



19th October 2026

Close* – ₹355.65/-

View – Hold

Key Highlights – Q2FY27: Strong result & Guidance

- Karur Vysya Bank (KVB) reported its **highest-ever quarterly Net Profit of ₹788crs**, up **37.2% YoY** (4.2% QoQ), on 20% loan growth, a steady 4.26% NIM and 39.9% cost-to-income; H1FY27 PAT ₹1,543crs (+40.9%).
- **Growth Momentum:** Gross advances rose to **₹1.12 lakh crs**, expanding **20.3% YoY** (+6.6% QoQ), led by retail (+21%), agriculture (+20%), commercial (+19%) and corporate (+24%).
- **Stable Margins:** NIM held at **4.26%** QoQ (4.34% incl. recoveries from written-off accounts), up **~44bps YoY** on a favourable RAM mix; spread on funds widened to 3.55% (3.04% a year ago).
- **Immaculate Asset Quality:** GNPA improved to **0.69%** (Q1FY27: 0.74%) and NNPA eased to **0.18%** - among the cleanest in the sector — with PCR at 96.1%.
- **Outlook:** We expect healthy margins, tight costs and moderate credit costs to keep earnings strong, with RoE staying above 16% over the medium term. We keep our BUY rating. Our 12-month target price is ₹401, which values the stock at 2.0x FY28e P/ABV.

Important Statistics

Nifty	23,146.15
Sensex	74,729.27
CMP* (₹)	355.65
MCAP (₹ Crs)	₹34,375.75
52-week H/L (₹)	366/220
BSE Code	590003
NSE Code	KARURVYSYA
Bloomberg Code	KVB:IN

Close* as on 16th Oct 2026

Shareholding Pattern (%)	Sep-26	Jun-26	Mar-26
Promoters	2.00%	2.10%	2.10%
FII	18.10%	17.90%	19.30%
DII	42.10%	41.20%	39.30%
Public & Others	37.90%	38.70%	39.50%

Q2FY27 Result Update

- **Net Interest Income (NII):** Grew **18.7% YoY** to ₹1,497crs = up 5.2% QoQ – on 20% loan growth and a ~44bps YoY margin lift, even as deposit costs edged higher.
- **Net Interest Margin (NIM):** Reported at **4.26%** (4.34% incl. recoveries from written-off accounts), flat QoQ; advance yields rose 8bps QoQ, deposit costs 4bps. Management now guides to NIM above 4% for FY27 (earlier 3.7–3.8%) but flags 3–6 months of competitive yield pressure.
- **Other Income:** At ₹435crs, down 1.5% QoQ and 15.8% YoY; core **fee income rose to ₹291crs (+7.8% QoQ)**, with ₹82crs of recoveries from written-off accounts.
- **Cost-to-Income (C/I):** Improved to **39.9%** from 42.6% a year ago (41.2% in Q1), as opex growth of just 1.2% YoY trailed 8.7% net-income growth — sustained operating leverage.
- **Pre-Provision Operating Profit (PPOP):** Rose **14.3% YoY** to ₹1,162crs (+6.1% QoQ on higher NII and flat opex).

Advances Mix – RAM-Led Book (₹ crs)

Particulars (₹ crs)	Q2FY27	YoY	QoQ	Mix %
Retail	29,024	+21%	+4.5%	26%
Agriculture	27,145	+20%	+4.0%	24%
Commercial (MSME)	39,407	+19%	+8.1%	35%
RAM Advances	95,576	+20%	+5.8%	86%
Corporate	16,013	+24%	+11.5%	14%
of which: Jewel Loans	32,153	n.a.	+2.5%	29%
Gross Advances	111,589	+20.3%	+6.6%	100%

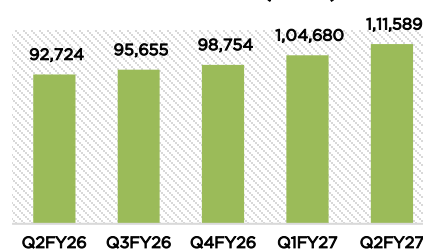
Source: Company, Way2wealth Research

Strengthening Liability Franchise

- Total deposits rose **16.0% YoY** to ₹1,28,123crs; CASA grew 15.4% YoY to ₹35,265crs, with the **CASA ratio at 27.52%** (flat QoQ; +₹1,489crs in the quarter).
- The franchise is **predominantly retail** — term deposits are 72.5% of the book, retail term deposits grew 6% QoQ and FCNR(B) added ~₹680crs — keeping LCR at a comfortable 129% (target 115–120%).
- The credit-to-deposit ratio rose to **87.1%** (85.4% in Q1) as loans outgrew deposits; headroom is narrowing, making deposit mobilisation the binding constraint on 18–20% loan growth.

