

**BUY****TP: Rs 211 | ▲ 15%****DCB BANK**

| Banking

| 25 January 2026

## Business momentum stays strong, supporting profitability

- Earnings in line with estimates and margins improving; AQ improved owing to lower slippage and higher upgrades
- Business growth remains strong with loan growth guidance of 18-20% YoY in the near term
- Maintain BUY with TP of Rs 211 (earlier Rs 167), valuing the bank at 0.9x Dec'27E ABV (0.8x earlier)

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**PAT in line with estimates:** PAT grew by 22% YoY to Rs 1.85bn, and was in line with estimates, translating into RoA/ RoE of 0.91%/12.73% in Q3FY26. This, post considering the impact of Rs 269mn related to the New Labour Codes. NIMs improved to 3.27% (+4bps QoQ). Management expects NIMs to be in the range of 3.5-3.65%. Further, PPoP increased to Rs 3.2bn (+19.1% YoY) and C/I ratio improved to 61.8% (-86bps YoY). Management plans to reduce C/I ratio to ~60% or below and cost-to-average assets of 2.5%-2.6% (2.7% in Q3FY26) in the near term. Management targets RoA of 1% or above in the near term with RoE of 13.5% in FY27 and 14.5% in FY28.

**Business growth remains strong:** DCBB reported strong business momentum with credit growth (+18.5% YoY) and deposits growth (+19.5% YoY). The bank plans to ramp up share of organic products vs relatively low-yielding co-lending (15.8% of total loans in Q3FY26) and targets to cap it at 15%, going forward. Mortgages grew at a muted pace (+7% YoY) while staying the largest segment (40% of total loans). Within mortgages, the strategy is to incrementally source higher business loans (LAP) vs HL, a) given their 150-250bps higher yield, b) increase the ticket size and c) source self-originated loans vs. DSA sourcing. Management remains committed to its strategy of balance sheet doubling every 3-4 years, supported by granular, secured growth and expects loan growth to be 18-20% YoY in the near term. Management plans to add more branches and employees next year to aid business momentum.

**Asset quality improving:** AQ improved with GNPA ratio falling to 2.72% (-19bps QoQ) as of Dec'25. This was driven by lower slippage ratio of 3.1% (-5bps QoQ) and was the lowest in last 18 quarters and higher upgrades of Rs 1.9bn (+19% QoQ) in Q3FY26. While the slippage excluding gold loan was 2.24% (-26bps QoQ). Management targets GNPA <2.5% and NNPA of 1.0% (1.1% as of Dec'25).

**Maintain BUY:** DCB reported healthy earnings growth, supported by strong business growth and improving asset quality. We expect credit/deposit CAGR of ~19% with RoA of 0.9-1.0% in FY26-FY28E. We maintain BUY and roll over valuation to 0.9x Dec'27E ABV (0.8x earlier) with TP of Rs 211 (earlier Rs 167).

## Key changes

	Target	Rating
	▲	◀ ▶

Ticker/Price	DCBB IN/Rs 183
Market cap	US\$ 637.7mn
Free float	84%
3M ADV	US\$ 5.7mn
52wk high/low	Rs 193/Rs 101
Promoter/FPI/DII	16%/12%/32%

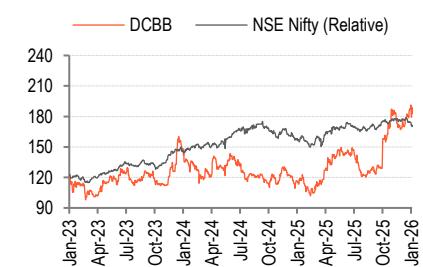
Source: NSE | Price as of 23 Jan 2026

## Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
NII (Rs mn)	21,066	24,451	28,909
NII growth (%)	9.3	16.1	18.2
Adj. net profit (Rs mn)	6,153	7,311	9,009
EPS (Rs)	19.6	23.0	28.1
Consensus EPS (Rs)	19.5	22.8	28.5
P/E (x)	9.3	7.9	6.5
P/BV (x)	1.0	0.9	0.8
ROA (%)	0.9	0.9	0.9
ROE (%)	11.4	12.0	13.1

