

BUY

TP: Rs 224 | ▲ 16%

DCB BANK

| Banking

| 25 April 2026

Healthy growth and improving AQ support earnings

- Earnings largely in line with estimates and margins improving; AQ improved, driven by lower slippages
- Business growth momentum to continue, with plans to infuse capital and scaling up distribution in the near term
- Maintain BUY with TP of Rs 224 (earlier Rs 211), valuing the bank at 0.9x Mar'28E ABV (unchanged)

Niraj Jalan
Research Analyst
Kaustubh Shetye
Research Associate
research@bobcaps.in

PAT largely in line with estimates: PAT grew by 16% YoY to Rs 2.06bn and was largely in line with our estimates (+1.9%), translating into RoA/ RoE of 0.97%/13.5% in Q4FY26. NIMs improved to 3.39% (+12bps QoQ), driven by improvement in CoF. Management expects NIMs to be in the range of 3.5–3.65%, as deposit repricing benefits are to flow through Q3FY27. Further, PPOp increased to Rs 3.4bn (+12% YoY) and C/I ratio improved to 60.5% (-15bps YoY). Management targets C/I ratio at ~60% or lower and cost-to-assets of 2.5–2.6% (2.5% in Q4FY26), despite the plans to increase the headcount and branches in near term. Management targets RoA of ~1.0%+ in near term with RoE of 13.5% (FY27) and 14.5% (FY28).

Business growth remains strong: DCBB reported strong business momentum with credit growth (+17.6% YoY) and deposits growth (+20.9% YoY). The bank reduced co-lending book share to 13.8% (Q4FY26) from 15.8% (Q3FY26). Management has an internal cap of 15% for the co-lending book, given its focus on higher-yielding organic segments. Mortgages grew at a muted pace (+5% YoY) while staying the largest segment (39% 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 doubling the balance sheet every 3-4 years. To support this, DCBB plans to scale up distribution to >500 branches (480 in FY26) and ~13,000 employees (11,374 in FY26), along with capital infusion of Rs 11–12bn by Q2/Q3FY27.

AQ improving: Asset quality (AQ) improved, with GNPA ratio falling to 2.45% (-27bps QoQ), as of Mar'26, given the bank's focus to manage early delinquency buckets. This resulted in lower fresh slippage ratio of 2.28% (-80bps QoQ, or 1.47% excluding gold loans (-77bps QoQ). Management targets GNPA <2.5% and NNPA of 1.0% (0.89% as of Mar'26).

Maintain BUY: DCBB reported healthy earnings growth, supported by strong business growth and improving AQ. We expect credit/deposit CAGR of ~20%/19% with RoA of 0.9-1.0% in FY27-FY29E. We maintain BUY and roll over valuation to 0.9x Mar'28E ABV (unchanged) with TP of Rs 224 (earlier Rs 211).

Key changes

| Target | Rating |
|--------|--------|
| ▲ | ◀ ▶ |

| | |
|------------------|----------------|
| Ticker/Price | DCBB IN/Rs 193 |
| Market cap | US\$ 660.4mn |
| Free float | 84% |
| 3M ADV | US\$ 4.1mn |
| 52wk high/low | Rs 204/Rs 120 |
| Promoter/FPI/DII | 16%/13%/33% |

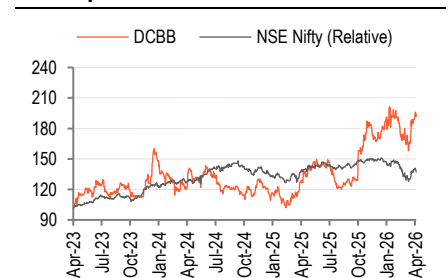
Source: NSE | Price as of 24 Apr 2026

Key financials

| Y/E 31 Mar | FY26A | FY27E | FY28E |
|-------------------------|--------|--------|--------|
| NII (Rs mn) | 24,565 | 28,469 | 35,067 |
| NII growth (%) | 16.6 | 15.9 | 23.2 |
| Adj. net profit (Rs mn) | 7,316 | 8,709 | 11,128 |
| EPS (Rs) | 23.0 | 27.1 | 34.6 |
| Consensus EPS (Rs) | 23.3 | 28.9 | 35.4 |
| P/E (x) | 8.4 | 7.1 | 5.6 |
| P/BV (x) | 1.0 | 0.8 | 0.7 |
| ROA (%) | 0.9 | 0.9 | 1.0 |
| ROE (%) | 12.0 | 12.5 | 14.1 |

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly snapshot: Income statement

