

Strong quarter; upgrade to Buy on benign valuations

In 4QFY25, DCB Bank reported a healthy performance with PAT growing (17% QoQ, +14% YoY) driving RoA/RoE of ~0.95%/13% led by a) strong advances growth of 25% YoY; b) broadly stable margins (reported) driving steady NII (+10% YoY); c) strong momentum in fee income (+14% QoQ) and d) tight control on credit costs at 0.6% (flat QoQ). Deposits grew 22% YoY, despite a challenging environment for deposit mobilization. Bank undertook proactive rate cuts in both SA/TD following the repo rate reduction. However, mgmt. still highlighted that any further rate cuts could adversely impact margins, as bank is unlikely to fully pass on lower rates to depositors given rising competitive intensity. To mitigate this pressure, bank is focused on maintaining strong fee income growth, which will be crucial in supporting return metrics going forward. Asset quality trends improved, with gross slippages/net slippages moderating to ~3%/0.5% (-47bps QoQ, -39bps QoQ). We expect bank to deliver strong loan CAGR of ~21% over FY25–27E with benign credit cost of ~60bps on account of minimal exposure to the unsecured segment. We revise our EPS estimates upwards by ~20% over FY26E–27E and build in average RoA/RoE of 0.87%/13.1% over the same period. Given expected growth/return profile, current valuation of 0.6x FY27E BVPS, offers a favourable risk-reward profile, in our view. We upgrade the stock to BUY, with a revised target price of INR 150 (from INR 125 earlier), valuing the bank at 0.7x FY27E BVPS.

- Strong loan growth; focus remains on liability franchise:** In 4QFY25, advances grew at a robust pace (+25% YoY, +7% QoQ), led primarily by strong traction in retail banking (+17% QoQ), followed by the commercial vehicle segment (+15% QoQ) and Agri book (+6% QoQ). **Management highlighted that slippages in the MFI book have yet to show signs of improvement;** however, given its relatively small share in the overall portfolio, they remain unconcerned at this stage. Despite a challenging environment for deposit mobilization, deposit growth remained healthy at (+22% YoY, +6% QoQ), with term deposits (+7% QoQ) leading the momentum, followed by CASA deposits (+4% QoQ). While management is currently comfortable with the CD ratio, they reiterated that, over the long term, their strategic focus will remain on growing the liability franchise at a faster pace than advances. We build in a loan/deposit CAGR of 21% over FY25–27E.
- PPoP beat led by strong fee income:** Operating profit came in ahead of expectations (+13% QoQ, +31% YoY, +23% JMFe), driven by a) steady NII growth (+3% QoQ) and b) strong momentum in fee income (+14% QoQ, +36% YoY). As a result, non-interest income remained robust (+19% QoQ). Bank's continued investments in technology and focus on productivity are beginning to yield results, with cost-to-assets moderating to 2.5% (vs 2.6% QoQ). Return metrics also saw an improvement, with RoA rising to approximately ~1.0% (vs 0.9% QoQ). Reported NIMs remained largely stable (-1bps QoQ), supported by proactive efforts to manage CoF. However, mgmt. expects margin pressures to persist in the near term.
- Stable asset quality metrics:** Gross slippages and net slippages moderated to 2.96%/0.51% (-47bps QoQ, -39bps QoQ), while credit costs remained steady at 0.6%

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Profit	5,360	6,153	7,175	8,930	11,126
Net Profit (YoY) (%)	15.1%	14.8%	16.6%	24.5%	24.6%
Assets (YoY) (%)	20.5%	21.9%	20.6%	19.2%	19.4%
ROA (%)	0.9%	0.9%	0.9%	0.9%	0.9%
ROE (%)	11.9%	12.1%	12.5%	13.7%	14.9%
EPS	17.1	19.6	22.8	28.4	35.4
EPS (YoY) (%)	14.6%	14.3%	16.6%	24.5%	24.6%
PE (x)	7.4	6.5	5.6	4.5	3.6
BV	153	172	193	221	255
BV (YoY) (%)	11.5%	12.5%	12.6%	14.2%	15.6%
P/BV (x)	0.83	0.74	0.66	0.58	0.50

