DCB Bank Limited

July 01, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Tier II Bonds	400.00	CARE AA-; Stable	Reaffirmed
Certificate Of Deposit	1,500.00 (Enhanced from 1,000.00)	CARE A1+	Reaffirmed
Fixed Deposit	Ongoing	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating reaffirmation to the Tier II Bonds, short-term fixed deposits, and Certificate of Deposit (CD) of DCB Bank Limited (DCB) reflects the bank's comfortable capitalisation with a healthy cushion above the minimum regulatory requirements, supported by regular capital infusions, along with consistent profitability and the continued support expected from its promoter, the Aga Khan Fund for Economic Development (AKFED). The rating also benefits from the bank's experienced and stable senior management team, its steady and well-calibrated advance growth with a focus on the retail segment, particularly to self-employed individuals and the SME/MSME sectors, and DCB's stable asset quality. Going forward, Care Ratings Limited (CareEdge Ratings) expects some pressure on the bank's profitability in FY26 owing to likely faster transmission of recent rate cuts in the yield on advances than in its cost of funds.

The ratings remain constrained by the bank's moderate resource profile, with relatively lower proportion of low-cost CASA deposits and a higher reliance on term deposits. Additionally, DCB's earning profile remains average in comparison to peers, while its overall scale of operations continues to be modest within the banking industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

- Improvement in profitability with return on total assets (ROTA) over 1.25% on a sustained basis.
- Continuously improving scale of business, significantly increasing CASA proportion while maintaining asset quality parameters and capitalisation.

Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:

- Declining capital adequacy ratio (CAR) with cushion over the minimum regulatory requirement falling below 3%.
- Deteriorating asset quality with net non-performing assets (NNPA) ratio above 3% on a sustained basis.
- Falling profitability with return on total assets (ROTA) remaining below 0.5% on a sustained basis.

Analytical approach: Standalone.

Outlook: Stable

CareEdge Ratings expects DCB to sustain its steady growth in advances and deposits over the medium term, while maintaining stable asset quality and comfortable capitalisation levels.

Detailed description of key rating drivers:

Key strengths

Comfortable capitalisation

DCB's capital adequacy ratio (CAR) continues to be comfortable supported by regular accretion of profits and timely equity raise. Last round of equity was raised via qualified institutional placement of ₹379 crore in April 2017. The bank had also raised capital through Tier-II bonds of ₹300 crore in March 2023 and ₹400 crore in November 2024. CET1 and CAR stood at 14.30% and 16.77% as on March 31, 2025, respectively, as against 14.53% and 16.59% as on March 31, 2024.

Promoter, AKFED, has supported DCB in the past by infusing equity and has expressed its interest to further invest up to US$ 10 million (₹83 crore) on a preferential basis, subject to the regulatory approvals including that from the Reserve Bank of India (RBI).

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

CareEdge Ratings Ratings expects the bank to maintain sufficient capital cushions over the minimum regulatory requirements in the medium term by raising equity capital as and when needed.

Retail focused advance book with stable growth

DCB's portfolio remains well-diversified and predominantly retail-focused, targeting self-employed and MSME/SME retail segment. 87% of the loan book consists of small-ticket loans of less than ₹3 crore, with an around equal proportion of secured loans. Mortgages (Home loans and loan against property [LAP]) accounted for 53% of the advances, followed by Agri & Inclusive Banking (AIB) at 23%, and corporate loans at 6% as on March 31, 2025. Bank's co-lending portfolio doubled during FY25, making up 13% of total advances. Going forward, the bank intends to focus on expanding its organic loan book, with co-lending expected to grow in line with overall balance sheet growth. The bank also offers a range of other products, including gold loans, SME/MSME financing, commercial vehicle loans, and construction finance. The total advances stood at ₹51,047 crore as on March 31, 2025, up from ₹40,925 crore a year earlier demonstrating growth of 25% for FY25.

CareEdge Ratings expects the bank to continue to grow its advances at a stable pace in the medium term, led by the retail segment.

Stable asset quality

DCB has maintained asset quality at comfortable levels despite its exposure to segments that are generally more susceptible to economic downturns. The bank benefits from a relatively low share of unsecured loans and limited exposure to the microfinance sector, which has faced heightened stress recently. As a result, its asset quality remains comparatively stable.

The slippage ratio improved to 3.76% in FY25 compared to 4.37% in FY24. GNPA and NNPA stood at 2.99% and 1.12%, respectively as on March 31, 2025, compared to 3.23% and 1.11% as on March 31, 2024. The proportion of Gross Standard Restructured Advances has improved significantly, decreasing from 2.96% as on March 31, 2024, to 1.82% as on March 31, 2025. Consequently, net stressed assets (NNPA + Gross Standard Restructured Assets + Gross Security Receipts) to net worth ratio improved from 37.04% as on March 31, 2024, to 29.14% as on March 31, 2025.

