kotak neo

Dated: 28 Jul 2026

Canara Bank (CBK) - BUY

Result Update Q1FY27

Current Market Price (CMP)	Fair Value (FV)
Rs.127	Rs.165

Rationale:

- Canara Bank reported RoE of 17% and flat earnings yoy in Q1FY27, supported by low provisions.
- NIM was flat qoq. Asset quality remains comfortable with low slippages and low NNPL ratio.
- ECL transition impact estimate (~90 bps of advances) is higher than peers, but manageable.
- The new MD & CEO has indicated higher focus on improving the deposit mix; meaningful progress here can boost RoE.
- Upgrade to BUY with a revised FV of Rs165 (Rs150 earlier).

Positives:

- Loan growth (18% yoy) was led by retail and overseas segments (both grew ~35% yoy), while corporate/ MSME/agri grew well at 10-15% yoy.
- Deposits grew 12% yoy with similar growth across CASA, retail TD and non- retail TD.
- NIM was flat qoq led by ~5 bps decline in both yield on advances and cost of deposits.
- Net NPL ratio declined ~10 bps qoq to <0.4%. Gross slippages stayed low at 0.6%.
- Bank has reported >15% RoE consistently for the past 15 quarters.

Negatives:

- Non-interest income declined 5% yoy, led by 60% decline in treasury income and weak fees (up 5%).
- Key risks to the thesis include a swift NIM contraction and sharp gold price correction.

(NIM: Net Interest Margin, NII: Net Interest Income, ROA: Return on assets, NPL: Non performing loans, ROE: Return on equity, CASA: Current account saving account, ECL: Expected credit loss)

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.

SUBSCRIBE – We advise investor to subscribe to the IPO.

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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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