Initiating Coverage Report

DCB BANK LTD

28 November 2024

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DCB Bank Ltd (DCBB IN)

DCB is set to reclaim its great growth legacy

The Indian banking sector is in midst of a perfect storm, grappling with multiple earnings headwinds. Loan growth is decelerating (courtesy elevated CD ratio), margins are set to contract further (with anticipated policy rate cuts) and asset quality is likely to normalise (delayed impact of rate hike cycle; stress in unsecured segment). However, DCB is well-positioned to bravely surmount these challenges. We view DCB will likely serve as a 'beacon' of growth, delivering stronger-than-system loans growth and continuing its legacy of doubling the loan book in 3-4 years. Further, its margins are set to expand despite rate cuts, as management tactfully re-calibrates to higher yielding business mix. DCB would also benefit from better fees (higher customer engagement) and improving costs (productivity benefits). While asset quality is likely to normalise, its largely secured book is protecting it from contemporary stress in unsecured loans. Consequently, we think DCB is likely to achieve its target of 1% ROA and 14% ROE by FY27. As sector braces for deceleration in earnings growth, investors would find DCB attractive to own with superior growth profile. Rate Buy with TP of Rs 169.

DCB's loan growth to outperform the system, driven by its focused segments. DCB has a historical legacy of doubling its book every 3 to 4 years. This paused during COVID-19 due to the impact on its core customer segment of 'self-employed' and SME/MSME. Since last two years, however, DCB has returned to its superior growth path with strong momentum in its focused segments (mortgage, co-lending, gold loans, AIB, SME/MSME among others). We think this is likely to continue, with DCB clocking robust growth of ~20%+ for next three years, even as industry slows down. DCB's solid deposit growth momentum and comfortable CD ratio of ~82%, provides it enough funding firepower to sustain its remarkable growth profile.

...even as margins expand with management re-calibrating to higher yielding business mix. With the imminent rate cuts, contemporary elevated deposit costs and tight wholesale funding spreads, sector margins will remain under pressure. However, DCB NIMs are likely to still improve countercyclically as management has equipped itself with multiple levers to offset the impact of rate cuts. On the assets side, DCB is re-orienting its mix towards higher yield business loans. While on liabilities side, it is planning to reduce CASA margins once rate cuts begin. its persistent savings account mobilisation efforts will likely keep CASA ratio stable.

Further, fee income to provide enhanced contribution led by high-engagement-product strategy. Management's strategy to focus on higher engagement overdraft product would provide multiple cross-sell opportunities on fees line as well as on both sides of the balance sheet. Their effort has already seen some traction as seen in stronger core fee income in the first half. We view core fee uplift from higher engagement strategy as well as stronger treasury income (as rate cycle turns) could help non-II attaining 1% of assets level near term.

Cost metrics to improve as productivity benefits become evident after last few years of capacity building. Since COVID, DCB has significantly ramped up headcount, number of branches and has also invested into digitalisation, upgrading processes and systems. While investment into capacity building will continue (albeit at a slower pace), we view that the productivity benefits are likely to now start flowing into both costs and revenue lines. Overall, we expect cost growth to be lower than the operating income growth.

Asset quality would normalise but DCB is less affected due to its majorly secured book. While industry is seeing increased stress across unsecured segments (credit cards, microfinance etc), DCB's major organic exposure is limited to just 4% of its book in microfinance. Rest of the book is secured, with majority of the loans collateralised by self-occupied residential property. We expect credit costs to normalise to peak of 33bps by FY26 (1H25 23 bps) in line with management's steady state guidance of 30-35bps.

Consequently, DCB is set to deliver improving returns, reaching management's aspiration of 1% ROA/ 14% ROE by FY27. From ~1% in FY19, the COVID-19 impact on its core customer segment had brought down ROA to ~0.7% in FY22. However, we saw steady improvement in the last two years and half towards 1% ROA target. We view DCB could possibly become a 1% ROA bank by FY27 with sustainable earnings drivers. As leverage rises to ~14x, it would translate to over 14% ROE.

Recommend Buy now. As investors digest the consistent improvement in DCB's return over the next few result cycles, it's likely to be re-rated. The street seems to be underestimating the robust lending growth and improved core fee income. While investors could potentially wait for more clarity on rate cuts, we view it's quite attractive at 0.5-0.6x book for a potential 1% ROA/ 14% ROE bank.

Can DCB outperform the banks index? DCB outperformed the banks index during the time RBI was hiking rates back in FY23. However, as soon as the cost of funds started rising in FY24, DCB's weak CASA franchise resulted in higher degradation in NIMs vs peers, driving price underperformance. Since the 1Q result, the stock has broadly traded sideways due to a lack of any upside catalyst. However, going forward we think DCB will likely serve as a 'beacon of growth' amidst industry slowdown, translating into a better than index performance.

Rating: BUY	Upside: 39%
Current Price: 121	Target Price: 169

|Market data

Bloomberg:	DCBB: IN
52-week H/L (Rs):	163.45/108.69
Mcap (Rs bn/USD bn):	37.3/0.44
Shares outstanding (mn):	313.6
Free float:	85%
Face Value (Rs):	10

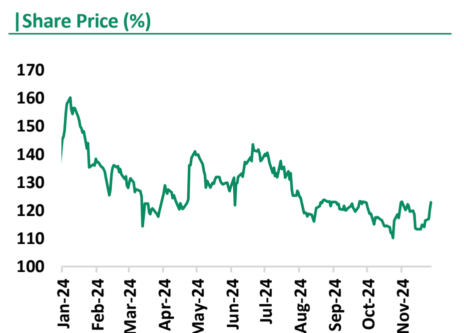
Source: Bloomberg, NSE, SMIFS Research

|Price performance (%)

	1M	3M	12M	36M
Nifty 500	-0.6%	-4.7%	26.9%	53.6%
Nifty Banks	1.3%	1.5%	18.3%	44.3%
DCB	2.2%	-1.7%	7.9%	37.2%

*as on 28th Nov 2024; Source: Bloomberg, SMIFS Research

|Share Price (%)



*as on 28th Nov 2024; Source: Ace Equity, SMIFS Research

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(Rs m)	Op. Income	% YoY	PPOP	% YoY	PAT	% YoY	P/E	P/B (x)	ROA (%)	ROE(%)
FY23	21,264	18%	7,867	-1%	4,656	62%	7.1	0.7	1.0%	10.8%
FY24	24,021	13%	8,644	10%	5,360	15%	7.0	0.7	0.9%	11.1%
FY25E	28,199	17%	10,054	16%	6,126	14%	6.3	0.7	0.9%	11.4%
FY26E	34,138	21%	12,909	28%	7,570	24%	5.1	0.6	0.9%	12.5%
FY27E	41,522	22%	16,683	29%	10,081	33%	3.8	0.5	1.0%	14.6%

Source: Company, SMIFS Research Estimates. PPOP = Pre- Provision Operating Profit

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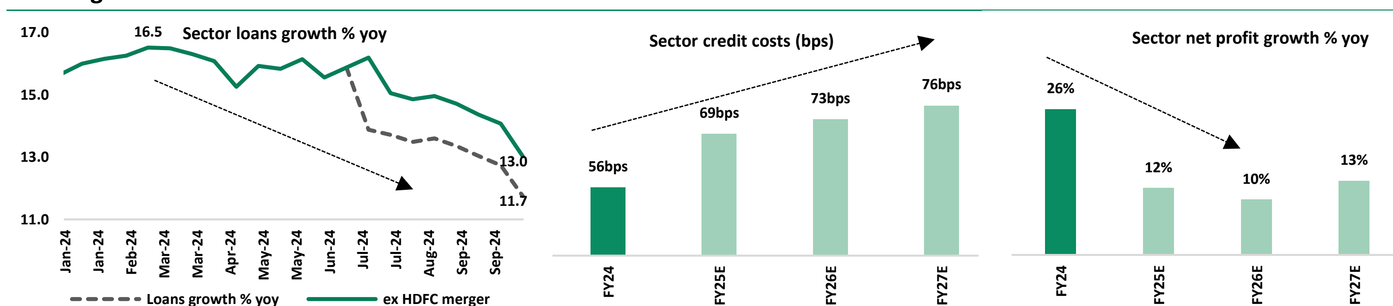
[I] Executive Summary

A perfect storm is brewing for the Indian banking sector, but we think DCB is well positioned. Loan growth is decelerating, driven by sector's elevated credit to deposit ratio (CD) ratio. This would persist near-term despite the RBI's upcoming rate easing cycle. Margins have been contracting since the end of rate hike cycle end (back in FY23) as cost of funds had been aggravating. While cost of funds seem to have now peaked as seen in recent 1H25 results, but the upcoming rate cut cycle will pressure down the loan yields (with largely floating rate loans), driving additional margin contraction. Further, credit costs will normalise upwards, as widely expected, due to the delayed impact of rate hikes as well as recoveries becoming hard to find. Overall, this would deliver a deceleration of earnings growth for the sector. Despite all these challenges, we view DCB would likely be a bright spot to withstand the storm with strong earnings drivers and deliver better net profit growth than the sector.

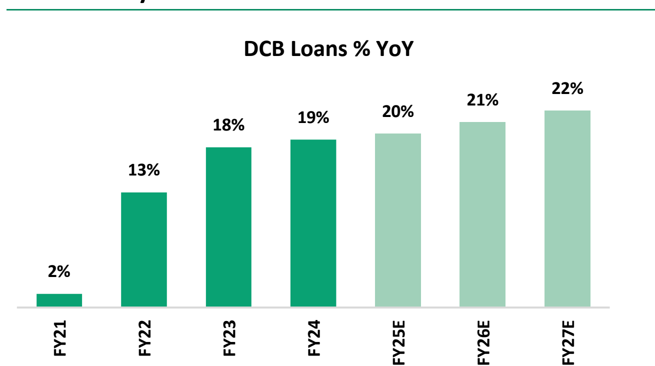
Fig 1: Decelerating loans growth, contracting margins & normalising credit costs would drive slowdown of sector earnings growth



Source: Company, RBI, Bloomberg, SMIFS Research; Sector credit costs, net profit include following banks: AXSB, BANDHAN, BOB, CBK, CUBK, DCBB, ICICIBC, IDFCFB, INBK, IIB, KVB, KMB, RBK, SBIN, FB, UNBK, YES. Excluded HDFCB and AUBBANK due to the impact of mergers. For FY23 AXSB net profit, we excluded exceptional items for Citi consumer acquisition.

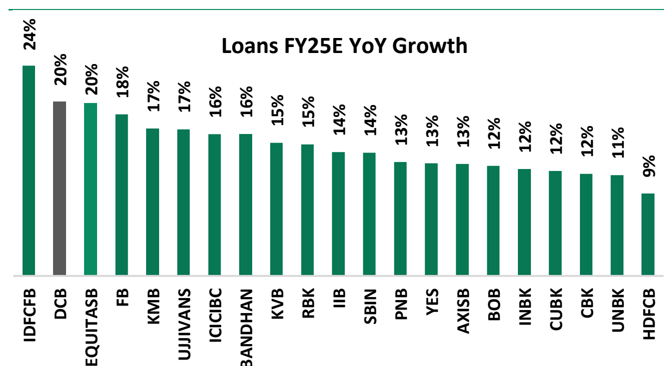
DCB could prove to be a beacon of growth amidst industry slowdown. With low CD ratio, strong loan growth momentum in its focused segments and sufficient deposit growth to cover its loan growth, we view it can grow ~20%+ and double its book in 3-4 years. DCB has a CD ratio in low 80s (81.5%) lower than many private banks with late 80s and even early 90s, thus it's not as constrained as rest of the industry to slow down the loans growth. Despite the industry's elevated cost of funds challenges, DCB has been able to grow deposits robustly at 20% yoy, driven by its savings deposits 27% yoy in 2Q25, while many of the peers depended more on higher cost term deposits. Thus, DCB with its strong momentum in its focused segments could outperform the peers in loan growth.

Fig 2: DCB to have loan growth of ~20% or higher in next few years



Source: Company, SMIFS Research

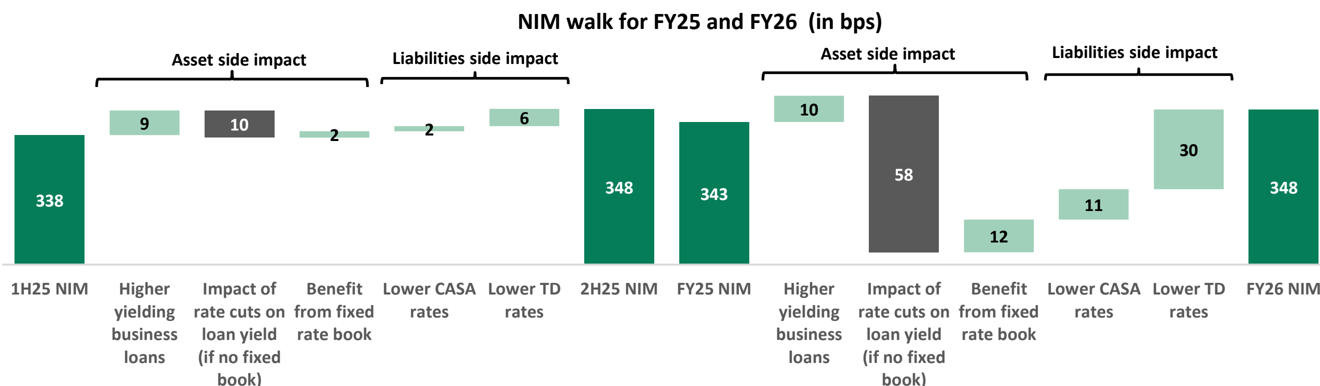
Fig 3: …superior to most of the banking peers



Source: Company, Bloomberg, SMIFS Research Estimates; SMIFS estimate for DCB and Consensus estimates for other banks. Consensus loan growth for DCB is 18%.

DCB would likely expand margins despite the rate easing cycle. DCB will grow its margin from 1H25's 338bps to FY26 348bps. This will be driven by recalibration of business mix towards high yielding business loans. Further, as rate cuts come through, DCB will try to offset the reduction in loans yields partially by adjusting the CASA margins lower. Additionally, its weak CASA ratio might prove to be a blessing in rate downcycle as it would have larger share of term deposits to reprice downwards. Management's efforts to mobilise savings deposits will help keep CASA ratio stable if not growing in this rate cut cycle, keeping cost of deposits in check.

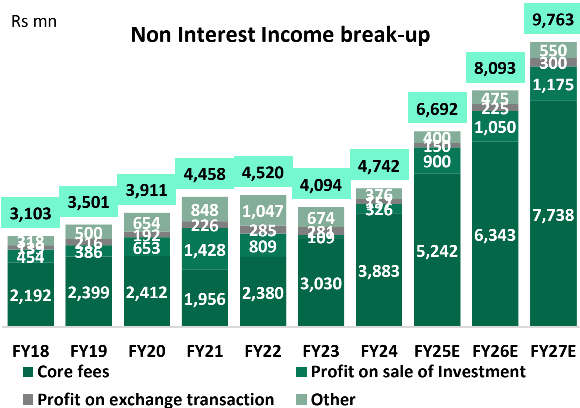
Fig 4: NIMs would expand from low 1H25 level driven by the changing mix towards high yield business loans



Source: Company, SMIFS Research, *100bps policy rate cut until FY26. 1H25 NIM of 348bps is a calculated figure. Reported 1H25 NIM based on quarters' average is 333bps.

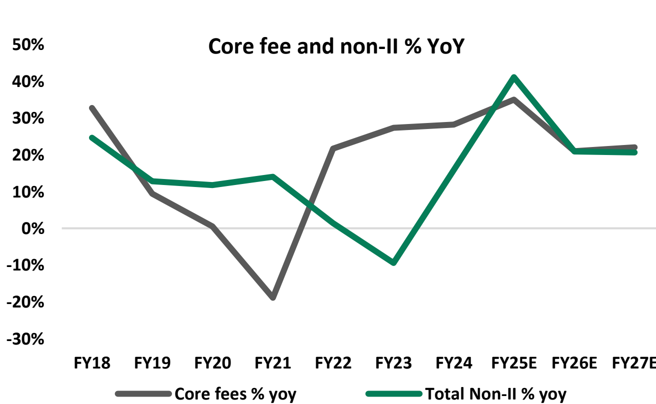
Strong fee growth will further bolster the revenue momentum. DCB has embarked on a higher engagement strategy at the core of which is converting its SME model to a complete overdraft product utilising both branch and digital channels. This, along with its other core fee drivers, should generate higher core fee growth. Further, the rate easing cycle in next few years will help uplift treasury income like what happened in FY21 and FY22. Overall, we think the core fee can grow in-line with balance sheet and DCB can achieve its target of 1% non-II as proportion of assets by FY26.

Fig 5: Non-II would be bolstered by benefit from higher engagement strategy



Source: Company, SMIFS Research

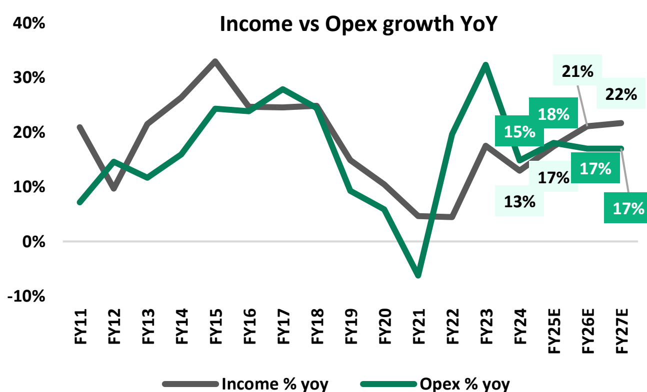
Fig 6: ...with the growth in core fees in-line with loan growth



Source: Company, SMIFS Research

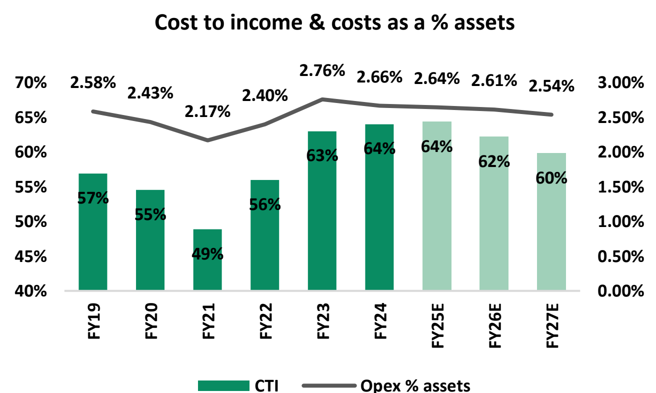
Costs metrics will improve, as productivity benefits are realised, supporting the pre provision profit growth. In last three years or so, DCB has built significant capacity in higher headcount as well as branches. Management has also invested into digital initiatives and overhauled technology, processes and systems. They have upgraded the Finacle system, the transaction banking system, the lending system, FinOne, the treasury management system from TCS, the SIEM system for cyber security, a compass system for AML and behavioural biometrics. All these initiatives are likely to improve productivity and efficiency metrics going forward in both costs and revenue lines. Costs growth is likely to slow down to below the operating income growth by FY26. This would result in cost to average assets falling down towards management ambition of 2.5% of assets.

Fig 7: With the productivity seeping in, costs growth is likely to go below the operating income growth



Source: Company, SMIFS Research

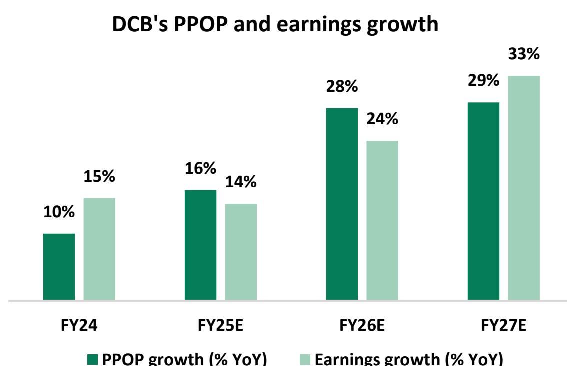
Fig 8: …and costs as % assets to move towards management ambition of 2.5%



Source: Company, SMIFS Research

Path to 1% ROA and 14% ROE is crystal clear. As market digests robustness of DCB loans growth (despite industry growth slowing down), expanding margins (immune to upcoming rate cuts), uplift from better fees and improving costs, we should likely start seeing stock re-rating. While credit quality will normalise, any significant deterioration will be protected by a majorly secured book. We think the continued momentum in earnings drivers should help DCB reach its ambition of 1% ROA/ 14% ROE by FY27. Notably its earnings growth of 14%/ 24%/33% will be superior to industry's metrics.

Fig 9: DCB will deliver stronger pre-provisions profit and net profit growth in next three years



Source: Company, SMIFS Research

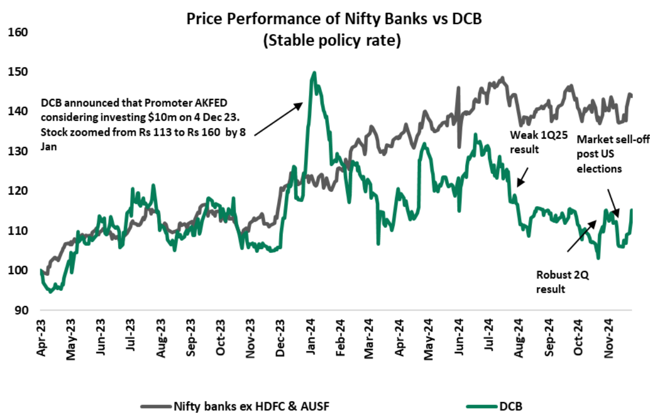
Fig 10: ...reaching 1% ROA and 14% ROE by FY27E

	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Interest Income	3.22%	3.53%	3.34%	3.13%	3.20%	3.24%
Non Interest Income	1.07%	0.84%	0.82%	0.98%	1.00%	1.00%
Operating Income	**4.29%**	**4.38%**	**4.16%**	**4.11%**	**4.20%**	**4.24%**
Employee expenses	1.28%	1.43%	1.38%	1.38%	1.36%	1.32%
Other expenses	1.12%	1.33%	1.29%	1.27%	1.25%	1.22%
Operating expenses	2.40%	2.76%	2.66%	2.64%	2.61%	2.54%
Operating profit	**1.89%**	**1.62%**	**1.50%**	**1.46%**	**1.59%**	**1.70%**
Provisions	0.97%	0.33%	0.25%	0.26%	0.33%	0.32%
PBT	**0.92%**	**1.29%**	**1.25%**	**1.20%**	**1.25%**	**1.39%**
Tax	0.24%	0.33%	0.32%	0.31%	0.32%	0.36%
ROA	**0.68%**	**0.96%**	**0.93%**	**0.89%**	**0.93%**	**1.03%**
Leverage (x)	10.8x	11.3x	12.0x	12.7x	13.4x	14.2x
ROE	**7.36%**	**10.81%**	**11.12%**	**11.35%**	**12.47%**	**14.63%**

Source: Company, SMIFS Research

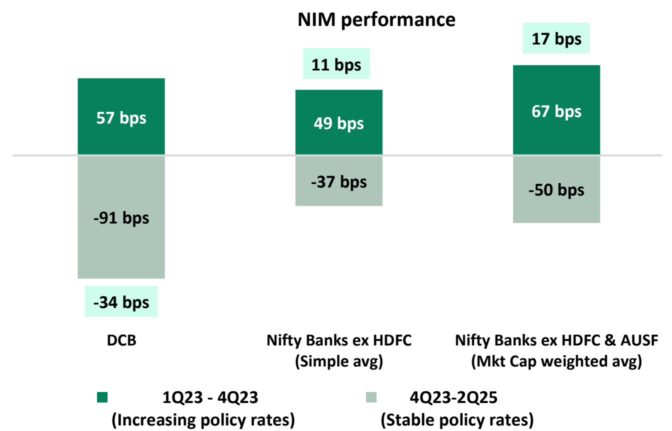
DCB to outperform the banks index, as rate cycle turns. DCB has been underperforming the banks index since the time RBI ceased hiking rates back in Feb-23. This is driven its weak CASA franchise which magnified the impact of higher costs of funds for DCB vs peers. We view as rate cuts begin, DCB's improving returns towards 1% ROA and stronger than peers' earnings growth is likely to become evident in next few results cycles. Its underperformance is likely to turn, and it could perform better than the banks index.

