

HOLD

TP: Rs 861 | ▲ 2%

INDUSIND BANK

| Banking

| 25 April 2026

Return profile improvement underway; contingent on execution

- PPOP in line with estimates. Credit growth declined, though, management expects loan growth to be in-line with system in FY27
- Leadership transition is largely done; focus shifts to execution. AQ improving gradually, driven by lower slippages
- Upgrade to HOLD from SELL, with revised TP of Rs 861 (earlier Rs 833) and roll over valuation to 0.9x Mar'28E ABV (unchanged)

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PPoP in line with estimates, while credit growth continues to decline: IIB

reported PPOP in line with our estimates, at Rs 22.9bn (+1.1% QoQ), mainly supported by lower operating expenses (-5.2% QoQ). However, PAT came in at Rs 5.9bn vs our estimate of Rs 3.3bn. This was due to sharp decline in provisions to Rs 14.8bn (-29.3% QoQ) — largely on the back of lower slippages. Net advances at Rs 3.2trn (-0.5% QoQ) continue declining sequentially from the last five quarters and were in line with our estimates. This was driven by a run-down in MFI loans and a risk-adjusted approach in the corporate book. However, the bank started scaling up MFI disbursement from Q4FY26 to Rs 54.8bn (+52% QoQ). Management expects advances growth to be in line with system growth (~13-14% YoY) in FY27, mainly driven by retail and MSME; while large corporate segment is expected to degrow.

Leadership transition largely done; focus shifts to execution: IIB has largely completed its leadership transition, with key appointments across critical functions including Head of Retail Banking, Global Markets, CRO and Chief Information Officer, thereby strengthening the senior management team. With an experienced and execution-focused team in place, management indicated that the organisation is moving from a transition to execution phase. This is expected to support the bank's strategic priorities around balance sheet strengthening, retail-led growth and improving asset quality (AQ). Management expects improvement in profitability with RoA rising to ~1.0% by the end of FY27 (45bps in Q4FY26), driven by lower credit costs, higher fee income and improved operating performance.

AQ improving gradually: AQ improved, with GNPA ratio falling to 3.43% (-13bps QoQ) and NNPA ratio of 1% (-4bps QoQ). This was driven by lower slippages across segments to Rs 18.2bn (-29% QoQ) or 2.3% vs. 3%+ in the last 2 quarters.

Upgrade to HOLD: Considering the management's focus on execution, we expect loan growth to increase to 13.7% CAGR in FY26-29E with a gradual uptick in return profile. Hence, we upgrade to HOLD from SELL, with revised TP of Rs 861 (earlier Rs 833) and roll over valuation to 0.9x Mar'28E ABV (unchanged) vs. 3Y average of 1.4x.

Key changes

Target	Rating
▲	▲

Ticker/Price	IIB IN/Rs 848
Market cap	US\$ 7.0bn
Free float	84%
3M ADV	US\$ 34.8mn
52wk high/low	Rs 969/Rs 711
Promoter/FPI/DII	16%/29%/40%

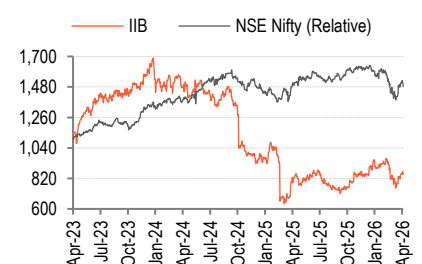
Source: NSE | Price as of 24 Apr 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
NII (Rs mn)	1,79,823	1,94,233	2,29,269
NII growth (%)	(5.5)	8.0	18.0
Adj. net profit (Rs mn)	8,892	39,859	59,214
EPS (Rs)	11.4	51.2	76.0
Consensus EPS (Rs)	11.4	48.2	70.9
P/E (x)	74.3	16.6	11.2
P/BV (x)	1.0	1.0	0.9
ROA (%)	0.2	0.7	1.0
ROE (%)	1.4	5.9	8.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly snapshot: Income statement

