Q3FY25 Result Update l Banks l 25 January 2025

SMIFS LIMITED
LEGACY | TRUST | GROWTH

DCB Bank Ltd (DCBB IN)

Continues to reclaim its great growth legacy. Set to deliver improving returns.

DCB had a remarkably strong quarter with 3Q net profit of Rs 1,514m +20% YoY, +3%/+10% above SMIFS/Consensus estimates. This is amidst a very tough industry environment of decelerating loan growth, liquidity challenges, and contracting margins. DCB put on a strong show with loans growth at 23% YoY, double the system growth. NIMs expanded 3bps QoQ as lending yields surged driven by improved business mix towards higher yielding business loans. Deposit growth was also sound at +20% YoY while CASA ratio came off only marginally to 25.1%. Core fee income continued to remain robust. Opex line exhibited a QoQ decline after years of escalation, driven by improved productivity and reduction in headcount. However, credit cost was higher at 38bps driven by MFI slippages as the segment remains stressed. We maintain our rating (Buy) and view that 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 particularly attractive to own with superior growth profile.

Robust loan growth of ~2x industry. DCB printed a very strong loans growth of +23% YoY/ +7%QoQ driven by its focus segments: co-lending, gold loans, mortgage and AIB. Notably, Co-lending had a remarkable growth of 52% QoQ as one of DCB's key co-lending partners has resumed gold loans disbursements (after the RBI ban was lifted last quarter). Further, as Microfinance segment remains stressed, a lot of rural demand is now being shifted to gold loans. MFI+BC book continued to decline, similar to the last two quarters. We view DCB is likely to continue clocking robust loans growth of ~20%+ for next 3 years, even as industry slows down. Solid deposit growth of 20% YoY provides it enough funding firepower to sustain its superior growth.

Margin expanded as management continued re-calibrating towards higher yielding business mix. NIMs inched up +3bps QoQ to 3.30% driven by higher advances yield of +5bps QoQ offsetting +3bps uptick in cost of funds. We view NIMs are likely to still improve countercyclically as management continues to move towards higher yielding business loans, which is likely to offset the impact on anticipated rate cuts

Strong non-II as higher engagement strategy delivers. Other income increased +49% YoY/-10% QoQ. While core fee remained robust, DCB also had elevated treasury gains. We view DCB is likely to have continued core fee uplift from higher engagement strategy as well as strong treasury income (as rate cycle turns), which could help non-II maintain 1% of assets level near term.

Opex declined on QoQ basis after 13 quarters of escalation. After years of capacity building, the productivity benefits have started seeping in with costs down -1% QoQ. Aside from productivity benefits, the other key reason was headcount reduction of 571 employees. DCB has raised costs targets to ≤ 60% CTI (earlier ≤ 55%) and 2.5% -2.6% costs % avg assets (earlier 2.4% -2.5%) in near term. Management said this is just to break the earlier long-term target to piecemeal near term targets. Long term ambition and goals on CTI remains intact. Overall, we expect cost growth to be lower than the operating income growth.

But, asset quality continues to normalise upwards. Credit costs were higher at 38 bps (vs 27 bps in 2Q) driven by higher slippages from microfinance. Also, there was uptick in NPA ratio from mortgage, which management attributed to sourcing quality in prior quarter.

Improving Returns Profile. Maintain Buy and TP at Rs 169. We view DCB is set to deliver returns and could possibly become a 1% ROA/14% ROE bank by FY27 with sustainable earnings drivers (link to our recent initiation report: DCB is set to reclaim its great growth legacy). As investors digest the consistent improvement in DCB's return over the next few result cycles, it's likely to be re-rated. We view it's quite attractive at 0.5x book for a potential 1% ROA/ 14% ROE bank. We view DCB will continue to serve as a 'beacon of growth' amidst industry slowdown, translating into a better than index performance. We have made very minor changes to earnings.

Y/E Mar (Rs mn)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	Q3FY25E	Var (%)
Net Interest Income	5,429	4,740	14.5%	5,092	6.6%	5,501	-1.3%
Other Income	1,841	1,237	48.8%	2,046	-10.1%	1,590	15.8%
Operating Income	**7,269**	**5,977**	**21.6%**	**7,138**	**1.8%**	**7,091**	**2.5%**
Opex	4,558	3,862	18.0%	4,587	-0.6%	4,596	-0.8%
Pre Provisions Profit	**2,711**	**2,115**	**28.2%**	**2,551**	**6.3%**	**2,495**	**8.6%**
Provisions	**672**	**410**	**63.9%**	**456**	**47.3%**	**518**	**29.6%**
PBT	2,039	1,705	19.6%	2,095	-2.7%	1,977	3.1%
Tax	525	439	19.5%	541	-2.9%	510	2.9%
PAT	**1,514**	**1,266**	**19.6%**	**1,555**	**-2.6%**	**1,467**	**3.2%**
NIM	3.30%	3.48%	-0.18%	3.27%	0.03%		
Loans	477,800	389,510	22.7%	444,652	7.5%	466,243	2.5%
Loans growth (% yoy)	22.7%	18.2%	4.5%	19.3%	3.4%	19.7%	3.0%
Deposits	566,870	471,200	20.3%	545,317	3.9%	564,026	0.5%
Deposit growth (% yoy)	20.3%	19.3%	1.0%	19.9%	0.4%	19.7%	0.6%
GNPA (%)	3.1%	3.4%	-0.3%	3.3%	-0.2%		
NNPA (%)	1.2%	1.2%	0.0%	1.2%	0.0%		
Credit Costs (bps)	38	28	10	27	11	30	9

