

BSE SENSEX	S&P CNX
36,321	10,890
Bloomberg	DCBB IN
Equity Shares (m)	309
M.Cap.(INRb)/(USDb)	56.1 / 0.8
52-Week Range (INR)	205 / 140
1, 6, 12 Rel. Per (%)	11/11/-11
Avg. Val, INRm	310
Free float (%)	85.1

Financials & Valuations (INR b)

Y/E MARCH	FY18	FY19E	FY20E	FY21E
NII	10.0	11.5	14.1	17.5
OP	5.2	6.5	8.5	11.1
NP	2.5	3.1	4.1	5.4
NIM (%)	4.0	3.7	3.8	3.9
EPS (INR)	8.0	10.2	13.2	17.4
EPS Gr. (%)	13.8	27.6	30.1	31.8
BV/Sh. (INR)	86.7	95.9	108.7	125.6
ABV/Sh. (INR)	83.3	92.0	104.1	120.3
RoE (%)	10.9	11.6	13.4	15.4
RoA (%)	0.9	0.9	1.0	1.1

Valuations

P/E (x)	22.8	17.9	13.7	10.4
P/BV (x)	2.1	1.9	1.7	1.4
P/ABV (x)	2.2	2.0	1.7	1.5

CMP: INR181
TP: INR175 (-4%)
Neutral

Operationally in line, opex remains the key earnings lever

- DCBB's PAT grew 51% YoY to INR861m (our estimate: INR762m) in 3QFY19, driven by higher other income and moderation in opex. PPOp growth of 42% YoY exceeded our estimate of +28%, largely due to a pick-up in other income (26% YoY) on the back of treasury gains of INR112m as core fee income grew by a modest 5% YoY. NIM was flat QoQ at 3.83%. For 9MFY19, PPOp grew 20% YoY, while PAT rose 26% YoY to INR2.3b (v/s INR1.8b in 9MFY18).
- Opex growth moderated to 5.6% YoY to INR2.1b, aided by slower branch addition and improved productivity. C/I ratio, thus, declined 366bp QoQ to 55%. Provisions came in at INR401m (+17% YoY; in-line).
- Loan book grew by 23.1%/3.7% YoY/QoQ (v/s +26.9%/3.9% in 2QFY19) to INR228.9b, primarily led by AIB (+38%), MSME (+23%) and Corporate (+9%). Other segments like CV (+72%), Gold (+23%) and Construction finance (+23%) also showed strong traction, while Mortgages grew marginally slower at 17% YoY. Deposits grew 29%/5% YoY/QoQ to INR275.1b, with retail term deposits plus CASA forming ~77% of total deposits.
- Slippages increased to INR1.1b (2.5% v/s 2.2% in 2Q) as the bank reported a fraud amounting to INR124.4m (of which INR28.7m is pending to be amortized over subsequent quarters). Further, moderation in recoveries and upgrades at INR630m led to an 8.6% QoQ increase in GNPA to INR4.4b. NNPA increased 5.3% QoQ to INR1.6b, while the bank shored up its calculated PCR to 63.3% (62.1% in 2Q). GNPA/NNPA ratio increased 8bp/1bp QoQ to 1.92%/0.71%. As on 3QFY19, net restructured advances stood at INR320m, while SR book was at INR483m.
- **Other highlights:** (a) CASA ratio declined marginally to 24.25%. (b) Tier I ratio stood at 11.93%, with total CAR of 15.45%. (c) Annualized RoA/RoE for the quarter came in at 1.03%/12.64%. (d) Management guided for 26% loan growth (excl. corporate loans), 55% CI ratio and 1% RoA by FY21.
- **Valuation view:** While we expect loan growth to stay ahead of system loan growth (24% CAGR over FY18-21), operating leverage is likely to play out only post FY19, weighing down on the return ratios in the near term. Management has guided for 2.3% cost to average assets by FY21. We have raised our PAT estimate by ~10%/13% for FY20/21, and thus, project RoA/RoE to improve to ~1.1%/~15.4% by FY21. At CMP, the stock trades at 1.6x Sep'20E ABV, which leaves limited upside. Maintain **Neutral** with a TP of INR175 based on 1.6x Sept-20E ABV.

Quarterly Performance

(INR m)