(Rs mn)	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	YoY (%)	QoQ (%)
Income Statement							
Interest Income	83,398	96,506	91,936	89,323	86,040	3.2	(3.7)
Income on investments	19,980	18,944	19,545	20,287	20,328	1.7	0.2
Int. on bal. with RBI & inter-bank funds & Others	2,961	7,190	4,605	4,119	3,687	24.5	(10.5)
Interest income	1,06,338	1,22,639	1,16,086	1,13,729	1,10,054	3.5	(3.2)
Interest expense	75,855	76,241	71,993	68,112	66,339	(12.5)	(2.6)
Net interest income	30,483	46,398	44,094	45,617	43,715	43.4	(4.2)
Growth YoY (%)	(42.4)	(13.7)	(18.5)	(12.7)	43.4		
Non-interest income	7,088	21,569	16,513	17,072	17,137	141.8	0.4
Growth YoY (%)	(70.4)	(14.0)	(32.4)	(27.5)	141.8		
Total income	37,572	67,967	60,607	62,689	60,851	62.0	(2.9)
Growth YoY (%)	(51.2)	(13.8)	(22.8)	(17.3)	62.0		
Staff expenses	16,017	18,053	16,641	19,049	17,170	7.2	(9.9)
Other operating expenses	26,464	24,242	23,492	20,943	20,729	(21.7)	(1.0)
Operating expenses	42,480	42,294	40,133	39,992	37,899	(10.8)	(5.2)
Pre-Provisioning Profit (PPoP)	(4,909)	25,673	20,473	22,696	22,953	-	1.1
Growth YoY (%)	(112.1)	(37.1)	(48.2)	(37.0)	-		
Provisions	25,221	17,600	26,312	20,958	14,821	(41.2)	(29.3)
Growth YoY (%)	160.2	85.2	150.6	20.2	(41.2)		
PBT	(30,130)	8,073	(5,839)	1,739	8,131	-	367.7
Tax	(6,840)	2,033	(1,469)	459	2,190	-	377.0
PAT	(23,289)	6,041	(4,369)	1,279	5,941	-	364.4
Growth YoY (%)	(201.2)	(74.3)	(120.1)	(90.9)	-		
Per Share							
FV (Rs)	10	10	10	10	10	0.0	0.0
EPS (Rs)	(30)	17	(6)	2	8	-	365.0
Book Value (Rs)	712	719	706	708	854	20.0	20.7

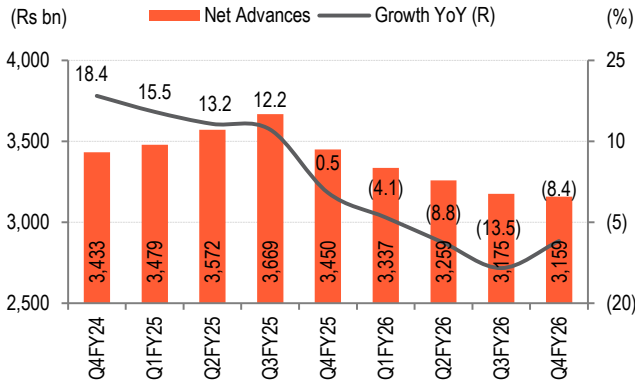
Source: Company, BOBCAPS Research

Fig 2 – Quarterly snapshot: Balance sheet & other metrics

(Rs mn)	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	YoY (%)	QoQ (%)
Deposits	41,08,623	39,71,440	38,96,001	39,38,150	39,99,308	(2.7)	1.6
Growth YoY (%)	11.4	3.3	(2.2)	(3.8)	(2.7)		
Advances	34,50,186	33,36,940	32,58,807	31,75,360	31,58,714	(8.4)	(0.5)
Growth YoY (%)	5.5	(2.8)	(6.3)	(13.5)	(8.4)		
Investment	11,44,567	10,91,470	12,40,075	12,28,980	12,50,071	9.2	1.7
Equity	6,56,147	6,62,940	6,58,374	6,59,530	6,65,187	1.4	0.9
Assets	55,41,071	53,95,520	52,74,898	52,55,950	54,33,939	(1.9)	3.4
Growth YoY (%)	13.3	4.7	(0.5)	(4.4)	(1.9)	(1,528bps)	242bps
Yield (%)							
Yield on Funds	8.21	9.57	9.33	9.37	9.07	85bps	(30bps)
Cost of Funds	6.57	6.67	6.51	6.28	6.06	(51bps)	(22bps)
Spread	1.64	2.90	2.82	3.09	3.01	136bps	(9bps)
Net Interest Margin	2.25	3.46	3.32	3.52	3.39	114bps	(13bps)
Ratios (%)							
Other Income / Net Income	18.9	31.7	27.2	27.2	28.2	930bps	93bps
Cost to Income ratio	113.1	62.2	66.2	63.8	62.3	(5,078bps)	(151bps)
CASA ratio	32.8	31.5	30.7	30.2	31.2	(157bps)	100bps
C/D ratio	84.0	84.0	83.6	80.6	79.0	(499bps)	(165bps)
Investment to Assets	20.7	20.2	23.5	23.4	23.0	235bps	(38bps)
Assets Quality							
GNPA	1,10,460	1,24,806	1,20,578	1,16,050	1,10,950	0.4	(4.4)
NNPA	32,870	37,215	33,994	33,040	31,690	(3.6)	(4.1)
Provision	77,590	87,590	86,584	83,010	79,260	2.2	(4.5)
GNPA (%)	3.13	3.64	3.60	3.56	3.43	30bps	(13bps)
NNPA (%)	0.95	1.12	1.04	1.04	1.00	5bps	(4bps)
Provision (%)	70.24	70.18	71.81	71.53	71.44	119bps	(9bps)
Others (nos)							
Branches	6,877	6,914	6,854	6,894	6,665	(212)	(229)
ATMs	3,027	3,052	3,054	3,063	2,870	(157)	(193)