Source: Company, SMIFS Research

Rating: BUY	Upside:50%
Current Price: 113	Target Price: 169

|Earlier recommendation

Previous Rating:	BUY
Previous Target Price:	169

|Market data

Bloomberg:	DCBB: IN
52-week H/L (Rs):	149.75/107.90
Mcap (Rs bn/USD bn):	36.21/0.42
Shares outstanding (mn):	313.8
Free float:	83%
Face Value (Rs):	10

Source: Bloomberg, NSE SMIFS Research

|Shareholding pattern (%)

	Dec-24	Sep-24	Jun-24	Mar-24
Promoter	14.72	14.73	14.75	14.77
FIIs	10.85	11.06	14.65	12.75
DIIs	27.89	26.65	27.61	29.65
Public/others	46.53	47.56	43.00	42.82

|Promoter pledging (%)

Pledging	-	-	-	-

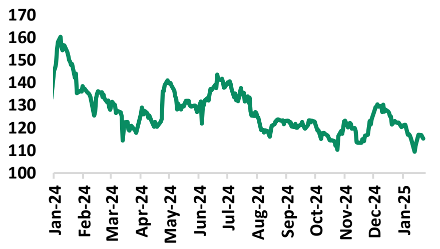
Source: BSE

|Price performance (%)

	1M	3M	12M	36M
Nifty 500	-4.8%	-6.4%	9.6%	44.9%
Nifty Banks	-5.1%	-5.6%	7.9%	31.6%
DCB	-8.2%	2.1%	-21.8%	36.7%

*as on 24th Jan 2025; Source: Bloomberg, SMIFS Research

|Share Price (%)



*as on 24th Jan 2025; 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	28,324	18%	10,271	19%	6,032	13%	5.9	0.6	0.9%	11.2%
FY26E	34,924	23%	13,622	33%	7,621	26%	4.7	0.6	0.9%	12.6%
FY27E	42,653	22%	17,516	29%	10,103	33%	3.6	0.5	1.0%	14.7%

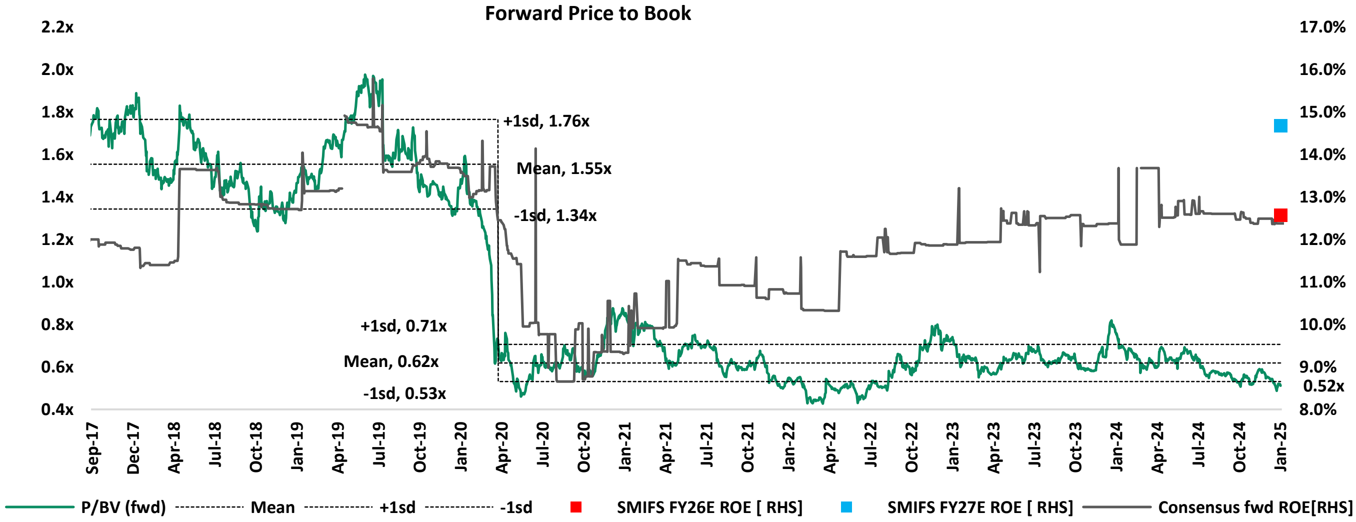
Source: Company, SMIFS Research Estimates. PPOP = Pre- Provision Operating Profit

Valuation and Outlook

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 (currently trading at 0.5x 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 maintain Buy with a target price of Rs. 169. Our Excess return model produces a target price of Rs 169. This implies P/B of 0.74x and adj. P/B of 0.85x on Mar-27 forward book. We have assumed beta of ~1.3 and market risk premium of ~6%, terminal ROE of 13.8%, terminal growth of 5%.

Fig 1: Forward Price to book vs ROE



Source: Company, Bloomberg, SMIFS Research Estimates; Bloomberg data looks at 1 year ahead, currently at FY26E.

Minor change to earnings. We have made minor changes to earnings with -1.5%/+0.7%/+0.2% for FY25E/FY26E/FY27E net profit. However, there are some compositional changes. We view DCB is set to maintain strong loan growth momentum of 22%-23% and thus our estimates have changed by 0-3%. We have reduced NIMs by 3-5bps but we still expect margin expansion driven by recalibration towards higher yielding business loans. Our other income estimates have increased by 3-4% on account of strong performance in core fee income. Our opex estimates have changed by just 0-1%. We have increased credit costs estimates, assuming faster normalisation.

