

August 3, 2025

Q1FY26 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	220		220	
NII (Rs. m)	99,924	1,20,601	1,02,359	1,18,704
% Chng.	(2.4)	1.6		
Op. Profit (Rs. m)	64,434	77,565	61,625	73,258
% Chng.	4.6	5.9		
EPS (Rs.)	15.6	19.5	15.7	18.7
% Chng.	(0.6)	4.4		

Key Financials - Standalone

Y/e Mar	FY24	FY25	FY26E	FY27E
NII (Rs m)	82,935	94,680	99,924	1,20,601
Op. Profit (Rs m)	51,745	61,011	64,434	77,565
PAT (Rs m)	37,206	40,519	38,241	47,894
EPS (Rs.)	15.3	16.5	15.6	19.5
Gr. (%)	7.4	8.0	(5.6)	25.2
DPS (Rs.)	1.0	1.6	1.6	2.0
Yield (%)	0.5	0.8	0.8	1.0
NIM (%)	3.1	3.0	2.8	3.0
RoAE (%)	14.7	13.0	10.8	12.2
RoAA (%)	1.3	1.2	1.0	1.1
P/BV (x)	1.6	1.4	1.3	1.2
P/ABV (x)	1.7	1.5	1.3	1.2
PE (x)	12.8	11.9	12.6	10.0
CAR (%)	16.1	16.4	16.4	16.2

Key Data

FED.BO | FB IN

52-W High / Low	Rs.220 / Rs.173
Sensex / Nifty	80,600 / 24,565
Market Cap	Rs.482bn / \$ 5,502m
Shares Outstanding	2,457m
3M Avg. Daily Value	Rs.1847.57m

Shareholding Pattern (%)

Promoter's	-
Foreign	26.86
Domestic Institution	48.17
Public & Others	24.97
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(10.4)	6.5	(2.3)
Relative	(6.9)	2.4	(0.8)

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FY26 to be a transition year

Quick Pointers:

- Weak NII/NIM and asset quality led to core PAT miss of 8.6%.
- Steady CASA mix QoQ and maintained fee momentum were positives.

FB saw a soft quarter due to weaker NII/NIM and asset quality. Agri/MFI stress led to GNPA blip (provisions at 69bps vs avg. 40-45bps). Additional stress may be lower, though credit costs may remain elevated in Q2'26 due to lag effect. While FB is undergoing transition due to focus on improving asset-liability mix, there could be short term challenges due to NIM pressure and elevated credit costs. However, as earlier guided, momentum in fees was intact and asset mix improved QoQ with lower share of EBLR loans which may protect NIM. Fee growth is guided to be higher than loan growth. Branch objectives are being realigned, which coupled with technology could enhance operating efficiency. We trim core PAT for FY26/27E by avg. 4.0% as we cut FY26 NIM by 9bps. We maintain multiple at 1.3x on FY27 ABV and TP at Rs220. Retain 'BUY'.

