

# DCB Bank | BUY

## Investor day – Onwards and upwards

We attended DCB Bank's investor day where the management reinforced its confidence in delivering ~18%-20% growth with ~0.92%-1.0% RoA and ~13.5%-14.5% RoE for the next 2 years. The bank highlighted the last 6 quarters of consistent 18-20% balance sheet expansion, a sharper focus on secured/granular lending, and disciplined cost management. Improvement in RoA/RoE would be driven by NIM recovery, operating leverage, and a large cross-sell runway. While asset quality remains a risk, with GNPA at 2.9%, the management expects gradual improvement through stronger recoveries, enhanced underwriting and better portfolio mix. With deposit repricing benefits unfolding, we see improving visibility on earnings. We expect ~20%/26% loan/EPS CAGR over FY25-27E and 14% RoE over FY26/27F. We revise our TP to INR 210, valuing the bank at 0.9x FY27E BVPS, and maintain BUY. DCB Bank remains one of our key ideas in midcap banks along with CUB and Ujjivan SFB.

- Sustained growth momentum with portfolio rebalancing:** DCB has consistently delivered ~18-20% growth in both loans and deposits across the last 6 quarters. The management aims to maintain high-teen growth driven by secured retail, gold loans, school finance, and selective corporate lending. It noted that the BL:HL disbursement mix has been shifted to 60:40, enhancing yield resilience. New sourcing is increasingly direct rather than DSA-based, improving risk visibility and reducing acquisition costs. The management also guided that co-lending will remain capped below 15% of the balance sheet.
- Asset quality: A key monitorable but expected to improve:** Asset quality remains an area of caution, with GNPA at 2.9% and historically higher slippages in the SME/LAP segments. The management acknowledged this as a key monitorable, but stressed that recoveries remain strong, credit costs have normalised to <45bps, and collection efficiency in home and LAP portfolios is ~99%. It guided that GNPA should trend toward ~2% over the medium term, supported by the bank's secure, small-ticket lending model (86% of loans <INR 30 lakh).
- NIMs bottomed out; profitability entering a multi-year upcycle:** NIMs have likely bottomed out, with the management guiding an improvement to 3.30-3.40% over the next 3-4 quarters (3.23% in 2QFY26), reflecting rebalancing of liabilities and better product mix. Opex discipline remains strong—employee optimisation and tech enablement are expected to keep cost/assets at 2.4-2.5%. Fee income, which saw its highest YoY growth in 16 years in FY25, is expected to grow at mid-teens annually. Together, these drivers reinforce the management's guidance of achieving ~0.92%-1.0% RoA and ~13.5%-14.5% RoE in the next 2 years.
- Strengthening deposit profile and improving funding costs:** The bank's deposit franchise remains strong, with the management highlighting that DCB's peak term-deposit premium vs. large banks has reduced meaningfully from ~90bps to ~60bps, as rate discipline strengthens. It expects cost of deposits to decline for another 3-4 quarters as older high-cost deposits reprice. Digital channels (Niyo, UPI growth, secured credit cards), along with branch-level productivity initiatives, are expected to accelerate CASA growth. The management continues to focus on flow-led deposits rather than chasing CASA ratio, ensuring stability of the liability base.
- Valuation:** DCB remains adequately capitalised with CAR above 16%, and it expects RWA/total assets to reduce further from the current 49%. The bank guided for 18-20% loan growth, stable credit costs (<45bps), improving margins, and better cross-sell intensity as the key earnings drivers. We revise our TP to INR 210, valuing the bank at 0.9x FY27E BVPS, and maintain BUY.



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### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	210
Upside/(Downside)	19.7%
Previous Price Target	170
Change	23.5%

### Key Data – DCBB IN

Current Market Price	INR176
Market cap (bn)	INR55.3/US\$0.6
Free Float	83%
Shares in issue (mn)	311.0
Diluted share (mn)	
3-mon avg daily val (mn)	INR523.3/US\$5.9
52-week range	177/101
Sensex/Nifty	84,563/25,910
INR/US\$	88.7

