

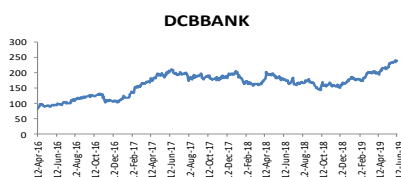
June 14, 2019

Company	Sector	CMP	Recommendation	Target	Potential Upside
DCB Bank Ltd.	Banks	233	BUY	260	11%

Key Stock Data	
BSE Script Code	DCBBANK
NSE Script Code	DCBBANK
No. of shares	30.80
FV (Rs.)	10
MCAP (Rs.)	7378
MCAP (\$)	105 Crs
52 Week High	Rs.242
52 week Low	Rs.140
Time Frame	6 months

Shareholding Pattern	
Promoters	14.93
DII's	23.90
FII's	25.97
Others	35.20

3 years Price Chart



Source: All above data from BSE Website and Capital Line

DCB Bank Ltd. (DCBBANK) is a private sector scheduled commercial bank in India. It has a network of 333 branches and around 505 ATMs in the country. It offers products to individuals, small and medium businesses, rural banking and mid corporates across the branch network.

Investments Rationale

1. Strong 4QFY19 numbers.

DCBBANK reported healthy set of 4QFY19 numbers and reported as per the guidance quoted by the management whereby the total income grew by 26% Y-o-Y to Rs.926 Crs. in Q4FY19 as against Rs. 734 Crs. in Q4FY18 led by robust NII growth of 14% Y-o-Y to Rs. 3009 Crs. for Q4FY19 as against Rs. 2637 Crs. in Q4FY18. PAT for the quarter too grew at good 50% during the quarter on a yearly basis and reported at Rs. 963 Crs. in Q4FY19 as against Rs. 642 Crs. in Q4FY18.

2. Lower cost-income ratio.

The management has been constantly striving hard to reduce the cost-income ratio and successfully reduced it by 655 bps on a yearly basis and stood at 53.71% in Q4FY19 as against 60.26% in Q1FY19. The management has guided for ROE of 16% for FY20 from current 14% and in-order to achieve it, management further aims to reduce cost/income ratio by 100 bps in the up-coming quarters.

3. Healthy Loan book

DCBBANK reported healthy loan book growth of 16% Y-o-Y for Q4FY19 and stood at 23,568 Crs. as against Rs. 20,337 in Q4FY18. Management has maintained its stance of doubling of loan book in 3-3.5 years. We expect loan growth of 20% CAGR over FY20-22E.

Outlook & Valuations

DCB Bank is constantly reporting good set of earnings over the quarters. The asset quality is also stable and the management has guided for improving the ROE for the shareholders. The stock is trading at valuations of mere 1.93x on FY21E P/BV and on account of stable asset quality, would like to allot a P/BV of 2.2x on FY21 E to arrive at a target price of Rs.260 per share.

Key Financial

Particulars	FY17 A	FY18 A	FY19 A	Amt in Crs	
				FY20 E	FY21 E
NII	797	995	1149	1321	1520
PBT	307	386	506	595	699
PAT	200	245	325	383	456
BV	72	91	100	111	123
P/BV	3.33	2.61	2.36	2.14	1.93

Source : BSE Website and company research

Analyst Stock Rating	
Ratings	Expected absolute returns over 6 months
BUY	>10%
HOLD	5-10%
SELL	<5%

Note: Our target price is within 6 months perspective. Returns stated in the rating scale are our internal benchmark.

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