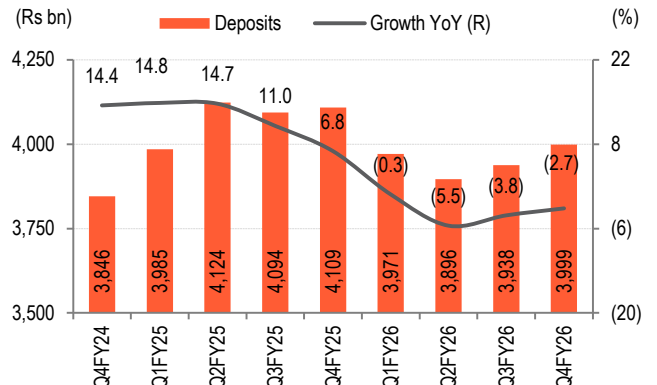
Source: Company, BOBCAPS Research

Fig 3 – Loans de-grew by 8.4% YoY



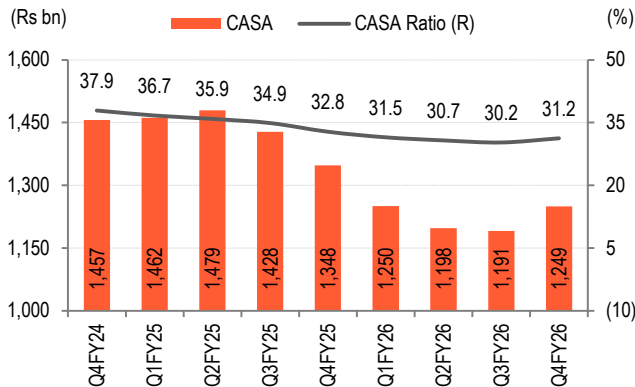
Source: Company, BOBCAPS Research

Fig 4 – Deposits de-grew on lower CASA balances



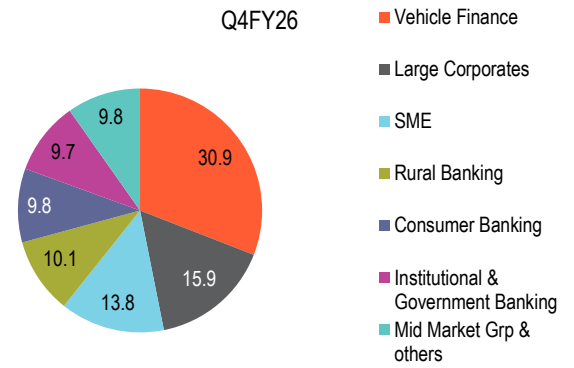
Source: Company, BOBCAPS Research

Fig 5 – CASA improves QoQ



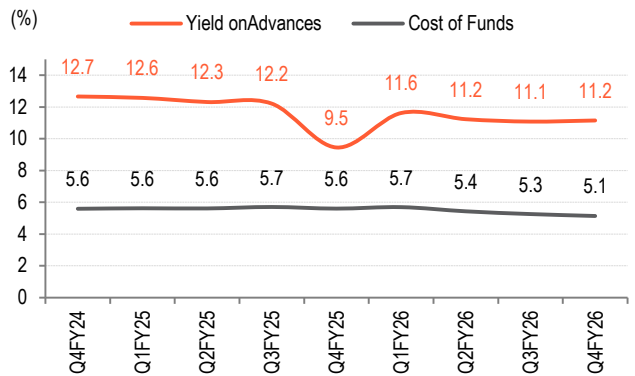
Source: Company, BOBCAPS Research

Fig 6 – Vehicle portfolio contributes ~31% to total loans



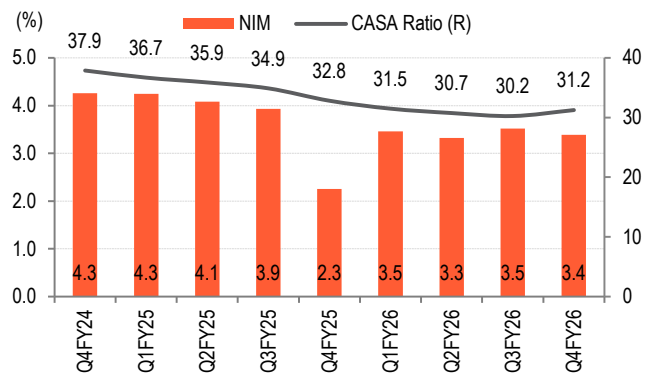
Source: Company, BOBCAPS Research

Fig 7 – Yields improved; COF declined



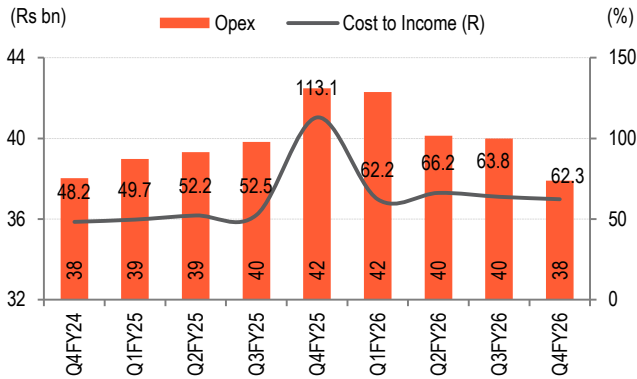
Source: Company, BOBCAPS Research

Fig 8 – However, reported NIMs down by 13bps QoQ



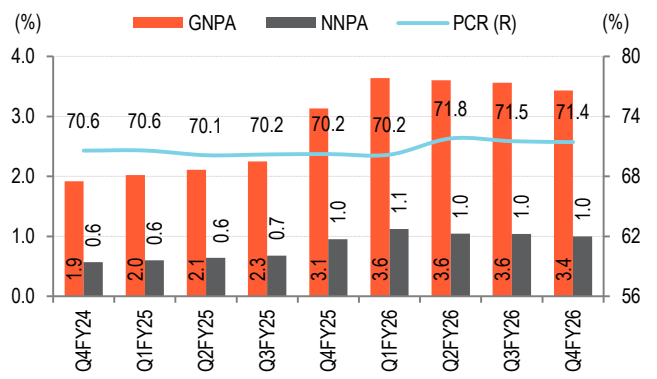
Source: Company, BOBCAPS Research

Fig 9 – C/I to improved



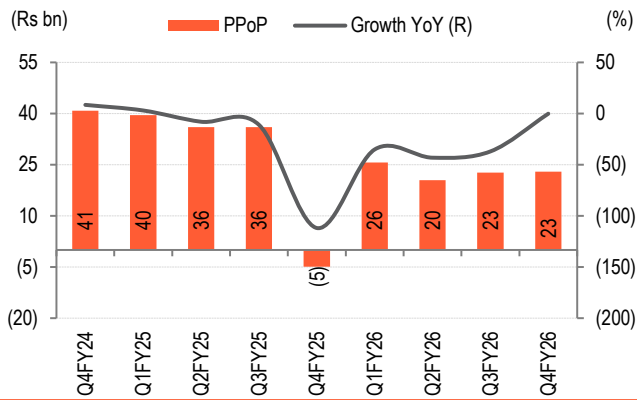
Source: Company, BOBCAPS Research

Fig 10 – Asset quality marginally improved QoQ



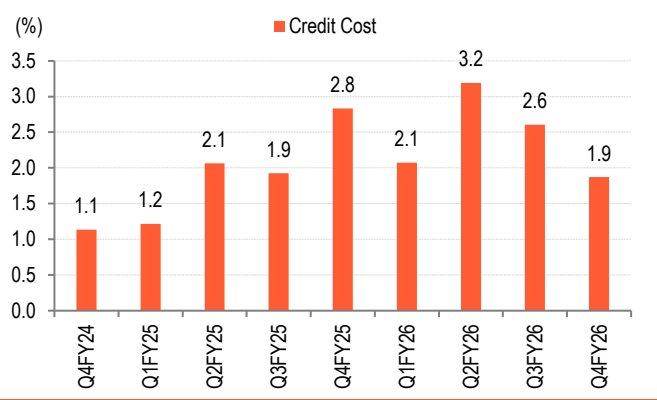
Source: Company, BOBCAPS Research

Fig 11 – PPOp improved YoY



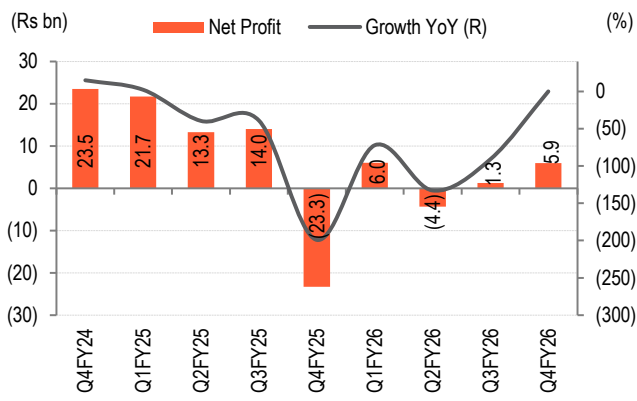
Source: Company, BOBCAPS Research

Fig 12 – Credit cost improved QoQ



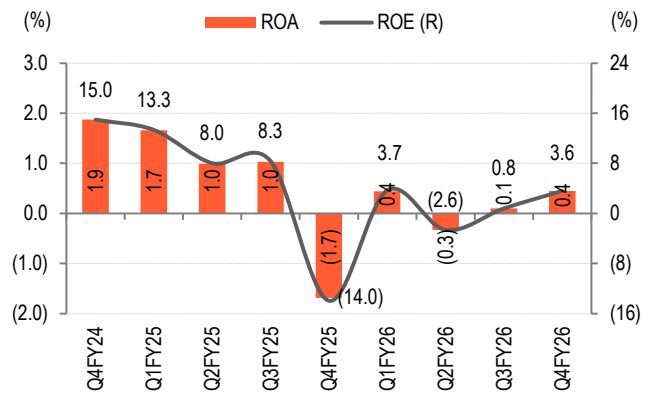
Source: Company, BOBCAPS Research

Fig 13 – PAT supported by lower provisions