### Price Performance

%	1M	6M	12M
Absolute	35.1	23.2	54.6
Relative*	34.1	20.0	41.8

\* To the BSE Sensex

### Financial Summary (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Profit	5,360	6,153	8,015	9,802	11,711
Net Profit (YoY) (%)	15.1%	14.8%	30.3%	22.3%	19.5%
Assets (YoY) (%)	20.5%	22.0%	20.5%	20.7%	19.9%
ROA (%)	0.9%	0.9%	0.9%	1.0%	1.0%
ROE (%)	11.9%	12.1%	13.9%	14.8%	15.2%
EPS	17.1	19.6	25.5	31.2	37.3
EPS (YoY) (%)	14.6%	14.3%	30.3%	22.3%	19.5%
PE (x)	10.3	9.0	6.9	5.6	4.7
BV	153	172	196	226	263
BV (YoY) (%)	11.5%	12.6%	14.1%	15.4%	16.0%
P/BV (x)	1.15	1.02	0.90	0.78	0.67

Source: Company data, JM Financial. Note: Valuations as of 14/Nov/2025

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

## Investor day – Key takeaways

### A. Strategy, Growth & Business Mix

- The bank reaffirmed its identity as a **secured, granular, self-employed-focused lender** with diversified geographic exposure.
- The management reiterated **18–20% loan growth** over the next 2 years.
- Strong shift in product mix with **BL:HL now at 60:40**, improving yield and risk-adjusted returns.
- **Gold loan portfolio has scaled 4x** since the pandemic; strong focus on branch-led sourcing.
- Expansion underway in **school finance, tractor finance and secured SME**, replacing lower-yield TREDS exposures.
- TREDS book intentionally scaled down; growth to come from **INR 50 lakh+ secured OD lines in SME**.
- **Co-lending to remain below 15%** of the balance sheet; gold co-lending expected to grow ~20%.
- 86% of loans are **small-ticket secured** (<INR 30 lakh), reducing LGDs and smoothing recoveries.
- No state accounts for more than 20% of the loan book, ensuring **geographic de-risking**.
- The bank intends to move from “lender” to “**primary banker**” for MSMEs, increasing share of flows and stickiness.
- Cross-sell is a major focus area—**76% customers currently have only one product** with DCB.
- Customers take 1.7–3.3x more products outside DCB in gold, home loans, business loans and OD, giving significant revenue upside.
- Branch expansion guidance maintained at **25–30 branches per year**.

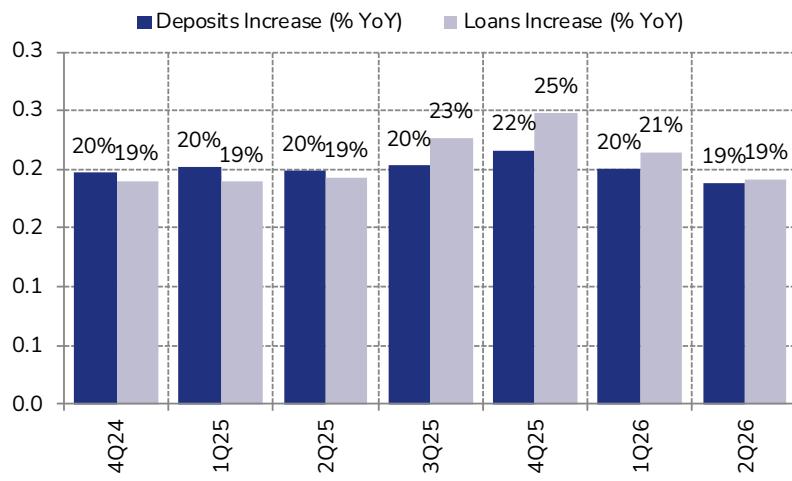
### B. Liabilities, Margins & Profitability

- Term-deposit premium vs. large banks has reduced from **~90bps to ~60bps**; target is ~50bps.
- **Cost of deposits is declining**, with full benefit to flow through over the next **3–4 quarters**.
- CASA not being chased artificially—focus is on **flow-led SA growth** through UPI, Niyo and secured credit cards.
- NIM has likely **bottomed out**; bank expects NIM to improve to **3.30–3.40%** over the coming quarters.
- Yield stability supported by BL/Gold/LAP mix; gold loans priced at origination value without passing MTM benefits.
- Fee income recorded the **highest growth in 16 years**; guided to continue at mid-teens growth.
- Strong productivity improvement—**business per employee at a 16-year high**.
- Tech-driven journeys (CUBE, Gradatim, secured card, co-lending CLM, data lake) reducing cost and improving speed.
- Cost-to-average-assets improved from **2.75% to 2.43%**; some incremental gains still possible.
- Operating leverage significantly better; sustained levels expected as loan growth compounds.
- RWA/TA reduced from **53% to 49%**, improving capital efficiency and supporting growth without dilution.
- Bank remains well-capitalised with **CAR of 15.5–17%** guided as comfortable operating range.
- Medium-term profitability guidance reiterated: **1% RoA and 13.5–14.5% RoE**.
- Medium-term financial ratios guided:
  - NII/Assets: **3.15–3.20%**
  - Fee/Assets: **1.00–1.05%**
  - Cost/Assets: **2.45–2.50%**
  - Credit Cost: **0.40–0.45%**