Source: Company, Bloomberg, BOBCAPS Research

## Stock performance



Source: NSE



**Fig 1 – Quarterly snapshot: Income statement**

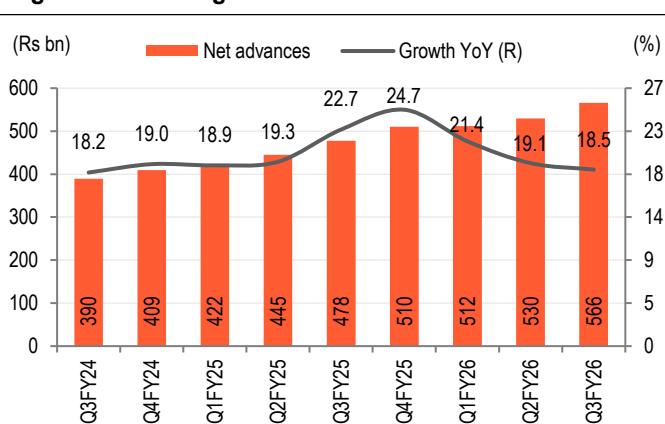
(Rs mn)	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	YoY (%)	QoQ (%)
<b>Income Statement</b>							
Interest Income	13,224	13,852	14,303	14,416	14,788	11.8	2.6
Income on investments	3,347	3,413	3,679	3,672	3,608	7.8	(1.7)
Int. on bal. with RBI & inter-bank funds & Others	139	153	154	140	213	53.3	52.1
<b>Interest income</b>	<b>16,711</b>	<b>17,419</b>	<b>18,136</b>	<b>18,228</b>	<b>18,609</b>	<b>11.4</b>	<b>2.1</b>
Interest expense	11,282	11,839	12,331	12,265	12,362	9.6	0.8
<b>Net interest income</b>	<b>5,429</b>	<b>5,580</b>	<b>5,804</b>	<b>5,962</b>	<b>6,247</b>	<b>15.1</b>	<b>4.8</b>
Growth YoY (%)	14.5	9.9	16.9	17.1	15.1		
Fee Income	1,410	1,610	1,340	1,580	1,820	29.1	15.2
Trading gains/(losses)	380	430	1,010	230	290	(23.7)	26.1
Forex Income	10	20	(20)	50	100	900.0	100.0
Others	41	128	31	1	4	(89.6)	366.7
<b>Non-interest income</b>	<b>1,841</b>	<b>2,188</b>	<b>2,361</b>	<b>1,861</b>	<b>2,214</b>	<b>20.3</b>	<b>19.0</b>
Growth YoY (%)	48.8	60.6	65.1	(9.1)	20.3		
<b>Total income</b>	<b>7,269</b>	<b>7,768</b>	<b>8,166</b>	<b>7,823</b>	<b>8,461</b>	<b>16.4</b>	<b>8.2</b>
Growth YoY (%)	21.6	20.7	27.7	9.6	16.4		
Staff expenses	2,312	2,314	2,510	2,432	2,695	16.6	10.8
Other operating expenses	2,246	2,400	2,386	2,352	2,537	12.9	7.9
Operating expenses	4,558	4,714	4,897	4,784	5,233	14.8	9.4
<b>Pre-Provisioning Profit (PPoP)</b>	<b>2,711</b>	<b>3,054</b>	<b>3,269</b>	<b>3,039</b>	<b>3,228</b>	<b>19.1</b>	<b>6.2</b>
Growth YoY (%)	28.2	30.7	59.2	19.1	19.1		
<b>Provisions</b>	<b>672</b>	<b>672</b>	<b>1,151</b>	<b>605</b>	<b>741</b>	<b>10.3</b>	<b>22.4</b>
Growth YoY (%)	63.9	179.2	305.6	32.7	10.3		
PBT	2,039	2,382	2,118	2,434	2,487	22.0	2.2
Tax	525	611	545	595	640	21.9	7.6
<b>PAT</b>	<b>1,514</b>	<b>1,771</b>	<b>1,573</b>	<b>1,839</b>	<b>1,847</b>	<b>22.0</b>	<b>0.5</b>
Growth YoY (%)	19.6	13.7	19.7	18.3	22.0		
<b>Per Share</b>							
FV (Rs)	10	10	10	10	10	-	-
EPS (Rs)	5	6	5	6	6	19.4	(1.4)
Book Value (Rs)	175	181	186	190	195	11.7	3.1

Source: Company, BOBCAPS Research

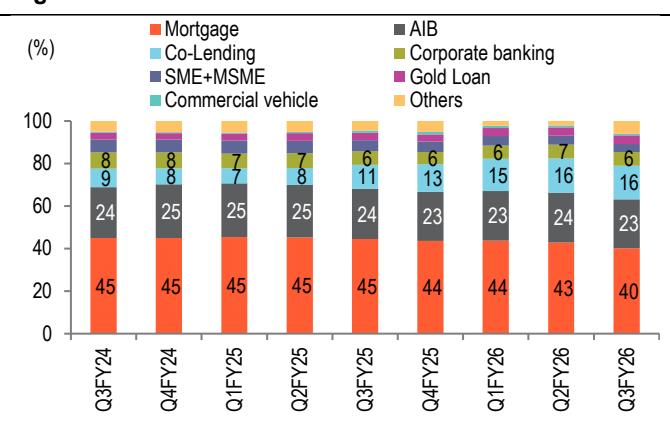
**Fig 2 – Quarterly snapshot: Balance sheet & other key metrics**

(Rs mn)	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	YoY (%)	QoQ (%)
<b>Deposits</b>	5,66,780	6,00,310	6,20,390	6,47,765	6,77,540	19.5	4.6
Growth YoY (%)	20.3	21.6	20.0	18.8	19.5		
<b>Advances</b>	4,77,800	5,10,469	5,12,150	5,29,745	5,66,000	18.5	6.8
Growth YoY (%)	22.7	24.7	21.4	19.1	18.5		
Investment	1,79,630	2,01,499	1,99,480	2,04,961	1,96,200	9.2	(4.3)
Equity	54,890	56,907	58,400	59,727	63,500	15.7	6.3
Assets	7,15,670	7,68,098	7,73,950	7,88,903	8,18,400	14.4	3.7
Growth YoY (%)	19.7	21.8	20.0	14.4	14.4		
<b>Yield (%)</b>							
Yield on Funds	9.9	9.8	9.8	9.7	9.6	(32bps)	(10bps)
Cost of Funds	7.2	7.1	7.1	7.0	6.9	(33bps)	(15bps)
Spread	2.7	2.7	2.7	2.7	2.7	0bps	5bps
Net Interest Margin (calc.)	3.2	3.1	3.1	3.2	3.2	0bps	5bps
<b>Ratios (%)</b>							
Other Income / Net Income	25.3	28.2	28.9	23.8	26.2	85bps	238bps
Cost to Income ratio	62.7	60.7	60.0	61.2	61.8	(86bps)	69bps
CASA ratio	25.1	24.5	23.3	23.5	22.8	(232bps)	(75bps)
C/D ratio	84.3	85.0	82.6	81.8	83.5	(76bps)	176bps
Investment to Assets	25.1	26.2	25.8	26.0	24.0	(113bps)	(201bps)
<b>Assets Quality</b>							
GNPA	15,172	15,536	15,536	15,680	15,675	3.3	(0.0)
NNPA	5,625	5,748	6,254	6,405	6,230	10.8	(2.7)
Provision	9,547	9,788	9,282	9,275	9,445	(1.1)	1.8
GNPA (%)	3.1	3.0	3.0	2.9	2.7	(39bps)	(19bps)
NNPA (%)	1.2	1.1	1.2	1.2	1.1	(8bps)	(11bps)
PCR (%)	62.9	63.0	59.7	59.2	60.3	(267bps)	111bps
<b>Others</b>							
Branches	457	464	465	468	468	11	-
Employees	11,339	11,057	10,886	10,792	10,981	(358)	189