- Weak quarter driven by lower NIM and softer asset quality:** NII was Rs23.4bn (PLe Rs24.6bn) led by miss on NIM (calc.) which was 2.90% (PLe 3.07%). Reported NIM fell by 18bps QoQ due to fall in yields & higher slippages (5bps impact). Loan/deposit growth was better at 9.2%/8.0% YoY (PLe 7.4%/6.1%). CASA ratio was stable at 30.3% (30.2% in Q4'25); LDR increased to 83.9% (82.8% in Q4FY25). Other income was higher at Rs11.1bn (PLe Rs9.3bn) due to TWO recovery/treasury gains; fees was largely steady. Opex at Rs18.9bn was 3.1% below PLe led by lower other opex and staff cost. Core PPop at Rs14.3bn was 3.9% above PLe; PPop was Rs15.6bn. GNPA saw a 7bps QoQ blip to 1.91% due to higher net slippages and provisions were a drag at Rs4.0bn (PLe Rs2.5bn). Core PAT was 8.6% below PLe at Rs7.7bn while PAT was Rs8.6bn.
- Loan growth to be led by mid-yielding segments:** Loan accretion was better at 2.7% QoQ mainly led by CoB (+5.5%) within corporate and CC (+8.5%), CV/CE (4.6%) and BuB (4.6%) within retail. Focus remains on improving asset-liability mix with rising share of mid-yielding assets and CA liabilities. Gold saw muted growth due to regulatory changes; it may bounce back after relaxation from RBI in Jun'25. Reported NIM for Q2'26 has been guided to fall by 5-10bps post which, it should improve, as SA and TD rates were cut by ~25-30bps in mid-June implying that funding cost benefit would further flow in upcoming quarters. Also, to protect NIM, as guided, fixed rate book has increased QoQ by 3% while EBLR share has fallen by 3%.
- Fees remain healthy; asset quality to stabilize from Q2'26:** Despite Q1 being weak for sector, fee momentum remains strong. Processing fees rose QoQ as it is being aligned to competitors; it may further enhance aided by gold and other disbursements. Bank expects fee accretion to be higher than loan growth driven by wealth, transaction & para-banking and cards. Net slippages were a miss at Rs5.0bn (PLe Rs2.2bn) due to agri/MFI stress (largely from Karnataka). Stress would reduce in Q2'26 since MFI slippages declined in Jun-Jul'25, however, provisions could remain elevated due to lag effect.

Exhibit 1: PAT was lower at Rs8.6bn owing to higher provisions

P&L Statement (Rs m)	Q1FY26	Q1FY25	YoY gr. (%)	Q1FY26E	% Var.	Q4FY25	QoQ gr. (%)	FY26E	FY25	YoY gr. (%)
Interest Income	66,866	63,309	5.6	68,521	(2.4)	66,484	0.6	2,75,828	2,63,653	4.6
Interest Expended	43,498	40,389	7.7	43,924	(1.0)	42,709	1.8	1,75,904	1,68,973	4.1
Net interest income (NII)	23,368	22,920	2.0	24,597	(5.0)	23,774	(1.7)	99,924	94,680	5.5
Other income	11,130	9,152	21.6	9,336	19.2	10,060	10.6	44,129	38,013	16.1
-Fee income	7,860	6,520	20.6	8,036	(2.2)	8,000	(1.8)	32,036	27,291	17.4
-Other non-interest income	3,270	2,632	24.2	1,300	151.5	2,060	58.8	12,094	10,722	12.8
Total income	34,498	32,072	7.6	33,933	1.7	33,834	2.0	1,44,053	1,32,692	8.6
Operating expenses	18,935	17,063	11.0	19,540	(3.1)	19,180	(1.3)	79,619	71,681	11.1
-Staff expenses	7,976	7,380	8.1	8,074	(1.2)	7,838	1.8	33,538	30,827	8.8
-Other expenses	10,959	9,682	13.2	11,466	(4.4)	11,342	(3.4)	46,081	40,854	12.8
Operating profit	15,563	15,009	3.7	14,393	8.1	14,654	6.2	64,434	61,011	5.6
Core Operating Profit	12,293	12,377	(0.7)	13,093	(6.1)	12,595	(2.4)	58,914	56,419	4.4
Total provisions	4,002	1,443	177.4	2,493	60.5	1,381	189.7	13,110	7,331	78.8
Profit before tax	11,561	13,566	(14.8)	11,900	(2.8)	13,273	(12.9)	51,324	53,681	(4.4)
Tax	2,944	3,471	(15.2)	3,034	(3.0)	2,971	(0.9)	13,083	13,162	(0.6)
Profit after tax	8,618	10,095	(14.6)	8,865	(2.8)	10,302	(16.4)	38,241	40,519	(5.6)
Balance Sheet (Rs m)										
Deposits	28,74,360	26,60,650	8.0	28,23,628	1.8	28,36,475	1.3	32,04,953	28,36,475	13.0
Advances	24,12,040	22,08,070	9.2	23,71,848	1.7	23,48,364	2.7	27,00,173	23,48,364	15.0
Ratios (%)										
NIM – Calc.	2.9	3.2	(35)	3.1	(17)	3.1	(16)	2.8	3.0	(6.1)
RoaA – Calc.	1.0	1.3	(33)	1.0	(4)	1.3	(24)	1.0	1.2	(16.6)
RoaE – Calc.	10.6	15.3	(465)	10.9	(34)	13.2	(258)	10.8	13.0	(16.3)
Asset Quality										
Gross NPL (Rs m)	46,697	47,384	(1.4)	44,670	4.5	43,755	6.7	46,575	43,759	6.4
Net NPL (Rs m)	11,576	13,304	(13.0)	10,721	8.0	10,404	11.3	11,263	10,404	8.3
Gross NPL ratio	1.91	2.11	(20.3)	1.9	5	1.84	7	2	1.84	(7.3)
Net NPL ratio	0.48	0.60	(12.3)	0.5	3	0.44	4	0	0.44	(5.8)
Coverage ratio (Calc)	75.2	71.9	328.7	76.0	(79)	76.2	(101)	76	76.2	(0.5)
Business & Other Ratios										
Low-cost deposit mix	30.3	29.3	108			30.2	12	31.4	30.2	4.0
Cost-income ratio	54.9	53.2	169	57.6	(270)	56.7	(180)	55.3	54.0	2.3
Non int. inc / total income	32.3	28.5	373	27.5	475	29.7	253	30.6	28.6	6.9
Credit deposit ratio	83.9	83.0	93	84.0	(8)	82.8	112	84.3	82.8	1.8
CAR	16.0	15.6	46			16.4	(38)	16.4	16.4	0.3
Tier-I	14.7	14.2	52			15.0	(35)	14.9	15.0	(0.6)

