

Retail & MSME growth leads, with corporate demand improving

CMP: INR 876

Rating: Accumulate

Target Price: INR 1,008

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) | 1,180.07 |
| 52 w H/L (INR) | 1,000/ 539 |
| Avg Volume (In '000) | 2,064 |

Shareholding Pattern %

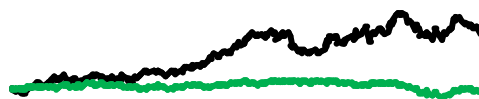
(As on March 2025)

| | |
|-----------------|-------|
| Promoters | 73.84 |
| FII | 5.82 |
| DII | 17.75 |
| Public & Others | 2.58 |

Stock Performance (%)

| | 3m | 6m | 12m |
|-------------|-------|-------|-------|
| Indian Bank | -2.54 | 6.02 | 51.65 |
| Nifty 50 | -4.60 | -6.89 | -0.65 |

Indian Bank vs Nifty 50



Apr-25 May-25 Jun-25 Jul-25 Aug-25 Sep-25 Oct-25 Nov-25 Dec-25 Jan-26 Feb-26 Mar-26

Indian Bank Nifty 50

Abhishek Jain

abhishek.jain@arihantcapital.com

Indian Bank reported a mixed set of Q4FY26 results, with NII at INR 71.10 Bn (vs est. INR 70.87 Bn), up 3.10% QoQ and 11.27% YoY, while PPOP remained strong at INR 52.86 Bn (vs est. INR 51.09 Bn), growing 5.22% QoQ and 5.32% YoY, indicating stable core operating performance; however, higher provisions at INR 12.26 Bn (vs est. INR 8.06 Bn), up 43.03% QoQ and 54.26% YoY, led to a PAT miss at INR 31.03 Bn (vs est. INR 32.27 Bn), though still up 1.36% QoQ and 4.97% YoY. Asset quality improved, with GNPA at 2.0% (vs est. 2.2%), down 25 bps QoQ and 111 bps YoY, while NNPA remained stable at 0.15% (in-line), down 4 bps YoY. Business growth stayed healthy, with deposits at INR 8,277.26 Bn (vs est. INR 8,265.15 Bn), up 4.65% QoQ and 12.29% YoY, and advances at INR 6,548.88 Bn, up 4.69% QoQ and 14.68% YoY.

Strong Loan Growth Led by Retail & MSME, with Corporate Recovery: Indian Bank reported solid advance growth of 14.7% YoY to INR 654,888 crore, with the core driver being the RAM segment, which grew 15.2%. Within this, retail (18.7%) and MSME (16.4%) continue to grow at a faster pace, improving the loan mix with more small-ticket loans spread across many customers. Also, corporate credit growth has picked up to 9.2% from a low base of ~3% last year, indicating improving demand without aggressive risk-taking. The bank's ability to maintain ~97% digital sourcing in retail and agriculture loans supports faster turnaround, lower operating cost, and better cross-sell opportunities, helping sustain both growth and profitability

Asset Quality Strong with High Provision Buffer : Asset quality has strengthened further, with GNPA declining sharply to 1.98% from 3.09% last year, while NNPA remains very low at 0.15%. The provision coverage ratio stands high at 98.3%, giving strong protection against any future stress. Slippage ratio has improved to 0.85% from 1.11%, indicating better underwriting and recovery trends. In addition, the bank has created a contingent provision of INR 310 crore despite no immediate stress visibility, including from external factors like West Asia tensions. This cautious provisioning strategy, along with already low NPAs, keeps the balance sheet well protected and reduces the risk of earnings volatility.

Stable CASA and Improving Cost Efficiency Support Margins : The bank has kept CASA stable at ~39.7%, close to its 40% target, supported by higher average balances in both savings and current accounts. While faster loan growth may create some margin pressure, management has guided NIM at 3.10–3.25% for FY27, indicating a controlled decline. At the same time, cost efficiency is improving, with the cost-to-income ratio reducing to ~45%, aided by strong digital growth and increased use of AI and fintech partnerships, which should help sustain profitability..