Key Segmental numbers – Q2FY27

Gross Advances (Rs crs)



Source: Company, Way2wealth Research

Relative Performance

Return (%)	1 Yr	3Yr	5 Yr
Karur Vysya	55.1%	201%	719%
Nifty 50	-10.1%	16%	26%
Sensex	-11.0%	12%	21%

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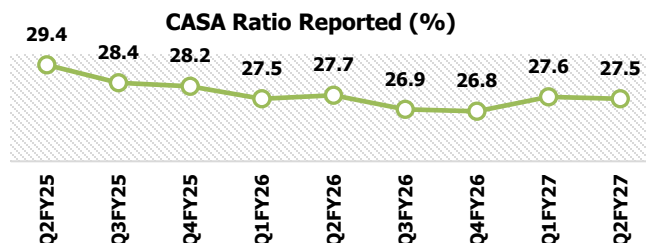
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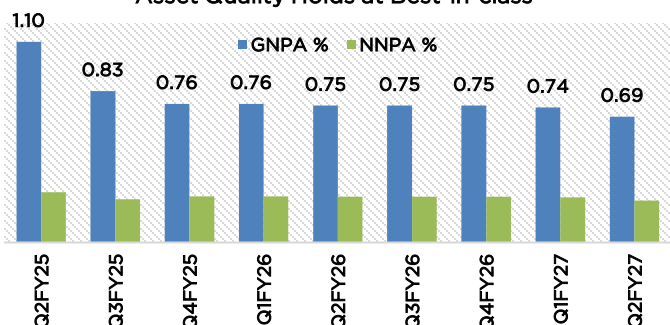
₹ crs	Q2FY27	Q2FY26	YoY	Q1FY27 / QoQ
CASA	35,265	30,553	+15.4%	33,777 / +4.4%
Term Deposits	92,858	79,939	+16.2%	88,810 / +4.6%
Total Deposits	128,123	110,492	+16.0%	122,587 / +4.5%

Source: Company, Way2wealth



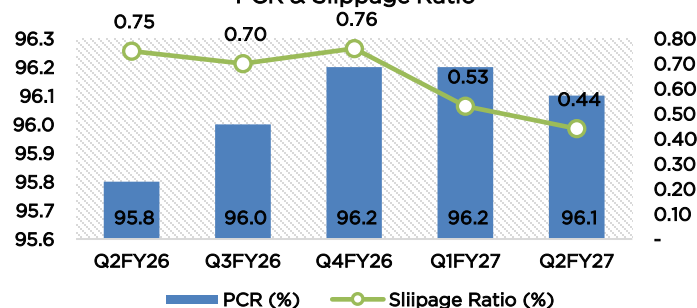
Source: Company, Way2wealth

Asset Quality Holds at Best-in-class



Source: Company, Way2wealth

PCR & Slippage Ratio



Source: Company, Way2wealth

➤ Asset Quality

- Asset quality improved further. GNPA eased to 0.69% (from 0.74% QoQ and 0.76% YoY) while NNPA slipped to 0.18% (0.19% QoQ and YoY), keeping KVB among the cleanest books in the mid-cap private banking universe.
- Slippages:** Gross slippage fell to ₹123crs (0.44% annualised) from ₹138crs in Q1FY27, well inside management's sub-1% full-year guidance.
- Safety Buffers:** PCR of 96.13% and total provisions of 1.65% of advances leave the balance sheet heavily fortified; the bank added ₹25crs of floating provisions in Q2 on top of its existing contingency buffers.
- Restructured Book:** Standard restructured loans fell to 0.33% of advances (₹373crs; 0.50% a year ago), largely collateralised, carrying ~40% provisioning.
- Watchlist:** SMA-30+ held at 0.22% QoQ (0.27% a year ago); jewel-loan SMA-30+ is just 0.08% and the stress book fell to 0.40% of assets (0.52% YoY).
- Credit Cost:** Provisions of ₹119crs translate to 0.43% annualised credit cost (₹94crs NPA/standard/restructured plus ₹25crs floating), up from 0.33% in Q1 but below the 1% indicative ceiling.

Conference Call Key takeaways

➤ RAM-Led Growth Strategy

- RAM (Retail, Agriculture, MSME) advances reached ₹95,576crs (+20% YoY) and form **86% of the loan book**. Retail grew 5% QoQ (mortgages +12%), agri 4% and corporate 12%; new vehicle loans are being pared back.

➤ Jewel Loan Franchise

- The jewel-loan book is **₹32,153crs** (+2.5% QoQ), ~29% of advances against an internal ceiling of 35%. Portfolio LTV is 65% (agri 67%, non-agri 59%) and SMA 30+ is a negligible 0.08%; margin-call monitoring is now digitised with centralised alerts.