Source: Company, PL

Q1FY26 Concall Highlights

Assets/Liabilities/Others

- Growth in BuB was moderated due to more cautious approach. SME growth accelerated in mid-yielding segment.
- Mid-yielding asset share is increasing consistently. CV/CE is mainly towards mid-level customers.
- Growth in gold portfolio is expected to bounce back going ahead.
- Fixed loan share has risen from 30% to 33%; EBLR has fallen from 51% to 48%.
- Bank is expected to grow at 1.2x of nominal GDP growth
- **Strategic update:** CA is improving while fees are getting granular. 70 regional business support centers were introduced to free up the core team to focus on relationships.
- Standardized branch process is in its last stage. Sales training is being conducted by an external professional company.
- Branch scorecards are maintained to improve branch manager ownership of CA, fee and asset mix.
- Central teams and heads of verticals are restructured and now in place. Credit head is expected to join soon.
- RoA has bottomed out assuming no further rate cuts.

NIMs/Yields/Opex

- SA rate was cut twice by 25bps each. One deposit cut was done in mid-June so part of the benefit is expected in Q2FY26.
- T+1 rate transmission policy led to major repricing; further NIM pressure in Q2FY26 should not be more than 5-10bps. Improving yields, moderating CoFs and improved recoveries are expected to improve margins post Q2FY26.
- Fee income is now aligned to competitors. Increase in fee income to be led by 1) Wealth vertical, 2) transaction banking (forex fees), 3) parabanking fee, 4) card business.
- Loan processing fee should improve aided by gold and other disbursements. Partnerships have been renegotiated for better outcomes. Fees growth is expected to be above loan growth. Q2 is expected to receive PSLC income.
- Recovery for TWO was lower; it is expected to improve going ahead leading to increase in other income.
- Opex ratios are expected to be maintained at current levels. Redesigning branches and technological improvement could lead to operational efficiency leading to reduced number of branches.

Asset Quality

- Agri. slippages, includes MFI which contributed majorly to fresh slippages. Excluding these, credit cost were largely in-line stable. Retail, BuB, and CV/CE witnessed a marginal uptick in slippages owing to seasonality.
- MFI (20% in Karnataka) stress significantly came in Q1 (May was peak and Jun-July saw a drop). Accelerated provision was taken in unsecured. Not much is expected to flow in Q2. Collection efficiency is improving as well.
- Credit cost is guided at 50-60bps.