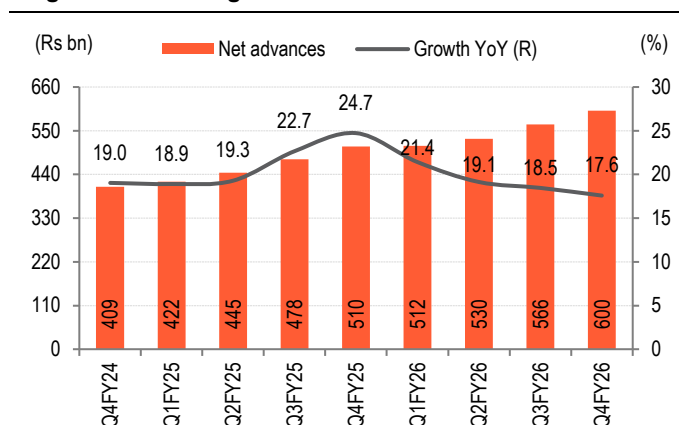
| (Rs mn) | Q4FY25 | Q1FY26 | Q2FY26 | Q3FY26 | Q4FY26 | YoY (%) | QoQ (%) |
|---|---------------|---------------|---------------|---------------|---------------|--------------|--------------|
| Income Statement | | | | | | | |
| Interest Income | 13,852 | 14,303 | 14,416 | 14,788 | 15,393 | 11.1 | 4.1 |
| Income on investments | 3,413 | 3,679 | 3,672 | 3,608 | 3,440 | 0.8 | (4.6) |
| Int. on bal. with RBI & inter-bank funds & Others | 153 | 154 | 140 | 213 | 239 | 55.8 | 12.3 |
| Interest income | 17,419 | 18,136 | 18,228 | 18,609 | 19,073 | 9.5 | 2.5 |
| Interest expense | 11,839 | 12,331 | 12,265 | 12,362 | 12,521 | 5.8 | 1.3 |
| Net interest income | 5,580 | 5,804 | 5,962 | 6,247 | 6,552 | 17.4 | 4.9 |
| Growth YoY (%) | 9.9 | 16.9 | 17.1 | 15.1 | 17.4 | | |
| Fee Income | 1,610 | 1,340 | 1,580 | 1,820 | 1,980 | 23.0 | 8.8 |
| Trading gains/(losses) | 430 | 1,010 | 230 | 290 | 100 | (76.7) | (65.5) |
| Forex Income | 20 | (20) | 50 | 100 | 40 | 100.0 | (60.0) |
| Others | 128 | 31 | 1 | 4 | (5) | (103.8) | (216.7) |
| Non-interest income | 2,188 | 2,361 | 1,861 | 2,214 | 2,115 | (3.3) | (4.5) |
| Growth YoY (%) | 60.6 | 65.1 | (9.1) | 20.3 | (3.3) | | |
| Total income | 7,768 | 8,166 | 7,823 | 8,461 | 8,667 | 11.6 | 2.4 |
| Growth YoY (%) | 20.7 | 27.7 | 9.6 | 16.4 | 11.6 | | |
| Staff expenses | 2,314 | 2,510 | 2,432 | 2,695 | 2,621 | 13.3 | (2.7) |
| Other operating expenses | 2,400 | 2,386 | 2,352 | 2,537 | 2,625 | 9.4 | 3.5 |
| Operating expenses | 4,714 | 4,897 | 4,784 | 5,233 | 5,246 | 11.3 | 0.3 |
| Pre-Provisioning Profit (PPoP) | 3,054 | 3,269 | 3,039 | 3,228 | 3,421 | 12.0 | 6.0 |
| Growth YoY (%) | 30.7 | 59.2 | 19.1 | 19.1 | 12.0 | | |
| Provisions | 672 | 1,151 | 605 | 741 | 690 | 2.6 | (6.9) |
| Growth YoY (%) | 179.2 | 305.6 | 32.7 | 10.3 | 2.6 | | |
| PBT | 2,382 | 2,118 | 2,434 | 2,487 | 2,731 | 14.7 | 9.8 |
| Tax | 611 | 545 | 595 | 640 | 675 | 10.4 | 5.4 |
| PAT | 1,771 | 1,573 | 1,839 | 1,847 | 2,056 | 16.1 | 11.3 |
| Growth YoY (%) | 13.7 | 19.7 | 18.3 | 22.0 | 16.1 | | |
| Per Share | | | | | | | |
| FV (Rs) | 10 | 10 | 10 | 10 | 10 | - | - |
| EPS (Rs) | 6 | 5 | 6 | 6 | 6 | 13.3 | 10.9 |
| Book Value (Rs) | 181 | 186 | 190 | 201 | 203 | 12.1 | 0.8 |

Source: Company, BOBCAPS Research

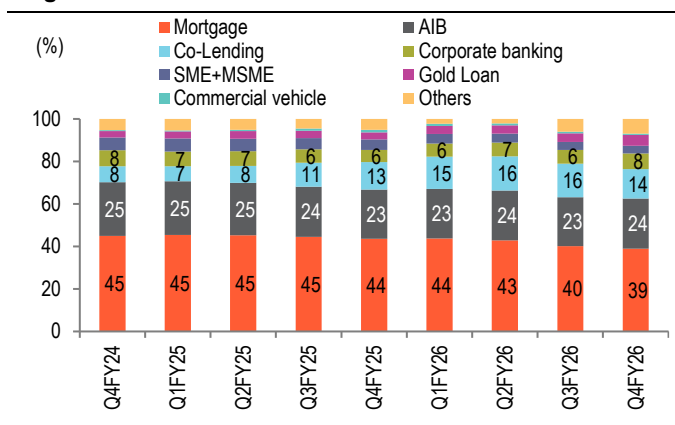
Fig 2 – Quarterly snapshot: Balance sheet & other key metrics

| (Rs mn) | Q4FY25 | Q1FY26 | Q2FY26 | Q3FY26 | Q4FY26 | YoY (%) | QoQ (%) |
|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------------|------------|
| Deposits | 6,00,310 | 6,20,390 | 6,47,765 | 6,77,540 | 7,25,833 | 20.9 | 7.1 |
| Growth YoY (%) | 21.6 | 20.0 | 18.8 | 19.5 | 20.9 | | |
| Advances | 5,10,469 | 5,12,150 | 5,29,745 | 5,66,000 | 6,00,218 | 17.6 | 6.0 |
| Growth YoY (%) | 24.7 | 21.4 | 19.1 | 18.5 | 17.6 | | |
| Investment | 2,01,499 | 1,99,480 | 2,04,961 | 1,96,200 | 2,03,780 | 1.1 | 3.9 |
| Equity | 56,907 | 58,400 | 59,727 | 63,500 | 65,350 | 14.8 | 2.9 |
| Assets | 7,68,098 | 7,73,950 | 7,88,903 | 8,18,400 | 8,80,695 | 14.7 | 7.6 |
| Growth YoY (%) | 21.8 | 20.0 | 14.4 | 14.4 | 14.7 | | |
| Yield (%) | | | | | | | |
| Yield on Funds | 9.8 | 9.8 | 9.7 | 9.6 | 9.3 | (44bps) | (28bps) |
| Cost of Funds | 7.1 | 7.1 | 7.0 | 6.9 | 6.6 | (52bps) | (28bps) |
| Spread | 2.7 | 2.7 | 2.7 | 2.7 | 2.7 | 8bps | 0bps |
| Net Interest Margin | 3.3 | 3.2 | 3.2 | 3.3 | 3.4 | 10bps | 12bps |
| Ratios (%) | | | | | | | |
| Other Income / Net Income | 28.2 | 28.9 | 23.8 | 26.2 | 24.4 | (377bps) | (177bps) |
| Cost to Income ratio | 60.7 | 60.0 | 61.2 | 61.8 | 60.5 | (15bps) | (131bps) |
| CASA ratio | 24.5 | 23.3 | 23.5 | 22.8 | 22.4 | (214bps) | (39bps) |
| C/D ratio | 85.0 | 82.6 | 81.8 | 83.5 | 82.7 | (234bps) | (84bps) |
| Investment to Assets | 26.2 | 25.8 | 26.0 | 24.0 | 23.1 | (309bps) | (84bps) |
| Assets Quality | | | | | | | |
| GNPA | 15,536 | 15,536 | 15,680 | 15,675 | 14,957 | (3.7) | (4.6) |
| NNPA | 5,748 | 6,254 | 6,405 | 6,230 | 5,340 | (7.1) | (14.3) |
| Provision | 9,788 | 9,282 | 9,275 | 9,445 | 9,618 | (1.7) | 1.8 |
| GNPA (%) | 3.0 | 3.0 | 2.9 | 2.7 | 2.5 | (54bps) | (27bps) |
| NNPA (%) | 1.1 | 1.2 | 1.2 | 1.1 | 0.9 | (23bps) | (21bps) |
| PCR (%) | 63.0 | 59.7 | 59.2 | 60.3 | 64.3 | 130bps | 404bps |
| Others | | | | | | | |
| Branches | 464 | 465 | 468 | 468 | 480 | 16 | 12 |
| Employees | 11,057 | 10,886 | 10,792 | 10,981 | 11,374 | 317 | 393 |

