



“The bank demonstrated decent business growth, however, the margins remained under pressure”

Ajcon Global's observations & views

1. While the business growth in the quarter was decent , the profitability got severely hit due to pressure on Margin as NIM declined to 2.55%.
2. The bank's emphasis on improving asset quality continues which was reflected in lower GNPA & NNPA at 2.92 & 0.75% respectively.
3. The bank has made major improvements in its tech capabilities & further expanding its digital footprints with a Budget outlay of Rs.2,000 Crores for FY 26.

Q1FY26 Result Analysis:

- 1) **Total Business** rose by 1.59% QoQ to Rs. 15,06,142 Crores in Q1FY26 from Rs. 14,82,588 Crores in Q4FY25 and rose by 10.37% YoY against Rs. 13,64,660 Crores in Q1FY25.
- 2) **Total Global Deposits** rose by 2.10% QoQ to Rs. 8,33,698 Crores in Q1FY26 from Rs. 8,16,541 Crores in Q4FY25 and rose by 9.07% YoY against Rs. 7,64,396 Crores in Q1FY25.
- 3) **Global Gross Advances** rose by 0.96% QoQ to Rs. 6,72,444 Crores in Q1FY26 from Rs. 6,66,047 Crores in Q4FY25 and rose by 12.02% YoY against Rs. 6,00,264 Crores in Q1FY25.
- 4) **Net Interest Income** increased slightly by 0.08% QoQ at Rs. 6,068 Crores in Q1FY26 against Rs. 6,063 Crores in Q4FY25 and declined by 3% YoY against Rs. 6,275 Crores in Q1FY25.
- 5) **Operating Profit** decreased by 17.93% QoQ at Rs. 4,009 Crores in Q1FY26 against Rs. 4,885 Crores in Q4FY25 and increased by 9% YoY against Rs. 3,677 Crores in Q1FY25.
- 6) **Net Profit** decreased by 14.24% QoQ at Rs. 2,252 Crores in Q1FY26 against Rs. 2,626 Crores in Q4FY25 and rose by 32% YoY against Rs. 1,703 Crores in Q1FY25.

KEY FINANCIAL INDICATORS – Q1FY26

CMP (30.07.2025)	: Rs. 114.14
Face Value	: Rs. 10
Book value per share	: Rs. 151.50
Market Capitalisation	: Rs. 51,972.62
Capital Adequacy Ratio	: 17.39%
C/D Ratio	: 80.66%
CASA Ratio	: 39.88%
Net Interest Margin (NIM)	: 2.55%
Cost / Income Ratio	: 51.31%
GNPA	: 2.92%
Net NPA	: 0.75%
PCR	: 92.94%
Slippage Ratio	: 0.33%
Credit Cost	: 0.68%
Return on Assets	: 0.82%
Return on Equity	: 13.55%

- 4) **Net Interest Margin (NIM)** decreased to 2.55% in Q1FY26, compared to 2.61% in Q4FY25 and 3.07% in Q1FY25, respectively.
- 5) **Cost of Deposits** came down to 4.85% in Q1FY26 from 4.98% in Q4FY25, up from 4.82% in Q1FY25. **Cost of Funds** declined to 4.66% in Q1FY26 against 4.73% in Q4FY25 and 4.81% in Q1FY25. **Yield on Advances** fell to 8.01% in Q1FY26 against 8.27% in Q4FY25 and 8.60% in Q1FY25, respectively.
- 6) **Total Non- Interest Income** declined by 36.81% QoQ at Rs. 2,166 Crores in Q1FY26 from Rs. 3,428 Crores in Q4FY25 and rose by 66% YoY against Rs. 1,302 Crores in Q1FY25.
- 7) **Cost to income ratio (Global)** increased to 51.31% in Q1FY26 from 48.53% in Q4FY25 and improved from 51.47% in Q1FY25.
- 8) **Domestic CASA ratio** went down to 39.88% in Q1FY26 against 40.29% in Q4FY25 and 42.68% in Q1FY25, respectively.
- 9) **C/D ratio** slightly declined to 80.66% in Q1FY26 against 81.57% in Q4FY25 and increased from 78.53% in Q1FY25.
- 10) **Return on Assets (ROA)** fell to 0.82% in Q1FY26 against 0.98% in Q4FY25 but increased from 0.70% in Q1FY25.
- 11) **Fresh slippages** increased to Rs. 2,080 Crores in Q1FY26 against Rs. 1,913 Crores in Q4FY25 and Rs. 1,689 Crores in Q1FY25. **Recovery + Upgradation** declined to Rs. 1,779 Crores against Rs. 2,040 Crores in Q4FY25 and Rs. 2,085 Crores in Q1FY25.
- 12) **Gross NPA ratio** improved to 2.92% in Q1FY26 against 3.27% in Q4FY25 and 4.62% in Q1FY25. Net NPA ratio also improved to 0.75% in Q1FY26 against 0.82% in Q4FY25 and 0.99% in Q1FY25.
- 13) **Credit cost** improved to 0.68% in Q1FY26 from 0.84% in Q4FY25 and 0.85% in Q1FY25.
- 14) **Provision Coverage Ratio** marginally increased to 92.94% in Q1FY26 against 92.39% in Q4FY25 and 92.11% in Q1FY25.

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Management Comments

- 15) In his opening remarks, Shri Rajneesh Karnatak, MD & CEO, stated that the bank is focussing on enhancing customer experience across all channels and consistently acquiring new customers through innovative, niche services. This will help the Bank to strengthen the CASA and retail term deposit base, enabling sustainable credit growth.
- 16) Further elaborating on the bank's strategic direction, Shri Karnatak outlined key initiatives under the vision for Viksit Bharat. These include a repo-linked export credit facility in Indian Rupees for corporate borrowers and the BOI Star Energy Saver vendor finance scheme to support solar energy projects. On the digital front, the bank has enabled UPI linkage to pre-sanctioned credit lines and is implementing a next-gen document management system.
- 17) Replying to an analyst's question on the RAM segment, the management stated that RAM advances grew over 18% YoY and currently constitute around 58% of the loan book, with the remaining 42% comprising corporate advances. Further, the bank has strong overall pipeline of Rs. 80,000 Crores, of which Rs. 10,000 Crores is in RAM. Bank's RAM and Corporate portfolios are expected to maintain their current share in the overall mix.
- 18) Responding to a query raised by an analyst on the dip in CASA ratio below 40% for the first time after many quarters, Shri Karnatak clarified that the decline was marginal (only 20 bps) and was primarily driven by higher deposit mobilisation to support credit growth. They noted that CASA levels have improved sequentially over March quarter. Despite the challenging environment, retail deposits constitute 86% of domestic deposits with bulk deposits kept below 14%.
- 19) Responding to a query on the rise in the corporate SMA-2 book, Shri Karnatak stated that the amount of Rs. 3,936 Crores includes Rs.3,400 Crores belonging to four state PSU accounts that were in SMA-0 as of June 2024 and have now moved to SMA-2. Shri Karnatak showed confidence that these accounts will not slip into NPAs and expect recoveries from these accounts. Additional provision was made for only one account, as required under RBI's June 2019 circular, he added.
- 20) The management has given guidance for FY 26 as mentioned below:
 - Global Advances Growth: 12%-13%
 - Global Deposit Growth: 10%-11%
 - Credit cost: 0.70%
 - Net NPA: 0.70%
 - ROA: 0.90%
 - Cost to Income: 51%
 - CASA: 40%
 - Yield on RAM: <9%
 - Gross Recovery: Rs. 9500 Crores
 - Slippages: 1.20%
 - NIM: 2.55% - 2.6%