

Result update (24.10.2025)

“The bank delivered steady performance amid margin challenges”

Ajcon Global's observations & views

1. The bank is undertaking large-scale digital modernization with Rs. 1,000 crore capex, focusing on automation, omnichannel banking, and treasury upgrades.
2. With initiatives such as GIFT City operations, co-lending partnerships and green financing, the bank is enhancing its growth momentum and deepening its presence in emerging sectors.

Q2FY26 RESULT ANALYSIS

- 1) **Total business** rose by 2.42% QoQ at Rs. 536398 Crores in Q2FY26 against Rs. 523736 Crores in Q1FY26 and also rose by 13.23% YoY from Rs. 473704 Crores in Q2FY25.
- 2) **Total deposits** rose by 2.36% QoQ at Rs. 305697 Crores in Q2FY26 against Rs. 298635 Crores in Q1FY26 and rose 10.85% YoY from Rs. 275777 Crores in Q2FY25.
- 3) **Gross Advances** rose by 2.49% QoQ at Rs. 230702 Crores in Q2FY26 against Rs. 225101 Crores in Q1FY26 and rose by 16.56% YoY from Rs. 197927 Crores in Q2FY25.
- 4) **Net Interest Income** increased by 5.41% QoQ at Rs. 2533 Crores in Q2FY26 against Rs. 2403 Crores in Q1FY26 and increased by 10.08% YoY from Rs. 2301 Crores in Q2FY25.
- 5) **Operating Profit** rose by 3.27% QoQ at Rs. 1613 Crores in Q2FY26 against Rs. 1562 Crores in Q1FY26 and it rose by 12.64% YoY from Rs. 1432 Crores in Q2FY25.
- 6) **Net Profit** increased by 2.14% QoQ at Rs. 620 Crores in Q2FY26 against Rs. 607 Crores in Q1FY26 and it increased by 2.82% YoY from Rs. 603 Crores in Q2FY25.
- 7) **NIM (Domestic)** declined to 3.08% in Q2FY26 against 3.18% in Q1FY26 and 3.30% in Q2FY25, respectively.
- 8) **Cost of deposits** declined to 4.73% in Q2FY26 against 4.84% in Q1FY26 and from 4.88% in Q2FY25, respectively.
- 9) **Cost/Income ratio** declined to 52.79% in Q2FY26 against 54.06% in Q1FY26 and 56.53% in Q2FY25, respectively.
- 10) **Cost of Funds** declined to 4.57% in Q2FY26 against 4.73% in Q1FY26 and 4.79% in Q2FY25, respectively.
- 11) **Total Non-Interest Income** came down by 11.33% QoQ at Rs. 884 Crores in Q2FY26 against Rs. 997 Crores in Q1FY26 and 10.98% YoY from Rs. 993 Crores in Q2FY25.
- 12) **Fee based income** increased by 10.70% QoQ at Rs. 414 Crores in Q2FY26 against Rs. 374 Crores in Q1FY26 and rose 19.31% YoY from Rs. 347 Crores in Q2FY25.
- 13) **Treasury income** declined by 47.47% QoQ at Rs. 104 Crores in Q2FY26 against Rs. 198 Crores in Q1FY26 and also, decreased by 17.46% YoY from Rs. 126 Crores in Q2FY25, respectively.
- 14) **Yield on Advances (Domestic)** fell to 8.39% in Q2FY26 against 8.60% in Q1FY26 and 8.96% in Q2FY25, respectively.
- 15) **The total Government guaranteed advances** came down to Rs. 6649 Crores in Q2FY26 against Rs. 6939 Crores in Q1FY26 and from Rs. 8933 Crores in Q2FY25, respectively.
- 16) **CASA ratio** grew to 38.11% in Q2FY26 against 36.91% in Q1FY26 and slightly fell from 38.24% in Q2FY25, respectively.
- 17) **Credit/Deposit (C/D) ratio** slightly rose to 75.47% in Q2FY26 against 75.38% in Q1FY26 and rose from 71.77% in Q2FY25.
- 18) **Return on assets (ROA)** remained flat at 0.71% QoQ and fell from 0.75% in Q2FY25.
- 19) **Fresh slippages** decreased to Rs. 629 Crores in Q2FY26 against Rs. 631 Crores in Q1FY26 and Rs. 864 in Q2FY25, respectively.
- 20) **Gross NPA ratio** improved to 2.56% in Q2FY26 against 2.63% in Q1FY26 and 3.18% in Q2FY25. Net NPAs ratio also improved to 0.43% against 0.45% in Q1FY26 and 0.73% in Q2FY25, respectively.
- 21) **Credit cost** declined to 0.72% in Q2FY26 against 0.84% in Q1FY26 and from 1.26% in Q2FY25, respectively.
- 22) **Provision Coverage ratio** increased to 96.99% in Q2FY26 against 96.88% in Q1FY26 and 95.94% in Q2FY25, respectively.
- 23) **The Bank's Capital Adequacy ratio** fell to 17.89% in Q2FY26 against 18.39% in Q1FY26 but it increased from 16.84% in Q2FY25.