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➤ Asset Quality & Slippages

- GNPA of 0.69% and NNPA of 0.18% remain best-in-class. The **slippage ratio was 0.44%** and credit cost 0.43%; fresh slippages of ₹123crs (Q1: ₹138crs) were well contained and SMA 30+ was stable at 0.22%. Management is confident of keeping the slippage ratio below 1%.

➤ Provisioning Buffer

- PCR is robust at **96.1%** (market PCR ex-technical write-offs 73.7%). Total stressed assets — restructured, net NPA and security receipts — declined to 0.40% of assets from 0.52% YoY.

➤ Margins & NIM Outlook

- NIM was 4.26% (4.34% incl. recoveries). Management is "confident" of crossing 4% in the next two quarters but expects competition from FCNR(B)-rich banks to pressure yields for 3–6 months; EBLR-linked loans are 57% of the book. We model **NIM of ~4.15% for FY27** and 3.95% for FY28, with risk skewed to the downside from H2 as repricing benefits fade.

➤ Deposits, CASA & Liquidity

- CASA rose ₹1,489crs in Q2 (current +₹592crs, savings +₹897crs); management said **"we do not want to compromise on the margin"** on deposit pricing. Cost of deposits rose 4bps QoQ and funding costs may stay firm for 2–3 months; LCR is 129%.

➤ Capital Position

- CRAR eased to **17.97%** (18.61% in Q1; Tier-I 17.32%), well above the 11.5% requirement; RWA of ₹87,495crs rose with growth and selective NBFC and consumer-credit exposure — ample room to fund growth.

➤ Returns Profile

- RoA held at **2.10%** (+34bps YoY) and RoE at **20.47%** (+293bps YoY); reserves and surplus rose 21% YoY to ₹15,200crs.

➤ Branches & Bancassurance

- Branch rollout is on track: **20 branches opened in H1FY27** with 26 targeted by end-Q3 and 50 for the year. On bancassurance, management warned commission income could fall 60–70% in some cases under proposed IRDAI rules and aims to lift insurance penetration from 1.6% to ~3.8–3.9% to close half the gap.

➤ ECL Transition & Leadership

- Management expects **no big impact from the ECL transition** and needs ~1.5 months to firm up its estimate; a search committee has been formed for succession planning.

➤ Management Guidance

- The bank guides FY27 credit growth of **18–20%**, NIM >4%, RoA >2%, C/I <45%, GNPA <1.5%, NNPA <1% and slippages <1%.

View

KVB delivered another record quarter — PAT up 37.2% YoY to ₹788crs, RoA of 2.10% and RoE of 20.5% — as loan growth accelerated to 20% with margins stable at 4.26%. Gross advances reached ₹1.12 lakh crs (+20% YoY) on broad-based retail, agri and commercial traction, while the cost-to-income ratio fell to 39.9%. Asset quality remains best-in-class (GNPA 0.69%, NNPA 0.18%, PCR 96.1%), though credit cost rose to 0.43% on ₹25crs of floating provisions. Key watch-items are the rising CD ratio (87.1%), competitive yield pressure and bancassurance commission risk.

We see three drivers underwriting the FY27–28 trajectory: (i) a RAM-led 86% loan mix that structurally lowers cyclical loss severity; (ii) a CASA franchise that added ₹1,489crs in Q2 and

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holds a 27.5% ratio, cushioning funding cost; and (iii) a benign credit cycle, with GNPA at 0.69% and slippages at 0.44%. Against these, we flag a 3–6 month window of competitive yield pressure, deposit costs still drifting up, a normalising write-off recovery pool (₹82crs this quarter; ~₹2,500crs residual), an 87% CD ratio that limits headroom, a potential bancassurance commission hit, and 50 branch additions that will lift opex ahead of revenue.

Management has lifted its NIM guidance to above 4% for FY27 (from 3.7–3.8%); we model 4.15% for FY27 and 3.95% for FY28 as repricing benefits fade. With a 96.1% PCR, 17.97% CRAR and total provisions at 1.65% of advances, the bank is well insulated ahead of the ECL transition. We expect KVB to sustain RoA of 2.0–2.1% and RoE near 20% over FY27–28, compounding adjusted book value at ~19% CAGR.

At CMP ₹355.6 the stock trades at 2.1x FY27E and 1.77x FY28E ABV with a ~20% RoE — undemanding for the quality of the franchise. We model FY27E/FY28E EPS of ₹28/₹32.5 and sustained 2.0% RoA. We maintain HOLD and raise our TP to ₹401 (from ₹389), valuing the bank at 2.0x FY28E ABV of ~₹201.

