



Steady Outlook!

18th July, 2017

CMP: Rs. 199
Target Price: Rs. 218
Recommendation: HOLD

DCB Bank Ltd. reported strong growth this quarter. Operating Profit came in at Rs. 136 Cr. for Q1 FY18 as against Rs. 93 Cr. in Q1 FY17 registering robust growth of 47%. Net profit increased to Rs 65 Cr up by 39% YoY and growth of 23% sequentially.

Stock Info

BSE Group	A
BSE Code	532772
NSE Symbol	DCB
Bloomberg	DEVB IN
Reuters	DCBA.BO
BSE Sensex	32,021
NSE Nifty	9,886

Market Info

Market Capital	Rs 6151 cr
Equity Capital	Rs 307 cr
Avg. Trading Vol.	2,212,420
52 Wk High/ Low	Rs 213/98
Face Value	Rs 10

Shareholding Pattern (%) (June 2017)

Promoters	15.02
Domestic Institutions	20.49
Foreign Institutions	22.54
Public & Others	41.9

Price Vs Sensex Chart



Deposits:

Deposits for the bank grew at 22% YoY and de-grew 1% sequentially. The CASA portion for the bank stood at Rs 5,143 cr rising to 42% of the deposits & 4% sequentially. Retail term deposits stood at 54%. Cost of funds decreased by 39 bps sequentially to 6.6%.

NIM & Advances:

NIM for the quarter came in at 4.23 staying flat YoY & grew by 19 bps sequentially. Bank's advances comprise of Retail Mortgages (44%); Gold Loans (2%); Commercial Vehicles (5%); SME / MSME (11%); Agri and Inclusive Banking (AIB) (17%), Construction Finance (3%) and Corporate Banking (15%). C/D ratio for the bank stood at 85%. Yield on advances dropped by 59 bps YoY and 43 bps sequentially at 11.6%.

Asset quality:

Asset quality for the bank stood stable. Gross NPA for the quarter stood at 1.74% while Net NPA was at 0.92% YoY basis. Fresh slippages during the quarter were Rs 85.6 crs vs. Rs 74.2 crs sequentially and Rs 57.8 crs YoY. Recovery during the quarter stood at Rs 21 crs vs. Rs 22.5 crs sequentially and Rs 19.3 crs YoY. PCR for the quarter stood at 71.4%.

Expansion:

Bank has added 28 new branches taking the total to 290 and ATM's taking the total to 504. Cost to income ratio for the bank increased to 59.4% from 57.8% YoY and decreased marginally sequentially.

Valuation:

We have pegged a multiple of 2.4(x) to FY 19E ABV & arrived at a fair value of Rs 218 per share. At CMP of Rs 202 the stock is available at its FY 19E P/ABV of 2.2(x). We have "HOLD" rating on the stock.

(Rs Cr)	FY16	FY17	FY18E	FY19E
Net interest income	620	797	973	1,218
Operating Profit	349	418	506	641
PAT	190	199	245	313
EPS (Rs)	6.9	7.0	8.6	11.0
EPS Growth (%)	0.9%	2.3%	22.6%	27.7%
RoE (%)	11.3	10.0	10.5	12.0
P/E (x)	11.5	25.3	23.2	18.2
ABV	59	73	81	91
P/ABV (x)	1.3	2.4	2.5	2.2



