

# DCB Bank | BUY

## All round performance

DCB Bank reported a steady and well-rounded performance in 2QFY26, marked by healthy profitability, improving asset quality, and strong growth momentum. PAT rose 18%/17% YoY/QoQ, driven by robust NII growth, healthy fee income, and normalization in credit costs. NII grew 17%/3% YoY/QoQ, supported by stable NIMs of 3.23% (+3bps QoQ) and a well-diversified loan mix that expanded 19% YoY. Core fee income gained double-digit traction of 18% QoQ, while operating leverage improved with a C/I ratio of 61.2% (-311bps YoY). Asset quality continued to strengthen with gross/net slippages at 3.1%/0.57%, and credit costs moderated to 46bps. Management targets a medium-term goal of 1% RoA and 14% RoE. We revise our EPS estimates upwards by ~6%-18% for FY26E-28E and maintain BUY with a revised TP of INR 170 (valuing the bank at 0.8x FY27E BVPS).

- **Strong business growth with focus on granularity:** Business momentum remained resilient with advances up 19%/3% YoY/QoQ to INR 529.7bn, led by retail banking (+58% YoY), commercial vehicle (+79% YoY), agri and inclusive banking (+14% YoY) and mortgages (+13% YoY). Corporate lending also saw healthy traction (+12% YoY), while management continued to optimize SME/MSME exposure (-15% YoY) to enhance risk-adjusted profitability. Deposits grew 19%/4% YoY/QoQ to INR 647.8bn, supported by strong term deposit accretion and steady CASA growth. CASA ratio stood at 23.5%, and the deposit base remains well diversified, with top 20 deposits forming just 6.9% of total. Notably, 86% of the loan book comprises sub-INR 30mn ticket size loans, reinforcing DCB's granular growth strategy. **We build in avg. loan/deposit CAGR of 20%/22% over FY25-27E.**
- **Profitability improves as margins hold steady:** DCB delivered a strong operating profit at INR 3.04bn (+19% YoY), led by stable NIMs (reported) at 3.23%, supported by a 12bps sequential reduction in cost of funds (to 7.02%), partly offsetting yield moderation amid a softening rate environment. Core fee income grew 18% QoQ, offset the sequential fall in treasury income. Cost ratios improved, with C/I ratio at 61.2% (-311bps YoY) and management reaffirmed its near-term C/I target below 60%. Profitability metrics strengthened further with ROA/ROE at 0.9%/12.5%, progressing steadily towards medium-term return objectives. **We build avg. RoA/RoE of 0.96%/14.3% over FY26E-27E.**
- **Asset quality strengthens as credit cost normalizes:** Asset quality metrics improved across parameters, with GNPA/NNPA declining 7bps/1bp QoQ, while gross slippages moderated to 3.1% (vs. 4.6% QoQ). PCR remained robust at 59.2% (vs. 59.7% QoQ). Credit cost normalized to 46bps, reflecting limited incremental stress and earlier provisioning of high-risk pools in Q1. Collection efficiency remained strong at ~99% across home and LAP portfolios, and management continues to guide for FY26 credit costs <45bps. **We build in avg. credit costs of 61bps over FY26E/27E.**
- **Valuation and view:** DCB Bank's improving profitability trajectory, granular balance sheet, and stable asset quality reinforce its ability to deliver sustained earnings growth. With a strong capital position (CAR at 16.4%), improving efficiency, and well-controlled credit costs, DCB is poised to deliver loan CAGR of ~20% and RoA/RoE of 0.96%/14.3% over FY26-27E. At the CMP of INR 144, the stock trades at an attractive 0.6x FY27E BVPS, offering compelling value. We revise our **EPS estimates upwards by ~6%-18% for FY26E-28E and maintain our BUY rating with a revised target price of INR 170, valuing the bank at 0.8x FY27E BVPS.**



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### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	170
Upside/(Downside)	18.1%
Previous Price Target	155
Change	9.7%