Quarterly Performance

(₹ crs)					
Particulars	Q2FY27	Q2FY26	YoY Change	Q1FY27	QoQ Change
Interest earned	3,235.2	2,803.7	15.4%	3,049.4	6.1%
Interest expenses	1,738.0	1,542.7	12.7%	1,626.7	6.8%
Net interest income	1,497.2	1,261.0	18.7%	1,422.8	5.2%
NIM %	4.26	3.77	–	4.26	–
Non-interest income	435.0	516.6	-15.8%	441.8	-1.5%
Total income	3,670.2	3,320.3	10.5%	3,491.2	5.1%
Operating expenses	770.0	760.6	1.2%	768.9	0.1%
Pre-provision operating profit (PPOP)	1,162.2	1,017.0	14.3%	1,095.6	6.1%
Total provisions	118.5	283.0	-58.1%	90.0	31.7%
PBT	1,043.7	734.0	42.2%	1,005.6	3.8%
Provision for taxes	256.0	160.0	60.0%	249.9	2.4%
PAT	787.7	574.0	37.2%	755.7	4.2%
Advances	1,11,589	92,724	20.3%	1,04,680	6.6%
Deposits	1,28,123	1,10,492	16.0%	1,22,587	4.5%
BVPS (₹)	159.3	132.0	–	150.3	–
RoA (%)	2.10	1.76	–	2.11	–
EPS (₹)	8.15	5.94	–	7.82	–
GNPA	0.69%	0.76%	–	0.74%	–
NNPA	0.18%	0.19%	–	0.19%	–

Source: Company, Way2wealth

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Financials

	(₹ crs)				
Profit & Loss	FY25	FY26	FY27E	FY28E	FY29E
Interest Income	96,779	1,10,750	1,25,309	1,43,569	1,64,330
Interest Expense	54,181	61,370	66,965	76,753	86,463
Net Interest Income	42,598	49,380	58,345	66,815	77,867
% Growth	12%	16%	18%	15%	17%
Other Income	17,581	20,840	20,805	23,356	26,213
Gross income	60,890	70,220	79,601	90,623	1,04,532
Employees Expenses	14,492	14,340	16,061	17,988	20,147
Other Operational Expenses	14,279	15,140	18,852	21,765	25,136
Operating Profit	32,118	40,740	44,689	50,870	59,249
% Growth	14%	27%	10%	14%	16%
Tax	6,490	8,100	9,307	10,818	12,501
Loan Loss Provisions	6,208	7,540	8,332	8,612	10,419
Net Profit	19,420	25,100	27,049	31,439	36,330
	21%	29%	8%	16%	16%

Source: Company, Way2wealth

	(₹ crs)				
Balance Sheet	FY25	FY26	FY27E	FY28E	FY29E
Capital	1,610	1,933	1,933	1,933	1,933
Reserves and Surplus	1,17,726	1,39,140	1,65,871	1,94,991	2,29,002
Shareholder Funds	1,19,336	1,41,073	1,67,804	1,96,924	2,30,935
Deposits	10,20,780	11,56,660	13,30,159	15,29,683	17,59,135
Other Liabilities & Provisions	41,429	42,070	46,277	50,905	55,995
TOTAL	13,13,051	15,07,106	17,37,807	20,02,218	23,06,991
Cash & Balances with RBI	73,542	0	70,508	80,988	93,035
Bal with Banks & money Call	4,525	2,594	4,144	4,758	5,464
Investments	2,31,615	3,49,925	3,23,472	3,64,268	4,09,862
Advances	8,40,045	9,66,052	11,20,621	12,99,920	15,07,907
Fixed Assets	4,904	5,297	5,720	6,178	6,672
Other Assets	39,042	42,165	45,539	49,182	53,116
TOTAL	11,93,674	13,66,033	15,70,003	18,05,294	20,76,056

Source: Company, Way2wealth

Per Share Data	FY25	FY26	FY27E	FY28E	FY29E
Book value per share, (₹)	148.2	146.0	173.6	203.7	238.9
Adj. Book value, (₹)	144.2	143.8	170.8	200.6	236.0
Price/ Adj. Book value	2.46	2.47	2.1	1.77	1.5
EPS, (₹)	24.1	28.3	28.0	32.5	37.6
EPS Growth	21%	17%	-1%	16%	16%
P/E Ratio	14.7	12.5	12.7	10.9	9.4

Source: Company, Way2wealth

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Disclosure of Interest Statement Karur Vysya Bank Ltd. as on October 19, 2026

Name of the Security	Karur Vysya Bank Ltd.
Name of the analyst	Ashwini Sonawane
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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