Fig 2: Change in Estimates

Rs mn	FY25E			FY26E			FY27E		
	Current	Previous	% chg	Current	Previous	% chg	Current	Previous	% chg
Net Interest Income	21,355	21,506	-0.7%	26,511	26,045	1.8%	32,577	31,758	2.6%
Other Income	6,969	6,692	4.1%	8,413	8,093	3.9%	10,076	9,763	3.2%
Operating Income	**28,324**	**28,199**	**0.4%**	**34,924**	**34,138**	**2.3%**	**42,653**	**41,522**	**2.7%**
Opex	18,052	18,145	-0.5%	21,302	21,229	0.3%	25,136	24,838	1.2%
Pre Provisions Profit	**10,271**	**10,054**	**2.2%**	**13,622**	**12,909**	**5.5%**	**17,516**	**16,683**	**5.0%**
Provisions	2,142	1,798	19.1%	3,351	2,707	23.8%	3,901	3,097	26.0%
PBT	**8,129**	**8,255**	**-1.5%**	**10,271**	**10,202**	**0.7%**	**13,616**	**13,587**	**0.2%**
Tax	2,097	2,130	-1.5%	2,650	2,632	0.7%	3,513	3,505	0.2%
PAT	**6,032**	**6,126**	**-1.5%**	**7,621**	**7,570**	**0.7%**	**10,103**	**10,081**	**0.2%**
Calculated NIM	3.38%	3.43%	-0.05%	3.45%	3.48%	-0.03%	3.46%	3.50%	-0.04%
Loans	5,02,234	4,89,928	2.5%	6,14,766	5,92,779	3.7%	7,53,938	7,25,091	4.0%
Loans growth (% yoy)	22.7%	19.7%	3.0%	22.4%	21.0%	1.4%	22.6%	22.3%	0.3%
Deposits	5,93,717	5,89,769	0.7%	7,27,897	7,13,620	2.0%	8,93,130	8,70,617	2.6%
Deposit growth (% yoy)	20.3%	19.5%	0.8%	22.6%	21.0%	1.6%	22.7%	22.0%	0.7%
Credit costs (bps)	31	26	5	40	33	7	38	32	7

Risks to our call:

[1] Lower than expected recoveries or higher than expected slippages could worsen net credit costs.

[2] Regulatory push towards lower credit to deposits ratio could weaken loan growth momentum.

[3] Recalibration to higher yielding business mix may take longer than anticipated or could get disrupted due to better opportunities in other segments (PMAY), delaying margin expansion.

Analyst Call highlights

Loans

- One of the bank's largest co-lending partners has started originating loans after RBI ban was lifted, which has helped the bank grow the co-lending segment during the quarter.
- The management opined that the stress in the Micro finance sector has led to an increased demand for gold loans which in the management's opinion, should help the bank to grow its gold loan segment organically as well as its co-lending book.
- The management will look for co-lending partners in the segments and geographies the bank does not have a significant presence or experience in. This will enable the bank to keep multiple avenues open going forward and the management will take a call on co-lending partnerships after taking into consideration the risk-reward ratio since the segment has lower operating costs.
- The mortgage portfolio constitutes majority of the advances of the bank, however this segment has historically been a low engagement product. The management is now focussing on improving the customer engagement in order to cross sell and cater to the other financial needs of the mortgage customers with an objective of improving the revenue thus improving the ROE at the loan level.

Deposits

- The bank has managed to achieve a robust growth in deposits while keeping the Top 20 deposits at 6.97%. Further, the growth in SA has been upwards of 17% YoY

CD ratio

- The bank obtained some Tier 2 capital during the quarter due to which post which there has been a jump in the 'Credit to Deposit' ratio of the bank. However, the management is not comfortable with the current levels and will target to reduce its 'Credit to Deposit' ratio and bring it back to earlier levels.

NIM

- NIM has changed directions and improved during the quarter despite the cost of funds inching up by 3bps sequentially (contrary to management's earlier expectations of the cost of fund stabilising). The increase in margins were supported by the increase in yield on advances.
- The uptick in yields on advances was supported by a change in business mix which included growth of co-lending and a shift from retail housing loans to business loans.
- However, the management iterated that this should not be looked at as a strategic change in business mix. Once the 'PMAY' scheme comes into effect which the management believes would fit in perfectly with the type of housing loans the bank wishes to do. Hence, the management may again look at increasing the share of the home loans segment again in the future. Until that happens, the Business loans are expected to dominate the business mix.
- The management expects that the shift towards a higher ticket size in the mortgage business (currently ATS is between Rs. 2.5-2.7 Mn) will have a positive impact on the net revenue of the bank. Further, the management does not expect the same to have any significant impact on the yields

Costs, opex and productivity

- The bank has experienced some amount of benefit on the productivity front. The management has further undertaken multiple measures towards cost control. The management tried measures to convert the non-performers into performers, but the headcount reduction indicates that the measures failed to deliver satisfactory results.

- The management will focus on implementing a disciplined approach in the 'other expenses' area and hence expects it to follow a reducing trend going forward.
- The management has revised the cost to income target upwards, however the same has been revised to make it more achievable in the shorter term rather than giving a distant target which would have a lower cost to income target. Hence, the long-term goals on cost to income ratio remain in-tact but the same has just been broken down into smaller pieces to ensure target achievement.
- The increase in the higher ticket size loans is not significant enough to impact the yields or the productivity as of now. Hence, the increased ticket size advances are not a factor to improvement in cost to income ratio

Asset quality

- The micro finance segment which constitutes ~4% of the total advances, is one of the segments which has a larger contribution in driving the NPAs apart from the mortgage portfolio. The bank is facing higher than anticipated slippages on the MF book via BC channel.
- Further, in terms of recovery, the bank is facing challenges to recover the defaulting micro finance advances.
- On the Mortgage portfolio, the slippages on absolute terms are declining. However, the management will continue to focus on further driving down the slippages in this segment. Further, the management is reasonably comfortable regarding the direction in which the bucket 0 collection efficiency is moving.

