

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Miss (Bottom-line) / Beat (Core Operating Metrics) **One-line:** The long-term thesis is reinforced by a structural pivot toward pricing power and operating leverage, though a "perfect storm" of rate transmission lags and MFI de-growth delays the return to 1%+ ROA by 2-3 quarters.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Miss (PAT) / Beat (Opex)	PAT ₹463 Cr missed due to NIM compression; Opex growth at 11% YoY beat 12-13% guide.	☐
Earnings Quality	Low (Trading Gain driven)	PAT supported by ₹495 Cr trading gain; Core PPOP impacted by ₹1,659 Cr provisions.	☐
Guidance Confidence	Strong	Management re-affirmed 2.0-2.05% credit cost and 5.8% NIM target by Q4 FY26.	☐
Management Credibility	Strong	Front-loading MFI pain and maintaining 11% Opex growth while business grew 23%.	☐
Business Quality Signal	Improving	CASA at 48%; CD ratio down to 93.4%; Retail deposits = 80% of total customer deposits.	☐
Key Q&A Exchange	Q#12 Path to 2.5% Credit Cost	Mgmt dismissed a 50bps credit cost spike, citing improving SMA pools in MFI/Retail.	☐
The Street's Primary Anxiety	NIM Compression	Fear of prolonged NIM weakness; Mgmt countered with TD repricing lag (9-12 months).	☐
Capital Cycle Stage	Consolidation / Harvesting	₹7,500 Cr raise makes balance sheet "bulletproof" for the next 3 years of growth.	☐
Margin / Return Trajectory	Deteriorating (Short-term)	NIM compressed to 5.71% (from 5.95% QoQ); RoA at 0.53% vs 1.1% historical peak.	☐
Pricing Power	Expanding	Cutting FD rates by 115bps (peak) while maintaining 26% deposit growth.	☐
FCF Conversion & Quality	Strong	LCR at 118%; CASA average balances growing 30% YoY indicates granular liquidity.	☐
Competitive Moat Signals	Widening	Largest issuer in FASTag (38% spend share); Top-5 Global Mobile App rating (Forrester).	☐
Balance Sheet Strength	Strong	Post-raise CRAR estimated at 17.6%; Legacy infra loans now <1% of book.	☐
Working Capital Efficiency	Improving	Incremental CD ratio of 75.8% since June 2024; legacy bond runoff of ₹2,600 Cr.	☐
Mgmt Guidance Track Record	Reliable on Opex / Volume	Consistently hits growth and cost targets; credit cost estimates are currently tested.	☐
Key Vulnerability	Rate Transmission Lag	Asset yields repriced downward immediately; Liability repricing will take 3 quarters.	☐
Management Tone	Sanguine / Long-term	Admitted MFI "disturbed the equation" but focused on structural economics.	☐

Sentiment: ☐Positive

Key Takeaways (Positives & Negatives): * **Positives:** The bank has successfully transitioned into a "Price Setter" in the liability market, cutting FD rates by 115 bps without sacrificing its 26% YoY deposit growth. Operating leverage is now clearly visible, with Opex growth (11% YoY) significantly trailing business growth (23%), leading to a 7.8% sequential rise in Core PPOP. MFI stress is cresting, with the SMA pool down 59% from its December peak. * **Negatives:** Short-term profitability is under pressure from a "NIM Pincer"—the immediate pass-through of repo rate cuts to customers vs. the 9-month lag in term deposit repricing. This, combined with a 37% YoY contraction in the high-yield MFI book, has compressed margins to 5.71%. * **Street Concern:** Analysts are focused on the risk of 2.0% credit cost expanding to 2.5% given the macro environment. Management dismissed this, pointing to the 66% reduction in MFI SMA-0 pools. * **Watchpoint:** Monitoring the "NIM Claw-back" in H2 FY26; the success of the thesis depends on whether TD repricing provides the 10-15 bps NIM boost management expects by Q4.

