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Q1FY27 Result update
13th July 2026

Indian Bank Ltd.

Balanced Growth and Improving Asset Quality Support Long-term Earnings

CMP: INR 870

Rating: BUY

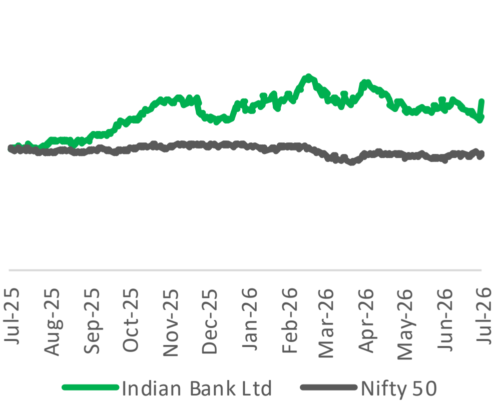
Target Price: INR 1,062

Stock Info	
BSE	532814
NSE	INDIANB
Bloomberg	INBK IN
Reuters	INBA.BO
Sector	Banks
Face Value (INR)	10
Equity Capital (INR Bn)	13.47
Mkt Cap (INR Bn)	1,173.14
52w H/L (INR)	1,000/ 605
Avg Volume (In '000)	3,200

Shareholding Pattern % *(As on June 2025)*	
Promoters	73.84
FII	6.16
DII	17.03
Public & Others	2.98

Stock Performance (%)	3m	6m	12m
Indian Bank	-7.96	5.16	37.93
Nifty 50	-0.10	-6.45	-4.53

Indian Bank vs Nifty 50



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Indian Bank reported a steady Q1FY27 performance, with Net Interest Income, PPOP and PAT broadly in line with our estimates. Core operating performance remained healthy, supported by strong growth in operating income, while provisions came in lower than our estimates. Asset quality continued to improve, with GNPA declining to 1.86% from 0.15% in the previous quarter, while NNPA remained stable at 0.15%. Business growth remained healthy, with advances and deposits recording steady growth on both a QoQ and YoY basis. Net Interest Income stood at INR 74.35 Bn (+4.57% QoQ, +16.92% YoY), PPOP at INR 55.57 Bn (+5.14% QoQ, +16.50% YoY), and PAT at INR 32.73 Bn (+5.48% QoQ, +10.10% YoY). Deposits increased to INR 8,445.78 Bn (+2.04% QoQ, +13.47% YoY), while advances grew to INR 6,729.03 Bn (+2.75% QoQ, +15.20% YoY.

Strong Loan Growth Led by Retail & MSME, with Corporate Recovery: Indian Bank reported another quarter of balanced business growth, with deposits rising 13.5% YoY to INR 8.45 lakh crore and advances growing 13.9% YoY to INR 6.73 lakh crore. The bank continued to maintain a healthy balance between loan and deposit growth, which should help protect margins going forward. Deposit quality also improved, with CASA deposits growing 15.3% YoY, supported by strong growth in current accounts, taking the CASA ratio to 39.7%. Loan growth remained broad-based, with Retail, MSME and Corporate advances growing 18.7%, 17.0% and 11.5%, respectively. The bank's focus on balanced growth and a stronger deposit mix is expected to support steady business growth while maintaining profitability.

Improving Asset Quality: Asset quality continued to improve, with Gross NPA declining to 1.86% while Net NPA remained stable at 0.15%. Recoveries of INR 1,885 crore remained higher than fresh slippages of INR 1,250 crore, reducing the slippage ratio to 0.77% and credit cost to 0.23%. The bank maintained a strong provision coverage ratio of 98.2% and created additional provisions towards the upcoming ECL framework. Management also indicated that MSME asset quality remains stable and reiterated its FY27 GNPA guidance of 1.5-1.6%. Strong recoveries and prudent provisioning are expected to support stable asset quality and earnings going forward.

Stable Margins Continue to Support Earnings: Indian Bank delivered another healthy quarter, with NII rising 16.9% YoY to INR 7,435 crore, operating profit increasing 16.5% YoY to INR 5,557 crore and PAT growing 10.1% YoY to INR 3,273 crore. Domestic NIM improved to 3.41%, supported by disciplined liability management and selective lending. The bank avoided high-cost bulk deposits and remained focused on better-priced loans, helping maintain margins despite the lower interest rate environment. Management expects margins to remain broadly stable at current levels, supported by its disciplined pricing and funding strategy.