Source: Company, BOBCAPS Research

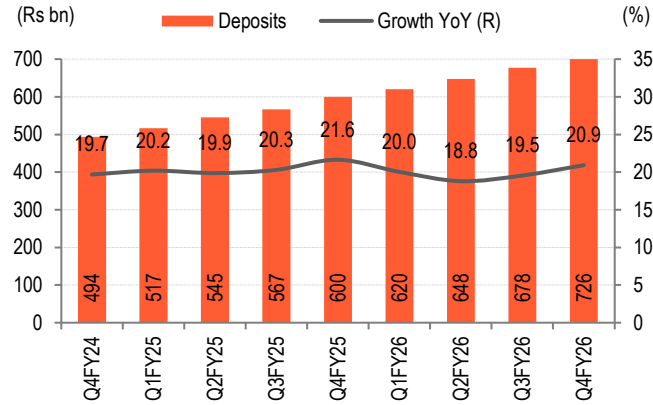
Fig 3 – Advances growth remains robust

Source: Company, BOBCAPS Research

Fig 4 – Loan mix trend

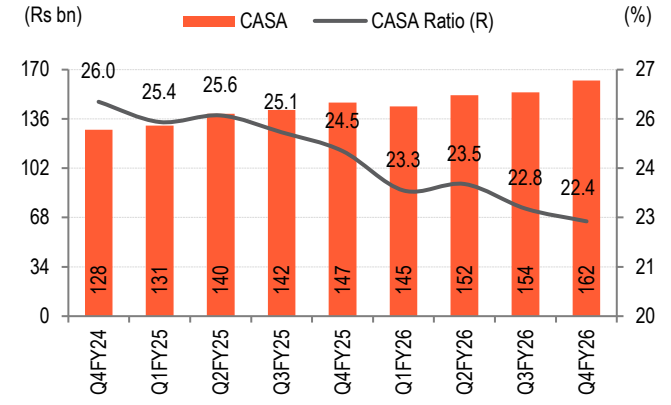
Source: Company, BOBCAPS Research

Fig 5 – Deposits growing at a healthy 20.9% YoY...



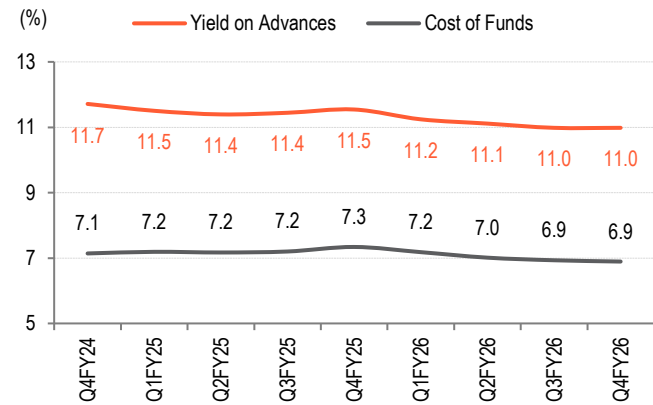
Source: Company, BOBCAPS Research

Fig 6 – ...while share of CASA moderating



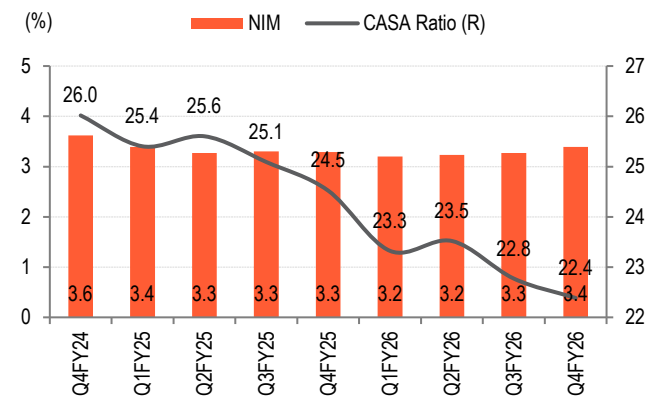
Source: Company, BOBCAPS Research

Fig 7 – CoF declined 4 bps QoQ...