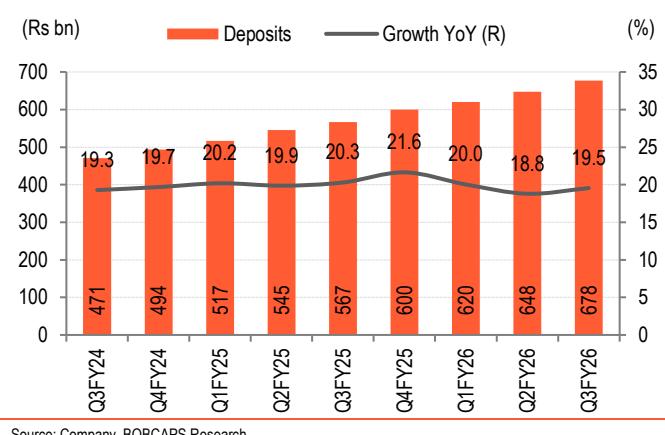
Source: Company, BOBCAPS Research

**Fig 3 – Advances growth remains robust**

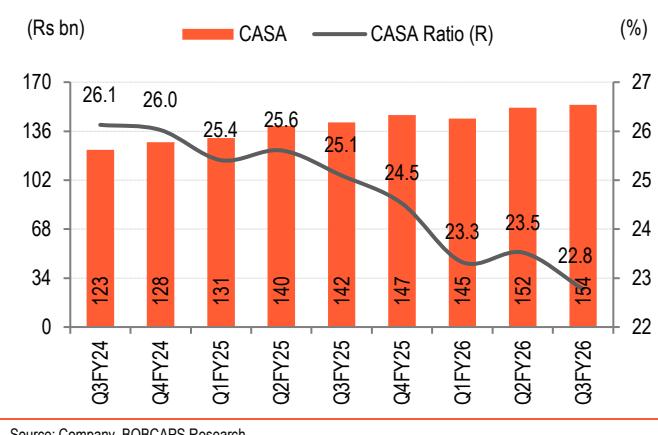
Source: Company, BOBCAPS Research

**Fig 4 – Loan mix trend**

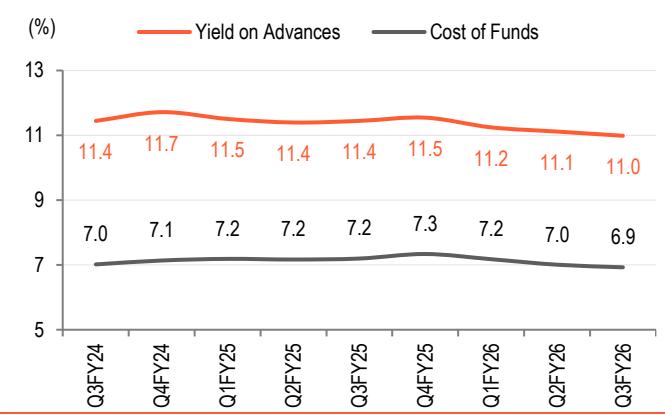
Source: Company, BOBCAPS Research

**Fig 5 – Deposits growing at a healthy 19.5% YoY...**

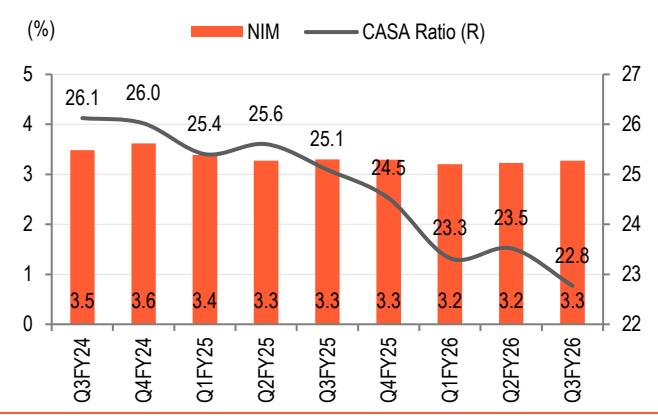
Source: Company, BOBCAPS Research

**Fig 6 – ...while share of CASA moderating**

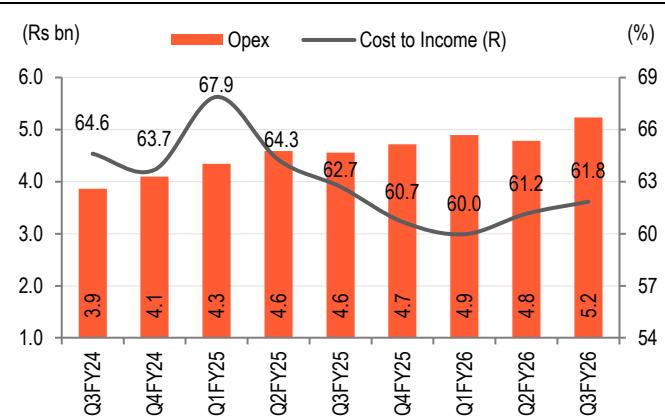
Source: Company, BOBCAPS Research

**Fig 7 – CoF declined 8 bps QoQ...**

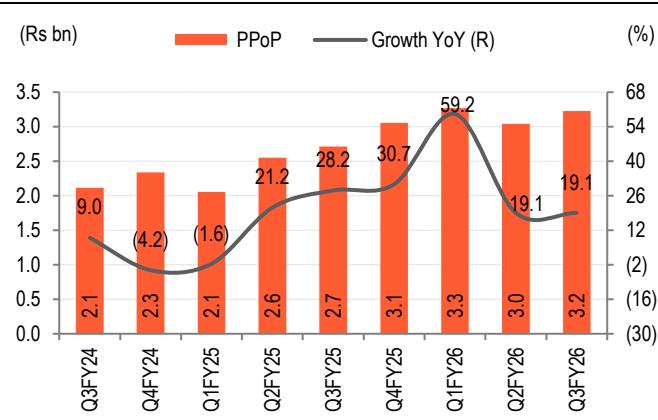
Source: Company, BOBCAPS Research

**Fig 8 – ...helped NIMs to improve marginally**

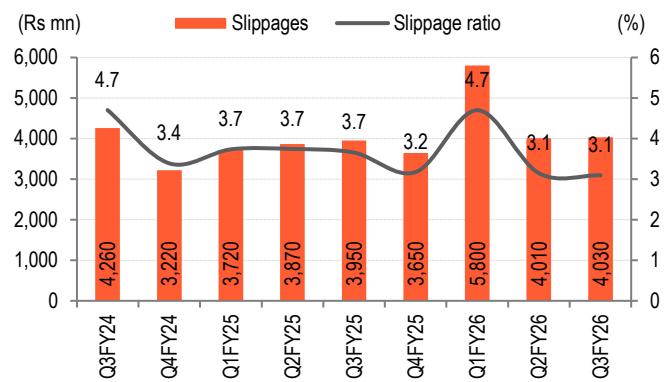
Source: Company, BOBCAPS Research

**Fig 9 – CI ratio increases QoQ**

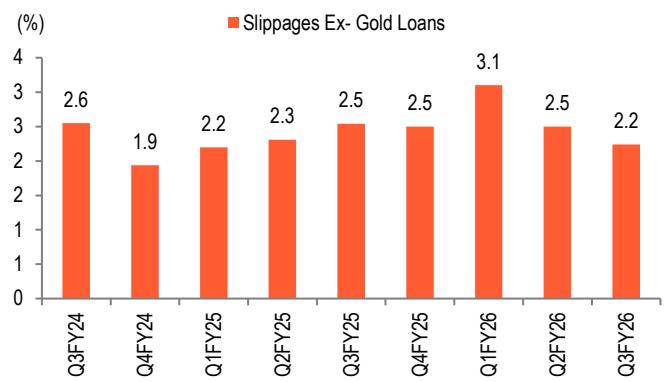
Source: Company, BOBCAPS Research

**Fig 10 – PPOP growth mainly aided by higher NII and other income**

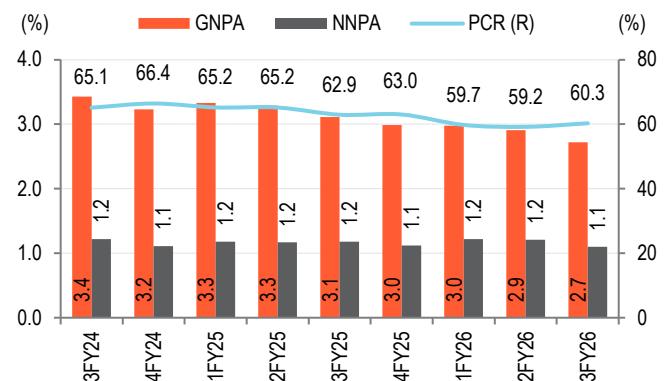
Source: Company, BOBCAPS Research

**Fig 11 – Slippages improved on QoQ basis**

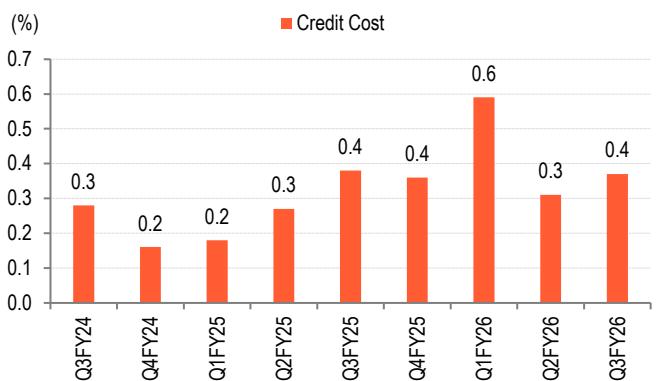
Source: Company, BOBCAPS Research

**Fig 12 – Slippage Ex- Gold loans improved QoQ basis**

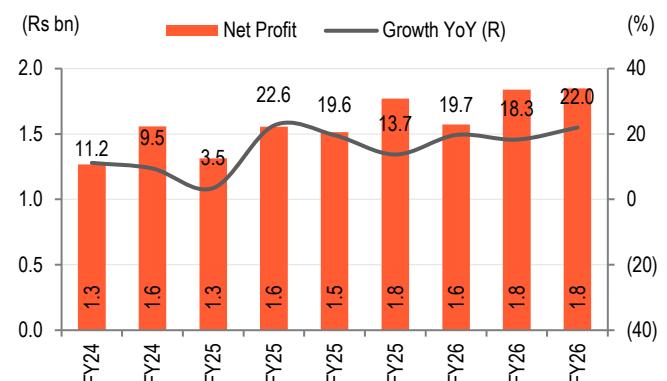
Source: Company, BOBCAPS Research

**Fig 13 – Asset quality improving**

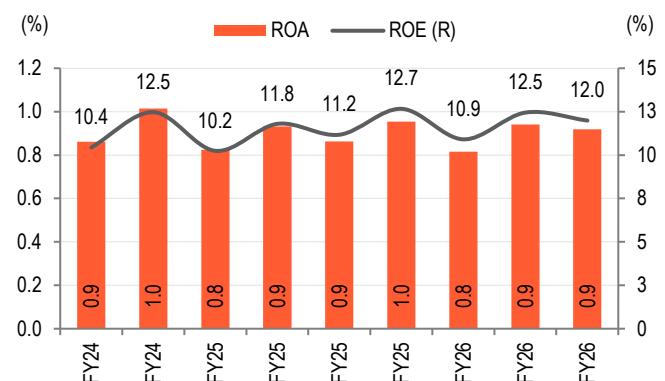
Source: Company, BOBCAPS Research

