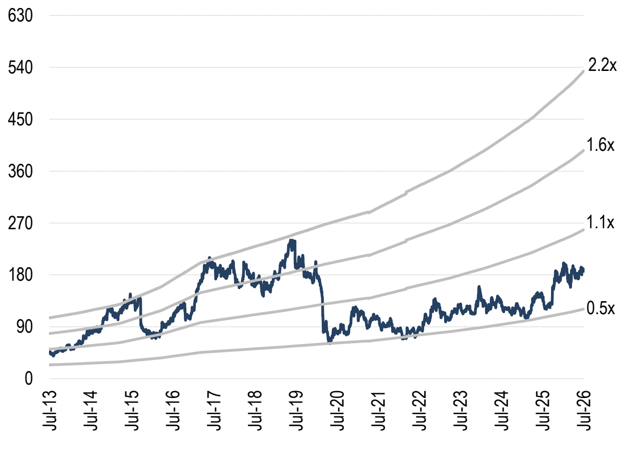
Source: Company, Anand Rathi Research

Fig 3 – Ratio Analysis (%)

Y/E Mar	FY24	FY25	FY26	FY27e	FY28e
NIM	3.7	3.3	3.2	3.3	3.3
Cost-income	64.0	63.7	60.9	59.1	57.7
RoA	0.9	0.9	0.9	1.0	1.1
RoE	11.1	11.4	12.0	13.7	14.8
DPS	1.3	1.4	1.5	1.9	2.4
LDR	82.9	85.0	82.7	83.4	85.5
Gross NPA	3.2	3.0	2.5	2.3	2.1
Net NPA	1.1	1.1	0.9	0.8	0.7
Provision Coverage	66.4	63.2	64.3	65.0	65.0
BV (`)	162.1	181.1	203.0	230.8	265.2
CAR (%)	16.6	16.8	16.6	15.3	14.5
- Tier 1	14.5	14.3	14.3	13.4	12.9
P / E (x)	10.9	9.5	8.2	6.3	5.1
P / BV (x)	1.1	1.0	0.9	0.8	0.7
P / ABV (x)	1.2	1.1	1.0	0.9	0.7