Exhibit 2: Gross loan growth at 9.2% YoY with growth across segments

Advances break-up (Rs m)	Q1FY26	Q1FY25	YoY gr. (%)	Q4FY25	QoQ gr. (%)
Gross Advances					
Retail	6,90,850	6,54,670	5.5	6,92,680	(0.3)
SME	4,42,220	3,78,530	16.8	4,26,860	3.6
CV/CE	48,580	37,280	30.3	46,440	4.6
Corporate	8,36,800	7,92,080	5.6	8,32,830	0.5
Total	24,46,790	22,41,390	9.2	23,81,340	2.7
Retail Loans break-up					
Housing	3,64,590	3,41,620	6.7	3,66,170	(0.4)
LAP	72,370	68,280	6.0	73,210	(1.1)
Auto	86,290	78,000	10.6	86,050	0.3
Personal	37,370	39,280	(4.9)	37,890	(1.4)
Others	1,30,230	1,22,550	6.3	1,28,560	1.3

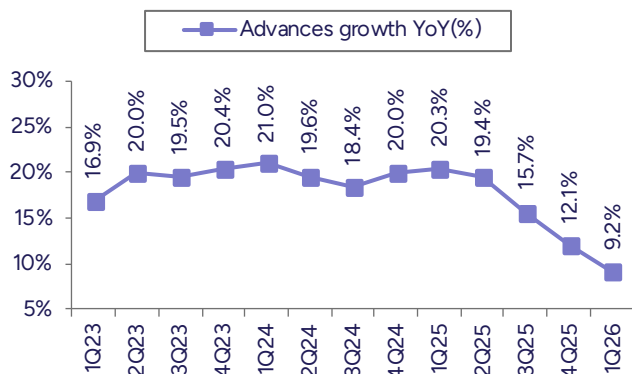
Source: Company, PL

Retail grew by 5.5% YoY, while SME grew by 16.8% YoY.

Corporate credit was a tad muted at 5.6% YoY.

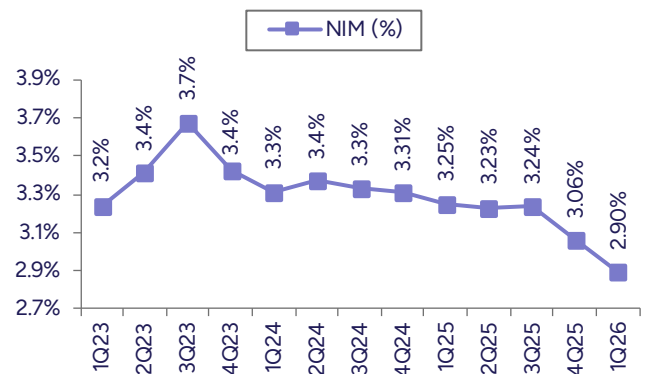
CV/CE continued to show strong growth, while PL de-grew sequentially.