Fig 11: DCB underperformed the banks index, once rate hikes stopped, due to a lack of strong deposit franchise



Source: Bloomberg, SMIFS Research. Excluded HDFC bank and AU Small Finance due to the impact of mergers; FY24 year start =100

Fig 12: …resulting in higher cost of funds and larger NIM decline



Source: Company, SMIFS Research

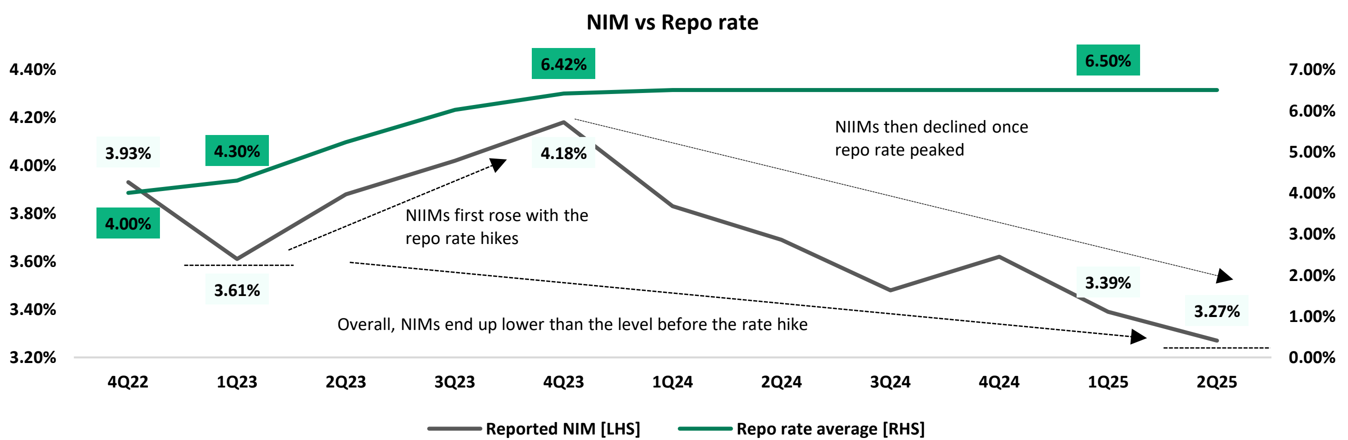
[II] Investment Rationale

1. NIMs to expand despite the upcoming rate easing cycle

Recent FY23 rate hike cycle proved to be negative for DCB's NIMs

DCB's NIMs increased initially, but later settled lower than the beginning of the rate hike cycle (despite the 250 bps of rate expansion). When RBI embarked on a rate hike cycle in May-22, it added 250 bps to repo rates by Feb-23. NIM increased by 57 bps reaching the peak of 4.18% by 4Q23 (from 3.61% in 1Q23). Since then, however, NIMs have experienced a falling trajectory reaching 3.27% in 2Q25, a decline of 91bps, without any further change in policy rates. There were some regulatory changes in 1H25 (movement of penal interest to fee income; charging interest for loans from demand draft handover date) as well as business mix changes (reduced higher yielding microfinance, increased lower yielding co-lending). Even if we exclude the impact of regulatory changes (management guided penal interest movement impact to be single digit bps), the margin would still likely be lower than the level before the rate hike considering the elevated cost of funds pressure. Generally, a rate hike cycle ends up being positive for banks. But, since DCB has a very weak CASA franchise (CASA ratio of just 26%), it faced a significantly worse cost of funds pressure and consequently the rate tightening cycle ended up being negative for DCB.

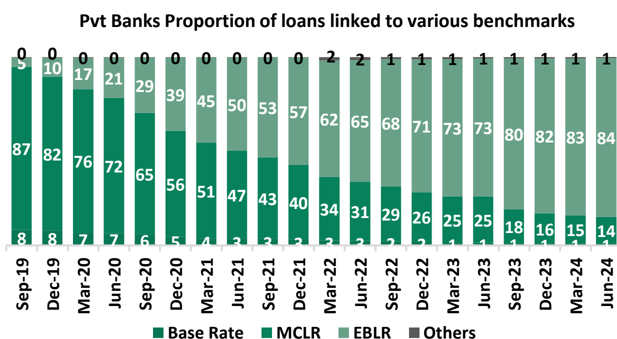
Fig 13: NIMs have ended up lower than the level before the rate hikes



Source: Company, RBI, SMIFS Research

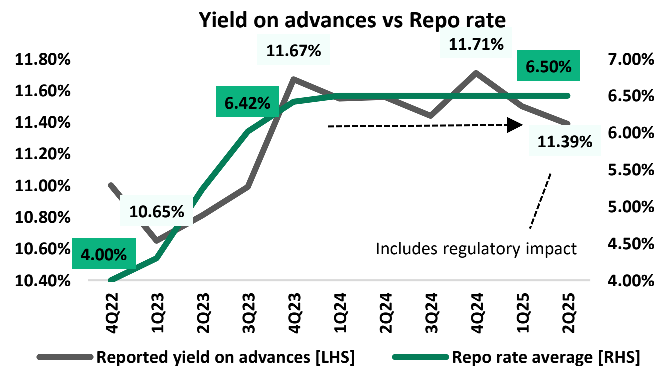
… as rate actions get immediately adjusted in the loan yields. Over the last few years, external benchmark linked loans (to repo rate, govt bond yields etc) have materially increased, replacing a substantial part of MCLR and Base Rate loans. This results in policy action quickly transmitted to the asset book. For example, as repo rate surged 250 bps from 1Q23 to 4Q23, DCB's loan yields increased by 102 bps to 11.67% and stabilised around roughly the same level, almost as soon as rate hikes ended.

Fig 14: Proportion of Private Banks' external benchmark linked loans has increased



Source: RBI, SMIFS Research

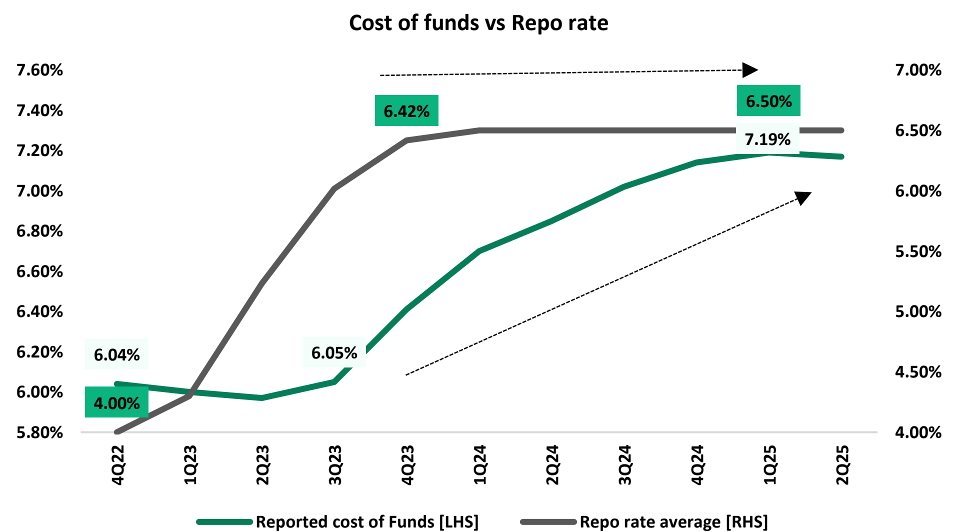
Fig 15: And thus DCB's loan yields stabilised immediately after rate hikes ended



Source: Company, RBI, SMIFS Research

… but costs of funds has now peaked, after more than a year and half of termination of rate hikes. While the rate action was immediately transferred to DCB's loans, the liabilities transmission took a while longer. CASA usually doesn't reprice or does so by a very small extent. Term deposits reprice after they mature, based on banks' willingness to raise rates and competition in the market. Thus, even after rate hikes ceased in 4Q23, cost of funds continues to rise even late into the cycle. While rate transmission to deposits takes longer than loans, this cycle was further extended due (1) Depositors preferring other high yield investments like equities resulting in loss of cheap and generally sticky CASA (2) Banks scrambling to fund the gap between still strong lending demand (vs comparatively weaker deposit growth) through expensive term deposits and high costs wholesale borrowings. However, we think that cost of funds has now stabilised.

Fig 16: Peaking of costs of funds took substantial time after culmination of rate hikes

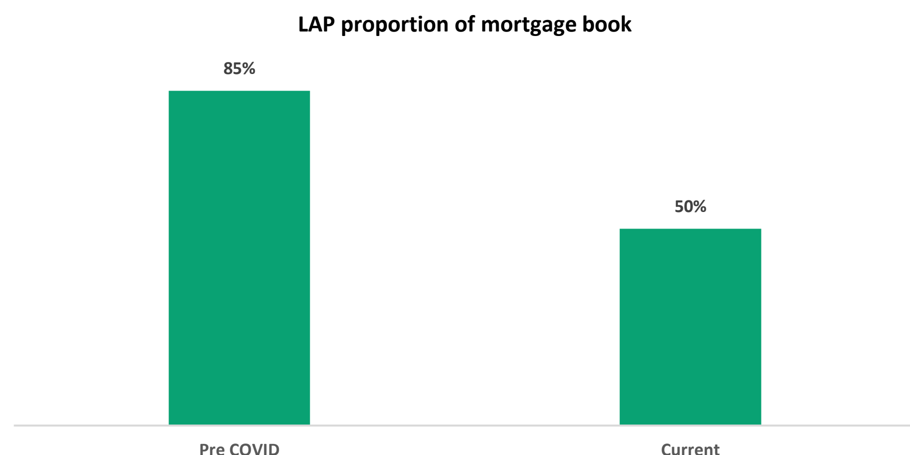


Source: Company, RBI, SMIFS Research

However, upcoming rate cut cycle should be positive for DCB's margins

Going forward, loan yields spread should expand driven by the mix reprioritized towards higher yielding business loans. Prior to COVID-19, DCB used to possess 80-85% of mortgage loans in loans against property (LAP) and only 15% in traditional home loans. However, with the onset of COVID back in 2020, traditional home loans mix was deliberately enhanced due to a better opportunity as well as lower risk. Now management intends to bring back the LAP's level to historical proportion of 80-85% as it will provide higher interest yields. That said they don't want to completely vacate the space in affordably housing scheme (PMAY), where they currently operate. In addition to mortgage reprioritisation towards this business loan product LAP, the bank also intends to adjust SME/MSME product mix by increasing overdraft loans proportion (at the cost of TReDS). TReDS is a Discounting System that helps MSMEs finance their trade receivables. DCB started utilizing it in late FY21 and over the FY22 period to park excess liquidity, when they enjoyed attractive yields. However, starting 1Q23 the yields had collapsed (increase in supply vs demand) and risk weight had increased (with some change in regulatory guidelines). With the decrease in the product ROE, management decided to slow down TReDS and the portfolio has now almost bottomed. Now they will re-focus towards overdraft, which is higher yielding, generate higher fees and help cross-sell other products due to the product being high engagement.

Fig 17: In search of better yields, management intends to increase proportion of LAP loans back to historical proportion of 85% vs current ~50%



Source: Company, SMIFS Research

As rate cuts begin, management will attempt to adapt CASA margin to offset the floating rate reduction. Once RBI begins easing the rates, management intends to mirror the rate reduction in both the loan book (on the assets side) and deposits side (on liabilities) simultaneously in quantum as well as time frame. As savings account is mostly retail, management views it to be reasonably priced and elastic. Further its primary customer base of self-employed people is not particularly looking for high yields as the money in the accounts is not for investment but for conducting businesses. We think while they would be able to offset some part of rate cuts, but it's unlikely to be able to fully absorb the impact. Saving account book is just Rs 12,000 but total loan book is about ~Rs 44,000cr, of which floating could be over 80%. Further, most of the customers would have average savings ticket balance of just Rs 1.5-1.75 lacs, earning lower rate of 2.75% (while some small finance banks offer 5% in the same bucket of Rs1-5 lacs). Thus, there is not much room to reduce the rates at this level but only at higher ticket sizes where customers are getting over 7.40% (Rs 10 lac and above), however they might be highly yield sensitive.

Fig 18: DCB would attempt to reduce interest rate at higher end

Balance range (INR)	Rate of interest (%)
Balance upto 1 lakh	1.75
1 lakh to 5 lakh	2.75
5 lakh to 10 lakh	4.75
10 lakh to 25 lakh	7.40
25 lakh to 50 lakh	7.50
50 lakhs to 1 crore	7.75
1 crore to 3 crore	8.00
3 crore to 10 crore	7.25
10 crore to 25 crore	7.00
25 crores to 300 crores	8.00
300 crore and above	5.50

Source: Company, SMIFS Research

Fig 19: DCB's CASA mobilisation initiatives would continue to help growing its savings book

Strategic interest rates bucket	Very low interest rates for small ticket size (2.75% for < Rs 1-5 lacs) reducing interest outgo. But quite competitive rates at higher ticket size (7.4% & above for >=Rs 10 lacs) for yield searchers, competing with mid - sized and small finance banks.
Increased feet on street	DCB has hired significant number of employees dedicated to frontline for deposit mobilisation in recent years
Innovative products	One of the products - DCB Happy Saving Account, for example, provides cashback on UPI transaction and has received good traction
Use of technology and tie ups	Zippi platform offers seamless onboarding. Fintech tie-ups have helped garner pure retail savings account growth
Comprehensive services. Eg. tax	DCB is an agency bank to collect income tax payments and GST on behalf of CBDT, which help their self-employed customers
Prioritise higher quality lower cost retail deposits in appraisal	They have modified appraisal to focus on garnering retail CASA (vs HNI CASA) in branches scorecard

Source: Company, SMIFS Research

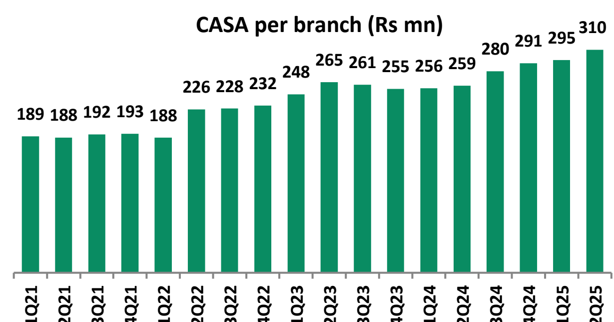
Further, management is steadfast on savings mobilization, which will help keep CASA ratio stable if not growing in this rate cut cycle. DCB doesn't have an enviable CASA book with the CASA ratio just ~26%. However, management seems to be committed in growing its CASA book, particularly its small ticket savings book. For the past two quarters, year-on-year savings account growth (1Q: 21%, 2Q: 27%) has been higher than overall deposit growth (20% for both quarters) in a very tough cost of deposits environment. They have undertaken many initiatives to improve both the quantity and quality of CASA. These include launch of innovative products, increasing frontline employees, providing comprehensive services & attractive interest rates, use of technology and modifying appraisal process. Given DCB has a very small deposit base as compared to system, we think it's not very difficult for DCB to mobilise savings enough to at least keep the CASA stable (and not declining). Generally, a bank branch takes 1.5-2 years for breakeven and as it acquires vintage the ability to mobilise deposits increases. DCB has 451 branches at end 2Q25. Roughly 25% of the branches were added post COVID and we think they might be getting mature enough for stronger mobilisation of deposits. Further, the network seems to be well diversified across states, implying increased ability to source deposits.

Fig 20: One of the DCB's CASA initiatives is its Happy Savings Account (providing UPI cashback), which has gained strong traction

Average balance in a quarter (Rs)	Minimum transaction amount for cash back eligibility (Rs)	Maximum eligible UPI transactions per month	Cash back per transaction (Rs)	Maximum cash back amount per month (Rs)
25,000	500	5	10	50
50,000	500	10	15	150
1,00,000	500	15	20	300
2,00,000	500	25	25	625

Source: Company, SMIFS Research

Fig 21: CASA per branch has been on an uptrend

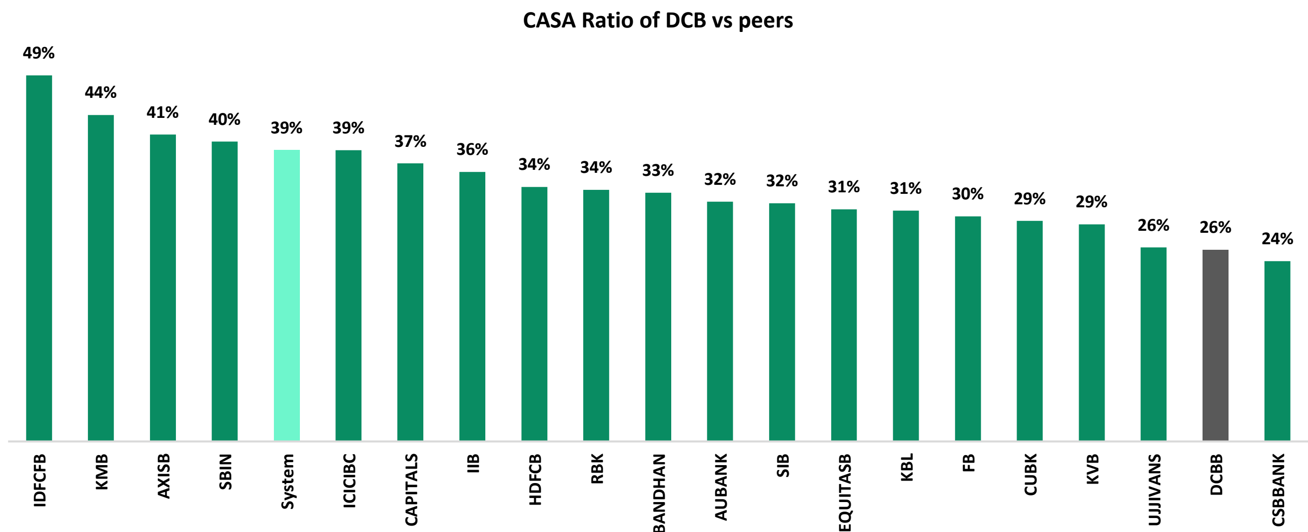


Source: Company, SMIFS Research

Counterintuitively, entering the rate easing cycle with low CASA ratio would be beneficial in delta terms. During the rate hike cycle, banks possessing strong CASA were benefitted with higher margin expansion, as CASA doesn't reprice reducing cost of funds. However, in rate easing cycle, this is just the opposite with the banks having low CASA ratio benefiting from the cuts as higher proportion of term deposits gets repriced lower as they mature. Just

to be clear, banks having higher CASA ratio will still have lower cost of funds, it's just in delta terms, banks with low CASA proportion would get benefited more in the rate downcycle.

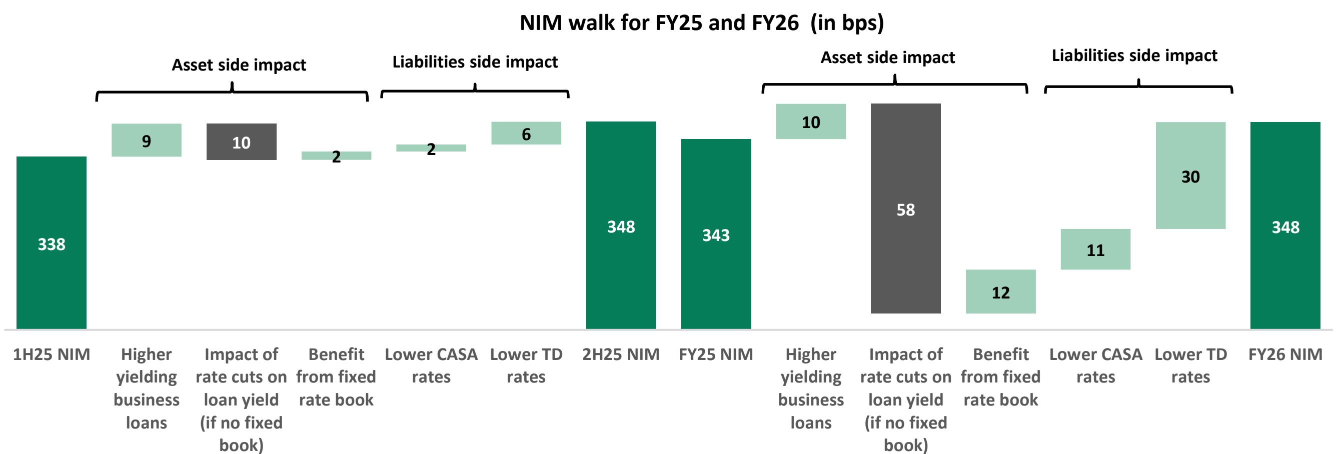
Fig 22: DCB has very weak CASA ratio as compared to system and its peers, which could prove to be a blessing during rate downcycle



Source: Company, SMIFS Research; Banks data for Q225. System data for Q125

NIMs would expand despite the upcoming rate cuts. Many banks are likely to have a declining margins trajectory once the rate cut cycle starts. However, this would not hold true for DCB in our view. From 1H25 to 2H25, we expect margins to expand by 10 bps. On asset side, 9 bps are added by changing business mix towards high yield business loans and 2 bps from benefit of fixed book which doesn't reprice, partially offset by the impact of rate cuts of 10 bps. On liabilities side, 6 bps are added by repricing of term deposits and 2 bps on account of management adjusting CASA margin to offset the rate cut impact. Similarly, margin will expand by 5 bps to 348 bps in FY26 (from 343 bps in FY25). There is further upside risk to margin from changing mix in terms of micro finance (when the book grows again after industry asset quality situation becomes more amenable, possibly in two to four quarters) as well as strong growth in gold co-lending (which was replaced by other forms of low yielding co-lending in last two quarters until RBI ban was lifted for a major gold co-lending partner).