Valuation and View: Indian Bank remains confident of delivering another stable year, supported by balanced loan and deposit growth, disciplined pricing and healthy asset quality. The bank reiterated its guidance of 13–15% credit growth while keeping deposit growth broadly in line with advances to protect margins. It expects the CASA ratio to remain around 40%, the cost-to-income ratio around 45%, NIM at the upper end of the 3.15%–3.25% range, and Gross NPA to improve to 1.5%–1.6% by the end of FY27, supported by recoveries of INR 45–55 bn. The bank is also strengthening its provisioning buffer ahead of ECL implementation while continuing to invest in technology and digital capabilities to improve operating efficiency and support long-term growth. **Hence, we maintain our positive stance on the bank, and revise our FY29E ABV to INR 856, we assign revised Target Price of INR 1,062 on 1.24x P/AB.**

Indian Bank Ltd. (INR Bn)	FY25A	FY26A	FY27E	FY28E	FY29E
NII	252	269	308	346	392
PPOP	190	199	228	257	294
PAT	109	122	137	155	180
Advances	5,711	6,549	7,322	8,230	9,258
Deposits	7,372	8,277	9,268	10,417	11,719
ROA	1.3	1.3	1.3	1.3	1.4

Source: Company, Arihant Research

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

Quarterly Result Update (INR Bn)	Q4FY26	Q3FY26	Q4FY25	QoQ	YoY
Interest Income	180.90	174.80	162.83	3.5%	11.1%
Interest Expended	106.55	103.71	99.24	2.7%	7.4%
Net Interest Income	**74.35**	**71.10**	**63.59**	**4.6%**	**16.9%**
Other Income	26.33	25.00	24.39	5.4%	8.0%
Operating Income	**100.68**	**96.09**	**87.97**	**4.8%**	**14.4%**
Employee Expenses	30.71	27.12	26.12	13.2%	17.5%
Other Operating Expenses	14.40	16.12	14.15	-10.6%	1.8%
Operating Expenses	**45.11**	**43.23**	**40.27**	**4.3%**	**12.0%**
PPOP	**55.57**	**52.86**	**47.70**	**5.1%**	**16.5%**
Provisions	11.96	12.26	6.91	-2.5%	73.0%
PBT	**43.62**	**40.60**	**40.79**	**7.4%**	**6.9%**
Tax Expenses	10.88	9.57	11.06	13.8%	-1.6%
Net Income	**32.73**	**31.03**	**29.73**	**5.5%**	**10.1%**
Balance Sheet Analysis					
Advances	6,729	6,549	5,841	2.8%	15.2%
Deposits	8,446	8,277	7,443	2.0%	13.5%
CASA Deposits	3,195	3,135	2,771	1.9%	15.3%
CASA (%)	39.73%	39.67%	38.97%	6bps	76bps
CAR (%)	17.58	17.93	17.80	-35bps	-22bps
Spreads					
NIMs (%)	3.41%	3.35%	3.35%	6bps	6bps
Cost of Funds	4.83%	4.88%	5.23%	-5bps	-40bps
Yield on Average Advances	8.09%	8.07%	8.58%	2bps	-49bps
Asset Quality					
GNPA	127	132	181	-3.6%	-29.6%
NNPA	10	10	10	2.6%	-4.4%
GNPA (%)	1.86%	1.98%	3.01%	-12bps	-115bps
NNPA (%)	0.15%	0.15%	0.18%	0bps	-3bps
Returns & Expenses					
RoA	1.31	1.28	1.34	3bps	-3bps
RoE	19.48	18.98	20.26	50bps	-78bps
Cost / Income Ratio	44.8%	45.0%	45.8%	-19bps	-97bps

Source: Company, Arihant Research

Concall Highlights

Business Growth & Loan Book
- Advances grew 13.9% YoY, led by Retail (+18.7%), MSME (+17.0%) and Corporate (+11.5%), while the RAM portfolio accounted for ~ 60% of the overall loan book.
- Agriculture advances increased 10.0% YoY despite a temporary slowdown in jewel loans during the first two months, with growth expected to improve going forward.
- The bank remains focused on maintaining balanced growth between advances and deposits to protect margins and funding costs.