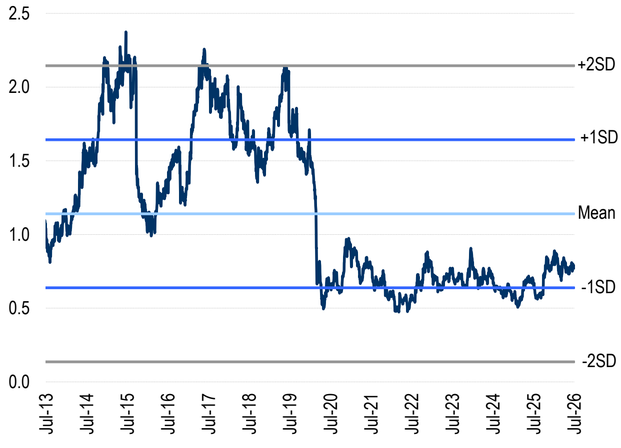
Source: Company, Anand Rathi Research

Fig 4 – Price-to-Book Band



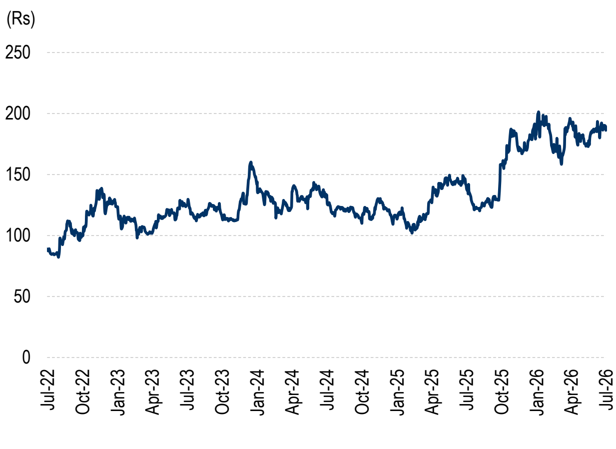
Source: Bloomberg

Fig 5 – 1-Year Fwd. Price-to-BV



Source: Company

Fig 6 – Price Movement



Source: Bloomberg

Key Highlights

Quarterly Snapshot

Fig 7 – Income Statement

(Rs m)	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26	Q1 FY27
Interest income	17,419	18,136	18,228	18,609	19,073	19,843
Interest expense	11,839	12,331	12,265	12,362	12,521	13,004
NII	**5,580**	**5,804**	**5,962**	**6,247**	**6,552**	**6,840**
y/y growth (%)	9.9	16.9	17.1	15.1	17.4	17.8
Non-interest income	2,188	2,361	1,861	2,214	2,115	1,963
Total income	7,768	8,166	7,823	8,461	8,667	8,803
y/y growth (%)	20.7	27.7	9.6	16.4	11.6	7.8
Operating expenses	4,714	4,897	4,784	5,233	5,246	5,362
of which, staff costs	2,314	2,510	2,432	2,695	2,621	2,672
PPoP	3,054	3,269	3,039	3,228	3,421	3,440
y/y growth (%)	30.7	59.2	19.1	19.1	12.0	5.2
Total provisions	672	1,151	605	741	690	571
PBT	2,382	2,117	2,434	2,487	2,731	2,870
Tax	611	545	595	640	675	738
PAT	**1,771**	**1,573**	**1,839**	**1,847**	**2,057**	**2,132**
y/y growth (%)	13.7	19.7	18.3	22.0	16.1	35.6

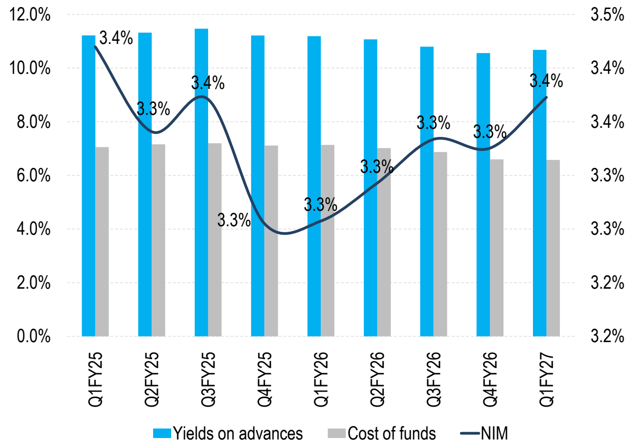
Source: Company, Anand Rathi Research

Fig 8 – Balance Sheet

(Rs m)	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26	Q1 FY27
Equity capital	3,143	3,143	3,152	3,152	3,219	3,219
Reserves & Surplus	53,764	55,257	56,576	60,348	62,131	64,491
Deposits	6,00,310	6,20,390	6,47,765	6,77,540	7,25,833	7,44,820
Borrowings	91,152	70,590	59,289	54,720	60,865	50,210
Other liabilities	19,730	24,570	22,123	22,640	28,648	24,780
Total Equity and Liabilities	**7,68,098**	**7,73,950**	**7,88,904**	**8,18,400**	**8,80,695**	**8,87,520**
y/y deposits growth (%)	21.6	20.0	18.8	19.5	20.9	20.1
q/q deposits growth (%)	5.9	3.3	4.4	4.6	7.1	2.6
Cash and cash balances	26,986	30,660	25,005	26,880	42,204	46,000
Advances	5,12,380	5,12,150	5,31,912	5,66,000	6,10,299	5,99,510
Investments	4,02,998	3,98,960	4,09,922	3,92,400	4,07,560	4,17,460
Other Assets	29,144	31,660	29,193	29,320	34,493	33,280
Total Assets	**7,68,098**	**7,73,950**	**7,88,904**	**8,18,400**	**8,80,695**	**8,87,520**
Advances y/y growth	24.7	21.4	19.1	18.5	17.6	17.1
Advances q/q growth	6.8	0.3	3.4	6.8	6.0	-0.1

