ArihantCapital
Generating Wealth

Q1FY27 - Result Update
23rd July 2026

IndusInd Bank Ltd.

Asset quality stabilizes, profitability rebuild still in progress

CMP: INR 1,069

Rating: BUY

Target Price: INR 1,293

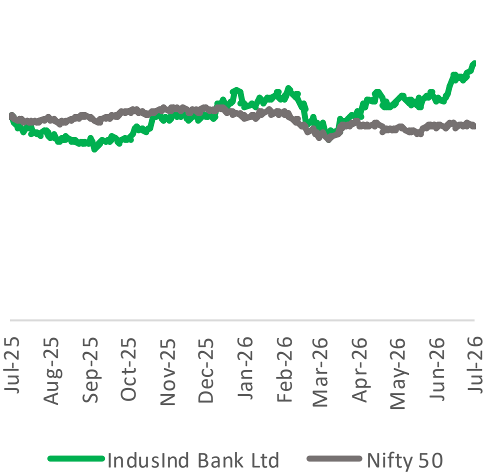
Stock Info	
BSE	532187
NSE	IIB
Bloomberg	IIB IN
Reuters	INBK.BO
Sector	Banking
Face Value (INR)	10
Equity Capital (INR Bn)	7.8
Mkt Cap (INR Bn)	660.92
52w H/L (INR)	1,078 / 710
Avg Yearly Vol (in 000')	690,000

Shareholding Pattern %
(As on June 2026)

Promoter	15.82
Public & Others	84.18

Stock Performance (%)	3m	6m	12m
IndusInd Bank	18.79	17.87	26.81
Nifty 50	(0.40)	(4.62)	(4.25)

IndusInd Bank Vs Nifty



Abhishek Jain
abhishek.jain@arihantcapital.com

IndusInd Bank reported a better-than-expected Q1FY27 performance, with NII at INR 4,685 Cr vs our estimate of INR 4,508 Cr, supported by healthy sequential growth. PPOP came in at INR 2,683 Cr vs our estimate of INR 2,290 Cr, driven by better operating performance and lower operating expenses, while PAT stood at INR 1,003 Cr vs our estimate of INR 649 Cr, aided by lower-than-expected provisions of INR 1,340 Cr vs INR 1,425 Cr. Asset quality improved sequentially, with GNPA at 3.25% vs our estimate of 3.38% and NNPA at 0.95% vs 0.97%. Deposits grew 4.4% YoY and 3.7% QoQ to INR 414,766 Cr, while advances declined 2.2% YoY but increased 3.3% QoQ to INR 326,274 Cr. NIM stood at 3.57%, the cost-to-income ratio improved to 58.5%, and the credit cost ratio declined to 1.74%

Liability franchise strengthens funding quality: IndusInd Bank continued to improve the quality of its funding franchise in Q1FY27, with retail deposits (as per LCR definition) rising to 49.5% of total deposits from 47.9% in Q4FY26, while the cost of deposits declined by 12 bps QoQ to 5.95%. The bank also reduced reliance on bulk funding, with certificates of deposit contributing only 5.9% of total deposits and maintained a strong liquidity position with an average LCR of 127%. The improvement was driven by a better mix of retail, affluent, and NRI deposits rather than just repricing. The increasing share of granular retail deposits is expected to support margin stability, improve funding quality, and provide a stronger foundation for sustaining balance sheet growth over the coming quarters.

Asset quality recovery supports earnings: IndusInd Bank reported an improvement in asset quality, with GNPA declining to 3.25% from 3.43% in Q4FY26 and NNPA improving to 0.95% from 1.00%, while SMA-1 and SMA-2 levels also moderated. Microfinance gross slippages declined to INR 191 crore from INR 504 crore in the previous quarter, helping reduce credit cost to 1.74% of average loans. Operating profit increased 21% QoQ to INR 2,683 crore and PAT rose 88% QoQ to INR 1,003 crore, while normalized ROA improved to 0.63% from 0.45% in Q4FY26, indicating that the earnings recovery is being supported by improving operating performance and lower credit costs.