	FY18				FY19E				FY18	FY19E	3Q	V/s our
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			FY19E	Est
Net Interest Income	2,332	2,481	2,505	2,637	2,730	2,818	2,936	3,051	9,954	11,535	2,969	-1.1
% Change (Y-o-Y)	31.7	30.4	19.6	19.7	17.1	13.6	17.2	15.7	24.9	15.9	18.5	-1.3
Other Income	858	653	749	849	828	735	945	1,091	3,103	3,599	846	11.7
Total Income	3,189	3,134	3,254	3,486	3,558	3,553	3,881	4,142	13,057	15,134	3,815	1.7
Operating Expenses	1,825	1,890	2,029	2,070	2,144	2,092	2,143	2,289	7,807	8,668	2,244	-4.5
Operating Profit	1,364	1,244	1,225	1,416	1,414	1,461	1,738	1,853	5,250	6,466	1,570	10.7
% Change (Y-o-Y)	47.1	23.4	12.2	22.8	3.7	17.4	41.8	30.9	25.5	23.2	28.2	13.7
Provisions	355	302	343	388	332	319	401	599	1,388	1,651	407	-1.4
Profit before Tax	1,009	942	883	1,028	1,082	1,142	1,336	1,255	3,862	4,815	1,163	14.9
Tax Provisions	357	353	313	386	387	408	475	415	1,409	1,685	401	18.5
Net Profit	652	589	570	642	695	734	861	839	2,453	3,130	762	13.0
% Change (Y-o-Y)	38.7	21.5	11.1	21.5	6.6	24.7	51.0	30.7	22.8	27.6	33.6	17.4
Operating Parameters												
Deposit (INR b)	191.5	205.7	213.0	240.1	250.3	261.7	275.1	292.9	240.1	292.9	269.1	2.2
Loan (INR b)	162.7	174.0	186.0	203.4	212.4	220.7	228.9	252.2	203.4	252.2	232.7	-1.6
Asset Quality												
Gross NPA (INRb)	2.9	3.2	3.5	3.7	4.0	4.1	4.5	4.7	3.7	4.7	4.2	5.0
Gross NPA (%)	1.7	1.8	1.9	1.8	1.9	1.8	1.9	1.9	1.8	1.9	1.8	0.1
Net NPA (INRb)	1.5	1.6	1.6	1.5	1.5	1.6	1.6	1.7	1.5	1.7	1.6	2.8
Net NPA (%)	0.9	0.9	0.9	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.0
PCR (%)	47.7	50.3	54.4	60.2	61.6	62.1	63.3	63.1	60.2	63.1	62.5	0.8

Exhibit 1: Quarterly Snapshot

	FY17				FY18				FY19			Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ
Profit and Loss (INR m)													
Net Interest Income	1,770	1,903	2,095	2,203	2,332	2,481	2,505	2,637	2,730	2,818	2,936	17	4
Other Income	601	616	641	636	858	653	749	849	828	735	945	26	29
Total Income	2,372	2,519	2,736	2,839	3,189	3,134	3,254	3,486	3,558	3,553	3,881	19	9
Operating Expenses	1,444	1,511	1,643	1,685	1,825	1,890	2,029	2,070	2,144	2,092	2,143	6	2
Employee	727	748	790	815	905	921	970	1,017	1,087	1,102	1,103	14	0
Others	718	762	853	870	920	969	1,059	1,053	1,057	990	1,040	-2	5
Operating Profits	927	1,009	1,093	1,153	1,364	1,244	1,225	1,416	1,414	1,461	1,738	42	19
Core Operating Profits	755	893	968	1,112	1,077	1,173	1,170	1,374	1,261	1,430	1,626	39	14
Provisions	205	265	305	339	355	302	343	388	332	319	401	17	26
PBT	722	744	787	814	1,009	942	883	1,028	1,082	1,142	1,336	51	17
Taxes	252	259	274	286	357	353	313	386	387	408	475	52	17
PAT	470	485	513	529	652	589	570	642	695	734	861	51	17
Balance Sheet (INR B)													
Loans	133	144	146	158	163	174	186	203	212	221	229	23	4
Investments	44	55	61	58	56	57	57	62	71	70	75	32	7
Deposits	157	177	188	193	192	206	213	240	250	262	275	29	5
CASA Deposits	36	39	49	47	51	53	55	58	62	64	67	22	5
Borrowings	11	12	12	13	14	14	19	19	20	20	25	32	24
Total Assets	196	219	233	240	243	259	272	302	312	325	344	27	6
Loan Break Up													
Retail Banking	76.0	80.8	81.7	87.0	87.8	88.7	122.7	134.2	140.2	150.1	155.6	27	4
SME	14.7	15.9	16.0	19.0	17.9	20.9	22.3	24.4	25.5	26.5	27.5	23	4
AIB	22.7	24.5	24.8	28.5	27.7	29.6	31.6	36.6	38.2	41.9	43.5	38	4
Corporate	20.0	23.1	23.3	25.3	24.4	29.6	31.6	34.6	36.1	33.1	34.3	9	4
Others													
Branches	205	228	248	262	290	306	311	318	323	328	331	6	1
ATM	442	490	496	515	504	507	530	533	536	541	505	-5	-7
Asset Quality													
GNPA	2,313	2,554	2,279	2,542	2,853	3,158	3,545	3,690	4,006	4,100	4,451	26	9
NNPA	1,157	1,209	1,080	1,244	1,491	1,570	1,615	1,467	1,539	1,553	1,634	1	5
Ratios (%)													
	FY17				FY18				FY19			Change (bps)	
Asset Quality	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ
GNPA (%)	1.7	1.8	1.6	1.6	1.7	1.8	1.9	1.8	1.9	1.8	1.9	3	8
NNPA (%)	0.9	0.8	0.7	0.8	0.9	0.9	0.9	0.7	0.7	0.7	0.7	-16	1
PCR (Calculated, %)	50.0	52.7	52.6	51.1	47.7	50.3	54.4	60.2	61.6	62.1	63.3	884	115
PCR (Reported, %)	75	75	75	74	72	72	73	76	76	77	77	363	17
Business Ratios													
Fees to Total Income	16.0	16.8	14.7	15.9	16.3	15.4	17.4	18.0	16.8	15.7	15.3	-211.9	-42.6
Cost to Core Income	67.2	65.0	65.8	63.5	64.0	63.7	66.0	63.4	64.4	61.9	60.7	-533.4	-123.5
Tax Rate	34.9	34.8	34.8	35.1	35.4	37.5	35.4	37.5	35.8	35.7	35.6	14.4	-13.0
CASA	23.1	21.9	26.0	24.0	27.0	25.9	25.7	24.3	24.6	24.3	24.2	-142.3	-5.2
Loan/Deposit	85.1	81.6	77.4	82.0	84.9	84.6	87.3	84.7	84.9	84.3	83.2	-411	-113
Profitability Ratios													
RoA	1.0	0.9	0.9	0.9	1.1	0.9	0.9	0.9	0.9	0.9	1.0	17	11
RoE	10.4	10.4	10.2	9.7	10.8	8.8	9.3	10.2	10.8	11.1	12.6	335	151
Yield on loans	12.2	12.0	12.0	12.0	11.7	11.4	11.3	11.3	11.2	11.1	11.3	1	19
Cost of funds	7.3	7.2	6.9	7.0	6.6	6.5	6.4	6.5	6.6	6.6	6.7	32	15
Margins	4.1	4.0	4.0	4.0	4.2	4.2	4.1	4.1	3.9	3.8	3.8	-29	0

