



Steady Outlook!

18th April, 2017

CMP: Rs. 177
Target Price: Rs. 187
Recommendation: HOLD

Stock Info

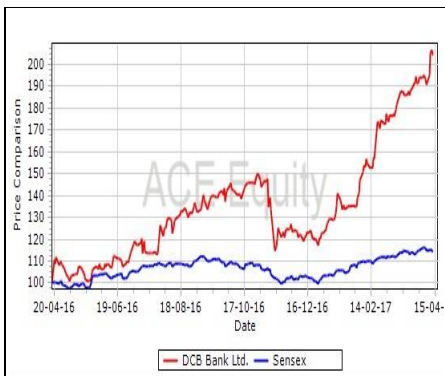
| | |
|------------|---------|
| BSE Group | A |
| BSE Code | 532772 |
| NSE Symbol | DCB |
| Bloomberg | DEVB IN |
| Reuters | DCBA.BO |
| BSE Sensex | 29,421 |
| NSE Nifty | 9,136 |

Market Info

| | |
|-------------------|---------------|
| Market Capital | Rs 5060.94 cr |
| Equity Capital | Rs 285 cr |
| Avg. Trading Vol. | 1,892,740 |
| 52 Wk High/ Low | Rs 184/87 |
| Face Value | Rs 10 |

| | |
|--------------------------|------------|
| Shareholding Pattern (%) | (Dec 2016) |
| Promoters | 16.19 |
| Domestic Institutions | 17.06 |
| Foreign Institutions | 23.55 |
| Public & Others | 43.2 |

Price Vs Sensex Chart



DCB Bank Ltd. reported strong growth this quarter. Operating Profit came in at Rs. 115 Cr. for Q4 FY 17 as against Rs. 97 Cr. in Q4 FY 16 registering robust growth of 19% and growth of 6% sequentially. Net profit decreased to Rs 53 crs. down 24% YoY and growth of 3% sequentially. The reason for such can be seen due additional provisions & contingencies.

Deposits:

Deposits for the bank grew at 29% YoY and 2% sequentially. The CASA portion for the bank stood at Rs 4,689 cr rising to 34% of the deposits against reduced 4% sequentially. Retail term deposits stood at 53%. Cost of funds increased by 10 bps sequentially to 7%.

NIM & Advances:

NIM for the quarter came in at 4.14 staying flat YoY as well as sequentially. Bank's advances comprise of Retail Mortgages (43%); Gold Loans (2%); Commercial Vehicles (4%); SME / MSME (12%); Agri and Inclusive Banking (AIB) (18%), Construction Finance (3%) and Corporate Banking (16%). C/D ratio for the bank stood at 82%. 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 0.8%. Fresh slippages during the quarter were Rs 74.2 crs vs. Rs 79.3 crs sequentially and Rs 50 crs YoY. Recovery during the quarter stood at Rs 22.5 crs vs. Rs 64 crs sequentially and Rs 42.6 crs YoY. PCR for the quarter stood at 73.8%.

Expansion:

Bank has added 14 new branches taking the total to 262 and 19 ATM's taking the total to 515. 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 2.25(x) to FY 19E ABV & arrived at a fair value of Rs 187 per share. At CMP of Rs 177 the stock is available at its FY 19E P/ABV of 2.1(x). We have "HOLD" rating on the stock.

| (Rs Cr) | FY16 | FY17 | FY18E | FY19E |
|---------------------|------|------|-------|-------|
| Net interest income | 620 | 788 | 963 | 1,206 |
| Operating Profit | 349 | 411 | 487 | 618 |
| PAT | 195 | 201 | 232 | 298 |
| EPS (Rs) | 6.9 | 7.1 | 8.2 | 10.5 |
| EPS Growth (%) | 1.3% | 3.4% | 0.0% | 0.0% |
| RoE (%) | 11.5 | 10.6 | 11.0 | 12.6 |
| P/E (x) | 11.5 | 24.9 | 21.6 | 16.8 |
| ABV | 59 | 66 | 74 | 83 |
| P/ABV (x) | 1.3 | 2.7 | 2.4 | 2.1 |



Q4 FY17 EARNINGS UPDATE- SNAPSHOT

| Reported Quarterly Results | | | | | |
|-------------------------------|-------------|--------|-------------|--------|-----------|
| Particulars (Rs in Cr) | Q4FY17 | Q4FY16 | YoY | Q3FY17 | QoQ |
| Interest Earned | 549 | 448 | 23% | 550 | 0% |
| Yield on Advances (%) | 12.0 | 13 | | 12 | |
| Interest Expended | 329 | 279 | 18% | 341 | -4% |
| Cost of Funds (%) | 7.0 | 8 | | 7 | |
| Net Interest Income | 220 | 169 | 30% | 209 | 5% |
| Other Income | 64 | 61 | 4% | 64 | -1% |
| Other income / Net Income (%) | 22.4 | 27 | | 23 | |
| Total income | 284 | 230 | 23% | 274 | 4% |
| Operating Expenses | 169 | 133 | 27% | 164 | 3% |
| Cost-income Ratio (%) | 59.4 | 58 | | 60 | |
| Pre-Prov Profits | 115 | 97 | 19% | 109 | 6% |
| Provisions & Contingencies | 34 | 27 | 26% | 31 | 11% |
| PBT | 81 | 70 | 17% | 79 | 3% |
| Provisions for Tax | 28.6 | 0 | | 27 | |
| Effective Tax Rate (%) | 35% | 0 | | 35% | |
| PAT (reported) | 52.9 | 70 | -24% | 51 | 3% |
| EPS Basic | 1.9 | 2 | | 2 | |
| GNPA | 255 | 197 | | 228 | |
| NNPA | 124 | 98 | | 108 | |
| GNPA (%) | 1.6 | 2 | | 2 | |
| NNPA (%) | 0.8 | 1 | | 1 | |
| Total CAR (%) | 13.8 | 14 | | 13 | |
| Tier 1 (%) | 11.9 | 13 | | 11 | |
| Tier 2 (%) | 1.9 | 1 | | 2 | |
| NIM (%) | 4.1 | 4 | 0.2 | 4 | 0.2 |
| Advances | 15,818 | 12,921 | 22% | 14,584 | 8% |
| Deposits | 19,289 | 14,926 | 29% | 18,840 | 2% |