Valuation & View: IndusInd Bank expects FY27 loan growth to be broadly in line with industry growth and has reiterated its target of achieving an exit ROA of 1% by Q4FY27. The bank expects microfinance growth to accelerate from Q2FY27, while retail, SME, and rural businesses are likely to gain momentum over the next few quarters. Although NIM may remain under pressure in Q2FY27, margins are expected to improve from Q3 and Q4FY27 as higher-yielding retail and rural segments contribute more meaningfully. Over the medium term, the bank plans to increase the share of SME and secured retail loans, reduce reliance on bulk deposits, strengthen transaction banking, and use AI and digital capabilities to improve productivity, customer experience, and risk management **. We have revised our estimates based on the improved operating outlook and maintain a BUY rating on the stock, with a TP of INR 1,293, valuing the bank at 1.33x FY29E ABV.**

Financial Performance

Particulars (INR Bn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
NII	206	190	180	186	210	238
PPOP	157	106	92	100	129	163
PAT	89	26	9	39	61	86
EPS (INR / Share)	149.1	44.0	12.0	49.4	77.7	110.5
BVPS (INR / Share)	1,044.5	1,072.1	838.1	877.5	931.9	1,009.3
NIM (%)	4.5%	3.8%	3.6%	3.6%	3.8%	3.9%
RoA (%)	1.7%	0.5%	0.2%	0.7%	0.9%	1.2%
RoE (%)	14.3%	4.1%	1.4%	5.6%	8.3%	11.0%
P/ABV (x)	0.9	0.8	1.1	1.0	1.0	0.9

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

Income Statement (INR Cr)	Q1FY27	Q4FY26	Q1FY26	Q-o-Q	Y-o-Y
Interest Income	11,310	11,005	12,264	2.8%	-7.8%
Interest Expense	6,625	6,634	7,624	-0.1%	-13.1%
Net Interest Income	**4,685**	**4,371**	**4,640**	**7.2%**	**1.0%**
Non Interest Income	1,785	1,706	2,157	4.6%	-17.2%
Total Income	6,470	6,078	6,797	6.5%	-4.8%
Employee Costs	1,371	1,311	1,296	4.6%	5.8%
Other Operating Expenses	2,416	2,552	2,848	-5.3%	-15.2%
Operating Expenses	3,787	3,863	4,144	-2.0%	-8.6%
Pre-Provision Profit	**2,683**	**2,215**	**2,653**	21.1%	**1.1%**
Provisions	1,340	1,484	1,738	-9.7%	-22.9%
Profit Before Tax	1,343	731	915	83.8%	46.8%
Tax Expense	341	198	230	71.9%	48.1%
Net Profit	**1,003**	**533**	**685**	88.2%	**46.4%**
Balance Sheet Analysis					
Deposits	414,766	400,174	397,144	3.6%	4.4%
CASA Deposits	122,060	124,933	125,006	-2.3%	-2.4%
CASA (%)	29.4%	31.2%	31.0%	-179bps	-157bps
Advances	326,274	315,871	333,694	3.3%	-2.2%
Total Assets	554,925	543,419	539,552	2.1%	2.8%
Capital Adequacy Ratio (%)	17.15%	17.48%	16.63%	-33bps	52bps
Spread Analysis					
Yield on Avg Advances (%)	10.8%	10.7%	11.0%	9bps	-20bps
Yield on Avg Interest Earning Assets (%)	8.6%	8.5%	9.2%	9bps	-53bps
Cost of Funds (%)	5.05%	5.14%	5.7%	-9bps	-64bps
NIM (%)	3.57%	3.39%	3.46%	18bps	11bps
Asset Quality					
Gross NPA	10,848	11,095	12,481	-2.2%	-13.1%
Net NPA	3,101	3,169	3,721	-2.1%	-16.7%
GNPA (%)	3.25%	3.43%	3.64%	-18bps	-39bps
NNPA (%)	0.95%	1.00%	1.12%	-5bps	-17bps
PCR (%)	71.4%	71.4%	70.2%	-2bps	123bps
Key Ratios					
Cost to Income Ratio (%)	58.5%	63.6%	61.0%	-502bps	-244bps
C/D Ratio (%)	78.7%	78.9%	84.0%	-27bps	-536bps
RoA (%) (Annualised)	0.78%	0.45%	0.45%	33bps	33bps

Source: Arihant Research, Company Filings

Key Concall Highlights

Asset quality and credit cost

- GNPA improved to 3.25% and NNPA improved to 0.95%, while PCR remained stable at ~ 71%.
- Annualized net slippage declined to 1.5% from 2.43% YoY and 1.7% in Q4FY26.
- Provisions declined to INR 1,384 crore, down 21% YoY and 7% QoQ, while write-offs during the quarter were INR 1,435 crore.
- Early stress indicators improved, with SMA-1 and SMA-2 reducing to 11 bps from 17 bps.