Source: MOSL, Company

Exhibit 2: Actual performance v/s expected – net profit beat due to higher other income and controlled opex

Y/E MARCH	3QFY19A	3QFY19E	Var. (%)	Comments
Interest Income	7,773	7,665	1	
Interest Expense	4,837	4,697	3	
NII	2,936	2,969	-1	NII largely in-line
% Change (Y-o-Y)	17	19		
Other Income	945	846	12	Higher than expected other income due to higher treasury gains
Net Income	3,881	3,815	2	
Operating Expenses	2,143	2,244	-4	
Operating Profit	1,738	1,570	11	Operating profit beat due to higher other income and controlled opex
% Change (Y-o-Y)	42	28		
Other Provisions	401	407	-1	Provisions in-line
Profit before Tax	1,336	1,163	15	
Tax Provisions	475	401	18	
Net Profit	861	762	13	
% Change (Y-o-Y)	51	34		

Source: Company, MOSL

Mortgages/corporate loan growth of 17.2%/8.6% YoY was lower than total advances growth

Loan growth largely driven by retail loans; corporate loan growth slows down

- Loan book grew at 23.1%/3.7% YoY/QoQ (v/s 26.9%/3.9% in 2QFY19) to INR228.9b. This was primarily driven by AIB (+38%), MSME (+23%) and Corporate (+9%) segments.
- Other segments such as CV (+72%), Gold (+23%) and Construction finance (+23%) also showed strong growth, while Mortgages grew marginally slower at 17% YoY. Deposits grew by 29%/5% YoY/QoQ to INR275.1b, with retail term deposits plus CASA comprising ~77% of total deposits.

CASA ratio largely stable, retail deposits at 77%

- CASA ratio stood at 24.3%. Total CASA deposits grew 4.9%/22.0% QoQ/YoY. Overall retail deposits grew 29% YoY, with the share of retail deposits increasing to 77.0% (75.3% in 2QFY19).

Asset quality affected by reported fraud and slippages in AIB segment

- Absolute gross NPA increased 8.6% QoQ to INR4.4b. GNPA ratio increased 8bp QoQ to 1.92%. PCR including technical w/o increased to 77.0%, while NNPA was largely stable at INR1.6b (INR1.5b in 2Q).
- Slippages came in at INR1, 147m (2.5% annualized slippage ratio). Recoveries and upgrades came in strong at INR630m (down 10% QoQ), while there were write-offs of INR166m during the quarter.

Branch expansion to stay muted; C/I declined to ~55.2%

- The bank added three branches during the quarter to take the total branch count to 331. From here, the bank does not plan to add more than 15-20 branches per year.
- The cost-to-core income ratio came in at 56.4% (-253bp QoQ), while the cost-to-income ratio also declined to 55.2% (-366p QoQ).



3QFY19 concall highlights

- Bank is trying to go for segments that do not have more than 75% risk weight. Thus, the risk weights have been coming down significantly.
- Bank has not received any communication from RBI on external benchmark linked loans. Some of the small NBFCs are slowing down on disbursing new loans due to liquidity issues.
- **Fraud:** Happened in the state of Gujarat in the commodities business. Some amount of recovery has happened in this account. The total exposure in this account was INR300 to INR400m.
 - Bank is winding down the commodity book.
- **Delinquency in AIB portfolio:** Partly explained by fraud account, smaller SME loans (INR20m to INR30m) due to cash flow issues faced by the customers.
 - Bank did not face any challenges in the MFI portfolio.
- Bank usually ends up with 50-55% PSLC requirement and therefore anything in excess of 40% earns fee income.
- **Other opex:** Bank is purging down ATMs that are not profitable and cannot be re-calibrated as per new rules of RBI.
 - Bank is confident of achieving cost to assets of 2.3% in the next 3 years.
 - Bank does only self-employed home loans (does not do salaried home loans) as the yields are higher for these loans.
 - Lot of salaried home loans (due to space vacated by NBFCs) might have gone to bigger banks.
- **Retail TD:** Online FD has still not gained traction yet.
- **Employee count:** Approx. 5,934.
- NPA Provisions: NPA: INR350m, Floating: INR55m, Standard provisions: INR20m.
- **Floating provisions:** INR760m.
- Bank is getting a lot of enquiries for co-lending of loans from NBFCs.
- New branches would be mostly in the existing locations; it is planning to add 15-20 branches by FY20.
- **On the mortgage loans:** Bank is seeing a lot of enquiries coming directly to the branches, whereas a few years ago, majority of the enquiries came through DSAs.
- Excluding corporate loans, loan growth is 26-27%.
- Bank has INR1b of personal loan book and would not like to go beyond 3% of the book.