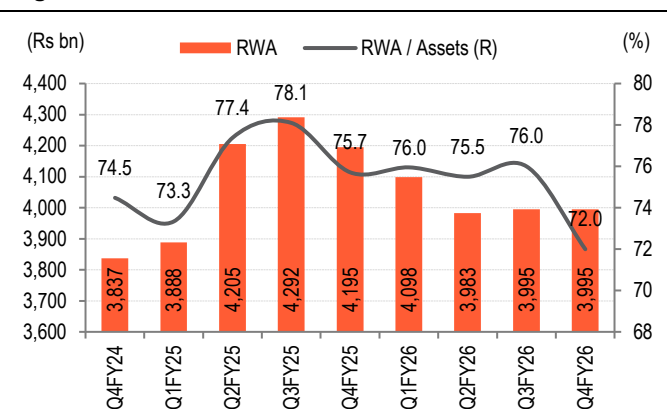
Source: Company, BOBCAPS Research

Fig 14 – IIB targets RoA to be ~1% by FY27-end



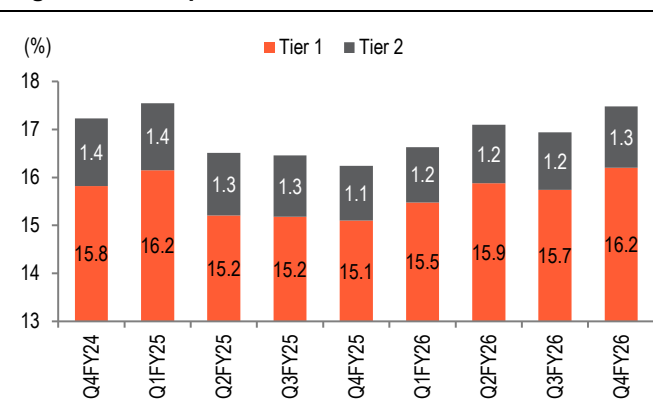
Source: Company, BOBCAPS Research

Fig 15 – RWA/Assets ratio stable



Source: Company, BOBCAPS Research

Fig 16 – Well capitalised with CAR at 17.48%



Source: Company, BOBCAPS Research

Earnings Call Highlights

- The bank expects **FY27 loan growth to broadly track the system growth (~13–14%)**, albeit with a calibrated near-term trajectory and gradual acceleration as the balance sheet stabilises.
- Incremental growth will be driven by a **strategic shift towards retail and SME / mid-market segments**, while **large corporate segment is expected to degrow**.
- Within retail, **focus remains on secured products** (home loans, gold loans), with a continued cautious stance on unsecured lending.
- Management targets a **medium-term RoA improvement from ~0.45% to ~1%**, supported by a balanced contribution from lower credit costs and improved operating performance.
- **Fee income is expected to be a key driver of earnings**, alongside **modest NIM expansion** and **operating leverage-led cost efficiencies** as growth picks up.
- Management believes **credit costs have peaked**, though this remains contingent on macro stability, with improvement expected to be gradual.
