



DCB BANK

5th March, 2026



India's Best Performing and Most Customer Centric PMS

DCB Bank is a new-age private sector bank focused on retail, MSME, and small business banking, with a strong presence in granular lending and liability franchises across semi-urban and emerging markets in India. The bank offers a diversified suite of products including mortgages, business loans, gold loans, deposits, trade finance, and third-party distribution services. Over the years, it has built a reputation for disciplined underwriting, conservative risk management, and stable asset quality. Its strategy emphasizes profitable growth through higher-yield segments, improved funding mix, and operational efficiency driven by digitisation. With a steadily expanding branch network and improving return ratios, DCB Bank is positioning itself as a consistent compounding mid-sized franchise within the private banking space.

Quarter at a Glance

- Advances up 18.5% YoY
- Deposits up 19.5% YoY
- PAT up 22% YoY
- NIM expands to 3.27%
- ROA near 1% (adj.)
- Credit cost at 0.37%
- GNPA down to 2.72%
- Lowest slippages in 18 quarters

Consistent Balance Sheet Growth with Improving Profitability- DCB Bank continues to deliver steady and predictable expansion, with advances and deposits growing 18.5% and 19.5% YoY respectively. This translated into operating profit growth of 19% YoY, reflecting disciplined execution across retail and business banking segments. The bank's growth remains broad-based and repeatable, indicating franchise strength rather than cyclical or opportunistic gains.

Structural Margin Expansion Driven by Funding Cost Optimisation- Net interest margins improved to 3.27%, supported by a 10 bps sequential decline in cost of deposits and a sharp reduction in high-cost borrowings. With a large portion of the term deposit book yet to reprice, management expects additional cost benefits to flow through over the next few quarters. Importantly, net interest income as a percentage of assets now exceeds pre-rate cut levels, highlighting that margin gains are structural and mix-driven rather than purely rate dependent.

Diversified and Resilient Fee Income Franchise- Core fee income remains robust, led by third-party distribution, trade finance, processing charges, and remittance-related income, with fee-to-assets sustaining above 1%. Since fee streams are largely liability-led rather than credit-led, earnings are less sensitive to loan growth volatility, enhancing stability of the overall income profile and improving operating leverage.

Asset Quality at Multi-Quarter Best Levels with Strong Leading Indicators- Credit metrics continue to strengthen with slippages at an 18-quarter low, GNPA at 2.72%, NNPA at 1.1%, and credit costs contained at 0.37%. Recoveries and upgrades accounted for 86% of fresh slippages, reflecting strong collection efficiency and better underwriting of recent vintages. This improvement reduces provisioning risk and provides visibility on sustained profitability.

Underlying Profitability Already at 1%+ ROA- Reported earnings were impacted by a one-time ₹26.9 crore labour code provision; adjusting for this, the bank would have delivered an ROA of 1.01% and ROE of 14.1%. This indicates that the bank has effectively crossed its targeted profitability threshold, with further upside supported by improving margins and lower credit costs.

Loan Mix Repositioning Towards Higher-Yield Segments- The bank is consciously increasing the share of business loans, which now account for over 60% of incremental sourcing, while reducing dependence on low-return, DSA-sourced mortgage originations and simultaneously improving average mortgage ticket sizes from ₹27 lakh to ₹32 lakh. Although this calibrated shift may moderate near-term growth, it enhances unit economics through stronger yields, better customer retention, and improved asset quality, thereby structurally supporting margin expansion.

Stock Data	
CMP (04-02-2026)	Rs.192.37
52 Week High/Low	Rs. 203.70 / Rs.01.41
Face Value (in Rs.)	Rs.10
Market Cap (In Crs)	Rs.6.22K Cr
Enterprise Value (In Crs)	Rs. 74.6K Cr
NSE	DCBBANK
BSE	532772
Bloomberg	DCBB: IN
Sector	Financial Services

Shareholding Pattern (in %)		
	Dec 24	Dec 25
Promoter	14.92%	16.24%
FII	10.85%	11.92%
DII	27.89%	32.14%
Public	46.53%	39.68%

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	-1.94%	4.12%	8.43%
DCB Bank	7.61%	45.54%	63.38%

Improving Operating Efficiency and Productivity- Despite double-digit business growth, employee count has declined YoY and cost-to-income has improved to 61.8%, reflecting benefits from digitisation, AI-led processes, and higher organic sourcing. Rising business per employee is driving operating leverage and enabling scalable growth without proportional cost increases.