### Key Data – DCBB IN

Current Market Price	INR144
Market cap (bn)	INR45.4/US\$0.5
Free Float	83%
Shares in issue (mn)	311.0
Diluted share (mn)	
3-mon avg daily val (mn)	INR172.9/US\$2.0
52-week range	151/101
Sensex/Nifty	84,246/25,816
INR/US\$	87.9

### Price Performance

%	1M	6M	12M
Absolute	10.6	13.4	25.7
Relative*	8.5	5.7	21.2

\* To the BSE Sensex

### Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Profit	5,360	6,153	8,015	9,802	11,711
Net Profit (YoY) (%)	15.1%	14.8%	30.3%	22.3%	19.5%
Assets (YoY) (%)	20.5%	22.0%	20.5%	20.7%	19.9%
ROA (%)	0.9%	0.9%	0.9%	1.0%	1.0%
ROE (%)	11.9%	12.1%	13.9%	14.8%	15.2%
EPS	17.1	19.6	25.5	31.2	37.3
EPS (YoY) (%)	14.6%	14.3%	30.3%	22.3%	19.5%
PE (x)	8.4	7.4	5.6	4.6	3.9
BV	153	172	196	226	263
BV (YoY) (%)	11.5%	12.6%	14.1%	15.4%	16.0%
P/BV (x)	0.94	0.84	0.73	0.64	0.55

Source: Company data, JM Financial. Note: Valuations as of 20/Oct/2025

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

## DCB Bank 2QFY26 Key quarterly trends

## Exhibit 1. 2QFY26 Key result highlights

(INR mn)	2Q'25	1Q'26	2Q'26	YoY (%)	QoQ (%)	2Q'26E	A/E (%)
<b>Net Interest Income</b>	<b>5,092</b>	<b>5,804</b>	<b>5,962</b>	<b>17%</b>	<b>3%</b>	<b>5,768</b>	<b>3%</b>
Non-interest income	2,046	2,361	1,861	-9%	-21%	2,282	-18%
<b>Total Income</b>	<b>7,138</b>	<b>8,166</b>	<b>7,823</b>	<b>10%</b>	<b>-4%</b>	<b>8,051</b>	<b>-3%</b>
Opex	4,587	4,897	4,784	4%	-2%	5,110	-6%
<b>Operating Profit</b>	<b>2,551</b>	<b>3,269</b>	<b>3,039</b>	<b>19%</b>	<b>-7%</b>	<b>2,940</b>	<b>3%</b>
Provisions	456	1,151	605	33%	-47%	976	-38%
<b>PBT</b>	<b>2,095</b>	<b>2,118</b>	<b>2,434</b>	<b>16%</b>	<b>15%</b>	<b>1,964</b>	<b>24%</b>
Tax	541	545	595	10%	9%	505	18%
<b>PAT</b>	<b>1,555</b>	<b>1,573</b>	<b>1,839</b>	<b>18%</b>	<b>17%</b>	<b>1,459</b>	<b>26%</b>
Yield on IEA (Calc. %)	10.33%	10.19%	10.08%	(24) bps	(11) bps	10.05%	3 bps
Cost of funds(Calc. %)	7.16%	7.14%	7.02%	(14) bps	(12) bps	7.05%	(3) bps
NIM (Calc. %)	3.05%	3.01%	3.05%	0 bps	4 bps	2.91%	15 bps
NIM (reported) (%)	3.27%	3.20%	3.23%	(4) bps	3 bps		
ROA (%)	0.93%	0.82%	0.94%	1 bps	13 bps	0.74%	21 bps
ROE (%)	11.80%	10.91%	12.46%	65 bps	154 bps	9.87%	259 bps
Loan (INR bn)	445	512	530	19%	3%	529	0%
Deposit (INR bn)	545	620	648	19%	4%	649	0%
C/D ratio	82%	83%	82%	24 bps	(77) bps	82%	24 bps
GNPA (%)	3.29%	2.98%	2.91%	(38) bps	(7) bps		
NNPA (%)	1.11%	1.22%	1.21%	10 bps	(1) bps		
Gross slippage (%)	3.27%	4.60%	3.12%	(15) bps	(147) bps	3.89%	(76) bps
Net slippage (%)	0.16%	1.37%	0.57%	41 bps	(80) bps	1.54%	(97) bps
Credit cost (%)	0.42%	0.90%	0.46%	4 bps	(44) bps	0.75%	(29) bps