Valuation and view

- Management targets to double the balance sheet over the next 3-3.5 years. With higher granularity in the portfolio, asset quality performance is expected to be better than peers.
- With controlled branch expansion and calibrated addition of employees, we expect the cost to income ratio to improve over the next three years. We expect the margins trajectory to be stable/improving from hereon.
- While we expect loan growth to stay ahead of system loan growth (24% CAGR over FY18-21), operating leverage is likely to play out only post FY19, weighing down on the return ratios in the near term. Management has guided for 2.3% cost to average assets by FY21. We thus project RoA/RoE to improve to ~1.1%/~15.4% by FY21. At CMP, the stock is trading at 1.6x Sep'20E ABV, which leaves limited upside. **Maintain Neutral** with a TP of INR175 based on 1.6x Sep'20E ABV.

Exhibit 3: Change in estimates

(INR b)	Old Estimates			Revised Estimates			Change (%)		
	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E
NII	11.9	14.3	17.6	11.5	14.1	17.5	-2.8	-1.7	-0.4
Other Income	3.7	4.5	5.4	3.6	4.3	5.1	-1.7	-4.1	-4.1
Total Income	15.5	18.8	23.0	15.1	18.4	22.7	-2.6	-2.3	-1.2
Operating Expenses	9.2	10.9	12.7	8.7	9.9	11.6	-5.9	-8.7	-9.2
Operating Profits	6.3	7.9	10.2	6.5	8.5	11.1	2.3	6.4	8.7
Provisions	1.7	2.2	2.9	1.7	2.2	2.8	-5.2	-1.7	-1.6
PBT	4.6	5.7	7.3	4.8	6.3	8.3	5.2	9.6	12.8
Tax	1.6	2.0	2.6	1.7	2.2	2.9	5.2	9.6	12.8
PAT	3.0	3.7	4.8	3.1	4.1	5.4	5.2	9.6	12.8
Loans	252	310	388	252	313	391	0.0	0.8	0.8
Deposits	293	357	440	293	357	440	0.0	0.0	0.0
Margins (%)	3.9	3.9	3.9	3.7	3.8	3.9	-10.9	-8.0	-3.9
Credit Cost (%)	0.8	0.8	0.8	0.7	0.8	0.8	-4.0	-1.7	-2.0
RoA (%)	0.9	0.9	1.0	0.9	1.0	1.1	4.6	8.8	12.4
RoE (%)	11.0	12.4	13.9	11.6	13.4	15.4	54.3	103.8	141.6
BV	95	107	122	96	109	126	0.5	1.6	3.0
ABV	92	103	118	92	104	120	0.1	0.9	1.9
EPS	10	12	15	10	13	17	5.2	9.6	12.8

Source: Company, MOSL

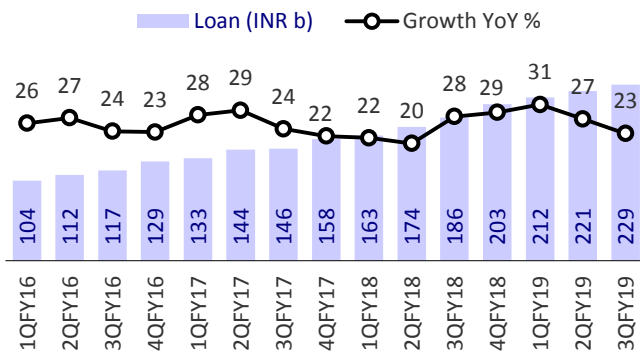
Exhibit 4: We expect the ROA/ROE to pick up FY19 onward, largely due to improvement in operating leverage

DCB Bank	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Interest Income	9.32	9.79	9.64	9.62	8.89	8.89	9.14	9.23
Interest Expended	6.28	6.29	6.12	5.93	5.22	5.43	5.62	5.62
Net interest Income	3.04	3.50	3.51	3.69	3.67	3.46	3.52	3.61
Fee income	0.84	0.82	0.80	0.77	0.98	0.92	0.94	0.96
Trading and others	0.31	0.32	0.45	0.39	0.17	0.16	0.13	0.10
Non-interest Income	1.15	1.14	1.25	1.16	1.14	1.08	1.07	1.06
Total Income	4.19	4.64	4.77	4.85	4.81	4.55	4.59	4.67
Operating expenses	2.64	2.73	2.79	2.91	2.88	2.60	2.48	2.39
Employees	1.30	1.35	1.39	1.43	1.40	1.26	1.19	1.14
Others	1.34	1.38	1.39	1.48	1.47	1.34	1.28	1.24
Operating profits	1.55	1.91	1.98	1.94	1.93	1.94	2.11	2.29
Core PPP	1.24	1.59	1.53	1.55	1.77	1.78	1.98	2.19
Provisions	0.30	0.48	0.50	0.52	0.51	0.50	0.55	0.59
PBT	1.25	1.43	1.48	1.42	1.42	1.45	1.56	1.70
Tax	0.00	0.12	0.38	0.50	0.52	0.51	0.55	0.60
ROAA (%)	1.25	1.32	1.10	0.93	0.90	0.94	1.02	1.11
Leverage (x)	11.25	10.62	10.60	11.71	12.05	12.33	13.19	13.87
ROAE (%)	14.08	13.97	11.70	10.83	10.89	11.59	13.40	15.35

