kotak Securities

Dated: 31th Oct 2025

Canara Bank (CBK) - ADD

Result Update

Current Market Price (CMP)	Fair Value (FV)
Rs.133	**Rs.140**

Rationale:

- Bank reported ~20% yoy earnings growth, led by 12% yoy growth in pre-provisioning operating profit.
- Asset quality remained stable; Slippages were at ~80 bps; credit cost was ~90 bps.
- Return on Assets (RoA)/Return on Equity (RoE) were at 1.1%/18%.
- While the medium-term outlook for profitability remains healthy, valuation re-rating might be a challenge hereon.
- Maintain ADD with a revised FV of Rs140 (Rs125 earlier).

Q2FY26 Earnings Update:

Positives:

- Loan growth (14% yoy) was driven by retail (~30% yoy, led by gold loans).
- Deposits grew 13% yoy, with term deposits up 15% yoy.
- Non-interest income grew ~40% yoy, driven by a sharp yoy increase in treasury gains.
- The Net Interest Margin (NIM) trend for CBK was better than PNB/UNBK.
- Reported ~35 bps and ~10 bps qoq declines in gross and net NPL ratios, respectively.

Negatives:

- Fee income growth was modest at ~5% yoy.
- Valuations have limited room for further rerating, thereby constraining investment returns largely to book value compounding.

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

BUY	–	We expect the stock to deliver more than 15% returns over the next 12 months
ADD	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	–	We expect the stock to deliver < -5% returns over the next 12 months
NR	–	**Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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NA	–	**Not Available or Not Applicable.** The information is not available for display or is not applicable
NM	–	**Not Meaningful.** The information is not meaningful and is therefore excluded.
NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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