Exhibit 3: Loan growth was muted at 9.2%YoY



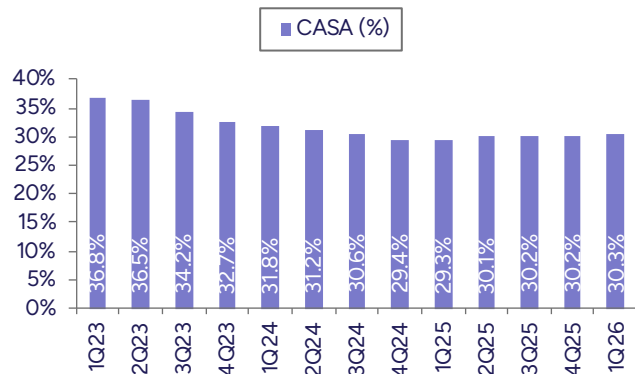
Source: Company, PL

Exhibit 4: NIM declined from 3.06% to 2.90%



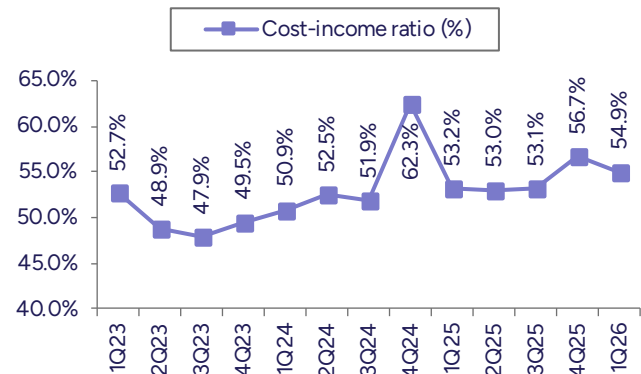
Source: Company, PL

Exhibit 5: CASA ratio was stable at 30.3%



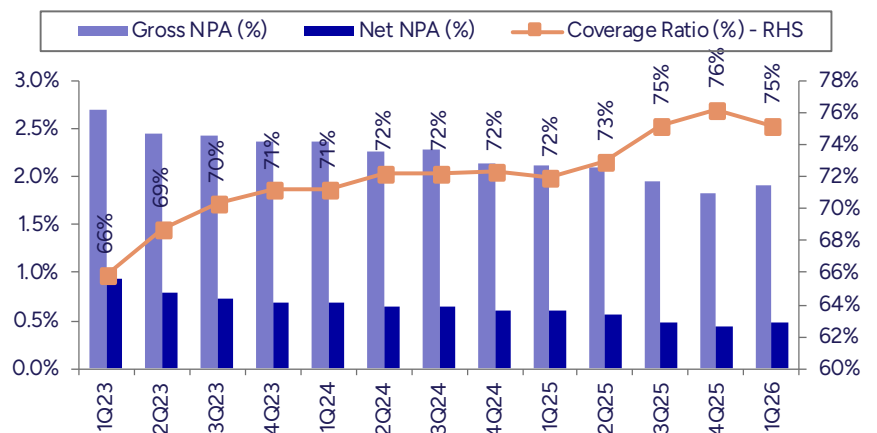
Source: Company, PL

Exhibit 6: C/I decreased to 54.9%



Source: Company, PL

Exhibit 7: GNPA/NNPA worsen sequentially at 1.9%/0.5%; PCR fell to 75%



Source: Company, PL

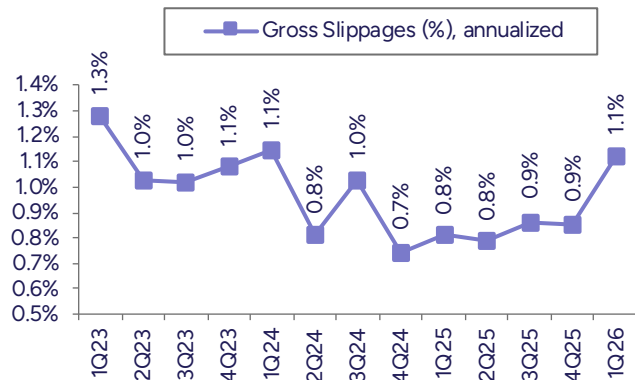
Exhibit 8: Fresh slippages moderated; write-offs were higher

Movement of NPL	Q1FY26	Q1FY25	YoY gr. (%)	Q4FY25	QoQ gr. (%)
Opening	43,757	45,294	(3.4)	45,525	(3.9)
Additions	6,610	4,240	55.9	4,920	34.3
Reduction	3,670	2,150	70.7	6,690	(45.1)
Closing	46,697	47,384	(1.4)	43,755	6.7
Slippages (%)	1.13	0.81	32	0.94	19

Segmental fresh slippages:					
Retail	2,730	2,390	14.2	2,260	20.8
Agri	2,700	710	280.3	1,710	57.9
SME	1,150	1,070	7.5	860	33.7
Retail (% annualized)	1.13	1.07	6	1.07	5
SME (% annualized)	0.75	0.92	(18)	0.69	5