Valuation and View: Indian Bank enters FY27 with a balanced focus on profitability, asset quality, and calibrated growth, with management guiding advances at 11–13% and deposits at 9–11%, slightly below industry to protect margins and risk profile. NIM is expected at 3.10–3.25% and ROA at 1.20–1.30%, driven by elevated funding costs and lower treasury gains. Asset quality is likely to remain stable with GNPA at 1.5–1.6% and credit cost below 1%. The bank remains confident of absorbing ECL impact through internal accruals, supported by strong buffers, while risks from lower recoveries and treasury income are balanced by strengths in digital, RAM franchise, and an improving corporate pipeline.. **Hence, we maintain our positive stance on the bank, and revise our FY28E ABV to INR 861, we assign revised Target Price of INR 1,008 on 1.17x P/AB.**

| Indian Bank Ltd. (INR Bn) | FY25A | FY26A | FY27E | FY28E | FY29E |
|---------------------------|-------|-------|-------|--------|--------|
| NII | 252 | 269 | 312 | 352 | 396 |
| PPOP | 190 | 199 | 229 | 258 | 293 |
| PAT | 109 | 122 | 143 | 160 | 183 |
| Advances | 5,711 | 6,549 | 7,322 | 8,230 | 9,258 |
| Deposits | 7,372 | 8,277 | 9,095 | 10,287 | 11,573 |
| ROA | 1.3 | 1.3 | 1.4 | 1.4 | 1.4 |

Source: Company, Arihant Research

Q4FY26 - Quarterly Performance (Standalone)

(in INR Bn)

| Quarterly Result Update (INR Bn) | Q4FY26 | Q3FY26 | Q4FY25 | QoQ | YoY |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Interest Income | 174.80 | 170.98 | 158.56 | 2.2% | 10.2% |
| Interest Expended | 103.71 | 102.02 | 94.67 | 1.7% | 9.6% |
| Net Interest Income | 71.10 | 68.96 | 63.89 | 3.1% | 11.3% |
| Other Income | 25.00 | 25.66 | 27.43 | -2.6% | -8.9% |
| Operating Income | 96.09 | 94.61 | 91.33 | 1.6% | 5.2% |
| Employee Expenses | 27.12 | 27.85 | 27.01 | -2.6% | 0.4% |
| Other Operating Expenses | 16.12 | 16.52 | 14.13 | -2.5% | 14.1% |
| Operating Expenses | 43.23 | 44.38 | 41.14 | -2.6% | 5.1% |
| PPOP | 52.86 | 50.24 | 50.19 | 5.2% | 5.3% |
| Provisions | 12.26 | 8.57 | 7.95 | 43.0% | 54.3% |
| PBT | 40.60 | 41.67 | 42.24 | -2.6% | -3.9% |
| Tax Expenses | 9.57 | 11.05 | 12.68 | -13.4% | -24.5% |
| Net Income | 31.03 | 30.61 | 29.56 | 1.4% | 5.0% |
| Balance Sheet Analysis | | | | | |
| Advances | 6,549 | 6,255 | 5,711 | 4.7% | 14.7% |
| Deposits | 8,277 | 7,909 | 7,372 | 4.7% | 12.3% |
| CASA Deposits | 2,957 | 2,957 | 2,829 | 0.0% | 4.5% |
| CASA (%) | 39.67% | 39.08% | 40.17% | 59bps | -50bps |
| CAR (%) | 17.93 | 16.58 | 17.94 | 135bps | -1bps |
| Spreads | | | | | |
| NIMs (%) | 3.35% | 3.40% | 3.52% | -5bps | -17bps |
| Cost of Funds | 4.88% | 5.00% | 5.21% | -12bps | -33bps |
| Yield on Average Advances | 8.07% | 8.31% | 8.64% | -24bps | -57bps |
| Asset Quality | | | | | |
| GNPA | 132 | 143 | 182 | -7.6% | -27.4% |
| NNPA | 10 | 10 | 11 | -0.3% | -13.1% |
| GNPA (%) | 1.98% | 2.23% | 3.09% | -25bps | -111bps |
| NNPA (%) | 0.15% | 0.15% | 0.19% | 0bps | -4bps |
| Returns & Expenses | | | | | |
| RoA | 1.28 | 1.30 | 1.37 | -2bps | -9bps |
| RoE | 18.98 | 19.11 | 21.01 | -13bps | -203bps |
| Cost / Income Ratio | 45.0% | 46.9% | 45.0% | -191bps | -5bps |