Source: Company, JM Financial

## Exhibit 2. Loan book composition

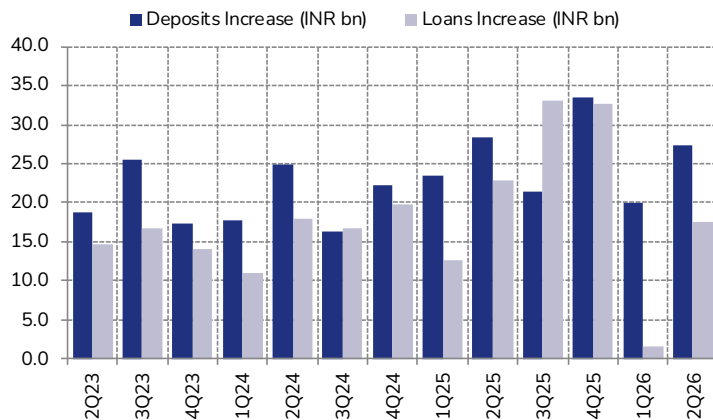
Loan Book Composition (INR bn)	2Q'25	1Q'26	2Q'26	YoY (%)	QoQ (%)
Retail Banking (incl const. fin.)	74.3	109.1	117.1	57.7%	7.3%
Mortgages	201.4	224.3	226.7	12.6%	1.1%
SME + Micro SME	26.2	23.0	22.2	-15.2%	-3.5%
Corporate Banking	30.7	31.8	34.4	12.2%	8.4%
Agri & Inclusive Banking / Priority Sector	109.4	118.8	124.5	13.8%	4.8%
Commercial vehicle	2.7	5.1	4.8	78.7%	-6.9%
<b>Total</b>	<b>444.7</b>	<b>512.2</b>	<b>529.7</b>	<b>19.1%</b>	<b>3.44%</b>
Retail Banking (incl const. fin.)	16.7%	21.3%	22.1%	5.4%	0.8%
Mortgages	45.3%	43.8%	42.8%	-2.5%	-1.0%
SME + Micro SME	5.9%	4.5%	4.2%	-1.7%	-0.3%
Corporate Banking	6.9%	6.2%	6.5%	-0.4%	0.3%
Agri & Inclusive Banking / Priority Sector	24.6%	23.2%	23.5%	-1.1%	0.3%
Commercial vehicle	0.6%	1.0%	0.9%	0.3%	-0.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>		

Source: Company, JM Financial

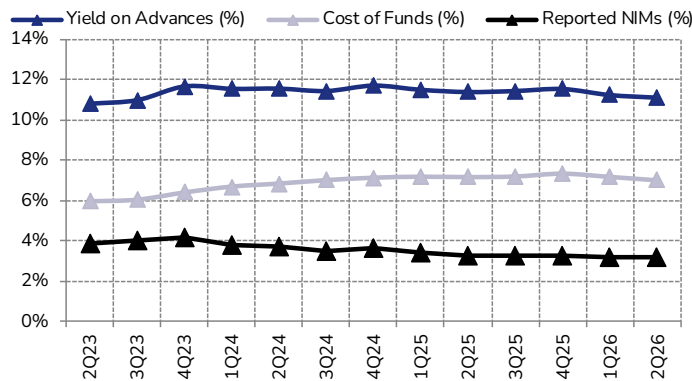
## Exhibit 3. Deposits break-up

Deposits	2Q'25	1Q'26	2Q'26	YoY (%)	QoQ (%)
CASA	139,630	144,690	152,350	9.1%	5.3%
Term Deposits	405,687	475,700	495,415	22.1%	4.1%
<b>Total</b>	<b>545,317</b>	<b>620,390</b>	<b>647,765</b>	<b>18.8%</b>	<b>4.4%</b>
CASA	25.6%	23.3%	23.5%	-2.1%	0.2%
Term Deposits	74.4%	76.7%	76.5%	2.1%	-0.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>		

