

"Strong Credit Growth and higher treasury income were the highlights of the quarter's performance"

Ajcon Global's observations & views:

1. Good Credit growth, higher operating profit lead by higher treasury income.
2. Considerable improvement in Bank's asset quality with both GNPA & NNPA being brought down to 2.69 % & 0.63 % respectively by keeping fresh slippages under control.
3. Considering the prevailing economic and geopolitical situation, the bank has lowered its credit growth target for FY26 to 10-11%.

Q1FY26 RESULT ANALYSIS

- 1) **Net interest income** decreased by 4.59% QoQ at Rs. 9009 in Q1FY26 against Rs. 9442 Crores in Q4FY25 and declined by 1.71% YoY against Rs. 9166 Crores in Q1FY25.
- 2) **Operating profit** increased by 3.26% QoQ and 12.32% YoY at Rs. 8554 Crores against Rs. 8284 Crores in Q4FY25 and Rs. 7616 Crores in Q1FY25.
- 3) **Net Profit** down by 5.04% QoQ and up by 21.69% YoY at Rs. 4752 Crores against Rs. 5004 Crores in Q4FY25 and Rs. 3905 Crores in Q1FY25.
- 4) **NIM** decreased to 2.55% in Q1FY26 as against 2.73% in Q4FY25 and 2.90% in Q1FY25.
- 5) **Cost of deposits** remained same at 5.74% in Q1FY26 and 5.70% in Q1FY25. **Cost of Funds** marginally down to 5.27% against 5.28% in Q4FY25 and increased against 5.25% in Q1FY25. **Yield on Advances** decreased to 8.47% against 8.83% in Q4FY25 and 8.66% in Q1FY25.
- 6) **Total Non-Interest Income** increased by 11.16% QoQ and 32.73% YoY at Rs. 7060 Crores against Rs. 6351 Crores in Q4FY25 and Rs. 5319 Crores in Q4FY24.
- 7) **Fee based income** decreased by 4.80% QoQ and 16.39% YoY at Rs. 2223 Crores against Rs. 2335 Crores in Q4FY25 and Rs. 1910 Crores in Q1FY25.
- 8) **Treasury income** increased by 100.30% QoQ to Rs. 1993 Crores in Q1FY26 against Rs. 995 Crores in Q4FY25 and also up by 296.22% YoY against Rs. 503 Crores in Q1FY25.
- 9) **Cost/Income ratio** decreased to 46.77% against 47.55% in Q4FY25 and also down 47.42% in Q1FY25.
- 10) **Total business** rose by 1.33% QoQ and 10.98% YoY at Rs. 2563984 Crores against Rs. 2530215 Crores in Q4FY25 and Rs. 2310350 Crores in Q1FY25.
- 11) **Gross Advances** increased by 2.14% QoQ and 12.42% YoY at Rs. 1096329 Crores against Rs. 1073332 Crores in Q4FY25 and Rs. 975183 Crores in Q1FY25.
- 12) **Total deposits** increased by 0.74% QoQ and 9.92% YoY at Rs. 1467655 Crores against Rs. 1456883 Crores in Q4FY25 and Rs. 1335167 Crores in Q1FY25.
- 13) **Domestic CASA** decreased to 29.56% in Q1FY26 against 31.17% in Q4FY25.
- 14) **C/D ratio** up to 74.70% against 73.67% in Q4FY25 and also increased YoY against 73.04% in Q1FY25.
- 15) **Return on assets (ROA)** declined to 1.14% in Q1FY26 against 1.25% in Q4FY25.
- 16) **Fresh slippages** down to Rs. 2129 Crores against Rs. 2655 Crores in Q4FY25 also decreased from Rs. 3015 Crores in Q1FY25. **Total Cash recovery including Recovery in Written off A/c** decreased to Rs. 1919 Crores against Rs. 3840 Crores in Q4FY25 and Rs. 2151 Crores in Q1FY25.
- 17) **Gross NPA** decreased to 2.69% against 2.94% in Q4FY25 and 4.14% in Q1FY25. Net NPAs ratio also down to 0.63% against 0.70% in Q4FY25 and 1.24% in Q1FY25.
- 18) **Write off** decreased to Rs. 3115 Crores against Rs. 5022 Crores in Q4FY25 and Rs. 2311 Crores in Q1FY25.
- 19) **Credit cost** decreased to 0.72% against 0.92% in Q4FY25 and also decreased against 0.90% in Q1FY25.
- 20) **Provision Coverage ratio** improved to 93.17% against 92.70% in Q4FY25 and 89.22% in Q1FY25.
- 21) **The Bank's Capital Adequacy** ratio slightly increased to 16.52% in Q1FY25 against 16.33% in Q4FY25 and up against 16.38% in Q1FY25.