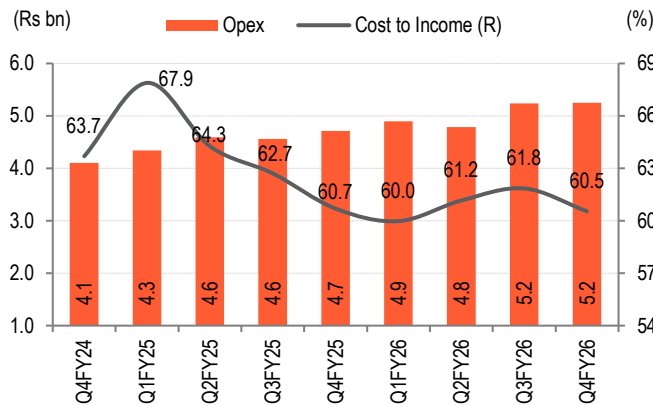
Source: Company, BOBCAPS Research

Fig 8 – ...helped NIMs to improve



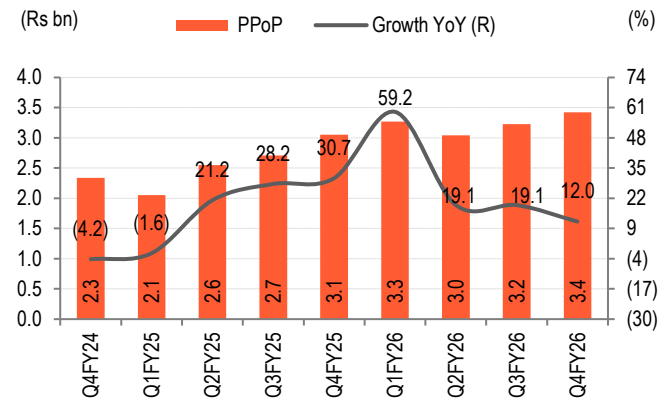
Source: Company, BOBCAPS Research

Fig 9 – CI ratio improves QoQ



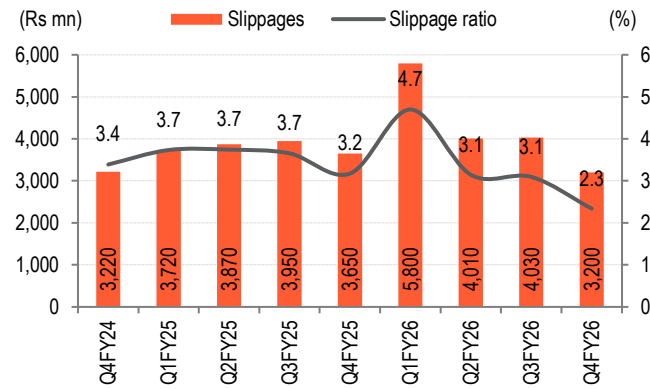
Source: Company, BOBCAPS Research

Fig 10 – PPOP growth mainly aided by higher NII



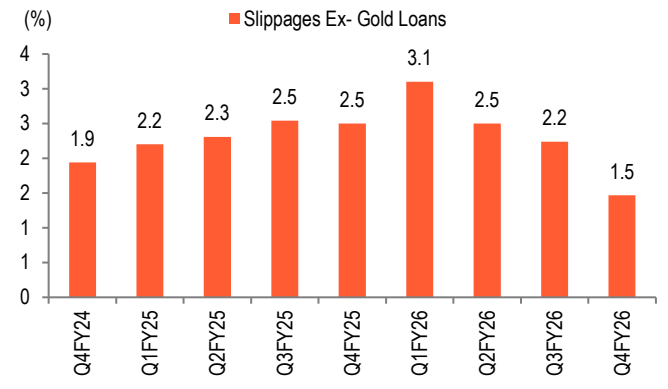
Source: Company, BOBCAPS Research

Fig 11 – Slippages improved on QoQ basis



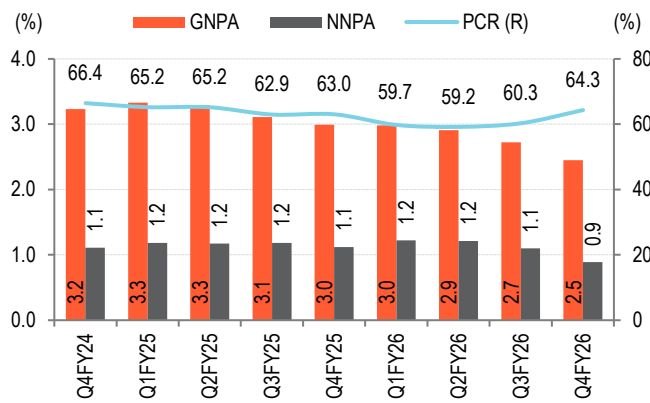
Source: Company, BOBCAPS Research

Fig 12 – Slippage Ex- Gold loans improved QoQ basis



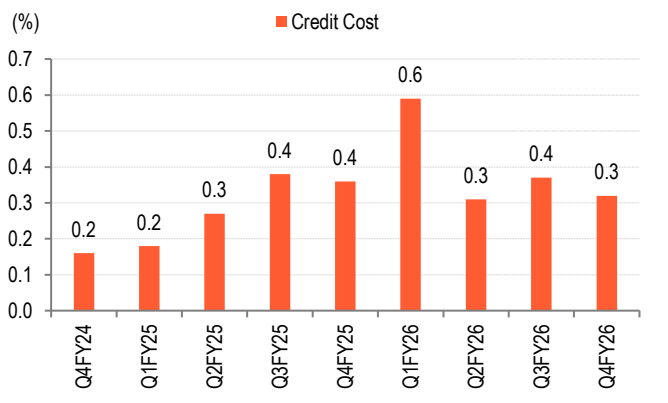
Source: Company, BOBCAPS Research

Fig 13 – Asset quality improving



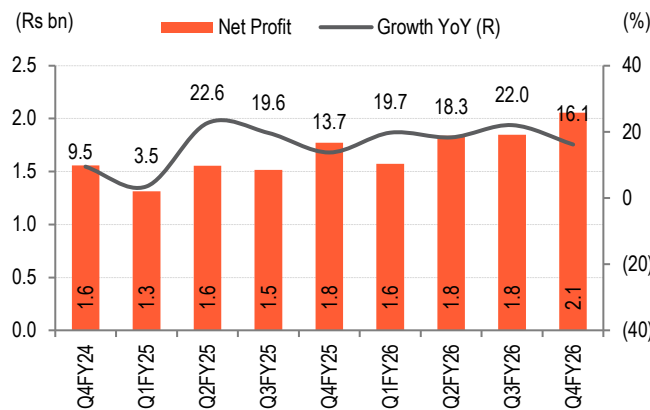
Source: Company, BOBCAPS Research

Fig 14 – Credit cost at 32bps



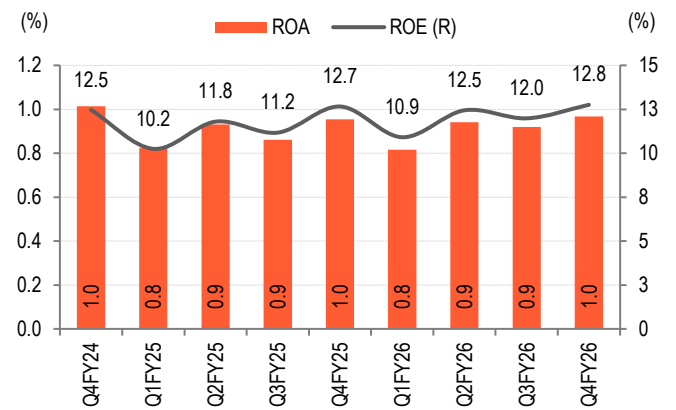
Source: Company, BOBCAPS Research

Fig 15 – PAT growth mainly supported by healthy Nil



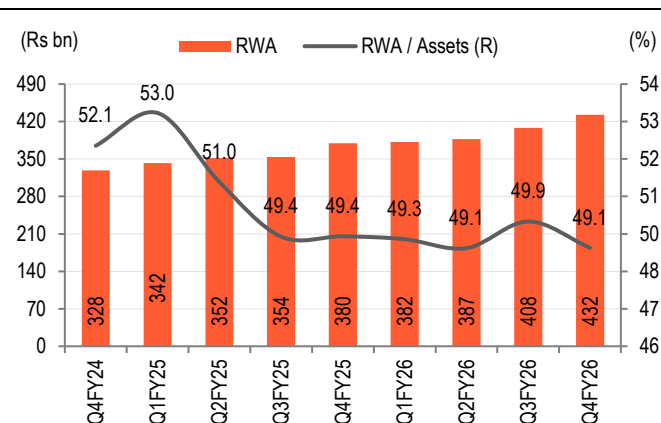
Source: Company, BOBCAPS Research

Fig 16 – Return ratios healthy



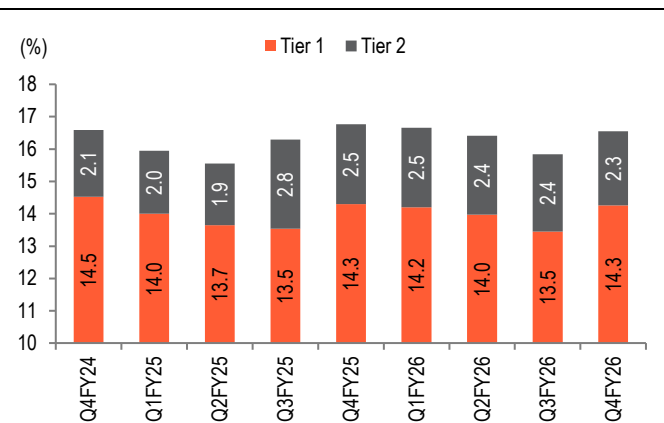
Source: Company, BOBCAPS Research

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) | Q4FY25 | Q1FY26 | Q2FY26 | Q3FY26 | Q4FY26 | YoY (%) | QoQ (%) |
|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------------|------------|
| Mortgage | 2,22,565 | 2,24,322 | 2,26,731 | 2,27,532 | 2,34,085 | 5.2 | 2.9 |
| AIB | 1,17,918 | 1,18,819 | 1,24,490 | 1,30,180 | 1,41,051 | 19.6 | 8.4 |
| Co-Lending | 66,361 | 77,847 | 85,289 | 89,428 | 82,830 | 24.8 | (7.4) |
| Corporate banking | 29,097 | 31,753 | 34,433 | 36,224 | 45,016 | 54.7 | 24.3 |
| SME+MSME | 25,013 | 23,047 | 22,249 | 21,508 | 21,608 | (13.6) | 0.5 |
| Gold Loan | 17,356 | 19,462 | 20,660 | 22,640 | 30,011 | 72.9 | 32.6 |