Source: MOSL, Company

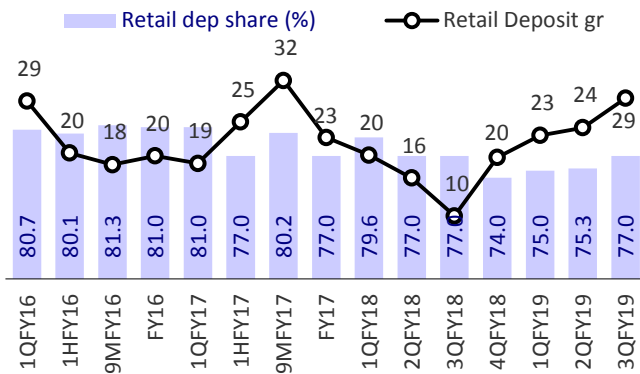
Story in Charts

Exhibit 5: Loan growth slowed down to 23% YoY



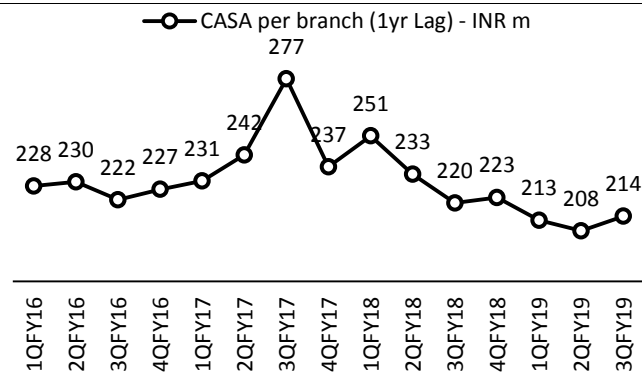
Source: MOSL, Company

Exhibit 7: Share of retail deposits increased to 77%



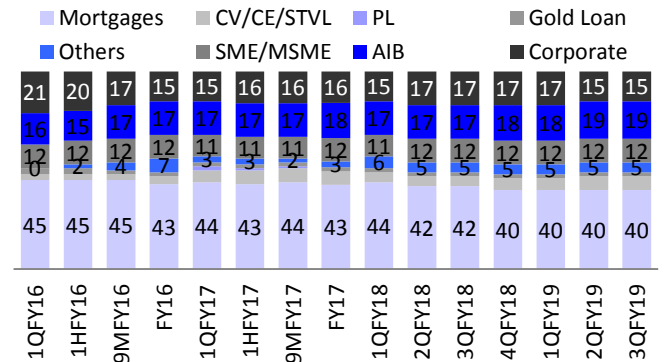
Source: MOSL, Company

Exhibit 9: CASA mobilization per branch (one-year lag) improved to INR214m



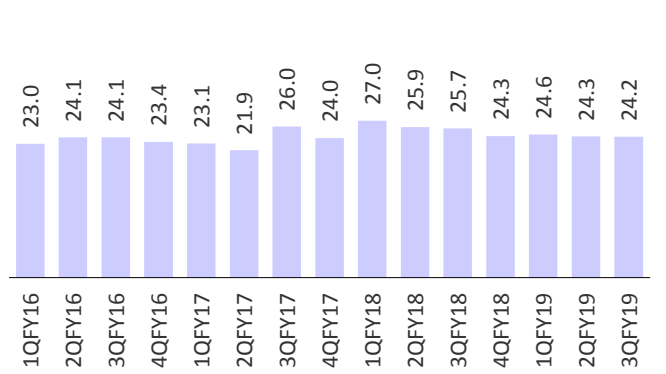
Source: MOSL, Company

Exhibit 6: Proportion of corporate advances declined to 15%



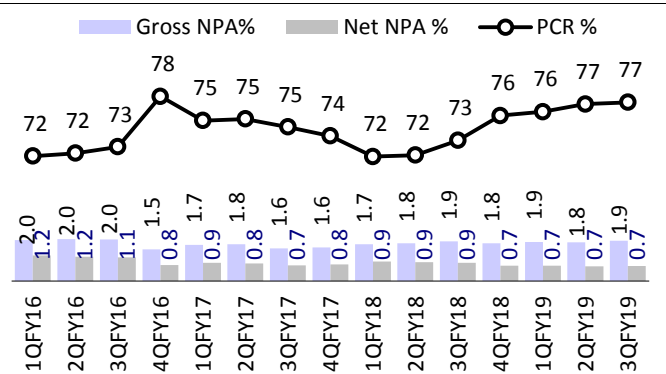
Source: MOSL, Company

Exhibit 8: CASA ratio stood at 24.2%



Source: MOSL, Company

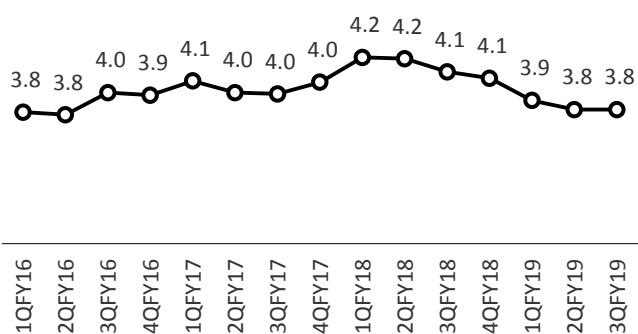
Exhibit 10: PCR (incl. TWO) increased to 77%