Income Statement

| Year to 31st March (Rs.Cr) | FY16 | FY17E | FY18E | FY19E |
|----------------------------|------------|--------------|--------------|--------------|
| Interest Income | 1,698 | 2,072 | 2,571 | 3,180 |
| Interest Expenses | 1,079 | 1,284 | 1,608 | 1,973 |
| Net Interest Income | 620 | 788 | 963 | 1,206 |
| Other Income | 221 | 244 | 275 | 313 |
| Fee-based Income | 144 | 162 | 186 | 216 |
| Treasury Income | 61 | 66 | 72 | 79 |
| Other non interest income | 15 | 16 | 17 | 18 |
| Operating Income | 840 | 1,032 | 1,239 | 1,519 |
| Operating Expenses | 491 | 621 | 751 | 902 |
| - Staff Cost | 231 | 316 | 386 | 463 |
| - Other Operating Exp. | 260 | 304 | 366 | 439 |
| Gross Profits | 349 | 411 | 487 | 618 |
| Provisions | 88 | 102 | 130 | 160 |
| Profit Before Taxes | 261 | 310 | 357 | 458 |
| Taxes | 67 | 108 | 125 | 160 |
| Profit After Taxes | 195 | 201 | 232 | 298 |

Balance Sheet

| As on 31st March (Rs. cr) | FY16 | FY17E | FY18E | FY19E |
|--------------------------------|---------------|---------------|---------------|---------------|
| LIABILITIES | | | | |
| Capital | 283 | 283 | 283 | 283 |
| Reserves & Surplus | 1,506 | 1,707 | 1,939 | 2,237 |
| Deposits | 14,926 | 20,150 | 24,180 | 29,742 |
| Borrowings | 1,148 | 1,091 | 1,200 | 1,439 |
| Other liabilities & provisions | 1,252 | 1,127 | 1,240 | 1,364 |
| Total Liabilities | 19,119 | 24,362 | 28,846 | 35,069 |
| ASSETS | | | | |
| Cash on hand & with RBI | 685 | 972 | 1,087 | 1,370 |
| Money at call and short notice | 207 | 402 | 255 | 240 |
| Advances | 12,922 | 15,765 | 19,154 | 23,560 |
| Investments | 4,333 | 5,962 | 6,990 | 8,388 |
| Fixed assets | 248 | 500 | 562 | 673 |
| Other assets | 724 | 760 | 798 | 838 |
| Total Assets | 19,119 | 24,362 | 28,846 | 35,069 |

Ratio Analysis

| | FY16 | FY17E | FY18E | FY19E |
|---------------------------------|------|-------|-------|-------|
| Basic Ratio (Rs.) | | | | |
| EPS | 6.9 | 7.1 | 8.2 | 10.5 |
| Book Value per share | 63.1 | 70.2 | 78.4 | 88.9 |
| Adjusted Book Value | 59.4 | 65.9 | 73.7 | 83.3 |
| Dividend per share | 0.0 | 0.0 | 0.0 | 0.0 |
| Asset Quality (%) | | | | |
| Gross NPAs | 1.5 | 1.6 | 1.5 | 1.4 |
| Net NPAs | 0.8 | 0.8 | 0.7 | 0.7 |
| PCR | 77.6 | 75.0 | 75.0 | 75.0 |
| Profitability ratios (%) | | | | |
| RoAE | 11.5 | 10.6 | 11.0 | 12.6 |
| RoAA | 1.1 | 0.9 | 0.9 | 0.9 |
| NIM | 3.8 | 4.0 | 4.0 | 4.2 |
| Cost to Income | 58.5 | 60.1 | 60.7 | 59.3 |

Spread analysis (%)

| | FY16 | FY17E | FY18E | FY19E |
|-----------------------------|------|-------|-------|-------|
| Yield on advances | 11.8 | 11.8 | 12.0 | 12.2 |
| Yield on investments | 6.5 | 7.0 | 7.0 | 7.2 |
| Cost of deposits | 7.3 | 6.9 | 6.9 | 7.0 |
| Cost of funds | 6.7 | 6.0 | 6.3 | 6.3 |
| Spread | 3.0 | 3.5 | 3.5 | 3.6 |
| Interest Income to AWF | 10.2 | 10.1 | 10.1 | 10.4 |
| Net Interest Income to AWF | 3.7 | 3.8 | 3.8 | 3.9 |
| Non Interest Income to AWF | 1.3 | 1.2 | 1.1 | 1.0 |
| Operating Expense to AWF | 3.0 | 3.0 | 3.0 | 2.9 |
| Operating Profit to AWF | 2.1 | 2.0 | 1.9 | 2.0 |
| Net Profit to AWF | 1.2 | 1.0 | 0.9 | 1.0 |
| Valuation ratios (x) | | | | |
| P/E | 11.5 | 23.0 | 19.9 | 15.6 |
| P/BV | 1.3 | 2.3 | 2.1 | 1.8 |
| P/ABV | 1.3 | 2.5 | 2.2 | 2.0 |

*Note: Since audited annual figures for FY17 has not been released, estimates are represented.



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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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