Source: Company data, JM Financial. Note: Valuations as of 25/Apr/2025

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	HOLD
Current Price Target (12M)	150
Upside/(Downside)	18.1%
Previous Price Target	125
Change	25.0%

Key Data – DCBB IN

Current Market Price	INR127
Market cap (bn)	INR39.9/US\$0.5
Free Float	83%
Shares in issue (mn)	311.0
Diluted share (mn)	
3-mon avg daily val (mn)	INR156.7/US\$1.8
52-week range	146/101
Sensex/Nifty	79,213/24,039
INR/US\$	85.4

Price Performance

%	1M	6M	12M
Absolute	14.1	9.2	-8.4
Relative*	11.6	10.3	-14.8

* To the BSE Sensex

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

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(flat QoQ). Despite broader industry headwinds on asset quality, bank has managed to navigate the environment well, supported by its negligible exposure to the unsecured segment. Backed by its conservative approach to lending, mgmt. remains confident in keeping credit costs contained within the ~45–55bps range going forward. We build in avg, credit costs of 0.6% over FY26E-27E.

- **Valuation and view:** Though margins are expected to remain under pressure in the near term, DCB Bank continues to trade at attractive valuations of 0.6x FY27E BVPS, offering a favourable risk-reward profile. We expect bank to deliver strong loan CAGR of ~21% over FY25–27E with benign credit cost of ~60bps on account of minimal exposure to the unsecured segment. Given the improving operating performance and stability in asset quality, we revise our EPS estimates upwards by ~20% over FY26E–27E and build in average RoA/RoE of 0.87%/13.1% over the same period. We upgrade the stock to BUY, with a revised target price of INR 150 (from INR125 earlier), valuing the bank at 0.7x FY27E BVPS.

DCB Bank 4Q25 Key quarterly trends

Exhibit 1. DCB Bank 4Q25: Key quarterly trends

Earnings Table (INR mn.)	4Q'24	3Q'25	4Q'25	YoY (%)	QoQ (%)
Net Interest Income	5,075	5,429	5,580	9.9%	2.8%
Fee based Income	1,180	1,410	1,610	36.4%	14.2%
Trading Profits	110	140	430	290.9%	207.1%
Misc Income	42	281	128	203.8%	-54.3%
Total Non-Interest income	1,362	1,841	2,188	60.6%	18.9%
Total Income	6,437	7,269	7,768	20.7%	6.9%
Employee Cost	2,119	2,312	2,314	9.2%	0.1%
Other Operating Expenses	1,981	2,246	2,400	21.2%	6.8%
Total Operating Expenses	4,100	4,558	4,714	15.0%	3.4%
Operating Profit	2,338	2,711	3,054	30.7%	12.6%
Total Provisions	241	672	672	179.2%	0.1%
PBT	2,097	2,039	2,382	13.6%	16.8%
Tax	540	525	611	13.2%	16.4%
Reported Profit	1,557	1,514	1,771	13.7%	16.9%
Balance sheet (Rs. bn.)					
Deposits	493.5	566.8	600.3	21.6%	5.9%
Net Advances	409.2	477.8	510.5	24.7%	6.8%
Total Assets	630.4	715.7	768.1	21.8%	7.3%
Low-cost Deposits (%)	26.0%	25.1%	24.5%	-1.5%	-0.6%
CD Ratio (%)	82.9%	84.3%	85.0%	2.1%	0.7%
Key Ratios					
Credit Quality					
Gross NPAs (Rs. Mn.)	13,535	15,172	15,544	14.8%	2.5%
Net NPAs (Rs. Mn.)	4,543	5,625	5,716	25.8%	1.6%
Gross NPA (%)	3.24%	3.11%	2.99%	-0.25%	-0.13%
Net NPA (%)	1.11%	1.18%	1.12%	0.01%	-0.06%
Coverage Ratio (%)	66.4%	62.9%	63.2%	-3.2%	0.3%
Capital Adequacy					
Tier I (%)	14.53%	13.54%	14.30%	-0.2%	0.8%
CAR (%)	16.59%	16.29%	16.77%	0.2%	0.5%
Du-pont Analysis					
NII / Assets (%)	3.30%	3.09%	3.01%	-0.30%	-0.08%
Non-Interest Inc. / Assets (%)	0.89%	1.05%	1.18%	0.29%	0.13%
Op. Cost / Assets (%)	2.67%	2.59%	2.54%	-0.13%	-0.05%
PPP / Assets (%)	1.52%	1.54%	1.65%	0.12%	0.10%
Provisions / Assets (%)	0.16%	0.38%	0.36%	0.21%	-0.02%
Reported ROA (%)	1.01%	0.86%	0.95%	-0.06%	0.09%
Other key ratios					
Reported NIM (%)	3.62%	3.30%	3.29%	-0.33%	-0.01%
Cost to income (%)	63.69%	62.70%	60.68%	-3.00%	-2.02%