Strengthening Deposit Franchise and Granularity- Deposit growth remains healthy with improving granularity, lower concentration among large depositors, and stable retail-to-bulk mix. Cross-selling initiatives to new customer cohorts and renewed focus on current accounts are expected to deepen the low-cost liability base, improving funding stability and supporting sustainable margin expansion over the long term.

Scale Crossing ₹1.24 lakh crore Total Business- Total business (advances + deposits) has crossed ₹1,24,000 crore, reflecting continued balance sheet compounding and improved franchise scale, which supports operating leverage and stronger profitability metrics over time.

Capital Position Remains Comfortable- The bank reported a Capital Adequacy Ratio of 15.84% with adequate buffers to sustain near-term growth without immediate dilution, supporting balance sheet expansion while maintaining regulatory comfort.

Granular and Stable Liability Franchise- Deposit concentration risk remains low, with the top 20 depositors contributing only 6.61% of total deposits, indicating a granular retail-led funding base and reducing volatility in cost of funds.

Business Model Designed for Secured, Small-Ticket Lending- The portfolio continues to emphasize granular, secured, small-ticket assets across mortgages, MSME, gold loans, agri, and co-lending while consciously limiting large corporate and unsecured exposures, supporting structurally lower credit costs and better risk-adjusted returns.

Fee Income Mix Becoming Structural- Non-interest income remains diversified and recurring, with ~82% coming from commission, exchange, and brokerage income, highlighting the increasing stability of fee streams rather than reliance on treasury or one-off gains.

Digital Adoption Driving Operating Efficiency- Digital transactions account for ~99% of total transactions, with rising UPI, mobile banking, and internet banking usage, enabling lower servicing costs and supporting long-term improvement in cost-to-income ratios through reduced branch dependency.

Improving Operating Leverage Through Controlled Expansion- The branch network increased to 469 branches, while headcount declined sequentially, indicating higher productivity per employee and disciplined cost management even as the bank scales.

Macro Implications

Repo rate easing supports margins- RBI reduced the policy repo rate to 5.25%, enabling faster deposit repricing and lower funding costs across banks, creating structural NIM tailwinds for liability-sensitive lenders like DCB.

Healthy system credit growth sustains loan demand- Indian banking system credit continues to expand at a double-digit pace, supporting steady retail and MSME borrowing demand, which aligns with DCB's focus on business loans and granular retail segments.

Co-lending norms formalised from Jan'26- RBI's updated co-lending framework standardises risk sharing, governance, and operational controls, reducing regulatory ambiguity but limiting aggressive expansion; DCB's strategy to cap co-lending near 15% of assets reflects prudent risk management.

Shift toward forward-looking provisioning (ECL)- Regulatory push toward expected-loss based provisioning increases the need for stronger buffers and disciplined underwriting; banks with improving asset quality and recoveries, such as DCB, are structurally better placed to absorb the transition.

Fee income regulatory risk remains watch area- Potential changes in third-party distribution commissions may pressure fee pools across banks, reinforcing the importance of DCB's strategy to diversify into trade finance and liability-linked fee streams.

Financial Analysis

Healthy Balance Sheet Expansion with Stable Funding- Advances grew 18.5% YoY while deposits increased 19.5% YoY, taking total business beyond ₹1.24 lakh crore. Deposit growth outpacing credit indicates funding-led expansion rather than asset-chasing growth, which supports balance sheet stability and reduces reliance on high-cost borrowings. This reflects strengthening franchise depth and improving liability traction.