2. BUSINESS PERFORMANCE

2A. KEY METRICS *PPT available — Primary source for metrics.*

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
NII Growth (%)	5.1%	↓	↓	□	Impacted by MFI de-growth and repo rate pass-through to assets.
NIM (AUM basis %)	5.71%	↓	↓	↓	24bps QoQ compression; driven by asset mix and rate transmission lag.
Cost of Funds %	6.42%	↓	↓	↑	Improved 9bps QoQ; structural TD repricing tailwind started.
Cost of Deposits %	6.37%	↓	↓	↑	Marginal 1bp improvement; expected to sharpen in H2 FY26.
CASA Ratio (period end %)	48.0%	↑	↑	↑	Strongest in peer set; grew 140bps YoY.
CASA Ratio (avg %)	45.8%	↑	↓	□	Daily average basis grew 131bps YoY.
Credit-Deposit Ratio %	93.4%	↓	↓	↑	Improved from 137% at merger; target 80s next year.
Loans Growth (% YoY)	21.0%	→	↓	□	Reached ₹2,53,233 Cr; led by Business Finance (+38%).
Deposits Growth (% YoY)	25.5%	→	→	□	Reached ₹2,56,799 Cr; Retail deposits are 80% of total.
GNPA %	1.97%	↑	↑	□	Marginal tick up from 1.87% (QoQ); Ex-MFI stable at 1.70%.
NNPA %	0.55%	↑	↑	□	Maintained <0.6%; PCR healthy at 72.3%.
Slippage Ratio %	3.54%*	→	↑	□	Ex-MFI; included ₹108 Cr ATM provider one-off (fully provided).
Credit Cost (% funded assets)	2.0%	→	↑	□	Excluding MFI; guided to stay at 2.0-2.05% for full year.
Collection Efficiency %	99.4%	→	→	□	Ex-MFI stable; MFI CE improved to 99.0% vs 98.1% (Q4).
Capital Adequacy / CET1 %	15.01%	↓	↓	□	Post-raise CET-1 calculated at ~15.4% (Q1 base).
PAT (₹Cr)	463	↓ 32%	↑ 52%	□	Sequential recovery but YoY impacted by MFI credit costs.
Fee Income Growth %	8.5%	↓	→	□	Granular; 91% from retail banking operations.

*Calculated on Ex-MFI Gross Slippages.

2B. SEGMENT BREAKDOWN

Segment	Loans (₹ Cr)	YoY Growth	GNPA	Trend	vs Co. Avg	Key Development
Mortgages	57,804	17.0%	0.75%*	□	Outperform	Anchor; HL GNPA 0.84%, LAP GNPA 1.37%.
Vehicle Loans	27,020	23.8%	1.82%	□	In-line	Two-wheeler 30+ DPD remains superior to industry.
Credit Card	8,075	36.0%	1.99%	□	Outperform	Achieved operational break-even in 4 years; C:I down to 96%.
Business Finance	81,809	38.1%	0.58%	□	Outperform	Includes Business Banking (+33.6%) and CV/CE (+24.6%).
Rural Finance	23,922	-2.4%	4.39%	□	Underperf.	Impacted by MFI de-growth; Ex-MFI is stable.
Micro-finance (MFI)	8,354	-36.9%	9.73%	□	Underperf.	Deliberate shrinkage to 3.3% of assets; SMA 1+2 down to 2.64%.

*Blended LAP and Home Loan.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	NIM to claw back to 5.8% by Q4 FY26.	Needs ~₹1 lakh Cr of TDs to reprice lower by ~80bps.	Missed (Short-term)	Medium
Guidance	Margins	ROE target "High Teens" long term.	Requires PAT CAGR of 40%+ as capital base expands.	Delayed	High
Guidance	Volume	20% Loan Growth / 25% Deposit Growth.	On track; Q1 growth at 21% / 26% respectively.	Met	Low
Guidance	Capex Plan	Branch network growth ~10% annually.	14 branches added this quarter; sustainable pace.	Met	Low
Strategy	Opex Efficiency	Target 65% Cost-to-Income (C:I) by FY27.	Absolute Opex growth must stay <12% while NIM stabilizes.	Improving	Medium
Strategy	MFI Exposure	Bottom out at ~₹7,500 Cr (3% of assets).	Currently ₹8,354 Cr; de-growth of ₹5,000 Cr in 12m.	Met	Low
Macro	Rate Cut Impact	Repo cut benefit already passed to loans.	Immediate impact seen in Q1; no further yield drag if repo stays flat.	Met	Low
Balance	CD Ratio	CD ratio to enter 80s by next year.	Current 93.4%; requires incremental CD ratio of <75%.	Met	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.0	Zhixuan Gao / Schonfeld	Asset Quality	Financials	"What is the like-for-like number on the other than MFI slippage in Q1 FY25?"	Mgmt reported ₹1,972 Cr slippages ex-MFI (vs ₹1,603 Cr QoQ), citing ₹108 Cr from an ATM provider and seasonality. Higher slippage base is offset by ₹495 Cr trading gain, keeping PAT sequentially positive but YoY growth negative.	Q1 FY25 exact comparative provided later.	4.0	Granular b seasonal
2	4.5	Param Subramanian / Investec	Stress Segments	Financials	"Anything specific you want to highlight? A large peer has called out stress in MSME."	Mgmt indicated Karnataka rural stress is watched, but collection efficiency is improving to 99%. Resilience in secured MSME protects the bulk of the book from industry-wide unsecured contagion.	None	4.0	Sanguine MSME
3	5.0	Param Subramanian / Investec	Margins	Financials	"How to think about margins from this quarter onwards?"	NIM should restore to ~5.8% by Q4 FY26 as TD repricing (115bps cut) offsets current repo-link asset repricing. Near-term NIM compression	None	4.5	Specific claw-back target