Guidance

- The management expects the credit costs to normalise at ~45-50 bps going forward, NIM in 350 to 365 bps, CTI <=60% & costs % average assets at 2.5% to 2.6%.
- Going forward, the management will focus on improving the NII growth so that it is more representative of the topline growth.

Micro finance and unsecured segment

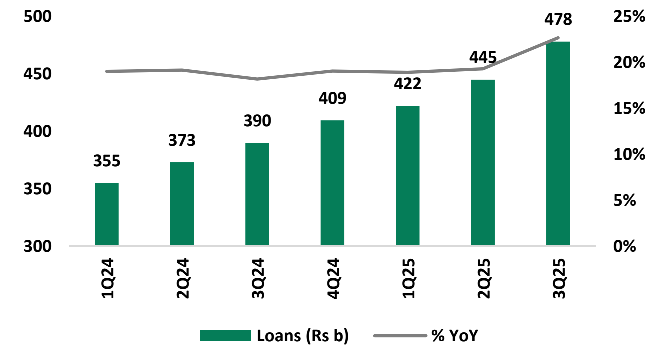
- The bank has direct lending thorough MFI institutions and direct lending through BC channels. The lending through BC channels is to individuals while the advances via the MFI institutional channel are given to micro finance institutions.

Capital Infusion

- On the capital infusion, the bank needs to provide some information to the RBI post which the infusion is expected to go through.

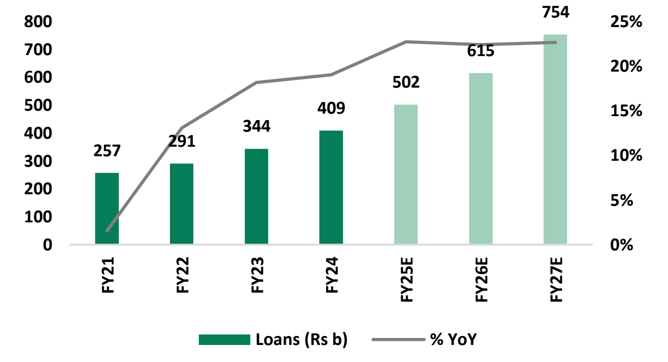
Key Charts

Fig 3: DCB registered a very strong loan growth of 23% YoY



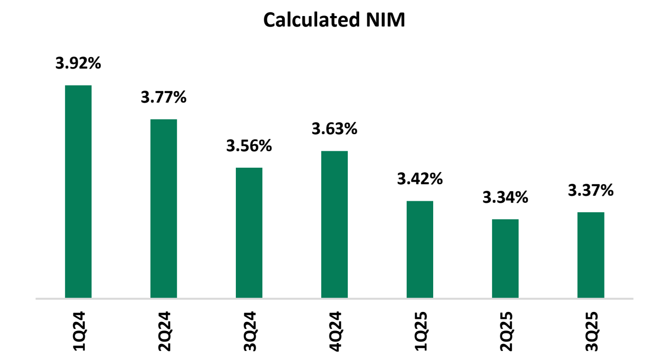
Source: Company, SMIFS Research

Fig 4: We expect robust loan growth momentum to continue



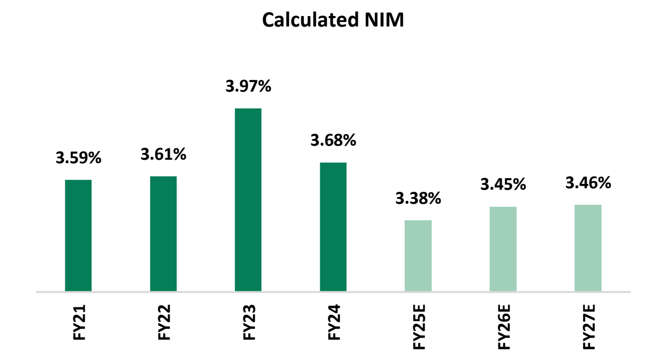
Source: Company, SMIFS Research Estimates

Fig 5: NIMs expanded +3bps QoQ driven by higher yielding business mix



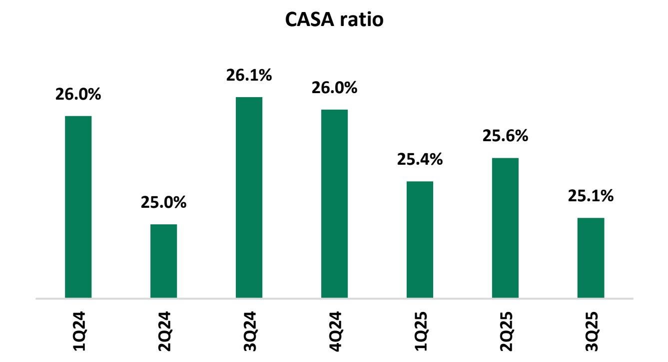
Source: Company, SMIFS Research

Fig 6: …which is set to continue



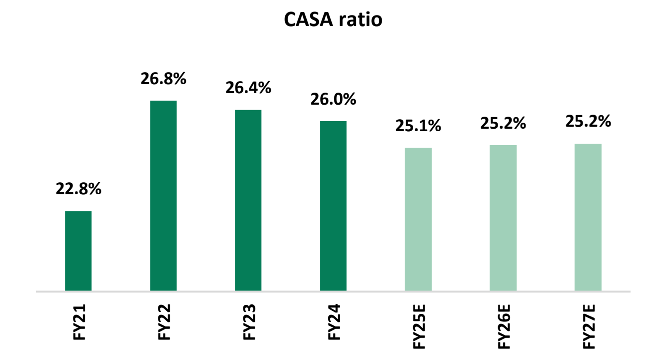
Source: Company, SMIFS Research Estimates