Source: Company, Arianth Research

Concall Highlights

Business Growth & Mix

- The bank delivered healthy balance sheet growth, with advances rising 13.4% YoY and deposits increasing 12.29% YoY, broadly in line with internal expectations despite tight system liquidity.
- Growth was RAM-led (Retail, Agri, MSME) at 15.28% YoY, driven by retail growth of 18.72% YoY and MSME growth of 16.39% YoY; corporate growth also improved to 9.19% YoY from ~3% last year, indicating gradual broad-based expansion.
- Gold (jewel) loan portfolio remained a key growth driver, expanding ~28% YoY to ~INR 1,27,000 crore, although management expects moderation in FY27 due to base effects and normalization in gold prices.

Liability Franchise & CASA Trends

- CASA deposits grew 10.85% YoY, with the CASA ratio stabilizing at ~39.67% (vs ~40% guidance), supported by improving quarterly trends after the Q1 dip.
- The bank continues to avoid aggressive bulk deposit mobilization, with bulk deposits plus CDs at ~18–19% of total deposits, reflecting a calibrated and stable liability strategy.
- Deposit granularity improved, with average savings account balance rising from INR 30,000 to INR 46,000 and average current account balance increasing from INR 1.88 lakh to INR 2.64 lakh, indicating stronger customer engagement and balance build-up.

Profitability & Margins

- ROA remained stable at ~1.31% for FY26, reflecting consistent profitability despite margin pressures.
- Margin outlook remains moderately pressured, with management guiding NIM in the range of 3.10–3.25% for FY27, impacted by elevated deposit costs and slower repricing benefits.
- Limited levers remain on asset repricing, with the bank increasing focus on mid-corporate lending (INR 50–500 crore segment) to support yields, while maintaining stability in CASA mix.

Asset Quality & Credit Cost

- Asset quality improved significantly, with GNPA declining to 1.98% (from 3.09%) and NNPA reducing to 0.15%.
- PCR remained strong at 98.28%, while credit cost stood at a low 0.31% for FY26, indicating limited stress on the loan book.
- Slippage ratio improved to 0.85% (annualized), and the SMA pool declined sharply to ~INR 31,000 crore from ~INR 45,000–46,000 crore last year, suggesting early stress indicators remain benign.

Recovery & Write-offs

- The bank achieved recoveries of INR 6,651 crore in FY26, exceeding its guidance range of INR 5,500–6,500 crore.
- Recovery guidance for FY27 is lower at INR 4,500–5,500 crore, reflecting a shrinking NPA pool and reduced recovery opportunities.
- AUC (written-off accounts) recoveries exceeded expectations in FY26, with future guidance set at INR 1,200–1,500 crore, indicating normalization in recoveries.

Digital & Technology Initiatives

- Digital business grew 63% YoY to ~INR 2,72,000 crore, with 97% of retail and agri loans sourced digitally, highlighting strong technology adoption.
- Mobile banking user base reached 2.36 crore, with ~94% of transactions conducted digitally, contributing to improved efficiency and lower operating costs.
- The bank is investing significantly in AI platforms, CRM systems, fraud detection (EFRM), and corporate credit digitization, with digital spending expected to be comparable to employee costs, indicating an aggressive technology transformation strategy.