Source: MOSL, Company

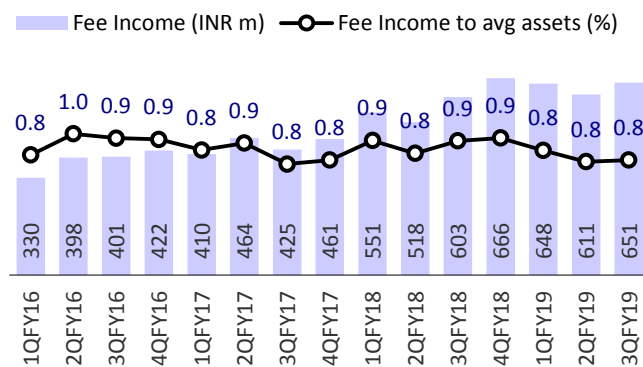
Story in charts

Exhibit 11: Reported NIM flat QoQ at 3.83%



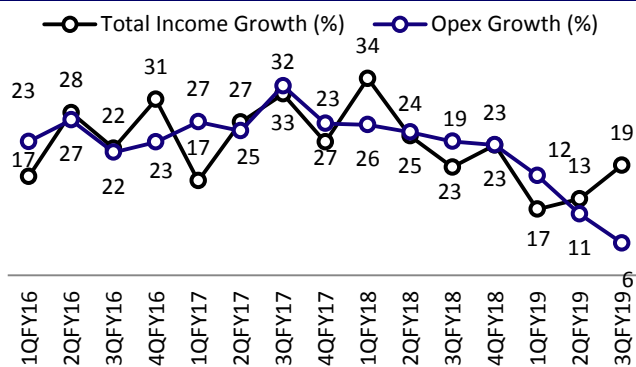
Source: MOSL, Company

Exhibit 12: Fee income to average assets stable QoQ



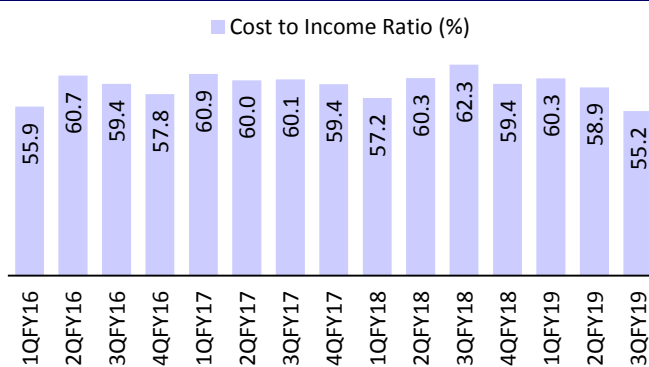
Source: MOSL, Company

Exhibit 13: Income growth was higher than opex growth



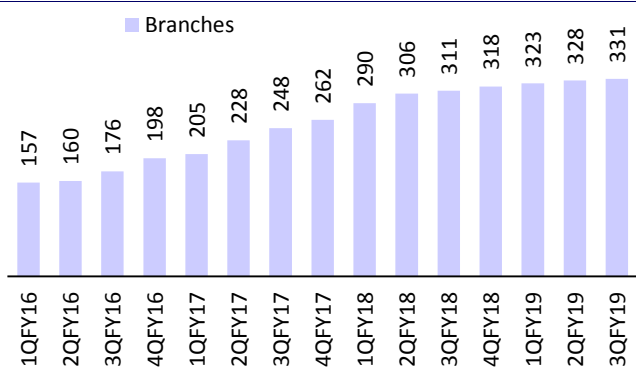
Source: MOSL, Company

Exhibit 14: Cost to income declined 366bp QoQ to 55.2%



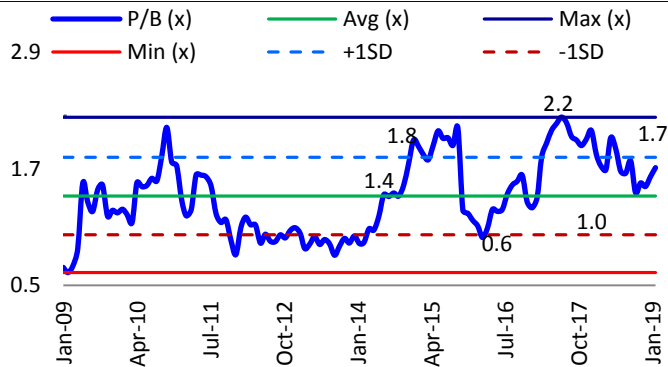
Source: MOSL, Company

Exhibit 15: Added three branches during the quarter



Source: MOSL, Company

Exhibit 16: One-year forward P/B



Source: MOSL, Company

Financials and Valuation

Income Statement

(INRm)