### C. Asset Quality, Risks & Risk Management

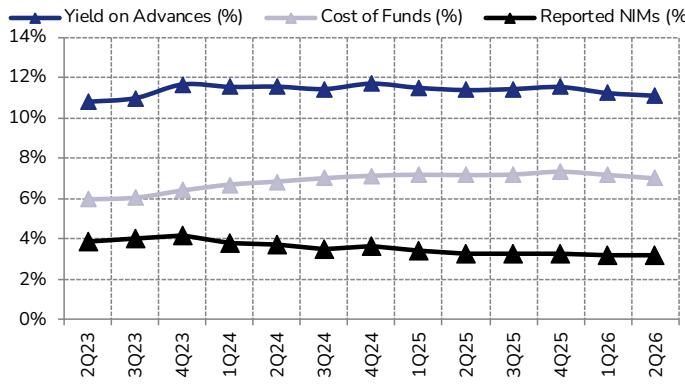
- Asset quality remains a key risk, with GNPA around 3%; trend is improving but remains elevated.
- The management targets GNPA/NNPA of **<2% / <1%** over the medium term.
- High-slipage-high-recovery nature persists; collections remain strong across segments.
- Credit costs expected to remain within **40–45bps**.
- New **1-DPD early warning & collection model** implemented to prevent accounts migrating to higher buckets.
- Retail and LAP collections steady, with ~99% efficiency.
- Reduction in TREDS reduces exposure to **low-yield, short-tenor** corporate assets and improves stability.
- Increase in secured, self-employed mortgages and OD lines expected to **reduce volatility in slippages** over time.
- Recoveries from earlier stressed pools remain strong and are expected to continue supporting credit cost stability.

