CSB Bank Ltd

Q1FY27 Result Update
23rd July 2026

Growth remains healthy; profitability recovery to be gradual

CMP: INR 345

Rating: Accumulate

Target Price: INR 395

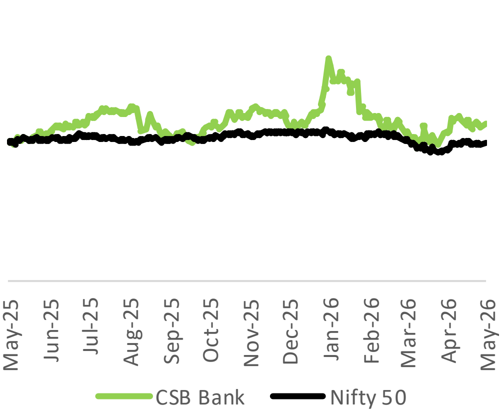
Stock Info	
BSE	542867
NSE	CSBBANK
Bloomberg	CSBBANK IN
Reuters	CSBB.BO
Sector	Banking
Face Value (INR)	10
Equity Capital (INR Mn)	1,735
Mkt Cap (INR Mn)	67,998
52w H/L (INR)	575 / 322
Avg Yearly Vol (in 000')	714

Shareholding Pattern %
(As on March, 2026)

Promoters	40.0
Public & Others	60.0

Stock Performance (%)	3m	6m	12m
CSB Bank	-6.23	-4.59	11.99
Nifty 50	-2.84	-6.80	-1.40

CSB Bank Vs Nifty 50



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CSB Bank reported a mixed Q1FY27 performance, with NII at INR 4,787 Mn, ahead of expectations of INR 4,726 Mn and up 26.2% YoY. However, operating performance was weaker, with PPOP at INR 2,508 Mn (vs. est. INR 2,981 Mn) due to higher operating expenses, leading to a higher cost-to-income ratio of 64.6% compared with 61.9% in Q4FY26. PAT stood at INR 1,500 Mn (vs. est. INR 1,994 Mn), impacted by higher provisions of INR 490 Mn (vs. est. INR 322 Mn) and a credit cost of 0.36%. Asset quality remained broadly stable, with GNPA at 1.75% and NNPA improving to 0.39%. On the business front, advances grew 23.8% YoY to INR 403,090 Mn, while deposits increased 26.4% YoY to INR 454,150 Mn, with the CASA ratio at 19.4%.

Healthy growth with improving balance sheet : CSB Bank delivered healthy Q1FY27 growth, with advances up 24% YoY and deposits up 26% YoY, both ahead of industry growth, while PAT increased 27% YoY to INR 150 crore. The bank also improved its credit-deposit ratio to below 90%, providing better balance sheet flexibility. However, ROA remained at 1.09%, and the journey toward the guided 1.3–1.5% range is likely to be gradual as the bank continues to invest in franchise expansion and operating capabilities.

Margin pressure and funding mix remain monitorable: NIM moderated to 3.66% in Q1FY27 due to the higher share of bulk deposits and the full-quarter impact of deposits raised at elevated rates. Although the bank expects margin improvement from Q2 onward as deposit costs soften, the liability franchise is still evolving, with bulk deposits forming 52% of term deposits and CASA at 19.41%. Asset quality remains comfortable with GNPA/NNPA at 1.75%/0.39% and a strong provisioning buffer, but some volatility in the SME/BLG segment warrants continued monitoring.

Gold franchise remains strong while diversification is progressing : The gold loan book grew to INR 21,906 crore and continues to be the bank's biggest strength, with very low GNPA of 0.27% and healthy yields of 11.85%. At the same time, the bank is gradually building a more diversified franchise through wholesale, BLG, and retail businesses, with a long-term goal of reducing the gold mix from the current 54% to around 30% by FY30. This approach allows CSB to protect profitability while reducing concentration risk over time.