Fig 7: Despite tough deposit market, CASA ratio came off on marginally



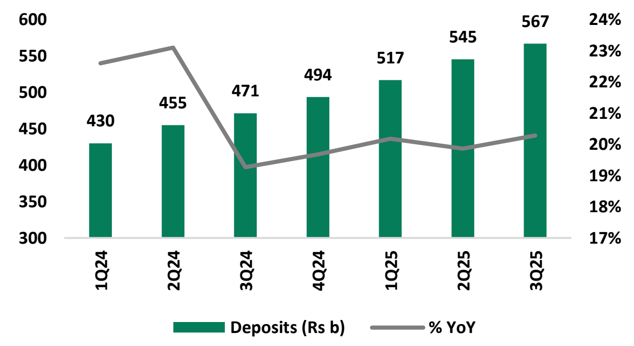
Source: Company, SMIFS Research

Fig 8: We expect stable CASA ratio going forward



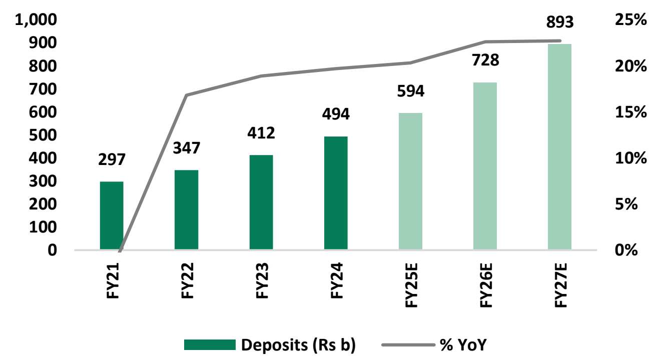
Source: Company, SMIFS Research

Fig 9: Deposit growth also continues to be robust



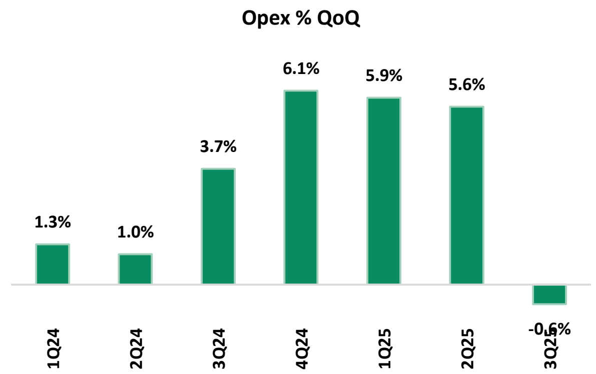
Source: Company, SMIFS Research

Fig 10: …which is likely to persist



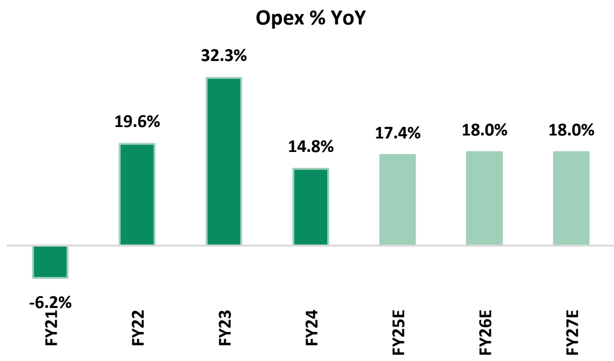
Source: Company, SMIFS Research Estimates

