

CMP: INR 99

Rating: Neutral

Target Price: INR 102

Stock Info

BSE	532772
NSE	DCBBANK
Bloomberg	DCB IN
Reuters	DCBA.BO
Sector	Banks
Face Value (INR)	10
Equity Capital (INR Cr)	311
Mkt Cap (INR Cr)	3,065
52w H/L (INR)	127 / 58
Avg Yearly Vol (in 000')	2,566

Shareholding Pattern %

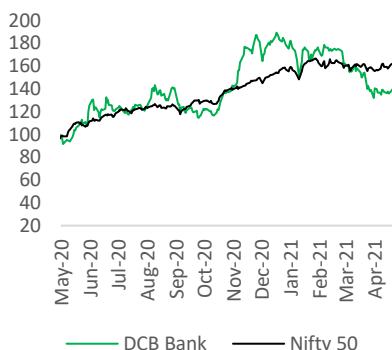
(As on March, 2021)

Promoters	14.88
FII	13.04
DII	40.54
Public & Others	31.54

Stock Performance (%)

	3m	6m	12m
DCB Bank	-12.1	10.0	55.1
Nifty 50	-2.1	16.5	60.7

DCB Bank Vs Nifty



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DCB Bank reported weak operating performance during Q4FY21, impacted by higher interest reversals on NPA. Profit for the quarter came in at INR 78 cr was higher than our estimate of INR 62 cr, as provision fell sequentially. NII for the quarter de-grew by 4% YoY/7% QoQ to INR 311 cr was impacted due to derecognised interest of INR 37 Cr. towards NPA. Operating profit for the quarter de-grew by 3% YoY/26% QoQ, due to de-growth in NII and increase in OPEX. Provision for the quarter declined by 14% YoY/32% QoQ to INR 101 cr. Asset quality of the bank deteriorated further with GNPA/NNPA increased to 4.1%/2.3% compared to proforma GNPA/NNPA ratio of 3.7%/1.92% as of Q3FY21. Collection efficiency has steadily improved and stands at 95.2%, 96.8% and 86% (as of Mar'21) for business loans, home loans and CV loans respectively. Management stated that collections in the near term might get affected due to Covid second wave.

Advances growth improved: Overall advances growth improved to 2% YoY as compared to 0.5% in the previous quarter. Its core segment Mortgage book grew by 2% YoY while SME segment declined by 7% YoY due to cautious approach. AIB book grew by 7% YoY while Corporate segment continuous to de-grow at 6% YoY. Management expects the credit growth to bounce back to high teens in FY22E. Deposits declined by 2% YoY to INR 29,704 cr led by decline in inter-bank deposits. CASA ratio decreased to 22.9% vs. 23.1% QoQ.

Asset quality deteriorates: GNPA/NNPA ratio of the bank increased to 4.1%/2.3% vs. proforma GNPA/NNPA of 3.7%/1.9% in Q3FY21. Restructured book as of Mar'21 stood at INR 1,107 cr (4.3% of advances), largely contributed by mortgages, CV and SME/MSME segments. Bank made a contingency provision of INR 124 CR towards further likely impact of covid-19 on restructured assets. Total additional provisions (covid + floating + restructured) now stand at INR 372 cr (1.4% of loans). Collection efficiency which had improved in Mar'21, has got impacted again in Apr'21 due to second wave of Covid.

Outlook & Valuation

Q4FY21 performance of the bank remained weak as operating performance was impacted by high interest reversal and business growth remained lower. Given the second wave of covid, which is impacting collection efficiency of the bank and higher restructuring book, we remain watchful on asset quality and expect credit cost will remain higher in the near term. We change our rating to Neutral from Reduce with a revise target price of INR 102 (vs. INR 105 earlier), based on 0.8x FY23E ABV.

Particulars (INR Cr)	FY20E	FY21E	FY22E	FY23E
Net interest income	1,265	1,287	1,370	1,480
Operating Profit	753	898	967	1,054
PAT	338	336	353	490
RoA (%)	0.9	0.9	0.9	1.1
RoE (%)	10.3	9.4	9.0	11.4
P/E (x)	9.1	9.2	8.7	6.3
P/BV	0.9	0.8	0.8	0.7
P/ABV (x)	1.0	1.0	0.9	0.8

Q4FY21 result Snapshot

Particulars (Rs in Cr)	Q4FY21	Q4FY20	YoY	Q3FY21	QoQ
Interest Earned	837	902	-7%	869	-4%
<i>Yield on Advances (%)</i>	10.7	11.4	-76bps	11.2	-54bps
Interest Expended	526	578	-9%	535	-2%
Net Interest Income	311	324	-4%	335	-7%
Other Income	134	110	22%	155	-13%
<i>Other income / Net Income (%)</i>	30.1	25.3	474bps	31.6	-150bps
Total income	445	434	3%	489	-9%
Operating Expenses	240	222	8%	212	13%
<i>Cost-income Ratio (%)</i>	53.9	51.1	281bps	43.3	1058bps
Pre-Prov Profits	205	212	-3%	277	-26%
Provisions & Contingencies	101	118	-14%	148	-32%
PBT	104	94	11%	130	-20%
Provisions for Tax	26	25	4%	33	-22%
<i>Effective Tax Rate (%)</i>	25%	27%	-163bps	26%	-68bps
PAT (reported)	78	69	13%	96	-19%
EPS Basic	2.5	2.2	13%	3.1	-19%
GNPA	1,083	632	72%	502	116%
NNPA	594	294	102%	150	297%
GNPA (%)	4.1	2.5	163bps	2.0	213bps
NNPA (%)	2.3	1.2	113bps	0.6	170bps
Total CAR (%)	19.7%	17.8%	192bps	18.3%	135bps
Tier 1 (%)	15.5%	13.9%	159bps	14.3%	123bps
Tier 2 (%)	4.2%	3.9%	33bps	4.1%	12bps
NIM (%)	3.5%	3.6%	-18bps	3.8%	-29bps
Advances	25,959	25,345	2%	25,300	3%
Deposits	29,704	30,370	-2%	28,858	3%