Deposit Franchise & CASA
- Deposits grew 13.4% YoY, while CASA deposits increased 15.3%, supported by 26.3% growth in current accounts and 13.5% growth in savings accounts. CASA ratio improved to 39.7%.
- The bank remains on track to maintain a CASA ratio of ~40%, with branch productivity improving as 51% of branches achieved their business targets versus 25–27% last year.
- Bulk deposits remained stable at INR 1.61 lakh crore as the bank continued to optimize its funding mix through lower-cost borrowings.

Margins, Cost of Funds & Profitability
- NIM expanded by 6 bps during the quarter, supported by disciplined deposit pricing and selective lending to better-yielding assets.
- The bank expects NIM to remain near the upper end of its 3.15%–3.25% guidance, with limited scope for both expansion and contraction.
- Pricing competition remains intense in retail and corporate lending, although pressure in bulk deposits has eased.

Asset Quality & Credit Cost
- Asset quality remained healthy, with GNPA improving to 1.86%, NNPA remaining at 0.15%, and slippage ratio declining to 0.77%.
- Recoveries of INR 18.9 bn exceeded slippages of INR 12.5 bn, supporting confidence in achieving the FY27 GNPA guidance of 1.5%–1.6%.
- The bank has not witnessed any significant MSME stress so far and continues to closely monitor asset quality.

ECL Transition & Provisioning
- The estimated ECL transition impact is INR 30–35 bn, with INR 10 bn of floating provisions already created during Q1FY27.
- The bank plans to create INR 15–20 bn of ECL provisions during FY27 and expects only a modest increase in credit cost over time.
- ECL implementation is not expected to materially impact long-term profitability.

Recovery, Stress Monitoring & Risk Management
- The bank continues to maintain additional provisions against geopolitical risks and other potential uncertainties.
- The increase in SMA-2 was mainly due to one DCCO-related account and is expected to normalize after restructuring.
- Domestic demand and diversified exports have limited the impact of global uncertainties on the loan book.

Gold Loans & Retail Lending
- Gold loan growth is expected at ~15–16% in FY27 after the exceptionally strong growth seen last year.
- The total gold loan portfolio stands at around INR 1.2 lakh crore, with comfortable loan-to-value levels despite gold price volatility.

Treasury, Liquidity & Funding
- Treasury income benefited from lower bond yields during Q1, although FY27 treasury gains are expected to remain moderate at around INR 6–7 bn.
- LCR stood at 123%, with the bank continuing to rely on lower-cost borrowings instead of increasing expensive bulk deposits.
- The bank expects to raise USD 1.5–2.0 bn through FCNR deposits and ECBs to support future credit growth.

Technology & Digital Initiatives
- The bank plans to invest around INR 30 bn in technology, including INR 7.5 bn towards AI, cybersecurity and digital infrastructure.
- Key initiatives include strengthening cybersecurity, improving data infrastructure and enhancing digital capabilities.

Profit & Loss Statement (INR Bn)	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E
Interest Income	556	620	675	762	854	960
Interest Expense	323	368	405	453	507	568
Net Interest Income	**233**	**252**	**269**	**308**	**346**	**392**
YoY change (%)	15	8	7	15	12	13
Non-Interest Income	79	92	100	105	116	129
Total Net Income	311	344	369	413	462	521
Total Operating Expenses	143	154	170	186	205	227
Pre Provision profit	**168**	**190**	**199**	**228**	**257**	**294**
YoY change (%)	10	13	5	14	13	14
Provisions	59	42	35	43	48	51
Profit Before Tax	110	148	164	185	209	243
YoY change (%)	85	35	11	13	13	16
Taxes	29	39	42	48	54	63
Net profit	**81**	**109**	**122**	**137**	**155**	**180**
YoY change (%)	52.7	35.4	11.3	12.4	13.3	16.1