Valuation and View: The bank expects NIM to improve from the current 3.66% level and remain near the guided 3.75% for the full year, supported by repricing of bulk deposits and improving liquidity conditions. The bank remains confident of delivering ROA in the 1.3–1.5% range, with 1.5% continuing to be the internal target, while ROE is expected to improve gradually toward the 15% level by the end of the year. Gold loans are expected to grow 30–35% and wholesale banking 35–40%, with the gold loan mix likely to decline toward ~ 50% during FY27 as other businesses scale up. CASA traction is expected to become visible from FY28 onward, while transaction banking, CMS, trade finance, and supply-chain finance are expected to emerge as meaningful growth drivers over the next few quarters. The bank also expects the current SME stress to remain temporary, with a meaningful portion of slipped accounts likely to be upgraded in Q2 and Q3 and believes it is now entering the next phase of franchise scaling after completing its technology transformation . **We have revised our estimates based on the improved operating outlook and maintain an Accumulate rating on the stock, with a TP of INR 395, valuing the bank at 0.9x FY29E ABV.**

Exhibit: Financial Performance

Particulars (Rs Cr)	FY24	FY25	FY26	FY27E	FY28E	FY29E
NII	1476	1476	1720	2102	2516	3037
PAT	567	594	633	717	881	1045
Networth	3804	4498	4894	5611	6492	7537
EPS (Rs)	33	34	36	41	51	60
P/E (x)	10.6	10.1	9.4	8.3	6.8	5.7
P/Adj BV (x)	1.6	1.3	1.2	1.1	0.9	0.8
RoA (%)	1.6%	1.2%	1.1%	1.0%	1.0%	1.0%
RoE (%)	14.9%	13.2%	12.9%	12.8%	13.6%	13.9%

Source: Arihant Research, Company Filings

Q1FY27 - Quarterly Performance (Standalone) (in INR Mn)

Quarterly Result Update (Rs Mn)	Q1FY27	Q4FY26	Q1FY26	Q-o-Q	Y-o-Y
Interest Income	12,873	12,009	10,409	7.2%	23.7%
Interest Expended	8,087	7,367	6,615	9.8%	22.2%
Net Interest Income	**4,787**	**4,642**	**3,794**	**3.1%**	**26.2%**
Other Income	2,288	3,062	2,447	-25.3%	-6.5%
Operating Income	7,074	7,704	6,241	-8.2%	13.3%
Operating Expenses	4,566	4,767	4,038	-4.2%	13.1%
Employee Expenses	2,526	2,513	2,211	0.5%	14.3%
Other Operating Expenses	2,041	2,254	1,828	-9.4%	11.7%
PPOP	**2,508**	**2,937**	**2,203**	**-14.6%**	**13.8%**
Provisions	490	230	608	113.0%	-19.3%
PBT	2,017	2,707	1,595	-25.5%	26.5%
Tax Expenses	517	691	409	-25.1%	26.3%
Net Income	**1,500**	**2,016**	**1,186**	**-25.6%**	**26.5%**
Balance Sheet Analysis					
Advances	403,090	398,478	325,520	1.2%	23.8%
Deposits	454,150	442,459	359,350	2.6%	26.4%
Total Assets	581,010	577,265	485,800	0.6%	19.6%
CASA Deposits	88,150	88,320	84,410	-0.2%	4.4%
CASA (%)	19.41%	19.96%	23.49%	-55bps	-408bps
CAR (%)	19.96%	20.66%	21.71%	-70bps	-175bps
Spreads					
NIMs (%)	**3.66%**	**3.83%**	**3.54%**	**-17bps**	**12bps**
Cost of Funds	6.29%	5.99%	6.32%	30bps	-3bps
Yield on Average Advances	10.70%	10.41%	10.55%	29bps	15bps
Asset Quality					
GNPA	7,150	6,700	6,060	6.7%	18.0%
NNPA	1,580	1,580	2,152	0.0%	-26.6%
GNPA (%)	**1.75%**	**1.66%**	**1.84%**	**9bps**	**-9bps**
NNPA (%)	**0.39%**	**0.40%**	**0.66%**	**-1bps**	**-27bps**
Returns & Expenses					
RoA	**1.03%**	**1.40%**	**0.98%**	**-36bps**	**6bps**
RoE	11.59%	16.47%	10.22%	-488bps	137bps
Cost / Income Ratio	64.55%	61.88%	64.70%	267bps	-15bps

Source: Arihant Research, Company Filings

Concall Highlights

Q4FY26 - Concall Highlights

Gold loan franchise and portfolio mix
- Gold loans account for ~ 54% of the loan book, but the bank aims to build a more diversified franchise over time.
- The bank plans to reduce the gold loan mix to ~ 30% by FY30 through faster growth in wholesale, SME, retail assets, and liablities.
- The re-pledge/LAS portfolio has reduced sharply from INR 2,100 crore to ~ INR 60 crore and is expected to run down fully by next quarter.