**Fig 14 – Credit cost at 37bps**

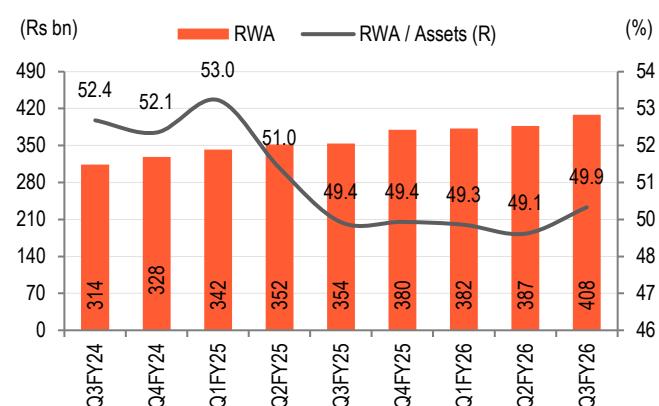
Source: Company, BOBCAPS Research

**Fig 15 – PAT growth mainly supported by healthy NII**

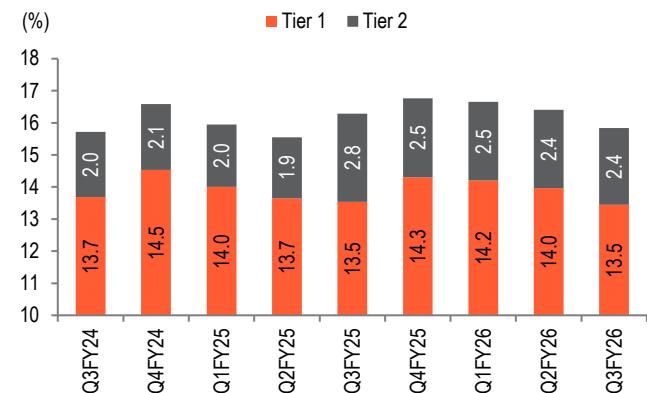
Source: Company, BOBCAPS Research

**Fig 16 – Return ratios healthy**

Source: Company, BOBCAPS Research

**Fig 17 – Stable RWA-to-asset ratio to aid CAR**

Source: Company, BOBCAPS Research

**Fig 18 – Well-capitalised to fund credit growth**

Source: Company, BOBCAPS Research

**Fig 19 – Loan book trend**

(Rs mn)	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	YoY (%)	QoQ (%)
Mortgage	2,12,621	2,22,565	2,24,322	2,26,731	2,27,532	7.0	0.4
AIB	1,12,761	1,17,918	1,18,819	1,24,490	1,30,180	15.4	4.6
Co-Lending	53,991	66,361	77,847	85,289	89,428	65.6	4.9
Corporate banking	30,101	29,097	31,753	34,433	36,224	20.3	5.2
SME+MSME	25,323	25,013	23,047	22,249	21,508	(15.1)	(3.3)
Gold Loan	16,245	17,356	19,462	20,660	22,640	39.4	9.6
Commercial vehicle	4,778	5,615	5,122	4,768	3,962	(17.1)	(16.9)
Others	21,979	26,544	11,779	11,125	34,526	57.1	210.4
<b>Total</b>	<b>4,77,800</b>	<b>5,10,469</b>	<b>5,12,150</b>	<b>5,29,745</b>	<b>5,66,000</b>	<b>18.5</b>	<b>6.8</b>

Source: Company, BOBCAPS Research

**Fig 20 – Loan book distribution**

Segment (%)	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	YoY (%)	QoQ (%)
Mortgage	44.5	43.6	43.8	42.8	40.2	(430bps)	(260bps)
AIB	23.6	23.1	23.2	23.5	23.0	(60bps)	(50bps)
Co-Lending	11.3	13.0	15.2	16.1	15.8	450bps	(30bps)