Vehicle finance

- Vehicle finance book stood at INR 99,000 crore, up 3% YoY and broadly stable sequentially.
- Disbursements were INR 10,832 crore, while disbursements excluding three-wheelers grew 3% YoY.
- Net slippage improved to 2.01% from 2.29% YoY due to tighter underwriting in two-wheelers and tractors.
- The bank expects asset quality in vehicle finance to improve in H2FY27.

Rural banking and microfinance

- Microfinance gross slippages declined sharply to INR 191 crore from INR 884 crore YoY and INR 504 crore QoQ.
- The 31–90 DPD book improved to 0.6% from 2.2% YoY, indicating normalization in collections.
- Microfinance disbursements were INR 5,200 crore, while the overall book stood at INR 16,305 crore, down 3% QoQ.
- Around 74% of the portfolio is covered under the CGFMU guarantee scheme.
- Merchant finance grew 11% YoY to INR 8,095 crore, while affordable housing grew 21% YoY to INR 2,889 crore.

Consumer banking

- Consumer banking assets grew 2% QoQ to INR 31,617 crore, while disbursements increased 16% QoQ.
- Home loans grew 38% YoY and 6% QoQ to INR 6,889 crore.
- The gold loan book crossed INR 1,200 crore, showing strong traction in secured lending.
- Personal loans declined 4% QoQ to INR 9,930 crore and credit card loans declined 3% QoQ to INR 9,418 crore as the bank remained cautious on unsecured lending.
- Net slippage improved to 4.19% from 5.76% YoY, and the current quarter largely reflects the tail-end of earlier stress.

SME banking

- The bank continues to build its SME franchise through transaction banking, trade finance, and supply-chain finance initiatives.
- LAP grew 8% QoQ and business loans grew 4% QoQ, despite some migration to wholesale banking.
- The bank has indicated a clear intention to grow SME faster than the industry over the medium term.

Wholesale banking

- Average wholesale loan book grew 7% QoQ, marking a clear recovery after portfolio optimization.
- 82% of the wholesale portfolio is rated A- and above, indicating a better-quality book.
- Corporate and SME fee income grew 28% QoQ, with transaction banking contributing 55% of total wholesale and SME fees.
- Asset quality remained strong, with gross slippage at 0.17% and net slippage at 0.09%.

Deposits and liquidity

- Retail deposits grew 4% QoQ to INR 1,90,166 crore, and the retail deposit share improved to 49.5%, the highest level in the bank's history.
- Average LCR improved to 127% from 118%, strengthening the liquidity profile.
- Cost of deposits declined 12 bps QoQ to 5.95% due to a better deposit mix and lower pricing on savings and term deposits.
- Affluent and NRI deposits stood at INR 85,000 crore, up 2% QoQ, while the bank's NRI deposit market share remained strong at 3.6%.

Capital and ECL

- CET1 stood at 16.1% and total CRAR at 17.15%, providing adequate room for growth.
- The INR 10,000 crore equity raise approval is only an enabling resolution, with no immediate plan to raise capital.
- The upcoming ECL transition may have a one-time impact of 1.0–1.5% of the loan book on net worth, although the capital ratio impact is expected to be lower.

Key Financials

Profit & Loss Statement (INR Bn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Interest Income	457	487	463	469	514	564
Interest Expense	251	296	283	283	304	326
Net Interest Income	206	190	180	186	210	238
Non interest income	94	77	72	81	92	105
Operating income	300	267	252	267	302	343
Employee expense	39	43	54	60	67	75
Other operating expense	104	118	106	107	106	105
Operating Expense	143	161	160	166	173	180
PPOP	157	106	92	100	129	163
Provisions	38	70	79	48	47	46
PBT	119	36	13	53	83	118
Tax Expense	30	10	3	14	22	32
PAT	89	26	9	39	61	86
Diluted EPS (INR)	**149**	**44**	**12**	**49**	**78**	**111**