Balance Sheet (INR Bn)	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E
Cash & Balances with RBI	327	319	341	443	562	710
Inter bank borrrowing	94	229	315	353	397	446
Investments	2,126	2,253	2,447	2,657	2,885	3,133
Loan and Advances	5,149	5,711	6,549	7,322	8,230	9,258
Other Assets	156	133	142	158	178	200
Total Assets	**7,926**	**8,734**	**9,880**	**11,030**	**12,361**	**13,870**
Deposits	6,880	7,372	8,277	9,268	10,417	11,719
Borrowings	231	415	467	514	565	621
Other Liability	231	254	352	356	360	363
Equity	13	13	13	13	13	13
Reserves	570	680	769	879	1,006	1,153
Total Liabilities	**7,926**	**8,734**	**9,880**	**11,030**	**12,361**	**13,870**

Dupont Analysis (% of Average Assets)	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E
Net Interest Income	3.1	3.0	2.9	2.9	3.0	3.0
Non-Interest Income	1.0	1.1	1.1	1.0	1.0	1.0
Net Income	4.1	4.1	4.0	4.0	4.0	4.0
Operating Expenses	1.9	1.8	1.8	1.8	1.8	1.7
Operating Profit	2.2	2.3	2.1	2.2	2.2	2.2
Provisions & Contingencies	0.8	0.5	0.4	0.4	0.4	0.4
Taxes	0.4	0.5	0.5	0.5	0.5	0.5
ROAA	1.1	1.3	1.3	1.3	1.3	1.4

Ratios	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E
Efficiency Ratio (%)						
Int Expended / Int Earned	58.15	59.39	60.10	59.52	59.41	59.21
Int Income / Total Assets	7.02	7.10	6.83	6.91	6.91	6.92
NII / Total Income	36.66	35.35	34.76	35.57	35.75	35.95
Other Inc. / Total Income	12.39	12.95	12.90	12.13	11.93	11.86
Ope. Exp. / Total Income	44.22	41.82	41.91	40.95	40.46	39.90
Net Profit / Total Assets	1.02	1.25	1.23	1.24	1.25	1.30
Credit / Deposit	74.84	77.47	79.12	79.00	79.00	79.00
Investment / Deposit	30.89	30.56	29.56	28.67	27.70	26.74
NIM	3.26	3.17	3.06	3.12	3.14	3.16
Solvency						
Gross NPA (Rs. Cr)	211.06	181.79	129.67	118.92	115.08	120.01
Net NPA (Rs. Cr)	22.23	11.10	9.65	11.26	12.06	12.98
Gross NPA (%)	4.10	3.09	1.98	1.62	1.40	1.30
Net NPA (%)	0.45	0.19	0.15	0.15	0.15	0.14
Capital Adequacy Ratio (%)	16.44	17.94	17.93	18.03	18.04	18.18
Tier I Capital (%)	14.03	15.85	16.40	16.51	16.53	16.65
Tier II Capital (%)	2.41	2.09	1.53	1.51	1.51	1.52
Growth Ratio (%)						
Interest Income	23.75	11.49	8.79	12.91	12.07	12.48
Interest Expenses	30.85	13.87	10.07	11.84	11.85	12.10
Other Income	10.13	17.25	8.32	5.20	10.05	11.70
Total Income	21.88	12.20	8.73	11.92	11.83	12.38
Net profit	52.67	35.41	11.33	12.36	13.32	16.10
Deposits	10.76	7.14	12.29	11.97	12.40	12.50
Advances	14.60	10.91	14.68	11.80	12.40	12.50
Return Ratio						
RoAA (%)	1.07	1.31	1.31	1.31	1.32	1.37
RoAE (%)	15.16	17.10	16.47	16.31	16.20	16.44
Per Share Data (INR)						
EPS	59.86	81.06	90.25	101.40	114.91	133.42
Book Value	433.48	514.57	581.24	662.36	756.59	866.00
Adj Book Value of Share	416.98	506.33	574.08	654.01	747.64	856.37
Valuation Ratio						
P/E (x)	14.55	10.74	9.65	8.59	7.58	6.53
P/BV (x)	2.01	1.69	1.50	1.31	1.15	1.01
P/ABV (x)	2.09	1.72	1.52	1.33	1.16	1.02

Source: Company, Arihant Research

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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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