

Margin outperformance continues...

Q3FY26 PAT came in at INR 1041 cr, up by 9% both on yoy & qoq basis led by improved asset growth and margin expansion. Total advances growth improved to 8.6% yoy vs. 5.8% yoy growth seen in the last quarter. Management has highlighted that going forward, loan growth of the bank is projected to grow by 1.2-1.3x of the industry average growth. Quarterly reported margins improved by 14 bps qoq to 2.83% led by faster repricing of funding cost than assets yields, CRR cuts, reduction in the borrowing cost and improvement in the investment yields. Margins are likely to be maintained at current levels going forward. Share of CASA deposits improved from 31% in Q2 to 32% in Q3 while the growth in CA was strong at 31.3% yoy & SA at 15.7% yoy. Incremental slippages were lower at INR 435 cr in Q3FY26 vs. INR 579 cr qoq and INR 486 cr yoy. Reported GNPA/NNPA stood at 1.72%/0.42% vs. 1.83%/0.48% qoq & 1.95%/0.49% yoy. Total provisioning cost for the quarter was at 47 bps vs. 50 bps qoq & 58 bps yoy. Management believes that full year credit cost is expected to be at 55-60 bps for FY26. Retain ACCUMULATE rating with revised TP of INR 308, **giving us upside of 10% from current levels which can be delivered over the next 12-18 months time (assigning target multiple of 1.6x on FY28e ABV).**

Valuations

The bank's PAT is projected to grow at a 18% CAGR over FY25-28e, driven by the new management's ambitious targets, including product portfolio expansion, branch transformation, margin improvement, and renewed digital focus. These initiatives are expected to improve ROA from 1.2% in FY25 to 1.3% by FY27. ROE is also forecasted to rise from 13% to 14.9% during FY25-27.

CASA improvement is visible in this quarter, though sustaining this growth remains crucial. Under strong leadership, successful implementation of the roadmap could lead to a structural re-rating compared to the current valuation typically accorded to old private sector bank.

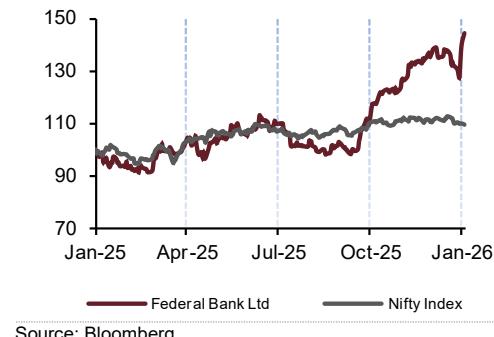
The stock trades at 1.9x/1.7x/1.5x on FY26e/FY27e/FY28e ABV. We are rolling forward our target price on FY28 estimates. Hence, we assign ACCUMULATE rating with revised TP of INR 308, giving us upside of 10% from current levels which can be delivered over the next 12-18 months time (assigning target multiple of 1.6x on FY28e ABV).

January 19, 2026

Rating	TP (Rs)	Up/Dn (%)
ACCUMULATE	308	10
Market data		
Current price	Rs	280
Market Cap (Rs.Bn)	(Rs Bn)	688
Market Cap (US \$ Mn)	(US \$ Mn)	7,576
Face Value	Rs	2
52 Weeks High/Low	Rs 280.25 / 172.66	
Average Daily Volume	('000)	70,740
BSE Code		500469
Bloomberg		FB.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Dec-25	Sep-25
Public	100	100
Total	100	100

Source: BSE

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Financial Summary

Y/E Mar (Rs Bn)	FY24	FY25	FY26E	FY27E	FY28E
NII	82.9	94.7	112.1	133.1	158.5
Net profit	37.2	40.5	44.7	54.6	66.8
Networth	291	334	372	419	475
Adj BVPS	113	132	148	168	192
EPS (Rs)	15.1	16.5	18.1	22.2	27.1
P/ABV (x)	2.5	2.1	1.9	1.7	1.5
P/E (x)	18.5	17.0	15.4	12.6	10.3

Source: Dalal & Broacha Research, Company

Results Highlights Q3FY26

Q3FY26 PAT came in at INR 1041 cr, up by 9% both on yoy & qoq each led by moderated asset growth, margin expansion & stable asset quality

Total advances growth moderated

- Total advances growth improved to 8.6% yoy vs. 5.8% yoy growth seen in the last quarter
- Within total loans, segments which reported higher growth were – gold loans (12% yoy growth, 13.3% share), business banking (7.7% growth, 7.7% share), CV/CE (26.2% yoy growth, 2% share), corporate loans (22.5% yoy growth, 35.7% share) and commercial banking loans (8.9% yoy growth, 10.6% share).
- Within retail loans, housing loans (52% share in retail loans), hardly grew this quarter. Other segments like LAP loans recorded decent growth of 6.2% yoy (11% share in retail loans) and credit cards showed strong growth of 24% yoy (6.2% share in retail loans). Other segments in retail loan
- Management has highlighted that going forward, loan growth of the bank is projected to grow by 1.2-1.3x of the industry average growth.