Wholesale banking strategy
- Wholesale loans form ~24% of advances and are targeted to reach ~ 32% by FY30.
- The bank is investing in large corporates, mid-corporates, financial markets, and transaction banking to build a long-term wholesale franchise.
- Wholesale advances are expected to grow 35–40% annually, with focus on ROA and RAROC rather than volume growth.

Asset quality and provisioning
- GNPA stood at 1.75% and NNPA at 0.39%, while the provision coverage ratio improved to ~ 78%.
- The bank holds an additional provision buffer of ~ INR 198 crore, including INR 105 crore of contingency provisions.
- Q1 slippages were ~ INR 96 crore, mainly from the SME/BLG book, and the bank expects a meaningful portion of these accounts to be upgraded in Q2 and Q3.

SME / BLG portfolio
- The bank has become more cautious on SME lending due to supply-chain issues, tariff uncertainty, and cash-flow pressure in some customer segments.
- Incremental SME loans are being booked at slightly lower yields as underwriting standards have been tightened.
- The bank believes the current stress is temporary and expects recoveries and upgrades over the next few quarters.

Liability franchise and funding mix
- CASA ratio stood at 19.41%, while bulk deposits accounted for ~ 52% of term deposits and roughly 40% of total deposits.
- Cost of funds is ~ 6.5%, reflecting dependence on bulk deposits, CDs, and foreign currency borrowings.
- Management expects CASA and retail deposit growth to improve from FY28 onward as new products and acquisition channels are rolled out.

NIM and yield outlook
- Management has guided for a full-year NIM of ~ 3.75% and described Q1FY27 as the weakest quarter for margins.
- Margin pressure came from higher-cost deposits raised in March 2026 and some impact from SME slippages.
- Margins are expected to improve as bulk deposits and CDs reprice lower and the deposit mix becomes more granular.

Fee income and treasury income
- Other income declined 7% YoY, mainly because treasury gains fell from ~ INR 53 crore in Q1FY26 to ~ INR 3 crore in Q1FY27.
- Core fee income excluding treasury grew ~ 13% YoY, indicating healthy underlying business activity.
- Insurance fee income was moderated due to tighter compliance controls, while lower gold disbursements also affected processing fee income.

Technology transformation and operating leverage
- The bank has completed its core technology transformation, with 52 systems implemented and 8 more under rollout.
- Trade finance, supply-chain finance, CMS, and transaction banking capabilities are expected to become operational over the next 3–4 months.
- The focus is now on customer acquisition, cross-sell, productivity improvement, and operating leverage.

Retail strategy and unsecured lending
- Unsecured retail loans form only ~ 2% of the total loan book.
- The bank has avoided aggressive sourcing through digital partnerships, DSAs, and co-lending models.
- Unsecured lending is expected to become a focus area from FY28 onward once the liability franchise is stronger.

Capital and liquidity
- The bank remains well capitalized, with CRAR at 19.96% and Tier-1 ratio at 18.96%.
- LCR was 123% and NSFR was 126%, indicating a comfortable liquidity position.
- Management stated that liquidity is not a constraint for FY27 growth plans.

Long-term franchise building
- The bank continues to execute its SBA 2030 strategy, focused on governance, technology, human capital, customer service, and compliance.
- FY27–FY30 will be the main scale-up phase after spending the last few years stabilizing and rebuilding the franchise.
- Management acknowledged that the technology decision was delayed by ~ 2–2.5 years, but execution has now been completed, and the bank is ready for the next growth phase.

Key Financials

Profit & Loss Statement (in INR Cr)	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E
Interest Income	2,928	3,597	4,505	5,364	6,406	7,551
Interest Expended	1,451	2,121	2,785	3,263	3,890	4,514
Net Interest Income	**1,476**	**1,476**	**1,720**	**2,102**	**2,516**	**3,037**
Other Income	584	972	1,177	1,236	1,374	1,550
Operating Income	2,061	2,448	2,897	3,338	3,890	4,587
Operating Expenses	1,281	1,538	1,812	2,110	2,403	2,825
Employee Expenses	715	754	932	1,073	1,217	1,435
Other Operating Expenses	566	784	879	1,037	1,186	1,391
PPOP	**780**	**910**	**1,085**	**1,227**	**1,487**	**1,762**
Provisions	18	111	234	269	310	369
PBT	761	800	851	958	1,177	1,393
Tax Expenses	195	206	218	241	296	348
Net Income	**567**	**594**	**633**	**717**	**881**	**1,045**