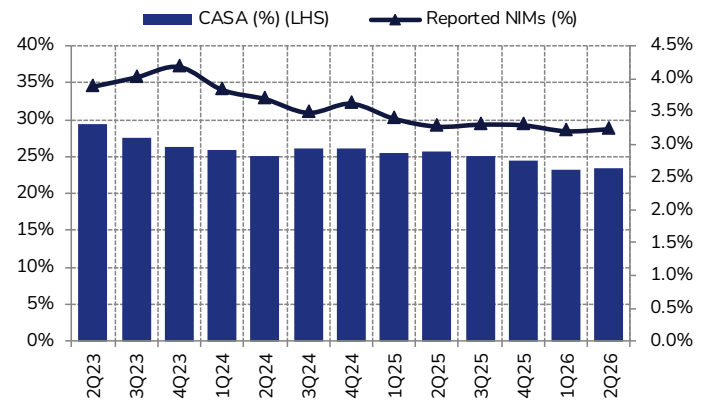
Source: Company, JM Financial

**Exhibit 4. Strong deposit and loan growth (% YoY)**

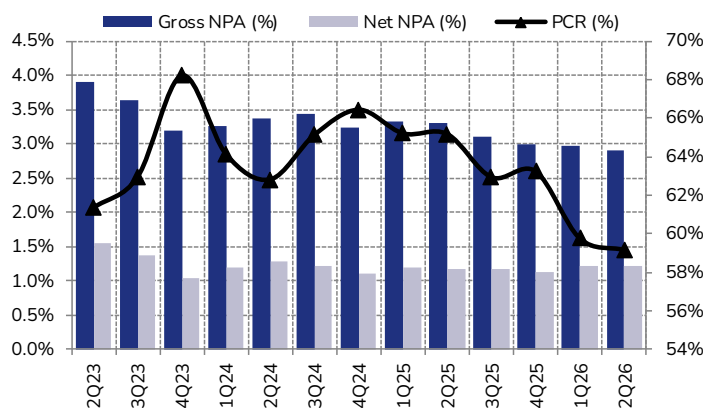
Source: Company, JM Financial

**Exhibit 5. Stable yields and cost of funds (%)**

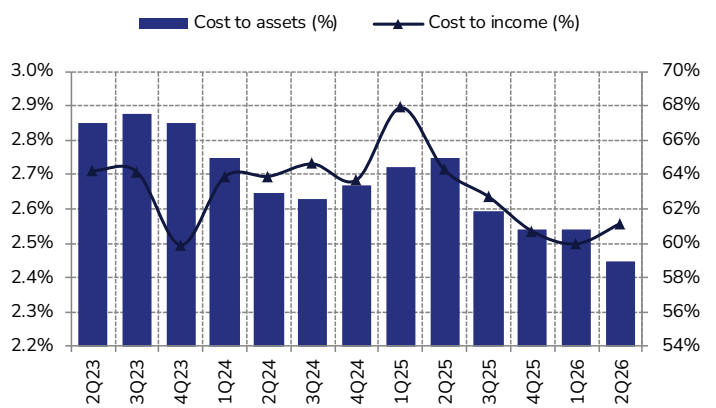
Source: Company, JM Financial

**Exhibit 6. Steady trends in CASA ratio and reported NIMs (%)**

Source: Company, JM Financial

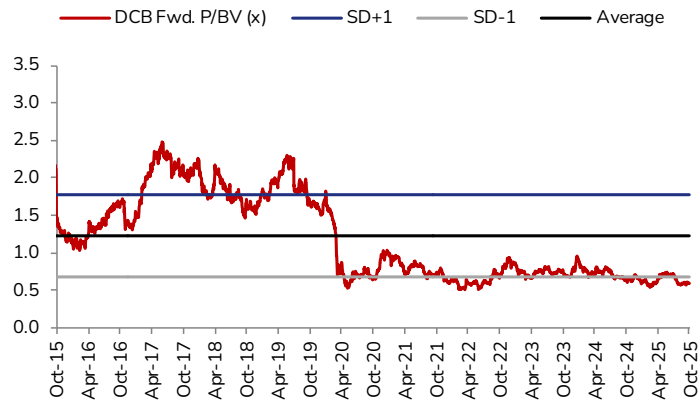
**Exhibit 7. Strengthening asset quality trends (%)**