Fig 23: NIMs would expand from low 1H25 level driven by the changing mix towards high yield business loans

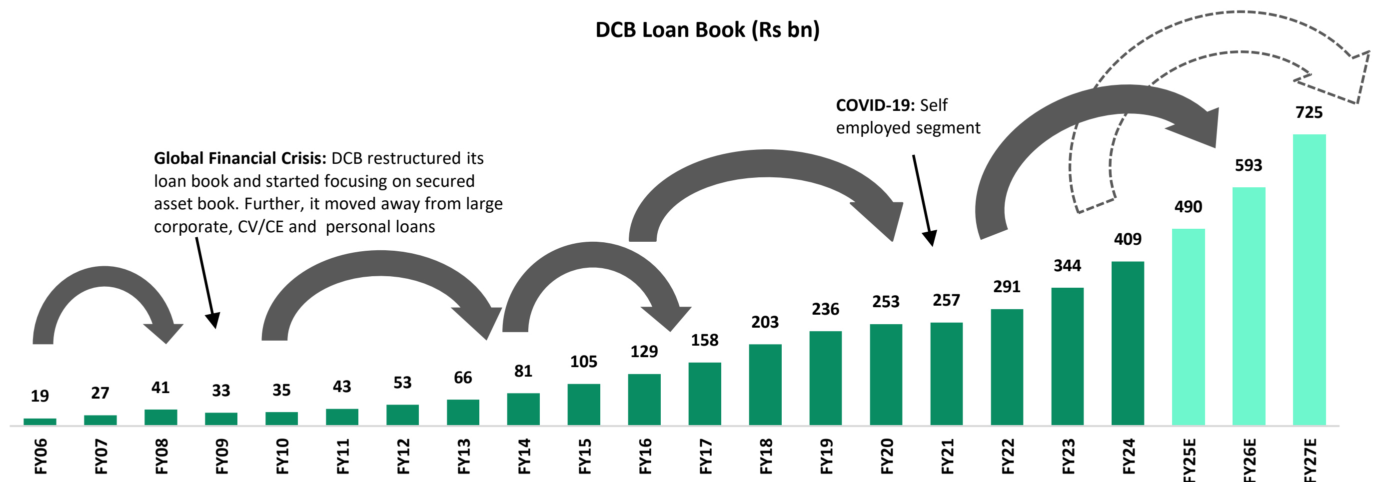


Source: Company, SMIFS Research, *100bps policy rate cut until FY26. 1H25 NIM of 348bps is a calculated figure. Reported 1H25 NIM based on quarters' average is 333bps.

2. DCB to deliver superior loan growth versus the system

DCB's historical legacy of doubling its loan book every 3-4 years is likely to see a revival. Since Global financial crisis (GFC) back in FY09-10, DCB has managed to double its loan book every 3-4 years. However, growth had stalled post FY18 with the management becoming selective on corporate lending. But ex-corporate, momentum persisted. Once COVID-19 began in FY20, DCB faced deceleration in its loan growth as its core segment of self-employed became deeply impacted with the lockdowns. Since FY22, however, the growth has resumed with most of its chosen focused segments re-registering strong momentum. We think this is likely to continue into the forecast years.

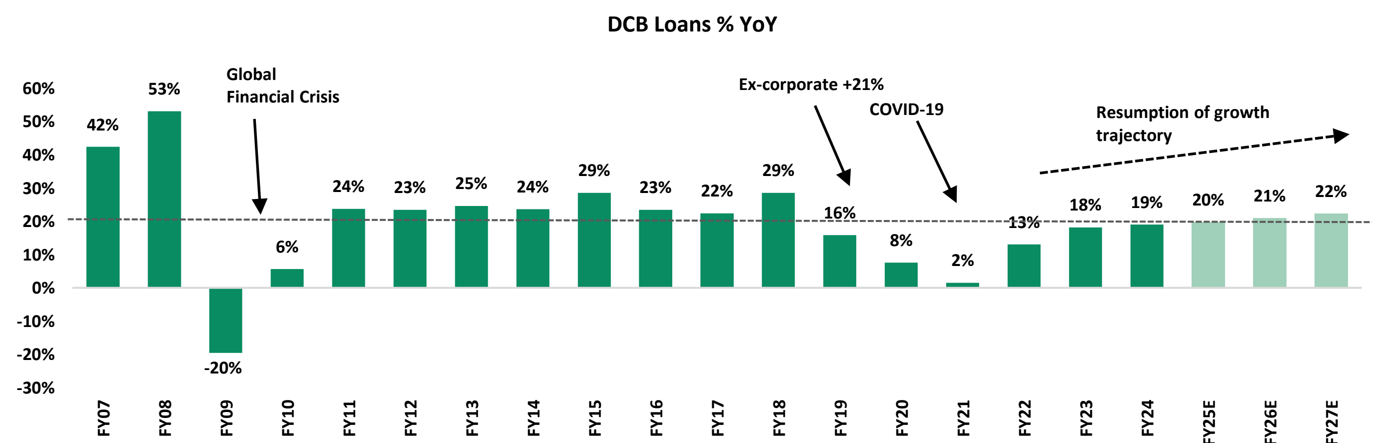
Fig 24: DCB has a strong track record of doubling its book every 3-4 years except the crises



Source: Company, SMIFS Research Estimates

…printing ~20% or higher growth similar to the pre-covid history. DCB has clocked 20%+ growth for a large part of the last two decades except the crises. Mathematically, a 20% compounded annual growth will result in doubling of the book in just 3.5 years. Pre -GFC it printed over 40% growth. After restructuring its book in FY09, DCB registered an over 20% growth until FY19. Even in FY19, excluding corporate banking (a deprioritised segment), DCB still experienced above 20% growth rate. Post COVID, once the impact of pandemic, lockdowns and moratoriums subsided, growth revived and is currently tracking just below 20%. We view for the next three years ~20%+ growth is likely to see a revival, particularly after the beginning of the rate easing cycle.

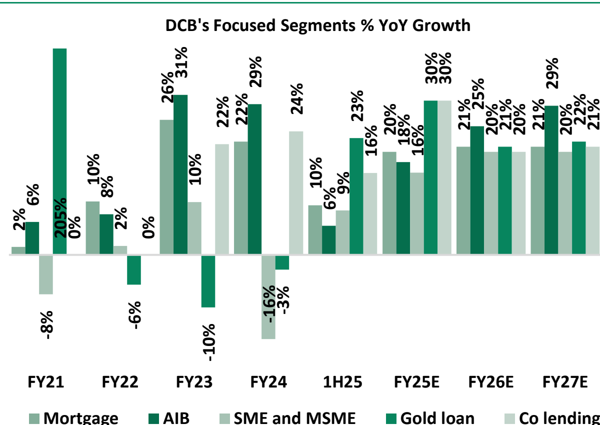
Fig 25: …and is likely to deliver ~20%+ growth akin to its history



Source: Company, SMIFS Research Estimates

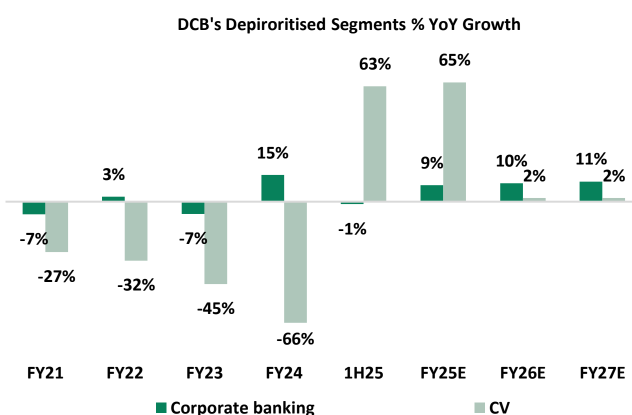
…driven by its focused segments- mortgage, AIB, SME/MSME, gold loans among others. Over the last decade and half (after restructuring its loan book post GFC), DCB as a part of its renewed business strategy decided to prioritise certain key segments for growth. These include mortgages, agriculture & inclusive banking (AIB), SME/MSME as well as more recently gold loans and co-lending. Mortgage and AIB have been growing above 20% for last two years and are likely to exhibit strong growth into forecast years. While there is de-growth in microfinance business (part of AIB) in last two quarters, due to asset quality stress, growth is likely to come back within the next one year as the segment stabilises. SME/MSME lending had been weak in last year and half due to pullback from TReDS sub-segment plus on account of higher repayments, but it is likely to now exhibit strong growth going forward with the bottoming of TReDS. Gold segment has recovered with 1H printing 23% hoh as compared to negative growth in last few years (which was driven by regulatory change in Nov-21 regarding recognition of NPAs). Also, some of the MFI credit demand is likely to shift to gold loans until the MFI segment stabilises, further strengthening the gold loans growth prospects. Co-lending has been a strong driver in last two years with over 20% growth but faced a temporary decline in 1Q due to RBI ban on one its partners. However, as the ban has now been lifted, growth has come back strongly with 2Q +19% qoq. Overall, we think DCB is likely to exhibit around ~20%+ loans growth.

Fig 26: Focused segments would exhibit robust growth



Source: Company, SMIFS Research Estimates; 1H data is half-on-half (not annualised)

Fig 27: …while de-prioritised segments would continue to run off or grow lower than the balance sheet growth

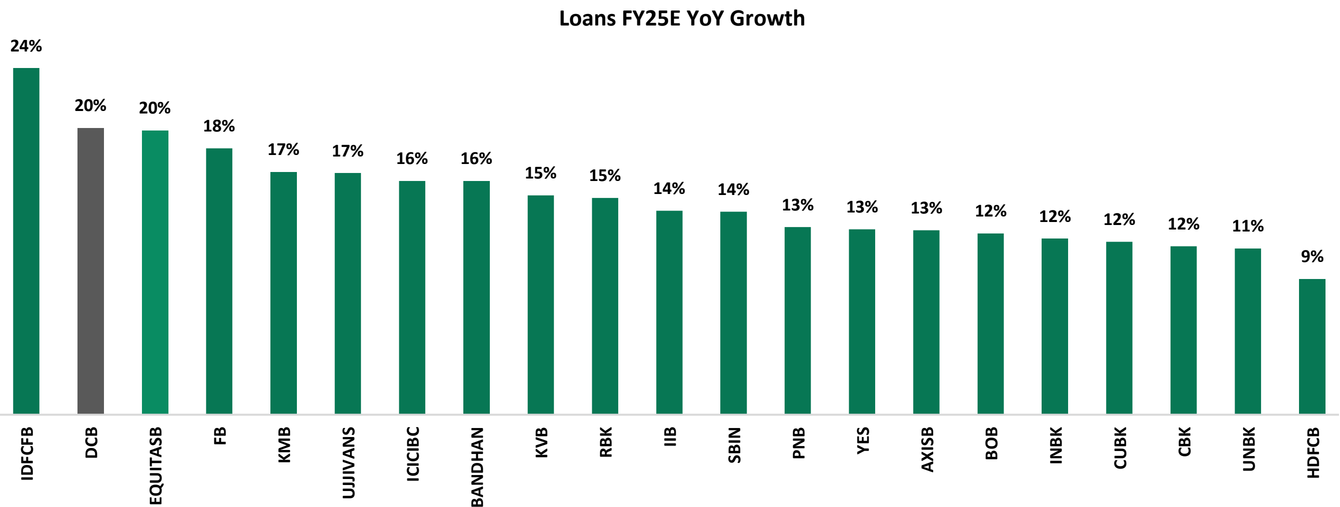


Source: Company, SMIFS Research Estimates; 1H data is half-on-half (not annualised)

…**while de-prioritising certain segments at the same time.** We expect corporate banking and commercial vehicle segments to grow much lower than the focused segments growth. This originated from DCB's need to resolve asset quality issues experienced during the global financial crisis. At the time, DCB decided to depart completely from unsecured personal as well as construction equipment segment. DCB also exited commercial vehicle segment during the crisis, but resumed lending in FY13 (as a part of priority sector objectives) and later de-prioritised it again post COVID-19. For corporate lending, DCB focuses on mid-corporate segment (and some high-quality large corporates) and intends to keep its proportion at just 8-9% of total (vs ~46% pre-GFC) and employ it just as a liquidity management tool. While CV growth for 1H25 looks high, it's basically opportunistic lending and is not reflective of any change in strategy.

…delivering loan growth better than the system as well as many of its peers. While the system is expected to slow down growth to ~13-14% considering elevated CD ratio and inferior deposit growth (vs lending growth), DCB 's superior growth is likely to continue at around 20% driven by its focused segments. Even comparing to its mid-sized peers in private banks (excluding small finance banks), we see DCB outperforming many of them.

Fig 28: DCB to outperform most of the peers

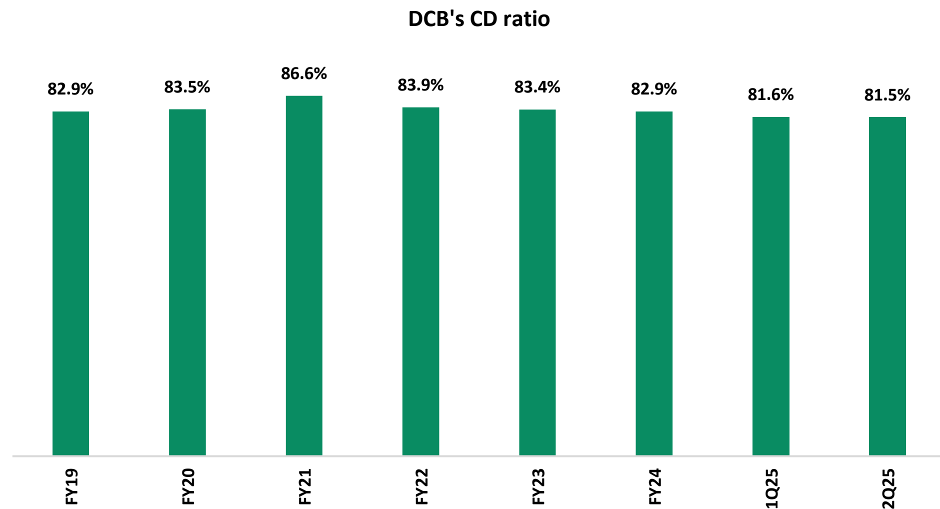


Source: Company, Bloomberg, SMIFS Research Estimates; SMIFS estimate for DCB and Consensus estimates for other banks. Consensus loan growth for DCB is 18%.

Liquidity is not a barrier for growth

CD ratio is comfortable in early 80s. DCB has a CD ratio of 81.5% at 2Q25. This is lower than some private banks who have CD ratios of late 80s and even early 90s. Even if DCB's CD ratio elevates to a little higher till mid-80s (not our base case), it would likely not draw regulator's ire when there are other banks with higher ratio.

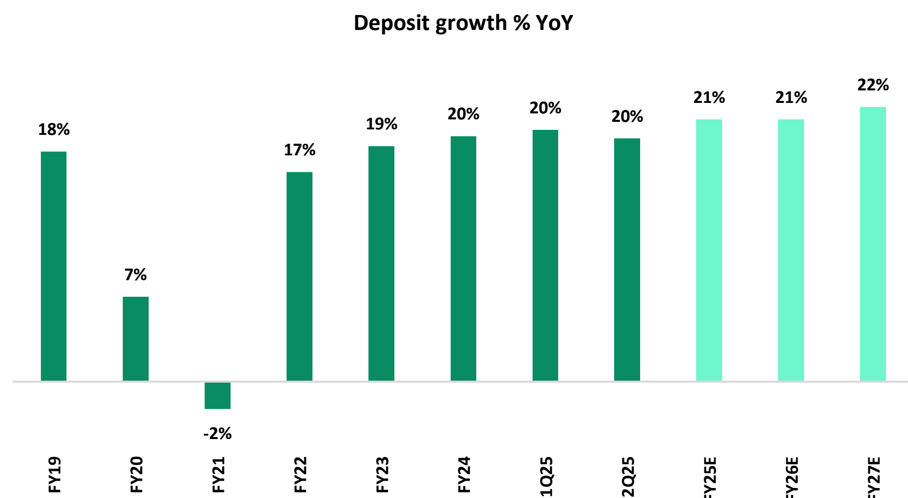
Fig 29: CD ratio is more than reasonable at 82%



Source: Company, SMIFS Research

We think DCB can match deposit growth to advances growth. For the past year, deposit market had been very hot with the banks competing to get deposits to fund the still robust lending demand. However, it has now more or less stabilised as seen in the recent 1H24 results. Despite the tough deposits market, DCB has been able to grow deposits at 20% yoy , higher than loans 19% yoy in FY24 & 1H25. DCB has been quite committed to shore up its savings balances which will help keep its CASA ratio at least stable going forward. As term deposits mature, they will start repricing lower in the upcoming rate cuts cycle, which will reduce the margin pressure. Thus, we think DCB is equipped enough to match the deposit growth in line with loans growth, while maintaining borrowing within 10-11% of total liabilities.

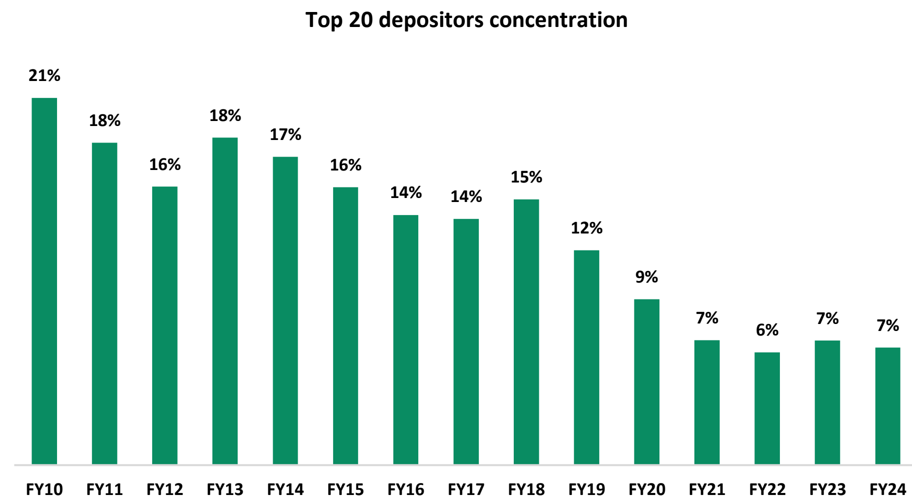
Fig 30: Deposit growth is likely to be in line with loans growth



Source: Company, SMIFS Research

DCB has reduced deposit concentration over the years, reducing the risk of deposit run-off. Currently, top 20% depositors constitute just 7% vs 21% in FY10. As DCB moved away from corporate bulk deposits and focused on self-employed segment, it was able to build strong retail deposit franchise, resulting in decline of average ticket size. The retail savings deposits have an average of just Rs 1.5-1.75 lacs ticket size.

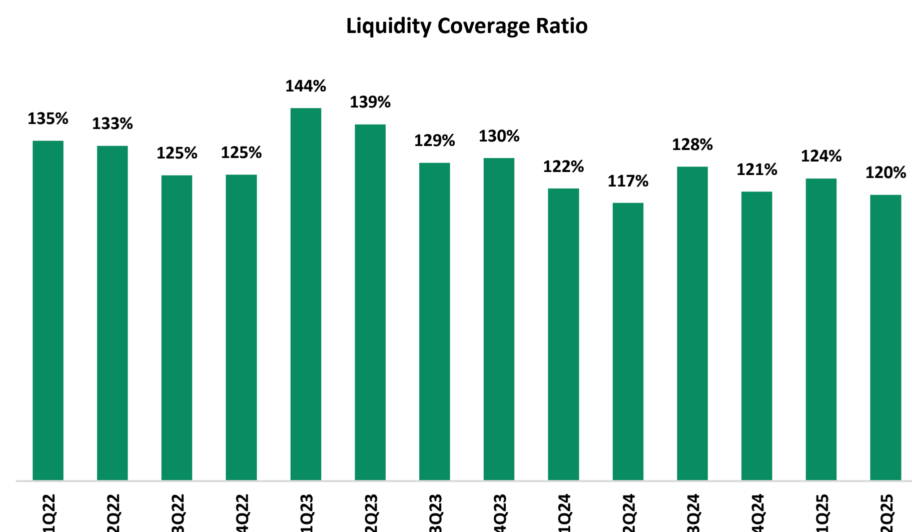
Fig 31: Deposit concentration is now just 7% vs 21% back in FY10.



Source: Company, SMIFS Research

LCR is comfortable, well above regulatory minimum. Currently LCR is at 120%. DCB has quite a high proportion of retail deposits which are inherently more stable, and thus help keep requirement of liquid assets more reasonable.

Fig 32: LCR is adequate at 120%

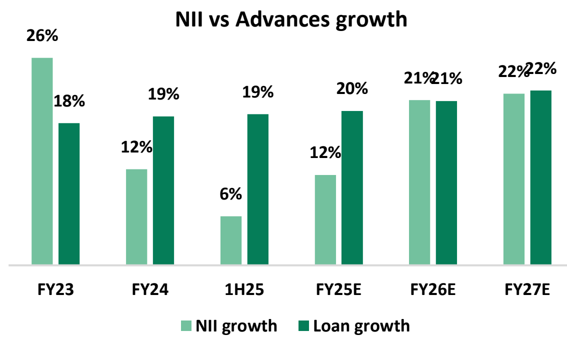


Source: Company, SMIFS Research

Consequently, NII growth to be in line with loan growth

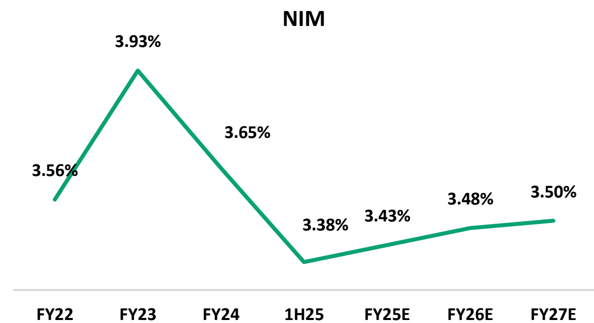
In the last one year, asset growth wasn't percolating enough into NII due to margin pressures. Despite growing loan book at 19% in FY24, NII grew just by 12% as margins fell 28 bps driven by higher cost of funds. This persisted into 1H25 with NII growth of 6% vs loan growth of 19%. This was contrary to FY23, when both margin expansion (+38bps) and strong loan growth (+18%) helped NII grew (26%) ahead of balance sheet growth.

Fig 33: NII growth was lower than loan growth in the last year and half



Source: Company, SMIFS Research

Fig 34: Expanding margin will help NII to grow in line with loans growth



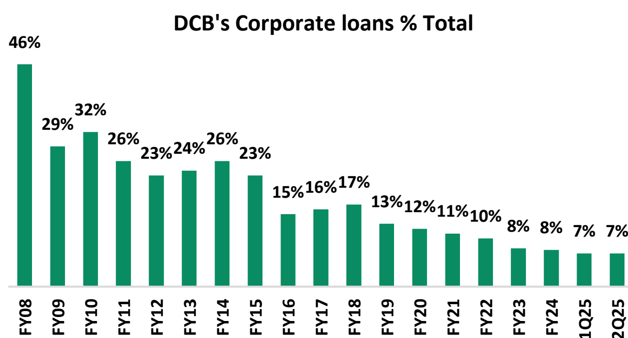
Source: Company, SMIFS Research: FY22-FY24 are reported NIMs. 1H25 is calculated NIM. Reported NIM based on quarters' average is 3.33%

Going forward, as margins expand, NII is likely to correct itself to be in line with loan growth. We expect margins to rise from 1H25 level of 3.38% to reach 3.50% by FY27E. This is lower than management's guidance of 3.65% – 3.75% excluding negative single digit impact for penal interest income moving to fee income. For FY25E, NII growth is lower than loan growth due to the impact from 1H25 where NIM was impacted by higher cost of funds, business mix and regulatory changes. As high cost of funds seems to have now stabilised, we think NII could adjust upwards to grow in-line with loan growth of ~20%+ by FY26.