Source: Company, JM Financial

Exhibit 2. Loan book composition

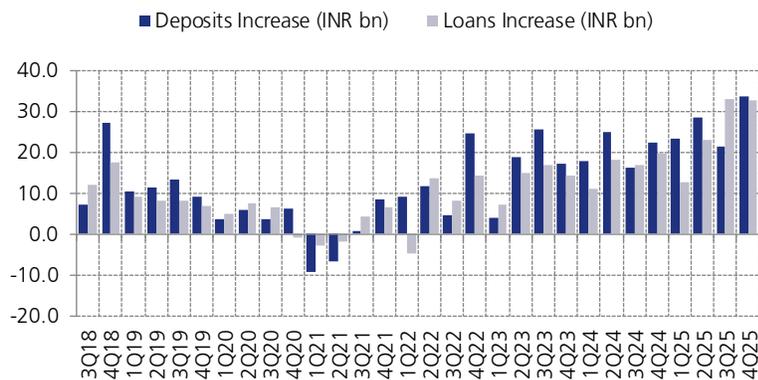
Loan Book Composition (Rs bn)	4Q'24	3Q'25	4Q'25	YoY (%)	QoQ (%)
Retail Banking (incl const. fin.)	65.1	93.9	110.1	69.2%	17.2%
Mortgages	183.8	212.4	222.8	21.2%	4.9%
SME + Micro SME	24.1	25.4	25.0	3.4%	-1.6%
Corporate Banking	31.1	30.0	29.1	-6.3%	-2.8%
Agri & Inclusive Banking / Priority Sector	103.5	111.4	118.0	14.0%	5.9%
Commercial vehicle	1.6	4.7	5.5	232.9%	15.0%
Total	409.2	477.8	510.5	24.7%	6.84%
Retail Banking (incl const. fin.)	15.9%	19.7%	21.6%	5.7%	1.9%
Mortgages	44.9%	44.5%	43.6%	-1.3%	-0.8%
SME + Micro SME	5.9%	5.3%	4.9%	-1.0%	-0.4%
Corporate Banking	7.6%	6.3%	5.7%	-1.9%	-0.6%
Agri & Inclusive Banking / Priority Sector	25.3%	23.3%	23.1%	-2.2%	-0.2%
Commercial vehicle	0.4%	1.0%	1.1%	0.7%	0.1%
Total	100.0%	100.0%	100.0%		

Source: Company, JM Financial

Exhibit 3. Deposits break-up

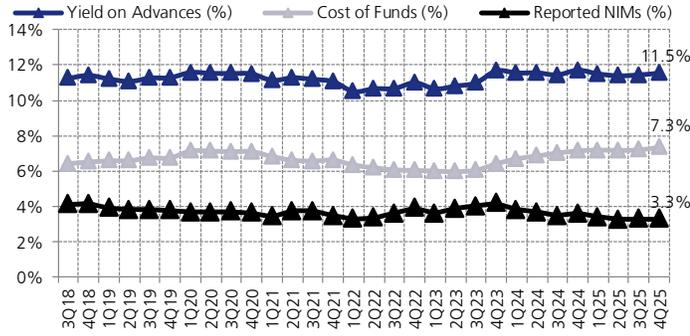
Deposits	4Q'24	3Q'25	4Q'25	YoY (%)	QoQ (%)
CASA	1,28,420	1,42,220	1,47,210	14.6%	3.5%
Term Deposits	3,65,110	4,24,560	4,53,100	24.1%	6.7%
Total	4,93,530	5,66,780	6,00,310	21.6%	5.9%
CASA	26.0%	25.1%	24.5%	-1.5%	-0.6%
Term Deposits	74.0%	74.9%	75.5%	1.5%	0.6%
Total	100.0%	100.0%	100.0%		