| Commercial vehicle | 5,615 | 5,122 | 4,768 | 3,962 | 3,601 | (35.9) | (9.1) |
| Others | 26,544 | 11,779 | 11,125 | 34,526 | 42,015 | 58.3 | 21.7 |
| Total | 5,10,469 | 5,12,150 | 5,29,745 | 5,66,000 | 6,00,218 | 17.6 | 6.0 |

Source: Company, BOBCAPS Research

Fig 20 – Loan book distribution

| Segment (%) | Q4FY25 | Q1FY26 | Q2FY26 | Q3FY26 | Q4FY26 | YoY (%) | QoQ (%) |
|--------------------|---------------|---------------|---------------|---------------|---------------|----------|----------|
| Mortgage | 43.6 | 43.8 | 42.8 | 40.2 | 39.0 | (460bps) | (120bps) |
| AIB | 23.1 | 23.2 | 23.5 | 23.0 | 23.5 | 40bps | 50bps |
| Co-Lending | 13.0 | 15.2 | 16.1 | 15.8 | 13.8 | 80bps | (200bps) |
| Corporate banking | 5.7 | 6.2 | 6.5 | 6.4 | 7.5 | 180bps | 110bps |
| SME+MSME | 4.9 | 4.5 | 4.2 | 3.8 | 3.6 | (130bps) | (20bps) |
| Gold Loan | 3.4 | 3.8 | 3.9 | 4.0 | 5.0 | 160bps | 100bps |
| Commercial vehicle | 1.1 | 1.0 | 0.9 | 0.7 | 0.6 | (50bps) | (10bps) |
| Others | 5.2 | 2.3 | 2.1 | 6.1 | 7.0 | 180bps | 90bps |
| Total | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | | |

Source: Company, BOBCAPS Research

Fig 21 – Loan disbursement

| (Rs mn) | Q4FY25 | Q1FY26 | Q2FY26 | Q3FY26 | Q4FY26 | YoY (%) | QoQ (%) |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|-------------|-------------|
| Mortgage | 16,570 | 11,160 | 13,490 | 14,750 | 18,230 | 10.0 | 23.6 |
| Gold Loans | 8,420 | 9,000 | 7,450 | 10,030 | 11,570 | 37.4 | 15.4 |
| AIB | 14,370 | 9,390 | 13,750 | 14,220 | 19,510 | 35.8 | 37.2 |
| MSME/MSE | 5,780 | 4,950 | 4,400 | 4,400 | 5,010 | (13.3) | 13.9 |
| Corporate | 6,310 | 12,680 | 11,450 | 10,450 | 19,600 | 210.6 | 87.6 |
| Construction Finance | 4,230 | 2,550 | 3,130 | 3,180 | 4,370 | 3.3 | 37.4 |
| Total Loan disbursed | 55,680 | 49,730 | 53,670 | 57,030 | 78,290 | 40.6 | 37.3 |