Corporate banking	6.3	5.7	6.2	6.5	6.4	10bps	(10bps)
SME+MSME	5.3	4.9	4.5	4.2	3.8	(150bps)	(40bps)
Gold Loan	3.4	3.4	3.8	3.9	4.0	60bps	10bps
Commercial vehicle	1.0	1.1	1.0	0.9	0.7	(30bps)	(20bps)
Others	4.6	5.2	2.3	2.1	6.1	150bps	400bps
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>		

Source: Company, BOBCAPS Research

**Fig 21 – Loan disbursement**

(Rs mn)	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	YoY (%)	QoQ (%)
Mortgage	14,830	16,570	11,160	13,490	14,750	(0.5)	9.3
Gold Loans	5,670	8,420	9,000	7,450	10,030	76.9	34.6
AIB	11,310	14,370	9,390	13,750	14,220	25.7	3.4
MSME/MSE	5,410	5,780	4,950	4,400	4,400	(18.7)	-
Corporate	6,620	6,310	12,680	11,450	10,450	57.9	(8.7)
Construction Finance	3,730	4,230	2,550	3,130	3,180	(14.7)	1.6
<b>Total Loan disbursed</b>	<b>47,570</b>	<b>55,680</b>	<b>49,730</b>	<b>53,670</b>	<b>57,030</b>	<b>19.9</b>	<b>6.3</b>

Source: Company, BOBCAPS Research

**Fig 22 – Disbursement distribution**

Segment (%)	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	YoY (%)	QoQ (%)
Mortgage	31.2	29.8	22.4	25.1	25.9	(531bps)	73bps
Gold Loans	11.9	15.1	18.1	13.9	17.6	567bps	371bps
AIB	23.8	25.8	18.9	25.6	24.9	116bps	(69bps)
MSME/MSE	11.4	10.4	10.0	8.2	7.7	(366bps)	(48bps)
Corporate	13.9	11.3	25.5	21.3	18.3	441bps	(301bps)
Construction Finance	7.8	7.6	5.1	5.8	5.6	(227bps)	(26bps)
<b>Total Loan disbursed</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>0bps</b>	<b>0bps</b>