Concall Highlights:

1. Collection efficiency in Apr'21 has declined v/s Mar'21.
2. Management remains cautious given the current environment as it could impact asset quality.
3. Management has said that the impact on collections from the second covid wave should be less than the first wave.
4. Recent surge and lockdown has impacted the growth momentum of the bank.
5. Management is targeting to grow the advances by high teens, if situation improves.
6. 95% of the book is secured.
7. Within the corporate book, the bank is targeting short-term loans.
8. Bank's focus is on garnering retail deposits.
9. The bank plans to add 20-25 branches over the next 12-15 months
10. NIM is expected to be in the range of 3.6-3.8%.
11. Collection efficiency update: **1. Business loans (LAP):** About 0.9% of loans, in value terms, have not paid any installments from 1st Apr'20 to 31st Mar'21. **2. Home loans:** Around 1.43% of loans, in value terms, have not paid any installments from 1st Apr'20 to 31st Mar'21. **3. CV:** About 2.74% of loans, in value terms, have not paid any installments from 1st Apr'20 to 31st Mar'21. **4. SME/MSME:** About 98.5% of customers have demonstrated credit churn in their accounts between Apr'20 and Mar'21. **5. MFI BC Loans:** As on March 31, 2021, 94% of customers (including delinquent) have paid at least one installment since April 1, 2020.

Key Financials

Income Statement					Balance Sheet				
Year to 31st March (Rs. Cr)	FY20A	FY21A	FY22E	FY23E	As on 31st March (Rs. cr)	FY20A	FY21A	FY22E	FY23E
Interest Income	3537	3458	3729	4077	LIABILITIES				
Interest Expenses	2272	2172	2358	2597	Capital	311	311	311	311
Net Interest Income	1265	1287	1370	1480	Reserves & Surplus	3111	3447	3769	4228
Other Income	391	459	413	450	Deposits	30370	29704	32348	36001
Operating Income	1656	1745	1783	1930	Borrowings	3408	4482	4930	5424
Operating Expenses	903	847	816	875	Other liabilities & provisions	1305	1657	1691	1724
- Staff Cost	459	434	455	478		38505	39602	43049	47688
- Other Operating Exp.	352	328	361	397	ASSETS				
Gross Profits	753	898	967	1054	Cash on hand & with RBI	1030	1183	1301	1431
Provisions	261	446	490	392	Money at call and short notice	2516	1856	2005	2165
Profit Before Taxes	492	453	476	662	Advances	25345	25959	27819	30601
Taxes	154	117	124	172	Investments	7742	8414	9255	10181
Profit After Taxes	338	336	353	490	Fixed assets	546	569	804	1110
					Other assets	1327	1621	1865	2200
					Total Assets	38505	39602	43049	47688

Ratio Analysis					Spread analysis (%)				
Particulars	FY20A	FY21A	FY22E	FY23E	Particulars	FY20A	FY21A	FY22E	FY23E
Basic Ratio (Rs.)					Yield on advances	11.5	11.1	11.1	11.1
EPS	10.9	10.8	11.3	15.7	Yield on investments	8.0	7.2	7.0	7.0
Book Value per share	110.5	120.8	131.0	145.7	Cost of deposits	7.0	6.5	6.5	6.5
Adjusted Book Value	100.6	101.6	113.1	127.1	Avg. Cost of funds	6.7	6.4	6.3	6.3
Dividend per share	0.6	0.7	0.7	0.8	Spread	4.0	2.9	2.9	2.9
					Interest Income to AWF	11.2	9.7	9.9	10.3
Asset Quality (%)					Net Interest Income to AWF	3.5	3.4	3.5	3.4
Gross NPAs	2.5	4.1	4.0	3.8	Non Interest Income to AWF	1.2	1.3	1.1	1.1
Net NPAs	1.2	2.3	2.0	1.9	Operating Expense to AWF	2.5	2.3	2.1	2.0
PCR	70.8	50.0	50.0	50.0	Operating Profit to AWF	2.1	2.4	2.4	2.4
					Net Profit to AWF	0.9	0.9	0.9	1.1
Profitability ratios (%)					Valuation ratios (x)				
RoAE	10.3	9.4	9.0	11.4	P/E	9.1	9.2	8.7	6.3
RoAA	0.9	0.9	0.9	1.1	P/BV	0.9	0.8	0.8	0.7
NIM	3.7	3.7	3.5	3.5	P/ABV	1.0	1.0	0.9	0.8
Cost to Income	54.5	48.5	45.8	45.4					

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Stock Rating Scale

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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