Y/E March	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Interest Income	14,224	16,985	20,762	24,130	29,596	36,631	44,756
Interest Expense	9,142	10,790	12,791	14,176	18,061	22,533	27,233
Net Interest Income	5,082	6,195	7,971	9,954	11,535	14,097	17,523
Growth (%)	38.0	21.9	28.7	24.9	15.9	22.2	24.3
Non Interest Income	1,657	2,205	2,488	3,103	3,599	4,283	5,140
Total Income	6,739	8,400	10,459	13,057	15,134	18,381	22,663
Growth (%)	32.9	24.6	24.5	24.8	15.9	21.5	23.3
Operating Expenses	3,965	4,909	6,277	7,807	8,668	9,926	11,566
Pre Provision Profits	2,774	3,490	4,182	5,250	6,466	8,455	11,097
Growth (%)	47.6	25.8	19.8	25.5	23.2	30.7	31.3
Core PPP	2,408	2,971	3,630	4,796	5,931	7,938	10,609
Growth (%)	49.7	23.4	22.2	32.1	23.7	33.8	33.6
Provisions (excl tax)	694	879	1,115	1,388	1,651	2,189	2,842
PBT	2,080	2,611	3,067	3,862	4,815	6,266	8,256
Tax	168	666	1,070	1,409	1,685	2,193	2,890
Tax Rate (%)	8.1	25.5	34.9	36.5	35.0	35.0	35.0
PAT	1,912	1,945	1,997	2,453	3,130	4,073	5,366
Growth (%)	26.2	1.7	2.7	22.8	27.6	30.1	31.8

Balance Sheet

Y/E March	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Equity Share Capital	2,820	2,844	2,854	3,081	3,081	3,081	3,081
Reserves & Surplus	13,034	15,062	19,179	24,983	27,853	31,772	36,984
Net Worth	15,854	17,906	22,033	28,064	30,934	34,852	40,065
Deposits	126,091	149,260	192,892	240,069	292,884	357,319	439,502
Growth (%)	22.1	18.4	29.2	24.5	22.0	22.0	23.0
of which CASA Dep	29,501	34,899	46,892	58,403	72,423	89,786	112,073
Growth (%)	14.3	18.3	34.4	24.5	24.0	24.0	24.8
Borrowings	11,670	11,494	12,774	19,267	24,228	28,047	33,342
Other Liabilities & Prov.	7,708	12,524	12,765	14,807	15,547	17,879	18,773
Total Liabilities	161,323	191,185	240,464	302,207	363,593	438,098	531,683
Current Assets	7,192	8,916	11,925	23,720	32,237	39,175	46,339
Investments	39,622	43,333	58,179	62,190	67,787	74,023	80,685
Growth (%)	21.1	9.4	34.3	6.9	9.0	9.2	9.0
Loans	104,651	129,214	158,176	203,367	252,175	312,697	390,871
Growth (%)	28.6	23.5	22.4	28.6	24.0	24.0	25.0
Fixed Assets	2,367	2,480	4,886	4,940	10,735	11,058	11,610
Other Assets	7,492	7,242	7,298	8,004	659	1,145	2,177
Total Assets	161,323	191,185	240,464	302,221	363,593	438,098	531,683

Financials and Valuation

Ratios

Asset Quality

GNPA (INR M)	1,861	1,974	2,542	3,690	4,684	5,501	6,652
NNPA (INR M)	1,057	975	1,244	1,467	1,726	1,997	2,320
GNPA Ratio	1.8	1.5	1.6	1.8	1.9	1.8	1.7
NNPA Ratio	1.0	0.8	0.8	0.7	0.7	0.6	0.6
Slippage Ratio	2.14	2.15	2.03	1.93	1.70	1.50	1.50
Credit Cost	0.36	0.45	0.51	0.77	0.73	0.78	0.81
PCR (Excl Tech. write off)	43.2	50.6	51.1	60.1	63.1	63.7	65.1

Y/E March	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Yield and Cost Ratios (%)							
Avg. Yield-Earning Assets	10.9	10.6	10.5	9.3	9.2	9.4	9.5
Avg. Yield on loans	11.8	11.6	11.5	10.7	10.8	11.0	11.0
Avg. Yield on Investments	7.2	7.4	7.8	7.0	7.0	7.0	7.0
Avg. Cost-Int. Bear. Liab.	7.3	7.2	7.0	6.1	6.3	6.4	6.3
Avg. Cost of Deposits	7.3	7.3	6.9	6.0	6.2	6.4	6.3
Interest Spread	3.6	3.4	3.6	3.2	3.0	3.0	3.1
Net Interest Margin	3.9	3.9	4.0	4.0	3.7	3.8	3.9

Profitability Ratios (%)							
CAR	15.0	14.1	13.8	16.5	14.8	13.6	12.6
Tier I	14.2	12.8	11.9	12.7	11.7	11.0	10.5
Tier II	0.7	1.3	1.9	3.8	3.1	2.6	2.1

