



Standing Strong!

17th Jan, 2016

CMP: Rs. 121
Target Price: Rs. 129
Recommendation: HOLD

Stock Info

BSE Group	A
BSE Code	532772
NSE Symbol	DCB
Bloomberg	DEVB IN
Reuters	DCBA.BO
BSE Sensex	27,674
NSE Nifty	8,584

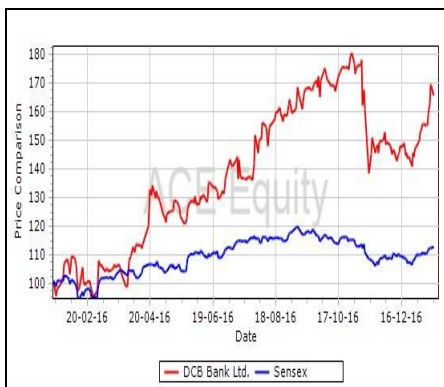
Market Info

Market Capital	Rs 3,452 cr
Equity Capital	Rs 285 cr
Avg. Trading Vol.	14,24,600
52 Wk High/ Low	Rs 133/69
Face Value	Rs 10

Shareholding Pattern (%) (Dec 2016)

Promoters	16.2
Domestic Institutions	20.1
Foreign Institutions	22.2
Public & Others	41.5

Price Vs Sensex Chart



DCB Bank Ltd. reported strong growth this quarter. Operating Profit came in at Rs. 109 Cr. for Q3 FY 17 as against Rs. 84 Cr. in Q3 FY 16 registering robust growth of 30% and growth of 8% sequentially. Net profit increased to Rs 51.3 crs, up 25% YoY and growth of 6% sequentially.

Deposits:

Deposits for the bank grew at 34% YoY and 7% sequentially. The CASA portion for the bank stood at Rs 4,871 cr rising to 26% of the deposits against 22% sequentially. Retail term deposits stood at 54%. Cost of funds dropped by 26 bps sequentially to 6.9%.

NIM & Advances:

NIM for the quarter came in at 3.95 staying flat YoY as well as sequentially. Bank's advances comprise of Retail Mortgages (44%); Gold Loans (2%); Commercial Vehicles (4%); SME / MSME (11%); Agri and Inclusive Banking (AIB) (17%), Construction Finance (2%) and Corporate Banking (16%). C/D ratio for the bank stood at 77.4%. Yield on advances dropped by 33 bps YoY and stood flat sequentially at 12.0%.

Asset quality:

Asset quality for the bank improved. Gross NPA for the quarter stood at 1.6% while Net NPA was at 0.74%. Fresh slippages during the quarter were Rs 79.3 crs vs. Rs 50 crs sequentially and Rs 55 crs YoY. Recovery during the quarter stood at Rs 64 crs vs. Rs 14 crs sequentially and Rs 25 crs YoY. PCR for the quarter stood at 75.6%.

Expansion:

Bank has added 20 new branches taking the total to 248 and 6 ATM's taking the total to 496. Cost to income ratio for the bank increased to 60% from 59.4% YoY and increased marginally sequentially.

Valuation:

We have pegged a multiple of 1.75(x) to FY 18E ABV & arrived at a fair value of Rs 129 per share. At CMP of Rs 121 the stock is available at its FY 18E P/ABV of 1.6(x). We have "HOLD" rating on the stock.

(Rs Cr)	FY15	FY16	FY17E	FY18E
Net interest income	508	620	788	963
Operating Profit	277	349	411	487
PAT	191	195	201	232
EPS (Rs)	7.2	6.9	7.1	8.2
EPS Growth (%)	12.1%	1.3%	3.4%	0.0%
RoE (%)	14.0	11.5	10.6	11.0
P/E (x)	15.4	11.5	17.1	14.8
ABV	55	59	66	74
P/ABV (x)	2.0	1.3	1.8	1.6