Going forward, CareEdge Ratings expects the asset quality to improve further and stabilise with reduction in the standard restructured book.

Experienced management team

DCB has an established board and management team. The board of DCB comprises 12 members, possessing extensive experience in the BFSI sector. The bank's Board of Directors is headed by Farokh Nariman Subedar, who has been on the boards of several Tata companies and has been closely associated with several Non-banking finance companies (NBFCs) and companies in financial service sector.

Praveen Kutty, MD & CEO of the bank, has been a career banker with over 33 years of banking experience in all aspects of Retail, Agri banking & SME banking. He has been an integral part of DCB's leadership team for the past 17 years. He is supported by various product and functional heads, having a longstanding tenure at the bank possessing significant experience in their respective domains

Key weaknesses

Moderate resource profile

DCB's resource profile is moderate as CASA proportion stood at 24.52% as on March 31, 2025, falling from 26.02% as on March 31, 2024 largely due to muted demand deposit growth, shifts to term deposits and slower growth in saving account deposits as compared to overall deposit growth. The CASA proportion of DCB is relatively lower compared to peers. The overall deposit growth on year-on-year (YoY) as on March 31, 2025, stood at 22% with relatively slower growth in CASA at around 15%. Also, the bank has been intentionally reducing bulk and steadily growing retail term deposits. DCB primarily relies on retail deposits, including CASA and retail term deposit, which constituted around 70% and the top 20 depositors accounted for 6.61% of total deposits as on March 31, 2025 (6.57% as on March 31, 2024). Retail term deposits (<3 crore) as a percentage of total term deposits stood at 60% as on March 31, 2025 (62.19% as on March 31, 2024). Bulk term deposits (=> 3 crore) constituted around 30% of the overall deposits as on March 31, 2025.

The bank also leverages long-term refinance options from institutions such as Small Industries Development Bank of India (SIDBI), National Bank for Agriculture and Rural Development (NABARD), and National Housing Bank (NHB).

CareEdge Ratings believes the bank will continue to improve its liability profile with more reliance on retail deposits and calibrate asset growth in conjunction with growth in its deposit book.

Relatively average earnings profile

DCB's net interest margin (NIM) remains relatively modest, primarily due to increase in cost of funds which is in line with industry trend. However, the bank has an established fee income base bringing stability to the non-interest income. For FY25, the bank reported a net interest income (NII) of ₹2,107 crore and a pre-provision operating profit (PPOP) of ₹1,037 crore. NIM (as a percentage of average total assets) declined to 3.03% in FY25 from 3.37% in the previous year.

Cost to income improved marginally to 63.70% for FY25 compared to 64.01% for FY24. However, it remains relatively high compared to peer banks, reflecting DCB's predominantly retail loan portfolio and continued investments in manpower and technology. Although operating expenses to total assets declined slightly to 2.62% for FY25 as against 2.69% for FY24 aided by a faster growth in total assets.

Credit cost rose marginally to 0.30% of average total assets in FY25, up from 0.25% in FY24. The ROTA was at 0.89% for FY25 against 0.94% for FY24. ROTA has remained stable in the range of 0.89% to 0.97% over the past five years, except in FY22 due to COVID-19, though it continues to trail slightly behind that of peer private sector banks.

Going forward, CareEdge Ratings expects the profitability to improve gradually (above 1%) as the bank focuses on changing the loan mix to improve the NIM) as it attains scale, although the credit cost is expected to normalise (rise) over the medium term.

Modest scale of bank

DCB is one of the relatively smaller PVBs with advances of ₹51,047 crore, deposits of ₹60,031 crore and an asset size of ₹76,391 crore as on March 31, 2025. The bank's market share in advances and deposits of the overall banking industry is marginal. Although the bank has plans to double the balance sheet every three to four years, it will still be a smaller player for a reasonable period. The bank had a network of 464 branches across 20 states and two Union Territories as on March 31, 2025. The bank has 56% of its branches in Metro and urban areas.

Liquidity: Adequate

The bank's liquidity profile is Adequate supported by its retail and CASA depositor base. According to the structural liquidity statement as on March 31, 2025, there were no negative cumulative mismatches in the time buckets up to three months. The bank manages its deposit maturities in a particular time bucket by appropriately modifying deposit rates. The bank also has access to systemic liquidity, including RBI's Liquidity Adjustment Facility (LAF), Marginal Standing Facility (MSF), and access to refinancing from the SIDBI, NHB, and NABARD, among others, and access to call money markets. As on March 31, 2025, the liquidity coverage ratio stood at 125.94%, against the minimum regulatory requirement of 100%.

