

DCB Bank (DCBB) – BUY

February Month Pick

Current Market Price (CMP)

Rs.108

Target Price

Rs.150

We see 38.9% upside in the stock at our Fair Value of Rs.150

Rationale:

- Reported flat earnings on the back of building provisions for Covid-related NPLs. (NPL – non-performing loans)
- Recovery in macro would be factor for re-rating; Revised earnings upward for FY21
- DCBB trading at significant discount to peers at 0.8x FY23 expected book value.
- We value DCBB at 1.3x book & 12x FY23E EPS for RoEs of 11% in the medium term (EPS – Earnings per share; RoEs – Return on equities)

Q3FY21 Earnings update:

👍 Positives:

- Revenues grew 18% yoy led by treasury income; operating profits grew ~45% yoy.
- Cost-to-income ratio was lower ~4% qoq; NII up 4% yoy; NIM was flat qoq at 3.7% (NIM – Net Interest Margin; NII – Net Interest Income)
- Current account & saving account ratio is at 23%, largely unchanged.
- GNPL & NNPL ratios down ~0.3% & ~0.2% qoq to 2.0% & 0.6%, respectively. (GNPL – Gross non-performing loans; NNPL – Net non-performing loans)

👎 Negatives:

- PAT down ~1% yoy led by strong provision; Deposits declined 3% yoy and flat qoq
- Building higher slippages of ~6.5% & loan-loss provisions of ~3.3% for FY21/22E

[Click here](#)

For detailed report dated 24th January 2021. Note: CMP & valuation may differ due to difference in dates



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Holding Period: 12 months / Disclaimer: <http://bit.ly/2n5AxIE>