Source: Company, BOBCAPS Research

Fig 22 – Disbursement distribution

| Segment (%) | Q4FY25 | Q1FY26 | Q2FY26 | Q3FY26 | Q4FY26 | YoY | QoQ |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|
| Mortgage | 29.8 | 22.4 | 25.1 | 25.9 | 23.3 | (647bps) | (258bps) |
| Gold Loans | 15.1 | 18.1 | 13.9 | 17.6 | 14.8 | (34bps) | (281bps) |
| AIB | 25.8 | 18.9 | 25.6 | 24.9 | 24.9 | (89bps) | (1bps) |
| MSME/MSE | 10.4 | 10.0 | 8.2 | 7.7 | 6.4 | (398bps) | (132bps) |
| Corporate | 11.3 | 25.5 | 21.3 | 18.3 | 25.0 | 1370bps | 671bps |
| Construction Finance | 7.6 | 5.1 | 5.8 | 5.6 | 5.6 | (202bps) | 1bps |
| Total Loan disbursed | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 0bps | 0bps |

Source: Company, BOBCAPS Research

Fig 23 – Deposit trend

| (Rs mn) | Q4FY25 | Q1FY26 | Q2FY26 | Q3FY26 | Q4FY26 | YoY (%) | QoQ (%) |
|-----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------------|------------|
| CASA | 1,47,210 | 1,44,690 | 1,52,350 | 1,54,280 | 1,62,470 | 10.4 | 5.3 |
| Resident | 3,47,527 | 3,61,056 | 3,75,029 | 3,88,782 | 4,02,804 | 15.9 | 3.6 |
| Non-Resident | 33,982 | 36,629 | 38,642 | 39,768 | 40,562 | 19.4 | 2.0 |
| Inter-Bank | 1,39,555 | 1,51,273 | 1,59,028 | 1,74,246 | 2,01,120 | 44.1 | 15.4 |
| Term Deposits | 4,53,100 | 4,75,700 | 4,95,415 | 5,23,260 | 5,63,363 | 24.3 | 7.7 |
| Total Deposits | 6,00,310 | 6,20,390 | 6,47,765 | 6,77,540 | 7,25,833 | 20.9 | 7.1 |

Source: Company, BOBCAPS Research

Fig 24 – Deposit distribution

| (%) | Q4FY25 | Q1FY26 | Q2FY26 | Q3FY26 | Q4FY26 | YoY (%) | QoQ (%) |
|-----------------------|------------|------------|------------|------------|------------|----------|----------|
| CASA | 24.5 | 23.3 | 23.5 | 22.8 | 22.4 | (214bps) | (39bps) |
| Resident | 57.9 | 58.2 | 57.9 | 57.4 | 55.5 | (240bps) | (189bps) |
| Non-Resident | 5.7 | 5.9 | 6.0 | 5.9 | 5.6 | (7bps) | (28bps) |
| Inter-Bank | 23.2 | 24.4 | 24.6 | 25.7 | 27.7 | 446bps | 199bps |
| Term Deposits | 75.5 | 76.7 | 76.5 | 77.2 | 77.6 | 214bps | 39bps |
| Total Deposits | 100 | 100 | 100 | 100 | 100 | | |

Source: Company, BOBCAPS Research

Earnings Call Highlights

- Management remains confident of delivering **consistent, predictable growth**, but acknowledges rising macro uncertainty (West Asia tensions, inflation, supply chain risks), suggesting a **cautious undertone despite strong current performance**.
- Margins are expected to improve, with **cost of deposits as the key driver**, while the benefit from deposit repricing is likely to **fade by late Q2/early Q3**.
- Asset quality outlook remains constructive, with management guiding for **credit cost to stay below 45 bps in the near term** and **NNPA to remain below 1%**, supported by better portfolio mix and strong collection efficiency.
- Growth visibility remains intact at **healthy levels (broadly high-teens)**, though the bank is clearly prioritising **quality over aggressive expansion** — especially in a volatile external environment.
- Growth mix is expected to **tilt toward core secured segments** such as mortgages, SME/MSME (with gradual pickup), and agri; while **co-lending growth normalises** and becomes less of a disproportionate contributor.
- Liability strategy is undergoing a structural shift, with the **bank moving away from rate-led deposit mobilization to franchise-led growth**.
- The **focus is on reducing cost of funds** and **improving CASA** quality, particularly in current accounts.
- Despite planned investments in workforce and distribution, the bank expects to **maintain cost discipline**, with **cost-to-assets steady around ~2.5%**, aided by productivity gains and operating leverage.
- Incremental investments will be directed towards **liability acquisition and self-sourcing channels**, with a clear intent to **reduce dependence on DSAs** and improve customer stickiness and lifetime value.
- Management indicated a **likely capital raise of ~Rs 11–12bn in Q2/Q3FY27**, aimed at supporting growth while maintaining prudent capital buffers ahead of future expansion needs.
- Fee income momentum is expected to **remain steady**, led by **core distribution businesses**, while treasury income is likely to **stay muted**, reinforcing reliance on recurring fee streams.
- The bank continues to **shift its portfolio towards higher-ticket, better-quality borrowers**, which is expected to structurally support **lower slippages and stable credit costs** over the medium term.

Valuation Methodology

DCBB reported robust business performance with strong loan growth (+17.6% YoY), while NII witnessed healthy growth (+17.4% 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 ~20%/19% with RoA of 0.9-1.0% in FY27-FY29E. We maintain BUY and roll over valuation to 0.9x Mar'28E ABV (unchanged) with TP of Rs 224 (earlier Rs 211).

Fig 25 – Key operational assumptions

| (%) | FY26A | FY27E | FY28E | FY29E |
|-----------------|-------|-------|-------|-------|
| Advances Growth | 17.6 | 19.3 | 19.7 | 20.0 |
| NII Growth | 16.6 | 15.9 | 23.2 | 22.2 |
| PPOP Growth | 25.0 | 16.8 | 23.7 | 17.7 |
| PAT Growth | 18.9 | 19.0 | 27.8 | 19.0 |
| NIM | 3.3 | 3.3 | 3.5 | 3.6 |
| GNPA | 2.4 | 2.3 | 2.1 | 2.0 |
| CAR | 16.6 | 15.7 | 15.2 | 14.7 |