#### Exhibit 1. Strong deposit and loan growth across multiple quarters (% YoY)



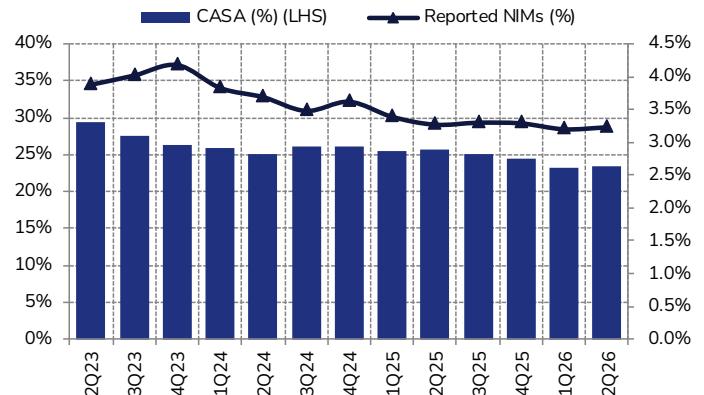
Source: Company, JM Financial

#### Exhibit 2. Stable yields and cost of funds (%)



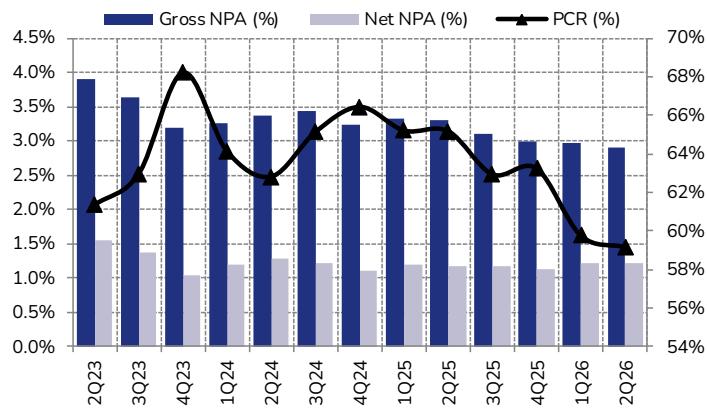
Source: Company, JM Financial

#### Exhibit 3. Steady trends in CASA ratio and reported NIMs (%)



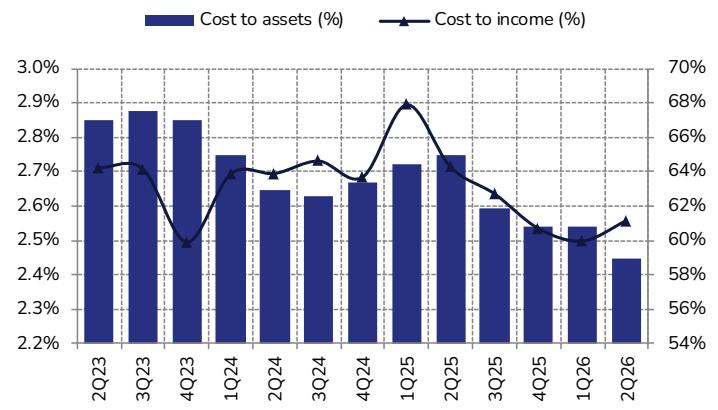
Source: Company, JM Financial

## Exhibit 4. Steadily strengthening asset quality trends (%)



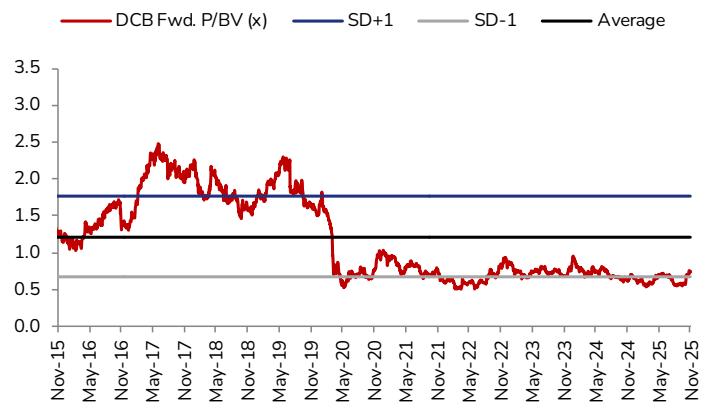
Source: Company, JM Financial

## Exhibit 5. Sequential improvement in cost ratios (%)



Source: Company, JM Financial

## Exhibit 6. One year forward P/BV (x) below 10 year average



Source: Company, JM Financial

## Exhibit 7. One year forward P/E (x) trading below SD-1



Source: Company, JM Financial

## Financial Tables (Standalone)

Profit & Loss (INR bn)						Balance Sheet (INR bn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Interest Income	19	21	25	31	38	Equity Capital	3	3	3	3	3
Profit on Investments	0	2	2	2	2	Reserves & Surplus	45	51	59	68	79
Exchange Income	0	0	0	0	0	Deposits	494	600	732	894	1,081
Fee & Other Income	4	6	7	8	10	Borrowings	62	91	108	128	150
Non-Interest Income	5	8	8	10	12	Other Liabilities	24	20	20	21	22
<b>Total Income</b>	<b>24</b>	<b>29</b>	<b>34</b>	<b>41</b>	<b>50</b>	<b>Total Liabilities</b>	<b>627</b>	<b>765</b>	<b>922</b>	<b>1,113</b>	<b>1,335</b>
Operating Expenses	15	18	20	24	29	Investments	162	201	250	296	356
<b>Pre-provisioning Profits</b>	<b>9</b>	<b>10</b>	<b>14</b>	<b>17</b>	<b>21</b>	Net Advances	409	510	613	741	889
Loan-Loss Provisions	1	2	3	4	5	Cash & Equivalents	31	27	35	40	48
Provisions on Investments	0	0	0	0	0	Fixed Assets	6	6	7	9	11
Others Provisions	0	0	0	0	0	Other Assets	20	20	18	28	31
<b>Total Provisions</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>Total Assets</b>	<b>627</b>	<b>765</b>	<b>922</b>	<b>1,113</b>	<b>1,335</b>
<b>PBT</b>	<b>7</b>	<b>8</b>	<b>11</b>	<b>13</b>	<b>16</b>	Source: Company, JM Financial					
Tax	2	2	3	3	4						
<b>PAT (Pre-Extraordinaries)</b>	<b>5</b>	<b>6</b>	<b>8</b>	<b>10</b>	<b>12</b>						
Extra ordinaries (Net of Tax)	0	0	0	0	0						
<b>Reported Profits</b>	<b>5</b>	<b>6</b>	<b>8</b>	<b>10</b>	<b>12</b>						
Dividend paid	0	0	0	0	0						
<b>Retained Profits</b>	<b>5</b>	<b>6</b>	<b>8</b>	<b>9</b>	<b>11</b>						
Source: Company, JM Financial											
Key Ratios						Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Growth (YoY) (%)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	NII / Assets	3.36%	3.03%	3.00%	3.05%	3.08%