Environment, social, and governance (ESG) risks

As a responsible financial institution, the Bank recognizes its exposure to environmental, social, and governance (ESG) risks, especially given its presence in climate-vulnerable geographies and its engagement with economically underserved communities. To mitigate environmental risks and support climate resilience, the Bank has undertaken afforestation efforts with over 8.14 lakh trees planted, resulting in a reduction of approximately 2,570 metric tonnes of atmospheric carbon. Additionally, by recycling 12.85 metric tonnes of waste, it promotes a circular economy approach within its operations. On the social front, the Bank actively supports inclusive growth through sustainable livelihood programs, such as aquaculture initiatives in Odisha benefiting 1 lakh beneficiaries, beekeeping near mangroves in Karnataka benefiting 441 beneficiaries, and the installation of household biogas plants that have improved living conditions for 1,050 rural beneficiaries. From a governance perspective, the Bank ensures robust oversight and accountability through a well-structured Board, of which 58.33% are independent directors, with Board and Committee meetings held regularly to uphold transparency, ethical conduct, and long-term stakeholder value. These initiatives reflect the Bank's proactive approach to managing ESG risks and embedding sustainability into its business model.

Applicable criteria

Policy on default recognition
Financial Ratios - Financial Sector
Rating Outlook and Credit Watch
Short Term Instruments
Rating Basel III - Hybrid Capital Instruments issued by Banks
Banks

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial Services	Financial Services	Banks	Private Sector Bank

DCB Bank

DCB Bank was founded in 1930s as The Ismailia Co-operative Bank Limited and the Masalawalla Co-operative Bank. In 1981, Ismailia Co-operative Bank Limited was amalgamated with Masalawalla Co-operative Bank Limited to form the Development Co-operative Bank Limited. Citi Cooperative Bank Limited later merged with Development Co-operative Bank Limited, which was thereafter converted into a joint stock banking company, the Development Credit Bank Limited on May 31, 1995.

Its promoter and promoter group, the Aga Khan Fund for Economic Development (AKFED) & Platinum Jubilee Investments Ltd., hold approximately 14.70% stake in DCB Bank as on March 31, 2025. AKFED is an international development enterprise, dedicated to promoting entrepreneurship and building economically sound companies.

DCB Bank is a new generation private sector scheduled commercial bank with a network of 464 branches across 20 states and two Union Territories as on March 31, 2025. The banks had 56% of its branches in Metro and urban areas. DCB Bank's business segments include Retail, micro-SME, SME, mid-Corporate, Agriculture, Commodities, Government, Public Sector, Indian Banks, Co-operative Banks, and NBFC. DCB Bank has approximately one million customers.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)
Total income	5,836	7,221
PAT	536	615
Total assets	62,608	76,391
Net NPA (%)	1.11	1.12
ROTA (%)	0.94	0.89

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Bonds-Tier II Bonds	INE503A08069	18-11-2024	9.20	18-11-2034	400.00	CARE AA-; Stable
Certificate Of Deposit	INE503A16GV6	13-12-2024	8.15	12-12-2025	100.00	CARE A1+
Certificate Of Deposit	INE503A16HA8	23-05-2025	6.70	22-08-2025	300.00	CARE A1+
Certificate Of Deposit	INE503A16GX2	10-06-2025	6.25	04-09-2025	150.00	CARE A1+
Certificate Of Deposit	INE503A16HB6	11-06-2025	6.25	09-09-2025	50.00	CARE A1+
Certificate Of Deposit	INE503A16HC4	13-06-2025	6.35	12-09-2025	300.00	CARE A1+
Certificate Of Deposit-proposed	-	-	-	-	600.00	CARE A1+
Fixed Deposit	-	-	-	-	Ongoing	CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fixed Deposit	ST	Ongoing	CARE A1+	-	1)CARE A1+ (11-Nov-24) 2)CARE A1+ (18-Oct-24) 3)CARE A1+ (12-Jul-24)	-	-
2	Certificate Of Deposit	ST	1500.00	CARE A1+	-	1)CARE A1+ (11-Nov-24) 2)CARE A1+ (18-Oct-24) 3)CARE A1+ (12-Jul-24)	-	-
3	Bonds-Tier II Bonds	LT	400.00	CARE AA-; Stable	-	1)CARE AA-; Stable (11-Nov-24)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Bonds-Tier II Bonds	Complex
2	Certificate Of Deposit	Simple
3	Fixed Deposit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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