3. Non-interest income growth to improve, reaching 1% of assets by FY26

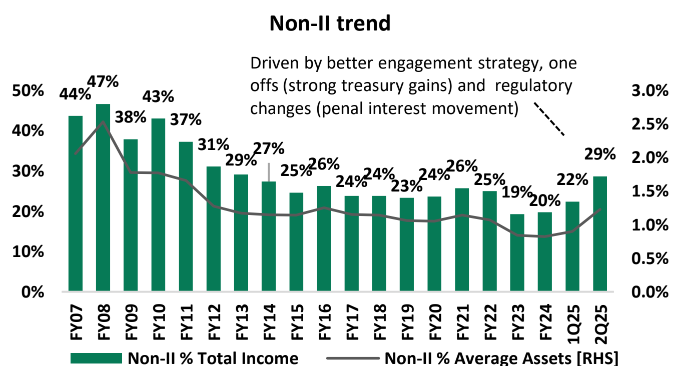
DCB's transition from a corporate bank to a retail SME bank has reduced its fee generating ability. In FY08 corporate book accounted for 46% of lending book delivering substantial fees. At the time, close to half of the operating income was from non-interest income and non-II % assets used to be around 2.5%. As business model was restructured to become a retail SME bank, non-II % assets came down to just 1% at the beginning of COVID. With the impact of pandemic in FY21 and FY22, there was pressure on fees but was supported by sale of PSLC income and strong treasury income (on account of interest rate cuts). By FY23 and FY24, due to lower yields in PSLC (lack of market opportunities) as well as reduced treasury income (yield curve stabilising with bottoming of interest rates), Non-II% assets came down further to 0.8% by FY24. Now, with the corporate book being just 7-8% of the total book, DCB can no longer rely on it for generating much fees.

Fig 35: Corporates loans as proportion of total has fallen to just 7-8% of the total



Source: Company, SMIFS Research

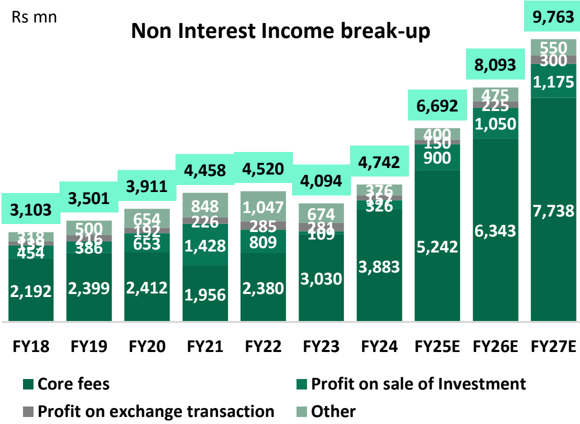
Fig 36: …driving non-interest income to 20% of total by FY24 vs 47% back in FY08.



Source: Company, SMIFS Research

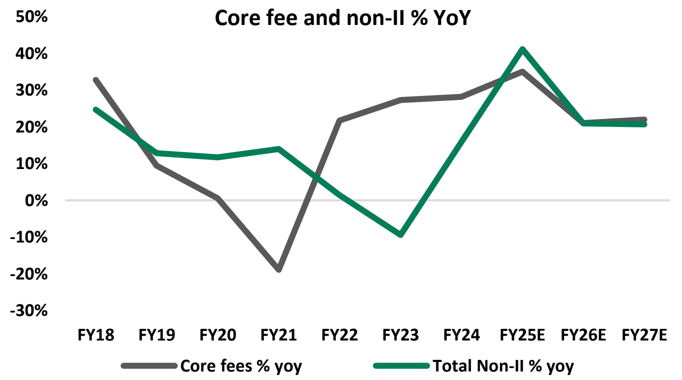
However, going forward we expect non-II growth to be in line with loan growth, supported by higher engagement overdraft strategy. Management has been trying to convert its SME model to a complete overdraft product (moving away from TReDS), with both branch and digital led engagement strategy. Overdraft, as a product, has a naturally higher engagement while TReDS is a fairly anonymous system-based loan. Thus, as DCB focuses back to overdraft, it would result in higher opportunities like Bank guarantees, other fee revenues as well as on liabilities side like higher savings account. Fruits of this strategy is already visible with non-II contribution picking up in last two quarters. That said, 1H25 NIMs also includes strong treasury gains and regulatory movement of penal interest to fee income line. Separately, the rate easing cycle in next few years will help uplift treasury income like what happened in FY21 and FY22. Other component of core fees - processing fee, third party distribution (insurance plus recently started wealth distribution), forex and card (debit cards, travel cards etc), also look sustainable. Processing fee would be supported by continued higher loan growth. Overall, we think the core fee can grow in-line with balance sheet and DCB can achieve its target of 1% non-II as proportion of average assets by FY26.

Fig 37: Non-II would be bolstered by benefit from higher engagement strategy



Source: Company, SMIFS Research

Fig 38: …with the growth in core fees in line with loan growth

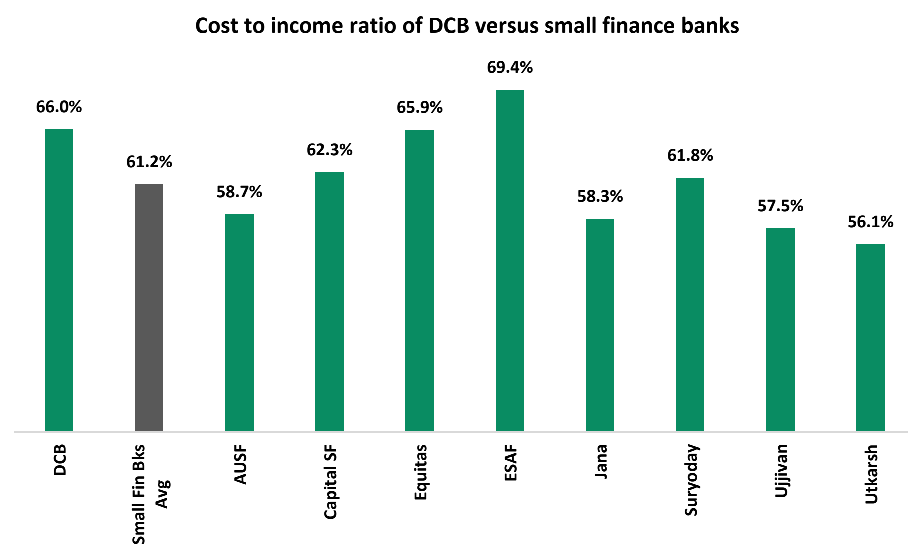


Source: Company, SMIFS Research

4. Opex leverage to start becoming evident after years of capacity building

CTI for a retail SME bank is usually high. DCB focuses on self-employed segment. Thus, the business model essentially requires higher number of employees to generate business, engage customers and service them. The loan ticket sizes are usually low, which means they generate fewer revenue opportunities per customer but cost to serve is comparable with any other segments of customers. Further, being a relatively small to midsized bank, it doesn't have the benefit of scale. If we look at small finance banks, who are focused on SME, we see that their cost to income is also high.

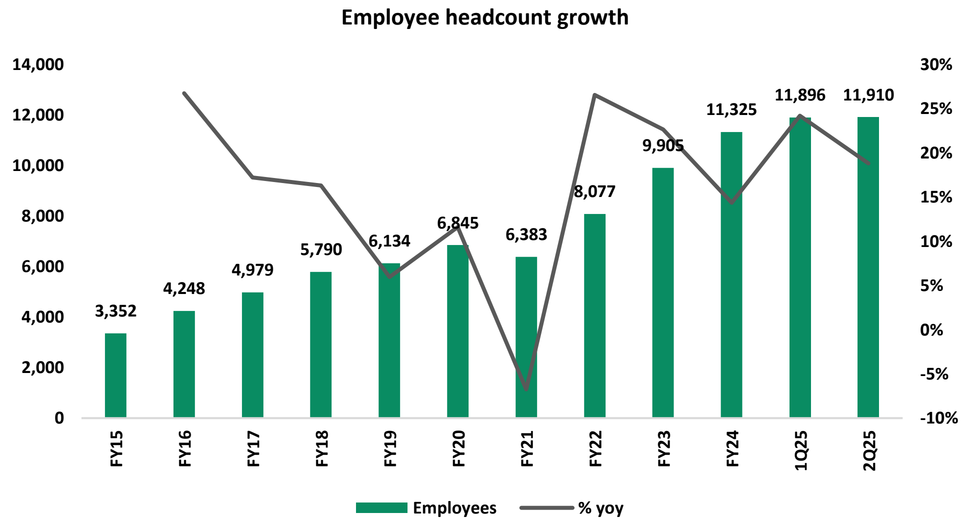
Fig 39: DCB's focus on self-employed and SME results in higher CTI like many small finance banks



Source: Company, SMIFS Research; 1H25 data

DCB invested into capacity building since the COVID, which should translate into improved productivity in coming periods. In last three years or so, DCB has added ~5,500 more employees reaching a headcount of 11,910 at end of 2Q25 (FY21: 6,383), many of them being in frontline. Management has also invested into digital initiatives and overhauled technology, processes and systems. They have revamped three out of four core banking systems. They have upgraded the Finacle system, the transaction banking system, the lending system, FinOne, the treasury management system from TCS, the SIEM system for cyber security, a compass system for AML and behavioural biometrics. All these initiatives are likely to improve productivity and efficiency metrics going forward in both costs and revenue lines.

Fig 40: DCB has significantly ramped up headcount since the COVID-19



Source: Company, SMIFS Research

Fig 41: Digital Agenda Key for improved productivity

Mobile Applications
• Mobile Banking for multilingual Retail customers with Interest certificate & Positive Pay feature enabled.
• Gold Loan customers, FATCA declaration, FD nominee registration via DCB Mobile Banking.
• Zippi + - paperless and digital onboarding journey for new customers.
• WhatsApp Banking
• SMS Banking and Missed Call services
• Secure usage guideline user acceptance feature

Alliances
• Bank is digitally acquiring ETB customers in partnership with Niyo.
• Co-lending- Bank has 11 active partners
• Bank is now integrated with the GOI Income Tax Portal (TIN 2.0) i.e., DCB is now a designated Agency bank to collect Income Tax and GST and other Direct Taxes on behalf of the Central Board of Direct Taxes (CBDT)

Customer Friendly Onboarding Process
• Paperless onboarding process with e-KYC/ Video KYC
• Fully digitized end to end customer onboarding product (CUBE)
• Self Service Kiosks at branches with new feature of dormant account activation
• Video based personal discussion
• CIDF (Customer Investment Declaration Form) acceptance taken from customer
• Customer intimation on amendment processing

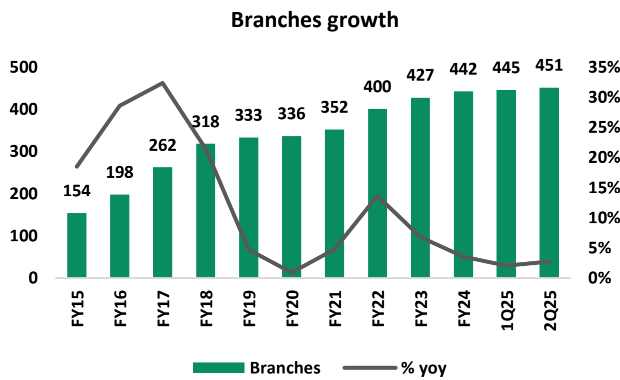
Technology Adoption
• Blockchain – adopted 'Blockchain' for use cases such as multi authentication for ATM management
• AR/ VR banking – AR implementation for use cases as branch locator
• API Banking – 230+ services in API sandbox
• Social Command Center – for customer servicing and marketing

Web Applications
• Finone- Loan Management platform upgraded to 6.5 from 2.0
• Internet Banking for both Retail and Corporate customers functionality across deposit products, payment services and others
• NEFT/ RTGS 24*7 is available via Internet Banking
• DCB Remit – flagship product for foreign exchange remittance
• DCB EazyBee – reimagined and simplified user journey for Mutual Fund investments
• NRI Online platform – NRI customer onboarding platform
• Customer Investment Declaration Form
• My Documents – user-friendly portal for documents related to customers
• New Intranet portal with user friendly experience
• IMPS transactions are enabled for NRI Customers. Customers can perform transaction from Mobile Banking, Internet banking or DCB Bank Branch
• New Mode of payment i.e. ENACH enabled in Gradatim and FinOne for gold & Mortgage loan customers
• Blog on website providing information about services

Source: Company, SMIFS Research

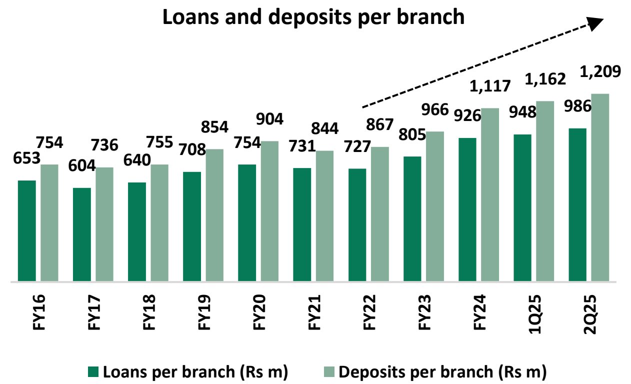
With branches acquiring vintage, more productivity is expected to flow. DCB has also invested into increase branches post COVID, adding around 99 branches since FY21. Pace of addition of branches is slowing with 48 in FY22, 27 in FY23, 15 in FY24 and 9 in 1H25. We think they are probably going to continue at current run rate adding about 15 branches per year. As branches have been acquiring vintage, additional productivity and business is generated. We can see these flowing into more business for the bank in terms of loans per branch and deposits per branch in past three years.

Fig 42: Branch ramp-up has slowed



Source: Company, SMIFS Research

Fig 43: …and productivity already seem to be picking up

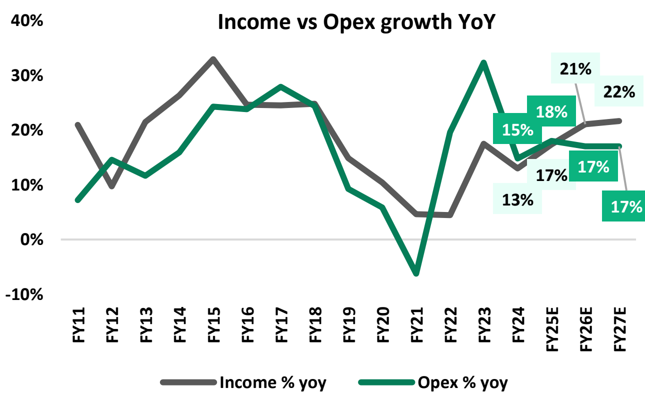


Source: Company, SMIFS Research

Further, higher loan ticket size would improve cost efficiency. To get better productivity, DCB has decided to also focus on a higher ticket size for mortgage loans between 50 lakhs to 1 crore space. Over a period from 2016 to now, there had been a steady decline in ticket size with skew towards affordable housing and small ticket LAP. Further, the overdraft product which DCB is enhancing has average ticket size of Rs 40-50 lakh versus SME/MSME ticket size of Rs 28-30 lakh. Higher ticker size helps as these would have the same cost (as a lower ticket size loan) with similar kind of yield, thereby increasing profit per loan.

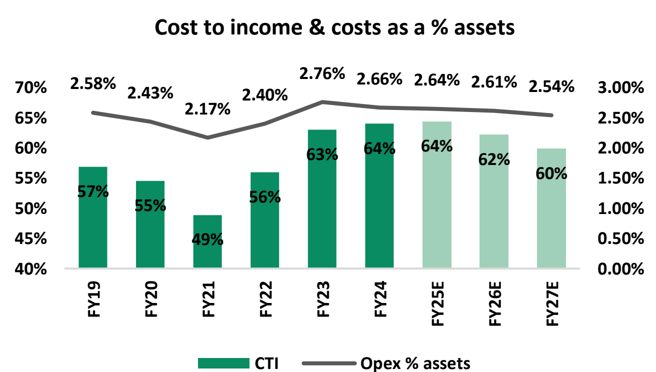
Overall, we view operating expenses growth to slow down below the income growth, delivering improving cost ratios. Attrition rate has slowed in the industry. High inflation, in the past few years since COVID, is already in the base. Combined with productivity being realised, costs growth is likely to slow down to below operating income growth by FY26. This would result in both cost to income and cost to average assets coming down. While management target 55% cost to income ratio, we think it's still likely to be above 60% CTI. For cost to assets we think's it's likely to improve to 2.54% by FY27 near management expectations of 2.50%.

Fig 44: With the productivity seeping in, costs growth is likely to go below the operating income growth



Source: Company, SMIFS Research

Fig 45: …and costs as % assets to move towards management ambition of 2.5%

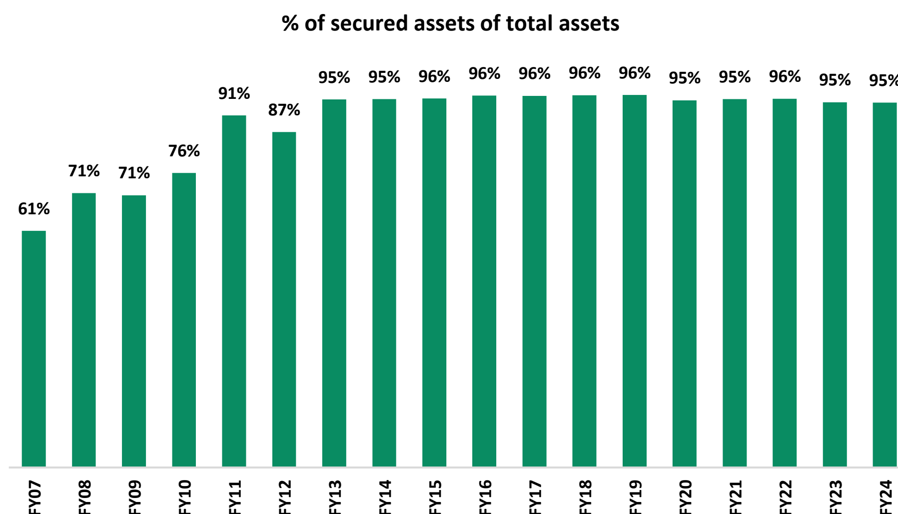


Source: Company, SMIFS Research

5. Asset Quality metrics to normalise, but majorly secured book helps

Post GFC, DCB decided to focus primarily on secured loans. Prior to GFC, DCB used to have large unsecured personal book, which faced significant asset quality issues during the crisis. As a result, it decided to exit majority of the unsecured loans and focus primarily on growing the secured book. Currently, only microfinance book and TReDS (under SME/MSME) are unsecured for the organic book. Majority of the lending (mortgage, SME/MSME) has been collateralised by self-occupied property.

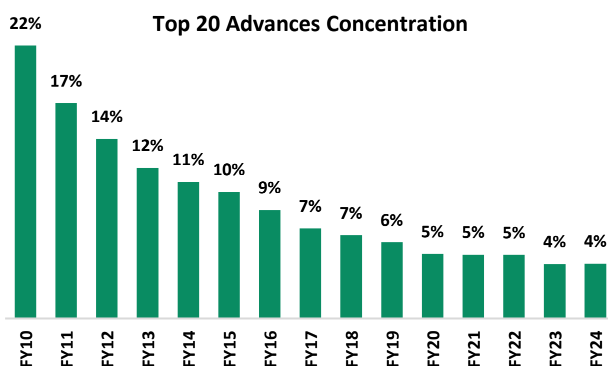
Fig 46: DCB has moved primarily to secured loans post FY09



Source: Company, SMIFS Research; Based on advances secured by tangible asset, as reported in annual report

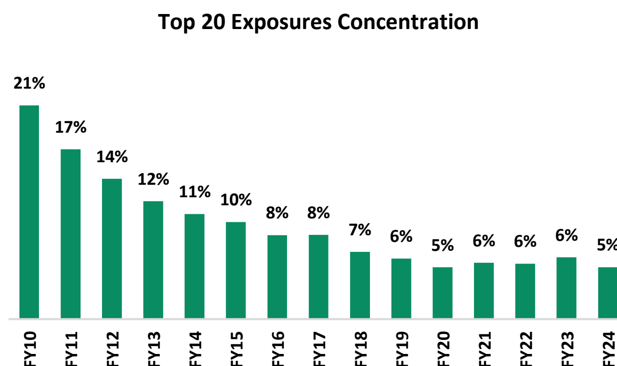
DCB's microfinance book is just limited to 4% of total loans. Industry is seeing increasing credit quality stress across unsecured segments- credit cards, microfinance and personal loans. This is due to overleveraging with multiple lenders providing loans to the same customers. For microfinance portfolio, management has de-grown the portfolio (in last two quarters) and would not rush into growing the segment until situation improves. They have been very cautious and have assessed customers even at a Pincode level. They don't have exposure to UP, Bihar, Jharkhand, North-east and J&K.

Fig 47: Since GFC, DCB has reduced concentration risk in advances



Source: Company, SMIFS Research; including non-fund based

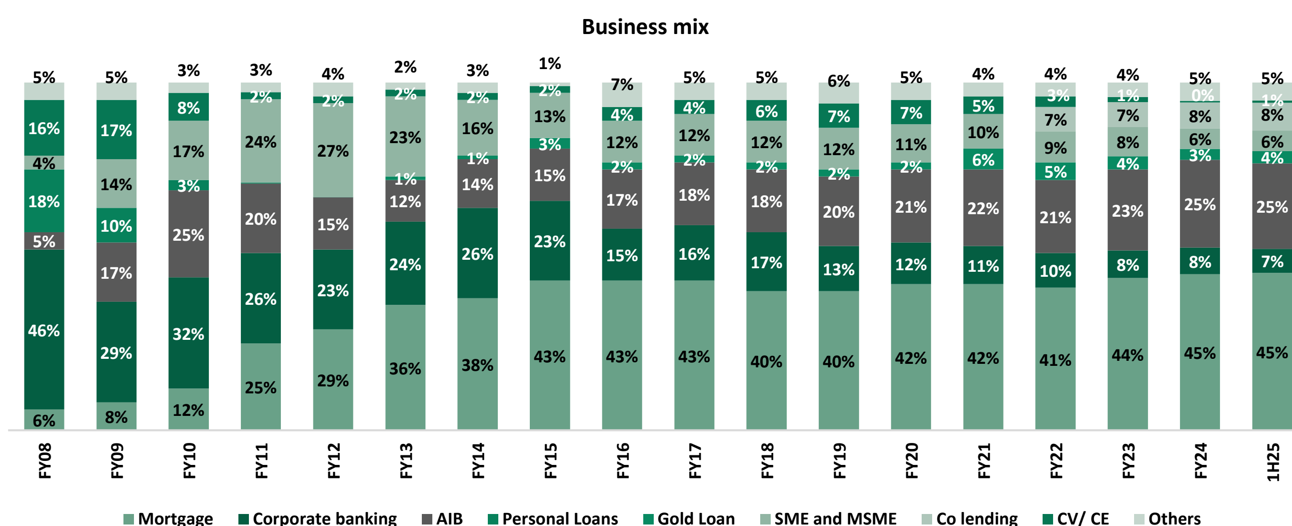
Fig 48: …and total exposures



Source: Company, SMIFS Research; including non-fund based

Further, DCB's evolution as a retail-SME bank has granularised the book, reducing the concentration risk. Aside from the unsecured personal lending, DCB had also experienced credit quality issues in lumpy corporate lending. Thus, in its new business strategy post GFC, DCB decided to focus on granularising the overall book and grow segments which are usually smaller ticket, particularly enhancing the self-employed segment. Thus, it became a pure retail SME bank, reducing corporate book from over 46% to now just 7%. Even within the corporate, it focuses on mid-corporate rather than lumpy big corporates loans. It also decided to move away from commercial vehicle and construction equipment loans. These efforts helped it to reduce concentration of top 20 loans and exposures to ≤5% from over 20% in FY10. Further, 86% of the book has lending of Rs <3 cr. The SME/MSME segment has average ticket size of just ~Rs 30lacs. Over 50% of the lending is in mortgage which is relatively granular. Other segments which DCB focuses are gold loans, co-lending, tractor finance, KCC etc, again prioritising the non-lumpy and secured book.