Source: Company, JM Financial

Exhibit 4. Trends in deposit and loan growth (% YoY)

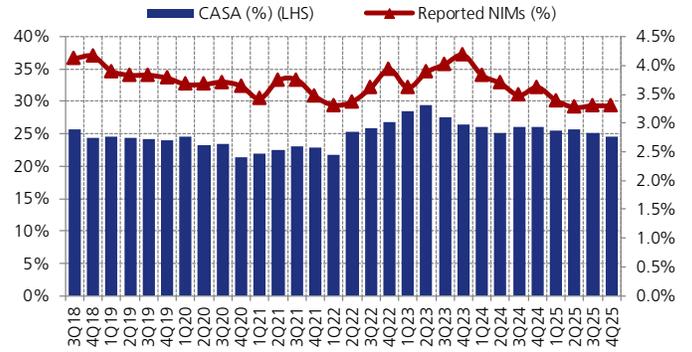
Source: Company, JM Financial

Exhibit 5. Trends in yields and cost of funds (%)



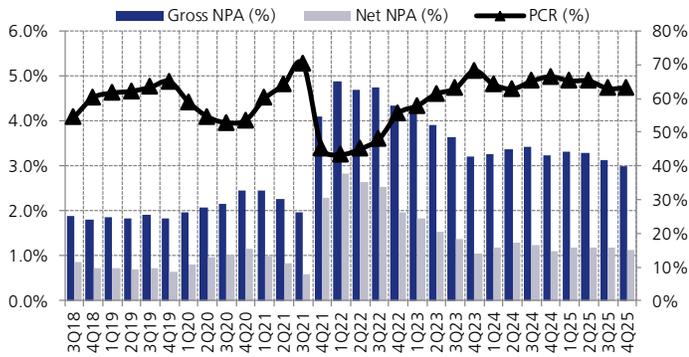
Source: Company, JM Financial

Exhibit 6. Trends in CASA ratio and reported NIMs (%)



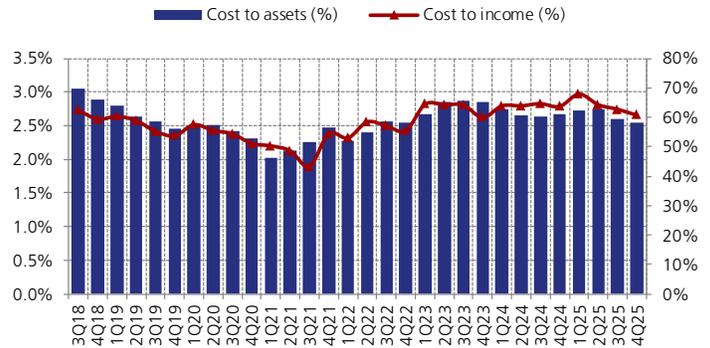
Source: Company, JM Financial

Exhibit 7. Trends in NPA and coverage (%)



Source: Company, JM Financial

Exhibit 8. Trends in cost ratios (%)



Source: Company, JM Financial

Exhibit 9. Valuation summary

Initial no of years	10
Growth rate for the first 10 years (%)	9.4%
Payout ratio for the first 10 years (%)	20.0%
Perpetual growth rate (%)	7.4%
Perpetual payout ratio (%)	37.0%
K1	1.62
K2	4.22
Fully adjusted FY26E BVPS (Rs)	217.3
Target P/BV (x)	0.7x
Fair value (rounded off)	150

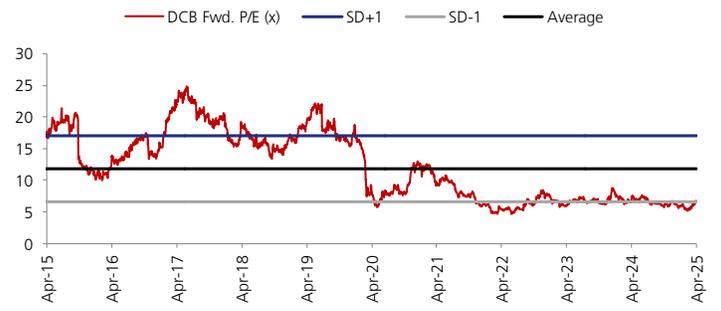
Source: Company, JM Financial

Exhibit 10. One year forward P/BV (x)



