

DCB BANK

DCB Bank Limited

*Robust Performance FY-26 Driven by
NII Growth and Operating Leverage ,
Asset Quality Improved*

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DCB Bank delivered a strong financial performance in FY26, driven by steady core income growth and improving profitability metrics

Net Interest Income (NII) for Q4FY26 stood at ₹655 crore, registering a growth of 4.9% QoQ and 17.4% YoY. This was supported by higher interest income of ₹1,907 crore and a controlled increase in interest expenses to ₹1,252 crore. For the full year, NII grew 16.6% YoY to ₹2,457 crore, reflecting stable spreads and consistent balance sheet expansion. Core fee income remained robust at ₹671 crore, in line with the bank's strategy of building diversified and granular non-interest income streams. Operating expenses increased moderately to ₹525 crore in Q4, largely aligned with business growth. Consequently, pre-provision operating profit (PPOP) rose to ₹342 crore, up 6.0% QoQ and 12.0% YoY. For FY26, PPOP grew 25.0% YoY to ₹1,296 crore, indicating improving operating leverage. Despite maintaining a prudent provisioning approach, with provisions at ₹69 crore, profitability remained healthy. Q4FY26 profit after tax (PAT) stood at ₹206 crore, reflecting growth of 11.3% QoQ and 16.1% YoY. For the full year, PAT reached a record ₹732 crore, marking an 18.9% YoY increase. Business momentum remained strong, with advances growing 18% YoY to ₹60,022 crore, while deposits increased 21% YoY to ₹72,583 crore, underscoring sustained franchise expansion.

DCB Bank reported a notable improvement in asset quality in FY26, with GNPA declining to 2.45% (from 2.99% YoY) and NNPA reducing to 0.89% (from 1.12%), both at seven-year lows. This was supported by a strong Provision Coverage Ratio of 78.42% (78.97% excluding gold loans) and lower-than-expected credit costs of 40 bps for the year (Q4: 0.32%).

The bank also saw healthy recovery momentum, with recoveries and upgrades exceeding slippages at 109% in Q4, leading to a decline in absolute GNPA to ₹1,496 crore. The slippage ratio improved to 2.28% from 3.09% YoY. Stress remained largely concentrated in mortgages and Agri & Inclusive Banking, with smaller exposure in corporate and MSME segments.

Management attributed the improvement to tighter early-stage delinquency monitoring, better collection efficiency, and a more calibrated approach in the mortgage portfolio. Going ahead, the bank aims to keep NNPA below 1% and maintain credit costs within the 45–55 bps range, reflecting a continued focus on asset quality stability.

Our View on Valuation :

DCB Bank offers a compelling investment case, supported by steady earnings growth, improving asset quality, and a scalable, capital-efficient model. Core performance remains strong with healthy NII and PAT growth, stable margins, and disciplined cost control. Business momentum is robust, with advances and deposits growing 18% and 21% YoY, driven by a granular retail franchise. Asset quality stands out, with GNPA at 2.45% and NNPA at 0.89% (multi-year lows), backed by ~78% PCR and controlled credit costs. Strategically, the shift towards higher-ticket, self-sourced secured lending and reduced co-lending is improving portfolio quality and profitability.

The NiYo partnership offers a strong liability opportunity—despite a 50 lakh customer base, engagement remains low, leaving ample scope to deepen relationships, boost deposits, and improve retention through offerings like secured credit cards. With a clear path to ROA >1% and ROE of 13.5–14.5%, along with planned capital raising and expansion, DCB Bank is well-positioned for sustainable growth.

Recommendation: BUY, with a target price of ₹266 (1.2x FY28E BV), implying ~40% upside.

28th Apr' 2026

Rating: : Buy
Target : 266
Upside : 40% (12 Months)
CMP : 190 (NSE)

Key Data

Bloomberg Code	DCBB : IN
Mkt Cap (INR)	6106 Crs
Free Float Mkt Cap (INR)	5037.1Crs
52Wk Range (INR)	214/119
Free Float (%)	82.49%

Shareholding (%)

	Mar '26	Dec'25	Sep'25
Promoters	16.2%	16.2%	14.7%
FIIIs	12.6%	11.9%	10.5%
DIIIs	32.8%	32.1%	31.9%
Public	38.3%	39.7%	42.9%

Management

Managing Director & CEO	Mr. Praveen Kutty
Whole Time Director (Executive Director)	Mr. Krishnan Sridhar Seshadri
Chief Financial Officer	Mr. Ravi Kumar Vadlamani
Head Corporate Banking, Construction Finance & SME	Mr. Jayaram Vishwanath