Capital, Liquidity & Treasury

- Liquidity remains comfortable, with LCR in the range of ~123–127%, providing a strong buffer against potential volatility.
- Treasury performance is expected to moderate in FY27, with management guiding profit of INR 1,000–1,200 crore, lower than the prior year due to the prevailing interest rate environment.
- The bank continues to maintain prudence in SLR portfolio management, avoiding aggressive profit booking to preserve yields and ensure liquidity stability.

ECL (Expected Credit Loss) Transition

- ECL impact is expected to be manageable, with the bank confident of absorbing it within 1–3 quarters (or 6–9 months) through internal accruals.
- Management indicated that the potential capital impact could be ~1–1.5%, though final estimates remain under evaluation following revised guidelines.
- The bank has already created prudential buffers, including an additional provision of INR 310 crore in Q4, reflecting a proactive approach to risk management.

| Profit & Loss Statement (INR Bn) | FY24A | FY25A | FY26A | FY27E | FY28E | FY29E |
|----------------------------------|------------|------------|------------|------------|------------|------------|
| Interest Income | 556 | 620 | 675 | 758 | 849 | 953 |
| Interest Expense | 323 | 368 | 405 | 449 | 500 | 562 |
| Net Interest Income | 233 | 252 | 269 | 309 | 349 | 391 |
| YoY change (%) | 15 | 8 | 7 | 15 | 13 | 12 |
| Non-Interest Income | 79 | 92 | 100 | 107 | 117 | 131 |
| Total Net Income | 311 | 344 | 369 | 415 | 467 | 522 |
| Total Operating Expenses | 143 | 154 | 170 | 189 | 211 | 234 |
| Pre Provision profit | 168 | 190 | 199 | 226 | 256 | 288 |
| YoY change (%) | 10 | 13 | 5 | 14 | 13 | 12 |
| Provisions | 59 | 42 | 35 | 36 | 41 | 47 |
| Profit Before Tax | 110 | 148 | 164 | 191 | 215 | 241 |
| YoY change (%) | 85 | 35 | 11 | 16 | 13 | 12 |
| Taxes | 29 | 39 | 42 | 50 | 56 | 63 |
| Net profit | 81 | 109 | 122 | 141 | 159 | 179 |
| YoY change (%) | 52.7 | 35.4 | 11.3 | 16.0 | 12.7 | 12.4 |

| Balance Sheet (INR Bn) | FY24A | FY25A | FY26A | FY27E | FY28E | FY29E |
|--------------------------|--------------|--------------|--------------|---------------|---------------|---------------|
| Cash & Balances with RBI | 327 | 319 | 341 | 286 | 539 | 771 |
| Inter bank borrowing | 94 | 229 | 315 | 283 | 320 | 360 |
| Investments | 2,126 | 2,253 | 2,447 | 2,569 | 2,697 | 2,832 |
| Loan and Advances | 5,149 | 5,711 | 6,549 | 7,322 | 8,230 | 9,258 |
| Other Assets | 156 | 133 | 142 | 287 | 323 | 363 |
| Total Assets | 7,926 | 8,734 | 9,880 | 10,861 | 12,237 | 13,730 |
| Deposits | 6,880 | 7,372 | 8,277 | 9,095 | 10,287 | 11,573 |
| 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 | 882 | 1,013 | 1,159 |
| Total Liabilities | 7,926 | 8,734 | 9,880 | 10,861 | 12,237 | 13,730 |

| Dupont Analysis (% of Average Assets) | FY24A | FY25A | FY26A | FY27E | FY28E | FY29E |
|---------------------------------------|-------|-------|-------|-------|-------|-------|
| Net Interest Income | 3.1 | 3.0 | 2.9 | 3.0 | 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 | 1.8 |
| Operating Profit | 2.2 | 2.3 | 2.1 | 2.2 | 2.2 | 2.2 |
| Provisions & Contingencies | 0.8 | 0.5 | 0.4 | 0.3 | 0.4 | 0.4 |
| Taxes | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| ROAA | 1.1 | 1.3 | 1.3 | 1.4 | 1.4 | 1.4 |