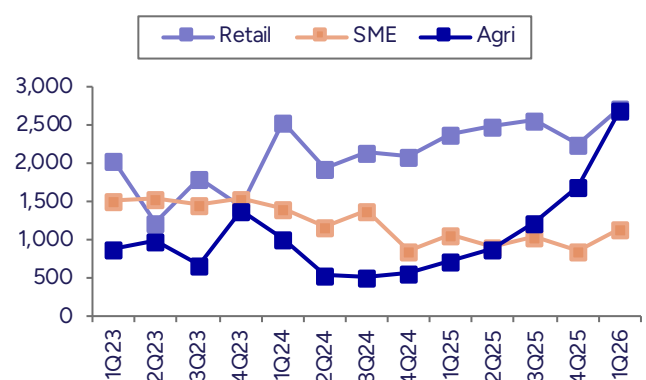
Source: Company, PL

Exhibit 9: Slippages were higher QoQ at 1.1%



Source: Company, PL

Exhibit 10: Slippages were higher QoQ due to Agri/MFI/BuB



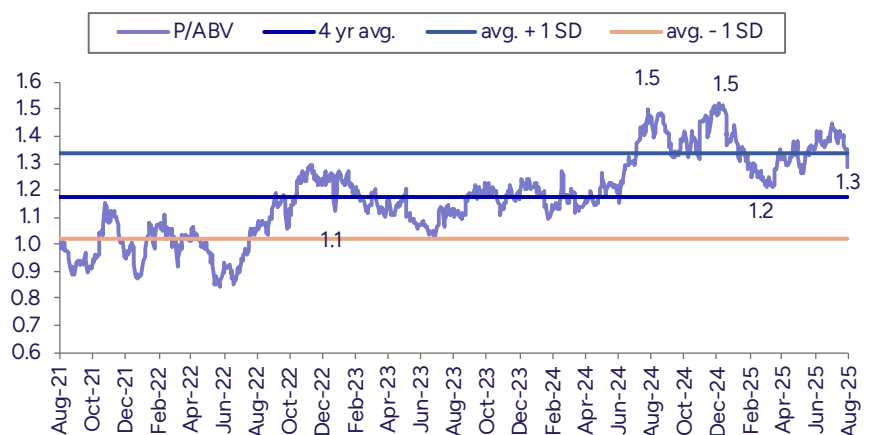
Source: Company, PL

Exhibit 11: Return ratios to range from 11-13% in FY26-27E

DuPont Analysis	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
NII/Assets	2.7	2.9	2.8	3.0	2.9	2.9	2.7	2.9
Other inc./Assets	1.1	1.0	1.0	1.0	1.1	1.2	1.2	1.2
Net revenues/Assets	3.9	3.9	3.8	4.0	4.0	4.0	3.9	4.0
Opex/Assets	2.0	1.9	2.0	2.0	2.2	2.2	2.1	2.2
Provisions/Assets	0.7	0.9	0.6	0.3	0.1	0.2	0.4	0.3
Taxes/Assets	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4
ROA (%)	0.9	0.8	0.9	1.3	1.3	1.2	1.0	1.1
ROE (%)	11.1	10.4	10.8	14.9	14.7	13.0	10.8	12.2