Source: Company, JM Financial

Exhibit 11. One year forward P/E (x)



Source: Company, JM Financial

Financial Tables (Standalone)

Profit & Loss						(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	
Net Interest Income	19,279	21,066	24,695	30,093	36,709	
Profit on Investments	326	1,260	1,449	1,623	1,785	
Exchange Income	157	100	125	150	180	
Fee & Other Income	4,259	6,145	8,009	9,595	11,498	
Non-Interest Income	4,742	7,505	9,583	11,368	13,463	
Total Income	24,021	28,571	34,278	41,461	50,172	
Operating Expenses	15,377	18,201	21,269	25,467	30,410	
Pre-provisioning Profits	8,644	10,370	13,008	15,994	19,762	
Loan-Loss Provisions	1,274	2,084	3,378	4,007	4,828	
Provisions on Investments	-21	0	0	0	0	
Others Provisions	171	0	0	0	0	
Total Provisions	1,425	2,084	3,378	4,007	4,828	
PBT	7,220	8,286	9,630	11,987	14,934	
Tax	1,860	2,133	2,456	3,057	3,808	
PAT (Pre-Extraordinaries)	5,360	6,153	7,175	8,930	11,126	
Extra ordinaries (Net of Tax)	0	0	0	0	0	
Reported Profits	5,360	6,153	7,175	8,930	11,126	
Dividend paid	390	424	393	314	314	
Retained Profits	4,970	5,729	6,782	8,616	10,812	

Source: Company, JM Financial

Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Growth (YoY) (%)					
Deposits	19.7%	21.6%	22.0%	20.0%	20.0%
Advances	19.0%	24.7%	22.0%	20.0%	20.0%
Total Assets	20.5%	21.9%	20.6%	19.2%	19.4%
NII	12.3%	9.3%	17.2%	21.9%	22.0%
Non-interest Income	15.8%	58.3%	27.7%	18.6%	18.4%
Operating Expenses	14.8%	18.4%	16.9%	19.7%	19.4%
Operating Profits	9.9%	20.0%	25.4%	23.0%	23.6%
Core Operating profit	7.2%	9.5%	26.9%	24.3%	25.1%
Provisions	-10.5%	46.3%	62.1%	18.6%	20.5%
Reported PAT	15.1%	14.8%	16.6%	24.5%	24.6%
Yields / Margins (%)					
Interest Spread	2.99%	2.65%	2.55%	2.58%	2.64%
NIM	3.52%	3.14%	3.01%	3.03%	3.09%
Profitability (%)					
Non-IR to Income	19.7%	26.3%	28.0%	27.4%	26.8%
Cost to Income	64.0%	63.7%	62.1%	61.4%	60.6%
ROA	0.93%	0.88%	0.85%	0.88%	0.92%
ROE	11.9%	12.1%	12.5%	13.7%	14.9%
Assets Quality (%)					
Slippages	4.37%	3.77%	3.60%	3.55%	3.50%
Gross NPA	3.24%	2.99%	2.86%	2.87%	2.74%
Net NPAs	1.11%	1.12%	1.02%	1.02%	0.98%
Provision Coverage	66.4%	63.2%	65.0%	65.0%	65.0%
Specific LLP	0.54%	0.44%	0.49%	0.48%	0.49%
Net NPAs / Networth	9.5%	10.6%	10.5%	11.0%	10.9%
Capital Adequacy (%)					
Tier I	14.53%	14.30%	13.34%	12.76%	12.35%
CAR	16.59%	16.77%	15.44%	14.57%	13.91%