Q1 FY18 EARNINGS UPDATE- SNAPSHOT

Reported Quarterly Results					
Particulars (Rs in Cr)	Q1FY18	Q1FY17	YoY	Q4FY17	QoQ
Interest Earned	566	471	20%	549	3%
Yield on Advances (%)	11.6	12	-5%	12	
Interest Expended	333	294	13%	329	1%
Net Interest Income	233	177	32%	220	6%
Other Income	86	60	43%	64	35%
Other income / Net Income (%)	26.9	25	6%	22	
Total income	319	237	34%	284	12%
Operating Expenses	183	144	26%	169	8%
Cost-income Ratio (%)	57.2	61	-6%	59	
Pre-Prov Profits	136	93	47%	115	18%
Provisions & Contingencies	36	21	73%	34	5%
PBT	101	72	40%	81	24%
Provisions for Tax	35.7	25	42%	29	
Effective Tax Rate (%)	35%	0	1%	35%	
PAT (reported)	65.2	47	39%	53	23%
EPS Basic	2.1	2		2	
GNPA	285	231		254	
NNPA	149	116		124	
GNPA (%)	1.8	2		2	
NNPA (%)	0.9	1		1	
Total CAR (%)	15.3	13		14	
Tier 1 (%)	13.4	12		12	
Tier 2 (%)	1.8	1		2	
NIM (%)	4.2	4	4%	4	0.1
Advances	16,266	13,337	22%	15,818	3%
Deposits	19,155	15,680	22%	19,289	-1%



Income Statement

Year to 31st March (Rs.Cr)	FY17	FY18E	FY19E
Interest Income	2,076	2,565	3,174
Interest Expenses	1,279	1,592	1,956
Net Interest Income	797	973	1,218
Other Income	249	272	309
Fee-based Income	194	212	243
Treasury Income	56	61	66
Other non interest income	(0)	(0)	(0)
Operating Income	1,047	1,245	1,527
Operating Expenses	628	739	887
- Staff Cost	308	376	451
- Other Operating Exp.	-	363	436
Gross Profits	418	506	641
Provisions	111	130	160
Profit Before Taxes	307	377	481
Taxes	107	132	168
Profit After Taxes	199	245	313

Balance Sheet

As on 31st March (Rs. cr)	FY17	FY18E	FY19E
LIABILITIES			
Capital	285	285	285
Reserves & Surplus	1,918	2,163	2,475
Deposits	19,289	24,180	29,742
Borrowings	1,276	1,403	1,684
Other liabilities & provisions	1,276	1,404	1,545
Total Liabilities	24,046	29,439	35,734
ASSETS			
Cash on hand & with RBI	858	1,155	1,440
Money at call and short notice	334	299	963
Advances	15,818	19,153	23,559
Investments	5,818	7,503	8,294
Fixed assets	489	562	673
Other assets	730	766	805
Total Assets	24,046	29,439	35,734

Ratio Analysis

	FY17	FY18E	FY19E
Basic Ratio (Rs.)			
EPS	7.0	8.6	11.0
Book Value per share	77.3	85.8	96.7
Adjusted Book Value	73.0	81.0	91.2
Dividend per share	0.0	0.0	0.0
Asset Quality (%)			
Gross NPAs	1.6	1.5	1.4
Net NPAs	0.8	0.7	0.7
PCR	75.0	75.0	75.0
Profitability ratios (%)			
RoAE	10.0	10.5	12.0
RoAA	0.9	0.9	1.0
NIM	4.1	4.1	4.2
Cost to Income	60.0	59.3	58.1

Spread analysis (%)

	FY17	FY18E	FY19E
Yield on advances	11.8	12.0	12.2
Yield on investments	7.0	7.0	7.2
Cost of deposits	6.9	6.9	7.0
Cost of funds	6.2	6.2	6.2
Spread	3.3	3.6	3.7
Interest Income to AWF	10.2	10.1	10.2
Net Interest Income to AWF	3.9	3.8	3.9
Non Interest Income to AWF	1.2	1.1	1.0
Operating Expense to AWF	3.1	2.9	2.9
Operating Profit to AWF	2.1	2.0	2.1
Net Profit to AWF	1.0	1.0	1.0
Valuation ratios (x)			
P/E	25.3	23.2	18.2
P/BV	2.3	2.3	2.1
P/ABV	2.4	2.5	2.2



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Stock Rating Scale

	Absolute Return
Buy	> 20%
Accumulate	12% to 20%
Hold	5% to 12%
Neutral	-5% to 5%
Reduce	< -5%

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