Deposits	19.7%	21.6%	22.0%	22.0%	21.0%	Other Income / Assets	0.83%	1.08%	1.00%	0.98%	0.99%
Advances	19.0%	24.7%	20.0%	21.0%	20.0%	Total Income / Assets	4.18%	4.10%	4.01%	4.03%	4.07%
Total Assets	20.5%	22.0%	20.5%	20.7%	19.9%	Cost / Assets	2.68%	2.61%	2.33%	2.33%	2.37%
NII	12.3%	9.3%	20.3%	22.4%	21.7%	PBP / Assets	1.51%	1.49%	1.67%	1.70%	1.70%
Non-interest Income	15.8%	58.3%	12.7%	18.5%	20.5%	Provisions / Assets	0.25%	0.30%	0.40%	0.41%	0.42%
Operating Expenses	14.8%	18.4%	8.1%	20.7%	22.0%	PBT / Assets	1.26%	1.19%	1.27%	1.29%	1.28%
Operating Profits	9.9%	20.0%	36.2%	22.5%	20.6%	Tax rate	25.8%	25.7%	25.5%	25.5%	25.5%
Core Operating profit	7.2%	4.2%	44.7%	24.7%	22.2%	ROA	0.93%	0.88%	0.95%	0.96%	0.96%
Provisions	-10.5%	46.2%	61.5%	23.2%	24.1%	RoRWAs	1.76%	1.74%	1.91%	1.94%	1.93%
Reported PAT	15.1%	14.8%	30.3%	22.3%	19.5%	Leverage	13.1	14.2	15.0	15.6	16.2
<b>Yields / Margins (%)</b>						ROE	11.9%	12.1%	13.9%	14.8%	15.2%
Interest Spread	2.99%	2.65%	2.68%	2.77%	2.85%	Source: Company, JM Financial					
NIM	3.52%	3.14%	3.10%	3.14%	3.19%						
<b>Profitability (%)</b>						Valuations					
Non-IR to Income	19.7%	26.3%	25.0%	24.4%	24.2%	Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Cost to Income	64.0%	63.7%	58.2%	57.9%	58.1%	Shares in Issue	0.3	0.3	0.3	0.3	0.3
ROA	0.93%	0.88%	0.95%	0.96%	0.96%	EPS (INR)	17.1	19.6	25.5	31.2	37.3
ROE	11.9%	12.1%	13.9%	14.8%	15.2%	EPS (YoY) (%)	14.6%	14.3%	30.3%	22.3%	19.5%
<b>Assets Quality (%)</b>						PER (x)	10.3	9.0	6.9	5.6	4.7
Slippages	4.37%	3.77%	3.45%	3.40%	3.30%	BV (INR)	153	172	196	226	263
Gross NPA	3.24%	2.99%	2.86%	2.78%	2.77%	BV (YoY) (%)	11.5%	12.6%	14.1%	15.4%	16.0%
Net NPAs	1.11%	1.12%	1.04%	1.00%	1.00%	ABV (INR)	151	169	193	223	258
Provision Coverage	66.4%	63.2%	64.5%	64.5%	64.5%	ABV (YoY) (%)	10.9%	11.5%	14.5%	15.4%	16.0%
Specific LLP	0.54%	0.44%	0.50%	0.51%	0.53%	P/BV (x)	1.15	1.02	0.90	0.78	0.67
Net NPAs / Networth	9.5%	10.6%	10.3%	10.5%	10.8%	P/ABV (x)	1.16	1.04	0.91	0.79	0.68
<b>Capital Adequacy (%)</b>						DPS (INR)	1.3	1.4	1.3	1.0	1.0
Tier I	14.53%	14.30%	13.53%	12.93%	12.50%	Div. yield (%)	0.7%	0.8%	0.7%	0.6%	0.6%
CAR	16.59%	16.77%	15.63%	14.71%	14.02%	Source: Company, JM Financial					

Source: Company, JM Financial



## APPENDIX I

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return >= 15% over the next twelve months.
ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

\* REITs refers to Real Estate Investment Trusts.

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