Fig 11: Opex growth declined in 3Q



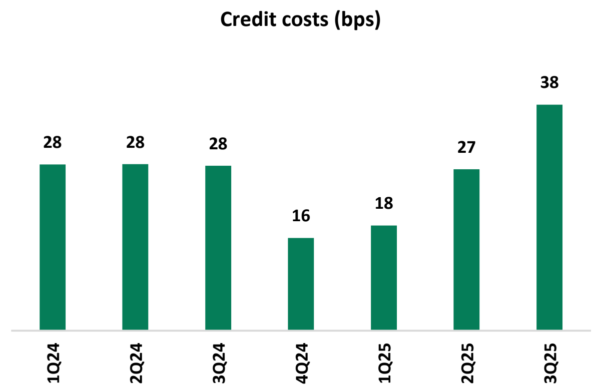
Source: Company, SMIFS Research

Fig 12: We expect opex growth to trend below revenue growth



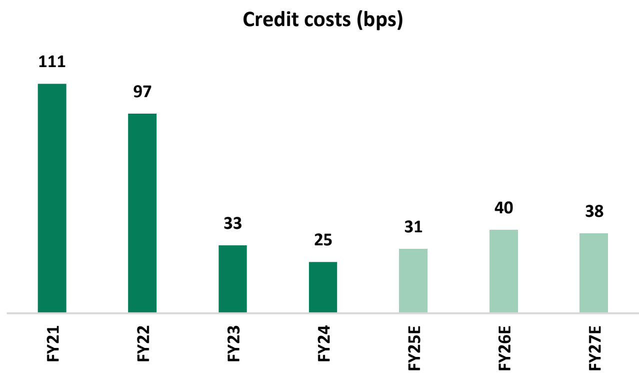
Source: Company, SMIFS Research

Fig 13: Credit costs continue to normalise upwards



Source: Company, SMIFS Research

Fig 14: …which will continue



Source: Company, SMIFS Research Estimates

Financial Statements

Fig 15: 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	65,310	79,064	94,506
Interest Expense	24,833	34,341	43,955	52,552	61,929
Net Interest Income	**17,170**	**19,279**	**21,355**	**26,511**	**32,577**
Non-Interest Income	4,094	4,742	6,969	8,413	10,076
Operating Income	**21,264**	**24,021**	**28,324**	**34,924**	**42,653**
Employee expenses	6,929	7,943	9,238	10,809	12,646
Other expenses	6,468	7,434	8,814	10,493	12,490
Operating expenses	**13,397**	**15,377**	**18,052**	**21,302**	**25,136**
Operating profit	**7,867**	**8,644**	**10,271**	**13,622**	**17,516**
Provisions	1,592	1,425	2,142	3,351	3,901
PBT	**6,276**	**7,220**	**8,129**	**10,271**	**13,616**
Tax	1,620	1,860	2,097	2,650	3,513
PAT	**4,656**	**5,360**	**6,032**	**7,621**	**10,103**
Basic EPS (₹)	14.96	17.18	19.07	23.82	31.58
DPS (₹)	1.25	1.25	1.50	1.75	2.25
Payout Ratio	8.4%	7.3%	7.9%	7.3%	7.1%

Source: Company, SMIFS Research

Growth % YoY					
INR mn	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	19.6%	27.7%	21.8%	21.1%	19.5%
Interest Expense	15.2%	38.3%	28.0%	19.6%	17.8%
Net Interest Income	**26.5%**	**12.3%**	**10.8%**	**24.1%**	**22.9%**
Non-Interest Income	-9.4%	15.8%	46.9%	20.7%	19.8%
Operating Income	**17.5%**	**13.0%**	**17.9%**	**23.3%**	**22.1%**
Employee expenses	28.5%	14.6%	16.3%	17.0%	17.0%
Other expenses	36.6%	14.9%	18.6%	19.0%	19.0%
Operating expenses	**32.3%**	**14.8%**	**17.4%**	**18.0%**	**18.0%**
Operating profit	**-1.3%**	**9.9%**	**18.8%**	**32.6%**	**28.6%**
Provisions	-60.9%	-10.5%	50.3%	56.4%	16.4%
PBT	**61.1%**	**15.0%**	**12.6%**	**26.3%**	**32.6%**
Tax	58.8%	14.8%	12.8%	26.3%	32.6%
PAT	**61.9%**	**15.1%**	**12.5%**	**26.3%**	**32.6%**
Basic EPS (₹)	61.7%	14.8%	11.0%	24.9%	32.6%
DPS (₹)	25.0%	0.0%	20.0%	16.7%	28.6%
Payout Ratio	-2.5%	-1.1%	0.6%	-0.5%	-0.2%

Source: Company, SMIFS Research

Balance Sheet					
INR mn	FY23	FY24	FY25E	FY26E	FY27E
Cash & bal. with RBI	20,306	28,669	32,061	38,579	47,336
Balance with Banks	3,378	1,990	4,156	5,095	6,252
Investments	1,25,825	1,62,108	1,84,052	2,25,648	2,76,870
Advances	3,43,807	4,09,246	5,02,234	6,14,766	7,53,938
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**	**7,51,292**	**9,13,331**	**11,14,116**
Capital	3,115	3,128	3,199	3,199	3,199
ESOP	31	34	33	33	33
Reserves and Surplus	42,515	47,551	53,873	60,934	70,317
Total Equity	**45,661**	**50,714**	**57,104**	**64,166**	**73,549**
Deposits	4,12,389	4,93,530	5,93,717	7,27,897	8,93,130
Borrowings	41,181	62,195	79,890	1,00,687	1,26,857
Other Liabilities	24,427	23,932	20,581	20,581	20,581
Total Liabilities	**4,77,998**	**5,79,657**	**6,94,188**	**8,49,165**	**10,40,568**
BVPS (₹)	146.6	162.1	178.5	200.6	229.9

Source: Company, SMIFS Research

Growth % YoY					
INR mn	FY23	FY24	FY25E	FY26E	FY27E
Cash and bal. with RBI	-34.7%	41.2%	11.8%	20.3%	22.7%
Balance with Banks	-65.6%	-41.1%	108.9%	22.6%	22.7%
Investments	39.0%	28.8%	13.5%	22.6%	22.7%
Advances	18.2%	19.0%	22.7%	22.4%	22.6%
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%**	**19.2%**	**21.6%**	**22.0%**
Capital	0.2%	0.4%	2.3%	0.0%	0.0%
ESOP	134.1%	10.7%	-4.4%	0.0%	0.0%
Reserves and Surplus	13.8%	11.8%	13.3%	13.1%	15.4%
Total Equity	**12.8%**	**11.1%**	**12.6%**	**12.4%**	**14.6%**
Deposits	18.9%	19.7%	20.3%	22.6%	22.7%
Borrowings	0.9%	51.0%	28.5%	26.0%	26.0%
Other Liabilities	24.0%	-2.0%	-14.0%	0.0%	0.0%
Total Liabilities	**17.3%**	**21.3%**	**19.8%**	**22.3%**	**22.5%**
BVPS (₹)	12.6%	10.6%	10.1%	12.4%	14.6%