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						is a timing mismatch, not a structural yield erosion.			
5	4.5	Anand Dama / Emkay	Efficiency	Financials	"Where do you see your cost-income ratio settling... guidance on the overall credit cost for FY26?"	Mgmt expects Core PPOP to inch up sequentially as opex growth stays at 11-12% vs 20%+ loan growth. Achieving 65% C:I by FY27 is contingent on NIM stabilization and MFI normalization.	Exact FY26 C:I pencil-out.	3.5	Leverage visible
7	4.0	Himanshu Taluja / ABSL	Opex Leverage	Management Commentary	"How do you expect the operating expenses growth versus your advances growth?"	Mgmt targets 12% opex growth vs 18-20% asset growth, implying 600-800bps of positive operating leverage. This structural "jaws" ratio is the primary engine for ROE expansion toward 15%.	None	4.5	Clear structural guide
8	4.0	Himanshu Taluja / ABSL	MFI Recovery	Business Overview	"Will you start growing this piece again in FY27?"	Mgmt confirmed MFI is a "really good franchise" and will bottom at ₹,500 Cr before growing with CGFMU cover	None	4.0	Strategic pivot

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						(currently 72% covered). Risk-adjusted growth in MFI will eventually restore high-yield income without prior cycle volatility.			
11	3.5	Jai / ICICI Sec	Liability Cost	Financials	"Has [the rate advantage] shown in the balances... are we getting the desired throughput?"	Mgmt noted cutting peak FD rates to "big bank" levels (6.75%) is a structural move to reprice ₹1 lakh Cr of deposits. The bank is successfully trading high-interest "hot money" for a sustainable, granular liability base.	Exact SA/CA split in Cr.	3.0	Pricing power test
12	5.0	Harsh Modi / JPMorgan	Risk Assessment	Management Commentary	"If we do end up getting some sort of weakness, what may be the possible areas... 50bps delta risk?"	Mgmt dismissed a 50bps credit cost shock, citing 66% reduction in SMA-0 pools and 15 years of "2-1-2" formula consistency. Confidence in current underwriting suggests the MFI/Rural stress is localized and contained.	None	5.0	High-conviction denial
13	3.5	Vishal Biraia / Bandhan	Mortgages	Financials	"GNPAs on home loan	Mgmt attributed the	None	4.0	Denomina effect

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					and LAP has increased by about 14, 15 bps... why?"	tick-up (0.70% to 0.84% in HL) to book slowdown/denominator effect rather than fundamental stress. Home loan asset quality remains significantly superior to industry averages (30+ DPD 0.68% vs 3.4%).			

PATTERN FLAGS & SENTIMENT * **The NIM Transition:** Analysts expressed high anxiety over the 24bps NIM compression. Management remained confident, framing it as a "mathematical lag" between immediate repo-linked loan repricing and the 9-12 month churn of term deposits. * **MFI "Bottoming out":** The skepticism around MFI stress has shifted from "how deep is the hole" to "when do we restart growth." Management's 72% CGFMU coverage provides a credible safety net for future expansion. * **Analyst Sentiment Verdict:** Analysts were cautiously optimistic. While the PAT miss was noted, the sequential recovery (+52%) and the aggressive reduction in FD rates without losing deposit momentum convinced the Street of the bank's brand strength. The unresolved issue is the exact timing of the NIM rebound, which remains the key re-rating catalyst.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q4 FY25)	This Quarter (Q1 FY26)	Direction
NIM (AUM basis)	5.95%	5.71%	↓ Deteriorating
MFI % of Loan Book	4.0%	3.3%	↑ De-risking
CASA Ratio	46.9%	48.0%	↑ Improving
CD Ratio	93.9%	93.4%	↑ Improving
MFI SMA 1+2	5.10%	2.64%	↑ Improving
Cost of Funds	6.51%	6.42%	↑ Improving
MFI CGFMU Coverage	66%	72%	↑ Improving
PAT	£304 Cr	£463 Cr	↑ Improving (Sequential)
Credit Cards C:I	100%	96%	↑ Improving
Branch Count	1,002	1,016	↑ Expanding
SA Blended Rate	5.9%	Trending Lower (FD peak cut 115bps)	↑ NIM Tailwind
Core PPOP	Sequential Decline	+7.8% Sequential Growth	↑ Improving
Management Tone	Cautious (MFI Peak)	Confident (Leverage/SMA drop)	↑ Positive