NII grew by 9.1% yoy (6.3% qoq) due to moderated asset growth and margin expansion

- Quarterly reported margins improved by 14 bps qoq to 2.83% led by faster repricing of funding cost than assets yields, CRR cuts, reduction in the borrowing cost and improvement in the investment yield.
- Management highlighted that downward repricing of the term deposits is likely to continue for next 4-5 months time. Additionally, recent repo rate cut is yet to fully reflect in advances yields. Hence, with both downward repricing of the advances & deposits, margins are likely to remain at the current levels.
- Reported advances yields was down by 12 bps qoq to 8.74%, mainly due to impact of lending rate cuts & slowdown in retail loans.
- Reported cost of funds has dropped by 9 bps yoy to 5.5% which can be partially attributed to faster repricing of bulk deposits at lower rates (16% share, -3% qoq decline) and term deposits repricing. Going forward, CP/CD rates has fallen in line with improved liquidity & repo rate cuts, bulk deposits which contribute 17% of the overall deposits, should get reprice faster at lower rates resulting in lower funding costs. While at the same time, management would defend the current margins in the downward repricing of both advances & deposits

- Current account deposits reported strong growth of 31% yoy (savings deposits too grew by 16% yoy) - this remains one of the key strategies of the new management to focus on growth of CASA deposits. While total deposits growth was lower at 11.8% yoy/3.1% qoq to INR 2.98 trillion in Q3FY26
- CASA share in total deposits improved to 32.1% in the overall deposits vs. 31% in Q2FY26 and 30.2% in Q3FY25
- **Other income growth was strong at 19% yoy**
 - Core fee income grew by 19% yoy to INR 896 cr. This fee income includes loan processing fees, cards, para banking, banking & commission & exchanges, insurance distribution income & forex & derivative income
 - Treasury income was at INR 126 cr vs. INR 113 cr in Q2FY26
- **Asset quality maintained**
 - Incremental slippages were lower at INR 435 cr in Q3FY26 vs. INR 579 cr qoq and INR 486 cr yoy.
 - Reported GNPA/NNPA stood at 1.72%/0.42% vs. 1.83%/0.48% qoq & 1.95%/0.49% yoy
 - Total provisioning cost for the quarter was at 47 bps vs. 50 bps qoq & 58 bps yoy. Management believes that full year credit cost is expected to be at 55-60 bps.

Concall Highlights – Q3FY26

- The bank is likely to grow loan book by 1.2-1.3x of the industry average growth for the period FY26
- Credit cost expected to 55-60 bps for FY26; Q4FY26 credit cost is anticipated to be lower than Q3FY26
- **Margin Outlook**
 - The bank follows T+1 repricing policies hence 1/3rd of the adverse impact of -25 bps rate cut has played out in 3Q while the balance will play out in 4Q
 - Management highlighted that downward repricing of the term deposits is likely to continue for next 4-5 months time (~14 months from the beginning of the rate cut cycle). Additionally, recent repo rate cut is yet to fully reflect in advances yields. Hence, with both downward repricing of the advances & deposits, margins are likely to remain at the current levels.
 - Going forward, margin improvement will be one of the key drivers of the ROA improvement
- **Asset Quality**
 - Incremental slippages were lower at INR 435 cr in Q3FY26 vs. INR 579 cr qoq and INR 486 cr yoy.
 - Reported GNPA/NNPA stood at 1.72%/0.42% vs. 1.83%/0.48% qoq & 1.95%/0.49% yoy
 - Total provisioning cost for the quarter was at 47 bps vs. 50 bps qoq & 58 bps yoy. Management believes that full year credit cost is expected to be at 55-60 bps.
 - MFI credit costs- The management expects the credit costs for MFI to continue trending downwards in Q4
 - As the management is aiming to grow the mid-yielding segment, credit cost is expected to be higher than the current levels in the medium term
 - Also, with the implementation of the ECL norms, credit cost is not expected to be adversely impacted
- **Business Growth**
 - The corporate loan growth of 8% may not be sustained current levels and might come down in the coming quarters
 - The bank is likely to grow loan book by 1.2-1.3x of the industry average growth for the period FY26
 - Structural changes in auto loans are likely to improve the loan growth going forward
 - The management is aiming to grow the mid-yielding segment faster than the high-yielding book. Current, high & very high-yielding book which includes personal loans & MFI – management is monitoring the stress before aggressively growing in this space.

Valuations

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The stock trades at 1.9x/1.7x/1.5x on FY26e/FY27e/FY28e ABV. We are rolling forward our target price on FY28 estimates. Hence, we assign ACCUMULATE rating with revised TP of INR 308, giving us upside of 10% from current levels which can be delivered over the next 12-18 months time (assigning target multiple of 1.6x on FY28e ABV).