Source: Company, JM Financial

**Exhibit 8. Sequential improvement in cost ratios (%)**

Source: Company, JM Financial

Exhibit 9. One year forward P/BV (x)



Source: Company, JM Financial

Exhibit 10. One year forward P/E (x)



Source: Company, JM Financial

Exhibit 11. Change in our estimates

Old vs. New Estimates	FY26E, Old	FY26E, New	Change	YoY	FY27E, Old	FY27E, New	Change	YoY	FY28E, Old	FY28E, New	Change	YoY
<b>Income Statement (INR mn)</b>												
Net Interest Income	24,509	25,347	3.4%	20.3%	29,893	31,030	3.8%	22.4%	36,144	37,764	4.5%	21.7%
Non-Interest Income	9,338	8,455	-9.4%	12.7%	11,051	10,023	-9.3%	18.5%	13,050	12,079	-7.4%	20.5%
<b>Total Income</b>	<b>33,846</b>	<b>33,803</b>	<b>-0.1%</b>	<b>18.3%</b>	<b>40,943</b>	<b>41,053</b>	<b>0.3%</b>	<b>21.4%</b>	<b>49,194</b>	<b>49,843</b>	<b>1.3%</b>	<b>21.4%</b>
Operating Expenses	20,761	19,679	-5.2%	8.1%	24,159	23,751	-1.7%	20.7%	28,878	28,981	0.4%	22.0%
<b>Pre-provisioning Profits</b>	<b>13,085</b>	<b>14,124</b>	<b>7.9%</b>	<b>36.2%</b>	<b>16,784</b>	<b>17,302</b>	<b>3.1%</b>	<b>22.5%</b>	<b>20,316</b>	<b>20,862</b>	<b>2.7%</b>	<b>20.6%</b>
Reported Profits	6,787	8,015	18.1%	30.3%	9,042	9,802	8.4%	22.3%	11,044	11,711	6.0%	19.5%
<b>Balance Sheet (INR bn)</b>												
Deposits	732	732	0.0%	22.0%	894	894	0.0%	22.0%	1,081	1,081	0.0%	21.0%
Net Advances	618	613	-0.8%	20.0%	747	741	-0.8%	21.0%	897	889	-0.8%	20.0%
Total Assets	921	922	0.1%	20.5%	1,111	1,113	0.2%	20.7%	1,333	1,335	0.2%	19.9%
<b>Key Ratios (%)</b>												
NIM (%)	2.99%	3.10%	0.11%	-0.04%	3.01%	3.14%	0.13%	0.05%	3.03%	3.19%	0.15%	0.04%
ROA (%)	0.80%	0.95%	0.14%	0.07%	0.89%	0.96%	0.07%	0.01%	0.90%	0.96%	0.05%	-0.01%
ROE (%)	11.9%	13.9%	2.0%	1.77%	14.0%	14.8%	0.8%	0.91%	14.8%	15.2%	0.4%	0.48%
EPS (Rs.)	21.6	25.5	18.1%	30.3%	28.8	31.2	8.4%	22.3%	35.1	37.3	6.0%	19.5%
BV (Rs.)	192.3	196.2	2.0%	14.1%	220.1	226.4	2.9%	15.4%	254.2	262.7	3.3%	16.0%