| Ratios | FY24A | FY25A | FY26A | FY27E | FY28E | FY29E |
|-----------------------------|--------|--------|--------|--------|--------|--------|
| Efficiency Ratio (%) | | | | | | |
| Int Expended / Int Earned | 58.15 | 59.39 | 60.10 | 59.26 | 58.86 | 58.97 |
| Int Income / Total Assets | 7.02 | 7.10 | 6.83 | 6.98 | 6.94 | 6.94 |
| NII / Total Income | 36.66 | 35.35 | 34.76 | 35.72 | 36.15 | 36.07 |
| Other Inc. / Total Income | 12.39 | 12.95 | 12.90 | 12.33 | 12.14 | 12.09 |
| Ope. Exp. / Total Income | 22.53 | 21.62 | 21.94 | 21.89 | 21.79 | 21.61 |
| Net Profit / Total Assets | 1.02 | 1.25 | 1.23 | 1.30 | 1.30 | 1.30 |
| Credit / Deposit | 74.84 | 77.47 | 79.12 | 80.50 | 80.00 | 80.00 |
| Investment / Deposit | 30.89 | 30.56 | 29.56 | 28.25 | 26.22 | 24.47 |
| NIM | 3.26 | 3.17 | 3.06 | 3.17 | 3.23 | 3.21 |
| Solvency | | | | | | |
| Gross NPA (Rs. Cr) | 211.06 | 176.46 | 129.67 | 126.25 | 130.63 | 135.56 |
| Net NPA (Rs. Cr) | 22.23 | 11.10 | 9.82 | 10.54 | 11.36 | 12.30 |
| Gross NPA (%) | 4.10 | 3.09 | 1.98 | 1.72 | 1.59 | 1.46 |
| Net NPA (%) | 0.45 | 0.19 | 0.15 | 0.14 | 0.14 | 0.13 |
| Capital Adequacy Ratio (%) | 16.44 | 17.94 | 17.93 | 18.76 | 19.04 | 19.13 |
| Tier I Capital (%) | 14.03 | 15.85 | 16.40 | 17.06 | 17.24 | 17.23 |
| Tier II Capital (%) | 2.41 | 2.09 | 1.53 | 1.70 | 1.80 | 1.90 |
| Growth Ratio (%) | | | | | | |
| Interest Income | 23.75 | 11.49 | 8.79 | 12.37 | 12.06 | 12.19 |
| Interest Expenses | 30.85 | 13.87 | 10.07 | 10.80 | 11.30 | 12.41 |
| Other Income | 10.13 | 17.25 | 8.32 | 6.67 | 10.08 | 11.71 |
| Total Income | 21.88 | 12.20 | 8.73 | 11.63 | 11.82 | 12.13 |
| Net profit | 52.67 | 35.41 | 11.33 | 16.04 | 12.67 | 12.36 |
| Deposits | 10.76 | 7.14 | 12.29 | 9.88 | 13.10 | 12.50 |
| Advances | 14.60 | 10.91 | 14.68 | 11.80 | 12.40 | 12.50 |
| Return Ratio | | | | | | |
| RoAA (%) | 1.07 | 1.31 | 1.31 | 1.36 | 1.38 | 1.38 |
| RoAE (%) | 15.16 | 17.10 | 16.47 | 16.80 | 16.54 | 16.24 |
| Per Share Data (INR) | | | | | | |
| EPS | 59.86 | 81.06 | 90.25 | 104.72 | 117.99 | 132.58 |
| Book Value | 433.48 | 514.57 | 581.24 | 665.02 | 761.77 | 870.48 |
| Adj Book Value of Share | 416.98 | 506.33 | 573.95 | 657.19 | 753.33 | 861.35 |
| Valuation Ratio | | | | | | |
| P/E (x) | 14.63 | 10.81 | 9.71 | 8.37 | 7.42 | 6.61 |
| P/BV (x) | 2.02 | 1.70 | 1.51 | 1.32 | 1.15 | 1.01 |
| P/ABV (x) | 2.10 | 1.73 | 1.53 | 1.33 | 1.16 | 1.02 |