Business & Efficiency Ratio (%)							
Loans/Deposit Ratio	83.0	86.6	82.0	84.7	86.1	87.5	88.9
CASA Ratio	23.4	23.4	24.3	24.3	24.7	25.1	25.5
Cost/Assets	2.7	2.8	2.9	2.9	2.6	2.5	2.4
Cost/Income	58.8	58.4	60.0	59.8	57.3	54.0	51.0
Cost/ Core Income	61.4	61.5	62.7	61.9	59.4	55.6	52.2
Int. Expense/Int.Income	64.3	63.5	61.6	58.7	61.0	61.5	60.8
Fee Income/Net Income	20.5	21.2	19.5	20.3	20.2	20.5	20.5
Non Int. Inc./Net Income	24.6	26.2	23.8	23.8	23.8	23.3	22.7
Empl. Cost/Op. Exps.	49.4	49.9	49.0	48.8	48.4	48.2	47.9
Investment/Deposit Ratio	27.6	26.7	24.7	25.9	23.1	20.7	18.4

Profitability and Valuations Ratios

RoE	14.4	11.8	10.8	10.9	11.6	13.4	15.4
RoA	1.3	1.1	0.9	0.9	0.9	1.0	1.1
RoRWA	1.8	1.4	1.2	1.2	1.2	1.3	1.5
Book Value (INR)	56.3	62.0	72.3	86.7	95.9	108.7	125.6
Growth (%)	22.2	10.1	16.6	19.8	10.7	13.3	15.6
Price-BV (x)	3.2	2.9	2.5	2.1	1.9	1.7	1.4
Adjusted BV (INR)	53.7	59.6	69.3	83.3	92.0	104.1	120.3
Price-ABV (x)	3.4	3.0	2.6	2.2	2.0	1.7	1.5
EPS (INR)	6.8	6.8	7.0	8.0	10.2	13.2	17.4
Growth (%)	12.1	0.9	2.3	13.8	27.6	30.1	31.8
Price-Earnings (x)	26.8	26.5	25.9	22.8	17.9	13.7	10.4
Dividend Per Share (INR)	0.0	0.0	0.5	0.6	0.7	0.5	0.5
Dividend Yield (%)	0.0	0.0	0.3	0.3	0.4	0.3	0.3

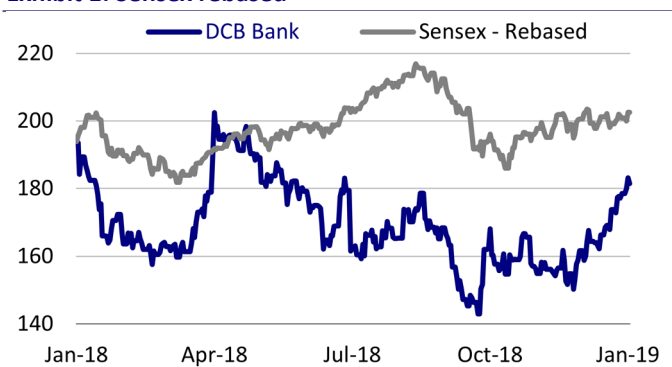
E: MOSL Estimates

Corporate profile

Company description

DCB Bank is a new private sector bank based in Mumbai, with presence across Retail, MSME, Agri and Corporate banking serving mainly towards self-employed clients. Mr. Murali Natrajan is the current MD and CEO (since 2009) and has been instrumental in complete overhaul of the bank. The bank plans to double its Balance sheet size in the next 3-3.5 years. As on December 2018, the bank had a network of 331 branches and 505 ATMs.

Exhibit 1: Sensex rebased



Source: MOSL/Bloomberg

Exhibit 2: Shareholding pattern (%)

	Dec-18	Sep-18	Dec-17
Promoter	14.9	14.9	15.0
DII	25.4	24.5	24.3
FII	23.6	24.2	21.3
Others	36.1	36.3	39.4

Note: FII Includes depository receipts

Source: Capitaline

Exhibit 3: Top holders

Holder Name	% Holding
Matthews India Fund	4.1
India Advantage Fund S4 I	4.0
Premji Invest	3.9
Aditya Birla Sunlife Mutual Fund	3.3
Tano Mauritius India FVCI II	3.2

Source: Capitaline

Exhibit 4: Top management

Name	Designation
Nasser Munjee	Chairman
Murali M Natrajan	Managing Director & CEO
Rubi Chaturvedi	Company Secretary

Source: Capitaline

Exhibit 5: Directors

Name	Name
Altaf Jiواني	Amin Manekia
C Narasimhan	Imran Contractor
Jamal Pradhan	Keki Elavia
Nalin Shah	Rupa Devi Singh
S Sridhar	Shaffiq Dharamshi
Ashok Barat	Iqbal Khan

*Independent

Exhibit 6: Auditors

Name	Type
Ananthasubramanian & Co	Secretarial Audit
Deloitte Haskins & Sells	Statutory

Source: Capitaline

Exhibit 7: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY19	10.2	10.1	1.3
FY20	13.2	13.1	0.7
FY21	17.4	17.1	1.9

Source: Bloomberg

Explanation of Investment Rating

Investment Rating

BUY	Expected return (over 12-month) >=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst becomes inconsistent with the investment rating legend, the Research Analyst shall within 28 days of the inconsistency, take appropriate measures to make the recommendation consistent with the investment rating legend.

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