Q3 FY17 EARNINGS UPDATE- SNAPSHOT

Reported Quarterly Results					
Particulars (Rs in Cr)	Q3FY17	Q3FY16	YoY	Q2FY17	QoQ
Interest Earned	550	430	28%	506	9%
Yield on Advances (%)	12.0	12.3		12.0	
Interest Expended	341	269	26%	316	8%
Cost of Funds (%)	6.9	7.4		7.2	
Net Interest Income	209	160	31%	190	10%
Other Income	64	47	36%	62	4%
Other income / Net Income (%)	23.4	22.7		24.5	
Total income	274	208	32%	252	9%
Operating Expenses	164	123	33%	151	9%
Cost-income Ratio (%)	60.1	59.4		60.0	
Pre-Prov Profits	109	84	30%	101	8%
Provisions & Contingencies	31	21	46%	26	15%
PBT	79	63	24%	74	6%
Provisions for Tax	27.4	22		26	
Effective Tax Rate (%)	35%	35%		35%	
PAT (reported)	51.3	41.2	25%	48.5	6%
EPS Basic	1.8	1.5		1.7	
GNPA	228	235		255	
NNPA	108	131		121	
GNPA (%)	1.6	2.0		1.8	
NNPA (%)	0.7	1.1		0.8	
Total CAR (%)	13.3	13.0		11.9	
Tier 1 (%)	11.4	12.3		10.8	
Tier 2 (%)	1.9	0.7		1.1	
NIM (%)	4.0	4.0	(0.0)	4.0	(0.0)
Advances	14,584	11,736	24%	14,436	1%
Deposits	18,840	14,084	34%	17,685	7%



Income Statement

Year to 31st March (Rs.Cr)	FY15	FY16	FY17E	FY18E
Interest Income	1,422	1,698	2,072	2,571
Interest Expenses	914	1,079	1,284	1,608
Net Interest Income	508	620	788	963
Other Income	166	221	244	275
Fee-based Income	122	144	162	186
Treasury Income	35	61	66	72
Other non interest income	9	15	16	17
Operating Income	674	840	1,032	1,239
Operating Expenses	396	491	621	751
- Staff Cost	196	231	316	386
- Other Operating Exp.	200	260	304	366
Gross Profits	277	349	411	487
Provisions	69	88	102	130
Profit Before Taxes	208	261	310	357
Taxes	17	67	108	125
Profit After Taxes	191	195	201	232

Balance Sheet

As on 31st March (Rs. cr)	FY15	FY16	FY17E	FY18E
LIABILITIES				
Capital	282	283	283	283
Reserves & Surplus	1,303	1,506	1,707	1,939
Deposits	12,609	14,926	20,150	24,180
Borrowings	1,164	1,148	1,091	1,200
Other liabilities & provisions	771	1,252	1,127	1,240
Total Liabilities	16,132	19,119	24,362	28,846
ASSETS				
Cash on hand & with RBI	634	685	972	1,087
Money at call and short notice	85	207	402	255
Advances	10,465	12,922	15,765	19,154
Investments	3,962	4,333	5,962	6,990
Fixed assets	237	248	500	562
Other assets	749	724	760	798
Total Assets	16,132	19,119	24,362	28,846

Ratio Analysis

	FY15	FY16	FY17E	FY18E
Basic Ratio (Rs.)				
EPS	7.2	6.9	7.1	8.2
Book Value per share	56.2	63.1	70.2	78.4
Adjusted Book Value	55.5	59.4	65.9	73.7
Dividend per share	0.0	0.0	0.0	0.0
Asset Quality (%)				
Gross NPAs	1.8	1.5	1.6	1.5
Net NPAs	1.0	0.8	0.8	0.7
PCR	74.7	77.6	75.0	75.0
Profitability ratios (%)				
RoAE	14.0	11.5	10.6	11.0
RoAA	1.3	1.1	0.9	0.9
NIM	3.8	3.8	4.0	4.0
Cost to Income	58.8	58.5	60.1	60.7

Spread analysis (%)

	FY15	FY16	FY17E	FY18E
Yield on advances	12.6	12.5	12.0	11.8
Yield on investments	7.0	6.5	7.0	7.0
Cost of deposits	7.0	7.3	6.9	6.7
Cost of funds	7.8	7.5	7.0	6.9
Spread	1.7	2.2	2.5	2.9
Interest Income to AWF	10.3	10.2	10.1	10.1
Net Interest Income to AWF	3.7	3.7	3.8	3.8
Non Interest Income to AWF	1.2	1.3	1.2	1.1
Operating Expense to AWF	2.9	3.0	3.0	3.0
Operating Profit to AWF	2.0	2.1	2.0	1.9
Net Profit to AWF	1.4	1.2	1.0	0.9
Valuation ratios (x)				
P/E	15.4	11.5	17.1	14.8
P/BV	1.9	1.3	1.7	1.5
P/ABV	2.0	1.3	1.8	1.6



Arihant Research Desk

E. research@arihantcapital.com
T. 022-42254800

Head Office

#1011, Solitaire Corporate park,
Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road,
Chakala, Andheri (E).
Mumbai - 400093
Tel: (91-22) 42254800
Fax: (91-22) 42254880

Registered Office

E-5 Ratlam Kothi
Indore - 452003, (M.P.)
Tel: (91-731) 3016100
Fax: (91-731) 3016199

Stock Rating Scale

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

Research Analyst Registration No.

INH000002764

Contact

SMS: 'Arihant' to 56677

Website

www.arihantcapital.com

Email Id

research@arihantcapital.com

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