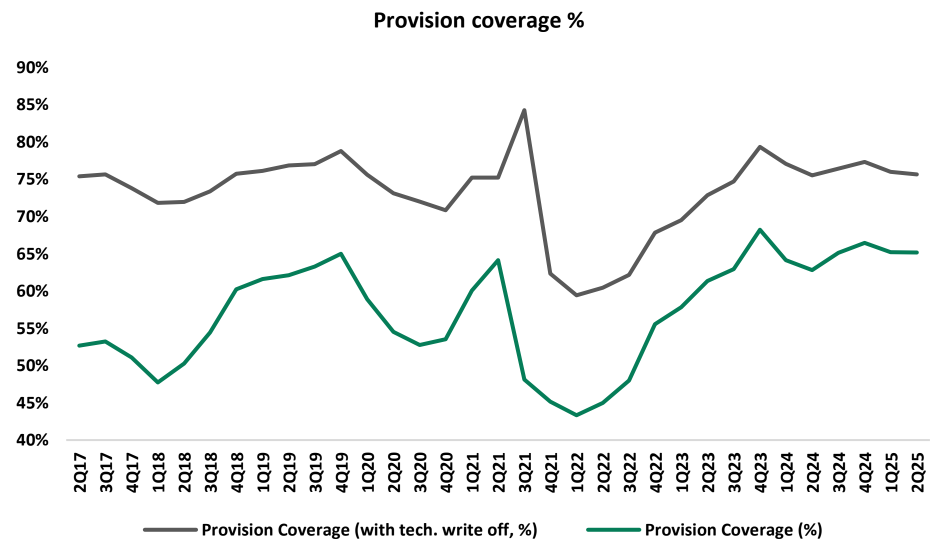
Fig 49: DCB has evolved to be a retail SME bank, which enhanced granularity of the book



Source: Company, SMIFS Research

DCB possesses decent provision coverage. DCB has a reported provision coverage of 76%, and excluding technical write-off it's 65%. For most of the book being collateralised, this is reasonable as DCB can auction the assets in case of any default.

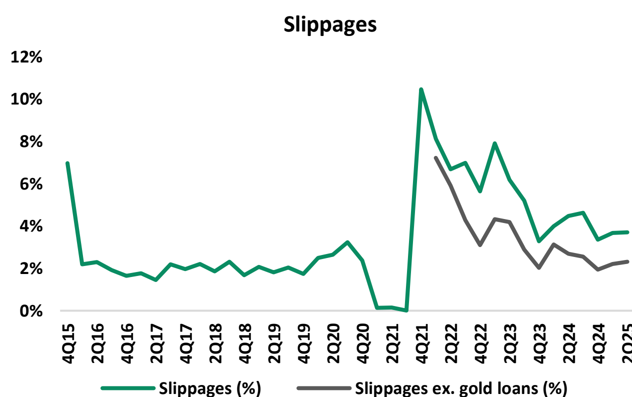
Fig 50: DCB's coverage at 65% (76% including write off) is reasonable for a secured book



Source: Company, SMIFS Research

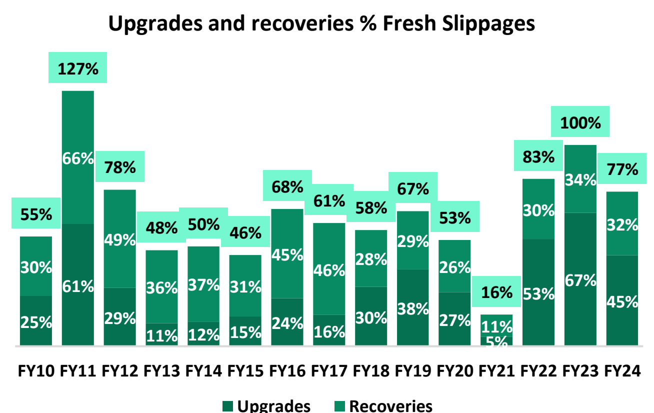
Many of the slippages are eventually upgraded or recovered later as customer repay before the auction. DCB's slippage ratio is quite high vs peers. That is a function of its customer segment as well as their behaviour. The target self-employed segment has higher risk and there is cash flow volatility. But since the collateral is self-occupied residential property, the customer makes every effort to get back into repayments once cashflow resumes. Further, management has emphasised that many of the customers choose to let the loan account fall into NPA and later come back and repay (with penalty) before auction. This is particularly true for gold loan customers. This results in significantly more upgrades than recoveries for NPA, and most customer stay with the bank and continue repayments. DCB has now a mature NPA book and thus there is continuous material stream of recoveries that offsets the gross credit costs. This is likely to persist into the future periods.

Fig 51: Slippages have significantly reduced



Source: Company, SMIFS Research

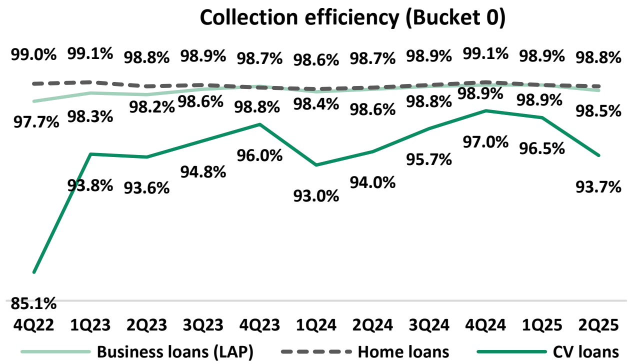
Fig 52: Material recoveries and upgrades continue; Upgrades are higher than recoveries as customers repay before the asset auction



Source: Company, SMIFS Research

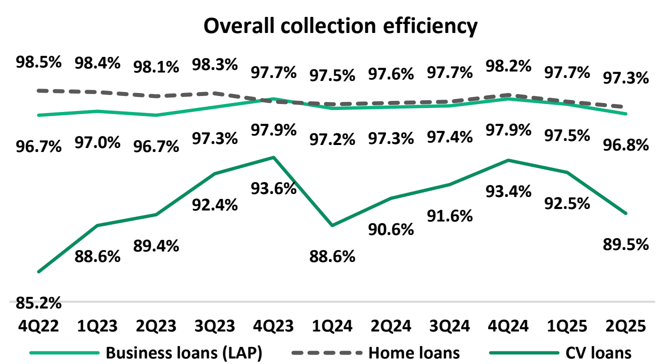
High collection efficiency aids recoveries. They have the collection team in-house rather than being a third-party vendor, which aids and accelerates the collection process. Since COVID, they have made investments into the collection system and have hired substantial number of employees. Overall, they have got better since the pandemic as seen in improved collection efficiency. This is also shown in improved credit quality metrics and continued robust upgrades.

Fig 53: Collection efficiency is strong for Bucket 0



Source: Company, SMIFS Research

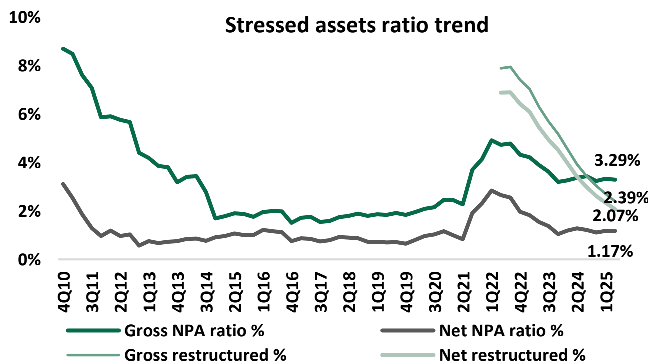
Fig 54: …as well as for the total



Source: Company, SMIFS Research

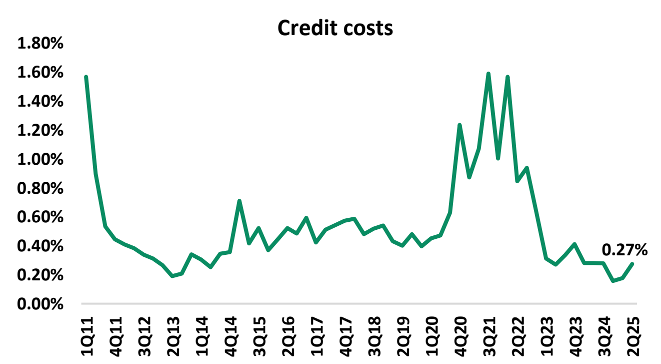
Credit quality metrics seem healthy so far. It's been more than a year and half since the RBI ended rate hikes. So far, the credit quality metrics are broadly benign. Credit costs for 1H25 are at 23 bps (FY24: 25bps). Slippages are at 3.6% (FY24: 4.0%) with gross NPA at 3.3% (3.2% in FY24) and net NPA at 1.2% (vs 1.1% in FY24). But it shouldn't be a major concern considering the secured nature of book. Restructured book has been decreasing for more than two years and now stands at gross 2.4%, and net at 2.1%.

Fig 55: NPA Ratio has come down from COVID peaks; restructured assets ratio is also on the downtrend



Source: Company, SMIFS Research

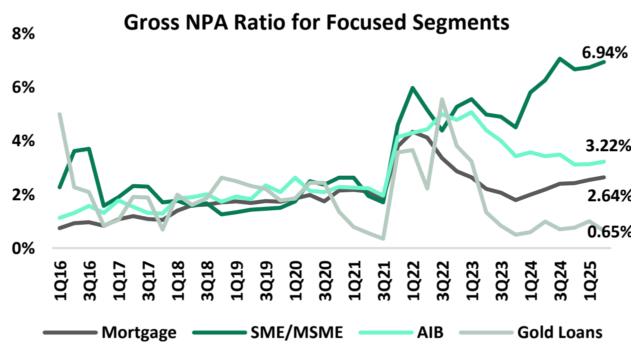
Fig 56: Credit costs are very benign



Source: Company, SMIFS Research

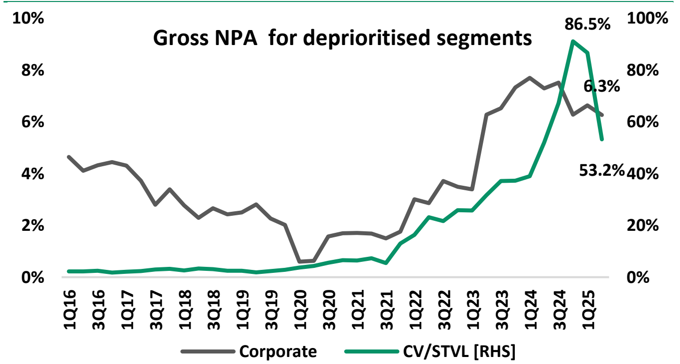
NPA ratios for banks' focused segments remain stable. Mortgage has seen slight deterioration to 2.6% in last two quarters, which management attributed to sourcing quality in FY23 in 12 to 24 months bracket. However, they have taken some corrective actions (LTV, income assessment norms) and new vintages are faring better. AIB at 3.2%, has seen some slight uptick. Agri-portfolio like tractor and KCC are seasonal, and the stress they face usually recover over time. SME NPA ratio is at 6.9%, a slight increase from prior quarter. Gold loans NPA ratio is benign at 0.6%. The de-focused segments like CV and Corporate segment may seem to have elevated ratio, but this is on account of de-growing/decelerated book where the good lending gets repaid but the bad stays, surging the ratio. Consequently, CV (which is de-growing) is at elevated 53%. Corporate, which is growing loans lower than overall book, is at 6.3%.

Fig 57: Focused segment NPA ratio is broadly stable



Source: Company, SMIFS Research; * gold loans NPA includes co lending. We have divided gold loans NPAs by gold loans plus co -lending book. Roughly 90% of co-lending book is gold.

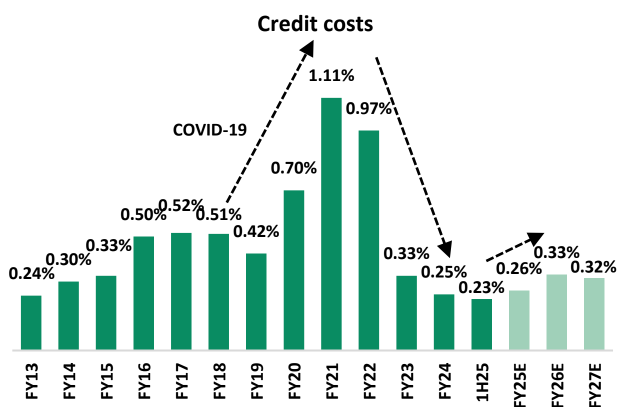
Fig 58: Non-focused segments NPA ratio is elevated due to a declining book or decelerating growth



Source: Company, SMIFS Research

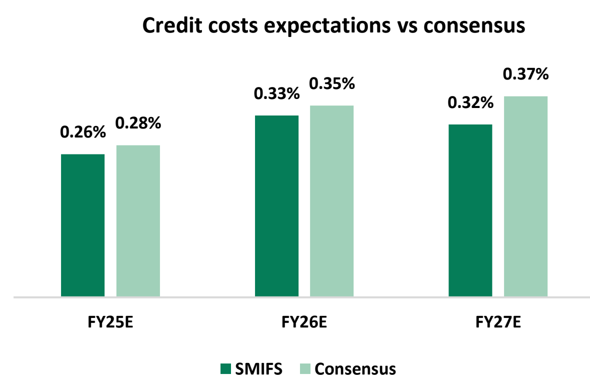
Going forward, asset quality is likely to normalise with credit costs in 30-35 bps range. Robust coverage, continued recoveries, lower proportion of unsecured segments would bode well for credit quality. Once rate cuts begin, we should start seeing reduced stress particularly in self-employed segment and SME/MSME borrowers. Management said that the business mix reprioritisation towards LAP wouldn't see any material increase in credit costs, as it's within the same segment. We expect credit costs to increase to 30-35 bps for the forecast years but slightly lower than consensus expectations.

Fig 59: Credit costs to normalise



Source: Company, SMIFS Research

Fig 60: …but slightly lower than consensus expectations



Source: Bloomberg, SMIFS Research

6. On a clear path to reach 1% ROA and 14% ROE in next three years

Robust loan growth, expanding NIMs, stronger fees and healthier costs efficiency will drive better returns. Notably**,** DCB used to enjoy 1% or more ROA returns for many years pre-COVID (FY19, FY13-16) and ~0.9% during FY17-FY18. But, returns fell to 0.68% by FY22 due to the impact of COVID-19. While we have seen progress with 0.96%/ 0.93% ROA returns in last two years FY23/FY24 (near to 1% ROA), it fell to 0.88% in 1H24 due to a weak NIM performance. Going forward, we think the continued momentum in earnings drivers and increasing leverage should translate into management's ambition of 1% ROA/ 14% ROE by FY27. This is on the back earnings growth of 14%/24%/33% for FY25E/FY26E/FY27E

Fig 61: Moving towards 1% ROA by FY27

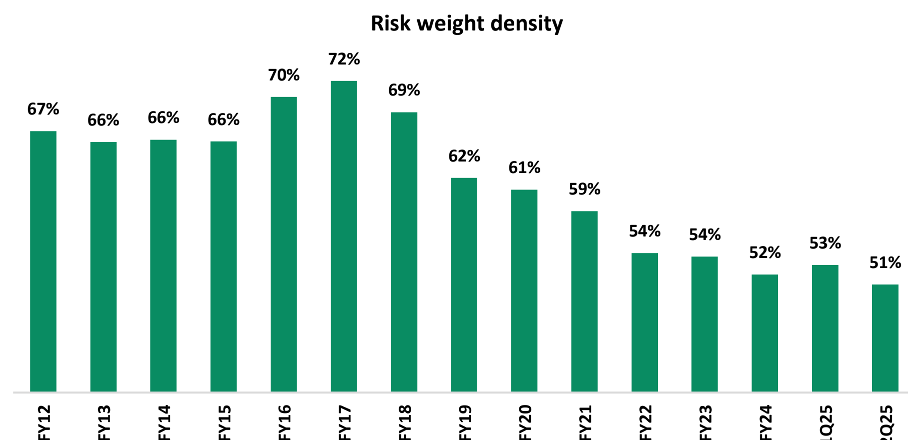
	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Interest Income	3.50%	3.52%	3.69%	3.67%	3.48%	3.40%	3.29%	3.22%	3.53%	3.34%	3.13%	3.20%	3.24%
Non-Interest Income	1.14%	1.25%	1.15%	1.14%	1.06%	1.05%	1.14%	1.07%	0.84%	0.82%	0.98%	1.00%	1.00%
Operating Income	**4.64%**	**4.77%**	**4.85%**	**4.81%**	**4.54%**	**4.46%**	**4.44%**	**4.29%**	**4.38%**	**4.16%**	**4.11%**	**4.20%**	**4.24%**
Employee expenses	1.35%	1.39%	1.43%	1.40%	1.31%	1.24%	1.11%	1.28%	1.43%	1.38%	1.38%	1.36%	1.32%
Other expenses	1.38%	1.39%	1.48%	1.47%	1.27%	1.20%	1.06%	1.12%	1.33%	1.29%	1.27%	1.25%	1.22%
Operating expenses	2.73%	2.79%	2.91%	2.88%	2.58%	2.43%	2.17%	2.40%	2.76%	2.66%	2.64%	2.61%	2.54%
Operating profit	**1.91%**	**1.98%**	**1.94%**	**1.93%**	**1.96%**	**2.03%**	**2.27%**	**1.89%**	**1.62%**	**1.50%**	**1.46%**	**1.59%**	**1.70%**
Provisions	0.33%	0.50%	0.52%	0.51%	0.42%	0.70%	1.11%	0.97%	0.33%	0.25%	0.26%	0.33%	0.32%
PBT	**1.58%**	**1.48%**	**1.42%**	**1.42%**	**1.53%**	**1.32%**	**1.16%**	**0.92%**	**1.29%**	**1.25%**	**1.20%**	**1.25%**	**1.39%**
Tax	0.27%	0.38%	0.50%	0.52%	0.55%	0.41%	0.30%	0.24%	0.33%	0.32%	0.31%	0.32%	0.36%
ROA	**1.32%**	**1.10%**	**0.93%**	**0.90%**	**0.99%**	**0.91%**	**0.86%**	**0.68%**	**0.96%**	**0.93%**	**0.89%**	**0.93%**	**1.03%**
Leverage (x)	10.6x	10.4x	10.8x	10.8x	11.1x	11.4x	10.9x	10.8x	11.3x	12.0x	12.7x	13.4x	14.2x
ROE	**13.95%**	**11.51%**	**9.99%**	**9.79%**	**10.98%**	**10.34%**	**9.35%**	**7.36%**	**10.81%**	**11.12%**	**11.35%**	**12.47%**	**14.63%**

Source: Company, SMIFS Research

Capital efficiency will persist, driving better ROEs

Secured nature of the book has reduced risk weight intensity versus the past. Since GFC, unsecured book has been replaced majorly by collateralised book. Since 2018, particularly, most of lending is below 55% risk weight category. Segments like mortgage (retail) require low risk weight of 35%. RWA has decreased from 66-70% prior to FY19 to currently 51%. Gold loans don't require any capital. Management expects the risk weight density to persist around current levels with the current business mix.

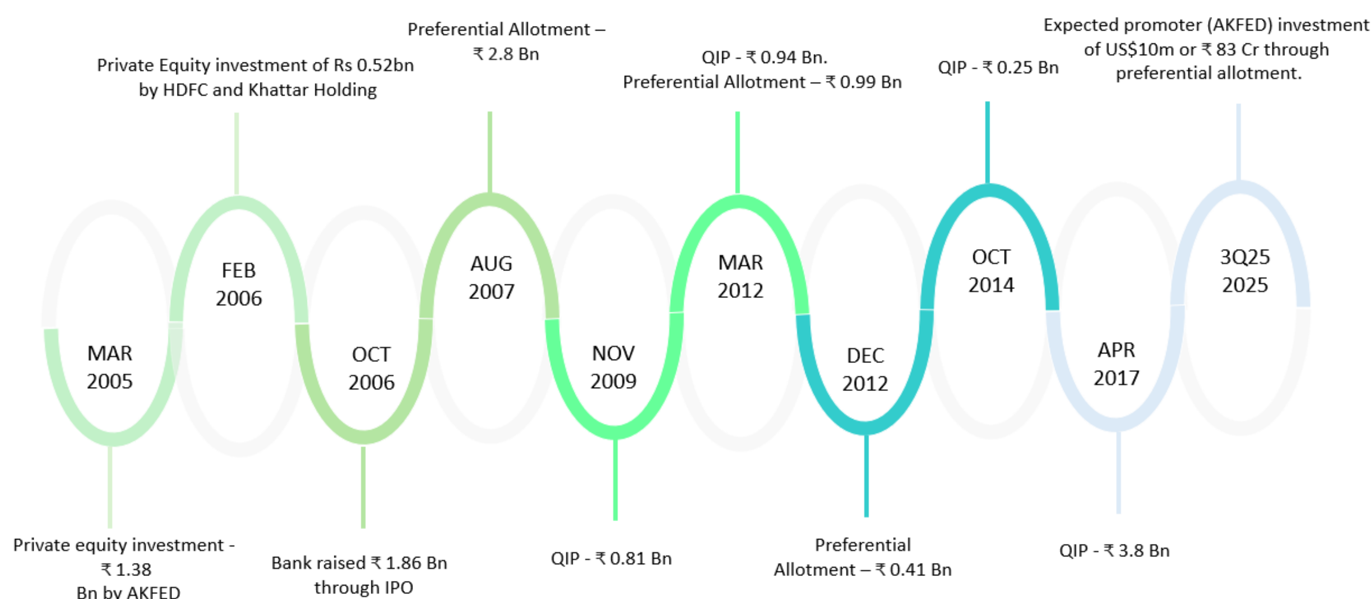
Fig 62: RWA density is now at 51% vs 72% back in FY17



Source: Company, SMIFS Research

…**resulting in making returns more capital efficient, helping drive better ROEs.** Management targets 14% ROE and 1% ROA and this requires leverage of 14x vs currently 12.4x. Since, ROEs have been lower than loan growth, the bank has been consuming capital, which has been increasing leverage. While 14x leverage is possible, but the bank needs to be wary of CET1 ratio not to fall below comfortable levels. Promoter will infuse some capital of about US$10m or Rs84 cr. in Q325. Further, management has plans to raise capital in FY26 in the second quarter. The bank's aspirational model is basically such that when new capital comes in, they would be operating at 13% ROE and when its utilised fully, then at 15% ROE. That's why they have set a target of 14% ROE.

Fig 63: Capital Raising history



Source: Company, SMIFS Research

7. What street seems to be missing?

We forecast better revenue driven by stronger loan growth and superior fees growth. Our loan growth is 2-4% higher than consensus estimates as we think DCB could continue to maintain its strong momentum in focus segments, with its low CD ratio and strong deposit growth. We have 1-7 bps lower margins. Our non-II estimates are 11-22% higher than consensus driven by strong fees and improved treasury income (on account of rate cuts cycle ahead). This implies non-II % assets of 0.98%/ 1.0%/ 1.0% for FY25E/FY26E/FY27E vs consensus expectations of 0.87%/0.88%/0.85%.

