



MORNING FARSIGHT

Monday, June 18, 2018

DCB Bank

CMP:RS 179

TRGT:RS 230

TIME HORIZON: 1 YEAR

DCB Bank looks a good buy now, as stock seen holding support of 175 on closing basis, with weak hands seen having exited. Also, stock has not participated in the recent private bank rally, despite robust Q4FY18 earnings and PBV of just 1.98x on current year. DCB Bank had posted good earnings for Q4FY18 with NIMs expanding to 4.16% from 4.12% QoQ, supported by 5% QoQ rise in sequential rise in Net Interest Income (NII) to Rs. 264 crores, leading to 7% QoQ growth in income at Rs. 734 cr. PAT was placed at Rs. 64 cr for Q4FY18 and Rs. 245 cr for FY18, which were up 13% QoQ and 23% YoY respectively, leading to Q4FY18 EPS of Rs. 2.04 and full year FY18 EPS of Rs. 7.85. With a strong 13% QoQ deposit growth to Rs. 24,000 cr, of which CASA is healthy at 24.3%, bank's advances growth for the quarter was at 9% and for the full year it was at 29%, touching 20,337 cr. Asset quality has also improved in the fiscal gone by, with Net NPAs contracting to 0.72% from 0.87% a quarter ago and 0.79% a year ago, despite strong double digit loan growth. On FY19e BV of Rs. 90, stock is trading at PBV of 1.98x, which is seen quite attractive, given the healthy balance-sheet growth, improving asset quality and strong parentage in the form of Aga Khan Foundation's 14.2% stake, (who was one of HDFC's promoters). DCB Bank is slowly embarking on branch expansion to focus on urban and semi — urban markets, targeting SMEs and mortgage lending to the Self-employed. This puts the bank in the under-tapped sweet spot, with an attractive valuation. Buy as an investor only and better to avoid F&O due to volatility seen in the market. Share ruling at 179 has potential to touch 230 in 1 year

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Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.