Source: Company, JM Financial

## Financial Tables (Standalone)

Profit & Loss (INR bn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Interest Income	19	21	25	31	38
Profit on Investments	0	2	2	2	2
Exchange Income	0	0	0	0	0
Fee & Other Income	4	6	7	8	10
<b>Non-Interest Income</b>	<b>5</b>	<b>8</b>	<b>8</b>	<b>10</b>	<b>12</b>
<b>Total Income</b>	<b>24</b>	<b>29</b>	<b>34</b>	<b>41</b>	<b>50</b>
Operating Expenses	15	18	20	24	29
<b>Pre-provisioning Profits</b>	<b>9</b>	<b>10</b>	<b>14</b>	<b>17</b>	<b>21</b>
Loan-Loss Provisions	1	2	3	4	5
Provisions on Investments	0	0	0	0	0
Others Provisions	0	0	0	0	0
<b>Total Provisions</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>PBT</b>	<b>7</b>	<b>8</b>	<b>11</b>	<b>13</b>	<b>16</b>
Tax	2	2	3	3	4
<b>PAT (Pre-Extraordinaries)</b>	<b>5</b>	<b>6</b>	<b>8</b>	<b>10</b>	<b>12</b>
Extra ordinaries (Net of Tax)	0	0	0	0	0
<b>Reported Profits</b>	<b>5</b>	<b>6</b>	<b>8</b>	<b>10</b>	<b>12</b>
Dividend paid	0	0	0	0	0
<b>Retained Profits</b>	<b>5</b>	<b>6</b>	<b>8</b>	<b>9</b>	<b>11</b>

Source: Company, JM Financial

Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Growth (YoY) (%)</b>					
Deposits	19.7%	21.6%	22.0%	22.0%	21.0%
Advances	19.0%	24.7%	20.0%	21.0%	20.0%
Total Assets	20.5%	22.0%	20.5%	20.7%	19.9%
NII	12.3%	9.3%	20.3%	22.4%	21.7%
Non-interest Income	15.8%	58.3%	12.7%	18.5%	20.5%
Operating Expenses	14.8%	18.4%	8.1%	20.7%	22.0%
Operating Profits	9.9%	20.0%	36.2%	22.5%	20.6%
Core Operating profit	7.2%	4.2%	44.7%	24.7%	22.2%
Provisions	-10.5%	46.2%	61.5%	23.2%	24.1%
Reported PAT	15.1%	14.8%	30.3%	22.3%	19.5%
<b>Yields / Margins (%)</b>					
Interest Spread	2.99%	2.65%	2.68%	2.77%	2.85%
NIM	3.52%	3.14%	3.10%	3.14%	3.19%
<b>Profitability (%)</b>					
Non-IR to Income	19.7%	26.3%	25.0%	24.4%	24.2%
Cost to Income	64.0%	63.7%	58.2%	57.9%	58.1%
ROA	0.93%	0.88%	0.95%	0.96%	0.96%
ROE	11.9%	12.1%	13.9%	14.8%	15.2%
<b>Assets Quality (%)</b>					
Slippages	4.37%	3.77%	3.45%	3.40%	3.30%
Gross NPA	3.24%	2.99%	2.86%	2.78%	2.77%
Net NPAs	1.11%	1.12%	1.04%	1.00%	1.00%
Provision Coverage	66.4%	63.2%	64.5%	64.5%	64.5%
Specific LLP	0.54%	0.44%	0.50%	0.51%	0.53%
Net NPAs / Network	9.5%	10.6%	10.3%	10.5%	10.8%
<b>Capital Adequacy (%)</b>					
Tier I	14.53%	14.30%	13.53%	12.93%	12.50%
CAR	16.59%	16.77%	15.63%	14.71%	14.02%

Source: Company, JM Financial

Balance Sheet (INR bn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Equity Capital	3	3	3	3	3
Reserves & Surplus	45	51	59	68	79
Deposits	494	600	732	894	1,081
Borrowings	62	91	108	128	150
Other Liabilities	24	20	20	21	22
<b>Total Liabilities</b>	<b>627</b>	<b>765</b>	<b>922</b>	<b>1,113</b>	<b>1,335</b>
Investments	162	201	250	296	356
Net Advances	409	510	613	741	889
Cash & Equivalents	31	27	35	40	48
Fixed Assets	6	6	7	9	11
Other Assets	20	20	18	28	31
<b>Total Assets</b>	<b>627</b>	<b>765</b>	<b>922</b>	<b>1,113</b>	<b>1,335</b>