We assume credit costs to normalise but slightly lower than consensus expectation. We expect credit costs to normalise from 23bps in 1H25 to peak of 33bps in FY26 (consensus 35 bps). Consensus expect it to peak in FY27 at 37 bps, while we expect stable credit costs or slight improvement (SMIFS FY27E: 32bps) on account of the impact of rate cuts.

Fig 64: Our Net profit estimates are 2-10% above consensus for next three years

	FY25E			FY26E			FY27E		
₹m , %	SMIFS	Consensus	Variation	SMIFS	Consensus	Variation	SMIFS	Consensus	Variation
NIM	3.43	3.44	-0.01	3.48	3.55	-0.07	3.50	3.52	-0.02
Average Loans	4,49,587	4,46,123	0.8%	5,41,354	5,25,923	2.9%	6,58,935	6,19,761	6.3%
Net Interest Income	21,506	21,599	-0.4%	26,045	25,749	1.2%	31,758	30,273	4.9%
Total non-II	6,692	6,051	10.6%	8,093	6,891	17.4%	9,763	7,988	22.2%
Operating Income	**28,199**	**27,650**	**2.0%**	**34,138**	**32,640**	**4.6%**	**41,522**	**38,261**	**8.5%**
Staff cost	9,453	9,309	1.5%	11,059	10,529	5.0%	12,940	11,973	8.1%
Other opex	8,692	8,840	-1.7%	10,170	10,244	-0.7%	11,899	11,783	1.0%
Opex	**18,145**	**18,144**	**0.0%**	**21,229**	**20,666**	**2.7%**	**24,838**	**23,493**	**5.7%**
Pre Provisions Profit	**10,054**	**9,932**	**1.2%**	**12,909**	**12,571**	**2.7%**	**16,683**	**15,648**	**6.6%**
Provisions	1,798	1,903	-5.5%	2,707	2,797	-3.2%	3,097	3,416	-9.3%
Profit before Tax	**8,255**	**8,144**	**1.4%**	**10,202**	**9,929**	**2.7%**	**13,587**	**12,261**	**10.8%**
Tax	2,130	2,062	3.3%	2,632	2,492	5.6%	3,505	3,113	12.6%
PAT	**6,126**	**6,030**	**1.6%**	**7,570**	**7,275**	**4.1%**	**10,081**	**9,130**	**10.4%**
DPS (₹)	1.5	1.8	-0.2	1.8	2.1	-0.2	2.3	2.6	-0.1
EPS (₹)	19.2	19.3	0.0	23.5	23.2	0.0	31.3	29.0	0.1
Payout	7.7%	8.8%	-1.1%	7.4%	8.8%	-1.4%	7.1%	8.8%	-1.7%
ROA (%)	0.89%	0.90%	0.00%	0.93%	0.93%	0.01%	1.03%	0.99%	0.04%
ROE (%)	11.4%	11.6%	-0.2%	12.5%	12.4%	0.0%	14.6%	13.8%	0.9%
Loan growth	20%	18%	2%	21%	18%	3%	22%	18%	4%
Deposit growth	19%	19%	1%	21%	18%	3%	22%	17%	5%
CD Ratio	83.1%	83.0%	0.0%	83.1%	83.1%	0.0%	83.3%	84.3%	-1.0%
CASA Ratio	26.0%	25.9%	0.1%	26.0%	26.0%	0.1%	26.0%	26.2%	-0.2%
Tier 1 Ratio	13.8%	13.6%	0.2%	13.1%	13.1%	0.0%	12.4%	12.5%	-0.1%
Non-II Ratio	24%	22%	2%	24%	21%	3%	24%	21%	3%
CTI	64%	66%	-1%	62%	63%	-1%	60%	61%	-2%
Credit Costs (% avg assets)	0.26%	0.28%	-0.02%	0.33%	0.35%	-0.02%	0.32%	0.37%	-0.05%

Source: Company, Bloomberg, SMIFS Research Estimates

8. Change of guard – but robust strategy and execution to continue

Current CEO Mr Kutty is an experienced banker, having spent 33 years with DCB and has held senior leadership position. He has been with the leadership team for past 16 years and played a pivotal role alongside the last MD & CEO Mr Murali Natarajan and management team in turnaround and building the bank. He used to head Retail, Agri & SME Banking before he transitioned to the current CEO role earlier this year. Prior to DCB Bank, he worked with Citibank India and North America, where he managed multiple consumer banking businesses including Credit Cards, Personal Loans, Home Loans, Branch Banking, Wealth Management and NRI Banking.

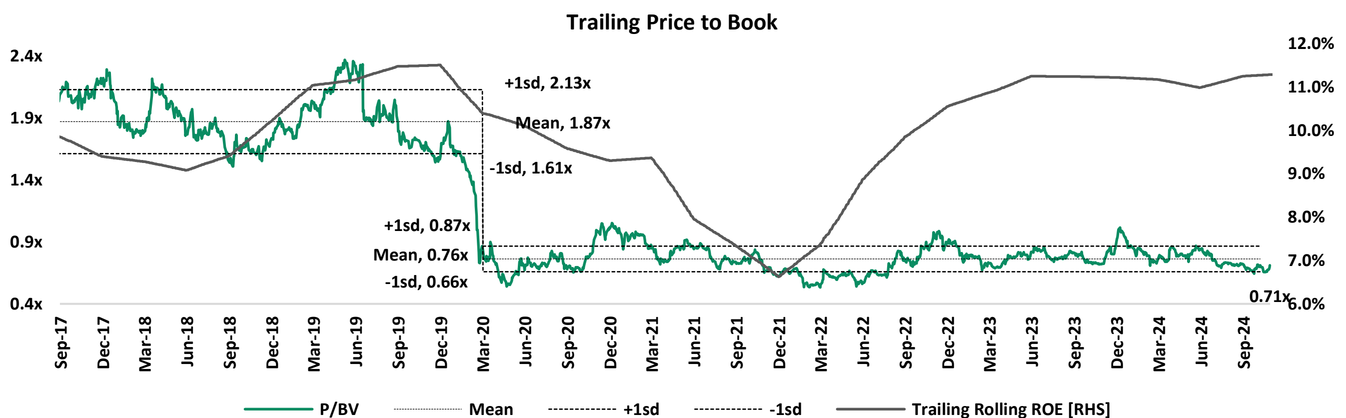
Continuity of strategy persists. Choosing Mr Kutty to be the new CEO, who has already been with DCB for many years and part of leadership team, has helped continuity of the strategy. Sometimes new management looks to completely revamp the old strategy, which could take some time to flow through the organisation and for the market to understand. However, here we don't see any high-level change in strategy, which bodes well for the bank. Further, his experience in Retail, Agri and SME are very important, as these are largest drivers of the growth for the bank and are likely to remain so in medium term.

[III] Valuation, Recommendation and Risks

1. Improving returns should re-rate the stock

Since COVIDs, the ROEs have recovered but valuation hasn't. Prior to COVID, DCB used to trade almost twice the book (mid Jan-20 1.9x trailing book), primarily trading within ± 1 standard deviation range of 1.6x to 2.1x. At the time trailing ROE was 11%. However, due to the impact of COVID-19, DCB valuation fell to 0.5x book by May-20. Since then, over the period of last four and half years, it has oscillated between peak of 1x and trough of 0.5x, with mostly trading in ± 1 standard deviation range (post COVID) of 0.66x and 0.87x. When we compare to returns, ROEs fell from 11% pre COVID to low of 7% by end of CY-2021. Since then, returns have improved and now they are at the same pre-COVID ROE of ~11%. But the valuation is still significantly low (60% depressed) versus the pre-COVID range, with DCB currently trading at ~0.7x.

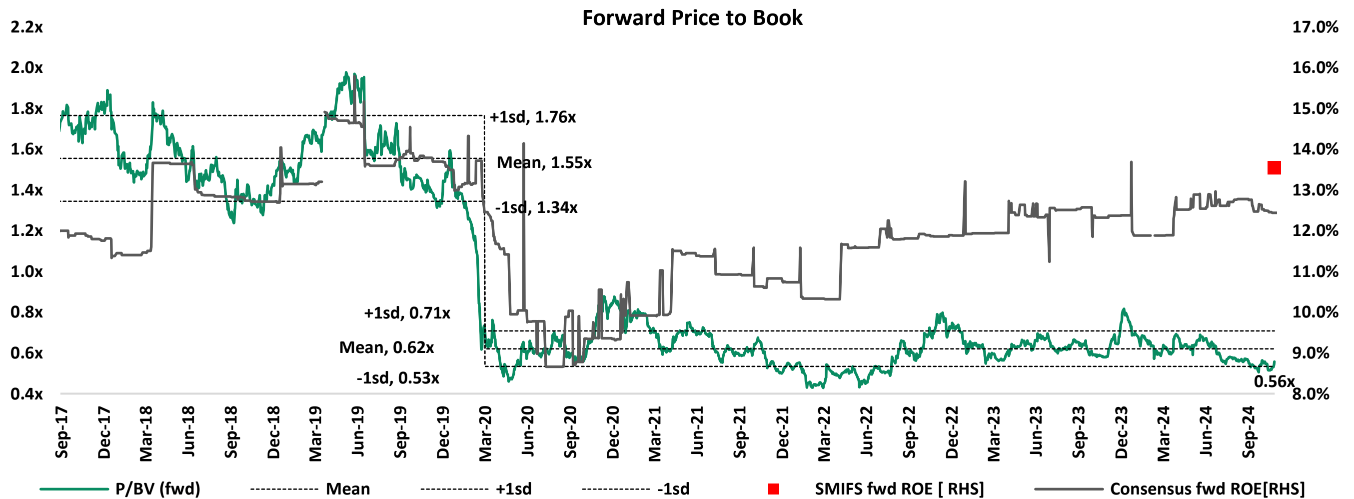
Fig 65: ROE is now 11% similar to pre-COVID, but PB is still at 0.7x to 0.9x which is less than half of pre-COVID range



Source: Company, Bloomberg, SMIFS Research

The comparison between valuation and returns become more disconnected, when we look at forward data. Pre-COVID. DCB traded at 1.6x versus forward ROE of ~13%. Immediately after COVID, valuation fell to 0.45x vs ROE of 9%. Since then, ROEs have improved to around 13%, but valuation is just ~0.55x. However, stock is trading in a very narrow and depressed valuation range of 0.5 to 0.7x, even though ROEs have improved, providing an opportunity for investors.

Fig 66: Should DCB be priced below book when forward ROE is near 13%?



Source: Company, Bloomberg, SMIFS Research Estimates; Red dot is average of SMIFS F26E and FY27E ROEs. Bloomberg data looks at 1 year ahead, currently at FY26E.

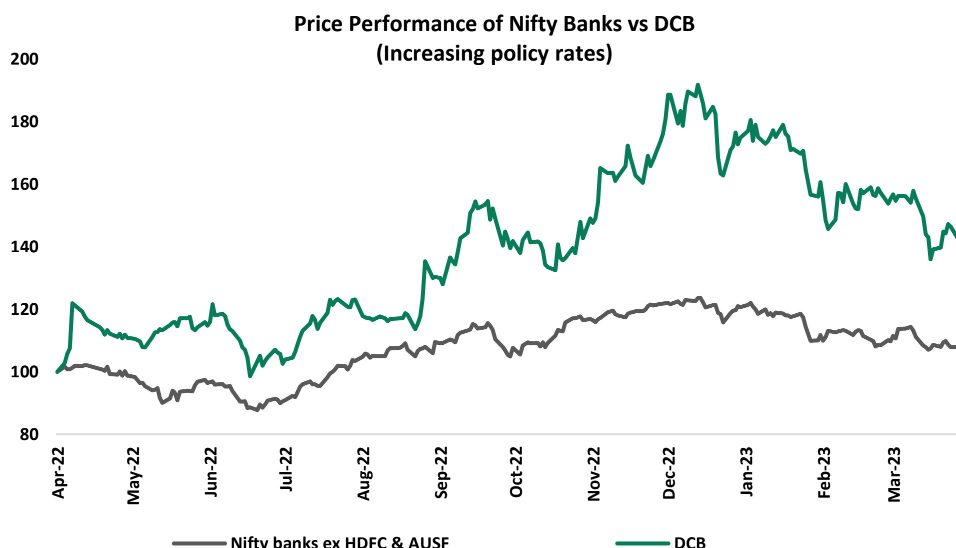
Even considering that the market is now pricing the stocks differently post COVID, still improving returns should re-rate the stock upwards. The question that market participants need to assess is what they would price a bank stock with returns near ~1% ROA and ~14% ROE by FY27. Should it trade below book at these returns? We view in next few result cycles, as market digests the robustness of DCB loans growth (despite industry growth slowing down), expanding margins (immune to upcoming rate cuts), and the upliftment from better fees as well as improving costs metrics, we should likely start seeing re-rating of the stock.

We rate Buy with a target price of Rs. 169. Our Excess return model produces a target price of Rs 169. This implies P/B of 0.78x and adj. P/B of 0.90x on Sep-26 forward book. We have assumed beta of ~1.3 and market risk premium of ~6%, terminal ROE of 13.8%, terminal growth of 5%.

2. DCB can outperform the banks index going forward

DCB outperformed the banks index during the time RBI was hiking rates. Post COVID, DCB stock and banks index price were severely impacted. However, while banks index was able to rebound to previous levels (and more) by beginning 2021, DCB stock price performance remained weak. However, once RBI started hiking rates in FY23 back in May-22, DCB strongly outperformed the banks index with robust performance in NIMs driven by increasing loan yields. This remained so until almost the end of FY23 when RBI stopped hiking rates in Feb-23.

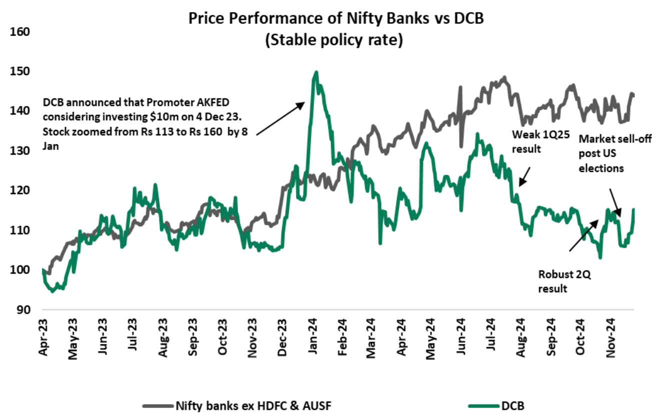
Fig 67: DCB exhibited better than sector performance when RBI was tightening rates



Source: Bloomberg, SMIFS Research; Excluded HDFC bank and AU Small Finance due to the impact of mergers; FY23 year start =100

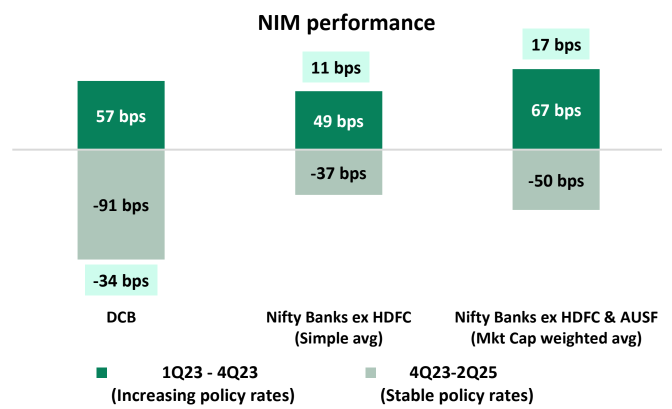
However, once RBI ceased hiking the rates and cost of funds pressures became evident, DCB underperformed the banks index. With the beginning of FY24, DCB started feeling the impact of increased funding costs, more so as compared to other banks. DCB has one of the weakest deposit franchises with the CASA ratio of just 26% (versus average of 38% for the Bank Nifty). Thus, DCB is susceptible to larger degradation in margins versus the other banks driving by increased funding costs. DCB lost all the NIM gains (57bps) earned during rate hike cycle (in FY23) when cost of funds started increasing (starting FY24) resulting in overall NIM decline of -34bps by 2Q25. In contrast, Nifty banks benefitted from the rate cycle with net positive gain of 17bps.

Fig 68: DCB underperformed once rate hikes stopped, due to a lack of strong deposit franchise



Source: Bloomberg, SMIFS Research. Excluded HDFC bank and AU Small Finance due to the impact of mergers; FY24 year start =100

Fig 69: …resulting in higher cost of funds and larger NIM decline



Source: Company, SMIFS Research

Is the DCB stock at an inflection point? Since the 1Q earnings, the stock has broadly traded sideways due to a lack of any upside catalyst. We view, as market start digesting improving returns towards 1% ROA, in next few results cycles, it is likely to exhibit better performance and outperform the index.

3. Risks

[1] Lower than anticipated loan growth, could reduce revenue growth

[2] If funding costs continue to increase, it will pressure NIMs

[3] Once rate cuts begin, if DCB manages to offset loan yield reduction more prudently than anticipated, this could provide further upside to NIMs

[4] Higher than expected slippages and consequently credit costs would decrease returns

[5] Lower than expected recoveries could result in higher than anticipated net credit costs.

[6] Higher than expected inflation could disrupt the planned reduction in cost to income ratio.

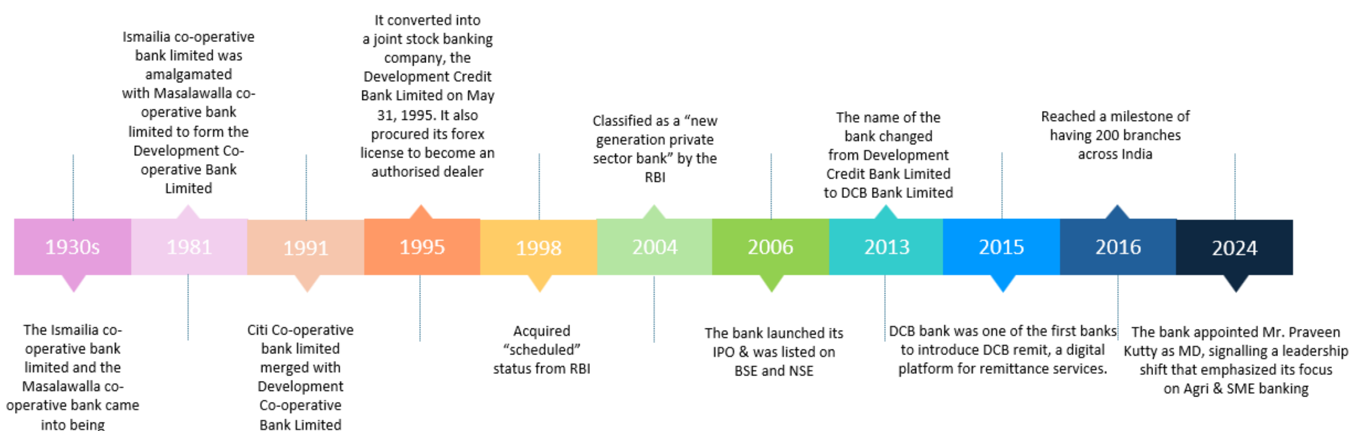
[IV] About the Company

DCB Bank is a scheduled commercial bank regulated by the Reserve Bank of India. It is classified as a new generation private sector bank. It is professionally managed and governed. It has 451 branches across 20 states and 2 union territories. DCB has a headcount of 11,910 employees as of Sep 2024. DCB Bank has approximately one million customers.

1. History

Development Credit Bank has its origins back in1930s as two cooperative banks – Ismailia co-operative bank and the Masalawalla co-operative bank. However, in its present form manifested in 1980 -1990s after a series of mergers and then obtaining a scheduled bank license from RBI. Development Credit Bank's name changed to DCB bank Limited in 2013.

Fig 70: Historical Milestones



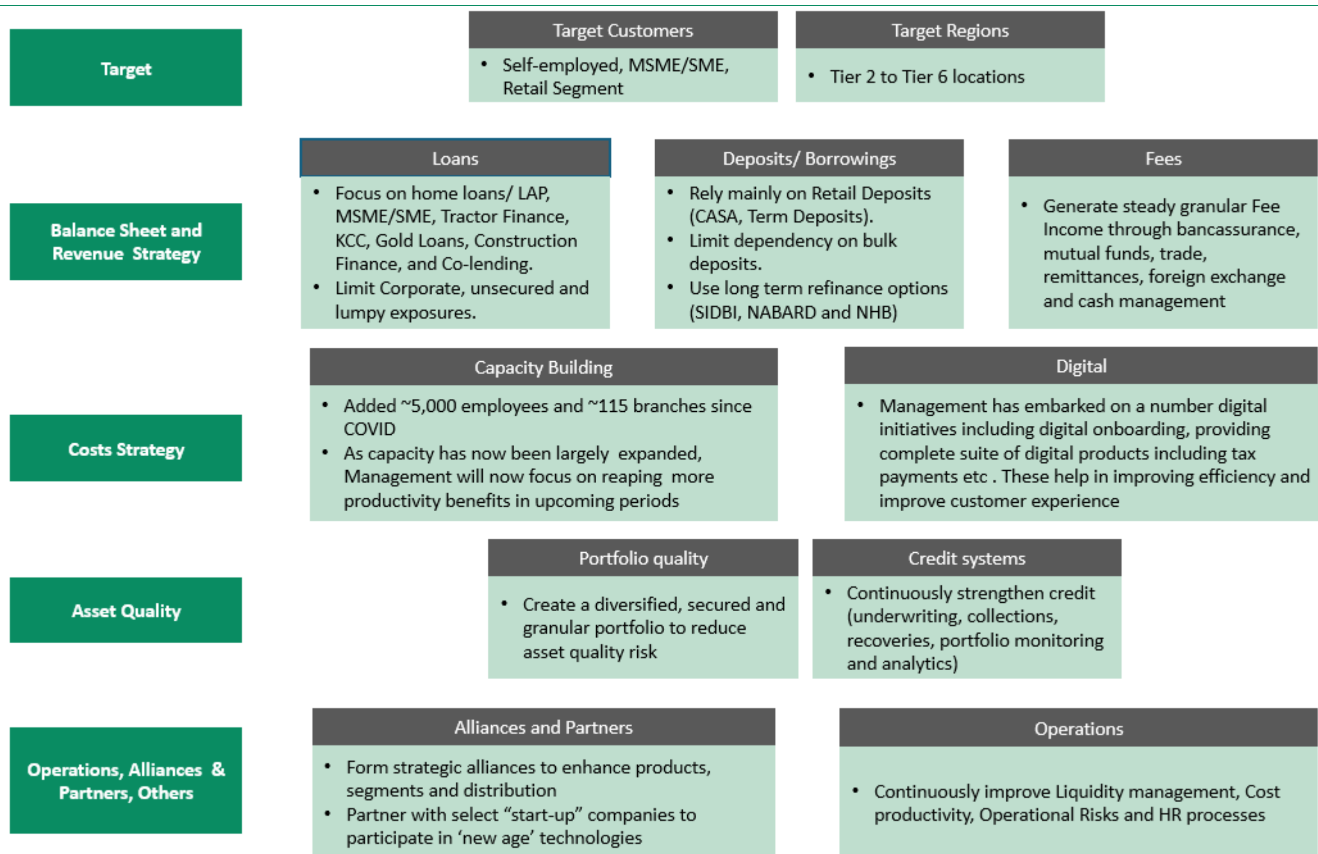
Source: Company, SMIFS Research

2. Business Strategy and Evolution of Business Mix

DCB Bank's target market is mainly small business owners/ self-employed/ small business segment (traders, shopkeepers, business owners), Micro, Small & Medium Enterprises (MSMEs) and Small and Medium-sized Enterprises (SMEs). They have developed an expertise in lending to Tier 2 to Tier 6 cities and focus on these locations.