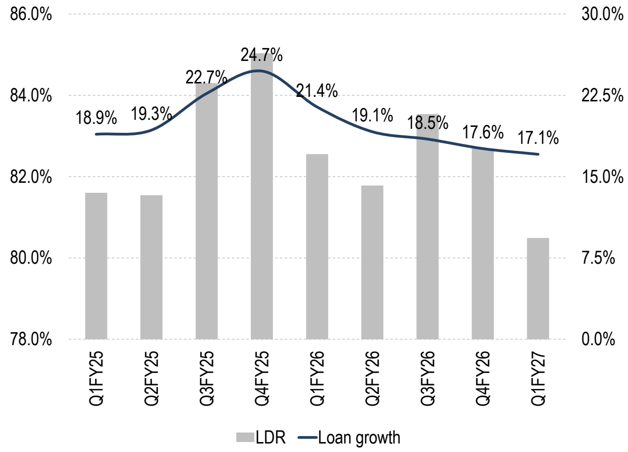
Source: Company, Anand Rathi Research

Fig 9 – Yield, Cost and Margin



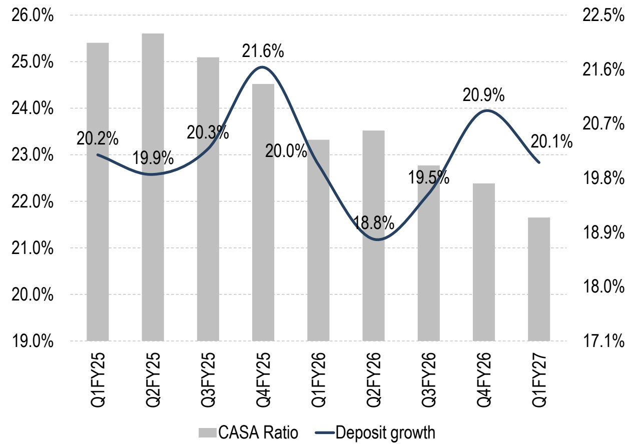
Source: Company, Anand Rathi Research

Fig 10 – Credit Growth vs. LDR



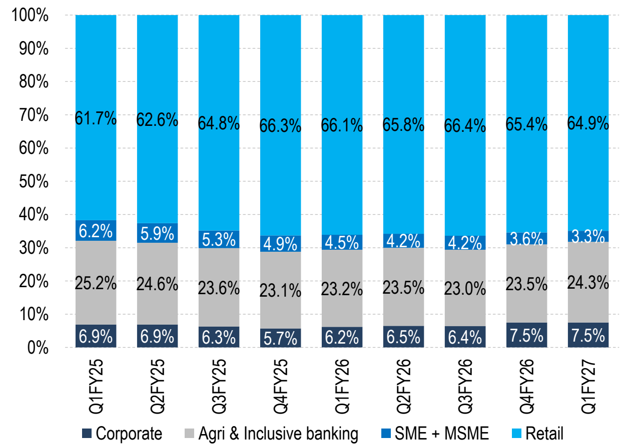
Source: Company, Anand Rathi Research

Fig 11 – Deposit Growth vs. CASA Ratio



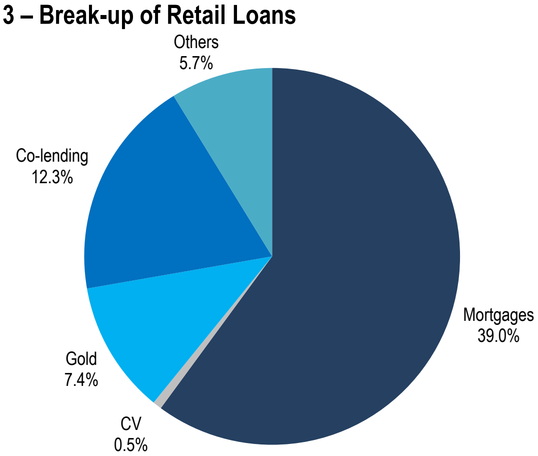
Source: Company, Anand Rathi Research

Fig 12 – Break-up of Loans



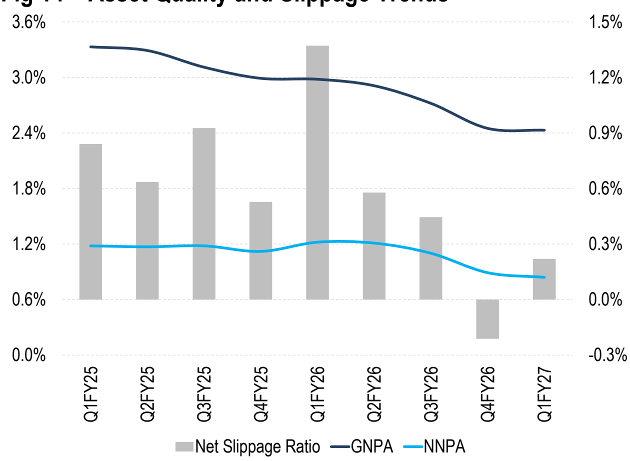
Source: Company, Anand Rathi Research

Fig 13 – Break-up of Retail Loans



Source: Company, Anand Rathi Research

Fig 14 – Asset Quality and Slippage Trends



Source: Company, Anand Rathi Research

Outlook and Valuation

Looking ahead, improving margin, sustained growth in fee income and moderate credit cost should support profitability, driving a 150-200bps expansion in RoE over the next two years. **We maintain BUY rating on the stock with a 12-mth TP of Rs298, valuing it at 1.2x FY28e P/ABV.**

Fig 15 – DuPont Analysis

	FY24	FY25	FY26	FY27e	FY28e
Interest Income/Assets	9.3	9.3	9.0	9.0	9.0
Interest Expense/Assets	6.0	6.2	6.0	6.0	6.0
Net interest income/Assets	3.3	3.0	3.0	3.0	3.1
Non interest income/Assets	0.8	1.1	1.0	1.1	1.1
Net revenues/Assets	4.2	4.1	4.0	4.1	4.2
Operating expense/Assets	2.7	2.6	2.4	2.4	2.4
PPOP/Assets	1.5	1.5	1.6	1.7	1.8
Provision/Assets	0.2	0.3	0.4	0.3	0.4