- **NNPA reduction is likely to be steady rather than sharp** and the **~50–60bps target remains a medium-term objective**.
- In microfinance, the portfolio is expected to **transition to a calibrated growth post stabilisation**, with improving AQ supporting the gradual scale-up.
- The bank is focused on **improving retail deposit growth and mix**, which is critical as **deposit mobilisation remains the key constraint to credit growth**.
- **Capital and liquidity remain comfortable**, with no near-term capital raise planned and LCR guided in the **115–120% range**.
- The overall outlook remains **sensitive to macro conditions**, with **potential lagged risks from West Asia developments** being closely monitored.

Valuation Methodology

Considering the management's focus on execution, we expect loan growth to increase to 13.7% CAGR in FY26-29E with a gradual uptick in the return profile. Hence, we upgrade to HOLD from SELL, with revised TP of Rs 861 (earlier Rs 833) and roll over valuation to 0.9x Mar'28E ABV (unchanged) vs 3Y average of 1.4x.

Fig 17 – Actuals vs Estimates

(Rs mn)	Q4FY26A	Q4FY26E	Actual vs. Estimates (%)
Loan	31,58,714	31,51,540	0.2
Deposits	39,99,308	40,01,780	(0.1)
Assets	54,33,939	53,21,603	2.1
NII	43,715	44,610	(2.0)