Source: Company, BOBCAPS Research

**Fig 23 – Deposit trend**

(Rs mn)	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	YoY (%)	QoQ (%)
CASA	1,42,220	1,47,210	1,44,690	1,52,350	1,54,280	8.5	1.3
Resident	3,35,827	3,47,527	3,61,056	3,75,029	3,88,782	15.8	3.7
Non-Resident	32,691	33,982	36,629	38,642	39,768	21.6	2.9
Inter-Bank	1,21,424	1,39,555	1,51,273	1,59,028	1,74,246	43.5	9.6
Term Deposits	4,24,560	4,53,100	4,75,700	4,95,415	5,23,260	23.2	5.6
<b>Total Deposits</b>	<b>5,66,780</b>	<b>6,00,310</b>	<b>6,20,390</b>	<b>6,47,765</b>	<b>6,77,540</b>	<b>19.5</b>	<b>4.6</b>

Source: Company, BOBCAPS Research

**Fig 24 – Deposit distribution**

(%)	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	YoY (%)	QoQ (%)
CASA	25.1	24.5	23.3	23.5	22.8	(232bps)	(75bps)
Resident	59.3	57.9	58.2	57.9	57.4	(187bps)	(51bps)
Non-Resident	5.8	5.7	5.9	6.0	5.9	10bps	(10bps)
Inter-Bank	21.4	23.2	24.4	24.6	25.7	429bps	117bps
Term Deposits	74.9	75.5	76.7	76.5	77.2	232bps	75bps
<b>Total Deposits</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>		

Source: Company, BOBCAPS Research

## Earnings Call Highlights

### Performance:

- Net interest income rose 15.1% YoY. Net interest margin (NIM) improved to 3.27% in Q3FY26 from 3.23% in Q2FY26.
- PAT reached Rs 1.85 bn, (+22% YoY); the highest-ever quarterly profit for the bank.
- Cost to income ratio increased to 61.8% from 61.2% last quarter due to the impact of Rs 268.7mn, pursuant to the New Labour Codes.
- RoA for Q3FY26 stood at 0.91% vs 0.94% Q2FY26. RoE stood at 12.7% vs 13.2% last quarter.
- The bank aims to achieve a **ROE of 13.5% in FY27 and 14.5% in FY28**, while maintaining **ROA of 1% or above** in the near term.

### Advances:

- DCB Bank has **guided for 18–20% YoY growth in customer advances**, underpinned by a long-term objective of **doubling the balance sheet every 3–4 years**.
- A key qualitative shift is the move away from **DSA-led sourcing toward own-originated loans**, aimed at improving loan seasoning, reducing fulfilment costs, and enhancing portfolio durability. Management believes this transition will support more stable asset quality over the cycle.
- **Mortgages (40.2% of product mix):** The mortgage portfolio is being rebalanced in favour of **BL over HL**, with BL accounting for over **60% of incremental sourcing**.
- **SME and MSME Banking:** The bank is building a **mid-market SME franchise** with ticket sizes of **Rs3–15 crore**, currently in an early investment phase across select geographies. Management expects this segment to add meaningfully to the growth over the next **3–4 quarters**, despite near-term softness in the book.
- **Co-lending Portfolio:** The co-lending book, largely **gold loans**, has scaled rapidly, but is being consciously capped at **15% or lower of total assets by Mar'26**. From FY27 onwards, growth in this portfolio will be aligned strictly with the bank's overall loan growth.
- **Gold loans, construction finance, and corporate banking:** Management remains focused on ensuring support from these segments for steady growth without compromising on the risk discipline.

### Deposits:

- DCB Bank has **guided for 18–20% YoY growth in customer deposits**, aligned with its long-term objective of **doubling the balance sheet every 3–4 years**.
- In Q3FY26, **deposits grew 19.5% YoY Rs 678bn**, reflecting execution broadly in line with stated guidance.

- **Cost of deposits declined to 6.86% in Q3FY26**, down 10 bps QoQ.
- The **deposit strategy** is anchored on optimising cost of deposits, **sustaining growth**, and maintaining high **granularity** to ensure stability.
- Management has consciously moved away from price-led acquisition, with peak retail deposit rates now closer to those of the top six banks, narrowing the differential to ~60 bps.
- Deposit base continues to become more granular, with the **top 20 depositors contributing only 6.61%** of total deposits, lower than the previous quarter
- Improving the CA franchise is a key priority, particularly to support **SME and trade finance** businesses. A senior management hire has been made to drive CA acquisition and deepen transactional relationships.
- The bank is increasingly cross-selling deposits to its **0.5mn Niyo customers**, primarily salaried and affluent users, with management noting steady monthly improvements in balances from this segment.

### NIMs

- Cost of Deposit decreased to 6.86% from 6.96% QoQ (down 10 bps), and cost of funds decreased by 8 bps, supporting margin improvement. NIMs improved to 3.27% in Q3FY26 from 3.23% in Q2FY26.
- Management expects NIMs to **continue improving in H1 next year**, targeting a **business model NIM of 3.50–3.65%** while sustaining **18–20% growth**.

### Asset quality:

- Management targets **GNPA below 2.5%** and **NNPA at ~1.0%**, with priority on bringing NNPA to **≤1%** at the earliest.
- **Business model credit cost** is guided at **45–55 bps**, viewed as a through-the-cycle baseline. (Credit cost for Q3 was 37 bps).
- Asset quality trends improved, with **lowest slippages and GNPA in 18 quarters**.
- The bank is **well prepared for ECL**, supported by long-running parallel models and adequate provision buffers.

## Valuation Methodology

DCBB reported robust business performance with strong loan growth (+18.5% YoY), while NII witnessed healthy growth (+15.1% YoY). Consistent loan growth momentum over the past several quarters indicate a likelihood of sustained double-digit balance sheet expansion, going forward.