Q4FY26 Earning Con-call KTA

Margins Under Mild Pressure as Yield Softens, but Declining Cost of Funds Supports Stable NIM Trajectory

Yield on Advances for Q4FY26 stood at 10.98%, maintaining the same level as the previous quarter (Q3FY26) but showing a decrease compared to 11.54% in Q4FY25. On an annual basis, the yield for the full year FY26 was 11.07%, down from 11.47% in FY25. The bank focuses on a diversified advances portfolio and robust yields to support steady margins. NIM for Q4FY26 stood at 3.39%. The Bank's business model targets a NIM range of 350 to 365 basis points.

Advances and Segment Performance

A successful shift toward higher ticket sizes, self-sourcing models over Direct Selling Agents (DSAs), and a reduced reliance on low-yield co-lending books. Net advances increased by 18% YoY to Rs. 60,022 Cr. CD Ratio: As of March 31, 2026, the CD ratio was 82.69%.

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Asset Quality

The bank achieved 7-year lows in its GNPA & NNPA ratios: Gross NPA: 2.45% (down from 2.99% in March 2025). Net NPA: 0.89% (down from 1.12% in March 2025).

Provisions

Provision Coverage Ratio (PCR): Stood at 78.42% as of March 31, 2026.

Adjusted PCR: When excluding Gold Loan NPAs, the PCR was slightly higher at 78.97%. Management aims to keep this above 75% to buffer against aging provisions in unsecured small-ticket and MFI loans.

Growth by Segment (YoY)

There is a deliberate move toward self-sourcing rather than relying on DSAs. Self-sourced loans show higher longevity (6+ years vs. 2–2.5 years for DSA) and superior credit quality. The bank has moved "up the ladder" in ticket size to improve operational productivity and reduce bounce rates

Gold Loans: +56.7% (Total: Rs. 4,144 Cr). Gold loans represent approximately 21% of the portfolio (including co-lending portions). While they have a higher natural delinquency (5.3% slippage), they serve as a barometer for the "lower end of the pyramid" and allow for accurate loss prediction.

Guidance :

Growth Acceleration Ahead with ROA/ROE Expansion Targets, Branch Scaling, and Planned Capital Raise to Support Momentum

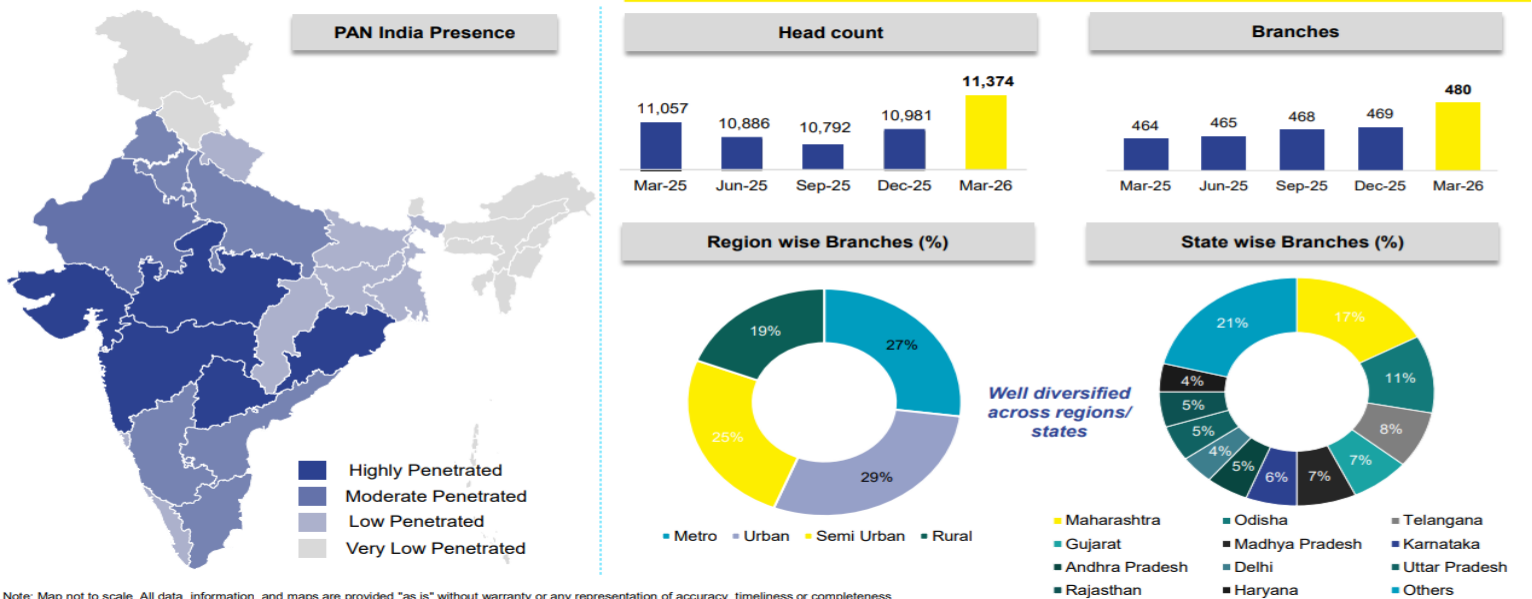
ROA: Target of 1% or above in the near term. (Currently at 0.91% FY26)
Asset Quality: Aiming to keep GNPA below 2.50% and NNPA at 1.00%.