Source: Company, BOBCAPS Research

Fig 26 – Revised estimates

| Estimates Key Parameters (Rs mn) | New | | Old | | Change (%) | |
|-------------------------------------|-----------|-----------|-----------|-----------|------------|-------|
| | FY27E | FY28E | FY27E | FY28E | FY27E | FY28E |
| Loan | 7,16,060 | 8,57,123 | 7,18,023 | 8,54,448 | (0.3) | 0.3 |
| Deposits | 8,56,482 | 10,17,501 | 8,48,665 | 10,12,457 | 0.9 | 0.5 |
| Assets | 10,17,577 | 11,94,761 | 10,32,477 | 12,20,042 | (1.4) | (2.1) |
| NII | 28,469 | 35,067 | 28,909 | 35,250 | (1.5) | (0.5) |
| PPOP | 15,141 | 18,732 | 15,562 | 19,527 | (2.7) | (4.1) |
| Provision | 3,436 | 3,776 | 3,453 | 3,853 | (0.5) | (2.0) |
| PAT | 8,709 | 11,128 | 9,009 | 11,661 | (3.3) | (4.6) |
| ABV (Rs) | 210.0 | 241.2 | 207.1 | 240.3 | 1.4 | 0.4 |

Source: Company, BOBCAPS Research

Fig 27 – Actuals vs BOBCAPS estimates

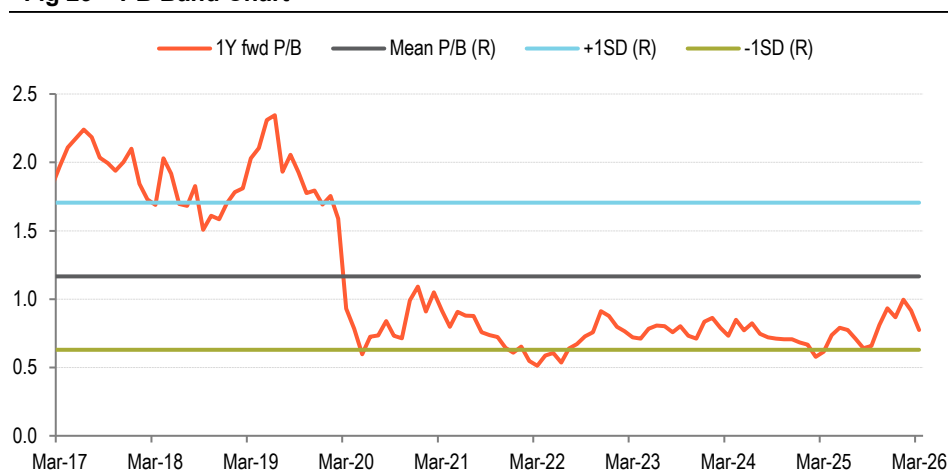
| (Rs mn) | Q4FY26A | Q4FY26E | Actual vs. Estimates (%) |
|-----------|----------|----------|--------------------------|
| Loan | 6,00,218 | 6,03,161 | (0.5) |
| Deposits | 7,25,833 | 7,11,967 | 1.9 |
| Assets | 8,80,695 | 8,83,189 | (0.3) |
| NII | 6,552 | 6,578 | (0.4) |
| PPOP | 3,421 | 3,525 | (3.0) |
| Provision | 690 | 783 | (11.9) |
| PAT | 2,056 | 2,018 | 1.9 |

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:

- Weak demand environment leading to a general slowdown in the credit offtake.
- Operating efficiencies remain lower than expected.

Financials

Income Statement

| Y/E 31 Mar (Rs mn) | FY25A | FY26A | FY27E | FY28E | FY29E |
|----------------------------|---------------|---------------|---------------|---------------|---------------|
| Net interest income | 21,066 | 24,565 | 28,469 | 35,067 | 42,851 |
| Nil growth (%) | 9.3 | 16.6 | 15.9 | 23.2 | 22.2 |
| Non-interest income | 7,505 | 8,551 | 9,871 | 11,219 | 11,733 |
| Total income | 28,571 | 33,117 | 38,340 | 46,286 | 54,584 |
| Operating expenses | 18,201 | 20,159 | 23,199 | 27,554 | 32,537 |
| PPOP | 10,370 | 12,958 | 15,141 | 18,732 | 22,047 |
| PPOP growth (%) | 20.0 | 25.0 | 16.8 | 23.7 | 17.7 |
| Provisions | 2,084 | 3,188 | 3,436 | 3,776 | 4,243 |
| PBT | 8,286 | 9,770 | 11,705 | 14,957 | 17,804 |
| Tax | 2,133 | 2,454 | 2,996 | 3,829 | 4,558 |
| Reported net profit | 6,153 | 7,316 | 8,709 | 11,128 | 13,246 |
| Adjustments | 0 | 0 | 0 | 0 | 0 |
| Adjusted net profit | 6,153 | 7,316 | 8,709 | 11,128 | 13,246 |

Balance Sheet

| Y/E 31 Mar (Rs mn) | FY25A | FY26A | FY27E | FY28E | FY29E |
|------------------------|-----------------|-----------------|------------------|------------------|------------------|
| Equity capital | 3,143 | 3,219 | 3,219 | 3,219 | 3,219 |
| Reserves & surplus | 53,764 | 62,131 | 70,334 | 80,928 | 93,578 |
| Net worth | 56,907 | 65,350 | 73,553 | 84,147 | 96,797 |
| Deposits | 6,00,310 | 7,25,833 | 8,56,482 | 10,17,501 | 12,12,861 |
| Borrowings | 91,152 | 60,865 | 64,516 | 69,033 | 73,865 |
| Other liab. & | 19,730 | 28,648 | 23,024 | 24,081 | 29,112 |
| Total liab. & equities | 7,68,098 | 8,80,695 | 10,17,577 | 11,94,761 | 14,12,635 |
| Cash & bank balance | 26,986 | 42,204 | 41,536 | 46,756 | 52,302 |
| Investments | 2,01,499 | 2,03,780 | 2,23,708 | 2,50,942 | 2,84,791 |
| Advances | 5,10,469 | 6,00,218 | 7,16,060 | 8,57,123 | 10,28,548 |
| Fixed & Other assets | 29,144 | 34,493 | 36,273 | 39,941 | 46,994 |
| Total assets | 7,68,098 | 8,80,695 | 10,17,577 | 11,94,761 | 14,12,635 |
| Deposit growth (%) | 21.6 | 20.9 | 18.0 | 18.8 | 19.2 |
| Advances growth (%) | 24.7 | 17.6 | 19.3 | 19.7 | 20.0 |

Per Share

| Y/E 31 Mar (Rs) | FY25A | FY26A | FY27E | FY28E | FY29E |
|----------------------|-------|-------|-------|-------|-------|
| EPS | 19.6 | 23.0 | 27.1 | 34.6 | 41.2 |
| Dividend per share | 1.4 | 1.5 | 1.6 | 1.7 | 1.9 |
| Book value per share | 181.1 | 203.0 | 228.5 | 261.4 | 300.7 |