Source: Company, SMIFS Research

Ratios & Key Figures					
%	FY23	FY24	FY25E	FY26E	FY27E
Loans & Deposit Mix, CD and CASA Ratio					
Loans Mix					
- Mortgage	44%	45%	45%	44%	44%
- AIB	23%	25%	23%	24%	25%
- SME/MSME	8%	6%	5%	5%	5%
- Gold Loans	4%	3%	3%	3%	3%
- Co Lending	7%	8%	13%	13%	13%
- Corporate	8%	8%	6%	5%	5%
- Comm Vehicles	1%	0%	1%	1%	1%
- Others	4%	5%	4%	4%	4%
CASA Ratio	26%	26%	25%	25%	25%
CD Ratio (LDR)	83.4%	82.9%	84.6%	84.5%	84.4%
Margins					
Reported NIM	3.93%	3.65%	3.38%	3.45%	3.46%
Calculated NIMs	3.97%	3.68%	3.38%	3.45%	3.46%
Yield on Int ear assets	9.7%	10.2%	10.3%	10.3%	10.0%
Cost of funds	5.9%	6.8%	7.2%	7.0%	6.7%
P&L Ratios					
Core fees % Non-II	74%	82%	77%	78%	79%
Non-II Ratio	19%	20%	25%	24%	24%
Staff costs % opex	52%	52%	51%	51%	50%
CTI	63%	64%	64%	61%	59%
Tax Rate	26%	26%	26%	26%	26%

Source: Company, SMIFS Research

Ratios & Key Figures					
%	FY23	FY24	FY25E	FY26E	FY27E
Capital Ratios					
Tier 1 Ratio	15.2%	14.5%	14.7%	13.4%	12.7%
Capital Adequacy Ratio (%)	17.6%	16.6%	17.4%	16.1%	15.4%
RWA % Assets	53.9%	52.1%	49.0%	50.0%	50.0%
RWA % yoy	16.1%	16.3%	12.1%	24.0%	22.0%
Asset Quality					
Gross NPA Ratio	3.19%	3.23%	3.18%	3.22%	3.19%
Net NPA Ratio	1.04%	1.11%	1.20%	1.18%	1.14%
PCR	68.2%	66.4%	63.0%	64.0%	65.0%
Slippage ratio	5.35%	3.95%	3.61%	3.90%	3.80%
Credit costs	0.33%	0.25%	0.31%	0.40%	0.38%
Returns					
ROA	0.96%	0.93%	0.87%	0.92%	1.00%
ROE	10.8%	11.1%	11.2%	12.6%	14.7%
Valuation					
P/B	0.73x	0.74x	0.63x	0.56x	0.49x
P/adj. B	0.83x	0.84x	0.72x	0.65x	0.57x
P/E	7.1x	7.0x	5.9x	4.7x	3.6x
Div. Yield	1.2%	1.0%	1.3%	1.6%	2.0%

Source: Company, SMIFS Research

Fig 16: DCB Income Statement, Balance Sheet and Key Figures on Quarterly Basis

Income Statement					
INR mn	3Q24	4Q24	1Q25	2Q25	3Q25
Interest Income	13,741	14,446	14,893	15,684	16,711
Interest Expense	9,001	9,371	9,927	10,592	11,282
Net Interest Income	**4,740**	**5,075**	**4,966**	**5,092**	**5,429**
Non-Interest Income	1,237	1,362	1,430	2,046	1,841
Operating Income	**5,977**	**6,437**	**6,396**	**7,138**	**7,269**
Employee expenses	1,984	2,119	2,253	2,351	2,312
Other expenses	1,878	1,981	2,089	2,236	2,246
Operating expenses	**3,862**	**4,100**	**4,342**	**4,587**	**4,558**
Operating profit	**2,115**	**2,338**	**2,054**	**2,551**	**2,711**
Provisions	410	241	284	456	672
PBT	**1,705**	**2,097**	**1,770**	**2,095**	**2,039**
Tax	439	540	456	541	525
PAT	**1,266**	**1,557**	**1,314**	**1,555**	**1,514**
Basic EPS (₹)	4.06	4.98	4.20	4.96	4.83

Source: Company, SMIFS Research

Growth % qoq					
INR mn	3Q24	4Q24	1Q25	2Q25	3Q25
Interest Income	5.2%	5.1%	3.1%	5.3%	6.5%
Interest Expense	8.5%	4.1%	5.9%	6.7%	6.5%
Net Interest Income	**-0.4%**	**7.1%**	**-2.1%**	**2.5%**	**6.6%**
Non-Interest Income	15.2%	10.1%	5.0%	43.1%	-10.1%
Operating Income	**2.5%**	**7.7%**	**-0.6%**	**11.6%**	**1.8%**
Employee expenses	5.0%	6.8%	6.3%	4.4%	-1.7%
Other expenses	2.3%	5.5%	5.5%	7.0%	0.5%
Operating expenses	**3.7%**	**6.1%**	**5.9%**	**5.6%**	**-0.6%**
Operating profit	**0.5%**	**10.5%**	**-12.1%**	**24.2%**	**6.3%**
Provisions	3.3%	-41.3%	17.9%	60.6%	47.3%
PBT	**-0.2%**	**23.0%**	**-15.6%**	**18.4%**	**-2.7%**
Tax	-0.3%	22.9%	-15.5%	18.5%	-2.9%
PAT	**-0.2%**	**23.0%**	**-15.6%**	**18.4%**	**-2.6%**
Basic EPS (₹)	-0.2%	22.7%	-15.7%	18.1%	-2.6%