PPOP	22,953	23,129	(0.8)
Provision	14,821	18,642	(20.5)
PAT	5,941	3,344	77.7

Source: Company, BOBCAPS Research

Fig 18 – Key valuation assumptions

Components of Gordon growth model	Assumptions (%)
Cost of equity (%)	13.7
Blended ROE (%)	13.0
Initial high growth period (yrs)	10.0
Payout ratio of high-growth phase (%)	20.0
Long-term growth (%)	7
Long-term dividend payout ratio (%)	50
Justified P/BV (x)	0.9

Source: BOBCAPS Research

Fig 19 – Revised estimates

Estimates Key Parameters (Rs mn)	New		Old		Change (%)	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Loan	35,37,760	40,33,046	35,67,493	40,31,267	(0.8)	0.0
Deposits	43,59,245	48,38,762	43,40,237	47,74,260	0.4	1.4
Assets	58,42,325	65,07,802	57,77,248	64,05,554	1.1	1.6
NII	1,94,233	2,29,269	1,94,691	2,26,217	(0.2)	1.3
PPOP	1,05,806	1,32,584	1,04,211	1,29,799	1.5	2.1
Provision	52,232	52,996	52,783	54,711	(1.0)	(3.1)
PAT	39,859	59,214	38,263	55,865	4.2	6.0
ABV (Rs)	855	924	851	917	0.5	0.8

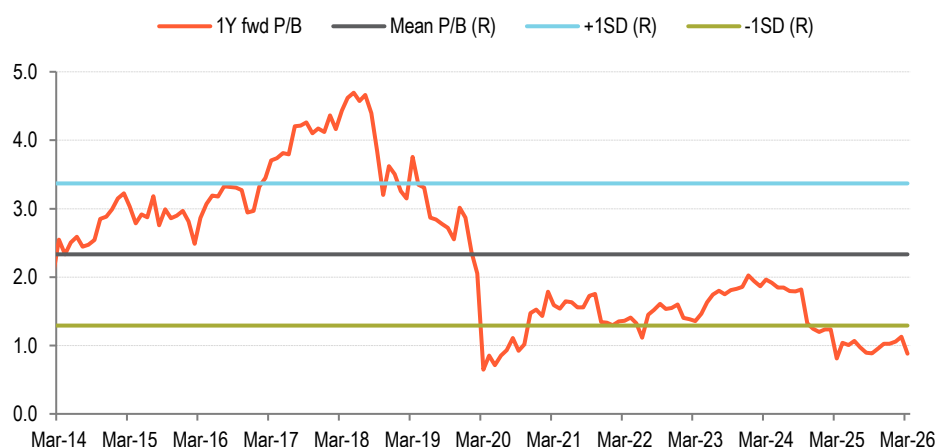
Source: Company, BOBCAPS Research

Fig 20 – Key operational assumptions

(%)	FY26	FY27e	FY28e	FY29e
Advances growth	(8.4)	12.0	14.0	15.0
NII growth	(5.5)	8.0	18.0	18.5
PPoP growth	(13.9)	15.3	25.3	19.7
PAT growth	(65.5)	348.3	48.6	25.9
NIM	3.4	3.7	4.1	4.3
GNPA	3.4	2.7	2.2	1.9
CAR	17.5	16.1	15.5	14.9