The bank is likely to cross the 500-branch milestone during FY27.

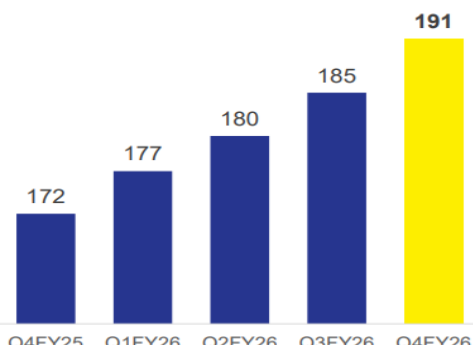
Headcount is expected to reach 13,000 by the end of the year (up from approximately 11,500–11,900). New hires are primarily focused on liability and deposit acquisition. Management reports that employee productivity is currently at an all-time historical high.

Well Penetrated Distribution Network

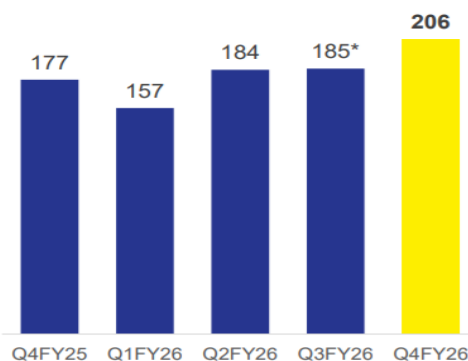
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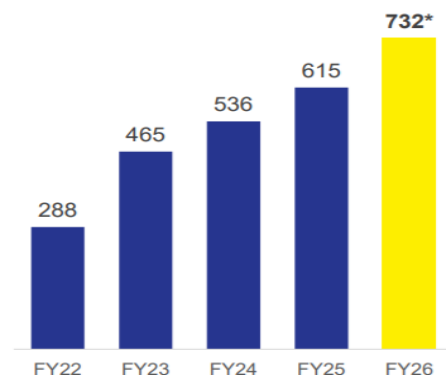
Book Value Per Share (INR)**