Improving Core Earnings Momentum- Total income for the quarter stood at ₹2,082 crore, while operating profit rose to ₹323 crore, up 19% YoY. The widening gap between income growth and expense growth indicates positive operating jaws, suggesting that incremental revenue is increasingly dropping through to profits. This points to emerging operating leverage as the bank scales.

Structural Margin Expansion- Net interest margin improved to 3.27%, supported by a sequential reduction in cost of deposits and replacement of higher-cost borrowings. With term deposit repricing still underway, margin benefits appear structural rather than cyclical. This enhances sustainability of earnings even without aggressive balance sheet growth.

Diversified Fee Income Supporting Revenue Stability- Core fee income remained strong, driven by distribution, trade finance, and processing charges. A higher share of liability-linked and recurring fees reduces dependence on pure lending spreads, improving income diversification and lowering earnings volatility across rate cycles.

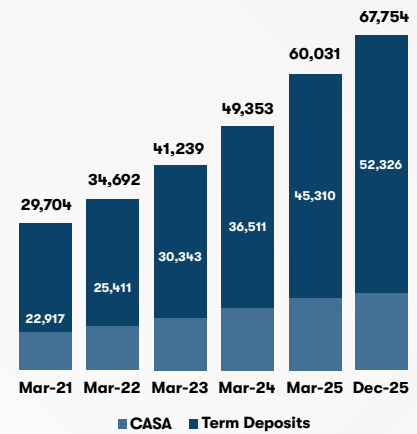
Operating Efficiency Trending Better- Cost-to-income improved to ~61.8%, aided by digitisation and productivity gains, with ~99% of transactions occurring digitally and headcount lower despite business growth. This indicates improving business per employee and scalable operations, which should structurally support profitability as volumes rise.

Asset Quality at Multi-Quarter Best Levels- Gross NPAs declined to 2.72% and Net NPAs to 1.10%, while credit costs moderated to 0.37%. Lower slippages and strong recoveries signal better underwriting and portfolio seasoning. Improving asset quality reduces provisioning drag and enhances visibility of sustainable earnings.

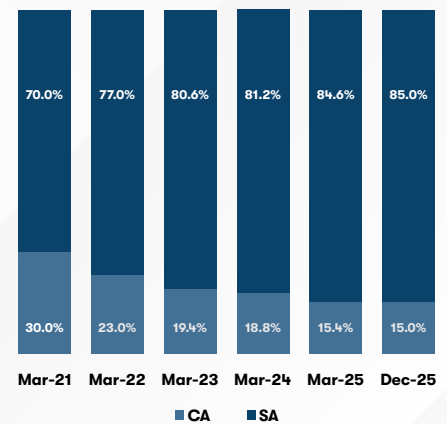
Profitability Normalising Toward 1%+ ROA- Profit after tax increased 22% YoY to ₹185 crore. Reported ROA stood at 0.91% and ROE at 12.7%; management indicated that excluding one-time provisions, underlying ROA already exceeds 1%. This suggests that core profitability metrics are gradually converging toward levels typically associated with higher valuations in private banks.

Comfortable Capital and Risk Buffers- Capital adequacy remains strong at 15.84%, providing adequate headroom to support mid-teen growth without near-term equity dilution. Deposit concentration is low, and the portfolio remains granular and largely secured, reinforcing balance sheet resilience.

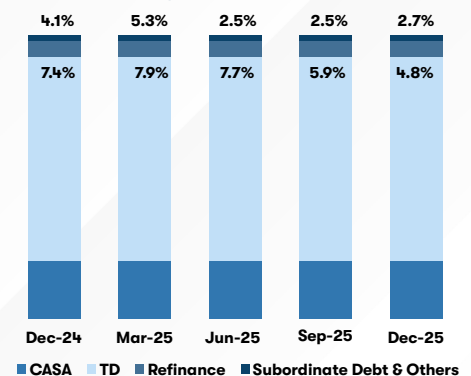
Deposits (INR crores)



CASA Mix (%)



Funding Mix (INR Crores)



Peer Comparison

Relative to its private sector banking peers, DCB Bank currently trades at a meaningful valuation discount despite demonstrating steady operating fundamentals. The stock is priced at a P/E of 8.84x and a P/B of 1.04x, both materially below the peer median and significantly cheaper than larger private banks such as HDFC Bank, ICICI Bank, Axis Bank and Kotak Mahindra Bank, which trade at substantially higher multiples. This discount indicates that the market continues to price DCB as a lower-return franchise rather than a fully scaled private bank.