Source: Company, Arianth Research

Arihant Research DeskEmail: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office

#1011, Solitaire Corporate Park
 Building No. 10, 1st Floor
 Andheri Ghatkopar Link Road
 Chakala, Andheri (E)
 Mumbai – 400093
 Tel: (91-22) 42254800

Registered Office

6 Lad Colony,
 Y.N. Road,
 Indore - 452003, (M.P.)
 Tel: (91-731) 4217100/101
 CIN: L66120MP1992PLC007182

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% |

**Research Analyst
Registration No.****Contact****Website****Email Id**

INH000002764

SMS: 'Arihant' to 56677

www.arihantcapital.cominstresearch@arihantcapital.com**Arihant Capital Markets Ltd.**

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
 Andheri Ghatkopar Link Road, Chakala, Andheri (E)
 Tel. 022-42254800

Disclaimer: This disclosure statement is provided in compliance with the SEBI Research Analyst Regulations, 2014. Arihant Capital Markets Limited (ACML) is a registered stockbroker, merchant banker, and research analyst under SEBI, and is also a Point of Presence with the Pension Fund Regulatory and Development Authority (PFRDA). ACML is registered with SEBI with Research Analyst Registration Number INH000002764, Stock Broker Registration Number INZ000180939, and is a Trading Member with NSE, BSE, MCX, NCDEX, and a Depository Participant with CDSL and NSDL.

ACML and its associates may have business relationships, including investment banking, with companies covered by its Investment Research Department. The analysts of ACML, and their associates, are prohibited from holding a financial interest in securities or derivatives of companies they cover, though they may hold stock in the companies they analyze. The recommendations provided by ACML's research team are based on technical and derivative analysis and may differ from fundamental research reports.

ACML confirms that neither it nor its associates have a financial interest or material conflict concerning the companies covered in the research report at the time of publication. Furthermore, ACML, its analysts, and their relatives have no ownership greater than 1% in the subject companies as of the month prior to publication. ACML guarantees that the compensation for its research analysts is not influenced by specific securities or transactions.

ACML affirms that neither the analyst nor the company has served as an officer, director, employee, or engaged in market-making activities for any of the subject companies. Additionally, the research report does not reflect any conflict of interest and is not influenced by specific recommendations made. Neither ACML nor its analysts have received compensation for investment banking or brokerage services from the subject companies in the last 12 months.

The views expressed in this report are those of the analysts and are independent of the proprietary trading desk of ACML, which operates separately to maintain an unbiased stance. Analysts comply with SEBI Regulations when offering recommendations or opinions through public media. The report is intended for informational purposes only and is not an offer or solicitation for the purchase or sale of securities.

This report, which is confidential, may not be reproduced or shared without written consent from ACML. It is based on publicly available data believed to be reliable but has not been independently verified, and no guarantees are made about its accuracy. All opinions and information contained in the report are subject to change without notice. ACML disclaims liability for any losses resulting from reliance on this report. The report does not constitute an offer to buy or sell securities, and ACML is not responsible for the risks involved in investments. ACML and its affiliates may have positions in the securities discussed or hold other financial interests in them.

The distribution of this report in certain jurisdictions may be restricted by law, and the report is not intended for distribution where it would violate local laws. Investors are advised to consider their financial position, risk tolerance, and investment objectives before engaging in transactions, particularly in high-risk financial products such as derivatives.

ACML reserves the right to modify this disclosure statement without prior notice. The report has been prepared using publicly available information and internally developed data, though ACML does not guarantee its completeness or accuracy. Historical price data for securities can be accessed via official exchanges like NSE or BSE. ACML and its affiliates may conduct proprietary transactions or investment banking services for the companies mentioned in this report. In compliance with SEBI regulations, ACML maintains comprehensive records of research reports, recommendations, and the rationale for those recommendations, which are preserved for at least five years. An annual compliance audit is conducted by a member of the ICAI or ICSI to ensure adherence to applicable regulations. This report is issued in accordance with applicable SEBI regulations and does not guarantee future performance or returns.

Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800