KEY FINANCIAL INDICATORS – Q2FY26

CMP (24.10.2025)	: Rs. 31.66
Face Value	: Rs. 10
Book value per share	: Rs. 19.23
Market Capitalisation	: Rs. 39,701.64 Crs.
Capital Adequacy Ratio	: 17.89%
C/D ratio	: 75.47%
CASA ratio (Domestic)	: 38.11%
Net Interest Margin (Domestic)	: 3.08%
Cost / Income ratio	: 52.79%
Gross NPA	: 2.56%
Net NPA	: 0.43%
PCR	: 96.99%
Slippage ratio	: 1.05%
Credit cost	: 0.72%
Return on Assets (Annualised)	: 0.71%
Return on Equity (Annualised)	: 10.96%

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Management Comments

- 24) Mr. Ashwani Kumar, MD & CEO of the bank, highlighted that total digital transformation capex for FY26 is pegged at Rs. 1,000 crore, of which Rs. 275 crore has been spent and over Rs. 300 crore is in progress. He shared that key initiatives include the rollout of the Murex treasury system by the December quarter, enhancement of omnichannel banking and adoption of robotic process automation and application performance monitoring. Under Project Parivartan, 27 customer journeys have already been digitized, with 5 more underway and 57% of new accounts are now being opened through tab banking.
- 25) In response to an analyst's query on credit growth, the MD & CEO, acknowledged that H1 FY26 growth was below expectations due to a deliberate slowdown in the corporate segment, particularly among PSU clients facing yield pressure. He indicated a robust pipeline of Rs. 17,000–18,000 crore for H2 FY26, primarily across renewable energy, data centers, and smart metering projects, subject to pricing alignment with corporates.
- 26) The bank made a forward-looking provision of Rs. 462 crore during the quarter, with a detailed stage-wise classification (Stage 1 & Stage 2) planned for the next quarter. Mr. Ashwani Kumar, MD & CEO, further noted that total SMA exposure stands at around Rs. 5,000 crore (of which Rs. 1,790 crore above Rs. 1 crore) and that the bank maintains Rs. 1,000 crore in excess provisions to ensure regulatory compliance and strengthen the balance sheet, while addressing an ECL-related query.
- 27) The MD & CEO shared that the bank has received RBI approval to open a Gift City branch, which will focus on international banking and capital market operations. The bank also plans to enter IPO financing & expanding co-lending partnerships with NBFCs (current exposure: Rs. 2,400 crore) to strengthen its retail and priority sector presence and has sanctioned Rs. 3,000 crore for green and renewable projects, including EV and solar segments.
- 28) While responding to an analyst's query on the reduction in non-interest income, the MD & CEO informed that the decline was primarily due to lower treasury gains and recoveries from written off accounts. However, fee-based income grew by 19% year-on-year and the bank's overall performance remained within the guided range. The bank's investment book was expanded to Rs. 95,000 crore to capitalize on higher yields and potential MTM gains. He further added that the bank continues to participate in IPO and equity opportunities, generating incremental treasury gains.
- 29) In response to an analyst's query on margins, the MD & CEO stated that the Global NIM guidance has been revised to 2.8–2.9% and the Domestic NIM to 3.0–3.1%, reflecting the recent RBI repo rate cut and the bank's continued focus on maintaining stable profitability.