Source: Company, SMIFS Research

Balance Sheet					
INR mn	3Q24	4Q24	1Q25	2Q25	3Q25
Cash and bal. with RBI	25,270	28,669	28,480	26,998	30,450
Balance with Banks	1,192	1,990	1,990	4,250	4,250
Investments	1,53,238	1,62,108	1,64,531	1,82,049	1,75,380
Advances	3,89,510	4,09,246	4,21,810	4,44,652	4,77,800
Fixed Assets	8,630	8,649	8,710	8,905	8,920
Other Assets	20,200	19,708	19,640	22,698	18,870
Total Assets	**5,98,040**	**6,30,369**	**6,45,160**	**6,89,552**	**7,15,670**
Capital	3,121	3,128	3,128	3,136	3,138
ESOP	35	34	34	33	33
Reserves and Surplus	45,964	47,551	48,688	50,343	51,719
Total Equity	**49,120**	**50,713**	**51,850**	**53,512**	**54,890**
Deposits	4,71,200	4,93,530	5,16,900	5,45,317	5,66,780
Borrowings	53,720	62,195	53,430	68,201	73,890
Other Liabilities	24,000	23,932	22,980	22,522	20,110
Total Liabilities	**5,48,920**	**5,79,657**	**5,93,310**	**6,36,041**	**6,60,780**
BVPS (₹)	157.4	162.1	165.8	170.7	174.9

Source: Company, SMIFS Research

Growth % qoq					
INR mn	3Q24	4Q24	1Q25	2Q25	3Q25
Cash and bal. with RBI	-1.8%	13.5%	-0.7%	-5.2%	12.8%
Balance with Banks	0.0%	66.9%	0.0%	113.6%	0.0%
Investments	4.4%	5.8%	1.5%	10.6%	-3.7%
Advances	4.5%	5.1%	3.1%	5.4%	7.5%
Fixed Assets	0.5%	0.2%	0.7%	2.2%	0.2%
Other Assets	-8.5%	-2.4%	-0.3%	15.6%	-16.9%
Total Assets	**3.6%**	**5.4%**	**2.3%**	**6.9%**	**3.8%**
Capital	0.1%	0.2%	0.0%	0.2%	0.1%
ESOP	0.0%	-2.6%	0.0%	-4.4%	0.0%
Reserves and Surplus	2.9%	3.5%	2.4%	3.4%	2.7%
Total Equity	**2.7%**	**3.2%**	**2.2%**	**3.2%**	**2.6%**
Deposits	3.6%	4.7%	4.7%	5.5%	3.9%
Borrowings	3.5%	15.8%	-14.1%	27.6%	8.3%
Other Liabilities	7.1%	-0.3%	-4.0%	-2.0%	-10.7%
Total Liabilities	**3.7%**	**5.6%**	**2.4%**	**7.2%**	**3.9%**
BVPS (₹)	2.6%	3.0%	2.2%	3.0%	2.5%

Source: Company, SMIFS Research

Ratios & Key Figures					
%	3Q24	4Q24	1Q25	2Q25	3Q25
Loans & Deposit Mix, CD and CASA Ratio					
Loans Mix					
- Mortgage	45%	45%	45%	45%	45%
- AIB	24%	25%	25%	25%	24%
- SME/MSME	6%	6%	6%	6%	5%
- Gold Loans	3%	3%	3%	4%	3%
- Co Lending	9%	8%	7%	8%	11%
- Corporate	8%	8%	7%	7%	6%
- Comm Vehicles	1%	0%	0%	1%	1%
- Others	5%	5%	6%	5%	5%
CASA Ratio	26%	26%	25%	26%	25%
CD Ratio (LDR)	82.7%	82.9%	81.6%	81.5%	84.3%
Margins					
Reported NIM	3.48%	3.62%	3.39%	3.27%	3.30%
Calculated NIMs	3.56%	3.63%	3.42%	3.34%	3.37%
Yield on Int ear assets	10.3%	10.3%	10.3%	10.3%	10.4%
Cost of funds	7.0%	6.9%	7.1%	7.2%	7.2%
P&L Ratios					
Core fees % Non-II	79%	87%	80%	68%	77%
Non-II Ratio	21%	21%	22%	29%	25%
Staff costs % opex	51%	52%	52%	51%	51%
CTI	65%	64%	68%	64%	63%
Tax Rate	26%	26%	26%	26%	26%

Source: Company, SMIFS Research

Ratios & Key Figures					
%	3Q24	4Q24	1Q25	2Q25	3Q25
Capital Ratios					
Tier 1 Ratio	13.7%	14.5%	14.0%	13.7%	13.5%
Capital Adequacy Ratio (%)	15.7%	16.6%	16.0%	15.6%	16.3%
RWA % Assets	52.4%	52.1%	53.0%	51.0%	49.4%
RWA % qoq	4.2%	4.7%	4.2%	2.8%	0.5%
Asset Quality					
Gross NPA Ratio	3.43%	3.23%	3.33%	3.29%	3.11%
Net NPA Ratio	1.22%	1.11%	1.18%	1.17%	1.18%
PCR	65.1%	66.4%	65.2%	65.2%	62.9%
Slippage ratio	4.63%	3.35%	3.67%	3.71%	3.59%
Credit costs	0.28%	0.16%	0.18%	0.27%	0.38%
Returns					
ROA	0.86%	1.01%	0.82%	0.93%	0.86%
ROE	10.4%	12.5%	10.2%	11.8%	11.2%

Source: Company, SMIFS Research

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