Taxes/Assets	0.3	0.3	0.3	0.3	0.4
ROA	0.9	0.9	0.9	1.0	1.1
ROAE	11.1	11.4	12.0	13.7	14.8

Source: Anand Rathi Research

Fig 16 – Change in Estimates

(Rs m)	FY27e			FY28e		
	New Estimates	Old Estimates	Change (%)	New Estimates	Old Estimates	Change (%)
NII	29,133	28,735	1.4	34,642	33,805	2.5
PPoP	16,096	15,855	1.5	19,825	19,278	2.8
PAT	9,582	9,168	4.5	11,832	11,071	6.9

Source: Anand Rathi Research

Key Risks

- Slower loan-book growth.
- Large slippages in mortgage book.

Appendix

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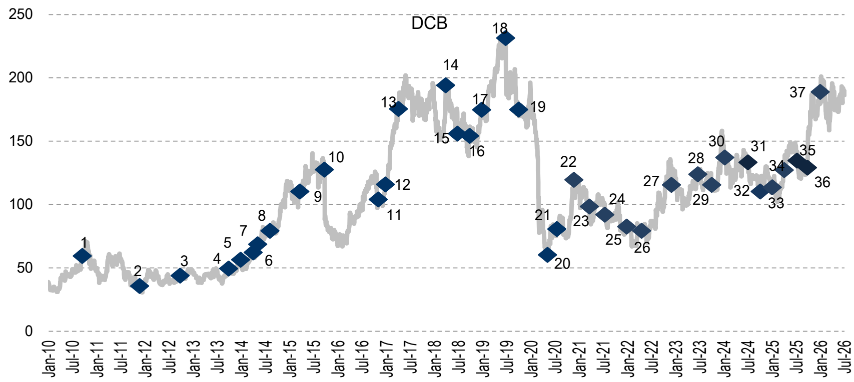

	Date	Rating	TP (Rs)	Share Price (Rs)
24	09-Aug-21	Buy	120	93
25	09-Feb-22	Buy	115	87
26	09-May-22	Buy	110	78
27	28-Jan-23	Buy	146	114
28	28-Jul-23	Buy	160	129
29	31-Oct-23	Buy	156	115
30	24-Jan-24	Buy	181	144
31	24-Jul-24	Buy	166	133
32	24-Oct-24	Buy	170	110
33	24-Jan-25	Buy	178	114
34	27-Apr-25	Buy	171	127
35	31-Jul-25	Buy	172	135
36	18-Oct-25	Buy	195	129
37	25-Jan-26	Buy	245	183

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Compliance officer: Deepak Kedia, email id: deepakkedia@rathi.com, Contact no. +91 22 6281 7000
Grievance officer: Madhu Jain, email id: grievance@rathi.com, Contact no. +91 22 6281 7191

ARSSBL registered address: Express Zone, A Wing, 10th Floor, Western Express Highway, Diagonally Opposite Oberoi Mall, Malad (E), Mumbai – 400097.
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