Source: Company, BOBCAPS Research

Fig 21 – PB band chart



Source: Company, BOBCAPS Research

Key Risks

Key upside risks to our estimates:

- Higher-than-expected business growth resulting in improved return metrics
- Faster-than-expected improvement in the asset quality cycle

Key downside risks to our estimates:

- Lower-than-expected business growth resulting in muted return metrics
- Higher-than-expected slippages may result in weak asset quality metrics

Glossary

Glossary of Abbreviations			
AUCA	Advance Under Collection Account	LCR	Liquidity Coverage Ratio
ARC	Asset Reconstruction Company	MCLR	Marginal Cost of Funds-based Lending Rate
BRDS	Bills Rediscounting Scheme	MFI	Micro Finance Institutions
CASA	Current Account and Savings Account	MHCV	Medium and Heavy Commercial Vehicle
CAR	Capital Adequacy Ratio	MTM	Mark to Market
CCB	Corporate & Commercial Banking	NII	Net Interest Income
CET1	Common Equity Tier 1	NIM	Net Interest Margin
CD	Credit-Deposit Ratio	NNPA	Net Non-Performing Assets
CFD	Consumer Finance Division	PCR	Provision Coverage Ratio
C/I	Cost-Income Ratio	PPOP	Pre-Provision Operating Profit
CoF	Cost of Funds	PSU	Public Sector Unit
CRB	Commercial and Rural Banking	RWA	Risk-weighted Assets
DPD	Days Past Due	SLR	Statutory Liquidity Ratio
EBLR	External Benchmark-based Lending Rate	SMA	Special Mention Account
ECL	Expected Credit Loss	SME	Small and Medium-sized Enterprises
GNPA	Gross Non-Performing Assets	SR	Security Receipts
IBPC	Interbank Participation Certificate		

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Net interest income	1,90,313	1,79,823	1,94,233	2,29,269	2,71,616
NilI growth (%)	(7.7)	(5.5)	8.0	18.0	18.5
Non-interest income	76,904	72,291	81,753	95,713	1,07,443
Total income	2,67,218	2,52,114	2,75,986	3,24,983	3,79,059
Operating expenses	1,60,603	1,60,318	1,70,180	1,92,399	2,20,351
PPOP	1,06,614	91,795	1,05,806	1,32,584	1,58,709
PPOP growth (%)	(32.8)	(13.9)	15.3	25.3	19.7
Provisions	71,357	79,691	52,232	52,996	58,530
PBT	35,258	12,105	53,574	79,588	1,00,179
Tax	9,503	3,213	13,715	20,375	25,646
Reported net profit	25,754	8,892	39,859	59,214	74,533
Adjustments	0	0	0	0	0
Adjusted net profit	25,754	8,892	39,859	59,214	74,533

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Equity capital	7,791	7,791	7,791	7,791	7,791
Reserves & surplus	6,40,566	6,49,605	6,85,478	7,37,586	8,02,430
Net worth	6,48,357	6,57,396	6,93,269	7,45,377	8,10,221
Deposits	41,08,623	39,99,308	43,59,245	48,38,762	54,67,801
Borrowings	5,37,036	4,27,892	4,40,729	4,51,747	4,63,041
Other liab. & provisions	2,47,056	3,49,343	3,49,082	4,71,916	6,14,753
Total liab. & equities	55,41,071	54,33,939	58,42,325	65,07,802	73,55,816
Cash & bank balance	5,93,755	4,89,324	5,64,202	6,11,668	6,85,386
Investments	11,44,567	12,50,071	11,85,692	12,86,537	14,30,722
Advances	34,50,186	31,58,714	35,37,760	40,33,046	46,38,003
Fixed & Other assets	3,52,563	5,35,831	5,54,672	5,76,552	6,01,705
Total assets	55,41,071	54,33,939	58,42,325	65,07,802	73,55,816
Deposit growth (%)	6.8	(2.7)	9.0	11.0	13.0
Advances growth (%)	0.5	(8.4)	12.0	14.0	15.0

