

DCB Bank

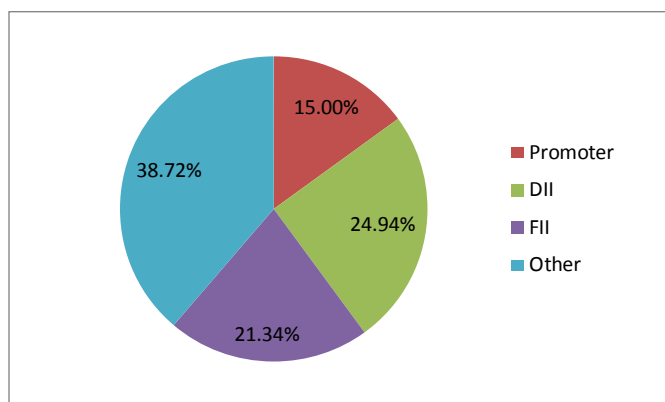
BUY

Target Price: Rs 227

Value Parameters -

BSE Code	532772
NSE Symbol	DCB
CMP (As on 3 rd May, 2018)	Rs 191
Face Value	Rs 10
52 Week High/Low	Rs 213/155
Market Cap (Rs cr)	5,911
EPS (TTM)	Rs 7.96
PE Ratio (x)	24.28

Shareholding Pattern % (Mar '18)



Company Overview

Development Credit Bank Ltd (DCB) is one of the emerging private sector banks in India. The bank is amongst the first private sector banks to waive advisory fee and service charge for mutual fund investments. The services offered by the bank include Personal Banking- under this segment; they offer saving accounts, deposit scheme, current accounts, personal loans, housing loans, phone banking facility, mutual funds, demat account, life and general insurance etc. Corporate banking - In this they offer products and services from large corporates to

small and medium enterprises. NRI banking- they offer products and services to NRI clients such as remittances services, western union money transfer, loans against term deposit, currency exchange etc.

Investment Rationale

DCB Bank has shown a strong growth across parameters during the last quarter.

- Its cost to income ratio, which is a measure of its operational efficiency, improved by 5% over 3 months.
- Its Net Interest Income has grown by 20% YoY. Their PAT increased by 21% YoY.
- Its NIMs stood at 4.16% (an increase of 12 bps QoQ).
- Gross NPA stood at 1.79% and Net NPA stood at 0.72%.
- PCR has been maintained well at 75%. That is well above the macro prudential measure recommended by RBI (i.e. 70%).
- Its CAR stood at 16.47%, Tier 1 at 12.72% and Tier 2 at 3.75%.

Outlook & Valuation

We believe they made a remarkable turnaround in a tough environment by reporting a steady improvement in most of the parameters. DCB is well placed in terms of capital adequacy and asset quality, which has been a major concern during the last quarter of the banking industry. They also have adequate capital to pursue further growth opportunities.

We have a target of Rs.227, valuing the stock at 2.1x to its FY20E ABV.

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