KEY FINANCIAL INDICATORS – Q1FY26

CMP (25.07.2025)	: Rs. 110.76
Face Value	: Rs. 2
Book value per share	: Rs. 102.33
Market Capitalisation (Crs)	: Rs. 1,00,367
Capital Adequacy Ratio	: 16.52%
C/D ratio	: 74.70%
Domestic CASA ratio	: 29.56%
Net Interest Margin (NIM)	: 2.55%
Cost / Income ratio	: 46.77%
Gross NPA	: 2.69%
Net NPA	: 0.63%
PCR	: 93.17%
Slippage ratio	: 0.20%
Credit cost	: 0.72%
Return on Assets (Annualised)	: 1.14%
Return on Equity (Annualised)	: 21.05%

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Management Comments

- 22) Mr. Satyanarayana Raju, MD & CEO of the bank in his opening remarks, stated that the business growth in the June quarter was primarily driven by RAM credit, which grew by nearly 15% YoY, outpacing corporate credit growth of 10%. This shift aligns with the bank 3-year strategy to increase RAM's share from 54% to 58% of the asset book, a target that has now been achieved. The growth was largely led by retail credit, which rose 34% YoY to ₹2.35 lakh crore, supported by strong performance in housing loans, which grew around 14% to ₹1.09 lakh crore.
- 23) Replying to an analyst's query on the lower CASA which fell below 30% for the first time, Mr. Raju stated that "CASA fell below 30% this quarter, mainly due to seasonal outflows of institutional deposits received in March and utilized in April–May. Despite this, current account deposits grew 9.85% YoY, and the bank is steadily working toward its 32% CASA target."
- 24) In response to an analyst's query regarding the SMA-2 numbers, Mr. Raju stated that out of the total SMA 2 figure of Rs. 6856 Crs, ₹5,000 Crore SMA-2 exposure mainly involves two accounts a real estate account and a State-guaranteed irrigation project. However, the bank is fully confident that these accounts won't slip into NPAs and has made a precautionary provision of ₹1,200 crore. The Net SMA-2 stands at ₹1,800 crore and that is well within comfort levels added Mr Raju..
- 25) On the treasury front Executive Director Shri Majumder, informed that Q1 treasury income was higher by ₹500 crore from OMO support, indicating that gains may be smaller this quarter (Spt. Quarter) despite the rate cut. To compensate the same, the bank will employ excess priority sector assets retained from Q1 to maintain its profitability.
- 26) **The MD & CEO gave the following guidance for FY26 (which we feel is very conservative) :-**
- Business Growth (Global) – 10.50%
 - Advances Growth (Global) – 10/11%
 - Deposits Growth (Global) – 9/10%
 - CASA (Domestic CASA to Domestic Deposit) – 32%
 - NIM (Global)(Annualized) – 2.75/2.80%
 - Gross NPA (Global) – 2.50%
 - Net NPA (Global) – 0.60%
 - PCR (Global) – 93%
 - Slippage Ratio (Global)(Annualized) – 0.90%
 - Credit Cost (Global)(Annualized) – 0.90%
 - Return on Equity (RoE) – 18.50%
 - Earnings per share (EPS) - 19
 - Return on Average Assets (RoA) – 1.05%