Balance Sheet (in INR Cr)	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E
Equity & Liabilities						
Share Capital	174	174	174	174	174	174
Reserves & Surplus	3,630	4,324	4,721	5,438	6,318	7,363
Net Worth	3,804	4,498	4,894	5,611	6,492	7,537
Deposits	29,719	36,861	44,246	53,795	65,313	80,166
Borrowings	1,757	5,546	7,154	8,585	10,302	12,363
Other Liabilities and Provisions	776	931	1,432	1,718	2,062	2,474
Total Capital & Liabilities	**36,056**	**47,836**	**57,727**	**69,710**	**84,169**	**102,540**
Assets						
Cash & Balances with RBI	3,090	3,187	4,017	5,781	6,660	7,603
Balances with Other Banks & Call Money	65	405	80	84	88	93
Investments	7,551	11,389	11,955	14,343	17,924	22,758
Advances	24,336	31,507	39,848	47,419	56,903	68,852
Fixed Assets	406	629	710	905	1,086	1,304
Other Assets	608	719	1,117	1,178	1,508	1,930
Total Assets	**36,056**	**47,836**	**57,727**	**69,710**	**84,169**	**102,540**

Source: Arihant Research, Company Filings

Key Ratios

Ratios	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E
Growth rates						
Advances (%)	17.8%	29.5%	26.5%	19.0%	20.0%	21.0%
Deposits (%)	21.3%	24.0%	20.0%	21.6%	21.4%	22.7%
Total assets (%)	23.6%	32.7%	20.7%	20.8%	20.7%	21.8%
NII (%)	10.7%	0.0%	16.5%	22.2%	19.7%	20.7%
Pre-provisioning profit (%)	10.3%	16.7%	19.2%	13.1%	21.1%	18.5%
PAT (%)	3.6%	4.8%	6.6%	13.2%	22.9%	18.6%
Balance sheet ratios						
Credit/Deposit (%)	81.9%	85.5%	90.1%	88.1%	87.1%	85.9%
CASA (%)	27.2%	24.2%	20.0%	21.0%	21.3%	21.7%
Advances/Total assets (%)	67.5%	65.9%	69.0%	68.0%	67.6%	67.1%
Leverage (x) (Asset/Shareholder's Fund)	9.5%	10.6%	11.8%	12.4%	13.0%	13.6%
CAR (%)	24.5%	22.5%	20.7%	20.4%	20.6%	20.3%
CAR - Tier I (%)	23.1%	20.6%	18.9%	18.8%	19.1%	18.9%
Operating efficiency						
Cost/income (%)	62.2%	62.8%	62.5%	63.2%	61.8%	61.6%
Opex/total assets (%)	3.6%	3.2%	3.1%	3.0%	2.9%	2.8%
Opex/total interest earning assets	2.3%	1.9%	1.8%	1.7%	1.6%	1.6%
Profitability						
NIM (%)	4.7%	3.6%	3.4%	3.4%	3.4%	3.4%
RoA (%)	1.6%	1.2%	1.1%	1.0%	1.0%	1.0%
RoE (%)	14.9%	13.2%	12.9%	12.8%	13.6%	13.9%
Asset quality						
Gross NPA (%)	1.4%	1.7%	1.7%	1.6%	1.6%	1.5%
Net NPA (%)	0.5%	0.5%	0.4%	0.4%	0.3%	0.3%
PCR (%) (excl. w/off)	86.4%	83.7%	86.3%	86.0%	86.4%	87.0%
Credit cost (%)	0.0%	0.3%	0.5%	0.3%	0.3%	0.3%
Per share data / Valuation						
EPS (INR)	32.7	34.2	36.5	41.3	50.8	60.2
BVPS (INR)	219	259	282	323	374	434
ABVPS (INR)	221	259	279	319	369	429
P/E (x)	10.6	10.1	9.4	8.3	6.8	5.7
P/BV (x)	1.6	1.3	1.2	1.1	0.9	0.8
P/ABV (x)	1.6	1.3	1.2	1.1	0.9	0.8

Source: Arihant Research, Company Filings

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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