DCBB reported healthy earnings growth, supported by strong business growth and improving asset quality. We expect credit/deposit CAGR of ~19% with RoA of 0.9-1.0% in FY26-FY28E. We maintain BUY and roll over valuation to 0.9x Dec'27E ABV (0.8x earlier) with TP of Rs 211 (earlier Rs 167).

**Fig 25 – Key operational assumptions**

(%)	FY25A	FY26E	FY27E	FY28E
Advances Growth	24.7	18.5	18.7	19.0
NII Growth	9.3	16.1	18.2	21.9
PPOP Growth	20.0	24.7	20.3	25.5
PAT Growth	14.8	18.8	23.2	29.4
NIM	3.3	3.1	3.2	3.3
GNPA	3.0	2.6	2.4	2.2
CAR	16.8	15.9	15.2	14.7

Source: Company, BOBCAPS Research

**Fig 26 – Revised estimates**

Key Parameters (Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Loan	6,04,906	7,18,023	8,54,448	6,04,906	7,18,023	8,54,448	-	-	-
Deposits	7,11,967	8,48,665	10,12,457	7,11,967	8,48,665	10,12,457	-	-	-
Assets	8,75,130	10,32,477	12,20,042	8,96,679	10,51,722	12,37,283	(2.4)	(1.8)	(1.4)
NII	24,451	28,909	35,250	24,882	29,501	36,384	(1.7)	(2.0)	(3.1)
PPOP	12,931	15,562	19,527	12,544	14,975	19,150	3.1	3.9	2.0
Provision	3,105	3,453	3,853	2,900	3,109	3,538	7.1	11.1	8.9
PAT	7,311	9,009	11,661	7,175	8,828	11,615	1.9	2.0	0.4
ABV (Rs)	6,04,906	7,18,023	8,54,448	6,04,906	7,18,023	8,54,448	-	-	-

Source: Company, BOBCAPS Research

**Fig 27 – Actuals vs BOBCAPS estimates**

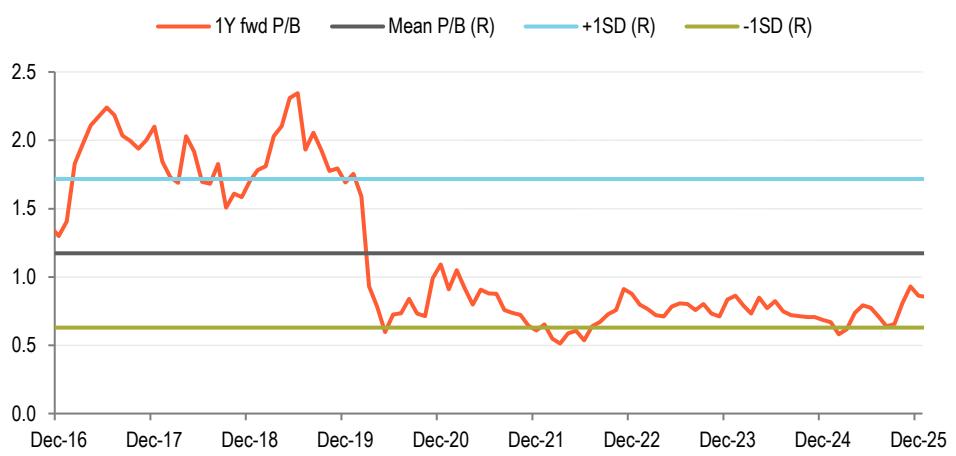
(Rs mn)	Q3FY26A	Q3FY26E	Actual vs. Estimates (%)
Loan	5,66,000	5,62,371	0.6
Deposits	6,77,540	6,65,400	1.8
Assets	8,18,400	8,32,820	(1.7)
NII	6,247	6,173	1.2
PPOP	3,228	3,133	3.1
Provision	741	635	16.7
PAT	1,847	1,853	(0.3)

Source: Company, BOBCAPS Research

**Fig 28 – Key valuation assumptions**

Gordon growth model	(%)
Return on Equity (RoE)	12.8
Cost of Equity (Ke)	13.3
Growth (Period 1)	10.9
Growth (Long Term)	9.0
Initial High Growth Period (yrs)	12.0
Dividend Payout (Period 1)	15.0
Dividend Payout (Long Term)	30.0
Factor 1	1.6
Factor 2	5.8
Justified P/BV Multiple	0.9

Source: Company, BOBCAPS Research

**Fig 29 – PB Band Chart**

Source: Company, BOBCAPS Research

## Key Risks

Key downside risks:

- A weak demand environment leading to a general slowdown in credit offtake.
- Higher than expected pressure on NIMs.
- Operating efficiencies remain lower than expected.