In lending, DCB focuses primarily on secured lending and avoids lumpy exposure. It aims for both granular loans as well as deposits.

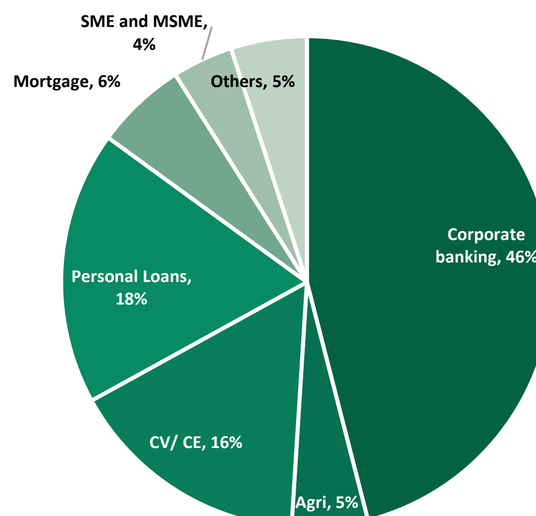
Fig 71: Business Strategy



Source: Company, SMIFS Research

Prior to Global Financial Crisis in FY08-FY09, DCB used to focus on corporate banking, unsecured personal lending and CV/CE segment. Meltdown in the international financial market during GFC led to economic stress in the domestic market. Bank's asset quality during FY09 deteriorated (gross and net NPAs increased to 8.78% and 3.88% respectively) mainly attributable to unsecured Personal Loans & few Corporate Loans. This drove the exit from Retail assets (Personal Loans, Commercial Vehicle & Construction Equipment) and de-risking of Corporate book.

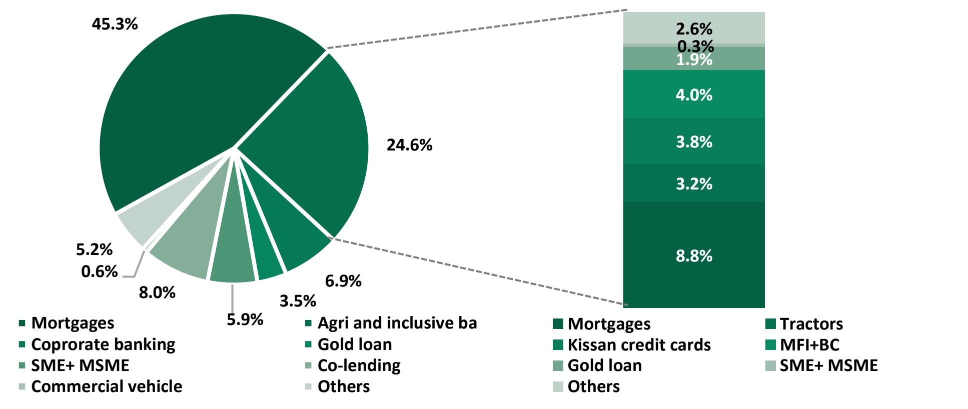
Fig 72: Prior to GFC restructuring (FY08), business mix was dominated by corporate, unsecured and CV/CE segment



Source: Company, SMIFS Research;

Pursuant to the asset quality issues during the crisis, DCB renewed its business strategy to transition to become a retail SME bank. Most of the lending is now mortgage of 45% (54% including AIB) vs 6% in FY08. Other focused segments and driver of growth include SME/MSME, gold lending, co-lending, AIB (tractor finance, KCC). Corporate lending is just focused on mid-corporates and its growth is lower than the retail lending. Commercial Vehicle lending is a declining book and focuses on select opportunities.

Fig 73: However, with the new strategy they recalibrated focus to mortgage, SME/MSME, agri-lending and other retail segments



Source: Company; 1H25 business mix

The business mix strategy has broadly remained the same since GFC sans some minor calibration. The focus has remained on retail SME segment, with lending small ticket size (being granular) and secured. Within this broad segment, they have ventured into new areas as well as re-calibrated some sub-segments in the last 15 years. Mortgage sub-segment mix between retail and business loans (LAP) is changed based on market opportunity and risk appetite. While CV as a segment was exited after GFC, they entered back for priority sector objectives in FY13 before de-prioritising again post COVID-19. Gold lending, a fully secured product, was introduced in FY13. Co-lending was initiated in FY22, with focus on gold lending, right after RBI specified co-lending guidelines.

Fig 74: DCB's various product lines

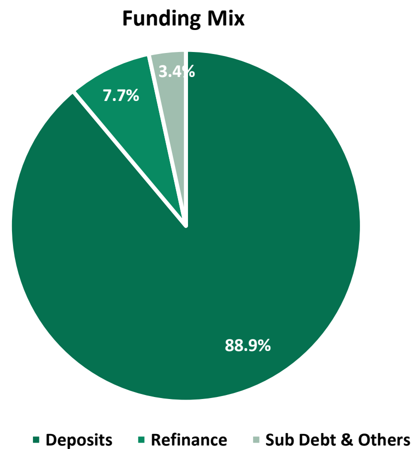
Product	Description	% total lending	2Q25 growth % yoy	2Q25 growth % qoq	FY24 growth % yoy
Mortgages	More than half of DCB's loans (54% including AIB's home loans) are mortgages. It offers both Home Loan and Business Loans to self-employed and salaried segments in the neighbourhood areas of the Bank's branches. Primary focus is Tier 2 to Tier 6 locations. The purpose of these loans is usually property purchase, home constructions/repairs, business requirements and personal expenses such as education, marriage or medical. Many of the micro loans qualify under the Priority Sector Loan (PSL) norms of the RBI. A part of the Bank's portfolio qualifies for long term refinance from National Housing Bank (NHB). The median ticket size is usually around ~Rs 30 lacs, which has decreased from 2016 onwards due to bias towards affordable housing schemes and small ticket LAP. However, recently DCB management has mentioned they would like to also focus on Rs 50lacs- Rs 1 cr segment in upcoming periods.	45% (54% incl. AIB)	22%	5%	22%
SME/MSME	This is one of the core segments for DCB MSMEs/ SMEs. DCB offers a range of products and services including Working Capital, Cash Credit & overdraft, Term loans, Foreign Exchange, Cash Management, Trade Finance. Given the inherent risks associated with this segment the Bank aspires to have large portfolio of small ticket secured exposures. Cash Credit and Overdraft constitutes the largest product. In FY21 and FY22, DCB started focusing materially on TReDS (Discounting System that helps MSMEs finance their trade receivables) which provided high yields. But beginning FY23, yields had collapsed, and it became capitally punitive, so DCB pulled back from it. It has decided to focus now more on higher engagement product overdraft.	6% (6% including AIB)	7%	0%	-16%
Gold loans	Loan against Gold is offered in most of the branches of the Bank. The key advantage of the gold loan is that it doesn't require any capital. Also, it's a completely secured product.	3% (5% including AIB)	23%	12%	-3%
Co lending	DCB was one the early movers in co-lending when regulator guidelines came in mid-2021. The Bank's intention is to partner with Non-Banking Financial Sector Companies (NBFCs) that may be offering products not currently offered by the Bank or segments not served by the DCB. The Bank has eleven active partners for co-lending. The Bank has a well-diversified Co-Lending product portfolio with multiple products such as Gold Loans, School Finance, Business Loans, Micro enterprise Loans, Housing Loans etc, however a substantial part of it is for gold loans. It is one of the key focus areas for the bank. They have a market share of about 5% in co-lending vs 0.25%-0.3% total market share of system loans.	8%	19%	19%	24%
Corporate Banking	Corporate banking is not the primary focus of the bank after the restructuring in GFC back in 2009. The bank primarily lends to mid corporates as well as some high quality large corporates. It's likely to grow below DCB's total loan growth and likely not to be larger than 7-8% of the total book. This business operates across India with regional offices in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata, and Mumbai. The objective is to provide a complete range of commercial banking solutions including Foreign Exchange, Trade Finance and Cash Management.	7%	-2%	5%	15%
Commercial Vehicle (CV)	DCB had exited this after restructuring during GFC during FY08- FY09. However, it entered the segment back in FY13 to meet its PSL objectives. Post-COVID, DCB deprioritised it again. Now CV is a declining portfolio and is offered very selectively and mostly offered to existing customers or in a few promising locations.	0.6%	-11%	58%	-66%
Construction Finance	The Bank's approach is to focus on reputed builders with a strong track record of delivery who are primarily concentrating in the affordable and mid-segment housing segment. The bank's strategy is to be cautious and limit exposure per builder/ project. The business has around 200 quality customers spread across Ahmedabad, Baroda, Bengaluru, Chandigarh, Delhi, Hyderabad, Mumbai, Pune, Surat, and Vishakhapatnam.	5%			
Agri and inclusive banking (AIB)	AIB is a separate unit with the primary objective of achieving financial inclusion, PSL and enhancing the bank's footprint in the rural and semi urban areas. DCB brands this unit as 'a bank within bank'. There are about 207 AIB designated branches (in 13 states) out of 451 total branches. Out of 11,910 employees, 2,527 belong to AIB. Many of the branches are in Tier 2 to Tier 6 locations to cater to underbanked and unbanked population of the country through a wide range of products, for example, zero balance savings account, small recurring deposit account, small loans to match the income and cash flow cycle.	25%	25%	3%	29%
Tractor (under AIB)	Tractor loans help the Bank to partly meet PSL targets for agriculture and small and marginal farmers set by the RBI. It is one of the key focus areas of the bank.	3%	25%	3%	12%
KCC (under AIB)	Kisan Credit Card that aims at providing adequate and timely credit support to the farmers for crop cultivation and allied activities. Under the KCC program, the Bank offers Cash Credit /Overdraft to farmers for purchasing seeds, fertilizers, pesticide for crops cultivation and Term Loan facilities for land levelling, irrigation and purchasing farm equipment.	4%	33%	10%	21%
MFI+BC (under AIB)	This segment also help bank meets its PSL obligation. It's the only unsecured part of portfolio aside from TReDS (under SME/MSME lending). The banks want to keep it at current proportion of 5-6% of total book. The Bank lends to MFIs who in turn lend directly to end borrowers. Over time, the Bank has created a network of MFI relationships across India. In a few states of India, the Bank has provided Joint Liability Groups (JLGs) unsecured loans through BCs to promote economic activities. Group loans from the Bank has enabled unprivileged customers to avail small loans from the banking sector instead of high cost borrowing from money lenders. These loans are usually provided to small farmers and weaker sections mainly in rural areas.	5%	5%	-9%	44%

Source: Company, SMIFS Research

3. Liability Franchise

Most of the funding is through deposits. Deposits constitute 89% of total funding mix (ex Equity) while borrowings constitute 11%. Long-term refinance from SIDBI, NABARD and NHB is availed against eligible loan assets, which constitute about 8%. Excluding this, other borrowings constitute just 3%. Most of the deposits are retail in nature, which are granular and stickier than bulk/corporate deposits.

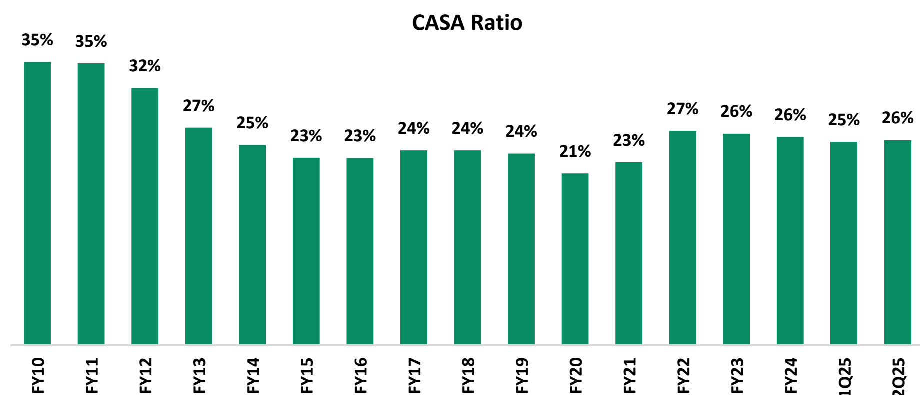
Fig 75: 89% of the funding is through deposits



Source: Company, SMIFS Research;

However, deposit franchise is weak with primarily funded through term deposits. Historically DCB used to boast of CASA ratio as high as 35% in FY10. But, moving away from bulk deposits and granularization reduced the ratio down to currently 26%. Management seems quite committed in mobilising CASA deposits and has implemented several initiatives to shore up CASA (Fig 19: DCB's CASA mobilisation initiatives).

Fig 76: …but 74% of deposits are term deposits



Source: Company, SMIFS Research

4. Branch Network

DCB has a diversified network of 451 branches across 20 states and 2 union territories.

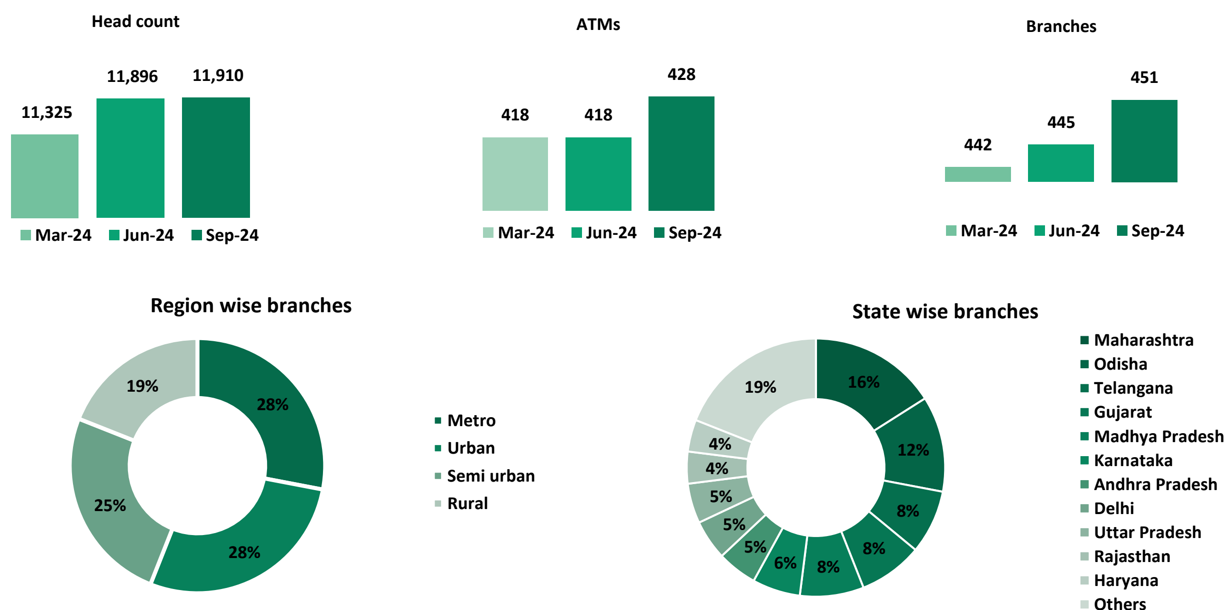
- Specifically, the branches are in Andhra Pradesh, Bihar, Chhattisgarh, Daman, Delhi/ NCR, Goa, Gujarat, Haryana, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Silvassa, Tamil Nadu, Telangana, Uttar Pradesh, Uttarakhand and West Bengal.

- Historically, Maharashtra had always been with the highest proportion of branches followed by Gujarat. They accounted for 44% branches in FY10, followed by Gujarat 15%. However, over a period of time they diversified the branch network across many states. For eg. branches in Orissa, MP, Punjab, UP and Kerala were opened in FY13, Chhattisgarh in FY14, Telangana in FY15 and Bihar in FY16. Currently Maharashtra now accounts only for 16% branches (vs 44% in FY10), but still has the largest share. Gujarat now has 8%, and no longer represents second highest share, which is now boasted by Orissa with 12% share.

- Since DCB focuses more on Tier 2 to Tier 6 locations, only 28% branches are in Metro and rest are in Urban (28%), Semi Urban (25%) and Rural (19%)

Besides the branches, DCB has 428 ATMs. Total headcount is 11,910.

Fig 77: Branch network is diversified across states



Source: Company, SMIFS Research

5. Management

DCB has a very experienced management team, with decades of experience in the industry.

Fig 78: Management Profile

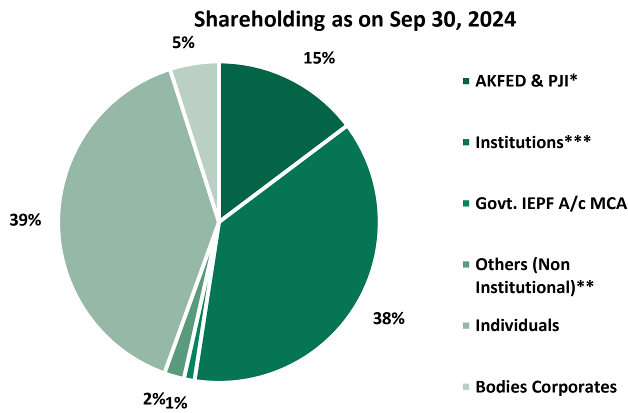
Name	Designation	Description
Mr. Praveen Kutty	MD & CEO	Mr. Praveen Kutty has a total experience of 33 years. He has been with the bank since the last 17 years and has held various roles, heading Retail Banking, Agri Banking & SME Banking. Prior to DCB Bank, he has worked with Citibank India and North America.
Mr. Ravi Kumar	Chief Financial Officer	He has held key positions over a career span of 27 years in national and international roles across Finance, Audit and Operations. He joined DCB Bank in year 2009 as Chief Internal Auditor and also served as Chief Operating Officer – Branch Banking and Head of Operations & Key Projects.
Mr. Murali Mohan Rao Manduva	Chief Technology Officer	Mr. Murali Mohan Rao Manduva is a seasoned IT professional with over 23 years of industry experience in Technology. He holds valuable experience in middle and senior management roles in IT services & Product Organizations like Polaris, Iflex (Oracle Financial Services) and Infosys.
Mr. Abhijit Bose	Chief Credit Officer	Mr. Bose has over 32 years of experience in Banking & Financial Services sector. He has managed various areas like Sales and Distribution, Products, Credit Risk Management and Audit in markets such as India, Asia Pacific, Middle East, and Africa
Mr. Jayaraman Vishwanath	Head Corporate Banking, Construction Finance & SME	Mr. Vishwanath has over 30 years of experience in all aspects of Business and Credit Risk Management.
Mr. Narendranath Mishra	Head Retail & Agri Loans	Mr. Narendranath Mishra has over 24 years of experience in agribusiness, retail lending, retail branch banking and agri lending. His expertise in agri and retail lending enables the bank to deliver customised products and services for these segments
Mr. Pankaj Sood	Head Retail & Emerging Branch Banking	Mr. Pankaj Sood has over 25 years of industry experience in Branch Banking, Product Management and Retail Third Party Product distribution. Prior to DCB Bank, he has worked with IDBI bank for a decade specialising in aspects of branch banking.
Mr. Ajit Kumar Singh	Head Treasury, Fig and Chief Investor Relationship Officer	Mr. Ajit Kumar Singh has over 31 years of industry experience in Treasury Management, ALM and Credit. He has worked with banking institutions such as Axis Bank, ICICI Bank and Bank of India.
Mr. Damodar Agarwal	Head Strategic Initiatives & Alternate Channels	Mr. Damodar has over 28 years of professional experience in Retail, SME & Corporate Banking having worked in areas of Business, Risk Management, Business intelligence, customer service and partnerships. Prior to joining DCB Bank, he has worked with ICICI Bank and Birla Global Finance Limited.
Mr. Kamala Kant Pandey	Head – Acquisitions Loans, Deposits & Gold Loan	Mr. Kamala Kant Pandey has an experience of 30 years and has worked in various sales positions across companies like ABS plastics, Tata BP Solar, ITC Hotels, Birla Sun Life Distribution Private Limited. He helped set up insurance distribution in DCB Bank along with managing CASA sales force.
Mr. Krishna Ramasankaran	Head Credit- Retail & SME	Mr. Krishna Ramasankaran is a qualified Chartered and Cost Accountant with a Master's degree in Commerce with an overall experience of 28 years. Prior to DCB Bank he has worked with Fullerton India Credit Company Limited as National Risk Head for MSME and earlier had stints with the treasury units of Citicorp Finance India Limited and Ashok Leyland Limited.
Ms. Meghana Rao	Chief Operating Officer (COO) - Branch, Trade & Treasury Operations	Ms. Meghana has over 20 years of professional experience in Customer Service, Operations and Service Quality. Her expertise in process improvement was instrumental in founding and setting up the Service Excellence team for the Bank. Additionally, she was also responsible for Investor Relations.

Source: Company, SMIFS Research

6. Shareholders and ownership

DCB's promoter and promoter group the Aga Khan Fund for Economic Development (AKFED) & Platinum Jubilee Investments Ltd. holds below 15% stake. AKFED is an international development enterprise. Promoter is likely to infuse additional $10m in 3Q. Overall institutions (including FII + FPI), excluding promoter and promoter group, hold 37.71% (non-promotor institutional shareholding above 1% is 25.35%).

Fig 79: Key Shareholders



Key Non-Promoter Institutional Shareholders	%
HDFC Mutual Fund	5.29
Tata Mutual Fund	5.17
Franklin Templeton Asset Management (India) Pvt Ltd	4.56
ICICI Venture Funds Management Company Limited (India Advantage Fund S4 I)	3.98
Oman India Joint Investment Fund II	2.93
Steinberg India Emerging Opportunities Fund Limited	1.28
Sundaram Mutual fund	1.07
Investor Education and Protection Fund Authority Ministry of Corporate Affairs	1.07

Source: Company, SMIFS Research; *AKFED: Aga Khan Fund for Economic Development & PJI: Platinum Jubilee Investment Ltd. **Includes Clearing Members (0.00%), Non-Resident Indians (1.70%),Trusts (0.01%), Unclaimed shares (0.13%) & Directors & their relatives (0.16%) ***Institutions includes 12.75% held by FII & FPI.