Source: Company, JM Financial

Balance Sheet						(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	
Equity Capital	3,128	3,143	3,143	3,143	3,143	
Reserves & Surplus	44,650	50,863	57,645	66,261	77,073	
Deposits	4,93,530	6,00,310	7,32,378	8,78,853	10,54,624	
Borrowings	62,195	91,152	1,08,982	1,30,329	1,55,894	
Other Liabilities	23,932	19,730	20,716	21,752	22,840	
Total Liabilities	6,27,469	7,65,197	9,22,864	11,00,338	13,13,573	
Investments	1,62,108	2,01,499	2,43,972	2,90,380	3,47,679	
Net Advances	4,09,246	5,10,469	6,22,772	7,47,327	8,96,792	
Cash & Equivalents	30,659	26,986	36,990	44,273	53,005	
Fixed Assets	5,748	6,083	8,454	10,080	12,033	
Other Assets	19,708	20,160	10,676	8,278	4,063	
Total Assets	6,27,469	7,65,197	9,22,864	11,00,338	13,13,573	

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
NII / Assets	3.36%	3.03%	2.93%	2.97%	3.04%
Other Income / Assets	0.83%	1.08%	1.14%	1.12%	1.12%
Total Income / Assets	4.18%	4.10%	4.06%	4.10%	4.16%
Cost / Assets	2.68%	2.61%	2.52%	2.52%	2.52%
PBP / Assets	1.51%	1.49%	1.54%	1.58%	1.64%
Provisions / Assets	0.25%	0.30%	0.40%	0.40%	0.40%
PBT / Assets	1.26%	1.19%	1.14%	1.18%	1.24%
Tax rate	25.8%	25.7%	25.5%	25.5%	25.5%
ROA	0.93%	0.88%	0.85%	0.88%	0.92%
RoRWAs	1.76%	1.74%	1.71%	1.78%	1.86%
Leverage	13.1	14.2	15.2	15.9	16.4
ROE	11.9%	12.1%	12.5%	13.7%	14.9%

Source: Company, JM Financial

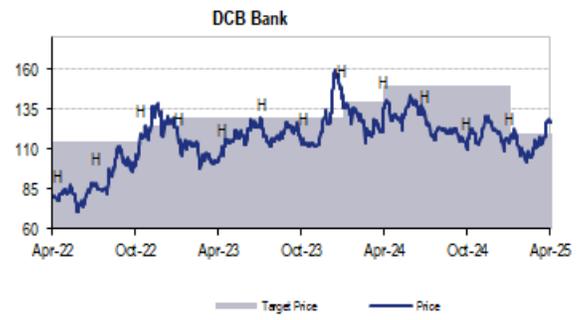
Valuations					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shares in Issue	312.8	314.3	314.3	314.3	314.3
EPS (INR)	17.1	19.6	22.8	28.4	35.4
EPS (YoY) (%)	14.6%	14.3%	16.6%	24.5%	24.6%
PER (x)	7.4	6.5	5.6	4.5	3.6
BV (INR)	153	172	193	221	255
BV (YoY) (%)	11.5%	12.5%	12.6%	14.2%	15.6%
ABV (INR)	151	168	191	217	251
ABV (YoY) (%)	10.9%	11.4%	13.1%	14.1%	15.6%
P/BV (x)	0.83	0.74	0.66	0.58	0.50
P/ABV (x)	0.84	0.75	0.67	0.58	0.51
DPS (INR)	1.3	1.4	1.3	1.0	1.0
Div. yield (%)	1.0%	1.1%	1.0%	0.8%	0.8%

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
25-May-20	Sell	65	
9-Aug-20	Sell	65	0.0
1-Nov-20	Hold	84	29.2
11-Jan-21	Hold	112	33.3
24-Jan-21	Hold	112	0.0
10-May-21	Hold	112	0.0
31-Oct-21	Hold	120	7.1
9-Feb-22	Hold	115	-4.2
8-May-22	Hold	115	0.0
31-Jul-22	Hold	115	0.0
7-Nov-22	Hold	125	8.7
29-Jan-23	Hold	130	4.0
6-May-23	Hold	130	0.0
31-Jul-23	Hold	130	0.0
1-Nov-23	Hold	130	0.0
24-Jan-24	Hold	140	7.7
24-Apr-24	Hold	150	7.1
25-Jul-24	Hold	150	0.0
24-Oct-24	Hold	150	0.0
26-Jan-25	Hold	120	-20.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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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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All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and

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