From a profitability standpoint, DCB's return metrics remain below the peer group, with ROA of 0.88% and ROE of 11.43% versus higher return profiles for most established banks. This gap in return ratios largely explains the valuation differential, as private sector banks are typically valued on sustainable ROA and ROE rather than absolute growth alone. Until these metrics converge closer to peer levels, some discount is likely to persist.

However, operating efficiency paints a more constructive picture. When comparing operating profit to total assets, DCB demonstrates the highest ratio within the peer set, indicating strong core earnings generation and healthy pre-provision profitability relative to its balance sheet size. This suggests that the underlying operating engine is efficient and capable of producing income, with the current gap in reported returns driven more by scale and provisioning effects rather than structural weaknesses in the business model.

Growth trends further support a stabilising franchise, with three-year profit growth of 28.84% and five-year growth of 12.70%, broadly competitive with mid-tier peers and superior to weaker names in the segment. While not industry-leading, the bank's growth remains steady and consistent, reinforcing its positioning as a compounding mid-sized lender rather than a cyclical turnaround.

Overall, DCB Bank appears to be a case of improving operating strength yet lagging reported return ratios. The bank generates solid operating profits, maintains reasonable growth momentum, and trades at the lowest valuation multiples among peers. As profitability metrics gradually move closer to the 1%+ ROA range, the current valuation discount has scope to narrow, positioning the bank as a potential return-driven rerating story rather than purely a growth play.

Investment Rationale

Balanced balance sheet growth- Advances +18.5% YoY and deposits +19.5% YoY; deposit-led expansion improves funding stability and reduces reliance on high-cost borrowings.

Total business scale improving- Advances + deposits crossed ₹1.24 lakh crore, indicating growing franchise depth and operating leverage benefits.

Structural margin expansion- NIM at 3.27%, supported by lower funding costs and deposit repricing; margin gains appear sustainable rather than rate-cycle driven.

Strong operating momentum- Operating profit up 19% YoY, reflecting positive operating jaws as income growth outpaces expenses.

Efficiency gains visible- Cost-to-income ~61.8%; ~99% transactions digital and stable/lower headcount driving higher productivity per employee.

Diversified fee base- Recurring, liability-led fee streams reduce dependence on pure lending spreads and support earnings stability.

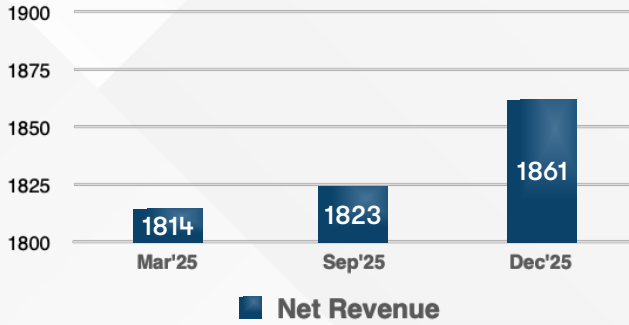
Asset quality at multi-quarter lows- GNPA 2.72%, NNPA 1.10%, credit cost 0.37%; lower slippages and recoveries improving risk profile and provisioning outlook.

Profitability normalising- PAT +22% YoY; reported ROA 0.91% with underlying profitability crossing ~1% ROA, indicating improving earnings quality.