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
EPS	33.1	11.4	51.2	76.0	95.7
Dividend per share	0.0	0.0	5.1	9.1	12.4
Book value per share	832.2	843.8	889.8	956.7	1,039.9

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
P/E	25.6	74.3	16.6	11.2	8.9
P/BV	1.0	1.0	1.0	0.9	0.8
Dividend yield (%)	0.0	0.0	0.6	1.1	1.5

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Net interest income	3.6	3.3	3.4	3.7	3.9
Non-interest income	1.4	1.3	1.5	1.6	1.6
Operating expenses	3.0	2.9	3.0	3.1	3.2
Pre-provisioning profit	2.0	1.7	1.9	2.1	2.3
Provisions	1.3	1.5	0.9	0.9	0.8
PBT	0.7	0.2	1.0	1.3	1.4
Tax	0.2	0.1	0.2	0.3	0.4
ROA	0.5	0.2	0.7	1.0	1.1
Leverage (x)	8.4	8.4	8.3	8.6	8.9
ROE	4.0	1.4	5.9	8.2	9.6

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Net interest income	(7.7)	(5.5)	8.0	18.0	18.5
Pre-provisioning profit	(32.8)	(13.9)	15.3	25.3	19.7
EPS	(71.4)	(65.5)	348.2	48.6	25.9
Profitability & Return ratios (%)					
Net interest margin	3.8	3.4	3.7	4.1	4.3
Fees / Avg. assets	0.4	0.3	0.4	0.4	0.4
Cost-Income	60.1	63.6	61.7	59.2	58.1
ROE	4.0	1.4	5.9	8.2	9.6
ROA	0.5	0.2	0.7	1.0	1.1
Asset quality (%)					
GNPA	3.1	3.4	2.7	2.2	1.9
NNPA	1.0	1.0	0.8	0.6	0.5
Slippage ratio	3.1	2.8	2.3	2.2	2.1
Credit cost	2.1	2.5	1.6	1.4	1.4
Provision coverage	69.3	70.0	71.6	72.1	72.5
Ratios (%)					
Credit-Deposit	84.0	79.0	81.2	83.3	84.8
Investment-Deposit	27.9	31.3	27.2	26.6	26.2
CAR	16.2	17.5	16.1	15.5	14.9
Tier-1	15.1	16.2	15.3	14.7	14.2

Source: Company, BOBCAPS Research

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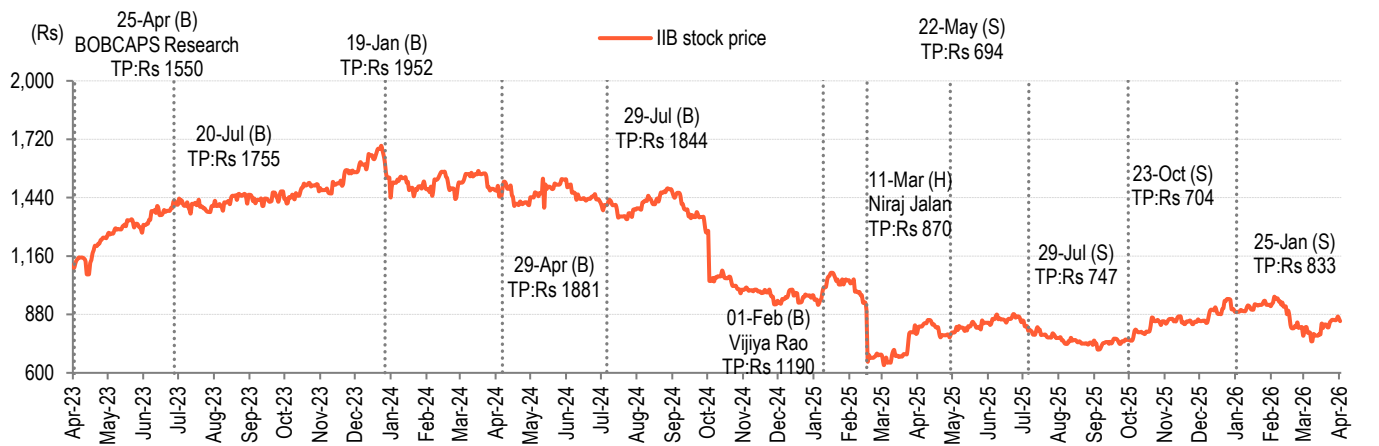
Recommendation scale: Recommendations and Absolute returns (%) over 12 months

- BUY** – Expected return >+15%
- HOLD** – Expected return from -6% to +15%
- SELL** – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): INDUSIND BANK (IIB IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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