Profit After Tax (INR Crores) Q-o-Q

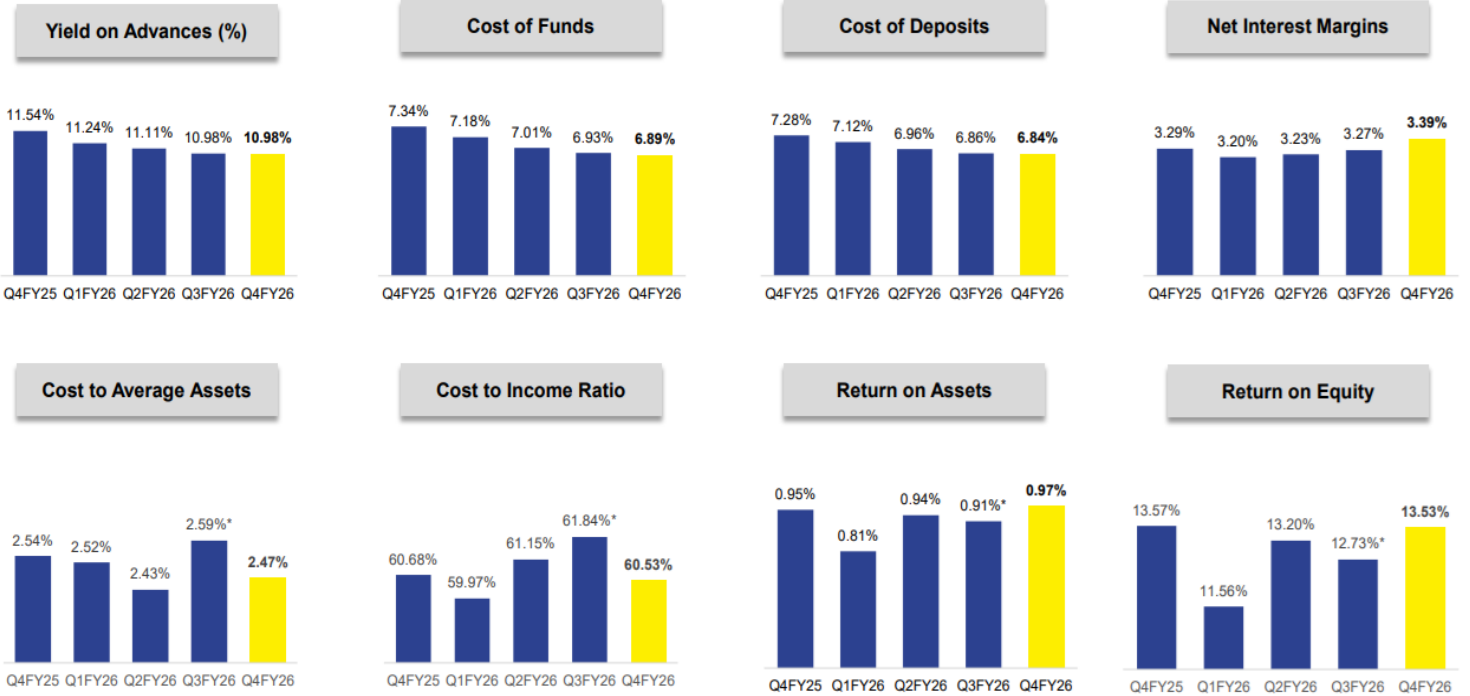


Profit After Tax (INR Crores) Y-o-Y

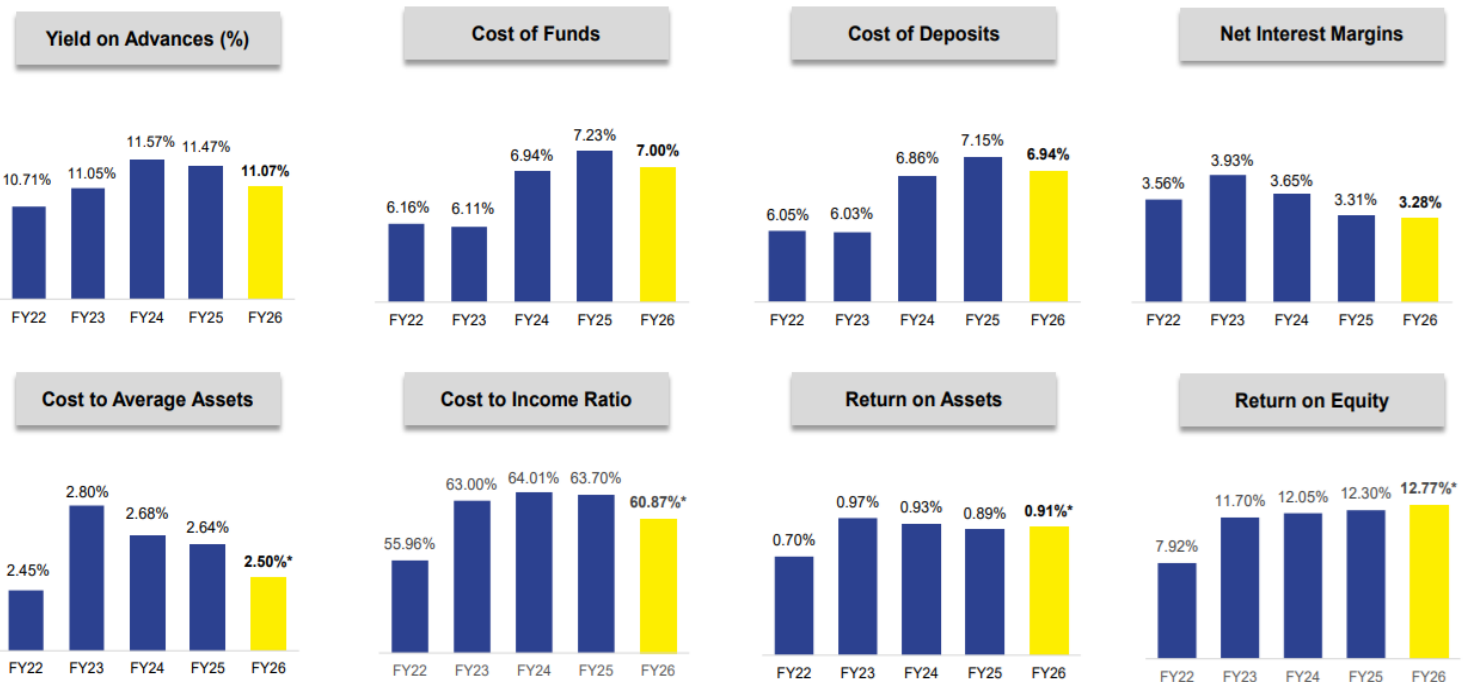


**Excluding Revaluation Reserve.

Key Ratios (Q-o-Q)



Key Ratios (Y-o-Y)



Financial Summary

Amt. (In Crs.)

	FY24	FY25	FY26	FY27E	FY28E
Interest Income	5,362	6,471	7,404	8,670	10,370
YoY Growth %	27.7	20.7	14.4	17.1	19.6
Less: Interest Expense	3,434	4,364	4,948	5,865	6,907
YoY Growth %	38.3	27.1	13.4	18.5	17.8
Net Interest Income	1,928	2,107	2,457	2,805	3,463
YoY Growth %	12.3	9.3	16.6	14.2	23.5
Other Income	474	751	855	983	1,139
Operating Income	2,402	2,857	3,312	3,789	4,602
Employee Cost	794	923	1,026	1,107	1,324
Other Operating Expenses	743	897	990	1,158	1,386
Total Operating Expense	1,538	1,820	2,016	2,265	2,710
Pre-Provision Operating Profit (PPOP)	864	1,037	1,296	1,523	1,892
PPOP Margin (%)	44.8	49.2	52.7	54.3	54.6
Provisions & Contingencies	142	208	319	292	353
Profit Before Tax	722	829	977	1,231	1,539
Taxes	186	213	245	297	373
Tax (%)	26%	26%	25%	24%	24%
Profit After Tax (PAT)	536	615	732	934	1,166
PAT Margin (%)	27.8	29.2	29.8	33.3	33.7

Basic Ratios (Rs.)	FY24	FY25	FY26	FY27E	FY28E
EPS	17.13	19.58	22.74	29.04	36.24