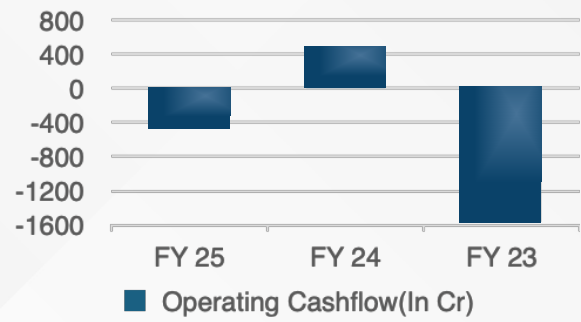
Comfortable capital buffers- CAR 15.84% provides headroom for growth without near-term dilution risk. Granular secured portfolio mix – Focus on retail, MSME and small-ticket lending supports better yields and lower credit volatility.

Core earnings strength evident- Operating profit-to-assets among the strongest in the peer set, indicating healthy pre-provision earning capability.

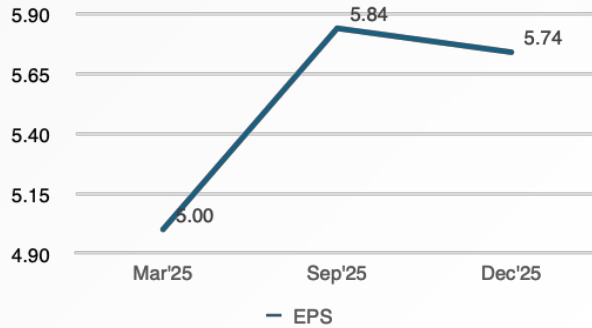
Net Revenue (In Cr)



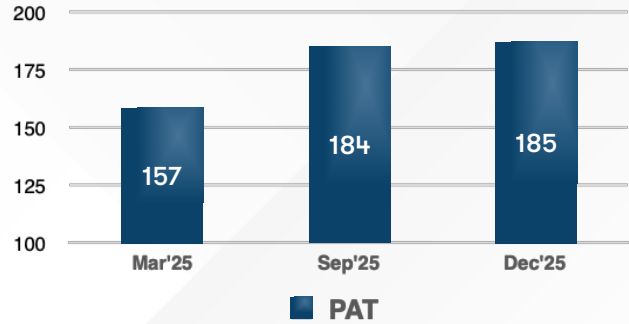
Operating Cashflow



EPS (In Rupees)



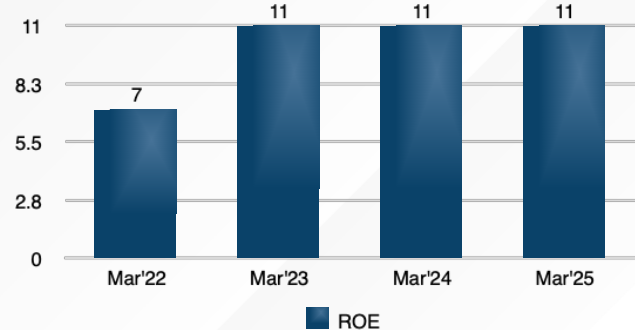
PAT (In Cr)



Compounded Growth (In %)



ROE (In %)



Technical Outlook



The weekly chart of DCB Bank reflects a well-defined uptrend within a rising channel, marked by a consistent pattern of higher highs and higher lows. The stock has repeatedly respected both the lower support and upper resistance trendlines, indicating disciplined price action and sustained buying interest.

In recent weeks, the price has approached the upper boundary of the channel after a strong upward move, supported by increased volume activity. This rise in volumes suggests healthy participation and strengthens the bullish bias.

While the stock may witness some consolidation or a mild pullback near the upper resistance zone, the broader trend remains positive as long as it holds above the rising lower trendline support. Overall, the technical structure remains constructive, with higher levels achievable over time, subject to interim pauses.

Moving Averages Days	Simple Moving Average	Advanced Moving Average
5	191.31	191.74
10	193.77	191.20
20	188.97	188.61
50	180.29	180.61
100	165.02	169.18
200	150.87	155.27

Pivot Levels : FIBONACCI							Daily	Weekly	
R3	R2	R1	Pivot (PP)	S1	S2	S3	Relative Strength Index (RSI)	55.0	69.91
196.32	194.43	193.26	191.36	189.47	188.30	186.40			

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