

PICK OF THE WEEK

27th June, 2026

DCB Bank Ltd

Sector: BFSI – Banks

BUY

CMP

186

Target Price

205

Upside

10%

CMP as on 25th June, 2026 | Time horizon: 6-9 Months

Why DCB Bank Ltd

- Strong Business Growth Momentum
- Asset Quality at Multi-year low
- Liability Repricing and Mix to support NIMs

About the Company

DCB Bank Ltd. (DCB) is a private sector commercial bank focused on serving self-employed individuals, MSMEs/SMEs, entrepreneurs and retail customers. The bank operates a diversified and secured lending portfolio across mortgages, MSME loans, gold loans, Agri and inclusive banking, construction finance and co-lending businesses. As of Mar'26, DCB operated a pan-India network of 480 branches with 11,374 employees.

Investment Rationale

A. Growth Momentum Intact; Quality-Led Expansion to Anchor Trajectory

- DCB maintained strong Q4 growth (Credit +18% YoY, Deposits +21% YoY), and remains well-poised to deliver ~18% CAGR through FY28, driven by Mortgages, MSME, Construction Finance, KCC, and Tractor Financing, while keeping the mix of co-lending capped at ~15%.
- The management expects deposit growth to outpace credit and targets ~18-20% loan growth for FY27, though near-term growth may lean towards the lower end of the guidance due to geopolitical uncertainties.

B. Asset Quality at Multi-year Low

- DCB's asset quality has improved to a seven-year best, driven by better underwriting, higher direct sourcing, and a sharper focus on early delinquencies.
- With benign stress trends, NNPA is expected to stay below 1% and credit costs within the 45-50 bps guided range.

C. Liability Repricing and Mix to Support NIMs

- DCB's Q4 NIM improved 12 bps, supported by a better loan mix and lower deposit costs. Management expects NIMs to remain stable at ~3.4% over FY27-28E, with further gains driven by CoD moderation rather than higher-yield lending. While the retail TD premium has narrowed sharply, sustaining margins beyond Q2FY27 will hinge on stronger CASA, particularly current account growth.

Outlook & Valuation

- DCB remains well-positioned to deliver steady improvement in profitability, with RoA/RoE expected at ~1%/13.5-14.5% over FY27-28E, supported by healthy high-teen credit growth led by Mortgages, MSME, and agri-linked lending.
- Gradual strengthening of the liability franchise and focus on CoF optimisation should support NIM stability at ~3.4%, while controlled credit costs and disciplined cost management are expected to drive steady earnings growth.

Valuation: Trading at 0.8x FY28E BV

Analyst Insights

We recommend a **BUY** with a target price of Rs 205/share, implying an **upside of 10%** from the CMP.

Research Analysts

Dnyanada Vaidya

Research Analyst

dnyanada.vaidya@axissecurities.in

Abhishek Pandya

Research Associate

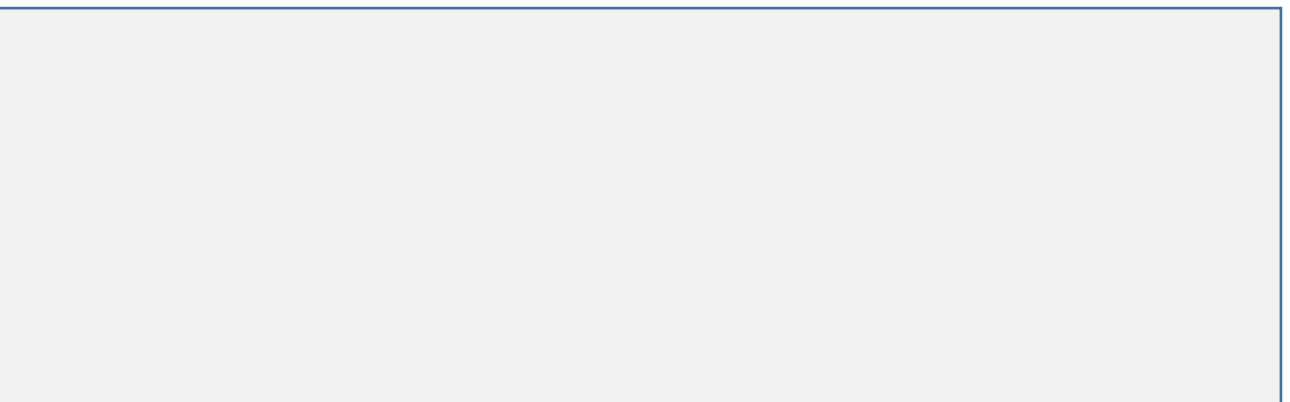
abhishek.pandya@axissecurities.in

Financial Summary

	FY26A	FY27E	FY28E
NII (Rs Cr)	2,457	2,973	3,496
PPOP (Rs Cr)	1,296	1,659	2,022
PAT (Rs Cr)	732	912	1,110
EPS (Rs)	22.7	28.3	34.5
ABVPS (Rs)	186.4	210.5	240.0
P/ABV (x)	1.0	0.9	0.8
RoA (%)	0.9	1.0	1.0
NNPA (%)	0.9	0.9	0.8

Market Data

No. of Shares	32.2 Cr
Market Cap (Rs Cr)	5,976
52-week High	206
52-week Low	119
P/BV (x)	0.8x FY28E ABV
BSE Code	532772
NSE Code	DCBBANK



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