[V] Financial Statements

Fig 80: DCB Income Statement, Balance Sheet and Key Figures on Annual Basis

Income Statement					
INR mn	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	42,003	53,620	64,475	74,431	88,694
Interest Expense	24,833	34,341	42,969	48,385	56,936
Net Interest Income	**17,170**	**19,279**	**21,506**	**26,045**	**31,758**
Non-Interest Income	4,094	4,742	6,692	8,093	9,763
Operating Income	**21,264**	**24,021**	**28,199**	**34,138**	**41,522**
Employee expenses	6,929	7,943	9,453	11,059	12,940
Other expenses	6,468	7,434	8,692	10,170	11,899
Operating expenses	**13,397**	**15,377**	**18,145**	**21,229**	**24,838**
Operating profit	**7,867**	**8,644**	**10,054**	**12,909**	**16,683**
Provisions	1,592	1,425	1,798	2,707	3,097
PBT	**6,276**	**7,220**	**8,255**	**10,202**	**13,587**
Tax	1,620	1,860	2,130	2,632	3,505
PAT	**4,656**	**5,360**	**6,126**	**7,570**	**10,081**
Basic EPS (₹)	14.96	17.18	19.39	23.74	31.62
DPS (₹)	1.25	1.25	1.50	1.75	2.25
Payout Ratio	8.4%	7.3%	7.7%	7.4%	7.1%

Growth % YoY					
INR mn	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	19.6%	27.7%	20.2%	15.4%	19.2%
Interest Expense	15.2%	38.3%	25.1%	12.6%	17.7%
Net Interest Income	**26.5%**	**12.3%**	**11.6%**	**21.1%**	**21.9%**
Non-Interest Income	-9.4%	15.8%	41.1%	20.9%	20.6%
Operating Income	**17.5%**	**13.0%**	**17.4%**	**21.1%**	**21.6%**
Employee expenses	28.5%	14.6%	19.0%	17.0%	17.0%
Other expenses	36.6%	14.9%	16.9%	17.0%	17.0%
Operating expenses	**32.3%**	**14.8%**	**18.0%**	**17.0%**	**17.0%**
Operating profit	**-1.3%**	**9.9%**	**16.3%**	**28.4%**	**29.2%**
Provisions	-60.9%	-10.5%	26.2%	50.5%	14.4%
PBT	**61.1%**	**15.0%**	**14.3%**	**23.6%**	**33.2%**
Tax	58.8%	14.8%	14.5%	23.6%	33.2%
PAT	**61.9%**	**15.1%**	**14.3%**	**23.6%**	**33.2%**
Basic EPS (₹)	61.7%	14.8%	12.9%	22.4%	33.2%
DPS (₹)	25.0%	0.0%	20.0%	16.7%	28.6%
Payout Ratio	-2.5%	-1.1%	0.5%	-0.4%	-0.3%

Balance Sheet					
INR mn	FY23	FY24	FY25E	FY26E	FY27E
Cash & bal. with RBI	20,306	28,669	32,437	37,822	46,143
Balance with Banks	3,378	1,990	2,359	2,854	3,482
Investments	1,25,825	1,62,108	1,88,726	2,21,222	2,69,891
Advances	3,43,807	4,09,246	4,89,928	5,92,779	7,25,091
Fixed Assets	8,263	8,649	9,081	9,535	10,012
Other Assets	22,080	19,708	19,708	19,708	19,708
Total Assets	**5,23,659**	**6,30,370**	**7,42,240**	**8,83,921**	**10,74,327**
Capital	3,115	3,128	3,189	3,189	3,189
ESOP	31	34	34	34	34
Reserves and Surplus	42,515	47,551	53,968	60,980	70,344
Total Equity	**45,661**	**50,714**	**57,191**	**64,203**	**73,567**
Deposits	4,12,389	4,93,530	5,89,769	7,13,620	8,70,617
Borrowings	41,181	62,195	71,348	82,166	1,06,212
Other Liabilities	24,427	23,932	23,932	23,932	23,932
Total Liabilities	**4,77,998**	**5,79,657**	**6,85,049**	**8,19,718**	**10,00,760**
BVPS (₹)	146.6	162.1	179.4	201.3	230.7

Growth % YoY					
INR mn	FY23	FY24	FY25E	FY26E	FY27E
Cash and bal. with RBI	-34.7%	41.2%	13.1%	16.6%	22.0%
Balance with Banks	-65.6%	-41.1%	18.6%	21.0%	22.0%
Investments	39.0%	28.8%	16.4%	17.2%	22.0%
Advances	18.2%	19.0%	19.7%	21.0%	22.3%
Fixed Assets	25.0%	4.7%	5.0%	5.0%	5.0%
Other Assets	16.6%	-10.7%	0.0%	0.0%	0.0%
Total Assets	**16.9%**	**20.4%**	**17.7%**	**19.1%**	**21.5%**
Capital	0.2%	0.4%	1.9%	0.0%	0.0%
ESOP	134.1%	10.7%	0.0%	0.0%	0.0%
Reserves and Surplus	13.8%	11.8%	13.5%	13.0%	15.4%
Total Equity	**12.8%**	**11.1%**	**12.8%**	**12.3%**	**14.6%**
Deposits	18.9%	19.7%	19.5%	21.0%	22.0%
Borrowings	0.9%	51.0%	14.7%	15.2%	29.3%
Other Liabilities	24.0%	-2.0%	0.0%	0.0%	0.0%
Total Liabilities	**17.3%**	**21.3%**	**18.2%**	**19.7%**	**22.1%**
BVPS (₹)	12.6%	10.6%	10.6%	12.3%	14.6%

Ratios & Key Figures					
%	FY23	FY24	FY25E	FY26E	FY27E
Loans & Deposit Mix, CD and CASA Ratio					
Loans Mix					
- Mortgage	44%	45%	45%	45%	45%
- AIB	23%	25%	25%	26%	27%
- SME/MSME	8%	6%	6%	6%	6%
- Gold Loans	4%	3%	3%	3%	3%
- Co Lending	7%	8%	8%	8%	8%
- Corporate	8%	8%	7%	6%	6%
- Comm Vehicles	1%	0%	1%	0%	0%
- Others	4%	5%	5%	5%	5%
CASA Ratio	26%	26%	26%	26%	26%
CD Ratio (LDR)	83.4%	82.9%	83.1%	83.1%	83.3%
Margins					
Reported NIM	3.93%	3.65%	3.43%	3.48%	3.50%
Calculated NIMs	3.97%	3.68%	3.43%	3.48%	3.50%
Yield on Int ear assets	9.7%	10.2%	10.3%	9.9%	9.8%
Cost of funds	5.9%	6.8%	7.1%	6.6%	6.4%
P&L Ratios					
Core fees % Non-II	74%	82%	78%	78%	79%
Non-II Ratio	19%	20%	24%	24%	24%
Staff costs % opex	52%	52%	52%	52%	52%
CTI	63%	64%	64%	62%	60%
Tax Rate	26%	26%	26%	26%	26%

Ratios & Key Figures					
%	FY23	FY24	FY25E	FY26E	FY27E
Capital Ratios					
Tier 1 Ratio	15.2%	14.5%	13.8%	13.1%	12.4%
Capital Adequacy Ratio (%)	17.6%	16.6%	15.8%	15.1%	14.5%
RWA % Assets	53.9%	52.1%	53.0%	53.0%	53.0%
RWA % yoy	16.1%	16.3%	19.8%	19.1%	21.5%
Asset Quality					
Gross NPA Ratio	3.19%	3.23%	3.31%	3.35%	3.25%
Net NPA Ratio	1.04%	1.11%	1.19%	1.20%	1.16%
PCR	68.2%	66.4%	65.0%	65.0%	65.0%
Slippage ratio	5.35%	3.95%	3.80%	4.00%	3.80%
Credit costs	0.33%	0.25%	0.26%	0.33%	0.32%
Returns					
ROA	0.96%	0.93%	0.89%	0.93%	1.03%
ROE	10.8%	11.1%	11.4%	12.5%	14.6%
Valuation					
P/B	0.73x	0.74x	0.68x	0.60x	0.53x
P/adj. B	0.83x	0.84x	0.77x	0.69x	0.61x
P/E	7.1x	7.0x	6.3x	5.1x	3.8x
Div. Yield	1.2%	1.0%	1.2%	1.4%	1.9%

Fig 81: DCB Income Statement, Balance Sheet and Key Figures on Quarterly Basis

Income Statement					
INR mn	2Q24	3Q24	4Q24	1Q25	2Q25
Interest Income	13,056	13,741	14,446	14,893	15,684
Interest Expense	8,299	9,001	9,371	9,927	10,592
Net Interest Income	**4,757**	**4,740**	**5,075**	**4,966**	**5,092**
Non-Interest Income	1,074	1,237	1,362	1,430	2,046
Operating Income	**5,831**	**5,977**	**6,437**	**6,396**	**7,138**
Employee expenses	1,889	1,984	2,119	2,253	2,351
Other expenses	1,836	1,878	1,981	2,089	2,236
Operating expenses	**3,725**	**3,862**	**4,100**	**4,342**	**4,587**
Operating profit	**2,105**	**2,115**	**2,338**	**2,054**	**2,551**
Provisions	397	410	241	284	456
PBT	**1,708**	**1,705**	**2,097**	**1,770**	**2,095**
Tax	441	439	540	456	541
PAT	**1,268**	**1,266**	**1,557**	**1,314**	**1,555**
Basic EPS (₹)	4.07	4.06	4.98	4.20	4.96

Growth % qoq					
INR mn	2Q24	3Q24	4Q24	1Q25	2Q25
Interest Income	5.5%	5.2%	5.1%	3.1%	5.3%
Interest Expense	8.2%	8.5%	4.1%	5.9%	6.7%
Net Interest Income	**1.1%**	**-0.4%**	**7.1%**	**-2.1%**	**2.5%**
Non-Interest Income	0.4%	15.2%	10.1%	5.0%	43.1%
Operating Income	**0.9%**	**2.5%**	**7.7%**	**-0.6%**	**11.6%**
Employee expenses	-3.1%	5.0%	6.8%	6.3%	4.4%
Other expenses	5.6%	2.3%	5.5%	5.5%	7.0%
Operating expenses	**1.0%**	**3.7%**	**6.1%**	**5.9%**	**5.6%**
Operating profit	**0.9%**	**0.5%**	**10.5%**	**-12.1%**	**24.2%**
Provisions	5.2%	3.3%	-41.3%	17.9%	60.6%
PBT	**-0.1%**	**-0.2%**	**23.0%**	**-15.6%**	**18.4%**
Tax	0.1%	-0.3%	22.9%	-15.5%	18.5%
PAT	**-0.1%**	**-0.2%**	**23.0%**	**-15.6%**	**18.4%**
Basic EPS (₹)	0.0%	-0.2%	22.7%	-15.7%	18.1%

Balance Sheet					
INR mn	2Q24	3Q24	4Q24	1Q25	2Q25
Cash and bal. with RBI	25,730	25,270	28,669	28,480	26,998
Balance with Banks	1,192	1,192	1,990	1,990	4,250
Investments	1,46,761	1,53,238	1,62,108	1,64,531	1,82,049
Advances	3,72,760	3,89,510	4,09,246	4,21,810	4,44,652
Fixed Assets	8,591	8,630	8,649	8,710	8,905
Other Assets	22,069	20,200	19,708	19,640	22,698
Total Assets	**5,77,102**	**5,98,040**	**6,30,369**	**6,45,160**	**6,89,552**
Capital	3,119	3,121	3,128	3,128	3,136
ESOP	35	35	34	34	33
Reserves and Surplus	44,685	45,964	47,551	48,688	50,343
Total Equity	**47,839**	**49,120**	**50,713**	**51,850**	**53,512**
Deposits	4,54,963	4,71,200	4,93,530	5,16,900	5,45,317
Borrowings	51,898	53,720	62,195	53,430	68,201
Other Liabilities	22,402	24,000	23,932	22,980	22,522
Total Liabilities	**5,29,263**	**5,48,920**	**5,79,657**	**5,93,310**	**6,36,041**
BVPS (₹)	153.4	157.4	162.1	165.8	170.7

Growth % qoq					
INR mn	2Q24	3Q24	4Q24	1Q25	2Q25
Cash and bal. with RBI	-11.3%	-1.8%	13.5%	-0.7%	-5.2%
Balance with Banks	-64.7%	0.0%	66.9%	0.0%	113.6%
Investments	12.4%	4.4%	5.8%	1.5%	10.6%
Advances	5.1%	4.5%	5.1%	3.1%	5.4%
Fixed Assets	2.6%	0.5%	0.2%	0.7%	2.2%
Other Assets	-6.7%	-8.5%	-2.4%	-0.3%	15.6%
Total Assets	**5.0%**	**3.6%**	**5.4%**	**2.3%**	**6.9%**
Capital	0.1%	0.1%	0.2%	0.0%	0.2%
ESOP	13.6%	0.0%	-2.6%	0.0%	-4.4%
Reserves and Surplus	2.9%	2.9%	3.5%	2.4%	3.4%
Total Equity	**2.7%**	**2.7%**	**3.2%**	**2.2%**	**3.2%**
Deposits	5.8%	3.6%	4.7%	4.7%	5.5%
Borrowings	9.7%	3.5%	15.8%	-14.1%	27.6%
Other Liabilities	-13.1%	7.1%	-0.3%	-4.0%	-2.0%
Total Liabilities	**5.2%**	**3.7%**	**5.6%**	**2.4%**	**7.2%**
BVPS (₹)	2.6%	2.6%	3.0%	2.2%	3.0%

Ratios & Key Figures					
%	2Q24	3Q24	4Q24	1Q25	2Q25
Loans & Deposit Mix, CD and CASA Ratio					
Loans Mix					
- Mortgage	44%	45%	45%	45%	45%
- AIB	24%	24%	25%	25%	25%
- SME/MSME	7%	6%	6%	6%	6%
- Gold Loans	3%	3%	3%	3%	4%
- Co Lending	8%	9%	8%	7%	8%
- Corporate	8%	8%	8%	7%	7%
- Comm Vehicles	1%	1%	0%	0%	1%
- Others	5%	5%	5%	6%	5%
CASA Ratio	25%	26%	26%	25%	26%
CD Ratio (LDR)	81.9%	82.7%	82.9%	81.6%	81.5%
Margins					
Reported NIM	3.69%	3.48%	3.62%	3.39%	3.27%
Calculated NIMs	3.77%	3.56%	3.63%	3.42%	3.34%
Yield on Int ear assets	10.3%	10.3%	10.3%	10.3%	10.3%
Cost of funds	6.7%	7.0%	6.9%	7.1%	7.2%
P&L Ratios					
Core fees % Non-II	90%	79%	87%	80%	68%
Non-II Ratio	18%	21%	21%	22%	29%
Staff costs % opex	51%	51%	52%	52%	51%
CTI	64%	65%	64%	68%	64%
Tax Rate	26%	26%	26%	26%	26%

Ratios & Key Figures					
%	2Q24	3Q24	4Q24	1Q25	2Q25
Capital Ratios					
Tier 1 Ratio	14.3%	13.7%	14.5%	14.0%	13.7%
Capital Adequacy Ratio (%)	16.6%	15.7%	16.6%	16.0%	15.6%
RWA % Assets	52.2%	52.4%	52.1%	53.0%	51.0%
RWA % qoq	3.5%	4.2%	4.7%	4.2%	2.8%
Asset Quality					
Gross NPA Ratio	3.36%	3.43%	3.23%	3.33%	3.29%
Net NPA Ratio	1.28%	1.22%	1.11%	1.18%	1.17%
PCR	62.8%	65.1%	66.4%	65.2%	65.2%
Slippage ratio	4.48%	4.63%	3.35%	3.67%	3.71%
Credit costs	0.28%	0.28%	0.16%	0.18%	0.27%
Returns					
ROA	0.90%	0.86%	1.01%	0.82%	0.93%
ROE	10.7%	10.4%	12.5%	10.2%	11.8%

[VI] Comps: Valuation and Asset Quality

Fig 82: Valuation Comps

Bank Name	BB Ticker	Last Price 27-11-24	MCap ₹ th cr	P/E			P/B			ROE			ROA			Net Profit Growth		
				FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27
HDFC Bank	HDFCB	1,812.3	1,385.1	20.2x	17.8x	15.3x	2.83x	2.52x	2.24x	14.6	14.8	14.9	1.80	1.83	1.81	11.6	13.8	14.4
ICICI bank	ICICIBC	1,300.7	917.8	20.0x	18.0x	15.9x	3.33x	2.89x	2.50x	17.7	17.0	16.9	2.27	2.21	2.18	12.9	11.7	14.0
SBI	SBIN	834.1	744.4	10.6x	9.9x	8.9x	1.77x	1.55x	1.36x	17.5	16.3	16.0	1.08	1.04	1.05	15.4	5.7	12.5
Axis	AXSB	1,149.7	355.7	13.4x	12.0x	10.4x	2.03x	1.75x	1.51x	16.2	15.6	15.5	1.70	1.69	1.69	6.2	13.1	14.3
Kotak Mahindra	KMB	1,783.2	354.5	22.4x	22.0x	19.4x	3.10x	2.73x	2.43x	14.9	13.1	13.1	2.42	2.17	2.10	13.5	2.3	12.8
Bank of Baroda	BOB	246.5	127.4	6.9x	6.5x	6.0x	1.01x	0.90x	0.80x	15.6	14.5	14.2	1.11	1.05	1.05	3.2	5.7	10.3
Punjab National	PNB	104.4	120.0	7.6x	7.1x	6.4x	0.99x	0.89x	0.79x	13.8	13.1	12.9	0.91	0.94	0.97	87.5	7.2	11.4
Canara Bank	CBK	101.6	92.1	5.8x	5.4x	5.1x	0.96x	0.85x	0.75x	17.8	16.3	15.5	1.00	0.97	0.98	8.8	6.7	7.6
Union bank	UNBK	122.9	93.8	6.0x	5.8x	5.4x	0.89x	0.79x	0.71x	15.8	14.4	13.7	1.09	1.02	1.00	16.0	2.5	7.0
IndusInd bank	IIB	1,002.0	78.1	9.6x	7.5x	6.4x	1.12x	1.00x	0.88x	12.3	13.8	14.6	1.51	1.65	1.66	-9.3	26.0	19.3
Indian bank	INBK	559.5	75.4	7.5x	6.9x	6.3x	1.21x	1.06x	0.91x	17.2	16.2	15.4	1.20	1.16	1.15	25.7	8.3	9.3
Yes bank	YES	20.3	63.5	28.5x	18.8x	13.4x	1.38x	1.30x	1.19x	4.7	6.9	9.2	0.47	0.66	0.86	71.1	55.3	42.1
Federal bank	FB	212.9	52.2	12.3x	10.4x	9.0x	1.58x	1.39x	1.22x	13.6	14.0	14.4	1.26	1.28	1.29	13.2	17.7	17.5
IDFC first bank	IDFCFB	64.2	47.0	18.7x	11.7x	8.5x	1.26x	1.14x	1.00x	6.8	10.4	12.8	0.81	1.03	1.14	-17.3	63.0	36.3
AU SFB	AUBANK	589.8	43.9	20.0x	15.3x	11.9x	2.60x	2.25x	1.93x	14.1	15.2	17.0	1.63	1.64	1.72	37.4	33.4	27.9
Bandhan	BANDHAN	171.3	27.6	7.4x	6.4x	5.5x	1.10x	0.96x	0.84x	16.0	15.9	16.1	1.95	1.94	1.92	69.3	14.2	15.3
Karur Vyasa Bank	KVB	230.1	18.4	10.0x	9.1x	7.9x	1.60x	1.38x	1.19x	17.0	16.2	16.2	1.64	1.59	1.60	15.0	10.1	14.8
City Union bank	CUBK	178.3	13.2	11.9x	10.8x	9.8x	1.41x	1.27x	1.14x	12.4	12.4	12.3	1.50	1.49	1.46	8.6	10.8	10.6
RBL bank	RBK	158.1	9.6	8.7x	5.9x	4.4x	0.61x	0.56x	0.51x	7.2	9.8	12.2	0.74	0.98	1.11	-6.1	49.9	35.9
Karnataka bank	KBL	209.0	7.9	5.6x	5.3x	4.4x	0.65x	0.59x	0.52x	12.2	11.7	12.4	1.17	1.15	1.20	7.1	7.5	18.6
Equitas SFB	EQUITASB	62.3	7.1	16.4x	8.2x	5.7x	1.14x	1.02x	0.89x	6.6	12.9	16.2	0.77	1.46	1.71	-40.7	83.2	39.3
Ujjivan SFB	UJJIVANS	33.5	6.5	6.3x	5.0x	4.2x	1.03x	0.88x	0.75x	16.7	18.4	18.6	2.28	2.44	2.44	-22.4	26.8	20.8
South Indian bank	SIB	23.4	6.1	5.5x	5.1x	4.4x	0.63x	0.58x	0.50x	12.2	11.9	13.5	0.90	0.90	1.00	9.8	14.9	
CSB bank	CSBBANK	308.8	5.4	9.5x	7.9x	6.3x	1.24x	1.07x	0.92x	13.8	14.5	15.6	1.45	1.48	1.55	-0.1	20.4	25.1
DCB	**DCBB**	**123.0**	**3.9**	**6.4x**	**5.3x**	**4.2x**	**0.72x**	**0.64x**	**0.56x**	**11.6**	**12.4**	**13.8**	**0.90**	**0.93**	**0.99**	**12.5**	**20.6**	**25.5**

Source: Company, Bloomberg, SMIFS Research; Consensus numbers for forecasts including DCB.

Fig 83: Asset quality ratios versus peers

Bank Name 1H25 data	BB Ticker	Mcap (₹ th cr)	GNPA Ratio	NNPA Ratio	Gross Restructured Ratio	Provisions Coverage	Slippage Ratio	Credit Costs (% Avg Assets)	Credit Costs (% Avg Loans)
HDFC Bank	HDFCB	1,385.1	1.4	0.4		70	1.3	0.29	0.43
ICICI bank	ICICIBC	917.8	2.0	0.4	0.3	79	1.8	0.27	0.42
SBI	SBIN	744.4	2.1	0.5	0.4	76	0.7	0.25	0.42
Axis	AXSB	355.7	1.4	0.3	0.1	77	1.9	0.76	1.68
Kotak Mahindra Bank	KMB	354.5	1.5	0.4	0.1	71	1.7	0.41	0.64
Bank of Baroda	BOB	127.4	2.5	0.6		76	0.9	0.41	0.61
Punjab National Bank	PNB	120.0	4.5	0.5	0.8	90	0.8	0.20	0.33
Canara Bank	CBK	92.1	3.7	1.0		91	0.3	0.59	0.95
Union bank	UNBK	93.8	4.4	1.0	1.3	93	1.7	0.64	1.01
IndusInd bank	IIB	78.1	2.1	0.6	0.3	70	1.9	1.08	1.64
Indian bank	INBK	75.4	3.5	0.3	1.3	92	1.4	0.59	0.90
Yes bank	YES	63.5	1.6	0.5	0.9	70	2.2	0.25	0.44
Federal bank	FB	52.2	2.1	0.6	0.7	72	0.8	0.19	0.27
IDFC first bank	IDFCFB	47.0	1.9	0.5		75	3.6	1.77	2.66
AU SFB	AUBANK	43.9	2.0	0.8	0.4	61	3.0	1.06	1.56
Bandhan	BANDHAN	27.6	4.7	1.3		74	3.2	1.26	1.83
Karur Vyasa Bank	KVB	18.4	1.1	0.3	0.8	75	0.9	0.57	0.82
City Union bank	CUBK	13.2	3.5	1.6	1.8	55	1.5	0.31	0.47
RBL bank	RBK	9.6	2.9	0.8	0.4	73	1.0	1.40	2.29
Karnataka bank	KBL	7.9	3.2	1.5	1.7	55	0.5	0.12	0.20
Equitas SFB	EQUITASB	7.1	3.0	1.0		68	5.5	2.70	3.91
Ujjivan SFB	UJJIVANS	6.5	2.5	0.6		78	3.1	1.24	1.86
South Indian bank	SIB	6.1	4.4	1.3	0.6	71	0.4	0.38	0.56
CSB bank	CSBBANK	5.4	1.7	0.7		59	1.3	0.18	0.27
DCB	**DCBB**	**3.9**	**3.3**	**1.2**	**2.4**	**65**	**3.7**	**0.22**	**0.35**

Source: Company, Bloomberg, SMIFS Research; *RBL restructured ratio is net of provisions

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