Source: Company, PL

Exhibit 12: One-year forward P/ABV trades at 1.3x



Source: Company, PL



Income Statement (Rs. m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Int. Earned from Adv.	1,77,345	2,10,166	2,19,124	2,40,129
Int. Earned from invt.	36,916	45,418	47,236	50,961
Others	4,232	3,638	3,560	3,700
Total Interest Income	2,21,883	2,63,653	2,75,828	3,00,374
Interest Expenses	1,38,948	1,68,973	1,75,904	1,79,774
Net Interest Income	82,935	94,680	99,924	1,20,601
Growth(%)	14.7	14.2	5.5	20.7
Non Interest Income	30,793	38,013	44,129	49,344
Net Total Income	1,13,728	1,32,692	1,44,053	1,69,945
Growth(%)	32.1	19.4	6.1	9.3
Employee Expenses	28,231	30,827	33,538	38,472
Other Expenses	31,600	40,854	46,081	53,909
Operating Expenses	61,983	71,681	79,619	92,380
Operating Profit	51,745	61,011	64,434	77,565
Growth(%)	7.9	17.9	5.6	20.4
NPA Provision	4,012	6,592	11,617	11,552
Total Provisions	1,961	7,331	13,110	13,278
PBT	49,784	53,681	51,324	64,287
Tax Provision	12,578	13,162	13,083	16,393
Effective tax rate (%)	25.3	24.5	25.5	25.5
PAT	37,206	40,519	38,241	47,894
Growth(%)	23.6	8.9	(5.6)	25.2

Balance Sheet (Rs. m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Face value	2	2	2	2
No. of equity shares	2,435	2,456	2,455	2,455
Equity	4,871	4,912	4,910	4,910
Networth	2,90,944	3,34,206	3,70,945	4,15,015
Growth(%)	35.3	14.9	11.0	11.9
Adj. Networth to NNPA's	12,553	10,404	11,263	11,559
Deposits	25,25,340	28,36,475	32,04,953	36,54,326
Growth(%)	18.3	12.3	13.0	14.0
CASA Deposits	7,46,508	8,57,570	10,07,584	11,94,183
% of total deposits	29.6	30.2	31.4	32.7
Total Liabilities	30,83,118	34,90,048	39,44,702	44,86,462
Net Advances	20,94,033	23,48,364	27,00,173	31,06,177
Growth(%)	20.0	12.1	15.0	15.0
Investments	6,08,595	6,62,456	7,63,796	8,40,495
Total Assets	30,83,118	34,90,048	39,44,702	44,86,462
Growth (%)	18.4	13.2	13.0	13.7

Asset Quality

Y/e Mar	FY24	FY25	FY26E	FY27E
Gross NPAs (Rs m)	45,289	43,759	46,575	50,131
Net NPAs (Rs m)	12,553	10,404	11,263	11,559
Gr. NPAs to Gross Adv.(%)	2.1	1.8	1.7	1.6
Net NPAs to Net Adv. (%)	0.6	0.4	0.4	0.4
NPA Coverage %	72.3	76.2	75.8	76.9

Profitability (%)

Y/e Mar	FY24	FY25	FY26E	FY27E
NIM	3.1	3.0	2.8	3.0
RoAA	1.3	1.2	1.0	1.1
RoAE	14.7	13.0	10.8	12.2
Tier I	14.6	15.0	14.9	14.7
CRAR	16.1	16.4	16.4	16.2

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Interest Income	65,773	68,087	66,484	66,866
Interest Expenses	42,101	43,774	42,709	43,498
Net Interest Income	23,672	24,313	23,774	23,368
YoY growth (%)	15.1	14.5	8.3	2.0
CEB	7,840	7,560	8,000	7,860
Treasury	-	-	-	-
Non Interest Income	9,640	9,162	10,060	11,130
Total Income	75,412	77,249	76,543	77,996
Employee Expenses	7,777	7,832	7,838	7,976
Other expenses	9,882	9,949	11,342	10,959
Operating Expenses	17,658	17,781	19,180	18,935
Operating Profit	15,654	15,695	14,654	15,563
YoY growth (%)	18.2	9.2	32.0	3.7
Core Operating Profits	14,814	14,695	14,194	14,293
NPA Provision	-	-	-	-
Others Provisions	1,584	2,923	1,381	4,002
Total Provisions	1,584	2,923	1,381	4,002
Profit Before Tax	14,070	12,771	13,273	11,561
Tax	3,503	3,217	2,971	2,944
PAT	10,567	9,554	10,302	8,618
YoY growth (%)	10.8	(5.1)	13.7	(14.6)
Deposits	26,91,066	26,63,750	28,36,475	28,74,360
YoY growth (%)	15.6	11.2	12.3	8.0
Advances	23,03,122	23,03,700	23,48,364	24,12,040
YoY growth (%)	19.4	15.7	12.1	9.2