Growth (%)	14.65	14.26	16.13	27.71	24.81
Book Value	162.12	181.07	203.11	229.23	262.21
Growth (%)	10.60	11.68	12.17	12.86	14.38
Adj. Book Value	153.41	170.15	193.15	219.75	251.17
Growth (%)	9.82	10.91	13.51	13.78	14.30

Amt. (In Crs.)

Balance Sheet	FY24	FY25	FY26	FY27E	FY28E
Fixed Assets	865	898	989	1,098	1,319
Investments	16,211	20,150	20,378	24,046	28,474
Loans & Advances	40,925	51,047	60,022	72,026	86,531
YoY Growth %	19.04	24.73	17.58	20.00	20.14
Cash and cash equivalents	2,867	2,507	3,212	3,855	4,523
Balance with banks	199	191	1,008	1,159	1,453
Other assets	1,971	2,016	2,460	2,905	3,389
Total Assets	63,037	76,810	88,069	105,090	125,690
Equity Capital	313	314	322	322	322
Reserves & Surplus	4,758	5,376	6,213	7,054	8,115
Net worth	5,071	5,691	6,535	7,375	8,436
Deposits	49,353	60,031	72,583	87,100	104,520
YoY Growth %	19.68	21.64	20.91	20.00	20.00
Borrowings	6,219	9,115	6,086	7,549	9,548
Other liabilities & provisions	2,393	1,973	2,865	3,065	3,186
Total Liabilities	63,037	76,810	88,069	105,090	125,690

Asset Quality (%)	FY24	FY25	FY26	FY27E	FY28E
Gross NPA	3.23	2.99	2.45	2.35	2.33
Net NPA	1.11	1.12	0.89	0.71	0.68
Coverage Ratio	77.30	74.48	74.00	74.00	74.00

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