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
NII / Assets	3.36%	3.03%	3.00%	3.05%	3.08%
Other Income / Assets	0.83%	1.08%	1.00%	0.98%	0.99%
Total Income / Assets	4.18%	4.10%	4.01%	4.03%	4.07%
Cost / Assets	2.68%	2.61%	2.33%	2.33%	2.37%
PBP / Assets	1.51%	1.49%	1.67%	1.70%	1.70%
Provisions / Assets	0.25%	0.30%	0.40%	0.41%	0.42%
PBT / Assets	1.26%	1.19%	1.27%	1.29%	1.28%
Tax rate	25.8%	25.7%	25.5%	25.5%	25.5%
ROA	0.93%	0.88%	0.95%	0.96%	0.96%
RoRWAs	1.76%	1.74%	1.91%	1.94%	1.93%
Leverage	13.1	14.2	15.0	15.6	16.2
ROE	11.9%	12.1%	13.9%	14.8%	15.2%

Source: Company, JM Financial

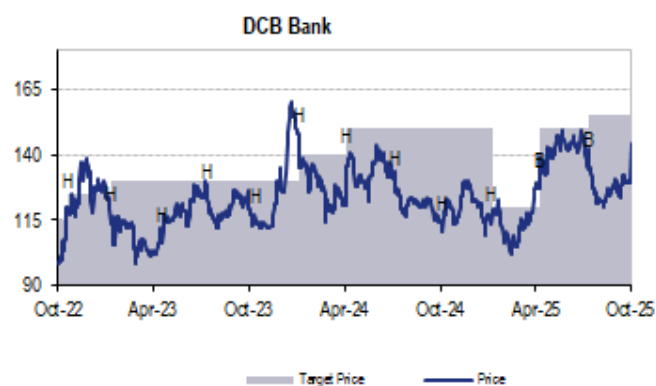
Valuations					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shares in Issue	0.3	0.3	0.3	0.3	0.3
EPS (INR)	17.1	19.6	25.5	31.2	37.3
EPS (YoY) (%)	14.6%	14.3%	30.3%	22.3%	19.5%
PER (x)	8.4	7.4	5.6	4.6	3.9
BV (INR)	153	172	196	226	263
BV (YoY) (%)	11.5%	12.6%	14.1%	15.4%	16.0%
ABV (INR)	151	169	193	223	258
ABV (YoY) (%)	10.9%	11.5%	14.5%	15.4%	16.0%
P/BV (x)	0.94	0.84	0.73	0.64	0.55
P/ABV (x)	0.95	0.85	0.75	0.65	0.56
DPS (INR)	1.3	1.4	1.3	1.0	1.0
Div. yield (%)	0.9%	0.9%	0.9%	0.7%	0.7%

Source: Company, JM Financial

## History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
1-Nov-20	Hold	84	
11-Jan-21	Hold	112	33.3
24-Jan-21	Hold	112	0.0
10-May-21	Hold	112	0.0
31-Oct-21	Hold	120	7.1
9-Feb-22	Hold	115	-4.2
8-May-22	Hold	115	0.0
31-Jul-22	Hold	115	0.0
7-Nov-22	Hold	125	8.7
29-Jan-23	Hold	130	4.0
6-May-23	Hold	130	0.0
31-Jul-23	Hold	130	0.0
1-Nov-23	Hold	130	0.0
24-Jan-24	Hold	140	7.7
24-Apr-24	Hold	150	7.1
25-Jul-24	Hold	150	0.0
24-Oct-24	Hold	150	0.0
26-Jan-25	Hold	120	-20.0
27-Apr-25	Buy	150	25.0
31-Jul-25	Buy	155	3.3

## Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return $\geq$ 15% over the next twelve months.
ADD	Expected return $\geq$ 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return $\geq$ -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

\* REITs refers to Real Estate Investment Trusts.

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