Key Ratios

Y/e Mar	FY24	FY25	FY26E	FY27E
CMP (Rs)	196	196	196	196
EPS (Rs)	15.3	16.5	15.6	19.5
Book Value (Rs)	119	136	151	169
Adj. BV (Rs)	114	132	147	164
P/E (x)	12.8	11.9	12.6	10.0
P/BV (x)	1.6	1.4	1.3	1.2
P/ABV (x)	1.7	1.5	1.3	1.2
DPS (Rs)	1.0	1.6	1.6	2.0
Dividend Payout Ratio (%)	-	-	-	-
Dividend Yield (%)	0.5	0.8	0.8	1.0

Efficiency

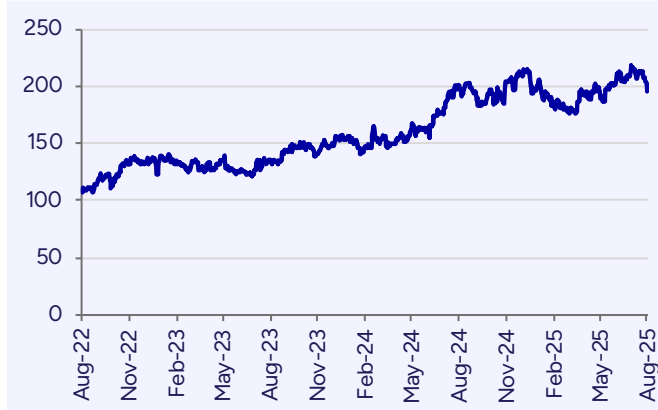
Y/e Mar	FY24	FY25	FY26E	FY27E
Cost-Income Ratio (%)	54.5	54.0	55.3	54.4
C-D Ratio (%)	82.9	82.8	84.3	85.0
Business per Emp. (Rs m)	304	322	347	377
Profit per Emp. (Rs lacs)	24	25	22	27
Business per Branch (Rs m)	3,071	3,232	3,465	3,748
Profit per Branch (Rs m)	25	25	22	27

Du-Pont

Y/e Mar	FY24	FY25	FY26E	FY27E
NII	2.92	2.88	2.69	2.86
Total Income	4.00	4.04	3.88	4.03
Operating Expenses	2.18	2.18	2.14	2.19
PPoP	1.82	1.86	1.73	1.84
Total provisions	0.07	0.22	0.35	0.31
RoAA	1.31	1.23	1.03	1.14
RoAE	14.71	12.96	10.85	12.19

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jul-25	BUY	220	215
2	23-Jun-25	BUY	220	208
3	02-May-25	BUY	220	197
4	08-Apr-25	BUY	210	191
5	24-Feb-25	BUY	210	180
6	28-Jan-25	BUY	210	184
7	08-Jan-25	BUY	220	197
8	29-Oct-24	BUY	220	185
9	07-Oct-24	BUY	210	194

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	Accumulate	2,072	1,974
2	Axis Bank	BUY	1,375	1,161
3	Bank of Baroda	BUY	270	243
4	Can Fin Homes	BUY	875	813
5	City Union Bank	BUY	245	214
6	DCB Bank	BUY	155	142
7	Federal Bank	BUY	220	215
8	HDFC Asset Management Company	BUY	5,700	5,357
9	HDFC Bank	BUY	2,150	1,957
10	ICICI Bank	BUY	1,730	1,426
11	IndusInd Bank	Hold	780	808
12	Kotak Mahindra Bank	BUY	2,350	2,121
13	LIC Housing Finance	BUY	725	605
14	Nippon Life India Asset Management	BUY	860	794
15	State Bank of India	BUY	960	807
16	Union Bank of India	BUY	150	146
17	UTI Asset Management Company	BUY	1,300	1,329

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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