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Net interest income	<b>19,279</b>	<b>21,066</b>	<b>24,451</b>	<b>28,909</b>	<b>35,250</b>
NII growth (%)	12.3	9.3	16.1	18.2	21.9
Non-interest income	4,742	7,505	8,709	9,920	11,423
Total income	24,021	28,571	33,160	38,828	46,673
Operating expenses	15,377	18,201	20,229	23,267	27,146
PPOP	8,644	10,370	12,931	15,562	19,527
PPOP growth (%)	9.9	20.0	24.7	20.3	25.5
Provisions	1,425	2,084	3,105	3,453	3,853
PBT	7,220	8,286	9,826	12,109	15,674
Tax	1,860	2,133	2,516	3,100	4,013
Reported net profit	<b>5,360</b>	<b>6,153</b>	<b>7,311</b>	<b>9,009</b>	<b>11,661</b>
Adjustments	0	0	0	0	0
Adjusted net profit	<b>5,360</b>	<b>6,153</b>	<b>7,311</b>	<b>9,009</b>	<b>11,661</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Equity capital</b>	3,128	3,143	3,203	3,203	3,203
<b>Reserves &amp; surplus</b>	<b>47,585</b>	<b>53,764</b>	<b>61,377</b>	<b>69,832</b>	<b>80,793</b>
<b>Net worth</b>	<b>50,713</b>	<b>56,907</b>	<b>64,581</b>	<b>73,035</b>	<b>83,997</b>
<b>Deposits</b>	<b>4,93,530</b>	<b>6,00,310</b>	<b>7,11,967</b>	<b>8,48,665</b>	<b>10,12,457</b>
<b>Borrowings</b>	<b>62,195</b>	<b>91,152</b>	<b>52,567</b>	<b>55,721</b>	<b>59,621</b>
<b>Other liab. &amp;</b>	<b>23,932</b>	<b>19,730</b>	<b>46,015</b>	<b>55,056</b>	<b>63,967</b>
<b>Total liab. &amp; equities</b>	<b>6,30,370</b>	<b>7,68,098</b>	<b>8,75,130</b>	<b>10,32,477</b>	<b>12,20,042</b>
<b>Cash &amp; bank balance</b>	30,659	26,986	32,282	40,967	46,435
<b>Investments</b>	1,62,108	2,01,499	2,05,789	2,36,987	2,76,705
<b>Advances</b>	4,09,246	5,10,469	6,04,906	7,18,023	8,54,448
<b>Fixed &amp; Other assets</b>	28,357	29,144	32,153	36,500	42,454
<b>Total assets</b>	<b>6,30,370</b>	<b>7,68,098</b>	<b>8,75,130</b>	<b>10,32,477</b>	<b>12,20,042</b>
<b>Deposit growth (%)</b>	19.7	21.6	18.6	19.2	19.3
<b>Advances growth (%)</b>	19.0	24.7	18.5	18.7	19.0

### Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>EPS</b>	17.2	19.6	23.0	28.1	36.4
<b>Dividend per share</b>	1.3	1.4	1.5	1.7	2.2
<b>Book value per share</b>	162.1	181.1	201.6	228.0	262.2

### Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
P/E	10.7	9.3	7.9	6.5	5.0
P/BV	1.1	1.0	0.9	0.8	0.7
Dividend yield (%)	0.7	0.7	0.8	0.9	1.2

### DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Net interest income	3.3	3.0	3.0	3.0	3.1
Non-interest income	0.8	1.1	1.1	1.0	1.0
Operating expenses	2.7	2.6	2.5	2.4	2.4
Pre-provisioning profit	1.5	1.5	1.6	1.6	1.7
Provisions	0.2	0.3	0.4	0.4	0.3
PBT	1.3	1.2	1.2	1.3	1.4
Tax	0.3	0.3	0.3	0.3	0.4
ROA	0.9	0.9	0.9	0.9	1.0
Leverage (x)	12.0	13.0	13.5	13.9	14.3
ROE	11.1	11.4	12.0	13.1	14.9

### Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
<b>YoY growth (%)</b>					
Net interest income	12.3	9.3	16.1	18.2	21.9
Pre-provisioning profit	9.9	20.0	24.7	20.3	25.5
EPS	14.8	14.3	17.4	22.1	29.4
<b>Profitability &amp; Return ratios (%)</b>					
Net interest margin	3.7	3.3	3.1	3.2	3.3
Fees / Avg. assets	0.1	0.1	0.2	0.2	0.2
Cost-Income	64.0	63.7	61.0	59.9	58.2
ROE	11.1	11.4	12.0	13.1	14.9
ROA	0.9	0.9	0.9	0.9	1.0
<b>Asset quality (%)</b>					
GNPA	3.2	3.0	2.6	2.4	2.2
NNPA	1.1	1.1	1.0	0.9	0.8
Slippage ratio	4.3	3.7	3.4	3.1	2.8
Credit cost	0.4	0.5	0.6	0.5	0.5
Provision coverage	66.4	63.2	60.5	61.5	62.5
<b>Ratios (%)</b>					
Credit-Deposit	82.9	85.0	85.0	84.6	84.4
Investment-Deposit	32.8	33.6	28.9	27.9	27.3
CAR	16.6	16.8	15.9	15.2	14.7
Tier-1	14.5	14.3	14.5	13.9	13.5

Source: Company, BOBCAPS Research

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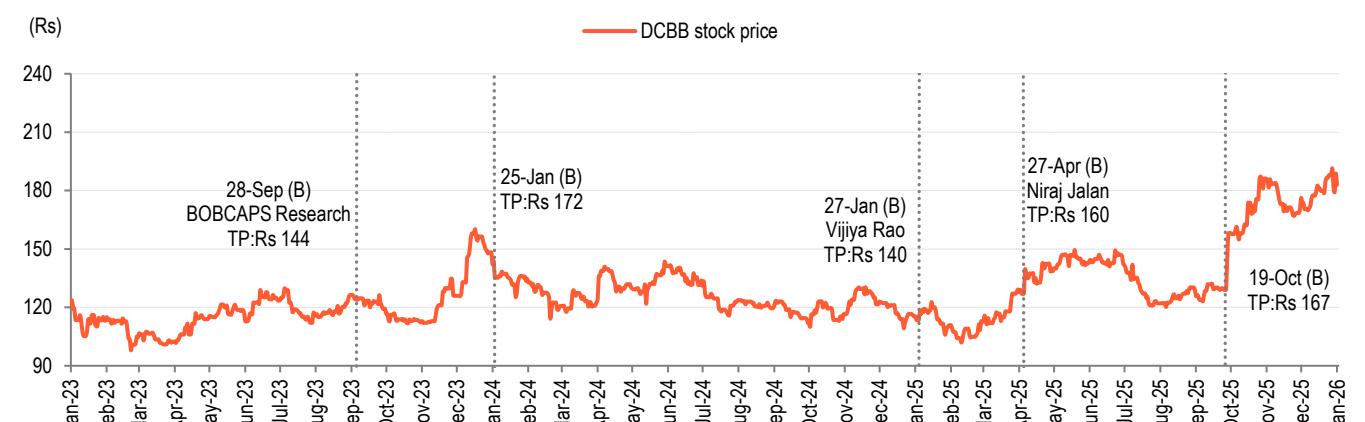
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