Valuations Ratios

| Y/E 31 Mar (x) | FY25A | FY26A | FY27E | FY28E | FY29E |
|--------------------|-------|-------|-------|-------|-------|
| P/E | 9.9 | 8.4 | 7.1 | 5.6 | 4.7 |
| P/BV | 1.1 | 1.0 | 0.8 | 0.7 | 0.6 |
| Dividend yield (%) | 0.7 | 0.8 | 0.8 | 0.9 | 1.0 |

DuPont Analysis

| Y/E 31 Mar (%) | FY25A | FY26A | FY27E | FY28E | FY29E |
|-------------------------|-------|-------|-------|-------|-------|
| Net interest income | 3.0 | 3.0 | 3.0 | 3.2 | 3.3 |
| Non-interest income | 1.1 | 1.0 | 1.0 | 1.0 | 0.9 |
| Operating expenses | 2.6 | 2.4 | 2.4 | 2.5 | 2.5 |
| Pre-provisioning profit | 1.5 | 1.6 | 1.6 | 1.7 | 1.7 |
| Provisions | 0.3 | 0.4 | 0.4 | 0.3 | 0.3 |
| PBT | 1.2 | 1.2 | 1.2 | 1.4 | 1.4 |
| Tax | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| ROA | 0.9 | 0.9 | 0.9 | 1.0 | 1.0 |
| Leverage (x) | 13.0 | 13.5 | 13.7 | 14.0 | 14.4 |
| ROE | 11.4 | 12.0 | 12.5 | 14.1 | 14.6 |

Ratio Analysis

| Y/E 31 Mar | FY25A | FY26A | FY27E | FY28E | FY29E |
|--|-------|-------|-------|-------|-------|
| YoY growth (%) | | | | | |
| Net interest income | 9.3 | 16.6 | 15.9 | 23.2 | 22.2 |
| Pre-provisioning profit | 20.0 | 25.0 | 16.8 | 23.7 | 17.7 |
| EPS | 14.3 | 17.2 | 17.6 | 27.8 | 19.0 |
| Profitability & Return ratios (%) | | | | | |
| Net interest margin | 3.3 | 3.3 | 3.3 | 3.5 | 3.6 |
| Fees / Avg. assets | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 |
| Cost-Income | 63.7 | 60.9 | 60.5 | 59.5 | 59.6 |
| ROE | 11.4 | 12.0 | 12.5 | 14.1 | 14.6 |
| ROA | 0.9 | 0.9 | 0.9 | 1.0 | 1.0 |
| Asset quality (%) | | | | | |
| GNPA | 3.0 | 2.4 | 2.3 | 2.1 | 2.0 |
| NNPA | 1.1 | 0.9 | 0.8 | 0.8 | 0.7 |
| Slippage ratio | 3.7 | 3.3 | 3.1 | 2.8 | 2.7 |
| Credit cost | 0.5 | 0.6 | 0.5 | 0.5 | 0.5 |
| Provision coverage | 63.2 | 64.3 | 64.5 | 64.7 | 66.0 |
| Ratios (%) | | | | | |
| Credit-Deposit | 85.0 | 82.7 | 83.6 | 84.2 | 84.8 |
| Investment-Deposit | 33.6 | 28.1 | 26.1 | 24.7 | 23.5 |
| CAR | 16.8 | 16.6 | 15.7 | 15.2 | 14.7 |
| Tier-1 | 14.3 | 14.3 | 14.2 | 13.8 | 13.4 |

Source: Company, BOBCAPS Research

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Name of the Research Entity: **BOB Capital Markets Limited**
 Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**
 SEBI Research Analyst Registration No: **INH000000040 (Perpetual)**
 SEBI Stock Broker Registration No: **INZ000159332**
 SEBI Depository Participant Registration No: **IN-DP-728-2022**
 SEBI Merchant Banker Registration No: **INM000009926**
 Phone: +91-22-61389300
 Name of the Compliance Officer: Mr. Sameer Khobrekar
 Email ID: Compliance@bobcaps.in; Phone no.: +91-22-61389358
 For any queries or grievances, you may contact the Grievance Officer.
 Name of the Grievance Officer: Mr. Manoj Pawar
 Email ID: head-customer@bobcaps.in; Phone no: 0+91-22-69417333

Brand Name: **BOBCAPS**
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BUY – Expected return >+15%

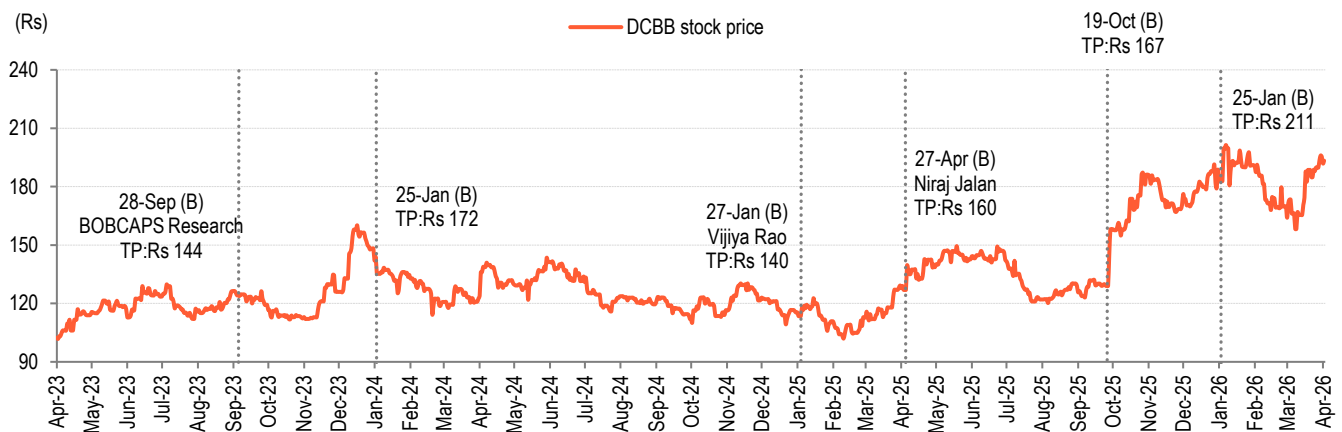
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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