Balance Sheet (INR Bn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Source of Funds						
Share capital	8	8	8	8	8	8
Reserves & Surplus	619	636	645	676	718	779
Networth	627	643	653	684	726	786
ESOP	1	1	2	0	0	0
Borrowings	476	537	428	466	513	569
Deposits	3,848	4,111	4,002	4,282	4,667	5,087
Other liabilities & provisions	197	247	350	420	504	605
Total Equity & Liabilities	5,149	5,540	5,434	5,852	6,411	7,048
Uses of Funds	0	0	0	0	0	1
Cash & bank balance	842	1,066	962	1,097	1,287	1,491
Investments	1,065	1,145	1,250	1,313	1,379	1,448
Loans & advances	3,433	3,450	3,159	3,366	3,654	4,002
Fixed assets	22	24	24	28	32	37
Other assets	261	330	513	523	533	544
Total Assets	5,149	5,540	5,434	5,852	6,411	7,048

Source: Arihant Research, Company Filings.

Key Ratio	FY24	FY25	FY26	FY27E	FY28E	FY29E
Growth Rates						
Advances (%)	18.4%	0.5%	-8.4%	6.6%	8.6%	9.6%
Deposits (%)	14.4%	6.8%	-2.7%	7.0%	9.0%	9.0%
Total assets (%)	12.5%	7.6%	-1.9%	7.7%	9.5%	9.9%
NII (%)	17.2%	-7.7%	-5.5%	3.3%	13.2%	13.3%
Pre-provisioning profit (%)	9.7%	-32.4%	-13.6%	9.0%	29.1%	26.3%
PAT (%)	21.1%	-70.5%	-64.7%	312.7%	57.2%	42.2%
B/S Ratios						
Credit/Deposit (%)	89.2%	83.9%	78.9%	78.6%	78.3%	78.7%
CASA (%)	37.9%	32.8%	31.2%	32.1%	32.4%	32.7%
Advances/Total assets (%)	66.7%	62.3%	58.1%	57.5%	57.0%	56.8%
Leverage - Total Assets to Equity	8.2	8.6	8.3	8.6	8.8	9.0
Operating efficiency						
Cost/income (%)	47.5%	60.2%	63.5%	62.4%	57.2%	52.4%
Opex/total assets (%)	2.9%	2.9%	3.0%	2.9%	2.7%	2.6%
Opex/total interest earning assets	3.2%	3.3%	3.3%	3.4%	3.2%	3.0%
Profitability						
NIM (%)	4.5%	3.8%	3.6%	3.6%	3.8%	3.9%
RoA (%)	1.7%	0.5%	0.2%	0.7%	0.9%	1.2%
RoE (%)	14.3%	4.1%	1.4%	5.6%	8.3%	11.0%
Asset Quality						
Gross NPA (%)	1.9%	3.1%	3.4%	3.1%	2.7%	2.5%
Net NPA (%)	0.6%	1.0%	1.0%	1.0%	0.8%	0.7%
PCR (%)	69.5%	69.6%	71.4%	69.6%	70.1%	71.4%
Slippage (%)	2.1%	3.1%	0.5%	0.5%	0.5%	0.5%
Credit cost (%)	1.2%	2.0%	2.4%	1.5%	1.3%	1.2%
Per Share Data / Valuation						
EPS (INR)	149.1	44.0	12.0	49.4	77.7	110.5
BVPS (INR)	1,044.5	1,072.1	838.1	877.5	931.9	1,009.3
ABVPS (INR)	1,011.7	1,017.3	797.4	836.4	892.9	972.2
P/E (x)	5.8	19.5	71.8	17.4	11.1	7.8
P/BV (x)	0.8	0.8	1.0	1.0	0.9	0.9
P/ABV (x)	**0.9**	**0.8**	**1.1**	**1.0**	**1.0**	**0.9**

Source: Arihant Research, Company Filings,

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park	
Building No. 10, 1st Floor	6 Lad Colony,
Andheri Ghatkopar Link Road	Y.N. Road,
Chakala, Andheri (E)	Indore - 452003, (M.P.)
Mumbai – 400093	Tel: (91-731) 4217100/101
Tel: (91-22) 42254800	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.com	instresearch@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

Abhishek Chhajed Jain

Digitally signed by Abhishek Chhajed Jain
Date: 2026.07.23 09:12:29 +05'30'