Quarterly Comparison

(in cr)	Q3FY26	Q3FY25	yoY (%)	Q2FY26	qoq (%)
Interest earned	6867.5	6808.7	0.9	6742.2	1.9
Interest expenses	4214.8	4377.4	-3.7	4246.9	-0.8
Net Interest Income (NII)	2652.7	2431.3	9.1	2495.2	6.3
Other Income	1100.3	916.2	20.1	1082.2	1.7
Total income	3753.0	3347.5	12.1	3577.4	4.9
Operating expenses	2023.7	1778.1	13.8	1933.2	4.7
Operating profit	1729.3	1569.5	10.2	1644.2	5.2
Provision for contingencies	332.4	292.3	13.7	363.1	-8.5
PBT	1397.0	1277.1	9.4	1281.1	9.0
Provision for taxes	355.7	321.7	10.6	325.8	9.2
Net profit	1041.2	955.4	9.0	955.3	9.0
Equity	492.4	490.9	0.3	491.9	0.1
EPS	4.14	4.03	2.7	4.14	0.0
Ratios (%)					
Int. exp/Int earned (%)	61.4	64.3	-	63.0	-
Cost/Income ratio (%)	53.9	53.1	-	54.0	-
Gross NPAs (Rs)	4446.9	4553.3	-2.3	4532.0	-1.9
Net NPAs (Rs)	1068.0	1131.2	-5.6	1165.2	-8.3
Gross NPAs (%)	1.7	2.0	-	1.8	-
Net NPAs (%)	0.4	0.5	-	0.5	-
ROA (%)	0.3	0.3	-	0.3	-
CAR (%)	15.2	15.2	-	15.7	-
Balance Sheet (Rs.cr)					
Deposits	2,97,796	2,66,365	11.8	2,88,920	3.1
Net Advances	2,55,569	2,30,367	10.9	2,44,657	4.5

Source: Dalal & Broacha Research, Company

Financials

Profit & Loss Account

P&L (Rs Bn)	FY24	FY25	FY26E	FY27E	FY28E
Interest income	221.9	263.7	292.1	324.8	371.1
Interest expense	138.9	169.0	180.0	191.7	212.7
NII	82.9	94.7	112.1	133.1	158.5
Non-interest income	30.8	38.0	37.0	42.2	48.1
Net revenues	113.7	132.7	149.2	175.3	206.6
Operating expenses	62.0	71.7	82.4	94.4	108.1
PPOP	51.7	61.0	66.7	81.0	98.5
Provisions	2.0	7.3	7.6	8.7	10.0
PBT	49.8	53.7	59.2	72.3	88.4
Tax	12.6	13.2	14.5	17.7	21.7
PAT	37.2	40.5	44.7	54.6	66.8
<i>growth (y-o-y)</i>	<i>23.6</i>	<i>8.9</i>	<i>10.2</i>	<i>22.1</i>	<i>22.4</i>

Balance Sheet

Balance sheet (Rs.bn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	4.92	4.92	4.92	4.92	4.92
Reserves & surplus	286	329	367	414	470
Net worth	291	334	372	419	475
Deposits	2525	2836	3144	3479	3853
Borrowings	180	237	285	327	377
Other liability	87	82	92	102	113
Total liabilities	3083	3490	3893	4328	4818
Fixed assets	10.2	14.8	18.5	22.9	28.4
Investments	609	662	739	818	905
Loans	2094	2348	2701	3106	3572
Cash	190	309	256	177	80
Other assets	181	156	179	204	233
Total assets	3083	3490	3893	4328	4818

Ratios	FY24	FY25	FY26E	FY27E	FY28E
Growth (%)					
NII	14.7	14.2	18.4	18.7	19.0
PPOP	7.9	17.9	9.4	21.3	21.6
PAT	23.6	8.9	10.2	22.1	22.4
Advances	20.0	12.1	15.0	15.0	15.0
Deposits	18.3	12.3	10.8	10.7	10.7
Spread (%)					
Yield on Funds	8.4	8.5	8.3	8.3	8.6
Cost of Funds	5.5	5.8	5.5	5.3	5.3
Spread	2.8	2.6	2.8	3.0	3.3
NIM	3.1	3.0	3.2	3.4	3.7
Asset quality (%)					
Gross NPAs	2.1	1.8	1.8	1.7	1.7
Net NPAs	0.6	0.4	0.3	0.2	0.0
Provisions	72	74	82	90	97
Return ratios (%)					
RoE	15.0	13.0	12.6	13.8	14.9
RoA	1.3	1.2	1.2	1.3	1.5
Per share (Rs)					
EPS	15	16	18	22	27
BV	118	136	151	170	193
ABV	113	132	148	168	192
Valuations (x)					
P/E	18.5	17.0	15.4	12.6	10.3
P/BV	2.4	2.1	1.8	1.6	1.4
P/ABV	2.5	2.1	1.9	1.7	1.5
Other Ratios (%)					
Cost/Income	54.5	54.0	55.3	53.8	52.3
CD ratio	82.9	82.8	85.9	89.3	92.7
CASA ratio	29.6	30.5	30.2	30.0	29.8

Source: Dalal & Broacha Research, Company

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